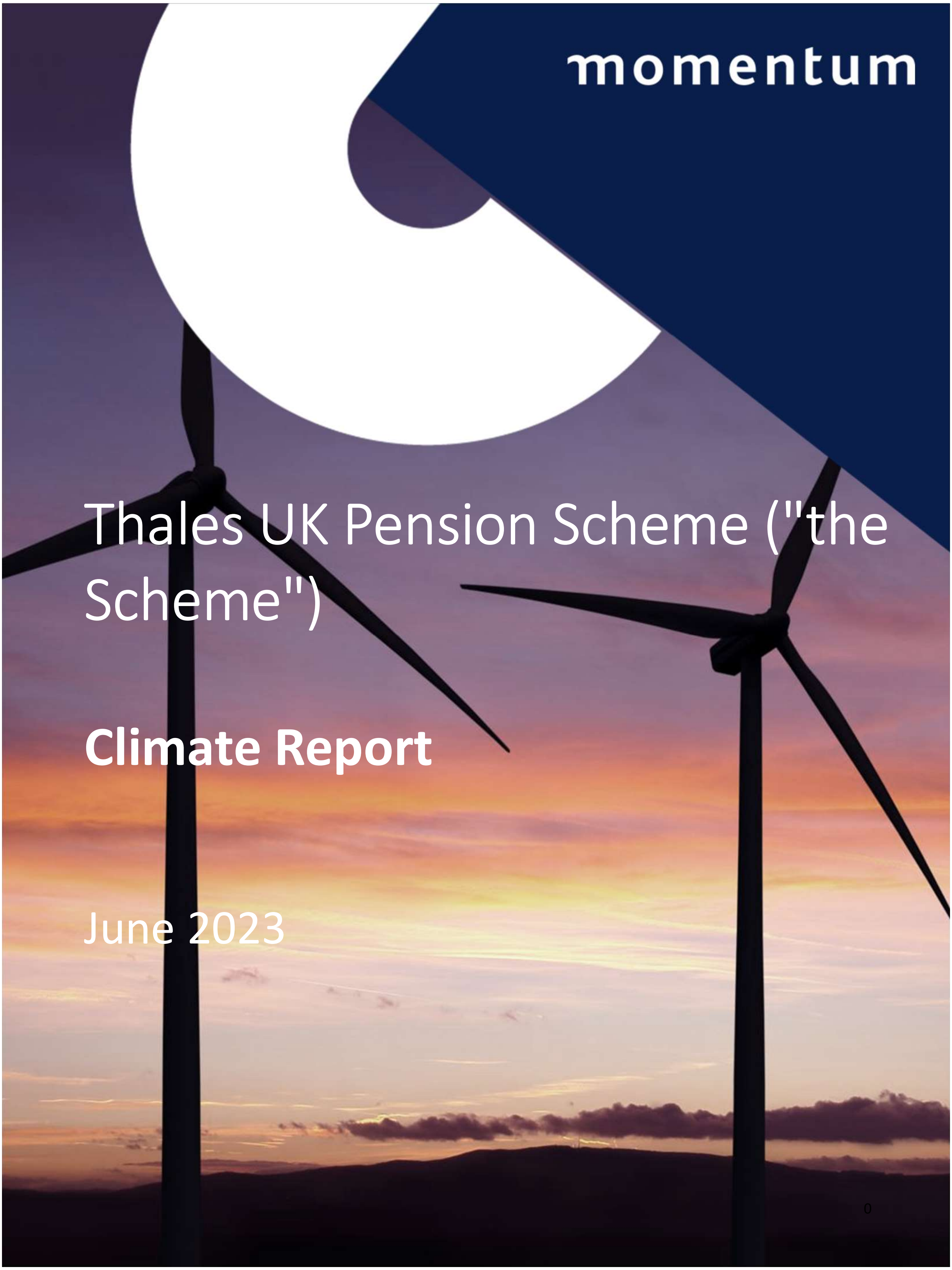


Thales UK Pension Scheme ("the Scheme")

Climate Report

June 2023

Contents

Introduction

Thales Pension Scheme Trustee Limited ("the Trustee") is Trustee of the Thales UK Pension Scheme ("the Scheme"). The Trustee believes Climate Change creates a material financial risk and should be considered as part of their investment decision making. The Trustee has produced this Climate Report to comply with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021. The sub-headings in this report address the specific disclosure requirements in the regulations and which are based on the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD").

The Scheme is comprised of two DB Sections and a DC Section. For the DB Sections, investment policy is closely aligned. However, both DB Sections' current investment policies have materially deviated from their stated 'Lower for Longer' target investment policy as a result of the gilts crisis in Q4 2022.

During this period the DB Sections' liquid investment grade corporate bond assets were sold to provide additional collateral resilience for the LDI portfolios. In addition, as yields rose during the gilts crisis, the value of the DB Sections' LDI assets fell materially, leaving the DB Section's overweight to private market assets.

The Trustee believes that reporting annually in line with the TCFD recommendations will ultimately lead to better risk assessment, strategic planning and better outcomes for the Scheme's members.

The Trustee has a legal duty to consider matters which are financially material to their investment decision making. The Trustee believes that the impact of, and potential responses to, climate change creates a material financial risk. In particular, the Trustee believes that companies should adjust their business strategies to align with the 2015 Paris Agreement.

This report outlines how the Trustee's beliefs on climate risk impact the investment and funding strategy, inform the approach to risk management and influence the choice of metrics and targets. The Trustee has also reviewed its governance arrangements to ensure that appropriate structures are in place to manage climate-related risks and opportunities.

