# The Thomson Corporation PLC Pension Scheme Task Force on Climate-Related Financial Disclosures (“TCFD”) Report

For Scheme year-end 30 June 2024

# Contents

## INTRODUCTION

This statement sets out the approach of the Trustee of the Thomson Corporation PLC Pension Scheme ("the Scheme") with regards to identifying, assessing, monitoring, and mitigating climate-related risks and opportunities[1] in the context of the Trustee's broader regulatory and fiduciary responsibilities to their members. This is the second such report produced and covers the period from 1 July 2023 to 30 June 2024.

The Trustee supports the recommendations set out by the Task Force on Climate-Related Financial Disclosures ("TCFD") on the basis that it will allow the Trustee to assess, monitor and mitigate climate-related risks on behalf of members more effectively.

This statement has been prepared in accordance with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, and accompanying statutory guidance published by the Department of Work and Pensions along with guidance published by the Pensions Regulator was taken into consideration. Whilst the regulations do not apply to the Scheme given its size, the Trustee has chosen to report against them voluntarily reflecting the Trustee's desire to incorporate best practice with respect to measuring and managing the impacts of climate on the Scheme's long-term objectives. As such, this report provides a summary on how the Scheme is currently aligning with each of the four elements set out in the regulation. Details on these elements are below.

| Element | Description |
|---|---|
| **Governance** | This section describes the Trustee's governance of climate-related risks and opportunities. It describes how climate-related risks and opportunities are integrated into the Scheme's overall investment strategy. |
| **Strategy** | This section describes the estimated impact of three potential future climate scenarios on the Scheme's assets, liabilities, and sponsor covenant. It also details the implications of these scenarios for the Scheme's investment and funding strategy. |
| **Risk Management** | This section describes the Trustee's approach to identifying, assessing, and managing climate-related risks. |
| **Metrics and Targets** | This section describes the metrics used by the Trustee to identify climate risks and monitor progress made against its selected target. |

The following pages summarise the Trustee's current position regarding the TCFD recommendations.

To note, the Scheme also has a smaller Datastream Defined Contribution Section invested through passive funds managed by Legal & General Investment Management. Given the relatively small allocation and the Trustee's limited ability to influence change through this mandate, the Trustee has chosen to focus its governance on the Scheme's Defined Benefit assets where it believes it can exercise the most influence. As such, this report covers the Scheme's Defined Benefit assets only. As practice continues to evolve the Trustee will look to report on the Defined Contribution Assets, in particular any popular arrangements.

## GOVERNANCE

In all investment matters, it is the Trustee that is ultimately responsible. This includes matters relating to ensuring the effective governance of climate-related risks and opportunities. However, day-to-day management and oversight of the Scheme's investment matters are delegated to the

[1] For brevity, where we refer in this report to the risks and opportunities relating to climate change, we mean this to cover both the risks arising from changes in the climate itself and the risks and opportunities presented by the anticipated transition of economies and society to a lower carbon future.

Investment Sub-Committee (“ISC”). A full explanation of individual responsibilities and Trustee oversight is included in Appendix A.

The Trustee has discussed and agreed climate-related beliefs and an overarching approach to managing climate change risk. The details of these are set out in the Statement of Investment Principals (“SIP”) and Climate Policy document (see Appendix B for the Scheme’s full Climate Policy), which are reviewed at least triennially. The Trustee is supportive of the Paris agreement to avoid dangerous climate change by limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C.

The Trustee takes independent investment advice to help assess climate-related risks and opportunities. The role of the investment consultant is to provide investment-related strategic and practical support to the ISC and the Trustee Board, including relating to climate-related risks and opportunities. This includes provision of regular training and updates on climate-related issues, climate change scenario modelling and climate metrics. The Trustee reviews the competency of the Scheme’s investment consultant in relation to climate risk management. ESG advice, including advice on aligning the portfolio with the Trustee’s climate policy, forms one of the formal objectives the Trustee has set for the Scheme’s investment consultant, against which the consultant is reviewed annually. The Trustee receives an update on the level of climate risk posed to the Scheme as part of a wider risk report on the Scheme which is issued quarterly.

The Trustee encourages open communication between all relevant parties who work on the management of climate-related factors for the Scheme. The majority of the Scheme’s advisers and service providers – the Scheme’s lawyers, actuary, investment consultant, covenant adviser, and investment managers have contributed to the preparation of this report. This process has encouraged the sharing of data and analysis and regular communication between all these parties.

The Trustee expects its advisers to bring important and relevant climate-related issues and developments to the Trustee in a timely manner. Over the year to 30 June 2024, the Trustee received training on stewardship as an effective tool in managing climate change risk. The Trustee receives written updates on key climate-related developments from the Scheme’s investment consultant on a quarterly basis and discussion occurs on an ad-hoc basis in quarterly meetings. Additionally, the Trustee receives climate-related metrics related to the Scheme’s investments from its investment consultant annually. These are reviewed by the Trustee in the preparation of its TCFD report.

Climate-related scenario analysis on different parts of the funding strategy is provided by the following advisers:

| Scheme component | Provider of climate scenario analysis |
|---|---|
| **DB assets** | Redington (Investment Consultant) |
| **DB liabilities** | Willis Towers Watson (Actuary) |
| **DB covenant** | EY (Covenant Adviser) |

The Trustee receives quarterly updates on relevant discussions that have taken place at the Scheme’s ISC meetings. At its meetings, the Trustee has ensured sufficient attention has been given to the monitored climate risk and carbon footprint metrics against agreed targets, such that there is a clear understanding of analysis undertaken and the advice received. This will include discussing any necessary action should these metrics exceed the target set. The Trustee also receives annual updates on the Scheme’s ESG and Carbon metrics to monitor these against the agreed climate-related targets and comply with UK TCFD disclosure requirements.

The Trustee believes its approach to dedicating time and resources on the governance of climate-related risks and opportunities is proportionate to other financial risks and opportunities identified by the Trustee.

## STRATEGY

To meet the Scheme's primary objective of paying members benefits as they fall due, the Trustee has agreed the below strategic asset allocation. The strategic asset allocation is agreed following advice from the Scheme's investment consultant, including consideration of climate risk.

