

The Lafarge UK Pension Plan for the Year  
ending 30 June 2024

# Trustee's Climate Change Report

[{Insert link to website}](#)

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# Section 1: Chairs' Foreword and Introduction

## **A foreword from the Chairs of the Investment Strategy Committee of the Trustee of the Lafarge UK Pension Plan (the "Plan")**

We have prepared this Climate Change Report for the Plan year ending 30 June 2024.

The Trustee, working with its Fiduciary Manager, recognises the importance of climate change and the potential for it to have a material impact on the Plan. Over the last 12 months we have been provided with training by our advisors and our Fiduciary Manager to better understand how to assess to the Plan's exposure to climate change risk and the actions that can, and are, being taken to manage this risk.

As part of these Trustee discussions, we have agreed a goal to reduce the Plan's carbon footprint to net zero by 2050 and will work with our Fiduciary Manager to ensure that this is reflected in the way in which the Plan's assets are invested and managed. Recognising the crucial importance of engagement in achieving this goal, as well as in managing shorter term risks to the Plan's funding position, the Trustee (through our Fiduciary Manager) employs EOS at Federated Hermes to engage with companies to ensure that appropriate actions are taken by those companies.

The Plan's portfolio includes exposure to a number of assets that are expected to benefit from the energy transition, including renewable energy generation assets. We will continue to engage with our advisors and Fiduciary Manager to explore further opportunities to push towards net zero, while also recognising the need to balance the Plan's exposure to a wide variety of risks and the Trustee's fiduciary duty to act in the best interests of the Plan's beneficiaries.

The Trustee is aware that the Plan's ability to achieve its goals is reliant upon the actions of all stakeholders, including governments, regulators, asset owners and individuals. We encourage our advisors to engage with all these stakeholders through appropriate forums and we are pleased to note their commitment to this.

This report details the approach the Trustee takes to managing climate-related risks and opportunities, the actions taken to date and the Trustee's assessment of the Plan's exposures. We note that data in this area is continuing to evolve and improve and the information set out is provided on a best endeavours basis. We will continue to work with our third-party providers to improve the availability and quality of data going forward.

Over the past 12 months, the reported Total Carbon Emissions and Carbon Footprint metrics have reduced for both sections. Whilst this is a positive trend, the Trustee recognises that there is likely to continue to be a high level of volatility in these figures given ongoing revisions to calculation methodologies combined within an ever-increasing proportion of the investment universe coming into scope for climate reporting. We provide some commentary on the changes in this report in this context.

The Trustee also recognises that, while climate change could have a material impact on the Plan, there are a number of other environmental, social and governance risks, in addition to the investment, funding and covenant risks that the Trustee monitors. The Trustee has noted the recommendations of

the Taskforce for Nature-Related Financial Disclosures (TNFD) and intends to explore this area further over the next year.

We look forward to sharing details of the actions taken by the Trustee in future versions of this report.

Alan Baker and Garrath Lyons

Chairps of the Investment Strategy Committee of the Trustee of the Lafarge UK Pension Plan

## Introduction

The Trustee of the Lafarge UK Pension Plan (referred to as the “Trustee”) presents its annual report under the Occupational Schemes (Climate Change Governance and Reporting) Regulations 2021 (the “Regulations”) for the year ended 30 June 2024. The principal employer of the Plan is Lafarge SA.

The Plan is required to produce climate change disclosures in line with the above regulation. The aim is to improve and increase reporting of climate-related financial risks and opportunities.

The climate change reporting framework requires disclosures in four broad categories:

**Governance:** around climate-related risks and opportunities

**Strategy:** the actual and potential impact of climate-related risks and opportunities on the strategy and financial plans of the Plan under different climate scenarios

**Risk management:** how the Plan identifies, assesses, and manages climate-related risks

**Metrics and targets:** the metrics and targets used to assess and manage climate-related risks and opportunities

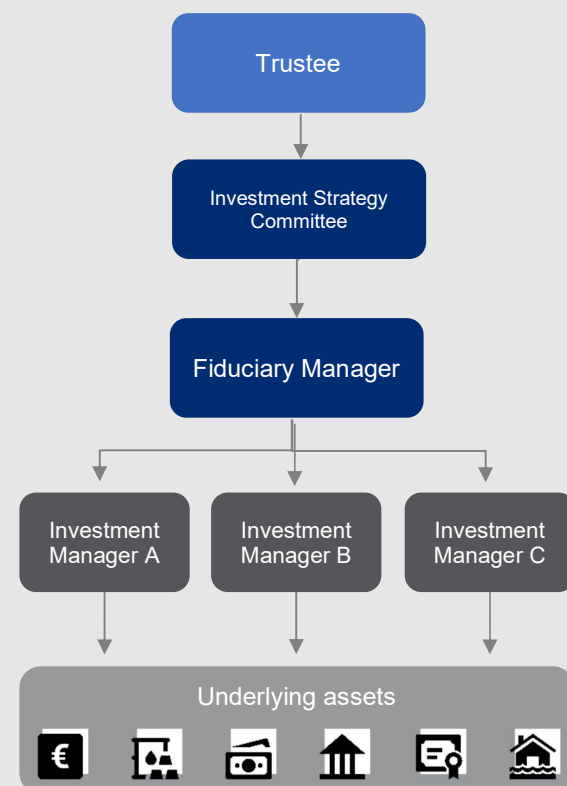


This report sets out the Trustee’s approach to compliance in each of these four areas. The assets (and liabilities) have recently been sectionalised by the Trustee to allow for better risk management of the two Sections (“Redland” (LRPS) and “Blue Circle” (Non-LRPS)). The Plan’s sensitivity to climate-related scenarios and the exposures under the various metrics that the Trustee has agreed have been provided separately for each of the Sections. The Plan also has a small amount of Additional Voluntary Contributions (“AVCs”), which are invested in line with wider Section assets. The information set out on climate-related risks and how these are managed for the Sections can therefore be interpreted as applying to these AVC assets also.

## Section 2: Governance

### Overview of investment structure

#### How are the Plan's investments managed?



**Trustee** - The Trustee's key objective is to ensure sufficient assets to pay members' benefits as they fall due. The Trustee retains overall responsibility for the Plan's investment strategy but delegates some responsibilities to ensure they are undertaken by somebody with the appropriate skills, knowledge, and resources. The Trustee maintains regular communication with the Sponsor to confirm broad alignment of approach and beliefs.

**Investment Strategy Committee ("ISC")** – The ISC is a subset of the Trustee that focusses on the Plan's investment strategy, including the monitoring of climate-related risks and opportunities and of the Fiduciary Manager's actions. The ISC meets formally every quarter and a sub-group meets monthly to review investment activity. The ISC reports back into the Trustee on a quarterly basis.




