Ernst & Young Retirement Benefits Plan

Climate change governance and reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD")

Reporting period: 12 months to 30 September 2023

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Introduction

Welcome to our first climate change report, which has been prepared in line with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") and the statutory requirements prescribed by the Department of Work and Pensions[1].

The E&Y Trustees Limited (the "Trustee") in capacity as the Trustee of the Ernst & Young Retirement Benefits Plan ("Plan") have a legal fiduciary responsibility to invest the Plan's assets in the best way possible for its members. As part of this responsibility, the Trustee recognises climate change as a risk that could impact the financial security of members' benefits if it is not properly measured and managed. The Trustee also recognise that climate change presents an opportunity, by investing in companies or assets that are expected to perform well in an economy that is positioned to address the challenges associated with climate change.

The Trustee invests the Final Salary Section ("FSS") assets of the Plan in a fiduciary arrangement with Mercer Limited ("Mercer"). Under this arrangement, Mercer are appointed as a discretionary investment manager and day-today management of the Plan's assets is by investment in a range of specialist pooled funds (the Mercer Funds).

The Money Purchase Section ("MPS") invests in a range of Mercer funds with Mercer as the appointed fiduciary manager and investment advisor. The MPS is in the process of transferring out of the Plan and into a new Master Trust Arrangement with Legal & General. As a result of this changing arrangement, and the Plan move from hybrid to defined benefit only, a pragmatic approach has been taken to the completion of the MPS part of the report. Given the upcoming bulk transfer of assets from MPS to the Master Trust Arrangement in December 2023, the Trustee has agreed not to establish a climate change-related target for MPS.

The Trustee's assessment of climate-related risks and opportunities has been carried out in partnership with Mercer. The assessment is based on information that is currently available, both in terms of data from the companies and assets in which the Plan invests and in consideration of the different climate warming scenarios we have analysed. This data is subject to change as climate change reporting improves.

Climate change is one risk amongst many that the Trustee measure, monitor and manage. To this extent, climate change needs to be considered alongside these other risks in a balanced and proportionate way. This report aims to provide a better understanding of the climate-related financial risks and opportunities of the Plan as a result of the investments made on behalf of members. This report also seeks to explain how we, the Trustee, have established and maintained oversight and processes to satisfy ourselves that the Plan's relevant climate-related financial risks and opportunities are identified, assessed and managed appropriately by all stakeholders involved in the day-to-day management of the Plan.

[1] The Occupational Pension Plans (Climate Change Governance and Reporting) Regulations 2021 and the Occupational Pension Plans (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021

As always, members are encouraged to contact the Trustee if there are comments you wish to raise. You can raise any questions throufh the Plan administrator at WTW by email at eypensions@wtwco.com.

Peter O'Neill

Chairman of the Trustee

The Ernst & Young Retirement Benefits Plan

Date: 30 April 2024

Executive Summary

This report covers the following four areas, which comprises the TCFD framework:

Governance: How the Trustee maintains oversight and incorporate climate change into its decision making;

Strategy: How potential future climate warming scenarios could impact the Plan;

Risk Management: How the Trustee incorporates climate-related risk in its risk management processes; and

Metrics and Targets: How the Trustee measures and monitors progress against different climate-related indicators known as metrics and targets.

The scope of this report

The report covers the FSS as a whole but the MPS aspects of the Strategy and Metrics and Targets sections of the report focus on the popular arrangements[2] offered by the Plan, which are:

- Mercer SmartPath targeting Drawdown
- Mercer SmartPath targeting Annuity

Where the Trustee has been unable to provide information at the popular arrangement level, information has been provided for the underlying funds.

The key messages from this report are:

- Climate change risk can have an impact on the long-term outcomes for the Plan.
- The Trustee has processes in place to identify, assess and mitigate climate change risk.
- Five metrics have been chosen to monitor the progress against climate change risk.
- A target to reduce the level of carbon exposure of the Plan's corporate bond allocations within the Matching portfolio of the FSS has been set and the Trustee will work in partnership with Mercer to move towards the agreed target. Further details of the metric and rationale underpinning this target is set out in the "Metrics and Target" section of this report.

[2] The guidance defines a popular arrangement as one in which £100m or more of the scheme's assets are invested, or which accounts for 10% or more of the assets used for money purchase benefits (excluding assets which are solely attributable to Additional Voluntary Contributions).

Conclusions and next steps

The Trustee recognises that further progress needs to be made to consider climate-related risks and opportunities in a balanced and proportionate approach. The ultimate responsibility of the Trustee is to pay members their benefits and the Trustee is aiming to do this in the most sustainable way as possible.

The Trustee supports the goals of the Paris Agreement that seeks to limit warming to well below 2°C relative to pre-industrial temperatures. The Trustee believes that climate risk can have an impact on securing long-term financial returns and considering climate risk is in the best long-term interest of Plan members.

The Trustee has considered a number of actions in order to work towards improving its management of climate risks and opportunities. Over the next 12 months, the Trustee is aiming to undertake the following actions:

- Review progress in engaging with Mercer, who in turn engages with the underlying third-party investment managers, to understand the steps they are taking to manage carbon exposure within the Plan's assets.
- Annual review of ESG policies in the Plan's governing documentation including establishing a standalone ESG Policy Document.
- Consider climate change implications as part of any reassessment of the investment strategy.

Over the next 3 years, the Trustee expects to:

- Regularly review the climate-related risks and opportunities in the Plan and maintain compliance with regulatory requirements, with support from the Plan's advisors.
- Ensure that they are well equipped with sufficient knowledge of developments around climate change risk through training and a review of skills.
- Annually consider the suitability of the Plan's investment arrangements to achieving its climate goals.

Governance

The Trustee recognises that climate-related risks can be financially material and should therefore be considered as part of their fiduciary duty to Plan members.

Trustee Governance Approach

The Trustee have ultimate responsibility for ensuring effective governance of climate-related risks and opportunities. The Trustee maintains a Statement of Investment Principles ("SIP"), which details the key objectives, risks and approach to considering Environmental, Social and Governance ("ESG") factors, such as climate change, as part of its investment decision making. The document is reviewed on at least a triennial basis or following a significant change in investment policy.

This publicly available Sustainability Policy sets out how Mercer addresses sustainability risks and opportunities and considers ESG factors in decision making across the investment process.

This Stewardship Policy provides more detail on Mercer's beliefs and implementation on stewardship specifically. Under the fiduciary management structure, the Trustee acknowledges that they do not have the ability to directly determine the engagement or voting policies or arrangements of the managers of the Mercer Funds. However, the Trustee has reviewed these policies and note an awareness of engagement topics that are important to the Plan and integrating the Trustee views on specific themes, where possible, is an important part of Mercer's fiduciary duty. Mercer's Client Engagement Survey aims to facilitate this by assessing the level of alignment between Mercer's engagement priority areas and those of the Trustee, while highlighting additional areas of focus which are important to the Trustee.

The Trustee review regular reports from Mercer with regard to the engagement and voting undertaken on their behalf in order to consider whether the policies are being properly implemented.

The Trustee continues to work with the Firm in order to establish a more specific Sustainability Policy aligned with their objectives, although this was not in place by year-end.

The Trustee's key beliefs on ESG and climate change are:

- The importance of good stewardship and the incorporation of ESG factors into its investment decision-making processes.
- Awareness of ESG factors and stewardship opportunities can have a material impact on the financial and non-financial performance of the Plan's assets over the medium and long-term.
- The impact of long-term sustainability issues, such as climate change, present risks and opportunities that increasingly may require explicit consideration.

Long-term sustainability issues, particularly, but not limited to, climate change, present risks and opportunities that increasingly may require explicit consideration. Consequently, the Trustee believes that a sustainable investment approach that considers these risks and opportunities is in the best interest of members.

The Trustee has set up sub-committees that have a specific focus on overseeing different aspects of the Plan's arrangement (e.g. audit, funding and investments). The Trustee will consider the recommendations of the sub-committees and will ratify any decisions that require its approval. Of relevance to the oversight of climate-related risks and opportunities are the Investment Committee ("IC"), which has the responsibility of overseeing the implementation of the investment strategy for the Plan. This includes the ongoing review of the discretionary investment manager and performance considerations, although the Trustee retains responsibility for decision making. Climate change-related factors form part of the IC's overall assessment, where relevant.The Trustee meets as a full board approximately four times a year (and more frequently, as deemed required) with separate IC meetings to discuss investment matters typically taking place in advance of the Trustee Board meetings.

Investment performance and risk management are reviewed, of which climate-related risks form part. Climate-related metrics are incorporated into this quarterly monitoring process. Climate change will form an explicit agenda item at least annually when the Trustee's annual TCFD report is updated. The table below sets out the various meetings, during which ESG and the TCFD requirements were discussed:

Meeting Type	Date	Topic
Investment Committee	September 2022	ESG regulatory updates (including Green taxonomy in the EU and SFDR)
Investment Committee	May 2023	TCFD planning and training on metrics
Trustee Board	June 2023	Agreement to proposed TCFD metrics and climate scenarios for modelling
Investment Committee	November 2023	Reviewing TCFD metrics, proposed targets and climate scenario analysis
Trustee Training	November 2023	Refresher on Mercer's approach to ESG integration and TCFD reporting requirements

The Trustee is satisfied that the amount of governance time spent is reasonable and will allocate more time at future meetings if any analysis or wider industry research requires additional Trustee review and consideration.

The Trustee have reviewed the roles and responsibilities of those undertaking or advising the Trustee on the Plan's governance activities.

Role of in-house support

The Plan Secretary provides in-house support to the Trustee as well as acting as a liaison between the Trustee and the Plan Sponsor. Specifically in relation to climate change considerations, the Plan Secretary:

- Ensures appropriate time and resource is allocated to climate governance and reporting;
- Facilitates information sharing between the Trustee, professional advisors and investment managers as appropriate; and
- Provides challenge to advisor recommendations to ensure advice provided to the Trustee and its sub-committees will facilitate effective and efficient decision-making.

Role of advisors

The Trustee have appointed advisors to the following roles:

- **Investment consultant to the FSS**. The Trustee has delegated the asset allocation decisions within the Growth and Matching Portfolios to Mercer (subject to certain restrictions).
  - Mercer advises on strategic asset allocation taking into account climate risk, supported through the provision of climate scenario analysis;
  - Advises on the choice of climate-related metrics and targets as well as changes to investment mandates;
  - Monitors investment manager performance against relevant climate-related targets; and
  - Liaises with investment managers and other professional advisers to provide training to the Trustee on climate change, as appropriate.
- **Investment consultant to the MPS.** The Trustee has appointed Mercer as their MPS investment adviser for the period covered in this report.
  - Advises on investment arrangements, including the default investment strategy, taking into account climate risk, supported through the provision of climate scenario analysis;
  - Advises on the choice of climate-related metrics and targets as well as changes to investment mandates;
  - Monitors investment manager performance against relevant climate-related targets; and
  - Liaises with investment managers and other professional advisers to provide training to the Trustee on climate change, as appropriate.
- **Funding Advisor**
  - Advises on the funding position including an understanding of the potential funding impact resulting from changes to financial or demographic assumptions driven by climate change;

- Advises on funding strategy robustness to climate risk. Provides input to enable strategic asset allocation decisions to be made considering impact of climate risks on funding strategy; and
- Provides input into scenario analysis and advises on funding implications.

- **Covenant Advisor**
  - Assesses the Sponsor's ability and willingness to continue to support the Plan. Climate-related exposures are considered alongside other factors that could have a positive or negative impact on the strength of the Sponsor's covenant; and
  - Provides input into scenario analysis and advises on covenant implications.

Role of Discretionary Investment Managers

The Trustee has appointed Mercer Workplace Savings ("MWS") and Mercer as discretionary investment managers for both the FFS and MPS, respectively. In both instances, the Trustee invests the assets of the Plan in a delegated arrangement with Mercer. Under this arrangement, Mercer are appointed as a discretionary investment manager and day-to-day management of the Plan's assets, which are invested in a range of specialist pooled funds (the Mercer Funds).

FSS:

- Mercer act as the discretionary investment manager to implement the Trustee's strategy that is currently in a low-risk, steady state, having successfully followed a framework whereby the level of investment risk reduces as the Plan's funding level improved.
- The investment strategy is tailored to the Plan's specific constraints, including audit independence, and is overseen by Mercer's Asset Allocation Committee that is made up of senior individuals within Mercer's investments business.
- In this capacity, and subject to agreed restrictions, the Plan's assets are mostly invested in multi-client Mercer Funds managed by a management company (Mercer Global Investments Management Limited ("MGIM")). MGIM has appointed Mercer Global Investments Europe Limited ("MGIE")) as investment manager of the Mercer Funds. The Trustee also directly invests in two pooled funds with BlueBay and Beach Point, respectively, which Mercer advises upon.

MPS:

- The MWS team translates Mercer's thought leadership and best practice into policies and processes for the Plan's investment arrangement.
- MWS integrate the consideration of climate change analysis into the annual strategic asset allocation review of the multi-asset funds. This includes the Mercer Growth Fund, which forms part of the default investment solution.

