welcome to brighter

MMC UK Pension Fund

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

Reporting period: 12 months to 31 December 2023

July 2024

A business of Marsh McLennan

MMC UK Pension Fund DC Section

TCFD – Highlights
Year Ended 31 December 2023

Scenario Analysis

The Fund undertook climate scenario analysis as at 31 December 2022 to test the resilience of the investment strategy.

There was no update to this analysis in 2023, as there was no material change to the investment strategy over the year.

The analysis was carried out for the DC Section's Default investment arrangement - Mercer SmartPath Target Drawdown and modelled three climate scenarios.

- **Rapid Transition** (1.5°C)
- **Orderly Transition** (less than 2°C)
- **Failed Transition** (greater than 4°C).

The analysis projected the expected impact on annual investment returns to 2032, 2047 and 2062.

The **Rapid Transition** scenario projects the greatest negative impact over the short term, but the highest value over the long term.

The **Orderly Transition** scenario projects the least negative impact over the short and medium term and the second highest value over the long term.

The **Failed Transition** scenario is projected to perform well over the majority of the short term, before significantly falling behind the other scenarios over the medium and long term as the compounding impact of both transition and physical risks come to the fore.

Further detail is available from page 23.

Trustee Target

As the Mercer Growth Fund makes up a large part of the default investment arrangement and over 60% of the total assets for the Defined Contribution Section, the Trustee has set a climate-related target for this Fund:

To reduce carbon intensity in the Mercer Growth Fund by at least 45% from 2019 baseline levels by 2030[1]

Further details on the target are set out on page 42 of the report.

Carbon Intensity

The Mercer Growth Fund has made the following progress against its climate-related carbon intensity target:

38% reduction in carbon intensity (vs 2019)

The Trustee will work with its advisors and asset managers to reduce this figure towards the target level.

Figures quoted cover scope 1 and 2 emissions based WACI[2] and cover approximately 97% of eligible assets.

Scope 1: Direct *emissions from company activity (e.g. running gas boilers and vehicles)*

Scope 2: Indirect *emissions (e.g. electricity purchased for heating and cooling buildings)*

Mercer

1. As measured by scope 1 and 2 emissions based WACI.
2. See page 33 for WACI definitions

MMC UK Pension Fund DB Sections

TCFD – Highlights
Year Ended 31 December 2023

Scenario Analysis

The Fund undertook climate scenario analysis as at 31 December 2022 to test the resilience of the investment and funding strategy.

There was no update to this analysis in 2023, as there was no material change to the investment strategy over the year.

The analysis was applied to the Strategic Asset Allocation for each Section of the Fund and modelled three climate scenarios.

- **Rapid Transition** (1.5°C)
- **Orderly Transition** (less than 2°C)
- **Failed Transition** (greater than 4°C).

The analysis projected the expected impact on annual investment returns to the time horizon of 2025, 2030 and 2050.

The scenarios modelled for the Mercer, Marsh and Sedgwick (Legacy) Sections had minimal impact on returns over the projected time horizons.

The JLT Section was less resilient with returns reducing between c.0.2%-0.5% p.a. by 2050 in each scenario. Further detail is available from page 24.

Mercer, as covenant advisor, has assessed the overall climate- risk exposure to Marsh McLennan Companies UK Limited (“Marsh McLennan”), as Fund sponsor, as low, noting that the company is strongly expected to be resilient against climate-related risks. As part of this assessment, Mercer has considered Transition Risks and Physical Risks.

Trustee Target

Mercer, Marsh and Sedgwick Sections: To reduce the carbon intensity across the Buy and Maintain Investment Grade Credit mandates in aggregate by at least 40% (2021 baseline levels) by 2030[1]

JLT Section: To reduce the carbon intensity of the Diversified Growth Fund allocation by at least 45% (from 2019 baseline levels) by 2030[3]

Further details on the target are set out on pages 44 to 47 of the report.

Progress Against Targets

The DB Sections have made the following progress against their climate-related carbon intensity targets:

Legacy Sections (Buy and Maintain Investment Grade Credit mandates):

37% reduction in carbon intensity (vs 2021)

Figures quoted cover scope 1 and 2 emissions based WACI[4] and cover approximately 94% the Legacy Sections’ Buy and Maintain Investment Grade Credit assets.

JLT Section (Diversified Growth Fund mandate):

38% reduction in carbon intensity (vs 2019)

Figures quoted cover scope 1 and 2 emissions based WACI[4] and cover approximately 92% of the JLT Section’s Diversified Growth Fund assets.

The Trustee will work with its advisors and asset managers to reduce these figures towards the target levels.

Scope 1: Direct *emissions from company activity (e.g. running gas boilers and vehicles)*

Scope 2: Indirect *emissions (e.g. electricity purchased for heating and cooling buildings)*

Mercer

3. As measured by scope 1 and 2 emissions based WACI.
4. See page 33 for WACI definitions

MMC UK Pension Fund
DC and DB Sections

TCFD – Highlights
Year Ended 31 December 2023

Key Actions in 2023

Training: The Trustee and the Investment Committee received various training sessions covering climate-related investment risks, reporting requirements in line with the TCFD recommendations and industry updates.

There was a focus on the Fund's **progress against targets** within the report to track the Fund's decarbonisation progress and understand the reasons for the year on year changes. See pages 42 and 43 for more information on the DC Section and pages 44 to 47 for the DB Section.

Governance: Terms of reference for the Investment Committee were updated with respect to the oversight of ESG integration and reporting on investments. In September 2023, the Trustee published its first Sustainable Investment Policy which is available on the member website.

MWS[5] Annual ESG Report for the DC Section was presented to the Investment Committee in September 2023. The report focused on the implementation of the MWS[5] ESG integration framework, with analysis on the impact of exclusions and the decarbonisation progress of the funds within the Default arrangement.

Annual asset manager assessment for the DB Section was undertaken in November 2023 to better understand how the Fund's managers continue to integrate environmental, social and governance (ESG) factors into their investment and stewardship processes.

Actions for 2024

Monitoring: The Trustee will be regularly assessing the carbon exposure of the Fund's investments against the carbon intensity target. As part of an investment strategy review, Trustee targets will be reviewed to ensure they remain appropriate.

Data: The Trustee expects the availability and quality of data to increase over time and is working with its investment managers to increase its quality.

Stewardship: in the DB Section, engaging with the Fund's credit managers via the fiduciary manager to better understand the engagement activity on the most carbon intensive holdings. In the DC Section, working closely with MWS to ensure better integration of climate considerations in the manager selection process, voting and engagement activity, monitoring of exclusions frameworks and the use of climate-aware benchmarks to work towards the Trustee's climate goals and alignment with the Trustee's beliefs.

Risks: Annual review of ESG beliefs, risk register and Fund governing documentation.

Climate Analysis: Updated Climate Scenario Analysis will be carried out for the DB Sections as part of an investment strategy review.

Dear members

Welcome to our third climate change report, which has been prepared in line with the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD") and the statutory requirements prescribed by the Department of Work and Pensions[6].

Climate change will have far reaching impacts for economies, societies and the environment. Climate change is one risk amongst many that the Trustee of the MMC UK Pension Fund (the "Fund") measures, monitors and manages. As a responsible institutional investor, we recognise the importance of understanding and managing the financial risks and opportunities associated with climate change. To this extent, the Trustee seeks to consider climate-related risks and opportunities alongside these other risks in a balanced and proportionate way. The Trustee does not believe that full scale divestment out of all high carbon emitting companies is appropriate in all circumstances and will continue to invest in companies where there is a sufficiently attractive investment case and the asset manager believes there is an opportunity to engage and influence change in the behaviour and actions of a company.

Climate change is an incredibly complex process, both from a scientific and an economic perspective. With this in mind, the Trustee's assessment of climate-related risks and opportunities has been carried out based on information that is currently available, both in terms of data from the companies and assets in which the Fund invests and in consideration of the different global warming scenarios we have analysed. In producing this report, the Trustee has considered The Pensions Regulator's observations from its April 2024 review of pension scheme TCFD reports. In addition, the Trustee obtained independent feedback from EY in its role as third party evaluator of Mercer.

Whilst the core policies and processes of the Trustee have not materially changed over 2023, this report reflects some positive updates to the climate-related analytics approach:

Progress against targets – We are pleased to report the continued positive momentum in moving towards the Trustee's emission intensity reduction targets, however we have been cognisant of the importance to fully understand and explain the reason for the change in our climate-related metrics year-on-year. Further details are provided in the 'Metrics and Targets' Section of the report.

Sustainable Investment Policy – During the year, we published our first Sustainable Investment Policy which sets out the Trustee's sustainable investment beliefs, our climate-related commitments, our ESG integration process and our stewardship priorities. This policy is available to view on the member website[7].

Climate-related metrics – The data coverage for the climate-related metrics has generally improved over the 12 month period. However, data from our illiquid asset managers in the Defined Benefit Section (such as property, private debt and private equity) has been limited or not available. From a materiality point of view, the allocations to these asset classes will reduce in the near term as the private market portfolios wind-down and the property allocation is removed. The Trustee has not sought to estimate the data, as no representative index exists for these asset classes. Further details are provided in the 'Metrics and Targets' section and the 'Technical Section' of the report.

Climate change is not static and neither is our approach to managing the risk. The Trustee has worked closely with Mercer in producing this report and the supporting analysis. Mercer has a long heritage in modelling and advising on climate change from an asset owner's perspective.

As always, members are encouraged to contact the Trustee if there are comments you wish to raise. You can contact us, via the Fund administrator, at **pensionuk.aptia-group.com**

Bruce Rigby

Chair of MMC UK Pension Fund Trustee Limited

6. The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and the Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021
7. https://pensions.uk.mmc.com/docs/MMC_UK_PF_Sustainable_Investment_Policy.pdf

Contents

Governance

Trustee governance approach

The Trustee has ultimate responsibility for ensuring effective governance of climate-related risks and opportunities. The Trustee maintains a Statement of Investment Principles (SIP), which details the key objectives, risks and approach to considering Environmental, Social and Governance ("ESG") factors, such as climate change, as part of its investment decision making. The SIP is reviewed on at least an annual basis and was last reviewed during 2023.

The Trustee's overall investment beliefs on sustainability are set out below. These are unchanged from our previous climate change reports.

- ESG factors can have a material impact on long-term risk and return outcomes, and these should be integrated into the investment process.
- Taking a broader and longer-term perspective on risk, including identifying sustainability themes and trends, is likely to lead to improved risk management and new investment opportunities.
- Climate change poses a systemic risk, and investors should consider the potential financial impacts of both the associated transition to a low-carbon economy and the physical impacts of different climate change outcomes.
- Stewardship (or active ownership) helps the realisation of long-term shareholder value by providing investors with an opportunity to enhance the value of companies and markets.

The Trustee has sub-committees each with a specific focus and decision-making powers.

The Trustee will consider the recommendations of the sub-committees and will ratify any decisions that require its approval. The Trustee will review quarterly minutes of meetings held by the sub-committees and these enable the Trustee to ensure the sub-committees are fulfilling their duties. Of relevance to the oversight of climate-related risks and opportunities are:

- The **Integrated Risk Management Committee** ("IRM Committee") has responsibility for recommendations to the Trustee regarding the strategic investment and funding considerations of the Defined Benefit Sections of the Fund, including climate-related risks and opportunities. The terms of reference for the IRM Committee state that it will take into account climate-related risks and opportunities when considering investment and funding strategic decisions, where appropriate.
- The **Investment Committee** has the oversight and decision-making responsibility for the implementation of the investment strategy (including integration and reporting on ESG and climate change) for the Defined Benefit Sections and the Defined Contribution Section of the Fund. This includes the appointment and ongoing review of investment manager appointments, including the Fiduciary Managers, and performance considerations.

The Committees and Trustee apply the appropriate amount of scrutiny, challenge and discussion to advice relating to climate related risks.

Over 2023, there was no change to the Trustee's governance approach.

Governance

Figure 1 – Trustee Governance Arrangements

Sponsoring Employer

MarshMcLennan

Ongoing engagement

Trustee

Trustee Sub-committees
- Integrated Risk Management (“IRM”) Committee
- Investment Committee
- Administration Committee
- Communications Committee

Supporting bodies
- Marsh McLennan Treasury
- Scheme Secretary

Advisors
- DB Investment Consultant
- DC Investment Consultant
- DB Funding Advisor
- Covenant Advisor

Fiduciary managers
- Mercer Workplace Savings (“MWS”) - for the Defined Contribution Section
- Mercer Global Investments Europe (“MGIE”) - for the Defined Benefit Sections

Figure 2 – MMC UK Pension Fund structure – 31 December 2023

MMC UK Pension Fund

Defined Benefit Sections

Sedgwick Section	Marsh Section	Mercer Section	JLT Section
Assets[8] £2,565m	Assets[8] £1,651m	Assets[8] £1,055m	Assets[8] £492m
Funding level[9] 119%	Funding level[9] 124%	Funding level[9] 127%	Funding level[9] 95%

Defined Contribution Section

Popular arrangement

Mercer SmartPath Target Drawdown

Assets[10] £969.6m

8. Assets as at 31 December 2023 excluding trustee bank account
9. Technical Provisions funding level at 31 December 2023.
10. Assets as at 31 December 2023 - includes all assets invested in the Mercer Growth Fund, some of which will not be invested via the popular arrangement.

Governance

The Trustee acknowledges that the reporting of climate-related risk is relatively new and the collective experience of the Trustee will grow over time. The Trustee will continue to receive refresher training on climate-related risk as appropriate. Climate change will form an explicit agenda item at least annually for the Trustee and its sub-committees when the Trustee's annual TCFD report is updated. It will also be covered as part of other agenda items as part of a wider discussion of funding or investment strategy, or as part of the investment manager appointment and review discussions.

Governance activity over the Fund year to 31 December 2023

Training

During the Fund year, the Trustee and the Investment Committee received various training sessions covering climate-related investment risks, reporting requirements in line with the TCFD recommendations and industry updates, including:

- Understanding the new requirements introduced for reports from 1 October 2022;
- An overview of key changes and highlights from the climate scenario analysis and metrics update for the year ending 31 December 2023;
- Industry updates presented by Mercer. This included various discussion topics presented by Mercer, including an update on the UK's approach to Net Zero and an introduction to the Task Force for Nature-related Financial Disclosures

Sustainable Investment Policy

In September 2023, the Trustee published its first Sustainable Investment Policy. It sets out the Trustee's beliefs, including but not limited to environmental, social and governance (ESG) factors, and the investment framework within which those beliefs apply. The Policy consolidates and formalises the commitments made by the Trustee in its SIP, TCFD reporting and Implementation Statement ("IS").

Terms of Reference

The Terms of Reference for the Investment Committee were reviewed and updated to expand on the role of the Investment Committee with respect of the oversight of ESG integration and ESG reporting for the investments of the Fund.

Priority areas of focus

ESG integration and climate reporting was identified as a key focus area for the Investment Committee over the Fund year.

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

Governance

Role of in-house support

Marsh McLennan Treasury and the Scheme Secretary provide in-house support to the Trustee as well as acting as a liaison between the Trustee and the Fund Sponsor. Their role is to:

- Provide challenge to advisor recommendations to ensure advice provided to the Trustee and its sub-committees will facilitate effective and efficient decision-making;
- Monitor, manage and challenge the performance of Mercer and the investment managers;
- Undertake Fund governance activities on behalf of the Trustee, such as coordinating required public disclosures;
- Review quarterly investment performance reports and highlight key information to the Investment Committee for noting or action; and
- Understand the climate-related risks and opportunities at the strategic asset allocation level and at the sub-investment manager level.
- Provide questions on climate-related metric data provision as part of investment manager review meetings, with the aim of helping to improve the quality and quantity of data from investment managers.

Role of advisors

The Trustee has appointed Mercer to the following roles:

- Investment Consultant for the Defined Benefit Sections and the Defined Contribution Section of the Fund:
  - Providing ongoing advice on investment strategy and asset manager appointments. This includes advice on managing and monitoring investment-related risks, such as climate change and is considered at quarterly meetings.

- Covenant Advisor:
  - Providing quarterly assessments of the Fund Sponsor’s ability and willingness to continue to support the Fund. Climate-related exposures are considered alongside other factors that could have a positive or negative impact on the strength of the Sponsor’s covenant.

- Funding Advisor, with Jenny Condron as the appointed Scheme Actuary of the Fund.
  - Providing advice on a quarterly basis on the funding position of the Defined Benefit Sections of the Fund. On at least a triennial basis, this will also include an understanding of how climate-related risk may impact financial or demographic assumptions.

Mercer provides climate-related scenario analysis at least triennially and climate-related metrics annually for the Defined Contribution and Defined Benefit Sections of the Fund and Mercer will assist the Trustee in producing the Fund’s TCFD report on an annual basis.

Governance

Role of Fiduciary Managers

The Trustee has appointed:

- **Mercer Workplace Savings** ("MWS") as the Fiduciary Manager for the Defined Contribution Section:
  - MWS integrate the consideration of climate change analysis into the annual strategic asset allocation review of the multi-asset funds. This includes the Mercer Growth Fund, which forms part of the default investment solution.

- **Mercer Global Investments Europe** ("MGIE") as delegated investment manager for the Defined Benefit section:
  - MGIE delegates investment management to third party investment managers. Those managers are in a position to engage directly with underlying companies/issuers in order to improve their performance in the medium to long term.

As part of the sub-investment manager selection and monitoring process, MWS and MGIE consider the level and extent to which sub-investment managers take into account ESG factors, including climate change, in their investment process and stewardship activities (such as voting and engagement with the companies or issuers they invest in).

Assessment of in-house support and advisors

The terms of reference for the Investment Committee sets out the roles and responsibilities of the Investment Committee, Marsh McLennan Treasury, the Scheme Secretary, the Trustee Advisors and the Fiduciary Managers.

In-house support

Marsh McLennan Treasury and the Scheme Secretary meet regularly with the Investment Consultant to plan meetings and training, review and provide input on presentation material (including this TCFD report), and liaise with Marsh McLennan and to ensure alignment with its ESG and climate reporting requirements.

Trustee advisors

The Trustee has set strategic objectives for the Investment Consultant which closely align with the Fund's strategy. One of the objectives requires the Investment Consultant to:

- Provide recommendations, information and modelling to inform the Trustee's decisions on integration of ESG, climate-related risk and stewardship considerations in their investment strategy decisions and investment manager appointments.

On an annual basis, the Trustee formally reviews the performance of the Investment Consultant against the strategic objectives, with input from the Scheme Secretary and Marsh McLennan Treasury.

The Trustee also reviews the performance of the Scheme Actuary and Covenant Advisor on an annual basis, including how the advisors have incorporated climate-related risks and opportunities into their advice.

During 2023, the Trustee received support in integrating ESG to decisions via an annual ESG ratings review of the current investment managers and consideration of sustainability guidelines when appointing a new Buy and Maintain Investment Grade Credit manager.

Governance

Fiduciary Managers

Marsh McLennan Treasury and the Scheme Secretary have a quarterly dialogue with the Fiduciary Managers for the Defined Contribution Section and the Defined Benefit Sections of the Fund to ensure the highest standards are achieved in terms of delivery of long-term investment performance. The Trustee expects the Fiduciary Managers to engage with investment managers that are lagging their peers in terms of ESG integration and climate risk management, and to ensure the investment managers are voting and engaging with the investee companies on the issue of climate change.

Governance activity over 2023

The Trustee appointed EY to provide an independent assessment of the Fiduciary Managers. The assessment included a review of ESG integration and TCFD reporting. Whilst the assessment identified core activities were in line with best practice, EY provided suggestions to enhance the content of the Trustee’s TCFD report. This feedback was considered in the preparation of the Trustee’s TCFD report for the year ending 31 December 2023.