**Fiduciary Manager (WTW)** – The Trustee has appointed a Fiduciary Manager to implement the investment strategy for the Plan. The Fiduciary Manager allocates the Fund's assets between asset classes and investment managers.

**Investment managers** – The Fiduciary Manager appoints underlying investment managers. The Fiduciary Manager will look for best in class specialist managers for each asset class.

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

## Overview of key climate activities conducted over the year

Over the Plan year to June 2024, the Trustee undertook a number of actions in order to help achieve the ultimate aim of managing climate change risks and opportunities.




 Stewardship	 Portfolio updates	 Governance updates
<p><b>EOS at Federated Hermes</b> – The Trustee (through the Fiduciary Manager) employs EOS at Federated Hermes, a leading stewardship provider, with over \$1.3tn under advice. The EOS platform adds another level of direct corporate engagement in addition to the underlying managers and facilitates greater collaborative stewardship impact. Over 2023 this included 1,041 company engagements on 4,272 issues and 128,101 voting recommendations, with 22,716 against management. EOS also continued to be an active participant in several initiatives such as Climate Action 100+, Principles for Responsible Investment and the Institutional Investors Group on Climate Change.</p> <p><b>Stewardship priorities</b> – The Trustee considers that stewardship is an important tool for managing risk and improving the financial outcomes of the Plan. However, the Trustee also acknowledges that stewardship can be multifaceted and therefore it makes sense to have a small number of stewardship priorities to focus engagements in the short term. One of the selected priorities was “climate change” reflecting the Trustee’s belief that this is currently the single biggest ESG risk and therefore requires specific attention. The Trustee, through its Fiduciary Manager, looks to engage with managers and companies to ensure climate change risk is managed appropriately.</p>	<p><b>Action within the credit portfolio</b> – The Fiduciary Manager increases its minimum standards and expectations over time in relation to sustainable investment. One manager became a clear laggard relative to other exposures in the portfolio, lacking a framework for both ESG integration and engagement. The Fiduciary Manager communicated its concerns with the manager and stopped allocating new capital to this manager while they developed a plan to significantly improve their capabilities and resources spent here. The manager has now made significant process on their SI capabilities, as well as the commitments made as part of the engagement process.</p>	<p><b>Company presentation</b> – The Principal Employer to the Plan presented to the Trustee on the company’s perspective on climate change. This included actions being taken to both manage the risks identified and the intention to capitalise on the opportunities it would present for lower carbon cement.</p> <p><b>Risk register updates</b> - The Trustee undertook a review of its risk register and updated this to more explicitly highlight the potential risks resulting from climate change and how these are managed by the Trustee.</p> <p><b>Adviser review</b> – The Trustee reviewed the Plan’s Fiduciary Manager against agreed objectives over the year, which included an assessment of its work on climate change. The Trustee reflected positively on this review but continues to encourage further work on improving data and enhancing stewardship activities.</p>



Over the Plan year to June 2024, the Fiduciary Manager has also carried out several activities to help the Trustee to meet its climate goals including:

- Confirmed UK Stewardship Code adherence for 1 January 2022 to 31 December 2022 and have recently applied for the year ending 2023
- Ongoing partnership with EOS
- Its Thinking Ahead Institute was selected by the PRI to undertake research specifically on stewardship resources in the industry
- Maintained climate as its top theme for engaging with investment managers
- Led the updating of the ICSWG Engagement Reporting Guide
- Active member of the UK Government's Transition Plan Taskforce working to improve organisations' climate transition planning
- Over the year engaged with over 150 managers and almost 300 products on the topics of sustainability and stewardship
- Invested in a new portfolio construction tool incorporating climate metrics
- Researched over 140 sustainability themed strategies with a focus on climate
- Engaged with and responded to several government consultations

Below are some examples of these engagement in practice:

 <b>Case study: Engagement with UK pensions and climate regulation</b>	 <b>Case study: Creating investment solutions that integrate sustainability factors</b>	 <b>Case study: Engagement with a global infrastructure manager to improve climate reporting</b>
<p>Our Fiduciary Manager had several meetings with the Pensions Regulator covering several topics including:</p> <ul style="list-style-type: none"> <li>• how climate scenario analysis can be made more robust and decision useful,</li> <li>• how the regulations might be applied to smaller pension schemes</li> <li>• whether the regulations themselves had achieved their main purpose of getting trustees to take more steps to appropriately monitor and manage climate change risks and opportunities.</li> </ul> <p>As part of this our Fiduciary Manager talked through client examples and internal thought pieces. They continue to actively engage with the Pensions Regulator to input into the positive development of these regulations.</p>	<p>This year our Fiduciary Manager worked with an index provider to launch the WTW Global Equity Diversified Index (GEDI) – an index which aims to provide 'whole of equity portfolio' smart beta exposures whilst integrating various sustainability factors in a way that is expected to deliver meaningful excess returns over a market capitalisation exposure at a reduced cost.</p> <p>GEDI's approach integrates sustainability, climate, net zero commitments and the incorporation of WTW's Climate Transition Value at Risk (CTVaR). It has rules for excluding stocks based on certain criteria and the strategy includes a net zero target consistent with WTW Investment's commitment to target net zero greenhouse gas emissions by 2050 across their fully delegated portfolios. This includes an interim goal of a 50% reduction by 2030, consistent with plausible pathways to net zero as set out in the current climate science.</p>	<p>The Trustee recognises that infrastructure is a key long-term exposure where sustainability metrics are important. Our Fiduciary Manager has engaged with a global infrastructure manager through annual ESG focused meetings and analysis of its responses to its sustainability questionnaires with several key identified items – approach to climate change reporting, approach to physical risk analysis, limited data availability and increasing demand for sustainability information from limited resource.</p> <p>During 2023, the manager expanded its sustainability team, and will provide climate change reporting for all funds from 2024. The manager is working on physical climate risk modelling and ties this into capex from a resilience perspective. It has started working with an external firm to identify the top 20 sites most at risk from physical climate risk, the worst outcomes at the firm level, and a consequent plan to mitigate these. Alongside this, the manager has invested in bespoke software to improve the efficiency of ESG data collection and reporting, which is being used to help raise awareness with asset managers of what best-in-class looks like to identify action plans.</p>

## Overview of approach to climate change

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

The Trustee has received investment training provided by its Fiduciary Manager on climate risk and the reporting requirements applicable to the Plan. Given the pace of progress around Sustainable Investment, Trustee training on climate and ESG has increased over recent years and is expected to remain a priority going forwards.

The Trustee's key overarching investment policies (including those in relation to climate) are detailed in the Trustee's Statement of Investment Principles (SIP), which can be found online at the following link: <https://www.isio.com/app/uploads/2024/01/LUPP-DB-SIP-September-2022.pdf>

The Trustee also monitors the risks and opportunities associated with climate change through the Plan's risk register which details the controls and monitoring that the Trustee has in place to appropriately manage these risks and opportunities. The risk register is a standing item on the agenda of all Trustee Board meetings.

