Trustee’s Report in respect of the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2024

Bradford & Bingley Staff Pension Scheme for the Scheme Year ending 30 June 2024

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Section 1: Introduction and Chair Foreword

A foreword from the Chair of the Bradford & Bingley Staff Pension Scheme

On behalf of Bradford & Bingley Pensions Limited, as the Trustee of the Bradford & Bingley Staff Pension Scheme, I am pleased to present the Scheme's second climate change report, continuing to display some of the important work we have been doing in this area. This includes understanding the effects of climate change on the Scheme and the potential impacts on the investments held.

Given the number of members that rely on the Scheme to provide for their future, the Trustee's overriding responsibility is to deliver security of retirement benefits to its members and their beneficiaries over the decades to come. Our work to evaluate the potential effects of climate change is designed to maintain the financial wellbeing of the Scheme in the many different scenarios that the future could bring. The Trustee has therefore previously evaluated the assets under a range of scenarios and considered any impacts on the Scheme's liabilities.

Beyond this, the Scheme has engaged with their advisers and investment manager to better understand how they are integrating climate change into their responsibilities to the Scheme and to assist the Trustee with understanding the risks and opportunities associated with climate change. The Trustee has produced this report whilst taking consideration of its limitations. As the Scheme is largely invested in Liability Driven Investment ("LDI") assets, for which the best approach to producing useful and relevant information is yet to be agreed, the Trustee has taken a best endeavours approach to the production of this report.

The Scheme's commitment to a target of Net Zero Carbon Emissions Intensity by 2050 aligns with that of the UK government (where the majority of the Scheme's assets are invested via UK government bonds) and recognises that engagement with the Scheme's underlying manager and the wider global community will help combat climate change and lead to better long-term outcomes for members.

This report presents the first year of reporting progress of the Scheme against its target. Over the year the Scheme has moved in the right direction to achieving net zero by 2050, driven by the progress made by the UK economy's (which is used as the basis for the UK government's emissions) reduction in greenhouse gas emissions over the year. This, in turn, has reduced the reported carbon footprint of the Scheme's LDI portfolio. Whilst the Trustee recognises that this is good progress it does not expect the progress towards the target will be smooth and linear and remains limited on the tools available to drive this change. The Trustee will continue to engage with the Scheme's investment manager and advisers to improve risk management of climate change and continue to evaluate climate risk within investment decisions where appropriate.

This report is designed to assist you in understanding the risk and opportunities presented by climate change to the Scheme and the actions that the Trustee is taking to consider and assess these. Over time, the Trustee expects the industry to improve reporting and monitoring of these risks and will continue to incorporate developments into future reports.

Sean Burnard

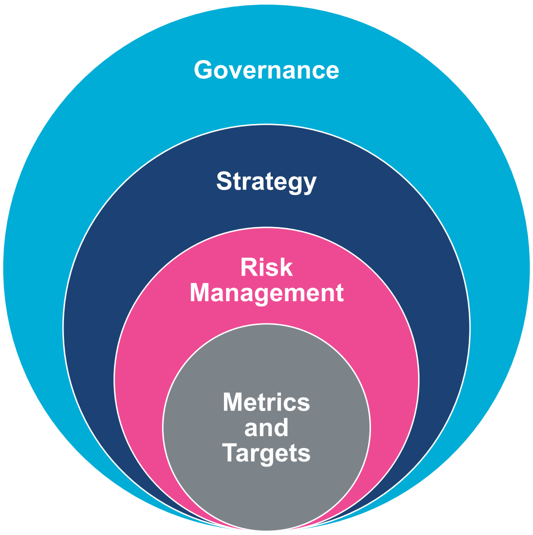
Chair of the Bradford & Bingley Staff Pension Scheme

Introduction

The Trustee of the Bradford & Bingley Staff Pension Scheme (hereinafter referred to as the "Trustee" and the "Scheme", respectively) presents its annual report under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the "Regulations") for the year ended 30 June 2024. The principal employer of the Scheme is UK Asset Resolution Limited.