Risk Management

Processes for identifying, assessing and managing climate-related risks and integration within the Trustee's overall risk management of the Fund

A key part of the Trustee's role is to understand and manage risks that could have a financially material impact on the Fund's investments and, for the Defined Benefit Sections of the Fund, on the wider funding position and strategy. Climate change is one of the risks that the Trustee considers alongside other financially material risks that may impact the pension outcomes for members.

This section (unchanged from last year) summarises the primary climate-related risk management processes and activities of the Trustee and its sub-committees. These help the Trustee understand the materiality of climate-related risks, both in absolute terms and relative to other risks that the Fund is exposed to. The Trustee and its sub-committees prioritise the management of risks primarily based on the potential impact to the security of members' benefits.

Governance	• The Trustee's **Statement of Investment Principles** is reviewed at least annually and sets out how investment climate-related risks are managed and monitored. • The Trustee maintains a **risk register** (covering all of the Fund) and **IRM framework** (Defined Benefit Sections only) to monitor and mitigate financially material risks to the Fund. The climate-related risks (defined as physical risks and transition risks[11]) are reviewed annually to ensure the assessment of the likelihood and impact continue to remain appropriate for the Fund given the developing research and understanding on this subject. • The Investment Committee maintains an **ESG Implementation Plan**, which is reviewed on a quarterly basis. This document forms part of the Trustee's wider business plan and summarises the progress, actions and outcomes of scheduled sustainable investment integration projects including climate-related activities, which are covered in the following sub-sections. • The Trustee will receive **training** from time-to-time on climate-related issues, including market updates. The training allows the Trustee to better understand how climate-related risks and opportunities can have an impact on the Fund. The training allows the Trustee to challenge whether the risks and opportunities are effectively allowed for in its governance processes and wider activities, and to be able to challenge its advisors to ensure the governance support and advice adequately covers the consideration of climate-related risks and opportunities.
Strategy	• Mercer will take climate-related risks and opportunities into account as part of the **wider strategic investment advice** provided to the Trustee. This includes highlighting the expected change in climate-risk exposure through proposed asset allocation changes, both from the top-down level (via climate scenario analysis) and bottom-up (via climate-related metrics). It will also reflect any potential impact to the Trustee's climate-related targets and progress to meet those targets.

11. See section on 'What are the Climate-related Risks and Opportunities?' for a definition of the different climate-related risks that can impact the Fund.

Risk Management

Strategy	• **Climate scenario analysis** for the Fund's investments, and the funding strategy for the Defined Benefit Sections of the Fund, will be reviewed at least triennially, and more frequently if there has been a material change to the strategic asset allocation of an individual section or there is a material change/update to the scenario modelling approach. The impact of climate-related risks and opportunities is an input in the quarterly employer covenant updates. A summary of the Trustee's latest climate scenario analysis is included in the next section of this report and is the primary tool to help the Trustee understand the materiality of climate-related risks that could impact the Fund over time.
Reporting	• The Investment Committee will receive annual reports of **climate-related metrics** and progress against targets in respect of the assets held in the Fund. The Trustee may use the information to engage with the Fiduciary Managers and the investment managers. • The Trustee receives an **annual ESG monitoring report** in respect of the Defined Contribution Section and a **voting and engagement activity summary** in respect of the Defined Benefit Sections. The reports summarise how the investment managers chose to vote and engage on climate-related issues (among other key engagement priorities). Key information and outcomes from the stewardship monitoring are summarised in the Trustee's annual Implementation Statement[12].
Manager selection and retention	• The Trustee, with advice from Mercer, will consider an investment manager's firm-wide and strategy-specific approach to managing climate-related risks and opportunities when either **appointing** a new manager, in the ongoing **review** of a manager's appointment, or as a factor when considering the **termination** of a manager's appointment. • Mercer rates investment managers on the extent of **integration of ESG factors** (including climate change) into their processes. A manager's stewardship process forms part of the rating assessment. This is considered at the firm level and at the investment strategy/fund level. The ratings are presented in quarterly investment performance reports and are reviewed by the Investment Committee and Marsh McLennan Treasury. A downgraded ESG rating will (taking into account other factors) lead to an investment manager being the subject of closer scrutiny. • A more detailed **review of asset manager integration** of ESG factors (including climate change) is carried out annually and is based on the Investment Consultant's investment manager research. • The review can highlight gaps in a manager's approach relative to expected market practice and Mercer or Marsh McLennan Treasury may liaise with an investment manager to **drive improvements**.

12. A copy of the Fund's Implementation Statement can be found on the MMC UK Pension Fund website: https://pensions.uk.mmc.com/

Risk Management

Risk Management activity over 2023[13]

Strategy	• The IRM Committee has continued to consider **de-risking opportunities for the Defined Benefit Sections** over the course of the year. The Fund increased its allocation to the liability driven investment portfolio to support the ongoing management of interest rate and inflation risk and disinvested from relatively illiquid assets to improve ongoing flexibility. A revised target asset allocation for each of the Defined Benefit Sections will be formally reviewed and agreed in 2024. Updated scenario analysis will be carried out as part of the review. • Mercer Advisory, Marsh McLennan Treasury and MGIE met with the incumbent **investment grade credit managers** to discuss how the investment managers can most effectively take the Trustee's climate-related target into account without compromising the mandates overall investment objectives.
Reporting	• The **data assumptions and limitations** supporting the climate scenario analysis and climate-related metrics were reviewed and scrutinised by the Investment Committee when considering the 31 December 2022 TCFD report. This was to ensure it is clear to a reader how the data presented has been sourced and calculated in order to avoid any potentially misleading communication. • The Trustee's **Implementation Statement** included details of the Trustee's most significant votes. The Trustee agreed that its **engagement priorities** will be climate change, human rights and labour practices, and Diversity, Equity and Inclusion. This aligns with the engagement priorities of its Fiduciary Managers. • Marsh McLennan Treasury reviewed the Defined Benefit Section's **investment manager sustainability policies and stewardship codes** and concluded the policies remain consistent with the sustainable investment policy of the Trustee. They also reviewed the annual ESG report produced by the MWS team covering the funds used in the Defined Contribution Section. • **MWS also presented its annual ESG report (covering the Defined Contribution Section)** to the Investment Committee. The report focused on the implementation of the MWS ESG integration framework, which the Trustee adopted within its Sustainable Investment Policy. Analysis was presented on the impact of exclusions and the decarbonisation progress of the funds within the Default arrangement in the DC Section. • The Investment Consultant presented its **investment manager ESG ratings assessment** to the Investment Committee based on their proprietary ratings. The assessment considered the Fund's asset managers against the asset class peer group. No changes to manager appointments were made following the review of the analysis.

13. Not covered elsewhere in this report

Risk Management

Manager Selection and Retention	• The performance of the self-select **Sustainable Equity funds** in the Defined Contribution Section was reviewed and the ongoing suitability of the active sustainable equity fund as a self-select option was considered by the Trustee. • Marsh McLennan Treasury attended **manager briefing calls** held by the private market managers to receive updates on exit forecasts of maturing investments and how the managers are embedding sustainability into their processes for future investments. • The Investment Consultant's **ESG investment manager rating** for a multi-asset fund within the DC Default arrangement was upgraded and an underlying Emerging Market Debt fund had an ESG investment manager rating applied for the first time. An underlying property fund made a change to its investment objective to make clear the fund's environmental and social goals. • The Trustee carried out a **manager selection exercise** for a new Buy and Maintain Investment Grade Credit manager. As part of the selection process, short-listed managers were asked to talk about their sustainable investment processes and ESG integration, their climate strategy at the firm level and strategy level, and their stewardship process. This was a key consideration in the selection and appointment of a new manager.
Governance	• The Trustee reviewed the Fund **Risk Register** and updated the climate related risk with respect to the Fund's investments to reflect the risk of not sufficiently taking into account the impact of climate-related risks *and opportunities,* which could have a financially material impact (which may be positive or negative) on investment returns.

Risk Management

Climate Change – the big 'known unknown'

We are already experiencing climate change and its associated physical impacts today. The average global temperature in 2023 was about 1.45°C above pre-industrial levels[14]. This has been the warmest year on record[14].

The overwhelming scientific consensus is that the observed climatic changes are primarily the result of human activities including electricity and heat production, agriculture and land use change, industry, and transport.

In order to mitigate the worst economic impacts of climate change, there must be a large, swift, and globally coordinated policy response. Despite this, Climate Action Tracker[15] estimates that, given the current level of climate action, by 2100 the world is estimated to be between 2˚C and 4˚C warmer, with significant regional variations. This is substantially higher than the 2015 Paris Climate Change Agreement, which reflects a collective goal to hold the increase in the climate's average global surface temperature to well below 2˚C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5˚C.

There continues to be considerable uncertainty regarding the future warming pathway we will experience. This is highly dependent on the action of governments, industries, businesses and individuals.

What are the climate-related risks and opportunities?

The effects of climate change will be felt over many decades. The Trustee has again considered two types of climate-related risks and opportunities in its climate scenario analysis:

1. Transition risks and opportunities

This covers the potential financial and economic risks and opportunities from the transition to a low-carbon economy (i.e. one that has a low or no reliance on fossil fuels), in areas such as:

- Policy and legislation
- Market
- Technology
- Reputation

Risks include the possibility of future restrictions, or increased costs, associated with high carbon activities and products. There are also opportunities, which may come from the development of low-carbon technologies and nature-based solutions. In order to make a meaningful impact on reducing the extent of global warming, most transition activities need to take place over the next decade and certainly in the first half of this century.

14. https://wmo.int/topics/climate-change
15. https://climateactiontracker.org/global/cat-thermometer/

Risk Management

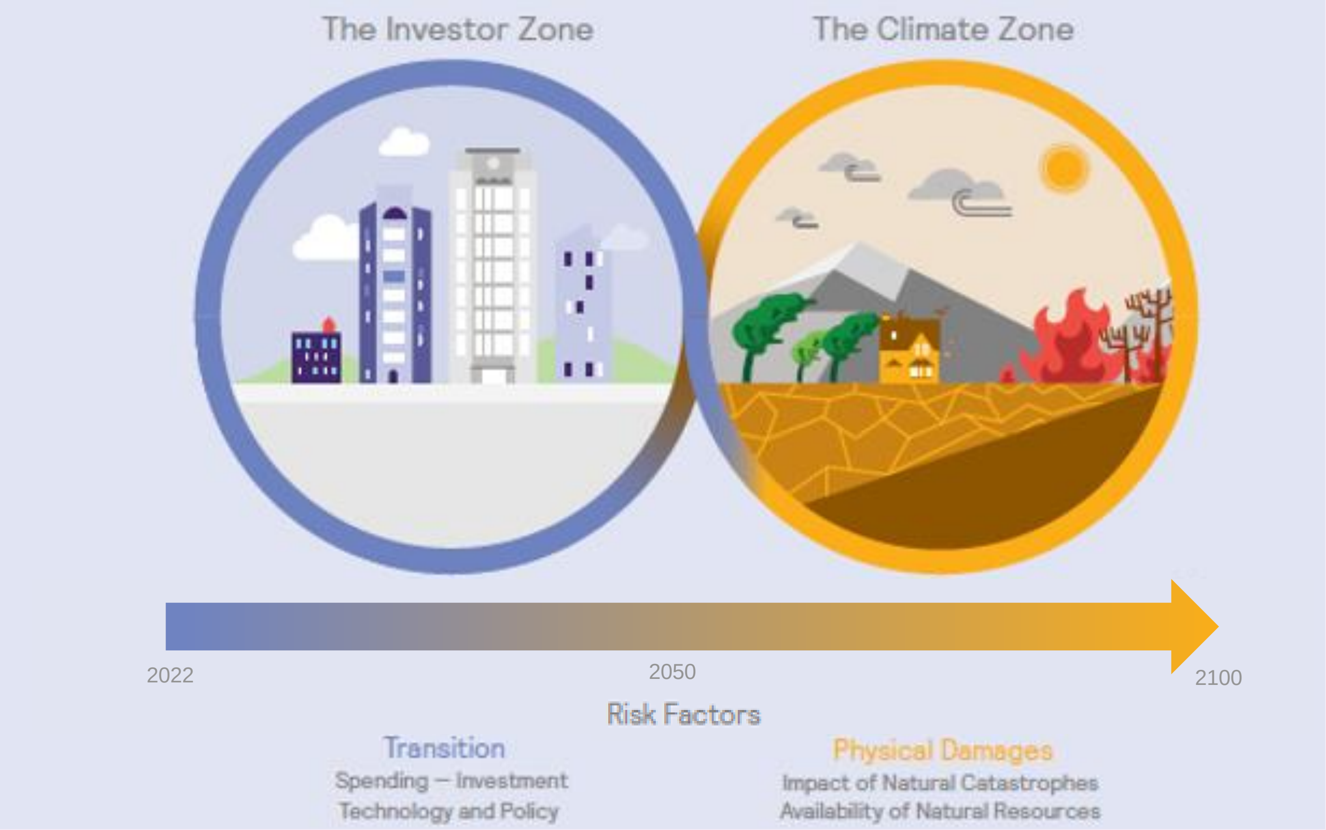
2. Physical risks and opportunities

The higher the future level of global warming, the greater physical risks will be in frequency and magnitude. Physical risks cover:

- Physical damage (storms; wildfires; droughts; floods; reduced productivity of labour and agriculture)
- Resource scarcity (water; food; materials; biodiversity loss)

Physical risks are expected to be felt more as the century progresses though the extent of the risks is highly dependent on whether global net zero greenhouse gas emissions are achieved by 2050.

There are investment opportunities, for example, in newly constructed infrastructure and real estate that are designed to be resilient to the physical impacts of climate change, as well as being constructed and operated in a way that have low or no net carbon emissions. There are also opportunities for investment in those companies or industries that focus on energy conservation and resource efficiency.



Source: Mercer

Strategy

Time Horizons: Allowing for the dynamic nature of climate change

The effects of climate change, and the actions or measures taken by governments, businesses or individuals, will be felt at different times in the future and to different extents.

As per previous reports, the Trustee has defined short-, medium- and long-term **time horizons** to help assess how the Fund's exposure to climate-related risks changes over time. These start from 2022 (the date at which the most recent climate change scenario analysis was undertaken).

Defined Contribution Section

Short Term	2022 to 2032	Representative of a member approaching retirement age
Medium Term	2032 to 2047	Representative of a member in the mid-career stage
Long Term	2047 to 2062	Representative of a member in the 'early career' stage or yet to join the Fund

Defined Benefit Sections

Short Term	2022 to 2025	Covers one actuarial valuation cycle for the Defined Benefit Section
Medium Term	2025 to 2030	Covers the time period for when all the Defined Benefit Sections' Funding Objectives are expected to be met
Long Term	2030 to 2050	Covers the period where the total benefits paid will reduce as the membership ages

Strategy

Market impact

2022 to 2025

Transition risks are greater than physical risks.

- Perceived or real increase of the pricing of greenhouse gas emissions/carbon by markets may lead to the value of assets in certain sectors being materially impacted.
- Increase in public statements by businesses making net zero commitments and setting out clear decarbonisation plans.

2025 to 2030

Transition risks continue to dominate.

- Unexpected or accelerated climate-related policy changes (such as the introduction of a ‘carbon price’) by governments or industry bodies may surprise markets. The policy changes may become inflationary.
- Physical risks are being felt through the impacts of droughts, floods and wildfires creating localised disruption.

2030 to 2050

Over this period **physical risks increase and become more dominant.**

- The implications of the physical impacts of climate change become clearer to markets and will impact asset valuations.
- Policy, legislation and regulation will play a key role at the international, national and subnational level.
- Physical risks linked to resource availability may require some businesses to relocate their operations or change their production process.
- Government responses to building regional resilience through the need to adapt local infrastructure may lead to higher economic costs.

2050 to 2062

Physical risks are expected to dominate over the latter half of the century.

- There will be more frequent and extreme weather events creating physical damages to property and infrastructure.
- Natural resource availability, such as water, will be a material consideration for society as well as business.

Strategy

Fund impact and opportunities

Now to 2025

- A significant climate-related exposure is through the public equity allocations. The climate scenario analysis and climate metrics help the Trustee to understand which equity market sectors are most exposed to climate-related risks and which are best positioned for the move to a low carbon economy.
- The Defined Contribution Section is more exposed to this risk due to a higher allocation to equity assets relative to the Defined Benefit Sections.

2025 to 2030

- The greatest climate-related exposure remains with public equity allocation, particularly for the Defined Contribution Section where maintaining a sizeable equity allocation is typically appropriate given most members’ long time horizon up to and through retirement.
- For the Defined Benefit Sections, the exposure is more towards the risk-reducing assets, such as public credit, e.g. where the issuer has made minimal effort to support the low carbon transition may lead to a potential bond default or downgrade.
- For the Defined Benefit Sections, potential market surprises or asset price volatility due to unexpected climate policy changes are mitigated by the high funding level.

2030 to 2050

- Investment opportunities remain in investments linked with the development of technology and low carbon solutions, which will be harnessed through the sustainable equity allocation in the Defined Contribution Section.
- Additional policy, legislation and regulatory action post 2030 is likely to be inflationary. The Defined Benefit Sections' liability hedging programme will minimise the impact of rising inflation on the funding strategy of the Fund.

Strategy

Fund impact and opportunities

2050 to 2062

- Within the Defined Contribution Section’s multi-asset funds, opportunities can be captured by increased exposure to sustainable global equities and global Real Estate Investment Trusts that display a high level of climate resilience.
- The public equity allocation in the Defined Contribution Section will need to be positioned towards companies that are less exposed to changes in resources and other supply chain restrictions.
- The Defined Benefit Sections' market exposure will be low beyond 2050 but may still have residual exposure to UK interest rates and inflation, though the overall impact on the funding strategy is expected to be low.

Climate scenario analysis 2023

The Trustee agreed not to update the climate scenario analysis for the Sections of the Fund during 2023.

The Trustee had updated its climate scenario analysis during 2022 to reflect an update in the modelling approach of its investment consultant. Whilst Mercer’s climate scenarios are updated on an annual basis, there were no material changes in the narratives nor quantitative inputs over the calendar year.

During 2023, the strategic asset allocation (“SAA”) of all sections of the Fund, as set out in the Statement of Investment Principles, remained unchanged.

The IRM Committee has continued to consider de-risking opportunities over the course of the year. The Fund increased its allocation to the liability driven investment portfolio to support the ongoing management of interest rate and inflation risk and disinvested from relatively illiquid assets to improve ongoing flexibility. A revised target asset allocation for each of the Defined Benefit Sections will be formally reviewed and agreed in 2024. Updated scenario analysis will be carried out as part of the review. The Trustee will consider the materiality of the any proposed changes to determine whether a quantitative or qualitative approach to climate scenario analysis will be preferred in order to assist the Trustee with its decision making.

This report sets out the results from the climate scenario analysis that the Trustee undertook as at 31 December 2022. During 2023, the Trustee reviewed the previous climate scenario analysis, taking into consideration the limitations to climate scenario modelling and the real-world impact of climate-related events being felt across the world. The Trustee concluded that the key outcomes remain unchanged.

Strategy

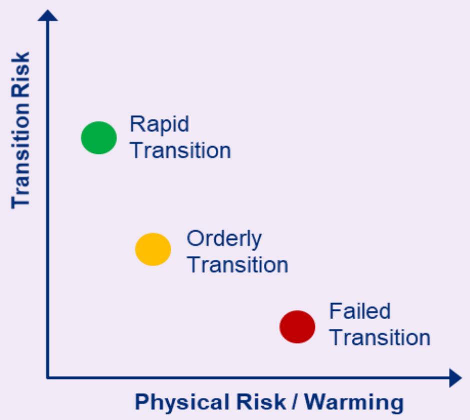
Climate scenarios

The Trustee undertook climate scenario analysis as at 31 December 2022 to the test the resilience of the investment and funding strategy adopted by the Trustee.

These scenarios were selected by the Trustee to test a broad range of feasible outcomes and the Fund's exposure to both transition and physical risks.

