# *General Motors (VML) Pension Plan (the "Plan")*

## Climate change report

A report for members by the Trustee of the General Motors (VML) Pension Plan

**Plan Year ending 31 December 2025**

# *Why have we written this report?*

In the UK it is mandatory for the largest companies and financial organisations to disclose their climate-related risks and opportunities. This is part of the government's commitment to making the UK financial system the greenest in the world.

This report provides members with the opportunity to find out more about how the Trustee has identified, assessed and managed climate-related risks and opportunities to the Plan during the year to 31 December 2025.

The Trustee views climate change as a risk to society, the economy and the financial system, but also recognises that reducing carbon emissions throughout the economy presents opportunities. These risks and opportunities may impact the Plan's financial position, for example by impacting the businesses the Plan invests in.

We recognise the scale of the climate change challenge but nonetheless believe we can help drive positive change through our investment and stewardship decisions. Our fiduciary duty is to ensure members' benefits are paid and, with this in mind, we expect our investment managers to deliver performance in line with our investment strategy, which takes into account climate change risk. Effective mitigation of the financial risks arising from climate change, and careful selection of opportunities presented by the transition, should benefit our members, our wider communities and the planet itself.

It is the fourth climate change report by the Trustee of the Plan. We hope you find it informative and would welcome any feedback.

**Rob Assinder, Chair, on behalf of the Trustee:**

# Introduction

**About the General Motors (VML) Pension Plan (the "Plan")**

The Plan is a defined benefit pension arrangement (sometimes known as a final salary pension) that is closed to new members. The Plan has a long time-horizon, with some existing benefits expected to still be in payment beyond 2080.

As at 31 December 2025, it had assets of around £1.9 billion. As the funding position has improved, we have substantially reduced the Plan's investment risk, moving from growth assets (mainly listed equities) to corporate bonds and UK government bonds. This is in line with changes in the value of the Plan's liabilities and our prudent de-risking strategy.

We continue our journey towards a position where we are no longer dependent on our sponsor's financial support, and plan further changes to the strategic asset allocation to help secure our members' benefits. It is important to note that the investment decisions we take in support of paying members' benefits are independent of the business investment decisions our sponsor makes to generate returns for its shareholders.

The Trustee is assisted by General Motors Investment Management Corporation ("GMIMCo") who has been appointed to provide certain discretionary investment management services to the Trustee, including: managing and rebalancing the Plan's assets; and appointing and removing third party investment managers.

**The purpose and structure of this report**

The purpose of this report is to describe the Plan's governance framework for managing climate-related risks and opportunities and how it has been implemented in the year to 31 December 2025. It is the Plan's fourth report in line with the recommendations of the **Taskforce on Climate-Related Financial Disclosures ("TCFD")**, as required by the 2021 Climate Change Governance and Reporting Regulations for Occupational Pension Schemes.

This report covers the TCFD's thematic areas of: (1) **Governance –** How the organisation's board, committees and senior management are assessing, managing and monitoring climate-related risks and opportunities; (2) **Strategy –** Actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material; (3) **Risk Management –** The processes for identifying, assessing and managing climate-related risks, and how these are integrated into the organisation's overall risk management; and (4) **Metrics and Targets –** The metrics and targets the organisation uses to assess and manage relevant climate-related risks and opportunities.

# *Executive summary*

The following are a summary of some key points from the detailed report that follows:

