

Audit Commission Pension Scheme for the Scheme  
Year ending 31 March 2025

Trustee's Report in respect of  
the Occupational Pension  
Schemes (Climate Change  
Governance and Reporting)  
Regulations 2021

[www.mypension.com/auditcommission](http://www.mypension.com/auditcommission)

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# Section 1: Introduction and Executive Summary

The Trustee of the Audit Commission Pension Scheme (hereinafter referred to as the “Trustee” and the “Scheme”, respectively) presents its annual report under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the “Regulations”) for the year ended 31 March 2025. The Guarantor of the Scheme is Secretary of State for Housing, Communities and Local Government.

The Scheme is subject to the requirement to produce climate change disclosures in line with the above regulation. The aim is to improve and increase reporting of climate-related financial risks and opportunities. This report sets out the Trustee’s approach to compliance in each of these four areas.

The climate change framework requires disclosures in four broad categories:

**Governance:** The Trustee has identified climate change as an important financial risk and opportunity which requires oversight. Whilst the Trustee retains ultimate responsibility in this area, it has delegated some responsibilities for implementing its policies to a range of providers to ensure these requirements can be met

**Strategy:** The Trustee has undertaken climate change scenario analysis to test the resilience of the Scheme’s funding strategy under a range of plausible climate scenarios, and the potential impact of risks and opportunities on the strategy and financial plans of the Scheme. Whilst the analysis has provided the Trustee with some reassurance on the robust nature of the Scheme’s funding strategy, it has highlighted that climate change could have a material impact on outcomes

**Risk management:** The Trustee has considered how it identifies, assesses, and manages climate-related risks. It does this through strong governance, as well as factoring in both top-down and bottom-up considerations of risk into portfolio analysis and decision making.

**Metrics and targets:** The Trustee will monitor how metrics (outlined below) evolve over time on an annual basis and understand the drivers for change (noting data availability is also expected to improve over time). The Trustee will also monitor the ongoing suitability of targets.



	31 Dec 2023	31 Dec 2024
<b>Total Carbon Emissions (“tCO2e”)</b>	36,845	38,985
<b>Carbon Footprint (tCO2e / \$m invested)</b>	49	53
<b>% of assets with approved Science based targets (SBTi)</b>	6.7%	10.7%
<b>Climate Value at Risk (CTVaR)</b>	-0.2%	-0.2%

The Trustee’s current goal is to reduce the Scheme’s carbon footprint (Scope 1 and 2 emissions, excluding index-linked gilts) by around 50% by 2030, and to achieve net-zero by 2050 (measured from a baseline of 2019). The baseline carbon footprint number from 2019 for progress to be measured against is 57 tCO2e / \$m invested.

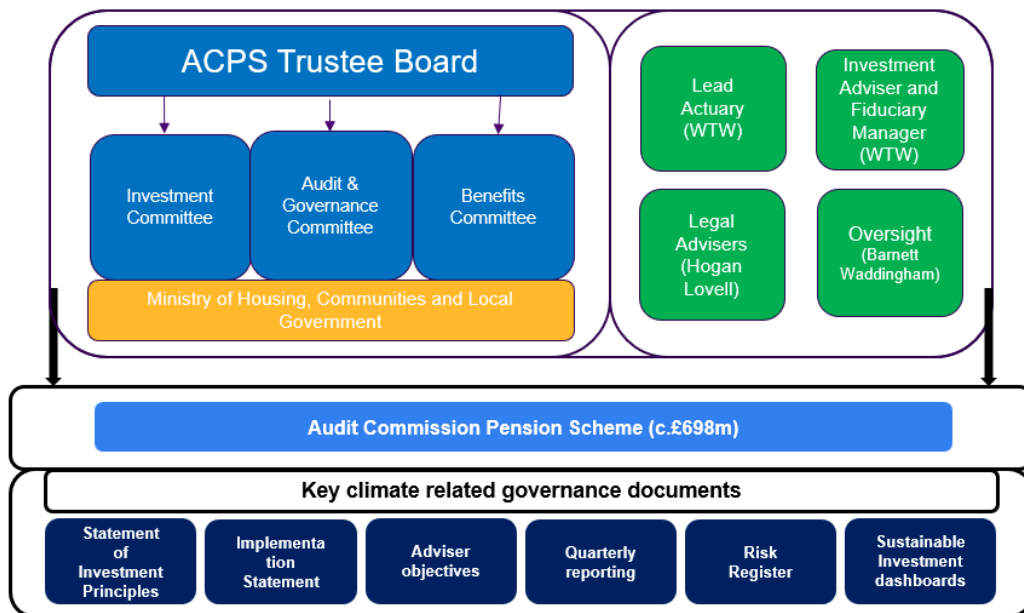
While the Scheme’s reported footprint has increased slightly over the year, the Trustee takes comfort that this is mainly due to improved data accuracy and coverage, and that that the footprint of the majority of the Scheme’s assets is comparable or lower than that of a similar standard market index (explored further on page 19). Whilst the path to net zero is complex, the Trustee remains committed to integrating SI considerations into the investment strategy, managing their impact on financial risks and opportunities, and pursuing long-term sustainable outcomes.

# Section 2: Governance

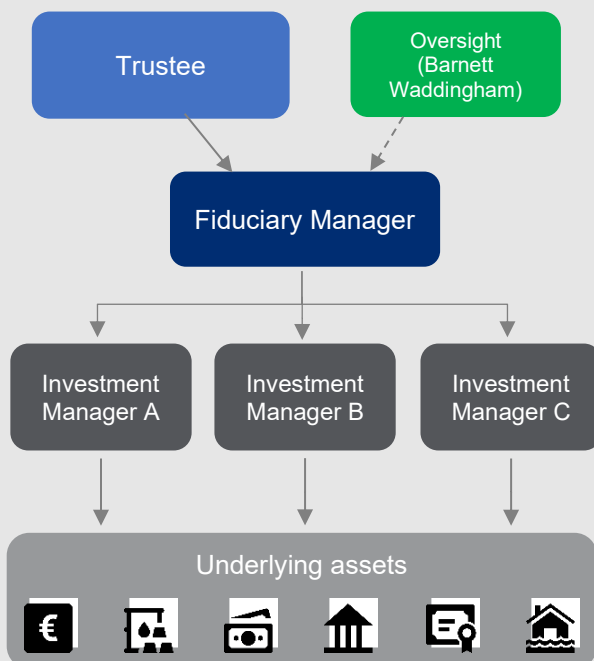
## Overview of strategy, investment portfolio and supporting context and changes over the year

### Overview of investment structure

The Scheme's governance structure is outlined in the graphic below. The Trustee of the Scheme is the group responsible directly for the Scheme and involved in day to day governance. The Trustee does however make use of committees to efficiently govern and conduct Scheme matters.



