Stagecoach Group Pension Scheme – Taskforce on Climate-related Financial Disclosures (TCFD) Report for Year Ended 30 April 2023

Introduction

Recognising that climate change is a risk to financial markets, the Financial Stability Board commissioned the Taskforce on Climate-related Financial Disclosures (TCFD) in 2015. The Board determined that it would be desirable to have clear, comprehensive, high-quality information pertaining to the impact of climate change; thus, the objective of the TCFD is to improve and increase the reporting of climate-related financial information.

In 2017, the TCFD released a set of recommended disclosures in four thematic areas, designed to highlight how organisations are managing both climate-related risks and opportunities (CRROs). The four key themes (set out below) represent the core elements of how organisations operate. Sufficient flexibility is allowed for within the disclosures to account for local circumstances, whilst not undermining ease of comparability across organisations.

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 businesses, 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

Source: TCFD

The Government has confirmed that where a pension scheme has relevant assets greater than or equal to £1 billion on the first scheme year end date that falls on or after 1 March 2021, it must comply with certain climate change governance requirements from 1 October 2022. As such, the Stagecoach Group Pension Scheme ('the Scheme') had to comply with the TCFD governance requirements by 1 October 2022 and publish a TCFD report within 7 months of the end of its scheme year ended 30 April 2023, i.e. 30 November 2023.

The Trustees of the Stagecoach Group Pension Scheme ("Trustees") are supportive of the TCFD recommendations and believe that greater disclosure can lead to better investment decisions. As a long-term investor, diversified across asset classes, regions and sectors, it is in the interest of the Scheme that the market is able to effectively price climate- related risks and that policy makers are able to address market failure. The Trustees believe that TCFD-aligned disclosure from asset owners, asset managers and corporates is in the long-term financial interest of Scheme members.

Report summary

Set out below is a member-friendly summary of the contents of this report. Page 3 onwards provides full detail on the climate-risk disclosures for the year ended 30 April 2023. Additionally, in Appendix II is a glossary of terms that can be found throughout this report.

Governance

The Trustees are ultimately responsible for oversight of all strategic matters related to the Scheme. This includes risk management processes and thus the consideration of climate-change risks. Several parties (committees, investment managers, advisers) feed into the management of the Scheme, and the Trustees, therefore, take care to ensure that these are the appropriate parties to do so.

The Trustees consider climate change as a key risk to the Scheme and so have embedded climate-related issues across the Scheme's strategic decision-making, trustee training and wider governance processes.

Climate-related risks and opportunities are discussed regularly, and training on climate change and responsible investment ('RI') is received as appropriate to ensure that the Trustees have the knowledge and understanding to make informed decisions.

Strategy

The Scheme's strategy across the key areas of funding, investment and covenant has been assessed in terms of the potential climate-related risks and opportunities that may arise over the short, medium and long term. The short-, medium- and long-term time horizons for the Scheme have also been defined in order to establish clarity across this assessment, as well as other activities such as scenario analysis and target-setting.

To test the resilience of the Scheme's strategy to climate risk, the Trustees carried out climate scenario analysis, considering the Scheme's assets, liabilities and covenant in tandem. The results of this scenario analysis suggest that the Scheme's expected trajectory is unlikely to be significantly affected by any of the three climate scenarios versus the base case.

Risk management

Overall responsibility for risk, including climate-change risk, lies with the Trustees. The Scheme's risk-management processes include maintaining a risk register and a specific climate-related risks and opportunities risk register (CRRO) which is set out in Appendix I to this report. The Trustees monitor and maintain these to ensure all material risks to the Scheme – of which climate risk is one – are captured appropriately. Climate risk identification, assessment and management will also be informed by our scenario analysis, alongside the climate-related metrics gathered for the Scheme's assets.

Metrics and targets

To inform decision-making, and to meet the requirements set out for the Scheme under TCFD, the Trustees have selected and measured a number of climate-related metrics for the Scheme.

However, climate-related metrics and the underlying data for these metrics across investments are still evolving. Due to the immaturity of reporting, and because the methodologies used to calculate the data are still in their infancy, it is widely acknowledged that these metrics are helpful in terms of understanding the Scheme's current position, but the data requires careful interpretation. As such, there may be some gaps in reporting currently due to missing underlying data, or unreliability of the data provided. Because of the need to improve the coverage and quality of data being reported, we've set a target for some of the Scheme's mandates on the data coverage metric.

The metrics we've chosen and the target that we've set will be reviewed as appropriate, and we'll report additional data and metrics as the quality and coverage improve.

Section 1: Governance

a) Describe the board's oversight of climate-related risks and opportunities.

The Trustees believe that it is important to incorporate financially material ESG factors, including climate-related risks and opportunities, when making investment decisions. To support this, the Trustees have undertaken relevant training on climate change and broader RI topics both prior to and during the Scheme year to 30 April 2023. In addition, the Trustees discuss climate-related risks and opportunities as they arise within broader discussions and decisions at each Trustees' meeting, which are held on a quarterly basis, as well as at quarterly Investment Sub Committee meetings.

The Trustees have adopted a policy of delegating responsibility for the consideration of financially material climate-related risks and opportunities at a security level to their individual investment managers and require the appointed investment managers to be cognisant of climate change risks and opportunities within their investment processes and manage climate-related risks on a discretionary basis as applied to the assets of the Scheme. In addition, the Trustees delegate responsibilities concerning the identification, assessment and management of climate-related risks and opportunities to the Scheme's other advisers. How the Trustees oversee and assess each party with respect to these activities are set out in this document under Governance Disclosure b.

As the Trustees retain overall responsibility for the Scheme and its management, they ensure that they maintain appropriate oversight of the Scheme's appointed advisers and investment managers in relation to the management of climate risks. The Trustees aim to meet with all their investment managers on at least an annual basis. As part of these meetings, the investment managers are expected to report how they have incorporated climate-related risks and opportunities, along with other financially material ESG factors into their investment process. The Trustees, having taken advice from their appointed investment adviser, are satisfied that the appointed investment managers are taking an approach to their selection of investments which takes account of climate related risks and opportunities.

In addition to incorporating climate-related risks and opportunities in the selection of investments, the Trustees believe that it is important to engage on issues related to climate change with the individual companies that are held within the Scheme's investment portfolio. The Trustees have adopted a policy of delegating engagement and voting activity to the appointed investment managers. The investment managers are expected to proactively engage with the companies they invest in on the Scheme's behalf, and exercise the voting rights attached to these investments in accordance with their own house policies. The Trustees have reviewed the voting policies of their investment managers and determined that these policies are appropriate, including in relation the climate-related risks and opportunities. On an annual basis, the Trustees request their investment managers to provide details of any change in their house policies, and the investment managers are required to report on the voting activity to the Trustees on at least an annual basis.

In addition to maintaining oversight of the appointed investment managers, the Trustees believe that it is essential to ensure that they have appropriate knowledge and understanding of climate change and how this impacts the Scheme (either directly or through the employer covenant). The Trustees receive regular training and updates from their investment advisers and covenant advisers on climate-related issues.

b) Describe management's role in assessing and managing climate-related risks and opportunities.

