Pfizer Group Pension Scheme

Climate Disclosure Report

Reporting period: 12 months to 31 March 2024

October 2024

Contents

Chair’s Statement

Dear Members,

Welcome to our second Climate Disclosure 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 for Work and Pensions[1].

PZR Limited, the Trustee of the Pfizer Group Pension Scheme (“the Scheme”) has a legal fiduciary responsibility to invest the Scheme’s assets in the best way possible for its members. As part of this responsibility, the Trustee recognises climate change as a risk that could impact the financial security of members’ benefits if it is not properly measured and managed. The Trustee also recognises that climate change presents an opportunity, by investing in companies or assets that are expected to perform well in an economy that is positioned to address the challenges associated with climate change.

The Trustee’s assessment of climate-related risks and opportunities has been carried out based on information currently available, both in terms of data from the companies and assets in which the Scheme invests and in consideration of the different global warming scenarios analysed. This data is subject to change as climate change reporting improves. The data coverage for the climate-related metrics has improved over the 12 month period. The metrics analysis now accounts for 69.5% (66% last year) and 68% (73% last year) of Scheme defined benefit (“DB”) and defined contribution (“DC”) Sections’ assets, respectively.

We are pleased to report the continued positive momentum towards the Trustee’s absolute emissions reduction targets for the DB Section, which are a 45% reduction in absolute GHG emissions by 2030 for the equity and corporate bond assets, and net zero GHG emissions by 2050. Alongside this we have been cognisant of the importance of fully understanding and explaining the reasons for the change in the Scheme’s climate-related metrics year-on-year. Further details are provided in the ‘Metrics and Targets’ Section of the report. The Trustee has not established a target for the DC Section and this is also explained further within this report.

Climate change is one risk amongst many that the Trustee measures, monitors and manages. To this extent, climate change needs to be considered alongside these other risks in a balanced and proportionate way. The Trustee will therefore 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.

As always, members are encouraged to contact the Trustee if there are comments you wish to raise.

Michael Chatterton
Chair of the Trustee of the Pfizer Group Pension Scheme

[1] 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

Section 1
Introduction

The Pfizer Group Pension Scheme ("PGPS" or "the Scheme") is an Occupational Pension Scheme with assets held on behalf of members by PZR Limited ("the Trustee").

This report has been prepared to comply with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, and in preparing it, the Department for Work and Pensions' statutory guidance and The Pensions Regulator's guidance has been considered.

The Regulations are based on the recommendations of the TCFD. The Trustee supports those recommendations as a framework to help manage and report on the actions being taken in respect of climate change related risks and opportunities in the Scheme's portfolio.

This report explains how we, the Trustee, have established and maintained oversight and processes to ensure that relevant climate-related risks and opportunities are considered appropriately by all stakeholders involved in the day-to-day management of the Scheme.

The report is divided into four sections – Governance, Risk Management, Strategy and Metrics and Targets - consistent with the four pillars of the TCFD framework:

Governance: How the Trustee incorporates climate change into its decision making;

Strategy: How potential future climate warming scenarios could impact the Scheme;

Risk Management: How the Trustee incorporates climate-related risk in its risk management processes; and

Metrics and Targets: How the Trustee measures and monitors progress against different climate-related indicators known as metrics.

The Scheme provides two types of benefit, with a DB Section and a DC Section. Both the DB Section and DC Section are within the scope of this report, which covers the year ending 31 March 2024. We note that during the last Scheme Year, the majority of members in the DC Section and their savings were transferred to an external Master Trust provider, and as such only a small holding (c.£2.6m) in DC savings remain. As a result of this, for the purposes of this report we have identified the default investment option, the Drawdown Lifestyle Profile, the Annuity Lifestyle Profile and the Pfizer Group Diversified Growth Fund as the three "popular arrangements" for the DC Section (further information is in the Appendix).

The Trustee has sought to provide complete information as far as it is able to, but recognises that data availability is still poor in some areas. The Trustee expects this to improve over time, facilitating a more complete picture of the climate-related risks associated with the management of the Scheme.

Section 2

Investment Arrangements

Summary of Scheme's Assets

This section sets out the Scheme's invested assets and highlights parts of the asset portfolio which are within the scope of climate-change related reporting requirements and therefore considered as part of the scenario analysis and metrics (where available) in this report, which also includes the bulk annuity policy.

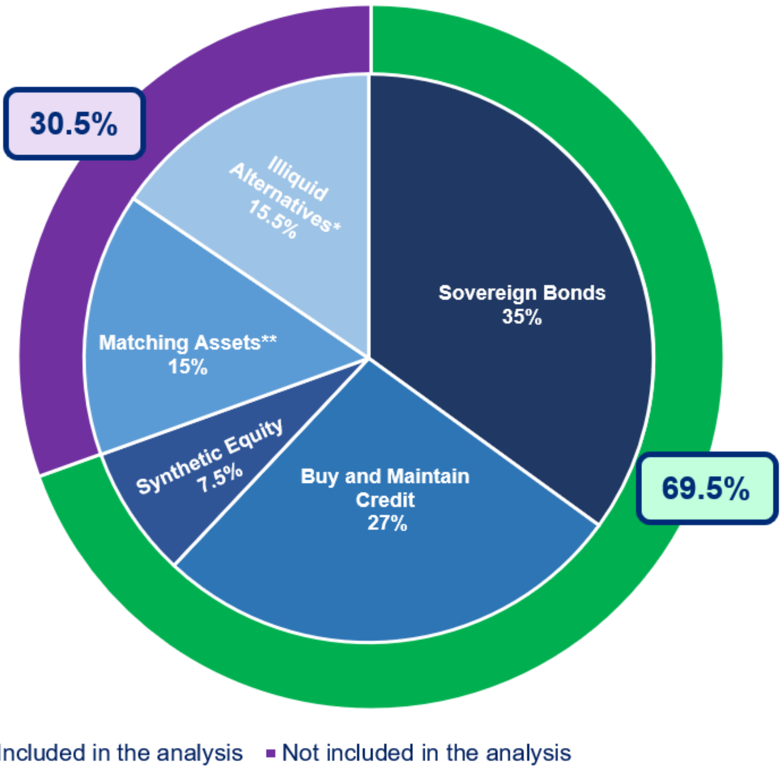
The Scheme provides both DB and DC pension benefits with a total asset size of £2.3bn as at 31 December 2023. We note that during the last Scheme Year, the majority of members in the DC Section and their savings were transferred to an external Master Trust provider, and as such only a small holding (c.£2.6m) in DC savings remain. Members may be part of the DB Section, DC Section or have benefits in both Sections.

DB Section

The strategic asset allocation of the DB Section is set out in Figure 1.

The Trustee, as far as it is able, has considered climate metrics for the Scheme's assets. Those that we have been able to include in the climate metrics analysis equates to 69.5% of total DB Section assets (based on the strategic asset allocation), as illustrated below.

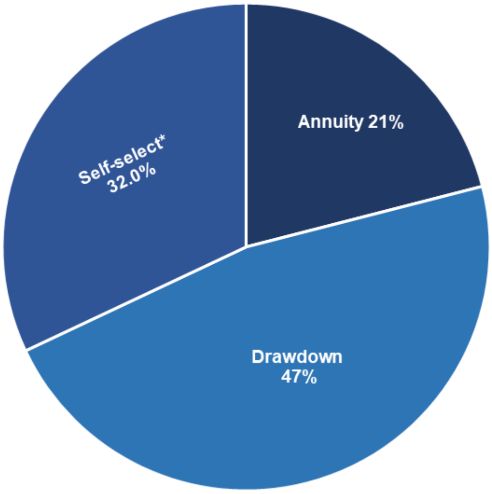
Figure 1: Strategic Asset Allocation of the Plan's DB Section assets (excluding pensioner buy-in).



*Illiquid alternatives include ICG Private Debt, M&G Private Debt, CBRE Property.
**Matching assets include Ares and AXA Secured Income

DC Section

The Scheme's DC investment arrangements are provided by Scottish Equitable plc ("Aegon"). Over the Scheme year, assets of the DC Section have been invested in pooled unitised funds managed by BlackRock Life Limited ("BlackRock DC"), Insight Investment Funds Management Limited ("Insight"), HSBC Investment Funds (Luxembourg) S.A ("HSBC") and Legal and General Investment Management Limited ("LGIM").



Source: Capita.
As at 31 March 2024.

*The self-select funds are broken down as follows:
-Pfizer Group Global Equity: 9% of total assets
-Pfizer Group Diversified Growth: 15% of total assets
-Pfizer Group Pre-Drawdown: 1% of total assets
-BlackRock Pre-Retirement: 5% of total assets
-BlackRock UK Equity Index: 7% of total assets
-BlackRock Cash: 1% of total assets
-BlackRock Corporate Bond All-Stocks Index: 1% of total assets
-BlackRock World (Ex-UK) Equity Index: 6% of total assets
-BlackRock Emerging Markets Equity Index: 2% of total assets
-BlackRock Over 5 Years Index Linked Gilt Index: 2% of total assets

The Trustee, as far as it is able, has considered climate metrics for the Scheme's assets. Our analysis considers the "popular arrangements" which have been identified as the:

- Drawdown Lifestyle Profile;
- Annuity Lifestyle Profile; and the
- Pfizer Group Diversified Growth Fund.

These three strategies account for 68% of the total DC Section assets.

Section 3

Governance

The Trustee's oversight of climate change-related risks and opportunities

The Trustee is responsible for overseeing the management of the Scheme and ensuring that it is run in the best interests of its members. As such, the Trustee has ultimate responsibility for ensuring effective governance of climate-related risks and opportunities for the Scheme. This includes retaining overall oversight for managing and monitoring known climate-related risks, as well as for identifying new and emerging risks that require further consideration.

Law Debenture Pension Trust Corporation P.L.C ("LDPTC") is appointed as Professional Sole Corporate Trustee for the Scheme. The Trustee typically meets on a quarterly basis (and more frequently, as deemed necessary) and risk management is reviewed at these meetings (including thorough review and assessment of a dedicated risk register); climate-related risks form part of this wider assessment.

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 document is reviewed on at least a triennial basis or following a significant change in investment policy and can be found at **https://www.pfizerpensiondirectory.co.uk/** along with other important documentation.

Responsible Investment and Corporate Governance

The Trustee’s Responsible Investment and Corporate Governance policy as set out directly in the SIP is as follows:

- The Trustee believes that ESG factors may have a material impact on investment risk and return outcomes. The Trustee also recognises that long-term sustainability issues, including climate change, present risks and opportunities that increasingly require explicit consideration.
- The Trustee recognises that financially material ESG issues, including climate change, could impact the financial interests of the Scheme’s beneficiaries. Accordingly, the Trustee will consider how ESG matters are integrated within investment processes when appointing new fund managers and monitoring existing fund managers.
- The Trustee believes that good stewardship can preserve value for companies and markets as a whole. The Trustee monitors stewardship activity and reviews ESG ratings annually.
- Having considered their fiduciary duty the Trustee has delegated the evaluation of ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments to the appointed investment managers, in accordance with their own corporate governance policies.
- The Trustee monitors how ESG, climate change and stewardship are integrated within investment processes. These issues are monitored on behalf of the Trustee by the Investment Committee for the DB Section investment managers and the DC Committee for the DC Section investment managers. Each group considers the investment consultant’s assessment of how each of the Section investment managers embed ESG into their investment processes, and how the managers’ responsible investment philosophies align with the Trustee’s responsible investment policy. This includes the investment managers’ policies on voting and engagement. The Trustee will use this assessment in decisions around selection, retention and realisation of manager appointments. Monitoring is undertaken on a regular basis and is documented at least annually to assess the effectiveness of applied approaches.
- The Trustee can regularly review the decisions made by their managers, including voting history (in respect of equities) and engagement activity, and can challenge such decisions to try to ensure the best long term performance over the medium to long term.
- The Trustee takes into consideration non-financial matters when assessing the overall investment strategy and managers, as such members views on ‘non-financial matters’ (where “non-financial matters” include members’ ethical views separate from financial considerations such as financially material ESG issues), are not explicitly taken into account in the selection, retention and realisation of investments.
- The Trustee has not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

ESG Principles

In addition, the Trustee has a set of ESG principles that apply specifically where LDPTC acts as corporate sole trustee, as is the case for the Scheme. These are as follows:

ESG beliefs

In selecting investments LDPTC believes that ESG matters can be financially material. In particular LDPTC believes that:

- Given global commitments to transition to a low carbon economy, as well as the risk that actions taken to limit global warming are too little too late (and result in future temperatures increasing beyond 2 degrees above pre-industrial levels), both transition and physical risks may have a detrimental impact on future returns and are risks that need to be managed;
- Environmental risks extend beyond carbon management and that companies having a negative impact in other areas (e.g. biodiversity loss, water pollution, etc.) may also underperform as a result of reputational risk, consumer behaviour and government action;
- There is sufficient evidence of a link between strong governance practices and a company's ability to create sustainable value, that governance factors should be taken into consideration in investing and engagement activities;
- The link between a company's behaviours in relation to social factors and its financial performance may be more difficult to evidence, but even so failures of social responsibilities can lead to financial detriment, e.g. through lower productivity of a dissatisfied workforce, labour strikes, reputational issues and penalties from negative impact on local communities or failings within the supply chain to meet standards on such matters as modern slavery.

As a consequence, pension schemes should invest in strategies where the investment manager takes such matters into consideration, either through their engagement strategy or, in the case of active fund management, additionally through their stock selection.

Engagement and Engagement Priorities

LDPTC recognises the importance of being a responsible owner of capital. It believes it is important that there is engagement on ESG matters with investments held on behalf of schemes where it is trustee. LDPTC would usually expect its appointed fund managers to carry out this engagement on its behalf and will seek to appoint fund managers whose approach to engagement is consistent with its beliefs.

Engagement should be prioritised where there is likely a material financial risk or opportunity. As at the last review of this beliefs policy, LDPTC recognised the following as engagement priorities:

- Carbon emissions and related climate issues;
- Corporate activity to the detriment of biodiversity;
- Labour standards and in particular Diversity, Equity and Inclusion ("DEI") and modern slavery are considered a governance priority;
- Suitable executive remuneration structures, aligning board interests with those of stakeholders.

Fund managers should be able to evidence that, as far as is relevant, they have engaged with their investments on these matters. This engagement should extend beyond equity holdings and include companies in corporate bond mandates as well as other assets e.g. engagement with tenants of commercial property.

Roles of those undertaking scheme governance activities

As set out above, the Trustee is responsible for identifying, managing and monitoring risk, including climate-related risk. The Trustee has delegated decision making in respect of investment aspects to the Investment Committee and DC aspects to the DC Representatives with oversight from the Trustee. The Trustee will consider the recommendations of these Committees and will ratify or challenge any decisions that require its approval, however the Trustee retains ultimate decision-making responsibility.

Investment Committee ("IC")

- The IC is responsible for evaluating, implementing and monitoring the investment strategy of the DB Section of the Scheme.
- This includes the appointment and ongoing review of investment managers. Climate change-related factors form part of the IC's overall assessment where relevant, both as part of the manager selection process and for ongoing monitoring purposes.
- The IC is expected to assist the Trustee in identifying new investment opportunities, including climate-related opportunities.
- Similarly, the IC is expected to assist the Trustee in identifying new and emerging climate-related risks, and undertake deep-dive reviews of relevant areas of the risk register at their regular meetings.

DC Representatives

- The Full Board of the Trustee takes some decisions itself and delegates others to the DC representatives. When deciding which decisions to take itself and which to delegate, the Full Board of the Trustee has taken into account whether the DC Representatives have the appropriate training and access to expert advice in order to take an informed decision.
- The Trustee has a clearly defined governance structure which documents governing the services provided by the investment adviser, custodians and fund managers. The delegatory duties and powers of the DC representatives are as provided for within the Terms of Reference as amended from time to time. Climate change-related factors form part of the DC Representative's overall assessment where relevant, both as part of the manager selection process and for ongoing monitoring purposes.
- The DC representatives are expected to assist the Trustee in identifying new investment opportunities, including climate-related opportunities as well as emerging climate-related risks, and undertake deep-dive reviews of relevant areas of the risk register at their regular meetings.

Consistent with the above, the consideration of climate-related risks and opportunities is fully integrated into the wider decision-making responsibilities of the Trustee, the IC and DC representatives. DC representatives and the IC meet regularly, along with their advisers as appropriate, to consider ESG factors and climate-related matters that apply to both the DB and DC Sections of the Scheme.

The Trustee has dedicated time over recent years to training on climate change related risks and opportunities, and how these may influence their decisions in relation to risk management, strategy setting and in the monitoring and implementation of the investment strategy. During the Scheme year, the Trustee received training sessions covering climate-related investment risks, reporting requirements in line with the TCFD recommendations, 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;
- An overview of Sustainable investment, setting out the Responsible Investment Total Evaluation ("RITE") assessment and the Scheme's ongoing sustainability progress

Training is expected to be refreshed as and when required, given the importance and complexity of these concepts. The Trustee also seeks to take advantage of external training events, including those in relation to climate risk.

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.

The Trustee has appointed Law Debenture to provide Secretarial support, which includes help with workflow planning and agenda setting, but this does not involve the provision of strategic advice.

An important source of support to the Trustee is provided by a number of external advisers, as set out in the following section. These advisers are appointed by the Trustee to provide support in a range of specialist areas, helping to facilitate effective decision-making on often complex issues, including the area of climate-related risk and opportunities.

Both the IC and DC representatives will provide challenge to advisers' recommendations to ensure advice provided to the Trustee supports effective and efficient decision-making.

The Trustee aims to apply an appropriate amount of scrutiny, challenge and discussion to advice relating to climate-related risks and opportunities. In some circumstances the Trustee will seek additional independent challenge from LDPTC colleagues, in particular those with specific expertise on climate-related matters.

The role of Trustee advisers

The Trustee works with its advisers to ensure that climate-related risks and opportunities are fully integrated into their advice. The appointment of each adviser is subject to a formal review on at least a triennial basis, and the ability to provide high-quality advice on climate-related risks and opportunities is considered as an important factor in this review process.

