The Emerson UK Pension Plan – Climate change report for period ended 31 March 2024

The Trustee of the Emerson UK Pension Plan (hereinafter referred to as the "Trustee" and the "Plan", respectively) presents its annual report under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the "Regulations") for the year ended 31 March 2024. The principal employer of the Plan is Emerson Holding Company Limited.

The Plan is subject to the requirement to produce climate change disclosures in line with the above regulation. The aim is to improve and increase reporting of climate-related financial risks and opportunities.

The climate change framework requires disclosures in four broad categories. This report will explore each of these categories, in turn, providing the required disclosures:

1. **Governance:** around climate-related risks and opportunities
2. **Strategy:** the actual and potential impact of climate-related risks and opportunities on the strategy and financial plans of the Plan
3. **Risk management:** how the Plan identifies, assesses, and manages climate-related risks
4. **Metrics and targets:** the metrics and targets used to assess and manage climate-related risks and opportunities

This report covers the DB Segregated Section, the EBCO Segregated Section and the DC Segregated Section of the Plan.

Section 1: Governance

The Trustee regards climate change as an important risk and opportunity which requires sustained, long-term oversight and management. Responsibility for dealing with climate change has been delegated to the Trustee's Finance and Investment Sub-Committee (FISC). The FISC's terms of reference make explicit reference to climate change as a delegated responsibility. Despite this, the Trustee recognises that it is ultimately responsible for decisions on all investment matters, from all underlying committees of the Plan, and all decisions are ratified by the wider Trustee board.

The key overarching investment policies are detailed in the Statement of Investment Principles ("SIP"), within the "Corporate Governance and Socially Responsible Investment" sections of both Part I and II for the Defined Benefit (DB) and Defined Contribution (DC) savings sections, respectively. The SIP can be found online at the following link: Emerson UK Pension Plan SIP.

The Trustee believes that, as an asset owner, it is important to retain clarity over its ultimate mission of meeting its financial obligations, and so, the FISC has established a set of sustainable investment ("SI") beliefs, in order to guide them to achieve the mission. The Trustee currently has eight SI beliefs across a range of topics, including, but not limited to: climate change, stewardship, and portfolio construction. Belief number 4 relates to climate change.

> **Belief number 4: Climate Change**
> The Trustee believes that climate change is the single biggest ESG risk, and as it presents a material financial risk to the Plan, it should deserve specific attention. The Trustee believes that climate change can present opportunities, and that climate integrated investment strategies could protect or mitigate losses

The Trustee maintains a risk register which is reviewed quarterly by the Plan's Governance Committee. Responsibility for the risks lies with relevant committees or with the Trustee, as appropriate. The Trustee includes climate-related risks in the risk register. Whilst the Trustee have worked on building a framework for overseeing the climate-related risks, it is still working on a framework for overseeing the climate-related opportunities.

The Plan's investment managers and advisers have agreed to provide detailed reporting on an annual basis surrounding the Environmental, Social and Governance ("ESG") ratings, including those in relation to climate, that apply to each manager's portfolio. This enables the FISC to monitor the activities of each manager in this area. The investment adviser is currently liaising with the relevant insurer with regards to the ongoing monitoring of the EBCO Segregated Section's buy-in assets in order to further develop the ongoing monitoring and governance of climate-related risks.

The extent to which ESG considerations are taken into account is left to the discretion of the Plan's investment managers and/or insurers. However, the FISC believes that ensuring good stewardship of assets by managers and insurers is a key part of its fiduciary duty towards members, and therefore intends to monitor the stewardship practices of its managers and key insurer, particularly with respect to the ESG impact of underlying holdings. The FISC, in consultation with its advisers, includes the approach to and the engagement on ESG issues, including climate change, within its selection criteria for appointing new managers and potential insurers, as well as during its considerations on whether to retain its current investment managers and insurers.

The Trustee takes advice from a range of advisers in relation to climate change. In particular, the Trustee has set objectives for its investment advisers which include reference to reflect and align with the Trustee's SI beliefs. The investment advisers are assessed against these objectives on an annual basis. The Trustee also takes advice from its actuary and covenant adviser regarding the extent to which climate change may affect the funding position of the Plan and the ability of the sponsors to support the Plan.

Section 2: Strategy

The Trustee recognises that climate change could have a material impact on the Plan and the potential success of the Plan's objectives, and therefore gives climate risk, and its funding impacts, appropriate consideration. The Trustee recognises that climate change could significantly impact the investments of the Plan, as well as the life expectancy of its members, in addition to the potential support provided by the sponsors' covenant. To appropriately assess the impact of climate risk on the Plan, the Trustee undertook a climate scenario analysis in 2023, which analysed the resilience of the Plan's funding and investment strategies under a range of plausible climate scenarios. All three aspects (i.e., funding, investment, and covenant) are considered as part of this analysis.