Board of Trustees

The Board of Trustees is ultimately collectively responsible for the oversight of all strategic matters related to the Scheme. This includes the governance and management framework for climate-related risks and opportunities. The Board has delegated oversight of climate change risk management for the Scheme to the Investment Sub Committee ("ISC"), which is a sub-committee of the Board of Trustees.

The Trustees annually review their own role and responsibilities as well as those of the Scheme's service providers.

The Trustees take an active role in assessing and reviewing its advisers; feedback on service levels and performance in general is provided periodically both formally and informally.

Investment Sub Committee (ISC)

The ISC seeks to ensure that any investment decisions appropriately consider climate-related risks and opportunities within the context of the Scheme's wider risk and return requirements and the policies in relation to climate change and other ESG factors. The ISC is responsible for regular oversight of the investment managers, agreeing and monitoring climate metrics and targets, and keeping the Board of Trustees apprised of any material climate-related developments.

Investment Adviser and Discretionary Manager

The Trustees have appointed SEI Investments (Europe) Limited ("SEI") as the investment adviser for the Scheme. In addition to being the investment adviser, SEI also acts as a Discretionary Manager, and is responsible for managing part of the Scheme's portfolio on a delegated basis under a Fiduciary Management Agreement.

SEI is responsible for providing strategic and practical support to the Trustees and the ISC in respect of the management of climate-related risks and opportunities and ensuring compliance with the recommendations set out by the TCFD. This includes provision of regular training and updates on climate-related issues, advice related to climate metrics and targets, and climate change scenario modelling to enable the Trustees and ISC to assess the Scheme's exposure to climate-related risks.

In addition, in its role as the Discretionary Manager, SEI is also responsible for helping the Trustees and ISC understand how SEI, and any investment managers that SEI appoints as part of its delegated mandate, consider climate-related risks and opportunities as part of their investment approach, and work with the underlying investment managers to disclose the agreed climate-related metrics as set out in the TCFD's recommendations.

The Trustees have also appointed Hymans Robertson to provide independent investment advice. This includes providing oversight and challenge on the actions of the Discretionary Manager, including their approach to addressing climate related risks and opportunities.

Other Investment Managers

In addition to SEI, the Trustees have also appointed a number of other investment managers. These investment managers are responsible for ensuring that they incorporate climate related-risks and opportunities into the investment process for their individual mandates, help the Trustees and the ISC understand their approach to climate change, and disclose the agreed climate-related metrics as set out in the TCFD's recommendations in respect of their individual mandates.

Scheme Actuary

The Scheme Actuary, Jonathan Black FFA of Mercer Limited, is responsible for helping the Trustees and ISC assess the impact of the potential uncertainties introduced by climate risk in the Scheme funding assumptions and strategy.

Covenant Adviser

The Scheme's covenant adviser, Cardano Advisory Limited, helps the Trustees understand the potential impact of climate change risk on the sponsor covenant of Stagecoach Group Limited as the Principal Employer of the Scheme.

Section 2: Strategy

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

Time Horizons

The Trustees define the short-term, medium-term and long-term as shown in the table below. In determining the timeframes, the Trustees have taken account of the Scheme's liabilities and the funding strategy that was in place during the Scheme year.

Horizon	Timeframe	Rationale
Short-term	Up to 3 years	Consistent with the time period between actuarial valuations
Medium-term	3-10 years	Step down in the discount rate in 2031, corresponding to the point of significant maturity
Long-term	10+ years	Scheme expected to be invested in a low-dependency portfolio from this point onwards

Climate-Related Risks

The Trustees recognise that climate-related risks can materialise and impact the Scheme over the short, medium and long-term.

There are two main types of climate-related risks: physical risks (i.e. those relating to the physical impacts of climate change), and transition risks (i.e. risks relating to the transition to a lower-carbon economy). Physical and transition risks exhibit an inverse relationship. Rapid global efforts to reduce emissions are likely to reduce physical risks whilst exacerbating transition risks. Inversely, a more gradual reduction in global emissions may reduce transition risks but result in increased physical risks.

The table below sets out the main physical and transition risks from climate change with respect to the companies in which the Scheme invests through its investment managers.

Type	Investment Risk	Description
Physical	Acute	Event-driven risks, including those that result from severe weather events such as hurricanes, cyclones and floods. Such events could have a negative impact on asset values through: • physical damage to real assets • supply chains disruptions • increased insurance costs • reduced revenue from decreased production capacity
	Chronic	Risks resulting from longer-term shifts in climate patterns, such as sustained temperature increases that may cause higher sea levels and more regular heat waves. Reduced revenue and profits from decreased production capacity and increased costs, resulting, for example, from: • damaged roads, buildings and transit infrastructure • reduced productivity and hours worked by staff

		• reduced agriculture harvests, yields and volumes, as well as unstable year-to-year production • reduced construction output • water and food scarcity increasing company input costs • droughts reducing hydropower electricity production • overloaded power grids with the demand for cooling systems. Regular power blackouts and falls in company production
Transition	Policy and legal	Regulations brought in to address companies' behaviour towards climate change could result in stock price falls. For example, from the effects of write-offs, asset impairment, and early retirement of existing assets due to policy changes.
	Market and reputational	• reduced demand for a company's products or services due to increased demand for more 'environmentally-friendly' offerings • prolonged reputational damage resulting in significant loss of customers • societal pressure for increased regulation or taxation of key business activities • competitors who may move to decarbonise more rapidly
	Technology and policy	• rapid product obsolescence or changes in consumer behaviour, for example: • increased consumer uptake of electric vehicles • increased demand for energy efficiency, renewable energy, battery power storage and carbon capture practices to be utilised by organisations
	Stranded asset risk	Re-pricing of companies' assets (e.g. fossil fuel reserves, land valuations, securities valuations).

More detail on identified climate-related risks, including the assessment of the likelihood and impact of these risks and the controls in place to help mitigate and manage them are included in Appendix I. These risks are considered as part of the Scheme's ongoing risk management processes, on which more detail is included within the next section of this report.

The following table also considers funding and covenant risks, along with a consideration of the time horizons over which the risks are expected to materialise. Covenant risks identified below are not aligned with a specific scenario.

Risk areas	Identified Climate risks	Time horizon over which risks apply		
		Short	Medium	Long
Investment	Physical			
	• Acute risks	✓	✓	
	• Chronic risks		✓	✓
	Transition			
	• Policy and legal	✓		
	• Market and reputational	✓		
	• Technology and policy		✓	
	• Stranded assets			✓

Funding	Longevity impact from climate change and potential uncertainties in the funding assumptions			✓
Covenant	• Increasing supply chain costs due to energy transition	✓	✓	✓
	• Emerging regulations impact operations	✓	✓	
	• Availability and supply of renewable electricity impacts operations	✓		
	• Potential costs associated with emissions	✓	✓	
	• Financial support is insufficient to meet climate-related requirements	✓	✓	
	• Reduced demand due to competition	✓	✓	
	• Policy change drives macro-economic impact		✓	
	• Acute and chronic physical changes disrupt the supply chain and operations		✓	✓

Climate-related opportunities

The efforts to mitigate and adapt to climate change will likely result in new opportunities, such as through resource efficiency and cost savings, the adoption and utilisation of low-emission energy sources and the development of new products and services, and improved resilience along the supply chain. Climate-related opportunities will vary depending on the region, market and industry.

b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.

