



Taskforce for Climate-Related Financial Disclosures
(TCFD) Report 2024

UNIPER GROUP OF THE ESPS

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1. Introduction (Van Lanschot Kempen Investment Management - VLK)

As a fiduciary manager, our objective is to make a difference for the pension schemes for whom we manage investment assets for. We hold the belief that sustainability, including effective stewardship, is fundamental to successful investment outcomes and to the real world outcomes for the ultimate beneficiaries of our clients' assets. This is core to what we do and how we work. We invest assets using a wide range of investment vehicles covering a wide spectrum of asset classes to implement bespoke strategic asset allocations for each of our clients.

The ultimate responsibility for asset allocation, an important part of managing climate risk, remains with the Trustees of these pension funds, despite this being delegated to VLK under a fiduciary management approach. We work closely with our clients to provide support on sustainability, including on climate change – though most of our clients benefit from using VLK's own climate change policies and ambitions. The remainder of this report is written from the perspective of the Group Trustee – where we have assumed that the Group Trustee has adopted by default the VLK approach to climate policies.

We actively consider how climate change, the shifting regulatory environment and potential macroeconomic impact affect investments. We believe that climate change is a systemic risk with potential financial impacts associated with physical impacts and the transition to a low-carbon economy under different climate scenarios. We believe that these pose significant investment risks, as well as opportunities, with the potential to impact long-term value across all asset classes. VLK therefore supports the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ('TCFD'). As a representative of asset owners, we have a role to play in influencing the companies and organisations in which we invest to take account of climate change, including the provision of better climate-related financial disclosures, enabling us to make better informed investment decisions. How we do this is outlined in our Responsible Investment & Stewardship Report which, together with further information regarding our approach to sustainability more generally, can be found on our website.

2. Introduction (Trustee – plain English summary)

The Group Trustee of the Uniper Group of the Electricity Supply Pension Scheme (the “Group”) believes that Climate Change is a systemic risk and seeks to manage that risk on behalf of its members and the sponsoring employer. The Group Trustee’s focus on Climate Change risk mitigation plays an important role in how investments are managed across all asset classes. At a policy level, the Group Trustee is supportive of initiatives that contribute towards mitigating Climate Change risk on its investments. As such, the Group Trustee supports the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD).

The TCFD developed four recommendations on climate-related financial disclosures structured around the following thematic areas:

- Governance: The scheme’s governance around climate-related risks and opportunities.
- Strategy: The actual and potential impacts of climate-related risks and opportunities on the scheme.
- Risk Management: The processes used by the scheme to identify, assess, and manage climate related risks.
- Metrics and Targets: The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

The Group Trustee is supportive of initiatives it believes will be in the long-term financial interest of members. TCFD is one such initiative, as the Group Trustee believes greater disclosure will lead to better investment decisions. Indeed, where appropriate, the Group Trustee will also engage with its appointed fiduciary manager and/or fund managers to support such initiatives.

The Group Trustee’s investment strategy is delegated to its appointed fiduciary manager – Van Lanschot Kempen Investment Management (“VLK”). VLK have responsibility for managing Environmental (including climate change risks), Social and Governance Risks on behalf of the Scheme. Going forward, the Group Trustees will continue to monitor and engage with VLK to ensure that climate risks and more broadly their sustainability ambitions are achieved while also capitalizing on these opportunities to deliver better member outcomes and contribute to a sustainable planet.

