

DXC Pension Plan

Climate change governance and reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”)

Reporting period: 12 months to 30 June 2023

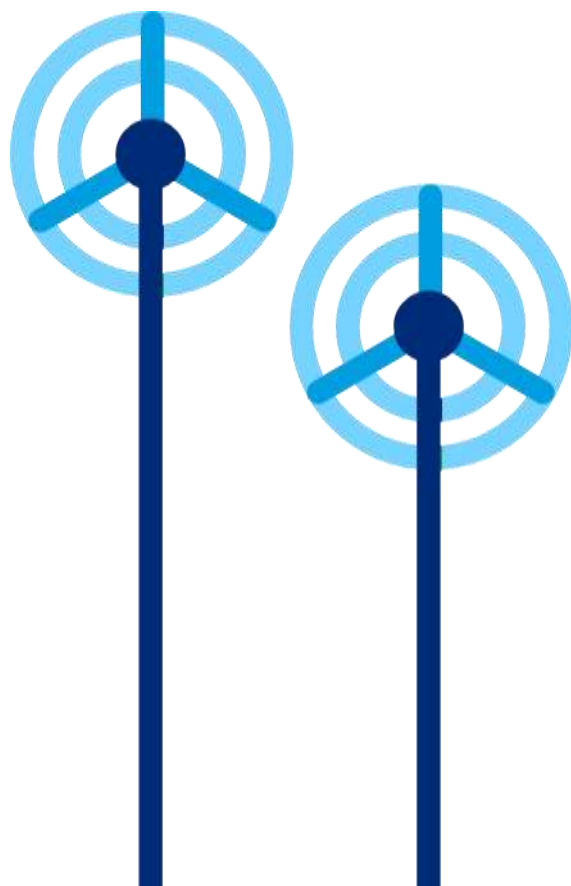
January 2024



Contents

1. Executive Summary.....	3
2. Introduction.....	5
3. Governance.....	7
• The Trustee’s governance approach.....	7
• Roles of those undertaking scheme governance activities.....	8
• Roles of advisers.....	10
• Time and resources spent on climate change-related matters.....	11
• Training.....	12
4. Strategy.....	13
• Defined Benefit Sections (used for covenant and investment scenario analysis).....	13
• Defined Contribution Section.....	14
• Climate-related risks and opportunities relevant to the DXC Pension Plan.....	15
• Testing the resilience of the investment and funding strategy.....	16
• Key conclusions.....	30
5. Risk Management.....	32
• Governance.....	32
• Strategy.....	33
• Reporting.....	33
• Manager Selection and Retention.....	33
6. Metrics and Targets.....	34
• Metrics.....	34
• Targets.....	42
Appendix A: Technical Appendix.....	44
• Asset Allocations Modelled.....	44
• Climate scenario modelling approach.....	47

- Climate metric analysis approach..... 49
- Asset class assumptions 55



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's assets, liabilities, funding level and strength of the corporate sponsor to continue to support 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.

The key messages from this report are:

- Climate change risk can have an impact on the long-term funding and member outcomes for the Plan. In particular, the CSC Defined Contribution ("DC") Section has greater climate sensitivity due to the larger strategic exposure to public equity assets.
- The Trustee has processes in place to identify, assess, manage and mitigate climate change risk.
 - Metrics have been chosen to assist the Trustee to measure and monitor the exposure of the Plan's assets to climate change. This allows the Trustee to better understand the materiality of climate-related risks across the investment portfolio.
 - The Trustee has set a target to reduce the level of carbon exposure within the Plan's asset portfolio. This is based on the CSC DB Section's segregated credit mandate, which represents a large proportion of the assets in the Plan's Defined Benefit ("DB") sections and is expected to grow over time.
 - Over recent years the Trustee has made steps to assess and improve the level of integration of Environmental, Social and Governance ("ESG") factors within their investment decision-making. In particular, the Trustee has undertaken a review of the ESG policies of all investment managers the Plan invests with and has revised the investment guidelines for some investment managers to include restrictions to the worst carbon emitters.
 - The Trustee has reduced the level of investment risk within the Plan's DB sections over time, which has primarily involved selling public equities. The lower risk, bond based portfolio, is expected to be less exposed to climate risk.
 - The popular arrangements used within the Plan's CSC DC Section have a larger exposure to public equities and therefore climate-related risk. These arrangements are being transferred to a new DC pension arrangement under another DXC trust based scheme in 2024 and one of the considerations for the transfer has been the new DC arrangement's approach to assessing, managing and monitoring climate change risk.
 - Over the short term, the Plan's climate risk exposure is expected to come from transition risk" rather than physical risks. Over the longer term, physical risks will have a larger impact. The longer term risks are expected to have less of an impact on the Plan given the impending transfer of the CSC DC section to a new DC pension arrangement under another DXC trust based scheme and the expectation that the Plan's DB sections will transact with an insurance provider, insuring all benefits, over the next few years.

- Over the short and medium term, climate change risks and opportunities are expected to have a low-to-medium impact on the strength of the Sponsor covenant. Over the longer term, physical risks may have a larger impact on the Sponsor covenant.
- Mortality changes arising from the direct and indirect impact of climate change may be material to the funding strategy over the longer term. The Trustee will keep this under review and will consider this impact as part of the next actuarial valuation.

Conclusions and next steps

The Trustee believes that climate-related risks can have an impact on securing long-term financial returns and the consideration of climate-related risks 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. The Trustee is cognisant of the future strategic plans for the Plan and how this will change the climate-related governance that applies to both the investment and funding strategy.

Over the next 12 months, the Trustee expects to:

- Review the climate-related risks and opportunities in the Plan and maintain compliance with regulatory requirements, with support from the Plan's advisors.
- Ensure that it is well equipped with sufficient knowledge of developments around climate change risk through training and a review of skills.
- Annually consider the suitability of the Plan's investment arrangements to achieve the agreed carbon reduction target.
- Continue to monitor the potential impact of climate change on the Sponsor covenant.

Section 1

Introduction

Dear Members,

Welcome to our first climate change report, which has been prepared in line with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) and the statutory requirements prescribed by the Department of Work and Pensions¹.

The DXC Pension Trustee Limited (“the Trustee”) of the DXC Pension Plan (“the Plan”) has a legal fiduciary responsibility to invest the DXC Pension Plan’s assets in the best way possible for its members. As part of this responsibility, the Trustee recognises climate change as a risk that could impact the financial security of members’ benefits if it is not properly measured and managed. The Trustee also recognises that climate change presents an opportunity, by investing in companies or assets that are expected to perform well in an economy that is positioned to address the challenges associated with climate change.

The Trustee’s assessment of climate-related risks and opportunities has been carried out based on information that is currently available, both in terms of data from the companies and assets in which the DXC Pension Plan invests and in consideration of the different climate scenarios we have analysed. This data is subject to change as climate change reporting improves.

The Plan is a hybrid scheme with Defined Benefit (“DB”) and Defined Contribution (“DC”) Sections.

The DB Sections are the CSC Section, Xchanging Sections and LPC Section. The Rebus Section was transferred out of the Plan after the year end. This report contains information on the Rebus Section and it is noted that it is no longer part of the Plan. Additionally, there are expectations that by 2028 the Trustee



¹ The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and the Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021

will transfer the DB assets and liabilities to an insurance provider and therefore the longer term funding and investment scenarios considered in this report are unlikely to be under the governance framework of the Trustee at that time.

There are also two DC Sections: the CSC DC Section and the LPC DC Section. Based on data received from the administrators of the DC Sections, it has been determined that within the CSC DC Section, the CSC Targeting Drawdown Lifestyle (the Plan’s default) and three self-select funds (the CSC Multi-Asset Default, the CSC All Share Adventurous and the CSC All Share Adventurous (Active) funds) are the popular arrangements. The CSC DC Section assets and liabilities are all due to be transferred to a new pension arrangement under different Trustees in 2024, therefore the long-term scenarios provided in this report are for indicative use only. Given its much smaller size, it has been determined that there are no popular arrangements in the LPC DC Section. For the remainder of this paper the DC Section refers to the CSC DC Section unless otherwise stated.

Climate change is one risk amongst many that the Trustee measures, monitors and manages. To this extent, climate change needs to be considered alongside these other risks in a balanced and proportionate way. The Trustee will therefore continue to invest in companies where there is a sufficiently attractive investment case and the investment manager believes there is an opportunity to engage and influence change in the behaviour and actions of a company.

This report has been split into several sections to help members understand:



- Governance:** How the Trustee incorporates climate change into its decision making;
- Strategy:** How potential future climate scenarios could impact the DXC Pension 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.

The final section sets out the methodology and assumptions used to produce the information contained in this report.

As always, members are encouraged to contact The DXC Pension Trustee Limited if there are comments you wish to raise. You can contact The DXC Pension Trustee Limited here DXCPensions@mercer.com.

Mark Greenhalgh

Chair of DXC Pension Plan

Section 2

Governance



The Trustee's governance approach

The Trustee has ultimate responsibility for ensuring effective governance of climate-related risks and opportunities.

The Trustee believes that environmental, social and corporate governance (“ESG”) factors may have a material impact on investment risk and return outcomes. The Trustee also recognises that long-term sustainability issues, including climate change, present risks and opportunities that increasingly require explicit consideration. Details on how these are considered are set out separately in the Trustee's ESG Beliefs Statement, which is set out on the next page. The Trustee has taken into account the expected lifetime of the Plan when considering how to integrate these issues into its decision making process.

Having considered its fiduciary duty, the Trustee has delegated the evaluation of ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations (including engagement activities) attached to the investments, to the appointed investment managers in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and the UK Stewardship Code. The Trustee considers how ESG, climate change and stewardship is integrated within investment processes when appointing new investment managers and monitoring existing investment managers.

The Trustee takes advice from its investment consultant and fiduciary manager, Mercer, on how the investment managers incorporate ESG into their investment processes. Monitoring of the investment managers is undertaken on a regular basis and is documented at least annually to assess the effectiveness of applied approaches.

The Trustee maintains separate DB and DC Statement of Investment Principles (SIPs), which both details the key objectives, risks and approach to considering Environmental, Social and Corporate Governance (“ESG”) factors, such as climate change, as part of its investment decision making. The documents are reviewed on at least a triennial basis or following a significant change in investment policy. The documents include the Trustee’s ESG beliefs statement.

The Trustee’s key beliefs on ESG are:

Belief Statement	Implication for investment monitoring and strategy
<p>ESG factors can have a material impact on investment risks and returns and contribute to our ability to meet investment objectives.</p>	<p>The Trustee will:</p> <ul style="list-style-type: none"> • Set clear expectations with investment managers and advisers on how ESG considerations are incorporated into investment activities/advice. • Use Mercer’s investment manager ESG ratings to monitor any changes in the investment managers’ approaches to ESG integration on a quarterly basis and document this in the quarterly risk and performance reporting. • On an annual basis, undertake a more in depth assessment of the appointed investment manager’s strategies for ESG integration and review the ESG ratings against Mercer’s Global Investment Manager Database. • When appointing new investment managers, take ESG ratings into account in the assessment process.
<p>Stewardship, exercised through voting and engagement, can help to create and preserve long term value in listed equities.</p>	<p>The Trustee will:</p> <ul style="list-style-type: none"> • Where relevant, assess the appointed listed equity manager strategies for their approach to stewardship (voting and engagement) by monitoring policies against the UK Stewardship Code principles and seeking reporting from investment managers on voting and engagement activity on an annual basis. • The Trustee notes that Mercer has an established Sustainable Investment Policy with specified expectations in respect of stewardship activity and disclosure for its funds. The sub-investment managers in the Mercer listed equity funds are monitored against this policy on an annual basis. The Trustee will review Mercer’s report on an annual basis. •
<p>Long-term sustainability issues, particularly climate change, present risks and opportunities that require explicit consideration.</p>	<p>The Trustee will:</p> <ul style="list-style-type: none"> • Undertake climate scenario analysis at a portfolio level to better understand the potential risk and return implications over different time horizons. • Ensure climate change is considered as a risk and opportunity factor when undertaking investment manager selection and strategic decisions.

Roles of those undertaking scheme governance activities

The Trustee maintains oversight of climate-related risks and opportunities by the use of a Climate Change policy statement which is included in the Appendix. In addition to this the Trustee has DB and DC investment committees which are informed by their advisors at least annually using quantitative or qualitative analysis about the exposure of the Plan’s investments to climate risk. The investment

committees report back to the Trustee on key issues which they are addressing, including their integration of environmental, social and corporate governance risks and opportunities into their investment processes. The Trustee uses this information to assess and manage climate-related risks and opportunities. The Trustee also considers on at least a triennial basis the impact of climate change on the Plan's covenant and mortality assumptions, in particular in conjunction with the Actuarial Valuation.

The Trustee will consider the recommendations of these committees and will ratify any decisions that require its approval.

The Investment Committee

The DC and DB Investment Committees ("ICs") are responsible for:

- Receiving and reviewing periodic written reports prepared by the Plan's investment consultants covering the Plan's investment managers' investment performance, and their integration of environmental, social and corporate governance risks and opportunities (including climate risk) into their investment processes;
- The ICs have delegated powers on investment manager/fund selection, including moving away from an investment manager or fund, if deemed appropriate;
- Where relevant, meeting with the appointed investment managers to review investment performance, asset allocation and engagement with investee companies (including in relation to climate risk); and
- Reporting back to the Trustee on key issues raised at the Investment Committee, and the exercise of any delegated powers.

In broad terms, the ICs are initially responsible for understanding the requirements of TCFD on the Plan, and for supporting work towards ensuring the Plan complies with those requirements, and to undertake any other actions as delegated to the ICs by the Trustee. The ICs' remit includes, but is not limited to:

- Arranging training as the ICs believe is necessary to improve Trustee knowledge and understanding on climate risk;
- Taking advice on and making recommendations to the Trustee on appropriate climate metrics to monitor;
- Taking advice on and making recommendations to the Trustee on appropriate climate-related targets; and
- Providing input into (and agreeing the scope of) investment and funding (including covenant) climate-related scenario analysis to be provided by advisers (in particular, agreeing the relevant short, medium and long-term time periods to assess, and the scenarios to consider).

Both the Trustee and the ICs will, when appropriate, question and challenge the information and advice provided to them by their advisers, investment managers and/or insurers in relation to their governance responsibilities. In particular, data gaps in respect of the climate-related metrics on the Defined Benefit Sections' illiquid assets were challenged by the Investment Committee on behalf of the Trustee.

Roles of advisers

The Trustee has appointed advisers to the following roles:

Investment consultant to the Defined Benefit Sections (Mercer)

- Advises on strategic asset allocation taking into account climate risk, supported through the provision of climate scenario analysis;
- Advises on the choice of climate-related metrics and targets as well as changes to investment mandates;
- Advises on investment manager selection, taking into account the Trustee's sustainability beliefs and climate-related targets;
- Monitors investment manager performance against relevant climate-related targets;
- Supports the Trustee with stewardship activities, which may be related to climate change, such as monitoring and reporting on voting and engagement activities of the invested assets.
- Liaises with investment managers and other professional advisers to provide training to the Trustee on climate change, as appropriate; and
- Assists the Trustee in producing the Plan's TCFD report on an annual basis

Investment consultant to the Defined Contribution Sections (Mercer)

- Advises on investment arrangements, including the default investment strategy, taking into account climate risk, supported through the provision of climate scenario analysis;
- Advises on the choice of climate-related metrics and targets as well as changes to investment mandates;
- Advises on investment manager selection, taking into account the Trustee's sustainability beliefs and climate-related targets;
- Supports the Trustee's with stewardship activities, which may be related to climate change, such as monitoring and reporting on voting and engagement activities of the invested assets.
- Monitors investment manager performance against relevant climate-related targets;
- Liaises with investment managers and other professional advisers to provide training to the Trustee on climate change, as appropriate; and
- Assists the Trustee in producing the Plan's TCFD report on an annual basis.

Scheme Actuary (Mercer)

- 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;
- Advises on funding strategy robustness to climate risk.
- Provides input into scenario analysis and advises on funding implications.

Covenant Adviser (Lane Clark and Peacock)

- Assesses the Sponsor's ability and willingness to continue to support the Plan. Climate-related exposures are considered alongside other factors that could have a positive or negative impact on the strength of the Sponsor's covenant; and
- Provides input into scenario analysis and advises on covenant implications.