Climate-related risks and opportunities impact the Trustees' business and financial planning insofar as managing these risks and opportunities is integrated into the investment strategy in the following ways:

- In establishing investment mandates with its appointed investment managers, the Trustees assess how each manager incorporates the management of climate-related risks within its approach.
- Consistent with long-term horizon and strategic approach, the Trustees review each appointed investment manager annually.
- The Trustees believe that Stewardship (Engagement and Voting) is an effective means of positively impacting the behaviour of investee companies and also improving transparency, and therefore prefer engagement over divestment. In particular, the Trustees recognise that not all investments in carbon-intensive companies are necessarily misaligned with the management of climate-related risks and opportunities; for example, heavy emitters with ambitious and realistic science-based targets are likely to play an important role in the transition to a low-carbon economy.

Furthermore, in order to understand the impact of climate-related risks and opportunities on the Scheme's investment portfolio, funding levels and employer covenant, the Trustees use climate-related metrics and scenario analysis to guide their risk management activities. In years to come, the Trustees expect to note

improvements in the availability, scope and reliability of climate-related metrics such as carbon footprint, total emissions and weighted average carbon intensity to aid future decision-making.

It is expected that the following factors will likely influence the future exposure of the Scheme to climate-related risks and opportunities:

- Climate scenario analyses, including the impact of climate-related risks and opportunities on projected future funding levels and the timeframe in which the Scheme might achieve its long-term targets.
- The availability, via the Discretionary Manager and other investment managers, of reliable and complete information sufficient to enable assessment of the Scheme's exposures to climate-related risks and opportunities. This includes reliable and complete information relating to climate-related metrics such as carbon footprints.
- The philosophy, process and practice of the investment managers in assessing and managing climate-related risks in the selection of investments.
- Stewardship (engagement and voting) conducted by the Discretionary Manager and other investment managers, on the Scheme's behalf.
- The extent to which the Discretionary Manager and other investment managers actively participate in industry groups and promote better practices and transparency related to climate change, for example through being signatories to the UN Principles for Responsible Investment (UN PRI) and participating in a range of collaborative industry organisations, including Climate Action 100+ and the UK Investment Consultants Sustainability Working Group.

c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Climate-related scenario analysis allows the Trustees to develop insight into how the physical and transition risks and opportunities arising from climate change might impact the funding position of the Scheme over time and the availability of sponsor covenant support. Importantly, scenario analysis is not meant to predict the future, but rather to provide a deeper understanding of the climate-related risks and opportunities to which the Scheme may be exposed.

The Trustees are required to undertake scenario analysis to consider the potential impact on the Scheme of climate-related risks and opportunities. Having regard to the TCFD recommendations and suggested scenarios set out by The Pensions Climate Risk Industry Group[1], the Trustees have agreed to use the following three scenarios. Each scenario corresponds to an alternative potential future climate pathway. These are referred to below as 'Orderly Scenario'; 'Disorderly Scenario'; and 'Hot House Scenario':

- **Orderly scenario:** Early, coordinated action limits the global average temperature increase to around 1.5°C by 2100. Paris Agreement targets are broadly achieved, which results in a gradual transition to a net zero economy by 2050.
- **Disorderly scenario:** Late action, requiring abrupt changes to limit temperature increases to around 2°C by 2100. Paris Agreement targets are partly achieved.
- **Hot House scenario:** Paris Agreement targets are not met, resulting in a significant impact on the global climate, leading to a temperature increase of around 3°C by 2100.

[1] Aligning your pension scheme with the TCFD recommendations: Part 3 - Scenario analysis (publishing.service.gov.uk)

The scenario analysis seeks to incorporate the potential impacts of the climate scenarios on the progression of the future funding level of the Scheme over the short, medium and long-term. The scenario analysis includes a quantification of the extent to which the funding level might deviate from a comparative 'baseline'. The baseline scenario is one in which no explicit allowance has been made for climate-related risks and opportunities.

Scenario	Description
Scenario A: Orderly transition Early, coordinated action limits temperature increases to around 1.5°C *Paris Agreement targets are broadly achieved*	This scenario represents an orderly transition to a low-carbon economy that is broadly in line with the Paris Agreement. This model assumes early and coordinated policies that result in a gradual transition to a net zero economy by 2050, limiting the global average temperature increase to around 1.5°C by 2100 (relative to pre-industrial levels), along with a middle-of-the-road estimate of physical climate change impact.
Scenario B: Disorderly transition Late action, requiring abrupt changes to limit temperature increases to around 2°C *Paris Agreement targets are partly achieved*	This scenario represents a disorderly transition to a low-carbon economy that limits the global temperature rise to around 2°C by 2100 (relative to pre-industrial levels). This model assumes late action and/or poorly coordinated policies that result in an abrupt transition to a net zero economy. In this scenario, greenhouse gas emissions peak in 2030, and a middle-of-the-road estimate of physical climate change impact is considered.
Scenario C: 'Hot House' / No transition Temperate increase assumes warming of around 3°C *Targets are not met, resulting in a significant impact on the global climate*	This scenario represents the absence of future improvements in global climate policy, assuming no transition and a continuation of current policy and emission trends. This lack of action results in a temperature increase of around 3°C by 2100 (relative to pre-industrial levels). This model assumes there is low economic transition risk because there is no risk posed to the underlying securities to transition to a sustainable economy. This scenario implies a more aggressive estimate of physical climate change impact due to the increased levels of warming that may occur.

Orderly Transition

In this scenario, the Scheme typically experiences a more moderate level of transition policy risk and technology opportunities than Disorderly Transition. In this scenario, the Scheme is exposed to the lowest levels of physical risks associated with chronic and acute physical impacts of climate change. This is because early action slows the accumulation of carbon dioxide in the Earth's atmosphere and achieves net zero by 2050.

Disorderly Transition

In this scenario, the Scheme is exposed to the highest policy-related transition risks (as well as the greatest technology opportunities) relative to the other scenarios, on aggregate. In this scenario, the Scheme is exposed to greater levels of physical risks – associated with the chronic and acute physical impacts of climate change – than under an Orderly Transition, as the world experiences greater levels of warming and its resultant impacts.

Hot House Scenario

The Scheme is subject to the least transition policy risk and technology opportunities, relative to the other scenarios. While the use of low-carbon technologies will continue to grow, such growth occurs at a slower pace

than for the Orderly and Disorderly Transition scenarios, resulting in more heavily discounted future benefits. In this case, a more aggressive physical risk model is applied because there are more unknowns. Physical risk models are continuing to evolve and the Intergovernmental Panel on Climate Change assessments paint an increasingly concerning picture of the risks associated with climate change.

