

Climate Disclosures for the year ended 31 December 2025

DB (UK) Pension Scheme

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

Date: June 2026



Introduction

Climate change is causing extreme weather, affecting crops, and threatening ecosystems. Understanding its impact and the DB (UK) Pension Scheme's vulnerability to climate risks helps mitigate these risks and seize opportunities. UK regulations require pension schemes with over £1bn in assets to meet climate governance standards and publish annual reports on climate risks. Improved climate reporting enhances decision-making and transparency, increasing accountability and providing valuable information to investors and beneficiaries.

This report is the annual Climate Disclosures for the Scheme for the year ended 31 December 2025, prepared by DB Trustee Services Limited (the "Trustee") in accordance with The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the "Regulations") and aligned with the Taskforce for Climate-related Financial Disclosures ("TCFD") framework.

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Executive summary

This report explains what we, the Trustee, have done to understand how climate change might affect the Scheme. We collaborated with our investment consultant to find the climate-related risks and opportunities for the Scheme and to learn how we can manage and reduce those risks.

Effective Governance and Risk Management for Climate Resilience

We, the Trustee, are responsible for overseeing all strategic matters related to the Scheme, including climate-related risks and opportunities. We have established a process to identify, assess, and manage the climate-related risks and opportunities the Scheme faces, integrating it into the broader risk management framework. Please see the [Appendix](#) for our climate governance and risk management framework.

Strategy update

Our qualitative risk analysis found that the asset classes the Scheme invests in are somewhat affected by climate-related risks, and these risks are expected to grow over time. We also found several investment opportunities across different asset classes. More details are available on pages 5-8.

We reviewed the qualitative climate scenario analysis, carried out last year, and are confident it remains suitable for inclusion in this report. The analysis showed that 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, having purchased Bulk Annuity Policies. 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.

Metrics & Target update

DB Section – Uninsured Assets

There has been an increase in the overall total scope 1&2 emissions, primarily driven by:

- Higher coverage across the uninsured assets as a whole (including high coverage for Short Dated Credit and Global Equities) vs prior year given the investments in new asset classes to implement the surplus portfolio strategic allocation;
- Increased carbon footprint for UK Corporate Bonds; and
- An increase in the total amount invested due to positive performance over the year.

Scope 3 emissions have increased, due to increases in data coverage, following the implementation of the new investment strategy.

Given the past service liabilities are fully insured, and an allocation of a Reserves Portfolio has been made for future accruals and expenses, the Trustee believes the climate-related risk exposure for the Scheme's members is relatively low.

GHG Emissions

47,798

tCO₂e

Scope 1 & 2

244,321

tCO₂e

Scope 3

Note: Carbon footprint and data coverage are not reported at Scheme-level due to inconsistent methodologies between gilts and other asset classes.

DB Section – Insured Assets

The Scheme has four bulk annuities as at year end, across two separate insurers.

Total scope 1&2 GHG emissions have decreased, due to a modest decrease in the carbon footprint, as well as a fall in the valuation of the annuities. This has been partially offset by a 1% increase in data coverage, due to one of the insurers using proxies to estimate data where it does not have complete information.

Like last year, both insurers continue to be unable to provide scope 3 data. The Trustee's investment consultant has highlighted that this is an industry wide issue and not uncommon.

GHG Emissions	Carbon Footprint	Data Coverage
98,444 tCO ₂ e	50 tCO ₂ e/£M	100%
Scope 1 & 2	Scope 1 & 2	Scope 1 & 2
- tCO ₂ e/£M	- tCO ₂ e/£M	0%
Scope 3	Scope 3	Scope 3

DC Section – Popular Arrangements

Overall, there has been an increase in total scope 1&2 emissions, this is driven by an increase in data coverage, as well as the total amount invested in the underlying funds. A modest fall in carbon footprint offset this slightly.

Data coverage, across all scopes, increased modestly by 1%.

Scope 3 emissions have increased, following an increase in the carbon footprint and total amount invested.

GHG Emissions	Carbon Footprint	Data Coverage
6,207 tCO ₂ e	59 tCO ₂ e/£M	97%
Scope 1 & 2	Scope 1 & 2	Scope 1 & 2
97,311 tCO ₂ e	925 tCO ₂ e/£M	97%
Scope 3	Scope 3	Scope 3

Targets

We have set the following targets:

1. Improve the data coverage for scope 1&2 GHG emissions data for the UK Corporate Bonds assets 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 Corporate 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.

Each year the Trustee reviews the suitability of the targets it has set. Based on the data collected and the metrics calculated this year, the Trustee believes the targets continue to be suitable.

The Trustee will conduct a formal review of the targets over the coming Scheme year, to potentially include the new asset classes, once it has consecutive disclosures.

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.

Strategy

Identifying climate-related risks and opportunities

The Trustee carries out a qualitative risks and opportunities assessment of the asset classes the Scheme is invested in. From this the Trustee identifies which climate-related risks could have a material impact on the Scheme. The Trustee also identifies 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. The Trustee has not considered Cash in the climate-related analysis, on the basis of materiality.

Our investments

The Scheme is a hybrid Scheme, which has two sections – a Defined Benefit (“DB”) Section and a Defined Contribution (“DC”) Section.

The DB Section is invested in a range of asset classes. Like last year, this includes UK Corporate Bonds. During the reporting year, the DB Section also made new investments in Short Dated Credit, Multi Asset Credit, Global Equities, and a reserves pooled hedging portfolio consisting of gilt/index linked gilt funds and a liquidity fund. In addition, alongside this, the Scheme invests in Bulk Purchase Annuities.

The DC Section invests across a number of investment managers and funds with the majority of funds invested in the following funds: Legal & General Asset Management (“L&G”) World (ex-UK) Equity Index Fund and L&G UK Equity Index Fund. These are described throughout the report as the L&G equity funds.

DB Section – Uninsured Asset Allocation at 31 December 2025:

UK Corporate Bonds	Short Dated Credit	Multi Asset Credit	Global Equities	Gilts
21%	21%	21%	15%	20%

Note: May not sum due to rounding. Excludes cash and money market instruments.

