Climate disclosures for the year ended 31 March 2026

Ford Hourly Paid Contributory Pension Fund

Prepared by: Ford Pension Fund Trustees Ltd as Trustee of the Ford Hourly Paid Contributory Pension Fund
Date: September 2026



Introduction

Climate change is causing extreme weather, affecting crops, and threatening ecosystems. Understanding its impact and the Ford Hourly Paid Contributory Pension Fund's (the "Fund") 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-related 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 disclosure for the Fund for the year ended 31 March 2026, prepared by Ford Pension Fund Trustees Ltd (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 Fund. We collaborated with our investment adviser to find the climate-related risks and opportunities for the Fund 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 Fund, including climate-related risks and opportunities. We have established a process to identify, assess, and manage the climate-related risks and opportunities the Fund faces, integrating it into the broader risk management framework. Please see the *Appendix* for our climate governance and risk management framework.

Strategy update

Qualitative analysis

▪ Our qualitative analysis of climate-related risks and opportunities showed that the asset classes in which the Fund invests are impacted to some degree by climate-related risks and over time, the risk exposure is expected to increase.

▪ We also identified several investment opportunities for the different asset classes. We will engage with our investment managers, where relevant, to understand these further.

Scenario analysis

▪ Following changes to the Fund's investment strategy, which includes a Bulk Purchase Annuity (the "Annuity") which insures a portion of member benefits, we conducted climate scenario analysis for the Fund's remaining uninsured assets. This showed the Fund's investment portfolio exhibits resilience under some of the climate change scenarios considered. This is due to the diversification of assets, low-risk portfolio, very strong funding position and good levels of hedging against changes in interest rates and inflation.

▪ Under all three scenarios, the Fund is expected to remain in surplus across all time periods considered.

Metrics & Target update



Total emissions

158,024

Carbon footprint

56.7

Coverage (%)

90.1

Scope 1 &2 Emissions changes since last year

- Increased by 69.8%
- Decreased by 24.1%
- Increased by 23.7%

Total emissions increased significantly over the year, primarily due to the Fund's investment in an annuity policy and a reduction in its LDI exposure, which is excluded from the emissions analysis above.

We have also set the following targets for the Fund:

- Improve the data quality (measured by data coverage) for the Fund's assets, split by asset class by 2027.
- Increase the proportion of the portfolio with net zero or Paris aligned targets, for the Fixed Income, Property, and Global Equity portfolio by 2030.

To tackle the Fund's climate-related risks, we have decided to take the following actions:

- Engage with managers who were unable to provide data or where gaps in the data provided exists;
- Ensure managers in which the Fund invests are providing consistent data that meets the requirements of the Regulations.

The Trustee notes that achieving positive outcomes on pooled arrangements, in which the Fund invests, may be beyond the Trustee's control. Following completion of the report, the Trustee was reassured that the various analysis showed that whilst there is some degree of climate-related risk within the Fund's assets, the potential financial impact of climate change on the Fund is not thought to be significant at this time. The Trustee, supported by Ford Pension Fund Investment Management ("FPFIM"), has dedicated time to monitor the TCFD framework and will continue to monitor the potential impacts of climate change on the Fund.

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

Chair's signature

on behalf of the Trustee of the Ford Hourly Paid Contributory Pension Fund.

Strategy

Identifying climate-related risks and opportunities

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

Given the number of asset classes used in the Fund, we completed this exercise to the best of our ability. To help us with our assessment, we surveyed our investment managers asking them to rate the climate-related risks and opportunities they believe their fund(s) is exposed to.

At the time of writing all of the Fund's investment managers were able to provide some information for the climate related risk assessment. Whilst we encourage our investment managers to provide the information in the format requested, to ensure it covers all the information required to assess their capabilities of identifying and managing climate related risks, it is not mandatory for the investment managers to provide information in this way.

- The Private Equity managers were excluded from the analysis given these assets represent a small portion of the Fund's assets, are expected to reduce in the future, and the additional due diligence required to analyse these assets would not be proportionate.
- Similar to previous years, one of the Fixed Income, Hedge Fund, Global Equity, and Private/Liquid Credit managers have not been able to an assessment of the climate-related risks for the Fund's TCFD disclosures in the form of a RAG analysis, meaning that direct comparison with other assets is more difficult. The managers were able to provide some qualitative information which was taken into account when forming the below analysis.

Our investments

The Fund's investment portfolio is diversified across a range of different asset classes including LDI, fixed income, private/liquid credit, hedge funds, global equity, private equity and property. Private/Liquid Credit includes investments across both public and private credit markets, providing exposure to a diversified portfolio of credit assets with varying levels of liquidity.

Asset Class	LDI	Fixed Income	Private/ Liquid Credit	Hedge Funds	Private Equity	Property	Global Equity
Allocation	44.4%	25.4%	8.4%	6.5%	4.2%	3.7%	7.2%

Asset allocations as at 31 December 2025 and excludes the Annuity. Totals may not sum to 100% due to rounding and exclusion of cash.

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 Fund liabilities. We decided the most appropriate time horizons for the Fund are:

Short-term: 1-3 years

Medium-term: 4-10 years

Long-term: 11+ years

Climate-related risk assessment

Key conclusions

Over the year, the climate-related risks and opportunities identified for the Fund have improved, driven by both changes in the investment strategy and notable improvement in the managers' climate risk assessments and reporting.

Diversification across asset classes, sectors and regions is important to manage climate-related physical and transition risks for the Fund.

