Climate disclosures for year ended 31 December 2023

Produced by: The Trustee of the Heinz Pension Plan

Date: June 2024

Introduction

Climate change is affecting the planet, causing extreme weather events, impacting crop production and threatening Earth's ecosystems. Understanding the impact of climate change and the Heinz Pension Plan's vulnerability to climate-related risks will help us to mitigate the risks and take advantage of any opportunities.

UK regulations require trustees of pension schemes with more than £1bn in assets to meet certain climate governance requirements and publish an annual report on their scheme's climate-related risks.

Better climate reporting should lead to better-informed decision-making on climate-related risks. And on top of that, greater transparency around climate-related risks should increase accountability and provide decision-useful information to investors and beneficiaries.

This report is the annual climate disclosures for the Heinz Pension Plan (the "Plan") for the year ended 31 December 2023. The four elements covered in the report are:

1) **Governance:** The Plan's governance around climate-related risks and opportunities.

2) **Strategy:** The potential impacts of climate-related risks and opportunities on the Plan's strategy and financial planning.

3) **Risk Management:** The processes used to identify, assess and manage climate-related risks.

4) **Metrics and Targets:** The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

This report has been prepared by the Trustee of the Heinz Pension Plan (the "Trustee") in accordance with the regulations set out under The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the "Regulations").

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Executive summary

This report sets out the actions that we, the Trustee, have taken to understand the potential impact climate change could have on the Plan.

We have worked closely with our investment adviser to identify the climate-related risks and opportunities faced by the Plan, and to understand ways we can manage and mitigate those risks.

Overview of the Plan

The Plan is set up as a Defined Benefit ("DB") pension scheme.

The Plan invests across a range of assets, and within this report we consider the impact of climate related risks on those asset classes, the investment strategy and potential impact on the funding of the Plan.

We have been supported by our investment adviser, Aon Investments Limited ("Aon") to produce this climate disclosures report.

Governance

- The Plan has an asset portfolio of c.£1,114.3m (as at 31/12/2023) which is invested in a range of asset classes including equities, credit and Liability Driven Investment ("LDI")
- We, the Trustee, are ultimately responsible for the oversight of all strategic matters relating to the Plan, this includes climate-related risks and opportunities.

Strategy

- Our qualitative analysis of climate related risks and opportunities showed that the asset classes in which the Plan invests are impacted to some degree by climate-related risks. And over time, the risk exposure is expected to increase.
- We also identified numerous investment opportunities for the different asset classes.
- In March 2022, we analysed the impact of various climate change scenarios on the Plan's funding level and concluded that the Plan's investment portfolio exhibits good resilience.
- We reviewed the scenario analysis undertaken as at March 2022 and we are comfortable that the analysis remains appropriate for this year's report.

Risk Management

- We have established a process to identify, assess and manage the climate-related risks and opportunities the Plan is exposed to. This is integrated into the Plan's wider risk management framework.
- Our Climate Risk Management framework is set out on pages 23 - 25, which assists with the ongoing management of climate related risks and opportunities. Alongside this, we undertake periodic training on responsible investment to understand how Environmental, Social and Governance ("ESG") factors, including climate change, may impact the Plan's

assets and liabilities. Details of the training we have received throughout the year have been included in the Governance.

Metrics and Targets

We have disclosed information on four climate-related metrics for the Plan:

- Total Greenhouse Gas ("GHG") Emissions.
- Carbon Footprint.
- Data Quality.
- Portfolio Alignment.

Last year, we set the following target for the Plan:

50% reduction in the GHG emissions (Scopes 1 and 2) of the Plan's non-gilt assets by 2030 using 31 December 2021 as a baseline.

We have reviewed this target and believe it remains appropriate. In addition, we have decided to set a target covering scope 3 emissions as set out below:

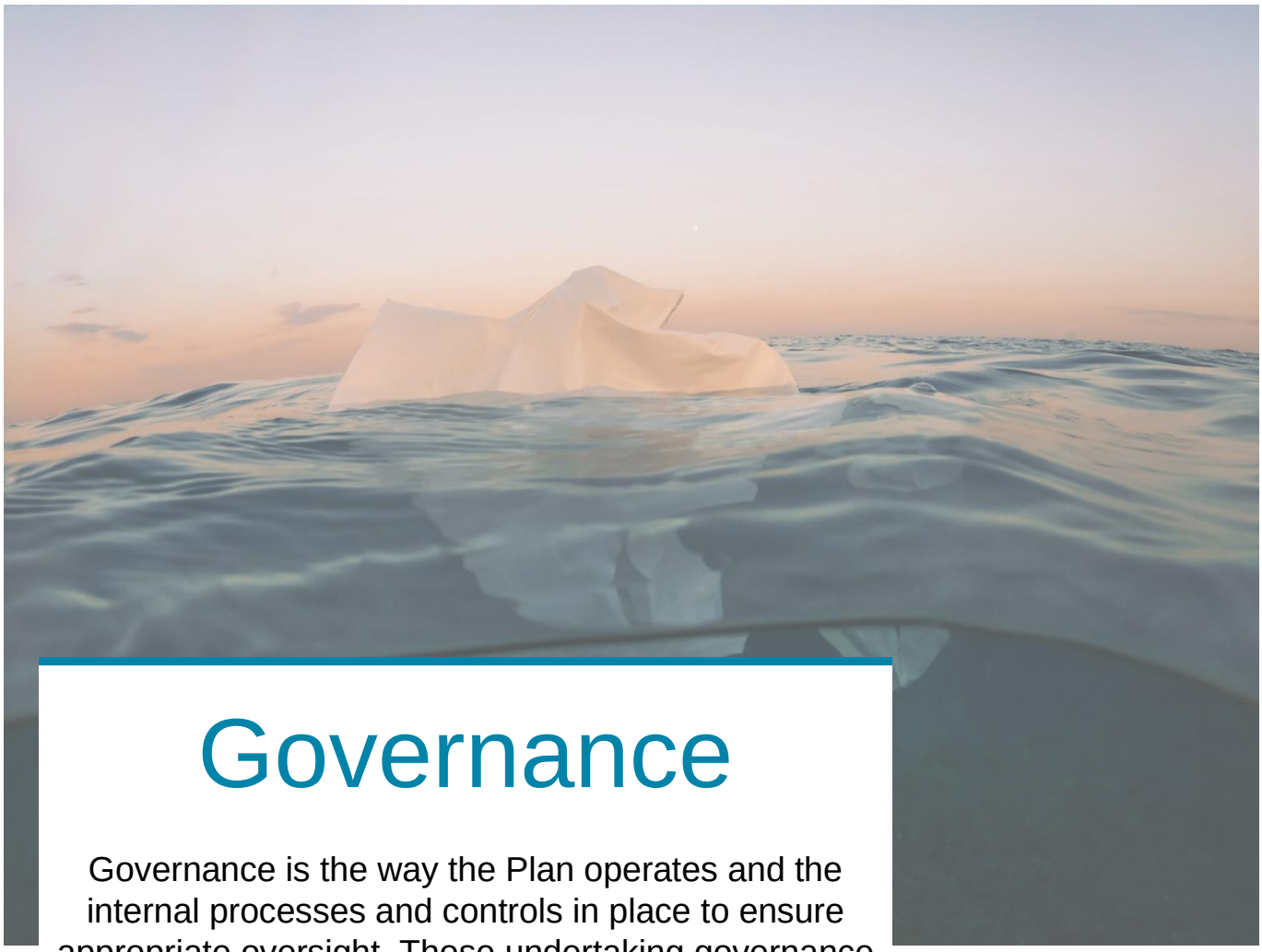
50% reduction in the GHG emissions (Scope 3) of the Plan's non-Gilt Assets by 2030 using 31 December 2022 as a baseline.

This year, we have also committed to achieving net zero emissions across scopes 1, 2 & 3 for the Plan by 2050.

Following completion of the report, we are reassured that the various analysis showed that the potential financial impact of climate change on the Plan is not thought to be significant. We have spent considerable time and effort to monitor the Task Force on Climate-Related Financial Disclosures ("TCFD") framework and will continue to monitor the potential impacts of climate change on the Plan. We hope you enjoy reading this report and understanding more about how we are managing climate-related risks and opportunities within the Plan.

Phil Ashton

on behalf of the Trustee of the Heinz Pension Plan.



