



Reuters Pension Fund Task Force on Climate-Related Financial Disclosures ("TCFD") Report

For Fund year-end 31 December 2023

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INTRODUCTION

This statement sets out the approach of the Trustee of the Reuters Pension Fund (“the Fund”) with regards to identifying, assessing, monitoring, and mitigating climate-related risks and opportunities¹ in the context of the Trustee’s broader regulatory and fiduciary responsibilities to their members. This is the Fund’s second report and covers the period from 1 January 2023 to 31 December 2023.

This statement has been prepared in accordance with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and accompanying statutory guidance published by the Department of Work and Pensions (June 2021) and provides a summary on how the Fund is currently aligning with each of the four elements set out in the regulation. Details on these elements are below.

The regulations are based on the recommendations of the Task Force on Climate-Related Financial Disclosures (“TCFD”). The Trustee supports the recommendations set out by the TCFD on the basis that it will allow the Trustee to assess, monitor and mitigate climate-related risks on behalf of members more effectively.

Element	Description
Governance	This section describes the Trustee’s governance of climate-related risks and opportunities. It describes how climate-related risks and opportunities are integrated into the Fund’s overall investment strategy.
Strategy	This section describes the estimated impact of three potential future climate scenarios on the Fund’s assets, liabilities, and sponsor covenant. It also details the implications of these scenarios for the Fund’s investment and funding strategy.
Risk Management	This section describes the Trustee’s approach to identifying, assessing, and managing climate-related risks.
Metrics and Targets	This section describes the metrics used by the Trustee to identify climate risks and monitor progress made against its selected target.

GOVERNANCE

In all investment matters, it is the Trustee that is ultimately responsible. This includes matters relating to ensuring the effective governance of climate-related risks and opportunities. However, day-to-day management and oversight of the Fund’s investment matters are delegated to the Investment Sub-Committee (“ISC”). A full explanation of individual responsibilities and Trustee oversight is included in Appendix A.

The Trustee has discussed and agreed climate-related beliefs and an overarching approach to managing climate change risk. The details of these are set out in the Statement of Investment Principles (“SIP”) and Climate Policy document (see Appendix B for the Fund’s full Climate Policy), which are reviewed as required. The Trustee is supportive of the Paris agreement to avoid dangerous climate change by limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C.

The Trustee takes independent investment advice to help assess climate-related risks and opportunities. The role of the investment consultant is to provide investment-related strategic and

¹ For brevity, where we refer in this report to the risks and opportunities relating to climate change, we mean this to cover both the risks arising from changes in the climate itself and the risks and opportunities presented by the anticipated transition of economies and society to a lower carbon future.

practical support to the ISC and the Trustee Board, including relating to climate-related risks and opportunities. This includes provision of regular training and updates on climate-related issues, climate change scenario modelling and climate metrics which are updated annually. The Trustee reviews the climate competency of its advisers and those who support the Trustee in relation to climate risk management to ensure adequate processes are in place. ESG advice, including advice on climate-related considerations, forms one of the formal objectives the Trustee has set for the Fund's investment consultant, against which the consultant is reviewed annually.

The Trustee encourages open communication between all relevant parties who work on the management of climate-related factors for the Fund. The majority of the Fund's advisers and service providers – the Fund's lawyers, actuary, investment consultant, covenant adviser, and investment managers have contributed to the preparation of this report. This process has encouraged the sharing of data and analysis and regular communication between all these parties.

The Trustee expects its advisers to bring important and relevant climate-related issues and developments to the Trustee in a timely manner. Over the year to 31 December 2023, the Trustee received training on stewardship as an effective tool in managing climate change risk. The Trustee receives written updates on key climate-related developments from the Fund's investment consultant on a quarterly basis and discussion occurs on an ad-hoc basis in quarterly meetings. The Trustee receives an update on the level of climate risk posed to the Fund from the results of climate stress tests as part of a wider risk report on the Fund which is issued quarterly. Additionally, the Trustee reviewed the ESG analytics report from its investment consultant, which includes all the climate-related metrics the Trustee has agreed to report as part of its TCFD report.

Climate-related scenario analysis on different parts of the funding strategy is provided by the following advisers:

Fund component	Provider of climate scenario analysis
DB assets	Redington (Investment Consultant)
DB liabilities	Aon (Actuary)
DB covenant	Cardano (Covenant Adviser)

The Trustee receives quarterly updates on relevant discussions that have taken place at the Fund's ISC meetings. At its meetings, the Trustee has ensured that robust discussion has taken place regarding climate-related items such that there is a clear understanding of analysis undertaken and the advice it has received.

The Trustee believes its approach to dedicating time and resources on the governance of climate-related risks and opportunities is proportionate to other financial risks and opportunities identified by the Trustee.

STRATEGY

The Trustee considers climate-related risks and opportunities and their potential implications for the Fund's investment and funding strategy over the short, medium, and long term. These considerations are incorporated into all aspects of the Trustee's investment process, including strategic asset allocation, mandate and manager selection, and ongoing monitoring of the portfolio.

The Trustee acknowledges that the Fund's investment portfolio is exposed to varied climate-related risks. The Trustee considers that the majority of these risks fall into two categories:

- **Transition risk:** Transition risk refers to price risk that would arise from the transition to a low-carbon economy; for example, policy changes, litigation, technology advances,

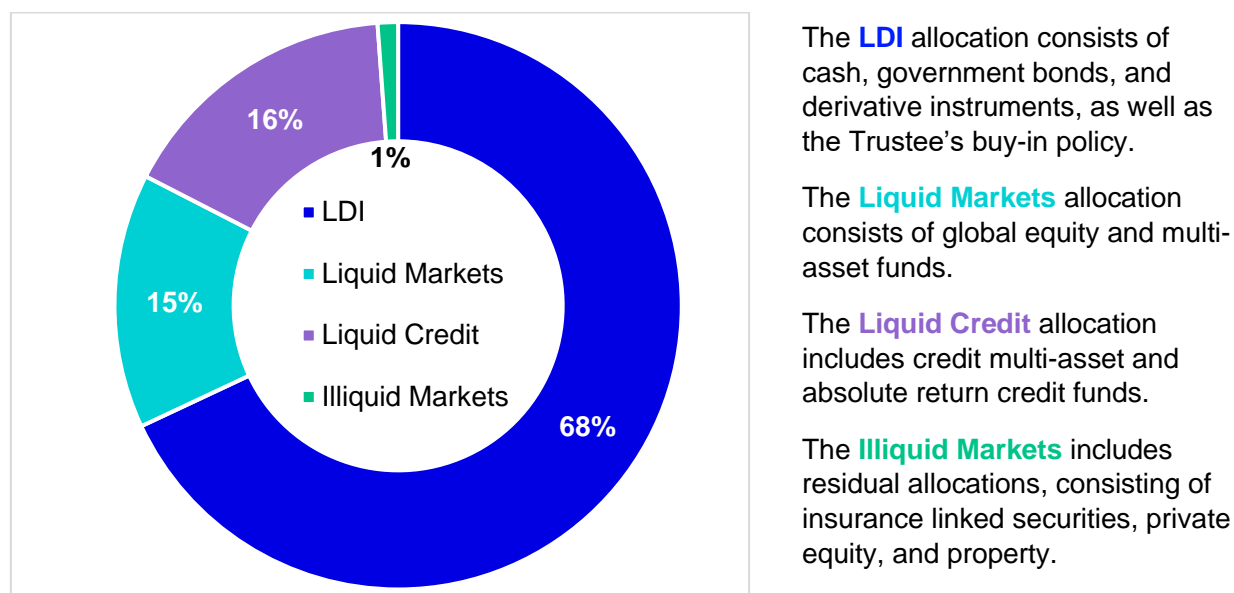
and shifts in supply and demand. The magnitude of this risk is determined, in part, by whether the economic transition towards carbon neutrality is orderly or disorderly. The Trustee believes these risks and opportunities are more likely to begin in the short-to-medium term.

- **Physical risk:** Physical risk refers to the price risk that would arise due to changes in climatic conditions and the incidence of extreme weather events, whether directly or indirectly affecting the Fund. The Trustee believes that material impacts of physical risks on the Fund would be more likely to occur in the medium to long-term.

The Trustee expects that as the extent of each of these risks becomes known, the strategic asset allocation, as well as the specific mandates it is made up of, will be altered to mitigate these risks as well as to capture emerging opportunities.

The Trustee has explored, and will continue to explore, investment opportunities that are both appropriate for the Fund from an investment perspective and aligned with the goals of the Paris Agreement. These include, for example, equity strategies that invest in companies that seek to contribute to and benefit from the transition to a low-carbon economy. The Trustee believes that investing in such opportunities can be neutral or even positive from a traditional risk/return perspective and is therefore aligned with its fiduciary responsibility.

As at 31st December 2023, the Fund's investment portfolio consisted of the below portfolio, shown at both the asset class and fund level:



The Trustee does not consider there to be a material impact of climate-related risks relating to the sponsor covenant on the Fund, given the sector that the sponsor operates in, as well as the well-funded status of the Fund.

The Trustee acknowledges that climate-related risks and opportunities are likely to vary depending on the time horizon over which they are being considered, and therefore considers climate-related risks and opportunities across the following time horizons:

Time Horizon	Years	Rationale
Short Term	0-5 years	In line with the Fund's next triennial actuarial valuation.
Medium Term	5-10 years	This is broadly in line with the time horizon over which the Fund's investment objective is targeted.

Long Term	10-15 years	This is in line with the time period over which the Fund expects to reach a substantially de-risked position, including a possible insurance solution (subject to market conditions).
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Scenario Analysis

To aid the consideration of climate-related risks and opportunities, the Trustee undertook scenario analysis as at 31 December 2022, which was intended to show the impact of various climate scenarios on the Fund's assets and liabilities.

