Introduction

The Trustee of the HSBC Bank (UK) Pension Scheme (the "Scheme") believes that Climate Change is a systemic risk and seeks to manage that risk on behalf of its members. This is especially the case for Defined Contribution (DC) members, as the value of their pension pots is directly related to the underlying investments. The Trustee's focus on Climate Change risk mitigation plays an important role in how investments are managed across all asset classes, in both the DC and Defined Benefit (DB) parts of the Scheme. At a policy level, the Trustee is supportive of initiatives that contribute towards mitigating Climate Change risk on its members' investments. As such, the Trustee is a signatory to the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD). This is the Trustee's fourth disclosure under the framework and follows the previous year's format. Last year we expanded our carbon footprint analysis to report the weighted average carbon intensity on all listed assets for which the data is available, as opposed to only listed equities in previous years. We report our portfolio coverage of carbon disclosure for both the DB and DC portfolios and we continue to expand this coverage, subject to data constraints. This year, alongside the expanded carbon footprint analysis, where available, we also report our listed assets' performance against the Transition Pathway Initiative's Management Quality Score, a forward-looking climate metric.

The TCFD developed four recommendations on climate-related financial disclosures that are applicable to organisations across sectors and jurisdictions, structured around the following thematic areas:

- **Governance:** The organisation's governance around climate-related risks and opportunities.
- **Strategy:** The actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy, and financial planning.
- **Risk Management:** The processes used by the organisation to identify, assess, and manage climate-related risks.
- **Metrics and Targets:** The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

The Trustee of the Scheme is supportive of initiatives it believes will be in the long-term financial interest of members. TCFD is one such initiative, as the Trustee believes greater disclosure will lead to better investment decisions. Indeed, where appropriate, the Trustee will also engage with its appointed fund managers to support such initiatives.

The tables below summarise the Trustee's current position with regards to the TCFD recommendations.

1. Governance

Recommended disclosure A: Describe the Board's oversight of climate-related risks and opportunities	The Trustee Board's investment strategy is built upon a set of its investment beliefs. One of the beliefs is: 'Environmental (including Climate Change risks), Social and Governance risks are all important factors in investment decision making.' In this context, in June 2015 the Trustee Board adopted a Trustee Climate Change Risk Policy that is recorded in its Statement of Investment Principles. See Appendix A. In 2020 the Board set out a dual ambition of robustly managing the Scheme's climate-related risks and to further support the goals of the Paris Agreement by transitioning over time the investment approach to one that is aligned with achieving the goals of limiting global temperature increases to well below 2 degrees this century. In line with this ambition, during 2020 the Board updated its approach to managing risks associated with climate change via the integration of a Climate Risk Management Framework to the Board's Climate Change Risk Policy. Integrated within the Scheme's existing Risk Management Framework, the new processes are incremental, allowing the Trustee to take a step-by-step approach to setting climate-related objectives and ensuring the Board continually adopts best practice in pursuit of its climate-related ambitions. The Climate Change Risk Management Framework clarifies the roles and responsibilities of the Board and its sub-committees, stating that the Board is ultimately responsible for determining specific climate-related objectives and

	overseeing progress made against them. This means the Board has oversight of the Scheme's climate-related risks and opportunities. The Board's Climate Change Risk Policy is informed by the work of its sub-committees and full-time management team – the Pension Scheme Executive (PSE), as well as its investment advisers and managers. This includes the provision of specialised training and regular discussion of relevant climate-related topics as agenda items during Board meetings. In addition, the Trustee is a member of several Responsible Investment organisations that help ensure the Board remains abreast of climate-related issues. The Board is assisted by two sub-committees that oversee the implementation of the Trustee's Climate Change Risk Policy: • The Asset & Liability Committee (ALCo), which is responsible for ensuring that the Climate Change Risk Policy is implemented into the Trustee's investment policy. To achieve this remit, the ALCo selects climate-related metrics (and, if appropriate, associated exposure limits) that best align with the objectives of the Trustee Board. The climate-related metrics are used to monitor the Scheme's progress versus the Board's objectives. Additionally, the ALCo defines the annual engagement strategy to be used with the Scheme's fund managers in a manner consistent with the objectives set by the Board. The ALCo report to the board on a quarterly basis, with the Chair providing a report on the matters discussed and decided that is reviewed by the Board. • The Audit & Risk Committee (A&R), which is responsible for ensuring that Climate Change risks are incorporated into the Trustee's Risk Framework. Climate Change risk is explicitly identified as a Scheme risk on the Trustee's Risk Register, as overseen by the A&R Committee, and reported to the Board on a quarterly basis. In keeping with this governance structure, this Statement has been reviewed by the ALCo and A&R Committee and approved by the Trustee Board.
Recommended disclosure B: Describe management's role in assessing and managing climate related risks and opportunities.	The Trustee Board is non-executive and is supported by a full-time management team – the PSE. The PSE is responsible for performing manager-specific and portfolio-level climate risk analysis of the Scheme's alignment versus the Trustee Board's objectives, recommending any mitigating actions to the ALCo where it identifies climate risks (or the Scheme's managers' approach to managing it) are outside tolerance, as well as the implementation of the engagement strategy outlined by the ALCo. Three of the individuals in the PSE structure are specifically responsible for assessing and managing climate-related risks. They are: • Chief Executive Officer, for policy and covenant monitoring. • Chief Investment Officer, for investment strategy. • Head of Finance and Risk Reporting, for the risk management framework and risk register. The Trustee has delegated responsibility for the selection, retention and realisation of investments to the fund managers, within certain guidelines and restrictions. The Trustee requires its appointed fund 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 Trustee. Fund managers are required to annually report on how these risks and opportunities have been incorporated into the investment process, including descriptions of any engagement activity undertaken with companies in their portfolios and qualitative responses to the issues raised by the PSE's analysis, within applicable guidelines and restrictions.

