NatWest Group Retirement Savings Plan

Climate change report

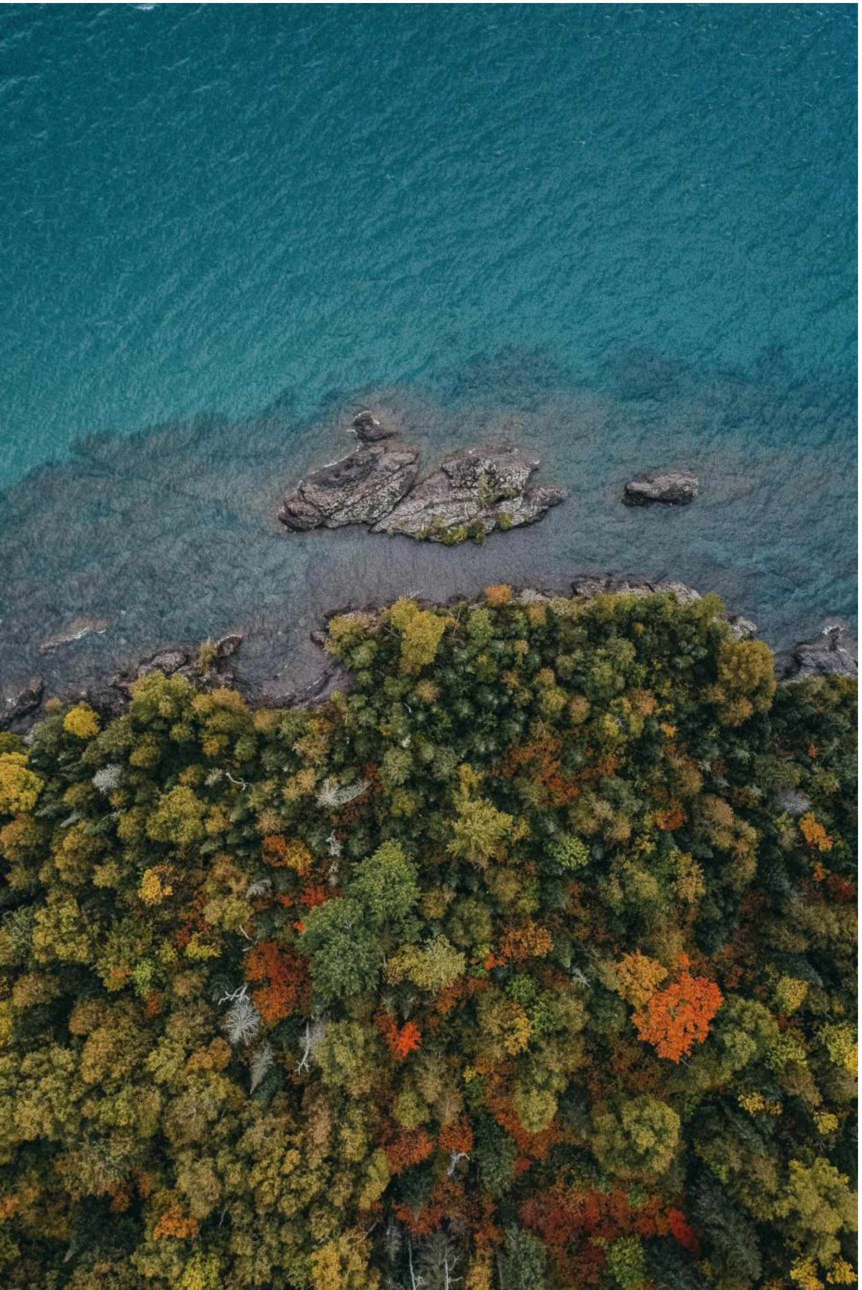
A report for members by the Trustee of the NatWest Group Retirement Savings Plan

Plan year to 30 September 2024

Contents

This report describes how the Trustee has identified, assessed and managed climate-related risks and opportunities to the Plan during the Plan year to 30 September 2024.

Why have we written this report?



The UK has become the first G20 country to make it mandatory for Britain's largest companies and financial organisations to disclose their climate-related risks and opportunities.

This is part of the Government's commitment to make the UK financial system the greenest in the world.

This report provides members with the opportunity to find out more about the work carried out by the Trustee in relation to climate change.

It is the third climate change report produced by the Trustee of the Plan. We hope you find it informative and would welcome any feedback.

[Signed]

Chair of the Trustee of the NatWest Group Retirement Savings Plan

Executive Summary

1. Governance

The Trustee has a robust framework for managing the Plan, including setting clear expectations and responsibilities in relation to climate change.

A Climate Governance Statement defines responsibilities of everyone involved

Climate-related risks and opportunities are reviewed regularly in light of the Trustee's beliefs

The Plan's asset manager and advisers support the Trustee on climate-related matters

2. Strategy and Risk Management

The Trustee has taken steps to understand how climate change might affect the Plan and to control the risks it has identified. Based on the analysis carried out, the Trustee expects climate change to potentially impact the Plan more significantly over the longer term. It aims to reduce the risks to the Plan in several ways, including:

Encouraging the Plan's managers to engage with investee companies to understand their carbon intensity, and where possible put in place Science-Based Targets to reduce it over time

Seeking to appoint investment managers who invest responsibly, in line with the Trustee's beliefs

Regularly reviewing the Plan's investment managers' climate practices

Using the Plan's influence as an investor to encourage climate action

3. Metrics

The Trustee has collected and reviewed information about the greenhouse gas emissions and carbon footprint for the assets the Plan invests in to help it understand the Plan's exposure to climate risks. The Trustee has set a target to increase the proportion of companies it invests in with science-based emissions reduction targets.

Collected and reviewed greenhouse gas emissions data for the Plan's investments

Reviewed proportion of investments with no data

Target for a 50% increase in assets with emissions reduction targets by 2027

Introduction

The Trustee of the Plan views climate change as a risk to society, the economy, and the financial system. It also recognises that reducing carbon production throughout the economy could present investment opportunities.

These risks and opportunities have the potential to affect members' assets in the Plan (e.g. through the impact they have on the businesses these assets are invested in). The Trustee monitors this potential impact and seeks to encourage its investment managers to engage with investee companies to reduce climate-related risks for members by setting Science-Based Targets.

About the NatWest Group Retirement Savings Plan

The Plan is a Defined Contribution ("DC") pension scheme, with assets of c.£2.4bn as at 30 September 2024. Members are automatically enrolled into the Drawdown Lifestyle strategy ("default strategy"), unless they actively choose one of the alternative strategies available. The majority of members (c.87%) are invested in the default strategy. For the avoidance of doubt, the information presented in this report relates to default strategy.

The purpose and structure of this report

This report provides members with the opportunity to find out more about the processes carried out by the Trustee in relation to climate change. It describes how the Trustee has identified, assessed, and managed climate-related risks and opportunities to the Plan during the year to 30 September 2024. It is the Plan's second official report in line with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD), as required by the 2021 Climate Change Governance and Reporting Regulations. However, this is the third general climate change report produced by the Trustee, with the first initial report published ahead of the TCFD requirements.

The key areas addressed in this report are summarised below.

1. **Governance** – This section sets out information on the governance framework and how it operates in practice.

2. **Strategy and Risk Management** – This section describes how climate-related risk is measured and controlled in investment.

3. **Climate Scenario Analysis** – The Trustee carried out climate scenario analysis in July 2023. The analysis looked at three possible scenarios, which are set out in this section.

4. **Metrics and Target** – This section contains data the Trustee has collected and reviewed from managers, and the target this is assessed against. The metrics include, among others, the total greenhouse gas emissions and the carbon footprint of the Plan's investments.

Oversight of climate-related risks and opportunities

1. The Trustee's role

The Trustee of the Plan has ultimate responsibility for ensuring effective governance of climate change risks and opportunities in relation to the Scheme. This is done by the Trustee Board, with support from the Trustee Secretary, the Plan's asset manager (RIEL) and the Trustee's external consultants.

The Trustee has agreed a Climate Governance Statement. The Statement documents the governance processes the Trustee has put in place to ensure that it has oversight of the climate-related risks and opportunities relevant to the Plan, and that it can be confident that its statutory and fiduciary obligations are being met. It also sets out how climate governance will be incorporated into the Trustee's usual operations to ensure that climate issues are properly and regularly considered as part of its oversight of the Plan.

Under the terms of the Statement, the Trustee Chair is responsible, with support from the Trustee Secretary, for ensuring that sufficient time is allocated for consideration and discussion of climate matters by the Trustee Board and its advisers.

The Trustee Board is responsible for:

- ensuring the Trustee has sufficient knowledge and understanding of climate change to fulfil its statutory and fiduciary obligations and is keeping this knowledge and understanding up to date. This includes knowledge and understanding of the principles relating to the identification, assessment, and management of climate-related risks and opportunities for the Plan;
- putting effective climate governance arrangements in place;
- determining the short-, medium- and long-term periods to be used when identifying climate-related risks and opportunities for the Plan;
- identifying and assessing the main climate-related risks and opportunities for the Plan over these time periods and documenting the management of them;
- incorporating climate-related considerations into strategic decisions relating to the Plan's investment arrangements;
- incorporating climate-related considerations into the Plan's investment beliefs, investment policies, risk register, and contingency planning and monitoring framework;
- selecting and regularly reviewing metrics to inform its identification, assessment, and management of climate-related risks and opportunities;
- ensuring that the Plan's investment and legal advisers, as well as its asset manager (RIEL), have clearly defined responsibilities in respect of climate change, that they have adequate expertise and resources, including time and staff, to carry these out, that they are taking adequate steps to identify and assess any climate-related risks and opportunities that are relevant to the matters on which they are advising, and that they are adequately prioritising climate-related risks;
- considering and documenting the extent to which the advisers' responsibilities are included in any agreements, such as investment consultants' strategic objectives and service agreements;

Oversight of climate-related risks and opportunities

1. The Trustee's role (continued)

- ensuring that RIEL is aware of the Trustee's climate-related considerations, including the risks and opportunities it identifies, and factoring these into the selection of investment managers / funds and the investment strategy's asset allocation;
- ensuring that the Plan's investment managers are managing climate-related risks and opportunities in relation to the Plan's investments, and have appropriate processes, expertise, and resources to do this effectively; and
- communicating with Plan members and other stakeholders on climate change where appropriate, including public reporting in accordance with The Occupational Pension Plans (Climate Change Governance and Reporting) Regulations 2021, and The Occupational and Personal Pension Plans (Disclosure of Information) Regulations 2013 (together "TCFD reporting").

