

# Trustee Statement on Oversight of Climate Change Risks and Opportunities

## The Co-operative Pension Scheme (Pace)

*Pace Trustees Limited ("the Trustee") has ultimate responsibility for ensuring effective governance of climate change risks and opportunities in relation to the Co-operative Pension Scheme (Pace) ("the Scheme"). This statement documents the governance processes the Trustee has put in place to ensure that it meets its statutory and fiduciary obligations in this regard. It addresses the TCFD (Task Force on Climate-related Financial Disclosures) recommended governance disclosures. It also complies with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 ("the Regulations") as amended<sup>1</sup>.*

*This statement should be read alongside the Scheme's wider Responsible Investment Policy, which is available on the Scheme website and guides the Trustee's approach for managing broader ESG (environmental, social and governance) risks within the Scheme's funding strategy.*

### Overview of approach

The Trustee believes that climate change is a financially material factor for the Scheme. It represents a systemic risk to society, the economy and the financial system, although the transition to a low-carbon economy also presents opportunities. These risks and opportunities have the potential to impact the Scheme's investments, sponsoring employers and funding position. Having processes in place to identify, assess and manage them is a strategic priority for the Scheme and therefore this is done by the Trustee Board, with support from the Co-op Pensions Department, and the Trustee's external advisers.

### Trustee knowledge and understanding

It is essential that the Trustee has sufficient knowledge and understanding of climate change, and related risks and opportunities, to fulfil its statutory and fiduciary obligations. From 15 June 2024, Independent Trustee Services Limited (ITS, part of Independent Governance Group (IGG)), remained appointed to the Trustee Board, now as a sole professional trustee, with Chris Martin appointed as an individual to comply with Companies Act requirements. ITS's main representatives are Chris Martin and Priti Ruparelia, who work primarily on the defined benefit and defined contribution sections respectively. IGG, as a professional corporate trustee, is committed to continuous improvement through relevant and extensive training to provide quality governance to the Scheme.

### Roles and responsibilities

#### Trustee Chair

It is the Trustee Chair's responsibility, with support from the Scheme Secretary and Pensions Investment Manager, to ensure that sufficient time is allocated for consideration and discussion of climate matters by the Trustee and its advisers.

#### Trustee

In broad terms, the Trustee is responsible for:

- ensuring the Trustee Board has sufficient knowledge and understanding of climate change to fulfil its statutory and fiduciary obligations, and is keeping this knowledge and understanding up to date. This will include knowledge and understanding of the principles relating to the identification, assessment and management of climate-related risks and opportunities for the Scheme;

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<sup>1</sup> And the governance elements of the statutory guidance which supports the Regulations.

- putting in place effective climate governance arrangements;
- determining short-, medium- and long-term time periods to be used when identifying climate-related risks and opportunities to the Scheme;
- identifying and assessing the main climate-related risks and opportunities for the Scheme (including both physical and transition risks) and documenting the management of these in the Scheme's Risk Register;
- incorporating climate-related considerations into strategic decisions relating to the Scheme's investments and funding arrangements;
- allowing for climate-related considerations (if relevant) when monitoring the strength of the sponsoring employers' covenant;
- selecting and regularly reviewing (at least annually) metrics to inform its assessment and management of the Scheme's climate-related risks and opportunities, and setting and monitoring (at least annually) targets to improve these metrics over time where appropriate;
- ensuring that the Scheme's actuarial, investment and covenant advisers have clearly defined responsibilities in respect of climate change, that they have adequate expertise and resources, including time and staff, to carry these out, that they are taking adequate steps to identify and assess any climate-related risks and opportunities which are relevant to the matters on which they are advising, and that they are adequately prioritising climate-related risk;
- considering and documenting the extent to which the advisers' responsibilities are included in any agreements, such as investment consultants' strategic objectives and service agreements;
- ensuring that the Scheme's investment managers are managing climate-related risks and opportunities in relation to the Scheme's investments (with input from the Manager Monitoring and Implementation Committee – see below), and have appropriate processes, expertise and resources to do this effectively; and
- communicating with Scheme members and other stakeholders on climate change where appropriate, including public reporting in accordance with The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (together "TCFD Regulations") when required.

