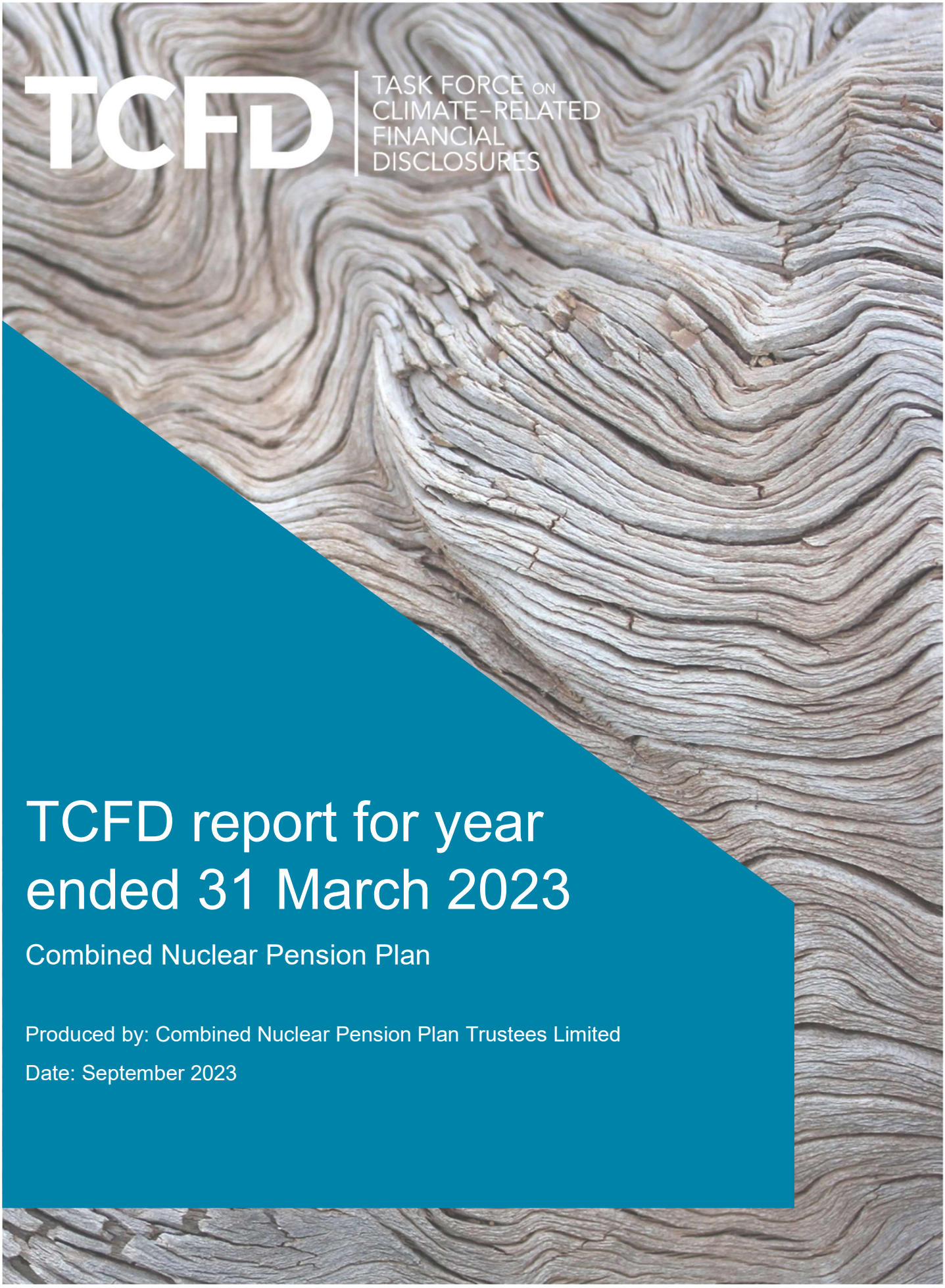


TCFD report for year ended 31 March 2023

Combined Nuclear Pension Plan

Produced by: Combined Nuclear Pension Plan Trustees Limited

Date: September 2023

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 Plan's vulnerability to climate-related risks will help us to mitigate the risks and take advantage of any opportunities.

The Taskforce on Climate-related Financial Disclosure ("TCFD") is an initiative that developed some best practice guidance for climate-risk reporting. The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the "Regulations") require trustees to meet climate governance requirements and publish an annual TCFD report on their pension 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 lead to more accountability and provide decision-useful information to investors and beneficiaries.

This document is the second annual TCFD report for the Combined Nuclear Pension Plan Trustees Limited (the "Trustee"), as Trustee of the Combined Nuclear Pension Plan (the "Plan").

The TCFD disclosures report has been prepared by the Trustee for the Plan year ending 31 March 2023.

What is TCFD?

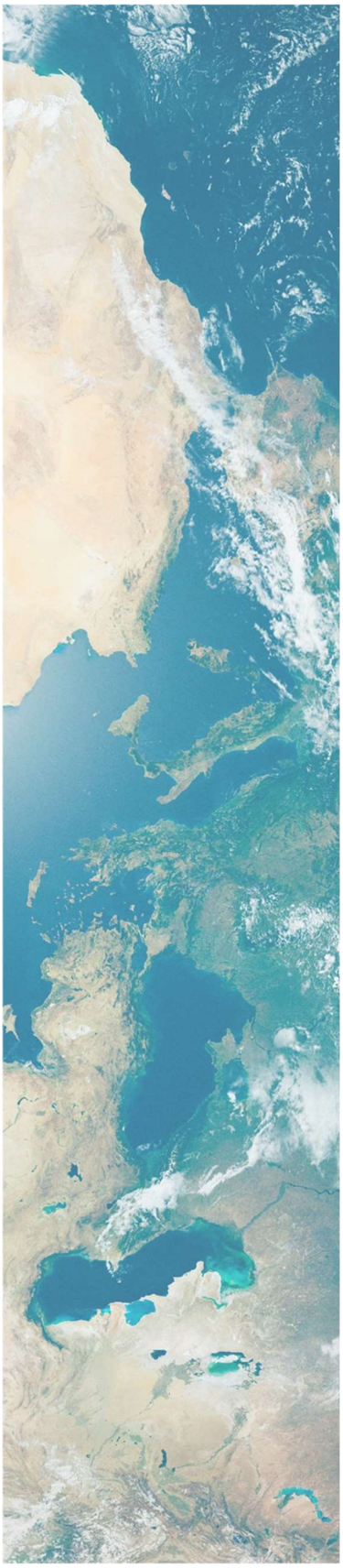
The Financial Stability Board created the TCFD to develop recommendations on the types of information that entities should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing risks related to climate change.

The TCFD has developed a framework to help public companies and other organisations, including pension schemes, more effectively disclose climate-related risks and opportunities through their existing reporting processes.

Table of contents

Executive summary

This statement sets out the approach of the Trustee with regards to identifying and managing climate-related risks and opportunities in the context of the Trustee's broader regulatory and fiduciary responsibilities to its members.



The Trustee supports the recommendations set out by the TCFD on the basis that it will allow the Trustee to more closely assess, monitor and mitigate climate-related risks on behalf of its members. This is the Trustee's second disclosure under the framework and this statement is expected to evolve over time.

This statement has been prepared in accordance with the Regulations and provides a status update on how the Plan is currently aligning with each of the four elements set out in the Regulations (and in line with the recommendations of the TCFD). The four elements covered in the statement are detailed below:

- **Governance:** The Plan's governance around climate-related risks and opportunities.
- **Strategy:** The actual and potential impacts of climate-related risks and opportunities on the Plan's strategy and financial planning.
- **Risk Management:** The processes used to identify, assess and manage climate-related risks.
- **Metrics and Targets:** The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

The following pages summarise the Trustee's current position with regards to the TCFD recommendations and those set out in the Regulations.

Overview of the Plan

The Plan is set up as a Master Trust and is comprised of a Defined Benefit (DB) Structure and a Defined Contribution (DC) Structure.

- The DB Structure is comprised of underlying sections, and some of these sections may have similar characteristics such as similar asset allocations. The different sections of the DB Structure then invest their assets through a Common Investment Platform (CIP). The CIP invests in a range of different assets, and each underlying section is able to tailor its investment in the CIP.
- The DC Structure consists of two main default strategies, with members able to choose from eleven additional self-select funds and a range of target date funds based on their investment objectives.

The Trustee has been supported by its investment advisers, Aon Investments Limited ("Aon") (DB Structure investment adviser) and Redington Limited ("Redington") (DC Structure investment adviser) with the production of its TCFD disclosures report and also the data contained within it.

Strategy

After undertaking both qualitative and quantitative analysis, the Trustee has identified:

DB Structure

- From the qualitative analysis, it became apparent that climate related risks and opportunities impact all the different asset classes in which the Plan invests. Over time, there was a general expectation that the impact of both physical and transition risks increases. Alongside this, climate change provided numerous investment opportunities for the different asset classes.
- The Plan has a reasonable degree of resilience relative to climate related risks, which was a key outcome from the quantitative climate scenario analysis based on the three different strategies considered. This was demonstrated under all three climate scenarios. The resilience of the three strategies considered was primarily driven by the high level of diversification in the assets.

DC Structure

- Both default strategies are Target-Date Funds managed by BlackRock. The Trustee and its adviser engage regularly with the fund manager to ensure climate-related enhancements are integrated into the portfolio. Where possible, the portfolio manager has switched to an Environmental, Social and Governance ("ESG") screened index. Additionally, the LifePath strategies are invested in "building blocks" with explicit ESG related considerations.
- The Trustee has added an ESG Multi-Asset fund to the self-select range. The Trustee has included carbon data in the CNPP Global Equity Fund in this report as it is the most popular self-select fund and many members have invested in it.

Risk Management

The Trustee has integrated climate related risks into its various documents and processes. For example, the Trustee has a clear policy on stewardship, including the impact of climate change, as outlined in its Statement of Investment Principles. In addition to this, the Trustee receives data on voting and engagement from its managers annually (as outlined in its Implementation Statement, which is produced annually).

The Trustee has outlined a Risk Management Plan, on pages 33-38, which assists with the ongoing management of climate related risks and opportunities. Alongside this, the Trustee undertakes periodic training on responsible investment to understand how ESG factors, including climate change, may impact the Plan's assets and liabilities. Details of training the Trustee has undertaken through the Plan year are included in the Governance Section and Risk Management Section.

Metrics and Targets

The Trustee gathered the carbon metrics data from a range of different sources, including its investment managers, investment advisers and other data vendors. As required, the Trustee has, as far as it is able, collated the data for the total greenhouse gas emissions, carbon footprint and the implied temperature rise, which is a new addition to the TCFD report following a change in the Regulations over 2022. This metric was chosen following training from the Trustee's investment advisers. More detail is provided on page 44.

The Trustee is keen to understand the carbon emissions in the Plan's portfolio, and notes that the data has improved in comparison to the previous year reporting. As per the Trustee's expectation noted in last year's report, the overall data availability for greenhouse gas emissions has improved, which led to higher overall emissions being reported as the availability and coverage of data expands. In addition, more managers were able to provide scope 3 emission data which also contributed to the overall emissions being higher versus the previous year's reporting. More detail on how the emissions are defined is provided on page 42.

DB Structure

All of the Plan's investment managers and underlying asset portfolios were contacted for carbon metrics information, and the Trustee is pleased to note that most of the managers were able to provide full or partial data. The Trustee observed that there was variability of data availability for scopes 1, 2 and 3. This varied between investment managers and also across asset classes.

The Trustee has also seen an improvement in its data coverage for scope 1 and 2 emissions, however it recognises that more work needs to be done to reach the data coverage target for all of the Plan's emissions, including scope 3.

As a result of the carbon metrics data collected, the Trustee has decided to make changes to its target. This is outlined on page 47.

DC Structure

During the course of the year, there has been an increase in coverage for both default strategies, as well as for the CNPP Global Equity Fund, with the increase for the LifePath Flexi coverage being the most notable.

The lower data coverage for the LifePath Capital strategy is as a result of the higher allocation to fixed income. The Trustee, with Redington's assistance, will continue to engage with Aegon and BlackRock[1] to understand how the data can be improved.

[1] Please refer to page 10 for more details on Aegon and BlackRock.

