Climate Risk Report

Scheme year 2024-25

Nationwide
Pension Fund

Foreword

A note from the Chair of the Investment and Funding Committee

Climate change is one of the most significant global threats to business, nature, and human life, and for the world to achieve net-zero, humanity must arguably undertake the greatest change management process ever conceived. This situation presents a diverse range of risks and opportunities to the Nationwide Pension Fund ("the Fund") which the Trustee aims to navigate successfully.

The early effects of climate change are already being felt across the world, with 2024 confirmed as the warmest on record[1]. Thousands of properties were destroyed as Los Angeles suffered wildfires, Storm Boris brought widespread flooding to Europe, West Africa experienced intense heatwaves, and in Namibia the government culled hundreds of wild animals to feed people because of food shortages caused by severe droughts. These events were made more likely, or more severe, because of how the climate has already changed.

With the Fund's assets invested in a broad selection of industries, companies, and properties across the globe, we must dedicate increasing time to monitoring these events and understanding if, and to what extent, they affect those investments.

Alongside being the warmest year on record, 2024 marked the first time that global warming exceeded the important milestone[2] of 1.5°C. Staying under this is regarded by the *Intergovernmental Panel on Climate Change* as the key for avoiding the worst effects of climate change, but with the world far away from achieving net-zero it should be expected that global temperatures will continue to rise, and that the effects of climate change will get worse.

While these effects are playing out, climate change and sustainability have become a political focal point. Most governments and businesses around the world are changing how they operate to reduce their contribution to climate change. Renewable energy produced over half of all UK energy in 2024, and an electric vehicle was the best-selling car model globally. The UK also announced it is targeting a green electric grid by 2030. However, the United States has begun reversing many environmental polices, vowing to increase fossil fuel production. These changes in legislation, operations, and consumer preferences can be slower to affect the Fund's investments than extreme weather events but could have a significant impact.

We are focussed on how these risks will materialise over the coming decade, as this period is critical to generating enough returns from investments to achieve the funding objective; having sufficient assets to fully secure all member benefits.

We are also aware of the role that investors can play in reducing the environmental impact of assets. This is why we have set climate change as one of the key priorities when engaging with our asset managers and have written to each of them setting clear expectations on this front. Although meaningful change takes time, this marks a step up in our efforts to influence and reduce those risks.

As existing investments begin to run down in the coming years there will be a need to replace them with new ones. This allows us to explicitly consider climate risk and ensure that any new investments are better aligned with the low-carbon economy that the world is heading towards, and that they are more resilient to the effects of climate change if the world does not achieve net-zero. With that in mind, we have also set a net-zero ambition for the Fund.

This course of action has been considered for many years, and we have concluded that it will help achieve our funding objective. It is an important step that demonstrates our commitment to long term sustainability and helping to secure a stable future for members to live in.

Overall, the year represents one where a lot of action has been taken and has laid the groundwork for coming years. We intend to use the year ahead to continue pushing for more complete reporting from asset managers, and to consider the options available to improve the energy efficiency of directly owned properties.

Finally, we understand that climate change is not only caused by greenhouse gas emissions, but changes to nature also play a part. As deforestation continues, or as oceans warm, there is less ability for carbon to be naturally removed from the atmosphere. As the effects of climate change increase, so will changes in the natural world. There is an increasing focus on how nature is being affected by different businesses, and how investors are funding these changes. We are considering how we can address this in future reporting to the Fund's members.

Mark Hedges
Chair of the Investment and Funding Committee
Nationwide Pension Fund Trustee Limited

[1] Nasa confirms 2024 warmest year on record.
[2] 2024 first to pass global warming limit.

Executive summary

The Fund consists of two separate sections, the Nationwide and the Cheshire & Derbyshire sections. The latter joined the Fund in 2010 following the merger of the Cheshire and Derbyshire Building Societies with the Nationwide Building Society. This report covers both sections and makes clear where any difference in approach is taken.

Strategy:

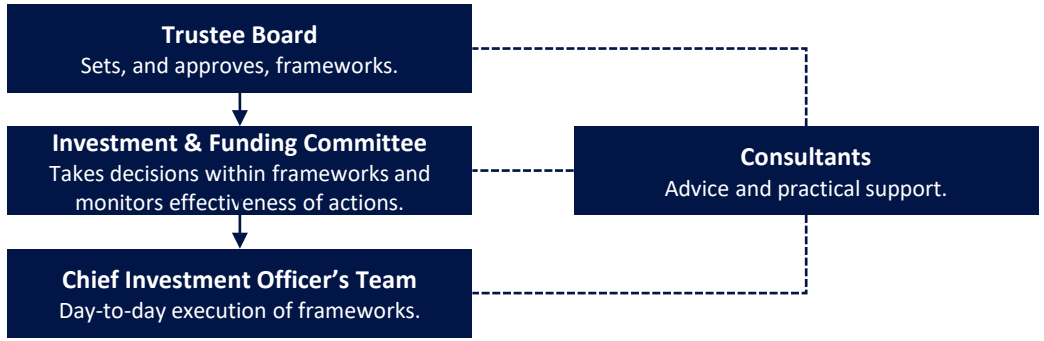
Delivering members' benefits as they are due is the Trustee's primary concern, which involves taking calculated risks and mitigating other risks. Climate change is a key risk, and our approach is to monitor how this may materialise across the short, medium, and long term and to continue developing the investment strategy to address it.

Our assessment shows that the current investment strategy is resilient, but that it can be adapted to better address transition risks without forgoing returns.

Governance:

Responsibility for monitoring and decision-making on matters related to climate change has been delegated to a sub-committee, with third-parties hired to provide practical support and specialised advice. Any actions taken by these are reported back to the Trustee Board regularly.

The Trustee Board makes investment strategy decisions, and the Investment & Funding Committee is responsible for implementing that strategy, including all environmental, social, and governance matters that could affect it. This includes the approach to assessing and reporting on climate risk.



Risk management:

A Climate Risk Management Framework has been developed to monitor physical and transition risks that are relevant to the investment strategy. The framework helps prioritise the risks that pose the most immediate or significant impact, and we review its effectiveness annually.

Over the year we have continued to develop a more structured approach towards engagement with asset managers. Through these efforts we aim to influence the approach they take towards asset ownership, encouraging them to improve energy efficiency and lower carbon emissions. This not only helps to reduce risks but has real-world benefit when trying to limit climate change.

Metrics and targets:

Monitoring the level of emissions generated by investments, and setting targets to reduce these, is an important part of understanding and reducing any potential risks. To this end, we have set a target to achieve net-zero by 2050 and to reduce emissions by 15% by 2030[3].

Overall, we have seen emissions levels decrease while intensity increased, with the intensity changing due to a fall in investment valuations caused by a substantial recent weakening of the US Dollar.

Carbon footprint: (tCO^2)

Total (2024/25)	Total (2023/24)
1,333,841	**1,354,893**

Emissions intensity: (tCO^2 per £1m invested)

Total (2024/25)	Total (2023/24)
312.4	**291.0**

Conclusion:

We have embedded robust methods to identify climate risks, with clear avenues of reporting to the Investment & Funding Committee and the Trustee Board, and although climate change is a concern, we have taken the appropriate steps to mitigate any impacts that the Fund may feel.

We are content with the change in reported carbon footprint and are confident this will fall in coming years as historic, high carbon emitting, investments naturally wind down.

[3] The calculation for emissions reductions is based on the carbon footprint used as the basis for the 2024 *Net-zero Transition Plan*, standing at 1,354,893 tCO^2.

Strategy

Delivering members' benefits as they are due is the Trustee's primary concern, which involves taking calculated risks and seizing opportunities to reduce those risks. Climate change is a key risk, and our approach is to monitor how this may materialise and adapt the investment strategy to address it.

A long-term objective has been set for reaching a point where there are sufficient assets to deliver member benefits with minimal chance of needing any support from the sponsor, Nationwide Building Society. Climate change has the potential to impact this in various ways. The severity of this impact is assessed against defined risk appetites on a regular basis, and where needed, action is taken to reduce the likelihood of this impact materialising.

By considering how climate change could affect this objective, we can take a pragmatic approach to making the investment strategy more resilient.

