Highlights of our climate change report

Santander

From the Trustee of the Santander (UK) Group Pension Scheme (the "Scheme")

Year to 31 March 2022

We would like to highlight the actions we have taken to manage climate-related risks and opportunities for the Scheme. This year, the Scheme had a regulatory obligation to publish a TCFD report (which stands for "Taskforce on Climate-related Financial Disclosures"). The full TCFD report contains very detailed information, as required by applicable regulations, in relation to our management of climate-related risks and opportunities for the Scheme. You can click here to access the full TCFD report.

What we've done (and why)

One of our core beliefs is that appropriate treatment of climate risks and opportunities related to the Scheme's investments is likely to improve outcomes for our members through better long-term returns and lower risk.

We have dedicated significant time and resources to create a strong foundation for the future to manage those risks and opportunities. Among other things, we have:

- **Established a Sustainability Committee** – responsible for maintaining the overall sustainability strategy for the Scheme (not only in relation to climate change) and able to dedicate the required time to consider and manage these issues thoroughly.
- **Appointed a specialist climate adviser** to support us.
- **Agreed where specific responsibilities for climate-related risks and opportunities will lie,** to ensure adequate management and oversight.
- Used various tools to help us understand the climate-related risks and opportunities to which the Scheme is exposed (see more on the right).
- **Explored and agreed a range of climate-specific investment beliefs and policies** which will inform our approach to investing in the future.

You can read more about our activities in the "**Governance**" section of the full TCFD report.

What we've learnt

We considered three different potential **climate change scenarios** and assessed their possible effect on the Scheme, which you can read more about in the "**Strategy**" section of the full TCFD report. The scenarios were:

Failed Transition	Paris Agreement goals not met; only currently existing climate policies are implemented
Paris Orderly	Paris Agreement goals met; rapid and effective climate action, with smooth financial markets reaction
Paris Disorderly	Same policy, climate and emissions outcomes as the Paris Orderly Transition, but financial markets are initially slow to react and then over-react

We found that the Scheme is expected to be relatively resilient to climate shocks under the scenarios modelled. Under the Paris Disorderly scenario, the Scheme's funding position could initially worsen, although it is expected to recover steadily from the initial shock in the following years. Whilst we acknowledge that forecasting such scenarios is challenging and the outcomes uncertain, we were encouraged by the results of this work.

We also analysed the ability of our **Sponsor** (Santander UK plc) to support the Scheme under these scenarios. Although the Failed Transition scenario had the most impact, overall the modelling gave comfort that our Sponsor was not particularly exposed to climate shocks.

Our work has helped us identify specific climate-related risks and opportunities which inform our actions to manage them going forward. You can read more in the "**Risk management**" section of the full TCFD report. For example we have considered how the Scheme's assets might be affected by negative investment market shocks linked to climate change. The Scheme's assets are already invested in a **well-diversified, risk-controlled investment strategy, but over the next few years we plan to reduce risk further,** so we will become even less exposed to market shocks.

We have started to collect some climate-related data for the Scheme's assets, on **total greenhouse gas emissions, carbon footprint,** and **science-based targets** (measuring the extent to which the Scheme's investments have targets to reduce their greenhouse gas emissions in line with the Paris Agreement goal). The data for the Scheme's assets at 31 December 2021 can be found in the full TCFD report on page 22.

What we are doing as a result

- We are incorporating climate-related risks and opportunities into our combined risk reporting, investment manager monitoring and ongoing assessments of our Sponsor's ability to support the Scheme.
- We will look for ways to invest in assets which have lower exposure to climate risks and are better positioned to take advantage of climate opportunities, focusing on the types of assets we expect to be holding in the long-term (such as corporate bonds).
- We have set a target to increase the proportion of the Scheme's investment grade credit holdings that have science-based targets, aiming to reach 60% of assets aligned to the Paris Agreement by by 31 December 2030.

We have set a target for the Scheme to achieve Net Zero greenhouse gas emissions by 2050 or sooner.

You can read more about this in the full TCFD report.

Definitions

Investment grade credit means corporate bonds which are viewed as having a low probability of default compared with other bonds.

Net Zero means that total greenhouse gas emissions released into the atmosphere are equal to those removed.

The **Paris Agreement** is an international treaty on climate change. Its primary goal is to limit global average temperature rises to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.