

A person wearing a green jacket, purple pants, and a red and yellow headscarf, with a large black backpack, stands on a rocky mountain ridge. They are looking out over a vast mountain range with snow-capped peaks under a clear blue sky. The person is positioned on the right side of the frame, looking towards the left.

IBM I.T. Solutions Pension  
Scheme (“the Scheme”)

# Climate Change-related Disclosures

**Year-end 31 December 2024**

Report prepared to comply with the  
UK Occupational Pension Schemes Climate  
Change Governance and Reporting  
Regulations 2021 (as amended)

July 2025

IBM PENSIONS TRUST

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# Chair's foreword

Welcome to the 2024 Climate Change-related Disclosures Report for the IBM I.T. Pension Scheme ("the Scheme"). The risks and opportunities presented by climate change continue to shape the financial and environmental landscape the Trustee navigates. The increasing concentration of greenhouse gases in the atmosphere is contributing to a range of challenges, including rising global temperatures, extreme weather events, sea level rise, and ecosystem disruption. However, it is important to recognise that climate change is not only an environmental issue – it is also a significant financial issue.

As Trustee Directors, we believe that addressing climate-related risks and supporting the transition to a sustainable economy go hand in hand with securing the long-term financial wellbeing of the Scheme's members. We continue to integrate climate-related factors into our decision-making processes, recognising that the transition to a low-carbon economy presents both risks and opportunities for the Scheme's investments. Managing these risks is not a one-time effort but a long-term commitment, and we are focused on continually improving our ability to assess and manage climate risks. As the availability of data improves and our reporting process becomes more established, we will gain a clearer view of these risks, helping us take informed actions that are aligned with our investment objectives.

This report outlines how the Trustee has maintained oversight of climate-related risks and opportunities in the Scheme's investment portfolio during the year ending 31 December 2024. It also details the progress made since last year's report, highlighting the steps taken to manage climate-related risks in a way that supports the long-term interests of our members.

That said, the global context surrounding climate change remains complex, with many challenges to the climate transition and broader ESG objectives. This includes both the headwinds in policy and regulation and the evolving nature of the risks associated with climate change. Against this backdrop, the Trustee acknowledges the importance of striking the right balance – continuing to make meaningful progress in addressing climate-related risks while ensuring that any actions taken are expected to benefit the Scheme's members over the long term. As the Trustee moves forward, it will continue to assess the evolving landscape, taking a pragmatic and measured approach that aligns with the Scheme's long-term investment goals.

## **The Trustee has internal investment processes to ensure climate change is considered as part of any investment decision-making.**

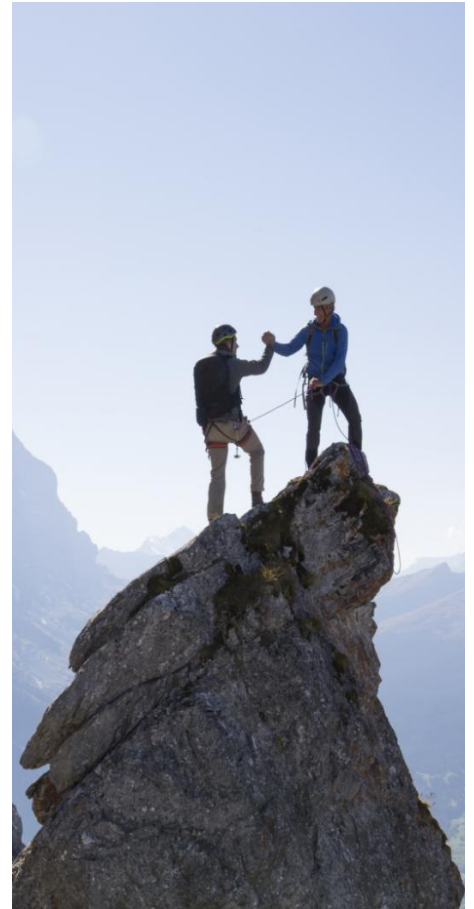
This report is available online at <https://www.smartpensionsuk.co.uk/#!/page/governance-documentation>.

As Trustee Directors, we also encourage members to engage with us on this important topic. If you have any questions, feedback, or thoughts on how to enhance the approach to managing climate-related risks, please do not hesitate to get in contact via IBM Pensions Trust at [IBM Pensions Trust | Contact Us \(smartpensionsuk.co.uk\)](https://www.ibm-pensions-trust.co.uk/contact-us).

We hope you find this report informative and continue to support the Trustee in its journey toward a more sustainable future.

### **Robert Tickell**

Chair of the Trustee of the IBM I.T. Solutions Pension Scheme



# Executive summary

This report covers the following four areas of the Climate Change Governance 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 Scheme;
- **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.

## Trustee's Aims and Objectives:

Having made progress towards its original three-year target, the Trustee has now set a new goal: **to reduce the Scheme's Weighted Average Carbon Intensity (WACI) for Scope 1 and 2 emissions by 50% by 2030**, relative to the baseline of 31 December 2022. This target applies to assets for which WACI data is available.<sup>1</sup>

In addition, the Trustee:

- supports the goal of meeting the Paris Agreement's ultimate aim of limiting global temperature increases to 1.5°C above preindustrial levels;
- believes that climate risk can have an impact on securing long-term financial returns and that considering climate risk is in the best long-term interest of Scheme members;
- aspires to set a net-zero target and is working towards such a commitment as data quality improves.

The Trustee is working with its investment managers to improve the quality of data and is considering approaches to reduce carbon emissions exposure within the Scheme's asset portfolio, with a view to gradually moving towards setting a net-zero target in the future. The regulations note that *"whilst long term targets such as 'net-zero by 2050' are ambitious, a long term target with no interim targets would not on its own meet our expectation for the trustee to consider and appropriately manage climate-related risk. Therefore, the target which the trustee sets should not be more than 10 years into the future."*

## The key messages from this report are:

- The Trustee has established processes to identify, assess and mitigate climate change risk.
- Climate change risk can have an impact on the long-term funding objectives of the portfolio.
- Four metrics have been reviewed and reaffirmed to monitor the progress against climate change risk.
- Reporting on carbon metrics has improved, with a greater proportion of assets now covered compared to the previous year.
- Scope 3 emissions data has been reported for the second consecutive year, although the Trustee recognises that coverage remains limited and expects data availability to improve over time.
- Given the progress to date, the Trustee has reviewed and updated the climate-related target to ensure continued alignment with its objectives.
- In Q4 2024, the Trustee further considered ESG factors as part of the annual Stewardship Assessment, with a particular focus on how investment managers align with the Trustee's ESG beliefs on climate change, energy efficiency, and diversity, equity and inclusion (DEI). A framework has been established to monitor and better understand manager approaches in these areas.
- The Trustee reaffirmed its sustainable investment beliefs in early 2025, following a dedicated review conducted in the final quarter of 2024.

<sup>1</sup> This includes scope 1 & 2 WACI emissions data where available for the following mandates: Global Bonds, Long-term UK Core Credit, Diversified Multi-Asset Growth and Alternative Credit.

## Trustee's progress against Target

The table below summarises the progress against WACI (the chosen target metric) over the year to 31 December 2024:

Mandate(s)	Asset allocation	Coverage	Changes in WACI since 2023
Global Bonds / Global Credit / Long-term UK Core Credit	27.7%	69.7%	-14%
DMAG	5.2%	82.0%	4%
Alternative Credit	2.9%	100.0%	-6%
<b>Total</b>	<b>35.8%</b>	<b>-</b>	<b>-11%</b>

There has been progress made towards the WACI target in respect of the total credit portfolio which is showing a 14% reduction, albeit the gains are less pronounced than the previous year.

The Trustee notes there has been an increase in the carbon intensity for the MGIE Diversified Multi-Asset Growth (DMAG) fund, coupled with a significant increase in coverage from 28% to 82%. The manager noted that the increase was driven by a change to the underlying managers.

Meanwhile, a decrease in emissions intensity for the alternative credit mandate is reported this year alongside an increase in coverage.

Carbon intensity for the LDI portfolio is measured using a different methodology. The change in carbon intensity therefore cannot be compared on a like-for-like basis with the other mandates shown. Whilst the LDI portfolio does not form part of the Trustee's overall target (as sovereign assets are excluded), the sovereign carbon intensity for both production emissions and consumption emissions was broadly unchanged over the reporting year.

As noted above, the Trustee has revised the target in light of progress made towards the Scheme's WACI objective. The updated target is to reduce the Scheme's WACI for Scope 1 and 2 emissions by 50% by 2030, relative to the baseline of 31 December 2022.

## Continuing the climate journey:

Over the next 12 months and beyond, the Trustee is planning to undertake the following actions:

- **Stewardship:** Engage with investment managers on carbon intensive holdings, voting and engagement activity to work towards the Trustee's climate goals and alignment with the Trustee's beliefs. An annual stewardship and ESG integration assessment will also be completed.
- **Risks:** Conduct an annual review of the risk register and Scheme governance documentation.
- **Climate Analysis:** Consider climate change risks and opportunities following completion of the Scheme's current investment strategy review.
- **Training:** Ensure that the Trustee is well equipped with sufficient knowledge of developments around climate change risk and regulatory changes.

The Trustee, with support from the Scheme's advisors, will review the above actions on an ongoing basis and consider longer-term actions as part of the Trustee's commitment to a sustainable future. The Trustee continues to assess its own capabilities within the area of sustainable investment, and in 2023 carried out a formal assessment to quantify the level of ESG integration within its investment decision-making, scoring highly.

All of the above said, the Trustee acknowledges the significant challenges facing the global investment community in achieving net zero targets. These challenges include geopolitical tensions, fluctuating regulatory frameworks, and the need for substantial technological and infrastructural advancements. While these headwinds can make the path to net zero more complex, the Trustee remains committed to integrating ESG factors into the investment strategy and pursuing long-term sustainable outcomes. The transition to a low-carbon economy is a gradual process, and the Trustee is focused on navigating these challenges responsibly while continuing to support the global effort towards a sustainable future.

# Governance

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

The Trustee has the ultimate responsibility for ensuring effective governance of climate-related risks and opportunities. The Trustee directors are becoming increasingly educated on climate change-related risks and opportunities and about how these may influence decisions in relation to risk management, strategy setting and in monitoring implementation.

The Trustee maintains a [Statement of Investment Principles](#) (SIP), which includes the key beliefs, risks and approach to responsible investment and climate change. This is reviewed on an annual basis (or more frequently, as required).

**Following a review of the investment beliefs that took place over the end of 2024 and into early 2025, the Trustee's investment beliefs on sustainability were agreed as follows:**



Environmental, social and governance (ESG) factors have the potential to impact financial outcomes and there is sufficient data to support climate risk being a significant financial risk for pension schemes



Engagement is more effective in achieving better outcomes than exclusions



Effective stewardship requires time, expertise, scale and influence and this can be best provided by using third parties and collaboration

In Q1 2023, the Trustee agreed the following key stewardship priorities:

- Climate Change;
- Diversity, equity and inclusion;
- Energy efficiency.

These stewardship priorities were subsequently reaffirmed in the first quarter of 2025.

The Trustee takes independent investment advice to help assess climate risks and opportunities and looks to ensure that any decisions continue to be integrated into a coherent investment strategy that supports the Scheme's ability to provide pensions.

The Trustee meets at least four times a year (and more frequently, as deemed necessary) where investment performance and risk management are reviewed, and climate-related risks form part of the wider assessment.

