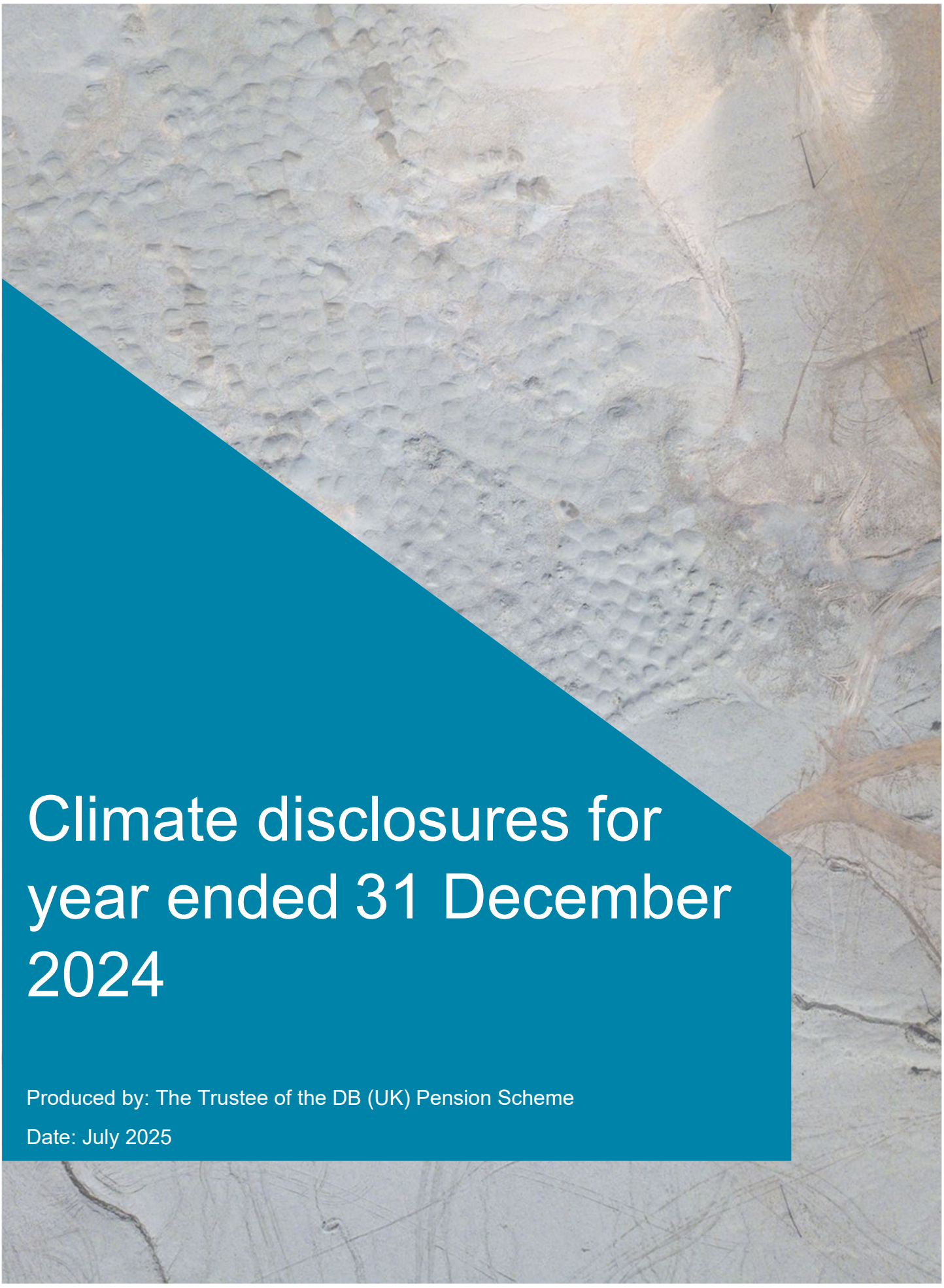
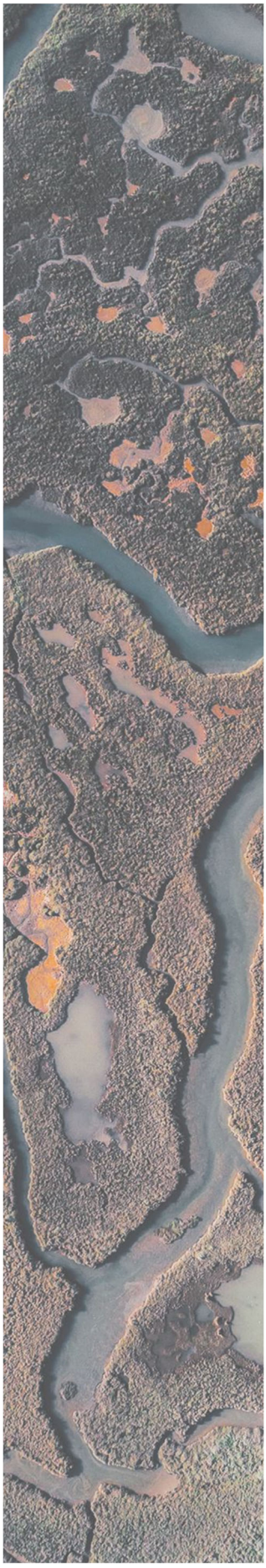


Climate disclosures for year ended 31 December 2024

Produced by: The Trustee of the DB (UK) Pension Scheme

Date: July 2025

Introduction



Climate change is affecting the planet, causing extreme weather events, impacting crop production and threatening Earth's ecosystems. Understanding the impact of climate change and the DB (UK) Pension Scheme's vulnerability to climate-related risks will help us to mitigate the risks and take advantage of any opportunities.

UK regulations require trustees of pension schemes with more than £1bn in assets to meet certain climate governance requirements and publish an annual report on their scheme's climate-related risks.

Better climate reporting should lead to better-informed decision-making on climate-related risks. And on top of that, greater transparency around climate-related risks should increase accountability and provide decision-useful information to investors and beneficiaries.

This report is the annual Climate Disclosures for the Scheme for the year ended 31 December 2024. This report has been prepared by DB Trustee Services Limited (the "Trustee") in accordance with the regulations set out under The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the "Regulations") and is aligned to the Taskforce for Climate-related Financial Disclosures ("TCFD") framework.

The four elements covered in the report are:

Governance	The Scheme's governance around climate-related risks and opportunities.
Strategy	The potential impacts of climate-related risks and opportunities on the Scheme's strategy and financial planning.
Risk Management	The processes used to identify, assess and manage climate-related risks.
Metrics and Targets	The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Table of contents

Executive summary

This report sets out the actions that we, the Trustee, have taken to understand the potential impact climate change could have on the Scheme.

We have worked closely with our investment consultant to identify the climate-related risks and opportunities faced by the Scheme, and to understand ways we can manage and mitigate those risks.

Overview of the Scheme

The Scheme is set up as a hybrid Scheme, which has two sections, a Defined Benefit ("DB") Section and a Defined Contribution ("DC") Section.

The DB Section invests across a range of assets, and within this report the Trustee considers the impact of climate-related risks on those asset classes, the investment strategy and potential impact on the funding of the Scheme.

For the DC Section, the Trustee has focused its attention on each 'popular arrangement offered'. A 'popular arrangement' is defined as one in which £100m or more is invested, or which accounts for 10% or more of the assets used to provide money purchase benefits.

The Trustee has been supported by its investment consultant, Aon Investments Limited ("Aon") in producing this Climate Disclosures report.

Governance

The Scheme has a Defined Benefit ("DB") Section and a Defined Contribution ("DC") Section.

- The DB Section is invested in a range of asset classes including UK Credit Bonds and remaining assets within a segregated gilts portfolio including swaps/cash (previously a Liability Driven Investment "LDI" portfolio). Alongside this, the Scheme also invests in Bulk Purchase Annuities.
- The DC Section is primarily invested in the following funds: LGIM World (ex-UK) Equity Index Fund and LGIM UK Equity Index Fund. These are described throughout the report as the LGIM equity funds.

The Trustee is ultimately responsible for the oversight of all strategic matters relating to the Scheme, this includes climate-related risks and opportunities.

Strategy

Our qualitative analysis of climate related risks and opportunities showed that the asset classes in which the Scheme invests are impacted to some degree by climate-related risks. Over time, there is currently an expectation that the impact of physical and transition risks will increase over time.

The Trustee also identified numerous investment opportunities for the different asset classes. More details of the risks and opportunities identified for the Scheme's investments can be found on pages 12-14.

The Trustee undertook qualitative climate scenario analysis for both the DB and DC Sections. The output of the climate scenario analysis showed:

- The DB Section has a reasonable degree of resilience relative to climate-related risks. The resilience was primarily driven by the Scheme's allocation to low risk assets within the remaining surplus assets as at year end following the purchase of an additional Bulk Annuity Policy over 2024.
- For the DC Section, it was noted that the timings of climate shocks are key in determining outcomes for members – these may impact younger members differently to those which are close to retirement.

Risk Management

The Trustee has established a process to identify, assess and manage the climate-related risks and opportunities the Scheme is exposed to. This is integrated into the Scheme's wider risk management framework.

During the year, the DB Section implemented another Bulk Annuity policy with an insurer. The Trustee considered the ESG credentials, including climate change as part of the due diligence process.

The Trustee's climate risk management framework is set out on pages 22-24, which assists with the ongoing management of climate related risks and opportunities.

Metrics and Targets

The Trustee has disclosed information on four climate-related metrics for each of the DB and DC Sections of the Scheme:

- Total Greenhouse Gas ("GHG") Emissions.
- Carbon Footprint.
- Data Coverage.
- Portion of the portfolios which have either Net Zero, or Paris aligned targets.

The Trustee has also set the following targets for the DB Section of the Scheme:

- Improve the data coverage (scope 1&2 GHG emissions) for the UK Credit Bonds for the DB uninsured assets to above 90% by 2026.
- Improve the portion of UK Credit Bonds for the DB uninsured assets which have net zero or Paris aligned targets to 40% by 2026.