Time horizons:

Risks and opportunities are identified and assessed across a twenty-year horizon. The short-term mirrors formal valuation cycles, and covers the period where liabilities are least likely to differ from expectations. The long-term is where assets and liabilities are likely to see the greatest effects from climate change. As this extends beyond the current long-term funding objective the effects on the investment strategy should be minimised, and we aim to have sufficient assets to purchase an insurance policy guaranteeing the payment of all member benefits before then. The medium-term bridges the gap between these, covering a period where benefit payments will begin to peak and there may be the greatest effect on the investment strategy.

The Cheshire & Derbyshire section is exposed to risks to its investment strategy over a shorter period due to its stronger funding levels. This timeframe is limited to the short- and medium-term.

Short term	1 to 3 years, covering 2025 to 2027.
Medium term	4 to 10 years, covering 2028 to 2034.
Long term	11+ years, covering 2035 onwards.

Types of risk:

Risks are divided into two categories, depending on how they will manifest. To understand how funding objectives and the investment strategy may need to be adapted, it is important to consider both. This involves identifying how, when, and where they may cause an impact.

Physical risks

These will have a physical impact on people and assets, they can be further split into acute and chronic risks. Acute risks are extreme, localised, events such as flooding, storms, and wildfires. These already happen and are expected to become more frequent and severe over time. Chronic risks are persistent and gradual changes such as hotter temperatures, droughts, and rising sea levels. The impact of physical risks are already being seen across the world, but this is expected to significantly worsen over the long-term.

Transition risks

These will be brought about by changing consumer demands, technological advances, and the political response to climate change. Political responses aren't likely to occur in the short term, but may be more frequent and severe in the medium term as governments try to prevent the worse effects of climate change coming to bear. Some risks may be gradual and foreseeable, while others could cause sudden impacts.

Assessment

Understanding these risks involves two assessments. The first takes a theoretical look at what risks could arise, and what level of impact may be seen by different asset classes. The second involves scenario analysis that models the impact of certain risks, and looks at how assets, liabilities, and funding levels could be affected.

Investment strategy:

Our assessment shows that the current strategy is resilient, but as historic investments mature it can be adapted to further mitigate risk. The strategy will then take greater advantage of opportunities to invest in sustainable assets, while keeping funding objectives on track.

Potential climate risks

The Trustee considers the type and proportion of assets that could be affected by a particular risk, the level of any possible financial implications, and the likelihood of that risk materialising. If global efforts to slow climate change are not successful, then the probability of more drastic effects and responses increases over time. This has the potential to decrease asset values, increase liabilities, or even restrict our ability to effectively mitigate risks.

The current economic and political environment means we do not think it likely that there will be any concerted efforts to address climate change in the short-term, temporarily delaying transition risks. This introduces a potential cliff-edge in the medium-term, as governments and industries may make drastic moves to combat four years of inaction and legislation rollback.

Long-term, physical risks become more material. Although the consequences of these are already evident worldwide, they will become more pronounced over time as extreme events become less localised, more severe, and more frequent.

To minimise some of the potential impact, future investments into corporate debt will focus on companies best positioned to avoid transition risks. This may also be financially beneficial, as investors are likely to show greater demand for companies that manage these risks well.

The table below is not an exhaustive list but contains examples of the most likely or most impactful risks to the investment strategy and long-term funding objective.

Risk		Examples	Time horizon	Potential impact
Compliance	Transition	Relaxed or delayed regulation encourages companies to continue as normal, increasing the impact of eventual changes.	Medium-long	Medium
Carbon taxes	Transition	Expansion of carbon taxes leads to increased goods and services pricing, lowering demand and revenues.	Medium-long	Medium
	Transition	Levying taxes on financed emissions, directly impacting funding levels.	Medium-long	High
Regulations	Transition	Increasing minimum energy efficiency standards for properties increase costs, reduce demand, and lead to stranded assets.	Medium	Low
	Transition	Mandatory decreases in financed emissions to achieve net zero lead to forced asset sales and discounted prices.	Medium-long	High
Infrastructure	Physical	Extreme events damage transport routes, delaying supply routes and increasing costs.	Short-long	Medium
Real estate	Physical	Physical damage to property impacts asset values and leads to repair costs.	Short-long	Medium
	Physical	Rising sea levels and/or increasing temperatures cause inhospitable areas, leading to stranded assets.	Medium-long	Low
Resource scarcity	Physical	Ability to produce goods and materials, such as food, is reduced causing inflationary pressure and increasing liabilities.	Medium-long	Low
	Transition	Restrictions on production methods with high emissions hamper revenue and profitability.	Medium-long	Low
Technological	Transition	Increases in renewable energy production lowers demand for fossil fuels, reducing revenues.	Medium-long	Low
Market	Transition	Investor and consumer attitudes towards companies with high impacts on the climate worsen, affecting asset values.	Short-long	Medium
	Both	Insurance companies' assets and liabilities are adversely affected, reducing appetite to underwrite new business.	Medium-long	High

Potential impacts

Once the most likely or impactful risks have been identified, each investment is assessed to understand how exposed it may be to them. By considering the geography, industry, and business model of these assets we can determine a risk rating. These are then aggregated to provide an overall rating which provides a high-level overview of when, where, and how severely climate change may affect each asset class[4].

The table below notes the time horizons over which the highest levels of risk may be seen. Where this assessment highlights a high level of risk during the expected timeframe an investment will be held, potential actions to reduce that risk are discussed. Compared to last year we see transition risks being less likely in the short term, but physical risks being higher, and long term we assume there are more severe physical and transition risks.

Fixed income and private credit:

Over longer timeframes the ability of debtors to repay loans could be affected by changes to the global economy. With some debt linked to physical assets, any damage to those introduces risk as it can affect revenues or erode the value of any security pledged against the loans. However, most lending is conducted over short timeframes, which mitigates our concern.

Infrastructure:

Reliance on physical assets increases risks over the medium to long term, while businesses that are reliant on high emitting industries (such as aviation) are more susceptible to technological advances or policy changes that affect their clients over time.

Private and public equity:

Many companies have increasingly complex supply chains, which will be increasingly impacted over time. Regardless of size, all companies may face disruptions, but given public equities include truly globalised companies, it is assumed these are at higher risk.

Companies with the greatest negative impact on climate will likely face the strongest policy responses and legal challenges, while changes in public perception and market appetite may add significant volatility to business models and equity values. Although not climate related, this is evidenced by looking at Tesla, and how its CEO's political involvement has negatively affected market sentiment towards the company.

Property:

Faces the greatest risks from policy changes which could restrict the usage of commercial properties with a high environmental impact and poor energy efficiency, which may reduce market demand for these assets. It is the only asset class with a high risk rating during a period where we are still likely to hold the assets; we are exploring how this risk can be reduced.

Sovereign bonds:

The main risk is that climate change, and the fiscal policies required to address it, have an inflationary impact. This may increase the cost and level of government borrowing and reduce the attractiveness of Gilts.

Risks		Fixed income	Infrastructure	Private credit	Private equity	Property	Public equity	Sovereign bonds
Physical	Acute		Medium – long	Medium – long	Long	Medium – long	Long	
	Chronic		Medium – long	Medium – long	Long	Medium – long	Long	Medium - long
Transitional	Policy and legal	Long	Long	Long	Long	Long	Long	Medium – long
	Technology	Long	Medium – long	Medium – long	Medium – long	Short - long	Medium - long	
	Market	Long	Long	Medium – long	Medium – long	Medium - long	Medium – long	Medium – long
	Reputation	Long		Long	Medium - long	Medium - long	Medium - long	Long

[4] A summary of the characteristics and holdings of each asset class is provided in the appendix.

Scenario analysis

Scenario analysis is used by the Trustee to model the potential impact of climate change on assets and liabilities. By producing clear, quantified, results it can help to inform the decisions that are made to mitigate these risks. To do this, multiple scenarios are designed based on how the effects of climate change may manifest, and by setting assumptions on how the global political response will develop and how financial markets may react. Once the scenarios have been run, they can provide a better understanding of any financial implications, and these are integrated into our decision-making processes.