The Trustee has looked at the potential impacts of climate change over a range of time horizons, using 31 March 2020 as the baseline, in line with the Plan's year end date and most recent finalised triennial actuarial valuation at the time of the first climate change report.

Short Term:
Period to 2025, after the completion of the 2023 actuarial valuation and the Plan's investment strategy revisited.

Medium Term:
Period to 2030, the timeframe over which transition risks are expected to dominate.

Long Term:
Period to 2040, over which the Plan will mature significantly. This period will also begin to incorporate the physical impacts of climate change.

As part of the climate scenario analysis, the Trustee identified the following climate-related risks and opportunities faced by the Plan:

Transition risks

Transition risks relate to the risks and opportunities arising from efforts made to move towards a carbon neutral economy. These are more likely to occur in the Plan's medium term time horizon.

Risks arising could include changes in regulation or society, rendering parts of a business worthless (e.g. coal). Opportunities include investments in assets which are likely to benefit from climate change, such as electric vehicles or carbon capture technology.

Physical risks

These relate to the direct effects of climate change on the Plan and its members. These risks are expected to be longer-term in nature, but they are also expected to be limited in scope to the effects of climate change-related weather and other natural events on invested companies, and the effect of changing temperatures on the mortality of the Plan's members.

These could have varying effects on the funding and investment strategy of the Plan, but the direction and size of the effects is unlikely to be clear for a considerable period of time.

Regulatory risks

Regulatory risks arise from the growing pressure from regulators and society to decarbonise the world. As significant asset owners, pension schemes should expect increasing pressure to align their investment objectives and explicity consider climate change.

In recent years, the Plan's reporting requirements have increased with the inclusion of the implementation statement and climate change report in its report and accounts.

Reputational risks

The increasing spotlight on pension schemes and climate change increases the risk of being "named and shamed", e.g. the 2018 EAC report on the 25 biggest UK schemes.

The Plan could inadvertedly see its name in the spotlight if, for example, its carbon neutral targets are not aligned or as ambitious as the sponsors' targets.

On the other hand, setting overly ambitious targets could be considered greenwashing.

The Plan is sponsored by Emerson Process Management Limited, Emerson Electric UK Limited, Pactrol Controls Limited, Emerson Holding Company Limited, Emerson Automation Solutions Final Control UK Limited and Emerson Automation Fluid Control and Pneumatics UK Limited and benefits from a parental Section 75 guarantee from **Emerson Electric Co** (the "**Group**"). The Trustee recognises that the risks and opportunities outlined above, may also apply to the Group over the Plan's time horizons, as outlined below:

<table>
<tr><th rowspan="2"></th><th colspan="3">Time Period</th></tr>
<tr><th>0-2 Years</th><th>2-5 Years</th><th>5-20 Years</th></tr>
<tr><td>Transition risks</td><td colspan="3">Current/Emerging Regulation: Changes in compliance requirements and additional costs.
Reputational Damage: Negative perception could result in slower growth and revenue decline and further goodwill impact.
Market: Emerson operates in a highly competitive market which can be potentially volatile, leading to pressures impacting pricing, revenue, and profit.
Legal: Subject to litigation and environmental regulation that could adversely affect operating and financial results.
Technology: Risk of not meeting client expectations for product efficiency and failing to meet efficiency regulations.</td></tr>
<tr><td>Physical Risks</td><td colspan="2">Acute: Increased costs due to supply chain disruption because of natural disasters such as wildfires. Potential impact disclosed in CDP Climate Change Questionnaire and Sustainability report of $48m over the next 40 years. i.e., negligible.</td><td>Chronic: Increased cost due to climate related activities such as drought and water shortage would be an issue in production facilities and in the supply chain. This could also increase costs in factories world-wide.</td></tr>
<tr><td>Opportunities</td><td colspan="3">Products and Services: Increases in renewable infrastructure investment and a phase out of unabated fossil fuels. In addition, an increase in renewable energy supply could result in increased revenue.</td></tr>
</table>

Whilst these climate risks could have a material impact on the Group, in light of the diminishing reliance on the Group by the Plan, the Trustee considers that the impact of any climate related risks on the Plan's covenant itself are likely to be very low.

