ENTERPRISES
PENSION SCHEME

Climate change report

Coca-Cola Enterprises Pension Scheme

Scheme year to 5 April 2024

A foreword from the Chair

On behalf of the Trustee, I am pleased to present our second climate change report in line with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”).

Climate change is a key priority for the Trustee, given its potential to affect the Scheme and its financial stability. Over the last few years, we have taken action to assess and address climate-related risks and to explore potential opportunities arising from the transition to a low carbon economy. This has included investing in an ESG index for our equity exposure, enhancing the investment guidelines for our bond portfolio to explicitly consider climate factors, and working with our managers to enhance and improve their climate practices.

This report outlines the climate actions undertaken by the Trustee over the last Scheme year. We have continued to work alongside our appointed advisers and investment managers to understand and manage these risks and opportunities, building on the work outlined in last year’s climate change report.

We are happy to report that over the past year, the Scheme has met its climate target to increase data coverage for the real assets portfolio to 80% ahead of the target date of 2025. This was mainly driven by improvements in the level of data collection in respect of carbon emissions from our underlying property managers. As such, we will be introducing a new climate target for our report covering the year to 5 April 2025 to encourage improvements in other areas of our portfolio.

This year we have been able to report Scope 3 emissions for most of our assets, in addition to the Scope 1 and 2 emissions disclosed in last year's report. Scope 3 emissions relate to the indirect greenhouse gas emissions from an entity's value chain, and we believe that they form an integral part in understanding the full impact of a company's operations.

We take pride in our contributions to climate action and remain hopeful that our efforts, in conjunction with those of other stakeholders, will drive tangible progress in combating climate change.

We hope you find this report interesting and informative, and we would welcome any feedback on it.

Sarah Willett
Chair of the Trustee of the Scheme
On behalf of the Coca-Cola Enterprises Pension Scheme

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About the Coca-Cola Enterprises Pension Scheme

The Coca-Cola Enterprises Pension Scheme (the "Scheme") is a single-section occupational Defined Benefit pension scheme. The Scheme closed to future accrual on 31 March 2021.

As at 5 April 2024, the Scheme had invested assets of £854m (which includes an insurance policy valued at £220m). The Trustee's primary objective is to ensure that the Scheme is able to meet benefit payments as they fall due. In achieving this objective, the Trustee takes into account many factors, including climate change, which is covered in this report.

For a broader indication of the Trustee's policies in relation to investments, please see the Statement of Investment Principles ("SIP"). For details of the Trustee's activity in relation to the ESG policies outlined in the SIP, including examples of voting action taken on the Trustee's behalf, please see the Implementation Statement. Both are available online here.

Appendix 5 provides a glossary of relevant terms. To aid with the reading of the report, we have defined some Scheme specific abbreviations below:

CCEP relates to Coca-Cola Europacific Partners Great Britain Limited (the sponsoring employer of the Scheme).

CCEP may also relate to Coca-Cola Europacific Partners plc in its role as parent company of the sponsoring employer.

Trustee relates to Coca-Cola Europacific Partners Pension Scheme Trustee Limited (the Trustee of the Scheme).

Executive Summary

This report describes the activities and approach taken by the Trustee to understand and reduce the climate-related risks faced by the Scheme, and to take advantage of any opportunities as part of the global transition to a lower carbon economy. It is the Scheme's second report in line with the recommendations of the TCFD, as required by the 2021 Climate Change Governance and Reporting Regulations. The following points are a summary of the detailed report that follows:

Governance

The Trustee has implemented a "Trustee Statement on Governance of Climate Change Risks and Opportunities", which sets out the roles of the Trustee and its advisers to ensure appropriate oversight of climate risks and opportunities facing the Scheme.

During the last year, the Trustee reviewed its climate governance processes and concluded they remain fit for purpose. Climate has remained a regular agenda item for the Trustee, ensuring it maintains the appropriate knowledge to make informed decisions and recommendations for the Scheme.

The Trustee believes that appropriate treatment of climate-related risks and opportunities will improve outcomes for its members through better long-term returns and lower risk.

Strategy

In 2022, the Trustee carried out a process called 'climate scenario analysis' to help assess how climate risks and opportunities might impact the Scheme's funding and investment strategies.

The Trustee extended this analysis in March 2024 to consider the impact of the scenarios on the Scheme's new partial buy-in.

A key consideration is the insurer's ability to absorb and manage the effects of climate change. Given the current regulatory regime of the insurance industry, the Trustee felt comfortable that the buy-in policy provides a suitable level of protection against climate risks and does not give rise to a material change in risk under each climate scenario.

Overall, the Trustee believes that the Scheme remains well positioned to be relatively resilient against climate risks over the long-term due to its strong funding position, climate-focussed investments and low risk investment strategy.

Risk Management

With the help of its investment adviser, the Trustee reviewed its investment managers' approaches to managing climate risks and was pleased to see some improvements since last year.

During the Scheme year the Trustee funded a new short-dated bond mandate which includes custom sustainable policies within its investment guidelines. As part of a review of its managers' approaches to climate, the Trustee took steps to strengthen these policies further, in particular the aim to increase the proportion of the portfolio aligned to Net Zero (or similar) to 90% by 2030 (up from 70% previously).

The Trustee has continued to challenge its managers on their approaches to managing climate risks and opportunities, reviewing climate engagement examples to better understand how the investment managers are acting on the Scheme's behalf.

Metrics and Targets

The Trustee has set four climate metrics to help it understand and monitor climate risks for the Scheme. The chosen metrics are total carbon emissions, carbon footprint, portfolio alignment with a Net Zero pathway, and data quality.

The Trustee is pleased to report a reduction in the carbon footprint across most of its investments, as well as an increase in data coverage.

In particular, data coverage in the property mandate has increased to 93%, exceeding the Trustee's target to improve data coverage for real assets to 80% by 2025.

As a result, the Trustee has agreed to refresh its choice of target and will report on progress against the new target in next year's report.

The Trustee is keen to see data coverage and quality continue to improve across its portfolio and has continued to engage with its managers on this.

Governance

How the Trustee maintains oversight of climate related risks and opportunities relevant to the Scheme

The Trustee has ultimate responsibility for ensuring effective governance of climate change risks and opportunities in relation to the Scheme. Identifying, assessing and managing these risks and opportunities is a strategic priority for the Trustee with respect to the Scheme and therefore this is done by the Trustee Board, with support from its external advisers.

Establishing responsibilities

In October 2021, the Trustee agreed a "Trustee Statement on Governance of Climate Change Risks and Opportunities", which sets out the roles and responsibilities of the Trustee, its investment, actuarial, covenant and legal advisers, and its investment managers. The Statement also sets out the nature and frequency of the monitoring of climate-related risks and opportunities undertaken on behalf of the Scheme.

The Statement helps to ensure appropriate oversight of the climate-related risks and opportunities relevant to the Scheme, so the Trustee can be confident that its statutory and fiduciary obligations are being met. The Statement has been reviewed and agreed by each of the Scheme's advisers, ensuring they have a clear understanding of their roles and responsibilities.

The Trustee last reviewed the Statement in November 2023 to determine whether any changes should be made. The Trustee determined that the Statement remained fit for purpose given its understanding of climate related factors and the position of the Scheme.

A copy of the Statement can be found in Appendix 1.

Climate beliefs and policies

The Trustee incorporates its beliefs and policies on climate related risks into its SIP, which was reviewed and updated in March 2024. As part of this review, the Trustee determined that its existing climate policies and beliefs, last updated in 2022, remained suitable. A summary of these is shown below.

Climate related beliefs

- Environmental, social and governance ("ESG") factors are likely to be an area of market inefficiency, so managers may be able to improve risk-adjusted returns by taking them into account.
- Long-term environmental, social and economic sustainability is one factor that the Trustee should consider when making investment decisions.
- Climate change is a financially material systemic issue that presents risks and opportunities for the Scheme over the short, medium and long term.

Climate related policies

The Trustee has considered how ESG considerations (including climate change) should be addressed in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustee expects its investment managers and buy-in provider to take account of financially material factors (including climate change and other ESG factors) within the parameters of the mandates they are set. The Trustee seeks to appoint managers that have the skills and processes to do this, and periodically reviews how its managers are taking account of these issues in practice.

Consideration of climate related risks

The Trustee believes climate-related risk to be an important investment risk to consider for the Scheme. As written in the Scheme's SIP Addendum, the Trustee believes that:

"Climate change is a source of risk, which could be financially material over both the short and longer term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change.

The Trustee seeks to appoint investment managers who will manage this risk appropriately, and from time-to-time review how this risk is being managed in practice."

Governance

Oversight activity

During the Scheme Year ending 5 April 2024, the Trustee allocated significant additional meeting time to climate-related topics and commissioned additional advice to deepen its understanding of climate change, enhance the Scheme's management of climate-related risks and opportunities, and satisfy its regulatory obligations.

The key rationale for allocating time and resources to this area is that the Trustee believes that ESG factors, including climate change, are financially material considerations for the Scheme.

Climate-related agenda items at Trustee meetings over the year to 5 April 2024

May 2023

- Review of Aegon's annual ESG report for the Scheme's property mandate, including a review of Aegon's approach to managing climate risks and opportunities.
- Meeting Aegon, for an update on the portfolio and to discuss the findings in its ESG reporting.

August 2023

- Review of the Scheme's climate metric data collected as at 31 March 2023, and progress against the chosen climate target.
- Review of the appropriateness of the chosen climate metrics and target for future reporting.

November 2023

- Reminder of the Scheme's ongoing TCFD requirements to ensure regulatory requirements have been met and to identify any gaps.
- Review of the Trustee's climate practices to determine whether they remain fit for purpose.
- Review of the Trustee's investment consultant against its strategic climate-related objective.

February 2024

- Review of the Scheme's synthetic equity, short dated bond and LDI manager's approach to responsible investment ("RI"), including climate.
- Review of the Scheme's partial buy-in provider's approach to RI and managing climate related risks and opportunities.
- Considering the impact the new partial buy-in may have on the climate scenarios considered by the Trustee.

Each year the Trustee sets a climate oversight plan to ensure that it is meeting its regulatory requirements, and that climate risks and opportunities are being considered appropriately alongside the other strategic decisions for the Scheme. The most recent oversight plan was set in November 2023 alongside the Trustee's climate-gap analysis, which set out a timetable for completing climate-related activities during the Scheme year.

Governance

Ensuring adequate oversight of climate-related risks and opportunities

The Trustee seeks input from its investment, actuarial and covenant advisers to ensure that it can identify, assess and manage climate risks and opportunities. From time to time, and at least annually, the Trustee will review the climate competency of its advisers and take appropriate action if any concerns are raised. To assist with this review, the Trustee will make use of the Investment Consultants Sustainability Working Group's guide on assessing the climate competency of investment consultants (available here).

