



# PIC's Climate Transition Plan.

Pension Insurance Corporation Group Limited  
27 March 2024

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## 1. Foreword

I am delighted to present PIC's first Climate Transition Plan, which is a critical step in our journey to being a net zero business by 2050. As well as the long term aim of net zero, we recognise that the speed of transition is crucial to avoid the worst impacts of climate change. This plan therefore also covers our ambitious interim decarbonisation targets, aligning the speed of our transition with what is required to limit global warming to 1.5°C.

When we set our decarbonisation targets in June 2021, they were supported by our view that the low carbon transition is a megatrend in the economic cycle, impacting the investment case for almost all sectors of the economy. Transitioning our business and investment portfolio in line with the global transition is critical to ensuring we manage and mitigate the risks arising from that transition, allowing us to fulfil our purpose of paying the pensions of our current and future policyholders. Further, we recognise the role that financial institutions have to play in helping to mitigate the physical impacts of climate change, and as a responsible corporate citizen we are committed to playing our part.

Since setting those decarbonisation targets, we have made significant progress. We achieved our targeted 25% reduction in the Weighted Average Carbon Intensity of the investment portfolio, on our 2019 baseline, two years ahead of schedule, and have made further progress this year towards our 2030 target. We are also making progress in reducing our Scope 1 and 2 emissions, planning to take the opportunity of moving to our new office to make the efficiency of our operations, and progressing our carbon offset strategy to account for residual emissions.

Whilst targets and short term progress are important steps in the transition to a low-carbon economy, we know that alone is not enough. We are committed to this journey for the long haul, and that is why we have set out our action plan to meet our long term targets in this Climate Transition Plan. The plan details the actions we will take in our operations and investment portfolio and critically sets out the progress we expect to be delivered by each action. We can therefore track our actual progress against those expectations and identify areas where we need to make further efforts.

We view this as version one of our Climate Transition Plan and fully expect to update the plan over time. There are many uncertainties in the transition to a low-carbon economy, including government policy and technological development. We would also expect our own business to change over the timescales in question. Our plan will need to be flexible to adapt to these changes and we will iterate it accordingly.

Finally, it is clear that no individual company can mitigate climate change alone and the commitment across the public and private sectors is required. We have taken considerable lessons from other financial services companies that have led the way in publishing transition plans. We welcome feedback on this first version of our Climate Transition Plan and encourage other financial services companies to release their own plan to meet net zero.



**Simon Abel**

Chief Strategy Officer and ExCo  
Sustainability Lead



## 2. What is this transition plan for?

### 2.1 Definition

PIC supports the Transition Plan Taskforce's (TPT) definition and objective of a transition plan, which is based on the definition from the International Sustainability Standards Board climate-related disclosure framework, IFRS S2:

"A climate-related transition plan is an aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas (GHG) emissions."

The Transition Plan Taskforce adds that a transition plan should comprise:

"Objectives and priorities for responding and contributing to the transition towards a low GHG emissions, climate-resilient economy."

This section of our plan explains our approach to developing our Transition Plan in line with the TPT definition.

### 2.2 Our plan to contribute to the global transition

As noted in the TPT definition, our transition plan should set out our objectives to contribute to a global transition towards a low GHG-emissions economy. We have a range of short-, medium-, and long-term decarbonisation targets, covering both our operations and our investment portfolio.

By meeting our operational targets, we will reduce the scope 1 & 2 GHG emissions resulting from our business, while continuing to run our business and contribute to the UK economy. This reflects our contribution to the transition from reducing the carbon intensity of our operations.

However, our greatest potential to contribute to the transition is by decarbonising our investment portfolio, as this is where the bulk of our scope 3 emissions lie. By setting and making progress towards our portfolio targets, we are gradually increasing the amount of capital that is invested in companies that are committed to either reducing their carbon intensity or have low carbon intensity already.

### 2.3 Our plan to prepare for the global transition

Our transition plan should also set out how we are preparing our business for the global transition. There are a number of potential risks for insurers arising from the low-GHG emissions transition and as long-term stewards of the capital that we invest, we consider these risks carefully. Further detail can be found in our TCFD report on how we measure and manage our climate risk exposure. In our view, the most effective and efficient approach to managing these risks is by ensuring our business transitions in line with the transition of the overall economy.

As members of the Net Zero Asset Owners Alliance (NZAOA), we have set our targets in line with the NZAOA Target Setting Protocol. The ambition of the Target Setting Protocol (TSP) has been determined with consideration of the findings of the Intergovernmental Panel on Climate Change's Sixth Assessment Report (IPCC AR6), which determined that 40%-60% reductions in GHG emissions from 2019 levels to 2030 are required to meet Paris Agreement goals. In order to ensure that our targets are sufficiently ambitious so as to prepare our business for a global transition, we decided to align our portfolio decarbonisation targets with this guideline.

Further, given the nature of our business, which is focused in the UK, we have considered the UK specific decarbonisation roadmap to confirm that our transition plan is in line with UK Government legislation and strategy. The Climate Change Committee's (CCC) Sixth Carbon Budget, which recommends the UK's annual carbon budgets to be put into legislation, recommends a reduction in emissions of 63% by 2035 on 2019 emissions. Based on the CCC's analysis, this is compatible with global efforts to limit temperature rises to well below 2 degrees and to pursue efforts to limit warming to 1.5 degrees. Given this reduction target of 63% from 2019 to 2035, we consider our reduction target of 50% by 2030 to be in line with the pathway recommended by the CCC.

Therefore, we consider our operational and portfolio decarbonisation targets to be appropriate to manage our transition risk, by reducing the GHG-emissions of our business in line with the UK Government's targets for the overall economy.

### 2.4 How our plan reflects the urgency to act

Finally, the Transition Plan Taskforce disclosure framework states that best practice transition plans should reflect the urgency to act, and in particular the UK legislation to meet net zero by 2050 and the interim targets in the Sixth Carbon Budget.

As highlighted in Section 2.3, we have aligned our targets with both the NZAOA target setting protocol, and the Sixth Carbon Budget outlined by the CCC. This helps to ensure that the targets are sufficiently ambitious to prepare our business for the transition to a low-GHG emissions economy, but also ensures that the targets reflect the urgency to act, given the reference to the underlying science that both the NZAOA and CCC have used in their work.





## 3. Our purpose and sustainability strategy.

### 3.1 Our purpose

PIC aims to create long term social value as we fulfil our purpose to pay the pensions of our policyholders, leading to sustainable benefits for the economy, the environment, and all our stakeholders. Our sustainability strategy to deliver this purpose is focussed on four main pillars:

- **Long term sustainable business**
- **Protecting the environment**
- **Being a responsible investor**
- **Making communities sustainable, safe, and inclusive**

Full detail of our sustainability strategy can be found in our Sustainability Report. This Transition Plan plays a particularly important part of our delivery of the “Long term sustainable business” and “Protecting the environment” pillars of our sustainability strategy.