Governance

Governance is the way the Plan operates and the internal processes and controls in place to ensure appropriate oversight. Those undertaking governance activities are responsible for managing climate-related risks and opportunities. This includes us, as the Trustee, and others making Plan-wide decisions, such as those relating to the investment strategy or how it is implemented, funding and the ability of the sponsoring employer to support the Plan.

Our Plan's governance

As the Trustee of the Plan, we are responsible for overseeing all strategic matters related to the Plan. This includes the governance and management frameworks relating to environmental, social and governance ("ESG") considerations and climate-related risks and opportunities.

We agreed our climate-related beliefs and our approach to managing climate change risk. These are set out in the Plan's Statement of Investment Principles ("SIP"), which is reviewed annually and available here.

Our climate beliefs

We believe that the risks associated with climate change can have a materially detrimental impact on the Plan's investment returns and on the strength of the employer covenant within the timeframe that we are concerned about. As such, we integrate assessments of climate change risk into our investment decisions and expect the Plan's investment managers to actively incorporate ESG risks where they deem to be financially material. Climate change as a risk factor features prominently when we review the Plan's investment strategy.

We will also liaise with the employer to understand its approach to climate change and take action where necessary.

We believe that climate-related factors may create investment opportunities. We seek to capture such opportunities where they are appropriately aligned with our strategic objectives and fiduciary duty.

We have set both a 50% reduction in Greenhouse Gas ("GHG") emissions target and a net zero target for the Plan's investments to be achieved by 2030 and 2050 respectively across scopes 1, 2 & 3.

Climate-related risks and opportunities are integrated into our risk management framework so we can maintain oversight of the climate-related risks and opportunities that are relevant to the Plan.

We recognise that climate-related risks and opportunities do not affect every asset class identically and we take this into account when considering climate-related impacts across the Plan. Where appropriate, we consider transition and physical climate-related risks separately.

We receive training on an annual basis (or more frequently if required) on climate-related issues to ensure that we have the appropriate knowledge and understanding to support good decision-making.

The Role of the Trustee

We are responsible for the implementation and day-to-day oversight of the Plan's climate change risk management approach. Some of the key activities we undertake, with the support of our advisers, are:

- ensure the investment strategy or any implementation proposals consider the impact of climate risks and opportunities.
- seek investment opportunities which enhance the ESG and climate change focus of the Plan's portfolio.
- engage with the Plan's investment managers to understand how climate-related risks are considered in their investment approach.
- work with the investment managers to disclose relevant climate-related metrics as set out in the TCFD recommendations.
- ensure stewardship activities are being carried out appropriately by the investment managers on the Plan's behalf.
- monitor and review progress against the Plan's risk management framework each year.

Trustee's update

Over the year, we completed further training on the regulatory changes under Year 2 TCFD statutory guidance.

This included the industry feedback published by the Pensions Regulator following its review of the TCFD reports published by occupational pension plans.

In addition, we received training on Net Zero to understand what commitment this would entail and how this may impact on the wider investment strategy.

The purpose of both these training sessions was to better equip us ahead of the preparation of our second TCFD report and to consider further actions to help protect the Plan against potential financial impacts of climate change.

We have received training and information from our investment adviser in relation to the regulations and any key changes to the regulations. This includes training on the climate metrics to be reported on, and the change to the regulations from 1 October 2022 to include a Portfolio Alignment metric.

How we work with our advisers

We expect our advisers and investment managers to bring important climate-related issues and developments to our attention in a timely manner. We expect our advisers and investment managers to have the appropriate knowledge on climate-related matters and to apply this knowledge to the advice that they provide us. We communicate these expectations to our advisers and investment managers.

We take account of our investment adviser's views of each investment manager's ESG-integration capabilities when appointing or reviewing investment managers. We also include a consideration of climate-related risks and opportunities in our regular portfolio and performance-review meetings with our investment managers.

We annually review the quality of our advisers' provision of advice and support on climate-related issues. For our investment adviser this is part of the annual review of investment adviser objectives.

Investment adviser – our investment adviser, Aon, provides investment-related strategic advice and support on our climate-related risks and opportunities. This includes regular training and updates on climate-related issues, climate change scenario modelling and ESG ratings for investment managers.

Scheme Actuary - the Scheme Actuary, from Aon, helps us assess the potential impact of climate-related risks on the Plan's funding where relevant.

Covenant adviser - our covenant adviser, FRP Advisory, helps us understand the potential impact of key risks on the Sponsor covenant of the principal Employer (Kraft Heinz). These risks may include climate-related risks.

Strategy

It is crucial to think strategically about the climate-related risks and opportunities that will impact the Plan if we are to stand a chance of mitigating the effects of climate change.

Assessing the climate-related risks and opportunities the Plan is exposed to is key to understanding the impact climate change could have on the Plan in the future.

What climate-related risks are most likely to impact the Plan?

We carry out a qualitative risk assessment of the asset classes the Plan is invested in. From this we identify which climate-related risks could have a material impact on the Plan. We also identify suitable climate-related opportunities.

To help us with our assessment, we surveyed our investment managers asking them to rate the climate-related risks and opportunities they believe their funds are exposed to.

Our investments

The Plan's investment portfolio is diversified across a range of different asset classes including equities, credit and Liability Driven Investment ("LDI").

The Plan's asset allocation is as follows:

Asset Class	LDI	Equities	Credit	Cash
Allocation	34.9%	5.8%	57.1%	2.2%

Asset allocations as at 31/12/2023

Trustee's update

Last year, we asked our investment managers to assess their exposure to climate-related risks for the funds the Plan is invested in. This year, we asked our managers to review their risk assessments and update them if necessary.

Our qualitative risk assessment is based on the updated information from the managers.

How the risk assessment works

Risk categories

In the analysis, the climate-related risks have been categorised into physical and transition risks.

Transition risks are associated with the transition towards a low carbon economy.

For example, shifts in policy, technology or supply and demand in certain sectors.

Physical risks are associated with the physical impacts of climate change on companies' operations.

For example, extreme temperatures, floods, storms or wildfires.

Ratings

The analysis uses a RAG rating system where:

Red denotes a high level of financial exposure to a risk.

Amber denotes a medium level of financial exposure to a risk.

Green denotes a low level of financial exposure to a risk.

Time horizons

We assessed the climate-related risks and opportunities over multiple time horizons considering the liabilities of the Plan and its obligations to pay benefits. We decided the most appropriate time horizons for the Plan are:

- short term: 1-3 years
- medium term: 4-10 years
- long term: 11-20 years

More details about transition and physical risks can be found in the Appendix.

Climate-related risk assessment

Key conclusions

Diversification across asset classes, sectors and regions is important to manage climate-related physical and transition risks for the Plan.

Equities, which form a minor portion of the Plan's assets, remain as a low to medium-risk area in relation to physical and transition risks. Equities have not seen any changes in their climate-related risk assessment, in comparison to last year's report.

LDI and Buy & Maintain Credit form a significant portion of the Plan's assets. The Plan's LDI and Buy & Maintain Credit manager notes that physical and transition risks are low across all three time horizons.

Credit forms a sizeable portion of the Plan's assets. The climate-related risk assessment for Credit has been assessed through both a 'No Transition' scenario and an 'Orderly Transition' scenario. Under the 'No Transition' scenario, transition risks are deemed low to medium in the short-term but as the long-term approaches, these risks are deemed medium to high. Under an 'Orderly Transition' scenario, both transition risks and physical risks are deemed high, except for cash, but as the long-term approaches, these risks are minimised to a low level.

The following tables summarise the transition and physical risks for each asset class the Plan is invested in.

Equities

UBS - Life Climate Aware World Equity

Physical Risks

	Acute	Chronic
Short	A	A
Medium	A	A
Long	A	A

The current methodology of Climate Aware Strategies focuses on climate transition risks by focusing on companies aligning their businesses to ambitious carbon emission reduction scenarios, embracing climate technologies and reducing exposure to fossil fuels. As the methodologies for assessing physical risks are in a maturing stage, a more in depth-analysis can be expected from the Plan's equities manager for Climate Aware Strategies in the following years.

Transition Risks

	Regulatory	Technology	Market	Reputation
Short	G	G	G	G
Medium	G	G	G	G
Long	A	A	A	A

It is believed that Climate Aware Strategies have a lower exposure to reputation risk as they can make use of voting and engagement to focus on companies likely to be lagging in their transition to a low carbon economy. Due to uncertainty in assumptions, long-term risks are difficult to model.