In November 2023, the Trustee reviewed its investment adviser against its investment consultant objectives. These objectives include a specific climate related objective, reflecting its investment advisor's climate-related responsibilities as set out in the Trustee Statement on Governance of Climate Change Risks and Opportunities, as follows:

"Help the Trustee identify, assess and manage climate related risks and opportunities in relation to the Scheme's investments".

The Trustee concluded that its investment adviser had demonstrated added-value over the year and that climate risks and opportunities had been considered where appropriate. The Trustee felt that it had been provided with sufficient training to make informed decisions on behalf of the Scheme, noting the holistic approach taken to Scheme and Sponsor climate change priorities.

The Trustee was satisfied that its other advisers had also taken appropriate steps to consider climate-related factors where relevant and had the knowledge and understanding to do so.

With appropriate advisers in place, the Trustee ensures that climate-related risks and opportunities are considered as part of any relevant advice such as investment strategy reviews, the actuarial valuation process and assessment of the employer's covenant. During the Scheme year this included consideration of climate as part of the decision to undertake a partial buy-in transaction, including the selection process for an insurer.

Where appropriate, the Trustee has challenged the information provided to them by both their advisers and their investment managers to ensure they have a clear understanding of the risks facing the Scheme and the actions being taken to reduce these.

Case study: Challenging Aegon on data coverage

When the Trustee met with Aegon to discuss its property portfolio in May 2023, the Trustee challenged Aegon in respect of the slow progress with improving carbon emissions data collection over the year to 31 December 2021 (where only a 1% increase was seen over the period). Aegon noted that it had been engaging with the underlying managers to improve data coverage, including the use of estimated emissions if required. Aegon noted that it expected to see improvements in future years.

The Trustee in conjunction with its actuarial and covenant advisors have agreed to ensure climate-related risks and opportunities are considered during the process for the upcoming 5 April 2025 triennial actuarial valuation and accompanying assessment of the Sponsoring Employer's covenant.

The Trustee Directors ensure they have suitable experience considering climate risk, to ensure the risks are appropriately considered, documented, reviewed and kept up to date.

Whenever the Trustee reviews its agreements with external advisers, or appoints new advisers in the future, the Trustee will consider and document the extent to which the adviser's climate-related responsibilities are included in the agreements and/or any adviser objectives that are set. In addition, as part of the tender process for new advisers it will specifically consider the adviser's climate risk management practices in any submissions.

Strategy

Identification and assessment of climate-rated risks and opportunities relevant to the Scheme

The Trustee has considered climate-related risks and opportunities over various time periods which it believes are most relevant to the Scheme.

In 2022, the Trustee selected short-, medium- and long-term time horizons over which to formally consider the impact of climate related risks and opportunities for the Scheme. The Trustee reviewed the appropriateness of these timelines in November 2023 and agreed that the “target dates” and the rationales for these remained appropriate. As such the “time horizons” to reach these target dates have been adjusted to align with the date of this report.

The different time horizons are outlined in the table below, along with the Trustee’s rationale for each.

	Time horizon	Rationale
Short term	1 years (to 2025)	This is in line with the next actuarial valuation cycle
Medium term	6 years (to 2030)	This is a key period over which policy action will determine if the Paris Agreement goals are met
Long term	16 years (to 2040)	This is the approximate duration of the Scheme’s liabilities

The Scheme faces risks and opportunities from:

- the physical effects of climate change (“physical risks”) – for example, rising temperatures and more extreme weather events; and
- the effect of transitioning to a lower carbon economy to help mitigate the impacts of climate change (“transition risks”) – for example, government policies to reduce fossil fuel usage, technological advances in renewable energy, and increased consumer demand for “greener” products.

Many of these climate-related risks and opportunities could affect the Scheme’s funding position directly through impacts on both the assets and liabilities. Climate-related risks and opportunities could also impact the financial strength of the sponsoring employer and its ability to provide support to the Scheme.

Strategy

Climate scenario analysis

Scenario analysis is a tool for examining and evaluating different ways in which the future may unfold. At its May 2022 Trustee meeting, the Trustee used scenario analysis to consider how climate change might affect the Scheme's investment and funding strategies.

In November 2023, the Trustee agreed not to carry out further quantitative scenario analysis for inclusion in this TCFD report. It noted that the Scheme was invested in a similar investment strategy to that as at the date of the previous analysis, and it remained in a strong funding position.

The Trustee noted that the key change to the strategy over the year was the introduction of a partial buy-in policy. The policy provides the Scheme with cashflows that meet the pension payments due to a portion of the Scheme's pensioner members. As the policy replaces the liability hedging provided by the Scheme's matching assets which were used to fund it, the Trustee determined, with the support of its investment adviser, that this change would not materially impact the results of the previous analysis. However, the Trustee was keen to understand any other potential implications of holding a buy-in policy under each of its chosen climate change scenarios and agreed to undertake a qualitative assessment during the Scheme year (further details are provided overleaf).

The Trustee also considered whether any new climate scenarios should be considered and whether any changes should be made to the assumptions for their selected scenarios (eg due to changing market conditions or climate policies), but did not believe that was warranted at this stage. The Trustee agreed that if further changes to the Scheme's funding or investment strategies were made, then it would reconsider running the analysis.

A summary of the conclusions from last year's scenario analysis is outlined to the right. Further details on the scenarios selected and the outcome of the 2022 scenario analysis modelling is provided in Appendix 3.

Conclusions from the 2022 climate scenario analysis

Although financial markets and the Scheme itself are likely to face significant climate risks over the coming decades, the Scheme's strong funding position and low-risk investment strategy are expected to provide a good level of protection from both transitional and physical climate risks.

The Trustee determined that its investment strategy remained fit for purpose given the output of the scenario analysis did not suggest a material risk of future shortfalls under each climate scenario.

The scenario analysis demonstrated a benefit from the changes the Trustee had made previously (including introducing an ESG index for its equity exposure). Given this, the Trustee agreed to consider climate (or ESG) focussed mandates for future investments. This was the case for the short-dated corporate bond mandate which was funded during the Scheme year.

Limitations of the climate scenario modelling

In reviewing the analysis, the Trustee noted the difficulties in modelling the impacts of climate factors on the Scheme's asset and liabilities driven by the intricacies of climate systems.

It noted this to be particularly true of the Failed Transition scenario, where over 4°C of warming is observed. Due to the unprecedented nature of such warming, it is challenging to encompass all potential consequences within the modelling process. Simplifications in the modelling, such as not allowing for tipping points, mean the actual impact on the Scheme is likely to be more significant than has been modelled. The Trustee is comfortable that, as long as these limitations are understood, the scenarios still provide valuable insights to inform climate risk assessment and management.

Strategy

Climate scenarios and the Scheme’s partial buy-in policy

In March 2024, the Trustee reviewed the potential impact different climate scenarios could have in relation to the Scheme’s new buy-in policy, which transferred part of the Scheme’s exposure to climate risk to an insurer.

As part of this review the Trustee noted:

- The Scheme’s insured liabilities are likely to be subject to similar financial risks to its non-insured liabilities.
- A key consideration is the insurer’s ability to fully absorb and manage the effects of climate change. If it is able to do so, it should be able to continue to pay the contracted benefits in full under each climate scenario.
- The buy-in should provide full hedging for the insured liabilities against any demographic risks associated with climate change.
- Climate change is a systemic risk that will undoubtedly have profound impacts on the insurance sector over the coming years. To the extent that the buy-in provider, or the insurance industry as a whole, are unprepared for these changes, climate risk increases the chance that it will be unable to meet the benefit payments promised.
- The regulatory regime, the insurer’s reserves and the financial services compensation scheme (to the extent that this covers the Scheme’s policy) continues to protect against insurer defaults due to climate change as well as any other risk. However, the systemic nature of climate change risk increases the chance that these regulatory protections may prove insufficient, particular in higher warming scenarios.
- As markets price in climate risk, if insurers decide to hold additional reserves against climate risk, buy-in pricing may be affected by climate risk which could materially increase the cost of insuring the remaining uninsured benefits of the Scheme in the future.

The Trustee remains comfortable that the buy-in policy provides a suitable level of protection against climate risks and does not give rise to a material change in risk under each of the climate scenarios. The Trustee is keen to consider the robustness of the insurer’s regulatory regime when considering future climate scenario analysis.

Strategy

Key climate risks and opportunities facing the Scheme

The Trustee has identified and assessed climate risks and opportunities for the Scheme within each of the time horizons mentioned on page 8, as follows:

Short term

Key risks

- The Scheme has exposure to climate-related investment risks which could impact the Scheme's various investments.
- In the short-term transitional risks, such as the impact of changes in regulation to help combat climate change, are a key risk for Scheme. In particular, these risks could have a significant impact on the Scheme's equity exposure as portfolio companies and investors react to such changes.
- The Trustee has already taken steps to reduce the impact of climate risks on its equity exposure through use of an ESG focussed equity index, and by de-risking the strategy as the funding position has improved.

Key opportunities

- The ESG index used for the Scheme's equity exposure is expected to provide exposure to transition opportunities, as well as protect against climate risks.
- The Trustee reviews the credentials of its chosen index provider on annual basis to ensure that it is effectively capturing transition opportunities.

Medium term

Key risks

- Transitional climate risks may increase market volatility resulting in investment losses that increase the timeframe to reach full funding on a buy-out basis.
- Concerns over portfolio companies' abilities to service their debt due to changes in climate expectations (eg stranded assets or increased costs to meet new climate regulations) could result in defaults or a spike in credit spreads within the new corporate bond mandate.
- To help mitigate this risk the Trustee has specific climate policies within the mandate's investment guidelines.

Key opportunities

- The investment guidelines for the new corporate bond mandate provide the opportunity for the Scheme to invest in climate opportunities for the Scheme.
- Since agreeing the guidelines, the Trustee has strengthened the climate-aware factors incorporated into the management of the portfolio. This is expected to increase the stability of the portfolio's returns to climate risks in the short and medium terms and take advantage of lending to companies who are expected to be more adaptable to the transitional impact of climate change.

Long term

Key risks

- The Scheme has a deficit on a buy-out basis. The cost of buy-out may increase as the Scheme moves closer to this target, as insurers allow for climate-related risks in their pricing and reserving bases.
- The Trustee has implemented a new dashboard that monitors the Scheme's progress towards buy-out. This will highlight to the Trustee whether they are falling behind target and whether any action should be taken.
- Over the long-term the physical risks of climate change are expected to have a larger impact on the Scheme. Physical risks could significantly impact the Scheme's property portfolio due to the tangible nature of the underlying assets. The Trustee is looking to reduce this allocation over time part of its long-term journey plan.

Key opportunities

- Buy-out is expected to provide greater protection from climate risks for members' benefits and there may be pricing opportunities along the journey.
- The Trustee's new dashboard will help to identify opportunities to capitalise on any improvements in insurer pricing, including further buy-ins (as appropriate).

