Sainsbury's Pension Scheme's net zero goal

The Trustee of the Sainsbury's Pension Scheme has for some time fully recognised the importance of its role in helping to tackle climate change. As part of its primary responsibilities, the Trustee considers all material risks that may affect its ability to pay pensions when making investment decisions and believes that the impact of, and potential responses to climate change, creates a material financial risk to the Scheme.

The approach that the Trustee has adopted as part of its ongoing process to deliver a net zero goal by 2050 is as follows:

- **Investment decisions based on new climate governance and reporting standards:** The Trustee has recently implemented new governance and reporting standards on climate-related risks, consistent with the Task Force on Climate-related Financial Disclosures (TCFD) standards. This enables the Trustee to have a detailed understanding of climate risk within the Scheme's investments and further consider climate risk when making investment decisions. This will guide and refine interim targets and milestones to measure progress towards the net zero goal. The Trustee encourages the improvement of disclosures across the corporate sector to assist with this process.

- **Engagement with corporates and government:** Given the maturity and strong funding position of the Sainsbury's Pension Scheme, our investment strategy is to provide high quality cashflows to meet benefit payments over time and the majority of portfolio assets are now invested in fixed income, or bond like assets, with a material allocation to UK gilts and high-quality corporate bonds. The Trustee strongly believes that active engagement is key to influencing the behavior of corporates and governments when they issue debt to ensure a better transition to a low-carbon world. If we do not see the desired outcome from this engagement, then we would consider divesting. The Trustee believes that all these measures are best achieved by working closely with our investment managers.

- **Maintaining outcomes-focused climate objectives in investments:** The Trustee recognises the deficiencies of market benchmarks. All of the Scheme's investments are actively managed and are structured to achieve outcomes that relate to the Scheme's own objectives rather than relative to a market benchmark. This structure ensures that the investment managers can fully reflect their assessment of ESG (including climate) risks when investing the Scheme's assets. In addition, core long term holdings, which account for the majority of assets, have been specifically structured with a longer term "buy & maintain" philosophy to encourage a greater emphasis on investing sustainably. The emissions intensity of these core portfolio holdings is c15% less than the markets in which the investment managers are permitted to invest.

- **Role of the Scheme's investment managers**: All the Scheme's investment managers have signed up to UN Principles of Responsible Investment and the majority are expected to have net zero targets or will have targets within the next 12 months aligned with the Paris Agreement. The vast majority of the Scheme's investment managers responsible for investing the Scheme's core holdings have already signed up to industry initiatives or have set targets which commit to net zero carbon emissions across portfolio assets by 2050 (or sooner).