### 3.2 Our decarbonisation targets

We have set the following decarbonisation targets:

- **Carbon neutral in our operations by year-end 2025.** This includes our Scope 1 and 2 emissions.
- **25% reduction in Weighted Average Carbon Intensity (WACI) by 2025 on a 2019 baseline.** This includes our public listed credit assets, with data provided by MSCI<sup>1</sup>.
- **50% reduction in WACI by 2030 on a 2019 baseline.** This includes all assets where standard emissions measurement approaches are available.
- **Net zero across the whole business by 2050.**

<sup>1</sup> We have set a target to reduce the WACI of our public corporate credit portfolio by 25% by 2025 on a 2019 baseline. When we calculated the baseline in 2019, this was based on data from MSCI. Since 2019, we have improved our data coverage by onboarding further data sources, some of which cover public corporate credit. However, in order to ensure we are comparing like for like with the original scope of our target, we are only considering the assets covered by MSCI for the 25% reduction in WACI.

The below table shows the assets in scope of our portfolio targets:

Asset class	Scope of decarbonisation target		Market value at YE23 (£m)
Debt securities – corporate: covered by MSCI	2025 target	2030 target	15,625
Debt securities – corporate: not covered by MSCI			
Debt securities – Government			16,959
Debt securities – Private investments			8,353
Mortgage backed and other asset backed securities <sup>1</sup>			1,386
Investment properties			663
Other <sup>2</sup>		2050 target	4,526

<sup>1</sup> Includes Equity Release Mortgages.

<sup>2</sup> Includes cash, liquidity funds, and alternative investments. These will be included in long-term targets if standard emissions attribution methodologies are developed.

### 3.3 Our baseline and progress so far

We first set our decarbonisation targets in 2021 and have made significant progress towards them since. The table below shows how the WACI for the public corporate credit assets covered by our 2025 target has progressed over time:

Year	WACI	Data coverage	2025 target
2019	289	Data not available	216
2020	237	Data not available	216
2021	225	Data not available	216
2022	203	86%	216
2023	189	82%	216

As shown in the above table, we have achieved our 2025 portfolio decarbonisation target of a 25% reduction on 2019 levels. However, we are aware that the WACI can be volatile and we will continue to monitor the portfolio to ensure the WACI remains on target. In particular, there are two factors which could have led to an artificially large reduction in WACI in recent years, which we would expect to unwind over time:

- **COVID-19** – the reduction in economic activity during COVID-19 led to a global reduction in emissions. Whilst the impacts of this were primarily in 2020 and 2021, the data used in our reporting is typically one year lagged, as this is the latest data available. For example, at year-end 2023, the latest emissions data available for our portfolio is typically 2022 data. Therefore, it is possible that the effects of COVID-19 remain in the YE23 reported number.
- **Energy prices** – as well as emissions reduction, increased revenues can also lead to a reduction in the WACI of our portfolio. In recent years we have seen dramatic increases in energy prices, sparked by Russia's war on Ukraine and developed world sanctions that followed, meaning energy companies have seen dramatic increases in revenues. This has led to reductions in carbon intensity, which are not necessarily reflective of actual emissions reduction. This has led to a reduction in our WACI at year-end 23, but it is possible that this will unwind in future years.

We therefore continue to monitor the WACI of the assets in scope of our 2025 target and will take further action to meet the targets if required.

We have also set a target to reduce the WACI of our overall investment portfolio by 50% by 2030, on a 2019 baseline. As highlighted in section 3.2, this is broader in scope than our 2025 target, covering all assets for which we have data. The table below shows how the WACI has progressed over time for the assets in scope of the 2030 target:

Year	WACI	Data coverage	2030 target
2019	289*	Data not available	144
2020	237*	Data not available	144
2021	204	83%	144
2022	175	78%	144
2023	169	75%	144

\* In 2019 and 2020, the only data available to PIC was that related to Public Corporate Credit assets, meaning the WACI for the whole portfolio was in line with the WACI for the Public Corporate Credit portfolio.

As shown in the above table, we have made significant progress towards our 2030 target. However, we have further progress to make and section 4 explains our action plan to meet our 2030 target.

Whilst our 2025 and 2030 targets are focussed on the WACI of our portfolio, we are also monitoring our carbon footprint, which we define as the total financed emissions per £m of market value in our portfolio. The table below shows our Financed emissions and carbon footprint over time:

Year	Financed emissions	Carbon footprint	Data coverage
2019	Data not available	Data not available	Data not available
2020	Data not available	Data not available	Data not available
2021	Data not available	Data not available	Data not available
2022	2,515,706	103	61%
2023	2,830,252	111	55%

As noted above, we have also set decarbonisation targets on our operational emissions. The following table shows our operational emissions for the last three years for which we have reported our emissions:

Year	Total energy consumption (kWh)	Scope 1 emissions (tons CO <sub>2</sub> e)	Scope 2 emissions (location-based) (tons CO <sub>2</sub> e)	Total Scope 1 and 2 emissions (tons CO <sub>2</sub> e)
2021	1,582,863	60	267	327
2022	1,479,280	36	248	284
2023	1,271,958	32	227	259

**Box 1: Choosing our target metric**

There are a range of target setting approaches that Financial Services companies can take to prepare for and contribute to the low GHG-emissions economy. Alternative approaches include:

- **Targeting reduction in Carbon footprint** – one alternative option would be to target a reduction in Carbon footprint instead of the WACI.
- **Portfolio Coverage target** – the Science Based Targets initiative ("SBTi") have proposed Portfolio Coverage as an alternative approach to target setting. This would involve setting a target on the proportion of the portfolio by market value that has set their own approved science-based targets. This ensures that the borrowers in the portfolio are increasing their own ambition.

- **Portfolio temperature rating targets** – SBTi have also proposed a Portfolio Temperature Rating target setting methodology. This involves setting a target to align the Temperature Rating of the portfolio with a 2 degree scenario. Temperature Rating is the temperature increase that is implied by the emissions associated with the asset portfolio.

We made the decision to target a reduction in the WACI as it represents the metric with the greatest coverage of our portfolio. This ensures that our target is covering as much of our portfolio as possible.





## 4. Our action plan: investments

We have an investment portfolio of £46.8bn, which is invested to provide stable long-term cashflows to pay the pensions of our policyholders. Given the nature of our business, our investment portfolio is the area with the most significant exposure to climate risk and the most significant opportunity to support the net zero transition. How we invest our assets is therefore the focus of our work in decarbonising our business, and this is reflected by our decarbonisation targets. In order to provide stable long-term cashflows, the majority of our investments are in Fixed Income assets or debt investments. For the remainder of this section, we have referred to counterparties in which we invest as 'borrowers'.

We have identified the following actions to decarbonise our investment portfolio:

### 1. Stewardship and engagement

We will use our influence to encourage our current borrowers to move forward with their own decarbonisation journey.

### 2. Use our influence beyond our direct value chain

We recognise that for PIC to be successful in meeting portfolio decarbonisation targets, broader change in the economy will be essential. We will use our influence to encourage this system wide change, by engaging with regulators and policymakers and actively participating in industry initiatives such as the Association of British Insurers Climate Change Working Group.

### 3. Forward looking investment strategy

Going forward, we intend to make the most of the opportunities to invest in the low-carbon transition where they are suitable for our portfolio, which will support the delivery of our targets as we grow our investment portfolio. We also recognise that the low-carbon transition will lead to an increase in risk for certain investments and certain sectors, and structural risks such as these are accounted for through our investment strategy.

### 4. Strategic divestment where necessary

Where our engagement activity does not have the desired effect or risks for certain investments increase, we will consider divesting from the borrowers in question. We intend to use this action as a last resort.

This section of our Transition Plan sets out our strategy for executing each of the above actions and the impact we would expect each action to have on our decarbonisation targets and on our business.