Risk Management

Processes and tools for identifying and assessing climate-related risks

The Trustee has implemented a range of processes and tools for identifying, assessing and managing climate related risks and opportunities (including transition and physical risks) for the Scheme. These include:

- Attending climate-related training to understand how climate-related risks might affect pension schemes and their investments.
- Undertaking climate scenario analysis which shows how the Scheme's assets and liabilities might be affected under a range of climate scenarios.
- Reviewing its investment adviser's assessments of the Scheme's investment managers' climate practices – including how climate-related factors are incorporated into their investment processes and how effectively they manage climate related risks.
- Receiving regular updates from the Employer which includes how it is impacted by of climate change and climate-related issues.
- Ensuring good stewardship practices are in place.
- Monitoring climate-related metrics in relation to the Scheme's assets.

In addition, the Trustee expects its investment managers to identify, assess and manage climate-related risks to the Scheme's assets on a day-to-day basis. The above processes are integrated into the overall risk management of the Scheme through the business plan and regular support from its advisers.

The Scheme's business plan sets out the key responsibilities of the Trustee in respect of the Scheme, the frequency of the monitoring of these activities, the level of "priority" of the activity and any notable deadlines. TCFD reporting has been categorised as a "high" priority for the Scheme within the business plan. The Scheme's wider climate oversight activities are allowed for within the investment strategy and monitoring actions in the business plan, alongside the other investment risks facing the Scheme.

The business plan is reviewed at each quarterly Trustee meeting to ensure the plan is being executed as expected and to determine whether any additional responsibilities should be introduced. As part of its review of the business plan during the Scheme year the Trustee determined that the climate-related actions in the business plan remained fit for purpose.

Review of managers' approaches to climate risks and opportunities

The Trustee reviewed its investment managers' climate approaches at two meetings over the Scheme year. The Trustee's investment adviser, LCP, provided analysis, based on the specialist asset class and climate knowledge of its manager research teams. This included:

- Fund specific RI scores which are formulated during LCP's regular due diligence meetings with the Scheme's managers. Each fund is rated on a 1 (weak) to 4 (strong) scale; and
- Climate risk management scores based on how well climate factors are integrated into the funds' investment processes. For example, whether they conduct climate scenario analysis, evidence that they consider transitional and physical risks, and how they use voting and engagement to encourage better climate risk management. Funds are given "strong", "moderate" or "weak" ratings.

In May 2023, the Trustee met with Aegon to carry out a deep dive on how it integrates RI factors into its property mandate. This included a review of Aegon's 2022 ESG report. As part of this meeting, Aegon provided case studies of their engagement with counterparties on ESG factors, including on climate. The Trustee requested a copy of an example stewardship report from Aegon, regarding one of the case studies to gain a greater understanding of Aegon's engagement process. The Trustee also challenged

Risk Management

Aegon on its approach to managing ESG risks such as greenwashing and how the underlying managers verify data received from tenant on energy consumption. Aegon explained that the source of data tends to be direct from smart meters or the energy companies, making greenwashing of energy data difficult.

In March 2024, the Trustee undertook a RI review of the Scheme's matching portfolio, managed by CTI. The review focussed on the climate approach taken in respect of each of the sub-portfolios including liability matching assets, short dated bonds and synthetic equities.

At the same meeting, the Trustee also considered its buy-in provider's approach to RI, looking at the scores from LCP's 2023 RI review of bulk annuity insurance providers, which covered ESG integration, stewardship and climate risk.

The Trustee remained satisfied that its managers had embedded strong RI practices into their investment process, noting that it expected its managers' climate scores to improve over time as climate practices and industry standards develop further. The Trustee noted room for improvement with respect to the RI score for its buy-in provider and agreed to engage with the provider to inform it of its expectations, in particular in relation to stewardship.

Changes to investment mandates

If the Trustee identifies any concerns with the way one of the Scheme's managers addresses climate related risks and opportunities, it will initially engage with the manager to raise concerns and seek improvements. If the manager does not sufficiently improve, the Trustee may switch to a different manager. Over the year under review no manager changes were made due to concerns over their climate approaches.

The Trustee reviews the equity index used for its synthetic equity exposure on an annual basis. The most recent review took place in March 2024. The key criteria used by the Trustee in reviewing an appropriate index were:

- A provider which is well established and widely-used to ensure good liquidity and data coverage; and
- A methodology that aligns to the Trustee's beliefs, including their views on ESG and climate change.

As a result of the review of alternative index options available, the Trustee ultimately agreed to maintain exposure to the MSCI World ESG Leaders index, due to the providers' strong data coverage, good levels of liquidity and integration of a wide range of ESG factors, aligning to the Trustee's beliefs.

During the year under review the Trustee considered how to enhance the climate approach of its short-dated bonds within the CTI matching portfolio. At the March 2024 meeting, the Trustee agreed to take steps to enhance the portfolio's Net Zero framework, in-line with the Institutional Investors Group on Climate Change ("IIGCC") guidelines. In particular, the Trustee strengthened the portfolio-level Net Zero alignment target to:

> *"The Portfolio Manager will endeavour to increase the proportion of the portfolio assessed as Aligned or Aligning to Net Zero or Engaged, as defined by the Portfolio Manager, to at least 90% of total portfolio financed carbon emissions in material sectors by 2030."*

This is an increase from the previous target of 70% by 2030.

Risk Management

Engagement and other stewardship activities

The Trustee expects its investment managers to engage with investee companies on climate-related (and other) matters. The Trustee generally believes that engaging with companies is more effective at encouraging change than selling the Scheme's investments in those companies. The review of managers' climate approaches showed that the Scheme's managers frequently engaged with portfolio companies, underlying funds and counterparties on climate change. The Trustee monitors its managers' stewardship activities on a quarterly basis.

More information on the Trustee's stewardship priorities can be found in its Implementation Statement, which is available online here.

Climate engagement case studies

1

Enhancing Corporate transparency at energy company, Orsted
CTI short dated bonds portfolio

In H1 2023, CTI raised the issue of corporate transparency in direct engagement with energy company, Orsted. CTI voted against remuneration partially due to their previous concerns on the topic. Orsted has since strengthened its transparency on how ESG performance is linked to executive remuneration by creating shared ESG Key Performance Indicators ("KPIs") amongst the executive team and increasing the weight of remuneration dependent on shared rather than individual KPIs. The company then was able to provide more detail on the explicit metrics it will use to track performance and the thresholds it uses.

2

Carbon offsetting strategy with underlying property manager, Fiera
Aegon long lease property portfolio

Aegon has been engaging with the underlying property manager, Fiera, to encourage it to develop and enhance its approach to ESG and Responsible Investment as a whole. Recently, Aegon has been discussing their Carbon Offsetting strategy and their aim to develop local, nature-based solutions. It is likely that this will be achieved via a farmland acquisition approach, but the fund is also considering peatland restoration, soil carbon sequestration and reforestation as possible offsetting solutions. Fiera has pledged for the fund to be truly carbon neutral by 2030.

Risk Management

Monitoring climate-related risks to the Scheme

The Trustee has integrated climate change into the Scheme's risk management processes, including the covenant monitoring and investment monitoring. In addition, climate-related actions have been integrated into the Scheme's business plan.

Covenant monitoring

The Employer aims to provide the Trustee with a GB business update twice a year. This includes the latest developments in respect of climate-related issues as well as progress against any changes to its sustainability action plan "This is Forward" which is designed to achieve CCEP's ambitious sustainability targets and which underpins their business strategy in Europe (which includes the Employer), Australia, the Pacific and Indonesia.

Investment monitoring

The Trustee reviews its investment managers' climate approaches on an annual basis. In addition, the Trustee is notified of any due-diligence meetings that LCP has conducted with their managers at the Scheme's quarterly Trustee meetings, including any discussions on climate.

The Trustee aims to meet each of its investment managers at least once a year at the Trustee meetings. During these meetings, the Trustee discusses climate change with the managers to increase its understanding of the Scheme's climate-related risks and challenge the adequacy of the steps being taken to manage them.

As part of the Trustee's review of its managers' climate approaches, the Trustee noted that there were limitations in Aegon's ability to impact the underlying climate risks in their property portfolio due to two key factors:

1. Aegon doesn't hold properties directly – they invest in other property funds; and
2. The underlying funds are "long-lease", where key ESG factors are the responsibility of the tenant (eg energy contracts and upkeep) rather than the investment manager(s).

This highlighted the importance of engagement as a tool to manage climate risks in the portfolio. At the May 2023 meeting, the Trustee therefore requested a range of examples of engagement from Aegon to demonstrate how they can impact the climate risks in the fund. Aegon highlighted that they had undertaken numerous meetings with each of the underlying funds over the year and demonstrated a range of successful engagement activities including adjustments to underlying fund terms and encouraging greater data collection for funds that are lagging their peers. The Trustee was reassured that Aegon were taking adequate steps to manage climate risks in the portfolio.

As part of their review of CTI's matching portfolio the Trustee noted some key areas where CTI could consider climate risks in the portfolio:

1. Through investment in green gilts, where financially beneficial for the Scheme – green gilts are government bonds for which the revenues are ring-fenced and spent on environmentally-focussed projects;
2. By monitoring the ESG credentials of the counterparty banks CTI transacts with;
3. Through the equity index used to gain equity exposure for the Scheme; and
4. By enhancing the Net Zero alignment target of the short-dated corporate bond portfolio.

The Trustee was comfortable that CTI was taking appropriate action in most of these areas but took steps to strengthen the Net Zero alignment target of its short-dated bond portfolio in line with IIGCC best practice.

Metrics and Targets

The Trustee's choice of metrics

The Trustee has chosen four climate-related metrics to help it monitor climate-related risks and opportunities to the Scheme. They are listed below, alongside the methodology used for calculating them.

Metric	High-level methodology	Reported as	Reason chosen
Absolute emissions: **Total greenhouse gas emissions**[1]	The sum of each company's most recent reported or estimated greenhouse gas emissions attributable to the Scheme's investment in the company, where data is available. Emissions are attributed evenly across equity and debt investors.	Reported in tonnes of CO_2 equivalent.	This methodology was chosen because it is in line with the statutory guidance.
Emissions intensity: **Carbon footprint**	The total greenhouse gas emissions described above, divided by the value of the invested portfolio in £m, adjusted for data availability. Emissions are attributed evenly across equity and debt investors.	Reported in tonnes of CO_2 equivalent per £1m invested.	This methodology was chosen because it is in line with the statutory guidance.
Portfolio alignment: **Science-based targets**	The proportion of the portfolio by weight of holdings with science-based targets to reduce their greenhouse gas emissions, demonstrated by a target validated by the Science Based Targets initiative[2] (SBTi) or equivalent.	Reported in percentage terms.	The Trustee chose this "binary target" measure because it is the simplest and most robust of the various portfolio alignment metrics available and a recommended method set out in the statutory guidance.
Additional climate change metric: **Data quality**	The proportion of the portfolio for which the Trustee has access to high quality emissions data. This is reported using three categories: emissions reported by companies, indirectly estimated or modelled emissions, and unavailable data.	Reported in percentage terms.	The Trustee chose "data quality" as a fourth metric as it complements the other emissions data collected for the Scheme and will be useful to track the progress of mandates where data coverage is currently low.