LDI

BlackRock - QIF LDI

Physical Risks

	Acute	Chronic
Short	G	G
Medium	G	G
Long	G	G

The Plan's LDI manager utilises a consistent methodology for Sovereign Bonds. With the risk factors in the model focusing on physical risk, noting that all sectors of the economy are impacted by higher temperatures. The manager analyses the impact of a "hot house world" scenario on the portfolio, where climate-related risks have been deemed as low.

Transition Risks

	Regulatory	Technology	Market	Reputation*
Short	G	G	G	N/A
Medium	G	G	G	N/A
Long	G	G	G	N/A

The Plan's LDI manager utilises a consistent methodology for Sovereign Bonds. The risk factors in the model focus on transition risk factors that arise as the economy moves. The manager analyses the impact of both an orderly transition and disorderly scenario on the portfolios, where climate-related risks have been deemed as low.

***** With regards to reputational risks being 'not applicable' this is due to reputation not being a risk modelled by the Plan's LDI manager's current analytics.

Buy & Maintain Credit

BlackRock - QIF Buy & Maintain Credit

Physical Risks

	Acute	Chronic
Short	G	G
Medium	G	G
Long	G	G

The Plan's Buy & Maintain Credit manager assigns the above RAG scores following a consistent methodology. The sectors the fund is exposed to have all been bucketed under low risk. The manager also notes that for the next 20 years, the increase of physical risk is unaffected by the transition pathway.

Transition Risks

	Regulatory	Technology	Market	Reputation*
Short	G	G	G	N/A
Medium	G	G	G	N/A
Long	G	G	G	N/A

The Plan's Buy & Maintain Credit manager assigns the above RAG scores following a consistent methodology. The sectors the fund is exposed to have all been bucketed under low risk.

***** With regards to reputational risks being 'not applicable' this is due to reputation not being a risk modelled by the Plan's Buy and Maintain manager's current analytics.

Credit – No Transition

Aon – Diversified Liquid Credit Strategy
Aon – Sustainable Multi Asset Credit

Physical and Transition Risks

	Government Bonds	Cash	Corporate Bonds	Emerging Market/High Yield Bonds	Asset Backed Securities
Short	G	A	G	G	G
Medium	A	A	A	A	A
Long	A	G	R	R	A

This is an asset class level analysis conducted by Aon. A no transition scenario refers to the scenario where no further action is taken to reduce Green House Gas emissions leading to significant global warming. Under a no transition scenario, physical risks are expected to dominate. In the long-term, under a no transition scenario, only government bonds experience medium risk compared to emerging market debt, high yield bonds and corporate bonds which experience high risk. This is as a result of governments having stronger and more structured policies in place compared to corporates to handle a no transition scenario.

Credit – Orderly Transition

Aon – Diversified Liquid Credit Strategy
Aon – Sustainable Multi Asset Credit

Physical and Transition Risks

	Government Bonds	Cash	Corporate Bonds	Emerging Market/High Yield Bonds	Asset Backed Securities
Short	R	G	R	R	R
Medium	A	G	G	G	G
Long	G	G	G	G	G

This is an asset class level analysis conducted by Aon. An orderly transition scenario is where increased public awareness of climate change risks galvanises opinion and leads to governments undertaking widespread action globally to aggressively mitigate and adapt to climate change.

Under an orderly transition scenario, transition risks dominate in the short-term, most disruption is expected to the underlying assets in the short-term as a result of immediate coordinated global action being implemented to tackle climate change. An increase in carbon taxes, for example, could lead to a sudden rise in inflation and increasing government bond yields.

Climate-related opportunities

We have identified some climate-related opportunities which may be suitable for the Plan. These opportunities are valid over the short-, medium- and long-term time horizons relevant to the Plan:

Equity	The Plan's sole equity manager seeks to provide investors with an innovative rules-based strategy, designed to capitalise on the long-term transition to a low GHG emissions economy. To achieve increased or decreased exposures, the strategy applies a number of positive and negative 'tilts'. An example of a positive tilt could be increasing the size of investment in companies providing renewable energy or supporting technology. An example of a negative tilt could be reducing the size of the investment in companies that produce energy form coal.
LDI – UK Gilts	The Plan's LDI manager recognises green bonds as an investment opportunity for financing the transition. The manager is an active participant in this market and engages with issuers.
Buy & Maintain Credit	Following assessment of the physical and transitional risks, the Plan's Buy & Maintain Credit manager outlined the following areas for potential investment opportunities: ▪ Green bonds are an investment opportunity for financing the transition, geared towards adaption, biodiversity and nature-based solutions, they present an opportunity to minimise physical risk. ▪ There are also further opportunities in investing in transitioning companies, like those setting Science Based Target or firms focused on generating revenue from climate change solutions
Credit	In the long-term, the Plan's credit manager notes that despite becoming a prominent risk, technology will be a source of climate-related investment opportunities in the future.

Source: Managers

Trustee's update

In March 2022, the Plan invested in a Sustainable Multi-Asset Credit Fund. We decided to commit to this fund to take further advantage of climate-related opportunities within our investment strategy.

How resilient is the Plan to climate change?

Last year we carried out climate change scenario analysis to better understand the impact climate change could have on the Plan's assets and liabilities.

The analysis looked at three climate change scenarios. We chose these scenarios because we believe that they provide a reasonable range of possible climate change outcomes. The climate scenarios are compared to a "base case" scenario.

Each climate scenario considers what may happen to the Plan when transitioning to a low carbon economy under different temperature-related environmental conditions. These scenarios were developed by Aon and are based on detailed assumptions. They are only illustrative and are subject to considerable uncertainty.

The climate scenarios intend to illustrate the climate-related risks the Plan is currently exposed to, highlighting areas where risk mitigation could be achieved through changing the investment portfolio.

Other relevant issues such as governance, costs and implementation (including manager selection and due diligence) must be considered when making changes to the investment strategy.

Investment risk is captured in the deviance from the base case scenario, but this is not the only risk that the Plan faces. Other risks include covenant risk, longevity risk, timing of member options, basis risks and operational risks.

Trustee's update

Under the Regulations, climate scenario analysis must be carried out at least every 3 years, with an annual review in interim years. Circumstances which may require the climate scenario analysis to be re-done can include but are not limited to:

- a significant/material change to the investment and/or funding strategy; or
- the availability of new or improved scenarios or modelling capabilities or events that might reasonably be thought to impact key assumptions underlying scenarios.

We reviewed the scenario analysis completed as at 31/03/2022 and we are comfortable that the analysis remains appropriate for this year's report. Although inflation expectations have significantly increased since the analysis was carried out, we do not expect this to materially change the results of the analysis given the high level of inflation hedging in place. There have been no significant changes to the investment strategy, following on from the Year 1 report.

Details of the climate scenarios we chose to analyse are set out in the table below.

Scenario	Reach net zero by	Degree warming vs pre-industrial levels by 2100	Introduction of environmental regulation	Scenario description
Base Case	2050	+1.5ºC – 2.4ºC	-	Emission reductions start now and continue in a measured way in line with the objectives of the Paris Agreement and the UK government's legally binding commitment to reduce emissions in the UK to net zero by 2050. Current pricing suggests that the market does not expect a bad climate change outcome and there is some progress made to limit greenhouse gas ("GHG") emissions.
No Transition	After 2050	+4ºC	None	No further action is taken to reduce greenhouse gas ("GHG") emissions leading to significant global warming.
Disorderly Transition	After 2050	<3ºC	Late and Aggressive	Limited action is taken and insufficient consideration is given to sustainable long-term policies to manage global warming effectively
Orderly Transition	2050	1.3 ºC -2ºC	Coordinated	Increased public awareness of climate change risks galvanises opinion and leads to governments undertaking widespread action globally to aggressively mitigate and adapt to climate change. A high global greenhouse gas tax and carbon cap is introduced.

Source: Aon.

Impact on the funding level

Key conclusions

Overall, we are comfortable with the level of resilience exhibited by the investment portfolio and we are not going to make any changes to the investment strategy as a result of this analysis.