The roles and responsibilities of the different advisers that worked with the Trustee over the year are summarised below:

Investment Adviser to the DB and DC Sections (Mercer Limited)

- Advises on the appropriate strategic asset allocation taking into account climate risk, supported by the provision of climate scenario analysis;
- Seeks to identify new and emerging climate-related investment opportunities and climate-related risks;
- Advises on the choice of climate-related metrics and targets;
- Supports the Trustee with stewardship activities, which may be related to climate change, such as monitoring and reporting on voting and engagement activities of the invested assets;
- Advises on the appropriateness and effectiveness of the Scheme's investment managers' processes, expertise and resources for managing climate-related risks and opportunities, given the Trustee's investment objectives and beliefs;
- Monitors investment manager performance and the integration of climate related risks into manager strategies more broadly;
- Advises on investment arrangements, including the default investment strategy, taking into account climate risk, supported through the provision of climate scenario analysis;

- Provides training and other updates to the IC and DC representatives on relevant climate-related matters, as appropriate;
- Assists the Trustee in producing the Scheme's Climate Disclosure report on an annual basis.

Actuarial Adviser (Lane Clark & Peacock LLP)

- Advises on the funding position including an understanding of the potential funding impact resulting from changes to financial or demographic assumptions driven by climate change;
- Advises on the robustness of the funding strategy to climate risk. Provides input to enable strategic asset allocation decisions to be made considering the impact of climate risks on the funding strategy; and
- Provides input into climate-related scenario analysis as required (focusing on the liability-related impacts for the DB Section including the potential impact on mortality).

Covenant Adviser (Cardano Advisory Limited)

- Assesses the Sponsor's ability and willingness to continue to support the Scheme.
- Climate-related exposures may be considered alongside other factors that could have a positive or negative impact on the strength of the Sponsor's covenant; and
- Provides input into scenario analysis and advises on covenant implications.

Assessment of Advisers

The Trustee expects advisers to act with integrity and diligence in fulfilling the set objectives and use meetings with the advisers to assess and challenge them as required. Where relevant, this includes discussion of the steps taken by advisers to identify and assess any climate-related risks and opportunities. As noted above, the appointment of each adviser is subject to a formal review on at least a triennial basis.

Following the outcome of the Competition and Markets Authority's review into the investment consultancy and fiduciary management market, the Trustee is required to set ongoing objectives (including consideration of ESG, climate change and stewardship) for its Investment Adviser and review these objectives at least every three years. The Investment Adviser is formally assessed against these objectives annually, with feedback provided on any areas of development. The assessment over the Scheme year took place in June 2023 and August 2023 to the DC and DB Sections of the Scheme, respectively, and there were no material concerns raised by the Trustee.

The Trustee also reviews the performance of the Scheme Actuary and Covenant Advisor, including how climate-related risks and opportunities were incorporated into their advice to help the Trustee to continue to understand the wider resilience of the funding strategy to climate-related risks.

Ultimately, the steps above help ensure that the Trustee is comfortable that the advice it receives is appropriate in terms of the assessment and management of climate-related risks and opportunities.

Section 4
Strategy

As a long-term investor, the Trustee recognises the risks and opportunities arising from climate change (as set out in greater detail in the 'Risk Management' section) are diverse and continuously evolving. In relation to climate-related risks, the Trustee believes it is important to understand how the Scheme's exposure to such risks may change over time, when the risk exposure may be greatest and what actions can be taken now, or in the future, to avoid those risks becoming financially material to the Scheme.

To help with this assessment, the Trustee has defined short, medium and long-term time horizons for both Sections of the Scheme, that have been used to assess the impact of the different climate change scenarios set out later in this section. These time horizons are different for the DB and DC Sections, reflecting the different nature of the arrangements and the demographics of the underlying members.

These are set out in the following tables, alongside a brief description of why the time period is considered to be appropriate. The time periods are assessed relative to the starting point for the quantitative analysis.

DB Section

Short Term	Medium Term	Long Term
End of 2027	End of 2035	End of 2062
Covers the period the Scheme is expected to be most heavily exposed to climate-transition related risks and opportunities	Broadly aligned with the Scheme's long-term funding target	Reflects the possibility of achieving the long term objective later than expected

DC Section*

Short Term	Medium Term	Long Term
End of 2030	End of 2047	End of 2062
Representative of a member approaching retirement age, with a shorter amount of time left in the Scheme. The short term will also impact members in the young or mid-career stage. The Trustees believe that short term risks and opportunities for members could materialise over the next few years to 2030.	Representative of a member in the mid-career stage. The Trustees believe that medium term risks and opportunities could materialise between 2030 and 2047 years from now.	Representative of a member currently in the 'early career' stage. The Trustees believe that long term risks and opportunities could materialise after 2062.

**We note that these timelines are appropriate for the DC members in the DC Section of the Scheme, but that these members are expected to transfer to an external Master Trust in 2025.*

The Trustee has considered the following short, medium and long-term drivers of risk in relation to climate change. These primarily relate to two categories of climate risk that are defined in full in the Risk Management section of this report:

- **Transition risk**, covering the potential risks and opportunities from the transition to a low-carbon economy; and
- **Physical risk**, covering the physical damages and related risks associated with climate change.

Over the short term, transition risks may present themselves through rapid market re-pricing relating to climate transition as:

- Scenario pathways become clearer. For example, a change in the likelihood of a well below 2°C scenario occurring (i.e. an increase in probability would be expected to drive additional transition risk).
- Market awareness grows. For example, the cost and impacts of the transition suddenly influence market pricing.
- Policy changes unexpectedly surprise markets. For example, if a carbon price or significant regulatory requirement was introduced across key markets to which the portfolio is exposed, at a sufficiently high price to impact behaviour.
- Market sentiment is shocked. For example, falls in markets could create a downward spiral where economic sentiment worsens and asset values fall.
- Perceived or real increased pricing of greenhouse gas emissions/carbon.
- Substitution of existing products and services with lower emission alternatives may impact part of the portfolio.
- Litigation risk relating to dangerous warming becoming more prevalent.
- Increases in the energy/heat efficiency of buildings and infrastructure.

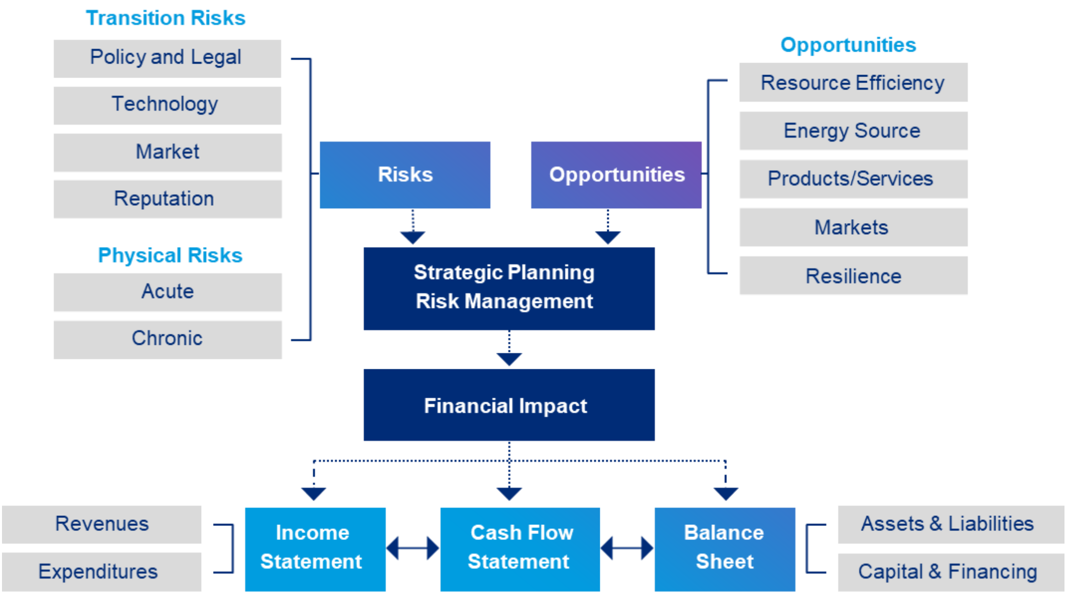
As well as risks associated with these drivers, there could also be opportunities. For example, investing in climate solutions as policy support strengthens.

The Trustee's ability to understand these short-term changes can position the Scheme favourably, for example taking advantage of the climate transition by avoiding and reducing investment in high-emitting carbon sensitive businesses/assets that do not have a business plan that supports the transition to a low carbon economy.

Over the medium term, risks are likely to be more balanced reflecting both transition and physical risk. Over this time period the transition pathway will unfold and the level of anticipated physical damage will become much clearer. While the full extent of the physical damage is unlikely to have occurred markets are likely to be allowing for it to a large degree in asset pricing.

The Trustee's ability to understand these changes and evolve the portfolio as the pathway develops should help to control risk and potentially enhance returns. The Trustee seeks to select managers and choose indices that can identify potential emergence of low carbon opportunities and the decline of some traditional sectors.

Over the long, physical risks are expected to come to the fore. This includes the impact of natural catastrophes leading to physical damages through extreme weather events. Availability of resources is expected to become more important if changes in weather patterns (e.g. temperature or precipitation) affect the availability of natural resources such as water. The impact of global heating on productivity, particularly in areas closer to the equator, as well as rising sea levels, will also be key drivers.



Source: TCFD Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, October 2021.

Climate-related risks and opportunities relevant to the Scheme

To summarise, having taken into account the strategic asset allocations most relevant to the DB and DC Sections, as set out in the appendix, the following risks and opportunities have been identified:

- Over the Short Term, the Trustee has identified the inter-related risk of climate transition risk and asset repricing risk as being most relevant to the investment strategies. Over this time period opportunities are most likely to occur in transition-related investments such as climate solutions and sustainable agriculture.
- Over the Medium Term, the Trustee has concluded that both transition risk and physical risk (particularly in the form of asset repricing to allow for future physical damage) could be material. The Trustee seeks to select managers and choose indices that can identify potential emergence of low carbon opportunities and the decline of some traditional sectors.
- Over the Long Term, the Trustee has identified physical risk as the key driver of climate-related risk. The Trustee's ability to understand these changes and evolve the portfolio as the transition pathway develops will help it to control risk and potentially enhance returns, for example, taking advantage of the climate transition by avoiding or reducing investment in high-emitting carbon sensitive businesses that do not have a business plan that supports the transition to a low carbon economy.

The Trustee has investigated the potential impacts of these risks and opportunities in the quantitative scenario analysis that follows.

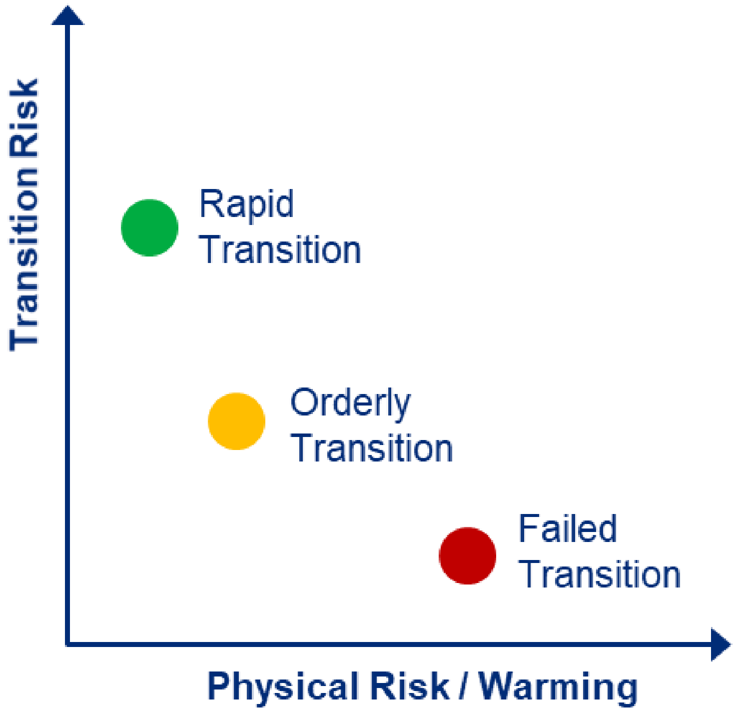
Testing the resilience of the investment and funding strategy

Scenario analysis

The Trustee has chosen not to re-run the climate scenario analysis for the 2024 TCFD report as there have been no changes to the investment strategy or improvements in methodology. The results from last year's analysis are shown below.

The Trustee has undertaken climate scenario analysis as at 31 December 2022 to the test the resilience of the investment and funding strategy adopted by the Trustee. Quantitative climate change scenario analysis has been undertaken on the DB and DC Sections to assess the potential implications of climate change under three modelled scenarios; **a Rapid Transition (1.5°C**), an **Orderly Transition (less than 2°C)** and a **Failed Transition (greater than 4°C)**. The analysis is based on scenarios developed by Mercer working with Ortec Finance.

- **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, consideration of stranded assets or expected costs. The shock is partially sentiment driven and so is followed by a partial recovery. Physical damages are most limited under this scenario.
- **Orderly Transition** – Average temperature increase of less than 2.0°C by 2100. 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 significantly reduce economic productivity and have increasingly negative impacts including from extreme weather events. These are reflected in re-pricing events in the late 2020s and late 2030s.



Source: Mercer

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[2]; 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.

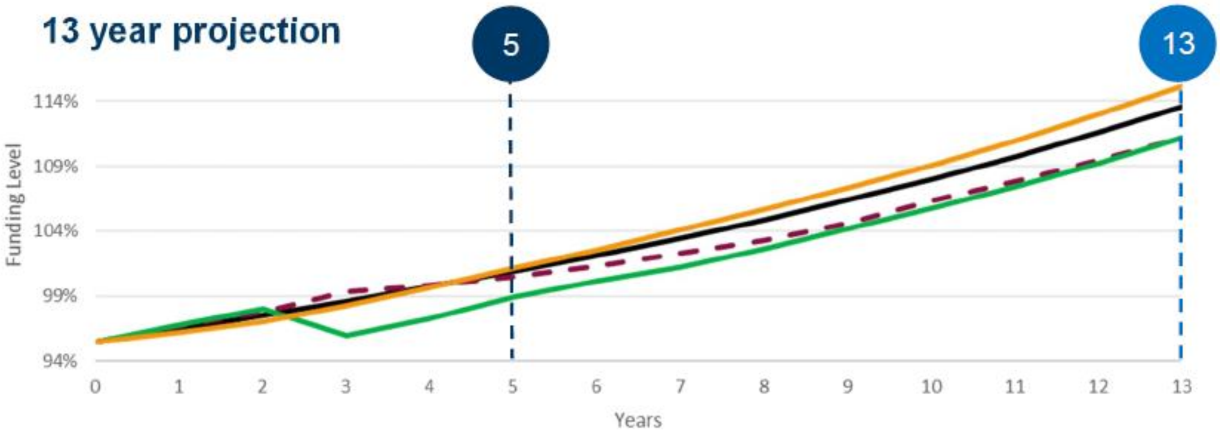
[2] The baseline represents what we are assuming the market is currently pricing in. The baseline includes a 10% weight to a **Failed Transition**, 40% weight to an **Orderly Transition**, 10% to a **Rapid Transition** and 40% to a range of **low impact scenarios**.

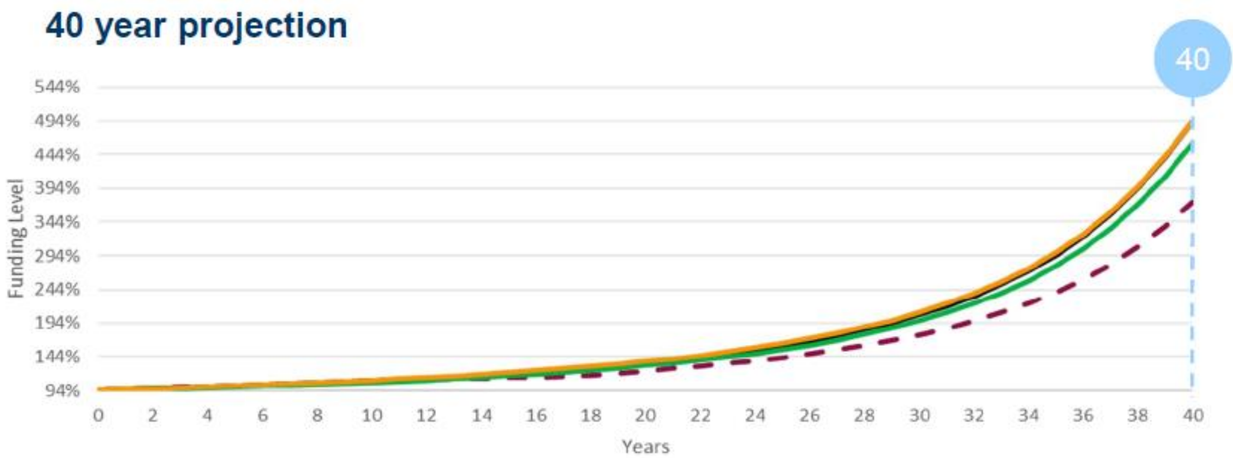
Scenario Analysis Results – DB Section

The Trustee undertook climate scenario analysis for their 2023 TCFD report to test the resilience of the investment and funding strategy adopted by the Trustee. The charts below represent the output of the Trustee's quantitative analysis of the investment and funding strategy. The charts represent projections of funding level (on the Trustee's Long Term Funding Target basis) and annualised returns from an analysis date of 31 December 2022 over a period of up to 40 years. Projections ignore the impact of future contributions. Projections assume a static asset allocation that does not allow for any future de-risking. Further detail on the underlying asset allocations and limitations associated with climate scenario analysis are set out in the appendix. The Trustee has reviewed the analysis and agreed not to undertake updated analysis this year as there have been no changes to the investment strategy or improvements in methodology or capabilities.

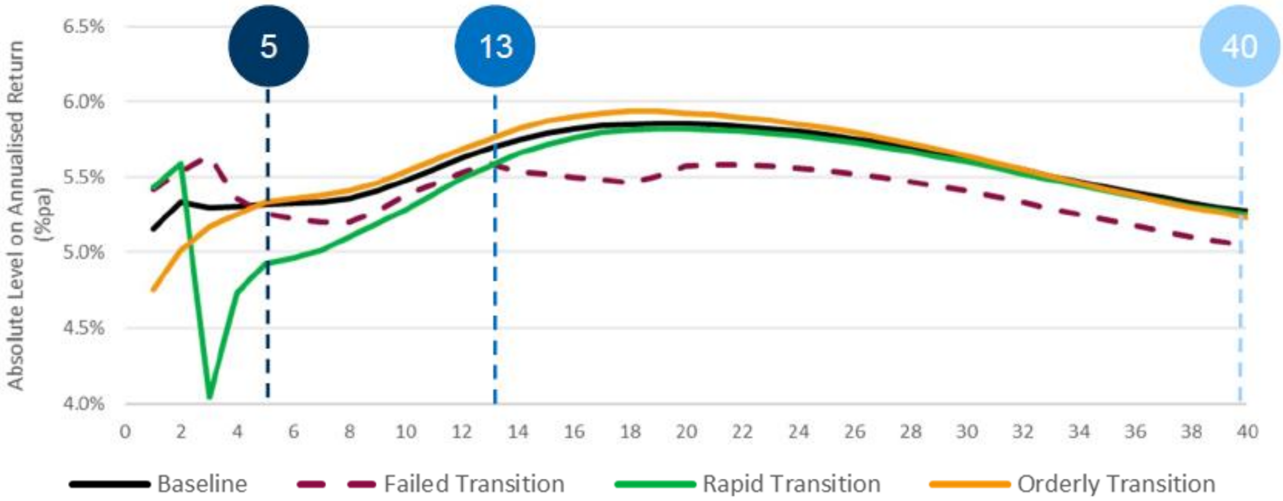
Funding Level Projection

As the analysis is the same as presented in the 2023 report, refences to time periods are based on analysis date as at 31 December 2022 (e.g. the "year 5" datapoint below would be as at 31 December 2027).