The Trustee selected "data quality" as a fourth metric in May 2022 due to low levels of data coverage for the Scheme's property mandate at the time. The Trustee also felt that data coverage provided a good complement to the other emissions data it was collecting for the Scheme.

The Trustee reviewed its choice of metrics in May 2023 and were comfortable that they continued to be appropriate for the Scheme. In particular, the Trustee considered whether "data quality" remained an appropriate fourth metric. Given the remaining gaps in data for the Scheme's property mandate at the time (as reported in the Scheme's 2023 TCFD report) the Trustee agreed it was important to continue monitoring this metric to keep track of how Aegon was increasing data coverage and to ensure the quality of data is maintained as coverage increases.

In compiling this report the Trustee collected metrics data as at 31 March 2024 (as the nearest available date to Scheme year-end), except where otherwise stated.

[1] More information about greenhouse gas emissions is provided in Appendix 2, including their classification into Scopes 1, 2 and 3.
[2] The Science-Based Targets Initiative is an organisation that sets standards and provides validation for science-based targets set by companies and investors.

Metrics and Targets

Metrics collected for the Scheme (Scope 1, 2 and 3 emissions) as at 31 March 2024

The metric data covering Scope 1 and 2 and Scope 3 emissions for the Scheme is shown below, based on the assets held as at 31 March 2024 (unless stated otherwise, please see page 18). To facilitate comparison, the equivalent figures as at 31 March 2023 are shown in brackets. The arrows indicate where the values have increased or decreased compared to last year's report, green for an improvement and red for a deterioration. Where data has been disclosed for the first time this year, a green arrow is shown. Where the metric has stayed the same, this is noted with an equals sign.

Portfolio	Exposure value	Total emissions (tonnes CO_2e)		Carbon footprint (tonnes CO_2e per £m invested)		Data coverage (Total Emissions and Carbon Footprint, % portfolio)	Portfolio alignment (% accredited targets set)	Data quality *(reported/estimated/ unavailable)*	
		Scope 1 + 2	Scope 3	Scope 1 + 2	Scope 3			Scope 1 + 2	Scope 3
CTI Synthetic global ESG equities	**£96m** *(£117m)*	**2,894** ↓ *(4,648)*	**23,186** ↓ *(38,632)*	**30** ↓ *(40)*	**242** ↓ *(331)*	**100%** = *(100%)*	**52%** ↑ *(49%)*	**98 / 2 / 0** ↑ *(91 / 9 / 0)*	**0 / 100 / 0** = *(0 / 100 / 0)*
CTI Synthetic UK equities	**£21m** *(£30m)*	**1,730** ↓ *(3,507)*	**19,035** ↓ *(29,802)*	**85** ↓ *(119)*	**932** ↓ *(1,031)*	**99%** = *(99%)*	**54%** ↑ *(51%)*	**99 / 0 / 1** ↑ *(90 / 9 / 1)*	**0 / 99 / 1** ↑ *(0 / 97 / 3)*
CTI Corporate bonds	**£102m** *(-)*	**2,993** ↓ *(-)*	**27,023** ↓ *(-)*	**38** ↓ *(-)*	**345** ↓ *(-)*	**74%** ↑ *(-)*	**51%** ↑ *(-)*	**72 / 2 / 26** ↑ *(-)*	**0 / 74 / 26** ↑ *(-)*
CTI Gilts, repos and cash	**£414m** *(£1,048m)*	**70,181** ↓ *(182,004)*	**56,155** ↓ *(109,720)*	**170** ↓ *(174)*	**136** ↑ *(105)*	**100%** = *(100%)*	**100%** = *(100%)*	**100 / 0 / 0** = *(100 / 0 / 0)*	
Aegon Property	**£242m** *(£277m)*	**46** ↓ *(51)*	**4,258** ↑ *(3,274)*	**0.2** ↓ *(0.3)*	**19** ↑ *(17)*	**93%** ↑ *(71%)*	**n/a** = *(n/a)*	**78 / 15 / 7** ↑ *(71 / 0 / 29)*	
ABC Arrangement	**£91m** *(£95m)*	**1,174** ↓ *(1,486)*	**13,008** ↓ *(15,411)*	**13** ↓ *(16)*	**143** ↓ *(162)*	**100%** = *(100%)*	**100%** = *(100%)*	**100 / 0 / 0** = *(100 / 0 / 0)*	
Buy-in policy	*The Scheme's buy-in provider was unable to provide metric data for inclusion in this year's TCFD report*								

Notes: Metrics data is shown at fund level. Due to differences in calculation methodologies the Trustee has decided not to aggregate figures. Total emissions relate to the Scheme's assets, where data is available. Carbon footprint has been adjusted, where required, by data coverage to show the footprint of the assets that have been reported on. Further information about the methodologies used to calculate the metrics is provided in Appendix 4. Further notes in the above table are included on the next page.

Metrics and Targets

Notes to the metrics table on the previous slide

Portfolio	Date of portfolio value and metric data	Data source	Notes to the data
CTI Synthetic global ESG equities	**31/03/2024** *(31/03/2023)*	*MSCI, LCP*	• For the synthetic equities, due to the use of derivatives to gain market exposure, we have used value of exposure rather than accounting value of the synthetic equity sub-portfolio. Metric data has been calculated based on these exposures as at 31/03/2023 and 31/03/2024, and using MSCI data as at 18 June 2024.
CTI Synthetic UK equities	**31/03/2024** *(31/03/2023)*	*MSCI, LCP*	• For the CTI corporate bond mandate, we have used the value of the corporate bond exposure within the bespoke mandate. This excludes any cash, FX positions or cash equivalents associated with the corporate bond sub-portfolio.
CTI Corporate bonds	**31/03/2024** *(31/03/2023)*	*MSCI, LCP*	• Metric data is based on the value of the underlying bonds as at 31/03/2024, and using MSCI data as at 24 June 2024. • Certain data ©2024 MSCI ESG Research LLC. Reproduced by permission.
CTI Gilts, repos and cash	**31/03/2024** *(31/03/2023)*	*UK Government*	• We have used value of exposure rather than accounting value for the CTI portfolio, which use derivatives. • Gilts, repos and cash metrics are calculated by LCP. GHG emissions (and therefore emissions intensity) figures for government bonds are calculated on a different basis, so cannot be compared and should not be aggregated with the other emissions figures shown. Further details including the calculation methodology are shown in Appendix 4. • We note that different calculation methodologies have been used for the LDI metrics in 2023 and 2024 so these numbers are not directly comparable. For reference, under the previous methodology, the carbon footprint for the Scheme would have been 163 and 126 tonnes CO_2e per £m invested for Scope 1 and 2, and Scope 3, respectively. • The UK has a Net Zero by 2050 target written into law, with carbon budgets based on advice from the independent Committee on Climate Change. We have therefore treated UK government bond exposure as having a credible science-based target.
Aegon Property	**31/12/2022** *(31/12/2021)*	*AAM, GRESB, Aegon*	• Aegon metrics are at 31 December 2022 due to the availability of data. Data provided for this fund has therefore been calculated with reference to the value of the fund as at this date. As at 31 March 2024 the valuation of the Aegon Property Fund was £161m. Aegon values reported include a cash allocation.
ABC Arrangement	**31/12/2023** *(31/12/2022)*	*CCEP*	• ABC metrics are at 31 December 2023 due to the availability of data. Data provided for this portfolio has therefore been calculated with reference to the value of the portfolio as at this date. As at 31 March 2024 the valuation of the portfolio was £86m.

Metrics and Targets

Changes to the CTI gilts, repos and cash portfolio over the year

There have been two significant changes in relation to the gilts, repos and cash mandate over the year which should be considered when comparing emissions metrics from 2023 and 2024. These are as follows:

- During the Scheme year, the Trustee undertook a partial buy-in to insure a portion of member benefits. This was funded from the CTI portfolio, meaning that the total exposure to gilts, repo and cash has fallen significantly over the year. This means that the total emissions figures disclosed are not directly comparable.
- LCP updated its methodology for calculating emissions attributable to government bonds in 2023, in line with updated guidance from the Partnership for Carbon Account Financials ("PCAF"). Therefore, the figures quoted on the page 17 for the 2023 and 2024 data points are not directly comparable.
- For comparison purposes only, the Trustee considered emissions data for the mandate using the "old" methodology as well as the "new" methodology in its review of metrics collected for the Scheme. The equivalent old methodology carbon footprint as at 31 March 2024 for the mandate was 163 tonnes of CO_2e per £m invested (relative to 174 tonnes in 2023), illustrating a fall in Scope 1 + 2 carbon emissions associated with the gilts, repos and cash portfolio.

Further commentary on obtaining data for calculating metrics is provided on the next page.

Commentary on Scope 1 + 2 metrics:

The Scheme's gilts, repos and cash mandate had the highest total emissions of the Scheme's portfolio as at Scheme year end, which is expected given the mandate accounts for the highest proportion of total Scheme asset exposure. However, the mandate also had the highest carbon footprint. This was driven by the calculation methodology, which takes account of total UK emissions as the fund primarily invests in UK government bonds. The Trustee notes that this may result in double counting of emissions in the portfolio. Given the LDI mandate is designed to significantly reduce interest rate and inflation risk facing the Scheme the Trustee remained comfortable with the allocation.

The Scheme's equity mandate produced the next highest level of emissions, however, the Trustee noted that for the global ESG equity index, carbon emissions were broadly half of those of an equivalent non-ESG index.

Data coverage was high across the portfolio. Coverage of the Scheme's property mandate improved over the Scheme Year from 71% to 93%. This was a result of an improvement in reported data from the underlying property managers (71% to 78%) as well as Aegon's use of GRESB[1] data to fill in any data gaps.

The Trustee is pleased to report a reduction in the carbon footprint across most of its investments.

This was the first year that the Scheme has reported emissions data for its corporate bond mandate. The Scheme's short dated corporate bond mandate has the lowest data coverage of its assets at 74%. The Trustee is liaising with CTI on its plans to improve data quality in line with the remainder of the Scheme's portfolio.