### How are the Schemes Investments Managed?



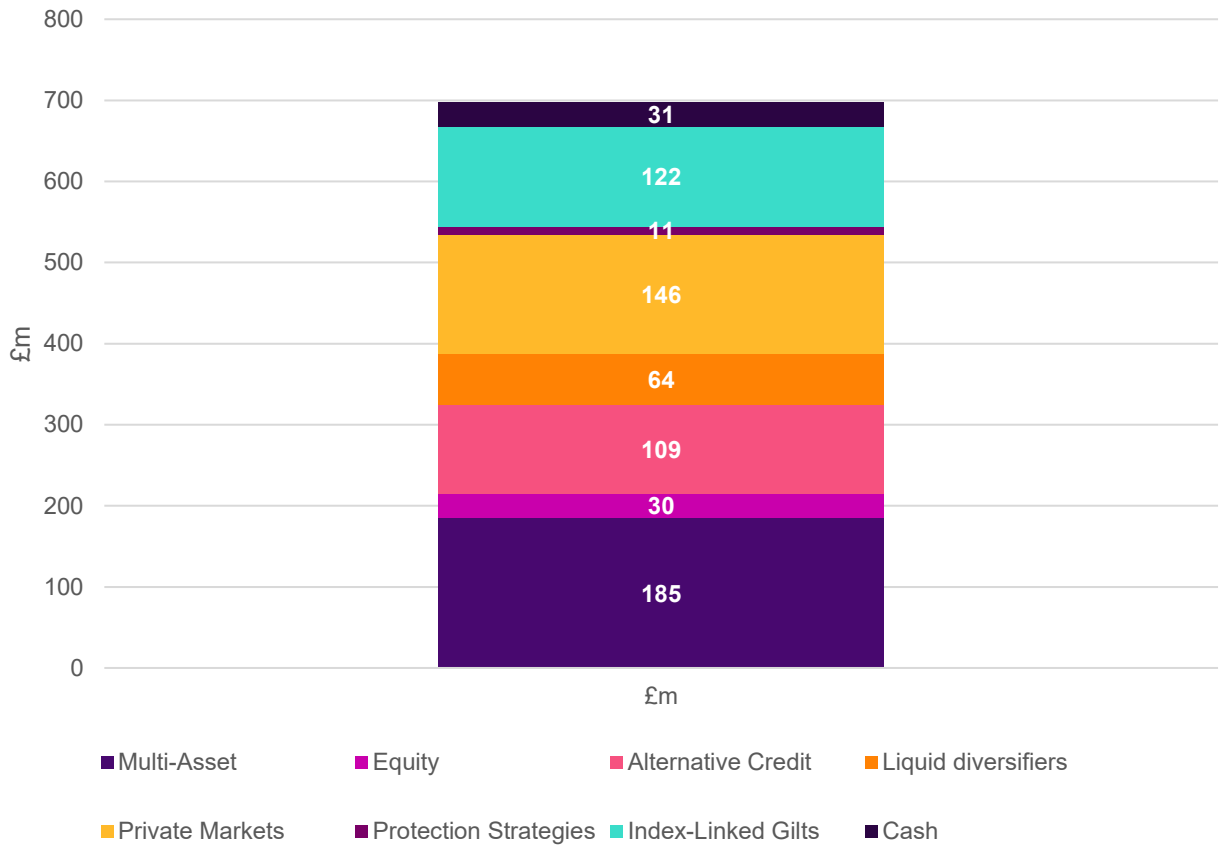
**Trustee** - The Trustee's long-term ambition is to pay all of the Scheme's benefit payments from the existing pool of Scheme assets. The Trustee retains overall responsibility for the Scheme's investment strategy but delegates some responsibilities to ensure they are undertaken by somebody with the appropriate skills, knowledge, and resources.

**Fiduciary Manager (WTW)** – The Trustee appoints a Fiduciary Manager (FM) to implement the Trustee's investment strategy. The FM allocates the Fund's assets between asset class and investment managers.

**Investment managers** – The FM appoints underlying investment managers using pooled vehicles. The FM will look for best in class specialist managers for each asset class.



**Underlying assets** – The investment managers pick the underlying investments for their specialist mandate (e.g. shares in a company, or government bonds.)

### The Scheme's investment portfolio as at 31 March 2025



## Overview of key climate activities conducted over the year

Over the Scheme year to 31 March 2025, the Trustee undertook a number of actions in line with the policies outlined above and in order to help achieve the ultimate aim of managing climate change risks and opportunities.




 <b>Stewardship</b>	 <b>Portfolio updates</b>	 <b>Governance updates</b>
<p><b>Stewardship services provider</b> – The Scheme’s Global Equities and Alternative Credit manager uses a leading stewardship services provider, with over \$2.2tn under advice as at end 2024. The stewardship services provider platform adds another level of direct corporate engagement in addition to the underlying managers and facilitates greater scale of stewardship impact. Over 2024 this included 994 company engagements on 4,267 issues and 143,075 voting recommendations, with 25,070 against management. The stewardship service provider also continued to be an active participant in several initiatives such as Principles for Responsible Investment and the Institutional Investors Group on Climate Change.</p> <p><b>Stewardship priorities</b> – The Trustee considers that stewardship is an important tool for managing risk and improving the financial outcomes of the Scheme. However, the Trustee also acknowledges that stewardship can be multifaceted and therefore it makes sense to have a small number of stewardship priorities to focus engagements over the short term. One of the Trustee’s selected priorities is climate, reflecting the Trustee’s belief that this is currently the single biggest Environmental, Social and Governance (ESG) risk and therefore requires specific attention. Climate has been an area where the Trustee (via the FM) has carried out engagements with its managers in the past, and the FM will continue to prioritise this in the future.</p>	<p><b>Climate solutions</b> - Over the year the Scheme continued to have a range of climate solution exposures (with exposure increasing over the year), including renewable energy focused assets.</p> <p>An example of a climate solution in the portfolio is a biodiversity focused investment which provides an opportunity to develop and maintain Habitat Banks across the UK for the purpose of generating and selling Biodiversity Net Gain (BNG) credits. These credits are part of a system designed to ensure that any development (e.g. houses or commercial buildings) leaves nature in a better state than it was before.</p> <p><b>Sustainable Investment (SI) considerations</b> - The annual deep dive on SI took place over the year, which included a review of individual managers’ SI capabilities. This included an assessment of SI ratings for each manager, which considers factors such as support and participation in sustainability initiatives. No managers were terminated on SI grounds over the year.</p> <p>The Trustee also carried out asset class reviews of the Scheme’s portfolio over the course of the year. These reviews include considerations of how SI risks and are being managed through the portfolio.</p> <p>During the year, the FM produced a number of SI related dashboards, one of which is focused on climate, which will be updated annually and will assist the Trustee on monitoring and managing SI risks throughout its investment portfolio over time.</p>	<p><b>Trustee training</b> – There were a number of ESG focused training sessions during the year.</p> <p>Over the year the FM put into place a regular schedule of SI-related items to be covered on a rotating cycle. The aim of this is to provide updates on various important areas of SI focuses (including decarbonisation, stewardship, horizon scanning), as well as address any regulatory requirements.</p> <p><b>Risk register updates</b> – In conjunction with the Investment Adviser, the Investment Committee undertakes quarterly reviews of the risk register. This includes key metrics used to assist in monitoring and managing climate change risk, as well as other areas of SI.</p> <p><b>Member communications</b> – The Trustee is also committed to keeping the Scheme’s members informed of the work carried out in the responsible investment space and how it impacts member benefit security. The Trustee published a member friendly update on SI as part of the member newsletter during the year.</p> <p><b>Adviser review</b> – The Trustee reviewed the Scheme’s FM against their objectives over the year, which included an assessment of the FM’s work in SI and climate change. The Trustee was happy that the FM’s work in this area was aligned to best practice in the sector.</p>

Over the scheme year to 31 March 2025, the FM has also carried out several activities to help the Trustee meet its climate goals including:

- The FM participated in a range of industry initiatives over the year to seek to exercise good stewardship practices. Please refer to their latest UK Stewardship Code for more information:  
<https://www.wtwco.com/en-gb/solutions/services/sustainable-investment>
- Recently confirmed maintained UK Stewardship Code signatory status for 1 January 2024 to 31 December 2024
- Employed a leading stewardship services provider.

