



# PARIS ALIGNED ASSET OWNERS INITIAL TARGET DISCLOSURES



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# Introduction

Paris Aligned Asset Owners are an international group of asset owners committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit temperature warming to 1.5°C above pre-industrial levels.

The group was an outcome of the Paris Aligned Investment Initiative, which was established in May 2019 as a collaborative investor-led forum to support investors to align their portfolios and activities to the goals of the Paris Agreement.

The Paris Aligned Investment Initiative has a Steering Group of nine investors and is supported by four regional investor networks:

## PAII Steering Group

**Adam Matthews** (Co-Chair)  
Church of England Pensions Board

**Claudia Kruse** (Co-Chair)  
APG Asset Management

**Akaash Sachdeva**  
HESTA Superannuation

**David Adkins**  
Lloyds Banking Group Pensions Trustee Limited

**Dewi Dylander**  
PKA

**Faith Ward**  
Brunel Pension Partnership

**Liz Gordon**  
New York State Common Retirement Fund

**Michael Marshall**  
Railpen

**Peter Smith**  
TPT Retirement Solutions

## PAII Investor Networks

**AIGCC** (Asia)

**Ceres** (North America)

**IGCC** (Australasia)

**IIGCC** (Europe)

To date, 56 asset owners have made a net zero commitment through the Paris Aligned Investment Initiative. This includes asset owners from Australia, Canada, Europe, New Zealand, The United States, and The United Kingdom, representing USD 3.4 trillion in AUM.

This document provides an overview of the targets set by Paris Aligned Asset Owners to date and will be updated to incorporate additional targets from asset owners as they are published.

In Autumn 2022, the Paris Aligned Investment Initiative plans to publish a more comprehensive progress report. The report will detail the actions asset owners have taken, and plan to take in the coming year, to contribute to the net zero transition.

# Paris Aligned Asset Owner Net Zero Commitment

Paris Aligned Asset Owner signatories made a voluntary commitment to the following 10-point net zero commitment.

## Commitment

As asset owners with millions of beneficiaries around the world, we reiterate our full support for the Paris Agreement and strongly urge governments to implement the actions that are needed to achieve the goals of the accord, with utmost urgency.

Recognising the need to address the risks that investors and their beneficiaries face from climate change, investors are taking action, but we acknowledge that there is an urgent need to accelerate the transition towards global net zero greenhouse gas emissions and do our part in helping deliver the goals of the Paris Agreement.

In this context, my institution commits to the following consistent with our fiduciary obligations:

1. Transitioning our investments to achieve net zero portfolio GHG emissions by 2050, or sooner
2. Implementing this commitment with the aim of achieving real economy emissions reductions and undertaking a comprehensive set of actions available to investors, drawing on the Paris Aligned Investment Initiative's Net Zero Investment Framework
3. Setting objectives and targets, including an interim target for 2030 or sooner for reducing Scope 1, 2 and 3 emissions associated with our portfolios and setting a target for increasing investment in climate solutions, consistent with a fair share of the 50% global reduction in CO2 identified as a requirement in the Intergovernmental Panel on Climate Change special report on global warming of 1.5°C
4. Where offsets are necessary where there are no technologically and/or financially viable alternatives to eliminate emissions, investing in long-term carbon removals.
5. Ensure any direct and collective policy advocacy we undertake supports policy and regulation relevant for achieving global net zero emissions by 2050 or sooner
6. Implementing a stewardship and engagement strategy, with clear voting policy that is consistent with an objective for all assets in the portfolio to achieve net zero emissions by 2050 or sooner
7. Engaging with asset managers, credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers to ensure that funds, products and services available to investors are consistent with achieving global net zero emissions by 2050 or sooner.
8. Setting a target and reducing our operational (Scope 1 and 2) emissions in line with achieving global net zero emissions by 2050, or sooner.
9. Disclosing objectives and targets, and publishing a clear Investor Climate Action Plan for achieving these goals as soon as possible, no later than one year from making this commitment, and reviewing and updating targets every five years or sooner.
10. Reporting annually on the strategy and actions implemented and progress towards achieving objectives and targets, and in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Our institution's commitment recognises that investors across the globe have different opportunities, constraints and starting points for achieving net zero emissions and there are a range of methodologies and approaches available to investors to set targets and implement strategies. In some asset classes or for some investment strategies, agreed net zero methodologies do not yet exist. We will, therefore, work to address these challenges, including through the Paris Aligned Investment Initiative.

Our commitment is based on the expectation that governments and policy makers will deliver on their commitments to achieve the 1.5°C temperature goal of the Paris Agreement, and in the context of fulfilling our fiduciary obligations.

## Setting and disclosing targets

The Paris Aligned Investment Initiative Net Zero Commitment includes a requirement to set and disclose targets and objectives within 12 months, drawing on the [Net Zero Investment Framework](#) as a key guide.

As such, the structure of the target disclosures presented here reflects the four targets recommended in the Net Zero Investment Framework 1.0.

### Portfolio level targets

- A <10-year CO2e emissions reduction target, covering listed equity and corporate fixed income, and real estate.
- A <10-year goal for increasing allocation to climate solutions.

### Asset level targets

- A 5-year portfolio coverage target for increasing the percentage of AUM in material sectors that are i) achieving net zero, or, meeting the criteria to be considered ii) 'aligned' to net zero, or iii) 'aligning' to net zero.
- An engagement threshold which ensures that at least 70% of financed emissions in material sectors are either assessed as net zero, aligned with a net zero pathway, or the subject of direct or collective engagement and stewardship actions.

For further explanation of the four recommended target types, see our [Supplementary Target Setting Guidance](#).

# ABP

## Portfolio level – emissions reduction reference target(s)

**Baseline date:** Holdings data: 31 March 2015 (equities portfolio)

**Baseline performance:** 31.2 million tonnes of CO<sub>2</sub>eq.

**Target year(s):** 2025

**Target(s):** Listed equity: -40% by 2025

Whole portfolio: net zero by 2050

**GHG scopes included:**

Equity: Scope 1 & 2, Scope 3 for energy and mining sectors

Corporate Bonds: Scope 1 & 2, Scope 3 for energy and mining sectors

Real Estate: Scope 1, 2, 3

Private Equity: Scope 1 & 2, Scope 3 for energy and mining sectors

Government Bonds: Emissions related to activities from the government

(Operations and investments)

**Asset classes in scope:** Equity for the 2025 reduction target.

In 2022, 2030 targets will be published for other asset classes.

**Net zero scenarios:** ABP uses the following scenarios as reference for its RI policy: 1.5 degree scenarios with no or limited overshoot of the IPCC and IEA Net-Zero scenario.

**Methodology:** Since 2018, APG has had a multidisciplinary climate steering committee in which risk management, fiduciary management and portfolio management are represented.

This steering group coordinates the approach to managing climate risks and is the driving force behind the implementation of the climate risk policy. We map climate risks using the TCFD methodology as well as scenarios to stay within the 1.5 degrees ambition of ABP.

## Portfolio level – investment in climate solutions target

**Quantitative target**

**Baseline date:** 2020

**Baseline performance:** Sustainable Development Investments (SDIs) accounted for 16,4% of our investment (€80.9 billion). Of that number, €13.8 billion was attributed to SDG 7.

**Target date:** 2025

**Target year:** By 2025, ABP wants to have invested 20% of its assets in SDI investments, of which €15 billion in the Sustainable Development Goal 7: Affordable and sustainable energy.

**Methodology:** APG uses the SDI asset owner methodology to define relevant investments.

## Asset level alignment – portfolio coverage target(s)

**Baseline date:** 2020

**Baseline performance:** ABP plans to have alignment assessments performed for all asset classes not later than the end of the second quarter of 2023.

**Target year:** 2030

**Target:** 100% of assets should be aligned with Paris agreement in 2030.

**Asset classes in scope:** All asset classes

# ABP

<p><b>Asset level alignment – portfolio coverage target(s)</b></p>	<p><b>Data sources:</b> On behalf of ABP, its asset manager APG measures climate risks in the real estate portfolio with using the Carbon Risk Real Estate Monitor (CRREM) tool. APG has contributed to the development of the Carbon Risk Real Estate Monitor (CRREM) for transition risks. This is a worldwide method to determine whether a building meets the objectives of ‘Paris’. CRREM ‘transition paths’ have been drawn up that allow for each type of real estate to see how much CO2 per square meter is allowed until 2050 to stay within the target. CRREM has recently joined forces with the Science-Based Targets Initiative (SBTi)</p> <p>Action plans to align the other asset classes with the Paris Agreement will be created in 2022. For now, there has been some alignment work done for equities and credits related to the carbon emissions equivalents for these two asset classes in view of setting a carbon reduction target.</p> <p>ABP’s definition of aligned will be consistent with the Net Zero Investment Framework definition.</p>
<p><b>Asset level alignment – engagement threshold</b></p>	<p><b>Approach:</b> In 2021, APG introduced new criteria for the climate efforts of the largest oil and gas companies and electricity producers. They should in any case have a target have for the long term to reduce their CO2eq emissions in line with the Paris Climate Agreement. See <a href="#">here</a>.</p> <p>APG actively engages in dialogue with companies in which ABP invests to reduce carbon emissions and to participate in the transition in line with the Paris climate Agreement. This is done, among other things, through the partnership with Climate Action 100+. ABP adapted its voting policy to include climate criteria.</p> <p>ABP engages with companies to accelerate energy transition: focus on the demand side, including large energy users and policymakers. This keeps us actively involved in the energy transition.</p> <p>For illiquid markets, acknowledging the challenge of obtaining transparency on emissions, we systematically request as part of our pre-investment engagements, each investee or fund to commit to provide us with emissions information (directly or via platforms like GRESB).</p> <p>In liquid markets, we use data providers to gather the published emissions data (listed and mid-cap unlisted companies) and use industry averages for smaller unlisted companies.</p>
<p><b>Additional information</b></p>	<p><b>Fossil fuel investment:</b> In 2021, ABP already divested from companies that derive more than 30 percent of their turnover from coal mines or more than 20 percent from tar sands.</p> <p>ABP announced in October that it would withdraw from its investments in producers of fossil fuels (coal, oil, and gas). This concerns more than 15 billion euros in assets, almost 3% of ABP’s total assets.</p> <p>ABP’s climate policy since 2015 is based on insights from the UN Climate Panel (IPCC) and committed to 1,5°C. Recent IPCC and IEA reports show that people worldwide are experiencing the physical consequences of climate change. The above elements have been taken into account in the decision-making process.</p>

**For further information:** [ABP annual report 2021](#) (pages 36-46); [ABP CO2 Methodology](#); [ABP Stewardship Policy](#) (page 6); [ABP climate Voting policy](#); [Sector specific criteria ABP](#); [ABP votes against Shell’s climate strategy](#); [TCFD Report 2022](#)

# Andra AP-fonden (AP2)

## Portfolio level – emissions reduction reference target(s)

**Baseline date:** 31 December 2019

**Baseline performance:** Listed equity and corporate bond portfolio: 4.4 mtCO<sub>2</sub>e (Scope 1 and 2)

Swedish real estate emissions: 1,146 tCO<sub>2</sub>e (Scope 1 and 2)

**Target year(s):** 2025, 2030, 2045

**Target(s):** Net zero by 2045

Listed equities and bonds: 65% reduction of CO<sub>2</sub>e emissions by 2025

Swedish real estate investments: net zero by 2030

**GHG scopes included:** Scope 1, 2 included.

Scope 3 to be included over time in accordance with the PAB framework for all sectors.

**Asset classes in scope:** Global equities and corporate bonds

Swedish real estate (amounting to about a third of the Fund's total traditional real estate assets)

**Methodology/ net zero scenarios:** The Fund developed indices for global equities and corporate bonds in accordance with the EU Paris-Aligned Benchmark (PAB) criteria, which are based on the UN Intergovernmental Panel on Climate Change's 1.5°C scenario with limited overshoot. See more on methodology below.

## Portfolio level – investment in climate solutions target

**Qualitative goal:** Investments in solutions are expected to increase as a part of an overall impact portfolio with measurable contribution to SDGs, including SDG 7 and 13. However, AP2 has not set a quantified target for the amount to be invested.

**Baseline date:** 2020

**Baseline performance:** SEK22bn (5.8% of AUM)

**Methodology:** AP2 has defined criteria for investments to be included in the Fund's impact portfolio. Impact is evaluated based on the five dimensions of the Impact Management Project framework. Measurability is assessed with IRIS+ aligned KPIs (e.g. for SDG 7, renewable energy generated for sale; and for SDG 13, Greenhouse Gas Emissions Avoided or Reduced) and the investments are evaluated based on materiality and additionality. The Impact portfolio is expected to grow over time, but no quantitative target has been set. By December 2021, AP2's impact investments according to these criteria amounted to SEK28bn SEK or 6.3% of AUM.

The Fund's impact portfolio has a clear overweight on climate-related SDGs, including:

- Green bonds
- Sustainable infrastructure (which includes investment into renewable energy funds and EV battery development through Northvolt)
- Impact PE funds, including TPG Rise
- Forest investments that fulfil AP2's 10 criteria for climate and biodiversity
- Swedish listed cleantech portfolio

Impact measures that will be tracked over time include MWh of renewable energy and CO<sub>2</sub>e in avoided emissions.

# Andra AP-fonden (AP2)

## Asset level alignment – portfolio coverage target(s)

**Baseline date:** 31 December 2020

**Baseline performance:** 50% meeting at least “aligning” criteria, consisting of Global equities, listed bonds, and Swedish Real Estate

**Target year(s):** 2025

**Target:** 100%

Asset classes in scope:

- All asset classes, including:
- Equities
- Fixed income
- Tactical asset allocation
- Real estate
- Private equity
- Private Debt
- Sustainable infrastructure
- Alternative risk premiums

**Methodology/ data sources:** Global equities and listed bonds, which are managed in line with PAB.

Swedish Real Estate, the only holding of which (Vasakronan) is committed to value chain climate neutrality by 2030, with a plan approved by Science Based Targets.

## Asset level alignment – engagement threshold

To be defined.

## Additional information

**Methodology:** The emissions reduction strategy detailed to date is in line with or inspired by the Paris-Aligned Benchmark requirements and Science Based Targets. The footprint must be reduced by 7 per cent per year, with the aim of achieving net zero emissions by 2050. Further, according to the PAB framework, the Fund cannot divest from sectors with high emissions. The aim of this regulatory framework is not only to reduce greenhouse gas emissions and achieve net zero emissions by 2050, but also to benefit companies that make a positive contribution to the climate transformation.

In order to meet the 7% reduction target, AP2 will continue to engage with high emitters, primarily through CA100+ and the Council on Ethics. AP2 has also contacted the organisations of which the Fund is a member of to ensure that their relevant policies and advocacy work are in line with the Paris Agreement. AP2’s voting guidelines state “The Fund advocates that companies express their support for and draw up a strategy to be in line with the Paris Agreement” (see voting guidelines [here](#)). However, if companies do not sufficiently reduce their greenhouse gas emissions for AP2 to meet its targets over time, the portfolio will be weighted towards high performers.