- The MPS also benefits from the oversight of the MWS Investment Governance Committee (the "MWS IGC"). The MWS IGC is made up of senior individuals within Mercer's investments business. The MWS IGC meets at least quarterly and is responsible for ensuring that the investment arrangement is suitable and that it reflects Mercer's best ideas, including research from Mercer's dedicated sustainable investment team.

MGIE are responsible for the appointment and monitoring of suitably diversified portfolio of specialist third party investment managers for each Mercer Fund's assets. As part of the third party investment manager selection and monitoring process, Mercer, MWS and MGIE consider the level and extent to which third party investment managers take into account ESG factors, including climate change, in their investment process and stewardship activities (such as voting and engagement with the underlying companies or issuers they invest in).

Assessment of in-house support and advisors

The Trustee expects advisors and the discretionary investment managers to act with integrity and diligence in fulfilling the set objectives and use meetings with the advisors and discretionary investment managers to assess and challenge them. Where relevant, this includes discussion of the steps taken by advisors to identify and assess any climate-related risks and opportunities.

The approach of Mercer, as the investment consultant and discretionary investment manager, to climate change and how it is integrated into its advice and services is assessed as part of the adviser selection and monitoring process. The Trustee sets its investment providers' objectives, including ones related to ESG and climate change competency. The investment providers are formally assessed against these objectives annually. The Trustee will adopt a similar approach for other relevant advisers, including the Plan actuary and covenant adviser, in the near future.

Oversight of the Discretionary Investment Manager

As noted above, the Trustee has appointed Mercer to act as discretionary investment manager in respect of the Plan's assets for both the FSS and MPS. Such assets are predominately invested in a range of Mercer Funds managed by MGIE. Asset managers appointed to manage the Mercer Funds, and those directly appointed by the Trustee, are expected to evaluate ESG factors, including climate change. These appointed segregated managers within Mercer Funds are requested to comply with the Mercer **Sustainability Policy**, communicated to each manager.

Mercer and MGIE will actively monitor appointed managers on ESG integration, consistent with this policy, to encourage the consideration of sustainability risks and opportunities and other ESG factors, within appointed managers' investment decision making. MGIE evaluates the sustainability policies, capabilities and practices for potential and appointed managers, where relevant, as part of the manager selection and monitoring process by drawing on Mercer's ESG Ratings (see Appendix) and associated commentary from the Mercer Manager Research team. This includes a qualitative assessment of appointed managers' approaches to considering sustainability risks within their investment process as well as assessing the impact of portfolio ESG factors on the risk/return profile of underlying holdings and overall investment strategy. MGIE works closely with appointed managers to improve their ESG integration practices and consideration of sustainability risks, where relevant. As part of its monitoring and oversight process, Mercer uses third party data to evaluate the quality of manager portfolios using a sustainability lens, by assessing aggregate security exposure to and the management of certain ESG factors. More detail on the specific metrics used to monitor these ESG factors can be found in Mercer's entity level Principle Adverse Impact Statement.

The discretionary investment manager has been appointed based on their credentials which in part include the integration of sustainability at the strategic asset allocation and manager selection level.

The Trustee monitors the discretionary investment manager on an ongoing basis through quarterly reporting (and monthly dashboards in the case of the FSS). During the annual investment strategy review for the FSS, the Trustee considers the long-term projection of the Plan's funding level. The potential impact of different climate change scenarios on expected fund performance is assessed by Mercer at a model portfolio and Asset Allocation Committee level at least annually, with any implications for the Plan considered in the light of the Trustee's specific restrictions on the mandate. The review also considers the effect of any proposed strategic asset allocation changes.

An annual sustainability report is presented to the Trustee and considers, amongst other things, the change in funds' carbon metrics and investment managers' ESG ratings over the period. It also considers these carbon metrics and ESG ratings against suitable benchmarks or peers, with a number of metrics also now captured in quarterly reports produced by Mercer.

The Trustee assess this in the Implementation Statement, where they consider voting and engagement data on the funds used within the Plan on an annual basis, including information on significant voting. In particular, the Trustee looks for details on engagements that are aligned with the respective priorities for the FSS and MPS as outlined in the SIP, including engagement priorities on climate change.

Training and climate competency

During the year to 30 September 2023, the Trustee undertook training around ESG topics, including covering climate-related investment risks and reporting requirements in line with the TCFD recommendations at regular Trustee meetings. Although outside of the one-year reporting period, additional Trustee training on ESG and TCFD requirements was also undertaken in November 2023.

Strategy

The Trustee acknowledges the wider social and economic risks posed by climate change, and its greatest impact to the Plan is through investment risk. Member outcomes rely on investment returns, which are directly related to the value of the underlying assets that are increasingly impacted by climate-related risks and opportunities, felt at different times and to different extents.

The Trustee believes it is important to understand how the Plan's exposure to climate-related risks may change over time, when the risk exposure may be greatest and what actions can be taken now, or in the future, to avoid those risks becoming financially material to the Plan. To help with this assessment, the Trustee has defined short, medium, and long-term time horizons. The time horizons are different across the FSS and MPS, noting an element of pragmatism applied to the MPS with an imminent transition being planned for completion post year-end.

FSS		
Short term	3 years	Short term timeframe to align with the next Actuarial Valuation
Medium term	7 years	The medium term timeframe is in alignment with the end of the current Recovery Plan that was agreed as part of the Actuarial Valuation of 1 October 2022
Long term	28 years	To align with the 2050 Paris Agreement goals

MPS		
Short term	10 years	Representative of a member approaching retirement age
Medium term	25 years	Representative of a member in the mid-career stage
Long term	40 years	Representative of a member in the 'early career' stage

The Trustee has identified and assessed the risks and opportunities for the different types of transition and physical risks for the Plan over these time periods. This has been done through both a top-down approach (climate scenario analysis) and a bottom-up approach (metrics analysis). The climate scenario analysis is discussed in this section, while the bottom-up analysis is discussed in the Metrics and Target section. The Trustee recognises that the risks and opportunities arising from climate change are diverse and continuously evolving. This is demonstrated well in the schematic overleaf, which was taken from the Final Report issued by the TCFD.

TCFD, Climate-Related Risks, Opportunities, and Financial Impact

Source: TCFD Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, October 2021

Climate Scenario Analysis: Potential Impacts

Investors often use scenario analysis to support strategic asset allocation and portfolio construction decisions as it helps to test resilience under multiple potential future outcomes. Climate change scenario analysis is used to support strategic asset allocation decisions by testing the resilience of the portfolio under multiple potential future outcomes. The Trustee uses Mercer's forward-looking climate change model for the Plan, which provides climate scenarios that cover a range of policy assumptions, market responses, and temperature outcomes.

Climate change presents risks and opportunities over the short, medium and long term, which the strategies aim to better understand and mitigate where possible.

Short term	Over the **short term**, risks may present themselves through rapid market re-pricing relating to climate transition as: - **Scenario pathways become clearer**. For example, the likelihood of a sub-2°C scenario occurring becoming higher and driving greater transition risk. - **Market awareness grows**. For example, the implications of the physical impacts of climate change become clearer to markets and are reflected in asset valuations. - **If policy changes unexpectedly surprise markets.** For example, if a carbon price or a significant regulatory requirement is introduced across key markets to which the portfolio is exposed, at a sufficiently high price to impact behaviour. - Perceived or real **increased pricing of greenhouse gas emissions/carbon**. - **Substitution** of existing products and services with lower emission alternatives. - **Litigation** risk relating to dangerous warming becoming more prevalent. - **Increases in the energy/heat efficiency** of buildings and infrastructure. The ability of the Trustee to consider these short-term changes can position the funds favourably, for example aligning investments to the climate transition by avoiding and reducing investment (through both tilting and exclusions) in high-emitting carbon sensitive businesses that do not have a business plan that supports the transition to a low carbon economy.
Medium term	Over the **medium term**, risks associated with the transition to a low carbon economy are still likely to dominate relative to the physical impacts of climate change. These include but are not limited to: - The development of **technology** and low carbon solutions. - **Policy and regulation** are also likely to play a key role at the international, national, and subnational level. - **Technology and policy** changes are likely to produce winners and losers both between and within sectors. - **Advancement of the transition** is likely to crystallise stranded asset risks over the medium term. The ability of the Trustee and investment managers to understand these changes may position the funds favourably, for example by increasing investments in new emerging technologies. The Trustee seeks to select managers and indices that can identify potential emergence of low carbon opportunities and the decline of some traditional sectors.
Long term	Over the **long term**, physical risks are expected to come to the fore. This includes but is not limited to: - Where the **impact of natural catastrophes** leading to physical damages through extreme weather events. - **Availability of resources** is expected to become more important if changes in weather patterns (e.g. temperature or precipitation) affect the availability of natural resources such as water. The Trustee's and investment managers' ability to understand these changes may position the funds favourably in the future, for example increasing investments in infrastructure projects that display a high level of climate resilience. A changing climate may directly impact the viability of some assets or business models (for example, flood risk for real estate and the availability and cost of insurance).

The potential impacts on, and resilience of, the Plan to climate-related risks and opportunities, taking into consideration different climate related scenarios

The chosen scenarios help the Trustee understand the resilience of the Plan's investment strategy to different potential warming pathways covering eventual temperature increases over different timeframes.

In the development of climate scenarios Mercer have partnered with Ortec Finance and Cambridge Econometrics to develop climate scenarios that are grounded in the latest climate and economic research and give practical insights. The scenarios are constructed to explore a range of plausible futures over periods up to 40 years, rather than exploring tail risks.

The Trustees focus on the following three core scenarios in this report:

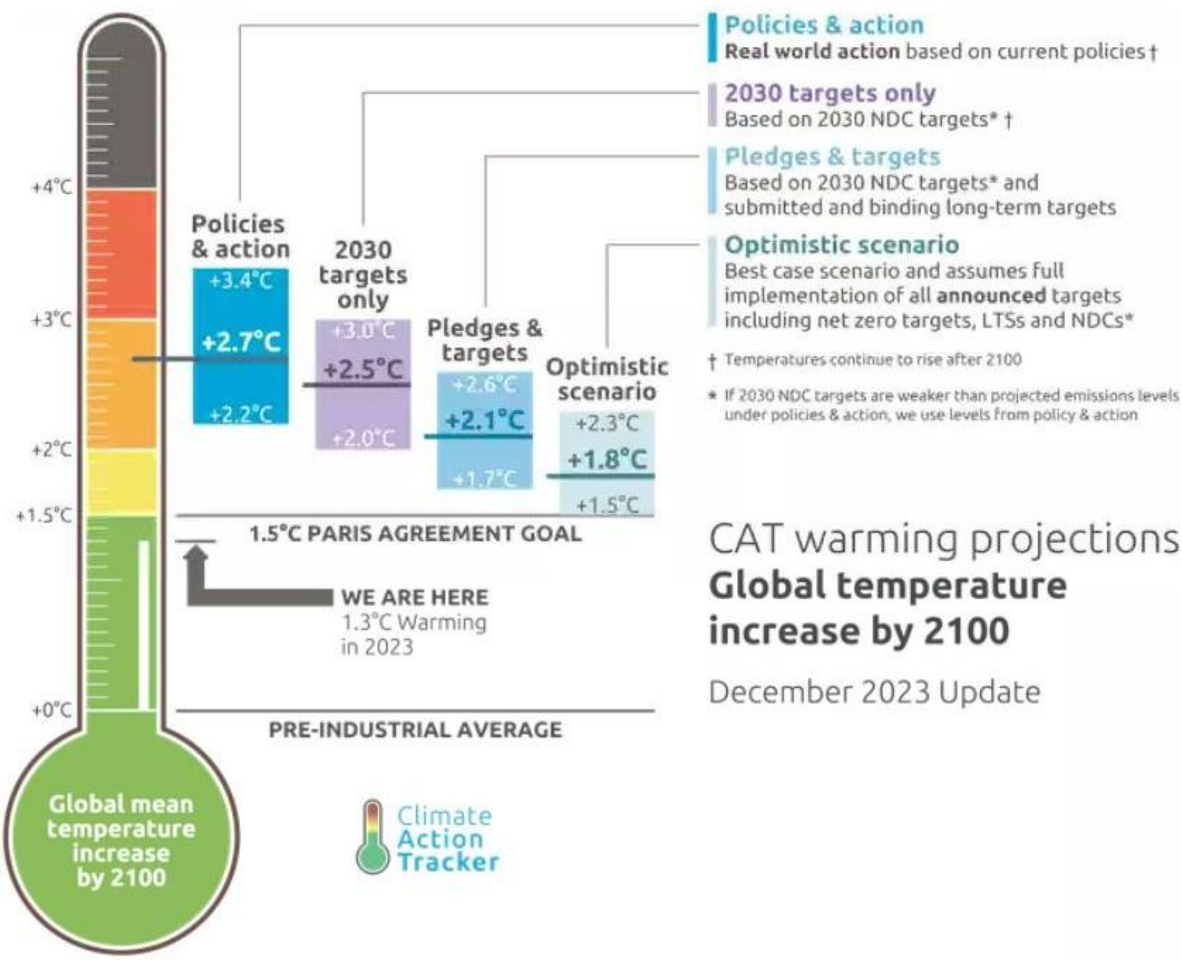
- **A Rapid Transition** – Average temperature increase of 1.5°C by 2100. Sudden divestments across multiple securities in 2025 to align portfolios to the Paris Agreement goals which have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock. Following this shock there is a partial recovery. Physical damages are most limited under this scenario.
- **An Orderly Transition** – Average temperature increase of less than 2.0°C by 2100. Political and social organisations act quickly and predictably to implement the recommendations of the Paris Agreement to limit global warming to below 2°C. Transition impacts do occur but are relatively muted across the broad market.
- **A Failed Transition** – Average temperature increase above 4°C by 2100. The world fails to co-ordinate a transition to a low carbon economy and global warming exceeds 4°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events. These are reflected in repricing events in the late 2020s and late 2030s.

