Mercer

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Net Zero Progress Update - ACT Advanced

Clwyd Pension Fund

Analytics as at 31 March 2024

November 2024
Sandy Dickson

A business of Marsh McLennan

Contents

Executive summary

Clwyd Pension Fund

Key points to note

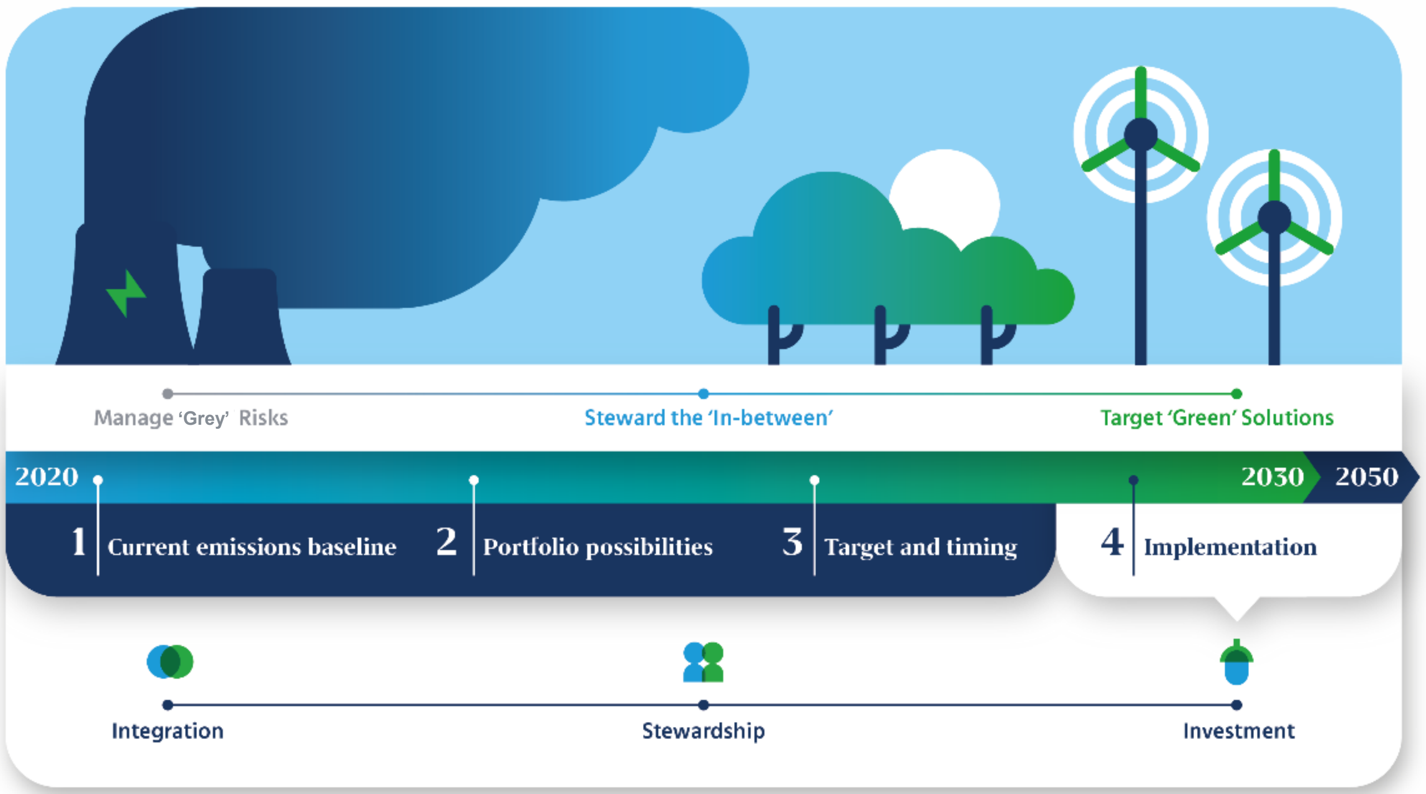
- Strong progress towards listed equity decarbonisation targets
- Progress on measuring engagement/ alignment target and new proposed alignment target in line with IIGCC guidance
- Strong position against Fund's Exclusion Policy within listed equities
- Steps made to expand analysis into private markets to enable target setting

The Fund has made strong progress towards existing targets and is close to achieving the 'Fund's Ambition' for its Exclusion Policy within listed equities

Analytics for Climate Transition

The How and What?

Mercer's Analytics for Climate Transition (ACT), follows a step by step approach to align to a net zero* outcome by 2050 or earlier.



The recommendations are in the form of a **climate transition plan, including targets, and have confidence in answering key questions**:

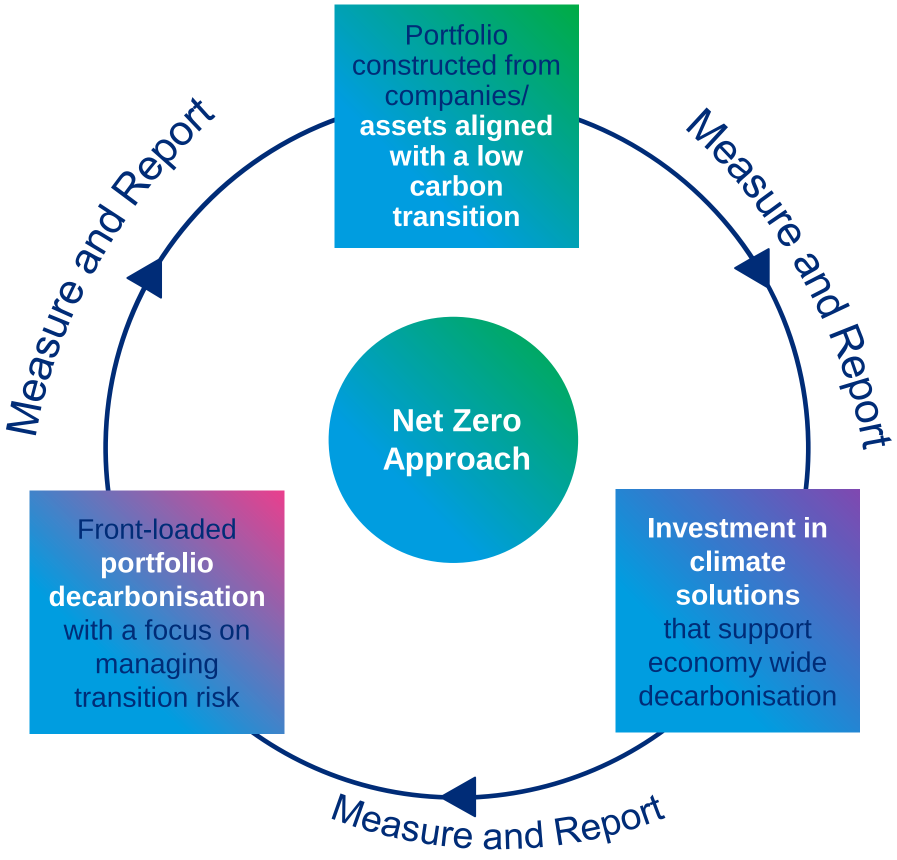
a. Can we reduce emissions and set aligned targets while:
   i. meeting investment objectives; and
   ii. not just divesting from today's high carbon companies

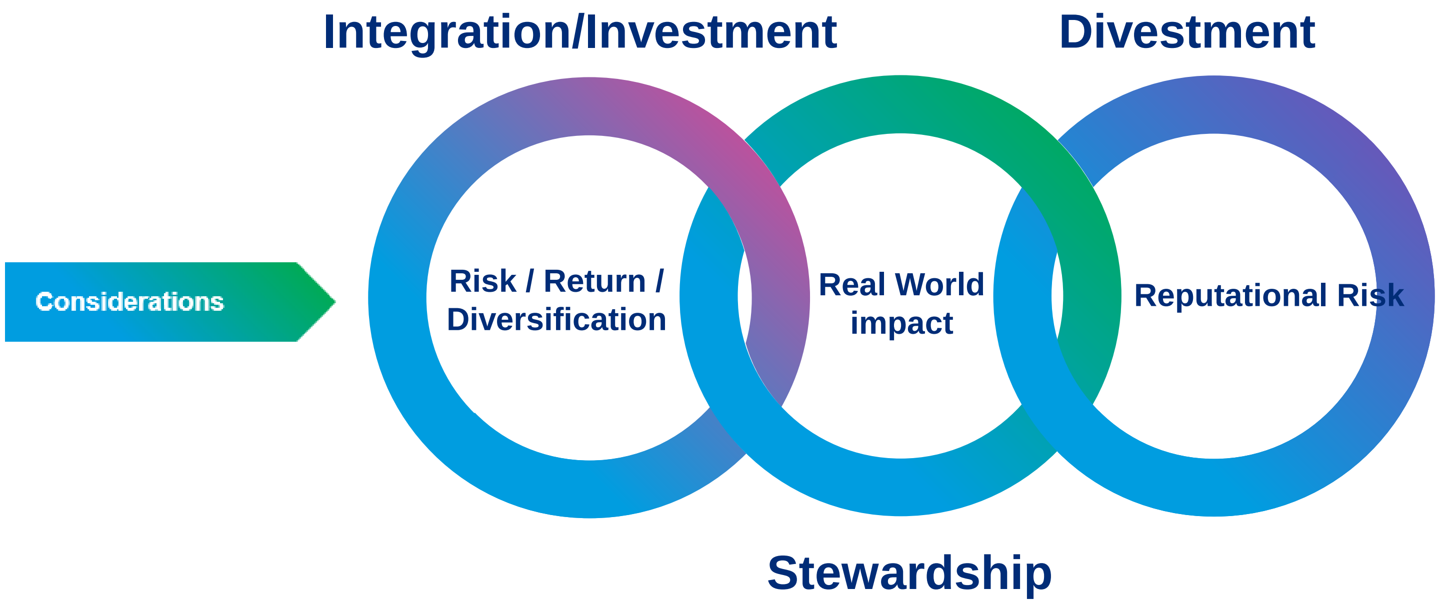
b. Can this be practically implemented and monitored?

*'Net zero' means emissions are reduced as far as possible, where there are options to do so, with any remaining emissions offset by absorbing an equivalent amount from the atmosphere e.g. in nature (trees and soils) or via carbon capture and storage or other technologies

