

The C&J Clark Pension Fund

Climate Change Report 2024

For the year ending 31 December 2024

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Introduction

The Trustee of the C&J Clark Pension Fund (hereinafter referred to as the “Trustee” and the “Fund,” respectively) presents its annual report under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the “Regulations”) for the year ended 31 December 2024. The principal employer of the Fund is C&J Clark (No.1) Limited (Company no. 3342369).

The Fund is subject to the requirement to produce disclosures in line with the recommendations of the Task Force on Climate Related Disclosures (TCFD), as transposed into UK law in 2021. The aim is to improve and increase reporting of climate-related financial risks and opportunities. The second report was conducted and published for C&J Clark Pension Fund in 2024 and can be found [here](#).

The Fund is comprised of two separate Sections: the first being the Fund's original assets and liabilities in the "CJC Section", comprising of Plan 35, Plan E and Plan 18. The second section is the former Clarks Flexible Pension Scheme merged into a newly created Section of the Fund which is called the "Flexible Section". Because the merger was implemented on a legally segregated basis, the assets and liabilities of each Section must be ring-fenced from the other Section, with no cross-subsidisation permitted between the Sections.

During the year, the Fund secured member benefits with bulk annuities culminating in the Fund fully insuring all benefits with Pension Insurance Corporation Plc. This means that the Fund will not be required to produce Climate Change reports in future. By purchasing the bulk annuity this has reduced the risk (including climate risks) of the Fund having insufficient assets to provide members' benefits as far as possible. Therefore the Trustee taken a pragmatic approach to producing this report. While the purpose of this report has historically been to inform future strategy, the bulk annuities are irreversible so no change to future strategy is possible.

In H2 2025, Plan 18 assets were also disinvested and held in cash so members had access to funds that invest in assets offering appropriate levels of liquidity so members can consider a WULS (winding-up lump sum) or a CETV (cash equivalent transfer value) ahead of Fund wind-up.

The TCFD framework requires disclosures in four broad categories:

- **Governance:** Activities around climate-related risks and opportunities.
- **Strategy:** the actual and potential impact of climate-related risks and opportunities on the strategy and financial plans of the Fund.
- **Risk management:** how the Fund identifies, assesses, and manages climate-related risks
- **Metrics and targets:** the metrics and targets used to assess and manage climate-related risks and opportunities

This report sets out the Fund's approach to compliance in each of these four areas

Figure 1. TCFD Framework



Section 1: Governance

The Trustee have identified climate change, alongside other Environmental, Social and Governance (ESG) factors, as important risks and opportunities which require sustained, long-term oversight and management. The Trustee has ultimate responsibility for setting the Fund's strategy, policies, and actions in this area.

The Trustee has delegated the day-to-day responsibility of ensuring that the established policy for monitoring climate-related risk and opportunities is integrated in the Trustee's investment strategy, risk management and decision making to the Investment Committee (IC). In December 2024, the Investment Committee merged with the Trustee board following the purchase of the bulk annuities culminating in the Fund fully insuring all benefits with Pension Insurance Corporation Plc (PIC).

During 2024, the Investment Committee was made up of a diverse board selected for their appropriate knowledge and skill. The IC's role was to oversee ongoing investment matters and between Trustee Board meetings, they operated to develop the Fund's investment and funding strategy on behalf of the Trustee. The IC met a minimum of four times in a business year or more frequently as required. During this time, they also liaised with the Company on matters relating to the investment strategy, funding, and covenant. These responsibilities, where appropriate, now sit with the Trustee Board.

The Trustee supervises the Fund's risk management framework while the Operations Committee reviews the Fund's Report and Financial Statement Accounts and other regulatory disclosures.

