The C&J Clark Pension Fund

2023 Climate Change Report

For the Fund Year ending 31 December

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Introduction

The Trustee of the C&J Clark Pension Fund (hereinafter referred to as the "Trustee" and the "Fund", respectively) presents its annual report under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the "Regulations") for the year ended 31 December 2022. The principal employer of the Fund is C&J Clark International Limited.

The Fund is now subject to the requirement to produce disclosures in line with the recommendations of the Task Force on Climate Related Disclosures (TCFD), as transposed into UK law in 2021. The aim is to improve and increase reporting of climate-related financial risks and opportunities.

The Fund consists of Plan 35, Plan E and the Flexible Section and Plan 18. For the purposes of this climate change report, due to materiality, some of the analysis in the report focuses on the Main Section (Plan 35, Plan E) which represents the vast majority of the assets of the Fund.

The TCFD framework requires disclosures in four broad categories:

- **Governance:** around climate-related risks and opportunities.
- **Strategy:** the actual and potential impact of climate-related risks and opportunities on the strategy and financial plans of the Fund.
- **Risk management:** how the scheme identifies, assesses, and manages climate-related risks
- **Metrics and targets:** the metrics and targets used to assess and manage climate-related risks and opportunities

This report sets out the Fund's approach to compliance in each of these four areas

Figure 1. TCFD Framework

Section 1: Governance

The Trustee Board have identified climate change, alongside other Environmental, Social and Governance (ESG) factors, as important risks and opportunities which require sustained, long-term oversight and management. The Trustee Board has ultimate responsibility for setting the Fund's strategy, policies, and actions in this area.

The Trustee has delegated the day-to-day responsibility of ensuring that the established policy for monitoring climate-related risk and opportunities is integrated in the Trustee's investment strategy, risk management and decision making to the Investment Committee (IC). The Investment Committee oversee ongoing investment matters and between Trustee Board meetings, they operate to develop the Fund's investment and funding strategy on behalf of the Trustee. During this time, they also liaise with the Company on matters relating to the investment strategy, funding, and covenant. The Trustee Board supervises the Fund's risk management framework while the Operations Committee reviews the Fund's Report and Financial Statement Accounts and other regulatory disclosures.

The main parties that support the Trustee in implementing its policies in relation to climate change, Sustainable Investment and risk management more widely, are:

- **Investment consultant (WTW)** – Who helps the Trustee to formulate investment beliefs and to reflect these in the Fund's investment policies and strategy. The investment consultant also helps the Trustee with conducting scenario analysis, advises on how climate-related risks and opportunities might affect the Fund over the short, medium and long term and provides ad hoc specialist advice on a variety of pension matters, including risk management.
- **Investment managers –** Responsible for managing climate change risks and opportunities within their mandates as per their guidelines. This includes the selection of assets as well as the managers' stewardship activities. The Trustee receives reporting on an annual basis to assess the underlying managers' competencies. This provides an assessment of the managers' approach to ESG integration and stewardship activities as well as consideration of a balanced scorecard of climate metrics which provide insight into the managers' underlying exposures to climate change risks and opportunities. Additionally, the investment managers provide a range of climate specific data, such as greenhouse gas ("GHG") emissions, for the Fund and implement the policies related to climate-related financial disclosure as outlined in the Statement of Investment Principles (SIP).
- **The Fund Actuary (Hymans Robertson LLP) –** The Trustee also takes advice from the Fund's Actuary Hymans Robertson LLP, who performs valuations of the Fund and who advises on how climate-related risks and opportunities might affect the Fund's funding position over the short, medium and long-term and the implications for the Fund's funding strategy.
- **The Covenant adviser (Penfida Limited London) -** The Covenant Adviser, who provides advice to the Trustee on the ability of the Sponsor to support the Fund assessing the financials of the business.

The key overarching investment policies are detailed in our Statement of Investment Principles (SIP) which can be found online at the following link: https://www.clarkspensions.co.uk/media/4323/cjcpf-sip-may-2022.pdf. The Trustee has considered how sustainability and ESG factors should be taken into account in the selection, retention and realisation of long-term investments. This includes climate change which the Trustee recognises can present potentially material risks to the portfolio but could also potentially present new investment opportunities. The SIP also sets out the Trustee beliefs with regards to Sustainable Investments. The Trustee reviews the SIP at least annually and without delay after any significant change in investment policy.