The Trustee updates the climate scenario analysis at least every 3 years. In the intervening years, the Trustee reviews whether any factors have changed materially to warrant an additional update to the analysis. Over the Plan year, the Trustee conducted this review and agreed that updating the climate scenario analysis was not warranted as there were no material changes to the funding objectives and strategy of the Plan. This included limited changes to the Plan's asset allocation, membership, Sponsor covenant and the underlying climate scenarios available to test the robustness of the funding strategy. In addition, the Trustee believe that the previous analysis remains relevant to the current situation of the Plan. The Trustee is aware of concerns in the industry about the severity of some of the climate scenarios and expects to address these as part of future iterations of this analysis.

The climate scenario analysis carried out in the previous iteration of the report attempted to quantify the effects of climate change on the Plan's assets, liabilities and covenant. The key findings from the analysis are outlined below. The scenarios have been considered over a timeframe consistent with the Plan's medium to long term time horizon. The Trustee has also considered these impacts on the Plan assuming an instantaneous shock, under which the markets react to the long-term impacts of climate change over a very short period of time, in the immediate future.

The scenarios differ in the size of the physical risks, based on longer term temperature rises, and also in the size of transition risks, where the transition may be of a disorderly nature due to delays in meaningful action, or conversely, more orderly in response to tackling climate change. The Trustee believes that the scenarios considered cover a plausible range of climate change outcomes.

	Lowest Common Denominator	Inevitable Policy Response	Global Coordinated Action	Climate Emergency
Description	A “business as usual” outcome where current policies continue with no further attempt to incentivise further emissions reductions.	Delays in taking meaningful policy action result in a rapid policy shift in the mid/late 2020s. Policies are implemented in a somewhat but not completely coordinated manner.	Policy makers agree on and immediately implement policies to reduce emissions in a globally coordinated manner.	A more ambitious version of the Global Coordinated Action scenario where more aggressive policy is pursued, and more extensive technology shifts are achieved.
Temperature rise	~3.5ºC	~2.0ºC	~2.0ºC	~1.5ºC
Renewable energy by 2050	30-40%	80-85%	65-70%	80-85%
Physical risk level (Longer term)	High	Low – Medium	Low – Medium	Low
Transition risk level (Shorter term)	Low	High	Low – Medium	Medium – High
DB Segregated Section Expected Funding Level on TP basis in 15 years (Relative to the base case funding level of 131.2%)	In 15 years, the funding level is expected to **increase by 6.7%** relative to the base case to 137.9%.	In 15 years, the funding level is expected to **decrease by 5.3%** relative to the base case to 125.9%.	In 15 years, the funding level is expected to **decrease by 7.7%** relative to the base case to 123.5%.	In 15 years, the funding level is expected to **decrease by 5.2%** relative to the base case to 126.0%.
DC Segregated Section Impact on expected retirement account size at retirement*	New Joiner: **decrease by 13%** Mid-Career: **decrease by 6%** Pre-retirement: **No impact**	New Joiner: **decrease by 10%** Mid-Career: **decrease by 8%** Pre-retirement: **decrease by 5%**	New Joiner: **decrease by 8%** Mid-Career: **decrease by 5%** Pre-retirement: **decrease by 2%**	New Joiner: **decrease by 7%** Mid-Career: **decrease by 6%** Pre-retirement: **decrease by 4%**
ECBO Segregated Section	During December 2021, the EBCO Segregated Section underwent a full buy-in. The buy-in effectively removes the longevity risk associated with the liabilities within the Section, which are now covered by the insurer. The insurer, Just, bears the climate change risk affecting the assets which are used to cover the liabilities. This action has resulted in a very minimal climate risk for the EBCO Segregated Section across all plausible climate scenarios considered in this analysis.			
Expected impact on the **Covenant**	Lower transition costs as less pressure on meeting 2045 target. Physical risks drive increased costs as a result of responding to natural disasters (e.g., floods) and supply chain disruption/input costs (e.g., energy demand). Opportunities to take advantage of increased investment in renewable energy market.	Transition costs may be lower in the short term than more ambitious transition scenarios, with carbon pricing mechanisms and other regulations being introduced in the medium to long term causing a sharp increase in costs,	Higher transition costs from laws and regulations being introduced along with continued investment in renewable energy schemes. Additional costs may have a material impact on Emerson’s operations, given the size of the Group.	
		Whilst there are significant opportunities for Group, its ability to leverage these opportunities will depend on offering competitive solutions versus its competitors.		
Covenant Transition Risks	The Group’s commitments may still be delivered but flexible on timing.	Higher transition costs should be more than offset by increased opportunities, as long as the Group can leverage these.		
Covenant Physical Risks	Increased costs due to business disruption and responding to natural disasters.	Some business disruption risk exposure from natural disasters but physical risk minimised.		