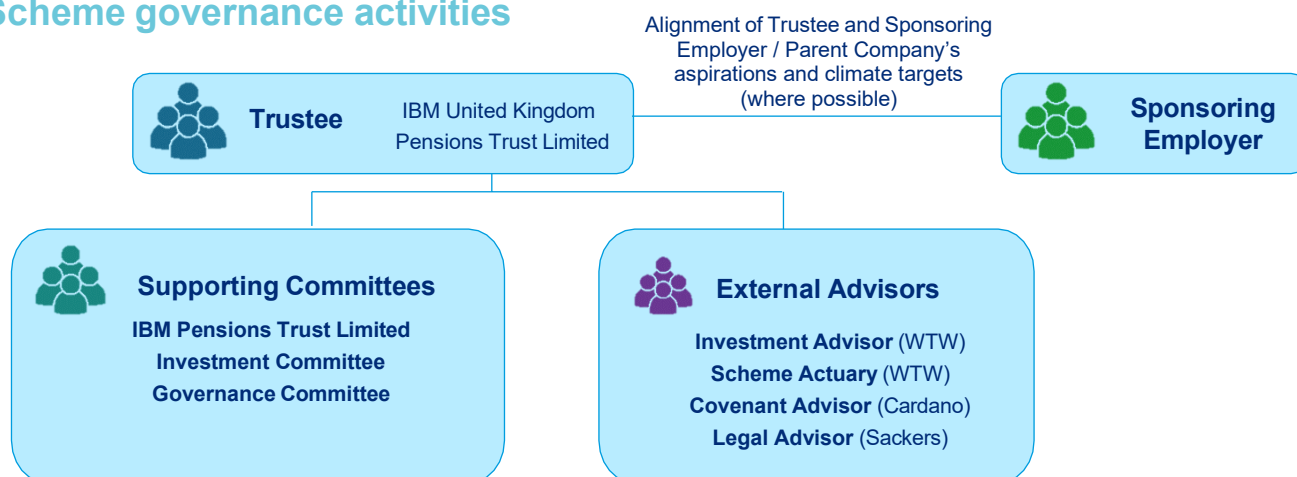
Research into how climate-related risks and opportunities impact financial markets is constantly evolving and expanding.

The Trustee has delegated the responsibility for the selection, retention, and realisation of investments to its underlying investment managers. The Trustee seeks to manage the risks and opportunities associated with these ESG factors by seeking industry leaders in investment management who demonstrate strong ESG, stewardship and engagement credentials, and align with the Trustee's ESG priorities.

The Trustee considers its current investment managers to be well-aligned overall with its own beliefs and policies.

The consideration of climate-related risks and opportunities is integrated into the wider monitoring and decision-making responsibilities of the Trustee. On at least an annual basis, the Trustee reviews the Scheme's risk register which includes climate change risks. The Trustee will be monitoring the carbon emissions metrics, portfolio alignment metric and non-emissions metric produced in this report against the chosen target annually and will consider climate-related risks and opportunities in conjunction with triennial investment strategy reviews.

## Roles and responsibilities of those advising or assisting the Trustee on Scheme governance activities



**Figure 1: Scheme governance structure**

Further details of the roles and responsibilities of the Trustee-appointed advisors are set out in the Appendix.

During 2024 the Trustee selected a new investment advisor, appointing WTW in May. As part of the selection process, WTW's approach to ESG and their capabilities to advise clients on these matters was considered. The Trustee works with its advisors to ensure that climate-related risks and opportunities are considered as part of its integrated risk management framework and expects its advisors to ensure the Trustee is compliant with the regulatory requirements when considering climate change. Specific objectives are included within WTW's investment advisor objectives to ensure ESG and climate related risks and opportunities are considered as part of the investment strategy setting and monitoring/selection of investment managers. An assessment against these objectives is completed by the Trustee on an annual basis. It is also noted that WTW co-founded the Investment Consultants Sustainability Working Group ('ICSWG') which brings together leading UK investment consulting firms with the aim of seeking to improve sustainable investment practices across the investment industry.

The Trustee expects all advisors to act with integrity and diligence in fulfilling the set objectives and uses meetings with the advisors to assess and challenge them. In addition, the Governance Committee has a rolling programme of inviting advisors to its meetings to review and assess their performance.

IBM Pensions Trust (the Scheme's in-house Pensions team) or WTW, acting on behalf of the Trustee, will engage with underlying investment managers where they are perceived to be lagging their peers in terms of ESG integration and climate risk management, and to ensure the investment managers are voting and engaging with the investee companies in line with the Trustee's engagement priorities. Over the reporting year, the investment managers have been challenged on how ESG is integrated into their investment processes as part of the Trustee's ongoing stewardship monitoring.

In 2021 the Trustee established an ESG sub-committee to have oversight of climate change, stewardship and ESG related issues, as well as ensuring compliance with regulatory requirements, regularly reporting back to the Trustee to keep it informed of discussions and progress at the ESG sub-committee meetings.

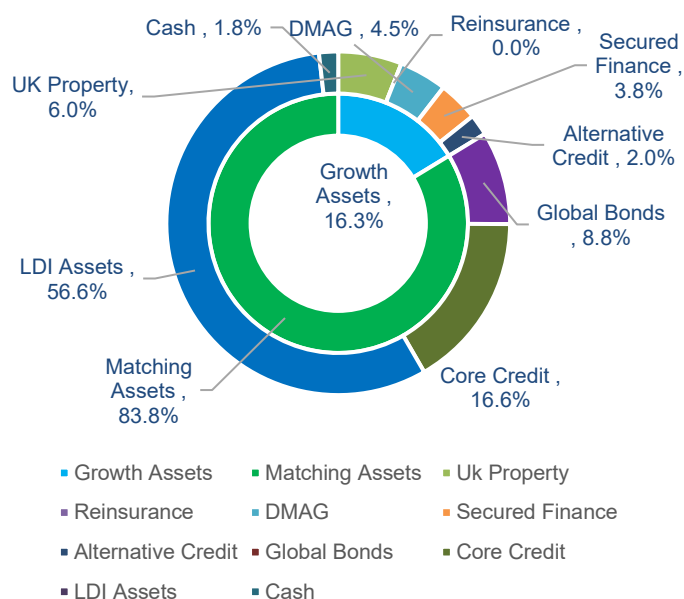
Having established the Scheme's overarching strategy with regards to sustainability, in 2024 the ESG sub-committee was integrated into the Investment Committee ("IC") with a view to streamlining decision-making and ensuring that sustainability perspectives are fully embedded in the wider investment process. The IC considers a range of sustainable investment topics and initiatives and makes recommendations to the Trustee Board where appropriate.

The Trustee has a specified engagement priority which includes focusing on climate change with the aim of improving the alignment to the transition to a lower carbon environment for the companies in which the Scheme is invested.

# Strategy

## Summary of Scheme Assets

The Scheme's long-term strategic asset allocation is set out in Figure 2 below. All of the funds within the Scheme's investment strategy are within the scope of climate-change related reporting requirements and are therefore considered as part of the scenario analysis and metrics (where available) in the remainder of this report.



Additionally, the Scheme holds a currency overlay mandate with Russell Investments which hedges the overseas exposure that is not hedged at the individual mandate level, and two reinsurance mandates held with Nephila and Securis which are in run-off and do not form part of the longer-term strategic allocation. These mandates are not covered within this report. Northern Trust is the global custodian of the Scheme's assets.

The Trustee has considered scenario analysis based on the long-term strategic asset allocation. The Trustee, as far as it is able, has considered metrics for the Scheme assets, excluding for the currency overlay mandate and re-insurance mandates (due to the availability of data from the investment managers).

**Figure 2: Strategic asset allocation\* of Scheme assets as at 31 December 2024**

*\*The sum of asset allocations may not be equal to exactly 100% due to rounding*

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

**Figure 3: Timeframes of short, medium and long-term horizons to identify relevant climate-related risks and opportunities.**

Short Term	Medium Term	Long Term
The Trustee expects that potential short-term risks identified could cause an impact 0-3 years from now. This time horizon takes into account the <b>Scheme's triennial statutory funding valuation and investment strategy review</b> . The last triennial actuarial valuation, effective 31 December 2024, is expected to be completed in 2025.	<p>The Trustee expects that potential medium-term risks identified could cause an impact 3-8 years from now. This time horizon considers how the Scheme's <b>funding and investment strategy will progress to achieve the long-term funding objective</b>.</p> <p>The investment strategy was reviewed in late 2024 but no changes were made to the strategic asset allocation.</p> <p>The medium term is defined in conjunction with IBM's 2030 net zero target and the time to move to a low-risk funding target.</p>	The Trustee expects that potential long-term risks identified could cause an impact 9 years and beyond. This time horizon reflects the <b>long-term objective of the Scheme's funding and investment strategy to secure members' benefits</b> (e.g. with an insurance company). It should be noted that the Scheme's investment time horizon may shorten materially if the Trustee enters into insurance contracts to secure member benefits.

As a long-term investor, the Trustee recognises the risks and opportunities arising from climate change are diverse and continuously evolving. Climate change presents risks over the short, medium and long-term, which the Trustee aims to better understand and mitigate where possible. The Trustee has considered short, medium and long term drivers of risk which are set out in the Appendix.

## Describe the climate-related risks and opportunities relevant to the Scheme over the time periods that the Trustee has identified and the impact of these on the Scheme's investment strategy

### Climate-related Risks

The performance of the Scheme's portfolios is directly aligned to the value of the underlying assets, which are impacted by climate-related risks and opportunities.

The Trustee ensures that the Scheme's investment strategy is well-diversified, and that the investment managers have an appropriate understanding of both the companies and assets in which they invest and the risks to which they are exposed. As part of regular performance monitoring, the investment managers are expected to provide information on how climate-related risks and opportunities are integrated into their investment decisions.

The Trustee monitors on an annual basis the carbon intensity of the Scheme's assets and how this changes over time, where the information is available. The carbon intensity for each of the Scheme's assets and the impact on the Scheme's investment strategy has been reported (where available) within the Metrics section of this report.

Climate change risk can also have an impact on the long-term funding objective of the Scheme. The Scheme Actuary calculates the Scheme's funding level by comparing the current value of assets to the present value of the Scheme's current and future liabilities (pension payments to members). The Actuary adopts a range of assumptions to calculate the present value of liabilities, such as expected mortality and the long-term investment return. Mortality in the long term may be impacted by the ability to limit warming and transition to a lower carbon economy. Equally, the assumed investment return from the Scheme's investment strategy could be impacted under different climate change transition scenarios.

## Climate-related Opportunities

Despite recent global headwinds, the Trustee continues to believe that there are significant opportunities for investing in companies and assets that may benefit as the Scheme transitions to a lower carbon environment. As part of the ongoing monitoring of investment managers, the Trustee will engage with the investment managers to understand the underlying investments that are being made and the extent that climate change risk is considered along with potential opportunities.

## Describe the impact of climate-related risks and opportunities on the sponsoring employer's covenant over the relevant short, medium and long-term time horizons

The Trustee recognises it is important to better understand the potential impact on the covenant of the effects of climate change, which can impact on the long-term funding requirements of the Scheme. The analysis carried out by Cardano (the Trustee's Covenant Advisor) has been based on the IBM Group (IBM) rather than the Scheme's employer (IBM United Kingdom Holdings Limited) given the integrated nature of the Group.

Climate change can impact a business or organisation throughout the whole value-chain and the key issues arising from climate change are complex and multi-dimensional.

IBM's exposure to climate risks can most easily be considered against the possible transmission channels throughout its value chain.

- **Supply Chain:** IBM's supply chain is global and diverse, with spend spread broadly around the world in key areas such as software, hardware, services and labour.
- **Operations:** IBM offers a wide range of Information Technology services, solutions, infrastructure and software such as cloud and data services, artificial intelligence, consulting, hybrid infrastructure and infrastructure support, and financing, to a wide range of customers, including commercial businesses and the public sector, in over 175 countries, primarily in North America, Europe and Asia.
- **Competitors:** Primary competitors include large multi-national listed companies.
- **End Market:** A diverse list of primarily technology services, hybrid, cloud and software for a diverse array of industries, including manufacturing, financial services, communications, energy, transportation, consumer and retail.
- **Macro-economic:** IBM's global reach and the nature of its product offering could expose it to wider macro-economic risks, such as inflationary pressures or global recessions.