This has been applied to the strategic asset allocation (for the Defined Benefit Sections) and popular arrangements (for the Defined Contribution Section using three modelled scenarios):

- **Rapid Transition** (1.5°C)
- **Orderly Transition** (less than 2°C)
- **Failed Transition** (greater than 4°C).



Source: Mercer

The analysis is based on scenarios developed by Mercer working with Ortec Finance. Mercer scenarios include the likelihood of longer term impacts being priced in before the events happen.

In designing scenario analysis, a fundamental decision is whether to assume that any climate impacts are priced in today. The analysis in this report is expressed relative to a ‘climate-informed’ baseline; the implication is that all return impacts are presented in terms of how they are different to what we are assuming is priced in today. Further detail on climate scenario narratives, including modelling limitations, is included in the appendix of this report.

Climate scenario narratives

Rapid Transition

Average temperature increase of 1.5°C by 2100 (relative to pre-industrial average). This scenario assumes sudden downward re-pricing across assets in 2025. This could be driven by a change in policy or where the market reprices to take into account expected costs to move to a low carbon economy. This scenario assumes there is a partial recovery after the market shock. Physical damages are lower under this scenario than the others considered.

Orderly Transition

Average temperature increase of less than 2.0°C by 2100. In this scenario, Governments and wider society act in a co-ordinated way to decarbonise and to limit global warming to well below 2°C. Transition impacts do occur but are relatively muted.

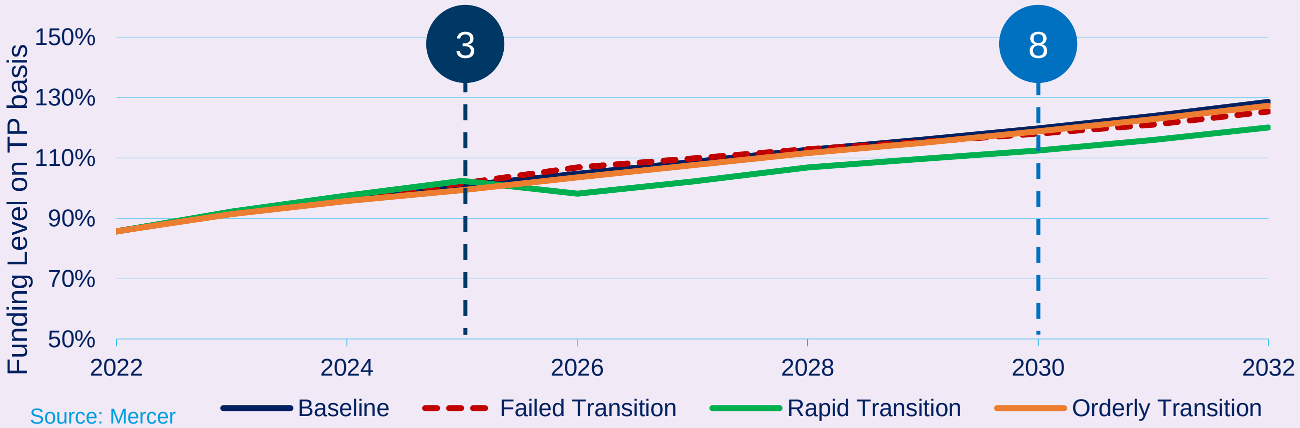
Failed Transition

Average temperature increase above 4°C by 2100. The world fails to co-ordinate a transition to a low carbon economy. Physical climate impacts (e.g. extreme weather events or scarcity of resources) significantly reduce economic productivity and have increasingly negative impacts. These are reflected in re-pricing events in the late 2020s and late 2030s.

Defined Benefit Sections' Scenario Analysis Results

The chart below illustrates the output of the Trustee's quantitative analysis of the investment and funding strategy for the JLT Section.

Chart 1: Funding level projections on TP basis including insured pensioners between 31 December 2022 and 31 December 2032 for the JLT Section using the strategic asset allocation as at 30 June 2022.



Source: Mercer

Resilience of the Defined Benefit Sections' investment strategy

The climate scenario analysis has been carried out for the Defined Benefit Sections with the key output summarised in Table 1.

Table 1: Expected impact on annual investment return to 2025, 2030 and 2050 based on the strategic asset allocation of the Defined Benefit Sections as at 30 June 2022.

Fund results		Per annum return impacts out to projection horizon			
Scenario	**Projection horizon**	**Sedgwick**	**Marsh**	**Mercer**	**JLT**
Rapid Transition (1.5°C)	**2025**				
	2030				
	2050				
Orderly Transition (2.0°C)	**2025**				
	2030				
	2050				
Failed Transition (4.0°C)	**2025**				
	2030				
	2050				

Impact on mortality

The Trustee has separately considered the impact of climate change upon Fund members' mortality at a high level. In the UK, mortality changes directly due to climate change (over the Trustee's short term and medium term projection periods used within this report) are not expected to be material in the context of general uncertainty about life expectancy. During 2023, the Fund extended coverage of the longevity hedge for members of the Legacy Sections. The longevity hedge and the JLT Section's bulk annuity contracts reduces the mortality risk exposure of the Fund and therefore reduces the climate-related mortality risks. This position will be re-assessed at the next actuarial valuation as at 31 December 2024.

Defined Benefit Sections' Covenant Scenario Analysis

Mercer, as covenant advisor, provides the Trustee with quarterly covenant updates. In these updates, climate-related exposures are considered alongside other factors that could have a positive or negative impact on the strength of the Sponsor's covenant.

Marsh McLennan has committed to set and execute low-carbon transition strategies across its global business operations that collectively chart a path to net-zero across its core operations by 2050, with an emissions reduction target of 50% by 2030. In connection with this goal, Marsh McLennan has signed a commitment letter to the Science Based Targets initiative ("SBTi") and is currently working on a climate transition plan to achieve its targets. Further details are included in Marsh McLennan's ESG report 2023 [16].

Mercer has assessed the overall risk exposure as low, noting that Marsh McLennan is strongly expected to be resilient against climate-related risks. As part of this assessment, Mercer has considered Transition Risks and Physical Risks. The Trustee has reviewed the assessment and agrees with Mercer's conclusion.

16. https://www.marshmclennan.com/content/dam/mmc-web/v3/esg-report-2023/2023-Marsh-McLennan-ESG-Report.pdf

Strategy

Defined Benefit Sections - Summary:

Short term: 2022 - 2025

Over the short term, transition risks are most impactful, however an Orderly Transition has the biggest negative effect on returns for all Defined Benefit Sections. There is a positive return impact under a Rapid Transition as markets continue to function normally until 2025, at which point there are sudden re-pricing shocks across multiple securities as markets try to align portfolios to the Paris Agreement goals.

Medium term: 2025 - 2030

Over the medium term, transition risk and physical risk are both factors. The impact of transition risks under the Rapid Transition and physical risks under the Failed Transition are broadly similar for all Sections (albeit noting the negative impacts are more pronounced in the JLT Section).

Long term: 2030 - 2050

Over the long term, physical impacts become significant, with the Failed Transition resulting in significant falls in asset value relative to the baseline for all Sections. The JLT Section is impacted to the greatest extent given its allocation to equity assets. The Trustee would note that given wider de-risking plans these are expected to reduce over time. However, given the strength of the funding position, the impact over the longer term is less material.

Conclusion:

The JLT Section, with higher exposure to growth assets (in particular, public market developed equity), has greater negative exposure to physical and transition risks. In both Rapid and Failed Transition scenarios, the overall asset return impacts are positive over the short term, however becomes increasingly negative over longer periods.

The Marsh, Mercer and Sedgwick sections have a lower exposure to physical and transition risk to a large extent due to their significant allocation to fixed income asset classes.

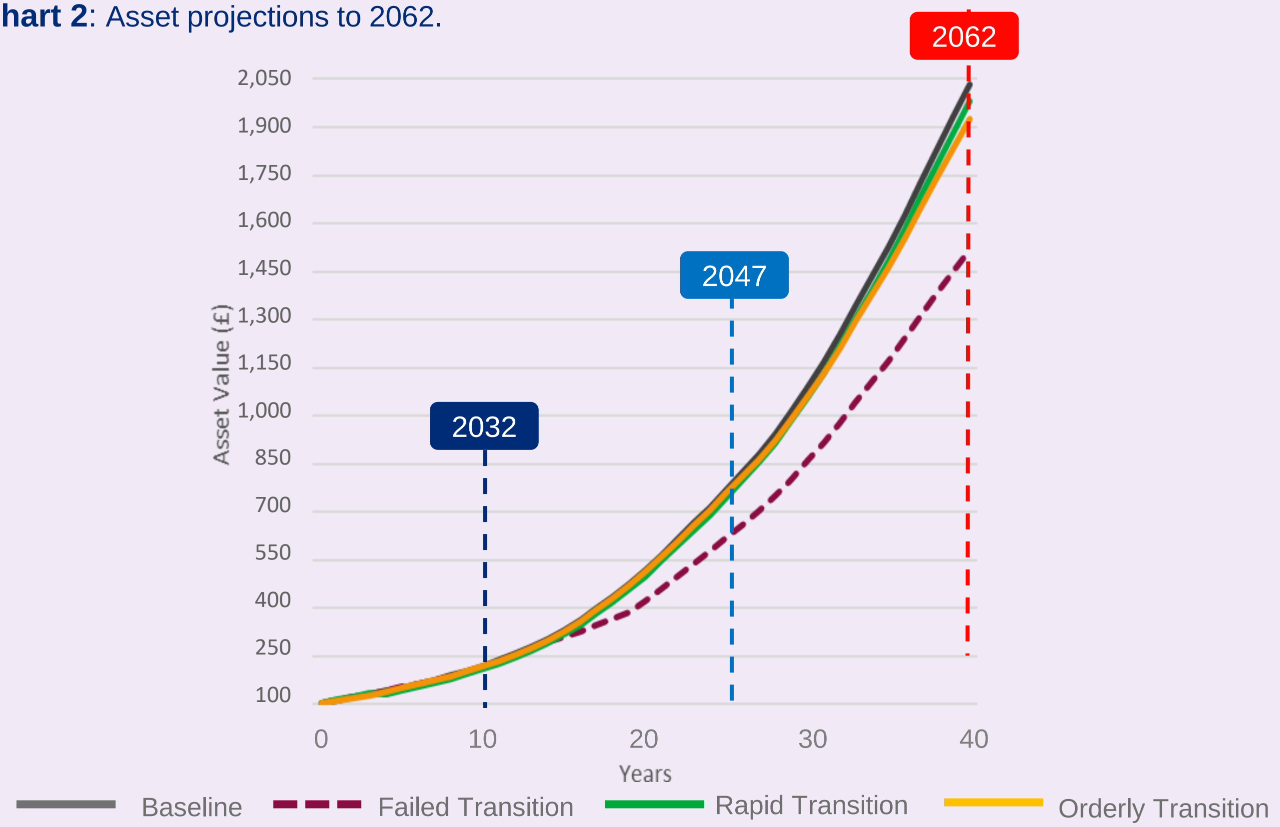
The impact of physical and transition risks are expected to reduce in the future for all Sections as the Trustee continues to reduce the Defined Benefit Sections' allocation to growth assets.

The Trustee has taken the investment and funding analysis into consideration but has not made any changes to its funding or investment strategy.

Defined Contribution Section's Scenario Analysis Results

The chart below represents the output of the Trustee's quantitative analysis of the Defined Contribution Section's default arrangement – Mercer SmartPath Target Drawdown, for the three scenarios and time horizons. The chart shows a projection of £100 invested in the Defined Contribution Section's default arrangement from an analysis date of 31 December 2022. Further detail on the underlying fund asset allocations and limitations associated with climate scenario analysis are set out in the Technical Appendix.

Chart 2: Asset projections to 2062.



Source: Mercer. Based on the strategic asset allocation as at 30 September 2022. The projections assume £100 as initial asset value, with the baseline following Mercer's capital market assumptions' return expectations.

Note: the modelling may understate the true level of risk due to the uncertainty around the future economic impacts of climate change.

Rapid Transition: Outperforms the baseline over the first few years, however a sharp reduction towards the middle of the short term time horizon leads to this scenario producing the lowest growth over the short and medium term. Projected to produce the highest value over the long term.

Orderly transition: Marginally underperforms the baseline over the short and medium term, however is ahead of the other two scenarios over these periods. Projected to produce the second highest value over the long term.

Failed Transition: Outperforms the baseline over the majority of the short term, before falling behind by 2032 and continuing to significantly fall behind both the baseline and other scenarios over the medium and long term as the compounding impact of both transition and physical risks come to the fore.

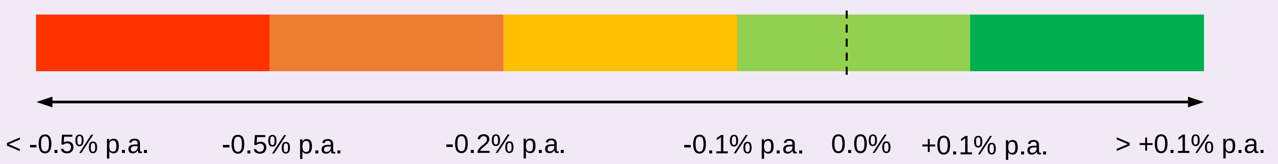
Strategy

Resilience of the Defined Contribution Section's investment strategy

The climate scenario analysis has been carried out for the two main funds used within the Defined Contribution Section's Default investment strategy, the Mercer Growth Fund and the Mercer Diversified Retirement Fund. Table 1 summarises the key findings.

Table 2: Additional climate change impact on annual return to 2032, 2047 and 2062 based on the strategic asset allocation of the funds as at 30 September 2022.

Fund results		Per annum return impacts out to projection horizon	
Scenario	**Projection horizon**	**Mercer Growth**	**Mercer Diversified Retirement**
Rapid Transition (1.5°C)	**2032**		
	2047		
	2062		
Orderly Transition (2.0°C)	**2032**		
	2047		
	2062		
Failed Transition (4.0°C)	**2032**		
	2047		
	2062		



Source: Mercer

Defined Contribution Section - Summary:

Short term: 2022 - 2032

Over the short-term, transition risks have the greatest impact. As illustrated in chart 2 and table 2, these impacts are most pronounced under a rapid transition scenario where there may be rapid market re-pricing relating to climate transition (e.g. substitution of existing products and services with lower emission alternatives).

The ability of the Trustee to consider these short term transition risks and opportunities can position the funds favourably, for example by aligning investments to avoid and/or reduce exposure to high-emitting carbon sensitive businesses that do not have a business plan that supports the transition to a low carbon economy.

Strategy

Defined Contribution Section - Summary:

Medium term: 2032 - 2047

Over the medium term time horizon, the risks and expected impacts associated with transitioning to a low carbon economy gradually give way to the physical impacts associated with climate change. The expected negative impact from a failed transition are particularly evident in the latter stages of the medium term horizon illustrated in chart 2.

Table 2 highlights how the Growth Fund with a higher equity allocation is expected to be more exposed to the negative impacts of a rapid, orderly or failed transition scenario (relative to the Diversified Retirement Fund).

Long term: 2047 - 2062

Over the long term, physical impacts become increasingly significant, with the Failed Transition resulting in significant falls in asset value relative to the baseline. Despite the short- term negative impacts associated with a rapid transition scenario, it's notable (from both chart 2 and table 2) that the physical risks significantly outweigh these over the long-term.

Conclusion

The results of the scenario analysis highlight the importance of the Trustee continuing to monitor the risks and opportunities associated with climate change on behalf of members. The Trustee will continue to weigh up these risks and opportunities (and how they're likely to present themselves over the short, medium and long-term) against the wider array or risks to be considered in helping members achieve their long-term retirement goals. As part of this process, the Trustee will engage with the underlying investment managers to ensure these risks and opportunities are being appropriately considered.

Metrics and Targets

The Trustee has chosen to present four different climate-related metrics in this report. The metrics help the Trustee to understand risk exposures and opportunities associated with the Fund's investment portfolio and identify areas for further risk management. The metrics in this report relate to the Fund's financed emissions [17] only and exclude emissions associated with the operation of the Fund. The metrics in this report are:

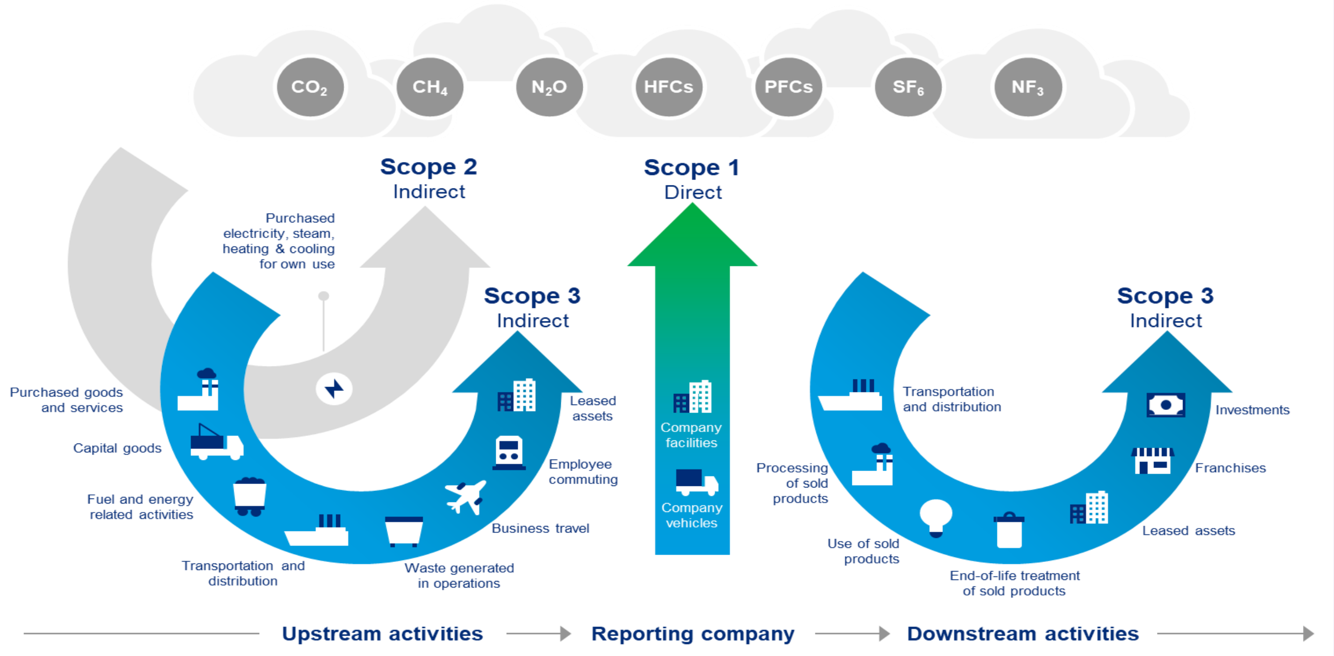
1. Absolute emissions metric: Total carbon emissions;
2. Emissions intensity metric: Weighted average carbon intensity;
3. Portfolio Alignment metric: Implied temperature rise; and
4. An additional climate change metric: Data Quality.

The Trustee recognises the challenges with various metrics, tools and modelling techniques used to assess climate change risks. The Trustee aims to work with its investment advisor and investment managers to continuously improve the approach as more data becomes available. The Technical Section of this report sets out the data limitations and assumptions used in collating these metrics.

Emissions based metrics

1. Total carbon emissions

This metric represents the underlying investee company's or issuer's reported or estimated greenhouse gas emissions, where available. It includes various scopes of emissions. Scope 1 emissions are direct emissions that are owned or controlled by a company. Scope 2 and 3 emissions are indirect emissions produced through activities of a company but are from sources not controlled or owned by the company. This is summarised in the following diagram.



