BG Group Pension Scheme
Climate Change Report for
Scheme year end 31 March 2025

Taskforce on Climate-Related Financial Disclosures (TCFD) Statement

Contents

1 INTRODUCTION

Climate Change

Climate change refers to long-term shifts in global temperatures and weather patterns across the world over time. Scientific evidence indicates that human activity is substantially responsible for global warming over the past 200 years and the world is warming faster now than it has done in thousands of years. The average temperature of Earth is now around 1.5°C higher than it was in the late 1800s (also known as pre-industrial levels). The decade to 2020 was the warmest on record, and every day we are seeing more and more reports of how climate change is affecting our world.

We are conscious of the risks that come with climate change, with the physical impacts of climate including droughts, water scarcity, rising sea levels, and wildfires amongst many other consequences. This will affect us all in many ways, from agriculture and food supply to floods, migration, and conflict over natural resources. But there are also opportunities, such as new technological thinking to combat these impacts and support the transition to a low carbon economy.

In order to ensure a sustainable future and to safeguard economic growth, concerted global action is required to tackle the climate crisis. The BG Pension Scheme (the Scheme) is a large asset owner, we believe that improved transparency on climate-related matters will lead to improved investment decisions which in turn will improve member outcomes.

The Taskforce on Climate-related Financial Disclosures (“TCFD”)

Pension schemes in the UK are subject to regulations that require schemes of a certain size to disclose in line with the TCFD recommendations. The Scheme is one of the schemes captured by these requirements and has therefore been publishing reports in line with the TCFD requirements since the Scheme year ending in 2023.

This report follows the TCFD framework, and so is split into the following four thematic areas – Strategy, Risk management, Metrics and targets and Governance. It is written for members of the Scheme to provide information about the risks to the Scheme from climate change and about how we, as the Trustee of the Scheme, BG Group Pension Trustees Limited (Trustee), have responded to those risks.

Other documents relevant to the matters discussed in this report are available on the BGPS website https://pensions.shell.co.uk/bg-pension-scheme.html and include the BGPS Annual Report and Financial Statements and the Statement of Investment Principles.

Scheme circumstances

This report considers the benefits and investments due to members under the Scheme but excludes all Additional Contribution benefits and investments.

During September 2024, we – on behalf of the Scheme and its members – purchased a bulk annuity policy (buy-in policy) which resulted in the majority of Scheme assets being transferred from the previously held investment mandates to an insurer, Legal & General Assurance Society Limited (L&G).

We as the Trustee have very limited influence over the specific assets in which L&G choose to invest. However, where appropriate, we have included information on the buy-in and the approach to climate risk taken by L&G, albeit the assets themselves now lie outside the scope of some elements of TCFD reporting requirements; this is in part due to the nature of the assets within insurance contracts and reflective of the limited influence that the Trustee has.

Given the insurance contract and size of the residual assets, this will be the final TCFD report for the Scheme.

2 STRATEGY

The aims of the Scheme

Our (the Trustee's) overriding purpose is to ensure that all benefits promised by the Scheme under its Trust Deed & Rules are paid in full and on time to members and beneficiaries throughout the life of the Scheme. We seek to achieve this purpose by investing the Scheme assets such that they are sufficient to pay all benefits. This includes an over-riding funding principle for us to set the investment strategy and, when required in previous years, the level of the Sponsor contributions which are sufficient to achieve this objective. However, there is no expectation of further Sponsor contributions to the Scheme following the buy-in transaction described below.

We believe that climate change is a systemic risk that will become material if not properly managed, as well as that improved transparency on climate-related matters will lead to improved investment decisions which in turn will enhance security of member benefits. Therefore, when considering how best to implement an approach that ensures we meet the aims of the Scheme, we must give due consideration to climate change, as well as other systemic risks.

An update from 2024 to 2025

At the end of 2023, we appointed Lane Clark & Peacock LLP (LCP) and Hogan Lovells LLP (Hogan Lovells) as advisors in order to better understand potential future 'endgame' opportunities for the Scheme. As part of the process to appoint both LCP and Hogan Lovells, we considered their environmental, social and governance (ESG – which typically refers to issues related to environmental, social, and governance factors) credentials and how they would integrate climate-related considerations into any advice.