## What could the sponsoring employer do to address such a risk?

IBM has committed to the climate transition goals below:

	Direct Operations Scope 1 and 2	Value Chain Scope 3
<b>Net Zero Goal</b>	2030	Some by 2030
<b>Interim Target</b>	65% by 2025	Some by 2025
<b>Energy Target</b>	75% renewable energy by 2025, 90% renewable energy by 2030	
<b>Ambition</b>	Aligned with 1.5 degrees	
<b>Baseline</b>	2010, adjusted for acquisitions and divestitures	

The Scheme's Covenant Advisor has assessed the potential climate scenario risks analysis over time and noted that while individual components of risk (such as supply chain exposure) have increased since the 2023 covenant assessment, IBM's progress against their climate-related targets mean that there is no change to the overall risk ratings across the scenarios. Therefore, the Covenant Adviser outlined the following recommendations as part of the 2024 covenant assessment:



**Contingency planning:** Consider undertaking contingency planning whereby Cardano work with the investment and actuarial advisors to map the possible impact of narrative downside scenarios over the nearer term (e.g. 5 years).



**Monitor:** Closely monitor the Group's scope 3 carbon reduction progress against targets, including increasing visibility over remaining scope 3 emissions not yet calculated.



**Regulatory readiness:** Regularly horizon scan for potential regulations, particularly in respect of data centre energy usage, and assess the Group's readiness to meet any such changes.



**Supply chain exposure:** Consider the Group's supply chain exposure to regional, material climate events and any contingency/mitigation plans in place.



**Sustainability oversight:** Consider whether the Trustee might benefit from adopting a 'sustainability dashboard' to monitor sustainability risks and policy implementation.

The Trustee is considering these recommendations and will look to incorporate these into its future monitoring and assessment of climate risks in respect of the sponsoring employer in an appropriate and pragmatic way.

## Scenario analysis

### Describe the resilience of the Scheme's strategy, taking into consideration different climate-related scenarios, including a 1.5°C scenario

The Trustee supports the goals of the Paris Agreement that seeks to limit warming to well below 2°C (and ultimately 1.5°C) relative to pre-industrial temperatures. The Trustee believes that climate risk may have an impact on securing long-term financial returns and believes that considering climate risk is in the best long-term interests of Scheme members.

Climate change scenario analysis has been undertaken on the Scheme's strategic asset allocation in order to assess the potential implications of climate change under three modelled scenarios, Rapid transition, Orderly transition and Failed transition, over 3, 8 and 28 years. The Trustee has chosen these scenarios to show the impact of considering climate risk and the levels of action taken at different ends of the transition spectrum i.e. from taking decarbonisation action now ('best case' scenario) to a scenario with little action in either the short or long term to reduce carbon emissions causing a more pronounced rise in global warming.

The above said, the Trustee is aware of the general feedback across the industry that "worst case" scenarios adopted by many pension schemes may not be severe enough. In particular, future analysis can be expected to include an additional "hot house world" scenario, in which the world follows a net-zero pathway, however the resultant temperature outcome exceeds 2°C due to a lower than expected remaining carbon budget and/or the impact of climate tipping points. Such a scenario would be expected to have the greatest impact on the Scheme's assets.

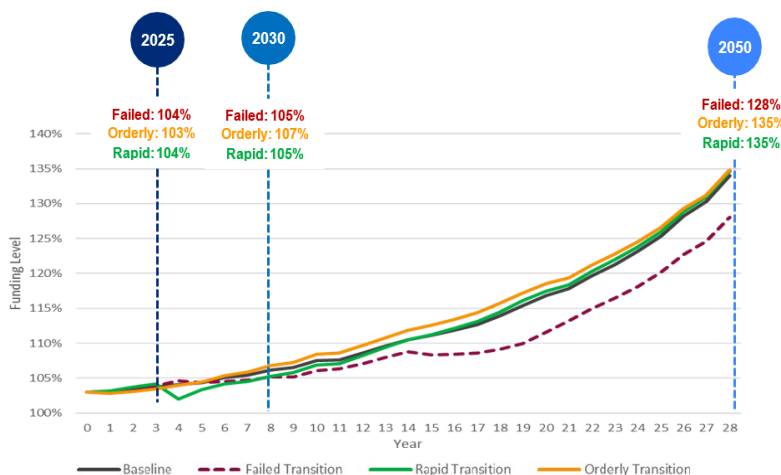
## Scenario Analysis Results

This section sets out high level output of the Trustee's quantitative analysis of the investment and funding strategy. This analysis was completed for the 2022 report by previous investment advisor Mercer, and was not updated during the Scheme year as no changes were made to the strategic allocations or assumptions considered that might lead to a material change in the conclusions. This is consistent with the regulatory guidance to update scenario analysis at least every three years. Further detail on the assumptions and limitations associated with climate scenario analysis are set out in the Appendix.

### Funding and Investment Strategy

The chart below shows a projection of the funding level of the Scheme over a period of 28 years from 2022 to 2050.

**Figure 4: Climate change scenario analysis – Funding Level**



#### Key Findings

- Short term (3 years):** transition risk has not yet had a significant impact on the investment strategy. The model assumes that transition risk will dominate under a Rapid Transition scenario, leading to a material drawdown in year 4. However, the timing of this shock and recovery is uncertain, and currently, there is little difference between scenarios in terms of their impact on returns.
- Medium term (8 years):** both physical impacts and transition risks are increasingly priced into the investment strategy. The Failed and Rapid Transition scenarios result in losses of around 1% and 0.9% respectively for the funding level portfolio compared to the baseline. Physical impacts and transition risks reduce annual investment strategy returns by approximately 0.1% per annum.
- Long term (28 years):** physical impacts become the most important factor. Under the Failed Transition scenario, losses amount to approximately 6.0% of the portfolio's funding level compared to the baseline. The deterioration in the funding level is partly due to a reduction in annual returns by approximately 0.2% per annum relative to the baseline. The investment portfolio performs better under the Orderly and Rapid Transition scenarios, as physical impacts are lower due to limited temperature rises.

This is "top down" analysis – i.e. it is based on the Scheme's investments at an asset class level and does not consider the individual stocks held within each asset class. Mercer has considered both assets and liabilities across the matching and growth portfolios of the Scheme's investment strategy. The analysis excludes the currency overlay mandate held with Russell Investments and the two reinsurance mandates held with Nephila and Securis.

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

Source: Ortec, Mercer.

**It is important to note that the scenarios used in the analysis are not extreme or tail risk events. The true level of risk and uncertainty may be greater for higher warming scenarios. The analysis only forecasts the climate-related impact on relative returns and does not consider other factors such as economic conditions, political events, or market conditions.**

The Trustee will consider these climate scenarios further as part of the future funding and investment strategy of the Scheme. These will next be reviewed in 2025, following the triennial investment strategy review which commenced in 2024.

## Covenant Scenario Analysis

The three climate scenarios which have been considered as part of the covenant assessment carried out by Cardano for the Trustee's 2024 climate report are unchanged from the prior analysis conducted and are set out in the Appendix.

Under each climate scenario, Cardano identified the key potential risks and determined the impact that these risks would have on the covenant of the sponsoring employer in the short, medium and long term.

**The key findings from the risk analysis are:**

- The risks associated with a **Rapid Transition** are greater in the near term than in an **Orderly Transition** due to delayed but sudden implementation of policies falling within the 'near-term' time horizon (2025).
- In the near term, risks associated with a **Rapid Transition** scenario are higher due to the implied cost of decarbonisation across the supply chain and operations.
- Over the longer term, the physical risks to suppliers, workforce and key operating sites, as well as GDP declines, are expected to be more pronounced in a **Failed Transition**.

IBM is also likely to benefit from opportunities to provide customers with services that better enable them to meet sustainability targets and limit environmental impact. This could partly offset risks identified in this assessment.



# Risk management

## Describe the Scheme's process for identifying, assessing and managing climate change-related risks

The Trustee recognises that climate-related risks can be financially material and that the due consideration of climate risk falls within the scope of the Trustee's fiduciary duty. Given the long-dated nature of the Scheme's investments and the timeframe in which climate risks could materialise, a total portfolio approach to risk management covering all relevant asset classes has been taken. The ongoing risk management processes that are carried out by the Trustee are set out in the Appendix. The table below provides additional information in relation to the risk management activities in each of the key areas for the reporting year.

<b>Governance</b>	<ul style="list-style-type: none"> <li>The <b>Trustee regularly receives training</b> from WTW as appropriate on climate-related issues, including market and regulatory updates.</li> </ul>
<b>Strategy</b>	<ul style="list-style-type: none"> <li>The Trustee undertakes <b>climate change scenario modelling</b> on at least a triennial basis. The last assessment was carried out in 2022 and the next assessment will be carried out in 2025. The Trustee has commissioned <b>covenant analysis</b> carried out by Cardano as part of this report, to understand the impact of climate change risk on the covenant of the Scheme's sponsor. The recommendations from the 2024 review are set out in this report.</li> </ul>
<b>Reporting</b>	<ul style="list-style-type: none"> <li>The Trustee carried out an assessment of its own capabilities within sustainable investment in 2023, which concluded: <ul style="list-style-type: none"> <li>A strong overall rating for the level of ESG integration in investment decision-making.</li> <li>Action had been taken to strengthen the Trustee's ESG beliefs and key priorities, and work done to further engage with the Scheme's investment managers through the annual Stewardship Assessment.</li> </ul> </li> </ul>
<b>Manager monitoring</b>	<ul style="list-style-type: none"> <li>WTW carries out an annual Stewardship and ESG Manager Ratings Assessment. WTW's first assessment was carried out in 2024, following a similar assessment provided in prior years by the Scheme's previous investment advisor. The 2024 Stewardship Assessment concluded that: <ul style="list-style-type: none"> <li>All of the Scheme's managers achieved a "strong" or "acceptable" rating for their overall ESG credentials.</li> <li>All of the Scheme's investment managers remain signatories to the UN Principles for Responsible Investment (PRI).</li> <li>All managers remain signatories to the 2020 UK Stewardship Code.</li> <li>All managers had a publicly available stewardship or engagement policy which aligns with the Trustee's belief that climate change is a priority area.</li> <li>All managers believe climate change risks and DEI to be important, with the majority able to provide an example of DEI engagement. The topic forms part of their investment process, which aligns with the Trustee's ESG beliefs.</li> <li>IBM Pensions Trust are engaging with investment managers where the Stewardship Assessment identified gaps in the responses or where managers did not perform as well on the Stewardship Assessment as their peers. Specifically, IBM Pensions Trust have engaged on the Net Zero Asset Managers initiative (NZAMI) and DEI and worked with the managers to understand the context for their specific area of the investment.</li> </ul> </li> </ul>
<b>Manager Selection and Retention</b>	<ul style="list-style-type: none"> <li>WTW rates investment managers on the extent of integration of ESG factors (including climate change) into their processes. <b>A manager's stewardship process forms part of the rating assessment.</b> This is considered at the firm level and at the investment strategy/fund level.</li> </ul>

## **Describe how processes for identifying, assessing and managing climate change-related risks are integrated into the Scheme's overall risk management (including the Scheme's liabilities and sponsor covenant)**

Both climate change-related risks and wider investment risks are considered as very important by the Trustee. Where possible, climate change and wider investment risks such as demographic trends are treated in a holistic manner by recognising they are often interrelated. Climate change and ESG risks are included alongside other material risks in the SIP and the risk register.

