momentum

ICL Group Pension Plan ("the Plan")

Fujitsu Comparable Pension Scheme ("the Scheme")

Climate Report – July 2023

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Introduction

ICL Pension Trust Limited ("Plan Trustee") is Trustee of the ICL Common Investment Fund ("the CIF") and the ICL Group Pension Plan ("the Plan"). Fujitsu Comparable Pension Trust Limited ("Scheme Trustee") is Trustee of the Fujitsu Comparable Pension Scheme ("the Scheme"). Collectively, the Plan Trustee and the Scheme Trustee are referred to as "the Trustee" throughout the report. The Trustee believes that Climate Change poses material financial risks and should be subject to specific attention and risk management. The Trustee has produced this Climate Report to comply with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021. The sub-headings in this report address the specific disclosure requirements in the regulations and which are based on the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD").

The Trustee has a legal duty to consider matters which are financially material to their investment decision making. The Trustee believes that the impact of, and potential responses to, climate change poses a material financial risk.

This report outlines how the Trustee's beliefs on climate risk impact the investment and funding strategy, inform the approach to risk management and influence the choice of metrics and targets.

The Plan is now solely a Defined Benefit ("DB") Section ("DB Section") and, although it had a Defined Contribution ("DC") Section ("DC Section") during the calendar year, on 6 December 2022, the DC assets as well as the additional voluntary contributions ("AVCs") were transferred to a Master Trust arrangement. The DC Section is therefore no longer in scope and no further reference is made to this legacy section in this report.

The Plan and the Scheme held c.£3.2bn and c.£0.3bn of assets respectively as at 31 March 2023, which are commingled in the CIF, and the Plan also holds assets external to the CIF, which are used to collateralise the longevity swap.

In 2022, a material amount of liquid corporate bond assets were sold to top-up the collateral holdings for the Plan and the Scheme to increase the level of collateral resilience for the LDI portfolios. In addition, as yields rose during the Gilt crisis, the value of the LDI assets fell materially, leaving material overweight allocations to private market assets.

Currently, the reporting obligation under the relevant legislation applies to occupational pension schemes with assets of over £1 billion. There is therefore an obligation for the Plan to report on all of its assets. However, there is no reporting obligation for the Scheme as it is below the £1 billion threshold. That being said, the Scheme Trustee has decided to voluntarily report on its assets and as such, the report will also cover the Scheme's DB assets. With regards to the DB Sections of the Plan and the Scheme, given they have similar characteristics in relation to assets, liabilities and investment policy, the reporting is focussed on climate risks at an aggregate level i.e. the CIF. For convenience, we refer in this report to reporting in line with the applicable regulations as TCFD reporting.

The main body of this report (sections 1 to 5 and associated appendices) will cover the DB Sections of the Plan and the Scheme, over the 12 month period to 31 March 2023.

On behalf of the ICL Group Pension Plan and the Fujitsu Comparable Pension Scheme

David E. Sillitoe

Chairman of ICL Pension Trust Limited as Trustee of the Plan; and

Chairman of Fujitsu Comparable Pension Trust Limited as Trustee of the Scheme

Section 1

Governance

Oversight & Investment Beliefs

The Trustee and the Joint Investment Committee ("JIC") take account of all financially material risks and opportunities in consultation with their advisers. All risks and opportunities are considered for materiality and impact within a risk management framework, which takes account of the Plan and the Scheme's investment time horizon and objectives. As part of those considerations, the Trustee and the JIC take account of the Sponsor's business and the Plan and the Scheme's maturing liability profile. The Trustee and the JIC consider sustainable investment issues, such as (but not limited to) those arising from Environmental, Social and Governance (ESG) considerations, including climate change, and effective stewardship, in the context of this broader risk management framework.

The Trustee and the JIC believe that integrating sustainable investment into its processes and decision making should lead to better outcomes for members, including by helping to manage regulatory and reputational risks. In particular:

01 The Plan and the Scheme can best implement its sustainable investment policy through its investment managers and advisers, and will therefore closely review, monitor and challenge their activities in this area.

02 The Plan and the Scheme should look to manage risks and exploit opportunities, particularly through ESG integration, effective stewardship, identifying attractive sustainability themes, and understanding the real world impact of its investments.

03 Climate change poses material financial risks to the Plan and the Scheme and therefore should be subject to specific attention and risk management.

04 The Plan and the Scheme prefer a collaborative approach, leveraging its efforts through engagement, working with its investment managers, advisers, and Sponsor.

With regards to climate risks and opportunities, the Trustee accepts that there is a wide range of uncertainty in both the future climate scenarios and the timing and choice of policy responses. The Trustee believes that climate change risks should be considered in the selection of individual investments by investment managers.

The Trustee believes that climate risk scenario testing can also be useful in understanding the Plan's exposure to climate risks. The Trustee accepts that there is an ongoing concern with the lack of consistency, availability and quality of data to quantify the exposure to climate risk, and that this position is likely to improve over time and should be kept under review.

Section 1

Governance

Roles and Responsibilities

The Plan Trustee and the Scheme Trustee are ultimately responsible for compliance with the governance requirements which underpin the TCFD recommendations and for reporting how this has been done. The Plan Trustee and the Scheme Trustee have delegated the following responsibilities:

Joint Investment Committee (JIC)

The JIC is responsible for undertaking the governance and reporting requirements relating to climate related risks. The JIC is also responsible for making recommendations to the Trustee in the setting of investment objectives for the Plan and the Scheme and assessing and managing the relevant integrated risk management frameworks. Last year, as part of the Climate reporting, the Trustee undertook Scenario Analysis for the Plan, which accounts for c.92% of the CIF's assets, to enable the Trustee to understand the impact of climate risks on the journey plan for the DB Section. Further details of the Scenario Analysis is covered in Section 3.

The Audit Risk Management and Administration Committee (ARMAC)

The ARMAC is responsible for maintaining the risk management framework and risk register[1], and carrying out a risk assessment and review for the Plan and the Scheme and reporting the results to the Trustee. The risk register also includes ESG and climate risk. Further details can be found in Section 4 – Risk Management.

Investment Managers

Investment Managers are given discretion to evaluate ESG issues (including climate change) in the selection, retention, and realisation of investments on a day-to-day basis. Current managers, and potential new managers are assessed on the approach taken with respect to sustainable investing including climate change and engagement where relevant. Investment managers are also responsible for providing the Trustee with the relevant data required to meet the regulatory requirements.

[1]The creation of the new Governance Committee will be taking over responsibility for the management of the risk register in future.

Section 1

Governance

Roles and Responsibilities

Investment Adviser (Investment Executive)

The investment adviser is responsible for advising on investment strategy, taking into account climate-related risks and opportunities. The investment adviser is also responsible for ensuring investment managers are aware of the Trustee's expectations of the consideration of ESG issues into their investment process and also supports the JIC with monitoring in relation to ESG and Stewardship. In its capacity as the Investment Executive, in conjunction with the support teams and other professional advisers, the investment adviser is also responsible for supporting the Trustee and the various committees in ensuring that there is effective governance, risk management and internal controls in operation. In particular, all aspects of the project to meet the regulatory requirements, have been managed including the maintenance of various policy documents.

Actuarial Adviser

The actuarial adviser is responsible for considering the impact of climate related risks on the liabilities for the Plan and the Scheme. Further details for the Plan are provided in Section 3 – Scenario Analysis.