Trustee actions

The Trustee has implemented the following strategic changes as a result of the TCFD framework being implemented. In summary the Trustee has:

- Appointed a Sustainable Development Goals Credit Fund to the DB Structure to better account for the climate related risks within its investment strategy. The Plan expects to complete its investment in its next reporting period.
- Appointed a Direct Lending Fund to the DB Structure. This Fund includes ESG-linked margin ratchets* that incentivise the underlying equity owners to positively improve their ESG credentials.
- Decided to report on a forward-looking emission metric, Implied Temperature Rise, to better track the alignment of the Plan's assets with global temperature goals (e.g. limiting the increase in the global average temperature to 1.5˚C above pre-industrial levels).
- Approved and added an ESG Multi-Asset Fund to the self-select fund range of the DC Structure. The fund aims to deliver a long-term return in a manner consistent with the principles of ESG-focused investing.

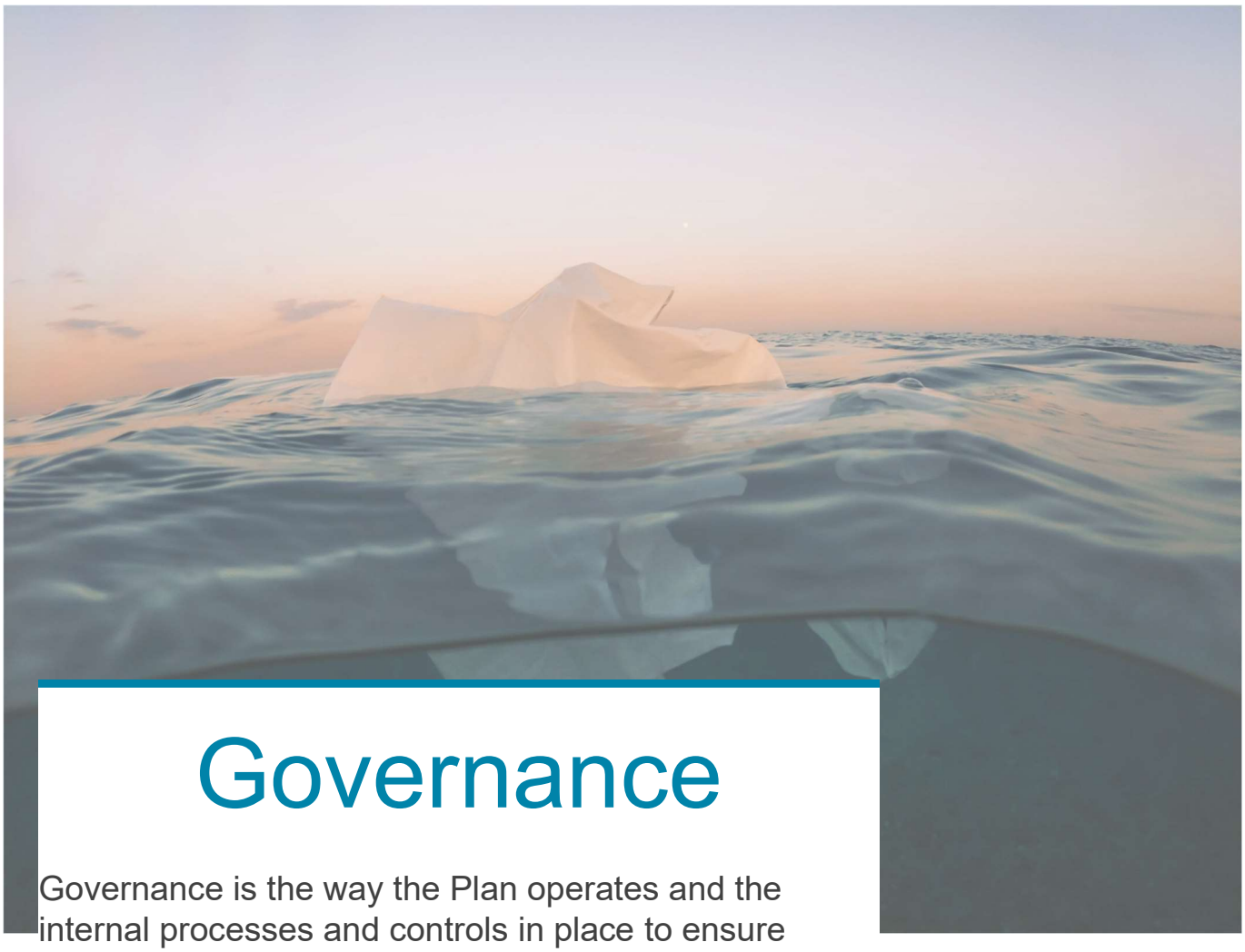
The Trustee will continue monitoring its investment strategy and assess its appropriateness on a regular basis.

**A form of a financial covenant.*

We hope you enjoy reading this report and understanding more about how we are managing climate-related risks and opportunities within the Plan.

Allan Whalley, Chair of the Trustee

On behalf of the Trustee of the Combined Nuclear 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. These decisions relate to the investment strategy and its implementation, funding, and the ability of the sponsoring employer to support the Plan.

Our Plan's governance

Role of the Trustee Board

The Trustee is responsible for oversight of all strategic matters related to the Plan. This includes approval of the governance and management framework relating to ESG considerations and climate-related risks and opportunities. Given its importance, the Trustee has not identified one individual to specifically be responsible for the Trustee's response to climate risks and opportunities. Rather, the Trustee has collective responsibility for setting the Plan's climate change risk framework.

The Trustee has discussed and agreed its climate-related beliefs and overarching approach to managing climate change risk. Details are set out in the Statement of Investment Principles ("SIP") for the DB and DC Structures, which are reviewed and approved annually (or sooner in the event of a significant change in investment policy) by the Trustee.

The Trustee receives regular training on climate-related issues, when appropriate, to develop the appropriate degree of knowledge and understanding on these issues to support good decision-making. The Trustee has informed its advisers of the need to bring important and relevant climate-related issues and developments to the Trustee's attention in a timely manner, informing the Trustee of its relevance to the Plan and incorporating climate related issues into advice.

The Trustee has delegated oversight and day-to-day implementation of the Plan's climate change risk management framework to the Investment Sub Committee ("ISC"), which is a sub-committee of the Trustee.

The Trustee receives at least biannual updates from the ISC and regularly monitors and reviews progress against the Plan's climate change risk management approach.

Trustee's update

Over the year, the Trustee completed further training on the importance of climate related risks and additional metric requirements under TCFD, which are used to assess the aforementioned risks.

Training was received in relation to the regulatory changes occurring in 2022, and how this would impact the Plan. The training covered the introduction of new metrics, including the portfolio alignment metrics and changes to the additional climate metrics.

In addition, the Trustee undertook a workshop covering lessons learnt as a result of its first year of TCFD reporting, and guidance and observations from the Pensions Regulator.

The purpose of both these training sessions was to better equip the Trustee ahead of the preparation of its second TCFD report.

Role of the Investment Sub Committee

The Trustee has delegated the ongoing monitoring, and day-to-day implementation of the Plan's climate change risk management framework to the ISC.

The ISC seeks to ensure that any investment decisions appropriately consider climate-related risks and opportunities within the context of the Plan's wider risk and return requirements and are consistent with the climate change policy, as set out in the SIP. The ISC will incorporate this into future manager selection exercises, and also as part of the ongoing monitoring of investment managers.

Once the Plan's climate change risk management framework has been implemented, the ISC will also be responsible for the ongoing monitoring and implementation of the framework.

After previously agreeing the initial framework with the Trustee Board, the ISC will monitor and review progress against the Plan's climate change risk management approach on a biannual basis. The ISC will keep the Trustee Board apprised of any material climate-related developments through regular (typically biannual) updates.

Implementation is detailed later in this report, but key activities undertaken by the ISC with the support of the Trustee's advisers, are:

- Ensuring investment proposals consider the impact of climate related risks and opportunities;
- Seeking investment opportunities which enhance the ESG and climate change focus of the Plan's portfolio;
- Engaging with the Plan's investment managers to understand how climate risks are considered in their investment approach;
- Working with the investment managers to disclose relevant climate-related metrics as set out in the TCFD recommendations; and,
- Ensuring that stewardship activities are being undertaken appropriately on the Plan's behalf.

Trustee's update

The Plan has appointed a Sustainable Development Goals Credit Fund to the DB Structure. The Trustee decided to commit to this fund to better account for the climate related risks within its investment strategy.

Investment in this fund is expected to be completed in the next reporting period.

Role of the Other Advisers or Stakeholders Deemed Relevant

- **Investment advisers:** the Trustee's investment advisers, Aon for the DB Structure and Redington for the DC Structure, provide strategic and practical support to the Trustee and the ISC in respect of the management of climate-related risks and opportunities and ensuring compliance with the recommendations set out by the TCFD.

  This includes provision of regular training and updates on climate-related issues and climate change scenario modelling to enable the ISC and Trustee to assess the Plan's exposure to climate-related risks.

- **Plan actuary:** the Plan actuary will help the Trustee assess the potential impact of climate change risk on the Plan's funding assumptions for the DB Structure.

- **Covenant adviser:** the Plan's covenant adviser will help the Trustee understand the potential impact of climate change risk on the sponsor covenant of the participating employers.

Trustee's update

The Trustee worked closely with its investment advisers to review the manager data. Upon the review, there were no challenges based on the data disclosed by the Plan's investment managers.

Governance of the DC Structure

The Trustee has delegated day-to-day management of the DC assets to BlackRock, Aegon Asset Management and M&G Prudential, via a number of pooled funds accessed through investment platforms from Scottish Equitable plc (branded as Aegon) and Prudential Assurance Company Limited ("Prudential").

The statutory guidance issued by the Department for Work and Pensions ("DWP") requires trustees to undertake climate strategy activities for each 'popular arrangement offered'. A 'popular arrangement' is defined as one in which £100m or more is invested, or which accounts for 10% or more of the assets used to provide money purchase benefits. For the Plan, this would mean that the two main default arrangements are in scope.

Trustee's update

The Trustee sets clear expectations to its investment advisers around the need to bring important and relevant climate-related issues and developments to the Trustee's attention in a timely manner.

As a result of the training from its advisers in relation to the regulatory changes, the Trustee was able to agree on its chosen portfolio alignment metric, Implied Temperature Rise. Further details are included in the metrics and targets section.

The ISC has requested that the Global Equity fund is included in this scope as it has been chosen by a large proportion of members. If applicable, the ISC may also monitor and undertake climate strategy activities for any ESG focused funds to be included in the Plan's self-select range.

As the DC assets are invested exclusively in pooled funds, the ISC has worked closely with both Aegon and BlackRock to understand how they can support in providing the necessary information and data required to meet the requirements of the TCFD. Aegon has confirmed that it has set up an internal project team which will be defining how it can support its key trust-based clients, which include CNPP and the Aegon Master Trust.

Both Aegon and BlackRock's strategy to managing climate change risk and opportunities will continue to align closely to that of the CNPP Trustee. Aegon has confirmed that it will be able to provide key emissions data to support reporting for the metrics and target pillar but will not be able to undertake the scenario analysis.

Trustee's update

During July 2022, the Trustee received training on Stewardship and Engagement, where they looked at what Stewardship means and analysis on BlackRock's Equity Engagement Activity for CNPP. In addition to this, the Trustee was taken through a wider training piece on ESG, more specifically where the wider opportunities are within the DC market.

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.

Assessing climate-related risks and opportunities

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.

The Trustee has carried out a qualitative risk assessment on each asset class the Plan is invested in. From this the Trustee has identified which climate-related risks and opportunities could have a material impact on the Plan.

The DB Structure's investment portfolio is diversified across a range of different asset classes including equities, active credit, property, private debt, illiquids and gilts.

The DC Structure offers a range of three sets of target-date funds, two of which are default options. The Plan also offers a range of self-select funds.

How the risk assessment works

Risk categories

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

Transitional 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

The Trustee assessed the climate-related risks and opportunities over multiple time horizons. The Trustee has decided the most appropriate time horizons for the Plan are:

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

When deciding the relevant time horizons, the Trustee has taken into account the liabilities of the Plan and its obligations to pay benefits.

The Trustee is comfortable that the time horizons set remain appropriate.

Climate related risk assessment

The notion that there are “climate risks” in financial portfolios is now a well-established one. So, what are climate risks? In short, the idea is that climate change impacts the financial performance of companies and therefore also the risk-return profile of the securities they issue. Climate risks are typically categorised along two dimensions described below.

Transition risks

Transition risks relate to the need to transition to a low-carbon economy, including development of, and investment in, new technologies and services that support this transition as well as government policy to aid in the transition. Specific market-based activities comprise the mitigation of carbon emissions, and/or adaptation to be resilient against climate change:

- **Mitigation:** technologies and services that increase energy efficiency, relate to increased renewable energy uptake and decreased demand for fossil fuels, and/or capture or sequester carbon dioxide.
- **Adaptation:** infrastructure resiliency efforts, business model shifts (e.g. changing geographic location of production and/or sales, introduction of new products and services and aligning business models with new environmental conditions).

