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TCFD Report Member Summary

How we're managing climate risks and seeking climate-related opportunities to safeguard your pension.

What is a TCFD Report?

When making investment decisions about your pension arrangements, we must consider a variety of financial risks, some of which may take decades to materialise. Given the long timescales and considerable uncertainty surrounding outcomes of climate change, we consider managing climate risks and opportunities to be a key part in our role of safeguarding your pension.

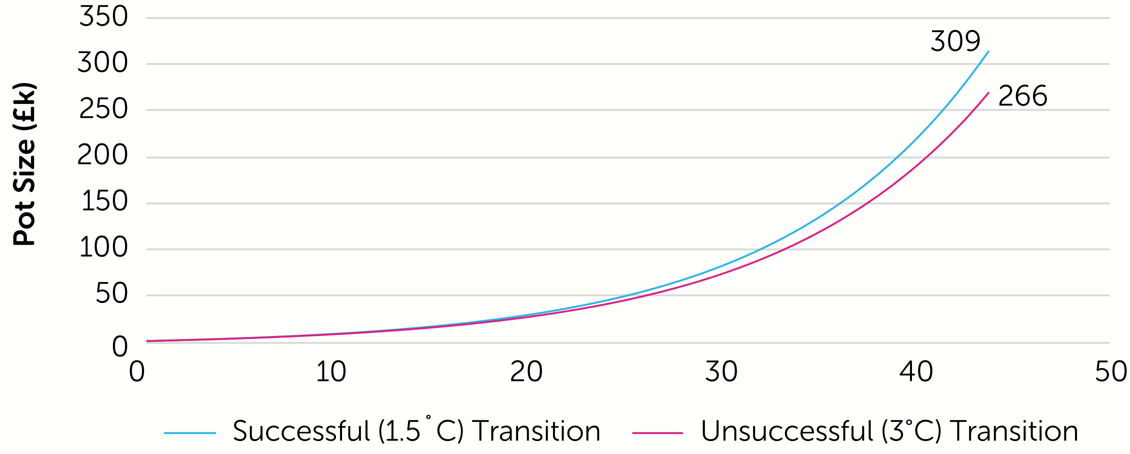
A TCFD report outlines how we are managing these climate-related risks, and finding climate investment opportunities, on your behalf.

Why does it matter?

As investors, we are mindful of the impact our investments have on the world. We believe that making sustainable investments will improve the world we all retire into, but that is not the main reason why we think about climate risks and opportunities.

Climate change can have a significant impact on your pension pot. Our modelling has found that a successful transition to a net-zero world, in which we keep global warming to 1.5°C, would increase your final pot by 16%, or £40k, for a person starting work today at 23 years old with a 25k salary.