It is recognised that given the different membership profiles, underlying investments and long-term strategic objectives, there will be differences in how climate-related risks impact the Scheme. This report cover the relevant Scheme year from when the regulatory requirement came into force for the Scheme i.e. the Scheme year following 1 October 2021 (from 31 March 2022 to 31 March 2023). For convenience, we refer in this report to reporting in line with the applicable Regulations as TCFD reporting.

On behalf of the Thales UK Pension Scheme

P J Rowley

Peter Rowley
Chairman of Thales UK Pension Scheme Limited

Section 1

Governance

Oversight & Investment Beliefs

The Trustee and Investment Sub-Committee ("ISC") take account of all financially material risks and opportunities in consultation with their advisers. All risks and opportunities are considered for materiality and impact within a risk management framework, which takes account of the Scheme's investment time horizon and objectives. As part of those considerations the Trustee and the ISC take account of the Sponsor's business and the Scheme's maturing liability profile. The Trustee and the ISC consider sustainable investment issues, such as (but not limited to) those arising from Environmental, Social and Governance (ESG) considerations, including climate change, and effective stewardship, in the context of this broader risk management framework.

The Trustee and the ISC believe that integrating sustainable investment into its processes and decision making should lead to better outcomes for Scheme members, including by helping to manage regulatory and reputational risks. In particular:

01 The Scheme can best implement its sustainable investment policy through its investment managers and advisers, and will therefore closely review, monitor and challenge their activities in this area.

02 Climate change poses material financial risks to the Scheme and therefore should be subject to specific attention and risk management.

03 The Scheme should look to manage risks and exploit opportunities, particularly through ESG integration, effective stewardship, identifying attractive sustainability themes, and understanding the real world impact of its investments.

04 The Scheme prefer a collaborative approach, leveraging its efforts through engagement, working with its investment managers, advisers, and Sponsor.

Section 1

Governance

Oversight & Investment Beliefs

With regards to climate risks and opportunities, the Trustee accepts that there is a wide range of uncertainty in both the future climate scenarios and the timing and choice of policy responses. A carbon tax, as just one example, could have financial implications for the profitability and competitive position of companies that are impacted. The Trustee believes that climate change risks should be considered in the selection of individual investments by investment managers. In particular, companies that do not adjust their business strategies to align with the 2015 Paris Agreement can face significant downside, and stranded asset, risks. Investment managers should take into account how companies are adjusting their business strategies to align with the 2015 Paris Agreement, and ensure that any exposure to stranded asset risk is considered in the selection of individual investments.

The Trustee believes that climate risk scenario testing can also be useful in understanding the Scheme's exposure to climate risks. The Trustee accepts that there is an ongoing concern with the lack of consistency, availability and quality of data to quantify the exposure to climate risk, and that this position is likely to improve over time and should be kept under review.

Section 1

Governance

Roles and Responsibilities

The Trustee is ultimately responsible for compliance with the governance requirements which underpin the TCFD recommendations and for reporting how this has been done. The Trustee has however delegated the following responsibilities:

Investment Sub-Committee (ISC)

The ISC is responsible for undertaking the governance and reporting requirements relating to climate related risks and making recommendations to the Trustee.

The Governance Sub-Committee (GSC)

The GSC is responsible for maintaining the Scheme's risk management framework and risk register, and carrying out a risk assessment and review for the Scheme and reporting the results to the Trustee. The risk register has been reviewed and amended to include climate risk. Further details can be found in Section 4 – Risk Management.

In-house Team

The in-house team is responsible for supporting the Trustee and the various committees in ensuring that there is effective governance, risk management and internal controls in operation. In particular, the in-house team have managed all aspects of the project to meet the regulatory requirements, and are responsible for the maintenance of various policy documents.

Section 1

Governance

Roles and Responsibilities

The Trustee is ultimately responsible for compliance with the governance requirements which underpin the TCFD recommendations and for reporting how this has been done. The Trustee has however delegated the following responsibilities:

Investment Adviser

The investment adviser is responsible for advising on investment strategy, taking into account climate-related risks and opportunities. The investment adviser is also responsible for ensuring investment managers integrate ESG considerations into their investment process in line with the Trustee's beliefs and also supports the ISC with monitoring in relation to ESG and Stewardship. There are separate investment advisors for the DB and Dc assets.

Investment Managers

The investment managers are responsible for implementing the Trustee's ESG and climate policies, and are given discretion to evaluate ESG issues (including climate change) in the selection, retention, and realisation of investments. Current managers, and potential new managers are assessed for their integration of climate risks into their wider stewardship activities, and for their ability to understand their portfolio's ability to withstand climate-related risks. Investment managers are also responsible for providing the Trustee with the relevant data required to meet the regulatory requirements.

Actuarial Adviser

The actuarial adviser is responsible for considering the impact of climate related risks on the Scheme's liabilities.

Covenant Adviser

The covenant advisor is responsible for monitoring the covenant of the Sponsor.

Legal Adviser

The legal advisor is responsible for ensuring the Trustee is compliant with the regulations.

Section 1

Governance

Roles and Responsibilities

In complying with its governance and reporting requirements, the Trustee is supported by its professional advisers and the in-house team. In particular, the Trustee has obtained details of its investment and actuarial advisers climate competencies based on the guide published by the Investment Consultants Sustainability Working Group ("ICSWG").

As part of its annual assessment of their advisers' performance against their respective strategic objectives, the Trustee will consider how each adviser has supported the climate-risk policy.