Limitations:

Modelling is a widely used tool but with no previous experience to help shape the scenarios, there are key limitations to this process which need to be acknowledged. These include:

- Any assumptions made about the form, timing, or severity of climate risks is unlikely to match the reality of how events develop.
- Financial analysis assumes rational market responses to events, usually based on observable reactions to historic events. There is no previous occurrence to use as a baseline, and any responses may be influenced by changing social norms, cultural values and political will.
- Climate change impact will not fully materialise in a short period of time, instead extending beyond the timeframes typically covered by financial models. As a result, analysis may significantly underestimate the true impacts the further forward it looks.
- Modelling focuses on the effect that macroeconomic factors have on asset classes; it does not model how climate risks may impact specific Fund assets themselves.

2024-25 approach:

Running scenario analysis is a costly, and time intensive, process. It provides the greatest benefit if the investment portfolio or strategy has changed, or if there have been enhancements to the models. This may then provide different results to previous analysis, and lead to discussions on whether action is needed.

As the funding levels, investment portfolio, and strategy have not changed materially, we have chosen not to run a new analysis this year, as previous modelling is still appropriate to use. A summary of the scenarios and the assumptions they are based on is provided in the appendix.

Modelled impact on the funding level (2022-23)

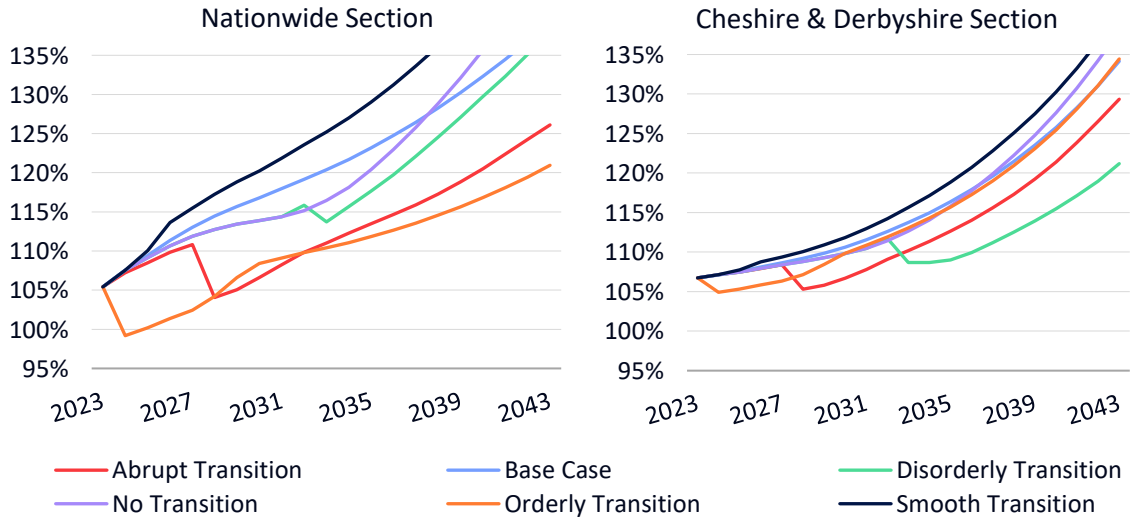
When looking at the Low Dependency basis, the Nationwide Section shows a high level of climate resilience, and the Cheshire & Derbyshire Section has a relatively narrow range of impact due to its low-risk starting position.

Nationwide Section:

The current investment strategy incorporates a diverse range of assets and implements high levels of hedging to reduce volatility. The private markets investments are the most likely to suffer valuation changes, but as no new allocations are expected to be made, the impact is greatest in the *Orderly* and *Abrupt Transition* scenarios. In the worst case, funding levels deteriorate to c.99% before recovering, and funding objectives are still achieved on time.

Cheshire & Derbyshire Section:

The investment risk gradually increases as the annuity policy steadily decreases, causing impacts to be more material in later years, such as in the *Disorderly Transition* scenario. In the worst case, funding levels deteriorate to c.104% before recovering.



Graphs provided by Aon Investments Limited.

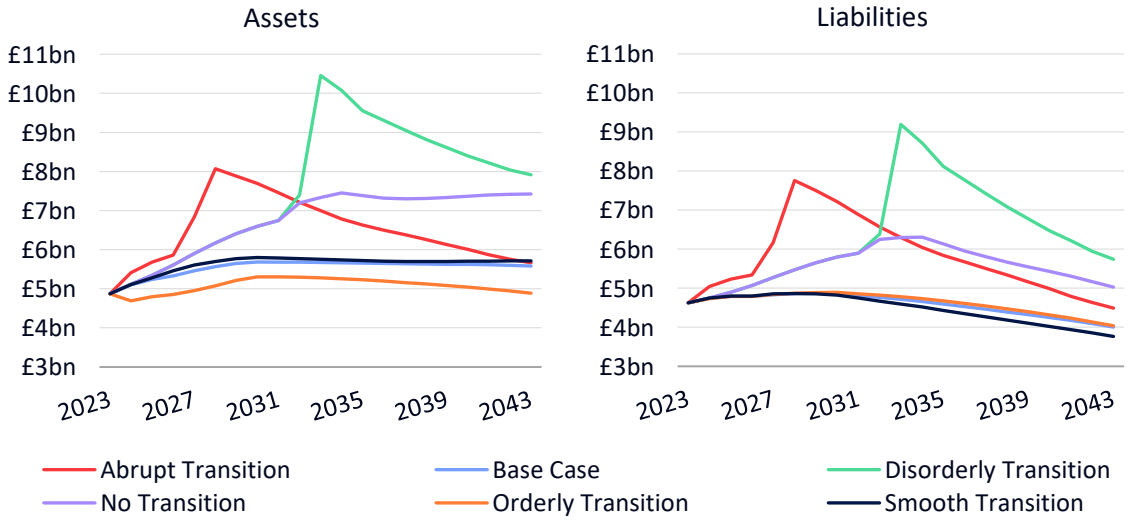
Modelled impact on the Nationwide Section (2022-23)

Liabilities are expected to increase over the next decade before beginning to steadily decrease over time. Assets are also expected to increase over this period, as existing return seeking investments are allowed to naturally run down and crystalise growth.

The impact felt in each scenario differs, with some showing more pronounced effects, but these are largely negated due to the high levels of hedging in place. However, overall funding levels deteriorate in the *Orderly*, *Disorderly*, and *Abrupt Transition* scenarios.

The largest impact occurs in the *Disorderly Transition* scenario, as it assumes there is a sharp fall in Gilt yields in ten years' time. In this scenario, the economic backdrop weakens due to climate-related costs. The liabilities significantly increase, but this is offset by a larger increase in the value of assets. Hedging is a key mitigant to funding volatility in this situation.

The *Abrupt Transition* scenario is the only one in which the sponsor covenant may be severely impacted, due to the sharp introduction of high carbon taxes. With the Society's current level of emissions, this could add significant costs; however, this occurs at a point where funding levels have recovered, and it is very unlikely support would be expected from the Society.



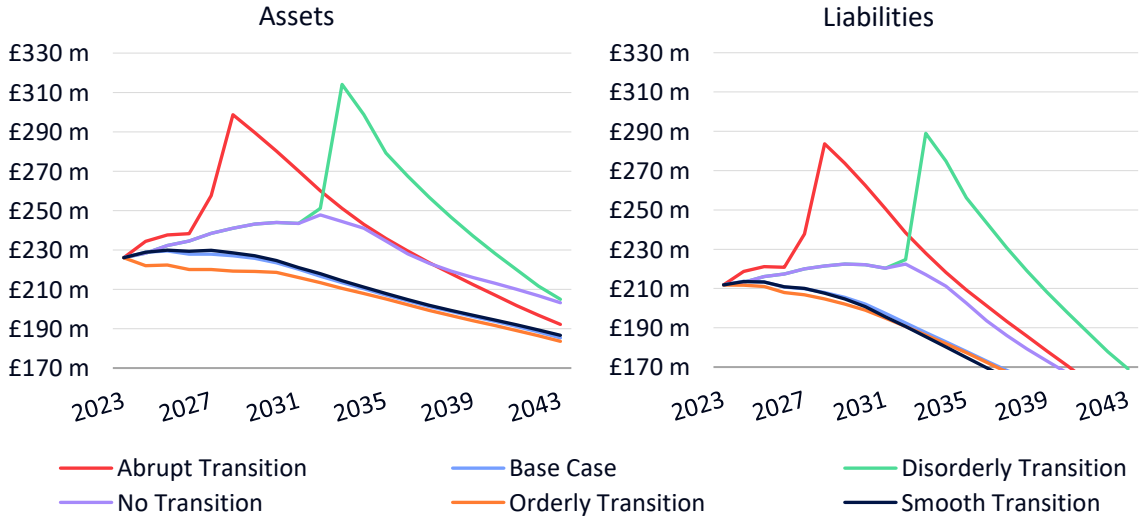
Modelled impact on the Cheshire & Derbyshire Section (2022-23)

Liabilities are projected to fall over the next two decades as this is already a relatively mature Section. Assets are also expected to fall over this period, as an annuity policy with Canada Life reduces in line with the liabilities that it was purchased to match.

