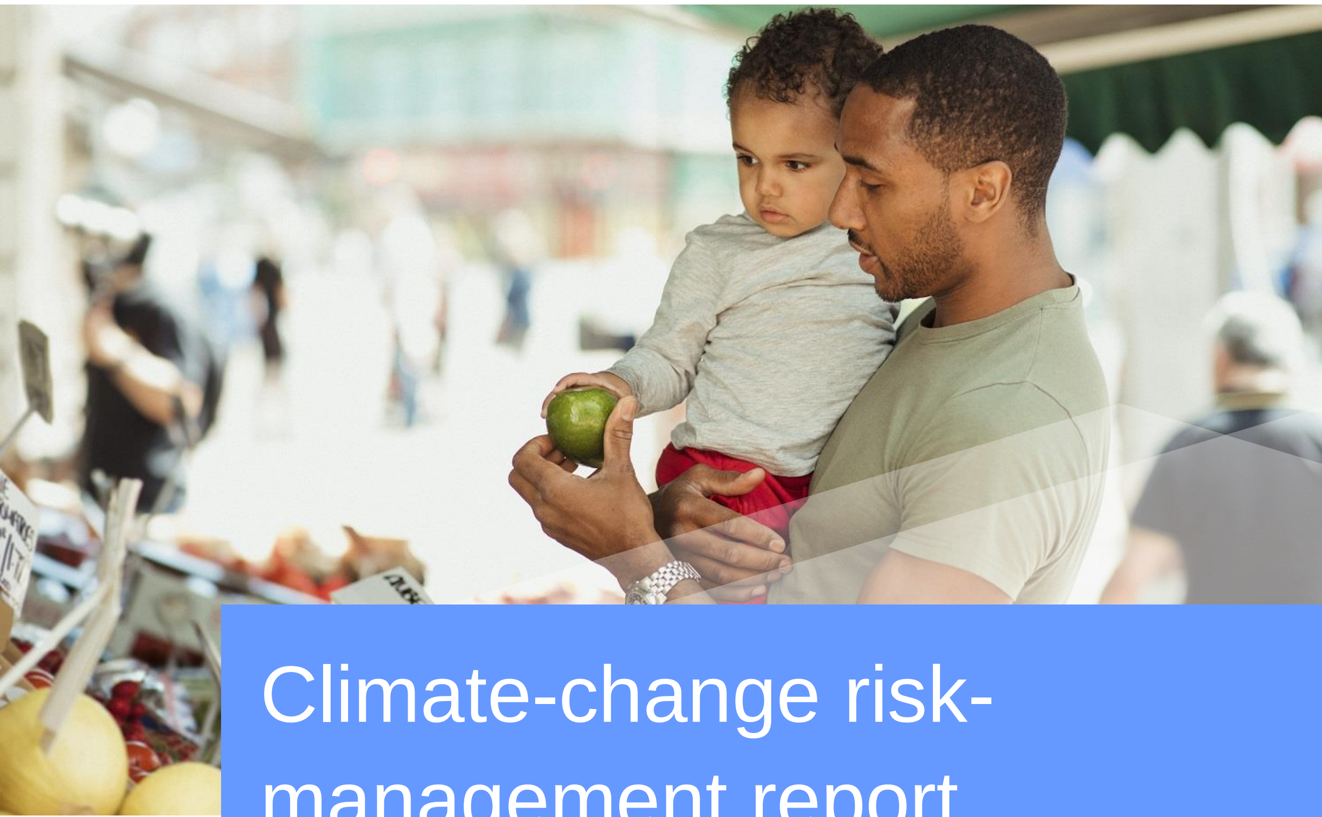


Climate-change risk-management report

Year to 31 March 2024

Superannuation Arrangements of the University of London

ISO 9001:2015 Quality Management

FS 670013

SAUL Trustee Company is a company limited by guarantee. Registered in England and Wales at 1 King's Arms Yard, London EC2R 7AF. No. 2868875

Pension Scheme Registry (PSR) number: 10125215

Contents

SAUL's Vision

A sustainable, affordable and well-managed Scheme, which is valued by all members and employers alike.

A message from our Chair

Welcome to our climate-change-risk-management report covering the year to 31 March 2024.

Background

We are pleased to present our second annual report on how we are measuring, monitoring and managing the risks posed by climate change. This report covers the whole of SAUL - both our Defined Benefit plan (DB plan) and our new Defined Contribution plan, called SAUL Start, which welcomed its first members on 1 April 2023.

Members will remain in SAUL Start for the first three years of SAUL membership after which they will automatically move to the DB Plan for future service.

Climate-change-risk-management objectives

The Trustee agreed our climate-change-risk-management objectives in November 2021, with the main objective to achieve net zero within the investment portfolio by 2050 (or sooner).

This overall objective is complemented by a set of four sub-objectives. The Trustee and the Investment Committee reviewed the objectives, set out in more detail on page 11 of this report, in February 2024 and made no changes.

The climate-change-risk-management objectives cover both the DB plan and SAUL Start.

Year to 31 March 2024 – DB Plan

The UK Gilts crisis in 2022 presented us with challenges resulting in the Plan exiting a handful of investments to make sure we had enough liquidity to maintain our target liability hedge ratios, which is important to ensure that the Plan remains sustainable and affordable.

Although this was unwelcome, it has given the Trustee the opportunity to look for more "climate aware" investments as we look to rebuild the investment portfolio.

The Investment Committee remained focussed on increasing the exposure to climate solutions to help meet the 15% target allocation by 2025 (or sooner). It made new investments in two public equity mandates – one that aims to help with the transition to a decarbonised world and the other with broad responsible investment objectives and a focus on climate change risk. You can find further details of these new investments later in this report.

Year to 31 March 2024 – SAUL Start

The Trustee considered the most appropriate way to implement its climate-change-risk-management objectives into the investment options for SAUL Start, ensuring that the investment strategy chosen, particularly for the default investment option, was broadly aligned with the objectives (subject to achieving reasonable costs and good outcomes for members).

The Trustee partnered with Legal & General as the investment platform provider. The growth phase of the default investment option invests in the Future World Multi-Asset Fund. The fund is designed to provide long-term investment growth through exposure to a diversified range of asset classes and incorporates Environmental, Social and Governance (ESG) considerations as part of its investment strategy.

You can find further details of the SAUL Start investments later in this report.

Future plans

To develop our approach to climate-change-risk-management and wider responsible investment risks across both the DB plan and SAUL Start, the Trustee has set-up a Working Group to review the suitability of its existing climate-change-risk-management objectives. The Working Group will also consider whether we should include measurements or targets for nature / bio-diversity risks and social risks.

This Working Group will make recommendations to the Trustee in 2025 and we look forward to letting you know the outcome of these discussions in our next report.

Overall, the Trustee is comfortable that our approach to climate-change-risk-management will help ensure that the DB plan remains sustainable and affordable, and members within SAUL Start achieve good outcomes from their SAUL Pension at retirement.

If you have any questions about our approach to climate-change-risk-management or any other responsible investment topics, please get in touch.

Louise Lindsay, Chair of Trustees

September 2024

Executive summary

SAUL’s approach to climate-change risk

The Trustee recognises that climate change is a systemic, long-term material financial risk to the value of the investments within SAUL. As such, the Trustee has a fiduciary duty to consider and manage climate-change risks when making investment decisions.

The Trustee’s overall climate-change-risk-management objective is to have net zero investment portfolio by 2050 (or sooner). To help meet this overall objective, the Trustee has set some short-term milestones, for example reducing the carbon footprint by 50% by 2030 (or sooner) and increasing the allocations to climate solutions to 15% of the investment portfolio by 2025 (or sooner).

These targets are aligned with the goals of the Paris Agreement to limit global temperature increases to well below 2 degrees Celsius (and ideally 1.5 degrees Celsius) this century. Full details of the metrics and targets adopted by SAUL are set out on page 11 of this report.

DB plan

The table below summarises the changes to our main climate-change measures over the year to 31 March 2024, for those investments in scope of our targets (see page 13).

Measure	March 2023	March 2024	Change
Absolute Carbon Emissions	**503,131** tCO2e	**321,738** tCO2e	**-181,393 tCO2e**
Carbon Footprint	**274** tCO2e/£m	**194** tCO2e/£m	**-80 tCO2e/£m**
Climate Solutions[1]	**7.2%**	**10.2%**	**+3.0%**

[1] Calculated on total DB Plan assets, excluding net current assets

Measure	March 2023	March 2024	Change
Climate Engagements	**128**	**97**	**-**
SBTi Alignment	**6.8%**	**8.7%**	**+1.9%**
Exclusions	The Trustee aims to exclude companies that are involved in the exploration and extraction of oil sands and/or the exploration and extraction of thermal coal for electricity generation, subject to a 5% revenue limit. Over the year, the Trustee continued implementing its exclusions framework across the investment portfolio and exited some public corporate bond investments as a result. We retained two public corporate bond investments were retained as they were due to repay in the coming years and the investment manager provided a positive view on their approach to climate-change risk management.		

Summary of changes over the year

The large decrease in absolute carbon emissions and carbon footprint over the year was partly driven by some of the heavier emitting private markets investments returning capital, which was then invested in mandates holding more "climate focused" companies, such as the Legal & General Investment Management (LGIM) Future World Global Equity Funds and the Ninety One Global Environment Fund.

The Trustee also agreed to enhance its methodology for calculating emissions data from using indices to using data from the investment managers (where there was reasonable coverage). While providing better estimates, the change of methodology also contributed to lower reported absolute emissions over the period, in particular scope 3 emissions which remain difficult to report on and which the Responsible Investment Working Group will consider as part of its review.

The Trustee is also pleased with how the investment managers and PIRC (our external engagement and voting partner) have engaged with companies on climate change risk over the period.

We are also seeing an increased focus on engagements outside of carbon risk, with managers also engaging on nature / biodiversity risks as well as social risks – in particular the "Just Transition" which aims to ensure that the shift to a low-carbon economy is fair and inclusive, protecting workers and communities affected by the move away from fossil fuels.

The Trustee expects to remain on track with the climate-change-risk-management objectives as we continue to rebuild the growth asset portfolio following the 2022 UK Gilts crisis.

The Trustee has also highlighted that we will be looking for more action from investment managers and portfolio companies in future. You can find more details later in this report.

SAUL Start

To meet our climate-change-risk-management objectives within our new defined contribution plan, called SAUL Start, the Trustee partnered with LGIM as the investment platform provider.

For the Default Lifestyle Investment Option, in which the majority of members are expected to be invested, members will initially be invested in the SAUL Start Growth Fund. This fund invests in the LGIM Future World Multi Asset Fund which is designed to provide long-term investment growth through exposure to a diversified range of asset classes and incorporates ESG considerations as part of its investment strategy.

The Trustee chose the Future World Multi Asset Fund as it was considered the most cost-effective way of implementing the Trustees climate-change-risk-management-objectives.

The table below summarises the main climate-change measures for the SAUL Start Growth Fund at 31 March 2024. The data as at 31 March 2023 has also been provided to show the changes over the year, although SAUL Start was not in operation at this date.

You can find details of the climate data for the other SAUL Start funds in the appendix.

Measure	March 2023	March 2024	Change
Carbon Footprint[2]	**58** tCO2e/£m	**51** tCO2e/£m	**-7 tCO2e/£m**
Green Revenues	**3.3%**	**4.2%**	**+0.9%**

[2] Scope 1 and Scope 2 emissions (excluding sovereigns)

Measure	March 2023	March 2024	Change
Climate Engagements[3]	**12.8%**	**14.3%**	**+1.5%**
SBTi Alignment	**38.6%**	**41.0%**	**+2.4%**
Exclusions	From a climate perspective, LGIM: • Exclude companies that generate 20% or more of their revenues from mining and extraction of thermal coal, thermal coal power generation, and oil sands. • retains the ability to invest where a company has set out a clear Paris-aligned plan to phase out coal by 2030 in Organisation for Economic Co-operation and Development (OECD) countries, and by 2040 in non-OECD countries.		

Source: LGIM

Summary of changes over the year

The carbon footprint for the SAUL Start Growth Fund has reduced over the year as LGIM continue to implement the strategy to meet its climate change objectives.

The fund has a higher weighting to companies that have verified science-based targets, as measured by the Science Based Targets Initiative (SBTi) alignment, at 41% at 31 March 2024 – an increase of 2.4% over the year. SBTi aims to provide companies with a clearly-defined path to reduce emissions in line with Paris Agreement goals.

LGIM has conducted more engagements on climate change as part of the evolution of its Climate Impact Pledge, with the engagements on this topic increasing by 1.5% over the year. We are also seeing an increased focus on engagements outside of carbon risk, with LGIM also engaging on nature / biodiversity and social risks.

LGIM also implemented a new nature-based framework over the year where, within the SAUL Start Growth Fund, an investment was made in a bond issued by a nature charity to fund a variety of climate and bio-diversity related initiatives.

Changes post year end

[3] LGIM engagement figures do not include data on engagement activities with national or local governments, government related issuers, or similar international bodies with the power to issue debt securities.

In May 2024, as part of the continued evolution of LGIM's approach to managing climate change risk, the Future World Multi-Asset Fund (used within the SAUL Start Growth Fund) adopted a formal net zero by 2050 target[4]. This aligns with the Trustees overall objective.

As part of this move, LGIM adopted a set of short and medium-term decarbonisation goals to reduce the carbon footprint over time – targeting a reduction of 30% by 2025 and at least 55% by 2030. These targets are relative to the carbon footprint of the Future World Multi-Asset Fund as at 2019.

LGIM also enhanced the climate exclusions criteria which is part of its Future World Protections framework, with a revenue restriction on oil sands reducing from 20% of revenues to 5% of revenues. This is closer to the Trustees own objective.

Conclusions and future plans

DB plan

The Trustee is content that its climate change measures are moving in the right direction and is comfortable that, by rebuilding the investment strategy following the UK Gilts crisis as well as continuing to target 15 % in climate solutions by December 2025 (or sooner), we remain on track to meet the overall objective of being net zero by 2050 (or sooner).

SAUL Start

The Trustee is content that the investment options chosen for members - in particular the default investment option which is where c.99% of members are invested - will ensure good outcomes at retirement, as well as appropriately managing climate-change risk.

The Trustee is encouraged that, after the year end, LGIM updated the fund guidelines for the SAUL Start Growth Fund to formally adopt a net zero by 2050 target, as well as moving closer to the Trustees climate-related exclusions.

Future plans

The Trustee will continue to work towards implementing its objectives over the coming years and will continue to monitor developments in climate change scenario analysis, following industry criticism as to its effectiveness.

Our Responsible Investment Working Group will meet in 2024 to consider developments and decide whether the existing climate-change risk-management objectives remain appropriate.

This Working Group will also consider whether SAUL should measure / set any targets with regard to nature / bio-diversity risks.

Importantly, the Trustee will continue to hold PIRC and our investment managers to account to ensure that they engage effectively with companies, governments and other stakeholders on our behalf to encourage them to align business models and regulation to a net-zero world.

[4] Scope 1 and Scope 2 emissions (excluding sovereigns).

Introduction

About SAUL

SAUL Trustee Company (STC) is Trustee and administrator of the Superannuation Arrangements of the University of London (SAUL) which provides pensions for non-academic employees of the University, although all staff are eligible to join. It now covers c.50 colleges and institutions with links to higher education in the south-east of England.

The participating employers include world-leading Universities such as King's College London, Imperial College, University College London and the London School of Economics.

Typically, SAUL members are the technical, scientific, engineering and support staff, including cleaning and catering staff, security staff and administrators. Some members continue in SAUL as they move to more senior positions.

Benefit structure

Prior to 1 April 2023, the Scheme operated solely as a Defined Benefit (DB) Plan. Since then, following changes made at the 2020 Actuarial Valuation, new joiners from 1 April 2023 have been enrolled in our new defined contribution Plan, called SAUL Start, for their first three years of SAUL membership. After this three year period they will automatically move to the DB Plan.

