Alstom UK Pension Plan (the “Plan”)

Climate Change-related Disclosures

Report Prepared In Line With The Recommendations of The Task Force On Climate-related Financial Disclosures (TCFD)

Reporting period: 12 months to 31 December 2023

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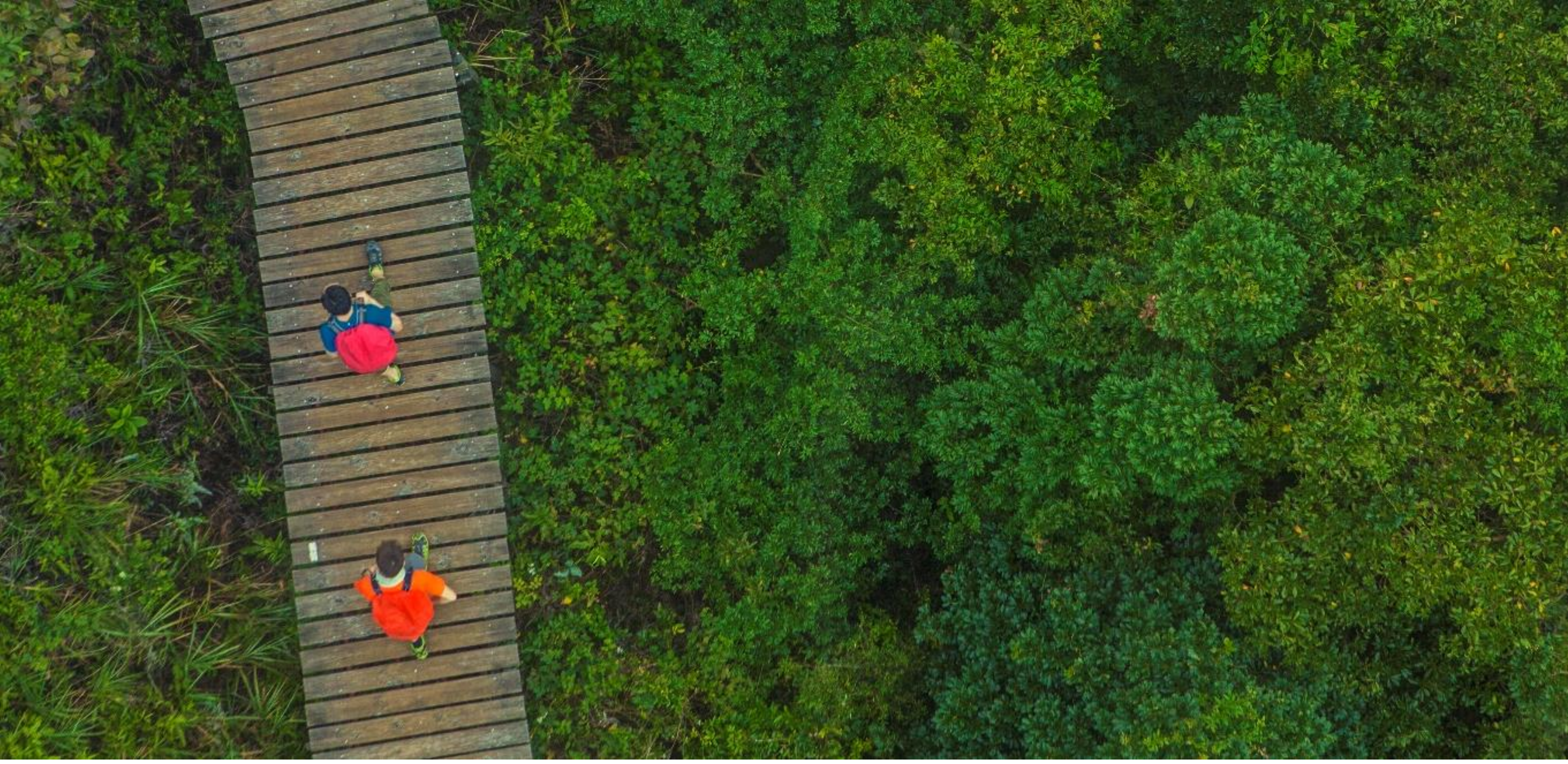


INTRODUCTION

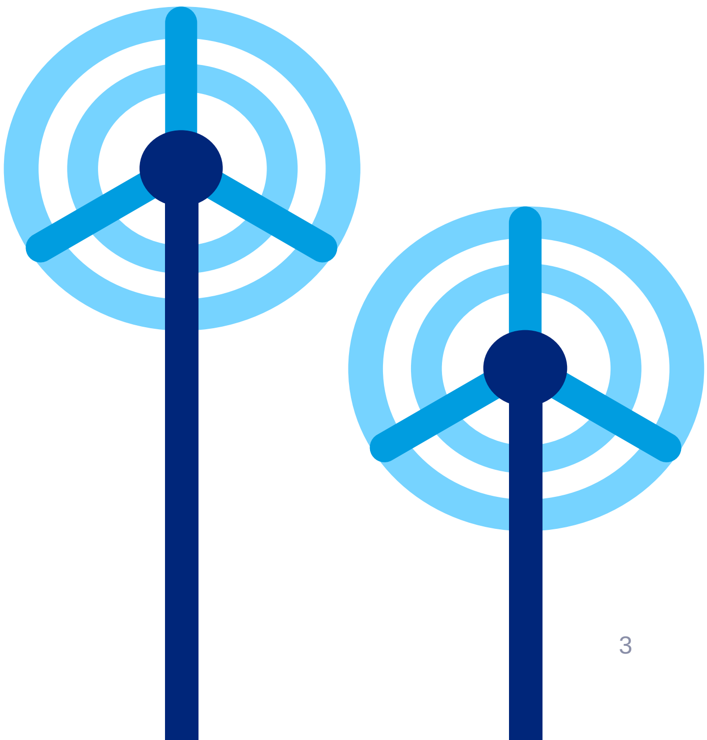
The Trustee of the Alstom UK Pension Plan ("the Plan") recognises that climate change is one of the most important issues of our time, which will impact all countries, companies and individuals. The Trustee recognises climate change as a significant financial risk that could impact the financial security of members' benefits if it is not properly measured and mitigated. As well as providing risks to the Plan, the transition to a lower carbon economy and the mitigation of, and adaptation to, the physical risks of climate change may create new investment opportunities if managed appropriately.

This report has been prepared to comply with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 using the DWP's statutory guidance. This is the Trustee's second climate change report, which covers the year to 31 December 2023.

The report explains how the Trustee has maintained oversight and processes to satisfy themselves that the Plan's relevant climate-related risks and opportunities are considered appropriately by all stakeholders involved in the day-to-day management of the Plan including the progress made since the report published last year. The sub-headings in this report address the specific disclosure requirements in the statutory guidance and which are based on the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

This report discloses a range of climate-related information pertaining to the Plan with the intent of improving transparency toward members, the Pensions Regulator and the pension sector generally, as well as ensuring that the Trustee is thorough and rigorous in identifying, assessing and managing climate risk.

We recognise that climate issues can be more relevant and readily implementable for some parts of the portfolio than others. This statement outlines where governance of climate risk and opportunities has been applied. We will seek to expand the remit of this reporting to cover the entirety of the portfolio as and when the ability to monitor these risks becomes more achievable via improved availability of data.



EXECUTIVE SUMMARY

This report covers the following four areas, which comprises the TCFD framework:

- **Governance**: How the Trustee maintains oversight and incorporates climate change into its decision making;
- **Strategy**: How potential future climate warming scenarios could impact the Plan;
- **Risk Management**: How the Trustee incorporates climate–related risk in its risk management processes; and
- **Metrics and Targets**: How the Trustee measures and monitors progress against different climate related indicators known as metrics and targets.

We are pleased to report the positive momentum in moving towards the Trustee's carbon emission intensity reduction targets, however we have been cognisant of the importance to fully understand and explain the reasons for the change in our climate-related metrics year-on-year. Further details are provided in the 'Metrics and Targets' Section of the report.

The key messages from this report are:

- Climate change risk can have an impact on the long-term outcomes for the Plan.
- The Trustee has processes in place to identify, assess and mitigate climate change risk.
- Data coverage has improved for Metrics, with last year 22.5% of the portfolio having data unavailable which has now improved to only 1% of the portfolio having no data coverage.
- The Plan has de-risked (reducing the target Growth Portfolio allocation from 35% to 28.5% of total assets; a c.19% reduction) which has been a driver in the improvement in metrics.
- There has also been strong improvement in the metrics at the investment fund level over the year.

The Plan has also made significant progress against its target:

MGIE have set a target to reduce carbon emissions associated with the its Growth Portfolio by at least 45% (from 31 December 2019 levels) by 31 December 2029 and to net zero by 31 December 2049, which is currently understood to be consistent with limiting global warming to 1.5 degrees above pre-industrial levels. The Trustee has set a target in line with this, using 30 June 2022 as the baseline for comparison for emissions reductions in the portfolio. As at 31 December 2023, the Plan's Growth Portfolio WACI has reduced by c.26% from the June 2022 baseline level which demonstrates strong progress towards the 31 December 2029 target. Further details of the metric and rationale underpinning this target is set out in the "Metrics and Target" section of this report.

Recent developments

The Trustee now includes Scope 3 emissions in its reporting, where available, which provides a broader measure of emissions. In the last 12 months, the Trustee has reviewed Mercer's approach for integrating ESG and climate change considerations into the investment strategy, in addition to increasing the frequency of review of the managers' ESG capabilities to quarterly. The Trustee will review the SIP during June 2024.

Conclusions and next steps

The Trustee supports the goals of the Paris Agreement that seeks to limit warming to well below 2°C relative to pre-industrial temperatures. The Trustee believes that climate risk can have an impact on securing long-term financial returns and considering climate risk is in the best long-term interest of Plan members.

The Trustee recognises that further progress needs to be made to consider climate-related risks and opportunities in a balanced and proportionate approach. The ultimate responsibility of the Trustee is to pay members their benefits and the Trustee is aiming to do this in the most sustainable way possible.

Over the next 12 months, the Trustee is aiming to undertake:

- A review of Mercer's progress in engaging with investment managers to understand how they engage with investment managers on voting and engagement activity in respect of climate change and reduce carbon exposure within the Plan's Growth Portfolio.
- A review of the ESG policies applied by Mercer in relation to the Plan's investments on an annual basis. The Trustee has delegated the selection and monitoring of investments, as well as delegating the stewardship obligations attaching to investments, to Mercer.
- A review of the Statement of Investment Principles (SIP) and include further detail on the Plan's ESG policies.
- Review the climate-related risks and opportunities in the Plan on an annual basis and maintain compliance with regulatory requirements, with support from the Plan's advisors, considering the suitability of the Plan's investment arrangements to achieving the agreed carbon reduction target while maintaining the Plan's risk and return objectives.

Over the next 3 years, the Trustee will:

- Include the climate risks in the assessment conducted by the covenant advisor
- Ensure that they are well equipped with sufficient knowledge of developments around climate change risk through training and a review of skills.

GOVERNANCE

Describe the Trustee's oversight of climate change-related risks and opportunities

The Trustee has ultimate responsibility for ensuring effective governance of climate-related risks and opportunities. The Trustee maintains a SIP, which details the key beliefs, risks and approach to ESG including climate change. This is reviewed on a triennial basis or following a significant change in investment policy. The SIP is being reviewed during June 2024. The Trustee's key investment beliefs on ESG are in line with MGIE's beliefs, which are set out below:

- ESG factors can have a material impact on long-term risk and return outcomes, and these should be integrated into the investment process.
- Taking a broader and longer-term perspective on risk, including identifying sustainability themes and trends, is likely to lead to improved risk management and new investment opportunities.
- Climate change poses a systemic risk, and investors should consider the potential financial impacts of both the associated transition to a low-carbon economy and the physical impacts of different climate change outcomes.
- Stewardship (or active ownership) helps the realisation of long-term shareholder value by providing investors with an opportunity to enhance the value of companies and markets

Research into how climate-related risks and opportunities impact financial markets is constantly evolving and expanding. The Trustee carries out training on an annual basis, or more regularly when required, to keep up-to-date with developments in this space.

Over the course of 2023, the CIF Trustee, who takes a lead role in investment issues and provides recommendations to the Trustee, met quarterly and, as part of these meetings, reviewed the degree of integration of ESG factors within the investment portfolio.

The consideration of climate-related risks and opportunities is integrated into the wider monitoring and decision-making responsibilities of the Trustee and the CIF Trustee. The CIF Trustee monitors the carbon emissions metrics produced in this report and against the agreed carbon emissions reduction target annually (the last review being June 2023) and consider climate-related risks and opportunities in conjunction with investment strategy reviews. The level of ESG integration and carbon emissions metrics are also reviewed on a quarterly basis by the CIF Trustee. Accordingly, a recommendation around any action required will be provided by the CIF Trustee to the Trustee.