Section 2

Strategy

Impact on Funding and Investment Strategy

Climate related risks and opportunities over the short, medium and long term

The Trustee has considered climate risks and opportunities over the short, medium and long term. In this context, the Trustee has considered "Short term" to reflect a three-year period and has considered what the potential impact would be from a climate shock over this period. This also reflects the expected timeframe for the Scheme's climate metric target, discussed in Section 5 of the report.

"Medium term" has been considered as the time horizon to 2034 as this is the target date to achieve full funding for the DB Sections under the Scheme's current investment strategy.

"Long term" is therefore considered as the time horizon after 2034 , at which point the DB Sections are aiming to have implemented a low-risk strategy. The Trustee's emphasis is on the short and medium term in line with the journey plan and the duration of the liabilities.

Types of risks and opportunities

The Trustee has identified the following key climate-related risks to its investment and funding strategy. In addition, the Trustee considers the climate policy of the sponsoring employer given the impact this could have on covenant. The Covenant Advisor will include an assessment of the climate policy and the climate related risks of the sponsoring employer as part of their next review of the covenant.

Physical Risks

This relates to the physical impacts of climate change (e.g. rising temperatures, changing precipitation patterns, increased risk to coastal systems and low-lying areas from rising sea levels and increased frequency and severity of extreme weather events). These physical risks could cause direct damage to assets and indirect destabilising impacts arising from supply chain disruption. This may also lead to wider economic and social disruption, including mass displacement, environmental-driven migration and social strife.

Transition Risks

This relates to the risks (and opportunities) from the realignment of the global economic system towards low-carbon, climate-resilient and carbon-positive solutions (e.g. via regulations or market forces).

Stranded Asset Risks

The risk of holding assets at some time prior to the end of their economic life that are no longer able to earn an economic return as a result of changes associated with the transition to a low carbon economy.

Ongoing monitoring

The impact of climate-related risks and opportunities, such as those arising from physical and transition risks, is monitored on a regular basis and is formally reviewed on an annual basis as part of the preparation of the Scheme's climate report.

Section 2

Strategy

Impact on Funding and Investment Strategy

Impact on funding and investment strategy

The ISC, on behalf of the Trustee, has undertaken Scenario Analysis to consider the impact on the funding and investment strategy over the time periods mentioned previously, taking into account the key climate-related risks. The results of this analysis consider the impact of transition risks and physical risks on the funding level under several different climate pathways. The results from the scenario analysis are covered in Section 3.

The time period to 2034 is particularly significant to the Trustee as, under the Trustee's current investment strategy, the DB Sections aim to be fully funded on the Technical Provisions basis by 2034 and to subsequently transition to a low-risk investment policy.

In summary, the scenario analysis illustrates that over the medium term, the impact on the assets and liabilities for the DB Sections is limited under all scenarios. This is in line with expectations given that the DB Sections are predominantly invested in fixed income assets, and have little exposure to physical equities which would be expected to be more severely impacted by the climate scenarios.

Mercer to add summary for DC Section.