The Trustee reviewed the metrics and the targets and believes they remain appropriate, given the progress made this reporting year.

We hope you enjoy reading this report and understanding more about how we are managing climate-related risks and opportunities within the Scheme.

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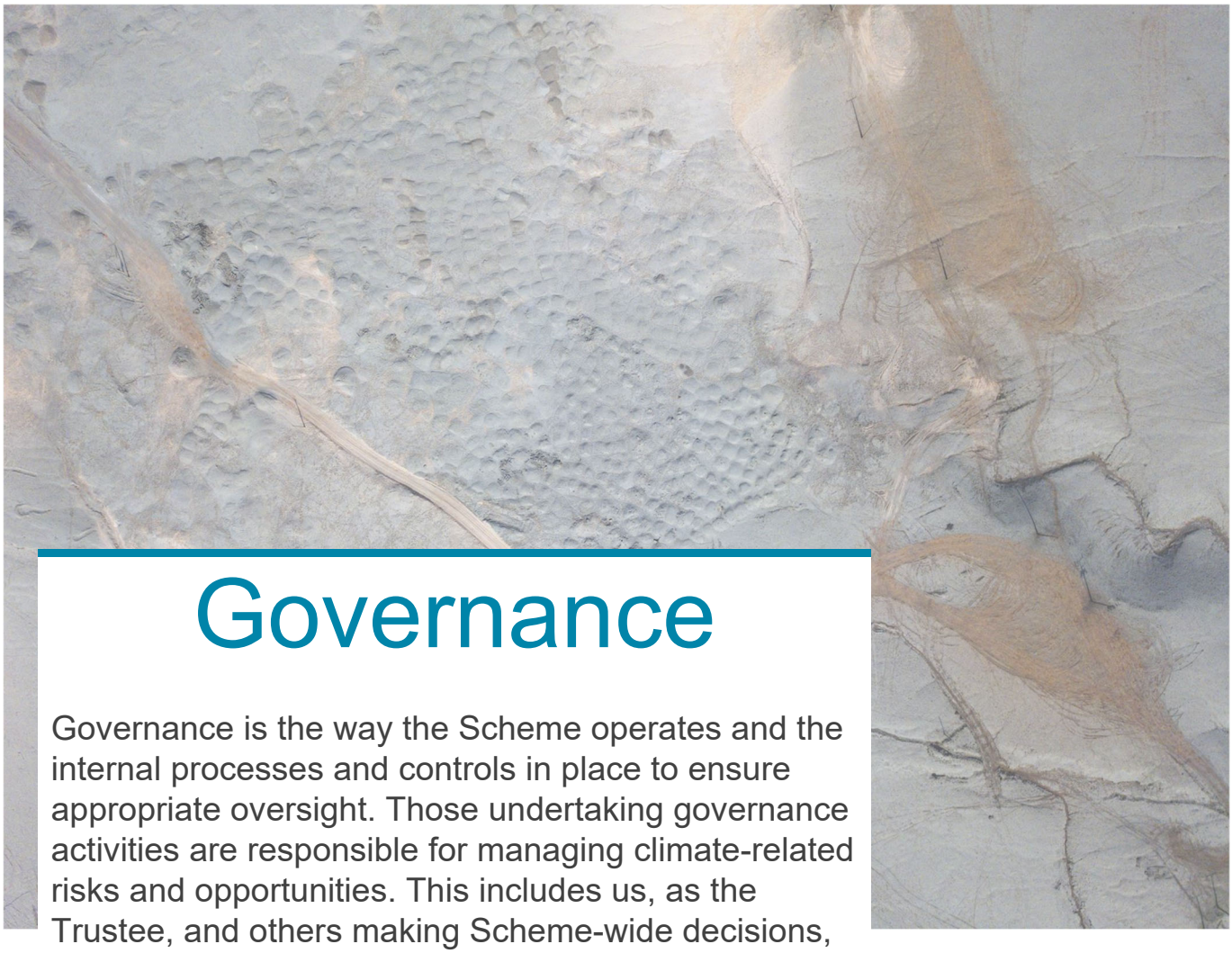
on behalf of the Trustee of the DB (UK) Pension Scheme.



Governance

Governance is the way the Scheme operates and the internal processes and controls in place to ensure appropriate oversight. Those undertaking governance activities are responsible for managing climate-related risks and opportunities. This includes us, as the Trustee, and others making Scheme-wide decisions, such as those relating to the investment strategy or how it is implemented, funding, the ability of the sponsoring employer to support the Scheme and liabilities.

Our Scheme's governance

As the Trustee of the Scheme, we are responsible for overseeing all strategic matters related to the Scheme. This includes the governance and management frameworks relating to environmental, social and governance ("ESG") considerations and climate-related risks and opportunities.

Given its importance, the Trustee has not identified one individual to specifically be responsible for the Trustee's response to climate risks and opportunities. Rather, the Trustee has collective responsibility for setting the Scheme's climate change risk framework.

The Trustee has discussed and agreed its climate-related beliefs and overarching approach to managing climate change risk. Details are set out in the Statement of Investment Principles ("SIP"), which is reviewed triennually, or more frequently if required, by the Trustee.

Our climate beliefs

We believe that the risks associated with climate change can have a materially detrimental impact on the Scheme's investment returns and, as such, the Trustee seeks to integrate assessments of climate change risk into its investment decisions.

We believe that climate-related factors may create investment opportunities. We will seek to capture, where possible, opportunities through our investment portfolio where it is appropriately aligned with our strategic objectives and fiduciary duty.

The most appropriate timeframes for the Scheme are as follows:

- short-term: 1-2 years
- medium-term: 3-8 years
- long-term: 9+ years

Climate-related risks and opportunities are assessed over the above timeframes. Where appropriate, the Trustee considers transition and physical risks separately.

Climate-related risks and opportunities are integrated into the Trustee's risk management framework so it can maintain oversight of the climate-related risks and opportunities that are relevant to the Scheme.

The Trustee receives training, on at least an annual basis, or more frequently if required, on climate-related issues to ensure that it has the appropriate degree of knowledge and understanding on these issues to support good decision-making.

Specific to the Defined Benefit ("DB") Section only

The Trustee, in conjunction with its advisers, ensures that actuarial and covenant advice adequately incorporate climate-related risk factors where they are relevant and material.

The Trustee also ensures that funding advice adequately incorporates climate-related risk factors where they are relevant and material.

Specific to the Defined Contribution ("DC") (or Money Purchase) Section only

The Trustee has delegated day-to-day management of the DC Section assets to its investment managers, via a number of pooled funds accessed through investment platforms from Legal & General Investment Management ("LGIM"), Aberdeen (formerly "Aberdeen Standard"), Standard Life Assurance, Prudential, Utmost Life and Pensions, Zurich, Abbey Life, Henderson and Aberdeen Unit Trust.

The statutory guidance issued by the Department for Work and Pensions ("DWP") requires trustees to consider climate-related risks and opportunities for each 'popular arrangement offered'. A 'popular arrangement' is defined as one in which £100m or more is invested, or which accounts for 10% or more of the assets used to provide money purchase benefits. For the Scheme, this would mean the following funds would be in scope:

- LGIM World (ex-UK) Equity Index Fund; and
- LGIM UK Equity Index Fund.

These are described throughout the report as the LGIM equity funds.

As the DC assets are invested exclusively in pooled funds, the Trustee will work closely with the investment manager to understand how they can support in providing the necessary information and data required to meet the requirements of the TCFD.

Role of the Trustee

Given its importance, the Trustee has not identified one individual to specifically be responsible for the Trustee's response to climate risks and opportunities. Rather, the Trustee has collective responsibility for setting the Scheme's climate change risk framework.

The Trustee seeks to ensure that any investment decisions appropriately consider climate-related risks and opportunities within the context of the Scheme's wider risk and return requirements and are consistent with the climate change policy as set out in the SIP.

Implementation is detailed later in this report, but key activities undertaken by the Trustee, with the support of its advisers, are:

- Ensuring investment proposals consider the impact of climate-related risks and opportunities.
- Seeking investment opportunities which enhance the ESG and climate change focus of the Scheme's portfolio, where appropriate.

Trustee update

During the last reporting year, the Trustee added the LGIM Future World Global Equity Index Fund to the self-select fund range available to Scheme members within the Bankers Trust DC Section (i.e. those members transferred into the Scheme from the Bankers Trust UK Pension Plan).

The Fund and its underlying index aims to cut its carbon emissions intensity by 50% (from its 2021 base year), and 7% annually. In addition, the Fund has a targeted environmental engagement process via LGIM's Climate Impact Pledge, which targets companies which are crucial to the transition to a low carbon economy.

At the end of the current reporting period, the Trustee noted investments have been made into this Fund, indicating member interest in investing sustainably. However, this fund does not currently meet the criteria for the popular arrangements. The Trustee will continue to monitor this in the future.

- Engaging with the Scheme's investment managers to understand how climate risks are considered in their investment approach.
- Working with the investment managers to disclose, on an ongoing basis, relevant climate-related metrics as set out in the TCFD recommendations.
- Ensuring that stewardship activities are being undertaken appropriately on the Scheme's behalf.

ESG Working Group

The Trustee created a temporary ESG Working Group ("WG") to support the preparation of the Scheme's first two Climate Disclosures reports. The WG was comprised of a sub-group of Trustee Directors, to help the Trustee align the Scheme to the climate governance requirements.

Given a climate risk management framework is now in place, the WG was disbanded at a Trustee meeting on 24 February 2025 Trustee meeting. Production of the Scheme's Climate Disclosures report and the ongoing responsibilities previously undertaken by the WG have been transferred to the Trustee.

How we work with our advisers

The Trustee expects its advisers and investment managers to bring important climate-related issues and developments to its attention in a timely manner. The Trustee expects its advisers and investment managers to have the appropriate knowledge on climate-related matters.