The Trustee has reviewed the output of the scenario analysis conducted in the last reporting period and believes it remains appropriate. There were no significant changes to the Fund's strategic asset allocation made over the period, nor does the Trustee believe there has been sufficient progress made in terms of data quality or scenario methodology to warrant refreshing the analysis. The Trustee will keep abreast of evolving best practice and review this decision again next year.

The combined impact of asset and liability scenario analysis performed last year, as well as the Trustee's interpretation is outlined below. Further information on the asset, liability and covenant specific analysis is detailed in Appendix C.

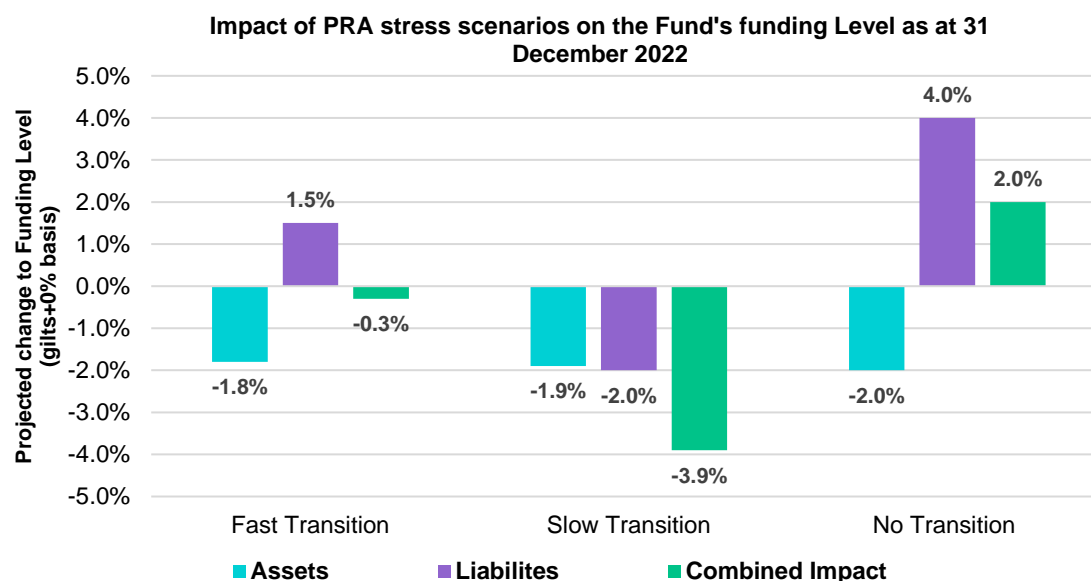
This analysis has been based on the Bank of England's Prudential Regulation Authority's ("PRA") Life Insurance Stress Tests, as recommended by the Pensions Climate Risk Industry Group ("PCRIG"). Using the PRA's methodology, Redington and Aon have constructed similar tests, which show the impact on the Fund's assets and liabilities under three scenarios. Details on each scenario are below:

Climate Scenario	Description
Fast Transition	<ul style="list-style-type: none"> A sudden transition, ensuing from rapid global actions and policies, that materialises over the medium term and achieves a temperature increase that remains below 2°C (relative to pre-industrial levels) but only following a disorderly transition. Shock parameters illustrative of potential impact 3 years from performance of the test. In this scenario, transition risk is maximised.
Slow Transition	<ul style="list-style-type: none"> A long-term orderly transition that is broadly in line with the Paris Agreement. This involves a maximum temperature increase being kept well below 2°C (relative to pre-industrial levels), with the economy transitioning in the next three decades to achieve carbon neutrality by 2050 and greenhouse-gas neutrality in the decades thereafter. Shock parameters illustrative of potential impact in 2050. In this scenario, both physical and transition risks are realised.
No Transition	<ul style="list-style-type: none"> A scenario with failed future improvements in climate policy, reaching a temperature increase in excess of 4°C (relative to pre-industrial levels) by 2100 assuming no transition and a continuation of current policy trends. Physical climate change is high under this scenario, with climate impacts for those emissions reflecting the higher end of current estimates. Shock parameters illustrative of potential impact in 2100. In this scenario, physical risk is maximised and transition risk is not realised due to no transition taking place.

The graph below depicts the expected combined funding level impact on the Fund under each of the three climate scenarios. The combined impact on the funding level is computed by combining the climate stress from each PRA scenario on both assets and liabilities, with the liability stress

due to longevity, based on the actuary's analysis of ultimate mortality impacts. The output is expressed as the percentage point difference between the Fund's base-case funding level and the stressed funding level.

The combined impact of asset and liability scenario analysis



Under the PRA “Fast Transition” scenario, Aon forecasts a decrease in life expectancy and subsequent mortality expectations through a combination of heightened physical and transition risk relative to a base case. This reduces the Fund's liabilities and offsets the negative impact from a fall in asset prices. The overall funding level impact is c.-0.3%. Given the estimated decrease in the liabilities arises from increased mortality amongst Fund members, the Trustee is clear that it would be neither prudent nor appropriate to allow for this impact from a risk management perspective.

Under the PRA “Slow Transition” scenario, Aon forecast that life expectancy is higher than the base case due to improved health conditions and positive spillover effects from green-policy adoption, including improved air quality. This increases the Fund's liabilities relative to the base case scenario, which compounds the negative funding level impact from the asset-side stress. This scenario sees the highest fall in total funding level of c.3.9%.

Under the PRA “No Transition” scenario, Aon forecast a decrease in life expectancy and subsequent mortality expectations through heightened physical risk relative to the base case. This decreases the Fund's liabilities relative to base case which more than offsets the negative funding level impact from the asset-side stress. The overall funding level impact is c.+2.0%. As above, given the estimated reduction in the liabilities arises from heightened mortality amongst Fund members, the Trustee is clear that this scenario cannot be assumed to accrue to the Fund's benefit.

Covenant Scenario Analysis

As the Fund progresses towards its long-term investment objective, the Fund's dependency on Refinitiv Limited (the “Sponsor”) is expected to decrease. However, a degree of Sponsor dependency nonetheless remains. The Trustee has therefore engaged with the covenant adviser, Cardano, to understand how various climate scenarios would impact the strength of the covenant. The adviser has completed a high-level qualitative assessment of the climate-related risks faced by the Sponsor based on review of the Group's Sustainability Report², including the implications of these risks for the Fund.

Over the short (0-3 years), medium (3-10 years), and long (10+ years) term, the covenant adviser determined that, based on the Group's assessment, climate risk to the Sponsor's

² Cardano has based their assessment on the LSEG Sustainability Report 2023, being the most recent report including a materiality assessment of the potential financial impact of identified risks.

business is medium³, considering exposure to both transition and physical climate risks. The Trustee will incorporate monitoring of the most prevalent risks into its covenant monitoring processes going forward. As appropriate, the Trustee will also consider covenant implications of scenarios that form part of the Group's strategy, and whether climate risks for the Fund's assets correlate with risks to the Group and implement specific mitigation if appropriate.

The Trustee's interpretation of the Fund's Scenario Analysis

Based on the above analysis, the Trustee is comfortable the Fund's investment and funding strategy is resilient to possible climate-related risks. However, the Trustee is aware of the limitations of the current scenario analysis methodology, for example overlooking climate tipping points and underestimating the likely implied temperature rise. As such, the Trustee considers a qualitative assessment of risks alongside the scenario analysis output.

For the risks and opportunities identified, the Trustee is comfortable that they are appropriately accounted for in the Fund's existing strategy, and has therefore not made any changes to the Fund's investment strategy over the course of the year. The Trustee will continue to consider climate-related risks and opportunities when evaluating the Fund's strategy. For instance, assessing the stewardship capabilities of potential managers as a way to manage transition risk. This is discussed further in the next section.

RISK MANAGEMENT

Identifying and assessing climate-related risks

The Trustee takes both a 'top-down' and 'bottom-up' approach to identifying climate-related risks. In practice this approach is conducted through two primary methods:

- The use of 'top down' **scenario analysis** – as outlined in the previous section; and
- 'Bottom up' **climate metrics** analysis – further detail of which is included in the final section of this report.

To ensure consideration of climate-related risks is incorporated into the Fund's wider risk management framework, the Trustee receives additional climate-related reporting from its investment consultant quarterly (portfolio level reporting) and annually (detailed fund-by-fund reporting).

On an annual basis, the Trustee receives a climate metrics report outlining fund-by-fund performance against relevant climate metrics as set out under the DWP's adoption of the recommendations of the TCFD. This reports total absolute carbon emissions, carbon footprint and the Trustee's selected non-emissions-based metric (data quality), and the Trustee's portfolio alignment metric (SBTi Alignment). The Trustee will use the results of its selected metrics to identify the climate-related risks and opportunities that are relevant to the Fund. These might include, for example, engaging with fund managers who have material carbon intensity levels, collaborating with other industry participants or exploring low-carbon alternative investments.

The Trustee will review the appropriateness of selected scenarios, metrics, and targets on an ongoing basis as industry-consensus on relevant methodologies evolves.

Given the Fund's relatively short time horizon to its investment objective, the Trustee is currently prioritising management of climate transition risks over physical risks, as it is judged that these pose the biggest potential for financial loss to the Fund in the short/medium term. However, it is recognised the Fund's time horizon could change, and/or the physical effects of climate change could be felt sooner than expected. Thus, the Trustee keeps both transition and physical climate-related risks under regular review, including identifying any new and emerging risks. This is

³ Medium risk defined by Cardano as "Moderate financial materiality; may require additional mitigation responses."

achieved by monitoring the output of asset-side climate scenario analysis on a quarterly basis, with relevant topics for discussion also being raised by the Fund's investment consultant.