Net Zero Approach

Key considerations & levers





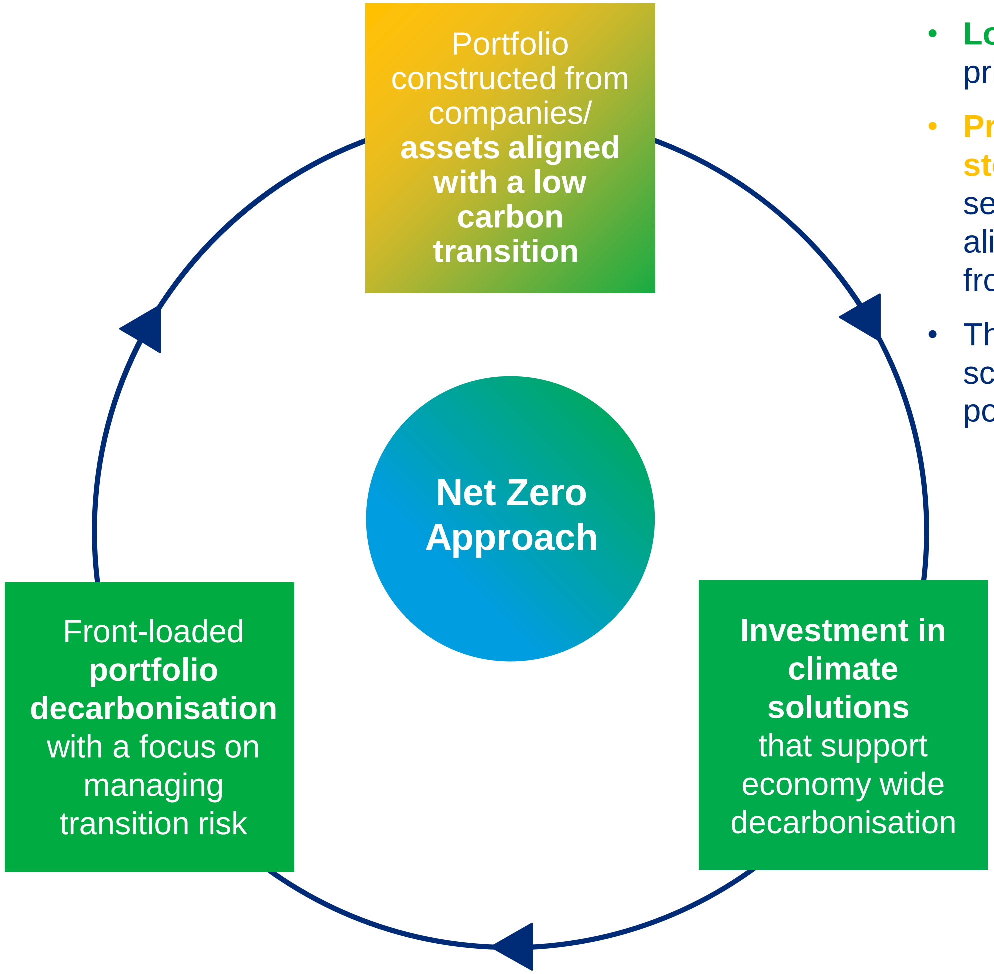
- It is **challenging to maximise every net zero approach** as there are trade-offs associated. When applied in isolation, they may lead to unintended outcomes from both a financial and sustainability perspective.
- Based on the Fund's objectives and commitments to stakeholders, it is important to **establish priorities and strive for balance** which supports financial objectives (risk, return, diversification) as well as real world impact.
- To date, the focus to reach net zero targets has been around decarbonisation followed by climate solutions with an increasing focus on alignment. The **alignment assessment of assets is critical** to enable a more holistic approach to a whole economy transition.

Net Zero Approach

Summary of progress

On Track   Progress Required

- **Listed Equity Carbon Footprint (scope 1 +2) has fallen c.40.2%** over 2021-2024 and is **currently ahead** of the proposed decarbonisation pathway. The Fund has advanced its position over the year, largely due the WPP Sustainable Active Equity fund now making up the entire equity allocation (15% SAA**).
- **Further work required** to bring other asset classes, particularly private markets, into target setting.
- See private market section.



- **Low allocations to Grey assets***, concentrated primarily in the WPP Multi-Asset Credit mandate.
- **Progress slowed against alignment and stewardship targets** for material (high impact) sectors due to the methodology for assessing alignment being enhanced with latest guidance from IIGCC.
- The Fund is currently meeting its fossil fuel screening ambition under the existing exclusions policy.

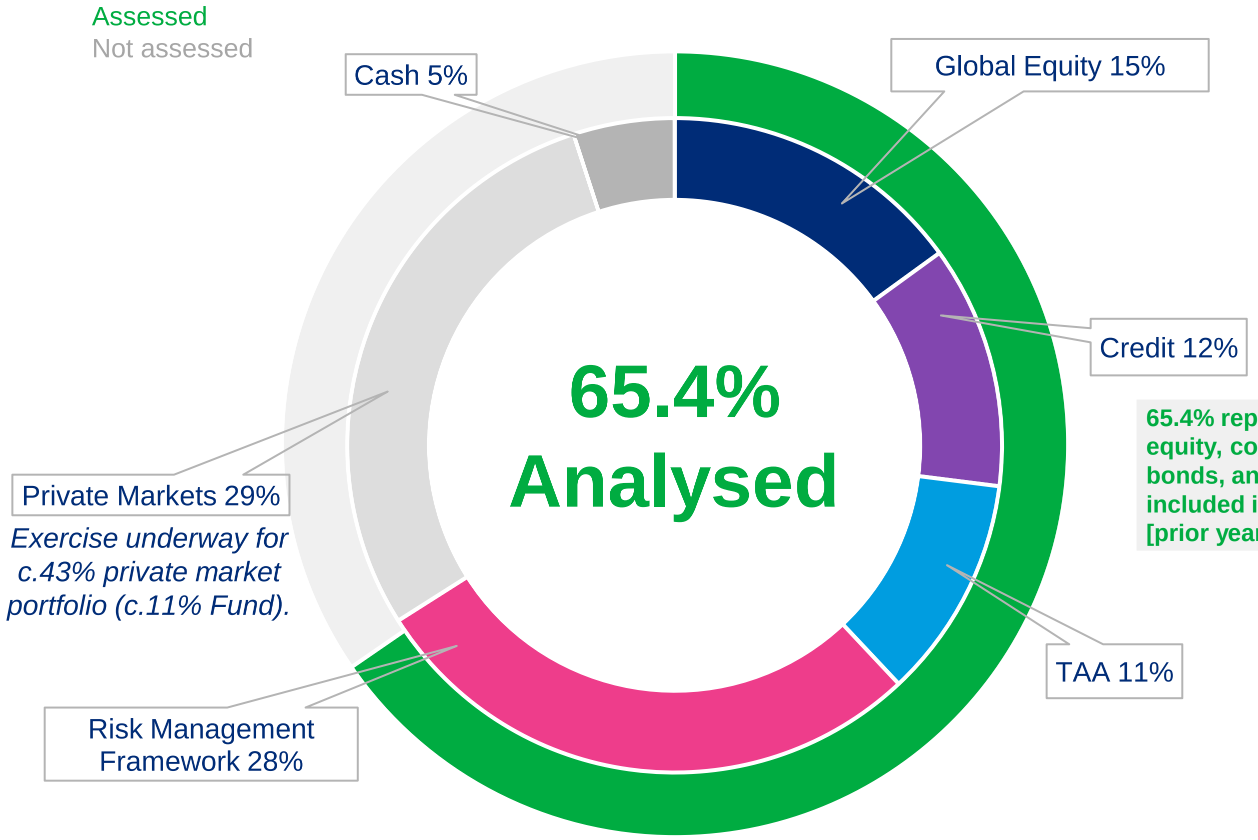
- The Fund invested into the **WPP Sustainable Active Equity fund** in June 2023. The Fund then topped up its investment into the Fund in March 2024 switching out of the WPP Emerging Market Equity fund.
- At the time of writing, the **Fund has increased its commitments to renewable infrastructure** within Wales to a total of £80m and has exposure to a wide range of sustainable & impact allocations.

*Grey assets are not well aligned from a climate transition perspective, with high carbon emissions intensity.
** SAA = Strategic Asset Allocation

Portfolio asset allocation

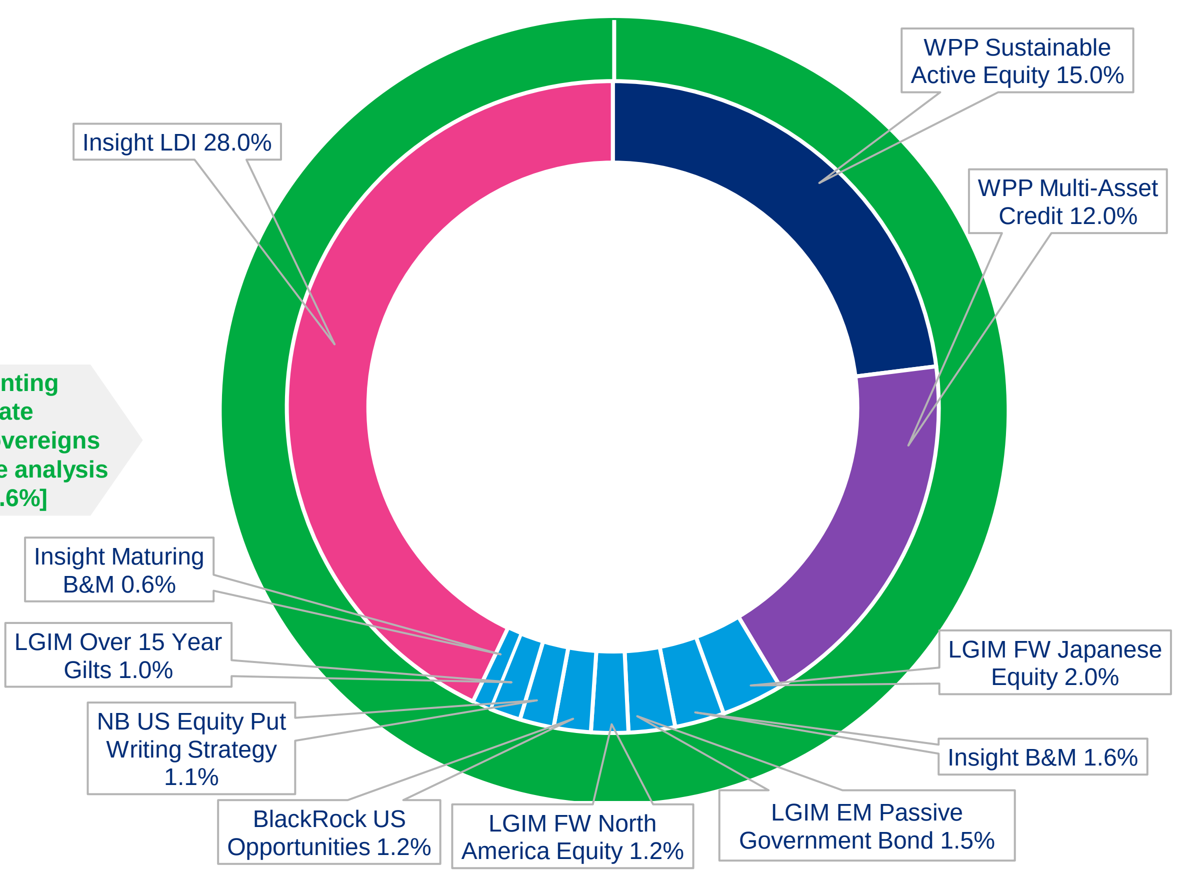
What's included in the analysis?

Fund strategic asset allocation as at 31 March 2024



65.4% representing equity, corporate bonds, and sovereigns included in the analysis [prior year: 40.6%]

Allocation by manager for analysed assets as at 31 March 2024



Notes: The total allocation for the **WPP Multi-Asset Credit** is 12.0%. However, only the corporate bonds and sovereign bonds legs (c.39.0% and 19.3% of the total mandate's allocation, respectively) are being included in the analysis. The remainder of the fund is allocated to asset classes not covered by the analysis.
Metrics for the exposure to synthetic equity are shown in the Appendix. The LGIM Sterling Liquidity fund (TAA) is excluded from the analysis for lack of decision usefulness due to its very short nature.

Progress to date

How ACT Analysis has been used to date

2021

Set targets:

- Total Fund 2045 Net Zero Target.
- Total Fund decarbonisation target of 50% reduction by 2030, versus 2021 baseline position.
- Adopted Listed Equities portfolio carbon reduction targets of 36% by 2025 and 68% by 2030, versus 2021 baseline position.
- Committed to increasing the total Fund's sustainable/low carbon allocation target to 30% by 2030.

2022

Monitor Progress

- Monitor progress vs. 2025 and 2030 decarbonisation targets.

Investment Manager decisions

- Helped inform decision to introduce WPP Sustainable Active Equity fund.

Stewardship & Engagement

- Identified most strategically important companies to engage with from a climate perspective.
- Targeted 70% of companies, as measured by value invested and emissions, in carbon-intensive sectors either aligned/under engagement in Listed Equities.

2023

Monitor Progress

- Monitor progress vs. 2025 and 2030 decarbonisation targets.

Strengthening Targets

- All Listed Equity portfolio in sustainable mandates by 2030.
- Key development / progress made in switching to WPP Sustainable Active Equity fund in June 2023.

Adoption of Exclusions Policy

- Exclusions policy framework adopted to implement exclusions across coal, oil and gas revenue thresholds.

2024

Monitor Progress

- Monitor progress vs. 2025 and 2030 decarbonisation targets and 2045 Net Zero Target.

Private Markets

- Phase 1 of data collation exercise for private market assets initiated to enable target setting in future.

Nature

- Initial TNFD Disclosures.

Stewardship & Alignment Targets

- Strengthening alignment target.