Assessment of Advisors: The Trustee expects advisers to act with integrity and diligence in fulfilling the set objectives and uses meetings with the advisers to assess and challenge them. Where relevant, this includes discussion of the steps taken by advisers to identify and assess any climate-related risks and opportunities. The Trustee as part of their review of its advisers will consider their knowledge of climate-related risks and how it informs their wider advice provided to the Trustee.

The approach of the DB and DC investment consultants to climate change and how it is integrated into its advice and services is assessed as part of the adviser selection and monitoring process. The Trustee sets its investment consultant's annual objectives, including those related to ESG and climate change competency. The investment consultant is formally assessed against these objectives annually.

When tendering for new investment managers or providers (such as insurance or investment providers) the Trustee will explicitly consider climate risk management practices. The Trustee via its fiduciary manager of the Defined Benefit sections, Mercer has incorporated requirements to measure carbon emissions of assets into investment management agreements with investment managers.

Role of Fiduciary Managers

Mercer Limited is the delegated investment manager for the Defined Benefit sections.

As part of the sub-investment manager selection and monitoring process, Mercer considers 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). It has also introduced restrictions to the worst carbon emitters into the multi-client funds used by the Trustee. Mercer will also monitor the Trustee's climate reduction target.

Time and resources spent on climate change-related matters

Climate change will form an explicit agenda item at least annually for the Trustee and its committees when the Trustee's annual TCFD report is updated. It will also be covered as part of other agenda items as part of a wider discussion of funding or investment strategy, or as part of the investment manager appointment and review discussions. The Trustee is satisfied that the amount of governance time spent is reasonable and will allocate more time at future meetings if any analysis or wider industry research requires additional Trustee review and consideration.

There are a number of workstreams that are to be completed regularly in order for the Trustee to fulfill its responsibility for managing climate risks and opportunities. It is important to note that many of the workstreams will cover wider ESG risks other than just climate change risk, as the Trustee does not consider climate risks in isolation, but holistically alongside the various other ESG risks the DXC Pension Plan may be facing. The workstreams are listed below as well as the frequency of which each task will be carried out

- Climate change training session (minimum frequency = annual)
- Scenario analysis modelling the investment strategy and funding strategy (minimum frequency = first year and every 3 years thereafter)

- Review appropriateness of undertaking scenario analysis in light of a) data availability changes and b) material changes in investment strategy / funding position (minimum frequency = annual)
- Metrics data collection (minimum frequency = annual)
- Target setting / target appropriateness review (minimum frequency = annual)
- Progress against target assessment (minimum frequency = annual)
- ESG beliefs (including climate change) update / review (minimum frequency = every three years)
- Review of investment manager ESG ratings (minimum frequency = quarterly), climate policies (minimum frequency = annual)
- Stewardship, covered as part of the Trustee's annual implementation statement (minimum frequency = annual)
- Risk frameworks update/review e.g. risk registry (minimum frequency = annual)
- Climate covenant assessment (minimum frequency = every three years)
- Drafting annual TCFD report (minimum frequency = annual)

Training

During the year to 30 June 2023, the Trustee received training from the DXC Pension Trustee Limited's DB and DC advisors, covering climate-related investment risks and reporting requirements in line with the TCFD recommendations. This included training on:

- Impact of climate change on mortality;
- Climate metrics for the DC and DB assets;
- DB climate scenario analysis (transition and physical risk) for the investments, funding and covenant of the Plan.

Section 3 Strategy



As a long-term investor, the Trustee recognises the risks and opportunities arising from climate change are diverse and continuously evolving. In relation to climate-related risks, the Trustee believes it is important to understand how the Plan’s exposure to these 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 **Defined Benefit and Defined Contribution Sections** of the **Plan**, with analysis carried out in 2022.

Defined Benefit Sections (used for covenant and investment scenario analysis)

Short Term	Medium Term	Long Term
to end 2024; 2yr projection	to end 2028; 6yr projection	to end 2050; 28yr projection
<p>This date coincides with when the next actuarial valuation for the Plan is likely to be finalised.</p> <p>Limited climate impacts are anticipated over this time horizon, although transition risks could materialise depending on the timing of any pricing shocks.</p>	<p>This date coincides with the target date for achieving the long-term objective of removing all sponsor reliance by 2028.</p> <p>Transition risks are expected to dominate over this time horizon, although pricing in of physical risks (especially under a Failed Transition) could also materialise.</p>	<p>This date coincides with significant maturation of the Plan’s membership.</p> <p>This date and also aligns with the Paris Agreement commitments. Physical risks are expected to dominate over this time horizon.</p>

Defined Contribution Section

Short Term	Medium Term	Long Term
To end 2030: 8 year projection	To end 2042: 20 year projection	To end 2062: 40 year projection
Representative timescale of a member in the latter part of their career and approaching retirement.	Representative timescale to retirement of a member in the 'mid-career' stage.	Representative timescale to retirement of a member in the 'early-career' stage or yet to join the Plan.

The Trustee has considered the following short, medium and long-term drivers of risk in relation to climate change for the DB and DC Sections.

- Over the next 5 years, 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 well below 2°C scenario occurring (i.e. an increase in probability would be expected to drive additional transition risk).
 - Market awareness grows. For example, the cost and impacts of the transition suddenly influence market pricing.
 - Policy changes unexpectedly surprise markets. For example, if a carbon price or significant regulatory requirement was introduced across key markets to which the portfolio is exposed, at a sufficiently high price to impact behaviour.
 - Market sentiment is shocked. For example, falls in markets could create a downward spiral where economic sentiment worsens and asset values fall.
 - Perceived or real increased pricing of greenhouse gas emissions/carbon.
 - 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.

As well as risks associated with these drivers, there could also be opportunities. For example, investing in climate solutions as policy support strengthens.

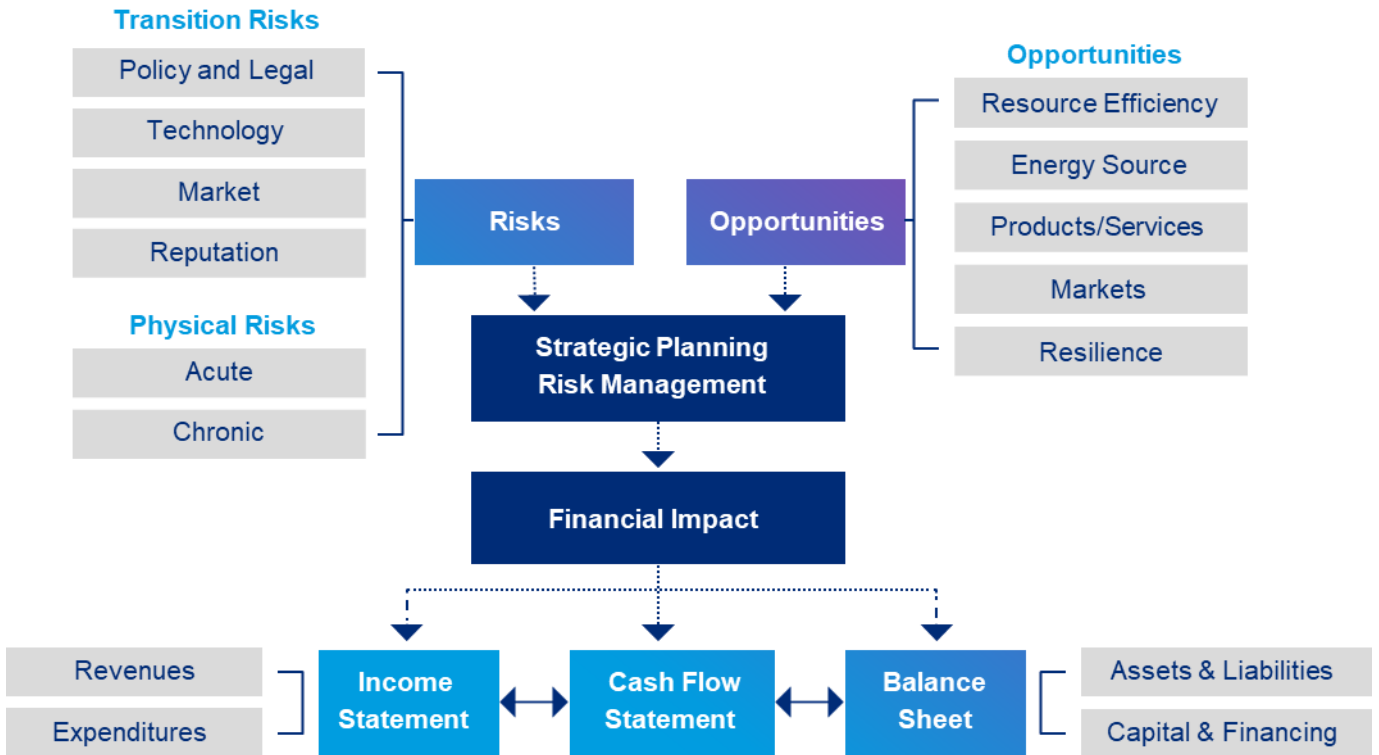
The Trustee’s ability to understand these short-term changes can position the Plan favourably, for example taking advantage of the climate transition by avoiding and reducing investment in high-emitting carbon sensitive businesses/assets that do not have a business plan that supports the transition to a low carbon economy.

- Over the next ten years, 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 Trustee’s ability to understand these changes and evolve the portfolio as the pathway develops should help the Trustee to control risk and potentially enhance returns. The Trustee seeks to select investment managers and choose indices that can identify potential emergence of low carbon opportunities and the decline of some traditional sectors. The Trustee notes that these opportunities are limited by the transfer of the DC arrangements out of the Plan in 2024 and the expectation for the transfer of assets and liabilities of the Defined Benefit Sections to an insurance provider within the next five years.

- Over the long term (to 2050 and beyond), 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.

Figure 1



Source: TCFD Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, October 2021

Climate-related risks and opportunities relevant to the DXC Pension Plan

Having taken into account the strategic asset allocations of the DB Sections and the DC popular arrangements, as set out in the technical appendix, the following risks and opportunities have been identified:

- Over the next 5 years, the Trustee has identified the inter-related risk of climate transition risk and asset repricing risk as being most relevant to the DB investment strategies and DC popular arrangements. Over this time period opportunities are most likely to occur in transition related investment such as climate solutions.
- Over the next 20 years, the Trustee has concluded that both transition risk and physical risk (particularly in the form of asset repricing to allow for future physical damage) could be material.
- Over the next 40 years, the Trustee has identified physical risk as the key driver of climate-related risk.

The Trustee has investigated the potential impacts of these risks and opportunities in the scenario analysis that follows.

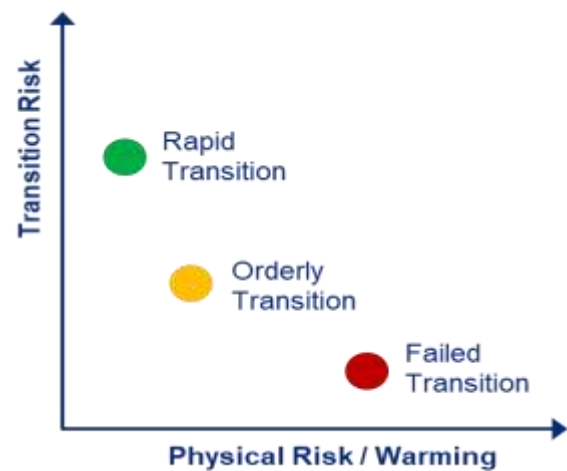
Testing the resilience of the investment and funding strategy

Scenarios analysis

The Trustee has undertaken climate scenario analysis to test the resilience of the investment and funding strategy adopted by the Plan. Qualitative climate change scenario analysis has been undertaken on the strategic asset allocation and covenant of the DB Sections under two modelled scenarios – a Rapid Transition (1.5°C) and a Failed Transition (greater than 4°C). Quantitative climate change scenario analysis has been undertaken on the DC popular arrangements to assess the potential implications of climate change under the same two scenarios as well as an Orderly Transition (less than 2°C). The analysis is based on scenarios developed by Mercer working with Ortec Finance. (Figure 2)

- **Rapid Transition** – Average temperature increase of 1.5°C by 2100 (relative to pre-industrial average). This scenario assumes sudden downward re-pricing across assets in 2025. This could be driven by a change in policy, consideration of stranded assets or expected costs. The shock is partially sentiment driven and so is followed by a partial recovery. Physical damages are most limited under this scenario.
- **Orderly Transition** – Average temperature increase of less than 2.0°C by 2100. Governments and wider society act in a co-ordinated way to decarbonise and to limit global warming to well below 2°C. Transition impacts do occur but are relatively muted.
- **Failed Transition** – Average temperature increase above 4°C by 2100. The world fails to co-ordinate a transition to a low carbon economy. Physical climate impacts significantly reduce economic productivity and have increasingly negative impacts including from extreme weather events. These are reflected in re-pricing events in the late 2020s and late 2030s.

Figure 2



In designing scenario analysis a fundamental decision is whether to assume that any climate impacts are priced in today. The analysis in this report is expressed relative to a 'climate-informed' baseline²; the implication is that all return impacts are presented in terms of how they are different to what we are assuming is priced in today.

Source: Mercer

Further detail on climate scenario narratives, including modelling limitations, is included in the appendix of this report.

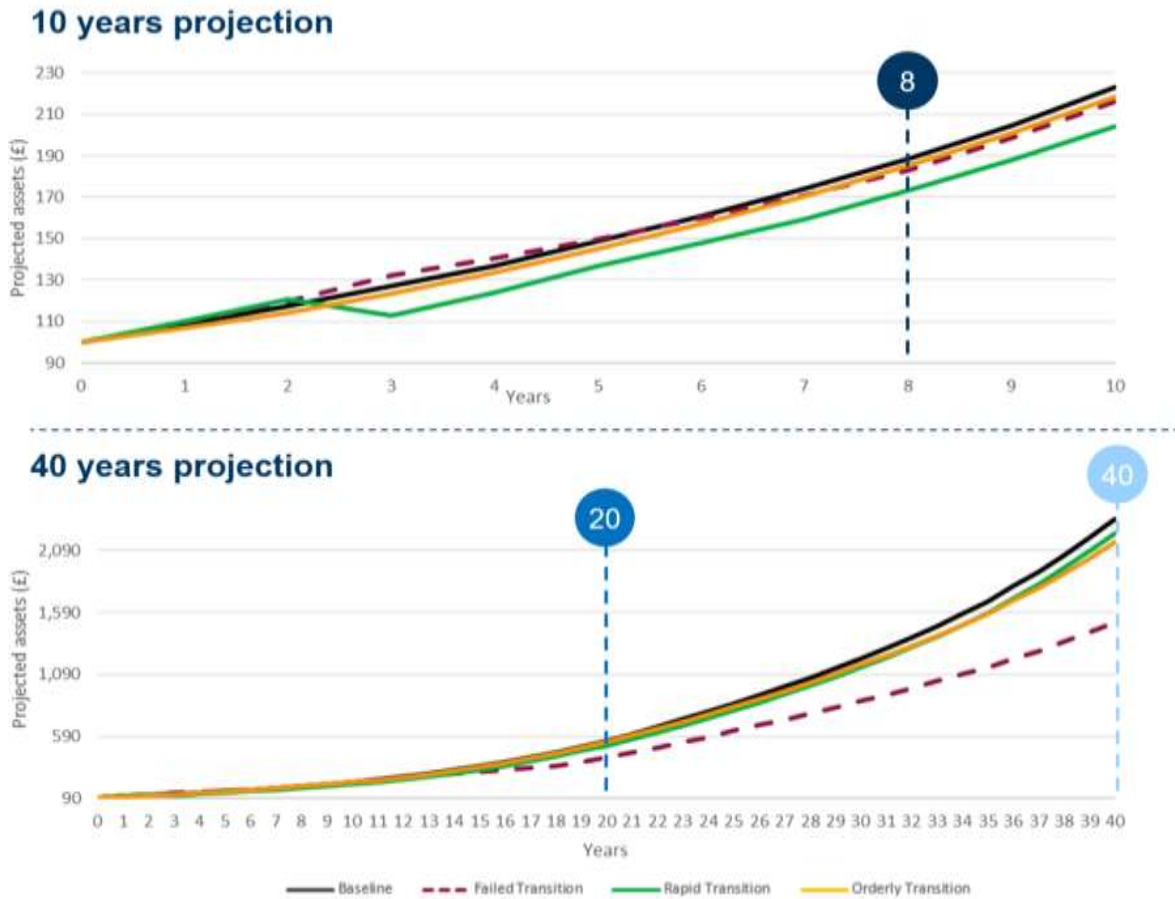
² The baseline represents what we are assuming the market is currently pricing in. The baseline includes a 10% weight to a **Failed Transition**, 40% weight to an **Orderly Transition**, 10% to a **Rapid Transition** and 40% to a range of **low impact scenarios**.