Covenant Adviser

The covenant adviser is responsible for monitoring the covenant of the sponsoring company, Fujitsu Services Limited.

Legal Adviser

The legal adviser is responsible for updating the Trustee on the applicable legislation, regulation and guidance relating to TCFD, advising on legal issues relating to TCFD that the Trustee raises with it, and reviewing the TCFD report to check that it contains all aspects required for compliance with all existing legislative, regulation and guidance.

Section 1 | Governance

Knowledge and Understanding

Roles and Responsibilities

In complying with its governance and reporting requirements, the Trustee is supported by its professional advisers and the support team. In particular, the Trustee has obtained details of the climate competencies of its investment and actuarial advisers based on the guide published by the Investment Consultants Sustainability Working Group ("ICSWG").

As part of its annual assessment of its advisers' performance against their respective strategic objectives, the Trustee has considered how each adviser has supported the climate-risk policy. The Trustee appointed Willis Towers Watson ("WTW") to carry out scenario analysis every 3 years, which is detailed later in the report.

Knowledge and Understanding

The JIC received training on forward-looking alignment metrics (in particular binary target measurements) that are to be reported on as the 4th metric within this report (detailed in Section 5). The Trustee believes climate change poses a material risk, and therefore a significant amount of time has been dedicated to increasing the Trustee's knowledge and understanding in relation to climate-related risks and opportunities. The Trustee will continue to ensure it receives appropriate ongoing training in relation to climate risk.

Committees

ICL Pension Trust Ltd.

Fujitsu Comparable Pension Trust Ltd.

Joint Investment Committee

Audit Risk Management and Administration Committee

Joint Funding Committee

Section 2

Strategy

Impact on Funding and Investment Strategy

Climate related risks and opportunities over the short, medium and long term

The Trustee has considered climate risks and opportunities over the short, medium and long term. In this context, the Trustee has considered "short term" to reflect a one-year period and has considered what the potential impact would be from a climate shock assuming this took place over any given one-year period; "medium" term has been considered as the time horizon to achieve full-funding which for the Plan and the Scheme's assets is a significant milestone in the journey plan. The Plan and the Scheme are currently expected to be fully funded on a Technical Provisions basis by 2027 and 2029 respectively; "long term" is therefore considered as the time horizon after full-funding is achieved. For the DB assets, the Trustee's emphasis is on the short and medium term in line with the journey plan and the duration of the DB Sections' liabilities for the Plan and the Scheme.

Types of risks and opportunities

The Trustee has identified the key climate-related risks to its investment and funding strategy for the Plan and the Scheme which are set out below. In addition, the Trustee considers the climate policy of the sponsoring employer given the impact this could have on covenant, and this is covered on the next page.

Physical Risks

This relates to the physical impacts of climate change as climate change can impact the physical assets underpinning the securities held by the Plan and the Scheme. For example, extreme weather events could potentially impact business operations.

Transition Risks

This relates to the risks (and opportunities) from the realignment of the global economic system towards low-carbon, climate-resilient and carbon-positive solutions (e.g. via regulations or market forces).

In this transition, some industries may become obsolete, while others prosper as the world moves to a no (or low) carbon economy (for example, as renewable energy replaces thermal coal).

Ongoing Monitoring

The impact of climate-related risks and opportunities, such as those arising from physical and transition risks, is monitored on an ongoing basis, and the results are subject to an ongoing review.

Section 2

Strategy

Impact of the Climate Policy on the Covenant

Climate related risks of the sponsoring company

The Trustee is required to identify climate-related risks and opportunities including those that could affect the employer's covenant. This includes considering the impact on the strength of the employer, the affordability of deficit repair contributions and the employer's ability to underwrite investment and funding risk over different time periods. The Plan and the Scheme are both sponsored by Fujitsu Services Limited ("the Sponsor") and, as such, the information below applies to both the Plan and the Scheme. However, the analysis set out in Section 3 onwards is for the Plan only as the entity subject to the TCFD requirements.

Overview

Fujitsu Services Limited ("the Sponsor"), operates in the Information and Communication Technology ("ICT") sector. The ICT industry has been identified as a pivotal industry in fighting against climate change and reducing energy usage but remains exposed to some transition risks (i.e. the costs of moving to a low carbon economy) as well as the lower impact physical risks of climate change (e.g. from climatic events such as flooding). The Plan and the Scheme are exposed to covenant risks over the long term, in particular the current expectation is for the Plan to be fully funded on a Technical Provisions ("TPs") basis by the end of 2027 and for the Scheme to be fully funded on a TPs basis in 2029 but material reliance and risks will likely extend beyond that time frame.

Climate risks

The Sponsor's risks include its exposure to carbon taxes, new energy saving policies, increased tariffs and reputational risks. The Sponsor is also potentially exposed to physical risks such as business disruption risk. However, the Sponsor has identified opportunities which are expected to mitigate these risks through the increased demand for ICT services to support client transition to a low carbon economy. As such, in most climate scenarios we would expect a net positive impact on the covenant. In a Lowest Common Denominator scenario, however, there remains heightened physical risks to operations.