Source: GHG Protocol

17. Financed emissions refer to the greenhouse gas emissions that banks/investors finance through their investments, commitments and lending

Metrics and Targets

There are seven recognised greenhouse gases, as defined by the GHG Protocol. In order to simplify reporting, each greenhouse gas is calibrated relative to carbon dioxide and is reported as ‘carbon dioxide equivalent’ emissions (CO2e).

In this report, the Trustee has presented absolute emissions covering scope 1, 2 and 3 emissions[18].

The absolute emission metric[19] is a proxy for the share of GHG emissions that are ‘owned’ by the Fund through investing in the underlying companies and issuers, including countries (referred to as ‘sovereign exposure’ through government debt).

Defined Contribution Section

Table 3 – Absolute emissions for the Mercer Growth Fund and Mercer Diversified Retirement Fund.

Fund[a]	Assets invested as at 30 June 2023 (£m)	Absolute Emissions (tCO_2e) [b]		Data Coverage [c]
		Scope 1 and 2	Scope 3	
Mercer Growth Fund	803.7	67,338	355,761	97.1%
Mercer Diversified Retirement Fund	75.9	4,094	18,368	94.7%

Source: MSCI; Mercer Calculations.

a) The figures in this analysis have been pro-rated at the individual fund level (where reasonable data is available) to present coverage as if full data were available for the listed assets.

b) When calculating tonnes of carbon dioxide equivalent emissions (tCO2e) Scope 1 and 2 emissions are reported separately to scope 3 emissions. This is for two reasons; 1) coverage of scope 3 disclosure remains insufficient to use reliably and 2) inclusion may lead to double counting at portfolio level. Scope 1, 2 and 3 emissions are as defined by the GHG protocol - Greenhouse Gas Protocol | (ghgprotocol.org)

c) Coverage shown for Scope 1 and 2 emissions.

The largest asset allocation within the Mercer Growth Fund is to listed equities, which also contributes the majority of this fund’s total carbon emissions. Within the Mercer Diversified Retirement Fund, the allocation to equities is lower but the exposure to defensive strategies such as corporate bonds and buy & maintain credit will have been significant contributors to this fund’s total carbon emissions. Over the year to 30 June 2023, total carbon emissions increased in the Mercer Growth Fund, mainly driven by an increase in the assets invested, while total carbon emissions fell in the Mercer Diversified Retirement Fund, despite an increase in the value of invested assets, driven primarily by a reduction to Global Credit.

18. The Technical Section provides more background to this decision.
19. Calculated as the sum of (Investment value in a company/company enterprise value including cash (EVIC))* company carbon emissions (CO2e).

Defined Benefit Sections

Table 4 – Summary of absolute emissions and data coverage for the Defined Benefit Sections

	Sedgwick Absolute Emissions[a,b,c] (tCO_2e)		Marsh Absolute Emissions[a,b,c] (tCO_2e)	
	Scope 1 & 2	Scope 3	Scope 1 & 2	Scope 3
Total Portfolio Data Coverage[d]	76.2%	27.5%	68.7%	8.8%
Total Portfolio non-sovereign component (tCO_2e)	67,231	552,734	11,021	83,539
Total Portfolio sovereign component (tCO_2e)	299,221	-	238,167	-

	Mercer Absolute Emissions[a,b,c] (tCO_2e)		JLT Absolute Emissions[a,b,c] (tCO_2e)	
	Scope 1 & 2	Scope 3	Scope 1 & 2	Scope 3
Total Portfolio Data Coverage[d]	66.6%	1.1%	57.5%	8.2%
Total Portfolio non-sovereign component (tCO_2e)	869	7,676	38,570	60,657
Total Portfolio sovereign component (tCO_2e)	162,272	-	22,952	-

Source: MSCI; Mercer Calculations; Liability Hedging Programme asset managers.

a) Scope 1, 2 and 3 emissions data only. MSCI data extracts run in June 2023. Assumes fund values as at 30 June 2023 as follows: Marsh Section £1,584m; Mercer Section £1,013m; Sedgwick Section £2,446m; JLT Section £468m.
b) The asset managers for the private equity, private debt, secured finance and property funds were not able to provide climate-related metric data as at 30 June 2022.
c) The figures in this analysis have been pro-rated at the individual manager fund level (where reasonable data is available) to present coverage as if full data were available.
d) Total absolute emissions metric for the liability hedging programme mandates cover exposure to funded gilts, gilt repo and total return swaps. The Buy-in is excluded.
e) The Technical Section of this report provides more information on the assumptions that have been made in respect of the liability hedging programme and other derivative contracts, such as the longevity swap and equity options.
f) Absolute emissions estimated by Mercer based on data provided Insight.
g) Commentary on the buy-in policy in respect of the JLT Section is included in the Technical Section of this report.
h) Data Coverage only relates to Scope 1 and 2 emissions for equities and bonds, and sovereigns. Data coverage for Scope 3 emissions covers only equity and corporate bonds.

The largest asset allocation for each of the Defined Benefit Sections is to the liability hedging assets (Liability Driven Investment), which is predominately invested in UK government bonds, and therefore these funds make up the largest proportion of the Sections' total carbon emissions. These hedging assets provide good protection against changes in interest rates, inflation and life expectancy and therefore the Trustee expects the allocations to these assets to increase over time as the funding levels of the Defined Benefit Sections improve.

Over the year to 30 June 2023, the Fund sold its equity holdings and some of its Buy and Maintain Credit exposures in order to help support the collateral required to support the liability hedging assets. This was due to a sudden increase in gilts yields that was experienced in the fourth quarter of 2022. During 2023, the funding level of the Defined Benefit Section of the Fund improved and the Trustee agreed not to rebalance the assets towards the Strategic Asset Allocation in the Statement of Investment Principles. The IRM Committee has continued to consider de-risking opportunities over the course of the year. The Fund increased its allocation to the liability driven investment portfolio and disinvested from relatively illiquid assets to improve ongoing flexibility. The changes to the actual asset allocation over the year have reduced the absolute emissions for each section of the portfolio and the total portfolio coverage (most notably for Scope 3 emission reporting).

Metrics and Targets

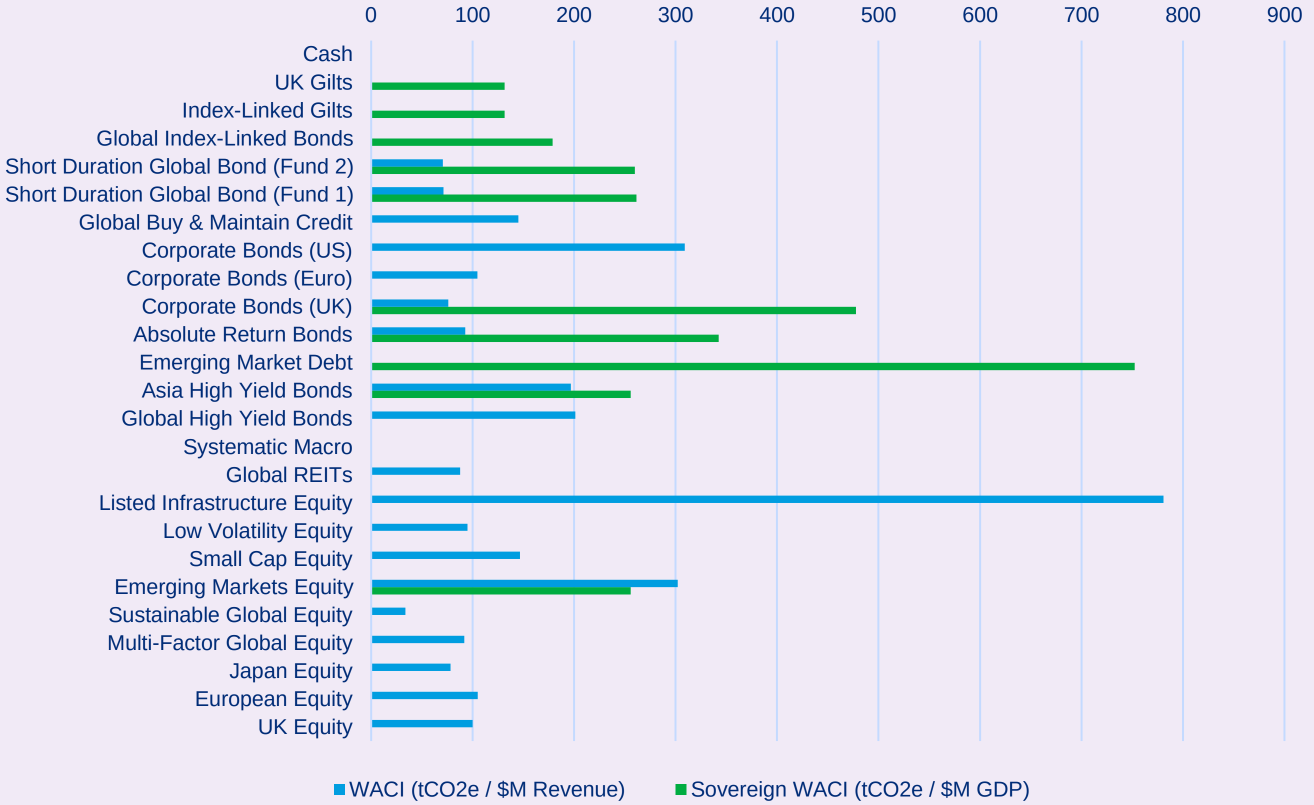
2. Intensity based metrics

Weighted-Average Carbon Intensity (WACI)

This metric scales the total carbon emissions of each underlying investee company by the amount of revenues generated by that company. At a total asset class portfolio level, this metric gives an indication of carbon efficiency. A lower WACI score shows better efficiency.
For government debt, the WACI measure scales the Absolute Emissions of each country by the Gross Domestic Product ("GDP") of the country. The methodology used to calculate the carbon intensity associated with government debt is likely to change and we will keep this under review.
Scope 1 and 2 emissions are reported separately to scope 3 emissions. This is for two reasons; 1) coverage of scope 3 disclosure remains insufficient to use reliably and 2) inclusion may lead to double counting at portfolio level.

Defined Contribution Section

Chart 3 – Mercer Growth Fund and Mercer Diversified Retirement Fund WACI as at 30 June 2023 covering Scope 1 and 2 data



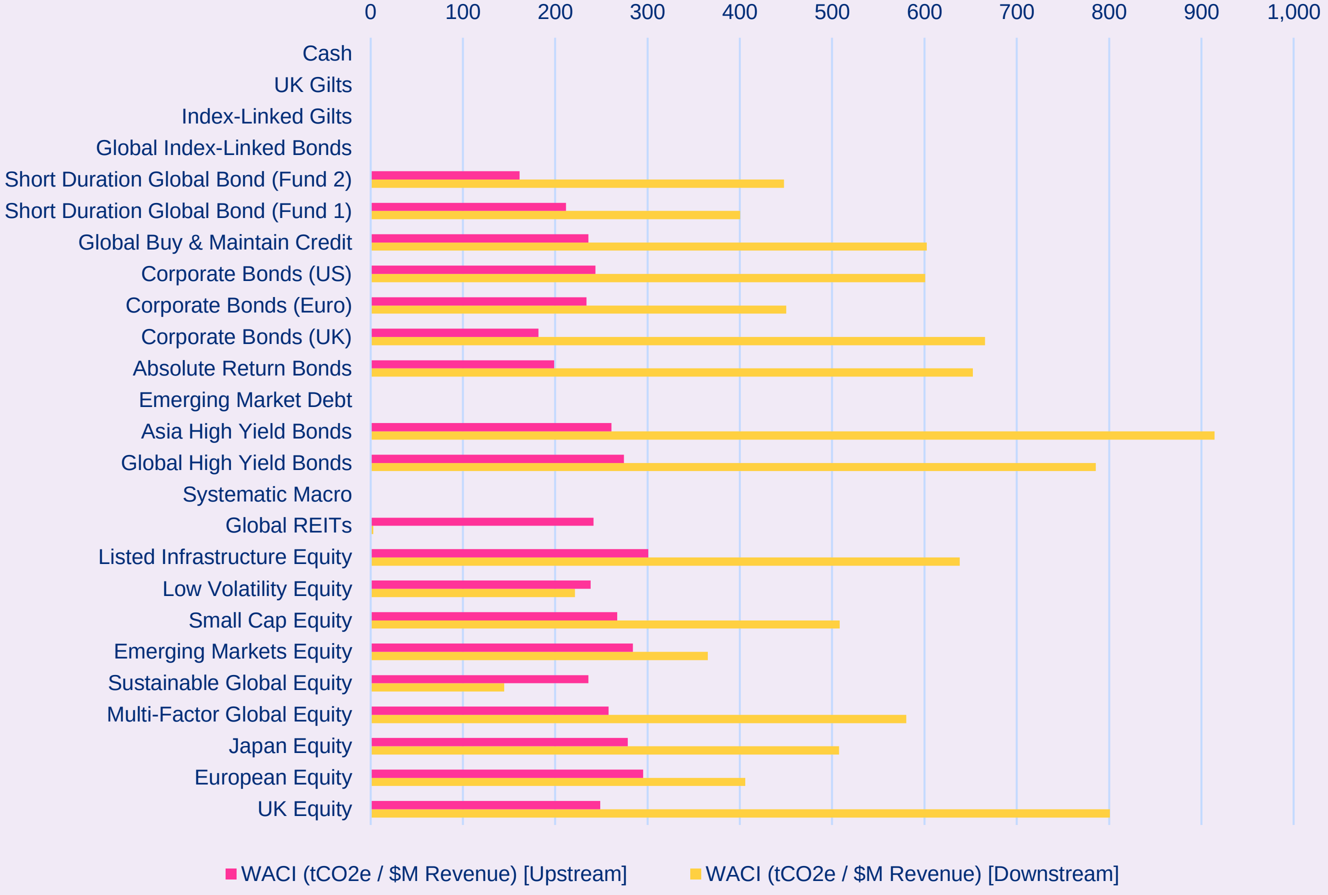
Source: MSCI; Mercer Calculations

a) Scope 1 and 2 emissions data only. MSCI data extract run as in June 2023.
b) Small Cap Equity and Multi-Factor Global Equity only applies to the Mercer Growth Fund, while Cash, UK Gilts, Index-Linked Gilts, Short Duration Global Bond (Fund 2), Global Buy & Maintain Credit only applies to the Mercer Diversified Retirement Fund.
c) The Systematic Macro and Cash allocations have been assumed as zero given the nature of these asset classes.
d) WACI for the sovereign debt exposures has been calculated using GDP of the underlying countries, where emissions data is available.
e) The allocation to sovereign assets within the underlying funds was: Emerging Markets Equity (4.6%), Global High Yield Bonds (0.3%), Asia High Yield Bonds (4.1%), Emerging Market Debt (100.0%), Absolute Return Bonds (51.7%), Corporate Bonds – UK (2.2%), Corporate Bonds – Euro (0.1%), Global Buy & Maintain Credit (0.5%), Short Duration Global Bond - Fund 1 (2.6%), Short Duration Global Bond - Fund 2 (54.9%), Global Index-Linked Bonds (100.0%) Index-Linked Gilts (100.0%) and UK Gilts (100.0%).
f) The figures in this analysis have been pro-rated at the individual manager fund level (where reasonable data is available) to present coverage as if full data were available.

Chart 3 includes the underlying asset class exposures utilised within the Growth and Diversified Retirement Funds and shows that Listed Infrastructure Equity, Emerging Market Equity, Corporate Bonds and Emerging Market Debt are amongst the highest intensity funds. Over the year to 30 June 2023, the Listed Infrastructure Equity and Low Volatility Equity carbon intensity reduced significantly following these funds moving to a low carbon/climate transition benchmark. The Multi-Factor Global Equity carbon intensity also reduced significantly following a normalisation of market conditions and Global Buy & Maintain Credit carbon intensity reduced after additional restrictions on allocations to very high carbon emitters were introduced.

Chart 4 sets out the WACI for scope 3 emissions split by upstream and downstream measures. The graphic on page 30 explains what is included in upstream and downstream activities.

Chart 4 – Mercer Growth Fund and Mercer Diversified Retirement Fund WACI as at 30 June 2023 covering scope 3 data

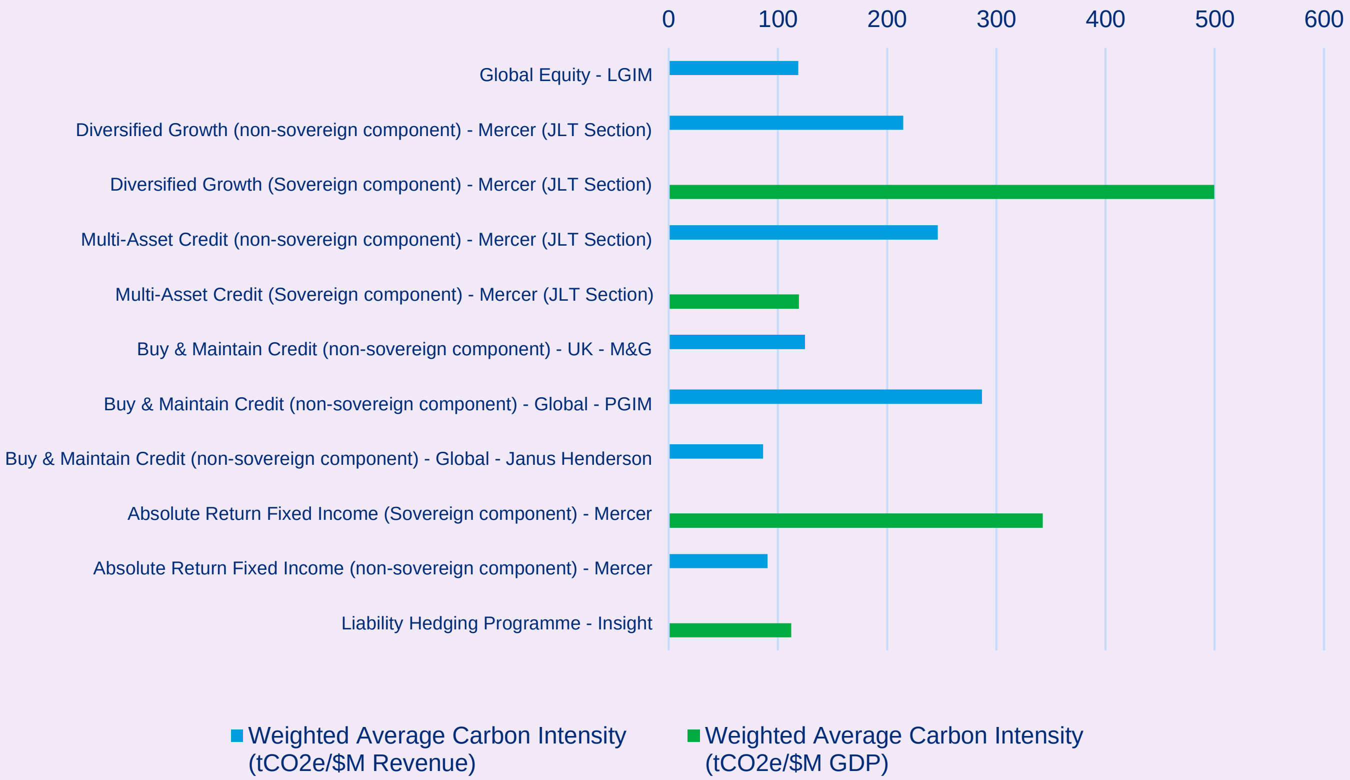


Source: MSCI; Mercer Calculations

a) Scope 3 emissions data only. The data separates out the upstream and downstream WACI. MSCI data extracts run in June 2023.
b) Small Cap Equity and Multi-Factor Global Equity only applies to the Mercer Growth Fund, while Cash, UK Gilts, Index-Linked Gilts, Short Duration Global Bond (Fund 2), Global Buy & Maintain Credit only applies to the Mercer Diversified Retirement Fund.
c) The Systematic Macro, Emerging Market Debt, Global Index-Linked Bonds, Index-Linked Gilts, UK Gilts and Cash allocations have been assumed as zero given the nature of these asset classes. Sovereign data is not included.
d) The figures in this analysis have been pro-rated at the individual manager fund level (where reasonable data is available) to present coverage as if full data were available.