The investment strategy has a lower allocation to return seeking assets than the Nationwide Section, as it has stronger funding levels today. With growth assets thought to be the most likely to suffer the impacts of climate change, the Cheshire & Derbyshire Section is less vulnerable to these.

The largest impact is seen in the *Disorderly Transition* scenario, again due to a sharp fall in Gilt yields. As there are high levels of hedging in place this is a largely mechanical impact, as an increase is seen in the value of assets which offsets the change in liabilities.

With funding levels not dropping below 100% at any point, any impact on the sponsor covenant is immaterial, as no support from the Society would be needed.



Graphs provided by Aon Investments Limited.

Sponsor risk

Each year an assessment of Nationwide Building Society's ability to support the Fund is carried out, this includes its resilience to climate change and other sustainability factors. However, with strong funding levels and the Society no longer making financial contributions, there is lower reliance on the sponsor than previously.

To understand how material these risks may be, the Trustee assesses the Society's approach to addressing them. This involves reviewing its overall strategy, the actions it is taking, and the results of its scenario analysis. Senior representatives also attend covenant sessions, allowing us to question how it views and responds to potentially material risks.

Potential risks:

There are a range of physical and transitional risks which could affect the Society. It is difficult to state with any certainty the form, timeframes, or severity of these risks, and the potential political responses to them. These could include:

- Increased flooding, severe storms, or rising sea levels might damage properties that have been borrowed against or increase mortgage defaults. This could also create wider problems with housing supply, increasing the cost of purchasing or renting properties.
- Requirements to buy carbon offsets or pay carbon taxes could add substantial costs.
- Tightening minimum energy efficiency standards for domestic properties could impact lending levels and profitability.

Climate strategy:

The Society's strategy supports the UK's ambition to achieve a net-zero future and centres around six pillars, which focus on the products offered to customers, its operations, and the influence it can exert as a large UK financial institution. In 2022, it published its *Intermediate Net Zero Ambitions*[5] which set targets for emission reductions by 2030, and an ambition to achieve net-zero by 2050.

These targets have been set in accordance with the methodologies of the *Science Based Targets Initiative* where feasible, which demonstrates an earnest approach in line with what climate science has determined will help to prevent the worst effects of climate change. This results in challenging reduction targets.

The Society's *Intermediate (by 2030) net-zero Transition Plan*[6] provides greater detail on how the target 2030 emission reductions will be delivered, and the most recent *Climate-related Financial Disclosures*[7], which is the first since the Society's acquisition of Virgin Money was completed, provide updates on the progress made, challenges faced, and actions that can be taken going forwards.

Progress towards net-zero:

Achieving net-zero is a key step towards reducing the impact of transition risks and the Society has made good progress across some measures, with notable reductions in Scope 1 & 2 emissions. However, reducing Scope 3 emissions is more challenging as these mainly relate to mortgage lending and rely on government intervention.

Reducing emissions in UK housing stock will require a collaborative retrofitting effort, at significant cost, and the decarbonisation of the electricity grid. This will require significant government intervention and is not something the Society can finance.

Scenario analysis:

The Society has published two climate scenarios in its disclosures, which assume the UK's net-zero ambitions are achieved by 2050. These include an assessment of heightened physical risks on the mortgage book and focus on the potential impacts to expected credit losses. Both scenarios conclude that the business model has a high level of resilience to climate change.

Conclusion:

Our assessment shows the Society does face risks from climate change, and significant challenges in achieving its net-zero ambitions, due to factors outside the Society's control. However, regardless of achieving these aims, many risks can be effectively mitigated against.

These risks are also not likely to cause significant issues during the period where the Fund may have a reliance on the sponsor, especially as the Society continues to hold capital and liquidity reserves which protect it against severe idiosyncratic or systemic shocks.

[5] Intermediate Net Zero Ambitions 2022 | Nationwide
[6] Intermediate (by 2030) net-zero-aligned Transition Plan 2023 | Nationwide
[7] Climate-related Financial Disclosures 2025 | Nationwide

Opportunities

Climate change also offers a diverse range of opportunities, presenting new investment approaches, greater education, and clearer understanding of risks. These are regularly monitored by the Trustee and explored in depth where appropriate.

With healthy funding levels and a portfolio of assets expected to deliver strong returns, there has been little need to source new investments over the year. However, a lot of time and effort has gone towards exploring these opportunities, and some key actions have been taken.

Fixed income:

There is a need to begin building two new portfolios of fixed income assets in the short-term, one covering asset-backed securities and another covering corporate debt. The allocation to corporate debt presents the clearest opportunity to adopt a new investment approach. A framework has been developed which aims to ensure this portfolio credibly decarbonises over time. This portfolio will also favour investments into companies with sustainable business models and avoid those with the greatest negative contribution to climate change.

Designing this involved collaboration with various asset managers and our Investment Consultant, and the final framework represents a way of generating sufficient returns while minimising the potential impact of transition risks.

Further detail is available in the *Net Zero Transition Plan*[8]. An executive summary is available on the Fund website, and scheme members can request a copy of the full document.

Private markets:

In the medium-term there may be a need to source a small portion of less liquid assets to help maintain returns. This could offer a chance to invest in businesses and models that are aligned with net-zero or offer sustainable solutions to climate change.

During the past year we have seen various investment opportunities that align with these objectives, including those focussed on:

- Regenerative agriculture, increasing biodiversity and crop yields.
- Carbon offset generation through ecosystem regeneration.
- Renewable energy production and storage.

Longevity swaps:

If pension benefits need to be paid for longer than expected, there is a risk that assets need to generate higher levels of return in the long term to compensate. With climate change, milder winters in the UK may reduce the severity of seasonal viruses, increasing this risk.

Longevity swaps mitigate this risk, with any pension payments due beyond the expected timeframes covered by an insurer. A transaction covering roughly a third of members in the Nationwide Section was completed in 2023 and the possibility of sourcing additional cover is kept under regular review.

Scenario analysis:

Developments in modelling continue to be of particular interest, especially where they may begin to incorporate scientific narratives or quantify the impact on specific assets. We expect these to keep evolving, and as we will need to refresh our scenario analysis for the next Climate Risk Report, this will be explored in depth during the year.

Legal and regulatory developments:

As new disclosure requirements are formalised, the breadth and depth of information reported by asset managers on underlying investments increases. This allows us to better understand the impacts investments have on the climate, but also the risks they face. During the year we wrote to all asset managers setting clear expectations for them to provide emissions data and climate impact assessments.

Conferences and training:

The availability of structured education and conferences on climate change, and how to adapt investment strategies, continues to increase. These are of particular importance to the Chief Investment Officer's team. During the year, a new member was recruited to the team who has the CFA *Sustainable Investing certificate*, and an existing member of the team was sponsored and successfully completed the course.

New courses and conferences are monitored and discussed as continuing development opportunities for Trustee Directors and the Chief Investment Officer's team.

[8] Net-zero Transition Plan

Governance

Governance approach

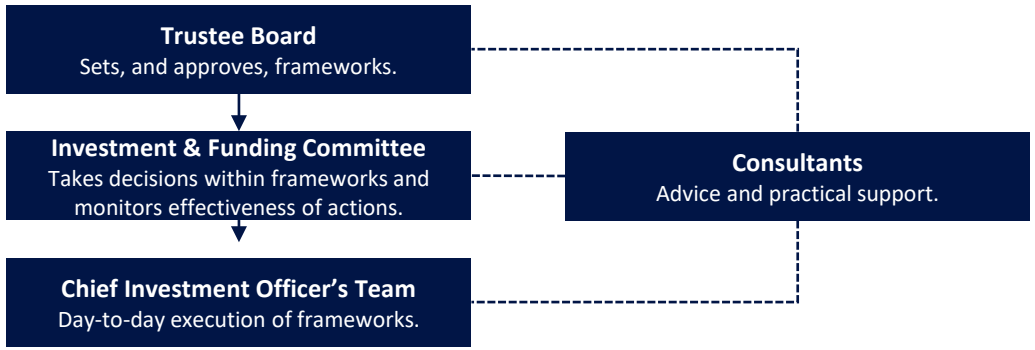
Responsibility for monitoring and decision-making on matters related to climate change have been delegated to a sub-committee, with third-parties hired to provide practical support and specialised advice. Any actions taken by these are reported back to the Trustee Board regularly.