Funding level projections under the different scenarios

The Trustees have engaged SEI to provide the scenario analysis, and the results are presented below.

To quantify and assess the climate-related impact on the Scheme's assets, SEI has drawn inputs of financial impacts of physical and transition damages, also known as Climate Value at Risk ("CVaR") metric produced by MSCI, to develop its own view on financial impacts under climate scenarios on various asset classes. SEI has used these impacts to develop its own proprietary SEI Climate Capital Markets Assumptions ("Climate CMAs"). Subjectivity is involved to the extent of how much physical and transition impacts have been priced in at present and the horizon that the climate impacts would be realised in full.

The scenario analysis has been conducted using the three climate change scenarios highlighted above, with scenarios A and B being the 2°C or lower scenarios. This shows a forward-looking projection of the Scheme's funding levels (i.e. the Scheme's Assets divided by the Scheme's Long-term Objective Liabilities) at inception, i.e. 30/04/2023, and projected out 15 years to 30/04/2038, allowing for expected asset returns under the different scenarios, pensions paid out and deficit contributions paid in over the period.

Main Section

The table below shows the funding level projection for the Main Section assuming that the current investment strategy remains in place over the next 15 years.

	Base Scenario	Orderly Transition	Disorderly Transition	Hot House / No Transition
30/04/2023 Base year	**112%**	**112%**	**112%**	**112%**
30/04/2028 5-year	117%	117%	116%	117%
30/04/2033 10-year	126%	125%	123%	124%
30/04/2038 15-year	141%	139%	135%	137%

Source: SEI. Long-term Objective Liabilities based on the cashflows provided by the scheme actuary, Mercer, and discounted on gilt plus 50bps. Based on the 31/10/2022 valuation results from Mercer

The results of the analysis suggest that the Scheme's assets could be adversely impacted by climate risk under each of the three scenarios. In aggregate, the magnitude of this impact is likely to be in the region of 3% of the Scheme's assets (depending upon the realised future climate pathway) in 10-year time, though any such impact would likely materialise over a significant length of time. The investment strategy is expected to be more resilient to climate pathways that are more closely aligned with the Orderly scenario (at least in the medium-term). The transition risks more heavily associated with the Disorderly Transition scenario pose more imminent challenges for the investment strategy and its resilience to them.

London Section

The table below shows the funding level projection for the London Section assuming that the current investment strategy remains in place over the next 15 years.

	Base Scenario	Orderly Transition	Disorderly Transition	Hot House / No Transition
30/04/2023 Base year	**94%**	**94%**	**94%**	**94%**
30/04/2028 5-year	99%	98%	97%	98%
30/04/2033 10-year	104%	102%	100%	102%
30/04/2038 15-year	112%	108%	103%	108%

Source: SEI. Long-term Objective Liabilities based on the cashflows provided by the scheme actuary, Mercer, and discounted on gilt plus 50bps. Based on the 31/10/2022 valuation results from Mercer.

The results of the analysis suggest that the Scheme's assets could be adversely impacted by climate risk under each of the three scenarios. In aggregate, the magnitude of this impact is likely to be in the region of 5% of the Scheme's assets (depending upon the realised future climate pathway) in 10-year time, though any such impact would likely materialise over a significant length of time. The investment strategy is expected to be more resilient to climate pathways that are more closely aligned with the Orderly Transition and Hot House scenario (at least in the medium-term), because the climate risks associated with such pathway in Hot House – primarily physical – are anticipated to materialise further into the future. The transition risks more heavily associated with the Disorderly Transition scenario pose more imminent challenges for the investment strategy and its resilience to them.

Supertram Section

The table below shows the funding level projection for the Supertram Section assuming that the current investment strategy remains in place over the next 15 years.

	Base Scenario	Orderly Transition	Disorderly Transition	Hot House / No Transition
30/04/2023 Base year	**98%**	**98%**	**98%**	**98%**
30/04/2028 5-year	121%	117%	114%	118%
30/04/2033 10-year	156%	147%	137%	148%
30/04/2038 15-year	215%	195%	174%	197%

Source: SEI. Long-term Objective Liabilities based on the cashflows provided by the scheme actuary, Mercer, and discounted on gilt plus 50bps. Based on the 31/10/2022 valuation results from Mercer

The Trustees note that modelling tools have inherent limitations and climate scenario modelling is complex. Climate scenario models do not predict the outcome and is a high degree of uncertainty and subjectivity in these assumptions, scenarios and model setting in general to which the output is highly dependent. However, the results of the analysis suggest that the Scheme's assets could be adversely impacted by climate risk under each of the three scenarios.

In aggregate, the magnitude of this impact is likely to be in the region of 14% of the Scheme's assets (depending upon the realised future climate pathway) in 10-year time, though any such impact would likely materialise over a significant length of time. The investment strategy is expected to be more resilient to climate pathways that are more closely aligned with the Orderly scenario (at least in the medium-term). The transition risks more heavily associated with the Disorderly Transition scenario pose more imminent challenges for the investment strategy and its resilience to them.

Although the analysis demonstrates the potential impact of climate change, this analysis reflects the strategy following the substantively derisking of the Main and London Sections over the course of the year. Whilst climate change was not a driver for these changes in strategy, the Trustees recognise that the changes made – shifting from equity to debt exposures – have likely reduced the overall exposure to climate risks.

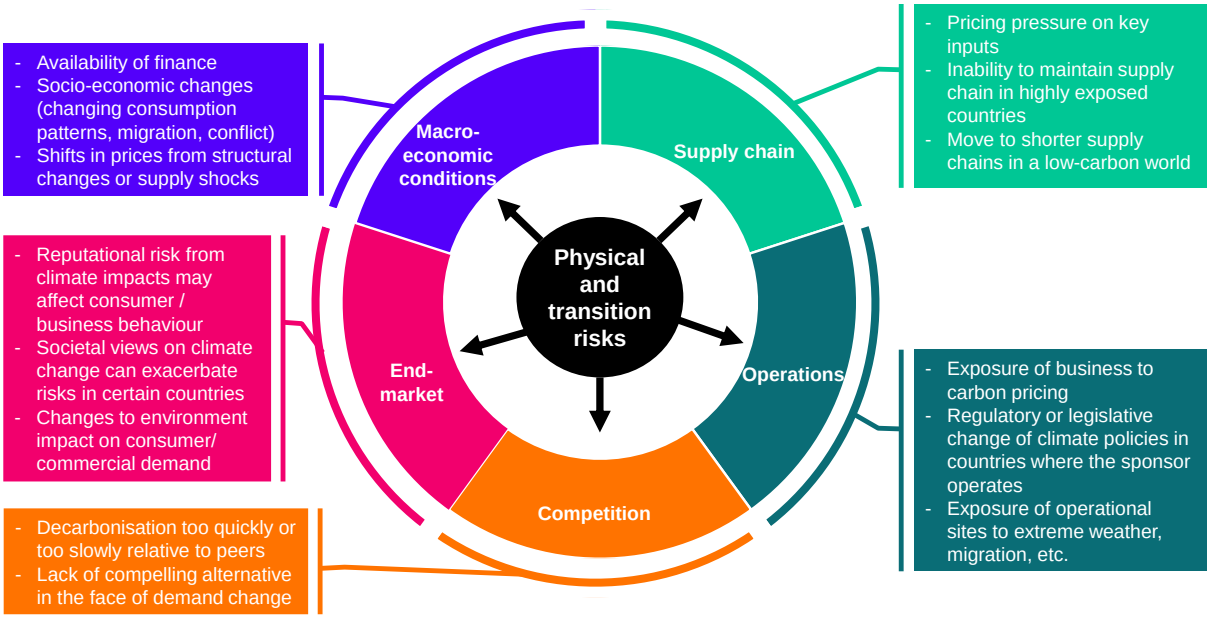
Employer covenant impact of the different scenarios

The Trustees recognises it is crucial to better understand the potential impact on the covenant of the effects of climate change, which can also impact on the long-term funding requirements of the Scheme.