The Trustee annually reviews the quality of its advisers' provision of advice and support on climate-related issues. For the Trustee's investment consultant, this is part of the annual review of investment consultant objectives.

Investment consultant – the Trustee's investment consultant, Aon, provides investment-related strategic and practical support to the WG and the Trustee in respect of the management of climate-related risks and opportunities. This includes provision of regular training and updates on climate-related issues, climate change scenario modelling and ESG ratings.

The Trustee will monitor the quality of climate-related support and advice from its investment consultant as part of an annual review against the investment consultant's objectives.

Scheme Actuary – the Scheme Actuary will help the Trustee assess the potential impact of climate change risks on the Scheme's funding assumptions where appropriate.

As part of its assessment of its advisers' climate-related competence, the Trustee will seek to understand how climate-related factors affect the funding assumptions used for the Scheme, and which sources of expertise the Scheme Actuary has used in determining the appropriate assumptions to use.

Covenant adviser – the Trustee Board's covenant adviser helps the Trustee understand the potential impacts of climate change risk on the sponsor covenant of the principal Employer, Deutsche Bank Group Services (UK) Limited over time and consider this alongside the Scheme's journey.

Trustee update

Over the reporting year, the Trustee has made changes in the DB Section, the purpose being, to reduce risk in the Scheme and to insure all remaining liabilities.

As part of the process to select the insurer, the Trustee considered the ESG credentials, including climate change as part of the due diligence process.

During the reporting year, work began on the investment strategy for the residual assets of the Scheme. As part of this, the Trustee has considered further integration of ESG and climate awareness. More detail will be provided in next year's Climate Disclosures report.

The Trustee has collected scope 3 emissions data from its investment managers to meet the requirement under the TCFD framework. It has been supported in this exercise by its investment consultant and the Scheme's investment managers.

Strategy

It is crucial to think strategically about the climate-related risks and opportunities that will impact the Scheme if we are to stand a chance of mitigating the effects of climate change.

Assessing the climate-related risks and opportunities the Scheme is exposed to is key to understanding the impact climate change could have on the Scheme in the future.

What climate-related risks are most likely to impact the Scheme?

We carry out a qualitative risks and opportunities assessment of the asset classes the Scheme is invested in. From this we identify which climate-related risks could have a material impact on the Scheme. We also identify suitable climate-related opportunities.

Given the number of asset classes used in the Scheme, across the DB and DC Sections, the Trustee completed this exercise to the best of its ability. To help the Trustee with its assessment, the Trustee surveyed its investment managers asking them to rate the climate-related risks and opportunities they believe their funds are exposed to.

Our investments

The Scheme's DB Section uninsured investment portfolio consists of a UK Credit Bond fund and gilts portfolio including swaps/money market cash.

The Scheme's asset allocation is as follows:

DB Section – Uninsured assets:

Asset Class	Gilts	UK Credit Bonds
Asset Allocation	32%	68%

Asset allocations as at 31 Dec 2024. Cash has been excluded, due to the lack of relevance of this asset class in the context of climate risk.

DC Section:

When undertaking the climate-related risk assessment, the Trustee has looked to cover the popular arrangements within the Scheme. The funds considered as part of this assessment include, which invest in equities:

- LGIM UK Equity Index
- LGIM World (ex-UK) Equity Index

Trustee update

This year, we asked our investment managers to review the climate-related risk assessments provided in support of our Climate Disclosures reporting in previous years and update them if necessary.
Our qualitative risk assessment is based on the updated information from the managers.

How the qualitative risk assessment works

Risk categories

In the analysis, the climate-related risks have been categorised into physical and transition risks.

Transition risks are associated with the transition towards a low-carbon economy.

Physical risks are associated with the physical impacts of climate change on companies' operations.

More details about transition and physical risks can be found in the *Appendix 2 Climate risk categories*.

Ratings

The analysis uses a RAG rating system where:

Red denotes a higher level of financial exposure to a risk.

Amber denotes a medium level of financial exposure to a risk.

Green denotes a lower level of financial exposure to a risk.

Time horizons

We assessed the climate-related risks and opportunities over multiple time horizons considering the liabilities of the Scheme and its obligations to pay benefits. We decided the most appropriate time horizons for the Scheme are:

Short-term: 1-2 years

Medium-term: 3-8 years

Long-term: 9+ years

Setting timeframes

When deciding the relevant timeframes for the entire Scheme, the Trustee has had previously taken into account the liabilities of the DB Section and its obligations to pay benefits. The Trustee has based the short-, medium- and long-term timeframes on its long-term journey plan.

The rationale for each timescale can be defined as follows:

- Short-term: 1-2 years. This was considered relative to when the Trustee expects the Scheme to undertake its next de-risking step on its long-term journey plan. The Trustee notes this step is now complete and will consider a review of these timeframes in the next report.
- Medium-term: 3-8 years. This aligns to the next stage on the Trustee's journey plan and de-risking.
- Long-term: 9+ years. This aligns to the final stage of the Trustee's journey plan, when the Trustee expects the Scheme to be fully de-risked.

The Trustee has determined these timeframes are appropriate for the DC Section, given the profile of its members.

Climate-related risk assessment

Key conclusions

Overall, the climate-related risks and opportunities identified for the Scheme are similar to those identified last year. Following the Scheme's de-risking over the reporting year within the DB Section, the Scheme's remaining uninsured assets are exposed to lower levels of climate risk.

The Trustee has completed a best endeavours exercise to analyse the climate-related risks of each asset class in which it invests. The Scheme invests across a range of different asset classes and investment managers via both a segregated mandate and pooled funds. As such, the Trustee's ability to influence how each manager incorporates climate-related issues is varied, with limited influence via pooled funds.

The UK Credit Bonds (DB Section), which are a significant part of the assets, are deemed a medium risk (particularly in the medium to long term). Physical risks are more prevalent in the short term whereas the manager anticipates changes to the policy and legal landscape to become more financially material in the medium and longer term, with the fund's exposure to longer-dated bonds from issuers in the utility, social housing, and real estate sectors increasing the financial materiality of this risk.

Equity (DC Section) is a medium/high-risk area, particularly in relation to regulatory transitional climate risks in the medium to long term and long-term market risks. This is due to the manager identifying climate policies that are expected to accelerate the increases in carbon prices, leading to material financial implications.

The following tables summarise the transition and physical risks for each asset class the Scheme is invested in, as at 31 December 2024. Each table is based on ratings and commentary provided by the managers.

DB Section

UK Credit Bonds – 68% of portfolio *(+11% compared to total credit last year)*

Physical Risks

	Acute	Chronic
Short	A	G
Medium	A	G
Long	A	A

The manager outlined Acute risks are driven primarily by the fund's exposure to social housing and the real estate sectors, as well as indirectly through the financial sector – for which physical risks have the potential of impacting loan values in banks' mortgage books. Based on fund holdings and geographic exposure concentrated in the UK, the manager views Chronic risks as low in the short and medium term. It recognises the uncertainty around the rise in temperatures over the long-term and associated financial impacts, which it continues to monitor.

Transitional Risks

	Regulatory	Technology	Market	Reputation
Short	G	G	G	A
Medium	A	A	A	A
Long	A	A	A	A

Based on the fund's holdings, the manager's Reputation risk assessment is constant as medium risk across all timeframes, driven mainly by the exposure to the banking sector – which it already sees as subject to public scrutiny for lending to carbon intensive industries. Regulatory, Technology and Market risks are considered low in the short-term but expected to intensify over time. A primary driver of such increase is the fund's exposure to longer-dated utility, which the manager deems to face higher stranded asset and/or decarbonisation risks. The manager also expects regulatory changes to become more financially material in the medium- and longer-term.

Source: Manager, Aon.

Gilts – 32% of portfolio *(-11% compared to LDI last year)*

Physical Risks

	Acute	Chronic
Short	G	G
Medium	G	G
Long	A	G

Risks are relatively geographically concentrated and not expected to have material financial impact at the UK sovereign bond level (in which the Scheme's gilt portfolio invests) in the short term. As extreme weather events become more frequent, severe, and unpredictable, they are likely to have a growing impact at a portfolio level. Extreme weather events cause business interruptions and due to globally interconnected supply chains, may have ripple effects even in unaffected regions.

Transitional Risks

	Regulatory	Technology	Market	Reputation
Short	G	G	G	G
Medium	G	G	G	G
Long	A	A	A	G

Reputational risk to sovereign lenders is expected to be low in the short term. The medium term is a crucial period for the climate transition, as time is running out to stay within global carbon budgets for limiting global warming to well-below 2°C. To ensure emissions stay within global budgets for limiting global warming to well-below 2°C, carbon prices will need to continue rising over the long term. There is some risk from a market perspective that demand and supply for key raw materials will be mismatched going forward.

Source: Manager, Aon.

DC Section

Equity – 100% of popular arrangement

Physical Risks

	Acute	Chronic
Short	G	G
Medium	A	G
Long	A	A

Over the long-term, the manager believes that as extreme weather events become more frequent and severe the impact of these physical risks is likely to become more significant and cause business interruptions. With the global interconnected supply chains such physical risks can have potentially large financial impacts at the global equity portfolio level.

Transitional Risks

	Regulatory	Technology	Market	Reputation
Short	A	G	G	G
Medium	R	A	A	A
Long	R	A	R	A

The investment manager does not see any transitional risks in the short-term relating to Technology, Market and Reputation in the global equity portfolios. However, it does see Regulatory risk as a 'medium' risk, due to the evolving policy and legal environment, which may have increasing material financial impacts over the medium to long-term. Over the longer-term the investment manager identified increases in carbon prices and limited resources posing to be a high-financial material risk.

Source: Manager, Aon.