Each level of governance plays an important role in the approach to climate change, with autonomy granted where it is appropriate. Regular reporting is then provided to the Board and committees as needed, so that actions and outcomes can be challenged. The performance of third parties is assessed annually, including their ability and effectiveness to consider climate-related risks in the work they have provided.

Trustee Board:

The Trustee Board is responsible for overseeing all strategic and scheme-wide decision making but responsibility for delivering the investment strategy and achieving funding objectives has been delegated to the Investment and Funding Committee. All regulatory reporting and strategic documents are presented to the Board, offering the opportunity to review decisions made by the Investment and Funding Committee. This includes the *Climate Risk Report* and the *Net Zero Transition Plan.* The power to approve certain documents, such as the *Statement of Investment Principles*[9,10] (which includes the *Responsible Investing*[11] policy) has been retained by the Board, ensuring the Trustee can challenge any changes as needed.

The Board meets quarterly and has two scheduled training days per year. During the year it has received training on net-zero, and how advisers view the potential impacts of climate change.



Investment and Funding Committee:

The Trustee Board makes decisions about our investment strategy and the Committee is responsible for implementing that strategy, by approving new investment activity, monitoring the performance of existing investments, and looking at how risks can be managed. The Committee is also responsible for all environmental, social, and governance matters that could affect these objectives, which includes the approach to assessing and reporting on climate risk. The Committee is supported by a variety of third-parties to achieve this.

All recommendations regarding climate risks are presented by the Chief Investment Officer's team or the Investment Consultant for consideration and approval, alongside reporting on how previous decisions have been implemented. The Committee is also responsible for reviewing and approving regulatory reporting (such as the *Climate Risk Report*) and monitoring the approach of all third parties regarding climate-related risks.

The Committee meets quarterly, and during the year has received training and updates on net-zero, transition planning, and new regulatory climate policies. It has also written to each asset manager explaining that climate change is a key stewardship priority and set expectations on the level of detail and reporting provided by them going forwards.

Climate-related risks are discussed at each meeting during risk and horizon scanning sessions. The time spent on this varies depending on developments, and whether work is needed in response. However, as the Committee considered the merits of setting a net-zero ambition this year, a significant amount of time was dedicated to these proposals. Achieving emissions reductions will require current operations to be adapted, and the Committee robustly challenged the proposals to understand the benefits and impacts before it approved the net-zero ambition.

Actuarial and covenant advice:

Assessing climate risk also requires monitoring the potential impact on the Society and funding level projections. These are covered on pages 12 and 16, respectively.

Any actuarial or covenant advice is presented to the Investment and Funding Committee for challenge before being presented to the Trustee Board for final consideration, and approval if required.

[9] Statement of Investment Principles (Nationwide Section)
[10] Statement of Investment Principles (Cheshire & Derbyshire Section)
[11] Responsible Investing policy

Third parties

A range of third parties are used to provide practical support and expert knowledge. To be confident that these suppliers can deliver the support needed, we assess their credentials, net-zero alignment, and performance each year.

Any recommendations or advice provided is considered, questioned, and challenged, as necessary by the Trustee. Once decisions have been made, these third parties can then act autonomously, but within clear boundaries, to deliver that work efficiently. The *Net-zero Transition Plan* proposals were extensively challenged throughout the year, as we ensured it was achievable, would help reduce risk, and still deliver the financial returns needed.

Chief Investment Officer's team:

Delivers the day-to-day execution of the *Responsible Investing* policy, the *Climate Risk Management Framework,* and the *Net Zero Transition Plan*. It also draws on advice from the Investment Consultant to facilitate recommendations to the Trustee and oversees the relationship with all asset managers.

The team is dedicated full time to the Fund and contains a mixture of experienced treasury and investment professionals. It also includes a member of staff focussed on environmental, social, and governance issues, allowing them to dedicate attention to climate risks and reporting. As Nationwide Building Society employees, the team is required to complete individual performance reviews annually, undertake regular training, and are expected to own their professional development. During the year team members have dedicated a notable amount of time attending conferences and seminars on net-zero, sustainability, and responsible investing.

There is regular conversation between trustee directors and the Chief Investment Officer, monthly reporting provided to the Investment and Funding Committee, and to the quarterly Board and committee meetings to oversee the work undertaken by the team.

Covenant advisor:

Assesses the strength of the sponsor covenant on a triennial basis, and provides input on more frequent monitoring, including the climate covenant assessment.

Our advisor was appointed during the scheme year following a market tender, during which they clearly demonstrated how environmental issues are built into their covenant reviews.

Investment Consultant:

Provides advice on all existing and potential investments, strategic asset allocations, and timeframes for achieving long term funding objectives. They attend all committee meetings, and as one of the foremost investment consultants in the UK, there are teams dedicated to stewardship and responsible investments which help to inform our decision making. One of the key advisors to the Fund is the UK Head of Responsible Investment.

They have made commitments to achieve net-zero by 2030, which have been validated by the *Science Based Targets Initiative* and collaborates with various initiatives. This assures us that they have the knowledge and intent to consider climate change thoroughly when providing advice.

Clear performance objectives are set annually and assessed half-yearly, with feedback provided as needed. These objectives include ones focussed on the quality of advice provided, which includes climate risks.

Actuary:

Forecasts future funding levels by accounting for all material factors when calculating the present-day value of assets and liabilities. As they work for the same company providing investment consultancy work, we are comfortable that climate factors are considered appropriately in their estimates.

Legal advisor:

Provides counsel on a range of matters, including how environmental factors should be considered in the investment strategy.

As one of the UK's premier specialist pension law firms, they are well placed to provide this advice. Our advisory teams includes the chair of the Pensions Climate Risk Industry Group, who is seen as a leading industry figure on these matters.

Risk management

A Climate Risk Management Framework has been developed to monitor the risks that are relevant to the investment strategy. This is integrated into the Trustee's overall approach to risk management and helps us prioritise those risks that pose the most immediate or significant impact.

The Investment and Funding Committee is responsible for reviewing and approving the framework, while the Chief Investment Officer's team carries out the day-to-day work and assessments it describes. Updates on developments are provided at all committee meetings during wider risk sessions, and this regular discussion keeps a focus on climate-related risks through the year. The Committee reviews how effectively the framework has been implemented, and whether further action or controls are needed, every year. This review will also form part of the Fund's triennial Own Risk Assessment, which assesses the effectiveness of all risk management and governance processes, not just the climate-related ones.

There are also larger, less frequent, exercises which are used to help identify and address risks. Some, such as scenario analysis and the sponsor covenant, have been discussed already. Individually, each is useful, but when combined they provide a clear picture of the risks facing the Fund. A selection of the other processes we use are summarised below:

Process	Output
Annual due diligence	This requests disclosures and reporting from all asset managers, across all environmental, social, and governance concerns. Manager responses are assessed and rated. We then communicate the overall findings, including patterns of weak approaches, to all managers.
New investment approvals	All new investment proposals contain an assessment of the environmental, social, and governance merits of both the investment approach and the asset manager. As we have set a net-zero ambition, there is also consideration of how it aligns to that aim.
Engagement	Each month the Chief Investment Officer's team review any new sustainability reporting that has been provided by asset managers, which includes environmental issues. Feedback and challenge is then provided as appropriate, especially around climate change and emissions reporting.

Prioritisation:

We have prioritised several risks over the past year due to the findings from these assessments:

- Targets to reduce emissions have been set, and the *Net Zero Transition Plan* details how this will be achieved. This pays particular focus to private market and fixed income assets, as companies are highly likely to be impacted by any wider implementation of carbon taxes.
- Set stewardship priorities around climate change, emissions reporting, and modern slavery. These have all been communicated with asset managers.
- Engaged with our UK property managers on EPC rating improvement plans, as Minimum Energy Efficiency Standards are expected to be tightened by 2030, which will prevent poorly rated properties being let out.