As part of the day-to-day management of the assets, the Trustee has largely delegated to the investment managers to consider climate risk as part of its overall management process. As a result, the Trustee expects the Fund’s investment managers, where appropriate, to have integrated ESG factors as part of its investment analysis and decision-making process and will review managers with respect to relevant matters including performance and risk as well as ESG factors. The IC meet with the managers on an annual basis and ask them to present on the managers’ policies on ESG, approach, stewardship, and engagement policies. In 2023, the IC updated the policies in the SIP and the IC have also shared a copy of the latest SIP with the Investment managers to inform them of the Fund’s Stewardship policy and priorities and asked them to provide detail on how they have performed in light of the policy. The IC keep records of manager presentations and meeting minutes. The IC and Trustee receive performance monitoring updates on a semi-annual basis with performance updates provided quarterly.

The Trustee received ESG focused training in August 2021 which covered climate change, the impact on pension funds and potential action that could be taken to mitigate the impact on the portfolio as well as the Fund’s ability to meet objectives. Further training sessions and discussions were held on climate risks and TCFD requirements in February 2022, August 2022, November 2022 and February 2023. The IC have also set a specific objective for WTW as Investment Advisers relating to supporting the Fund when it comes to climate risk. These training sessions and the quarterly IC and Trustee Board meetings provide an opportunity for the Trustee to receive updates on climate-related risks and opportunities and discuss output from the processes with relevant advisers. The sessions also provide a forum for open dialogue between the Trustee and its advisers and provide the opportunity to question or challenge information provided to the Trustee. The Trustee seeks to ensure an appropriate amount of time and resource is allocated to overseeing all risks and opportunities relevant to the Fund, including climate-related risk and opportunities.

The Trustee has also reviewed the competency of its investment advisers, WTW, to determine that they could appropriately advise the Trustee in matters on climate change. The review was conducted in 2022.

<u>Context for investment strategy</u>

Plan 35, Plan E and the Flexible Section have low-risk portfolios, with most assets invested in Liability Driven Investment (largely UK Government Bonds), high quality credit and Bulk Annuities (contracts with Insurers to cover certain benefits). The Fund has a relatively short-term time horizon to increase the number of Bulk Annuities held, to further protect the promised member benefits. The Trustee currently has the means and the intention to fully insure the Fund over the mentioned timeframe. Whilst the Trustee continues to place a high-level of priority on further engaging with, monitoring, and seeking to manage climate change risks and opportunities, this broader context does mean the Trustee is starting from a relatively low risk position and has less tools at its disposal than other pension schemes. This does not suggest complacency on the part of the Trustee but is instead mentioned to provide context to the broader report which the Trustee is pleased to share.

Plan 18 is a Defined Contribution (DC) arrangement offering members a range of lifestyle and self-select fund options covering a range of asset classes, including equities, bonds and property. The governance arrangements for Plan 18 are as described above.

Section 2: Strategy

The Trustee believes that part of its fiduciary duty is to manage climate change and associated risks and opportunities within the Fund's investment portfolio. Climate change is a financially material consideration, and the Trustee has determined that climate change could have a negative or a positive impact on the Fund from the point of view of the returns available on its investments, its funding position, the potential impact on members retirement outcomes and the support made available by the Sponsor.

The Trustee has looked at the potential effects of climate change over a range of identified time horizons for the Fund using 31 December 2022 as the baseline. The scenario analysis was conducted as at 30 September 2022.

The scenario analysis and metric analysis focuses on Plan 35, Plan E and excludes Plan 18 and the Flexible Section as they represent a materially smaller portion of the Fund's assets and therefore the Trustee has taken a proportionate approach. For Plan 18 and the Flexible Section, climate risk is instead considered as part of the governance arrangements on an ongoing basis.

