Surrey Pension Fund

Task Force on Climate-Related Financial Disclosure Report

September 2022

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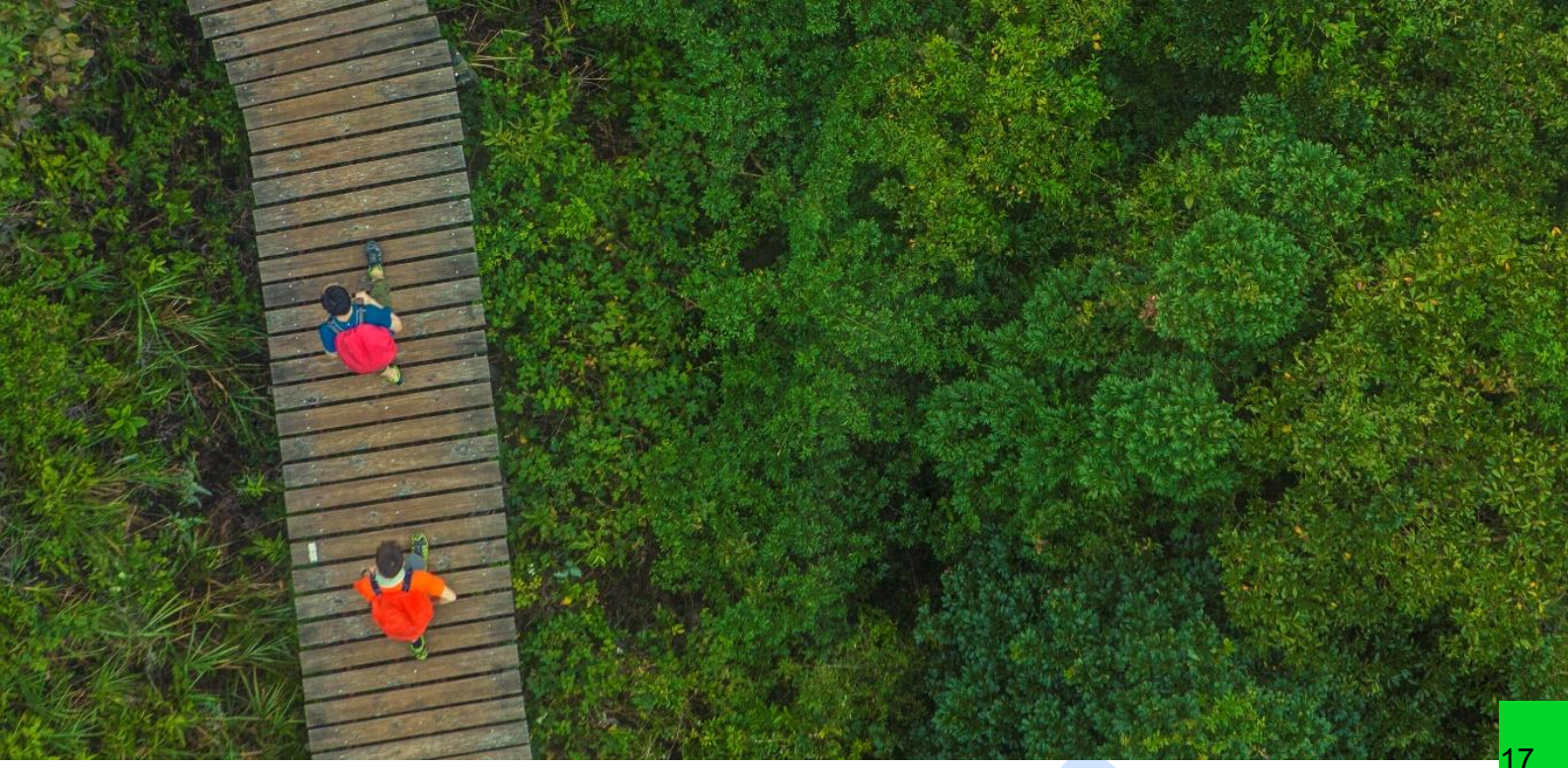


INTRODUCTION

The Pensions Fund Committee ("the Committee") of the Surrey Pension Fund ("the Fund") supports the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) as a framework to help manage and report on the actions being taken to identify climate change related risks and opportunities in the Fund's investment strategy.

The report explains how the Committee has established and maintains oversight and processes to satisfy itself that the Fund's relevant climate-related risks and opportunities are considered appropriately by all stakeholders involved in the day-to-day management of the Fund.

This report should be read in conjunction with the Border to Coast Pensions Partnership Ltd (BCPP)'s Responsible Investment Policy[1] and the Fund's Climate Policy[2, 3].