- We consider climate change a financially material factor for the Plan and therefore believe that appropriate treatment of climate-related risks and opportunities for the Plan's investments should improve outcomes for the members through better long-term returns and lower risk. We have therefore allocated significant time and resource to this topic.
- We maintain appropriate Climate Governance processes – as described on pages 6-10, where we outline the responsibilities in relation to climate change. Climate is also integrated into the overall risk register for the Plan. We remain focussed on delivering our key objective of delivering members' benefits, but within that we seek to ensure that climate-related risks have been properly managed, and opportunities appropriately considered.
- We have considered how such risks and opportunities might affect the funding strategy, investment strategy and the Company's ability to provide financial support for the Plan. This includes by modelling the Plan under different potential climate scenarios (noting modelling limitations). Each year we re-confirm whether a full re-run of the modelling is beneficial; this year we updated the analysis to reflect scenarios based on the latest climate science.
- Through the climate work we have undertaken, we have identified a number of risks and opportunities to the Plan arising from physical changes to the climate itself and from steps being taken to limit climate change. We continue to work through actions and engage with the Plan's fund managers on the issues we deem to be most important.
- With the help of our advisers, we assess our fund managers' sustainability practices, including their ability to protect the Plan's assets from negative impacts of climate change, on an annual basis.
- We have collected data on four climate-related metrics: (1) total emissions; (2) carbon footprint (emissions per £m invested); (3) a measure of alignment with a transition to a net zero economy; and (4) data quality. This is the fourth year in which we are reporting on our climate data, and we have included a comparison of the Plan's Scope 1 + 2 climate metrics and Scope 3 emissions metrics against last year's results.
- We have previously set targets against the third metric – portfolio alignment – with a focus on the number of investments in the Plan's listed equity and corporate bond portfolios that have approved Science Based Targets. In 2025, we set a new target to increase the portion of investments with SBT alignment in the listed equity, corporate bond and short dated credit investments by 31 March 2028 (having broadly met the previous targets set for 31 March 2025). The new targets represent a 'reset' to reflect recent changes to the Plan's investment strategy, and also wider market trends, to ensure the targets we set remain achievable.
- Collecting metrics helps us to identify climate exposures, but we are conscious there remain material data gaps. Our investment consultant and GMIMCo is supporting us in working with our investment managers to encourage improvement in both the quality and the coverage of reporting on climate data. While we are encouraged by the progress that has been made in this respect, it is widely recognised that there remain shortcomings in the quality and completeness of the emissions data available for many assets.

# Contents



# Overview

*We recognise that estimations and assumptions made in this report are not definitive. This is an issue faced by all investors and businesses grappling with measuring their climate risk exposure. As data quality improves, our reporting and approach to integrating the effects of climate change into our investment decisions will improve.*

*Our managers understand that we expect them to continue encouraging and supporting investee companies and, where applicable, sovereigns, to increase their disclosure of comprehensive emissions data, establish robust transition plans, and set science-based targets. We also emphasise the importance of collaboration with policymakers and participation in industry initiatives across our pension fund assets.*

*The Trustee has considered how the Plan's sponsor might be impacted by climate-related issues and how this might affect its ability to support the Plan. All companies will be affected to some extent and the economy will suffer significant damage in the long-term if temperatures continue to rise. In the shorter-term we recognise that the automotive sector is exposed to changes in the global economy as society adopts lower-carbon solutions. We fully support the goal of the group (General Motors) to be carbon neutral in its global products and operations by 2040.*

*The Plan's reliance on the sponsor has reduced over time and is expected to continue to do so. Our modelling has shown (eg on page 14) that the Plan's funding level appears relatively resilient to the impacts of the climate change scenarios considered, noting the inherent uncertainties involved in such analysis. However, we appreciate that we are, as a pension plan, and as a sector, at the start of a journey and there is more ground to cover.*

*We are pleased to publish this report, which outlines our approach and documents our progress in addressing climate-related risks and opportunities. We believe the Plan is relatively well-positioned for the potential risks arising from climate change, but there is more for us to do. Climate change continues to be a focus, and I look forward to providing a further update next year.*

Published alongside the Plan's annual report and accounts for the year to 31 December 2025, and available online: https://pensioninformation.aon.com/generalmotors/documents.aspx.

# Governance

**The Trustee has ultimate responsibility for making decisions and ensuring effective governance of climate change risks and opportunities in relation to the Plan.**

## 1. The Trustee's role

The Trustee Chair, with support from the Trustee Secretary, ensures that sufficient time is allocated for consideration and discussion of climate matters.

The Trustee is responsible for ensuring effective climate governance arrangements are in place for the Plan, which includes:

- Ensuring training is provided to Trustees in relation to knowledge and understanding of climate change to fulfil their statutory and fiduciary obligations. This includes knowledge and understanding of the principles relating to the identification, assessment and management of climate-related risks and opportunities for the Plan;
- incorporating climate-related considerations into strategic decisions relating to the Plan's investments and funding arrangements;
- allowing for climate-related considerations when assessing and monitoring the strength of the sponsoring employer's covenant;
- engaging with the Plan's actuarial, investment, covenant and legal advisers to ensure that climate-related risks and opportunities are adequately considered in relation to its investment beliefs, investment policies and governance arrangements;
- appointing actuarial, investment, and covenant advisers that: (i) have adequate expertise and resources, including time and staff, to carry out their responsibilities; (ii) are taking adequate steps to identify and assess any climate-related risks and opportunities which are relevant to the matters on which they are advising; and (iii) are adequately prioritising climate-related risks;
- communicating with Plan members and other stakeholders on climate change where appropriate, including public reporting such as this report.