A summary of the assets under management and number of members in the DB Plan and SAUL Start as at 31 March 2024 is shown in the table below[5]:

	DB Plan	SAUL Start
Total membership	83,321	3,923
Value of assets	c.£3.1bn	c.£8m[6]

Approach to climate change risk management

The Trustee recognises climate change as a systemic, long-term material financial risk to the value of the investments. As a result, the Trustee has a fiduciary duty to consider and manage climate change risks when making investment decisions. This is especially the case for SAUL Start, as the value of members benefits at retirement is directly related to the

[5] Total membership includes active, deferred and pensioners (including dependants and beneficiaries).
[6] Investments in pooled funds only.

performance of the underlying investments and the Trustee views integrating climate change will help to meet this.

The Trustee's climate-change-risk-management objectives, which were agreed in November 2021 are set out below, and cover both the DB Plan and SAUL Start (where this is possible given that the SAUL Start investments are in pooled funds).

Objective	Comments
Overall Objective:	• Target of Net Zero by 2050 (or sooner).
1. Emissions Reduction:	• Reduce the carbon footprint of the investment portfolio by 50% by 2030 (or sooner).
2. Impact Sub-Objective:	• Achieve at least a 15% allocation to investments that have positive climate change attributes as soon as practicable, and by the end of 2025 at the latest.
3. Engagement Framework:	• Proactively participate in collaborative engagements with portfolio companies in sectors that are highly exposed to climate change risk. • Monitor the quality of our manager engagement and divest from managers that cannot evidence effective outcomes-focused engagement (subject to cost and fiduciary duty).
4. Exclusions Framework:	• Divest from companies (based on a 5% revenue limit) involved in: i. the exploration and extraction of oil sands ii. the exploration and extraction of thermal coal, and iii. the generation of electricity using thermal coal.

About this report

This is our second report as prescribed by the Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations and the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021.

This report has been prepared in line with the Department for Work and Pensions (DWP) climate change governance and reporting requirements and guidance (dated June 2021). It details how SAUL has followed the recommendations and guidance as outlined in the most recent TCFD implementation guidance (October 2021) to the extent the Trustee was able to.

It covers the period 1 April 2023 to 31 March 2024 and is broken down into four key areas as recommended by the TCFD framework:

Area	Description
Governance	• Our governance framework around climate-related risks and opportunities.
Strategy and Scenario Analysis	• Our strategy for managing climate-related risks including how we assess and respond to the risks and opportunities and how we use scenario analysis.
Risk Management	• Our processes to identify, assess, and manage climate related risks and opportunities.
Metrics and Targets	• Our performance against key metrics and chosen targets related to climate-related risks and opportunities.

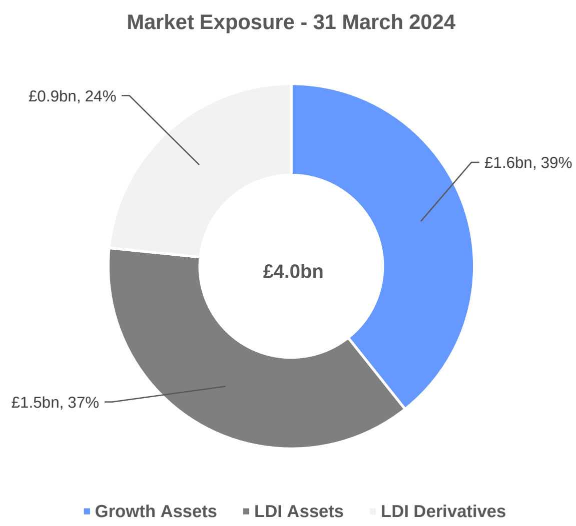
We have also included additional sections in this report clarifying the investments in scope of the Trustees' climate-change-risk-management objectives, as well as the data being used to measure progress against these objectives.

Investments in scope

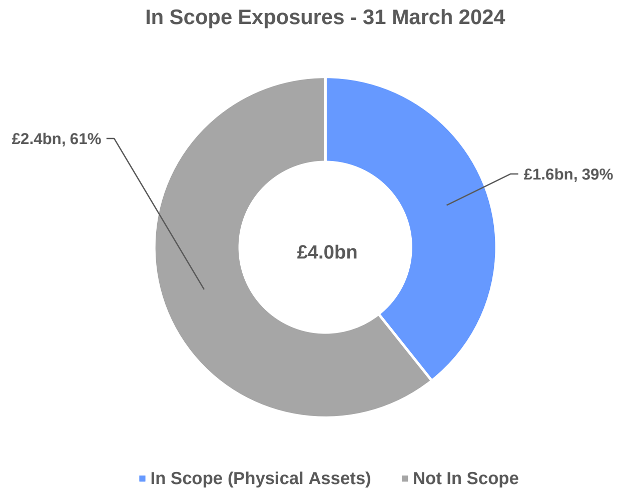
The Trustee has taken advice on how much of the investment portfolios we can include in our climate change targets. This is based on availability of climate change data, the reliability of the data, the costs associated with collecting the data and double counting (for example, UK government bonds).

DB plan

The chart below shows the investment portfolio exposures for the DB plan:



The chart below shows the investment portfolio exposures for the DB plan that are in scope of the Trustees climate change risk management objectives:



At 31 March 2024 the DB plan held c.£3.0bn of physical assets and £0.9bn in Liability Driven Investment (LDI) derivatives, resulting in a total market exposure of c.£4.0bn.

The investments that are **in scope** of the Trustee's climate-change-risk-management objectives represented c.£1.6bn or c.39% of the total market exposure. These are the growth asset investments in public equities, private equity, infrastructure and public and private credit.

The exposure **not in scope** of the Trustee's climate-change-risk-management objectives was c.£2.4bn or c.61% of the total market exposure. The exposure **not included** is the physical assets (UK Gilts and cash) and derivatives (Gilt repurchase contracts) exposure within the LDI portfolio.

The LDI portfolio is held to provide a match to the DB Plan liabilities. The Trustee considers the UK Gilt investments to be aligned to the goals of the Paris Agreement, given the pledges made by the UK Government. This approach is consistent with the Net Zero Investment Framework issued by the Institutional Investors Group on Climate Change.

This year, although the LDI portfolio is out of scope with regard to the climate-change risk management-objectives, we have disclosed the carbon emissions data from our physical and derivative UK Gilts exposures later in this report.

SAUL Start

c.99% of members at 31 March 2024 were enrolled in the SAUL Default Lifestyle investment option, which invests in the SAUL Start Growth Fund during the growth phase. We have, therefore, focused on this fund within the main body of this report, with climate data on the remaining self-select investment options included in the appendix.

Data principles, quality and reliability

For this report, the Trustee is using data from the investment managers (where there is sufficient coverage) for calculating the carbon emissions of the asset classes in scope of its climate-change risk-management objectives. This is a change to the methodology used in the 2023 report.

Background

The Trustee recognises that, in preparing this report, there is more carbon data available for some types of assets than others. Even where carbon data is available, the Trustee needs to understand the limitations of that data particularly when it comes to using it for any forward-looking alignment metrics and scenario analysis. For example:

- is the data based on an official methodology (e.g. GHG Protocol)?
- can the data be certified and can we validate the inputs used to produce the data?
- is the approach to producing the data and presenting the results well documented, suitable and transparent?

To help with the data collection, the Trustee has worked with its investment managers and the Strategic Investment Consultant, Redington, to calculate the carbon emissions and other data required to monitor progress against the Trustees climate-change-risk-management objectives.

Changes to data sources

Over the year, the STC Investment team worked closely with Redington to consider how best to move away from the use of carbon data calculated using indices where line-by-line data was not available. This approach was previously applied for the majority of the private markets investments within the DB plan since the investment managers did not provide any line-by-line carbon data.

Although the approach ensured that the Trustee could disclose estimated emissions data for all of the asset classes in scope of its climate-change risk-management objectives, the indices used had quite different exposures to sectors and regions than the actual investment portfolios. For example, a public fixed income index used to model the exposures within private credit would likely overstate the estimated emissions as the public fixed income had a higher weighting to oil and gas whereas the actual investment exposure did not.

For this year's report, due to the improvements in the carbon data being calculated and disclosed by the investment managers, we have used this data as long as the coverage of the underlying holdings was greater than 50% (and we would then scale this up to 100% accordingly).

It should be noted that the data provided by the investment managers for Scope 3 emissions (those emissions that are consequences of the activities of the company) was highlighted by Redington as an area that needs further improvement.

As a result, given the complexities in calculating accurate Scope 3 emissions, the Trustee will consider whether to exclude these from its targets as part of the work being undertaken by the Responsible Investment Working Group.

This means that the targets may be recalibrated to focus on Scope 1 and Scope 2 emissions where the data is considered to be more reliable, with reductions in Scope 3 emissions tackled by engaging with policy makers.

Restating previous data

As a result of the move from away from using carbon data calculated using index proxies, to carbon data provided by the investment managers, the Trustee took the decision to not restate the carbon data from previous years given the time and costs associated with doing so.

DB plan

The table below shows the sources of the carbon data being presented in this report for the c.£1.6bn or c.39% of investments in scope of the Trustee's targets.

The methodology for the LDI portfolio (which is not in scope of the Trustees targets) is also provided.

			Data Type	
Asset Class	**%**	**Data Source**	**Line-by-Line**	**Modelled**
Public Equity	10%	MSCI		
Private Equity	18%	Investment Manager		
Real Assets	24%	Investment Manager		
Multi-Class Credit	0.1%	Redington		
Public Credit	6%	MSCI		
Private Credit	41%	Investment Manager		
Total	**100%**		**99.9%**	**0.1%**
LDI Portfolio	-	Investment Manager		

Totals may not sum due to rounding.

SAUL Start

The table below shows the source of the carbon data being presented in this report.

			Data Type

Investment Option		Data Source	Line-by-Line	Modelled
SAUL Start Growth Fund	99.2%	Investment Manager		
SAUL Start Money Market Fund	0.7%	Investment Manager		
SAUL Start Global Equity Fund	0.1%	Investment Manager		
SAUL Start Shariah Fund	0.4%	Redington		
Total	**100%**		**100%**	**-**

Totals may not sum due to rounding.

Conclusions and future plans

Although the data being used in this report has improved since the previous year, there remain challenges with some managers having low overall data coverage. This may result in inaccuracies when scaling up the carbon data. The Trustee is, however, content with this approach at the current time.

As part of our engagement efforts, we have asked the investment managers to work on improving the coverage of their carbon data and will continue to do so. Although the data from investment managers with more liquid strategies has improved, there remain barriers to providing carbon data, particularly in securitised credit. Some of the investment managers have taken positive steps to overcome these issues by joining industry working groups to produce templates and guidance for standardising carbon reporting in this area.

While measuring carbon data gives a reasonable indication of climate risk, the Trustee will continue to use the data as a guide only, focusing efforts on meeting the 15% target for investments in Climate Solutions as well as rebuilding the investment strategies towards investment mandates that are more “climate aware”.

The Trustee believes these actions will help to lower absolute carbon emissions and also lead to a lower carbon footprint.

Governance

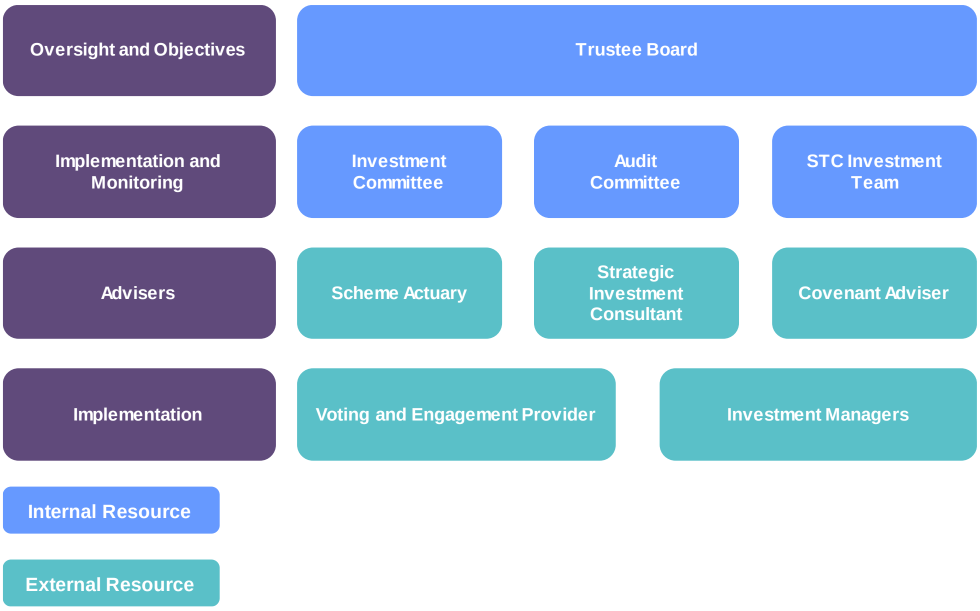
There have been no material changes to the governance of climate risk management over the year.

The Strategic Investment Consultant and the Voting and Engagement provider were reviewed over the year and there were no significant issues identified.

Oversight of climate change risks and opportunities

The Trustee is responsible for establishing the governance processes to manage the risks and opportunities posed by climate change over the short, medium and long-term.

To ensure appropriate governance, the Trustee delegates[7] the identifying, assessing and management of climate-related risks and opportunities to its various sub-committees, STC staff and external advisers as set out in the chart below.



Trustee Board

SAUL Trustee Company is the Trustee of SAUL. STC is managed by a Board of twelve Directors.

The Trustee is responsible for the investment of SAUL's assets. Its investment powers are set out in SAUL's governing documentation and relevant legislation. The Trustee sets the investment objectives and is also responsible for agreeing and reviewing the climate-change risk-management objectives. The Trustee also ensures that its sub-committees, the STC

[7] From time-to-time, the Trustee may convene addition sub-committees / working groups to consider how SAUL should approach important topics, for example the Responsible Investment Working Group.

Investment team and external advisers are carrying out their duties to identify, assess and manage climate-related risks and opportunities.

Many of SAUL's sponsoring employers are leaders in environmental research, and so the employer representatives provide valuable perspectives on the approach that SAUL should take to manage climate change risk. Many of our universities take the lead in integrating broader ESG considerations into their endowment portfolios. The union-appointed Trustee Directors also provide valuable member perspectives.

Investment Committee (IC)

The IC is made up of both Directors of the Trustee Board and independent (or co-opted) members. The IC has delegated authority from the Trustee to implement the investment strategy to meet the Trustee's investment objectives for both the DB Plan and SAUL Start.

Working with the STC Investment team and the Strategic Investment Consultant, the IC is also responsible for the implementation and monitoring of SAUL's climate-change risk-management objectives.

Audit Committee (AC)

The AC is made up of Trustee Directors. It is responsible for reviewing STC's processes to ensure continued compliance with regulatory and legal requirements, reviewing the annual financial statements and ensuring that there are robust processes for identifying and managing all risks and associated controls.

The AC monitors progress through a series of strategic risk registers which include climate-change risk-management as a standalone risk. You can find more details of our approach to risk management later in this report.

STC Investment team

The STC Investment team is made up of a Chief Investment Officer (CIO), an Investment Strategy Manager, a Senior Investment Analyst and an Investment Analyst.

This team supports the IC and is responsible for monitoring the integration and reporting of climate-related risks and opportunities by our externally appointed investment managers. This team also provides reporting to the Trustee Board and other sub-committees as appropriate, reviews the external investment managers to ensure that they are meeting our requirements with regard to our climate-change risk-management objectives, responds to consultations and monitors collaborative engagement opportunities.

Scheme Actuary (Mercer)

The Scheme Actuary has been appointed by the Trustee and provides actuarial advice to the DB Plan and attends other sub-committee meetings as required.

The Scheme Actuary produces the Actuarial Valuation every three years and Annual Funding updates in between these formal valuations. As required, these reports include consideration of how adverse climate change events could impact the long-term funding objectives.

SAUL Start Governance Adviser (Hymans)

Hymans has been appointed by the Trustee as the governance adviser for SAUL Start. Hymans works with STC, in particular the Operations Committee, to ensure that SAUL Start is working effectively as well as helping the Trustee to ensure that its regulatory and disclosure obligations are met.