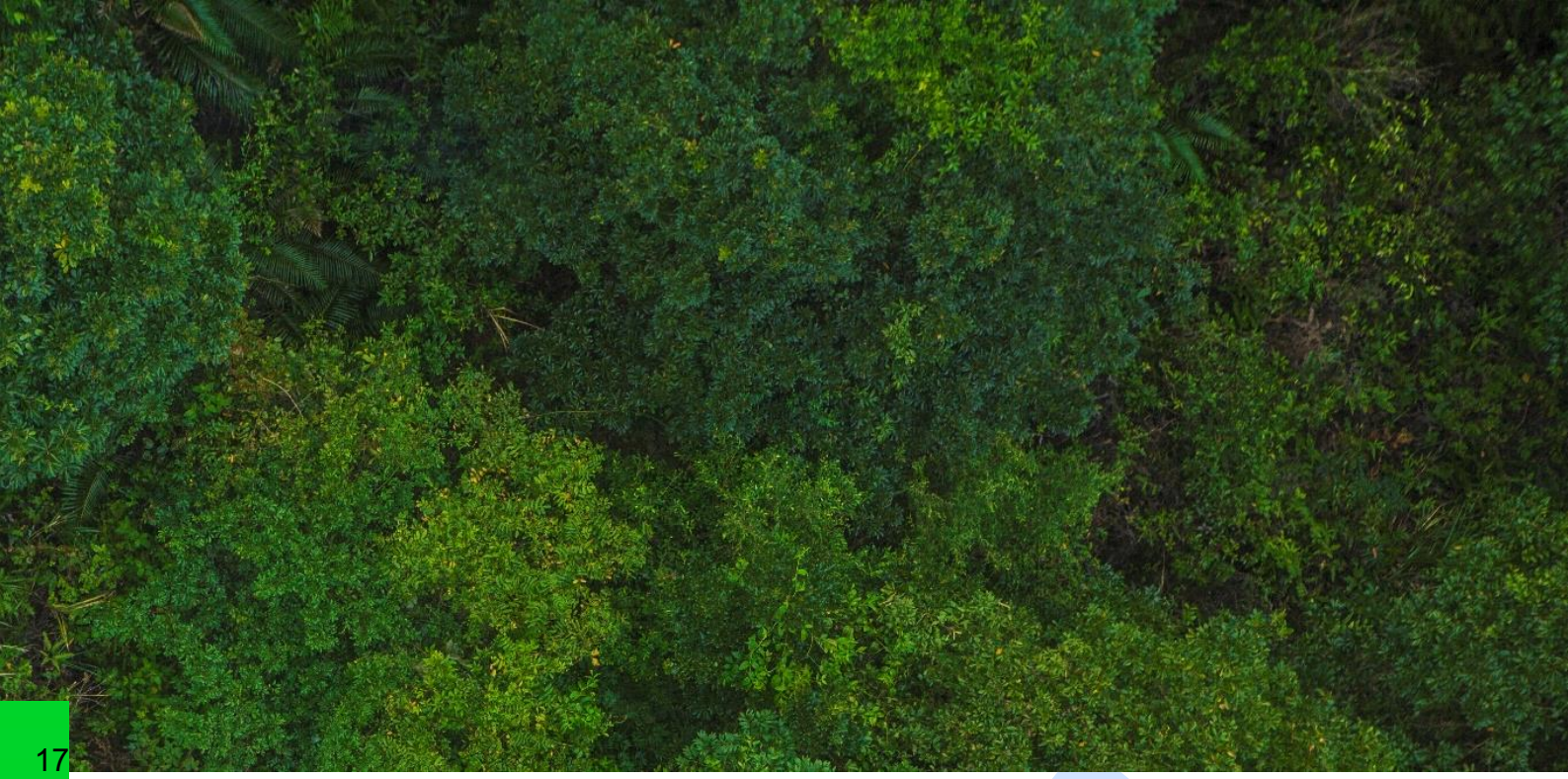
The Committee looks to fully integrate climate change and wider Environmental, Social and Governance ("ESG") issues into all decisions regarding the investment strategy of the Fund. This is done with the overriding objective of achieving the long-term investment returns required to help in the provision of paying pensions.

The Committee expects the Fund's approach to evolve over time, recognising a rapidly changing regulatory, societal, technological and macroeconomic backdrop.

The Committee recognises that climate issues can be more relevant and readily implementable for some parts of the portfolio than others. This statement outlines where governance of climate risk and opportunities has been applied. For example, the carbon footprinting analysis currently covers the Listed Equities holdings of the Fund, which represented c.60% of the Fund's total asset exposure as at 30 September 2021.

The Committee will seek to expand the remit of this reporting to cover the entirety of its portfolio as and when the ability to monitor these risks becomes more achievable via improved availability of data.

[1] https://www.bordertocoast.org.uk/wp-content/uploads/2022/07/TCFD-Report-2021-22.pdf
[2] https://mycouncil.surreycc.gov.uk/documents/s69261/13%20-%20Taskforce%20for%20Climate%20Related%20Financial%20Disclosure%20Report%20TCFD%202019-20%20-%20Annexe%201.pdf
[3] https://www.surreypensionfund.org/



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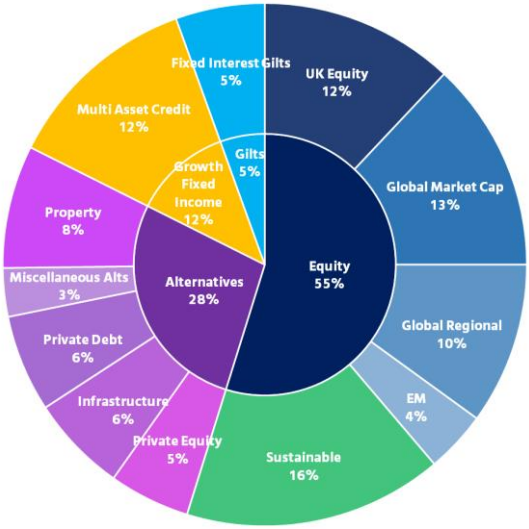
Summary

The Committee is pleased to note the following key highlights from this report:



- The Fund has c.16% (as a percentage of total fund benchmark assets) invested in strategies dedicated to addressing the risks associated with climate change and wider ESG issues.
- This is achieved by investing in LGIM's Future World index strategy. Assets that had higher exposure to carbon related risks and were less forward looking were sold to fund this allocation.
- The Fund has committed £235m for investment in the BCPP Climate Opportunities Fund. This strategy will look to invest in opportunities focused on reducing carbon emissions and supporting the transition to a low carbon economy.
- The Committee will be reviewing the Fund's investment strategy in 2022. A key part of this will be to further consider appropriate ways of addressing the risks and opportunities from climate change.
- The Fund first undertook carbon footprinting analysis of its equity holdings in June 2018 with 376.3 tCO2e per £million revenue compared to MSCI ACWI benchmark of 420.5 tCO2e per £ million revenue. The Fund at that time was below the benchmark by 10.5%.
- As at 30 September 2021, the Fund had 41.0 tCO2e per $ million invested compared to MSCI ACWI benchmark with 56.3 tCO2e per $ per million invested. The listed portfolio had a 27.2% lower carbon footprint than the MSCI ACWI index.

THE TCFD FRAMEWORK

The Financial Stability Board, an international body established by the G20 that monitors and makes recommendations about the global financial system, created the Task Force on Climate-related Financial Disclosures (TCFD) in 2017. TCFD was created to improve and increase reporting of climate-related financial information that can promote more climate-informed investments. This TCFD statement is prompted by that drive for transparency. Our aim is that members and stakeholders can better understand the climate-related risks and opportunities from ownership of companies and other investments.

Figure 1: TCFD Framework

TCFD recommendations are categorised under four pillars: Governance, Strategy, Risk Management, Metrics and Targets:

Governance
The organisation's governance around climate-related risks and opportunities.

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organisation's business strategy, and financial planning.

Risk Management
The processes used by the organisation to identify, assess, and manage climate-related risks.

Metrics and Targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Asset owners, like the Fund, sit at the top of the investment chain and therefore have an important role to play in influencing the organisations through which they invest and companies in which they ultimately invest to provide better climate-related financial disclosures. Disclosure of climate-related risks and opportunities by asset owners allows beneficiaries and other audiences to assess the asset owner's investment considerations and approach to climate change.