The Trustee will, when appropriate, question and challenge the information and advice provided to it by its advisers, investment managers and/or insurers in relation to their governance responsibilities. The Trustee will also describe in its TCFD reporting the rationale for the time and resources it has spent on the governance of climate-related risks and opportunities.

## **Manager Monitoring and Implementation Committee (“MMIC”)**

The MMIC consists of senior members of the Co-op Pensions Department and its role, as set out in its formal terms of reference, is to undertake detailed evaluations of the investment manager appointments made by the trustees of the Co-op's pension schemes to implement their respective investment strategies, and to monitor the implementation of those strategies (reporting to those trustee boards).

The MMIC meets at least quarterly, and has a rolling schedule of meetings with the pension schemes' investment managers (noting that for the Scheme, following the implementation of full buy-in policies for the two Defined Benefit sections, residual assets are limited to cash holdings). The Trustee also has a standing invite to attend these meetings.

In relation to climate risk, the MMIC's remit includes:

- Meeting with the appointed investment managers in accordance with the schedule agreed with the trustees (as amended from time to time), to review investment performance, asset allocation and engagement with investee companies (including in relation to climate risk); and
- Reporting back to the trustees on key issues raised at the Committee, and the exercise of any delegated powers.

## **Actuarial adviser**

In broad terms, the Scheme's actuarial adviser is responsible, as agreed by the Trustee, for:

- providing training and other updates to the Trustee on relevant climate-related matters;
- advising how climate-related risks and opportunities might affect the Scheme's funding position over the short-, medium- and long-term and the implications for the Scheme's funding strategy and long-term objectives;
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change in its investment and covenant monitoring as required, and communication with stakeholders as appropriate.

## **DB investment adviser**

In broad terms, the Scheme's DB investment adviser is responsible, as agreed by the Trustee, for:

- providing training and other updates to the Trustee on relevant climate-related matters;
- helping the Trustee to formulate its investment beliefs in relation to climate change;
- advising how climate-related risks and opportunities might affect the different asset classes in which the Scheme might invest over the short-, medium- and long-term, and the implications for the Scheme's DB investment strategy;
- advising the Trustee on the appropriateness and effectiveness of the Scheme's investment managers' processes, expertise and resources for managing climate-related risks and opportunities;
- advising on the inclusion of climate change in the Scheme's governance arrangements and risk, working with the Trustee and its other advisers as appropriate;
- leading on the preparation of the Trustee's TCFD reporting, working with the Trustee, and its other advisers (and the Co-op Pensions Department) as appropriate; and
- assisting the Trustee in identifying and monitoring suitable climate-related metrics and targets in relation to the Scheme's investments, including liaising with the Scheme's investment managers / bulk annuity providers and DC Investment adviser as required.

## **DC investment adviser**

In broad terms, the Scheme's DC investment adviser is responsible, as agreed by the Trustee, for:

- advising how climate-related risks and opportunities might affect the different asset classes in which the DC Section of the Scheme might invest over the short-, medium- and long-term, and the implications for the Scheme's DC investment strategy;
- advising the Trustee on the appropriateness and effectiveness of the DC Section's investment manager's processes, expertise and resources for managing climate-related risks and opportunities, given the Trustee's investment objectives and beliefs;
- assisting the Trustee in identifying and monitoring suitable climate-related metrics and targets in relation to the DC Section's investments, including liaising with the Scheme's DC investment manager regarding provision of the metrics;

The Trustee aims to ensure that the advisors who provide support and technical expertise on various climate issues, have the appropriate level of climate-related risk expertise and resources to enable them to carry out their duties. In light of this, the Trustee has set specific expectations for its DB and DC investment advisers through its annual Investment Consultant Objectives (the "Objectives"); these Objectives are aligned with the best practice indicators from the Investment Consultants Sustainability Working Group (ICSWG) guide for assessing climate competency of Investment Consultants.

## **Covenant adviser**

In broad terms, the Plan's covenant adviser is responsible, when requested by the Trustee, for:

- supporting the Trustee in a proportionate way to understand as part of its covenant monitoring framework, how climate-related risks and opportunities might affect the Scheme's sponsoring employers over the short-, medium- and long-term (for example, through assessing and understanding potential increases in net costs, e.g. for property and input ingredients); and
- working with the Trustee's other advisers if and when requested, to assist the Trustee in incorporating climate change in its governance arrangements and monitoring framework as appropriate.