Strategic Investment Consultant (Redington)

Redington has been appointed by the IC. Redington works with the STC Investment team to provide recommendations and reporting on investment matters to the IC. Their reporting includes information on how the DB Plan and SAUL Start are progressing with the investment and climate-change risk-management objectives.

Redington also helped support the Trustee in putting together its climate-change-risk management objectives in 2021.

Covenant Adviser (Aon)

Aon has been appointed by the Covenant Review sub-committee to assess of the ability of the employers to financially support the DB plan over the medium term.

Aon provides a view on the effects of climate change on the employers, covering opportunities, such as increased research funding and sustainability courses and risks (such as the costs of retrofitting buildings).

The next formal review of the Covenant Adviser is scheduled in the year to 31 March 2025.

Voting and engagement (PIRC)

Pension & Investments Research Consultants (PIRC) has been appointed by the IC and help set and implement our Corporate Governance and Shareholder Voting Policy.

PIRC provide voting recommendations, arrange for all SAUL’s direct shareholdings to be voted in line with the policy and help us engage collaboratively with public companies through their VOICE engagement service. Voting and engagement activity undertaken by PIRC is reported to the IC every quarter.

Investment managers

The IC has appointed external investment managers across a range of asses classes. The IC select and retain investment managers based on their ability to provide investment services and how they integrate and report on climate-related risks (as well as broader ESG risks) within their investment processes.

The STC Investment team formally review the investment managers at least every 18 months, with detailed meeting reports submitted to the IC setting out any improvements required in respect of climate change risk.

DB plan

The tables below shows the investment managers (and their mandates) at 31 March 2024 for the DB Plan.

Investment Manager Name	Mandate(s)
AVIVA Investors Global Services Ltd	Private Credit and Real Assets
BlackRock Investment Management	Cash
HPS Investment Partners LLC	Private Credit
Igneo Infrastructure Partners	Real Assets
Intermediate Capital Managers Ltd	Multi-Class Credit
JPMorgan Asset Management Ltd	Private Credit
Kohlberg Kravis Roberts & Co L.P	Private Credit
Legal & General Investment Management Ltd	Public Credit, LDI, Public Equity and Cash
Ninety One Investment Management	Public Equity
(The) Northern Trust Company	Cash
Partners Group Holdings AG	Private Credit and Private Equity
Schroders Greencoat LLP	Real Assets
Schroder Investment Management Ltd	Private Credit

SAUL Start

The table below shows the investment managers (and their mandates) at 31 March 2024 for SAUL Start.

Investment Manager Name	Investment Option Name
Legal & General Investment Management Ltd	SAUL Start Growth Fund
Legal & General Investment Management Ltd	SAUL Start Global Equity Fund
Legal & General Investment Management Ltd	SAUL Start Money Market Fund
HSBC Global Asset Management	SAUL Start Shariah Fund

All of the investment options are accessed by members through pooled fund units issued by Legal & General Assurance Pensions Management Limited.

Investment beliefs

The IC has a set of investment beliefs for the DB plan and for SAUL Start. They include a belief covering both the risks and opportunities posed by climate change.

The IC reviews the investment beliefs annually. There were no material changes to the climate change risk investment beliefs at the October 2023 review.

Industry groups and initiatives

The Trustee periodically reviews its membership of external organisations and industry initiatives to help meet its climate-change risk-management objectives, promote best practice and encourage positive change. Membership of any initiatives is subject to an internal review of resourcing requirements.

Involvement in these initiatives also helps us to keep up to date with relevant developments and collaborative engagement opportunities. You can see some of the organisations of which SAUL was a member at 31 March 2024 in the table below.

Initiative (Year Joined)	Description
Climate Action 100+ **(2022)**	Climate Action 100+ is a global investor-led initiative that seeks to drive corporate action on climate change. Launched in 2017, it brings together over 700 investors, managing more than $68 trillion in assets, to engage with the world's largest greenhouse gas emitters. The initiative aims to ensure these companies take the necessary steps to curb emissions, strengthen climate-related financial disclosures, and improve governance on climate risks.

Initiative (Year Joined)	Description
	By leveraging collective influence, Climate Action 100+ strives to accelerate the transition to a net-zero emissions economy and align corporate practices with the goals of the Paris Agreement.
Institutional Investors Group on Climate Change (IIGCC) **(2021)**	The Institutional Investors Group on Climate Change (IIGCC) is a leading European network of institutional investors committed to addressing climate change. Founded in 2001, the IIGCC now represents over 400 members, including pension funds, insurance companies, and asset managers, with more than €60 trillion in assets under management. The group aims to mobilise capital for the transition to a low-carbon economy by advocating for robust climate policies, promoting sustainable investment practices, and encouraging corporate transparency on climate risks. Through collaboration and engagement, the IIGCC works to drive meaningful climate action across the financial sector.
Paris Aligned Asset Owners (PAII) **(2022)**	The Paris Aligned Asset Owners Initiative is a global coalition of institutional investors committed to aligning their portfolios with the goals of the Paris Agreement. Launched by the Institutional Investors Group on Climate Change (IIGCC), the initiative guides asset owners in transitioning their investments to net-zero greenhouse gas emissions by 2050 or sooner. Members, including pension funds and insurance companies, commit to setting interim targets, engaging with portfolio companies, and advocating for supportive policies. The initiative aims to drive systemic change in the financial sector, ensuring investments contribute to limiting global warming to 1.5°C above pre-industrial levels.
(United Nations) Principles of Responsible Investment (PRI) **(2013)**	The United Nations Principles for Responsible Investment (PRI) is a global initiative that encourages investors to incorporate environmental, social, and governance (ESG) factors into their investment decisions. Launched in 2006, PRI provides a framework of six principles to guide responsible investing, including integrating ESG issues into investment analysis, active ownership, and promoting ESG disclosure.

Initiative (Year Joined)	Description
	Signatories, which include institutional investors and asset managers, commit to adopting these principles, aiming to create a more sustainable financial system. By doing so, PRI seeks to enhance long-term returns and better manage risks associated with ESG issues, contributing to a more equitable global economy.

Policies

You can find policies that set out our approach to climate-change risk management for the DB Plan on our website and for SAUL Start on the Legal & General website. If you would like a paper copy of any of our publications, please contact us.

They are reviewed annually, with the main ones set out below.

Policy	Description
Statement of Investment Principles	The SIP sets out the Trustee's policy on investment matters and SAUL's main ESG and climate change risk management objectives. You can find the DB SIP on the SAUL website and the SAUL Start SIP on the L&G website.
Responsible Investment (RI) Policy	The RI Policy sets out the approach to managing and monitoring broader ESG risks within our investments. It also sets out how we integrate climate change risk within our investment process – from the appointment of investment managers to the monitoring of their approach. You can find the DB RI Policy on the SAUL website and the SAUL Start RI Policy on the L&G website.
Corporate Governance and Shareholder Engagement Policy	This policy describes how we votes at the annual shareholder and other meetings of directly held portfolio companies, along with how PIRC engages with these companies on our behalf. You can find a copy of the Corporate Governance and Shareholder Engagement Policy for the DB plan on the SAUL website and for SAUL Start on the L&G website.

Policy	Description

Reporting of risks and opportunities

The Trustee and its sub-committees receive reporting from the STC investment team and the advisers to help monitor progress against our climate-change risk-management objectives.

The main reports are summarised below and you can find out more about our approach to risk management later in this report.

Policy	Description
Pensions Return and Risk Management Framework (PRRMF)	The PRRMF sets out our progress against our investment objectives, including the climate-change risk-management objectives. Reviewed quarterly by the Trustee Board and IC.
Strategic Risk Register	Produced by the Chief Operating Officer, the Strategic Risk register assesses each of our strategic risks, including climate-change risk. Reviewed quarterly by the Trustee Board and its sub-committees.
ESG Dashboard	Produced by the Strategic Investment Consultant, the dashboard sets out the carbon metrics and SBTi alignment for the portfolios managed by each of our external investment managers. Reviewed annually by the Trustee Board and IC.
Manager Monitoring Reports	The STC investment team meets with SAUL's managers at least every 18 months to discuss performance and ESG matters. The reports also summarise any issues with how they identify, integrate and report on climate change risks. Reviewed by the IC on an ad hoc basis.

Policy	Description

Oversight of advisers

The Trustee reviews the key external advisers at least annually, including their understanding and reporting of climate-change risk. The Trustee also takes their approaches to climate-change risk into account when considering whether they should be re-appointed. If the Trustee decides to conduct a formal tender process, questions on climate change risk are included in any tender documents.

The quality of advice received from the Strategic Investment Consultant, Redington, on both investment and climate-change risk management, is reviewed annually by the IC. Any areas for improvement are discussed and plans put in place to address any issues.

As part of their appointment to help us put in place our climate-change risk-management objectives, we considered Redington's credentials against the five themes contained in the Investment Consultant Sustainability Working Group's[8] Guide. These are:

- firm-wide climate expertise and commitment
- individual consultant climate expertise
- tools and software to support climate-related risk assessment and monitoring
- thought leadership and policy advocacy, and
- assessment of and engagement, with investment managers.

As an example of our review processes, the reviews of the Strategic Investment Consultant and PIRC as set out below:

Case study – Review of the Strategic Investment Consultant (DB Plan and SAUL Start)

Background
The IC has appointed Redington to provide investment strategy and ESG advice for the DB Plan and SAUL Start. As set out in the regulations, the Trustee is required to review its investment adviser against agreed objectives at least every three years but has taken the decision, given that they are a key service provider, to review them annually.

[8] The ICSWG brings together leading UK investment consulting firms with the aim of seeking to improve sustainable investment practices across the investment industry.

Case study – Review of the Strategic Investment Consultant (DB Plan and SAUL Start)

These objectives are set and agreed between the IC and Redington, with Redington asked to provide a self-evaluation of their performance. Once this has been completed, the STC Investment team conducts its own review and includes views from the IC into the final document which is discussed at a quarterly IC meeting (usually in November each year).

The objectives include "*Help the Trustee consider how ESG risks (including climate change) are identified, integrated and reported against.*"

Outcome of the year to September 2023 review
Over the review period, Redington continued to support the Trustee by providing an ESG and carbon metrics report which included a summary of emission-based changes over the past year.

They also completed a full review of SAUL's first TCFD report - with feedback provided across each of the four pillars (governance, strategy, risk management and metrics).

Redington also provided the IC with training on a forward-looking portfolio alignment metric to adopt (given the new regulations), with the SBTi metric chosen.

Conclusions
The IC was happy with Redington's performance with regards to the advice provided on ESG matters.

Case study – Review of PIRC

Background
The IC last formally reviewed PIRC's appointment in February 2021, following which they were re-appointed for voting research and vote execution services. At the same time, PIRC were also appointed to provide engagement through their VOICE service.

Outcome of the review
The IC was pleased with the service provided by PIRC and they were reappointed.

With regards to voting, PIRC continued to provide a good service. Over recent years, the data and rationale included within their voting recommendations has improved markedly. PIRC now includes additional data on individual companies such as climate change polices, disclosed climate targets and carbon emissions. They have also begun to align votes cast with the UN Sustainable Development Goals, as well as conducting a review on the alignment of each company to these goals.

As part of the review, the IC agreed to partner with PIRC and some of their other clients to develop a new "climate governance service" covering companies listed on the Climate Action 100+ list. Historically, PIRC has consistently taken robust positions at companies where the governance of,

Case study – Review of PIRC

and action, on climate falls short of expectations. In 2023, PIRC introduced a “Carbon 1.5 service” to step up its approach to voting on climate change matters. This focused on the emission targets of CA100+ companies and at the time PIRC stated its intention to further develop its climate governance services with the focus remaining on those high-emitting companies.

The revised climate governance service aims to be aligned with the expectations of climate-conscious investors. The service will seek to recognise companies where risks are being managed and change is underway, but act at companies assessed by PIRC to be falling short of expected practices.

The STC Investment team is part of the group developing the climate governance service and has provided feedback on the framework which is expected to launch in early 2025.

Oversight of external investment managers

The IC has appointed external investment managers to invest SAUL’s assets.

The IC delegates authority to the Chief Investment Officer (CIO) to monitor the investment managers, highlighting any concerns to the IC. As part of this monitoring, the CIO produces an RI dashboard which is used to monitor the performance of the investment managers against SAUL’s RI Policy.

This dashboard is updated quarterly and is reviewed by the IC and provided to the Trustee, highlighting progress against any areas identified for improvement.

Case Study – Investment Manager Reviews

The STC Investment Team met with several investment managers over the year. At these meetings, as well as considering the performance of the mandates, their performance on ESG and climate change was also reviewed.

Here are the main outcomes from the investment manager reviews:

- **Infrastructure**: the manager demonstrated robust governance of ESG matters, with oversight of their approach done by an internal ESG Committee. Although we were comfortable with their approach and that the latest annual ESG report would include detailed metrics disclosed in-line with TCFD, we requested additional information on their scorecards for each underlying asset to cover the environment, workplace standards, health and safety practices, governance (including compliance with applicable laws and regulations) and local community engagements. We also requested details of their supply chain policy.

Case Study – Investment Manager Reviews

- **Private credit**: following a number of meetings in previous years, the manager demonstrated good progress on their integration of ESG matters, where they shared a copy of their scorecard for assessing ESG risks and opportunities for the underlying investments. They had also made progress on disclosing carbon emissions data, with the annual ESG report for the year ended December 2022 including scope 1 and scope 2 emissions data.

- **Private credit**: the manager had made significant progress on ESG integration demonstrating their sector specific ESG checklists used during the due diligence phase to highlight and quantify ESG risks. They also provided examples of ESG issues leading to no go decisions on investments. The manager holds a regular internal ESG Forum to consider red and amber rated ESG risks. The manger had also begun to provide carbon data for each of the underlying portfolios.

The STC Investment team and the IC remain encouraged by the steps being taken by the investment managers to improve their ESG integration and provide reporting to SAUL. We will continue to engage with our managers as there remain areas for improvement.

Knowledge and understanding

Given the fast-changing landscape and new or amended legislative requirements, maintaining knowledge of developments in climate-change risk is important, as are developments in other ESG areas such as nature / biodiversity and social risks.

The Trustee Board, its sub-committees and relevant members of STC receive training and development throughout the year, with a log of the training received maintained by the Committee Secretary.

As part of the regular Board and sub-committee meetings a lot of the training on climate change risk comes from the updates provided by the STC Investment Team and advisers.

During the year, as well as the above, the Trustee and independent members of the IC received training on the evolving responsible investment landscape in January 2024. This focussed on general RI matters, net zero, social issues and stewardship.

Some members of the Trustee and other sub-committees have attended additional training sessions over the year on a variety of investment, RI and governance topics. These included sessions run by the UK Pension Investment Forum, Pensions Trustee Circle, Pensions & Lifetime Savings Association (PLSA) and XPS Pensions Group.

Strategy and Scenario Analysis

SAUL is required to produce climate scenario analysis at least every three years or whenever there is a material change to the investment strategy. We produced climate scenario analysis for the DB plan last year. Given recent industry criticism of scenario analysis, and that there have been no material changes to the DB plan investment strategy in the year, no scenario analysis has been produced for this report.

For SAUL Start, the Trustee has not undertaken any scenario analysis over the year given the small amount of assets under management, the costs of doing so and the recent industry criticisms as to its effectiveness.

Strategy

The Trustee agrees the overall investment objectives for the DB Plan and SAUL Start, delegating implementation of the investment strategy and climate-change risk-management objectives to the IC.

This section sets out the investment strategies for the DB Plan and SAUL Start as well as details of any scenario analysis undertaken over the year.

DB plan

Investment strategy

The DB plan remains open to new members that have completed three years' service in SAUL Start and to ongoing accrual for existing DB plan members. The investment objectives are set with reference to the long term liabilities. When setting the investment strategy and the associated risk budget, the Trustee also considers the strength of the employer covenant which is the ability of the employers to pay into the DB plan over the medium term.

The current investment objective, as set out in the DB plan SIP, is to generate a sufficient return from the invested assets to achieve a strong funding level. This also allows for members joining the DB plan. The objective is measured over a rolling 10-year period or over a timescale consistent with any recovery plan (to meet any deficit) agreed by the Trustee, if shorter.