Impact on the Plan

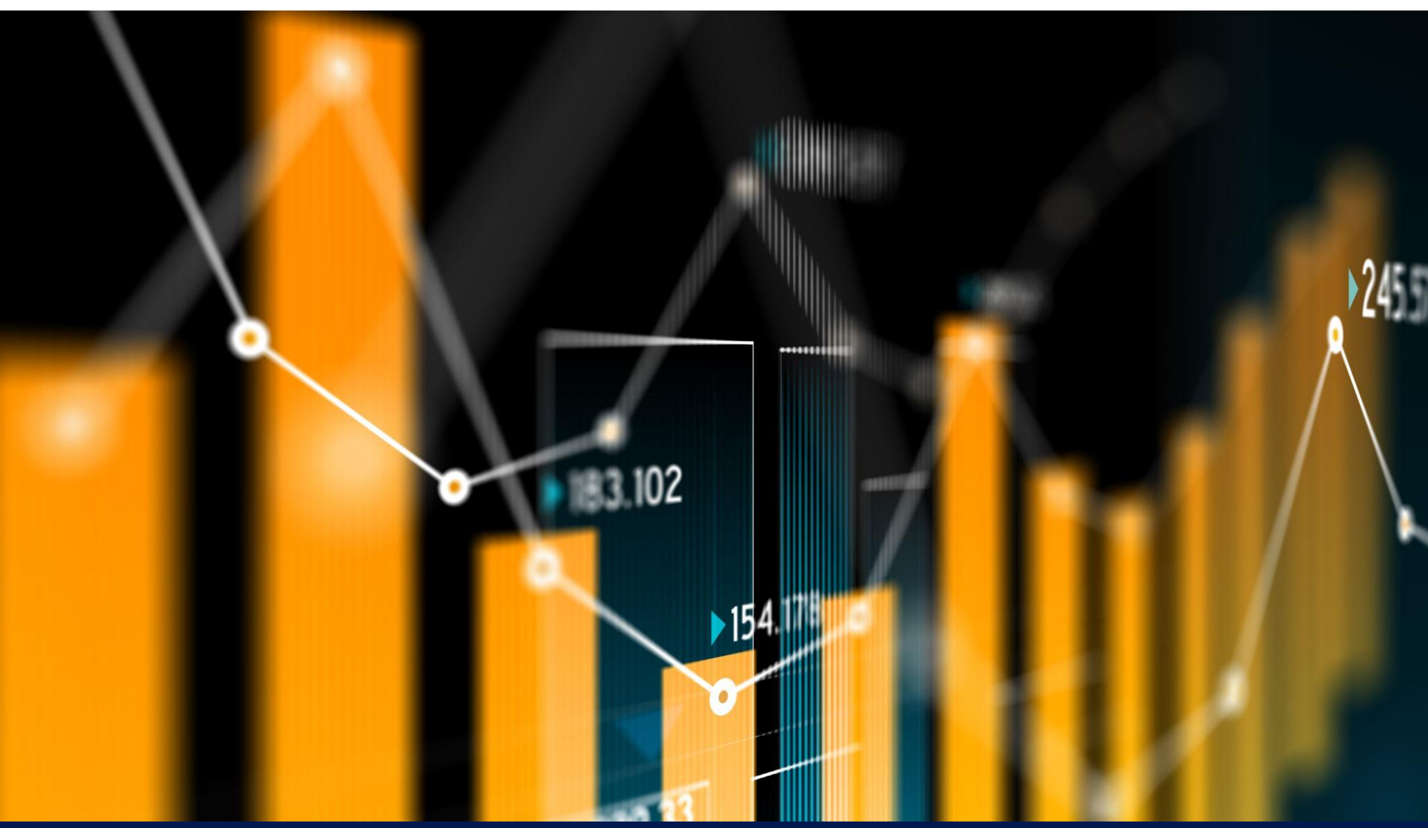
Whilst the impact of physical and transition risks on Fujitsu have the potential to be material, they are unlikely to be significantly detrimental to the financials to such an extent that the ability to support the Plan over its journey plan is impaired. However, whilst there are significant opportunities for the Sponsor, its ability to leverage these opportunities will depend on offering competitive solutions vs their competitors and missed opportunities could adversely impact the covenant over the period of the Plan's reliance. If this was further combined with a tail risk event for the Plan, which led to a material deterioration in funding, this could put a significant strain on the Sponsor.

Source: Willis Towers Watson

Section 2

Strategy

Impact on Funding and Investment Strategy



Impact on funding and investment strategy

The JIC, on behalf of the Plan Trustee, undertook Scenario Analysis in 2022 to consider the impact on the funding and investment strategy over the time periods mentioned above taking into account the key climate-related risks. The Plan Trustee is required to update the scenario analysis report every 3 years, and, as such, the scenario analysis outcomes shown in the next pages are from the 2022 analysis. Although the current investment strategy has changed since the Gilt crisis, as liquid mandates were terminated in order to raise cash for the LDI portfolio, the Trustee agreed not to update this analysis as the long term investment policy has not changed.

The results of this analysis consider both the impact of a one year shock on the assets, liabilities and the funding level and also consider the impact over the medium term. The results from the Scenario Analysis are covered in Section 3.

In summary, the scenario analysis illustrates that over the medium term, the impact on the assets and liabilities for the DB Section of the Plan is limited under all scenarios. In the worst climate scenario, the plan would be expected to achieve full funding on the Technical Provisions assumptions in 2030 (vs 2027 in the base case).

Section 2

Strategy

Impact on Funding and Investment Strategy

The Trustee has used Scenario Analysis to consider if changes are required to the investment policy. In summary, the Trustee previously concluded that no changes are required to the funding and investment strategy as a result of climate risk. This view has not changed over the year under review. These results were not unexpected and confirm the Trustee's view that the principal way to bring about meaningful change will be through **engagement** with investment managers to ensure that climate change considerations are fully integrated into security selection and engagement. This is reflected in the choice of metrics that the Trustee has adopted, which is detailed later in the report.

Engagement is at the core of the Trustee's strategy

The Trustee views engagement and stewardship as being key to managing climate risks and opportunities. The JIC actively engages with each investment manager, with support from the investment adviser, to assess the effectiveness of investment managers in engaging with underlying companies on climate-related risks and opportunities.

Section 3

Scenario Analysis

Climate scenarios

Climate Scenarios

As per the TCFD recommendations, various building blocks have been established by the global climate change research community to facilitate research and assessment of mitigation efforts required to achieve different climate outcomes.

The Trustee accepts that the selected scenarios below do not represent the full range of outcomes, nor do they necessarily capture the most adverse possible scenario, but they do provide a useful understanding of potential behaviour of the assets, liabilities and funded status under four scenarios covering a range of likely temperature pathways.

	Lowest common denominator	Inevitable policy response	Global coordinated action	Climate emergency
Description	A "business as usual" outcome where current policies continue with no further attempt to incentivise further emissions reductions. Socioeconomic and technological trends do not shift markedly from historical patterns.	Delays in taking meaningful policy action result in a rapid policy shift in the mid/late 2020s. Policies are implemented in a somewhat, but not completely, co-ordinated manner resulting in a more disorderly, but still just, transition to a low carbon economy.	Policy makers agree on and immediately implement policies to reduce emissions in a globally co-ordinated manner. Companies and consumers take the majority of actions available to capture opportunities to reduce emissions.	A more ambitious version of the Global coordinated action scenario where more aggressive policy is pursued and more extensive technology shifts are achieved, in particular the deployment of "NETs" (negative emissions technologies) at scale.
Temperature rise	**~3.5ºC**	**~2.0ºC**	**~2.0ºC**	**~1.5ºC**
Renewable energy by 2050	**30-40%**	**80-85%**	**65-70%**	**80-85%**
Physical risk level	**High**	**Low**	**Low**	**Low**
Transition risk level	**Low**	**High**	**Low**	**Low**

Source: Willis Towers Watson

Section 3

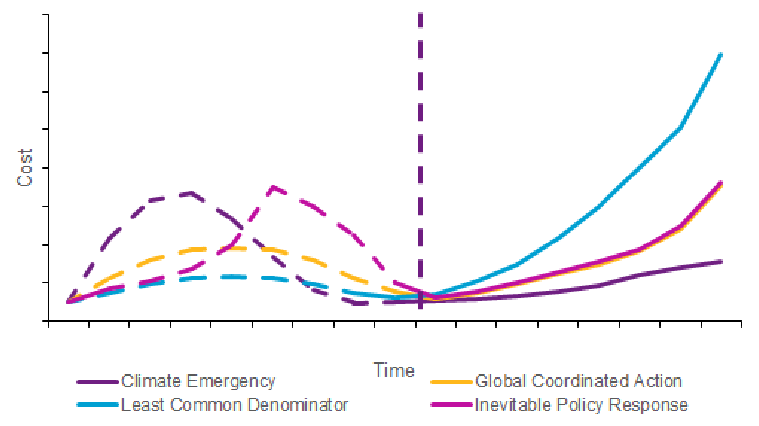
Scenario Analysis

Climate scenarios

The Trustee used scenario analysis to understand if the funding and investment strategy is resilient to the potential impact of climate change. The scenario analysis has considered two approaches:

01 the impact of climate-related risks as drags on asset returns and liabilities that are felt each year and materialise over time. This analysis was used to understand the impact over the medium-term i.e. to 2030.