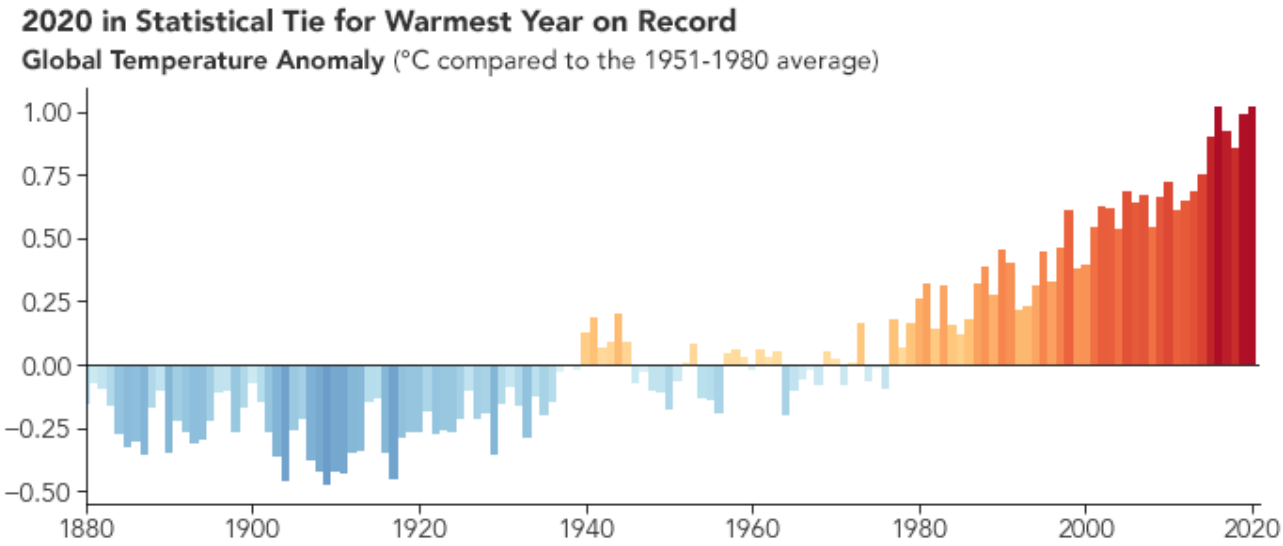
For the Fund this means an assessment of our integration. Integration is the way we incorporate all material and relevant climate-related financial and non-financial information into our investment activities and decision making. How we think about climate change when we set our investment strategy, when we make new investment decisions, and when we manage our existing portfolio are all examples of integration. We hope and believe that our climate-related financial disclosures encourage better disclosures across the investment chain — from asset owners to asset managers to underlying companies.

CLIMATE-RELATED RISKS

Human activities are estimated to have caused approximately 1.0°C of global warming above pre-industrial levels. Most of this warming has occurred in the past 35 years, with the five “warmest” years on record taking place since 2010. Between the years 2006-2015, the observed global mean surface temperature was 0.87°C higher than the average over the 1850-1990 period. The overwhelming scientific consensus is that the observed climatic changes are the result primarily of human activities. This includes electricity and heat production, agriculture and land use change, industry, and transport.

In a report from August 2021, the UN's Intergovernmental Panel on Climate Change (IPCC) stated that "it is unequivocal that human influence has warmed the atmosphere, oceans and land“ and that it is “already affecting many weather and climate extremes in every region across the globe”.

Figure 2: Graph showing Global Temperature Anomaly.



Source: NASA

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

Given its contribution to global greenhouse gases (GHG) emissions, the energy sector is expected to play a significant role in the long-term decarbonisation of the economy. It is important to recognise however that not only is the supply of energy expected to be a factor in global decarbonisation, but the demand for energy plays a crucial role too. In addition, the behaviour of private and state-owned energy companies is as important as their publicly traded counterparts. The issue faced by diversified investors such as pension funds is not limited to the oil and gas and power generation sectors, but also to downstream sectors. Investors focusing exclusively on primary energy suppliers could fail to identify material climate risks in other sectors.

Research suggests that the oil and gas sector is not homogeneous with regard to climate risk: were climate policies to affect the oil price negatively, those companies with assets lower down the cost curve are less likely to be financially compromised than those companies with higher cost assets. Investors that assume each fossil fuel company bears an equal magnitude of climate-related risk could be led towards sub-optimal decision-making. The Fund recognises that climate-related risks can be financially material and that consideration of climate risk falls within the scope of the Fund’s fiduciary duty.

Given the Fund’s long-dated liabilities, investment time horizon and the timeframe in which climate risks could materialise, a holistic approach to risk management covering all sectors and all relevant asset classes is warranted.

GOVERNANCE

Describe the Committee's oversight of climate change-related risks and opportunities

The Fund is administered by Surrey County Council, ("the Administering Authority"). The Administering Authority has delegated all its functions as administering authority to the Pension Fund Committee ("the Committee").

The Committee maintains an Investment Strategy Statement, which outlines how the Committee will invest the Fund's assets. The Committee is also responsible for approving and monitoring the Fund's approach to responsible investment and climate change, as part of its approval of the Climate Policy[1], input into BCPP's Responsible Investment Policy[2] and Climate Change Policy[3].

The Committee meets at least four times a year and more frequently, as deemed required. The Committee takes independent investment advice to help assess climate risks and opportunities, and looks to ensure that any decisions are integrated into a coherent investment strategy that supports the Fund's ability to provide pensions over the long-term in an affordable way.

The Committee undertakes training on a regular basis, including training and information sessions on matters of social, environmental and corporate governance.

A focused sub committee has been established to specifically consider the Fund's Responsible Investment Policy. This working group is convened on a regular basis to work with Officers, the Fund's consultants and independent advisor to progress the Responsible Investment Policy.

Describe management's role in assessing and managing climate change-related risks and opportunities

The implementation of the management of climate change-related risks with respect to specific securities is delegated to the Fund's appointed investment managers. The Committee monitors the Fund's investment managers on an ongoing basis, including with respect to stewardship activities. Each manager's approach to climate change risks and opportunities and how these are integrated into their investment process is assessed as part of the manager selection and monitoring process.

The Committee reviews how its managers assess, manage and integrate climate risks into their portfolio construction and security selection decisions. The Committee will engage with managers where they are perceived to be lagging their peers in terms of ESG integration and climate risk management or active ownership.

BCPP is an FCA-authorised investment fund manager. It operates investment funds for its twelve shareholders which are Local Government Pension Scheme funds, known as Partner Funds. BCPP takes a long-term approach to investing and believes that businesses that are governed well and run in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors.