The previous duties that the IC managed to December 2024 are listed below:

- To propose and monitor the strategic investment objective.
- To propose and monitor individual managers' mandates in accordance with the strategic objective.
- To propose and monitor an appropriate default strategy and self-select funds for DC members.
- To consult with the Company (as required) on proposed updates and changes to the investment and funding strategy.
- To investigate and develop proposals and make recommendations to the full Trustee Board on strategic investment opportunities.
- To hold discussions with the Company on matters relating to funding and the covenant including discussions on the triennial valuation and Statutory Funding Objective and report back to the full Trustee Board.
- To act in extreme circumstances when necessary

The main parties that support the Trustee in implementing its policies in relation to climate change, sustainable investment and risk management more widely, are:

- **Investment consultant (WTW)** – Who helped the Trustee formulate investment beliefs and reflected these in the Fund's investment policies and strategy. The investment consultant also helped the Trustee with conducting scenario analysis, advises on how climate-related risks and opportunities might affect the Fund over the short, medium and long term and provides ad hoc specialist advice on a variety of pension matters, including risk management. Since the bulk annuity purchase, WTW continue to provide ongoing governance support to the Trustee.
- **Investment managers** – Responsible for managing climate change risks and opportunities within their mandates as per their guidelines. This included the selection of assets as well as the managers' stewardship activities. The Trustee received reporting on an annual basis to assess the

underlying managers' competencies. This provided an assessment of the managers' approach to ESG integration and stewardship activities as well as consideration of a balanced scorecard of climate metrics which provide insight into the managers' underlying exposures to climate change risks and opportunities. Additionally, the investment managers provided a range of climate specific data, such as greenhouse gas ("GHG") emissions, for the Fund and implement the policies related to climate-related financial disclosure as outlined in the Statement of Investment Principles (SIP). Now that the assets have been sold with the investment managers to purchase the bulk annuity, the Trustee expects PIC to provide the climate data to help implement policies as outlined in the SIP,

- **The Fund Actuary (Hymans Robertson LLP)** – The Trustee also takes advice from the Fund's Actuary Hymans Robertson LLP, who performs valuations of the Fund and who advises on how climate-related risks and opportunities might affect the Fund's funding position over the short, medium and long-term and the implications for the Fund's funding strategy.
- **The Covenant adviser (Penfida Limited London)** - The Covenant Adviser, who provides advice to the Trustee on the ability of the Sponsor to support the Fund assessing the financials of the business.

The Trustee has considered how sustainability and ESG factors should be taken into account in the selection, retention and realisation of long-term investments. This includes climate change which the Trustee recognise can present potentially material risks to the portfolio but could also potentially present new investment opportunities. The SIP also sets out the Trustee beliefs with regards to Sustainable Investments The Trustee reviews the SIP at least annually and without delay after any significant change in investment policy.

The key overarching investment policies are detailed in the Statement of Investment Principles (SIP) which can be found online at the following link:

<https://www.clarkspensions.co.uk/media/nrrpvhza/cjcpf-sip-november-2024.pdf> .

The IC had a specific objective for WTW as Investment Advisers relating to supporting the Fund when it comes to climate risk. The IC undertook a review of the Investment Consultant against this objective on an annual basis, with the last review carried out in November 2024. The IC was satisfied with the Investment Consultant's abilities, advice and training provisions against this objective. In March 2025, the Trustee agreed to a new set of objectives aligned with the post buy-in investment strategy. Given the nature of the assets and the aim for buy-out over a short time period, this objective has been removed.

The quarterly Trustee Board meetings provide an opportunity for the Trustee to receive updates on climate-related risks and opportunities and discuss output from the processes with relevant advisers, which remain appropriate for Plan 35. The sessions also provide a forum for open dialogue between the Trustee and its advisers and provide the opportunity to question or challenge information provided to the Trustee. The Trustee seeks to ensure an appropriate amount of time and resource is allocated to overseeing all risks and opportunities relevant to the Fund, including climate-related risk and opportunities. However, the Trustee also acknowledged that once a pension fund has purchased bulk annuities to cover the liabilities, the responsibility for meeting future pension payments is largely transferred to an insurance company through a bulk annuity contract. This significantly reduces the Fund's exposure to long-term financial risks, including those related to climate change. As a result, the direct impact of climate-related risks on the pension Fund itself diminishes, making such risks less relevant from the trustees' perspective, although they remain important for the insurer managing the liabilities.

The Trustee expects its appointed insurance policy provider to have integrated Sustainable Investment considerations (including climate change risks and opportunities) into their investment analysis and decision-making processes.