Section 2

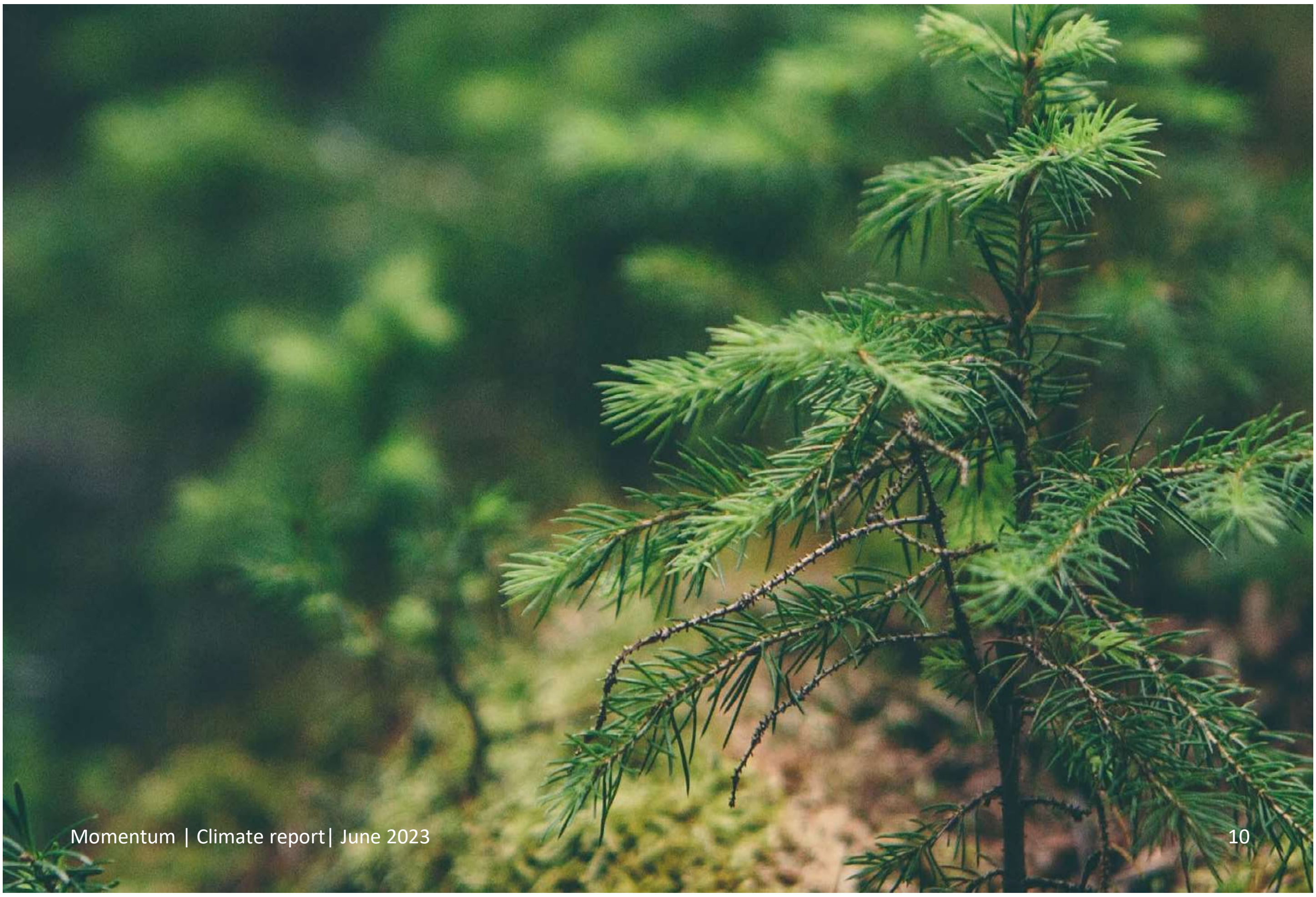
Strategy

Impact on Funding and Investment Strategy

The Trustee has used Scenario Analysis to consider if changes are required to the investment policy. In summary, the Trustee has concluded that no changes are required to the funding and investment strategy as a result of climate risk. These results were not unexpected and confirm the Trustee's view that the principal way to bring about meaningful change will be through engagement with investment managers to ensure that climate change considerations are fully integrated into security selection and engagement. This is reflected in the choice of metrics that the Trustee has adopted, which is detailed later in the report.

Engagement is at the core of the Trustee's strategy

The Trustee considers engagement and stewardship as being key to managing climate risks and opportunities for the Scheme. The Investment Advisor, on behalf of the Trustee, actively engages with each investment manager to assess the effectiveness of the investment managers' engagement with underlying companies on climate-related risks and opportunities. The Investment Advisor raises any concerns with the ISC on a regular basis and more formally on an annual basis as part of the Stewardship and Engagement reporting.



Section 3 | Scenario Analysis
Climate Scenarios

Climate Scenarios

The Trustee has undertaken scenario analysis to assess the potential impact on the Scheme of different climate scenarios. The analysis has been undertaken for the Trustee by Ortec Finance ("Ortec"), one of the leading independent firms specialising in modelling risk. Ortec is a well-respected contributor to industry and academic projects on topics relating to climate risk scenarios and temperature alignment analytics, such as Open-Source Climate, the Institutional Investors Group on Climate Change ("IIGCC") and the Institute and Faculty of Actuaries ("IFoA") working groups.

Ortec Finance have modelled the impact on the DB Sections' assets and the funding level according to their own proprietary climate scenarios. The Trustee recognises that the approach to modelling the impact of climate risks is evolving and will keep this under review. Further details on the scenarios modelled by Ortec are included on the following page.

Limitations

The Trustee recognises the limitations of the modelling, in particular:

- Any climate pathway reflects just one possible way to achieve a certain temperature goal, while in reality many different pathways are possible for the same temperature outcome.
- Different models lead to different results, due to different model structure and assumptions.
- There is uncertainty around assumptions adopted, for example ambitious scenarios depend on future (negative emissions) technologies such as carbon capture and storage.
- It is recognised that there are gaps in assumptions, for example certain necessary changes to achieve zero emissions, such as changes in lifestyle or economic systems, are currently not included. Furthermore, certain impacts cannot easily be modelled such as impacts of sea level rises, migration, health and tipping points in the climate system.
- The asset allocation is assumed to remain constant throughout the modelling period, which is unlikely to happen in practice.

Although there are limitations, the Trustee believes that the modelling undertaken is useful in giving a high-level understanding of the potential impact on the Scheme's funding position as a result of climate change risks under different possible climate pathways. This allows the Trustee to consider these potential impacts alongside other asset and liability risks and to consider whether the overall level of risk for the Scheme remains appropriate.

Section 3

Scenario Analysis

Climate Scenarios

Climate Scenarios

As per the TCFD recommendations, various building blocks have been established by the global climate change research community to facilitate research and assessment of mitigation efforts required to achieve different climate outcomes.

The Trustee accepts that the selected scenarios below do not represent the full range of outcomes, nor do they necessarily capture the most adverse possible scenario, but provides the Scheme with a useful understanding of potential behaviour of the Scheme's portfolios under four scenarios covering a range of likely temperature pathways.

	Net Zero	Net Zero Financial Crisis	Limited Action	High Warming
Description	Early and smooth transition. Market pricing-in dynamics occur smoothed out in the first four years. Locked-in physical impacts.	Sudden disinvestments occur in 2025 to align portfolios to the Paris Agreement goals which have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock. Locked-in physical impacts.	Policymakers implement limited nationally determined contributions ("NDCs") and fall short of meeting the Paris Agreement goals. Moderate gradual physical and extreme weather impacts. Markets price in physical risks of the next 40 years over 2026-2030, and risks for the 40 years beyond that in 2036-2040.	The world fails to meet the Paris Agreement goals and global warming reaches 4.3°C above pre-industrial levels by 2100. Severe gradual physical and extreme weather impacts. Markets price in physical risks of the next 40 years over 2026-2030, and risks for the 40 years beyond that in 2036-2040.
Temperate rise	~1.5°C	~1.5°C	~2.9°C	~4.3°C

Source: Ortec Finance

Section 3

Scenario Analysis

Impact on Journey Plan

Climate Impact on Funding Ratio – DB Sections

The table below shows the impact on the DB Sections' funding ratio under the four scenarios relative to a baseline. This baseline scenario is conditioned on historic market relationships and long-term views based on current market conditions and does not seek to explicitly account for the impact of future climate risks.