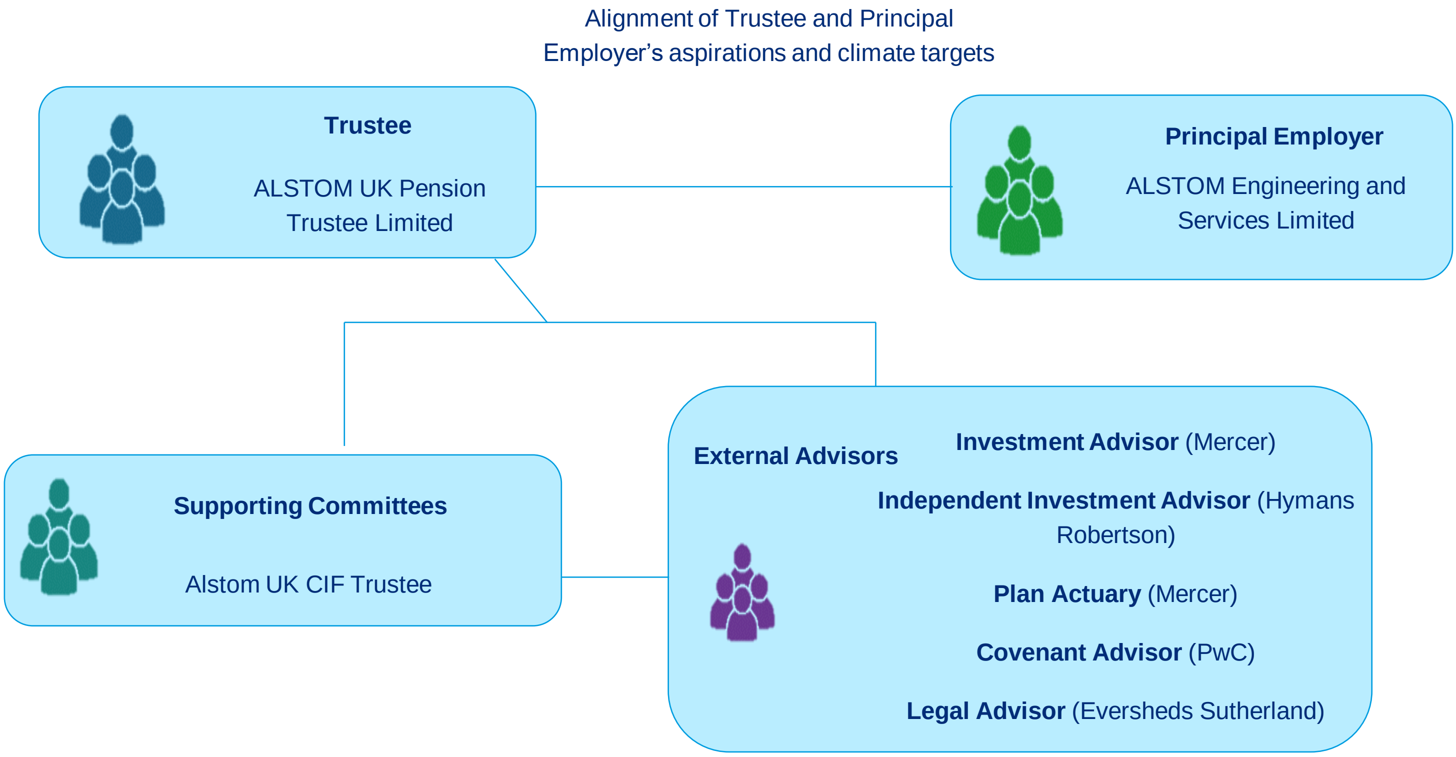
The CIF Trustee and the Trustee meet at least four times a year where investment performance and risk management are reviewed, of which climate-related risks form part of the wider assessment. Some of the actions which have led to the improvement in ESG integration over the course of the past 12 months include:

- Publishing the first TCFD report for the Plan.
- Carrying out climate change scenario analysis and analysing carbon metrics including a commitment to reduce the level of carbon exposure of the Plan's investment portfolio.
- Incorporating stronger ESG and climate change reporting into the regular quarterly performance assessment of the Plan, including fund level WACI vs the benchmark and Mercer ESG ratings as well as any news relating to Mercer's view of the appointed investment managers' ESG credentials.

The Trustee takes independent investment advice to help assess climate risks and opportunities, and looks to ensure that any decisions continue to support the Plan's ability to provide pensions.

Roles of those advising the Trustee on governance activities

Figure 1: Governance Structure



Roles of those advising the Trustee on governance activities

The Trustee has appointed Mercer Global Investment Europe ("MGIE") as the delegated investment manager for the Plan. MGIE is responsible for the appointment and monitoring of suitably diversified portfolio of specialist third party investment managers for each Mercer Fund's assets. As part of the sub-investment manager selection and monitoring process, MGIE consider the level and extent to which sub-investment managers take into account ESG factors, including climate change, in their investment process and stewardship activities (such as voting and engagement with the underlying companies or issuers they invest in). The Trustee expects the overall approach to climate-related financial risks and opportunities for each of the Plan's investment managers to be consistent with the Financial Stability Board's TCFD framework. Disclosures consistent with the TCFD recommendations are also expected of appointed investment managers.

Mercer provides advice to the CIF Trustee and Trustee on the investment strategy and investment manager appointments (where relevant) and acts to make changes to the portfolio under the agreed delegated authority. This includes managing and monitoring investment-related risks, such as climate change, from a strategic asset allocation perspective and with the appointed sub-investment managers.

Mercer provides climate scenario analysis, advice and training on the selection of climate metrics for the Plan to monitor. Mercer assists the CIF Trustee and Trustee in producing the Plan's climate change-related disclosures report on an annual basis.

Hymans Robertson provide independent investment consulting to the Trustee, ensuring appropriate governance is in place to assess Mercer's performance.

The Plan Actuary advises on the funding position including an understanding of the potential funding impact resulting from changes to financial or demographic assumptions driven by climate change.

The Covenant Advisor assesses the Principal Employer's ability and willingness to continue to support the Plan. Climate related exposures will be considered in the future, for example, in conjunction with the 2025 actuarial valuation.

The CIF Trustee and Trustee works with its advisors (in addition to its investment consultant, Mercer) to ensure that climate-related risks and opportunities are considered as part of their integrated risk management framework and requires their advisors to help the Trustee ensure they are compliant with the regulatory requirements when considering climate change risks and opportunities. Training for the Trustee in the last 12 months included topics such as Mercer's approach to ESG manager ratings, carbon metrics of the Mercer funds and progress vs the carbon emissions target of the Growth Portfolio, voting and engagement, and exclusions.

The Trustee's process for ensuring those advising the Trustee take adequate steps to identify and assess any climate-related risks and opportunities.

Mercer has been set strategic objectives by the Trustee, which include an expectation that climate-related risks and opportunities are given due consideration. An assessment of these objectives (and an assessment of Mercer against these objectives) is carried out by the Trustee annually with the most recent assessment being completed during September 2023. As part of this assessment, it was concluded that Mercer were fulfilling their objectives.

The CIF Trustee discuss ESG issues as appropriate at their quarterly meetings, which are raised with the Trustee as appropriate. ESG and climate change forms an explicit agenda item at least annually for the CIF Trustee. This annual review last occurred in June 2023 and the CIF Trustee conducted a thorough review of MGIE's policies, actions and results over the previous calendar year. Furthermore, the CIF Trustee has an agenda item to complete the annual TCFD report.

The CIF Trustee have worked with their Investment Consultant, Mercer, and independent Investment Consultant, Hymans Robertson, to ensure that the appropriate governance framework is in place to consider climate change and will review the processes in place going forwards. Over the year, the CIF Trustee enhanced their reporting to include a quarterly assessment of the level of ESG integration and climate change considerations for each Mercer Fund.

STRATEGY

Summary of the Plan's Assets

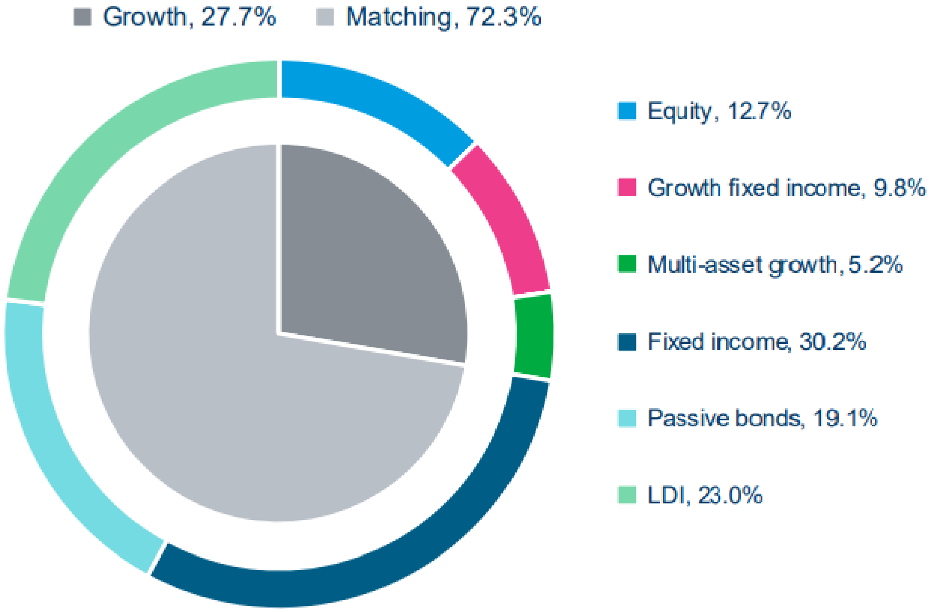
The Trustee has appointed Mercer Global Investment Europe ("MGIE") as delegated investment manager for the Plan.

The Trustee has implemented a de-risking framework in order to reduce the level of risk in the investment strategy as the funding position improves. De-risking triggers have been agreed that when reached, will automatically reduce the allocation of growth assets in favour of matching assets.

As at 31 December 2023, the target allocation was 28.5% in growth assets and 71.5% in matching assets, reflecting a lower target allocation to growth assets from the prior year-end at 35.0%.

In the Metrics section, we highlight that only 1% of the portfolio (within LDI) has data not yet available for our analysis, an improvement in data coverage from the prior year report (22.5%).

Figure 2: Summary of the actual asset allocation as at 31 December 2023



May not sum to 100.0% due to rounding.

Time periods which the Trustee have determined should comprise the short, medium and long term:

The Trustee believes it is important to understand how the Plan's exposure to climate-related risks may change over time, when the risk exposure may be greatest and what actions can be taken now, or in the future, to avoid those risks becoming financially material to the Plan.

To help with this assessment, the Trustee has defined short-, medium- and long-term time horizons for the Plan.

Term	Duration
Short	5 years (covers the period to 2027, when the Trustee expect to have made progress towards reaching full funding on the Gilts + 0.5% basis). The funding level of the Plan (on the Gilts + 0.5% basis) was 102.5% on 31 December 2023.
Medium	15 years (covers the period to 2037, when the Trustee expect to reach full funding on the Gilts + 0.5% basis)
Long	25 years (Covers the period where the total benefits paid will reduce as the membership ages)

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

Climate change presents risks over the short, medium and long-term, which the Trustee aims to better understand and mitigate where possible. The Trustee considers the following short, medium and long term drivers of risk.

Over the short term, risks may present themselves through rapid market re-pricing relating to climate transition as:

- Scenario pathways become clearer. For example a change, in the likelihood of a below 2°C scenario occurring becoming higher and driving the transition risk to occur.
- Market awareness grows. For example, the implications of the physical impacts of climate change become clearer to markets and impact asset valuations.
- If policy changes unexpectedly surprise markets. For example, if a carbon price or significant regulatory requirements are introduced across key markets to which the Plan's assets are exposed.
- Perceived or real increased pricing of greenhouse gas emissions.
- Substitution of existing products and services with lower emission alternatives may impact part of the portfolio.
- Litigation risk relating to dangerous warming becoming more prevalent.
- Increases in the energy/heat efficiency of buildings and infrastructure.
- Investments in transition aligned strategies may provide the Plan with a partial hedge against climate transition risks.

The ability of the Trustee, MGIE and investment managers to consider these short-term changes can position the Plan favourably, for example taking advantage of the climate transition by avoiding and reducing investment in high-emitting carbon sensitive businesses that do not support the transition to a low carbon economy (where available and appropriate).

Over the medium term, risks are likely to be more balanced reflecting both transition and physical risk. Over this time period the transition pathway will unfold and the level of anticipated physical damage will become much clearer. While the full extent of the physical damage is unlikely to have occurred markets are likely to be allowing for it to a large degree in asset pricing. The ability of the Trustee, MGIE and investment managers to understand these changes can position the Plan favourably, for example by increasing investments in new emerging technologies. MGIE seeks to select managers and choose indices (where available and appropriate) that can identify potential emergence of low carbon opportunities and the decline of some traditional sectors.

Over the long term, physical risks are expected to come to the fore. This includes the impact of natural catastrophes leading to physical damages through extreme weather events. Availability of resources is expected to become more important if changes in weather patterns (e.g. temperature or precipitation) affect the availability of natural resources such as water. The impact of global heating on productivity, particularly in areas closer to the equator, will also be a key driver. The ability of the Trustee, MGIE and investment managers to understand these changes can position the Plan favourably, for example by increasing investments in infrastructure projects that display a high level of climate resilience (where available and appropriate).

Describe the climate-related risks and opportunities relevant to the Plan over the agreed time periods and the impact of these on the Plan's investment strategy.

Climate-related Risks

One of the greatest impacts to the Plan from climate change is investment risk. The performance of the Plan's investments is directly aligned to the value of the underlying assets, which are increasingly impacted by climate-related risks and opportunities.

MGIE ensures that the Plan's investment strategy is well-diversified and applies ratings to the investment managers to reflect that they have an appropriate understanding of both the companies and assets in which they invest in and the risks to which they are exposed.

The Trustee receives reporting on the carbon intensity of the Plan's portfolio and how this changes over time, where the information is available, on a quarterly basis. This represents an improvement from the prior annual reporting.

Climate-related Opportunities

There are significant opportunities for investing in companies and assets that may benefit as financial markets transition to a lower carbon environment.