To appropriately assess the impact of the climate change scenario analysis, we have agreed the suitable time horizons over which climate risks and opportunities should be considered. Given the Fund's target of buy-out within the next five years, the short-term time horizon is most relevant and applicable. These timeframes considered are explained below:

- **Short Term** – to 2024. The period to 2024 was selected as a short-term objective as this is when the strategy will be reviewed as part of preparing to approach the market to consider further bulk annuities.
- **Medium Term** – to 2027: The expected date by which the overwhelming majority of benefits are expected to be insured (2027).
- **Long Term** – to 2030: The period to 2030 and beyond, when the Fund is expected to have wound-up and beyond the expected timeframe to buyout.

We have identified the following climate-related risks and opportunities:

- **Physical risks.** This relates to the direct effects of climate change on the Fund and its members. These risks are expected to be longer-term in nature, but they are also expected to be limited in scope to the effects of climate change-related weather and other natural events on the businesses of invested companies, and the effect of changing temperatures on the mortality of Fund members. These could have varying effects on the funding and investment strategy of the Fund, but the direction and size of the effects are unlikely to be clear for a considerable period of time. This is therefore considered between the medium-long term time horizon identified above.
- **Transition risks and opportunities.** This relates to the risks and opportunities arising from efforts made to transition towards a net-zero economy (both domestically and globally) to limit climate change. These risks and opportunities are generally expected to occur in the short-medium term time horizon identified above, with some perhaps occurring in the short term. Risks arising could include regulatory or societal changes rendering parts of the business of invested companies worthless – for example, fossil fuels 'in the ground' which become

economically unviable to extract due to a lack of a suitable market or due to regulations preventing its extraction. Opportunities include early investment in assets, which are likely to benefit from climate change adaptations, such as green energy providers. We are actively looking to mitigate the risks and take advantage of the opportunities which occur in order to improve the likelihood of meeting our short- and medium-term funding and investment goals.

The Trustee understands the short term to relate to the next 2 years where the Fund plans to invest in a full bulk annuity for the Plan 35, Plan E and the Flexible Section. This period is likely to be defined primarily by transition risk and therefore market risk (in this context the risk of a sudden repricing of assets in response to changing views on climate transition), although there is some exposure to physical risk. The impact of climate change on the Fund in this time will depend heavily on regulations and the improvement in understanding emissions data. Over this period the risk management tool for the Trustee will be the ability of the Fund's investment managers to identify those companies which are likely to be most affected by climate transition, both positively and negatively, and to position the Fund's investments accordingly. For the Plan 18 Section and the Flexible Section, where the majority of assets are managed passively and represent a significantly smaller portion of assets, the Trustee will look to engage with managers as part of ongoing governance.

Medium-term risks are those that will be present in the timeframe to 2027, namely longer-term market risk and the increasing early signs of physical risks. The Trustee plans to manage these risks by assessing any potential insurers on their climate risks.

In the long-term (2030 and beyond) the physical risks resulting from climate change will become material. The precise impact of these is very difficult to ascertain at this point, limiting the ability of the Trustee to manage these risks. The Trustee expects the Fund's managers to work over the coming years to improve the quality of data and the resources available to better understand the risks and opportunities and to position the Fund's investments accordingly.

Climate Scenario Analysis

The Trustee has carried out climate change scenario analysis in partnership with its investment and actuarial advisers for Plan 35, Plan E. Although separate analysis has not been conducted specifically on the Flexible Section, the Trustee believe the conclusions are still relevant given the similarities in the underlying investments. The aim of this analysis was to help the Trustee to quantify the potential effects of climate change on the Fund's assets, liabilities and covenant. The Trustee considered four separate scenarios which are in part defined through its success, or otherwise, in meeting the Paris Agreement target of a sub-2.0ºC temperature rise.

These scenarios have been considered as the Trustee believes that they cover a plausible and comprehensive range of climate outcomes over the long-term:

1. A clear transition narrative that describes the socioeconomic pathway, both globally and regionally, from climate policies implemented and resulting in technological and societal shifts that occur.

2. Modelled emissions pathways, (typically communicated using the Representative Concentration Pathways developed by the IPCC) resulting from the implementation of public policies and technologies resulting in the level of temperature rise.

3. A set of economic costs and benefits resulting from physical and transition risks and opportunities.

4. The impact on financial returns at the asset class level.

The Trustee understand that WTW made a series of simplifying assumptions to shield the analysis from being obscured by other factors. All the analysis was conducted as at 30 September 2022.