In such circumstances that the PSE feels a fund manager has failed to operate in line with the Board's climate-related objectives, it will engage with the fund manager with the intention of providing feedback on agreed mitigating steps to the ALCo. Should persistent engagement attempts fail to correct a fund manager's misalignment with the Board's objectives as defined by the climate-related metrics set by the ALCo, the PSE, in consultation with the Scheme's advisers, will recommend investment strategy and/or manager changes to the ALCo, which is responsible for the approval of strategic changes.

The Trustee's investment advisers are expected to advise on, and provide objective assessments of, differing approaches to responsible investment to help the Trustee decide appropriate responsible investment objectives for both the DC and DB portfolios of the Scheme. This includes informing the Trustee of new responsible investment opportunities or emerging risks, including different risk metrics. The Trustee annually assesses the delivery of this advice using the Competition Market Authority's Investment Consultant Objectives framework.

2. Strategy

Recommended disclosure A:

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

The Trustee considers Climate Change risk as a 'Financially Material' factor. As such, the Trustee believes that Climate Change risk could have an impact on the value of the investments that it makes on behalf of its members over the short, medium and long term, and therefore needs to be understood and managed. For example, Climate Change risk could affect:

- The creditworthiness of the issuers of the fixed income assets in which the Trustee invests.
- The rental values of the real estate assets the Trust owns.
- The dividend paying capability, and therefore the share prices, of companies in which the Trust is either directly or indirectly a beneficial owner.

The Trustee has material exposure to long-dated credit in the DB portfolio, and developed market equities in the DC portfolio, both of which pose differing climate risks across different time horizons. The Trustee continues to explore new avenues to assess and manage the exposure of these investment portfolios to both physical and transition risks associated with climate change.

Physical risk

- Physical climate risks are those which arise from both gradual changes in climatic conditions and extreme weather events that can result in asset damage, resource depletion and trade disruption. The Scheme's exposure to physical risk is factored into the climate stress tests described in Strategy Disclosure C, in addition the Scheme's managers assess and monitor physical climate risk on a mandate-level.

Transition risks

- Transition risks occur in the process of moving to a low-carbon economy. These include policy changes (e.g. abrupt imposition of carbon taxes or emission limits), reputational impacts, risk of stranded assets, as well as shifts in market preferences, norms and technology. Transition risks are also factored into the climate stress tests described in Strategy Disclosure C.
- Furthermore, during 2020, the Trustee formally adopted the Transition Pathway Initiative ("TPI") Management Quality ("MQ") Score as a forward-looking indicator of the Scheme's exposure to climate transition risk. Using these scores, in conjunction with analysis of the underlying funds' Weighted Average Carbon Intensity ("WACI"), the Scheme's aggregate

	total absolute emissions and aggregate carbon footprint, the Trustee hopes to achieve a balanced view of the Scheme's short term exposure to climate risk as well as an indication of the underlying holdings' long term transition and physical climate risks. • When looking at these metrics, the carbon footprint has decreased across both the DB and the DC portfolios, indicating a reduced carbon intensity at the total scheme level. In the DB portfolio some of the reduction is a result of the fall in coverage, indicating the importance of looking at these figures alongside their coverage (for details please see Appendix B). • Additionally, there was an aggregate measured improvement in the governance of climate-related issues within the businesses in which the Scheme invests, as shown by the improvement of the average TPI MQ score increasing from 2.5 to 2.7 and 2.8 to 3.0 for the DC and DB portfolios, respectively. The Trustee hopes to continue to increase the proportion of the portfolio that is covered by the analysis so as to deliver a more comprehensive assessment of its exposure to climate risk, considering temporal and geographical factors. Mitigating Climate Change risk can also offer attractive investment opportunities, and the Trustee believes that investing in such opportunities is consistent with its fiduciary responsibility. The Trustee has already identified and invested in a renewable energy investment opportunity that was both financially compelling and aligned with the Paris Agreement of avoiding 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. As part of its Climate Change policy, the Trustee encourages the further development of asset classes that are supportive of achieving the well below 2°C target.
Recommended disclosure B: Describe the impact of climate–related risks and opportunities on the organisation's business, strategy and financial planning.	Climate-related risks influence the Trustee's business and financial planning insofar as mitigating them, and indeed wider Environmental, Social and Governance (ESG) risks, is integrated into its investment strategy in a number of overlapping ways. For example: • In establishing investment mandates with its appointed fund managers, the Trustee assesses how the manager incorporates the management of climate-related risks within its approach in a manner consistent with the asset class in question and the Trustee's fiduciary responsibility. • By including the assessment of ESG and climate-related risks as a key part of the objectives of the Trustee's investment advisors, the Trustee receives advice on monitoring the suitability of fund managers and how to react to any ratings downgrades that take place. • Consistent with its long-term horizon and strategic approach, the Trustee's PSE reviews each appointed fund manager at least annually. A core part of such reviews is assessing how the manager is incorporating ESG risk mitigation within its process, with a focus on climate-related risk. As part of the Trustee's goal of continuous improvement, the questionnaire which the managers are challenged with was updated in 2020. The intention behind this change was to shift the emphasis of the questions from process (which has been captured in past questionnaires) to focus on how the asset manager has innovated and evolved with regard to the integration of ESG factors to their investment approach, as well as outcomes-focused case studies that demonstrate proactive and meaningful engagement and stewardship. The Trustee will determine whether it is comfortable its managers show continued commitment to manage new and emerging risks associated with climate change. The Trustee is determining an appropriate escalation policy where it is not satisfied with its managers' activities.