Next 12-18 Months

Scope 3 and avoided emissions

- Introduce targets when data quality / availability allows.

MAC

- Engage with WPP/Russell on sustainable MAC product offering.

Private Markets

- Continue to monitor and engage private market managers in Private Equity, Infrastructure, Private Debt and Property to enable target setting.

Climate Scenario Analysis

- Conduct Climate Scenario analysis in 2025.

New investments

- Consider explicit allocation to biodiversity / natural capital, capturing within next strategy review for explicit targets.
- Continue to allocate to Local/Impact private market investments.

Continue progression towards 2045 net zero ambition, further expansion of assets captured in analysis

Current Targets and Progress

On Track · Progress Required

Scope	Current Target	Progress	Progress to date
Total Fund	The Fund targets net zero by 2045. Interim target of carbon reduction of 50% by 2030.	Target setting is currently focused on Listed Equities with other asset classes and strategies being incorporated over time. The Fund is currently on track to achieve its interim decarbonisation targets for listed equities.	On Track (green)

Total Fund	To have at least 30% of the Fund's assets allocated to sustainable investments by 2030.	• Supports overall objective of supporting the global climate transition and sustainability ambitions of the Fund.
		• The Fund currently has 20% of assets in sustainable investments, with an additional 9% in unfunded commitments yet to be drawn. Taking the total to c.29% in sustainable investments.
		• The Fund has made allocations to the WPP Sustainable Active Equity Fund. The Fund has also made commitments to renewable infrastructure and impact investments.
		• Within the Fund's Private Market assets, there are also examples of assets with sustainable tilts. Further work would need to be undertaken to map the overall allocations, but we have provided examples below:
		    • Capital Dynamics – Clean Energy Wales (£80m – previously £50m, the Fund agreed an additional £30m in 2024)
		    • Copenhagen Infrastructure – Energy Transition I (£17m)
		    • Activate Partners – Activate Capital II (£11m)
		    • ECI Partners – ECI 12 (£20m)
		    • Newcore – Strategic Situations Fund V (£15m)
		    • Sandbrook Capital – Climate Infrastructure Fund I (£17m)
		    • Generation – IM Sustainable Solutions Fund IV (£11m)
		    • Brookfield – Global Transition Fund (£10m)
		    • Ambienta – Sustainable Credit Solutions (£10m)
		*(where commitment currency was Euro or USD, GBP amount has been used for comparability).
			On Track (green)

Total Fund	To expand the measurement of the carbon emissions of the Fund's investments to include as many components of the assets as possible, based on the availability of reliable and accurate data.	The Fund has initiated an exercise to collate information from private market asset classes, including private equity, infrastructure, private debt, property. The Fund should look to set targets in the coming years following analysis of the data received from managers. We note that manager data may vary from manager to manager and would highlight the scale of the exercise to effectively set realistic targets for the Fund.	Progress Required (amber)

Current Targets and Progress

On Track   Progress Required

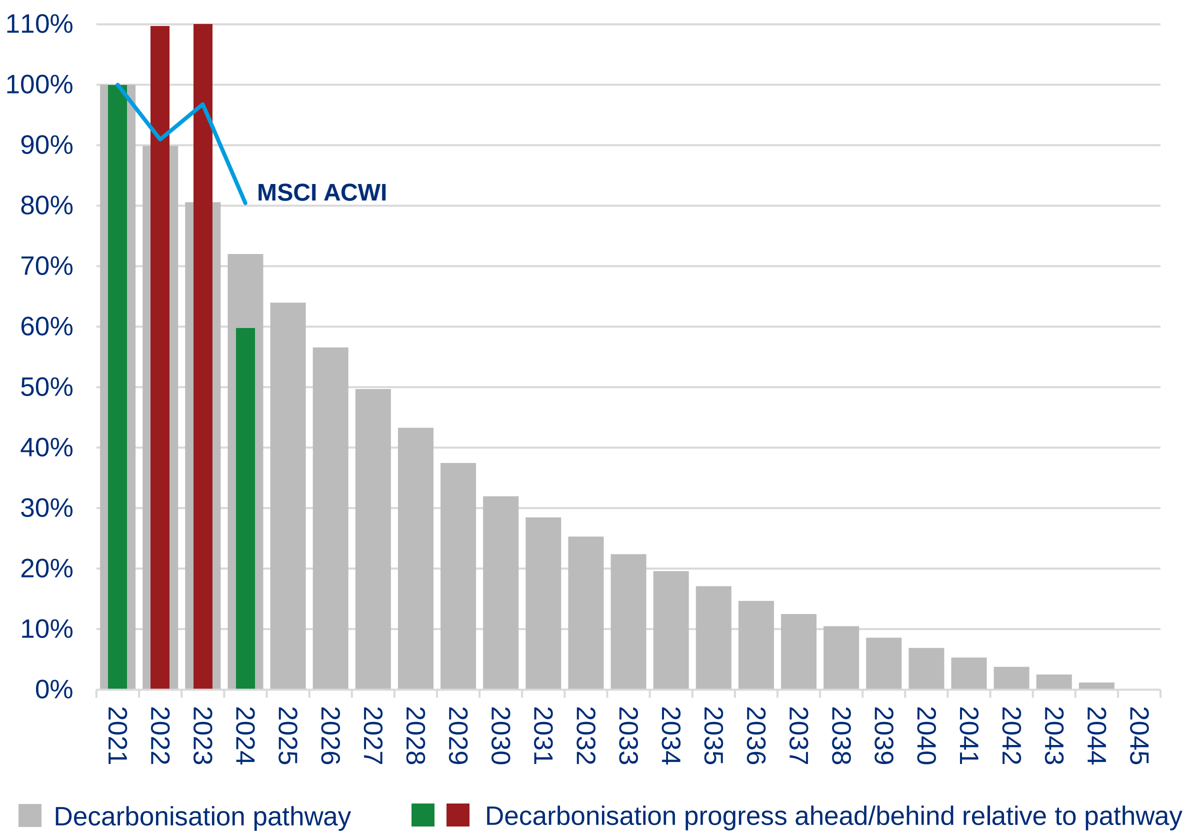
Scope	Current Target	Progress	Progress to date
Listed Equities	Net zero transition trajectory: to achieve a reduction in carbon emissions of 36% by 2025 and 68% by 2030, versus 2021 baseline position.	The Fund's Listed Equity portfolio has decarbonised by **c.40.2%** since its 2021 baseline to 2024. The Fund has to date achieved its 2025 decarbonisation target for listed equities and is on track to achieve its 2030 target.	
Listed Equities	Target all of the Listed Equity portfolio being invested in sustainable mandates by 2030.	To date the Fund has all of its listed equity portfolio invested in sustainable mandates. The Fund has one listed equity mandate. It has allocated 15% to the WPP Sustainable Active Equity Fund.	
Listed Equities	Stewardship and alignment target: to engage with the biggest polluters within the Fund's Listed Equity portfolio as part of an overarching stewardship and engagement strategy, to achieve: • by 2025, at least 70% of companies, as measured by value invested and emissions exposure, in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective; • by 2030, at least 90% of companies, as measured by value invested and emissions exposure, in carbon-intensive sectors have clearly articulated and credible strategies to attain net zero or are subject to engagement to achieve this objective.	53.0% of Material Sectors' Financed Emissions at listed equity level are aligned or subject to active engagement. (65% in 2023). The methodology for assessing alignment was enhanced following the IIGCC Net Zero Investment Framework 2.0. **Proposed updated wording in line with IIGCC guidance** "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. This threshold increases to 90% by 2030." (Engagement Threshold Target)	
Listed Equities	**PROPOSED Alignment target**: 100% AUM in material (high impact) sectors in developed listed equities that are i) achieving Net Zero or ii) meeting a criterion considered to be aligned or iii) aligning by 2030, extending to emerging markets by 2040.	Assess from next year.	
Listed Equities	Exclusion Policy – Fund Ambition *(See Exclusion Policy section for full details)*	The Fund is currently aligned to the 'Fund Ambition' under the existing Exclusion Policy,	

Portfolio Decarbonisation
Scope 1 + 2

Decarbonisation pathway – Listed Equity

Progress relative to a transition curve consistent with net zero by 2045 – (Scope 1 and 2)

Carbon Footprint (tCO2e / $million invested) **for listed equity, relative to the 31 March 2021 Baseline**



- The graph shows the proposed decarbonisation pathway for the Fund's Listed Equity portfolio, shown on a Carbon Footprint basis, starting with a 2021 baseline. This portion of the portfolio is shown versus the Listed Equity portfolio decarbonisation target: 36% by 2025 and 68% by 2030, net zero by 2045.

Key takeaways:

- Listed Equity portfolio has seen a decrease in Carbon Footprint since the baseline year.
- **2022**: Carbon Footprint increased as a result of pooling Emerging Markets equities.
- **2023**: Carbon Footprint increased by 2.7%, mostly as a result of the WPP Emerging Market mandate intensity increasing by 16% over the year.
- **2024**: as expected, the transition to the WPP Sustainable Active Equity mandate has reduced the Carbon Footprint of the portfolio by c.40.2% relative to the baseline. As a result, the Fund is currently ahead of the proposed decarbonisation pathway and on track to meet the 2025 target.

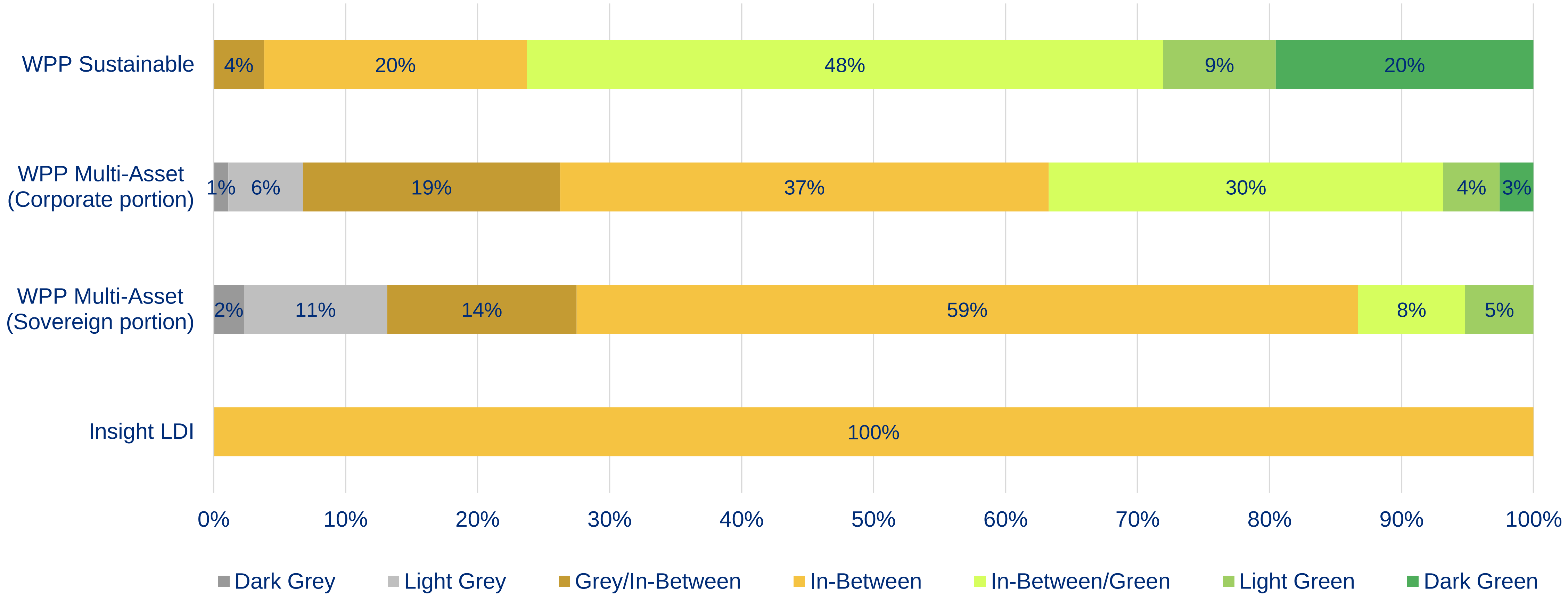
Source: Mercer, using data from MSCI. The most recent data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 20 August 2024, or latest available. Prior data corresponds to stocklists from prior years and is taken from previous Mercer reports.