The key assumptions were as follows:

- No change to the level of prudence in the discount rate relative to the yield on government bonds

- The impact of the climate scenarios is experienced in a linear way over the projection period

- The impact of climate change is time dependant, with transition risk being front-loaded over the first 10 years, and physical risk following over the remainder of the projection period (up to 20 years)

- Investment return assumptions are calibrated from the long-term historical experience across a wide range of countries, but then further calibrated to reflect future returns being lower than suggested by the historical track record reflecting WTW's belief that markets are more expensively priced than they have been and a number of the historic tailwinds for markets (debt, demographics, globalisation) are likely to turn into headwinds in the immediate future and new headwinds such as climate change will emerge

- Gilts will not be materially impacted by climate risk over the short term.

While each of the scenarios selected reflect pathways, it is broadly acknowledged that there is material uncertainty in all aspects of climate scenario modelling. It is not yet known which energy transition pathway will transpire and it could look quite different to those modelled. The projections served to illustrate the possible future range of long-term returns from different asset classes and their inter-relationship, but it is recognised that no economic model can be expected to capture perfectly future uncertainty, particularly the risk of extreme events. The projections also served to illustrate the potential variability, but it is recognised that these are subjective, and arguments could be made for different outcomes. The scenario analysis takes no account of developments after the date of its presentation to the Trustee.

The following scenarios were used in the analysis:

Table 1. Climate Scenarios Definitions

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

Impact of Climate of the Fund's Funding Level

The analysis examined the effect the climate scenarios had on both assets and liabilities over the next 20 years and how that impacts overall funding. The results are outlined below. The numbers illustrate that transition risks (which are assumed to occur in the first 10 years of the modelling) are likely to be larger than physical costs due to the relatively short time horizon of the Fund. There are potentially sizeable drags on returns from transition in both the Climate Emergency scenario and the Inevitable Policy Response scenario, with the physical costs from 10 years onwards less significant. From a financial perspective, the most harmful scenario to assets is therefore the Inevitable Policy Response scenario. The impact on the Fund's liabilities has been calculated by modelling four different mortality outcomes, a large and moderate increase and decrease in life-expectancy before assigning a probability of each outcome in the scenarios above. The impacts on the Fund's liabilities are net of the pensioner bulk annuity.

The results below are not forecasts of the Fund's funding position but are instead used to quantify potential outcomes under the specific illustrative scenarios.

The Least Common Denominator scenario results in a better evolution of funding versus the base case over the period considered, as some of the worst physical effects on asset prices tend to be in the 2040s, whilst mortality effects impact more quickly.

The table below shows the results of an alternative method of analysis which projects the long term (10 and 20 year) average drag on asset and liability returns, and then considers the cumulative drags on net return.

N.B.: this analysis is less relevant to the Fund as it considers a term that extends beyond the Fund's time to buy-out. We have shown the result of the analysis for completeness.

Table 2. Impact of Climate Drags on the Fund's Funding Level

Scenario	Avg. annual drag on asset expected returns	Avg. drag on liability expected return	Combined cumulative drag at 10 years	Combined cumulative drag at 20 years
Lowest Common Denominator	-0.05%	-0.26%	+3.48%	+4.27%
Inevitable Policy Response	-0.14%	-0.10%	-0.84%	-0.68%
Global Co-ordinated Action	-0.02%	+0.17%	-2.11%	-3.72%
Climate Emergency	-0.09%	-0.03%	-1.04%	-1.28%

The timing of the impact from climate change is uncertain. Therefore, as part of the analysis the Trustee has assessed the impact by looking at different time horizons. The below table shows the asset and liability impacts by assuming they occur as an instantaneous shock (if we were to allow for the entire climate change impact to be capitalized instantaneously).