Annualised Returns



Summary results of climate change scenario analysis

	Climate impact *	
	Funding level (%)	Annualised returns (% p.a.)
Rapid Transition		
Short-term	-2.0	-0.4
Medium-term	-2.4	-0.1
Long-term	-32.2	0.0
Orderly Transition		
Short-term	+0.3	0.0
Medium-term	+1.5	+0.1
Long-term	+0.9	0.0
Failed Transition		
Short-term	-0.4	-0.1
Medium-term	-2.4	-0.1
Long-term	-118.1	-0.2

**Relative to the baseline. Impact on funding level on the Trustee's Long Term Funding Target basis.*

DB Scenario Analysis Findings

In light of the above quantitative analysis, the Trustee noted the following findings:

Short Term	In the short-term transition risk dominates, with the Rapid Transition scenario most impacted. Under this scenario, there is a shock to returns of about -1.3% p.a. in 2025 followed by a recovery the following year. The recovery is a large proportion of the initial shock on the basis that credit spreads widen and then narrow again with only limited additional default experience. A more extreme scenario where initial losses are sustained by defaults should not be discounted. Overall, the funding level as at 2027 is reduced by c.2% relative to the baseline, and the annualised returns are reduced by 0.4% p.a. due to the impacts of the Rapid Transition scenario. The size of the potential impact means the Rapid Transition scenario could lengthen the expected timeframe to achieving the Trustee's long-term funding target.

Medium Term	Over the medium term, the Rapid Transition and Failed Transition scenarios are impacted to a similar degree, meaning transition risks and physical risks are equally important. The funding level is reduced by c.2.4% relative to the baseline under both scenarios and the annualised returns are reduced by 0.1% p.a. relative to the baseline. Over this time period the transition pathway will unfold and the level of anticipated physical damage will become clearer. While the full extent of the physical damage is very unlikely to have yet occurred, markets are likely to allow for it to a large degree in asset pricing.
Long Term	Over the long term, physical risks dominate and the Failed Transition scenario is most impacted. Under this scenario annualised returns are reduced by around 0.2% p.a. relative to the baseline.

The Scheme's low allocation to growth assets (c.8% allocation to liquid growth assets and 12% to illiquid growth assets based on strategy modelled) and high allocation to lower risk (Liability Enhancing) assets (80%) means the impact of the climate change scenarios is relatively muted. However, the Trustee's ability to understand these changes and evolve the portfolio as the transition pathway develops will help it to control risk and potentially enhance returns, for example, taking advantage of the climate transition by avoiding or reducing investment in high-emitting carbon sensitive businesses that do not have a business plan that supports the transition to a low carbon economy.

The Scheme's greatest climate-related exposures are through the synthetic equity and buy & maintain credit portfolios, and the Trustee is considering how these portfolios can be evolved to better position the Scheme in light of the analysis above. The climate metrics analysis outlined later on in this report helps the Trustee to understand which sectors within the buy & maintain credit portfolios are most exposed to climate-related risks and which are best positioned for the transition to a low carbon economy.

Riskier assets such as property, secured finance and private debt are likely to experience negative, albeit muted, return impacts, particularly under higher warming scenarios, as physical risks detract from returns. However, in practice it is unlikely these mandates would be retained over the longer term given the well-funded position of the Scheme.

The funding level analysis above takes into account the impact of interest rates and inflation expectations upon the value of the liabilities. Of note, realised inflation is expected to be elevated under the Rapid Transition, resulting from damages to agriculture and change in food prices, increasing the value of benefits with inflation-linked increases. These impacts are significantly hedged by the Scheme's allocation to Liability Driven Investment holdings. It does not, however, explicitly take into account the impact of changes to mortality.

Climate change in respect of mortality

Mortality outcomes from climate change scenarios are impossible to accurately predict and will depend on complex interactions between various factors. As such, analysis on the impact on life expectancies and liability values would have to be estimated in a relatively pragmatic way.

The mortality projections proposed by the Scheme Actuary as part of the 2023 actuarial valuation reflect the expected aggregated impact of the many possible factors driving changes in future mortality rates. For example, the Scheme Actuary periodically considers the possible impact of climate change on current and future life expectancies under different plausible climate pathways, and allows for this analysis in making recommendations to the Trustee. The Scheme Actuary has assumed an implicit allowance in the assumptions broadly mid-way between a Rapid / Orderly transition and a Failed transition, regardless of the scenario. The Trustee has considered this as part of the 2023 actuarial valuation.

Climate change in respect of the Sponsoring Employer

The Sponsoring Employer, Pfizer Limited, will be exposed to climate-related risks, as will its parent company, Pfizer Inc. This is a relevant consideration for the DB Section of the Scheme as there is a reliance on the Sponsoring Employer covenant to ensure promises made to members of the DB Section can be fulfilled over time.

The Trustee has reviewed the Sponsoring Employer's exposure to, and approach to monitoring and managing, climate-related risks. Specifically, the Trustee has considered Pfizer Inc.'s climate disclosures and concluded that it is proactively engaging in taking steps to manage climate-related issues, noting that it is committed to reducing Scope 1 + 2 GHG emissions by 46% by 2030 (relative to a 2019 baseline) and to achieve net-zero GHG emissions by 2040.

To date, Pfizer Inc. has prepared qualitative disclosures in relation to TCFD[3], assessing climate-related risks and opportunities across all business operations, against four climate scenarios (noting that these are different to the Trustee's scenarios noted above):

- Very high GHG emissions (SSP5-8.5[4] scenario), +4.4°C warming by 2100
- Low GHG emissions and CO2 emissions declining to net zero around or after 2050, followed by varying levels of net negative CO2 emissions (SSP1-2.6 scenario, aligned with the current commitment under Paris Agreement), +1.8°C warming by 2100
- NGFS[5] current policies, assumes that only currently implemented policies are preserved, leading to high physical warming of +3°C by 2050
- NGFS Net Zero 2050, limits global warming to 1.5°C through stringent climate policies and innovation, reaching global net zero CO2 emissions around 2050, warming of +1.5°C by 2050

The analysis shows that the majority of risks and opportunities materialise in the long-term (2040-2050), in particular the potential physical risks associated with climate change which may increase costs, and in the medium-term (2030-2040) such as policy changes and/or decarbonisation which may also increase costs or result in asset write-offs. A number of risks do also fall within the short-term horizon (present to 2030) and there is considerable overlap between time periods owing to the uncertainty surrounding the future scenarios considered.

Pfizer Inc. considers the current business model and strategy to be resilient under the assessed scenarios. A number of risks and opportunities were found to have potential impact on financial performance and financial position for which mitigation measures have been identified.

Based on the information available, along with the Scheme's current strong funding position and relative size compared to both Pfizer Limited and Pfizer Inc., the Trustee has assessed the overall covenant climate change related risk exposure as relatively low.

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[3] The latest Pfizer Impact Report covering 2023 can be found here.

[4] SSP = Shared Socioeconomic Pathways. This is a high emissions scenario with no additional climate policy (business-as-usual). The push for economic and social development is coupled with the exploitation of abundant fossil fuel resources and the adoption of resource and energy intensive lifestyles around the world.

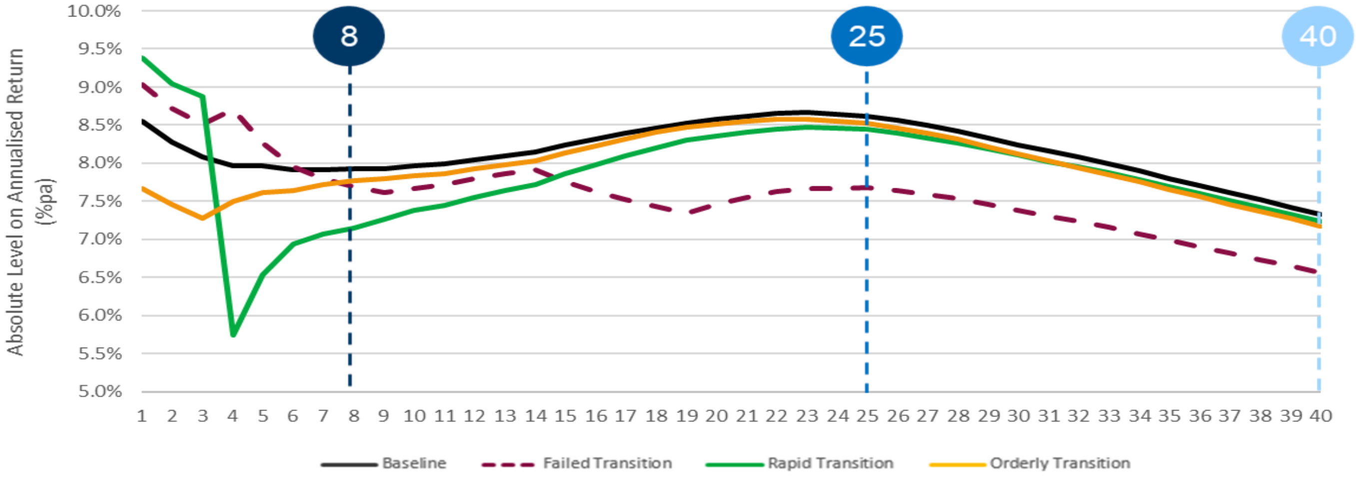
[5] NGFS (Network for Greening the Financial System) Climate Scenarios for central banks and supervisors.

Scenario Analysis Results – DC Section

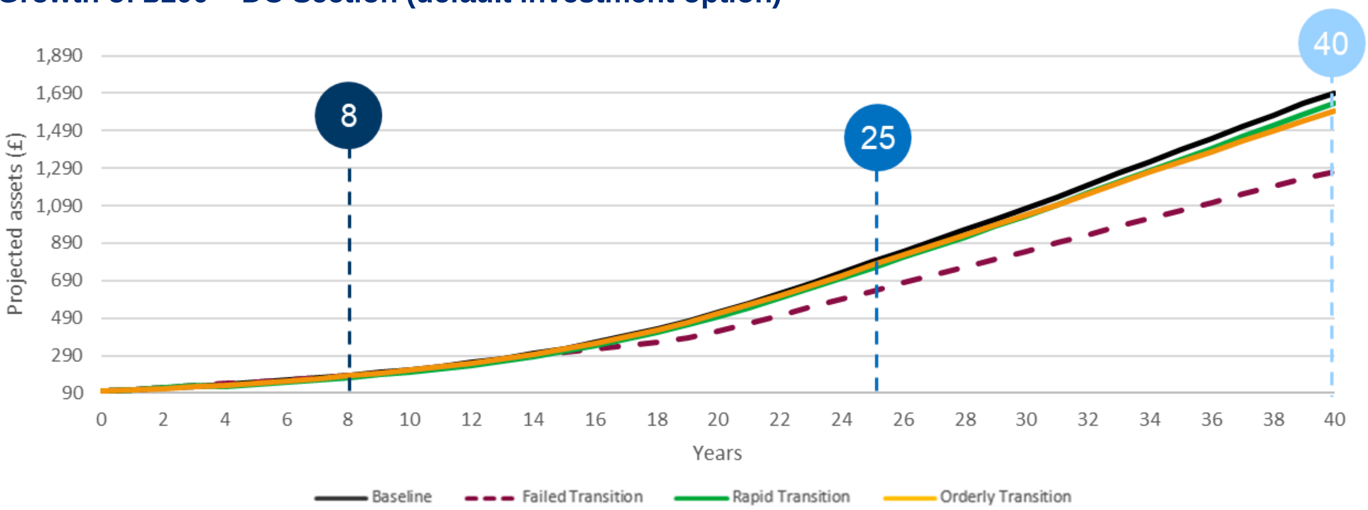
The charts below represent the output of the Trustee's quantitative analysis for the DC Section's default investment option. The charts represent annualised returns and projections of asset values from an analysis date of 31 December 2022 over a period of 40 years. Projections ignore the impact of future contributions. Projections were modelled for the Scheme's default investment option, the Drawdown Lifestyle Profile that allows for future expected de-risking, eight years before retirement age.

As the analysis is the same as presented in the 2023 report, refences to time periods are based on analysis date as at 31 December 2022 (e.g. the "year 8" datapoint below would be as at 31 December 2030). The Trustee acknowledges that the popular arrangements have changed during the year, but have not updated the analysis due to the scale of DC investments that remain in the Scheme and the expectation that they will be transferred to the Aon Master Trust before the end of the next Scheme Year.

Impact on Returns – DC Section (default investment option)



Growth of £100 – DC Section (default investment option)



Investment Strategy	Annualised Return Climate Impact (% p.a.)	Asset Values Impact (%)*
Rapid Transition (1.5ºC)		
Short Term	-0.8%	-5.6%
Medium Term	-0.2%	-4.0%
Long Term	-0.1%	-3.4%
Orderly Transition (below 2°C)		
Short Term	-0.2%	-1.2%
Medium Term	-0.1%	-2.1%
Long Term	-0.2%	-5.7%
Failed Transition (above 4ºC)		
Short Term	-0.2%	-1.7%
Medium Term	-0.9%	-19.6%
Long Term	-0.8%	-24.9%

*Relative to the baseline (baseline represents what we are assuming the market is currently pricing in).

DC Scenario Analysis Findings

In light of the above quantitative analysis, the Trustee noted the following findings:

Short Term	Over the short term, transition risk dominates. The Rapid Transition shows a potential fall in returns of up to 0.8% p.a. relative to the central scenario. The Trustee's decision to invest in a number of ESG tilted passive equity funds in the default investment option is intended to help mitigate the risks associated with transitioning to a low carbon economy.
Medium Term	Over the medium term, there is a balance between the impacts of transition risk and the pricing in of future physical impacts in a Failed Transition. The Rapid Transition would reduce returns by 0.2% p.a. up to 2047 and the Failed Transition would reduce returns by 0.9% p.a. up to 2047.
Long Term	Over the long term, physical risk dominates and the Failed Transition is by far the most impactful and worst scenario. This scenario reduces the return to 2062 by 0.8% p.a. For a member in the early stage of their career, this could have a very significant impact on their pot size at retirement. This is perhaps best demonstrated by the 'Growth of £100' chart, where under the Baseline a member's pot would grow from £100 to over £1,690, whilst under the Failed Transition scenario this could be under £1,290 i.e. a 25% reduction.

Key conclusions from Scenario Analysis *(as included in the 2023 report)*

Conclusion 1 – A successful transition is an imperative

Over the long term for nearly all investors a successful transition leads to enhanced projected returns when compared to scenarios associated with higher temperature outcomes, due to lower physical damages under a successful transition scenario.

The quantitative analysis in this report highlights the negative financial impact associated with the Failed Transition and the corresponding need for trustees to invest to support a successful transition within their fiduciary duty.

This finding informs Trustee decision-making in a number of ways:

- It provides a financial reasoning for having an engagement policy to influence company behaviour.
- Similarly, it provides justification for making commitments around a net zero pathway.
- It supports investment into climate solutions to help bring about a successful transition.

Conclusion 2 – Growth Assets are Highly Vulnerable to Physical Risk

Growth assets are generally more exposed to transition and physical risks. Fixed income asset classes are less sensitive. Listed equity and real estate are materially exposed to physical risks under a Failed Transition over the longer term.

The DB Section's low allocation to growth assets and high allocation to fixed income assets means the impact of different climate change scenarios is relatively muted.

Within the DC Section, the default investment option, the Drawdown Lifestyle Profile, has a large allocation to growth assets during the majority of the glidepath (particularly in the Growth Phase) and as noted above growth assets are generally more exposed to transition and physical risks.

The default investment option introduces greater allocation to defensive assets (including fixed income from 8 years to retirement) and fixed income asset classes are less sensitive.

Conclusion 3 – Sector exposure is key

Climate impacts are naturally sector specific.

Supporting the quantitative analysis in this report, sector level analysis highlighted that differences in return impact are most visible at an industry-sector level, with significant divergence between scenarios.

As return impacts in this modelling are expressed relative to a climate-informed baseline, sector-specific impacts are driven both by what happens under the scenarios, but also by what does not happen (but was priced in). For example, there is a positive impact on the low carbon electricity sector under the Rapid Transition, which is an intuitive outcome. Alternatively, there is a positive impact on the oil & gas sector under the Failed Transition, which is a result of the sector performing better than expected in this scenario (i.e. more revenue than expected for underlying companies).

This finding informs portfolio construction in a number of ways:

- Consider tilting portfolio or benchmarks to vary sector exposures;
- Discuss with current or potential investment managers the sector exposures and how they account for sector specific climate risk;
- Understanding key risk exposures can prioritise areas of focus for engagement or decarbonisation planning.

Conclusion 4 – Investors should be aware of future pricing shocks

Investors, and therefore "the market", look to predict future events / impacts and allow for them in asset prices. As particular events become more likely, market pricing will change before the events occur. This means that longer-term impacts, including transition impacts and particularly physical damages, could impact portfolios earlier than they occur.

The quantitative analysis in this report seeks to demonstrate the impacts of such shocks.

Our Rapid Transition includes a shock around 2025 pricing in (and initially overreacting to a degree) to transition costs. Our Failed Transition includes shocks towards the end of the 2020s and 2030s pricing in future damage. While the exact timing of such shocks is unknowable, considering such shocks is important to risk analysis.

Section 5
Risk Management

What are the climate-related risks and opportunities?

Climate change is a complex global issue that spans over many decades and is far longer than many pension scheme time horizons today. It is a systemic risk that will impact most industries, geographies and asset classes in some way.

The Trustee considers two primary types of climate related risk when undertaking scenario analysis (as set out in the previous section of this report). These dominate at different points in time and have different risk factors associated with them.