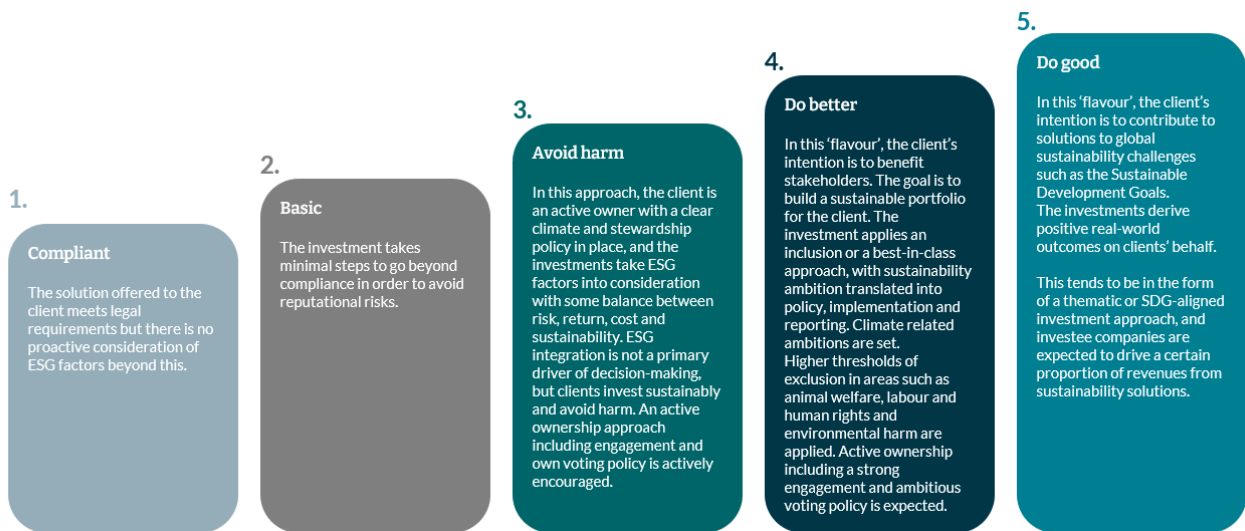
Within the context of its fiduciary responsibility, the Group Trustee is supportive of the Paris Agreement to avoid dangerous Climate Change by limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C.

This report summarises the Group Trustee’s current position with regards to the TCFD recommendations.

3. Governance

Recommended disclosure A: Describe the Trustee’s oversight of climate-related risks and opportunities

The Group Trustee’s investment strategy is delegated to its appointed fiduciary manager – Van Lanschot Kempen Investment Management (VLK), which has articulated an extensive Responsible Investment Policy to which the Group Trustee has subscribed by appointing VLK as the Group’s fiduciary manager. Key to this appointment is VLK’s approach to Environment (including Climate Change risks), Social and Governance risks, specifically that it considers these fundamental to successful investment outcomes and to the real world outcomes for the ultimate beneficiaries of their clients’ assets. The Group Trustee has oversight of the Scheme’s climate-related risks and opportunities. The Group Trustee’s approach to Climate Change Risk is informed by the work of VLK. This includes the provision of specialised training and regular discussion of relevant climate-related topics as agenda items during Group Trustee meetings. ESG and more specifically are discussed annually at the Group Trustee meeting, and more regularly if there are specific items. This includes training on the regularly evolving landscape of sustainability and climate related risks and ensure that the Group Trustee have sufficient oversight on climate related topics. The Group Trustee oversees VLK as it seeks to implement a climate change risk policy across the investments. To achieve this remit, VLK selects climate-related metrics (and, if appropriate, associated exposure limits) that best align with the objectives of the Group Trustee. The climate-related metrics are used to monitor the Scheme’s progress versus the Group Trustee’s objectives. Additionally, VLK defines the strategy to be used with the Group’s fund managers in a manner consistent with the objectives set by the Group Trustee. The framework VLK use is to score all underlying external managers which will be used within the portfolio on a Sustainability Spectrum, between 1 and 5. Levels 1 and 2 are not used within portfolios, and there is a strong commitment to, firstly, reducing the carbon intensity of investments to align with the targets set out in the Paris agreement and, secondly, to increasing the use of fund in levels 4 and 5. The manager score is reviewed periodically and VLK engages with the managers if a desirable change is identified.



VLK report to the Group Trustee on a quarterly basis. This is discussed at the quarterly Group Trustee meeting, and if there are any specific areas of concern they are raised at this forum for VLK to explain. An excerpt of quarterly climate reporting is shown below. Climate Change risk is explicitly identified as a Group risk on the Group Trustee’s Risk Register.