Whilst the Trustee may delegate certain aspects of its investment arrangements, the Trustee retains ultimate responsibility for setting the Plan's strategy, policies, and monitoring actions in this area and the Trustee ensures that third parties undertaking actions on its behalf are closely monitored and held accountable for the work they do. The Trustee regularly reviews its external consultants and advisers and will be explicitly considering their risk expertise, capabilities and resources and how they incorporate climate change into their advice as part of the next formal review process. The main parties to which the Trustee delegates some form of responsibility for implementing its policies in relation to climate change and Sustainable Investment more widely are outlined below.

- **Sub-committees** – To ensure the effective management of the Plan, the Trustee has established a number of sub-committees including an Investment Strategy Committee (ISC). The ISC is responsible for implementing the Trustee's investment strategy including the selection, retention, and removal of investment managers. The ISC acts within a Terms of Reference, which sets out its duties and reporting obligations.

Under its Terms of Reference, the ISC is responsible for carrying out tasks as appropriate under the four pillars of the TCFD requirements. This includes (but is not limited to) setting the overall approach to climate risk management, working with the Plan's advisors to agree reported metrics and targets, and monitoring the underlying managers' policies in relation to Sustainable Investment (including climate). The ISC has received additional training in this area to ensure it is suitably qualified to discuss and take decisions about sustainable investment. The ISC typically meets four times per year and reports to the Trustee following these meetings.

- **Fiduciary Manager** – The Trustee has appointed WTW as its Fiduciary Manager, responsible for ensuring climate change is considered as part of ongoing portfolio construction, the selection of the underlying investment managers and the conduct of its stewardship activities. WTW's approach to climate change and SI was a key determinant factor in their selection and a focus point of the Trustee's ongoing monitoring. WTW holds membership of important industry bodies such as the Net-Zero Asset Managers Initiative as well as being a signatory to the UK

Stewardship Code. The consideration of sustainable investment is fully embedded in its investment processes. WTW works closely with the ISC and provides regular assessment of its views on the underlying managers' capabilities and performance in relation to ESG and stewardship, and a quantitative assessment of the Fund's portfolio across a number of ESG criteria, including climate.

The Trustee has set the Fiduciary Manager objectives against which it is assessed annually. These include reference to assisting the Trustee in assessing, managing and measuring climate risks and opportunities.

- **Oversight Provider** – The Trustee also employs an Oversight Provider, Isio, who assists the Trustee with monitoring and holding the Fiduciary Manager accountable for its actions around climate change. As part of its oversight activities, Isio compares WTW's SI-related activities against those of other fiduciary managers.
- **Investment Managers** – Responsible for managing climate change risks and opportunities within their mandates, consistent with their investment guidelines. This includes the selection of assets as well as the managers' ongoing stewardship activities. The Fiduciary Manager assesses the investment managers' approach to ESG integration and stewardship activities before investing on the Trustee's behalf, and on a periodic basis as part of its ongoing manager research activities.
- **Other advisors** – The Trustee also takes advice, as required, from the Plan Actuary, Legal Advisor and Covenant Advisor regarding the extent to which climate change may affect the funding strategy of the Plan and the ability of the sponsor to support the Plan. Alongside this, to further satisfy itself, the Trustee also receives updates from the Sponsor on evolutions to their strategy to manage climate change risks and opportunities. The Trustee carries out a broad review of its advisors at least every three years, which includes assessing advisors on climate related matters. Should it be deemed necessary, the Trustee may choose to engage in a formal review process following this.

The Investment Strategy Committee of the Trustee board meets at least four times a year and climate change is typically discussed at least twice a year. The Trustee recognises that climate change is a fast-evolving and complex area which therefore requires ongoing discussion and education. Over the last 12 months, the Trustee has received training from the Fiduciary Manager on climate metrics and the results of a deep dive into sustainable investment. In addition, the investment strategy committee received a presentation from the Plan's ultimate sponsor, Holcim, on its exposure to climate change risks and the activities and plans that have been put in place to manage these and capitalise on opportunities into the future.

The annual Sustainable Investment Review presented by the Fiduciary Manager covered its approach to reviewing managers and how this is evolving, identifying key actions the underlying managers took over the past year and providing oversight of the annual manager Sustainable Investment reviews.

The Trustee has a strong belief that stewardship (voting and engaging with the underlying companies the Plan invests in) is an important way in which the Trustee can meaningfully influence outcomes. The Trustee has identified climate change as one of its current stewardship priorities. The Trustee delegates part of the implementation of this policy to the Fiduciary Manager and underlying investment managers but retains overall responsibility and accountability for the policy. The Trustee considers the implementation of this policy on an annual basis.

## Section 3: Strategy

Appropriately managing the risks and opportunities associated with climate change from a strategic perspective is a key part of the Trustee's role. The Trustee recognises that climate change could have a material impact on the potential success of the overarching funding strategy and therefore seeks to ensure that this matter is given appropriate consideration. To support this, the Trustee has undertaken climate change scenario analysis to test the resilience of the Plan's funding strategy under a range of plausible climate scenarios. Importantly, the Trustee recognises that climate change could have a material impact on the investments of the Plan, the life expectancy of the Plan's members and the support provided by the Sponsor's covenant. All three aspects are therefore considered as part of this analysis. This scenario analysis was undertaken for the first time in 2022. The Trustee's intention is to repeat this analysis at least every three years or sooner should there be a material change in either the Plan's circumstances or the assumptions underlying the analysis.





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

- **Short Term** – to 2025: this is defined as the end of the next Actuarial Valuation cycle, during which the funding strategy will be revisited in detail.
- **Medium Term** – to 2032: this is the timeframe over which significant climate action is expected, climate transition risks are expected to emerge and is aligned with the Trustee's agreed net-zero objective.
- **Long Term** – Post 2032: this is the timeframe consistent with the duration of the Plan's liabilities and the point at which a significant proportion of member benefits will have been paid out.





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

 Transition risk	 Physical risk	 Regulatory risk	 Reputational risk
The indirect impact arising because of changes in society and economies to combat or adapt to climate change	The direct impact arising because of chronic and/or acute changes in climate and extreme weather events	Regulators are increasing pressure on pension schemes to explicitly consider climate change.	The increasing spotlight on pension schemes and climate change increases the risk of being “named and shamed”
Examples:			
<ul style="list-style-type: none"><li>Assets: Some industries become obsolete (e.g. coal), reinvent themselves or others emerge (electric vehicles)</li><li>Liabilities: Improvements in mortality from healthier lifestyles</li></ul>	<ul style="list-style-type: none"><li>Assets: Damage to physical assets underpinning securities (e.g. real estate and infrastructure)</li><li>Liabilities: Excess deaths arising from extreme weather</li></ul>	<ul style="list-style-type: none"><li>Implementation Statement</li><li>DWP Pensions bill</li><li>Mandatory climate change reporting</li></ul>	<ul style="list-style-type: none"><li>2018 EAC report on 25 biggest UK schemes</li></ul>



The Trustee has assessed how the categories identified are relevant to the agreed short-, medium- and long-term time horizons.