Upon consideration of potential future 'endgames', the Trustee decided to pursue a buy-in policy, providing that all defined success criteria including those relating to ESG could be achieved. As part of the insurer selection process, we made sure that we secured benefits with a counterparty who demonstrates a commitment to considerations around ESG and climate change in line with both our and the Sponsor's views. This included asking each insurer a range of questions across the topics of engagements (for example, whether the insurer has engaged with the top carbon emitting companies within their portfolio and the outcome of those engagements) and on net zero targets (for example, around actions undertaken or changes made to their portfolio as a result of net zero targets in place). The responses to these questions helped to inform the Trustee's decision as to which insurer to select for the buy-in.

Over the 2024 Scheme year, while progressing the buy-in transaction, we continued our work thinking about climate risk. During the period up until the buy-in date, there was no significant change to governance or processes around the oversight or management of climate-related risks and opportunities.

Investment principles

The investment strategy and contributions we set must both recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term and ensure that there are always sufficient assets of the Scheme (at their realisable value) to meet 100% of benefits as they fall due for payment to members. The investment strategy and underlying asset allocation of the Scheme prior to the buy-in transaction was set with the aim to generate sufficient returns so that by 2028 the Scheme was fully funded on a gilts-flat basis; this target was reached early.

We are a responsible steward of the assets in which the Scheme invests. Our primary concern is to act in the best financial interests of our beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. Therefore, in taking material financial factors, including environmental (such as financial risks relating to climate change), social and governance, considerations into account, we expect to both protect and enhance the value of the Scheme in the long term. We consider ESG, including financial risk from climate change, in a manner which is consistent with our investment objectives, legal duties and other relevant commitments.

Implementing investment principles

Our approach to climate risk focuses on improving funding resilience in all circumstances, regardless of the speed at which the world progresses towards a low carbon economy and meeting Paris Agreement goals. The way in which this approach is implemented considers the way in which different assets may be impacted by the world's transition, as well as the part each of these assets plays in the strategy of the Scheme over the longer term. This allows us to prioritise the management of risks and the relevant actions to be undertaken with respect to the different assets that the Scheme is invested in, thereby promoting preparedness of the Scheme with respect to climate change, regardless of how these risks may manifest. The general approach is incorporated in the Statement of Investment Principles, which is available on the Scheme's website.

We review the nature of Scheme investments on a regular basis, with reference to suitability and diversification. When determining the appropriateness of each manager and mandate for the Scheme, particularly in relation to diversification, risk, expected return and liquidity, we seek and consider written advice from suitably qualified people.

Expectations of investment managers and stewardship

Stewardship of assets involves using tools such as engagement and voting to shape corporate behaviour. Engagement can be defined as communicating with a person or organisation with the aim of raising an issue or achieving change. We recognise that, through stewardship activities, we can positively influence the companies in which the Scheme is invested in relation to climate risk. Engagement with companies, fund managers and policy makers forms a key part of the approach to managing climate change risks.

A consequence of entering into the buy-in agreement with L&G is that our influence on the assets held with respect to Scheme benefits is dependent on how L&G undertake their own stewardship and engagement. Prior to the buy-in, engagement implementation was undertaken on our behalf by our investment managers, with our expectations of the investment managers regarding the integration of ESG risks set out in the Scheme's Statement of Investment Principles.

Expectations of L&G

Going forwards, we will rely on the engagement undertaken by L&G. As a result, understanding and reviewing L&G's approach to climate change, stewardship and engagement will form part of our ongoing monitoring, as well as having formed part of the decision to enter a buy-in policy with L&G.

At this point in time, we are satisfied that the work L&G are undertaking regarding climate change and wider ESG considerations is aligned with the approach we were previously taking, the approach we would have continued to undertake had we not entered into the buy-in agreement, and the approach of the Sponsor more widely. We will continue to monitor L&G to ensure this remains the case.