Asset allocation and manager selection

When selecting a new investment manager, ESG integration (including climate change), stewardship, and engagement are factored into the Trustee's decision-making process in a manner and degree appropriate to the specific asset class in question. The Fund's investment consultant also takes the Trustee's specific objectives and beliefs into account when making any manager recommendations.

Over the period, the Trustee appointed one new manager, Hermes, as the Fund redeemed from the LGIM Buy & Maintain portfolio and used a portion of the proceeds to seed an allocation to the Hermes Absolute Return Credit fund. The decision allowed the Fund to improve its liquidity position with the Hermes fund to be included in the Fund's collateral rebalancing framework. Prior to selecting Hermes, a rigorous assessment of the manager's approach to ESG (including climate) integration & stewardship abilities was conducted. Hermes is considered to be ahead of its peers in this regard. Hermes incorporates ESG considerations in the credit analysis of both long and short positions and assign all issuers an ESG and climate impact score. The manager is also considered to be superior in its stewardship capabilities, with a dedicated stewardship service intended to engage with issuers to improve its practices in regard to climate and other ESG considerations.

The Fund's investment consultant is expected to advise on, and provide an objective assessment of, differing approaches to responsible investment to help the Trustee decide on a suitable strategy and adopt appropriate responsible investment, including climate-related, objectives for the Fund. The responsibilities of the investment consultant are set out in more detail in the Governance section of this report. In its annual reviews of the investment consultant, the Trustee explicitly assesses the integration of ESG (including climate) risks in the investment advice it receives.

Engagement and voting to manage climate-related risk

The Trustee believes that stewardship, including engagement and voting, are core components of sound risk management. The Trustee believes practising effective stewardship is part of its fiduciary duty to act in the best financial interest of its members. Engagement is aimed at ensuring companies manage the physical and transitional risks that climate change poses.

In support of this, during the reporting period the Trustee received training on stewardship as an effective tool for managing climate risk, and how this differs across asset classes.

Following this training, the Trustee articulated an updated Stewardship Policy outlining how stewardship is resourced for the Fund, the significance of stewardship in the appointment and monitoring of investment managers, and the Trustee's expectations of the Fund's managers in regard to engagement and voting. To best channel its stewardship efforts, the Trustee selected two key themes for the Fund, one of which was Climate Change. This theme was selected for the likely material financial risk it poses to the Fund and its members. The Trustee's chosen themes were shared with the Fund's investment managers to ensure they are aware of the Trustee's focus.

The Trustee's policy is to delegate responsibility for engagement to its investment managers, which includes the exercising of rights (including voting rights) attached to investments. Each investment manager is expected to exercise voting rights in accordance with their guidelines. Either directly or via its investment consultant, the Trustee will engage with managers who do not meet the standards as outlined in the Fund's stewardship or climate policy. If engagement with managers is unsuccessful, the Trustee will implement escalation measures and plan to ultimately disinvest from investment managers that are not adequately managing climate-related risks.

Over the period, The Trustee met with two of the Fund's managers, AQR and TwentyFour. The Trustee requested both managers cover their approach to managing climate-related risks and opportunities as part of their presentations.

METRICS AND TARGETS

Metrics

As noted in the governance section, the Trustee utilises climate metrics to quantitatively assess how the Fund is exposed to climate-related risks and opportunities. These metrics are integrated within the Fund's overall strategic decision making and risk management frameworks.

On an annual basis, the Trustee monitors and reports the following metrics:

Metric Type	Metric	Explanation
Metric 1 – Absolute Emissions	Total Emissions – (tCO ₂ e)	Measures the total absolute financed emissions associated with a portfolio. The emissions attributable to the Fund are based on its equity and/or fixed income ownership share across the total capital structure of an underlying issuer, enterprise value including cash (“EVIC”).
Metric 2 – Emissions Intensity	Carbon Footprint – (tCO ₂ e / £m invested)	Measures the total financed emissions of the Fund's investments, normalised by the total value of the portfolio. This metric measures the emissions intensity of a million GBP invested.
Metric 3 – Non-emissions-based Metric	Data Quality - Partnership for Carbon Accounting Financials (“PCAF”) Data Quality Score	Monitors the reliability of companies' emissions data, scoring them one to five – with one representing the highest quality of independently verified emissions data.
Metric 4 – Portfolio Alignment Metric	Science-Based Targets Initiative (“SBTi”) Score – % Issuers classified as SBTi ⁴ approved	Identifies companies which have an SBTi approved pathway to reduce their GHG emissions consistent with a 1.5°C, well-below 2°C, or 2°C global warming scenario.

The Trustee receives these metrics on at least an annual basis from its investment consultant. A full breakdown of the metric output can be found in Appendix E of this report. As industry best practice evolves, the Trustee will review the suitability of the selected metrics to ensure that they remain appropriate. Where industry developments prompt it, the Trustee will consider replacing its metrics with ones that are more appropriate.

In recognition of evolving industry standards, the Trustee has updated its non-emissions-based metric for the year-ending 31 December 2023. Whereas previously the Trustee monitored a measure of climate risk (the output of the PRA “Slow Transition” stress test) the Trustee now reports on data quality through the PCAF data quality score. The change in metric is reflective of progress made across the industry in terms of data provision and quality – the PCAF data quality score was not previously available and is now increasingly prominent. Furthermore, monitoring data quality as opposed to climate risk, provides the Trustee with greater insight into the reliability of its underlying emissions data. This in turn enhances the reliability of the output from the Fund's emissions-based metrics. Further detail on the PCAF data quality score can be found in the relevant section.

The Fund's own operational emissions, which are scope 1 and scope 2 emissions directly

⁴ More details are available at [How it works - Science Based Targets](https://sciencebasedtargets.org/how-it-works) <https://sciencebasedtargets.org/how-it-works>

relating to its business operations, are expected to be immaterial. The analysis for the emissions-based metrics therefore encompasses the Fund's most material scope 3 emissions: financed emissions.

The emissions are defined as:

- **Scope 1** – emissions directly created by a company's operating activities.
- **Scope 2** – emissions indirectly caused by a company's purchase of electricity.
- **Scope 3** – emissions that are not the result of activities from assets directly controlled by a company. These are emissions that a company is indirectly responsible for, up and down its value chain.

The table below outlines the Fund's performance against its selected climate-related metrics:

	Total Fund (excluding LDI) performance
Proportion of Total Fund Assets	32%
Absolute Carbon Emissions (tCO₂e) (Scopes 1 + 2)	28,960
Absolute Carbon Emissions (tCO₂e) (Scope 3)	252,425
Carbon Footprint (tCO₂e / £m invested) (Scopes 1+2)	55.3
Carbon Footprint (tCO₂e / £m invested) (Scope 3)	481.8
PCAF Data Quality Score	2.1
Science Based Targets Initiative Rating	20.9%

	Liability-driven Investment ("LDI") portfolio only
Proportion of Total Fund Assets	43%
GHG Intensity (t/USD million GDP nominal)⁵	131.7
GHG Emissions per Capita (t)	6.3

Note: Analysis as at 31 December 2023. Total Fund excluding LDI analysis is provided by the Fund's investment consultant, Redington Ltd ("Redington"). LDI only analysis is provided by the Fund's LDI manager, BlackRock ("BlackRock"). The above tables exclude the buy-in policy (25% of total Fund assets).

Please note that absolute and relative intensity emissions metrics for non-LDI and LDI assets have been disclosed separately due to their different calculation methodologies. The Fund's buy-

⁵ This is a Sovereign Metric and only captures emissions from Sovereign bond holdings.

in arrangement with Canada Life has been excluded from metrics due to lack of data. The Trustee will engage with Canada Life to seek to obtain data to include in future reports.

The emissions-based metrics have been calculated using line-by-line portfolio holding information from the Fund's investment managers and climate data from the Fund's ESG data provider, MSCI. Where it was not possible to reflect a fund using line-by-line emissions data analysis from the MSCI data feed, the metrics have been modelled at an asset class level by Redington and reviewed by the Trustee. This approach was applied wherever line-by-line data coverage for a particular fund was below 50%. MSCI climate metrics coverage was 97.3% for the Fund's Impax Global Equity mandate, 76.5% for the TwentyFour Dynamic Bond Fund, 71.2% for the CQS Dynamic Credit Multi Asset Fund and 92.5% for the Hermes Absolute Return Credit Fund. Asset class proxying has been used for the remaining assets, which consists of the AQR and Bridgewater Diversified Risk Premia mandates due to the unavailability of line-by-line data. Further information can be found in Appendix D. The Trustee is encouraged by the increase in data availability in comparison to last year and expects this to continue to improve following wider adoption of climate metrics and greater industry consensus on appropriate methodologies. As this develops, the Trustee will review its approach to calculating climate metrics to ensure that the Fund is aligned with industry best-practice.

Further detail of each metric and the Fund's progress to date is provided in the following sections, with manager-specific information included in Appendix E. As outlined in the Risk Management section of this report, the Trustee will use this reporting for monitoring and identifying climate-related risks and opportunities. This feeds into discussions with the Fund's managers as appropriate.

