Capgemini UK Pension Plan

TCFD Report 2024

Contents

Key terms

Trustees (We/Our/Us) - The group of individuals who are responsible for the investment of the Plan's assets and managing the administration of the Plan.

Plan – Capgemini UK Pension Plan

DB - Defined Benefit (also known as final salary)

DC - Defined Contribution (also known as or money purchase)

Fiduciary Manager (FM) – An organisation appointed to manage investments on behalf of the Plan and advise on the appointment of investment managers. Our FM is Van Lanschot Kempen (VLK).

Investment Consultant – The organisation appointed to advise on investment issues for the Plan. Our Investment Consultant is XPS Investment Limited.

Investment Manager - A person or organisation appointed by the Trustees or FM to manage investments on behalf of the Plan.

Investment Platform Provider – A single provider offering access to a wide variety of underlying pooled investment funds which may be managed by different Investment Managers. Our investment platform provider for DC is Legal & General Investment Management (LGIM).

Sponsoring Employer – Capgemini UK Plc

Company – Capgemini SE

ISC – Investment Sub-Committee

DCSC – DC Sub-Committee

TCFD – Task Force for Climate-Related Financial Disclosures - a framework to help public companies and other organizations disclose climate-related risks and opportunities. The Pension Schemes Act 2021 requires schemes of certain types and sizes report against this framework.

SIPs – The Trustees' Statements of Investment Principles

ESG - Environmental, Social and Governance

Statement from the Chair

On behalf of the Plan, I am pleased to present our second report covering our sustainability efforts and our undertakings in relation to the Plan. As required by legislation, the report has been prepared in accordance with the Task Force on Climate-Related Financial Disclosures ("TCFD").

We believe that financially material ESG and climate change issues can impact the value of financial assets and therefore the ability to generate long-term sustainable returns for both DB assets and DC members. As such, we acknowledge it is in the best interest of members and our fiduciary duty, to take these issues into consideration. We believe these issues need to be integrated within the investment strategy and embedded throughout the investment process.

To ensure a consistent, well-rounded and accountable approach to sustainable investing, we have documented our views and approach for the DB and DC investments as set out in the Plan's SIPs. These SIPs cover our beliefs relating to sustainable investing, including the selection of assets and engagement. We have developed these policies through detailed discussions as a group, with additional training and input provided by our Investment Consultant and Fiduciary Manager as appropriate. We have also consulted with the Plan's Sponsoring Employer.

We continue to explore the extent to which we can and should align the Plan's investment strategy with industry or societal goals such as the Paris Agreement, Net Zero or climate action pathways. We continue to consider these issues and have taken some steps in relation to certain elements of the portfolio within both the DB and DC sections, but a more holistic ambition is yet to be formalised.

Last year we set a target to improve Data Quality as our main climate metric. We are pleased to report that for the DC section Data Quality increased from 70% to c90%. In the DB section, after allowing for changes in asset allocation, the Data Quality increased from 87% to 90%. We are reliant on information supplied by companies and investment managers in improving our Data Quality score but note the progress. Absolute emissions and emissions intensity declined for the DB section, but the implied temperature rose from 2.2°C to 2.4°C. In the DC section the implied temperature fell from 2.4°C to 2.2°C.

Whilst we recognise the progress we have made to date, we know this journey is not complete and more can be done, especially as 'best practice' and regulation will continue to evolve.

Please enjoy the contents of this report which I hope you find to be informative of our approach.

Ian Pittaway
Chair of Trustees

Climate change is the large-scale, long-term shift in global weather patterns and temperatures. It poses possible threats to our planet and society and a risk to financial markets.

The potential severity of the impacts motivated the global commitment to reducing emissions via the Paris Agreement. Policy responses to achieve 1.5°C or 2.0°C alignment will result in changes to the fundamental structure of the economy and society, resulting in impacts on investment portfolios.

These impacts may be positive or negative depending on whether they represent a risk of potential losses or an opportunity for additional returns. It is part of our fiduciary duty to manage the risks and seek out potential opportunities associated with climate change.

Introduction to the TCFD

The TCFD framework can be separated into four key sections: Governance, Strategy, Risk Management, and Metrics and Targets. The recommended disclosures are as follows:

Governance	• Describe the board's oversight of climate-related risks and opportunities. • Describe management's role in assessing and managing climate-related risks and opportunities.
Strategy	• Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term. • Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. • Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.
Risk Management	• Describe the organisation's processes for identifying and assessing climate-related risks. • Describe the organisation's processes for managing climate-related risks. • Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.
Metrics and Targets	• Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. • Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks. • Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Although the TCFD recommendations focus on "disclosures" by organisations, the framework is relevant to pension trustees in the assessment of the relevance of climate change and managing any consequences.

In line with guidance from The Pensions Regulator, we carry out Governance and Risk Management activities in respect of all investments held under the Plan. Strategy analysis, including scenario testing, is carried out in relation to all the DB assets held by the Plan and each popular* DC arrangement offered by the Plan. The same approach is adopted for reporting metrics and the reporting against targets.

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Climate-related issues are complex in nature and can be difficult to report. To address this problem, the Financial Stability Board (FSB) created the Task Force on Climate-related Financial Disclosures (TCFD) in 2015. Following a consultation, TCFD published a framework of recommendations in 2017 to improve the way that private and public organisations can report on climate-related financial information.

TCFD called for voluntary ***climate-related financial disclosures*** *that are consistent, comparable, reliable, clear and efficient, and provide decision-useful information to lenders, insurers, and investors.*

In the UK, the Pension Schemes Act 2021 (PSA 2021) introduced new requirements for scheme trustees, with a view to securing that there is effective governance of the scheme with respect to the effects of climate change. It also introduced a requirement for information relating to the effects of climate change on the scheme to be published. As part of this, new governance and reporting requirements are being phased in. These new requirements implement the recommendations of the TCFD.

In 2023, having fulfilled its remit, the task force was disbanded. FSB asked the International Financial Reporting Standards (IFRS) Foundation to take over the monitoring of the progress of companies' climate-related disclosures. UK pensions schemes which fall within the scope of the requirements of the PSA 2021 continue to report against the TCFD framework.

* *A popular arrangement has been defined by The Pensions Regulator as one in which £100m or more of the Plan's DC assets are invested, or which accounts for 10% or more of the assets. For the Plan, this includes: The default arrangement for each DC section and any fund which amounts to more than £100m or more than 10% of each DC section's assets (we will measure this as at any calendar quarter end during the reporting year).*

The definitions of key terms on climate related issues can be found in the Appendix

Summary for members

Why do we produce this report?

As Trustees of the Capgemini UK Pension Plan, we are legally required to publish an annual report covering the effects climate change has on the Plan.

What is TCFD?

TCFD stands for the Task Force on Climate-related Financial Disclosures (TCFD). It was set up in 2015 and established a global framework to improve the way private and public organisations report on climate-related financial information. This report is produced using that framework, as required by pensions legislation.

What does this report cover?

The report covers how we think about climate change when we manage and make decisions in relation to the Plan. This is not just which companies the Plan does or does not invest in, but the way climate change could impact how well funded the Plan is in the future (for DB members) and the size of pension pots (for DC members).

We also report on the activities carried out over the year in relation to climate change. The most notable change this year was the introduction of a new strategy for the default arrangements available to members in the DC sections together with a new self select fund range, both of which have a greater focus on climate change and sustainable investments.

The report also includes specific climate measurements which show the level of carbon emissions associated with the assets held.

Why does this matter?

Climate change could have long term effects on our planet, our life expectancy and the global economy. The higher global temperatures rise, the worse these effects could be and the bigger the impact on the Plan. So, it is important that we take steps to manage these risks – not just because it is good for the planet but also because it could directly impact you in retirement.

Is it all bad news?

No. Although climate change poses big risks for the Plan and society as a whole, there are also opportunities for additional returns as companies make the transition to a low carbon economy. We try to capture these opportunities as well as managing the risks, by only appointing investment managers who demonstrate that they are considering climate change when selecting investments on behalf of the Plan.

Does this report cover all investments held under the Plan?

Where we describe our approach and activities in relation to climate change this covers all investments held under the Plan. We have separated this out for DB and DC where appropriate.

The climate measurements we report are not yet available for some types of investment, although progress is being made in this regard. One of the measurements we report is the proportion of Plan assets covered and our target is for this to improve over time.

For the DC sections we only report these measurements for the default arrangements.

Are we setting a net zero target for the Plan?

We haven’t set a formal net zero target for the Plan but some of the investment funds we use (and the companies we invest in) do have net zero targets.

What are the climate measurements included in the report and what do they signify?

We are required to report on a minimum of one absolute emissions metric, one emissions intensity metric, one portfolio alignment metric and one additional climate change metric.

Absolute emissions is a figure that represents the total absolute greenhouse gas emissions associated with the Plan’s assets. It is reported in tons of carbon dioxide.

The intensity emissions figure gives an indication of the Plan’s exposure to carbon intensive companies and allows comparison against other portfolios as emissions are reported per £1m of investment.

The portfolio alignment metric is an estimate of the global temperature rise associated with the greenhouse gas emissions of the Plan’s assets.

The data quality figure represents the proportions of the Plan’s assets for which we have high quality data on emissions.

DB Sections – high level summary

- Closed to new members and future accrual.
- 9000+ members
- Assets of circa £1.8bn
- Well funded (in surplus on a low dependency basis).
- Assets include liability matching strategies, listed shares in developed and emerging markets, sovereign and company issued debt and alternative investments.

Climate change

- Climate change could lead to lower interest rates which would increase how much money the Plan needs to hold to be able to pay everyone's benefits in future. If the investments didn't increase by the same amount, the Plan's funding level would fall.
- The value of the Plan's assets may be affected if companies do not take action to mitigate the impact of climate change.
- Climate change could have an impact on Capgemini's business.
- There are also opportunities to improve returns by investing in those companies who are adapting and embracing the change to a low carbon world.

- We review the various risks associated with climate change in relation to the overall funding of the Plan, its investment strategy and any change in the Sponsor covenant arising from climate change.
- We receive help and advice from our Fiduciary Manager, Investment Consultant and professional advisers to help navigate the issues and make appropriate decisions in the context of the Plan's long-term objectives.

- We believe that engaging with underlying companies on ESG issues, including climate change, is important if temperature rises are to be kept within global agreed targets.
- Engagement is delegated to the investment managers and is monitored by our Fiduciary Manager to ensure the investment managers are voting in line with our expectations.

DC Sections - high level summary

- Open to new contributions from existing members.
- 2000+ members across DC Section and two E&Y sections.
- Assets of circa £300m; over 90% held within the default arrangements.
- Default arrangements now aligned across the three sections with underlying funds focused on ESG and climate related issues.
- Wide range of self select funds available to members with an increased focus on ESG and sustainability.

- Climate change could lead to lower returns on the assets held by members if companies do not take action in relation to climate change, or the investment managers do not take climate change into account in the management of the funds.
- This impact on returns could directly impact the standard of living affordable to members in retirement.
- There are also opportunities to enhance returns from the move to lower carbon economy and benefit from more sustainable investment options which can be offered to members.