We have focused this analysis on short, medium and long-term time horizons noted earlier. The chosen scenarios help the Trustee understand the resilience of the Plan's investment strategy to different potential warming pathways covering eventual temperature increases over different timeframes. While a lower warming pathway (sub-2°C scenario) is one which governments, businesses and society are aiming for, there is a possibility that a continuation of current policy regimes without additional decarbonisation efforts could lead to significant warming of the planet (>4°C scenario).

In designing scenario analysis a fundamental decision is whether to assume that any climate impacts are priced in today. The analysis in this report is expressed relative to a climate-informed baseline; the implication is that all return impacts are presented in terms of how they are different to what we are assuming is priced in today.

Please note, climate-related scenario analysis is an ever evolving space and as such the scenarios modelled may be subject to review in future periods. More detail on the scenarios used, including limitations, is included in the appendix.

The Climate Action Tracker Thermometer below, shows "median" warming temperature estimates by 2100. For example, as at November 2022, there is a 50% chance that temperature increases (relative to the pre-industrial average) will exceed 2.0°C based on current pledges and targets.



Source: Climate Action Tracker, https://climateactiontracker.org/global/cat-thermometer. NDC are nationally determined contributions and LTS refers to long-term strategies.

The Trustee is committed to investing responsibly and prefer an integration and engagement-based approach to climate investing. However to reduce the negative environmental impacts and promote environmental characteristics, Mercer applies some climate-related exclusions across the equity and fixed income funds. For further details, please see the Mercer Sustainability Policy.

Summary of Scenario Analysis Results for the FSS of the Plan

Climate change scenario analysis has been undertaken on the strategic asset allocation of the Plan's FSS portfolio to assess the potential implications under the three different scenarios outlined above. The climate change scenario analysis is based on the strategic asset allocation as at 31 March 2023 (using the geographic split of the funds as at 31 December 2022) and uses asset class assumptions rather than being based on fund holding data as is the case with the reported metrics.

Climate Return Impacts

Overall, lower warming scenarios, ideally achieved through an orderly transition, are in the best interests of the Plan; however there are short-term transition risks associated with the rapid (disorderly) transition associated with limiting warming to 1.5°C, largely due to policy drivers.

The results of the scenario modelling provide the Trustee with an indication of how resilient the investment strategy may be in different climate change scenarios. The projected impact of these scenarios on the investment returns and funding level can be seen in the table and charts below.

Outputs are shown below for the climate impact on returns expected annually, relative to the baseline[3], for the Plan's portfolio.

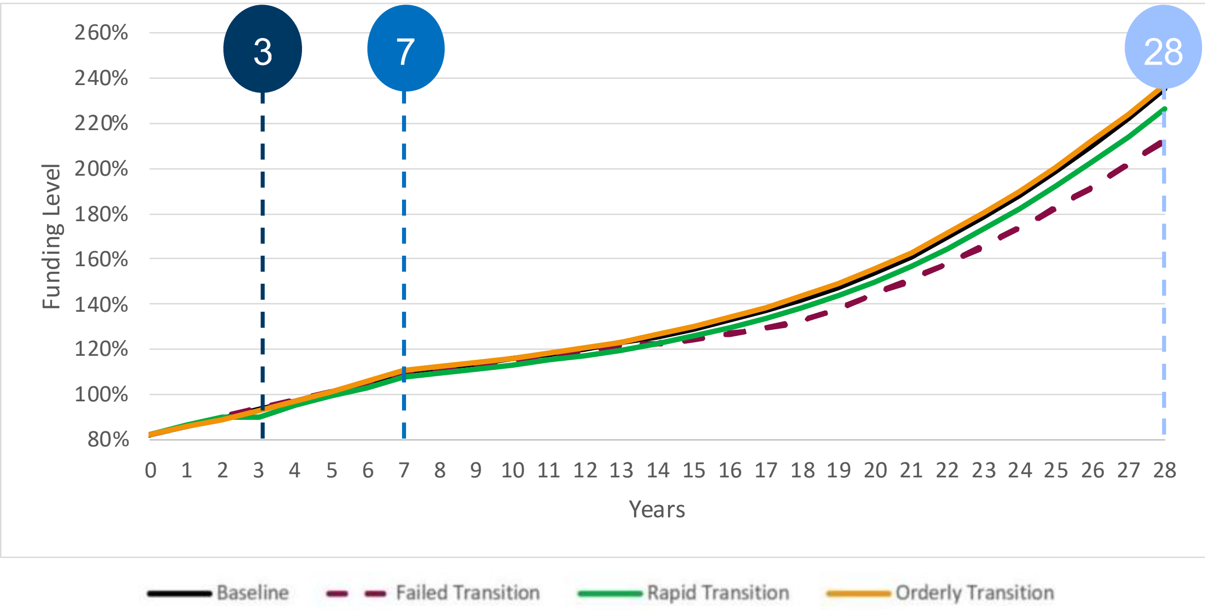
Annual Return Impacts

Scenarios & Time Horizons	Portfolio Annual Expected Return Impact (%)
Rapid Transition	
Impact at 3 years	-1.4%
Impact at 7 years	-0.4%
Impact at 28 years	0.0%
Orderly Transition	
Impact at 3 years	-0.2%
Impact at 7 years	0.0%
Impact at 28 years	0.0%
Failed Transition	
Impact at 3 years	0.4%
Impact at 7 years	0.0%
Impact at 28 years	-0.2%

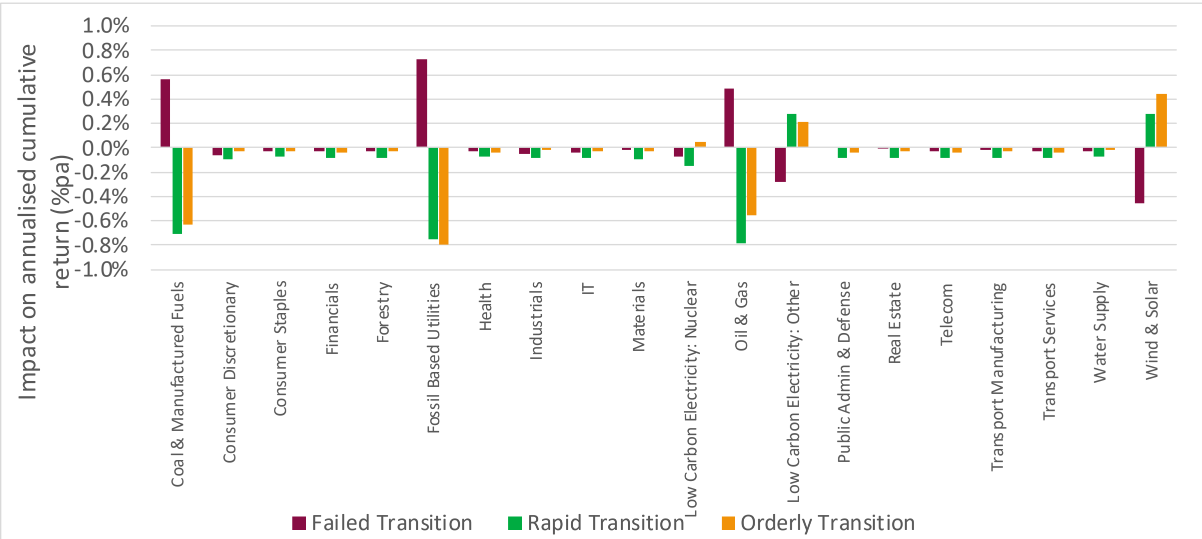
While the annualised impacts on returns are muted on an annualised basis, they can be seen to be more significant on a cumulative basis over the longer-term.

[3] At a market level transition risks are reasonably priced in, however longer term physical risks are more likely to be mispriced. Transition risks remain at sector level and at the market level due to the potential for more extreme transition scenarios to occur. We express this view by modelling scenarios relative to a climate aware baseline. The baseline represents what we are assuming the market is currently pricing in. The baseline includes a 10% weight to a **Failed Transition**, 40% weight to an **Orderly Transition**, 10% to a **Rapid Transition** and 40% to a range of **low impact scenarios**.

Funding Level Impacts

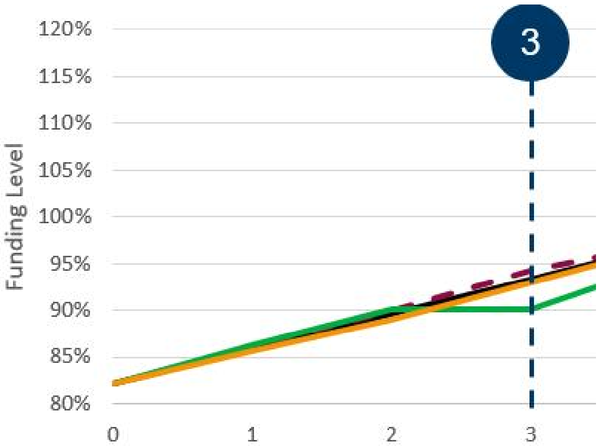


Cumulative Sector Impacts



Climate impacts are naturally sector specific. The above chart shows the cumulative impact of each scenario on different credit sectors. As the impacts are expressed relative to a climate-informed baseline, sector-specific impacts are driven both by what happens under the scenarios, but also by what does not happen (but was priced in). For example, the positive impact on low carbon electricity under the transition scenarios is an intuitive outcome. Alternatively, the positive impact on the oil & gas sector under the failed transition is a result of the sector performing better than expected in this scenario (i.e. more revenue than expected for underlying companies).

The table below provides a summary of results from the climate scenario modelling over the three time horizons as well as a discussion of impacts and opportunities for the Plan.

Time Horizon	Climate Scenario Results for the Plan	Impacts and Opportunities
Short-term (3 years)  	Transition risk dominates, with the rapid transition having the biggest impact. Under this scenario there is a shock to financial markets of 3% followed by a partial recovery the following year. The recovery is a large proportion of the initial shock on the basis that credit spreads widen and then narrow again with only limited additional default experience.	The Plan is exposed to climate-related risks through its allocation to public equities and bonds. This is because investee companies and debt issuers are exposed to both transition risk in the short term. However, the strategic allocation to public equity is materially smaller than the strategic allocation to corporate bonds. The climate scenario analysis helps the Trustee understand which market sectors are most exposed to climate-related risks and which are positioned best to transition to a low carbon economy.

Time Horizon	Climate Scenario Results for the Plan	Impacts and Opportunities
Medium-term (7 years)	Transition risks are still the most significant and therefore the Rapid Transition is most impactful. However, the Failed Transition is becoming more impactful and future Physical damages start to be priced in. Under the Rapid Transition the funding level is reduced by 2%. Under the Failed Transition the funding level is reduced by 1%. The impact of the Orderly Transition is small on the basis that transition costs and impacts are smaller and largely priced in.	The climate-related focus over the medium term is different to the short term as it will be centered around risk in line with the conclusion of the current Recovery Plan. Over this time period, these type of investments where the investee company and debt issuer has made minimal effort to support the low carbon transition may lead to a potential default or downgrade. Market surprises due to unexpected policy changes related to climate change could lead to asset price volatility and therefore funding level volatility. Exposure to this market volatility is expected to reduce over time and the resilience of the funding strategy to climate-related risks is subsequently expected to improve.
Long-term (28 years)	Over the long term, as physical damages begin to be priced in, the Failed Transition becomes the most impactful scenario. The Failed Transition reduces the funding level by 23%.	Investment opportunities remain in industries which are supportive of the transition to a low carbon economy. As the Plan matures, the Trustee expects its exposure to these industries to decrease as the Trustee aims to reduce investment risk with a view to providing the greatest security possible for members' benefits. A typical investment strategy of this kind would invest in high quality corporate bonds, government bonds and cash, all of which we would see as suited to a transition to a low carbon economy due to climate-related risk being priced into their value over the long term.