- The LDI portfolio is less affected by climate risk compared to the Fund's other assets and overall risk in this asset class is seen as low. The Fund invests in government bonds via its LDI portfolio, these assets aim to match movements in the Fund's liabilities. The Trustee believes in practice, the impact of these risks may be limited on the Fund's strategy and funding (due to the assets and liabilities moving in similar ways). During the year, the Fund fully disinvested from one of its LDI managers, which resulted in an increase of the portfolio's exposure to long-term acute physical risks.
- Following the disinvestment from one of the Fund's fixed income managers, the Fund's overall exposure to physical and transitional climate risks has reduced, particularly over the medium term. However, the climate-related risks identified by the remaining fixed income managers remain broadly consistent with those reported in the previous year.
- One of the Private/Liquid Credit managers has provided climate risk assessments across all time horizons for both physical and transition risks, this is an improvement as the manager previously only provided ratings for the short-term transitional risks with physical risks and longer-dated transition risks not assessed. The updated analysis shows that over the medium- to long-term the risk exposure is expected to increase from green to amber, and we will monitor the performance of these assets to ensure that the impact on our funding position is manged appropriately.
- Property is also a high-risk area, particularly in relation to physical climate risks if they are in regions that are vulnerable to climate change. The Fund's property manager has confirmed that it is accounting for these physical risks by not investing in properties in high-risk regions as well as ensuring there is full insurance against potential damage. There were no overall changes in the risk assessment versus last year.

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 Fund. These will be explored with support provided by FPFIM and the Fund's appointed investment managers. These opportunities are relevant over the short-, medium- and long-term time horizons:

LDI	While climate-related investment opportunities are more limited within an LDI mandate than in growth asset portfolios, UK government green gilts provide an opportunity to support environmental projects while maintaining the portfolio's liability hedging objectives. The UK Government's Green Financing Framework links green gilt issuance to investments in areas such as clean transport, renewable energy, climate change adaptation, energy efficiency, pollution prevention and the protection of natural resources.
Fixed Income	Climate opportunities in corporate bonds are mainly in mature technologies like EVs and renewables, but overall upside is limited and highly dependent on near-term policy actions. Opportunities widen around critical minerals, innovation and clearer regulation, particularly in an orderly transition where early movers in key decarbonisation technologies can benefit. The biggest potential lies in emerging solutions (e.g. carbon capture, low-carbon hydrogen, nature-based and adaptation projects), though weak policy (a "hothouse world") offers little net opportunity and bond investors capture only part of the overall upside versus equities. Governments are issuing more green bonds, these bonds often trade at a premium and can offer attractive relative value alongside sustainability benefits, provided there is transparent reporting on how proceeds are used.
Private/Liquid Credit	Private/Liquid credit is well placed to fund the low-carbon transition by directing capital to targeted, "brown-to-green" projects in areas like renewable energy, green transport and the circular economy, particularly across Europe and the UK, where large green investment gaps create strong opportunities for the fund's flexible, diversified strategy.
Global Equity	Seeing growing client interest in climate-focused investment strategies, climate-related research, and sustainability-focused services, including Sustainability Stewardship Service and the Investor Voting Choice program, which lets eligible clients select a voting policy that aligns with their sustainability views.
Hedge Funds	Climate-related opportunities in the portfolio may arise through Energy Transition Finance and Sustainable Infrastructure investments like wind farms and greenhouses. These areas offer potential for growth and alignment with TCFD objectives.
Property	Efficient buildings with reduced emissions and better resource efficiency are increasingly preferred by tenants and investors, potentially leading to improved financial outcomes. Capital expenditure on existing assets using tools like Carbon Risk Real Estate Monitor ("CRREM") to prevent obsolescence and enhance returns. Additionally, incorporating renewable energy solutions, such as rooftop solar, can further boost returns on industrial assets.

Source: 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

The Trustee chose to only include the material managers of the Fund within its analysis.

There was good engagement from the managers with all nine of the Fund's managers completing the requested questionnaire.

- All the managers support reporting in-line with TCFD, and majority of the managers committed to providing us with GHG emissions data for this report.
- All managers participate in several industry initiatives such as the Net Zero Asset Manager Initiative, Climate Action 100+, Institutional Investors Group on Climate Change, United Nations Principles for Responsible Investment ("UN PRI") and Science Based Targets Initiative ("SBTI").
- Eight managers carry out climate-related scenario analysis and incorporate ESG considerations into their investment processes.
- Most managers have set a Net Zero commitment of some description or are currently working towards setting a commitment or becoming aligned with the Paris Agreement.

We are not taking any immediate action in line with these conclusions. We will continue to engage with our managers on the issue of climate change in their investments.

Assessing the Fund's resilience to climate change

During the reporting period, we refreshed our climate change scenarios analysis to understand the impact climate change could have on the Fund's assets and liabilities.

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

Climate scenarios

	No transition	**Disorderly transition**	**Orderly transition**
	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	**+4°C**	**<3°C**	**1.3°C - 2°C**
Reach net-zero by	After 2050	After 2050	2050
Carbon price per tonne of CO2 (2030/2050)	$40/$50	$65/$340	$100/$215
Introduction of environmental regulation	None	Late and aggressive	Coordinated

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 04* for more details.

Trustee update

Under the Regulations, climate scenario analysis must be carried out at least every three years, with yearly reviews to ensure it is still relevant. Given the changes to the investment strategy as a result of purchasing the Annuity, combined with it being three years since this was undertaken, we have updated the scenario analysis this year. These scenarios were run against the Fund's strategic asset allocation to ensure that they remain fit for purpose in the future. The analysis focuses on the assets uninsured portfolio (i.e. it excludes the annuity).

Impact on the DB funding level

Key conclusions

The Trustee reviewed the climate scenario analysis and concluded that it remains appropriate for the Fund's investment portfolio over this reporting period.

Overall, we are comfortable with the level of resilience exhibited by the investment portfolio, and do not intend to make any significant changes to the investment or funding strategy as a result of this analysis.