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

The TCFD framework requires disclosures in four broad categories:



Governance:
Around climate-related risks and opportunities

Strategy:
The actual and potential impact of climate-related risks and opportunities on the strategy and financial plans of the Scheme

Risk management:
how the Scheme identifies, assesses, and manages climate-related risks

Metrics and targets:
The metrics and targets used to assess and manage climate-related risks and opportunities

This report sets out the Trustee's approach to compliance in each of these four areas. This report covers the DB Section of the Scheme only. The Scheme's AVC investments are not considered as the Trustee deems these to be immaterial in the context of the Scheme's wider investments. The Scheme's holdings with Henderson Indirect Property Fund are also not considered as this holding relates to an outstanding tax claim with the Danish tax authorities and all other holdings in the Henderson fund have been liquidated. Due to this and the size of the holding (less than 0.01% of total Scheme holdings), the Trustee also deems these to be immaterial in the context of the Scheme's wider investments.

Section 2: Governance

Policies and framework

The Trustee has identified climate change, alongside other Environmental, Social and Governance (ESG) factors, as an important risk and opportunity which requires oversight and management over the long-term.

The Trustee maintains overall responsibility for investment matters which includes sustainability and climate risk and the strategy in this area is reviewed and agreed by the Trustee Board. The Trustee Board meets at least four times per year and climate change is discussed by the Trustee and its advisors regularly through these meetings.

During the last 18 months, the Trustee has received investment training provided by their Investment Consultant ("WTW") on climate risk and the requirements of TCFD including a review of the Trustee's risk management approach to climate change. Given the pace of progress around sustainable investment, trustee training on climate and ESG has increased over recent years and is expected to remain a priority going forwards.

The Trustee's key overarching investment policies (including those in relation to climate) are detailed in the Trustee's Statement of Investment Principles (SIP) which can be found online at the Bradford and Bingley Pension Scheme website: https://bandbpensions.com.

Alongside this, given the importance placed on such issues, the Trustee maintains a separate set of Sustainable Investment beliefs which helps guide their investment decisions on climate change. This document is in place to support and expand on the policies set out in the publicly available SIP.

Advisers and investment manager

Whilst the Trustee may delegate certain aspects of its investment arrangements, the Trustee retains ultimate responsibility for setting the Scheme's strategy, policies, and actions in this area and the Trustee ensures that such third parties are closely monitored and held accountable for the work they do on behalf of the Scheme.

The Trustee takes advice from a range of professional advisers in relation to climate change. In particular, the Trustee has set objectives for its investment adviser (WTW) which include reference to assisting the Trustee with understanding the risks and opportunities associated with climate change including relevant advice, training and monitoring. WTW are assessed against these objectives on an annual basis.

The Trustee also takes advice from the Scheme Actuary and Legal Advisor regarding the extent to which climate change may affect the funding strategy of the Scheme and the ability of the Sponsor to support the Scheme.

At an overall level, responsibility for managing climate change risks and opportunities is delegated to the Scheme's investment manager within their mandate, consistent with their investment guidelines. This includes the selection of assets as well as the manager's ongoing stewardship activities. The Trustee receives reporting on a quarterly basis to assess the underlying manager's competencies. This provides an assessment of the managers' approach to ESG integration and stewardship activities as well as consideration of climate metrics which provides insight into the Scheme's underlying exposures to climate change risks and opportunities.

The Investment Consultant assesses the investment manager's approach to ESG integration and stewardship activities prior to the Trustee investing, and on a periodic basis as part of its ongoing manager research activities.

Annually, the Trustee requests the investment manager attend at least one Trustee meeting to discuss both their investment and ESG approach. This includes a review of case studies on engagement and a review of the ESG capabilities of their counterparties.

Section 3: Strategy

Introduction

The Trustee recognises that climate change could have a material impact on the potential success of the overarching funding strategy and therefore seeks to ensure that this matter is given appropriate consideration. To support this, the Trustee undertakes climate change scenario analysis to test the resilience of the Scheme's funding strategy under a range of plausible climate scenarios. Importantly, the Trustee recognises that climate change could have an impact on the investments of the Scheme and the life expectancy of the Scheme's members. This scenario analysis was undertaken for the first time in 2023. The Trustee's intention is to repeat this analysis at least every three years or sooner should there be a material change in either the Scheme's circumstances or the assumptions underlying the analysis.

Timeframes and Climate Risks and Opportunities

To appropriately assess the impact of the climate change scenario analysis, the Trustee has agreed the following time horizons over which climate risks and opportunities should be considered:

- **Short Term** – to 2026: this is the defined as the next Actuarial Valuation cycle at which the funding strategy will be revisited.
- **Medium Term** – to 2030: this is the timeframe over which significant climate action is expected and climate transition risks are expected to emerge.
- **Long Term** – to 2039: this is the timeframe consistent with the duration of the Scheme's liabilities and the point at which a significant proportion of member benefits will have been paid out.