The funding level analysis above takes into account the impact of interest rates and inflation expectations upon the value of the liabilities. These impacts are largely hedged by the Plan's allocation to gilts, liability driven investments ("LDI") and corporate bonds with a 100% funded liability hedge ratio target set by the Trustee. It does not, however, explicitly take into account the impact of changes to mortality.

The Plan actuary has advised that the liability impact over a 25 year period of climate on mortality ranges from around a 5% increase in a rapid transition scenario to a liability reduction of up to 12% in a failed transition scenario, compared to typical mortality assumptions. Mortality impacts are expected to emerge slowly over time.

Climate change in respect of the Sponsoring Employer

The Trustee has considered the Sponsor's climate disclosures, taken advice from its covenant adviser and concluded that:

- Climate related change and sustainability is considered to be a key area of risk and opportunity for the global EY network. Detailed scenario modelling has been undertaken by EY Global, with the assistance of internal climate specialists, which has been adapted for the Sponsor.
- Management considers a range of risks and opportunities, with the scenario analysis undertaken suggesting that the most material of these relate to the Sponsor's reputation in the market. Specifically, its ability to meet stakeholder expectations as a responsible supplier of services (to attract and retain clients) and to grow its capacity to provide market leading services and capture expected demand for climate change and sustainability related services.
- Management's published analysis estimates a range of potential impacts on revenues which, in aggregate, suggest a possible 5% to 16% negative impact on revenues from climate related change across the scenarios modelled, and a 15% to 20% potential positive impact from extra revenue generation opportunities.
- In the short term to 2025, EY is already experiencing growth in areas related to climate change (e.g. Climate Change and Sustainability Services, Audit and Financial Accounting Advisory Services) and has a published strategy for reducing emissions, which it is implementing. As a result, the Trustee considers that climate change currently represents a net opportunity for growth for the Sponsor.
- In the medium term to 2030, management expects further opportunities for growth as the demand for climate related services increases. Whilst this is likely to be the case, the Trustee is also cognisant that over an extended period the Sponsor is exposed to the risk of events that have the potential to cause reputational damage. This creates a funnel of plausible outcomes (both positive and negative). Given the Governance structures that the Sponsor currently has in place to monitor climate, the Trustee would expect management to take swift action to mitigate any major issues that arise.

- The longer term outlook is very difficult to comment on with any certainty. However, with current projections showing the Plan ‘on track’ to achieve full funding on a gilts + 0.5% basis by 2029, it is expected that the Plan’s reliance on EY LLP for further support will have reduced to a low level by this period.
- In summary, the Trustee does not consider climate change to present a material risk to the employer covenant in the short term but recognises that it has the potential to negatively impact covenant strength over time. Climate change is therefore monitored alongside other risks through regular interactions with the Sponsor and the Trustee’s covenant advisor.

Summary of Scenario Analysis Results for the MPS of the Plan

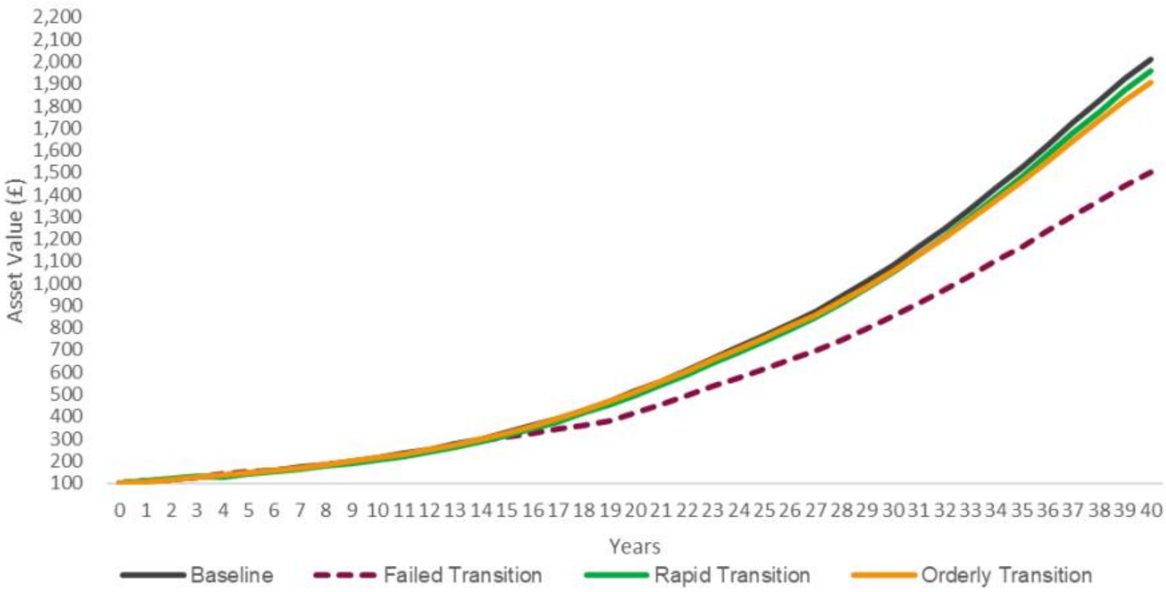
Climate Return Impacts:

Overall, lower warming scenarios, ideally achieved through an orderly transition, are in the best interests of the Plan; however there are short-term transition risks associated with the rapid (disorderly) transition associated with limiting warming to 1.5°C, largely due to policy drivers.

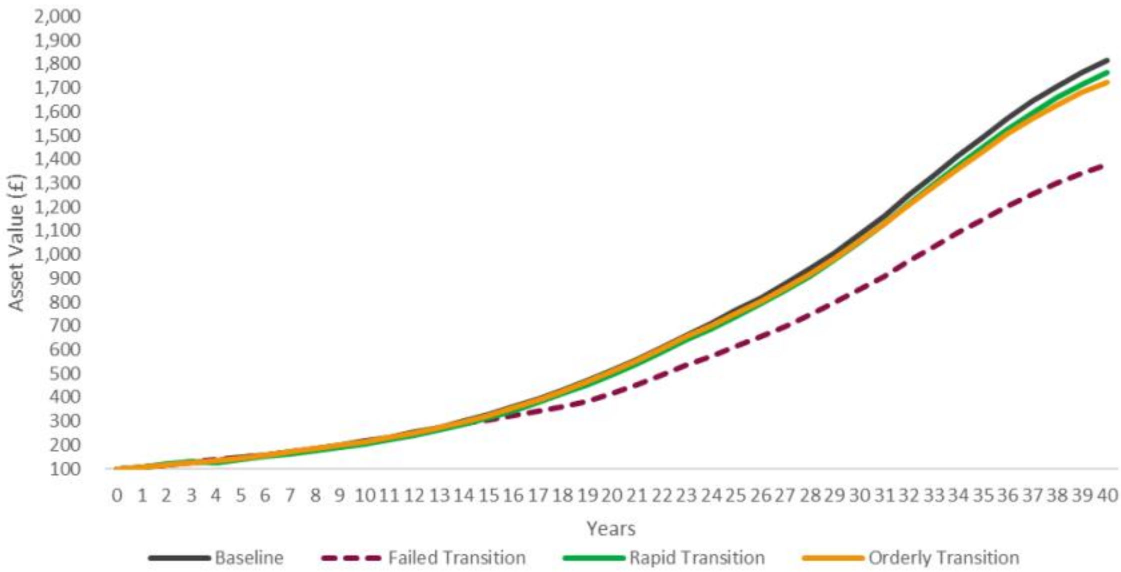
The results of the scenario modelling provide the Trustee with an indication of how resilient the investment strategy may be in different climate change scenarios. The projected impact of these scenarios on the investment returns of the popular arrangements can be seen in the charts below.

Through analysing the impact on the entire glidepath, we are able to look at the effect on members who are 10, 25 and 40 years from retirement in the charts below. Members furthest away from retirement will be more adversely affected by a Failed Transition than members who are closest to retirement, as those closer to retirement have less time for their pots to be eroded by the negative consequences associated with climate change. Note, the projections assume a member is 40 years away from their selected retirement age and have a £100 initial pot size.

Impact of climate change scenarios for Mercer Drawdown Target glidepath


Asset Value (£)
2,200
2,100
2,000
1,900
1,800
1,700
1,600
1,500
1,400
1,300
1,200
1,100
1,000
900
800
700
600
500
400
300
200
100
0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40
Years
Baseline
Failed Transition
Rapid Transition
Orderly Transition

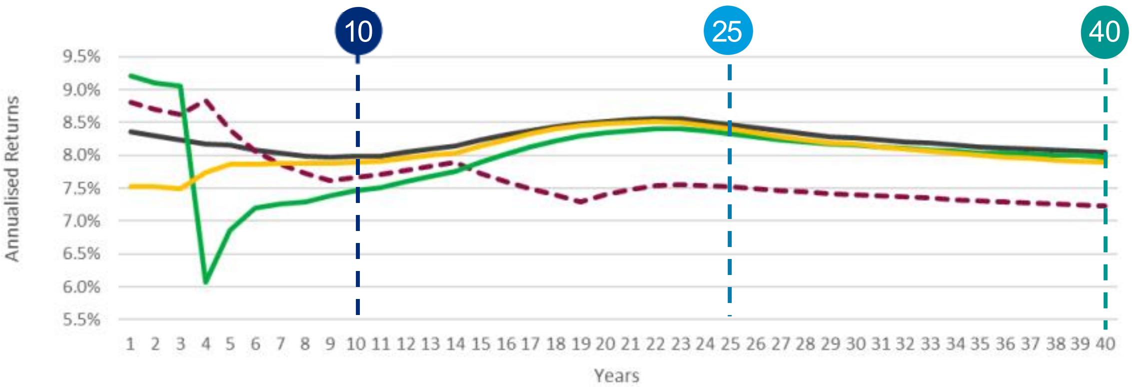
Impact of climate change scenarios for the Mercer Annuity Target glidepath



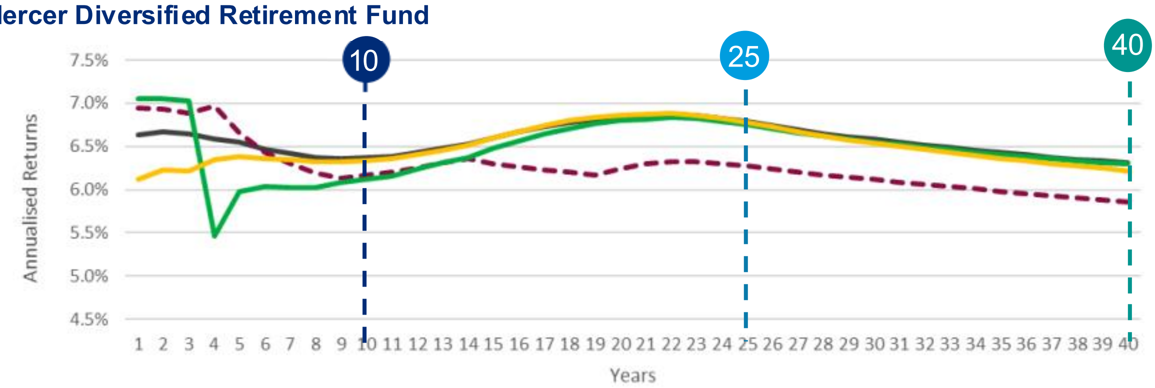
Annualised Return Impacts

In addition, we have modelled the annualised climate impact on the Mercer Growth Fund, and Mercer Diversified Retirement Fund, which constitute the majority of the underlying assets of the popular arrangements.

Mercer Growth Fund



Mercer Diversified Retirement Fund



In the short term, risks associated with a Rapid Transition appear higher due to the impact that sudden global decarbonisation and new regulations could have on the MPS of the Plan.

Over the medium term, the implications of a Failed Transition begin to be realised, as the effects of climate change begin to have a material impact on the Plan.

Over the longer term, the physical risks faced by suppliers and operating locations are expected to be more pronounced particularly with respect to extreme weather events and water scarcity, resulting in lower annualised returns with a Failed Transition.

Key Findings

The **key findings** from this analysis supports three conclusions already embedded in the Plan's approach to climate change for both FSS and MPS:

- An orderly transition is an imperative. Long term investors should collectively try to bring about an orderly transition aligned to their fiduciary duty to seek the best return within risk, liquidity and complexity constraints.
- Sector exposure is key. Climate exposure varies greatly by sector. Portfolios with exposures to the coal, fossil fuels and oil and gas sectors do not perform well in the orderly and rapid transition scenarios. Mercer evaluates exposure to these sectors on a regular basis through engagements with external managers and focusing on investee companies with the most credible transition plans.
- Beware of future pricing shocks. Longer-term impacts, including transition and physical risk, could impact portfolios earlier than they occur. While the exact timing of these shocks is unknown, consideration of these shocks is important to risk analysis.

Scenario analysis remains an important reminder that isolating a preferred scenario does not mean it will definitely eventuate. There are complex system changes that lie ahead, which are a challenge to model accurately and unlikely to be linear or neat. The Trustee also acknowledges that investors have a role to play but do not have complete control over government policies or company level decisions.