The Trustee's views on Net Zero alignment

The Trustee has considered Net Zero alignment and believes that climate change and other environmental issues represent a significant financial risk to members. The Trustee believes that it is in the interests of the membership as a whole for there to be an orderly transition to Net Zero in line with the Paris Agreement Targets. The Trustee has, therefore, been working on several initiatives to make a difference in respect of climate change.

The Trustee believes that to achieve the Paris agreement targets, all stakeholders need to align to a 1.5°C world. This requires governments, corporates, regulators, asset managers, and asset owners to work towards a consistent target. The Trustee recognises that the world is not currently on track to reach this target and acknowledges the part it can play to get there. The Trustee believes that companies that take climate change seriously and manage their businesses accordingly will achieve better results in the long term.

ESG and climate-related beliefs within the Statement of Investment Principles (SIP)

- Environmental, social and governance ("ESG") factors are sources of risk to the Plan's investments, some of which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks investment options that address these risks and to appoint investment managers who will manage these risks appropriately on its behalf. From time to time, it reviews how these risks are being managed in practice.
- Given that most of the Default's risk asset exposure is to passive equity, the Trustee believes that engaging with managers (who will in turn engage with investee companies) to reduce the potentially negative impact of ESG risks is the most effective way of improving expected risk adjusted returns in the portfolio.
- The Trustee has considered both engagement and exclusion as means of integrating ESG factors into the passive equity exposure within the Default fund. It is strongly supportive of engagement as a means of improving the behaviour of market participants, thereby improving the returns delivered by the market as a whole. The Trustee has a general preference for engagement over exclusion, however in certain cases it is supportive of exclusions where it believes that engagement is unlikely to be successful. These cases are also those where the Trustee believes holding such companies may result in risks to financial value. It is not supportive of exclusions that simply result in the ESG problem being moved to different ownership, where scrutiny and challenge may be less robust.
- Climate risk represents both a threat and an opportunity to the Plan and the Trustee would welcome the development of investment strategies to exploit this opportunity, particularly within illiquid assets.
- The Trustee recognises its responsibilities as an owner of capital. It believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments and are the most effective way of mitigating systemic ESG risks.

Oversight of climate-related risks and opportunities

2. Other stakeholders and their roles

The Trustee is advised and assisted on climate-related matters by its consultants and has delegated management of the Plan's assets to RIEL. The roles of these stakeholders are set out below. Before taking decisions, the Trustee discusses advice and recommendations with relevant stakeholders as appropriate, and as a Trustee Board.

As a general rule, when the Trustee reviews agreements with external advisers, or appoints new advisers, it considers the extent to which the advisers' climate-related responsibilities are included in the agreements and / or any adviser objectives set.

Asset Manager

In broad terms, as requested by the Trustee, the Plan's asset manager (RIEL) will, in combination with the Plan's investment adviser:

- oversee implementation of the Trustee's climate-related investment policies;
- advise on how climate risks may be managed through the Plan's investment strategy;
- identify, research, and propose appropriate investment opportunities that could assist in meeting the Trustee's climate-related objectives;
- encourage the Plan's investment managers to improve their management of climate-related risks and opportunities through active engagement and stewardship of investee companies; and
- advise the Trustee on the appropriateness and effectiveness of the Plan's investment managers' processes, expertise, and resources for managing climate-related risks and opportunities, given the Trustee's investment objectives and beliefs, and engaging with the managers to improve their climate-related integration over time.

Investment managers

In broad terms, the Plan's investment managers are responsible for:

- identifying, assessing, and managing climate-related risks and opportunities in relation to the Plan's investments, in line with the investment management arrangements agreed with the Trustee;
- exercising rights (including voting rights) attaching to the Plan's investments, and undertaking engagement activities in respect of those investments, in relation to climate-related risks and opportunities in a way that seeks to improve long-term financial outcomes for Plan members;
- reporting on stewardship activities and outcomes in relation to the Plan's investments, wherever feasible; and
- providing information to the Plan's investment adviser on climate-related metrics in relation to the Plan's investments, as agreed from time to time, and using its influence with investee companies and other parties to improve the quality and availability of these metrics over time.

Oversight of climate-related risks and opportunities

2. Other stakeholders and their roles (continued)

Investment adviser

In broad terms, as requested by the Trustee, the Plan's investment adviser will:

- provide training and other updates to the Trustee on relevant climate-related matters;
- help the Trustee to formulate its investment beliefs in relation to climate change and reflect these in the Plan's investment policies and strategy;
- in combination with RIEL, advise how climate-related risks and opportunities might affect the different asset classes in which the Plan might invest over the short-, medium- and long-term, and the implications for the Plan's investment strategy;
- assist the Trustee in incorporating climate change in its investment monitoring;
- advise on the inclusion of climate change in the Plan's governance arrangements and risk register, working with the Trustee and other relevant stakeholders, as appropriate;
- assist the Trustee in identifying, monitoring, and using suitable climate-related metrics in relation to the Plan's investments, including liaising with the Plan's investment managers regarding provision of the metrics; and
- lead on the preparation of the Trustee's TCFD reporting and assist with other communication with stakeholders in relation to climate change, working with the Trustee and its other advisers as appropriate.

ESG-related objectives set for investment adviser

- Help the Trustee develop and define their ESG policy and stewardship policy into the investment strategy.
- Help the Trustee to have a good understanding of the range and nature of investment risks to which members are exposed, and the size of those risks.
- Inform the Trustee of any relevant regulatory changes, and help the Trustee to be compliant with investment regulations and TPR investment guidance.

The Trustee formally reviews its investment adviser annually against these objectives, ensuring they are taking adequate steps to identify, assess and manage climate-related risks and opportunities.

Legal adviser

In broad terms, the Plan's legal adviser is responsible, as requested by the Trustee, for:

- providing training and other updates to the Trustee on relevant climate-related legal matters;
- ensuring the Trustee is aware of its statutory and fiduciary obligations in relation to climate change and working with the Trustee's other advisers to ensure alignment between these obligations;
- where requested, working with the Trustee's other advisers to assist the Trustee in any formulation of its investment beliefs in relation to climate change;
- where requested, working with the Trustee's other advisers to assist the Trustee in the identification and monitoring of climate-related metrics in relation to the Plan's investments;
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change in its governance arrangements, risk register, and communication with stakeholders (including, but not limited to, its TCFD reporting) as appropriate; and
- where requested, assisting in the documentation of any contractual requirements to be included in the arrangements with the Plan's investment managers with respect to the governance, management, and reporting of climate-related matters.

The Trustee regularly reviews the performance of its advisers to ensure they are meeting their responsibilities in respect of climate-related matters.

Oversight of climate-related risks and opportunities

3. Trustee monitoring

The Trustee considers a range of different information about the climate change risks and opportunities faced by the Plan to enable it to fulfil its responsibilities set out above.

Monthly review

At its regular Board meeting each month, the Trustee will receive and review updates on the Plan's investments from the Plan's investment advisers and / or RIEL.

Relevant documents will incorporate climate-related risks and opportunities as appropriate, in accordance with the roles and responsibilities set out in Section 2.

Annual review

At one or more Board meetings each year, the Trustee will review, revise (where appropriate), and approve:

- its governance arrangements, investment beliefs, and investment policies in relation to climate change;
- the Plan's risk register, following review and updates from its advisers;
- its draft TCFD reporting;
- a draft business plan for the following year that outlines the main topics due to be discussed at each Board meeting, including climate-related topics, and the papers expected from advisers in relation to each item.

At one or more Board meetings each year, the Trustee will review:

- a responsible investment report from the Plan's investment advisers that reviews the Plan's investment managers in relation to ESG factors and climate change;
- data on ESG metrics for the Plan's investments from its investment advisers, including at least three climate-related metrics, and performance against any targets set in relation to these metrics;
- whether to retain or replace any targets set in relation to these metrics;
- whether it is appropriate to carry out scenario analysis that illustrates how the Plan's assets might be affected under various climate change scenarios, in years when this is not required because it has been carried out within the previous two years;
- the advisers' climate competency and assess how they have performed against their climate responsibilities; and
- training from its investment advisers and, where appropriate, its legal advisers on ESG issues.

Oversight of climate-related risks and opportunities

3. **Trustee monitoring (cont.)**

Less frequent reviews

The Trustee will consider climate-related risks and opportunities whenever a review of the Plan's investment strategy is undertaken. The next review is scheduled for Q1 2026.

The Trustee will also, at least every three years, and following any major changes in the Plan's position, review:

- its choice of short-, medium-, and long-term time periods to be used when identifying climate-related risks and opportunities to the Plan;
- the results of scenario analysis that illustrates how the Plan's assets might be affected under various climate change scenarios, and the implications for the resilience of the Plan's investment strategies;
- its choice of metrics to inform its identification, assessment, and management of climate-related risks and opportunities.