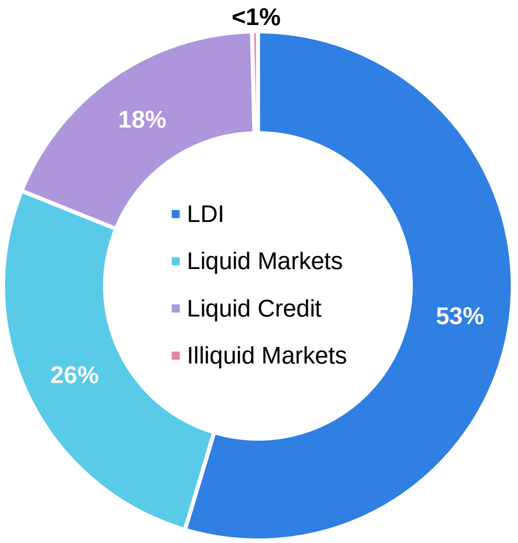
The Trustee considers that the majority of these risks fall into two categories:

- **Transition risk**: Transition risk refers to price risk that would arise from the transition to a low-carbon economy, for example, policy changes, litigation, technology advances, and shifts in supply and demand. The magnitude of this risk is determined, in part, by whether the economic transition towards carbon neutrality is orderly or disorderly.

- **Physical risk**: Physical risk refers to the price risk that would arise due to changes in climatic conditions and the incidence of extreme weather events, whether directly or indirectly affecting the Scheme.

The Trustee expects that as the extent of each of these risks becomes known, the strategic asset allocation, as well as the specific mandates it is made up of, will be altered to mitigate these risks as well as to capture emerging opportunities.

On 30 June 2024, the Scheme's investment portfolio consisted of the below portfolio.




The **LDI** allocation consists of cash, government bonds and derivative instruments.

The **Liquid Markets** allocation includes multi-asset funds and passive equity funds.

The **Liquid Credit** allocation includes multi class and structured credit.

The **Illiquid Markets** includes residual insurance linked securities.

The Trustee does not consider there to be a material impact of climate-related risks relating to the sponsor covenant on the Scheme given the sector that the sponsor operates in, as well as the well-funded status of the Scheme.

The Trustee acknowledges that climate-related risks and opportunities are likely to vary depending on the time horizon over which they are being considered. The Trustee therefore considers climate-related risks and opportunities across the following time horizons. The rationale for each horizon and corresponding risks identified are outlined in the table below.

| Time Horizon | Years | Rationale | Risks & Opportunities identified |
|---|---|---|---|
| **Short Term** | 0-5 years | Broadly in line with the Scheme's medium-term funding objective - to be fully funded on a Gilts Flat basis. | The short-term focus allows the Trustee to consider transition risks & opportunities such as changes in consumer and corporate behaviour, driven by policy and technological change that the Scheme will predominantly be exposed to over the short and medium term. The Trustee has set a monitoring objective against the NGFS 2ºC Disorderly Transition Scenario. |
| **Medium Term** | 5-10 years | Broadly in line with the Scheme's long-term funding objective - to be fully funded on a Buy-out basis. | The Scheme has set a target of reducing the carbon intensity of the Scheme's non-LDI assets by 50% by 2034 compared to 2021 levels. This medium-term horizon will capture the progress made in relation to this interim target. |
| **Long Term** | 10-15 years | This is in line with the time period over which the Scheme expects to reach a substantially de-risked position, including a possible insurance solution (subject to market conditions). | This longer-term focus helps the Trustee understand the risks that the physical changes associated with climate change might have on the Scheme's investments.<br><br>Over the longer term, we can expect that the physical risks associated with climate change will become more financially material. For example, rising sea levels, more frequent severe weather events and deteriorating resource availability may have a knock-on effect on input costs and supply chains negatively impacting the covenant's position.<br><br>The long-term impact of climate change in the form of heightened physical risk is captured as part of the NGFS Hot House World Scenario. |

**Scenario Analysis**

To aid the consideration of climate-related risks and opportunities, the Trustee undertook scenario analysis as at 30 June 2023, which intended to show the impact of various climate scenarios on the Scheme's assets and liabilities.

The Trustee has reviewed the output of the scenario analysis conducted in the last reporting period and believes it remains appropriate. There were no significant changes to the Scheme's strategic asset allocation made over the period, nor does the Trustee believe there has been sufficient progress made in terms of data quality or scenario methodology to warrant refreshing the analysis. The Trustee will keep abreast of evolving best practice and review this decision again next year.

The combined impact of asset and liability scenario analysis performed last year, as well as the Trustee's interpretation is outlined below. Further information on the asset, liability and covenant specific analysis is detailed in Appendix C.

This analysis has been based on the Network for Greening the Financial System ("NGFS") stress tests. The NGFS scenarios provide a starting point for analysing financial climate risks and incorporate important themes. Details on each scenario are below:

| Climate Scenario | Description |
|---|---|
| **NGFS Orderly (2°C)** | • The narrative of this scenario is the gradual increase in the stringency of climate policies giving a 67% chance of limiting global warming to below 2°C.<br>• Both physical and transition risks are relatively subdued. |
| **NGFS Disorderly (2°C)** | • The narrative of this scenario assumes annual emissions do not decrease until 2030. Strong policies are needed to limit warming to below 2°C. CO2 removal is limited.<br>• There's a higher transition risk due to policies being delayed or divergent across countries and sectors. For example, carbon prices would have to increase abruptly after a period of delay. |
| **Hot House World** | • The narrative of this scenario includes all pledged policies even if not yet implemented.<br>• However global efforts are insufficient to halt significant global warming. The scenarios result in severe physical risk including irreversible impacts like sea-level rise. |

The combined impact on the funding level is computed by combining the climate stress from each NGFS scenario on both assets and liabilities, with the liability stress due to longevity, based on the actuary's analysis of ultimate mortality impacts.

**The combined impact of asset and liability scenario analysis**

| (Time horizon assumed for funding shock) | NGFS 2°C Orderly (2025) | NGFS 2°C Disorderly (2050) | Hot House World (2100) |
|---|---|---|---|
| **Change in the Scheme's funding level** | **-2.6%** | **-2.9%** | **+2.4%** |

*Source: WTW & Redington, as at 30 June 2023.*

**Outcome & Interpretation of the Scenario Analysis**

Under the NGFS 2°C Orderly scenario, Willis Towers Watson ("WTW") forecast that life expectancy is higher than the base case due to improved health conditions and positive spillover effects from green-policy adoption, including improved air quality. This increases the Scheme's liabilities relative to the base case scenario, which compounds the negative funding level impact from the asset-side stress, leading to a total fall in funding level of c.-2.6% in present value terms.

