



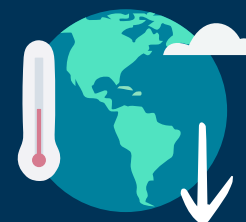
Our approach to achieving net zero for investments



Our climate targets



Net Zero¹ investments by 2040



75% reduction in scope 1 and 2 emissions² by 2030



Allocate a minimum 10% to climate solutions³



Align investments in material sectors⁴ to our net zero pathway by 2025

¹ Net zero refers to equalling the amount of greenhouse gases produced and the amount removed from the atmosphere, through the investments we make. This relates to scope 1, 2 and 3 emissions.

² Footnote tCO₂e are tonnes of CO₂ and equivalent greenhouse gas emissions calculated by converting amounts of other gases to the equivalent amount of carbon dioxide with the same global warming.

³ Climate change mitigation and climate change adaptation categories of the EU taxonomy standards.

⁴ Material sectors are outlined in the European Commission's Nomenclature of Economic Activities ("NACE") under codes A-H and J-L.

What is climate change?

Climate change is long-term shifts in temperature and weather patterns. Human activities such as burning fossil fuels like coal, oil and gas, have been some of the main drivers of climate change.

These activities cause the emission of greenhouse gases, mainly carbon dioxide, which are damaging our planet. These greenhouse gases are adversely affecting climate change by causing temperatures to rise (also known as global warming), intense droughts, water scarcity, severe fires, rising sea levels, declining biodiversity and more.

“Net zero” refers to equalling the amount of greenhouse gases produced and the amount removed from the atmosphere, through the investments we make.

Why does climate change matter to pensions?

Climate change can pose a risk to our members' pension investments if not managed effectively. These risks are interlinked with nature and biodiversity loss and can cause physical harm to companies, such as through environmental events like floods or storms, or transitional risk from changes in policy and new technologies, such as the growth of renewable energy. As well as managing these risks, there are climate and nature-related opportunities to invest in, which can provide good investment returns in the long term, in addition to helping with the issues around us.

What are we doing to tackle climate change?

We are focusing on making a real difference with how we invest by reducing our emissions and harm to nature, to ensure we stay ahead of the rising global temperature and reduce the risk in our investments. We have also committed to take action to remove deforestation from our investments and invest in sustainable projects and companies.

Our targets in detail



Net Zero¹ investments by 2040

We will increase our exposure to investments aligned with a net zero pathway, with the intention of making our investments' scope 1, 2 and 3 emissions net zero by 2040.



75% reduction in scope 1 and 2 emissions² by 2030

We have an interim target of 75% reduction in scope 1 and 2 emissions by 2030. We met our initial target of a 50% reduction by 2025 early, reaching this milestone at the end of 2022. This continues to be based on tonnes of CO2 equivalent per million pounds invested (tCO2e/£m) and will be reported annually in our Task Force on Climate-Related Financial Disclosures ("TCFD") report. We will continue to reduce our scope 3 emissions with the aim to be net zero by 2040. We recognise scope 3 emissions may lag scope 1 and 2 over time, as further improvements are needed to be made to the availability of data and its quality.



Invest a minimum of 10% into climate solutions³

We are aiming to consistently allocate a minimum of 10% of our default growth fund to climate solutions. These are projects or products which help us to adapt to climate change occurring and/or reduce and stabilise the amount of greenhouse gases in our atmosphere, such as companies supplying renewable energy.



Align our assets in material sectors⁴ to our net zero pathway by 2025

We recognise that reducing our emissions and targeting net zero by 2040 will require active engagement with companies and investments in new opportunities. Our voting and engagement policy focuses on aligning material sectors to a net zero pathway, including power, oil and gas upstream sectors, car manufacturing, cement, steel and aviation. Where possible we look to have more control over voting and external manager engagements.