DC Section:

When undertaking the climate-related risk and opportunities 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:

- L&G UK Equity Index; and
- L&G World (ex-UK) Equity Index.

How the risk assessment works

Risk categories

The analysis divides climate-related risks into two types:

Transition risks related to the transition to a low-carbon economy.

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

More details can be found in the [Appendix](#).

Ratings

The analysis uses RAG ratings 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 different time horizons considering the Scheme liabilities. 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

The Trustee has insured all the Scheme's past-service liabilities through Bulk Purchase Annuity Agreements (the "Annuity Policies") with Legal and General Assurance Society ("LGAS") and Aviva.

When deciding the relevant timeframes for the entire Scheme, the Trustee has considered the expected ongoing and future expenses, and any future accrued benefits 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. Following the implementation of the surplus portfolio strategic allocation in 2025, this time horizon was reviewed and considered appropriate and reflects the immediate phase following implementation of the agreed surplus strategy.
- Medium-term: 3-8 years. This aligns to the next stage on the Trustee's journey plan, during which the Trustee expects the surplus assets to progress as the Scheme moves closer to buy-out, taking into account market conditions and timeframes to complete a full buy-out.
- Long-term: 9+ years. This aligns to the final stage of the Trustee's journey plan, when the Trustee expects to complete a full buy-out, thereby fully securing all remaining benefits with an insurer.

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

Climate-related risk assessment

Key conclusions

DB Section

Following the purchase of the most recent Annuity Policy in 2024, the Scheme's risk associated with its members (excluding future accrual and other reserves, the residual liabilities) are fully hedged across interest rate, inflation and longevity risk, with some remaining surplus assets. In 2025, the Trustee implemented its surplus portfolio strategic allocation for the Scheme's remaining uninsured assets. Across these assets, diversification of asset classes, sectors and regions remains important in managing climate-related physical and transition risks for the Scheme.

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 segregated mandates 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.

Like last year, UK Corporate Bonds are deemed a medium risk (particularly in the medium to long term). Physical risks are more prevalent in the short term. The manager anticipates changes to the policy and legal landscape to become more financially material in the medium and longer term, with the mandate's exposure to longer-dated bonds from issuers in the utility, social housing, and real estate sectors increasing the financial materiality of this risk.

Short Dated Credit is regarded as a low-risk area for transitional risks across all time horizons. This is driven by portfolio's dominant exposure to banking and financial services, which have limited climate-related risk exposure compared to other sectors, as well as ongoing engagement with high-impact issuers in the portfolio. Physical risks are considered low over the short to medium term, whilst the manager expects both acute and chronic physical risks to rise to moderate levels over the longer term.

The Scheme's investment manager for the Multi Asset Credit mandate did not complete the climate-related risk assessment in the format requested, however, did provide comprehensive climate scenario analysis to support the Trustee in preparing these Climate Disclosures. The findings suggest the portfolio is generally resilient across a range of climate transition scenarios modelled by the manager, with only modest climate-adjusted valuation impacts at aggregate level. Transition risks are driven primarily by a small number of higher-emitting issuers identified in the manager's scenario analysis. Physical risks, including exposure to more frequent extreme weather events and longer-term chronic impacts such as heat stress and sea-level rise, are also monitored by the manager, with the overall portfolio impact expected to remain contained.

The Global Equities are assessed as low/medium risk, driven by the climate transition objectives of the underlying funds. Short- and medium-term transition risks are muted, as the manager applies a proprietary glide path transition score, and overweight to companies with credible decarbonisation plans and green technologies. Exclusions of high-carbon and United Nations Global Compact-breaching issuers and a focused climate engagement programme also limit climate-related risk exposure. Physical risks are considered moderate as the funds prioritise financing the transition over detailed physical risk modelling.

Gilts are assessed as a low-risk area in the short and medium term for both physical and transition risks. Over the long term, acute physical risks and certain transition risks (regulatory, technology and market) are expected to increase to moderate levels, reflecting the potential impact of more frequent extreme weather events, climate policy and carbon pricing, and the broader transition to a lower-carbon economy on sovereign creditworthiness and economic performance. Reputational risks remain low, although the manager notes that insufficient climate policy could contribute to wider social and political tensions.

DC Section

Equity continues to be 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.

RAG ratings for each asset class can be found in the [Appendix](#).

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 Corporate Bonds

The Scheme's UK Corporate Bonds manager identified climate-related opportunities across all time horizons to meet the demand for products that align with or seek to aid the transition to net zero. The manager believes engagement with suppliers could help them transition towards the lower-carbon economy.

Through energy efficiency improvements from both operations and refurbishment, the manager expects to see reduced operating costs. This opportunity is likely to be compounded by volatility and price fluctuations seen recently in the energy market.

Returns from investment in companies and sectors that are supporting the climate transition could be enhanced through innovation (for example, battery technology). This reflects changes in the investment landscape and in policy relating to prioritisation of green strategic objectives.

The manager also views, to reduce reliance on the UK National Grid, there is the opportunity to install solar panels on the roofs of buildings to generate onsite renewable energy. This can then be sold to the occupier, creating a financial return.

Short Dated Credit

Given the mandate is a fixed income strategy, the investment manager outlined that the key focus of its credit analysis is the cash-generating capacity of the issuer, the quality of cash flows, and the ability to repay debt.

In analysing and investing in corporate bonds, the manager's focus is tilted towards detecting downside credit risk. In a limited number of cases, the investment manager does find companies where ESG factors contribute positively to the fundamental view. This is often owing to the product impact criterion, such as in cases where the product is a solution for a better environment.

Multi Asset Credit

The manager outlined a number of securities within the portfolio that are poised to capitalise on transition-related opportunities in a net zero world.

Using Aladdin Climate, which the manager views to be one of the leading tools to quantify climate-related risks and opportunities, the manager identified issuers within the portfolio that may benefit from the transition, including companies involved in renewable energy generation and grids, energy-efficient electrification solutions, and the decarbonisation of transport and financial infrastructure.