Stewardship:

Over the year we have continued to develop a more structured approach towards engagement; reviewing reporting against clear criteria, and with a strong focus on the stewardship priorities.

Through targeted engagement with asset managers, we can try and influence the approach they take towards asset ownership, encouraging them to improve energy efficiency and lower carbon emissions. This not only helps to reduce transition risks, and progresses our emission reduction targets, but has a real-world benefit when trying to limit climate change.

The following page provides some case studies of assets that have undergone notable improvements in environmental impact, or that support the global transition to net-zero.

Most conversations with asset managers have focussed on their efforts to obtain emissions data from underlying assets. However, we have also pushed for managers to develop their own risk analysis further and begin quantifying *Climate Value at Risk*, so that we can understand the potential value loss these assets face.

We know that this engagement can work. We are aware of an instance where the letter communicating the stewardship priorities was shared at the executive level of an investment firm, leading to a firm-wide review of their approaches and documentation.

Case studies: Fund assets

Electric vehicle infrastructure (Tiger Infrastructure Partners)

The freedom and convenience provided by personal transport is embedded in how we live, however; it is also responsible for c.10% of global emissions[12]. The shift away from combustion engines to electric vehicles is underway, but without the critical infrastructure to enable this shift, it will take longer for electric vehicles to become the norm.

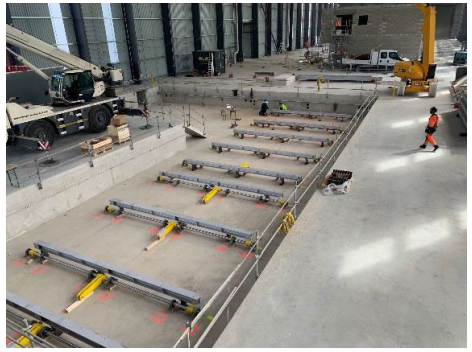
This company develops, owns, and operates on-street charging facilities. Since 2021, it has profitably scaled from c.400 charging points to nearly 20,000 across Europe, including the United Kingdom.

These charging points are supplied with renewable energy, avoiding emissions that can still be caused through electricity supply, and to-date the company has helped facilitate the avoidance of over 46,000 tonnes of carbon emissions.

Decarbonising the aluminium industry (OpenGate Capital Partners)

Aluminium is a versatile metal, widely used in various industries like construction, packaging, electronics, and household goods. However, the production of aluminium has doubled since 2000, and is responsible for 3% of global emissions every year[13].

Having developed a new production process, this company will help to reduce those emissions.



It recycles scrap and waste aluminium to produce new aluminium billets, which can then be used by various industries, but produces only a third of the emissions.

Not only does this set a higher, cleaner, bar for the sector, but it also uses less energy, less water, and avoids scrap aluminium from ending up in landfill.

The facilities are under construction and expected to begin casting in Q4 2025, when it will begin producing 80,000 tonnes of low carbon aluminium per year.

Rejuvenating old buildings (Genesta)

Buildings act as hubs for people around the world to live, work, shop, and socialise in, but they account for 26% of global energy-related emissions[14]. Although stricter, and cleaner, construction standards are in place for newer buildings, retrofitting old buildings is an important step in reducing this consumption.

This set of five buildings was constructed in the 1960's and are well past their technical lifespan. By taking a considered approach to retrofitting, they will be given a new lease of life and achieve desirable sustainability certifications.

With extensive work to the façade, internal spaces, technical upgrades, and construction of on-site solar and geothermal facilities, these will become office spaces that are as energy efficient as any new build properties.

Clean energy generation (Arcus Infrastructure Partners)

Transitioning the worlds energy supply away from fossil fuels is key to securing a low-carbon future, as the sector currently produces c.38% of all global emissions[15].

This company is actively investing into renewable energy production, and has wind turbines and solar farms across Denmark, Germany, and Sweden. As a result, it can produce over 450GWh of energy across all sites.

As the average UK household uses 2,700 kWh per year, this company is producing enough energy to cleanly power over 160,000 homes for an entire year.

The company is also developing a process for dismantling old turbines and recycling the components (such as concrete and plastic) for use in new turbines. This will help prevent additional carbon emissions and avoid waste and pollution generation.

[12] Cars and Vans - Energy System - IEA
[13] Embodied carbon emissions and their transfer pathways in global aluminium trade
[14] Buildings - Energy System - IEA
[15] Share of global CO_2 emissions by sector 2023| Statista

Metrics and targets

Monitoring the level of emissions generated through the investments, and setting targets to reduce these, is an important part of understanding and reducing any potential risks. This is also integral to the *Net Zero Transition Plan*. The Trustee has used the data available to calculate the total carbon footprint, emissions intensity, and asset alignment to the Paris Agreement.

It is likely that as political responses to climate change strengthen, assets with high carbon footprints, or a high emission intensity, will face the more severe challenges. If carbon taxes are introduced, or net-zero made a mandatory requirement, assets with high carbon footprints will incur larger tax burdens or carbon offsetting costs. Those with high emission intensities will also find themselves at a greater risk of losing business to less environmentally damaging competitors and eventually becoming obsolete.

Collecting this data allows us to identify which assets face the most risk and informs our understanding of the risks and opportunities mentioned in the 'Strategy' section.

Types of emission:

All metrics and targets are based on classifying emissions in three different ways.

Scope 1

All emissions from sources that an organization directly owns or controls.

Scope 2

All emissions from the energy an organization uses.

Scope 3

All emissions indirectly generated through supply and value chains.

Collecting data:

We collect this data in two ways. Firstly, data is requested directly from all asset managers as part of an annual due diligence process. This provides the most accurate data. Secondly, we use modelling[16] to estimate the level of emissions for material investments where direct reporting is not available[17]. This is not as accurate but allows for more complete coverage.

Combining the two approaches results in data being available for c.81.75% of assets.

Data issues:

The availability and quality of data provided for this report is subject to many caveats. Different regulatory requirements across the globe result in many US asset managers being slower in reporting emissions compared to UK and EU managers.

Different asset classes also face varying levels of difficulty in obtaining data. Private debt managers may not have the ability to influence underlying companies to collate emissions data, whereas private equity managers with ownership stakes will have more influence to exert.

Where data has been provided, there are further variables to understand. Emission modelling is useful, but the complexity of calculating these may be higher across different regions, industries, and sectors. The need to use assumptions and simplifications means there is room for potential inaccuracies in what has been reported.

Notwithstanding the fact some data in this report will be of uncertain quality it is still a source of valuable insight, though it is important to interpret the results with caution.

Targets:

We have set three targets in relation to emissions, with the emissions reduction targets being new. These serve two purposes: to obtain a complete picture of the carbon footprint, and to lessen the Fund's impact on climate change.

Focus	Target	Actual
Emissions reporting	Provided by 50% of asset managers.	43%
Emissions reduction	15% reduction in carbon footprint by 2030.	1.6%
	Achieve net-zero by 2050.	On track

Overall, we have seen an 8% increase in managers providing us data (35% last year), this is good progress towards our reporting target. We have again written to all managers following the due diligence exercise to reinforce our expectations that they provide emissions data.

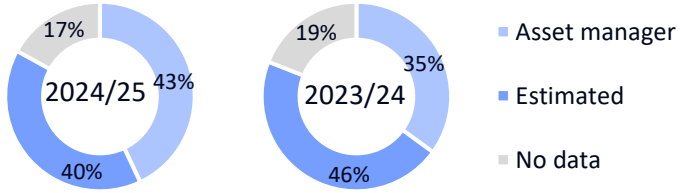
We expect emissions to fall in coming years as private market investments wind down.

[16] Further information on modelling processes is included in the appendix.
[17] There are several investment funds which have minimal value remaining. Due to the cost of modelling emissions and the expectation that these funds will fully redeem soon, we do not estimate these emissions.

There are several different metrics that are used to track emissions, and how complete our data is. They have been chosen because data is more readily available from our asset managers, and so the results can inform meaningful action. These metrics are reported at an asset class level, as more granular reporting may be unhelpful given the data issues mentioned.

Manager emissions data:

We have seen an encouraging increase in managers providing data directly to us. This is caused by a higher response rate to the annual due diligence exercise.