	The Trustee also delegates voting to its appointed fund managers and expects the managers to vote consistently with the Trustee's fiduciary responsibility. The Trustee receives quarterly reports from its appointed quoted equity fund managers on their voting and engagement activities. During 2021 the Trustee plans to review its assessment process to ensure that it is constructively using the managers' voting and engagement data to focus its engagement efforts. The Trustee supports the TPI, a global, asset owner-led initiative which assesses companies' preparedness for the transition to a low carbon economy, and makes use of the analysis it provides, among other sources, to review material exposures to the world's largest emitters and inform impactful engagement strategies through its fund managers, in line with the Trustee's investment beliefs. The Trustee also supports Climate Action 100+, an investor-led initiative with more than 570 members responsible for over $54 trillion in assets under management to ensure the world's largest corporate greenhouse gas emitters take necessary action to improve climate change governance, cut emissions and strengthen climate-related financial disclosures. It will review where it, and the managers it invests with, have exposure to the emitters covered by the initiative and will engage with its fund managers to develop a proportionate engagement strategy. As an Asset Owner, the Trustee believes it is important that it engages with its agents (the fund managers) to continually push to evolve best practice, as it believes this is in its members' best interests. During 2020 the PSE met with three of the DB portfolio's credit fund managers that were identified as managing highly carbon-intensive portfolios. Their selection was informed by a number of climate-related indicators, including the outcome of the WACI analysis, as well as the TPI MQ score. A key area of focus was the asset managers' approach to incorporating climate considerations into their fund, at both the overall strategic level and the portfolio-level, the steps they have already taken and plan to implement to ensure they are better-placed to assess and manage the climate risk of their portfolios. During the meetings, the PSE questioned the managers on some of the top-level climate risks identified by the climate-related indicators, and sought the managers' views on the rationale for including businesses with a material measured carbon intensity or that had failed to demonstrate sufficient alignment of their business practices with the transition to a low carbon economy as indicated by the TPI MQ scores. The PSE and the Trustee are comfortable with the initial conclusions of the meetings as they feel that all three of the managers are appropriately assessing and managing climate risk and looking at it in a considerable level of detail. As a follow-up from the meetings, the PSE is looking to put together a holistic score card to monitor the portfolios over time. The Trustee plans to continue to use climate-related metrics to monitor the development and influence engagement with its fund managers. Over 2021 the Scheme aims to enhance its engagement activities with its fund managers to understand how managers are better factoring climate-related issues into relevant investment strategies from their current position, covering an increasing portion of the DB and DC portfolios across different asset classes.
Recommended disclosure C: Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Previously the Trustee has noted how it found scenario analysis to estimate the financial impact on the Scheme's DB assets useful in developing its thinking with regard to climate-related risks, but the effectiveness of the scenario analysis was limited in part due to the inadequate disclosure from portfolio companies. In line with its approach to adopting industry practices, the Trustee previously conducted additional stress testing of both the DB and DC portfolios. The stress tests were consistent with the PRA's Life Insurance Stress Tests, as recommended by the Pensions Climate Risk Industry Group (PCRIG). The stresses are designed to show what the impact on the value of the Scheme's assets would be in the following scenarios:

	– Abrupt transition to the Paris-aligned goal occurring in 2022. – Orderly transition to the Paris-aligned goal occurring by 2050. – A no-transition scenario. Whereas these scenarios are expected to occur over multi-year or decade time horizons, the stresses show the impact on the portfolio discounted to the current year. This means each scenario is comparable in terms of direction and magnitude. The results of the stress tests showed that the DC assets are more exposed than the DB assets to climate-related risk, which reflects the nature of the assets. DB portfolio assets are mostly low investment risk compared with the DC assets and the Trustee is aware that assets that are likely to have a lower climate-related risk may also have a lower investment-related risk. Overall, the stress test results indicated to the Trustee that in this instance, top-down asset allocation changes to better manage climate-related risk were unlikely to be effective for the DB portfolio and less practical for the DC portfolio given the need to invest in equities for growth. This conclusion was an additional prompt for the Trustee to support organisations such as the TPI and explore the use of additional analysis to review more granular climate-related risks and inform impactful engagement strategies. Over 2021 the Trustee is working with its advisers and managers to explore different climate scenario analysis tools and climate stress tests methodologies to develop and refine its top-down climate scenario testing as industry best-practice evolves.

3. Risk Management

Recommended disclosure A: Describe the organisation's processes for identifying and assessing climate related risks. Asset owners should describe, where appropriate, engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks to improve data availability and asset owners' ability to assess climate-related risks.	The Trustee has a preference for engagement, rather than exclusion, as a means to encourage greater disclosures and better practices with regard to climate-related risks. Legal & General Investment Management's (LGIM) Future World Fund was co-developed with the HSBC Trustee. The fund is the accumulation fund for the HSBC DC portfolio's default investment strategies. With regards to engagement on climate-related issues, the Future World Fund has two aspects. - Firstly, it benefits from the LGIM Climate Impact Pledge. The six global industries with the greatest potential impact on Climate Change were identified and LGIM wrote to the Chairs of over 80 of the largest companies in those sectors, requesting to engage with them on the plans they were developing for a sustainable future. If, after a year of engagement, the companies were not implementing viable plans to transition to a sustainable future, LGIM pledged to vote against the re-election of the companies' Chairs at the next annual general meeting using all the voting interests from their assets under management. - Secondly, the Future World Fund goes one step further and divests from such companies, even though they remain part of the benchmark index. LGIM has not added companies to the divestment list in 2020, however, they did reinstate one company on the back of the company setting ambitious emissions reduction targets. As such, there are now ten companies that were divested from as shown in Appendix C. During 2020, part of the Trustee's engagement effort with LGIM was focused on improving the climate-related credentials of the Future World Fund. As the Fund is a pooled fund, the Trustee is limited in defining the investment mandate, however, the Trustee engaged with LGIM over 2020 to encourage the manager to improve the Fund's climate credentials. The Fund's updated climate methodology includes a more stringent reduction in carbon emissions and an improvement in fossil fuel reserves and green revenues. The methodology also includes two additional metrics that were not part of the strategy before: the TPI's MQ and Carbon Performance (CP) scores.