Further details of L&G on their own approach to climate change can be found in their own report https://group.legalandgeneral.com/en/sustainability. The 2024 report, once published, will be available alongside more information from L&G on their sustainability approach on their website https://group.legalandgeneral.com/en/sustainability. Some key points are noted below:

- The Group Board of L&G is ultimately accountable for the long-term stewardship of the group. More specifically, L&G have a number of different groups, teams and subcommittees that work to embed climate change considerations across their work.
- L&G aim to address climate change, amongst other ESG issues, with a threefold approach, which they refer to as *invest, influence, operate* – that is, through the positioning of their investments, using their influence as one of the world's largest asset managers, and via the way they operate. They consider both risks and opportunities through this lens.
- L&G have a set of key risk monitoring metrics, as well as a variety of other tools, in order to assess and support better understanding and management of climate change risk, as well as informing decision making.
- L&G have committed to achieve Net Zero scope 1 and 2 greenhouse gas emissions by 2050, as well as a 50% reduction by 2030 relative to a 2019 base year.

Further details can be found in L&G's annual climate change reports, as well as via other reporting and information on their website.

Risk management

As we believe climate change to be a material systemic risk and an immediate concern, addressing climate-related risks has formed an integral part of our approach to proactive risk management for the Scheme. This is compounded by the fact that a number of climate-related risks themselves overlap and compound other risks.

Our risk management processes include maintaining a risk register – a document that records risks, the potential impact and likelihood of those risks and the risk controls and mitigation methods in place. The risk register also covers areas requiring improvement and the actions to deliver that improvement, as well as who owns those actions and the timescales by which they should be completed.

We and our advisers, as appropriate, are responsible for identifying climate risks, as well as categorising these risks between both transition and physical climate-related risks. Information from several sources is used to help identify and discuss risks.

Climate risks may be identified, assessed, and monitored in different ways. These approaches include looking at climate risks and opportunities for each asset in which the Scheme invests. We consider climate risks at both an overall strategy level as well as with respect to each investment which the Scheme makes and engage with the individual managers on these assets and the improvements that can be made to them.

We assess and prioritise the responses to risks using the combined judgement of our advisers, managers, and Trustee Directors as to the potential likelihood and impact of one risk relative to another. Risks, including climate-related risks, are assessed by reference to their potential impact and likelihood to ensure they are prioritised appropriately for attention, mitigation and follow up. This helps us build up a picture of the Scheme's risks more widely and where ESG risks sit in the overall risk management framework.

Once the risks facing the Scheme have been considered and prioritised, mitigation strategies are established and monitored to ensure that they remain effective. The management of certain risks may be delegated to other parties. Risks that are deemed to be high in likelihood, impact, or both after allowing for mitigating controls are deemed to take priority for future action.

Before the buy-in agreement, we were giving further thought as to the processes and tools to be used to identify, assess and manage climate-related risks in the context of the Scheme's investment strategy, such as additional targets and analysis. However, since the buy-in transaction, our climate-related focus is on monitoring and engaging with L&G on their approach to climate-related risk management.

Climate-related risks

When considering the impact on the Scheme, climate risk more broadly may be defined as the potential impact on future outcomes (including elements such as financial returns or mortality) that may arise from climate change. Individual climate-related risks are typically divided into two categories – transition risks and physical risks. It is also important to consider the potential climate-related opportunities that may arise from a transition to a low-carbon economy (for instance, investment opportunities in renewable energy). Climate-related risks and opportunities may vary in likelihood and intensity over different time horizons and depend on how quickly and well the world transitions to a low-carbon economy.

Transition risks are expected to feature more prominently over shorter time periods. This view is predominantly driven by the likely escalation in climate-change regulation over the short to medium term. Over longer-term periods, it is expected that physical risks will feature increasingly – however, the balance between the transition risks and physical risks experienced will depend on the approach taken to climate change and the speed with which the world transitions to a low-carbon economy.

As well as risks arising from climate change, there will be major uncertainties arising from scientific and technological changes (including the impact of developments in medical science on longevity), from the long-lasting effects of global health emergencies and from geo-political tensions. The Trustee believes that these risks are expected to arise over the short to medium term in particular.

Scheme time horizons

In the context of the Scheme, short-, medium- and long-term time horizons are therefore considered. We have previously agreed time horizons for the Scheme in the context of how climate-related risks will manifest over these time horizons. The table below sets out the chosen time horizons for the Scheme. We are satisfied that these time horizons remain appropriate following the buy-in transaction.