Table 3. Impact of Climate Shocks on the Fund's Funding Level

Scenario	Asset Shock (£m)	Liability Shock (£m)	Change in Deficit (£m)	New Funding Level	Change in Funding Level
Lowest Common Denominator	-20.1	-32.8	12.7	98%	1.8%
Inevitable Policy Response	-32.6	-13.1	-19.5	93%	-3.2%
Global Co-ordinated Action	-9.1	22.9	-32.0	91%	-4.6%
Climate Emergency	23.7	-3.3	-20.4	93%	-3.2%

As part of the above analysis, the Trustee has also engaged with the Sponsor and reviewed publicly available information to determine how the Sponsor could be impacted under the above climate scenarios considered. As part of these discussions, the Trustee has been reassured that the Sponsor is considering climate risk and will be conducting its own scenario analysis to help consider the Sponsor’s exposure to climate risk in 2024. In the latest version of the Sponsor’s TCFD report the Trustee acknowledges that the focus areas of product management, sourcing and estates are key areas to manage risk but will also present opportunities for growth. Additionally, the Sponsor is currently finalising its sustainability strategy which will include a framework, approach and key actions to address climate-related impacts and dependencies. Given the very strong funding position of the Scheme, the Trustee also has a relatively low likelihood of reliance on the Sponsor in the future. The Trustee will continue to hold discussions with the Sponsor to provide further detail on how the Sponsor is working to appropriately manage and monitor climate changes risks and opportunities.

Summary

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

- The Fund’s strong funding position – The funding level remains above 90% on a gilts + 0% basis across all scenarios.
- The Fund’s low-risk asset portfolio – The Scheme has c.70% of assets invested in bulk annuities, high quality corporate bonds and UK Government bonds.
- The Fund has already insured some member benefits – The Trustee has already mitigated some of the life expectancy risk within the Scheme, with c.30% of assets invested in bulk annuities.

Section 3: Risk Management

Although the analysis showed the Fund's funding strategy to be relatively resilient, the Trustee will continue to engage with the Sponsor to understand its climate risk strategy and will consider climate change risk as part of future changes to the strategy.

Risk management is of fundamental importance to pension management as all pension plans are exposed to multiple risks. Climate change is a key risk and opportunity and therefore receives particular attention as part of our ongoing risk management processes.

The Trustee seeks to identify, assess and mitigate relevant risks, including those related to climate change, through its established governance structure detailed in Section 1. The risk register, which is maintained by the sub-committees, includes climate change as a specific risk. This clearly details the size and likelihood of the risk, the controls in place and the actions the Trustee takes to manage, mitigate, and exploit both this risk and opportunity. Although the Trustee retains ultimate ownership, the risk register clearly sets out the parties that assist the Trustee and Trustee responsibilities. The risk register is monitored on a quarterly basis and sub-committee review in-depth relevant sections on an annual basis.

The climate change scenario analysis presented to the Trustee, mentioned in Section 2, provides a holistic overview of the potential impacts of climate change and how they may affect the Fund's funding strategy (across assets, liabilities, and covenant). This is an important risk management tool for a top-down risk and opportunity assessment.

The Trustee conducts an annual review of the Investment Managers and underlying investment manager policies, processes, and actions in the area of Sustainable Investment, which includes a focus on climate change. The Trustee's policy is to delegate to the investment managers' stewardship activities such as the exercising of rights attaching to investments, including voting rights, and engagement with relevant persons about matters including ESG considerations. Whilst the Trustee's policy is to delegate a number of stewardship activities to the investment managers, the Trustee recognises that the responsibility for these activities remains with the Trustee. The Trustee has also identified the following stewardship priorities; climate change and human and labour rights, and expects the investment managers cast votes on its behalf in a manner that is consistent with the agreements of the relationship and the Fund's SIP. These votes and engagements are documented on an annual basis as part of the Fund's Implementation Statement.

The Trustee also receives quarterly updates from its covenant advisers as to the ability of the Sponsor to meet its obligations to the Fund. The Trustee looks to invite the Sponsor to at least one meeting a year, to discuss the Sponsor's business plans and can use this opportunity to gain further information from the sponsor regarding its resilience to climate change, as required.

The Fund Actuary, Hymans Robertson LLP, who performs actuarial valuations of the Fund and who advises on how variations in future experience compared with the assumptions adopted, will support the Trustee in factoring in climate risk as part of the 2023 valuation of the Fund liabilities.

The below case study provides an example of an impact investment (investing in assets such as green energy) that is current in the Fund's portfolio.

Case Study

GREENCOAT SOLAR II LP

Greencoat's solar business acquires and manages ground mount solar assets in the UK. Each solar farm has a life span of over 25 years and preserves natural habitats through hedgerow and tree planting, placement of bat and bird boxes, and animal grazing from neighbours.