Carbon footprint[18, 19]: (tCO^2)

Asset class	Scope 1 & 2	Scope 3	Total (2024/25)	Total (2023/24)
Fixed income	301	-	301	294
Infrastructure	138,795	65,750	204,545	126,638
Private credit	37,244	184,233	221,477	151,641
Private equity	141,455	288,904	430,359	529,995
Property	1,067	30,860	31,928	8,293
Public equity	5,992	128	6,121	0
Sovereign bonds	439,111	-	439,111	538,032
			1,333,841	**1,354,893**

Total emissions have decreased by 21,052 tonnes CO^2. This is because of falls in UK emissions, and in the private equity portfolio. We understand emissions could increase in coming years as the number of asset managers providing data to us increases, and as calculation methodologies become more robust. We would welcome this, as more complete reporting will allow us to better understand the Fund's carbon footprint, and the risks that investments may face.

Emissions intensity[18, 20]: (tCO^2 per £1m invested)

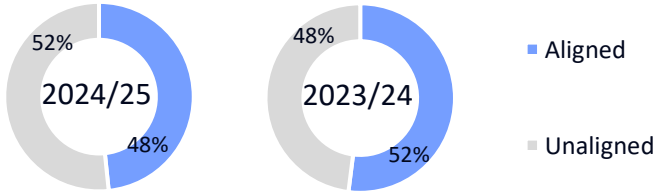
Asset class	Scope 1 & 2	Scope 3	Total (2024/25)	Total (2023/24)
Fixed income	3.1	-	3.1	2.8
Infrastructure	638.0	302.2	940.2	491.5
Private credit	57.9	286.2	344.0	229.3
Private equity	195.5	399.2	594.7	671.0
Property	2.0	59.2	61.3	14.5
Public equity	66.7	1.4	68.2	0
Sovereign bonds	233.9	-	233.9	248.4
			312.4	**291.0**

Emission intensity has increased by 21.4 tonnes CO^2 per £1 million invested. This is because overall asset values have fallen. This can be useful for highlighting the most intense investments made but, as many economic and market factors influence the value of an investment, the metric is subject to changes that aren't necessarily related to absolute emissions.

Portfolio alignment to net-zero:

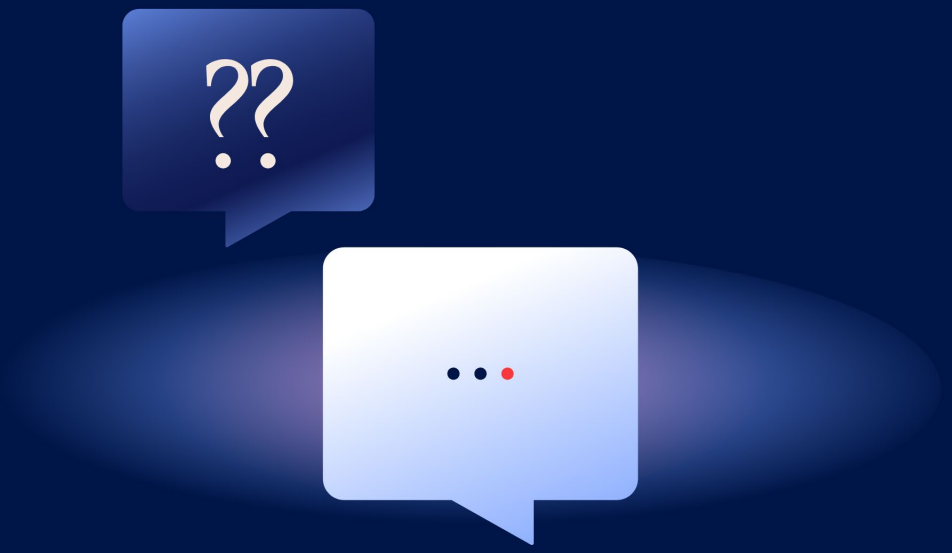
Collating and reporting on emissions is useful as a point-in-time reference, and when compared to previous years can be used to understand whether the carbon footprint is moving in the right direction. However, measuring the level of assets that have *Science Based Targets Initiative* verified targets shows how much of the portfolio should continue reducing emissions in the coming years.

The total has decreased on last year, but this is predominantly because UK Gilts make up a smaller proportion of assets now.



[18] Figures include modelled emissions provided by MSCI.
[19] Carbon footprint is a measurement of all emissions attributed to the investments, reported as an absolute figure in tonnes CO^2.
[20] Emissions intensity measures the emissions attributed for every £1 million that has been invested, reported a tonnes CO^2 per £1m.

Appendix



Asset classes

The investment strategy includes many different types of assets, with some held to reduce volatility in funding levels and others to generate a financial return. Many different asset managers are responsible for investing on behalf of the Fund across all the return seeking asset classes. In total, there are over 1,500 underlying assets, and this diversification helps minimise the impact of climate change.

Fixed income:

Covers investments into asset backed lending (e.g. car loans) and public corporate debt. This is generally shorter dated, lower risk, debt with holdings spread across large numbers of debtors to minimise the impact of any defaults. When defaults do occur, there is less risk of losing all the money invested than if the investment had been into equity, especially when the debt is pledged against assets.

Infrastructure:

Covers investments that have been made into businesses that provide important goods and services, including smart metering, renewable energy, and wireless network towers. These are all illiquid investments with defined timeframes.

Private credit:

This is direct lending spread across large numbers of small and medium sized companies that may be unable to borrow from large financial institutions, or that may need alternative sources of financing. These are illiquid investments with a higher level of risk than public corporate debt, but with a higher expected level of returns.

Private equity:

Are ownership investments in private companies, with a split between majority and minority holdings. These are among the riskiest investments made, as if companies fail or suffer valuation declines there is little protection, and it directly impacts the equity value. These are also among the highest returning asset classes as a result. The portfolio is very diversified and includes manufacturers, technology providers, clothing brands, and healthcare services.

Property:

These investments include hotels, offices, retail, and residential properties and are held across two distinct portfolios. The first is a global portfolio which focusses on capital growth and rental incomes. There are defined timeframes for these investments, but the assets are highly illiquid.

The second is UK focussed and designed to provide inflation matching, stable, income over long periods of time. This is a very long-term investment, with no predefined end dates, and the ability to dispose of these assets can vary over time.

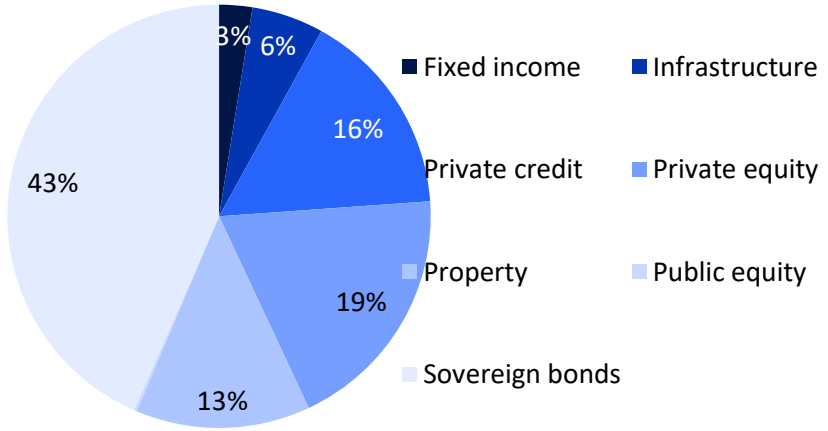
Public equity:

These are ownership investments but into publicly traded companies. This is seen as less risky than the private equity portfolio due to the size of the companies invested in, and the fact shares are openly traded on a stock exchange, but is still riskier than the debt portfolios.

Exposure is generally small, as only the Cheshire & Derbyshire Section actively invests in public equity; however, there are some small holdings in the Nationwide Section.

Sovereign bonds:

Is a portfolio of UK Government debt (Gilt) holdings. These are held to minimise volatility in funding levels and are seen as the lowest risk of all investments.



Scenario analysis

The analysis included is based on six different potential outcomes which provide approximate impacts based on adjusting a set of capital market assumptions in line with the scenarios, further information on these is below. Each scenario sets a narrative around policy and social responses, translates these into economic impacts, and then models the impact on the Fund's assets and liabilities. They have been chosen as they cover an array of potential futures which could believably occur.