Quantitative Analysis Scenario Analysis Results – DC Section

CSC Multi-Asset Default Fund

The charts in Figure 3 represent projections of an asset value of £100 from an analysis date of 31 December 2022 over a period of 40 years and ignore the impact of future contributions. Further detail on the underlying asset allocations and limitations associated with climate scenario analysis are set out in the Appendix.

Figure 3

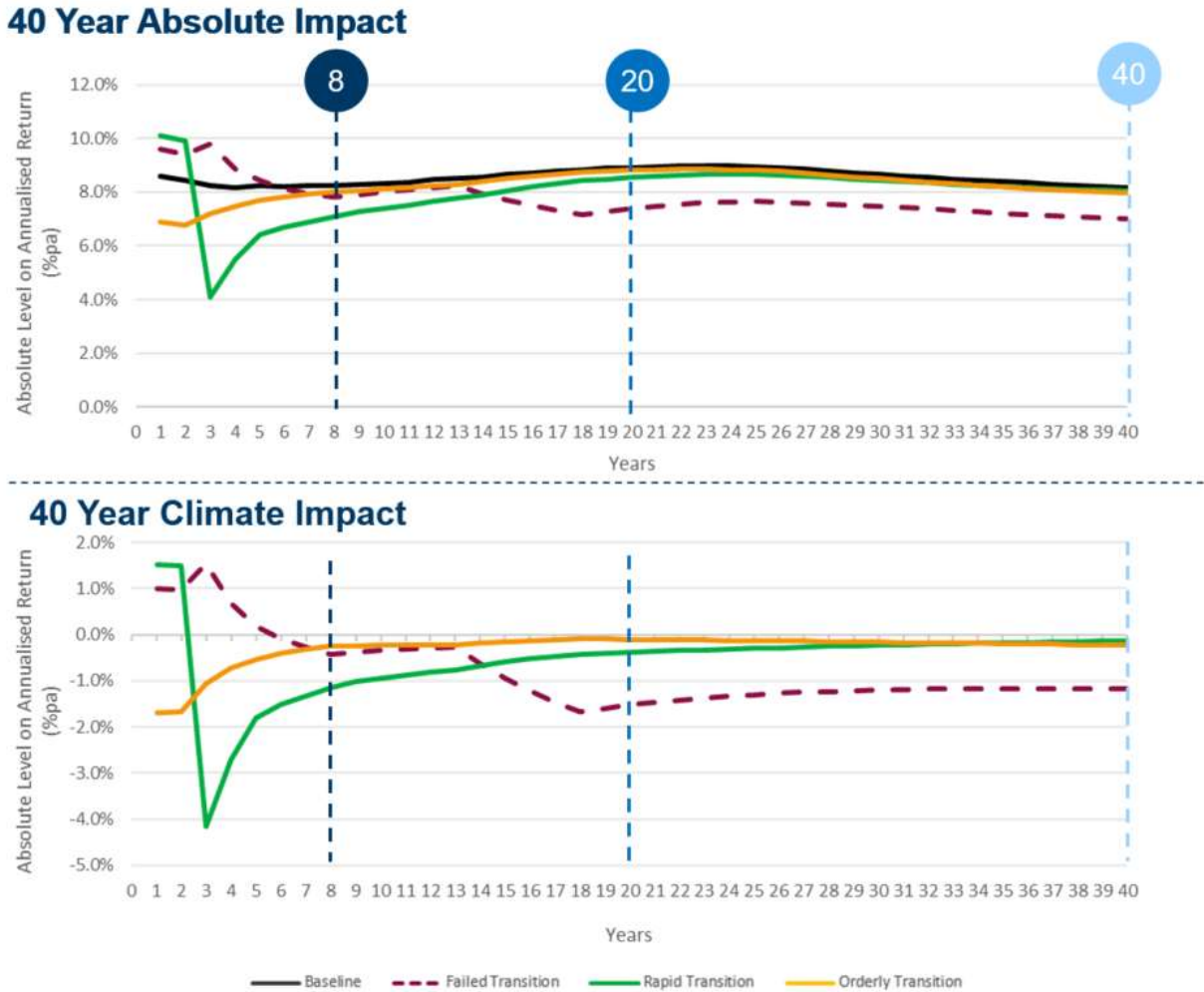


Key points at different time frames (reflecting the fact that the underlying investments are primarily equity holdings with a smaller allocation to a diversified growth fund):

- 8 Years – Transition risks are the most significant return driver over the short terms and therefore the Rapid Transition shows the greatest impact. However, the Failed Transition is becoming more impactful as future Physical damages start to be priced in. Under the Rapid Transition asset values are reduced by 8.2%. Under the Failed Transition the asset value is reduced by 3.0%. The impact of the Orderly Transition is small on the basis that transition costs and impacts are smaller and largely priced in.
- 20 Years – As longer term physical damages continue to be priced in, the Failed Transition becomes the most impactful scenario. Failed Transition reduces the asset value by 24.5%.
- 40 years – Over the long term, physical damages are the dominant driver and the Failed Transition is by far the worst scenario. Failed Transition reduces the asset value by 35.6%. In addition, we see the additional warming and hence damage in the Orderly Transition (compared to the Rapid Transition) meaning it becomes a more negative scenario.

The two graphs in Figure 4 show the annualised returns in Absolute terms and in more detail under the Climate Impact. The Climate Impact chart shows the impact on returns relative to the baseline under each scenario.

Figure 4



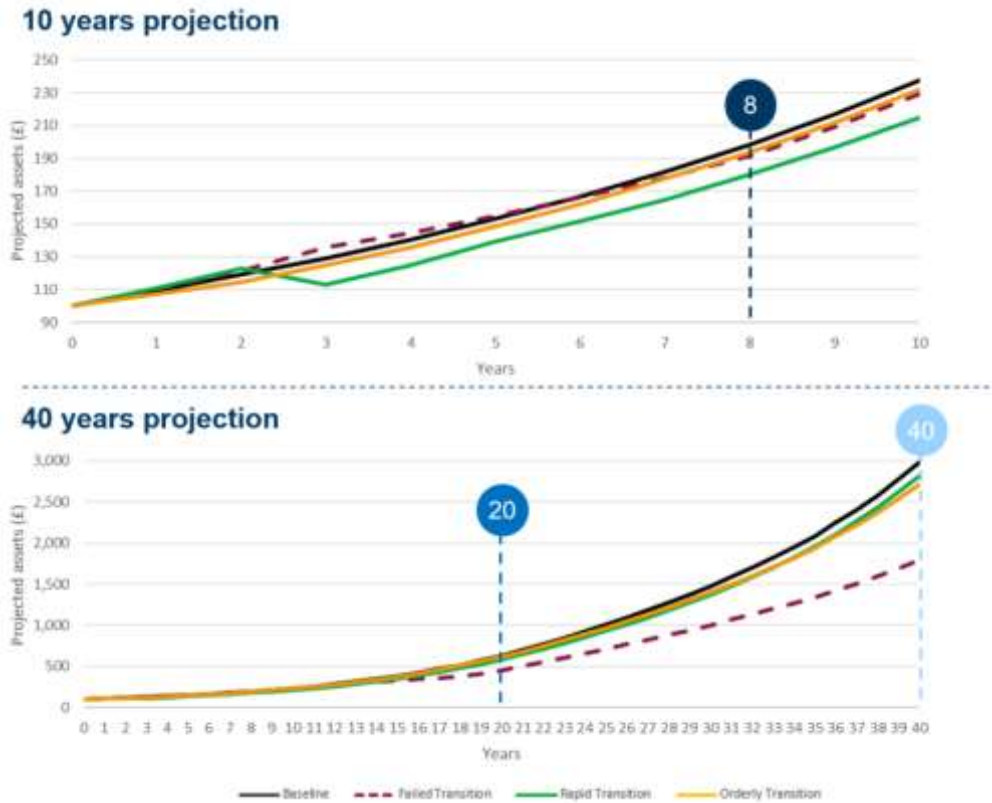
Key points at different time frames (reflecting the fact that the underlying investments are equity holdings):

- 8 Years – Under the Rapid Transition annualised returns are reduced by 1.2%. Under the Failed Transition annualised returns are reduced by 0.4%. The impact of the Orderly Transition is small on the basis that transition costs and impacts are smaller and largely priced in.
- 20 Years – The Failed Transition causes a reduction in annualised return of around 1.5%.
- 40 years –The Failed Transition causes a reduction in annualised return of around 1.2%. In addition, we see the additional warming and hence damage in the Orderly Transition (compared to the Rapid Transition) meaning it becomes a more negative scenario

CSC All Shares Adventurous Fund

The charts in Figure 5 represent projections of an asset value of £100 from an analysis date of 31 December 2022 over a period of 40 years and ignore the impact of future contributions. Further detail on the underlying asset allocations and limitations associated with climate scenario analysis are set out in the Appendix.

Figure 5



Key points at different time frames (reflecting the fact that the underlying investments are equity holdings):

- 8** 8 Years – Transition risks are the most significant return driver over the short terms and therefore the Rapid Transition shows the greatest impact. However, the Failed Transition is becoming more impactful as future Physical damages start to be priced in. Under the Rapid Transition asset values are reduced by 9.3%. Under the Failed Transition the asset value are reduced by 3.4%. The impact of the Orderly Transition is small on the basis that transition costs and impacts are smaller and largely priced in.
- 20** 20 Years – As longer term physical damages continue to be priced in, the Failed Transition becomes the most impactful scenario. Failed Transition reduces the asset value by 28.0%.
- 40** 40 years – Over the long term, physical damages are the dominant driver and the Failed Transition is by far the worst scenario. Failed Transition reduces the asset value by 39.8%. In addition, we see the additional warming and hence damage in the Orderly Transition (compared to the Rapid Transition) meaning it becomes a more negative scenario.

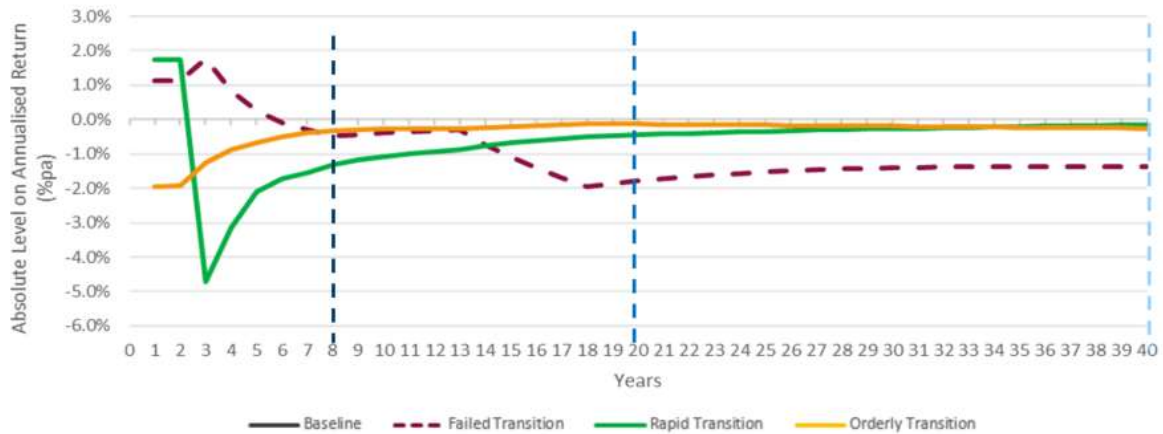
The two graphs in Figure 6 show the annualised returns in Absolute terms and in more detail under the Climate Impact. The Climate Impact chart shows the impact on returns relative to the baseline under each scenario.

Figure 6

40 Year Absolute Impact



40 Year Climate Impact



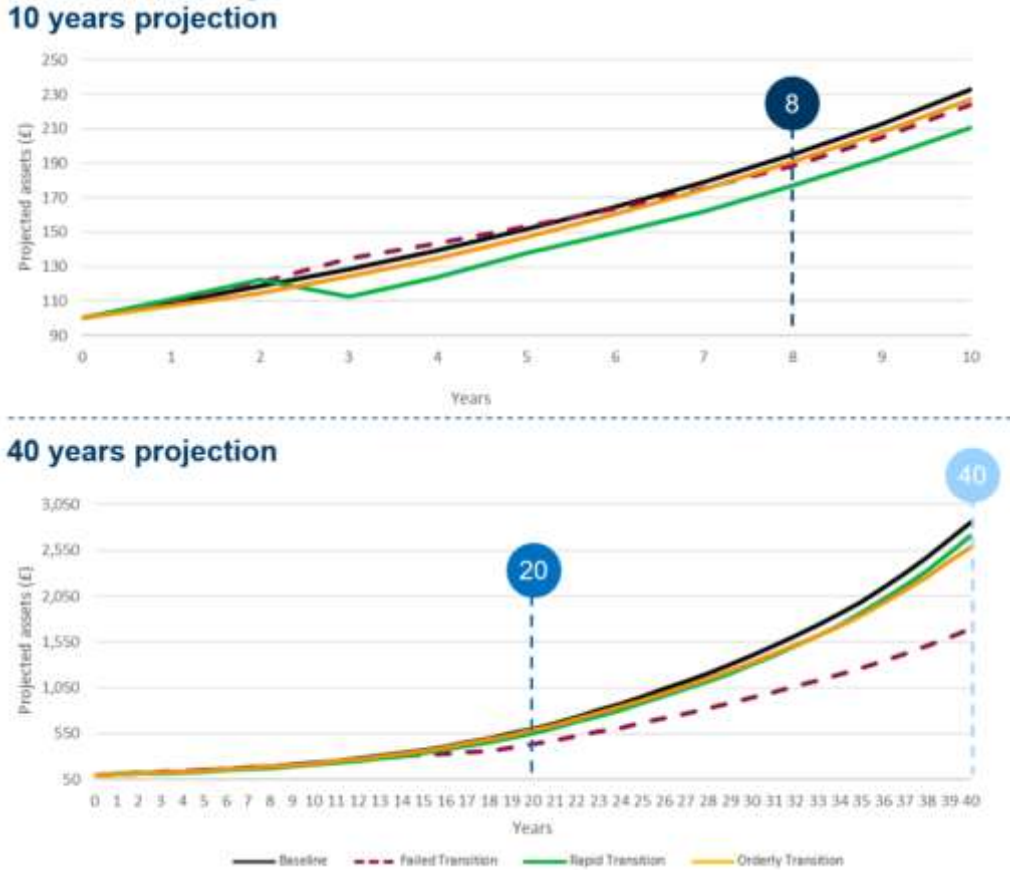
Key points at different time frames (reflecting the fact that the underlying investments are equity holdings):

- 8
8 Years – Under the Rapid Transition annualised returns are reduced by 1.3%. Under the Failed Transition annualised returns are reduced by 0.5%. The impact of the Orderly Transition is small on the basis that transition costs and impacts are smaller and largely priced in.
- 20
20 Years – The Failed Transition causes a reduction in annualised return of around 1.8%.
- 40
40 years – The Failed Transition causes a reduction in annualised return of around 1.4%. In addition, we see the additional warming and hence damage in the Orderly Transition (compared to the Rapid Transition) meaning it becomes a more negative scenario.

CSC All Share Adventurous (Active) Fund

The charts in Figure 7 represent projections of an asset value of £100 from an analysis date of 31 December 2022 over a period of 40 years and ignore the impact of future contributions. Further detail on the underlying asset allocations and limitations associated with climate scenario analysis are set out in the Appendix.