Defined Benefit Sections

Chart 5 – Asset manager fund level WACI as at 30 June 2023 covering Scope 1 and 2 data



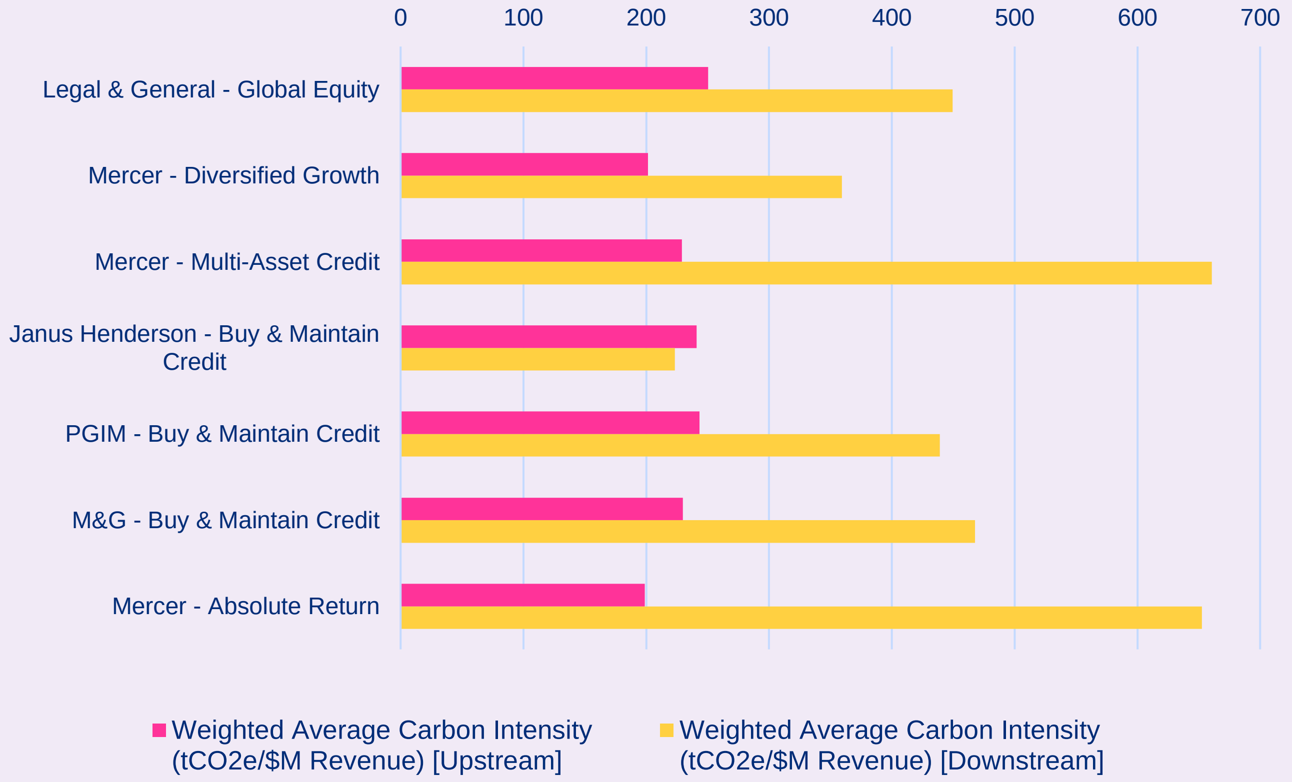
Source: MSCI; Mercer Calculations; Liability Hedging Programme asset managers.

a) Scope 1 and 2 emissions data only. MSCI data extracts run in June 2023.
b) The asset managers for the private equity, private debt, secured finance and property funds were not able to provide climate-related metric data as at 30 June 2023.
c) The WACI metric for the liability driven investment mandates cover the emissions associated with the funded gilts, gilt repo and total return swaps and uses GDP to calculate the intensity. The Technical Section of this report provides more information on the assumptions that have been made in respect of the liability hedging programme and other derivative contracts.
d) The figures in this analysis have been pro-rated at the individual manager fund level (where reasonable data is available) to present coverage as if full data were available.
e) The sovereign component of the Mercer Diversified Growth Fund is 17% of the fund.

For the funds that use revenue data in the WACI calculation, the highest intensity funds are the Buy and Maintain Credit Fund managed by PGIM, the Mercer Multi-Asset Credit Fund and the Mercer Diversified Growth Fund. The Diversified Growth Fund has exposures to high carbon intensity asset classes such as emerging market equities, high yield debt and infrastructure. The WACI for these funds has reduced over the 12 months to 30 June 2023.

Chart 6 sets out the WACI for scope 3 emissions split by upstream and downstream measures. The graphic on page 30 explains what is included in upstream and downstream activities.

Chart 6 – Asset manager fund level WACI as at 30 June 2023 covering scope 3 data



Source: MSCI; Mercer Calculations; Liability Hedging Programme asset managers.

a) Scope 3 emissions data only. The data includes both upstream and down stream WACI. MSCI data extracts run in June 2023.
b) The asset managers for the Liability Hedging Programme, private equity, private debt, secured finance and property funds were not able to provide climate-related metric data as at 30 June 2023. Sovereign data is not included.
c) The figures in this analysis have been pro-rated at the individual manager fund level (where reasonable data is available) to present coverage as if full data were available.

Of the funds noted in the graph above, the Legal & General Global Equity Fund had the highest WACI for scope 3 upstream emissions and the Mercer Multi-Asset Credit Fund had the highest WACI scope 3 downstream emissions. Generally, the manager fund level scope 3 WACI emissions are lower than those shown in the previous year's report. For the Buy and Maintain Credit funds, this has primarily been driven by a reduction in the emissions reported by issuers in the industrials sector for M&G and a rotation into less carbon intensive issuers for Janus Henderson and PGIM. One outlier is the Mercer Absolute Return Fund, which has seen a rise in the downstream scope 3 WACI due to a holding in an Asian Bank.

3. Portfolio Alignment Metric

Implied Temperature Rise[20]

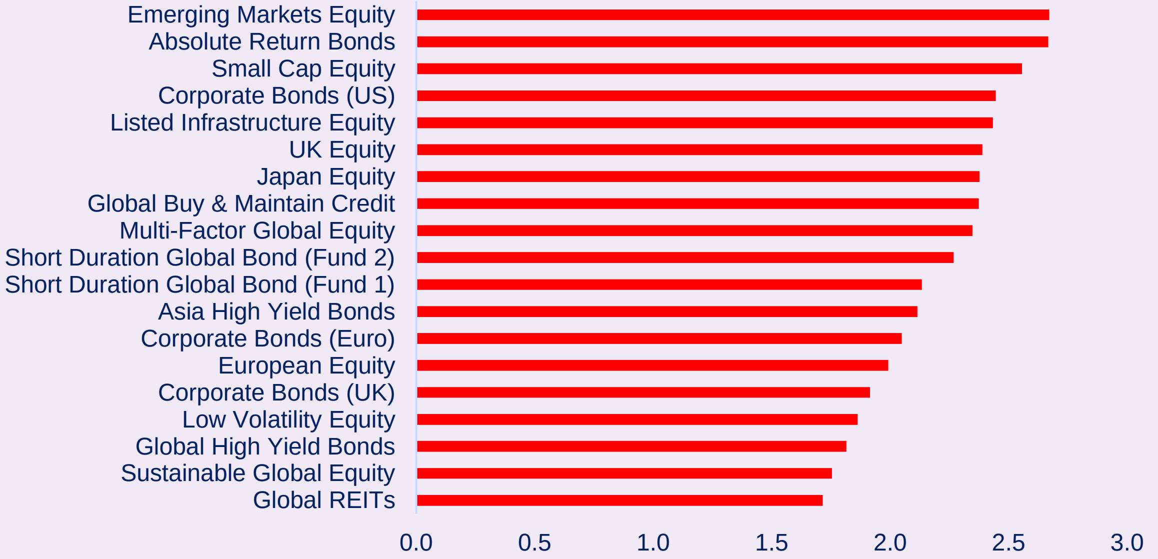
This is a forward-looking metric that considers the pledges, commitments and business strategy changes that underlying investee companies/issuers have made. It provides a prediction of the potential temperature rise over the rest of the century based on the activities of those companies and issuers. The metric illustrates the degree of portfolio alignment with the goals of the Paris Agreement (notably to limit warming to well below 2°C by the end of the century).

The Trustee has chosen this metric to include in this report because of its simplicity in presentation and a useful way to see, at a glance, the positioning of a fund towards a low carbon economy. Asset allocations with high Implied Temperature Rise metrics are invested in companies or issuers that are not transforming their businesses or activities in order to reduce the reliance on fossil fuels. This is also a measure of climate transition risk with greater transition risk highlighted in asset allocations with a higher Implied Temperature Rises.

The Implied Temperature Rise metrics in this section are presented at 30 June 2023.

Defined Contribution Section

Chart 7 – Mercer Growth Fund and Mercer Diversified Retirement Fund - Implied Temperature Rise (°C) as at 30 June 2023



Source: MSCI; Mercer Calculations.

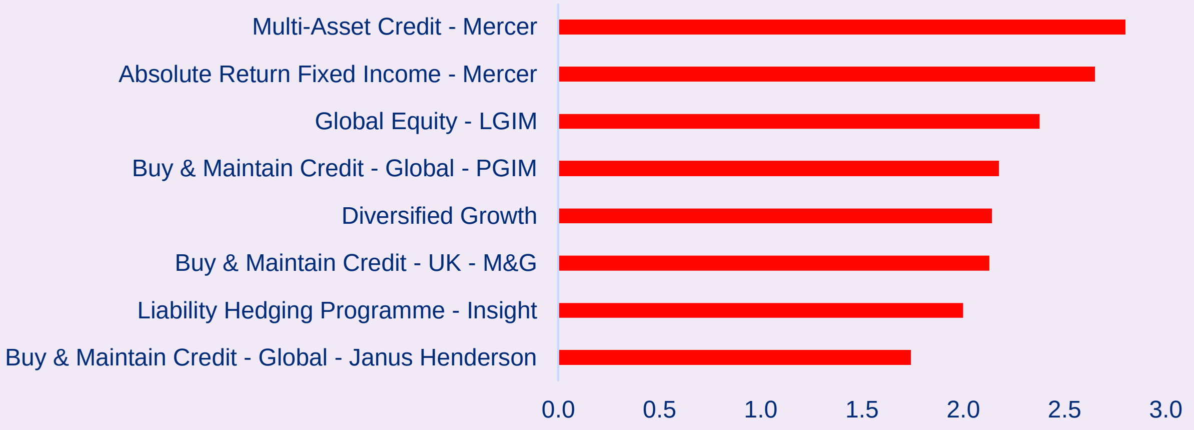
a) Covers scopes 1, 2 and 3 emissions data, where available. MSCI data extract run in June 2023.
b) Small Cap Equity and Multi-Factor Global Equity only applies to the Mercer Growth Fund, while Cash, UK Gilts, Index-Linked Gilts, Short Duration Global Bond (Fund 2), Global Buy & Maintain Credit only applies to the Mercer Diversified Retirement Fund.
c) The allocations to Systematic Macro, Emerging Market Debt and Global Index-Linked Bonds (both funds) and Index-Linked Gilts, UK Gilts and Cash (Diversified Retirement Fund only) have been excluded as the metric is not available for these asset classes.
d) For the calculation of Implied Temperature Rise, the Trustee has used MSCI's methodology. More information can be found here: https://www.msci.com/our-solutions/climate-investing/net-zero-solutions/implied-temperature-rise.

Chart 7 includes the underlying asset class exposures within the Mercer Growth and Mercer Diversified Retirement Funds which are component parts of the default strategy in the Defined Contribution Section. Emerging Markets Equity and Absolute Return Bonds have the highest implied temperature rises in the funds as at 30 June 2023.

20. For the calculation of Implied Temperature Rise, the Trustee has used MSCI's methodology. More information can be found here: https://www.msci.com/our-solutions/climate-investing/net-zero-solutions/implied-temperature-rise

Defined Benefit Sections

Chart 8 – Asset manager fund level - Implied Temperature Rise (ºC) as at 30 June 2023 (where data is available)



Source: MSCI; Mercer Calculations.

a) Covers scopes 1, 2 and 3 emissions data, where available. MSCI data extract run as at June 2023.
b) The asset managers for the multi-asset credit fund, private equity, private debt, secured finance and property funds were not able to provide Implied Temperature Rise metrics as at 30 June 2023.

The portfolios with allocations to emerging market debt have the largest Implied Temperature Rises.

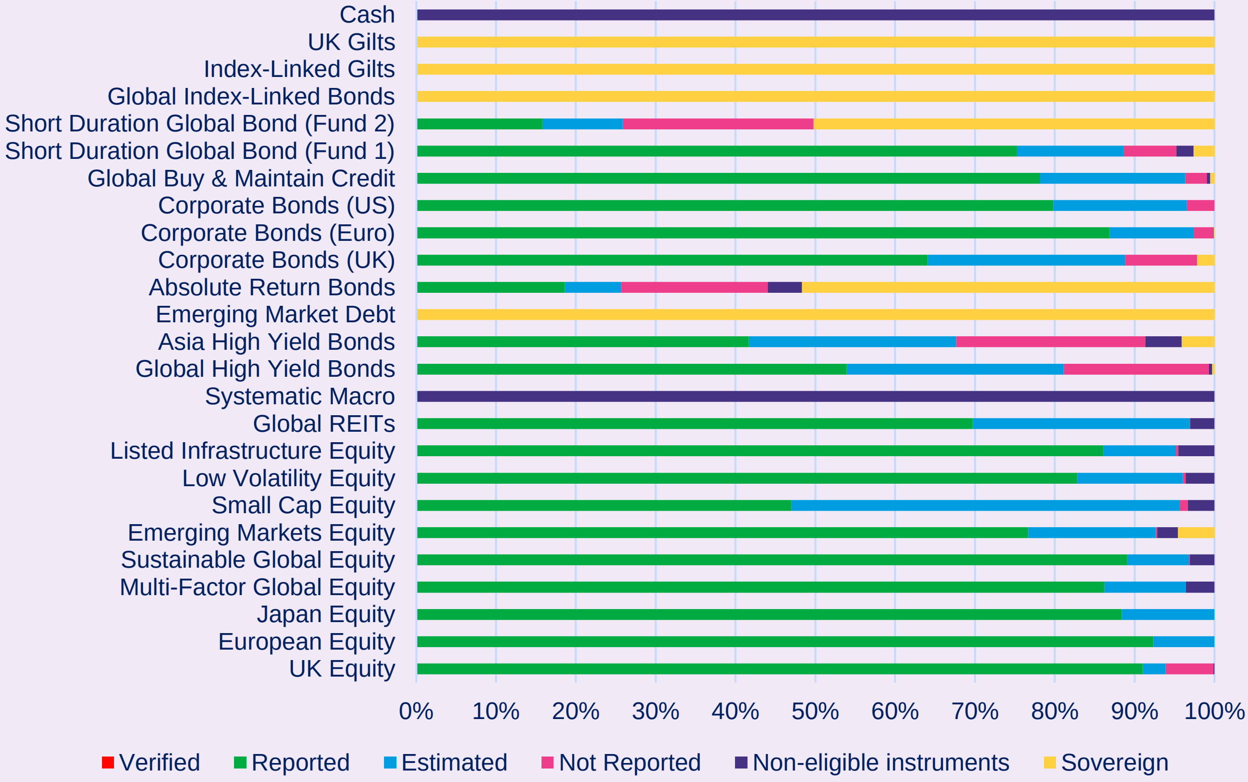
Since the previous year's report, the methodology used to calculate the implied temperature for both the DB and DC sections has changed and therefore the metrics shown in Charts 7 and 8 may not be directly comparable with those shown in the in previous year's report.

4. Additional Climate Change Metric: Data Quality

The Data Quality metric measures the proportions of the portfolio for which the Trustee has high quality data. The Trustee has considered whether the underlying emissions data has been verified by a third party, reported by the company, estimated by the data provider, or that it is unavailable to determine. Data Quality also assists the Trustee in monitoring quality of reporting over time, as companies are expected to continually improve their reporting on climate-related metrics. As the quality of data improves, the decision usefulness of the climate metrics reported on the Fund's portfolio increases. In addition, the Trustee is able to identify the companies in the portfolio that are not currently reporting emissions data and use this as the basis for engagement.

Defined Contribution Section

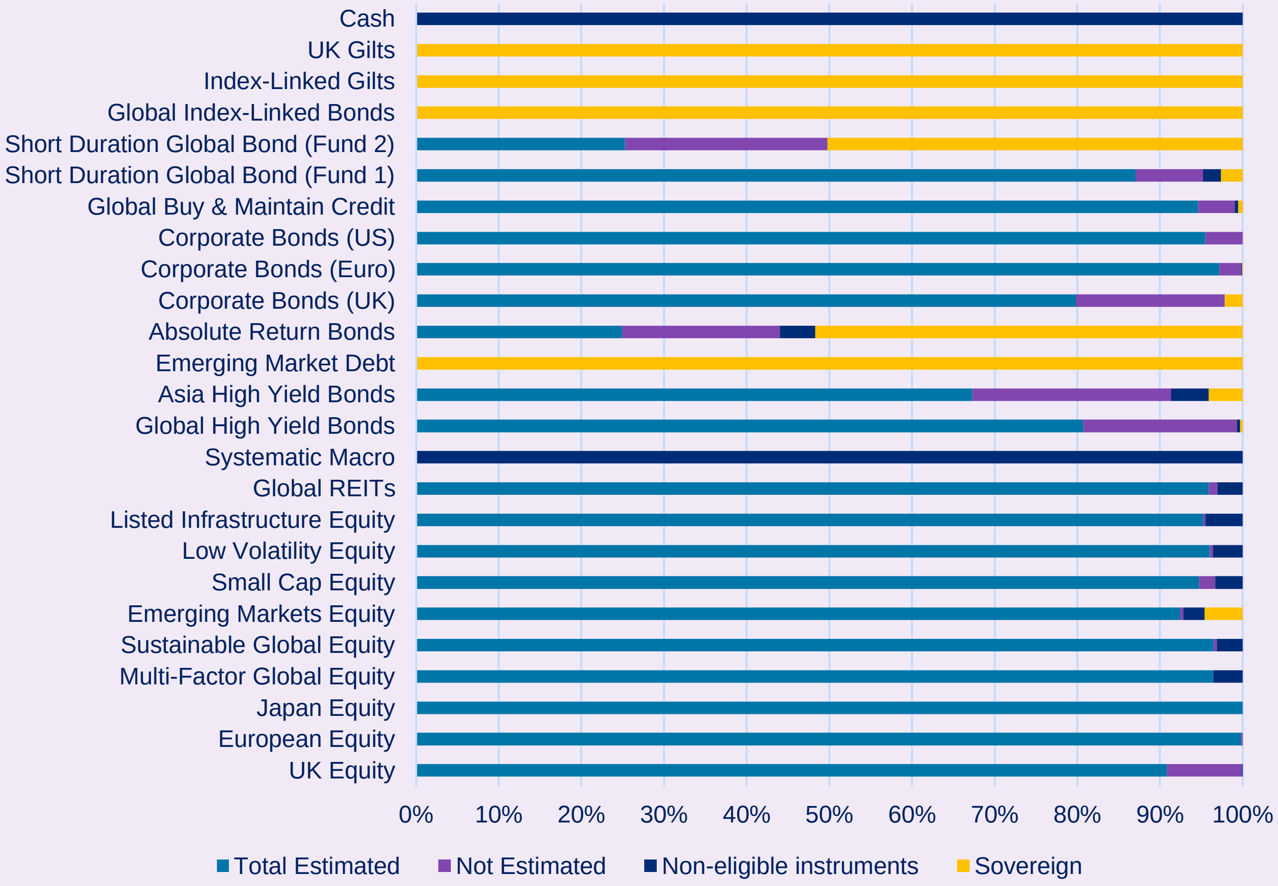
Chart 9 – Mercer Growth Fund and Mercer Diversified Retirement Fund – Data Quality (Scopes 1 & 2) as at 30 June 2023



Source: MSCI; Mercer Calculations.

a) Covers scopes 1 and 2 emissions data, where available.
b) Small Cap Equity and Multi-Factor Global Equity only applies to the Mercer Growth Fund, while Cash, UK Gilts, Index-Linked Gilts, Short Duration Global Bond (Fund 2), Global Buy & Maintain Credit only applies to the Mercer Diversified Retirement Fund.
c) Non-eligible instruments and Sovereign aggregated for Short Duration Global Bond (Fund 2), due to negative derivative exposure.