The Trustee seeks to identify, assess and manage climate risks and opportunities, with some matters delegated to the Investment Committee and GMIMCo. The Trustee is supported by its external advisers.

### Investment Committee ("IC")

The Investment Committee's roles and responsibilities are set out in a Terms of Reference, which is reviewed by the Trustee Board periodically. The IC is a sub-group of the Trustee, which has delegated powers to make decisions related to investment matters but will refer matters to the Trustee as applicable under the Terms of Reference or otherwise as it considers appropriate. The IC reports regularly to the Board in relation to work it has undertaken and decisions it has made. The Trustee does not believe that conflicts of interest are likely and is satisfied that the structure and terms of the IC mean that in any event these are well managed.

The IC is responsible for taking such actions as it considers necessary to ensure that the Plan meets its reporting requirements in relation to investments including on TCFD disclosures. The work of the IC will include:

- overseeing the Plan's policies, regulatory obligations and priorities in respect of climate-change related matters including ensuring compliance with associated reporting regulations;
- incorporating climate-related considerations into: (i) the Trustee's investment beliefs and the Plan's investment policies; and (ii) the strategic decisions relating to the Plan's investment framework;
- determining the short-, medium- and long-term periods to be used when identifying climate-related risks and opportunities for the Plan;
- identifying and assessing the main climate-related risks and opportunities for the Plan over the agreed time periods and documenting the management of them (including incorporating in the Plan's risk register);
- working with GMIMCo to ensure that the Plan's investment managers have processes in place for managing climate-related risks and opportunities in relation to the Plan's investments, and have appropriate processes, expertise and resources to do this effectively; and
- selecting and reviewing metrics to inform the Trustee's identification, assessment and management of climate-related risks and opportunities; and setting and monitoring targets to improve these metrics over time. This includes carrying out scenario analysis as and when required.

## 2. Other parties' and advisers' roles

### GMIMCo (in-house investment team)

GMIMCo's roles and responsibilities are set out in the Plan's Statement of Investment Principles, which is reviewed by the Trustee regularly. The Trustee does not believe that conflicts of interest are likely and is satisfied that the structure and terms of GMIMCo mean that in any event these are well managed.

In broad terms, GMIMCo is responsible for implementing the investment of the Plan's assets, including:

- incorporating the Trustee's investment beliefs, including responsible investment and climate beliefs, into manager selection, mandate design and manager monitoring;
- working with investment managers to understand and potentially improve their processes in relation to climate change considerations;
- communicating with stakeholders for, but not limited to, the purposes of the Trustee's TCFD reporting as appropriate; and
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change in its governance arrangements as appropriate.

### Investment managers

The Plan's investment managers are responsible for:

- identifying, assessing and managing climate-related risks and opportunities in relation to the Plan's investments, in line with the investment management arrangements agreed with the Trustee and/or GMIMCo;
- exercising rights (including voting rights) attaching to the Plan's investments, and undertaking engagement activities in respect of those investments, in relation to climate-related risks and opportunities in a way that seeks to improve long-term financial outcomes for Plan members;
- reporting on stewardship activities and outcomes in relation to the Plan's investments, wherever feasible; and
- providing information to GMIMCo and the Plan's investment advisers on climate-related metrics in relation to the Plan's investments, as agreed from time to time, and using its influence with investee companies and other parties to improve the quality and availability of these metrics over time.

### Actuarial adviser

In broad terms, the Plan's actuarial adviser is responsible, as requested by the Trustee, for:

- advising how climate-related risks and opportunities might affect the Plan's funding position over the short-, medium- and long-term and the implications for the Plan's funding strategy, long-term objective and journey plan;
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change in its governance arrangements as appropriate.