The impact assessment showed that the Fund's long term investment strategy exhibits resilience under some of the climate scenarios considered. Over all timeframes, the Fund is expected to remain in surplus. This conclusion was reassuring to the Trustee. This is due to the low-risk strategy and high levels of hedging against changes in interest rates and inflation.

Considering climate change impacts on sponsoring employer(s)

The Trustee recognises the importance of climate change and the risk it poses to the Fund. The Trustee takes climate-related risks into account in determining its investment strategy.

The climate scenario analysis undertaken this year continues to identify funding level volatility as the Fund's key climate-related risk. Under the *orderly* and the *disorderly transition*, the Fund experiences sudden falls in the funding level, and under the orderly scenario the funding level recovers. Whist under all scenarios considered, the Fund is expected to remain in surplus, under the *disorderly* scenario the funding level projections lead to a declining funding level over the long term. Under the *no transition* scenario, the funding level remains broadly flat over the time periods assessed, however, over the long term the no transition scenario lags the base case significantly.

Deterioration and increased volatility of the funding level would place a strain on the Employer covenant if it were to be required to make up any funding shortfall. It may also require the Fund to reconsider its investment strategy or extend the time frame for achieving full funding or other long-term goals.

However, as part of the preparation of this report, the Trustee has considered that the Fund is well funded and invests in a relatively low-risk strategy with high levels of hedging. As such, the Trustee has taken a more proportionate response in relation to the covenant assessment.

The Trustee therefore recognises that climate change may have an impact on the Employer covenant. The Trustee monitors the covenant on a regular basis, with the support of its covenant adviser, and maintains a regular dialogue with the Employer. It is supported in this by its covenant adviser who considers the impact of climate-related risks on the Sponsor covenant.

Details of the parent company's actions being taken in relation to climate change and sustainability can be found here.

Metrics & targets

Our climate metrics

In our first year of TCFD reporting, we decided to report on the metrics 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 Fund'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 there is high quality data for (i.e. data which is based on verified, reported, or reasonably estimated emissions, versus that which is unavailable).



Binary target measurement

A metric which shows how much of the Fund'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 portfolio investments with a declared net-zero or Paris-aligned target, or are already net-zero or Paris-aligned.

			Scopes 1 and 2			Scope 3		
Asset class	**Allocation** (%)	**Year**	**Data Coverage** (%)	**Total GHG emissions** (tCO_2e)	**Carbon footprint** (tCO_2e/£m)	**Data Coverage** (%)	**Total GHG emissions** (tCO_2e)	**Carbon footprint** (tCO_2e/£m)
Fixed Income	12.0%	2026	73.4%	27,408	80.4	52.3%	107,150	441.4
	30.1%	*2025*	*74.2%*	*72,888*	*82.5*	*56.2%*	*282,650*	*422.0*
Private/Liquid Credit	4.0%	2026	40.1%	3,431	55.8	37.6%	14,323	248.1
	7.7%	*2025*	*41.6%*	*6,254*	*49.4*	*41.6%*	*50,149*	*396.0*
Hedge Fund	3.1%	2026						
	4.6%	*2025*						
Hedge Fund A - Long Position	2.0%	2026	72.0%	4,531	80.9	72.0%	18,459	329.6
	3.1%	*2025*	*58.0%*	*5,490*	*75.3*	*58.0%*	*33,311*	*455.0*
Hedge Fund B	1.1%	2026	73.8%	4,108	98.5	0.0%	-	-
	1.4%	*2025*	*44.5%*	*2,321*	*73.7*	*0.0%*	-	-
Property	1.7%	2026	17.7%	114	9.6	0.0%	-	-
	2.5%	*2025*	*42.3%*	*1,064*	*25.0*	*0.0%*	-	-
Global Equity	3.4%	2026	99.6%	6,424	48.8	99.6%	72,598	551.7
	2.4%	*2025*	*98.0%*	*5,026*	*53.2*	*98.0%*	*50,325*	*532.7*
Annuity	55.5%	2026	100.0%	112,008	52.0	0.0%	-	-
	n/a	*2025*	*n/a*			*n/a*		
LDI Physical gilts exposure	20.3%	2026	100.0%	94,674	135.6	*n/a*		
Synthetic gilts exposure				41,505				
Physical gilts exposure	*52.7%*	*2025*	*100.0%*	*266,817*	*141.2*	*n/a*		
Synthetic gilts exposure				*17,645*				

Source: Investment managers / Aon. Figures may not sum due to rounding.
Emissions data was provided by the managers as at 31 December 2025 and 31 December 2024.
Hedge Fund A – Short Position - Total GHG emissions is 2,854 tCO2e and Carbon footprint is 51.0 tCO2e/£m for Scope 1 and 2. Total GHG emissions is 13,563 tCO2e and Carbon footprint is 242.1 tCO2e/£m for Scope 3.
We have not aggregated metrics across the whole portfolio because the methodologies used for some asset classes are significantly different and therefore it is not appropriate to combine them.
Scope 3 emissions are not available for LDI due to the lack of industry agreed methodology to calculate them.

Emissions associated with LDI includes both physical emissions (emissions associated with physical assets that are held within the portfolio) and synthetic emissions (emissions associated with the notional exposure to sovereign bonds gained through derivatives).

Commentary

Fixed Income
There was a significant reduction in the absolute Scope 1 and 2 emissions for fixed income, which was driven primarily by a reduction in the amount of assets held in fixed income. Scope 1 and 2 emissions and carbon footprint decreased. This was driven by a reduction in the exposure to Industrials, Utilities and EM Corporate sectors – these changes have arisen due to changes in the underlying managers within the fixed income managers.