Chart 10 – Mercer Growth Fund and Mercer Diversified Retirement Fund – Data Quality (Scope 3) as at 30 June 2023



Source: MSCI; Mercer Calculations.

a) Covers scope 3 emissions data, where available.

b) Scope 3 data quality data available has been categorised as 'total estimated' and 'not estimated'. Data under 'not estimated' includes company reported data but given the wide range of calculation methods used, the data is not sufficiently credible to carve out as a separate category at present. The percentage of data this relates to is not material.

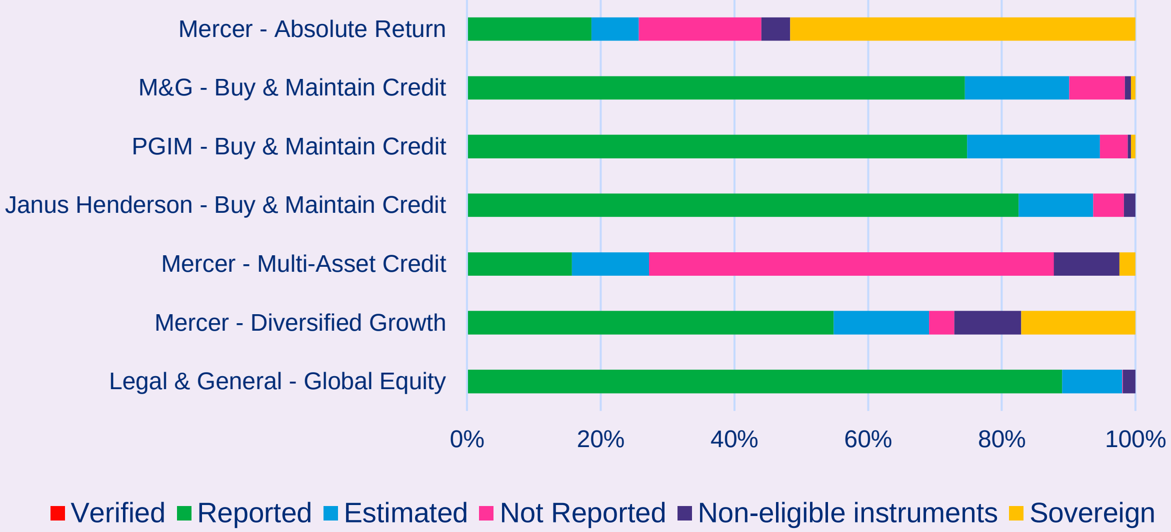
c) Small Cap Equity and Multi-Factor Global Equity only applies to the Mercer Growth Fund, while Cash, UK Gilts, Index-Linked Gilts, Short Duration Global Bond (Fund 2), Global Buy & Maintain Credit only applies to the Mercer Diversified Retirement Fund.

d) Non-eligible instruments and Sovereign aggregated for Short Duration Global Bond (Fund 2), due to negative derivative exposure.

Metrics and Targets

Defined Benefit Sections

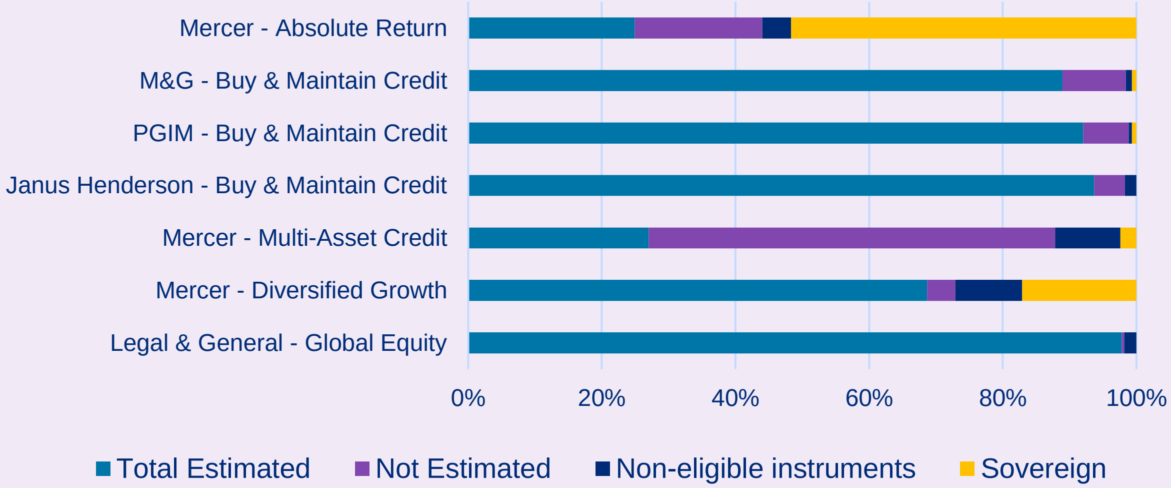
Chart 11 – Asset manager fund level – Data Quality (Scopes 1 & 2) as at 30 June 2023



Source: MSCI; Mercer Calculations.

a) Covers scopes 1 and 2 emissions data, where available.
b) The asset managers for the private equity, private debt, secured finance and property funds were not able to provide Data Quality metrics as at 30 June 2023.
c) Non-eligible instruments include cash and derivatives.

Chart 12 – Asset manager fund level – Data Quality (Scope 3) as at 30 June 2023



Source: MSCI; Mercer Calculations.

a) Covers scopes 3 emissions data, where available.
b) Scope 3 data quality data available has been categorised as 'total estimated' and 'not estimated. Data under 'not estimated' includes company reported data but given the wide range of calculation methods used, the data is not sufficiently credible to carve out as a separate category at present. The percentage of data this relates to is not material.
c) The asset managers for the Liability Hedging Programme, private equity, private debt, secured finance and property funds were not able to provide data quality metrics as at 30 June 2023.
d) Non-eligible instruments include cash and derivatives.
e) No Verified data was available.

Metrics and Targets

Targets

The Trustee will keep the following targets under review to ensure they still remain appropriate and relevant, taking into account any changes to the investment strategy of the Sections, the availability of data and wider market developments. With this in mind the Trustee may change its targets in the future.

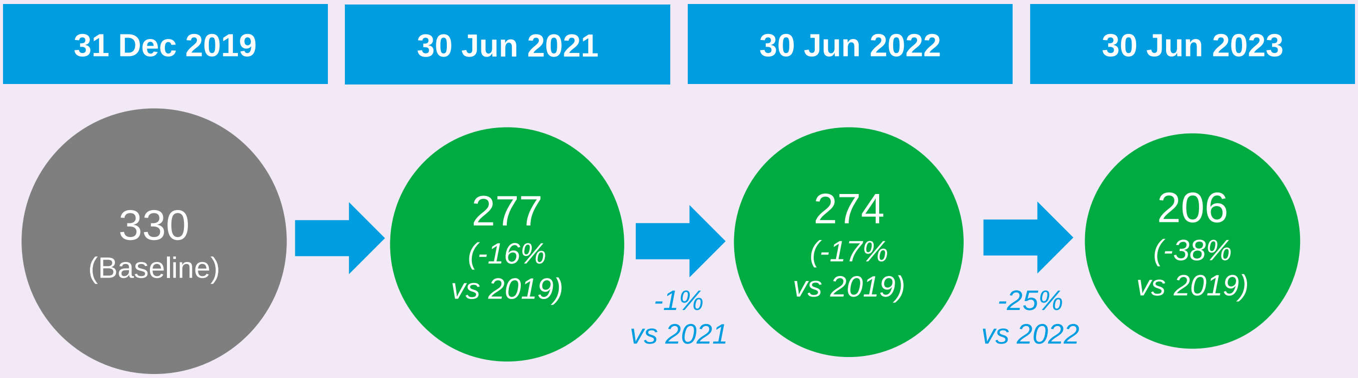
Defined Contribution Section

As the Mercer Growth Fund makes up a large part of the default investment strategy and over 60% of the total assets for the Defined Contribution Section, the Trustee has agreed to set a climate-related target for this Fund as follows:

To reduce carbon intensity in the Mercer Growth Fund by at least 45% from 2019 baseline levels by 2030 [21]

A summary of the progress to date against this target is shown below for non-sovereign assets and is defined by the WACI metric (Scopes 1 and 2). The Trustee is pleased to report good progress against this target with the carbon intensity of the Mercer Growth Fund reducing by 38% relative to the 2019 base value.

Figure 3– Progress of the Mercer Growth Fund climate-related target



a) WACI metric has been grossed up on a pro-rated basis using the "weight" figure so that intensity scores are comparable across different time horizons and are not impacted by the proportion of assets where data is available.
b) WACI for the sovereign debt exposures has been calculated using GDP of the underlying countries, where emissions data is available.
c) WACI has been restated for 2019 and 2021, due to improvements in data availability.

21. Figure stated represents tCo2e2/$M revenue, Scope 1 and Scope 2 emissions.

Metrics and Targets

Reasons for the decarbonisation progress over the 12 months to 30 June 2023

Since 30 June 2022, the weighted carbon intensity (WACI Scope 1 and 2) of the Mercer Growth Fund has reduced by 25%. This indicates significant progress against the Trustee's climate related target.

The key contributors to the change over the year to 30 June 2023 are outlined below (overall impact on Growth Fund WACI in brackets):

- Listed Infrastructure Equity (-10.1%) and Low Volatility Equity (-8.1%) changed to track new sustainability-focused benchmarks. These changes were designed to reduce the carbon intensity of the funds, while maintaining their risk and return characteristics.
- Multi-Factor Global Equity (-5.2%) was impacted by market factors over the year. Its WACI spiked in June 2022, following a rally in energy stocks and fall in technology stocks, but has since fallen back in line with historical levels, consistent with the performance of the stocks in these sectors.
- Global High Yield (-4.5%) WACI fell as the manager reduced the allocation from 13% to 7%, reducing an overweight to credit, while favouring UK credit from a risk and return perspective.
- Emerging Markets Equity (+3.0%) WACI increased as the manager increased the allocation from 13% to 15%, as a result of its view of potential improved risk and return prospects in China.

Actions and next steps

The Trustee works closely with Mercer as its investment consultant to understand the actions that need to be taken by our delegated manager (MWS) to progress towards the Trustee's climate related target.

Examples of MWS's continued efforts to work towards the Trustee's target are:

- Better integration of climate considerations in the manager selection process.
- Pushing managers to enhance their voting and engagement practices, including prioritisation of engagements with managers holding specific issuers based on their contribution to overall carbon emissions.
- Continuing to identify and allocate to solutions which deliver return opportunities as well as emissions reductions targets.
- Continuing to monitor exclusions framework to ensure best outcomes for investors.
- Exploring the broader use of climate-aware benchmarks to better position for the transition to a low carbon economy.

Review of target

The Trustee is very close to meeting its climate-related target for the Mercer Growth Fund well ahead of 2030.

As the Trustee's climate-related target is aligned to the target set by MWS for the Mercer Growth Fund, the Trustee remains comfortable that this target remains appropriate.

The Trustee will continue to work closely with Mercer and MWS to ensure that progress continues to be made against this target, but is mindful that progress versus this target is unlikely to be linear.

Metrics and Targets

Defined Benefit Sections

The climate-related targets for the Defined Benefit sub-Sections have been separated to reflect the different investment strategies for each Section:

Sedgwick Section, Marsh Section and Mercer Section (the 'Legacy Sections')

The investment strategies for the Legacy Sections are similar in terms of asset allocation and manager line-up. As the funding levels of the Legacy Sections have improved, lower risk investment strategies have been implemented. With this in mind, the Trustee has agreed to focus on the carbon intensity of the Risk Reducing Assets.

Within the Risk Reducing Asset portfolio, the Liability Hedging Programme has the largest allocation. The exposure is mainly to UK government gilts. The Trustee has little control over the carbon intensity of the UK and has concluded that a target set for the Liability Hedging Programme would be very difficult to influence and change.

The Buy & Maintain Investment Grade Credit mandates largely make up the remainder of the Risk Reducing Asset portfolio. The Legacy Sections have Fund specific mandates with the Buy and Maintain Credit mandates, which means the Trustee can make Fund specific amendments to the investment guidelines with each underlying investment manager.

During the year, some of the credit assets were sold to provide collateral to the Liability Hedging Programme. The WACI measure is indifferent to the amount invested therefore is a useful metric to monitor the carbon intensity of the credit portfolio.

The Trustee's climate-related target for the Legacy Sections is:

To reduce the carbon intensity across the Buy and Maintain Investment Grade Credit mandates in aggregate by at least 40% by 2030[22]

Figure 4– Progress of the Buy & Maintain Investment Grade Credit climate-related target[23]

30 June 2021	30 June 2022	30 June 2023
297 (Baseline)	230 *(-23% vs 2021)*	187[3] *(-37% vs 2021)*
		-18.7% vs 2022

a) The figures in this analysis have been pro-rated at the individual manager fund level (where reasonable data is available) to present coverage as if full data were available.
b) Total credit portfolio WACI has been calculated using a straight-line weighted average of the individual manager WACI numbers for all three Legacy Sections based on assets invested as at 30 June 2023.

22) As measured by scope 1 and 2 emissions based WACI.
23) 2021 WACI figures have been restated, see Technical Section for additional information. WACI stated as (Co2e/$M revenue).

Reasons for the decarbonisation progress over the 12 months to 30 June 2023

Since 30 June 2022, the weighted carbon intensity (WACI Scope 1 and 2) across the Buy and Maintain Investment Grade Credit mandates within the Legacy portfolio has reduced by c.19%. This indicates significant progress against the Trustee's climate related target.

As the credit mandates are set up with a Buy and Maintain approach, the Trustee does not expect the asset managers to operate a high rate of turnover within the portfolio. With that in mind, the majority of the reduction in WACI will have been driven by the asset managers' stock and sector positioning as well as a reduction in the levels of emissions from the highest emitters within the credit portfolios.

One asset manager noted that the reported emissions of issuers in the industrials sector decreased over the 12 month period, which is consistent with the proportion of companies in the sector which have set an SBTi[24] verified Net Zero target.

Actions and next steps

The Trustee, with support from Mercer, will continue to work with the underlying investment managers to determine an appropriate decarbonisation plan that covers the following principles:

- To better understand the investment managers' rationale for holding credit issued by high carbon intensity issuers. The investment managers will be engaging with underlying issuers on many different issues, including a corporate's business strategy to transition towards supporting a low carbon economy.
- To understand how the portfolios can continue to be decarbonised without incurring significant portfolio turnover costs.
- For new credit mandates, ensure mandate guidelines include a focussed section on climate change targets and restrictions.

Review of target

The Trustee is very close to meeting its climate-related target for the Legacy Sections well ahead of 2030. The Trustee will be reviewing its credit portfolio structure in 2024 as part of a formal investment strategy review and will review the Legacy Sections' climate-related target as part of that review. It is acknowledged that for a Buy and Maintain Investment Grade Credit portfolio:

- Portfolio turnover should be minimised, where possible, in line with the mandate guidelines therefore a straight-line, year-on-year decarbonisation of the portfolio is not expected;
- Focus should be on the high emitters in the portfolio and providing financial support to enable the issuers to transition to a lower carbon intensity. Therefore, understanding whether the companies have a credible climate transition plan is important.

24. SBTi is the Sector Based Target initiative https://sciencebasedtargets.org/

Metrics and Targets

JLT Section

As at 30 June 2023, around a third of the JLT Section's investment (excluding the buy-in contract) strategy was allocated to the Diversified Growth Fund.

The Trustee's climate-related target for the JLT Section is:

To reduce the carbon intensity of the Diversified Growth Fund allocation by at least 45% (from 2019 baseline levels) by 2030 [25,26]

Figure 5 – Progress of the Diversified Growth Fund climate-related target

31 Dec 2019	30 June 2021	30 June 2022	30 June 2023
344 (Baseline)	279 (-19% vs 2019)	272 (-21% vs 2019)	215 (-38% vs 2019)
		-2.2% vs 2021	-21.1% vs 2022

	Mercer Diversified Growth[29]			
Date	**31 Dec 2019**	**30 Jun 2021**	**30 Jun 2022**	**30 Jun 2023**
Proportion of eligible assets[27]	-	33.4%	29.5%	21.9%
Coverage[28]	64.8%	93.6%	92.3%	92.1%

25. The JLT Section has been invested in the Mercer Diversified Growth Fund from Q1 2021. For the baseline numbers, the 2019 carbon intensity for this fund (prior to investment by the JLT Section) will be used. 2019 and 2021 WACI figures have been restated, see Technical Section for additional information.
26. Based on Scope 1 and Scope 2 emissions.
27. Proportion of fund where WACI data for listed markets can be obtained - classed here as 'eligible assets'
28. Proportion of eligible assets for which data was available.
29. The figures in this analysis have been pro-rated at the individual manager fund level (where reasonable data is available) to present coverage as if full data were available.

The Trustee works closely with Mercer as its investment consultant to understand the actions that need to be taken to progress towards the Trustee's climate-related target. MGIE, as delegated fiduciary manager, has set its own target for the Mercer Diversified Growth Fund. In line with IPCC reduction targets to meet the Paris-Agreement aim of a 1.5C warming scenario, MGIE has set an interim target for the Mercer Diversified Growth Fund of a 45% reduction by 2030 versus 2019 baseline levels, with an ultimate net zero portfolio carbon emissions target by 2050. The target to 2030 is consistent with the Trustee's stated climate-related target.

Metrics and Targets

Reasons for the decarbonisation progress over the 12 months to 30 June 2023

Since 30 June 2022, the weighted carbon intensity (WACI Scope 1 and 2) of the Diversified Growth Fund in the JLT Section has reduced by c.22%. This indicates significant progress against the Trustee's climate related target.

Further decarbonisation reductions can come from four "levers": index decarbonisation (i.e. general market-wide decarbonisation), active management (whereby underlying asset managers make active tilts to move away from high carbon emitters), active stewardship practices (encouraging high emitting holdings to reduce emissions and better position themselves for the transition), and Strategic Asset Allocation changes.

Over the period, the carbon intensity of the allocation to infrastructure within the Diversified Growth Fund reduced by c.34%, which was driven by the adoption of a climate transition benchmark. In addition, a change to a low carbon benchmark for the passive low volatility equity allocation, and a reduction in allocation to that asset class, contributed to the WACI reduction (with no notable impact to the expected risk/return characteristics).

Actions and next steps

The Trustee will ensure that Mercer, acting as fiduciary manager, will make progress against the actions set out in its Climate Plan[30], which will cover actions across integration (risk reduction), stewardship (transition support) and investment (solutions), such as:

- Strategic Asset Allocation;
- High-emitting sectors focus;
- Monitoring and engaging with appointed managers;
- Collaboration with investor groups;
- Use of climate transition benchmarks.

Review of target

The Trustee is very close to meeting its climate-related target for the JLT Section. The Trustee's climate-related target is aligned to the target set by Mercer DS for the Diversified Growth Fund.