Section 2: Strategy

Context for investment strategy

The Trustee's strategic objective has historically been to secure the liabilities with an insurance company, and this was achieved Q4 2024.

In May 2022, the Trustee purchased a bulk annuity with PIC covering a portion of the CJC liabilities. In November 2024, the Trustee purchased an additional bulk annuity with PIC. Subject to any adjustments following data verification and as a result of GMP equalisation, this results in full insurance of the Fund's Plan 35, Plan E (CJC Section) and Flexible Section liabilities. Following data verification, the Trustee's ultimate objective is to convert the two insurance policies into a full "buy-out" contract, expected within c.2 years. Due to relative materiality, the majority of the analysis in the report focusses on buy-in and LDI (which together represent the vast majority of assets) held in the CJC Section and Flexible Section rather than Plan 18.

The Fund has an expected short-term time horizon and the CJC and Flexible Section assets are invested in a portfolio of low-risk assets consisting of bulk annuities with some residual assets held in gilts. Due to the nature of these assets, the Trustee is unable to change the investment strategy. The Trustee's view was that purchasing bulk annuities would provide the best way for the Fund to manage the various risks it faces, including the impacts of climate change.

Plan 18 is a Defined Contribution (DC) arrangement which previously offered members a range of lifestyle and self-select fund options covering a range of asset classes, including equities, bonds and property. These assets are held in pooled funds with the investment manager. The governance arrangements for Plan 18 assets were as described above, until the transition to cash in H2 2025. The size of the Plan is significantly smaller than the CJC and Flexible Sections.

Strategy

The Trustee is required to refresh the scenario analysis every three years to understand the Fund's resilience to climate change risk under the current investment strategy. In March 2025, WTW conducted scenario analysis as of December 2024 using a simplified approach, given the availability of information and reflecting the updated asset allocation. This analysis was conducted on the CJC Section and the Flexible Section. The DC Section was excluded from the scenario analysis, aligned to previous years, due to materiality, since the DC assets are significantly smaller than the wider DB assets. Due to the purchase of the bulk annuities, the responsibility for meeting future pension payments is largely transferred to an insurance company through the bulk annuity contract. This significantly reduces the Fund's exposure to long-term financial risks, including those related to climate change. The insurer assumes the investment and longevity risks and is subject to stringent regulatory capital requirements that already account for environmental, social, and governance (ESG) factors. As a result, the direct impact of climate-related risks and opportunities on the Fund itself diminishes, making such risks less relevant from the Trustee's perspective, although they remain important for the insurer managing the liabilities.

Climate Scenario Analysis

WTW carried out climate change scenario analysis on behalf of the Trustee for CJC Section and the Flexible Section. The Trustee has taken a pragmatic approach to the scenario analysis, given the availability of information and reflecting the recent full Fund buy-in. The aim of the analysis is to

support the Trustee to assess the potential effects of climate change on the Fund’s assets, liabilities and covenant.

Given the majority of the assets are held with PIC as part of producing the report, the Trustee have referred to the PIC TCFD report which can be found in the link below;

<https://www.pensioncorporation.com/content/dam/pic/corporate/documents/investors/-pic-and-picg-financial-results-and-reports/results/2024/PIC-climate-report-TCFD-2024.pdf.downloadasset.pdf>

The Trustee and WTW have looked at the impacts of a 1% change in government bond yields and what impact that might have on the residual assets held in gilt funds managed by BlackRock and Legal & General Investment management, and therefore the ability of the Trustee to meet future obligations such as meeting cash expenses and liability linked expenses. The impact of a 1% change in government bond yields on the assets is summarised below;

Table 2: Impact of a 1% change in government bond yields on the assets

	31 December 24 – Market Value	1% shock to gilt yields
C&J Section	16,236,198	1,833,400
Flexible Section	4,720,044	676,100

This table shows that for a 1% change in government bonds yields, the market value of the residual assets would change by +/-c£1.8m for the C&J Section and +/-c£700k for the Flexible Section. The Trustee uses this analysis to understand how sensitive the residual assets are to changes in government bond yields.