The climate change scenario analysis is strategic in nature and has therefore been incorporated into wider investment strategy discussions and considerations and into the portfolio design. The Trustee has commissioned scenario analysis to be carried out as part of understanding the impact of climate change risk on the sponsor covenant and the Scheme's assets and liabilities. Furthermore, as mentioned earlier in this report, the Trustee recognises climate change risk in its risk register which is reviewed at least annually.

## **Engagement Examples**

Over the year to 31 December 2024 the investment managers in which the Scheme invests undertook a number of climate-related engagements, examples of which are detailed below:

### **PIMCO**

PIMCO provided the example of ING Groep NV, an insurer with whom they have previously engaged for several years and most recently on their climate strategy and sustainable financing targets. As part of their engagement, PIMCO encouraged ING to flesh out the drivers for year-on-year changes in financed emissions and to enhance expectations related to methane on zero routine flaring, leakage prevention and moving towards measurement-based emissions accounting in line with the Oil and Gas Methane Partnership 2.0 (OGMP). PIMCO also recommended explicitly linking sectoral finance emissions to the executives' variable compensation to reflect their long-term net zero ambition more closely as this is one of the most crucial aspects of the bank's decarbonisation strategy.

### **24AM**

24AM engaged with Volkswagen Leasing ahead of the VCL 41 auto deal to request carbon emissions data that had been promised over the past two years. However, the company was still unable to provide the data, citing internal challenges and difficulties obtaining information from their automotive division. They also failed to offer a clear timeline for when the data would be available. In response, 24AM expressed disappointment and, due to the ongoing lack of transparency and accountability, decided to exclude this from their sustainable funds. They also published a blog post highlighting Volkswagen Leasing's underperformance in emissions disclosure compared to its peers.



# Metrics and Targets

## Metrics

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

This report presents carbon data and climate-related engagement analysis for the Scheme's investment mandates as at 31 December 2024 (or the closest date the data is available at time of preparing this report).

The Trustee recognises that the availability of accurate data for some asset classes continues to be an industry-wide issue and will engage with the investment managers to improve their climate and carbon reporting, but also to influence custodians and the companies in which they invest, to improve their climate and carbon reporting as quickly as possible. In this context, it should be noted that there can be a significant time lag in the provision of emissions data from individual companies to data providers, and from data providers to fund managers. The Trustee recognises that this leads to a certain amount of uncertainty regarding the drivers of changes in carbon emissions across the Scheme. The Trustee continues to work with WTW to implement long-term carbon intensity reduction solutions where possible in order to reach the set target.

In this report, the Trustee has reported on the following four key metrics:

Metric Category	Metric chosen by Trustee	Rationale for chosen metric	Relevant Figures
<b>Absolute emissions</b>	The total carbon dioxide equivalent emissions (CO <sub>2</sub> e) attributable to a portfolio.	This is the recommended metric in line with regulations.	Figure 5 (Credit Portfolio) Figure 7 (LDI Portfolio) Figure 8 (Other Portfolios)
<b>Emissions intensity</b>	Weighted Average Carbon Intensity ("WACI")  The carbon intensity of a portfolio, weighted by the proportion of each constituent in the portfolio. Carbon intensity is calculated for each company as (Scope 1 and 2 carbon emissions / \$m sales).	The Trustee has chosen this metric as the majority of the Scheme's investment managers (where relevant, although some investment managers have followed a slightly different approach due to the nature of the underlying assets) are able to report on this and because it provides a measure relative to the respective portfolio allocation and therefore currently provides better insight in this context than <b>Carbon Footprint</b> <sup>2</sup> .  Carbon footprint is the recommended metric for measuring emissions intensity under the UK regulatory guidance "Taking Action on Climate Risk". The Trustee also reports on this and may move to this as a main metric in future, as it may be more intuitive for Scheme members and is a more straightforward metric to apply in the context of portfolio composition and attribution analysis.	Figure 6 (Credit Portfolio) Figure 7 (LDI Portfolio) Figure 9 (Other Portfolios)
<b>Additional metric</b>	Share of portfolio held at year end for which engagement or voting on climate-related risk and opportunities has been a substantive topic	This non-emissions based metric allows the Trustee to assess the extent to which an asset manager is engaging and/or voting on the topic of climate change. The Trustee has chosen this metric as it believes that engagement on climate-related issues is important. This metric will enable the Trustee to monitor improvement in engagement levels over time and is an area of focus for the Trustee.	Figure 11
<b>Portfolio alignment metric</b>	Science Based Targets initiative ("SBTi")	The Trustee has chosen this metric as it allows for an assessment of the extent to which a portfolio is committed to net zero. In addition, SBTi is an industry approved, scientifically rigorous approach used to assess decarbonisation pathways. This will enable the Trustee to monitor the progress of its investments relative to its own proposed net zero commitments.	Figure 10

<sup>2</sup> Carbon Footprint is an intensity measure of emissions that takes the Scheme's Total greenhouse gas emissions figure and normalises it to take account of the size of the investment.

Metric Category	Metric chosen by Trustee	Rationale for chosen metric	Relevant Figures
		The Trustee also reports on <b>Implied Temperature Rise</b> <sup>3</sup> , where data is available from the Scheme's investment managers, and this is included in the Appendix.	

## Carbon emissions analysis

The carbon emissions analysis includes scope 1 and 2 emissions for Scheme assets. Where the data cannot be provided, comments have been supplied by the investment managers and included in this report. The Trustee notes that it does not rely on scope 3 data to form conclusions and actions given the poor data quality and availability. This means that for some companies the assessment of their carbon emissions could be considered an 'understatement' at present. Examples could include an online retailer whose logistics emissions are not captured in its scope 1 or 2 emissions.

The metrics information set out in this report includes **coverage**, which represents the share of the securities in the fund which report on a given climate metric, provided by the Scheme's investment managers.

As noted earlier in this section, the Trustee recognises that there are still limitations in the accuracy and availability of emissions information – in particular, for scope 3 emissions. Fluctuations are expected to be observed over time and hence the commentary on the metrics disclosed in this report has focussed on the drivers for the changes in scope 1 and 2 emissions.

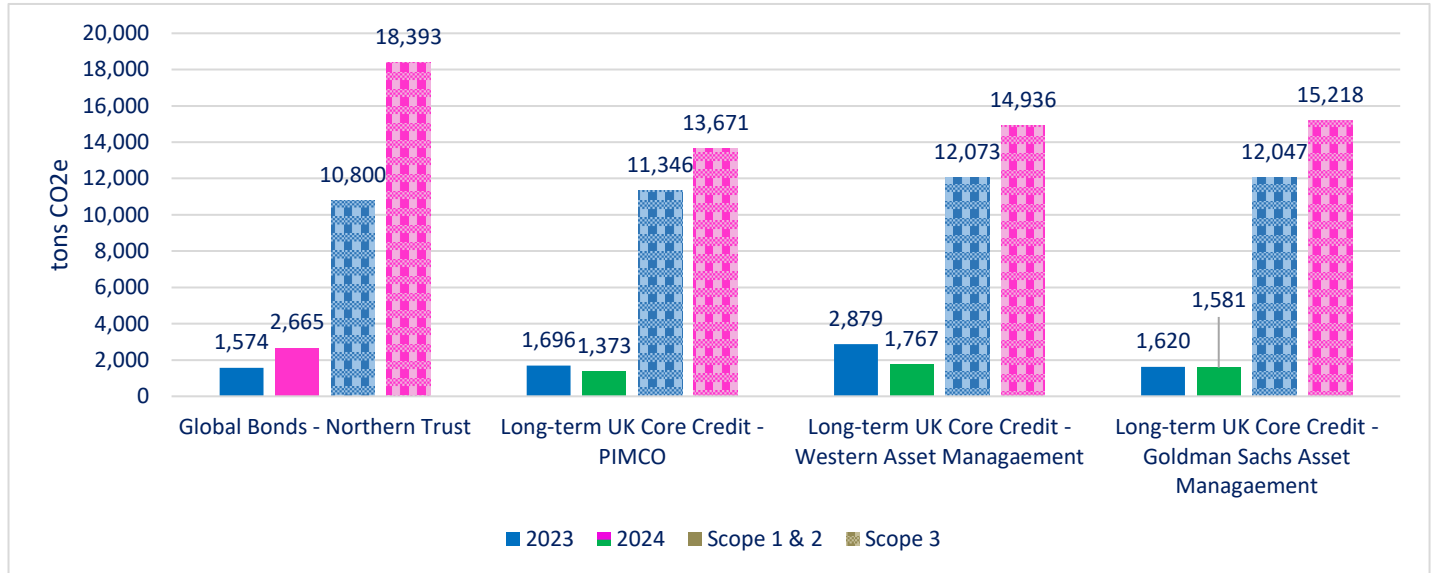
The Trustee has commissioned Northern Trust, as custodian of the Scheme's assets, to produce the agreed emissions-based metrics, where available. Northern Trust only currently provide reporting for equity and credit mandates and as such have provided the emissions-based metrics for the Global Bonds and Long-term UK Core Credit mandates. This enables the Trustee to consider the carbon emissions data in a consistent manner across all the credit mandates, allowing high-level comparison analysis to be carried out and to aid the Trustee with discussions and planning to reduce the Scheme's carbon exposure. Where possible, the carbon emissions data for the remaining Scheme assets have been provided separately in this section.

The following analysis should be considered with some caution given the varying levels of data coverage for all the mandates reported. The comparison of each carbon metric and each mandate are highlighted in red (which represents an increase over the year) and green (which represents a reduction over the year). The scope 1 and 2 emissions are indicated by the solid-coloured bars and scope 3 emissions are indicated in the pattern-shaded bars in the charts shown in this section of the report. The bars are grouped by each fund analysed.

<sup>3</sup> 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.

Figure 5 below provides a summary of the metrics provided by Northern Trust for the Scheme's credit mandates. The blue bars in Figure 5 shows the total carbon emissions as at 31 December 2023. The green and pink bars show the total carbon emissions as at 31 December 2024, with a green bar indicating a reduction and a pink bar indicating an increase over the year.

**Figure 5: Absolute emissions of the Scheme's credit portfolios**



	Global Bonds - Northern Trust		Long-term UK Core Credit - PIMCO		Long-term UK Core Credit - Western Asset Management		Long-term UK Core Credit - Goldman Sachs Asset Management		Total	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
Value (£m)	83.1	84.3	56.3	49.8	56.8	50.2	56.2	49.7	252.4	234.0
% of total Scheme assets	8.8	10.0	5.9	5.9	6.0	5.9	5.9	5.9	26.7	27.7
% coverage of reportable assets	85.6	87.6	48.4	55.9	64.7	68.9	51.8	53.8	59.9	69.7

Source: Northern Trust, 31 December 2023 and 31 December 2024

The coverage highlights the weight of companies by market value that report reliable emissions in the portfolio from those asset classes which are covered, i.e. corporate bonds.

The Global Bonds and Long-term UK Core Credit mandates represented around 28% of the Scheme assets at 31 December 2024. As shown, total scope 1 & 2 carbon emissions have decreased by 5%, whilst coverage has increased. Three out of the four underlying managers: GSAM UK Core Credit, Western UK Core Credit, the PIMCO UK Core Credit Fund have all seen reductions in the scope 1 and 2 total carbon emissions, with PIMCO and Western reporting the largest reduction.

- **PIMCO's Long term UK Core Credit Scope 1 and 2 Total Carbon Emissions:** PIMCO's total scope 1 and 2 emissions have decreased by c.19%, alongside an increase in coverage.
- **Western UK Core Credit Scope 1 and 2 Total Carbon Emissions:** Western saw a decrease of c.39% alongside an increase in coverage.