ESG Screening						
Coverage ratio*: 84%/91%	AUM	WACI	Emissions per GBP mln Invested (EV)	Absolute emissions	Oil & Gas	
Fund		Emissions tCO2e	Emissions tCO2e	Emissions tCO2e	Number of investments	% Total Portfolio
Equities						
SSGA World TPI Climate Tr In Eq GBP Acc	41,270,967	21.65	11.02	983.74	53	0.33%
NT EM ESG Leaders Equity Index B GBP Acc	3,663,997	11.59	5.39	485.37	22	0.05%
NT EM Sust Sel SDG Ind FGR Fd B GBP Dist	4,226,484	3.81	1.85	165.42	6	0.01%
Total Equities	49,161,448	37.04	18.25	1,634.54	81	0.39%
Corporate bonds						
State Street EM ESG Sc HC GB GBP Acc Unh	1,196,228	0.00	0.00	0.00	39	0.02%
Insight UK Credit BaM Bond Fds 2041-2045	14,641,074	5.54	2.75	244.10	0	0.00%
Insight UK Credit BaM Bond Fds 2036-2040	20,248,620	19.63	10.30	915.25	5	0.27%
L&G ESG EM Government Bond (LC) Ind.Fd	2,588,122	0.00	0.00	0.00	0	0.00%
L&G ESG EM Government Bond (USD) Unhedge	2,738,589	0.00	0.00	0.00	40	0.02%
Insight Liquidity GBP Plus 5 GBP Dis	6,321,062	0.08	0.01	0.96	0	0.00%
Insight Liquidity GBP Cash Fund 3	13,841,390	0.20	0.10	8.76	0	0.00%
Total Corporate bonds	61,575,085	25.45	13.16	1,169.08	84	0.31%
Total	110,736,533	62.49	31.41	2,803.61	165	0.70%
Benchmark (MSCI World)		109.42	47.38			

*Coverage Ratio: A Coverage Ratio of 80%/85% means that 80% of the total number of securities within these funds provide Carbon data and this covers 85% of the total weight of these assets.

Recommended disclosure B: Describe management's role in assessing and managing climate related risks and opportunities.

The Group Trustee has delegated investment strategy responsibilities to its fiduciary manager, Van Lanschot Kempen Investment Management (VLK). VLK is responsible for performing portfolio-level climate risk analysis of the Scheme's alignment versus the Group Trustee's objectives, recommending any mitigating actions to the Group Trustee where it identifies climate risks (or the Group's managers' approach to managing it) are outside tolerance, as well as the implementation of the strategy adopted by the Group Trustee.

The Group Trustee has also delegated, via VLK, responsibility for the selection, engagement and realisation of investments to the fund managers, within certain guidelines and restrictions. The Group Trustee requires its appointed fund managers to be cognisant of climate change risks and opportunities within their investment processes and manage climate-related risks on a discretionary basis as applied to the assets of the Group Trustee. Fund managers are required to (at least) annually report on how these risks and opportunities have been incorporated into the investment process, including descriptions of any engagement activity undertaken with companies in their portfolios and qualitative responses to the issues raised by VLK's analysis, within applicable guidelines and restrictions. In such circumstances that VLK feels a fund manager has failed to operate in line with its climate-related objectives, it will engage with the fund manager (and potentially the benchmark provider in case of passive funds) with the intention of providing feedback on agreed mitigating steps to the Group Trustee. Should persistent engagement attempts fail to correct a fund manager's misalignment with VLK and the Group Trustee's objectives, VLK will undertake investment strategy and/or manager changes. VLK is expected to advise on, and provide objective assessments of, differing approaches to responsible investment to help the Group Trustee decide appropriate responsible investment objectives for the Group. This includes informing the Group Trustee of new responsible investment opportunities or emerging risks, including different risk metrics. The Group Trustee annually assesses the delivery of this advice using the Competition Market Authority's Investment Consultant Objectives framework. The Trustees are assisted by their third party fiduciary management oversight provided by Barnett Waddingham. They provide further oversight and independent advice that VLK are considering climate related risks and opportunities and that this is integrated in to the management of the Group Trustees portfolio. As an oversight provider Barnett Waddingham have visibility across the fiduciary management market and are therefore able to provide a view on what is being done by VLK relative to other fiduciary managers.