In setting the investment strategy, the Trustee aims to:

- keep contribution rates for employers and members as stable as possible (by aiming to limit funding level volatility)
- manage the risks associated with the assets and liabilities
- provide suitable liquidity of assets so that the Trustee is not forced to buy and sell investments at particular times and can pay all pensions as they fall due, and
- maximise the return earned by the investments over the long term.

Meeting the objectives

To meet the objectives set by the Trustee, the IC has opted for a diversified mix of investments (across both public and private markets) and different asset classes, targeting an appropriate balance between risk and return.

There are significant investments in growth assets (for example public and private equity, real assets and credit) given the long-term nature of the DB plan, alongside investments in liability-driven assets (including derivatives and Gilt repurchase agreements) and some assets with contractual cashflows to help dampen funding level volatility against our Gilt-based liabilities.

The day-to-day management of the DB plan assets is delegated to external investment managers, with their activities overseen by the IC and the STC investment team.

Review of investment strategy

The investment strategy of the DB Plan is reviewed by the IC every year, with the last review taking place in October 2023. The following actions were taken over the year to ensure that the DB plan remains sustainable and affordable:

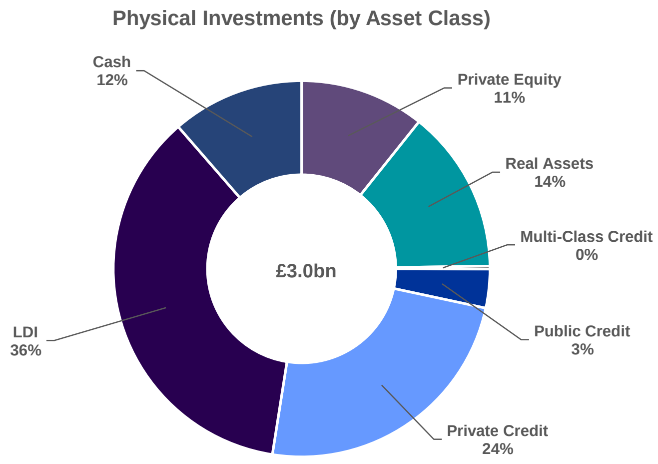
- two long lease property funds with abrdn and Aviva were exited owing to both a negative view on the asset class and an opportunity to reduce the overweight to illiquid assets.

- with sale proceeds from the long lease property funds and ongoing capital distributions from illiquid growth assets, the IC started to rebuild the liquid growth assets by investing into public equities and moving the asset allocation closer to the agreed strategic asset allocation:

    - the IC funded an actively managed global environment public equity mandate with Ninety One Asset Management which invests in companies that will help with the climate transition. This also helped to move towards our target of 15% in climate solutions by the end of 2025 (or sooner).
    - the IC switched the entire equity futures exposure to physical public equity exposure by investing in LGIM's Future World Pooled Equity Funds.

- the IC reviewed and reconfirmed the climate-change risk-management objectives in February 2024.

The asset allocation breakdown at 31 March 2024 is shown below.



Asset classes

- **Public equity**

The Trustee reinstated the exposure to physical public equities over the year to 31 March 2024 as a result of cash being returned from the illiquid investments. The Trustee will continue to rebuild this until it reaches the agreed strategic weight.

- **Private equity**

The Trustee has a customised private equity mandate. This invests in private companies as well as primary private equity funds in the venture capital space and secondary private equity fund interests. The focus is on small to medium-sized companies.

- **Real assets**

These mandates invest in European (including UK) infrastructure assets, for example renewable energy, transmission networks, bulk liquid storage, ports and ferries - with many of the underlying holdings offering inflation protection through contracted revenue streams.

- **Public credit**

The exposure to public credit is in global corporate bonds, with our core mandate following a “buy and maintain” approach. The Trustee will be focusing on rebuilding this allocation over time and, after the year end, the IC appointed a new Absolute Return Bond manager.

- **Multi-class credit**

This mandate invests in public credit and loans across the US and Europe (including UK). The manager has discretion to dynamically adjust the portfolio based on their views of the value between public credit and loans. The existing portfolio is in the process of being wound down and an allocation may be rebuilt by the Trustee over time.

- **Private credit**

These mandates provide lending to companies and finance to consumer loan platforms (for example home and car loans), predominantly in the US. There is also a distressed debt mandate which provides financing and restructuring services to companies that are unable to raise finance elsewhere.

There is also a dedicated UK private credit mandate which holds real estate and infrastructure loans, as well as loans to other corporate entities. Some of the holdings in this mandate have been designated by the investment manager as sustainable loans and examples of these are shown in the case study below.

Case Study – Sustainable Loans

As part of building the UK private credit mandate, the investment manager has lent money to five companies with these classified as “sustainable loans”.

These loans have been designed to support companies that meet specific ESG criteria over the term of the loan. These loans are typically linked to sustainable objectives, such as reducing carbon emissions, promoting renewable energy, or improving social welfare.

As a result, the borrowers receive favourable terms, for example lower interest rates, if they meet sustainability targets predefined by the investment manager.

The overall objective of these sustainable loans is to align financial returns with positive environmental and social outcomes, encouraging businesses to adopt more responsible and sustainable practices while providing investors with opportunities to support impactful initiatives.

- **Liability Driven Investment (LDI)**

The LDI portfolio holds investments that provide high interest rate and inflation hedge ratios, helping protect the DB plan’s funding level from large falls in interest rates and rises in inflation (both of which would increase the present value of the DB plan liabilities).

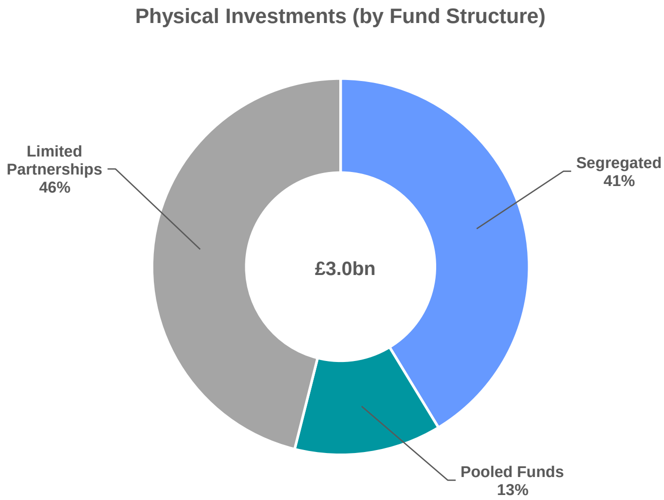
These hedging characteristics are achieved by holding UK conventional and index-linked government bonds alongside derivative instruments such as swaps and gilt repurchase agreements. The collateral requirement for the derivative positions is administered by the LDI manager.

- **Cash**

We hold cash balances in Sterling, Euros and US Dollars to help meet outstanding capital calls from the private markets investments and to meet collateral requirements of the LDI manager. STC also administers a Sterling cash holding to facilitate pensioner payments and other day-to-day expenditure.

Structure of Mandates

The chart below shows the breakdown of the structure of each investment mandate:



Segregated

The Trustee generally prefers the flexibility and control of segregated mandates and therefore seeks to implement the investment strategy through them, where possible, with securities held directly by the Trustee. These generally cover the more liquid investments such as public equity and public credit investments.

These segregated mandates allow the Trustee to use its own Investment Management Agreement (IMA), where mandate guidelines can be tailored to suit our needs. This is increasingly important in the current environment as we can set out what we require of the investment managers, for example to meet our climate-change risk-management objectives by implementing our exclusions framework and clearly setting out our reporting requirements and expectations.

Where we directly hold public equities, we are also able to implement our own voting policy and engage with companies collaboratively via the PIRC VOICE service.

Limited partnerships

Our private market investments cover a range of investment opportunities (for example private equity, private infrastructure and private credit) and these fund structures tend to be “closed ended” raising a fixed amount of capital and with a long lifespan (for example, 10+ years for private equity and 3-8 years for private credit).

Given the nature of these investments, direct engagement with the underlying companies rests with the General Partner of the Limited Partnership. Therefore, as a large investor, to make sure that our interests are protected, and that we can influence appropriate consideration and reporting of climate change matters, we request a seat on the Limited Partnership Advisory Committees.

These seats have been useful with one engagement with a private credit manager in previous years leading the manager to publish a carbon exposure report.

Although it can be difficult to amend the investment terms of these mandates to meet our climate-change risk-management objectives, some managers have been able to implement them - for example adhering to our exclusions framework.

Pooled funds

The pooled funds used include global public equities managed on a passive (or index tracking) basis together with global cash funds at the LDI manager, the custodian and BlackRock.

These cash funds are not strategic holdings but are held to provide liquidity for any capital calls for the Limited Partnerships, to provide collateral and to meet any other short-term cash requirements.

Conclusions and future plans

The mandate structure will continue to be important until the Trustee meet its climate-change-risk-management objectives, particularly when choosing to allocate capital to closed-ended funds, which can have a lifespan of more than 10 years and so are at increased risk of assets being impacted by policy change as climate mitigation strategies become more necessary.

Although pooled funds may provide the benefit of lower costs there are currently limited mechanisms available to implement our customised voting policy through these structures (albeit this began to change towards the end of the year through new “pass through voting” technology).

The IC will review the investment strategy at its annual strategy meeting in October 2024.

Our Responsible Investment Working Group will consider the suitability of the climate-change-risk-management objectives, and whether we should include any additional objectives or exclusions related to nature / biodiversity risk and social risks.

SAUL Start

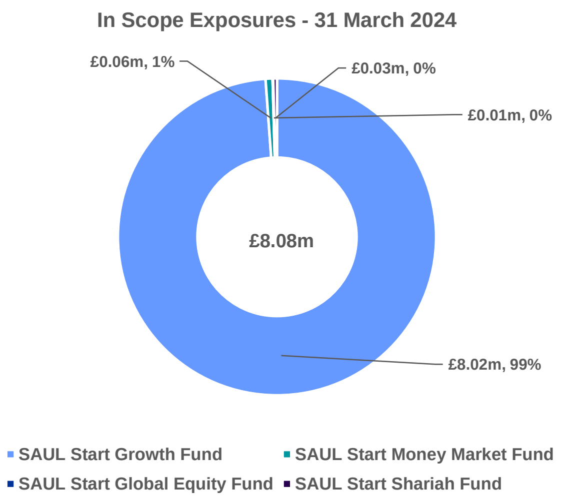
Investment strategy

As part of setting the investment strategy for SAUL Start, the Trustee endeavoured to offer a default investment option and a range of self-select funds which would provide members with good outcomes at retirement. The Trustee considered the three-year contribution period and how climate changes risk could be managed.

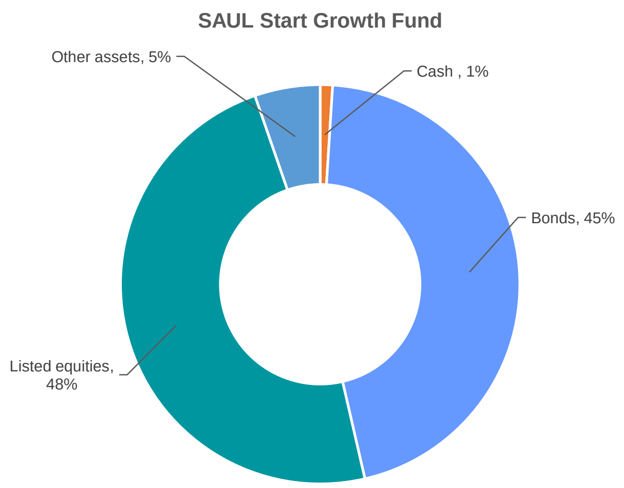
The investment objectives, as set out in the SAUL Start SIP, are to:

- provide a suitable default investment strategy for the majority of members who do not make an investment choice
- provide appropriate self-select investment options, for those members who wish to make their own investment decisions, and
- deliver good outcomes at retirement.

The breakdown of the monies invested at 31 March 2024 is shown below.



The asset allocation breakdown of the SAUL Start Growth Fund at 31 March 2024 is shown below.



When agreeing the investment strategy for SAUL Start, and in particular the default investment option, the Trustee was keen to take into account its climate-change risk-management objectives (as far as practical and subject to reasonable costs).

To align the investment strategy fully with the climate-change risk-management objectives would have required customised mandates which were considered prohibitive on cost grounds. The Trustee therefore agreed that implementing the strategy through pooled funds that broadly met its climate-change risk-management objectives was appropriate.

Meeting the objectives

The Trustee decided that the default investment strategy should be a lifestyle strategy, with members' and employers' contributions automatically moved between different funds as they approach the selected retirement age. The default investment strategy is a combination of the following two funds:

1. **SAUL Start Growth Fund –** This fund invests in the Legal and General Investment Management (LGIM) Future World Multi-Asset Fund. This fund aims to provide long-term growth through investing across a diverse range of asset classes, including equities, bonds and property, whilst integrating environmental, social and corporate governance (ESG) issues into its strategy.

2. **SAUL Start Money Market Fund –** This fund invests in LGIM Sterling Liquidity Fund. This fund aims to offer access to liquidity whilst providing stability and protection against external market shocks.

The default investment strategy is in place to switch investments from a Growth phase (where members are invested in up to five years to the default retirement age [or another target retirement age selected by the member], through to the Switching phase (at five years to retirement), as a member approaches retirement, with the aim of protecting members in the lead up to retirement from sudden market movements and finally to the At-retirement phase.

The main investment objectives of the three phases are as outlined below:

- **Growth phase –** invested 100% in SAUL Start Growth Fund, the aim of this phase is to maximise the potential for growth and increase the value of a member's pension pot.
- **Switching phase –** at five years to a member's default retirement age [or another target retirement age selected by the member], they will begin to derisk and gradually move into SAUL Start Money Market Fund aimed to continue to grow the pot whilst providing protection against external market shocks.
- **At-retirement phase** - when a member reaches default retirement age [or another target retirement age selected by the member], they will stop switching and will be invested in a 20% - 80% split between SAUL Start Growth Fund and SAUL Start Money Market fund, respectively.

An overview of each investment option, with a particular focus on their approach to climate change risk management, can be found in the table below.

Investment Option	Description
SAUL Start Growth Fund	**Investment objective** Designed to generate a real return (above inflation) over the long term using a diversified range of asset classes, while also integrating ESG considerations into the investment process. **How are climate change risks managed?** The underlying fund chosen by the Trustee is the LGIM Future World Multi-Asset Fund. The Fund invests in a range of asset classes, for example public equity, public credit, sovereign bonds and cash. Climate change risk is addressed through increasing exposure to companies with higher LGIM ESG scores and decreasing exposure to companies with lower LGIM ESG scores, exclusion of companies on the LGIM Future World Protection List (FWPL) and exclusion of companies in accordance with the LGIM Climate Impact Pledge. At 31 March 2024 the Future World Multi-Asset Fund did not have a formal net zero target but this changed after the year end, when a net zero target was adopted in May 2024, as well as interim milestones such as reductions in the carbon footprint of at least 30% by 2025, and at least 55% by 2030 (relative to 2019 levels).
SAUL Start Money Market Fund	**Investment objective** Designed to protect the capital value of the investment and achieve a return in line with short-term money market interest rates. **How are climate change risks managed?** The underlying fund chosen by the Trustee is the LGIM Sterling Liquidity Fund. The Fund invests in high credit quality short term fixed income and variable rate securities including but not limited to certificates of deposit, fixed and floating rate notes, fixed rate commercial paper and bonds. Climate change risk is addressed through increasing exposure to companies with higher LGIM ESG scores and decreasing exposure to companies with lower LGIM ESG scores, exclusion of companies on the LGIM Future World Protection List (FWPL) and exclusion of companies in accordance with the LGIM Climate Impact Pledge.