Whenever reviewing agreements with external advisers, or appointing new advisers, the Trustee will consider and document the extent to which the advisers' climate-related responsibilities are included in the agreements and / or any adviser objectives set.

Within the monitoring arrangement used, the Trustee questioned and, where appropriate, challenged the information provided to it. An example in the Plan Year is the Trustee's engagement with LGIM on requests to improve the manager's stewardship practices, via better record keeping and a greater level of oversight for its automated voting. LGIM met the with Trustee and discussed the steps it was undertaking to resolve these concerns.

Activities during the 2023-2024 Plan Year

At its monthly Board meetings, the Trustee received and reviewed updates on the Plan's investments from RIEL. During the Plan Year, some of the Trustee's climate-related activities and training related to:

- conducting a deep-dive into one of its manager's stewardship practices and considering recommended improvements (Q4 2023);
- reviewing the responsible investment credentials of the Plan's managers (Q4 2023);
- undertaking an annual review of the climate scenario analysis to determine whether it is appropriate to update the analysis (Q1 2024);
- analysing data on ESG metrics for the Plan's investments, including at least four climate-related metrics (Q1 2024);
- updating the Plan's SIP and governance documents to reflect the Trustee's policy on stewardship and voting rights (Q2 2024); and
- introducing an ESG-focussed fund to the Plan's self-select range (Q3 2024);

Activities scheduled for the 2024-2025 Plan Year

As part of its TCFD compliance activities, the Trustee plans to undertake the following actions over the next Plan Year:

- Review whether to update the Plan's most recent climate scenario analysis (Q1 2025).

The level of time and resources spent on climate-related risks and opportunities is used because the Plan has, to date, had access to a budget to support this level of governance. The Trustee's climate-related activities have largely focussed on stewardship to date as the Trustee is strongly supportive of engagement as a means of improving the behaviour of market participants.

As the Plan is open to new members and therefore exposed to the long-term impacts of climate-related risks, the Trustee has considered this one of the Plan's strategic priorities.

Section 2 – Strategy and Risk Management

Introduction

The Trustee has implemented a number of processes and tools for identifying, assessing, and managing climate-related risks and opportunities, including:

- Climate scenario analysis;
- Monitoring of metrics; and
- Stewardship activities.

The Trustee also ensures its advisers have processes in place to help it research its investment managers' climate-related practices, thereby helping it make informed judgments about its managers.

These tools have helped the Trustee consider issues such as:

- Which climate change risks are most material to the Plan;
- How to take account of transition and physical risks; and
- How climate change affects the Trustee's risk appetite.

The tools are used to identify the key risks that the Trustee should focus on which are then added to the Plan's risk register. The Trustee assesses these risks as part of its investment decision-making processes and monitors them through its risk register to ensure all risks are being considered and managed consistently and proportionately.

How the Trustee has assessed climate exposure

The Trustee has used climate scenario analysis to identify, assess and manage climate-related risks and opportunities. In particular, it has used the analysis to identify the time horizons over which physical risks and transition risks to Plan members could materialise.

Using the scenario analysis, the Trustee has considered what the possible impacts of climate change could be over short-, medium-, and long-term time horizons and whether its investment strategy is likely to be robust against these risks (or able to take advantage of any opportunities). Climate scenario analysis was carried out for the Plan in July 2023 (see Section 3).

The Trustee will carry out scenario analysis at least every three years and check annually if the review should be carried out sooner. The results will feed into the Trustee's discussions and decisions on the default investment option and how members could be impacted at different ages over different time periods.

Identification and assessment of climate-related risks and opportunities relevant to the Plan

Trustees must decide the short-, medium- and long-term time horizons that are relevant to their scheme. It is up to trustees how they determine their time horizons for the purpose of identifying and assessing climate-related risks and opportunities.

The Trustee has defined the below time horizons for the Plan. In setting these time horizons, the Trustee has taken into account the membership profile and the timing of widely held future climate milestones.

Given that the Plan is open to new members, the long-term time horizon is relevant for members who are currently far from retirement but will be taking their benefits in the future.

The Trustee will review the designated time periods regularly and following any material change to the Plan's membership. These time horizons have informed the Trustee's climate-related considerations and decisions during the year.

Time horizon	Description
Short-term	**4 years** - The next 4 years will be a crucial time for governments around the world to take action. There will be a heightened potential for market shocks during this transition period.
Medium-term	**6 years** – A timeframe aligns with Paris Agreement's objectives to reduce emissions and many schemes are aiming to lower their funded emissions by 50% by 2030. Over this period, data availability is also likely to improve to enable schemes to make more informed decisions.
Long-term	**30+ years** – A timeframe that the Paris Agreement's 2050 'Net Zero' target will be past and which the physical impacts of climate change we increasingly impact members.

Overview of the climate-related risks and opportunities relevant to the Plan that the Trustee has identified

The Trustee has identified and assessed the risks and opportunities to the Plan over the short-, medium-, and long-term time horizons identified by the Trustee (see below).

These risks and opportunities are considered further in the following sections, where we discuss further the Trustee's approach to investment risks and opportunities.

	Key risks	*Key opportunities*
Short term	Older members within 10 years of retirement will be most exposed to transition risks in the short term in the event of a Net Zero Financial Crisis scenario.	Over the short term, there is huge opportunity for innovation to drive down carbon use across many industries through the creation and use of new technology.
Medium term	Transition risks may still be heightened over the medium term, creating volatility. Market returns may be lower if disorderly transition harms economic performance.	Over the medium term, new low carbon industries may emerge which require longer term funding to scale up to meet the low carbon transition goals. The Plan currently offers an ESG-focussed self-select fund which in part invests in companies that can benefit from the transition to a net zero economy.
Long term	Physical risks are most severe in the High Warming pathway, impacting those members 30 years or more from retirement.	By 2050, most companies should be net zero or even carbon negative if Paris goals are to be met. Opportunities arise from renewable infrastructure assets which will be a key part of any future energy network. The Plan's Default strategy currently has an investment in a clean energy infrastructure fund.

Processes and tools for identifying, assessing, and managing climate-related risks and opportunities

The Trustee has implemented a number of processes and tools for identifying, assessing, and managing climate-related risks and opportunities, including:

- receiving training on various climate-related topics;
- ensuring its advisers have processes in place to help it research its investment managers' climate-related practices; and
- ensuring good stewardship practices are in place.

The Trustee expects its investment managers to identify, assess, and manage climate-related risks to the Plan's assets on an ongoing basis. The above processes are integrated into the overall risk management of the Plan through the business plan, the risk register and regular support from the Trustee's advisers. The risk register is updated regularly to ensure all risks are being monitored and managed consistently and proportionately.

These processes have helped the Trustee consider issues such as:

- Which climate change risks are most material to the Plan;
- How to take account of transition and physical risks across different asset classes; and
- How climate change affects the Trustee's risk appetite.

The processes and tools stated above are used to identify the key risks and opportunities that inform the Trustee's investment decision processes.

Tools the Trustee has employed include:

- undertaking climate scenario analysis which shows how the Plan's assets might be affected under a range of climate scenarios;
- reviewing its investment adviser's assessments of the Plan's investment managers' climate practices;
- monitoring a range of climate-related metrics in relation to the Plan's assets; and
- updating the risk register regularly to ensure all risks are being monitored and managed consistently and proportionately.

The Trustee has used the climate scenario analysis as a key tool for identifying, assessing and managing climate-related risks and opportunities. In particular, the analysis was used to identify the time horizons over which the physical risks and transition risks could materialise (see page 13).

The Trustee has considered what the possible impacts of climate change could be over each of these time horizons and whether its investment strategies are likely to be robust against these risks (or able to take advantage of any opportunities).

Taking this into account, the Trustee has made an investment in the NTR Clean Power fund within the Diversified Growth Fund, which seeks to take advantage of such opportunities. The Trustee has also made available an ESG-focussed fund in the Plan's self-select fund range.

Climate metrics

The Trustees receives and reviews detailed climate metrics data from its investment adviser and investment managers on an annual basis. In particular, the Trustee has been monitoring the Plan's climate change metrics since 2020, two years before the Trustee was formally required to do so. Climate metrics for the most recent Plan Year are reported in Section 4 of this report.

Risk register

The Trustee maintains a risk register covering the wide range of risks applicable to the Plan. This includes a number of specific climate risks to ensure that the Trustee manages these as part of its regular risk reviews.

The potential impacts identified in the risk register that arise from climate risks include:

- Poor member outcomes;
- Ineffective / inefficient management of climate risks (i.e. by investment managers);
- Lower member engagement; and
- The reputational risk to the NatWest brand from failing to comply with relevant regulations / public expectations.

The Trustee also identified potential opportunities for improving member outcomes arising from climate-related opportunities.

The Trustee reviews the risks and opportunities regularly to ensure they are current, to assess any significant priority risks and opportunities to manage / embrace and to ensure regular action is maintained in monitoring and mitigating the risks identified.

The Trustee's current assessment, based on consideration of their impact and likelihood, is that climate-related risks are fairly low risk for the Plan, relative to other risks. While this assessment has not led to a significant change to the design of Plan's default strategy to date, the Trustee believes that climate-related risks should continue to be monitored using existing monitoring processes.

Investment monitoring

The Plan's asset manager provides quarterly investment performance monitoring reports in respect of the Plan's default and self-select investment arrangements. No concerns about the investment managers' approaches to mitigating climate risks were raised by the asset manager over the year.

The Trustee also receives and reviews information about its investment managers' responsible investment credentials, including climate change mitigation, regularly. This information is provided by the Plan's investment adviser, LCP, and is based on proprietary manager research carried out by LCP.