Global Equities

The investment manager identified climate-related opportunities, which it aims to increase exposure to, across businesses developing and scaling clean technologies such as smart grids, hydrogen power and storage, electric vehicles and carbon capture solutions, including carbon sequestration and direct air capture. The portfolios target at least 15% higher exposure to companies with strategic development initiatives and revenues linked to these technologies, reflecting the manager's belief that such firms are better placed to benefit from the structural shift towards a low-carbon, more resilient economy.

On the transition side, the manager applies a Net Zero 2050 Glide Path framework and a "Low Carbon Commitment Score" to assess how likely companies are to meet International Energy Agency ("IEA") aligned decarbonisation targets and identify opportunities. The strategy then tilts the portfolio by at least 15% towards those issuers most aligned with a 1.5°C-consistent net zero pathway.

Gilts	For gilts, climate-related opportunities are expected to emerge gradually rather than immediately. In the near term, benefits are modest and mainly linked to the Government removing barriers and setting clear incentives for deploying mature low-carbon technologies. Over the medium to long term, if the Government credibly supports technological innovation, secures critical minerals, and creates stable, ambitious climate policy frameworks, it may be better positioned for resilient growth and stronger public finances. However, upside for bondholders is constrained and overall physical risks are expected to outweigh opportunities at the sovereign level.
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Source: Investment Managers

DC Section

Equity	The Scheme's equity manager continues to see a broad range of climate-related opportunities across listed markets. In the near term, this is focused on companies enabling the deployment of proven low-carbon technologies that reduce emissions relative to business-as-usual, such as solar and wind generation, battery storage and electric vehicles, particularly where they help to address key bottlenecks in the energy transition or benefit from supportive policy and incentives. Over the medium term, the manager expects attractive opportunities in businesses exposed to geological scarcity (for example, critical minerals used in low-carbon technologies), technological innovation and regulatory change, where tightening climate policy and carbon pricing can support demand for transition-aligned products and services. Looking further ahead, the opportunity set is expected to broaden to include emerging climate solutions such as carbon capture and storage, direct air capture, low- or zero-carbon hydrogen and ammonia, and nature-based solutions, with companies that invest early and embed credible transition plans viewed as best placed to benefit as these technologies scale.
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Source: Investment Managers

Assessing our managers' climate risk management

We evaluated our managers' skills in handling climate-related risks by asking them 10 questions from the Pensions Climate Risk Industry Group. These questions address their climate management strategies, net zero goals, TCFD reporting, climate scenario analysis, engagement policies, and ability to provide GHG emissions data.

Key conclusions

DB Section

- The Trustee received firm-level responses/disclosures from all five appointed managers of the Scheme, including the three new managers appointed during the reporting period (UBS, Robeco and M&G). All five support reporting in line with the TCFD recommendations and have already produced a TCFD-aligned or TCFD-structured climate report.
- All managers participate in one or more climate- or ESG-related industry initiatives. Across the group we see memberships and/or signatory status including Net Zero Asset Managers Initiative ("NZAM"), Climate Action 100+, Institutional Investors Group on Climate Change ("IIGCC"), UN Principles for Responsible Investment ("UN PRI"), Glasgow Financial Alliance for Net Zero ("GFANZ"), Taskforce on Nature-related Financial Disclosures ("TNFD"), and a range of collaborative engagements.

- All managers already carry out climate-related risk and/or scenario analysis at the time of writing (for example, portfolio-level climate scenario analysis, Climate Value at Risk, use of Network of Central Banks and Supervisors for Greening the Financial System (“NGFS”) pathways).

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 policies, 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 on the issue of climate change as and when it believes it is necessary.

Assessing the Scheme's resilience to climate change

Last year, the Trustee analysed climate change scenarios to understand the impact climate change could have on the Scheme's assets and liabilities.

The Trustee compared three climate scenarios to a base case, which reflects market expectations. The Trustee chose these scenarios because it believes that they provide a reasonable range of possible climate change outcomes. Each scenario explores the Scheme's transition to a low-carbon economy under various environmental conditions. The climate scenarios illustrate the climate-related risks the Scheme faces, highlighting areas where changing the investment portfolio could reduce the risks.

Climate scenarios



Orderly transition

Immediate and coordinated action to tackle climate change is taken using carbon taxes and environmental regulation

Temperature rise by 2100 **1.3°C - 2°C**

Reach net-zero by 2050

Carbon price 2030 \$100
2050 \$215

Environmental regulation rollout Coordinated



Disorderly transition

Limited action is taken and insufficient consideration is given to sustainable long-term policies to manage global warming effectively

Temperature rise by 2100 **<3°C**

Reach net-zero by After 2050

Carbon price 2030 \$65
2050 \$340

Environmental regulation rollout Late and aggressive



No transition

No further action is taken to reduce GHG emissions leading to significant global warming

Temperature rise by 2100 **+4°C**

Reach net-zero by After 2050

Carbon price 2030 \$40
2050 \$50

Environmental regulation rollout None

Source: Aon. **The scenarios were developed by Aon and are based on many assumptions. They are only illustrative and subject to considerable uncertainty.** Please see the [Appendix](#) for more details. Effective date of the impact assessment is 31 December 2024.

Trustee update

Under the Regulations, climate scenario analysis must be carried out at least every 3 years, with yearly reviews to ensure it remains relevant. The Trustee reviewed the analysis carried out last year and found it suitable for this year's report, as this modelled the agreed surplus investment strategy which was implemented during the reporting period.

Impact on the DB 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 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.

The Trustee has decided to focus its climate scenario analysis on the risks associated with these remaining assets and the agreed strategy which was implemented in 2025.

This is detailed overleaf.

	Global Equities	UK Corporate 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 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.

Impact on DC members' pension fund values

For the DC Section, the Trustee carried out climate scenario analysis on the popular arrangements, focusing on the L&G 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. The Trustee 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.

Considering climate change impacts on the Sponsoring Employer's covenant

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 recognises the importance of a transformation to a more sustainable economy over time. This shift is expected to reshape businesses and society, creating both risks and opportunities for investments. Amongst others, the Employer offers investment expertise and solutions that integrate sustainability considerations.

The Employer believes among sustainability matters, environmental – specifically, climate-related risks – continue posing significant risks to the prosperity and well-being of the global economy. As a result, the Employer monitors this topic through its emissions within its Annual Report.