Climate-related opportunities

We identified some climate-related opportunities which may be suitable for the asset classes we invest in. These opportunities are valid over the short-, medium- and long-term time horizons:

DB Section

UK Credit Bonds	The Scheme's UK Credit Bonds manager identified climate-related opportunities using a few of the fund's holdings as examples. These included: • Bonds used to finance the subsea cables connecting offshore wind farms to the national transmission system, offering a genuinely environmental benefit despite lack of a convenient green label. • Opportunities to fund projects to significantly reduce sewage overflow and increase sewer network resilience to growing populations and climate change. • Investments which act as a key enabler of the transition to net zero, via investments in renewable energy. The manager sees opportunity in companies with robust transition credentials and conducting ESG credit analysis which goes beyond a consideration of only climate-related metrics. In its activity under Climate Action 100, the manager regularly meets with investee companies to discuss climate transition risks and promote best practices for achieving net zero.
Gilts portfolio	The manager has identified potential opportunities however it has stated sovereign bond investors are shielded from some of the downside risk from a low-carbon transition compared to equity investors, so they will be unable to profit from much of the upside risk of climate-related opportunities.

Source: Investment Managers

DC Section

Equity	The Scheme's investment manager for equity noted the following as potential opportunities: • Economic growth: As electric vehicles, renewables and other alternative sources of energy become cheaper relative to fossil fuels, the manager believes that countries and companies at the forefront of the transition stand to benefit most significantly from this shift. • Innovative solutions: The manager has identified potential low-carbon technology opportunities such as carbon capture and storage, direct air capture, low- or zero-carbon hydrogen and ammonia production and nature-based solutions.

Source: Investment Manager

How resilient is the Scheme to climate change?

The Trustee has carried out qualitative climate change scenario analysis to better understand the impact climate change could have on the Scheme's assets and liabilities.

Having dedicated significant time and resource to securing the majority of member benefits via Bulk Annuity policies, the Trustee acknowledges that the Scheme's relevant DB Section assets have significantly changed since the previous scenario analysis was completed. Additionally, it has been three years since the DC Section scenario analysis was last updated. As a result, the Trustee has decided to update the scenario analysis for both Sections via a qualitative assessment.

The analysis looks at three climate change scenarios. The Trustee chose these scenarios because it believes that they provide a reasonable range of possible climate change outcomes. The climate scenarios are compared to a base case scenario, which is based on what is priced into the market at the effective date of the modelling.

Each climate scenario considers what may happen to the Scheme when transitioning to a low carbon economy under different temperature-related environmental conditions. These scenarios were developed by the Trustee's investment consultant, Aon, and are based on detailed assumptions. They are only illustrative and subject to considerable uncertainty.

Trustee update

Under the Regulations, climate scenario analysis must be carried out at least every three years, with an annual review in interim years. Circumstances which may require the climate scenario analysis to be re-done. This may be as a result of, but not limited to:

- a significant/material change to the investment and/or funding strategy; or
- the availability of new or improved scenarios or modelling capabilities or events that might reasonably be thought to impact key assumptions underlying scenarios.

The climate scenarios intend to illustrate the climate-related risks the Scheme is currently exposed to, highlighting areas where risk mitigation could be achieved through changing the investment portfolio.

Other relevant issues such as governance, costs and implementation (including manager selection and due diligence) must be considered when making changes to the investment strategy.

Investment risk is captured in the deviance from the base case scenario, but this is not the only risk that the Scheme/members faces. Other risks include covenant risk, longevity risk, timing of member options, and operational risks.

DB Section – Impact on the funding level

The Scheme's liabilities (excluding future accrual and other reserves, the residual liabilities) are secured with insurers via Bulk Annuity Policies. The longevity, investment and inflation risks associated with these liabilities were transferred to the insurers; this includes the relevant climate-related risks.

The Trustee has reviewed the investment strategy of the remaining surplus assets to ensure it invests these assets appropriately based on the residual liabilities of the Scheme and the Trustee's objectives in relation to the surplus assets.
Given the significant changes to DB Section during the reporting year and the expected changes to the strategic allocation post year end, the Trustee has decided to focus its climate scenario analysis on the risks associated with these remaining assets and the agreed strategy due to be implemented in 2025. This is detailed below.

	Global Equities	UK Credit Bonds	Short Dated Credit	Multi Asset Credit
Strategic Allocation	18%	27%	27%	27%

Note: May not sum due to rounding. Excludes surplus assets for residual liabilities which are invested in gilts and money market cash.

Key conclusions

Overall, the Trustee is comfortable with the level of resilience exhibited by the proposed investment portfolio, and does not plan to make any changes to the investment strategy at this time as a result of this analysis.

The impact assessment showed that the Scheme's investment strategy exhibits resilience under all the climate scenarios considered. Adverse impacts from climate change are likely to act as a drag on the investment returns of risk assets, including equities and credit. Despite this, the Scheme is expected to remain in surplus relative to the residual liabilities over all time horizons. This is because the residual liabilities are backed with the low-risk assets which aim to match changes arising due to movements in interest rates and inflation. Also, the assets greatly exceed the size of the liabilities under all scenarios, having secured the majority of members' benefits via the Bulk Annuity Policies.

The Trustee acknowledges that there will also be investment opportunities presented by the transition to a low-carbon economy and believes the Scheme is well positioned to take advantage of these where appropriate.

Climate scenarios in more detail

The table below describes each climate scenario and the impact on the Scheme's assets over the short-, medium- and long-term time horizons.

	Summary of the Scenario	Summary of the impact to the Scheme
	In the short term:	**In the short term:**

No Transition Scenario Temperature rise +4°C Reach net-zero after 2050 No environmental regulation	No action is taken to combat climate change. **In the medium term:** No action is taken to combat climate change. **In the long term:** Climate change headwinds grow and act as a drag on economic growth and risk asset returns. Impacts from physical risks become more severe and some become irreversible by 2100.	There is not expected to be any initial impact on the asset portfolio value and performance is expected to follow the base case. **In the medium term:** Asset portfolio value begins to lag behind that of the base case. **In the long term:** The investment performance continues to deteriorate, as adverse climate-related events have a detrimental impact on risk assets. This is expected to lead to a detraction in the Scheme's asset portfolio value, albeit still in surplus.
Disorderly Scenario Temperature rise <3°C Reach net-zero after 2050 Late and aggressive environmental regulation	**Summary of the Scenario** **In the short term:** The world economy remains oriented towards improving near-term economic prospects, with companies and governments taking a "business as usual" approach. No action taken to combat climate change. **In the medium term:** Late action is taken to tackle climate change. the late timing of actions means that they are less effective and more costly to implement. Adverse effects from climate change become progressively worse, acting as a drag on returns of risk assets. **In the long term:** Eventually market participants begin to fully grasp the implications of climate change. Market values price in high levels of economic damage and the irreversible loss of natural capital. Eventually the transition to clean technologies and green regulation begins to boost economic growth. However, physical climate risks remain prominent.	**Summary of the impact to the Scheme** **In the short term:** There is not expected to be any initial impact on asset portfolio value and performance is expected to follow the base case. **In the medium term:** The asset portfolio falls sharply in value as the late and aggressive introduction of regulation impacts returns on risk assets. **In the long term:** The asset portfolio value starts to recover from the medium-term shock. This is expected to leave the Scheme in a worse off position, in terms of surplus, relative to the base case, although the Scheme is expected to remain in surplus.
Orderly Scenario Temperature rise 1.3ºC – 2ºC Reach net-zero 2050 Coordinated environmental regulation	**Summary of the Scenario** **In the short term:** Increased public awareness of climate change risks galvanises opinion and leads to governments undertaking widespread action globally. Global policymakers coordinate action to aggressively mitigate and adapt to climate change. Growth assets perform poorly. **In the medium term:** The rapid transition to clean technologies and green regulation begins to boost economic growth. **In the long term:** Green policies and high levels of infrastructure investment in renewable energy technologies lead to the rapid development and take-up of green technology. This boosts growth longer term.	**Summary of the impact to the Scheme** **In the short term:** The asset portfolio is expected to suffer an initial fall in value. Growth asset returns are negatively impacted through the introduction of regulation, as climate transition risks impact asset values. **In the medium term:** The asset portfolio begins to recover from the initial fall in value, as risk assets perform well, benefitting from the economic growth. **In the long term:** The asset portfolio value continues to increase from continued economic growth. This is expected to be the best outcome for the Scheme under the scenarios considered.

Source: Aon. Effective date of the impact assessment is 31 December 2024
Please note: The results of the scenario analysis are illustrative and rely on many assumptions. These are subject to considerable uncertainty.

DC Section – Impact assessment

For the DC Section, the Trustee carried out climate scenario analysis on the popular arrangements, focusing on the LGIM equity funds.

The Trustee conducted qualitative scenario analysis and considered the impacts the scenarios would have on two groups of members: younger and mid-career members, and members approaching retirement and at-retirement.

Trustee update

The Trustee has considered the same three climate scenarios per the DB Section and compared to a base case.

Key conclusions

Overall, the Trustee is comfortable with the level of resilience exhibited by the investment arrangements and does not plan to make any changes to the investment strategy as a result of this analysis.

Younger and mid-career members
The financial impact of climate change for these members will mainly be driven by what happens in the long-term. The no transition scenario is likely to be of most concern to these members, as in the long-term climate change headwinds grow and act as a drag on economic growth and risk asset returns. In particular, the climate-related risks associated with investing in equities is expected to be greatest over the long-term.

Members approaching retirement and at-retirement
The financial impact of climate change for these members is expected to be driven by the short- to medium-term time horizons. The orderly and disorderly transition scenarios are likely to be the scenarios of greatest concern to these members, where the impacts of climate change are felt in the short- and medium-terms respectively. This assumes that the time horizons tie in with members' retirement date. Over time, these members are expected to reduce their allocation to equities as they approach and are at-retirement. Should members continue to invest in equities as they approach retirement and beyond, the impact will be more like that of younger and mid-career members.

Climate scenarios in more detail

The table below describes each climate scenarios and the impact on the Scheme over the short-, medium- and long-term time horizons.