- Maintained climate as their top theme for engaging with investment managers
- Over the year ending 31 December 2024 the FM conducted engagements with over 70 managers across asset classes. The FM also engaged on over 100 products on sustainability and stewardship.
- Invested in their portfolio construction tool incorporating climate metrics
- Researched over 150 sustainability themed strategies with a focus on climate
- Engaged with and responded to several government consultations

Below are some examples of these engagements in practice:

 <b>Case study: Engagement with UK regulators around pension scheme reporting</b>	 <b>Case study: Creating investment solutions integrating sustainability factors</b>	 <b>Case study: Monitoring engagement with higher risk companies</b>
<p>Our FM had discussed several topics with The Pensions Regulator to provide feedback and suggestions for improvements in areas relating to pension scheme reporting.</p> <p>Notable areas covered included how climate scenarios can be made more decision-making useful, and current client sentiment on UK pension scheme Task Force for Climate Related Financial Disclosures (TCFD) reporting.</p> <p>The FM initially discussed and then shared a paper with the regulator on the FM's approach to climate scenarios, with the aim of seeking to contribute to positive developments in this area.</p> <p>The FM also discussed client feedback on TCFD reporting — in particular, the benefits of reporting in its current form, and how this could be enhanced in the future to maintain engagement and add value in an area where there are often resource constraints, especially with smaller schemes.</p> <p>The FM continues to engage, where appropriate, with The Pensions Regulator to input into the constructive development of these regulations.</p>	<p>Our FM has worked with an index provider to launch the WTW Global Equity Diversified Index (GEDI) – an index which provides low cost factor exposure to investors, whilst also integrating sustainability factors.</p> <p>GEDI's approach to integrating ESG includes consideration of climate, and net zero, including incorporation of WTW's Climate Transition Value at Risk (CTVaR). It has rules for excluding stocks based on certain criteria and the strategy includes a net zero goal consistent with WTW Investments goal to achieve net zero greenhouse gas emissions across 'In Scope Solutions' by 2050. WTW believe the trajectory is important, so are also aiming to approximately halve emissions per amount invested by 2030.</p> <p>Post year end, the Scheme made an initial direct investment to this strategy, which the Trustee expects will assist the Scheme in meeting its climate goals over time.</p>	<p>Our FM undertakes analysis regularly on the Scheme's direct active global equities portfolio, and the degree of engagement undertaken in the portfolio by the stewardship services provider.</p> <p>This most recent analysis undertaken (for end 2024) provided a snapshot to the Trustee of the highest contributors to emissions (Scope 1 &amp; 2) in the portfolio, and whether these companies had been engaged over the period, and/or whether milestone progress had occurred.</p> <p>Pleasingly, all of the highest contributors to emissions in the portfolio had been engaged with over the 12 month period.</p> <p>The analysis particularly draws focus on the higher emitting, non-aligned issuers within the portfolio, and whether there are engagements being undertaken with these underlying holdings.</p>

**Overview of approach to climate change**

The Trustee has identified climate change, alongside other Environmental, Social and Governance (ESG) factors, as an important financial risk and opportunity which requires oversight and management over the long-term.

The Trustee has received ongoing investment training provided by its FM (“WTW”) on climate risk and the requirements of the regulations and recommendations of the TCFD, which has now ceased to exist. Given the pace of progress around SI, training and updates on climate and ESG has increased over recent years and is expected to remain a priority going forward.

The Trustee’s key overarching investment policies (including those in relation to climate) are detailed in the Trustee’s Statement of Investment Principles (SIP) which can be found online at: [www.mypension.com/auditcommission](http://www.mypension.com/auditcommission) and is available on request.

The Trustee also monitors the financial risks and opportunities associated with climate change through the Scheme’s risk register which details the controls and monitoring that the Trustee has in place to appropriately manage these risks and opportunities. The risk register is a standing item on the agenda of all Investment Committee meetings, and is reviewed on a quarterly basis.

Alongside this, given the importance placed on such issues, the Trustee maintains a set of SI beliefs which are set out in the SIP and also sets out its FM specific SI-related guidelines as part of the Fiduciary Management Agreement. Both of these were refreshed post year end to reflect the Trustee’s latest views.

Previously the Trustee undertook a member survey which included a question asking members whether they wanted to hear more about ESG, with 82% of members expressing an interest for this. During the year, the

Trustee produced a member newsletter which included an ‘Investing Responsibly’ section. This covered the Trustee’s current SI priorities, as well as an update on how the Scheme is managing climate risks, including the net zero goal. The full update can also be found online at: [www.mypension.com/auditcommission](http://www.mypension.com/auditcommission).

Whilst the Trustee may delegate certain aspects of its investment arrangements, the Trustee retains ultimate responsibility for setting the Scheme’s strategy, policies, and actions in this area and the Trustee ensures that the FM is closely monitored and held accountable for the work it does on behalf of the Scheme.

The Trustee regularly reviews its external consultants and advisers and will be explicitly considering their risk expertise, capabilities and resources and how they incorporate climate change into their advice as part of the next formal review process. The main parties to which the Trustee delegates some form of responsibility for implementing its policies in relation to climate change and SI more widely are outlined on the following page.



**Committees** - To ensure the effective management of the Scheme, the Trustee has established several committees including an Investment Committee (IC). The IC is responsible for setting the Trustee's investment strategy. The IC acts within a Terms of Reference, which set out its duties and reporting obligations.

Under its terms of reference, the IC is responsible for developing and implementing investment policy on ESG issues which includes carrying out tasks as appropriate under the four pillars, as was outlined by TCFD. This includes (but is not limited to) setting the overall approach for climate risk management and working with the Scheme's advisers to agree reported metrics and targets in relation to SI (including climate). The IC has received additional training in this area to ensure it is suitably qualified to discuss and take decisions about SI. The IC meets at least four times a year, with a different SI area covered each quarter, and a strong emphasis continuing to be placed on climate.

**Fiduciary Manager** – The Trustee has appointed WTW as its FM, responsible for ensuring climate change is considered as part of ongoing portfolio construction, the selection of the underlying investment managers and the conduct of its stewardship activities. WTW's approach to climate change and SI was a key determinant factor in their selection and a focus point of the Trustee's ongoing monitoring. Their investment processes consider and integrate sustainable investing. WTW works closely with the IC and provides regular assessment of its views on the underlying managers capabilities and performance in relation to ESG and stewardship, and a quantitative assessment of the Scheme's portfolio across a number of ESG criteria, including climate.

The Trustee has set the FM objectives against which they are assessed annually which includes reference to assisting the Trustee in assessing, managing and measuring climate risks and opportunities.

**Oversight Provider** – The Trustee also employs an Oversight Provider, Barnett Waddingham, who assists the Trustee with monitoring and holding the FM accountable for their actions around climate change. As part of its oversight activities, Barnett Waddingham compares WTW's SI-related activities against those of other fiduciary managers. BW also undertakes periodic sustainability and climate change reviews of WTW, with one of these undertaken during the year for the first time.

**Investment Managers** – Responsible for managing climate change risks and opportunities within their mandates, consistent with their investment guidelines. This includes the selection of assets as well as the managers' ongoing stewardship activities. The Trustee receives reporting on an annual basis to assess the underlying managers' competencies in SI. This provides an assessment of the managers' approach to ESG integration and stewardship activities. The FM assesses the investment managers approach to ESG integration and stewardship activities before investing on the Trustee's behalf, and on a periodic basis as part of its ongoing manager research activities. The Trustee was pleased to note the relatively high SI ratings assigned to the managers in the portfolio by the FM.

**Other advisers** – The Trustee may also take advice from other advisers such as the Scheme Actuary, and consider views expressed by the Ministry of Housing, Communities and Local Government, regarding the extent to which climate change may affect the funding strategy of the Scheme.

The Trustee recognises that climate change is a fast-evolving and complex area which therefore requires ongoing discussion and education.

Over the year, the Trustee has received training from the FM on a number of different SI topics, including as part of the regular schedule of SI agenda items. This includes recent SI developments (such as market

progress on net zero and latest industry developments), as well as how best practice in managing climate risks and approaching climate change is evolving. Post year end, the FM has also worked closely with the Trustee in more depth to outline how net zero is integrated into the investment process, and the degree to which this should be prioritised versus the Scheme's broader goals and objectives.

The FM also produces annually two Scheme specific SI related dashboards, one of which is focused on climate. The first dashboard focuses on the Scheme's integration, stewardship, and broader strategy of managing and influencing SI risks throughout its investment portfolio. The second dashboard focuses more on various climate portfolio metrics, given the importance of monitoring climate risks, and the Scheme's own net zero target. These dashboards are updated annually and help ensure that actions and exposures across multiple areas are assessed via a balanced scorecard of metrics, rather than solely focussing on emissions of the Scheme's investments.

The annual manager deep dive on SI covered the FM's approach to reviewing managers and how this is evolving, identifying key actions the underlying managers took over the past year and sight of the annual manager SI reviews.