1. Transition risks

This covers the potential risks and opportunities from the transition to a low-carbon economy (i.e. one that has 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 and implementation of low-carbon technologies.

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.

2. Physical risks

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)
- 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.

Identifying and managing climate-related risks

A key part of the Trustee's role is to understand and manage risks that could have a financially material impact on the Scheme's investments (and the funding position and sponsor covenant in the case of the DB Section). The climate-related risks set out above are considered by the Trustee based on advice from their advisers, alongside other financially material risks that may impact outcomes for members.

This section summarises the primary climate-related risk management processes and activities of the Trustee. These help the Trustee understand the materiality of climate-related risks, both in absolute terms and relative to other risks that the Scheme is exposed to. The Trustee prioritises the management of risks primarily based on its potential impact on the security of members' benefits/prospective investment returns.

Governance

- The Trustee's SIP is reviewed on at least a triennial basis and sets out how investment climate-related risks are managed and monitored.

- The Trustee maintains a risk register that explicitly includes climate-related risks to monitor and mitigate financially material risks to the Scheme. The climate-related risks are reviewed annually to ensure the assessment of the likelihood and impact continue to remain appropriate for the Scheme given the developing research and understanding on this subject as well as new and emerging risks related to climate change.

- The Trustee receives training from time-to-time on climate-related issues. The training allows the Trustee to better understand how climate-related risks and opportunities could have an impact on the Scheme, challenge whether the risks and opportunities are effectively allowed for in its governance processes and wider activities, and to be able to challenge its advisers to ensure the governance support and advice adequately covers the consideration of climate-related risks and opportunities. This process also affords the Trustee an opportunity to identify new and emerging risks related to climate change.

- A benchmarking analysis of the extent to which ESG factors are integrated into investment decision making at the portfolio level is undertaken with the assistance of Mercer on an annual basis. The Trustee considers recommendations from this exercise and will monitor progress over time.

Strategy

- The Trustee believes that good stewardship and ESG issues may have a material impact on investment risk and return outcomes. The Trustee also recognises that long-term sustainability issues, including climate change, present risks and opportunities that increasingly require explicit consideration. When setting investment strategy, ESG factors, including climate change, will be considered alongside a number of other factors that can influence investment strategy.

- For the 2023 TCFD report the Trustee carried out climate scenario analysis (described in the 'Strategy' section) which provided a top-down strategic assessment of climate change risk at the asset class level, covering both transition and physical risks. For the DB Section the analysis assessed the potential impact of different climate scenarios on the funding position and asset returns for the strategy. For the DC Section the primary focus is on the potential impact on annualised investment returns and the potential impact on absolute asset value projections. Climate scenario analysis for the investment and funding strategy of the Scheme will be reviewed at least triennially, or more frequently if there has been a material change to the strategic asset allocation and/or the popular arrangements and/or improvements in modelling. Key findings from the Trustee's latest climate scenario analysis was set out in the previous section.

- As this analysis is strategic in nature, the results of the analysis are incorporated into wider investment strategy discussions and considerations and portfolio design.

Reporting

- The Trustee receives quarterly investment performance reporting, including Mercer's ESG manager ratings. These ratings assess the degree to which managers integrate ESG considerations, including climate change, into their investment processes and active ownership activities.
- The Trustee will receive annual reports of climate-related metrics and progress against targets in respect of the assets held in the Scheme. The Trustee may use the information to engage with the investment managers.
- A summary of managers' voting and engagement statistics and what the Trustee considers to be the most significant votes cast on behalf of the Scheme over the year are disclosed in the annual Implementation Statement, which is published on an annual basis as part of the Trustee Report and Accounts. The statement can be found at **https://www.pfizerpensiondirectory.co.uk/**.

Manager Selection and Retention

- The Trustee, with advice from Mercer in its role as Investment Adviser, 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. As and when required, managers are invited to present to the IC / DC representatives to explain their approach to climate change risk management, amongst other topics. For example, the IC met with M&G, the investment manager of one of the DB Section's private debt mandates, in May 2023 to discuss their approach to ESG, climate change and specific holdings.
- 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 Trustee.
- The Trustee supports the aims of the UK Stewardship Code and the Scheme's investment managers are encouraged to report their adherence to the Code. The Trustee asks the Scheme's investment managers to present on an ad-hoc basis and may challenge actions taken, including on voting history and engagement activity. When the investment managers present to the Trustee, they are asked to highlight key sustainable investment activity and the impact the actions have had on the portfolio. This took place during the year as part of the meetings with M&G and CBRE in May 2023, and with GSAM in January 2024

Section 6
Metrics and Targets

Metrics

The Trustee has chosen to present climate-related metrics across four different categories in this report, consistent with the requirements of both the TCFD framework and the statutory requirements. The climate-related metrics help the Trustee to understand the climate-related risk exposures and opportunities associated with the Scheme's investment portfolio and identify areas for further risk management, including investment manager portfolio monitoring, voting and engagement activity and priorities. The metrics in this report relate to the Scheme's financed emissions only and exclude emissions associated with the operation of the Scheme. The metrics in this report, applicable to both DB and DC Sections, are listed below and where metrics relate to emissions, these cover scope 1, 2 and 3.

Metric category	Selected metric	Further detail
Absolute emissions	Total Greenhouse Gas Emissions	Tonnes of carbon dioxide and equivalents (tCO2e) that the **Scheme** is responsible for financing.
Emissions intensity	Weighted Average Carbon Intensity (WACI)*	The exposure of the Scheme to carbon-intensive companies, measuring the amount of carbon dioxide and equivalents (tCO2e) emitted per million pounds of holding company / issuer revenue[6] on average.
Portfolio Alignment	% of portfolio companies with targets approved by the Science Based Targets initiative (SBTi)	Assessment of the proportion of portfolio companies/issuers that have submitted climate transition plans that have been approved by the SBTi.
Additional	Data Quality	Represents the proportion of the portfolio for which the Trustee has high quality data.

* Please refer to the Targets section of this report for an explanation of why the Trustee selected WACI as their intensity metric, rather than carbon footprint.

Where metrics relate to emissions, these cover Scope 1, 2 & 3. Scope 1, 2 & 3 corporate emissions are defined as follows:

- **Scope 1 "direct" emissions**: those from sources owned or controlled by the Company (e.g. direct combustion of fuel from vehicles)
- **Scope 2 "indirect" emissions**: those caused by the generation of energy (e.g. electricity) purchased by the Company.
- **Scope 3 "indirect" emissions**: All emissions that occur in the value chain of the Company (not the Company itself).

For sovereign emissions, the emissions are defined as those that relate to production (scope 1) and consumption (scope 1, 2 and 3 minus exported emissions) in line with the PCAF guidance. Emissions include those from land use, land use change and forestry.

- **Production emissions:** those attributable to emissions produced domestically and include domestic consumption and exports; and

[6] For sovereign bonds, Greenhouse Gas Emissions are expressed relative to Purchasing Power Parity adjusted Gross Domestic Product (PPP-adjusted GDP), in line with the Partnership for Carbon accounting of Financials guidance (PCAF).

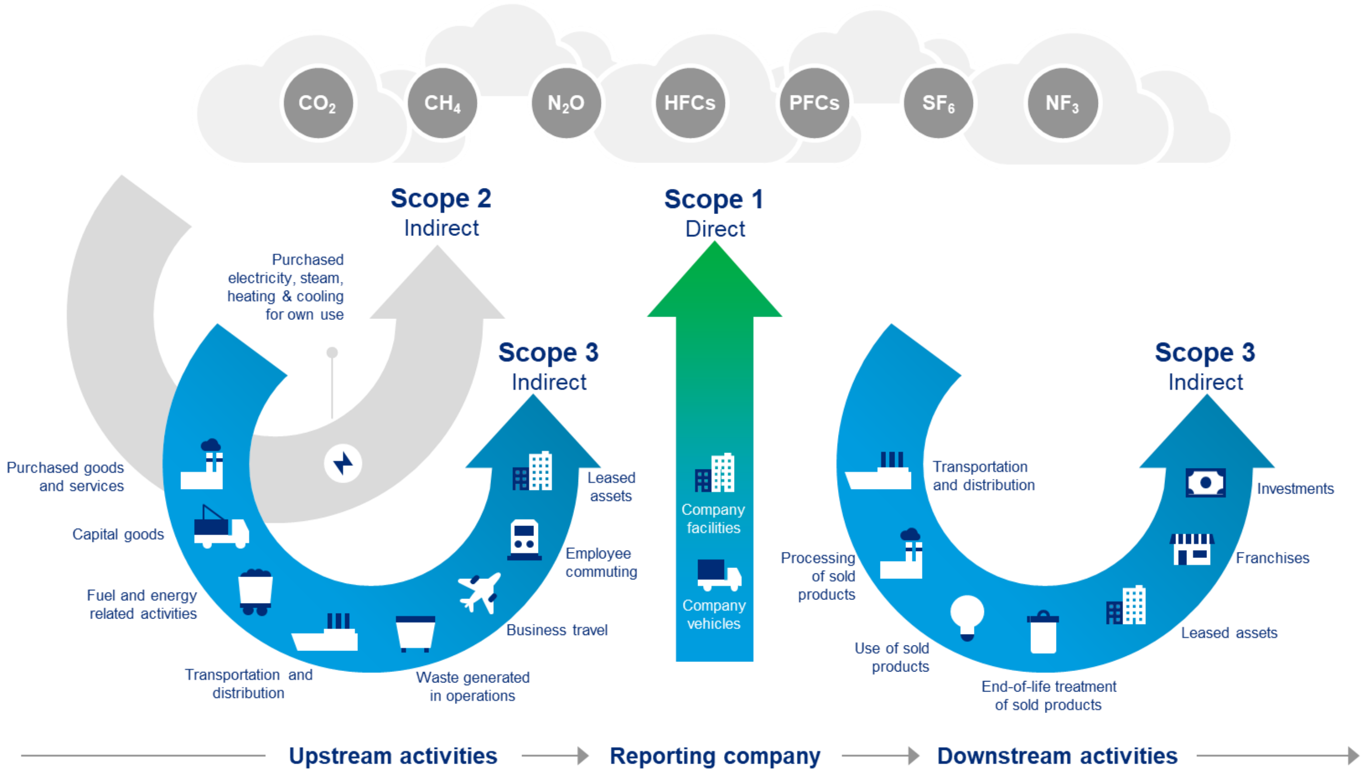
- **Consumption emissions:** these include production emissions, minus exported emissions, plus imported emissions (emissions related to energy and non-energy imports from goods or services from outside the country territory as a result of activities taken place in the country territory).

The metrics presented in this report are as at 31 December 2023 for the DB Section and 31 March 2024 for the DC Section and are based on the actual asset allocation at those dates, as well as the bulk annuity policy with Scottish Widows in respect of the DB Section.

The Trustee recognises the challenges associated with various metrics, tools and modelling techniques used to assess climate change risks. The Trustee aims to work with its investment adviser and investment managers to continuously improve the approach to assessing and managing risks over time as more data becomes available. The appendix of this report sets out the data limitations and assumptions used in collating these metrics. Further information on each of the selected metrics is set out below.

Total Greenhouse Gas Emissions

This metric takes an ownership approach to answer what proportion of a company's or asset's emissions an investor owns and is therefore responsible for financing. It includes the seven types of greenhouse gas ("GHG") (as defined in the Kyoto Protocol), across the three scopes of emissions, as summarised below.



Source: GHG Protocol

Emissions of the seven greenhouse gases have different impacts on climate change. In order to simplify reporting, each greenhouse gas is calibrated relative to carbon dioxide and is reported as 'carbon dioxide equivalent' emissions (CO_2e). In this way the Trustee can compare companies that emit different amounts of different gases on a consistent basis.

In respect of sovereign debt investments, the Trustee follows the PCAF to derive absolute emissions. Recognising the different methodologies used to calculate absolute emissions for sovereigns and corporates, the Trustee reports sub totals at the corporate and sovereign levels as well as grand Total Greenhouse Gas Emissions figures.

The Trustee has chosen this metric to understand the absolute amount of emissions financed by the Scheme's investments.

The Trustee is now required to incorporate Scope 3 data as far as possible. When Scope 3 emissions data availability and quality is better, the Trustee will consider extending target setting to include these emissions.

Weighted Average Carbon Intensity

Weighted Average Carbon Intensity ("WACI") is an intensity measure of emissions that normalises a company's total GHG Emissions figure by its revenue. This metric is calculated by taking the total carbon emissions of the investment and dividing by annual company revenue. A different approach is taken for sovereign bonds, where the specified sovereign GHG Emissions are normalised by Purchasing Power Parity adjusted Gross Domestic Product (PPP-adjusted GDP). A portfolio level intensity metric is calculated as the weighted average of the underlying holdings' intensity metrics.

Analysing a fund's WACI assists the Trustee in identifying how carbon efficient the business models of the companies held within a portfolio are. The Trustee has chosen this metric to assist it in prioritising carbon intense parts of the investment strategy for potential re-allocation or engagement as a means of mitigating associated climate-related risks. The Trustee chose WACI rather than the recommended intensity metric, Carbon Footprint, as coverage within the Scheme's portfolios was relatively high for WACI and significantly higher than for Carbon Footprint.

% of portfolio companies with net zero targets approved by the Science Based Targets initiative (SBTi)

The Science Based Target initiative ("SBTi") has established an industry standard methodology for companies setting long-term carbon emission reduction targets that are in line with climate science. Companies submit their net zero plans to SBTi, who then act as an independent assessor of the validity of the plans.

SBTi use a sector decarbonisation approach (SDA) of an absolute contraction approach (ACA). Under the SDA approach, SBTi allocate the 2°C carbon budget to different sectors, taking into account differences between sectors today and mitigation potential going forwards (e.g. this takes into account the fact that power generation will likely be able to decarbonise faster than cement production). The ACA approach is a broad assumption that assumes that all companies should decarbonise at the same rate. The ACA approach is the most popular target that companies who submit their targets to the SBTi choose.

The Trustee chose this metric because it provides a measure of portfolio alignment with the goals of the Paris Agreement. Underlying funds with a low percentage of companies with SBTi-approved targets could indicate investment in companies or issuers that are not setting targets to align their businesses or activities with net zero, which is a forward-looking indication of climate transition risk.

The Trustee recognises that the SBTi does not currently cover every sector, however is cognisant that the initiative's coverage across additional companies and sectors is expanding rapidly.

Data Quality

Data Quality aims to represent 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 unavailable to determine the how representative the analysis is of the Scheme's actual portfolio.

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 Scheme'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.

Data collection

In producing this summary, the Trustee has relied on information provided by the Scheme's investment managers and MSCI. Analysis has been performed on the liquid assets of the DB Section as at 31 December 2023 (69.5% of total assets excluding the bulk annuity, or £1,454m) as well as the bulk annuity itself (£349m at 31 December 2023). The illiquid mandates have been excluded due to the lack of available data. For the DC Section, analysis has been performed on the mandates that compose the default investment option as at 31 December 2019, 31 December 2022 and 31 March 2024 (except for the Insight Broad Opportunities mandate, since it gains exposure through derivatives, and for the BlackRock Cash mandate by the nature of the assets it invests in). For both Sections, the analysis (where carried out by Mercer) has been completed using the underlying holdings data, as provided by the investment managers. We note within the DC Section, Insight Investment Management were unable to provide the carbon intensity metrics for the Insight Broad Opportunities Fund given the underlying nature of the holdings within it. Due to this, Mercer have proceeded with the analysis and included the Insight mandate within the "not covered" part of the Scheme. This follows the same process taken in the previous report.

Many of the mandates do not have complete coverage of emissions data, because some companies do not yet measure and report their emissions. Therefore the portion of the portfolio for which there is coverage is scaled up, to estimate an absolute emissions figure to cover 100% of the portfolio.

For sovereign bond portfolios, such as the DB Section's LDI mandate, the calculation methodology has changed over the year and the Scheme now discloses emissions split by production and consumption. In light of this, the metrics reported this year for these portfolios are not directly comparable to the previous report.

The stocklist received from the manager is analysed, and only the equity, corporate bonds, and/or sovereign portions are kept. The remaining asset classes are removed from the portfolio. The resulting stocklist is cross referenced vs MSCI's database to obtain data for the holdings. Not all positions are covered by the tool at this time.

For multi asset portfolios, the equity, corporate bonds, and/or sovereign portions are analysed separately. Only the equity and corporate bond portions are considered within data quality.

Results - DB Section

Metrics analysis - 31 December 2019 (Baseline)

Mandate	Manager	Allocation (%)	Absolute emissions (tCO2e)		WACI (tCO2e / £m revenue) Sovereign Carbon Intensity (tCO2e / £m PPP GDP)		% of Portfolio with SBTi targets*
			Coverage (%)	Scope 1 + 2	Coverage (%)	Scope 1 + 2	
Global Equity	Baillie Gifford	8.8%	93.2%	935	94.2%	16.3	28.0%
All World Equity	LGIM	2.1%	86.4%	5,652	86.4%	161.2	32.9%
FTSE RAFI AW 3000	LGIM	3.8%	85.0%	21,103	85.0%	231.2	29.1%
MSCI World Min Vol	LGIM	2.8%	95.5%	7,950	95.5%	302.3	35.9%
Total Equity		**17.5%**	**90.9%**	**35,640**	**91.4%**	**126.6**	**30.1%**
Buy & Maintain Corporate Bonds	GSAM	4.7%**	59.4%	13,585	88.1%	213.3	30.0%
Buy & Maintain Corporate Bonds	abrdn	7.4%**	51.7%	14,502	76.6%	103.0	24.7%
Total Corporate Bonds		**12.2%**	**54.7%**	**28,087**	**81.1%**	**146.0**	**26.8%**
Total Equity and Corporate Bonds		**29.7%**	**76.1%**	**63,727**	**87.2%**	**134.6**	**28.8%**
LDI***	Insight	22.5%	100.0%	234,398	100.0%	144.0	-
Multi Asset Credit****	Russell	6.0%	5.2%	171,221	7.7%	942.3	0.7%

Notes: Scope 1+2 only. % of fund directly analysed reflects coverage under the MSCI tool used in this analysis.
Sovereign analysis has been conducted in line with the recommended methodology set out in the ongoing PCAF consultation. Intensity formula Data for Production Emissions (GHG) for 2019 sourced from EDGARv7.0 website (https://edgar.jrc.ec.europa.eu/dataset_ghg70) Crippa et al. (2021 (https://edgar.jrc.ec.europa.eu/report_2021), 2022 (https://edgar.jrc.ec.europa.eu/report_2022). Data for PPP Adjusted GDP for the latest available data (2020-2021) sourced from The World Bank (https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD)
*Presenting current data for SBTi figures, as historical information is not available. As such the comparison with the 31 December 2022 position is a reflection of changes in the underlying mandates, rather than the number of companies with SBTi targets.
**Percentages considering the respective asset class allocation. For GSAM and abrdn, these represent, respectively, a 94.9% and a 99.3% fund allocation to corporate bonds. The remainder of the funds are allocated to asset classes not covered by the analysis.
***For LDI, absolute emissions in respect of physically funded gilts (£746M) are 142,345 tCO2e, and through the long leg of the repo contracts (£482M) are 92,053 tCO2e. Emissions from total exposure to UK gilts (£1,228M) is shown in the table above. The exposure from the short leg of the repo contracts (-£512M) was not included in the analysis.
****Russell MAC metrics were provided by the manager. It is using 2019 portfolio data and current emissions data. Caution should be exercised as it has low coverage.