Under the NGFS 2°C Disorderly scenario, WTW forecasts a decrease in life expectancy and subsequent mortality expectations through a combination of heightened physical and transition risk relative to a base case. This reduces the Scheme's liabilities and offsets the negative impact from a fall in asset prices. The overall funding level impact is c.-2.9%. Given the estimated upside in the liabilities arises from reduced mortality amongst Fund members, the Trustee is clear that it would be neither prudent nor appropriate to allow for this impact from a risk management perspective.

Under the Hot House World scenario, WTW forecast a decrease in life expectancy and subsequent mortality expectations through heightened physical risk relative to the base case. This decreases the Scheme's liabilities relative to base case which more than offsets the negative funding level impact from the asset-side stress. The overall funding level impact is c.+2.4%. As above, given the estimated upside in the liabilities arises from heightened mortality amongst Scheme members, the Trustee is clear that this scenario cannot be assumed to accrue to the Scheme's benefit.

Considering the asset class level impact of each climate scenario, the Trustee notes that the value of the Scheme's insurance linked securities mandate is expected to fall in value by c.15%

in each scenario. This is due to the mandate's illiquid nature being affected by the physical impacts of climate change, particularly under the Hot House World scenario. The mandate is currently in wind-up and the Scheme expects to be fully redeemed by 2026.

As the Trustee considers no further changes to the Scheme's investment or funding strategy to be necessary at this time, it will continue to engage with the Scheme's existing managers to understand and improve their approach to managing climate-related risks. This is considered further in the next section.

**Understanding climate risk in the covenant**

As part of the Scheme's compliance with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, the Trustee has previously engaged with the Scheme's covenant adviser, EY, to understand the climate risks in relation to the covenant.

EY specified that the level of covenant reliance and the industry sector of the sponsor both govern the level of climate risk within the sponsor covenant. Therefore, the period of time and degree to which the Scheme requires support from the sponsor and whether the sponsor is in a carbon-intensive sector and facing any significant disruption due to energy transition, will be factors to consider and monitor.

Currently, the covenant reliance of the Scheme is relatively limited compared to many, and compared to the time horizon over which some climate scenarios are expected to play out. As the Scheme progresses towards its long-term investment objective, the Scheme's dependency on the sponsor is expected to decrease and the level of risk in the investment strategy is relatively modest. Whilst the sponsor is also not immune to the impacts of climate change, it is less exposed than more carbon-intensive businesses that may be facing more fundamental shifts to their markets. Both factors indicate that the Scheme is well-aligned to meet the criteria set out in the Regulations and any requirements would be moderate and proportionate to the Scheme's circumstances.

## RISK MANAGEMENT

**Identifying and assessing climate-related risks**

The Trustee takes both a 'top-down' and 'bottom-up' approach to identifying climate-related risks. In practice this approach is conducted through two primary methods:

- The use of 'top down' **scenario analysis** – as outlined in the previous section; and
- 'Bottom up' **climate metrics** analysis – further detail of which is included in the final section of this report.

To ensure consideration of climate-related risks is incorporated into the Scheme's wider risk management framework, the Trustee receives additional climate-related reporting from its investment consultant quarterly (portfolio level reporting) and annually (detailed fund-by-fund reporting).

On a quarterly basis, the Trustee monitors the impact of the NGFS Disorderly (2°C) scenario on the Scheme's funding level as part of the Scheme's Pension Risk Management Framework ("PRMF").

On an annual basis, the Trustee reviews climate metrics outlining fund-by-fund performance against relevant climate metrics as set out under the DWP's adoption of the recommendations of the TCFD. This reports total absolute carbon emissions, carbon footprint and the % of the Scheme's holdings aligned with the Science Based Targets Initiative ("SBTi"). The Trustee will use the results of its selected metrics to identify the climate-related risks and opportunities that are relevant to the Scheme. These might include, for example, engaging with fund managers who have material carbon intensity levels or with other industry participants, and exploring low-carbon alternative investment options.

The Trustee will review the appropriateness of selected scenarios, metrics, and targets on an ongoing basis as industry-consensus on relevant methodologies evolves.

Given the Scheme's relatively short time horizon to its investment objective, the Trustee is currently prioritising management of climate transition risks over physical risk, as it is judged that these pose the biggest potential for financial loss to the Scheme in the short/medium term. The following section outlines ways in which the Trustee seeks to manage and mitigate these risks.

**Risk management through strategic asset allocation decisions**

The Scheme's investment consultant is expected to advise on, and provide objective assessment of, differing approaches to responsible investment to help the Trustee decide on a suitable strategy and adopt appropriate responsible investment, including climate-related, objectives for the Scheme. The responsibilities of the investment consultant are set out in more detail in the Governance section of this report. In its annual reviews of the investment consultant, the Trustee explicitly assesses integration of ESG (including climate) risks in the investment advice it receives.

The Trustee also aims to take advantage of climate-related opportunities where this is expected to improve the risk/return profile of the Scheme. This also entails considering which asset classes are expected to perform well under different climate-related scenarios. The Trustee expects the appointed manager of each individual holding to engage with portfolio companies to manage climate-related risks and take advantage of climate-related opportunities.

**Risk management through asset manager selection**

The Scheme's investments are held in "pooled" mandates, where the Trustee holds units in a fund rather than having any direct ownership rights. As such, the Trustee has limited scope to influence decisions, but expects their own approach to climate-risk management to be supplemented by the investment managers' own processes.

The Trustee requires the appointed investment managers to be cognisant of climate-related risks and opportunities within their investment processes as applied to the assets of the Scheme. The Scheme's investment managers' climate-related policies and actions are reviewed on an ongoing basis by the investment consultant.

When selecting a new investment manager, ESG integration (including climate change), and stewardship are factored into the Trustee's decision-making process in a manner and degree appropriate to the specific asset class in question. There were no new manager appointments during the period covered by this report; however, for future manager appointments, the Trustee will rely on the investment consultant's manager recommendations, which are themselves procured through a process which rigorously assesses manager ESG (including climate) & stewardship integration. The investment consultant also takes the Trustee's specific objectives and beliefs into account when making manager recommendations.