## **Investment managers and/or insurers**

In broad terms, the Scheme's investment managers are responsible for:

- identifying, assessing and managing climate-related risks and opportunities in relation to the Scheme's investments, in line with the investment management arrangements agreed with the Trustee (or, in the case of insurers, in relation to the assets backing their annuity book);
- exercising rights (including voting rights) attaching to the Scheme's investments, and undertaking engagement activities in respect of those investments, in relation to climate-related risks and opportunities in a way that seeks to improve long-term financial outcomes for Scheme members;
- providing information to the Scheme's investment advisers on climate-related metrics in relation to the Scheme's investments, as agreed from time to time, and using their influence with investee companies and other parties to improve the quality and availability of these metrics over time.

## Nature and frequency of monitoring

The Trustee considers a range of different information about the climate change risks and opportunities faced by the Scheme to enable it to fulfil its responsibilities set out above.

### Quarterly review

At its regular Board meeting each quarter, the Trustee will receive and review:

- the Scheme's risk register; and
- any provided updates on topical ESG and climate issues from the Scheme's investment advisors and investment managers (directly or through the MMIC).

These documents will incorporate climate-related risks and opportunities as appropriate, in accordance with the roles and responsibilities set out above.

### Annual review

At least once each year, the Trustee will review, revise where appropriate and approve:

- its governance arrangements and investment policies in relation to climate change;
- its formal TCFD reporting;
- a draft business plan for the following year including ESG and climate change considerations.

At least once each year, the Trustee (or its sub-committees, including the MMIC) will review:

- the Scheme's investment managers' ESG policies and stewardship activities with a focus on climate change as well as broader ESG themes
- updates on the Scheme's investments from the Scheme's investment advisers, including data on climate-related metrics and progress against any targets set in relation to these metrics.

In addition, the Trustee will review:

- whether it is appropriate (due to material changes to modelling assumptions or strategy) to carry out scenario analysis that illustrates how the Scheme's assets and liabilities might be affected under various climate change scenarios, in years when this is not required because it has been carried out within the previous two years (see "less frequent reviews" below); and
- the relevant advisers' climate competency and assess how they have performed against their climate responsibilities, aligned with its annual review of DB and DC investment consultants against the Objectives set for them by the Trustee.

### Less frequent reviews

The Trustee will consider, to the extent it is proportionate, climate-related risks and opportunities whenever the following activities are undertaken:

- an actuarial valuation of the DB Sections of the Scheme;
- review of the investment strategy for the Scheme's DB and DC Sections (noting this is likely to be limited for the DB Sections following the buy-in exercises);
- detailed "Full Year" assessment of the sponsoring employers' covenant (in a proportionate way and to the extent possible in the context of the available data, and given the reduced reliance on covenant under the current investment strategy).

The Trustee will also, at least every three years and following any major changes in the Scheme's position, review:

- its choice of short-, medium- and long-term time periods to be used when identifying climate-related risks and opportunities to the Scheme;

- the results of scenario analysis that illustrates how the Scheme's assets and liabilities might be affected under various climate change scenarios, along with commentary on the potential impacts for the sponsoring employers;
- its choice of Scheme GHG (greenhouse gas) metrics to review regularly to inform its assessment and management of climate-related risks and opportunities.

Whenever it reviews its agreements with external advisers, or appoints new advisers, the Trustee will consider and document the extent to which the advisers' climate-related responsibilities are included in the agreements and/or any adviser objectives set.

## Statutory disclosures

In line with the TCFD Regulations, the Trustee assumes responsibility for ensuring all required disclosures will be made. These include taking the following actions:

- Publishing the TCFD report on a publicly accessible website.
- The website link to the TCFD report will be provided via:
  - Trustee report and accounts
  - Annual benefit statements
  - Annual funding statements
- The Pensions Regulator will also be provided with a link to the TCFD report in the annual scheme return.

## Review of this statement

The Trustee approved this statement on 14 July 2025 . It will review it at least annually.