Figure 7

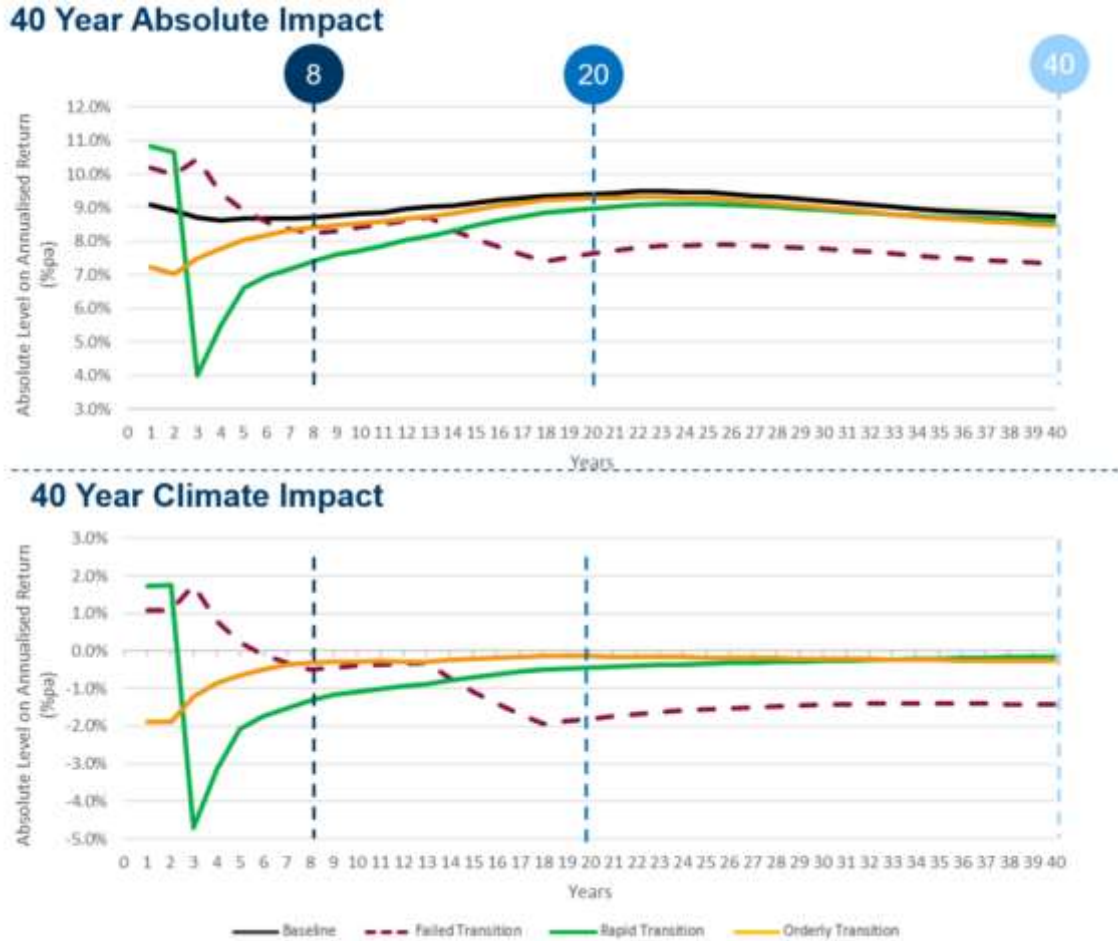


Key points at different time frames (reflecting the fact that the underlying investments are equity holdings):

- 8** 8 Years – Transition risks are the most significant return driver over the short terms and therefore the Rapid Transition shows the greatest impact. However, the Failed Transition is becoming more impactful as future Physical damages start to be priced in. Under the Rapid Transition asset values are reduced by 9.3%. Under the Failed Transition the asset value are reduced by 3.5%. The impact of the Orderly Transition is small on the basis that transition costs and impacts are smaller and largely priced in.
- 20** 20 Years – As longer term physical damages continue to be priced in, the Failed Transition becomes the most impactful scenario. Failed Transition reduces the asset value by 28.2%.
- 40** 40 years – Over the long term, physical damages are the dominant driver and the Failed Transition is by far the worst scenario. Failed Transition reduces the asset value by 40.8%. In addition, we see the additional warming and hence damage in the Orderly Transition (compared to the Rapid Transition) meaning it becomes a more negative scenario.

The two graphs in Figure 8 show the annualised returns in Absolute terms and in more detail under the Climate Impact. The Climate Impact chart shows the impact on returns relative to the baseline under each scenario.

Figure 8



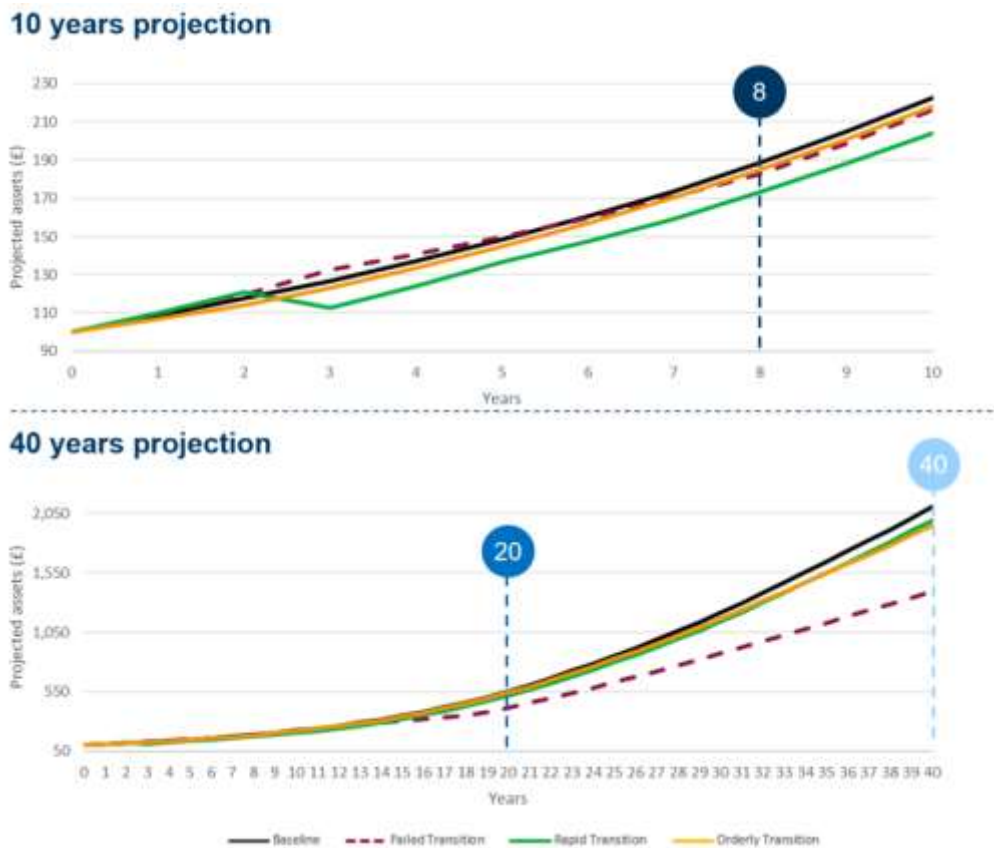
Key points at different time frames (reflecting the fact that the underlying investments are equity holdings):

- 8** 8 Years – Under the Rapid Transition annualised returns are reduced by 1.3%. Under the Failed Transition annualised returns are reduced by 0.5%. The impact of the Orderly Transition is small on the basis that transition costs and impacts are smaller and largely priced in.
- 20** 20 Years – The Failed Transition causes a reduction in annualised return of around 1.8%.
- 40** 40 years – The Failed Transition causes a reduction in annualised return of around 1.4%. In addition, we see the additional warming and hence damage in the Orderly Transition (compared to the Rapid Transition) meaning it becomes a more negative scenario.

CSC Targeting Drawdown Lifestyle

The charts in Figure 9 represent projections of an asset value of £100 from an analysis date of 31 December 2022 over a period of 40 years (i.e. illustrating the time horizon for a new member joining today, 40 years from retirement) and ignore the impact of future contributions. Please note this does not illustrate the impact for a member that may be closer to retirement. Further detail on the underlying asset allocations and limitations associated with climate scenario analysis are set out in the Appendix.

Figure 9

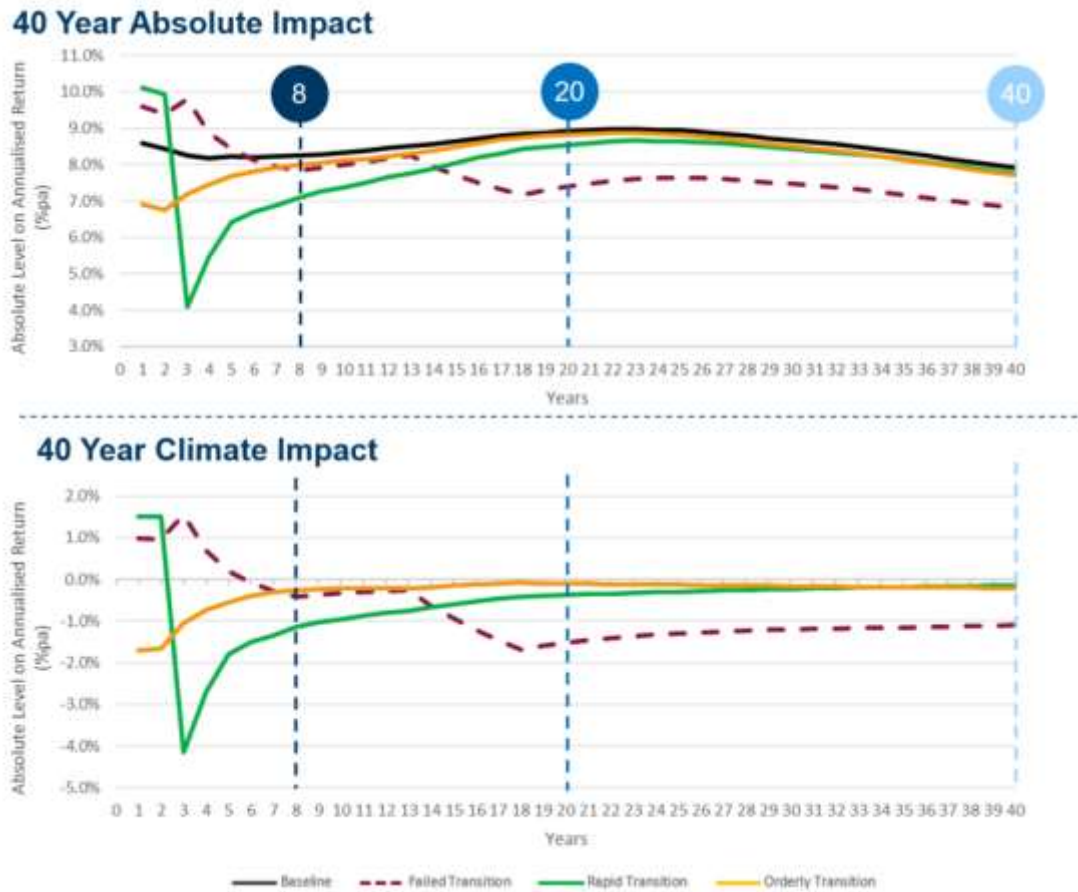


Key points at different time frames (reflecting the fact the underlying investments are primarily growth assets (e.g. equities) up to 32 years in future before more defensive assets are introduced (i.e. a higher allocation to a diversified growth fund and the introduction of a cash fund):

- 8** 8 Years – Transition risks are the most significant return driver over the short terms and therefore the Rapid Transition shows the greatest impact. However, the Failed Transition is becoming more impactful as future Physical damages start to be priced in. Under the Rapid Transition asset values are reduced by 8.2%. Under the Failed Transition the asset value are reduced by 3.0 %. The impact of the Orderly Transition is small on the basis that transition costs and impacts are smaller and largely priced in.
- 20** 20 Years – As longer term physical damages continue to be priced in, the Failed Transition becomes the most impactful scenario. Failed Transition reduces the asset value by 24.5%.
- 40** 40 years – Over the long term, physical damages are the dominant driver and the Failed Transition is by far the worst scenario. Failed Transition reduces the asset value by 33.8%. In addition, we see the additional warming and hence damage in the Orderly Transition (compared to the Rapid Transition) meaning it becomes a more negative scenario.

The two graphs in Figure 10 show the annualised returns in Absolute terms and in more detail under the Climate Impact. The Climate Impact chart shows the impact relative to the baseline under each scenario.

Figure 10



Key points at different time frames (reflecting the fact the underlying investments are primarily growth assets (e.g. equities) up to 32 years in the future before more defensive assets are introduced (i.e. a higher allocation to a diversified growth fund and the introduction of a cash fund):

- 8 Years – Under the Rapid Transition annualised returns are reduced by 1.1%. Under the Failed Transition annualised returns are reduced by 0.4%. The impact of the Orderly Transition is small on the basis that transition costs and impacts are smaller and largely priced in.
- 20 Years – The Failed Transition causes a reduction in annualised return of around 1.5%.
- 40 years – The Failed Transition causes a reduction in annualised return of around 1.1%. In addition, we see the additional warming and hence damage in the Orderly Transition (compared to the Rapid Transition) meaning it becomes a more negative scenario.

Scenario Analysis Findings – DC Section

In light of the above analysis, the Trustee noted the following findings for the DC Section:

Short Term 8 years	Over the short term transition risk dominates with the Rapid Transition scenarios having the biggest impact. Transition risks are the most significant return driver over the short terms and therefore the Rapid Transition shows the greatest impact. An initial fall in asset returns (relative to baseline) is driven by a transition shock impacting the economy and investment markets causing losses. This could be driven by unprecedented policy action, with markets initially overreacting before partially recovering. The actual timing of any shock or recovery is uncertain. However, the Failed Transition is becoming more impactful as future physical damages start to be priced in. The impact of the Orderly Transition is small on the basis that transition costs and impacts are smaller and largely priced in.
Medium Term 20 years	Over the medium term, as longer term physical damages continue to be priced in, the Failed Transition becomes the most impactful scenario. Failed Transition reduces the asset values by c.25% under the various scenarios. This is a large impact and much larger than the DB impact reflecting the higher exposure to equities for all popular arrangements.
Long Term 40 years +	Over the long term, physical damages are the dominant driver and the Failed Transition is by far the worst scenario. Failed Transition reduces the asset value by over 30% for the various options members can choose. In addition, we see the additional warming and hence damage in the Orderly Transition (compared to the Rapid Transition) meaning it becomes a more negative scenario.

Scenario Analysis Results – DB Section

The charts below represent the output of the DB Sections' qualitative analysis of the investment and funding strategy arrangements. The Trustee concluded that qualitative analysis was more appropriate for the DB Sections, given the majority of the assets are credit based and the expected timescales for the DB Sections. The Trustee decided to undertake qualitative climate change scenario analysis, using the strategic asset allocation and covenant assessment, under two modelled scenarios for the DB Section – a Rapid Transition (1.5°C) and a Failed Transition (greater than 4°C), being the two scenarios that the Trustee concluded could have the biggest impact on the DB Section. Further detail on the underlying asset allocations and limitations associated with climate scenario analysis are set out in the Technical Appendix.

Figure 11 provides an overview of the severity of risks for Transition and Physical risks across the timeframes considered. Key points at different time frames are:

2 Years – transition risk dominates with the Rapid Transition having the most impact. This risk could materialize through unprecedented policy action, with markets initially overreacting before recovering.

6 Years – transition risks are still material with the Rapid Transition scenario. Physical impacts are not yet material.

28 years – transition risk impacts are still important but physical risks start to become more visible with losses under the Failed Transition scenario increasing.