**Further work:** A more detailed plan is under development and AP2 uses the Net Zero Investment Framework (NZIF) as a guide to develop this plan.

## Andra AP-fonden (AP2)

### Additional information

**Fossil fuel investment:** The Fund does not invest in companies with more than a certain proportion of their sales from coal, oil and/or gas, or in power companies with more than 50 per cent of their revenue from combustion of fossil fuels. The maximum proportion for coal is 1 per cent, for oil 10 per cent and for gas 50 per cent. Furthermore, the footprint must be reduced by 7 per cent per year, with the aim of achieving net zero emissions by 2050. See [AP2's TCFD report](#).

**Operational emissions:** An internal environmental review shows that the largest environmental impact from AP2's office comes from electricity consumption and carbon emissions associated with travel. Internal targets have been set based on the internal environmental policy.

98 per cent of all business trips between Gothenburg and Stockholm are made by train. AP2 consumes only green electricity, and measures to reduce energy consumption and improve waste management.

**For further information:** [TCFD report](#); [Sustainability report](#); [Annual report](#); [Voting guidelines](#)

# Avon Pension Fund

## Portfolio level – emissions reduction reference target(s)

**Baseline date:** 31 December 2020

**Baseline performance:** Listed equity: 85,775 tCO<sub>2</sub>e (Scope 1 and 2)

**Target year(s):** 2025, 2030, 2050

**Target(s):** Whole fund: Net Zero by 2050

Listed equity: absolute emissions reductions of 43% by 2025 & 69% by 2030

**GHG scopes included:** Targets are in reference to Scope 1 & 2 emissions. This will be extended to cover Scope 3 as and when data coverage is sufficiently robust and avoids double counting, patchy coverage etc.

However, the Fund does also measure its carbon footprint in relation to Scope 1, 2 & Tier 1 scope 3 emissions (recognising that this analysis provides useful insight into the decision-making process).

The Fund has been a part of engagement work undertaken by strategic partners (principally Brunel) in relation to financed fossil fuels over the past year in recognition of the materiality of scope 3 emissions.

**Asset classes in scope:** As above.

Due to the availability of data and size of equity allocation as part of whole portfolio the priority has been given to listed equities with a view to extending this analysis to fixed income and real assets as and when data coverage allows.

**Net zero scenarios:** IPCC scenario decarbonisation curve consistent with a 1.5C scenario.

## Portfolio level – investment in climate solutions

### Qualitative goal

**Target:** Invest at least 30% of the total assets in sustainable and transition aligned investments by 2025, including 5% of assets being invested in renewable energy infrastructure.

**Methodology:** Once able, we will also be setting further dedicated climate solutions targets across different asset classes.

## Asset level alignment – portfolio coverage target(s)

**Baseline:** £600m in Paris Aligned Benchmark Fund (as at Dec-2021), invested since October 2021. Representing 10% of total assets and 23% of listed equity portfolio.

**Target:** The Fund has been undertaking transition alignment analysis of our listed equity portfolio. This will then be used to set future quantitative targets. Future analysis to extend to other asset classes.

**Methodology:** The Fund is committed to annually assessing its listed equity portfolio based on a forward-looking framework which categorises holdings from a bottom-up perspective based on emissions intensity and transition risk.

## Asset level alignment – engagement threshold

**Target:** The collective engagement baseline across the whole Brunel Pension Partnership is 47.3% of financed emissions. Over the year we will agree with the Brunel Pension Partnership on future engagement priorities and thresholds for action.

# Avon Pension Fund

## Additional information

**Methodology:** We are targeting alignment by 2050 and have already made good progress towards this goal, with interim equity emissions targets to ensure we remain on track.

2020 alone saw a 22% year-on-year reduction in carbon intensity of our listed equity portfolio, which is now 30% less carbon intensive than the benchmark.

We have almost £600m invested in dedicated Paris Aligned equity fund plus a further £380m already committed to renewable energy infrastructure.

**Further work:** We also plan to set-out further targets across other asset classes that build on the allocation decisions we have already made.

**Operational emissions:** Bath & North East Somerset Council, who administer the Fund, have declared a climate emergency and are working towards their own Net Zero goal by 2030.

A desire to reduce emissions is reflected in staff policy, from hybrid working arrangements to encouraging public transport use and providing bike storage.

Separately the pension fund has an ongoing digitalisation programme to improve IT infrastructure, reduce the use of printed/posted material and increase electronic communication with members and employers.

**For further information:** [Avon Pension Fund Responsible Investment Annual Report 2021](#)

# Brunel Pension Partnership

## Portfolio level – emissions reduction reference target(s)

**Baseline date:** 31/12/2019 for listed equity

New portfolios may adopt a more appropriate baseline e.g. 31/12/2020

**Baseline performance:** 343 tCO<sub>2</sub>e/mGBP

**Target year(s):** Annual; 2022; 2030

**Target(s):** Annual: At least 7% per annum reduction in weighted average carbon intensity (scope 1,2 and first tier scope 3) for each portfolio compared to its investable universe (benchmark).

2022: At least 20% reduction in weighted average carbon intensity.

2030: At least 50% reduction in weighted average carbon intensity (scope 1 and 2), for each portfolio compared to its investable universe (benchmark).

GHG scopes included: Scope 1 and 2 emissions are included in the annual target and 2030 target. First tier scope 3 emissions are included in the annual emissions reduction target for listed equity portfolios for 2022.

**Asset classes in scope:** Listed equity (when the target was set, listed equity represented around 88% of Brunel's AUM).

The 2030 target covers listed equity and corporate bonds.

**Methodology/ net zero scenarios:** At least 7% on average per annum: in line with or beyond the decarbonisation trajectory from the IPCC's 1.5°C scenario (with no or limited overshoot).

As a next step, Brunel will establish other data points, metrics and targets in line with the Net Zero Investment Framework and other regulatory asks.

**Emissions metrics:** As Brunel has doubled its asset base since 2019, interim emissions intensity targets were deemed more appropriate.

## Portfolio level – investment in climate solutions target

**Qualitative goal:** Brunel has a strong commitment to increase investment in climate solutions, as evidenced by the huge amount investment. However, as Brunel does not control strategic asset allocation, a quantitative target has not been set outside of those within specific thematic portfolios e.g. renewable energy infrastructure.

**Methodology:** We are also seeking to establish a baseline of green revenues from within the listed equity portfolios as at 31/12/2021. This work is underway with the external support of FTSE Russell and should provide some analysis for each of the listed equities portfolios, from which we aim to extrapolate client exposures.

We are then looking to see how we can map private market investments to the same categories, although this will be on committed capital basis.

## Asset level alignment – portfolio coverage target(s)

**Baseline:** Brunel is working on establishing a baseline as of 31/12/2021 for material sectors.

**Target(s):** Brunel aims to set targets in the updated climate policy in January 2023. Currently, Brunel is targeting all our material holdings to be at TPI level 4 or above by 2022.

Asset classes covered: The targets will cover listed equity initially (~88% of the portfolio) with an objective to expand this to other asset classes over time.

# Brunel Pension Partnership

## Asset level alignment – portfolio coverage target(s)

**Methodology:** For material sectors covered by TPI carbon performance data, Brunel uses this quantitative analysis to provide portfolio analysis. This can be applied to both index (passive) and active portfolios. We have a 1.5C° scenario for electric utilities, oil & gas and mining. Other sectors will need to use scenarios we have available which may be below 2C°.

We also plan to analyse all holdings in active listed equity.

We intend to work with our managers to establish a current baseline of alignment, using a blend of quantitative and qualitative and using multiple methodologies. There will be a large number of unknown as what constitutes alignment, as in less impactful sectors, this has not been defined.

## Asset level alignment – engagement threshold

**Baseline:** Current proportion of finance emissions engaged on is 47.3%

**Target:** The near-term target set in the Net Zero Investment Framework is 70%, increasing to 90%. We anticipate that these will be our target.

**Approach:** Brunel carries out engagement with material holdings to persuade them to advance at least one level (up to 4\*) per year against the TPI Management quality framework.

## Additional information

**Methodology:** At least 7% on average per annum emissions reduction is in line with the decarbonisation trajectory from the IPCC's 1.5°C scenario (with no or limited overshoot).

**Operational emissions:** Brunel has committed to be net zero in its operational (scope 1 and 2) emissions and made considerable progress in measuring and reducing its scope 3 emissions by 2030.

**For further information:** [Annual Report & Financial Statements \(March 2022; pages 21-25\)](#); [Climate Change Action Plan Report \(2021\)](#); [Carbon Metrics Report \(2021\)](#). Brunel also plans to update its climate policy in January 2023; [Climate section of Responsible Investment and Stewardship Outcomes Report 2022](#)

# BT Pension Scheme

## Portfolio level – emissions reduction reference target(s)

**Baseline date:** 30 June 2020

**Baseline performance:** Total portfolio financed emissions (listed equity, corporate credit & real estate scope 1-2): 931k tCO2e

Portfolio WACI (equity, bonds, real estate scope 1-2): 135 tCO2e/mUSD

**Target year(s):** 2025, 2030, 2035

**Target(s):** Total portfolio 2035 net zero goal: -100% (scope 1-3) by 2035

Total portfolio 2025 goal: minimum -25% WACI invested (scope 1-2)

**GHG scopes included:** Our overall net zero 2035 goal is for scopes 1-3, however at present we are only able to reasonably obtain scope 1-2 emissions. As such our emission intensity reduction targets are focussed on scopes 1 & 2. When SFDR makes scope 3 reporting obligatory in 2023, we will work with our managers and data provider to obtain that data.

**Asset classes in scope:** Publicly listed equity, corporate credit & real estate.

**Methodology:** In 2020 we announced a 2035 net zero goal, covering scopes 1-3, across our entire investment portfolio as well as BTPSM's own operations.

It was drafted in line with the Net Zero Investment Framework and the AOA Target Setting Protocol. See below for additional methodology.

**Net zero scenarios:** As our net zero by 2035 target is more ambitious than the emissions reductions stipulated in the IPCC scenarios and IEA scenarios, we believe that our target is consistent with delivering a fair share of 50% global reductions by 2030.

**Emissions metric:** The 2035 net zero goal is based on absolute emissions, however intensity metrics have been used alongside to adjust for the impact of the expected decline in our portfolio size, low initial coverage levels for certain asset classes and to ensure alignment with real world change. We will continue to monitor and reassess metrics as data quality, coverage and methodologies improve.

## Portfolio level – investment in climate solutions

**Qualitative goal:** We will seek investments in climate solutions when they are consistent with our fiduciary investment responsibilities, the Scheme's investment strategy and are classified as a climate solution by the EU Green Taxonomy or another appropriate investor recognised framework.

**Baseline date:** 30 June 2020

**Baseline performance:** Real estate (direct): 31% EPC A & B rated as per Net Zero Asset Owners Alliance guidance.

Infrastructure (direct): 19% infrastructure in line with EU taxonomy and Climate Bond Initiative Frameworks.

For our listed investments we use MSCI ESG to show the number of holdings with exposure to high level sustainable activities, however there is no revenue breakdown available.

## Asset level alignment – portfolio coverage target

**Baseline date:** 30 June 2020

**Baseline performance:** Total: 25%

**Target year(s):** 2025

**Target:** 50%

# BT Pension Scheme

## Asset level alignment – portfolio coverage target

**Asset classes in scope:** Publicly listed equity & corporate credit.

We do not currently have an alignment target for our real estate as it is being developed with our asset managers.

**Methodology:** We have attempted to use an alignment approach which gives us the broadest portfolio coverage. It is important to state however that this approach is open to changes as methodologies and data improve. In addition, data was only available for publicly listed equity and corporate credit and may be restated when data becomes more available.

**Data sources:** For this submission we have used CA100+ NZ company benchmark, Transition Pathway Initiative, SBTi & MSCI data to calculate the different sectors' alignment with net zero. As per NZIF guidance, calculations have been dependent on the investee company's sector.

## Asset level alignment – engagement threshold

23% of BTPS' publicly listed equity and corporate credit investments, in material sectors, are net zero "aligned".

We will undertake collective engagement and stewardship actions with 37 investee companies, representing 70% of our public equity and corporate credit financed emissions. This number may change year on year due to changes in methodology.

## Additional information

**Methodology:** In determining what would drive our goal, we selected four key levers that would help us reduce emissions. Three of them were financial levers: 1. portfolio construction, 2. manager and mandates and 3. stewardship and corporate emissions.

1. Under portfolio construction reductions, we estimated that the impact of reallocating assets towards lower emission mandates and portfolio de-risking would deliver 1-2% pa reductions.
2. Under manager and mandates, we estimated that our fund managers would achieve a 2-3% pa reduction, with reduction targets written into investment mandates.
3. Finally, for improvements in corporate emissions, we have assumed historical emission reduction rates achieved organically within the MSCI ACWI and Barclays Global IG Credit Indices will continue to persist at a rate of 2-3% p.a. As our goal is to achieve net zero by 2035, it is more ambitious than the 1.5C scenarios provided by IPCC and IEA amongst others and as such, it is hard to map it to specific climate scenarios and pathways.

**Operational emissions:** BT Pension Scheme Management and associated companies have been aware of climate change for some time. Since 2019, BT Pension Scheme Management (BTPSM) and BT Pension Scheme Administration (BTPSA) have offset their operational emissions. In 2021, BTPSM and BTPSA offset carbon emissions of 77 tonnes.

In line with the announcement of BTPS' net zero 2035 goal, BTPSM, BTPSA and Procentia, a private pensions software business owned by BTPSM, set their own 2035 net zero targets for operational emissions. To ensure a thorough baseline is established, they are assessing their carbon footprints with a carbon consultant and will create an emissions reduction plan with net zero targets during 2022.

**For further information:** BTPS Climate Change Policy; BTPS Annual Report & TCFD disclosure; The targets stated here have also been submitted to the Net Zero Asset Owner Alliance target setting protocol (TSP).

# Church of England Pensions Board

## Portfolio level – emissions reduction reference target(s)

**Baseline date:** 31 December 2019

**Baseline performance:** 203.5 tCO<sub>2</sub>e/\$mn revenue

**Target year(s):** annual, 2025, 2040

**Target(s):** Year on year improvement (A), and TPI Carbon Performance criteria for Oil and Gas by 2023 (B).

A. 7% year on year reduction in carbon emissions intensity (WACI), which equates to -35% by 2025, and -55% by 2040.

B. TPI Carbon Performance of at least aligned with NDCs in Oil and Gas.

**GHG scopes included:** Scope 1 and 2 typically, but some analysis provided by TPI incorporates a 'lifecycle emissions' approach, which includes Scope 3. Inclusion depends on sector. Our approach will be guided by TPI's evolving analysis.