Potential financial impacts from this transition include:

- **Revenue loss (demand contraction):** reduced demand for fossil fuels, related services, and energy consuming products.
- **Stranded assets:** devaluation/impairment or “asset stranding” of fossil fuel reserves.
- **Revenue growth:** growth in renewable energy, emergence of new industries, including carbon capture and sequestration, smart grid technologies, energy-efficient products, infrastructure adaptations, and green chemistry solutions.
- **Long-term cost reductions:** operational cost reduction from investments in updated infrastructure and technologies that facilitate the transition to a low-carbon, resilient economy.

Furthermore, the transition comes with policy and legal risks, including:

- **Carbon pricing mechanisms** (e.g. carbon taxes), already implemented in over 25 countries.
- **Litigation risk:** driven by the failure of companies to mitigate impacts of climate change, failure to adapt to climate change, and the insufficiency of disclosure around material financial risks.

Physical risks

A changing climate can lead to changes in the frequency and severity of extreme or incremental hazards. The TCFD recommendations refer to these hazards as acute and chronic, respectively. Acute hazards represent severe and extreme events and are location specific (e.g. droughts, heatwaves, storms, wildfire, etc). Chronic climate change represents the background incremental changes in, for example: temperature, precipitation and sea-level rise over several decades.

Acute and chronic climate-related hazards

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

Climate related risk assessment (on asset class level)

Given the number of asset classes in which the Plan invests, the Trustee has completed a best endeavours exercise to analyse the climate-related risks of each asset class. The Plan invests across a range of different asset classes and investment managers via pooled funds. As such, the Trustee's ability to influence how each manager incorporates climate related issues is limited. However, the Trustee asked its managers for details how they were incorporating climate risks and opportunities into the funds and asset classes in which the Plan invests; the responses from its investment managers are summarised below.

DB Structure

The Trustee received detailed responses from most of its investment managers, which is an improvement from the previous TCFD reporting year, where only two managers provided detailed responses. The results are summarised below.

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.

At the time of writing three managers were unable to provide information for the risk assessment, and one of these managers was only able to provide limited details.

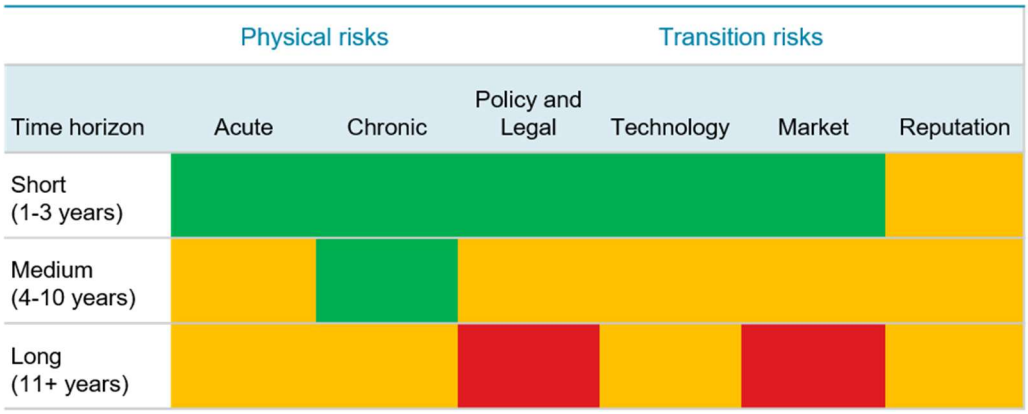
A small allocation of c. 3% to Cash has been excluded from the analysis.

Trustee's update

The Trustee noted the improvement in its managers being able to provide further detail in relation to the climate risks (transition and physical) within their portfolios.

Equities

The table below is applicable for the Plan's DB structure investment in equities, via pooled investment vehicles, which **forms c. 34%** of the overall DB Plan's invested assets.



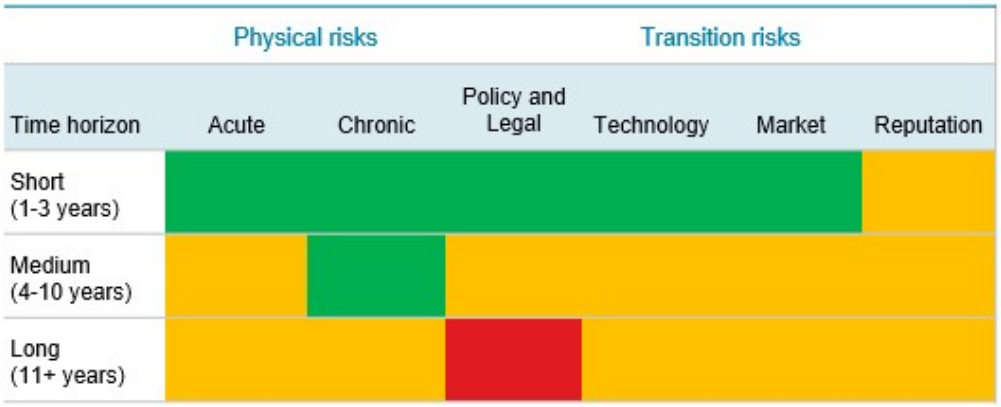
Source: Managers.

Physical risks
The Plan's investment manager does not see any material physical risks in the short-term. Over the long-term, the manager believes that as extreme weather events become more frequent and severe the impact of these physical risks is likely to become more significant and cause business interruptions. With the global interconnected supply chains such physical risks can have potentially large financial impacts at the global equity portfolio level.

Transition risks
The Plan's investment manager does not see any transition risks in the short-term for the global equity portfolio relating to Policy, Technology or Market risks. However, it does see reputational damage as a medium risk due to the increasing pressure from investors and regulators in the short-term. Over the longer-term the investment manager identified that increases in carbon prices and limited resources pose a high-financial material risk.

Property

The table below is applicable for the Plan's DB Structure investment in property, via pooled investment vehicles, which **forms c. 12%** of the overall DB Plan's invested assets.



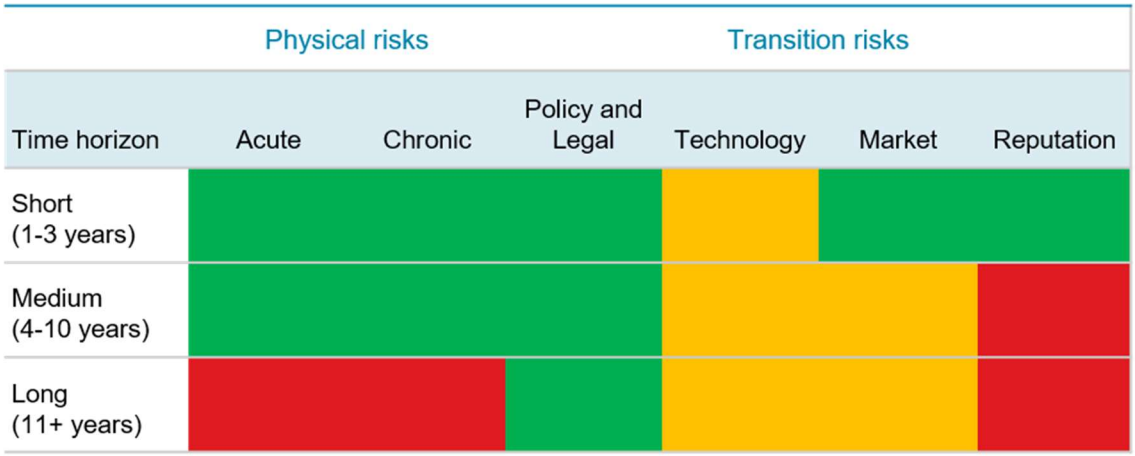
Source: Managers.

Physical risks
The Plan's property investment managers do not see material acute or chronic physical risk in the short or medium term. Over the long-term, the investment managers see rising temperature and rising sea levels as more material and understand that property will need to adapt to changing climates, with potentially expensive retrofitting for adaptation.

Transition risks
The Plan's investment managers broadly do not identify any material transition risks in the short term. Policy and legal financial risks heighten over the medium term as building related legislation is expected to become more stringent. Over the long-term, the investment managers identified these risks to become more significant as consumer demand evolves and growing litigation risk (both direct and from divestment decisions).

Active Credit

The table below is applicable for one of the Plan's DB Structure investments in active credit, via pooled investment vehicles, which **forms c. 8%** of the overall DB Plan's invested assets.



Source: Managers.

Physical risks
The Plan's active credit investment manager does not expect any material climate-related financial risks in either the short or medium-term. However, when approaching the long-term horizon, risks associated with extreme weather events are likely to cause business interruptions and have higher financial costs for issuers in the market if these climate change impacts are not addressed.

Transition risks
The investment manager considers the transition risks to be minimal in the short-term but realises these risks will become more significant as time passes. Reputational risks in the medium to long-term are likely to become more material, arising from increasing customer demand to address climate change and reputational damage if companies do not operate sustainably. Policy and Legal risk are deemed to be a low risk even when approaching the long-term horizon. The investment manager acknowledges the increased pressure of the government, investors, regulatory policy in the long-term but states the impact for this is expected to be limited at the portfolio level.

Private Debt & Equity

Currently the Plan has four managers across the DB Structure investments private debt and private equity which make up **c.16%** of the overall DB Plan's investments. Two of the managers were unable to provide risks and opportunities data at the time of reporting, while one manager demonstrated general awareness of the types of physical and transitional risks and the corresponding financial impacts and opportunities. The final manager, a private debt manager, was able to both quantify the potential impact of climate related risks on the underlying assets and provide narrative around these, with the table below solely reflecting this mandate. This final manager also commented that it includes the following environmental considerations as part of investee due diligence process:

- Operational sustainability
- Greenhouse gas emissions
- Climate change risk

The Plan has made a commitment to another private markets mandate following the end of the report period to better align with its efforts of accounting climate related risks and opportunities within the Plan's overall strategy.

	Physical risks		Transition risks			
Time horizon	Acute	Chronic	Policy and Legal	Technology	Market	Reputation
Short (1-3 years)						
Medium (4-10 years)						
Long (11+ years)	n/a	n/a	n/a	n/a	n/a	n/a

Source: Manager.

Physical risks
The Plan's private debt investment manager has identified no material physical climate associated risks in the short-term. The investment manager has recognised supply chain disruption and rising costs of materials as a result from extreme weather events but has indicated this presents a low level of financial exposure for private debt instruments. Due to the nature of investment horizon for the private debt investment manager, long-term risks do not apply. The private equity managers did not provide any narrative around the physical risks that could be included in this report.

Transition risks
The Plan's private debt investment manager considers the transition risks to be minimal in the short-term but more significant as they approach the medium-term. Reputational risks such as negative stakeholder feedback and changing customer preferences represent a low-level risk in the short and medium-term. Due to the nature of investment horizon for the private debt investment manager, long-term risks do not apply. The private equity managers did not provide any narrative around the transitional risks that could be included in this report.

Corporate Bonds

The table below is applicable for the DB Structure investments in corporate bond managers, which **make up c. 6%** of the DB Plan's invested assets. The Plan currently has two corporate bond managers, one of which was unable to provide risks and opportunities data.

The Plan is due to invest into a Sustainable Development Goals Credit Fund which has low exposure to both transition and physical risks according to the managers assessment based on the scenarios from the Dutch Central Bank and the MSCI Climate Value-at-Risk score.

The Trustee's decision to commit to investing in this fund aids the transition towards decarbonising the portfolio and helps to manage climate related risks within its investment strategy. However, as the Plan has not yet invested in this fund, it has not been included in the analysis in this year's report.

	Physical risks		Transition risks			
Time horizon	Acute	Chronic	Policy and Legal	Technology	Market	Reputation
Short (1-3 years)						
Medium (4-10 years)						
Long (11+ years)						

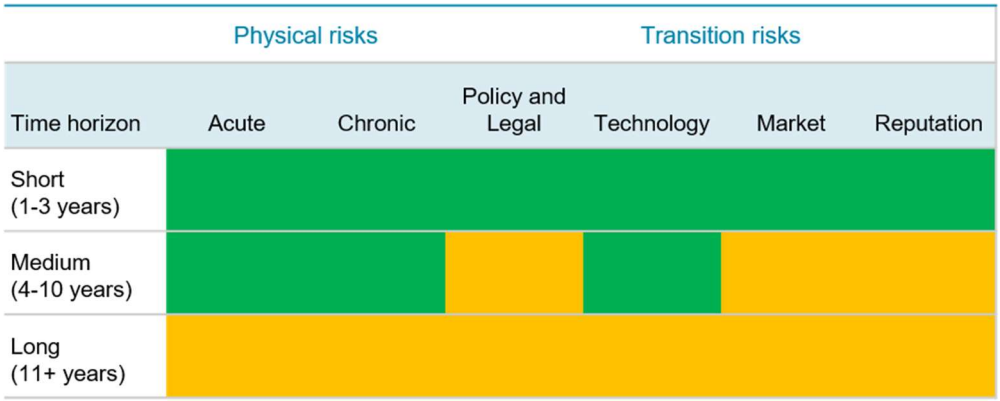
Source: Managers.