Commentary on Scope 3 metrics:

As per the Scope 1 and 2 data, the gilts, repos and cash mandate has the highest total Scope 3 emissions. However, the CTI synthetic equity portfolio has the highest carbon footprint. Total emissions and carbon footprint metrics for Scope 3 have decreased over the past year, demonstrating that ESG factors are well integrated into the construction process for the ESG index that the Scheme tracks synthetically.

[1]Global Real Estate Sustainability Benchmark – an independent organisation providing ESG performance data and per benchmarks for investors and managers in the real estate.

Metrics and Targets

Obtaining data to calculate metrics

Climate metric data for the Scheme's synthetic equity, corporate bond, gilts, repos, cash and ABC portfolios has been calculated by the Trustee's investment adviser, LCP, using data sourced from the UK government, MSCI and CCEP respectively. Metric data for the property portfolio has been provided by the investment manager for the mandate, Aegon.

Metric data for the Scheme's gilts, repos and cash portfolio has been calculated on a different basis to the other assets in this report, so cannot be compared with the other mandates for which emissions data has been provided. A summary of the methodology used to calculate these emissions is outlined in Appendix 4. We note there can be issues of double counting across the portfolio where UK country emissions double count UK company emissions already accounted for within the synthetic equity portfolio.

For portfolio alignment, the Trustee has defined this as the proportion of the portfolio that has set an emissions reduction target that has been accredited by SBTi or equivalent:

- For the LDI portfolio, the Trustee has assumed 100% portfolio alignment for the gilt and repo assets due to the UK Government's 2050 Net Zero target, set as part of the Paris Agreement.
- For the ABC arrangement, the Trustee has assumed 100% portfolio alignment as the arrangement cashflows are backed by CCEP, who themselves have an SBTi accredited target.
- For the property mandate SBTi targets are not applicable. The Trustee is working with their property manager to determine an alternative suitable measure to use and hopes to be able to report on an appropriate metric in future rounds of reporting.

Aegon was unable to provide data as at 31 March 2024 as emissions data comes from the underlying funds' GRESB reports. These reports are typically produced annually and there is typically a time lag between the year end and the issuance date due to the nature of the underlying assets. Metrics provided have therefore been quoted as at 31 December 2022.

Metrics for the Scheme's ABC portfolio have been calculated by the Scheme's investment adviser, LCP. A summary of the methodology used to calculate these emissions is outlined in Appendix 4. Due to the availability of the data, the 31 March 2024 metrics have been quoted as at 31 December 2023, in line with CCEP's latest report on emissions. The Trustee has restated the ABC emissions data for the previous year in line with the updates made in the 2023 CCEP TCFD Statement. These updates reflect the impact of corporate actions over the year.

In the case of Scope 3 emissions for synthetic equity and corporate bond holdings, the Trustee has chosen to use MSCI's estimated emissions only. This provides a greater consistency than using a mixture of reported and estimated emissions.

The Trustee was unable to obtain data for the Scheme's insurance policy as this was not readily available from the insurer at the date of publication.

The Trustee continues to engage with its managers and buy-in provider on data reporting. The Trustee expects data coverage and quality to continue to improve over time as managers increase the number of metrics they report and seek to fill the data gaps.

To advance disclosures and methodologies, and to improve the range of assets included within TCFD analysis for pension funds, the Scheme's investment adviser also continues to participate in a range of sustainable investment working groups.

Metrics and Targets

The Trustee’s chosen Target

The Trustee has set the following target for the Scheme:

Increase data coverage by for real assets to 80% by 2025 *(a 15% increase relative to the base date of 31 December 2021)*

Rationale for the chosen target

The Trustee set this target based on the analysis of climate metrics undertaken in May 2022. This target was chosen by the Trustee as the property mandate represented the largest data gap in the portfolio at the time. In addition, the Trustee noted:

- It had already taken steps to manage climate risks and opportunities in its synthetic equity mandate through the use of an ESG index for the global equity exposure;
- It had limited influence on the underlying equity companies as the Trustee did not have any voting rights in relation to the assets; and
- The LDI mandate had a key role in reducing the Scheme’s interest rate risk and inflation risk.

Performance against the target

To assess the Scheme’s progress towards its data coverage target, the Trustee has collected data for the Scheme’s property mandates at both 31 December 2021 (the reference date) and 31 December 2023 (the reporting date). Due to the availability of data from GRESB, the metrics for each year are shown on a 12-month lag, ie data as at the reference date of 31 December 2021 is based on GRESB data as at 31 December 2020.

These are outlined at in the table below, alongside the 31 December 2025 target:

Data coverage	Reference date	Aegon reporting date		Target date
	31 Dec 2021	31 Dec 2022	31 Dec 2023	31 Dec 2025
Property	70%	71%	93%	80%

Over the Scheme Year, **the Trustee met its target**, with data coverage for the property portfolio increasing to 93%. The remaining 7% relates to the fact that one of the underlying funds does not subscribe to GRESB and therefore Aegon do not have emissions metrics in relation to this fund. The Trustee notes that Aegon has submitted a full redemption request from this fund and therefore this metric will continue to improve over time.

The Trustee will continue to encourage improvement from Aegon in respect of data quality. Although coverage for the property portfolio was 93% for this reporting cycle, 16% of this data was estimated. The Trustee recognises that 100% reported data is the ultimate goal for metric reporting and will continue to aim for this, despite meeting its data coverage target.

The Trustee has agreed to refresh its choice of target. It will confirm the new target and its progress against this target in next year’s report which covers the year to 5 April 2025.

Appendices

Appendix 1: Climate Governance Statement

Trustee Statement on Governance of Climate Change Risks and Opportunities

Coca-Cola Europacific Partners Pension Scheme Trustees Limited (the "Trustee") has ultimate responsibility for ensuring effective governance of climate change risks and opportunities in relation to the Coca-Cola Enterprises Pension Scheme (the "Scheme"). This statement documents the governance processes the Trustee has put in place to ensure that it has oversight of the climate-related risks and opportunities relevant to the Scheme and that it can be confident that its statutory and fiduciary obligations are being met.

Overview of approach

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 employer and funding position. Identifying, assessing and managing them is a strategic priority for the Scheme and therefore this is done by the Trustee Board, with support from the Trustee's external advisers.

Trustee knowledge and understanding

It is essential that the Trustee Directors have sufficient knowledge and understanding of climate change, and related risks and opportunities, to fulfil their statutory and fiduciary obligations. The Trustee will review its skills and experience in this area when undertaking the Trustee Board's annual skills review and will also consider what training is likely to be required when setting its annual environmental, social and governance ("ESG") and climate change business plan, incorporating training sessions as appropriate. These sessions will typically include an annual update on recent developments, with interim training on any time-critical developments. They may also include training in support of specific agenda items at Trustee meetings. Full details of the training undertaken is documented in the Trustee's training log.

Roles and responsibilities

Trustee Chair

It is the Trustee Chair's responsibility 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 Directors have sufficient knowledge and understanding of climate change to fulfil their statutory and fiduciary obligations and keep 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;
- putting in place effective climate governance arrangements;
- determining short, medium and long term time periods for identifying climate-related risks and opportunities to the Scheme;
- identifying and assessing the main climate-related risks and opportunities for the Scheme and documenting the management of these;
- incorporating climate-related considerations into strategic decisions relating to the Scheme's investments and funding arrangements; incorporating climate-related considerations into the Scheme's investment beliefs, investment policies, risk register and monitoring framework;
- allowing for climate-related considerations when assessing and monitoring the strength of the sponsoring employer's covenant;
- selecting and regularly reviewing metrics to inform its assessment and management of climate-related risks and opportunities, and setting and monitoring targets to improve these metrics over time where appropriate;
- ensuring that the Scheme's investment, actuarial, covenant and legal advisers have clearly defined responsibilities in respect of climate change, have adequate expertise and resources, including time and staff, to carry these out, 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 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, 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, the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (together "TCFD reporting") when required. The Trustee has not delegated consideration of any of these matters to any sub-committees.

Investment adviser

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

Appendix 1: Climate Governance Statement *(continued)*

- 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 and reflecting these in the Scheme's investment policies and strategy;
- 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 investment strategy;
- 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 strategy and long-term objectives;
- advising on the inclusion of climate change in the Scheme's governance arrangements, risk register and monitoring framework, in relation to investment matters, working with the Trustee and its other advisers as appropriate;
- 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, 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 Scheme's investments, including liaising with the Scheme's investment managers regarding provision of the metrics;
- advising on the preparation of the Trustee's TCFD reporting, working with the Trustee and other advisers as appropriate; and
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change into its governance arrangements, risk register, monitoring framework and communication with stakeholders as appropriate.

Actuarial Adviser

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

- 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 strategy and long-term objectives;
- advising on the inclusion of climate change in the Scheme's governance arrangements, risk register and monitoring framework, in relation to funding matters, working with the Trustee and its other advisers as appropriate; and
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change into its investment and covenant monitoring, and communication with stakeholders (including, but not limited to, its TCFD reporting) as appropriate.

Covenant adviser

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

- advising how climate-related risks and opportunities might affect the Scheme's sponsoring employer over the short, medium and long-term;
- leading on the inclusion of climate change within the Scheme's covenant monitoring, working with the Trustee and its other advisers as appropriate; and
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change in its governance arrangements, risk register, monitoring framework and communication with stakeholders (including, but not limited to, its TCFD reporting) as appropriate.

Legal adviser

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

- providing training and other updates to the Trustee on relevant climate-related legal matters;
- ensuring the Trustee is aware of its statutory and fiduciary obligations in relation to climate change and working with the Trustee's other advisers to ensure alignment between these obligations and:
  - any Trustee formulation of its investment beliefs in relation to climate change; and
  - the identification and monitoring of climate-related metrics and targets in relation to the Scheme's investments.
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change into its governance arrangements, risk register, monitoring framework and communication with stakeholders (including, but not limited to, its TCFD reporting) as appropriate; and
- where requested, assisting in the documentation of any contractual requirements to be included in the arrangements with the Scheme's investment managers with respect to the governance, management and reporting of climate-related matters.

Investment managers

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

Appendix 1: Climate Governance Statement *(continued)*

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;

- 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 adviser on climate-related metrics in relation to the Scheme's investments, as agreed from time to time, and using its influence with investee companies and other parties to improve the quality and availability of these metrics over time.

Nature and frequency of reporting

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.

Annual review

At one or more of its regular Board meetings, the Trustee will receive and review:

- the Scheme's risk register, following review and updates from its advisers;
- an update report on the metrics in the Scheme's monitoring framework, following review by its advisers;
- updates on the Scheme's investments from the investment advisers, including data on ESG and climate-related metrics and progress against any targets set in relation to these metrics;
- a responsible investment report from the Scheme's investment advisers that reviews the Scheme's investment managers in relation to ESG factors and climate change;

  whether it is appropriate 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; and
- the advisers' climate competency and assess how they have performed against their climate responsibilities.
- These documents will incorporate climate-related risks and opportunities as appropriate, in accordance with the roles and responsibilities set out above.