The Trustees therefore commissioned an assessment of the impact of the three chosen scenarios (Orderly transition, Disorderly transition and No transition) on the Stagecoach Group by its covenant adviser, Cardano.

Transmission channels

Climate change can impact a business or organisation throughout the whole value-chain, and the key issues arising from climate change are complex and multi-dimensional. The figure below provides an overview of the transmission channels considered by the Trustee's covenant adviser and examples of the potential risks or impacts from climate change arising under these channels.



Scenario analysis conclusions

The key findings from the scenario risk analysis on the covenant of Stagecoach were as follows:

- In the near term, climate risks are moderate to high, with the greatest risk in the Orderly Transition scenario arising from: (i) costs of transitioning the bus fleet to zero-emissions; and, (ii) operational costs associated with limitations imposed by the nature of electric vehicles (e.g. requirement for charging infrastructure, additional fleet size to offset longer charging times).

- Over the medium-term, risk in a Disorderly Transition scenario rises due to: (i) limited financial support beyond existing commitments from UK Government to support transition to net-zero fleets; (ii) funding risk heightened by broader macro-economic uncertainty; and, (iii) risks to supply chain for zero-emission vehicles.

- Over the longer term, extreme weather events are likely to cause significant disruption to Stagecoach operations and supply chain in a No Transition scenario, whilst transition costs are likely to remain in order to comply with the UK Government's existing legally binding commitment to net zero emissions by 2050.

Scenario	Near-term	Medium-term	Long-term
Orderly Transition	Higher risk	Medium risk	Lower risk
Disorderly Transition	Medium risk	Higher risk	Medium risk
No Transition	Medium risk	Medium risk	Higher risk

To address the risks identified, the Trustees have considered the recommendations from the covenant adviser in each of the following areas:

- Climate risks identified (e.g. emerging regulations, extreme weather events, Government funding policies, renewable energy pricing) will be integrated into the Trustees' regular employer covenant monitoring framework; and,
- The impact of climate risk on the employer covenant will inform the Trustees'[choice of long-term funding targets and time horizons.

Section 3: Risk Management

a) Describe the organisation's process for identifying and assessing climate-related risks.

The Scheme's Integrated Statement of Funding and Investment Principles ("ISFIP") sets out the Trustees' policies relating to the management of financially material risk factors (including climate change). The Trustees review the ISFIP at least annually.

The Scheme's risk-management framework also includes a risk register, which is monitored on a regular basis by the Trustees. The Trustees still retain all oversight over risk management, however delegate some risk management activities, including the selection of securities to the appointed investment managers. The Trustees expect the Scheme's advisers and investment managers to identify and assess climate-related risks in respect of the Scheme and its assets on behalf of the Scheme.

The Discretionary Manager, SEI, is responsible for reporting back to the Trustees where it identifies material climate-related risk in the portfolio that warrants the Trustees' attention. SEI regularly reports back on activities it undertakes in its Stewardship program. This includes regular reporting on climate-related voting (including significant votes) and its engagement activities. An annual review is included in the Scheme's Implementation Statement of how the Trustees' policies on voting and engagement, as set out in the ISFIP, have been followed during the year. The Discretionary Manager also requires underlying investment managers to identify and disclose exposure to financially material risk. The Trustees reserve the right to divest from any investment manager that demonstrates through past behaviour an unwillingness to provide the transparency required to understand the investment's impact on the climate. The Discretionary Manager also assesses the ESG and climate capabilities of the underlying investment managers before they are included in the portfolio and this assessment was provided to and discussed with the Trustees for the new investment managers that were introduced into the portfolio over the year.

More broadly, ESG, particularly climate-related, risks can be identified by various parties including the Trustees, the Scheme's advisers and managers as outlined under the Governance section of this report as part of the ongoing management of the Scheme. ESG risks may be identified as part of the following processes: investment strategy reviews; triennial valuations; covenant reviews; considering asset classes; and selection of investment managers, individual mandates and investments. Any key risks identified are discussed by the Trustees or Investment Sub Committee and are listed on the Scheme's risk register and/or the specific climate-related risks and opportunities (CRROs) risk register as discussed below in order to be monitored on a regular basis.

Once risks are identified and added to the risk register, they're then evaluated and prioritised based on the overall threat posed to the Scheme.

The Trustees prioritise risks based on the size, scope and materiality of the risk event. This includes rating the likelihood and impact of the risk event to produce a score reflecting the threat that the risk event poses to the Scheme, then deciding on the appropriate action (mitigation, control or acceptance) based on this score and available courses of action. Rating the risk's likelihood and impact may be informed by scenario analysis and calculated metrics where relevant. This helps the Trustees to build up a picture of the Scheme's risks more widely and where ESG risks sit in the overall risk management framework.

b) Describe the organisation's processes for managing climate-related risks.

As set out in the ISFIP, the Trustees manage exposure to climate-related risks primarily through the selection and monitoring of the appointed investment managers. The Trustees regularly review the processes employed by their investment managers and their approach to assessing climate related-risks.

Furthermore, the Trustees believe that proactive, ongoing and constructive engagement with companies, backed by a strong willingness to vote, can help raise standards and improve companies' accountability for impacts made on the climate, and expects the appointed investment managers to carry out engagement and voting activity in respect of their mandates.

However, the Trustees also employ a number of other risk management techniques and controls in order to support the management of identified climate related risks. Examples of the risks identified and the controls in place as described within this section have been included within Appendix I, but include the risk of poor knowledge and understanding, poor investment performance and governance, and not meeting reporting and compliance requirements. Risk controls that the Trustees have in place include, as well as appointing appropriate investment managers include actions such as regular training, frequent monitoring and building climate-related activities such as TCFD reporting into broader annual planning for the Scheme.

c) Describe how processes for identifying, assessing, and managing climate- related risks are integrated into the organisation's overall risk management.

The Trustees have prepared a specific climate-related risks and opportunities (CRROs) risk register which is included as an Appendix to this policy statement and will be appended to future annual TCFD reports. Risks will be prioritised based on materiality, likelihood and financial impact.