Time horizon	Time period
Short term	To Scheme year ending 31 March 2026
Medium term	To Scheme year ending 31 March 2030
Long term	To Scheme year ending 31 March 2043

Scenarios

We have previously used scenario analysis to support our judgements about the resilience of the Scheme's funding and investment strategies over time. Scenario analysis is a tool with which to consider how different future events may unfold, although they are based on many assumptions and simplifications.

With respect to pension schemes, scenario analysis is the process of projecting forward the expected value of the assets and the liabilities of the Scheme over various periods of time, assuming a variety of changes to the key factors that affect those assets and liabilities, to assess how the Scheme performs. These factors include both financial assumptions (e.g. investment returns, interest rates and inflation) as well as demographic assumptions (e.g. longevity, or how long Scheme members are expected to live).

In order to test the resilience of the funding and investment strategies for the Scheme to climate risk, during the 2023 Scheme year, we carried out climate scenario analysis, considering the Scheme's assets and market conditions as at 30 September 2022 and liabilities projected from the 31 March 2020 valuation. The scenarios used within the scenario modelling were proposed to us by our investment adviser and comprise a range of scenarios that provide an overview of the different potential outcomes depending on the approaches to transition. The modelling included two scenarios that align to the requirement to model a scenario of 2 degrees or less temperature increase, as well as one scenario that reflects a temperature increase of 4 degrees or above.

Outcomes of the scenario analysis

In summary, the Scheme's expected trajectory was unlikely to be significantly affected by any of the three climate scenarios versus the base case. The outputs suggested that, across the scenario modelling in the short, medium, and long term there was at most a 7% difference between the funding level projected under the base case and the scenario results when allowing for financial impacts. Whilst any negative impact would not be welcome and an impact of up to 7% is not ideal, this is not a particularly significant figure in comparison to other risks to which the Scheme is routinely exposed, such as broader market changes. Thus, we were satisfied that the results of the scenario analysis suggest that the Scheme is resilient to climate-change risk.

We are satisfied that this scenario analysis, as further detailed in our prior two reports, remained relevant to the Scheme's position up to the buy-in transaction date. Following the buy-in, it becomes very difficult to undertake further scenario analysis because L&G have pooled the former Scheme assets with other assets that L&G hold. This increases the importance of our ongoing monitoring of L&G.

3 GOVERNANCE

Governance means having the right structure, people, and processes in place to manage the Scheme effectively, with efficient operations and good decision making. Climate governance then means having the right arrangements in place with respect to structures, people, and processes to manage the climate-related risks and opportunities to the Scheme.

We believe that maintaining high standards of governance, including climate governance, is a crucial part of our duty in managing the Scheme. Therefore, we take care to ensure that those who undertake governance activities on behalf of the Scheme are the appropriate parties to do so. The definition of governance activities includes, but is not limited to, Scheme-wide decisions that are made by us as the Trustee. The below section describes how other parties inform and support these decisions, as well as undertake other activities such as risk identification and delegated responsibilities.

The Trustee

The Trustee has seven Trustee Directors including an independent Chair, with three directors appointed by the Company and three directors elected by members of the Scheme. We act in the best financial interests of members and beneficiaries by seeking an investment return that is consistent with a prudent and appropriate level of risk. We expect to protect and enhance the security of the Scheme in the long term by taking environmental, social and governance considerations, including climate-related risks, into account in its investment decisions.

We are ultimately responsible for oversight of all strategic matters related to the fund. This includes approval of the governance and management framework relating to ESG and climate resilience considerations, including the oversight of climate-related risks and opportunities. We discuss climate-related risk, responses and reporting regularly.

We are responsible for the implementation and oversight of the fund's climate change risk management approach, which is integrated into our overall risk register and the Statement of Investment Principles which includes the overall risk/return parameters of the Scheme and ESG considerations for investments.

We monitor implementation of investment related aspects of the governance and management framework relating to ESG, including climate-related risks, and climate resilience including overseeing the performance of the advisers and providers to the Scheme, and reviewing relevant governance documentation.

We have defined the roles and responsibilities for the principal management entities and service providers who undertake, advise, and assist the Trustee with Scheme governance activities. The rest of this section describes the roles and responsibilities of these parties, as well as the processes we have established to satisfy ourselves that these entities take adequate steps to ensure competency in order to appropriately identify, assess and manage those risks and opportunities.