The purpose of scenario analysis is to help Trustees understand whether their funding and investment strategy is resilient to climate risks and opportunities and to encourage the right risk management actions. Although it is unclear if government bond yields would increase or decrease as a result of climate risk the Trustee can assess resilience by assessing how sensitive the residual assets are to these changes. Climate risk could lead to yield changes due to inflationary pressures or increased borrowing to fund the transition, potentially resulting in higher yields. Conversely, lower growth from transition costs might lead to lower yields.

Summary

The Trustee understands that the scenario analysis is indicative and is used to support wider discussions on climate risk. Based on the analysis the Trustee believes the assets outside the annuity contracts is resilient to climate risk.

Additionally, the Trustee recognised that scenario analysis alone cannot be the sole basis for assessing climate risk, and that appropriately assessing climate risk requires a multi-faceted approach. The Trustee will continue to engage with PIC as the bulk annuity provider on their approach to climate risk and engage with the Insurer.

Section 3: Risk Management

Risk management is of fundamental importance to pension management as all pension plans are exposed to multiple risks. Climate change is a risk and opportunity and therefore received attention as part of the ongoing risk management processes.

The Trustee looked to identify, assess and mitigate relevant risks, including those related to climate change, through its established governance structure detailed in Section 1. The risk register, which is maintained by the Trustee Board, included climate change as a specific risk during the year. This clearly detailed the size and likelihood of the risk, the controls in place and the actions the Trustee took to manage, mitigate, and exploit both this risk and opportunity. Although the Trustee retained ultimate ownership, the risk register clearly set out the parties that assisted the Trustee and Trustee responsibilities. The risk register is monitored on a quarterly basis and reviewed in-depth of relevant sections on a quarterly basis by the relevant sub-committees.

The climate change scenario analysis presented to the Trustee, and the PIC TCFD report, mentioned in Section 2, provided an overview of the potential impacts of climate change and how they may affect the Fund's funding strategy. This was an important risk management tool for a top-down risk and opportunity assessment.

During the year, the Trustee conducted an annual review of the Investment Managers and underlying investment manager policies, processes, and actions in the area of Sustainable Investment, which includes a focus on climate change. The Trustee delegated to the investment managers' stewardship activities such as the exercising of rights attaching to investments, including voting rights, and engagement with relevant persons about matters including ESG considerations. Whilst the Trustee's policy is to delegate a number of stewardship activities to the investment managers, the Trustee recognises that the responsibility for these activities remains with the Trustee. The Trustee had also identified the following stewardship priorities; climate change and human and labour rights and expected the investment managers cast votes on its behalf in a manner that is consistent with the agreements of the relationship and the Fund's SIP. These votes and engagements, related to Plan 18, were documented on an annual basis as part of the Fund's Implementation Statement.

The Fund Actuary, Hymans Robertson LLP, who performed actuarial valuations of the Fund and who advised on how variations in future experience compared with the assumptions adopted, supported the Trustee in factoring in climate risk as part of the 2023 valuation of the Fund liabilities

The Trustee also received quarterly updates from its covenant advisers as to the ability of the Sponsor to meet its obligations to the Fund. The Trustee looked to invite the Sponsor to at least one meeting a year, to discuss the Sponsor's business plans and used this opportunity to gain further information from the sponsor regarding its resilience to climate change, as required.

The Trustee has reviewed the 2024 Non-Financial and Sustainability Information Statement produced by the Sponsor and noted that while the Sponsor has not set formal climate-related targets, it has identified a range of climate-related risks through its Materiality Assessment and climate risk workshops. These include financial risks (e.g. supply chain costs, renewable energy transition), business interruption risks (e.g. extreme weather disrupting operations), reputational risks (e.g. inadequate climate response), and natural resource and social/community risks (e.g. environmental degradation and water use in manufacturing). Although the Sponsor has identified these risks the

insurer is effectively providing a second covenant to the Fund which is arguably stronger than that of the sponsoring company.