The Trustees also maintain a wider risk register encapsulating risks material to the Scheme that is reviewed periodically. Risks specifically related to CRROs are reviewed at least annually – the review of all risks relating to the ongoing governance of the Scheme forms part of the Trustees' decision-making process and is recorded in meeting minutes accordingly.

Due to the wide variety of risks, as well as the complexity of these risks and how they may interact with each other, there is significant uncertainty of the net impact of climate risk and how it may impact the Scheme's strategy across the risk areas of funding, investment, and covenant.

The Trustees use both scenario analysis and the climate-related metrics chosen and collected for the Scheme to help inform our approach to this uncertainty, as well as to better understand the resilience of the Scheme to climate change. The scenario analysis and climate-related metrics are covered in more detail under the Strategy and Metrics and Targets sections of this report. These have also been used to inform the CRRO under Appendix I.

Recognising that most climate-related metrics are backward-looking and may not fully capture forward-looking plans, the Trustees believe that proactive and collaborative engagement with investee companies is critical to

the long-term management of climate-related risks and opportunities. The activity of engaging with investee companies, on behalf of the Trustees, is delegated to the investment managers.

Section 4: Metrics and Targets

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

The Trustees have selected and disclosed the following metrics within this TCFD report:

1. One absolute emissions-based measure: Total Carbon Emissions in tCO_2e
2. Two intensity emissions-based measures: Weighted Average Carbon Intensity (WACI) and Carbon Footprint
3. Additional climate related metric: Data Quality
4. Portfolio alignment metric: % of mandate for which Science Based Targets have been set

Following the significant changes in strategy during the year, particularly the reduction in equity exposure, the Trustees initial choice of an equity engagement metric under (3) above was replaced with a data quality metric.

Absolute: *Total Carbon Emissions in tCO_2e*

This measures the total greenhouse gas emissions attributable to a portfolio and is expressed as tonnes (t) of carbon dioxide (CO_2) equivalent (e) – i.e. tCO_2e. 'Carbon dioxide equivalent' is a standard unit for counting greenhouse gas (GHG) emissions regardless of whether they're from carbon dioxide or another gas, such as methane. For each holding within a portfolio, its associated total carbon-equivalent emissions can be prorated according to the investor's ownership share – this metric is the sum of these prorated amounts. In other words, this metric represents the sum of the prorated carbon emissions of the holdings in the portfolio based on the investor's ownership share.

This metric gives a sense of the scale of the carbon emissions associated with each fund and the potential reduction in emissions required to assist the transition to a net zero economy.

Intensity: *Weighted Average Carbon Intensity (WACI)*

This is a key (backward-looking) metric for measuring a fund's exposure to carbon intensive assets, expressed in tCO_2e per millions of pounds of sales. This metric provides a broad indication of how heavily a portfolio's underlying holdings are involved in the emission of greenhouse gases. As this metric is standardised it can be readily used for comparative purposes. For a given fund, the WACI is calculated as the weighted average of the carbon intensities of the underlying holdings, whereby the weights are the percentage allocations to each holding. This metric can be used across equities and corporate bonds.

Intensity: *Carbon Footprint*

Carbon footprint tells the Trustees how many tonnes of CO_2e emissions were produced by a particular portfolio for each million-pounds invested. This metric may facilitate comparison across sectors, portfolios and companies and is therefore useful for internal and external purposes.

A drawback of this metric is that increasing security prices can result in falling carbon footprints, without a commensurate fall in carbon emissions. In addition, the metric does not capture differences in the size of companies, nor the carbon efficiency of their production processes etc. relative to other companies within the same industry.

Note, the above metrics only include Scope 1 and 2 emissions at present due to lack of availability of Scope 3 data.

Data Quality

Data coverage is the key metric for examining data quality at present.

Coverage for each of the funds is expressed as the percentage of the fund's total market value for which there is Scope 1 and 2 emissions data, meaning that the coverage figures take into account the relative size of the underlying security positions.

The Trustees are mindful of the lack of coverage in certain areas of the market, in particular, fixed income and government bonds. The Trustees expect that over the coming years, data quality will likely improve. At this point in time, due to this lack of coverage, the Trustees have been unable to reliably include this data within this report. Upon improvement of data coverage, however, the Trustees will include metrics for those mandates where metrics are currently missing within future reports.

Portfolio alignment metric

The Trustees preference is for a simple and understandable metric. The Trustees have decided to adopt a binary target measurement being the percentage of holdings (by value) in each mandate for which Science Based Targets have been set. This metric gives a sense of the extent to which companies within the portfolio are taking steps to address climate risk by putting in place appropriate strategies, objectives and targets.

Alternative Assets

The analysis has been limited to listed equities and fixed income since unlisted assets do not have sufficiently complete, comparable and available data to facilitate carbon metrics analysis (concerning Total Carbon Emissions, Weighted Average Carbon Intensity and Carbon Footprint) at this time.

The metrics used to assess climate-related risks and opportunities are in line with the investment strategy and risk management processes. These represent metrics that are available today and the Trustees expect the data to improve over the coming years as company level disclosure becomes more comprehensive and widespread, along with third party verification of alignment.

b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions, and the related risks.

Scope 1, 2 and 3 data

Where relevant, the metrics are calculated using Scope 1 and Scope 2 emissions data.

Essentially, Scopes 1 and 2 encompass those emissions that are owned or controlled by a company, whereas Scope 3 emissions are a consequence of the activities of the company but occur from sources not owned or controlled by it. As Scope 1 and 2 emissions are more directly measurable, the quality and coverage of Scope 1 and 2 data are far greater than that of Scope 3, but Scopes 1 and 2 represent only a small part of a typical organisation's total climate impact. Research from the Carbon Disclosure Project (CDP) suggests that Scope 3 emissions are 5.5 times larger than those of Scope 1 and 2 combined.

At present, Scope 3 data is not widely available and the Trustees have decided to exclude Scope 3 data from the calculations. This data is also not required to be included in the first year of reporting. Scope 3 emissions are the indirect emissions from sources connected to a business, such as suppliers or distributors. Methodologies concerning Scope 3 data are less established and many companies are only beginning to analyse their Scope 3 emissions. Given the lack of comprehensive Scope 3 data, metrics will be measured versus targets based on Scope 1 and Scope 2 emissions.

However, this will be kept under review and the reliability of Scope 3 emissions will be re-assessed by the Trustees annually, with the expectation to measure these and include them within next year's report should data be reliable enough.