### Box 2: Measuring the impact of our stewardship and engagement

When considering the impact that we would expect each action to have on our targets, we are conservative in estimating PIC's direct influence. In particular, when attempting to measure the impact of our stewardship and engagement, we recognise that there are a range of other factors that are driving our borrowers to transition, including:

- **Engagement from other investors** – our borrowers have a wide range of investors and given the broad based commitment to Net Zero from asset owners and asset managers, we would expect many institutional investors to be engaging with our borrowers on this topic.
- **"Pseudo engagement"** – similarly to the above, it is now clear for borrowers in our portfolio that many stakeholders, including investors, expect strong action on decarbonisation. This is likely to have an effect on borrowers' strategies and general behaviour towards Sustainability even if no direct engagement has taken place.
- **Borrowers own commitment** – the reasons that PIC has set portfolio decarbonisation targets, as set out in section 3.1, equally apply to borrowers. We know that many of our borrowers are committed to the transition and will reduce their carbon intensity without any direct engagement from their investors. We will continue to use our influence to encourage decarbonisation, but borrowers themselves also have ambitions to decarbonise.
- **Transition of the broader economy** – as the broader economy decarbonises, the borrowers within that economy will naturally decarbonise themselves. For example, as the carbon intensity of electricity generation falls, so will the scope 2 emissions of borrowers in our portfolio. There is also commitment within government to support the transition of the economy, particularly given the legislation that has been passed to meet the Sixth Carbon Budget from 2033 to 2037 and net zero by 2050. As the government continues to implement policies to achieve these aims, the environment for borrowers will become more conducive to transitioning.

Given the range of factors at play, it is difficult to disentangle the impact of action 1 (stewardship and engagement), action 2 (using our influence beyond our direct value chain), and broader economy wide change that can't be directly attributed to our actions. We have therefore considered these factors together when measuring the historic impact of our actions or projecting the future impact of these actions on the decarbonisation of our portfolio.

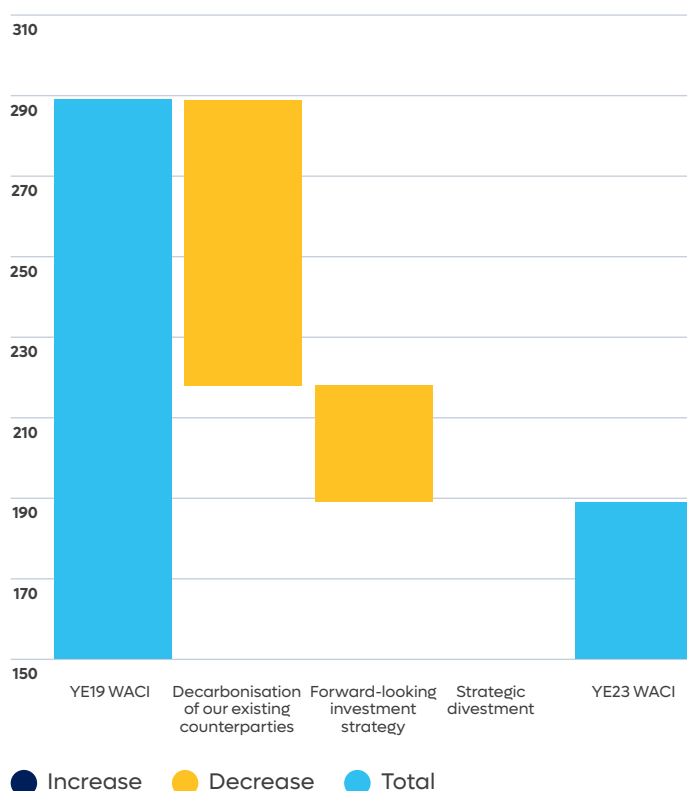


## 4.1 Breaking down our progress so far

In order to inform our transition plan, we have broken down the progress we have made to date between the above levers. This gives us insight into the effectiveness of each lever, helping to prioritise our future activity. As noted in Box 2, it is challenging to isolate the impact of lever 1 (stewardship and engagement) and lever 2 (influence beyond our direct value chain), and the broader economy wide change. For this reason, in the breakdown below we have included these factors as one step in the analysis ("Decarbonisation of our borrowers"). Further, to date we have not taken any strategic divestment decisions. The impact of this lever is therefore 0, which is included in the breakdown below for completeness.

As shown in the below graph, our progress over the last year has been focussed on the decarbonisation of our borrowers. As part of developing this plan, we have considered in detail the progress we can expect going forward from each of our levers. The historic impact of each lever has supported this consideration. Further detail on the impact we expect from each lever can be found in section 4.6.

### Drivers of change since 2019 baseline - WACI - assets with data sourced from MSCI



## 4.2 Stewardship and engagement

Our preferred approach to decarbonising our portfolio is to engage with our existing borrowers to ensure they are equally as committed to the low-carbon transition as we are. This is our preferred approach for the following reasons:

- Alignment with our investment strategy** – given the nature of our liabilities, we are a long term buy-and-hold investor, seeking to secure long-term stable cashflows to pay the pensions of our policyholders. Based on this investment strategy, our preference is to engage with our borrowers to increase their commitment to transition, rather than sell holdings and replace those holdings with lower carbon alternatives.
- Impact in the real economy** – whilst reducing holdings in a carbon intensive company would reduce the WACI of our portfolio, it would not amount to a reduction in emissions in the real economy. Further, it is possible that another investor without decarbonisation targets steps in to finance that company. The consequence of this is reduced incentive for decarbonisation, and reduced ability to influence the underlying company to encourage that real world emissions reduction. Over the longer term, we envision that the underlying carbon intensive company would eventually see an increased cost of capital in this situation, as the widespread uptake of decarbonisation targets among asset owners reduces the investors from which they would be able to access capital. However, we believe this impact would play out more slowly in this scenario than it would with the engagement approach, and our approach therefore reflects the urgency to act.
- Support economy wide transition** – similarly, reallocating our investments from carbon intensive sectors (e.g. utilities) to less carbon intensive sectors (e.g. financials) would be an option to meet our decarbonisation targets. As noted above, this would not reflect any real-world decarbonisation and we believe this would in fact be negative for the transition of the overall economy. Restricting funding for borrowers, such as utilities, would reduce their ability to invest in low carbon solutions to add decarbonisation, which is likely to slow the overall transition. It would also lead to lower investment in the most carbon intensive sectors, which could lead to unnecessarily higher costs for consumers. Our engagement approach helps maintain sufficient investment in the carbon intensive sectors to ensure these sectors have the means to transition, whilst also ensuring the companies within those sectors are committed to that transition.

### Our engagement strategy

In November 2022, PIC finalised its first official engagement strategy to be rolled out between 2023 and 2025. The strategy sets out PIC's approach to engagement across different asset classes, with engagement occurring through four distinct engagement channels:

- Directly by PIC credit analysts
- Indirectly via external managers
- Indirectly via third party specialists (such as Buro Happold for Real Estate assets)
- Collaborative engagements with other stakeholders

Our engagement strategy goes further than environmental issues, as we work with our borrowers on a range of Environmental, Social, and Governance factors. However, one of the factors by which we prioritise our environmentally focused engagements is the carbon intensity of a company, particularly with reference to other borrowers in the same sector. This ensures that our engagement is focussed on the most material issuers and maximises the impact on our decarbonisation targets.