The Plan's investment portfolio exhibits good resilience. This is due to the high levels of LDI assets (which generally have low climate risk), and the relatively low proportion of equities (which generally have higher climate risk). The portfolio is diversified across different asset classes, geographic regions, and market sectors. Also, the Plan invests in assets which provide protection against changes in interest rates and inflation expectations.

Even under the worst-case scenario, (the Disorderly Transition) where the Plan experiences a sharp fall in its funding level due to a disorderly implementation of regulations to tackle climate change, the funding level remains above the 100% funding target on the self-sufficiency basis.

The table below describes the impact of each scenario on the Plan over the short-, medium- and long-term time horizons.

	Summary of the Scenario	Summary of the impact to the Plan
No Transition Scenario Temperature rise +4ºC Reach net-zero After 2050 Environmental regulation None	**In the short term:** No action is taken to combat climate change.	**In the short term:** In the short term, the principal funding risk is the volatility of the funding level. Under the no transition scenario, the funding level projection remains aligned with the base case.
	In the medium term: No action is taken to combat climate change.	**In the medium term:** In the medium term, the situation begins to worsen for the funding level projection under the no transition scenario, rising at a slower rate than the base case.
	In the long term: Climate change headwinds grow and act as a drag on economic growth and risk asset returns. Impacts from physical risks become more severe and irreversible by 2100.	**In the long term:** In the long term, under the no transition scenario the funding level projection continues to rise at a relatively gradual rate, finishing worse off than the orderly transition scenario and the base case at the end of the modelling period. Although the funding level under the no transition finishes materially better off than under the disorderly transition, it should be noted that the well-being of members and their beneficiaries is at risk.
Disorderly Scenario Temperature rise <3°C Reach net-zero After 2050	Summary of the Scenario **In the short term:** Insufficient consideration given to long-term policies and there is no action taken to combat climate change	Summary of the impact to the Plan **In the short term:** In the short term, the principal funding risk is the volatility of the funding level. Under the disorderly scenario, the funding level projection remains aligned with the base case.
	In the medium term:	**In the medium term:**

Environmental regulation Late and Aggressive	Late but coordinated action is taken to tackle climate change. The late timing means it is less effective and more costly to implement. Adverse impacts from climate change leads to a drag on risk assets	In the medium term, the outlook for the disorderly transition worsens despite improving alongside the base case in the short term. After 8 years the funding level experiences a sharp deterioration and does not recover to base case levels in the medium term.
	In the long term: After the costly implementation to tackle climate change and the resulting drag on risky assets, the transition to clean technologies and green regulation begins to boost economic growth when considering the very long term. However, the late and disorderly climate transition means that physical climate risks remain prominent over the very long term.	**In the long term:** In the long term, this is the worst-case scenario for the Plan. After the sharp deterioration in the medium term, the funding level does not recover to match base case levels. However, it's important to note that even in this scenario, the funding level remains above the 100% funding target on the self-sufficiency basis.
Orderly Scenario Temperature rise 1.3°C – 2°C Reach net-zero 2050 Environmental regulation Coordinated	Summary of the Scenario **In the short term:** Immediate coordinated global action is taken to tackle climate change. Risky assets perform poorly.	Summary of the impact to the Plan **In the short term:** In the short term, the principal funding risk is the volatility of the funding level. Under the orderly scenario transition, the Plan experiences falls in the Funding level of around 7% in the short-term before recovering.
	In the medium term: The rapid transition to clean technologies and green regulation begins to boost economic growth.	**In the medium term:** In the medium term, under the orderly transition the Plan's funding level continues to grow in line with the base case.
	In the long term: The rapid transition to clean technologies and green regulation begins to boost economic growth. This represents the fastest transition to a green economy, combined with limited physical impacts from climate change despite the large initial transition cost.	**In the long term:** In the long term, the orderly transition scenario finishes as the best possible outcome for the Plan's funding level, rising in line with the base case, eventually finishing above it.

Source: Aon. *Effective date of the impact assessment is 31/03/2022*

Modelling limitations

Please refer to the Appendix for further details in relation to the assumptions used for the scenario analysis and its limitations.

Employer's climate-related risks & opportunities

The Plan has a strong funding level which makes it less reliant on contributions from the principal employer. We have identified below the climate-related risks & opportunities the employer is exposed to over the short-, medium- and long-term by summarising the Kraft Heinz 2023 ESG report.

Kraft Heinz has put in place an ESG strategy prioritising the most important issues to its business and stakeholders, focusing on the areas that have the greatest impact. The ESG strategy includes three key pillars: Healthy Living & Community Support, Environmental Stewardship, and Responsible Sourcing.

Additionally, Kraft Heinz is committed to reducing its operational environmental footprint through setting numerous targets for the future. These targets include:

- Net-zero emissions by 2050 and 50% reduction by 2030 across all three scopes with a 2021 base year.
- 20% decrease in water use intensity in high-risk watershed areas by 2025 with a 2019 base year
- 15% decrease in water use intensity across its manufacturing facilities by 2025 with a 2019 base year.
- 15% decrease in energy use intensity by 2025 with a 2019 base year.
- 20% decrease in waste to landfill intensity by 2025 with a 2019 base year.

Based on these commitments, we believe that Kraft Heinz is equipped to tackle climate change and any transitional disruptions to come in the future. It is important for these risks to be monitored on an ongoing basis and ensure that Kraft Heinz keeps up with future regulatory requirements within its industry.

We will continue to work alongside Kraft Heinz in an effort to ensure its commitments to tackling climate change is upheld.

Source: Kraft Heinz 2023 ESG Report

Risk management

We must have processes to identify, assess and manage the climate-related risks that are relevant to the Plan and these must be integrated into the overall risk management of the Plan.

Reporting on our risk management processes provides context for how we think about and address the most significant risks to our efforts to achieve appropriate outcomes for members.

Our process for identifying and assessing climate-related risks

We have established a process to identify, assess and manage the climate-related risks that are relevant to the Plan This is part of the Plan's wider risk management framework and is how we monitor the most significant risks to the Plan in our efforts to achieve appropriate outcomes for members.

Qualitative assessment

A qualitative assessment of climate-related risks and opportunities which is prepared by our investment adviser and reviewed by us.

Quantitative analysis

Climate scenario analysis, which is provided by our investment adviser and reviewed by us.

Together these give us a clear picture of the climate-related risks that the Plan is exposed to. Where appropriate, we distinguish between transition and physical risks. And all risks and opportunities are assessed with reference to the time horizons that are relevant to the Plan.

When prioritising the management of risks, we assess the materiality of climate-related risks relative to the impact and likelihood of other risks to the Plan. This helps us focus on the risks that pose the most significant impact.

Trustee's update

This process of identifying and assessing climate related risks has been reviewed in the process of producing this TCFD report and we believe it is still suitable.

Throughout 2023, we monitored the stewardship activities of the Plan's investment managers through the production of our annual Engagement Policy and Implementation Statement ("EPIS").

In 2023, we also updated the stewardship section of the Plan's Statement of Investment Principles ("SIP") following the updated stewardship guidance from the Pensions Regulator ("tPR").

Our climate risk management framework

We recognise the long-term risks posed by climate change and have taken steps to integrate climate-related risks into the Plan's risk management processes.

We have a climate risk management framework to manage climate-related risk and opportunities. The climate risk management framework set out in the tables below clearly describes who is involved, what is done and how often. We are collectively responsible for the oversight of all strategic matters related to the Plan including the approval of the climate risk management framework. We are responsible for the implementation and day-to-day oversight of the Plan's climate change risk management approach with support from our external advisers.

Governance

Activity	Responsibility	Adviser / supplier support	Frequency of review
Climate change governance framework *(this document).*	Trustee	Aon	Annual
Publish TCFD report and implementation statement.	Trustee	Aon	Annual
Add / review climate risks and activity on key Plan documentation (risk register, SIP).	Trustee	Aon	One-off, ongoing thereafter
ESG beliefs (including climate change).	Trustee	Aon	Triennial
Receive training on climate-related issues.	Trustee	Advisers	Annual
Ensure investment proposals explicitly consider the impact of climate risks and opportunities and seek investment opportunities.	Trustee	Aon	Ongoing
Ensure that actuarial and covenant advice adequately incorporate climate-related risk factors where they are relevant and material.	Trustee	Aon. FRP	Triennial
Review adviser objectives to ensure advisers have appropriate climate capability, and bring important, relevant, and timely climate-related issues to the Trustee's attention.	Trustee	Advisers	Annual
Engage with the investment managers to understand how climate risks are considered in their investment approach, and stewardship activities are being undertaken appropriately.	Trustee	Aon / Investment Managers	Annual

Trustee's update

We monitor the above activities as part of our ongoing management of the Plan's climate-related risks and opportunities, which includes monitoring and reviewing of progress against the Plan's climate change risk management plan. A summary of the training we received is set out in the Governance section within this report.