The Trustee has identified the following categories of climate-related risks and opportunities:

Regulatory risk

Regulators are increasing pressure on pension schemes to explicitly consider climate change

Example

- Implementation Statement
- DWP Pensions bill
- Mandatory TCFD reporting

Reputational risk

The increasing spotlight on pension schemes and climate change increases the risk of being "named and shamed"

Example:

- 2018 EAC report on 25 biggest UK schemes

Transition risk

The indirect impact arising as a result of changes in society and economies to combat or adapt to climate change

Example:

- **Assets:** Some industries become obsolete (e.g. coal), reinvent themselves or others emerge (electric vehicles)
- **Liabilities:** Improvements in mortality from healthier lifestyles

Physical risk

The direct impact arising as a result of chronic and/or acute changes in climate and extreme weather events

Example:

- **Assets:** Damage to physical assets underpinning securities (e.g. real estate and infrastructure)
- **Liabilities:** Excess deaths arising from extreme weather

The Trustee has identified a number of risks, opportunities and mitigating actions relating to climate change which could impact the Scheme's short-, medium- and long-term time horizons identified.

Risks	As the Scheme invests in 100% Liability Driven Investment ("LDI") assets with a high level of interest rate and inflation hedging, the risks the assets of the Scheme are exposed to by climate change are limited. The main risk of a climate transition is in a situation where inflation is volatile, resulting in frequent reassessment of the assumptions underlying the LDI portfolio. As the Scheme is fully de-risked, with no plans to introduce further investment risk, the Scheme has limited exposure to climate risks or opportunities through its investment strategy. As the Scheme has no longevity hedging, the impacts of climate change are a source of longevity volatility. The impact of climate change on the Sponsor is likely to be limited, albeit the Trustee has not undertaken a covenant assessment over the last year. Reliance on the covenant is also limited due to the strong funding position of the Scheme, the credit support deed in place and the fact that the Scheme is supported by the UK Government in primary legislation. Risks in the short term are likely to be related to regulatory risk (failure to comply with climate regulation) and reputational risk of how the Scheme reports relative to peers.
Opportunities	The fully de-risked nature of the Scheme's investments means that there are limited climate opportunities for the Scheme to consider. Investments such as green gilts could be explored to finance a cleaner energy transition but, at this stage, these are fairly limited in issuance and have an associated premium relative to standard gilts. In the event of the Scheme re-risking the investment strategy, opportunities to finance the transition through credit investments would be possible.
Mitigating actions	Longevity risks are likely the largest risk of climate change to the Scheme and could be mitigated through longevity hedging. However, this is not something the Trustee or Sponsor has interest in exploring at this current time given the future plans for the Scheme. However, the Trustee has recently carried out a postcode mortality analysis to ensure that the Scheme's current mortality assumption and allowance for future improvements reflects the latest data on life expectancy and the demographics of the Scheme's members. The Scheme engages with its investment manager, Insight, in order to ensure that they are managing climate risk appropriately for the Scheme's investments.

Scenario analysis approach

The Trustee, in conjunction with the Investment Consultant and Scheme Actuary, has conducted this scenario stress testing and presented the results within this section.

The scenario analysis was conducted for the Scheme's report in the year ending 30 June 2023. The Trustee agreed not to update the scenario analysis during the year as there has been no significant change in investment or funding strategy during the year and climate data and climate scenarios have not materially changed. The Trustee will continue to review whether to update the scenario analysis each year and will revisit the analysis at least every three years.

The key climate scenarios that the Trustee has considered have been provided by the Scheme's Investment Consultant, WTW, and are:

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

The scenarios were created to reflect the differing paths that could be taken to meet, or fail to meet, the temperature rise target agreed as part of the Paris Agreement. The Paris target is to limit global temperature rises to well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius.

The scenarios differ in the size of the physical risks, based on the resulting temperature impacts, but also in the size of the transition risks. In the view of the Trustee, the four scenarios selected reflect an appropriate range of plausible decarbonisation pathways, and are relevant in the context of the Scheme's objectives. The Trustee recognises that there is the potential for more extreme outcomes than reflected in the chosen scenarios.