Scope 3 carbon footprint increased despite lower data coverage, primarily due to an increase in the reported carbon footprint caused by changes to the fixed income managers.

We have engaged with the managers to better understand where the most significant increases in Scope 3 emissions have occurred. Scope 3 emissions are estimated, meaning that changes in methodology can cause significant changes in the intensity of the reported emissions, and our engagements with managers look to understand whether the changes are due to methodology, or are due to the constituents of our fixed income portfolio being more carbon intensive for Scope 3 emissions.

Private/Liquid Credit
Scope 1 and 2 and Scope 3 emissions have decreased, which is primarily driven by the reduction in assets held in private/liquid credit. However, there has also been a slight reduction in the data coverage.

We engaged with the underlying manager to understand the reduction in reported emissions. The manager confirmed that 2024 emissions were primarily driven by two Commercial Mortgage-Backed Securities holdings, accounting for over 99% of public Scope 3 emissions, which were subsequently sold as part of a disinvestment of assets from private/liquid credit during the year.

Hedge Fund

This year, Hedge Fund A reported a decrease in its Scope 3 carbon footprint, while Scope 1 and 2 carbon footprint increased slightly due to changes in leverage exposure. Despite this, total absolute emissions decreased year-on-year, reflecting both the reduction in carbon footprint and a lower asset allocation to the fund.

For Hedge Fund B, the carbon footprint and total emissions have increased in line with significant improvements in data coverage.

Property
There has been decrease in total emissions and carbon footprint, this is primarily due to changes in the underlying fund composition, with the manager exiting from three underlying funds over the reporting year.

Global Equity
There has been an increase in total emissions primarily due to increased asset allocation, and partially offset by a decrease in the carbon footprint. The data coverage has marginally increased over the year, and remains the highest coverage across the asset classes in which the Fund invests.

LDI
Scopes 1 and 2 emissions have decreased compared to last year. This is due to small reductions to both the carbon footprint and reduction in assets held in LDI as part of the investment strategy changes and purchase of the Annuity.

Binary Target Measurement

Asset class	Allocation (%)	Year	BTM	Proportion of assets for which data was available
Fixed Income	12.0%	2026	19%	73%
	30.1%	*2025*	*19%*	*74%*
Private/Liquid Credit	4.0%	2026	2%	40%
	7.7%	2025	*<1%*	*42%*
Hedge Fund	3.1%	2026	0%	73%
	4.6%	*2025*	*0%*	*54%*
Property	1.7%	2026	25%	18%
	2.5%	*2025*	*47%*	*42%*
Global Equity	3.4%	2026	52%	100%
	2.4%	*2025*	*51%*	*98%*

Source: Investment managers / Aon. Data as at 31 December 2025 unless specified otherwise.

Commentary

Overall, the proportion of the Fund's assets with net-zero aligned targets has remained broadly consistent for the portfolio but has decreased for the Property asset class as the underlying manager exited multiple funds over the year.

Notes on the data

In general, we relied on information provided by the Fund's investment managers about their greenhouse gas emissions. Our adviser, Aon aggregated this information to calculate the metrics for the Fund's portfolio of assets.

The exception to this is the metrics for the LDI; please see the *Appendix* for more information.

Availability of data:

- Eight managers provided scopes 1, 2 and 3 GHG emissions.
- Five managers provided scopes 1 and 2 only.
- Four fixed income managers, one private/liquid credit manager, one property manager and the global equity manager provided SBTi alignment data.
- Private Equity managers were excluded from the carbon data analysis on material grounds.

Aon did not make estimates for missing data.

The reported emissions metrics may not fully capture the Fund's GHG emissions due to some missing data. We expect that future reports will benefit from improved information from managers. We plan to work collaboratively with managers who couldn't supply emissions data to express our expectations for future reporting.

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.

Targets

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

In our first year of reporting, reporting, we agreed to report against a target for improving the data coverage. 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.

Trustee update

Each year we review the suitability of the targets we have set. Based on the data collected and the metrics calculated this year, we believe our targets remain appropriate. The Trustee has set the following targets:

- Improving the data quality (measured by data coverage). We have agreed different targets for each underlying asset class recognising the availability of data and industry wide calculation methodologies.
- We have also agreed a binary target measure, which looks at the percentage of underlying assets with a Paris aligned or net zero target. Again, we have different underlying targets for the asset classes here, recognising the availability of data for the asset classes.

Review and updates to the targets

This year, we have split out our reporting on progress towards the data coverage target for Hedge Funds and Fixed Income, given the differences in methodology of these asset classes.

Data quality (measured by data coverage) - progress towards our target

Asset class	Target (as at 31 Dec 2027)	Actual Coverage 2025	Actual Coverage 2024	Actual Coverage 2023	Actual Coverage 2022	Actual Coverage 2021
Global Equity	100%	100%	98%	100%	99%	99%
Fixed Income	80%	73%	74%	71%	60%	60%
Hedge Fund	80%	73%	54%	22%	67%	61%
Private/Liquid Credit	70%	40%	42%	68%	66%	11%
LDI	70%	100%	100%	100%	100%	n/a
Property	40%	18%	42%	37%	37%	0%

Source: Investment managers/Aon.
Base year: 31 December 2021. Data is presented as whole numbers.

Notes in relation to the target data coverage:

- The data coverage targets have been set to collate carbon emission data across scopes 1 and 2.
- The Trustee considered setting a target covering the scope 3 emissions, however, determined this was not appropriate due to the significant uncertainties with scope 3 data. The Trustee may reconsider this decision in future.
- The Fund's performance against the target will be measured and reported on every year. Over time, this will show the Fund's progress against the target.