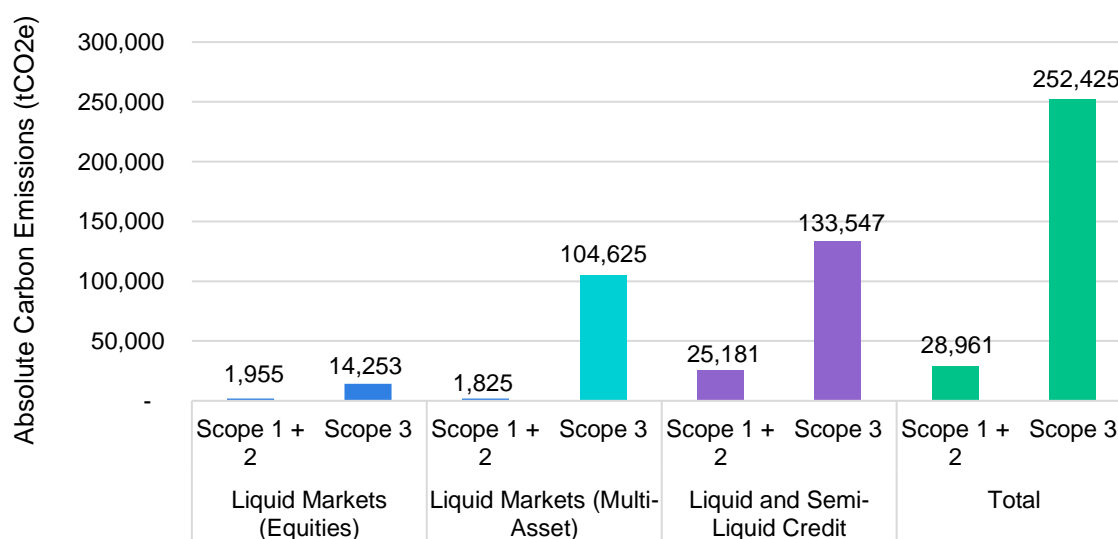
(i) Total emissions

This metric shows the share of greenhouse gas emissions stemming from the Fund's assets. Given the abundance and prominence of carbon dioxide as a greenhouse gas, all the other gases are considered carbon equivalent.

Total emissions are calculated as the proportional share of the Scope 1 and Scope 2 GHG emissions for each relevant investment, based on the size of the investment relative to the EVIC of the respective company –EVIC is a measure of a company's total value. "Total emissions" is therefore sensitive to the Fund's investment holding size (£m).

The chart below shows the breakdown of the Fund's non-LDI total emissions, showing the contributions to overall emissions from the different parts of the portfolio:

Absolute Carbon Emissions (tCO₂e) by asset class as at 31/12/2023



Please note that this chart excludes emissions from LDI assets. Please refer to the detailed descriptions of what each asset class includes in the Strategy section of this report.

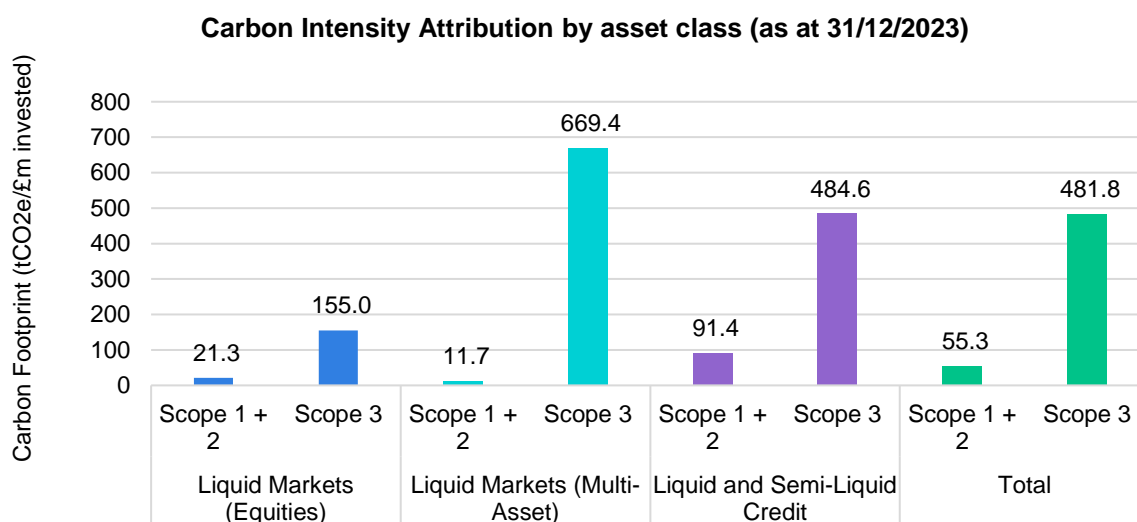
(ii) Emissions intensity

The Trustee's selected emissions intensity metrics is carbon footprint, which measures the carbon efficiency of a portfolio in terms of emissions per million pounds invested. Carbon footprint can therefore be used to compare carbon efficiency across portfolios of different sizes, where absolute emissions metrics cannot.

At a portfolio level, emissions intensity measures are calculated as the average of the emissions intensity of the underlying holdings, weighted by the value of each holding. A portfolio with a high emissions intensity will have a steeper route towards decarbonisation than a less carbon-intensive portfolio would. Measuring emissions intensity across the Fund is therefore useful to gauge how difficult (or easy) it will be to progressively decarbonise the Fund's portfolio.

Differences in portfolio emissions intensities are largely driven by differences in sector and company exposure. Portfolios with higher exposures to high-carbon sectors such as utilities, non-energy materials, energy and industrials tend to exhibit higher emissions intensities.

The chart below shows the breakdown of the Fund's non-LDI carbon intensity, showing the contributions to overall carbon intensity from the different parts of the portfolio:



Please note that this chart excludes emissions from LDI assets. Please refer to the detailed descriptions of what each asset class includes in the Strategy section of this report.

The Fund derives relatively little of its Scope 1 and 2 emissions from its liquid market equity holdings. The majority of Scope 1 and 2 emissions and a large portion of Scope 3 emissions are attributable to credit assets, which tend to be more carbon intensive and represent a higher proportion of the Fund's investment portfolio. Scope 3 emissions tend to be the largest for most holdings and companies in general (compared to Scope 1 and 2 emissions), but there continues to be significant challenges in accuracy and availability of data to support any investment decisions.

(iii) Non-emissions-based metric

The Trustee has selected the Partnership for Carbon Accounting Financials ("PCAF") data quality score as the Fund's non-emissions-based metric. The scoring system ranges from one to five, with one representing the highest data quality, which involves independently verified emissions data, and five indicating the lowest quality, characterised by estimated emissions data derived from industry averages. The Fund level score shown above reflects a balanced mean encompassing the underlying holdings.

A score of c.2.0 is an indication that a good proportion of emissions data is sourced. The Trustee is encouraged that its equity and liquid credit mandates all have a score of 2.05-2.15.

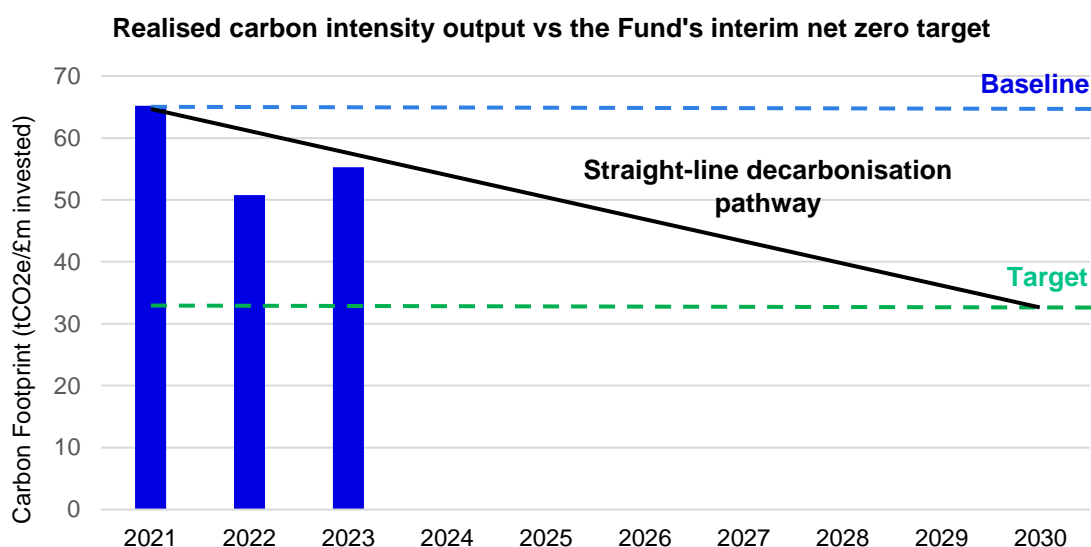
(iv) Portfolio alignment metric

The Trustee has selected the Science Based Targets initiative (“SBTi”) as the Fund’s portfolio alignment metric, which captures a company’s progress against a self-developed decarbonisation target using a science-based methodology. The target can be aimed at one or all of: the short term, long term or Net Zero, with each company being scored with a binary yes or no assessment on the following target categorisations: “SBTi Approved 1.5°C”, “SBTi Approved Well Below 2°C”, or “SBTi Approved 2°C”. Each of the categorisations all denote the implied global temperature increases that coincide with the decarbonisation target. The SBTi Score disclosed in the table showing the Fund’s performance against its selected climate-related metrics on page 10, shows the proportion of Fund assets invested in entities that are classified as being Paris-aligned.

Target

The Trustee has also set an explicit emissions-related target that is aligned with the Trustee’s climate-related beliefs and is complementary to the Fund’s wider objectives. Specifically, this target is to align the Fund’s investment strategy to the goals of the Paris Agreement, i.e., aim to reduce the carbon intensity of greenhouse gas emissions of the Fund’s assets to net zero by 2050. Given this is a long-term target, the Trustee has set an appropriate interim target of a 50% reduction of carbon footprint by 2030, compared to levels as at 31/12/21. This target applies to Scope 1 and 2 emissions of the Fund’s non-LDI assets and excludes the Fund’s buy-in arrangement. This is an appropriate objective given the Fund’s investment time horizon.