The climate risks and the sustainability of the investment proposition actively feeds into investment decisions and also forms a key part of the monitoring of investment managers that is delegated to the fiduciary manager. VLK have challenged MSCI and ISS, their primary data providers on whether the data provided, the methodologies use and the overall approach is appropriate. VLK feedback this process to the Group Trustees.

The Group Trustee is supportive of initiatives it believes will be in the long-term financial interest of members. TCFD is one such initiative, as the Group Trustee believes greater disclosure will lead to better investment decisions. By delegating the day to day running of the Scheme's assets, the Group Trustee are spending a proportionate amount of time on climate related risk and opportunities, with the knowledge that VLK spend considerable amount of time on these matters.

4. Strategy

Recommended disclosure A: Describe the climate related risks and opportunities the organisation has identified over the short, medium and long term.

Climate risks can be divided into physical risks and transition risks.

- Physical risks: These refer to the financial impact of a changing climate, including more frequent and/or severe extreme weather events and gradual changes in climate, as well as environmental degradation, such as air, water and land pollution.
- Transition risks: These result from the process of adjustment towards a carbon-neutral economy. These adjustments are driven by changes in climate-related policies, new low-carbon technologies and/or shifting market sentiment.

In order to manage climate related risks and opportunities, the Group Trustees recognise they have to be cognisant of both type of risks and the timeframe in which they can be managed. We would define the timeframes as short term (3 to 6 years), medium term (7 to 15 years) and long term (15 plus years). The Group has a long term objective of being fully funded on a low risk basis over a timeframe of c. 10 years, a medium timeframe. This therefore impacts the investment strategy, funding strategy and the portfolio that is constructed to meet the objective. VLK consider this timeframe in the context of climate risk and opportunities when choosing which asset classes (both liquid and illiquid) to invest in. For example VLK developed a specific climate change policy in line with Paris Agreement pathways. The policy aims to be a net zero investor by 2050 and also contains short-term objectives for all listed assets to be net zero aligned by 2025 and all non-listed assets to be net zero aligned by 2030.

To manage climate-related risks, VLK have developed climate objectives for their portfolios and underlying objectives. These include –

- ESG integration – integrate climate risks and opportunities
- Exclusions – divestments in companies with majority revenues coming from coal mining and tar sands
- Active ownership – set-up sector climate engagements (utilities, oil & gas, real estate)
- Impact – invest impactfully where possible, without compromising financial returns.

Over the short and medium term, key risks emanate from corporates reversing on their commitment to be net zero aligned despite disclosing a tangible roadmap. Over the medium and long term, there are unique opportunities to drive the net zero agenda at corporates and beyond. Supporting the transition by investing and engaging with leading companies across the most climate intense sectors will reduce the cost of capital for these entities, and in turn, benefit the beneficiaries of the scheme. By embedding climate change into their ESG approach, VLK believes it can positively contribute to a stronger future for the beneficiaries of the Scheme, and benefit from potential opportunities through investing in the leading companies of the future.

Recommended disclosure B: Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.

Although climate-related risks are increasing, these risks have not directly affected the Group Trustee's business, strategy or financial planning. The sponsoring employer is an energy producer and therefore the covenant provided to the Scheme is impacted by climate related factors. The Trustees therefore receive regular updates on progress of the sponsoring employer, including climate-related risk and opportunities.

As part of its management of non-financial risks, and environmental, social and governance risks, the Group Trustee receives regular monitoring of the underlying fund managers from VLK, who are responsible for selecting fund managers who align to their (and the Group Trustee's) responsible investment beliefs, in particular climate risks. The appetite for climate-related opportunities is growing and will continue to increase. VLK, as the Group Trustee's fiduciary manager, has provided the Trustee with new climate change focused funds and investment opportunities.