The commitment to responsible investment is communicated in the BCPP UK Stewardship Code compliance statement. BCPP takes a holistic approach to sustainability and as such it is at the core of its corporate and investment thinking. Sustainability, which includes Responsible Investment, is considered and overseen by the Board and Executive Committees. Specific policies and procedures are in place to demonstrate the commitment to Responsible Investment, which include the Responsible Investment Policy and Corporate Governance & Voting Guidelines. Border to Coast has a dedicated staff resource for managing Responsible Investment within the organisational structure.

[1] https://mycouncil.surreycc.gov.uk/documents/s69261/13%20-%20Taskforce%20for%20Climate%20Related%20Financial%20Disclosure%20Report%20TCFD%202019-20%20-%20Annexe%201.pdf
[2] https://www.bordertocoast.org.uk/wp-content/uploads/2022/03/RI-Policy-2022.pdf
[3] https://www.bordertocoast.org.uk/wp-content/uploads/2022/03/Border-to-Coast-Climate-Change-Policy-Oct-2021.pdf

STRATEGY

Describe the climate-related risks and opportunities the Fund has identified over the short, medium and long term

The Fund became a supporter of TCFD in June 2019, as it recognises the importance of understanding climate risks and opportunities relative to its role as an institutional investor.

The Fund aims to deliver a first-class service through strong partnerships with members, employers, BCPP and the wider LGPS community. Environmental, Social and Governance factors are fundamental to this approach which is underpinned by risk management, informed decision making and the highest standards of corporate governance.

The integrated nature of climate change and its ability to impact most industries, means that the Fund chooses not to take a sector wide exclusion approach to its investments. Undoubtedly in every sector there will be best in class and worst in class companies, representing both investment risks and opportunities. It chooses therefore to engage with its fund managers, companies and where possible, policy makers, to influence them directly to move towards a sustainable financial strategy that ultimately provides long term value for its shareholders. Engagement not only covers the Fund's investments but engagement is equally vital with governments, regulators and policy makers to enable those companies to transition to a carbon neutral economy. Similar to the Fund's investment approach, engagement is also a long-term approach with the goal for companies and economies globally to be carbon neutral by 2050 to limit global warming to within the 2 Degree Scenario.

In terms of the impact of climate-related risks and opportunities on the Fund's strategy, the approach chosen can vary considerably between different asset classes. Within the Fund's current assets, it applies mainly to its listed and unlisted equity investments. From a listed equity perspective, the Fund currently holds a 16% allocation to a sustainable equity fund, including a tilt to companies less reliant on carbon in their business operations. From a Private Market perspective, the Fund also seeks environmentally sustainable investments, which is where the majority of climate-related investment opportunities currently exist. In this regard, the Fund has invested in a Renewable Energy Infrastructure strategy, and recently committed to a Climate Opportunities fund.

From the perspective of BCPP, climate risk is factored into the selection and appointment of external managers and ongoing monitoring of these mandates. This will therefore inform future engagement initiatives, and collaboration opportunities.

The Committee has chosen to use the United Nations Sustainable Development Goals (SDGs) as a reference to help guide its approach to Responsible Investment.

The Committee is working with its consultants and advisor, together with BCPP to understand what future opportunities might be available and how these would fit with the overall Responsible Investment Policy and investment strategy.

As a long-term investor, the Committee recognises that the risks and opportunities arising from climate change are diverse and continuously evolving. The Committee believes that climate change presents risks over the short, medium and long-term that the Fund should better understand and mitigate where possible. The Committee has considered the following short, medium and long term drivers of risk:

Over the short term (0 to 10 years), risks may present themselves through rapid market repricing relating to climate transition as:

- Scenario pathways become clearer. For example, a change, in the likelihood of a below 2°C scenario occurring becoming higher and driving the transition risk to occur.
- Market awareness grows. For example, the implications of the physical impacts of climate change become clearer to markets and impact asset valuations.
- Increases in the energy/heat efficiency of buildings and infrastructure the Fund holds.
- 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.

The Fund's ability to understand these short-term changes can position it favourably, for example taking advantage of the climate transition by avoiding and reducing investment in high-emitting carbon sensitive sectors, etc.

Over the medium term (10 to 30 years), risks associated with the transition to a low carbon economy are still likely to dominate. This includes the development of technology and low carbon solutions. Policy, legislation and regulation are likely to also play a key role at the international, national and subnational level. Technology and policy changes are likely to produce winners and losers both between and within sectors. Advancement of transition is likely to have started to crystallise stranded asset risks over the medium term. The Fund's ability to understand these changes may positon it favourably, for example by allocating investments into new technologies or by avoiding and reducing portfolio reliance on high-emitting carbon sensitive sectors, etc.

Over the long term (30 to 80 years), 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 such as temperature or precipitation affect the availability of natural resources such as water. The Fund's ability to understand these changes may position it favourably, for example by allocating investments to infrastructure projects that display high levels of climate resilience, etc. A changing climate may directly impact the viability of some assets or business models (for example, flood risk for real estate, or drought / fire risk for timberland assets).

Figure 3: Climate-related risk and opportunities.

Source: TCFD annex report

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Describe the impact of climate change related risks and opportunities on the Fund's business, strategy and planning

The Committee considers exposure to carbon risk in the context of its role in setting investment strategy. The Committee has been on a journey to lower the Fund's carbon footprint since 2018 by regularly monitoring the Fund's decarbonisation progress and analysing how the Fund is performing in terms of its carbon footprint. This analysis has led to the implementation of more carbon-aware strategies.

In 2021, the Fund made changes to invest in the LGIM Future World. The Committee believes that this fund is well positioned from an ESG perspective and is expected to help reduce exposure to companies with poor ESG practices. The Committee views this as both an attractive return opportunity and an important way of positively contributing to the transition to a lower carbon world.

Looking forward, the Committee have discussed setting explicit decarbonisation targets and these will be considered further in due course.

Figure 4: Climate Change Scenario Analysis

Long Term Strategic Investment Strategy		
2ºC	2030	
	2050	
	2100	
3ºC	2030	
	2050	
	2100	
4ºC	2030	
	2050	
	2100	

<-10 bps >-10 bps, < 10 bps > 10bps

Impact on the expected long term returns in basis points per annum of the Fund's strategy compared to the baseline

Describe the resilience of the Fund's strategy, taking into consideration different climate-related scenarios, including a 2˚C or lower scenario

Climate change scenario analysis has been undertaken on the Fund's strategic asset allocation to assess the potential implications of climate change under three modelled scenarios (2-3-4˚C warming) and over three time periods (2030, 2050 and 2100), with 2˚C warming acting as the transition scenario. The analysis is based on research from Mercer's report in 2019, titled "Investing in a Time of Climate Change: The Sequel".