The chart below shows the progress that the Fund has made against this target over 2023:



Information regarding the methodology used to measure performance against the Fund’s net zero target is provided in Appendix F.

The carbon footprint of the Fund’s investments has fallen by 15% from the baseline to 31 December 2023 towards the target reduction of 50% by 2030. Although this is an increase in the Fund’s carbon footprint measured in 2022, the Fund remains on track to hit its interim target by 2030.

The Trustee understands the increase in the Fund’s carbon footprint over the year to be driven by the Fund’s new investment in the Hermes Absolute Return Credit Fund and redemption from the LGIM Buy & Maintain credit portfolio. Due to its segregated nature, the Trustee had been able to set limits on the carbon intensity of the Buy & Maintain portfolio, an action not possible in pooled funds such as the Hermes Absolute Return Credit Fund. However, as previously stated, Hermes was in-part selected for its superior stewardship capabilities. The Trustee believes that through effective engagement with issuers, Hermes will be able to reduce the carbon emissions of the mandate and ultimately help achieve real-world decarbonisation as opposed to simply reducing the emissions of the Fund’s portfolio.

The Trustee, with input from its investment consultant, will continue to assess the feasibility of this target, considering the anticipated changes in the Fund's asset allocation over time. This target is embedded within the governance, strategy, and risk management processes through its inclusion in the ESG reporting that is provided annually to the Trustee. On an annual basis, the Trustee measures performance against this target and furthermore determines whether this target remains the most appropriate for managing the Fund's exposure to climate-related risk.

APPENDIX A: Individual Responsibilities and Trustee Oversight

	Roles and Responsibilities
Trustee Board	<ul style="list-style-type: none"> • The Trustee has ultimate responsibility for overseeing the Fund's climate-related risks and opportunities and actions taken to manage them. • This includes determining both the strategic climate-related objectives and the detailed climate-related targets, as well as overseeing progress made against them.
Investment Sub-Committee ("ISC")	<ul style="list-style-type: none"> • As a sub-committee of the Trustee Board, the ISC is responsible for ensuring the Fund's Climate Policy and strategic climate objectives are implemented into the investment strategy. • To achieve this, the ISC regularly reviews the climate-related metrics and targets as agreed by the Trustee. • In cases where the ISC believes there are grounds to carry out investment strategy or investment manager changes based on climate change, the ISC may approve investment strategy changes or manager changes where these are consistent with the Fund's wider strategic objectives. • The ISC reports to the Trustee Board on a quarterly basis, with the investment consultant providing a summary report on the matters discussed and decided.
The Trustee's advisers	<ul style="list-style-type: none"> • The Fund's investment consultant advises the Trustee on, and provides objective assessments of, differing approaches to identifying, assessing, and managing climate-related risks and opportunities to help the Trustee meet its climate-related objectives for the Fund. This includes informing the Trustee of climate-related risks and opportunities as relevant for the Fund. • The advisers also support in providing manager and portfolio-specific climate risk analysis and engagement. This includes input from the Fund's actuarial and covenant advisers in the completion of climate change scenario analysis on the investment strategy, as well as the provision of climate-related metrics selected by the Trustee. These metrics feed into a Fund-level dashboard and manager scorecards that the Trustee uses to monitor performance against the Fund's climate objectives on an annual basis.

	Trustee Oversight
Oversight of advisers	<ul style="list-style-type: none"> Climate-related objectives are included in the investment consultant's annual objectives to ensure they are taking adequate steps to identify and assess climate-related risks and opportunities. The Trustee annually assesses the delivery of this advice using the objectives which the Trustee has set for its investment consultant. Following its annual assessment, the ISC produces a report for the Trustee that provides its view on whether the advisers have met the requirements set out in their annual objectives. If the ISC deems the objectives have not been adequately met, it will provide suggested escalation steps for the Trustee to consider. As part of their review, the Trustee will also consider the ability of the Fund's covenant adviser and actuary to assess climate-related risks and opportunities.
Oversight of investment managers	<ul style="list-style-type: none"> The Trustee expects investment managers to be aware of climate change risks and opportunities within their investment processes. The Trustee expects the investment managers to be aware of the Fund's climate-related objectives when making decisions in relation to the funds in which the Fund is invested. The Trustee will monitor each manager's approach on an ongoing basis through reporting, and engage as appropriate with managers that do not align with the Fund's climate-related objectives.

APPENDIX B: Climate Policy – Reuters Pension Fund (in place as at 31/12/2023)

We, as the Trustee of the Reuters Pension Fund ("the Fund"), recognise climate change as a systematic, long-term material financial risk to the value of the Fund's investments. Therefore, the Trustee has a fiduciary duty to consider climate change risk when making investment decisions, and every strategic investment decision should include an assessment of the impact of climate change risks and opportunities.

Within the context of its fiduciary responsibility, the Trustee is supportive of the Paris Agreement to avoid dangerous climate change by limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C.

The Trustee recognises that there are some limitations to the extent that the portfolio can be further aligned with a sub-2°C world. These are as follows:

- The Fund is targeting a proxy buy-out objective by 2030. This reduces the ability to invest in long-dated illiquid assets with a favourable climate profile (e.g., renewable infrastructure).
- The Fund's current strong funding position has facilitated significant de-risking activity, and therefore the Fund only has a small remaining equity allocation (sustainability focused).
- The Trustee delegates all voting and stewardship activity to asset managers.

In this context, The Trustee has adopted the following policy.

- We will appropriately factor in climate change risks and opportunities when making strategic asset allocation and manager selection decisions;
- We support our asset managers investing in companies that can demonstrate they have identified how both physical and transition climate change risks will affect them, and can deliver against clear objectives while remaining well-placed in an economy that is expected to transition in line with the objectives of the Paris Agreement;
- We expect our appointed asset managers to recognise climate change risks and opportunities within their investment processes as applied to the assets of the Fund. We

monitor environmental, social and governance (“ESG”) and carbon reporting of individual manager mandates on an annual basis and expect our asset managers to be able to provide a robust investment rationale where high carbon emission companies are held as part of their strategy. We will engage with managers who do not adequately meet these expectations;

- If engagement with managers does not work, we will implement escalation measures and plan to ultimately disinvest from asset managers that are not adequately managing climate related risks;
- In line with our preference for engagement rather than exclusion, where relevant, we expect our asset managers to actively engage with companies to better manage climate change associated risks. We also expect managers to independently consider whether exclusion or engagement is more appropriate within their investment process, based on their own risk assessment;
- We support the Task Force on Climate-related Financial Disclosures (TCFD) and intend to incorporate its recommendations into the Fund’s reporting, subject to availability of data;
- We have articulated an explicit net zero climate objective to “reduce baseline carbon emissions by 50% by 2030 compared to 2021 levels” as well as a climate risk budget which forms part of our Pension Risk Management Framework. These climate-related targets help the Fund align with TCFD;
- We support the further development of effective climate change risk metrics to enhance the ability to assess and minimise climate risks. We are willing to consider whether new practices will improve this for the Fund;
- We recognise that climate change will be subject to much further analysis and subsequent policy changes in the coming years. We are supportive of adopting an evolving policy to ensure relevant developments are captured and will review this policy regularly in light of market developments.

APPENDIX C: Scenario Analysis

Asset Scenario Analysis

Asset scenario analysis helps to determine the impact that various hypothetical scenarios would have on the Fund’s investments. Using this analysis, the Trustee considers how changes to the investment strategy would positively or negatively impact the Fund’s climate risk profile, as well as what the largest contributors to the Fund’s climate risk are. This analysis can therefore be used to determine where climate risk should be actively managed, including through implementing the following types of action:

1. Changing the strategic asset allocation
2. Considering climate risk in the mandate and manager selection process
3. Engaging with managers

The results of the asset scenario analysis are as follows:

(Time horizon assumed for funding shock)	Fast Transition (2025)	Slow Transition (2050)	No Transition (2100)
Change in the Fund’s funding level <i>As at 31/12/2022</i>	-1.8%	-1.9%	-2.0%

Source: Redington.

The analysis indicates that the Fund’s assets are expected to be negatively impacted in all three

scenarios, with the greatest anticipated loss occurring under the 'No Transition' scenario. This is due to the adverse effect of realised physical climate risks over the time horizons considered. The Trustee believes the current level of climate risk is acceptable given the Fund's wider risk tolerance.

Liability Scenario Analysis

The Trustee has engaged with the Fund Actuary, Aon, to understand how the various climate scenarios described above will impact the Fund's liabilities. The three main risks to the Fund's funding level are inflation, interest rates, and longevity. Both inflation and interest rates are expected to have a minimal impact on the funding level, due to the hedging of these risks implemented through the Fund's LDI portfolio. Longevity risk is only partially hedged, however, and so variations in the life expectancy of members may have material effects on the Fund's funding level. The liability scenario analysis herein therefore focuses on the impact on mortality of the climate scenarios to assess how these scenarios would be expected to affect the Fund's funding level.

Each scenario is compared to a base case scenario which represents Aon's typical best estimate of how mortality is projected to improve over time. This embeds the assumption of future longevity changes in line with the most recently available Continuous Mortality Investigation ("CMI") tables with a long-term rate of mortality improvement of 1.5% p.a. The three scenarios considered by Aon are in line with the PRA scenarios used by Redington and are: Disorderly (Fast) Transition, Orderly (Slow) Transition, and No Transition.