### Implementing and monitoring our strategy

As noted above, our stewardship strategy has now been in place for over 12 months. A selection of highlights from our engagement strategy roll out can be found in our TCFD report.

A key element of this strategy is to measure progress year-on-year of the borrowers with which we engage on the desired outcomes. We will monitor the impact of our stewardship over time using a selection of key metrics. Where stewardship is focussed on broader issues than the low-carbon transition, we will monitor this using specific metrics for the targeted outcomes of those engagements. However, for engagements focussed on the low-carbon transition, we will use the following metrics:

- **Carbon intensity** – given our targets are set based on the Weighted Average Carbon Intensity of our portfolio, this is the key targeted outcome for PIC when conducting an environmentally focussed engagement. We will monitor the change in carbon intensity over time and for our most material issuers we will seek to understand in detail the key drivers of that change.
- **Implied Temperature Rise** – we will also consider MSCI's Implied Temperature Rise ("ITR") metric. An engagement may be successful in encouraging a company to commit, for example, to setting a decarbonisation target. We would consider this engagement a success given the company has improved their ambition on the low-carbon transition, but it would likely take some time for this ambition to feed through to lower carbon intensity. However, the MSCI ITR metric is forward looking, taking into account targets that an organisation has set. We will therefore monitor this metric as a forward-looking indicator of the success of our environmentally focussed engagements.

- **Qualitative monitoring** – whilst new targets may be captured in the ITR metric, it is likely that borrowers earlier in their decarbonisation journey will make initial progress that cannot be captured quantitatively. For example, committing to measuring and publishing their GHG emissions would be viewed as a positive outcome from our engagement. Given the range of targeted outcomes that our engagements will have, often based on where the underlying company is on their decarbonisation journey, we will also measure outcomes qualitatively to ensure we understand the relative success of our engagement strategy.

### 4.3 Using our influence beyond our direct value chain

The low-GHG emissions transition requires a fundamental change across all sectors of the economy, and no sector or individual company can deliver that change alone. An important lever for us meeting our portfolio decarbonisation targets is in engaging beyond our direct value chain to encourage this economy wide transition.

We will deliver on this through three channels:

- **Direct engagement with policymakers and regulators** – we will continue to respond to consultations and discussion papers from policymakers and regulators to highlight changes that would support our ability to invest in long term climate solutions.
- **Collaboration with industry peers** – by working with our industry peers, we will work to ensure that financial services companies remain committed to delivering on their decarbonisation commitments. This in turn ensures that the case for transitioning for businesses in the real economy is clear, encouraging those business to invest and innovate. Further detail on our industry collaboration can be found in our TCFD report.
- **Thought leadership** – we will also continue to produce thought leadership, speaking at conferences and releasing articles, such as the PIC publication 'Compound Interest'.

#### 4.4 Forward looking investment strategy

A long-term low risk investment strategy is central to our purpose of paying the pensions of our current and future policyholders. For this reason, we have a number of restrictions and exclusions on our investment portfolio on sectors that are likely to undergo dramatic changes as a result of the low-GHG emissions transition, reflecting our risk appetite in those sectors:

- **Coal extraction and burning and Tar Sands** – it is clear that coal and Tar Sands are becoming an increasingly unfavoured source of energy due to their impact on the environment. As a result, we have committed to making no new purchases in companies that derive more than 10% of their turnover from coal extraction and burning, and Tar Sands. We are also planning to divest from all holdings breaching the 10% limit in these areas by 2025, unless the respective borrower has a credible plan in place to achieve the target in a reasonable time frame shortly after 2025.
- **Oil** – as with coal, the long-term demand outlook for oil is uncertain as energy markets undergo meaningful structural changes. Whilst it is clear that oil will remain in the energy mix for longer than coal, we have a cautious approach to long term investment in the sector. This cautious approach includes concentration and duration limits for specific subsectors and a low allocation overall (currently <1% of PIC total assets).

Further, we are also seeking opportunities to invest in less carbon intensive assets, such as the c£1bn we have invested in the renewable sector. We expect the combination of our investment restrictions and seeking low-GHG emissions opportunities to reduce the average carbon intensity of our portfolio over time.

##### Implementing our forward-looking investment strategy

We have implemented a forward-looking strategy both on the part of the portfolio that we manage directly and via our Investment Management Agreements for the portion of the portfolio managed externally. For example, we work closely with our external managers on the below process for companies that do not comply with our Coal and Tar Sands investment restrictions:

1. Engage directly with borrowers who could credibly meet the 2025 deadline and continue to encourage dismantling or divesting of coal assets.
2. Sell assets whereby the company management was not willing to engage on the topic of decreasing their coal holdings.
3. Sell assets that do not have a credible plan to meet our threshold by 2025.

Our TCFD report contains an update on the current position of our portfolio with respect to companies with coal exposure, as well as further examples of how our coal and oil restrictions are used in practice.

##### Box 3: Onboarding new schemes – taking assets in specie

When we carry out a transaction with a defined benefit pension scheme, we receive assets in-specie to meet the future pension payments to the members of that scheme. Following the transfer of assets, we take responsibility for meeting these payments in future. In most cases, the schemes transfer a selection of their existing assets to our balance sheet, meaning we receive corporate and sovereign bonds, illiquid assets, and other assets that the schemes are invested in. For transactions with large schemes, the corporate and sovereign bonds that we receive could make up a material part of our portfolio following a transaction.

As highlighted above, our primary preference is to engage with our borrowers to encourage decarbonisation in the real economy, rather than selling holdings in carbon intensive companies. When taking on assets from pension schemes as part of a transaction, we decide which assets we are willing to accept. In line with our view that engagement is more effective than divestment, we believe that taking on carbon intensive assets from schemes and engaging with those borrowers will lead to faster real world decarbonisation than rejecting those assets, forcing the pension schemes to sell them.

Given the nature of the process and our preference to accept assets and engage with the borrowers, it is unlikely that our progress towards our decarbonisation targets will be linear. We may receive a material amount of carbon intensive assets following a transaction with a scheme, which would increase the WACI of our portfolio in the short term. As a result, it may be appropriate to re-baseline our targets following large transactions, either as a result of the WACI of our portfolio materially increasing or materially decreasing if the pension scheme assets are less carbon intensive than our portfolio. This is an ongoing consideration for us as we continue to work with pension scheme trustees on buy-out and buy-in transactions.

Where assets received do not match other requirements – such as Coal & Tar Sands commitment – then PIC would aim to transition away from these assets over a reasonable time period.



## 4.5 Strategic divestment

An important part of any engagement strategy is the consideration of divestment from holdings if an investment counterparty is not willing to commit to a decarbonisation pathway that is in-line with our own ambitions. However, we believe that, in the short term, society is better served by investors such as PIC remaining invested in carbon intensive borrowers and working with those borrowers to drive change. We therefore see divestment as a last resort and will only do so following unsuccessful attempts to engage.

