

IBM PENSIONS TRUST

IBM Pension Plan (DC section)

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

Why take action?

The potential growth over the next 10 years, for a member invested in the default Lifecycle Balanced 2020, could be **reduced by 7%** if 'no action' was taken.

▼ 7%

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 2021. *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 Plan's Climate Change-related Disclosures report.*

Progress against Target

Over the year the carbon intensity of the total DC Section assets has reduced by:

▼ 21%

The Trustee is pleased to demonstrate the **significant progress** made over the year in **reducing carbon intensity** within the Plan's investment portfolio.

Carbon intensity is expected to reduce further following the implementation of the changes to the underlying funds of the Lifecycle arrangements. Further details on the impact of these changes will be disclosed in next year's report.

For the DC **'popular arrangements'** reported within the Climate Change-Related Disclosures report, the carbon intensity has reduced by **21%** over the year.

The Trustee is committed to continuing on its climate journey beyond the current Trustee target, building on the momentum and progress achieved over 2022.

Key Actions in 2022



Four metrics have been chosen to monitor the progress against climate change risk – including the reporting of a **new 'Portfolio Alignment' metric** in line with the current regulatory requirements.



The Trustee has carried out the **triennial investment strategy review for the DC Section** over the reporting period and has agreed to implement changes proposed by its Investment Advisor to **improve the sustainability focus**. Some of these changes have been implemented over 2022 with **5 new sustainable funds added to the Freestyle range**.



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 Plan governing documentation.



Climate Analysis: Consider the climate impact of the changes made to the investment arrangements.



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.



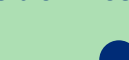
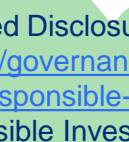
Data: The Trustee expects the availability and quality of data to increase over time and are working with its investment managers to report on **Scope 3 emissions** next year.

Other indirect emissions



RITE Score
A+

For more information, the Plan'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 and ESG Integration Score



Greenhouse Gas Emissions

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

254,993 tons CO₂e

The Trustee is looking to reduce this figure.

Total emissions quoted is scope 1 & 2 emissions and includes all of total Plan DC Section assets where carbon emissions data is available as at 31 December 2022.

Emissions in the real world

Over the year there has been a **reduction in total carbon emissions for the Plan's total DC assets of approximately 40,500 tons CO₂e** which is broadly equivalent to **removing from the road:**

16,000

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>

Hover over highlighted items to see more information