Physical risks
Due to the pace of global policy change, there is a low likelihood of material financial risk from climate-related policy and legal challenge over the short term. However, as extreme weather conditions become more frequent and severe as we approach the long-term, these risks are likely to become more significant at the global bond portfolio level.

Transition risks
The Plan's corporate bond investment manager considers there to be no short-term risk, and believes as we approach the medium to long-term risks associated with future pricing, upfront costs and supply and demand mismatch will become more apparent. Reputational risks in the long-term are likely, arising from social unrest if climate policy is not addressed sufficiently. The manager envisions a large drop in demand for fossil fuels (i.e. coal and oil) with potentially large financial repercussions at a global bond index level depending on companies' mitigative actions up until that point.

Gilts

The table below is applicable for the DB Structure investments in gilts which **comprise 21%** of the DB Plan's total invested assets.



Source: Managers.

Physical risks
The investment manager has identified no physical climate-related risks as material in the short and medium-term. However, as we approach the long-term the manager believes that as extreme weather events become more frequent and severe the impact of these physical risks, both acute and chronic are likely to become more significant. These risks can cause business interruptions with global interconnected supply chains, dragging down economic performance and sovereign bond valuations. Therefore, the investment manager views physical risks to be material at the global sovereign bond portfolio level in the long-term.

Transition risks
The manager considers there to be no short-term transitional risks. The investment manager believes as we approach the medium to long-term risks associated with future pricing, upfront costs and supply and demand mismatch will become more apparent. Reputational risks in the long-term are likely, arising from loss of social licenses and social unrest if climate policy is not addressed sufficiently.

DC Structure

The statutory guidance issued by DWP requires trustees of DC schemes to undertake climate strategy activities for each 'popular arrangement offered'. For the Plan this would mean the two default arrangements – the BlackRock LifePath Flexi & Capital Funds – would be in scope.

Although it does not meet the requirements for a popular arrangement the ISC has made the decision for the reporting to cover the CNPP Global Equity Fund. This is the fund with the greatest interest within the Plan's self-select range, chosen by hundreds of members, and as such the Trustee believes it warrants more detailed monitoring.

The Plan's default arrangements – BlackRock LifePath Flexi & Capital – are Target Date Funds in which the asset allocation de-risks over time as members approach retirement. Day-to-day management of assets and ongoing asset allocation decisions are delegated to BlackRock as asset manager of the Target Date Fund. As such, the Trustee is more limited in the DC Structure than in the DB Structure in relation to the climate-related enhancements it can directly implement.

LifePath Funds

The underlying building blocks of the DC Structure BlackRock LifePath strategy are index tracking funds, however the strategy retains the ability to change the asset allocation and indices being tracked. BlackRock take a long-term strategic asset allocation view (10yrs+) in terms of the implementation of their portfolios. BlackRock do this through their climate aware market assumptions generated by 'Aladdin Climate', a BlackRock portfolio management tool, which is used to calculate climate risk in portfolios. It allows portfolio and risk managers to see climate-adjusted analytics alongside standard datasets as they make decisions regarding the asset allocation's exposure to climate risks.

Climate risk is considered across all asset classes included within the LifePath funds. Where possible the portfolio manager has switched to an ESG-screened index. As at 30th December 2022, c.63% of the LifePath strategies were invested in "building blocks[2]" with explicit ESG related considerations, such as the following:

- ACS World ESG Equity Tracker Fund
- ACS World ESG Screened Index Fund
- ACS World Small Cap ESG Screened Fund
- iShares ESG Sterling Corporate Index Bond Fund

The underlying indices of these funds are constructed through an optimisation process that aims to maximise exposure to ESG factors by targeting companies with high MSCI ESG ratings[3] in each sector. The MSCI ESG Rating are created by MSCI, a global financial markets data

[2] A "building-block" provides one piece of a broader portfolio. It typically references a benchmark, focuses on a specific universe of securities, and contributes to the goals of the overarching portfolio.

[3] MSCI ESG Ratings are a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. Source: https://www.msci.com/our-solutions/esg-investing/esg-ratings

provider and seeks to measure and assess a company's management of financial ESG risks.

CNPP Global Equity Fund

This fund is a white labelled name for the Aquila Life (50:50) Global Equity Fund within the DC Structure. The aim of the fund is to track a range of underlying indices, which are baskets of geography specific global equities, each weighted on a market capitalisation basis. A full review of the self-select range was completed in December 2020, where it was determined that the range offered were suitable for the needs of the members.

For index tracking investment mandates such as this, the manager does not have discretion to add or remove securities. Integration of climate-related risks is therefore addressed through:

- Engagement and collaboration with index providers.
- Transparency, including reporting on sustainability-related characteristics of all strategies.
- Investment stewardship activities, which are undertaken across all investment strategies invested in corporate equity and debt issuers.

If the Trustee were to look to further address ESG risk within this white-labelled fund, they may in the future consider reviewing the underlying index that is being tracked or exploring other passive or active mandates.

Climate-related opportunities - DB Structure

Equity

The industry, utility and basic materials sectors are among the most exposed to transition risks but may also see the greatest opportunity. As electric vehicles, renewables and other alternative fuels become cheaper relative to conventional alternatives, companies stand to benefit significantly from this growth. Within-sector variation in climate-related valuation impact is expected to be large, especially in the most exposed sectors. Those companies that are formulating effective transition plans today and committing the required capital are among the most likely to benefit. The manager believes that investors should focus on three areas to evaluate opportunities and produce targeted investment strategies: geological scarcity, technological innovation, and regulatory change.

Private Debt

Following assessment of the physical and transitional risks, the Plan's managers outlined the following areas for potential investment opportunities:

- Resource efficiency, as certain direct lending targets may benefit from reduced operating costs and increased production capacity.
- Wider adoption of efficient production and distribution processes.
- Climate adaptation technologies may result in increased revenue through superior competitive positioning and demand for such adaptation solutions.

Property

Multiple opportunities exist with regards to the physical impacts of climate change and the response to transition climate change risks. Following assessment of the physical and transition risks, the Plan's managers are focusing their efforts on minimising the risks via the following transition opportunities:

- Seeking revenue opportunity from demand for lower-carbon products and services and products with enhanced sustainability performance.
- Refurbishments which seek to minimise environmental, social and climate risk impacts and maximise the creation of economic opportunities in the local community.

Increasing recourse efficiency by reducing operational costs.

Corporate Bonds and Gilts

Following assessment of the physical and transitional risks, the Plan's managers outlined the following areas for potential investment opportunities:

- Carbon capturing and storage such as zero-carbon hydrogen and ammonia production present potential innovative solutions for the wider economy.
- Alternative fuels such as electric vehicles and renewables.
- Investors in gilts are shielded from some of the downside risk from a low-carbon transition compared to equity investors for example. This means they will be unable to profit from much of the upside risk of climate-related opportunities.

Active Credit

The Plan's active credit investment manager identified an increasing amount of issuance of green bonds, sustainability-linked bonds, and loans with sustainability-linked margin ratchets. Disclosure from issuers is improving steadily, particularly in global high yield that allows further analysis of sustainability profiles of issuers and analysis of decarbonisation profiles of issuers.

Climate-related opportunities - DC Structure

ESG policy: A formal ESG policy, which includes a climate objective and other sustainable related objectives, was effective from 7 December 2022. The LifePath funds aim to target an absolute reduction of 50% in carbon emissions intensity by sales over a 10-year period starting in June 2019.

ESG integration: A whole portfolio approach is taken to any investment decisions with any changes guided by a set of principles which include, but are not limited to, avoiding any significant divestments from any single asset class or region, reducing the carbon emissions intensity of the portfolios and considering the broader sustainable features (S and G) whilst meeting the current investment objective, and limiting associated costs.

Sustainable building blocks: LifePath's ESG approach focuses on selecting investment vehicles such that the risk and performance do not significantly deviate from that of the traditional benchmark over the long-term. Optimised strategies aim to maximise portfolio exposure to better ESG performers while closely tracking parent indices, whilst screened indices avoid exposure to specific companies and/ or sectors associated with objectionable activities.

Portfolio decarbonisation: BlackRock's research priority for LifePath UK is focused on assessing portfolio emissions at the whole portfolio level to assist the ongoing reduction in the carbon emissions intensity of the portfolio. Much of the focus so far has been on deepening their understanding and developing their data and analytical capabilities to be able to facilitate further ESG integration and portfolio decarbonisation in the coming months and years.

Portfolio resilience and scenario analysis

The Trustee has undertaken climate change scenario analysis to better understand the impact climate change could have on the Plan's assets and liabilities.

The analysis looks at three climate change scenarios. Each scenario considers what might happen when transitioning to a low carbon economy under different conditions. The Trustee has chosen these scenarios because it believes that they provide a reasonable range of possible climate change outcomes. These scenarios were developed by Aon (DB Structure) and Redington (DC Structure) and are based on detailed assumptions. They are only illustrative and are subject to considerable uncertainty.

For the DB Structure, the Trustee established a "base case" scenario against which the three climate change scenarios are compared.

	1	2	3
	Base scenario +2ºC – 2.5ºC	Late action +3 ºC – 4ºC	Early action +1.3ºC - 2ºC	No additional action taken +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.	Limited action is taken and insufficient consideration is given to sustainable long-term policies to manage global warming effectively.	Immediate and coordinated action to tackle climate change is taken using carbon taxes and environmental regulation.	No further action is taken to reduce greenhouse gas ("GHG") emissions leading to significant global warming.

Impact Assessment – DB Structure

To undertake the scenarios in an efficient manner, the analysis undertaken was based on the following strategic allocations, reflective of the asset allocations for various underlying sections within the Plan.

Asset Class	Group 1	Group 2	Group 3
Equity	30.0%	25.0%	20.0%
UK Property	15.0%	12.5%	10.0%
Investment Grade Credit	5.0%	7.5%	10.0%
Illiquid Credit	15.0%	12.5%	10.0%
Private Equity	15.0%	12.5%	10.0%
Gilts	20.0%	30.0%	40.0%

Notes: illiquid credit includes multi asset credit and direct lending. Gilts also includes inflation linked gilts.

Additional Information

Please note that the projection for the Groups are approximate, based on the current position of each underlying section and assuming a 30-yr projection where the Plan remains unchanged.

These projections are therefore approximate for the purposes of comparing outcomes under the different climate scenarios.

Group 1 – Sellafield, DSRL, LLWR and Magnox Sections

Post year end, with effect from 1 April 2023, the Plan has undertaken a change in structure, with the DSRL Section merging into the Magnox Section. The Trustee is comfortable that the analysis for Group 1 remains appropriate, despite this change.

The Plan's investment portfolio exhibits reasonable resilience under two of the climate scenarios, the **Early Action** and **Base Case**. This is due, primarily, to the high-level diversification of assets.

The worst-case scenario for the Plan is the **Late Action** transition. Although initially the funding level moves in line with the base case and remains at the same level, after 10 years the funding level deteriorates sharply. With the high level of growth assets, the **No additional action** scenario, saw the Plan experience a steady deterioration of the funding level, which does not recover within the time period assessed (i.e., time periods up to 30 years). Both the **Late Action** and **No additional action** leave the Plan materially worse off in terms of surplus relative to the base case.

Another key risk is volatility of the funding level. Under the **Early Action** transition, the Plan experiences large falls in the funding level of around 10% before recovering. Deterioration of the funding level will place a strain on the Sponsor covenant (and participating employers) as they may have to make up a bigger shortfall through deficit contributions. It may also require the Plan to re-risk in order to stay on track to achieve the funding target or extend the timeframe for achieving this.