	Short Term	Medium Term	Long Term
<b>Timeframe</b>	Post end of next Triennial Actuarial Valuation cycle (2025)	To end of 2032	Post-2032
<b>Primary types of risk</b>	<ul style="list-style-type: none"> <li>Regulatory</li> <li>Reputational</li> <li>Transition</li> </ul>	<ul style="list-style-type: none"> <li>Reputational</li> <li>Transition</li> </ul>	<ul style="list-style-type: none"> <li>Transition</li> <li>Physical</li> </ul>
<b>Key risk exposure</b>	<p>The Plan is exposed to regulatory risks, including fines, if it does not comply with evolving regulatory requirements.</p> <p>The Trustee (and sponsor) are exposed to reputational risks if the Trustee's policies are misaligned with peers and/or the sponsor.</p> <p>The Trustee is predominately exposed to transition risks through the performance of the return-seeking assets held in the Plan.</p>	<p>The Trustee (and sponsor) are exposed to reputational risks if the Trustee's policies are misaligned with peers and/or the sponsor.</p> <p>The Plan is exposed to transition risks through the performance of the return-seeking assets held in the Plan.</p> <p>Given the long-term nature of these risks, there is a high level of uncertainty in terms of the likely effects and the potential magnitude of their impact.</p>	<p>The Plan is exposed to transition risks through its holdings in various asset classes (including equity, credit, property and infrastructure).</p> <p>The Plan is also exposed to physical risk through its holdings in various assets, with this risk increasing over time. Assets most likely to be impacted include property and infrastructure.</p> <p>Given the long-term nature of these risks, there is a high level of uncertainty in terms of the likely effect and the potential magnitude of their impact.</p>
<b>Potential opportunities</b>	<p>Encouraging the Plan's investment managers to consider and where possible reduce exposure to transition risks and to engage with companies to develop a strong transition plan.</p> <p>There may also be opportunities to access investments that may benefit from the energy transition, such as renewable energy-related firms.</p>	<p>Encouraging the Plan's investment managers to consider and where possible reduce exposure to transition risks and to engage with companies to develop a strong transition plan.</p> <p>There may also be opportunities to access investments that may benefit from the energy transition, such as renewable energy-related firms.</p>	<p>The Trustee, through its Fiduciary Manager, works with its investment managers and other parties to engage with investee companies to better manage transition and physical risk.</p> <p>In addition the Plan's assets could be directed towards areas believed to be less likely to be affected by transition or physical risks, and/or towards areas which might benefit from this. The Trustee expects to get greater clarity on these risks and opportunities over time and will consider how best to respond to that additional information.</p>

## Climate scenario analysis

### Annual review of climate scenario analysis

The Trustee updates the climate scenario analysis at least every 3 years. In the intervening years, the Trustee reviews whether any factors have changed materially to warrant an additional update to the analysis. Over the Plan year the Trustee conducted this review and agreed that updating the climate scenario analysis was not warranted as there were no material changes to the funding objectives and strategy of the Plan. This included limited changes to the Plan's asset allocation, membership, Sponsor Covenant and the underlying climate scenarios available to test the robustness of the funding strategy. The Trustee is therefore continuing to progress the previous actions identified as part of the previous analysis which are outlined in Appendix I. As we note in the summary of the analysis, the Trustee is aware of concerns in the industry about the severity of some of the climate scenarios and expects to address this as part of future iterations of this analysis.



## Section 4: Risk Management

Climate change is a key risk and opportunity for the Plan and therefore receives particular attention as part of the Trustee's ongoing risk management processes. The Trustee integrates climate considerations into its risk management processes in a number of key ways:

### Governance

The Trustee has documented its approach to climate change within the Plan's SIP. The Trustee recognises that whilst it can delegate some of its responsibilities in this area, it retains overall responsibility.

### Top-down analysis

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

The Trustee has also agreed an overarching 'carbon journey plan' which represents a long-term commitment to manage climate change risks and opportunities. As set out in the next section, this is a target to reduce the Plan's carbon footprint (Scope 1 and 2 emissions) from the non-government bond assets to reach net-zero by 2050. Although this ultimate goal is based upon the Plan's carbon footprint, the Trustee recognises that this is a simple and backward looking metric and therefore the Trustee also monitors a dashboard of climate metrics alongside this. Exposures and trends across multiple metrics are assessed rather than focussing just on the carbon footprint target.

### Bottom-up analysis

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

**Security analysis** – The Trustee calculates various climate change related metrics for the underlying securities within the portfolio. This includes metrics such as absolute carbon, carbon footprint and exposure to climate opportunities. These provide the Trustee with a more detailed understanding of the Plan's exposures.

**Manager analysis** – The Trustee also conducts an annual review of the Fiduciary Manager and the policies of the underlying investment managers, their processes, and their actions in the area of SI, which includes a focus on climate change. The Trustee has been reassured by the results presented and the actions taken to date. The Trustee does however have a clear policy of engagement if any concerns are identified as part of this monitoring.







## Stewardship

One of the other risk and opportunity assessment tools the Trustee uses is stewardship. As mentioned in other parts of the report, this is a key way in which the Trustee can influence the actions of companies and broader industry and therefore mitigate the climate risk the Plan is exposed to and enhance the potential opportunities available as part of the transition. Over the year the Trustee has undertaken the following, with support from its advisors and Fiduciary Manager:

- Significant engagement via EOS at Federated Hermes with companies and industry (see governance section)
- Review of the stewardship practices of the underlying investment managers with a focus on assessing this relative to the Trustee's climate stewardship priority
- A review of the LDI manager's approach to climate stewardship, including their work with bank counterparties and contributions to industry initiatives and consultations
- Contributed, via the Fiduciary Manager, to a number of key industry initiatives, working groups and consultations
- Reviewed the voting activities of the Plan's global equity manager and reflected positively on the actions taken
- Set stewardship priorities as a way to conduct focussed reporting and to communicate with the Plan's advisers

## Summary

Through the use of the variety of risk tools referenced above, the Trustee has identified a number of key areas to continue further work to help exploit and manage the opportunities and risks associated with climate change. The key priorities are continuing to ensure that the investment managers are appropriately factoring climate change into their approach and stewardship activities as well as making sure that any future insurance activity includes due consideration of climate change as a factor.