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

Metrics & targets

Our climate metrics

In our first year of TCFD reporting, the Trustee decided to report on the metrics described below. This year the Trustee reviewed the metrics, and believes they continue to be suitable 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 within their own data, details of which are not shared as part of this document.



Binary target measurement

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").

DB Section – Uninsured Assets

Asset class	Allocation (%)	Year	Scopes 1 and 2			Scope 3		
			Data Coverage (%)	Total GHG emissions (tCO ₂ e)	Carbon footprint (tCO ₂ e/£m)	Data Coverage (%)	Total GHG emissions (tCO ₂ e)	Carbon footprint (tCO ₂ e/£m)
UK Corporate Bonds	21%	2025	30%	7,403	160	30%	73,424	1,583
	68%	2024	60%	12,310	42	60%	139,058	478
Short Dated Credit	21%	2025	93%	14,345	101	93%	75,199	532
	0%	2024	-	-	-	-	-	-
Multi Asset Credit	21%	2025	60%	4,149	45	52%	63,476	798
	0%	2024	-	-	-	-	-	-
Global Equities	15%	2025	100%	2,329	21	100%	32,222	296
	0%	2024	-	-	-	-	-	-
Gilts	20%	2025	100%	19,572	136	n/a	n/a	n/a
	32%	2024	100%	8,582	141	n/a	n/a	n/a
Total	100%	2025	n/r	47,798	n/r	n/r	244,321	n/r
	100%	2024	n/r	20,892	n/r	n/r	139,058	n/r

Source: Investment managers / Aon. Figures may not sum due to rounding. Scope 3 emissions are not applicable to Gilts, due to the lack of industry agreed methodology to calculate them. '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. 2024 data as at 31 December 2024. 2025 data as at 31 December 2025. More detail can be found in the [Appendix](#).

Commentary

During the reporting year, the Trustee implemented the surplus portfolio strategic allocation. This involved transitioning all assets previously held in the L&G gilts and swaps Portfolio alongside a redemption of c.£330m from RLAM UK Corporate Bonds to implement the following changes to transition to the agreed portfolio:

- The creation of an agreed reserves pooled hedging portfolio (c.£167m), consisting of gilt/index-linked gilt funds and a liquidity fund (the "Reserves Portfolio");
- Two new equity funds via Global (£92m) and Emerging Markets (£10m) Equity Climate Transition funds with UBS;

- A Short-Dated Credit mandate with Robeco (c.£152m); and
- A Multi Asset Credit ("MAC") mandate with M&G (c.£152m).

There has been an increase in the overall total scope 1&2 emissions, primarily driven by:

- Higher coverage across the uninsured assets as a whole (including high coverage for Short Dated Credit and Global Equities) vs prior year given the investments in new asset classes to implement the surplus portfolio strategic allocation;
- Increased carbon footprint for UK Corporate Bonds; and
- An increase in the total amount invested due to positive performance over the year.

Scope 3 emissions have increased, due to increases in data coverage, following the implementation of the new investment strategy.

The Trustee acknowledges that the carbon footprint and total GHG emissions across all scopes are sensitive to changes in data coverage, and may materially change as coverage improves.

Given the past service liabilities are fully insured, and an allocation of a Reserves Portfolio has been made for future accrual and expenses, the Trustee believes the climate-related risk exposure for the Scheme's members is relatively low.

UK Corporate Bonds

The Trustee noted that the UK Corporate Bonds manager again provided comprehensive carbon reporting.

Total scope 1&2 and scope 3 emissions fell in absolute terms, due to the nature of the bonds redeemed to fund the new strategy, and the composition of the remaining bonds in the portfolio, which also reduced data coverage.

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. More detail on the methodology can be found in the [Appendix](#). The investment consultant notes that despite a decrease data coverage and the total amount invested, the direct emissions reported by the manager were relatively high. This has resulted in a materially higher carbon footprint across all scopes. The Trustee's investment consultant has an ongoing engagement with the manager on this.

Gilts

The Trustee's Investment Consultant obtained holdings data from the Gilts manager and

calculated the portfolio's carbon footprint using UK GHG Emissions and Purchasing Power Parity ("PPP") adjusted Gross Domestic Product ("GDP") assuming 100% data coverage. As there is no industry standard for Gilt emissions, this approach is used to ensure consistency across investment managers and schemes.

The portfolio consists solely of UK government bonds, so its carbon metrics reflect total UK emissions and are therefore higher than those for asset classes such as equities. Scope 3 emissions are not reported for Gilts, as there is currently no agreed methodology for sovereign scope 3 calculations.

Total scope 1&2 emissions rose over the year, mainly due to higher investment in physical Gilts following the redemption of derivatives, partly offset by a decrease in the scope 1&2 carbon footprint versus last year.

Other asset classes

As the Scheme has three new asset classes, a year-on-year comparison will only be possible for these asset classes next year, once there are consecutive disclosures.

Short Dated Credit contributions a significant share of scope 1&2 and scope 3 emissions, driven by high data coverage.

The Multi Asset Credit portfolio has a lower data coverage (and subsequently GHG emissions), due to its exposure to underlying credit assets which are not publicly listed corporate issuers.

The Trustee notes that data coverage for the Global Equities is complete, at 100%. The relatively low scope 1&2 carbon footprint reflects the implications of the underlying funds' climate transition objectives.

DB Section – Insured Assets

Asset class	Allocation (%)	Year	Scopes 1 and 2			Scope 3		
			Data Coverage (%)	Total GHG emissions (tCO ₂ e)	Carbon footprint* (tCO ₂ e/£m)	Data Coverage (%)	Total GHG emissions (tCO ₂ e)	Carbon footprint (tCO ₂ e/£m)
Annuity	100%	2025	100%	98,444	50	0%	-	-
	100%	2024	99%	109,492	55	0%	-	-

Source: Insurers/ Aon. Figures may not sum due to rounding. 2024 data as at 31 December 2023 and 2025 data as at 31 December 2024, 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.

Total scope 1&2 GHG emissions have decreased, due to a modest decrease in the carbon footprint, as well as a fall in the valuation of the annuities. This has been partially offset by a 1% increase in

data coverage, due to one of the insurers using proxies to estimate data where it does not have complete information.