Trustee update

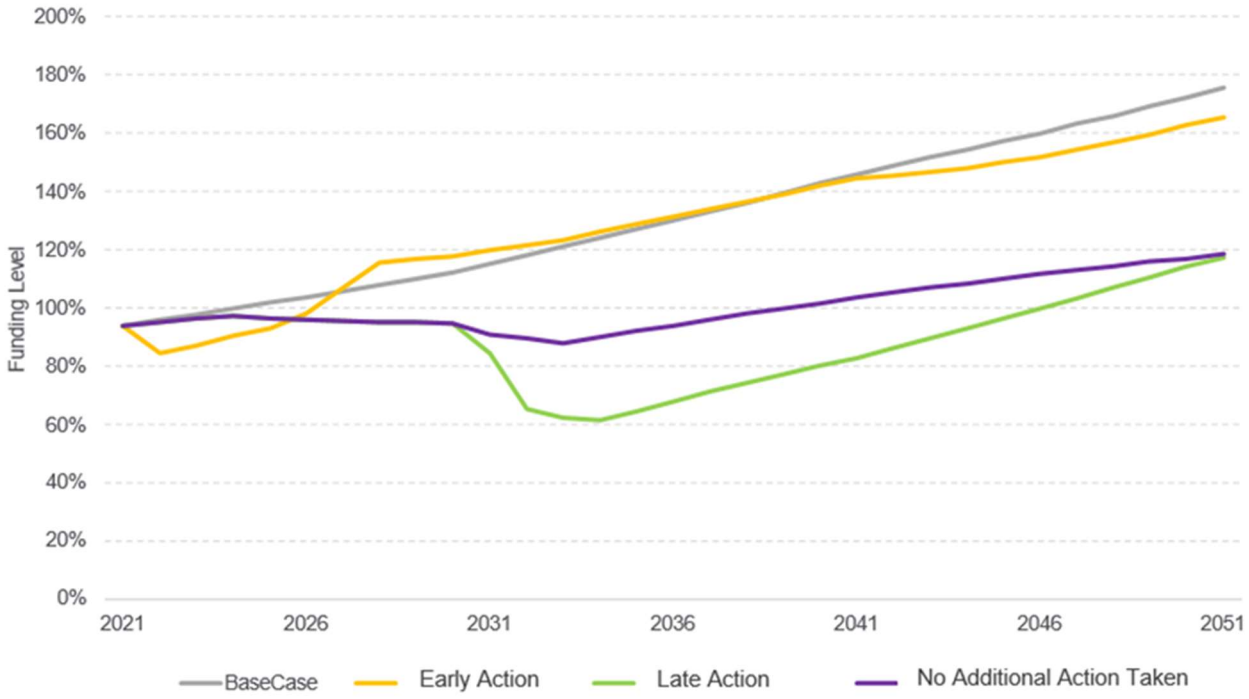
The Trustee notes that the Regulations require that there may be circumstances which require the climate scenario analysis to be re-done. This may be as a result of, but not limited to:

- 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.

Based on the criteria set out in the Regulations, the Trustee has reviewed the analysis for the DB Structure and is comfortable that the analysis undertaken for its TCFD report in the first year remains appropriate for this year's report.

Please see the graphical funding level projections under each climate scenario below:

Funding level projection – Group 1 (Sellafield, DSRL, LLWR and Magnox)



Source: Aon. Scenario projections as at 31 March 2021.

Group 2 – GPS DRS and GPS SLC Sections

The Plan's investment portfolio exhibits reasonable resilience under two of the climate scenarios, the **Early Action** and **Base Case**. This is due, primarily to, the high level of diversification within the assets.

The worst-case scenario for the Plan is the **Late Action** transition. Although initially the funding level moves in line with the **Base Case** and remains at the same level, after 10 years the funding level deteriorates sharply. This leaves the Plan materially worse off in terms of surplus relative to the **Base Case**.

The Plan also experiences a decline in surplus relative to the **Base Case** from the **No additional action** taken, albeit this is not as extreme as the **Late Action** scenario.

Another key risk is volatility of the funding level. Under the **Early Action** transition, the Plan experiences large falls in the funding level of around 10% before recovering. Deterioration of the funding level will place a strain on the Sponsor covenant (and participating employers) as they may have to make up a bigger shortfall through deficit contributions. It may also require the Plan to re-risk in order to stay on track to achieve the funding target or extend the timeframe for achieving this.

What does the chart show?

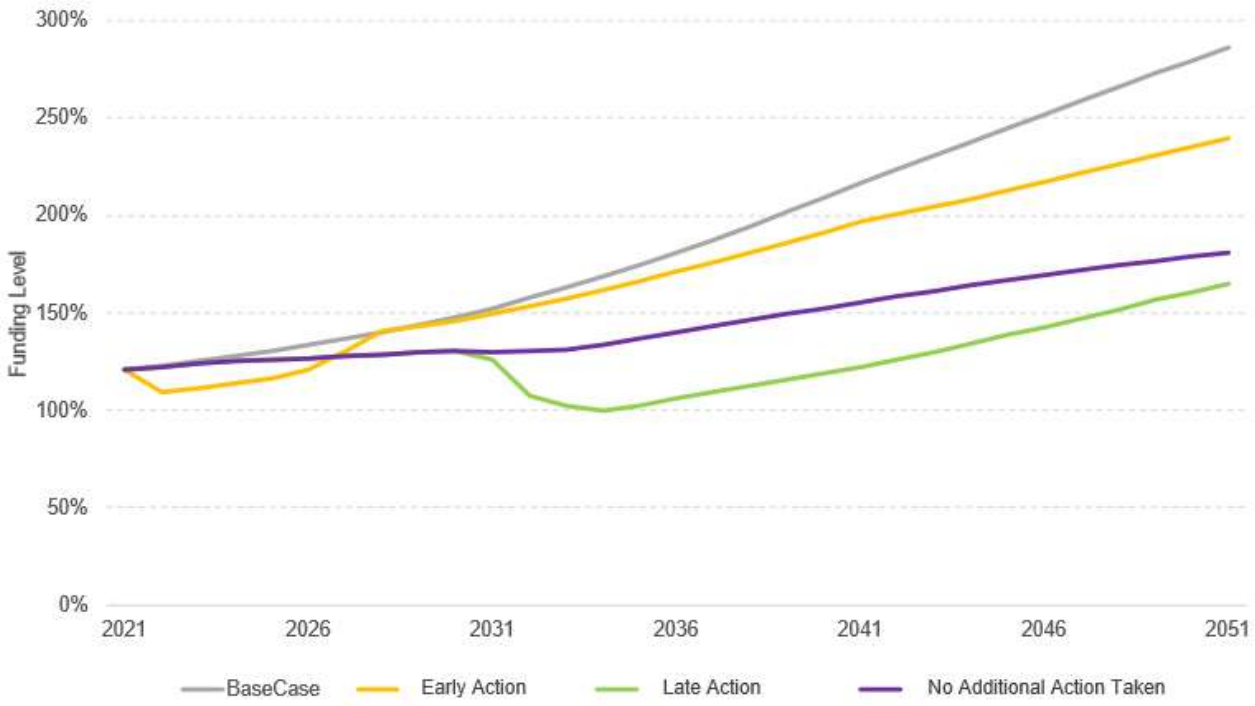
The chart shows what might happen to the Plan's funding level under each climate scenario up to 30 years into the future. Each line represents a different scenario. The actual funding experience is likely to be different in reality.

The funding level is a measure of how much surplus assets (or deficit) the Plan has above the cost of the pension liabilities.

Depending on the scenario, the funding level increases more or less. Under some scenarios the funding level experiences sudden falls.

Please see the graphical funding level projections under each climate scenario below.

Funding level projection – Group 2 (DRS and SLC)



Source: Aon. Scenario projections as at 31 March 2021.

Group 3 – Nirex, Closed and GPS Nexia Sections

The Plan's investment portfolio exhibits reasonable resilience under two of the climate scenarios. This is due to the high level of diversification within the assets and the low proportion of equities.

The worst-case scenario for the Plan is the **Late Action** transition. Although initially the funding level moves in line with the **Base Case** and remains at the same level, after 10 years the funding level deteriorates sharply. This leaves the Plan materially worse off in terms of surplus relative to the **Base Case**.

Similar to Groups 1 and 2, the Plan also experiences a decline in surplus relative to the **Base Case** from the **No additional action** scenario. The outcome for this scenario is ahead of the **Late Action**, but behind the **Early Action** and **Base Case**.

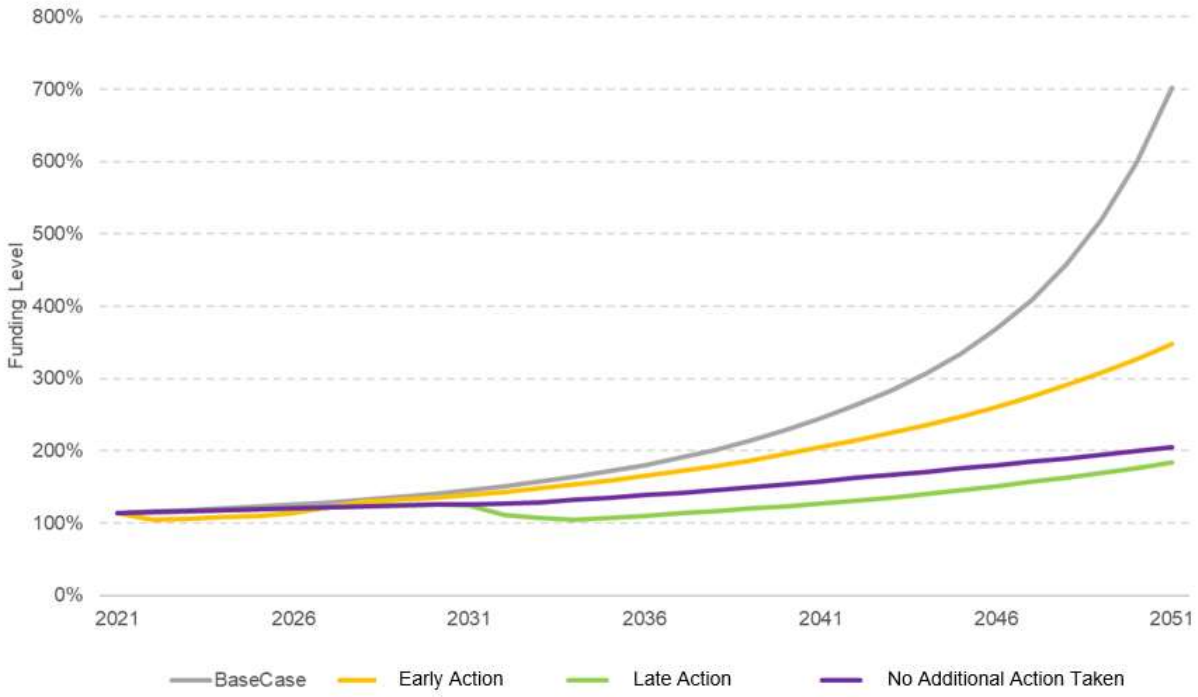
Another key risk is volatility of the funding level. Under the **Early Action** transition, the Plan experiences large falls in the funding level of around 10% before recovering. Deterioration of the funding level will place a strain on the Sponsor covenant (and participating employers) as they may have to make up a bigger shortfall through deficit contributions. It may also require the Plan to re-risk in order to stay on track to achieve the funding target or extend the timeframe for achieving this.

Additional Information on Group 3

Note that the majority of Group 3 is closed to future accrual and therefore these sections mature more quickly than the other groups. As the Group starts from a position of surplus overall, the sharper increase in funding level reflects the overall level of cashflows being proportionally higher than the other groups. This maturing of the group is approximate based on limited data.

Please see the graphical funding level projections under each climate scenario below.

Funding level projection – Group 3 (Nirex, Closed and Nexia)



Source: Aon. Scenario projections as at 31 March 2021.

Business, strategy, and financial planning

The Trustee recognises the importance of climate change and the risk it poses to the Plan. The Trustee takes climate-related risks into account in determining its investment strategy.

Another key risk identified from the analysis is the volatility of the funding level. Under the **Late Action** transition, the Plan experiences sudden falls in the funding, only recovering to its initial level for Group 1 towards the end of the period under analysis. In 2 out of the 3 groups, the fall in the funding level under **Late Action** does not lead to a deficit, however deterioration of the funding level will place a strain on the Sponsor covenant and participating employers, if they must make up a bigger shortfall through deficit contributions.

The Trustee therefore recognises that climate change may have an impact on the Sponsor covenant. The Trustee monitors the covenant on a regular

basis, with the support of its covenant adviser, and maintains a regular dialogue with the participating employers.

The Trustee concluded that the scenario analysis has given it further insight into the impact climate risks may have on the Plan's investment and funding strategies.

The Trustee is currently undertaking the triennial actuarial valuation as at 31 March 2022. As part of this the Scheme Actuary will help the Trustee assess the potential impact of climate change risk on the Plan's funding assumptions for the DB Structure. Following this, the Trustee will review its investment strategy, and when appropriate to do so, it will refresh the climate scenario analysis.