### Covenant adviser

In broad terms, the Plan's covenant adviser is responsible, as requested by the Trustee, for:

- considering in periodic covenant reviews how climate-related risks and opportunities might affect the Plan's sponsoring employer over the short-, medium- and long-term and the implications for the Plan's journey plan;
- Including as appropriate in the Plan's covenant reviews the policies and practices of the sponsoring employer relating to climate change, and the employer's progress against any climate-related targets it has set; and
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change in its governance arrangements as appropriate.

## 2. Other parties' and advisers' roles (cont.)

### Investment adviser

The Plan's investment adviser is responsible, as requested by the Trustee or Investment Committee, for:

- providing training and other updates to the Trustee and Investment Committee on relevant climate-related matters;
- helping the Trustee to formulate its investment beliefs in relation to climate change and reflecting these in the Plan's investment policies and strategy;
- advising how climate-related risks and opportunities might affect the different asset classes in which the Plan might invest over the short-, medium- and long-term, and the implications for the Plan's investment strategy and journey plan;
- working with GMIMCo to advise the Trustee on the appropriateness and effectiveness of the Plan's investment manager's processes, expertise and resources for managing climate-related risks and opportunities, given the Trustee's investment objectives and beliefs. This includes engaging with the managers to improve their climate-related integration over time;
- assisting the Trustee, Investment Committee and GMIMCo in incorporating climate change in its investment monitoring;
- assisting the Trustee and IC in identifying, monitoring and using suitable climate-related metrics and targets in relation to the Plan's investments, including liaising with GMIMCo and the Plan's investment managers regarding provision of the metrics;
- leading on the preparation of the Trustee's TCFD reporting, and assisting with other communication with stakeholders in relation to climate change; and
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change in its governance arrangements, risk register, and monitoring framework and communication with stakeholders (including, but not limited to, its TCFD reporting) as appropriate.

## 3. Trustee monitoring

The Trustee and Investment Committee consider a range of different information about the climate change risks and opportunities faced by the Plan to enable them to fulfil their responsibilities set out above. The Trustee (or Investment Committee as appropriate) will review, revise and approve this when required, according to their roles and responsibilities.

### *Quarterly*

Receive and review:

- updates on the Plan's investments from GMIMCo and the Plan's investment adviser.

These documents will incorporate climate-related risks and opportunities as appropriate.

### *Annual*

At one or more meeting each year, receive, review, revise (where appropriate) and approve:

- its governance arrangements, investment beliefs and investment policies in relation to climate change, including reviewing the Plan's risk register;
- its TCFD reporting, including a periodic update on the metrics in the Plan's monitoring framework, and analysis by its advisers;
- a plan covering the main topics (including in relation to ESG and climate change) due to be discussed at Board meetings in the following year;
- whether it is appropriate to carry out scenario analysis that illustrates how the Plan's assets and liabilities might be affected under various climate change scenarios;
- data on ESG metrics for the Plan's investments from its investment advisers, including at least four climate-related metrics, and performance against any targets set in relation to these metrics;

## 3. Trustee monitoring (cont.)

### *Annual (cont.)*

- whether to retain or replace any targets set in relation to these climate-related metrics; and
- the advisers' climate competency and assess how they have performed against their climate responsibilities.

### *At least every three years (or following major changes)*

- a responsible investment report from the Plan's investment adviser that reviews the Plan's investment managers in relation to ESG factors and climate change;
- choice of short-, medium- and long-term time periods to be used when identifying climate-related risks and opportunities to the Plan;
- scenario analysis that illustrates how the Plan's assets and liabilities might be affected under various climate change scenarios, along with commentary on the potential impacts for the sponsoring employer and the implications for the resilience of the Plan's funding and investment strategies;
- Its choice of metrics to inform the Trustee's identification, assessment and management of climate-related risks and opportunities; and
- the Plan's risk register is updated following review, to incorporate climate-related risks and opportunities as appropriate.

### Oversight activity – appointments

The Trustee seeks input from its investment, actuarial and covenant advisers to ensure that it can identify, assess, and manage climate risks and opportunities.

Over 2025, the Trustee and Investment Committee maintained oversight of climate change risk, based on information provided to them by their advisers, GMIMCo and investment managers. Where appropriate, the Trustee has questioned the information provided to it to ensure it has a clear understanding of the risks facing the Plan and the actions being taken to mitigate them.