02 the potential impact of the market suddenly pricing in each of these scenarios instantaneously i.e. as a climate shock, which assumes the entire cost of climate change is capitalised immediately. This analysis was used to understand the impact over the short-term i.e. in any one year period.



Source: Willis Towers Watson

Transition and Physical Risks in Different Scenarios

The Trustee has considered the impact of transition and physical risks in the different climate scenarios. In the graph opposite, transition risks are represented by the dotted segments of the lines whilst the solid segments represent physical risks. The scenarios which see greater transition initially, and therefore transition costs, also see lower levels of costs arising due to the physical impact of climate change in the long run.

Section 3 | Scenario Analysis

Methodology

Assumptions

The scenarios assume a 'base case' scenario, which reflects what is currently priced into the market. The deviance from the base case under each scenario reflects the impact of climate-related risks. While the scenario analysis has been carried out specifically for the Plan, given the DB Section of the Plan and the Scheme adopt a similar investment strategy; the scenario analysis is relevant for the Scheme too, albeit noting there will be differences in the liability characteristics and that the Scheme has not entered into a longevity swap.

WTW assumed a 50% longevity hedge ratio for the purposes of this analysis and that it is kept constant through time. The 50% broadly reflects the extent of the longevity risk that has been removed following the implementation of the longevity swap.

The TP basis discount rate (based on the 2018 valuation) includes an allowance for the spread on matching credit assets. This spread reflects the long term nature of those credit assets and means the funding position should be somewhat hedged against movements in those spreads. For the purpose of this analysis, WTW have disregarded the mark-to-market impact of spreads on these credit assets to reflect this reality.

The impact of physical and transition risk on cashflows will also vary over time with the transition risk being front-end loaded and the physical risk being back-end loaded. It is assumed that the transition risk impact in each scenario bites over the first 10 years and the physical risk over the remainder of the period.

Impact of climate on UK mortality rates

Climate change may have both direct and indirect impacts on mortality rates, and can also increase or decrease mortality rates. Direct impacts relate to increases in global (and UK) temperatures. A warmer winter could see a reduction on “excess” winter deaths, although this may be offset by more summer heatwaves, more weather-related disruption, and larger swings in temperature. It has been assumed that small increases in global temperatures (like under the Global Co-ordinated Action scenario) are more likely to increase UK life expectancy but more dramatic increases (like under the Least Common Denominator scenario) would be more likely to reduce UK life expectancy.

Indirect impacts are likely to arise due to changes in society to combat or adapt to climate change. Potential indirect impacts are outlined in the table below:

Reduction in mortality rates	Increase in mortality rates
Economic gains from positive action on climate change	Disruptions to water supplies
Healthier diets (e.g. less red meat)	Less healthy diets (e.g. price increases for fresh produce)
Healthier lifestyles (e.g. warmer weather encourages more outdoor activity)	Deterioration in health services
Healthier environments (e.g. less pollution)	Less healthy environment (if pollution levels do not fall)

The impact of climate change on the mortality experience has been adjusted to reflect the longevity hedge.

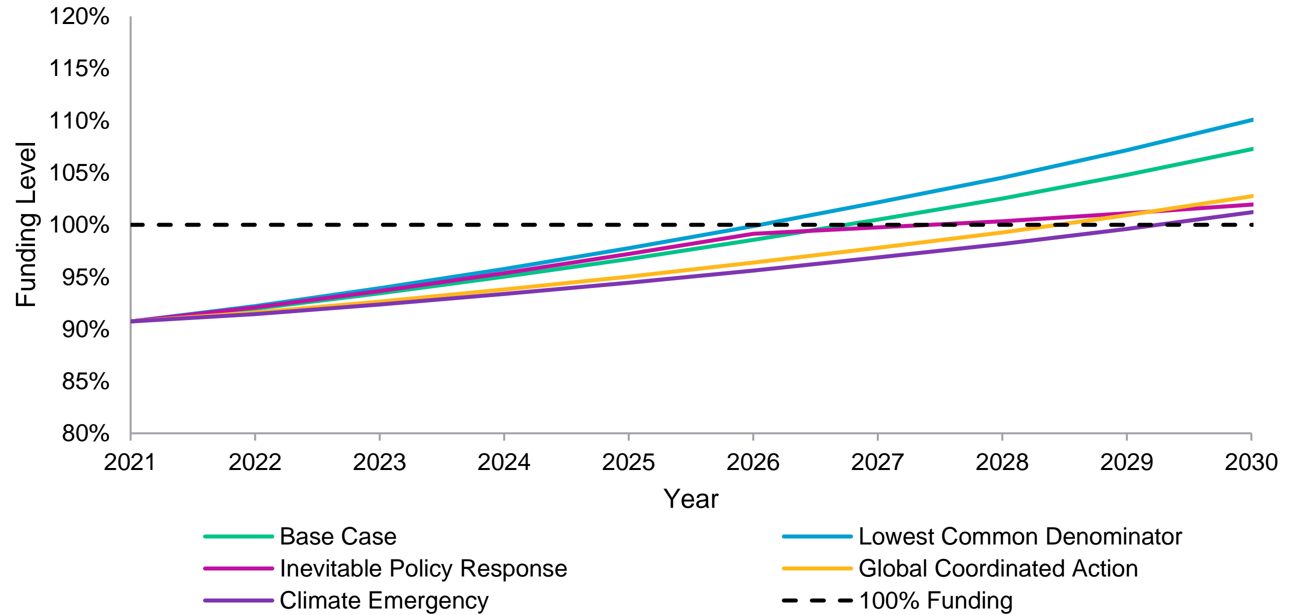
Source: Willis Towers Watson

Section 3 | Scenario Analysis

Impact on Journey Plan

DB Sections – impact over the medium term

The chart below shows the journey plan under the four scenarios vs. the current base case journey plan. This allows for the impact on assets and liabilities.



	Asset return drag p.a. (Years 1-5)	Asset return drag p.a. (Years 6-10)	Asset return drag p.a. (Years 11-20)	Liability drag p.a. (Years 1-10)	Liability drag p.a. (Years 11-20)	Expected year of full funding
Base case	0.0%	0.0%	0.0%	0.0%	0.0%	2027
Lowest Common Denominator	0.0%	0.0%	-0.1%	-0.3%	0.0%	2027
Inevitable Policy Response	0.0%	-1.5%	-0.1%	-0.1%	0.0%	2028
Global Co-ordinated Action	-0.2%	-0.2%	-0.1%	0.2%	0.0%	2029
Climate Emergency	-0.6%	-0.6%	-0.1%	0.0%	0.0%	2030

Source: Willis Towers Watson

The results illustrate that over the medium term, the impact on the journey plan is limited under all scenarios.

Section 3

Scenario Analysis

Shock Analysis

Plan DB Section – impact over the short term

The analysis over the short term assumes that the impact on the assets and liabilities occurs as an instantaneous shock (i.e. the entire climate change impact is capitalised instantaneously). In this analysis, it has been assumed that markets overprice the outcomes by a factor of 2.

The analysis is shown in the table below with the shock to the deficit in the Inevitable Policy Response scenario being of a similar magnitude to the 1 in 20 Value at Risk ("VaR") measure. The Trustee accepts that the entire impact of climate change on assets being capitalised at once is an unlikely scenario, and not surprisingly potentially extreme compared to a 1 in 20 event, but nevertheless this shows the risk of early pricing.