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2034
Net Zero	-0.8%	-1.4%	-2.0%	-1.9%	-1.8%	-1.8%	-1.9%	-1.9%	-2.0%	-2.2%	-2.6%
Net Zero Financial Crisis	-0.1%	-0.1%	-6.4%	-3.6%	-2.4%	-2.7%	-3.2%	-3.4%	-3.4%	-3.6%	-4.3%
Limited Action	-0.0%	-0.0%	-0.0%	-0.7%	-1.2%	-1.7%	-2.3%	-2.8%	-2.7%	-2.6%	-2.9%
High Warming	-0.0%	-0.1%	-0.1%	-0.8%	-1.3%	-1.8%	-2.4%	-3.0%	-3.0%	-2.9%	-3.3%

Source: Ortec Finance

The results illustrate that the impact on the funding ratio for the DB Sections relative to the baseline is limited under all scenarios over the medium-term.

Over the period to 2034, the worst possible outcome is a c.4.3% deviation in funding level relative to the baseline. This is well within the funding volatility expected of the current strategy and consistent with other risks being taken.

Section 3 | Scenario Analysis

Impact on Journey Plan

Climate Scenario Analysis – DC Section

The three climate scenarios used for the DC assets are constructed to explore a range of plausible futures over 5 to 40 years, rather than exploring tail risks:

- **1.5ºC Rapid Transition** – Average temperature increase of 1.5°C by 2100 in line with the Paris Agreement. This scenario assumes sudden large-scale downward re-pricing across multiple securities in 2025. This could be driven by a change in policy or realisation that policy change is inevitable, consideration of stranded assets or expected cost. To a degree the shock is sentiment driven and is therefore followed by a partial recovery across markets. The physical damages are most limited under this scenario.

- **<2ºC Orderly Transition** – Average temperature increase of less than 2.0°C by 2100. This scenario assumes political and social organisations act in a co-ordinated way to implement the recommendations of the Paris Agreement to limit global warming to below 2°C. Transition impacts do occur but are relatively muted across the broad market.

- **4ºC Failed Transition** – Average temperature increase above 4°C by 2100. This scenario assumes the world fails to co-ordinate a transition to a low carbon economy and global warming exceeds 4°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasingly negative impacts from extreme weather events. These are reflected in re-pricing events in the late 2020s and late 2030s.

In assessing the Threshold Test for the DC arrangements two Popular Arrangements were identified accounting for more than 10% of the DC assets; the Thales Global Equity (24.1%) and the Thales Global Multi-Asset (49.1%). The asset allocations modelled for these two Popular Arrangements are:

Modelling Asset Class	Thales Global Equity Fund	Thales Multi-Asset Fund
MSCI World Equity	-	3.9%
MSCI ACWI Equity	-	1.1%
US Equity	63.1%	5.4%
UK Equity	3.9%	3.8%
Europe Equity	11.4%	6.0%
Japan Equity	6.2%	4.7%
Developed Asia ex Japan Equity	4.6%	2.8%
Emerging Markets Equity	10.8%	6.6%
UK Investment Grade Credit	-	6.7%
US Investment Grade Credit	-	8.2%
Global High Yield Credit	-	6.1%
Global Investment Grade Credit	-	2.3%
UK Private IG Credit	-	1.3%
US Sovereign Bonds	-	3.3%
UK Sovereign Bonds	-	1.6%
Europe Sovereign Bonds	-	1.5%
EMD Hard Currency	-	10.5%
Cash	-	2.2%
Global Real Estate	-	5.3%
Listed Infrastructure	-	5.1%
UK Real Estate	-	6.2%
Private Equity	-	2.4%
Commodities*	-	2.0%
Timberland/Farmland (Sector Built Equity)	-	1.0%