Both insurers continue to be 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	Allocation (%)	Year	Scopes 1 and 2			Scope 3		
			Data Coverage (%)	Total GHG emissions (tCO ₂ e)	Carbon footprint (tCO ₂ e/£m)	Data Coverage (%)	Total GHG emissions (tCO ₂ e)	Carbon footprint (tCO ₂ e/£m)
Equity	100%	2025	97%	6,207	59	97%	97,311	925
	100%	2024	96%	6,118	63	96%	84,063	870

Source: Investment Manager/ Aon. Figures may not sum due to rounding. 2024 data as at 31 December 2024. 2025 data as at 31 December 2025.

Commentary

Overall, there has been an increase in total scope 1&2 emissions, this is driven by an increase in data coverage, as well as the total amount invested in the underlying funds. A modest fall in carbon footprint offset this slightly.

Data coverage, across all scopes, increased modestly by 1%.

Scope 3 emissions have increased, following an 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

	Asset class	Year	Portion of the portfolio with net zero or Paris aligned targets	Proportion of assets for which data was available
DB Section	UK Corporate Bonds	2025	13%	30%
		2024	11%	60%
	Short Dated Credit	2025	32%	93%
		2024	-	-
	Multi Asset Credit	2025	13%	60%
		2024	-	-
	Global Equities	2025	61%	100%
		2024	-	-
	Annuity	2025	41%	100%
		2024	46%	99%
DC Section	Equity	2025	56%	97%
		2024	55%	96%

Source: Investment managers / Insurers / Aon. Data as at 31 December 2025, except for annuities data which is as at 31 December 2024.

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 increased for UK Corporate Bonds and decreased for the Annuity Policies. This was driven by underlying portfolio

changes by the manager/ insurers. Climate-related metrics were also received for the three new asset classes invested in by the Scheme. These will be compared against next year, once there are consistent years of reporting.

In the DC Section, there has been a slight improvement in the portion of the portfolio with net-zero aligned targets. All the Scheme's investment managers/insurers were able to report the data.

Notes on the data

In general, the Trustee relied on information provided by the Scheme's investment managers about their greenhouse gas emissions. The Trustee's investment consultant, Aon aggregated this information to calculate the metrics for the Scheme's portfolio of assets.

The exception to this is the metrics for the Gilts; please see the [Appendix](#) for more information.

Availability of data:

- The Scheme's five 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 data coverage is not 100% across all assets, 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.

How we collected the carbon data

The Trustee's investment consultant, Aon, collected the carbon emissions data from the managers on the Trustee's 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 provide a standardised set of data to help pension schemes meet their climate reporting obligations.

Targets

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

In our first year of reporting, the Trustee set targets to improve data quality 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 the Trustee to measure its 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 Corporate 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 Corporate 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 the Trustee reviews the suitability of the targets it has set. Based on the data collected and the metrics calculated this year, the Trustee believes the targets continue to be suitable.

The Trustee will conduct a formal review of the targets over the coming Scheme year, to potentially include the new asset classes, once it has consecutive disclosures.

Our progress towards the targets

The table below shows the UK Corporate Bonds, within 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 targets.

Asset class	2024	2025	Target
Data coverage (Scope 1&2)	60%	30%	90%
Portion of the portfolio with net zero or Paris aligned targets	11%	13%	40%

Source: Investment managers

Compared to last year, the scope 1&2 data coverage of the UK Corporate Bonds halved, following redemptions of publicly listed underlying assets (which generally have higher data coverage). Over the year, the DB Section of the Scheme invested in three new asset classes (Short Dated Credit, Multi Asset Credit and Global Equities). A year-on-year comparison will only be possible for these asset classes next year, once there are consecutive disclosures.

There has been a modest increase in the portion of the UK Corporate Bonds with net zero or Paris aligned targets, from 11% to 13%.

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

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

At the time the targets were set, the Trustee viewed it as suitable for the Scheme's investment horizon, based on the expectation that data availability and company net zero commitments would develop quickly enough to support meaningful climate alignment. Since then, industry-wide progress in improving data coverage has been slower than anticipated, and only a relatively low proportion of the UK Corporate Bonds portfolio is currently supported by credible net zero targets, prompting the Trustee to revisit its earlier assumptions. The Trustee also acknowledges there are limitations in the availability of data and setting of net zero targets for underlying assets which are not publicly listed corporate issuers. The Trustee still considers broader adoption of net zero goals and better transparency to be in members' long-term interests, but also acknowledges that further advances in disclosures and target-setting are needed before this can be fully realised.

Therefore, whilst the Scheme's data coverage and portfolio alignment targets for UK Corporate Bonds has been retained for this year, the Trustee acknowledges the limitations described above and will continue to assess its suitability.

The Trustee has decided not to set new targets for the new asset classes. This is because the Trustee believes it will be more appropriate to have consecutive disclosures, which could be compared to identify any anomalous results. Considering this, and given the existing targets expire by 2026, the Trustee will therefore conduct a formal review of the targets over the coming Scheme year.

Steps we are taking to reach the targets

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

- **Increasing data availability**
 - **Observation:** Coverage of data is an area for improvement, particularly within the UK Corporate Bonds. Another key area for improvement is the portion of the UK Corporate Bonds with net zero or Paris aligned targets.
 - **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.
- **Making the reporting consistent**
 - **Observation:** Whilst the UK Corporate 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 manager directly, to understand any challenges with providing consistent data and seek an appropriate solution.

Appendices



Appendix 01 - Climate governance and risk management framework

Climate 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.

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.

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 triennially, or more frequently if required, by the Trustee.

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 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 DC 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 L&G, Aberdeen, 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 means the following funds are in scope:

- L&G World (ex-UK) Equity Index Fund; and
- L&G UK Equity Index Fund.

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.
- 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.

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 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

Having added the L&G 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 Trustee noted investments continued to be made into this fund during the reporting year.

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 L&G's Climate Impact Pledge, which targets companies which are crucial to the transition to a low carbon economy.

Investments into this fund indicate 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.