In addition, on an annual basis the Trustee will review, revise where appropriate and approve:

- its governance arrangements, investment beliefs and investment policies in relation to climate change;
- its draft TCFD reporting; and
- a draft business plan for the following year in relation to ESG and climate change that outlines the main topics due to be discussed each Board meeting and the papers expected from advisers in relation to each item.

Other reviews

The Trustee will consider climate-related risks and opportunities whenever the following activities are undertaken:

- actuarial valuation of the Scheme;
- review of the investment strategy for the Scheme; and
- assessment of the sponsoring employer's covenant.

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 employer; and
- its choice of metrics 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.

Review of this statement

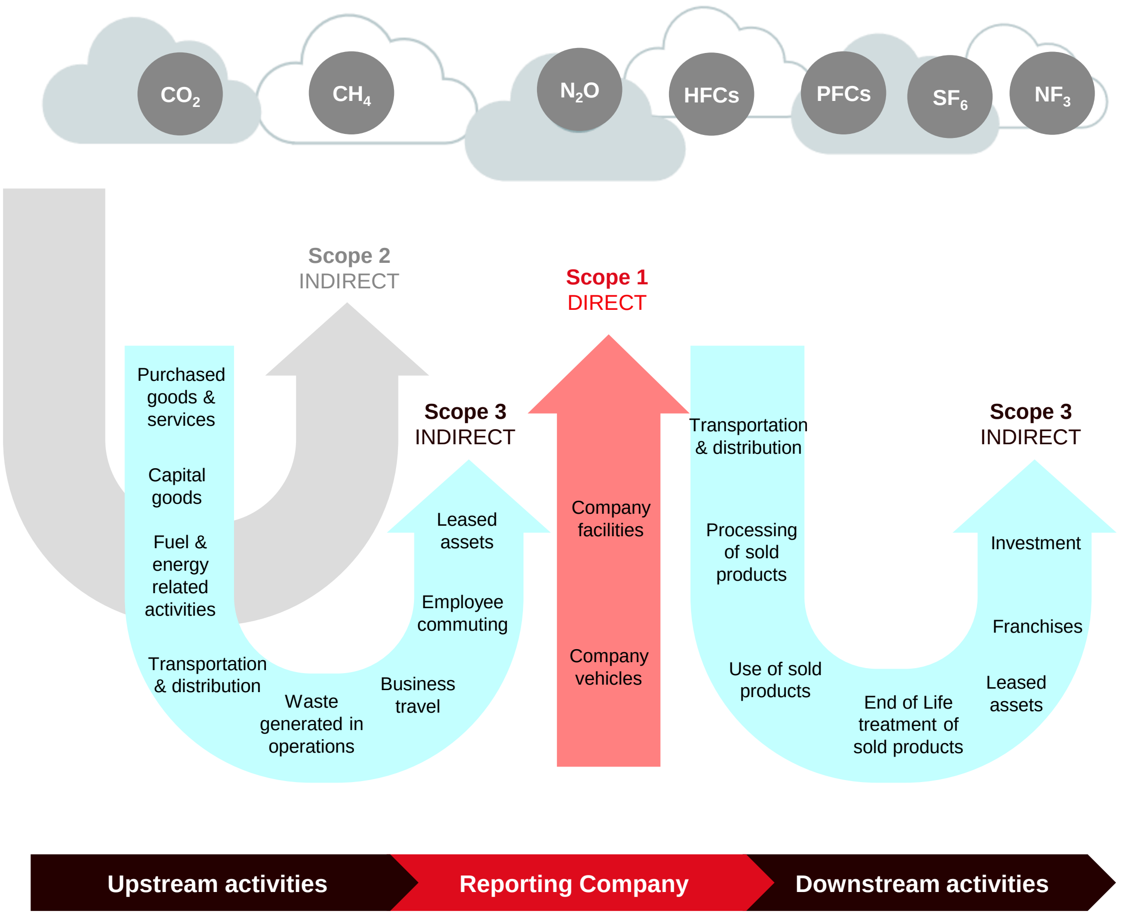
The Trustee approved this statement at its meeting in September 2021. It will review it at least annually.

Appendix 2: Greenhouse Gas Emissions Explained

In the metrics section of the report, the emissions metrics relate to seven greenhouse gases – carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF6) and nitrogen trifluoride (NF3). The figures are shown as “CO2 equivalent” (CO2e) which is the amount of carbon dioxide that would be equivalent to the excess energy being stored by, and heating, the earth due to the presence in the atmosphere of these seven greenhouse gases.

The metrics related to greenhouse gas emissions are split into the following three categories: Scope 1, 2 and 3. These categories describe how directly the emissions are related to an entity’s operations. Scope 3 emissions often form the largest share of an entity’s total emissions, but are also the ones that the entity has least control over.

- **Scope 1** greenhouse gas emissions are all direct emissions from the activities of an entity or activities under its control.
- **Scope 2** greenhouse gas emissions are indirect emissions from electricity purchased and used by an entity which are created during the production of energy which the entity uses.
- **Scope 3** greenhouse gas emissions are all indirect emissions from activities of the entity, other than scope 2 emissions, which occur from sources that the entity does not directly control.



Appendix 3: Climate Scenario Modelling 2022

Climate scenario analysis

Scenario analysis is a tool for examining and evaluating different ways in which the future may unfold. At its May 2022 Trustee meeting, the Trustee used scenario analysis to consider how climate change might affect the Scheme's investment and funding strategies. The Trustee carried out scenario analysis using market data as at 30 September 2021 with the support of its investment consultants, LCP. The analysis looked at three possible scenarios, as outlined below.

Overview of the scenarios considered and why the Trustee chose them

1 Failed Transition

This scenario assumes that the Paris Agreement Goals[1] are not met; only existing climate policies are implemented, and global temperatures rise significantly.

The Trustee chose this scenario to explore what might happen to the Scheme's finances if carbon emissions continue at current levels, resulting in significant physical risks from changes in the global climate that disrupt economic activity.

2 Paris Orderly Transition

This scenario assumes that the Paris Agreement Goals are met through rapid and effective climate action, with a smooth market reaction to the changes implemented.

The Trustee chose this scenario to see how the Scheme's finances might be impacted if carbon emission reduction targets are met in line with the Paris Agreement, meaning that the economy makes a material shift towards a low carbon economy by 2030.

3 Paris Disorderly Transition

This scenario assumes the same policy, climate and emissions outcomes as the Paris Orderly Transition, but with financial markets initially slow to react and then subsequently overreacting.

The Trustee chose this scenario to look at the potential impact on the Scheme if carbon emission reduction targets are met in line with the Paris Agreement, but financial markets are volatile as they adjust to a low carbon economy.

The Trustee acknowledges that many alternative plausible scenarios exist but found that these were a helpful set of scenarios to explore how climate change might affect the Scheme in the future. To provide further insight, the Trustee compared the outputs under each scenario to a "climate uninformed base case". The climate-uninformed base case scenario assumes no increase of physical risks due to climate change and does not make any explicit assumptions about the transition to a low carbon economy.

[1] The Paris Agreement is a legally binding international treaty on climate change which has been ratified by 189 states, representing almost 97% of global greenhouse gas emissions. The goal of the Paris Agreement is to keep global temperatures well below 2°C above pre-industrial levels, and to pursue efforts to limit increases to 1.5°C above pre-industrial levels.

Appendix 3: Climate Scenario Modelling 2022 *(continued)*

The scenarios showed that equity markets could be significantly impacted by climate change with lesser but still noticeable impacts in bond markets. All three scenarios envisaged, on average, lower investment returns and resulted in a worse funding position than the climate uninformed base case.

The key features of each scenario are summarised in the table below:

	Failed Transition	Paris Orderly Transition	Paris Disorderly Transition
Low carbon policies	Continuation of current low carbon policies and technological trends	Ambitious low carbon policies, high investment in low-carbon technologies and substitution away from fossil fuels to cleaner energy sources and biofuel	
Paris Agreement outcome	Goals not met	Goals met	Goals met
Global warming	Average global warming is about 2°C by 2050 and 4°C by 2100, compared to pre-industrial levels	Average global warming stabilises at around 1.5°C above pre-industrial levels	
Physical impacts	Severe	Moderate	Moderate
Impact on GDP	Global GDP is significantly lower than the climate-uninformed scenario in 2100	Global GDP is lower than the climate-uninformed scenario in 2100 For example, UK GDP in 2100 predicted to be about 10% lower	In the long term, global GDP is slightly worse than the Paris Orderly scenario due to the impacts of financial market volatility
Financial market impacts	Physical risks priced in over period 2025-2030. A second repricing occurs in the period 2035-2040 as investors factor in the severe physical risks	Transition and physical risks priced in smoothly over the period of 2021-2025	Abrupt repricing of assets causes financial market volatility in 2025

Appendix 3: Climate Scenario Modelling 2022 *(continued)*

Potential impact on the Scheme's assets and liabilities identified by the scenario analysis

The scenario analysis looked at the impact of the Scheme's funding position over time on the Scheme's long term funding target of gilts + 0.5% pa[1]. The chart illustrates the expected change in the deficit/surplus of the Scheme under each of the three chosen scenarios, as well as in the "climate uninformed" base case.

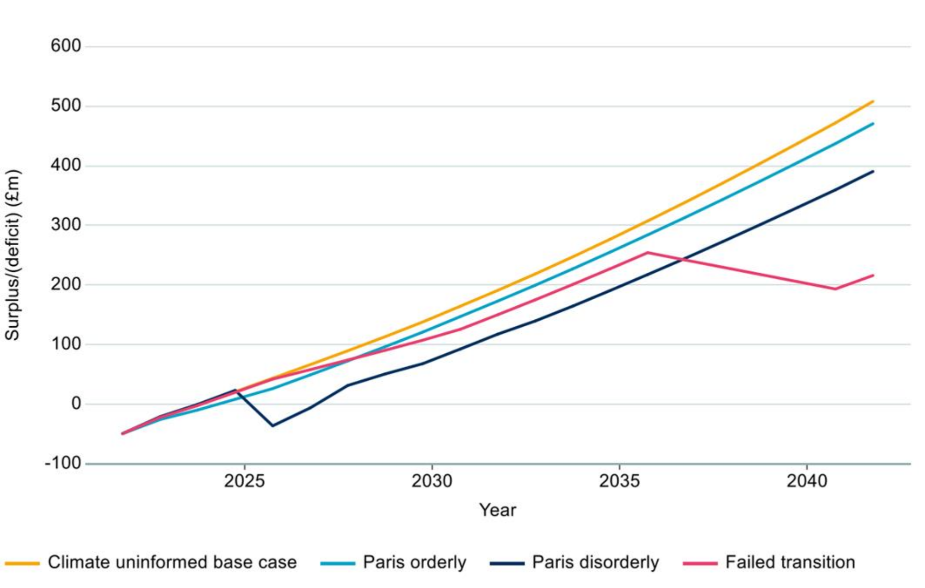
The key impacts of each scenario on the Scheme were as follows:

- Under the Paris Orderly Transition scenario, the overall impact on the funding position is modest. Whilst transitional risks impact the funding position in earlier years, the resultant new climate policies and technology help to reduce physical risks in later years.