**Asset classes in scope:** Listed equity. (A and B)

Corporate Fixed Income (B)

Sovereign bonds: We are developing an assessment methodology for Sovereign Bonds (see ASCOR), in collaboration with BTPS and others, which will guide our stewardship of sovereign bond holdings.

Real estate: Our real estate holdings are entirely managed indirectly via funds-of-funds, so outside the scope of the current NZIF.

**Methodology:** We have conducted climate assessment at the strategic asset allocation level (see IIGCC's Portfolio Testing Report (March 2021)).

We support policy advocacy through IIGCC and other networks, and have prioritised market engagement, through founding and chairing the Transition Pathway Initiative, and collaborating with FTSE Russell to develop the FTSE TPI Climate Transition Index series, etc.

### Net zero scenarios:

A. Consistent with the European Technical Expert Group on Climate Change's requirement to cut year on year carbon emissions by 7%.

B. Transition Pathway Initiative, based on IEA Sectoral Decarbonisation.

**Emissions metrics:** The Board integrates TPI assessments (including carbon performance) as the primary tool/methodology to achieve our target. We do not just seek carbon intensity improvements, but intensity alignment: TPI carbon intensity assessments are benchmarked against IEA climate scenarios: Paris Agreement, Below 2D and 1.5 degree pathways, depending on the sector (See TPI methodology documents).

IEA scenarios have absolute emissions elements, and derive sectoral emissions intensity budgets from this underlying link to the required global absolute emissions reductions.

We make active ownership decisions based on company intensity pathways relative to these benchmarks, which thereby tie them to a global science based and sector specific decarbonisation model.

## Portfolio level – investment in climate solutions target

**Qualitative goal:** We commit to increasing investment in climate solutions, where possible

**Baseline date:** 31 December 2019

**Baseline performance:** 2.8% of public equity. (classified as "Environmental Impact" by MSCI)

# Church of England Pensions Board

## Portfolio level – investment in climate solutions target

**Methodology:** Our approach varies by asset class. In public equity we have selected (and helped to develop) a passive index that increases exposure to ‘green revenues’ (as defined by FTSE Russell) through a portfolio tilt.

In alternatives, our approach to manager selection considers the prospects for climate solutions to be incorporated into the investment strategy (and eventual portfolio).

## Asset level alignment – portfolio coverage target(s)

**Baseline date:** 31 December 2019

**Baseline performance:** In our baseline year our carbon intensity and TPI carbon performance alignment were close to benchmark

**Target year(s):** 2023 (see TPI target (B) above)

**Target:** 100% of our public equity mandates are subject to the following rule: “0” weight or exclude any company assessed by TPI that has a TPI carbon performance of “not aligned” with at least the national/Paris pledges, or “no or unsuitable disclosure”.

**Asset classes in scope:** Listed equity and corporate fixed income

**Data sources:** Transition Pathway Initiative assessment, MSCI, Eikon.

## Asset level alignment – engagement threshold

**Baseline performance:** 100%

**Target:** 100%

Due to our integration of TPI assessment throughout our stewardship approach, all public equity holdings face at least proxy voting, but also engagement and allocation decision making, based on climate characteristics

## Additional information

**Methodology:** Our net zero targets and approach to climate change as a pension fund reflect our policy ambition to be at the forefront of institutional investors’ approach to climate change. The Transition Pathway Initiative began publishing 1.5 degree alignment pathways in 2021, and these are incorporated into our stewardship. While our 2019 public equity portfolio had climate characteristics marginally worse than benchmark, we have achieved significant alignment, years ahead of our target portfolio alignment pathway. This has come primarily as a result of differentiating between companies based on publicly available climate assessments, a methodology we continue to support and Chair, and which enables stewardship and investment decision-making across the financial industry.

**Further work:** We are proactively working to establish a common framework to assess sovereign bonds (as co-Chair of the ASCOR project), we are broadening our Net Zero approach to Sovereign Debt in light of this, and to Real Estate (though this asset class is managed indirectly via a fund-of-funds and falls out of scope of NZIF).

**Fossil fuel investment:** We are members of the Powering Past Coal Alliance, and exclude investments in thermal coal (10% revenue threshold). We also exclude investments in tar sands (10% revenue threshold) and as described above, we exclude oil and gas companies not aligned to the transition (based on TPI assessment).

**Operational emissions:** Target: Net Zero by 2030

**For further information:** The Board’s stewardship reporting contains a more full account of our Net Zero approach and strategy: [Stewardship Report](#); [Climate Change Policy](#)

# Cornwall Pension Fund

## Portfolio level – emissions reduction reference target

**Baseline:** December 2020

**Target Year(s):** 2025, 2030, 2045

**Target(s):**

For the whole fund: -50% CO<sub>2</sub>e by 2030, net zero by 2045

For listed equity: -43% CO<sub>2</sub>e by 2025, -76% CO<sub>2</sub>e by 2030, net zero by 2045

**Baseline year performance for the target metric(s):** 31,423 tCO<sub>2</sub>e (absolute emissions) (for listed equity fund holdings of \$940 million)

**GHG scopes included:** Scope 1 & 2 for all equities, scope 3 to be included in due course

**Asset classes in scope:** Currently listed equity. Cornwall's updated RI policy includes a commitment to expanding the Fund's Net Zero target setting to incorporate other asset classes, targeting a whole of Fund approach for example, including property and infrastructure in 2022 and private equity and debt in 2022/23.

## Portfolio level – investment in climate solutions

Cornwall's updated RI policy includes raising the Fund's sustainable/low carbon allocation target to 30% (currently 15%) by 2025. This currently includes a dedicated allocation of 2% to renewable infrastructure (although in practice the investment in this will be higher as part of the Fund's broader infrastructure allocation) and also an allocation to UK Renewable Energy through the Fund's Social Impact Portfolio.

## Asset level alignment – portfolio coverage target

Cornwall's updated RI policy includes a commitment to developing a more detailed implementation plan for the listed equity portfolio and adopt integration (risk reduction), stewardship (transition capacity) and green targets for the portfolio.

## Asset level alignment – engagement threshold

The collective engagement baseline across the whole Brunel Pension Partnership is 47.3% of financed emissions. Cornwall's updated RI policy includes a commitment to developing a more detailed implementation plan for the listed equity portfolio and adopt integration (risk reduction), stewardship (transition capacity) and green targets for the portfolio.

## Additional information

The Fund has already achieved a 77% reduction in absolute emissions for the equity allocation between 2010 and 2020 (this equates to approximately 160,000 tCO<sub>2</sub>e).

**Scenario(s) used:** IPCC scenario decarbonisation curve consistent with a 1.5C scenario

**For further information:** See our [Responsible Investment](#) page, which includes our latest Responsible Investment Policy and our Responsible Investment Outcomes Report for the previous financial year.

# Devon County Council Pension Fund

## Portfolio level – emissions reduction reference target(s)

**Baseline date:** 31 March 2019

**Baseline performance:** 423 tCO2e/mGBP invested (Weighted Average Carbon Intensity)

**Target year(s):** 2030, 2050

**Target(s):** Minimum 7% per annum reduction.

50-75% reduction by 2030.

Net zero by 2050.

**GHG scopes included:**

21% by 2022 from 2019

- The 2022 target is minimum of 7%+ per annum reduction (linear reduction equating to 21%+) of carbon equivalent emissions for all listed equity portfolios. **This target includes scope 1,2 and first tier scope 3.**

50%+ by 2030 from 2019

- The 2030 target is a minimum 50% reduction (based on a 7%+ per annum reduction (geometric progression) of carbon equivalent emissions for all listed equity and corporate bond portfolios. This target includes scope 1 and 2.
- We will look to set specific scope 3 emission targets in due course. We will continue report on first tier scope 3 as part standard reporting.

**Asset classes in scope:** Listed equity, as baseline data only included listed equity data, but will look to add other asset classes.

**Net zero scenarios:** The UNEP Gap Report (2019) states that global GHG emissions need to fall by 7.6% annually between 2020-2030 to remain in line with a 1.5°C scenario.

The methodology for the UNEP Gap report scenarios is outline in section 3 of the 2019 report.

The estimate as to the 2030 emissions are consistent with a least-cost pathway towards limiting global warming to specific temperature limits are calculated from the scenarios that were compiled as part of the mitigation pathway assessment of the Intergovernmental Panel on Climate Change Special Report on Global Warming of 1.5°C (IPCC SR1.5) (Rogelj et al. 2018). The IPCC pathways are synthesis of number of scenarios summarised as P1: a low energy demand scenario P2: a sustainability orientated scenario P3: a middle of-the-road scenario.

## Portfolio level – investment in climate solutions target

**Quantitative target**

**Baseline date:** 31 March 2019

**Baseline performance:** Not quantified

**Target year:** 2025

**Target:** 5% of total fund AUM invested in renewable energy infrastructure

## Asset level alignment – portfolio coverage target(s)

**Baseline:** The collective engagement baseline across the whole Brunel Pension Partnership is 47.3% of financed emissions.

**Target:** Targets will be set in January 2023 following review of climate change policy working in partnership with Brunel during 2022.

# Devon County Council Pension Fund

## Asset level alignment – engagement threshold

**Baseline:** 31 December 2019

**Target:** The near-term target set in the NZIF is 70% increasing to 90%. We anticipate that these will be our targets.

## Additional information

**Further work:** As detailed above.

**Fossil fuel investment:** Policy on coal and other fossil fuel investment is embedded in the index products launched by Brunel that the Devon Fund is invested in. Adoption into wider policy is underway and forms part of the climate policy 2023 development.

**Operational emissions:** Devon County Council has committed to reduce the carbon emissions from its operations to net-zero by 2030. This will include the operational emissions of the Devon County Council Investment Team in the oversight of the Pension Fund's investments, and the administration of benefits by Peninsula Pensions.

**For further information:** [Devon County Council Climate Change; Investment Policy](#)

# Environment Agency Pension Fund

## Portfolio level – emissions reduction reference target

**Baseline:** 30 December 2010

**Target Year(s):** 2025, 2030, 2045

**Target(s):** tCO2e absolute emissions scopes 1 & 2:

2025 = 35,318 (87% reduction)

2030 = 14,580 (95% reduction)

2045 = net zero

**Baseline year performance for the target metric(s):** 276,485 tCO2e (absolute emissions, scopes 1 & 2)

**GHG scopes included:** Scope 1 & 2 for all equities. Scope 3 to be included in due course.

**Asset classes in scope:** The above reductions are for our listed equity portfolio. Across all asset classes, we have a target of halving emissions by 2030 and getting to net zero by 2045.

## Portfolio level – investment in climate solutions

**Target year:** 2025

**Target:** 17% of our investments across the portfolio will directly tackle climate change by helping to reduce emissions or build resilience.

**Baseline:** No baseline – target is a relative % of total investments.

**Methodology:** Those assets in the FTSE Sustainable classifications of renewable & alternative energy and energy efficiency and those private market funds from our Targeted Opportunities Portfolio (TOP) which directly tackle climate change through providing lower carbon alternatives.

## Asset level alignment – portfolio coverage target

EAPF is currently undertaking a transition alignment analysis of its listed equity portfolio. Further to this, we will consider what further targets we may set and over which timescale.

## Asset level alignment – engagement threshold

The collective engagement baseline across the whole Brunel Pension Partnership is 47.3% of financed emissions. Further to the outcome of our transition alignment analysis, the EAPF will agree with the Brunel Pension Partnership on future engagement priorities and thresholds for action.

## Additional information

**Scenario(s) used:** IPCC scenario decarbonisation curve consistent with a 1.5C scenario (2010 baseline).

**For further information:** [The EAPF goes net zero](#)

# H. E. S. T. Australia Ltd

## Portfolio level – emissions reduction reference target

**Baseline:** 30 June 2020

**Target Year(s):** 2030, 2050

**Target(s):** 2030: 33% reduction in tCO<sub>2</sub>e/AU\$M invested

2050: net zero carbon emissions

**Baseline year performance for the target metric(s):** 53 tCO<sub>2</sub>e/AU\$M invested

**GHG scopes included:** Scope 1 and 2 measured and included in the portfolio emissions across all asset classes. We seek to collect scope 3 data, but complete data is not available. We will look to improve data capture and reporting over time.

**Asset classes in scope:** Listed Equities, Global Debt, Alternative Credit, Infrastructure, Property, Private Equity

## Portfolio level – investment in climate solutions

Work currently in progress.

## Asset level alignment – portfolio coverage target

HESTA plans to undertake a baselining assessment of asset alignment according to the Framework and set targets in due course.

## Asset level alignment – engagement threshold

Work currently in progress. Currently engaging directly through CA100+.

## Additional information

**Methodology:** HESTA's Climate Change Report, embodying the Climate Change Transition Plan, describes the inclusion of climate considerations in investment integration and active ownership. Our targets, alongside our actions defined by clean engagement pathways and escalation, focused industry advocacy and supporting the health and community services sector through the transition are consistent with delivering the requirement in the IPCC special report on global working of 1.5°C.

**Scenario(s) used:** HESTA has set portfolio carbon reduction targets to manage key financial and reputational risks. Our target aligns with the aim of the Paris Agreement to limit global warming to well below 2°C, which requires economic transition to 'net zero emissions by 2050'. We intend to use the Paris Aligned Investment Initiative Net Zero Investment Framework and assess alignment of our approach to a 1.5°C pathway.

**Fossil fuel policy:** HESTA's Climate Change Statement recognises climate change as a systemic risk that will impact all areas of the economy. These include physical risks, transition risks, and liability risks. Furthermore, HESTA has a portfolio-wide exclusion on companies that derive more than 15% revenue from thermal coal. More details on our fossil fuel exclusions can be found [here](#) (Pg. 17).

**For further information:** HESTA's [Climate Change Report](#) and [Climate Change Statement](#)

# HSBC Bank (UK) Pension Scheme

## Portfolio level – emissions reduction reference target

**Baseline:** 31 December 2019

**Target Year(s):** 2030

**Target(s):** 50% CO<sub>2</sub>e/\$mn invested

**Baseline year performance for the target metric(s):**

DB: 104tCO<sub>2</sub>e/£mn invested, 78tCO<sub>2</sub>e/\$mn invested

DC: 103tCO<sub>2</sub>e/£mn invested, 78tCO<sub>2</sub>e/\$mn invested

**GHG scopes included:** Scope 1 and 2

DB portfolio: Scope 1: 45.9%, Scope 2: 48.6%

DC portfolio: Scope 1: 85.0%, Scope 2: 84.6%

Scope 3 emissions to be evaluated as part of next annual data gathering exercise.

**Asset classes in scope:** Listed equity and corporate fixed income. We plan to engage with our real estate managers to discuss including real estate and agree targets in the first half of 2022.

## Portfolio level – investment in climate solutions

HSBC Bank (UK) Pension Scheme has committed to increasing investment in climate solutions, where possible.