*New Joiner member is assumed to be 22 years old with a current fund value of £0 and a current salary of £30,000 pa. Mid-career member is assumed to be 40 years old with a current fund value of £35,000 and a current salary of £55,000 pa. Pre-retirement member is assumed to be 60 years old with a current fund value of £80,000 and a current salary of £60,000 pa.

Conclusions on the resilience of the Plan's funding and investment strategies

DB Segregated Section

The climate change scenario analysis highlights that the DB Segregated Section is relatively resilient over the four scenarios considered. The analysis identified that three of the four scenarios may have a negative effect on the Section's funding level. The most notable impact was in the Global Coordinated Action scenario, in which a potential loss over the 15-year period could see the Section's funding level fall by 7.7%. On the other hand, it was identified that the Lowest Common Denominator scenario has a positive impact in the Section's funding level, due to the significant decrease in longevity expectations, though this scenario is most harmful to the environment over the long term.

The timing of the impact from climate change is uncertain. Shock analysis was also carried out to assess the impact on the Section's funding level if the costs of climate change we estimated over the next 15 years were priced now. Whilst the entire impact of climate change on assets being capitalised at once is an unlikely scenario, this does show the risk of early pricing. It was the Inevitable Policy Response that represented the biggest overall risk, in which an instantaneous shock could experience an immediate change in funding level of c.8%.

The Section's funding level is strong, and the portfolio has been de-risked. The expected return of the Section's assets is sufficiently over that of the liabilities, and therefore, under all scenarios, the funding level would be expected to improve in the long term.

DC Segregated Section

Overall, the analysis highlights that members within the DC Section of the Plan could be impacted by climate change over their membership lifetimes. Younger members of the Section are naturally more exposed than older members under the assumptions used under all of the scenarios investigated, due to a longer period to hold assets prior to retirement. This results in increased exposure to the potential impact of physical risks, which are expected to be incurred more than 10 years into the future.

Mid-career and pre-retirement members, though more resilient to the impacts throughout their remaining membership time, are significantly exposed to climate change shocks, which see the long term impacts of climate change crystallised immediately. Conversely, new joiners to the DC Section of the Plan are not exposed to these immediate shocks due to the assumption of a zero current fund size. However, over time, these members will age to become mid-career and eventually pre-retirement members, and therefore will be exposed to these potential shocks in the future.

Plan covenant

The Plan's covenant adviser notes that "Whilst these climate risks could have a material impact on the Group, in light of the limited and diminishing reliance on it by the Plan we consider that the impact of any climate related risks on the Plan's covenant itself are likely to be very low".

The sponsors assess climate change risks and opportunities over different scenarios and timeframes. The covenant adviser has reviewed the available reports and produced a summary of their analysis. On the basis that the Plan is broadly in surplus on a solvency basis and investment and demographic risks have been reduced, they consider that Emerson Electric Co's climate risk impact on the Plan's covenant is likely to be limited. This is because, whilst the impact of both physical and transition risks on Emerson Electric Co are likely to be material, they are unlikely to detrimentally impact the financials to such an extent that the ability to support the Plan over the short, medium term and potentially long term is impaired.

Overall

Following detailed discussions between the Trustee and its advisers, it was agreed that the Plan's investment strategy is expected to be resilient to the potential impacts of the climate scenarios based on the analysis undertaken. The Trustee notes that this analysis estimates the impact of external factors and decisions on the funding level of the Plan, rather than a choice of approaches the Trustee could take towards the climate.

The EBCO Segregated Section entered into a full buy-in during 2021, hence there is a very minimal climate risk for this Section. Rather the insurer, Just, bears the climate change risk affecting the assets which are used to cover the liabilities of the Section.

A potential limitation considered by the Trustee when undertaking this analysis is that the scenarios used are derived on the basis of all other factors being equal during the global and economical transition to net-zero. In reality, this is unlikely to occur. The Trustee recognises that second order impacts, such as higher levels of sustainable investment and innovation, are hard to estimate. With that, the Trustee recognises that the scenarios, and this analysis, cannot be the sole driver of its decisions regarding the investment strategies and risk management of the Plan.

Section 3: Risk Management

As set out in previous sections of this report, the Trustee recognises climate change risk as an overarching risk which cuts across most of the other risks faced by all Sections of the Plan, in that, those risks may all be changed, mitigated, or worsened by the effects of climate change. The Trustee recognises that the Plan is exposed to climate-related risks in the form of both transition and physical risks.