The Plan has invested in the Mercer Global Sustainable Equity Fund since 2022, which seeks to access listed equity investments and has increased its allocation (as a proportion of assets) over the year.

The Plan has also made an investment in the Passive Climate Transition Infrastructure Equity fund, to replace the Passive Global Infrastructure Equity fund investment.

Under the fiduciary management arrangement, MGIE assesses whether there are attractive sustainability-orientated investment opportunities on an ongoing basis.

Addressing Future Risks and Opportunities

In partnership with MGIE, the Plan seeks to make further progress in this area specifically for reducing climate-related risks over the short to medium term. For example:

1. Working with MGIE to manage the Plan's carbon exposure in the portfolio (where available and appropriate);

2. Allocating to more sustainable assets;

3. Investing with managers that can demonstrate a higher degree of integration for Environmental, Social and Governance issues (as measured by Mercer's ESG ratings).

The Trustee has requested Mercer, as the Plan's investment advisor, to provide support and consider potential investment and implementation opportunities to reduce the Plan's exposure to climate-related risks over time.

The Trustee considers climate risk of the funding strategy in relation to the investment strategy as well as through the covenant assessment and funding analysis, as performed by the Actuary, and is covered in the next section.

However, the Trustee recognises a balance is needed to be maintained between meeting the investment objectives of the Plan and considering these risks. Climate-related risks, but also opportunities, will be monitored as part of the approximately annual investment strategy reviews for the Plan.

Covenant Analysis

The Principal Employer of the Plan, ALSTOM Engineering and Services Limited (“AESL”), is exposed to climate-related risks which impact the overall strength of the employer covenant. Whilst the covenant continues to underpin the Plan, the Plan is in a strong funding position (as estimated by the Plan Actuary), and as such the Trustee believes there is reduced reliance on the strength of the sponsor covenant. The Trustee therefore takes a proportionate approach to the consideration of these particular risks.

As the employer is interdependent with the wider ALSTOM Group (“the Group”), the Trustee assesses climate-related risks and opportunities primarily at the wider Group level. The covenant adviser reports to the Trustee at each triennial valuation, supplemented by interim mid-year monitoring. The Trustee’s assessment is limited to publicly available information, comprising the Group’s 2023/24 ‘Universal Registration Document’ (“URI”) and “Alstom’s sustainability journey 2022-2023 Leading Societies To A Low Carbon Future”.

The Group has developed a dedicated Sustainability and Corporate Social Responsibility (“CSR”) strategy which seeks to integrate sustainability into its operations and approach to innovation; implementation and monitoring of the strategy is overseen by a dedicated sustainability and CSR committee, which is supervised by the Board of Directors. As part of its strategy, the Group has developed SBTi-validated targets to reduce its scope 1, 2 and 3 GHG emissions and aims to supply 100% of electricity in its operations from renewable sources by 2025, among other targets.

Overall, the Trustee does not consider climate change to be a material risk to the Group’s covenant support in the short to medium term. The industry in which AESL operates is well placed to take advantage of the opportunities presented by the energy transition, which should be conducive to future growth. This will, of course, be dependent on the Group’s capacity to invest and innovate, and its ability to access finance, particularly given increasing prevalence of climate-related lending criteria.

The Trustee also acknowledges that there may be scope to further develop covenant analysis in the future with regard to climate related and ESG risks and will continue to review its covenant monitoring methodology to incorporate available relevant data, including the Group’s performance against its own targets.

Funding Analysis

In the UK, mortality changes directly due to climate change (over the next 5 and 15 year projection periods used in the short and medium term scenarios within this report) are not expected to be material in the context of general uncertainty about life expectancy.

SCENARIO ANALYSIS

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

The Trustee supports the goals of the Paris Agreement that deliver a below 2°C temperature increase and believes that climate-risk may impact on securing long-term financial returns and considering climate-risk is in the best long-term interests of members.

The Trustee undertook climate scenario analysis in 2023 to test the resilience of the investment strategy adopted by the Trustee, based on assumptions as at 30 June 2022 for disclosure in last year's Climate Change-related Disclosures Report. Climate change scenario analysis was undertaken on the Trustee's strategic asset allocation to assess the potential implications of climate change under three modelled scenarios. Further details of the analysis completed and key conclusions are included in the Appendix. The Trustee has reviewed the analysis and agreed not to undertake updated analysis this Plan year as there have been no material changes to the strategy or improvements in methodology. This is consistent with the regulatory guidance to update scenario analysis at least every three years.

Employer Group Climate Scenarios, risks and opportunities

The Group has assessed the resilience of its sites and facilities to the impact of climate change in accordance with the IPCC's Global Warming Scenarios SSP5 8.5 (pessimistic scenario - end of century warming at 3.3 to 5.7°C) and SSP2 4.5 (optimistic scenario - warming at 2.1 to 3.5°C) and time horizons of 2030 and 2050. It also undertakes an annual prevention programme to support the management of climate-related risks and has taken action to adapt sites which are particularly exposed. The Group recognises the potential for increases in operating costs and capital expenditure under these scenarios, however it does not foresee significant environmental risks to its non-financial assets in the near term. In addition, management observes that projects chosen and risks and opportunities identified, in respect to climate change have not given rise to any material impact on the Group's financial statements for the financial year ended 31 March 2024.

In its latest URI, the Group refers to the International Energy Agency's observation that rail is the least emissions-intensive mode of passenger transport and is key to achieving net zero. The Group is cognisant of its role in supporting the transition to a low-carbon economy and is developing technology to align its operations, products and services to this end.

Summary of the scenario analysis

- Over 5 years (the short term), **transition risk dominates under a Rapid Transition**, causing a reduction in expected return of c.-0.4% p.a. compared to an Orderly Transition. This could be driven by unprecedented policy action, with markets initially overreacting before partially recovering.
- Over 15 years (the medium term), **physical impacts and transition risks are both material** with the Failed and Rapid Transition scenarios reducing annual returns by -0.2% p.a. and -0.1% p.a. respectively. **The Orderly Transition broadly tracks the baseline* over 5 and 15 year periods.** This is due to these impacts being (a) relatively small and (b) priced in to a degree.
- Over 25 years (the long term), physical impacts are most important, with a Failed Transition reducing annual returns by -0.3% p.a. relative to the baseline*. **The portfolio fares materially better under the Orderly and Rapid Transition versus the Failed Transition** as physical impacts are lower due to temperature rises being limited.

* The baseline represents what we are assuming the market is currently pricing in, and includes a 10% weight to a Failed Transition, 40% weight to an Orderly Transition, 10% to a Rapid Transition and 40% to a range of low impact scenarios.

RISK MANAGEMENT

Describe the Plan's process for identifying and assessing climate change-related risks

The Trustee recognises that climate-related risks can be financially material and that the due consideration of climate risk falls within the scope of the Trustee's fiduciary duty. Given the long-dated nature of the Plan's investments and the timeframe in which climate risks could materialise, a total portfolio approach to risk management covering all sectors and all relevant asset classes has been taken.

The CIF Trustee and Trustee seek to identify and assess climate change-related risks from both a top down and bottom up perspective. The climate change scenario modelling (described in the previous section) provides a top down strategic assessment of climate change risks. From a bottom up perspective, the Trustee and MGIE seeks to identify key sources of company and sector-level carbon risks using carbon emissions analysis and non-carbon emissions climate-related metrics (described in the next section).

The CIF Trustee and Trustee receives quarterly investment performance reporting, which includes ESG investment manager ratings produced by Mercer for the Plan's investment managers. These ratings assess the degree to which managers integrate ESG considerations, including climate change, into their investment processes and active ownership activities. If a manager is considered to be "lagging the market", Mercer will engage with the relevant investment manager(s) to strongly encourage that they improve in policies and practises in this area.

The CIF Trustee and Trustee review on a quarterly basis the ESG Manager Ratings review which analyses the ESG ratings of the Plan comparing these against the wider universe of strategies across various asset classes that are researched by the Investment Consultant, Mercer.

A summary of the managers' voting statistics and a selection of the most significant votes cast over the year are disclosed in the Implementation Statement which is reviewed on an annual basis by the Trustee.

The Trustee is actively considering ways to further enhance the process of identifying and assessing climate-related risks and opportunities. The Trustee is in the process (during June 2024) of reviewing the Plan documentation such as the SIP (which is reviewed following an investment strategy change or at least every 3 years), investment beliefs, and risk register (reviewed annually). The Trustee is planning to further strengthen its policy in relation to ESG within the SIP and ESG risks (including climate change) is reflected in the Plan's investment beliefs and risk register. The risk register is used to effectively identify, prioritise, manage and monitor risks associated with the Plan and the escalations of risk are managed by internal controls in place.

Describe the Plan's process for managing climate change related risks

The Trustee manages risk by prioritising those risks that it believes may be most financially material. These risks are identified in the SIP. The Trustee's approach to climate change risk management is guided by climate change scenario modelling, carbon emissions analysis and an assessment of a manager's ability to integrate ESG issues, including climate change considerations, into their investment processes.

The Trustee and MGIE equally see its target to reduce the level of carbon intensity within the Plan, as a means to manage climate transition risks. Equally, the Trustee and MGIE expect companies in which it invests to manage climate change risks.

The Trustee recognises the challenges with various metrics, tools and modelling techniques used to assess climate change risks. The Trustee aims to work with its investment consultant and MGIE to continuously improve the approach to assessing and managing risks over time as more data becomes available.

Describe how processes for identifying, assessing and managing climate change-related risks are integrated into the Plan's overall risk management

Both climate change-related risks and wider investment risks are considered as very important by the Trustee. Where possible, climate change and wider investment risks are treated in a holistic manner by recognising they are often interrelated. The Trustee adopts an integrated approach to climate risk management across assets, covenant and liabilities. The below table summarises the primary climate-related risk management processes and activities.

Governance	• The Trustee's **Statement of Investment Principles** is reviewed after an investment strategy change or at least every 3 years, and sets out how ESG risks including climate change are managed and monitored. • The Trustee maintains a **risk register** to monitor and mitigate financially material risks to the Plan. On at least an annual basis, the Trustee reviews the Plan's risk register which includes reference to ESG risks (including climate change) to ensure the assessment of the likelihood and impact continue to remain appropriate for the Plan. • The CIF Trustee and Trustee receives **training** on at least an annual basis from external experts on climate-related issues, including market updates. The training allows the Trustee to better understand how climate-related risks and opportunities can have an impact on the Plan. • MGIE as the Plan's fiduciary manager, publishes a Sustainable Investment Policy, which is updated annually and was last reviewed by the Trustee in June 2024. The CIF Trustee and Trustee are comfortable that this document broadly aligns with their views.
Strategy	• The investment consultant, Mercer, will take climate-related risks and opportunities into account as part of any **wider strategic investment advice** provided to the Trustee. This includes highlighting the expected change in climate-risk exposure through proposed asset allocation changes. Additionally, MGIE as the Plan's fiduciary manager takes account of climate-related issues when considering portfolio construction. • **Climate scenario analysis** for the Plan will be reviewed approximately every three years, or following a change to the methodology or investment strategy. A summary of the Trustee's latest climate scenario analysis has been included in this report and is the primary tool to help the Trustee understand the materiality of climate-related risks that could impact the Plan over time. • The Trustee have set **strategic objectives for its investment consultant** which includes an expectation that climate-related risks and opportunities are given due consideration. An assessment against these objectives is carried out by the Trustee annually.
Reporting	• Annual reports of **climate-related metrics** and progress against climate-related targets will be reviewed by the Trustee. • The Trustee produces an annual **Implementation Statement** which includes commentary on how the investment managers choose to vote and engage on climate-related issues (among other ESG issues), where applicable.
Manager selection and retention	• MGIE will consider an investment manager's firm-wide and strategy-specific approach to managing climate-related risks and opportunities alongside other ESG factors when either **appointing** a new manager, in the ongoing **review** of a manager's appointment, or as a factor when considering the **termination** of a manager's appointment. • MGIE reviews investment managers on the extent of **integration of ESG factors** (including climate change) into their processes. A manager's stewardship process forms part of the rating assessment. This is considered at the firm level and at the investment strategy/Plan level. The ratings are presented in quarterly investment performance reports and are reviewed by the Trustee. The Trustee also annually receives an ESG Manager Ratings review which analyses the ESG ratings of the Plan comparing these against the wider universe of strategies across various asset classes.

METRICS AND TARGETS

Disclose the metrics and targets used to assess climate-related risks and opportunities in line with strategy and risk management process

This report presents climate metric analysis for the Plan as at 31 December 2023. The metrics relate to the Plan's financed emissions only and exclude operational emissions of the Plan (for which the emissions are immaterial).

Due to practical data availability, the Plan-level figures quoted in the report assume that companies not covered by the analysis are represented within the range of companies that have been covered in the analysis, the 'pro-rata approach' (i.e. it is not assumed that companies not covered have emissions of 0) in line with statutory guidance.

The Trustee recognises that the availability of accurate data for some asset classes is an industry-wide issue and will look to engage with the investment managers to improve their climate reporting.

Carbon risk metrics aid the assessment of potential climate-related risks to which the Plan is exposed, and help to identify areas for further risk management, including engagement, monitoring, retention and selection.

The Trustee has agreed to report on the five metrics listed below. The rational for choosing these metrics to help understand the current climate-risk exposure of the portfolio and assess how this can be reduced over time.

- **Carbon Footprint –** measures the carbon emissions (in metrics tons) per million $ dollars invested. This is the DWP's recommended metric for measuring carbon emission intensity.
- **Weighted Average Carbon Intensity ("WACI")** – this is an alternative carbon emission intensity metric and measures the carbon emissions (in metric tons) per million $ dollars revenue generated. The contribution of each issue is weighted according to portfolio allocation weights.