**Baseline:** 31 December 2019

Due to the lower investment risk of the DB portfolio, it is less likely new allocations to climate solutions will be appropriate. The portfolio already contains long-term illiquid allocations to renewable energy infrastructure in the United Kingdom. However, the Trustee will allocate to solutions that are consistent with its long-term investment goals.

The DC portfolio has a much greater allocation to equity, principally through the Legal & General Future World Fund. From Q3 2021, this allocation will already be achieving a 30% emissions intensity reduction relative to the FTSE All World. There will also be a doubling of the green revenue exposure – to 100% greater than the reference benchmark, as well as integration of TPI's Management Quality and Carbon Performance metrics in the portfolio construction process.

Whenever the Trustee reviews the investment strategies of both the DB and DC portfolios, it will evaluate the potential of investing in climate solutions. The next upcoming review is of the regional equity allocation for the DC portfolio. These will likely be reinvested in more climate-aware versions, with a higher allocation to climate solutions (EU Taxonomy defined).

Given the future de-risking investment strategy of the DB portfolio, we have not set a specific quantitative target for climate solutions yet.

## Asset level alignment – portfolio coverage target

**Target year:** 2030

**Target:** 100% of assets expected to meet least “aligning” criteria

**Baseline year performance for the target metric(s):** As at 31 December 2019:

**DB:** 50% of the corporate fixed income portfolio had an average TPI Management Quality score of 3, meaning climate change-associated risks are being integrated into operational decision-making. No data exists currently for the remaining 50%.

**DC:** 76% of the DC portfolio (listed equity and corporate fixed income) had an average TPI Management Quality score of 2.7, meaning capacity is being built to manage climate-related risks. No data exists currently for the remaining 24%.

# HSBC Bank (UK) Pension Scheme

## Asset level alignment – portfolio coverage target

We recognise this metric only captures governance and decision making at the issuer level. We have begun collecting the percentage of our holdings that have set Science-based targets under the SBTi and we will consider adopting the new TPI IEA-consistent Carbon Performance benchmark when it is released.

**Scope of target(s):** Listed equity and corporate fixed income

**Data sources:** Listed equity & corporate fixed income: CA100+, Transition Pathway Initiative (Carbon Performance and Management Quality), SBTi. The alignment metrics referenced are those currently utilised but we will be reviewing what additional metrics we will use going forward to augment existing measurement processes, including those closer to the framework. The HSBC Trustee views this as an evolving area where new metrics may evolve and so is keeping a flexible approach to allow time for the industry to evolve a “widely shared approach” to measuring alignment.

## Asset level alignment – engagement threshold

We are currently assessing a more accurate measure of this value. Currently 79% of our listed equity, corporate fixed income and real estate managers are members of the Climate Action 100+ initiative. However, we recognise there are gaps in our largest holdings not being subject to targeted engagement. We are currently in the process of reviewing the operating model through which we exercise our stewardship and engagement responsibilities. When this is complete, we will have a better assessment of the proportion of financed emissions that are aligned or subject to engagement.

## Additional information

**Scenario(s) used:** In line with the findings of the most recent Intergovernmental Panel on Climate Change (IPCC) report.

**Additional info:** Emissions reduction primarily to be driven by real economy reduction, rather than portfolio construction.

**Fair share:** Our commitment is to target real economy emissions reductions in line with global requirements identified by the IPCC. Whereas the DB portfolio will continue to run-off, the DC portfolio is expected to grow exponentially in size over the next ten years. This portfolio will be diversified across sectors and geographies and will likely have a lower tracking error to the real economy. Therefore there is not an appropriate solution to reduce the emissions intensity of the portfolio other than targeting absolute emissions in the economy.

**Fossil fuel policy:** The Future World Fund (over 60% of the DC portfolio, £3.4bn) excludes companies generating 30% or more of revenues from thermal coal mining/extraction. This fund also excludes ten companies from the global benchmark due to the lack of progress made on targeted engagement activities. This list includes a number of companies from the fossil fuels extraction sector.

**For further information:** Press release: [HSBC Bank \(UK\) Pension Scheme sets out plans to achieve net zero by 2050 or sooner](#)

# National Grid UK Pension Scheme

## Portfolio level – emissions reduction reference target(s)

**Baseline date:** 30 June 2020

**Baseline performance:**

Sec A: 78tCO<sub>2</sub>e/£mn invested

Sec B: 81tCO<sub>2</sub>e/£mn invested

**Target year(s):** 2030, 2050

**Target(s):** Target by 2030: Reduction of 50% CO<sub>2</sub>e/£mn invested

Target by 2050 or sooner: Net Zero

**GHG scopes included:** Target setting currently only includes scope 1 and 2, with plans to include scope 3 over time, in line with the Net Zero Investment Framework recommendations.

**Asset classes in scope:** Listed Equities and Corporate Fixed Income.

Currently working on incorporating Real Estate with further details to follow.

**Methodology/ net zero scenarios:** NGUKPS has used the Paris Aligned Investment Initiative Net Zero Investment Framework (NZIF) to set the target and assessed the alignment to a 1.5°C pathway. In particular, NGUKPS is adopting a 50% reduction in emissions intensity by 2030 pathway to align with the IPCC’s modelled global pathways in which CO<sub>2</sub> emissions are reduced to Net Zero globally around 2050, with no or limited overshoot.

**Emissions metrics:** The finance emission target used above is based on absolute carbon emissions scaled by £mn invested. A reduction in this measure over time (assuming the amount invested does not fluctuate) does directly translate to a reduction in absolute emissions.

## Portfolio level – investment in climate solutions target

**Qualitative goal:** NGUKPS is a mature scheme well into their de-risking journey. NGUKPS will endeavour to increase investments in climate solutions, where possible noting the constraints around its maturity.

**Methodology:** NGUKPS will continue to monitor developments in data and the evidence base in defining allocations to climate solutions as we increase investments in the space if appropriate to do so.

The scheme is currently assessing the possibility to evaluate the percentage of assets in the portfolio that are aligned or eligible to meet the EU Taxonomy as a reasonable proxy for the percentage of the portfolio currently invested in climate change opportunities.

## Asset level alignment – portfolio coverage target(s)

**Baseline date:** 20 June 2020

**Baseline performance:** NGUKPS has assessed the proportion of assets meeting at least ‘aligning’ criteria. Based on this assessment the proportion of material sector assets meeting at least aligning criteria is 32% and 29% of Section A and Section B respectively. Having said that, data coverage remains poor with approximately 50% of the portfolio still needing to be classified. We therefore expect the baseline to fluctuate considerably as coverage improves.

**Target date:** 2025 and 2040

**Target:**

**Target by 2025:** Proportion of assets in material sectors expected to meet at least “aligning” criteria as follows:

# National Grid UK Pension Scheme

## Asset level alignment – portfolio coverage target(s)

Section A: Of our investments in ‘material’ sectors, 20% will be either Type 1 (already at net zero GHG emissions), Type 2 (aligned to net zero) or Type 3 (aligning to net zero).

Section B: Of our investments in ‘material’ sectors, 20% will be either Type 1 (already at net zero GHG emissions), Type 2 (aligned to net zero) or Type 3 (aligning to net zero).

We note that the target set above is below the current baseline. This is due to the expectation that the baseline will fluctuate as coverage improves. That said, NGUKPS has an ambition to increase these targets over time as confidence around the data improves.

**Target by 2040:** Of our investments in ‘material’ sectors, 100% will be either Type 1 (already at net zero GHG emissions), Type 2 (aligned to net zero)

**Asset classes in scope:** Listed Equities and Corporate Fixed Income.

**Data sources:** CA100+ benchmark, Transition Pathway Initiative, SBTi and MSCI

## Asset level alignment – engagement threshold

**Target:** In the near term NGUKPS has the ambition for 70% of financed emissions in material sectors to either meet the net zero “aligned” criteria or be subject to direct or collective engagement & stewardship actions.

By 2030, the scheme has the ambition for 90% of financed emissions in material sectors to either meet the net zero “aligned” criteria or be subject to direct or collective engagement & stewardship actions.

## Additional information

**Fossil fuel investment:** The scheme has a policy in place to phase out thermal coal-related investments by the end of 2022.

**For further information:** Climate Change Strategy Statement

# Nest Corporation

## Portfolio level – emissions reduction reference target(s)

**Baseline date:** 31 December 2019

**Baseline performance:** See below

**Target year(s):** 2025, 2030

### Target(s):

-30% CO<sub>2</sub>e/£mn invested by 2025

-50% CO<sub>2</sub>e/£mn invested by 2030

**GHG scopes included:** Scope 1 and 2 for the 2025 target, Scope 3 to be phased in by 2025 for the 2030 target.

**Asset classes in scope:** Listed equity and corporate fixed income (currently c. 65% of our total AUM)

**Methodology/ net zero scenarios:** IEA NZE2050. This target is implemented through portfolio level sub-targets on a “fair share” basis.

For example, our developed market equity portfolio, which makes up nearly half of our total assets, has a target of -35% CO<sub>2</sub>e/\$mn invested by 2025 from a 2019 baseline of 56.4 Scope 1+2 CO<sub>2</sub>e/\$mn. Our investment grade credit portfolio has a self-decarbonisation target of -7% CO<sub>2</sub>e/£mn invested per annum from a 2020 baseline, as we only started investing in the asset class in 2020.

As our managers use different data providers and due to our changing asset allocation mix, we have not aggregated these into one baseline metric. We are gradually reviewing each of our portfolios to set specific reduction targets. This includes private markets which we aim to have covered by 2025.

**Emissions metrics:** Our developed market equity portfolio also has targets on absolute emissions reductions relative to its benchmark and we also report on absolute financed emissions on an annual basis in our TCFD report. Our target of net zero emissions by 2050 is based on absolute emissions. However, due to our projected growth in AUM we feel that an interim intensity target is more appropriate.

## Portfolio level – investment in climate solutions target

### Quantitative target

**Baseline:** We only started investing in renewable energy infrastructure in late 2019 so have not set a baseline, as this would’ve been effectively zero.

**Target year:** 2030

**Target:** £1.4 bn

**Methodology:** Our current target is based on our projected allocation to renewable energy infrastructure. Please note, we have only recently added this asset class and as a result have added an absolute target, rather than a percentage increase.

We are also considering broader definitions of climate solutions and will update our target once this has been completed.

## Asset level alignment – portfolio coverage target(s)

**Baseline date:** 31 December 2021

**Baseline performance:** 19.5% of developed market equity portfolio have set targets in line with well below 2C as at June 2021

**Target date:** 2025

# Nest Corporation

## Asset level alignment – portfolio coverage target(s)

**Target:** We are currently working with our developed market equity fund manager on setting an appropriate target. Our preferred methodology is SBTi but coverage is low and the accreditation process can take time.

**Asset classes in scope:** Listed equity developed markets initially to reflect the higher proportion of holdings covered by SBTi, but this will be extended to other portfolios gradually.

**Data sources:** SBTi

## Asset level alignment – engagement threshold

**Target:** Engaging with companies responsible for at least 70% of our financed Scope 1 + 2 emissions by 2025.

## Additional information

**Methodology:** Our overall target is in line with the IEA NZE2050 scenario. At portfolio-level we are using a “fair share” approach of setting stricter targets for developed markets and lower targets for other markets and asset classes to build the overall goal.

**Fossil fuel investment:** We already exclude companies deriving more than 20% of revenues from thermal coal production or power generation, oil sands or arctic exploration of oil & gas, as well as companies investing in new developments in these sectors.

This threshold will be tightened over time to a maximum of 10% of revenues in 2023 and 0% in 2025, unless companies have committed to a full phase-out of these activities by 2030 at the latest. See [Nest’s Climate Change Policy](#).

**Operational emissions:** We have set a target of reaching net zero operational Scope 1 and 2 emissions by 2050 at the latest. Operational emissions are disclosed in the [Nest Corporation annual reports and accounts in Appendix 2](#).

**For further information:** [Nest’s climate change risk policy](#); [Nest’s 2025 climate change roadmap](#); [Nest’s 2020/21 TCFD report](#)

# New York State Common Retirement Fund (CRF)

## Portfolio level – emissions reduction reference target(s)

**Baseline date:** 2022

**Baseline performance:** Percent of public assets aligned with 1.5-degree scenario is 13%

**Target year(s):** 2030 and 2040

**Target(s):** The CRF’s overarching quantified target is to reach 100% portfolio alignment with a 1.5-degree scenario or net-zero greenhouse gas emissions across the portfolio by 2040.

The CRF’s interim target is 50% of public securities to be aligned with a 1.5-degree scenario by 2030.

**GHG scopes included:** Coverage includes scope 1 and 2

**Asset classes in scope:** Public corporate securities held in the CRF’s public equity and fixed income asset classes, which covers over 50% of the CRF’s entire portfolio.

**Methodology:** The CRF’s portfolio alignment assessment uses a number of different data points, factors, and models, including companies’ historical emissions and reduction trends, transition strategies and capital expenditures, and emissions reduction goals, as well as public policy impacts and technological advances, to assess whether a company is aligned with a 1.5-degree scenario and on a trajectory to achieve net zero by 2040.

The CRF’s primary metric to measure progress toward net-zero is portfolio alignment with a 1.5-degree scenario, not a pure emissions reduction target.

Carbon emissions (reported and estimated) are a component of our 1.5-degree alignment target, but we view pure carbon-footprinting as an inherently backward-looking metric. Measuring the percentage of assets aligned with a 1.5-degree scenario is a more appropriate, forward-looking metric, that better measures our goal of having both our portfolio and the real economy align with net-zero by 2040.

While we will continue to measure the carbon footprint of the CRF’s public securities, we believe that it should not be our primary metric for measuring progress toward net-zero because it does not evaluate an issuer’s plans, policies and investments.

## Portfolio level – investment in climate solutions target

### Quantitative target

**Baseline date:** 2018

**Baseline performance:** \$7 billion committed to Sustainable Investment and Climate Solutions (SICS) Program in 2018.

**Target date:** 2030

Target year: \$20 billion allocated to the SICS program, targeting 75% (\$15 billion) to investments in climate solutions.

**Methodology:** The metric measures the total dollar amount committed to the CRF’s SICS Program that supports climate solutions by tallying the total commitment to three specific SICS themes: climate and environment, resource efficiency, and pollution and waste management.

# New York State Common Retirement Fund (CRF)

## Asset level alignment – portfolio coverage target(s)

**Baseline date:** 2022

**Baseline performance:** 13% in 2022 to date

**Target date:** 2030

**Target:** 50%

**Asset classes in scope:** Public corporate securities held in the CRF's public equity and fixed income asset classes.

**Data sources:** Working with multiple consultants, analysts, and data providers, using proprietary modelling, research and datasets to assess assets' alignment.

## Asset level alignment – engagement threshold

**Baseline:** Currently 13% of the CRF's public securities meet our net zero aligned criteria

**Target:** For 2030, the CRF has set an interim goal of actively engaging with 50% of the public companies in our portfolio, which are in high-impact sectors (as defined by TCFD), on net-zero alignment.