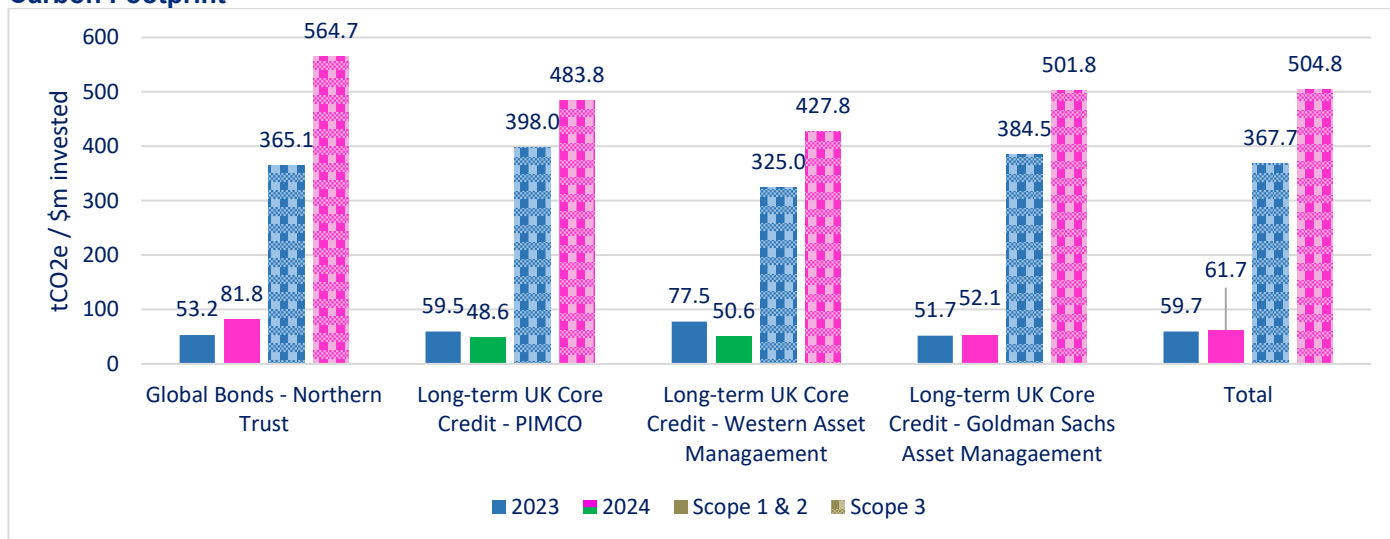
In relation to scope 3 emissions, an increase was observed across all of the Scheme's credit portfolios, however it is worth noting that the coverage % has also increased across all of the mandates.

The Global Bond portfolio managed by Northern Trust invests in a number of underlying mandates and a breakdown of the carbon exposures of the underlying mandates is not available. The Trustee aims to work with Northern Trust to help with the engagement with the underlying investment managers.

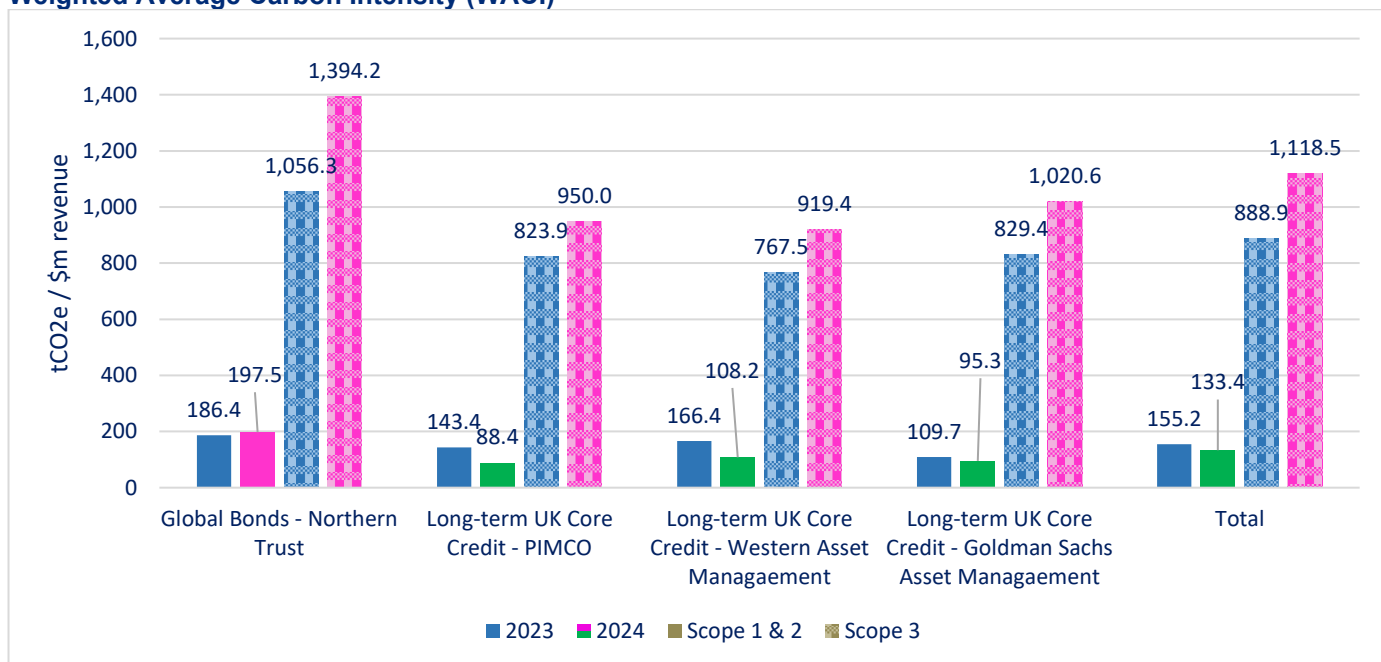
Figure 6 sets out the Carbon Footprint and WACI for the credit portfolios as at 31 December 2023 and 31 December 2024.

**Figure 6: Carbon Footprint and Weighted Average Carbon Intensity (WACI) of the Scheme's credit portfolios**

### Carbon Footprint



### Weighted Average Carbon Intensity (WACI)



Source: Northern Trust, 31 December 2023 and 31 December 2024

Carbon footprint for scope 1 and 2 emissions decreased across PIMCO and Western, however at a total level the carbon footprint saw a modest increase across the year of c.3.4%. The carbon footprint normalises the total carbon emissions of the portfolio per every million \$ invested, suggesting that the total carbon emissions per million \$ invested has increased. The Global Bonds fund saw the largest change in carbon footprint for scope 1 and 2 with a c.54% increase. The Trustee will engage with the investment manager to help understand the reason for this increase.

The WACI for scope 1 and 2 has decreased across all portfolios except Global Bonds. However, there are a number of underlying factors which could contribute to the decrease in WACI owing to its calculation methodology.

In respect of scope 3 emissions, at a total credit portfolio level, carbon footprint has increased by around 37% and WACI has increased by around 26%. All of the underlying portfolios observed an increase in carbon footprint and WACI.

Figure 7 below provides carbon emissions metrics data in respect of the Scheme's LDI portfolio, managed by Cardano, for which data is reportable as at 31 December 2024. This represents around 55% of total Scheme assets. The metrics for the prior year are included in the Appendix for reference.

**Figure 7: Climate-Related Metrics in respect of the Scheme's LDI allocation**

Manager	Value	Proportion of Total Scheme Assets	Proportion of fund that is reportable	Coverage of reportable assets	Total Carbon Emissions		Sovereign Carbon Intensity	
	(£m)	(%)	(%)	(%)	(tons CO <sub>2</sub> e)		(tons CO <sub>2</sub> e / \$M PPP adjusted GDP)	
					Production Emissions*	Consumption Emissions**	Production Emissions*	Consumption Emissions**
Cardano	434.8	54.6	95	100.0	78,550	108,968	120.6	167.3

Source: Cardano, 31 December 2024.

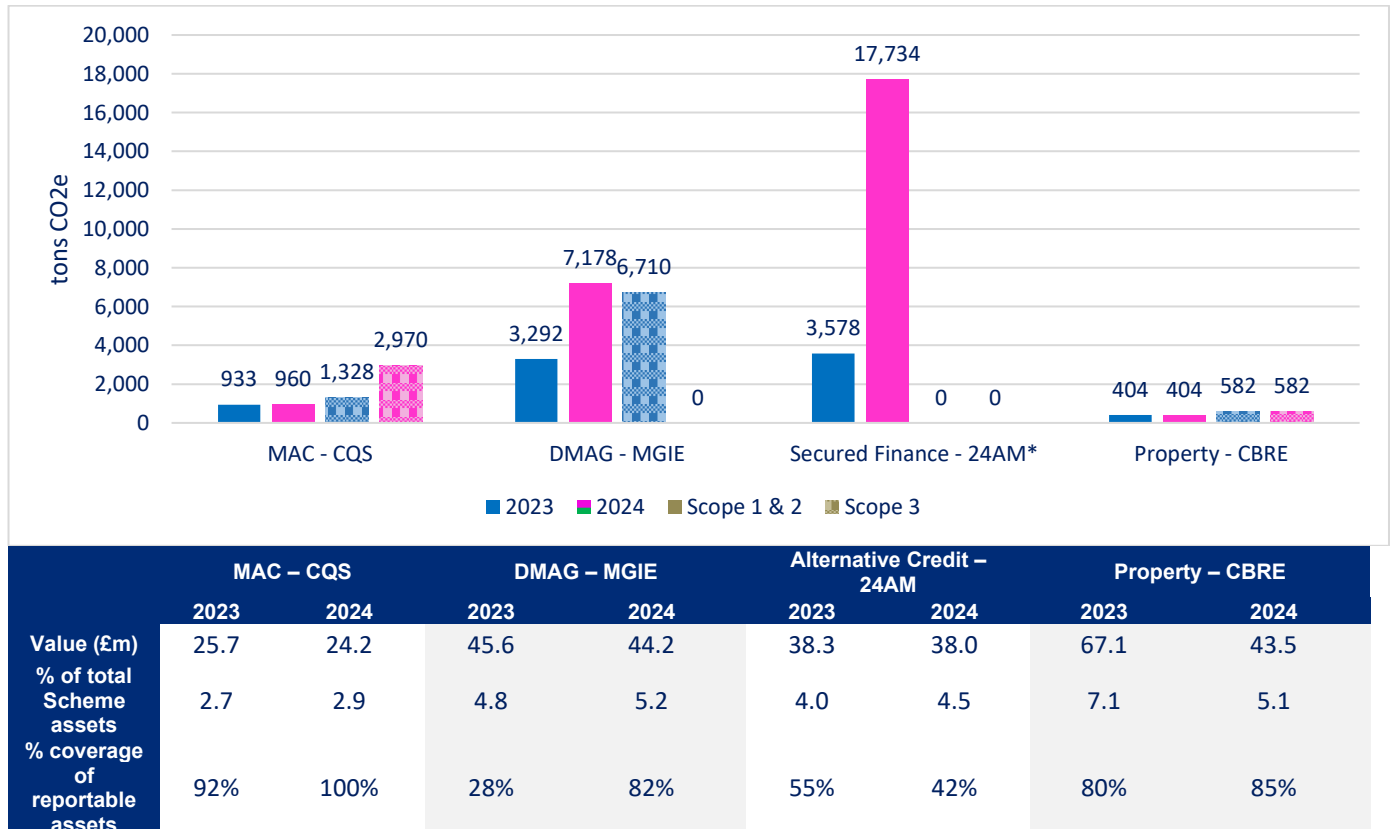
\*Sovereign emissions data shown are consistent with the PCAF definition of Scope 1 sovereign emissions, aligning with the UNFCCC definition of domestic territorial emissions, including emissions from exported goods and services. Emissions data include land use, land use change and forestry. Data sourced from MSCI.