In the latest report presented by the Trustee's investment adviser, it identified two investment managers that have not signed up to the UK Stewardship Code. It was agreed that given one manager is based in the US and the other manager does not invest in equities, that this is expected, and no further action will be taken.

What is the Stewardship Code?

The Stewardship Code aims to enhance the quality of engagement between investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities.

Signatories to the UK Stewardship Code include asset managers, asset owners, and the service providers that support them. Signatories are required to report annually on their stewardship policies, processes, activities, and outcomes for a 12-month reporting period.

Section 2 – Strategy and Risk Management

Approach to stewardship

It is the Trustee's general belief that there is insufficient evidence as to whether markets are good or efficient at pricing unknown risks like climate risk. Therefore, the Trustee does not feel it is able to take an ex-ante position on the market overall. Instead, the Trustee believes Paris alignment can be best achieved by engaging with asset managers and investees.

The Trustee uses stewardship to help manage climate-related risks. Voting and engagement activities are delegated to the individual investment managers. Each manager has its own ESG policy, which includes assessment of climate-related risks and policies on voting on climate-related resolutions.

In order to monitor how the individual investment managers are exercising their voting rights and undertaking engagement on behalf of the Trustee's asset manager, RIEL:

- periodically meets with the Plan's investment managers, to engage with them on how they have considered ESG issues (including climate change) within their stewardship activities and will seek to challenge the investment managers on these matters where they think this is in the best interests of members; and
- further monitors the investment managers by receiving stewardship and governance reports from the investment managers on a regular basis.

Stewardship activities over the Plan Year

The Trustee conducted a deep dive into LGIM's voting, engagement and stewardship practices in November 2023. The Trustee reviewed LGIM's strength and weaknesses in these areas compared to other passive managers. The Trustee also met and engaged with LGIM on particular 'asks' to improve the manager's stewardship practices with respect to record keeping and safeguards to ensure LGIM's voting practice matches its principles.

In May 2024, the Trustee updated the SIP to clarify its policy on non-financial considerations, particularly members' ethical views and the output of Deliberative Democracy.

The Trustee also revised wording with respect to its policy on stewardship and voting rights, focusing on the Trustee's preference for engagement over exclusion and the situation in which exclusions may be used.

During the 2024-2025 Plan Year, the Trustee will continue to engage in the Sustainable Futures Network, a Company initiative that aims to understand member beliefs on ESG and sustainability.

Case Study: The Goldman Sachs Group, Inc. (April 2024)

- LGIM invests in the Goldman Sachs Group, Inc ("Goldman Sachs") through its underlying investment funds, such as the MSCI ACWI Equity Index ESG Exclusions Fund. Shareholders were invited to vote on 'Resolution 8 – Report on Clean Energy Supply Financing Ratio" on 24 April 2024.
- LGIM voted in support of the resolution despite Goldman Sachs' management recommending to vote against it. This is because LGIM believes that banks and financial institutions have a significant role to play in shifting financing away from 'brown' industries to support the transition to 'green' initiatives.
- LGIM expects the company to conduct thorough analysis and reporting on climate change issues, as it considers this to be a material risk to businesses.

Climate Scenarios Considered

The Trustee carried out climate scenario analysis in July 2023 with the support of its investment adviser, LCP. The analysis looked at three possible scenarios, which are set out in the table below.

The Trustee acknowledges that many alternative plausible scenarios exist, but found these were a helpful set of scenarios to explore how climate change might affect the Plan in future.

The intricacies of climate systems present considerable difficulties in modelling the impacts on pension schemes' assets. This is particularly true in the Failed Transition scenario where over 4°C of warming is observed. Due to the unprecedented nature of such warming, it is challenging to encompass all potential consequences within the modelling process. Simplifications in the modelling, such as not allowing for tipping points, mean the actual impact on pension schemes is likely to be more significant than is currently being modelled.

As long as these limitations are understood, the scenarios still provide valuable insights to inform climate risk assessment and management.

To provide further insight, the Trustee also compared the outputs under each scenario to a “climate uninformed base case”, which makes no allowance for either changing physical or transition risks in future.

These scenarios show that equity markets could be significantly impacted by climate change with lesser but still noticeable impacts in bond markets. All three scenarios envisage, on average, lower investment returns and these result in lower retirement outcomes for DC members.

The Trustee will carry out scenario analysis at least every three years and check annually if the review should be carried out sooner.

The Trustee reviewed whether it was appropriate to update this analysis in March 2024. It was agreed that there have not been any material changes to the assets under scope, the availability of data, the Plan’s investment strategy, industry practice or modelling capabilities which warrant updating the climate scenario analysis for this report.

Transition	Description	Why the Trustee chose it
High Warming	Global net zero carbon emissions is not reached by 2050; only existing climate policies are implemented and temperatures rise significantly.	To explore what could happen to the Plan’s finances if carbon emissions continue at current levels and this results in significant physical risks from changes in the global climate that disrupt economic activity.
Limited Action	Policymakers implement limited new climate policies and fall short of meeting the Paris Agreement goals.	To see how the Plan’s finances could play out if there is some, limited, climate action taken meaning that temperatures still rise - resulting in increased physical risks - and policy changes result in some transition risks as financial markets adjust.
Net Zero Financial Crisis	Global net zero carbon emissions is achieved by 2050; rapid and effective climate action (including using carbon capture and storage), but financial markets are initially slow to react and then react abruptly.	To look at the risks and opportunities for Plan Scheme if global net zero carbon emissions is achieved by 2050, but financial markets are volatile as they adjust to a low carbon economy.

Climate Scenarios Considered (cont.)

The key features of each of the climate scenarios considered are summarised in the table below.

Scenarios:	High Warming	Limited Action	Net Zero Financial Crisis
Low carbon policies	Continuation of current low carbon policies and technology trends (eg significant falls in renewable energy prices)	Moderate steps taken by policymakers to increase climate action including working towards the 2030 targets and net zero commitments. Carbon Capture and Storage also used.	Ambitious low carbon policies, high investment in low carbon technologies and substitution away from fossil fuels to cleaner energy sources and biofuel. Carbon Capture and Storage also used to achieve global net zero by 2050
Paris Agreement outcome	Paris Agreement goals not met	Paris Agreement goals not met	Global net zero CO_2 achieved by 2050; Paris Agreement goals met
Global warming	Average global warming is about 2°C by 2050 and 4.2°C by 2100, compared to pre-industrial levels	Average global warming is about 1.8°C by 2050 and 2.8°C by 2100, compared to pre-industrial levels	Average global warming stabilises at around 1.5°C above pre-industrial levels
Physical impacts	Severe physical impacts	High physical impacts	Moderate physical impacts
Impact on GDP	Global GDP is significantly lower than the climate-uninformed scenario in 2100. For example, UK GDP in 2100 predicted to be almost 50% lower than in the climate-uninformed scenario	Global GDP is lower than the climate-uninformed scenario in 2100. For example, UK GDP in 2100 predicted to be about 30% lower than in the climate-uninformed scenario	Global GDP is lower than the climate-uninformed scenario in 2100. For example, UK GDP in 2100 predicted to be about 5% lower than in the climate-uninformed scenario
Financial market impacts	Physical risks priced in over the period 2026-2030. A second repricing occurs in the period 2036-2040 as investors factor in the severe physical risks	Physical risks priced in over the period 2026-2030. A second repricing occurs in the period 2036-2040 as investors factor in the high physical risks	Abrupt repricing of assets and a sentiment shock to the financial system in 2025

Source: Ortec Finance. Figures quoted are medians.

Modelling approach

- The scenario analysis is based on a model developed by Ortec Finance and Cambridge Econometrics. The outputs were then applied to the Plan's assets by LCP.
- The three climate scenarios are projected year by year, over a 40-year period for the Plan's accumulation phase. The results are intended to help the Trustee to consider how resilient the DC default strategy is to climate-related risks.
- The three climate scenarios chosen are intended to be plausible narratives of how the future could unfold. They are only three scenarios out of countless others which could be considered. Other scenarios could give better or worse outcomes for the Plan.

Post-retirement scenario analysis

The Trustee believes the assumption that members do not remain invested post-retirement is not realistic, particularly given their current expectation that a large proportion of Plan members will choose to gradually withdraw their pension savings during retirement (i.e. drawdown).

However, the current modelling capability does not allow the Trustee to consider members in retirement. For this reason, the climate scenario analysis presented in this report only extends to each example member's retirement age.

Modelling limitations

- As this is a "top-down" approach, investment market impacts were modelled as the average projected impacts for each asset class. This contrasts with a "bottom up" approach that would model the impact on each individual investment held by the default strategy.
- As such, the modelling does not require extensive scheme-specific data and so the Trustee was able to consider the potential impacts of the three climate scenarios for all of the Plan's assets in the default strategy. In practice, the Plan's investments may not experience climate impacts in line with the market average.
- Like most modelling of this type, the modelling does not allow for all potential climate-related impacts and, therefore, is quite likely to underestimate some climate-related risks. For example, tipping points (which could cause runaway physical climate impacts) are not modelled and no allowance is made for knock-on effects, such as climate-related migration and conflicts.
- In addition, the model presumes that the UK government and bank counterparties will remain solvent, thereby making no allowance for credit risk on government bonds and derivative exposures. However, in a scenario where global warming exceeds 4ºC, this assumption may no longer be valid.
- Medians from Ortec Finance's model outputs are used to project forward assets, which means the results reflect the model's "middle outcomes" for investment markets under the three scenarios. Allowing for market volatility would result in better or worse model outputs than shown. Investment markets may be more volatile in future as a result of physical and transition risks from climate change, and this is not illustrated in the modelling shown.