- An investment manager's approach to mitigating climate risks is a key part of the due diligence undertaken during the selection of both managers and funds.
- We receive help and advice from our Investment Consultant and professional advisers to help assess the manager's credentials and make appropriate decisions in the context of the Plan's membership.

- We believe that engaging with underlying companies on ESG issues, including climate change, is important if temperature rises are to be kept within global agreed targets.
- Engagement is delegated to the investment managers and is monitored by our Investment Consultant to ensure the investment managers are voting in line with our expectations.

CO_2 metrics

Metric type	Metric	DB assets		DC assets	
		Scope 1+2	Scope 3	Scope 1+2	Scope 3
Absolute emissions	Total emissions (tonnes CO2e)	26,069	363,258	9,825	76,913
Emissions intensity	WACI (tonnes CO2e / GBPm sales)	134	848	86	660
Portfolio alignment	Implied temperature rise (ºC)	2.4		2.2	
Other climate metric	Data quality (% of total portfolio covered*) • Absolute emissions • Emissions intensity	20 20	20 20	88 93	88 93

What do we mean by Scope 1, 2 and 3?

Greenhouse gas emissions are categorised under three broad groups according to the Greenhouse Gas (GHG) Protocol:

- **Scope 1** emissions are all direct emissions from sources owned or controlled by the company. For example, emissions from fossil fuels burned on site and emissions from entity-owned or leased vehicles.
- **Scope 2** emissions are indirect emissions from electricity purchased and used by the organisation.
- **Scope 3** emissions are other indirect emissions that occur from sources not owned or controlled by the company. For example, the extraction and production of purchased materials; transportation of purchased fuels; and emissions resulting from the use of sold products and services. The requirement to report scope 3 emissions is new for this year.

Why are the figures so different for DB compared to DC?

- The value of assets held which is much higher for DB than for DC means a higher absolute emissions figure would be reported for DB even if the same assets were held.
- The proportion held in different types of assets – for example, less shares are held in the DB portfolio where more data is available.

How does the Plan's data compare to last year and other pension schemes?

Compared to the Plan's data from last year:

- There has been a **reduction in the absolute emissions and emissions intensity** for both the DB and DC assets for which we have data.
- **The implied temperature rise for the DC assets has fallen by 0.2 degrees** to 2.2ºC. This follows the changes we made to the default arrangements over the year, to have a greater focus on sustainability and climate change.
- The **coverage for the DB assets has fallen over the year**, however, this is due to strategy changes we made to de-risk the portfolio, resulting in a reduction in the proportion held in growth assets where there is good data coverage.

We do not have data available on other pension schemes for this reporting year, but when comparing the Plan to published market data:

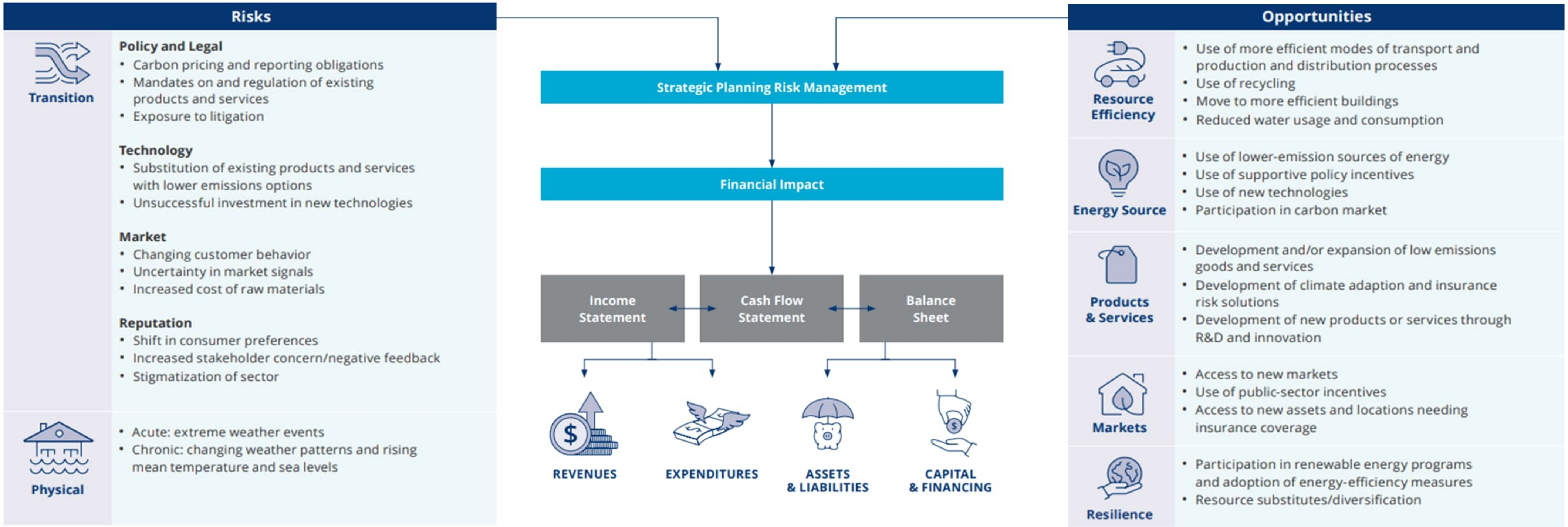
- The Plan's DC emissions were lower than a composite benchmark**.
- The Plan's DB assets had a higher emissions intensity than a composite benchmark**. This is largely due to the allocations to shares of companies listed in emerging markets and high yielding bonds, both of which generally have significantly higher emissions metrics than shares listed in developed markets or bonds of higher credit ratings.

We hope you found this summary useful. Please see the remainder of this report for further detail.

** % of total portfolio covered by analysis, weighted by value.*
For DB, data was available for listed shares and debt issued by companies (around 25% of the total DB assets by value). The coverage of these assets was 90%. Data was not available for debt issued by UK and overseas governments, cash, liability driven investments and some other assets held. The figures are based on holdings as at 31 March 2024 – source VLK Investment Management, ISS ESG, MSCI ESG.
For DC, data was available for all funds held under the default arrangement. This represents c96% of all DC assets. The figures are based on underlying holdings as at 31 March 2024 – source XPS Investment, MSCI ESG.
***A composite benchmark has been produced for the DB and DC sections individually based on the allocations to equities and credit and using emissions metrics from the MSCI World Index and the Markit iBoxx £ Non-Gilts (ex BBB) Index.*

Climate risks and opportunities

The TCFD identified several categories of climate-related risks and opportunities. These include the financial impact to assist investors and companies to consider longer-term strategies, and most efficient capital allocation in light of the potential economic impacts of climate change.



Source: TCFD Overview booklet May 2022

We believe that climate change could represent a material risk to members' accumulated DC funds and the performance of assets and funding level within the DB sections.

At the same time, we recognise that there are opportunities available within the investment strategy as a result of the transition to a low carbon economy.

We take advice on whether we should refine allocations where other risks are identified, for example, coal financing, deforestation, and companies that intend to expand oil production. We are aware that the Fiduciary Manager already implements exclusions policies in respect of companies involved in coal mining and tar sands.

Governance arrangements

As long-term investors who believe that financially material ESG and climate change issues must be given due consideration given our potential to impact the value of members' assets, we recognise the importance of an effective governance structure. This view is supported by the UK's Financial Markets Law Committee (FMLC) who stated that that failing to incorporate climate change as a material risk factor could be in breach of our fiduciary duty as Trustees of the Plan.

Day-to-day Trustee operations

In delegating our responsibilities to the Fiduciary Manager and/or Investment Managers, we remain mindful of the impact of our own operations on the environment. Further considerations include, but are not limited to, the frequency and physical location of our meetings and minimising unnecessary use of paper and other resources.

Monitoring climate risk

We monitor the below metrics related to climate change.

Annually	• Specific climate-related metrics • Progress of relevant Investment Managers towards our climate target • Adherence of the Investment Managers to any exclusion list • Assessment of the Investment Managers' ESG and climate-related credentials from the Investment Consultant and Fiduciary Manager
First year then once every 3 years	• Scenario analysis
As required	• Any holdings/activity within the portfolio that require attention from a climate-related perspective • Any notable stewardship activity related to climate risk within the portfolio

Climate change as an agenda item within Trustees' meetings

We incorporate a climate-related agenda item into our meetings (or the ISC / DCSC meeting) at least twice a year to enable us to actively discuss climate risk and opportunities. Topics of discussion can include:

- Updates from the Investment Consultant, Fiduciary Manager and Investment Managers regarding the investments, strategic allocation and/or relevant developments within the pensions industry.
- Input from the Sponsor and the Sponsor's advisers.
- Reviewing whether the Investment Managers are keeping within our mandate and methodology.

Ongoing training needs

We are required to maintain sufficient knowledge and understanding of climate-related risks and opportunities. Given the evolution and innovation within the industry, we hold a training session on climate-related issues alongside ESG issues on at least a biennial basis.

Over the Plan year, the Trustees have jointly or individually received the following training/literature:

Training sessions (Trustees' meetings or special sessions)	• XPS Investment – TCFD Framework policy (May 2023) • TCFD data quality (December 2023) • Cardano – Employer climate risks analysis (July 2023) • XPS Investment – TCFD reporting requirements for 2024 (Feb 2024)
Webinars/ Conferences	• XPS Live - The latest developments in sustainable investing (June 2023)
Literature	• XPS Insights – Biodiversity in decision making (May 2023) • XPS Insights – TNFD Framework for assessing biodiversity risks & opportunities (Oct 2023) • XPS Investment briefing – COP28 Briefing Note (Dec 2023) • XPS Insights – Net Zero Targets and TCFD in Review (Dec 2023)

Governance Framework – Roles and Responsibilities in the DB Section

Other Advisers
Our advisers, in particular Cardano as the adviser on covenant strength, are responsible for keeping us informed on how climate change related matters and ESG considerations impact the Sponsor.

Investment Sub Committee
The ISC is responsible for the implementation of the policies relating to ESG and climate-related risks and opportunities and for actively monitoring compliance of the policies for the DB sections.

The Actuarial Adviser
Our actuarial advisers for the DB sections are responsible for keeping us informed of how climate change related matters and ESG considerations impact the liabilities and for considering (in conjunction with the covenant adviser) how the Sponsor may be affected by these factors.

The Trustee Board
We are responsible for the high-level investment strategy, including the policies relating to Environmental, Social and Governance ("ESG") and climate-related risks and opportunities. Ultimately, we are accountable for the overall policies and meeting reporting requirements.

Fiduciary Manager
The FM is required to ensure that our policies and requirements related to ESG and climate change are reflected in the Plan's DB assets, alongside supporting and reporting against TCFD.

The Investment Consultant
The Investment Consultant assists us to ensure that our policies and requirements related to ESG and climate change are implemented effectively and that the we are well informed on relevant matters and developments in approaches to managing and measuring ESG and climate change related risks.