	Summary of the Scenario	Summary of the impact to the Scheme
No Transition Scenario Temperature rise +4°C Reach net-zero After 2050 No environmental regulation	**In the short term:** No action is taken to combat climate change. **In the medium term:** No action is taken to combat climate change. **In the long term:** Climate change headwinds grow and act as a drag on economic growth and risk asset returns. Impacts from physical risks become more severe and some become irreversible by 2100.	**In the short term:** There is not expected to be any initial impact on asset portfolios and performance is expected to follow the base case. **In the medium term:** Asset portfolio values begin to lag behind those of the base case. **In the long term:** Asset portfolio values continue a downward trend. Younger members are likely to impacted by the long-term outcome of this scenario.

Disorderly Scenario Temperature rise <3°C Reach net-zero after 2050 Late and aggressive environmental regulation	**Summary of the Scenario** **In the short term:** The world economy remains oriented towards improving near-term economic prospects, with companies and governments taking a "business as usual" approach. No action taken to combat climate change **In the medium term:** Late but coordinated action is taken to tackle climate change. the late timing of actions means that they are less effective and more costly to implement. Adverse effects from climate change become progressively worse, acting as a drag on returns of risk assets. **In the long term:** Eventually market participants begin to fully grasp the implications of climate change. Market values price in high levels of economic damage and the irreversible loss of natural capital. Eventually the transition to clean technologies and green regulation begins to boost economic growth. However, physical climate risks remain prominent.	**Summary of the impact to the Scheme** **In the short term:** There is not expected to be any initial impact on asset portfolios and performance is expected to follow the base case. **In the medium term:** The asset portfolios fall sharply in value as the late and aggressive introduction of regulation impacts returns on risk assets. This scenario is likely to be of concern to members approaching or at retirement in the medium-term time horizon. **In the long term:** The asset portfolio values start to recover, however, members would remain materially worse off in comparison to the base case.
Orderly Scenario Temperature rise 1.3ºC – 2ºC Reach net-zero 2050 Coordinated environmental regulation	**Summary of the Scenario** **In the short term:** Increased public awareness of climate change risks galvanises opinion and leads to governments undertaking widespread action globally. Global policymakers coordinate action to aggressively mitigate and adapt to climate change. Growth assets perform poorly. **In the medium term:** The rapid transition to clean technologies and green regulation begins to boost economic growth. **In the long term:** Green policies and high levels of infrastructure investment in renewable energy technologies lead to the rapid development and take-up of green technology. This boosts growth longer term.	**Summary of the impact to the Scheme** **In the short term:** Members' asset portfolios are expected to suffer an initial fall in value. This scenario is likely to be of concern to members approaching or at retirement in the short-term time horizon. **In the medium term:** Asset portfolios are beginning to recover from the initial fall in value. **In the long term:** Members' asset portfolios are likely to perform strongest relative to the base case.

Source: Aon. Effective date of the impact assessment is 31 December 2024.
Please note: The results of the scenario modelling are illustrative and rely on many assumptions. These are subject to considerable uncertainty.

Analysis limitations

Scenario analysis relies on many assumptions. They are only illustrative and subject to considerable uncertainty. Please see the *Appendix 3 – Climate scenario assumptions* for more detailed information on the assumptions underpinning the scenarios.

The climate scenarios analysis illustrates the potential impact climate change could have on the asset portfolios. It does not consider the impact climate change could have on other risks, such as timing of member options, operational risks, covenant risk and longevity risk.

Covenant Assessment

The sponsor covenant is the willingness and ability of the sponsor to meet the pension promises it made to its employees. Most of the Scheme's DB liabilities are secured with an insurer. The remaining liabilities are small and well-funded, and the assets are invested in a low-risk strategy. As such, the Trustee has taken a proportionate approach in relation to the covenant assessment.

The Trustee notes that the Employer considers climate change to be the core theme of its updated sustainability strategy, which is built around three priorities, as outlined in its Non-Financial Report 2023[1]:

- Focusing on climate-related investing, by seeking to provide access to climate-related opportunities, going hand-in-hand with its thought leadership and modular advisory approach.
- Strengthening engagement with investees and other relevant stakeholders, by aiming to continuously evolve its engagement approach with investee firms, clients, and index providers as well as other industry groups.
- Advancing its corporate transformation, following its commitment to net zero by seeking to focus on delivery against net zero targets. Furthermore, the Employer seeks to strengthen its corporate sustainability agenda and the supporting organizational change process.

The Trustee monitors the covenant on a regular basis, with the support of its covenant adviser, and maintains a regular dialogue with the Employer.

[1] Non-Financial-Report-2023.pdf (db.com). At the time of writing the 2024 report was not yet available.

Risk management

We must have processes to identify, assess and manage the climate-related risks that are relevant to the Scheme, and these must be integrated into the overall risk management of the Scheme.

Reporting on our risk management processes provides context for how we think about and address the most significant risks to our efforts to achieve appropriate outcomes for members.

Our climate risk management framework

The Trustee recognises the long-term risks posed by climate change and has taken steps to integrate climate-related risks into the Scheme's risk management processes.

The Trustee has developed a climate risk management framework to manage climate-related risk and opportunities. The climate risk management framework set out in the tables below clearly describes who is involved, what is done and how often. The Trustee delegates a number of key tasks to different entities but retains the final approval responsibility.

Governance

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Climate change governance framework *(this document)*	Trustee	Advisers	Ad-hoc
Publish Climate Disclosures report and implementation statement	Trustee	Advisers	Annual
Review adviser objectives to ensure advisers have appropriate climate capability, and bring important, relevant and timely climate-related issues to the Trustee's attention	Trustee	Advisers	Ongoing
Trustee training	Trustee	Advisers	Triennial
Ensure investment proposals explicitly consider the impact of climate risks and opportunities, and seek investment opportunities	Trustee	Investment consultant	Ongoing
Ensure that actuarial and covenant advice adequately incorporate climate-related risk factors where they are relevant and material	Trustee	Scheme Actuary, Covenant adviser	Ongoing
Engage with the investment managers to understand how climate risks are considered in their investment approach, and stewardship activities are being undertaken appropriately	Trustee	Investment managers, Investment consultant	Ongoing
Engage with DC benefit providers to understand how climate risks are considered in their selection of funds	Trustee	DC providers, Investment consultant	Annual

Trustee update

The Trustee has monitored progress of the implementation of the climate change governance framework through the year, receiving updates from its advisers and querying information as and when required.

The Trustee has received training through the year to ensure that it is familiar with industry feedback on TCFD reporting and the general code's climate change compliance requirements.

When discussing the investment strategy of the Scheme's residual assets, following the buy-in, the Trustee has considered wider ESG alignment, including climate. This is to help align the Scheme's investment with the wider sustainability and climate goals of the sponsoring employer. More details will be provided in next year's report.

Strategy

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Identify climate-related risks and opportunities (over agreed time periods) for investment & funding strategy and assess their likelihood and impact	Trustee	Investment consultant	Annual
Undertake quantitative scenario analysis to understand the impact of climate-related risks	Trustee	Investment consultant	Triennial (with annual review)
Actuarial valuation	Trustee	Scheme Actuary	Triennial

Trustee update

The Trustee has spent dedicated time through the year to analyse climate-related risks and opportunities for the Scheme's various asset classes in which it invests.

Following the annual review of the climate scenario analysis, the Trustee has updated the climate scenario analysis in this year's report, due to significant changes to the DB Section's investment strategy due to be implemented post year end. Further details can be found within the Strategy section.

Risk management

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Consider the prioritisation of those climate-related risks, and the management of the most significant in terms of potential loss and likelihood	Trustee	Advisers	Annual
Include consideration of climate-related risks in the Scheme's other risk processes and documents, such as the risk register and the SIP, and regularly review these	Trustee	Advisers	Ongoing
Seek to understand the climate-related risks to the employer over the short-, medium- and long- term	Trustee	Covenant adviser	Annual
Liaising with providers for DC benefits, to understand how each business incorporates risk management of climate-related risks	Trustee	DC benefit providers, Investment consultant	Annual
Liaising with insurers providing annuity agreements, to understand how ESG, including climate-related risks, is incorporated	Trustee	Advisers	Ad-hoc

Trustee update

The Trustee has processes in place for identifying and assessing climate-related risks as part of preparing its annual Climate Disclosures report (this document). Climate risk management is integrated into the ongoing risk management activities of the Scheme via the Scheme's climate risk management plan.

The Trustee receives support from its advisers to review the underlying investment managers and how ESG is integrated within their decision-making processes, including climate change. The Trustee also asks for details on how these have been implemented in practice, including key themes for engagement, such as climate change.

The Trustee included the impact of climate change into its due diligence process as part of the insurer selection exercise undertaken during 2024.

Metrics and Targets

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Obtain data for agreed metrics	Trustee	Investment consultant, fund managers	Annual
Review continued appropriateness of metrics	Trustee	Investment consultant	Annual

Trustee update

The Trustee has collated carbon metrics data for the reporting year, supported in this by the investment consultant. As the Trustee prepares its third Climate Disclosures report, it is required to include scope 3 emissions, as with year 2. Details of these can be found in the metrics and targets section of this report.

Alongside, the Trustee reviewed its targets, set in the first year of reporting, and confirmed that these remained appropriate during this reporting year.

Assessing our managers

To assess the Trustee's managers' abilities to manage climate-related risks, the Trustee asked them 10 questions designed by the Pensions Climate Risk Industry Group to help do just that. The questions were designed to assist the Trustee with its assessment of each manager's capabilities and approach to climate management. The Trustee focused on areas such as whether the managers produce their own TCFD reporting, managers' ability to conduct climate scenario analysis, their engagement and escalation policies, managers' ability to provide GHG emissions data and align their strategies to a particular temperature level.

Summary of investment manager responses

The table below summarises the responses from the most material investment managers in the DB and DC Sections.

Manager	TCFD Report	Climate-related risks analysis	Industry initiatives	Carbon Reporting	Temperature Alignment
Royal London	✓	✓	✓	✓	-
LGIM	✓	✓	✓	✓	✓

Source: Managers. LGIM responses are applicable to the DB and DC Sections. Royal London responses relate to the DB Section.