Risk Management

The process for identifying and assessing climate risks includes a 'top down' and 'bottom up' approach. The 'top down' climate scenario analysis outlined under the Strategy section is the foundational framework used to assess the size and scope of potential climate-related return impacts and prioritise asset classes and industry sectors to minimise risks and maximise new opportunities. This is complemented by the 'bottom up' company and asset level analysis. This primarily focuses on transition risks but increasingly recognising the need to include physical damages for risk management purposes.

Given the long-dated nature of the Plan's investments and the timeframe in which climate risks could materialise, a total portfolio approach to risk management covering all sectors and all relevant asset classes has been taken and this applies to all of the Plan's investment arrangements within the FSS and MPS.

Identifying and assessing climate-related risks

Scenario analysis, such as that discussed in the Strategy section of this report, allows the Trustee to identify which asset classes are most exposed to climate-related risks. This scenario analysis is considered annually as part of the investment strategy review.

From a bottom up perspective, the weighted average carbon intensity ("WACI"), and the other carbon metrics, for funds within the Plan are provided where available. These carbon metrics are included in quarterly investment performance reporting. For the multi-asset funds, forward-looking climate-related metrics (such as Implied Temperature Rise) are provided annually. This allows the Trustee to identify the key sources of company / geographic / sector level risks.

These processes are now in place and the Trustee will continue to review these and will report on their progress in the following years.

Risk management process for climate-related risks

The risks identified from a top down perspective are managed through the setting of the strategic asset allocation of the funds, as detailed in the Strategy section of this report. In addition to strategic asset allocation, the Trustee consider other mechanisms for managing climate-related risks, in particular those identified from a bottom up perspective:

- **Manager selection**: Third party investment managers appointed by Mercer via MGIE are expected to have consistent processes in place to incorporate the assessment of ESG risks and opportunities (including climate change) in their security selection and portfolio construction. This is assessed via Mercer's proprietary ESG ratings, details of which are included in quarterly investment performance reports and the annual ESG report. The discretionary investment manager engages with investment managers on behalf of the Trustee to strongly encourage the improvement in policies and practices, and can ultimately replace the manager, if required.

- **Stewardship**: Third party investment managers are expected to use active ownership to protect long-term shareholder value. As above, the quarterly performance reporting and annual sustainability report include details of the managers' ESG ratings which consider their stewardship practices. Climate change is also one of Mercer's, and therefore the Trustee's, engagement priorities with voting and engagement data and activity considered as part of the annual sustainability report and the annual Implementation Statement. The discretionary investment manager engages with investment managers on behalf of the Trustee to strongly encourage holding companies to improve on material ESG issues and provide better disclosures. Further detail on the engagement activities of the Trustee and investment managers are detailed within the Implementation Statement.
- **Reporting**: The Trustee receives annual reports of climate-related metrics and progress against targets in respect of the assets held in the Plan from Mercer. The Trustee may use the information to inform engagement priorities and inform better understanding of climate risks within the portfolio. The Trustee also receives a voting and engagement activity summary on an annual basis. The statement summarises how the third party investment managers vote and engage on climate-related issues (among other key engagement priorities).
- **Investment / Index selection.** Where funds are managed on a passive basis it is possible to track indices which weight holdings based on an ESG scoring system, which includes consideration of how companies are managing climate change risks. Several of the asset classes within the multi-asset funds used in the MPS (e.g. global high yield, emerging market debt and sustainable equity) use such indices. In addition to this, indices which weight holdings based on the climate transition alignment of companies can also be used
- **Training**: The Trustee receive training from time-to-time on climate-related issues. The training allows the Trustee to consider whether the risks and opportunities are effectively allowed for in its governance processes and wider activities, and to be able to work with Mercer to ensure the governance support and advice adequately covers the consideration of climate-related risks and opportunities.
- **Exclusions**: To reduce the negative environmental impacts and promote environmental characteristics, Mercer applies some climate-related exclusions across the equity and fixed income funds. For further details, please see the Mercer Sustainability Policy.

Integration of Climate into Overall Risk Management Process

Climate-related risks and other investment risks are considered as very important by the Trustee. Climate change and other ESG risks are included as material risks within the Statement of Investment Principles and the Trustee' risk register. The risk register is used to identify, prioritise, manage and monitor risks the Plan is exposed to. Likelihood and materiality scores are provided against all risks to ensure proportional and appropriate prioritisation and management.

Metrics and Targets

This section discusses climate metrics and targets for the Plan's portfolio. The climate-related metrics help the Plan to understand fund exposures and opportunities and identify areas for further risk management, including portfolio monitoring, and informing stewardship priorities.

The Trustee of the Plan recognises the challenges with various metrics, tools and modelling techniques used to assess climate change risks. The Trustee aims to work with its discretionary investment manager and third party investment managers to continuously improve the approach to assessing and managing risks over time as more data becomes available. The Appendix of this report sets out the data limitations and assumptions used in collating these metrics.

A 'pro-rata' approach' has been applied to funds where there are holdings with no data coverage, effectively assigning the holdings an average of the companies that do have data within that fund. This is in line with statutory guidance and ensures we do not assign a 'zero' to a holding and artificially improve quoted climate metrics. This approach is only used for the following climate metrics noted below: Absolute Emissions, Carbon Footprint, Weighted Average Carbon Intensity ("WACI"), and Implied Temperature Rise.

The discretionary investment manager reports on the following key metrics, to the extent possible, which they believe to be credible and easy to understand measures that have been derived through a transparent methodology and are useful in decision-making.

For the MPS, the Trustee has reported the metrics at the underlying fund level, rather than at the popular arrangement level. The Trustee decided to take a pragmatic approach given the imminent transfer of assets to the Master Trust and also there would be significant additional costs for calculating the combined metrics at the popular arrangement level. The Trustee believe that the fund level metrics provided are sufficient to give the Trustee an understanding of the climate exposures within the MPS assets.

The Trustee are following the DWP guidance in full on governance and reporting of climate change risk. As this is the first year of reporting, the Trustee is required to report on scope 1 & 2 emissions, which it has done, with reporting on scope 3 emissions required in future reports.

The Trustee recognises that very few companies are currently aligned with net zero pathways but that this will change as companies' transition their business models.

Absolute Emissions – represents each company's reported or estimated greenhouse gas emissions, where available (includes scope 1 and scope 2 emissions). At a fund level it represents the total greenhouse gas emissions attributable to the fund. Scope 1 emissions are those from sources owned or controlled by the company (e.g. direct combustion of fuel from vehicles) while Scope 2 emissions are those caused by the generation of energy purchased by the company.

Carbon Footprint – measures the carbon emissions (in metrics tons) per million USD invested. This is the TCFD's recommended metric for measuring carbon emission intensity.

Weighted Average Carbon Intensity (WACI) – this is an alternative carbon emission intensity metric and measures the carbon emissions (in metric tons) generated per million US dollars of sales generated. For sovereign assets, this is normalised by Gross Domestic Product ("GDP") rather than sales. It is currently common for this to be reported in US dollars irrelevant of domicile.

Implied Temperature Rise – analyses the warming scenario that the investment is aligned with. Implied Temperature Rise is a forward-looking metric, which helps infer the degree of portfolio alignment with the goals of the Paris Agreement (i.e. limiting global warming to well below 2°C). Mercer recognises that very few companies are currently aligned with net zero pathways but that this will change as companies transition their business models.

Data Quality – measures the share of portfolio held at year end for which climate-related metrics of an acceptable quality have been obtained. The share of the portfolio on which high quality climate-related disclosures are taking place is a good indication of the integration of climate risk and opportunity in trustee and asset manager decision-making.

Comparison of corporate metrics for the underlying funds within the FSS portfolio

Portfolio – Mercer unless otherwise stated	**Asset Allocation** Value (% of total Plan assets)	**Absolute GHG Emissions** (tons CO2e)	**WACI Revenue** (tons CO2e per $1 million revenue from the portfolio)	**Carbon Footprint** (tons CO2e per $1 million invested in the portfolio)	**Implied Temperature Rise** (°C)
Eurozone Equity	£7.7m (0.8%)	522	108	56	2.3
Data Coverage		*98.8%*	*99.0%*	*98.8%*	*95.2%*
UK Equity	£5.7m (0.6%)	345	74	50	2.3
Data Coverage		*95.7%*	*95.7%*	*95.7%*	*92.2%*
Emerging Market Debt [1]	£11.3m (1.2%)	-	976	-	-
Data Coverage		*0.0%*	*100.0%*	*0.0%*	*0.0%*
Emerging Market Debt – Hard Currency	£8.4m (0.9%)	1,361	1,921	418	4.5
Data Coverage		*30.4%*	*62.1%*	*30.4%*	*19.2%*

Emerging Market Equity	£19.6m (2.1%)	1,379	116	59	2.9
Data Coverage		*97.5%*	*97.6%*	*97.5%*	*93.6%*
Fundamental Indexation Global Equity	£22.0m (2.4%)	1,267	106	48	2.6
Data Coverage		*99.5%*	*100.0%*	*99.5%*	*97.0%*
Global Listed Infrastructure	£3.7m (0.4%)	952	1,227	214	3.3
Data Coverage		*100.0%*	*100.0%*	*100.0%*	*96.8%*
Sustainable Global Equity	£14.4m (1.6%)	352	82	20	2.0
Data Coverage		*99.9%*	*99.9%*	*99.9%*	*94.7%*
Small Cap Equity	£4.7m (0.5%)	403	104	72	2.8
Data Coverage		*93.2%*	*94.7%*	*93.2%*	*90.7%*
Passive Global REITS UCITS	£11.1m (1.2%)	79	85	6	1.8
Data Coverage		*99.6%*	*99.8%*	*99.6%*	*95.8%*
Global Low Volatility Equity	£2.5m (0.3%)	69	68	23	2.2
Data Coverage		*98.8%*	*99.5%*	*98.8%*	*90.4%*
Absolute Return Fixed Income	£14.5m (1.6%)	369	105	42	2.9
Data Coverage		*41.5%*	*52.4%*	*41.5%*	*28.5%*
Tailored Credit 1	£348.9m (38.2%)	14,331	120	34	1.8
Data Coverage		*64.0%*	*91.3%*	*64.0%*	*86.0%*
Global High Yield	£10.0m (1.1%)	988	198	92	3.7
Data Coverage		*67.6%*	*72.8%*	*67.6%*	*62.3%*

[1] The Emerging Market Debt is almost fully invested in sovereign securities. Therefore its WACI Revenue figure is provided in the interest of disclosure. It is based on 2 corporate credit holdings representing c. 0.3% of the Fund and has been scaled up to represent 100% coverage as per TCFD guidance. Other corporate-related metrics are not available due to lack of required data points.

Comparison of sovereign metrics for the underlying funds within the FSS portfolio

Portfolio – Mercer unless otherwise stated *(Data Coverage)*	**Asset Allocation** Value (% of total Plan assets)	**Absolute GHG Emissions** (tons CO2e)	**Sovereign Carbon Intensity** (tons CO2e per $1 million PPP GDP)
Emerging Market Debt *(96.6%)*	£11.3m (1.2%)	5,140	383
Emerging Market Debt – Hard Currency *(96.5%)*	£8.4m (0.9%)	2,725	394
Global Low Volatility Equity *(100.0%)*	£2.5m (0.3%)	3	279
Absolute Return Fixed Income *(100.0%)*	£14.5m (1.6%)	2,181	301
Tailored Credit 1 *(100.0%)*	£348.9m (38.2%)	1,150	126
Global High Yield *(100.0%)*	£10.0m (1.1%)	351	269
UK Long Gilt *(100.0%)*	£6.8m (0.8%)	1,112	136
Medium Flexi Real* *(100.0%)*	£61.0m (7.2%)	9,049	131
Long Flexi Real* *(100.0%)*	£74.7m (8.9%)	10,133	130
Medium Flexi Fixed* *(100.0%)*	£74.9m (8.9%)	10,786	128
Long Flexi Fixed* *(100.0%)*	£84.6m (10.0%)	11,843	134
Inflation Linked Bonds *(100.0%)*	£0.3m (0.0%)	45	136

** For LDI Emissions from total long only exposure to UK Gilts and Cash is shown in the above table. Short exposures and derivatives (including repos) are excluded from this analysis. LDI allocation presented as portfolio value less synthetics funding (short / repos / other items). The Mercer Sterling Inflation LDI Fund has no physical bond exposure and is made up entirely of derivatives, therefore there is no data available for this fund and therefore is excluded from the table above.*

Notes: Scope 1 & 2 only. Absolute emissions include corporate exposures (equity, corporate credit and securitised assets) and sovereign exposures as relevant. Excluded from the analysis are derivatives and some collective investment schemes held within the funds with no look through available.