The results of the liability scenario analysis are as follows:

(Time horizon assumed for funding shock)	Fast Transition (2025)	Slow Transition (2050)	No Transition (2100)
Change in the Fund's funding level resulting from a change in liabilities (mortality impact only) As at June 2022	-1.5%	+2.0%	-4.0%
Reason for change in liabilities	<i>"Disruption to health and social care services, and damage to related infrastructure, due to extreme weather (potentially coinciding with increased demand) may increase mortality."</i>	<i>"Global growth and market returns remain strong relative to the base case in the long-term, supported by a brighter sustainable outlook and the positive spill-over effects from green policy adoption...longer-term, better air quality and improved health conditions may lead to higher longevity"</i>	<i>"Higher incidence of damaging storms, water shortages, higher pollution levels and reduced agricultural yields (leading to higher food prices)"</i>

Source: Aon.

The analysis indicates that the Fund's liabilities are expected to fall under the 'Fast Transition' and 'No Transition' scenarios, due to an assumed fall in life expectancy which reduces the value of the Fund's liabilities. In the 'Slow Transition' scenario, it is assumed that there will be an improvement in life expectancy, which would increase the value of the Fund's liabilities in turn.

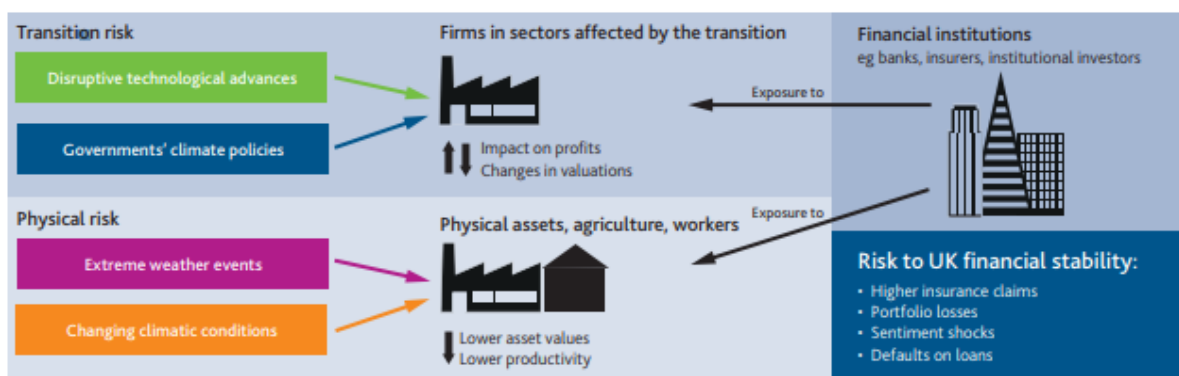
The degree of expected funding level impact due to mortality, particularly in the context of climate, is highly sensitive to the assumptions built into each of the scenarios. While the Trustee has determined that its current strategy remains appropriate and robust against the relevant climate scenarios, the Trustee will continue to monitor mortality-related risks relative to the Fund's asset allocation.

As part of its 2020 biennial stress tests, the Bank of England's Prudential Regulation Authority ("PRA") conducted an exploratory exercise to test the impact of future climate change scenarios on the assets and liabilities of (re)insurers, using predictions by the Intergovernmental Panel on Climate Change ("IPCC") and academic literature as the basis for their modelling assumptions.

In terms of the assumptions made under these scenarios, the PRA recognised that feedback loops between climatic shocks and structural economic change need to be incorporated when assessing the financial impacts on businesses of physical and transition risk under each emissions scenario. However, due to existing modelling and data constraints, this is a complexity that is purposely excluded from the modelling.

There is also an acceptance that the timing and sequence of financial impacts will be complex, as behavioural changes could result in physical risks preceding transition risks and vice versa. For the purpose of simplicity, where an asset is subject to both physical and transition risk, the shocks are applied consecutively, with the physical shock applied second.

Primary channels for climate related financial risks



Interpreting the results

As a background to interpreting the three hypothetical scenarios, we refer to the 2015 Paris Agreement. The first two scenarios assume that the Paris Agreement targets are broadly achieved, although through different means. In the third scenario, it is assumed that the targets are not met, resulting in a significant change to the global climate.

To understand how each scenario could impact financial risks we consider two primary channels: physical and transition.

Physical risks for this exercise are defined as risks that arise from weather-related events such as storms, floods, droughts, and sea-level rises. They comprise impacts directly resulting from such events, such as damage to property, and also those that may arise indirectly through subsequent events, such as the disruption of global supply chains.

Transition risks are those that arise from the adjustment towards a carbon-neutral economy – the severity of the impact will depend on whether the transition is orderly or disorderly. Changes in climate policy, technology or market sentiment could prompt a reassessment of the value of a large range of assets as changing costs and opportunities become apparent.

Assumptions

The PRA recognises that feedback loops between climatic shocks and structural economic change need to be incorporated when assessing the financial impacts on businesses of physical

and transition risk under each emissions scenario. However, due to existing modelling and data constraints, this is a complexity that is purposely excluded from the modelling.

There is also an acceptance that the timing and sequence of financial impacts will be complex, as behavioural changes could result in physical risks preceding transition risks and vice versa. For the purpose of simplicity, where an asset is subject to both physical and transition risk, the shocks are applied consecutively, with the physical shock applied second.

Under each scenario, equity and fixed income assets are assumed to suffer a loss in value proportionate to their current value, with the shock parameters discounted to their value today i.e., the scenarios are all instantaneous shifts to the asset price today. The shock to fixed income assets are assumed to be less severe, with a multiplier of 0.15 applied to each shock (so that the impact equals 0.15 times the impact on equities). The magnitude of each of the physical and transition shocks varies across industries under each scenario, meaning some assets may fare better or worse under one scenario as compared to another.

Aon output of Impact of Mortality on Climate Change (June 2022)

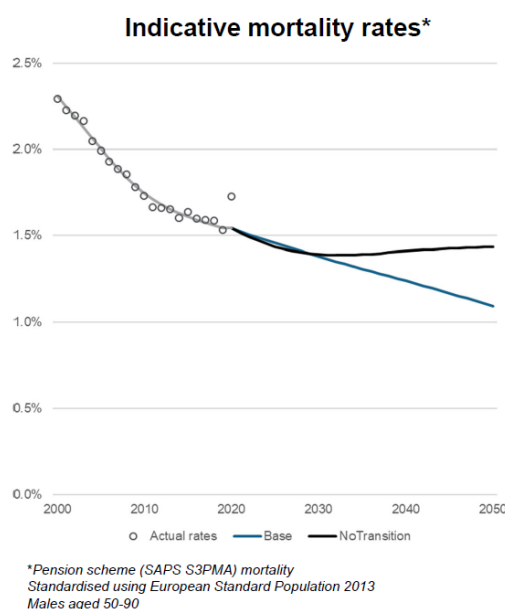
No transition

S01. No Transition

Limited consideration is given to environmental challenges. Governments and businesses rely on the (false) hope that market forces will provide engineering solutions to mitigate and adapt to climate change naturally, without worldwide government intervention. In the short-term more money may be spent on health services, perhaps reducing mortality slightly.

There is growing awareness of a changing environment and the damaging effects a lack of action is having, over the intermediate term. There is a higher incidence of damaging storms, water shortages, higher pollution levels and reduced agricultural yields (leading to higher food prices). Markets become more volatile and climate change begins to have a growing drag on economic growth and asset returns. In such an environment, there may be no long-term future improvements in mortality (consistent with what we saw between 2014 and 2018).

In terms of the direct climate impacts, fewer deaths from warmer winters may more than offset any impact of heatwaves but the impact is likely to be marginal.

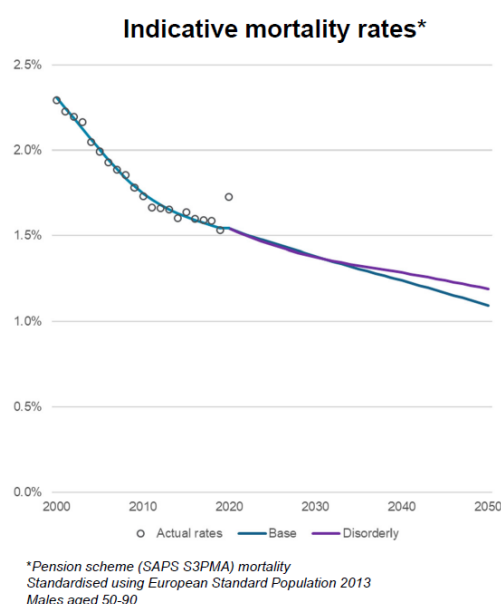


Fast (disorderly) transition

S02. Disorderly Transition

Disruption to health and social care services, and damage to related infrastructure, due to extreme weather (potentially coinciding with increased demand) may increase mortality.

Significant falls in GDP start from around year 10. Prolonged recession leads to issues with the provision of healthcare and ultimately to falls in life expectancy, with overall improvements at 1% p.a. over the long term.