Scenario	Asset Shock (£m)	Liability Shock (£m)	Change in Deficit (£m)	Immediate Change in funding level
Lowest Common Denominator	-194	-133	-61	-1.4%
Inevitable Policy Response	-371	-61	-310	-6.0%
Global Coordinated Action	-189	98	-287	-5.1%
Climate Emergency	-297	-13	-284	-5.4%

Source: Willis Towers Watson

There is a potential asset impact of £310m from the Inevitable Policy Response scenario.

Section 4

Risk Management

Identifying, Assessing and Managing Risks

Identifying, assessing and managing risks

The Trustee maintains a Risk Register which identifies risks that have the potential to impact on the Plan and the Scheme's ability to achieve its objectives. Each risk is identified and the potential impact and inherent likelihood of each risk scored on a scale of low to high, before assigning it an overall risk. These are assessed at a baseline, and then periodically reviewed to assess their current risk.

The JIC incorporate ESG and climate-related risks into the ARMAC and risk registers, and scored the potential impact and inherent likelihood as being a 'medium' level risk. The overall risk was therefore assessed as being a 'medium' level of risk.

Section 4 | Risk Management

Identifying, Assessing and Managing Risks

The JIC adopts the following approaches, in order to manage climate-related risks:

- The investment beliefs of the JIC, on behalf of the Plan and the Scheme reflect the Trustee's position on sustainable investment.
- The DB Statement of Investment Principles sets out the Trustee's policy on sustainable investment, ESG and stewardship.
- The Trustee has delegated responsibility to the JIC and the Investment Executive, to undertake the governance requirements relating to ESG, including the production of the annual implementation statement, and for monitoring investment managers regarding their ESG policies and practices.
- The JIC hold regular meetings with the investment managers, and their approach to managing ESG risks is reviewed.
- The JIC requires all appointed managers to report regularly to the JIC and disclose all engagement activity undertaken on its behalf. The JIC monitors the approach of each investment manager. In particular, the JIC reviews the positive outcomes each manager has achieved through its engagement activities and the alignment of the managers' stewardship activities with the Fund's long-term investment horizon. These activities are summarised by the investment adviser in an annual Stewardship & Engagement report.
- The JIC is supported by its professional advisers and the Investment Executive.
- Northern Trust is used as an external independent performance monitoring agency to consider the performance of the Fund's and the investment managers' performance against the benchmarks against which they are monitored. They also provide reporting on ESG metrics.
- Of the 10 investment managers in the Fund as at 31 March 2023, all are signatories to the United Nations Principles of Responsible Investment and 8 are signatories of the UK Stewardship Code.

Section 5

Metrics & Targets

Overview

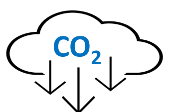
Metrics

To inform its understanding and monitoring of the climate-related risks and opportunities for the Plan and the Scheme, the Trustee has selected the metrics in the table below.

Science Based Targets initiative (“SBTi”) and Scope 3 emissions

The Trustee has chosen the number of companies with Science Based Targets as the forward-looking alignment metric. This forward-looking metric requires investment managers to disclose the number of companies within their portfolio that have set science-based targets. These targets are clearly-defined science-based pathways for companies to reduce greenhouse gas (“GHG”) emissions, which have been reviewed by the SBTi, an external body.

Scope 3 emissions are now included where available in the report in line with regulation. This covers the investee company’s carbon emissions up and down the supply chain.

Metric type	Description
Total Emissions Metric	**Total Emissions** The total scope 1,2 and 3 Greenhouse Gas Emissions ("GHG") emissions for the DB Sections' assets (tonnes of CO2e emitted).
Emissions Intensity metrics  	**Carbon footprint** The total carbon GHG emissions of the portfolio, or part-portfolio, divided by the current value of the portfolio or part-portfolio for which emissions data is available (tonnes of CO2e / $m of asset value). **Weighted Average Carbon Intensity (WACI)** The DB Sections' asset exposure to carbon-intensive companies with attribution of emissions based on portfolio weights, rather than the ownership approach (tonnes of CO2e / $m of revenue).
Non-emissions based metric	**Climate-related Engagement** The total number of engagements made with underlying holdings by each manager, on climate-related matters over the past 12 months.
Forward-looking alignment metric	**Binary target measurement** The total number of companies with carbon emission reduction targets listed on the Science Based Targets initiative (”SBTi”) database.

Section 5

Metrics & Targets

Overview

Data availability

Data for the metrics has been sourced from the investment managers and reviewed by the Trustee's investment advisers. The table below summarises the mandates where emissions data was available. There remains 42% of the total portfolio where emissions data is not yet available.

Therefore, it is likely that the estimate of the Carbon Emissions will increase over the next few years as more data becomes available, albeit this is not the case for the true emissions of the portfolio. Further, as additional data becomes available, the Trustee's understanding of its carbon emissions will increase. Wherever possible, consistent methodologies have been used to calculate the metrics. Further information is also provided in the appendix 2.

The Trustee accepts that there is an ongoing concern with the lack of consistency, availability and quality of data to quantify the exposure to climate risk. The Trustee also accepts that this position is likely to improve over time and should be kept under review.

The emissions data has been sourced directly from the Fund's investments managers, who typically use third party data providers to provide them carbon data for the underlying holdings. Data coverage is therefore limited to the data that is available from these third-party providers and estimates provided by the managers. In the case of private assets, carbon data is typically not publicly available, though we would expect this to improve over time.

The emissions metrics will be calculated for the Plan and the Scheme at least annually. The Trustee will review its metrics from time to time to ensure they remain appropriate for the Plan and the Scheme.

Mandate	AUM (% of total DB assets)	Data Availability (%)
Insight Plan IG Credit	24%	49%
M&G	5%	19%
CQS	5%	75%
Aviva	4%	75%
CBRE	3%	51%
Abrdn	1%	100%
Arcmont (DLF III)	1%	100%
Arcmont (SLF II)	1%	100%
Arcmont (DLF IV)	0%	100%
Goldman Sachs (BSLP III)	2%	100%
Goldman Sachs (BSLP IV)	1%	100%
Insight Plan LDI (Gilts)	29%	100%
Insight Plan LDI (Liquidity Fund)	3%	60%
Insight Plan Longevity Swap Collateral (Gilts)	1%	100%
Insight Plan Longevity Swap Collateral (Liquidity Fund)	0%	60%
Insight Scheme LDI (Gilts)	4%	100%
Insight Scheme LDI (Liquidity Fund)	1%	60%
Total	**86%**	**58%**
Data unavailable	14%	

Section 5

Metrics & Targets

Total Carbon Emissions (Non-LDI Mandates)

Total Carbon Emissions (Plan): 181,326 Tonnes CO2e

Total Carbon Emissions (Scheme): 5,477 Tonnes CO2e

The table on the right shows the total Scope 1, 2 and 3 GHG emissions for each of the Fund's managers, as at 31 December 2022.

The total carbon emissions for the Scheme is significantly lower than in 2021, despite accounting for Scope 3 emissions in 2022. This is largely due to the Scheme selling all of its credit assets during the Gilt crisis to top-up the Scheme's LDI portfolio.