Section 3 | Scenario Analysis

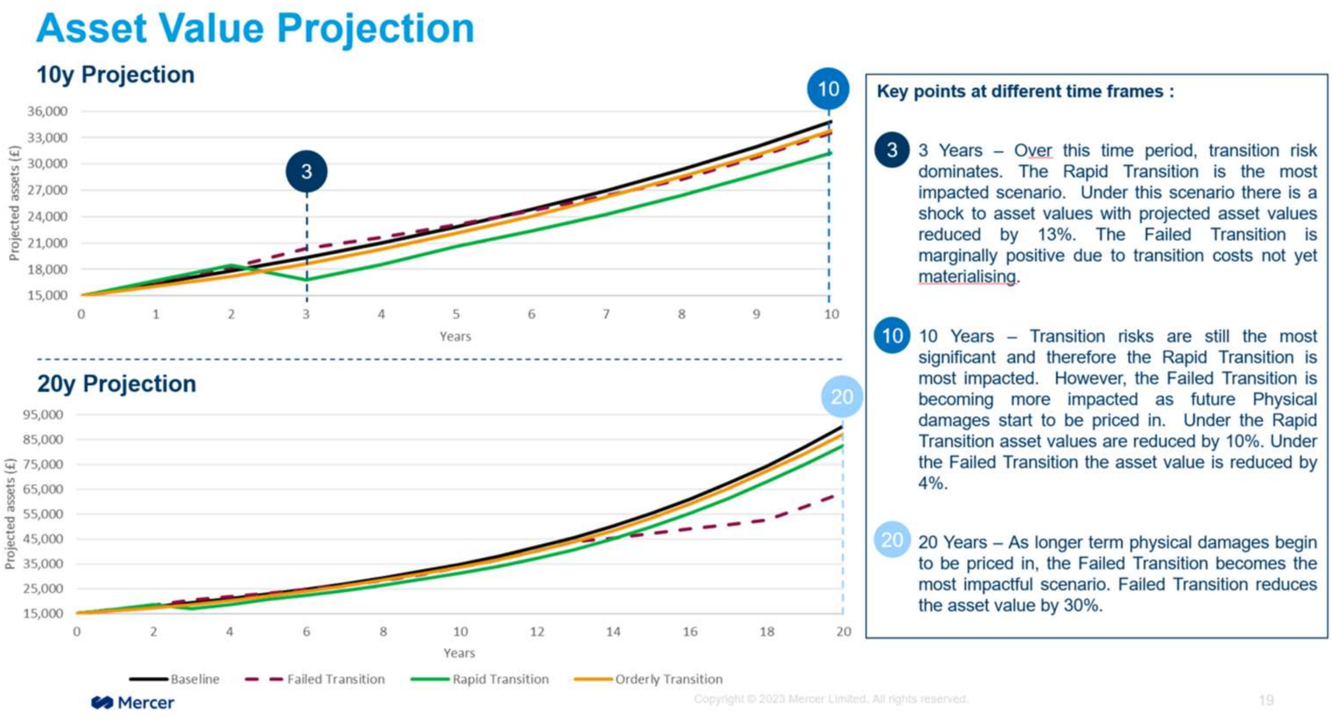
Impact on Journey Plan

Climate Scenario Analysis – DC Section

Thales Global Equity Fund Scenario Analysis Results.

	Annualised Returns		Asset Values	
	Expected Return (Baseline)	Climate Impact*	Impact (%)*	Absolute Impact (£)
Rapid Transition				
Impact at 3 years	8.9%	**-5.0%**	**-13.0%**	*-£2,526*
Impact at 10 years	8.8%	**-1.2%**	**-10.3%**	*-£3,577*
Impact at 20 years	9.4%	**-0.5%**	**-8.5%**	*-£7,688*
Orderly Transition				
Impact at 3 years	8.9%	**-1.3%**	**-3.7%**	*-£708*
Impact at 10 years	8.8%	**-0.3%**	**-3.1%**	*-£1,064*
Impact at 20 years	9.4%	**-0.2%**	**-3.5%**	*-£3,118*
Failed Transition				
Impact at 3 years	8.9%	**1.9%**	**5.3%**	*£1,023*
Impact at 10 years	8.8%	**-0.4%**	**-3.7%**	*-£1,287*
Impact at 20 years	9.4%	**-1.9%**	**-29.6%**	*-£26,791*

*Relative to the baseline



*A starting asset size of £15,000 has been used in the scenario analysis to broadly represent the approximate average pot size in the Scheme at the start date of the projections.

Section 3 | Scenario Analysis

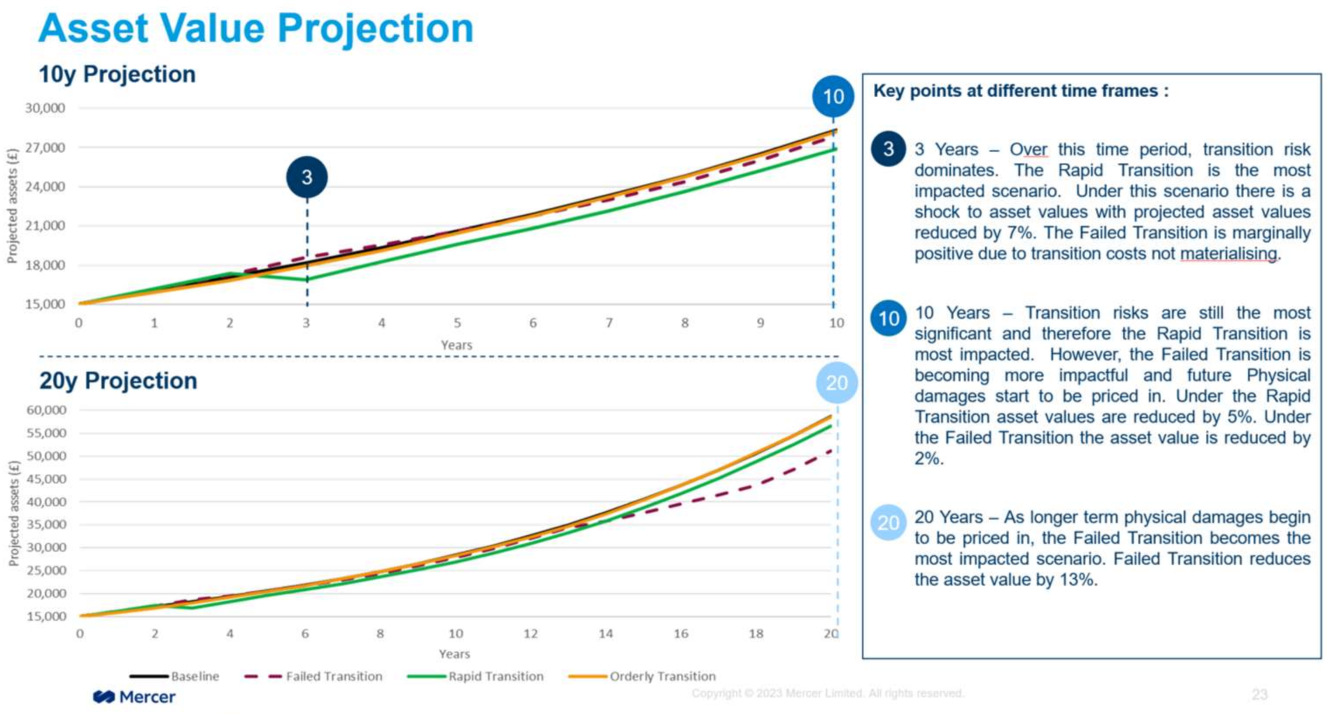
Impact on Journey Plan

Climate Scenario Analysis – DC Section

Thales Global Multi-Asset Fund Scenario Analysis Results.