Base case:

This looks at the scenario that is currently expected to play out. Net-zero is achieved in a slow and orderly fashion, but this doesn't limit temperature increases to below 1.5°C, and so impacts are still felt. There is little policy co-ordination globally, and the increase in carbon taxes eventually reaches $150 per tCO^2 by 2050.

Smooth transition:

Involves a highly co-ordinated global political response combined with rapid technological advancements rendering dirtier technology and processes obsolete. This sees net-zero achieved by 2045 and limits temperature rises to under 1.5°C. This results in economic upheaval in early years, but government support to fund a 'green technology revolution' helps to keep costs low. Over longer periods, the global economy is much more robust.

Orderly transition:

Sees an immediate, coordinated, global response to climate change through carbon taxes and regulation. Net-zero is achieved by 2050, but temperature rises reach 1.3°C - 2°C. Carbon taxes reach a high of $215 per tCO^2. There are sharp inflation spikes in the earlier years, and uncertainty in the economy, but over time the transition presents opportunities and growth.

Abrupt transition:

Governments take a delayed response to climate change, until increasingly extreme weather events cause widespread public concern. Once this happens, the political response is aggressive with carbon taxes hitting $280 per tCO^2 by 2050. The cost of transitioning is higher, and inflation rises but central bank rates cannot be raised to combat this as the economy is weak. Net-zero is achieved by 2050, and temperature rises limited to 1.5°C - 2°C.

Disorderly transition:

Governments delay the response by longer than the *abrupt transition,* as there is a focus on maintaining short-term economic growth. Aggressive polices are then implemented, but this is too late to achieve net-zero by 2050. Temperature rises are limited to <3°C. Inflation and interest rates stay stable for longer in the short-term but see more extreme impacts later. There are high levels of economic damage, and the world is irreversibly changed.

No transition:

Sees no additional action taken on climate change. Carbon taxes stay low at $50 per tCO^2 by 2050. Net-zero is not achieved by 2050, and temperature rises exceed 4°C. There are fewer short-term impacts on the economy, as there is no tightening of regulations, but the physical effects of climate change are severe in the long-term.

Emission reporting, modelling, and metric calculation

Data provided by asset managers can be sourced in a variety of ways, covering many underlying assets, and there may be differences in how the data included in this report has been obtained. Scope 1, 2 & 3 data is available for c.42% of assets. Scope 1 & 2 data is available for another c.46%, as scope 3 data for the UK Gilt holdings is only available on a three-year lag.

Data questionnaires:

Are used to collect and collate emissions from underlying assets. There are various third-party templates that may be used.

Data consultants:

Third party consultants may be used to collect data on behalf of managers. These will have their own methodologies for calculating and collating the information, which may include using estimations and industry averages.

Industry averages:

When direct data isn't obtainable, using industry averages (such as MSCI opposite) allows for emissions to be quantified even though there are risks and variance from the actual emissions generated.

Direct calculation:

It may be possible to directly calculate the emissions produced, but this will only relate to scope 1 & 2 emissions.

UK government emissions:

Due to a lack of granular data, the sovereign debt emissions is calculated by taking UK Government emissions data and apportioning it to outstanding government debt. Several assumptions have been made when providing this data to us, but due to the significant holding of Gilts, it is necessary to include this in our reporting.

Emission reduction targets:

The calculation for emissions reductions is based on the carbon footprint used as the basis for the *Net-zero Transition Plan*, standing at 1,354,893 tCO^2.

Portfolio alignment to net-zero:

Validation of net-zero targets by the *Science Based Targets Initiative* is used to assess how many assets are credibly aligned with net-zero and the latest climate science.

UK government bonds (Gilts) are considered aligned as the UK has written into law the requirement to achieve net-zero and has carbon budgets set based on advice from the *Independent Committee on Climate Change*.

MSCI:

To allow us to report a fuller set of metrics, emission modelling is undertaken by MSCI where asset managers have not provided it.

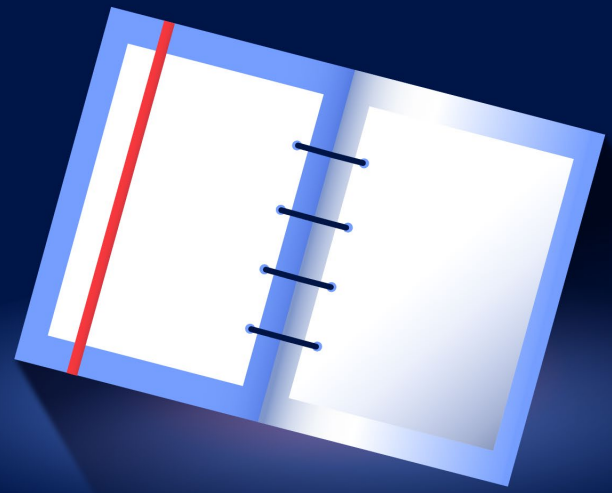
Where reported data is unavailable, MSCI will draw on its proprietary methodology which estimates greenhouse gas emissions for 5,000 public companies by drawing on performance data sourced from MSCI's Private Capital Transparency Data. This is also used for fundamental analysis of private firms.

To estimate emissions data for private companies, MSCI take a company's Global Industry Classification Standard sub-industry classification, and using this classification a carbon intensity will be derived from its Carbon Estimation Model. This is achieved by:

- MSCI collect the "company specific carbon emission intensities" of companies that do report carbon emissions data at a Global Industry Classification Standard sub-industry level.
- MSCI then exclude reporting companies who are below the 10th percentile, or above the 90th percentile. It then averages the carbon emissions of all remaining companies, and that figure is designated as the sub-industry carbon intensity.
- These estimated intensities are applied to each company which needs to be modelled and is multiplied by the company's revenue to get an estimated level of absolute emissions.
- MSCI then calculate 'financed emissions' by taking the absolute emissions and working out what proportion is attributable back to the Fund, based on the size of investment made.

Any figures reported, either for private market portfolios or at the whole Fund level, include these estimated financed emissions.

Glossary



Glossary

Term	Definition
Annuity policy	A policy purchased from an insurer guaranteeing the payment of insured benefits for life.
Asset manager	Professional third-parties that invest in, and manage, assets. This can be done via pooled investment vehicles or individual mandates and is the preferred method for undertaking investment activity. This includes Insight, as they manage a large proportion of assets.
Biodiversity	The natural life in any given ecosystem. Poor biodiversity leads to unhealthy ecosystems, which no longer provide the benefits and services human life takes advantage of.
Carbon footprint	The total carbon emissions, measured in tonnes, generated by an organisation or entity across all scopes.
Carbon intensity	A measure of how carbon intense an activity is, usually measured in terms of revenue, but for the Fund it is based on the size of an investment.
Carbon offset	A manner of offsetting carbon emissions by investing in projects that reduce, avoid, or remove emissions elsewhere.
Carbon tax	A tax charged on the emissions generated when providing goods or services. It is designed to make visible the hidden costs associated with those goods or services.
Decarbonisation	The reduction, and ultimately removal, of carbon emissions from human activity.
Emissions	The measurement of released carbon dioxide into the atmosphere.
Engagement	An umbrella term covering targeted communication that aims to achieve certain, predefined, outcomes. This is key to demonstrating good stewardship of assets.
Funding level	How sufficiently the current value of assets covers the discounted value of future liabilities. Measurement is on a variety of different basis using different assumptions, but as funding levels improve less risk and return is needed in the investment strategy.
Hedging	An approach that looks to offset the impacts of a risk by investing in an asset that reacts in the opposite way when that risk materialises.
Low Dependency	A basis for measuring funding levels. Low Dependency represents a level of assets where there is little likelihood of needing sponsor support to meet pension payments.
Net-zero	The aim of achieving balance between greenhouse gas emissions and removals, so that humans no longer contribute to global warming.
Science Based Targets Initiative	A charity that helps entities set and validate net-zero ambitions with science-based goals, aligned with keeping global temperature rises below 1.5^{o}c above pre-industrial levels.
Sustainability	The broad concept of co-existing with nature, and using its resources, in a way which causes no detriment (such as depleting resources).
Sustainable assets	Assets with business models and goods & services that support sustainability.
Trustee	The legal entity (Nationwide Pension Fund Trustee Limited) entrusted with managing the Fund's assets. It meets quarterly at Trustee Board meetings to govern operations.