## Section 5: Metrics and Targets

### Introduction and overview

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

The metrics disclosed have been selected from the following categories:

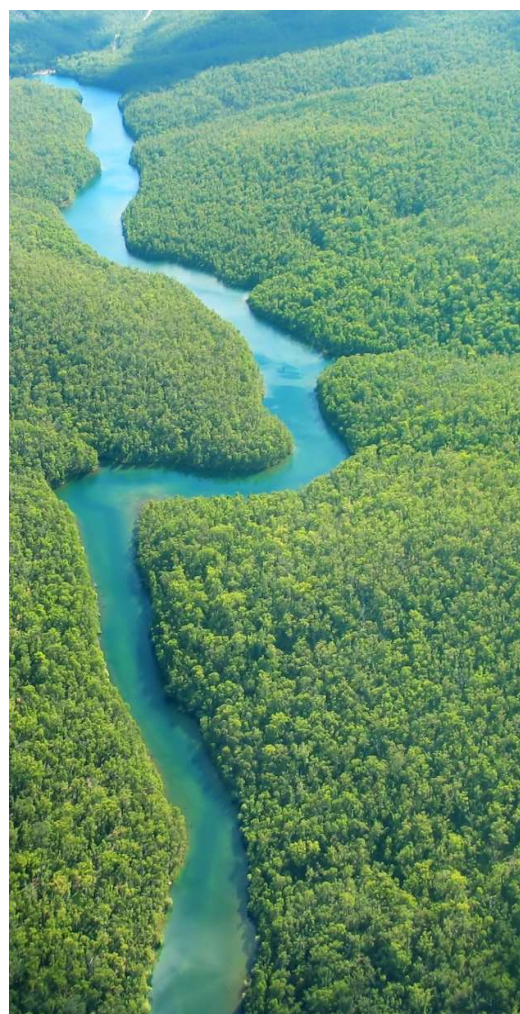
- An absolute emissions metric
- An emissions intensity metric
- An alignment metric
- One additional climate change metric

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

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

Due to the nature of the emissions, Scope 3 emissions are significantly more difficult to

calculate than Scope 1 or Scope 2 emissions for any given entity. It is also the case that, for some assets, even Scope 1 and Scope 2 emissions are difficult to calculate. The Trustee has included Scope 1, 2 and 3 emissions within this report. Scope 1 and 2 emissions are reported separately to Scope 3 emissions given the differences in data quality and application. Further detail is provided on this within the Scope 3 section.



## Overview of analysis

The following table details the rationale for choosing these metrics:

Metric	Definition	Rationale
<b>Total Carbon Emissions ("tCO<sub>2</sub>e")</b>	An 'absolute emissions' metrics which gives a measure of carbon emissions attributable to the Fund. This is calculated in line with the Greenhouse Gas (GHG) protocol methodology and currently includes only Scope 1 and 2 emissions. The underlying emissions data has been sourced from MSCI where available (and uses relevant proxies where not available) and, in line with the protocol, includes all the major GHG gases with a conversion into carbon emissions equivalent quantities. We have used each entity's enterprise value, including cash (EVIC) to attribute carbon emissions.	Mandated as part of the Department for Work and Pensions Statutory guidance
<b>Carbon Footprint (tCO<sub>2</sub>e / \$ invested)</b>	An 'emissions intensity' metric which gives a measure of how many equivalent tonnes of carbon emissions each million invested causes. This uses a comparable methodology as the total carbon emissions referenced above for underlying data and emissions attribution for companies.	It provides a direct measure of absolute emissions, which ultimately impact global outcomes and provides a simple comparable measure across portfolios of different sizes
<b>Percentage of assets with approved Science based targets ("SBTi")</b>	A 'portfolio alignment' metric which is a forward-looking measure of the percentage of assets with targets validated by the Science-Based Targets Initiative.	It provides a consistent verification of a company's alignment to the Paris agreement.
<b>Climate Solutions</b>	Percentage of the portfolio that may be considered EU Taxonomy eligible based on the criteria set out in the taxonomy	Provides a balance of the risks and opportunities presented by the transition to a low carbon global economy with the potential to enhance investment returns through investment in such assets.

## Summary of exposures (excluding LDI assets and cash, based on Scope 1 and 2 emissions):

Redland (LRPS)	30 June 2024	30 June 2023
<b>Total Carbon Emissions ("tCO<sub>2</sub>e")</b>	28,844	39,382
<b>Carbon Footprint (tCO<sub>2</sub>e / \$m invested)</b>	57	86
<b>% of assets with approved science-based targets (SBTi)</b>	11.9%	16.0%
<b>Exposure to climate related solutions</b>	3.3%	11.8%

<b>Blue Circle (Non-LRPS)</b>	<b>30 June 2024</b>	<b>30 June 2023</b>
<b>Total Carbon Emissions (“tCO<sub>2</sub>e”)</b>	27,800	48,876
<b>Carbon Footprint (tCO<sub>2</sub>e / \$m invested)</b>	57	85
<b>% of assets with approved science-based targets (SBTi)</b>	10.6%	14.3%
<b>Exposure to climate related solutions</b>	2.5%	12.4%

**Summary of LDI emissions data attributable to the Plan (Scope 1 and 2):**

<b>Redland (LRPS) - Carbon data*</b>	<b>30 June 2024</b>	<b>30 June 2023</b>
<b>Total Carbon Emissions (“tCO<sub>2</sub>e”)</b>	116,592	117,690
<b>Carbon Footprint (tCO<sub>2</sub>e / £m invested)</b>	167.1	191.7

*\*Covering £415.3m (£405.8m) or 46.6% (43.6%) of the Plan’s total assets as at 30 June 2024 (30 June 2023). Source: Insight Investment*

<b>Blue Circle (Non-LRPS) - Carbon data*</b>	<b>30 June 2024</b>	<b>30 June 2023</b>
<b>Total Carbon Emissions (“tCO<sub>2</sub>e”)</b>	176,315	178,718
<b>Carbon Footprint (tCO<sub>2</sub>e / £m invested)</b>	167.1	191.7

*\*Covering £748.4m (£595.2m) or 59.0% (44.2%) of the Plan’s total assets as at 30 June 2024 (30 June 2023). Source: Insight Investment*

The LDI emissions data above includes index linked gilts and conventional gilts. The data is shown for the gilts that the Plan physically owns, gilts on repo and total return swaps, hence the data is assessed on the liabilities hedged rather than market value of the Plan’s LDI portfolio. Insight have calculated the carbon emissions based on the annual UK greenhouse gas emissions data for 2023 normalised by the total UK government debt as at 30 June 2024.