Potential Plan impacts under each scenario

The scenario analysis looked at the retirement outcomes (in terms of the size of retirement pots) for individual members of different ages who are invested in the Default strategy.

The analysis highlighted that members will be subject to climate risks to varying degrees. In addition to the impact over time on members' pots, the Trustee notes that market shocks for members near retirement can be particularly detrimental to their retirement planning and outcomes.

- In the short-term, older members who may retire within the next 10 years could see a sharp decrease in their benefits under a Net Zero Financial Crisis scenario, as their fund remains invested in return-seeking assets to some degree all the way to retirement, although the proportion decreases over time which helps to mitigate this risk.

- In the medium-term, members with 10 or more years until they retire are likely to see an impact on their retirement funds, either initially from a Limited Action scenario, or later on under a High Warming scenario as the impacts of physical climate change impact their benefits during their period to retirement.

- In the long-term, younger members would see the biggest detrimental impact to their benefits under a High Warming scenario and this impact could reduce the level of their benefits by more than 30%.

The Trustee believes that it is imperative to avoid a High Warming outcome to prevent the worst effects of climate change being felt. The Trustee believes that it cannot do this by lowering the emissions of its investments in isolation; the whole world needs to lower emissions. The Trustee's focus therefore is to encourage companies to adopt a science-based net zero target. Further details are provided in the next section.

The Trustee has considered the resilience of the default strategy to the scenarios based on the expected impacts on members pots and the climate-related risks and opportunities identified. The Trustee utilises investments that can benefit from the transition to a low carbon economy and mitigate risks arising from climate change - for example, the default strategy invests in a clean energy fund that offers exposure to sustainable infrastructure assets, which contribute to Europe's decarbonisation.

	Member aged 25	Member aged 35	Member aged 45	Member aged 55
Change in pot size at retirement relative to climate-uninformed outcome				
Net Zero Financial Crisis outcome	-10%	-8%	-5%	-16%
Limited Action outcome	-21%	-16%	-12%	-4%
High Warming outcome	-32%	-26%	-20%	-4%

Introduction

Metrics are required to be calculated in relation to each "popular arrangement" within the Plan. The Trustee considers the Plan's default Drawdown Lifestyle, the International Equity Tracker Fund and the UK Equity Tracker Funds to be the only popular arrangements.

The majority of Plan assets are invested in the default strategy, with the assets allocated depending on members' expected retirement dates, as shown in the chart on the right. As at 31 December 2023, the date at which the metrics data has been calculated, 75% of Plan assets were invested in the default strategy and its underlying funds.

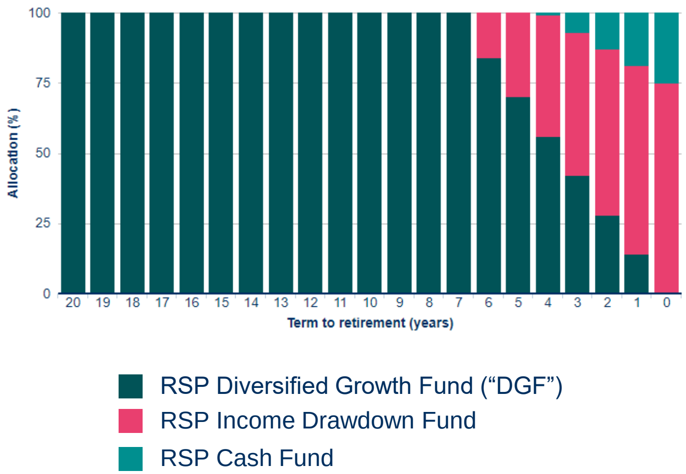
The Trustee has not collected metrics for the Plan's other lifestyle and self-select assets, as these are not defined as "popular arrangements". This is in line with the guidance issued by the Department for Work and Pensions.

Coverage for eligible assets will not always be 100%. Reasons for this include a particular company not publishing its carbon emissions data, or lower disclosure requirements for some asset classes. Where emissions or financial data was unavailable from underlying issuers, some managers have provided estimates using methods such as industry benchmarks or proxy data.

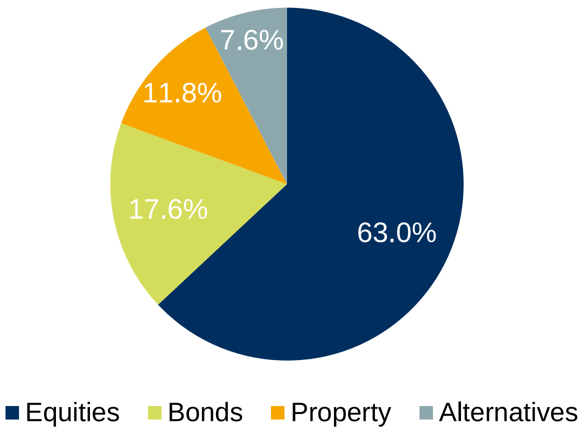
The Trustee has reported coverage of metrics where the investment managers disclose this information and continues to liaise with them to address limitations in coverage of different asset classes. As data coverage is less than 100%, the Plan's total greenhouse gas emissions are understated. This metric may increase in future years as more data becomes available.

The RSP DGF is the main investment held by members in the default strategy and invests across a number of asset classes, as shown in the pie chart on the right.

Default Drawdown Lifestyle



RSP DGF underlying allocations



Section 4 – Metrics and Target

The Trustee has chosen four climate-related metrics to help it monitor climate-related risks and opportunities relevant to the Plan. These are listed below and reported on the following pages (as far as the Trustee was able to obtain the data).

Metric	High-level methodology
Absolute emissions: Total greenhouse gas emissions[1]	The sum of each company's most recent reported or estimated greenhouse gas emissions (Scope 1-3) attributable to the Plan's investment in the company, where data is available. Emissions are attributed evenly across equity and debt investors. Reported in tonnes of CO_2 equivalent. This methodology was chosen because it is in line with the statutory guidance.
Emissions intensity: Carbon footprint	The total greenhouse gas emissions (Scope 1-3) described above, divided by the value of the invested portfolio in £m, adjusted for data availability. Emissions are attributed evenly across equity and debt investors. Reported in tonnes of CO_2 equivalent per £1m invested. This methodology was chosen because it is in line with the statutory guidance.
Portfolio alignment: Science-based targets	The proportion of the portfolio by weight of companies that are aligned with a Net Zero target, demonstrated by a target approved Science Based Targets initiative (SBTi) or equivalent. Reported in percentage terms. The Trustee chose this "binary target" measure because it is considered the simplest and most robust of the various portfolio alignment metrics available.
Additional climate change metric: Data quality	This is the proportion of the portfolio for which each of Scope 1-3 emissions are reported, estimated or unavailable.

Greenhouse gas (GHG) emissions explained

- **Scope 1** GHG emissions are all direct emissions from the activities of an entity or activities under its control.
- **Scope 2** GHG emissions are indirect emissions from energy purchased and used by an entity.
- **Scope 3** GHG emissions are all indirect emissions from activities of the entity, other than scope 2 emissions, which occur from sources that the entity does not directly control.

[1] See Appendix 1 for information about GHG emissions.

Section 4 – Metrics and Target (Scope 1+2 emissions)

Portfolio emissions coverage	<75%	75%-90%	>90%

Metrics are shown as at 31 December 2023, with the corresponding figures as at 31 December 2022 shown in brackets for comparison. .

RSP fund	Portfolio	Manager	Assets at 31 Dec 2023 (£m)	Assets %	Emissions (tonnes CO_2e)[1]	Carbon footprint (tonnes CO_2e per £m invested)[1]	Coverage for emissions data	SBTI alignment (% targets set)[2]	Source
RSP DGF	Equities	L&G MSCI ACWI Equity Index ESG Exclusions	759.0 (414.8)	37.0% (24.2%)	45,616 (33,505)	61.7 (83.0)	97% (97%)	39.3% (49.5%)	Manager
		L&G MSCI World Small Cap ESG Exclusions Index	86.2 (65.8)	4.2% (5.9%)	7,802 (8,594)	94.9 (140.9)	95% (93%)	11.8% (14.4%)	Manager
		L&G Future World North America Index	14.4 (101.6)	0.7% (5.9%)	271 (2,537)	19.1 (25.5)	98% (98%)	45.7% (58.0%)	Manager
		L&G Future World Europe ex UK Index	2.7 (16.7)	0.1% (1.0%)	124 (889)	46.1 (54.9)	98% (97%)	61.7% (72.4%)	Manager
		L&G Future World Emerging Market Index	2.3 (30.1)	0.1% (1.8%)	147 (2,074)	68.4 (76.2)	93% (91%)	17.4% (27.0%)	Manager
		L&G Future World Japan Index	1.3 (8.2)	0.1% (0.5%)	43 (293)	33.2 (37.8)	98% (94%)	49.5% (52.6%)	Manager
		L&G Future World UK Equity Index	0.8 (16.6)	0.0% (1.0%)	33 (680)	41.1 (42.9)	97% (95%)	52.5% (68.5%)	Manager
		L&G Future World Asia Pacific ex Japan Index	0.7 (4.9)	0.0% (0.3%)	33 (282)	53.9 (61.5)	88% (94%)	16.4% (31.4)	Manager

[1] Figures relate only to the assets for which data is available. Total emissions are for the Plan assets, not the whole pooled fund. We calculated 2023 total carbon emissions using the tonnes CO2e per £1 million multiplied by data coverage percentage and assets as at 31 December 2023. [2]The SBTi data presented for this year's analysis is markedly lower than that presented last year. This is because it reflects the fact that we are presenting SBTi approved data for the year ending 31 December 2023, whereas we presented a combination of SBTi approved / committed data last year, as that is all managers were able to provide.