Recommended disclosure C: Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

VLK has undertaken scenario analysis on the portfolio. Working with MSCI ESG, a percentage figure is shown in the quantitative metrics which represents the present value of the aggregated future policy risks costs, technology opportunity profits and extreme weather event costs and profits expressed as a percentage of the portfolio's market value, should the scenario in question be realised. This is based on the listed equity and corporate bonds where data was available. Data is not readily available for the private market assets which the Group are invested in. This is recognised as an industry challenge and VLK are exploring expanding the breadth of this dataset.

This figure was calculated under three different scenarios – where the implied temperature rise is 1.5°C, 2°C and 3°C. The quantitative analysis shows the portfolio is relatively resilient under the different scenarios. Based on the analysis, the Group's assets could fall by 12.45% in the 1.5°C scenario, which would result in a fall in funding level. This is on the assumption that Group's liabilities are not impacted by the shock. Considering the resilience to a shock is increasingly becoming part of the portfolio construction process and VLK believe this will become even more pressing if we were to move away from a global average temperature increase of 1.5°C.

A number of assumptions were made when constructing the scenario analysis. In order to arrive at a simplified holistic view, assumptions on interplay of risks and how they offset or cumulatively add up lead to a simplification of risks. Furthermore, the scale of climate change and the result of crossing over a tipping point remains a heavily investigated and discussed topic. That said, the data and analysis provided by MSCI was seen as useful. The magnitude of change will continue to be refined over time as will the quality of the data improves

MSCI ESG Research employs a hybrid top-down and bottom-up methodology to calculate climate change risks and opportunities such as future policies targeting emission reductions, the potential of low carbon technologies and extreme weather hazards. Using estimates of future carbon prices under specific policy scenarios, MSCI ESG Research then calculates the costs associated with such emissions reductions targets and computes "Policy Climate Value-at-Risk" metrics for over 22,000 companies.

Physical climate risk scenarios define possible climatic consequences resulting from increased levels of GHG emissions, and the ensuing financial burden (or opportunity) shouldered by businesses due to impacts on their facilities. Using the past 35 years of observed weather patterns to set a historical baseline as well as climate models, MSCI ESG Research brings both acute and chronic climate developments into perspective by modelling both costs from asset damage and business interruption respectively. The breakdown for the 1.5°C scenario across the different factors is shown below.

SCENARIO	CLIMATE VAR CONTRIBUTION
Low Carbon Transition Risk Scenarios <i>Selected Model: REMIND 1.5°C NGFS DISORDERLY</i>	-5.52%
Policy Risk Direct Emissions (Scope 1)	-2.77%
Policy Risk Electricity Use (Scope 2)	-1.03%
Policy Risk Value Chain (Scope 3)	-4.61%
Technology Opportunities	+2.90%
Physical Climate Scenarios <i>Selected Model: Average</i>	-6.92%
Extreme Cold	+0.59%
Extreme Heat	-4.00%
Precipitation	-0.52%
Extreme Snowfall	+0.01%
Extreme Wind	-0.06%
Coastal Flooding	-2.67%
Fluvial Flooding	-0.28%
Tropical Cyclones	-0.21%
River Low Flow	-0.02%
Wildfire	-0.00%
Aggregated Climate VaR	-12.45%

The Group Trustee is supportive of the Paris agreement to avoid dangerous climate change by limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C. These scenarios are supplemented by a 3°C to ascertain the risks the portfolio is exposed to across different outcomes.

5. Risk Management

Recommended disclosure A: Describe the organisation's processes for identifying and assessing climate related risks. Asset owners should describe, where appropriate, engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks to improve data availability and asset owners' ability to assess climate-related risks.

The Group Trustee has extensively discussed its approach to engagement with its fiduciary manager. The Group Trustee, aligned with VLK, subscribes to the importance of engagement, rather than exclusion, as a means to encourage greater disclosures and better practices with regard to climate-related risks. At the same time it is the fiduciary duty of the trustees to manage the climate risk of the investments. VLK is responsible for appointing asset managers that are aligned to this approach and monitors and reports regularly to the Group Trustee on the underlying managers' voting and engagement (including on climate specific issues).