Carbon footprint is the primary metric used for decarbonisation monitoring

Stewardship & Alignment

ACT assessment

Assessment by mandate (ex. TAA and Synthetic) by percentage allocation weight

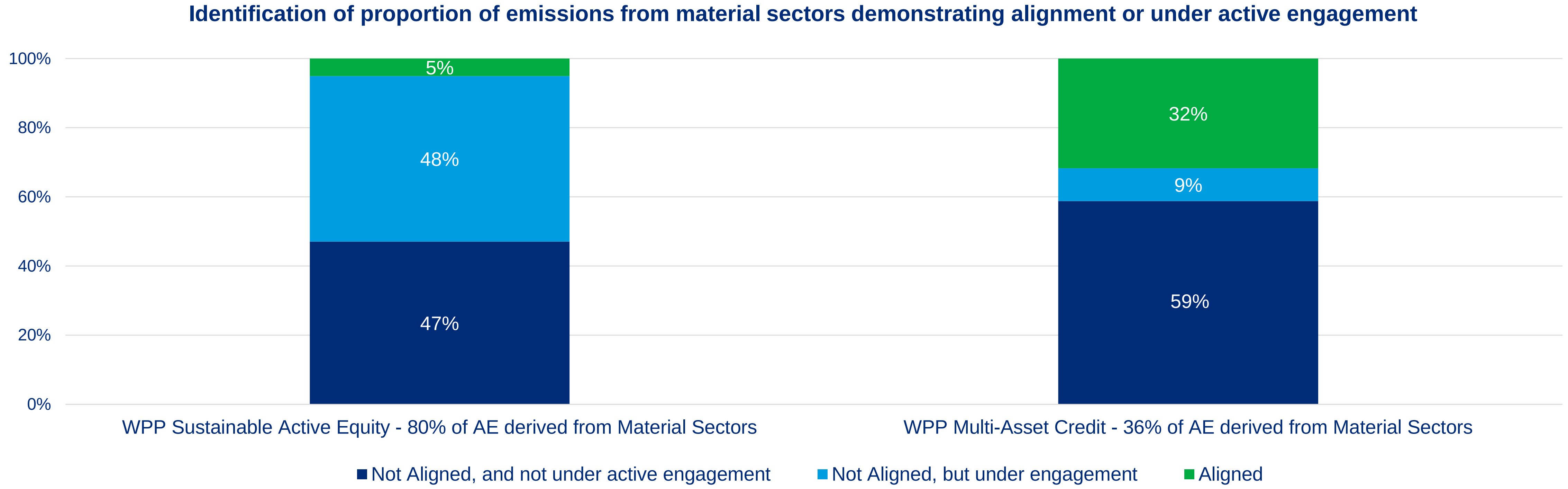


Relatively low allocations to grey assets present within WPP Multi-Asset portfolio, WPP SAE higher allocation to green assets, the majority of asset classes analysed are in-between

Source: Mercer, using data from MSCI, ISS and IRENA. All data is based on stocklists as at 31 March 2024. Percentages are shown by strategic allocation weight within each asset class, and are scaled up to 100% to reflect the data coverage available.

Engagement & Alignment Targets

Material Sectors’ Financed Emissions not aligned or not subjected to active engagement



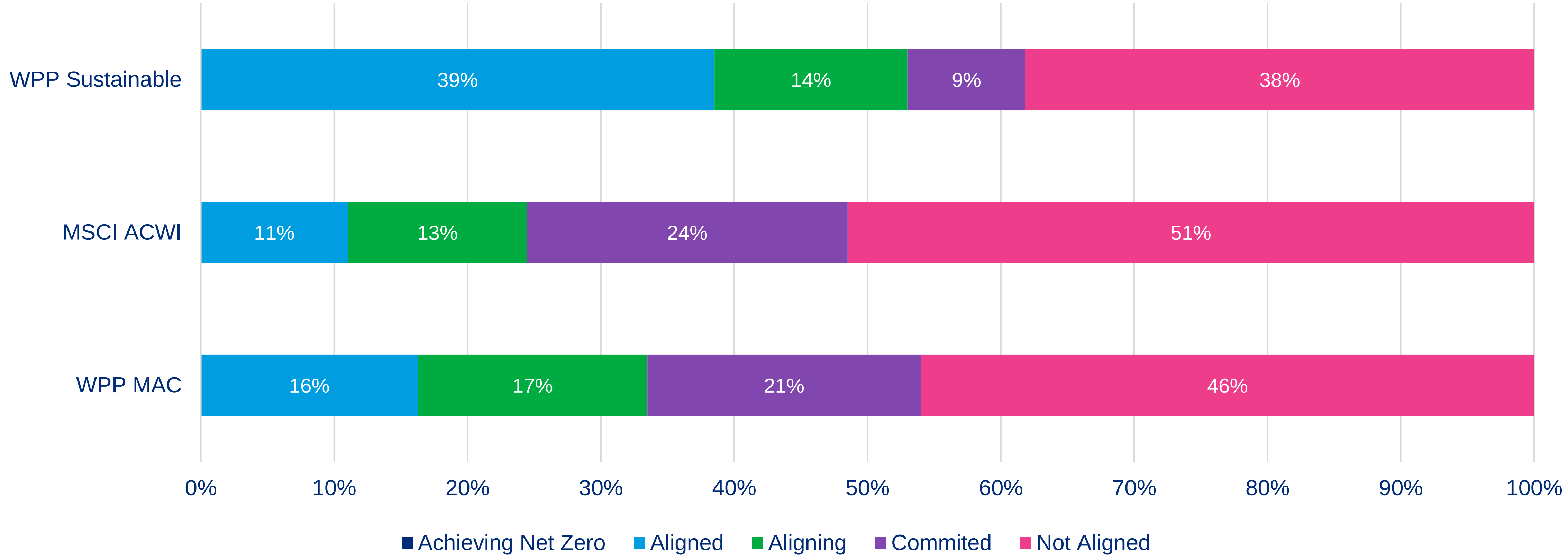
- Companies have been assessed as **under active engagement** if they are within the list of companies captured within the Climate Action 100+ engagement list or are currently being engaged by Robeco. In respect of **alignment,** companies have been deemed aligned if they categorize under “Achieving Net Zero” or “Aligned” in line with the classification criteria of the Paris Aligned Investment Initiative (PAII)’s Net Zero Investment Framework (NZIF)*.

53.0% of Material Sectors’ Financed Emissions at listed equity level are aligned or subject to active engagement
52.0% of Material Sectors’ Financed Emissions at total listed portfolio level are aligned or subject to active engagement

Source: Mercer and MSCI.
Notes: Owing to the different coverage levels across investment funds, it is difficult to compare the investment funds side-by-side, however comparing an investment fund’s progress on these metrics year on year will provide useful progress indicators to engage with investment managers. Sectors are defined as material in line with IIGCC’s classification, that sets out the most material sectors from an owned-carbon emissions standpoint.`*According to the mapping implemented by MSCI ESG Research.

Alignment Targets

Material Sectors’ alignment categories by weight



Source: Mercer and MSCI.

PROPOSED Alignment target: 100% AUM in material (high impact) sectors in developed listed equities that are i) achieving Net Zero or ii) meeting a criterion considered to be aligned or iii) aligning by 2030, extending to emerging markets by 2040.

Listed Equity: Climate Engagement Target List

Proposed framework to create a climate target list (WPP Sustainable Active Equity Fund)

	Company Name	Weight within Equity portfolio	Cont. to Carbon Footprint (Scope 1.2)*	Transition category	SBTi target in place?	TPI Management Quality Score	TPI Carbon Performance below 2 degrees?	Engaged by CA+100 or Robeco?	
1	**Company A**	0.6%	31.3%	***Grey/In-between***	No	4	National Pledges	No	**CLIMATE TARGET LIST**
2	**Company B**	0.4%	28.4%	***Grey/In-between***	No	4	1.5 Degrees	Yes	**CLIMATE TARGET LIST**
3	**Company C**	0.4%	4.6%	***In-between***	Yes	3	Paris Pledges	Yes	**CLIMATE TARGET LIST**
4	**Company D**	0.5%	3.4%	***Grey/In-between***	No	4	-	No	**CLIMATE TARGET LIST**
5	**Company E**	0.6%	3.1%	***In-between/ Green***	Yes	4	-	No	**CLIMATE TARGET LIST**
6	**Company F**	0.3%	2.3%	***In-between***	Yes	4	-	Yes	**CLIMATE TARGET LIST**
7	**Company G**	0.6%	2.2%	***In-between/ Green***	Yes	4	-	No	**CLIMATE TARGET LIST**
8	**Company H**	1.2%	2.2%	***Dark Green***	Yes	4	1.5 Degrees	Yes	
9	**Company I**	0.5%	2.0%	***In-between/ Green***	No	4	Below 2.0 Degrees	Yes	**CLIMATE TARGET LIST**
10	**Company J**	0.8%	1.7%	***In-between***	Yes	-	-	No	**CLIMATE TARGET LIST**
	Total	**6.0%**	**81.2%**						

Companies need to pass all four tests to not be included on the climate engagement target list

*Figures are shown as a percentage of the total listed equity portfolio and are not scaled to account for data coverage being less than 100%.

Exclusions Policy

Exclusion Policy – Thresholds Recap

The policy is to exclude companies which breach the following thresholds:	Minimum Objective	Fund's Ambition
The % of or more of revenues from exploration, mining, extraction, distribution and / or refining of hard coal and lignite.	1%	Same
The % of or more of revenues from Oil: companies involved in exploration, extraction, refining and / or distribution of oil fuels.	10%	1%
The % of or more of revenues from Gas: companies involved in exploration, extraction, manufacturing or distribution of hydrocarbons, hydrogen and carbon monoxide mixtures present in gaseous state.	50%	1%