Scenario analysis results

The Trustee has considered the results of the scenario analysis over a timeframe that is consistent with the Scheme's long-term time horizon (c.16 years). The Trustee recognises that assuming such climate scenarios are priced in gradually, year by year, is an unrealistic expectation and in practice this is likely to be far less linear.

From an investment perspective the Scheme's Investment Consultant has concluded that under the scenarios presented there will be a relatively immaterial impact on the long-term returns from UK government bonds, to which the Scheme predominately invests. Any impact from climate change on UK government bond valuations would be matched by movements in the value of the Scheme's liabilities due to the matching properties of the assets. Given the high level of liability hedging in place for the Scheme, the Trustee does not expect the impact of the four climate scenarios discussed to be a concern as the Scheme's funding level is expected to be protected.

The Trustee has taken advice from their Scheme Actuary regarding the potential mortality impacts on the Scheme of climate change following training received in Q1 2023. It does not consider these to be material over the expected lifetime of the Scheme but will re-consider this as part of its regular cycle of TCFD reporting and climate change risk assessment.

Given the very strong funding position of the Scheme, the Trustee also has a relatively low likelihood of reliance on the Sponsor in the future. During the year, the Trustee has not undertaken any specific covenant assessment.

The analysis provided the Trustee with some reassurance on the robust nature of the Scheme's funding strategy and clearly highlighted that climate change was unlikely to have a material impact on the Scheme's outcomes. Despite this, the Trustee believes that it warrants continued focus as part of the Trustee's broader ESG strategy and should remain a priority area for portfolio monitoring, stewardship activities and manager engagement.

Section 4: Risk Management

The management of climate risk

Climate change is a key risk and opportunity and, therefore, receives particular attention as part of the Trustee's ongoing risk management processes. Given this, the Trustee looks to measure and mitigate it, as it does with all of the key risks the Scheme faces.

The Trustee has recognised sustainability risk (including the impacts of climate change) within the Scheme's risk register together with the current and planned mitigants. The Risk Register considers all risks the Scheme is exposed to, for example, governance and administrative risks, and is reviewed quarterly by the Trustee at each Trustee meeting. As part of this process, the Trustee evaluates the risk level through two different channels, the likelihood of the risk occurring and the possible impact on the Plan, each on a scale of 1 to 5. This risk, which includes climate change and ESG factors, is considered explicitly as an Investment Risk. As the Scheme is fully de-risked, the Trustee does not expect their strategy or assets to be materially affected by new climate risks. The Trustee expects their Investment Consultant to provide any necessary training and advice on new or emerging climate risks as and when required.

Mitigation of the risks included in the register is a key responsibility of the parties involved in the production of the document. The Trustee has identified the following mitigating actions to address climate change:

- The Trustee receives training on sustainability topics as appropriate and as further legislation on the topic emerges.
- The Investment Consultant provides the Trustee with the Sustainable Investment assessments of any investment manager they are considering and any changes to the assessments of the manager they employ.
- The Trustee invites their investment manager to attend meetings to encourage discussion regarding both investment topics and sustainability annually.

Alongside this, the Trustee has used the scenario analysis summarised in the previous section of this report to assess the potential top-down effects of climate-related risks upon the Scheme. The analysis suggests that the combination of the two risks is expected to have a minimal impact on the achievement of the Trustee's agreed objectives.

Section 5: Metrics and Targets

Introduction and overview

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

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

The Trustee has retained the same climate metrics in their reporting as last year to ensure consistency but will continue to review these as appropriate.

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

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

Due to the nature of the emissions, scope 3 emissions are significantly more difficult to calculate than scope 1 or scope 2 emissions for any given entity. It is also the case that, for some assets, even scope 1 and scope 2 emissions are difficult to calculate. The Trustee has included Scope 1 and 2 emissions within the metrics displayed in this report in line with last year's report as well as including Scope 3 emissions where possible this year. Due to the nature of the Scheme's holdings, Scope 3 emissions are largely estimated and in some cases rely on data with a 3 year plus time lag. Scope 3 data also incorporates large elements of double counting and therefore cannot be aggregated between holdings or with Scope 1 and 2 data. The Trustee therefore feels that Scope 3 data has limited usefulness in overall reporting at this stage until agreed methodologies improve.