## Additional information

**Methodology:** The CRF's interim goal is alignment of 50% of publicly traded assets with a 1.5-degree scenario by 2030, which is consistent with the IPCC's stated carbon reduction goals necessary to limit global warming to 1.5 degrees by 2100.

**Fossil fuel investment:** The CRF's Climate Action Plan and the transition risk assessments and minimum standards that we apply to energy sector investments are all derived from science-based policies and research.

The CRF has applied transition risk assessments and minimum standards to certain energy sector industries, including thermal coal mining, oil sands, and shale oil and gas, which inform prioritized engagements and investment decisions. The CRF will begin to evaluate integrated oil and gas companies in 2022.

For further information of [Transition Assessment and Minimum Standards](#)

**Operational emissions:** The CRF's investment staff are part of the New York State Office of the State Comptroller, which has a variety of initiatives to reduce operational emissions, including initiatives that focus on energy usage and efficiency in our buildings, travel and fleet improvements, and recycling across the organization. Energy efficiency improvements, such as LED lighting installation, garnered an Energy Star Rating of 85 for OSC's headquarters at 110 State Street in Albany, New York in 2016.

**For further information:** [Net zero commitment](#); [New allocation to the climate transition index and interim goals](#); [Climate Action Plan Progress Report 2021](#)

# NN Group

## Portfolio level – emissions reduction reference target(s)

**Baseline date:** 2021 (based on underlying emissions from 2019)

**Baseline performance:** 125 tCO<sub>2</sub>e per Euro million invested as reported at year-end 2021 (relating to underlying emissions data from 2019)

**Target year(s):** 2025, 2030, 2050

**Target(s):**

-25% by 2025

-45% by 2030\*

Net zero by 2050

\*Please see 'Additional Information' for an explanation of NN's fair share emissions reductions and approach that aims to deliver real world decarbonisation.

**GHG scopes included:** Scope 1 & 2 financed emission (metric: tCO<sub>2</sub>e per Euro million invested).

Scope 3 financed emissions are currently not included because data quality is insufficient. We have plans to include scope 3 over time as reporting develops using PCAF guidance.

However, disclosure and target-setting on material scope 3 emissions is part of the portfolio alignment assessment of investee companies and engagement objectives.

**Asset classes in scope:** Corporate investments (i.e. listed equity, corporate fixed income. Corporate fixed income primarily includes corporate bonds).

We also developed strategies for Paris Alignment of the sovereign bond and real estate portfolios, which you can find described below in 'Additional Information' below.

**Methodology:** We used the Paris Aligned Investment Initiative's Net Zero Investment Framework (NZIF) as a main guide for the approach and strategy which we developed together with our asset manager.

**Net zero scenarios:** The available tools used to inform the target-setting of the corporate investment portfolio included the IEA's Sustainable Development Scenario (SDS) reference trajectory. Some pragmatic adjustments were made to accelerate the pathway in line with our ambition to steer the investment portfolio towards net-zero GHG emissions by 2050.

## Portfolio level – investment in climate solutions target

**Quantitative target**

**Baseline date:** 31 December 2021

**Baseline performance:** EUR 5 billion, or approx. 3% of total AuM

**Target date:** 2030

**Target:** We target EUR 6 billion additional investments in climate solutions by 2030, bringing the total AuM to around EUR 11 billion, or approx. 6% of AuM (assuming AuM remains constant).

**Methodology:** To support our Paris Alignment strategy, NN Group has developed an internal framework to define 'climate solutions investments' as part of our proprietary investment portfolio. We have defined climate solutions as investments in economic activities that contribute substantially to climate change mitigation or adaptation.

As an initial step in classifying climate solutions investments, and in line with guidance from the IIGCC Paris Aligned Investment Initiative, we focused on 'SDG 7'- related areas of energy efficiency and renewable energy. Furthermore, we supported our definitions with external certifications, asset labels, and environmental standards where possible and relevant. Our definitions are as follows:

# NN Group

## Portfolio level – investment in climate solutions target

- Green bonds: the green bonds we invest in meet the minimum standards specified in the ICMA's Green Bonds Principles and the Climate Bonds Initiative Taxonomy and Standards. Furthermore, to qualify as a green investment, it also has to meet additional criteria according to our asset manager's proprietary Green Bond Assessment Methodology to confirm the actual 'greenness' of the projects as well as the issuer.
- Renewable energy infrastructure: Investments in projects (equity/debt) for renewable energy infrastructure in solar PV, offshore and onshore wind.
- Certified green buildings within our real estate portfolio (equity/debt): our definition is limited to assets with an Energy Performance Certificate ('EPC') of class A, or if EPC is not available a high level of building certification (BREAAAM or HQE certification of at least 'Excellent', or LEED or DGNB of at least 'Gold').
- Other: Investments that do not fall into any of the categories above, including investments in unlisted entities. For example, impact private equity funds that target and report on clearly defined climate impact KPI's or funds that have a broader ESG focus, but where clean and renewable energy projects account for a substantial part of the fund's total assets.

**EU Taxonomy alignment:** In setting our definitions, we have tried to align as much as possible with the EU taxonomy criteria. Currently, it still proves to be challenging to assess the extent of alignment because the taxonomy requires very detailed information. Furthermore, it is still uncertain what is accepted as evidence for alignment. For instance, for the acquisition and ownership of buildings, the EU has defined that existing buildings should have at least an EPC class A to qualify for EU Taxonomy alignment. As an alternative, it has to qualify in the top 15% of national stock's most sustainable properties. In our climate solutions definition, buildings are considered when holding an EPC label A, or if an EPC label is not available a building certification above defined thresholds. However, official guidance is needed on whether building certifications can be used to demonstrate EU taxonomy alignment.

## Asset level alignment – portfolio coverage target(s)

**Baseline date:** 31 December 2021

### Baseline performance:

At the end of 2021, the AuM invested in assets in material sectors for the corporate investment portfolio classified as 'achieving net-zero'; 'aligned' or 'aligning' is 29%.\*

\* Please see 'Additional Information' for an explanation on how we approach sovereign bonds and real estate assets

**Target date:** 2025

**Target:** 45% of assets expected to meet least "aligning" criteria

**Asset classes in scope:** Corporate investment portfolio (includes listed equity and corporate fixed income)

**Data sources:** We used various data sources including: Climate Action 100+ Net-Zero Company Benchmark; ISS ESG Climate Solutions data (carbon footprint and carbon budget assessment); Science Based Target initiative (SBTi); TPI assessment from Transition Pathway initiative; CDP; and analyst research.

# NN Group

## Asset level alignment – engagement threshold

**Target:** For the corporate investment portfolio, we have set an (i) an engagement threshold of 75% by 2025, meaning that by that time a minimum of 75% of financed emissions are in sectors that already meet net zero ‘aligned’ criteria or will be subject to direct or collective engagement actions (at year-end 2021: 66%).

Additional engagement efforts have been defined to help increase the engagement target, but achieving the target is dependent also on the continuation of the collective engagement programme Climate Action 100+.

## Additional information

**Methodology:** To inform the GHG emissions target-setting process for the *corporate investment portfolio*, various approaches and methods amongst which the IIGCC recommended carbon budget approach have been used. In addition, portfolio comparisons of carbon intensity were also made with regards to the industry average and peers to the extent possible. We believe that the intermediate reference targets are ambitious and consistent with delivering a fair share of 50% global reduction in GHG emissions by 2030.

We aim to reach these reference targets by implementing a strategy for portfolio alignment by which we aim to focus on achieving real economy decarbonisation. Together with our asset manager, we developed a methodology to categorise the companies in the portfolio according to their alignment or potential to align to a net zero pathway. For new investments, we use a best-in-class policy to allocate towards companies who are better positioned in their journey to transition to a low-carbon future. For existing assets, we focus on stewardship and engagement to drive alignment, as we believe this has the best chance of realising real-world impact.

We have also developed asset-class specific strategies for our sovereign bonds portfolio and our real estate portfolio. Refer to ‘Further work’ for more details.

**Further work:** In addition to the Paris Alignment strategy for the corporate investment portfolio, we also developed strategies for our sovereign bonds portfolio and our real estate portfolio as described below.

**Sovereign bonds:** For the sovereign bonds portfolio, we developed a strategy together with our asset manager by following the approach as set out in the NZIF. The objective of the sovereign bond portfolio is to achieve net-zero GHG emissions by 2050 by improving the average climate performance of the sovereign bond portfolio over time. Following the NZIF as a guide, investments are scored against a set of current and forward-looking alignment criteria. The Germanwatch Climate Change Performance Index (CCPI) forms a key part of our proprietary scoring methodology to evaluate and compare the climate performance of sovereign holdings. For countries which are not part of the CCPI, our asset manager has developed an own methodology comparable to CCPI to score sovereigns. For new or re-investments, the preference is to allocate towards higher climate performing issuers and/or eligible green bonds. Also, we seek to increase dialogue with sovereigns on ESG and climate change related topics.

**Real estate:** For our (non-listed) real estate portfolio, we also developed a strategy using guidance such as from the NZIF. We have set targets for both our directly managed portfolio and our indirect portfolio that focus on increasing the percentage of AuM in net-zero or aligned assets as well as increasing engagement. Further work will be done on setting a quantified target for reducing kgCO<sub>2</sub>e/square metres. Additionally, a first analysis has been performed toward assessing our potential exposure to physical climate risks in our real estate portfolio. Together with our real estate manager, we have set clear objectives to address physical climate risks in our portfolio. See NN Group’s annual report 2021 (p. 70) for more information on the objectives and assessment of physical climate risks.

# NN Group

## Additional information

For our direct portfolio using the Carbon Risk Real Estate Monitor (CRREM) 1.5°C tool to guide the process, we have set the following interim objectives:

- Our aim is for all our buildings to be on a 1.5-degree pathway by 2030. This is for scope 1, 2 and part of scope 3 (tenant operational emissions). Key measures to achieve these targets are improving energy efficiency, expanding the use of renewable energy and engagement with tenants. For operational GHG emissions (i.e. scope 1 and 2) we aim to achieve net-zero by 2040, and the remainder by 2050.
- For 100% of standing assets in the direct portfolio to have a Sustainability Certificate as approved by GRESB (beginning of 2021: 83%)
- Further, all new investments in the direct portfolio will also be assessed using the Carbon Risk Real Estate Monitor (CRREM) tool.

For our indirect portfolio, investments in real estate funds, the following targets are set:

- The majority of our funds (>75% based on GAV) to be committed by 2030 to achieving net-zero GHG emissions by 2040 or sooner (scope 1 and 2), and the remainder by 2050 or sooner.
- For our indirect portfolio, our main lever is engagement with the management of the funds in which we invest to increase their ambition to reach net-zero emissions.

**Fossil fuel investment:** NN Group excludes companies that derive 20% or more of their revenues from the mining of thermal coal or from oil sands extraction.

In addition, for NN's proprietary investment portfolio, we apply a strategy to phase out our investments in companies which are involved in thermal coal mining and coal-fired power generation, reducing our exposure to close to zero by 2030. ('Close to zero' refers to applying a maximum threshold level for coal activity of 5%). See [NN Group Responsible Investment Framework policy](#) for more information on our exclusion criteria.

**Operational emissions:** At NN Group, we are committed to reducing the environmental impact of our own operations by reducing our emissions year-on-year. We have committed to reduce our GHG emissions by 35% by 2025, and by 70% by 2030 compared with 2019. These reductions are independent of offsetting. Following this path, we expect to reach net-zero by 2040.

These targets cover GHG emissions from our buildings, lease cars (scope 1 & 2) and business air travel (scope 3). We intend to realise this through energy-efficient technologies, increased use of renewable energy and reduced business travel.

To help achieve our goals, we have already implemented a hybrid way of work that stimulates colleagues to work from home, and we updated our lease policy in the Netherlands to only allow fully electric lease cars from 2022 onwards. Our aim is to have a 100% electric car fleet in the Netherlands by 2025.

**For further information:** For more information on our targets and net-zero strategy, refer to the following sections in the [NN Group 2021 Annual Report](#): Creating a positive impact on society (pages 44-47); Our response to the TCFD (pages 66-77); Facts and Figures; Investments in climate solutions (pages 127-128); Facts and Figures; Carbon footprint proprietary assets (pages 131-134)

# Northern LGPS (Greater Manchester Pension Fund, Merseyside Pension Fund and West Yorkshire Pension Fund)

## Portfolio level – emissions reduction reference target(s)

**Baseline date:** 2019

**Baseline performance:** Each Fund will have a different baseline metric performance relative to their benchmark.

For example, the weighted average carbon intensity of GMPF's benchmark was 349 tonnes CO<sub>2</sub>e/GBPm in 2019 and the corresponding intensity of the portfolio was 283 tonnes CO<sub>2</sub>e/GBPm in 2019 and 232 tonnes CO<sub>2</sub>e/GBPm in 2021 (active listed equities only).

The weighted average carbon intensity of WYPF's benchmark was 280 tonnes CO<sub>2</sub>e/GBPm in 2021 and the corresponding intensity of the portfolio was 264 tonnes CO<sub>2</sub>e/GBPm (active listed equities and corporate bonds).

**Target year(s):** 2030

**Target(s):** By 2030, weighted average carbon intensity of funds to be 50% below the carbon intensity of the respective 2019 benchmark (consistent with the target of the major external Asset Managers to the Northern LGPS).

**GHG scopes included:** Our service provider currently has limited coverage and includes scope 1, scope 2 and partial scope 3 upstream emissions in its analysis. We will endeavour to incorporate Scope 3 emissions over time, in line with the Net Zero investment Framework.

**Asset classes in scope:** Active listed equity and corporate fixed income with a view to expanding across other asset classes expediently as data, methodologies and guidance improves.

**Net zero scenarios:** Scenarios used by some of the main external Asset Managers to the Northern LGPS are the P2 emission pathway of the IPCC special report on global warming of 1.5 degrees Celsius, the IPCC RCP 2.6 and IEA SDS (aggressive mitigation) pathways.

## Portfolio level – investment in climate solutions target

**Quantitative target:** In April 2015, GMPF and the London Pensions Fund Authority formed a joint venture to invest directly in infrastructure assets, with a focus on the UK. The joint venture is structured as a limited liability partnership and has been named GLIL Infrastructure LLP (GLIL). As part of the Local Government Pension Scheme (LGPS) pooling discussions, West Yorkshire, Merseyside and Lancashire County Council pension funds joined GLIL in December 2016. In March 2018 GLIL was re-structured as an open-ended FCA Regulated fund to facilitate potential new members. Additional commitments made by existing members mean GLIL now has committed capital of approximately £2.5 billion.

GLIL began investing in October 2015 and has completed ten transactions with a total value in excess of £1.6 billion.