## 4.6 Our plan to meet our targets

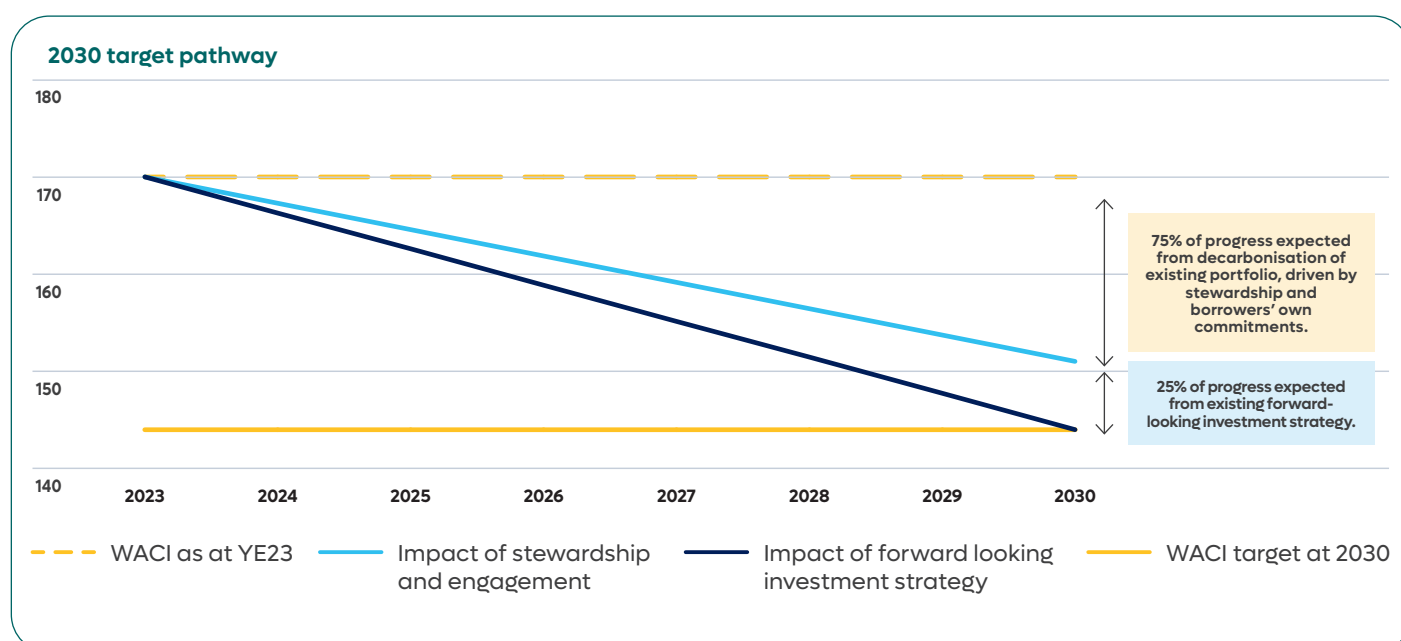
We believe an important part of a plan to meet a target is to determine what progress is expected to be delivered by each action that is being planned. We have carried out detailed analysis of the most material borrowers (those that make the largest contributions to our portfolio WACI) to understand the impact we can expect our stewardship and engagement to have. This takes into account:

- The commitment of the issuers to the low-GHG emissions transition;
- Targets that have been set by the issuer and our view on their ability to achieve them;
- The credibility of plans the issuer has disclosed to meet their targets; and
- The level of engagement we and our asset managers have been able to have with the issuers so far on the low-GHG emissions transition and what we have learned from that engagement.

Based on this analysis, we expect the decarbonisation of our borrowers to deliver c75% of the total decarbonisation required to meet our 2030 target. This means that we are aiming for our forward-looking investment strategy to deliver the remaining 25% of the decarbonisation.

Given we expect the impact of decarbonisation of our existing borrowers to be the most material contributor to our portfolio targets, this is our primary focus in the short and medium term. However, we have also considered the likelihood that our forward-looking investment strategy delivers the required 25% of progress towards our 2030 targets. This means that the new assets that we purchase need to be less carbon intensive on average than our existing portfolio. There are a number of factors that are helping to reduce the carbon intensity of our new assets:

- **Investment restrictions** – some of the sustainability-related restrictions we have placed on our investments apply to new asset purchases, but do not apply directly to the existing portfolio. For example, our Coal and Tar Sands Policy is in force now on new asset purchases, but only applies from 2025 onwards on our existing portfolio. This leads to a less carbon intensive investment universe for new assets. Given the universe is typically less carbon intensive than our portfolio, we expect these investment restrictions to contribute to our decarbonisation over time.
- **Changing nature of the portfolio** – as we grow our business and transact with more pension schemes, we expect to increase the proportion of our portfolio that is invested in private assets. Currently, our private assets have a lower WACI than the overall portfolio WACI of 169. Whilst the data coverage is lower for the private investments, based on the economic sectors in which the private investments are placed, we do not believe that increasing the data coverage would change the fact that private investments are less carbon intensive overall. Given this dynamic, as private investments form an increasingly large percentage of the portfolio, we would expect the WACI to continue to fall.
- **Progress so far** – we can see from the analysis of change in Section 4.1 that our forward-looking investment strategy has reduced the WACI since the target was first set, as expected. Whilst we would not necessarily expect this to be consistently true from year to year, the long term trend demonstrates that our strategy is effective.



## 4.7 Looking beyond 2030

The focus of this section so far has been on meeting our 2025 and 2030 portfolio emissions targets, as these are the most pressing on our portfolio. However, as noted in section 3.1, we also have a net zero by 2050 target. It is challenging to predict what will happen between 2030 and 2050, and we believe that setting a detailed transition plan would not be realistic over that timescale. Given the scale of change that is expected both in the economy and in our business, attempting to estimate, for example, the decarbonisation we expect to achieve over a 25+ year timescale as a result of our engagement activities would not be sensible. Therefore, we have considered at a high level what we would expect to change from 2030 onwards and how our focus and actions would change as a result. We would expect the following changes from 2030 onwards:

- **Improved measurement capabilities** – our ability to measure the emissions of our investment portfolio is improving from year to year, as new data sources and methodologies become available. We would expect this improvement to continue to 2030. As our measurement improves, there may be a shift in focus if it becomes clear that certain assets are more carbon intensive than previously identified.
- **Increased divestment** – beyond 2030 we would expect to see a greater role for divestment in our engagement strategy, as it becomes clear that certain borrowers are unable or unwilling to transition and follow through with initial commitments. The ability and willingness to ultimately divest from holdings is an important part of any engagement strategy and by 2030 there will be more evidence to prove which borrowers are or are not committed to transitioning.
- **Negative emissions** – we would expect to see a greater role for negative emissions after 2030. As Carbon Capture, Usage, and Storage (CCUS) solutions scale up, we expect to see this technology directly aid high emitting industries decarbonise as well as give rise to investment opportunities – although it is not clear how such investments will fit with a low-risk strategy such as ours. The rise of CCUS is likely to be accelerated by the recent £20bn of funding promised by the UK Government, and the CCUS Net Zero Investment Roadmap.
- **Updated targets** – we expect to set further short and medium-term targets from 2030 onwards to ensure our decarbonisation trajectory remains sufficiently ambitious to prepare our business for the transition. We note that there is a significant possibility that the current trajectories are not ambitious enough, or are not followed between now and 2030, which could lead to more aggressive decarbonisation being required from 2030 onwards. This may in turn require financial services companies such as PIC to set more aggressive decarbonisation targets to manage our risk appropriately.