**Risk management through effective stewardship**

The Trustee believes that stewardship, including engagement and voting, are core components of sound risk management. Engagement is aimed at ensuring companies manage the physical and transitional risks that climate change poses. Direct engagement with underlying companies in which the Trustee owns shares and/or debt is carried out by the Scheme's investment managers.

In February 2024, the Trustee received training on stewardship as an effective tool for managing climate risk, and how this differs across asset classes. Following this training, the Trustee articulated an updated Stewardship Policy outlining how stewardship is resourced for the Scheme, the significance of stewardship in the appointment and monitoring of investment managers, and the Trustee's expectations of the Scheme's managers in regard to engagement and voting. To best channel its stewardship efforts, the Trustee selected climate change as it's key stewardship theme. This theme was selected for the likely material financial risk it poses to the Scheme and its members. The Trustee's chosen theme has been shared with the Scheme's investment managers to ensure they are aware of the Trustee's focus.

The Trustee's policy is to delegate responsibility for engagement to its investment managers, which includes the exercising of rights (including voting rights) attached to investments by the investment managers. Each investment manager is expected to exercise voting rights in accordance with their guidelines. The Trustee will – either directly or via its investment consultant – engage with managers who do not meet expectations with regards to carbon emissions and corporate governance by making managers aware of where they are considered to be falling short of the Trustee's expectations and communicating what action is required to align manager practice to the Scheme's climate policy. If engagement with managers is unsuccessful, the Trustee will implement escalation measures and plan to ultimately disinvest from investment managers that are not adequately managing climate-related risks.

Over the period, the ISC met with three of the Scheme's managers: PIMCO, Schroders and TwentyFour. The ISC requested each manager cover their approach to managing climate-related risks and opportunities as part of their presentations.

## METRICS AND TARGETS

### Metrics

As noted in the previous section, the Trustee utilises climate metrics to quantitatively assess how the Scheme is exposed to climate-related risks and opportunities. These metrics are integrated within the Scheme's overall strategic decision making and risk management frameworks.

On an annual basis, the Trustee monitors and reports the following metrics:

| Metric Type | Metric | Rationale & Explanation |
|---|---|---|
| **Metric 1 – Absolute Emissions** | Total Emissions – (tCO2e) | Measures the total absolute financed emissions associated with a portfolio. This is the absolute emissions metric recommended by the DWP. |
| **Metric 2 – Emissions Intensity** | Carbon Footprint – (tCO2e / £m invested) | Measures the total financed emissions of the Scheme's investments, normalised by the total value of the portfolio. This metric measures the emissions intensity of a million GBP invested. This is the emissions metric recommended by the DWP. |
| **Metric 3 – Non-Emissions-Based Metric** | NGFS 2°C Disorderly Climate Scenario Analysis | Predicts the impact on the Scheme's assets and liabilities in a scenario which assumes annual emissions do not decrease until 2030, when strict policies are needed to limit warming to below 2°C. |
| **Metric 4 – Portfolio Alignment Metric** | Science-Based Targets Initiative ("SBTi") Score – % Issuers classified as SBTi[2] approved | Identifies companies which have an SBTi approved pathway to reduce their GHG emissions consistent with a 1.5°C, well-below 2°C, or 2°C global warming scenario. |

The Trustee receives these metrics on at least an annual basis from its investment consultant. A full breakdown of the metric output can be found in the appendix of this report. As industry best practice evolves, the Trustee will review the suitability of the selected metrics to ensure that they remain appropriate, and will consider replacing its metrics with ones that are deemed to be more appropriate, for example if there are changes in methodologies or in the regulatory requirements, following changes in data quality/availability, or the emergence of more robust metrics / methodologies.

The Scheme's own operational emissions, which are scope 1 and scope 2 emissions directly relating to its business operations, are expected to be immaterial. The analysis for the emissions-

[2]More details are available at How it works - Science Based Targetshttps://sciencebasedtargets.org/how-it-works

based metrics therefore encompasses the Scheme's most material scope 3 emissions: financed emissions. In line with the statutory guidance, the figures below disclose the Scheme's financed scope 1 and 2 emissions combined, and scope 3 emissions.

The emissions are defined as:

- **Scope 1** – emissions directly created by a company's operating activities.
- **Scope 2** – emissions indirectly caused by a company's purchase of electricity.
- **Scope 3** – emissions that are not the result of activities from assets directly controlled by a company. These are emissions that a company is indirectly responsible for, up and down its value chain.

The table below outlines the Scheme's performance against its selected climate-related metrics:

| | Total Scheme excluding LDI | LDI only |
|---|---|---|
| **Proportion of Scheme assets** | 47% | 53% |
| **Absolute Carbon Emissions ($tCO_2e$) (Scopes 1+2)** | 14,229 *(2023: 9,011)* | 20,345 *(2023: 23,257)* |
| **Absolute Carbon Emissions ($tCO_2e$) (Scope 3)** | 156,297 *(2023: N/A)* | N/A |
| **Carbon Footprint ($tCO_2e$ / £m invested) (Scopes 1+2)** | 60.9 *(2023: 41)* | 73.5 *(2023: 78)* |
| **Carbon Footprint ($tCO_2e$ / £m invested) (Scope 3)** | 688.7 *(2023: N/A)* | N/A |
| **NGFS 2°C Disorderly Stress Impact on Funding Level** | -4.8% *(2023: - 4.6%)* | |
| **Science Based Targets Initiative Rating** | 20.3% *(2023: 15.5%)* | N/A |

*Note: LDI Analysis as at 30 April 2024. Total Scheme excluding LDI analysis is provided by the Scheme's Investment Consultant, Redington Ltd ("Redington"). LDI only analysis is provided by the Scheme's LDI manager, Legal and General ("LGIM"). If marked N/A, LGIM were unable to provide this metric.*

Please note that absolute and relative intensity emissions metrics for non-LDI and LDI assets have been disclosed separately due to their different calculation methodologies. Further mandate specific performance against each of these metrics, and comparisons to the previous Scheme year's metrics, can be found in Appendix G.

**Interpretation of the Scheme's performance against climate-related metrics**

The Trustee notes that the Scheme's absolute carbon emissions and carbon footprint have increased over the Scheme year to 30 June 2023. The drivers of this increase and actions taken by Trustee are outlined further in the Target section.