Main Section – Metrics

Fund/ Strategy	Asset size	Asset weight	Coverage	Total Carbon Emissions (attributable to Main Section)	Weighted Average Carbon Intensity	Carbon Footprint	% of Companies that have SBTI Approved Target
	(£m)	*(%)*	*(% MV)*	*(tCO_2e)*	*(tCO_2e / £M sales)*	*(tCO_2e / £M invested)*	*(% NAV)*
Multi-asset							
Ruffer	37.1	3.5%	35.3%	2,241	77	60	13.1%
Pyrford	15.4	1.4%	41.5%	331	45	22	23.9%
Fixed Income							
Brandywine	43.3	4.1%	37.1%	14,510	241	335	-
Alternatives							
Barings - property	85.2	8.0%	-	-	-	-	-
Private equity	13.1	1.2%	-	-	-	-	-
LDI and UK Credit							
UK Credit Fixed Interest Fund	103.9	9.8%	49.8%	2,222	104	21	15.3%
UK Long Duration Credit Fund	238.0	22.3%	45.9%	5,975	140	25	18.3%
Gilts	525.2	49.3%	-	-	-	-	-
Others							
Cash / other	4.1	0.4%	-	-	-	-	-
Total Portfolio	**1,065.3**	**100.0%**					

London Section – Metrics

Fund / Strategy	Asset size	Asset weight	Coverage	Total Carbon Emissions (attributable to London Section)	Weighted Average Carbon Intensity	Carbon Footprint	% of Companies that have SBTI Approved Target
	(£m)	*(%)*	*(% MV)*	*(tCO_2e)*	*(tCO_2e / £M sales)*	*(tCO_2e / £M invested)*	*(% NAV)*
Equity							
Global Select Equity Fund	31.1	9.6%	96.0%	3,215	180	103	32.3%
Global Managed Volatility Fund	6.4	2.0%	99.3%	565	220	88	42.4%

Fixed Income							
High Yield Fixed Income Fund	1.0	0.3%	68.6%	135	404	134	11.8%
Emerging Markets Debt Fund	4.5	1.4%	5.0%	92	1,831	20	0.6%
Alternatives							
LGIM - Property	31.5	9.7%	-	-	-	-	-
LDI & UK Credit							
UK Credit Fixed Interest Fund	39.4	12.1%	49.8%	841	104	21	15.3%
UK Long Duration Credit Fund	31.1	9.6%	45.9%	781	140	25	18.3%
Gilts	157.3	48.4%	-	-	-	-	-
Others							
Cash / other	22.4	6.9%	-	-	-	-	-
Total Portfolio	**324.7**	**100.0%**					

Supertram Section – Metrics

Fund Name	Asset size	Asset weight	Coverage	Total Carbon Emissions (attributable to Supertram Section)	Weighted Average Carbon Intensity	Carbon Footprint	% of Companies that have SBTI Approved Target
	(£m)	*(%)*	*(% MV)*	*(tCO_2e)*	*(tCO_2e / £M sales)*	*(tCO_2e / £M invested)*	*(% NAV)*
Global Select Equity Fund	3.7	61.2%	96.0%	383	180	103	32.3%
Brandywine Global Income	2.3	38.8%	37.1%	785	241	335	-
Total Portfolio	**6.0**	**100.0%**					

Notes (which apply to all metric tables)

Source: MSCI, SEI. Note, only includes Scope 1 and 2 emissions at present due to lack of availability of Scope 3 data. Effective date: 31 December 2022.

Trustees' assessment of Carbon Metrics

The Trustees note that most greenhouse gas emissions data is voluntarily reported by companies, therefore there are size and geography biases. In general, larger capitalisation companies report much more than smaller companies. As such, the data coverage of large cap equities is broadly higher than that of small cap equities. Developed market companies, likewise, report more than emerging markets. Fixed income, in general, has low to limited coverage. As these are data sets of corporates, carbon emissions and sales data etc. for government bonds, asset-backed securities and derivatives etc. are intuitively challenging to be sourced.

The Trustees acknowledge that certain investments (for example Emerging Markets Debt and Alternatives in general), currently have very limited data coverage. In general, the Trustees expect that the metrics will evolve as data availability and disclosures are likely to improve over time.

Data Quality – Main Section

Fund Name	% of mandate for which we have reported and/or estimated data	% of mandate for which there is no data
Equity		
Ruffer	35.3%	64.7%
Pyrford	41.5%	58.5%

Fixed Income		
Brandywine	37.1%	62.9%
Alternatives		
Barings – Property	-	100.0%
Private Equity	-	100.0%
LDI & UK Credit		
UK Credit Fixed Interest Fund	49.8%	50.2%
UK Long Duration Credit Fund	45.9%	54.1%
Gilts	-	100.0%

Data Quality – London Section

Fund Name	% of mandate for which we have reported and/or estimated data	% of mandate for which there is no data
Equity		
Global Select Equity Fund	96.0%	4.0%
Global Managed Volatility Fund	99.3%	0.7%
Fixed Income		
High Yield Fixed Income Fund (Hedged)	68.6%	31.4%
Emerging Markets Debt Fund (Hedged)	5.0%	95.0%
Alternatives		
LGIM - Property	-	100.0%
LDI & Credit		
UK Credit Fixed Interest Fund	49.8%	50.2%
UK Long Duration Credit Fund	45.9%	54.1%
Gilts	-	100.0%

Data Quality – Supertram Section

Fund Name	% of mandate for which we have reported and/or estimated data	% of mandate for which there is no data
Global Select Equity Fund	96.0%	4.0%
Brandywine Global Income	37.1%	62.9%

Data limitations and keeping metrics under review

The limitations we face today are not necessarily limitations we will face in the future, as this is an area that is changing rapidly, with research organisations continually developing new metrics and companies generating better data.

The Total Carbon Emissions, Weighted Average Carbon Intensity and Carbon Footprint are all backward-looking metrics. While useful to measure for the companies held in portfolios they do not consider companies' future expected carbon emissions projections. Moreover, they do not consider scientifically robust targets and business plans that companies may have put in place to reduce future carbon emissions. Consequently, the Trustees will in future consider using forward-looking carbon emissions metrics as well as backward-looking ones.

The Trustees have adopted the above metrics as necessary starting points. However, the Trustees will review the selection of metrics and targets to ensure that they remain appropriate in light of the evolving regulatory landscape and the strategy employed.

The Trustees will also review data as it becomes more complete and meaningful (such as Scope 3 emissions data and forward-looking alignment data).

c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

The Trustees wish to set meaningful targets that are in line with its investment and climate objectives. The Trustees have taken a measured approach to setting climate-related targets and will continue to review how it can use quantitative analysis and recognised industry frameworks to allow it to set meaningful climate-related targets.

Given that the primary problem currently facing the Scheme is that data quality is not yet at an appropriate level in order to place reliance on scheme emissions calculations, the Trustees have decided to adopt a data quality target.

This target will be in line with the framework outlined below, which takes into account availability of both reported data as well as estimates to provide a clear data score for each mandate.

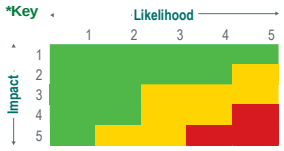
Score	Emissions data requirements
4 – Excellent	At least 75% of actual data available OR >95% overall coverage including at least 75% actual data
3 – Good	At least 65% actual data available OR >70% overall coverage including at least 45% actual data
2 – Adequate	At least 45% of actual data available OR >60% overall coverage using estimates
1 – Poor	Less than 45% of actual data available OR <60% overall coverage using estimates

Given the Scheme is now significantly invested in credit assets, holdings in other assets are expected to continue to fall over time and coverage for the credit assets is less than 50%, the Trustees have agreed that the target be set only for the UK Credit and Long Duration Credit holdings, with the initial goal of achieving a score of at least 'Good' for both mandates over a three year period.

