TCFD Summary Report

Ulster Bank Pension Scheme

As at 31 December 2022

A summary of our TCFD Report 2022

Overview

Climate change poses an existential threat to our world and a whole-economy transition is required to limit global temperature increases.

The Trustee of the Ulster Bank Pension Scheme (the 'Trustee' and the 'Scheme' respectively) recognises that climate change presents both risks and opportunities to the Scheme. The Trustee has prepared a climate-related disclosure report https://epa.towerswatson.com/doc/RBS/pdf/ulster-bank-pension-tcfd-report--.pdf that provides an overview of the governance framework, strategy, risk management and metrics and targets used by the Trustee to identify, assess and monitor the risks and opportunities associated with climate change.

The Trustee has the fiduciary duty of acting in the best interests of members including considering all factors which could have an impact on the risk profile and sustainability of returns over time. The Scheme faces a number of risks that require consideration proportionate to the magnitude of each. Climate change is one such risk.

The Trustee recognises the financial materiality of the risks and opportunities associated with both climate change itself and the necessary transition. Therefore, it has taken action and continues to take action to prepare the Scheme.

Trustee of the Ulster Bank Pension Scheme

The TCFD framework encompasses four key pillars:

Governance: The governance processes established by the Trustee to maintain oversight of relevant climate-related risks and opportunities.

Strategy: The Trustee's assessment of the resilience of the Scheme's investment and funding strategies to climate risks over appropriate short, medium and long term time horizons.

Risk Management: How the Trustee has integrated processes to identify, assess and manage relevant climate-related risks into the Scheme's integrated risk management framework.

Metrics and Targets: Discloses key climate-related metrics for the Scheme's investment portfolios and details targets set by the Trustee.

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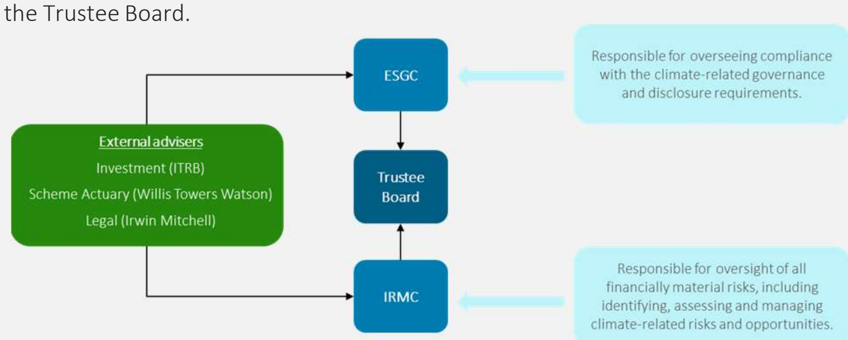
Governance

Governance around climate-related risks and opportunities

The Trustee Board has ultimate responsibility for ensuring effective governance of climate-related risks and opportunities and has an established governance and risk management framework with clear roles and responsibilities delegated to committees which report back to the Trustee Board.



Integrated Risk Management Committee ('IRMC') – The IRMC is responsible for the oversight of climate-related risks within the Scheme. The IRMC recommends investment strategy changes to the Trustee Board and is responsible for implementing the investment strategy. This includes investment strategy decisions driven by climate-related risks and opportunities.

ESG Committee ('ESGC') – The ESGC has delegated authority to make decisions relating to the climate-related disclosures made by the Scheme. The ESGC has also established processes to identify, assess and manage relevant climate risks and opportunities.

Other advisors – The Trustee is supported by suitably qualified external advisers to assist in the identification and management of climate-related risks and opportunities and ensuring that the Scheme is compliant with the relevant regulatory requirements. The Trustee has a robust process in place to review and assess the skills of the external advisers.

Strategy

Actual and potential impacts of climate risks and opportunities

In order to quantify the potential impacts of climate change on the Scheme's investment and funding strategies, the Trustee has modelled how the Scheme would be expected to perform under the different climate change scenarios below, set by the Bank of England.

- Early action – Immediate and coordinated effort to transition to a net-zero economy, which achieves net-zero carbon emissions by 2050.
- Late action – There is no immediate action to combat the challenges posed by climate change. Following this delay, aggressive action is taken to reach the target of net-zero carbon emissions by 2050.
- No additional action – No action is taken to transition economies away from carbon, leading to a growth in concentration of greenhouse gas emissions and a rise in global temperatures.

In summary, **the Scheme's funding position is reasonably resilient under the climate change scenarios modelled**. The Scheme has a low risk, well diversified investment strategy and aims to hedge 95% of its interest rate and inflation risk. This strategy provides a reasonable degree of protection against the potential impacts of climate change.

The Trustee is not proposing to make any immediate material changes to the investment or funding strategies as a result of this analysis. However, the Trustee will be reviewing the investment strategy throughout the next Scheme year and the scenario analysis carried out will be one of the inputs into the decision making process.

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Risk Management

The identification, assessment and management of climate-related risks

The Scheme's key tools for identifying and assessing climate-related risks are:

- Climate metrics, such as emissions data and science-based target alignment;
- Ongoing monitoring of the Scheme's investment managers; and
- Climate change scenario analysis.

The Trustee has a well developed governance framework for managing risks across the Scheme with clear roles and responsibilities defined.

- Investment strategy – Although the Trustee believes that the Scheme is reasonably resilient against the climate scenarios modelled due to its low risk, well diversified investment strategy, it recognises that climate risk is systemic and cannot be addressed through diversification alone. The Trustee will continue to try and identify investment opportunities brought about by the transition to a low carbon economy.
- Investment manager mandates – The Trustee's policy is that climate-related financial risks and opportunities should be considered by the investment managers when selecting, retaining and realising investments. The Trustee has also adopted an exclusions list that restricts investment in certain assets where the Trustee believes there is a financial risk associated with these investments from the transition towards a carbon neutral economy.
- Stewardship – Engagement and shareholder voting are part of the Scheme's approach to managing climate risk. The Scheme's stewardship and engagement policies within the Statement of Investment Principles reflect the Scheme's strategy to engage with its investee companies and other key stakeholders.

Metrics and Targets

Disclosure of key metrics and targets

The Trustee reviews and monitors four climate-related metrics for the Scheme's investment portfolio. These metrics help inform the Trustee on which areas of the Scheme's asset portfolio are most carbon intensive and at the greatest risk of financial impairment due to the transition to a net-zero economy. This can feed directly into the investment strategy and risk management processes where these are deemed to be financially material. In addition to the three mandatory metrics in the table below, the Trustee has also chosen to report on the proportion of the portfolio for which high quality data is available.

Absolute Emissions Metric	Emissions Intensity Metric	Portfolio Alignment Metric
Scope 1 and 2 GHG Emissions (tonnes of CO_2e)	GHG Emissions (tonnes of CO_2e) per £m invested	% of investments with science-based targets (SBTs)
59,769	91	21%

Assessment of data quality	Proportion of data
Verified reported emissions	23%
Unverified reported emissions	27%
Estimated by investment manager	11%
Not reported	39%

The Trustee supports the Paris Agreement and the goal of a net-zero emissions economy by 2050. **The Trustee has therefore set a target of 100% of the Scheme's applicable portfolio being aligned with science-based targets for reducing GHG emissions by 2040**. Setting this target will help ensure that the Scheme's assets are invested in businesses with suitable decarbonisation plans in place for achieving net-zero emissions by 2050.

As an initial step, the Trustee intends to work with the Scheme's investment managers to engage with investee companies and encourage them to adopt SBTs.