Figure 11

Scenario Name	Warming in 2100	Transition Risks			Physical Risks		
		2 years	6 years	28 years	2 years	6 years	28 years
Rapid Transition	1.5°C	High	High	Low	Low	Low	Low
Failed Transition	>4.0°C	Low	Low	Low	Low	Medium	Very High

Asset Class	CSC Section	LPC Section	Qualitative analysis
Equity and High Growth	24%	29%	<p>For the CSC Section, equity and high growth assets include synthetic global equity, opportunistic credit and diversifying alternative strategies. For LPC Section, equity and high growth assets include synthetic equity, global equity and diversified growth. Collectively, these assets are expected to have material sensitivity to climate risks over all time horizons. Though with its risk transfer objective, the Trustee is not expecting the Sections to hold these assets for very long. Over the short- to medium-term transition risk is expected to dominate with the Rapid Transition expected to have the biggest impact on investment strategy resilience. An initial fall in asset returns under this scenario (relative to baseline) could be driven by a transition shock negatively impacting the overall economy and investment markets. Over the long-term, physical impacts will become more material, with the Failed Transition resulting in significant falls in asset returns relative to the baseline.</p> <p>The equity and high growth holdings represent the main driver of climate risk for the Sections in the short-term. Allocations to sustainable variants of these asset classes would be expected to partially mitigate the transition risks under a Rapid Transition scenario. In the absence of a sustainable allocation, risks are also expected to be mitigated given plans to reduce the strategic allocation to these holdings as the Sections mature and the funding position improves.</p> <p>The Mercer Diversified Growth Fund (used within the LPC Section) has a transition pathway to net zero by 2050 with a 45% reduction by 2030. The Fund is ahead of its trajectory to 2030. This is implemented by asset allocation tilts and the underlying portfolios excluding the worst carbon emitters.</p>
Cashflow Generating Assets	25%	16%	<p>For CSC Section, cashflow generating assets include private market, multi-asset credit, secured finance and High Lease to Value property holdings. For the LPC Section, cashflow generating assets comprise multi-asset credit. Collectively, these are expected to exhibit a lower sensitivity to climate risks compared to Equity and High Growth assets given cashflows are typically secured against an underlying asset increasing the likelihood of the cashflows being received. Over the short- to medium-term transition risks could negatively impact the returns associated with these holdings. Over the long-term, physical impacts could have a material impact upon High Lease to Value Property returns, especially if physical damages impact the viability of the underlying property assets. However, the IC has previously put in an instruction to redeem from High Lease to Value property as it seeks to improve liquidity in the assets.</p>

Protection Assets	51%	61%	<p>Protection assets comprise UK government bonds held physically and synthetically. Under all tested scenarios and time horizons the pay-out on UK government bonds is not impacted as the strength of the UK government as an issuer is not affected. Physical damages under the Failed Transition are expected to lead to a drag on the UK economy and gilt yields are impacted; however, this is not expected to impact credit worthiness and so the impact on assets and liabilities would broadly offset given the Sections' high level of interest rate and inflation hedging. Counterparty risk associated with derivative holdings used to gain synthetic exposure to UK government bonds could result in financial losses under certain climate scenarios, although the risks are considered modest given uncollateralized exposure is expected to be small in the context of the wider investment strategy.</p> <p>The Protection assets also comprise corporate bonds, the impact of corporate bonds under all scenarios is relatively modest. An allocation to sustainable variants of corporate bonds would be expected to partially mitigate the transition risks under a Rapid Transition scenario. The existing corporate bond portfolio is designed to remove the worst carbon emitters with the lowest transition capacity. The new mandate with Insight is an opportunity to improve the climate resilience of the corporate bond assets.</p>
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Rebus DB Section

Asset Class	Rebus Section	Qualitative Assessment
Equity and High Growth	51%	<p>Equity and high growth assets include synthetic equity, diversified growth and absolute return holdings. Collectively, these assets are expected to have material sensitivity to climate risks over all time horizons. Over the short- to medium-term transition risk is expected to dominate with the Rapid Transition expected to have the biggest impact on investment strategy resilience. An initial fall in asset returns under this scenario (relative to baseline) could be driven by a transition shock negatively impacting the overall economy and investment markets. Over the long-term, physical impacts will become more material, with the Failed Transition resulting in significant falls in asset returns relative to the baseline.</p> <p>The equity and high growth holdings represent the main driver of climate risk for the Section in the short-term. Allocations to sustainable variants of these asset classes would be expected to partially mitigate the transition risks under a Rapid Transition scenario. In the absence of a sustainable allocation, risks are expected to be mitigated given plans to reduce the strategic allocation to these holdings as the Section matures and funding position improves.</p> <p>The Mercer Diversified Growth Fund has a transition pathway to net zero by 2050 with a 45% reduction by 2030. The Fund is ahead of its trajectory to 2030. This is implemented by asset allocation tilts and the portfolios excluding the worst carbon emitters as determined by the underlying investment managers.</p>
Cashflow Generating Assets	20%	<p>Cashflow generating assets comprise multi-asset credit and property. Collectively, these are expected to exhibit a lower sensitivity to climate risks compared to Equity and High Growth assets given cashflows are typically secured against an underlying asset increasing the likelihood of the cashflows being received.</p> <p>Over the short- to medium-term transition risks could negatively impact the returns associated with these holdings.</p> <p>Over the long-term, physical impacts could have a material impact upon property returns, especially if physical damages impact the viability of the underlying property assets. However, it is not expected that these assets will be held over the long-term. The Trustee had previously commenced the sale of the Property assets.</p>

<p>Protection Assets</p>	<p>29%</p>	<p>Protection assets comprise UK government bonds held physically and synthetically. Under all tested scenarios and time horizons the pay-out on UK government bonds is not impacted as the strength of the UK government as an issuer is not affected. Physical damages under the Failed Transition are expected to lead to a drag on the UK economy and gilt yields are impacted; however, this is not expected to impact credit worthiness and so the impact on assets and liabilities would broadly offset given the Sections’ high level of interest rate and inflation hedging.</p> <p>Counterparty risk associated with derivative holdings used to gain synthetic exposure to UK government bonds could result in financial losses under certain climate scenarios, although the risks are considered modest given uncollateralized exposure is expected to be small in the context of the wider investment strategy.</p>
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The asset only analysis above does not take into account the impact of interest rates and inflation expectations upon the value of the liabilities (unless where stated). Of note, realised inflation is expected to be elevated under the Rapid Transition, resulting from damages to agriculture and change in food prices, increasing the value of benefits with inflation-linked increases. However, the quantum of these impacts is not expected to be significant in the context of the climate-related risks inherent in the wider investment strategy. Furthermore, the analysis does not take into account the impact of changes to mortality.

Climate change in respect of mortality

The Trustee has separately considered the impact of climate change upon the mortality assumptions for the DB Sections. The Trustee has carried out an analysis of potential mortality impacts from climate-related scenarios, including:

Transition risks – risks from policy changes, reputational impacts and shifts in market preferences, norms and technology. For example, these may impact on GDP, with consequent impact on well-being and longevity.

Physical risks – dangers or perils related to the physical or natural environment that pose a threat to people. This includes the direct impact on changes to heat/cold related deaths. The balance between transition and physical risks will vary over different time horizons.

In summary:

A temperature rise of 1.5-2°C from pre-industrial levels might mean 6.3% higher value for the Plan’s DB liabilities and 22 months higher life expectancy for older generations.

A temperature rise of around 3.5-4°C from pre-industrial levels might mean 2.2% lower Plan liabilities and over 5 years’ lower life expectancy for younger generations.

Figure 12

SSP	RCP	Best estimate temperature increase to 2100 vs pre-industrial	Scenario	Life Expectancy Change		Scheme Liability Impact
				Age 25	Age 65	
1	1.9	1.4 °C	Rapid Transition	-NIL change	+ 22 months	+ 6.3%
1	2.6	1.8 °C	Orderly Transition	- 14 months	+ 12 months	+ 3.0%
2	4.5	2.7 °C	Middle of the Road	- 62 months	- 4 months	- 2.2%

Key points:

- A 65-year-old is relatively unaffected by Failed Transition, but could gain around 2 years of life expectancy under Orderly Transition.
- A 25-year-old is relatively unaffected by Rapid Transition, but could lose around 5 years of life expectancy under a Failed Transition.



For context, if we were to amend the Plan’s current projection assumption by adding 0.25% to the CMI model’s long-term rate, it would increase life expectancies by around 9 months for a 25-year-old and 2½ months for a 65-year old.

As we might expect, younger age groups are potentially much more affected by climate risks.

Based on this analysis, mortality changes arising from the direct and indirect impact of climate change and related global and regional mitigation policies may be material to the funding position over the longer term. The Trustee regularly reviews the funding position as part of its integrated risk management framework. It will consider the impact of climate change on mortality risk at least once every three years.

It is important to note that these “Results” are based on longevity projection models and third-party data which may produce output that differ materially from actual outcomes.

Climate change in respect of the Sponsoring Employer

The Trustee has considered the Sponsor’s climate disclosures and taken advice from its covenant adviser and concluded the following with regard to the impact of climate risk:

Figure 13

Scenario	Warming by 2100	Transition risk exposure			Physical risk exposure		
		0-2 years	2-6 years	6-28 years	0-2 years	2-6 years	6-28 years
Rapid transition	1.5°c	Medium to Low	Medium to Low	Low	Low	Low	Low
Failed transition	4.0°c	Low	Low	Low	Low	Low	High

The Trustee has considered the impact of transition and physical risk over similar time-frames to those used for the DB Sections. It has concluded on a “high” risk for the business over the longer term regarding physical risks in the Failed Transition Scenario, this is mainly due to the uncertainty over considering such a long-time frame and thinking about how significant increases in temperature **could** substantially impact upon both DXC and its future customers.

However, the Trustee is considering insurance transactions over a shorter time frame. This has led the Trustee to conclude that climate-related factors do not form a material risk to the Plan’s covenant at present, noting that DXC has agreed carbon reduction targets based on the Science Based Targets initiative and is already significantly ahead of the targets set in 2019. The Trustee will continue to review how DXC’s risk management procedures and achievements against its climate-related targets develop over time as part of its wider covenant monitoring processes.

Key conclusions

Conclusion 1 – A successful transition is an imperative

Over the long term a successful transition leads to enhanced projected returns when compared to scenarios associated with higher temperature outcomes, due to lower physical damages under a successful transition scenario.

The analysis in this report highlights the negative financial impact associated with the Failed Transition both on the assets and covenant (noting it potentially has a positive impact on the Plan liabilities, but that this impact is not in the best interest of members and society) and the corresponding need for trustees to invest to support a successful transition within their fiduciary duty.

In the context of the scenario analysis undertaken, the Trustee believes that the current funding and investment strategies for the DB Section are resilient to climate-related risks. Although there is climate-related risk associated with the public equity allocation, it serves a purpose in the portfolio and will reduce over time. The exposure to gilts will increase over time which means the Scheme will have exposure to the UK's transition and physical risks. The Trustee understands that climate change risks could be material for the sponsor, and this is taken into account, along with other factors, in the assessment of the strength of the sponsor covenant and the potential impact on the funding strategy.

The Trustee will continuously review its approach

The DC Section is due to be transferred into a new scheme within 2024 and therefore the influence of the Trustee over the DC benefits in the future is limited.

Conclusion 2 – Sector exposure is key

Climate impacts are naturally sector specific.

Supporting the quantitative analysis undertaken for this report, sector level analysis highlighted that differences in return impact are most visible at an industry-sector level, with significant divergence between scenarios.

As return impacts in this modelling are expressed relative to a climate-informed baseline, sector-specific impacts are driven both by what happens under the scenarios, but also by what does not happen (but was priced in). For example, there is a positive impact on the low carbon electricity sector under the Rapid Transition, which is an intuitive outcome. Alternatively, there is a positive impact on the oil & gas sector under the Failed Transition, which is a result of the sector performing better than expected in this scenario (i.e. more revenue than expected for underlying companies).

The expected de-risking of the DB Sections over the next few years will reduce climate risks as the Sections' will sell out of the assets most exposed to climate risks. There are restrictions placed to limit the exposure to the worst carbon emitters. If the DC Section was not to be transferred to another pension scheme this would influence the Trustee's setting and review of the popular arrangements.

Conclusion 3 – Investors should be aware of future pricing shocks

Investors, and therefore "the market", look to predict future events / impacts and allow for them in asset prices. As particular events become more likely, market pricing will change before the events occur. This means that longer-term impacts, including transition impacts and particularly physical damages, could impact portfolios earlier than they occur.

The quantitative analysis in this report seeks to demonstrate the impacts of such shocks.

This finding will inform the Trustee's thinking in relation to managing climate-related risks and the management of the Trustee's selection process for a bulk annuity insurer for the DB Sections. It is also considered by the Trustee when considering the transfer of the DC assets to a new DC arrangement in another DXC trust based scheme and how the new DC arrangement is prepared for future shocks.

Section 4

Risk Management



A key part of the Trustee's role is to understand and manage risks that could have a financially material impact on both the Plan's investments and the wider funding position. Climate change is one of the risks that the Trustee considers alongside other financially material risks that may impact outcomes for members.

This section summarises the primary climate-related risk management processes and activities of the Trustee. These help the Trustee understand the materiality of climate-related risks, both in absolute terms and relative to other risks that the Plan is exposed to. The Trustee prioritises the management of risks primarily based on its potential impact on the security of members' benefits/prospective investment returns.

Governance

- The Trustee's two Statement of Investment Principles (for the DB and DC Sections) are reviewed on **at least a triennial** basis (in practice more frequently) and set out how investment climate-related risks are managed and monitored in each case.
- The Trustee maintains a risk register which includes explicit climate risks (covering all of the Plan) to monitor and mitigate financially material risks to the Plan. The climate-related risks (defined as physical risks and transition risks) are reviewed annually to ensure the assessment of the likelihood and impact continue to remain appropriate for the Plan given the developing research and understanding on this subject as well as new and emerging risks related to climate change.
- The Trustee will receive training from time-to-time on climate-related issues. The training allows the Trustee to challenge whether the risks and opportunities are effectively allowed for in its governance processes and wider activities, and to be able to challenge its advisers to ensure the governance support and advice adequately covers the consideration of climate-related risks and opportunities. This process also affords the Trustee an opportunity to identify new and emerging risks related to climate change.

Strategy

- The Plan's advisors will take climate-related risks and opportunities into account as part of the wider strategic investment advice provided to the Trustee and its committees at least quarterly. This includes highlighting the expected change in climate-risk exposure through proposed asset allocation changes, both from the top-down level (via climate scenario analysis) and bottom-up (via climate-related metrics).
- The Trustee believes that good stewardship and ESG issues may have a material impact on investment risk and return outcomes and will therefore be considered as part of the Plan's investment process. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that require explicit consideration. When setting investment strategy and considering new providers who will influence the strategy, ESG factors, including climate change, will be considered alongside a number of other factors that can influence investment strategy.
- Climate scenario analysis for the investment and funding strategy of the Plan will be reviewed at least triennially, or more frequently if there has been a material change to the strategic asset allocation. Key findings from the Trustee's latest climate scenario analysis was set out in the previous section. The impact of climate-related risks and opportunities is also an input into regular employer covenant updates. Climate scenario analysis is the primary tool to help the Trustee understand the materiality of climate-related risks that could impact the Plan over time.

Reporting

- The Trustee will receive annual reports of climate-related metrics and progress against targets in respect of the assets held in the Plan. The Trustee may use the information to engage with the investment managers.
- The Trustee receives a voting and engagement activity summary on an annual basis as part of the preparation of the Implementation Statement. The statement summarises how the investment managers vote and engage on climate-related issues (among other key engagement priorities). The statement is available on the Plan's website.

Investment Manager Selection and Retention

- The Trustee, with advice from Mercer in its role as Investment Consultant and fiduciary manager, will consider an investment manager's firm-wide and strategy-specific approach to managing climate-related risks and opportunities when either appointing a new investment manager, in the ongoing review of an investment manager's appointment, or as a factor when considering the termination of an investment manager's appointment. It will also consider it as part of the appointment of an insurance provider.
- Mercer rates investment managers on the extent of integration of ESG factors (including climate change) into their processes. An investment manager's stewardship process forms part of the rating assessment. This is considered at the firm level and at the investment strategy/fund level. The ratings are presented in quarterly investment performance reports and are reviewed by the Trustee.

Section 5

Metrics and Targets



Metrics

The Trustee has chosen to present climate-related metrics across four different categories in this report. The climate-related metrics help the Trustee to understand the climate-related risk exposures and opportunities associated with the Plan’s investment portfolio and identify areas for further risk management, including investment manager portfolio monitoring, voting and engagement activity and priorities. The metrics in this report relate to the Plan’s financed emissions only and exclude emissions associated with the operation of the Plan. The metrics in this report are listed below and where metrics relate to emissions, these cover scope 1 and 2 only. The Trustee will begin reporting on scope 3 emissions from its next report.

Metric category	Selected metric	Further detail
Absolute emissions	Total Greenhouse Gas Emissions	Tonnes of carbon dioxide and equivalents (tCO ₂ e) that the Plan is responsible for financing.
	Carbon Footprint	The amount of carbon dioxide and equivalents (tCO ₂ e) emitted per million US Dollars of the Plan’s investments.
Emissions intensity	Weighted Average Carbon Intensity (WACI)	The exposure of the Plan to carbon-intensive companies, measuring the amount of carbon dioxide and equivalents (tCO ₂ e) emitted per million US Dollars of holding company / issuer revenue ³ on average.