The Trustee recognises that the methodology in respect of the carbon exposure of the Plan’s LDI holdings is continuing to evolve and, based on the methodology used, results in some double-counting of carbon exposure. These figures are therefore quoted separately.

**Trustee observations of analysis**

As seen in the tables above, both sections have seen a reduction in the Total Carbon Emissions and Carbon Footprint metrics when compared to 30 June 2023. Key drivers of these changes were as follows:

- Within the Global Equity allocation, the invested assets saw a significant decrease in carbon emissions and intensity. This was primarily due to actions taken by underlying managers within the TWIM Global Equity Focus Fund, where a small number of high emitting stocks in the energy and materials sectors were sold.
- Sovereign Bonds also saw a large decrease in carbon emissions and intensity, which was because of a change in methodology for calculating the metric from the previous year. Whilst changes in underlying data and calculation methodologies will occur from time to time as measurement processes evolve, the Trustee does not anticipate such a significant impact from such changes in the future.



There was a decrease in the percentage of assets with approved science-based targets (SBTi) and exposure to climate related solutions. Again, this was driven by a change in methodology compared to last year where industry proxies are no longer used for calculating this metric.

The LDI portfolio of both sections has seen little change compared to last year.

### Data quality

The Trustee has aimed to carry out the analysis as far as it is able, however the availability of data is dependent on external factors that are largely outside the Trustee's control such as certain companies not disclosing the required metrics. The Trustee aims for 100% data quality for its underlying investments, but understands that there are limitations with data availability, particularly for private assets. The Trustee uses MSCI, a market leader in sustainability-related data, to provide ESG and Carbon metrics for the underlying companies. Whilst MSCI has a broad, constantly expanding and improving set of data, this primarily covers public companies due to the nature of the legislative requirements for these companies. Private companies, on the other hand, are not always subject to the same level of transparency and thus require proxying using characteristics that map to similar public companies. Our expectation is that data coverage will continue to improve as pressure from the investment industry, including from the Plan's investment managers, leads to further transparency for private market assets and the Trustee will continue to monitor and encourage this over time.

Where data was not available on the underlying holdings, the Trustee has followed the 'pro-rata approach' which involves scaling up the portfolio data that exists rather than assuming such positions have zero emissions. The Trustee believes this is a more accurate and prudent approach to take. On the Trustee's behalf, the FM is working actively with its investment managers to improve the quality of the data supplied for these purposes over time. The Trustee will monitor how these metrics evolve over time on an annual basis and understand the drivers for change.

The table below shows how the portfolio has been modelled, be it through the analysis of direct company holdings data, where it was available, or otherwise, using proxies. In calculating the ESG metrics the Trustee was able to obtain data on the following (all percentages based on total assets excluding liability driven investments (LDI) and cash):

	2024		2023	
	Redland (LRPS)	Blue Circle (Non-LRPS)	Redland (LRPS)	Blue Circle (Non-LRPS)
<b>Manager-provided data</b>	25%	18%	11%	12%
<b>Proxied data</b>	58%	65%	73%	70%
<b>No data</b>	16%	17%	16%	18%

Of the TWIM Funds, 96% of the Global Equity Focus Fund and 16% of the Alternative Credit Fund's holdings had data obtained from managers. For the remaining TWIM funds (Diversifying Strategies Fund, Hedge Advantage Fund and Secure Income Fund) the data was predominantly proxied. For some of the private market assets where data is unavailable from MSCI, the Trustee has proxied the exposure with the characteristics of a fund of funds invested in the relevant asset class. All the underlying carbon emissions data has been sourced from MSCI. CO2e represents a single unit of measurement for total greenhouse gas emissions (often referred to as CO2 and equivalents) and includes the seven gases mandated under the Kyoto protocol.

## Targets

The Trustee has identified the “Carbon Footprint (tCO<sub>2</sub>e / \$m invested) – excl. sovereigns” metric to be the one on which to set a long-term target. This target is to reduce the Plan’s carbon footprint of the non-government bond assets (Scope 1 and 2 emissions) by 50% by 2030 and to achieve net-zero by 2050. The Trustee is reassured that the Fiduciary Manager has also made a commitment that is consistent with this objective and a key part of our responsibility will be monitoring its progress against this objective over time. The Trustee intends that this goal will be achieved through engagement (with the Plan’s underlying managers and companies invested in), impact investing (in assets such as green energy), strategic changes (investing in assets with lower carbon emissions) and also as a result of the ‘free-rider’ effect. This recognises that although the Trustee has and will take positive actions, the Trustee won’t be able to achieve this goal alone and will require the continued collaboration of the global community to combat climate change.

The Trustee recognises that measurement of progress of the Plan and the whole investment industry in stewarding the transition to a net zero and climate-resilient economy is an important issue. There is no single definitive metric that can be used to adequately measure progress as climate is a multi-dimensional issue, and the data and analytics in this space are rapidly evolving. In line with the regulations, the Trustee has however set a target on a single metric as set out above. It is well acknowledged in the industry that there are several difficulties associated with measuring progress against a carbon footprint goal, such as data quality, backdating of metric information and the fact that changes in the metric are often driven largely by noise (e.g. a company value changing) rather than reductions in real world emissions. The Trustee therefore measures success by monitoring change in multiple metrics and also by reviewing the actual actions taken by the Trustee board and the third parties that it collaborates with.

The Trustee has reported year on year progress below in relation to the carbon footprint (Scope 1 and 2 emissions) of the Plan’s assets excluding LDI and cash, as can be seen from the table below.

Redland (LRPS)	Allocation at June 2024 (excl. LDI and cash)	June 2024 Carbon Footprint (tCO <sub>2</sub> e / \$m) – Scope 1 & 2	Allocation at June 2023 (excl. LDI and cash)	June 2023 Carbon Footprint (tCO <sub>2</sub> e / \$m) – Scope 1 & 2
Global Equity	28%	29	17%	49
Alternative Credit	12%	86	14%	93
Private Markets	35%	81	39%	104
Liquid Diversifiers	15%	29	23%	11
Sovereign Bonds	1%	763	1%	2155
Cash/No Data	9%	0	6%	0
Weighted Average		57		86

Blue Circle (Non-LRPS)	Allocation at June 2024 (excl. LDI and cash)	June 2024 Carbon Footprint (tCO <sub>2</sub> e / \$m) – Scope 1 & 2	Allocation at June 2023 (excl. LDI and cash)	June 2023 Carbon Footprint (tCO <sub>2</sub> e / \$m) – Scope 1 & 2
Global Equity	22%	30	17%	49

<b>Alternative Credit</b>	<b>10%</b>	<b>96</b>	<b>13%</b>	<b>95</b>
<b>Private Markets</b>	<b>44%</b>	<b>70</b>	<b>37%</b>	<b>112</b>
<b>Liquid Diversifiers</b>	<b>16%</b>	<b>35</b>	<b>26%</b>	<b>13</b>
<b>Sovereign Bonds</b>	<b>1%</b>	<b>524</b>	<b>1%</b>	<b>1951</b>
<b>Cash/No Data</b>	<b>7%</b>	<b>0</b>	<b>6%</b>	<b>0</b>
<b>Weighted Average</b>		<b>57</b>		<b>85</b>

Over time, the Trustee expects that the longer-term trend of Plan's carbon footprint will continue downwards, towards the Trustee's net-zero target. The Trustee, however, also recognises that there may be short term deviations in some years. This could be due to changes in underlying holdings and ongoing developments within the industry (such as data availability and methodology changes). The Trustee also recognises that a key driver of change will be the actions of governments, consumers and corporates and while the Trustee will do what it can to ensure the objective is achieved, there is reliance placed on the actions of others.