In order to effectively govern the climate-related risks, the Trustee incorporates them within its risk register. The risk register is currently undergoing a review process and is due to be finalised during 2024, following consideration of the publication of the Pension Regulator's General Code of Practice. The register is reviewed quarterly. There is a robust process by which new risks - including climate-related risks - are identified by the Trustee or its advisers, are added to the register and ownership is assigned.

The scenario analysis undertaken in the previous section provides a holistic overview of the ways in which climate change may affect the Plan's covenant, funding, and investment positions. This analysis splits climate change risks into transition and physical risks in order to allow the Trustee to clearly understand the effects and timescales of climate change risks on the Plan. The analysis highlighted that, over the 15-year period from 31 December 2022, the DB Segregated Section is expected to be relatively resilient to the potential impacts of both transition and physical risks. However, some members of the DC Segregated Section remain exposed to both risks and may see material falls in their fund values over time.

The FISC has agreed to monitor and report on four climate-related metrics, as well as set a target for the DB Segregated Section of the Plan to reach net-zero carbon emissions by 2045, excluding LDI assets. These metrics and targets have been developed alongside a suitable "Carbon Journey Plan" for the DB Segregated Section of the Plan. The figures set out in Section 4 of this statement provide useful measures by which to determine the impact of climate change on investment, funding, and other strategic decisions.

Given the increase in the Trustee's focus on sustainable investment, and therefore climate risks, the Trustee's approach to managing many aspects of ESG, and the risks involved, have been incorporated into the ongoing monitoring and management of the Plan over time. When appointing new investment managers and insurers, the Trustee relies upon WTW's Manager Research capabilities in order to effectively assess the climate related risks and opportunities posed by a new mandate. This assessment also forms part of the Plan's regular monitoring of its current investment managers and insurers, and therefore is considered alongside the decision to retain them. The Trustee also receives annual updates from the Plan's investment managers and key insurer, relating to their assets' climate metrics, and the FISC intends to challenge managers and insurers who are unable to provide sufficient and robust data. In addition, in order to deliver its ongoing approach to stewardship matters (including those relating to climate change), the FISC receives data from the relevant investment managers with regards to voting and engagement policies.

The Trustee has developed a set of Sustainable Investment beliefs, which are integrated through the Plan's risk management and decision-making processes, and are adopted by the Trustee, its Sub-

Committees, and the Plan's investment adviser. These beliefs aim to ensure that climate-related risks, and avenues for their mitigation, are considered in all aspects of Plan management.

Section 4: Metrics and Targets

In order to quantifiably measure the progress of the Plan against the Trustee's ambition to manage climate related risks, the Trustee has set two climate related targets on a sub-section of the Plan's investments. In this section, the Trustee also reports on climate related metrics in order to monitor performance against the aforementioned targets, as well as to monitor an overview of the other assets within the Plan.

Although there are limitations with the data quality, and completeness of data presented, the Trustee believes that the figures within this section of the report can helpfully inform the ongoing monitoring and overall management of the Plan.

Introduction and overview

Medium term carbon reduction target	Long term carbon reduction target
• **50% reduction** in the **carbon footprint** of the DB Segregated Section's portfolio (excluding LDI assets) **by 2030** • The Trustee's main focus is shorter term reductions. This is consistent with the Paris Agreement	• **Net zero carbon footprint** of the DB Segregated Section's portfolio (excluding LDI assets) by **2045.** • The Trustee's aim is to be net zero by 2045, this aligns with the longer term target of the Paris Agreement

The Trustee conducts a detailed analysis of these metrics on an annual basis. This analysis was first conducted as at 31 March 2020, which is the baseline date for the analysis, and then again as at 31 March 2021, 31 December 2022, and 31 December 2023, in order for the Trustee to track the Plan's progress towards its targets.

The metrics disclosed have been selected from the following categories:

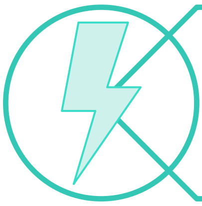
An absolute emissions metric	An emissions intensity metric	An alignment metric	One additional climate change metric

When collecting the data, the Trustee notes that where carbon emissions are referenced, this covers emissions of the following Green House Gases (GHGs): carbon dioxide, nitrous oxide, methane, sulphur hexafluoride, nitrogen trifluoride, hydrofluorocarbons, and perfluorocarbons, which are the GHGs within scope of the Paris Agreement.