Investment Option	Description
	At 31 March 2024 the Sterling Liquidity Fund did not have a formal net zero target.
SAUL Start Global Equity Fund	**Investment objective** Designed to generate a real return (above inflation) over the long term using shares in companies around the world. It invests in a mixture of developed market equities and emerging markets equities, while also integrating ESG considerations into the investment process. **How are climate change risks managed?** The underlying funds chosen by the Trustee are the Future World Developed and Emerging Markets Equity Index Funds (70% allocation to developed markets and 30% to emerging markets). Climate change risk is addressed through increasing exposure to companies with higher LGIM ESG scores and decreasing exposure to companies with lower LGIM ESG scores, exclusion of companies on the LGIM Future World Protection List (FWPL) and exclusion of companies in accordance with the LGIM Climate Impact Pledge. At 31 March 2024 the Global Equity Funds did not have a formal net zero target.
SAUL Start Shariah Fund	**Investment objective** Designed to generate a real return (above inflation) over the long term using shares in companies from around the world and is compliant with Islamic Shariah principles. **How are climate change risks included?** The fund integrates environmental, social, and governance factors, ensuring that companies within the fund adhere to sustainable practices. This approach aligns with both Shariah principles and the broader goal of promoting responsible investing, particularly in addressing climate-related risks. The fund also actively engages with companies to encourage stronger commitments to reducing carbon emissions and advancing their sustainability goals.

Investment Option	Description
	At 31 March 2024 the HSBC Global Islamic Equity Index Fund did not have a formal net zero target.

You can find details of the LGIM Future World Protections Methodology and the LGIM Climate Impact Pledge on LGIM's website.

Review of investment strategy

The investment strategy for SAUL Start is reviewed by the IC every year, with the last review taking place in October 2023. No changes were made. As required under the regulations, the IC is undertaking a formal triennial review of the SAUL Start investment strategy in October 2024.

Conclusions and future plans
The Trustee is pleased with how LGIM integrate climate change risk management within the investment options. Although the SAUL Start Growth Fund did not have a formal net zero target in the year to 31 March 2024, the Trustee was encouraged that LGIM adopted a formal target after the year end. As part of its oversight of the investment strategy, the IC will continue to monitor LGIM's implementation of the net zero by 2050 objective for the SAUL Start Growth Fund. This will ensure that it remains on track to meet the target of at least a 30% reduction in the carbon footprint by 2025, and at least 55% by 2030 (relative to 2019 levels which pre-dates SAUL's investment).

Scenario analysis

Overview

The Trustee conducted and disclosed scenario analysis within its first climate-change-risk management report for the year ended 31 March 2023. Existing regulations require that the Trustee assesses the resilience of the Scheme against various climate scenarios at least every three years or whenever there is a material change to the investment strategy.

Climate change will impact how economies perform as a whole and will affect macro-economic variables such as growth which, in turn, will have different effects on the performance of each asset class and industry.

Scenario analysis is a well-established tool for understanding what may happen in the future, and the output can be used to implement further risk management actions, for example accelerating meeting some of our climate-change risk-management objectives and targeted company engagements.

It is important that the scenario analysis used to determine the long-term sustainability of the DB Plan considers the effects of climate change on the value of the investment portfolio, the value of the liabilities and the strength of the employer covenant.

For SAUL Start, consideration needs to be given to the effects of climate change on the value of the investments, as this determines whether members achieve good outcomes.

Scenario analysis used to model the effects of climate change does, however, have its limitations - the impacts can be difficult to predict, quantify and model accurately.

What are the main risks?

Climate change risk could have an impact on the value of the investment portfolio, the liabilities for the DB plan and the strength of the employer covenant.

The risks will be assessed by the Trustee over the short, medium and long term. The Trustee is also aware that the effects of climate change are likely to vary across asset classes and could affect, for example:

- the payment of dividends and share prices within public equity portfolios.
- the credit worthiness of issuers in public and private fixed income portfolios, and
- the rental and resale values of real estate assets.

The effects of climate change can be summarised in three main risks (physical, transition and reputational) as set out below. However, the balance between these risks will vary over different time horizons.

Risks	Description
Physical risk	These risks arise from both gradual changes in the climate and extreme weather events. These physical risks could have financial implications such as direct damage to assets, and could impact business operations and supply chains and mean higher insurance costs and other expenditures designed to protect existing infrastructure.
Transition risk	Some sectors of the economy could experience big falls in asset values and/or higher costs of doing business. For example, energy companies would face transition risk if government policies were to change in line with the Paris Agreement because two thirds of the world’s known fossil fuel reserves could not be burned.

Risks	Description
	The move towards a greener economy could also impact companies that produce cars, ships and planes, or those companies that use a lot of energy to make raw materials like steel and cement.
Reputational risk	Climate change has been identified as a potential source of reputational risk, which is tied to changing customer or community perceptions of an organisation's contribution to, or detraction from, the transition to a lower-carbon economy. Reputational risk could occur if the Trustee and / or the appointed investment managers were failing to take sufficient steps to manage climate change risk, the Trustee failed to keep up with changing legislative requirements, or members perceived that the Trustee was not taking adequate steps to address climate change risk in the Scheme.

What are the time horizons?

The Trustee has considered the time horizons for monitoring and managing climate change risk for the DB Plan and SAUL Start.

These time horizons, and how our climate-change-risk-management objectives relate to them, are set out below. It should be noted that the Trustee places greater focus on the short and medium-term time horizons and has put specific actions in place to aim for alignment with the interim goals of the Paris Agreement through the climate-change risk-management objectives it has adopted.

Time Horizon	Description
Short term (3 years)	The short-term time horizon is three years, where the risks of changes to policy and regulation to tackle climate change are acute particularly given recent global weather events. **DB plan** To mitigate the risk of changes to policy and regulation, the Trustee will focus on increasing allocations to climate solutions and ensuring that we are on a path to reducing the carbon footprint from the investment portfolio. **SAUL Start** The Trustee will offer members investment options (in particular the default investment option) that actively

Time Horizon	Description
	consider climate change risk with decarbonisation targets. LGIM will be monitored to ensure that the SAUL Start Growth Fund meets its new 30% reduction in carbon intensity by 2025.
Medium term (up to 2030)	**DB plan** The medium-term time horizon is aligned with our sub-objective to reduce the carbon footprint of the portfolio by 50% by 2030, in line with the interim pathway to meet the goals of the Paris Agreement. **SAUL Start** The Trustee will offer members investment options (in particular the default investment option) that actively consider climate change risk with decarbonisation targets. LGIM will be monitored to ensure that the SAUL Start Growth Fund meets its new 55% carbon intensity reduction target by 2030 (relative to 2019 levels).
Long term (2030+)	The long-term time horizon has been set with the long duration of the DB Scheme's liabilities in mind as well as that member outcomes within SAUL Start will be impacted. **DB plan** The actions taken in the short and medium terms, and annual reviews of progress against our net zero target, will help to ensure that the majority of the investments are aligned to net zero by 2050 (or sooner). **SAUL Start** The Trustee will offer members investment options (in particular the default investment option) that actively consider climate change risk with decarbonisation targets. LGIM will be monitored to ensure that the SAUL Start Growth Fund in on track to meet its new net zero by 2050 target.

Scenario analysis - Sponsoring employer covenant

The Trustee is confident that the top 10 employers (which account for the majority of the liabilities in the DB Plan) recognise the risks that climate change poses to their operations and future business strategies.

In 2022, SAUL's Covenant Review Sub-Committee discussed the approach to the covenant review for the 2023 Actuarial Valuation with regards to metrics covering ESG – the employers were found to have good governance around ESG matters.

Scenario analysis – DB plan

The Trustee completed climate scenario analysis for the DB plan as at 31 March 2023 to assess the potential climate-related impacts on its funding and investment strategy.

This analysis used the Bank of England's Prudential Regulation Authority (PRA) stress test methodology, and the results were set out in our 2023 climate-change risk-management report and are included in the Appendix for information.

Under the existing regulations, the Trustee is required to repeat this exercise at least every three years or where there is a change to the overall investment strategy. As there has been no material change to the overall investment strategy, and given the recent industry criticisms associated with the climate scenario stress tests (in particular that they likely understate the risks), the Trustee has taken the decision not to update its scenario analysis for this report.

The Trustee will continue to monitor industry developments, work with its advisers, and look to update the analysis when a more robust approach is available.

Scenario analysis – SAUL Start

Given the recent industry criticisms associated with the climate scenario stress tests, the current small value of SAUL Start assets and the costs associated with producing scenario analysis, the Trustee has taken the decision not to produce scenario analysis for this report. The Trustee aims to produce scenario analysis for SAUL Start once we have more clarity.

The investment options chosen (in particular for the default investment strategy) actively integrate climate change risks and LGIM will respond if companies are not acting, either by decreasing their weighting within the fund or adding them to their exclusions list.

Conclusions and future plans

The investment objective for the DB plan is to maintain a well-funded Scheme so that we can pay the pensions promised to members.

The scenario analysis conducted in the previous DB plan year reconfirmed that the climate-change risk-management objectives agreed by the Trustee for the investment portfolio were the right course of action - in particular our focus on acting over the short to medium-term to achieve at least a 15% allocation to investments that have positive climate-change attributes.

Although these outputs are based on recognised frameworks, they are also based on assumptions and as a result the effects of climate change on the investment portfolio and liabilities could in reality be very different.

The Trustee will continue to monitor the employer covenant with regard to climate change risk.

For SAUL Start, the Trustee is content that the investment strategy chosen, in particular for the default investment option, manages climate-change risk appropriately.

The Trustee will continue to engage with the investment managers to further ensure that their approach to climate-change risk management remains robust and will reconsider some mandates if this is deemed to be the appropriate course of action.

Risk management

There has been no material change to the management of climate-change risk over the year.

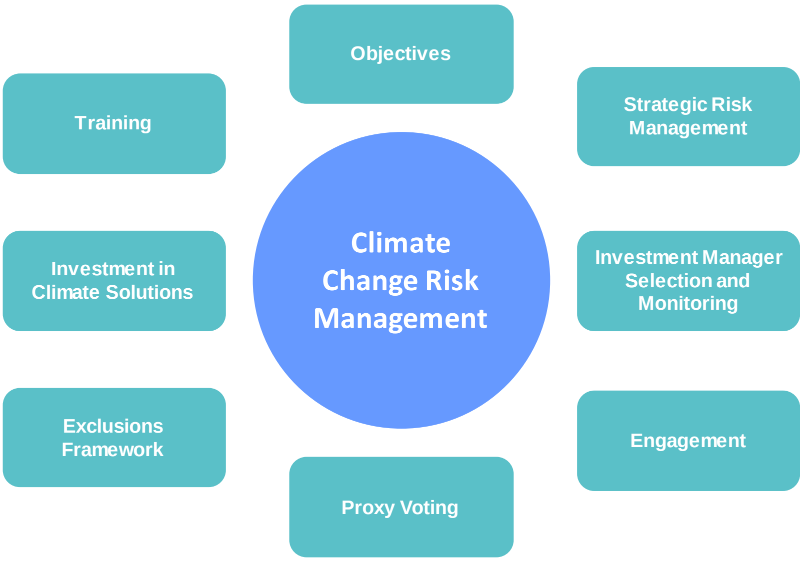
Introduction

The Trustee has an overall risk-management policy which covers all major risks within each business area. STC considers risks at three levels – strategic, operational and process – across the Scheme.

Overall responsibility for the identification, assessment, mitigation, monitoring and management of risks rests with the Trustee. The Executive Management Team (EMT) support the Trustee with the day-to-day monitoring and management of risks.

The Trustee has a robust framework in place to ensure it has an appropriate approach to integrating climate-change risk. Not properly considering climate-change risk could also create reputational risks and have an impact on the sustainability of the DB Plan and/ or impact the value of member pots in SAUL Start.

The chart below summarises the main risk-management reporting and risk reduction tools with regards to climate change (operating across both the DB plan and SAUL Start).



Mitigating Climate Change Risk

The Trustee's approach to mitigating climate change risk involves:

- receiving regular training on climate change risk
- considering climate-related risks when selecting external investment managers

- monitoring and engaging with our current managers to ensure they take account of climate-change risks, and if they do not, have plans to improve
- actively seeking investments in climate solutions
- engagement with portfolio companies, either directly or through investment managers and by PIRC on SAUL's behalf
- engagement with policy makers on a case-by-case basis, and
- operating exclusions where certain business activities are unlikely to ever be consistent with the Paris Agreement.

Strategic risk management

The EMT is heavily involved in maintaining the Strategic Risk Registers (SRR) and the risk logs for the DB plan and SAUL Start. The SRRs summarise the main risks, along with ratings and mitigating actions being taken. The SRRs are reviewed quarterly by the AC, IC and the Trustee Board.

The climate-change risks for the DB Plan and SAUL Start were reviewed during the year and no changes were made.

Investment manager selection and monitoring

Selection

An investment manager's approach to climate-change risk management is an integral part of the appointment process, through consideration of relevant policies, examples of how climate-change-risk considerations are integrated within the investment process and example reporting.

As part of the selection process, the Strategic Investment Consultant evaluates an investment manager's approach to the integration of climate-change risk within their investment process, their resources dedicated to it and the quality of the investment manager's ongoing reporting. These findings are presented to the STC Investment Team when creating a short-list and to the IC as part of the selection meeting papers.

Investment managers not meeting the IC's requirements with regards to climate-change risk management would not be considered for selection.

Case study – Appointment of Ninety One (DB plan)

The IC appointed Ninety One Investment Management for a public equity mandate. This appointment was carried out in the year to 31 March 2022 but, as a result of the UK Gilts crisis, funding of the mandate was delayed until October 2023.

Case study – Appointment of Ninety One (DB plan)

How does the fund invest?
The Ninety One Global Environment strategy is designed to invest in companies that contribute directly to reducing carbon emissions and facilitating the global shift towards a low-carbon economy. The strategy focuses on identifying and selecting businesses that are actively enabling decarbonisation across various sectors, particularly those involved in renewable energy, energy efficiency, and electrification.

The companies in which the strategy invests are chosen based on their potential to contribute to significant carbon reduction, either through the products and services they offer or through their operational practices. This includes businesses that are developing and deploying renewable energy technologies, improving energy efficiency, or facilitating the electrification of transport and other sectors.

The strategy's approach to stock selection is rooted in detailed research and analysis, focusing on companies that not only have strong environmental credentials but also exhibit robust financial health and growth potential. The investment team looks for companies with sustainable competitive advantages, sound management teams, and the ability to generate strong cash flows over the long term.

In addition to financial returns, the strategy also aims to contribute positively to the global challenge of climate change. By investing in companies that are leading the way in decarbonisation, the strategy seeks to support the global transition towards a low-carbon economy and, ultimately, a more sustainable future.

How did the IC review their approach to ESG?
As part of the selection meeting, the Strategic Investment Consultant evaluated Ninety One's overall ESG approach which was embedded in each stage of the investment process. Furthermore, Ninety One meets and engages with all portfolio companies on a regular basis. Engagement is not only on financial and operational issues but also on any material sustainability issues. Ninety One sets explicit ongoing engagement goals for each company and progress is reviewed in Ninety One's annual impact report.

Conclusion
As well as meeting the IC's return objectives, this mandate was included in our allocation to Climate Solutions. The proportion of the DB plan assets invested in this strategy is expected to increase over time.

Monitoring
The STC Investment team produces a quarterly RI dashboard, which is used to help monitor the performance of the investment managers against our requirements set out in the RI policy (and summarised below).

The STC Investment team discusses any findings from the dashboard with investment managers at their review meetings.

The IC and the Trustee also review the dashboard quarterly. The dashboard summarises the investment managers' RI performance against the following main criteria:

- adoption of industry codes and best practice
- comprehensive RI policies and procedures
- robust oversight and accountability for RI integration
- evidence of RI integration (including climate-change risk management) throughout the investment process
- stewardship approach
- continuous improvement
- quality and relevance of reporting, and
- training on RI issues.

The STC Investment team assesses each investment manager's approach using the investment manager's reports and disclosures under industry frameworks such as PRI and PAII. Any areas for improvement are discussed with the investment managers at these meetings.

We believe in building long-term relationships with our external investment managers, and this extends to supporting and challenging them on the adoption and integration of our RI expectations. We are also acutely aware of the fast-changing regulatory environment, industry codes and reporting practices, and most of all the challenge of obtaining accurate and up-to-date climate change data.