Finally, our focus will also move from the WACI to the overall Financed Emissions of our portfolio, as our 2050 target is net zero across all Scope 1, 2, and 3 emissions. We will continue to monitor our WACI, as this allows for comparison between sectors and issuers, but the metric that we are targeting will change to Financed Emissions.



## 5. Our action plan: operations.

We are committed to decarbonising our own operations alongside our work on the investment portfolio. Whilst our focus is on the investment portfolio as the area for greatest potential impact, we will also aim to reduce the emissions that arise from the operations of our business.

We have set a target to be carbon neutral as a business by 2025, which covers our Scope 1 and Scope 2 emissions. This section details our plan to meet this target.

At this stage, we have not set a target on our operational Scope 3 emissions (i.e. Scope 3 emissions not including the investment portfolio). This reflects our current focus on the investment portfolio and our own operations, where we can have the greatest influence, but we recognise the need to measure and reduce our operational scope 3 emissions, such as our supply chain emissions, in future. This will be an area that we continue to develop over time.

### 5.1 Our office space

In 2023, we announced our plans to move to a new office, 22 Ropemaker St. This is a new build office currently being fit-out, ready for our planned arrival in late Q4 2024. During the design stage, we took the opportunity to maximise the sustainability of our office space, focussing on a range of factors including biodiversity, minimising waste, and adding local social value. As part of this, we have also considered how to minimise the carbon emissions in the operation of our new office space.

Our plan to meet our 2025 target is 3-fold:

1. Reduce our energy consumption as far as possible to minimise Scope 1 and Scope 2 emissions;
2. Procure renewable electricity to reduce our Scope 2 emissions to zero; and
3. Purchase carbon offsets to account for the residual Scope 1 emissions that cannot be reduced.

Further detail is included below on each of the above actions.

#### Step 1: Reduce energy consumption

We have taken a number of active design choices in our fit out of 22 Ropemaker to ensure the building is highly energy efficient. The fit out has been designed in line with NABERS guidelines, with the following design features to minimise energy consumption:

- **Building design** – a passive building design optimised by panoramic windows will reduce solar gain whilst maximising natural daylight. Waste heat that would otherwise be rejected will also be recovered.
- **Highly efficient and low emission equipment** – high efficiency plant and equipment embracing the latest technology will be installed. This includes LED lighting with presence detection, and generators using HVO (Hydrotreated Vegetable Oil), which reduces net CO<sub>2</sub> emissions by up to 90%.
- **Metering** – enhanced metering will be installed to maximise our ability to monitor energy use in the operation of the building, highlighting areas of potential further efficiency improvements.

With these design choices, we expect the building to be highly energy efficient in operation. The table below shows the comparison of our energy use by source in 2023 and the expected energy use by source in the new office based on early stage modelling in the building design process:

Energy source	Energy use in 2023 (kWh)	Expected energy use in new office (kWh)
Gas	176,176	7,776
Electricity	1,095,782	754,516
<b>Total</b>	<b>1,271,958</b>	<b>762,292</b>

#### Step 2: Procure renewable electricity

The new building has an electricity supply agreement for construction and fit out which is based on 100% naturally renewable energy. We intend to continue to procure renewable electricity when we move in to the building and have contractually agreed this with our landlord.

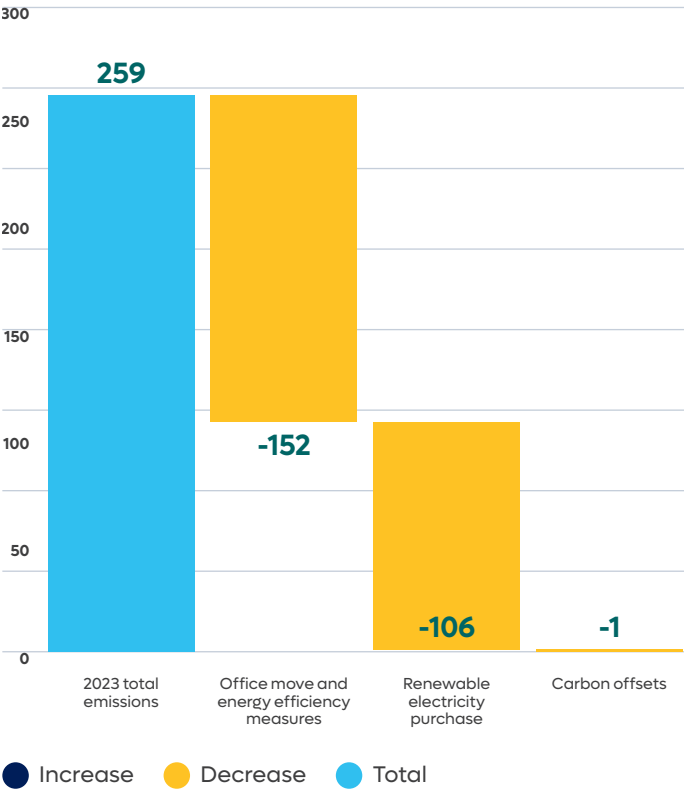


Step 3: Purchase carbon offsets

Where emissions from our office space can no longer be reduced, we will purchase offsets to account for the residual carbon emissions. Given the significant activity in Step 1 and Step 2, we do not expect to require a significant number of offset credits.

The below graph shows the expected contribution of each of the above actions, starting from our current Scope 1 and Scope 2 emissions. This is based on the estimated energy use in our new office space, split by gas and electricity, and is subject to change based on actual energy usage in the building.

2025 operational emissions reduction strategy



Box 4: PIC's view on carbon credits

PIC believes that any realistic route to Net Zero by 2050 involves a role for carbon removal, whereby carbon emissions are actively removed from the atmosphere, either using technological solutions or nature-based solutions. This case has been made clear by the Net Zero Asset Owners Alliance ("NZAOA"), in their paper "The Net in Net Zero". Whilst supportive of the role carbon removal plays in the transition to net zero, the NZAOA also emphasises that asset owners and participants in the real economy should prioritise decarbonisation over carbon removal and offsetting. This is also PIC's priority, which is reflected in this Transition Plan, and we do not expect to rely on carbon credits to meet our 2025 or 2030 decarbonisation targets for our investment portfolio. However, given the role that we believe carbon removals have to play, we also believe that a well-functioning market for carbon credits can support the roll out of such removal solutions. As highlighted above, we intend to use offset credits to achieve our 2025 operational emissions target, offsetting residual emissions after having taken steps to reduce emissions. Further detail on our carbon offset strategy can be found in our 2023 Sustainability Report.



## 6. Risks and interdependencies.

As with all long-term strategies, there are significant uncertainties in how this Transition Plan could play out. In developing our plan, we have considered the following risk categories:

- **Delivery risks** – risks that our Transition Plan does not deliver the outcomes we expect or that we are unable to deliver the plan, meaning that we are insufficiently prepared for a transition to a low-GHG emissions economy, which in turn impacts our ability to pay our the pensions of our policyholders.
- **Strategic risk** – risks that our Transition Plan is effective in delivering the outcomes we expect, but those outcomes are not appropriate to prepare for the global transition to a low-GHG emissions economy, impacting our ability to pay the pensions of our policyholders.
- **External risks** – risks that taking the actions set out in this Transition Plan has unintended consequences on other sustainability-related matters, such as the natural environment, or on our stakeholders, including our workforce, customers, suppliers, and shareholders.

This section of our plan explores the risks in each of the above categories and details our approach to managing and mitigating these risks.