The Trustee has undertaken the analysis to calculate and monitor Scope 1, 2 & 3 emissions, as defined below on investments held across the Plan, where the necessary data is able to be collected:

Scope 1 Emissions

- All direct GHG emissions from owned or controlled sources of the company
- For example, fuel combustion from boilers, furnaces and vehicles



Scope 2 Emissions

- All indirect emissions from generation of purchased energy used by the company
- For example, electricity, steam, heating and cooling used by the company

Scope 3 Emissions

- All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company. These can be broken down into upstream emissions that occur in the supply chain (for example, from production or extraction of purchased materials) and downstream emissions that occur as a consequence of using the organisation's products or services

The following table details the rationale for the Trustee's decisions of the metrics disclosed in this report:

Metric	Definition	Rationale
Total Carbon Emissions ("tC02e")	An 'absolute emissions' metrics which gives a measure of carbon emissions attributable to the Plan. This is calculated in line with the GHG protocol methodology and includes Scope 1, 2 and 3 emissions. The underlying emissions data has been sourced from MSCI and, in line with the protocol, includes all the major GHG gases with a conversion into carbon emissions equivalent quantities. The Trustee has used each entity's enterprise value, including cash (EVIC) to attribute carbon emissions.	Determined by the regulator.
Carbon Footprint (tCO2e / $ invested)	An 'emissions intensity' metric which gives a measure of how many equivalent tonnes of carbon emissions each $1m of invested assets causes. This uses a comparable methodology as the total carbon emissions referenced above for underlying data and emissions attribution for companies.	It provides a direct measure of absolute emissions, which ultimately impact global outcomes and provides a simple comparable measure across portfolios of different sizes.
Percentage of assets aligned with Science Based Targets ("SBTi")	A 'portfolio alignment' metric which is a forward-looking measure of the percentage of assets with targets validated by the Science-Based Targets initiative.	It provides a consistent verification of a company's alignment to the Paris agreement.
Climate Opportunities	Percentage of the portfolio that may be considered EU Taxonomy eligible based on the criteria set out in the taxonomy.	Provides a balance of the risks and opportunities presented by the transition to a low carbon global economy with the potential to enhance investment returns through investment in such assets.

The metrics analysis undertaken by the Trustee is based upon MSCI's data, which is attributed on a company-by-company basis, using MSCI's Company Specific Intensity Model, which will primarily use direct emissions data, but also estimates (using industry averages) where required. MSCI is a market leader in terms of their ESG research and reporting quality, which will be used to feed into the Plan's ESG metrics disclosures over time.

DB Segregated Section

In reviewing the analysis, the Trustee considered the results in respect of each asset class within the Section. This enables comparison of the contribution of each asset class to the overall emissions, and footprint for the Section. The Trustee believes it is appropriate to report on the DB Segregated Section's "invested assets", which exclude the holdings in government bonds, and insured liabilities (from legacy annuity contracts). Whilst some of the "invested assets", namely the non-public assets, may require the use of proxies to analyse, the Trustee believe it is appropriate to include as much of the invested portfolio as possible in the disclosures, in order to capture the true carbon footprint of the Section.

As at 31 December 2023	Portfolio Asset Allocation		Carbon Data			
Asset Class	**Weight**	**Weight excl. LDI**	**% of total emissions**	**Absolute emissions (tCO2e)**	**Footprint (tCO2e / $M invested)**	**Climate Opportunities**
Equity	7%	14%	16%	2,203	44	12.1%
Corporate Bonds	32%	69%	44%	5,903	25	10.5%
Alternative Credit	8%	17%	40%	5,442	94	1.0%
Cash/LDI	54%	-	-	-	-	-
Total Portfolio	**100%**	**100%**	**100%**	**13,548**	**39***	**9.1%***

* Total value weighted by asset class allocation excluding LDI. Note: numbers may not sum due to rounding.

As at 31 December 2022	Portfolio Asset Allocation		Carbon Data			
Asset Class	**Weight**	**Weight excl. LDI**	**% of total emissions**	**Absolute emissions (tCO2e)**	**Footprint (tCO2e / $M invested)**	**Climate Opportunities**
Equity	10%	39%	26%	3,767	51	8.4%
Corporate Bonds	9%	34%	24%	3,416	53	6.3%
Alternative Credit	7%	27%	50%	7,297	145	3.8%
Cash/LDI	74%	-	-	-	-	-
Total Portfolio	**100%**	**100%**	**100%**	**14,479**	**77***	**6.4%***

* Total value weighted by asset class allocation excluding LDI. Note: numbers may not sum due to rounding.