The Trustee has a strong belief that stewardship (voting and engaging with the underlying companies in which the Scheme invests) is an important way in which the Trustee can meaningfully support better outcomes. The Trustee has identified climate change as its most important stewardship priority. The Trustee delegates part of the implementation of this policy to the FM and underlying investment managers but retains overall responsibility and accountability for the policy. The Trustee considers the implementation of this policy on at least an annual basis via its Implementation Statement. A further deep dive on stewardship (including a detailed summary of voting activity) was undertaken by the Trustee by the FM post year end.

### **Case Study – Stewardship services provider**

As outlined in our SIP, the Trustee recognises that the long-term financial success of investments is influenced by a range of factors which includes appropriate management of environmental, social and corporate governance issues (including climate). The FM engages with investment managers where appropriate on their approach to stewardship and engagement.

The FM also employs a stewardship service provider to support the efforts of the appointed investment managers in their company-level engagement on a wide range of topics. The stewardship provider, EOS at Federated Hermes (EOS) also carries out public policy engagement and advocacy on behalf of the Trustee.

As at 31 December 2024, EOS represented \$2.2trn of assets under advice.

The FM has been working closely with the stewardship service provider for many years, and the Head of Sustainable Investing chairs their Client Advisory Board. The FM engages with the stewardship services provider on behalf of the Trustee to help support its engagement approach and voting policies.

Over 2024, this included:

- 994 companies engaged across regions on 4,267 issues and objectives
- 62 companies in their core program featured engagements with the CEO or chair
- Making voting recommendations on 143,075 resolutions at 14,701 meetings, including recommended votes against 25,070 resolutions
- Participation in a range of global stewardship initiatives

# Section 3: Strategy





Appropriately managing the risks and opportunities associated with climate change from a strategic perspective is a key part of the Trustee’s role. The Trustee recognises that climate change could have a material impact on the potential success of the overarching funding strategy and therefore seeks to ensure that this matter is given appropriate consideration. To support this, the Trustee undertakes climate change scenario analysis to test the resilience of the Scheme’s funding strategy under a range of plausible climate scenarios. Importantly, the Trustee recognises that climate change could have a material impact on the investments of the Scheme and the life expectancy of the Scheme’s members. These aspects are therefore considered as part of this analysis. This scenario analysis was undertaken for the first time in 2023, using the 31 May 2023 funding level position on a gilts + 0.9% p.a. basis as a starting point. The Trustee’s intention is to repeat this analysis at least every three years or sooner should there be a material change in either the Scheme’s circumstances or the assumptions underlying the analysis. As such, it is intended for this analysis to be updated for next year’s version of this report.

To appropriately assess the impact of the climate change scenario analysis, the Trustee has agreed the following time horizons over which climate risks and opportunities should be considered:

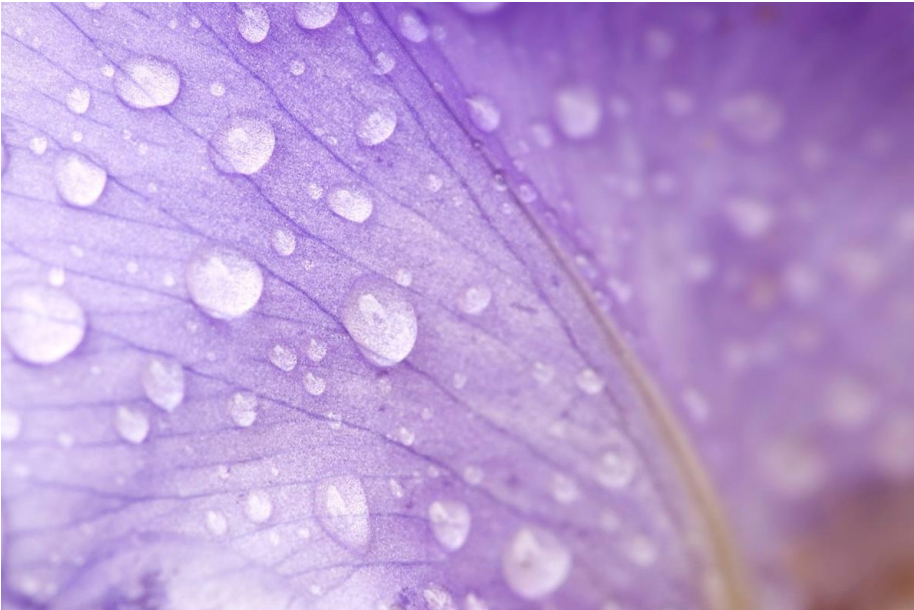


Short term	2026	This is the timeframe over which the funding strategy will be revisited in detail as part of the next Actuarial Valuation cycle (i.e. Growth Phase). The 2025 Actuarial Valuation will be finalised in time for next year’s report.
Medium term	2030	This is the timeframe over which significant climate action is expected, climate transition risks are expected to emerge and is aligned with the Trustee’s current net-zero objective of a reduction of carbon emissions by around 50% from 2019 levels by 2030 (i.e. Transition Phase)
Long term	2040	This is the timeframe consistent with the duration of the Scheme’s liabilities and the point at which a significant proportion of member benefits will have been paid out (i.e. Protection Phase)

The Trustee has identified the following categories of climate-related risks and opportunities:

 <p>Transition risk</p>	 <p>Physical risk</p>	 <p>Regulatory risk</p>	 <p>Reputational risk</p>
<p>The indirect impact arising because of changes in society and economies to combat or adapt to climate change</p>	<p>The direct impact arising because of chronic and/or acute changes in climate and extreme weather events</p>	<p>Regulators are increasing pressure on pension schemes to explicitly consider climate change. Regulatory and Government priorities are, however, evolving over time (e.g. US administration removal from Paris Agreement, UK evolving policy changes on petrol and electric vehicles)</p>	<p>The increasing spotlight on pension schemes and climate change increases the risk of being “named and shamed”</p>

<p><b>Examples:</b></p> <ul style="list-style-type: none"> <li>• Assets: Some industries become obsolete (e.g. coal), reinvent themselves or others emerge (electric vehicles)</li> <li>• Liabilities: Improvements in mortality from healthier lifestyles</li> </ul>	<ul style="list-style-type: none"> <li>• Assets: Damage to physical assets underpinning securities (e.g. real estate and infrastructure)</li> <li>• Liabilities: Excess deaths arising from extreme weather</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation Statement</li> <li>• DWP Pensions bill</li> <li>• Mandatory climate change reporting</li> </ul>	<ul style="list-style-type: none"> <li>• 2018 Environmental Audit Committee (EAC) report on 25 biggest UK schemes</li> </ul>
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The Trustee has assessed how the categories identified are relevant to the agreed short-, medium- and long-term time horizons.

	Short Term	Medium Term	Long Term
Timeframe	2026	2030	2040
Primary types of risk	<ul style="list-style-type: none"> <li>Regulatory</li> <li>Reputational</li> <li>Transition</li> </ul>	<ul style="list-style-type: none"> <li>Reputational</li> <li>Transition</li> </ul>	<ul style="list-style-type: none"> <li>Transition</li> <li>Physical</li> </ul>
Key risk exposure	<p>The Trustee is exposed to regulatory risks, including fines, if it does not comply with evolving regulatory requirements. However, shifting dynamics, most notably in the US, are also driving an increase in legal challenges and litigation related to ESG.</p> <p>The Trustee is exposed to reputational risks if the Trustee’s policies are misaligned with other asset owners.</p> <p>The Trustee is predominately exposed to transition risks through its holdings in various asset classes (including equity, credit, property and infrastructure).</p>	<p>The Trustee is exposed to reputational risks if the Trustee’s policies are misaligned with other asset owners.</p> <p>The Trustee is exposed to transition risks through its holdings in various asset classes (including equity, credit, property and infrastructure).</p> <p>Given the long-term nature of these risks, there is a high level of uncertainty in terms of the likely effect and the potential magnitude of their impact.</p>	<p>The Trustee may be exposed to transition risks through its holdings in various asset classes (including equity, credit, property and infrastructure).</p> <p>The Trustee may be exposed to physical risk through its holdings in various assets, in particular private markets.</p> <p>The Trustee may be exposed to the impact on insurer pricing of climate risk, including the impact on future expected returns and other financial and demographic assumptions.</p> <p>Given the long-term nature of these risks, there is a high level of uncertainty in terms of the likely effect and the potential magnitude of their impact.</p>
Potential opportunities	Encouraging existing funds to consider and where possible reduce exposure to transition risks engage with companies to develop a strong transition plan.		