### 6.1 Delivery risks

We have taken a qualitative scenario based approach to consider the material delivery risks in our Transition Plan. This involves considering the explicit and implicit assumptions that underpin our plan, qualitatively describing the scenario that would come to pass if these assumptions were incorrect, and detailing how our strategy would change in such a scenario.

#### Scenario A: Insufficient decarbonisation from existing borrowers.

As highlighted in Section 4, we are expecting the majority of our portfolio decarbonisation to be delivered by our existing borrowers, holding them to account through our stewardship and engagement activity. However, there is a risk that, despite our engagement, those borrowers do not decarbonise to the extent required.

As highlighted in Section 4, as our base case we intend to deliver c75% of our decarbonisation through our engagement strategy. However, if, for example, the carbon intensity of our most carbon intensive borrower remains in line with that at YE22, rather than decarbonising as we expect following engagement, then we would expect the decarbonisation delivered by our engagement to be c65%.

We regularly calculate the carbon intensity of our investment portfolio at an issuer level to monitor the decarbonisation progress of these most material issuers. This regular monitoring allows us to validate our assumptions on the decarbonisation we expect from existing borrowers and take corrective action if this appears to be insufficient. This also feeds back into our engagement with those borrowers, as we assess progress against their publicly disclosed targets.

If this monitoring highlighted a company that was unlikely to deliver the decarbonisation that we expect, we would prioritise this company for further engagement and challenge management on the credibility of their targets. If this approach was not successful, we would consider divesting from the issuer, taking into account market conditions and the potential impact on our balance sheet.

#### Scenario B: Our forward-looking investment strategy does not lead to the expected decarbonisation.

Our other main action to decarbonise our portfolio is through our forward-looking investment strategy. We expect this to deliver 25% of the total decarbonisation required. However, it is challenging to assess how achievable this is, given we do not know what investment opportunities will be available in coming years. We have therefore considered the scenario where the c25% decarbonisation is not delivered.

We would have a number of options to ensure we meet our portfolio targets in this scenario:

- Implement more restrictive investment parameters on our investment universe to reduce the carbon intensity of new investments. For example, we could reduce the threshold of revenue from thermal coal, currently 10%, at which we exclude borrowers from our investment universe.
- Consider the appropriateness of new forward-looking investment strategies, such as increasing holdings in less carbon intensive sectors or decreasing holdings in more carbon intensive sectors.
- Strategically divest from more carbon intensive issuers in the existing portfolio to reduce the average carbon intensity.

We note that, depending on market conditions, there is potential that executing the above actions causes negative impacts on our balance sheet. This could occur either by limiting our the investment universe available to us and therefore not capitalising on the best opportunities, or forcing us to divest from issuers when market conditions are not favourable. For this reason, we will monitor closely the impact our forward-looking investment strategy is having, in particular using the analysis presented in Section 4.2, and act quickly if the decarbonisation is insufficient to meet our targets.

## 6.2 Strategic risks

As well as risks that our Transition Plan does not deliver the outcomes we are aiming for, we have also considered the risk that those outcomes do not sufficiently prepare our business for the transition to a low-GHG emissions economy.

### Scenario C: The transition happens faster than we expect.

Whilst we have taken a number of steps to ensure that our targets are sufficiently ambitious to prepare our business for the transition to a low-GHG emissions economy, it is plausible that the transition happens much faster than expected. This may be driven by a material change in the expected physical consequences of climate change, whereby they are understood to be significantly worse than is currently expected, leading to businesses and governments encouraging a faster transition. This would lead to increased risk that carbon intensive assets are "stranded", that is, retired before the end of their useful life and rapidly decline in value.

For example, if the transition happens more quickly than expected, it is possible that this includes a decline in the viability of air travel, either due to a fall in demand or increased policy costs. This could lead to airports becoming no longer viable and rapidly losing value. This represents one possible version of the "disorderly transition" scenario that has been widely discussed within the financial services industry.

This scenario represents a challenge for PIC as it is likely to involve volatile market conditions. However, we believe we are well placed to navigate such a scenario given the nature of our organisation. We have a low risk appetite and long-term liabilities. We expect to encounter market volatility within the timescale of those liabilities, meaning we have strong capital buffers to allow for this. We would anticipate using our existing risk management processes and management actions where necessary in a disorderly transition scenario.

### Scenario D: The transition is delayed or does not happen at all.

In contrast to scenario C, it is also plausible that the transition to a low-GHG emissions economy is delayed or does not happen at all. Given our responsibility to pay the pensions of our policyholders in all scenarios, we need to manage our risk exposure in this scenario. Based on the latest science, this scenario would lead to significant physical risks globally, which would impact all financial services companies. However, we have not considered our physical risk exposure within the scope of this Transition Plan, as our aim is to focus on the risks arising from the transition. Further detail on our approach to managing physical risk can be found in our TCFD report. There would also be risks to the business arising from the diversion between the decarbonisation of our portfolio and that of the overall economy. In order to meet our targets in a scenario where the transition is delayed, we would be narrowing our investment universe. As a large low risk investor, the investment opportunities available to us reflect the global economy, with particular focus on developed markets. As a result, if the global economy does not transition, it is unlikely to be possible for us to meet our portfolio decarbonisation targets. This emphasises the importance of engagement beyond our direct value chain, engaging with governments, regulators, and industry partners to encourage the global commitment to the net zero transition.

The scenarios above focus on our portfolio decarbonisation. As part of our operational decarbonisation plan we have allowed for the purchasing of carbon credits for residual emissions in all scenario.

## 6.3 External risks

Finally, there are risks that executing this plan has unintended consequences on other sustainability-related issues or our stakeholders. While these do not represent direct risks to our business, we are committed to our role as a responsible corporate citizen and consider the impact of our actions on our stakeholders carefully. The potential unintended consequences that we have considered are as follows:

- **An increase in the cost, or decrease in availability, of energy for consumers** – if the transition is not managed effectively, the attempt to move from fossil fuels to alternative energy sources has the potential to lead to supply constraints. The risk of this will increase if there is a lack of investment and therefore increased cost of funding for the energy sector. Our focus on stewardship and engagement mitigates the risk of disruptions to energy supply, as it encourages companies and governments to develop long term plans for the transition. We also use climate pathways, which set out transition scenarios that do not compromise energy cost and security in the transition, such as those produced by the International Energy Agency to inform our engagement.
- **Geographically concentrated unemployment** – if the transition happens as intended based on UK Government plans, it will lead to a significant change in certain sectors of the economy, such as the energy sector. Whilst there is not necessarily a reason that this should lead to structural unemployment across the UK, it may be that certain regions see significant job losses. As highlighted above, our engagement approach will support companies to develop long term plans for the transition, and these plans should include supporting their workforces to develop the skills required to deliver those long term plans.



**Box 5: The Just Transition**

The political definition of a just transition is central to the successful achievement of the Government's (legally binding) net zero goals. The concept is straightforward enough: bringing the whole of society along in the journey to net-zero, meaning a comprehensive approach that safeguards jobs in industries affected by the shift to a low-carbon economy and protects the economic well-being of individuals and families, as well as thinking more comprehensively about the impact on communities, on towns, and on cities. The just transition concept is meant to embody the principle that environmental sustainability and social justice are interconnected, and consent is at the heart of it. An attempt to transition to net zero without public consent is likely to fall short.