According to data sourced from MSCI, as at 31 December 2023, 23.3% of the Section's invested assets are aligned with SBTi targets. As at 31 December 2022, 25.8% of the Section's invested assets were aligned with SBTi targets.

As at 31 December 2023, the scope 3 emissions attributable to the Section amounted to 65,811 tCO2e.

Over the year, the carbon footprint has decreased considerably in line with all asset classes the Section is invested in. The total carbons emissions for the Plan have slightly decreased, not to the same extent as the carbon footprint, due to the transfer of assets from the LDI to the Corporate Bond portfolio. The percentage of assets with approved Science Based Targets has decreased over the quarter, due to the lower prominence of equities, the highest contributing asset class to the metric. The percentage of the portfolio invested in climate solutions has also increased as a result of the increased allocation to corporate bonds.

Blackrock Emissions Data

The Trustee has worked alongside its investment adviser, as well as the Section's LDI manager, to obtain data for the Section's government bond holdings.

LDI portfolio	Carbon Data*	
Date	Absolute emissions (tCO2e)	Footprint (tCO2e / £M invested)
31 December 2023**	41,429	103
31 December 2022	18,000	160

*Includes index linked Gilts and conventional Gilts. The data is shown for the gilts which the Plan physically owns, therefore allows for gilts which the Plan has posted out as collateral but not for the Gilts which the Plan has received as collateral. This includes Gilts funded via repo.
**the data as at 31 December 2023 has been converted from USD to GBP using the 1:0.784437 USD/GBP exchange rate.

The Trustee acknowledges that the data does not seem consistent year on year and is working with its investment adviser and LDI manager to reinstate the figures for either 2022 or 2023. The manager was unable to report scope 3 emissions but have committed to do so from 2024.

DC Segregated Section

The Trustee has worked with the DC Segregated Section's sole investment manager to aggregate the Section's climate metrics, as at 31 December 2023 and 31 December 2022. In a similar manner to the climate scenario analysis discussed in section 2 of this statement, the Trustee has carried out the analysis based on 3 example members intended to represent individuals at different stages of their membership. The same sample members have been used as in section 2. The metrics outlined assume each member is invested in the Section's default strategy, the drawdown lifestyle.

Total DC Segregated Section

Value as at 31 December 2023 (£m)	Scope 1 & 2 Carbon Emissions (tCO2e)	Scope 1 & 2 Carbon Footprint (tCO23 / £M invested)	SBTi Coverage	Climate Engagements
151.9	**14,291**	**94**	**40%**	**19%**

As at 31 December 2023, the scope 3 emissions attributable to the DC Section of the Plan amounted to 92,617 tCo2e.

Value as at 31 December 2022 (£m)	Scope 1 & 2 Carbon Emissions (tCO2e)	Scope 1 & 2 Carbon Footprint (tCO23 / £M invested)	SBTi Coverage	Climate Engagements
146.6	**16,455**	**112**	**39%**	**20%**

Over the year, the total carbon emissions and carbon footprint have significantly decreased despite the fact that the assets of the DC Section increasing. The remaining metrics have remained stable.

Analysis of different cohorts of the DC Segregated Section

As at 31 December 2023

Default Strategy	Fund size	Scope 1 & 2 Carbon Emissions (tCO_2e)	Scope 1 & 2 Carbon Footprint (tCO2e/£m)
New joiner	£0	0.0	85
Mid-career	£35,000	3.0	85
Pre-retirement	£80,000	9.8	123
Total Section	**£151,939,388**	**14,291**	**94**

As at 31 December 2022

Default Strategy	Fund size	Scope 1 & 2 Carbon Emissions (tCO_2e)	Scope 1 & 2 Carbon Footprint (tCO2e/£m)
New joiner	£0	0.0	108
Mid-career	£35,000	3.8	108
Pre-retirement	£80,000	11.0	137
Total Section	**£146,618,202**	**16,455**	**112**

In a similar trend to the portfolio level metrics, when modelling the emissions for the different cohorts of members, we can observe that the carbon emissions and carbon footprint have decreased over the year.

EBCO Segregated Section

The Trustee continues to work alongside its investment adviser, as well as the EBCO Section's insurer, Just, to obtain data for the Section's assets.

As at the date this report was published, the Trustee has not been able to obtain data from Just with regards to its bulk annuity policy. The Trustee is engaging with Just to obtain the four required climate related metrics.