Fossil Fuels

Revenue Exposure – Listed Equities

Fund's Ambition
In line with target
Outside of target

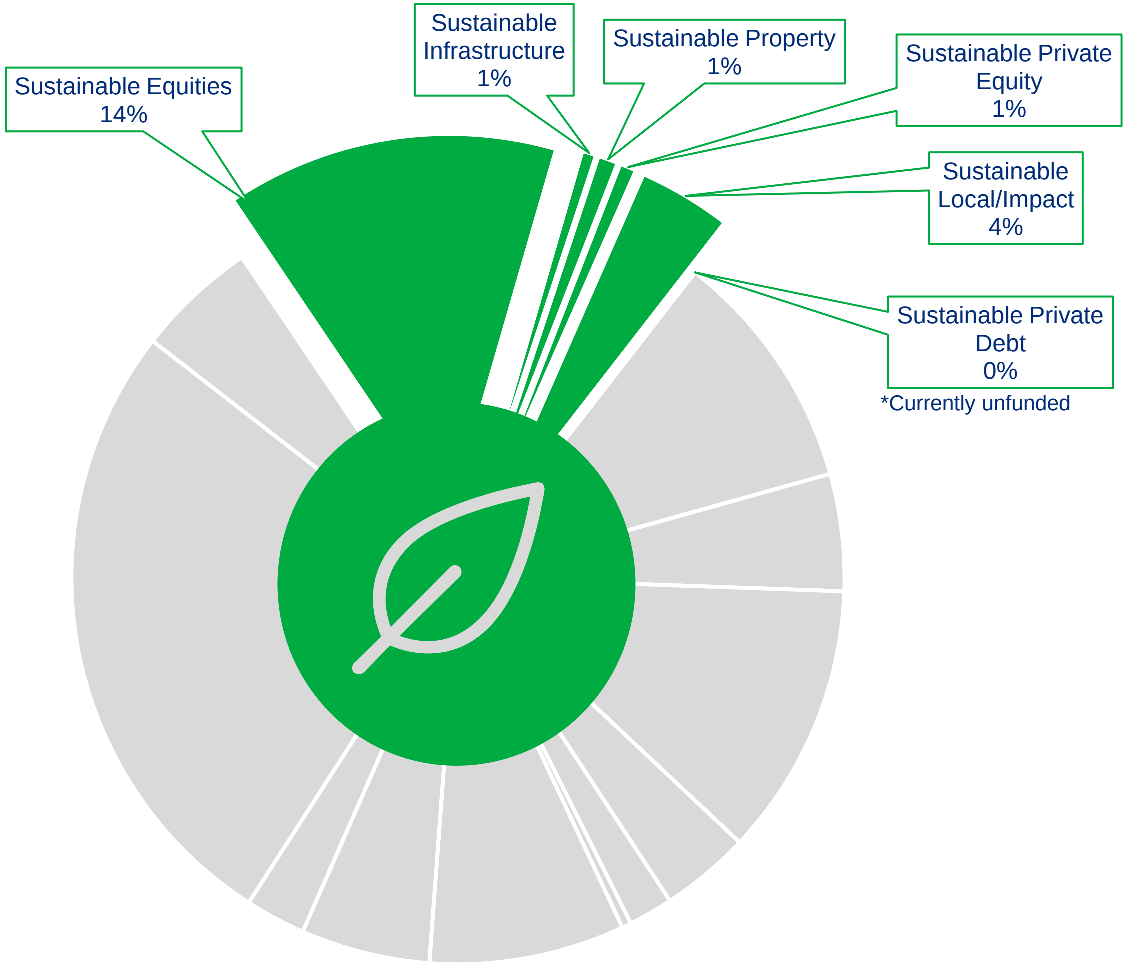
The policy is to exclude companies which breach the following thresholds:	Minimum Objective	Fund's Ambition	WPP Sustainable Active Equity as at 31 March 2024
SAA Weight	**-**	**-**	**15%**
The % of or more of revenues from exploration, mining, extraction, distribution and / or refining of hard coal and lignite.	**1%**	**1%**	0.0%
The % of or more of revenues from Oil: companies involved in exploration, extraction, refining and / or distribution of oil fuels.	**10%**	**1%**	0.5% (£1,722,505) 1 Company – Energy Sector
The % of or more of revenues from Gas: companies involved in exploration, extraction, manufacturing or distribution of hydrocarbons, hydrogen and carbon monoxide mixtures present in gaseous state.	**50%**	**1%**	1.1% (£3,789,510) 2 Companies – Energy Sector

Source: Clwyd Pension Fund ISS. Russell Investments for exposure data who use Sustainalytics data.

The Fund is close to achieving the "Fund's Ambition"

Sustainable Investments & Climate Solutions

Sustainable Investments and Climate Solutions



- **The Fund aims to have at least 30% of the Fund's assets allocated to sustainable investments by 2030.**
- As at 31 March 2024, the Fund had **c.20% of assets** allocation to sustainable investments.
- In addition, the Fund had undrawn commitments within private markets and unfulfilled commitments to the WPP Sustainable Active Equity Fund:
  - WPP Sustainable Active Equity – c.£27m (1.1% total Fund)
  - Private Markets – c.£185m (7.5% total Fund)
  - **Total = £211m (c.9% total Fund)**
- Taking the unfunded commitments into account, the Fund would have **c.29% exposure** to sustainable investments.

Climate Solutions

- As at 31 March 2024, the Fund had a total of **c.£69m (2.8%)** invested in climate solution assets.
- In addition, the Fund had undrawn commitments to climate solution assets; including these assets with the current listed asset exposure would take the Fund to **c.£166m (6.7%)** of assets invested in climate solutions.
- Using a look through on the Fund's private markets portfolio may highlight further assets which contribute towards the figures.

The Fund aims to have at least 30% of the Fund's assets allocated to sustainable investments by 2030. The Fund currently has 20% of assets in sustainable investments with an additional c.9% unfunded.

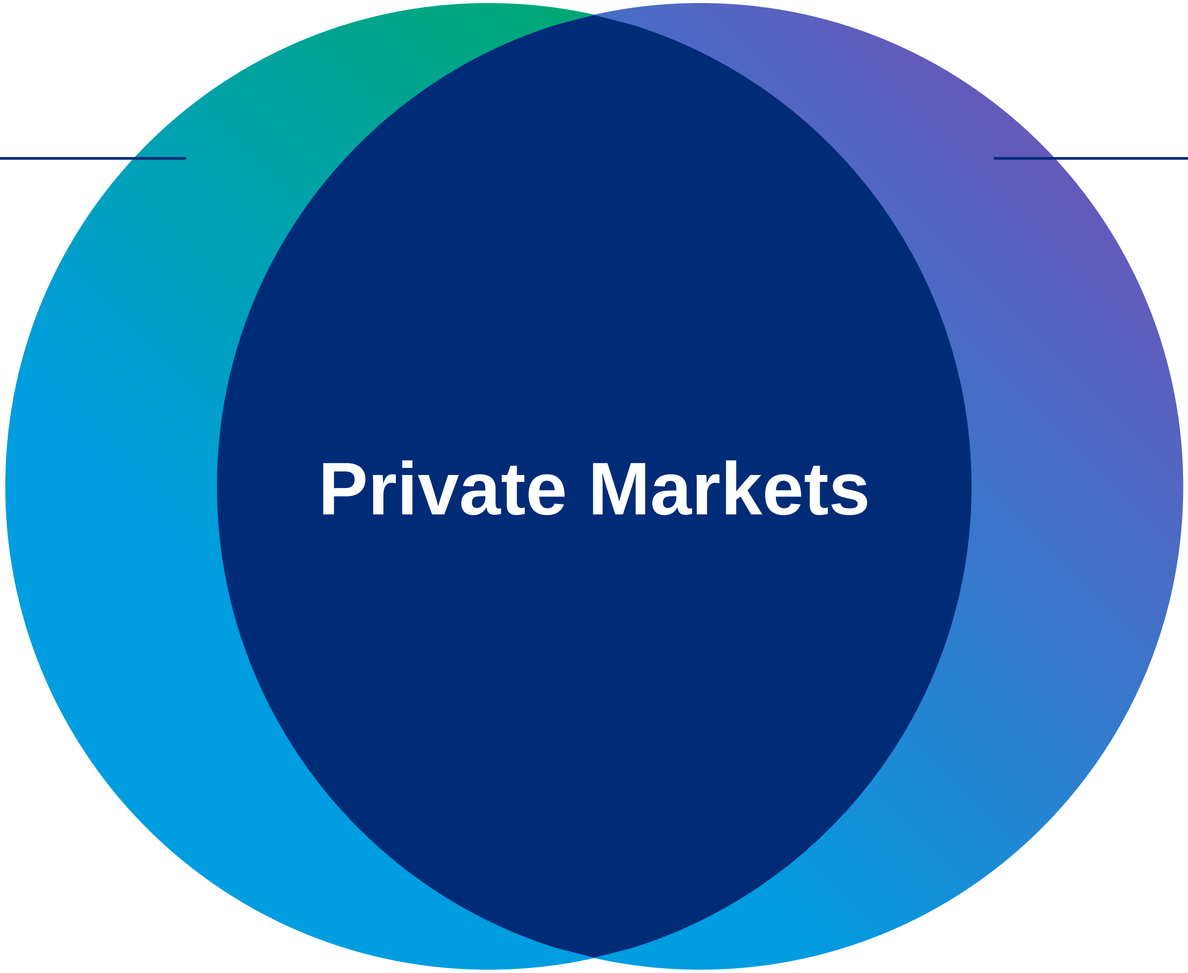
Private Markets

Portfolio Decarbonisation

Private Markets

Transparency and data remains a key challenge

But we are seeing improvements in data availability across various private asset classes.



Net Zero guidance

IIGCC has produced much needed guidance for asset owners looking to set net zero targets for Private Equity, Infrastructure, Private Debt and Property.

Large data exercise initiated on Private Equity, Infrastructure and Property assets

Private Markets

Data Analysis Exercise

- In collaboration with Officers, we have reached out to **c.43% of private market managers** within the Fund **(c.11% total Fund)**.
- Officers and Mercer worked through the existing private market portfolio to target funds for analysis based on several criteria:
  - ➢ Large Local/Impact asset focus
  - ➢ Large asset value
  - ➢ Invested in within the last 5 years
  - ➢ Broad spread of asset classes

These criteria were designed to capture a wide range of funds, and it was not necessary for a fund to meet all criteria, but rather to meet at least one. This approach allows us to include a broader selection of funds in our analysis.

- A summary of the managers targeted are noted on the page.

Asset Class	GP
Private Equity	Activate Capital
	Apax
	Astorg
	August Equity Partners
	FSN
	Livingbridge
Local/Impact	Bridges
	Capital Dynamics
	Circularity
	Development Bank of Wales
	ETF
	Foresight
	Generation
	Impax
	Partners Group
Private Debt	Neuberger Berman
Infrastructure	Access
	Brookfield
	Copenhagen
	JP Morgan
	Q Energy
	Sandbrook
Property	Darwin
	Newcore

Mercer

Summary & Next Steps

Executive Summary

Four strategic pillars

Key findings:

- **Listed Equity decarbonisation is ahead of target**
- **Good progress on alignment and climate solutions**
- **Too early to set net zero targets for private markets**

Monitor interim decarbonisation targets for listed assets

Listed Equity

- Continue to monitor progress towards the 2025 and 2030 decarbonisation target.
- Engage with WPP if no significant progress is made in the coming years given the one allocation to listed equity mandates through the pool.
- Take into account the overall 2045 net zero target:
  - Increased focus on portfolio alignment and climate solutions

Monitor engagement and stewardship targets and enhance alignment approach

Assessing the alignment of assets with a low carbon transition, supported by stewardship, allows for a more holistic approach to a whole economy transition.

- Continue to monitor progress against **alignment and stewardship targets** for the listed equity.
- Look to strengthen **alignment targets** in line with the latest **IIGCC guidance.**

Implement an Engagement plan (engaging with WPP/Robeco)

Agreeing how to achieve targets is important, with stewardship playing a key role. Develop a more formal engagement plan for top contributors to carbon footprint within the portfolio.

We propose the following criteria to create a climate target list for engagement: the companies who do not meet each of the four requirements below would be considered for the list.

- Have a SBTi target in place
- Been assigned the top Management Score by TPI (4/4)
- Its alignment in 2050 assessed at below 2 degrees by TPI*
- Already under engagement by CA100+ or Robeco

Progress Private markets disclosures

Continue to monitor and engage with private market managers.

In many cases the data provided was incomplete or represented only a proportion of the total dataset requested, making any form of reliable aggregation at this point in time challenging.