- Under the Paris Disorderly Transition scenario, there is volatility in the mid-2020s as markets react abruptly to changes in policy and technology to address climate change. Whilst in the short term this has a detrimental impact on the funding position, the overall impact is relatively low as the Trustee has already taken significant steps to de-risk the investment strategy. The earlier volatility in the funding position means the outcome is worse than under the Paris Orderly Transition, however the Scheme is expected to remain in a strong funding position over the Trustee's medium- and long-term time horizons.

- Under the Failed Transition scenario, there would be a more significant impact on the funding position, but not until after 2035. In practice, given the Scheme's strong funding position, and expectation that this should continue to improve over time, the Scheme should be in a strong position to withstand large shocks at this time.

Impact of the different climate scenarios on the Scheme's funding position over time



Overall, the analysis highlighted that the Scheme is expected to be relatively resilient against climate risks over the long-term due to its strong funding position, climate-focussed investments and low risk investment strategy.

[1] Following the climate scenario analysis the Trustee has strengthened the Scheme's long-term funding target, reflecting a strengthening of the Scheme's funding position.

Appendix 3: Climate Scenario Modelling 2022 *(continued)*

Impact of changes to the investment strategy under each scenario

Over the last few years, the Trustee has taken steps to reduce climate risk. This has included moving the Scheme's synthetic equity exposure to the MSCI World ESG Leaders Index (which includes climate related exclusions) and de-risking the strategy. As part of the climate scenario analysis session the Trustee looked at the impact of these decisions on the projection of the Scheme's funding position under the various scenarios. This analysis showed that the decisions taken by the Trustee to date had been effective in significantly reducing climate risk[1] across each of the Scheme's time horizons and scenarios.

Impact of climate change on life expectancy

If a member lives longer, the Scheme pays the member's pension for longer and therefore needs more assets to make the payments.

Like the economic impacts, the impact of climate change on life expectancy is highly uncertain. As part of the climate scenario discussions, the Trustee considered the various possible drivers for changes in mortality rates with both positive and negative impacts expected in each of the scenarios considered.

For example, in the Paris Orderly Transition scenario, the reduced use of fossil fuels should lead to lower air pollution, increasing life expectancy. But this effect could be countered by economic prosperity generally being lower in this scenario, and this may limit the funding available for healthcare.

Given the level of uncertainty, the Trustee noted that no specific allowance had been made in the scenario analysis, but that it would keep up to date on developments in this area. In particular, as part of the 2022 actuarial valuation, the Trustee was advised that climate change could have an impact on the assets and the liabilities of the Scheme and that the extent to how much climate change has already been recognised in market prices is uncertain, noting that the Scheme funding implicitly allows for risks that are already priced into the Scheme's investments.

The Scheme Actuary's recommendation to the Trustee in setting the valuation assumptions took into account possible implications of climate change, and it was explained that such implications had served to increase the possible range of future outcomes around the Scheme Actuary's central views.

Potential impacts of climate change on Employer covenant

If the impacts of climate risks are more severe in practice than what has been modelled, this could have implications for the Scheme's journey plan and potentially require additional contributions from the Employer.

As part of the 2022 actuarial valuation, the Trustee undertook a formal covenant assessment of the Employer. This assessment explicitly considered the impact of climate change on the Employer covenant. In particular, the assessment looked at the effectiveness of Coca-Cola Europacific Partners' ("CCEP") sustainability plan as well as the specific targets CCEP has set in respect of climate change and the framework to develop actions required to mitigate climate-related risks.

CCEP is committed to implementing the recommendations of the TCFD and, through its Enterprise Risk Management ("ERM") programme, takes a risk based approach in responding to the physical and transitional risks and opportunities that are associated with climate change. The assessment and mitigation of climate-related risks is an integral part of its annual Enterprise Risk Assessment process.

[1] Climate risk here is measured as the £ value change in the funding position under each scenario, relative to the climate uninformed base case.

Appendix 3: Climate Scenario Modelling 2022 *(continued)*

Modelling approach and limitations

Modelling approach – Investment and Funding:

- Scenario analysis is based on the ClimateMAPS model developed by Ortec Finance and Cambridge Econometrics. The outputs were then applied to the Scheme's assets and liabilities by LCP.
- The three climate scenarios are projected year by year, over the next 40 years. The three climate scenarios chosen are intended to be plausible, not "worst case". They are only three scenarios out of countless others which could have been considered. Other scenarios could give better or worse outcomes for the Scheme.
- ClimateMAPS uses a top-down approach that consistently models climate impacts on both assets and liabilities, enabling the resilience of the Scheme's funding strategy to be considered. The model output is supported by in-depth narratives that bring the scenarios to life to help the Trustee's understanding of climate-related risks and opportunities.
- ClimateMAPS uses Cambridge Econometrics' macroeconomic model which integrates a range of social and environmental processes, including carbon emissions and the energy transition. It is widely used for policy assessment, forecasting and research purposes, and is one of the most comprehensive models of the global economy. The outputs from this– primarily the impacts on country/regional GDP – are then translated into impacts on financial markets by Ortec Finance using assumed relationships between the macroeconomic and financial parameters.
- Ortec Finance runs the projections many times using stochastic modelling to illustrate the wide range of climate impacts that may be possible, under each scenario's climate pathway. LCP takes the median (ie the middle outcome) of this range of impacts, for each relevant financial parameter, and adjusts it to improve its alignment with LCP's standard financial assumptions.
- LCP then uses these adjusted median impacts to project the assets and liabilities of the Scheme to illustrate how the different scenarios could affect its funding level. The modelling summarised in this report used scenarios based on the latest scientific and macro-economic data at 30 June 2021, calibrated to market conditions at 30 September 2021.
- Due to its strong funding position, the Scheme is no longer receiving ongoing contributions from the sponsoring employer. As such, no further employer contributions have been assumed in the analysis.

Modelling limitations – Investment and Funding:

- As this is a "top-down" approach, investment market impacts were modelled as the average projected impacts for each asset class, ie assuming that the Scheme's investments are affected by climate risk in line with the market-average portfolio for the asset class. This contrasts with a "bottom up" approach that would model the impact on each individual investment held in the Scheme's investment portfolio. As such, it does not require extensive scheme-specific data and so the Trustee was able to consider the potential impacts of the three climate scenarios for all of the Scheme's assets.
- In practice, the Scheme's investments may not experience climate impacts in line with the market average. The Trustee considers, on an ongoing basis, how the Scheme's climate risk exposure differs from the market average using climate metrics (which are compared with an appropriate market benchmark) and its annual RI review which considers the investment managers' climate approaches (see page 12).
- The asset and liability projections shown reflect the Scheme's strategic journey plan in effect as at 30 September 2021. No allowance is made for changes that might be made (or have been made since the date of the analysis) to the funding or investment strategy as the climate pathways unfold, nor for action to be taken in response to the Scheme achieving its long-term funding target.
- Modelling is based on median outcomes. It therefore illustrates how the centre of the "funnel of doubt" surrounding the asset projections might be affected by climate change. It does not consider tail risks within that funnel, nor does it consider how the funnel might be widened by the additional uncertainties arising from climate change. In addition, only three scenarios out of infinitely many have been considered. Other scenarios could give better or worse outcomes for the Scheme.
- Uncertainty in climate modelling is inevitable. In this case, key areas of uncertainty relating to the financial impacts include how climate change might affect interest rates and inflation, and the timing of market responses to climate change. ClimateMAPS, like most modelling of this type, does not allow for all climate-related impacts and therefore, in aggregate, is quite likely to underestimate the potential impacts of climate-related risks, especially for the Failed Transition scenario. For example, tipping points (which could cause runaway physical climate impacts) are not modelled and no allowance is made for knock-on effects, such as climate-related migration and conflicts.

Appendix 4: Further information on climate-related metrics

Synthetic equities and corporate bonds

Notes for data sourced from MSCI (shown on page 17)

Emissions are attributed to investors using "enterprise value including cash" (ie EVIC, the value of equity plus outstanding debt plus cash).

The total GHG emissions figures omit any companies for which data was not available. For example, if the portfolio was worth £200m and emissions data was available for 70% of the portfolio by value, the total GHG emissions figure shown relates to £140m of assets and the portfolio's carbon footprint equals total GHG emissions divided by 140. In other words, no assumption is made about the emissions for companies without data.

The science-based targets metric equals the % of portfolio by weight of companies that have a near-term carbon emissions reduction target that has been validated by the Science Based Targets initiative (SBTi). The MSCI database does not distinguish between companies which do not have an SBTi target and companies for which MSCI does not check the SBTi status, so the coverage for this metric is equal to the % of the portfolio with an SBTI target.

Emissions data coverage and quality

Where coverage of the portfolio analysed is less than 100%, this is because the MSCI database:

- Does not cover some holdings (eg cash, sovereign bonds, bonds that have recently matured, shares in companies no longer listed when the analysis was undertaken);
- Does not hold emissions data for some portfolio companies because the company does not report it and MSCI does not estimate it; and/or
- Does not hold EVIC data for some portfolio companies, so emissions cannot be attributed between equity and debt investors.

The last of these reasons is usually the main explanation for the fairly low coverage of bond portfolios.

The MSCI database records whether emissions data is reported or estimated, and which estimation method has been used, but not whether companies' reported emissions have been independently verified. Our investment consultant has asked MSCI to introduce this distinction. Where emissions data is estimated, MSCI uses one of three methods.

- For electric utilities, MSCI's estimate of Scope 1 emissions is of direct emissions due to power generation, calculated using power generation fuel-mix data.
- For companies not involved in power generation, which have previously reported emissions data, MSCI starts with a company-specific carbon intensity model.
- For other companies, MSCI uses an industry segment-specific carbon intensity model, which is based on the estimated carbon intensities for 1,000+ industry segments.

MSCI is a leading provider of climate-related data, so we would expect the coverage to compare favourably with other data sources. Our investment consultant is engaging with MSCI to encourage them to improve EVIC coverage for debt issuers and distinguish between companies which do not have an SBTi target and companies for which it does not check the SBTi status.

Appendix 4: Further information on climate-related metrics *(continued)*

Synthetic equities and corporate bonds

UK government bonds and LDI

GHG emissions for government bonds (gilts) are calculated on a different basis from the other asset classes, so cannot be compared with the other emissions figures shown.