\*\*Sovereign emissions data shown are consistent with the PCAF definition of Scope 1, 2, and 3 sovereign emissions, aligning with the UNFCCC definition of domestic territorial emissions, including emissions from exported goods and services. Emissions data include land use, land use change and forestry. Data sourced from MSCI.

The Scheme invests in growth assets equating to approximately 18% of total invested assets as at 31 December 2024.

Figure 8 below, provides carbon emissions data in respect of the following growth assets: MGIE Diversified Multi-Asset Growth (DMAG), CBRE UK Property, CQS Alternative Credit and 24AM Secured Finance holdings. The green and pink bars show the emissions metrics as at 31 December 2024, with a green bar indicating a reduction and a pink bar indicating an increase over the year. The scope 1 and 2 emissions are indicated by the solid-coloured bars and scope 3 emissions are indicated in the patterned-shaded bars in the chart shown below (where available).

**Figure 8: Absolute Emissions in respect of the Scheme's other allocations**



Source: MGIE, CBRE, CQS and 24AM as at 31 December 2023 and 31 December 2024.

“-” indicates data not available.

\* 2023 data is estimated based on the industry averages for asset classes of the underlying holdings where carbon emissions information is available. 2024 data was sourced directly from the managers. 24AM note that no Scope 3 data is available for ABS

The Scheme also has a small residual holding in reinsurance arrangements. Due to the complexity of these assets, there is no carbon emissions data available.

There is limited data in relation to the carbon footprint and WACI for the Scheme's mandates within the growth allocation. This is largely due to the type and complexity of the assets held. Figure 9 sets out the information provided by the managers, where the data is available or estimated to provide an indication.

**Figure 9: Carbon Footprint and Carbon Intensity metrics in respect of the Scheme's other allocations**

Manager	Carbon Footprint (Scope 1 & 2)		Carbon Footprint (Scope 3)		WACI (Scope 1 & 2)		WACI (Scope 3)		WACI (Scope 1, 2 & 3)		Sovereign Carbon Intensity (Scope 1 & 2)		Sovereign Carbon Intensity (Scope 3)	
	tons CO2e / \$M invested		tons CO2e / \$M invested		tons CO2e / \$M revenue		tons CO2e / \$M revenue		kgCO2e / m2		tons CO2e / \$M PPP adjusted		tons CO2e / \$M PPP adjusted	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
<b>DMAG – MGIE</b>	109	116	25 (Upstream) / 90 (Downstream)	43 (Upstream) / 130 (Downstream)	207	215	59 (Upstream) / 252 (Downstream)	70 (Upstream) / 212 (Downstream)	-	-	387	190	-	-
<b>Alternative Credit – CQS</b>	50	44	73	136	85	80	112	136	-	-	-	-	-	-
<b>Secured Finance – 24AM</b>	28	52	-	-	-	-	-	-	-	-	-	-	-	-
<b>Property – CBRE</b>	-	15	-	-	-	-	-	-	28	-	-	-	-	-

Source: MGIE, CQS, 24AM and CBRE as at 31 December 2023 and 31 December 2024.

Asset Backed Securities holdings have no revenue, therefore WACI is not available for 24AM.

CBRE are now able to report on WACI but this is not split by scope. Their figure covers all scopes (1, 2 and 3) and weighted by year end NAV.

“-“ indicates data not available.

MGIE provided information in respect of the DMAG fund, which shows that the carbon footprint, WACI and sovereign carbon intensity have increased between the reporting dates. MGIE noted the increase is due to the change in the manager line-up over the year.

Based on the information provided by CQS, there has been a reduction in Scope 1 & 2 Carbon Footprint and WACI, but an increase in Scope 3 Carbon Footprint and WACI. CQS have explained that in addition to a small increase in the Scope 3 portfolio coverage model, much of the rise in WACI comes from an increase to the high yield allocation in the portfolio.

Whilst the carbon footprint associated with 24AM is reported to have increased, this is driven by both the composition of the underlying assets, and improvements in the manager's data collection methodology.

CBRE are unable to provide data for Carbon Footprint or WACI, split out by scope.

## Portfolio alignment metric (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.

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 has been expanding rapidly. The SBTi has recently launched a draft of its revised Corporate Net-Zero Standard (V2.0) for public consultation. This new version aims to address challenges such as Scope 3 emissions, which are often the most difficult for companies to manage. The revised standard also emphasises the need for climate transition plans, third-party assurance, and stricter validation and progress reporting. Despite the progress, some companies have faced challenges in meeting their SBTi commitments. In 2024, the SBTi delisted over 200 high-profile companies, including major players like Microsoft, Unilever, and Walmart, for failing to meet their emissions reduction target. As such, the Trustee will continue to consider whether this metric remains suitable in the future.

For each of the Scheme's investments where there is data available, Figure 10 sets out analysis on the percentage of companies in a portfolio that have an SBTi-approved target. The Trustee notes that there has been an improvement in the proportion of companies that have an SBTi-approved target in the majority of the Scheme's mandates and this is a positive observation.

**Figure 10: SBTi figures for the Scheme's assets**

Asset Class	Manager / Mandate	2023: SBTi	2024: SBTi
Global Bonds	Northern Trust	24.5%	28.8%
Long-term UK Core Credit	PIMCO	51.2%	53.0%
	Western Asset Management	58.1%	57.2%
	Goldman Sachs Asset Management	56.5%	52.3%
Diversified Multi-Asset Growth	MGIE	24.0%	26.0%
Property	CBRE	-	82.5%
Alternative Credit	CQS	12.3%	73.9%
Secured Finance	24AM	-	-

Source: Northern Trust, CBRE, CQS and Mercer, 31 December 2023 and 31 December 2024.

24AM are not able to provide this data, noting that SBTi's can only be measured based on investee companies, rather than the pools of loans in which they invest.

The Trustee has also reported on Implied Temperature Rise (another portfolio alignment metric), where available. This data is available in the Appendix.

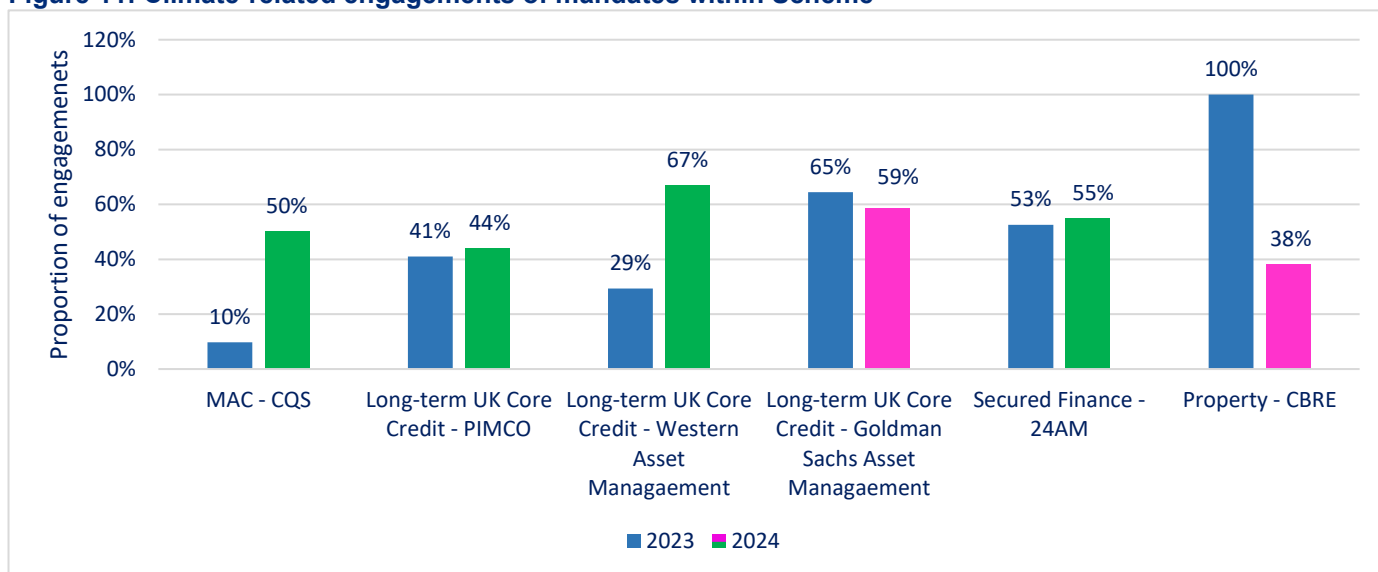
## Non-emissions based metric

Figure 11 sets out the share of portfolio held at year end for which engagement or voting on climate-related risk and opportunities has been a substantive topic, where data was available. At the fund level, the proportion of engagements that are climate-related varies between the funds where data is available.

The Trustee generally expects levels of engagement to increase over time and investment managers will be monitored by this metric, however it accepts that there will be instances where this is not the case. The Trustee will be engaging with managers regarding their climate-related engagements with companies.

The blue bars in Figure 11 show climate-related engagements for the credit mandates as at 31 December 2023. The green and pink bars show climate-related engagements for the credit mandates as at 31 December 2024. The green bars show that there has been an improvement in the number of climate-related engagements over the year and pink bars show a deterioration in engagements. Climate-related engagements are defined as the % share of portfolio held at year end for which engagement or voting on climate related risk and opportunities has been a substantive topic.

**Figure 11: Climate-related engagements of mandates within Scheme**



Source: Investment managers, 31 December 2023 and 31 December 2024.

The Trustee notes that the share of climate-related engagements has remained broadly similar or increased for most of the Scheme's managers, except for GSAM which saw a slight decrease. The Trustee and its investment advisor are working with the manager to understand the decrease. For CBRE (who also saw a decrease), they note that data is based on the year end of 2023 due to availability of data.

Engagement data is not available in respect of the Global Bonds and DMAG funds due to the fund-of-funds nature of both mandates. The Trustee has discussed with Northern Trust and set out its aims regarding managers' engagement on climate change.

## Targets

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

The Trustee has set the following target for the Scheme to be measured on an annual basis:

Reduce the Scheme's Weighted Average Carbon Intensity (WACI) by 50% across Scope 1 & 2 emissions, over the medium-term time horizon to 2030 from 31 December 2022 (where data is available).

The target metric<sup>4</sup> has been chosen as a method of monitoring and reducing the levels of carbon intensity in line with the Trustee's duties to invest in the best financial interests of the Scheme and its beneficiaries.

The target applies to assets for which WACI data is available. Coverage varies across different metrics, depending on data availability. The metric was updated in 2024, reflecting the significant progress made by the end of 2023 towards the original target of a 20% reduction in WACI over the three years to end-2024, and the Trustee's intention to set a realistic medium-term target.

The target excludes assets such as sovereigns. The majority of carbon exposure relating to sovereign assets is mainly to UK government gilts (within the LDI Portfolio). The Trustee has little control over the carbon intensity of the UK and has concluded that a target set to include sovereign assets would be very difficult to influence and change. Carbon intensity is an available metric for investments in sovereign bonds, but it is measured and expressed in a different way compared to corporate WACI. WACI and sovereign carbon intensity cannot be aggregated.

Please note that the coverage differs for different metrics depending on the data available.

Mandate(s)	Asset allocation	Coverage	Change in WACI since 2022
Global Bonds / Global Credit / Long-term UK Core Credit	27.7%	69.7%	-32%
DMAG	5.2%	82.0%	-2%
Alternative Credit	2.9%	100.0%	-11%
<b>Total</b>	<b>35.8%</b>	<b>-</b>	<b>-</b>

It should also be noted that any improvement in the consistency, availability, comparability and quality of climate related data is likely to have an impact on the Scheme's carbon metrics.

As noted earlier in the report, the Trustee revised its target following significant progress towards the Scheme's climate goals. However, the full impact of this change is influenced by external and economic factors beyond the Trustee's control. Further analysis will be considered in future reports to better understand the drivers behind such movements.