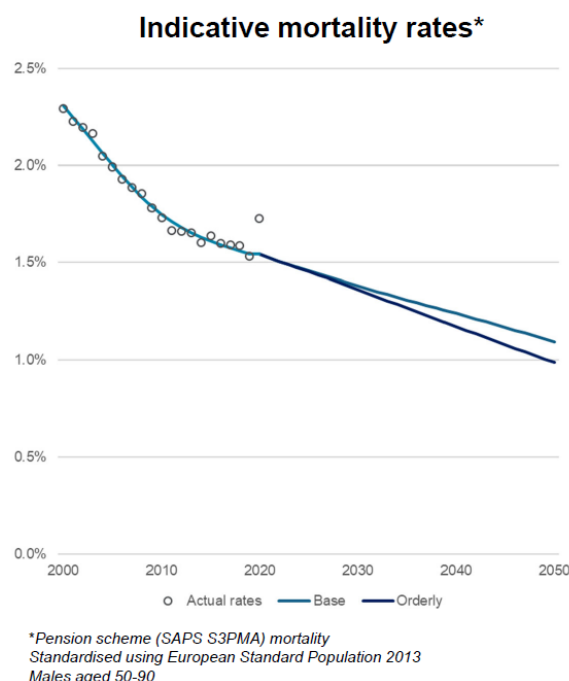
Slow (orderly) transition

S04. Orderly Transition

Over the first three years, the global economy experiences a period of turmoil and lower growth as the economy arduously divests away from fossil fuels. Global growth and market returns remain strong relative to the base case in the long-term, supported by a brighter sustainable outlook and the positive spill-over effects from green policy adoption.

Disruption to health and social care services, and damage to related infrastructure, due to extreme weather (potentially coinciding with increased demand) may increase mortality. However, the disruption is likely to be short-lived.

In longer-term, better air quality and improved health conditions may lead to higher longevity: overall around a 0.5 year improvement in life expectancy for the average 60-year-old.



Liability impact of each scenario:

Redington scenario	Aon scenario	Aon assumed long-term improvement in mortality	Ultimate liability impact (age 60) from mortality
N/A	Base case	1.5% p.a.	-
Slow Transition	Orderly	2.0% p.a.	+2%
Fast Transition	Disorderly	1.0% p.a.	-1.5%
No Transition	No Transition	0.0% p.a.	-4%

Modelling Assumptions:

- Data used: deaths and populations for years 1960-2020 as published by ONS and used by CMI in the industry standard CMI mortality projections model CMI_2020. 2021 data added to historic data points (but CMI model not updated to CMI_2021 at this stage).
- For charts, mortality standardised using the European Standard Population 2013 for ages 50-90 as set out in this paper: Revision of the European Standard Population - Report of Eurostat's task force -2013 edition -Products Manuals and Guidelines -Eurostat (europa.eu).
- Model: industry-standard mortality projections model CMI_2020 with varying parameters to reflect short-and long-term impacts of different scenarios on mortality. The key parameters used were the Initial Addition (A) parameter which increases or decreases improvements in the near-term, and the long-term rate parameter (LTR) which increases or decreases improvements in the long term. Adjustments were applied to assumed base mortality to ensure that the rate used in 2020 was the same across all scenarios.
- In the charts in the presentation, male mortality rates are used, assuming standard (SAPS S3PMA) mortality rates. Circles for “actual rates” are based on a run of the CMI model without using the standard smoothing parameters.

- Charts illustrate mortality rates up to 2050, but rates were provided up to 2150 to enable liabilities to be calculated. Descriptions of each scenario and its possible impact on future mortality (short-term and long-term) are provided in the scenario slides.
- Liability impacts of each scenario were calculated based on the ratio of male life expectancy at age 60 and rounded to the nearest 0.5%. It is noted that the impact could be different depending on discount rate. A difference might also be expected for joint life annuities although it's not likely that they will be significantly different given that figures are rounded to 0.5%.

Limitations: These scenarios provide an indication as to what might be expected in particular scenarios, to provide an impact of mortality on liabilities to place alongside the impact from financial variables on the liabilities and the impact on assets from investment returns of the given scenario. The scenarios are not intended to provide the highest or lowest possible outcomes, and are not intended to show what will happen, rather they give a reasonable range of impacts against which to consider the possible impact of climate change on a particular pension fund. The scenarios are deliberately not given likelihoods, we have not sought in any way to estimate how likely each scenario is.

- Scenarios are essentially expressed relative to a pension fund's current position (i.e., the central scenario). If a pension fund is already specifically reflecting a particular belief on the current path (for example, if it is believed that we are heading to a "No transition" scenario) then variations should be expressed relative to that scenario rather than the central one, otherwise the liability impact of that scenario would be incorrect for that fund. At this stage, we don't believe pension funds are reflecting views on climate change in this way, but this may be (explicitly or implicitly) the case in future.

Covenant Scenario Analysis – Full Report (Cardano)

The Fund's covenant adviser, Cardano, advises the Trustee in relation to the Fund Sponsor's ability to support the Fund, now and in the future. Climate-related exposures could have a positive or negative impact on the strength of the Sponsor's covenant. Therefore, Cardano includes climate-related matters in the covenant advice provided to the Trustee.

In forming a view on the impact of different scenarios on the employer covenant, considering the funding position of the Fund and the Trustee's view that the employer covenant is not materially exposed to climate risks, the Trustee has relied on company disclosure in the "LSEG Sustainability Report 2023" (the "Sustainability Report").

The Trustee is of the view that using LSEG disclosures as a proxy to determine the potential impact of climate change on the employer covenant is a reasonable approach for the following reasons:

1. Refinitiv's operations and revenue represents the majority of LSEG's operations and revenue;
2. The Fund has access to the majority of Refinitiv through parent company guarantees from LSEGA Inc and Refinitiv UK Parent Limited;
3. No standalone climate disclosures have been prepared for the sole participating employer, Refinitiv Limited; and
4. Refinitiv Limited is intrinsically linked to LSEG and is not a separable standalone business due to shared intellectual property arrangements and support function services.

Climate scenarios for covenant

The Sustainability Report considers the possible financial impact of climate risks over different time frames:

- a. Short-term (0-3 year)
- b. Medium-term (3-10 years)
- c. Long-term (10+ years)

The Sustainability Report considers three different NGFS⁶ scenarios for transition risk assessment:

Transition risk scenarios	Description
Net Zero 2050 (Orderly transition)	This is an ambitious scenario that limits global warming to 1.5°C by 2100 through stringent climate policies and innovation, reaching net zero emissions around 2050. This assumes ambitious, immediate, and smooth policy action, and fast technological change.
Delayed Transition (Disorderly transition)	This assumes global annual emissions do not decrease until 2030 and new climate policies are not introduced until then. The level of action differs across countries and regions based on current implemented policies. In this scenario there is a higher carbon price than in the Net Zero 2050 scenario.
Fragmented World (Current policies)	This assumes a delayed and divergent climate policy response among countries globally, leading to high physical and transition risks. Countries with net zero targets achieve them only partially (80% of the target), while the other countries follow current policies.

(Source: LSEG Sustainability Report 2023 page16)

Findings: LSEG has identified that if emissions are not reduced in line with targets (i.e. net zero emissions by 2040), the cost of carbon could reach almost \$35 million a year in the medium term under the Net Zero 2050 scenario, categorised as a significant financial risk under LSEG's enterprise risk management framework. This emphasises the need for LSEG to reduce emissions in line with current targets.

The Sustainability Report also considers three different scenarios for physical risk assessment:

Physical risk scenarios	Description
Hothouse world (>4 °C)	Emissions follow the IPCC SSP5-RCP8.5 scenario, which is associated with > 4°C temperature rise from pre-industrial times by the end of the century. Physical risks become increasingly frequent and severe in the long term.
Middle of the road (2-3 °C)	Emissions follow the IPCC SSP2-RCP4.5 scenario, which is associated with 2-3°C temperature rise from pre-industrial times by the end of the century. Physical risks become increasingly frequent and severe in the long term but less so than in the high greenhouse gas emission scenario.
Net zero 2050 (~1.5°C)	Emissions follow the IPCC SSP1-RCP1.9/2.6 scenario, which is associated with ~1.5°C temperature rise from pre-industrial times by the end of the century. As a result of the transition, physical risks are less severe and somewhat similar to the current climate.

(Source: LSEG Sustainability Report 2023 page18)

Findings: LSEG has considered climate events related to both acute (such as windstorm, flood, wildfire etc.) and chronic risks (such as heat stress, drought, sea level rise etc.), and assessed climate-related risk to over 200 locations of property and physical assets. Physical climate-risk is greatest under the Hothouse world scenario, with drought and heat stress expected to have the highest impact over the longer term (by 2050) due to the potential disruption of operations. In the short to medium term, physical risks are not expected to have a significant impact due to the nature of the business and operations (e.g. the majority of buildings are leased so have limited financial risk and there is capacity for employees to work remotely in the event of damage to office locations).

⁶ This is defined as the 'Network for Greening the Financial System', a group of central banks, supervisors and observers committed to sharing the best practices and developing environment-related risk management in the financial sector and mobilising mainstream finance to support the transition.

Conclusion

Short-term risks generally appear low⁷ across both transition and physical risk, given the nature of LSEG's business. The majority of risk resides with the Group's ability to implement an effective transition plan and deliver on decarbonisation targets.

Over the medium-term, transition risk increases to medium⁸ due to exposure to potential carbon costs in the Net Zero 2050 scenario if decarbonisation targets are not met. However, physical climate risk exposure remains low due to the limited potential financial impact even in the high temperature warming scenarios.

Over the longer term, both transition and physical risks are expected to be medium. The Group will need to continue reducing its carbon footprint to avoid potentially high carbon cost impacts. In the Hothouse world scenario, while the severity and frequency of adverse climate events is expected to increase, the nature of the business is well positioned to mitigate some of those risks if early actions are taken to integrate climate considerations into business continuity planning and asset location strategy.