Incorporate biodiversity considerations across pillars

Enhancements and Next Steps

Key decisions and recommendations

Strengthen approach to alignment targets, and adopt climate target list

Continue to evolve TCFD reporting for stakeholders, including climate impact & green solutions measurement

Targets

- Maintain monitoring of progress towards listed equity decarbonisation targets which are currently on track.
- Engage with WPP/Robeco on top emission contributors

Integrate nature risk assessment

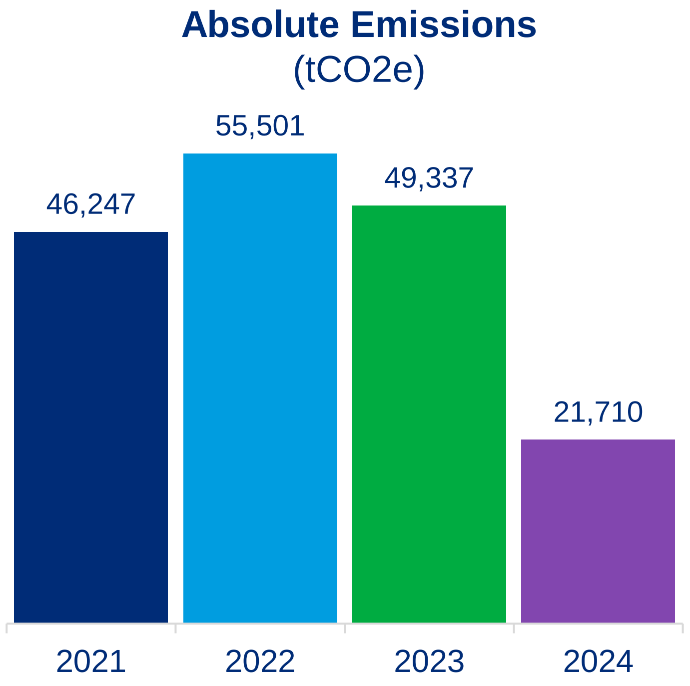
Extend target setting to private markets (where possible) in line with latest IIGCC guidance

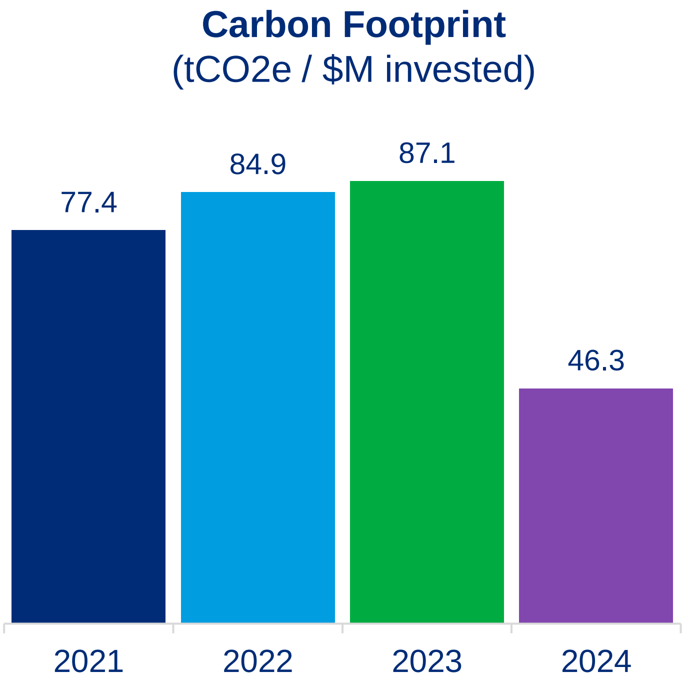
Incorporate conclusions / targets into ISS and Responsible Investment Policy

Technical Appendix

Progress versus the baseline

Total listed equity (ex TAA) – (Scope 1 and 2)



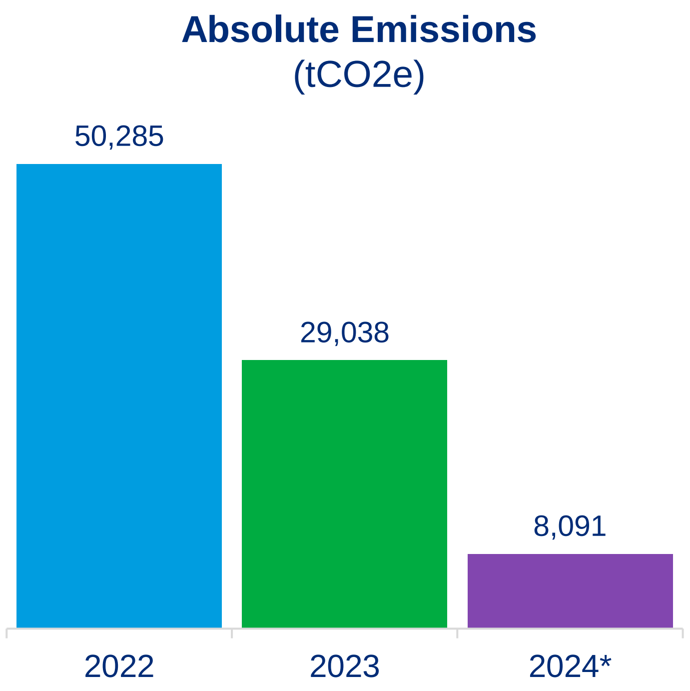


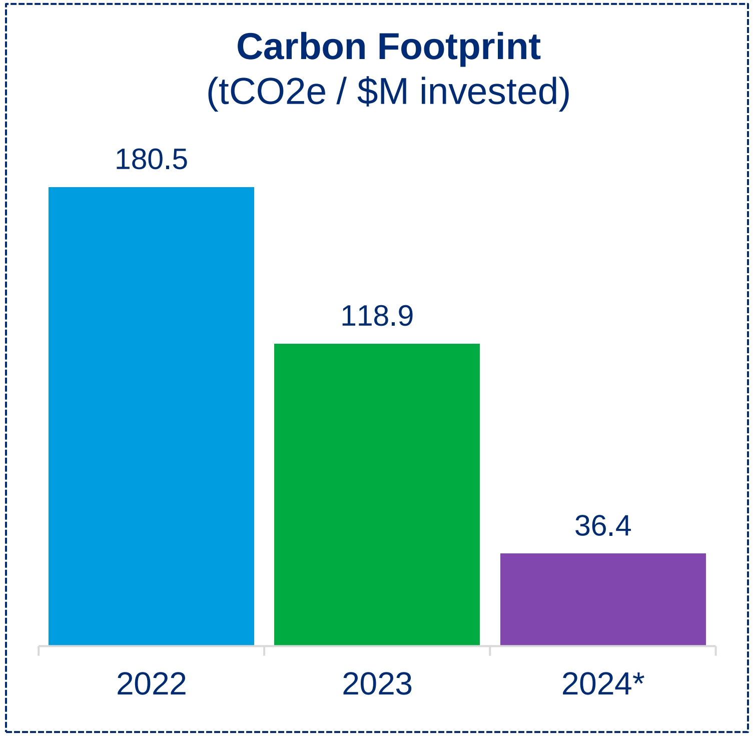
Source: Mercer, using data from MSCI. The most recent data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 20 August 2024, or latest available. Prior data corresponds to stocklists from prior years and is taken from previous Mercer reports.

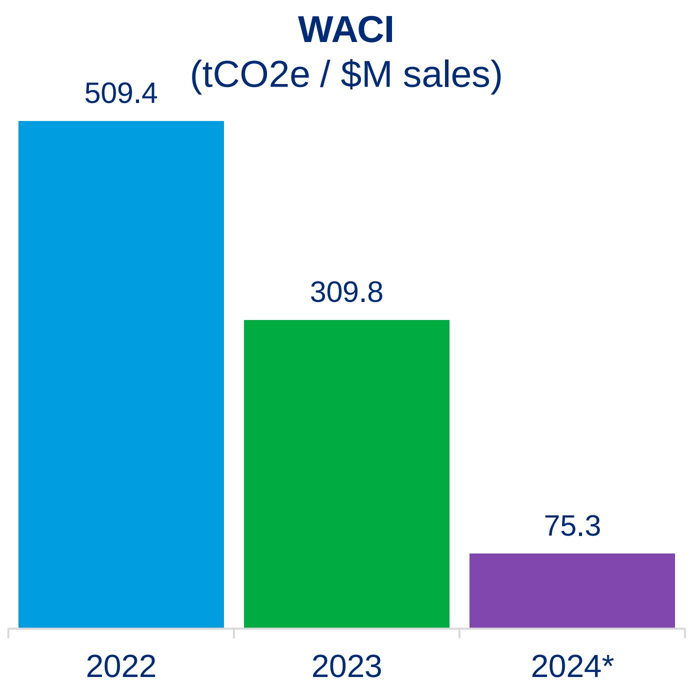
- With the transition to WPP Sustainable Active Equity over the year, the listed equity portfolio has now **decreased by c.40.2% on a Carbon Footprint basis** from March 2021 to March 2024. The Weighted Average Carbon Intensity **(WACI) decreased by c.60.5%** in the same period, and the **Absolute Emissions decreased by c.53.1%**.

Progress versus the baseline

Total TAA – Scope 1 and 2



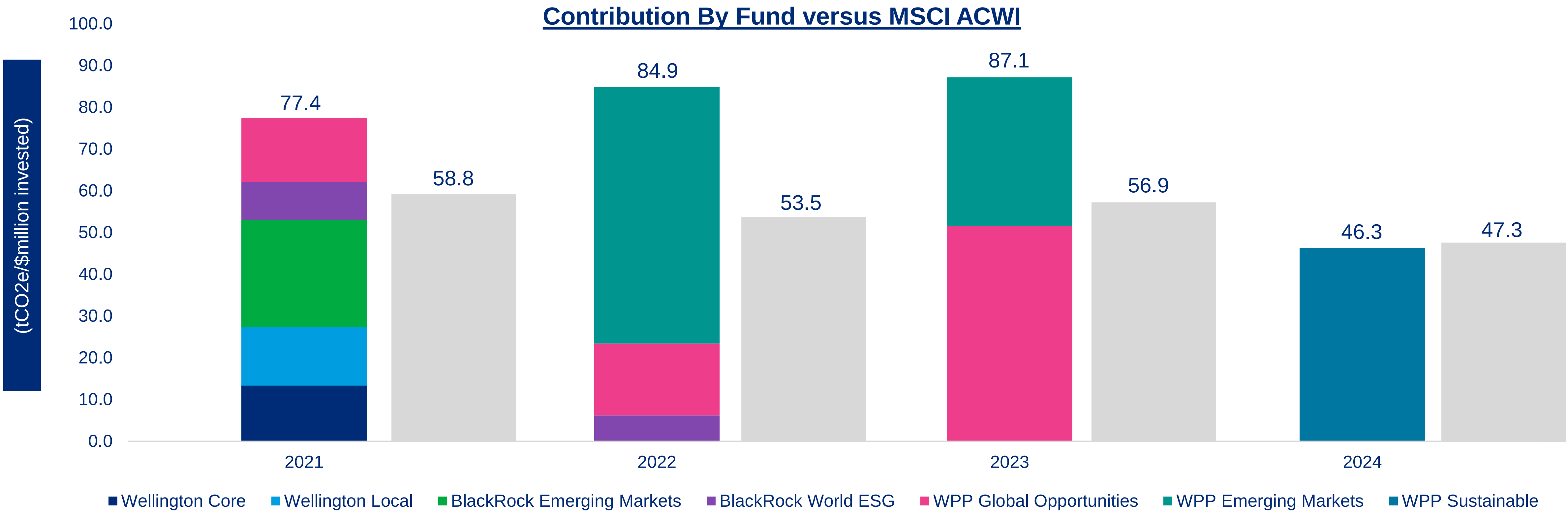




Source: Mercer, using data from MSCI. The most recent data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 20 August 2024, or latest available. Prior data corresponds to stocklists from prior years and is taken from previous Mercer reports.
*The total for 2024 includes the allocation to the NB US Equity Put Writing Strategy.

Decarbonisation Pathway: 2021 - 2024

What has driven the change to the Listed Equity Carbon Footprint (Scope 1 +2)?



Understanding what has driven change in carbon footprint (Scope 1 + 2)

- **The Fund's Listed Equity portfolio decarbonised by c.40.2% from 2021 to 2024,** as compared to a c.19.6% decarbonisation seen for MSCI ACWI over the period**.** Moreover, the carbon footprint of the equity portfolio was 31.6% higher than the MSCI ACWI's carbon footprint in 2021 and is now 2.1% lower.
- During the four-year period, there have been changes in the investment strategy. In 2024, the Listed Equity portfolio is composed of a single mandate (WPP SAE) which is more carbon efficient than all other previously held mandates (except for BlackRock World ESG).