The Trustee is encouraged that performance against the Scheme's portfolio alignment metric has been positive, with the percentage of Scheme holdings which have an SBTi approved pathway to reduce their GHG emissions increasing.

Likewise, the Trustee is comfortable that the Scheme's exposure to climate-related risks, shown through the impact on the Scheme's funding level of the NGFS 2°C Disorderly Stress, has remained stable.

**Data Quality & Availability**

The emissions-based metrics have been calculated using line-by-line portfolio holding information from the Scheme's investment managers and climate data from the Scheme's ESG data provider MSCI. Where it was not possible to reflect a fund using line-by-line emissions data analysis from the MSCI data feed, the metrics have been modelled at an asset class level by Redington and reviewed by the Trustee. This approach was applied wherever line-by-line data coverage for a particular fund was below 50%, or where funds contained more than 2% in short positions. Further information can be found in Appendix D.

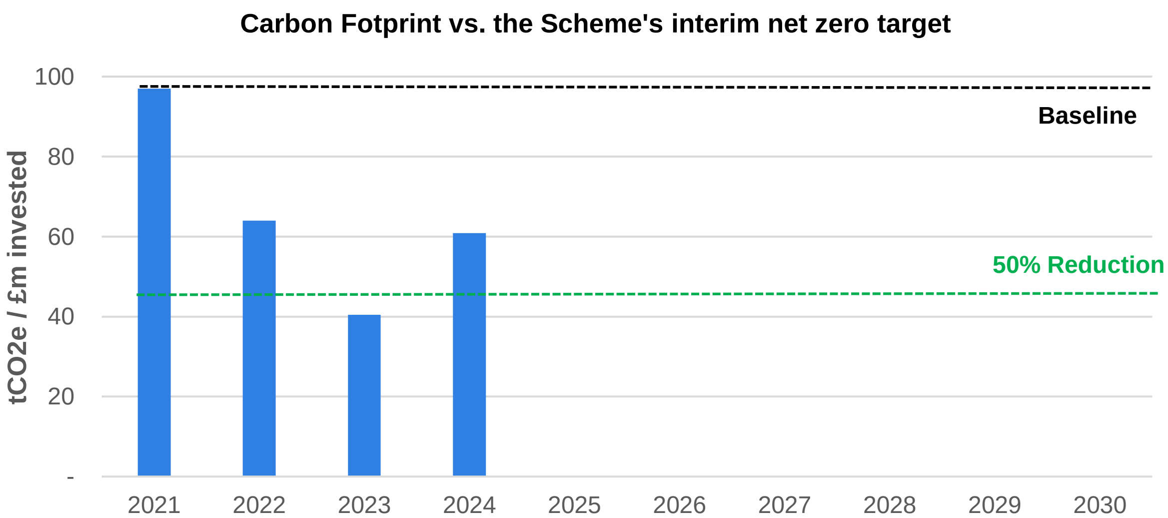
As per the recommendations of the TCFD, this is the first year the Scheme has reported Scope 3 emissions. The Trustee notes that the Scheme's LDI manager was unable to disclose Scope 3 emissions. Over the coming Scheme year, the Trustee, through its investment consultant, intends to engage with the Scheme's LDI manager to improve this data coverage.

The Trustee expects data availability to improve following wider adoption of climate metrics and greater industry consensus on appropriate methodologies. As this develops, the Trustee will review its approach to calculating climate metrics to ensure that the Scheme is aligned with industry best-practice.

**Target**

The Trustee has also set an explicit emissions-related target that is aligned with the Trustee's climate-related beliefs and is complementary to the Scheme's wider objectives. Specifically, this target is to align the Scheme's investment strategy to the goals of the Paris Agreement, i.e., to aim to reduce the carbon intensity of greenhouse gas emissions of the Scheme's assets to net zero by 2050. Given this is a long-term target, the Trustee has also set an appropriate interim target of a 50% reduction of carbon footprint by 2034 compared to levels as at 30 June 2021. This target applies to Scope 1 and 2 emissions of the Scheme's non-LDI assets. This is an appropriate objective given the Scheme's investment time horizon, in particular the intention to work towards an insurer transaction by 2034.

The chart below shows the progress that the Scheme has made against this target over the Scheme year:



As can be seen, relative to the baseline of 2021 the Scheme has made considerable progress towards its interim net zero target. However, the Scheme's total carbon footprint has increased over the Scheme year, driven by an increase in the carbon footprint of both of the Schroders Alternative Securitised Income Fund and TwentyFour Dynamic Bond Fund.

This is, to some extent, a reversal of the trends noted in last year's report - where record profits at energy firms meant they formed a smaller part of common credit indices as their debt levels were partially paid down. In last year's report the Trustee commented that this had caused a reduction in the emissions for the Scheme's liquid credit mandates and in turn total carbon footprint.

The ISC met with both Schroders and TwentyFour over the course of the Scheme year. Each manager's approach to climate-risk management and engagement with their issuers on climate change was covered at these meetings. The ISC will continue to engage with its managers on these issues, in particular those flagged as large contributors.

The increase observed is in line with the Trustee's view (as expressed in last year's report) that emissions will vary over time, especially as data quality and coverage improve. As such, the Trustee does not expect progress to be a linear and will review this target on an annual basis to ensure it remains appropriate. This target is embedded within the governance, strategy, and risk management processes through its inclusion in the ESG reporting that is provided annually to the Trustee.

The Trustee has, with input from its external advisers, assessed the ongoing feasibility of such a target by considering the anticipated changes in the Scheme's asset allocation over time. Climate risk management credentials will be strongly considered in any ongoing and future manager appointment exercises.