  For example, a company with a very high carbon intensity but a low portfolio allocation might contribute to the WACI measure to a lesser extent than a company with a lower carbon intensity but a higher portfolio allocation.
- **Absolute Emissions** – represents each company's reported or estimated greenhouse gas emissions, where available. It includes various scopes of emissions:
  - **Scope 1 "direct" emissions:** those from sources owned or controlled by the company (e.g. direct combustion of fuel from vehicles); and
  - **Scope 2 "indirect" emissions:** those caused by the generation of energy (e.g. electricity) purchased by the company; and
  - **Scope 3 "indirect" emissions:** those caused not within the company itself, but that occur in the value chain of the reporting company.
- For sovereign emissions, the emissions are defined as those that relate to production (scope 1) and consumption (scope 1, 2 and 3 minus exported emissions) in line with the PCAF guidance.
- **Implied Temperature Rise ("ITR") –** analyses the warming scenario that the investment is aligned with. As a reminder, the 2015 Paris Agreement was to keep global temperature rises to below 2 ºC above pre-industrial levels.
- **Climate Value at Risk (cVaR)** – aims to measure the size of the financial loss attributable to climate-related risks a portfolio may experience, within a given time horizon, if a particular scenario unfolds.

The Trustee has selected to use Implied Temperature Rise as a means to measure portfolio alignment. Implied Temperature Rise is a forward-looking metric which helps infer the degree of portfolio alignment with the goals of the Paris Agreement. The Trustee recognises that very few companies are currently aligned with net zero pathways but that this will change as companies transition their business models.

METRICS – SCOPE 1 & 2 EMISSIONS

Figure 3: Corporate Climate-Related Metrics (as at 31 December 2023)

Fund	Value	% of Plan Assets	Carbon Footprint	WACI	Absolute Emissions	ITR	WACI Coverage
	(£m)	(%)	(tons CO2e / $m invested)	(tons CO2e / $m revenue)	(tons CO2e)	(°C)	(%)
Equities	**116.7**	**12.7**	-	-	-	-	-
Passive Global Equity - Fundamental Indexation (Hedged)	26.8	2.9	62.9	85.6	2,148.0	2.4	100
Passive Global Low Volatility Equity	1.4	0.1	23.2	83.6	40.2	1.8	100
Global Small Cap Equity	6.2	0.7	71.0	72.9	564.7	2.5	96
Passive Sustainable Global Equity	12.3	1.3	9.7	31.9	152.1	1.7	100
Passive Climate Transition Infrastructure Equity UCITS CCF	9.7	1.1	134.6	640.1	1,660.1	2.2	100
UK Equity	6.1	0.7	47.6	60.8	371.3	2.2	100
Eurozone Equity	8.5	0.9	53.7	70.0	584.2	2.1	99
China Equity	8.2	0.9	58.6	98.1	609.7	3.4	94
Emerging Markets Equity	17.2	1.9	54.6	108.0	1,198.6	2.9	97
Passive Global REITS (Hedged)	20.3	2.2	7.5	81.3	192.8	1.7	100
Growth Fixed Income	**76.9**	**8.5**	-	-	-	-	-
Emerging Markets Debt	9.8	1.1	-	152.9	0.0	0.0	91
Emerging Markets Debt – Hard Currency	9.8	1.1	408.6	1548.0	1,459.9	3.8	66
Passive Global High Yield Bonds (Hedged)	7.3	0.8	112.6	197.1	1,041.8	2.8	79
Multi-Asset Credit (Hedged)	28.4	3.1	86.3	141.6	3,089.3	2.1	35
Short Duration Bonds 1 (Hedged)	13.2	1.4	26.9	56.0	441.6	2.0	96
Absolute Return Fixed Income (Hedged)	21.6	2.4	47.3	81.5	636.9	2.3	53
Alternatives	**47.5**	**5.2**	-	-	-	-	-
Global Evolution Funds Frontier Markets	25.6	2.8	1.4	4.4	12.1	3.3	33
Global Sustainable Convertible Fund	4.6	0.5	140.8	132.6	873.9	2.0	96
Convertible Global Fund	4.6	0.5	136.2	254.6	844.3	2.2	100
Asia High Yield Bond	7.3	0.8	251.9	560.4	2,030.5	3.8	88
Japanese Equity	5.5	0.6	63.0	78.5	395.6	2.3	100
Matching assets	**676.3**	**73.6**	-	-	-	-	-
Tailored Credit I	277.1	30.1	33.8	118.7	11,994.2	1.7	94
UK Long Gilts	4.1	0.4	-	-	-	-	-
Inflation-Linked Bonds	161.4	17.6	-	-	-	-	-
Short Flexible Real	27.1	3.0	-	-	-	-	-
Medium Flexible Real	107	11.7	-	-	-	-	-
Long Flexible Real	15.7	1.7	-	-	-	-	-
Short Flexible Inflation	61.3	6.7	-	-	-	-	-
Data not yet available	9.4	1.0	-	-	-	-	-
Total	**917.4**	**100.0**	**51.5**	**140.4**	**30,055**	**2.1**	-

Data Source: MSCI ESG Data Calculated figures are rebased to 100% to represent full coverage. Figures are based on best-available data at time of calculation. Calculation methodologies are subject to change based on evolving market standards.

Please refer to the Appendix for the full footnotes relating to these metrics.

METRICS – SCOPE 1 & 2 EMISSIONS

Figure 4: Sovereign Climate-Related Metrics (as at 31 December 2023)

Fund	Value	% of Plan Assets	Carbon Footprint	WACI	Absolute Emissions
	(£m)	(%)	(tons CO2e / $m PPP GDP)	(tons CO2e / $m GDP)	(tons CO2e)
Equities	**116.7**	**12.7**	**-**	**-**	**-**
Passive Global Equity - Fundamental Indexation (Hedged)	26.8	2.9	-	-	-
Passive Global Low Volatility Equity	1.4	0.1	-	-	-
Global Small Cap Equity	6.2	0.7	-	-	-
Passive Sustainable Global Equity	12.3	1.3	-	-	-
Passive Climate Transition Infrastructure Equity UCITS CCF	9.7	1.1	-	-	-
UK Equity	6.1	0.7	-	-	-
Eurozone Equity	8.5	0.9	-	-	-
China Equity	8.2	0.9	-	-	-
Emerging Markets Equity	17.2	1.9	-	-	-
Passive Global REITS (Hedged)	20.3	2.2	-	-	-
Growth Fixed Income	**76.9**	**8.5**	**-**	**-**	**-**
Emerging Markets Debt	9.8	1.1	372.3	730.9	4,619.8
Emerging Markets Debt – Hard Currency	9.8	1.1	383.2	873.4	3,415.1
Passive Global High Yield Bonds (Hedged)	7.3	0.8	320.3	-	8.7
Multi-Asset Credit (Hedged)	28.4	3.1	274.9	141.6	3.4
Short Duration Bonds 1 (Hedged)	13.2	1.4	243.5	235.3	153.5
Absolute Return Fixed Income (Hedged)	21.6	2.4	340.6	393.8	4,250.6
Alternatives	**47.5**	**5.2**	**-**	**-**	**-**
Global Evolution Funds Frontier Markets	25.6	2.8	351.5	892.8	8,385.4
Global Sustainable Convertible Fund	4.6	0.5	-	-	-
Convertible Global Fund	4.6	0.5	-	-	-
Asia High Yield Bond	7.3	0.8	511.49	1,318.5	626.2
Japanese equity	5.5	0.6	-	-	-
Matching assets	**676.3**	**73.6**	**-**	**-**	**-**
Tailored Credit I	277.1	30.1	127.9	123.7	769.2
UK Long Gilts	4.1	0.4	136.1	131.7	702.1
Inflation-Linked Bonds	161.4	17.6	136.0	131.7	27,965.8
Short Flexible Real	27.1	3.0	136.1	131.8	4,532.4
Medium Flexible Real	107	11.7	136.1	131.8	16,918.2
Long Flexible Real	15.7	1.7	136.1	131.8	2,614.2
Short Flexible Inflation	61.3	6.7	-	-	-
Data not yet available	9.4	1.0	-	-	-
Total	**917.4**	**100.0**	**165.1**	**212.8**	**74,257.2**

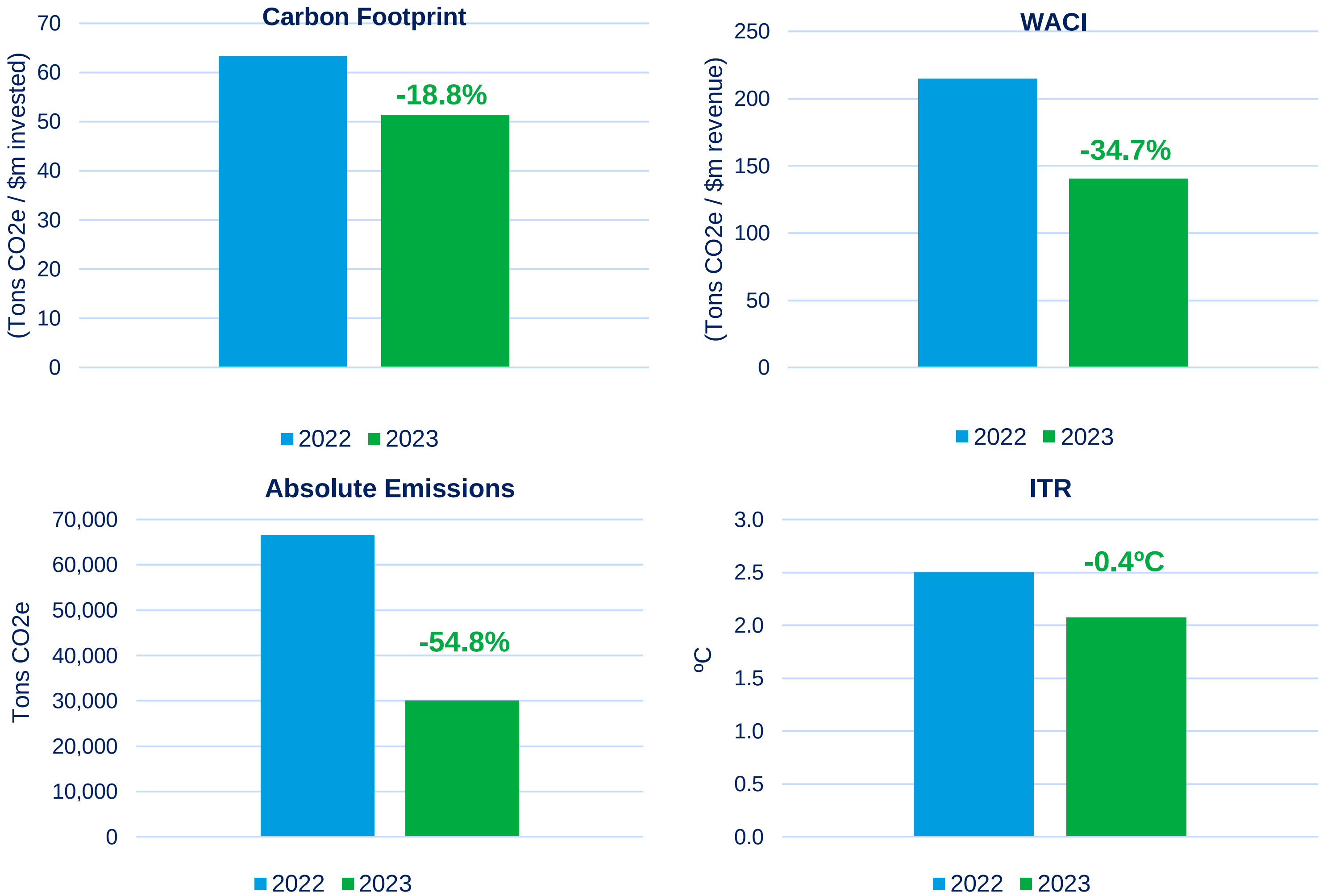
Data Source: MSCI ESG Data Calculated figures are rebased to 100% to represent full coverage. Figures are based on best-available data at time of calculation. Calculation methodologies are subject to change based on evolving market standards.

Please refer to the Appendix for the full footnotes relating to these metrics.

METRICS

Figure 5: Climate-Related Metrics evolution (31 December 2022 vs 31 December 2023)

The charts below set out how the corporate climate-related metrics have changed over the course of the year to 31 December 2023. As sovereign climate-related metrics have now been included in metrics reporting, it is expected that year on year progress can be included in future reports. Further details are included in the Appendix. The Trustee recognises the challenges associated with various metrics, tools and modelling techniques used to assess climate change risks. The Trustee aims to work with its investment adviser and investment managers to continuously improve the approach to assessing and managing risks over time as more data becomes available. The Appendix of this report sets out further information on each metric along with the data limitations and assumptions used in collating these metrics.



Charts above refer to Corporate climate-related metrics only. Please refer to the Appendix for the footnotes relating to these metrics.

Climate-Related Metrics Analysis

The estimated 1 Year 95% climate VaR is c.£15.8m across both physical and transition risks. This has reduced from £22.8m last year, we note the de-risking of the Plan has likely been the key driver of some of this change.

Given the nature of some of the LDI (liability hedging) assets, reliable data is not yet available and so has been omitted from this iteration. As reporting becomes better developed, greater and more reliable data around these asset classes should become available.