One of GLIL's earliest transactions was the purchase from SSE of a 21.7 per cent stake in Clyde wind farm for £150 million. GLIL invested an additional £30 million in September 2017 with a further £88 million invested in the summer of 2018. Clyde now has a total generation capacity of 522MW, making it one of the largest onshore windfarms in Europe.

GLIL's remit includes investment in new build (so-called 'greenfield') infrastructure projects. Alongside GLIL's partnership with Iona to construct £130 million of bioenergy plants around the UK, it has also financed two joint ventures for the build and commissioning of more than a thousand new rail vehicles across two rail franchises in the south of England. The first of these fleets is already entering service on the Greater Anglian network.

# Northern LGPS (Greater Manchester Pension Fund, Merseyside Pension Fund and West Yorkshire Pension Fund)

## Portfolio level – investment in climate solutions target

Approximately one third of the GLIL assets under management is currently invested in Climate Solutions. Growing GLIL is a key objective for the Northern LGPS pool and investments in Climate Solutions are expected to grow in parallel.

**Baseline date:** 2021

**Baseline performance:** \$1,070m

**Target date:** 2030

**Target:** Additional Climate Solutions as follows: \$1,990m (Aggregation of GMPF, WYPF & MPF)

**Methodology:** For the baseline, the Funds have estimated the value of carbon solutions within their allocations to Infrastructure.

For the target, the Funds have estimated (i) their overall size in the Target Year using actuarial assumptions, (ii) the size of their Infrastructure allocation in the target year based on current strategic allocations. The proportion of the Infrastructure allocation that is invested in Climate Solutions in the Target Year is prudently assumed to be the same proportion as in the Baseline.

The methodology used is in line with that used by the [Climate Investment Coalition pledge announced at COP26](#) and of which NLGPS funds were a part. This used SDG7 to classify 'climate solutions', rather than the EU taxonomy.

## Asset level alignment – portfolio coverage target(s)

**Baseline date:** 2021

**Baseline performance:** Northern LGPS has mapped its listed equity holdings to Transition Pathway Initiative ratings (GMPF and WYPF only).

Northern LGPS held £3.7 billion in shares of the 425 companies analysed by TPI.

By value, 25% scored 4\* (perfect score), 33% scored 4, 35% scored 3, 5% scored 2, 2% scored 1 and 1% scored 0 (unaware of or not acknowledging climate change as a business issue).

**Target:** In partnership with its Asset Managers, Northern LGPS is developing 5 year portfolio coverage targets, recognising the multiple different underlying portfolios of the three Northern LGPS Funds.

## Asset level alignment – engagement threshold

Northern LGPS engages with companies directly, and indirectly through either external Fund Managers and/or as active members of the Local Authority Pension Fund Forum. It is estimated that a significant majority of financed emissions in material sectors are currently subject to direct or collective engagement. Northern LGPS is developing its approach to quantifying the proportion of financed emissions engaged across the three Northern LGPS Funds.

LAPFF Quarterly Engagement Reports are available [here](#).

# Northern LGPS (Greater Manchester Pension Fund, Merseyside Pension Fund and West Yorkshire Pension Fund)

## Additional information

**Methodology:** 50% reductions by 2030 are derived directly from the [PAII Net Zero Asset Owner commitment](#).

Northern LGPS invests in a number of portfolios across a variety of assets classes, each with unique geographic and sector exposures.

Our targets will be reviewed and future iterations may refine the targets to take account of geographic and sector exposures in order to deliver a fair share of the 50% global reduction in CO2 emissions by 2030.

**Operational emissions:** Tameside MBC is the host authority of the Northern LGPS Joint Committee. Information on Tameside MBC's strategy for the reduction of operational emissions can be found [here](#).

It is anticipated that the Department for Levelling Up, Housing and Communities will consult on TCFD reporting within the Local Government Pension Scheme in due course. The Northern LGPS' approach to climate targets may be informed by the results of any consultation and ensuing guidance or regulations brought in by the Department.

**For further information:** [Northern LGPS RI policy](#); [Northern LGPS Quarterly Stewardship Reports](#); [Greater Manchester Pension Fund Stewardship Report](#); [Greater Manchester Pension Fund TCFD report](#); [Merseyside Pension Fund TCFD report \(p32\)](#); [West Yorkshire Pension Fund TCFD report](#)

# Oxfordshire County Council Pension Fund

## Portfolio level – emissions reduction reference target(s)

**Baseline date:** 31 December 2019

**Baseline performance:** 248tCO<sub>2</sub>e/\$mn invested

**Target year(s):** 2050 with annual reduction target

**Target(s):** 7.6% annual emissions reduction target

Net-zero emissions by 2050

**GHG scopes included:** Scope 1, 2 and first tier scope 3 emissions.

Desire to use full scope 3 subject to reliable data being available and an acceptable methodology for inclusion.

**Asset classes in scope:** Currently reporting is available on listed equities and corporate bonds but the target is intended to apply to all asset classes which will be incorporated as data/methodologies are developed.

**Methodology/ net zero scenarios:** Our targets are based on the required level of emissions reductions quantified in the 2019 United Nations Environment Programme Emissions Gap report to limit warming to 1.5°C.

## Portfolio level – investment in climate solutions target

**Qualitative goal:** We commit to increasing investment in climate solutions, where possible.

**Methodology:** To date the Fund has primarily sought to increase allocations to climate solutions through asset allocation decisions. The Fund has made an allocation to a sustainable equities portfolio that invests in companies that address sustainability challenges and has increased commitments to renewable infrastructure investments.

We are hoping to use the Net Zero Investment Framework work on climate solutions to be able to set a quantitative target that is supported by science.

## Asset level alignment – portfolio coverage target(s)

**Baseline:** We do not currently receive alignment data or have a target for alignment stages. However, this is being actively considered by the Pension Funds Pool Brunel.

**Further work:** The Fund is working on using the alignment guidance issued by IIGCC under the PAII to develop a target-based approach to engagement. This is still in progress and will feed into a Climate Stocktake being run by Brunel this year where an agreed approach between the 10 client funds will be sought. The agreed approach will commence in 2023.

## Asset level alignment – engagement threshold

The collective engagement baseline across the whole Brunel Pension Partnership is 47.3% of financed emissions. Please see our [Engagement Policy](#). The Pension Fund's engagement priorities in relation to climate change are to initially focus on CA100+ companies with the aim of them meeting the criteria under the IIGCC NZIF guidance in phases and by set deadlines. Where these are not met the companies will be considered for potential exclusion.

Oxfordshire's Policy will form our input into the process currently underway in Brunel to revise their Climate Change Policy alongside the nine other client funds. The new Brunel Policy is expected in early 2023.

In addition, the Fund is a member of the Local Authority Pension Fund Forum which engages with companies on behalf of its 85 LGPS Fund members.

# Oxfordshire County Council Pension Fund

## Additional information

**Methodology:** The annual reduction target adopted by the Fund has been set in line with scientific assessment of the level of reductions required to align with the IPCC 1.5°C scenario.

**Operational emissions:** The Fund has a 2030 net-zero emissions target for its own operations.

**For further information:** [Climate Change Policy](#); [Climate Change Policy Implementation Plan](#); [Engagement Policy](#)

# Pædagogernes Pension (PBU)

## Portfolio level – emissions reduction reference target(s)

**Baseline date:** 31 December 2019 (where available – otherwise end of 2020)

**Baseline performance:** 61 tCO<sub>2</sub>e/\$mn invested (EVIC allocation based)

**Target year(s):** 2025, 2030, 2050

**Target(s):**

-30% CO<sub>2</sub>e/\$mn invested by 2025,

-50% CO<sub>2</sub>e/\$mn invested by 2030,

-100% CO<sub>2</sub>e/\$mn invested by 2050

**GHG scopes included:** Present emission data covers scope 1 & 2 of approx. 70 percent of our total AUM. We intend to include scope 3 emissions in 2023 in our calculation of financed emissions.

**Asset classes in scope:** Reduction targets cover the whole portfolio. Baseline emission calculations include listed equity and corporate bonds, Green bonds, direct owned real estate and listed real estate. Illiquid credit and sovereign bonds are not included.

**Net zero scenarios:** IPCC 1.5 degree Celsius. P2

## Portfolio level – investment in climate solutions target

**Quantitative target**

**Baseline date:** 2019/2020

**Baseline performance:** 1 billion USD ~ 7,8% of AUM

**Target date:** 2030

**Target year:** 2,8 billion USD ~ 15% of AUM

**Methodology:** Alternative green classification system from Danish Insurance & Pension Association (IPA)

## Asset level alignment – portfolio coverage target(s)

**Baseline date:** 31 December 2019

**Baseline performance:** PBU plans to undertake a baselining assessment of asset alignment according to the Framework and set targets in due course.

As a preliminary step, PBU has gathered data on the proportion of companies that have set carbon reduction targets and companies that use cleaner energy sources.

**Asset classes in scope:** Listed equity, corporate bonds

**Data sources:**

Planned:

Listed equity & corporate fixed income: CA100+ benchmark, Transition Pathway Initiative (SBTi)

Real estate: CRREM

## Asset level alignment – engagement threshold

**Work in progress:** As a first step, we have assessed companies present alignment with the Paris Agreement, and we have selectively divested companies within fossil fuels that we do not believe will be aligned with the Net Zero pathway. As a second avenue, we direct bilateral (external engagement service provider) and collaborative engagement (CA 100+) at the most carbon intensive companies.

# Pædagogernes Pension (PBU)

## Additional information

**Fossil fuel investment:** PBU has established threshold values for extraction of coal (>20% of turnover), coal-powered electricity (>50% of installed capacity), and oil sands (>5% of turnover).

Phase out of thermal coal in OECD countries by 2030 and in developing countries by 2050. See [here](#).

**For further information:** [TCFD Report 2021](#)

# PenSam

## Portfolio level – emissions reduction reference target(s)

**Baseline date:** 31 December 2019

**Baseline performance:** 71,9tCO<sub>2</sub>e/\$million invested

615.220 tCO<sub>2</sub>e absolute emissions

**Target year(s):** 2025, 2030 (2050 - Net Zero)

**Target(s):**

2025: -44 % (Measured as Weighted Average Carbon Intensity, WACI)

2030: Not yet determined on portfolio level.

2050: Net zero

**GHG scopes included:** Portfolio emissions (baseline 2019 and onwards): Scope 1 and 2 (listed equity, corporate bonds, real estate).

Asset level alignment (baseline year 2022): Include Scope 3 emissions where data are available.

**Asset classes in scope:** Listed equity, Corporate bonds (European and US High Yield, Emerging Market Corporate Debt), Real estate (Danish properties)

**Methodology/ net zero scenarios:** Targets are set in close dialogue with Pensam’s stakeholders, IPCC reports on global warming and with an eye toward technology development.

Stakeholders include Climate action 100+, IIGCC, Net Zero Investment Framework, Dansif, PRI etc.

**Emissions metrics:** With regard to the portfolio emission reference target (-44 % in 2025), Pensam disclose emissions on intensity basis (Weighted Average Carbon Intensity) as recommended by TCDF.

WACI is used, since it reduces market volatility effects.

## Portfolio level – investment in climate solutions target

**Quantitative target**

**Target date(s):** 2025, 2030

**Target:**

2025: 15% invested (of total AUM) in climate solutions (“green investments”).

2030: 20% invested in climate solutions (“green investments”).

**Methodology:** PenSam’s investments in climate solutions are calculated on a best-effort basis and are defined as renewable energy, energy efficiency and development of related downstream systems such as investments in wind and solar energy, biomass and the like, energy efficiency in buildings, technology solutions, energy transmission of electricity etc. PenSam calculates the green investments on a best effort basis, but later on the method is expected to follow the EU taxonomy, when it is ready.

## Asset level alignment – portfolio coverage target(s)

**Baseline date:** 31 April 2022

**Baseline performance:** 25-40% (Best-effort basis due to data limitations)

**Target date(s):** 2027, 2032

**Target(s):**

2027: 50%

2032: 70%

# PenSam

## Asset level alignment – portfolio coverage target(s)

**Asset classes in scope:** Listed equity and corporate fixed income, Danish real estate.  
**Data sources:** Listed equity & corporate fixed income: MSCI ESG Manager, IIGCC, PAIL Net Zero Investment Framework.  
 Real estate: Asset manager, CRREM.

## Asset level alignment – engagement threshold

**Baseline:** 40-60% (Best-effort basis due to data limitations)

## Additional information

**Further work:** We are currently working on establishing emission/ESG data support for all properties. We plan to include foreign real estate as soon as possible.

**Fossil fuel investment:** At PenSam, we work to integrate the Paris Agreement’s goal of a maximum temperature rise of 1.75 degrees. Therefore, we have sold a large number of coal, tar sands and oil companies to reduce PenSam’s investments in fossil fuels.

PenSam currently has 330 companies on the exclusion list, with the largest number being related to controversial weapons as well as companies in coal and tobacco. See [Guidelines for responsible investment](#).

**Operational emissions (2021):** 135 tCO2e (include scope 1 and scope 2)

**For further information:** [Pensam’s guidelines and policy on responsible investments](#) (including targets). We expect to publish a TCFD-report in 2023.

# PensionDanmark

## Portfolio level – emissions reduction reference target(s)

**Baseline date:** 31 December 2018

**Baseline performance:** 109 tCO<sub>2</sub>e/\$mn

**Target year(s):** 2024

**Target(s):** -45% CO<sub>2</sub>e/\$mn invested by 2024

**GHG scopes included:** Our target setting covers financed scope 1 and 2 emissions. On a portfolio level, we track scope 3 emissions, but currently only include them in our sector-based target setting in order to overcome issues related to double-counting, see below.

**Asset classes in scope:** Listed equities and corporate bonds.

We have not set reduction targets for our real estate portfolio, as it is already ahead of 1.5 C pathway according to CRREM (2 tCO<sub>2</sub>e/\$mn)

**Methodology:** In PensionDanmark, we continuously work to improve the completeness and accuracy of our data. We also try to implement changes to our calculation methods retrospectively to ensure the comparability of individual years where possible.

The data coverage below is calculated as per end-2021.

- Listed equities: 98.5 pct.
- Corporate bonds: 80.7 pct.

CO<sub>2</sub> emissions from the remaining portfolio is estimated based on the carbon footprint distributed by geography and sector (according to the Global Industry Classification Standard) based on the data available for the respective asset.

We assume that the carbon footprint on average is the same for all corporate bonds/listed equities within the same sector and geography. The average is subsequently applied for that part of the portfolio for which observations are not available. The distribution has been made based on 12 sectors and 2 geographical segments.

Real estate coverage is some 93 pct.

**Net zero scenarios:** Our targets imply a maximum 1.5°C warming above pre-industrial levels. We use both TPI and OECM scenarios based on IPCC P1-P3.

**Emissions metrics:** PensionDanmark has not set absolute carbon emission reduction targets because of strong positive net cash flows into the investment portfolios from our members.