# Climate scenario analysis

## Review of climate scenario analysis

The Trustee updates the climate scenario analysis at least every 3 years. In the intervening years, the Trustee reviews whether any factors have changed materially to warrant an additional update to the analysis.

Over the Scheme year the Trustee conducted this review and agreed that updating the climate scenario analysis was not warranted, as there were no material changes to the funding objectives and strategy of the Scheme. This included limited changes to the Scheme’s asset allocation and membership.

The Trustee is therefore continuing to progress the previous actions identified as part of the previous analysis, which are outlined in the Appendix. However, it is intended for this analysis to be updated in time for next year’s version of the report.



# Section 4: Risk Management

Climate change is a key risk and opportunity and therefore receives particular attention as part of the Trustee's ongoing risk management processes. The Trustee thinks about how it integrates climate into this in three ways:

## Governance

Climate change is included within the Trustee's risk register, which is reviewed on a quarterly basis. This clearly details the size and likelihood of the risk, the controls in place and the actions the Trustee takes to manage, mitigate, and exploit both the risk and opportunity. Although the Trustee retains ultimate ownership, the risk register clearly sets out the parties that assist the Trustee in its responsibilities.

## Top-down

The climate change scenario analysis shown in the Appendix provides the Trustee with a holistic overview of the potential impacts of climate change and how they may affect the Scheme's funding strategy. This is an important risk management tool for a top-down risk and opportunity assessment.

The Trustee has also agreed an overarching 'carbon journey plan' which represents a long-term goal to manage climate change financial risks and opportunities. As set out in the next section, this is a goal to reduce the Scheme's carbon footprint (Scope 1 and 2 emissions) by around 50% to 2030, and to reach net-zero by 2050, excluding index-linked gilts.

Although this ultimate goal is based upon the Scheme's carbon footprint, the Trustee recognises that this is a simple and backward looking metric and therefore the Trustee also monitors a dashboard of climate metrics alongside this. Exposures and trends across multiple metrics are assessed rather than focussing just on the carbon footprint target. These metrics are considered as part of the Scheme's climate dashboard produced annually, alongside this report.

## Bottom up

Sustainability is included in the FM's guidelines, defining how the FM will integrate considerations of SI into its ongoing portfolio management process for the Scheme.

In particular, the FM has placed emphasis on the importance of:

- A combination of decarbonising existing investments and new investments in long-term climate solutions
- Using multiple 'levers' including changes to risk management and asset allocation, manager selection, and index design
- The critical importance of effective stewardship and policy level engagement

The Trustee understands that whilst the net zero goal is important, it is one of a number of different 'goals' the Trustee has, alongside broader risk and return objectives. The Trustee will continue to work towards and monitor



progress against the net zero goal, alongside other metrics, as well as monitoring progress in the real economy as the transition unfolds.

As mentioned, the Trustee also conducts more granular analysis to manage the risks and opportunities associated with climate change.

These include:

Security analysis – The Trustee calculates various climate change related metrics for the underlying securities within the portfolio, via the climate dashboard produced by the FM. This includes metrics such as absolute carbon, carbon footprint, transition risk, and exposure to climate solutions. These provide the Trustee with a more detailed understanding of the Scheme's exposures.

Manager analysis – The Trustee also conducts an annual review of the FM and underlying investment manager policies, processes, and actions in the area of SI, which includes a focus on climate change.



## Stewardship

One of the other risk and opportunity assessment tools the Trustee uses is stewardship. As mentioned in other parts of the report, this is a key way in which the Trustee can influence the actions of companies and broader industry. Therefore, it is a strong lever to help mitigate the climate risk to which the Scheme is exposed and enhance the potential opportunities available as part of the climate transition. Over the year, the Trustee has undertaken, with support from its advisers and FM:

- Significant engagement via a stewardship services provider with companies and industry (see governance section)
- Setting stewardship priorities as a way to conduct focussed engagement and reporting
- A review of the stewardship practices of the underlying investment managers with a focus on assessing this relative to the Trustee's stewardship priorities (including climate)
- Contributing, via the FM, to a number of industry initiatives, working groups and consultations
- A review of the voting activities of the Scheme's global equity manager and reflected positively on the actions taken.

## Summary

Through the use of the variety of risk tools referenced above, the Trustee has identified a number of key areas to continue further work to help exploit and manage the opportunities and risks associated with climate change. The key priorities are continuing to ensure that the investment managers are appropriately factoring climate change into their approach and stewardship activities.

# Section 5: Metrics and Targets

## Introduction and overview

A key facet of the Trustee's ongoing monitoring and management of climate change is having good data on the Scheme's exposure in this area. Although there are limitations with some of the metrics presented and the completeness of data, the Trustee still has a belief that these can helpfully inform the ongoing monitoring and management of the Scheme. The Trustee considers metrics across the SI spectrum, but the focus within this report is those in climate change.

The metrics disclosed have been selected from the following categories:

- An absolute emissions metric
- An emissions intensity metric
- An alignment metric
- One additional climate change metric

It is also important to be clear which emissions are captured within the above metrics and therefore the Trustee has referred to the categories of emissions as follows:

- Scope 1 emissions: all direct emissions from the activities of an entity or the activities under its control
- Scope 2 emissions: indirect emissions from electricity purchased and used by an entity which are created during the production of energy which the entity uses
- Scope 3 emissions: all indirect emissions from the activities of the entity, other than scope 2 emissions, which occur from sources that the entity does not directly control.

Due to the nature of the emissions, Scope 3 emissions are significantly more difficult to calculate than Scope 1 or Scope 2 emissions for any given entity. It is also the case that, for some assets, even Scope 1 and Scope 2 emissions are difficult to calculate. The Trustee has included Scope 1, 2 and 3 emissions within this report. Scope 1 and 2 emissions are reported separately to Scope 3 emissions.



**The Scheme’s chosen metrics**

The following table details the rationale for choosing these metrics:

Metric	Definition	Rationale
Total Carbon Emissions (“tCO2e”)	<p>An ‘absolute emissions’ metrics which gives a measure of carbon emissions attributable to the Fund. This is calculated in line with the Greenhouse Gas (GHG) protocol methodology.</p> <p>The underlying emissions data has been sourced from MSCI and underlying managers and, in line with the protocol, includes all the major GHG gases with a conversion into carbon emissions equivalent quantities.</p>	Mandated as part of the DWP Statutory guidance
Carbon Footprint (tCO2e / \$ invested)	<p>An ‘emissions intensity’ metric which gives a measure of how many equivalent tonnes of carbon emissions attributed to each million invested. This uses a comparable methodology as the total carbon emissions referenced above for underlying data and emissions attribution for companies. The FM has used each entity’s enterprise value, including cash to attribute carbon emissions.</p>	It provides a direct measure of absolute emissions, which ultimately impact global outcomes and provides a simple comparable measure across portfolios of different sizes
Percentage of assets with approved Science based targets (“SBTi”)	<p>A ‘portfolio alignment’ metric which is a forward-looking measure of the percentage of assets with targets validated by the Science-Based Targets Initiative.</p>	It provides a consistent verification of a company’s alignment to the Paris agreement.
Climate Value at Risk (CTVaR)	<p>A metric that aims to directly assess potential financial sensitivity to climate-related risks and opportunities.</p>	This is forward looking to give a more well-rounded picture of Scheme progress.