As an example the Group Trustee's approach to aligning engagement activity with the broader investment strategy, the Group Trustee has directly invested in a climate transition focused equity fund as its core equity exposure, tracking the FTSE Developed TPI Climate Transition ex Coal ex Controversies ex Nuclear ex Tobacco Index. The Index combines data and analysis from FTSE Russell and the Transition Pathway Initiative (TPI). Within corporate bonds, VLK together with the external manager Insight have created a framework for the bonds held in the portfolio to be Paris aligned by 2025. This requires understanding the commitments of the constituent corporates whose bonds are held, and most importantly, where they are not Paris aligned, either engaging with the companies, or making a decision to disinvest if these companies are unlikely to align by 2025.

Recommended disclosure B: Describe the organisation's process for managing climate-related risks. Asset owners should describe how they consider the positioning of their portfolio with respect to the transition to a lower carbon energy supply production and use. This could include explaining how asset owners actively manage their portfolio's positioning relative to this transition.

The Group Trustee selected VLK as its fiduciary manager in part due to VLK's approach to managing climate-related (and other responsible investment) risks and opportunities. For VLK, prioritising climate-related risks is part of their responsible investment framework and investment process. To manage these risks they screen their portfolios and engage with companies, including on a look through basis with external underlying asset managers. Companies in which they invest that lag on transparency or clear carbon reduction targets compared to their peers, can be selected for an engagement process directly and/or in conjunction with the asset manager in whose portfolio that company sits. The rationale behind these engagements is that they expect that due to the energy transition, lagging companies in these sectors run the most material physical and transitional risks (e.g. because of their assets becoming stranded), and doing such engagement with the asset manager alongside can help to incentivize improvements in the asset managers' own responsible investment process.

Joint engagements are also achieved via their active membership in IIGCC (Institutional Investor Group on Climate Change) and the Principles for Responsible Investment. VLK is also part of an international engagement initiative called Climate Action 100+ that was launched in December 2017 and targets over 150 carbon intensive companies.

Recommended disclosure C: Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

Climate-related risks and opportunities are discussed by the Group Trustee in the same way as any other risk and opportunity. Such discussions form part of the objectives set for VLK under the Competition Market Authority's Investment Consultant Objectives framework. Climate related risks are also noted on the risk register, which is regularly reviewed.

6. Metrics & Targets

Recommended disclosure A: Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. Asset Owners should describe metrics used to assess climate-related risks and opportunities in each fund or investment strategy. Where relevant, asset owners should also describe how these metrics have changed over time. Where appropriate asset owners should provide metrics considered in investment decision making and monitoring.

With regards to quantitative metrics, the Group Trustee will set out where possible on an annual basis:

- (1) Percentage of portfolio with data coverage
- (2) Absolute total emissions in tCO₂e;
- (3) Weighted Average Carbon Intensity (WACI);
- (4) Carbon footprint (per £m invested);
- (5) Portfolio temperature alignment and
- (6) Climate VaR under different scenarios

The results of the analysis for the year to 31 March 2024 are shown in the Appendix. The Group Trustee will keep these metrics under review and may add to, or amend, these metrics over time as data and best practice evolves.

Recommended disclosure B: Disclose Scope 1, Scope 2 and if appropriate Scope 3 greenhouse gas (GHG) emissions and the related risks. Asset owners should provide the weighted average carbon intensity, where data are available or can be reasonably estimated for each fund or investment strategy. In addition, assets owners should provide other metrics they believe are useful for decision making along with a description of the methodology used.

See the Appendix for analysis of the Group's listed holdings, as conducted by VLK. This analysis includes all liquid listed equities and corporate bond assets where the data was available. The Group Trustee notes that data availability is likely to improve and public disclosure should increase the speed at which the data becomes available. Data for less liquid asset classes is less readily available which is a known limitation in the investment industry. For the group, a prudent approach is followed by excluding the portfolio without coverage and assuming the portfolio is invested pro-rata in the asset classes where data is available. The portfolio and asset class coverage is expected to be expanded in subsequent annual reports, as the data improves – particularly in respect of the treatment of gilts and LDI assets, as well as less liquid and real assets.