Section 4 – Metrics and Target (Scope 1+2 emissions)

Portfolio emissions coverage	<75%	75%-90%	>90%

RSP fund	Portfolio	Manager	Assets at 31 Dec 2023 (£m)	Assets %	Emissions (tonnes CO_2e)[1]	Carbon footprint (tonnes CO_2e per £m invested)[1]	Coverage for emissions data	SBTI alignment (% targets set)[8]	Source
RSP DGF	Bonds	M&G Total Return Credit Investment[2] (corporates)	122.7 (103.7)	6.0% (6.0%)	4,268 (4,515)[5]	74.1 (99.1)[5]	67% (44%)[5]	17.2% (11.5%)	Manager
		M&G Total Return Credit Investment[2] (sovereigns[3])			1	9.9	3%		
		Gramercy Emerging Market Credit[4] (corporates)	54.4 (48.8)	2.6% (2.8%)	1,324 (10,980)[5]	95.3 (491.8)[5]	42% (46%)[5]	9.5% (6.9%)[5]	Manager
		Gramercy Emerging Market Credit[4] (sovereigns[3])			100	121.7	35%	34.5%	
		L&G Bespoke Special Situations Credit	48.0 (40.3)	2.3% (2.4%)	1,218 (2,290)	56.9 (104.2)	45% (55%)	21.7% (25.8%)	Manager
		L&G Absolute Return Bond	16.8 (0.0)	0.8% (0.0%)	573 (2)	60.3 (119.9)	56% (45.5%)	13.8% (21.2%)	Manager
	Property and Alternatives	L&G Managed Property	96.4 (97.4)	4.7% (5.7%)	2 (6)	0.3 (1.3)	5% (5%)	0.0% (0.7%)	Manager
		L&G Global Real Estate Equity Index	65.5 (49.5)	3.2% (2.9%)	405 (397)	6.3 (8.3)	97% (96%)	43.9% (40.8%)	Manager
		Leadenhall Life II[6]	62.2 (64.9)	3.0% (3.8%)	0 (4)	0.0 (0.1)	100% (94%)	0.0% (0.0%)	Manager
		NTR Clean Power	23.2 (16.3)	1.1% (0.9%)	0 (0)	0 (0)	53% (0%)	0.0% (0.0%)	Manager
		Janus Henderson Diversified Alternatives	19.7 (45.7)	1.0% (2.7%)	16 (731)	3.6[7] (35)	22% (46%)	1.1% (0.7%)	Manager

[1] Figures relate only to the assets for which data is available. Total emissions are for the Plan assets, not the whole pooled fund. We calculated 2023 total carbon emissions using the tonnes CO2e per £1 million multiplied by data coverage percentage and assets as at 31 December 2023. [2]M&G Fund comprises 71% corporates, 3% sovereigns, and 26% other asset classes for which data is unavailable. [3]Emissions intensity metric shown for sovereign bonds is a WACI-style metric calculated as emissions per £m of GDP (PPP). [4]Gramercy sovereign WACI and emissions cover Scope 1-3. Gramercy Fund comprises 61% corporates, 39% sovereigns, and 10% other asset classes for which data is unavailable. [5]Data as at 31 December 2022 for the M&G Total Return Credit Investment Fund and the Gramercy Emerging Market Credit Fund is presented at the combined level (ie. it is not split out between corporates and sovereigns). [6]As SBTi does not yet consider insurance-linked investments, Leadenhall's assets are not yet aligned with net zero targets that have been supported by SBTi validation. Leadenhall's metrics are estimated based on proxies from companies with similar businesses. [7]2023 Carbon footprint was converted from tonnes CO2e per \$m to tonnes CO2e per £m using the exchange rate as at 31 December 2023 (£1= \$1.27312). [8]The SBTi data presented for this year's analysis is markedly lower than that presented last year. This is because it reflects the fact that we are presenting SBTi approved data for the year ending 31 December 2023, whereas we presented a combination of SBTi approved / committed data last year, as that is all managers were able to provide.

Section 4 – Metrics and Target (Scope 1+2 emissions)

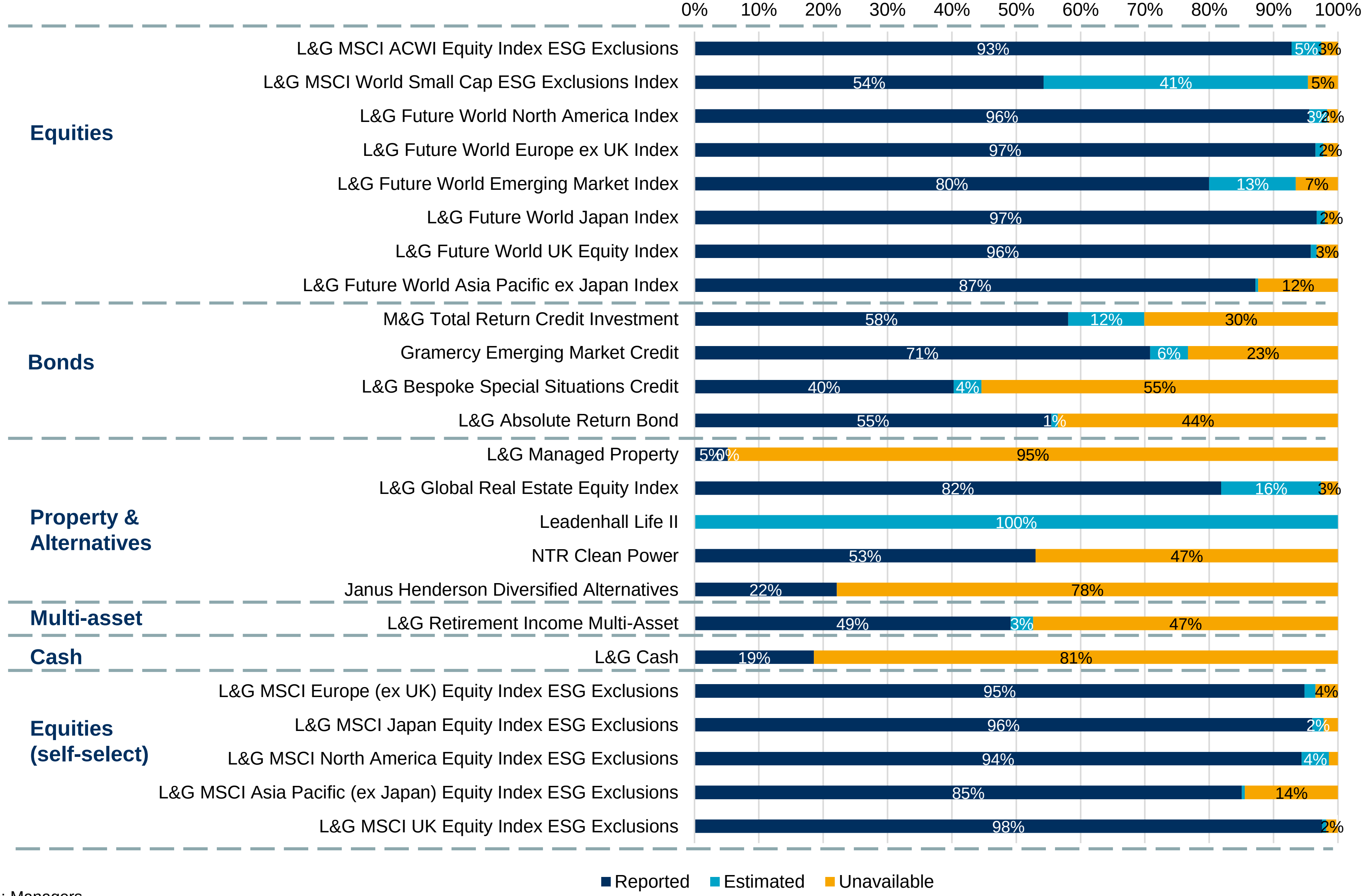
Portfolio emissions coverage	<75%	75%-90%	>90%

RSP fund	Portfolio	Manager	Assets at 31 Dec 2023 (£m)	Assets %	Emissions (tonnes CO_2e)[1]	Carbon footprint (tonnes CO_2e per £m invested)[1]	Coverage % for emissions data	SBTI alignment (% targets set)[3]	Source
RSP Income Drawdown	**Multi-asset**	L&G Retirement Income Multi-Asset	108.0 (92.9)	5.3% (5.4%)	3,688 (3,977)	64.9 (86.6)	53% (49%)	18.5% (22.8%)	Manager
RSP Cash	**Cash**	L&G Cash[2]	51.5 (47.3)	2.5% (2.8%)	4 (1)	0.4 (0.2)	19% (9%)	0.0% (5.8%)	Manager
RSP International Equity Tracker Fund	**Equities**	L&G MSCI Europe (ex UK) Equity Index ESG Exclusions	41.9	2.0%	3,573	88.4	96%	61%	Manager
		L&G MSCI Japan Equity Index ESG Exclusions	18.2	0.9%	1,406	79.1	98%	44%	Manager
		L&G MSCI North America Equity Index ESG Exclusions	222.3	10.8%	8,833	40.3	99%	39%	Manager
		L&G MSCI Asia Pacific (ex Japan) Equity Index ESG Exclusions	9.2	0.4%	701	88.8	86%	13%	Manager
RSP UK Equity Tracker Fund	**Equities**	L&G MSCI UK Equity Index ESG Exclusions	134.1	6.5%	13,083	99.3	98%	49%	Manager

[1] Figures relate only to the assets for which data is available. Total emissions are for the Plan assets, not the whole pooled fund. We calculated total 2023 carbon emissions using the tonnes CO2e per £1 million multiplied by data coverage percentage and assets as at 31 December 2023. [2] L&G Cash Fund metrics are calculated on a different basis to other asset classes, so cannot be compared with them. [3]The SBTi data presented for this year's analysis is markedly lower than that presented last year. This is because it reflects the fact that we are presenting SBTi approved data for the year ending 31 December 2023, whereas we presented a combination of SBTi approved / committed data last year, as that is all managers were able to provide.