When appointing new advisers in the future, the Trustee will take into account whether the advisers have suitable climate credentials. In particular, the Trustee seeks to appoint advisers with sufficient market presence and reputation in order to have confidence that they have appropriate credentials and competence with respect to advising on climate risk matters. The Trustee will consider the extent to which the advisers' climate-related responsibilities are included in the agreements and/or any adviser objectives set.

With appropriate advisers in place, the Trustee ensures that climate-related risks and opportunities are considered as part of any relevant advice such as actuarial valuations, investment strategy reviews and assessments of the sponsoring employer's covenant.

### Determining the correct apportionment of resources

The key rationale for allocating resources to this area is that the Trustee believes that:

- Environmental, Social and Governance ("ESG") factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors (which include factors relating to climate change).
- responsible investment in well governed companies and engaging as long-term owners can reduce risk over time and may positively impact Plan's returns;
- long-term environmental, social and economic sustainability factors should be considered by the Trustee and GMIMCo when making investment decisions.

These beliefs are incorporated into the Plan's Statement of Investment Principles, which sets the policy of the Trustee on various matters governing decisions about the investments of the Plan.

## 3. Trustee monitoring (cont.)

### Oversight activity – objectives set for advisers

A climate related objective is included in the Trustee's investment consultant objectives with which it reviews its investment consultant on an annual basis.

***Climate-related investment adviser's objectives***

- Help the Trustee implement an investment strategy that integrates its policy on ESG (including climate change) and stewardship
- Inform the Trustee of any relevant regulatory changes, and help the Trustee to be compliant with investment regulations and The Pensions Regulators' investment guidance

### Some activities undertaken

During 2025, the Trustee and the Investment Committee allocated meeting time to climate-related topics and commissioned additional advice in order to deepen its understanding of climate change, enhance the Plan's management of climate-related risks and opportunities, and satisfy its regulatory obligations.

A selection of climate-related agenda items undertaken during Plan Year are set out on the right.

**March 2025:**

- Discussed and agreed the 2025 Plan Year activities and priorities in relation to TCFD reporting.

**June 2025:**

- The Trustee updated its climate scenario modelling for the VML Plan, in line with the requirement to review this analysis at least every three years. The Trustee confirmed the Plan's investment strategy is resilient enough that no immediate actions to further mitigate climate-related risks are required. It noted that key risks come from equities and corporate bonds, and agreed to revisit potential longer-term actions, including: setting a net-zero ambition, making climate-solutions investments and supporting LCP's climate policy asks.
- As part of the above, the Trustee reviewed and updated its chosen short-, medium- and long-term time horizons. The changes to these time horizons are summarised on the next page.

**July 2025:**

- Reviewed, updated and finalised the Plan's third TCFD report covering activities over the year to 31 December 2024.

**September 2025:**

- The Trustee reviewed the updated position of the Plan relative to the TCFD metrics and targets that have been agreed, and discussed a number of proposals to address the highlighted risks and opportunities. It was noted that data quality across public assets was consistent with last year and that overall the metrics had improved.
- The Trustee noted that the Plan had broadly met the target it set in 2022 for portfolio climate alignment by 31 March 2025. The Trustee requested a review of trends in science-based target uptake, to help inform its decision when setting a new target.
- The Trustee reviewed the Plan's investment managers' practices for managing climate related risks. The Trustee decided to engage with managers to encourage them to improve areas where weaknesses were identified, while noting that management of climate risks was adequate overall.

**December 2025:**

- Reviewed and agreed to continue to monitor the current TCFD metrics, setting a new target for the Plan's portfolio alignment metric (as detailed on page 25).
- The Trustee discussed the annual TCFD requirements with the investment advisor and confirmed requirements had been met for 2025.
- A high-level plan for TCFD work to be carried out in 2026 was agreed.

# *Strategy*

## Identification and assessment of climate-related risks and opportunities relevant to the Plan

The Plan faces risks and opportunities from both the physical effects of changes in the climate itself – for example, rising temperatures and more frequent storms or flooding – and from the effects of transitioning to a lower carbon economy to limit the extent of climate change – for example, government policies to restrict or discourage the use of fossil fuels, technological advances in renewable energy, and shifts in consumer demand towards "greener" products.