The indicative analysis suggests that from a long-term strategic investment perspective, the Fund is relatively well positioned in scenarios of lower levels of global warming for the periods to 2030 and 2050. As the time periods increase, it is expected that the overall returns will be negatively impacted by climate change, underlying the need for further review and action. The Committee notes that the modelling may understate the true level of risk and uncertainty is likely to be greater for higher warming scenarios, in particular due to the difficulty in being able to accurately predict the future.

The analysis helps the Committee to understand that asset prices may not fully reflect the financial impact of future physical risks or the transition costs associated with policy action required to limit global warming to 2˚C or less, nor that asset prices fully reflect the technology risk inherent in the transition.

The Fund's long term strategic asset allocation is well positioned to contribute and benefit from limiting global warming by the end of the decade.

The analysis supports the view that long term investors collectively trying to bring about an effective transition is aligned to their fiduciary duty to seek the best returns within risk, liquidity and complexity constraints.

RISK MANAGEMENT

Describe the Fund's process for identifying and assessing climate change-related risks

The Committee takes an active role in ensuring it invests with due attention to ESG issues. The Fund's focus remains on maintaining appropriate investments having every regard to climate change implications. The Committee has an annual ESG monitoring framework by covering carbon footprinting analysis and TCFD monitoring indicators. The Committee will engage with its investment managers and BCPP on the key findings as necessary by inviting managers to outline their activities as required that enable the Committee to monitor and manage climate risk. The Committee outlines in the following Metrics and Targets section the key findings of the carbon footprinting analysis. On a regular basis, investment managers and BCPP are invited to present to the Committee to explain their approach to climate change risk management, amongst other topics.

The Committee receives regular updates from its investment managers on how they integrate ESG considerations, including climate change, into their investment processes and active ownership activities. If a manager is considered to be "lagging the market", the Committee will engage with the relevant manager(s) to strongly encourage that it improves in policies and practises in this areas.

The Committee uses stewardship monitoring to identify how the managers it chooses vote and engage on climate issues in order to manage climate risks in the portfolio.

The Committee has identified long-term investment strategy risks and included such risks into its risk register. The register is monitored in the course of its overall risk management approach and is reviewed regularly. It is used to effectively identify, prioritise, manage and monitor risks associated with the Fund and the escalations of risk are managed by internal controls in place:

1. The asset allocation is formally reviewed as part of quarterly reports to the Committee and necessary action is taken to correct the balance.
2. The Committee receives formal quarterly reports on both the overall performance of the Fund and individual investment managers.
3. A full investment strategy review is undertaken by the Fund's investment consultant after every triennial valuation with ad-hoc strategy reviews undertaken in intervening years to ensure the strategy is still appropriate to achieve long-term funding objectives.
4. BCPP has set a long-term goal of being net zero carbon by 2050 or sooner, and are working to establish interim targets to help achieve this, which will be regularly monitored.
5. The Fund has in place a Responsible Investment policy.

Describe the Fund's process for managing climate change related risks

All of the Fund's investment managers have been asked to provide carbon footprinting metrics, where available, in order to take a "total portfolio" approach and be consistent with TFCD recommendations. This analysis helps identify key sources of carbon risks in manager portfolios and helps the Committee to engage with the manager(s) on such risks.

The Committee manages risk by prioritising those it believes may be most financially materially linked to the Committee's beliefs.

The Committee recognises the challenges with various metrics, tools and modelling techniques used to assess climate change risks. The Committee aims to work with its consultants and advisor, and investment managers on a regular basis with the aim of improving its approach to assessing and managing risks over time.

The Fund sees engagement as a fundamental tool in managing climate risk within its portfolio companies. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which collectively engages with multinational companies on behalf of most Local Authority Pension Funds in the UK. Collaboration with other institutional investors enhances the Fund's own influence in engagement with companies, regulators and policy makers, all playing significant roles in the low carbon transition. The Fund will support climate-related shareholder resolutions after having consulted with BCPP, provided it is in line with their Corporate Governance & Voting Policy1, also adopted by all partner funds.

Describe how processes for identifying, assessing and managing climate change-related risks are integrated into the Fund's overall risk management

Both climate change-related risks and wider investment risks are considered by the Committee. Where possible, climate change and wider investment risks such as demographic trends are treated in a holistic manner by recognising they are often interrelated. Climate change and ESG risks are included alongside other material risks in the Investment Strategy Statement and the risk register.

The climate change scenario analysis is strategic in nature and has therefore been incorporated into wider investment strategy discussions and considerations.

[1] https://www.bordertocoast.org.uk/wp-content/uploads/2022/03/RI-Policy-2022.pdf

METRICS AND TARGETS

Disclose the metrics and targets used to assess climate change-related risks and opportunities in line with strategy and risk management process.

This section presents carbon data analysis of the Listed Equities holdings of the Fund which represents c.60% of the Fund's investment mandates as at 30 September 2021. Due to practical data availability, the fund-level figures quoted in the report assume that companies not covered by the analysis are represented within the range of companies that have been covered in the analysis – the 'pro-rata approach' (i.e. it is not assumed that companies not covered have emissions of 0) in line with statutory guidance.

The remaining assets consist of Fixed Interest Gilts, Property, Multi Asset Credit, Diversified Growth, Private Equity and Infrastructure mandates, for which the ability to monitor these risks is currently less achievable. The Committee recognises that the availability of accurate data for some asset classes is an industry wide issue and encourages the Fund's investment managers and the companies in which they hold these assets to improve their carbon reporting as quickly as possible.

The Committee has initially focused on carbon footprinting analysis as a key metric for assessing risks and has compared this against a relevant benchmark or other comparator. Since 2018, the Committee has analysed the carbon intensity of the Fund's equity assets. In 2021, the Committee analysed additional indicators, such as absolute emissions and implied temperature rise.

The Committee will undertake carbon footprint analysis on an annual basis.