The Trustee notes a decrease in WACI across all mandates, including a reduction in emissions intensity within the Scheme's credit mandates. This improvement is largely due to changes in underlying holdings and increased data coverage within funds, as detailed in the Metrics section. The Trustee continues to engage with its investment managers on how their investment processes support progress towards the Scheme's climate objectives.

Although the LDI portfolio is excluded from the overall target (as it consists of sovereign assets), the sovereign carbon intensity saw a slight increase from 2023.

The Trustee is aware of IBM's net zero target and seeks to align the Scheme as best as possible with the company's sustainability policy. When formulating an approach to climate change and the climate transition, different organisations have different opportunities and constraints. From the perspective of the Scheme, the Trustee invests in a number of underlying companies. The investment managers of those funds have discretion over the underlying investments with investee companies to meet the fund's stated investment objectives.

The Trustee recognises that there is still further progress to be made to consider climate-related risks and opportunities in a balanced and proportionate approach in respect of the Scheme, and that the ultimate responsibility of the Trustee is to pay members their benefits, which the Trustee are aiming to do in as sustainable a way as possible.

The final section of this report sets out the short term and long-term actions to move towards the target and progress against the metrics shown in the previous section.

<sup>4</sup> This includes scope 1 and 2 weighted average carbon intensity emissions data where available for the following mandates: Global Bonds, Long-term UK Core Credit, Diversified Multi-Asset Growth and Alternative Credit.



# Conclusions and next steps

## The key messages from this report are:

- The Trustee is equipped in the knowledge of ESG risks and beliefs through training sessions provided by their investment advisor.
- The Trustee has maintained the high standard of its stewardship reporting and assessment over the year bespoke to the Scheme's specific investment mandates and the Trustee's stewardship priorities.
- The Trustee will continue to engage with the investment managers on moving towards its WACI target and review the appropriateness in future strategic reviews and as part of annual climate change reporting.
- The Trustee will continue to liaise with investment managers on voting and engagement activity in respect of climate change – in particular, where it has been identified that climate engagements are low.
- The Trustee believes that the new emissions reduction target remains relevant and will review its appropriateness on an annual basis. The Trustee will continue to engage with the investment managers on supporting the Trustee through its sustainable investment journey.

The Trustee has considered a number of actions in order to work towards the set target. **Over the next 12 months following the Scheme year-end, the Trustee expects to carry out the following:**

- Continued engagement with investment managers on voting and engagement activity in respect of climate change.
- Consideration of climate change risks and opportunities as part of strategic decision-making for the Scheme (including updating the Scheme's scenario analysis).
- Continued liaison with investment managers to understand the drivers and movements of changes in emissions metrics and how the changes are attributed.

Over the longer term, the Trustee expects to:

- Regularly review the climate-related risks and opportunities in the Scheme and maintain compliance with regulatory requirements, with support from the Scheme's advisors.
- Ensure 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 Scheme's investment arrangements to move to the agreed target reduction in carbon exposure.
- Continue to monitor integration of ESG factors into its decision making and strive for continued improvement by carrying out regular stewardship assessments.

The Trustee believes that the pensions and investment industry is beyond the stage of merely acknowledging climate change as a financially material risk; the key focus should now be on taking ongoing and effective climate action by all stakeholders.

The above being said, the Trustee acknowledges the significant challenges facing the global investment community in achieving net zero targets.

Whilst these headwinds can make the path to net zero more complex, and suggest taking a balanced approach, the Trustee remains committed to achieving the targets set out in this report, integrating ESG factors into the investment strategy and pursuing long-term sustainable outcomes.



# Appendix

## Roles and responsibilities of those advising or assisting the Trustee on Scheme governance activities

The Trustee monitors the investment managers on a regular and ongoing basis, including with respect to stewardship activities. The investment managers have been appointed based on their credentials, which includes the integration of sustainability at the strategic asset allocation level and the manager selection level.

The Trustee expects the overall approach to climate-related financial risks and opportunities for each of the Scheme's investment managers to be consistent with the governance and reporting of climate change risk statutory guidance. Disclosures consistent with this guidance are also expected of appointed investment managers. The Trustee works with its investment advisor, WTW, to ensure that the investment managers adopt a consistent approach where possible and the investment advisor is assessed by the Trustee on an annual basis to the extent that ESG considerations are considered in investment advice provided to the Trustee (where appropriate).

IBM Pensions Trust, the Scheme's in-house pensions team, supports the Trustee with ensuring climate risks and opportunities are considered throughout the Scheme's governance framework and supports the Trustee's engagement with the investment managers. IBM Pensions Trust also works closely with the Trustee's advisors to consider climate-related risks and opportunities, and report back to the Trustee.

**WTW** supports the Trustee by:

- Carrying out climate-related scenario analysis, advice and training on the selection of climate-related metrics for the Scheme;
- Advising on the investment strategy and investment manager appointments (where applicable), including managing and monitoring investment-related risks, such as climate change;
- Providing ESG ratings on prospective and current managers, supplementing the Trustee's manager monitoring process and offering an independent view of their climate change credentials;
- Undertaking an annual stewardship review of the investment managers and the mandates in which the Scheme invests.



### External Advisors

**Cardano** provides an assessment of the Sponsor's ability and willingness to continue to support the Scheme, taking into account climate-related factors.

**Sackers** provides advice as necessary on legal risks and regulatory developments including those relating to climate change.

**WTW** assists the Trustee in assessing the potential impact of climate-related risk on the Scheme's valuation and funding assumptions.

## Short, medium and long-term drivers of climate risk

Short Term	Medium Term	Long Term
<p><b>Rapid market re-pricing relating to climate transition:</b></p> <ul style="list-style-type: none"> <li>• <b>Scenario pathways become clearer.</b> For example, a change in the likelihood of a 1.5°C scenario occurring becoming higher and driving the transition risk.</li> <li>• <b>Market awareness grows.</b> For example, the implications of the physical impacts of climate change become clearer to markets and impact asset valuations.</li> <li>• <b>If policy changes unexpectedly, it could surprise markets.</b> For example, if a carbon price or significant regulatory requirements are introduced across key markets to which the portfolio is exposed, at a sufficiently high price to impact behaviour.</li> <li>• <b>Substitution of existing products and services with lower emission alternatives</b> may impact part of the portfolio.</li> <li>• <b>Litigation risk</b> relating to dangerous warming becoming more prevalent.</li> <li>• <b>Increases in the energy/heat efficiency</b> of buildings and infrastructure.</li> </ul>	<p>Transition to a low carbon economy risks are still likely to dominate:</p> <ul style="list-style-type: none"> <li>• <b>Development of technology</b> and low carbon solutions.</li> <li>• <b>Policy, legislation and regulation</b> are likely to also play a key role at the international, national and subnational level.</li> <li>• <b>Technology and policy changes</b> are likely to produce winners and losers both between and within sectors.</li> <li>• <b>Advancement of transition</b> is likely to have started to crystallise stranded asset risks over the medium term.</li> </ul> <p>The Trustee's ability to understand these changes may position it favourably, for example by increasing investments in new emerging technologies. The Trustee will consider this further as part of any future manager appointments and ongoing manager engagement.</p>	<p>Physical risks are expected to come to the fore:</p> <ul style="list-style-type: none"> <li>• <b>The impact of natural catastrophes</b> leading to physical damages through extreme weather events.</li> <li>• A lack of important natural resources such as water and food due to <b>changes in weather patterns</b>.</li> </ul> <p>The Trustee's ability to understand these changes may position it favourably in the future, for example by increasing investments in infrastructure projects that display a high level of climate resilience. A changing climate may directly impact the viability of some assets or business models (for example, flood risk for real estate, or drought / fire risk for timberland assets).</p>

# Climate scenario modelling approach

## Modelling Assumptions

Liability Cashflows based on information from the 31 December 2021 actuarial valuation rolled forward to 30 June 2022 on a gilts + 0.5% p.a. basis.

### Economic model

- Analysis is shown at 30 June 2022
- The assumptions are based on Mercer's Stochastic scenarios.

### Mercer's Assumptions Underlying Climate Scenario Analysis

- The table below shows the 3<sup>rd</sup>, 8<sup>th</sup> and 28<sup>th</sup> year annualised return impacts for each asset class relative to the annualised baseline assumption as at 30 June 2022:

Asset Class	Baseline			Failed Transition			Orderly Transition			Rapid Transition		
	3 Years	8 Years	28 Years	3 Years	8 Years	28 Years	3 Years	8 Years	28 Years	3 Years	8 Years	28 Years
Global Investment Grade Credit	5.7%	5.2%	5.2%	0.1%	-0.3%	-0.1%	0.1%	-0.1%	0.0%	-0.1%	0.1%	0.0%
UK Investment Grade Credit	7.5%	6.3%	5.6%	0.2%	-0.4%	-0.1%	0.2%	-0.1%	0.0%	-0.3%	0.0%	0.0%
Cash	4.3%	4.1%	4.6%	0.0%	0.1%	0.1%	0.0%	-0.1%	-0.1%	0.0%	0.1%	0.0%
UK Real Estate	7.7%	7.6%	7.6%	0.9%	-0.5%	0.0%	0.4%	-0.6%	-1.4%	-0.8%	-0.1%	0.0%
UK Private IG Credit	9.4%	8.7%	8.1%	0.2%	-0.3%	-0.1%	0.1%	-0.1%	0.0%	-0.2%	0.1%	0.0%
UK Floating Rate Note IG Credit	7.5%	6.3%	5.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Global Senior Private Debt	9.4%	8.7%	8.1%	0.2%	-0.3%	-0.1%	0.0%	-0.1%	-0.1%	-0.1%	0.2%	0.0%
Emerging Markets Equity	11.0%	10.8%	11.2%	1.8%	-1.3%	-0.3%	0.3%	-0.4%	-1.7%	-1.0%	-0.1%	-0.1%
UK Sovereign Bonds	4.5%	4.4%	4.4%	-0.1%	-0.1%	0.0%	0.1%	0.1%	0.0%	-0.1%	-0.1%	0.0%
Hedge Fund	6.8%	6.6%	7.1%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%	0.0%	0.0%

The baseline represents what is assumed the market is currently pricing in. In terms of what is priced in today, a weighted assumption has been applied as follows: 10% Failed Transition, 40% Orderly Transition, 10% Rapid Transition and 40% weighting to a range of low impact scenarios.

## Climate scenario narratives

	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.		
<b>Cumulative emissions to 2100</b>	416 GtCO <sub>2</sub> e	810 GtCO <sub>2</sub> e	5,127 GtCO <sub>2</sub> e
Key policy and technology assumptions	<p>An ambitious policy regime is pursued to encourage greater decarbonisation of the electricity sector and to reduce emissions across all sectors of the economy.</p> <p>Higher carbon prices, larger investment in energy efficiency and faster phase out of coal-fired power generation under a 'Rapid' transition.</p>		
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	<p>Physical risks are regionally differentiated, considerable variation in expected temperature increase per region and will increase dramatically with rising average global temperature. Physical risks are built up from:</p> <p>Gradual physical impacts associated with rising temperature (agricultural, labour, and industrial productivity losses)</p> <p>Economic impacts from climate-related extreme weather events</p> <p>Current modelling does not capture environmental tipping points or knock-on effects (e.g. migration and conflict).</p>		
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

## 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 that is modelled, the less reliable any quantitative results will be.
2. Looking at average asset class returns over multi-decade timeframes leads to small impacts. The results are potentially significantly underestimated.
3. 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.

4. 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 adaption required to avoid material warming of the planet.
5. Most adaptation costs and social factors are not priced into the models. These include population health and climate-related migration.