The Investment Managers
The Investment Managers that we and our FM appoint are required to demonstrate strong capabilities in managing ESG and climate risk alongside supporting and reporting against TCFD.

In addition to this governance framework, we have set out our approach to managing ESG and climate change risks and how this applies to **DB** investments in the Plan's DB SIP. We formally review this at least every three years to ensure that it remains appropriate and review it informally on a more frequent basis.

We integrate climate-related requirements into manager selection, review, and monitoring. We rely on the Investment Consultant's and Fiduciary Manager's research processes which explicitly consider climate change within manager ratings and recommendations. This has been detailed further within the SIP.

We review the climate-related credentials of our advisers as part of our regular review process. In particular, we review the Fiduciary Manager and Investment Consultant against any Plan specific climate related objectives set in accordance with legislation.

Governance Framework – Roles and Responsibilities in the DC Section

Other Advisers
Other advisers do not have a material role in the governance framework but may be called on from time to time., for example, to provide legal advice.

The DC Sub Committee
The DCSC has recently been established and will be responsible for the implementation of the policies relating to ESG and climate-related risks and opportunities and for actively monitoring compliance of the policies for the DC sections.

The Scheme Administrators
The Scheme Administrators are responsible for ensuring member records are accurate and up to date. They are also responsible for ensuring member choices are implemented. This enables members to make their own decisions in relation to climate change, within the fund range we provide.

The Trustee Board
We are responsible for the high-level investment strategy, including the policies relating to Environmental, Social and Governance ("ESG") and climate-related risks and opportunities. Ultimately, we are accountable for the overall policies and meeting reporting requirements.

The Platform Provider
The range of funds offered to members are access through an investment only platform provided by LGIM. The Platform Provider enables us to blend funds of our choosing to provide climate related an/or sustainable funds.

The Investment Consultant
The Investment Consultant assists us to ensure that our policies and requirements related to ESG and climate change are implemented effectively and that the we are well informed on relevant matters and developments in approaches to managing and measuring ESG and climate change related risks.

The Investment Managers
The Investment Managers we appoint are required to demonstrate strong capabilities in managing ESG and climate risk alongside supporting and reporting against TCFD.

In addition to this governance framework, we have also set out our approach to managing ESG and climate change risks and how this applies to **DC** investments in the Plan's DC SIP. We formally review this at least every three years to ensure that it remains appropriate and review it informally on a more frequent basis.

We integrate climate-related requirements into manager selection, review, and monitoring. We rely on the Investment Consultant's research processes which explicitly considers climate change within manager ratings and recommendations. This has been detailed further within the SIP.

We review the climate-related credentials of our advisers as part of our regular review process. In particular, we review the Investment Consultant against any Plan specific climate related objectives set in accordance with legislation.

Strategy - DB

Time horizons and overarching risks and opportunities identified

The Plan has a long-term time horizon with the last member expected to retire in around twenty years' time. We believe that climate change could represent a material risk to the performance of the assets and funding level of the Plan over its lifetime. Therefore, we have defined time horizons in relation to the Plan's DB sections as set out below and identified the specific climate-related risks and opportunities, noting that these could impact the Plan's assets, liabilities and/or Sponsor covenant.

Short term	0-5 years	Transition risk are highly prevalent over the short and medium term as a result of the following: • Climate related policies and initiatives evolve and are more consistently enforced and monitored. This covers both (i) policy actions attempting to constrain activity which contributes to adverse impacts of climate change, and (ii) policy which encourages actions which promotes adaptation to climate change. Both of these lead to higher costs for companies that fail to adapt. • Technological development results in existing business models changing and adapting. To the extent that new technology displaces old systems and disrupts some parts of the existing economic system, winners and losers will emerge from this process. The timing of technology development and deployment, however, is a key uncertainty in assessing technology risk. • Investor sentiment changes as awareness and expectations with respect to climate change increase. This leads to changes in asset prices. Further market changes may arise due to shifts in supply and demand for commodities, products and services as climate-related risks and opportunities are increasingly considered. • Climate change has been identified as a potential source of reputational risk tied to changing customer or community perceptions. Acute physical risks are also likely to exist in the short to medium term, and have already begun to be observed, due to the increase in regularity and intensity of extreme weather events such as cyclones, hurricanes, floods, and wild-fires. Companies need to be mindful of the shifting risk landscape, and there are opportunities for those who take advantage of the changing business and societal needs in response to climate change. In particular, opportunities arise via the following: • Reduction of costs through resource efficiency (energy, water, waste) across production and distribution processes • Energy source savings, as organisations shift to increasingly cheaper low-emission energy. • Innovation in low emission products and services leads to competitive advantage.
Medium term	5-10 years	
Long term	10+ years	In the long term, chronic physical risks are more prevalent (arising from longer term shifts in climate patterns e.g. sustained higher temperatures, sea level rise and changing precipitation patterns). The degree of impact will depend on policy response to mitigate these outcomes. Financial risks arise from chronic risks due to reduced revenue and higher costs from supply chain interruptions, write-offs of asset value, and upgrades to technology / systems (e.g. due to existing sources of water for cooling no longer being viable).

Impact of climate-related risks and opportunities on the Plan's business, strategy and financial planning

Impact on investment strategy - DB

- We are cognisant of climate related risks and opportunities, and this therefore informs us when setting the investment strategy and taking any investment decisions.
- The types of assets in which the Plan is invested is not restricted by climate related issues, rather we will look to manage climate risks within the individual mandates, recognising that the extent to which this can be achieved is greater for some assets (e.g. listed equities) than others (e.g. hedge funds).
- We consider that an Investment Manager's ability to analyse climate change related risks and opportunities is a key feature in its due diligence. We require the Fiduciary Manager to undertake due diligence to consider the capabilities of the Investment Managers to integrate climate change and broader ESG issues into the management of the Plan's assets. Therefore, the Investment Managers selected are those which demonstrate clear integration of climate change risk analysis, alongside other fundamental and technical risk analysis techniques. As such, climate change is required to be a key consideration when the Investment Managers make investment related decisions.
- The Fiduciary Manager has set a baseline exclusion policy to ensure that Investment Managers are keeping within the mandate and discussed the approach with us. The Fiduciary Manager, monitors the Investment Managers to ensure they are keeping within their methodology. We have not set a formal exclusion policy at the date of this Report.
- As the Plan invests in pooled funds, we acknowledge that we cannot directly influence the policies and practices of the companies in which the pooled funds invest. We have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Plan's pooled fund investments to the Investment Managers.
- In line with the mandate we have given, the Fiduciary Manager encourages the Investment Managers to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of our decision-making processes.

Implementation

Except for Liability Driven Investments ("LDI"), we have decided that the best way to generate returns for members is to invest through pooled funds. The pooled investments attempt to capture the opportunities and avoid the risks through the Investment Managers taking these into account as part of our investment and/or engagement process.

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Some funds have been chosen for their explicit commitment to tackling climate change – for example, more than half of the developed equity exposure is invested in a fund that follows the Transition Pathway Initiative and so is invested more in companies that appear to have a good approach to keeping their activities aligned to a temperature rise of less than 1.5°C. More information on how the Transition Pathway Initiative works is set out in Appendix II. Similarly, around one-fifth of the credit exposure is invested in a fund which has a Net Zero ambition.

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We will consider using more funds targeting net zero or other climate related goals, on a case-by-case basis, noting that it is the Fiduciary Manager's objective that, by 2025, all listed equity investments held by their clients will be aligned with a path achieving the Paris Agreement.

Impact of climate-related risks and opportunities on the Plan's business, strategy and financial planning (continued)

Impact on financial planning – liabilities and funding

- The key assumptions that have a significant impact on the assessed value of the liabilities are gilt yields, future price inflation and life expectancy.
- Overall, we note that in respect of past service, the first two of these risks are largely hedged in the Plan and hence any changes to these assumptions resulting from climate change should have a minimal net impact on the funding strategy.
- Life expectancy is a key risk from climate-related changes. Life expectancy changes tend to happen gradually over a long period and are rarely significant one-off hits. Over the short and medium-term, we believe it is likely that significant changes to life expectancy will not occur and it will not be easy to distinguish from the usual "statistical noise". Over the longer term, we expect that the majority of the climate-related scenarios would result in lower life expectancy (and hence lower assessed liability values). However, we set a prudent life expectancy assumption at each valuation and review it regularly in order to ensure it remains appropriate.
- Overall, we do not consider climate change issues will have a significant impact on the liabilities and the funding of the Plan in the short term.

Impact on the Sponsor covenant

- We asked our covenant adviser, Cardano, to provide a high-level assessment to the potential impact of climate risks and opportunities on the Sponsor to determine what impact this may have on the employer covenant.
- We are aware that the impact on the Sponsor covenant will need to be taken into account when considering the funding and investment strategies of the Plan.
- The covenant adviser flagged that UK regulations on the need to report on TCFD were at the forefront of global reporting. Consequently, UK companies may be affected by the need to transition to low carbon business practices before other companies around the world.
- It was noted from their report that the impact of climate change will become more prevalent the longer the time period being analysed.

Gilt yields
A reduction in the level of the gilt yield curve increases the assessed value of the liabilities and vice versa.

Future price inflation
An increase in the level of future expected price inflation would increase the expected payments out of the Plan, and hence increase the assessed value of the liabilities.

Life expectancy
Any change in life expectancy for Plan members would impact the length of time benefits are assumed to be paid out of the Plan and hence impact on the assessed value of the liabilities and on the cost of future accrual.

Resilience of the organisation's strategy to climate change, taking into account different climate related scenarios, including a 2°C or lower scenario

- In order for us to take a view on the resilience of the Plan's strategy, scenario analysis was carried out and reported on in the TCFD report for the year to 31 March 2023. The analysis was carried out using aspects of qualitative and quantitative analysis.
- Where the analysis was quantitative, the analysis was carried out using MSCI ESG Research to give an indication of the Climate Value at Risk (Climate VaR). The model uses a forward-looking and return-based valuation assessment to measure climate related risks and opportunities in an investment portfolio. The Climate VaR returned by the model is intended to be interpreted as the percentage by which a portfolio's value may depreciate (or appreciate) if climate risks are fully priced in today.
- There has been considerable debate surrounding the robustness of such climate models given many results appear counterintuitive, with a hot house world or failed transition giving "better" outcomes than scenarios where temperate rises are kept to 2°C or less. We are aware that, since our modelling was carried out, the Institute and Faculty of Actuaries have issued a risk alert regarding the validity of the climate model. The risk alert highlighted flaws in the modelling and a range of issues regarding the output. The Pensions Regulator has also commented that, while quantitative analysis is still developing in the market, pension scheme trustees could consider a qualitative analysis based on clear narratives as an alternative, noting that a qualitative analysis may also be more appropriate for schemes in certain circumstances.
- Given the above, and our belief that no changes made during the Plan year to 31 March 2024 were sufficiently significant to require repeating the analysis this year, we have decided not to carry out any scenario analysis for this report. We will consider whether any addition scenario analysis should be carried out for the next report, otherwise our next analysis will be for the reporting period ending 31 March 2026.
- A summary of the scenario analysis from last year is set out below.