### Carbon Journey Plan ("CJP")

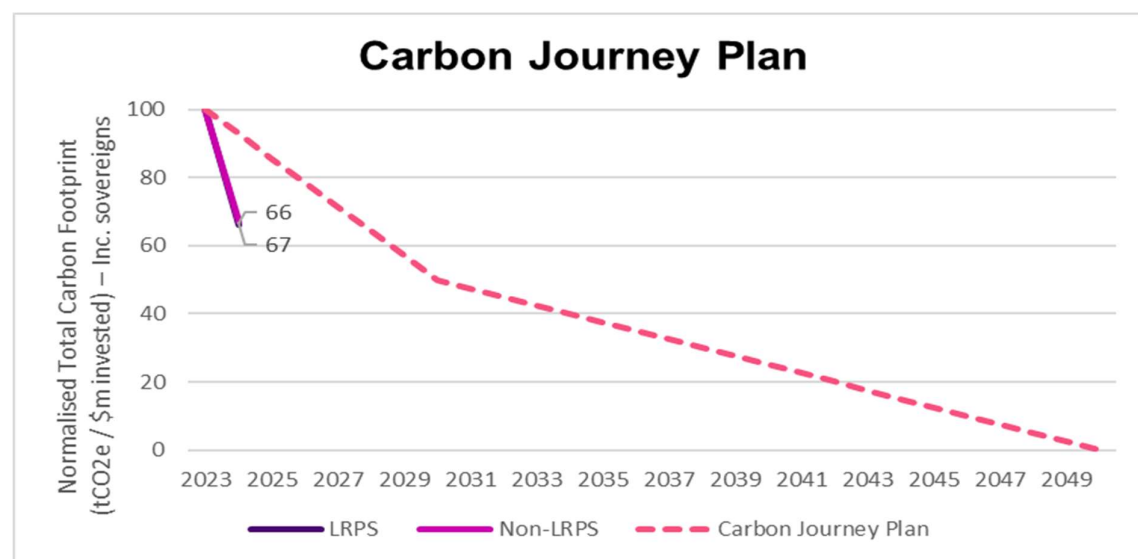
In order to manage the Plan's climate risks, the Trustee has agreed a CJP with the objective of reaching net zero greenhouse gas emissions by 2050, and reducing carbon emissions intensity by 50% over the medium-term (by 2030), starting from a baseline measurement date of 30 June 2023. The ISC will review progress relative to this CJP on an annual basis.

The Trustee recognises a number of levers that can be pulled to a varying extent to move the Plan closer to this objective over time as follows:

1. **Voting and Engagement** – The Trustee will aim to reduce emissions associated with the Plan's portfolio through changing the behaviour of the companies it invests in. Over the year, the Trustee formally adopted climate change as one of its key stewardship priorities. The Trustee believes that the underlying investment managers are best placed to engage with investee companies as part of their normal due diligence and monitoring. In order to monitor this, the Trustee collects and reports on voting data from the Plan's equity managers within the annual Implementation Statement. Alongside this, the choice of long-term buy and maintain credit mandates for the Plan provides a further opportunity for engagement with the companies invested in. The Plan's equity and credit managers provide quarterly ESG reports, which are included in the supporting material of the ISC's meeting packs. The Trustee also discusses the managers' voting and engagement policies as part of the annual sustainability review prepared by the Fiduciary Manager.
2. **Mandate changes** – Making changes to the mandates given to investment managers can encourage or instruct a lower carbon portfolio to be held. Examples include exclusions (e.g. thermal coal), benchmark design (e.g. climate tilted indices) and limitations (e.g. through guideline restrictions). The Trustee considered the pros and cons of various ESG options for the Plan's equity investments in 2022. Most of the Plan's investments are in pooled funds, which limits the potential for mandate changes. Day-to-day decisions on the investments to be held are delegated to the investment managers which includes consideration of all financially material factors, including ESG-related issues where relevant. In the future, the Trustee will also consider the transfer of assets and liabilities to an insurer, which may also help achieve their objective of net zero by 2050.
3. **Impact investments** – Whilst the Plan's investment strategy is relatively stable in nature, the Trustee will periodically review market opportunities to understand whether impact investments might be appropriate. These assessments will take into account the time horizons associated with the achievement of the Plan's investment strategy.

4. **Industry progress** – The Trustee recognises that its actions alone will not be sufficient to ensure that the goals of the Paris Agreement are met. As other investors, individuals, companies, governments and regulators act to transition the global economy to a low carbon world the Trustee anticipates that the Plan’s carbon emissions and footprint will fall, all else being equal. Engagement will act to support this.

The Trustee has constructed a CJP to assist with monitoring the Plan’s progress against the desired objective of reaching net zero greenhouse gas emissions intensity by 2050. The Plan is currently ahead of its target, but the figures are expected to be volatile over shorter time periods and the Trustee will continue to monitor this.



Notes to the CJP:

- The carbon journey plan covers Scope 1 and 2 carbon footprint (tCO<sub>2</sub>e / \$m invested) excluding UK Government bonds and cash.
- The base-year for the calculations is 2023 as it reflects the point at which data was first reported.

### Steps taken over the year to achieve target

The following steps have been taken to help achieve the target set out in the above CJP. These are in addition to the various other examples referred to throughout this statement.

- Within the TWIM Secure Income Fund, WTW engaged with a manager who focuses on infrastructure projects that support the delivery of essential public services. The manager carries out ESG analysis and integration throughout the investment cycle and, through its work in this area, the manager has increased its focus on the management of emissions of the Energy from Waste business in its portfolio. It is keen to reduce, abate and best manage the emissions from this installation where possible in the coming years. Following WTW’s ongoing questioning of management’s plans in this area, WTW has been vocally supportive at annual investor meetings of the business’s management team’s efforts to introduce a carbon capture and storage (CCS) operation serving the Energy from Waste facility. The business has partnered with industrial entities to develop a carbon capture and storage (“CCS”) solution and is bidding for government funding support to develop the project.