Many of these climate-related risks and opportunities could affect the value of the Plan's assets. Others could affect the sponsor and its ability to provide financial support to the Plan. Some may also affect the Plan's liabilities, for example through affecting members' life expectancy or the inflationary increases to pensions each year.

Climate change could therefore impact the Trustee's aim for the Plan to reach full funding on its target basis ("self-sufficiency"). This was considered in detail within the climate-scenario analysis undertaken by the Trustee.

Trustees must decide the short-, medium- and long-term time horizons that are relevant to their plan. It is up to trustees how they determine their time horizons for the purpose of identifying and assessing climate-related risks and opportunities.

The Trustee has selected the following time horizons for the Plan. In setting these, the Trustee has taken into account the membership profile and the timing of widely held future climate milestones.

| Time horizons | Agreed period | Rationale |
|---|---|---|
| **Short-term** | 3 years | In line with regular decision-making timescales (eg the inter-valuation period). This is the same as when we last set this assumption in 2022. |
| **Medium-term** | 7 years | The period over which the transition to a low carbon economy may have the most significant impact. This is reasonable in the context of expected changes in climate change data quality and climate regulations. We previously agreed 10 years for this assumption in 2022. |
| **Long term** | 12 years | This is the approximate duration of Plan liabilities, so a large proportion of benefits will be paid over this period. Note that this was 17 years when we last set this time horizon in 2022 – with the large change resulting from the material increase in interest rate environment over the period. |

**The Trustee reviews these time periods annually and following any material changes in the Plan's membership.**

# Strategy

## Overview of the climate-related risks and opportunities relevant to the Plan that the Trustee has identified

To identify risks and opportunities to the Plan, the Trustee receives training to understand how climate-change may affect pension schemes and investments. The Trustee has received advice from its advisers on how the investment strategy, funding position and sponsor may be affected by climate-related factors.

The Trustee uses a variety of tools to identify the key risks that the Trustee should focus on, including:

- **Climate-scenario analysis** – undertaking scenario analysis to consider how the Plan's assets and liabilities may be affected under a range of different climate scenarios and implications for the Plan's funding and investment strategies.
- **Assessing investments** – The Trustee, with support from GMIMCo and its advisers, will periodically consider its investment mandates in the context of climate-related risks and opportunities. The Trustee's investment adviser assesses the investment managers and reports findings to the Trustee. Manager assessments include consideration of climate practices, incorporation of climate-related factors into the investment processes and the effectiveness of the management of climate-related risks.
- Monitoring a range of **climate-related metrics** in relation to the Plan's assets (more detail in **Section 4 – Metrics and Targets**).

The Trustee has identified and assessed the risks and opportunities to the Plan within each of these time horizons, as summarised below. These risks and opportunities are considered in the following sections where we discuss further the Trustee's approach to investment, covenant and funding risks and opportunities.

| | *Key risks* | *Key opportunities* |
|---|---|---|
| *Short-term* | **Exposure to climate-related investment risks may be highest while the Plan retains an allocation to growth assets** | **Climate-tilted equity funds aim to protect against transition risks and provide exposure to transition opportunities** |
| *Medium-term* | **Market volatility could cause investment losses and increase time to reach full funding on buy-out basis** | **Climate-aware credit mandates should increase the resilience of assets to climate risks** |
| *Long-term* | **Cost of buy-out may increase as insurers allow for climate-related risks in their pricing and reserving bases** | **Buy-out is expected to provide greater protection from climate risks for members' benefits** |

The Plan has a low-risk investment strategy and is in a strong funding position on its long-term funding basis – the Trustee feels that the Plan is appropriately positioned taking these risks and time horizons into consideration. The Trustee has a framework to wind down its growth assets (ie equities and property) over time which will reduce exposure to assets which may be particularly susceptible to climate risks and ensure the strategy and funding level is more resilient to potential climate risks. Alongside this, the Trustee is considering how it might evolve its credit mandates to incorporate a more explicit climate focus in the guidelines.

