

IBM PENSIONS TRUST

IBM I.T. Solutions Pension Scheme

Environmental, Social and Governance (ESG) – Highlights
Year Ended 31 December 2022

Why take action?

The potential improvement in funding level over the next 8 years could be reduced by 2% if 'no action' was taken.

▼ 2%

What is meant by 'no action'? This assumes little climate action is taken in the short term, followed by sudden unanticipated tightening as countries rush to get on track to limit temperature rise to below 2°C.



Trustee Target



The Trustee is aiming to reduce portfolio carbon intensity by 20% over the 3 years from 31 December 2022. Carbon intensity measures the portfolio's exposure to carbon-intensive companies based on their weightings in the portfolio. Further details on the target are set out in the Scheme's Climate Change-related Disclosures report.

Key Actions in 2022



Four metrics have been chosen to monitor the progress against climate change risk, in line with the current regulatory requirements.



Carbon metrics have been reported on for 92% of the total Scheme assets.



Scope 1 and 2 emissions have been reported for the first time where the data is available from the investment managers.

Actions for 2023



Monitoring: The Trustee will be regularly assessing the carbon exposure of the Scheme's investments against the carbon intensity target.



Other indirect emissions

Data: The Trustee expects the availability and quality of data to increase over time and is working with its investment managers to report on **Scope 3** emissions next year.



Training: Ongoing training and review of skills to ensure the Trustee is well equipped with sufficient knowledge of developments around climate change risk and regulatory changes.



Stewardship: Engaging with investment managers on carbon intensive holdings, voting and engagement activity to work towards the Trustee's climate goals and alignment with the Trustee's beliefs.



Risks: Annual review of ESG beliefs, risk register and Scheme governing documentation.



Climate Analysis: Climate change risks and opportunities considered as part of the triennial investment strategy review.

Greenhouse Gas Emissions.

The Scheme is invested in companies that generate greenhouse gas emissions:

94,860 tons CO₂e

The Trustee is looking to reduce this figure.

Total emissions quoted is **scope 1 & 2** emissions and covers approximately 92% of total Scheme assets where carbon emissions data is available.

Emissions in the real world

A reduction by **20%** of the above total greenhouse gas emissions, under scopes 1 & 2 is broadly equivalent to **removing from the road:**

7,500



Based on average car mileage of **9,000** per year and **280g CO₂** per mile for a medium sized car.

Source: <https://www.carbonindependent.org/17.html>

Trustee Beliefs



ESG factors, including climate change, can **impact the performance** of the Scheme's investments over the medium to long-term.



Taking a broader and longer-term perspective on risk, including identifying sustainability themes and trends, presents risks and opportunities which require explicit consideration.



Stewardship can add value to the Scheme's assets in the long term and the Trustee will therefore seek to appoint managers who demonstrate strong engagement credentials.

The Trustee reflects the above beliefs within its investment strategy considerations.

RITE Score
B+

For more information, the Scheme's Climate Change-related Disclosures report is available at <https://www.smartpensionsuk.co.uk/#/page/governance-documentation> Click <https://www.uk.mercer.com/our-thinking/wealth/responsible-investing-for-uk-pension-schemes> for more details on Mercer's Responsible Investment Total Evaluation (RITE) which assesses how well ESG considerations are integrated into investment decisions.

Hover over highlighted items to see more information