As outlined in previous sections of this report, in Q4 2024 the majority of Scheme assets were transferred to L&G, meaning that the new climate-related focus will be our ongoing monitoring of L&G's management of climate risk.

Role of the Trustee Services Unit (TSU)

The TSU manages the operation of the Scheme on behalf of the Trustee and therefore supports the Trustee across a broad range of activities connected with the implementation of the Trustee's climate risk management framework across investments, covenant assessment and monitoring and liability measurement.

The TSU seeks to ensure that any investment proposals submitted to the Trustee appropriately consider climate-related risks and opportunities and are appropriate within the context of the Scheme's wider risk and return requirements.

The TSU monitors and reviews progress against the Scheme's climate change risk management approach and keeps the Trustee apprised of any material climate-related developments through updates.

Role of advisers and adviser reviews

The Scheme actuary, employed by WTW, assists the Trustee in assessing the potential impact of climate-related risk on the Scheme's valuation and funding assumptions. The Trustee has appointed Hymans Robertson as its investment and strategic adviser. Hymans Robertson provide strategic and practical support to the Trustee and the TSU in respect of appointment of investment managers as well as climate-related activities such as the management of climate-related risks and opportunities and ensuring compliance with the recommendations set out by the TCFD. Mayer Brown International LLP is the Trustee's external legal adviser and provides advice to and meets with the Trustee as necessary on legal risks and regulatory developments including those relating to climate change.

The Trustee takes an active role in assessing and reviewing its advisers. Feedback on service levels and performance in general is provided periodically both formally and informally. Formal annual or triennial reviews of advisers will include questions regarding the advisers' expertise and performance in relation to climate-related risks and opportunities. Additionally, the investment advisers to the Scheme have annual objectives against which they are formally assessed; these objectives include reference to ensuring that the investment adviser supports the Trustee in understanding the TCFD governance and reporting requirements, and how to manage climate-related risks within the strategy.

Role of the Sponsor

The legal obligation on the Sponsor to contributions to remove the shortfall, and its ability to satisfy these obligations, is known as the Sponsor covenant. BG Group Limited, BG Energy Holdings Ltd and BG International Ltd (collectively known as the Sponsor) currently has a strong covenant. A strong covenant indicates that there is a strong ability of the Sponsor to support the Scheme, were a shortfall to arise. The reliance on the Sponsor covenant is significantly reduced following the transfer of the assets to L&G as part of the buy-in policy purchase; despite this we will continue to consider the impact of climate change on the covenant, doing so via ongoing discussions with the Sponsor on their approach to climate-related risks.

Climate Change Funding Risk - the Member Perspective

It is worth highlighting the question of climate change funding risk from the perspective of the Scheme's members. Climate change is a systemic risk that may impact the investments made to fund the benefits due to members of the Scheme. Whilst we have considered the approach to climate risk within Scheme investments up to and including the decision to enter a buy-in agreement with L&G, going forwards, L&G's approach to integrating climate risk into their own strategy and decision making will be relevant. As such, for members looking for further information, we recommend reading L&G's own TCFD report (2023 report https://group.legalandgeneral.com/media/bekgmh51/legal-and-general_2023-climate-and-nature-report.pdf), which gives more information on this topic. As noted earlier in this report, we will continue to monitor L&G's approach ourselves to ensure we are satisfied that it remains aligned with the Scheme's and Sponsors expectations.

4 CLIMATE-RELATED METRICS AND TARGETS

Reporting on climate metrics provides us with data that supports our processes around identifying and assessing risk exposures, identifying opportunities, and informs their decision making.

In order to inform our decision making, as well as to meet the requirements set out for the Scheme under TCFD, we have previously selected and measured a number of climate-related metrics. These metrics, and the target for the Scheme that has been set based on one of these metrics, are set out in this section.

We acknowledge that whilst these metrics have been helpful in terms of understanding the Scheme's position, there are some limitations that means they require careful interpretation. In addition, following the buy-in transaction, we are unable to measure the same metrics as L&G pool the former Scheme assets with other assets.