Section 4 – Metrics and Target

Breakdown of data coverage (Scope 1+2 emissions)



Source: Managers.

Section 4 – Metrics and Target (Scope 3 emissions)

Portfolio emissions coverage	<75%	75%-90%	>90%

RSP fund	Portfolio	Manager	Assets at 31 Dec 2023 (£m)	Assets %	Emissions (tonnes CO_2e)[1]	Carbon footprint (tonnes CO_2e per £m invested)[1]	Coverage for emissions data	Source
RSP DGF	Equities	L&G MSCI ACWI Equity Index ESG Exclusions	759.0	37.0%	379,530	513.2	97%	Manager
		L&G MSCI World Small Cap ESG Exclusions Equity Index	86.2	4.2%	88,509	1076.5	95%	Manager
		L&G Future World North America Index	14.4	0.7%	3,742	263.9	98%	Manager
		L&G Future World Europe ex UK Index	2.7	0.1%	1,437	535.4	98%	Manager
		L&G Future World Emerging Market Index	2.3	0.1%	837	389.7	93%	Manager
		L&G Future World Japan Index	1.3	0.1%	906	700.8	98%	Manager
		L&G Future World UK Equity Index	0.8	0.0%	539	673.2	97%	Manager
		L&G Future World Asia Pacific ex Japan Index	0.7	0.0%	295	484.4	88%	Manager
	Bonds	M&G Total Return Credit Investment[2] (corporates)	122.7	6.0%	27,967	485.5	55%	Manager
		M&G Total Return Credit Investment[2] (sovereigns[3])	122.7	6.0%	1	9.9	3%	Manager
		Gramercy Emerging Market Credit[4] (corporates)	54.4	2.6%	3,038	218.6	42%	Manager
		Gramercy Emerging Market Credit[4] (sovereigns[3])	54.4	2.6%	100	121.7	35%	Manager
		L&G Bespoke Special Situations Credit	48.0	2.3%	79,573	3713.6	45%	Manager
		L&G Absolute Return Bond	16.8	0.8%	4,923	517.8	56%	Manager
	Property and Alternatives	L&G Managed Property	96.4	4.7%	463	93.0	5%	Manager
		L&G Global Real Estate Equity Index	65.5	3.2%	2,329	36.5	97%	Manager
		Leadenhall Life II[5]	62.2	3.0%	0	0.0	100%	Manager
		NTR Clean Power	23.2	1.1%	11,636	945.8	53%	Manager
		Janus Henderson Diversified Alternatives	19.7	1.0%	101	23.2[6]	22%	Manager

[1] Figures relate only to the assets for which data is available. Total emissions are for the Plan assets, not the whole pooled fund. We calculated total 2023 carbon emissions using the tonnes CO2e per £1 million multiplied by data coverage percentage and assets as at 31 December 2023. [2]M&G Fund comprises 71% corporates, 3% sovereigns, and 26% other asset classes for which data is unavailable. [3]Emissions intensity metric shown for sovereign bonds is a WACI-style metric calculated as emissions per £m of GDP (PPP). [4]Gramercy sovereign WACI and emissions cover Scope 1-3. Gramercy Fund comprises 61% corporates, 39% sovereigns, and 10% other asset classes for which data is unavailable. [5]Leadenhall's metrics are estimated based on proxies from companies with similar businesses. [6]Carbon footprint was converted from tonnes CO2e per $m to tonnes CO2e per £m using the exchange rate as at 31 December 2023 (£1= $1.27312).

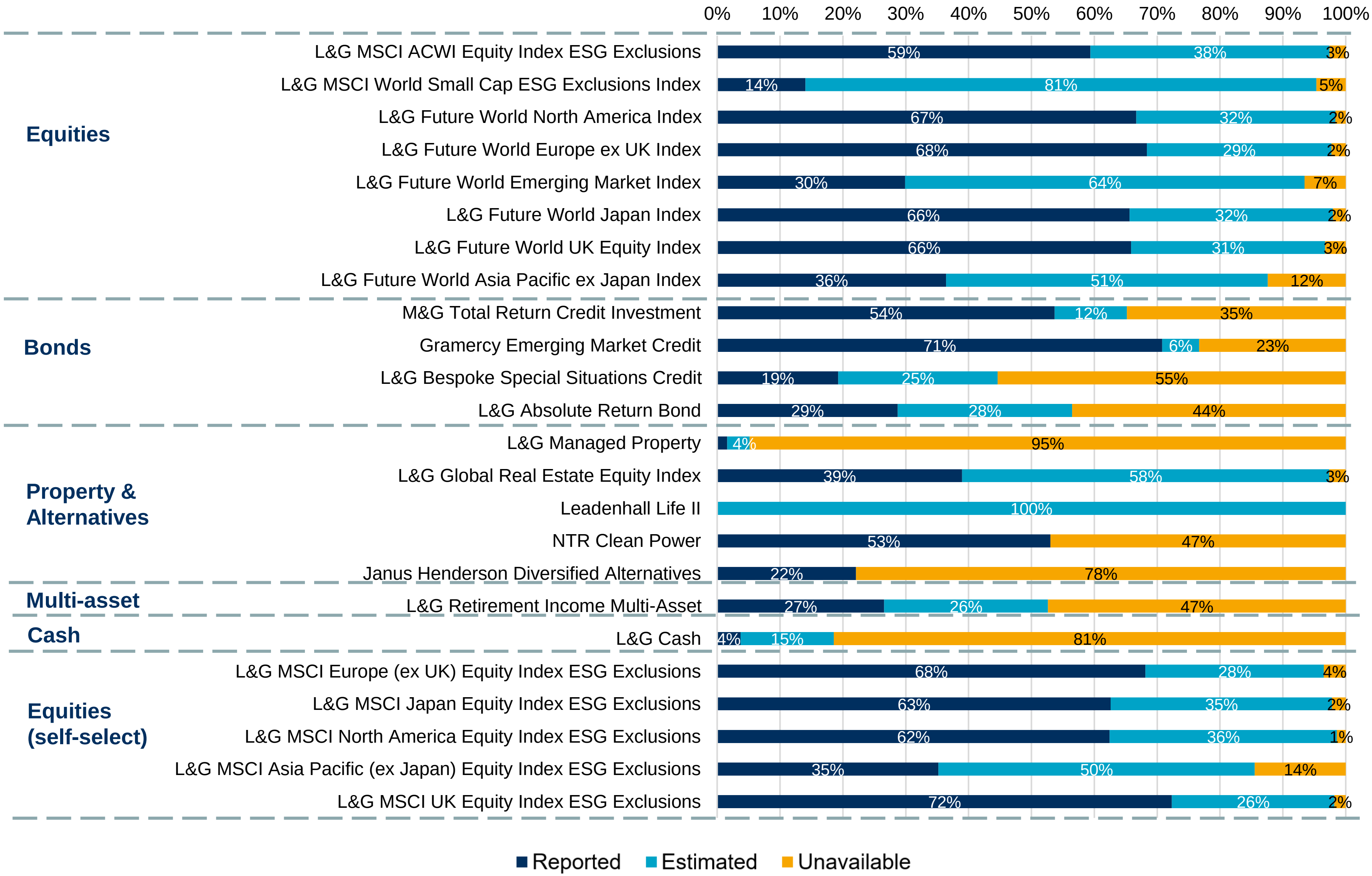
Section 4 – Metrics and Target (Scope 3 emissions)

Portfolio emissions coverage	<75%	75%-90%	>90%

RSP fund	Portfolio	Manager	Assets at 31 Dec 2023 (£m)	Assets %	Emissions (tonnes CO_2e)[1]	Carbon footprint (tonnes CO_2e per £m invested)[1]	Coverage % for emissions data	Source
RSP Income Drawdown	**Multi-asset**	L&G Retirement Income Multi-Asset[2]	108.0	5.3%	30,937	544.3	53%	Manager
RSP Cash	**Cash**	L&G Cash[3]	51.5	2.5%	741	77.5	19%	Manager
RSP International Equity Tracker Fund	**Equities**	L&G MSCI Europe (ex UK) Equity Index ESG Exclusions	41.9	2.0%	27,252	674.0	96%	Manager
		L&G MSCI Japan Equity Index ESG Exclusions	18.2	0.9%	15,036	845.4	98%	Manager
		L&G MSCI North America Equity Index ESG Exclusions	222.3	10.8%	90,516	412.9	99%	Manager
		L&G MSCI Asia Pacific (ex Japan) Equity Index ESG Exclusions	9.2	0.4%	4,970	629.1	86%	Manager
RSP UK Equity Tracker Fund	**Equities**	L&G MSCI UK Equity Index ESG Exclusions	134.1	6.5%	149,818	1,137.5	98%	Manager

[1] Figures relate only to the assets for which data is available. Total emissions are for the Plan assets, not the whole pooled fund. We calculated total carbon emissions using the tonnes CO2e per £1 million multiplied by data coverage percentage and assets as at 31 December 2023. [2]Coverage of the carbon footprint and emissions of the L&G Retirement Income Multi-Asset Fund does not include sovereign bonds. [3]L&G Cash Fund metrics are calculated on a different basis to other asset classes, so cannot be compared with them.

Breakdown of data coverage (Scope 3 emissions)



Source: Managers.