Key conclusions

DB Section

The Trustee disinvested from BlackRock through the year which saw the number of managers in which the Scheme invests reduce. The analysis is focused on the managers which remain in the portfolio at year end.

The Trustee has seen no changes from last year in the climate risk disclosures from its investment managers. In summary:

1) Both managers produce TCFD reports, conduct climate-related risks analysis, and also participate in industry initiatives.
2) Royal London has not set long-term temperature alignment targets, however, the manager has committed to a firm-wide Net Zero target.

The Trustee will engage with its managers to understand the future changes to the management of the Scheme's assets, including improvements in temperature alignment and the associated timescales involved with these.

DC Section

The Trustee makes a range of funds available to its DC members, via various DC providers, with investment decisions within this range being the responsibility of the individual member. The Trustee has delegated certain elements of its risk management policies, including climate-related risks, to its DC providers.

The Trustee, supported by its investment consultant, will continue to engage with its providers to ensure their approach with regards to responsible investment, including their climate-related risk polices, are broadly aligned with its own.

The Trustee is not taking any immediate action in line with these conclusions. The Trustee will continue to engage with the Scheme's managers, including any new investment managers it appoints, on the issue of climate change as and when it believes it is necessary.

Metrics & Targets

Metrics help to inform our understanding and monitoring of the Scheme's climate-related risks. Quantitative measures of the Scheme's climate-related risks, in the form of both greenhouse gas emissions and non-emissions-based metrics, help us to identify, manage and track the Scheme’s exposure to the financial risks and opportunities climate change will bring.

Our climate-related metrics

We use some quantitative measures to help us understand and monitor the Scheme's exposure to climate-related risks. Measuring the greenhouse gas emissions related to our assets is a key way for us to assess our exposure to climate change.

Greenhouse gases are produced by burning fossil fuels, meat and dairy farming, and some industrial processes. When greenhouse gases are released into the atmosphere, they trap heat in the atmosphere causing global warming, contributing to climate change.

Greenhouse gases are categorised into three types or 'scopes' by the Greenhouse Gas Protocol, the world's most used greenhouse gas accounting standard.

Scope 1

All direct emissions from the activities of an organisation which are under their control; these typically include emissions from their own buildings, facilities and vehicles

Scope 2

These are the indirect emissions from the generation of electricity purchased and used by an organisation

Scope 3

All other indirect emissions linked to the wider supply chain and activities of the organisation from outside its own operations – from the goods it purchases to the disposal of the products it sells

Scope 3 emissions are often the largest proportion of an organisation's emissions, but they are also the hardest to measure. The complexity and global nature of an organisation's value chain make it hard to collect accurate data.

For more explanation about GHG emissions, please see *Appendix 5 GHG Emissions*.

Our climate-related metrics – in detail

In our first year of TCFD reporting, we decided what metrics to annually report on. These are described below. This year we reviewed the metrics, and we believe they continue to be suitable for us to report against.

Total Greenhouse Gas emissions

The total greenhouse gas ("GHG") emissions associated with the portfolio. It is an absolute measure of carbon output from the Scheme's investments and is measured in tonnes of carbon dioxide equivalent (tCO2e).

Carbon footprint

Carbon footprint is an intensity measure of emissions that takes the total GHG emissions and weights it to take account of the size of the investment made. It is measured in tonnes of carbon dioxide equivalent per million pounds invested (tCO2e/£m).

Data Coverage

A measure of the proportion of the portfolio that the Trustee has high quality data for (i.e., data which is based on verified, reported, or reasonably estimated emissions, versus that which is unavailable).

This has been selected on the basis that it provides a consistent and comparable measure of the level of confidence in the data.

This year the Trustee did not need to make any estimation as the data was directly provided by the managers. Please note some managers used estimates of their data, details of which are not shared as part of this document.

Portion of portfolio which is net zero or Paris aligned

A metric which shows how much of the Scheme's assets are aligned with a climate change goal of limiting the increase in the global average temperature to 1.5˚C above pre-industrial levels.

It is measured as the percentage of underlying portfolio investments with declared net-zero or Paris-aligned targets, including those that have been verified by the Science based Target initiative ("SBTi").

Carbon metrics

In the table below are the climate-related metrics for the Scheme's assets.

DB Section – Uninsured Assets

Asset class	%		Data coverage (%) Scope 1&2	Data coverage (%) Scope 3	Total GHG Emissions (tCO_2e) Scope 1&2	Total GHG Emissions (tCO_2e) Scope 3	Carbon Footprint (tCO_2e/£m) Scope 1&2	Carbon Footprint (tCO_2e/£m) Scope 3
UK Credit Bonds	68%	2024	60%	60%	12,310	139,058	42	478
	57%	*2023*	*59%*	*18%*	*51,828*	*72,681*	*86*	*396*
Gilts (previously LDI)	32%	2024	100%	n/a	8,582	n/a	141	n/a
	43%	*2023*	*100%*	*n/a*	*127,117*	n/a	*170*	n/a
Total Assets	**100%**	**2024**	**n/r**	**n/r**	**20,892**	**139,058**	**n/r**	**n/r**
	100%	*2023*	*n/r*	*n/r*	*179,312*	72,681	*n/r*	n/r

Source: Investment managers / Aon. Scope 3 emissions are not applicable to Gilts. 'n/r' denotes climate-metrics which are 'not reported'. 'n/a' denotes where climate-metrics which are 'not applicable'. Cash has been excluded from the asset allocation, due to the lack of relevance for this asset class in the context of climate metrics.
2023 data as at 31 December 2023.
2024 data as at 31 December 2024
2024 emissions associated with Gilts has been calculated from the following sources:

- Allocations as at 31/12/2024 from the manager.
- UK national emissions as at 31 December 2023 from the Emissions Database for Global Atmospheric Research.
- PPP-adjusted GDP as at 31 December 2023 from the Organization for Economic Cooperation and Development.
- For the Gilts portfolio, which includes swaps and cash, carbon metrics are shown solely in relation to the Scheme's gilt holdings.

Commentary

During the reporting year, the Trustee undertook further de-risking in the DB Section, which saw to full redemptions from one of the UK Credit Bond funds and a partial redemption from the previously held LDI/Gilt portfolio to fund the Scheme's most recent buy-in, which fully insured most of the Scheme's remaining liabilities.

There has been a fall in the overall total scope 1&2 emissions, primarily driven by a reduction in the total amount invested as well as a fall in scope 1&2 carbon footprint across all asset classes. This reflects the transfer of climate risk to the insurer, following the most recent buy-in. Scope 3 emissions have increased, due to increases in data coverage and carbon footprint.

UK Credit Bonds

- The Trustee observed that the Scheme's UK Credit Bonds manager provided comprehensive reporting in relation to the carbon emissions within the portfolio, similar to last year.
- Total scope 1&2 emissions have decreased primarily driven by a decrease in the total amount invested, following the redemption from a UK Credit Bonds fund during the reporting year. The fall in total scope 1&2

emissions also fell because of a decrease in the scope 1&2 carbon footprint, as the fully redeemed fund was more carbon intensive than the fund in which the Scheme continues to invest. Scope 1&2 data coverage has remained broadly similar to last year.

- Total scope 3 emissions have increased. This has been driven by the significant improvement in scope 3 data coverage which resulted in an increase in the scope 3 carbon footprint.
- The Trustee's investment consultant calculated the scope 1&2 and scope 3 carbon footprints, using the direct emissions and coverage figures provided by the investment manager. See *Appendix 4 Additional information on metrics calculations* for more information.

Gilts

- This year's carbon data for Gilts is directly comparable to the carbon data from last year, as a consistent methodology of calculating climate-related metrics for this asset class has been applied. The Trustee's Investment Consultant collected the holdings data from the Scheme's Gilts manager. The carbon footprint was calculated using UK GHG Emissions and Purchasing Power Parity ("PPP") adjusted Gross Domestic Product ("GDP") and assumes data coverage to be 100%. There is currently no industry agreed standard for calculating Gilt emissions. The Trustee's Investment Consultant therefore calculates the carbon footprint to ensure consistency across managers and reporting. This will allow for better comparisons between similar pension schemes in future.
- The Gilt portfolio contains mainly UK government bonds. Carbon metrics for UK government bonds are based on the total GHG emissions for the whole of the UK, which are extremely high. By contrast, carbon emissions for equities, for example, are based on the emissions associated with the underlying companies invested in, which are smaller. Hence, the carbon metrics for Gilts are higher than other asset classes.
- Scope 3 GHG emissions relate to indirect emissions linked to the wider supply chain and activities of an organisation from outside its own operations for example, from the goods it purchases to the disposal of the products it sells. The nature of scope 3 GHG emissions makes them more complex to collect and report on, often resulting in higher levels of estimation compared to scope 1&2 GHG emissions. Scope 3 GHG emissions are currently not applicable to Gilt assets because no industry-wide agreed methodology is applicable to calculate scope 3 GHG emissions for sovereigns.
- The total scope 1&2 GHG emissions for the Gilt portfolio have decreased, primarily due to a fall in the total amount invested. A fall in scope 1&2 carbon footprint has also caused a further reduction in this figure, compared to last year.

DB Section – Insured Assets

Asset class	%		Data coverage (%) Scope 1&2	Data coverage (%) Scope 3	Total GHG Emissions (tCO_2e) Scope 1&2	Total GHG Emissions (tCO_2e) Scope 3	Carbon Footprint (tCO_2e/£m)* Scope 1&2	Carbon Footprint (tCO_2e/£m)* Scope 3
Annuity	100%	2024	99%	0%	109,492	-	55	-
	100%	*2023*	*56%*	*0%*	*44,366*	-	*68*	-

Source: Insurers/ Aon.
2023 data as at 31 December 2022, due to data availability from the Scheme's insurers.
2024 data as at 31 December 2023, due to data availability from the Scheme's insurers.
*Calculated as tCO2e/EVIC

Commentary

The Scheme has four bulk annuities as at year end, across two separate insurers, and entered into an additional policy with one of these insurers in September 2024, by partially divesting from the LDI/Gilts and UK Credit Bond portfolios.