## APPENDIX A: Individual Responsibilities and Trustee Oversight

| | Roles and Responsibilities |
|---|---|
| Trustee Board | • The Trustee has ultimate responsibility for overseeing the Scheme's climate-related risks and opportunities and actions taken to manage them.<br>• This includes determining both the strategic climate-related objectives and the detailed climate-related targets, as well as overseeing progress made against them. |
| Investment Sub-Committee ("ISC") | • As a sub-committee of the Trustee Board, the ISC is responsible for ensuring the Scheme's Climate Policy and strategic climate objectives are implemented into the investment strategy.<br>• To achieve this, the ISC regularly reviews the climate-related metrics and targets as agreed by the Trustee.<br>• In cases where the ISC believes there are grounds to carry out investment strategy or investment manager changes based on climate change, the ISC may recommend that the Trustee approves investment strategy changes where these are consistent with the Scheme's wider strategic objectives.<br>• The ISC reports to the Trustee Board on a quarterly basis, with the investment consultant providing a summary report on the matters discussed and decided. |
| The Trustee's advisers | • The Scheme's investment consultant advises the Trustee on, and provide objective assessments of, differing approaches to identifying, assessing, and managing climate-related risks and opportunities to help the Trustee meet its climate-related objectives for the Scheme. This includes informing the Trustee of climate-related risks and opportunities as relevant for the Scheme.<br>• The advisers also support in providing manager and portfolio-specific climate risk analysis and engagement. This includes the completion of climate change scenario analysis on the investment strategy, as well as the provision of climate-related metrics selected by the Trustee. These metrics feed into a Scheme-level dashboard and manager scorecards that the Trustee use to monitor performance against the Scheme's climate objectives on an annual basis. |

| | Trustee Oversight |
|---|---|
| Oversight of advisers | • Climate-related objectives are included in the investment consultant's annual objectives to ensure they are taking adequate steps to identify and assess climate-related risks and opportunities.<br>• The Trustee annually assesses the delivery of this advice using the Competition Market Authority's Investment Consultant Objective framework (CMA Objectives). Following its annual assessment, the ISC produce a report for the Trustee that provides its view on whether the advisers have met the requirements set out in their annual objectives. If the ISC deems the objectives have not been adequately met, it will provide suggested escalation steps for the Trustee to consider. |

| | Trustee Oversight |
|---|---|
| Oversight of investment managers | • The Trustee expects investment managers to be aware of climate change risks and opportunities within their investment processes. The Trustee expects the investment managers to be aware of the Scheme's climate-related objectives when making decisions in relation to the funds in which the Scheme is invested. |

## APPENDIX B: Climate policy – The Thomson Corporation PLC Pension Scheme

The Thomson Corporation Pension Trust Limited (the "Trustee"), as the trustee of The Thomson Corporation PLC Pension Scheme (the "Scheme"), recognises climate change as a systemic, long-term material financial risk to the value of the Scheme's investments. Therefore, the Trustee has a fiduciary duty to consider climate change risk when making investment decisions, and every strategic investment decision should include an assessment of the impact of climate change risks and opportunities.

Within the context of its fiduciary responsibility, the Trustee is supportive of the Paris Agreement to avoid dangerous climate change by limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C. In this context, the Trustee has adopted the following policy:

- We will appropriately factor in climate change risks and opportunities when making strategic asset allocation and manager selection decisions;
- We support our investment managers investing in companies that can demonstrate they have identified how both physical and transition climate change risks will affect them, and can deliver against clear objectives while remaining well-placed in an economy that is expected to transition in line with the objectives of the Paris Agreement;
- We expect our appointed investment managers to understand and be cognisant of climate change risks and opportunities within their investment processes as applied to the assets of the Scheme. We monitor environmental, social and governance ("ESG") and carbon reporting of individual manager mandates on an annual basis, and expect our investment managers to be able to provide a robust investment rationale where high carbon emission companies are held as part of their strategy. We will engage with managers who do not adequately meet these expectations;
- If engagement with managers does not work, we will implement escalation measures and plan to ultimately disinvest from asset managers that are not adequately managing climate related risks;
- In line with our preference for engagement rather than exclusion, where relevant we expect our asset managers to actively engage with companies to better manage climate change associated risks. We also expect managers to independently consider whether exclusion or engagement is more appropriate within their investment process, based on their own risk assessment;
- We support the Task Force on Climate-related Financial Disclosures ("TCFD") and aspire to incorporate its recommendations into the Scheme's reporting, subject to availability of data;
- We have articulated an explicit net zero climate objective to "reduce baseline carbon emissions by 50% by 2034 compared to 2021 levels" as well as a climate risk budget which forms part of our pension risk management framework. These climate-related targets help the Scheme align with TCFD;
- We support the further development of effective climate change risk metrics to enhance the ability to assess and minimise climate risks. We expect our investment managers to continue to improve the climate-related data they provide in relation to the assets of the Scheme. We are willing to consider whether new practices will improve this for the Scheme;
- We recognise that climate change will be subject to much further analysis and subsequent policy changes in the coming years. We are supportive of adopting an evolving policy to ensure relevant developments are captured and will review this policy regularly in light of market developments.

## APPENDIX C: Scenario Analysis

The NGFS is a group of 91 central banks and supervisors and 14 observers committed to sharing best practices and developing environment-related risk management in the financial sector to support the low-carbon transition.

The NGFS scenarios have been developed to provide a common starting point for analysing climate risks to the economy and financial system. They incorporate important themes including increasing electrification and a spectrum of new technologies to tackle remaining hard-to-abate emissions. NGFS explores scenarios consistent with the framework (see figure to the right) published in the First NGFS Comprehensive Report covering:

- **Orderly (1.5°C or 2°C)** - climate policies are introduced early and become gradually more stringent. Both physical and transition risks are relatively subdued.
- **Disorderly (1.5°C or 2°C)** - higher transition risk due to policies being delayed or divergent across countries and sectors. For example, carbon prices would have to increase abruptly after a period of delay.
- **Hot house world** - some climate policies are implemented in some jurisdictions, but globally efforts are insufficient to halt significant global warming. The scenarios result in severe physical risk including irreversible impacts like sea-level rise

### Asset Scenario Analysis

Asset scenario analysis helps to determine the impact that various hypothetical scenarios would have on the Scheme's investments. Using this analysis, the Trustee considers how changes to the investment strategy would positively or negatively impact the Scheme's climate risk profile, as well as what the largest contributors to the Scheme's climate risk are. This analysis can therefore be used to determine where climate risk should be actively managed, including through implementing the following types of action:

1. Changing the strategic asset allocation
2. Considering climate risk in the mandate and manager selection process
3. Engaging with managers

The results of the asset scenario analysis are as follows:

| (Time horizon assumed for funding shock) | NGFS 2°C Orderly (2025) | NGFS 2°C Disorderly (2050) | Hot House World (2100) |
|---|---|---|---|
| **Change in the Scheme's funding level** *As at 30/06/2024* | **-0.9%** | **-4.6%** | **-0.6%** |

*Source: Redington.*

The analysis indicates that the Scheme's assets are expected to be negatively impacted in all three scenarios. The greatest anticipated loss occurs under the 2°C Disorderly scenario, in which climate-related policies are delayed or divergent across countries and sectors and the global economy fails to decarbonise in an orderly manner. The modelled impact of the Hot House World scenario is relatively small, this is in part due to the low amount of transition risk in this scenario, as further policies to encourage a shift to a low-carbon economy are not introduced. The impact has also been discounted from the assumed 2100-time horizon for the funding shock, lessening the impact in present value terms to -0.6%. The Trustee is therefore clear that it would not be favourable to allow for this impact from a risk management perspective, despite this output.