While the IC will give SAUL's managers time to rectify issues and risks identified and amend their processes to ensure compliance, the IC will consider any issues identified to determine whether the resultant risk warrants the termination of a manager mandate.

Voting Policy

Voting – Direct holdings

In order that proxy voting is executed in a consistent manner across all direct shareholdings held in in the name of the Trustee, PIRC has been appointed to carry out proxy voting in line with the Trustee's Corporate Governance & Shareholder Engagement Policy.

PIRC ensures that, where possible, SAUL's voting intentions along with the reasons behind each vote, are communicated to each portfolio company before each shareholder meeting. Where this has not been possible, PIRC discloses this in their individual company reports to SAUL. Any feedback received on their reports from each portfolio company is reviewed by PIRC with any factual errors corrected and the voting recommendation amended as appropriate and a new report issued. Once this process has been completed, PIRC communicates the voting intentions using the Broadridge Voting Platform.

Where an investment manager wishes to vote in a certain manner, which may be different to the Trustee's voting policy, the investment manager is expected to highlight this to the STC Investment Team. This vote will be discussed by the CIO and a Trustee Director, following which a decision will be taken as to how the vote will be cast. Over the year, no votes were changed in this way.

Voting – Pooled funds

For the pooled fund investments with LGIM in the DB Plan and SAUL Start, their Investment Stewardship team uses the Institutional Shareholders Services (ISS) 'Proxy Exchange' voting platform to electronically vote clients' shares. All voting decisions are made by LGIM, and they do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

To ensure LGIM's proxy provider votes in accordance with their position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum "best practice" standards which they believe all companies globally should observe, irrespective of local regulation or practice.

LGIM retain the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows them to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by LGIM's service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

The Trustee has satisfied itself that LGIM's voting policies broadly align with its own, having particular regard to climate change matters.

HSBC also use ISS to assist with the global application of their voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene HSBC's guidelines. HSBC review ISS's voting policy recommendations according to the scale of their overall holdings.

Vote monitoring

The STC Investment team monitors the implementation of the Trustees' proxy voting policy through the individual company voting recommendations provided by PIRC, which are provided via email and on the PIRC web portal. PIRC also provides quarterly reporting which is reviewed by the STC Investment team with a summary provided to the IC at their quarterly meetings.

Examples of a climate-related vote[9] over the year is shown in the table below:

[9] Source: PIRC.

Company (Sector)	Meeting Date	Theme / (Meeting Type)	Commentary
TE Connectivity **(Industrials)**	**13 March 2024**	**Overall Sustainability** **(AGM)**	**Company Overview** TE Connectivity Ltd. is a global technology leader. It designs and manufactures connectivity and sensor solutions that are essential in today's increasingly connected world. It helps its customers solve the need for intelligent, efficient, and high-performing products and solutions. The company has three reportable segments: Transformation Solutions, Industrial Solutions, and Communications Solutions. **What was the vote about?** **Item 1(e) Elect William A. Jeffrey - Non-Executive Director** Non-Executive Director and Chair of the Nominating, Governance and Compliance Committee. As the Chair of the Nominating, Governance and Compliance Committee Jeffrey is considered to be accountable for the company's sustainability programme and given that the company's sustainability policies and practice are not considered to be adequate in order to minimize material risks linked to sustainability and oppose vote was recommended. SAUL's view is that there should be a dedicated committee in charge of environmental and social issues, or at least a Board member is charge of sustainability issues. Furthermore, there was not at least one member of the Board with significant ESG experience within the sector of the company. **How did SAUL Vote?** – Oppose. **Outcome:** For (95.8%), Oppose (4.1%), Abstain (0.1%) **Why was the vote significant?** Governance of overall sustainability at the company.

Engagement - Investment managers

The Trustee requires the investment managers to engage with underlying companies to build long-term relationships with them and engage where they have identified climate-change risk issues for escalation. Engagement also forms part of the Trustee's climate-change risk-management objectives.

To record engagements and monitor progress, the STC Investment team has developed an engagement template that the investment managers complete every quarter. The engagement template sets out:

- company name or industry body
- how the engagement took place, for example meeting, letter or conference
- who the engagement was with, for example CEO, lead independent director or Investor Relations
- the main objective of the engagement and summary of discussions
- the next steps to address any concerns raised, and
- whether the engagement had an effect on the manager's long-term view of the company.

Through our meetings with the investment managers, we provide feedback on any areas to improve their approach to climate-change risk management as well as improving their reporting.

Engagement – PIRC

As well as voting the Trustee's direct shareholdings in line with its voting policy, PIRC also helps us to engage collaboratively with public companies on issues that are particularly important to the Trustee.

Over the review period, we reconfirmed that PIRC continues to focus their engagements on two of the UN Sustainable Development Goals – "decent work and economic growth" and "climate action".

SAUL Engagement - Policy makers

The Trustee will consider engaging with policy makers and responding to industry consultations on climate-change risk and broader ESG matters on a case-by-case basis. The Trustee monitors these opportunities through our advisers and our membership of various industry groups and initiatives as set out earlier in this report.

Although the Trustee did not engage directly with any portfolio companies over the year, we did take part in some collaborative engagements as well as responding to consultations.

In addition, the STC Investment team continued to engage with the investment managers over the year to reconfirm their approaches to RI matters, as well as encouraging improvements. For example, disclosure of carbon data which helps to report against our climate-change-risk-management targets.

The table below sets out the engagements undertaken by SAUL over the period.

Engagement (Date) (Type)	Description
	Alongside 32 investors with £1.5trn of AUM, we signed a letter to the then Prime Minister expressing concern about the UK

Engagement (Date) (Type)	Description
IIGCC, PRI and the UK Sustainable Investment Finance Association **(Q3 2023)** **(Sign-on letter)**	government's recent proposals to delay or weaken some of its climate policies. The letter argued that the UK government's decision to postpone the phase-out of petrol and diesel cars from 2030 to 2035, to reduce the ambition of the Boiler Upgrade Scheme, and to delay the publication of the Heat and Buildings Strategy, undermines the certainty, consistency, clarity and continuity that investors need to make long-term investment decisions.
Local Authority Pension Fund Forum and CCLA Investment Management **(Q3 2023)** **(Sign-on letter)**	Alongside 17 other investors with £1.8trn of AUM, a letter was sent to the chairs of 35 FTSE 350 companies that are considered to have high carbon emissions (e.g. BP and Shell), urging the companies to allow shareholder votes on their climate transition plans at their AGMs in 2024. The letter highlights concern about the substantial climate-related financial risks that the companies face and the need for them to align their business models with the goals of the Paris Agreement. The letter argues that providing a climate transition plan vote would enhance transparency and accountability, as well as enable shareholders to express their views on the adequacy and credibility of the plans.
Pass Through Voting Open Letter **(Q4 2023)** **(Sign-on letter)**	The London LGPS CIV published an open letter urgently calling for increased adoption of pass-through voting by asset managers. Other signatories of the letter included Scottish Widows, Merseyside Pension Fund, Environment Agency, Smart Pension, EQ Investors, Tribe Impact Capital and Guy's & St Thomas' Foundation. The letter called for wider industry adoption of pass-through voting, enabling investors to steward their assets more effectively and address systemic risks. The letter aligns with the efforts of UK regulatory bodies like the Financial Conduct Authority, Department for Work and Pensions and Financial Reporting Council, aiming to bolster robust stewardship.

SAUL engagement - companies

The Trustee recognises that there are limits to the influence we can achieve on our own and so we focus mainly on collaborative engagements with other interested parties through our affiliations to various industry initiatives, and will continue to review the merits of these on a case-by- case basis.

The STC Investment team monitors collaborative engagements through PIRC, PRI notifications and other industry publications.

The total number of engagements on climate-change matters, conducted on behalf of SAUL by our investment managers and PIRC, can be found later in this report.

Exclusions framework

Further details on the operation of the exclusion framework can be found in the next section – Metrics and Targets.

Investment in climate solutions

Further details on our approach to climate solutions can be found in the next section – Metrics and targets.

Metrics and targets - overview

Background

SAUL’s climate-change risk-management objectives were agreed by the Trustee in November 2021, with the main objective to achieve net zero within the investment portfolio by 2050 (or sooner) and this is complemented by a set of four sub-objectives.

These objectives were reviewed by the IC and the Trustee in February 2024 and no changes were made.

The objectives, as set out below, cover both the DB plan and SAUL Start.

Objective	Comments
Overall Objective:	• Target of Net Zero by 2050 (or sooner).
5. Emissions Reduction:	• Reduce the carbon footprint of the investment portfolio by 50% by 2030 (or sooner).
6. Impact Sub-Objective:	• Achieve at least a 15% allocation to investments that have positive climate change attributes as soon as practicable, and by the end of 2025 at the latest.
7. Engagement Framework:	• Proactively participate in collaborative engagements with portfolio companies in sectors that are highly exposed to climate change risk. • Monitor the quality of our manager engagement and divest from managers that cannot evidence effective outcomes-focused engagement (subject to cost and fiduciary duty).
8. Exclusions Framework:	• Divest from companies (based on a 5% revenue limit) involved in: i. the exploration and extraction of oil sands ii. the exploration and extraction of thermal coal, and iii. generation of electricity using thermal coal.

Objective	Comments

Overall Objective

The overall objective is for the Scheme is to be net zero by 2050 (or sooner).

This objective was set with reference to the Net Zero Investment Framework issued by the Institutional Investor Group on Climate Change, and the more recent Paris Aligned Asset Owners Initiative where we publicly declared our targets under this framework in June 2023.

Although the Trustee considered a net-zero date sooner than 2050, it was aware of the potential portfolio construction issues that may arise from this. For example, a net zero investment portfolio could be established over a shorter timeframe but there were a limited number of companies that would fit into this definition. Diversification and engagement remain key tools to managing broader investment risk.

The overall objective is complemented by four additional sub-objectives as set out below.

1. Interim emissions reduction

To align the Scheme with the overall objective, the Trustee set an interim sub-objective that would help to ensure it was on the right path to meeting the overall objective.

This interim sub-objective is to reduce the carbon footprint of the Scheme by 50% by 2030 (or sooner).

As mentioned earlier in this report, after the year end, LGIM adopted a set of short and medium-term decarbonisation goals to reduce the carbon footprint over time for the Future World Multi-Asset Fund – targeting a reduction of 30% by 2025 and at least 55% by 2030. These targets are relative to the carbon footprint of the Future World Multi-Asset Fund as at 2019.

2. Allocation to climate solutions

The Trustee has agreed that the allocation to Climate Solutions (which are defined with reference to the EU Taxonomy mitigation criteria) should only include dedicated mandates, for example those that invest in renewable energy or invest in other companies that will aid the transition to a net zero world.

For SAUL Start, the Trustee is unable to influence the allocation to Climate Solutions, as defined above, as the investment managers of the pooled funds decide where to invest considering both the performance objectives and the RI approach.

To provide an indication of the focus on green investments within SAUL Start, we disclose the percentage of the portfolio companies in the SAUL Start Growth Fund that have “Green Revenues”. This represents the proportion of revenues derived from low-carbon products and services from the companies in the benchmark that have disclosed this to LGIM.

3. Engagement framework

Engagement is a key tool to encourage companies to acknowledge the risks posed by climate change.

To achieve this, the Trustee expects its investment managers to engage on issues with companies either directly or through collaborative engagement channels such as Climate Action 100+.

The Trustee will actively look to engage with policymakers and industry initiatives and to respond to consultations on a case-by-case basis. The Trustee also encourages the investment managers to do the same.

A key part of meeting our objectives is reporting and disclosure. To aid this we have commissioned a bespoke engagement template which is focused on outcomes and is completed by most of the investment managers each quarter.

4. Exclusions framework

For the DB plan, the Trustee agreed, where possible, to exclude companies that are involved in the exploration and extraction of oil sands and thermal coal, including thermal coal used for power generation, all based on a 5% revenue limit.

The Trustee considers that these activities are inconsistent with the goals of the Paris Agreement, with the burning of thermal coal in particular an inefficient way to generate electricity, producing twice the amount of carbon dioxide per unit of energy relative to gas.

For SAUL Start, the Trustee chose the LGIM Future World Multi-Asset Fund for the growth stage of the default investment strategy which has a similar exclusion policy.

After the year end, LGIM enhanced the climate exclusions criteria which is part of their Future World Protections framework, with a revenue restriction on oil sands reducing from 20% of revenues to 5% of revenues.

Metrics and targets - review of our progress

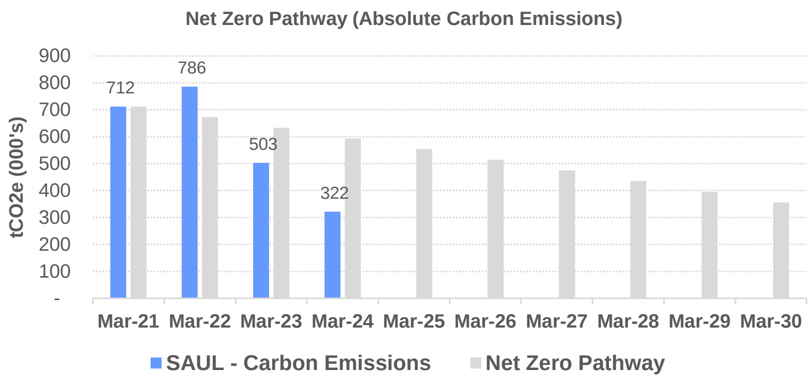
This section provides a review of the performance against our climate-change-risk-management objectives for the DB plan and SAUL Start.

Absolute carbon emissions

DB Plan

To meet the overall objective of being net zero by 2050 (or sooner), the absolute carbon emissions from the DB plan investment portfolio need to fall to zero. The pathways for the DB plan below show the financed portfolio emissions for the last four years ended each March.

The pathways do not include any offsets achieved from the investments in the underlying investment portfolio. This is a complex topic and will be considered in more detail by the Trustee over the coming years.



SAUL's absolute carbon emissions from the investment portfolio have fallen c.36% over the year to 31 March 2024. The decrease in absolute carbon emissions was partly driven by some of the heavier emitting private markets investments returning capital, with these proceeds being invested in mandates with more climate focused holdings such as the LGIM Future World Global Equity Fund and the Ninety One Global Environment Fund.

The Trustee agreed to enhance its methodology for calculating emissions data from using indices to using data from the investment managers (where there was reasonable coverage). Whilst providing better estimates, the change of methodology also contributed to lower reported absolute emissions over the period, in particular scope 3 emissions which remain difficult to report on and something that the Responsible Investment Working Group will consider the reporting of scope 3 emissions as part of its review.

Since the 31 March 2021 baseline year, absolute carbon emissions have fallen c.55% and are ahead of the projected next zero pathway (being lower than the 50% reduction by 2030 (or sooner)).

The absolute carbon emissions[10] from the physical UK Government Bond holdings in the LDI portfolio at 31 March 2024 were 84,448 tCO2e. A further 48,975 tCO2e from the derivative exposure resulted in total absolute carbon emissions from the LDI portfolio of 133,422 tCO2e.

SAUL Start

To meet the overall objective of being net zero by 2050 (or sooner), the absolute carbon emissions from the SAUL Start investment portfolio (with a particular focus on the default investment option) need to fall to zero.

The absolute carbon emissions for each of the investment options are set out in the appendix. Given that the carbon emissions are derived using the value of the investment portfolio, the financed emissions at 31 March 2024 were small but will grow as more members are enrolled in SAUL Start.

Conclusions and future plans – Net zero target

DB plan

To ensure that the DB plan meets the Trustees overall climate-change-risk-management objective, it will be important for SAUL to help reduce the absolute carbon emissions of the portfolio by focussing on:

- reinvesting capital repaid from private markets investments into more “climate aligned” mandates over the next few years.
- considering allocating additional capital to Climate Solutions (for example, additional renewable energy and natural capital). These will also help us to achieve our climate solutions sub-objective.

SAUL Start

The main focus will be monitoring and measuring the carbon footprint of the investment strategy, with a particular focus in the default investment option.