Recommendations to the Trustee

To address the risks identified in the analysis, the Trustee has considered the recommendations from the covenant advisor in each of the following areas:

- In the short-term, the Trustee could incorporate monitoring of the most prevalent risks and Group progress against carbon emission reduction targets into the annual covenant monitoring framework;
- If the Fund's period of covenant reliance extends beyond current expectations (i.e. into the long-term), the Trustee should assess: a) covenant implications of transition scenarios that form part of the Group's strategy and whether it addresses any risks identified; and b) whether any climate risks identified for the Group also impact on the Fund's assets or liabilities, and implement specific mitigation if appropriate.

APPENDIX D: Carbon Footprint Analysis

Where possible and where there is reasonable data coverage, the Trustee monitors 'line-by-line' emissions reporting for funds. These tend to be more generic, long-only asset classes such as listed equity and corporate credit. However, for funds with less than 50% coverage and illiquid assets, the Trustee monitors 'asset class level' carbon estimates in the absence of reliable, reported line-by-line emissions data from MSCI. The Trustee notes using asset class modelling of emissions for assets where this data is not available enables a more holistic view of the Fund's total portfolio emissions, albeit recognising that the modelled data is not perfect.

The asset class modelling of emissions has been provided by Redington and is based on asset class 'building blocks'. These are either calculated directly using a given index's underlying holdings emissions (such as using MSCI ACWI as a proxy for a broad equity fund) or in some cases these indices are used and extrapolated to other asset classes based on given assumptions (such as using the emissions of infrastructure firms within an index to proxy an infrastructure fund).

Emissions metrics will be calculated in line with the GHG Protocol Methodology, the global standard for companies and organisations to measure and manage their GHG emissions. The GHG Protocol provides accounting and reporting standards, sector guidance and calculation tools. It has created a comprehensive, global, standardised framework for measuring and

⁷ Low risk defined: "Low financial materiality; financial risks managed as part of existing processes".

⁸ Medium risk defined: "Moderate financial materiality; may require additional mitigation responses".

managing emissions from private and public sector operations, value chains, products, cities, and policies to enable greenhouse gas reductions across the board.

APPENDIX E: MSCI and SBTi Climate Metrics Output – Liquid Return-Seeking Assets

Fund	Fund Value (£m)	MSCI Climate Metrics Coverage %	Carbon Emissions (tCO2e)				Carbon Intensity (tCO2e / EVIC £m)			
			Current – Scope:		Previous – Scope:		Current – Scope:		Previous – Scope:	
			1+2	3	1+2	3	1+2	3	1+2	3
Liquid Markets (Equities)										
Impax Global Opportunities Fund	92.0	97.3%	1,955	14,253	143	914	21.3	155.0	16.5	105.9
Liquid Markets (Multi-Asset)										
AQR Diversified Risk Premia Fund	88.1	-	1,017	84,699	1,366	9,734	11.5	961.4	118.4	843.5
Bridgewater Optimal Portfolio Fund II	68.2	-	808	19,926	5,209	31,673	11.8	292.3	48.6	295.7
Liquid and Semi-Liquid Credit										
TwentyFour Dynamic Bond Fund	94.3	76.5%	3,759	38,883	804	4,561	39.8	412.1	79.1	448.8
CQS Dynamic Credit Multi Asset Fund	91.2	71.2%	6,565	39,820	-	-	72.0	436.5	-	-
Federated Hermes Absolute Return Credit Fund	90.1	92.5%	14,857	54,844	-	-	165.0	608.9	-	-
TOTAL PORTFOLIO	523.9		28,960	252,425	25,575	149,724	55.3	481.8	50.8	297.7

All “Current Total Portfolio” figures in this table are weighted averages with the exception of “Fund Value” and “Absolute Carbon Emissions (tCO2e)”.

“Absolute Carbon Emissions (tCO2e)” is calculated using the notional value of the fund. “Fund Value (£m)” shows the mark-to-market value of the fund.

“Previous” figures show climate metrics from 12 months prior to “Current” figures. Fund-level “Previous” figures may not sum to the “Previous Total Portfolio” figures because the “Total Portfolio” values may contain funds that have now been divested from and not reported in this table.

Carbon metrics are proxied where there is insufficient data for funds. In these instances, no figure is shown for MSCI Climate Metrics Coverage.

ESG and MSCI Carbon Metrics meet the current minimum UK DWP’s TCFD-aligned “Metrics and Targets” regulations. However, regulations are subject to change. Redington monitors developments closely.

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Fund	Fund Value (£m)	Science Based Targets Initiative Rating		PCAF Data Quality Score	
		Current	Previous	Current	Previous
Liquid Markets (Equities)					
Impax Global Opportunities Fund	92.0	56.9%	39.4%	2.05	-
Liquid Markets (Multi-Asset)					
AQR Diversified Risk Premia Fund	88.1	12.9%	19.8%	2.29	-
Bridgewater Optimal Portfolio Fund II	68.2	-	-	-	-
Liquid and Semi-Liquid Credit					
TwentyFour Dynamic Bond Fund	94.3	8.8%	4.8%	2.12	-
CQS Credit Multi Asset Fund	91.2	20.1%	-	2.15	-
Federated Hermes Absolute Return Credit Fund	90.1	21.1%	-	2.10	-
TOTAL PORTFOLIO	523.9	20.9%	11.1%	2.14	-

All "Current Total Portfolio" figures in this table are weighted averages with the exception of "Fund Value".

"Previous" figures show climate metrics from 12 months prior to "Current" figures. Fund-level "Previous" figures may not sum to the "Previous Total Portfolio" figures because the "Total Portfolio" values may contain funds that have now been divested from and not reported in this table.

Where presented, "Science Based Target initiative" scores are all based on look through data where it is available and never proxied. Note the "Science Based Target initiative" score reflects only the long positions within a portfolio.

ESG and MSCI Carbon Metrics meet the current minimum UK DWP's TCFD-aligned "Metrics and Targets" regulations. However, regulations are subject to change. Redington monitors developments closely.

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APPENDIX F: Methodology used to Measure Performance against the Fund's Net Zero Target

- Where funds are modelled using underlying holdings and emissions data, uncovered portions of the fund are proxied using the covered portion of the fund.
- Where fund specific holdings or emissions data is not available, we have proxied using Redington asset class proxy data. This data is refreshed and reviewed on an annual basis.
- Cash is assumed to have 0 emissions.
- LDI has been excluded from the Fund level carbon footprint estimate.
- No efforts have been made to verify data received from third parties - MSCI or managers.
- Data has been reported here without ex-post adjustment, to ensure comparability over time.

APPENDIX G: Glossary of Terms (ESG and Carbon Metrics)

Enterprise Value Including Cash (EVIC): Defined as the sum of market capitalisation of shares and book values of total debts and minority interests at fiscal year-end. No deductions of cash or cash equivalents are made to avoid potential negative enterprise values. This is the recommended denominator metric for carbon attribution according to the GHG Protocol, the global standard for carbon accounting endorsed by the European Union and the DWP.

Estimated Total Mandate Carbon Emissions (tonnes): Represents the total share of Scope 1, Scope 2, and Scope 3 carbon emissions a fund is responsible for. Please note the metric is sensitive to the investment holding size in the fund.

MSCI Climate Metrics Coverage: The proportion by value of a fund for which carbon metrics are available from MSCI. Climate metrics are proxied where coverage is low and, in this case, the MSCI Climate Metrics Coverage will be assumed to be.

PCAF Data Quality Score: A system developed by the Partnership for Carbon Accounting Financials (PCAF) to assess the quality of data used to calculate greenhouse gas emissions from financial activities. The score is ranked from 1 to 5, with 1 being the highest quality data and 5 being the lowest quality data. The PCAF data quality score is based on a number of factors, including the source of the data, the level of detail in the data, the methods used to collect and calculate the data, the level of transparency and assurance associated with the data. The PCAF Data Quality score is the weighted average of the underlying issuer's emissions PCAF score.

Scope 1 & 2 Carbon Footprint (tCO₂e / EVIC £m): Measurement of the Scope 1 & 2 CO₂e emissions of a fund per million pounds of EVIC. Scope 1 emissions refer to those which are directly connected to the production of a company's product or service. For example, the burning of fossil fuels to power the electricity grid. Scope 2 emissions refer to those from the electricity used to power the facilities and machinery of a company.

Total Carbon Footprint (tCO₂e / EVIC £m): Measurement of the CO₂e emissions of a fund per million pounds of EVIC using Scope 1, Scope 2, and Scope 3 emissions. Given a company's direct Scope 1 emissions will inevitably be another company's indirect Scope 3 emissions, aggregating the individual Scope emissions results in a higher number of emissions than exists. To mitigate double counting, we apply a scaling factor in accordance with MSCI's methodology. This metric may be used to assess a fund's contribution to global warming versus other funds. Previous Total Carbon Emissions (tCO₂e / £m invested) are estimated by looking at the funds' respective holdings and emissions 12 months ago.

Tonnes of Carbon Dioxide Equivalents (tCO₂e): Tonnes of greenhouse gases including methane, nitrous oxide, carbon dioxide, and fluorinated gases. Given the abundance and

prominence of carbon as a greenhouse gas, all the other gasses are considered carbon equivalents.

Weighted Average Carbon Intensity (tCO₂e / sales £): A weighted average of the scope 1 & 2 emissions carbon intensity of companies, defined as a company's total emissions divided by its total sales. This metric can be interpreted as a measure of the relative carbon efficiency of a fund, can be used for sovereign assets, and is not affected by movements in companies' valuation. However, it is sensitive to movements in price.

SBTi Score: The Science-Based Targets initiative ("SBTi") sets out a framework through which companies can set out their decarbonisation pathway and have them assessed against the goals set out in the Paris Agreement – limiting global warming to 1.5°C above pre-industrial levels or well-below 2°C. The SBTi Score is the proportion of assets invested that are classified as being Paris-aligned.