	The updated methodology also achieves an enhanced, more balanced factor exposure. These additional requirements were partly implemented by LGIM in Q1 2021 with the remainder expected to be completed in Q3 2021. It should be noted that any portfolio changes that take place as a result of this change are not permanent. This represents part of an ongoing process – companies divested from the fund could be repurchased if their sustainability planning improves, and other companies divested if they do not deliver on pledges. During 2020 the Trustee updated its approach to managing risks associated with climate change via the integration of a Climate Risk Management Framework to the Board's Climate Change Risk Policy. Integrated within the Scheme's existing Risk Management Framework, the new processes clarify the roles and responsibilities of the Board, its sub-committees and the PSE with regard to identifying, assessing and managing climate-related risks. The new processes allow the Trustee to understand climate-related risks the Scheme is exposed to from both a macro (portfolio-level) and micro (fund-level) view. As part of the implementation of the new processes, the Trustee approved the use of two metrics, the TPI MQ and WACI as means to assess the current and forward-looking climate-related risks of the DB and DC portfolios. The metrics are also used to inform the Scheme's engagement activities through its investment managers. Following recent UK Government legislation aimed at large occupational pension schemes, the Trustee will be adding additional metrics and scenario analysis to its Climate Risk Management Framework during 2021. The intention is to disclose both successes and lessons learned from the use of each metric on an annual basis. As mentioned in the Strategy section, the Trustee plans to further develop over 2021 its own approach to stewardship and engagement and the subsequent expectations it has of managers.
Recommended disclosure B: Describe the organisation's process for managing climate-related risks Asset owners should describe how they consider the positioning of their portfolio with respect to the transition to a lower carbon energy supply production and use. This could include explaining how asset owners actively manage their portfolio's positioning relative to this transition.	While the Trustee considers the impact of climate-related risk on all of the assets it invests in, the primary focus has historically been on its equity exposure in the DC portfolio. During 2020, in addition to a close focus on its equity mandates, the Trustee, via the PSE, also paid particular attention to its credit-based mandates in attempt to achieve a more wholesale assessment of the Scheme's climate risk exposure. The section above explained how the Trustee have co-developed the LGIM Future World Fund, its climate-related engagement activities and how the fund is used in the Scheme's DC strategy. As part of that same development process, the Trustee and LGIM worked with FTSE Russell to develop a new index that became the benchmark for the Future World Fund. The index was built in three stages: • Firstly, Controversial Weapons Manufacturers were excluded from the universe of stocks that make up the FTSE All World Index universe, as the Trustee has a financial preference for avoiding such stocks where possible. • Secondly, a four-factor index was created (Value, Quality, Low Volatility and Low Size) that rebalances regularly through time to create a 'Balanced Factor' index with more attractive risk-return characteristics than the standard market capitalisation index. • Finally, three climate-related tilts were applied to the 'Balanced Factor' index to create a 'Climate Balanced Factor' index. The FTSE All World (ex CW) Climate Balanced Factor Index tilts away from Carbon Reserves and Carbon Emissions, whilst positively tilting towards Green Revenues. The tilts are set such that the inclusion of the climate-related tilts introduces a relatively modest tracking error compared to the Balanced Factor index without climate tilts. This allowed the Trustee to conclude that the new index was consistent with its fiduciary duty and provided an element of Climate Change protection.

	Comparing the carbon-optimised fund index with the underlying factor index led to marked reductions to Carbon Reserves (72%) and Carbon Emissions (41%) and a greater exposure to Green Revenues (36%) as at 31 December 2020. *Source: FTSE Russell* Following analysis of the Scheme's carbon footprint in its credit-based mandates that was disclosed in its 2019 report, the Trustee made use of the two newly-approved climate-risk metrics noted in the section above to measure the exposure to climate-related risks in portfolios that predominantly invest in publicly traded credit assets. The resulting output was used to determine which credit-based mandates display the highest climate risk and to set the Trustee's climate-risk engagement priorities. During 2020, the PSE, on behalf the Trustee, met with three managers whose portfolios were shown to display a high degree of exposure to climate risk. The intention of this exercise was to identify which underlying investments were driving the large exposure and the steps being taken by the fund managers to manage and mitigate the risks. An important outcome from this activity was a recognition that data coverage and methodological limitations are particularly prevalent when conducting climate risk analysis of credit-based portfolios. The Trustee continues to explore ways in which new forms of risk analysis will assist with the mitigation of climate-related risks in non-equity asset classes, primarily publicly traded corporate credit. As set out in this report, the Trustee will continue to use the WACI and TPI MQ metrics but is also reviewing additional metrics and tools that might increase the coverage of risk assessments undertaken. As the Trustee implements and evolves the processes defined in the Climate Risk Management Framework over 2021, coverage of climate risk assessment will increase across asset classes to cover more of the Scheme's portfolio. The Trustee notes that there are meaningful challenges with calculating the carbon footprint of its portfolio, such as coverage and methodological limitations, and is supportive of future developments to improve and the scope and quality of analysis.
Recommended disclosure C: Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	Climate Change risk is explicitly identified as a Scheme risk on the Trustee's Risk Register, as overseen by the A&R Committee and reported to the Board on a quarterly basis. Climate Change risk is considered to be a systemic risk by the Trustee, though there is an acknowledgement that it is difficult to measure with a single number. It is managed through a combination of both positive and negative tilts where appropriate (Global Equity mandate) as well as a robust engagement policy via the Trustee's appointed fund managers. The adoption of the Climate Risk Management Framework further integrates the Scheme's processes around climate risks into overall risk management processes. At a more granular level: • Where feasible, mitigation of climate-related risks is factored into the mandates the Trustee has with its appointed fund managers (e.g. Future World Fund). • For all appointed fund managers, evaluation of ESG risk management, which includes climate-related risks, is an explicit part of both the on-boarding process and continued due diligence or monitoring that the Trustee undertakes. • The Trustee delegates authority to its ALCo to approve metrics that identify, assess and monitor the climate-related risks of its appointed fund managers' portfolios. • The PSE reviews the Scheme's funds versus the ALCo-approved metrics and recommends mitigating actions to the ALCo for approval where necessary. The fund managers are required to provide descriptions of engagement