As at 31 December 2024	Allocation	Carbon Emissions Data		% of assets with approved SBTs	Climate Value at Risk (CTVaR)
		Absolute Emissions (tCO <sub>2</sub> e) – Scope 1 & 2	Carbon Footprint (tCO <sub>2</sub> e / \$m) – Scope 1 & 2		
Total assets (excluding ILGs)	82%	38,985	53	10.7%	-0.2%
Multi-Asset	32%		49		
Equity	5%		32		
Alternative Credit	19%		125		
Liquid Diversifiers	10%		52		
Private Markets	25%		21		
Downside Risk Hedge	2%		-		
Cash	7%		0		
Index-Linked Gilts (ILGs)	18%	-	-	-	-
Index-Linked Gilts	100%			See further in report	

Carbon emissions (Scope 1 & 2) data quality	Data quality tier
Actual holdings – reported by company	38%
Actual holdings – estimated by manager	6%
Actual holdings – estimated by third party	8%
Proxied holdings	20%
No data	29%

#### Trustee observations of analysis

- The Trustee recognises the limitations associated with climate metrics given the underlying data quality and the ‘proxying’ of assets required. That said the Trustee reflects positively on being able to assess the portfolio through this lens and provide an assessment of the exposure to climate change risks and opportunities. Whilst there remains ongoing challenges with quality, there has been a meaningful increase in actual holdings data since last year in relation to carbon emissions data (52% from 31%). This provides the Trustee comfort that there remains progression in this area, and that the Trustee is now better positioned to assess and manage its portfolio emissions going forward.
- The Trustee noted that carbon footprint is not necessarily an indication of the Scheme’s exposure to climate risk, as the two are not always highly correlated. While the Scheme’s reported footprint has increased slightly over the year, the Trustee takes comfort that this is mainly due to improved data accuracy and coverage, and that that the footprint of the majority of the Scheme’s assets is comparable or lower than that of a similar standard market index. The Scheme’s higher allocation to credit at year end (since trimmed), has also had an impact on emissions this year, as a higher emitting asset class.
- The proportion of the Scheme’s portfolio aligned with the Science Based Targets initiative (SBTi) increased over the year, reflecting a positive shift in climate commitments among underlying holdings. While data coverage in this area remains relatively low, particularly in relative to private markets, the improvement is encouraging.
- The Scheme’s CTVaR remained broadly stable over the year. The metric continues to suggest that the Scheme’s portfolio is expected to be relatively resilient under a net zero transition scenario.

**Ultimately the Trustee was comfortable with the analysis presented, but continues to use these metrics to inform the actions referred to later in this section, and engage with the Scheme’s FM.**

## Data quality

Whilst the Trustee has aimed to carry out the analysis as far as it is able, the availability of data is dependent on external factors which are largely outside the Trustee's control such as certain companies not disclosing their carbon emissions. The data quality tables on the previous page show how the portfolio has been modelled, be it through the analysis of latest available actual holdings data (sourced from MSCI or underlying managers), or otherwise, using proxies. For the private assets the Trustee has proxied the exposure by using appropriate geographic and sector weights for the underlying holdings, or used actual data where available. The charts only show this breakdown in respect of the Scheme's assets excluding index-linked gilts.

Whilst the Trustee aims for 100% data quality for its underlying investments, it understands that there are limitations with data availability, particularly for private assets. The Trustee makes use of MSCI, a market leader in sustainability-related data, to provide ESG and carbon metrics for the underlying companies. Whilst MSCI has a broad, constantly expanding and improving set of data, this primarily covers public companies due to the nature of the legislative requirements for these companies. Private companies, on the other hand, are not always subject to the same level of transparency and thus often require proxying using characteristics that map to similar public companies. Our expectation is that data coverage will continue to improve as pressure from the investment industry leads, including from the Scheme's investment managers, to further transparency for private market assets and the Trustee will continue to monitor and encourage this over time.

Where data was not available on the underlying holdings, the Trustee has followed the 'pro-rata approach' which involves scaling up the portfolio data that exists rather than assuming such positions have zero emissions, or zero CTVaR. The exception to this is the percentage of assets with approved SBTi. The

Trustee excludes proxy data from this calculation, and assumes a zero figure for missing data. For this metric, the Trustee believes this is a more prudent approach to take going forward.

On the Trustee's behalf, the FM is continuing to work actively with its investment managers to improve the quality of the data supplied for these purposes over time. The Trustee will monitor how these metrics evolve over time on an annual basis and understand the drivers for change.

## Target

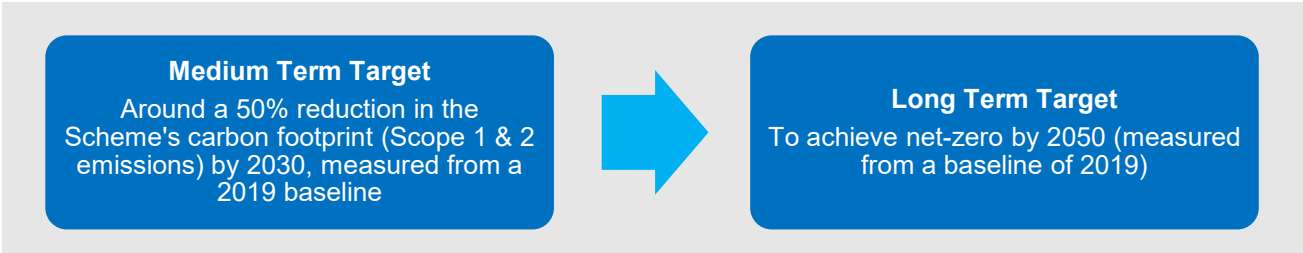
The Trustee has identified carbon footprint as the metric on which to set a target.

The Trustee is reassured that the FM has also made a commitment that is consistent with this target and a key part of our responsibility will be monitoring the FM's progress against this objective over time. The Trustee intends that this goal will be achieved through engagement (with the Scheme's underlying managers and companies invested in), impact investing (in assets such as green energy), strategic changes (investing in assets with lower climate risk), and also as a result of the 'free-rider' effect. This recognises that although the Trustee has and will take positive actions, the Trustee won't be able to achieve this goal alone and will require the continued collaboration of the global community to combat climate change.

**Target**

The Trustee acknowledges the current challenges facing the global investment community in achieving net zero targets. These include geopolitical tensions, changing regulatory frameworks and industry dynamics, as well as the need for substantial new technological and infrastructural advancements. Whilst these headwinds can make the path to net zero more complex, the Trustee remains committed to integrating SI considerations into the investment strategy, managing their impact on financial risks and opportunities, and pursuing long-term sustainable outcomes. The transition to a low-carbon economy is a gradual process, and the Trustee is focused on navigating these challenges responsibly. The Trustee recognises that whilst measurement of progress is important, there is no single

definitive metric that can be used to adequately measure this as climate is a multi-dimensional issue, and the data and analytics in this space are rapidly evolving. In line with the regulations, the Trustee has however set a target on a single metric which is outlined below. It is well acknowledged in the industry that there are several difficulties associated with measuring progress against a carbon footprint goal, such as data quality, backdating of metric information and the fact that changes in the metric are often driven largely by noise (e.g. a company value changing) rather than reductions in real world emissions. The Trustee therefore measures success by monitoring change in multiple metrics and also by reviewing the actual actions taken by the third parties that it collaborates with.



The Trustee has reported year on year progress in relation to the reported carbon footprint (Scope 1 and 2 emissions, as defined on page 18) of the Scheme’s assets, excluding index-linked gilts. As can be seen from the table below, this has increased slightly over the period, but remains lower than the 2019 baseline (57 tCO<sub>2</sub>e / \$m).

Over time, the Trustee expects that the longer-term trend of Scheme’s carbon footprint will continue downwards, towards the Trustee’s net-zero target. The Trustee, however, also

recognise that there may be short term deviations and volatility in some years (e.g. this year). This could be due to changes in underlying holdings and ongoing developments within the industry (such as data availability and methodology changes). The Trustee also recognises that a key driver of change will be the actions of governments, consumers and corporates and while the Trustee will do what it can to ensure the objective is achieved, there is reliance placed on the actions of others.