The total Scope 1, 2 and 3 carbon emissions for the Plan and the Scheme in 2022 was 181,326 and 5,477 tonnes CO2e respectively, with the largest contributor to emissions being the Plan's Investment Grade Credit portfolio managed by Insight, which contributed c.65% to the total carbon emissions of the Plan.

This is followed by the Broad Street Loan Partners III ("BSLP III") private lending mandate managed by Goldman Sachs, the CQS Multi Asset Credit and M&G Secure Income portfolios, each contributing c.9% respectively to total emissions of the CIF.

Data on the total carbon emissions are not currently available for the Insight Secured Finance, Angelo Gordon and Ares Private Debt mandates. More information on data availability is provided in the appendix.

Manager	Asset class	Absolute Carbon Emissions (Scope 1, 2 & 3) **Plan**	Absolute Carbon Emissions (Scope 1, 2 & 3) **Scheme**
Insight (Plan)[1]	Investment Grade Credit	118,392	-
M&G	Secure Income	16,107	1,385
CQS	Multi-Asset Credit	14,697	1,329
Aviva	Renewable Infrastructure Assets	3,343	288
CBRE	Property	665	57
abrdn[2]	Real Estate Debt	12	1
Arcmont (DLF III)	Private Lending	4,848	417
Arcmont (SLF II)	Private Lending	1,223	105
Arcmont (DLF IV)	Private Lending	337	29
Goldman Sachs (BSLP III)	Private Lending	14,766	1,270
Goldman Sachs (BSLP IV)	Private Lending	6,935	597
Total in 2022		**181,326**	**5,477**
Total in 2021		**168,825**	**16,643**

Source: Investment Managers, Momentum ISC

[1] *The emissions provided by Insight are inclusive of the bonds out on repo.*

[2] *Manager was not able to report on Scope 3 emissions.*

Section 5

Metrics & Targets

Carbon Footprint (Non-LDI Mandates)

Carbon Footprint (Plan): 166 tonnes CO2e per USD million invested

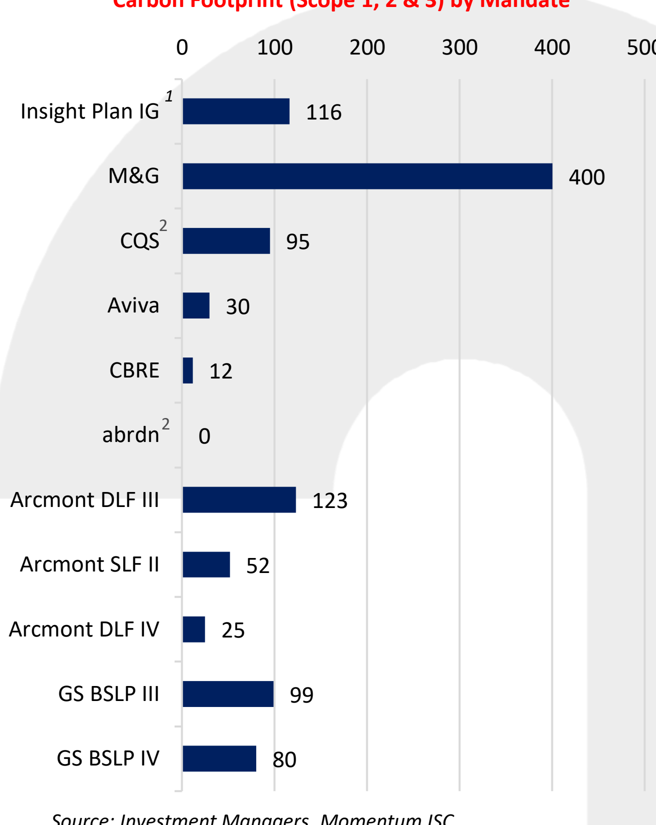
Carbon Footprint (Scheme): 106 tonnes CO2e per USD million invested

The graph shows the Carbon Footprint based on Scope 1, 2 and 3 emissions for each of the Plan and the Scheme's managers, as at 31 December 2022.

The carbon footprint for the Plan and the Scheme increased in the last year from c.81 and c.82 to c.166 and c.106 tonnes of CO2e per USD million invested, respectively. This is to be expected, however, given the inclusion of Scope 3 carbon emissions.

The Trustee notes that data on carbon emissions was only available for 27% of the total CIF, vs. 45% last year due to the termination of several of the liquid asset mandates over the year, which typically have better data coverage than more illiquid mandates. Of the Plan's and the Scheme's non-LDI mandates, the Secure Income mandate managed by M&G had the highest carbon footprint, producing 400 tonnes CO2e / $m invested. This is significantly higher than the carbon footprint of the mandate in 2021 (i.e. 56 tonnes CO2e / $m invested), due to the inclusion of Scope 3 emissions. When reporting only on Scope 1 & 2 emissions, M&G's mandate produced 49 tonnes CO2e/$m invested which is more in line with the carbon footprint in 2021 of 56 tonnes CO2e/$m invested.

As was the case with total carbon emissions, data is not available for the Insight Secured Finance, Angelo Gordon and Ares Private Debt mandates.



Source: Investment Managers, Momentum ISC

[1] The emissions provided by Insight are inclusive of the bonds out on repo.
[2] Manager was not able to report on Scope 3 emissions.

Methodology Example

The carbon footprint for an investment portfolio can be calculated as follows:

$$Carbon\ Footprint = \frac{Total\ Carbon\ Emissions}{Portfolio\ Value\ (USD\ million)}$$

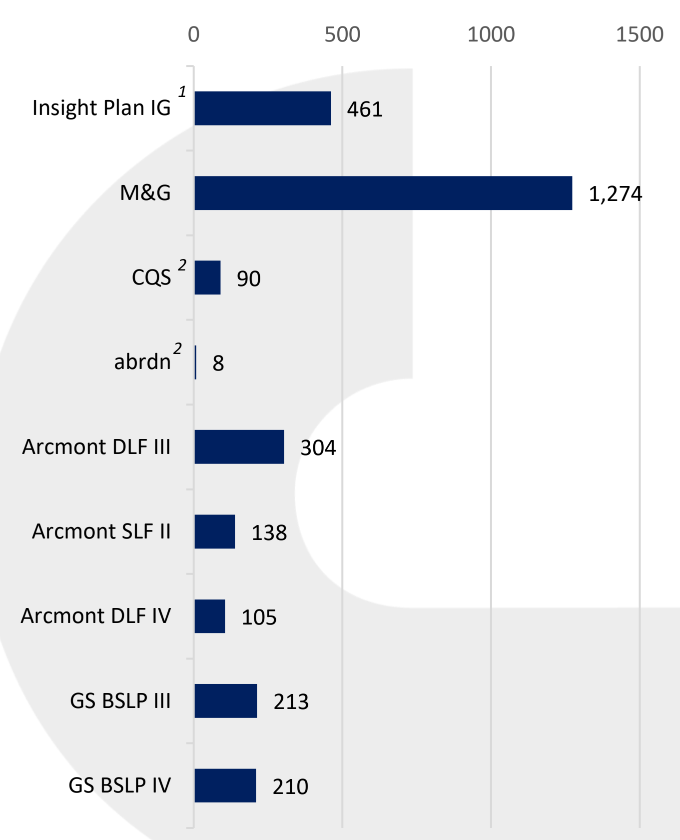
Therefore, a hypothetical portfolio with total carbon emissions of 20,000 tonnes of CO2e and a Portfolio Value of $100m would have the following carbon footprint:

$$Carbon\ Fooptrint = \frac{20{,}000}{100} = 200\ CO2e/USDm$$

Section 5

Metrics & Targets

Weighted Average Carbon Intensity ("WACI") (Non-LDI Mandates)



Source: Investment Managers, Momentum ISC

[1] The emissions provided by Insight are inclusive of the bonds out on repo.
[2] Manager was not able to report on Scope 3 emissions.