Strategy

Activity	Responsibility	Adviser / supplier support	Frequency of review
Identify climate-related risks and opportunities (over agreed time periods) for investment & funding strategy.	Trustee	Aon / Investment Managers	Annual
Climate scenario analysis - annual review for the continuing suitability of the results.	Trustee	Aon	Annual
Climate scenario analysis - refresh modelling.	Trustee	Aon	Triennial
Actuarial valuation.	Trustee	Aon	Triennial
Identify and understand the climate-related risks to the employer over the short, medium, and long-term.	Trustee	Aon / FRP Advisory	Annual

Trustee's update

Climate-related risks and opportunities were analysed during the year. With support from Aon, we asked our investment managers to rate the climate-related risks and opportunities they believe the Plan's investments are exposed to.

Alongside this, we also reviewed the appropriateness of the climate change scenario analysis carried out within the Plan's initial TCFD disclosures and are comfortable that the analysis remains relevant for the current reporting year.

The conclusions of all these elements have been included in the Strategy Section of this report.

Risk management

Activity	Responsibility	Adviser / supplier support	Frequency of review
Consider the prioritisation of those climate-related risks, and the management of the most significant	Trustee	Aon	Ongoing
Consider the prioritisation of those climate-related risks, and the management of the most significant in terms of potential loss and likelihood.	Trustee	Aon	Annual

Trustee's update

We have processes in place for identifying and assessing climate-related risks as part of the annual TCFD process. Climate risk management is integrated into the ongoing risk management activities of the Plan via the Plan's climate risk management plan.

We seek to ensure that any investment decisions we make appropriately consider climate-related risks and opportunities within the context of the Plan's wider risk & returns requirements and are consistent with the policies as set out in the SIP.

We carry out a qualitative assessment of climate risks and quantitative climate scenario analysis which, combined, help to focus on the risks that pose the most significant impact. Based on this year's analysis, no changes need to be made to the Plan's investment strategy.

Metrics and Targets

Activity	Responsibility	Adviser / supplier support	Frequency of review
Agree/review approach for metrics	Trustee	Aon	Annual
Agree/review target	Trustee	Aon	Annual
Obtain data for agreed metrics	Trustee	Aon / Investment Managers	Annual

Trustee's update

We collect metrics data on an annual basis, with support from our investment adviser, to understand the Plan's current portfolio emissions, data coverage and portfolio alignment metrics. This data is evaluated to produce a metrics related target.

Metrics have been collected in line with industry practice. We have reviewed the target around reduction in GHG emissions, which was set previously, and have concluded that it remains appropriate for the Plan. More details can be found in the Metrics and Targets Section of this report.

Assessing our managers

To assess our managers' abilities to manager climate-related risks, we asked them 10 questions designed by the Pensions Climate Risk Industry Group[1] to help trustees do just that. The questions cover a range of topics including the managers' approach to climate management, whether they produce their own TCFD reporting, their ability to conduct climate scenario analysis, their engagement policies, and their ability to provide GHG emissions data.

Key conclusions

We have seen improved climate risk disclosures from our investment managers. Some of the key highlights include:

- Consistent with last year, we have received responses from all of our investment managers
- All three managers are now carrying out climate-related risks analysis, as opposed to only two out of the three last year
- Two managers are currently producing TCFD reports currently, with this expected to rise to three in the near future with Aon producing an entity level TCFD to be published in June 2024

We will engage with our managers to understand the future changes to the management of the Plan's assets, including the integration of climate-related risk analysis, improvements in GHG emissions reporting, temperature alignment and the associated timescales involved with these.

Manager	TCFD aligned climate reports	Climate-related risks analysis	Industry initiatives	Carbon reporting	Temperature alignment
AIL	In progress	✓	✓	✓	✓
BlackRock	✓	✓	✓	✓	-
UBS	✓	✓	✓	✓	✓

Source: Managers

[1] Aligning your pension scheme with the Taskforce on Climate-Related Financial Disclosures recommendations - GOV.UK (www.gov.uk)

Metrics & Targets

Metrics help to inform our understanding and monitoring of the Plan’s climate-related risks. Quantitative measures of the Plan's climate-related risks, in the form of both greenhouse gas emissions and non-emissions-based metrics, help us to identify, manage and track the Plan's exposure to the financial risks and opportunities climate change will bring.

Our climate-related metrics

We use some quantitative measures to help us understand and monitor the Plan's exposure to climate-related risks. Measuring the greenhouse gas emissions related to our assets is a key way for us to assess our exposure to climate change.

Greenhouse gases are produced by burning fossil fuels, meat and dairy farming, and some industrial processes. When greenhouse gases are released into the atmosphere, they trap heat in the atmosphere causing global warming, contributing to climate change.

Greenhouse gases are categorised into three types or 'scopes' by the Greenhouse Gas Protocol, the world's most used greenhouse gas accounting standard.

Scope 1

All direct emissions from the activities of an organisation which are under their control; these typically include emissions from their own buildings, facilities and vehicles

Scope 2

These are the indirect emissions from the generation of electricity purchased and used by an organisation

Scope 3

All other indirect emissions linked to the wider supply chain and activities of the organisation from outside its own operations – from the goods it purchases to the disposal of the products it sells

Last year, we reported on Scopes 1 and 2 emissions only. This year we are required to report Scope 3 emissions as well. Scope 3 emissions are often the largest proportion of an organisation's emissions, but they are also the hardest to measure. The complexity and global nature of an organisation's value chain make it hard to collect accurate data.

For more explanation about GHG emissions, please see the Appendix.

Our climate-related metrics

In our first year of TCFD reporting, we decided what metrics to annually report on. These are described below. This year we reviewed the metrics, and we believe they continue to be suitable for us to report against.

Total Greenhouse Gas emissions

The total greenhouse gas (GHG) emissions associated with the portfolio. It is an absolute measure of carbon output from the Plan's investments and is measured in tonnes of carbon dioxide equivalent (tCO2e).

Carbon footprint

Carbon footprint is an intensity measure of emissions that takes the total GHG emissions and weights it to take account of the size of the investment made. It is measured in tonnes of carbon dioxide equivalent per million pounds invested (tCO2e/£m).

Data quality

A measure of the proportion of the portfolio that we have high quality data for (i.e., data which is based on verified, reported, or reasonably estimated emissions, versus that which is unavailable).

This has been selected on the basis that it provides a consistent and comparable measure of the level of confidence in the data.

Proportion of holdings with SBTi-validated targets

A metric which gives the alignment of the Plan's assets with the climate change goal of limiting the increase in the global average temperature to 1.5˚C above pre-industrial levels. It is measured as the percentage of underlying portfolio investments with declared net-zero or Paris-aligned targets that have been validated by the Science Based Target initiative ("SBTi")

In the table below are the climate-related metrics for the Plan's assets. The metrics are shown separately for the Liability Driven Investments ("LDI") and the other investments because the methodology used for each are different so aggregating the metrics would not make sense.

The carbon metrics

		Data quality (%)		**Total GHG emissions** (tCO_2e)		**Carbon footprint** (tCO_2e/£m)		**Proportion of holdings with SBTI-validated targets** (%)
		Scopes 1 & 2	Scope 3	Scopes 1 & 2	Scope 3	Scopes 1 & 2	Scope 3	
Total (excl LDI)	2022	60	56	39,897	174,553	100.9	474.7	18
Total (excl LDI)	*2021*	*76*	*Not collected*	*57,316*	*Not collected*	*68.0*	*Not collected*	*29*
LDI	2022	100	N/A	109,741	N/A	170.2[1]	*N/A*	*N/A*
LDI	*2021*	*88*	*N/A*	*195,024*	*N/A*	*181.4[2]*	*N/A*	*N/A*

Source: Investment managers / Aon. Data as at 31/12/2022 and 31/12/2021 respectively unless specified otherwise.
Scope 3 emissions are not available for 2021 data because it was not mandatory to report on Scope 3 emissions in the year 1 report.
Data shown excludes sovereigns held within the credit portfolio on the basis of materiality.