2023 DB scenario analysis – scenarios used

- When considering the impact of climate related risks and opportunities on the Plan, we primarily considered the following scenarios.
- The scenarios represent four of the six designed by the Network for Greening the Financial System ("NGFS") which provide a good overview of possible outcomes. The two NGFS scenarios that are not included are Orderly 1.5°C and a scenario similar to the 3°C version set out in the table. The scenarios selected below set out a broad range of outcomes to enable us to understand the impact on our liabilities and assets. For added context, the NGFS scenarios explore the impacts of climate change and climate policy with the aim of providing a common reference framework.

Disorderly 1.5°C	• Reaches net zero around 2050 but with greater costs than an Orderly 1.5°C transition due to divergent policies introduced across sectors (leading to varying carbon prices across sectors) resulting in a quicker phase out of oil use. This scenario is also known as "Divergent Net Zero". This leads to high transition risk but the worst physical damage and risks from climate change are averted.
Disorderly 2.0°C	• Assumes annual emissions do not decrease until 2030. As a result, there is higher transition risk (when compared to the orderly 2°C scenario) due to policies being delayed or divergent across countries and sectors. For example, carbon prices are typically higher for a given temperature outcome. Strong policies are needed to limit warming to below 2°C. This scenario is also known as "Delayed Transition".
Orderly 2.0°C	• As above, but more gradual increase in the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C.
Hot house world 3.0°C	• Assumes that some climate policies are implemented in some jurisdictions, but globally efforts are insufficient to halt significant global warming. Physical risks are most significant in this scenario.

Resilience of the organisation's strategy to climate change, taking into account different climate related scenarios, including a 2°C or lower scenario (cont)

How the 2023 DB scenario analysis was carried out

		Sponsor covenant	Assets	Liabilities
Type of analysis carried out		Qualitative	Quantitative	Qualitative
Scenarios used	Disorderly 1.5°	x	**Yes**	**Yes**
	Disorderly 2.0°C	x	**Yes**	**Yes**
	Orderly 1.5°C	**Yes**	x	x
	Orderly 2.0°C	x	x	**Yes**
	Hot house world 3.0°C	x	**Yes**	**Yes**
	Failed transition > 3.0°C	**Yes**	x	x
How the analysis was carried out		The analysis was carried out looking at key features of Capgemini's value chain which represent transmission channels for climate risk: Supply chain, Operations, Competition, End market and Macro economic conditions. Both scenarios assumed that Capgemini continued to implement its committed sustainability and Net Zero targets.	The analysis was carried out on the listed equity and corporate bonds held within the portfolio, working with MSCI ESG Research.	**Life expectancy** The key climate risks expected to impact future life expectancy were broken into physical, economic and behavioural impacts. An assessment was made as to how each of these may affect future life expectancy under the four climate scenarios, taking into account the membership characteristics of the Plan. **Gilt yields and future price inflation** The key climate risks that we expect to impact both interest rates and inflation rates were broken into physical risks and transition risks. An assessment was made as to how each of these may affect interest rates and inflation rates under the four climate scenarios.

Note: The scenarios used by the covenant advisor are closely aligned to the Orderly and Hot House World scenarios used by XPS so have been grouped together by colour in the table above.

Resilience of the organisation's strategy to climate change, taking into account different climate related scenarios, including a 2°C or lower scenario (cont)

Summary of results from the DB 2023 scenario analysis

	Disorderly 1.5°C	Disorderly 2.0°C	Orderly 1.5°C/2.0°C[1]	Hot house world 3.0°C/ Failed transition[1]
Covenant[2]	N/A	N/A	In the near-term, risks associated with an orderly transition appear slightly higher due to the impact global de-carbonisation and new regulations could have on Capgemini's UK operations.	Over the longer-term, the physical risks of extreme weather events and water scarcity faced by suppliers and operating locations are expected to be significantly more pronounced in a Failed Transition scenario, resulting in higher risk over the long term.
Assets[3]	-55.2%	-38.0%	N/A	-17.0%
Liabilities	**Transition risks** are expected to **increase inflation** rates over the **short-term**, before returning to prior trends over the medium and long-term. Interest rates would be expected to rise, to push down inflationary pressures. However, this may be offset by lower economic growth leading to reduced interest rates. Overall, this may result in an **increase** in the value placed on the **liabilities** in the **short-term**. **Physical risks** are expected to have a **negligible impact** on inflation and interest rates. **Negligible impact** on **longevity** from physical factors and short term improvements in longevity from mitigating factors (such as improvements in diet, exercise, nature and housing) are offset by negative economic factors.	**Transition risks** are expected to **steeply increase inflation** rates over the **medium-term**, before returning to prior trends over the long-term. Interest rates would be expected to rise during the medium-term, to push down inflationary pressures. However, this may be offset by lower economic growth leading to reduced interest rates. Overall, this may result in an **increase** in the value placed on the **liabilities** in the **medium-term**. **Physical risks** are expected to have a **negligible impact** on inflation and interest rates **Negligible impacts** on **longevity** from physical and mitigating factors, slowdown in longevity improvements from 2030 due economic factors although this slowdown may be partially offset by mitigating factors.	**Transition risks** are expected to **modestly increase inflation** rates over the **short-term**, before returning to prior trends over the long-term. This is expected to **modestly increase interest rates** over time to reflect the higher levels of investment needed to address risks from climate change. Overall, this may result in a **modest increase** in the value placed on the **liabilities** in the **short-term**. **Physical risks** are expected to have a negligible impact on inflation and interest rates. **Modest increase** in **longevity** due to a small improvement from mitigating factors, only partially offset by economic factors.	Transition risks are expected to have a **negligible impact** on **inflation** rates and **interest rates** over **all time periods**. **Physical risks** are expected to have a **negligible impact** on inflation rates but expected to increase interest rates over time. Overall, this may result in a **decrease** in the value placed on the **liabilities** in the **long-term.** **Reduction** in **longevity** from physical and economic factors with the impact more material as the Plan matures and for younger members respectively. Small reduction in longevity from mitigating factors as these behaviours are less likely to be adopted.

Notes:
1. The scenarios used by the covenant advisor are closely aligned to the Orderly and Hot House World scenarios used by XPS so have been grouped together by colour in the table above.
2. Whilst the analysis focused on risks, Capgemini UK may also benefit from opportunities to provide customers with services that better enable them to meet sustainability targets and limit environmental impact. This could partly offset identified risks to an extent.
3. The percentage figure shown below represents the present value of the aggregated future policy risks costs, technology opportunity profits and extreme weather event costs and profits expressed as a percentage of the portfolio's market value, should the scenario in question be realised. Source: VLK, MSCI ESG

Resilience of the organisation's strategy to climate change, taking into account different climate related scenarios, including a 2°C or lower scenario (cont)

Overall assessment of resilience of the Plan's funding position from the 2023 DB scenario analysis

Disorderly 1.5°C	Disorderly 2.0°C	Orderly 1.5°C/2.0°C[1]	Hot house world 3.0°C/ Failed transition[1]
Under this scenario, the Plan's funding position is expected to deteriorate. The listed equity and credit assets are expected to fall significantly in value. The impact of changes in gilt yields and future price inflation are expected to increase value of the liabilities, but the liability hedging portfolio would be expected to offset a large part of this. There is expected to be minimal impact from this scenario on the current assumptions around life expectancy.	Under this scenario, the Plan's funding position is also expected to deteriorate, but by less than under the Disorderly 1.5°C scenario. The listed equity and credit assets are expected to fall significantly in value, but by less than under the Disorderly 1.5°C scenario, whilst the liability hedging portfolio largely hedge the increase in liabilities due to changes in gilt yields and future price inflation. There is expected to be minimal impact from this scenario on the current assumptions around life expectancy.	Under this scenario, the Plan's surplus is also expected to deteriorate, due to both a fall in the asset value and an unhedged increase in liabilities, but it is unclear whether by more or less than under the Disorderly 1.5°C and the Disorderly 2.0°C scenarios. The listed equity and credit assets are expected to fall significantly in value, but by less than under Disorderly 2°C scenario. Increases in liabilities due to changes in gilt yields and future price inflation are expected to be minimal and largely offset by the liability hedging portfolio. However, this scenario is expected to result in a modest increase in the liabilities owing to an increase in life expectancy, which would act to reduce the Plan's funding position. The combined effect of the loss in value in relation to the assets and the increase in liabilities from the mortality assumptions will lead to a worsening of the funding position.	Under this scenario, it is challenging to ascertain the impact on the Plan's surplus owing to the mixed impact of mortality on the liabilities. The assets are expected to fall in value. Changes in liabilities due to changes in gilt yields and future price inflation are expected to be mixed, and largely offset by the liability hedging portfolio. This scenario is expected to result in a mixed effect on the liabilities owing to mortality assumptions, as there are impacts which would be expected to increase life expectancy in the short term but reduce it in the longer term. These effects could either reinforce the negative impact from the assets on the funding position or somewhat offset it, depending on the time horizon.

Risk management - DB

Risk management is the process by which we identify, assesses, and manage the potential impact of climate related risks and opportunities. We have put in place the following risk management process:

Processes to identify and assess the potential impact of climate-related risks/opportunities

We recognise the importance of identifying and assessing the potential impact of climate change within the Plan's DB investments and have taken the following key actions. Details of how these processes have been followed over the Plan year are provided in italics.

- **Defined our broad investment beliefs** related to climate change and delegated the management of climate risk and opportunities (including stewardship of assets) to the Fiduciary Manager and Investment Managers. *As such, responsibility for identifying and assessing climate-related risks has also been delegated to the Fiduciary Manager and Investment Managers as set out in more detail below.*

- **Require the Fiduciary Manager** to undertake due diligence and consider the Investment Managers' ability to integrate climate change and broader ESG issues into the management of the Plan's DB assets.

  ✓ *The Fiduciary Manager reports to us on a quarterly basis regarding ESG matters, which includes an assessment on factors relating to climate change.*

  ✓ *Individual Investment Managers are asked to screen their strategy against the Fiduciary Manager's exclusion and avoidance list and any exposure to this list is reported to us. During the Plan year, the Fiduciary Manager provided an analysis of the alignment of the individual funds held with the Fiduciary Manager's policy as well as any additional exclusions applied.*

  ✓ *The Fiduciary Manager uses a traffic light system to highlight where there may be concerns about the Investment Managers strategy or where there is exposure to companies that contravene the Fiduciary Manager's ESG policy. One example over the year was Koninklijke Philips N.V, a Dutch multinational conglomerate, held within SSGA's TPI fund as it is rated as suitable based on metrics from Sustainalytics, however, is on VLK's exclusion list due to being classified as MSCI Red flagged.*

  ✓ *Further analysis was also provided over the year to show how many investments in the portfolio are linked to activities relating to controversial weapons, tobacco, coal mines and oil and gas, as well as which investment funds or mandates they formed part of.*

- **Discussed the extent to which industry exclusions are appropriate** versus the alternative of ongoing engagement with management.