Our overall aim is to reduce our carbon footprint going forward to 2025.

## Portfolio level – investment in climate solutions target

**Quantitative target:** Baseline date: 31 December 2019

**Baseline performance:** USD 6.2 \$bn (end-2019)

**Target date:** 2025

**Target:** By 2025, PensionDanmark aims to own 1,300 MW of green power capacity.

Furthermore, we aim our green infrastructure to avoid Co<sub>2</sub> emissions of more than 2 mio. Tonnes by 2025.

Currently, 16 pct. of our AuM (including commitments) is invested in climate solutions.

**Methodology:** PensionDanmark has been investing in green infrastructure for the past ten years and had, by the end of 2021, investments equivalent to just below 900 MW of operating green power capacity.

# PensionDanmark

## Portfolio level – investment in climate solutions target

PensionDanmark has allocated more than 3.3 \$bn to renewable energy infrastructure all over the world by the end of 2021 based on wind, biomass, solar cells and new technologies as P-t-X. Almost half of the allocation has not been deployed yet. For the projects already in operation, the derived CO2 savings for 2021 amounted to just above 1.5 million tonnes.

Just over half of PensionDanmark’s infrastructure investments contribute towards phasing out fossil energy sources from the global energy mix. Among others we invested in CIP’s Energy Transition Fund I that support projects that develop carbon-neutral green fuels and raw materials for industries for which transition is difficult. Furthermore, we invested in the Danish cleantech business, Stiesdal, which is engaged in the development of four different climate technologies: floating offshore wind foundations, energy storage technology, Power-to-X technology and pyrolysis plants for atmospheric carbon capture and storage, and biofuel production for the airline industry.

PensionDanmark is inclined to participate in minimum three roundtables with development finance institutions to enhance blended finance of climate solutions in the Least Developed Countries and hence support Just Transition on a global scale.

## Asset level alignment – portfolio coverage target(s)

**Baseline date:** 31 December 2019

**Baseline performance:** One of our main goals is to invest in companies that embark on a green transition or produce solutions to global climate challenges. Due to these goals, we have chosen to focus on sectors with a substantial negative climate footprint:

- Oil and Gas
- Utilities
- Cement
- Shipping

By the end of 2019 only a few companies in oil and gas and the shipping sector had Paris aligned business models. Some 50 pct. of the listed equity investments in utilities were Paris aligned. While none in the cement industry.

**Target date:** 2024

**Target:** Our ambition is that 50 pct. of our investments in the material sectors Oil and Gas, Shipping and Cement to be at least “aligning” towards a net zero pathway by 2024. This should also be the case for 80 pct. of our investments in the utilities sector.

By the end of 2024, we aim to reduce our climate footprint, scope 1+2+3, within our focus sectors, see above.

Our reduction targets for climate footprint in our listed equities portfolio are as follows:

- Oil and Gas by 20%
- Utilities by 35%
- Cement by 10%
- Shipping by 15%

These sector targets are developed with input from the OECM model and TPI on sector pathways.

# PensionDanmark

## Asset level alignment – portfolio coverage target(s)

**Asset classes in scope:** Listed equities and corporate bonds

We have not set reduction targets for our real estate portfolio, as it is already ahead of 1,5 C pathway (2 tCO2e/\$mn)

**Data sources:** Listed equity and corporate bonds: CA100+ benchmark, Transition Pathway Initiative, OECM, IPCC scenario decarbonisation curve consistent with a 1.5C scenario

Real estate: assessment based on CRREM

## Asset level alignment – engagement threshold

**Target:** 70 pct.

PensionDanmark has set engagement targets that include supporting collaborative and single engagements, backing SBTi approved targets and net-zero commitments to make a real world change.

For instance, PensionDanmark has committed to execute 200 (baseline end-2019) collaborative engagements before 2025 supported by asset owners, among others CA100+. During the same period, we also strive to have 350 investees with either SBTi aligned targets/commitments to net-zero before 2050 following engagement or having SBTi approved targets following engagement.

PensionDanmark also engages in dialogue with authorities and other stakeholders regarding societal issues, particularly how private investors can become involved in creating new and innovative solutions.

## Additional information

**Methodology:** PensionDanmark has in our capacity as investor, endorsed working towards a world economy with Net-Zero Green House Gas emissions before 2050 in order to limit the global rise in temperature to 1.5°C. Measures to achieve this include active ownership and investments in climate-friendly technologies, according to the above.

In 2020 we set interim targets on the way to fulfil our net-zero commitment; targets that require change well before the decade has ended. These interim goals imply a maximum 1.5°C warming above pre-industrial levels – the most ambitious target defined in the 2015 Paris Agreement.

**Fossil fuel investment:** PensionDanmark excludes all mining companies involved new (thermal) coal projects from the investment universe.

Also companies with more than 5 per cent of revenues from production of (thermal) coal or oil sands are on our exclusion list.

Finally, Oil and Gas companies with a low transition score in PensionDanmark's internal model are also excluded.

See exclusions list [here](#).

**Operational emissions:** We have set absolute targets regarding our scope 1 and 2 emissions. By 2025, we aim to have scope 1 emissions of 20.3 tonnes and scope 2 emissions of 61.5 tonnes (market-based method) corresponding to a fall of 55 and 13 pct. respectively compared to 2021 levels.

**For further information:** [Corporate Social Responsibility Report 2021](#)

# PKA Ltd.

## Portfolio level – emissions reduction reference target(s)

**Baseline date:** 31 December 2019

**Baseline performance:** 1,638,043 tCO<sub>2</sub>e (absolute emissions)

13.4 tCO<sub>2</sub>e/DKKmn invested (financed CO<sub>2</sub>e emissions), equivalent to

89.32 tCO<sub>2</sub>e/\$mn invested

**Target year(s):** 2025; 2050

**Target(s):** -29% CO<sub>2</sub>e/DKKmn invested by 2025

Net-zero GHG emissions by 2050

**GHG scopes included:** Scope 1 & 2 for all equities, scope 3 to be included in due course.

**Asset classes in scope:** Listed equity, corporate fixed income and real estate

**Methodology:** Methodology and calculations are based on IIGCC's Net Zero Investment Framework combined with NZAOA and Finance Denmark's CO<sub>2</sub>e-model.

To set PKA's CO<sub>2</sub>e reduction target for 2025, we simulated scenarios based on future expectations to AUM, returns and asset allocations.

**Emissions metrics:** All calculations are based on EVIC.

PKA discloses emissions on absolute and intensity basis (total carbon emissions, financed carbon emissions (carbon footprint), carbon intensity and weighted average carbon intensity (WACI)) in accordance with the TCFD recommendations. PKA's CO<sub>2</sub>e-reduction target for 2025 is based on financed emissions (carbon footprint).

## Portfolio level – investment in climate solutions target

### Quantitative target

**Baseline date:** 2015

**Baseline performance:** 10% of AUM in 2020, equivalent to USD 4.9 bn (DKK 33 bn) at the time

**Target date:** 2025

**Target:** Total USD 7.4 bn (DKK 50 bn) to be invested in green assets

**Methodology:** PKA is a part of the Danish pledge of investing USD 52 bn (DKK 350 bn) by 2030. As part of the initiative, the Danish trade association for insurance companies and pension funds, Insurance and Pension Denmark has developed a methodology for investors to identify and calculate green investments. The methodology is currently based investments supporting SDG 7 about 'affordable and clean energy' and covers all asset classes. Insurance and Pension Denmark will phase in the EU taxonomy in 2023.

## Asset level alignment – portfolio coverage target(s)

PKA is considering how to develop a more detailed implementation plan for the asset level alignment and what targets we may set.

# PKA Ltd.

**Asset level alignment – engagement threshold**

PKA has set an engagement target of evaluating and divesting from those companies involved in the global initiative Climate Action 100+ that have not established a robust plan for its business to become Paris-aligned by the end of phase 1 of the initiative in 2023.

PKA is currently considering how to develop a more detailed implementation plan for engagement threshold.

**Approach:** PKA is an active asset owner and aims to influence companies to commit to becoming Net Zero through resolutions, voting and engagements. PKA’s support of the Paris agreement and the 1.5°C goal is incorporated in our policy of active ownership and exercised by PKA and PKA’s partner EOS at Federated Hermes. With EOS Federated Hermes, we are engaging with additional companies throughout the year concerning their Net Zero transition. PKA is also engaging with external asset managers on their climate change policies.

PKA is an active asset owner and has since 2018 been an active member of the global investor initiative Climate Action 100+ engaging with 167 companies on their Net Zero transition.

**Additional information**

**Methodology:** Combining our green target (USD 7.4 bn or DKK 50 bn) and CO2e-reduction target (-29% CO2e/\$mn invested) for 2025, we are consistent with delivering a fair share of the 50% global reduction in CO2e-emissions by 2030. In 2022, we expect to set CO2e-reduction target for 2030 for listed equity, corporate fixed income, real estate and infrastructure (scope 1+2).

**Fossil fuel investment:** PKA’s fossil fuel policy includes zero tolerance for coal mining and oil sand unless the companies are committed to a Paris-aligned transition. PKA also has a restriction on utility companies, excluding those with more 20% revenue from coal unless the companies are committed to a Paris-aligned transition. Based on engagements with oil and gas companies, PKA has previously excluded 50 oil and gas companies that did not show sufficient commitment to a Paris-aligned transition.

PKA has also set an engagement target of evaluating and divesting from those companies involved in the global initiative Climate Action 100+, which have not established a robust plan for its business to become Paris-aligned by the end of phase 1 of the initiative in 2023. See [PKA’s climate strategy 2022](#).

**Operational emissions:** PKA measures its operational emissions, which is published in PKA’s annual report. In 2022, PKA is planning to set its first sub target for operational emissions for 2030.

**For further information:** [PKA’s climate strategy 2022](#); [Press release: PKA will cut almost a third of the CO2 footprint from investments up to 2025](#); [PKA’s TCFD report 2022](#)

PKA is also reporting on its net zero strategy in its annual report. The annual report is available on our website.

# Royal London Mutual Insurance Society (RLMIS)

## Portfolio level – emissions reduction reference target(s)

**Baseline date:** 31 December 2020

**Baseline performance:** 9.3MtCO<sub>2</sub>e (associated with listed equity and corporate fixed income holdings which make up just over 60% of RLMIS assets as at 31/12/2020).

**Target year(s):** 2030, 2050

**Target(s):** -50% CO<sub>2</sub>e/\$mn invested by 2030

Net zero by 2050\*

\* Royal London's climate targets are based on the expectation that governments and policy-makers will deliver on commitments to achieve the 1.5°C temperature goal of the Paris Agreement, and that the actions it takes does not contravene its fiduciary duties.

**GHG scopes included:** Data monitoring and disclosure is currently focused on Scope 1 and Scope 2.

Scope 3 emissions are included in Royal London's assessment of transition readiness and informs engagement priorities.

**Asset classes in scope:** As at 31/12/2020:

95% of £114bn RLMIS assets are managed by Royal London Asset Management (RLAM) and are in scope for the purposes of climate target setting, this includes all asset classes.

The funds managed by external managers are currently out of scope but are monitored and assessed regularly.

**Methodology/ net zero scenarios:**

RLMIS has adopted the Net Zero Investment Framework developed by the IIGCC and its targets are informed by the illustrative pathways (P1-P3) from the IPCC 1.5C Report.

## Portfolio level – investment in climate solutions target

**Qualitative goal:** This target is currently qualitative only.

- As an Asset Owner, RLMIS is committed to developing solutions that will enable its customers to invest in low carbon assets.
- Where appropriate RLMIS will seed and invest in the development of climate solutions created by RLAM.

## Asset level alignment – portfolio coverage target(s)

**Baseline date:** 31 December 2020

**Baseline performance:** Not defined due to data limitations. RLMIS will set an alignment target following a review of all holdings.

**Target date:** 2030

**Target:** RLMIS has committed to engaging with companies on their ability and willingness to transition to inform its "alignment assessment".

Where a company is unwilling or unable to take action to align, RLMIS will consider disinvestments, consistent with its overall net zero targets.

# Royal London Mutual Insurance Society (RLMIS)

## Asset level alignment – portfolio coverage target(s)

**Asset classes in scope:** RLMIS is focused on listed equity and corporate fixed income. RLMIS has identified the key sectors which contribute to its financed emissions and have set engagement targets covering greater than 70% of emissions. These include RLMIS’ Top 10 holdings (as an Asset Owner) which equate to 50% of its emissions as at 31 Dec 2020 and engagement with the Utilities sector as a key driver of wider economic decarbonisation.

## Additional information

**Methodology:** RLMIS’ targets are informed by the illustrative pathways (P1-P3) from the IPCC 1.5C Report. RLMIS has adopted the 50% reduction by 2030 as a starting point and has translated this into shorter term management targets to incentivise action in the near term. The fairness concept and the impact on targets will be reviewed annually.

**Further work:** RLAM has undertaken extensive work to assess its property holdings and has developed a net zero strategy. Royal London will begin incorporating this information into its disclosures as soon as is practicable, consistent with its overall net zero targets. Royal London has also re-framed its Purpose and supporting Strategy to include: ‘Playing our part in moving fairly to a sustainable world’.

**Operational emissions:** Royal London has committed to achieving net zero direct operational emissions by 2030 (Scopes 1 and 2).

**For further information:** RLMIS’ targets and the progress it has made are detailed in its [2021 annual report and accounts](#) (p.30-40).

# Railpen UK

**Portfolio level  
– emissions  
reduction  
reference  
target**

**Baseline:** 31 March 2020

**Target Year(s):** 2025, 2030, 2050

**Target(s):** -25-30% CO2e/£m invested by 2025, -50% CO2e/£m invested by 2030, net zero by 2050 or sooner

**Baseline year performance for the target metric(s):** 70tCO2e/£m invested

GHG scopes included: Scope 1 and Scope 2 emissions currently. As data quality and availability improves for Scope 3 GHG emissions, we will look to include this in future iterations of the Net Zero Plan for the future emissions footprint, engagement and alignment targets.

**Asset classes in scope:** Listed Equities and Corporate Fixed Income.

**Portfolio level  
– investment  
in climate  
solutions**

Railpen has committed to increasing investment in climate solutions, where possible.

Railpen has not set a quantitative target but is actively reviewing opportunities in renewable energy and energy efficient technologies and solutions, especially in infrastructure and private markets. Railpen will continue to monitor developments in data and the evidence base in defining climate solutions as we increase investments in the space.

**Asset level  
alignment  
– portfolio  
coverage  
target**

**Target:** 100% of AUM in ‘material’ sectors either already net zero, aligned to net zero, or aligning by 2040.

**Asset level  
alignment –  
engagement  
threshold**

**Target:** 70% of financed emissions in material sectors that are either already net zero “aligned” criteria or that will be subject to direct or collective engagement & stewardship actions, increasing to 90% by 2030.