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Section 4: Metrics and Targets

Introduction and overview

A key facet of the monitoring and management of climate change is having good data on the Fund's exposure in this area. Although there are limitations with some of the metrics presented and the completeness of data, the Trustee believes that these can helpfully inform the Trustee of ongoing monitoring and management of the Fund. This is particularly prudent in this year's report due to the new de risked portfolio and that this will be the last TCFD report for the Fund. The Trustee considered metrics across the Sustainable Investment spectrum, but the focus within this statement is those in climate change. The metrics disclosed have been selected from the following categories:

- An absolute emissions metric
- An emissions intensity metric
- An alignment metric
- One additional climate change metric

It is also important to be clear which emissions are captured within the above metrics and therefore the Trustee has referred to the categories of emissions identified within the Kyoto Protocol. These are as follows:

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

Due to the nature of the emissions, scope 3 emissions are significantly more difficult to calculate than scope 1 or scope 2 emissions for any given entity. It is also the case that, for some assets, even scope 1 and scope 2 emissions are difficult to calculate. Scope 3 emissions are all indirect emissions (excluding emissions from the generation of purchased energy) that occur in the value chain of the reporting company, including both upstream and downstream emissions. There are significant challenges at present regarding the availability and consistency of Scope 3 emissions from corporates, where data is available this has largely been estimated. As this is a continuously evolving area, it is not expected that these would be incorporated into the Fund's target. The Fund has included Scope 3 emissions where data allows, in the below table. Please also note that due to the bulk annuities, the Fund now has a de risked portfolio meaning it is difficult to make a direct comparison between previous metric data reported.

Overview of analysis

The following metrics were selected by the Trustee with the following rationale:

The below analysis relates to the Main Section Plan 35, Plan E Fund, data for the Flexible Section, Plan 18 and AVC's have not been included due to their immateriality within the portfolio.

The following table details the rationale for choosing these metrics.

Table 3. Trustee Selected Climate Metrics

Metric	Definition	Rationale
Total Carbon Emissions (“tCO2e”)	An ‘absolute emissions’ metrics which gives a measure of carbon emissions attributable to the Fund. This is calculated in line with the Greenhouse Gas (GHG) protocol methodology and currently includes only Scope 1 and 2 emissions. The underlying emissions data has been sourced from MSCI and, in line with the protocol, includes all the major GHG gases with a conversion into carbon emissions equivalent quantities. The Trustee has used each entity’s enterprise value, including cash (EVIC) to attribute carbon emissions.	Determined by the regulator.
Carbon Footprint (tCO2e / \$ invested)	An ‘emissions intensity’ metric which gives a measure of how many equivalent tonnes of carbon emissions each million invested causes. This uses a comparable methodology as the total carbon emissions referenced above for underlying data and emissions attribution for companies.	It provides a direct measure of absolute emissions, which ultimately impact global outcomes and provides a simple comparable measure across portfolios of different sizes.
Percentage of assets with approved Science based targets (“SBTi”)	A ‘portfolio alignment’ metric which is a forward-looking measure of the percentage of assets with targets validated by the Science-Based Targets Initiative.	It provides a consistent verification of a company’s alignment to the Paris agreement.

<p>Climate Engagements (number of and % of overall engagements)</p>	<p>A non-emission based 'additional metric' which allows the Trustee to assess the extent to which an asset manager is engaging and/or voting on the topic of climate change.</p>	<p>This metric will enable the Trustee to monitor improvement in engagement levels over time and is an area of focus for the Trustee.</p>
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Output of the analysis – CJC Section

The below analysis is based on the assets as at end December 2024, previous reported metrics can be found in the appendix.

Table 4. Blackrock Emissions Data – residual CJC Section assets

As at 31 December 2024	Carbon Data	
Asset Class	Absolute emissions (tCO2e)	Footprint (tCO2e / £M invested)
Gilt portfolio	1,893	117

Table 5. PIC Emissions Data – bulk annuity contracts

As at 31 December 2024	Carbon Data				Alignment	Other
Asset Class	Absolute emissions (tCO2e)		Footprint (tCO2e / \$M invested)		Alignment with SBTs	Climate engagements*
	Scope 1 & 2	Scope 3	Scope 1 & 2	Scope 3		
Bulk annuity portfolio – Project Lime	18,727	43,915	78	183	25%	38%
Bulk annuity portfolio – Project Lemon	49,491	116,060				

Data Quality

Whilst the Trustee aims for 100% data quality for its underlying investments, it understands that there are limitations with data availability, particularly for private assets.