**Liability Scenario Analysis**

The Trustee has engaged with the Scheme Actuary, WTW, to understand how the various climate scenarios described above will impact the Scheme's liabilities. The three main risks to the Scheme's funding level are inflation, interest rates, and longevity. Both inflation and interest rates are expected to have a minimal impact on the funding level, due to the hedging of these risks implemented through the Scheme's LDI portfolio. Longevity risk is not hedged however, and so variations in life expectancy of members may have material effects on the Scheme's funding level. The liability scenario analysis herein therefore focuses on the impact on mortality of the climate scenarios, in turn assessing how these scenarios would be expected to affect the Scheme's funding level.

The three climate scenarios WTW has developed are suitable matches to the NGFS scenarios used by Redington. These are: Global Coordinated Action, Inevitable Policy Response and Lowest Common Denominator.

| (Time horizon assumed for funding shock) | **Global Co-ordinated Action (proxy for NGFS 2°C Orderly)**<br><br>**(2025)** | **Inevitable Policy Response (proxy for NGFS 2°C Disorderly)**<br><br>**(2050)** | **Lowest Common Denominator (proxy for Hot House World)**<br><br>**(2100)** |
|---|---|---|---|
| **Change in the Scheme's liabilities (Mortality impact only)**<br>*As at 30/09/2023* | **1.7%** | **-1.7%** | **-3.0%** |
| **Assumptions** | *"Policy makers agree on and immediately implement to reduce emissions in a globally co-ordinated manner. Companies and consumers take the majority of actions available to capture opportunities to reduce emissions."* | *"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 co-ordinated manner resulting in a more disorderly transition to a low carbon economy."* | *"Current policies continue with no further attempt to incentivise further emissions reductions. Socioeconomic and technological trends do not shift markedly from historical patterns."* |

*Source: WTW, based on the Scheme's Technical Provision Liabilities at 30 September 2023.*

## APPENDIX D: Carbon Footprint Analysis

Where possible and where there is reasonable data coverage, the Trustee monitors 'line-by-line' emissions reporting for funds. These tend to be more generic, long-only asset classes such as listed equity and corporate credit. However, for funds with less than 50% coverage and illiquid assets, the Trustee monitors 'asset class level' carbon estimates in the absence of reliable, reported line-by-line emissions data from MSCI. The Trustee notes using asset class modelling of emissions for assets where this data is not available enables a more holistic view of the Scheme's total portfolio emissions, albeit recognising that the modelled data is not perfect.

The asset class modelling of emissions has been provided by Redington and is based on asset class 'building blocks'. These are either calculated directly using a given index's underlying holdings emissions (such as using MSCI ACWI as a proxy for a broad equity fund) or in some cases these indices are used and extrapolated to other asset classes based on given assumptions (such as using the emissions of infrastructure firms within an index to proxy an infrastructure fund).

Emissions metrics will be calculated in line with the GHG Protocol Methodology, the global standard for companies and organisations to measure and manage their GHG emissions. The

GHG Protocol provides accounting and reporting standards, sector guidance and calculation tools. It has created a comprehensive, global, standardised framework for measuring and managing emissions from private and public sector operations, value chains, products, cities, and policies to enable greenhouse gas reductions across the board.

## APPENDIX E: MSCI and SBTi Climate Metrics Output

| Fund | Fund Value (£m) | Scope 1 & 2 Emissions Coverage % | Scope 3 Emissions Coverage % | Absolute Carbon Emissions (tCO2e) | | | | Carbon Footprint (tCO2e / EVIC £m) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Current – Scope: | | Previous – Scope: | | Current – Scope: | | Previous – Scope: | |
| | | | | 1+2 | 3 | 1+2 | 3 | 1+2 | 3 | 1+2 | 3 |
| Liquid Markets (Equities) | | | | | | | | | | | |
| LGIM Future World Emerging Markets Equity Index Fund | 8.6 | 92.0% | - | 558 | 3,809 | 515 | 3,122 | 64.9 | 443.0 | 65.0 | 394.4 |
| LGIM Future World Fund – GBP Hedged | 40.7 | 96.7% | - | 2,978 | 41,703 | 3,032 | 18,617 | 73.2 | 1,025.1 | 84.2 | 517.1 |
| Liquid Markets (Multi Asset) | | | | | | | | | | | |
| Bridgewater Optimal Portfolio Fund II | 38.2 | - | - | 362 | 12,071 | 438 | 10,811 | 9.5 | 316.1 | 11.8 | 292.3 |
| Man Progressive Diversified Risk Premia Fund | 50.0 | - | - | 598 | 25,661 | -2,172 | 33,673 | 12.0 | 513.3 | -51.0 | 790.4 |
| Liquid and Semi-Liquid Credit | | | | | | | | | | | |
| PIMCO Low Duration Opportunities Fund | 25.0 | - | - | 1,535 | 12,410 | 1,528 | 8,323 | 61.5 | 497.3 | 64.3 | 350.1 |
| Schroders Alternative Securitised Income Fund | 27.9 | 47.2% | 47.2% | 4,262 | 26,226 | 1,880 | 11,191 | 152.9 | 941.1 | 68.6 | 408.5 |
| TwentyFour Dynamic Bond Fund I | 43.4 | 39.5% | 39.5% | 3,936 | 34,417 | 1,608 | 19,822 | 90.6 | 792.1 | 39.2 | 483.3 |
| **TOTAL PORTFOLIO** | 233.7 | | | **14,229** | **156,297** | **6,839** | **106,446** | **60.9** | **688.7** | **30.7** | **478.1** |