Observations

- The Trustee has met the targets set for Global Equity and LDI.
- For LDI, the methodology used to calculate carbon metrics has changed since the base year, where data coverage is now 100% estimated.
- There has been an increase in data coverage for the hedge fund portfolio, driven by improved data availability from one of the underlying managers. Overall coverage remains in line with the Fund's target.
- In 2025, the data coverage for Private/Liquid Credit decreased significantly, due to evolving methodologies for the asset class.
- The data coverage for Property has decreased significantly as the underlying manager exited multiple funds over the year.

Binary target measurement - progress towards our target

- In 2025, we added a second target themed around the % of the portfolio with net zero or Paris aligned targets) by 31 December 2030. This has been set based on the Fixed Income, Property and Global Equity holdings.
- Sovereign Bonds, Hedge Funds, and Private/Liquid Credit have been excluded from this target, as this metric is not available to track effectively due to the nature of the underlying investments. The Trustee will continue monitoring this going forward.

Asset Class	Portion of the portfolio with net zero or Paris aligned targets by 31 Dec 2030	Portion of the portfolio with net zero or Paris aligned targets as at 31 Dec 2025	Portion of the portfolio with net zero or Paris aligned targets as at 31 Dec 2024
Fixed Income*	35%	19%	19%
Property	65%	25%	47%
Global Equity	70%	52%	51%

*Excluding Sovereign Bonds

Observations

- The portion of the portfolio with net zero or Paris aligned targets for the Fixed Income and Global Equity mandates are broadly aligned with last year.
- The proportion of the Property portfolio managed by investment managers with net zero or Paris-aligned targets decreased from 47% to 25% over the year. This was primarily driven by changes to the Fund's property holdings following asset sales to support the bulk annuity transaction. The

assets sold were held within the Strategic Property portfolio, which had been the principal source of climate target data within the Property allocation. As a result, the reduction reflects changes in portfolio composition and reporting coverage rather than a deterioration in the climate ambitions of the remaining managers. The Trustee will continue to monitor this over time.

Steps we are taking to reach the target

To continue to progress towards our target, we Fund take the following steps:

Increasing mandate coverage of data 	Improving the portion of the portfolio with net zero or Paris aligned targets 
Observation The coverage of data for Hedge Funds and Equity has improved. The coverage for LDI, and Fixed Income has remained broadly in line with last year. The data coverage for Property has reduced from last year. Our target for Global Equity and LDI has been met.	**Observation** There has been little change versus last year with the Fixed Income and Global Equity asset classes and portions with net zero and Paris aligned targets. There was a significant drop in the data for Property, albeit this is understood based on the changes in the underlying assets.
Solution The Trustee, supported by FPFIM, will continue to engage with the Fund's investment managers to improve data availability and coverage across the private/liquid credit portfolio. Through this engagement, the Trustee will seek to identify opportunities to enhance reporting coverage and explore alternative data sources where appropriate. While engagement is expected to support improvements over time, progress will also depend on the continued development of industry methodologies for calculating carbon metrics and evolving regulatory reporting requirements.	**Solution** With support from FPFIM, will be considering ways to engage with the managers to improve the portion of the portfolio that is net zero or Paris aligned. However, we recognise that due to the nature of the target improvements may not be linear or equal across asset classes. Alongside this, we recognise that progress against this target is currently limited, and more meaningful conclusions may be drawn as more years of data becomes available.

Appendices



Appendix 01 - Climate governance and risk management framework

Climate governance

As the Trustee of the Fund, we are responsible for overseeing all strategic matters related to the Fund. This includes the governance and risk management frameworks relating to 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 Fund's investment returns and, as such, we have a role to play in helping to tackle climate change.

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

We believe that the most appropriate time horizon for the Fund is follows:

- Short-term: 1-3 years
- Medium-term: 4-10 years
- Long-term: 11+ years

Climate-related risks and opportunities are integrated into our risk management framework so we can maintain oversight of the climate-related risks and opportunities that are relevant to the Fund.

We receive training on an annual basis (or more frequently if required) on climate-related issues to ensure that we have the appropriate knowledge and understanding to support good decision-making.

We expect our advisers and investment managers to bring important climate-related issues and developments to our attention in a timely manner. We expect our advisers and investment managers to have the appropriate knowledge on climate-related matters. We have delegated oversight of the Fund's climate change risk management framework to FPFIM, where this relates to investment matters. FPFIM keeps us apprised of material climate related developments on a regular basis (typically annually).

Trustee update

During the reporting year, the Trustee received training on TCFD-aligned targets. The training evaluated the existing data quality targets and looked at how these targets could be strengthened as well as considering setting a new target.

Following the training session, the Trustee agreed to set an additional target to monitor the portion of the portfolio with net zero or Paris-aligned targets.

Further detail can be found in the Metrics and Targets section of this report.

Role of the FPFIM

We have delegated the ongoing monitoring of the Fund's climate change risk management framework to FPFIM where this relates to investment matters. The key activities undertaken by the FPFIM, with the support of The Trustee's advisers, are:

- ensure the investment strategy or any implementation proposals consider the impact of climate risks and opportunities
- seek investment opportunities which enhance the ESG and climate change focus of the Fund's portfolio
- engage with the Fund's investment managers to understand how climate-related risks are considered in their investment approach
- work with the investment managers to disclose relevant climate-related metrics as set out in the TCFD recommendations

- ensure stewardship activities are being carried out appropriately by the investment managers on the Fund's behalf
- monitor and review progress against the Fund's risk management framework twice a year.

FPFIM will meet on an informal basis quarterly to carry out the above activities. FPFIM will keep us updated on any material climate-related developments through updates at Trustee meetings, which will be on an annual basis. This will be supplemented on an ad-hoc basis should the need arise.