³ 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).

Metric category	Selected metric	Further detail
Portfolio Alignment	% of portfolio companies with targets approved by the Science Based Targets initiative (SBTi)	Assessment of the proportion of portfolio companies/issuers that have set net-zero targets that have been validated by SBTi.
	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.

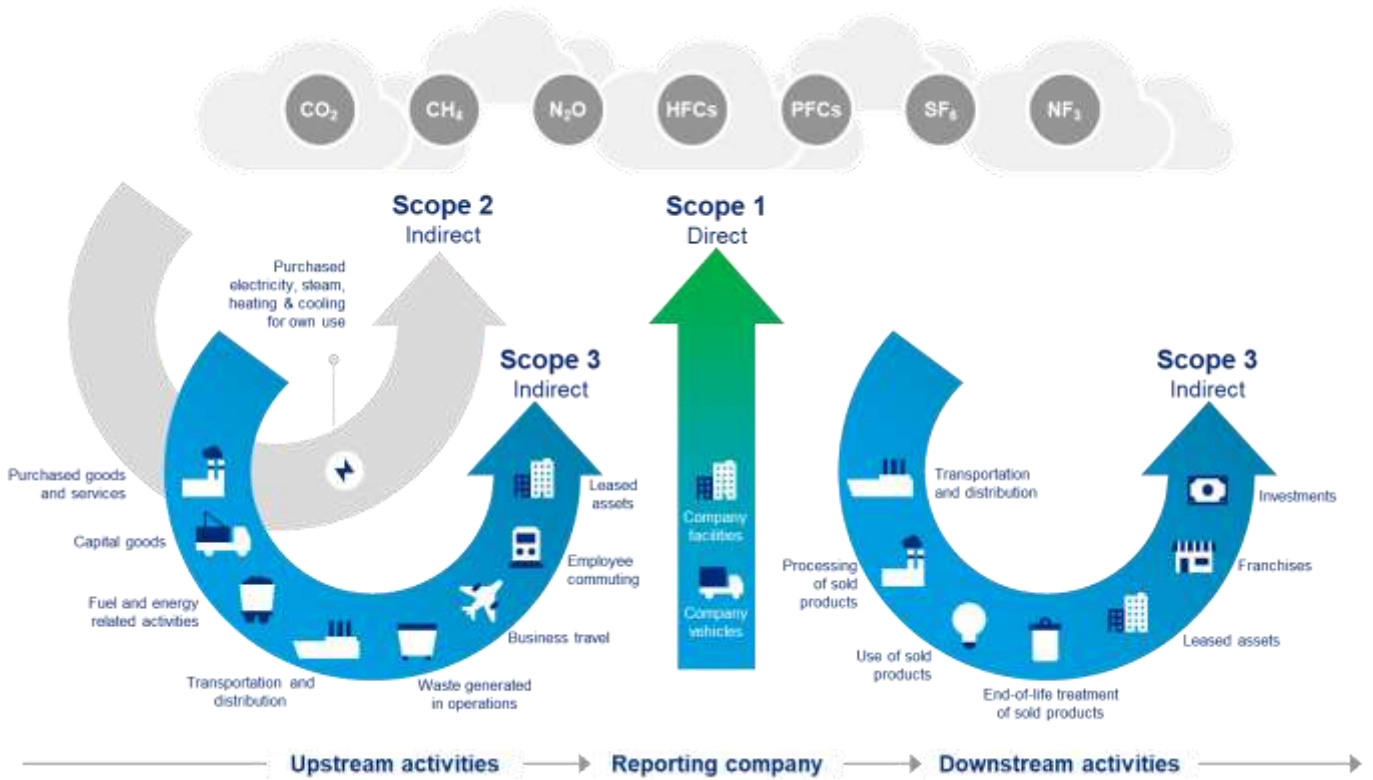
The metrics presented in this report are primarily as at 31 December 2022 and are based on the actual asset allocation at that date. Where data was not available as at 31 December 2022, but was available at a later date it has been provided using the asset allocation as at 31 December. Asset portfolios which have been terminated have in most cases been excluded.

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 Technical Appendix of this report sets out the data limitations and assumptions used in collating these metrics.

Total Greenhouse Gas Emissions

This metric takes an ownership approach to answer what proportion of a company's or asset's emissions an investor owns and is therefore responsible for financing. It includes the seven types of greenhouse gas ("GHG") (as defined in the Kyoto Protocol), across the three scopes of emissions, as summarized below. Note that this report excludes scope 3 emissions, which will be included from the Trustee's next report.

Figure 14



Source: GHG Protocol

Emissions of the seven greenhouse gases have different impacts on climate change. In order to simplify reporting, each greenhouse gas is calibrated relative to carbon dioxide and is reported as ‘carbon dioxide equivalent’ emissions (CO₂e). In this way the Trustee can compare companies that emit different amounts of different gases on a consistent basis.

In respect of sovereign debt investments, the Trustee follows the Partnership for Carbon Accounting of Financials (‘PCAF’) to derive absolute emissions. Recognising the different methodologies used to calculate absolute emissions for sovereigns and corporates, the Trustee reports sub totals at the corporate and sovereign levels as well where possible.

The Trustee has chosen this metric to understand the absolute amount of emissions financed by the Plan’s investments.

Carbon Footprint

Carbon Footprint is an intensity measure of emissions that takes the Plan’s total GHG Emissions figure and normalises it to take account of the size of the investment.

Analysing an investment fund’s Carbon Footprint assists the Trustee in identifying carbon-intense sections of the Plan’s portfolio. The Trustee has therefore chosen this metric to assist them in prioritising carbon intense parts of the investment strategy for potential re-allocation or engagement as a means of mitigating associated climate-related risks.

Weighted Average Carbon Intensity

Weighted Average Carbon Intensity (WACI) is an alternative intensity measure of emissions that normalises a company’s total GHG Emissions figure by its revenue. This metric is calculated by taking the total carbon emissions of the investment and dividing by annual company revenue. A different

approach is taken for sovereign bonds, where the specified sovereign GHG Emissions are normalised by Purchasing Power Parity adjusted Gross Domestic Product (PPP-adjusted GDP). A portfolio level intensity metric is calculated as the weighted average of the underlying holdings' intensity metrics.

Analysing a fund's WACI assists the Trustee in identifying how carbon efficient the business models of the companies held within a portfolio are. Alongside Carbon Footprint, the Trustee has chosen this metric to assist them in prioritising carbon intense parts of the investment strategy for potential re-allocation or engagement as a means of mitigating associated climate-related risks.

% of portfolio companies with net zero targets approved by the Science Based Targets initiative (SBTi)

The Science Based Target initiative (SBTi) has established an industry standard methodology for companies setting long-term carbon emission reduction targets that are in line with climate science. Companies submit their net zero plans to SBTi, who then act as an independent assessor of the validity of the plans.

SBTi use either a sector decarbonisation approach (SDA) or an absolute contraction approach (ACA). Under the SDA approach, SBTi allocate the 2°C carbon budget to different sectors, taking into account differences between sectors today and mitigation potential going forwards (e.g. this takes into account the fact that power generation will likely be able to decarbonise faster than cement production). The ACA approach is a broad assumption that assumes that all companies should decarbonise at the same rate. The ACA approach is the most popular target that companies who submit their targets to the SBTi choose.

The Trustee has chosen this metric because it provides a measure of portfolio alignment with the goals of the Paris Agreement. Underlying funds with a low percentage of companies with SBTi-approved targets could indicate investment in companies or issuers that are not setting targets to align their businesses or activities with net zero, which is a forward-looking indication of climate transition risk.

The Trustee recognises that the SBTi does not currently cover every sector, however is cognisant that the initiative's coverage across additional companies and sectors is expanding rapidly.

Implied Temperature Rise

This is a forward-looking metric that considers the pledges, commitments and business strategy changes that underlying investee companies/issuers have made. It provides a prediction of the potential temperature rise over the rest of the century based on the activities of those companies and issuers. The metric illustrates the degree of portfolio alignment with the goals of the Paris Agreement.

The calculation of the level of warming is determined by mapping a given company's/issuer's level of over/undershoot (relative to its carbon budget) to a temperature outcome.

The Trustee has chosen this metric to include in this report because of its simplicity in presentation and a useful way to see, at a glance, the positioning of a fund relative to 1.5°C economy. This is also a measure of climate transition risk with greater transition risk highlighted in asset allocations with a higher Implied Temperature Rise.

Data collection

DB Section – CSC Section

Asset Class	Manager	31-Dec-22 Allocation (% total assets)	Absolute GHG emissions	Emissions intensity		Other (non-emissions)			Notes
			Total GHG Emissions (Scope 1 & 2) (tCO2e)	Carbon Footprint (Scope 1 & 2) (tCO2e/\$M invested)	WACI (Scope 1 & 2) (tCO2e/\$M revenue)	Implied Temp. Alignment	SBTI	Data Coverage	
Synthetic Equity	Columbia Threadneedle	11.6	6,813	40.5	107	2.2°C	42.60%	99.8% WACI Rev	Data unavailable at the time of writing for the fund, however data shown is a proxy for passive global equity. Around the year end the assets were moved to this fund rather than being managed synthetically.
Opportunistic Credit	Highbridge	4.9	X	x	x	x	x	x	Data unavailable at the time of writing for the fund,
	Shenkman	5.2	10,858 (corporate)	104.9	x	x	x	16.7% - GHG 15.6% - Carbon Footprint	Not all data available at time of writing, data provided on a best efforts basis.
Diversified Alternatives	Various	7.2	X	x	x	x	x	x	Data unavailable at the time of writing.
Private Markets	Various	10.5	X	x	x	x	x	x	Data unavailable at the time of writing
Secured Finance	Insight	2.7	X	x	x	x	x	x	Data unavailable at the time of writing.
	Schroders	3	X	xx	x	x	x	x	Data unavailable at the time of writing.
Multi-Asset Credit	Mercer Fund (various underlying)	5.9	7,869 (corporate) 17 (Sov)	99.1 (Corp) 119 (Sov PCAF)	188 (Corp) 376 (Sov) (tCO2e / \$M GDP)	2.9°C	3.90%	30.1% WACI Rev	
Property	Various	6.6	x	x	x	x	x	x	Data unavailable at the time of writing.
LDI (this is calculated on a gross basis)	Columbia Threadneedle	30.6	192,851 Sov	136 Sov	132 Sov (tCO2e / \$M GDP)	x	X	x	Not all data available at time of writing, data provided on a best efforts basis.
Buy-and-Maintain Credit	Mercer Fund (various underlying managers)	9.9	4,958 Corp 490 Sov	35 (Corp) 136 (Sov PCAF)	123 (Corp) 131 (Sov) (tCO2e / \$M GDP)	1.7°C	38%	94.30%	
Cash	UBS	1.9	x	x	x	x	x	x	Includes cash in transition awaiting settlement. Data unavailable at time of writing.

DB Section – Rebus Section

Asset Class	Manager	31-Dec-22 Allocation (% total assets)	Absolute GHG emissions	Emissions intensity		Other (non-emissions)			Notes
			Total GHG Emissions (Scope 1 & 2) (tCOTe)	Carbon Footprint (Scope 1 & 2) (tCO2e/\$M invested)	WACI (Scope 1 & 2) (tCO2e/\$M revenue)	Implied Temp. Alignment	SBTI	Data Coverage	
Equity	Columbia Threadneedle	21.8	681	40.5	106	2.2°C	42.60%	99.8% WACI Rev	Data unavailable at the time of writing for the fund, however data shown is a proxy for passive global equity.
DGF	Mercer Fund (Various underlying)	3.4	X	70	221	X	X	X	Data largely unavailable at time of writing.
Multi-Asset Credit	Ruffer	13.6	201.4	146.5	262.6	3.9°C	X	88.50%	Data largely unavailable at time of writing.
	Various	21.4	1,660 (Corp) 4 (Sov)	99.1 (Corp) 119 (Sov PCAF)	188 (Corp) 376 (Sov) (tCO2e / \$M GDP)	2.9°C	3.90%	30.1% WACI Rev	
LDI	BlackRock	28.7	2,999 (Sov only)	136 (Sov PCAF)	132 (tCO2e / \$M GDP)	X	X	X	Data largely unavailable for LDI holding.
Cash	Awaiting settlement	10.2	X	X	X	X	X	X	Includes cash in transition awaiting settlement. Data not available at time of writing.
Property	M&G	0.8	X	X	X	X	X	X	Data not applicable as fund is in the process of being sold.

DB Section – LPC Section

Asset Class	Manager	31-Dec-22 Allocation (% total assets)	Absolute GHG emission	Emissions intensity		Other (non-emissions)			Notes
			Total GHG Emissions (Scope 1 & 2) (tCOTe)	Carbon Footprint (Scope 1 & 2) (tCO2e/\$M invested)	WACI (Scope 1 & 2) (tCO2e/\$M revenue)	Implied Temp. Alignment	SBTI	Data Coverage	
Equity	ILIM	1.7	39	40.5	106	2.2°C	42.60%	99.8% WACI Rev	
	Synthetic Equity Columbia Threadneedle	10.2	196	40.5	106	2.2°C	42.60%	99.8% WACI Rev	Data unavailable at the time of writing for the fund, however data shown is a proxy for passive global equity.
DGF	Mercer Fund (various underlying)	16.2	X	70	221	X	X	X	Data is currently not fully available for the Plan's diversified growth fund holding.
Multi-asset credit	Mercer Fund (various underlying)	16.6	738 (Corp) 1.6 (Sov)	99.1 (Corp) 119 (Sov PCAF)	188 (Corp) 377 (Sov) (tCO2e / \$M GDP)	2.9C	3.90%	30.1% WACI Rev	
LDI	BlackRock	30.5	1,874	136 (Sov PCAF)	132 (tCO2e / \$M GDP)	X	X	X	Data largely unavailable for LDI holding.
Buy-and-Maintain Credit	Mercer Fund (various underlying)	16	264 (Corp) 26 (Sov)	35 (Corp) 136 (Sov PCAF)	128 (Corp) 132 (Sov) (tCO2e / \$M GDP)	1.7°C	38.00%	94.3% WACI Rev	
Cash	UBS	8.8	X	X	X	X	X	X	Data unavailable for cash holding. Includes cash in transition awaiting settlement.

DB Section – Xchanging Sections

Asset Class	Manager	31-Dec-22 Allocation (% total assets)	Absolute GHG emissions	Emissions intensity		Other (non-emissions)			Notes
			Total GHG Emissions (Scope 1 & 2) (tCO2e)	Carbon Footprint (Scope 1 & 2) (tCO2e/\$M invested)	WACI (Scope 1 & 2) (tCO2e/\$M revenue)	Implied Temp. Alignment	SBTI	Data Coverage	
LDI	BlackRock	32.0	125 (Sov)	136 (Sov PCAF)	132 (tCO2e / \$M GDP)	x	x	x	Data largely unavailable for LDI holding. Values are combined for Xchanging Sections' LDI portfolio.
Buy-and-Maintain Credit	Mercer Fund (various underlying)	65.3	66 (Corp) 6.5 (Sov)	35 Corp 136 (Sov PCAF)	127 (Corp) 132 (Sov) (tCO2e / \$M GDP)	1.7°C	38%	94.3% WACI Rev	
Cash	UBS	2.7	X	x	x	x	x	x	Data unavailable for cash holding.

Source: MSCI, Mercer Calculations, Investment managers
Coverage represents Scope 1 & 2 emissions data

DC Sections Popular Arrangements

Climate VaR or Data Quality is not available for the DC Sections Popular Arrangements. This will be provided going forward when data is available.