Sovereign analysis has been conducted in line with the recommended methodology set out by PCAF, Intensity formula Product Emissions / PPP Adjusted GDP ($m). Data for Production Emissions (GHG) for 2021 sourced from EDGARv7.0 website https://edgar.jrc.ec.europa.eu/dataset_ghg70. Crippa et al. (2021 https//edgar.jrc.ec.europa.eu/report_2021, 2022 https://edgar.jrc.ec.europa.eu/report_2022). Data for PPP Adjusted GDP for the latest available data (2020-2021) sourced from The World Bank https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD

Comparison of corporate metrics for the non-Mercer mandates

Portfolio – *(Data Coverage)*	**Asset Allocation** Value (% of total Plan assets)	**Absolute GHG Emissions** (tons CO2e)	**WACI Revenue** (tons CO2e per $1 million revenue from the portfolio)	**Carbon Footprint** (tons CO2e per $1 million invested in the portfolio)	**Implied Temperature Rise** (°C)
BlueBay Total Return Diversified Credit Fund	£46.4m (5.1%)	2,037	119	36	3.5
Data Coverage		*52.1%*	*61.0%*	*52.1%*	*52.1%*
Beach Point Multi-Asset Credit Fund	£24.1m (2.6%)	2,553	128	88	3.1
Data Coverage		*85.9%*	*85.9%*	*85.9%*	*85.9%*

Comparison of sovereign metrics for the non-Mercer mandates

Portfolio – Mercer unless otherwise stated *(Data Coverage)*	**Asset Allocation** Value (% of total Plan assets)	**Absolute GHG Emissions** (tons CO2e)	**Sovereign Carbon Intensity** (tons CO2e per $1 million PPP GDP)
BlueBay Total Return Diversified Credit Fund *(97.5%)*	£46.4m (5.1%)	6,675	321

Observations on the metrics

The Trustee believes that the fund level metrics provided are sufficient to give the Trustee an understanding of the climate exposures within the FSS assets.

Total absolute carbon emissions depend on the size of the investment, the proportion of assets carbon metrics can be provided for, and the change in carbon emissions of the underlying assets. The Tailored Credit Fund 1 and the LDI funds have the largest absolute emissions due to the large allocations in the portfolio.

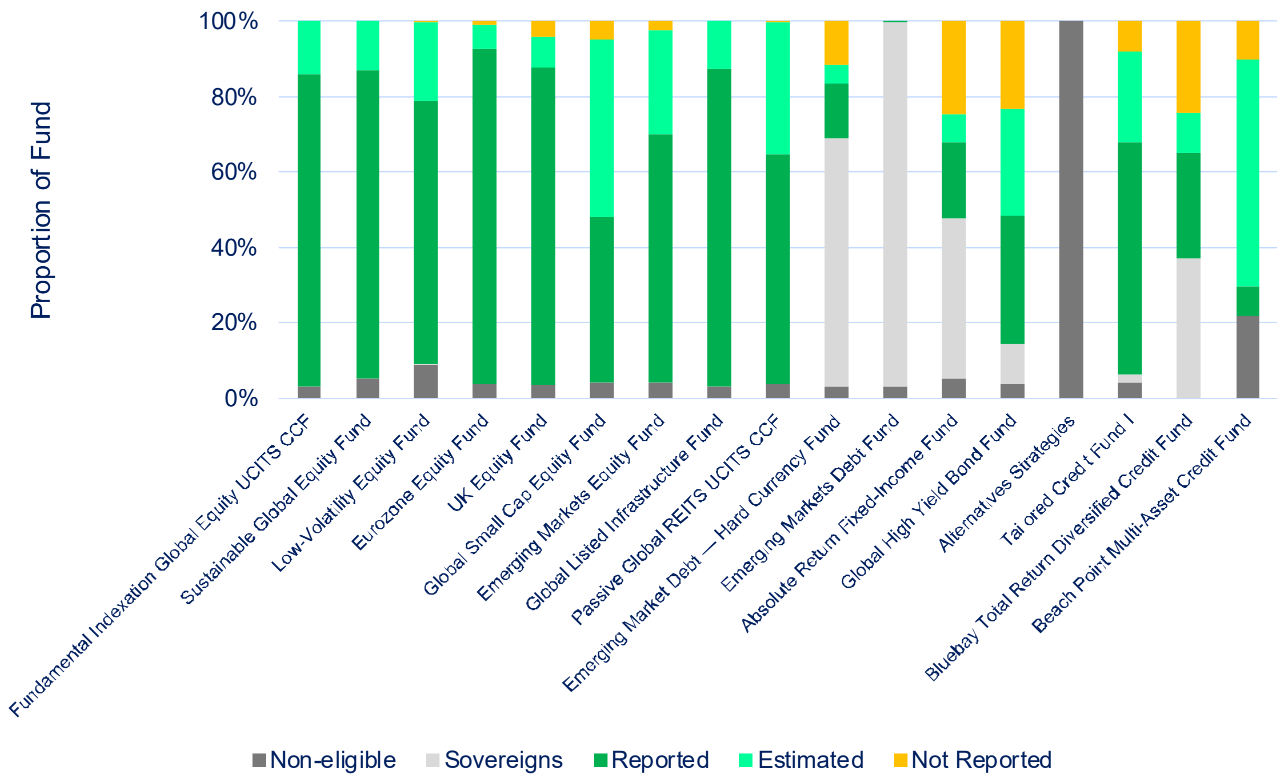
Carbon intensity figures are more meaningful when reported comparatively with a previous time period. However, as this is the first year of reporting we do not have comparable 2021 data. The Trustee will look to draw more comparative conclusions as part of next year's report and those into the future.

While carbon footprint and WACI are not directly comparable figures, they both give an indication of how managers are reducing the emission intensity of their portfolios. All of the non-gilt or LDI funds in which the Plan invests had lower WACI than their respect benchmark indices at 31 December 2022, except for the:

- Global Listed Infrastructure Fund, with the Fund’s intensity increasing materially following a restructuring of the Fund prior to the creation of a more sustainable version. The new fund in which the Plan invested in November 2023 has seen emissions reduced by c. 30%, to well below benchmark.
- Emerging Market Debt (Hard Currency) Fund is a notably high emitter, above benchmark, driven largely by a small holding in a state owned South African energy company.

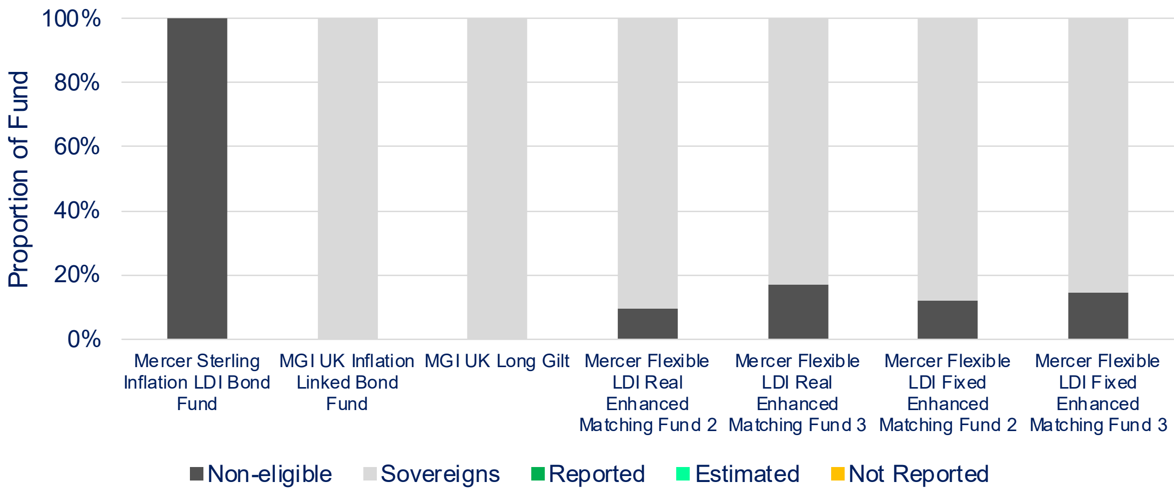
Comparison of data quality for the underlying funds within the FSS portfolio

Non-Gilt & LDI Funds



Liquid Alternative strategies allocated to at asset allocation level (Mercer UCITS Alternative Strategies and Mercer Diversifying Alternatives Strategies) have no data coverage.

Gilt and LDI Funds



The Mercer Sterling Inflation LDI Fund has no physical bond exposure and is made up entirely of derivatives, therefore there is no data available for this fund.

The Trustee expects data quality levels to improve over time and they will continue to monitor this metric. This includes an increase in the proportion of reported data and a reduction the amount that is estimated or not reported over time. The Trustee expects that this will form part of the investment manager's engagement with the underlying companies.

Comparison of metrics for the underlying funds within the MPS arrangement

Portfolio	**Assets under Management** (£m)	**Absolute emissions*** (Tonnes CO2e)	**WACI (corporate assets) Scope 1&2** (Tonnes CO2e per $m revenue)	**Carbon Footprint** (Tonnes CO2e per £m invested)	**WACI (sovereign assets) Scope 1&2** (Tonnes CO2e per $m GDP)	**Implied Temperature Rise** (Degrees Celsius)
Mercer Growth	455.0	37,576	211	90	809	2.8
Mercer Diversified Retirement	38.3	2,122	157	62	349	2.5
BlackRock Institutional Sterling Liquidity	9.5	5	4	1	0	-
LGIM FW Annuity Aware	34.6	1,722	82	66	143	2.1

Observations on the metrics

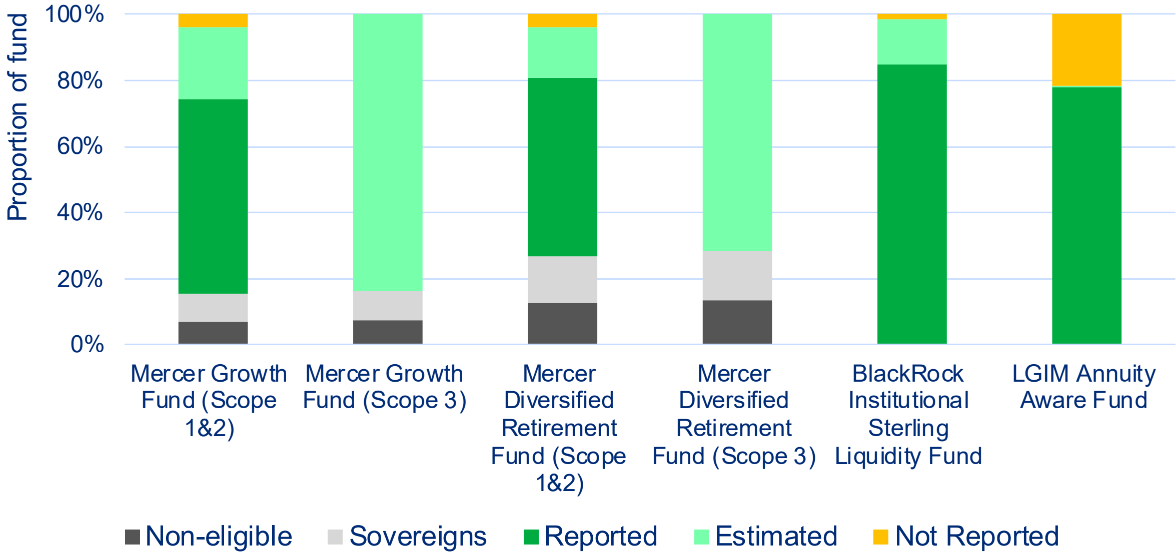
The Trustee believes that the fund level metrics provided are sufficient to give the Trustee an understanding of the climate exposures within the MPS assets.

Total absolute carbon emissions depend on the size of the investment, the proportion of assets carbon metrics can be provided for, and the change in carbon emissions of the underlying assets. The Mercer Growth Fund has the largest absolute emissions, due to the largest assets under management being in this Fund

Carbon intensity figures are more meaningful when reported comparatively with a previous time period. However, as this is the first year of reporting we do not have comparable 2021 data.

While carbon footprint and WACI are not directly comparable figures, they both give an indication of how managers are reducing the emission intensity of their portfolios. The Mercer Growth and Mercer Diversified Retirement fund have the two highest carbon intensity.

Comparison of data quality for the underlying funds within the MPS arrangement



The Trustee has displayed data quality levels at the underlying fund level, rather than at the popular arrangement level, due to differences in reporting between the underlying managers which means that amalgamation is not meaningful or accurate. For Scope 1 & 2 emissions the majority of emissions for each fund is being reported by the underlying company. For Scope 3 emissions, where available, the data has been provided.

The Trustee expects data quality levels to improve over time and they will continue to monitor this metric. The Trustee expects to see an increase in the proportion of reported data and a reduction the amount that is estimated or not reported over time. The Trustee expects that this will form part of the investment manager's engagement with the underlying companies.

Targets for the Plan

Taking a pragmatic approach to target setting for the Plan, noting the imminent transition and closure of the MPS, the Trustee has decided not to set a target on this section.