The graph shows the Weighted Average Carbon Intensity, based on Scope 1, 2 & 3 emissions for each of the Plan's and the Scheme's managers, as at 31 December 2022.

Due to the methodology used for calculating WACI, it is difficult to aggregate data across the Plan and the Scheme.

The M&G Secure Income portfolio had the greatest WACI at 1,274 tonnes CO2e / $m revenue. If M&G were to report only on Scope 1 & 2 emissions, the portfolio's WACI would be 128 CO2e / $m revenue (compared to 142 CO2e / $m revenue as at 31 December 2021).

As was the case with total carbon emissions, data is not available for the Insight Secured Finance, Angelo Gordon and Ares Private Debt mandates. CBRE and Aviva were also unable to calculate the WACI for their portfolios and, as such, they have been excluded from the chart.

Methodology Example

The WACI for an investment can be calculated as follows:

$$WACI = \frac{Total\ Carbon\ Emissions}{Revenue\ (USD\ million)}$$

Therefore, an investment in a hypothetical company with carbon emissions of 10,000 tonnes CO2e and revenue of $20m, would have the following WACI:

$$WACI = \frac{10{,}000}{20} = 500\ CO2e/\$mrevenue$$

Section 5

Metrics & Targets

Carbon Accounting for LDI

Double-Counting

As yet, there has been no official guidance on how carbon emissions should be accounted for with gilts. Depending on the methodology chosen, double or even triple counting could occur. For physically held gilts, the emissions figure is based on the UK's total emissions which includes corporates, households and public sector emissions. The emissions from corporates can therefore be accounted for both through corporate bond holdings in the non-LDI mandates, as well as part of the emissions of the UK economy in the LDI mandate.

Levered/ Unlevered Exposure

In addition, consideration needs to be given as to whether to include or exclude the levered exposure[1] achieved through derivatives. Carbon emissions for the LDI portfolios are based on the funded gilts held within the portfolio and do not reflect the assets out on repo.

Insight LDI carbon emission data

Insight have provided carbon emissions data for the sterling liquidity fund and the gilts portfolio for the Plan and the Scheme separately. However, these are both included in the LDI portfolios. Due to different methods of calculation, Insight are not able to combine these metrics, and, as such, these are shown seperately in the table below.

Preferred Approach

In the absence of any guidance, we believe that the best option is to provide the carbon data purely for the gilts that are physically held, including green-gilts, and excluding the leverage as this better reflects the true carbon impact of holding gilts.

Mandate	AUM (% of total DB assets)	Data Availability (%)	Absolute Carbon Emissions (Scope 1 & 2 only)	Carbon Footprint[2]	WACI
Insight Plan LDI (Gilts)	29%	100%	135,017	159	125
Insight Scheme LDI (Gilts)	4%	100%	21,512		
Insight Plan LDI (Liquidity Fund)	3%	60%	40	0	3
Insight Scheme LDI (Liquidity Fund)	1%	60%	15		
Insight Plan Longevity Swap Collateral (Gilts)	1%	100%	5,240	159	125
Insight Plan Longevity Swap Collateral (Liquidity Fund)	0%	60%	0	0	3

Source: Investment Managers, Momentum ISC
[1]Definition provided in the glossary in appendix 1.
[2]Carbon footprint data for gilt holdings is denominated in tCO2e/GK$m PPP-adjusted GDP.

Section 5

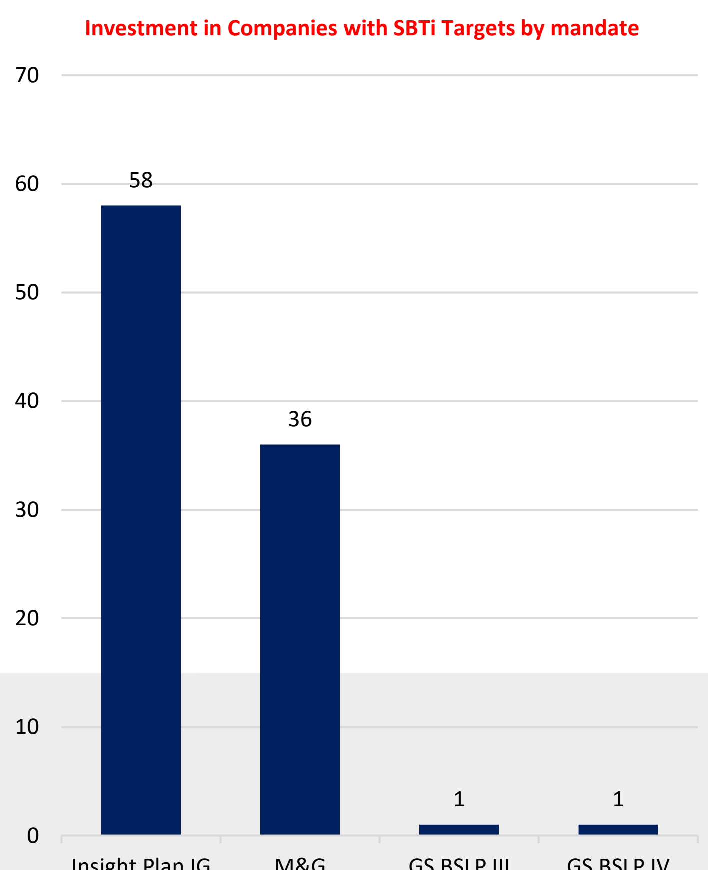
Metrics & Targets

Companies with SBTi ("Science Based Target initiatives") Targets in Place

The Trustee has chosen "Companies with Science Based Initiatives "SBTi" Targets in place as their forward-looking climate alignment metric. These are investments where the underlying portfolio companies have set carbon emission reduction targets that have been verified by the SBTi, an external body.

Only Insight, M&G and Goldman Sachs were able to report on the number of companies with SBTi targets in place within their portfolios in 2022. The largest contributor was Insight’s Investment Grade portfolio, having 58 companies with SBTi targets in place. This represents 27% of the total number of entities in the portfolio.

M&G’s Secure Income portfolio had 36 companies with SBTi targets in place and this represents 15% of the total number of entities in the portfolio.