	Annualised Returns		Asset Values	
	Expected Return (Baseline)	**Climate Impact***	**Impact (%)***	**Absolute Impact (£)**
Rapid Transition				
Impact at 3 years	6.6%	**-2.6%**	**-7.2%**	*-£1,301*
Impact at 10 years	6.6%	**-0.6%**	**-5.1%**	*-£1,437*
Impact at 20 years	7.1%	**-0.2%**	**-3.7%**	*-£2,147*
Orderly Transition				
Impact at 3 years	6.6%	**-0.4%**	**-1.2%**	*-£225*
Impact at 10 years	6.6%	**-0.1%**	**-0.5%**	*-£135*
Impact at 20 years	7.1%	**0.0%**	**-0.1%**	*-£78*
Failed Transition				
Impact at 3 years	6.6%	**0.8%**	**2.3%**	*£425*
Impact at 10 years	6.6%	**-0.2%**	**-1.5%**	*-£433*
Impact at 20 years	7.1%	**-0.7%**	**-12.9%**	*-£7,576*

*Relative to the baseline



*A starting asset size of £15,000 has been used in the scenario analysis to broadly represent the approximate average pot size in the Scheme at the start date of the projections.

Section 4

Risk Management

Identifying, Assessing and Managing Risks

Identifying, assessing and managing risks

Overall responsibility for the assessment and management of climate-related risks and opportunities lies with the Trustee. Delegation of the implementation of investment decisions, including those relating to climate change, lies with the ISC.

As well as oversight on the direct impact on Scheme investments (and liabilities), the Trustee also considers the impact of climate change risks and opportunities on the strength of the employer covenant. The Scheme's appointed covenant advisers provide advice to help in this assessment.

The governance and reporting standards on climate-related risks that have been implemented by the Trustee will enable the Trustee to have a detailed understanding of climate risk within the Scheme's investments and will help to guide the Trustee in setting and refining interim targets and milestones to measure progress towards the Scheme's climate goals.

The Trustee encourages the improvement of disclosures across the corporate sector to assist with this process.

Section 4

Risk Management

Identifying, Assessing and Managing Risks

The ISC has adopted the following approaches in order to manage climate-related risks:

- The Statement of Investment Principles sets out the Trustee's policy on sustainable investment, ESG and stewardship.
- The Trustee has delegated responsibility to the ISC and the Scheme's investment adviser to undertake the governance requirements relating to ESG, including the production of the annual implementation statement, and for monitoring investment managers regarding their ESG policies and practices.
- The ISC requires all appointed managers to report regularly to the ISC and requests that managers disclose all engagement activity undertaken on its behalf. The ISC monitors the approach of each investment manager. These activities are summarised by the investment adviser in an annual Stewardship & Engagement report.
- The risks pertaining to ESG issues including climate change are separately identified in the Scheme Risk Register which is regularly reviewed and updated.
- The ISC is supported by its professional advisers and in-house team.
- The ISC employs separate investment advisors for the DB and DC assets.
- Of the Scheme's investment managers, all are signatories to the United Nations Principles of Responsible Investment and 8 are signatories of the UK Stewardship Code.

Section 5 | Metrics & Targets

Overview

Metrics

To inform its understanding and monitoring of the Scheme’s climate-related risks and opportunities, the Trustee has selected the metrics set out in the table below. The Trustee has picked data coverage as a metric as it is key to understanding the validity of the data and potential areas of improvement.

Science Based Targets initiative (“SBTi”)

The Trustee has chosen the number of companies with Science Based Targets as the forward-looking alignment metric. This forward-looking metric requires investment managers to disclose the number of companies within their portfolio that have set science-based targets. These targets are clearly-defined science-based pathways for companies to reduce greenhouse gas (“GHG”) emissions, which have been reviewed by the SBTi, an external body.

Total Emissions Metric	**Total Emissions** The total scope 1 & 2 Greenhouse Gas Emissions ("GHG") emissions for the DB Sections’/DC Section’s assets (tonnes of CO2e emitted).
Emissions Intensity metrics	**Carbon footprint** The total carbon GHG emissions of the portfolio, or part-portfolio, divided by the current value of the portfolio or part-portfolio for which emissions data is available (tonnes of CO2e / $m of asset value). **Weighted Average Carbon Intensity (WACI)** The DB Sections’/DC Section’s asset exposure to carbon-intensive companies with attribution of emissions based on portfolio weights, rather than the ownership approach (tonnes of CO2e / $m of revenue).
Non-emissions based metric	**Data Coverage** The proportion of the DB Sections’/DC Section’s non-LDI assets for which Scope 1 and Scope 2 carbon emissions data is available.
Forward-looking alignment metric	**Binary target measurement** The total number of companies with carbon emission reduction targets listed on the Science Based Targets initiative (”SBTi”) database.