In reviewing the climate metrics for the current FSS investment strategy, the Trustee has decided to set a target to reduce the carbon emissions intensity (as measured by the Weighted Average Carbon Intensity ("WACI") metric, scope 1 and 2) of the corporate bond allocations within the Matching Portfolio by at least 45% from 31 December 2019 baseline levels by 31 December 2029.

The Trustee took into account the following primary considerations:

- Materiality of the allocation
- Potential tenure of the allocation
- Ability to influence and engage in a meaningful way
- Ongoing discussions on the long-term objectives of the Plan
- Nature of the allocation e.g. fund structure

WACI Revenue (tons CO2e per $1 million revenue from the portfolio)	**Mercer UK Credit Fund**	**Mercer Tailored Credit Fund 1**	**Total Corporate Bonds within Matching Portfolio**
31 Dec 2019 (Baseline)	147	438	**316**
31 Dec 2022 (Actual)	Not Held	120	**120**
Change from baseline	N/A	-73%	**-62%**
31 December 2029 (Target)	N/A	N/A	**174**

Note: Mercer Tailored Credit Fund 1 is the only corporate bond allocation within the Matching Portfolio as at 31 December 2022, whilst the Mercer UK Credit Fund was held alongside it as at 31 December 2019 (58% TCF1: 42% UK Credit) before being fully redeemed at 30 September 2020.

The Trustee will be working closely with the discretionary investment manager to identify and manage a staged emissions reduction plan, oversee fund allocations to climate solutions, and steward an increase in transition capacity across the funds. Progress on reductions will be monitored and reported to members on an annual basis.

Progress to date against the baseline has been positive as a result of specific changes that were made to the Mercer Tailored Credit Fund 1 in order to position the Fund to be upgraded from SFDR Article 6 to Article 8 categorisation in 2022. For clarity, Article 8 funds promote environmental and social objectives and take more into account than just sustainability risks as required by Article 6. As part of this, there were some enhanced restrictions applied on climate" unfriendly" sectors, along with an emissions limit, unless the company could demonstrate a strong transition capacity.

The Trustee will keep its targets under review to ensure it remains appropriate and relevant. Whilst the end of December 2022 position was ahead of the target, the Trustee believes that the target still remains appropriate when taking into account any changes to the investment strategy of the Plan (e.g. extension of the duration of the corporate bond portfolio of the Plan to better support the matching of the Plan's liabilities, which could require investment in companies issuing longer-dated bonds such as utility companies); the expected improvements in the quality and coverage of the data, which could see increases to the reported metrics relative to baselines. With this in mind the Trustee may change its target in the future.

Conclusions and next steps

Key messages from this report

- The Trustee has processes in place and increased level of governance to identify, assess and mitigate climate change risk.
- Climate change risk can have an impact on members' outcomes.
- Metrics have been chosen to monitor the progress of the underlying components of the portfolio as a whole against managing climate-related risk.
- The Trustee will continue to engage with Mercer and the underlying Investment Managers within the corporate bond mandates in the FSS Matching Portfolio on maintaining the positive progress already made towards their target.

The Trustee has considered a number of actions in order to work towards improving its management of climate risks and opportunities of the Plan. Over the next 12 months, the Trustee is aiming to undertake the following actions:

- Reviewing progress in engaging with Mercer, who in turn engages with the underlying third-party investment managers, to understand the steps they are taking to manage carbon exposure within the Plan's assets.
- Annual review of ESG policies in the Plan's governing documentation including establishing a standalone ESG Policy Document.
- Consider climate change implications as part of any reassessment of the investment strategy.

Over the next 3 years, the Trustee expects to:

- Regularly review the climate-related risks and opportunities in the Plan and maintain compliance with regulatory requirements, with support from the Plan's advisors.
- Ensure that they are well equipped with sufficient knowledge of developments around climate change risk through training and a review of skills.
- Annually consider the suitability of the Plan's investment arrangements to achieving its climate goals.

Technical Appendix

Climate Scenario analysis assumptions

Asset Class	Failed Transition			Rapid Transition			Orderly Transition		
	31/12/2022								
	3 Years	7 Years	28 Years	3 Years	7 Years	28 Years	3 Years	7 Years	28 Years
MSCI World Equity	5.8%	-1.7%	-33.2%	-14.1%	-11.2%	-9.0%	-4.0%	-3.3%	-5.5%
US Equity	6.6%	-1.4%	-34.8%	-14.1%	-11.5%	-9.2%	-5.0%	-4.5%	-7.9%
Canada Equity	6.0%	1.9%	-20.9%	-16.1%	-14.5%	-15.3%	-3.7%	-3.2%	-7.3%
UK Equity	4.8%	-2.0%	-31.1%	-11.8%	-8.7%	-6.1%	-3.3%	-2.3%	-3.6%
Europe Equity	4.4%	-2.0%	-28.8%	-14.9%	-11.5%	-8.8%	-2.1%	-1.1%	-2.6%
Japan Equity	2.8%	-4.1%	-36.6%	-13.5%	-10.4%	-7.4%	-0.6%	0.8%	-2.3%
Australia Equity	5.1%	-2.3%	-34.9%	-13.4%	-10.5%	-8.5%	-3.4%	-2.8%	-6.1%
Developed Asia ex Japan Equity	4.8%	-4.1%	-42.3%	-14.2%	-10.9%	-8.1%	-2.9%	-1.2%	-6.9%
Emerging Markets Equity	4.6%	-5.9%	-45.9%	-14.8%	-9.5%	-6.8%	-2.7%	0.6%	-5.5%
MSCI ACWI ESG Equity	4.7%	-3.2%	-36.2%	-10.3%	-7.0%	-3.6%	-3.6%	-2.4%	-4.1%
Corporate High Yield US	2.7%	-1.0%	1.3%	-9.7%	-7.7%	-8.2%	-1.0%	1.2%	-0.6%
Multi asset credit	1.8%	-0.9%	-0.2%	-8.3%	-5.2%	-4.9%	-0.2%	0.8%	0.1%
Absolute Return Fixed Income	1.2%	-0.5%	-0.1%	-5.2%	-3.2%	-2.6%	-0.2%	0.4%	0.5%
Global High Yield Credit	2.2%	-0.9%	1.2%	-8.7%	-7.0%	-6.9%	-0.6%	1.2%	0.0%
Global Investment Grade Credit	1.0%	-0.3%	-0.8%	-4.5%	-2.9%	-1.4%	-0.2%	0.3%	1.2%
UK Sovereign Bonds	0.4%	0.6%	-0.8%	-0.8%	-0.6%	1.5%	-0.3%	-0.7%	1.8%
EMD Hard Currency	1.2%	-0.1%	-5.1%	-5.8%	-4.3%	-1.3%	-0.3%	-0.3%	-2.8%
EMD Local Currency	0.8%	0.9%	-5.4%	-5.7%	-3.7%	2.8%	0.4%	-0.6%	2.9%
Cash	0.1%	-0.3%	-3.2%	-0.1%	0.2%	2.6%	-0.1%	0.4%	1.9%
Global Real Estate	1.8%	-2.0%	-26.3%	-5.2%	-3.0%	0.4%	-1.2%	-0.6%	-0.8%
US Real Estate	2.8%	-1.6%	-28.1%	-6.9%	-4.6%	-2.6%	-1.9%	-1.6%	-4.4%
UK Real Estate	2.9%	-4.6%	-36.9%	-8.7%	-4.2%	-0.1%	-1.6%	-0.4%	0.7%
Europe Real Estate	0.6%	-0.7%	-10.5%	-1.7%	-1.0%	0.0%	-0.4%	-0.1%	-0.1%
Japan Real Estate	-0.6%	-3.8%	-26.4%	-1.6%	0.6%	6.1%	1.0%	2.1%	5.6%
Australia Real Estate	2.2%	-1.3%	-25.2%	-9.0%	-6.5%	-4.0%	-0.7%	-0.6%	-1.6%
Listed Infrastructure	5.9%	2.3%	-28.1%	-11.1%	-8.8%	-2.9%	-4.6%	-5.4%	-4.7%
Hedge Fund	0.1%	-0.3%	-3.2%	-0.1%	0.2%	2.6%	-0.1%	0.4%	1.9%

Capital Market assumptions

Asset Class	CMAs		
	31/03/2023		
	3 Years	7 Years	28 Years
MSCI World Equity	8.7%	8.5%	9.1%
US Equity	8.8%	8.5%	9.1%
Canada Equity	8.8%	8.5%	9.1%
UK Equity	8.4%	8.4%	9.4%
Europe Equity	7.3%	7.2%	7.5%
Japan Equity	4.5%	4.8%	6.3%
Australia Equity	7.8%	8.1%	9.6%
Developed Asia ex Japan Equity	9.5%	9.2%	9.7%
Emerging Markets Equity	10.5%	10.4%	11.0%
MSCI ACWI ESG Equity	8.7%	8.5%	9.1%
Corporate High Yield US	7.5%	7.2%	7.8%
Multi asset credit	9.0%	8.7%	9.2%
Absolute Return Fixed Income	6.1%	5.8%	6.5%
Global High Yield Credit	7.5%	7.2%	7.8%
Global Investment Grade Credit	5.1%	4.8%	5.1%
UK Sovereign Bonds	3.6%	3.6%	4.6%
EMD Hard Currency	7.1%	6.7%	7.1%
EMD Local Currency	7.6%	7.3%	7.8%
Cash	3.9%	3.7%	4.4%
Global Real Estate	7.1%	6.9%	7.5%
US Real Estate	7.1%	6.9%	7.5%
UK Real Estate	6.8%	6.8%	7.8%
Europe Real Estate	5.7%	5.6%	6.0%
Japan Real Estate	1.8%	2.1%	3.5%
Australia Real Estate	4.9%	5.2%	6.8%
Listed Infrastructure	8.0%	7.8%	8.1%
Hedge Fund	6.4%	6.2%	6.9%

Asset Class	Proxy Used
UK Equity	FTSE All Share Index
Europe (ex-UK Equity)	MSCI Europe ex UK Index
Japan Equity	MSCI Japan Index
Systematic Macro	Cash
Asia High Yield Bonds	Mercer Active Global High Yield Bond Fund
Emerging Market Debt	JP Morgan EM GBI Index
UK Corporate Bonds	ICE BofAML Sterling Non-Gilt Index
US Corporate Bonds	ICE BofAML US Corporate Index
Euro Corporate Bonds	ICE BofAML Euro Corporate Index
Gilts	FTSE A Gilts All Stocks Index
Index-Linked Gilts	Mercer UK Inflation Linked Bond Fund
Global Inflation-Linked Bonds	Mercer Euro Inflation Linked Bond Fund

Mercer’s UK Capital Market Assumptions

The climate change scenario analysis uses asset class assumptions, rather than being based on fund holding data as is the case with the reported metrics. The long-term nature of the climate change scenario analysis is better matched with the time horizon of the return assumptions used to set the strategic asset allocation of the multi-asset funds, as opposed to the dynamic asset allocation overlay. In this report we have used Mercer’s 31 December 2022 Capital Market Assumptions.

Appendix B: Climate Scenario Model

Mercer has partnered with Ortec Finance and Cambridge Econometrics to develop climate scenarios that are grounded in the latest climate and economic research and give practical insights.

Mercer's climate scenarios are developed by building the investment modelling on top of the economic impacts of different climate change scenarios within the E3ME climate model.

Each climate scenario covers a specific level of warming driven by levels of carbon dioxide (CO_2) and other greenhouse gases. These levels are determined by the policies enacted and the technological developments. The impacts of the warming are shown in the physical damages. E3ME maps this to economic impacts and Ortec's scenario generator maps the economic impacts to investment return impacts by making assumptions on what is priced in currently and how future pricing shocks will occur.

Mercer's scenarios include our own views on what is priced in and are built on Mercer's climate aware capital market assumptions.

The Mercer/Ortec scenarios are built upon the Network for Greening the Financial System (NGFS) scenarios with the key differentiating factor being the forward pricing-in stress tests.

i) Scenario stress testing is imbedded into the Mercer/Ortec scenarios, while the NGFS scenarios do not incorporate this
ii) The pricing-in shocks are captured before the actual risk event, e.g. the physical damages risk is now assumed to be priced in within current investor timeframes, rather than say in 2100.
iii) The baseline is based on what is priced in today and reflecting current policies.