activity undertaken with companies in their portfolios and qualitative responses to issues raised by the PSE's climate-risk analysis.

The PSE is currently developing a scoring system to assess the climate-related performance of fund managers against the Trustee's objectives.

The Trustee believes that through memberships of organisations, it can contribute towards wider public policy solutions that are aligned with an orderly transition to a low-carbon economy. The Trustee will support Responsible Investment organisations or initiatives where doing so will help the Trustee achieve at least one of the following goals:

- Help to implement new Responsible Investment solutions in a proportionate and practical way, with a clear focus on excellence and continuous improvement.
- Influence government policy, market developments and pension funds with respect to Responsible Investment.
- Improve the risk and return characteristics of investments to increase the likelihood of members receiving benefits as they fall due.
- Improve transparency in reporting, being generous with knowledge and helping to shape new ideas within Responsible Investment.

Currently the Trustee is associated with the following organisations:

- A member of the Institutional Investor Group on Climate Change ("IIGCC")
- A member of the Cambridge Institute for Sustainability Leadership ("CISL")
- A signatory to the Principles for Responsible Investment ("PRI")
- A supporter of the Transition Pathway Initiative
- A supporter of Climate Action 100+

The Trustee recognises that it cannot support all organisations or initiatives and so will review its associations periodically. The Trustee will disclose successes and learnings from its associations on an annual basis.

4. Metrics and Targets

Recommended disclosure A: Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. Asset Owners should describe metrics used to assess climate-related risks and opportunities in each fund or investment strategy. Where relevant, asset owners should also describe how these metrics have changed over time. Where appropriate asset owners should provide metrics considered in investment decision making and monitoring.	With regards to quantitative metrics, as discussed in previous sections, the Trustee commissions the calculation of WACI and TPI MQ scores of its portfolios where the data is available (mostly liquid assets including equities, credit investments and other liquid securities) on an annual basis alongside the total absolute emissions and carbon footprint. The results of the analysis are shown in Appendix B. The WACI numbers provide an indication of the Scheme's exposure to carbon-intensive assets and are analysed on a fund-by-fund basis, rather than on an aggregated Scheme-level. The TPI MQ scores are used to assess companies' management of their greenhouse gas emissions and of risks and opportunities associated with the low-carbon transition. Both the WACI and the TPI MQ scores are used as means to assess the current and forward-looking climate-related risks of the DB and DC portfolios. The metrics will also be used in a holistic score card that the Trustees will use to monitor managers' performance, as well as to inform the Scheme's engagement activities through its investment managers. Following recent UK Government legislation aimed at large occupational pension schemes, the Trustee will be adding additional metrics to its Climate Risk Management Framework during 2021.

Recommended disclosure B: Disclose Scope 1, Scope 2 and if appropriate Scope 3 greenhouse gas (GHG) emissions and the related risks. Asset owners should provide the weighted average carbon intensity, where data are available or can be reasonably estimated for each fund or investment strategy. In addition, assets owners should provide other metrics they believe are useful for decision making along with a description of the methodology used.	See Appendix B for analysis of the Scheme's listed holdings, as conducted by FTSE Russell. This analysis is split by DB and DC portfolios and includes all liquid listed assets and some less liquid assets where the data was available. Data coverage (i.e. the percentage of assets within each portfolio where the data was available to calculate the carbon metrics) of scope 1 and scope 2 emissions of these investments has increased in the DC portfolio where there is a higher weight of listed assets. Coverage of scope 1 and scope 2 emissions of the underlying assets has slightly decreased in the DB portfolio where the Scheme holds less listed assets. Please see the coverage figures in Appendix B. Many of these are also bespoke mandates that do not have reference benchmarks, leading to a lack of comparability. The Trustee is currently reviewing the value in analysing this data, however notes that data availability is only likely to improve and publicly disclosing should increase the speed at which the data becomes available. The Scheme's own operational emissions, which are scope 1 and scope 2 emissions directly relating to its business operations, are likely to be immaterial. *Note: All analysis is provided by FTSE Russell and Beyond Ratings. Please refer to the data disclaimer in Appendix* D.
Recommended disclosure C: Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	The Trustee has an ambition to set meaningful targets that are in line with the Fund's investment and climate objectives, including to align its portfolio with achieving the goals of the Paris Agreement. The Trustee is taking a considered approach to setting climate-related targets and is in the process of reviewing how it can use additional quantitative analysis and recognised industry frameworks to allow it to set meaningful climate-related targets. The Trustee is also reviewing its approach to stewardship, including engagement and voting activities, as a part of its effort to set a meaningful climate-related target.