Source: Investment Managers, Momentum ISC

Section 5

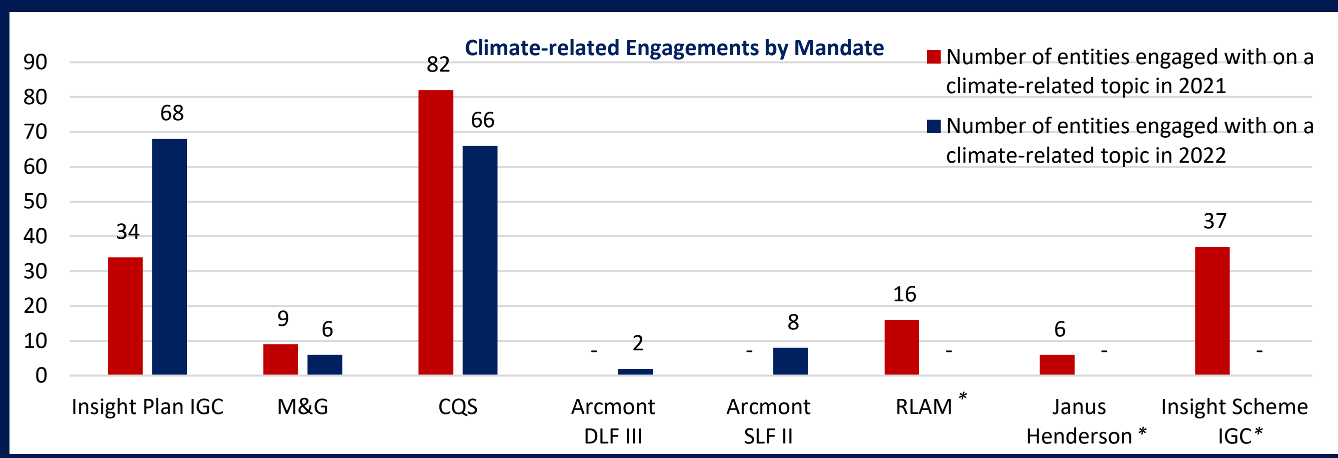
Metrics & Targets

Target – Climate-related Engagement

The third metric chosen for the target is "Climate-related engagements", of which the target is as follows:

Increase the number of climate-related engagements over the next 3 years, relative to the baseline set for engagements over the calendar year 2021, by 25%

The table below illustrates how the current DB mandates would score relative to this target in 2022, in comparison to 2021 (which is the base-line year for measurement). There are a number of managers where either data is not yet available but likely to become available once systemised and others where direct engagement is not necessarily relevant to the mandate (e.g. property).



Source: Investment Managers, Momentum ISC

Total Climate-related Engagements: 150 (c.7.8% of total DB assets)
Percentage increase relative to baseline: 0%

For reporting purposes, only the managers that were able to report on the number of climate-related engagements, and were invested in as at 31 December 2022 have been included in the chart above. During the Gilt crisis in 2022, a number of mandates were terminated in order to raise cash to bolster the collateral pools for the LDI portfolios, including the mandates managed by RLAM, Janus Henderson, Lazard, Mercer and Insight (for the Scheme). As a result, the reported number of climate-related engagements over 2022 has remained constant from the number of engagements made over 2021. The largest contributor to the number of climate-related engagements in 2022 was Insight, engaging with 68 companies.

Engagement is a strategic priority for the Trustee, and the JIC expects its investment managers to engage directly with issuers to improve the issuer's performance on a medium to long-term basis. The JIC will monitor each manager's engagement with issuers across their portfolio as part of the annual review and the quality of each investment manager's approach forms part of the assessment of its ongoing suitability.

The JIC understands that this solely covers engagements related to climate change, and that the Plan and the Scheme's managers will seek to engage with issuers on a number ESG topics. While managers would be expected to engage on climate risk with issuers who are the largest carbon emitters within their portfolio, the JIC would expect managers to engage on topics that are most relevant for any given issuer.

** Mandates were terminated over the year, and, as such, there are no reported engagements as at 31 December 2022.*

Appendix

Appendix 1

Glossary

Key Terms

Liability Driven Investment ("LDI")

Liability Driven Investment ("LDI") is an investment strategy that seeks to generate an asset return in line with the Plan/Scheme's liabilities. The LDI portfolio will have a sensitivity to changes in inflation and interest rates that will be similar to that of the liabilities.

Levered / Unlevered Exposure

Leverage refers to the use of borrowing. In an LDI portfolio, this may be through the use of derivatives such as gilt repurchase agreements (repos) or swap agreements.

Assets held on repo refer to assets that can be sold by one party (‘the seller’) to another party (‘the buyer’) with a simultaneous agreement between parties that the seller will repurchase the assets from the buyer at a future date for a specified price.

Green Gilt

A Green Gilt is debt issued by the government, and is similar to traditional gilts, except that the proceeds from the borrowing are directly used to finance "green" projects.

Appendix 2

Data Availability

Additional Information

The table below sets out any additional information the Fund's investment managers have provided during the data collection process, with regards to the carbon data.

Manager	Asset Class	Data Availability (%)	Notes
Insight (Plan IGC)	Investment Grade	49%	The emissions provided by Insight are inclusive of the bonds out on repo.
M&G	Secure Income	19%	-
CQS	Multi Asset Credit	75%	Coverage provided at the Fund level is as a % of Fund NAV (including ABS and cash). Fund coverage excluding ABS and Cash is 100%. Absolute carbon emissions include Scope 3 emission, however, the carbon footprint and carbon intensity data only include Scope 1 & 2.
Aviva	Renewable Infrastructure Assets	75%	-
CBRE	Property	51%	Carbon footprint is calculated based on the Fund NAV as at 31 December 2021.
abrdn	Real Estate Debt	100%	Estimations based on abrdn's internal model and only include Scope 1 & 2 carbon emissions.
Arcmont	Private Lending	100%	Arcmont have onboarded the Insight ESG Outreach Solution which has allowed them to estimate the carbon emissions for their portfolios. 100% of the emissions data provided is estimated data. Going forward, they intend to overlay the estimates with reported data.
Goldman Sachs	Private Lending	100%	The data included represent 100% of the private markets investments for ICL's mandates, as of 31st December 2022.

Appendix 2

Data Availability

Additional Information

Manager	Asset Class	Data Availability (%)	Notes
Insight (Secured Finance)	Secured Finance	0%	There is currently a lack of data for this asset class, however, Insight engage directly with the originators of the fund to put pressure on them to supply more ESG and carbon intensity information.
Ares	Junior Infrastructure Debt	0%	Whilst the Infrastructure Debt mandate is Article 8, Ares have confirmed that their initial carbon intensity analysis will not be available until September 2023.
Angelo Gordon	Private Lending	0%	Angelo Gordon were unable to provide any information.
Insight Plan LDI (Gilts)	LDI	100%	Carbon emissions are based on the funded gilts held within the portfolio and do not reflect the assets out on repo. UK emissions are as at 31 December 2021 and gilts figures (total issuance and Fund holdings) are as at 31 December 2022. There is no emissions data for swaps and cash. Data for this is self-reported by the UK government and unverified by a third party.
Insight Plan Longevity Swap Collateral (Gilts)	LDI	100%	
Insight Scheme LDI (Gilts)	LDI	100%	
Insight Plan LDI (Liquidity Fund)	LDI	60%	Data coverage figure shows the emissions coverage for the Insight Liquidity Fund scaled to the size of the holding. WACI has a higher coverage figure relative to absolute and footprint due to a higher proportion of corporates reporting on this metric. The data availability for ILF is 59% reported, 1% estimated for Scope 1 and 2 carbon footprint and for absolute emissions; it is 68% reported and 12% estimated for scope 1 and 2 WACI.
Insight Plan Longevity Swap Collateral (Liquidity Fund)	LDI	60%	
Insight Scheme LDI (Liquidity Fund)	LDI	60%	

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