How we work with our advisors

We expect our advisers and investment managers to bring important climate-related issues and developments to our attention in a timely manner. We expect our advisers and investment managers to have the appropriate knowledge on climate-related matters.

Investment adviser – our investment adviser, Aon, provides investment-related strategic advice and support on our climate-related risks and opportunities. This includes regular training and updates on climate-related issues, climate change scenario modelling and ESG ratings for investment managers.

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

Scheme Actuary - the Scheme Actuary, helps us assess the potential impact of climate-related risks on the Fund's funding where relevant.

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 Fund, and which sources of expertise the Fund Actuary has used in determining the appropriate assumptions to use.

Covenant adviser - our covenant adviser helps us understand the potential impact of climate-related risk on the Sponsor covenant of the principal Employer.

Trustee update

The Trustee has collected carbon data from its investment managers.

It has been supported in this exercise by FPFIM and its investment adviser.

FPFIM, in its role as delegated by the Trustee, has worked with the Trustee's investment adviser to complete this as far as reasonably possible. This has involved engaging with managers where gaps in data have been identified to be able to improve disclosures.

The Trustee sets clear expectations to its investment advisers around the need to bring important and relevant climate-related issues and developments to the Trustee's attention in a timely manner.

This is considered as part of any review of objectives set for our advisers.

Over the reporting year, the Trustee has made some changes to the investment strategy, the purpose being to reduce risk in the Fund by selecting an insurer to secure a portion of the member benefits. As part of the process to select the insurer, the ESG credentials, including climate change and the chosen insurer manages these risks, where taken into consideration as part of the due diligence process.

Climate risk management framework

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

Governance

Activity	Owner	Support	Frequency
Climate change governance framework *(this document)*	Trustee	Aon, FPFIM	One off
Publish TCFD report and implementation statement	Trustee	Advisers	Annual
Maintain ESG beliefs (including climate beliefs)	FPFIM	FPFIM, Advisers	Ongoing
Trustee training	FPFIM, Trustee	Advisers, FPFIM	Ongoing
Ensure investment proposals explicitly consider the impact of climate risks and opportunities, and seek investment opportunities	Trustee	FPFIM	Ongoing
Ensure that actuarial and covenant advice adequately incorporate climate-related risk factors where they are relevant and material	Trustee	Scheme Actuary, Covenant advisor	Triennial
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	Aon, FPFIM	Ongoing

Trustee update

We monitored the above activities as part of our climate related risks and opportunities management, receiving regular updates from the FPFIM and querying information as and when required. FPFIM have engaged with our investment managers, as and when required as part of the preparation of this report.

During the year we also published our TCFD report and Engagement Policy Implementation Statement.

We received training on TCFD-aligned targets from our advisers to ensure we are comfortable with the existing targets, and to explore opportunities for setting new targets that align with our long-term investment strategy, which led to us setting an additional portfolio alignment target this year.

The Trustee has received training through the year to ensure it is familiar with the potential financial impact that climate change may have on the investment strategy and funding position. Through implementing the Annuity, the Trustee has de-risked during the reporting year by selecting an insurer to secure a portion of member benefits. The insurer's ESG credentials, including climate change, was considered as part of the due diligence process.

Strategy

Activity	Owner	Support	Frequency
Identify climate-related risks and opportunities over agreed time periods	Trustee	FPFIM, Advisers	Annual
Undertake quantitative scenario analysis to understand the impact of climate related risks	Trustee	FPFIM, Investment adviser	Annual review, Triennial refresh

Trustee update

We have spent dedicated time during the year to analyse climate-related risks and opportunities for the Fund's various asset classes with the support of FPFIM and our investment adviser. Part of this has been to undertake the qualitative assessment of climate related risks and opportunities, which

can be found in the Strategy section of this report. FPFIM and our investment adviser, have liaised with our investment managers, querying data as appropriate.

We also refreshed the climate change scenario analysis carried out within the Fund's TCFD disclosures this year. The results of the analysis conclude that the Fund's portfolio remains resilient across all scenarios modelled.

Risk management

Activity	Owner	Support	Frequency
Identify, assess and manage key climate-related risks	FPFIM	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	FPFIM, Advisers	One-off, ongoing thereafter
Seek to understand the climate-related risks to the employer over the short, medium, and long term.	Trustee	Covenant adviser	Annual
Liaising with insurers providing annuity agreements, to understand how ESG, including climate-related risks, is incorporated	Trustee	FPFIM / advisers	Ad-hoc

Trustee update

We have processes in place for identifying and assessing climate related risks. Climate risks management is integrated into the ongoing risk management activities of the Fund via the risk register and this climate risk management plan.

The Trustee included the impact of climate change into its due diligence process as part of the insurer selection and annuity agreement entered into during Q4 2025.

Metrics and Targets

Activity	Owner	Support	Frequency
Obtain emissions data and calculate climate metrics	FPFIM	Investment adviser, fund managers	Annual
Review the climate metrics remain suitable	FPFIM	Investment adviser	Annual
Review the target remains suitable	FPFIM	Investment adviser	Annual

Trustee update

The Trustee, supported by FPFIM and its investment adviser, collects metrics data on an annual basis. Metrics have been collected in line with industry practice and supported by FPFIM. to understand the current state of the portfolio regarding its emissions, data coverage and portfolio alignment metrics. The Trustee has set targets covering the following:

- To improve the data coverage metric by 2027. Within this the Trustee has considered appropriate coverage metrics for the underlying asset classes. The Funds' data coverage has improved across majority of the asset classes since last year's reporting period. Some asset classes have met the targets set; with the remainder now very close to meeting the 2027 target set.
- To improve the portion of the portfolio with net zero or Paris aligned targets, by 2030. As part of this, the Trustee considered which asset classes this is most appropriate for and have set appropriate targets for Fixed Income, Property and Global Equity.