July 2021

Appendices

Appendix A: Climate Change Risk Policy

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:

- Integrates climate-related decisions into its Scheme-wide risk management framework as the Trustee Board is ultimately responsible for setting the climate-related objectives of the Scheme, including how the investment portfolios are aligned with achieving the goals of the Paris Agreement;
- Has made ALCo responsible for ensuring that the Trustee Board's climate objectives are implemented into the Scheme's investment policy. This includes selecting the appropriate analysis and metrics to measure climate-related risks and opportunities;
- Requires its appointed investment managers to be cognisant of Climate Change risks and opportunities within their investment processes as applied to the assets of the Trustee. Investment managers are further required to annually report on how these risks and opportunities have been incorporated into the investment process within applicable guidelines and restrictions;
- Has a preference for 'Engagement' rather than 'Exclusion' as a method of incorporating Climate Change risks into an effective fiduciary framework. However, the Trustee expects investment managers to independently consider whether exclusion or engagement is more appropriate within their investment process;
- Encourages the further development of asset classes that are supportive of obtaining the well below 2°C target provided they are all based within the primary fiduciary framework;
- Supports the Task Force on Climate-related Financial Disclosures (TCFD) and aims to incorporate its recommendations into the Scheme's reporting, subject to availability of data;
- Supports the further development of effective Climate Change risk metrics to enhance the ability of all stakeholders in the investment chain to assess and minimise such risks;
- Recognises that 'Climate Change' will be subject to much further analysis and subsequent policy changes in the coming years. The Trustee is supportive of adopting an evolving policy in order to ensure all relevant developments are captured; and

Is supportive of policy initiatives that, in its opinion, contribute towards achieving the well below 2°C target

Appendix B: Climate metrics

DB Portfolio Key Results:

- The table below sets out the portfolio coverage, total carbon footprint, total absolute emissions and average TPI MQ score of the DB portfolio as at 31 December 2020.
- For the DB portfolio, the data is only available for the listed credit mandates, leading to coverage of around half of the portfolio.
- Portfolio coverage of scope 1 and scope 2 emissions of the DB portfolio has slightly decreased as compared to last year, following an increased allocation to supranational bonds within the Buy and Maintain mandates, which are not covered by the Scheme's data provider. Coverage of the TPI analysis has increased since last year.
- The DB portfolio's performance versus the climate-related metrics as defined by its total carbon emissions, carbon footprint and TPI MQ score has been positive over 2020, as all three metrics have improved since 31/12/2019.
- Total absolute emissions and carbon footprint have fallen year-on-year. This is due to:
  - Aggregate changes in the allocation from higher- to lower-emitting companies
  - A general fall in emissions by the companies the Scheme is invested in
- The average TPI MQ score has improved from 2.8 to 3.0 following a net decrease in the exposure to companies ranked between 0 and 2 in the portfolio or an improvement in the scores of existing portfolio companies. As was the case in 2019, portfolios with a greater concentration of UK (and to a lesser extent US) companies perform better under the TPI's MQ metric. This likely reflects better developed climate governance practices in these markets.

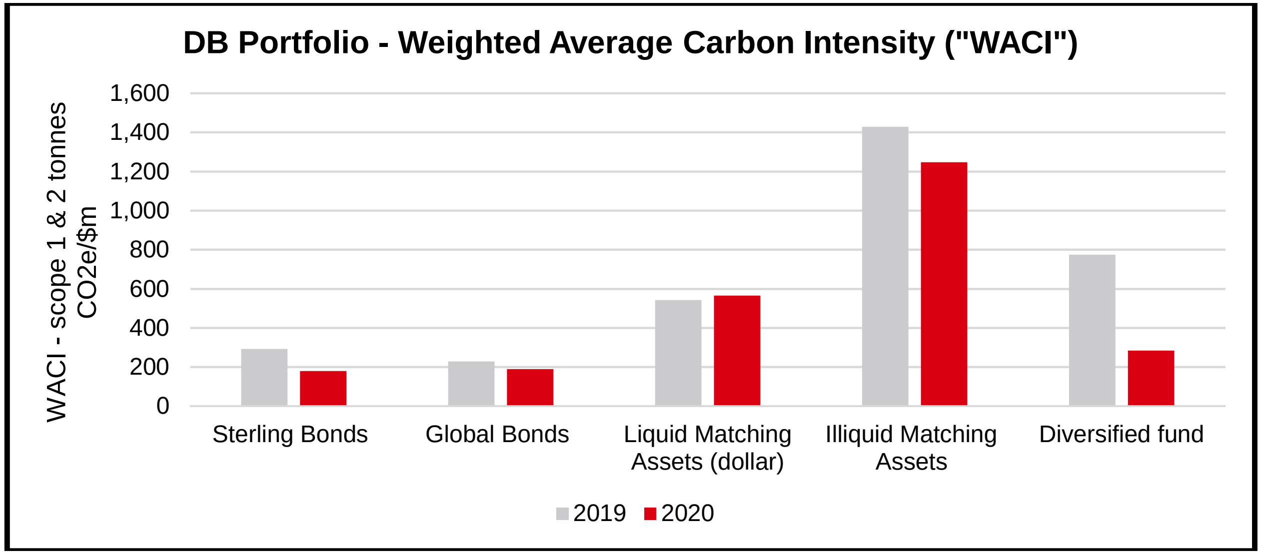
DB[1]	Metric	2020	2019
Portfolio Coverage	Scope 1 Emissions	45.9%	48.8%
	Scope 2 Emissions	48.6%	49.9%
	TPI Management Quality	50.7%	37.1%
Portfolio Carbon Footprint	tCO2e/£m	103.9	122.4
Portfolio Total Absolute Emissions	tCO2e	1,328.484	1,351,071
TPI Management Quality Score	Average score	3.0	2.8
	Lowest score	1.0	2.7
	Highest score	3.5	3.5

- The table below contains the Weighted Average Carbon Intensity (scope 1 and 2) figures at a fund-level, as calculated by FTSE Russell for the DB assets of the Scheme as at 31 December 2020.