Arrangement	Manager/ Mandate	Total assets (£000's)	Percentage of DC Assets	Percentage of Fund Eligible**		WACI		Carbon Footprint (tCO2e / \$M invested)		Absolute emissions (tCO2e) ****	ITR °C	SBTI %	Data Coverage %	
				Listed Equity and Corporate Bonds	Sovereigns	Listed Equity and Corporate Bonds (tCO2e / \$M revenue)	Sovereigns (tCO2e / \$M GDP)***	Listed Equity and Corporate Bonds	Sovereigns				Listed Equity and Corporate Bonds	Sovereigns
CSC Targeting Drawdown Lifestyle	LGIM Global Equity 30:70 Index (75% Currency Hedged)	208,752.9*	54.5%	96.7%	0.1%	180.5	139.7	85.3	72.0	21,419.7	2.9	49.7	97.4%	97.4%
	LGIM Diversified Fund	157,673.7*	41.1%	74.4%	18.2%	273.6	288.0	103.1	140.1	21,090.9	2.9	27.8	89.2%	100.0%
	LGIM Sterling Liquidity	16,854.8	4.4%	-	-	-	-	-	-	-	-	-	-	-
	Total	383,281.4	24.1%	n/a	n/a	214.7	286.9	91.8	139.6	42,510.6	2.9	40.5	n/a	n/a
CSC Multi- Asset Default	LGIM Global Equity 30:70 Index (75% Currency Hedged)	63,572.9*	8.2%	96.7%	0.1%	180.5	139.7	85.3	72.0	6,523.1	2.9	49.7	97.4%	97.4%
	LGIM Diversified Fund	21,191.0*	2.7%	74.4%	18.2%	273.6	288.0	103.1	140.1	2,834.6	2.9	27.8	89.2%	100.0%
	Total	84,763.9	10.9%	91.1%	4.6%	199.5	286.0	88.9	139.0	9,357.7	2.9	44.4	n/a	n/a
CSC AllShare Adventurous	LGIM Global Equity 30:70 Index (75% Currency Hedged)	163,950.5	21.2%	n/a	n/a	180.5	139.7	85.3	72.0	16,822.6	2.9	49.7	97.4%	97.4%

Arrangement	Manager/ Mandate	Total assets (£000's)	Percentage of DC Assets	Percentage of Fund Eligible		WACI		Carbon Footprint (tCO2e / \$M invested)		Absolute emissions (tCO2e) ***	ITR °C	SBTI %	Data Coverage %	
				Listed Equity and Corporate Bonds	Sovereigns	Listed Equity and Corporate Bonds (tCO2e / \$M revenue)	Sovereigns (tCO2e / \$M GDP)**	Listed Equity and Corporate Bonds	Sovereigns				Listed Equity and Corporate Bonds	Sovereigns
CSC AllShare Adventurous (Active)	SEI Aggressive	80,733.2	10.5%	98.0%	n/a	151.7	n/a	81.3	n/a	7,893.2	2.2	13.9	98.0%	n/a

Source: DC Metrics data provided by LGIM and SEI as at 31 December 2022; asset value data provided by WTW as at 31 December 2022. Totals may not sum due to rounding.

SEI have provided carbon footprint and WACI values in £'s. A USD/GBP rate of 0.83132 has been used as at 31 December 2022 to convert these into USD to match LGIM's currency.

At the time of writing WTW had only provided a breakdown of funds into either 'strategy' or 'member choice'. We have assumed 'strategy' represents all lifestyle assets and 'member choice' represents all self-select assets. However, for absolute emissions analysis for the default we require the breakdown of the assets into the underlying funds in the default – this data remains outstanding at the time of writing. Therefore, the total asset column for the default represents all 'strategy' assets as a proxy and the absolute emissions metric has been based on this. This will be corrected once data is received from WTW.

LGIM have not provided metrics for the LGIM Sterling Liquidity Fund. Therefore this fund has been exclude from the analysis in the table above.

*The strategic allocation for the CSC Multi-Asset Default Fund has been used when determining what value of assets are in the underlying funds.

**LGIM state that a position is deemed eligible if a data point associated with a position is deemed relevant for the calculation of ESG metrics.

***Where underlying assets are issued by sovereigns, the WACI is defined as annual tonnes CO2e / \$M GDP. The emissions refer to those produced within the country and do not include those generated in producing imported items.

****Absolute Emissions is calculated by the multiplying carbon footprint of each fund by the amount of fund assets invested in that fund (in \$millions). A USD/GBP rate of 0.83132 has been used as at 31 December 2022 to convert the asset values received from WTW into USD.

Key Findings

The largest asset allocation for the DB Sections is the liability hedging assets (Liability Driven Investment) and therefore these assets make up the largest proportion of the DB Sections' total carbon emissions. These hedging assets provide good protection against changes in interest rates and inflation.

For the underlying strategies within the DB Section that use revenue data in the WACI calculation, the highest intensity funds are the Multi-Asset Credit Fund. This Fund has exposure to a number of high emitting companies. Whilst this asset class contributes the highest emissions at present within the portfolios, there was a wider investment case for including these within the strategic asset allocation. These assets have now been sold as part of the de-risking of the strategies. Similarly, the equity allocations which have the next highest exposure have reduced in size since this analysis.

The DGF allocation with Ruffer has a high Implied Temperature Rise. The Trustee notes that this mandate was sold after the year end of this report prior to the wider Rebus Section transferring out of the Plan.

Within the DC Sections, the Diversified Funds have higher carbon exposure, this is mostly due to the funds making allocations to emerging market assets and high yield as part of their diversification. Whilst these asset classes contribute the highest emissions at present within the portfolios, there is still a wider investment case for currently including these within the strategic asset allocation.

Targets

The Trustee has set a target to **reduce absolute carbon emissions (scope 1 and 2) associated with its new segregated corporate bond portfolio within the CSC DB Section by at least 20% (from the commencement of the portfolio at end 2023) by 2030**. This target is to be achieved through the application of "sustainability restrictions" whereby should the portfolio have exposure to issuers that fail the criteria set by the manager for more than one year, the investment manager will sell the exposure or, if an engagement process is still underway and progressing positively, discuss the position with the Trustee. This portfolio has been chosen as it is expected to be the second largest within the Plan behind the liability hedging. Within the liability hedging the exposure is mainly to UK government gilts. The Trustee has little control over the carbon intensity of the UK and has concluded that a target set for the Liability Hedging Programme would be very difficult to influence and change. The Trustee has therefore set the target with the second largest allocation which is to the Buy and Maintain credit portfolio in the CSC Section. Given the plans to transfer the DC Section to another UK pension scheme, it was deemed not appropriate to use this either.

The Trustee's target is based on Weighted Average Carbon Intensity ("WACI"), this metric has been chosen 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.

The Trustee will monitor progress in achieving the carbon reduction goal on at least an annual basis.

The Trustee will be working closely with Mercer (who will be working closely with the underlying investment manager). To achieve this climate reduction target Mercer has set mandate guidelines with the investment manager with consideration for climate goal alignment, and other risk and return factors, in line with the Trustee's fiduciary responsibility.

The Trustee will keep its target under review to ensure it remains appropriate and relevant, taking into account any changes to the investment strategy of the Scheme, 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.

The Trustee will review its targets at least annually and intends to set specific targets for other asset classes and include Scope 3 emissions when the available data has improved and there are suitable methodologies.

A wide range of factors will affect whether the Trustee achieves its targets and the Trustee has varying degrees of control over these factors. For example, the quality and availability of data means that the quoted greenhouse gas emissions are likely to change.

Ultimately achieving the desired level of decarbonisation will depend on global economies overall successfully decarbonising. Notwithstanding that there are factors outside of the Trustee's control, the Trustee's intention is to meet its targets and it engages with its investment managers to make clear its requirements.

Appendix A

Technical Appendix



Asset Allocations Modelled

DB Sections – Investment Strategy 31 December 2022

CSC Section

Fund	Value (£m)	Value (%)	Benchmark Allocation
Highbridge Tactical Credit	72.0	4.9%	3.5%
Shenkman Opportunistic Credit	77.1	5.2%	3.5%
Columbia Threadneedle Synthetic Equity	171.1	11.6%	11.0%
Mercer Diversified Alternatives Strategies Fund	105.8	7.2%	6.0%
Insight Secured Finance	40.1	2.7%	2.5%
Schroders Secured Finance	44.5	3.0%	2.5%
Mercer Private Markets	154.7	10.5%	10.0%
Cash	28.7	1.9%	0.0%
Mercer High Income UK Property CCF	97.5	6.6%	5.0%
Mercer Multi-Asset Credit	86.8	5.9%	5.0%
Mercer Tailored Credit Fund	145.4	9.9%	10.0%
Columbia Threadneedle LDI	451.4	30.6%	40.9%
Total	1,475.2	100.0%	100.0%

Rebus Section

Fund	Value (£m)	Value (%)	Benchmark Allocation
Mercer Multi-Asset Credit	19.5	21.4%	25.0%
Mercer Diversified Growth Fund	3.1	3.4%	6.0%
Mercer Synthetic Equity Linked Nominal Bond	19.8	21.8%	28.0%
M&G UK Property	0.8	0.8%	0.0%
Ruffer Absolute Return	12.4	13.6%	12.0%
Mercer LDI	26.1	28.7%	29.0%
Cash	9.3	10.2%	0.0%
Total	90.9	100.0%	100.0%

LPC Section

Fund	Value (£m)	Value (%)	Benchmark Allocation
Mercer Multi-Asset Credit	8.1	16.6%	16.0%
Mercer Passive Global Equity	0.8	1.7%	4.0%
Mercer Synthetic Equity Linked Nominal Bond	4.9	10.2%	11.0%
Mercer Diversified Growth Fund	7.8	16.2%	18.0%
Mercer Tailored Credit Fund	7.7	16.0%	16.0%
Mercer LDI	14.8	30.5%	35.0%
Cash	4.3	8.8%	0.0%
Total	48.5	100.0%	100.0%

Xchanging Sections

Fund	Value (£m)	Value (%)	Benchmark Allocation
Mercer Tailored Credit Fund	4.9	65.3%	60.0%
Mercer LDI and Cash	2.6	34.7%	40.0%
Total	7.5	100.0%	100.0%

DC Section Popular Arrangements Modelled

A popular arrangement is defined in the statutory guidance as a fund or lifestyle strategy which £100m or more of the DC Section's assets are invested, or which accounts for 10% or more of the assets used to provide money purchase benefits (excluding assets which are solely attributable to Additional Voluntary Contributions).

The following self-select funds and lifestyle strategies (and their asset allocation) are defined as popular arrangements:

Strategy Modelled – self select funds

Modelling Asset Class	CSC Multi-Asset Default Fund	CSC All Share Adventurous Fund	CSC All Share Adventurous (Active) Fund
MSCI World Equity	47.80%	62.10%	15.23%
US Equity	1.35%	-	28.23%
UK Equity	23.70%	30.30%	32.23%
Europe Equity	1.65%	-	8.78%
Japan Equity	1.25%	-	4.22%
Developed Asia ex Japan Equity	0.70%	-	2.89%
Emerging Markets Equity	7.33%	7.80%	8.11%
UK Investment Grade Credit	1.80%	-	-
US Investment Grade Credit	1.93%	-	-
Global High Yield Credit	1.73%	-	-
Global Investment Grade Credit	0.15%	-	-
US Sovereign Bonds	0.30%	-	-
UK Sovereign Bonds	0.48%	-	-
Europe Sovereign Bonds	0.98%	-	-
EMD Hard Currency	2.48%	-	-
Global Private Debt	0.55%	-	-
Cash	-	-	0.30%
Global Real Estate	1.38%	-	-
Listed Infrastructure	1.33%	-	-
UK Real Estate	1.35%	-	-
Private Equity	0.63%	-	-
Timberland	0.2%	-	-
Hedge Fund*	0.5%	-	-

The table illustrates the asset allocations modelled. The self select allocations have been modelled as static asset allocations over time. The default strategy (see following slide) captures lifestyling. We are assuming a starting asset value of £100 with no contributions. This will allow an assessment of the climate impact upon investment returns. Based on asset allocation as at 31 December 2022 (*commodities have been modelled as a hedge fund as a proxy)

Strategy Modelled - CSC Targeting Drawdown Lifestyle

Asset Class	Year									
	1- 32	33	34	35	36	37	38	39	40	
MSCI World Equity	47.8%	39.2%	30.6%	22.1%	11.1%	4.4%	4.2%	3.7%	3.7%	
US Equity	1.4%	2.2%	3.0%	3.8%	4.5%	4.9%	4.6%	4.1%	4.1%	
UK Equity	23.7%	19.7%	15.8%	11.8%	6.7%	3.5%	3.3%	2.9%	2.9%	
Europe Equity	1.6%	2.5%	3.4%	4.3%	5.2%	5.6%	5.3%	4.7%	4.7%	
Japan Equity	1.3%	2.0%	2.8%	3.5%	4.2%	4.5%	4.3%	3.8%	3.8%	
Developed Asia ex Japan Equity	0.7%	1.1%	1.5%	2.0%	2.3%	2.5%	2.4%	2.1%	2.1%	
Emerging Markets Equity	7.4%	7.2%	7.1%	7.0%	6.5%	6.0%	5.7%	5.0%	5.0%	
UK Investment Grade Credit	1.8%	2.9%	4.0%	5.0%	6.0%	6.5%	6.1%	5.4%	5.4%	
US Investment Grade Credit	1.9%	3.1%	4.2%	5.4%	6.4%	6.9%	6.5%	5.8%	5.8%	
Global High Yield Credit	1.7%	2.8%	3.8%	4.8%	5.8%	6.2%	5.9%	5.2%	5.2%	
Global Investment Grade Credit	0.2%	0.2%	0.3%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	
UK Floating Rate Note IG Credit	0.0%	0.0%	0.0%	0.0%	0.4%	0.9%	1.3%	2.2%	2.2%	
US Sovereign Bonds	0.9%	1.4%	1.9%	2.4%	2.8%	3.1%	2.9%	2.6%	2.6%	
UK Sovereign Bonds	0.5%	0.8%	1.0%	1.3%	1.8%	2.2%	2.4%	2.7%	2.7%	
Europe Sovereign Bonds	1.0%	1.6%	2.1%	2.7%	3.3%	3.5%	3.3%	2.9%	2.9%	
EMD Hard Currency	2.6%	4.0%	5.4%	6.9%	8.3%	8.9%	8.4%	7.4%	7.4%	
Global Private Debt	0.6%	0.9%	1.2%	1.5%	1.8%	2.0%	1.9%	1.7%	1.7%	
Cash	0.0%	0.0%	0.0%	0.0%	4.3%	8.6%	13.0%	21.6%	21.6%	
Global Real Estate	1.4%	2.2%	3.0%	3.8%	4.6%	5.0%	4.7%	4.1%	4.1%	
Listed Infrastructure	1.3%	2.1%	2.9%	3.7%	4.4%	4.8%	4.5%	4.0%	4.0%	
UK Real Estate	1.4%	2.2%	3.0%	3.8%	4.5%	4.9%	4.6%	4.1%	4.1%	
Private Equity	0.6%	1.0%	1.4%	1.8%	2.1%	2.3%	2.1%	1.9%	1.9%	
Hedge Fund*	0.5%	0.7%	1.0%	1.3%	1.5%	1.6%	1.5%	1.4%	1.4%	
Farmland/ Timberland	0.2%	0.4%	0.5%	0.6%	0.8%	0.8%	0.8%	0.7%	0.7%	

Projections for this lifestyle are based on a member 40 years from retirement.

Climate scenario modelling approach

Climate scenario narratives

Investment and Funding Climate Scenario Analysis Assumptions:

	Rapid Transition	Orderly Transition	Failed Transition
Summary	Sudden divestments in 2025 to align portfolios to the Paris Agreement goals have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock.	Political and social organizations act quickly and predictably to implement the recommendations of the Paris Agreement to limit global warming to below 2°C above pre-industrial levels by 2100.	The world fails to meet the Paris Agreement goals and global warming reaches 4.3°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events.
Cumulative emissions to 2100	416 GtCO _{2e}	810 GtCO _{2e}	5,127 GtCO _{2e}
Key policy and technology assumptions	An ambitious policy regime is pursued to encourage greater decarbonisation of the electricity sector and to reduce emissions across all sectors of the economy. Higher carbon prices, larger investment in energy efficiency and faster phase out of coal-fired power generation under a 'Rapid' transition.		Existing policy regimes are continued with the same level of ambition.
Financial climate modelling	Pricing in of transition and physical risks of the coming 40 years occurs within one year in 2025. As a result of this aggressive market correction, a confidence shock to the financial system takes place in the same year.	Pricing in of transition and physical risks until 2050 takes place over the first 4 years.	Physical risks are priced in two different periods: 2026-2030 (risks of first 40 years) and 2036-2040 (risks of 40-80 years).
Physical risk impact on GDP	Physical risks are regionally differentiated, consider variation in expected temperature increase per region and increase dramatically with rising average global temperature. Physical risks are built up from: Gradual physical impacts associated with rising temperature (agricultural, labour, and industrial productivity losses) Economic impacts from climate-related extreme weather events Current modelling does not capture environmental tipping points or knock-on effects (e.g., migration and conflict).		
Physical risk impact on inflation	Gradual physical impact (supply shocks) on inflation included through damages to agriculture and change in food prices. Total impact on a Global CPI Index is +2% in 2100.	No explicit modelling of physical risk impact on inflation (supply-side shocks). Impact on inflation follows historical relationship between GDP and CPI.	Severe gradual physical impact (supply shocks) on inflation included through damages to agriculture and change in food prices. Total impact on a Global CPI Index is +15% in 2100.