Section 4 – Metrics and Target

Comments on the Plan's metrics

The main gaps in the data provided by the managers relate to most of the Plan's bond, property and alternative/multi-asset managers. Among bond and multi-asset managers, this is primarily because these managers only report on climate data for listed equity and corporate bond holdings. Data was not included on asset classes such as derivatives, sovereigns and securitised assets. Climate data is also generally lagging in private markets investments which some of the Plan's alternative and multi-asset managers invest in. The Trustee will continue to work with the Plan's managers with low data coverage to increase, where possible, their collection and reporting of metrics.

Equities

Equities make the most significant contribution to climate risk in the Plan, both as a result of equities being one of the assets most strongly impacted by climate risk and given the high allocation in the default strategy. It is typical for equities to account for a higher proportion of emissions as investing in equities means investing in companies and their operations, which are directly tied to emissions.

However, the Plan's equity funds used in the default strategy have integrated ESG exclusions and therefore tend to have lower carbon emissions than standard market capitalisation equity funds. The Plan's equity funds screen out less sustainable companies and those involved in mining and extraction of thermal coal, thermal-coal-power generation, and oil sands.

Bonds, multi-assets and alternatives

The Plan's bond, alternative, and multi-asset funds contribute a smaller proportion of the Plan's total emissions. The Gramercy Fund's carbon footprint is much higher than those of other bond funds as its investments are in emerging markets, which typically have higher emissions than developed markets. This means that it is much more highly exposed to the transition impact that effective global policy to address climate change might have.

SBTI alignment

The proportion of holdings with SBTi portfolio alignment targets is also highest overall for the Plan's equity funds (higher is better). The Trustee has a long-term target related to this metric, which is shown on the next page.

ESG integration in the Plan's equity funds

The RSP DGF's equity allocation comprises L&G ESG Exclusion and Future World funds.

L&G ESG Exclusions funds are market capitalisation indices that exclude companies engaged in any of the following activities:

- Involvement in the manufacture and production of controversial weapons: Antipersonnel landmines, cluster munitions, biological and chemical weapons – evidence of involvement in the core weapons system.
- Perennial violators of the United Nations Global Compact (UNGC), an initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies. Companies assessed as being in violation of one or more principles for a period of 36-months or more are excluded.
- Involvement in mining and extraction of thermal coal, thermal-coal-power generation. Companies generating 20% or more of revenues from these activities, or 5% or more of revenues from oil sands extraction, are excluded.

L&G Future World Funds tilt the constituents of market capitalisation indices towards companies with higher ESG scores and away from companies with lower ESG scores. They also incorporate a decarbonisation pathway consistent with a 2050 Net Zero target.

Launch of the NatWest Sustainable Equity Fund

To cater to members who wished to invest with a focus on sustainability, the Trustee introduced the Sustainable Equity Fund to the self-select range in July 2024. This fund provides exposure to a diverse range of companies with high ESG standards, and invests equally in the Schroder Life Global Sustainable Value Fund and the FP WHEB Sustainability Fund. The Trustee carefully selected these managers based on their strong focus on sustainability as well as positive social and environmental impact.

Target

The Trustee is required to set at least one non-binding target for the Plan in relation to at least one of the chosen metrics and, as far as it is able, to measure performance against this target on an annual basis.

Targets are set by reference to a base year against which progress is assessed.

The Trustee has set the target detailed in the table below, relating to the portfolio alignment metric. Performance against the target is measured by calculating the current percentage of assets with a Science Based Target (SBT) based on a weighted average of the relevant holdings.

What are 'science-based targets'?

Science-based targets provide a clearly-defined pathway for companies to reduce greenhouse gas emissions, helping prevent the worst impacts of climate change and future-proof business growth.

Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to 1.5°C above pre-industrial levels.

Target	Coverage	2022 level	2023 level	2027 target level
Increase the percentage of listed equities and corporate bonds with an SBT by 50%, relative to the 2022 baseline level of 42%*, by 31 December 2027.	Listed equities and corporate bonds within the Plan's default strategy	42%	49%	63%

The following steps will be taken to achieve the target:

- The Trustee, with help from its investment advisers, will communicate the target to each investment manager.
- Investment managers are routinely invited to present at Trustee meetings as part of the existing monitoring process. When meeting with any of the Plan's investment managers, the Trustee will ask the manager how they expect the proportion of portfolio companies with SBTi targets to change over time and encourage the manager to engage with portfolio companies about setting SBTi targets, prioritising those with the highest carbon footprint.
- The investment adviser, LCP, encourages managers to support the goal of net zero emissions by 2050 or earlier and has published its expectations for investment managers in relation to net zero. This includes the use of effective voting (where applicable) and engagement with portfolio companies to encourage achievement of net zero. The investment advisers continue to engage with managers on this topic and will encourage them to use their influence with portfolio companies to increase the use of SBTi targets.
- The Trustee will review progress towards the target each year and consider whether additional steps are needed to increase their chance of meeting the target.

* For in-scope LGIM funds, the 2022 baseline level was calculated based on the % of assets with approved and committed SBT, as the manager was unable to provide the % of assets with only approved SBT. For consistency, we have again calculated the 2023 level for LGIM funds based on the % of assets with approved and committed SBT.

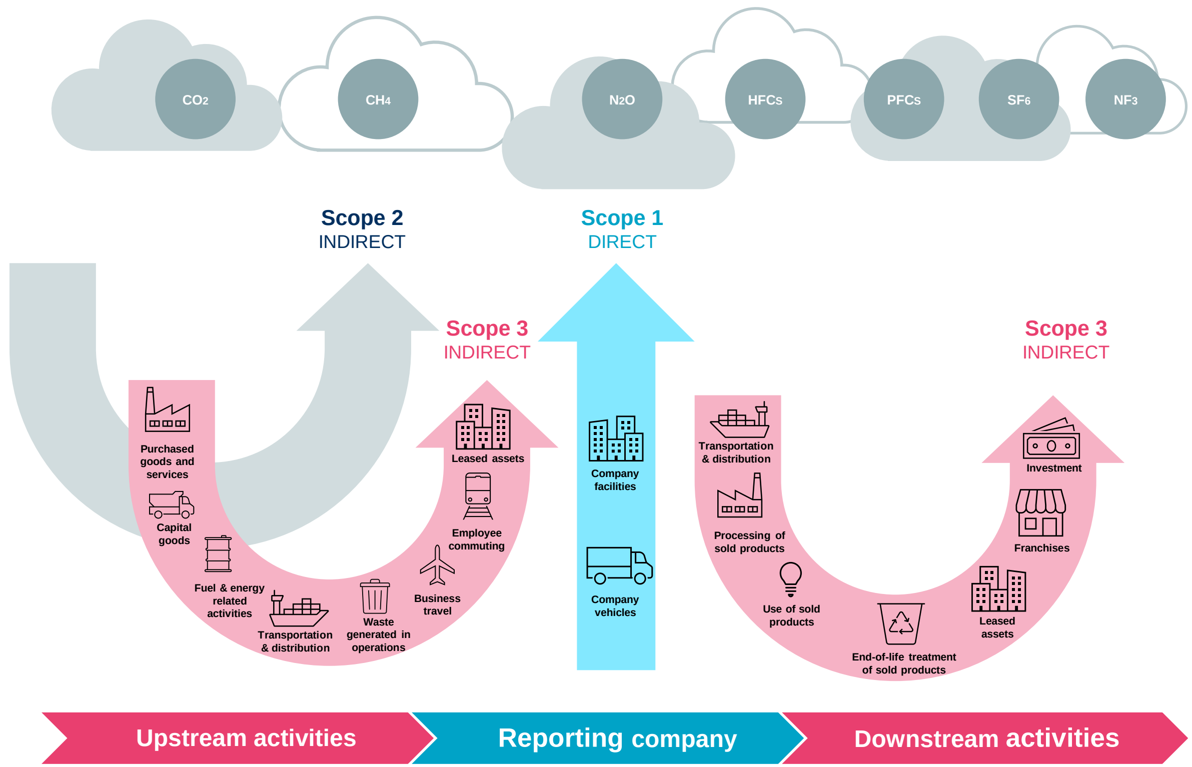
Appendices

- Appendix 1 – Greenhouse gas emissions explained
- Appendix 2 – L&G Disclaimer

Within the ‘metrics’ section of the report, the emissions metrics relate to seven greenhouse gases – carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3). The figures are shown as “CO_2 equivalent” (CO_2e) which is the amount of carbon dioxide that would be equivalent to the excess energy being stored by, and heating, the earth due to the presence in the atmosphere of these seven greenhouse gases.

The metrics related to greenhouse gas emissions are split into the following three categories: Scope 1, 2 and 3. These categories describe how directly the emissions are related to an entity’s operations, with Scope 1 emissions being most directly related to an entity’s everyday activities and Scope 3 referring to indirect emissions in an entity’s value chain. Scope 3 emissions often form the largest share of an entity’s total emissions, but are also the ones that the entity has least control over.

- **Scope 1** greenhouse gas emissions are all direct emissions from the activities of an entity or activities under its control.
- **Scope 2** greenhouse gas emissions are indirect emissions from electricity purchased and used by an entity which are created during the production of energy which the entity uses.
- **Scope 3** greenhouse gas emissions are all indirect emissions from activities of the entity, other than scope 2 emissions, which occur from sources that the entity does not directly control.



Source: GHG Protocol

Appendix 2 – L&G disclaimer

All information provided by L&G (the “Information”) is current at the time of publication and may be subject to change or correction in the future. Any projections, estimate, or forecast included in the Information (a) shall not constitute a guarantee of future events, (b) may not consider or reflect all possible future events or conditions relevant to you (for example, market disruption events); and (c) may be based on assumptions or simplifications that may not be relevant to you.

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