

TCFD report summary for savers

As the Scheme Trustees, climate change is top of our agenda.

This TCFD report summary is about how we consider climate change-related risks and opportunities within the investments we manage for our members. This includes the metrics, scenarios, and targets we have set and the investment decisions we have made to address climate change.



What is TCFD?

TCFD stands for Task Force on Climate-related Financial Disclosures. The Task Force was set up in 2015 by the Financial Stability Board to encourage companies and investors to report the financial risks from climate change. TCFD has since been adopted by policy makers and regulators, including the UK government.

This is our first TCFD report. The report covers the period 1 October 2021 to 31 March 2022. You can read the full report [here](#).

What is climate change?

Climate change is the rise in temperatures around the world, caused by human activity emitting greenhouse gases such as carbon dioxide, methane and nitrous oxide. Climate change is leading to frequent and severe weather events such as droughts, fires and flooding.

What are we doing about it?

We're committed to reducing the greenhouse gas emissions of your pensions savings with us to net zero by 2050 at the latest. Net zero means not adding to the amount of greenhouse gases in the atmosphere. We're also committed to reducing emissions to half their 2019 levels by 2030.

This is in line with the Paris Climate Agreement's **objective of limiting the rise in global temperatures to 1.5 degrees Celsius** (the level science tells us the planet can safely absorb).

1.5°



Our results

We report the following three metrics, as of 31 March 2022, for the pension investments we manage for our members.

- **Metric 1 is the total greenhouse gas emissions of our corporate equity exposures:** This is 164,700 tons of greenhouse gas (also known as carbon dioxide equivalent), equal to approximately 2 million car journeys from London to Edinburgh.
- **Metric 2 is the carbon footprint of our corporate equity exposures:** This is 71.3 tons of greenhouse gas per million pounds invested.
- **Metric 3 is the investments we have made with an explicit sustainability objective and includes green and sustainable bonds, lower-carbon ESG-screened equities and environmentally-aware cash investments:** This is 56% of our investments.

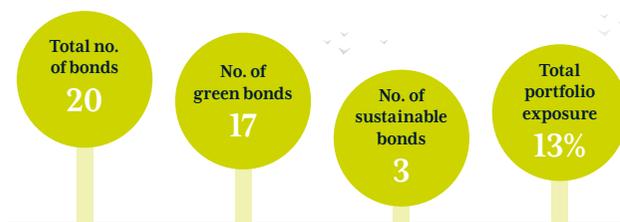
Greenhouse gas emissions are categorised into three groups or 'Scopes' by the GHG Protocol Corporate Standard. Metrics 1 and 2 are Scope 1 and 2 emissions. For Scope 3 emissions please see our full report.

How we invest

Incorporating environmental, social and governance (ESG) factors – including climate change – in our investment decisions makes financial sense for pension savers and is integral to long-term success. It can lead to better investment outcomes and new investment opportunities.

We've been investing in green and sustainable bonds for the past five years. Our green and sustainable bonds finance a range of environmental projects, from solar and wind energy production to low-carbon transport and residential buildings.

Our allocation to green and sustainable bonds is as follows:



We have also significantly increased our holdings of lower carbon investments – for example, equity investments in lower-carbon companies. We have ended our direct commodity exposure to fossil fuels.

Climate change-related risks and opportunities

We're responsible for identifying, assessing and managing the climate change-related risks and opportunities that affect the Scheme. We ensure we have the right knowledge, skills and understanding to do this.

Where we delegate to specialists, such as our investment manager Cardano, we work closely with them and make sure they understand our position and objectives. We've established a Climate Change-related Risks and Opportunities (CCRO) policy setting out how we manage this.

Climate-change scenarios

Due to the uncertainty around climate change we undertake scenario analysis. Each scenario consists of a degree of warming and a measure of expected loss to the portfolio. In our case, we have selected scenarios at 1.5, 2 and 3 degrees Celsius of warming.

We've worked out the effect of three scenarios on pension savings of £70,000. We chose this amount because, according to our Fair Pensions for All report, it's the amount of pension savings a typical woman has at retirement.

- Scenario 1:** Enough measures are taken worldwide to limit the rise in global warming to 1.5 degrees Celsius. The 1.5 degree scenario could mean a loss of 11%, or £7,700 on pension savings of £70,000.
- Scenario 2:** Some measures are taken worldwide, but not enough to meet the 1.5 degree goal. The 2 degree scenario could mean a loss of 9%, or £6,300.
- Scenario 3:** Current policies continue, resulting in a rise in global warming of 3 degrees. The 3 degree scenario could mean a loss of 9.3%, or £6,500.

The loss for the 1.5 degree scenario is higher because the cost of moving to lower-carbon ways of working (such as changing to renewable energy sources, retrofitting buildings, introducing electric vehicles) is higher in the short-term.

In the higher warming scenarios, the physical risks of climate change will be more severe. Current modelling limits time horizons to around 15 years. We believe the losses underestimate the physical risks to the portfolio of higher warming scenarios, particularly over the long-term. We will work with our service providers to improve the methodology to model physical risks beyond 15 years.

The importance of stewardship

Stewardship is the responsible oversight of companies we invest in. It means engaging with companies with the aim of supporting them – and if necessary, requiring them – to decarbonise. This is an important part of our strategy.

Influencing government policy

It is in our savers' best interests to decarbonise the economy as a whole. We regularly respond to government consultations on sustainability topics and take part in the Department for Work and Pensions' Occupational Pensions Stewardship Council.

What's next?

We're planning to run focus groups to ask you, our savers, for feedback on sustainability topics including climate change. Look out for more information about this.