Recommended disclosure C: Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

The Group Trustee has an ambition to set meaningful targets that are in line with the Group's investment and climate objectives, including to align its portfolio with achieving the goals of the Paris Agreement. The Group Trustee is taking a considered approach to setting climate-related targets. Comparing the quantitative metrics of this report provides a basis on which targets and objectives may be set. The Group Trustee will review sustainability and stewardship with its fiduciary manager, including engagement and voting activities, as a part of its effort to set and monitor meaningful climate-related targets across the portfolio.

With respect to targets, the Group Trustees have entrusted VLK to a) improve data coverage b) invest in strategies that are aligned with their long-term climate ambition c) engage with existing providers to achieve net zero ambitions. Progress is reviewed on a long term holistic basis, as the Group Trustee considers how to meet its climate goals and their fiduciary duty to meet member's benefits.

VLK have set their medium term sustainability goals as investing in underlying funds which score highly (3 out of 5 or above) in their sustainability spectrum and secondly for liquid assets to be Paris aligned (between 1.5°C and 2.0°C pathway) by 2025 with all non-listed assets to be Paris aligned (between 1.5°C and 2.0°C pathway) by 2030.

Appendix

Climate Metrics

The tables below sets out the results of the Group Trustee’s agreed metrics for the equities and credit in the portfolio. The data is sourced from ISS ESG and MSCI. ISS ESG and MSCI have been identified as leaders in the space while also understanding the nuances of asset classes and strategies. Although, they are currently VLK’s preferred providers for climate and ESG data, other vendors may be used in the future as research capabilities progress. Currently the data only covers scope 1 and scope 2 emissions, as scope 3 emissions are heavily reliant on assumptions with research still underway on how best to capture and action on scope 3 emissions.

Defined Benefit Portfolio	Metric	Data source	31 March 2023	31 March 2024
Portfolio coverage*	% of total portfolio covered by analysis weighted by value	ISS ESG	16.5	29.2
Absolute Emissions	Total Portfolio, tCO2e	ISS ESG	1,803.7	2803.6
Weighted Average Carbon Intensity	Total Portfolio, tCO2e	ISS ESG	106.2	62.5
Carbon Footprint	Total Portfolio, emissions per £m invested	ISS ESG	42.2	31.4
Portfolio implied temperature rise*	Degrees Celsius	MSCI ESG	1.9	2.0
Climate VaR (1.5°C scenario)	Climate Value at Risk	MSCI ESG	-13.5	-12.5
Climate VaR (2°C scenario)	See question 4	MSCI ESG	-10.9	-9.0
Climate VaR (3°C scenario)		MSCI ESG	-8.7	-7.6

* The Implied Temperature Rise (ITR) metric provides an indication of how well public companies align with global temperature goals. Expressed in degrees Celsius, it is an intuitive, forward-looking metric that shows how a company aligns with the ambitions of the Paris Agreement -which is to keep a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C.

The portfolio-level Implied Temperature Rise uses an aggregated budget approach: compares the sum of “owned” projected GHG emissions against the sum of “owned” carbon budgets for the underlying fund holdings. The portfolio’s total estimated carbon budget over- /undershoot is then converted to a degree of temperature rise (°C) using science based TCRC (Transient Climate Response to Cumulative Emissions). The allocation base used to define ownership is Enterprise Value including Cash (EVIC) in order to enable the analysis of equity and corporate bond portfolios.

Metrics for government bonds

Sovereign related emissions reporting for investment portfolios is an emerging field and standards are not yet fully developed and accepted across the industry. As TCFD does not specifically cover sovereign bonds, we have used guidance established by the Partnership for Carbon Accounting Financials (PCAF) Standard. We provide emissions sourced from MSCI which covers c. 39% of the portfolio. The data is for long only bond positions. This is both UK government bonds and emerging market debt. This excludes cash and repo positions. We note there are other publicly available datasets that offer an assessment of individual countries’ net zero alignment. These include (but are not limited to):

1. ASCOR (Assessing Sovereign Climate-related Opportunities and Risks)
2. CCPI (Climate Change Performance Index)
3. CAT (Climate Action Tracker)

Coverage of liquid assets (table above) and government bonds (table below) results in coverage increasing to 68%.