1. *tCO2e/£m PPP-adjusted GDP*
2. *Estimated as total UK GHG emissions/UK Public Debt (excluding public sector banks) (t/£m)*

Commentary

Following industry-wide developments in the methodology for carbon emissions calculations, the 2022 emissions have been calculated accounting for the data quality, whereby the carbon emissions are attributed to the proportion of the portfolio for which the data was available for. 2021 emissions were calculated on the assumption that the carbon data provided by the managers was applicable to 100% of the investments each fund. The improved calculation results in the 2022 figures representing a more accurate method of measuring the carbon emissions of the portfolio.

Where applicable, most managers were able to provide scope 3 emissions, which is a new addition to the previous year report. However, we recognise that the scope 3 emissions reporting needs to improve further. Within our sole LDI fund (BlackRock QIF LDI), scope 3 carbon data and the portion of the

portfolio SBTi-aligned are not yet widely available for sovereigns and hence are deemed not applicable.

Notes on the metrics data

Our investment adviser, Aon, collected information from the Plan's investment managers about their greenhouse gas emissions. Aon collated this information to calculate the climate-related metrics for the Plan's portfolio of assets.

Availability of data

- 2 managers provided scopes 1, 2 and 3 GHG emissions.
- 1 manager provided scopes 1 and 2 only.
- 2 managers provided portfolio alignment data.

Aon does not make any estimates for missing data.

Because not all the Plan's managers were able to provide all the requested data, the reported emissions metrics do not include all the Plans' GHG emissions. And so, the metrics show the Plan's GHG emissions to be lower than they really are.

We expect that in the future better information will be available from managers and this improvement will be reflected in the coming years' reporting. We plan to engage with our managers that were unable to supply emissions data to communicate our expectations for future reporting.

How we collected the data

Our investment adviser, Aon, collected the carbon emissions data from our managers on our behalf using the industry standard Carbon Emissions Template ("CET")[1]. The CET was developed by a joint industry initiative of the Pension and Life Savings Association, the Association of British Insurers and Investment Association Working Group. The CET provides a standardised set of data to help pension schemes meet their obligations under the Climate Change Governance and Reporting Regulations, and associated DWP Statutory Guidance.

Notes on the metrics calculations

There isn't an industry-wide standard for calculating some of these metrics yet and different managers may use different methods and assumptions. These issues are common across the industry and highlight the importance of climate reporting to improve transparency. We expect that, in the future, better information will be available from managers as the industry aligns to expectations and best practice standards.

The carbon metrics

Aon calculated the carbon metrics for the Plan based on information provided by the managers. The table below shows for each asset class the broad approach used to calculate each metric.

Asset Class	
Equity & Credit	**Carbon footprint** The investment managers provided the carbon footprint metrics for the funds. **Total GHG emissions** Using the carbon footprint, we calculated the Plan's proportion of each investment fund's emissions by calculating: *carbon footprint x £m Plan assets invested in the fund* **Data quality**

	The investment managers provided data quality.
LDI	Carbon metrics data was provided by the manager. Aon applied these metrics to Plan's invested capital (physical and synthetic exposure) to infer the Plan's total GHG emissions. The emissions associated with LDI have been calculated from the following sources: - UK national emissions as at 31 Dec 2022 from the Emissions Database for Global Atmospheric Research. - PPP-adjusted GDP as at 31 Dec 2022 from the Organization for Economic Cooperation and Development.

Proportion of holdings with SBTi-validated targets

Aon requested the proportion of holdings with SBTi-validated targets for each fund from our investment managers and aggregated the results based on the portion of assets invested in each fund.

Aon does not make any estimates for missing data. The Plan's proportion of the portfolio with SBTi-validated targets only represents the portion of the portfolio for which we have data.

Currently, there is no standard approach for calculating alignment to SBTi for government bonds. Hence there is no SBTi-validated metric for the LDI assets.

Looking to the future
Our climate-related target

Climate-related targets help us track our efforts to manage the Plan's climate-change risk exposure.

In our first year of reporting, we set a target to reduce the Plan's GHG emissions for scopes 1 & 2. Since our first year of reporting, we have now set a net zero target of 2050 for the Plan covering scopes 1, 2 & 3. We believe that the target set in the first year of reporting remains suitable as it will help us to achieve our overarching net zero goal. We have also set an additional target relating the Plan's scope 3 GHG emissions.

Trustee's update

Each year we review the suitability of the target we have set. Based on the data collected and the metrics calculated this year, we believe the target continues to be suitable.

This year, we have decided to set an additional target covering the scope 3 GHG emissions of the Plan.

GHG Emissions Reduction Target

50% reduction

in the GHG emissions (Scope 1&2) of the Plan's non-Gilt assets by 2030 using 31 December 2021 as a baseline

31 December 2021 GHG Emissions (excl Gilts)

57,316

tCO2e (Scopes 1&2)

GHG Emissions Reduction Target

50% reduction

in the GHG emissions (Scope 3) of the Plan's non-Gilt assets by 2030 using December 2022 as a baseline

31 December 2022 GHG Emissions (excl Gilts)

174,553

tCO2e (Scopes 3)

Our progress towards the target

The table below shows the total GHG emissions metrics from this year's and last year's report.

	31/12/2022	31/12/2021
Scope 1&2 GHG Emissions	39,897	57,316

(Excluding Gilts)		
Scope 3 GHG Emissions (Excluding Gilts)	174,553	Not collected

The Plan's performance against the target will be measured and reported on every year. Over time, this will show the Plan's progress against the target. The overall data quality figure for the Plan (excluding LDI) is currently not 100%. This means that as data quality improves (particularly for credit assets) it is possible that initially the Plan's overall GHG emission figures increases due to more complete data and improved reporting.

Steps we are taking to reach the target

To continue to progress towards our target, we plan to take the following steps:

- We will continue to engage with our investment managers, with support from Aon, to encourage better reporting or investigate alternative sources of data.
- To reach our target we are considering reducing the carbon footprint of individual mandates whilst looking to retain a similar risk and return profile.
- We will continue to ensure that managers are providing consistent data.

In both 2022 and 2023, we engaged with the Plan's managers in respect of the Plan's non-Gilt assets. These managers have already set net zero targets for the funds and portfolios in which the Plan is invested, as set out below.

Manager	Net Zero Target Date	2030 Objective
UBS Climate Aware World Equity	2050	Carbon intensity to be half of that the reference index
Aon Diversified Liquid Credit	2050	50%[1] reduction from 2019 date baseline
Aon Sustainable Multi-Asset Credit	2050	50%[1] reduction from 2019 date baseline
BlackRock Buy & Maintain Credit	2050	50%[2] reduction from 2021 date baseline

1. Aon's current target (50% reduction by 2030) applies to all funds at an aggregate level and is not fund specific.

2. The BlackRock Buy & Maintain Credit Investment Management Agreement ("IMA") has been updated to reflect the agreed emissions reduction target of 50% by 2030. BlackRock has not planned any immediate actions as it expects the evolution of the mandate to reach the stated target in the given period.

As the UBS Climate Aware World Equity Fund is a pooled vehicle, it is not possible to set individual client carbon intensity targets. UBS aims for the Fund to have a carbon intensity 50% below that of the market. This does not perfectly align with the Plan's target, however the manager believes that the Plan's target (of a 50% reduction in GHG emissions from the 2021 baseline by 2030) is plausible based on the Fund's current trajectory, all other things being equal. Following our latest engagement with UBS, UBS confirmed that there is still no explicit Net Zero decarbonisation objective for the UBS Life Climate Aware Fund, this is predominantly to allow UBS to keep to a low tracking error for this fund whilst meeting its broader climate objectives

Whilst Aon has set a 50% emissions reduction target by 2030 (from a 2019 baseline) this target applies to all funds at an aggregate level rather than being specific to the Fund the Plan invests in.

Last year, BlackRock's Buy & Maintain portfolio had a target to reduce emissions by 30% from a 2021 baseline by 2030. After discussions with the manager, the target has now increased to 50% by 2030.