Impact of climate change on your pension pot

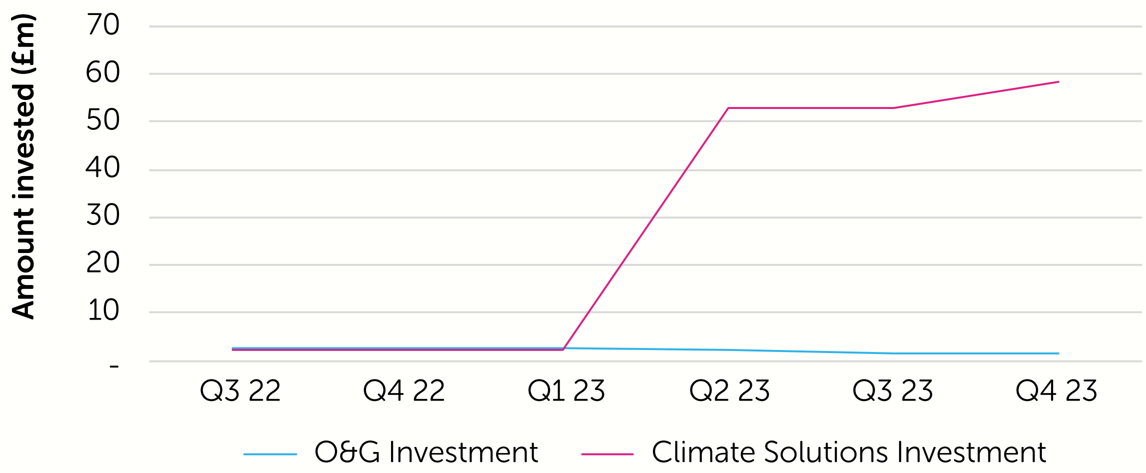


What are we doing about it?

We are investing in climate solutions, as we believe these will provide attractive long-term returns, as more investors and companies understand the true benefits these investments can bring. They are also a great opportunity to support global action and drive a transition to net zero, which we believe is in our members' best interest.

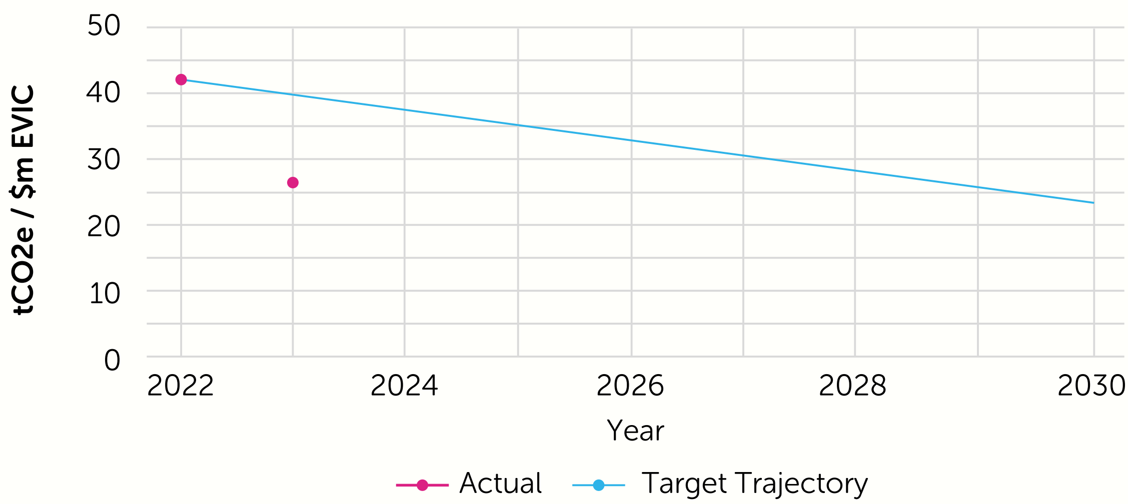
Renewable power is now cheaper than fossil fuels for electricity production. Therefore, investing in renewables should be more profitable, meaning higher returns for our members. We therefore have invested significantly more in climate solutions vs oil and gas.

Oil & Gas vs climate solutions investment



We also make sure that your pot is invested in lower emitting companies. This ensures that the companies we are invested in are protected from rising carbon costs. We believe that investing in companies paying lower carbon costs will lead to higher returns for our members. That is why we set an emission reduction target of 80% vs our 2022 baseline by 2030. Our baseline was the average investor's emission profile in 2022, which is 118 tonnes of CO2 per year per £1m invested. Our target is therefore 24 tCO2 per year per £1m invested. The progress we have made so far towards this target is shown below.

Comparison of Scope 1+2 Target Trajectory and Actuals



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In conclusion

The next few decades will create new risks and opportunities related to climate change, and we believe it is in the best interests of our members to incorporate these factors into the running of the Scheme.

We have designed and implemented a default strategy which has climate considerations at its core. We will continue to assess climate risks and consider further opportunities within this space. We will continue to innovate our investment strategy's climate integration and look forward to reporting our progress in next year's report.

For our full report, please go to www.cushon.co.uk/workplace-pensions/climate-focused.