We, via Shell Asset Management Company B.V. (SAMCo), most recently measured our chosen metrics as at the Scheme year end date of 31 March 2024. This output is included below and covers both backward-looking greenhouse gas (GHG) emissions data for the assets owned by the Scheme (such as total greenhouse emissions, carbon footprint, and carbon intensity) and forward-looking metrics (such as information on Science Based Targets for GHG reduction, carbon risk rating, implied temperature scores and physical risk scores).

When emissions are measured, they are classified as one of three categories of emissions – Scope 1, Scope 2, and Scope 3 emissions as set out below:

Scope 1	Scope 2	Scope 3
These are direct emissions from sources that are owned or controlled by the company.	These are indirect emissions from the generation of energy purchased by the company.	These are all other indirect emissions that come from value chain related activities of the company but occur from sources not owned or controlled by the company.

While the last few years saw significant improvement in the measurement of Scopes 1 and 2 emissions, there remained limitations in data available from investee companies on emissions of greenhouse gases, particularly for Scope 3 emissions as noted above. In addition, there is overlap on emissions data between different companies and between companies and governments on some measures. As a result, aggregate total greenhouse gas emissions reported across all investments may include some double counting in relation to the actual level of greenhouse gas emissions, especially as the coverage continues to expand and Scope 3 is fully included. Within this report, Scope 3 emissions have been included where possible, and this includes a proportion of estimated emissions.

We decided to report on the four metrics set out below, in line with the requirements and guidance for pension schemes under TCFD.

Climate-related metrics description and overview of methodology

Metric	Description and overview of methodology
Total greenhouse gas emissions	This measures the portfolio's absolute emissions attributable to investments made by the Scheme. This is shown in tonnes (t) of carbon dioxide (CO_2) equivalent – tCO_2e.
Carbon Footprint	This is the greenhouse gas emissions of the assets of the Scheme per £ million invested. It is the aggregation of the total greenhouse emissions divided by the value of the relevant part of the portfolio (in £ millions).
Data quality and coverage	This measure presents the proportions of the various portfolios for which the Trustee received good quality greenhouse gas emission data.
Portfolio alignment – binary target measurement	This measure presents the proportions of the various portfolios where there are net-zero commitments (i.e. emissions reduction targets) in place. These may be public, Paris-aligned commitments as well as those approved by the Science Based Targets Initiative ("SBTi"). The Trustee considers only those targets approved by the SBTi to be aligned for the purposes of this metric. While targets that are not-SBTi approved may be aligned to the Paris Agreement's goal, the SBTi provides the leading assessment of this alignment for the industries covered.
Breakdown of data quality metric Corporate Bonds	Reported emissions are those disclosed by the company itself. Estimated emissions are provided by a third-party data vendor where reported emissions are not available or are deemed insufficiently reliable. These may be based on industry averages or other information sources. No coverage is when there is no Reported or Estimated data for the asset.
Property	As the property data is hard to collect in a timely manner due to lags in reporting, and the property portfolio is currently running off, this data has not been reported on as at 31 March 2024.

Metric	Description and overview of methodology
Government Bonds	Carbon emissions allocated to government bonds can be categorised in two ways: • Government emissions are the emissions (all scopes) associated directly with the government, e.g. from public services. • Production emissions are based on the total (production) emissions of the country. Both are scaled by an 'attribution factor' that reflects the share of the emissions financed by the Scheme, using the holdings in the country's bonds as a share of total debt outstanding. Data has been collected and reported on for both types of emissions for this report.

Most of the Scheme's assets were included in the climate metric reporting, although not all assets have been included, because not all types of asset classes can be linked to ESG data. Some securities cannot be assigned GHG emissions and there is often a lack of transparency in private market assets.

The metrics for the Scheme's investments are shown below, based on the assets held as at 31 March 2024. As part of quarterly monitoring meetings during April-September 2024, ESG developments and metrics were discussed by SAMCo and it was noted that disclosure and coverage are gradually improving, with the TCFD recommendations aiding this improvement by driving asset managers' and underlying holdings' progress.

Corporate bonds

The corporate bond allocation held by the Scheme may be broken down into investment grade credit and non-investment grade credit. Investment grade credit refers to assets where the investment in underlying holdings is of a specific credit rating or above, i.e. meets a certain quality. Non-investment grade credit refers to assets which do not meet this criterion but have a higher risk / return profile that supports the Scheme's overall strategy. In the table below, we have shown the total corporate bond figures, as well as the split between the investment grade credit and non-investment grade credit as at 31 March 2024.