  ✓ *We have opted against a focus on exclusions of companies, instead preferring engagement by the Investment Managers with those companies deemed to be in contradiction of our policy. For those companies deemed to be the worst offenders with high emissions and no robust plans to change, our Fiduciary Manager will engage in dialogue with the Investment Manager and monitor on an ongoing basis. As part of their regular reporting the Fiduciary Manager flagged four such engagements over the year.*

  ✓ *The ISC has assessed and discussed the Fiduciary Manager's own policy on exclusions and any exposure to companies on this list by individual funds is reported to us as part of their quarterly monitoring. The Fiduciary Manager's exclusion objectives were updated and recorded in its 2024 Climate Change Policy. Under this policy, the Fiduciary Manager continues its commitment to remove exposure to companies engaged in coal mining and oil extraction from tar sands in externally managed funds where it is in a position of influence*.*

**By 'influence' VLK refer to a broader term than active funds, they refer to funds (1) where they generally have influence where allocation amounts are high (for active and passive fund managers); (2) where they have influence for mandates via BestSelect; (3) where they have influence where the selected fund is a co-creation between Van Lanschot Kempen and the asset manager in question.*

Processes to identify and assess the potential impact of climate-related risks/opportunities (cont)

- **Require the Fiduciary Manager and Investment Managers** to report in sufficient detail (where possible) on the carbon footprint of the investments with commentary / rationale for any movement in observations.
  - ✓ *Where available, data on the carbon footprint of the Plan's portfolio has been provided quarterly by the Fiduciary Manager, with key points highlighted.*
  - ✓ *At present, these values are only provided for the Plan's equity and corporate bond portfolios.*

- **Added periodic reviews** of the Fiduciary Manager and Investment Managers' integration of climate change, and the carbon footprint of the portfolio, to the items to be discussed at ISC and Trustee meetings.
  - ✓ *As above, the Plan's Fiduciary Manager provides data on the carbon footprint of the Plan's investments as part of their quarterly reporting.*
  - ✓ *The Fiduciary Manager's integration of climate change into their investment approach was considered during the year with particular focus on how they will implement their target to be net zero by 2025 for listed assets and 2030 for all other assets.*

- **We may periodically require the Fiduciary Manager** and the Investment Managers to undertake climate risk modelling and scenario testing to understand the risk exposure of the Plan's assets to various climate scenarios.
  - ✓ *Climate risk modelling and scenario testing was undertaken as part of TCFD reporting completed in 2023.*

- **Discussed climate-related risks with the Sponsor and assessed the potential exposure of the Plan's Employer covenant to specific climate scenarios** to establish the potential impact on the Sponsor, and therefore the potential impact on the Plan.
  - ✓ *The Sponsor is involved in climate change discussions we have adopted a collaborative approach between us.*
  - ✓ *In addition, the Plan's covenant adviser provided an assessment of the Sponsor's exposure to climate change risks as covered and reported on in last year's report. The Sponsor's exposure to ESG and climate risks and opportunities is incorporated into the overall assessment of the Sponsor covenant carried out as part of the triennial valuation process.*

Processes to manage the potential impact of climate-related risks/opportunities

We recognise the importance of managing the potential impact of climate change within the Plan's investments and have taken the following key actions:

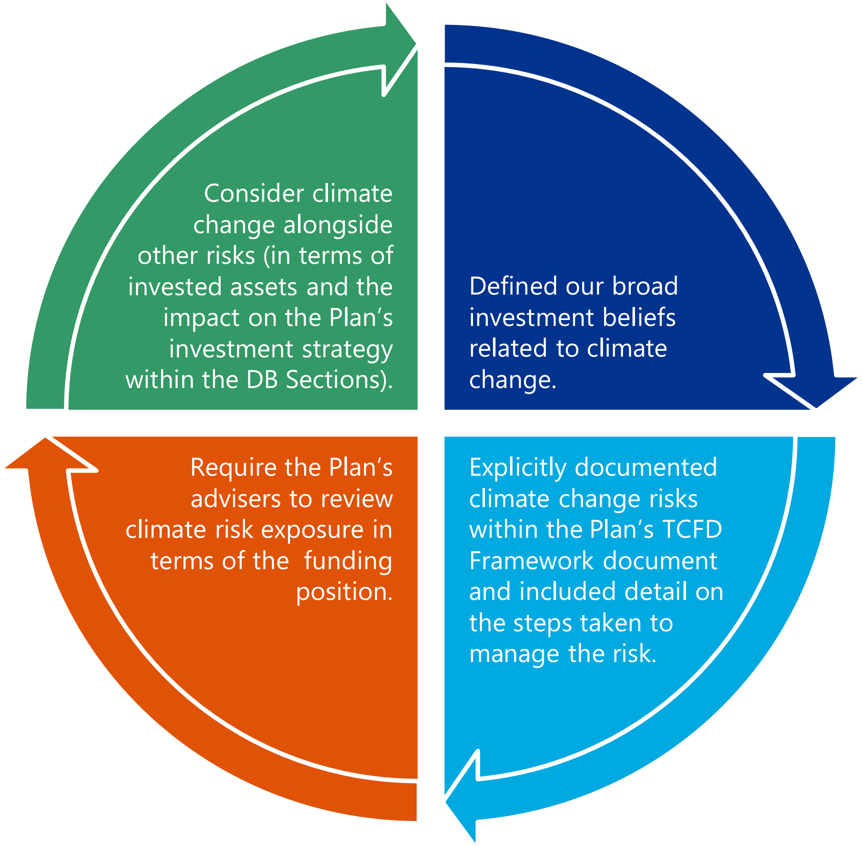
- **Set out a monitoring process** which includes how the underlying Investment Managers are assessing, managing and mitigating climate risks including each portfolio's positioning in relation to the transition to a lower-carbon economy. This includes conducting scenario analysis to understand the resilience of each portfolio to various climate scenarios as far as practicable, noting that this type of analysis is still evolving.
  - ✓ *A manager's approach to mitigating climate risks currently forms part of the due diligence undertaken during the selection processes for both managers and funds, as well as when deciding the investment strategy.*
  - ✓ *The approach of individual managers is factored into the ESG ratings given to each fund and manager by the Plan's Fiduciary Manager.*
  - ✓ *Scenario analysis was undertaken as part of TCFD reporting in 2023.*

- **Appointed managers who demonstrate robust stewardship and engagement** with the underlying investments (recognising that active ownership is key to managing ongoing risks).
  - ✓ *The ESG credentials and approach to climate risk mitigation are considered before the appointment of each Investment Manager or fund. For example, when selecting an investment manager for the new US investment grade credit allocation the Fiduciary Manager selected Allspring based on a range of factors, including that it met their ESG criteria, noting that it had good ESG integration.*
  - ✓ *The Fiduciary Manager applies its responsible investment policy to the selection of all managers.*

- **Engage with managers (**via the Fiduciary Manager) where activities or carbon performance are deemed to be lagging expectation.
  - ✓ *The Plan's Fiduciary Manager reports regularly on each Investment Manager's activities and carbon performance, noting any investment within each fund that does not comply with our expectations. Examples on the Fiduciary Manager's engagement are provided on page 23.*

The integration of processes for identifying, assessing, and managing climate-related risks into the Plan's overall risk management

- We have established the following framework to integrate the identification, assessment and management of climate related risks within our overall risk framework.



Stewardship to manage climate-related risks

- We recognise the importance of effective stewardship activities to enact change and manage risk. We delegate this activity to the Plan's Fiduciary Manager and Investment Managers as we believe the managers are best placed to conduct stewardship given their expertise and access to company management.
- Where the Plan invests in debt assets there are no general voting rights to be exercised but we expect the Fiduciary Manager and Investment Managers to engage on material ESG and climate-related issues alongside other non-ESG related issues.
- We ask the Fiduciary Manager and/or Investment Managers to provide examples of engagement activities which have been undertaken during the Plan year. Summaries of engagement which show action taken in relation to climate-related risks are shown on the following page. Further engagement information can be found in the Plan's Implementation Statement.
- We expect our Investment Consultant and/or Fiduciary Manager to engage with the managers from time to time as needed and report back to us on the stewardship credentials of their managers. We then discuss the findings with the Investment Consultant and/or Fiduciary Manager, in the context of their own preferences, where relevant. This includes considering whether the manager is a signatory to the UK Stewardship Code. We recognise the Code as an indication of a manager's compliance with best practice stewardship standards. We may also, with assistance from our Investment Consultant and/or Fiduciary Manager, periodically meet with our investment managers to discuss engagement which has taken place.
- We review the Fiduciary Manager and Investment Consultant against the objectives they have been set under CMA requirements on an annual basis, including the climate-related credentials of our advisers. Our last review was carried out in February 2024.

Stewardship examples

VLK – Engagement with underlying companies

Beginning in 2022, VLK approached a large aviation company to discuss its decarbonisation plans, including how to make progress towards its 2030 carbon reduction targets and verification of its targets by the Science Based Targets Initiative (SBTi). In May 2023, company took a tangible step towards decarbonisation, with its reduction roadmap to 2030 being validated by the SBTi.

VLK view real estate as a key area for engagement on climate related issues, given the high polluting nature of the sector. Over 2023, VLK had active engagement with 30 companies within the sector. For one such engagement VLK requested they report on Scope 1–3 emissions. Following this, the company has improved its reporting, which is now also externally verified. In addition, the company also launched a renewable energy programme.

At the beginning of 2023, VLK began to engage with a vehicle manufacturer on the "just transition" approach. This approach focuses on assessing and addressing the social impact of meeting climate goals, including the effects of the transition on key stakeholders, such as employees, communities and labour conditions in the supply chain. In October 2023, the Climate Action 100+ (CA100+) assessment introduced a just transition indicator, which evaluates companies' commitments, plans, and progress towards a just transition. Currently, the company does not meet the CA100+ just transition criteria, so VLK will engage further with them to encourage the company to provide more disclosure regarding their commitment to a just transition.

VLK – Engagement with investment managers

In 2023, VLK engaged with an investment manager on their Infrastructure Investment Fund to better understand their environmental policies, how they incorporate biodiversity implications and how they can enhance their reporting on these metrics. As a result of this engagement, VLK became satisfied with the Fund's:

- focus on transition plans and the implementation deadlines tailored to each underlying asset
- policies around so-called ''stranded assets'' within their transition planning and climate risk assessments
- consciousness of other risks that come from the owned assets given the long-term nature of these assets.

VLK will however continue to engage with the investment manager to put in place more concrete environmental and biodiversity KPIs and improve reporting.

Following a review of an investment managers response to VLK's annual sustainability questionnaire, VLK engaged with the investment manager further regarding their lack of a separate climate policy. As a result, the investment manager confirmed that they have climate related objectives and have joined the Net Zero Asset Management (NZAM) initiative.

VLK engaged with them on stronger climate related disclosures, however, the investment manager had no appetite to engage on the content of transition plans partly due to laws within the US on ESG integrations.