The carbon footprinting metrics measured aid the Committee in assessing the potential climate change related risks to which the Fund is exposed, and identifying areas for further risk management, including company engagement and investment manager monitoring:

- **Weighted Average Carbon Intensity ("WACI")** – measures the carbon emissions (in Metric tons) divided by sales (per $million of sales). The contribution of each company is weighted according to its portfolio weights. This means, for example, a company with a very high carbon intensity but a low fund weighting might contribute to the WACI measure to a lesser extent than an company with a lower carbon intensity but a higher weighting in the fund.
- **Absolute emissions** – represents a company's reported or estimated greenhouse gas emissions, where available. It includes various scopes of emissions:
  - **Scope 1 "direct" emissions:** those from sources owned or controlled by the company (e.g. direct combustion of fuel from vehicles); and
  - **Scope 2 "indirect" emissions:** those caused by the generation of energy (e.g. electricity) purchased by the company.
- **Implied temperature rise** – represents the implied temperature trajectory of a company's operations expressed as ºC portfolio weights. It allows for tilting of the portfolio towards companies with a <2ºC implied temperature rise, to show alignment with the Paris Agreement ambition.

Carbon footprinting

The carbon footprint analysis includes scope 1 and 2 emissions (those emitted either directly by a company or indirectly through its procurement of electricity and steam) but does not include scope 3 emissions (those emitted by a company's suppliers and customers). This means that for some companies the assessment of their carbon footprint could be considered an 'understatement'. Examples could include an online retailer whose logistics emissions are not included in scope 1 or 2.

Scope 3 emissions are currently not included in the carbon footprint metrics for two reasons:

- The rate of scope 3 disclosure remains insufficient to use reliably in carbon footprinting analysis
- The inclusion of scope 3 emissions may lead to double counting at the portfolio level.

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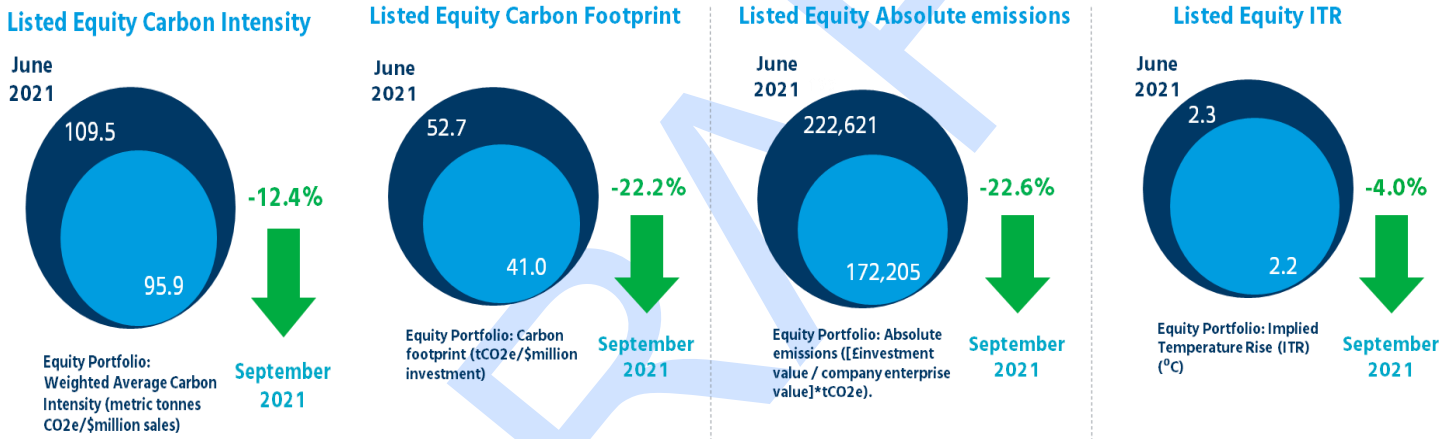
TCFD analysis summary

- The Fund has been decarbonising its Listed Equity assets since 2018 with the transition of assets to BCPP, termination of Marathon and UBS equity fund managers and transition into a Future World fund with LGIM. As at 30 September 2021 the Fund had 41.0 tCO2e per $ million invested compared to MSCI ACWI benchmark with 56.3 tCO2e per $ per million invested. The listed portfolio had a 27.2% lower carbon footprint than MSCI ACWI.
- In absolute terms, the WACI reduced further over the period and was c. 38% lower than the market (as represented by the MSCI ACWI) as at September 2021. This was largely driven by the changes made to the equity portfolio.
- The weighted average absolute emissions are equivalent to c.172k tCO2e as at 30 September 2021.
- The weighted average implied temperature rise (ITR) of the listed portfolio at 30 September 2021 was 2.2ºC, which is 0.2ºC lower as compared with the MSCI ACWI (at 2.4ºC).

Figure 5: Summary Analysis



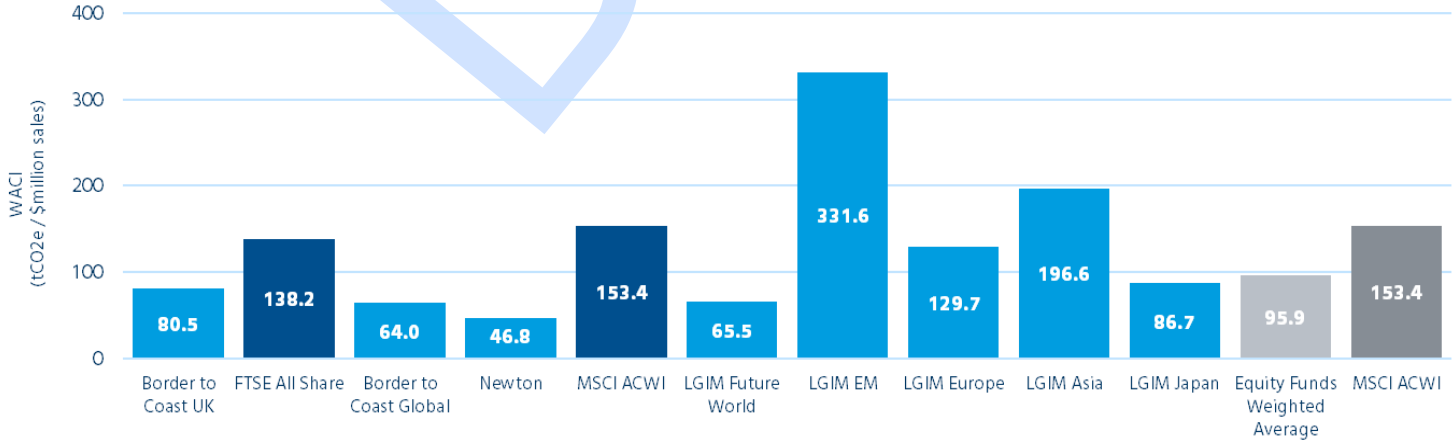
The **listed equities holdings' carbon intensity (WACI) fell by c.-12.4%** over the 3 month period to September 2021.