Climate metrics dashboard

Scope 1 and 2 emissions – listed equity and corporate bonds

Asset Class	Mandate	WACI (tCO2e / $M sales)		Carbon Footprint (tCO2e / $M invested)		Absolute Emissions (tCO2e)		Implied Temperature Rise (ºC)		SBTi	Allocation Weight
		Metric	Coverage	Metric	Coverage	Metric	Coverage	Metric	Coverage		
Listed equity	WPP Sustainable Active Equity	**69.1**	96.4%	**46.3**	96.4%	**21,710**	96.4%	**2.2°C**	96.4%	**59.1%**	15.0%
Corporate bonds	WPP Multi-Asset Credit*	**262.9**	57.4%	**142.7**	48.1%	**20,897**	48.1%	**2.9°C**	53.2%	**12.3%**	4.7%
Total equity and corp. bonds (ex.TAA)		**115.2**	**87.1%**	**69.2**	**84.9%**	**42,607**	**84.9%**	**2.4°C**	**86.1%**	**48.0%**	**19.7%**
Tactical Allocation	Blackrock US Opportunities	**139.7**	94.3%	**62.7**	94.3%	**2,312**	94.3%	**2.4°C**	93.7%	**34.6%**	1.2%
	LGIM FW Japanese Equity	**41.7**	98.6%	**24.7**	98.6%	**1,580**	98.6%	**2.1°C**	98.6%	**57.6%**	2.0%
	LGIM FW North America Equity	**55.2**	98.4%	**13.9**	98.4%	**539**	98.4%	**2.3°C**	98.4%	**50.0%**	1.2%
	Insight Buy & Maintain	**89.8**	71.1%	**53.3**	50.2%	**2,740**	50.2%	**1.9°C**	63.9%	**27.2%**	1.6%
	Insight Maturing Buy & Maintain	**56.5**	80.6%	**29.7**	61.1%	**591**	61.1%	**2.0°C**	77.7%	**33.6%**	0.6%
	Total TAA (physical)	**74.4**	**89.4%**	**36.8**	**82.5%**	**7,761**	**82.5%**	**2.1°C**	**87.3%**	**42.5%**	**6.7%**
	NB US Equity Put Writing Strategy**	**92.3**	99.9%	**28.5**	99.9%	**330**	99.9%	**2.7°C**	99.9%	**45.8%**	1.1%
Total TAA (physical plus derivatives)		**75.3**	**90.0%**	**36.4**	**83.4%**	**8,091**	**83.4%**	**2.1°C**	**87.9%**	**42.6%**	**7.8%**
Synthetic Equity	RMF Synthetic Equity***	**82.1**	99.9%	**29.8**	99.9%	**-**	-	**2.3°C**	99.9%	**53.4%**	-
Benchmark	MSCI ACWI	**117.6**	99.7%	**47.3**	99.6%	**-**	-	**2.6°C**	99.8%	**43.7%**	-

Source: Mercer, using data from MSCI. All data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 20 August 2024, or latest available. An overview of these metrics is provided in the Appendix. Allocation weights represent the strategic asset allocation for that mandate or, for mixed mandates, the actual allocation to listed equity or corporate bonds within the mixed mandate. Where mandates are synthetic, the allocation weight represents the market value of exposure. *Considering only the allocation to corporate bonds within the WPP Multi-Asset Credit (c.39.0% of the total mandate's allocation).**Metrics for the NB US Equity Put Writing Strategy calculated following IIGCC guidance. WACI and CF reflect the metrics for S&P500. Absolute Emissions are calculated as follows: S&P500 CF * NB Strategy Delta Adjusted Notional Value. ***RMF Synthetic Equity composed of: 30% Euro Stoxx 50 Index, and 70% S&P 500 Index.

Climate Dashboard

In line/Ahead of MSCI ACWI | Behind MSCI ACWI

(Listed equity only)

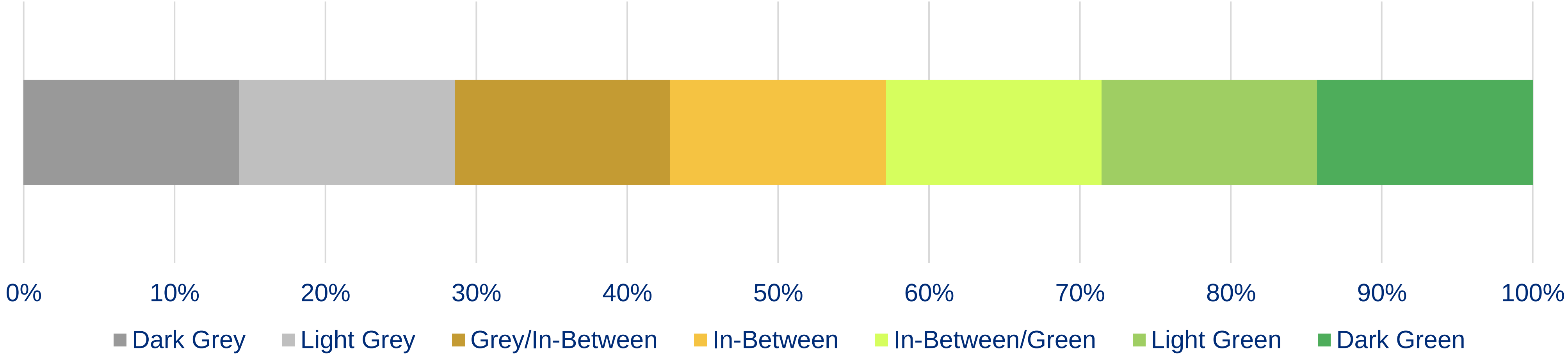
The "dashboard" below outlines the key metrics in relation to the Fund's climate and engagement assessment across the listed portfolios. Further details are provided in the later sections of this report.

		CLIMATE STRATEGY EVALUATION			ALIGNMENT				ENGAGEMENT		Green Revenues	
		Carbon footprint (tCO2e/$m) - Scope 1 and 2			ACT		Alignment		IIGCC Target alignment of 70% Material Sectors*** Aligned or Under engagement		EU Taxonomy	
Asset Class	Mandate	Decarb. progress since baseline	12 month decarb. progress	March 2024 Carbon Footprint	Green Assets % Mkt Value	Dark Grey % Mkt Value	Implied Temperature Rise (ºC)*	SBTi**	% of emissions derived from Material Sectors	% mat sectors aligned or engaged	Revenue contribution to Climate Mitigation	Revenue contribution to Climate Adaptation
Listed Equity	WPP Sustainable Active Equity	-40.2%	-46.9%	46.3	28.1%	0.0%	2.2ºC	59.1%	79.7%	52.9%	7.2%	0.4%
MSCI ACWI		-19.3%	-16.9%	47.3	18.8%	0.6%	2.6ºC	43.7%	81.1%	65.4%	7.2%	0.1%
Corporate bonds	WPP Multi-Asset Credit	-	-23.9%	142.7	6.8%	1.1%	2.9ºC	12.3%	35.6%	41.2%	1.5%	0.3%
Total TAA (physical)		-	-69.0%	36.8	17.7%	0.5%	2.1ºC	42.5%	-	-	6.7%	0.4%
Total TAA (physical plus derivatives) ****		-	-	36.4	17.9%	0.5%	2.1ºC	42.6%	-	-	6.8%	0.4%

*ITR aggregation methodology has improved over the year, rendering year on year comparison unfair. Values for prior years have therefore been excluded from this table.** This metric measures the proportion of companies in the portfolio with one or more active carbon emissions reduction target/s approved by the Science Based Targets Initiative (SBTi). ***Sectors are defined as material in line with IIGCC's classification, that sets out the most material sectors from an owned-carbon emissions standpoint, please note colour coding for this factor is according to IIGCC Target alignment of 70% Material Sectors Aligned or Under engagement (in line with the classification criteria of the Paris Aligned Investment Initiative (PAII)'s Net Zero Investment Framework (NZIF). ****Includes metrics for the NB US Equity Put Writing Strategy, which have been calculated following IIGCC guidance: all metrics reflect the metrics for S&P500.

The ACT spectrum

- The ACT spectrum provides an indication of climate transition capacity across the portfolio.

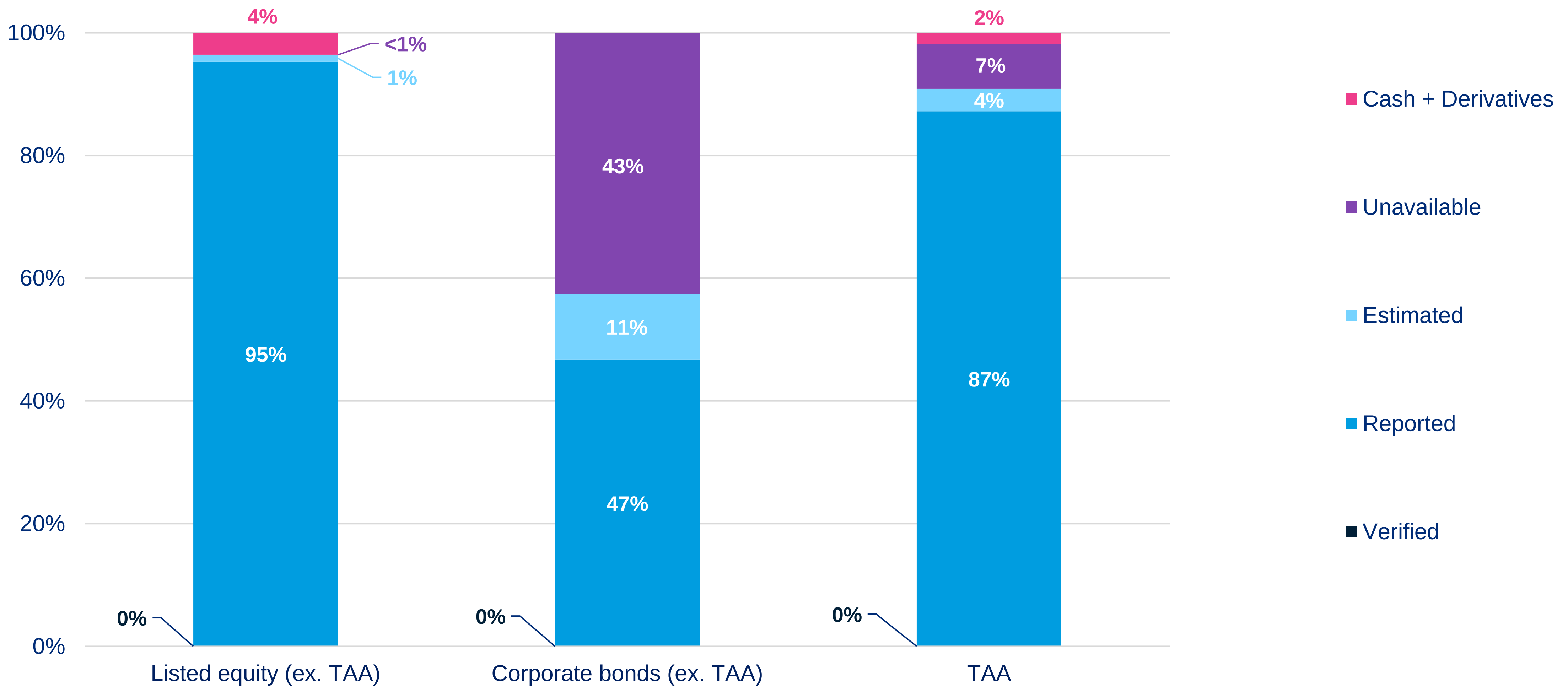


Grey Area	In-Between Area	Green Area
High Carbon Intensity	Varied Carbon Intensity	Low Carbon Intensity
Low Transition Potential	Varied Transition Potential	High Transition Potential

Not aligned with the low-carbon transition ⟷ **Well aligned with the low-carbon transition**