All “Current Total Portfolio” figures in this table are weighted averages with the exception of “Fund Value” and “Absolute Carbon Emissions (tCO2e)”.
“Absolute Carbon Emissions (tCO2e)” is calculated using the notional value of the fund. “Fund Value (£m)” shows the mark-to-market value of the fund.
“Previous” figures show climate metrics from 12 months prior to “Current” figures. Fund-level “Previous” figures may not sum to the “Previous Total Portfolio” figures because the “Total Portfolio” values may contain funds that have now been divested from and not reported in this table.
Carbon metrics are proxied where there is insufficient data for funds. In these instances, no figure is shown for MSCI Climate Metrics Coverage.
ESG and MSCI Carbon Metrics meet the current minimum UK DWP's TCFD-aligned “Metrics and Targets” regulations. However, regulations are subject to change. Redington monitors developments closely.

| Fund | Fund Value (£m) | Science Based Targets initiative Rating | | NGFS 2°C Disorderly Transition | |
|---|---|---|---|---|---|
| | | Current | Previous | Current | Previous |
| **Liquid Markets (Equities)** | | | | | |
| LGIM Future World Emerging Markets Equity Index Fund | 8.6 | 20.1% | 13.5% | -18.5% | -45.7% |
| LGIM Future World Fund – GBP Hedged | 40.7 | 55.4% | 51.3% | -9.1% | -28.0% |
| **Liquid Markets (Multi-Asset)** | | | | | |
| Bridgewater Optimal Portfolio Fund II | 38.2 | - | - | -2.7% | -14.6% |
| Man Progressive Diversified Risk Premia Fund | 50.0 | 23.3% | 25.4% | -3.7% | -19.9% |
| **Liquid and Semi-Liquid Credit** | | | | | |
| PIMCO Low Duration Opportunities Fund | 25.0 | 4.3% | 4.6% | -1.6% | -6.4% |
| Schroders Alternative Securitised Income Fund | 27.9 | 20.8% | - | -1.5% | -6.3% |
| TwentyFour Dynamic Bond Fund I | 43.4 | 10.5% | 7.6% | -5.2% | -19.8% |
| **TOTAL PORTFOLIO** | **233.7** | **20.3%** | **15.5%** | **-4.8%** | **-4.6%** |

All “Current Total Portfolio” figures in this table are weighted averages with the exception of “Fund Value” and “ITR” (where it is presented). “Previous” figures show climate metrics from 12 months prior to “Current” figures. Fund-level “Previous” figures may not sum to the “Previous Total Portfolio” figures because the “Total Portfolio” values may contain funds that have now been divested from and not reported in this table. Where presented, “Science Based Target initiative” or “TPI” scores are all based on look through data where it is available and never proxied. “ITR” is only proxied where there is insufficient data. The emission figures are based on the invested capital. ESG and MSCI Carbon Metrics meet the current minimum UK DWP's TCFD-aligned “Metrics and Targets” regulations. However, regulations are subject to change. Redington monitors developments closely. 

## APPENDIX F: Methodology used to Measure Performance against the Scheme's Net Zero Target

- Where funds are modelled using underlying holdings and emissions data, uncovered portions of the fund are proxied using the covered portion of the fund.
- Where fund specific holdings or emissions data is not available, we have proxied using Redington asset class proxy data. This data is refreshed and reviewed on an annual basis.
- Cash is assumed to have 0 emissions.
- LDI has been excluded from the Scheme level carbon footprint estimate.
- No efforts have been made to verify data received from third parties - MSCI or managers.
- Data has been reported here without ex-post adjustment, to ensure comparability over time.

## APPENDIX G: Glossary of Terms (ESG and Carbon Metrics)

**Enterprise Value Including Cash (EVIC):** Defined as the sum of market capitalisation of shares and book values of total debts and minority interests at fiscal year end. No deductions of cash or cash equivalents are made to avoid potential negative enterprise values. This is the recommended denominator metric for carbon attribution according to the GHG Protocol, the global standard for carbon accounting endorsed by the European Union and the DWP.

**Estimated Total Mandate Carbon Emissions (tonnes):** Represents the total share of Scope 1, Scope 2, and Scope 3 carbon emissions a fund is responsible for. Please note the metric is sensitive to the investment holding size in the fund.

**MSCI Climate Metrics Coverage:** The proportion by value of a fund for which carbon metrics are available from MSCI. Climate metrics are proxied where coverage is low and in this case, the MSCI Climate Metrics Coverage will be assumed to be.

**Scope 1 & 2 Carbon Footprint (tCO2e / EVIC £m):** Measurement of the Scope 1 & 2 CO2e emissions of a fund per million pounds of EVIC. Scope 1 emissions refer to those which are directly connected to the production of a company's product or service. For example, the burning of fossil fuels to power the electricity grid. Scope 2 emissions refer to those from the electricity used to power the facilities and machinery of a company.

**Total Carbon Footprint (tCO2e / EVIC £m):** Measurement of the CO2e emissions of a fund per million pounds of EVIC using Scope 1, Scope 2, and Scope 3 emissions. Given a company's direct Scope 1 emissions will inevitably be another company's indirect Scope 3 emissions, aggregating the individual Scope emissions results in a higher number of emissions than exists. To mitigate double-counting, we apply a scaling factor in accordance with MSCI's methodology. This metric may be used to assess a fund's contribution to global warming versus other funds. Previous Total Carbon Emissions (tCO2e / £m invested) are estimated by looking at the funds' respective holdings and emissions 12 months ago.

**Tonnes of Carbon Dioxide Equivalents (tCO2e):** Tonnes of greenhouse gases including methane, nitrous oxide, carbon dioxide, and fluorinated gases. Given the abundance and prominence of carbon as a greenhouse gas, all the other gasses are considered carbon equivalents.

**Weighted Average Carbon Intensity (tCO2e / sales £):** A weighted average of the scope 1 & 2 emissions carbon intensity of companies, defined as a company's total emissions divided by its total sales. This metric can be interpreted as a measure of the relative carbon efficiency of a fund, can used for sovereign assets, and is not affected by movements in companies' valuation. However, it is sensitive to movements in price.

**SBTi Score**: The Science-Based Targets initiative ("SBTi") sets out a framework through which companies can set out their decarbonisation pathway and have them assessed against the goals set out in the Paris Agreement – limiting global warming to 1.5°C above pre-industrial levels or well-below 2°C. The SBTi Score is the proportion of assets invested that are classified as being Paris-aligned.