All the underlying carbon emissions data has been sourced from the investment manager. CO_2e represents a single unit of measurement for total greenhouse gas emissions (often referred to as CO_2 and equivalents) and includes the seven gases mandated under the Kyoto protocol. The Liability Driven Investment ("LDI") portfolio data is based on emissions data estimated by the UK Government and total debt issuance provided by the Debt Management Office. Insight have also provided data relating to Network Rail and the Sterling Liquidity Fund investments based on MSCI data and Network Rail's 2023 Report & Accounts.

Overview of analysis

Absolute Emissions: Total Carbon Emissions (“tCO2e”)

Scope 1 and 2 emissions

	Insight LDI portfolio (Gilts)	Insight Network Rail bonds	Insight Sterling Liquidity Fund
30 June 2023	177,194	42.9 (restated)	0.7
30 June 2024	145,168	39.7	1.5

Scope 3 emissions

	Insight LDI portfolio (Gilts)	Insight Network Rail bonds	Insight Sterling Liquidity Fund
30 June 2024	193,128*	Not available	259.4

**Given the Scheme's holdings this is based on the market value of gilts in issuance.*

An 'absolute emissions' metrics which gives a measure of carbon emissions attributable to the Scheme. This is calculated in line with the Greenhouse Gas (GHG) protocol methodology. The underlying emissions data has been sourced from the investment manager, who has used data estimated by the UK Government, the Global Carbon Budget and MSCI. Scope 3 carbon emissions have been included for the first year, however due to the potential for double counting these have not been aggregated with Scope 1 and 2 emissions.

The metric and methodology has been included by the Trustee as it is determined by the regulator. As there is yet to be formal agreement for how best to measure emissions from LDI portfolios, particularly in relation to derivatives, the Trustee expects that the quality of this metric to improve over time as the industry considers this further.

Over the year the Scheme's scope 1 and 2 absolute emissions have reduced for the LDI portfolio as a result of a decrease in the value of the LDI portfolio and a decrease in total UK carbon emissions (which are used to represent UK government bond emissions). The Scheme's Network Rail bonds' emissions have fallen slightly, despite a slight increase in the value of the Scheme's Network Rail bonds, as a result of a decrease in the carbon footprint for Network Rail. The Sterling Liquidity Fund's emissions increased as result of an increase in the value of the Scheme's Liquidity Fund holdings, despite a slight decrease in the Liquidity Fund's carbon footprint.

Emissions Intensity: Carbon Footprint (tCO2e / £m invested)

Scope 1 and 2 emissions

	Insight LDI portfolio (Gilts)	Insight Network Rail bonds	Insight Sterling Liquidity Fund
30 June 2023	191.7*	2.6 (restated)	0.5 (restated)
30 June 2024	167.1*	2.3	0.3

Scope 3 emissions

	Insight LDI portfolio (Gilts)	Insight Network Rail bonds	Insight Sterling Liquidity Fund
30 June 2024	223.3*	Not available	69.5

**Given the Scheme's holdings this is based on the market value of gilts in issuance.*

An 'emissions intensity' metric which gives a measure of how many equivalent tonnes of carbon emissions each million invested causes. This uses a comparable methodology as the total carbon emissions referenced above for underlying data and emissions attribution for companies. Scope 3 carbon emissions have been included for the first year, however due to the potential for double counting these have not been aggregated with Scope 1 and 2 emissions.

The metric and methodology has been included by the Trustee as it provides a direct measure of absolute emissions, which ultimately impact global outcomes and provides a simple comparable measure across portfolios of different sizes. The methodology of this metric follows that which is prescribed by the regulator.

Over the year the Scheme's carbon footprint figures have all reduced. The Scheme's LDI portfolio saw the biggest reduction as a result of falling carbon emissions for the UK economy driven by reduced gas usage. The carbon footprint for Network Rail reduced as a result of the increase in the total value of Network Rail holdings despite annual emissions remaining unchanged.

Alignment: Implied temperature rise

	Insight LDI portfolio (Gilts)	Insight Network Rail bonds	Insight Sterling Liquidity Fund
30 June 2023	1.5 – 2.0 degrees Celsius	Not available	2.1 degrees Celsius
30 June 2024	1.5 – 2.0 degrees Celsius	Not available	2.5 degrees Celsius

The metric and methodology has been included by the Trustee as it provides a summary of how well the portfolio is aligned with the Paris Agreement. The results are also easy to interpret. The methodology of this metric follows that which is prescribed by the regulator.