Metrics analysis - 31 December 2022

Mandate	Manager	Allocation (excl bulk annuity) (%)	Absolute emissions (tCO2e)		WACI (tCO2e / £m revenue) Sovereign Carbon Intensity (tCO2e / £m PPP GDP)		% of Portfolio with SBTi targets
			Coverage (%)	Scope 1 + 2	Coverage (%)	Scope 1 + 2	
Synthetic Equity***	Insight	2.0%	99.4%	2,504	99.5%	134.2	39.5%
Total Equity		**2.0%**	**99.4%**	**2,504**	**99.5%**	**134.2**	**39.5%**
Buy & Maintain Corporate Bonds	GSAM	12.9%*	61.3%	18,398	91.1%	117.3	24.3%
Buy & Maintain Corporate Bonds	Insight	13.9%*	57.6%	9,825	90.4%	72.6	17.1%
Total Corporate Bonds		**26.8%**	**59.4%**	**28,223**	**90.8%**	**94.1**	**20.6%**
Total Equity and Corporate Bonds		**28.8%**	**62.2%**	**30,727**	**91.4%**	**96.9**	**21.9%**
LDI**	Insight	35.0%	100.0%	221,785	100.0%	136.1	-

Notes: Scope 1+2 only. % of fund directly analysed reflects coverage under the MSCI tool used in this analysis.
Sovereign analysis has been conducted in line with the recommended methodology set out in the ongoing PCAF consultation. Intensity formula Data for Production Emissions (GHG) for 2019 sourced from EDGARv7.0 website (https://edgar.jrc.ec.europa.eu/dataset_ghg70) Crippa et al. (2021 (https://edgar.jrc.ec.europa.eu/report_2021), 2022 (https://edgar.jrc.ec.europa.eu/report_2022). Data for PPP Adjusted GDP for the latest available data (2020-2021) sourced from The World Bank (https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD)
*Percentages considering the respective asset class allocation. For GSAM and Insight, these represent, respectively, an 88.9% and a 95.8% fund allocation to corporate bonds. The remainder of the funds are allocated to asset classes not covered by the analysis.
**For LDI, absolute emissions in respect of physically funded gilts (£700M) are 114,530 tCO2e and, emissions from additional exposure achieved through the long leg of the repo contracts (£655M) are 107,255 tCO2e. Emissions from total exposure to UK gilts (£1,355M) is shown in the table above. The exposure to the pay leg of the TRS contact (£-69M) and the short leg of the repo contracts (-£789M) was not included in the analysis.
***It is assumed the fund replicates the benchmark.

Mandate	Manager	Value / Allocation	Absolute emissions (tCO2e)		WACI (tCO2e / £m revenue) Sovereign Carbon Intensity (tCO2e / £m PPP GDP)		% of Portfolio with SBTi targets
			Coverage (%)	Scope 1 + 2	Coverage (%)	Scope 1 + 2	
Bulk annuity	Scottish Widows	£385.2m					
Public (equity and corporate bonds)		*35.5%*	*89.5%*	*7,830*	*89.5%*	*162.9*	*19.2%*
Private (equity and loans)		*49.4%*	*100.0%*	*18,933*	*N/A*	*N/A*	*N/A*
Sovereign Bonds		*10.6%*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*

Source: Scottish Widows. Value and underlying allocation as at 31 December 2022.
The data provided is based on an apportionment of the Matching Adjustment Portfolio allocated to the Scheme/transaction, in line with Scottish Widows' understanding of the Department for Work and Pensions (DWP) guidance, which recognises that exact data is unlikely to be available and a suitable estimate can be provided.
Data is respect of sovereign bonds is shown as N/A as the data is unavailable at the time of writing.

Metrics analysis - 31 December 2023

Scope 1 & 2 Emissions – Listed Equity and Corporate Bonds

Mandate	Manager	Allocation (excl bulk annuity) (%)	Absolute emissions (tCO2e)		WACI (tCO2e / £m revenue)		% of Portfolio with SBTi targets
			Coverage (%)	Scope 1 + 2	Coverage (%)	Scope 1 + 2	
Synthetic Equity*	Insight	7.5%	99.8%	4,244**	99.7%	97.6	45.4%
Total Equity		**7.5%**	**99.8%**	**4,244**	**99.7%**	**97.6**	**45.4%**
Buy & Maintain Corporate Bonds	GSAM	12.6%	64.2%	21,715	91.8%	150.1	32.4%
Buy & Maintain Corporate Bonds	Insight	12.9%	56.0%	9,225	90.9%	62.9	22.6%
Total Corporate Bonds		**25.5%**	**60.1%**	**30,940**	**91.3%**	**105.9**	**27.4%**
Total Equity and Corporate Bonds		**33.0%**	**69.1%**	**35,184**	**93.2%**	**104.0**	**31.5%**

Source: MSCI and Mercer. All data as at 31 December 2023. Allocation weights represent the strategic asset allocation for that mandate or, for Mixed Mandates, the actual allocation to Corporate Bonds within the mixed mandate. *Insight Synthetic Equity replicates the MSCI World Index. **Absolute Emissions are calculated based on the synthetic exposure, as at 31 December 2023, which equals £83.9M.

Mandate	Manager	Value / Allocation	Absolute emissions (tCO2e)		WACI (tCO2e / £m revenue) Sovereign Carbon Intensity (tCO2e / £m PPP GDP)		% of Portfolio with SBTi targets
			Coverage (%)	Scope 1 + 2	Coverage (%)	Scope 1 + 2	
Bulk annuity	Scottish Widows	£385.5m					
Public (equity and corporate bonds)		*41.9%*	*91.8%*	*7,860*	*91.8%*	*100.2*	*28.7%*
Private (equity and loans)		*45.2%*	*80.6%*	*16,146*	*N/A*	*N/A*	*N/A*
Sovereign Bonds		*6.8%*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*

Source: Scottish Widows. Data provided for each scheme/transaction has been calculated in line with the methodology outlined in the DWP guidance. Scottish Widows has aggregated this data using emissions data provided by S&P TruCost and ONS and BEIS sectoral data. The most up to date emissions data was used subject to internal review and governance processes. Currently this relates to ONS/BEIS data as at YE2021 and S&P TruCost data from YE2023, both of which are applied to assets held as at the most recent year end date (YE2023).

Scope 3 emissions – Listed Equity and Corporate Bonds

Mandate	Manager	Allocation (excl bulk annuity) (%)	Absolute emissions (tCO2e)				WACI (tCO2e / £m revenue)			
			Upstream		Downstream		Upstream		Downstream	
			Coverage (%)	Scope 3	Coverage (%)	Scope 3	Coverage (%)	Scope 3	Coverage (%)	Scope 3
Synthetic Equity*	Insight	7.5%	99.8	9,284**	99.8	23,486**	99.8	243.7	99.8	428.4
Total Equity		**7.5%**	99.8	9,284	99.8	23,486	99.8	243.7	99.8	428.4
Buy & Maintain Corporate Bonds	GSAM	12.6%	64.2	45,488	64.2	93,531	91.8	233.6	91.8	379.4
Buy & Maintain Corporate Bonds	Insight	12.9%	56.0	32,395	56.0	86,842	89.8	196.5	89.8	322.5
Total Corporate Bonds		**25.5%**	**60.1**	**77,883**	**60.1**	**180,373**	**90.8**	**214.8**	**90.8**	**350.6**

Source: MSCI and Mercer. All data as at 31 December 2023. Allocation weights represent the strategic asset allocation for that mandate or, for Mixed Mandates, the actual allocation to Corporate Bonds within the mixed mandate. *Insight Synthetic Equity replicates the MSCI World Index. **Absolute Emissions are calculated based on the synthetic exposure, as at 31 December 2023, which equals £83.9M.

Sovereign Bonds

Production Emissions

Mandate	Manager	Allocation (excl bulk annuity) (%)	Absolute emissions (tCO2e)		Sovereign Carbon Intensity (tCO2e / £m PPP GDP)		Sovereign Carbon Intensity (tCO2e / capita)	
			Coverage (%)	Scope 1 + 2	Coverage (%)	Scope 1 + 2	Coverage (%)	Scope 1 + 2
LDI**	Insight	35.0%	100.0%	200,122	100.0%	120.6	100.0%	9.1

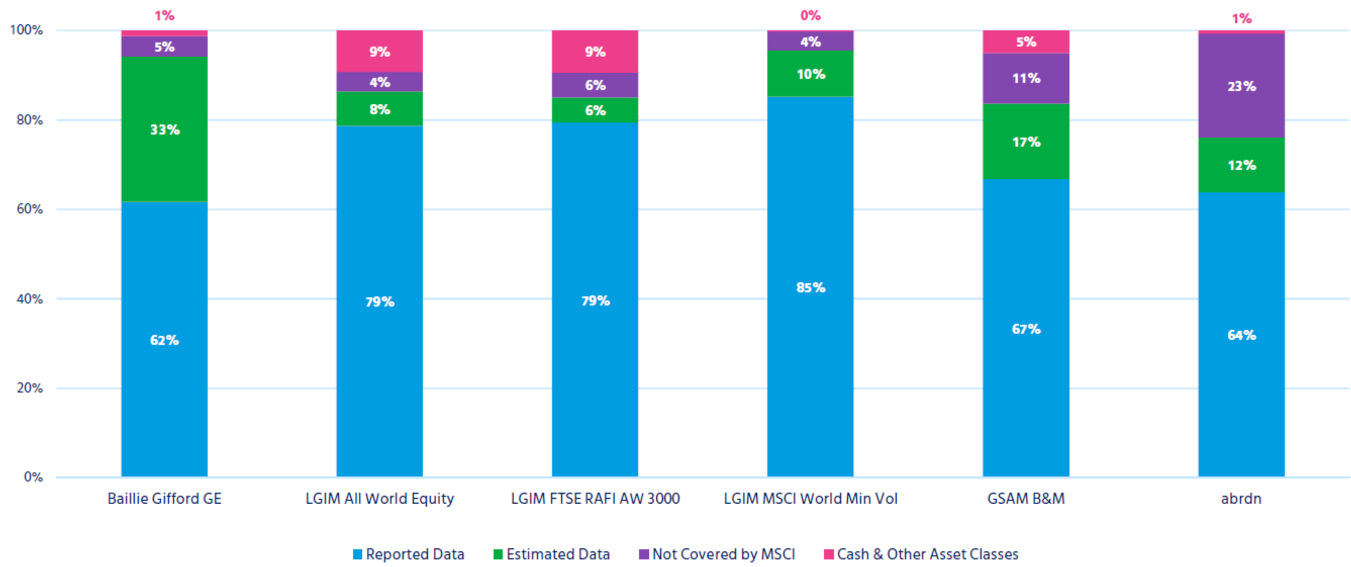
Source: MSCI and Mercer. All data as at 31 December 2023. Allocation weights represent the strategic asset allocation for that mandate.
Notes: Sovereign emissions data shown are consistent with the PCAF definition of Scope 1 sovereign emissions, aligning with the UNFCCC definition of domestic territorial emissions, including emissions from exported goods and services. Emissions data include land use, land use change and forestry. Data sourced from MSCI.
The methodology used by Sovereigns has improved over the years, making it unfair to compare year-on-year data. As a result, the current analysis does not take into account the sovereign figures from previous analyses.

Consumption Emissions

Mandate	Manager	Allocation (excl bulk annuity) (%)	Absolute emissions (tCO2e)		Sovereign Carbon Intensity (tCO2e / £m PPP GDP)	
			Coverage (%)	Scope 1 + 2	Coverage (%)	Scope 1 + 2
LDI**	Insight	35.0%	100.0%	277,747	100.0%	167.3

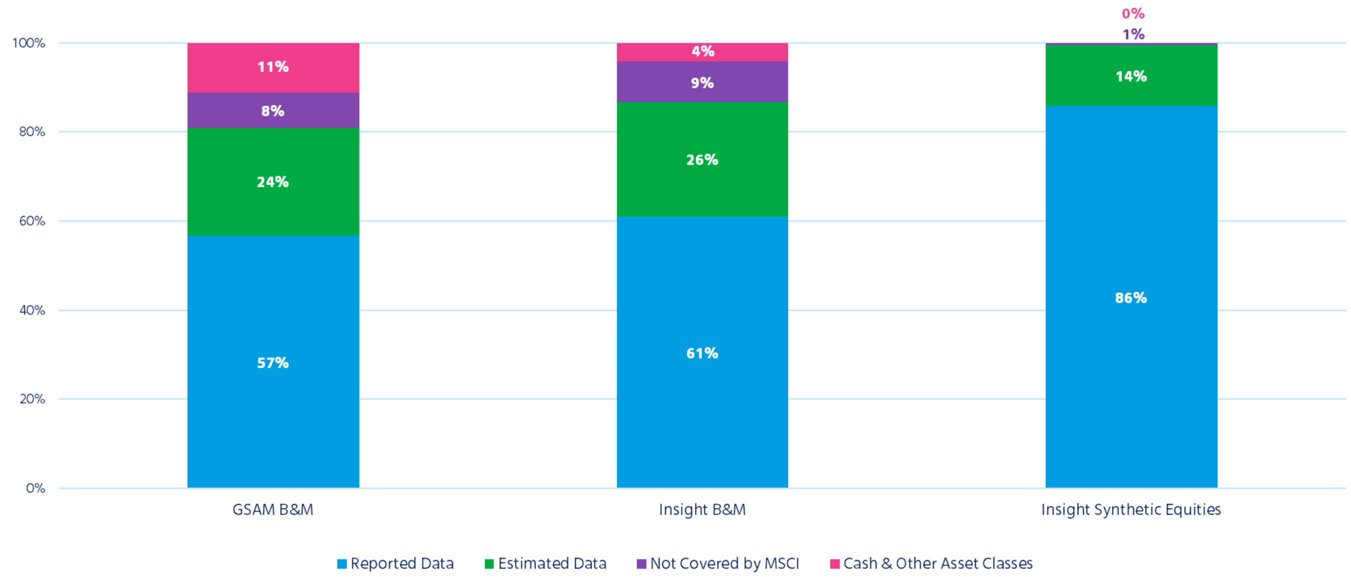
Source: MSCI and Mercer. All data as at 31 December 2023. Allocation weights represent the strategic asset allocation for that.
Notes: Sovereign emissions data shown are consistent with the PCAF definition of Scope 1, 2, and 3 sovereign emissions, aligning with the UNFCCC definition of domestic territorial emissions, including emissions from exported goods and services. Emissions data include land use, land use change and forestry. Data sourced from MSCI.

Data quality - 31 December 2019



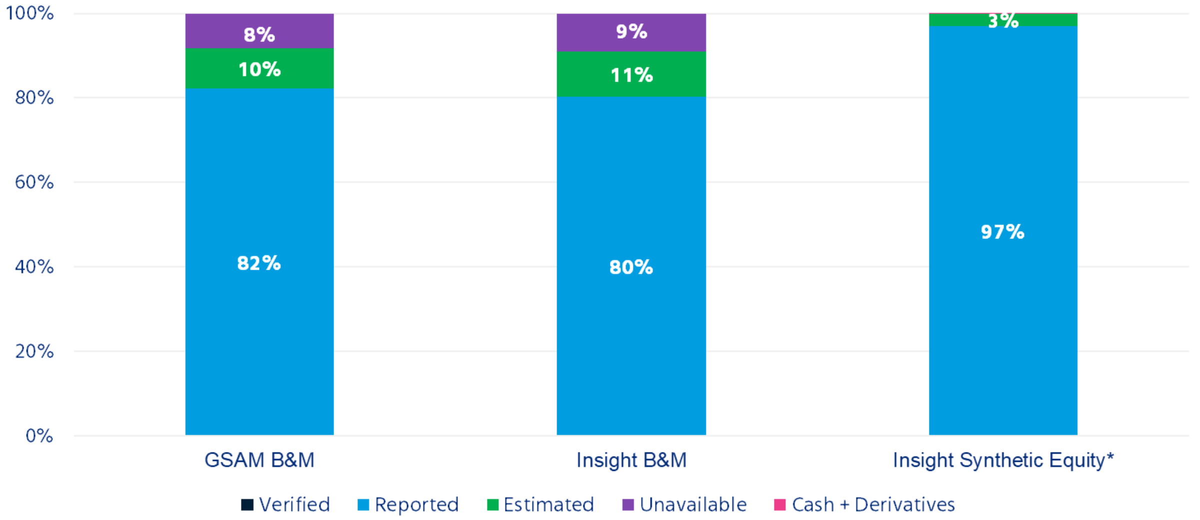
Notes: Only including the equity and corporate bond portions of each mandate. The remainder should be included in “Cash & Other Asset Classes”.
Values may not sum up due to rounding. Manager data for Russell MAC is 3.7% reported and 2.2% estimated.

Data quality - 31 December 2022



Notes: Only including the equity and corporate bond portions of each mandate. The remainder should be included in “Cash & Other Asset Classes”.

Data quality - 31 December 2023



Notes: Only estimated data is used for Scope 3 due to poor quality or limited availability. As a result, the data quality for Scope 3 emissions is considered 100% estimated.
Only including the equity portions and corporate bond legs of each mandate.
Values may not sum up due to rounding.

Over the period since the 2019 baseline, amongst other things the Scheme disinvested from the physical equity funds with LGIM and Baillie Gifford, incepted a synthetic equity mandate with Insight, disinvested from the Multi-Asset Credit mandate with Russell, transferred the abrdn corporate bond portfolio to Insight, sold US$ bonds from the GSAM portfolio, and purchased a bulk annuity with Scottish Widows (partly funded by corporate bonds). The key findings from the analysis of the funds' climate-related metrics against their benchmarks and the evolution over time are shown below, based on scope 1 and 2 data.