Data quality

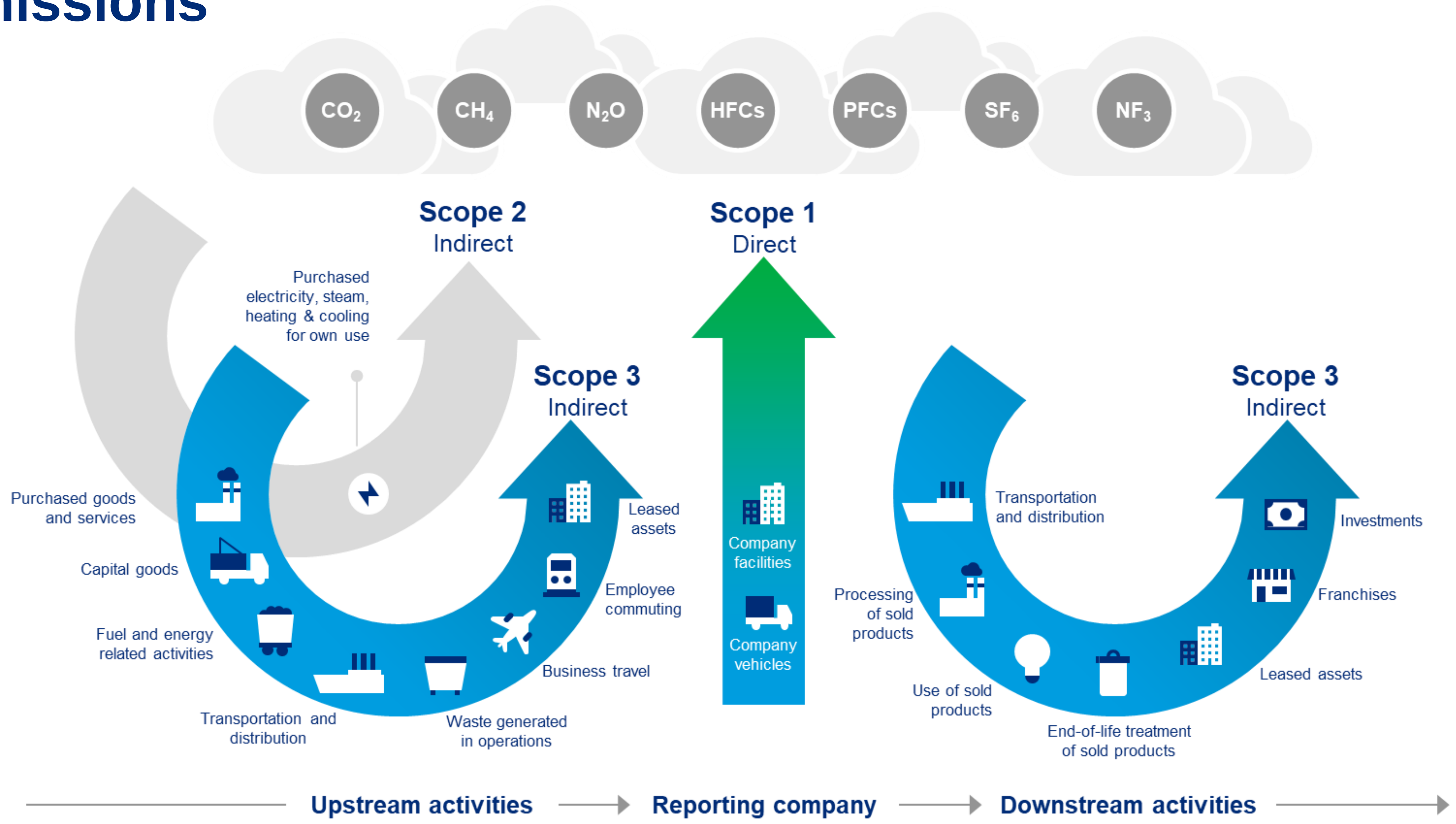
Scope 1 and 2 emissions – assessment by asset class (listed portfolio and TAA)



Source: Mercer, using data from MSCI. All data is based on stocklists as at 31 March 2024, using metric calculations and data feeds as at 20 August 2024, or latest available. More detail on the data quality metric is provided in the Appendix.

Appendix

Definitions for the different Scopes of Greenhouse Gas Emissions



Emissions Intensity – Carbon Footprint

Carbon Footprint: $\dfrac{\text{Investor Absolute Emissions associated with a portfolio}}{\text{\$M invested in that portfolio}}$ = Portfolio Carbon Footprint (tons CO_2 equivalent / $million investment)

Answers how carbon efficient each portfolio is e.g. how many tons of carbon is associated with each $M invested in each portfolio?

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- As an intensity metric it is a useful comparator across asset classes/portfolios and/or as compared with a benchmark on an ‘apples to apples’ basis.
- Allows for portfolio decomposition and attribution analysis.
- By normalising absolute emissions by the $M invested this metrics retains the direct link with real world emissions but avoids the drawbacks of the Absolute Emissions Metrics.

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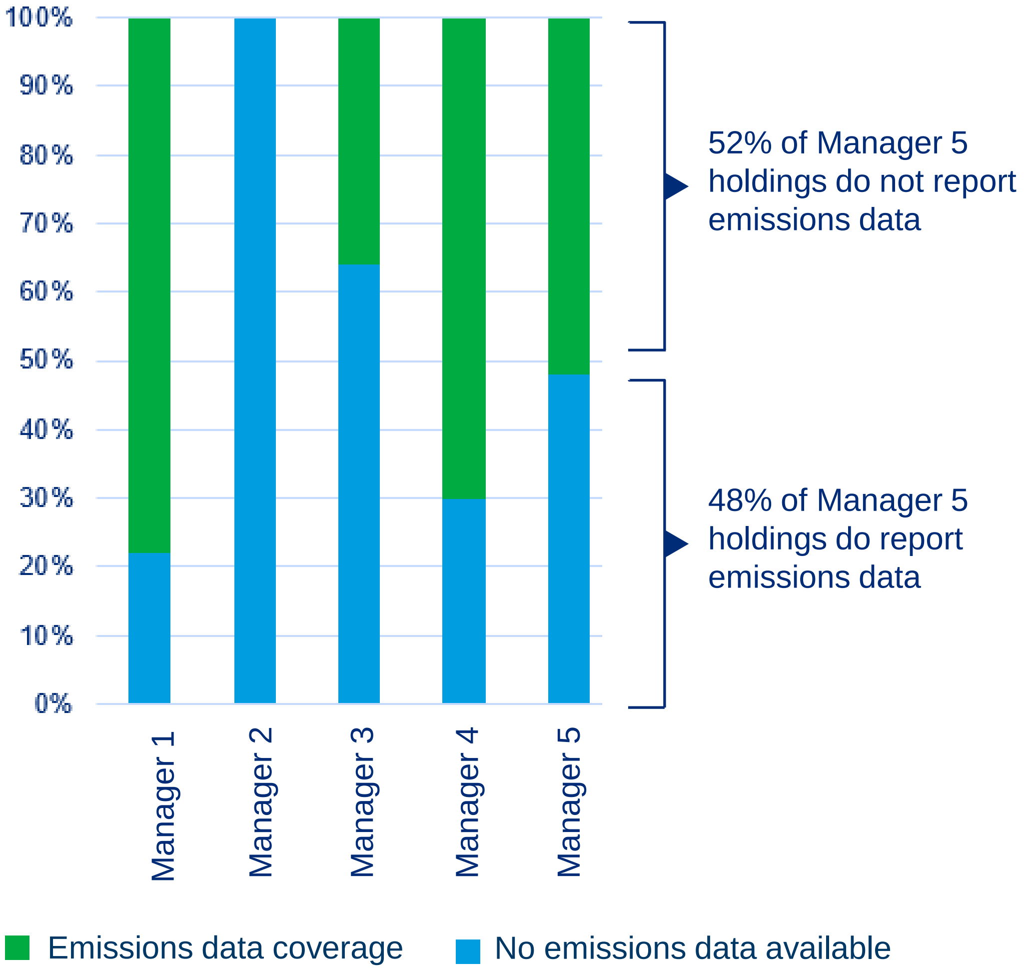
- Backward looking, so does not take into account future trajectory of underlying investee companies / assets

Carbon footprint is the primary metric used for decarbonisation monitoring

Methodology

Data Coverage and Scaling

Absolute Emissions Coverage



Many of the mandates do not have complete coverage of emissions data; this may be because some companies do not yet measure and report their emissions.

We don't recommend for absolute emissions you only report a figure covering the % of the portfolio that there is coverage for. This essentially assumes 0 emissions for the portion of the portfolio for which there is no coverage.

Therefore the portion of the portfolio for which there is coverage is scaled up, to estimate an absolute emissions figure to cover 100% of the portfolio.

Example calculation :

Manager 5's absolute emissions for 48% covered holdings = 9,746 tons CO2e

Scaling up emissions calculation = 9,746 / 48%

Absolute emissions estimated for 100% coverage = 20,303 tons CO2e

Overview of corporate metrics

This overview sets out various metrics related to the greenhouse gas (GHG) emissions attributable to the Fund's listed equity and corporate bond mandates. The metrics contained in this report are calculated using MSCI data, with portfolio stocklists sourced directly from the investment managers. The ACT assessment also makes use of data from ISS and, for sovereign bonds, IRENA.

Listed assets (equity and corporate bonds)		
Emissions metrics	**Metric expressed as**	**Description**
Weighted Average Carbon Intensity (WACI)	tCO2e / $million sales	Average exposure (weighted by portfolio allocation) to GHG emissions normalised by sales. It seeks to answer how carbon intensive the companies in the portfolio are.
Carbon Footprint	tCO2e / $million invested	Total GHG emissions figure normalised to take account of the size of the investment made. It seeks to answer how carbon intensive parts of the portfolio are.
Absolute Emissions	Total GHG emissions: metric tons of CO2 and equivalents (tCO2e)	Calculates an investor's share of the total emissions for each company/holding. It seeks to answer what emissions the investor is responsible for.
Alignment metrics	**Metric expressed as**	**Description**
Implied Temperature Rise (ITR)	Expressed as ºC	Prediction of temperature rise scenario over the rest of the century, given a company's emissions, commitments, and momentum. Shows how companies/portfolios compare to the 1.5ºC Paris agreement temperature rise goal.
SBTi	Percentage of portfolio with SBTi targets	A measure of how many companies in a portfolio have submitted climate transition plans that have been approved by the Science Based Targets Initiative (SBTi).
Non-emissions metrics	**Metric expressed as**	**Description**
Data Quality	Percentage of portfolio which is either verified, reported, estimated or unavailable	Classifies each mandate's company/holding data as one of the following four categories: Verified, Reported, Estimated, and Unavailable. Additional categories account for the remainder of the portfolio that is not included in the data quality analysis due to being cash or derivatives.

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Limitations of the analysis

- The decarbonisation analysis focuses on the listed equities portfolio. Emissions metrics and decarbonisation targets used in this report are in respect of all greenhouse gases covered by the Kyoto Protocol and are expressed in terms of carbon dioxide equivalents (CO_2e) – the amount of CO_2 which would have the equivalent global warming impact. While different greenhouse gases are expected to have different net-zero dates under a 1.5°C aligned outcome, CO_2 pathways target a 2050 net-zero end point and this end point has been adopted in this instance.
- Caution should be exercised in interpreting individual data points, as in reality, emissions may differ, given the data coverage in the analysis is less than 100%. Where companies do not have data points, companies are assumed to have the same carbon metrics as the average of companies that we do have data points for. This means that, where we do not have data, we are not assuming that those companies have zero emissions.
- The focus of the decarbonisation curves is currently on Scope 1 and Scope 2 emissions. Mercer will seek to integrate Scope 3 emissions as methodologies improve. Decarbonisation progress is shown using the carbon footprint metric set out in this report. A fuller picture of progress can be provided by tracking progress against further metrics, such as on an absolute emissions and WACI basis, given limitations associated with relying on a single climate metric.
- Many of the IPCC's scenarios are reliant on net-zero (or net-negative) assumptions later this century. This can include the deployment of mitigation technologies, such as carbon capture and storage, as well as ecosystem approaches, such as land and forest conservation and restoration. There has been some scepticism as to whether such technologies and approaches are viable, at the required scale. Mercer will look to integrate further assumptions around net-zero emissions in due course, as the science and technology evolves.
- Scope 3 emissions for listed equities and corporate bonds are calculated using estimated data due to the lack of availability or poor quality of reported data. Even when reported data is available for scope 3 emissions, there is no guarantee of consistency between the reported figures across different companies, as companies often only report on a subset of the 15 categories of scope 3 emissions. MSCI estimates emissions across each of the 15 categories using a combination of revenue estimates and production data. Using MSCI estimated scope 3 data only ensures that data is consistent for all companies across similar sectors, providing a more robust understanding of where the risks lie and a better intertemporal understanding of how portfolios have evolved.
- In respect of verified data as part of the data quality output, this is in line with the PCAF definition. It refers to reported emissions being calculated in line with the GHG Protocol and verified by a third-party auditor. Very limited verified data is currently available, which highlights the difficulty in obtaining data approved by independent third-parties. It will be useful to keep track of this metric over time.

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