As the above target was set during the 2022/2023 Scheme year, the Trustees are not yet able to report an update on performance against the target. Progress against the target will be included in future reports.

The Trustees will undertake an annual review of the targets to ensure that they remain appropriate and challenging, given the ever-changing economic, environmental, and technological environment. The agreed target above may be revisited once achieved and data coverage is improved.

APPENDIX I: TCFD CRRO REGISTER



A.	KNOWLEDGE AND UNDERSTANDING					
	RISK	**IMPACT** (1-5) (1=LOW, 5=HIGH)	**LIKELIHOOD** (1-5) (1=LOW, 5=HIGH)	**CONTROLS**	**OVERALL RATING*** (Green / Amber / Red)	**COMMENTS**
1.	*Key persons, such as the Trustees, do not have sufficient knowledge and understanding to be able to identify, assess and manage CRROs in relation to the Scheme.*	4	1	• *Trustees have received annual training on CRROs, provided as part of SEI's TCFD reporting.*		
2.	*Trustees' appointed investment managers do not keep abreast of developments in this area.*	5	1	• *SEI in their capacity as Discretionary Manager carries out frequent reviews on all investment managers, with managers' ESG capabilities assessed. This is to be reported back to the Trustees.* • *The Trustees have the power to change or appoint an additional Discretionary Manager if required.*		

B.	INVESTMENT PERFORMANCE AND GOVERNANCE					
	RISK	**IMPACT** (1-5) (1=LOW, 5=HIGH)	**LIKELIHOOD** (1-5) (1=LOW, 5=HIGH)	**CONTROLS**	**OVERALL RATING*** (Green / Amber / Red)	**COMMENTS**
1.	*There is a fundamental failure in the integration of financially material considerations around CRROs in the Trustees' investment strategy.*	5	1	*The Trustees assess whether sufficient consideration is given to CRROs by the investment managers, by monitoring the climate-related engagements, shareholder voting and portfolio positioning undertaken by the investment managers.* *As the investment adviser, SEI incorporates CRRO-related considerations into the strategic investment advice it provides to the Trustees. As the quality and scope of the data concerning CRROs improves, SEI will look to augment these considerations further still.*		

2.	*There is a failure by third party providers in supplying data on shareholder voting, shareholder engagements, carbon emissions or carbon emission intensities.*	4	3	*The Discretionary Manager, SEI, has processes in place to ensure that: (a) specialist providers are selected to supply climate-related shareholder voting, company engagement and carbon emissions data provision services, and; (b) performance is monitored, tested and challenged as necessary. The Discretionary Manager will monitor these services and if standards are insufficient will select a different service provider.*		*This is the first year in which this data is being requested and so the Trustees anticipates that there could be difficulty obtaining all the data required as the industry adjusts. This will be kept under close monitoring and alternative providers can be sought if required.*

C.	REPORTING AND COMPLIANCE					
	RISK	**IMPACT** (1-5) (1=LOW, 5=HIGH)	**LIKELIHOOD** (1-5) (1=LOW, 5=HIGH)	**CONTROLS**	**OVERALL RATING*** (Green / Amber / Red)	**COMMENTS**
1.	*Trustees do not produce the annual TCFD Report in accordance with legislative requirements/ timescales.*	4	1	• *The provision of the TCFD report has been added to the Trustees' Roadmap.* • *The provision of the report will be considered by the Trustees annually.* • *The Trustees' TCFD Framework Agreement provides the starting structure for the TCFD report and some of the intended content.* • *The TCFD report will be considered and developed with progress reported at main Trustee meetings to ensure that it is provided well within legislative requirements/timescales.*		

APPENDIX II: GLOSSARY

Asset Class
An asset class is a group of investments that typically share a lot of the same characteristics, which may be subject to the same rules and regulations. For example, equities, bonds and property are three well-known asset classes.

Covenant
If the Scheme were to have a funding shortfall, i.e. if the Scheme's assets were lower than the value of the liabilities on the technical provisions basis, the Trustee would look to the Sponsor to make the necessary additional contributions to restore full funding.

The legal obligation on the Sponsor to provide these contributions and remove the shortfall, and its ability to satisfy these obligations, is known as the Sponsor covenant.

Engagement
Engagement with respect to assets of the Scheme means communication with a person or organisation, typically via investment managers, with the aim of driving change.

ESG
ESG refers to Environmental, Social and Governance issues, collectively a series of risk factors that could impact the value or future performance of an investment. Particular issues covered by ESG factors include:

- Environment: resource use, pollution, waste
- Social: human rights, workforce diversity and employee welfare
- Governance: management structure, business ethics and executive compensation

Financial Stability Board
The Financial Stability Board is an international body that monitors and makes recommendations about the global financial system. It was established after the G20 London summit in April 2009 as a successor to the Financial Stability Forum.

Greenhouse Gases (GHG)
Greenhouse gases are gases in the Earth's atmosphere that are capable of absorbing infrared radiation and thereby trap and hold heat in the atmosphere. The main greenhouse gases are:

- water vapour
- carbon dioxide (CO_2)
- methane (CH_4)
- nitrous oxide (N_2O)

Low-carbon economy
An economy based on energy sources that produce low levels of GHG emissions.

Mandate
An instruction to an asset manager about how the Scheme's money may be invested.

Net Zero

Net zero refers to the amount of all GHG (which includes but is not limited to carbon dioxide) being emitted being equal to those removed. It typically also includes reduction of total emissions as much as possible, with only the remaining unavoidable emissions being offset.

Paris Agreement

The Paris Agreement on climate change is a 2015 global accord seeking to keep the rise in global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the increase to 1.5°C. As of 2021, the Paris Agreement has been signed by 191 countries, and ratified by 186 countries.

Responsible Investment

The integration of ESG factors into investment decision-making and asset stewardship practices.

Scope 1 Emissions

All Direct Emissions from the activities of an organisation or under their control. Including fuel combustion on site such as gas boilers, fleet vehicles and air-conditioning leaks.

Scope 2 Emissions

Indirect Emissions from electricity purchased and used by the organisation. Emissions are created during the production of the energy and eventually used by the organisation.

Scope 3 Emissions

All Other Indirect Emissions from activities of the organisation, occurring from sources that they do not own or control. These are usually the greatest share of the carbon footprint, covering emissions associated with business travel, procurement, waste and water.

Stewardship

Stewardship of assets is a tool that can shape corporate behaviour using methods including engagement and voting.

TCFD

Taskforce on Climate-related Financial Disclosures.

Voting

When investors are shareholders in a company via the investments they hold, this typically provides them the opportunity to vote on company matters at meetings such as an Annual General Meeting (AGM). Issues that can be voted on include climate change plans, executive pay, the election of board directors, and much more.