Modelling Assumptions

	Rapid transition	Orderly transition	Failed transition
Summary	**Sudden divestments in 2025 to align portfolios to the Paris Agreement goals have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock.**	**Political and social organisations act quickly and predictably to implement the recommendations of the Paris Agreement to limit global warming to below 2°C.**	**The world fails to meet the Paris Agreement goals and global warming reaches 4.3°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events.**
Cumulative emissions	416 GtCO2 (2020-2100)	810 GtCO2 (2019-2020)	5,127 GtCO2 (2020-2100)

Temperature change	Average temperature increase of 1.5°C by 2100.	Average temperature increase of 1.8°C by 2100.	Average temperature increase of >4°C by 2100.
Key policy & tech assumptions	An ambitious policy regime is pursued to encourage greater decarbonisation of the electricity sector and to reduce emissions across all sectors of the economy. Higher carbon prices, larger investment in energy efficiency and faster phase out of coal-fired power generation under a 'rapid' transition		Existing policy regimes are continued with the same level of ambition.
Financial climate modelling	Pricing in of transition and physical risks of the coming 40 years occurs within one year in 2025. As a result of this aggressive market correction, a confidence shock to the financial system takes place in the same year.	Pricing in of transition and physical risks until 2050 takes place over the first 4 years.	Physical risks are priced in two different periods: 2026-2030 (risks of first 40 years) and 2036-2040 (risks of 40-80 years).
Physical risk impact on GDP	Physical risks are regionally differentiated, consider variation in expected temperature increase per region and increase dramatically with rising average global temperature. Physical risks are built up from: • Gradual physical impacts associated with rising temperature (agricultural, labour, and industrial productivity losses) • Economic impacts from climate-related extreme weather events Current modelling does not capture environmental tipping points or knock-on effects (e.g., migration and conflict).		
Physical risk impact on inflation	Gradual physical impact (supply shocks) on inflation included through damages to agriculture and change in food prices. Total impact on a Global CPI Index is +2% in 2100.	No explicit modelling of physical risk impact on inflation (supply-side shocks). Impact on inflation follows historical relationship between GDP and CPI.	Severe gradual physical impact (supply shocks) on inflation included through damages to agriculture and change in food prices. Total impact on a Global CPI Index is +15% in 2100.

Climate scenario modelling is a complex process and the Trustee are aware of the modelling limitations. In particular:

1. The further into the future you go, the less reliable any quantitative modelling will be.

2. Looking at average asset class returns over multi-decade timeframes leads to invariably small impacts. The results are potentially significantly underestimated.

3. There is a reasonable likelihood that physical impacts are grossly underestimated. Feedback loops or 'tipping points', like permafrost melting, are challenging to model particularly around the timing of such an event and the speed at which it could accelerate.

4. Financial stability and insurance 'breakdown' is not modelled. A systemic failure may be caused by either an 'uninsurable' 4°C physical environment, or due to the scale of mitigation and adaption required to avoid material warming of the planet.

5. Most adaptation costs and social factors are not priced into the models. These include population health and climate-related migration.

Appendix C: Metrics Methodology

Data sources

Climate-related metrics provided by Mercer have been sourced from MSCI using stock list data provided by the underlying investment managers. Other data has been requested directly from the asset managers.

Scope of emissions

Only Scope 1 and 2 emissions data has been included in this report except where noted. This means that for some companies the assessment of their carbon footprint could be considered an understatement. Scope 1 and 2 emissions are as defined by the GHG protocol.

Data coverage

Data coverage refers to the proportion of an asset in which the various climate-related metric data is available. There are gaps in the data as:

- Some public listed companies are not publishing climate-related data or are providing poor quality data. This is relevant to public equity and corporate bonds. Obtaining data for emerging market securities can also be challenging due to general disclosure and transparency challenges.
- Many private companies do not currently produce climate-related data and coverage for private markets, such as private equity and private debt, will be low, or zero for mature funds.
- Sovereigns, or governments, may not publish climate-related data in the public domain. This is a particular challenge for emerging market debt. For UK government debt, data is available but there is a delay in the data being published.
- Short-term instruments, such as secured finance assets, have limited data available due to the short-term nature of the individual assets.
- For the long dated property portfolio, the occupiers of the buildings in the portfolio have full operational control and there are no Scope 1 or 2 emissions associated with the investments. The asset managers are looking to improve the collection of Scope 3 emissions data – this includes occupier activities where they have direct utility supplier contracts.

In this report, the Trustee have used a pro rata approach to scale up each climate metric in order to present the data as if full coverage was available for each asset. This assumes that the part of an investment fund that does not have data available has the same investment characteristics (for example, same sector or geography) as the part where there is data.

Metrics Calculations Methodology:

Emissions Based

Weighted Average Carbon Intensity (WACI) $\Sigma \frac{\$\,Investment}{\$Portfolio\ value} * \frac{Scope\ 1\ \&\ 2\ emissions}{\$M\ of\ issuer's\ Sales}$
(Corporate assets only)

GDP-based WACI
(Sovereign debt only) $\Sigma \frac{\$\,Investment}{\$Portfolio\ value} * \frac{Total\ GHG\ Emissions\ of\ Country}{GDP\ of\ Country}$

Absolute Emissions $\Sigma \frac{\$\,Investment}{issuer's\ EVIC} * Scope\ 1\ \&\ 2\ emissions$

Carbon Footprint $\Sigma \frac{\left[\frac{\$\,Investment}{issuer's\ EVIC} * Scope\ 1\ \&\ 2\ emissions\right]}{\$Portfolio\ value\ (\$M)}$

Portfolio Alignment

Implied Temperature Rise
The metric projects emissions forwards for each company to assess how closely aligned it is with the Paris Agreement objective of $2^{\circ}C$ of warming by 2100, taking into account the company's emissions, commitments, and momentum. This is then aggregated to the fund and portfolio level. Methodologies for this metric may vary by data provider. For the purposes of this analysis, the data provider is MSCI. Further methodology details can be viewed here.

Non-Emissions Based

Data Quality
Percentage of portfolio which has reported data, estimated data, verified data and not available data.

Mercer ESG Ratings

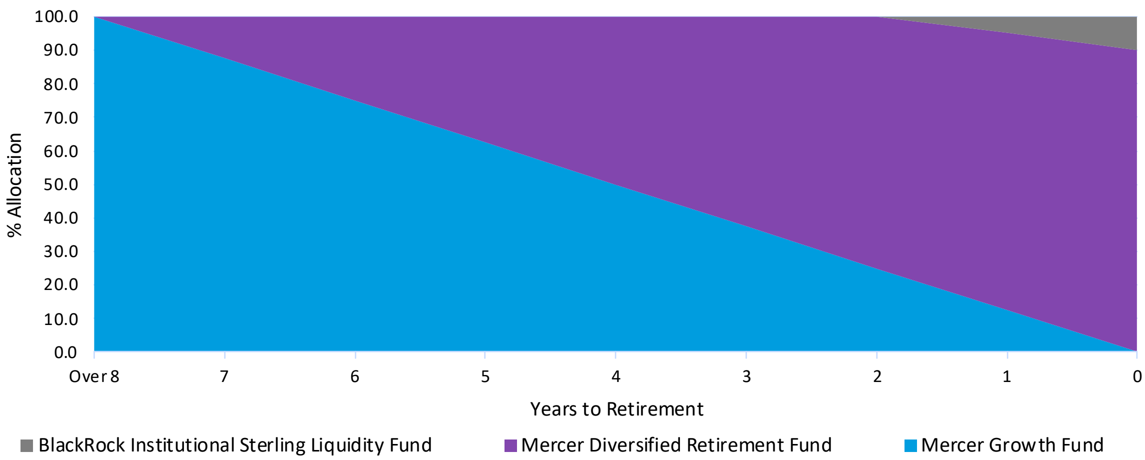
Mercer's global Manager Research team evaluates more than 4,500 investment manager strategies on their integration of ESG factors, and active ownership (voting and engagement). This provides Mercer's clients with a consistent and robust way to evaluate how managers approach ESG and active ownership; then assess how this contributes to their own investment outperformance.

ESG ratings are presented on a scale from 1 (highest) to 4 (lowest) and assess how well managers integrate ESG factors into investment processes.

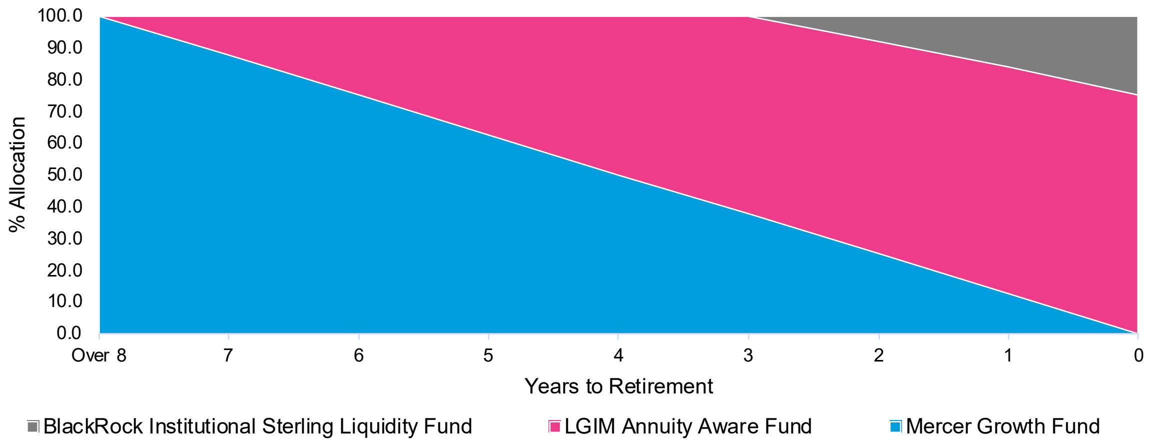
For more information on Mercer's ESG Ratings, please click here.

MPS Investment Strategy Glidepaths

Drawdown glidepath



Annuity glidepath



Important Notices

From data providers

Mercer

Holdings as at 31/12/22. FX rate used 1:1.20 GBP/USD. Data Source: MSCI ESG Data. Calculated figures are rebased to 100% to represent full coverage. Corporate WACI figures represent Scope 1 and 2 emissions normalised by $1M revenue. Figures are based on best-available data at time of calculation. Calculation methodologies are subject to change based on evolving market standards. Please be aware that these figures are being provided purely for informational purposes only. While the underlying funds may promote environmental and/or social characteristics (please see the fund offering documents for full information on such commitments where relevant), the FSS and MPS portfolios themselves do not promote environmental or social characteristics, nor does it commit to making investment in sustainable investments.

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BlueBay

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Beach Point

Holdings as at 12/31/2022. FX rate used 1:1.20 GBP/USD. All emissions metrics comprise scope 1 & 2 emissions only, and have been scaled up to 100% data coverage.

This report was created by Beach Point Capital Management LP ("Beach Point") and includes certain data sourced from ICE Climate Data as of 31 December 2022. There can be no assurance that CO2-related goals and/or objectives will be achieved. Beach Point's ability to influence credit investments may be more limited, while the availability of ESG data / disclosure may also be reduced relative to publicly-listed securities. In addition, due to the nature of the investments typically held in client portfolios, Beach Point generally has limited ability, if any, to influence and control the integration of material ESG factors by an issuer. Furthermore, Beach Point may have limited ability to conduct extensive ESG-related due diligence in connection with investments. There is no guarantee that the fund will have or create a positive ESG impact, that consideration of material ESG factors will enhance long-term value and financial returns for limited partners, or that ESG performance of the fund will align with any investor's ESG goals.

MSCI

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Ortec Finance

Mercer has entered into a global agreement with Ortec Finance regarding the use of their climate scenarios.

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Underlying Portfolio Names

Portfolio	Fund vehicle
Global Low Volatility Equity	Mercer Low Volatility Equity Fund
Global Small Cap Equity	Mercer Global Small Cap Equity Fund
Sustainable Global Equity	Mercer Sustainable Global Equity Fund
Global Infrastructure Equity (Hedged)	Mercer Global Listed Infrastructure Fund
UK Equity	MGI UK Equity Fund
Eurozone Equity	MGI Eurozone Equity Fund
Eurozone Equity (Hedged)	MGI Eurozone Equity Fund
Emerging Markets Equity	MGI Emerging Markets Equity Fund
Passive Global REITS (Hedged)	Mercer Passive Global REITS UCITS CCF
Emerging Markets Debt	MGI Emerging Markets Debt Fund
Emerging Markets Debt - Hard Currency	Mercer Emerging Market Debt - Hard Currency Fund
Global High Yield Bonds	Mercer Global High Yield Bond Fund
Global High Yield Bonds (Hedged)	Mercer Global High Yield Bond Fund
Absolute Return Fixed Income (Hedged)	Mercer Absolute Return Fixed Income Fund
Diversifying Alternatives Strategies (Hedged)	Mercer Diversifying Alternatives Strategies
UCITS Alternatives Strategies (Hedged)	Mercer UCITS Alternatives Strategies
Tailored Credit I	Mercer Tailored Credit Fund 1
UK Long Gilts	MGI UK Long Gilt Fund
Inflation-Linked Bonds	MGI UK Inflation Linked Bond Fund
Inflation-Linked LDI Bonds	Mercer Sterling Inflation Linked LDI Bond Fund
Long Flexible Fixed	Mercer Flexible LDI GBP Fixed Enhanced Matching Fund 3
Medium Flexible Fixed	Mercer Flexible LDI GBP Fixed Enhanced Matching Fund 2
Medium Flexible Real	Mercer Flexible LDI GBP Real Enhanced Matching Fund 2
Long Flexible Real	Mercer Flexible LDI GBP Real Enhanced Matching Fund 3

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