The Trustee will continue to work closely with Mercer and Mercer DS to ensure that progress continues to be made against this target, but is mindful that progress versus this target is unlikely to be linear.

30. Source: Mercer Investment Solutions Europe TCFD report April 2023. https://investment-solutions.mercer.com/content/dam/mercer-subdomains/delegated-solutions/CorporatePolicies/Task%20Force%20on%20Climate-related%20Financial%20Disclosures.pdf

Technical Section

Asset allocation

Defined Contribution Section

Chart 13 – Asset allocation of the Mercer Growth Fund as at 30 June 2023

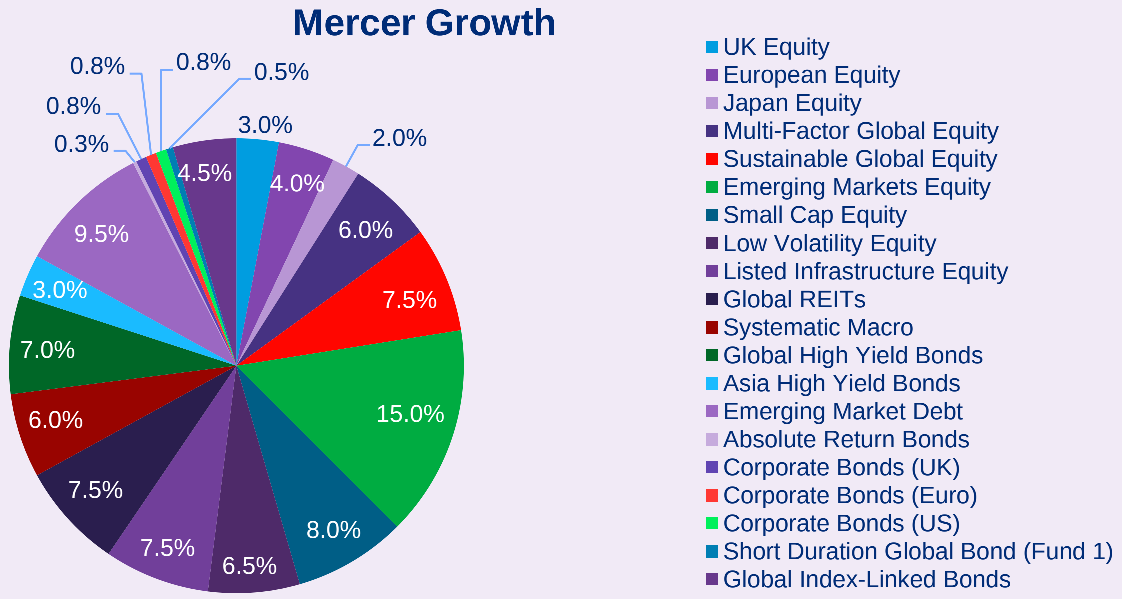
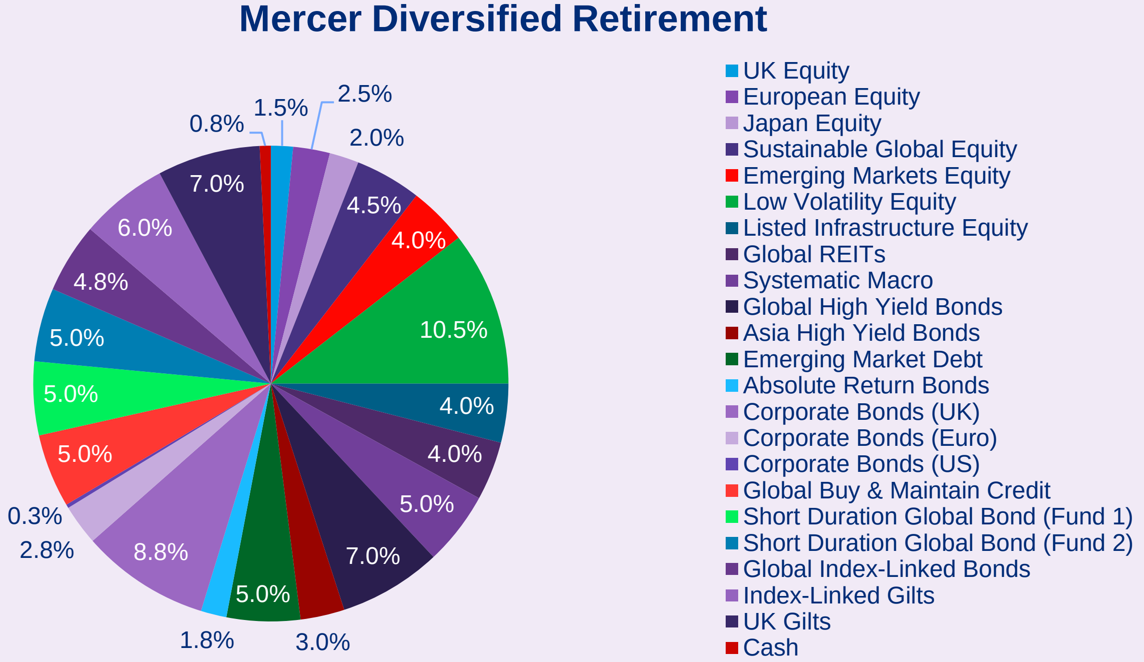


Chart 14 – Asset allocation of the Mercer Diversified Retirement Fund as at 30 June 2023



Source: Mercer. Actual asset allocation as at 30 June 2023.

Asset allocation

Defined Benefit Sections

Chart 15 – Actual asset allocation of the Sedgwick Section as at 30 June 2023

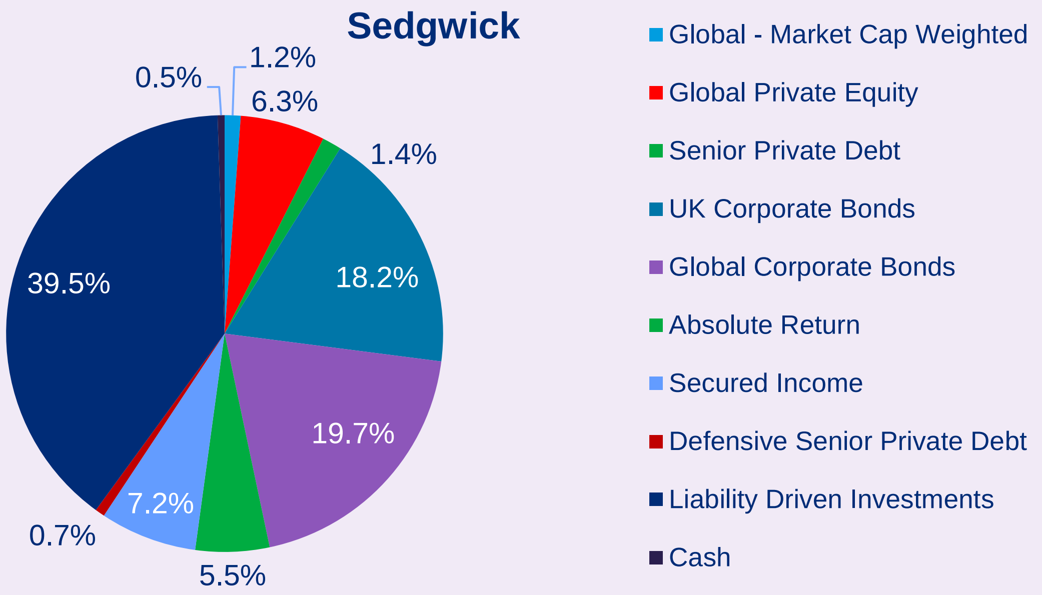
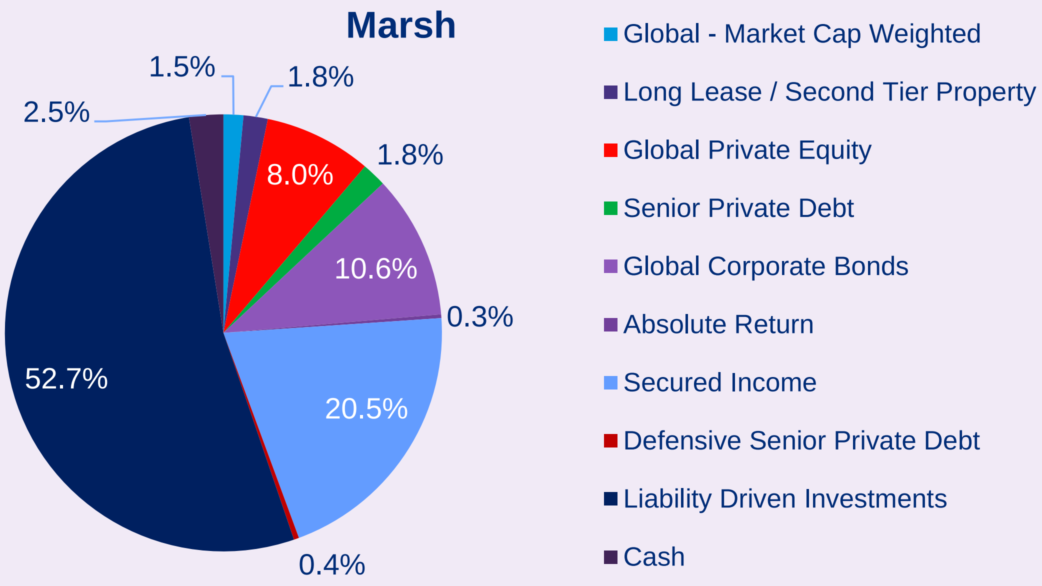


Chart 16 – Actual asset allocation of the Marsh Section as at 30 June 2023



Source: Mercer. Actual asset allocation as at 30 June 2023.

Technical Section

Chart 17 – Actual asset allocation of the Mercer Section as at 30 June 2023

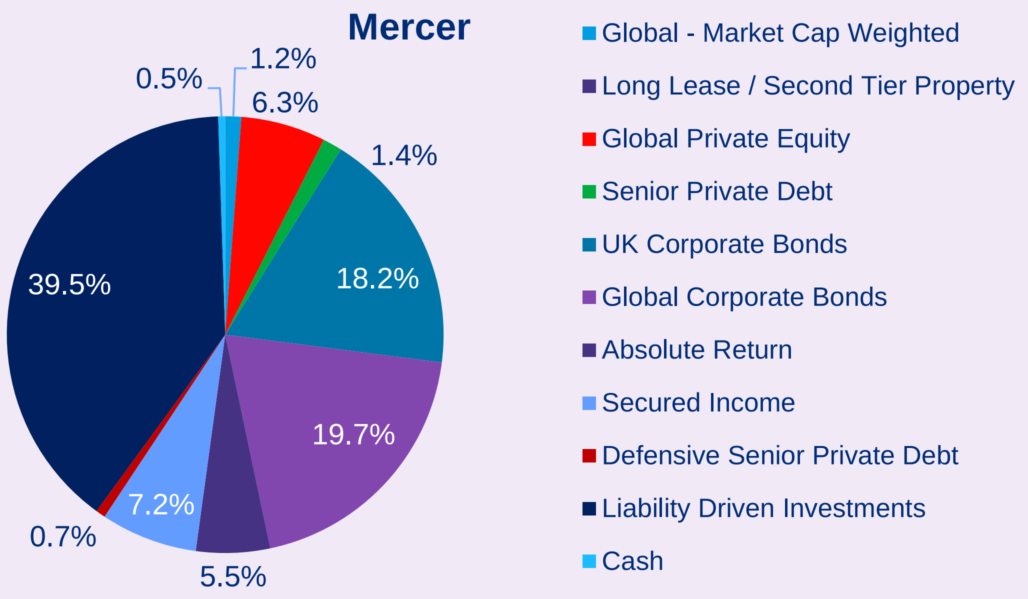
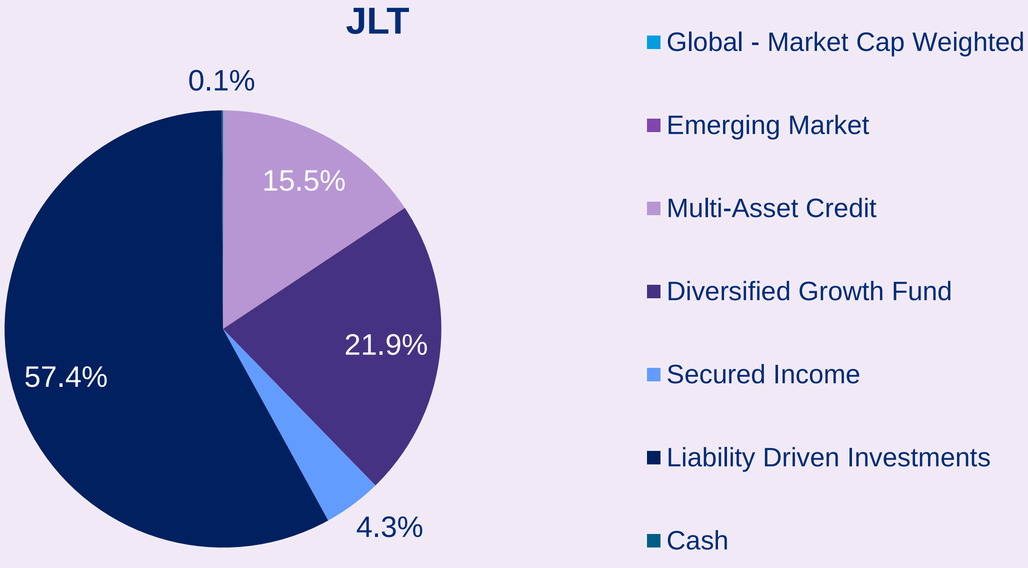


Chart 18 – Actual asset allocation of the JLT Section[31] as at 30 June 2023[32]



Source: Mercer. Actual asset allocation as at 30 June 2023.

31. JLT Section assets exclude the value of the insurance contract.
32. This section also has a Synthetic Equity allocation of 36.6% of total assets as at 30 June 2023 which is held within the LDI mandate.

Climate scenario modelling approach

	Rapid Transition	Orderly Transition	Failed Transition
Summary	Sudden divestments in 2025 to align portfolios to the Paris Agreement goals have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock.	Political and social organizations act quickly and predictably to implement the recommendations of the Paris Agreement to limit global warming to below 2°C above pre-industrial levels by 2100.	The world fails to meet the Paris Agreement goals and global warming reaches 4.3°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events.
Cumulative emissions to 2100	416 GtCO2e[33]	810 GtCO2e	5,127 GtCO2e
Key policy and technology assumptions	An ambitious policy regime is pursued to encourage greater decarbonisation of the electricity sector and to reduce emissions across all sectors of the economy. Higher carbon prices, larger investment in energy efficiency and faster phase out of coal-fired power generation under a 'rapid' transition.		Existing policy regimes are continued with the same level of ambition.
Financial climate modelling	Pricing in of transition and physical risks of the coming 40 years occurs within one year in 2025. As a result of this aggressive market correction, a confidence shock to the financial system takes place in the same year.	Pricing in of transition and physical risks until 2050 takes place over the first 4 years.	Physical risks are priced in two different periods: 2026-2030 (risks of first 40 years) and 2036-2040 (risks of 40-80 years).
Physical risk impact on GDP	Physical risks are regionally differentiated, consider variation in expected temperature increase per region and increase dramatically with rising average global temperature. Physical risks are built up from: • Gradual physical impacts associated with rising temperature (agricultural, labour, and industrial productivity losses) • Economic impacts from climate-related extreme weather events • Current modelling does not capture environmental tipping points or knock-on effects (e.g., migration and conflict).		
Physical risk impact on inflation	Gradual physical impact (supply shocks) on inflation included through damages to agriculture and change in food prices. Total impact on a Global CPI Index is +2% in 2100.	No explicit modelling of physical risk impact on inflation (supply-side shocks). Impact on inflation follows historical relationship between GDP and CPI.	Severe gradual physical impact (supply shocks) on inflation included through damages to agriculture and change in food prices. Total impact on a Global CPI Index is +15% in 2100.

Source: Mercer and Ortec. Climate Scenarios as at 31 December 2022

33. Gt refers to Gigatonnes.

Climate scenario modelling approach

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

1. The further into the future you go, the less reliable any quantitative modelling will be.
2. There is a reasonable likelihood that physical impacts are grossly underestimated. Feedback loops or 'tipping points', like permafrost melting, are challenging to model particularly around the timing of such an event and the speed at which it could accelerate.
3. Financial stability and insurance 'breakdown' is not modelled. A systemic failure may be caused by either an 'uninsurable' 4^{o}C physical environment, or due to the scale of mitigation and adaption required to avoid material warming of the planet.
4. Most adaptation costs and social factors are not priced into the models. These include population health and climate-related migration.
5. New and emerging risks, such as the impact of climate change on biodiversity loss, will be integrated into climate scenario modelling over time once the supporting science and impact on econometrics and finance is better understood.

Metrics – Data limitations and assumptions

Data sources

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

For the Defined Contribution Section, some of the allocations in the Mercer Growth and Diversified Retirement Fund have been estimated using proxies.

Proxy data

For some asset classes, data coverage is too low (or no data is available) to be able to take a pro rata approach. Use of proxy data (data of other asset classes or funds that broadly represent a given fund) can help provide climate-related data where coverage for an asset class/fund is limited.

Defined Contribution Section

Proxy funds have been used to obtain climate-related metrics for the following asset classes:

- UK equity, European Equity, Japanese Equity, Emerging Market Debt, UK Gilts, Corporate Bond – UK and US (proxy with benchmark index).
- Asian High Yield Bonds (proxy with Mercer Global High Yield).
- Systematic macro (proxy with cash).
- Index-Linked Gilts (proxy with Mercer UK Inflation Linked Bond Fund).

Defined Benefit Sections

The Trustee considered the use of proxy metric data for private equity, private debt, real estate and secured finance in the Legacy Sections however, the characteristics of the proxy fund would be too different from the invested assets to be able to make any informed investment decisions with the information. For now, no data on these asset classes has been presented.

Scope of emissions

Scope 1, 2 and 3 emissions data has been included in this report, except where noted. The data coverage for Scope 3 emissions data is improving at the asset class level but the assessment of an invested company's carbon footprint could be considered an understatement. Scope 1, 2 and 3 emissions are as defined by the GHG protocol.