- Total scope 1&2 GHG emissions have increased, due to a significant increase in the total amount invested in the annuities, following the most recent bulk annuity purchase. This has been driven further by a material increase in data coverage, due to one of the insurers using proxies to estimate data where it does not have complete information.
- The increase in scope 1&2 GHG emissions has been partly offset by a modest reduction in the carbon footprint.
- Both insurers were unable to provide scope 3 data. The Trustee's investment consultant has highlighted that this is an industry wide issue and not uncommon.

DC Section – Popular arrangements

Asset class	%		Data coverage (%) Scope 1&2	Data coverage (%) Scope 3	Total GHG Emissions (tCO_2e) Scope 1&2	Total GHG Emissions (tCO_2e) Scope 3	Carbon Footprint (tCO_2e/£m) Scope 1&2	Carbon Footprint (tCO_2e/£m) Scope 3
Equity	100%	2023	96%	96%	6,118	84,063	63	870
	100%	*2023*	*96%*	*96%*	*7,411*	*79,925*	*80*	*859*

Source: Investment manager / Aon. 2023 data as at 31 December 2023. 2024 data as at 31 December 2024.

Commentary

- Overall, there has been a fall in total scope 1&2 emissions, this is driven by a fall in the carbon footprint. This fall was offset by a modest increase in the total amount invested in the underlying funds.
- Data coverage, across all scopes, has stayed consistent at 96%.
- Scope 3 emissions have increased, following a modest increase in the carbon footprint and total amount invested. As industry methodologies for collecting scope 3 emissions improve, the Trustee expects to see an increase in scope 3 emissions in line with an improvement in underlying data being reported, rather than estimated.

Portion of the portfolio with net-zero or Paris aligned targets

		Year	Portion of the portfolio with net zero or Paris aligned targets	Proportion of assets for which data was available
DB Section	UK Credit Bonds	2024	11%	60%
		2023	*25%*	*59%*
	Annuity	2024	46%	99%
		2023	*48%*	*56%*
DC Section	Equity	2024	55%	96%
		2023	*54%*	*96%*

Source: Investment managers / Aon. Data as at 31 December 2024, except for annuities data which is as at 31 December 2023.

Commentary

The table above shows the percentage of underlying portfolio investments with a declared net-zero or Paris-aligned target, or are already net-zero or Paris-aligned.

In the DB Section, the portion of the portfolio with net zero or Paris aligned targets has decreased, primarily due to the disinvestment from one of the UK Credit Bonds funds held the previous year. In the DC Section, there has been a slight improvement in the portion of the portfolio with net-zero aligned targets. All of the Scheme's investment managers/insurers were able to report the data.

Notes on the metrics data

The Trustee's investment consultant, Aon, collected information from the Scheme's investment managers about their greenhouse gas emissions. Aon collated this information to calculate the climate-related metrics for the Scheme's portfolio of assets.

The exception to this is the metrics for the Gilts; see *Appendix 4 Additional information on metrics calculations* for more information.

How we collected the carbon data

Our investment adviser, Aon, collected the carbon emissions data from our managers on our behalf using the industry standard Carbon Emissions Template ("CET"). The CET was developed by a joint industry initiative of the Pension and Life Savings Association, the Association of British Insurers and Investment Association Working Group. The CET seeks to provides a standardised set of data to help pension schemes meet their climate reporting obligations.

Availability of data:

- The Scheme's two investment managers provided scopes 1, 2 and 3 GHG emissions.
- The Scheme's two insurers provided scope 1&2 only.
- All managers/ insurers provided portfolio alignment data.

Aon did not make estimates for missing data.

Because not all the Scheme's managers were able to provide all the requested data, the reported emissions metrics do not include all the Scheme's GHG emissions. And so, the metrics show the Scheme's GHG emissions to be lower than they really are.

The Trustee notes that there were some differences arising in the data coverage across the asset classes in which it invests, particularly when comparing between the UK Credit Bonds and the Equity. The Trustee is comfortable with the differences that exist due to the different asset classes:

- The global equity funds within the DC Section invest predominantly in companies listed on a public exchange. As a result, these companies may be required to report carbon emissions as part of legislative requirements. Even if not required to report, companies and their management may deem that there are benefits from reporting carbon emissions amongst wider environmental and social impact reporting to help meet the expectations of their investors.
- Investment in credit bonds is different to global equities and not all underlying companies may be listed on a public exchange. As such, the disclosure requirements of carbon emissions may differ, and as such result in a lower coverage of data. Alongside this, the percentage of ownership is not always as clear for bond holders versus equities, as borrowing changes over time (such as new bonds issued by a company, or bonds bought back). This can lead to complications with the emissions methodology for bond holders.

We expect that in the future better information will be available from managers and this improvement will be reflected in the coming years' reporting.

Looking to the future
Our climate-related target

Climate-related targets help us track our efforts to manage the Scheme's climate change risk exposure.

In our first year of reporting, we set a target to improve data coverage and the portion of the portfolio with net zero or Paris aligned targets.

Without meaningful data from the investment managers, it is very hard for us to measure our climate-risk exposure. So, it is important to set a target to improve the data quality of the GHG emissions data from the managers.

In the first year of reporting, the Trustee noted the low portions of the portfolio with net zero or Paris aligned targets and wanted to improve this figure. The Trustee recognises this is a forward-looking metric which assesses the alignment of the Scheme's assets with the climate change goal of limiting the increase in the global average temperature to 1.5˚C above pre-industrial levels.

The Trustee agreed to set the following targets for the Scheme's assets:

1. *Improve the data coverage for scope 1&2 GHG emissions data for the UK Credit Bonds for the DB uninsured assets to above 90% by 2026, using data at 31 December 2021 as the baseline.*

2. *Improve the portion of UK Credit Bonds for the DB uninsured assets which have net zero or Paris aligned targets. The Trustee is aiming for more than 40% by 2026, using data at 31 December 2021 as the baseline.*

Trustee update

Each year we review the suitability of the target we have set. Based on the data collected and the metrics calculated this year, we believe the target continues to be suitable.

Our progress towards the target

The table below shows the UK Credit Bonds, for the DB uninsured assets, data coverage and net zero or Paris aligned metrics for this year and last year, as well as a comparison versus the target.

	2023	2024	Target
1) Data coverage (Scope 1&2)	59%	60%	90%
2) Portion of the portfolio with net zero or Paris aligned targets	25%	11%	40%

Source: Investment managers

Compared to last year, the scope 1&2 data coverage of the UK Credit Bonds has remained broadly unchanged at an overall level. Over the year the Scheme disinvested from one credit fund, leaving one remaining credit manager. The remaining manager reported an improvement in its data coverage since last year, which is encouraging to see.

There has been a reduction in the portion of the UK Credit Bonds with net zero or Paris aligned targets, from 25% to 11%. This decrease is also due to the disinvestment of the credit fund, as the previously invested fund had a higher proportion of net zero aligned investments.

The Scheme's performance against the target is measured and reported on every year. Over time, this will show the Scheme's progress against the target.

Considering the Trustee's observations of the year-on-year progress, which showed a modest improvement in data coverage and a deterioration in the portion of the portfolio with net-zero aligned targets, across UK Credit Bonds, the Trustee has decided to make no changes to the current targets.

Steps we are taking to reach the targets

The Trustee is taking the following steps to reach the targets:

Increasing data availability 	**Making the reporting consistent** 
Observation Coverage of data continues to be an area for improvement, particularly within the UK Credit Bonds. Another key area for improvement is the portion of the UK Credit Bonds with net zero or Paris aligned targets.	**Observation** Whilst the UK Credit Bonds manager provided comprehensive reporting of its climate-related metrics, these were not in the industry standard CET. The Trustee will continue to follow guidance for collecting carbon data in line with the industry standard CET.
Solution The Trustee, with the support of its investment consultant, will engage with the relevant investment manager. Through engagement, it is expected that this will identify opportunities to improve data availability or investigate alternative sources of data, particularly where there are significant gaps in the data. Engagement may also identify areas to improve the portion of assets with net zero or Paris aligned targets.	**Solution** The Trustee, with the support of its investment consultant, will engage with the manager directly, to understand any challenges with providing consistent data and seek an appropriate solution.

Appendices

Please see the appendices for additional information about our climate disclosures report.

01 Glossary

Governance refers to the system by which an organisation is directed and controlled in the interests of shareholders and other stakeholders.[2] Governance involves a set of relationships between an organisation's management, its board, its shareholders, and other stakeholders. Governance provides the structure and processes through which the objectives of the organisation are set, progress against performance is monitored, and results are evaluated.[3]

Strategy refers to an organisation's desired future state. An organisation's strategy establishes a foundation against which it can monitor and measure its progress in reaching that desired state. Strategy formulation generally involves establishing the purpose and scope of the organisation's activities and the nature of its businesses, taking into account the risks and opportunities it faces and the environment in which it operates.[4]

Risk management refers to a set of processes that are carried out by an organisation's board and management to support the achievement of the organisation's objectives by addressing its risks and managing the combined potential impact of those risks.[5]

Climate-related risk refers to the potential negative impacts of climate change on an organisation. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations.[6]

Climate-related opportunity refers to the potential positive impacts related to climate change on an organisation. Efforts to mitigate and adapt to climate change can produce opportunities for organisations, such as through resource efficiency and cost savings, the adoption and utilization of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organisation operates.[7]

Value chain refers to the upstream and downstream life cycle of a product, process, or service, including material sourcing, production, consumption, and disposal/recycling. Upstream activities include operations that relate to the initial stages of producing a good or service (e.g., material sourcing, material processing, supplier activities). Downstream activities include operations that relate to processing the materials into a finished product and delivering it to the end user (e.g., transportation, distribution, and consumption).[8]

Net zero means achieving a balance between the greenhouse gases emitted into the atmosphere, and those removed from it. This balance – or net zero – will happen when the amount of greenhouse gases add to the atmosphere is no more than the amount removed.[9]

[2] A. Cadbury, Report of the Committee on the Financial Aspects of Corporate Governance, London, 1992.