VLK note that it is hard to influence the general stance on climate related topics of large asset managers. However, VLK strongly believe that the largest part of sustainability integration in index products is realised by product design which includes index selection, such as the TPI Climate Transition Index used within the Plan, and investor mandated voting policies, that the investment manager is increasingly offering and which VLK are investigating further.

Strategy - DC

Time horizons and overarching risks and opportunities identified

DC sections are open to new contributions from existing members. Given the types of investments expected to be held over the period members remain in the DC sections of the Plan, DC assets may be more impacted by climate risk and the transition to a low carbon economy than the DB assets. We are of the opinion that climate change could represent a material risk to the performance of the assets and so the investment returns achievable by members.

We have defined the time horizons and identified the specific climate-related risks and opportunities for DC assets as set out below, noting that these could impact each member to a greater or lesser extent dependant on their age profile and any specific investments choices.

Short term	0-5 years	Transition risk are highly prevalent over the short and medium term as a result of the following: • Climate related policies and initiatives evolve and are more consistently enforced and monitored. This covers both (i) policy actions attempting to constrain activity which contributes to adverse impacts of climate change, and (ii) policy which encourages actions which promotes adaptation to climate change. Both of these lead to higher costs for companies that fail to adapt. • Technological development results in existing business models changing and adapting. To the extent that new technology displaces old systems and disrupts some parts of the existing economic system, winners and losers will emerge from this process. The timing of technology development and deployment, however, is a key uncertainty in assessing technology risk. • Investor sentiment changes as awareness and expectations with respect to climate change increase. This leads to changes in asset prices. Further market changes may arise due to shifts in supply and demand for commodities, products and services as climate-related risks and opportunities are increasingly considered. • Climate change has been identified as a potential source of reputational risk tied to changing customer or community perceptions. Acute physical risks are also likely to exist in the short to medium term, and have already begun to be observed, due to the increase in regularity and intensity of extreme weather events such as cyclones, hurricanes, floods, and wild-fires. Companies need to be mindful of the shifting risk landscape, and there are opportunities for those who take advantage of the changing business and societal needs in response to climate change. In particular, opportunities arise via the following: • Reduction of costs through resource efficiency (energy, water, waste) across production and distribution processes • Energy source savings, as organisations shift to increasingly cheaper low-emission energy. • Innovation in low emission products and services leads to competitive advantage.
Medium term	5-20 years	
Long term	20+ years	In the long term, chronic physical risks are more prevalent (arising from longer term shifts in climate patterns e.g. sustained higher temperatures, sea level rise and changing precipitation patterns). The degree of impact will depend on policy response to mitigate these outcomes. Financial risks arise from chronic risks due to reduced revenue and higher costs from supply chain interruptions, write-offs of asset value, and upgrades to technology / systems (e.g. due to existing sources of water for cooling no longer being viable).

Note: Whilst the membership profile suggests that the bulk of members will have retired within 20 years there could be members who retire beyond then. Although there is no provision for income to be drawn down from within the Plan, the long term time-period also allows for members who take their benefits at a date which is beyond the normal retirement date.

Impact of climate-related risks and opportunities on the Plan's business, strategy and financial planning

Impact on investment strategy - DC

- We are cognisant of climate related risks and opportunities, and this therefore informs us when setting the investment strategy for the default arrangement and taking any investment decisions in relation to the underlying investment vehicles used within the range of investment choices offered to members.
- The range of asset classes made available to members is not restricted by climate related issues, rather we will look to manage climate risks within the individual mandates, recognising that the extent to which this can be achieved is greater for some assets (e.g. listed equities) than others (e.g. property) and that for some members, the additional cost associated with some climate focussed funds may be prohibitive.
- Regardless of whether a fund is explicitly climate focussed, we consider that an Investment Manager's ability to analyse climate change related risks and opportunities is a key feature in its due diligence. We require the Investment Consultant to undertake due diligence to consider the capabilities of the Investment Managers to integrate climate change and broader ESG issues into the management of the Plan's assets. Therefore, the Investment Managers selected are those which demonstrate clear integration of climate change risk analysis, alongside other fundamental and technical risk analysis techniques. As such, climate change is required to be a key consideration when the Investment Managers make investment related decisions.
- As the Plan invests in pooled funds, we acknowledge that we cannot directly influence the policies and practices of the companies in which the pooled funds invest. We have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Plan's investments to the Investment Managers.
- In line with the mandate we have given, the Investment Consultant encourages the Investment Managers to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes.

Impact on financial planning – DC member outcomes

- The default arrangements provided under the DC arrangements of the Plan are subject to the Annual Charge Cap set by legislation. This charge cap, 0.75% p.a., includes investment charges and any administration costs borne by members. We considered how the move to a climate focussed strategy for the default arrangement would impact on any costs borne by members. In doing so, we also took into consideration the expected longer-term gains from these types of investment and believe the changes to be in the members' long term financial interests.

Implementation

As per the DB section, we have decided that the best way to generate returns for DC members is to invest through pooled funds and not to attempt to select winners and avoid losers directly themselves. The pooled investments attempt to capture the opportunities and avoid the risks presented by climate change through the Investment Managers taking these into account as part of their investment and/or engagement process.

During the reporting year, the default arrangement for the DC sections moved to a strategy comprising climate focused equities, corporate bonds with ESG tilts and screenings, and multi-sector credit targeting the UN's sustainable development goals.

The range of self select funds was also updated to have a greater number of funds focussed on climate change and/or sustainability.

Resilience of the organisation's strategy to climate change, taking into account different climate related scenarios, including a 2°C or lower scenario

- In order for us to take a view on the resilience of the Plan's DC strategy, scenario analysis was carried out and reported on in the TCFD report for the year to 31 March 2023. The analysis was carried out using quantitative analysis using MSCI ESG Research to give an indication of the Climate Value at Risk (Climate VaR), as described on page 15.
- Given the reasons outlined on page 15, and our belief that no changes made during the Plan year to 31 March 2024 were sufficiently significant at the overall Plan level to require repeating the analysis this year, we have decided not to carry out any scenario analysis for this report. We will consider whether any addition scenario analysis should be carried out for the next report, otherwise our next analysis will be for the reporting period ending 31 March 2026.
- A summary of the scenario analysis from last year is set out below.

2023 DC scenario analysis – scenarios used

- When considering the impact of climate related risks and opportunities on the Plan, we considered the same scenarios as outlined on slide 15:

Disorderly 1.5°C	• Reaches net zero around 2050 but with greater costs than an Orderly 1.5°C transition due to divergent policies introduced across sectors (leading to varying carbon prices across sectors) resulting in a quicker phase out of oil use. This scenario is also known as "Divergent Net Zero". This leads to high transition risk but the worst physical damage and risks from climate change are averted.
Disorderly 2.0°C	• Assumes annual emissions do not decrease until 2030. As a result, there is higher transition risk (when compared to the orderly 2°C scenario) due to policies being delayed or divergent across countries and sectors. For example, carbon prices are typically higher for a given temperature outcome. Strong policies are needed to limit warming to below 2°C. This scenario is also known as "Delayed Transition".
Orderly 2.0°C	• As above, but more gradual increase in the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C.
Hot house world 3.0°C	• Assumes that some climate policies are implemented in some jurisdictions, but globally efforts are insufficient to halt significant global warming. Physical risks are most significant in this scenario.

2023 DC scenario analysis – results

	DC Section	E&Y Money Purchase Section (MPP)	E&Y Money Purchase Feeder Section
Disorderly 1.5°C	-36.1%	-34.0%	-36.0%
Disorderly 2.0°C	-25.5%	-23.3%	-24.5%
Orderly 2.0°C	-18.4%	-16.5%	-17.2%
Hot house world 3.0°C	-16.9%	-15.2%	-15.8%

As at 31 Mach 2023 – source XPS Investment, MSCI ESG

Due to the difference in assets held within the DB and DC sections, and the data availability of these assets, the Climate VaR results will vary.

Risk management - DC

Risk management is the process by which we identify, assesses, and manage the potential impact of climate related risks and opportunities. We have put in place the following risk management process:

Processes to identify and assess the potential impact of climate-related risks/opportunities

We recognise the importance of identifying and assessing the potential impact of climate change within the Plan's DC investments and have taken the following key actions. Details of how these processes have been followed over the Plan year are provided in italics.

- **Defined our broad investment beliefs** related to climate change which we then apply to the selection of investment options to use within the default arrangements and within the range of investment options provided to members. The Investment Consultant assists us to ensure we are well informed on emerging climate related risks/opportunities and industry developments in approaches to managing these. Day-to-day management of climate risk and opportunities (including stewardship of assets) is then delegated to the Investment Managers. As detailed below, responsibility for identifying and assessing climate-related risks within the individual pooled funds has been delegated to the Investment Managers.

  ✓ *During the Plan year, we put in place new investment options which had a greater focus on climate change and sustainability.*

- **Require the Investment Consultant** to undertake due diligence to consider the capabilities of the Investment Managers to integrate climate change and broader ESG issues into the management of the Plan's DC assets.

  ✓ *The Investment Consultant uses a traffic light system to highlight where there may be concerns about the Investment Managers approach or where there is exposure to companies that contravene the Trustee's ESG policy.*

- **Discussed the extent to which industry exclusions are appropriate** versus the alternative of ongoing engagement with management.

  ✓ *We ourselves have opted against focusing on exclusions of companies, instead preferring engagement by the Investment Managers with those companies deemed to be in contradiction of our policy. For those companies deemed to be the worst offenders with high emissions and no robust plans to change, our Investment Consultant will engage in dialogue with the Investment Manager and monitor on an ongoing basis.*

  ✓ *Some of the new funds we have selected adhere to exclusions lists in line with an investment manager's own policies, for example, the LGIM Future World funds exclude companies on LGIM's Future World Protection List. Companies are incorporated into the list if they fail to meet minimum standards of globally accepted business practices. The list includes:*

    - *perennial violators of the United Nations Global Compact (UNGC)*
    - *companies generating 20% or more of revenues from mining and extraction of thermal coal, thermal-coal-power generation and/or oil sands.*
    - *companies involved in the manufacture and production of controversial weapons.*

Processes to identify and assess the potential impact of climate-related risks/opportunities (cont)

- **Require the Investment Managers** to report in sufficient detail (where possible) on the carbon footprint of the investments with commentary/ rationale for any movement in observations.
  - ✓ *Where available, data on the carbon footprint for the new range of underlying funds will be collated by the Investment Consultant and reported to us at least annually, with particular focus on the funds underlying the default arrangement.*

- **Added periodic reviews** of the Investment Managers' integration of climate change, and the carbon footprint of the portfolio, to the items to be discussed at DCSC and Trustee meetings.
  - ✓ *As above, the Plan's Investment Consultant will collate and report on the carbon footprint of the Plan's investments as part of their routine reporting.*
  - ✓ *In addition, the Investment Consultant will provide a report detailing its overall ESG ratings for the underlying funds held at least annually. This includes an assessment of how well the Investment Managers integrate climate change to the management of the underlying funds.*