## Climate scenario analysis

Scenario analysis is a tool for examining and evaluating different ways in which the future may unfold. The Trustee first carried out scenario analysis in 2022 to consider how climate change might affect the Plan's assets and liabilities, funding strategy, investment strategy and the sponsoring employer's covenant. In 2025 the Trustee re-ran the scenario analysis to reflect the latest scientific consensus of the likely scenarios that we could experience as a result of climate change. The remainder of this section is therefore based on the modelling and results that were produced during 2025.

The Trustee used the climate scenario analysis to better understand the time horizons over which physical risks and transition risks could materialise and the potential sensitivity to these risks. It considered what the possible impacts of climate change could be over each of its chosen time horizons and whether its current funding and investment strategies are likely to be resilient against these risks (or able to take advantage of any opportunities).

When considering the possible impact of climate change, the Trustee sought to consider, via asset and liability modelling, the impact of three scenarios on the Plan. The Trustee chose these scenarios, after consultation with its advisers:

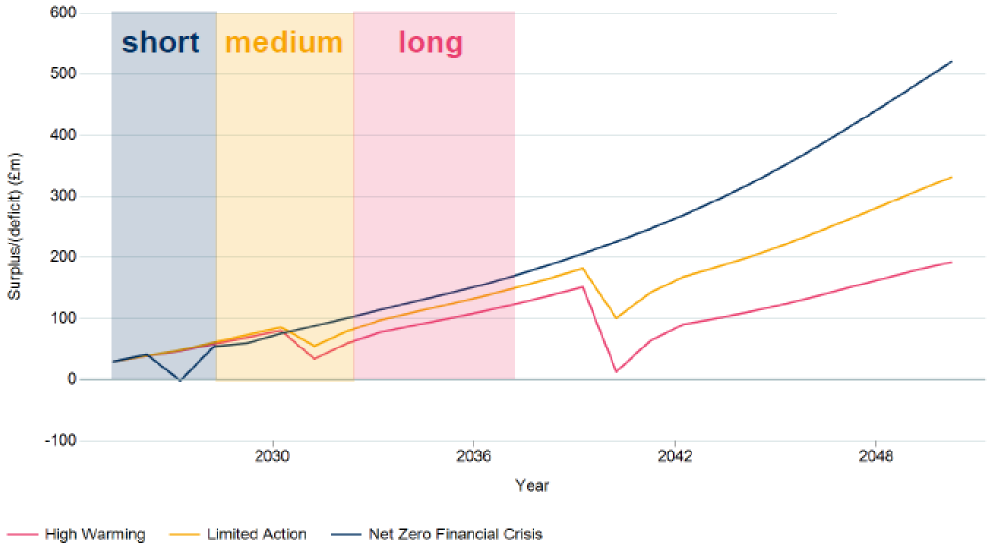
| Scenario | Description | Why the Trustee chose it |
|---|---|---|
| **High Warming** | No new* low-carbon policies enacted and some existing ones are scaled back. Current technological trends continue. Paris Agreement goals **not met**, and the resulting high warming leads to severe physical impacts. | To explore what could happen to the Plan's finances if high warming continues at current levels and this results in significant physical risk from changes in the global climate that disrupt economic activity. |
| **Limited Action** | Policymakers implement **limited** new* climate policies and **fall short** of meeting the Paris Agreement goals, resulting in a combination of transition and physical risks. | To see how the Plan's finances could play out if global climate actions are insufficient to meet global targets and therefore face risks from both more difficult low-carbon transition and increasing physical climate impacts. |
| **Net Zero Financial Crisis** | Global net zero CO2 emissions **achieved by 2055** via rapid and effective climate action. Financial markets **react abruptly** in 2026. | To look at the risks and opportunities for the Plan if global net zero carbon emissions is achieved in 2055, but with added complexity of financial market instability during the transition. |

The results of the climate scenario analysis are fed into the risk management of the Plan through specific covenant, investment and funding focused considerations and the interaction of these. Further information on the results of the climate scenario analysis and modelling approach has been included in **Appendix 2**. The Trustee acknowledges that many alternative plausible scenarios exist but found these were a helpful set of scenarios to explore how climate change might affect the Plan in future.

*New compared to the International Energy Agency's World Energy Outlook 2022 – Stated Policies Scenario (STEPS).
Source: Ortec Finance.