[3] OECD, G20/OECD Principles of Corporate Governance, OECD Publishing, Paris, 2015.

[4] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017

[5] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017

[6] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017

[7] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017

[8] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017

[9] Energy Saving Trust, What is net zero and how can we get there? - Energy Saving Trust, October 2021

02 Climate risk categories

Climate-related risks are categorised into physical and transition risks. Below are examples of transition and physical risks.

Transition risks

Transition risks are those related to the ability of an organisation to adapt to the changes required to reduce greenhouse gas emissions and transition to renewable energy. Within transition risks, there are four key areas: policy and legal, technological innovation, market changes, and reputational risk.

Policy and legal

Examples
Increased pricing of GHG emissions
Enhanced emissions-reporting obligations
Regulation of existing products and services

Potential financial impacts
Increased operating costs (e.g. higher compliance costs, increased insurance premiums)
Write-offs, asset impairment and early retirement of existing assets due to policy changes

Technology

Examples
Cost to transition to lower emissions technology
Unsuccessful investments in new technologies

Potential financial impacts
Write-offs and early retirement of existing assets
Capital investments in technology development
Costs to adopt new practices and processes

Market

Examples
Changing customer behaviour
Uncertainty in market signals
Increased cost of raw materials

Potential financial impacts
Reduced demand for goods and services due to shift in consumer preferences.
Abrupt and unexpected increases in energy costs.
Re-pricing of assets (e.g., fossil fuel reserves, land valuations, securities valuations).

Reputational

Examples
Stigmatisation of sector
Increased stakeholder concern or negative stakeholder feedback

Potential financial impacts
Reduced revenue from decreased demand for goods and services.
Reduced revenue from decreased production capacity

Physical Risks

Physical risks refer to the physical impacts of climate change on a firm's operations. They directly impact a firm's ability to perform its function due to climate disruption. They fall into two subcategories: acute and chronic. Acute risks are extreme climate events, and chronic risks are trends that appear over time.

Acute

Examples
Extreme heat
Extreme rainfall
Floods
Droughts

Chronic

Examples
Water stress
Sea level rises
Land degradation
Variability in temperature

03 Climate scenario assumptions

The climate scenarios were developed by Aon and are based on detailed assumptions. They are only illustrative and are subject to considerable uncertainty. They consider the exposure of the Scheme to climate-related risks and the approximate impact on asset/liability values over the long-term.

The analysis is intended to illustrate the climate-related risks the Scheme is currently exposed to, highlighting areas where risk mitigation could be achieved through changing the portfolio allocation.

Investment risk is captured in the deviance from the Base Case, but this is not the only risk that the Scheme faces; other risks include covenant risk, longevity risk, timing of member options, basis risks and operational risks.

The analysis reflects recent market conditions and views; if carried out at a different date the analysis may be different.

Key Scenario Assumptions

	Base case	**No transition**	**Disorderly transition**	**Orderly transition**
	Capital market assumptions ("CMAs") based on what is currently priced into the market.	No further action is taken to reduce GHG emissions leading to significant global warming	Limited action is taken and insufficient consideration is given to sustainable long-term policies to manage global warming effectively	Immediate and coordinated action to tackle climate change is taken using carbon taxes and environmental regulation
Temperature rise by 2100	1.5ºC – 2.4ºC	+4ºC	<3ºC	1.3ºC – 2ºC
Reach net-zero by	2050	After 2050	After 2050	2050
Carbon price (2030/2050)	$80 $140	$40 $50	$65 $340	$100 $215
Introduction of environmental regulation	Fragmented	None	Late and aggressive	Coordinated

Source: Aon

04 Additional information on the metrics calculations

Where possible we use the industry standard methodologies for calculating metrics. There currently is no industry-wide standard for calculating metrics for some assets, and different managers may use different methods and assumptions.

These issues are common across the industry and highlight the importance of climate reporting to improve transparency. We expect that in the future better information will be available from managers as the industry aligns to expectations and best practice standards.

The carbon metrics for non-Gilt asset classes

Emissions data was collected from the managers using the CET[10]. Managers provided carbon footprint and data coverage for their fund(s).

Aon calculated the total GHG emissions for each fund as follows:

> *carbon footprint x £m Scheme assets invested in the fund x data coverage.*

An exception to this was the UK Credit Bonds fund, within the DB Section, for which Aon used the direct emissions reported by the manager to calculate the carbon footprint as follows:

> *directly reported GHG emissions / (£m Scheme assets invested in the fund x data coverage)*

Where necessary Aon aggregated the carbon metrics for each asset class. The methodology used for aggregating did not make any assumptions about the carbon emissions for assets for which data was unavailable. The aggregation methodology is as set out below:

$$\textit{carbon footprint for the asset class} = \frac{\sum Gi}{\sum(Ai \times Ci)}$$

Where i is each fund in the asset class

G_i = Total GHG for fund i (tCO_2e)

A_i = Assets invested in fund i (£M)

C_i = Data Coverage of fund i (%)

The carbon metrics for Gilts

Emissions associated with Gilts includes physical emissions only (emissions associated with physical assets that are held within the portfolio). There were no synthetic emissions (emissions associated with the notional exposure to

[10] https://www.plsa.co.uk/Policy-and-Research/Document-library/Carbon-Emissions-Template

government bonds gained through derivatives) as interest rate swaps are excluded from the analysis. The Scheme's Gilt manager provided the value of the physical government bond exposures.

The carbon footprint was calculated by Aon as follows:

$$\frac{\textit{UK national emissions scopes 1 and 2}}{\textit{PPP-adjusted GDP}}$$

Where UK national emissions scopes 1 and 2 as at 31 December 2023 as reported by the Emissions Database for Global Atmospheric Research; and PPP (Purchasing Power Parity)-adjusted GDP as at 31 December 2023 as reported by the Organization for Economic Cooperation and Development.

Total GHG emissions for Gilts was estimated for physical exposures as follows:

£m of Plan's physical exposure x *carbon footprint x data coverage*

Where data coverage is assumed to be 100% estimated.

Portion of the portfolio with net-zero or Paris aligned targets

Aon requested the data of each fund from our investment managers and aggregated the results based on the portion of assets invested in each fund.

Aon does not make any estimates for missing data, and therefore the percentages shown only represent the portion of the portfolio for which we have data.

Currently, there is no standard approach for calculating this data for government bonds. Hence there is no data shown for the Gilt assets.

05 GHG emissions

Greenhouse gases in the atmosphere keep the Earth's surface and atmosphere warm because they absorb sunlight and re-emit it as heat in all directions including back down to Earth. Adding more greenhouse gases to the atmosphere makes it even more effective at preventing heat from leaving the Earth's atmosphere.

Greenhouse gases are vital because they act like a blanket around the Earth making it the climate habitable. The problem is that human activity is making the blanket "thicker". For example, when we burn coal, oil, and natural gas we send huge amounts of carbon dioxide into the air. When we destroy forests, the carbon stored in the trees escapes to the atmosphere. Other activities, such as raising cattle and planting rice emit methane, nitrous oxide and other greenhouse gases.

The amount of greenhouse gases in the atmosphere has significantly increased since the Industrial Revolution. The Kyoto Protocol[11] identifies six greenhouse gases which human activity is largely responsible for emitting. Of these six gases, human-made carbon dioxide is the biggest contributor to global warming.

Each greenhouse gas has a different global warming potential and persists for a different length of time in the atmosphere. So, emissions are expressed as a carbon dioxide equivalent (CO_2e). This enables the different gases to be compared on a like-for-like bases, relative to one unit of carbon dioxide.

Six main greenhouse gases identified by the Kyoto Protocol

CO_2
Carbon dioxide

CH_4
Methane

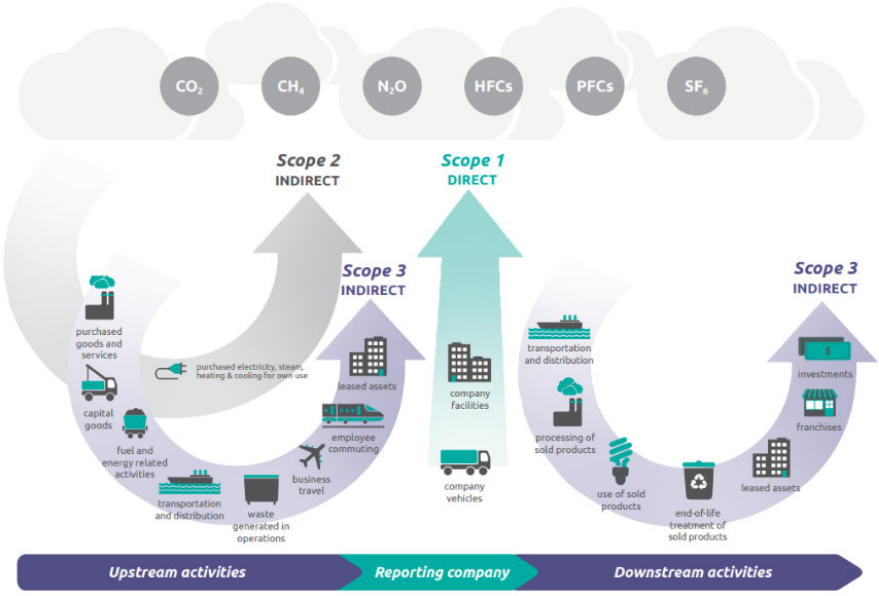
N_2O
Nitrous oxide

HFCs
Hydrofluorocarbons

PFCs
Perfluorocarbons

SF_6
Sulphur hexafluoride

Overview of GHG Protocol scopes and emissions across the value chain



Source: Greenhouse Gas Protocol, Corporate value chain (scope 3) Accounting and Reporting Standard, 2011

[11] https://unfccc.int/kyoto_protocol