Metric	Commentary
Absolute emissions (tCO2e)	**The absolute emissions of the corporate bond portfolio increased by c.10% when compared with the 2019 baseline**. This was driven by a c.250% increase in the size of the portfolio during the period. **Decarbonisation across the Listed Equity and Corporate Bond portfolios level has been c.51% since 31 December 2019**, driven by a decrease in the combined value of equities and corporate bonds as well as their lower carbon intensity.
WACI (tCO2e/$million revenue)	**The carbon intensity of the corporate bond portfolio decreased by c.27% versus the 2019 baseline.** This was largely driven by a significant reduction in the carbon intensity of the GSAM mandate over this period (c.29.6%). However, over the last year, the carbon intensity of the GSAM mandate increased by 27.9%. One of the drivers that contributed to this increase was the portfolio's increased exposure to the utilities sector (rising from 7% in 2022 to 12% in 2023).
Sovereign Carbon Intensity (tCO2e/$million PPP GDP)	The production and consumption **emissions carbon intensity of the sovereign portfolio were 120.6 tCO2e and 167.3 per $million PPP-adjusted GDP in December 2023**, respectively. The methodology for this metric has changed relative to last year, with the emissions being split between production and consumption. As such this is not directly comparable to the to 144.0 tCO2e quoted in 2019.
Sovereign absolute emissions (tCO2e)	The **production emissions of the sovereign portfolio were 200,122 tCO2e and 277,747 tCO2e respectively, as at 31 December 2023.** The methodology for this metric has changed relative to last year, with the emissions being split between production and consumption. As such this is not directly comparable to the to 234,398 **tCO2e** in December 2019**.** This corresponds to emissions from total exposure to gilts of **£1,302.2 as at 31 December 2023** (£ 1,228m in 2019).

Metric	Commentary
SBTi targets (% of portfolio)	**27.4%** of the companies in the **corporate bond** portfolio, and **45.4%** in the **synthetic equity** portfolio, have submitted climate transition plans that have been approved by the **Science Based Targets Initiative (SBTi) as at 31 December 2023.** In 2019, **c.28.8%** of the Scheme's total assets had **underlying companies with SBTi across mandates.** In 2023, this number increased to **c.31%,** driven mainly by the increase in the synthetic equity strategic allocation.
Data Quality	**Data quality is generally satisfactory for the corporate bond mandates,** which tend to have a lower reported coverage when compared to equity mandates. **Over the year to 31 December 2023, there has been an improvement in the data coverage for absolute emissions** (from 62.2% to 69.1%) **and WACI** (from 91.4% to 93.2%) metrics of the Scheme's Equity and Corporate Bond portfolios. Note that for the scope 3 emissions metrics, estimated data has been used throughout due to the poor quality or limited availability. For this reason, data quality is 100% estimated data for scope 3.

Results - DC Section

Metrics analysis - 31 December 2019 (Baseline) (Drawdown Lifestyle)

Asset Class	Mandate	Manager	Allocation (%)	Absolute emissions (tCO2e)		WACI (tCO2e/$ million sales)		% of Portfolio with SBTi targets ****
				Coverage (%)	Scope 1 + 2	Coverage (%)	Scope 1 + 2	
Listed Equities	Global Equity 50:50	BlackRock	38%	84%	10,886	84%	140.7	36%
Total Equities			**38%**	**84%**	**10,886**	**84%**	**140.7**	**36%**
Corporate Bonds	Pre-Retirement*	BlackRock	5%	39%	468	74%	88.2	25%
Total Corporate Bonds			**5%**	**39%**	**468**	**74%**	**88.2**	**25%**
Sovereigns	Pre-Retirement*	BlackRock	5%	100%	1,336	100%	146.9	-
Total Sovereigns			**5%**	**100%**	**1,336**	**100%**	**146.9**	**-**
Diversified Growth	BlackRock Dynamic DGF**	BlackRock	26%	47%	3,874***	47%	116.5	-
Total Diversified Growth			**26%**	**47%**	**3,874**	**47%**	**116.5**	**-**
Total***			69%	69%	16,564	-	-	-

Notes: Scope 1+2 only. % of fund directly analysed reflects coverage under the MSCI tool used in this analysis.
Sovereign analysis has been conducted in line with the recommended methodology set out in the ongoing PCAF consultation. Intensity formula. Data for Production Emissions (GHG) for 2019 sourced from EDGARv7.0 website (https://edgar.jrc.ec.europa.eu/dataset_ghg70) Crippa et al. (2021 (https://edgar.jrc.ec.europa.eu/report_2021), 2022 (https://edgar.jrc.ec.europa.eu/report_2022). Data for PPP Adjusted GDP for the latest available data (2020-2021) sourced from The World Bank (https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD)
*BlackRock Pre-Retirement figures consider the respective asset class allocation for the mandate. These represent a 49.3% and a 49.6% allocation to, respectively, corporate bonds and sovereign bonds. The remainder of the fund is allocated to asset classes not covered by the analysis.
**Data provided by the manager. Data as at 31 January 2020, as the manager has not made data available before this date. It has not been possible to include BlackRock DGF in the aggregated figures as the manager was not able to separate out portfolio holdings into listed equity and credit, instead, only provided fund level metrics (the same comment applies to the analysis as at 31 December 2022).
***The absolute emissions figure for the BlackRock Dynamic DGF fund has been estimated by multiplying the Scheme’s assets under management by the fund’s carbon footprint sourced directly from the manager (to illustrate the absolute emissions for the eligible assets only).
****Presenting current data for SBTi figures, as historical information for this metric is not available.
*****Total figures include an aggregation of data from the MSCI tool and underlying manager data. Given the possible differences in methodologies and data providers involved in calculating the metrics, these aggregated figures should be interpreted with caution.

Metrics analysis - 31 December 2022 (Drawdown Lifestyle)

Asset Class	Mandate	Manager	Allocation (%)	Absolute emissions (tCO2e)		WACI (tCO2e/$ million sales)		% of Portfolio with SBTi targets
				Coverage (%)	Scope 1 + 2	Coverage (%)	Scope 1 + 2	
Listed Equities	MSCI World	BlackRock	18%	98%	3,776	98%	134.6	39%
	FW Global Equity	LGIM	18%	91%	1,510	91%	68.2	40%
	Emerging Markets	BlackRock	2%	99%	1,179	99%	328.4	8%
	FW Emerging Markets	LGIM	2%	92%	390	92%	153.6	9%
Total Equities			**40%**	**95%**	**6,854**	**95%**	**115.4**	**36%**
Multi-Asset	RIMA - Equity + Credit*	LGIM	9%	75.1%**	1,725***	79.7%**	179.3	-
	RIMA – Sovereigns*			100%	2,693***	100%	285.5	-
Total Multi-Asset			**9%**					
Diversified Growth	BlackRock Dynamic DGF*	BlackRock	25%	53%	5,753****	53%	140.5	-
Total Diversified Growth			**25%**	**53%**	**5,753**	**53%**	**140.5**	**-**
Total*****			73%	79%	17,025	-	-	-

Notes: Scope 1+2 only. % of fund directly analysed reflects coverage under the MSCI tool used in this analysis.
Sovereign analysis has been conducted in line with the recommended methodology set out in the ongoing PCAF consultation. Intensity formula. Data for Production Emissions (GHG) for 2019 sourced from EDGARv7.0 website (https://edgar.jrc.ec.europa.eu/dataset_ghg70) Crippa et al. (2021 (https://edgar.jrc.ec.europa.eu/report_2021), 2022 (https://edgar.jrc.ec.europa.eu/report_2022). Data for PPP Adjusted GDP for the latest available data (2020-2021) sourced from The World Bank (https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD)
*Data provided by the manager due to the managers being able to provide greater data coverage than that available via the MSCI tool. SBTi metrics were not provided by the managers.
**Eligible coverage numbers reported for the LGIM RIMA are defined as % of eligible assets (LGIM deem real assets, private debt, and derivatives as ineligible for carbon reporting) for which there is data. Both WACI and absolute emissions coverage numbers for the equity + credit of the LGIM RIMA fund are equal to c.79.7% and c.75.1%, respectively, where LGIM define coverage % as representing the coverage of eligible assets with carbon scores.
***The absolute emissions figures for LGIM RIMA have been estimated by multiplying the market value of eligible assets for each portion of the fund by the carbon intensity corresponding to the same portion of the fund (to illustrate the absolute emissions for the eligible assets only).
****The absolute emissions figure for the BlackRock Dynamic DGF fund has been estimated by multiplying the Scheme's assets under management by the fund's carbon footprint sourced directly from the manager (to illustrate the absolute emissions for the eligible assets only).
***** Total figures include an aggregation of data from the MSCI tool and underlying manager data. Given the possible differences in methodologies and data providers involved in calculating the metrics, these aggregated figures should be interpreted with caution.

Metrics analysis - 31 March 2024

Scope 1 and 2 emissions – Listed Equity, Diversified Growth and Multi-Asset (Drawdown Lifestyle)

Asset Class	Mandate	Manager	Allocation (%)	Absolute emissions (tCO2e)		WACI (tCO2e/$ million sales)		% of Portfolio with SBTi targets
				Coverage (%)	Scope 1 + 2	Coverage (%)	Scope 1 + 2	
Listed Equities	MSCI World	BlackRock	12.4%	99.8%	5	99.7%	95.5	46.8%
	Emerging Markets	BlackRock	1.4%	98.4%	2	98.3%	318.5	16.9%
	FW Global Equity	LGIM	12.4%	92.3%	2	92.3%	54.4	47.5%
	FW Emerging Markets	LGIM	1.4%	91.5%	<1	91.5%	119.4	19.9%
Total Equities			**27.5%**	**95.9%**	**9**	**95.9%**	**89.3**	**44.3%**
Multi-Asset	RIMA - Equity	LGIM	10.9%	93.6%	6	93.7%	136.7	41.9%
	RIMA – Corporate bonds		5.4%	62.3%	2	80.2%	82.0	33.3%
Total Multi-Asset			**16.3%**	**83.3%**	**8**	**89.2%**	**120.5**	**39.1%**
Diversified Growth	Dynamic DGF - Equity	BlackRock	4.4%	97.9%	<1	97.9%	50.8	55.5%
	Dynamic DGF – Corporate bonds		4.2%	76.2%	3	89.5%	228.8	31.2%
Total Diversified Growth			**8.6%**	**87.2%**	**4**	**93.7%**	**134.3**	**43.5%**
Total			52.4%	90.6%	22	93.5%	106.4	42.6%

Source: Mercer, using data from MSCI. All data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 9 September 2024, or latest available. An overview of these metrics is provided in the Appendix. Allocation weights represent the actual asset allocation for that mandate or, for mixed mandates, the actual allocation to listed equity or corporate bonds within the mixed mandate.

Scope 1 and 2 emissions – Corporate Bonds & Diversified Growth (Annuity Lifestyle)

Asset Class	Mandate	Manager	Allocation (%)	Absolute emissions (tCO2e)		WACI (tCO2e/$ million sales)		% of Portfolio with SBTi targets
				Coverage (%)	Scope 1 + 2	Coverage (%)	Scope 1 + 2	
Corporate Bonds	Pre-retirement	BlackRock	26.4%	27.1%	4*	86.5%	51	19.8%
Total Corporate Bonds			**26.4%**	**27.1%**	**4**	**86.5%**	**51**	**19.8%**
Diversified Growth	Dynamic DGF - Equity	BlackRock	1.5%	97.9%	<1	97.9%	50.8	55.5%
	Dynamic DGF – Corporate bonds		1.4%	76.2%	<1	89.5%	228.8	31.2%
Total Multi-Asset			**2.9%**	**87.2%**	**1**	**93.7%**	**134.3**	**43.5%**
Total			29.3%	33.0%	5*	87.2%	59.1	22.2%

Source: Mercer, using data from MSCI. All data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 9 September 2024, or latest available. An overview of these metrics is provided in the Appendix. Allocation weights represent the actual asset allocation for that mandate or, for mixed mandates, the actual allocation to listed equity or corporate bonds within the mixed mandate.
*Caution should be exercised when interpreting results as the coverage for some of the metrics remains low.

Scope 1 and 2 emissions – Pfizer Group Diversified Growth Fund

Asset Class	Mandate	Manager	Allocation (%)	Absolute emissions (tCO2e)		WACI (tCO2e/$ million sales)		% of Portfolio with SBTi targets
				Coverage (%)	Scope 1 + 2	Coverage (%)	Scope 1 + 2	
Diversified Growth	Dynamic DGF - Equity	BlackRock	14.6%	97.9%	1	97.9%	50.8	55.5%
	Dynamic DGF – Corporate bonds		14.1%	76.2%	5	89.5%	228.8	31.2%
Total			**28.8%**	**87.2%**	**6**	**93.7%**	**134.3**	**43.5%**

Source: Mercer, using data from MSCI. All data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 9 September 2024, or latest available. An overview of these metrics is provided in the Appendix. Allocation weights represent the actual asset allocation for that mandate or, for mixed mandates, the actual allocation to listed equity or corporate bonds within the mixed mandate.

Scope 3 emissions – Listed Equity, Diversified Growth and Multi-Asset (Drawdown Lifestyle)

Asset Class	Mandate	WACI (tCO2e / $M sales)				Absolute Emissions (tCO2e)				Allocation (%)
		Scope 3 Upstream		Scope 3 Downstream		Scope 3 Upstream		Scope 3 Downstream		
		Metric	Coverage	Metric	Coverage	Metric	Coverage	Metric	Coverage	
Listed equity	BlackRock Currency Hedged MSCI World Index	240.8	99.8%	436.6	99.8%	11	99.8%	28	99.8%	12.4%
	BlackRock Emerging Markets Equity Index	287.9	98.4%	652.7	98.4%	2	98.4%	5	98.4%	1.4%
	LGIM Future World Global Equity Fund	229.0	92.3%	289.8	92.3%	8	92.3%	15	92.3%	12.4%
	LGIM Future World Emerging Markets Equity Index	253.7	91.6%	360.2	91.6%	1	91.6%	2	91.6%	1.4%
Total Equities		**238.5**	**95.9%**	**377.5**	**95.9%**	**22**	**95.9%**	**49**	**95.9%**	**27.5%**
Diversified Growth	BlackRock Dynamic Diversified Growth Fund Equity	254.4	97.9%	468.8	97.9%	4	97.9%	9	97.9%	4.4%
	BlackRock Dynamic Diversified Growth Fund Corporate bond	225.6	89.4%	578.0	89.4%	4	76.1%	14	76.1%	4.2%
Total Diversified Growth (Equity and Corporate Bond)		**240.9**	**93.7%**	**520.0**	**93.7%**	**8**	**87.2%**	**23**	**87.2%**	**8.6%**
Multi-asset	LGIM Retirement Income Multi-Asset Fund Equity	271.6	93.7%	438.5	93.7%	12	93.6%	24	93.6%	10.9%
	LGIM Retirement Income Multi-Asset Fund Corporate bond	217.2	78.8%	450.7	78.8%	6	62.3%	10	62.3%	5.4%
Total Multi-Asset (Equity and Corporate Bond)		**255.7**	**88.8%**	**442.1**	**88.8%**	**18**	**83.3%**	**34**	**83.3%**	**16.3%**
Total Lised Equity, Diversified Growth and Multi-Asset		**244.2**	**93.3%**	**420.9**	**93.3%**	**48**	**90.6%**	**107**	**90.6%**	**52.4%**

Source: Mercer, using data from MSCI. All data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 9 September 2024, or latest available. An overview of these metrics is provided in the Appendix. Allocation weights represent the actual asset allocation for that mandate or, for mixed mandates, the actual allocation to listed equity or corporate bonds within the mixed mandate.

Scope 3 emissions – Corporate Bonds & Diversified Growth (Annuity Lifestyle)

Asset Class	Mandate	WACI (tCO2e / $M sales)				Absolute Emissions (tCO2e)				Allocation (%)
		Scope 3 Upstream		Scope 3 Downstream		Scope 3 Upstream		Scope 3 Downstream		
		Metric	Coverage	Metric	Coverage	Metric	Coverage	Metric	Coverage	
Corporate bonds	BlackRock Pre-retirement	184.4	83.7%	639.5	83.7%	10*	27.1%	26*	27.1%	26.4%
Total Corporate Bonds		**184.4**	**83.7%**	**639.5**	**83.7%**	**10**	**27.1%**	**26**	**27.1%**	**26.4%**
Diversified Growth	BlackRock Dynamic Diversified Growth Fund Equity	254.4	97.9%	468.8	97.9%	1	97.9%	2	97.9%	1.5%
	BlackRock Dynamic Diversified Growth Fund Corporate bond	225.6	89.4%	578.0	89.4%	1	76.1%	3	76.1%	1.4%
Total Diversified Growth (Equity and Corporate Bond)		**240.9**	**93.7%**	**520.0**	**93.7%**	**2**	**87.2%**	**5**	**87.2%**	**2.9%**
Total Corporate Bonds and Diversified Growth		**189.8**	**84.7%**	**628.1**	**84.7%**	**12**	**33.0%**	**31**	**33.0%**	**29.3%**

Source: Mercer, using data from MSCI. All data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 9 September 2024, or latest available. An overview of these metrics is provided in the Appendix. Allocation weights represent the actual asset allocation for that mandate or, for mixed mandates, the actual allocation to listed equity or corporate bonds within the mixed mandate.
*Caution should be exercised when interpreting results as the coverage for these metrics remains low.

Scope 3 emissions – Listed Equity & Corporate Bonds (Pfizer Group Diversified Growth)

Asset Class	Mandate	WACI (tCO2e / $M sales)				Absolute Emissions (tCO2e)				Allocation (%)
		Scope 3 Upstream		Scope 3 Downstream		Scope 3 Upstream		Scope 3 Downstream		
		Metric	Coverage	Metric	Coverage	Metric	Coverage	Metric	Coverage	
Diversified Growth	BlackRock Dynamic Diversified Growth Fund Equity	254.4	97.9%	468.8	97.9%	6	97.9%	14	97.9%	14.6%
	BlackRock Dynamic Diversified Growth Fund Corporate bond	225.6	89.4%	578.0	89.4%	7	76.1%	22	76.1%	14.1%
Total Diversified Growth (Equity and Corporate Bond)		**240.9**	**93.7%**	**520.0**	**93.7%**	**13**	**87.2%**	**35**	**87.2%**	**28.8%**

Source: Mercer, using data from MSCI. All data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 9 September 2024, or latest available. An overview of these metrics is provided in the Appendix. Allocation weights represent the actual asset allocation for that mandate or, for mixed mandates, the actual allocation to listed equity or corporate bonds within the mixed mandate.