- **We may periodically require the Investment Consultant** to undertake climate risk modelling and scenario testing to understand the risk exposure of the Plan's DC assets to various climate scenarios.
  - ✓ *Climate risk modelling and scenario testing was undertaken as part of TCFD reporting completed in 2023.*

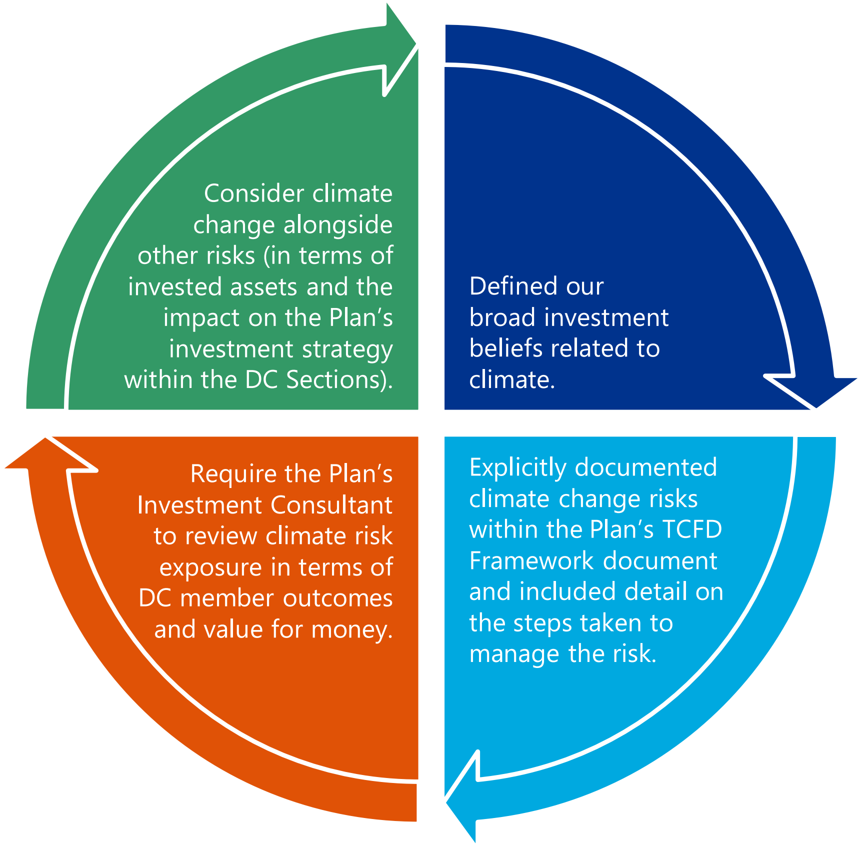
Processes to manage the potential impact of climate-related risks/opportunities

We recognise the importance of managing the potential impact of climate change within the Plan's DC investments and have taken the following key actions:

- **Set out a monitoring process** which will include how the underlying Investment Managers are assessing, managing and mitigating climate risks including each portfolio's positioning in relation to the transition to a lower-carbon economy. This includes conducting scenario analysis to understand the resilience of the default arrangement to various climate scenarios as far as practicable, noting that this type of analysis is still evolving.
  - ✓ *A manager's approach to mitigating climate risks currently forms part of the due diligence undertaken during the selection processes for both managers and funds, as well as when deciding the investment strategy. As such, this was an important consideration in the selection of funds to make available to members and to use within the default arrangement as changes to the fund range were made during the Plan year.*
  - ✓ *The approach of individual managers is factored into the ESG ratings given to each fund by the Plan's Investment Consultant.*
  - ✓ *Scenario analysis was undertaken as part of TCFD reporting in 2023.*
- **Appointed managers who demonstrate robust stewardship and engagement** with the underlying investments (recognising that active ownership is key to managing ongoing risks).
  - ✓ *The ESG credentials and approach to climate risk mitigation were considered before the appointment of each Investment Manager or fund.*
  - ✓ *The Investment Consultant put forward only those funds which met or exceeded their baseline ESG requirements. For some funds, particularly those used in the default arrangement, the fund had to meet the requirements of the Investment Consultant's sustainability designation as well as demonstrate a higher standard of ESG integration.*
  - ✓ *This resulted in us appointing a range of managers for the DC sections where climate and sustainable characteristics formed a key part of the selection criteria.*
- **We will engage with managers** (with the assistance of the Investment Consultant) where activities or carbon performance are deemed to be lagging expectation.
  - ✓ *The Plan's Investment Consultant engages with managers in as part of their ESG ratings process and will feedback any areas of concern.*
  - ✓ *The newly established DCSC may also, with assistance from our Investment Consultant, periodically meet with our investment managers to discuss engagement which has taken place.*

The integration of processes for identifying, assessing, and managing climate-related risks into the Plan's overall risk management

- We have established the following framework to integrate the identification, assessment and management of climate related risks within our overall risk framework.



Stewardship to manage climate-related risks

- We recognise the importance of effective stewardship activities to enact change and manage risk. We delegate all stewardship activity to the Investment Managers as we believe the managers are best placed to conduct stewardship given their expertise and access to company management.
- Where the Plan invests in debt assets there are generally no voting rights to be exercised but we expect the Investment Managers to engage on material ESG and climate-related issues alongside other non-ESG related issues.
- We ask the Investment Managers to provide examples of engagement activities which have been undertaken during the Plan year. The following page gives examples of engagement in relation to climate-related risks. Further engagement information can be found in the Plan's Implementation Statement.
- We expect our Investment Consultant to engage with the Investment Managers from time to time as needed and report back to us on the stewardship credentials of their managers. We then discuss the findings with the Investment Consultant, in the context of our own preferences, where relevant. This includes considering whether the manager is a signatory to the UK Stewardship Code. We recognise the Code as an indication of a manager's compliance with best practice stewardship standards.
- We review the Investment Consultant against the objectives they have been set under CMA requirements on an annual basis, including the climate-related credentials. The last such review was carried out in February 2024.

Stewardship examples

LGIM - Engagement with underlying companies

Since 2021, LGIM have engaged with a European state-owned energy company, based on LGIM's Climate Impact Pledge and the Climate Action 100+ initiative. Over 2023 LGIM held a number of in-depth discussions with the company, both in collaborative engagements with them under the umbrella of the CA100+, and individually. Topics at these discussions included publishing a transition plan, SBTi verification and the question of carbon neutrality versus net zero.

LGIM have identified that insufficient investments in zero-emissions vehicles and related infrastructure are one of the key issues at a vehicle manufacturer. As a result, in 2023, LGIM continued its conversation with the company and increased the frequency of their meetings to discuss the topic. Given the company's size and influence, LGIM have always questioned the company's lobbying stance and its alignment with a 1.5°C world. Following a shareholder proposal on climate lobbying at its AGM, LGIM welcome planned improvements to expand the number of trade associations in scope of assessment and the intentions to seek third party alignment reviews.

In early 2023, following a large energy company's decision to revise their oil production targets, LGIM met with the company several times to discuss their concerns and at their 2023 AGM voted against the re-election of the Chair due to this policy. Throughout 2023, LGIM have continued to engage with them to discuss topics including emissions targets, business resiliency, oil and gas production, capital allocation, value chain approach, responsible divestment and/or decommissioning of assets.

XPS - Engagement with investment managers

XPS undertake **an annual review** of the investment managers held within the Plan's default assessing the funds on a range of ESG factors including:

- firm level philosophy
- integration
- climate change
- stewardship, including example of engagement with underlying companies
- reporting

As part of their process, XPS assign an ESG rating to each fund based on these factors. This rating is then shared with the investment managers along with detailed, bespoke feedback, including focus areas for improvement. Should a manager or fund be assessed as unsatisfactory, XPS will establish a period for improvement with the manager and monitor their progress.

Overall in 2023, XPS provided bespoke feedback to 53 managers across their client base following the annual ESG ratings review. In addition, for 6 managers who either received a red rating or requested further detail in relation to the exercise, XPS held face-to-face meetings to provide more detail on the ratings and discuss future engagement.

Over 2023, XPS have participated in a number of **external events** with investment managers, as well as clients and the wider industry, to discuss sustainability. These events included:

- roundtable between investment consultants and investment managers on ESG in fixed income with discussions in relation to the regulatory environment and the risk of greenwashing
- roundtable on biodiversity within investment markets, discussing how investors particularly in listed markets can measure and manage key risks and take advantage of opportunities.

Metrics and targets

We are aware that we are required to report on a minimum of one absolute emissions metric, one emissions intensity metric, one portfolio alignment metric and one additional climate change metric. As required for this second report, this year's metrics include Scope 3 emissions as well as Scope 1 and 2. We report against the same metrics and target for the DB and DC sections as follows:

Emissions related metrics	We measure the following emissions related metrics on an annual basis: • Absolute: **Total carbon emissions** (where available). This measures the absolute emissions associated with a portfolio, expressed in tons of CO2e. • Intensity: **Weighted Average Carbon Intensity** ("WACI"). This measures a portfolio's exposure to carbon-intensive companies. It normalises for company size to enable comparison regardless of company size.
Portfolio alignment metric	**The implied temperature rise** metric uses forward-looking estimates to indicate a global temperature rise associated with the greenhouse gas emissions of a single company or portfolio. Companies and portfolios which have an implied temperature rise of 2°C or lower are consistent with the Paris Agreement.
Other climate related metrics	We measure the following other climate related metric on an annual basis: • **Share of portfolio** held at year end for which climate related metrics of an acceptable quality have been obtained. We are reliant on the data and metrics provided by third parties and a key challenge related to this is the coverage and reliability of the data and metrics which differ across asset classes, industries, and geographies. A measure which attempts to summarise this is the "data quality metric" which represents the proportions of the portfolio for which we have high quality data.
Target	We continue to consider our overall aspirations (e.g. alignment with a climate transition pathway) but we recognise that how we construct our portfolio does not necessarily translate into real world reductions in carbon emissions and, without sufficient coverage over all the assets held, the extent to which we can completely align the Plan's assets is limited. Our target therefore remains **improving data quality** (coverage). Given the range of asset types held (pooled equities, hedge funds), we expect data quality to improve over time. In particular, the Fiduciary Manager targets data quality for the DB Section increasing to 100% by around 2030. This is the second year of our TCFD reporting and coverage has not shown a meaningful improvement. We appreciate that this is an industry wide issue and that we are reliant on managers and industry data providers such as MSCI increasing the asset class coverage of these metrics. We still expect that the portfolio and asset class coverage will grow in subsequent annual reports, as the data improves – particularly in respect of the treatment of gilts and LDI assets, as well as less liquid and real assets but the pace of the improvement may be slower than initially anticipated.