METRICS – SCOPE 3 EMISSIONS

Figure 6: Climate-Related Metrics (as at 31 December 2023)

Fund	Value	% of Plan Assets	Scope 3 Emissions Data					
	(£m)	(%)	Upstream Estimated (metric tons)	Downstream Estimated (metric tons)	Upstream Carbon Footprint (EVIC Intensity)	Downstream Carbon Footprint (EVIC Intensity)	Upstream Sales Intensity	Downstream Sales Intensity
Equities	**116.7**	**12.7**						
Passive Global Equity - Fundamental Indexation (Hedged)	26.8	2.9	4,596	12,413	134	363	236	482
Passive Global Low Volatility Equity	1.4	0.1	132	97	76	56	230	155
Global Small Cap Equity	6.2	0.7	1,725	3,338	217	420	256	361
Passive Sustainable Global Equity	12.3	1.3	903	744	58	48	231	151
Passive Climate Transition Infrastructure Equity UCITS CCF	9.7	1.1	840	1,213	68	98	320	246
UK Equity	6.1	0.7	1,141	3,015	146	387	226	535
Eurozone Equity	8.5	0.9	1,591	3,311	146	305	269	369
China Equity	8.2	0.9	1,204	2,140	116	206	300	333
Emerging Markets Equity	17.2	1.9	2,578	6,085	118	277	277	434
Passive Global REITS (Hedged)	20.3	2.2	476	5	18	0	241	3
Growth Fixed Income	**76.9**	**8.5**						
Emerging Markets Debt	9.8	1.1	-	-	-	-	144	1,224
Emerging Markets Debt – Hard Currency	9.8	1.1	2,596	8,553	209	688	373	6,469
Passive Global High Yield Bonds (Hedged)	7.3	0.8	1,482	3,877	160	418	275	657
Multi-Asset Credit (Hedged)	28.4	3.1	7,203	7,827	199	216	219	308
Short Duration Bonds 1 (Hedged)	13.2	1.4	1,543	2,217	92	131	216	391
Absolute Return Fixed Income (Hedged)	21.6	2.4	2,584	4,915	94	178	191	564
Alternatives	**47.5**	**5.2**						
Global Evolution Funds Frontier Markets	25.6	2.8	649	5,479	20	168	108	786
Global Sustainable Convertible Fund	4.6	0.5	1,186	937	192	152	270	220
Convertible Global Fund	4.6	0.5	723	915	117	148	273	402
Asia High Yield Bond	7.3	0.8	1,068	4,602	116	498	308	700
Japanese equity	5.5	0.6	1,084	2,589	173	412	276	494
Matching assets	**676.3**	**73.6**						
Tailored Credit I	277.1	30.1	28,414	44,816	81	127	208	179
UK Long Gilts	4.1	0.4	-	-	-	-	-	-
Inflation-Linked Bonds	161.4	17.6	-	-	-	-	-	-
Short Flexible Real	27.1	3.0	-	-	-	-	-	-
Medium Flexible Real	107	11.7	-	-	-	-	-	-
Long Flexible Real	15.7	1.7	-	-	-	-	-	-
Short Flexible Inflation	61.3	6.7	-	-	-	-	-	-
Data not yet available	9.4	1.0	-	-	-	-	-	-
Total	**917.4**	**100.0**	**63,719**	**119,088**	**55**	**102**	**128**	**243**

Data Source: MSCI ESG Data Calculated figures are rebased to 100% to represent full coverage. Figures are based on best-available data at time of calculation. Calculation methodologies are subject to change based on evolving market standards.

Please refer to the Appendix for the full footnotes relating to these metrics.

COMMENTARY ON METRICS

The changes in the corporate climate-related metrics over the year to 31 December 2023 are as follows:

- **Carbon Footprint:** reduced (improved) by c.19% YoY
- **Weighted Average Carbon Intensity (“WACI”):** reduced (improved) by c.35% YoY
- **Absolute Emissions:** reduced (improved) by c.54% YoY
- **Implied Temperature Rise (“ITR”):** reduced (improved) by c.16% YoY, to 2.1%
- **Climate Value at Risk (cVaR):** reduced (improved) by c.31% YoY

The Trustee has assessed the key drivers of changes in the metrics year over year as follows:

- A key driver of change was the improvement in data coverage. Last year 22.5% of the portfolio lacked full data coverage, and accordingly the Trustee elected to pro-rate the results for the full portfolio in line with statutory guidance. A majority of the assets lacking data last year were in LDI investments which are typically lower in score in the metrics assessed. Improvement in data coverage this year has therefore resulted in significantly less scaling up required and has resulted in a notable improvement in the metrics results.

- It is important to highlight that the Plan has reduced its target Growth Portfolio allocation during the year from 35% to 28.5% of total assets (a c.19% reduction), which has resulted in the Plan holding more LDI assets than 12 months ago. These assets have sovereign climate-related exposure, but no corporate climate-related exposure. These hedging assets provide good protection against changes in interest rates, inflation and life expectancy and therefore the Trustee expects the allocations to these assets to increase over time as the funding level of the Plan improves.

- WACI fell at an overall level for the Plan in 2023 which could be driven by external and economic factors (though not in all cases). More specifically, higher inflation may have led to higher revenues and therefore leading to lower intensity, all else equal (i.e. the ‘denominator effect’ of the WACI calculation).

- At the fund level, several investments exhibited significant improvement year on year due to improvement in data quality. For example, Eurozone equity (0.9% of Plan assets at 31 December 2023) absolute emissions improved by c73%, and Passive Low Volatility Equity (0.1% of Plan assets at 31 December 2023) improved by c88%. In the Eurozone Equity fund, one underlying investment manager was replaced and the fund undertook a re-weighting of the underlying investment managers which also contributed to improved metrics results.

- The data quality of the Passive Climate Transition Infrastructure Equity fund investment (1.1% of Plan assets at 31 December 2023) has improved year on year. This fund is committed to having a minimum of 35% of its assets in sustainable investments, based on the underlying investment managers framework, and varies the weights of securities in favour of companies preparing for the transition to a low carbon economy. Compared to the prior year, this fund has improved its carbon footprint by c36%, absolute emissions by c47% and implied temperature rise by c36%.

- In the Emerging Markets Equity fund (1.9% of Plan assets at 31 December 2023) during the year ended 31 December 2023, one underlying investment manager was replaced. Over the year, the WACI for the index has increased but, pleasingly, for the fund this has reduced by c37%.

COMMENTARY ON METRICS

- The Multi-Asset Credit (Hedged) fund, which accounted for 3.1% of the total Plan portfolio at both 31 December 2023 and 31 December 2022, has decarbonised by 35% over the year mainly due to some high WACI names being and some other carbon intensive companies reducing their WACIs. Similarly for the investment in the Absolute Return Fixed Income (Hedged) fund, which made up 2.4% of the total Plan assets at 31 December 2023, has decarbonised by 25% over the year.

- The corporate holdings in Emerging Markets Debt (Hard Currency)(1.1% of total Plan assets at 31 December 2023) decreased WACI 28% over the year driven by 2 utilities companies reducing WACIs, again due to increased revenues. Given the high carbon intensity of this strategy, these small movements can have outsized impacts at a portfolio level.

- The recent inclusion of actual DAA Fund underlying holdings (the 5 funds under ‘Alternatives’ totalling 5.2% of Plan assets at 31 December 2023) has improved accuracy but detracted from reported decarbonisation progress, especially the PIMCO Asia High Yield strategy which has a significantly higher WACI than other strategies.

It is important to highlight that numerous factors (external and economic) can have a significant impact on the results of this analysis. The Trustee acknowledges that they have little control over the carbon intensity of the UK, and other countries invested in, which is a significant driver of the metrics reported.

TARGETS

Disclose the target used to assess climate-related risks and opportunities in line with strategy and risk management process

Upon analysis of the portfolio's carbon metrics and discussions with the discretionary investment manager, the Trustee have set a target to reduce carbon emissions associated with its Growth Portfolio. The target is to reduce the growth portfolio's Weighted Carbon Intensity ("WACI") by at least 30% (from 30 June 2022 levels) by 31 December 2029 and to net zero by 31 December 2049, which is currently understood to be consistent with limiting global warming to 1.5 degrees above pre-industrial levels. The Trustee may consider wider portfolio-level targets in the future when better data are available to track its alternatives and matching assets portfolio.

It is noted that the Trustee appointed the discretionary manager in May 2022 and therefore will use 30 June 2022 as the baseline year for target setting. To align with the net zero tracking of the discretionary investment manager, the emissions reductions targets have been pro-rated to align with the manager's decarbonisation pathway which uses the baseline of 31 December 2019 and sets an interim carbon emissions reduction target of 45% by 31 December 2029.

The target is based on the WACI metric, capturing scope 1 and scope 2 emissions, as a method of monitoring and reducing the levels of carbon exposure in line with the Trustee's fiduciary duties to invest in the best financial interests of the Plan's membership. This metric was selected due to its broader coverage and applicability across asset class, when compared to other climate metrics.

The Trustee will be working closely with the discretionary investment manager to identify and manage a staged emissions reduction plan, oversee fund allocations to climate solutions, and steward an increase in transition capacity across the portfolio. Progress on reductions will be monitored and reported to members on an annual basis. These targets are also fully embedded within the Trustee's governance, risk management and strategy processes and communicated to relevant partners and third parties.

Furthermore, in order to meet the Trustee' net zero targets, the discretionary investment manager may use the following key levers:

- Asset class approach to implementation, e.g. for selecting strategies and mandate guidelines with consideration for climate goal alignment, and other risk and return factors, in line with Trustee fiduciary responsibility

- Stewardship, voting and engagement tools, to ultimately target transition within company business models, as implemented via sub-investment managers.

- Allocation to investment products across various sectors which support the climate transition to a low-carbon economy.

The Trustee will keep its targets under review to ensure they remain appropriate and relevant, taking into account any changes to the investment strategy of the Plan, the availability of data, the balance between portfolio and real-world decarbonisation as well as wider market developments. With this in mind the Trustee may change its target in the future.

A summary of the progress to date against this interim target is shown in the figures below for the Growth Portfolio. Since 30 June 2022, the WACI of the Plan's Growth Portfolio has reduced by 26% over the period to 31 December 2023. However, it is recognised that the decarbonisation pathway will not necessarily be linear and/or smooth and may involve temporary increases in WACI over sub-periods.

Target	30 June 2022	31 December 2022	31 December 2023	Change
WACI (tCO_2e/$M sales)	134	112	99	-26%

The Target is measured on the Growth portfolio (ie all assets except Matching Assets). Please refer to the Appendix for further details on this metric.

CONCLUSIONS AND NEXT STEPS

The key messages from this report are:

- Climate change risk can have an impact on the long-term outcomes for the Plan.
- The Trustee has processes in place to identify, assess and mitigate climate change risk.
- Data coverage has improved significantly over the year, with this report showing only 1% of the Portfolio having no data coverage which has been a key driver in the improvement in metrics.
- The Plan has de-risked (reducing the target Growth Portfolio allocation from 35% to 28.5% of total assets, a c19% reduction) which has been a key driver in the improvement in metrics.
- There has also been strong improvement in the metrics at the fund investment level, over the year.
- Significant progress has been made against all five corporate climate-related metrics chosen for progress monitoring as shown in the Metrics & Targets section.
- A target to reduce the level of carbon exposure of the Plan has been set and, as at 31 December 2023, the Growth Portfolio WACI has reduced by c26% from the June 2022 baseline level which shows material progress towards the 31 December 2029 target.

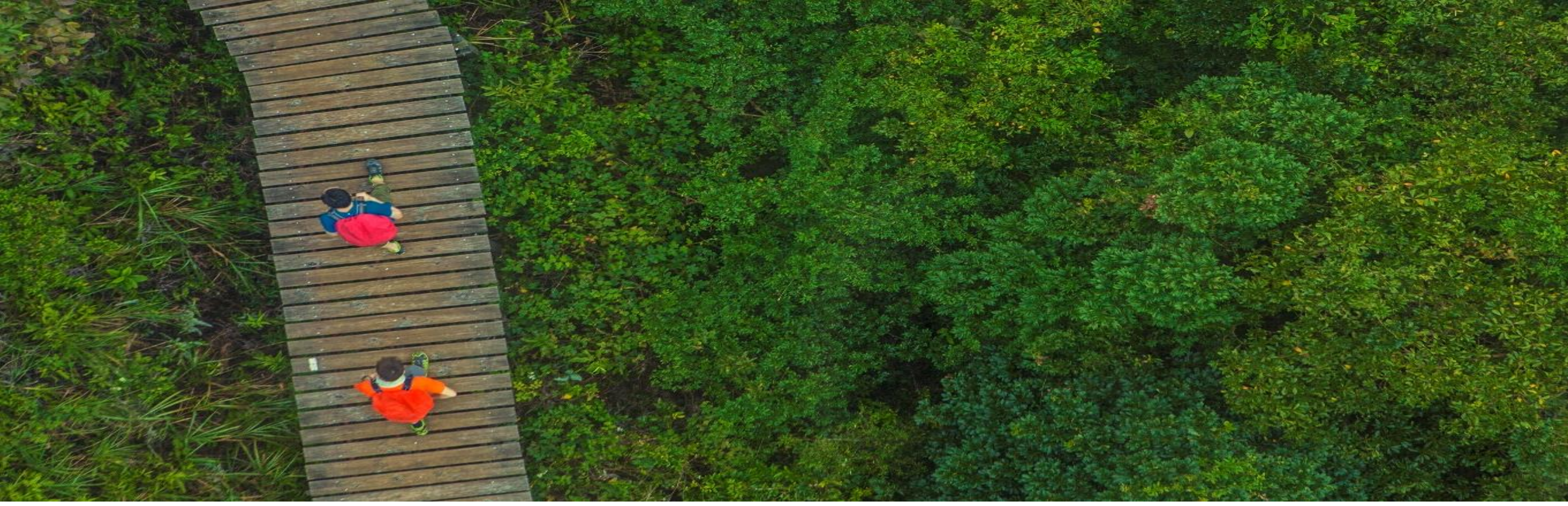
The Trustee has considered a number of actions in order to work towards the set target. Over the next 12 months, the Trustee is seeking to undertake the following actions:

- Continue to review Mercer's progress in engaging with investment managers to understand the steps they are taking to engage with investment managers on voting and engagement activity in respect of climate change and reduce carbon exposure within the Plan's assets.
- The Trustee will review the ESG policies applied by Mercer in relation to the Plan's investments on an annual basis.
- Producing an updated Statement of Investment Principles with further detail on the Plan's ESG policies, this update is planned for H2 2024.
- Regularly review the climate-related risks and opportunities in the Plan and maintain compliance with regulatory requirements, with support from the Plan's advisors, considering the suitability of the Plan's investment arrangements to achieving the agreed carbon reduction target while maintaining the Plan risk and return objectives.