Further detail can be found in the Metrics and Targets section.

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 Fund is invested in. Each table is based on ratings and commentary provided by the managers.

LDI – 44.4% of portfolio

The Fund divested from one of the LDI managers, hence excluded from the assessment below. The table below is representative of the LDI manager, in which the Fund continues to invests, who was able to provide information requested.

Physical Risks

	Acute	Chronic
Short	G	G
Medium	G	G
Long	A	G

UK gilts in LDI portfolios face limited physical climate risk. The UK is comparatively less exposed to extreme physical hazards than many countries and has strong institutions, a robust credit rating and the ability to issue debt in its own currency. Scenario analysis (e.g. NGFS-based work in Insight's latest TCFD report) suggests that climate-driven physical impacts are unlikely to materially impair the UK's capacity to service its debt, so credit risk from physical climate change is expected to be benign.

Transitional Risks

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

Transition risk for UK gilts mainly manifests via changes in yields and gilt pricing under different climate policy and decarbonisation pathways, rather than default risk. However, because LDI portfolios are designed to match the Fund's liabilities, mark-to-market climate impacts on gilts should broadly move in line with liability valuations, reducing net funding impact. The UK's strong sovereign ESG score and 2050 Net Zero commitment provide further comfort on longer-term transition risk.

Fixed Income – 25.4% of portfolio

The Fund divested from one of the fixed income managers, hence excluded from the assessment below and one of the manager was unable to provide a clear response to the RAG rating but did provide some qualitative information. The table below is representative of the other fixed income managers who were able to provide information requested.

Physical Risks

	Acute	Chronic
Short	G	G
Medium	G	G
Long	A	G

Physical climate risks for global corporate bonds are limited in the short to medium term but become material over the long term as more frequent and severe extreme weather, rising seas, heat stress and supply-chain disruption especially

Transitional Risks

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

Transition risks for global corporate bonds stem from policy, technology, market and reputational changes as economies decarbonise. They are relatively limited in the short term, build in the medium term as carbon pricing, legal action and shifting demand start to pressure high emitters, and become

in a hothouse world scenario begin to affect company profitability, macroeconomic stability and portfolio valuations.

more material over the long term especially in a disorderly transition with rapid policy shifts, stranded fossil-fuel assets and resource bottlenecks though bondholders still face less downside than equity investors.

Private/Liquid Credit – 8.4% of portfolio

The Fund invests in two private/liquid credit mandates which are managed by separate investment managers. Both were contacted for information, however one of which was unable to provide a clear response to the RAG rating but did provide some qualitative information, which is incorporated below. The table below is representative of the other private/liquid credit manager which was able to provide information requested.

Physical Risks

	Acute	Chronic
Short	G	G
Medium	G	G
Long	A	A

Transitional Risks

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

Physical climate risks for this short-dated, diversified portfolio are expected to be minimal in the short to medium term, with only limited impact from acute events or emerging chronic risks. Over the long term, some exposure to physical risks is likely to increase, particularly in certain regions and asset types, though diversification and short holding periods should help manage these impacts.

Transition risks for this portfolio are limited in the short term, with evolving regulation, disclosure rules and market or technology shifts expected to have only modest impact given its diversification, short-dated holdings and low exposure to high-emitting sectors. These risks may increase over the medium to long term as climate policy, technology and demand evolve, but overall portfolio impact should remain contained thanks to diversification and active reinvestment.

Hedge Funds – 6.5% of portfolio

The Fund invests in one hedge fund mandates which are managed by separate investment managers. Both were contacted for information, however one of which was unable to provide information for the RAG rating but did provide some qualitative information. The table below is representative of the other hedge fund manager which was able to provide information requested.

Physical Risks

	Acute	Chronic
Short	G	G
Medium	G	G
Long	G	G

Transitional Risks

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

Given the nature of these funds, the manager states that much of the risk associated with climate change is mitigated due to the nature of the investments. This is something which the Trustee, supported by its advisor FPFIM, will continually challenge its investment managers on.

The investment manager does not see any transitional risks in the short-term relating to Policy, Technology, and Reputation as for Hedge funds portfolios.

Property – 3.7% of portfolio

Physical Risks

	Acute	Chronic
Short	A	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 could lead to property damage and material financial impacts, particularly in geographically vulnerable areas. However, the manager is taking physical risks into account to help mitigate by having fewer assets in high-risk areas – where these do occur the assets would be fully insured (however this carries another risk that insurance premiums may increase).

Transitional Risks

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

The investment manager does not see any transitional risks in the short-term relating to Technology, and Reputation. However, it does see changes in policy as a medium risk due to the increasing pressure from investors and regulators in the short-term. Over the longer-term the investment manager identified increases in operating costs and high capital expenditure posing to be a high-financial material risk.

Source: Managers, Aon.

Appendix 04 – Climate scenarios in detail

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

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 Fund** The funding level slightly declines over the short and medium term, before it gently increases. The increases then accelerate over the long term.
Disorderly Scenario Temperature rise <3°C Reach net zero after 2050 Late and aggressive environmental regulation	**Summary of the Scenario** **In the short term:** Insufficient consideration is given to long-term policies and there is no action taken to combat climate change. **In the medium term:** Late but coordinated action is taken to tackle climate change. The late timing means it is less effective and more costly. Adverse impacts from climate change leads to poor performance of growth assets. **In the long term:** The transition to clean technologies and green regulation begins to boost economic growth. But physical climate risks remain prominent.	**Impact to the Fund** **In the short term:** There is no initial risk to the Fund, as the funding level is expected to follow a similar path to the base case. **In the medium term:** The funding level of the Fund deteriorates sharply relative to the base case, before it then increases. Despite this, the funding level is expected to remain in surplus. **In the long term:** The Fund's funding level experiences the most significant deterioration amongst all scenarios and timeframes as a result of late and aggressive action to tackle climate change and moves into a deficit, alongside this there is also volatility within the fund level. After 10 years, there is no more recovery to the funding level, albeit still in surplus. Resulting in this being the worst outcome for the Fund within the timeframes considered and may lead to strain on the Employer Covenant.
Orderly Scenario Temperature rise <2°C	**Summary of the Scenario** **In the short term:** Immediate coordinated global action is taken to tackle climate change. Growth assets perform poorly.	**Impact to the Fund** **In the short term:** The Fund suffers a deterioration in its funding level, however the Fund is expected to remain in surplus. This is largely driven by poor equity and growth asset performance in early years having a