The Scheme's temperature alignment metric for the LDI portfolio remains in line with last year at 1.5 – 2 degrees Celsius. The Insight Sterling Liquidity Fund did see an increase in the implied temperature rise albeit the fund itself invests in very short-dated instruments typically for 40-60 days therefore the counterparties it is exposed to will change frequently. As a result, the Trustee has no particular concerns at this time.

Additional metric: Data Quality

Scope 1 and 2 emissions

	Insight LDI portfolio (Gilts)	Insight Network Rail bonds	Insight Sterling Liquidity Fund
30 June 2023	Audited data: 100%	Audited data: 100%	Audited data: 77% (restated)
30 June 2024	Audited data: 100%	Audited data: 100%	Audited data: 78%

Scope 3 emissions

	Insight LDI portfolio (Gilts)	Insight Network Rail bonds	Insight Sterling Liquidity Fund
30 June 2024	100% estimated based on 2021 UK consumption-based emissions	Not available	100% estimated

Of the Scheme's assets, the Trustee has considered 100% of their Defined Benefit assets excluding the Scheme's AVC investments and Henderson indirect Property Fund which the Trustee deem immaterial in the context of the Scheme's wider investments. This is a measure of the proportion of the Scheme's assets for which the Trustee has high quality audited data, proxied data, or no data at all. The percentages quoted above reflect the percentage of the mandate where high quality audited data is available for absolute emissions. Scope 3 emissions data has been included this year where possible but remains estimated where it has been provided.

The Trustee believes it is important to monitor this metric as climate metrics are at an early stage and data is currently limited. The Trustee also believes that improved data quality and coverage is an area that the Trustee (through the Investment Consultant) can most influence its investment manager and improvements would allow better decision making on future carbon metrics.

The Trustee expects these metrics to evolve through time and will periodically review them to ensure ongoing appropriateness.

Overall data coverage for Scope 1 and 2 emissions remains high and has improved marginally for the Sterling Liquidity Fund. Scope 3 data coverage is estimated or not available.

Targets

As referenced, the Trustee has also identified carbon footprint as the metric on which to set a target. This target is to reduce the Scheme's carbon footprint (Scope 1 and 2 emissions) to achieve net-zero by 2050 for the Scheme's LDI portfolio holdings only (excluding Network Rail and cash). The Trustee has not set targets for any other metrics against which they monitor climate change. The Trustee has chosen to focus the target on the LDI portfolio UK government bonds as these represent the largest proportion of the Scheme's assets and due to the difference in methodologies cannot be aggregated with the other Network Rail and cash assets of the Scheme. By focusing on carbon footprint as a target the Trustee can measure progress through a metric that isn't impacted by the size of the Scheme's assets invested. This is measured from a baseline of 2023.

The Scheme's holdings are comparable to 2023 with no new holdings and the majority of the Scheme still invested in its LDI portfolio. The Trustee has taken no action to change this asset strategy over the year. Since 2023, this report demonstrates improving metrics related to the LDI portfolio UK government bonds, with the Carbon Footprint (tCO2e / £m invested) reducing from 191.7 tCO2e / £m to 167.1 tCO2e / £m. The improvement in this metric has been driven by a reduction in total UK territorial greenhouse gas emissions by around 5.4% (384.2 million tonnes carbon dioxide equivalent) in 2023 compared to 2022. The government also reports that UK territorial carbon dioxide emissions also reduced between 2022 to 2023 by 6.6%. The government explains these reductions are due to reduced gas use in the UK's electricity generation, with a shift in fuel usage within power stations towards gas and renewables and by moving away from using coal for their energy generation. They also noted higher energy prices have reduced demand for heating, resulting in lower total emissions. Further details on the UK Government's report on '2023 UK Provisional Greenhouse Gas Emissions' can be found at www.gov.uk.

The Scheme is therefore moving in the right direction towards its target of net zero by 2050. The Trustee does recognise that this journey to its target is not expected to be smooth and the nature of the Scheme's investments (predominantly UK government bonds) means that achieving this target is largely driven by the emissions path of the UK government and economy towards the UK government's 2050 net zero target.

The Trustee will continue to monitor these metrics and use them as markers of the Scheme's progress and intends to report progress annually. The Trustee's engagement with their investment manager and advisers to drive change will also be a key factor to ensuring better climate risk management. The Trustee recognises that they will not be able to achieve this goal alone and will require the continued collaboration of the global community to combat climate change.