Data coverage

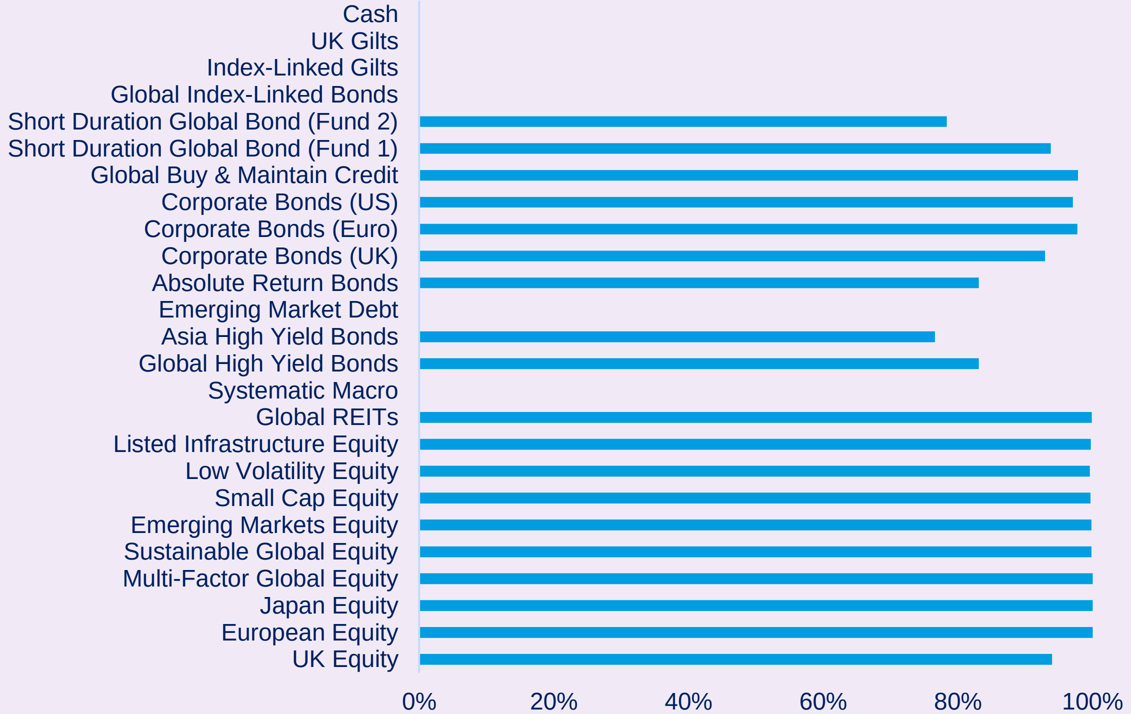
Data coverage refers to the proportion of an asset in which the various climate-related metric data is available. There are gaps in the data:

- Some public listed companies are not publishing climate-related data or are providing poor quality data. This is relevant to public equity and corporate bonds. Obtaining data for emerging market equity can also be challenging due to general disclosure and transparency challenges.
- The private equity and private debt mandates for the Fund, while still significant, will reduce in size over the next few years as the portfolios run off. Most managers confirmed climate-related metrics were not available on these assets, or the data coverage was significantly low and have been excluded from the analysis.
- Sovereigns, or governments, may not publish climate-related data in the public domain. This is a particular challenge for emerging market debt. For UK government debt, data is available but there is a delay in the data being published.
- Short-term instruments, such as in the secured finance assets, absolute return fixed income and money market funds, have limited data available due to the short-term nature of the individual assets.

- Real estate (property) and infrastructure assets can have low climate-related data coverage due to the lack of reporting on the individual properties or projects held within the portfolio.
- For the long-lease property funds in the Defined Benefit Sections, the occupiers of the buildings in the portfolio have full operational control and there are no Scope 1 or 2 emissions associated with the investments. The asset managers are looking to improve the collection of Scope 3 emissions data – this includes occupier activities where they have direct utility supplier contracts. One manager was able to provide some high level metrics. These have not been included in the analysis from a materiality point of view as the allocation to the manager was below 1% of total Fund assets.

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

Chart 19 – Defined Contribution Section: Mercer Growth Fund and Mercer Diversified Retirement Fund data coverage as at 30 June 2023 (Scopes 1 and 2 emissions data)



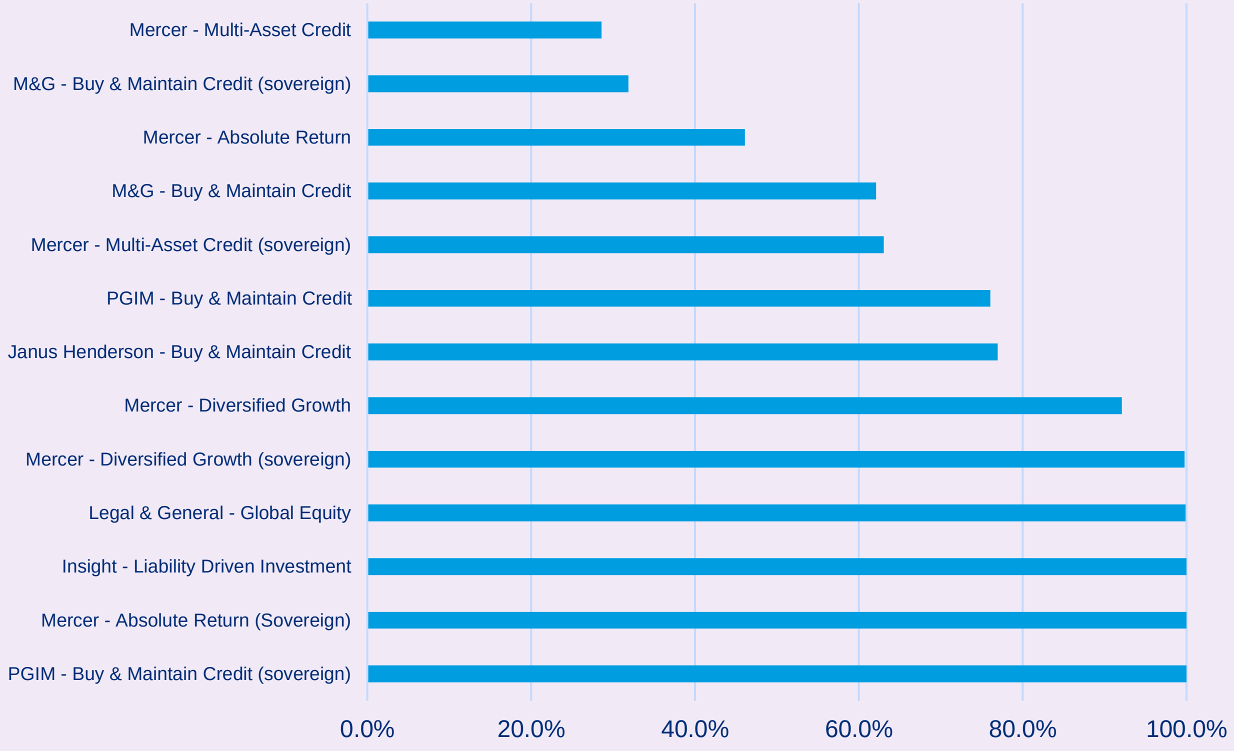
Source: MSCI; Mercer Calculations.

a) Small Cap Equity and Multi-Factor Global Equity only applies to the Mercer Growth Fund, while Cash, UK Gilts, Index-Linked Gilts, Short Duration Global Bond (Fund 2), Global Buy & Maintain Credit only applies to the Mercer Diversified Retirement Fund.

b) The allocations to Systematic Macro, Emerging Market Debt and Global Index-Linked Bonds (both funds) and Index-Linked Gilts, UK Gilts and Cash (Diversified Retirement Fund only) have been excluded as the metric is not available for these asset classes.

Technical Section

Chart 20 – Defined Benefit Sections – underlying fund data coverage as at 30 June 2023 where data is available (Scopes 1 and 2 emissions data)



Source: MSCI; Mercer Calculations.

The Trustee will continue to work with Mercer to encourage the investment managers, and the companies or issuers within the underlying funds, to improve their climate-related reporting.

Defined Benefit Sections

Table 5 – Absolute emissions and data coverage for the Defined Benefit Sections

Asset Class	Fund	Sedgwick Allocation (%)	Sedgwick Absolute Emissions[34, 38] (tCO_2e) Scope 1 & 2	Sedgwick Absolute Emissions[34, 38] (tCO_2e) Scope 3	Marsh Allocation (%)	Marsh Absolute Emissions[34, 38] (tCO_2e) Scope 1 & 2	Marsh Absolute Emissions[34, 38] (tCO_2e) Scope 3
Equities	Global Equity (Legal & General)	1.2%	1,643	13,122	1.5%	1,310	10,602
	Equity Options	2.6%	-	-	-5.5%	-	-
Diversified Growth	Diversified Growth (Mercer)	-	-	-	-	-	-
	Diversified Growth - Sovereign (Mercer)		-	-		-	-
Property	Long Lease Property (Standard Life)[35]	-	-	-	0.8%	-	-
	High Income Property (Mercer)[35]	-	-	-	1.0%	-	-
Private Equity	Private Equity (Partners Group)[35]	6.3%	-	-	8.0%	-	-
Private Debt	Private Debt (ICG)[35]	1.4%	-	-	1.8%	-	-
Multi-Asset Credit	Multi-Asset Credit (Mercer)	-	-	-	-	-	-
	Multi-Asset Credit - Sovereign (Mercer)		-	-		-	
Fixed Income	Buy & Maintain Credit (M&G)	18.2%	34,816	255,726	-	-	-
	Buy & Maintain Credit (PGIM)	14.0%	21,926	162,785	7.6%	7,902	58,149
	Buy & Maintain Credit (Janus Henderson)	5.7%	4,789	33,729	3.0%	1,674	11,886
	Absolute Return –Sovereign (Mercer)	5.5%	26,492	-	0.3%	880	-
	Absolute Return (Mercer)		4,058	87,372		135	2,901
	Secured Finance (Insight)[35]	3.6%	-	-	10.2%	-	-
	Secured Finance (AXA)[35]	3.6%	-	-	10.2%	-	-
	Private Debt (Hayfin)[35]	0.7%	-	-	0.4%	-	-
Liability Driven Investment	Liability Driven Investment (Insight)[36,37]	34.6%	272,729	-	56.8%	237,287	-
	Longevity Hedging & Insureds[36,37]	2.3%	-	-	1.4%	-	-
	Cash	0.5%	-	-	2.5%	-	-
Proportion of Portfolio with data available[39]		79.0%			69.1%		
Total Portfolio Data Coverage[39]			**76.2%**	**27.5%**		**68.7%**	**8.8%**
Total Portfolio non-sovereign component (tCO_2e)		-	**67,231**	**552,734**	-	**11,021**	**83,539**
Total Portfolio sovereign component (tCO_2e)		-	**299,221**	**-**	-	**238,167**	**-**

Source: MSCI; Mercer Calculations; Liability Hedging Programme asset managers. Pink shading represents funds in respect of the JLT Section only. Totals may not sum due to rounding.

a) The figures in this analysis have been pro-rated at the individual manager fund level (where reasonable data is available) to present coverage as if full data were available.
b) Commentary on the buy-in policy in respect of the JLT Section is included in the Technical Section of this report.

34. Scope 1, 2 and 3 emissions data only. MSCI data extracts run in June 2023. Assumes fund values as at 30 June 2023 as follows: Marsh Section £1,584m; Mercer Section £1,013m; Sedgwick Section £2,446m; JLT Section £468m.
35. The asset managers for the private equity, private debt, secured finance and property funds were not able to provide climate-related metric data as at 30 June 2023.
36. Total absolute emissions metric for the liability hedging programme mandates cover exposure to funded gilts, gilt repo and total return swaps. The Buy-in is excluded.
37. The Technical Section of this report provides more information on the assumptions that have been made in respect of the liability hedging programme and other derivative contracts, such as the longevity swap and equity options.
38. Absolute emissions estimated by Mercer based on data provided by Insight.
39. Data Coverage only relates to Scope 1 and 2 emissions for equities and bonds, and sovereigns. Data coverage for Scope 3 emissions covers only equity and corporate bonds.

Defined Benefit Sections

Table 6 – Absolute emissions and data coverage for the Defined Benefit Sections

Asset Class	Fund	Mercer			JLT		
		Allocation (%)	Absolute Emissions[40,44] (tCO_2e) Scope 1 & 2	Absolute Emissions[40,44] (tCO_2e) Scope 3	Allocation (%)	Absolute Emissions[40,44] (tCO_2e) Scope 1 & 2	Absolute Emissions[40,44] (tCO_2e) Scope 3
Equities	Global Equity (Legal & General)	1.4%	810	6,416	-	-	-
	Equity Options	-7.1%	-	-	-	-	-
Diversified Growth	Diversified Growth (Mercer)	-	-	-	15.1%	5,342	29,252
	Diversified Growth - Sovereign (Mercer)		-	-		4,546	-
Property	Long Lease Property (Standard Life)[41]	0.9%	-	-	-	-	-
	High Income Property (Mercer)[41]	1.2%	-	-	-	-	-
Private Equity	Private Equity (Partners Group)[41]	8.5%	-	-	-	-	-
Private Debt	Private Debt (ICG)[41]	1.9%	-	-	-	-	-
Multi-Asset Credit	Multi-Asset Credit (Mercer)	-	-	-	10.8%	5,521	31,406
	Multi-Asset Credit - Sovereign (Mercer)					209	-
Fixed Income	Buy & Maintain Credit (M&G)	-	-	-	-	-	-
	Buy & Maintain Credit (PGIM)	-	-	-	-	-	-
	Buy & Maintain Credit (Janus Henderson)	-	-	-	-	-	-
	Absolute Return –Sovereign (Mercer)	0.2%	382	-	-	-	-
	Absolute Return (Mercer)		59	1,260	-	-	-
	Secured Finance (Insight)[41]	11.8%	-	-	1.5%	-	-
	Secured Finance (AXA)[41]	11.8%	-	-	1.5%	-	-
	Private Debt (Hayfin)[41]	0.3%	-	-	-	-	-
Liability Driven Investment	Liability Driven Investment (Insight)[42,43]	65.0%	161,890	-	39.8%	22,952	-
	Longevity Hedging & Insureds[42,43]	1.2%	-	-	30.7%	-	-
	Cash	3.0%	-	-	0.7%	-	-
Proportion of Portfolio with data available[45]		66.6%			65.6%		
Total Portfolio Data Coverage[45]			**66.6%**	**1.1%**		**57.5%**	**8.2%**
Total Portfolio non-sovereign component (tCO_2e)		**-**	**869**	**7,676**	**-**	**38,570**	**60,657**
Total Portfolio sovereign component (tCO_2e)		**-**	**162,272**	**-**	**-**	**22,952**	**-**

Source: MSCI; Mercer Calculations; Liability Hedging Programme asset managers. Pink shading represents funds in respect of the JLT Section only. Totals may not sum due to rounding

a) Commentary on the buy-in policy in respect of the JLT Section is included in the Technical Section of this report.
b) The figures in this analysis have been pro-rated at the individual manager fund level (where reasonable data is available) to present coverage as if full data were available.

40. Scope 1, 2 and 3 emissions data only. MSCI data extracts run in June 2023. Assumes fund values as at 30 June 2023 as follows: Marsh Section £1,584m; Mercer Section £1,013m; Sedgwick Section £2,446m; JLT Section £468m.
41. The asset managers for the private equity, private debt, secured finance and property funds were not able to provide climate-related metric data as at 30 June 2023.
42. Total absolute emissions metric for the liability hedging programme mandates cover exposure to funded gilts, gilt repo and total return swaps. The Buy-in is excluded.
43. The Technical Section of this report provides more information on the assumptions that have been made in respect of the liability hedging programme and other derivative contracts, such as the longevity swap and equity options.
44. Absolute emissions estimated by Mercer based on data provided by BMO and Insight.
45. Data Coverage only relates to Scope 1 and 2 emissions for equities and bonds, and sovereigns. Data coverage for Scope 3 emissions covers only equity and corporate bonds.

Specific asset class assumptions

Defined Benefit Sections

Synthetic equity exposure

Some asset class exposures, like equity, are obtained via the use of derivative[46] instruments. For the purposes of this report:

- Equity futures and equity options are used as a way to manage equity risk on a short-term basis. These exposures have been ignored in the climate scenario modelling and in the climate metrics in order to give a prudent estimation of the exposure to climate-related risks (i.e. by ignoring these instruments, the Trustee is overstating its exposure to climate-related risks associated with public equity).
- The JLT Section uses synthetic equity as a way to increase the exposure to equity markets in a capital efficient manner. The additional exposure to public equity markets has been allowed for in the climate scenario modelling. The climate metric data does not include any notional exposure from synthetic equity.

Liability Hedging Programme

The following assumptions have been made in the calculation of the climate-related metrics for the Liability Hedging Programme:

- Latest annual data for emissions produced in the UK (Scope 1 and 2) for 2022, published by the UK government, of 417.1m tCO2e.
- Scope 3 emissions are not included;
- Figures cannot sensibly be aggregated with emissions data for non gilt assets due to risk of double counting as UK emissions include corporate and household emissions.
- Total market value of gilts in issuance at 30 June 2023, published by the DMO of £2,175,790m (including green gilts).
- UK PPP adjusted-GDP estimate for 2022, published by the IMF of GK$3,714,638m[47].
- Fund's asset position at 30 June 2023.
- The metrics cover the full economic exposure to UK gilts which will be from the physical gilt holdings and any exposure to repo[48].
- Gilts posted out as collateral by the Fund are included in the gilt valuations and gilts received as collateral are excluded.
- Interest rate swaps, inflation swaps, futures, cash and money market fund holdings have all been excluded. Short gilt positions have been excluded.

46. Derivatives are securities whose value is dependent on or derived from an underlying asset.
47. GK$ = international dollar, the unit of PPP-adjusted GBP.
48. Repurchase agreement: a form of short-term borrowing for dealers in government securities used for portfolio efficiency.

Technical Section

Table 7: Absolute emissions split by funded gilts and synthetic gilts as at 30 June 2023

	Sedgwick Section		Marsh Section		Mercer Section		JLT Section	
Category	Market value of exposure (£m)	Absolute emission tCO2e	Market value of exposure (£m)	Absolute emission tCO2e	Market value of exposure (£m)	Absolute emissions tCO2e	Market value of exposure (£m)	Absolute emissions tCO2e
Funded gilts only	724	138,744	738	141,474	542	103,834	114	21,907
Gilts on repo	699	133,985	500	95,813	303	58,056	5	1,045
Combined gilt exposure	1,423	272,729	1,238	237,287	845	161,890	119	22,952

Source: Insight, UK Government, DMO and IMF.

Longevity swap

There are three longevity swap contracts in place for the Sedgwick, Marsh and Mercer Sections. These are a financial transactions that reduce the exposure of the Defined Benefit Sections to members living longer than assumed, which would, in isolation, result in an increase in the liabilities.

The Trustee carried out qualitative climate scenario analysis in 2021 and keeps the position under review. The Trustee considered the climate-related risk exposures of the longevity swap, specifically:

- The impact on members' life expectancy;
- The risks faced by the reinsurer counterparties; and
- The risks relating to the assets held to support the longevity swap contract.

The Trustee has concluded that the risk exposure is low given the structure of the longevity swap contract. This will be kept under annual review.

Carbon emissions associated with the longevity swap have not been calculated.

The modelling included in this report makes no allowance for the extension of the longevity hedge in 2023.

Buy-in contract

The JLT Section has contracts in place with a life insurer (Prudential), which will pay the pensions for a group of pensioner members.

There are two main areas of climate-related risks:

- Climate-related risk on the underlying assets supporting the buy-in contract; and
- Climate-related risk at the insurer's business.

Prudential is part of M&G plc. M&G plc has published a Sustainability Report, which sets out its approach to managing climate risks. Key highlights from this report are set out below.

Management of climate-related risks

Certain material climate risks and exposures are managed at portfolio level. M&G give the example of the reallocation of investments within a portfolio having the potential to materially change the financed carbon emissions, without any real-world emissions for investees. To manage this circumstance, the manager would re-baseline the portfolio emissions according to industry frameworks.

Technical Section

Climate scenario analysis

Climate scenario analysis is carried out at the entity level rather than at portfolio level. The climate scenario analysis is updated each year to take into account updates and changes. The results of this analysis are contained within M&G's Sustainability Report. These may include changes in net zero pathways, better data coverage and changes to methodology.

Climate-related metrics

The assets backing the JLT liabilities are reinsured directly into Prudential's main annuity fund. Prudential does not currently disclose data on this fund.

Climate-related targets

M&G plc (at the asset owner level) has made the following climate change commitments:

- "Net Zero by 2050 across operations and investment portfolio"

M&G plc have set the following interim targets:

- "50% reduction in emissions intensity (tCO2e/$m invested) for in-scope public equity and corporate debt by 2030. By the end of 2022, the emissions intensity had reduced by 18.5% and 24.3%, for each respective asset class, against the 2019 baseline.
- 36% reduction in emissions intensity (kgCO2/m2) in our directly owned real estate portfolio by 2030. By the end of 2022, real estate emissions intensity had fallen by 11.8%, against the 2019 baseline.
- Engaging with the 40 biggest contributors to our financed emissions, encouraging them to set net zero targets and meet best-practice criteria by 2030."

Important notices from data providers

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Ortec Finance

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