Metrics - DB

Metric type	Metric	DB 2024 Scope 3	DB 2024 Scope 1 + 2	DB 2023 Scope 1 + 2
Absolute emissions	Total carbon emissions (tonnes CO_2e)	363,258	26,060	27,767
Emissions intensity	WACI (tonnes CO_2e / GBPm sales)	848	134	262
Portfolio alignment	Implied temperature rise (ºC)	2.4		2.2
Other climate metric	Data quality (% of total portfolio covered*) • Absolute emissions • Emissions intensity	20	20	37

Reporting on Scope 3 Green House Gas emissions has been included for 2024 metrics. Scope 3 emissions account for other indirect emissions that occur from sources not owned or controlled by the company. These can include (but are not restricted to) the extraction and production of purchased materials, transportation of purchased fuels and emissions resulting from the use of sold products and services. They have been shown separately as they are much larger than Scope 1 and 2 emissions and would skew the results if reported together.

Since last year, the total Scope 1 and 2 carbon emissions within the DB sections reduced by c1,700 tonnes CO_2e and the WACI by c80 tonnes CO_2e / GBPm sales. Although we haven't set a formal net zero target for the Plan, a decrease in both total emissions and WACI figures suggest changes to our ESG policy have had a positive impact on the total portfolio, where data is available.

Last year, we set a target of improving data quality (coverage). The total portfolio coverage has decreased from 37.1% to 20.3% over the year due to the reduced allocation to growth assets and within this, the exposure to listed equities and corporate bonds. As these are the only elements of the portfolio for which data is available, the coverage for the whole portfolio has decreased. The data coverage for the equity and corporate bond holdings did however marginally increase from 87% to 90%.

** % of total portfolio covered by analysis, weighted by value. This analysis includes liquid listed equities and corporate bond assets where the data was available – the coverage was 90% of these assets. UK gilts, cash and LDI assets are not currently covered, but this is an area the industry is exploring, and this accounts for 52% of the Plan's DB assets as at 31 March 2024. Furthermore, less liquid and real assets, which formed 14% of the Plan's DB assets as at 31 March 2024 are not covered. Based on underlying holdings as at 31 March 2024 – source VLK Investment Management, ISS ESG, MSCI ESG*

Metrics – DC Section

Metric type	Metric	DC 2024 Scope 3	DC 2024 Scope 1 + 2	DC 2023 Scope 1 + 2
Absolute emissions	Total carbon emissions (tonnes CO2e)	65,151	8,306	10,475
Emissions intensity	WACI (tonnes CO2e / GBPm sales)	660	86	138
Portfolio alignment	Implied temperature rise (ºC)	2.2		2.4
Other climate metric	Data quality (% of total portfolio covered*) • Absolute emissions • Emissions intensity	88 93	88 93	70 70

Metrics – E&Y Money Purchase and Money Purchase Feeder Sections

Metric type	Metric	EY 2024 Scope 3	EY 2024 Scope 1 + 2	EY 2023 Scope 1 + 2
Absolute emissions	Total carbon emissions (tonnes CO2e)	11,761	1,519	2,636
Emissions intensity	WACI (tonnes CO2e / GBPm sales)	661	87	140
Portfolio alignment	Implied temperature rise (ºC)	2.2		2.4
Other climate metric	Data quality (% of total portfolio covered*) • Absolute emissions • Emissions intensity	88 93	88 93	91 91

Reporting on Scope 3 Green House Gas emissions has been included for 2024 metrics.

During the year, all DC assets, including those held in the E&Y Money Purchase and Money Purchase Feeder Sections, were transferred onto the LGIM Investment Platform. All members' holdings were invested in the default arrangement unless a member specifically made a new investment choice prior to the transfer taking place. This has led to a slightly higher proportion of assets being held within the default arrangements compared to last year.

As the default arrangements invest members' assets according to their years to target retirement date, there are slight differences between the WACI figures reported for the DC and E&Y sections.

Since the last report, the total report carbon emissions for the DC and E&Y sections have decreased by c2,000 and c1,000 tonnes of CO2e respectively. Both sections also saw reductions in reported emissions intensity (WACI) by 53 tonnes CO2e / GBPm. These changes have resulted in an improvement in the reported portfolio alignment figure which has fallen from 2.4ºC to 2.2ºC.

Last year, we set a target of improving data quality (coverage). Coverage for the DC Section improved significantly over the year as allocations to credit assets increased at the expense of gilts. This change was part of the wider strategy changes which also introduced a greater focus on climate change and sustainability. In comparison, the coverage for the E&Y sections has stayed at broadly similar levels as, although they have switched from a high equity allocation to a mix of credit and equities, both asset classes have good coverage.

Although coverage for the DC sections is significantly higher than DB, we anticipate that this will continue to improve in tandem with company reporting.

** % of total default arrangement covered by analysis. Data was available for all funds held under the default arrangements. This represents c96% of all DC assets. The figures are based on underlying holdings as at 31 March 2024 – source XPS Investment, MSCI ESG*
Due to the way assets are now aggregated across sections for reporting purposes, the figures for the E&Y sections have been combined.
WACI figures for 2023 have been shown per GBPm. These were shown per USDm in our 2023 report.

Appendices

Appendix I – Fiduciary Manager Approach

We have appointed a fiduciary manager (Van Lanschot Kempen Investment Management – VLK) to help manage and implement the Plan's Defined Benefit investment strategy.

As a fiduciary manager, their objective is to make a difference for the pension plans for whom they manage investment assets for. VLK hold the belief that sustainability, including effective stewardship, is fundamental to successful investment outcomes and to the real world outcomes for the ultimate beneficiaries of their clients' assets. VLK invest assets using a wide range of investment vehicles covering a wide spectrum of asset classes to implement bespoke strategic asset allocations for each of their clients.

The responsibility for asset allocation, an important part of managing climate risk, remains us. VLK work closely with us to provide support on sustainability, including on climate change.

VLK actively consider how climate change, the shifting regulatory environment and potential macroeconomic impact affect investments. They believe that climate change is a systemic risk with potential financial impacts associated with physical impacts and the transition to a low-carbon economy under different climate scenarios. They believe that these pose significant investment risks, as well as opportunities, with the potential to impact long-term value across all asset classes. VLK therefore supports the recommendations of the Financial Stability Board's Task Force on Climate related Financial Disclosures ('TCFD'). As a representative of asset owners, they have a role to play in influencing the companies and organisations in which the Plan is invested to take account of climate change, including the provision of better climate-related financial disclosures, enabling us to make better informed investment decisions. How VLK do this is outlined in their Stewardship and Sustainable Investment Report which, together with further information regarding their approach to sustainability more generally, can be found on their website.

Appendix II – Transition Pathway Initiative

*The **Transition Pathway Initiative** (TPI) is a global initiative led by asset owners which assesses the extent to which individual companies are prepared for the transition to a low carbon economy.*

The FTSE Russell TPI Climate Transition Index series combines data from FTSE Russell and analysis from the TPI to apply tilts and screening to over- or under-weight companies according to the 5 criteria below (which are aligned with the TCFD disclosure recommendations) and forward-looking commitments to carbon emission pathways (aligned to the Paris Agreement and 2°C/below 2°DC warming scenarios).

Fossil fuel reserves	• Underweight companies with fossil fuel reserves
Carbon emissions	• Over or underweight companies according to their GHG emissions • Sector neutrality
Green revenues	• Overweight companies engaged in the transition to a green economy
Management quality	• Over or underweight companies according to their management quality ("climate governance") score • Regional industry neutrality
Carbon performance	• Over or underweight companies according to their carbon performance ("2DC/below 2DC pathways") assessment

Appendix III – LGIM's Future World Philosophy

LGIM's Future World methodology incorporates environmental, social and governance (ESG) 'tilts' to LGIM designed indices. The tilting mechanism aims to reduce exposure to companies associated with poor ESG practices and provides greater exposure to those that are better positioned from an ESG perspective.

Through this fund range, companies are incentivised to operate more sustainably, allowing schemes to go further in integrating ESG factors into their investment strategy. The ESG scores are based on the factors LGIM believe to be most significant for long-term investors. They are grouped under the following themes:

- Environmental – the potential negative impact on companies exposed to climate change and the shift to a low-carbon economy; companies with 'green' revenues receive a higher score.
- Social – comprising diversity (representation of women in company boards, executive, management and workforce); and human capital (policies to ensure companies have the right culture and treat workers fairly).
- Governance – considers a range of criteria that indicate 'best practice' in terms of investor rights, board diversity and high-quality audits LGIM also assess transparency, by examining the quality of ESG information available in the public domain.

The Future World Protection List has been specifically developed for LGIM's Future World fund range. Companies are incorporated into the list if they fail to meet minimum standards of globally accepted business practices. Securities issued by such companies will **not be held** in funds that apply the Future World Protection List.

The Future World Protection List includes companies with the following characteristics:

- Involvement in the manufacture and production of controversial weapons: Antipersonnel landmines, cluster munitions, biological and chemical weapons – evidence of involvement in the core weapons system.
- Perennial violators of the United Nations Global Compact (UNGC), an initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies: Companies assessed as being in violation of one or more principles for a period of 36-months or more.
- Involvement in mining and extraction of thermal coal, thermal-coal-power generation, and oil sands: companies generating 20% or more of revenues from these activities.

Appendix IV – Definitions

Absolute Carbon Emissions:	$\sum_{i}^{n} \frac{\text{Current value of investment}_i}{\text{Investee company enterprise value}_i} \times \text{Investee company's scope 1 and 2 C0}_2\text{e emissions}_i$
Carbon dioxide equivalent (“CO_2e”)	A measure used to compare the emissions from various greenhouse gases (“GHG”), such as methane, ozone and nitrous oxide, on the basis of their global warming potential, by converting amounts of other gases to the equivalent amount of carbon dioxide with the same global warming potential.
Carbon footprint:	$\frac{\sum_{i}^{n} \frac{\text{Current value of investment}_i}{\text{Investee company enterprise value}_i} \times \text{Investee company's scope 1 and 2 C0}_2\text{e emissions}_i}{\text{Current value of all investments (£ millions)}}$
Enterprise value including cash (“EVIC”)	A measure of a company’s total value which allows for its financing structure. It is calculated as total market cap (i.e., equity) + total debt + cash.
Physical climate risk	Physical climate risk refers to physical impacts of climate change and includes both the long-term shifts in climate patterns and the impact of acute weather events. These events have a physical impact on societies and the potential to impact economies.
Scope 1 emissions	All direct emissions from sources owned or controlled by the company. For example, emissions from fossil fuels burned on site and emissions from entity-owned or leased vehicles.
Scope 2 emissions	Indirect emissions from electricity purchased and used by the organisation.
Scope 3 emissions	Other indirect emissions that occur from sources not owned or controlled by the company. For example, the extraction and production of purchased materials; transportation of purchased fuels; and emissions resulting from the use of sold products and services.
Weighted Average Carbon Intensity (“WACI”):	$\sum_{i}^{n} \frac{\text{Current value of investment}_i}{\text{Current value of all investments (£ millions)}} \times \frac{\text{Investee company's scope 1 and 2 C0}_2\text{e emissions}_i}{\text{Investee company's revenue (£ millions)}_i}$

Appendix V – Important notes and disclaimers

Disclaimer

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