- In 2020, Greencoat acquired 28 operating solar PV assets adding a further 224MW to its renewable power generation capacity.

- As at 31 December 2021, Greencoat owned 123 solar farms, managing 912GWh of net generation capacity.

- In 2021 alone, Greencoat's solar farms saved 365,000 tonnes of CO2 from entering the atmosphere, and generated energy equivalent to powering 315,000 homes.

Section 4: Metrics and Targets

Introduction and overview

A key facet of our ongoing monitoring and management of climate change is having good data on the Fund's exposure in this area. Although there are limitations with some of the metrics presented and the completeness of data, the Trustee believes that these can helpfully inform the Trustee of ongoing monitoring and management of the Fund. The Trustee considers metrics across the Sustainable Investment spectrum, but the focus within this statement is those in climate change. The metrics disclosed have been selected from the following categories:

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

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

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

Due to the nature of the emissions, scope 3 emissions are significantly more difficult to calculate than scope 1 or scope 2 emissions for any given entity. It is also the case that, for some assets, even scope 1 and scope 2 emissions are difficult to calculate. We have included Scope 1 and 2 emissions within the metrics displayed below and included Scope 3 emissions where data is available.

Overview of analysis

The following table details the rationale for choosing these metrics.

Table 4. Trustee Selected Climate Metrics

Metric	Definition	Rationale
Total Carbon Emissions ("tC02e")	An 'absolute emissions' metrics which gives a measure of carbon emissions attributable to the Fund. This is calculated in line with the Greenhouse Gas (GHG) protocol methodology and currently includes only Scope 1 and 2 emissions. The underlying emissions data has been sourced from MSCI and, in line with the protocol, includes all the major GHG gases with a conversion into carbon emissions equivalent quantities. We have used each entity's enterprise value, including cash (EVIC) to attribute carbon emissions.	Determined by the regulator.
Carbon Footprint (tCO2e / $ invested)	An 'emissions intensity' metric which gives a measure of how many equivalent tonnes of carbon emissions each million invested causes. This uses a comparable methodology as the total carbon emissions referenced above for underlying data and emissions attribution for companies.	It provides a direct measure of absolute emissions, which ultimately impact global outcomes and provides a simple comparable measure across portfolios of different sizes.
Percentage of assets with approved Science based targets ("SBTi")	A 'portfolio alignment' metric which is a forward-looking measure of the percentage of assets with targets validated by the Science-Based Targets Initiative.	It provides a consistent verification of a company's alignment to the Paris agreement.
Climate Engagements (number of and % of overall engagements)	A non-emissions based 'additional metric' which allows the Trustee to assess the extent to which an asset manager is engaging and/or voting on the topic of climate change.	This metric will enable the Trustee to monitor improvement in engagement levels over time and is an area of focus for the Trustee.

Output of the analysis

The below analysis is in respective of the assets held with the Plan 35, Plan E Fund. In reviewing the analysis, the Trustee considered the results in respect of each asset class within the Fund. This enables comparison of the contribution of each asset class to the overall emissions, and footprint for the Fund. The below table shows the 'invested assets' which are assets where the emission from these holdings can be directly affect by the Trustee's investments decisions, however some of the assets have required the use of proxies to analyse the exposure due to availability of data.

Table 5. Climate Metrics Analysis of Invested Assets

As at 31 December 2022	Portfolio Asset Allocation		Carbon Data					Alignment	Other
Asset Class	Weight	Weight excl. LDI & Bulk Annuity	Absolute emissions (tCO2e)		% of total emissions	Footprint (tCO2e / $M invested)		Alignment with SBTs	Climate Engagements
			Scope 1 & 2	Scope 3		Scope 1 & 2	Scope 3		
High Quality Credit	19%	38%	7,314	71,754	13%	39	380	33%	n/a
Secure Income Assets	18%	36%	13,008	74,679	24%	72	412	-	24 (92%)***
Alternative Credit	13%	26%	34,659	41,096	63%	273	323	8%	n/a
LDI	24%	-	-	-	-	-	-	-	-
Bulk annuity	25%	-	-	-	-	-	-	-	-
Total Portfolio	**100%**	**100%**	**54,981**	**187,529**	**100%**	**111**	**377**	**14%**	n/a