The **listed equities holdings' carbon footprint fell by c.-22.2%** over the 3 month period to September 2021.

The **listed equities holdings' absolute emissions fell by c.-22.6%** over the 3 month period to September 2021.

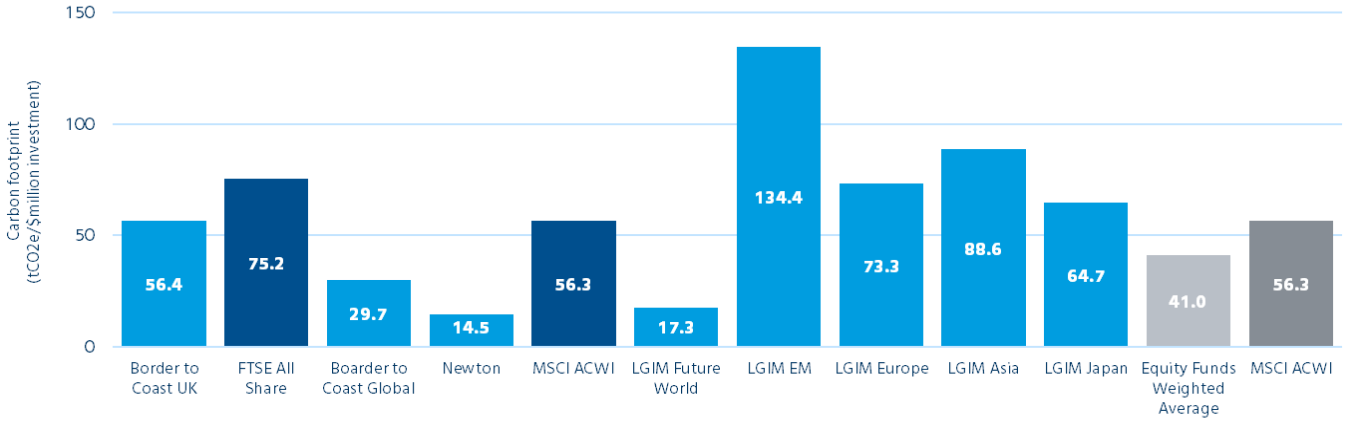
The **listed equities holdings' ITR fell by c.-4.0%** over the 3 month period to September 2021.

Figure 6: Equity Assets – Weighted Average Carbon Intensity



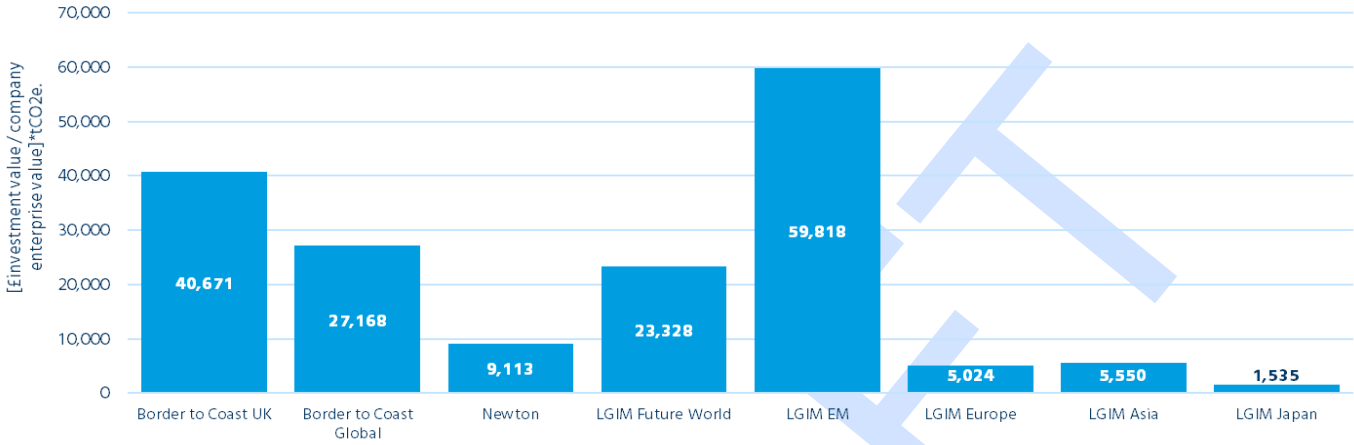
Note: Underlying data as at 30 June 2021. The weighted average figure is based on the actual allocation of the at 30 September 2021.

Figure 7: Equity Assets – Carbon Footprint



Note: Underlying data as at 30 June 2021. The weighted average figure is based on the actual allocation of the assets at 30 September 2021.

Figure 8: Absolute Emissions ([£investment value / company enterprise value]*tCO2e)