The emissions figures were calculated by the Trustee's investment adviser using publicly available data sources. As suggested in the statutory guidance, Scope 1+2 emissions have been interpreted as the production-based emissions of the country. Scope 3 emissions have been interpreted as the emissions embodied in goods and services imported by the country and consumed within the country (rather than re-exported).

In line with guidance from the Partnership for Carbon Accounting Financials (PCAF), emissions intensity has been calculated as:

$$\frac{UK\ GHG\ emissions}{PPP - adjusted\ GDP\ for\ the\ UK}$$

GHG emissions have then been calculated as:

$$emissions\ intensity\ x\ value\ of\ the\ Scheme's\ investment\ in\ gilts.$$

For the gilts, repos and cash mandate, derivatives have been treated as an investment in an equivalent gilt. Greenhouse gas emissions have been calculated for the gilt exposure (including the repo loan amount) but not the swap positions. This is in line with the Trustee's understanding of the typical interpretation of the DWP guidance by investment managers and consultancies as not requiring estimation of emissions for swap exposures at this time.

Asset Backed Contribution ("ABC") arrangement

Emissions for the ABC arrangement have been calculated by LCP using publicly available data.

The ABC arrangement is not a publicly traded instrument. For the purposes of emissions reporting we have treated the ABC as a form of debt issued by CCEP.

In line with DWP guidance the ABC's total Scope 1+2 greenhouse gas emissions have been calculated as:

$$\frac{Value\ of\ ABC}{CCEP\ Enterprise\ Value\ (total\ equity\ and\ debt)}\ x \left(\begin{array}{c} Total\ scope\ 1\ and\ 2\ (market\ based) \\ GHG\ emissions\ as\ reported\ in\ CCEP's \\ strategic\ report \end{array}\right)$$

In line with CCEP's reporting we have not included location-based scope 2 emissions.

The corresponding carbon footprint has been calculated as:

$$\frac{Total\ ABC\ GHG\ emissions}{£m\ value\ of\ the\ ABC}$$

In line with CCEP reporting, ABC emissions data has been calculated as at 31 December 2022 for the 5 April 2023 report and as at 31 December 2023 for the 5 April 2024 report, using the corresponding ABC value as at the relevant December date.

We have included the ABC as 100% for portfolio alignment as CCEP has a SBTi accredited target in place.

We have noted the ABC as 100% reported data as emissions data is based on emissions reported by CCEP.

Appendix 5: Glossary of terms

Actuarial valuation – an actuarial valuation is an accounting exercise performed to estimate future liabilities arising out of benefits that are payable to members of a DB pension scheme, typically once every three years. In the actuarial valuation exercise, a liability payout at a future date is estimated using various assumptions such as discounting rate and salary growth rate.

Asset Backed Contribution (“ABC”) arrangement – the employer made a special contribution to the Scheme in March 2019 of around £124.3m, which was used to acquire an interest in a Scottish Limited Partnership which holds four properties. The Scheme is entitled to a share of the income derived from these properties, over the period from 5 July 2019 to 5 January 2034, subject to certain conditions.

Alignment – in a climate change context, alignment is the process of bringing greenhouse gas emissions in line with 1.5°C temperature rise targets. It can be applied to individual companies, investment portfolios and the global economy.

Asset class – a group of securities which exhibit broadly similar characteristics. Examples include equities and bonds.

Bond – a bond is a security issued to investors by companies, governments and other organisations. In exchange for an upfront payment, an investor normally expects to receive a series of regular interest payments plus, at maturity, a final lump sum payment, typically equal to the amount invested originally, or this amount increased by reference to some index.

Buy-in – DB pension scheme trustees may choose to “buy-in” some of their scheme’s expected future benefit payments by purchasing a bulk (ie one covering many individuals) annuity contract with an insurance company. This allows the trustees to reduce their scheme’s risk by acquiring an asset (the annuity contract) whose cash flows are designed to meet ie “match” a specified set of benefit payments under the pension scheme. The contract is held by the trustees and responsibility for the benefit payments remains with the trustees. Common uses of buy-in arrangements have been to cover the payments associated with current pensioners or a subset of those members. Contracts to meet payments to members who are yet to become pensioners can also be purchased.

Buy-out – DB pension scheme trustees may choose to “buy-out” some or all of their scheme’s expected future benefit payments by purchasing a bulk (ie one covering many individuals) annuity contract from an insurance company. The insurer then becomes responsible for meeting pension benefits due to scheme members (effected ultimately by allocating to each scheme member an individual annuity contract). Following a full buy-out, (ie one covering all scheme members) and having discharged all of the trustees’ liabilities, the pension scheme would normally be wound up.

Carbon emissions - These refer to the release of carbon dioxide, or greenhouse gases more generally, into the atmosphere, for example from the burning of fossil fuels for power or transport purposes.

Carbon footprint – In an investment context, the total carbon dioxide or greenhouse gas emissions generated per amount invested (eg in £m) by an investment fund. Related definitions are used to apply the term to organisations, countries and individuals

Climate change mitigation – steps taken to limit climate change by reducing greenhouse gas emissions, for example by shifting to renewable sources of energy – such as solar and wind – and by using less energy and using it more efficiently.

Covenant – the ability and willingness of the sponsor to make up any shortfall between a DB scheme’s assets and the agreed funding target.

Credit – long-term debt issued by a company, also know as corporate bonds. Corporate bonds carry different levels of credit risk which is indicated by their rating and credit spread.

Defined Benefit (DB) – a pension scheme in which the primary pension benefit payable to a member is based on a defined formula, frequently linked to salary. The sponsor bears the risk that the value of the investments held under the scheme fall short of the amount needed to meet the benefits.

Debt – money borrowed by a company or government which normally must be repaid at some specified point in the future.

Environmental, social and governance (ESG) – an umbrella term that encompasses a wide range of factors that may have been overlooked in traditional investment approaches. Environmental considerations might include physical resource management, pollution prevention and greenhouse gas emissions. Social factors are likely to include workplace diversity, health and safety, and the company’s impact on its local community. Governance-related matters include executive compensation, board accountability and shareholder rights.

Equity – through purchase on either the primary market or the secondary market, company equity gives the purchaser part-ownership in that company and hence a share of its profits, typically received through the payment of dividends. Equity also entitles the holder to vote at shareholder meetings. Note that equity holders are entitled to dividends only after other obligations, such as interest payments to debt holders, are first paid. Unlike debt, equity is not normally contractually repayable.

Fossil fuels – fuels made from decomposing plants and animals, which are found in the Earth's crust. They contain carbon and hydrogen, which can be burned for energy. Coal, oil, and natural gas are examples of fossil fuels.

Funding position – a comparison of the value of assets with the value of liabilities for a DB pension scheme.

Appendix 5: Glossary of terms *(continued)*

Gilts – bonds issued by the UK government. They are called gilts as the bond certificates originally had a gilt edge to indicate their high quality and thus very low probability of default

Greenhouse gas (GHG) emissions– gases that have been and continue to be released into the Earth's atmosphere. Greenhouse gases trap radiation from the sun which subsequently heats the planet's surface (giving rise to the "greenhouse effect"). Carbon dioxide and methane are two of the most important greenhouse gases. See also Appendix 2.

Gross Domestic Product (GDP) – this is the value of all goods and services produced in a country over a given period, typically a year.

Investment mandate – see pooled mandate and segregated mandate

Integrated risk management – Integrated risk management is an approach used by DB pension scheme trustees to identify, manage and monitor the wide range of risks (relating to investment, funding and covenant) which might impact the chances of meeting their scheme's overall objectives.

Liabilities – obligations to make a payment in the future. An example of a liability is the pension benefit 'promise' made to DB pension scheme members, such as the series of cash payments made to members in retirement. The more distant the liability payment, the more difficult it often is to predict what it will actually be and hence what assets need to be held to meet it.

LDI (Liability Driven Investment) – an investment approach which focusses more than has traditionally been the case on matching the sensitivities of a DB pension scheme's assets to those of its underlying liabilities in response to changes in certain factors, most notably interest rate and inflation expectations.

Net Zero – this describes the situation in which total greenhouse gas emissions released into the atmosphere are equal to those removed. This can be considered at different levels, eg company, investor, country or global.

Paris Agreement – the Paris Agreement is an international treaty on climate change, adopted in 2015. It covers climate change mitigation, adaptation and finance. Its primary goal is to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.

Physical risk – these are climate-related risks that arise from changes in the climate itself. They include risks from more extreme storms and flooding, as well as rising temperatures and changing rainfall pattens.

Pooled mandate – a feature of a collective investment vehicle whereby an investor's money is aggregated (ie "pooled") with that of other investors to purchase assets. Investors are allotted a share of those assets in proportion to their contribution. Ownership is represented by the number of "units" allocated – eg if the asset pool is worth £1m and there are 1m units then each unit is worth £1. Pooled funds offer smaller investors an easy way to gain exposure to a wide range of investments, both within markets (eg by buying units in a UK equity fund) as well as across markets (eg by buying units in both a UK equity fund and a UK corporate bond fund).

Portfolio alignment metric – this measures how aligned a portfolio is with a transition to a world targeting a particular climate outcome, such as limiting temperature rises to well below 2°C, preferably to 1.5°C, as per the Paris Agreement. Assessments using these metrics consider companies' and governments' greenhouse gas (GHG) emissions reduction plans and likelihood of meeting them, rather than current, or the latest reported, GHG emissions.

Purchasing Power Parity (PPP) – the PPP is a theory of long-term equilibrium in exchange rates based on relative prices. For example, if the price of a basket of goods in the UK is £100 and the same basket costs $200 in the USA, then the PPP exchange rate would be £1:$2. The PPP rate and the actual market exchange rate can differ.

Responsible Investment (RI) – the process by which environmental, social and governance (ESG) issues are incorporated into the investment analysis and decision-making process, and into the oversight of investments companies through stewardship activities. It is motivated by financial considerations aiming to improve risk-adjusted returns.

Science-based targets – targets to reduce greenhouse gas emissions that are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement.

Scenario analysis – a tool for examining and evaluating different ways in which the future may unfold.

Scope 1, 2 and 3 – a classification of greenhouse gas emissions. See Appendix 2.

Segregated mandate – a segregated investment approach ensures that an investor's investments are held separately from those of other investors. This approach offers great flexibility – for example, the investor can stipulate the precise investment objective to be followed and can dictate which securities can or cannot be held.

Stakeholder – an individual or group that has an interest in any decision or activity of an organisation. The stakeholders of a company include its employees, customers, suppliers and shareholders.

Statutory obligations – statutory obligations are those obligations that do not arise out of a contract but are imposed by law.

Stewardship – stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. It is often implemented via engagement with investee companies and exercising voting rights.

Stranded assets – assets that have suffered an unanticipated loss of value before the end of their expected useful economic life. The term is most often