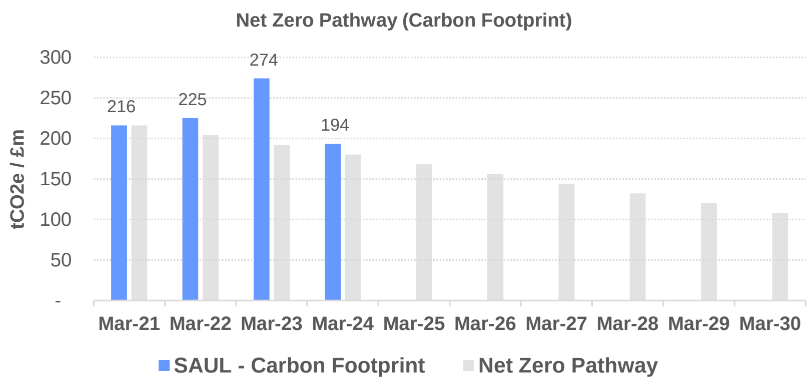
That said, at the time of setting the investment strategy for SAUL Start, the default investment option did not have a formal net zero by 2050 target but pleasing, LGIM has adopted one after the year end along with interim milestones at 2025 and 2030.

Carbon footprint

DB plan

The pathways for the DB plan below show the carbon footprint for the last four years ended each March.

[10] Source: LGIM using their TCFD for LDI Methodology (July 2024). Scope 1 and Scope 2 emissions only.



The carbon footprint of the investment portfolio decreased by c.29% over the year to 31 March 2024. Since the 31 March 2021 baseline year, the carbon footprint has decreased by c.10%.

As at 31 March 2024, in order to be on track to meet the March 2030 interim target, the Carbon Footprint needs to fall by a further c.85 tCO2e/£m (equivalent to c.14 tCO2e/£m a year).

SAUL Start

The carbon footprint for the SAUL Start Growth Fund has reduced over the year as LGIM continue to implement the strategy to meet its climate change objectives.

Conclusions and future plans – Carbon footprint

DB plan
Although the carbon footprint remains above the net zero pathway, it has reduced over the year due to some of the heavier emitting private markets investments returning capital, and the proceeds being invested in mandates with more climate focused holdings such as the Legal & General Investment Management (LGIM) Future World Global Equity Fund and the Ninety One Global Environment Fund.

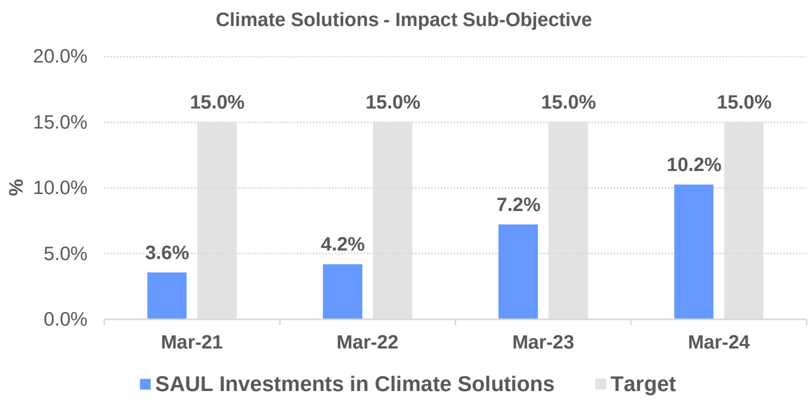
SAUL Start
At the time of setting the investment strategy for SAUL Start, the default investment option did not have a carbon footprint reduction target. However, LGIM adopted one after the year end along with interim milestones at 2025 and 2030.

Given the issues associated with calculating scope 3 emissions we are reviewing whether these should continue to form part of the Trustee’s targets.

Climate solutions review

DB plan

For the DB plan, the charts below show the allocation to climate solutions for the last four years ended each March:



The 15% target allocation to climate solutions is to be achieved by the end of 2025 (or sooner) and was set with reference to the total DB plan investment portfolio (including the LDI portfolio). This means that, based on the total asset value of c.£3.0bn at 31 March 2024 and assuming no growth, the DB plan should have c.£450m invested in Climate Solutions by the target date. This compares to the current allocation of c.£300m which is c.10% of the total DB plan investment portfolio.

The allocation to climate solutions has increased over the last few years as the IC has invested more money in the renewable energy mandate with Schroders Greencoat and also invested in the Ninety One Global Environment mandate that invests in public equities.

SAUL Start

To give an indication of the focus on green investments within SAUL Start, we disclose the percentage of the portfolio companies in the SAUL Start Growth Fund that have green revenues. At 31 March 2024 the green revenues within the SAUL Start Growth Fund were 4.2%, an increase of 0.9% over the year.

Conclusions and Future plans – Climate solutions

DB plan

The Trustee is pleased with the progress on increasing the allocation to climate solutions, particularly as the strategy was knocked off track as a result of the UK Gilts crisis in September 2022.

SAUL Start

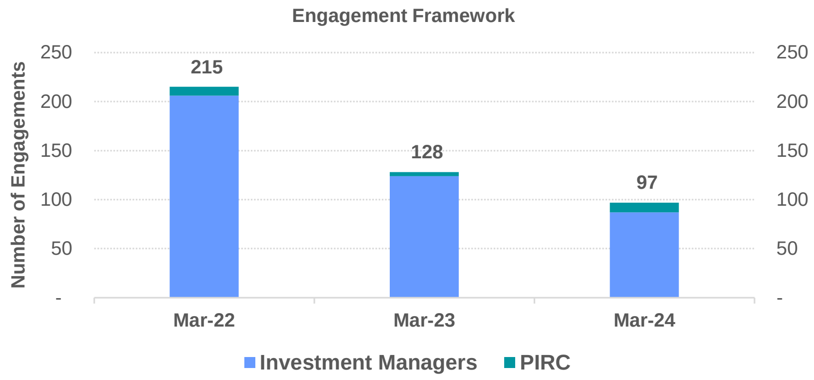
LGIM provides a measure of those companies with green revenues which gives a reasonable indication of alignment.

Looking ahead, the Responsible Investment Working Group will be reviewing the suitability of the climate solutions objective.

Engagement framework review

DB plan

The chart below shows the number of engagements undertaken within the DB plan by the investment managers and PIRC for the last three years ended each March:



The investment managers and PIRC conducted 97 climate (or environmental) engagements with companies over the year. Given the prominence of climate change and the evolving regulations, reputational risk and disclosure requirements, many of the engagements focussed on gathering information on what companies intend to do to manage the risks.

PIRC has retained its significant focus on managing climate and social related risks at investee companies, but the year was somewhat more challenging with regards to climate-related stewardship. The so-called “ESG backlash” playing out in the US has slowed and, in some cases, reversed progress made by some companies. A number of large emitters have also rowed back on existing climate targets, including BP and Shell. Despite these headwinds, PIRC has focused engagement on climate risk within the financial sector and the role the sector plays in facilitating the energy transition.

Two examples of engagements by PIRC can be found below.

Company Name (Sector)	Engagement Type (Region)	Commentary
Westpac Banking Corporation **(Financials)**	**Environmental** **(Australia)**	***SAUL Exposure:*** *Fixed Income.* ***Company Information:*** *Westpac provides a broad range of consumer, business and institutional banking and wealth management services through a portfolio of financial services brands and businesses.*

Company Name (Sector)	Engagement Type (Region)	Commentary
		Engagement Topic: ***Climate Targets*** *A shareholder resolution calling for the bank to halt fossil fuel financing was presented at the 2023 AGM, winning 22% support. While the company had recently made additional commitments to halt some types of fossil finance, concerns were raised amongst shareholders that commitments on new fossil finance would not come into effect until September 2025.* *Furthermore, although the company has set goals to expand its sustainable finance efforts and has provided a framework for determining eligibility, there have been concerns that these targets combine funding for renewable energy with transition projects (which may involve natural gas and biomass) as well as social projects. This makes it challenging for investors to accurately gauge the bank's commitment to addressing climate change, its strategies for meeting emission reduction targets, and management of climate-related risks.* ***Engagement:*** *PIRC outlined the key drivers leading to an 'Oppose' recommendation on the Say-On-Climate resolution at the 2023 AGM, including concerns regarding insufficient commitments on exiting fossil finance, as well as disclosure of board members' climate-related experience. The company expressed its commitment to accelerating climate action but noted that their progress would be constrained by the pace at which clients are able to adapt.* *Westpac also indicated a shift from an incentive-based approach to a more enforcement-based approach gradually over time. PIRC also acknowledged some elements of good practice within the company's sustainable finance targets, while suggesting that quantitative disclosure of targets could be disaggregated between climate and other sustainability goals. This would allow for a better assessment of whether finance commitments were in step with a 1.5°C-aligned climate strategy.* *Westpac explained that these targets were introduced ahead of the release of the national sustainable*

Company Name (Sector)	Engagement Type (Region)	Commentary
		finance taxonomy in the UK and expressed willingness to further break down the sustainable finance targets. ***Outcome*** *PIRC will continue to engage with the company.*
Croda **(Industrials)**	**Environmental** **(UK)**	***SAUL Exposure:*** *Public Equity.* ***Company Information:*** *Croda plc is a speciality chemical company listed on the FTSE 100 with operations in 37 different countries. It focuses on chemicals for consumer care and life sciences, including pharmaceuticals and agriculture.* ***Engagement Topic:*** ***Water Stewardship*** *Croda identifies water usage as a physical climate risk within its annual reporting, stating that changes in the world's climate can significantly increase or decrease precipitation at a given location over time. Changes in precipitation resulting in reduced rainfall over extended periods are likely to affect water-stressed locations by causing droughts. This can impact regional water supply and have financial implications for local industry.* *Palm oil derivatives are an important raw material for Croda. On average, a palm oil mill is estimated to generate 2.5 metric tons of effluents for every metric ton of oil produced, resulting in significant water quality risks.* *Additionally, deforestation, often linked to the palm oil supply chain, increases soil erosion and consequently heightens the risk of flooding.* *On 11 December 2023, PIRC met with Croda to discuss water stewardship. The company explained that, for the most part, they do not formulate consumer products themselves. The main water demand in their direct operations was in processing, rather than water being embodied in the products. To mitigate this demand, the company's focus was on recycling and*

Company Name (Sector)	Engagement Type (Region)	Commentary
		minimising the need for water. With regards to the approach to water management in the supply chain, the company explained that as a relatively small buyer and largely purchasing derivatives of raw materials rather than the raw materials themselves, Croda has limited leverage over the supply chain. The company considers collaboration with suppliers and customers to be a more effective approach to driving improved water stewardship practices within its supply chain. To this end, Croda co-founded the consortium Action for Sustainable Derivatives, which focuses on increasing transparency in the supply chain, including in relation to water. The company also expressed the intention to improve suppliers' disclosure of data on water usage, carbon emissions and land use change. ***Outcome:*** *Croda has in place a quantitative target to reduce water use impact by 50% by 2030 and by 25% by 2024. PIRC outlined the need for targets to be context-based (i.e. adapted to the state of each individual basin) as well as time-bound. Additionally, as the company's existing target relates to direct operations only, PIRC encouraged the company to adopt a value chain approach to water stewardship and consider guidance published by the Science- Based Targets Network.*

SAUL Start

LGIM has conducted more engagements on climate change as part of the evolution of their Climate Impact Pledge, with the engagements on this topic increasing by 1.5% over the year. We are also seeing an increased focus on engagements outside of carbon risk, with LGIM also engaging on nature / biodiversity and social risks.

Conclusions and future plans – Engagement framework
The Trustee is pleased with the progress that has been made in engagement on climate matters – both the investment managers, PIRC and its own collaborative engagement. The Trustee will continue to ensure that its investment managers engage on climate change risks as part of their normal course of business, with a focus on outcomes, engaging with those that are not meeting our requirements.

Exclusions framework review

DB plan

The Trustee has worked with the investment managers to implement our exclusions framework within our mandates. In simple terms, an exclusions framework sets out companies that our investment managers cannot purchase. Progress is set out below, broken down by the structure of the mandates:

- **Segregated mandates**

For our segregated mandates, we have our own Investment Management Agreement (IMA) which sets our exclusions. Those investment managers where the exclusions framework applies are asked to submit a declaration to us each quarter confirming they have adhered to the exclusions framework.

At 31 March 2024, we held two securities in our segregated public credit portfolio that, while meeting our exclusions framework, had not been excluded. These were purchased before we began to implement our exclusions framework and are due to pay back over the short to medium term.

- **Limited partnership mandates**

Many of our illiquid investments are held within Limited Partnership structures. Although it has historically been difficult to implement bespoke investment restrictions within Limited Partnership Agreements, we have been encouraged that some of our managers in this space have been able to accommodate our request.

We anticipate that any investment managers we consider appointing with these fund structures in the future will not be selected if they are unable to accommodate our exclusions framework.

- **Pooled funds**

Over the year, the Trustee appointed LGIM to manage an index-tracking global public equity portfolio. The Trustee selected a pooled approach over a segregated approach owing to the pooled approach offering lower fees and lower tracking error (given the number of securities).

LGIM apply the Future World Protection List and exclude companies in accordance with the LGIM Climate Impact Pledge.

The Trustee is comfortable that while not perfectly aligned with its own exclusions framework it is broadly aligned.

SAUL Start

The Trustee is unable to integrate its exclusions into the investment strategy for SAUL Start but the funds chosen have exclusions which are broadly aligned.

After the year end, LGIM also enhanced the climate exclusions criteria which is part of their Future World Protections framework, with a revenue restriction on oil sands reducing from 20% of revenues to 5% of revenues. This also aligns with the Trustees own objective albeit the restriction on thermal coal used for power generation remains at 20%.

Conclusions and future plans – Exclusions framework

The Trustee is comfortable that its exclusions framework has been implemented appropriately across the DB Plan. Within SAUL Start, LGIM's approach is broadly aligned to the Trustees exclusions framework.

Should new investment managers be appointed, the Trustee will carefully consider the optimal implementation approach – balancing the need to implement its exclusions framework with ensuring competitive costs.

Appendix – Data methodology

For the DB Plan, where a reasonable amount of data is available, either from data providers (MSCI) for liquid assets or from the asset manager themselves in the case of illiquid assets, the Trustee monitors 'line-by-line' emissions reporting for funds. For funds with less than 50% coverage of scope 1 and 2 emissions, the Trustee monitors 'asset-class-level' carbon estimates due to the absence of reliable, reported line-by-line emissions data from either the illiquid asset managers. LGIM provide climate metrics for SAUL Start, given they manage the bulk of the assets, apart from the HSBC Shariah Fund - which uses MSCI data.

The Trustee notes using asset class modelling of emissions where this data is not available gives a more holistic view of SAUL's total portfolio emissions, but recognises that the modelled data is far from perfect.

Redington has provided the asset class modelling of emissions, which is based on asset class 'building blocks'. These are either calculated directly using the emissions of the underlying holdings within an index (such as using MSCI ACWI as a proxy for a broad public equity fund) or in some cases these indices are used and extrapolated to other asset classes based on given assumptions (such as using the emissions of infrastructure firms within an index to proxy an infrastructure fund).

Emissions metrics will be calculated in line with the GHG Protocol methodology, the global standard for companies and organisations to measure and manage their GHG emissions. The GHG Protocol provides accounting and reporting standards, sector guidance and calculation tools. It has created a comprehensive, global, standardised framework for measuring and managing emissions from private and public sector operations, value chains, products, cities and policies to enable greenhouse gas reductions across the board.
The Trustee recognises that there can be some degree of double counting when including scope 3 emissions for all investments in the same portfolio (due to the potential supply chain relationships between companies within the investment portfolio).

For this reason, scope 3 emissions figures have been adjusted for double counting by applying a de-duplication multiplier of 0.22 to all portfolio companies' scope 3 emissions. This is the discount factor used by the ESG data provider and it is based on the relationship between the total scope 1 and scope 3 emissions of a company.

The discount factor is designed to reduce the portfolio's aggregated scope 1, 2 and 3 emissions to a level more closely reflecting the real-world footprint.