In the longer term, the Trustee will:

- Consider inclusion of climate risks in the assessment conducted by the covenant advisor
- Ensure that they are well equipped with sufficient knowledge of developments around climate change risk through training and a review of skills.

The Trustee will continue to monitor integration of ESG factors into their decision making and strive for continued improvement.



APPENDIX

Modelling Assumptions

Mercer's UK Capital Market Assumptions

- Analysis is shown as at 30 June 2022

Asset Class	Failed Transition			Rapid Transition			Orderly Transition		
	31/12/2021								
	5 Years	15 Years	25 Years	5 Years	15 Years	25 Years	5 Years	15 Years	25 Years
MSCI World Equity	1.6%	-10.8%	-31.4%	-12.6%	-11.7%	-11.1%	-1.3%	-1.1%	-0.6%
UK Equity	1.2%	-9.3%	-25.9%	-9.9%	-8.6%	-7.7%	-1.2%	-0.7%	0.3%
Europe Equity	1.3%	-10.0%	-29.6%	-13.5%	-12.6%	-11.6%	-0.4%	0.2%	1.3%
China Equity	-0.1%	-15.3%	-44.4%	-13.8%	-12.8%	-10.3%	0.8%	1.4%	4.3%
Emerging Markets Equity	0.6%	-12.6%	-38.5%	-12.3%	-11.5%	-10.1%	0.0%	0.1%	1.7%
MSCI Paris-Aligned Equity Equity	1.2%	-12.2%	-33.1%	-8.9%	-7.4%	-6.1%	-1.7%	-0.5%	0.9%
Multi-Asset Credit	-0.3%	-3.3%	-3.4%	-2.4%	-2.1%	-2.3%	0.0%	1.1%	0.9%
Absolute Return Fixed Income	-0.1%	-1.4%	-1.7%	-1.6%	-1.7%	-1.3%	-0.2%	0.3%	0.8%
Global High Yield Credit	-0.2%	-4.6%	-4.6%	-3.1%	-0.5%	-1.3%	-0.2%	2.4%	1.6%
UK Sovereign Bonds	0.4%	0.3%	-0.8%	0.2%	0.1%	1.3%	-0.5%	0.0%	1.3%
EMD Hard Currency	0.0%	-2.7%	-3.6%	-1.3%	-1.2%	-0.8%	-0.2%	0.5%	1.0%
EMD Local Currency	1.0%	0.1%	-3.3%	-5.2%	-4.3%	-1.3%	0.2%	1.2%	4.4%
Global Real Estate	-0.1%	-9.2%	-24.9%	-5.2%	-3.4%	-3.0%	-0.1%	0.6%	1.0%
Infrastructure	0.7%	-9.9%	-28.6%	-9.1%	-8.4%	-8.0%	-0.4%	-0.4%	0.1%

Climate scenario modelling is a complex process and the Trustee is aware of the modelling limitations. In particular:

- The further into the future you go, the less reliable any quantitative modelling will be.
- Looking at average asset class returns over multi-decade timeframes leads to invariably small impacts. The results are potentially significantly underestimated.
- There is a reasonable likelihood that physical impacts are grossly underestimated. Feedback loops or 'tipping points', like permafrost melting, are challenging to model particularly around the timing of such an event and the speed at which it could accelerate.
- Financial stability and insurance 'breakdown' is not modelled. A systemic failure may be caused by either an 'uninsurable' 4oC physical environment, or due to the scale of mitigation and adaption required to avoid material warming of the planet.
- Most adaptation costs and social factors are not priced into the models. These include population health and climate related migration.

THE TCFD FRAMEWORK

The Financial Stability Board, an international body established by the G20 that monitors and makes recommendations about the global financial system, created the TCFD framework in 2015. TCFD was created to improve and increase reporting of climate-related financial information that can promote more climate-informed investments.

This climate change-related disclosure report is prompted by that drive for transparency and fulfils the Trustee's regulatory obligation in relation to climate change and governance reporting. The Trustee's aim is that members and stakeholders can better understand the climate-related risks and opportunities within the Plan through its ownership of companies and other investments.

Figure 7: TCFD Framework

TCFD recommendations are categorised under four pillars: Governance, Strategy, Risk Management, Metrics and Targets:

Governance
The Plan's governance around climate-related risks and opportunities.

Strategy
The actual and potential impacts of climate-related risks and opportunities on the Plan's investment.

Risk Management
The processes used by the Plan 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.

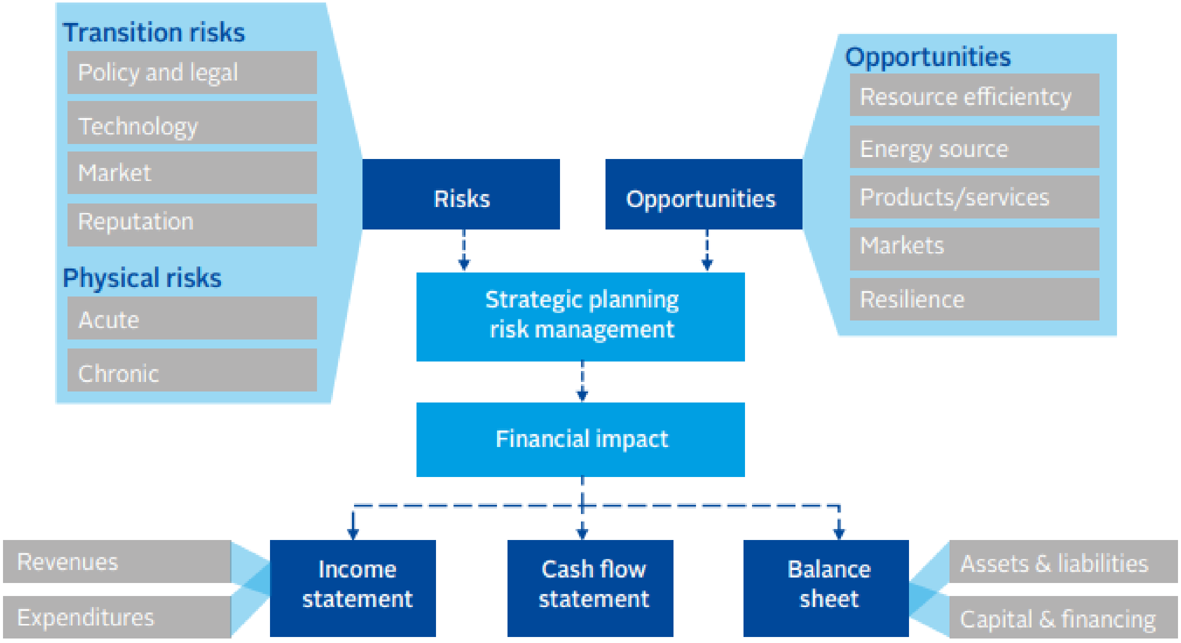
Asset owners like the Plan sit at the top of the investment chain and, therefore, have an important role to play in influencing the organisations through which they invest (such as asset managers) and companies in which they ultimately invest to provide better climate-related financial disclosures. Disclosure of climate-related risks and opportunities by asset owners allows beneficiaries and other audiences to assess the asset owner's investment considerations and approach to climate change.

In setting the Plan's investment strategy, the Trustee has incorporated the available and relevant climate-related financial information into their investment decision making. The Trustee believes that their climate-related financial disclosures encourage better disclosures across the investment chain, from asset owners to asset managers to underlying companies.

Climate-related risks and opportunities the Trustee has identified over the short, medium and long term

The Trustee recognise that the risks and opportunities arising from climate change are diverse and continuously evolving. This is demonstrated in Figure 3.

Figure 8: Climate-related risk and opportunities.



Source: Final Report, Recommendations of the Task force on Climate-related Financial Disclosures (June 2017).

SCENARIO ANALYSIS

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

The Trustee supports the goals of the Paris Agreement that deliver a below 2°C temperature increase and believes that climate-risk may impact on securing long-term financial returns and considering climate-risk is in the best long-term interests of members.

Climate change scenario analysis, as modelled by Mercer, has been undertaken on the strategic asset allocation of the Plan's portfolio, to assess the potential implications of climate change under three scenarios (Rapid, Orderly, and Failed Transitions) and over three time periods (5, 15 and 25 years).

- **A Rapid Transition** – Average temperature increase of 1.5°C by 2100. Sudden divestments across multiple securities in 2025 to align portfolios to the Paris Agreement goals which have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock. Following this shock there is a partial recovery.
- **An Orderly Transition** – Average temperature increase of less than 2.0°C by 2100. Political and social organisations to act quickly and predictably to implement the recommendations of the Paris Agreement to limit global warming to below 2°C. Transition impacts do occur but are relatively muted across the broad market.
- **A Failed Transition** – Average temperature increase above 4°C by 2100. The world fails to co-ordinate a transition to a low carbon economy and global warming exceeds 4°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events. These are reflected in repricing events in the late 2020s and late 2030s.

At a market level transition risks are reasonably priced in, however longer term physical risks are more likely to be mispriced. Transition risks remain at sector level and at the market level due to the potential for more extreme transition scenarios tooccur. This is expressed by modelling scenarios relative to a baseline scenario. Mercer's baseline assumes a composite scenario withthe following weightings priced in: 40% Orderly Transition, 10% Rapid Transition, 10% Failed Transition, the remaining 40% represents low impact scenarios and the potential for the transition to have an overall positive impact.

Figure 9: Mercer's Climate Scenarios

One way to illustrate scenarios is by plotting the transition risk against the physical risk. This is shown in the chart below.

Looking at example uses of the scenarios, each tests key elements of climate resilience:

- Is the portfolio resilient to the financial effects of the rapid decarbonisation of the economy to meet Paris Agreement goals (**Rapid Transition**)?
- What is the exposure to the risks/opportunities from the systemic drivers of an orderly transition and locked-in physical risk (Orderly Transition)?
- Is the portfolio resilient to the risks of plausible, severe climate change impacts (**Failed Transition**) and is stewardship strategy consistent with the need to avoid this scenario?

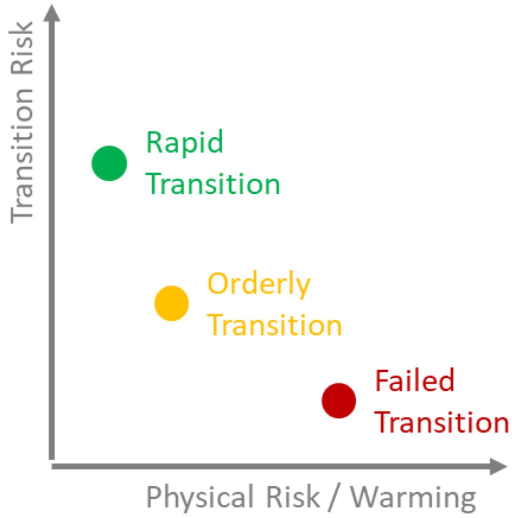


Figure 10: Strategic Asset Allocation

The chosen scenarios help the Trustee understand the resilience of the Plan's portfolio to different potential warming pathways covering eventual temperature increases over different timeframes. While a lower warming pathway (sub-2°C scenario) is one which governments, businesses and society are aiming for, there is a possibility that a failure to reduce greenhouse gas emissions quickly enough could set off irreversible feedback loops that significantly warms the planet (4°C scenario or greater).