The Fund's Bulk Annuity provider, PIC, provided the data for the Fund's bulk annuity assets. The Scope 1 & 2 carbon footprint and carbon emissions data provided covers part of the portfolio and has been scaled up in order to provide final figures for 100% coverage of the footprint and emissions attributable to the Fund. Similarly, the Scope 3 carbon footprint has been scaled in the same way.

Trustee observations on the analysis

The Trustee acknowledges that, as this represents the Fund's final climate change report, the findings carry less strategic weight than in previous years. The Trustee notes that as the majority of assets are held in bulk annuities with PIC, climate risk has been transferred to the Insurer.

Targets

Previously, the Trustee had identified carbon footprint as the metric on which to set a target for the Plan 35, Plan E Fund. This target is to reduce the Fund's carbon footprint (scope 1 and 2 emissions) over the 8-year period to 2030 by 30%, which is the period by which the Trustee had the aim to purchase further Bulk Annuities. This was to be measured from the baseline of 31 December 2022. While there was strong progress made towards this target, the Fund is now compromised of buy-in annuities and LDI which are not included within the target.

Steps taken over the year to achieve targets

The Trustee had taken the following steps to help achieve the target outlined. These were in addition to the various other points referred to throughout this statement.

- Where relevant, the Trustee reviewed the voting and engagement activities of the Investment Managers (via the annual Implementation Statement) over the year and was comfortable with the activity being undertaken
- The underlying managers and Insurer have strong policies and processes in these areas which were reviewed annually by the Trustee
- Since the Fund purchased the bulk annuities, the Trustee recognises that there is little risk in allocation to higher risk investments.

Going forward

Since the Fund is progressing to buy-out and the majority of assets are held in bulk annuities the Trustee has no control of the emissions associated with the investments (insurance policies and gilts) and has effectively passed on the emission related risks to PIC.

Appendix

Metrics from the 2024 report - In reviewing the analysis, the Trustee considered the results in respect of each asset class within the Fund. This enabled comparison of the contribution of each asset class to the overall emissions, and footprint for the Fund. The below table shows the 'invested assets' which are assets where the emissions from these holdings can be directly affected by the Trustee's investments decisions as at end of December 2024

Some of the assets required the use of proxies to analyse the exposure due to availability of data.

Table 5. Climate Metrics Analysis of Invested Assets

As at 31 December 2023	Portfolio Asset Allocation		Carbon Data			Alignment		Other	
Asset Class	Weight	Weight excl. LDI & Bulk Annuity	Absolute emissions (tCO2e)		% of total emissions (ex LDI and Bulk Annuity)	Footprint (tCO2e / \$M invested)		Alignment with SBTs	Climate Engagements*
			Scope 1 & 2	Scope 3		Scope 1 & 2	Scope 3		
High Quality Credit	20.4%	49.1%	7,288	66,405	21.0%	35	320	34%	23
Secure Income Assets	7.9%	19.0%	4,837	11,327	13.9%	60	139	0%	61
Alternative Credit	13.3%	31.8%	22,600	37,165	65.1%	167	275	2%	2
LDI	33.2%	-	-	-	-	-	-	-	-
Bulk Annuity	25.1%	-	-	-	-	-	-	-	-
Total Portfolio***	100%	100%	34,725	114,896	100%	82	271	17%	N/A

* Climate engagements data sourced directly from investment managers where available. SIA data reflects Equitix's engagements only.

The breakdown of emissions for the Fund's bulk annuity and sovereign bond asset classes have not been included in the above table because emissions from these holdings cannot be directly affected by the Trustee's investment decisions (for example, through engagement or divestment). The Trustee has worked alongside its Bulk Annuity provider to obtain data for the Fund's bulk annuity assets

Table 7. PIC Emissions Data

As at 31 December 2023	Carbon Data				Alignment	Other
Asset Class	Absolute emissions (tCO2e)		Footprint (tCO2e / £M invested)		Alignment with SBTs	Climate engagements*
	Scope 1 & 2	Scope 3	Scope 1 & 2	Scope 3		
Bulk annuity portfolio	24,078	94,976	85.5	352.2	25%	74

*Climate engagements figures in brackets represent the % of total engagements that were climate related