DB[1]	12/31/2020				12/31/2019			
	FUM £m	Carbon Emissions Intensity (Weighted Average Carbon Intensity – Scope 1 & 2)			FUM £m	Carbon Emissions Intensity (Weighted Average Carbon Intensity – Scope 1 & 2)		
		Fund	Bmk	Diff		Fund	Bmk	Diff
Sterling Bonds	1,947	180	N/A	N/A	1477	291	N/A	N/A
Global Bonds	7,278	189	N/A	N/A	5973	228	N/A	N/A
Liquid Matching Assets (dollar)	1,185	565	N/A	N/A	1182	543	N/A	N/A
Illiquid Matching Assets	588	1247	N/A	N/A	552	1,428	N/A	N/A
Diversified Fund	178	284	N/A	N/A	244	775	N/A	N/A

[1]Liquid credit, corporate inflation-linked credit and multi-asset portfolios only. Gilts, TIPs, Swaps and other derivative securities have been excluded from the analysis. The FTSE Russell carbon emissions analysis uses modelled data for those companies that do not report on their carbon emissions.

- The below chart illustrates the evolution of the Weighted Average Carbon Intensity on a fund-level within the DB Portfolio.



DC Portfolio Key Results:

- The table below sets out the portfolio coverage, total carbon footprint, total absolute emissions and average TPI MQ score of the DC portfolio as at 31 December 2020.
- The data coverage of scope 1 and scope 2 emissions is higher in the DC portfolio due to higher weight of publicly listed equity mandates and portfolio coverage of the portfolio has also improved as compared to last year. Coverage of the TPI analysis has increased since last year and is significantly higher than that of the DB portfolio, given the larger proportion of listed equity assets in the portfolio.
- The DC portfolio's performance versus climate-related metrics as defined by its total absolute emissions, carbon footprint and TPI MQ score has been positive over 2020, however not all metrics improved.
- The carbon footprint has fallen while the total emissions have risen year-on-year. This is predominantly due to a higher coverage ratio, which has resulted in greater measured emissions while also lowering the carbon footprint since the relative increase in AUM was greater than the relative increase in emissions.
- The Fund's carbon emissions are below the benchmark, although the difference has narrowed year-on-year.
- The aggregate TPI MQ score has improved from 2.5 to 2.7. While we cannot attribute this improvement with complete certainty, this most likely have been driven by improvements in the scores of existing portfolio companies rather than the market as a whole given the portfolio benchmarks showed little improvement year-on-year. In general, fixed income portfolios have a higher TPI score than equity portfolios. The worst-performing portfolios were those with large exposure to small cap equity and emerging market equity which is to be expected.

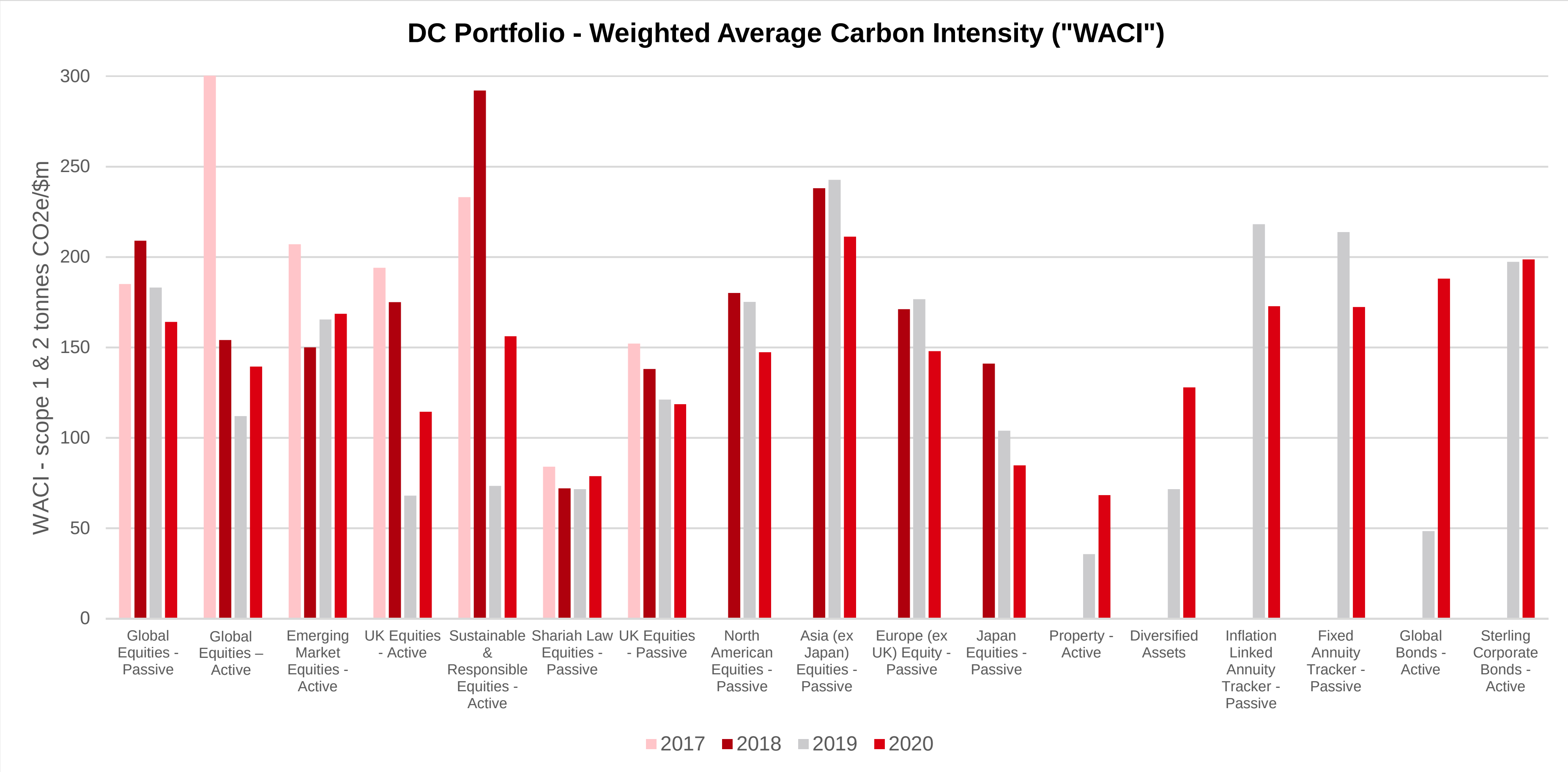
DC[2]	Metric	2020	2019
Portfolio Coverage	Scope 1 Emissions	85.0%	79.7%
	Scope 2 Emissions	84.6%	76.4%
	TPI Management Quality	76.2%	69.8%
Portfolio Carbon Footprint	tCO_2e/£m	103.5	106.3
Portfolio Total Absolute Emissions	tCO_2e	540,977	497,922
TPI Management Quality Score	Average score	2.7	2.5
	Lowest score	0.6	1.6
	Highest score	3.5	3.4