**Additional  
information**

**Methodology:** IIGCC Net Zero Investment Framework (NZIF).

**Scenario(s) used:** OECM Model trajectories used to determine target levels.

**Additional info:** Targets are primarily based on a reduction in absolute emissions.

**For further information:** [Railpen Net Zero Plan](#)

# Scottish Widows Group Limited

## Portfolio level – emissions reduction reference target(s)

**Baseline date:** 31 December 2019

**Baseline performance:** 116 t CO<sub>2</sub>e/£m invested

**Target year(s):** 2030, 2050

**Target(s):** Halve the carbon footprint (i.e. t CO<sub>2</sub>e/£m invested) by 2030.

Net zero by 2050 or sooner.

**GHG scopes included:** Scope 1 & 2 only for all in-scope emissions.

Robustness and coverage of Scope 3 data is not yet sufficient for use in target-setting. While we do not believe it's yet appropriate to set targets in relation to Scope 3 emissions, we are beginning to disclose Scope 3 emissions for oil, gas and mining sectors in our portfolio, as per PCAF guidance, in our TCFD report. We will add new sectors in the future reports and will consider extending our portfolio targets to cover Scope 3 of our underlying holdings when there is market consensus on the appropriateness of available data.

**Asset classes in scope:** Full portfolio is covered by overall targets, but emissions are currently available and reported only on listed equity and corporate fixed income, real estate, and loans (for assets where PCAF methodologies exist).

**Methodology:** Targets and levels were set in line with Paris Aligned Investment Initiative's Net Zero Investment Framework guidance.

**Net zero scenarios:** The baseline year from which the targets track progress is 2019. This year was selected in line with the recommendation of the Institutional Investors Group on Climate Change, which aligns with the Intergovernmental Panel on Climate Change (IPCC) timeframe to limit global warming to 1.5C in their P1-P3 scenarios.

**Emissions metrics:** Due to the fast-growing nature of our Defined Contribution pension investment portfolio, we set decarbonisation targets on a relative emission basis.

However, we will disclose annually both absolute and relative emissions (i.e. carbon footprint) of our full portfolio, and briefly comment on progress made on our targets.

## Portfolio level – investment in climate solutions target

### Quantitative target

**Baseline date:** 2021

**Baseline performance:** n/a; targets are considered as new money, beginning at baseline date

**Target date:** 2025

### Target year:

- £20-25bn in 'climate-aware' strategies
- With at least £1bn of the above into climate solutions investments

### Methodology:

- 'Climate-aware' definition: funds with a bias towards companies adapting their businesses to be less carbon intensive and/or developing climate solutions;
- Climate solutions approach: use MSCI Environmental Impact Revenue classed as 'climate change' and 'natural capital'

# Scottish Widows Group Limited

## Asset level alignment – portfolio coverage target(s)

**Baseline:** This is outsourced to our asset managers. Please see p14 of our Climate Action Plan

**Target:** Specific targets for alignment have not been set, therefore there is no baseline level to measure from. Scottish Widows outsources to appointed managers the day-to-day management of all our funds. This includes stock selection and asset allocation (whilst taking into account exclusions to thermal coal and tar sand extraction on climate grounds). Our key appointed managers have also committed to achieving net zero in their portfolios by 2050.

Our active stewardship activities include oversight of our appointed managers. As part of our annual operational due diligence review process we intend to monitor the progress being made by investment managers in implementing and achieving emission reductions goals on fund-by-fund and aggregate basis. This will allow us to identify any laggards requiring closer monitoring and engagement, whilst at the same time recognising those funds and managers who are leading.

Additionally, we have recently developed our own voting guidelines on ESG matters; we will actively monitor our appointed managers' implementation of these guidelines.

## Asset level alignment – engagement threshold

**Baseline:** 79% of equity and bond assets in high impact sectors (per the GICS sub-industry classification mapping of TPI's high impact sectors in Appendix B in the Net Zero Investment Framework (NZIF), plus banks and insurers are under active engagement by our key appointed managers and directly by Scottish Widows.

**Target:** Whilst Scottish Widows has not yet set a specific target, this is in excess of the NZIF recommended initial target of 70%. We will review this in the next iterations of the Climate Action Plan.

## Additional information

**Methodology:** Reducing the carbon footprint of our investments by 50% by 2030 is a key milestone within our Net Zero mission. Scottish Widows' investment portfolio is a well diversified one – across regions, asset classes and industries – so is representative of the global investable universe. We believe it is appropriate to set decarbonisation target on this portfolio in line with the IPCC's recommended pathway of 50% reduction by 2030 with aiming for net zero by 2050 or sooner.

**Fossil fuel investment:** Thermal coal and tar sands are specifically detailed in the Scottish Widows Exclusion Policy; Coal is the most CO2-intensive power source and a significant contributor to climate change. We believe companies that fail to amend their business models to be less carbon-intensive pose an investment risk.

Therefore, we don't invest in companies where 5% or more of their revenue is derived from thermal coal extraction and/or tar sand operations. We review the thresholds regularly and expect to reduce it over time in line with the global ambition on exiting coal.

Scottish Widows, together with its parent company Lloyds Banking Group are also members of the [Powering Past Coal Alliance](#).

[Scottish Widows Exclusions Policy](#); [Scottish Widows Stewardship Policy](#)

**Operational emissions:** Lloyds Banking Group, of which Scottish Widows is part, has operational climate pledges, including to achieve net zero by 2030. [Our operational climate pledges - Lloyds Banking Group plc](#)

**For further information:** See [here](#) for more information on our Responsible Investment Framework & net zero strategy, including [Climate Action Plan 2022](#); [Our Climate Change Approach](#); [Responsible Investment & Stewardship Framework](#); [Scottish Widows 2022 TCFD report](#)

# The Church Pension Fund, Finland

## Portfolio level – emissions reduction reference target(s)

**Baseline date:** 31 December 2020

Our Climate Strategy update in 2021 used the most recent positioning as a reference target point.

**Baseline performance:** 109,2 tCO<sub>2</sub>e/EUR Mn revenue (WACI)

**Target year(s):** 2025, 2035

**Target(s):** 2025: -25% CO<sub>2</sub>e/EURMn revenue; and direct real estate heating fossil-free  
2035: Net zero

**GHG scopes included:** Scope 1 & 2.

Current interim target does not consider scope 3 emissions, but they are disclosed annually. The plan is to phase in scope 3 emissions over time.

**Asset classes in scope:**

2025: Listed equity and corporate fixed income; direct real estate investments (heating fossil-free)

2035: The whole fund

**Methodology:** The Church Pension Fund's Climate Strategy published in 2021 was developed based on the Net Zero Investment Framework recommendations.

**Net zero scenarios:** Current emissions already approximately 50% of that of the benchmark, whereas per IEA SDS scenario, the portfolio emissions will exceed its budget in 2042.

The Church Pension Fund wanted to set a short-term interim target that will continue to take us in the right direction and reassess in 2025 our decarbonization pace as the methodologies continue to develop across asset classes.

**Emissions metrics:** We disclose emissions both in terms of intensity as well as absolute emissions. We will continue to monitor both and reassess the targets if necessary.

## Portfolio level – investment in climate solutions target

**Quantitative target**

**Baseline date:** 31 December 2020

**Baseline performance:** 4.4% of AUM in green investments

**Target year:** 2025

**Target:** 10% of AUM allocated to green investments

**Methodology:** Qualitative assessment of thematic investments by using the EU Green Taxonomy and SFDR Article 9 to support the classification. No scenarios used to determine the target level as of today.

## Asset level alignment – portfolio coverage target(s)

**Baseline date:** To be determined in the next Climate Strategy update.

However, the Pension Fund annually monitors the percentage of listed equity and corporate fixed income holdings that have set Science-based targets under the SBTi.

In addition, the Church Pension Fund annually tracks the Carbon Risk Rating score (CRR, developed by ISS ESG) for its listed equity and corporate fixed income issuers. The CRR assesses how an issuer is exposed to climate risks and opportunities, and whether these are managed in a way to seize opportunities, and to avoid or mitigate risks. It provides the Church Pension Fund with critical insights into how issuers are prepared for a transition to a low carbon economy and is a central instrument for the forward-looking analysis of carbon-related risks at portfolio and issuer level.

# The Church Pension Fund, Finland

## Asset level alignment – portfolio coverage target(s)

**Baseline performance:** To be determined in the next Climate Strategy update.

Percentage of listed equity and corporate fixed income holdings that have set Science-based targets under the SBTi as of 31 December 2021:

- committed SBT 14%
- approved SBT 21%.
- ambitious target accounts for 14%, non-ambitious 14% and no target 36%.

The average CRR score (scale 0-100, 100 being the highest score) for the portfolio was 53 as of 31 December 2021.

**Target:** To be determined in the next Climate Strategy update.

**Asset classes in scope:** The current assessment covers listed equity and corporate fixed income.

**Data sources:** Science-based targets under the SBTi  
ISS ESG Carbon Risk Rating score (CRR)

## Asset level alignment – engagement threshold

**Target:** To be determined in the next Climate Strategy update.

**Approach:** Currently supporting engagement through CA100+ and the CDP's Science Based Targets Campaign. In addition, the Church Pension Fund focuses especially on the CRR scores of the highest emitters in the portfolio and use this information as a basis for engagement dialogue with external fund managers responsible for selecting the companies.

## Additional information

**Further work:** The Church Pension Fund plans in due course to explore and research climate data opportunities and availability in illiquid asset classes.

**Fossil fuel investment:** The Church Pension Fund avoids companies that have a significant financial risk because of climate change and whose activities are not in line with the net zero trajectory. For fossil fuels, the Church Pension Fund has defined the exclusion criteria used to manage direct investments.

Most of the asset managers and funds used by the Church Pension Fund have excluded coal mining companies and electricity companies that significantly benefit from coal power from their investment portfolio. Some have even more extensive exclusion criteria in place for fossil fuels. The Church Pension Fund monitors the exclusion criteria of asset managers and funds and their development through an annual ESG survey.

The Pension Fund favours funds and asset managers that comply with and report transparently on climate change principles. In addition, the public commitment of asset managers to a net zero target has been highlighted as an important criterion in the selection of funds.

See [Climate Strategy of the Church Pension Fund \(2021\)](#), page 9 on Exclusion Criteria.

**Operational emissions:** [Carbon Neutral Church by 2030](#)

**For further information:** [Climate Strategy of the Church Pension Fund \(2021\)](#)

# The National Trust for Places of Historic Interest or Natural Beauty

## Portfolio level – emissions reduction reference target(s)

**Baseline date:** 31 December 2019

**Baseline performance:** 177,050 tons CO<sub>2</sub>e  
109 tons CO<sub>2</sub>e/\$mn invested

**Target year(s):** 2030

**Target(s):** 50,000 tons CO<sub>2</sub>e gross or zero emissions net of carbon credits generated by investments in reforestation

**GHG scopes included:** Coverage for now is scope 1,2 only. Zero fossil fuel policy limits the amount of scope 3 emissions, however. It is our intention to include Scope 3 emissions when we can rely on sufficiently robust data.

**Asset classes in scope:** Listed equity, corporate fixed income, multi-asset/absolute return & PE/VC

**Net zero scenarios:** The aggressive target has been set well in excess of any Paris aligned scenario in acknowledgement that some investors will fail in that goal, so those able to show leadership and go further should do so.

## Portfolio level – investment in climate solutions target

**Quantitative target**

**Baseline date:** 31 December 2020

**Baseline performance:** \$70.4m of assets

**Target year:** 2030

**Target:** \$350m

13% of assets, assuming 2.5% inflation 2021 onwards

**Methodology:** Assets meet MSCI definition of Climate Solutions, specifically ‘Alternative Energy’, ‘Energy Efficiency’, ‘Green Building’, and ‘Sustainable Agriculture’

## Asset level alignment – portfolio coverage target(s)

**Baseline date:** 30 September 2021

**Baseline performance:** 33% of assets meeting at least “aligning” criteria

**Target date:** 2025

**Target:** 70% meeting least “aligning” criteria

**Asset classes in scope:** Listed equity and corporate fixed income

Data sources: CA100+ benchmark, Transition Pathway Initiative, SBTi

## Asset level alignment – engagement threshold

**Target:** 70% of financed emissions (in material sectors) that are either already meeting net zero “aligned” criteria or that will be subject to direct or collective engagement & stewardship actions.

# The National Trust for Places of Historic Interest or Natural Beauty

## Additional information

**Methodology:** Rather than try to 'optimise' a fair share of the 50% reduction, the NT aims to achieve more than its fair share of the reduction through accelerated decarbonisation of the portfolio and significant targets for investment in climate solutions.

**Fossil fuel investment:** The NT avoids any investment in businesses with material production of coal or other fossil fuels. See [how we're changing our investment policy](#).

**Operational emissions:** Operational emissions are targeted to be net zero by 2030.

**For further information:** [Tackling Climate Change Together](#)

# Wiltshire Pension Fund

## Portfolio level – emissions reduction reference target

**Baseline:** 31 December 2020

**Target Year(s):** 2025, 2030, 2050

**Target(s):** For the whole fund, all portfolios will be net zero by 2050, and we will target a reduction of 50% by 2030.

For listed equity portfolios, we target a reduction of 43% by 2025 and 69% by 2030.

**Baseline year performance for the target metric(s):** 49tCO2e/\$mn invested

**GHG scopes included:** As specified above

**Asset classes in scope:** Target setting currently only includes scope 1 & 2, with plans to include scope 3 over time, in line with the Net Zero Investment Framework recommendations.

## Portfolio level – investment in climate solutions

**Target:** We commit to allocating 30% of the Fund to sustainable/low carbon assets by 2025, and 35% by 2030 (as measured by the long-term strategic allocation).

We have set a strategic allocation of 5% of the Fund to renewable infrastructure, which will include climate solutions.

We will refine and make this target more specific in the future.

## Asset level alignment – portfolio coverage target

**Target:** No target currently set – a more granular implementation plan is in progress

**Baseline:** 31 December 2020

**Baseline year performance for the target metric(s):** 6.2% (of listed equities) meeting at least “aligning” criteria in baseline year.

**Asset classes in scope:** Listed equity

## Asset level alignment – engagement threshold

The collective engagement baseline across the whole Brunel Pension Partnership is 47.3% of financed emissions.

## Additional information

**Methodology:** The methodology used is “accelerated 1.5 degree decarbonisation curve”.

**Fair share:** Our whole fund target is consistent with delivering a fair share of the 50% global reduction in CO2 emissions by 2030, and our listed equity target is more ambitious, which increases our chances of success. Some of our highest emitting holdings are in utilities companies, but we monitor whether these are setting ambitious decarbonisation targets, so believe that our holdings are in companies which are leaders in this space and will be able to reduce emissions ahead of the overall fund target.

**For further information:** Our [Wiltshire Pension Fund - Climate](#) page sets out our strategy, action plan and net zero roadmap.