Production Emissions – Sovereign Bonds (Drawdown Lifestyle)

Asset Class	Mandate	Production Emissions Including LULUCF				Production Emissions Excluding LULUCF				Allocation (%)
		Sovereign Carbon Intensity (tCO2e / $M PPP-Adjusted GDP)		Absolute Emissions (tCO2e)		Sovereign Carbon Intensity (tCO2e / $M PPP-Adjusted GDP)		Absolute Emissions (tCO2e)		
		Metric	Coverage	Metric	Coverage	Metric	Coverage	Metric	Coverage	
Sovereign Bonds	LGIM Retirement Income Multi Asset	197.2	97.5%	17	97.5%	204.3	95.7%	18	95.7%	8.5%
Total Sovereign Bonds		**197.2**	**97.5%**	**17**	**97.5%**	**204.3**	**95.7%**	**18**	**95.7%**	**8.5%**

Source: Mercer, using data from MSCI. All data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 9 September 2024, or latest available. Sovereign emissions data shown are consistent with the Partnership for Carbon Accounting Financials (PCAF) definition of Scope 1 sovereign emissions, aligning with the UNFCCC definition of domestic territorial emissions, including emissions from exported goods and services. Emissions data are presented including and excluding land use, land-use change and forestry (LULUCF). Additional information on the approach that has been taken is set out in the Appendix. The methodology used for sovereign bonds has improved over the years, so comparison should not be made with any previous analyses. A residual portion of sovereign bonds has been excluded from the analysis for the BlackRock Dynamic Diversified Growth Fund.

Production Emissions – Sovereign Bonds (Annuity Lifestyle)

Asset Class	Mandate	Production Emissions Including LULUCF				Production Emissions Excluding LULUCF				Allocation (%)
		Sovereign Carbon Intensity (tCO2e / $M PPP-Adjusted GDP)		Absolute Emissions (tCO2e)		Sovereign Carbon Intensity (tCO2e / $M PPP-Adjusted GDP)		Absolute Emissions (tCO2e)		
		Metric	Coverage	Metric	Coverage	Metric	Coverage	Metric	Coverage	
Sovereign Bonds	BlackRock Pre-Retirement	120.6	94.1%	29	94.1%	120.2	94.1%	29	94.1%	34.8%
Total Sovereign Bonds		**120.6**	**94.1%**	**29**	**94.1%**	**120.2**	**94.1%**	**29**	**94.1%**	**34.8%**

Source: Mercer, using data from MSCI. All data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 9 September 2024, or latest available. Sovereign emissions data shown are consistent with the Partnership for Carbon Accounting Financials (PCAF) definition of Scope 1 sovereign emissions, aligning with the UNFCCC definition of domestic territorial emissions, including emissions from exported goods and services. Emissions data are presented including and excluding land use, land-use change and forestry (LULUCF). Additional information on the approach that has been taken is set out in the Appendix. The methodology used for sovereign bonds has improved over the years, so comparison should not be made with any previous analyses. A residual portion of sovereign bonds has been excluded from the analysis for the BlackRock Dynamic Diversified Growth Fund.

Consumption Emissions – Sovereign Bonds (Drawdown Lifestyle)

Mandate	Sovereign Carbon Intensity (tCO2e / capita)		Sovereign Carbon Intensity (tCO2e / $M PPP-Adjusted GDP)		Absolute Emissions (tCO2e)		Allocation (%)
	Metric	Coverage	Metric	Coverage	Metric	Coverage	
LGIM Retirement Income Multi-Asset Fund	12.9	95.7%	221.3	95.7%	19	95.7%	8.5%
Total sovereign bonds	**12.9**	**95.7%**	**221.3**	**95.7%**	**19**	**95.7%**	**8.5%**

Source: Mercer, using data from MSCI. All data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 9 September 2024, or latest available. Sovereign emissions data shown are consistent with the Partnership for Carbon Accounting Financials (PCAF) definition of consumption emissions, equivalent to production emissions, less exported emissions, plus imported emissions. Emissions data exclude land use, land-use change and forestry. Additional information on the approach that has been taken is set out in the Appendix. A residual portion of sovereign bonds has been excluded from the analysis for the BlackRock Dynamic Diversified Growth Fund.

Consumption Emissions – Sovereign Bonds (Annuity Lifestyle)

Mandate	Sovereign Carbon Intensity (tCO2e / capita)		Sovereign Carbon Intensity (tCO2e / $M PPP-Adjusted GDP)		Absolute Emissions (tCO2e)		Allocation Weight
	Metric	Coverage	Metric	Coverage	Metric	Coverage	
BlackRock Pre-Retirement	9.1	94.1%	167.3	94.1%	40	94.1%	34.8%
Total sovereign bonds	**9.1**	**94.1%**	**167.3**	**94.1%**	**40**	**94.1%**	**34.8%**

Source: Mercer, using data from MSCI. All data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 9 September 2024, or latest available. Sovereign emissions data shown are consistent with the Partnership for Carbon Accounting Financials (PCAF) definition of consumption emissions, equivalent to production emissions, less exported emissions, plus imported emissions. Emissions data exclude land use, land-use change and forestry. Additional information on the approach that has been taken is set out in the Appendix. A residual portion of sovereign bonds has been excluded from the analysis for the BlackRock Dynamic Diversified Growth Fund.

Sovereign Bonds Emissions

Underlying components of the sovereign bond consumption emissions calculations

The table below provides further granularity on the sovereign bond consumption emissions for the underlying funds considered as part of the DC popular arrangements within this reporting.

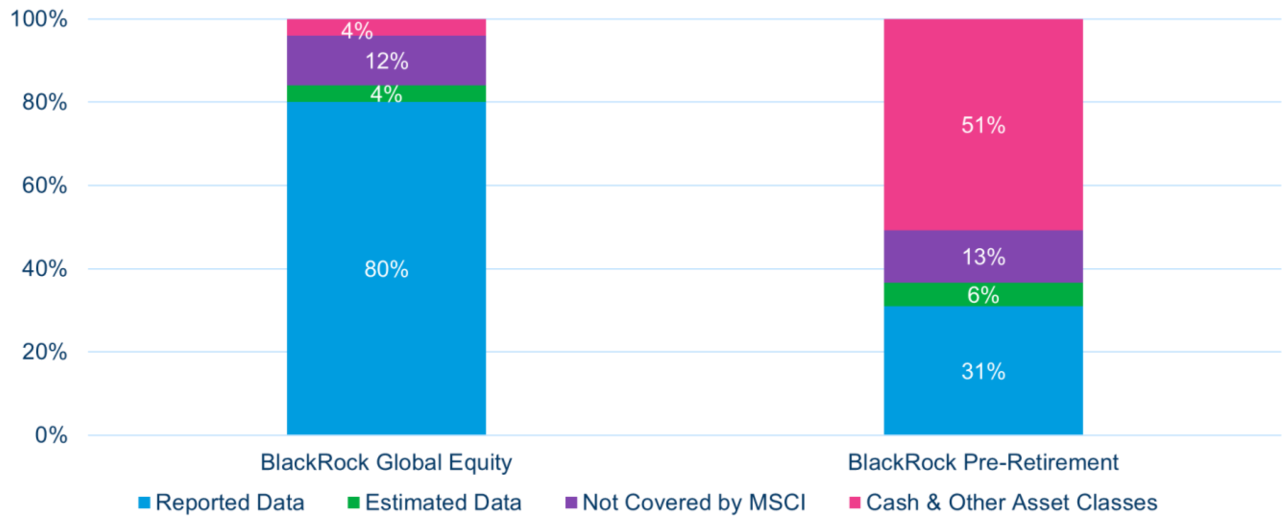
Mandate	Production Emissions Excluding LULUCF - Scope 1 (tCO2e / $M PPP-Adjusted GDP)		Energy Imports - Scope 2 (tCO2e / $M PPP-Adjusted GDP)		Non-Energy Imports - Scope 3 (tCO2e / $M PPP-Adjusted GDP)		Exports (tCO2e / $M PPP-Adjusted GDP)	
	Metric	Coverage	Metric	Coverage	Metric	Coverage	Metric	Coverage
LGIM RIMA	204.1	97.9%	0.8	95.1%	66.4	95.1%	50.8	95.1%
BlackRock Pre-Retirement	120.2	94.1%	0.7	94.1%	79.9	94.1%	33.5	94.1%

Source: Mercer, using data from MSCI. All data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 9 September 2024, or latest available. Sovereign emissions data shown are consistent with the Partnership for Carbon Accounting Financials (PCAF) definition of Scope 1, Scope 2, and Scope 3 sovereign emissions. A residual portion of sovereign bonds has been excluded from the analysis for the BlackRock Dynamic Diversified Growth Fund.

Scope 1 & 2 Emissions

Data quality – 31 December 2019

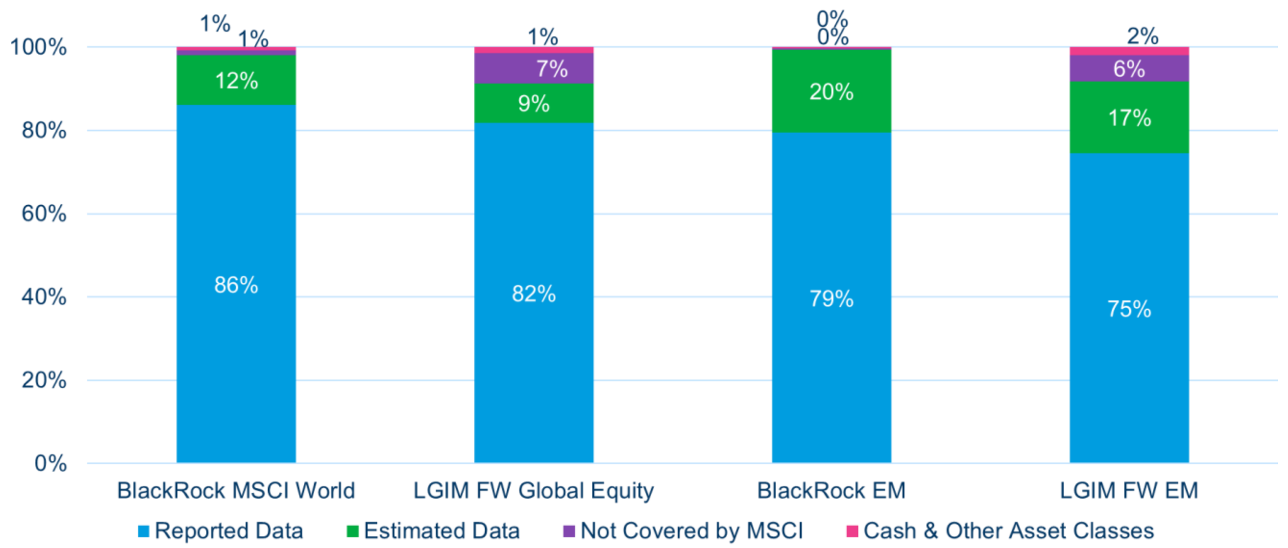
Assessment by Mandate



Source: Mercer. Values may not sum due to rounding.

Data quality – 31 December 2022

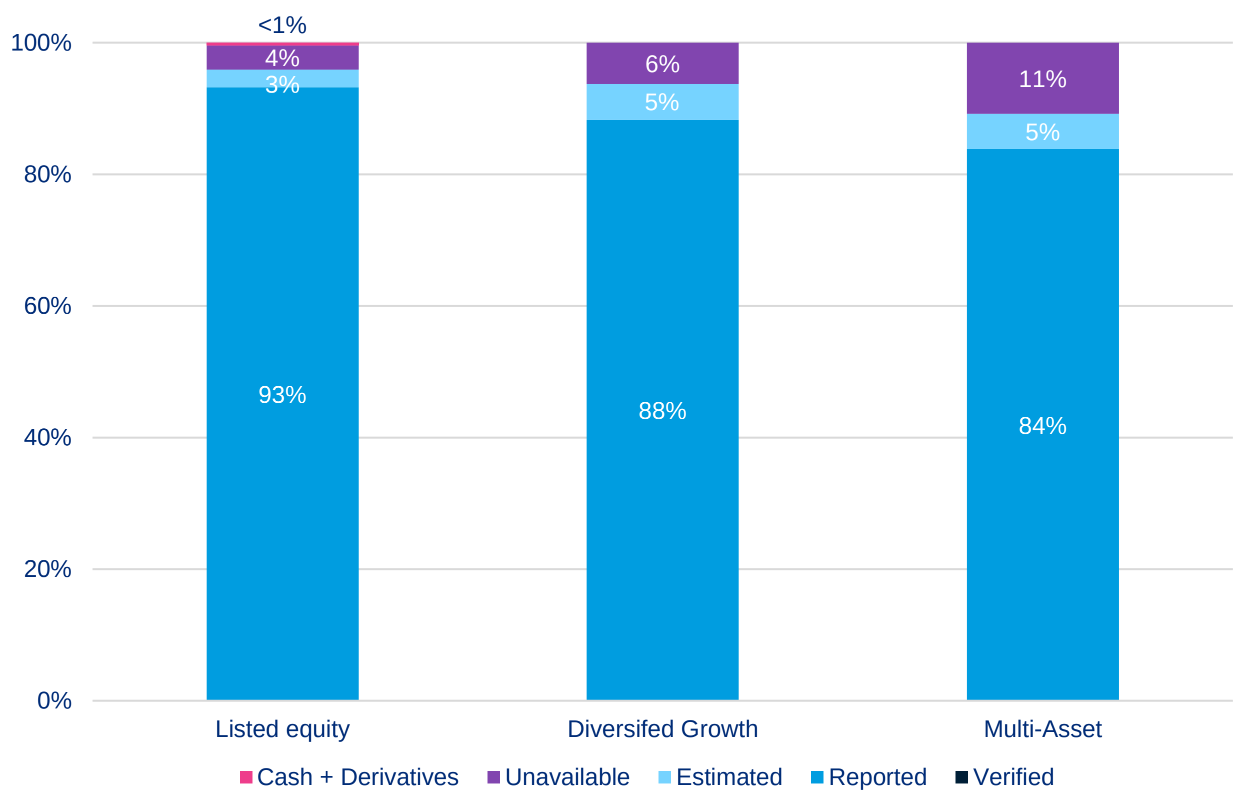
Assessment by Mandate



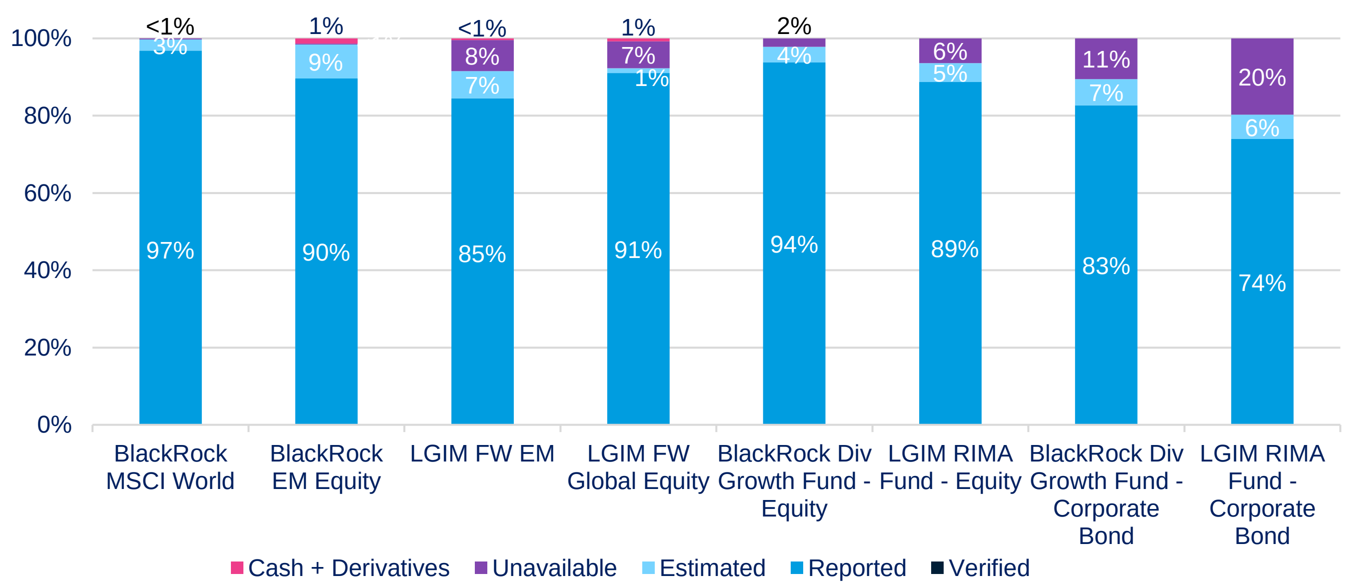
Source: Mercer. Values may not sum due to rounding.

Data quality – 31 March 2024

Assessment by Asset Class



Assessment by Mandate



Source: Mercer. Values may not sum due to rounding.

For the metric calculations as at 31 March 2024, 100% of data is estimated for Scope 3 emissions.

Between the 2019 and 2022 reporting periods, material changes were made to the default investment option, although we note since 2022 the default has remained fairly static.

We note that Insight gains exposure through derivatives, and therefore it has not been possible to include this fund in the analysis contained in this report. We also note that the BlackRock Cash Fund has also not been included in the analysis. Cash funds typically hold short dated fixed income instruments; the turnover in these portfolios is extremely high and the duration of these instruments can be as short as a few weeks, therefore in our view, conducting climate analysis on a cash fund at a single point in time could be misleading regarding its actual decarbonisation progress.

We also note that the popular arrangements have significantly changed for this report due to the majority of assets moving to the Aon MasterTrust. For the new arrangements, no previous comparisons are possible.

The key findings from the analysis of the funds' climate-related metrics and the evolution over time for the default arrangement are shown below.