Section 5

Metrics & Targets

Data Coverage and Carbon Emissions Metrics

Data for the metrics has been sourced from the investment managers and reviewed by the Trustee's investment advisers. The table over the page summarises the data that was available for the metrics that the Trustee has selected in respect of the DB Sections. The data has been collected for the mandates in place as at 31 December 2022.

The Trustee notes that none of the Scheme's managers for the DB Sections were able to report on the number of companies with SBTi in place within their portfolio. This was not particularly surprising as the DB Sections held no exposure to listed equities or investment grade corporate bonds (i.e. larger public corporates) which are the entities that have started to set targets that have been verified by SBTi.

There remains c.52% of the DB Sections assets (c.73% of the non-LDI assets) where emissions data is not yet available. The Trustee does not consider the low level of coverage to be an issue with the Scheme's specific managers but rather reflects the poor availability and quality of data across non-public market asset classes.

It is likely that the absolute carbon emissions for the DB Sections will increase over the next few years as more data becomes available.

Wherever possible, consistent methodologies have been used to calculate the metrics.

The Trustee accepts that there is an ongoing concern with the lack of consistency, availability and quality of data to quantify the exposure to climate risk. The Trustee also accepts that this position is likely to improve over time and should be kept under review.

The emissions data has been sourced directly from the Scheme's investments managers, who typically use third party data providers to provide them carbon data for the underlying holdings. Data coverage is therefore limited to the data that is available from these third-party providers and estimates provided by the managers. In the case of private assets, carbon data is typically not publicly available, though we would expect this to improve over time.

The emissions metrics will be calculated for the Scheme at least annually. The Trustee will review its metrics from time to time to ensure they remain appropriate for the Scheme.

Section 5

Metrics & Targets

Data Coverage and Carbon Emissions Metrics

DB Sections – Metrics Summary

Metric Summary (31.12.2022)	Non-LDI Assets	Section 1 LDI Assets[1]	Section 2 LDI Assets[1]	Total DB Sections
Portfolio Allocation (%)	64.1%	25.4%	10.5%	100.0%
Data Availability (%)	27%	90%	91%	48%
Total Carbon Emissions (Scope 1 & 2) (Tonnes CO2e)	25,558	41,809	17,603	84,970
Carbon Footprint (Scope 1 & 2) (CO2e per USD million invested)	58	76	75	69
Weighted Average Carbon Intensity (Scope 1 & 2)	0 – 171	130	133	0 – 171
% of companies with SBTi target	N/A	N/A	N/A	N/A

[1] Data reflects physically held gilts (including green-gilts), and excludes exposure achieved through derivatives.

Target for DB/DC Sections

The Trustee has set a target in respect of the non-emission based metric which is "Data Coverage". The Trustees believes that data coverage needs to improve dramatically (particularly for non-public assets) before informed decisions can be taken with respect to the Scheme's exposure to climate related risks.

The Trustee has set a target to increase data availability for Scope 1 and 2 carbon emissions to 65% across both the DB and DC Sections' non-LDI assets over the next three years (from a baseline of c.27.5% for as at 31 December 2022).

Some of the improvement in data coverage is expected to come from changes to the investment policy as the allocation to liquid corporate bonds is re-introduced where data coverage is typically better. However the majority of the improvement is expected to come from active engagement with the investment managers to improve the reporting in respect of their respective asset classes.

Section 5

Metrics & Targets

Data Coverage and Carbon Emissions Metrics

The table below summarises the data that was available for the metrics that the Trustee has selected in respect of the DC Asset Section. The data has been collected for the mandates in place as at 31 December 2022.

The following metrics have been agreed for the Scheme's first TCFD report. Emissions metrics are required initially on scope 1+2 for the first TCFD report, with scope 3 mandatory from the second report

Absolute Emissions

- Total Greenhouse Gas Emissions

Emissions Intensity

- Carbon Footprint
- WACI

Portfolio Alignment

- % of companies with Science Based Decarbonisation Targets (SBTi coverage)

Non-Emissions Based

- Data Coverage

DC Section – Metrics Summary

Arrangement	Manager/ Mandate	Total assets (£000's)	Percentage of DC Assets	Percentage of Fund Eligible		WACI - Total Data Coverage	WACI coverage		Carbon Footprint – Total Data Coverage	Carbon Footprint (tCO2e / £M invested)		Absolute emissions (tons CO2e) ***		ITR – Total Data Coverage	ITR °C	% of the portfolio with approved SBTi targets *****
				Listed Equity and Corporate Bonds	Sovereigns **		Listed Equity and Corporate Bonds (tCO2e / £M revenue)	Sovereigns (tCO2e / £M GDP)**		Listed Equity and Corporate Bonds	Sovereigns **	Listed Equity and Corporate Bonds	Sovereigns **			
Thales Global Equity Fund	LGIM All World Equity GBP Hedged*	1,193.0*	12.0%*	97.9%	-	96.8%	245.3	-	94.6%	97.8	-	114.2	-	92.2%	3.0	47.3%
	LGIM All World Equity*	1,193.0*	12.0%*	99.5%	-	99.0%	246.8	-	97.0%	97.7	-	116.0	-	96.0%	3.0	49.3%
	Total****	**2,386.0**	**24.1%**	**98.7%**	**-**	**97.9%**	**246.1**	**-**	**95.8%**	**97.8**	**-**	**230.2**	**-**	**94.1%**	**3.0**	**48.3%**
Thales Multi-Asset Fund	**LGIM Diversified Fund**	**4,862.6**	**49.1%**	**74.4%**	**18.2%**	**84.5%**	**351.4**	**369.9**	**82.1%**	**127.4**	**173.1**	**460.9**	**153.2**	**71.4%**	**2.9**	**27.8%**

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