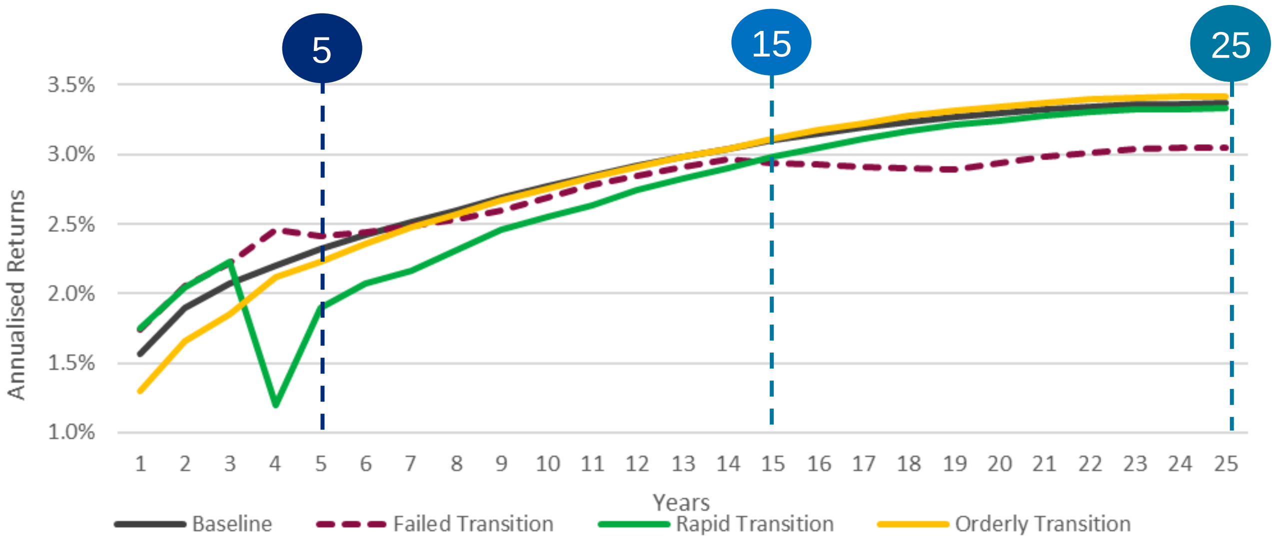
The Trustee notes that the modelling may understate the true level of risk and uncertainty is likely to be greater for higher warming scenarios, in particular due to the difficulty in being able to accurately predict the future. Please note, climate-related scenario analysis is an ever evolving space and as such the scenarios modelled may be subject to review in future periods.

The table below shows the strategic asset allocation (SAA) modelled for the Alstom UK Pension Plan. The projections assume £1,050m initial asset value as at 30 June 2022, assuming that the company contributions towards accrual offset benefit outgo. In practice, as the Plan's membership continues to mature we would expect benefit outgo to exceed contributions and the asset value to fall accordingly. Analysis is focused on assets only, therefore it does not consider liability impacts. It is possible that some of the impacts on assets would be offset by impacts on liabilities, particularly sovereign bonds.

The scenario analysis will be updated every 3 years, or following a change in methodology or investment strategy. The analysis has therefore not been updated from December 2022.

Fund Asset Class	Modelling Asset Class	Current Asset Allocation (%)
Global Equity	MSCI World Equity	4.8%
	UK Equity	1.1%
	Europe Equity	1.7%
Emerging Market Equity	China Equity	1.4%
	Emerging Markets Equity	2.6%
Sustainable Equity	MSCI World Paris Aligned Equity	2.5%
Multi-Asset Credit	Multi-Asset Credit	2.7%
Absolute Return Fixed Income	Absolute Return Fixed Income	4.0%
Corporate Bonds	Global High Yield Credit	8.8%
Sovereign Bonds	UK Sovereign Bonds	64.6%
Emerging Market Debt	EMD Hard Currency	1.4%
	EMD Local Currency	0.9%
Real Estate	Global Real Estate	2.1%
Infrastructure	Infrastructure	1.4%

Figure 11: Cumulative Annualised Returns



*The projections assume £1,050m initial asset value, with the baseline following Mercer's capital market assumptions' return expectations.

Key points at different time frames

5

5 Years – over the short term, **transition risk dominates under a Rapid Transition,** causing a reduction in expected return of c.-0.4% p.a. compared to an Orderly Transition. This could be driven by unprecedented policy action, with markets initially overreacting before partially recovering.

Overall, for the 5 year time period shown, there is very little difference between the baseline scenario, Orderly Transition and the Failed Transition as physical risks are not yet having a material impact on returns.

15

15 Years – **over the medium term, physical impacts and transition risks are both material** with the Failed and Rapid Transition scenarios reducing annual returns by -0.2% p.a. and -0.1% p.a. respectively.

The Orderly Transition broadly tracks the baseline over 5 and 15 year periods. This is due to these impacts being (a) relatively small and (b) priced in to a degree.

25

25 years – over the long term, physical impacts are most important, with a Failed Transition reducing annual returns by -0.3% p.a. relative to the baseline. **The portfolio fares materially better under the Orderly and Rapid Transition versus the Failed Transition** as physical impacts are lower due to temperature rises being limited.

Highlights from the scenario analysis

The analysis illustrates that a Failed Transition the worst in terms of long term returns. This supports the view that long term investors collectively trying to bring about an effective transition is aligned to their fiduciary duty to seek the best return within risk, liquidity and complexity restraints.

Figure 12: Sector Divergence (cumulative impact on different sectors within developed global equities

Climate exposure varies greatly by sector. This is illustrated by the chart below which shows the cumulative impact on different sectors within developed global equities over a 20 year time frame (the below charts are not specific to the Plan). Under the Failed Transition there is a positive return impact for coal & manufactured fuels, fossil based utilities and oil & gas. Under the Rapid Transition there is a positive impact for renewable energy that is intuitively expected to gain.

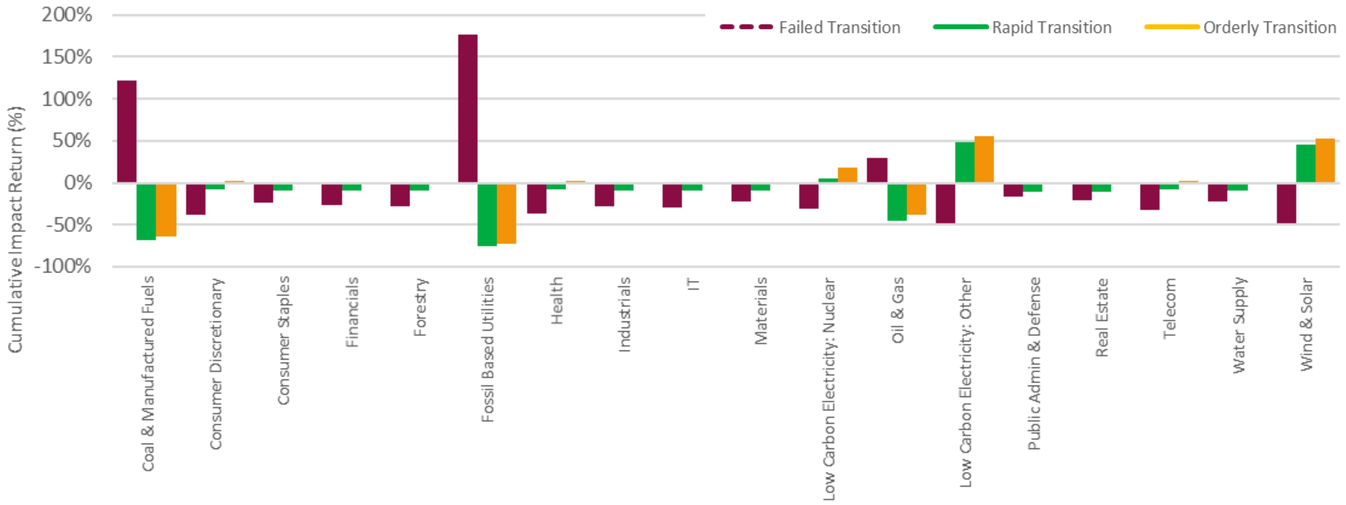
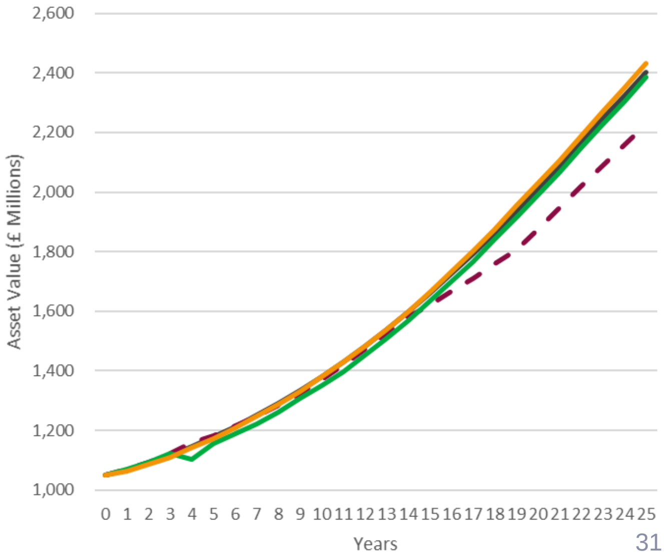


Figure 13: Climate stress testing

In reality, sudden changes in return impacts are more likely than neat, annual averages. This means that longer-term impacts, including transition impacts and particularly physical damages, could impact portfolios earlier than they occur. Our analysis has considered this though what we called “stress tests”. In this analysis repricing shocks are included within scenarios.

The Rapid Transition scenario includes a shock around 2025 pricing in (and over reacting to a degree) to transition costs, see blue box. The Failed Transition scenario includes shocks towards the end of the 2020s and 2030s pricing in future damage.

While the exact timing of such shocks is unknowable, considering such shocks is important to risk analysis.

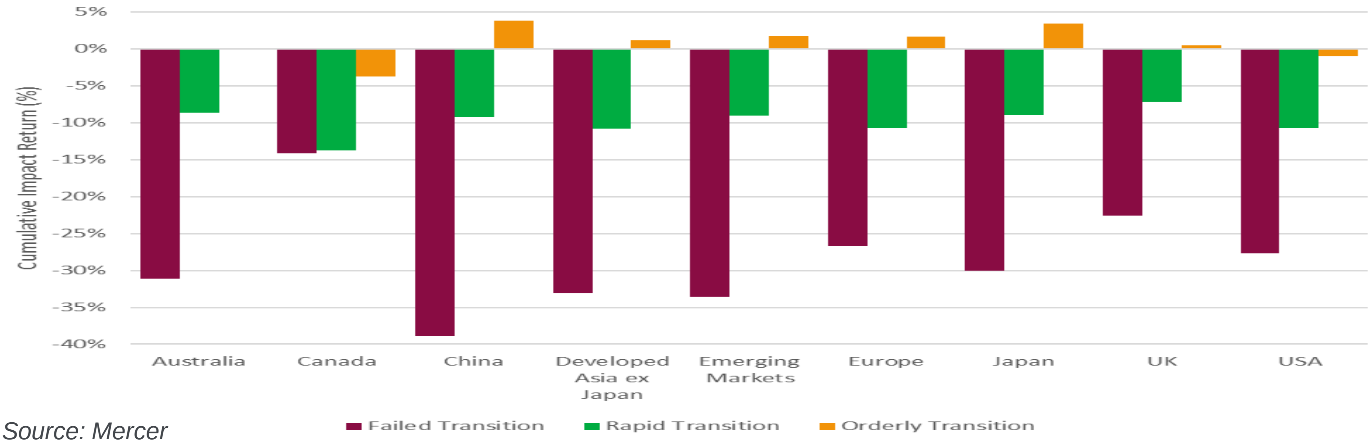


Regional resilience

We can look at the resilience of different asset classes under the different scenarios. The numbers in Figure 9 below are not influenced by the actual allocation levels in any particular Plan, they are the annualised performance impact on a regional basis (i.e. they are not specific to the Plan). It is noted that there are limitations to modelling for regional exposures.

Regional analysis helps investors understand physical risk exposures under a Failed Transition. China, Emerging Markets and Developed Asia ex. Japan are the most exposed. The analysis illustrates that a failed transition is by far the worst in terms of long term returns across all regions shown.

Figure 14: Annualised climate change impact regional returns over a 20 year time horizon



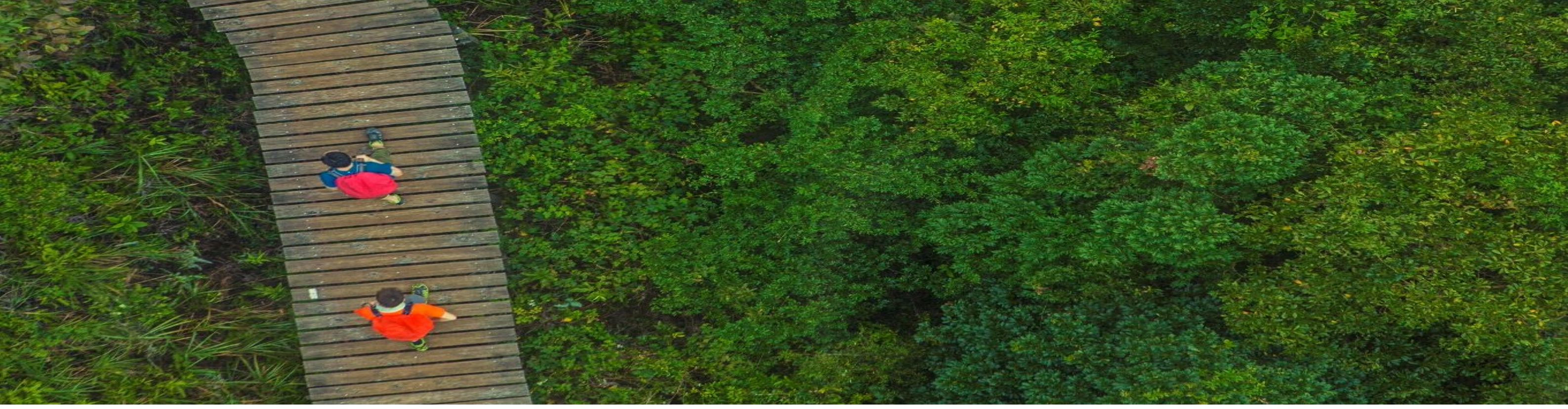
Source: Mercer

Summary of the scenario analysis

- Over 5 years transition risk dominates and could decrease the asset value by -0.4% p.a. under the Rapid Transition scenario.
- Over 15 years physical impacts and, to a lesser extent, transition risks are evident. The asset value could decrease by -0.2% p.a. under a Failed Transition, indicating that physical risks are more dominant.
- Over 25 years physical risk dominates and could decrease the asset value -0.3% p.a. under the Failed Transition.