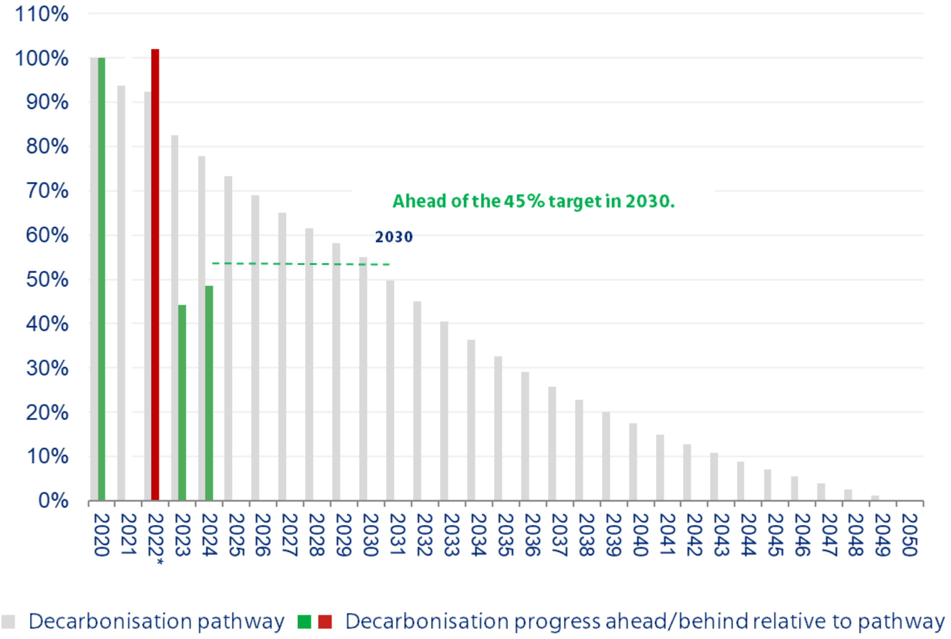
Metric	Commentary
Absolute emissions (tCO_2e)	**The absolute emissions of the corporate holdings within the Default Strategy decreased by >99% when compared with the 2019 baseline and with the 2022 analysis.** This reduction is due to the large decrease in assets under management as a result of the transfer to Master Trust.
WACI (tCO_2e/\$million revenue)	**The carbon intensity of the listed equity holdings within the Default Strategy decreased by c.36.5% when compared with the 2019 baseline and by c.22.6% when compared with the 2022 analysis.**
SBTi targets (% of portfolio)	Within the funds assessed there are wide ranging results for the percentage of companies with SBTi targets as at 31 March 2024 (as low as 16.9% for the BlackRock Emerging Markets Equity Index and LGIM Emerging Markets Equity Index Funds and as high as 47.5% for the LGIM Future World Global Equity Index Fund). **44.3%** of the companies in the listed equities portfolio have submitted climate transition plans that have been approved by the **Science Based Targets Initiative (SBTi) as at 31 March 2024.** In 2019, **36.4%** of companies in the listed equities portfolio had submitted climate transition plans.
Data Quality	Data quality is **good** for all rated portfolios. Further, as noted in the paragraph above this table, the Insight Broad Opportunities Fund and the BlackRock Cash Fund have been excluded from the analysis in this report.

Targets

DB Section

The Trustee has set an **interim target** of a 45% reduction in absolute GHG emissions by 2030 (from an end 2019 baseline, based on scope 1 and 2 emissions of equities and corporate bonds). This is broadly aligned with both the IPCC Curve and the Sponsor's target. The chart below shows the progress relative to a transition curve consistent with net zero by 2050.

Absolute Emissions (tCO2e) for the Listed Equity and Corporate Bonds, relative to the 31 December 2019 baseline



*The dates in the above charts correspond to the preceding day, i.e. 2030 equates to 31/12/2029, except for 2022, which corresponds to 31/03/2021.

In 4 years (to 31 December 2023) the analysed portfolio has already experienced a c.51% reduction (driven by a decrease in the combined value of equities and corporate bonds as well as their lower carbon intensity).

Within the Scheme's investment strategy, the LDI portfolio has the largest allocation. The exposure is mainly to UK government bonds. The Trustee has no control over the carbon intensity of the UK Government and has concluded that a target set for the LDI portfolio would be very difficult to influence and change. A number of the other asset classes currently have limitations with the provision of climate-related data, notably the private debt, property and secured finance mandates. Expectation would be that further decarbonisation is driven by the corporate bond mandates, where the Trustee has greatest ability to engage with the managers and specify clear targets within the investment guidelines if required. The Trustee will continue to work with the asset managers to obtain better data from the underlying investment managers.

The Trustee has also agreed to set a **long-term target** of net zero GHG emissions by 2050 (or earlier). This is aligned with fiduciary duty (as the Trustee believes that climate change represents a financially material risk) and is consistent with limiting warming to 1.5ºC and aligns with the UK Government's target (which is relevant given the Scheme's significant gilt holdings).

A wide range of factors will affect whether the Trustee achieves its targets and the Trustee has varying degrees of control over these factors. For example, the quality and availability of data means that the quoted greenhouse gas emissions are likely to change. For the LDI portfolio, the progress of the UK Government will have a significant influence over the timing of reaching net zero.

Ultimately achieving the desired level of decarbonisation will depend on global economies overall successfully decarbonising. Notwithstanding that there are factors outside of the Trustee's control, the Trustee's intention is to meet its targets and it engages with its investment managers to make clear its requirements.

In August 2024 the Trustee explored the possibility of changing the target to be based on an intensity-based metric, or establishing manager-specific targets. The Trustee agreed that there is currently not a strong enough rationale to modify the target at this stage, but that this should be taken into consideration again in due course in light of potential changes in the investment strategy.

The Trustee believes its target remains appropriate and will continue to review this at least annually.

DC Section

In relation to target setting for the DC Section, given the bulk transfer of assets from the DC and AVC Section to a Master Trust Arrangement in December 2023, the Trustee has agreed not to establish a short-term / temporary target for the DC Section.

Appendix A
Technical Appendix

Asset Allocations Modelled

DB Section Strategic Asset Allocation modelled

Asset Class / Manager	Allocation	Modelling Asset Class
Synthetic Equity - Insight	3.1%	MSCI World Equity
Absolute Return – Bridgewater	4.8%	US Sovereign Bonds[1]
Private Debt - M&G / ICG	11.9%	50% Global Private Debt 50% Global Senior Private Debt
Property - CBRE	9.8%	UK Real Estate
Buy & Maintain Credit – GSAM / Insight	17.5%	UK Investment Grade Credit[2]
Secured Income – AXA / Ares	21.9%	50% Global Senior Private Debt 50% UK Investment Grade Credit
LDI – Insight	21.6%	UK Gilts[3]
Bulk annuity / loan	9.4%	Cash

[1] Bridgewater modelled as US sovereign bonds as the strategic asset allocation incorporates substantial sovereign and index-linked bonds from a defensive perspective.
[2] The Scheme's corporate bond allocation was predominantly UK based as at 31 December 2022
[3] LDI has been modelled based on 86% interest rate and 83% inflation hedge ratios, on the LTFT basis.

DC Section Popular Arrangements Modelled

A popular arrangement is defined in the statutory guidance as a fund or lifestyle strategy which £100m or more of the Scheme's assets are invested, or which accounts for 10% or more of the assets used to provide money purchase benefits (excluding assets which are solely attributable to Additional Voluntary Contributions).

For the purposes of this report, as part of the 31 March 2023 report, we identified the Scheme's default investment option, the Drawdown Lifestyle Profile, as the only "popular arrangement" in all periods analysed. As such, the following funds, that compose the default option, were defined as popular arrangements for the analysis included in that report:

For the Dec 2019 analysis:

- **Pfizer/Wyeth Equity Fund** (composed by the BlackRock Global Equity 50:50 Fund)
- **Pfizer/Wyeth Diversified Growth Fund** (composed by the BlackRock Dynamic DGF)
- **Aegon BlackRock Pre-Retirement Fund** (composed by the BlackRock Pre-Retirement Fund)

For the Dec 2022 analysis:

- **Pfizer Group Global Equity Fund** (composed by the BlackRock MSCI World (45%), LGIM Future World Global Equity (45%), BlackRock Emerging Markets (5%), LGIM Future World Emerging Markets Funds (5%))
- **Pfizer Group Diversified Growth Fund** (composed by an even split between BlackRock Dynamic DGF and the Insight Broad Opportunities Fund. Note the Insight Broad Opportunities Fund is not included in this analysis because it gains exposure through derivatives)
- **Pfizer Group Pre-Drawdown Fund** (LGIM Retirement Income Multi Asset Fund)

Following the transition of a significant proportion of assets to Master Trust, as part of the 31 March 2024 report, we have identified the Scheme's default investment option, the Drawdown Lifestyle Profile, the Scheme's alternative investment option, the Annuity Lifestyle Profile, and one of the Scheme's self-select options, the PG Diversified Growth Fund, as "popular arrangements" for the metric analysis included in this report. Underlying funds included within this report are as follows (noting the composure of the Pfizer Group Funds are the same as the December 2022 analysis):

- **Pfizer Group Global Equity Fund**
- **Pfizer Group Diversified Growth Fund**
- **Pfizer Group Pre-Drawdown Fund**
- **Aegon BlackRock Pre-Retirement**

DC Section Strategic Asset Allocation modelled *(as per the 2023 Climate Disclosure Report)*

The table below illustrates the static asset allocations used to model the Drawdown Lifestyle Profile (shown on the following page). The Drawdown Lifestyle Profile asset allocation has been modelled starting with £100 (as shown in the chart on page 24) and projected following the Capital Market assumptions as at 31 December 2022.

Modelling Asset Class	Pfizer Group Global Equity Fund (%)	Pfizer Group Diversified Growth Fund (%)	Pfizer Group Pre-Drawdown (%)	BlackRock Cash Fund (%)
MSCI World Equity	45.0%	16.7%	21.3%	-
Emerging Markets Equity	10.0%	3.4%	-	-
MSCI ACWI ESG Equity	45.0%		-	-
Multi-Asset Credit	-	15.6%	-	-
Global High Yield Bonds	-	4.6%	5.4%	-

Global Investment Grade Credit	-	13.3%	16.5%	-
US Sovereign Bonds	-	3.0%	-	-
UK Sovereign Bonds	-	-	23.1%	-
EMD Hard Currency	-	-	6.9%	-
EMD Local Currency	-	-	5.5%	-
Cash	-	21.6%	10.1%	100.0%
Global Real Estate	-	5.4%	5.2%	-
Global Listed Infrastructure	-		3.5%	-
UK Real Estate	-		2.1%	-
European Real Estate	-	0.4%	-	-
Private Equity	-	0.2%	-	-
Sustainable Infrastructure	-	2.8%	-	-
Hedge Funds	-	12.4%	0.4%	-

Drawdown Lifestyle Profile	**Year**								
Modelling Asset Class	**1-32**	**33**	**34**	**35**	**36**	**37**	**38**	**39**	**40**
MSCI World Equity	30.9%	27.9%	24.9%	22.0%	19.0%	19.6%	18.5%	17.3%	16.0%
Emerging Markets Equity	6.7%	5.4%	4.2%	2.9%	1.7%	1.3%	0.8%	0.4%	0.0%
MSCI ACWI ESG Equity	22.5%	16.9%	11.3%	5.6%	0.0%	0.0%	0.0%	0.0%	0.0%
Multi Asset Credit	7.8%	7.8%	7.8%	7.8%	7.8%	5.9%	3.9%	2.0%	0.0%
Global High Yield Credit	2.3%	3.0%	3.7%	4.3%	5.0%	5.1%	4.8%	4.4%	4.1%
Global Investment Grade Credit	6.6%	8.7%	10.8%	12.8%	14.9%	15.3%	14.4%	13.5%	12.4%
US Sovereign Bonds	1.5%	1.5%	1.5%	1.5%	1.5%	1.1%	0.8%	0.4%	0.0%
UK Sovereign Bonds	0.0%	2.9%	5.8%	8.7%	11.6%	14.4%	15.5%	16.5%	17.3%
Europe Sovereign Bonds	0.4%	0.4%	0.4%	0.4%	0.4%	0.3%	0.2%	0.1%	0.0%
EMD Hard Currency	0.0%	0.9%	1.7%	2.6%	3.5%	4.3%	4.6%	4.9%	5.2%
EMD Local Currency	0.0%	0.7%	1.4%	2.1%	2.8%	3.4%	3.7%	3.9%	4.1%
Cash	10.8%	12.1%	13.3%	14.6%	15.9%	14.4%	20.2%	25.9%	32.6%
Global Real Estate	2.7%	3.3%	4.0%	4.6%	5.3%	5.3%	4.8%	4.4%	3.9%
Listed Infrastructure	0.0%	0.4%	0.9%	1.3%	1.8%	2.2%	2.3%	2.5%	2.6%
UK Real Estate	0.0%	0.3%	0.5%	0.8%	1.1%	1.3%	1.4%	1.5%	1.6%
Europe Real Estate	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.0%	0.0%
Private Equity	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%
Sustainable Infrastructure	1.4%	1.4%	1.4%	1.4%	1.4%	1.0%	0.7%	0.3%	0.0%
Hedge Fund	6.2%	6.2%	6.3%	6.3%	6.4%	4.9%	3.4%	1.8%	0.3%

Climate scenario modelling approach

Climate scenario narratives

<table>
<tr><th></th><th>Rapid Transition</th><th>Orderly Transition</th><th>Failed Transition</th></tr>
<tr><td>Summary</td><td>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.</td><td>Political and social organisations 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.</td><td>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.</td></tr>
<tr><td>Cumulative emissions to 2100</td><td>416 GtCO2e</td><td>810 GtCO2e</td><td>5,127 GtCO2e</td></tr>
<tr><td>Key policy and technology assumptions</td><td colspan="2">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.</td><td>Existing policy regimes are continued with the same level of ambition.</td></tr>
<tr><td>Financial climate modelling</td><td>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.</td><td>Pricing in of transition and physical risks until 2050 takes place over the first 4 years.</td><td>Physical risks are priced in two different periods: 2026-2030 (risks of first 40 years) and 2036-2040 (risks of 40-80 years).</td></tr>
<tr><td>Physical risk impact on GDP</td><td colspan="3">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).</td></tr>
</table>

Source: Mercer and Ortec. Climate scenarios as at December 2022.

The return impacts of the climate scenarios represented in this report are relative to the ‘baseline’. The baseline represents what we are assuming the market is currently pricing in. The baseline includes a 10% weight to a **Failed Transition**, 40% weight to an **Orderly Transition**, 10% to a **Rapid Transition** and 40% to a range of **low impact scenarios**.

Limitations associated with climate modelling

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°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, and vice versa, is expected to be integrated into climate scenario modelling over time once the supporting science and impact on econometrics and finance is better understood.

Climate metric analysis approach

Data sources

Climate-related metrics provided by Mercer have been sourced from MSCI and Solactive using stock list data provided by the investment managers. Other data has been supplied directly from managers (note that the individual manager limitations to the data provided applies).

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.

The Trustee considered the use of proxy metric data for private debt, real estate and secured finance 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 and be of limited use from an engagement standpoint. 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 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 as:

- 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 and debt can also be challenging due to general disclosure and transparency challenges.
- Many private companies do not currently produce climate-related data and coverage for private markets, such as private equity and private debt, will be low, or zero for mature funds.
- 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 secured finance assets, have limited data available due to the short-term nature of the individual assets.
- For the long dated property portfolio, 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.

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 climate metrics as the part where there is data. In respect of the multi-asset credit mandate managed by Russell within the DB Section, metrics data was provided by the manager. In the DC Section, metrics data was provided by BlackRock and LGIM. Insight was unable to supply metrics data. Caution should be exercised given the low coverage. The Trustee is working with the Investment Adviser and asset managers to address the data gaps, as far as they are able.

Asset class assumptions

Synthetic equity exposure

Some asset class exposures, like equity, are obtained via the use of derivative 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 **DB 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 include any notional exposure from synthetic equity.

LDI portfolio (DB Section only)

The following assumptions have been made in the calculation of the climate-related metrics for the LDI portfolio:

- Sovereign intensity metrics sourced from MSCI as at the latest available date at the point of analysis. Absolute emissions calculated by multiplying relevant intensity metric (production emissions/PPP-adjusted GDP and consumption emissions/PPP-adjusted GDP) by full exposure to UK gilts. Emissions include land use, land use change and forestry. Emissions associated with imports (energy and non-energy) have been excluded;
- 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.
- Scheme's asset position at 31 December 2023.
- The metrics cover the full economic exposure to UK gilts which will be from the physical gilt holdings and any exposure to repo.
- Gilts posted out as collateral by the Scheme are included in the gilt valuations and gilts received as collateral are excluded.
- Network Rail Bonds (£7.2m), Interest rate swaps, inflation swaps, futures, cash and money market fund holdings have all been excluded.

Category	Market value of exposure (£m)	Absolute emissions tCO2e
Funded gilts only	765	117,553
Gilts on repo	537	82,569
Combined gilt exposure	1,302	200,122

Source: Insight, UK Government, DMO and IMF.

Important notices from data providers

Mercer

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MSCI

In addition, some of the underlying data has been provided by MSCI which is ©2024 MSCI ESG Research LLC. Reproduced by permission.

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Ortec Finance

Mercer has entered into a global agreement with Ortec Finance regarding the use of their climate scenarios by Mercer's clients.

Climate scenarios have been prepared with care using the best available data. The scenarios may contain information provided by third parties or derived from third party data and/or data that may have been categorized or otherwise reported based upon client direction. The scenarios are for information purposes and are not to be construed as investment advice. Ortec Finance assumes no responsibility for the accuracy, timeliness or completeness of any such information. Ortec Finance accepts no liability for the consequences of investment decisions made in relation on information in this report. The scenarios are copyright of Ortec Finance. You may not, except with our express written permission, distribute or commercially exploit the content. All Ortec Finance services and activities are governed by its general terms and conditions which may be consulted on www.ortecfinance.com and shall be forwarded free of charge upon request.

Scottish Widows

Please note, the data provided for each scheme/transaction has been calculated in line with the methodology outlined in the DWP guidance. Scottish Widows has aggregated this data using emissions data provided by S&P TruCost and ONS and BEIS sectoral data. The most up to date emissions data was used subject to our own internal review and governance processes. Currently this relates to ONS/BEIS data as at YE2021 and S&P TruCost data from YE2023, both of which are applied to assets held as at the most recent year end date (YE2023). Further, updated ONS/BEIS data is currently going through our internal governance. Once that is complete in late Q4 2024, updated figures will be available on request. Please note that any future ONS/BEIS figures may result in restating of previous years' emissions. Scottish Widows has performed this exercise in accordance with its understanding of current best practice and accepts no liability or responsibility for the completeness, accuracy or adequacy of the data provided. The information provided will continue to develop over time as data sourcing, and therefore methodology used to calculate emissions, evolves and consequently may be restated in future years. Scottish Widows also accepts no liability or responsibility for how you use this data, including, but not limited to, how you decide to manipulate or communicate this data.

The Trustee has been supported by Mercer in the production and design of this report.