Data quality and limitations

It is important to recognise some of the limitations in the data outlined in this report. The Trustee has carried out the analysis as far as it is able, on a best endeavors basis. The availability of data is dependent on external factors which are largely outside the Trustee's control, such as certain underlying companies not disclosing their emissions. Where data was not available to the Trustee, a "pro-rata" approach has been taken, which involved scaling up the portfolio data that exists, rather than assuming such positions have zero emissions. The Trustee agreed that this is a more accurate and prudent approach to take for the purposes of this analysis.

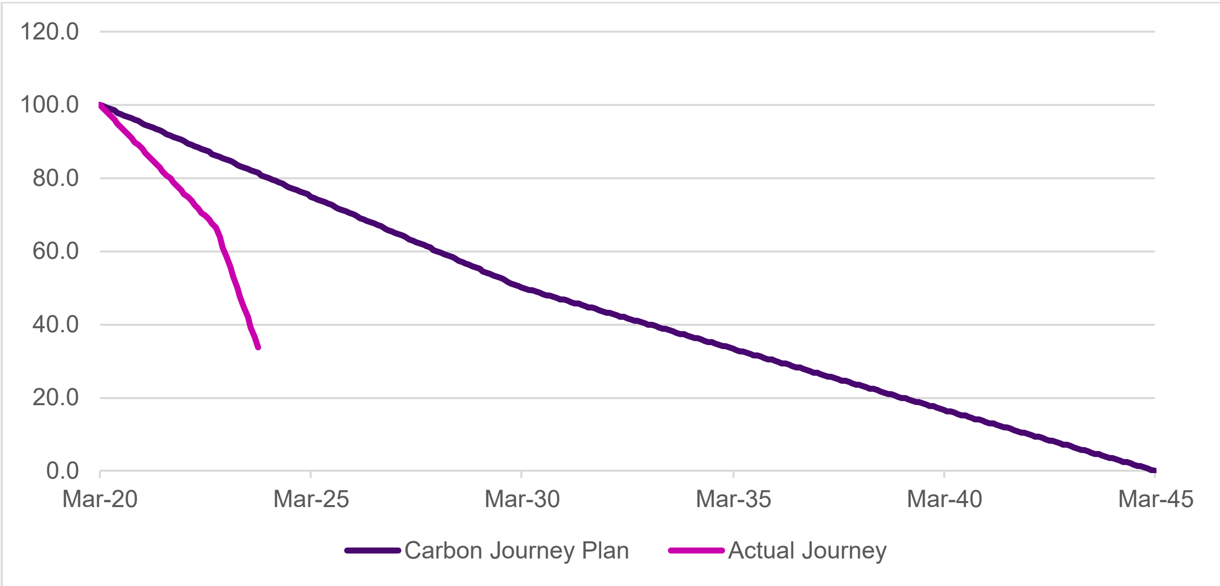
The Trustee has disclosed the Plan's Scope 3 emissions where available, but these have been excluded from the climate related target, which relates solely to the DB Segregated Sections Scope 1 and 2 carbon footprint of their non-LDI assets. The Trustee recognises that Scope 3 emissions form a key part of the overall picture and has the ambition to incorporate these emissions into the Plan's targets in time, once data quality and coverage has improved.

Given the nature of some of the Plan's assets, specifically those which are unlisted within the DB Segregated Section, direct carbon emissions data may not available. Consequently, approximately 28.7% (2022: 5%) of the DB Segregated Section's data has been calculated using a proxy approach. We expected this figure to increase as a result of the increased allocation to corporate bonds, the asset class with less data available, and the decreased allocation to equities, where data is more readily available.

The Plan's progress against its target

The Trustee considers that an overarching carbon footprint target is an appropriate way to measure the Plan's climate risks and opportunities. The progress of the Plan against its two carbon footprint reduction targets is monitored over time. The Trustee set a baseline date of March 2020 for the Plan's target, noting the availability of data and the timing coinciding with the Plan's year end date and most recent actuarial valuation.

The Trustee has monitored the value of its target metric, the carbon footprint of the DB Segregated Section's portfolio excluding LDI, at least annually since the baseline date, in order to track progress. The DB Segregated Section's carbon footprint has been rebased using the market value of the DB Segregated Section's portfolio as at the baseline date (31 March 2020) in order to remove the effect of changes in market value on the emissions per $M invested.



Overall, the scope 1 and 2 carbon footprint of the DB Segregated Section's assets (excluding LDI) has experienced a material decrease relative to 31 March 2020. Over time, the Trustee expects the trend to continue on a downward trajectory, however it recognises that there may be short term deviations away from the trend. These deviations may result from changes in underlying holdings within the funds invested by the DB Segregated Section, as well as the evolving nature of the industry, specifically with regards to data availability and changes in methodology.