As this area evolves we will assess whether we continue to use MSCI data and methodology or whether we use other available datasets in the future.

Metrics		31 March 2024
AUM covered (\$ mn)		342
Weighted Average Emissions Intensity (normalised by PPP GDP) - tonnes of CO2e per \$ million GDP PPP	Scope 1 (excl LULUCF)	120
	Scope 1 (incl LULUCF)	121
	Scope 2	1
	Scope 3	80
	Consumption	167
	Imported	81
	Exported	34
Absolute Emissions (apportioned by PPP GDP) - tonnes of CO2e	Scope 1 (excl LULUCF)	41,100
	Scope 1 (incl LULUCF)	41,223
	Scope 2	253
	Scope 3	27,321
	Consumption	57,209
	Imported	27,574
	Exported	11,464

Field	Description
AUM_covered (\$ mn)	Total long-only AUM where MSCI sovereign emissions data is available (in \$ mn)
Scope 1 (excl LULUCF)	The most recently reported or estimated Scope 1 greenhouse gas emissions for the country territory (if available), in tons of CO2 equivalent per year (tCO2e/yr). Scope 1 emissions are domestic GHG emissions from sources located within the country territory. Values exclude land use, land-use change and forestry (LULUCF).
Scope 1 (incl LULUCF)	The most recently reported or estimated Scope 1 greenhouse gas emissions for the country territory (if available), in tons of CO2 equivalent per year (tCO2e/yr). Scope 1 emissions are domestic GHG emissions from sources located within the country territory. Values include land use, land-use change and forestry (LULUCF).
Scope 2	The estimated Scope 2 greenhouse gas emissions for the country territory (if available), in tons of CO2 equivalent per year (tCO2e/yr). Scope 2 emissions are GHG emissions occurring as a consequence of the domestic use of grid-supplied electricity, heat, steam and/or cooling, which is imported from another territory. MSCI ESG Research estimates Scope 2 emissions based on the government's imported emissions from electricity, gas and water sector.
Scope 3	The estimated Scope 3 greenhouse gas emissions for the country territory (if available), in tons of CO2 equivalent per year (tCO2e/yr). Scope 3 emissions are GHG emissions attributable to non-energy imports as a result of activities taking place within the country territory. MSCI ESG Research estimates Scope 3 emissions based on the government's imported emissions from sectors other than electricity, gas and water sector.
Consumption	The estimated consumption emissions for the country territory (if available), in tons of CO2 equivalent per year (tCO2e/yr). MSCI ESG Research calculates consumption emissions based on Scope 1 emissions excl. LULUCF plus Scope 2 and Scope 3 emissions minus exported emissions.
Imported	The estimated imported emissions for the country territory (if available), in tons of CO2 equivalent per year (tCO2e/yr). MSCI ESG Research calculates imported emissions as a sum of Scope 2 and Scope 3 emissions.
Exported	The estimated exported emissions for the country territory (if available), in tons of CO2 equivalent per year (tCO2e/yr).

We have provided the data above as part of increasing the coverage of the Group's portfolio. We recognise the Institutional Investors Group on Climate Change (IIGCC) published a paper which provides an overview of the challenges of net zero aligned investing in the sovereign bonds asset class. The paper finds that despite their relevance, there is currently little evidence of adoption of this asset class within investors' net zero strategies. When it comes to sovereign bonds, investors see challenges in their ability to exercise asset selection to meet net zero commitments, mainly due to:

1. Liability management restrictions under which a great portion of sovereign bond holdings operate,
2. The limited number of prominent issuers and the concentrated nature of the market means that reducing or removing some sovereigns from the portfolio may force others to be overweighted thereby increasing material risks,
3. Persisting flaws in the global policy framework; currently, most National Determined Contributions suffer from ambition and/or implementation gaps within a non-binding framework, and;
4. A combination of concerns around engagement with sovereigns such as limited engagement opportunities, non-credible 'exit', intricate nature of sovereign entities, fairness considerations, lack of metrics to assess success, among others.

Disclaimer

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