Asset Class	Scope 1 and 2 emissions					Scope 1, 2 and 3 emissions			GHG emission reduction target				
	GHG emissions (tCO2e)	Carbon footprint (tCO2e/£m)	% Reported coverage	% Estimated coverage	% No coverage	GHG emissions (tCO2e)	Carbon footprint (tCO2e/£m)	% coverage	No coverage	No target	Non-Science Based Target	Committed Science Based Target	Approved Science Based Target
Total	13,000	60	79%	2%	19%	121,000	520	81%	19%	15%	31%	7%	28%
Investment Grade	12,000	60	85%	1%	14%	109,000	510	86%	14%	14%	34%	8%	30%
Non-Investment Grade	1,000	50	45%	9%	46%	12,000	550	54%	47%	18%	14%	5%	16%

Sources: SAMCo, ISS, Factset

Sovereign Debt

Sovereign bonds may also be split into two categories, based on the market they are invested in – developed markets or emerging markets. The total for sovereign bonds, as well as the split between the two markets has also been shown below, as at 31 March 2024, in the table below.

Asset Class	Government emissions/Debt – Scope 1, 2, and 3		Production emissions/Debt – Scope 1, 2, and 3		Government emissions/Debt – Data coverage	Production emissions/Debt – Data coverage
	GHG emissions (tCO2e)	Carbon footprint (tCO2e/£m)	GHG emissions (tCO2e)	Carbon footprint (tCO2e/£m)		
Total	13,000	20	118,000	140	100%	100%
Developed markets	11,000	10	91,000	120	100%	100%
Emerging markets	2,000	40	26,000	470	100%	100%

Sources: SAMCo, ISS, Factset

5 Notes:

1. The total emissions metrics reported only relates to the assets held in the relevant portfolio where the emissions were reported or can be estimated, the proportion of which is shown through the Coverage metric. The Coverage for the corporate bond assets was 72.5% as at 31 March 2023, which increased significantly over the year to 31 March 2024, to the extent that the Trustee's target on data coverage of the corporate bond allocation has now been met (per below).
2. The calculation of greenhouse gas emissions differs between asset classes, so the results cannot be compared across asset classes.
3. Carbon emissions allocated to government bonds are those (production-based) emissions that are financed by the government (as opposed to total country emissions, to prevent double counting issues), proportioned based on the Scheme's holdings of the government debt compared to total government debt issued.
4. Emissions reduction targets ('alignment data') are classified by external validation by the Science-Based Targets initiative.
5. There is no data available for other investment and non-investment grade credit, liquidity funds or other alternatives.

Over the period from 31 March 2023 to 31 March 2024, emissions overall for the Scheme (as shown by the total carbon footprint) increased slightly. The main reason for this is the increase in underlying emissions of the corporate bonds; in contrast, sovereign emissions have decreased over the period - this is the case for both developed and emerging markets.

Within the corporate bond allocation, non-investment grade credit emissions have decreased, but this decrease is more than offset by the increase in investment grade credit emissions, in particular when taking into account Scope 3 emissions. This may, in part, be due to the emissions of the portfolio that are now being reported on whereas they were previously unknown; as noted in the notes above, increase in data coverage may account for some deviation in emissions.

Target for the Scheme

Because of the need to make progress with the coverage and quality of data being reported and on which decisions can be made, we previously set a target for the Scheme on the Data Quality and Coverage metric. This was agreed as the baseline data coverage metrics showed scope for improvement and, by improving the coverage and resulting reliability of the emissions metrics, we could then make better informed decisions on the emissions metrics.

The target was focused in the short term on the corporate bond portfolio, with a target to bring data coverage up to 75-80% over the short-term time horizon chosen for the Scheme to 31 March 2026.

Data received following the Scheme year end as at 31 March 2024 showed that this target has been met, with the data coverage for those assets at 81.1%. We were planning further discussion on a new target for the Scheme following us having achieved the target set in 2023, however this is no longer appropriate following the buy-in transaction. As noted above, our focus will instead be on monitoring L&G's approach and performance against their target, which is to achieve net zero scope 1 and 2 emissions by 2050.