- The table below contains the Weighted Average Carbon Intensity (scope 1 and 2) figures at a fund-level, as calculated by FTSE Russell for the DC assets of the Scheme as at 31 December 2020.

DC[2]	31/12/2020				31/12/2019			31/12/2018			31/12/2017		
	FUM £m	Carbon Emissions Intensity (Weighted Average Carbon Intensity – Scope 1 & 2)			FUM £m	Carbon Emissions Intensity (Weighted Average Carbon Intensity – Scope 1 & 2)		FUM £M	Carbon Emissions Intensity (Weighted Average Carbon Intensity – Scope 1 & 2)		FUM £M	Carbon Emissions Intensity (Weighted Average Carbon Intensity – Scope 1 & 2)	
		Fund	Bmk	Diff		Fund	Bmk		Fund	Bmk		Fund	Bmk
Global Equities - Passive[3]	3,440	164	166	-1%	3,079	183	182	2,373	209	297	2,400	185	296
Global Equities – Active	414	139	149	-7%	401	112	172	383	154	214	433	301	489
Emerging Market Equities - Active	172	168	299	-44%	154	165	300	74	150	392	77	207	437
UK Equities - Active	84	114	137	-17%	89	68	123	72	175	138	83	194	152
Sustainable & Responsible Equities - Active	55	156	146	7%	33	73	169	24	292	189	27	233	544
Shariah Law Equities - Passive	76	79	191	-59%	43	72	222	24	72	72	20	84	84
UK Equities - Passive	27	119	119	0%	24	121	123	17	138	138	18	152	152
North American Equities - Passive	38	147	150	-2%	22	175	175	11	180	180			
Asia (ex Japan) Equities - Passive	13	211	219	-3%	6	243	243	3	238	238			
Europe (ex UK) Equity - Passive	9	148	148	0%	5	177	181	3	171	171			
Japan Equities - Passive	5	85	85	0%	3	104	104	2	141	141			
Property - Active	5	68	68	0%	13	36	36						
Diversified Assets	643	128	N/A	N/A	315	72	N/A				Not Previously Analysed		
Inflation Linked Annuity Tracker - Passive	30	173	157	10%	30	218	180	Not Previously Analysed					
Fixed Annuity Tracker - Passive	81	172	157	9%	78	214	180						
Global Bonds - Active	133	188	N/A	N/A	54	48	123						
Sterling Corporate Bonds - Active	4	199	220	-10%	3	197	N/A						

[2]Listed equities and liquid credit where carbon footprinting data is available. The portfolio's cash fund has been omitted from the analysis. The FTSE Russell carbon emissions analysis uses modelled data for those companies that do not report on their carbon emissions.
[3]The Global Equities passive fund is passively managed against the FTSE All World (ex-Controversial Weapons) Climate Balanced Factor Index - this index has climate tilts built within it. The benchmark used has been updated to reflect this for the 2020 and 2019 figures as in previous years the benchmark used in the tables was the FTSE All World (ex-Controversial Weapons) Balanced Factor Index (excluding climate tilts).

- The below chart illustrates the evolution of the Weighted Average Carbon Intensity on a fund-level within the DC Portfolio.



Appendix C: Exclusions & engagement

LGIM excluded the following ten companies from the Scheme's Global Equity exposure as at 31 December 2020.

- China Construction Bank Corporation
- Japan Post Holdings Co., Ltd.
- Loblaw Companies Ltd.
- Rosneft Oil Company
- Sysco Corporation
- Exxon Mobil Corporation
- Hormel Foods Corporation
- The Kroger Company
- MetLife, Inc.
- Korea Electric Power Corporation

This is an ongoing process. These companies could be repurchased if their engagement on climate change improves sufficiently. Conversely, other companies could be divested if the reverse is true. For example, since the last report Subaru was removed from the exclusion list due to improvements in their engagement on climate change in 2020.

There have been no new exclusions since the last report.

Appendix D: Data Disclaimer

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