Over the reporting year, the Trustee reviewed and implemented the investment strategy for the residual assets of the Scheme. The Trustee took into account ESG considerations in selection and implementation of new managers for the surplus investment strategy. For example, the Global Equity funds aim to help the Trustee to capitalise on the long-term sustainable and inclusive transition to a low carbon emissions economy through innovative, cost efficient and rules-based investment strategies. Short Dated Credit and Multi Asset Credit managers also integrate ESG into their investment processes.

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.

Climate risk management framework

The climate risk management framework is set out in the tables below. It is part of the Scheme's wider risk management and is how we monitor the most significant risks to the Scheme.

Governance

Activity	Owner	Adviser / supplier support	Frequency of review
Climate change governance framework (<i>this document</i>)	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	Ongoing
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.

Over the year, the Trustee had sessions dedicated to responsible investment with its investment consultant. These sessions provided the Trustee with updates on the evolving climate risks in preparation for the Scheme's annual Climate Disclosures report aligned with the TCFD recommendations. In producing the Scheme's annual Climate Disclosures, the Trustee considered the climate-related risks and opportunities to which the Scheme is exposed to.

When reviewing and implementing the investment strategy of the Scheme's residual assets, having fully insured all the Scheme's past-service liabilities through Bulk Purchase Annuity Agreements, the Trustee 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.

On a quarterly basis, with the support of its investment adviser, the Trustee produces a report which outlines the degree of alignment in the Scheme's surplus assets with the Sponsoring Employer's ESG Framework.

Strategy

Activity	Owner	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.

The Trustee reviewed the climate scenario analysis carried out last year and found it suitable for this year's report, as this modelled the agreed surplus investment strategy which was implemented during the reporting period.

Risk management

Activity	Owner	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	Advisors	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 uses established procedures to identify and evaluate climate-related risks when preparing its annual Climate Disclosures report (this document). Management of these risks is embedded in the Scheme's broader risk framework through the implementation of the Scheme's climate risk management framework.

Prior to implementation, the Trustee received support from its investment consultant to review the proposed investment managers and how ESG is integrated within their decision-making processes, including climate change.

The Trustee monitored how the investment managers have used voting and engagement to influence investee companies to mitigate climate risks, as well as how climate issues influence the actual selection of underlying companies/securities through the implementation statement.

Metrics and Targets

Activity	Owner	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 collects metrics data on an annual basis in order to understand the current state of the portfolio regarding its emissions, data coverage and portfolio alignment metric. This data is evaluated in order to produce a climate-related target.

Metrics collection has been carried out in line with industry practice. The Trustee is also required to report on Scope 3 emissions, within its climate-related metrics.

Alongside, the Trustee reviewed its targets, set in the first year of reporting, and confirmed that these remained appropriate during this reporting year. A formal review of the climate-related targets is expected next year, to potentially include the new asset classes, once the Trustee has consecutive disclosures.

Appendix 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 relate to how well an organisation can adjust to reducing greenhouse gas emissions and switching to renewable energy. These risks include four main areas: policy and legal issues, technological changes, market shifts, and reputation concerns.

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 are the physical effects of climate change on a company's operations. They impact how well a company can function due to climate disruptions. These risks are divided into acute risks, which are sudden extreme climate events, and chronic risks, which are long-term climate trends.

Acute

Examples

Extreme heat
Extreme rainfall
Floods
Droughts

Chronic

Examples

Water stress
Sea level rises
Land degradation
Variability in temperature

Appendix 03 – Climate-related risk assessment in detail

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

DB Section

UK Corporate Bonds – 21% of portfolio (-47% compared to last year)

Physical Risks

	Acute	Chronic
Short	●A	●G
Medium	●A	●G
Long	●A	●A

Acute risks stem from the mandate's exposure to social housing, real estate and, indirectly, the financial sector, where physical risks may affect mortgage loan values. With UK-concentrated holdings, the manager views near- to medium-term chronic risks as low but recognises long-term climate uncertainty and continues to monitor potential financial impacts.

Transitional Risks

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

The manager rates Reputation risk as medium across all timeframes, mainly due to banking sector exposure and scrutiny of lending to carbon-intensive industries. Regulatory, Technology and Market risks are low in the short term but expected to intensify, driven by longer-dated utility exposure and rising stranded asset, decarbonisation and regulatory risks over the medium to long term.

Source: Manager, Aon.

Short Dated Credit – 21% of portfolio (New Asset Class)

Physical Risks

	Acute	Chronic
Short	●G	●G
Medium	●G	●G
Long	●A	●A

Physical climate risk is currently low across acute and chronic hazards in both the short and medium term, reflecting the portfolio's dominant exposure to banking and financial services, which have low physical climate value at risk ("CVaR"). In the long term, both acute and chronic physical risks are expected to rise to medium.

Transitional Risks

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

Transition risks are considered low across all time horizons. The manager's scenario analysis indicates only limited portfolio impact from sudden policy tightening or rapid technological shifts, and MSCI CVaR estimates remain small. Market risk is further mitigated through ongoing engagement with high-impact issuers, climate stress testing and a low aggregate CVaR. Reputational risk is viewed as low, reflecting diversified, predominantly banking and financial exposure.

Source: Manager, Aon.

Multi Asset Credit – 21% of portfolio (New Asset Class)

The Multi Asset Credit manager did not complete the climate-related risk assessment in the format requested; specifically, it did not provide a RAG assessment of the physical and transitional risks over the various time horizons. However, the manager did provide comprehensive climate scenario analysis and narrative to support the Trustee in preparing these Climate Disclosures. This is summarised below.

Physical Risks

The manager outlined physical climate risks are recognised as a key consideration for both short- and long-term investing, with potential direct impacts such as damage to assets and customer locations, and indirect impacts including supply-chain disruption. Physical risks can arise acutely, through more frequent extreme weather, droughts, wildfires and heatwaves, and chronically, via gradual temperature rises, changing rainfall patterns, sea-level rise and biodiversity loss.

Transitional Risks

The manager believes policy and legal developments are a key driver of the low-carbon transition, with carbon pricing often used in transition risk models to represent the ambition and reach of climate policy over time. Technological risks and opportunities are shaped by the speed and cost of advances in renewables, electrification, carbon sequestration and energy efficiency, with regional power-sector decarbonisation pathways – such as shifting electricity generation mixes in North America – further influencing the pace and profile of transition risks.