	As at end Dec 2023	As at end Dec 2024	
	Carbon Footprint (tCO <sub>2</sub> e / \$m) – Scope 1 & 2	Carbon Footprint (tCO <sub>2</sub> e / \$m) – Scope 1 & 2	Year on year change
Total Assets (excluding ILGs)	49	53	+8%

### **Steps taken to achieve target**

The Trustee has taken the following steps to help achieve the target outlined. These are in addition to the various other points referred to throughout this statement.

- Appointed an FM that has made a goal that is consistent with the Trustee's goal. The Trustee assesses the FM annually.
- The Scheme's Global Equity manager has appointed a leading stewardship provider to engage with companies, industry initiatives and regulators to support decarbonisation over time
- The Trustee has noted the engagement activities of the FM over the year and was comfortable with the work being undertaken
- The underlying managers continue to have strong policies and processes in these areas
- The regular schedule of SI-related items covered on a rotating cycle with the Trustee over the year, covering various important different areas of SI, including net zero
- The Scheme specific SI dashboards produced by the FM annually, one of which is focused on climate, that assist the Trustee on monitoring and managing SI risks throughout its investment portfolio over time

**Government Bond investments**

As referenced early in the report, the Trustee has agreed to exclude Government Bonds from the Scheme’s target and to report the climate metrics for these asset classes separately. The reason for the separate disclosure is because the underlying methodology is materially different, as are the potential actions available to the Trustee.

For UK Government Bonds, for example, the carbon emissions are calculated as the territorial emissions in the whole of the UK (i.e. those that take place within a country's territorial boundaries and include exports but omits imports). The denomination used to attribute emissions is the total amount of UK Government Debt outstanding.

The rationale then for the current exclusion of Government Bonds from the Scheme’s target is as follows:

- The Trustee primarily holds Government Bonds (in the form of index-linked gilts) as assets to hedge the Scheme’s liabilities and as such, even if reducing exposure to these assets would lead to an overall improvement in climate metrics, it would open the Scheme up to excessive funding and investment risk
- The Trustee recognises that it has limited capacity and capability to engage with the Governments on climate related metrics
- The level of financial risk arising from these assets is perceived to be much smaller (i.e. the influence of climate change on the price of Government Bonds in comparison to the other assets held is likely to be lower)

Whilst this provide the rationale as to why the Scheme excludes liability hedging assets from the Scheme’s target, the Trustee still believes it is useful to monitor these figures over time.

As such, the table below shows the climate metrics provided by Insight, who manages the Scheme’s index-linked gilt exposure.

The Trustee, via their FM, also continues to monitor that the manager of these Government bonds appropriately considers climate change in their actions, whether that be selecting bank counterparties for derivatives or engaging with industry discussions and consultations on climate related matters. The FM has also partnered with a manager in this space which the FM views positively in their approach to climate change.

Metric	Index-Linked Gilts
Total allocation	£122m
Total allocation (% of portfolio)	17%
Absolute Emissions (tCO2e)	15,956
Carbon footprint (tCO2e / £m invested)	166

**The Trustee’s view on approaching scope 3 emissions**

Scope 3 emissions data is critical to help build a better picture as we decarbonise our portfolios and economies. However, the Trustee believes that current reported scope 3 emissions data is largely inadequate for purposes including making accurate climate-informed investment decisions. Further, given data issues, the Trustee believes that disclosing the scope 3 emissions of investment portfolios at this stage will necessarily be limited in coverage, subject to large estimation errors, and not fit for meaningful comparison between investors or over time. At a minimum, the Trustee believes any scope 3 emissions disclosures should be disaggregated from Scope 1 and 2 emissions. The Scope 3 emissions are therefore outlined below separately.

Data providers, like MSCI, have tried to solve for this problem by providing scope 3 datasets using proprietary models and internally vetted methodologies. However, current solutions rely significantly on top-down sector emissions data with limited use of bottom-up data (which is company-specific). Models that rely on sector information limit users’ ability to distinguish companies from peers. While there is sizable support from the investment industry and others for better disclosures, we need to be realistic around the current issues of reliability of scope 3 data available.

Importantly, assessing risks and opportunities are not purely about emissions. A holistic picture that uses various metrics can be achieved through our FM’s climate dashboard approach.

As at 31 December 2024	Carbon Emissions Data	
	Absolute Emissions (tCO2e) – Scope 3	Carbon Footprint (tCO2e / \$m) – Scope 3
Total assets (ex ILGs)	360,228	493

The Trustee believes that this balanced scorecard approach can helpfully inform investment decision-making and support the construction of robust and resilient portfolios.

Whilst scope 3 emissions disclosure is improving, we believe that the investment industry can play a proactive role in accelerating and supporting this trend. Our FM is working closely with and engaging data providers to promote better disclosures. Similarly, our FM engages extensively with the asset management community, including on pushing for better corporate disclosure, and for the adoption of generally accepted standards and methodologies. Our FM also undertakes direct and indirect policy engagement, advocating for the adoption of common standards and methodologies, including those of the International Sustainability Standards Board. Our FM believes the recently released IFRS S1 and S2 accounting standards, including provisions around scope 3 emissions, are a highly significant forward step.

The increase in scope 3 emissions relative to last year (201 tCO2e / \$m) has been substantially driven by an increased allocation to a company heavily involved in the energy transition. This should not be viewed as a structural increase in the overall portfolio’s Scope 3 emissions, as the exposure is from a high turnover hedge fund strategy (a long short equity manager that aims to profit from stocks both gaining and losing value). This strategy in particular has a focus on benefitting from the climate transition.

Carbon emissions (Scope 3) data quality	Data quality tier
Actual holdings – reported by company	22%
Actual holdings – estimated by manager	0%
Actual holdings – estimated by third party	5%
Proxied holdings	28%
No data	46%

**Going forward**

The Trustee will continue to review the goal that has been set to consider whether it remains fit for purpose and to take account of some of the limitations referred to above. As mentioned, the goal aside, the Trustee continues to focus on taking appropriate actions to manage the risks and opportunities, and to monitor and balanced scorecard of climate metrics in line with the belief that climate change will have a material impact on financial outcomes.

The Trustee is continuing to monitor the evolving climate measurement landscape with the expectation that the robustness of the metrics will improve over time. The Trustee looks forward to sharing updates on our progress in monitoring and managing climate risks and opportunities next year.



# Appendix – climate scenario analysis

As at 31 March 2023

Working with its FM, the Trustee seeks to mitigate the risks and take advantage of opportunities which may occur so as to improve the likelihood of the Scheme meeting its short- and medium-term funding and investment goals.

These time horizons, risks and opportunities are key inputs into the Trustee’s climate scenario analysis. The Trustee, in conjunction with the FM and input from the Scheme Actuary, has conducted this scenario stress testing and presented the results within this section. The key climate scenarios that the Trustee has considered are:

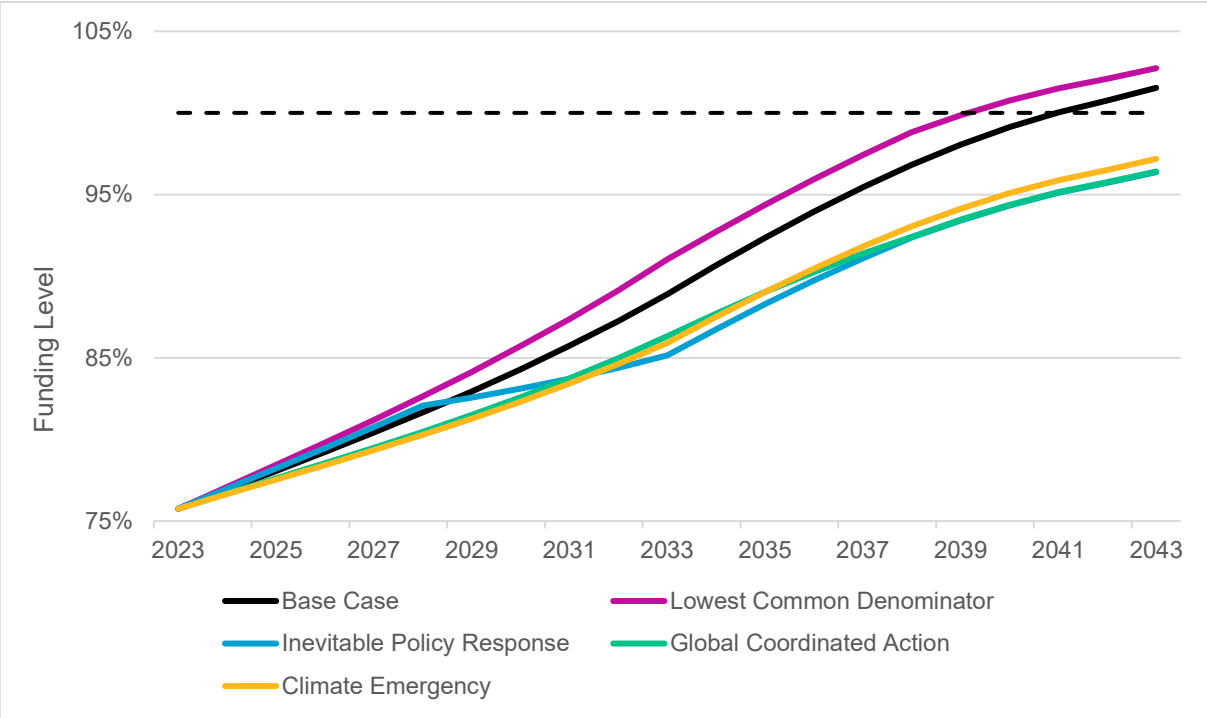
	Lowest Common Denominator	Inevitable Policy Response	Global Coordinated Action	Climate Emergency
Description	A ‘business as usual’ scenario where current policies continue with no further attempt to incentivise further emission reductions.	A delay in meaningful action but a rapid shift in policy in the mid/late 2020s. Policies are implemented but not in a very co-ordinated manner.	Policy makers agree on and immediately implement policies to reduce emissions in a globally co-ordinated manner.	An immediate, ambitious and coordinated response in which aggressive policy is pursued and more extensive technology shifts are achieved.
Temperature rise vs pre-industrial levels	3.5°C	2.0°C	2.0°C	1.5°C
% of Renewable energy by 2050	30-40%	80-85%	65-70%	80-85%
Transition risk level (shorter term)	Low	High	Low – Medium	Medium – High
Physical risk level (Medium-longer term)	High	Low – Medium	Low	Low

The scenarios were created to reflect the differing paths that could be taken to meet, or fail to meet, the temperature rise target agreed as part of the Paris Agreement. The Paris target is to limit global temperature rises to well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. The scenarios differ in the size of the physical risks, based on the resulting temperature impacts, but also in the size of the transition risks. In the view of the Trustee, the four scenarios selected reflect an appropriate range of plausible decarbonisation pathways and are relevant in the context of the Scheme’s journey and funding plans. The Trustee recognises that there is the potential for more extreme outcomes than reflected in the chosen scenarios.

Below the Trustee has illustrated the impact of the climate change scenarios on the Scheme’s funding level. The key results from the climate scenario analysis are outlined below. The Trustee has considered these over a timeframe that is consistent with the Scheme’s longer term time horizon (c.15 years). The Trustee recognises that assuming such climate scenarios are priced in gradually, year by year, is an unrealistic expectation and in practice this is likely to be far less linear. The Trustee has therefore also included a one-off shock which seeks to illustrate the impact if climate change was to be reflected instantaneously. This assumes that markets immediately price in the transition and physical risks over the next 20 years and that the market initially overreacts to this news in struggling to price in the actual impact. Whilst this is potentially unrealistic, the Trustee thinks this helpfully stress tests the assumptions made in the analysis and helps consider how robust the funding strategy might be. The Trustee also recognises the uncertainty in the underlying assumptions and that, in reality, the shocks experienced could be larger.

In some climate scenarios, the modelling process implies reduced life expectancies (relative to other scenarios and/or schemes’ central mortality assumptions) and therefore a relative reduction in the Scheme’s liabilities. This is a plausible potential outcome arising from the negative impacts of increasing climate change. This can suggest a relative improvement in the expected funding position for the Scheme even when combined with associated reductions in the value of the Scheme’s assets. However, it is important to recognise that an assessment of what is in the best interests of the Scheme and its members is a much broader question than the impact on funding level alone. Key considerations may be a reduction in the quality (and length) of members’ lives, and the quality of the environment that they will retire into. Consequently, the results of any such modelling should not be assumed to reflect any complacency or acceptance (either implicit or explicit) that the Trustee considers global inaction or business-as-usual with respect to climate change to be in the best interests of the Scheme or its members. The Trustee believes that climate change is a systematic risk of unprecedented scale and severity. Actions to address it are a collective priority, given the risks it presents to individual pension schemes, the ongoing resilience of the savings universe, and the planet as a whole.

**Impact of Climate Drags on the Scheme’s Funding Level**



Scenario	Asset Return Drag pa.*	Liability Return Drag pa.*	Projected Funding Level in 2026	Projected Funding Level in 2030	Projected Funding Level in 2040	Projected Funding Level in 2043
Base Case	-	-	79%	84%	99%	102%
Lowest Common Denominator	-0.12%	-0.18%	80%	86%	101%	103%
Inevitable Policy Response	-0.34%	-0.08%	79%	83%	94%	96%
Global Coordinated Action	-0.14%	0.12%	79%	83%	94%	96%
Climate Emergency	-0.24%	-0.03%	78%	82%	95%	97%

\*Relative to Base Case.

### Impact of Climate Shocks on the Scheme's Funding Level

Scenario	Asset Shock (£m)	Liability Shock (£m)	Change in Deficit (£m)*	Immediate Change in funding level
Lowest Common Denominator	-73	-34	-39	-5%
Inevitable Policy Response	-98	-15	-83	-9%
Global Coordinated Action	-58	25	-83	-8%
Climate Emergency	-66	-5	-61	-6%

\*Positive number is a reduction in deficit

As a result of the combined analysis, the Trustee's assessment is that climate change does pose a risk to the investment and funding strategy of the Scheme. However, the Trustee has taken a number of steps to increase the level of protection against the impact of climate change, both as a gradual impact and a sudden shock. For example:

- **The Scheme's diversified asset portfolio** – The Scheme's asset portfolio invests in a large range of assets which are estimated to be affected by climate change to a different extent and in different stages. Therefore, diversification of the Scheme's asset portfolio contributes to dampening the adverse effects of climate change.
- **The Scheme's planned de-risking of the asset portfolio** – The Scheme's journey plan assumes a gradual de-risk in later years which reduces the proportion of 'return-seeking' assets and instead largely invests in very high-quality debt securities (both Government and Corporate), targeting a gradually lower investment return.
- **The allocation to climate positive investments** – The Scheme has an allocation to investments which are expected to benefit from the transition to a low-carbon economy. These include investments in a Climate Transition Index through its Multi-Asset holding.

Although the analysis provided the Trustee with some reassurance on the robust nature of the Scheme's funding strategy, it did clearly highlight that climate change could have a material impact on the Scheme's outcomes. This reiterated to the Trustee that it warrants continued focus as part of the Trustee's broader SI strategy and should remain a priority area for portfolio monitoring, stewardship activities and manager engagement. In terms of next steps, the Trustee is focussing on the following:

- An ongoing review of investment beliefs, including sustainable investments beliefs
- Annual Scheme SI review, including monitoring of underlying manager engagement
- Monitoring of engagement through the Implementation Statement

As mentioned earlier, the Trustee intends to update this analysis at least every three years and will be testing annually whether this needs to be done more frequently, including if there have been material changes to the scenarios used or the Scheme's funding strategy.