## Impact of climate scenarios on expected returns

Annualised Returns (%)	Rapid Transition		Orderly Transition		Failed Transition	
	Expected Return (Baseline)	Climate Impact	Expected Return (Baseline)	Climate Impact	Expected Return (Baseline)	Climate Impact
Impact at 3 years	5.7%	0.1%	5.7%	-0.1%	5.7%	0.1%
Impact at 8 years	5.2%	-0.1%	5.2%	0.1%	5.2%	-0.1%
Impact at 28 years	5.3%	0.0%	5.3%	0.0%	5.3%	-0.2%

## Summary of the climate scenarios considered in the covenant assessment by Cardano

	Orderly Transition – 1.8°C scenario	Rapid Transition – 1.5°C scenario	Failed Transition - Between 3-4°C scenario
<b>Scenario outline</b>	Global decarbonisation <b>starts now</b> so policies intensify gradually but immediately. Large transition changes will happen quickly	Temperature increase is limited to 1.5°C to achieve carbon neutrality by 2050, but with <b>delayed implementation</b> beginning in 2025	<b>No new transition policies above existing commitments</b> leads to continued increase in greenhouse gas emissions and rise in global temperature
<b>Physical risks</b>	<b>Long-term physical risks are reduced</b> but deviations from present climate still expected	<b>Long term physical risks are reduced</b> but deviations from present climate still expected	More <b>pronounced physical risks</b> , particularly over the longer-term
<b>Transition risk</b>	<b>Highest in the near-term</b> as policies are implemented immediately	<b>Highest in the medium term as policy implementation is delayed</b>	<b>Limited transition risks</b> over and above existing commitments and policies
<b>Macro-economic impact</b>	Overall longer-term <b>impact on GDP growth muted</b> , with assumed long-term benefit from green tech investment	Compressed nature of emission reductions <b>drives material short term macroeconomic disruption in 2025</b> and a sharp fall in GDP	UK and global <b>GDP growth permanently lower</b> with that impact growing over time. Macroeconomic uncertainty increases

## Ongoing risk management activities of the Scheme

<b>Governance</b>	<ul style="list-style-type: none"> <li>The Trustee <b>actively considers ways to further enhance the process of identifying and assessing climate-related risks and opportunities</b>. The <b>Scheme's risk register</b> includes ESG and climate change risks, and is reviewed by the Trustee Board's Governance Committee to ensure that the Scheme's risks are effectively managed.</li> <li>The <b>overall register is reviewed in detail annually</b> in the course of the Trustee's overall risk management approach, with the <b>most prominent risks being reviewed quarterly</b>. It is used to effectively identify, prioritise, manage and monitor risks associated with the Scheme and the escalations of risk are managed by internal controls in place.</li> <li>The <b>Trustee receives training</b> from WTW as appropriate on climate-related issues, including market and regulatory updates.</li> </ul>
<b>Strategy</b>	<ul style="list-style-type: none"> <li>Climate change-related risks and opportunities are taken into account as part of the <b>investment strategy advice</b> provided by WTW.</li> <li><b>Climate change scenario modelling</b> (described in the previous section) provides a top-down strategic assessment of climate change risks at the asset class level across transition and physical risks, providing the estimated impact of climate change on the Scheme's investment strategy and funding level. The last assessment was carried out in 2022 and the next assessment will take place in 2025.</li> <li>The Trustee has commissioned <b>covenant analysis</b> carried out by Cardano as part of this report, to understand the impact of climate change risk on the covenant of the Scheme's sponsor.</li> <li>The Trustee sees its <b>target to reduce the level of carbon intensity</b> within the Scheme's investment portfolio as a means to manage climate transition risks.</li> </ul>
<b>Reporting</b>	<ul style="list-style-type: none"> <li>A <b>summary of the managers' voting and engagement actions over the year (including examples) are disclosed</b> in the <a href="#">Implementation Statement</a> which is reviewed on an annual basis by the Trustee.</li> <li>The Trustee regularly monitors integration of ESG factors within its investment decision-making.</li> </ul>
<b>Manager monitoring</b>	<ul style="list-style-type: none"> <li>The Scheme's <b>custodian and underlying investment managers have been asked to provide information which covers carbon emissions analysis and non-carbon emissions climate-related metrics</b> (described in the next section). This analysis helps identify key sources of company and sector-level carbon risks, as well as monitoring the continued engagement on climate-related issues. The metrics are reported and monitored on an annual basis.</li> <li>The Trustee recognises that <b>active management by the investment managers will continue to be a very important</b> part of the Scheme's approach to managing these risks. The Trustee expects companies in its portfolio to manage climate change risks. Where relevant, <b>managers are invited to present to the Trustee to explain their approach to climate change risk management</b>, amongst other topics. Stewardship activities can help hold companies to account and ensure they are taking a meaningful approach in this area.</li> <li>The Trustee receives <b>quarterly investment performance reporting</b> and has access to ESG investment manager ratings produced by WTW for the Scheme's investment managers. These ratings assess the degree to which managers integrate ESG considerations, including climate change, into their investment processes and active ownership activities. If a manager is considered to be "lagging the market", the Trustee will engage with the relevant investment manager(s) to strongly encourage that they improve in policies and practises in this area.</li> <li><b>WTW carries out an annual Stewardship and ESG Manager Ratings Assessment.</b></li> </ul>
<b>Manager Selection and Retention</b>	<ul style="list-style-type: none"> <li>The Trustee, with advice from WTW, will <b>consider an investment manager's firm-wide and strategy-specific approach to managing climate-related risks and opportunities</b> when either appointing a new manager, in the ongoing review of a manager's appointment, or as a factor when considering the termination of a manager's appointment.</li> <li>WTW rates investment managers on the extent of integration of ESG factors (including climate change) into their processes. <b>A manager's stewardship process forms part of the rating assessment</b>. This is considered at the firm level and at the investment strategy/fund level.</li> </ul>

## Climate-Related Metrics: Cardano LDI portfolio (31 December 2023)

Manager	Value (£m)	Proportion of Total Scheme Assets (%)	Proportion of fund that is reportable (%)	Coverage of reportable assets (%)	Total Carbon Emissions (tons CO2e)		Sovereign Carbon Intensity (tons CO2e / \$M PPP adjusted GDP)	
Cardano	509.7	53.8	100.0	100.0	75,483	104,762	120.6	167.3

Source: Cardano, MSCI and Mercer, 31 December 2023.

\*Sovereign emissions data shown are consistent with the PCAF definition of Scope 1 sovereign emissions, aligning with the UNFCCC definition of domestic territorial emissions, including emissions from exported goods and services. Emissions data include land use, land use change and forestry. Data sourced from MSCI. \*\*Sovereign emissions data shown are consistent with the PCAF definition of Scope 1, 2, and 3 sovereign emissions, aligning with the UNFCCC definition of domestic territorial emissions, including emissions from exported goods and services. Emissions data include land use, land use change and forestry. Data sourced from MSCI.

The Absolute Emissions for the funded gilts exposure (£460M) amount to 70,634 tCO2e. Additionally, through TRS to UK gilts (£32M), the emissions are 4,849 tCO2e. The table above displays the emissions from the total exposure to UK gilts (£491M). Please note that the analysis does not include the exposure to cash (£27M)

## Portfolio Alignment - Implied Temperature Rise (ITR)

Asset Class	Manager / Mandate	2023: Implied Temperature Rise °C	2024: Implied Temperature Rise °C
Global Bonds	Northern Trust	-	2.8
Long-term UK Core Credit	PIMCO	1.5 – 2.0: 46% 2.0 – 2.5: 11% 3.0 – 4.0: 42%*	2.9
	Western Asset Management	2.4	2.7
	Goldman Sachs Asset Management	1.9	2.3
Diversified Multi-Asset Growth	MGIE	3.0	5.1
Property	CBRE	-	-
Alternative Credit	CQS**	2.3	3.0
Secured Finance	24AM	-	-
LDI	Cardano	-	-

Source: Northern Trust, Mercer (Diversified Multi-Asset Growth and LDI), CBRE, CQS and 24AM as at 31 December 2023 and 31 December 2024. “-” indicates where data not available.

\* As at 31 December 2023, PIMCO were “unable to provide a portfolio number for implied temperature rise due to methodological challenges” and believe that “reporting this metric as per a breakdown across implied temperature rise scores remains best practice”.

\*\* CQS ITR figure uses MSCI ITR methodology. Under this methodology, “each issue ITR is 2 plus the Global 2 Degree scenario Carbon Budget multiplied by the transient response to cumulative carbon dioxide emissions factor (TCRE) (that defines the relationship between the absolute additional emissions and temperature increase) multiplied by the proportion of the total budget of the issuer (in tonnes) and the total under/overshoot of the issuer (in tonnes). These are then weighted by the portfolio exposure, such that the covered exposure should be used for reporting purposes (this assumes the uncovered portion of the portfolio will represent the same temperature alignment as the covered portion of the portfolio).” CQS have also provided an additional ITR figure of 1.9°C (2022) / 1.8 °C (2023) which uses CQS’s overlay ITR Methodology.

## Disclaimer(s)

### Northern Trust

The Scheme's carbon metrics data has been sourced from the IBM UK Investment Risk & Analytical Services ESG Insights: Climate Focus report provided by Northern Trust, the custodian of the Scheme's assets. The information in the Northern Trust report has been prepared using the best available data. It may also contain information provided by third parties or derived from third party data and/or data that may have been categorised or otherwise reported based upon client direction – Northern Trust assume no responsibility for the accuracy, timeliness or completeness of any such information.

Data Source: Institutional Shareholder Services (ISS)

### Other Investment Managers

The Trustee has obtained data from the Scheme's investment managers (in addition to Northern Trust), where data is available in relation to metrics that are not already calculated and provided by the custodian, and data in respect of the non-emissions based metric. The information provided in this report may be obtained via other third-party sources and is for the sole purpose of preparing the Climate Change-related disclosures report for the Scheme.

### Cardano

The Trustee is required to consider an integrated assessment of the exposure of the Scheme's assets, liabilities and employer covenant to at least two climate related scenarios (one of which must be low warming).

The covenant assessment completed by Cardano sets out a high-level assessment of the potential exposure of the Scheme's employer covenant over three climate scenarios. Cardano's assessment is based on the IBM Group rather than the Scheme's employer (IBM UK) given the integrated nature of the Group.

In preparing this covenant assessment, Cardano have relied on information from numerous sources, including governments, scientific journals and IBM (including the 2023 ESG Report). Cardano have not verified the accuracy of this information or attempted to include it in full in their covenant assessment document.

### MSCI

In addition, some of the underlying data has been provided by MSCI which is ©2024 MSCI ESG Research LLC. Reproduced by permission.

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## **Ortec Finance**

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

Climate scenarios have been prepared with care using the best available data. The scenarios may contain information provided by third parties or derived from third party data and/or data that may have been categorized or otherwise reported based upon client direction. The scenarios are not intended as standalone investment advice. Ortec Finance assumes no responsibility for the accuracy, timeliness or completeness of any such information. Ortec Finance accepts no liability for the consequences of investment decisions made in relation on information in this report. The scenarios are copyright of Ortec Finance. You may not, except with our express written permission, distribute or commercially exploit the content. All Ortec Finance services and activities are governed by its general terms and conditions which may be consulted on <https://www.ortecfinance.com/en/legal/general-terms-and-conditions> and shall be forwarded free of charge upon request.

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The assumptions used in this material have been derived by WTW using a blend of economic theory, historical analysis and opinions provided by investment managers. They inevitably contain an element of subjective judgement. Any opinions or return forecasts on asset classes contained in this material are not intended to imply, nor should they be interpreted as conveying, any form of guarantee or assurance by WTW of the future performance of the asset classes in question. The WTW Investment Model is designed to illustrate the likely future range of long-term returns from different asset classes and their inter-relationship. No economic model can be expected to capture perfectly future uncertainty, particularly the risk of extreme events.

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The Trustee has been supported by WTW in the production and design of this report.