- Within the TWIM Alternative Credit Fund, WTW engaged with an Emerging market debt manager. Given their strategy, the manager's portfolio is heavily weighted towards high emitters. WTW wanted to explore ways the manager could bring down the emissions of the portfolio over time, whilst still recognising the challenges from their opportunity set. WTW engaged with the portfolio managers and ESG team within the manager, including outlining their view that as distressed names are a part of this opportunity set, the manager was in a privileged position to negotiate better ESG policies and approaches with their borrowers moving forward as part of workout situations. The manager took feedback on board positively and as one example, has negotiated with a company to develop a plan to shut down a part of its coal fired plants in the coming years, managing risk for investors in the company given regulations in the country. The manager is looking for opportunities to enhance the ESG policies and approaches with borrowers.

### **Going forward**

The Trustee continues to focus on taking appropriate actions to manage the risks and opportunities and to monitor and balanced scorecard of climate metrics in line with the belief that climate change will have a material impact on financial outcomes in the future.

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

# Appendix I – climate scenario analysis results

## Previous climate scenario analysis – as at June 2023

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

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

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

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

Trustee recognises that there is the potential for more extreme outcomes than reflected in the chosen scenarios.

Below the Trustee has illustrated the impact of the climate change scenarios on the Plan's funding level based on the Plan's position as at 30 June 2022. The key results from the climate scenario analysis are outlined below. The Trustee has considered these over a timeframe that is consistent with the Plan's longer term time horizon (c.10 years). The Trustee recognises that assuming such climate scenarios are priced in gradually, year by year, is an unrealistic expectation and in practice this is likely to be far less linear. The Trustee has therefore also included a one-off shock which seeks to illustrate the impact if climate change was to be reflected instantaneously. This assumes that markets immediately price in the transition and physical risks over the next 20 years and that the market initially overreacts to this news in struggling to price in the actual impact. Whilst this is potentially unrealistic, the Trustee thinks this helpfully stress tests the assumptions made in the analysis and helps consider how robust the funding strategy might be. The Trustee also recognises the uncertainty in the underlying assumptions and that, in reality, the shocks experienced could be larger.

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

#### Impact of Climate Shocks on the Redland (LRPS) Plan's Funding Level – June 2022

Scenario	Asset Shock (£m)	Liability Shock (£m)	Change in Funding Position (£m)	Change in Funding Level
<b>Lowest Common Denominator</b>	-88	-62	-26	-2.6%
<b>Inevitable Policy Response</b>	-102	-30	-72	-5.5%
<b>Global Coordinated Action</b>	-57	43	-100	-6.4%
<b>Climate Emergency</b>	-79	-8	-71	-5.2%

### Impact of Climate Shocks on the Blue Circle (Non-LRPS) Plan's Funding Level – June 2022

Scenario	Asset Shock (£m)	Liability Shock (£m)	Change in Funding Position (£m)	Change in Funding Level
<b>Lowest Common Denominator</b>	-128	-45	-83	-4.8%
<b>Inevitable Policy Response</b>	-149	-16	-133	-7.5%
<b>Global Coordinated Action</b>	-84	51	-135	-7.2%
<b>Climate Emergency</b>	-116	5	-121	-6.7%

As a result of the combined analysis, the Trustee's assessment is that the investment and funding strategy of the Plan is resilient against climate risk, and that the Plan is expected to be relatively well protected against the impact of climate change both as a gradual impact and a sudden shock. This was driven by three key factors:

- **The Plan's relatively strong funding position** – This was 82.3% for Redland and 90.9% for Blue Circle (on a gilt flat basis) at the date of the analysis conducted.
- **The allocation to climate positive investments** – The Plan has a material allocation to investments which are expected to benefit from the transition to a low-carbon economy. These include investments in wind, solar and opportunistic renewable energy investments.
- **The Plan has a longevity swap** – The Trustee has already mitigated some of the life expectancy risk within both sections of the Plan, with a large longevity swap.

Although the analysis provided the Trustee with some reassurance on the robust nature of the Plan's funding strategy, it did clearly highlight that climate change could have a material impact on the Plan's outcomes. The Trustee also recognises that the scenarios with the least impact on funding level do not necessarily correspond to the best outcome for the members or other stakeholders of the Plans, given the assumed higher mortality. This reiterated to the Trustee that it warrants continued focus as part of the Trustee's broader SI strategy and should remain a priority area for portfolio monitoring, stewardship activities and manager engagement.

As mentioned earlier, the Trustee intends to update this analysis at least every three years and will be testing annually whether this needs to be done more frequently, including if there have been material changes to the scenarios used or the Plan's funding strategy. the Trustee is aware that there is general feedback across the industry that the current "worst case" scenarios that most providers are

adopting do not fully capture the potential severity of climate “tipping points”. The Trustee is aware that the FM is currently developing an additional scenario more severe than “Lowest Common Denominator” and expects to engage with the FM in due course to assess whether the scenario analysis should be updated for the next climate change report.

## Appendix II – Government Bond investment exposures

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

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

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

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

Whilst the above provide the rationale as to why the Plan excludes liability hedging assets from the Plan's target, the Trustee still believes it is useful to monitor these figures over time. These have been separated between those sovereign bonds held for matching and non-matching purposes. The Trustee, via their FM, does also continue to monitor that the manager of these Government bonds appropriately considers climate change in their actions, whether that be selecting bank counterparties for derivatives or engaging with industry discussions and consultations on climate related matters. The FM has also partnered with a manager in this space which the FM views very positively in their approach to climate change.

## Appendix II – Scope 3 emissions

### The Trustee's view on approaching scope 3 emissions

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

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

Importantly, assessing risks and opportunities are not purely about emissions. A holistic picture that uses various metrics can be achieved through our FM's Climate Dashboard approach. The Trustee believe that this balanced scorecard approach can helpfully inform investment decision-making and support the construction of robust and resilient portfolios.

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

### Summary of Scope 3 emissions data attributable to the Plan (excluding LDI assets):

Redland (LRPS) - Carbon data*	30 June 2024
Total Carbon Emissions ("tCO <sub>2</sub> e")	114,529
Carbon Footprint (tCO <sub>2</sub> e / \$m invested)	226

\*Covering \$505.9m or 44.9% of the Plan's total assets as at 30 June 2024. Source: BNY Mellon

Blue Circle (Non-LRPS) - Carbon data*	30 June 2024
Total Carbon Emissions ("tCO <sub>2</sub> e")	113,405
Carbon Footprint (tCO <sub>2</sub> e / \$m invested)	231

\*Covering \$490.7m or 30.6% of the Plan's total assets as at 30 June 2024. Source: BNY Mellon