Source: Manager, Aon.

Global Equities – 15% of portfolio (New Asset Class)

Physical Risks

	Acute	Chronic
Short	● A	● A
Medium	● A	● A
Long	● A	● A

Physical climate risks are assessed as neutral versus the benchmarks across all time horizons. The strategies prioritise financing the transition over detailed physical risk modelling, given current data and methodological limitations. Physical risks are addressed mainly through engagement with high-emitting companies on transition planning, resilience and adaptation to chronic risks and extreme weather.

Source: Manager, Aon.

Transitional Risks

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

Transition risks are judged lower than the benchmarks over the short and medium term, driven by lower carbon intensity, a proprietary glide path transition score, and overweighting companies with credible decarbonisation plans and green technologies. Market and reputational risks are further reduced through exclusions of high-carbon and United Nations Global Compact-breaching issuers and a focused climate engagement programme. Over the long term, modelling constraints mean transition risks are assessed as neutral versus the benchmark.

Gilts – 20% of portfolio (-12% compared to last year)

Physical Risks

	Acute	Chronic
Short	●G	●G
Medium	●G	●G
Long	●A	●G

The investment manager continues to assess physical climate-related risks for gilts as low over the short and medium term. Over the long term, acute physical risks are expected to become more significant as extreme weather events increase in frequency and severity, with the potential to disrupt economic activity, strain public finances and weigh on sovereign creditworthiness. By contrast, long-term chronic physical risks are judged to be less pronounced at the portfolio level and are therefore assessed as low.

Transitional Risks

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

The investment manager does not identify any material transition risks in the short or medium term and assesses regulatory, technology, market and reputational transition risks as low across these horizons. Over the long term, regulatory, technology and market transition risks are expected to increase to a moderate level, reflecting the potential impact of climate policy, carbon pricing, technological change and the broader transition to a lower-carbon economy on sovereign balance sheets and growth prospects. Reputational risks are assessed as low, although the manager notes that if climate policy is perceived to be insufficient, there remains a risk of broader social and political tensions that could have implications for sovereign bond markets.

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 expects physical climate risks to become increasingly financially material. As extreme weather events intensify and spread to temperate regions, they are likely to disrupt operations and supply chains, with potentially large portfolio-level impacts. Chronic risks such as heat stress, sea level rise and shifting weather patterns may further erode productivity, strain infrastructure and amplify macroeconomic instability in the long term.

Transitional Risks

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

The investment manager sees transition risks as emerging and increasingly material over time. In the short term, technology, market and reputational shifts may cause volatility but are unlikely to be financially decisive at a global equity level, although regulatory pressures are already visible. Over the medium to long term, rising carbon prices, accelerating regulation, technological disruption and changing demand patterns could significantly affect high-emitting sectors and weigh on broader equity valuations, especially under a disorderly transition.

Source: Manager, Aon.

Appendix 04 – Climate scenarios in detail

The tables below describe each climate scenario and the impact on the Scheme over the short-, medium- and long-term time horizons.

DB Section

Base case Temperature rise 1.5°C – 2.4°C Reach net zero 2050 Uncoordinated environmental regulation	Summary of the Scenario The base case uses Aon's Capital Market Assumptions, reflecting current market pricing, including climate impacts. Action is taken to tackle climate change, but the approach is fragmented. The transition to a low-carbon economy is assumed to be a slow yet orderly.	Impact to the Scheme The funding level gently increases, with acceleration over time.
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.	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 1.3°C – 2°C	Summary of the Scenario In the short term: Increased public awareness of climate change risks galvanises opinion and leads to governments undertaking	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

Reach net zero 2050 Coordinated environmental regulation	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.	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.
No Transition Scenario Temperature rise +4°C Reach net zero after 2050 No environmental regulation	Summary of the Scenario 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.	Impact to the Scheme In the short term: 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.

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

Base case Temperature rise 1.5°C – 2.4°C Reach net zero 2050 Uncoordinated environmental regulation	Summary of the Scenario The base case uses Aon's Capital Market Assumptions, reflecting current market pricing, including climate impacts. Action is taken to tackle climate change, but the approach is fragmented. The transition to a low-carbon economy is assumed to be a slow yet orderly. Summary of the Scenario In the short term:	Impact to the Scheme Asset portfolios gently increase, with acceleration over time. Impact to the Scheme In the short term:
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Disorderly Scenario Temperature rise <3°C Reach net zero after 2050 Late and aggressive environmental regulation	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.	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 1.3°C – 2°C 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.	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.
	Summary of the Scenario In the short term:	Impact to the Scheme In the short term:

No Transition Scenario	No action is taken to combat climate change.	There is not expected to be any initial impact on asset portfolios and performance is expected to follow the base case.
Temperature rise +4°C	In the medium term: No action is taken to combat climate change.	In the medium term: Asset portfolio values begin to lag behind those of the base case.
Reach net zero after 2050	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 long term: Asset portfolio values continue a downward trend. Younger members are likely to be impacted by the long-term outcome of this scenario.
No environmental regulation		

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.

Impact on mortality

Over the Scheme's time horizon, material changes in mortality are highly uncertain and likely to be limited relative to other risks. Climate-related mortality impacts are therefore expected to be a secondary consideration compared with financial markets.

Modelling limitations

The scenarios were developed by Aon and are based on many assumptions. They are only illustrative and subject to considerable uncertainty.

The climate scenarios modelling 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.

When changing the investment strategy, it is important to consider other relevant issues such as (but not limited to) governance, costs, and implementation, including choosing managers and conducting due diligence.

The scenario modelling reflects market conditions and market views at the effective date of the modelling. The model may produce different results for the same strategy under different market conditions.

Modelling methodology

The analysis uses qualitative climate scenarios to explore the resilience of the Scheme under different plausible climate futures. It is designed to inform strategic discussion and risk identification, not to provide forecasts or precise financial estimates.