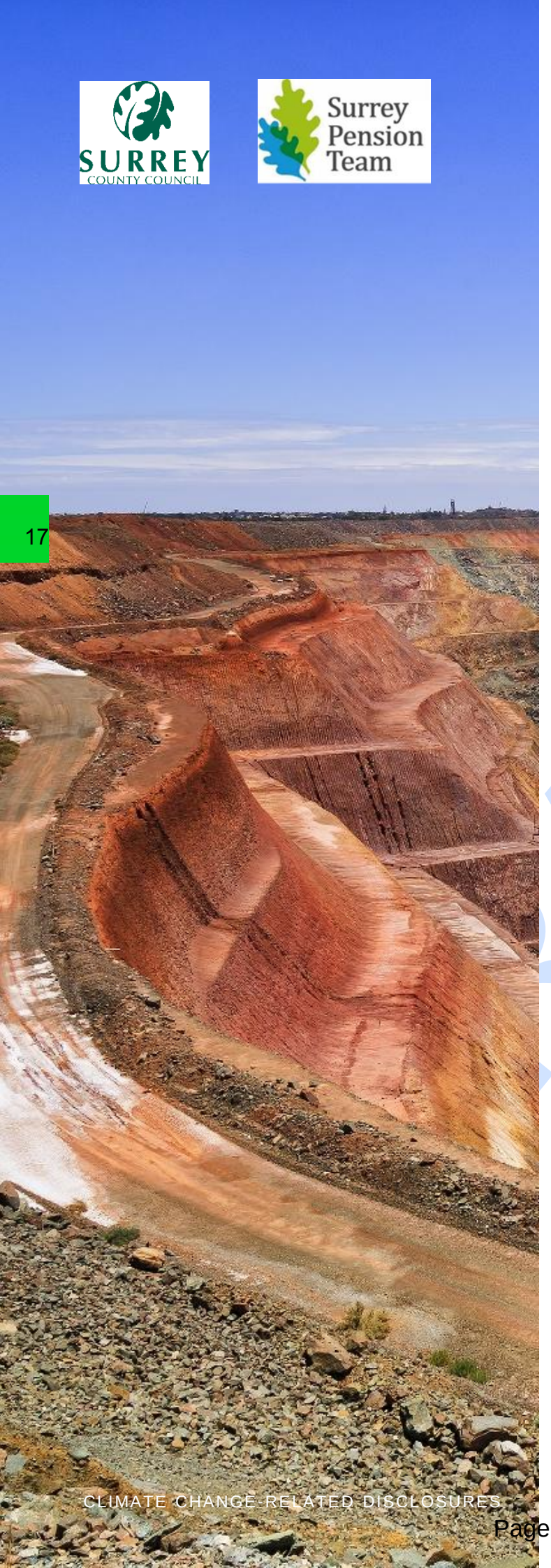


Note: Underlying data as at 30 June 2021. The weighted average figure is based on the actual allocation of the assets at 30 September 2021.

Figure 9: Implied Temperature Rise (˚C)

Asset Class	Manager/ Mandate	% of Fund Covered by Assessment	Benchmark	Benchmark ITR	Fund ITR	Percentage of Portfolio
				°C	°C	(%)
Listed Equity	Border to Coast UK	92.9%	FTSE All Share	2.3	2.3	10.6%
	Border to Coast Global	96.5%	MSCI ACWI	2.4	2.2	13.4%
	Newton	97.2%	MSCI ACWI	2.4	2.1	9.1%
	LGIM EM	95.0%	-	-	2.9	6.3%
	LGIM Europe	96.6%	-	-	2.3	1.0%
	LGIM Asia	97.6%	-	-	2.8	0.9%
	LGIM Japan	98.3%	-	-	2.6	0.3%
	LGIM Future World	93.8%	-	-	2.1	18.7%

Source: Investment managers and Mercer. Analysis as at 30 June 2021,



GLOSSARY OF TERMS

Acronym	Meaning
ESG	Environmental, Social & Governance
GHG	Greenhouse Gas
G20	Intergovernmental forum comprising 19 countries and the European Union
IPCC	UN's Intergovernmental Panel on Climate Change
MSCI ACWI	Morgan Stanley Capital International All Country World Index
Net Zero	Achieving a balance between the carbon emitted into the atmosphere, and the carbon removed from it.
Paris Aligned	Achieving net zero emissions by 2050 or sooner, in line with the Paris Agreement.
RI	Responsible Investment
SDG	Sustainable Development Goals
TCFD	Task Force on Climate-related Financial Disclosures
WACI	Weighted Average Carbon Intensity

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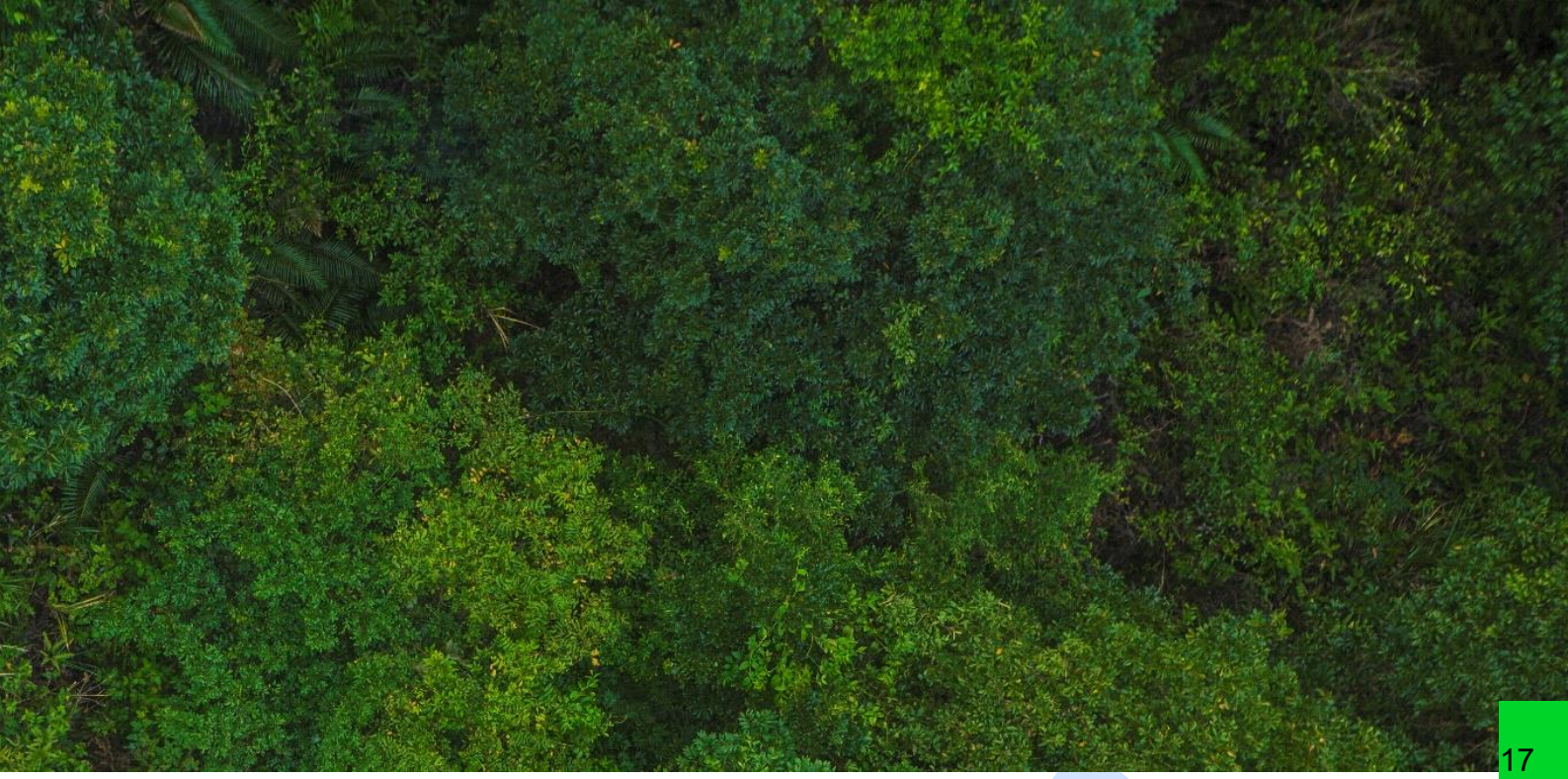

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