Following the initial climate scenario analysis, the Trustee has been exploring ways in which the climate risks can be mitigated. This is evidenced by the implementation of a new investment in renewable infrastructure to better align with its efforts of accounting climate related risks and opportunities within the Plan's overall strategy. This mandate is due to be committed in 2023.

Impact Assessment – DB Structure – Covenant Assessment

The Plan's covenant adviser, Cardano Advisory, has provided an assessment of the possible impact of climate scenarios on the employer covenant and whether this is materially different from the position last year. On the basis of this assessment, the Trustee remains comfortable that the analysis provided in the first year of reporting remains appropriate for this year's report.

The sections of the Plan are supported by different entities within the NDA Group. However, all are supported by the NDA, which is charged on behalf of the UK government with the mission to clean-up the UK's nuclear sites safely, securely and cost effectively. There are other pension liabilities of the NDA Group (for example, Direct Rail Services 'DRS') is responsible for GPS DRS liabilities). In order to be proportionate and to focus on the most material elements, the covenant adviser focused its climate exposure analysis on NDA (Group 1) and DRS (Group 2).

The covenant adviser undertook its analysis by considering two bookend scenarios covering a plausible range of scenarios which could materialise. These bookends are an Early Action scenario ("Early Action"), which broadly equates to Paris alignment where temperature rises are limited to 1.5ºC with the corresponding bookend being a Current Policies scenario ("Current Policies"), which is aligned to a scenario with temperature increases of 3-4ºC. While not covering all investments and funding scenarios considered, these are aligned to the 'Early Action" and 'Late Action' above.

Conclusion of analysis

The Group's key employers (NDA - Group 1; and DRS - Group 2) are, to an extent, shielded from the financial impact of climate risks by virtue of their quasi-governmental nature. However, to inform the Trustee in setting

climate strategy and risk management, the covenant adviser adopted a risk-focused approach to identify potential downside climate exposure.

Group 1: Principle climate risks identified

The key risks identified by the covenant adviser included:

1. **Early Action:**
    a. Cost of greenhouse gas emissions – potential risk of more onerous carbon pricing mechanisms and higher carbon prices impacting the cost of operations;
    b. Cost and scarcity of key raw materials – for example, the risk of sand, a key concrete component, becoming more difficult and costly to source with increased restrictions and reduced availability; and
    c. Climatic impact on operations – risk that operations are disrupted by climatic changes such as changing water levels and temperature.
2. **Current Policies:**
    a. More pronounced physical risk exposure, with lower transition risks.

Group 1: Timing of identified risks

- **Near-term:** Greater risk in the Early Action scenario – for example due to potential increased costs associated with transition risks such carbon pricing
- **Mid-term:** Transition risks continue to increase, particularly in the Early Action scenario; and
- **Long-term:** The risks associated with the physical impact of a warming climate are more pronounced in the Current Policies scenario

The covenant adviser assessed that the risks were generally greater over the longer-term as compared to the near-term.

Group 2: Summary risk analysis

In addition to transition risks related to carbon pricing and supply chain, the covenant adviser highlighted that increased climatic change (such as flooding and heat waves) over the longer-term could put pressure on the robustness of the rail network and disrupt operations, or result in higher ongoing costs to mitigate these impacts. These physical risks were assessed to be greater in the Current Policies scenario and over the longer-term.

Impact Assessment – DC Structure

CNPP's two default arrangements are both target-date funds in which the asset allocation changes over time. To demonstrate the impact of each climate scenario[4] on member outcomes, Redington undertakes the analysis on relevant asset allocation for three cohorts of CNPP members. These cohorts relate to three key stages of the DC retirement journey: 'asset growth', 'volatility management' and 'retirement planning' and are updated triennially, with the next review being in 2025.

[4] Scenario analysis has been completed as per the undertakes scenario analysis consistent with the PRA's Life Insurance Stress Tests ("the PRA stress test scenarios"). The stress tests have been mapped to that used by the Bank of England - 2021 Climate Biennial Exploratory Scenario (CBES).

They were identified for the DC New Joiners Section (where LifePath Flexi is used as the default) as part of the DC investment strategy review in December 2020 and are as follows:

- Asset Growth – Age 28
- Volatility Management – Age 47
- Retirement Planning – Age 58

The same analysis was undertaken for the SPPP Section (where LifePath Capital is used as the default) as part of the DC investment strategy review in December 2020 and the membership cohorts are as follows:

- Asset Growth – Age 35
- Volatility Management – Age 49
- Retirement Planning – Age 57

Redington have therefore conducted climate-scenario analysis on the three stages of each LifePath default, relevant to the average member cohorts as outlined above.

Interpreting the results

LifePath Flexi:

- Under the Asset Growth Stage, the LifePath Flexi is expected to suffer from a relative loss of 7.9% to 9.2% under the different scenarios. The expected loss for the Volatility Management Stage range from 6.9% to 7.6%, while the range of expected loss for Retirement Planning Stage is 5.9% to 6.2%. The lowest expected loss under all three cohorts has been seen to be under the Early Action scenario.
- Climate Stress Tests measure the impact in % terms on each asset allocation under the three scenarios outlined above.
- The LifePath Flexi default strategy de-risks out of equities into less risky assets with a large allocation to cash at retirement.
- These assets also have less climate-risk associated with them. Therefore, as expected the Climate Stress is lower for members at retirement than those in the asset growth stage.
- The large allocation to cash – which has no climate risk associated with it – at retirement explains why climate risk is lower for the Capital default than the Flexi default.

LifePath Capital:

- Under the Asset Growth Stage, the LifePath Capital is expected to suffer from a loss of 7.7% to 9.1% under the different scenarios. The expected loss for the Volatility Management Stage range from 6.6% to 7.2%, while the range of expected loss for Retirement Planning Stage is 5.3% to 5.6%, with the Late Action and No Action scenarios returning the same expected loss at 5.6%. The lowest expected loss under all three cohorts has been seen to be under the Early Action scenario, as with the LifePath Flexi portfolio.
- Climate Stress Tests measure the impact in % terms on each asset allocation under the three scenarios outlined above.
- The LifePath Capital default strategy de-risks out of equities into less risky assets such as government and corporate bonds as members near retirement.

- These assets also have less climate-risk associated with them. Therefore, as expected the Climate Stress is lower for members at retirement than those in the asset growth stage.

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.

Trustee's process for identifying and assessing climate-related risks

The Trustee has 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 the Trustee monitors the most significant risks to the Plan in its efforts to achieve appropriate outcomes for members.

Qualitative assessment

The first element is a qualitative assessment of climate-related risks and opportunities which is prepared by the Trustee's investment advisers and reviewed by the Trustee.

Quantitative analysis

The second element is quantitative in nature and is delivered by means of climate change scenario analysis, which is provided by the Trustee's investment advisers and reviewed by the Trustee.

Together these elements give the Trustee a clear picture of the climate-related risks that the Plan is exposed to. Where appropriate, the Trustee distinguishes between transition and physical risks. And all risks and opportunities are assessed with reference to the time horizons that the Trustee has identified as relevant to the Plan.

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

Trustee 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.

Trustee's process for managing climate related risks

The Trustee recognises the long-term risks posed by climate change and has taken steps to integrate climate-related risks into the Plan's risk management framework.

The Trustee has developed the following risk management plan, to help with its ongoing management of climate related risks and opportunities. The Trustee delegated a number of tasks, but still retains the final approval responsibility.

Governance

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Climate change governance framework *(this document)*	ISC	Aon / Redington	Annual
Publish TCFD report	ISC	Aon / Redington	Annual
Add / review climate risks and activity on key Plan documentation (risk register, work plan)	ISC	Aon / Redington	Ongoing
ESG beliefs (including climate change)	ISC	Aon / Redington	Triennial
Trustee training	Secretariat	Aon / Redington / SPB	Ongoing
Review SIP	ISC	Aon / Redington	Annual
Publish Implementation Statement	ISC	Aon / Redington	Annual

Trustee update

The Trustee monitors the above activities as part of its climate related risks and opportunities management. The Trustee has delegated responsibility of all activities in this pillar, with the exception of Trustee training, to the ISC. Details of the training received are set out in the Governance section of this report.

The Trustee has monitored progress of the ISC and its respective implementation of the climate change governance framework through the year, receiving regular updates from the ISC and querying information as and when required.

The Trustee has received training during the year to ensure it is comfortable with climate change and the impact it may have on the DB and DC Structures' investment strategy and the DB Structure's funding position.

Strategy

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Identify climate-related risks and opportunities (over agreed time periods) for investment & funding strategy	ISC	Aon / Redington / Cardano	Annual
Scenario analysis - review and agree the wording	ISC	Aon / Redington	Annual
Scenario analysis - undertake modelling	ISC	Aon / Redington	Triennial
Actuarial valuation	ISC	Deloitte	Triennial

Trustee update

The ISC has dedicated time through the year to analyse climate related risks and opportunities for the Plan's various asset classes in which it invests. Over the year, the Trustee committed to investing in a Sustainable Development Goals Credit Fund to aid the transition towards decarbonising the portfolio and help to manage climate related risks within the Plan's investment strategy.

Alongside this, the Trustee has also reviewed the appropriateness of climate related risks, opportunities and climate scenario analysis carried out last year, and is comfortable that the analysis remains the same for the current reporting period. This review was undertaken for both the DB and DC Structures.

Risk management

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Identify, assess and manage key climate related risks	ISC	Aon / Redington / investment managers	Triennial

Trustee update

As a result of the regulations, the Trustee has incorporated climate related risks into its risk register and will incorporate any required changes to further documentation as it is reviewed.

The Trustee reviews its process of identifying and assessing climate related risks as part of the annual TCFD process in order to evaluate their continued suitability. This is integrated into the ongoing activities of the Plan, including the appointment of any new funds and monitoring of existing funds for the DB Structure, and platform provider for the DC Structure.

The Trustee requests that investment managers provide their responsible investment policies; details of how ESG is integrated within their decision-making process, including climate change; and details of outstanding ESG issues within portfolios. This is driven by the Plan completing its Implementation Statement, where the Trustee collects data from its managers in relation to their voting and engagement policies. It also asks for details how these have been implemented in practice, including key themes for engagement, including climate change.

Metrics and Targets

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Agree/review approach for metrics	ISC	Aon / Redington / investment managers / Aegon	Annual
Agree/review target	ISC	Aon / Redington / investment managers / Aegon	Annual
Obtain data for agreed metrics	ISC	Aon / Redington / investment managers / Aegon	Annual

Trustee update

The Trustee collects metrics data on an annual basis, in order to understand the current state of the portfolio regarding its emissions, data quality and portfolio alignment metric. This data is evaluated in order to produce a metrics related target.

Metrics collection has been carried out in line with industry practice and supported by the ISC and its advisers. Following training from its advisers, the Trustee agreed an additional metric for reporting, as per changes to the Regulations. In addition, the Trustee has reviewed the target which was set previously, and any refinements required to this. More details can be found in the Metrics and Targets section.

Assessing our managers

As part of the assessment of the managers' policies and processes to assess climate related risks, the Trustee has posed "top" questions as outlined in guidance from the Pensions Climate Risk Industry Group[5] to its investment managers. The questions were designed to assist the Trustee with its assessment of each managers' capabilities and approach to climate management and focused on areas such as TCFD reporting, managers' ability to conduct climate scenario analysis, engagement and escalation policies, managers' ability to provide carbon related data and align their strategies to a particular temperature level.

The table below summarises the responses from the most material investment managers in the DB and DC Structures.

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

DB Structure

Manager	TCFD aligned climate reports	Climate-related risks analysis	Industry initiatives	Carbon reporting	Temperature alignment
Aberdeen Standard	✓	✓	✓	✓	✓
Barings	In progress	-	✓	✓	-
Blackstone	In progress	-	✓	In progress	-
Insight	✓	✓	✓	✓	-
LGIM	✓	✓	✓	✓	✓
Partners Group	In progress	-	✓	In progress	-
CVC	-	-	-	✓	-
HPS	In progress	-	✓	✓	-
Robeco	✓	✓	✓	✓	✓

Source: Managers.

The Trustee has noted there has been an increase in disclosures from its investment managers regarding managing climate-related risks. Some of the key highlights include:

- An increase in responses from its managers – last year only six managers were able to respond, whereas this year nine managers were able to respond.
- Only two managers were producing TCFD reports previously, and this has now increased to four managers. More managers are expected to product TCFD reports in the future.

The Trustee will engage with its managers to understand future changes to the management of the Plan's assets, including the integration of climate related risk analysis, improvements in carbon reporting and temperature alignment and the associated timescales involved with these.