Whilst the above manager targets do not align exactly with the Plan's own 2030 target, all managers have confirmed that the target of a 50% reduction from the 2021 baseline by 2030 is feasible within their own targets. Hence, we believe that these fund-level targets give a reasonable likelihood of achieving the Plan-level target and therefore no additional changes to the asset allocation or investment mandates will be made at this time.

Appendices

Glossary

Governance	refers to the system by which an organisation is directed and controlled in the interests of shareholders and other stakeholders.[2] Governance involves a set of relationships between an organisation's management, its board, its shareholders, and other stakeholders. Governance provides the structure and processes through which the objectives of the organisation are set, progress against performance is monitored, and results are evaluated.[3]
Strategy	refers to an organisation's desired future state. An organisation's strategy establishes a foundation against which it can monitor and measure its progress in reaching that desired state. Strategy formulation generally involves establishing the purpose and scope of the organisation's activities and the nature of its businesses, taking into account the risks and opportunities it faces and the environment in which it operates.[4]
Risk management	refers to a set of processes that are carried out by an organisation's board and management to support the achievement of the organisation's objectives by addressing its risks and managing the combined potential impact of those risks.[5]
Climate-related risk	refers to the potential negative impacts of climate change on an organisation. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations.[6]
Climate-related opportunity	refers to the potential positive impacts related to climate change on an organisation. Efforts to mitigate and adapt to climate change can produce opportunities for organisations, such as through resource efficiency and cost savings, the adoption and utilization of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organisation operates.[7]

[2] A. Cadbury, Report of the Committee on the Financial Aspects of Corporate Governance, London, 1992.
[3] OECD, G20/OECD Principles of Corporate Governance, OECD Publishing, Paris, 2015.
[4] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017
[5] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017
[6] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017
[7] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017

Greenhouse gas emissions scope levels[8]	Greenhouse gases are categorised into three types or 'scopes' by the Greenhouse Gas Protocol, the world's most used greenhouse gas accounting standard. Scope 1 refers to all direct GHG emissions. Scope 2 refers to indirect GHG emissions from consumption of purchased electricity, heat, or steam. Scope 3 refers to other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions. Scope 3 emissions could include: the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g., transmission and distribution losses), outsourced activities, and waste disposal.[9]
Value chain	refers to the upstream and downstream life cycle of a product, process, or service, including material sourcing, production, consumption, and disposal/recycling. Upstream activities include operations that relate to the initial stages of producing a good or service (e.g., material sourcing, material processing, supplier activities). Downstream activities include operations that relate to processing the materials into a finished product and delivering it to the end user (e.g., transportation, distribution, and consumption).[10]
Climate scenario analysis	is a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, for example, scenarios allow an organisation to explore and develop an understanding of how the physical and transition risks of climate change may impact its businesses, strategies, and financial performance over time.[11]
Net zero	means achieving a balance between the greenhouse gases emitted into the atmosphere, and those removed from it. This balance – or net zero – will happen when the amount of greenhouse gases add to the atmosphere is no more than the amount removed.[12]

[8] World Resources Institute and World Business Council for Sustainable Development, The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), March 2004.
[9] PCC, Climate Change 2014 Mitigation of Climate Change, Cambridge University Press, 2014.
[10] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017
[11] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017
[12] Energy Saving Trust, What is net zero and how can we get there? - Energy Saving Trust, October 2021

Appendix – An explanation of climate risk categories

Climate-related risks are categorised into physical and transition risks. Below are examples of transition and physical risks.

Transition risks

Transition risks are those related to the ability of an organisation to adapt to the changes required to reduce greenhouse gas emissions and transition to renewable energy. Within transition risks, there are four key areas: policy and legal, technological innovation, market changes, and reputational risk.

Policy and legal

Examples

Increased pricing of GHG emissions

Enhanced emissions-reporting obligations

Regulation of existing products and services

Potential financial impacts

Increased operating costs (e.g. higher compliance costs, increased insurance premiums)

Write-offs, asset impairment and early retirement of existing assets due to policy changes

Technology

Examples

Cost to transition to lower emissions technology

Unsuccessful investments in new technologies

Potential financial impacts

Write-offs and early retirement of existing assets

Capital investments in technology development

Costs to adopt new practices and processes

Market

Examples

Changing customer behaviour

Uncertainty in market signals

Increased cost of raw materials

Potential financial impacts

Reduced demand for goods and services due to shift in consumer preferences.

Abrupt and unexpected increases in energy costs.

Re-pricing of assets (e.g., fossil fuel reserves, land valuations, securities valuations).

Reputational

Examples

Stigmatisation of sector

Increased stakeholder concern or negative stakeholder feedback

Potential financial impacts

Reduced revenue from decreased demand for goods and services.

Reduced revenue from decreased production capacity (e.g., delayed planning approvals, supply chain interruptions)

Reduced revenue from negative impacts on workforce management and planning

Physical Risks

Physical risks refer to the physical impacts of climate change on a firm's operations. They directly impact a firm's ability to perform its function due to climate disruption. They fall into two subcategories: acute and chronic. Acute risks are extreme climate events such as flooding and wildfires, and chronic risks are trends over time such as an increase in temperature or ocean acidification.

Acute	Chronic
Examples	**Examples**
Extreme heat	Water stress
Extreme rainfall	Sea level rises
Floods	Land degradation
Droughts	Variability in temperature
Storms (e.g., hurricanes)	Variability in precipitation

Appendix – Climate scenario modelling assumptions

The climate scenarios were developed by Aon and are based on detailed assumptions. They are only illustrative and are subject to considerable uncertainty. The model considers the long-term exposure of the Plan to climate-related risks and the pattern of asset returns over the long-term. In particular, the model considers different climate scenarios and the approximate impact on asset/liability values over the long-term.

Aon's model assumes a deterministic projection of assets and Gilts +0% liabilities, using standard actuarial techniques to discount and project expected cashflows.

It models the full yield curve as this allows for an accurate treatment of the liabilities and realistic modelling of the future distribution of interest rates and inflation. It also allows us to truly assess the sensitivities of the assets and liabilities to changes in interest and inflation rates. The parameters in the model vary deterministically with the different scenarios. Note we have made a broad allowance for expenses, which are paid by the Plan.

The liability update and projections are considered appropriate for the analysis. However, they are approximate and a full actuarial valuation carried out at the same date may produce a materially different result. The liability update and projections are not formal actuarial advice and do not contain all the information you need to make a decision on the contributions payable or investment strategy.

The model intends to illustrate the climate-related risks the Plan is currently exposed to, highlighting areas where risk mitigation could be achieved through changing the portfolio allocation. Other relevant issues such as governance, costs and implementation (including manager selection and due diligence) must be considered when making changes to the investment strategy.

Investment risk is only captured in the deviance from the Base Case, but this is not the only risk that the Plan faces; other risks include covenant risk, longevity risk, timing of member options, basis risks and operational risks.

The model has been set up to capture recent market conditions and views; the model may propose different solutions for the same strategy under different market conditions.

This report, and the work relating to it, complies with 'Technical Actuarial Standard 100: Principles for Technical Actuarial Work' ('TAS 100'). The model complies with TAS 100.

Data used

The model projects using the following inputs as at 31/12/2022.

- Market value of assets: £1,575m
- Present value of Gilt +0% liabilities: £1,380m
- Contributions: match Plan's Schedule of Contributions dated 26 November 2021
- The contributions payable in respect of future service
- Members 7.3% of pensionable salary
- Company 23.1% of pensionable salary

The contributions are assumed to continue beyond the end of the Schedule of Contributions

Aon has made a broad allowance for expenses which are paid from the Plan's assets. Aon has allowed for £115k per quarter, which is consistent with expense payments made over the last 6 months.

Other modelling assumptions for assets

Aon has allowed for Aon fiduciary fees as follows:

- Diversified Liquid Credit Strategy (SF29) – 0.09%
- Sustainable Multi-Asset Credit (SF18) – 0.10%

Aon has modelled the UBS – Life Climate World Equity fund as MSCI ESG Universal Index.

Appendix – Metrics Detailed Breakdown

Detailed breakdown

The table below shows a more detailed breakdown of the emissions from each asset class in the Plan's portfolio (where available).