Reach net zero 2050		pronounced negative impact on asset returns.
Coordinated environmental regulation	**In the medium term:** The rapid transition to clean technologies and green regulation begins to boost economic growth. **In the long term:** Economic growth continues. This represents the fastest transition to a green economy, combined with limited physical impacts from climate change.	**In the medium term:** The funding position begins to recover materially following the initial fall in funding, as risk assets perform well, benefitting from the economic growth. **In the long term:** The Fund's assets gain from the economic growth and the funding level is expected to continue to grow, ultimately the funding level is a stronger position than the base case. This is the best outcome for the Fund.
No Transition Scenario	**Summary of the Scenario**	**Impact to the Fund**
Temperature rise >4°C	**In the short term:** No action is taken to combat climate change.	**In the short term:** There is no initial risk to the Fund, as the funding level is expected to follow a similar path to the base case.
Reach net zero after 2050 No environmental regulation	**In the medium term:** Still no action is taken to combat climate change. The impacts of physical climate risks (such as more frequent extreme weather events) become gradually more significant. These risks begin to slow economic growth, which starts to decline and negatively affect investment returns.	**In the medium term:** There continues to be little impact on the Fund's expected funding position but remains in surplus. The Fund benefits from high levels of interest rate and inflation hedging which provides protection against volatility in gilt yields and inflation.
	In the long term: The challenges from climate change intensify and create a persistent drag on economic growth, which declines significantly, and asset performance. The consequences of physical risks become increasingly severe and, eventually, irreversible.	**In the long term:** The funding position starts to underperform the base case. Overall, the Fund is expected to remain in surplus, however, there is significant volatility within interest rates and inflation. Whilst the Fund has high levels of interest rate and inflation hedging, this, combined with a poor economic backdrop is likely to lead to uncertainty and potentially additional strain on the Employer Covenant.

Source: Aon. Effective date of the impact assessment is 31 March 2026.

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 for our clients, such as timing of member options, operational risks, and for DB clients covenant risk and longevity risk.

When changing the investment strategy, it is important to consider other relevant issues such as 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 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 Fund to climate-related risks and the approximate impact on asset/liability values over the long-term.

The purpose of the model is to consider the long-term exposure of the Fund to climate-related risks, and the pattern of asset returns over the long term. In particular, the model considers different climate change scenarios and the approximate impact on asset/liability values over the long-term.

The model assumes a deterministic projection of assets and liabilities on the Technical Provisions basis, using standard actuarial techniques to discount and project expected cashflows.

I. It models the full yield curve as this allows for an accurate treatment of the liabilities and realistic modelling of the future distribution of interest rates and inflation. It also allows the Trustee to truly assess the sensitivities of the assets and liabilities to changes in interest and inflation rates.

II. The parameters in the model vary deterministically for each scenario.

The liability update and projections are considered appropriate for the analysis. However, they are approximate, and a full actuarial valuation carried out at the same date may produce a materially different result. The liability update and projections are not formal actuarial advice and do not contain all the information needed to make a decision on the contributions payable or investment strategy.

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

i. 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.

ii. Climate-related risks are considered on an asset class level, and do not consider the specific geographical locations which will have a strong influence on the climate-related risk the Fund is exposed to.

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

The model has been set up to capture recent market conditions and views (as at 31 March 2026); the model may propose different solutions for the same strategy under different market conditions.

Appendix 05 – Climate metrics in detail

Additional information on the metrics calculations

Carbon metrics for non-LDI asset classes

Emissions data was collected from the managers using the CET[1]. Managers provided carbon footprint and data coverage for their fund(s).

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

£M invested in the fund x *Carbon footprint* x *Data coverage*

Aon aggregated the carbon footprint for each asset class as follows:

$$\frac{\sum Gi}{\sum(Ai \times Ci)}$$

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* (%)

Aon does not make estimates for data which was unavailable

The carbon metrics for LDI

Emissions associated with LDI includes both physical emissions (emissions associated with physical assets) and synthetic emissions (emissions associated with the notional exposure to government bonds gained through derivatives). The Fund's LDI managers provided the value of the physical and synthetic 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 2022 as reported by the Emissions Database for Global Atmospheric Research; and PPP (Purchasing Power Parity)-adjusted GDP as at 31 December 2022 as reported by the World Banking Group.

Total GHG emissions for LDI was estimated for physical and synthetic exposures as follows:

£M physical exposure x *Carbon footprint* x *Data coverage*

£M synthetic exposure x *Carbon footprint* x *Data coverage*

Where data coverage is assumed to be 100% estimated.

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

Binary target measurement

Aon asked 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 Fund's measurement only covers the portfolio parts with available data.

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

Industry-wide issues

There is no standard method for calculating metrics for some assets, for example scope 3 emissions for LDI, leading to varied approaches by managers. These industry-wide issues underscore the need for climate reporting to enhance transparency. We anticipate improved information from managers as the industry adopts best practices.

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