DC Structure

The Plan's default arrangements – BlackRock LifePath Flexi & Capital – are Target Date Funds in which the asset allocation de-risks over time as members approach retirement. Day-to-day management of assets (including climate risk management) is delegated to BlackRock[6] as asset manager of the Target Date Fund. BlackRock do this through their climate aware market assumptions generated by 'Aladdin Climate'[7] a BlackRock portfolio management tool which is used to calculate climate risk in portfolios. Having undertaken a "climate risk management assessment" of BlackRock and the default Target Date Funds, the Trustee is confident in BlackRock's ability to manager climate risk on its behalf.

[6] As mentioned on page 9
[7] As mentioned on page 20

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.

Trustee's climate-related metrics

The Trustee uses quantitative measures to help it understand and monitor the Plan's exposure to climate-related risks.

Measuring greenhouse gas emissions related to our assets is an effective method for the Trustee to assess its exposure to climate change. The Trustee, supported by its investment advisers, Aon and Redington, collected information from the Plan's investment managers on their greenhouse gas emissions. The investment advisers have collated this information to calculate climate-related metrics for the Plan's portfolio.

Measuring greenhouse gas emissions

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 and 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.

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 information please see the appendix.

DB and DC Structure

These are the Plan's metrics and a summary of the methodology for each of these metrics – more granular detail is provided overleaf.

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).

This year the Trustee was able to obtain scopes 1&2 and scope 3 emissions from the managers separately.

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).

This year the Trustee was able to obtain scopes 1&2 and scope 3 emissions from the managers separately.

Data coverage

A measure of the proportion of the portfolio that the Trustee has 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.

This year the Trustee did not need to make any estimation as the data was directly provided by the managers. Please note some managers used estimates of their data, details of which are not shared as part of this document.

Implied Temperature rise[8]

Implied temperature rise is a forward-looking metric that considers the pledges, commitments and business strategy changes that underlying investee companies/issuers have made. It provides a prediction of the potential temperature rise over the rest of the century based on the activities of those companies and issuers as a temperature score.

This metric 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 potential global temperature rise associated with the GHG emissions from a portfolio, expressed in degrees Celsius.

[8]*Please note DWP guidance states that the trustee should not be aggregating the ITR, unless the same methodology has been used across the scheme's investments. Aon has relied on the individual manager data, hence the consistency of methodology cannot be guaranteed. Statutory guidance: Governance and reporting of climate change risk: guidance for trustees of occupational schemes - GOV.UK (www.gov.uk)*

DB Structure

The Plan's climate-related metrics

The table below summarises climate-related metrics for the Plan's assets over two of the reporting years.

Key observations

The Trustee acknowledges that the total GHG emissions have increased over the year by c. 6% which is attributed to the higher coverage of the assets and inclusion of scope 3 emissions in the 2022 data calculation.

The Trustee also notes that some of the managers' data in 2021 did include scope 3 emissions due to challenges with splitting out scope 1 & 2 and scope 3 emissions separately, this would have inflated the total reported scope 1 & 2 emissions in 2021.

	Year	Total GHG emissions	Carbon footprint	Data coverage	Portfolio alignment
Total assets	2022	310,065 tCO2e (Scope 1, 2 and 3)	56.8 tCO_2e/£m (scope 1 and 2) 53.9 tCO_2e/£m (scope 3)	83% (scope 1 and 2) 17% (scope 3)	1.9 - 3.4ºC
Total assets	2021	268,351 tCO_2e (Scope 1 and 2)	72.4 tCO_2e/£m (scope 1 and 2)	78% (scope 1 and 2)	n/a

Source: Investment managers / Aon. Data is as at YE 2021 and YE 2022 respectively.
N/A – the portfolio alignment metric was not applicable in the first year of TCFD reporting.

The Trustee, supported by its investment adviser for the DB Structure, Aon, collected the carbon emissions data using the industry standard Carbon Emissions Template (CET)[8]. The CET was developed by a joint industry initiative by the Pension and Life Savings Association (PLSA), Association of British Insurers (ABI) 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, and to help insurers and investment managers fulfil their obligations under the FCA's new ESG Sourcebook as set out in PS21/24.

[9] Data Delivery Frameworks | The Investment Association (theia.org)

Methodology for data collection

When collecting the data, the Trustee also noted the following:

Asset Class	Approach
Equity	Carbon metrics data was provided by the manager. Where carbon footprint was provided, Aon applied this metric to the Plan's invested capital to estimate the Plan's total GHG emissions.
Property	Carbon metrics data was provided by the managers. Where total fund emissions were provided, Aon estimated the carbon footprint by dividing total emissions by total fund's AUM. The calculated carbon footprint was then applied to the Plan's invested capital to infer the Plan's total GHG emissions.
Active Credit	Carbon metrics data was provided by the manager. Where total fund emissions were provided, Aon inferred carbon footprint by dividing total emissions by total fund's AUM. The calculated carbon footprint was then applied to the Plan's invested capital to infer the Plan's total GHG emissions.
Private Equity / Debt	Carbon metrics data was provided by the managers. Where total fund emissions were provided, Aon estimated the carbon footprint by dividing total emissions by total fund's AUM. The calculated carbon footprint was then applied to the Plan's invested capital to infer the Plan's total GHG emissions.
Fixed Income	Carbon metrics data was provided by the managers. Aon applied the provided carbon footprint metric to Plan's invested capital to infer the Plan's total GHG emissions.
Gilts	Carbon metrics data was provided by the manager. Aon applied these metrics to Plan's invested capital to infer the Plan's total GHG emissions.

Other notes:

1. Where carbon data was supplied in USD terms, Aon converted it to GBP terms as at 31 December 2021 FX rate.
2. Cash was excluded from carbon data analysis on the materiality basis.

There are further considerations for the manager methodologies, which is reported further against the more granular breakdown overleaf.

Detailed breakdown

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

DB – Total Scope 1&2 GHG emissions (tons CO2e)

Asset class	Growth Fund	Illiquid growth fund	Liquid credit fund	Gilt fund	Total
Equity	31,829	4,281	-	-	**36,109**
Property	11,079	-	-	-	**11,079**
Active Credit	31,738	-	-	-	**31,738**
Private Equity/ Debt	2,583*	25,082	-	-	**27,665**
Fixed Income	-	-	5,671	-	**5,671**
Gilts	-	-	-	46,793	**46,793**
Total	**77,229**	**29,363**	**5,671**	**46,793**	**159,056**

Source: Investment managers / Aon. Data as at 31 December 2022 unless specified otherwise. Where manager data was provided in USD terms, Aon converted it to GBP terms used the appropriate FX rate as at 31 December 2022.
**One private debt manager was only able to provide data as at 31 December 2021. This manager provided data at the fund level, hence Aon inferred the fund level carbon footprint from the data provided by the manager and applied it to the CNPP's invested share.*
***One manager provided total emissions on the fund level and the fund's AUM. Aon used this information to infer the carbon footprint (tCO2/ million invested) which was then applied to the CNPP's valuation as at 31 December 2022.*

DB – Total Scope 3 GHG emissions (tons CO2e)

Asset class	Growth Fund	Illiquid growth fund	Liquid credit fund	Gilt fund	Total
Equity	n/a[1]	n/a[1]	-	-	**n/a**
Property	1,884	-	-	-	**1,884**
Active Credit	113,926	-	-	-	**113,926**
Private Equity/ Debt	4,991*	12,253**			**17,244**
Fixed Income	-	-	17,955	-	**17,955**
Gilts	-	-	-	n/a[1]	**n/a**
Total	**120,801**	**12,253**	**17,955**	**n/a**	**151,009**

Source: Investment managers / Aon. Data as at 31 December 2022 unless specified otherwise. Where manager data was provided in USD terms, Aon converted it to GBP terms used the appropriate FX rate as at 31 December 2022.
[1]The manager is not currently reporting on Scope 3 for carbon emissions, this is due to data quality issues in the Scope 3 data from their provider. The manager confirmed that this will be reviewed further in June this year.
**One private debt manager was only able to provide data as at 31 December 2021. This manager provided data at the fund level, hence Aon inferred the fund level carbon footprint from the data provided by the manager and applied it to the CNPP's invested share.*
***One manager provided total emissions on the fund level and the fund's AUM. Aon used this information to infer the carbon footprint (tCO2/ million invested) which was then applied to the CNPP's valuation as at 31 December 2022.*

DB – Carbon footprint Scope 1&2 and Scope 3 (tons CO_2e/£m)

Asset class	Growth Fund		Illiquid growth fund		Liquid credit fund		Gilt fund	
	Scope 1&2	Scope 3	Scope 1&2	Scope 3	Scope 1&2	Scope 3	Scope 1&2	Scope 3
Equity	37.2	n/a	37.2	n/a	-	-	-	-
Property	14.3	5.1	-	-	-	-	-	-
Active Credit	139.3	500.0	-	-	-	-	-	-
Private Equity/ Debt	16.3	31.5	108.3	41.6	-	-	-	-
Fixed Income	-	-	-	-	31.4	99.4	-	-
Gilts	-	-	-	-	-	-	86.7	n/a

Source: Investment managers / Aon. Data as at 31 December 2022 unless specified otherwise (please refer to the notes in the table above).

DB – Data coverage (%)

The table below shows data coverage for the total emissions on the asset class level. These figures are simple averages of the individual manager data.

Asset class	Growth Fund		Illiquid growth fund		Liquid credit fund		Gilt fund	
	Scope 1&2	Scope 3	Scope 1&2	Scope 3	Scope 1&2	Scope 3	Scope 1&2	Scope 3
Equity	97.5%	n/a	97.5%	n/a	-	-	-	-
Property	73.1%	34.2%	-	-	-	-	-	-
Active Credit	41.2%	41.0%	-	-	-	-	-	-
Private Equity/ Debt	61.0%	61.0%	90.9%	33.4%	-	-	-	-
Fixed Income	-	-	-	-	53.2%	37.6%	-	-
Gilts	-	-	-	-	-	-	100%	n/a

Source: Investment managers / Aon. Data coverage has been calculated as a simple average of the individual manager data.
Notes on Scope 1&2 data coverage: There is no data reported for the remaining 2.5% of equity assets, 26.9% of the property assets, 58.8% of the credit assets or 46.8% of the fixed income assets. Data reported covers 61% and 90.9% of the private assets in the growth and illiquid growth funds, respectively. There is no data reported for the remaining 39% and 0.1% of the private assets within the relevant funds.
Notes on Scope 3 data coverage: There is no data reported for equity and gilt assets since the manager is not currently reporting on Scope 3 for carbon emissions. There is no data reported for the remaining 59% of the active credit assets or 62.4% of the fixed income assets. Data reported covers 61% and 33.4% of the private assets in the growth and illiquid growth funds, respectively. There is no data reported for the remaining 39% and 66.6% of the private assets within the relevant funds.

The Trustee noted that overall, the availability of data for equity was very high, whereas this was much lower for other asset classes such as active credit and fixed income. Data coverage remained consistent for property and has increased for private equity and debt instruments, due to the managers' ability to better estimate carbon emissions.

DB – Implied Temperature Rise (ºC)

The table below shows implied temperature rise ("ITR") on the asset class level. This is shown in degrees Celsius.

Asset class	Growth Fund	Illiquid growth fund	Liquid credit fund	Gilt fund
	ºC	ºC	ºC	ºC
Equity	2.70	2.70	-	-
Property[1]	2.70	-	-	-
Active Credit	2.20 - 3.40	-	-	-
Private Equity/ Debt	n/a	n/a	-	-
Fixed Income	-	-	2.15 - 2.30	-
Gilts	-	-	-	1.90

Source: Investment managers.
[1]Property - this ITR is only applicable to one manager (which makes up 6.2% of the total Growth fund, the remaining managers were unable to provide this information). DWP guidance states that the trustee should not be aggregating the ITR unless the same methodology has been used across the scheme's investments. Aon has relied on the individual manager data, hence the consistency of methodology cannot be guaranteed. Statutory guidance: Governance and reporting of climate change risk: guidance for trustees of occupational schemes - GOV.UK (www.gov.uk)

Data observations

This year carbon emissions data was split out by Scope 1&2 and Scope 3 separately, whereas last year some of its managers were only able to provide data coverings scopes 1, 2 & 3 combined, and were unable to split this data.

Most of the managers were able to provide some emissions data, however, not all the Plan's managers were able to provide ITR data.

The Trustee's investment adviser, Aon, requested data from all the Plan's managers.

- Eight managers (96% of total AUM as at 31 December 2022) provided scopes 1, 2 and 3 GHG emissions.
- Six managers (32% of total AUM as at 31 December 2022) provided scopes 3 GHG emissions.
- One manager (2% of the total AUM as at 31 December 2022) provided scope 1, 2 and 3 GHG emissions but has been excluded from this year's analysis due to incomplete and outdated data.

Aon did not make any estimates for the missing data.