Figure 15: Impact Summary

Climate Impact	Annualised Return
Rapid Transition (1.5°C)	
Impact at 5 years	-0.4% p.a.
Impact at 15 years	-0.1% p.a.
Impact at 25 years	0.0% p.a.
Rapid Transition (2.0°C)	
Impact at 5 years	-0.1% p.a.
Impact at 15 years	0.0% p.a.
Impact at 25 years	0.0% p.a.
Failed Transition (above 4°C)	
Impact at 5 years	0.1% p.a.
Impact at 15 years	-0.2% p.a.
Impact at 25 years	-0.3% p.a.



Alstom UK Pension Plan – Investment Strategy

Plan Allocations

Fund	Value (£m)	Allocation (%)
Passive Global Equity - Fundamental Indexation (Hedged)	26.8	2.9
Passive Global Low Volatility Equity	1.4	0.1
Global Small Cap Equity	6.2	0.7
Passive Sustainable Global Equity	12.3	1.3
UK Equity	6.1	0.7
Eurozone Equity	8.5	0.9
Passive Climate Transition Infrastructure Equity UCITS CCF	9.7	1.1
China Equity	8.2	0.9
Emerging Markets Equity	17.2	1.9
Passive Global REITS (Hedged)	20.3	2.2
Emerging Markets Debt	9.8	1.1
Emerging Markets Debt - Hard Currency	9.8	1.1
Dynamic Asset Allocation Fund (Hedged)	47.5	5.2
Passive Global High Yield Bonds (Hedged)	7.3	0.8
Multi-Asset Credit (Hedged)	28.4	3.1
Absolute Return Fixed Income (Hedged)	21.6	2.4
Short Duration Bonds 1 (Hedged)	13.2	1.4
Tailored Credit I	277.1	30.2
UK Long Gilts	4.1	0.4
Inflation-Linked Bonds	161.4	17.6
Inflation-Linked LDI Bonds	9.4	1.0
Long Flexible Fixed	0.0	0.0
Short Flexible Real	27.1	3.0
Medium Flexible Real	107.0	11.7
Long Flexible Real	15.7	1.7
Short Flexible Inflation	61.3	6.7

*Valuations as at 31 December 2023

METRICS

Metric category	Selected metric	Further detail
Absolute emissions	Total Greenhouse Gas Emissions	Tonnes of carbon dioxide and equivalents (tCO2e) that the Plan is responsible for financing.
Emissions intensity	Carbon Footprint	The amount of carbon dioxide and equivalents (tCO2e) emitted per million pounds of the Plan's investments.
	Weighted Average Carbon Intensity (WACI)	The exposure of the Plan to carbon-intensive companies, measuring the amount of carbon dioxide and equivalents (tCO2e) emitted per million pounds of holding company / issuer revenue on average.
Portfolio Alignment	Implied Temperature Rise (ITR)	A forward-looking assessment of how aligned the Plan's portfolios are relative to the Paris Agreement's 1.5°C target. This is estimated based on the activities and decarbonisation targets of portfolio companies / issuers, relative to what global decarbonisation needs to be to achieve 1.5°C.
Physical Risk	Climate Value at Risk (cVaR)	Aims to measure the size of the financial loss attributable to climate-related risks a portfolio may experience, within a given time horizon, if a particular scenario unfolds.

[1] For sovereign bonds, Greenhouse Gas Emissions are expressed relative to Purchasing Power Parity adjusted Gross Domestic Product (PPP-adjusted GDP), in line with the Partnership for Carbon accounting of Financials guidance (PCAF).

METRICS

Footnotes to the Metrics

As at date 31 December 2023. FX rate used 1.27 GBP/USD.

Data Source: MSCI ESG Data

Calculated figures are rebased to 100% to represent full coverage. Figures are based on best-available data at time of calculation. Calculation methodologies are subject to change based on evolving market standards.

Corporate metrics represent Scope 1 and 2 emissions normalised by $1M sales revenue.

Scope 3 emissions are provided for listed equities and corporate bonds as they are based on corporate metrics. Sovereign assets, cash and derivatives are excluded from this analysis. Estimated data is used due to the lack of availability or poor quality of reported data. Even when reported data is available for scope 3 emissions, there is no guarantee of consistency between the reported figures from different companies, as companies often only report on a subset of the 15 categories of scope 3 emissions. Using only MSCI estimated scope 3 data ensures that data methodology is consistent for all companies across similar sectors, providing a more robust understanding of where the risks lie and a better intertemporal understanding of how portfolios have evolved. Note, due to its estimated nature, it is not recommended to base investment decisions on scope 3 data until availability and reliability of reported data improves.

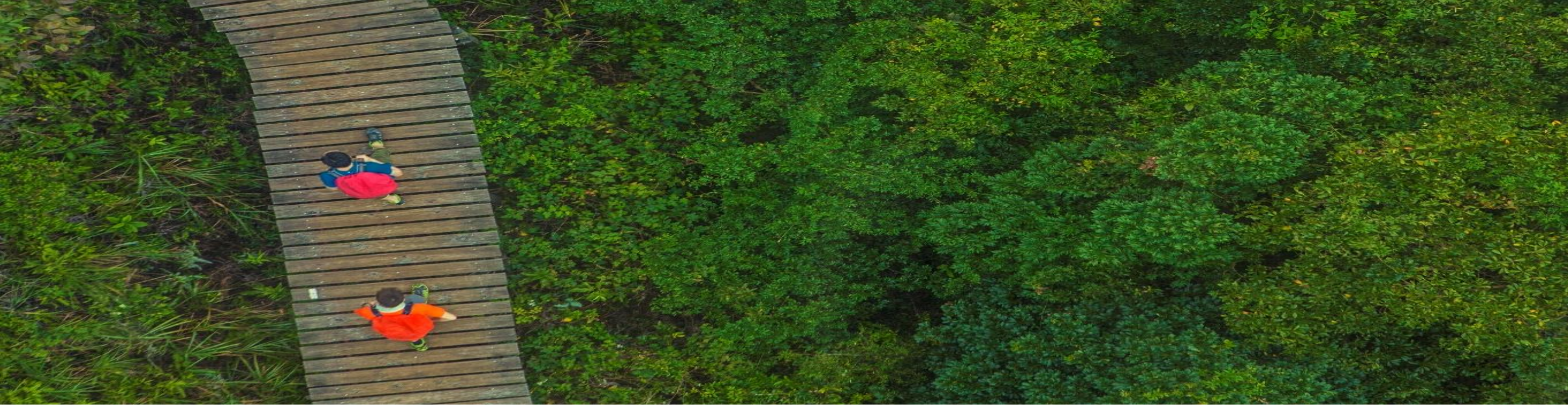
Upstream emissions come from the production of a business's products or services, while downstream emissions come from their use and disposal.

Sovereign analysis has been conducted in line with the recommended methodology set out by PCAF, Intensity formula Product Emissions / PPP Adjusted GDP ($m). Data for Production Emissions (GHG) for 2021 sourced from EDGARv7.0 website https://edgar.jrc.ec.europa.eu/dataset_ghg70. Crippa et al. (2021 https://edgar.jrc.ec.europa.eu/report_2021, 2022 https://edgar.jrc.ec.europa.eu/report_2022). Data for PPP Adjusted GDP for the latest available data (2020-2021) sourced from The World Bank https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD

Absolute emissions include corporate exposures (equity, corporate credit and securitised assets) and sovereign exposures as relevant.

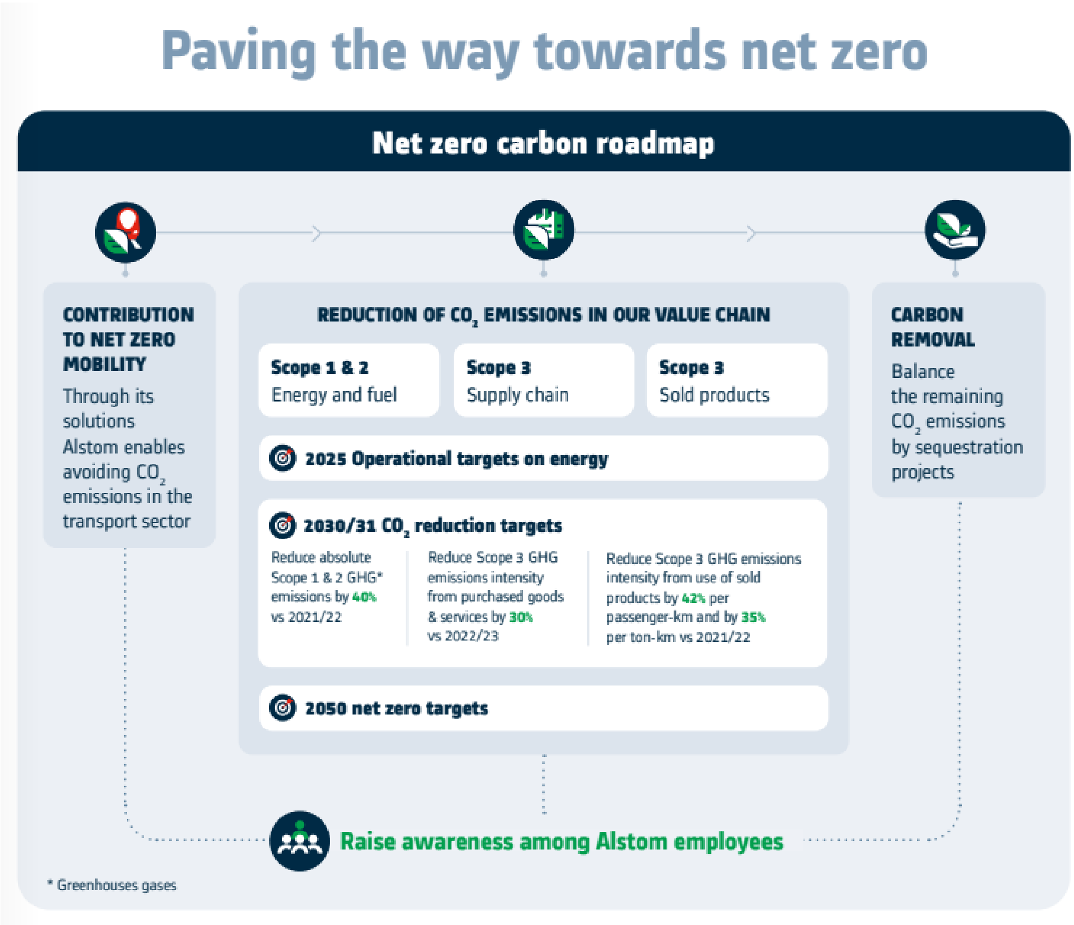
LDI metrics from total long only exposure to UK Gilts and Cash (£385.9m) is shown in the Metrics table. Short exposures and derivatives (including repos) are excluded from this analysis. LDI allocation presented as portfolio value less synthetics funding (short / repos / other items).

Please be aware that these figures are being provided purely for informational purposes only in order to demonstrate the results of integrating sustainability risk into your portfolio and the funds within it. While the underlying funds may promote environmental and/or social characteristics (please see the fund offering documents for full information on such commitments where relevant) your portfolio itself does not promote environmental or social characteristics nor does it commit to making investments in sustainable investments unless already agreed with you.

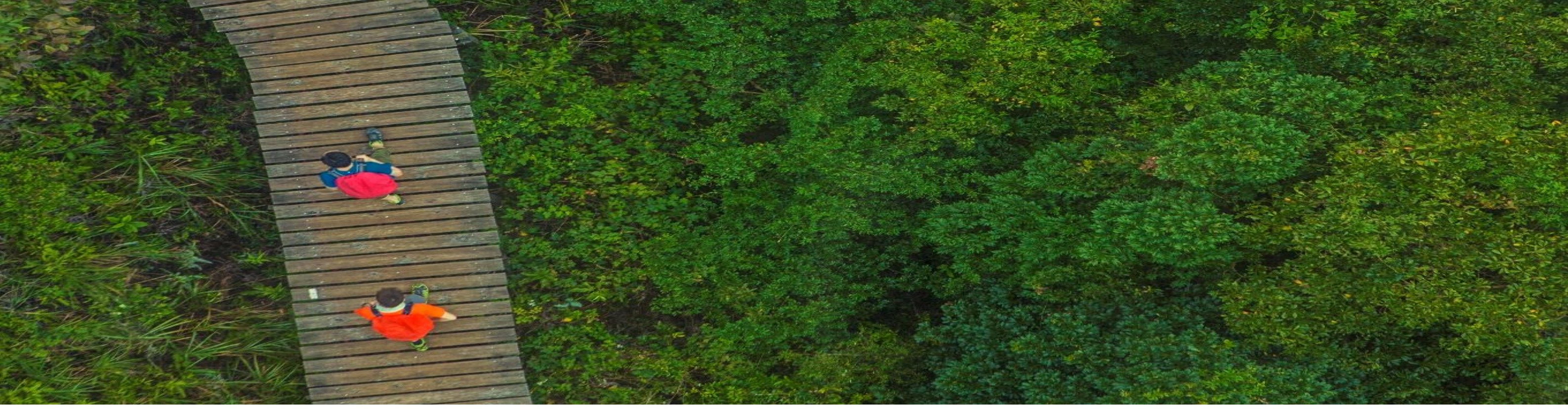


ALSTOM – Leading Societies to a Low Carbon Future

Figure 16: ALSTOM (the Principal Employer) Net Zero Carbon Roadmap



Source: https://www.alstom.com/alstom-leading-societies-low-carbon-future



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