Source: Mercer and Ortec. Climate scenarios as at 31 December 2022.

The return impacts of the climate scenarios represented in this report are relative to the 'baseline'. The baseline represents what we are assuming the market is currently pricing in. The baseline 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**.

Limitations associated with climate modelling

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

1. The further into the future you go, the less reliable any quantitative modelling will be.
2. 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.
3. Financial stability and insurance 'breakdown' is not modelled. A systemic failure may be caused by either an 'uninsurable' 4°C physical environment, or due to the scale of mitigation and adaptation required to avoid material warming of the planet.
4. Most adaptation costs and social factors are not priced into the models. These include population health and climate-related migration.
5. New and emerging risks, such as the impact of climate change on biodiversity loss, and vice versa, is expected to be integrated into climate scenario modelling over time once the supporting science and impact on econometrics and finance is better understood.

Notes on Mortality Analysis

In modelling scenarios for mortality impacts, the Trustee's advisors have made use of:

- Representative Concentration Pathways (RCPs) and Shared Socioeconomic Pathways (SSPs) as defined by the UN Intergovernmental Panel on Climate Change (IPCC), including estimated projected temperatures.
- Relationships between each SSP and a range of socioeconomic and other variables as published by the UK Climate Resilience Program, and modelling of how changes to those variables would affect UK mortality rates.
- UK-based climate projections from the Met Office, with correlations between past climate data and mortality rates being used to predict future influences. The modelling indicates the following scenario outcomes, each compared to mortality assumptions constructed with no explicit allowance for climate-related risks.

Climate metric analysis approach

Data sources

Climate-related metrics provided by Mercer have been sourced from MSCI using stock list data provided by the investment managers. Other data has been requested directly from the investment managers.

Defined Benefit Section

The Trustee considered the use of proxy metric data for private markets, alternatives, property, and secured finance however, the characteristics of the proxy fund would be too different from the invested assets to be able to make any informed investment decisions with the information and be of limited use from an engagement standpoint. For now, no data on these asset classes has been presented. These assets represent c.32% of the CSC DB Section total asset allocation as at 31 December 2022. For the synthetic equity the Trustee has used passive equity as a proxy, given the leveraged nature this is underestimating the sovereign exposure to carbon emissions. The synthetic equity exposure had significantly reduced by the end of this reporting period.

Scope of emissions

Only Scope 1 and 2 emissions data has been included in this report. This means that for some companies the assessment of their carbon footprint could be considered an understatement. Scope 1, 2 emissions are as defined by the GHG protocol. Scope 3 will be included from the next report where data is available.

Data coverage

Data coverage refers to the proportion of an asset in which the various climate-related metric data is available. There are gaps in the data as:

- Some public listed companies are not publishing climate-related data or are providing poor quality data. This is relevant to public equity and corporate bonds. Obtaining data for emerging market equity and debt can also be challenging due to general disclosure and transparency challenges.
- Many private companies do not currently produce climate-related data and coverage for private markets, such as private equity and private debt, will be low, or zero for mature funds.
- Sovereigns, or governments, may not publish climate-related data in the public domain. This is a particular challenge for emerging market debt. For UK government debt, data is available but there is a delay in the data being published.
- Short-term instruments, such as secured finance assets, have limited data available due to the short-term nature of the individual assets.

In this report, the Trustee has used a pro rata approach to scale up each climate metric in order to present the data as if full coverage was available for each asset. This assumes that the part of an investment fund that does not have data available has the same climate metrics as the part where there is data.

The Trustee is working with the investment advisor and investment managers to address the data gaps, as far as they are able.

TCFD Governance Policy: Oversight of Climate-related Risks and Opportunities

17 May 2023

Background to policy

1. DXC Pension Trustee Limited (the “Trustee”) has prepared this TCFD Governance Policy document (the “Policy”) for the DXC UK Pension Plan (the “Plan”) and consulted upon it with the Plan’s advisers.
2. The Policy is reviewed periodically, and the date of the most recent review can be found at the top of this document.
3. The Policy addresses the TCFD (Task Force on Climate-related Financial Disclosures) recommended governance disclosure and is in accordance with the statutory guidance that supports the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 “the Regulation” which came into force on 1 October 2021.
4. The Policy describes the roles and responsibilities of the Trustee and its appointed advisers in meeting the climate governance and risk reporting for pension schemes in line with the Regulation.
5. The DB and DC Investment Committees (“IC”) are responsible in supporting the Trustee in the delivery and publication of the Plan’s inaugural TCFD report, due on or before 30 January 2024.

Responsibilities for climate change oversight

Ultimate oversight for managing climate risks and opportunities is the responsibility of the Trustee. In exercising its duties with regards to climate change oversight the Trustee will consult with advisers who will provide support and technical expertise on various climate issues which may impact the Plan. A summary of the key roles and responsibilities are listed below:

- **Trustee Chair**
 - It is the Trustee Chair’s responsibility to ensure that sufficient time is allocated for consideration and discussion of climate matters by the Trustee and its advisers, taking into account sponsor covenant, funding, investment and operational factors.
- **Trustee**
 - In broad terms, the Trustee is responsible for the following, some of which it may choose to delegate to the DB and DC Investment Committees:
 - ensuring the Trustee Directors have sufficient knowledge and understanding of climate change to fulfil their statutory and fiduciary obligations, and that they are keeping this knowledge and understanding up to date. This will include knowledge and understanding of the principles relating to the identification, assessment and management of climate-related risks and opportunities for the Plan;
 - putting in place effective climate governance arrangements;
 - determining short-, medium- and long-term time periods to be used when identifying climate-related risks and opportunities to the Plan (with input from the relevant Investment Committee – see below);
 - identifying and assessing , on an ongoing basis, the main climate-related risks and opportunities for the Plan (including both physical and transition risks) and documenting the management of these in the Plan’s Risk Register;
 - incorporating climate-related considerations into strategic decisions relating to the Plan’s investments and (in the case of DB section) funding arrangements;
 - allowing for climate-related considerations (if relevant) when monitoring the strength of the sponsoring employer’s covenant and any insurance provider which may be used by the Plan in the future.

- selecting and regularly reviewing (at least annually) metrics to inform its assessment and management of the Plan’s climate-related risks and opportunities, and setting and monitoring (at least annually) targets to improve these metrics over time where appropriate – again, with input from the IC;
 - reviewing the approach that the Plan’s investment managers take to incorporate climate considerations in their decision making and using this as one of the criteria for selecting investment managers.
 - ensuring that the Plan’s actuarial, investment, DC and covenant advisers have clearly defined responsibilities in respect of climate change risks and opportunities, that they have adequate expertise and resources, including time and staff, to carry these out, that they are taking adequate steps to identify and assess any climate-related risks and opportunities which are relevant to the matters on which they are advising, and that they are adequately prioritising climate-related risk;
 - considering and documenting the extent to which the advisers’ responsibilities are included in any agreements, such as investment consultants’ strategic objectives and service agreements;
 - ensuring that the Plan’s investment managers are managing climate-related risks and opportunities in relation to the Plan’s investments (with input from the ICs – see below), and have appropriate processes, expertise and resources to do this effectively; and
 - communicating with members and other stakeholders on the risk and opportunities associated with climate change where appropriate, including public reporting in accordance with The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (together “TCFD Regulations”) when required.

- Investment Committee – DB and DC
 - Receiving and reviewing periodic written reports prepared by the Plan’s investment consultants covering the Plan’s investment managers’ investment performance, and their integration of environmental, social and corporate governance risks and opportunities (including climate risk) into their investment processes;
 - Where relevant, meeting with the appointed investment managers to review investment performance, asset allocation and engagement with investee companies (including in relation to climate risk); and
 - Reporting back to the Trustee on key issues raised at the Investment Committee, and the exercise of any delegated powers.

 - In broad terms, the ICs are initially responsible for understanding the requirements of TCFD on the Plan, and for supporting work towards ensuring the Plan complies with those requirements, and to undertake any other actions as delegated to the ICs by the Trustee.
 - The ICs’ remit includes:
 - arranging training as the ICs believe is necessary to improve Trustee knowledge and understanding on climate risk;
 - taking advice on and making recommendations to the Trustee on appropriate climate metrics to monitor;
 - taking advice on and making recommendations to the Trustee on appropriate climate-related targets; and

- providing input into (and agreeing the scope of) investment and funding (including covenant) climate-related scenario analysis to be provided by advisers (in particular, agreeing the relevant short, medium and long-term time periods to assess, and the scenarios to consider).
 - Both the Trustee and the ICs will, when appropriate, question and challenge the information and advice provided to them by their advisers, investment managers and/or insurers in relation to their governance responsibilities. The Trustee will also describe in its TCFD reporting, the rationale for the time and resources it has spent on the governance of climate-related risks and opportunities.
- Investment consultants
 - In broad terms, the Plan's investment consultants are responsible, as agreed by the Trustee, for:
 - providing training and other updates to the Trustee on relevant climate-related matters;
 - helping the Trustee to formulate its views in relation to climate change risks and opportunities and reflecting these in the Plan's investment policies and strategy;
 - advising how climate-related risks and opportunities might affect the different asset classes in which the Plan might invest over the short-, medium- and long-term, and the implications for the Plan's investment strategy;
 - Ensuring the appropriateness and effectiveness of the Plan's investment managers' processes, expertise and resources for managing climate-related risks and opportunities, given the Trustee's investment objectives and beliefs;
 - advising on the inclusion of climate change risks in the Plan's governance arrangements, working with the Trustee and its other advisers as appropriate;
 - leading on the preparation of the Plan's TCFD reporting, working with the ICs and the Trustee, and its other advisers as appropriate; and
 - assisting the Trustee in identifying and monitoring suitable climate-related metrics and targets in relation to the Plan's investments, including liaising with the Plan's investment managers.
- Actuarial adviser
 - In broad terms, the Plan's actuarial adviser is responsible, when requested by the Trustee, for:
 - providing training and other updates to the Trustee on relevant climate-related matters;
 - advising how climate-related risks and opportunities might affect the Plan's mortality assumption and therefore funding position over the short-, medium- and long-term and the implications for the Plan's funding strategy and long-term objectives; and
- Covenant adviser
 - In broad terms, the Plan's covenant adviser is responsible, when requested by the Trustee, for:
 - supporting the Trustee in a proportionate way to understand as part of its covenant monitoring framework, how climate-related risks and opportunities might affect the Plan's sponsoring employer and any insurance provider over the short-, medium- and long-term; and
 - working with the Trustee's other advisers if and when requested, to assist the Trustee in incorporating climate change risks in its governance arrangements and monitoring framework as appropriate.

- Legal adviser
 - In broad terms, the Plan's legal adviser is responsible, when requested by the Trustee, for:
 - supporting the Trustee in understanding the legal requirements of their climate change obligations under pensions legislation.
 - Reviewing the TCFD report before publication.
- Investment managers
 - In broad terms, the Plan's investment managers are responsible for:
 - identifying, assessing and managing climate-related risks and opportunities in relation to the Plan's investments, in line with the investment management arrangements agreed with the fiduciary manager;
 - exercising rights (including voting rights) attaching to the Plan's investments, and undertaking engagement activities in respect of those investments, in relation to climate-related risks and opportunities in a way that seeks to improve long-term financial outcomes for the Plan's members; and
 - providing information to the Plan's investment adviser/fiduciary manager on climate-related metrics in relation to the Plan's investments, as agreed from time to time, and using their influence with investee companies and other parties to improve the quality and availability of these metrics over time.

Climate governance meeting agenda

The ICs, as part of the regular meeting schedule, in conjunction with Mercer, will allocate agenda time to climate change topics, amongst other ESG topics, to cover the various workstreams listed in the next section. Those responsible for each workstream will make sure any documents or information is distributed in advance of the meeting to allow the ICs time to digest the advice. There will be sufficient time allocated in meeting agendas to discuss the advice and meeting minutes including actions agreed will be circulated after the meeting to allow all parties to review the discussion.

In addition the Trustee and ICs will receive training on climate change topics on a regular basis to ensure that there is a sufficient level of knowledge and understanding to identify, assess and manage climate-related risks and opportunities. The current approach should be documented within the standalone climate governance statement.

Ongoing workstreams and frequency

There are a number of workstreams that are to be completed in order for the Trustee to fulfill its responsibility for managing climate risks and opportunities. It is important to note that many of the workstreams will cover wider ESG risks other than just climate change risk, as the Trustee does not consider climate risks in isolation but holistically alongside the various other ESG risks the Plan may be facing. The workstreams are listed below as well as the frequency of which each task will be carried out:

- Climate change training session (on a regular basis)
- Scenario analysis modelling the investment strategy and funding strategy (minimum frequency = first year and every 3 years thereafter)
- Review appropriateness of undertaking scenario analysis in light of a) data availability changes b) material changes in investment strategy / funding position (on a regular basis)
- Metrics data collection (minimum frequency = annual)
- Target setting / target appropriateness review (minimum frequency = annual)
- Progress against target assessment (minimum frequency = annual)
- Review of investment manager ESG ratings, climate policies (on a regular basis for the largest investments of the Plan)

- Stewardship (Engagement Policy Implementation Statement) (minimum frequency = annual)
- Risk frameworks update/review e.g. risk registry (minimum frequency = annual)
- Climate covenant assessment (on a regular basis)
- Drafting annual TCFD report (minimum frequency = annual)

Statutory disclosures

In line with the Regulation the Trustee assumes responsibility for ensuring all required disclosures will be made, these include:

- Publishing TCFD report on a publicly accessible website within seven months of the Plan year end
- The website link to the TCFD report will be provided via
 - Trustee report and accounts
 - Annual benefit statement
 - Annual funding statement
 - The administrator for the Plan's DC Section
- The Pensions Regulator will also be provided with a link to TCFD report in the annual scheme return

Ensuring quality of advice and expectations for the investment consultant

The Trustee aims to ensure that the advisers who provide support and technical expertise on various climate issues have the appropriate level of climate-related risk expertise and resources to enable them to carry out their duties. In light of this, the Trustee has incorporated climate considerations into the investment objectives it has set for its investment consultants.

Asset class assumptions

Synthetic equity exposure (CSC DB Section & Rebus Section)

Some asset class exposures, like public equity, are obtained via the use of derivative instruments. For the purposes of this report:

- Synthetic equity is used as a way to increase the exposure to equity markets in a capital efficient manner. The additional exposure to public equity markets has been allowed for in the climate scenario modelling. The climate metric data does include any notional exposure from the collateral (sovereign bonds and derivatives) within this portfolio.

LGIM Funds (DC Section)

- LGIM define 'Sovereigns' as, Agency, Government, Municipals, Strips and Treasury Bills and is calculated by using: the CO₂e/GDP.
- LGIM's temperature alignment methodology computes the contribution of a company's activities towards climate change. It delivers a specific temperature value that signifies which climate scenario (e.g. 3°C, 1.5°C etc.) the company's activities are currently aligned with. The implied temperature alignment is computed as a weighted aggregate of the company-level warming potential.
- For LGIM, SBTi % is % of the companies that have committed/approved Science Based Target. At fund level, this is the weighted average of the positions with either an approved/committed SBT in percent. For SEI this represents the % of companies in the fund that have committed to adopt a SBT. We plan to follow up with the investment managers to ensure these definitions meet the requirements for this metric in the statutory guidance.
- For LGIM, the Data Coverage % presented in the table above represents the coverage of those assets with carbon score. LGIM note that real assets, private debt and derivatives are currently not included for carbon reporting. These figures apply to WACI only. Different % values of coverage apply to the other climate metrics shown and these can be provided as required.
- LGIM have confirmed for metrics to be reportable for each fund there are two criteria: (a) at least 50% of the underlying holdings are eligible for reporting and (b) coverage of those eligible assets is at least 60%.

Important notices from data providers

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Ortec Finance

Mercer has entered into a global agreement with Ortec Finance regarding the use of their climate scenarios by Mercer's clients.

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