Fund Manager/Name	%		Data quality (%) Scopes 1 & 2	Data quality (%) Scope 3	Total GHG emissions (tCO_2e) Scopes 1 & 2	Total GHG emissions (tCO_2e) Scope 3	Carbon footprint (tCO_2e/£m) Scopes 1 & 2	Carbon footprint (tCO_2e/£m) Scope 3	Proportion of holdings with SBTI-validated targets (%)
UBS - Life Climate Aware World Equity Hedged	**2.4**	**2022**	**99**	**0%**	**856**	**-**	**32.5**	**-**	**41**
UBS – Life Climate Aware World Equity Hedged	*26.0*	*2021*	*99*	*-*	*11,180*	*-*	*25.0*	*-*	*32*
Aon – Diversified Liquid Credit Strategy,	**22.5**	**2022**	**17**	**17**	**1,947**	**14,709**	**41.1**	**311.2**	**-**
Aon – Diversified Liquid Credit Strategy	*19.5*	*2021*	*28*	*-*	*6,501*	*-*	*71.7*	*-*	*15*
Aon – Sustainable Multi Asset Credit	**12.9**	**2022**	**69**	**68**	**10,301**	**38,395**	**116.0**	**432.5**	**-**
Aon – Sustainable Multi Asset Credit	*0.0*	*2021*	*Not invested as at 31/12/2021*						
BlackRock - QIF Buy & Maintain Credit	**23.7**	**2022**	**92**	**92[1]**	**26,795**	**121,449**	**111.2**	**503.9**	**42**
BlackRock – QIF Buy & Maintain Credit	*19.2*	*2021*	*94*	*-*	*39,635*	*-*	*121.0*	*-*	*40[2]*
LDI – BlackRock QIF LDI	**37.5**	**2022**	**100**	**N/A**	**109,741**	**N/A**	**170.2[3]**	**N/A**	**N/A**
LDI – BlackRock QIF LDI	*29.1*	*2021*	*88*	*-*	*195,024*	*-*	*181.4[4]*	*-*	*N/A*
Cash	**1.0**	**2022**	**Excluded on the basis of materiality**						
Cash	*6.0*	*2021*	*Excluded on the basis of materiality*						

Source: Investment managers / Aon. Data as at 31/12/2022 and 31/12/2021 respectively unless specified otherwise.
Scope 3 emissions are not available for 2021 data because it was not mandatory to report on Scope 3 emissions in the year 1 report.
Data shown excludes sovereigns held within the credit portfolio on the basis of materiality.

1. *Scope 3 data coverage was not provided for BlackRock. It has been assumed to be the same as the scopes 1 & 2 data coverage.*
2. *31/03/2022 data*
3. *tCO2e/£m PPP-adjusted GDP*
4. *Estimated as total UK GHG emissions/UK Public Debt (excluding public sector banks) (t/£m)*

Appendix – Greenhouse gas emissions in more detail

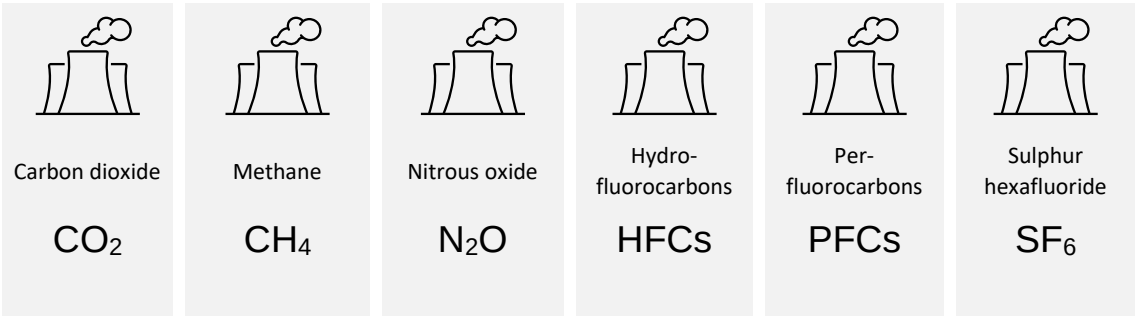
Greenhouse gases in the atmosphere, including water vapour, carbon dioxide, methane, and nitrous oxide, keep the Earth's surface and atmosphere warm because they absorb sunlight and re-emit it as heat in all directions including back down to Earth. Adding more greenhouse gases to the atmosphere makes it even more effective at preventing heat from leaving the Earth's atmosphere.

Greenhouse gases are vital because they act like a blanket around the Earth making it the climate habitable. The problem is that human activity is making the blanket "thicker". For example, when we burn coal, oil, and natural gas we send huge amounts of carbon dioxide into the air. When we destroy forests, the carbon stored in the trees escapes to the atmosphere. Other basic activities, such as raising cattle and planting rice, emit methane, nitrous oxide, and other greenhouse gases.

The amount of greenhouse gases in the atmosphere has significantly increased since the Industrial Revolution. The Kyoto Protocol[13] identifies six greenhouse gases which human activity is largely responsible for emitting. Of these six gases, human-made carbon dioxide is the biggest contributor to global warming.

Each greenhouse gas has a different global warming potential and persists for a different length of time in the atmosphere. Therefore, emissions are expressed as a carbon dioxide equivalent (CO_2e). This enables the different gases to be compared on a like-for-like bases, relative to one unit of carbon dioxide.

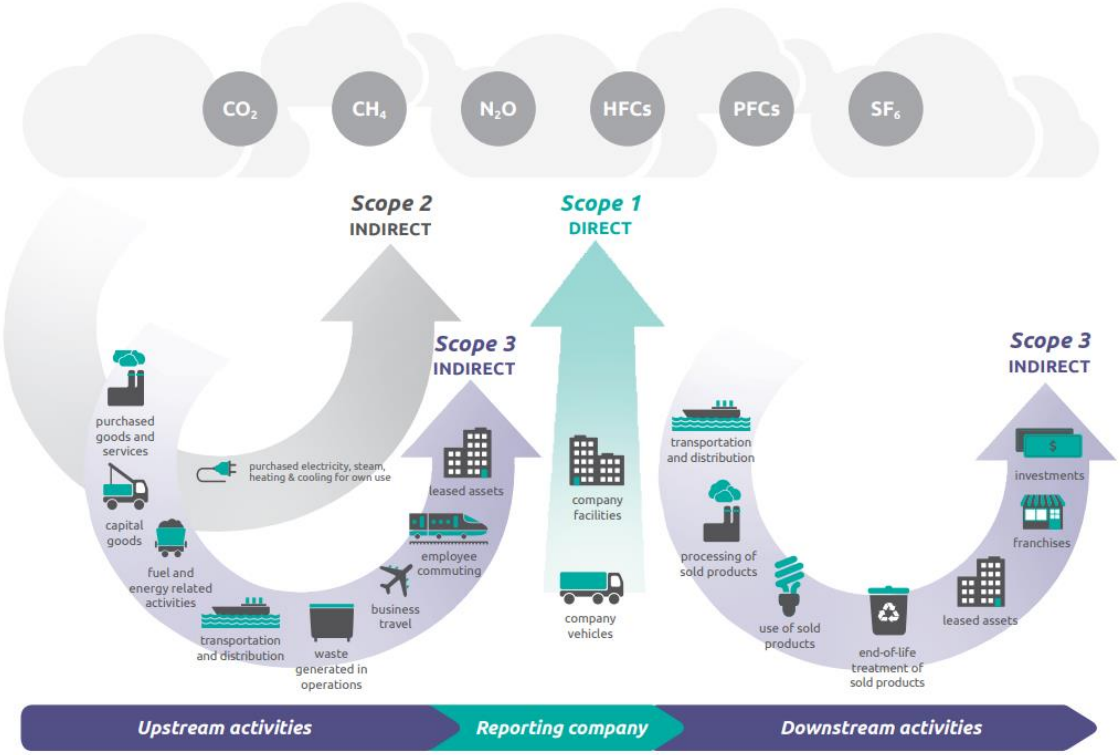
Six main greenhouse gases identified by the Kyoto Protocol



[13] https://unfccc.int/kyoto_protocol

Greenhouse gases are categorised into three types or ‘scopes’ by the Greenhouse Gas Protocol, the world’s most used greenhouse gas accounting standard.

Overview of GHG Protocol scopes and emissions across the value chain



Source: Greenhouse Gas Protocol, Corporate value chain (scope 3) Accounting and Reporting Standard, 2011