The Trustee plans to engage with its managers that were unable to supply emissions data for this analysis.

The Trustee notes that there is not yet an industry-wide standard on calculating some of these metrics and that different managers may use different methods and assumptions when providing data to the Trustee.

These issues are common across the industry at the current time and highlight the importance of TCFD-aligned reporting to improve transparency. The Trustee expects that in the future better information will be available from managers as the industry aligns to expectations and best practice standards.

Trustee comment

The Trustee is pleased with the improvement in the data for this year's reporting and expects this to continue in the coming years' reporting.

It will continue to engage with its managers in relation to this, to help the Trustee understand its climate related risks through the reporting of carbon metrics.

DC Structure

The Plan's climate-related metrics

The table below summarises climate-related metrics for the Plan's assets over two of the reporting years.

Key observations

The Total GHG Emissions of combined Scope 1& 2 and Scope 3 for LifePath Flexi and Global Equity Fund have increased given they have a much larger allocation to Equity and Corporate Fixed Income (>85%), for which emissions data is now widely available. The Total GHG Emissions of combined Scope 1& 2 and Scope 3 for LifePath Capital has a much higher allocation to Cash and Sovereigns (>40%), for which there is no emissions data available. The increase in carbon footprint for LifePath Flexi, LifePath Capital and Global Equity Fund can be attributed to the increase in data coverage and a change in the measurement used.

These are the Plan's metrics:

Year		LifePath Flexi	LifePath Capital	Global Equity Fund
To 31 December 2022	Total Greenhouse Gas emissions	27,825 tCO2e (Scope 1&2) 176,709 tCO2e (Scope 3)	3,233 tCO2e (Scope 1&2) 21,146 tCO2e (Scope 3)	8,629 tCO2e (Scope 1&2) 62,013 tCO2e (Scope 3)
	Carbon footprint*	57.6 tCO2e/£m EVIC (Scope 1&2) 399.4 tCO2e/£m EVIC (Scope 3)	55.4 tCO2e/£m EVIC (Scope 1&2) 391.2 tCO2e/£m EVIC (Scope 3)	99.3 tCO2e/£m EVIC (Scope 1&2) 805.8 tCO2e/£m EVIC (Scope 3)
	Data coverage	85.4%	49.8%	97.3%
	Implied Temperature Rise	2.6°C	2.6°C	2.5°C
To 31 December 2021	Total Greenhouse Gas emissions	193,109 tCO2e (Scope 1&2,3)	46,937 tCO2e (Scope 1&2,3)	58,558 tCO2e (Scope 1&2,3)
	Carbon footprint*	265.5 tCO2e/£m EVIC (Scope 1&2,3)	262.7 tCO2e/£m EVIC (Scope 1&2,3)	555.8 tCO2e/£m EVIC (Scope 1&2,3)
	Data coverage	42.6%	46.8%	95.2%
	Implied Temperature Rise	Not required	Not required	Not required

*The carbon footprint metrics was measured in terms of EVIC USD in 2021 and was measured in terms of EVIC GBP in 2022.
Source: Aegon/MSCI.

The table above outlines the funds' metrics, including Scope 1&2 and Scope 3, as agreed by the Trustee:

- Total GHG Emissions is defined as tonnes of CO2e.
- Carbon Footprint is defined as tonnes of CO2e/£m invested.

The % coverage of emissions reported, estimated, and not reported forms the Funds' data coverage assessment.

The Trustee will do this by continuing to focus on two key areas for the DC Structure over the next 12 months:

- The Trustee, with Redington's assistance, will continue to engage with Aegon and BlackRock to request higher data availability and coverage across all mandates.
- Through engagement, the Trustee will identify opportunities to improve coverage or investigate alternative sources of data.

Looking to the future
Trustee's climate-related target

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

The Trustee has set a target for improving the data quality metric. Without meaningful data from the investment managers, it is very hard for the Trustee to measure its climate-risk exposure. So, it is important to set a target to improve the quality, and in particular coverage, of GHG emissions data from the managers.

2021 Target

Based on the observation of data quality in the first TCFD report, the Trustee has agreed to set the following data quality target for its Plan's assets:

"In 5 year's time, achieve above 80% coverage of carbon emission data across all asset classes split across scopes 1, 2 and 3 for both the DB and DC Structures."

2022 Update

For the DB Structure, based on the observation of data quality summarised in the previous section, the Trustee has achieved above 80% data coverage of carbon emissions data across scope 1 and 2 for the DB Structure.

Scope 3 carbon emission data only applies to 32% of the total Plan's assets within the DB Structure, hence more work needs to be done to achieve this target in its entirety.

For the DC Structure, based on the observation of data quality summarised in the previous section, the Trustee has achieved 80% coverage for the LifePath Flexi and Global Equity Fund, however, falls short on LifePath Capital. The Trustee, with assistance from Redington will continue to work with Aegon and BlackRock to achieve this target.

Revising our target

DB Structure

Observation	New target
As a result of the collection of data for the second year reporting period, the Trustee has partially met its target of 80% coverage of carbon emissions data for scopes 1,2 and 3. There are specific areas where improvement is needed, and as a result the Trustee has decided to split and refine this target.	The Trustee will adopt the following targets: ▪ To achieve 80% coverage of data across scope 3 GHG emissions for the Plan's total assets over a 5 year period. The Plan will continue to use data from 2021 as its baseline year. ▪ To achieve 80% coverage of data for the property assets (scopes 1, 2 and 3 GHG emissions) over a 5 year period. The Plan will continue to use data from 2021 as its baseline year. ▪ To achieve 60% coverage of data for the active credit assets (scopes 1, 2 and 3 GHG emissions) over a 5 year period. The Plan will continue to use data from 2020 as its baseline year.

DC Structure

Observation	New target
During this second-year reporting period, there has been a significant increase in the data coverage for the LifePath Flexi strategy, resulting in the Trustee meeting its target of 80% coverage of carbon emission data.	No changes to the current target of achieving above 80% coverage of carbon emission data across all asset classes split across scopes 1, 2 and 3 over a 5-year period from 2021.

The Trustee will continue to measure and report on the Plan's performance against the target every year. Over time, this will show the Plan's progress against the target.

The Trustee will be taking the following steps to reach the target:

Increasing data availability 	**Making the reporting consistent** 
Observation Scope 3 carbon data was not available for one of the managers who manage a significant portion on the Plan's overall portfolio. Coverage of data remains low for the property and active credit assets within the DB Structure.	**Observation** Some managers provided data in a different format to last year. It is important to keep the reporting consistent and avoid unnecessary data manipulation.
Solution The Trustee will engage with the managers directly, or through Aon (DB Structure) or Redington (DC Structure), to encourage the provision of scope 3 data for the next reporting cycle. Through engagement, it is expected that this will identify opportunities to improve data availability or investigate alternative sources of data, particularly where there are significant gaps in the data.	**Solution** The Trustee will engage with the managers directly, or through Aon or Redington, to understand challenges with providing consistent data and find an appropriate solution.

Appendices

Glossary

Governance	refers to the system by which an organisation is directed and controlled in the interests of shareholders and other stakeholders.[9] 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.[10]
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.[11]
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.
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.
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.

[9] Data Delivery Frameworks | The Investment Association (theia.org)
1992.
[10] OECD, G20/OECD Principles of Corporate Governance, OECD Publishing, Paris, 2015.
[11] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017

Greenhouse gas emissions ("GHG") scope levels[12]	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.[13]
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).[14]
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.
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.[15]

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

Appendix – climate scenario modelling assumptions

The purpose of the climate scenario modelling is to consider the impact of climate-related risks on the Plan's assets and liabilities over the long-term.

The purpose of the model is to consider 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 change scenarios and the approximate impact on asset/liability values over the long-term.

The model assumes a deterministic projection of assets and liabilities, using standard actuarial techniques to discount and project expected cashflows.

i. 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.
ii. The parameters in the model vary deterministically with the different scenarios.

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.

Key Assumptions

	Temperature risk by 2100	**Reach net zero by**	**Carbon price (2030/2050)**	**Introduction of environmental regulation**
No additional action taken	4ºC+	After 2050	$40 / $265	No Action
Late Action	3ºC to 4ºC	After 2050	$40 / $265	Late Aggressive
Early Action	1.3ºC - 2ºC	2050	$100 / $160	Coordinated

Source: Aon.

Appendix – Greenhouse gas emissions in more detail

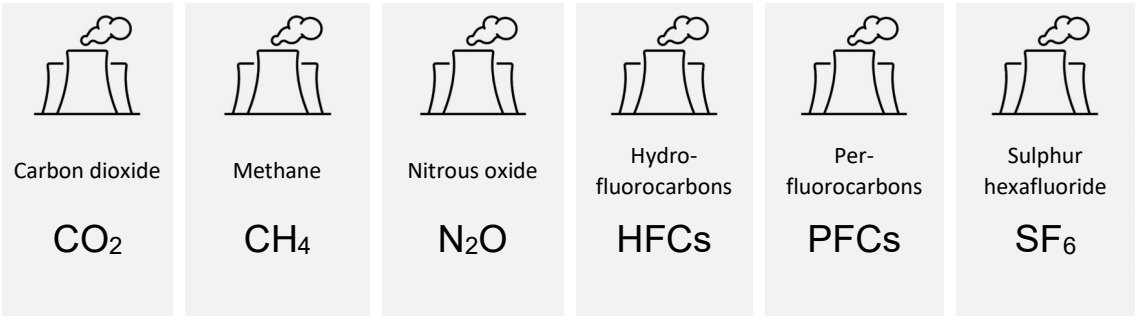
Greenhouse gases in the atmosphere, including water vapour, carbon dioxide, methane, and nitrous oxide, keep the Earth's surface and atmosphere warm because they absorb sunlight and re-emit it as heat in all directions including back down to Earth. Adding more greenhouse gases to the atmosphere makes 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 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[16] 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.

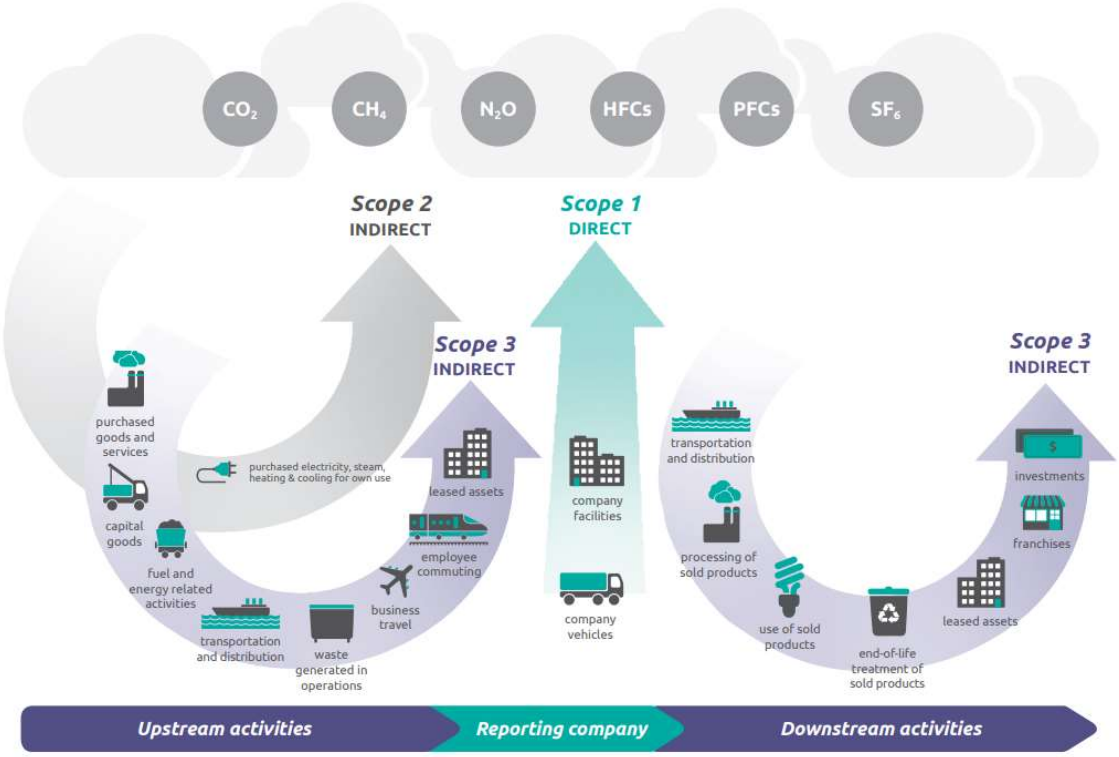
Six main greenhouse gases identified by the Kyoto Protocol



[16] 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