*Total value weighted by asset class allocation. Note: numbers may not sum due to rounding.
** Climate engagements data sourced directly from investment managers where available. Figures in brackets represent the % of total engagements that were climate related

*** Only Alpha Real have provided data on climate engagements. Rather than treating managers that provided no data as 0 (or 0%) we have noted this as n/a. Therefore, the Secure Income Assets results represent Alpha Real only. The breakdown of emissions for the Fund's bulk annuity and sovereign bond asset classes have not been included in the above table because emissions from these holdings cannot be directly affected by the Trustee's investment decisions (for example, through engagement or divestment). The Trustee has worked alongside its investment adviser, as well as the Fund's LDI manager and Bulk Annuity provider to obtain data for the Fund's government bond holdings, and bulk annuity assets.

Table 5. Blackrock Emissions Data

As at 31 December 2022	Carbon Data*	
Asset Class	Absolute emissions (tCO2e)	Footprint (tCO2e / £M invested)
LDI portfolio	40,757	160

Table 6. PIC Emissions Data

As at 31 December 2022	Carbon Data				Alignment	Other
Asset Class	Absolute emissions (tCO2e)		Footprint (tCO2e / £M invested)		Alignment with SBTs	Climate engagements*
	Scope 1 & 2	Scope 3	Scope 1 & 2	Scope 3		
Bulk annuity portfolio	20,652	88,249	83	353	5%	>50 (n/a)

*Climate engagements figures in brackets represent the % of total engagements that were climate related

Data Quality

Whilst the Trustee has aimed to carry out the analysis as far as they are able, the availability of data is dependent on external factors which are largely outside the Trustee's control such as certain companies not disclosing its carbon emissions. In calculating absolute emissions and carbon footprint, the Trustee was able to obtain direct holdings data on c.47.2% of the portfolio, excluding liability driven investments (LDI) and the Fund's Bulk Annuity portfolio. Where direct manager data was not available, the Trustee has proxied the exposure by using appropriate geographic and sector weights for the underlying holdings. This represents c.46.6% of the total "Invested Assets" portfolio. All of the underlying carbon emissions data for the Fund's "Invested Assets" portfolio has been sourced from MSCI. CO2e represents a single unit of measurement for total greenhouse gas emissions (often referred to as CO2 and equivalents) and includes the seven gases mandated under the Kyoto protocol.

Whilst the Trustee aims for 100% data quality for its underlying investments, it understands that there are limitations with data availability, particularly for private assets. The Trustee notes that the Investment Managers have provided a mix of qualitative and quantitative for the 'Other metric' on number and % of climate engagements. The Trustee has reviewed the information and plan to engage with the managers to understand their ability to provide this data going forward.

The Fund's Bulk Annuity provider, PIC, provided the data for the Fund's bulk annuity assets. The scope 1 & 2 carbon footprint and carbon emissions data provided covers c.62.5% of the portfolio and has been scaled up in order to provide final figures for 100% coverage of the footprint and emissions attributable to the Fund. Similarly, the scope 3 carbon footprint and carbon emissions data covered c.31.8% of the portfolio and has been scaled in the same way.

The Trustee will monitor how these metrics evolve over time on an annual basis and understand the drivers for change.

Targets

The Trustee has identified carbon footprint as the metric on which to set a target for the Plan 35, Plan E Fund. This target is to reduce the Fund's carbon footprint (scope 1 and 2 emissions) over the 8-year period to 2030 by 30%, which is the period by which the Trustee has the aim to purchase further Bulk Annuities. This will be measured from a baseline of 31 December 2022, and the Trustee intends to report progress against this objective in next year's report, in line with requirements. The Trustee is unable to provide a full assessment against the target due to the data not being available at the time of publishing. The Trustee intends that this goal will be achieved through engagement (with the Fund's underlying managers and companies invested in), strategic changes (investing in assets with lower climate risk) and because of the 'free-rider' effect. The Trustee is unlikely to make any impact investments given the short-term target to approach full buy-in. This recognises that although the Trustee has and will take positive actions, the Trustee won't be able to achieve this goal alone and will require the continued collaboration of the global community to combat climate change.

Going forward

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