Appendix – 2023 scenario analysis

Modelling

Based on the advice from Redington, the Trustee has agreed to use Bank of England's Prudential Regulation Authority (PRA) stress test methodology.

As part of its 2020 biennial stress tests, the PRA conducted an exploratory exercise to test the impact of future climate change scenarios on the assets and liabilities of (re)insurers, using predictions by the Intergovernmental Panel on Climate Change (IPCC) and academic literature as the basis for their modelling assumptions.

Using the same methodology, Redington has constructed similar tests that allow us to examine the impact on the funding position, via the effect on asset values and liabilities of the Scheme under three scenarios.

The magnitude of each shock varies across industries under each scenario, meaning some assets may fare better or worse under one scenario than another.

PRA Stress Scenario	Description
Fast Transition	• A sudden transition, ensuing from rapid global actions and policies, that materialises over the medium term and achieves a temperature increase that remains below 2°C (relative to pre-industrial levels) but only following a disorderly transition. • In this scenario the downside comes almost entirely from transition risk. • The scenario is based on the type of disorderly transitions highlighted in the IPCC Fifth Assessment Report (2014). • Shock parameters illustrative of potential impact in 2023.
Slow Transition	• A long-term orderly transition that is broadly in line with the Paris Agreement. • This involves a maximum temperature increase being kept well below 2 C (relative to preindustrial levels), with the economy transitioning in the next three decades to achieve carbon neutrality by 2050 and greenhouse gas neutrality in the decades thereafter.

PRA Stress Scenario	Description
	• The underlying assumptions for this scenario are based on the scenarios assessed in the IPCC Special Report on Global Warming of 1.5°C (2018). • Shock parameters illustrative of potential impact in 2050. • In this scenario the downside comes from a mix of transition risk and physical risk.
No Transition	• A scenario with failed future improvements in climate policy, reaching a temperature increase in excess of 4°C (relative to pre-industrial levels) by 2100 assuming no transition and a continuation of current policy trends. • Physical climate change is high under this scenario, with climate impacts for those emissions reflecting the risker (high) end of current estimates. • Shock parameters illustrative of potential impact in 2100. • In this scenario the downside risk is entirely physical risk.

In terms of the assumptions made under these scenarios, the PRA recognised that feedback loops between climatic shocks and structural economic change need to be incorporated when assessing the financial impacts on businesses of physical and transition risk under each emissions scenario. However, due to existing modelling and data constraints, this is a complexity that is excluded by Redington in the modelling.

There is also an acceptance by the Trustee that the timing and sequence of financial impacts will be complex, as behavioural changes could result in physical risks preceding transition risks and vice versa. For the purpose of simplicity, where an asset is subject to both physical and transition risk, the shocks are applied consecutively, with the physical shock applied second.

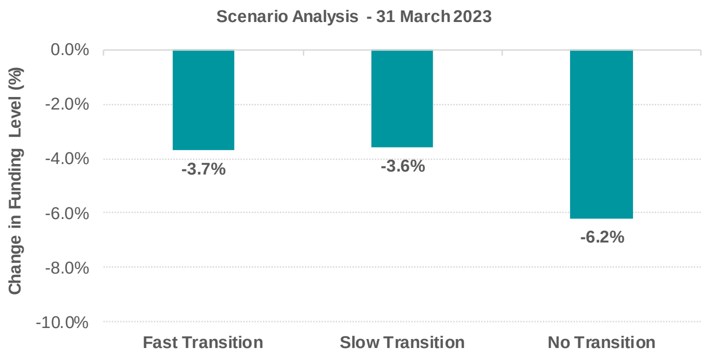
Scenario Analysis - Sponsoring Employer Covenant

The Trustee is confident that the top 10 employers (which account for the majority of SAUL' liabilities) recognise the risks that climate change poses to their operations and future business strategies.

In 2022, SAUL's Covenant Review Sub-Committee discussed the approach to the covenant review for the 2023 Actuarial Valuation with regards to metrics covering ESG - they were found to have reasonable governance around ESG matters.

Scenario Analysis – Results (Investment and Funding)

The chart below shows the estimated impact to the Scheme's funding level, after stressing both the assets and liabilities against the three PRA Scenarios.



In all three scenarios, the funding level is impacted but to a higher extent in the "no transition" scenario where it is estimated to drop by around 6%.

The output from the PRA stress tests shows that liquid credit assets face less climate risk than passive and active equities, primarily because assets with high equity allocations are more exposed to systematic risks (for example day to day, ongoing risk caused by a number of economic and geopolitical factors). As we would expect, our investment with Schroders Greencoat contributes positively to the funding level stress tests given its alignment with the objectives of the Paris Agreement.

Those assets classes which are more effected include private credit and private equity.

Scenario Analysis - Effect of longevity assumptions

As well as asking Redington to conduct the stress tests on the investment portfolio and the liabilities, we also asked the Scheme Actuary (Mercer) to estimate the longevity impacts for similar scenarios.

The longevity assumption affects the value of the liabilities. For example, if members are estimated to live longer this increases the value of the liabilities and vice versa. Below we have set-out an extract of the main results of the analysis conducted at 31 March 2023.

In modelling scenarios for mortality impacts in this report, the Scheme Actuary has made use of:

- Representative Concentration Pathways (RCPs) and Shared Socioeconomic Pathways (SSPs) as defined by the UN Intergovernmental Panel on Climate Change (IPCC), including estimated projected temperatures.
- Relationships between each SSP and a range of socioeconomic and other variables as published by the UK Climate Resilience Program, and modelling of how changes to those variables would affect UK mortality rates.
- UK-based climate projections from the Met Office, with correlations between past climate data and mortality rates being used to predict future influences.

The modelling indicates the following scenario outcomes, each compared to mortality assumptions constructed with no explicit allowance for climate-related risks.

- For scenarios that broadly follow the PRA Fast and Slow Transitions, younger generations have a modest increase in life expectancy whereas older generations show a larger increase. This is estimated to increase the value placed on SAUL’s liabilities.
- For a scenario that broadly follows the PRA No Transition, life expectancy reduced significantly in younger generations whereas older generations show a more modest reduction. This is estimated to reduce the value placed on SAUL’s liabilities.

Appendix – Legislative Disclosure Requirements at 31 March 2024

To meet the legislative requirements, the Trustee is required to disclose four climate change metrics at least annually. The first three metrics are generally "backward looking", based on carbon data at a point in time, whereas the fourth portfolio alignment metric quantifies the future alignment with the goals of the Paris Agreement. The four metrics that the Trustee has chosen are:

- Two emissions-based metrics, one of which must be an absolute measure of emissions and one which must be an intensity-based measure of emissions
- A metric to assess the climate-related risks and opportunities which are relevant to SAUL's investments, and
- A metric setting out the future alignment of SAUL's investment portfolio with the goals of the Paris Agreement.

The Trustee is also required to set a target and, on an annual basis, review the suitability of it and measure the performance of the Scheme against it. Given that SAUL has adopted its own set of climate-change-risk-management objectives, with an overall objective to achieve net zero portfolio emissions by 2050 (or sooner), this is the target which has been set.

DB Plan

Measure	Baseline	Value at March 2024
1. Absolute Emissions	31 March 2021	**321,738 tCO2e**
2. Emissions Intensity	31 March 2021	**194 tCO2e/£m**
3. % of Scheme invested in climate solutions	31 March 2021	**10.2%**

4. % of portfolio committed to SBTi	31 March 2023	**8.7%**

SAUL Start

The table below refers to the carbon metrics for the growth phase within the default investment option – the SAUL Start Growth Fund

Measure[11]	Baseline	Value at March 2024
1. Absolute Emissions	TBC	**405 tCO2e**
2. Emissions Intensity	TBC	**51 tCO2e/£m**
3. % of Green Revenues	TBC	**4.3%**
4. % of portfolio committed to SBTi	TBC	**41%**

[11] Scope 1 and Scope 2 emissions only (excluding sovereigns).

Appendix – DB Plan Investment Manager Data at 31 March 2024

Manager Name	Mandate(s)	UN PRI Signatory?	Scope 1 + 2	Scope 3	Total Emissions	Carbon Footprint
AVIVA Investors Global Services Ltd	Private Credit	✓	13,473	13,419	16,425	104
AVIVA Investors Global Services Ltd	Real Assets	✓	2	97	23	5
HPS Investment Partners LLC	Private Credit	✓	7,956	14,779	11,207	87
Igneo Infrastructure Partners	Real Assets	✓	40,340	77,754	57,446	293
Intermediate Capital Managers Ltd	Multi-Class Credit	✓	1,082	4,359	2,041	269
JPMorgan Asset Management Ltd	Private Credit	✓	57,818	52,805	69,435	439
Kohlberg Kravis Roberts & Co L.P	Multi-Class Credit	✓	33,009	135,104	62,732	494
Legal & General Investment Management Ltd	Public Equity	✓	1,825	14,453	5,005	97
Legal & General Investment Management Ltd	Public Credit	✓	4,233	16,863	7,943	83
Ninety One Asset Management UK Limited	Public Equity	✓	8,924	27,709	14,460	135
Partners Group Holdings AG	Private Equity	✓	3,697	12,386	6,422	21
Schroders Greencoat Capital LLP	Real Assets	✓	4,581	19,524	8,876	45
Schroder Investment Management Ltd	Private Credit	✓	30,708	125,688	58,359	494
Other	-	-	153	956	363	227
Total			**207,801**	**517,896**	**321,738**	**194**
Legal & General Investment Management Ltd	LDI Portfolio	✓	133,422	-	-	-

Appendix – SAUL Start Investment Manager Data at 31 March 2024[12]

Investment Option	Mandate(s)	UN PRI Signatory?	Scope 1 + 2	Scope 3	Total Emissions	Carbon Footprint
SAUL Start Growth Fund	Multi-Asset	✓	405.8	N / A	405.8	51
SAUL Start Money Market Fund	Public Equity	✓	>0.1	N / A	>0.1	0.3
SAUL Start Global Equity Fund	Public Equity	✓	1.2	N / A	1.2	38
SAUL Start Shariah Fund	Public Equity	✓	0.1	N / A	0.1	21
Total			**407.1**	**-**	**407.1**	**50**

[12] Scope 1 and Scope 2 emissions data only (excluding sovereigns). Where coverage is less than 100%, figures have been scaled-up.

Appendix – Glossary

Baseline Emissions
Baseline emissions refer to the production of Greenhouse Gases that have occurred in the past and which are being produced prior to the introduction of any strategies to reduce emissions.

The baseline measurement is determined over a set period, typically one year. This historical measurement acts as a benchmark to evaluate the success of subsequent efforts to reduce emissions. Without the knowledge of baseline emissions, it is impossible to reliably judge the success of any remediation efforts.

Carbon Dioxide Equivalent (CO2e)
How we describe different greenhouse gases in a common unit. For any quantity and type of greenhouse gas, CO2e signifies the amount of CO2 which would have the equivalent global warming impact.

Equity Future(s)
Futures are derivative financial contracts that obligate parties to buy or sell an asset at a predetermined future date and price. The buyer must purchase, or the seller must sell the underlying asset at the set price, regardless of the current market price at the expiration date.

Greenhouse Gasses (GHG)
Greenhouse gases are those gaseous constituents of the atmosphere, both natural and anthropogenic, that absorb and emit radiation at specific wavelengths within the spectrum of thermal infrared radiation emitted by the earth's surface, the atmosphere itself, and by clouds. This property causes the greenhouse effect.

Water vapour (H2O), carbon dioxide (CO2), nitrous oxide (N2O), methane (CH4) and ozone (O3) are the primary greenhouse gases in the earth's atmosphere. Moreover, there are several entirely human-made greenhouse gases in the atmosphere, such as halocarbons and other chlorine- and bromine-containing substances, dealt with under the Montreal Protocol.

Beside CO2, N2O and CH4, the Kyoto Protocol deals with the greenhouse gases sulphur hexafluoride (SF6), hydrofluorocarbons (HFCs) and perfluorocarbons (PFCs).

Intergovernmental Panel on Climate Change (IPCC)
The IPCC is an intergovernmental body of the United Nations mandated to provide objective scientific information relevant to understanding human-induced climate change, its natural, political, and economic impacts and risks, and possible response options.

Liability Driven Investment (LDI)
Typically invests in UK Government Bonds (or Gilts) and repurchase agreements to help manage interest rate and inflation risk.

MSCI
MSCI is a US-based finance company headquartered in New York City and serving as a global provider of market indexes, multi-asset portfolio analysis tools and ESG products.

Net Zero
When total greenhouse gas emissions are equal or less than the emissions removed from the environment. For example, the

UK has committed to become a net zero country by 2050.

Net Zero Investment Framework
The Net Zero Investment Framework, originally published in March 2021, provides a common set of recommended actions, metrics and methodologies through which investors can maximise their contribution to achieving global net zero global emissions by 2050 or sooner.

Paris Agreement
To tackle climate change and its negative impacts, 197 countries adopted the Paris Agreement at the COP21 in Paris on 12 December 2015. It aims to substantially reduce global greenhouse gas emissions and to limit the global temperature increase in this century to 2°C Celsius while pursuing means to limit the increase even further to 1.5°C.

Public Credit
Debt (or a loan) issued or traded on the public markets and issued by a company. In return the investor receives an annual interest payment.

Public Equity
Equity allows a company to give investors a share of the business for which they earn returns as the business grows. Another advantage for public equity is its liquidity, as most publicly traded stocks are available and easily traded daily through public market exchanges.

Scope 1 Emissions
Direct Greenhouse Gasses emissions created by a company's activities. Occur from sources that are owned or controlled by the company, for example emissions from combustion in owned or controlled furnaces of company facilities or company vehicles, as well as emissions from the operations portion of a company's product and services.

Scope 2 Emissions
Purchased Electricity Greenhouse Gasses emissions. Emissions from the generation of purchased electricity consumed by the company including heating and cooling. Scope 2 emissions physically occur at the facility where electricity is generated.

Scope 3 Emissions
Other indirect Greenhouse Gasses emissions. Emissions that are consequences of the activities of the company but occur from sources not owned or controlled by the company. 15 categories of scope 3 emissions exist.

Stewardship
The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Tar Sands
Tar sands (also known as oil sands) are a mixture of mostly sand, clay, water, and bitumen. Bitumen is made of hydrocarbons (the same molecules found in liquid oil) and is used to produce petrol and other petroleum-based products. Extracting the bitumen from tar sands, and refining it into products like petrol, is significantly more costly and more difficult than extracting and refining liquid oil.

Tar sands are commonly extracted using surface mining, where the extraction site is excavated, and "in-situ" mining, where steam is used to liquefy the bitumen deep underground and it is then pumped to the surface. The largest deposits of tar sands are found in Alberta, Canada. A gallon (US) of petrol made from tar sands produces c.15% more carbon dioxide emissions than one made from conventional liquid oil.

Taskforce on Climate-Related Financial Disclosures (TCFD)
The Task Force on Climate Related Disclosures was set up by the international Financial Stability Board in 2015 and its members are senior individuals from across the G20 covering a broad r
ange of economic sectors and financial markets. It has developed a set of recommendations for consistent climate-related financial risk disclosures, for use by companies and financial institutions of all types.

Thermal Coal
Thermal coal, also known as 'steaming coal' or just 'coal', is widely used as the principle means of generating electricity in much of the world.

Thermal coal differs from coking coal, which has a higher energy content and is chiefly used in metal making rather than electricity production. Its high carbon and sulphur content means thermal coal it is also a major contributor to greenhouse gas emissions and global warming.

Although its use globally has been declining since 2013, thermal coal still supplies about one quarter of the world's primary energy needs and two-fifths of its electricity, according to the International Energy Agency (IEA).

Coal's principal problem is that burning it is the largest source of carbon dioxide, accounting for 14 trillion tonnes of emissions in 2016, and about 25% p.a. of all global greenhouse gas emissions, according to the IEA.

Weighted Average Carbon Intensity (WACI)
Measures the portfolio's exposure to carbon intensive companies by calculating intensity at the issuer level and scaling it by portfolio weight of each issuer. Emissions are apportioned based on portfolio weights/exposure, rather than investor's ownership share of emissions or revenue.