- The climate scenarios were developed by Aon and are based on assumptions. They consider the exposure of the Scheme to potential climate-related risks and the possible impact on assets and liabilities over the long-term.
- No probabilities are assigned; scenarios are illustrative and exploratory.
- Policy, carbon price and technology assumptions are simplified and indicative only.
- Impacts are assessed qualitatively.
- The focus is on direction and relative magnitude of risks and opportunities.

Appendix 05 – Climate metrics in detail

The material provided herein is grounded in part from publicly available information and information from third-party sources (e.g. the investment managers) with whom the Trustee has contractual relationship and the Trustee believes to be reliable, but which has not been independently verified by the Trustee, and Trustee does not represent that the information is accurate or complete.

Additional information on the metrics calculations

Carbon metrics for non-Gilt asset classes

Emissions data was collected from the managers using the CET¹. Managers provided carbon footprint and data coverage for their fund(s).

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

$$\frac{\text{£M Scheme assets invested in the fund}}{\text{Carbon footprint}} \times \text{Data coverage}$$

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

$$\frac{\text{directly reported GHG emissions}}{\text{ (£M Scheme assets invested in the fund} \times \text{data coverage)}}$$

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, used to calculate carbon footprint for the asset class, is as set out below:

$$\frac{\sum G_i}{\sum (A_i \times C_i)}$$

Where i is each fund in the asset class

G_i = Total GHG for fund i (tCO₂e)

A_i = Assets invested in fund i (£M)

C_i = Data Coverage of fund i (%)

Aon does not make estimates for data which was unavailable

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 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:

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

Where UK national emissions scopes 1 and 2 as at 31 December 2024 as reported by the Emissions Database for Global Atmospheric Research; and PPP (Purchasing Power Parity)-adjusted GDP as at 31 December 2024 as reported by the World Banking Group.

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

$$\frac{\text{£M of Scheme's physical exposure}}{\text{Carbon footprint}} \times \text{Data coverage}$$

Where data coverage is assumed to be 100% estimated.

Scope 3 emissions are not available for Gilts due to the lack of industry agreed methodology to calculate them.

Binary target measurement

Aon asked the investment managers for binary target measurements of each fund and aggregated the results based on assets invested in each fund.

Aon does not estimate missing data, so the Scheme's measurement only covers the portfolio parts with available data.

¹ <https://www.plsa.co.uk/Policy-and-Research/Document-library/Carbon-Emissions-Template>

There is no standard method for calculating binary target measurements for government bonds, so Gilts lacks this measurement.

Industry-wide issues

There is no standard method for calculating metrics for some assets, for example scope 3

emissions for Gilts, leading to varied approaches by managers. These industry-wide issues underscore the need for climate reporting to enhance transparency. The Trustee anticipates improved information from managers as the industry adopts best practices.

Appendix 06 – GHG emissions

Greenhouse gases trap heat in the atmosphere, keep the Earth's surface and atmosphere warm. They warm the Earth by absorbing sunlight and re-emitting it as heat. Human activities, like burning fossil fuels and deforestation, increase greenhouse gases, making the atmosphere more effective at trapping heat.

Since the Industrial Revolution, greenhouse gas levels have risen significantly. The Kyoto Protocol² identifies six major greenhouse gases, with human-made carbon dioxide being the largest contributor to global warming. Each gas has different global warming potential and atmospheric persistence, so emissions are measured as carbon dioxide equivalent (CO₂e) for comparison.

Greenhouse gases are categorised into three '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

Main greenhouse gases identified by the Kyoto Protocol

CO₂
Carbon dioxide

CH₄
Methane

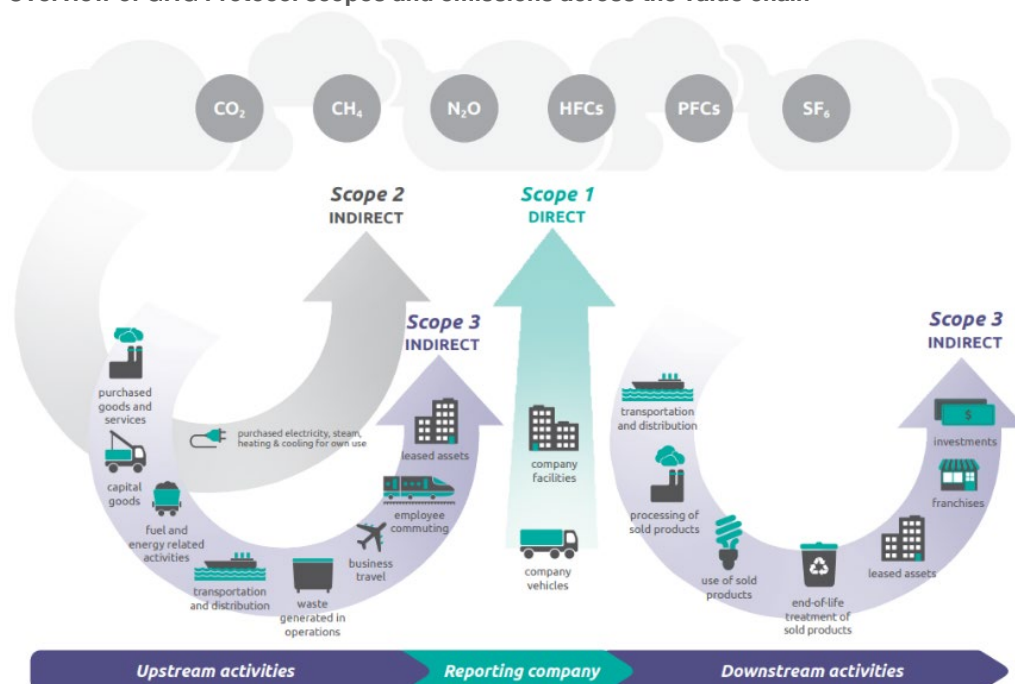
N₂O
Nitrous oxide

HFCs
Hydrofluorocarbons

PFCs
Perfluorocarbons

SF₆
Sulphur hexafluoride

Overview of GHG Protocol scopes and emissions across the value chain



Source: Greenhouse Gas Protocol, https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard_041613_2.pdf, 2011

² https://unfccc.int/kyoto_protocol