Whilst technology is rapidly developing, if Governments attempt to effect the transition by compelling individuals to pay increased upfront costs for "green" technologies, such as electric vehicles, the level of public support for the transition may fall, particularly in the context of a cost-of-living crisis. The government has rolled back on some of its previous Net Zero supportive policies citing these cost-of-living concerns.

What this likely means is that the concept of the just transition is going to have to adapt from one which has become process-driven and enforced by regulators, which has a direct short term outcome of costing people more, to one which takes into account how much people are prepared to pay, and how jobs and livelihoods are affected.

Short of a breakthrough in some cost efficient net zero friendly technology, the politicians may be forced to place more focus on the original just transition concept, potentially compromising on the timeframe over which they aim to achieve a net zero transition. On the other hand, if a slower transition leads to increased physical climate risk, this may in turn increase the level of public consent for a faster transition.



## 7. Accountability and governance.

We are committed to the delivery of this Transition Plan and achieving our targets. As part of this commitment, we have ensured that we have a robust governance and accountability framework in place to oversee the delivery of the plan. This section of our report details this accountability framework and how we expect this to support delivery.

### 7.1 First line accountability

We have taken a number of steps to embed the delivery of this plan in the relevant teams in the business. The actions we have taken to embed this responsibility are as follows:

- **ExCo objectives** – sustainability related objectives have been included in the objectives of selected members of the Executive Committee during 2023 such as the Chief Investment Officer and Chief Risk Officer. Sustainability related objectives for a further number of relevant Executive Committee members are being articulated at present for inclusion in 2024 objectives. Sustainability related KPIs are not currently included in the remuneration package for ExCo members, but this is currently being actively considered.
- **Sustainability champions** – Board level and Exco level Sustainability Champions have been appointed. In addition, the Responsible Investing team have a responsibility to embed sustainability within the business, as well as the investment portfolio. We are launching a Sustainability Champions programme with selected representatives from across the business to help embed sustainability as BAU and share knowledge from industry peers on the best approaches to improve the sustainability of their respective department.

This transition plan has been approved by both the Investment Committee and Executive Committee and brought to the Board level Investment and Origination Committee.

### 7.2 Second line oversight

We have also used our existing risk management framework to develop the second line oversight approach to the delivery of this transition plan. The actions we have taken to facilitate this are as follows:

- **Executive responsible for climate risk** – the Chief Risk Officer is the executive member responsible for climate risk and the Risk department oversee the monitoring and management of climate risk in line with their BAU responsibilities.
- **Climate risk policy** – we have a climate risk policy which sets out triggers for the metrics included in our decarbonisation targets. The metrics are monitored on a quarterly basis and any breach of the triggers will be reported to the Board Risk Committee.

### 7.3 Board level oversight

As highlighted in our TCFD report, the governance of sustainability related matters has been embedded within the Board and other Board sub-committees during 2023, with the Board level ESG Committee being discontinued. This reflects the embedding of sustainability within the BAU teams at the operational level. A non-executive director has also been appointed Board level sustainability champion to oversee the embedding of sustainability related matters in the business and in the governance framework

### 7.4 External reporting and assurance

We report annually on our exposure to climate risks in our TCFD report and will continue to do so. In future, our TCFD report will include reference to this transition plan and the progress we have made towards our targets. At year-end 2023 we have also received third party limited assurance on the metrics disclosed in the TCFD report from KPMG, our external auditors. More detail on the scope of this assurance can be found in the TCFD report.



## Appendix A: Glossary.

Term	Definition
<b>Carbon Capture, Usage, and Storage (CCUS)</b>	A suite of technologies which enable the mitigation of CO <sub>2</sub> emissions by capturing the CO <sub>2</sub> and storing it underground so that it is not released into the atmosphere.
<b>Carbon credits</b>	Verified permits of carbon emissions reduction or removal that organisations can purchase to “offset” emissions in their own operations.
<b>Carbon footprint</b>	Financed emissions per £m invested.
<b>Climate Change Committee (CCC)</b>	An Independent Non-Governmental Body that advises the UK and devolved Governments and Parliaments on tackling and preparing for climate change.
<b>Financed emissions</b>	The Scope 3 emissions associated with PIC’s investment portfolio, calculated based on methodologies developed by the Partnership for Carbon Accounting Financials. Further detail on how PIC calculates Financed Emissions can be found in our TCFD report.
<b>Greenhouse gas (GHG) emissions</b>	Gases released into the Earth’s atmosphere that contribute to climate change.
<b>Implied Temperature Rise (ITR)</b>	A methodology developed by MSCI to develop a temperature score for investment portfolios to assess alignment with 1.5 degree scenarios.
<b>Intergovernmental Panel on Climate Change (IPCC)</b>	Intergovernmental body of the United Nations that aims to provide scientific assessments on climate change and its implications.
<b>MSCI</b>	External provider of climate-related data.
<b>Net Zero Asset Owners Alliance (NZAOA)</b>	A member-led initiative of institutional investors committed to transitioning their investment portfolios to net-zero GHG emissions by 2050, of which PIC is a member.
<b>Paris Agreement</b>	A legally binding international treaty on climate change, adopted by 196 countries in 2015.
<b>Portfolio temperature rating</b>	A methodology developed by the Carbon Disclosure Project and World Wide Fund for Nature (WWF) to develop a temperature score for investment portfolios to assess alignment with 1.5 degree scenarios.
<b>Science Based Targets initiative (SBTi)</b>	An initiative defining best practice emissions reduction and net zero targets in line with climate science.
<b>Scope 1 emissions</b>	GHG emissions released from sources that an organisation owns or has direct control over, such as burning gas to heat an office space.
<b>Scope 2 emissions</b>	GHG emissions caused by the energy that an organisation purchases, such as gas burned to generate electricity that is used by the organisation.
<b>Scope 3 emissions</b>	GHG emissions that an organisation is indirectly responsible for in its value chain, such as the GHG emissions of companies that an organisation invests in.
<b>Task Force on Climate-related Financial Disclosures</b>	A taskforce under the remit of the Financial Stability Board aiming to improve the information that companies disclose related to risks arising from climate change.



## Appendix B: Mapping to Transition Plan Taskforce disclosure framework.

TPT guiding principle	TPT disclosure element	TPT disclosure sub-element	Section reference in PIC Transition Plan
Ambition	Foundations	Strategic Ambition	2.1, 2.2, 2.3, 2.4
		Business model and value chain	3.1, 4
		Key assumptions and external factors	6.1, 6.2, 6.3
Action	Implementation strategy	Business operations	4.2, 4.3, 4.4, 4.5, 4.6
		Products and services	N/a
		Policies and conditions	4.4, 4.6
		Financial planning	4.2, 4.3, 4.4, 4.5, 4.6, 4.7
	Engagement strategy	Engagement with value chain	4.2
		Engagement with industry	4.3
		Engagement with government, public sector, communities, and civil society	4.3
Accountability	Metrics and targets	Governance, engagement, business and operational metrics and targets	3.2
		Financial metrics and targets	3.2
		GHG metrics and targets	3.2
		Carbon credits	5.1
	Governance	Board oversight and reporting	7.3
		Management roles, responsibility and accountability	7.1, 7.2
		Culture	7.1
		Incentives and remuneration	7.1, 7.2
		Skills, competencies and training	7.1



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