## Potential Plan impacts under the modelled scenarios – projected from 31 December 2024

The scenario analysis looked at the projected impact of the Plan's funding position over time on a long-term "self-sufficiency" funding target using a discount rate of gilts + 0.5% pa and the agreed de-risking investment strategy. The chart below illustrates the expected change in surplus under each of the three scenarios considered.




**The surplus is expected to grow with the current investment strategy providing returns in excess of the liabilities. The Plan was expected to reach full funding on an estimated buyout basis around 2031 at the time the analysis was undertaken.**

In the **short term, market volatility caused by the transition** to a low-carbon economy could increase funding requirements through both equity repricing or corporate defaults and downgrades.

In the **medium term, pricing in of climate risks,** as the physical impacts of climate change start to have a greater impact on the economy, could push the Plan into deficit. This would depend on how big the impacts are.

The **long-term physical impacts of climate change give the greatest uncertainty** for the Plan.

The Plan's equities were shown to be the key source of climate-related risk for the Plan, with modelling showing that global equity markets could face significant negative impacts under all climate scenarios, particularly in the High Warming and Limited Action pathways. While the impact on the Plan overall is mitigated by the relatively low allocation to equities and other return-seeking assets, it is still exposed to potential losses if markets reprice climate risks more severely than expected.

The Trustee also noted that although the Plan is typically protected against interest rate and inflation movements, this protection may break down during major climate-driven economic disruption, posing an additional structural risk that is not reflected in the modelling.

Given the Plan's strong funding position on its long-term basis and likely time horizon, the focus for the investment strategy is more on mitigating climate risks (by assessing and monitoring its current holdings) rather than looking to significantly reposition towards potential climate-related opportunities. Mitigating actions considered included: setting a net zero ambition for the Plan, improving the resilience of the Plan's investments by adding an explicit climate-aware objective to the corporate bond portfolios, and engaging with managers to encourage real world impact.

Source: Ortec Finance. Impacts shown are medians, based on climate data as at 31 December 2024 and financial conditions at 31 March 2025.

**Potential Plan impacts under the modelled scenarios – projected from 31 December 2024 (cont.)**

| Time period | Key risks | Key opportunities | Agreed actions |
|---|---|---|---|
| Short term (next 3 years) | Exposure to climate-related investment risks may be highest while you retain an allocation to growth assets | Climate-tilted equity funds aim to protect against transition risks and provide exposure to transition opportunities | *Consider the journey plan for the Plan as to whether it has scope for considering climate solutions. Consider setting a net zero ambition.* |
| Medium term (next 7 years) | Market volatility could cause investment losses and increase time to reach full funding on buy-out basis | Climate-aware credit mandates should increase the resilience of assets to climate risks | *Work with managers to ensure the Trustee gets a full understanding of the actions being taken to mitigate climate risk within the Plan's portfolio.* |
| Long term (next 12 years) | Cost of buy-out may increase as insurers allow for climate-related risks in their pricing and reserving bases | Buy-out is expected to provide greater protection from climate risks for members' benefits | *Monitor insurance pricing to keep up to date on the potential opportunities for the Plan to insure as it approaches full funding on buy-out.* |

**Climate change impact on employer covenant**

The Trustee seeks regular updates from both the employer and its covenant advisor to satisfy itself around employer covenant. It last formally engaged its covenant advisor to assess the employer's covenant in 2023 – with the below observations following from that assessment.

The Trustee noted that the company is committed to operate its business in a more sustainable way and has set an ambitious target of becoming carbon neutral in products and operations by 2040. To achieve this, GM is targeting the elimination of all tailpipe emissions and will use renewable energy in all sites by 2035.

These targets are ahead of several of its global peers and the Trustee also noted the significant scale of investment being made by the company into the development of new electric vehicle products across its brands and in manufacturing capacity both for EV and battery production.

The Trustee analysed third party ESG ratings from independent agencies to provide additional insight into the direction of travel overtime.

The Trustee expects the automotive market to undergo a fundamental shift driven by Electric Vehicle (EV) and Autonomous Vehicle (AV) developments over the next decade and views this to be the key risk to the longevity of the covenant beyond the medium-term (ie the next ten years). Compared with its traditional peers, the Trustee is satisfied that the company appears well positioned in its EV and AV developments.

**The Plan has an investment de-risking strategy in place to move to a self-sufficiency strategy where there is limited reliance on the company covenant within a reasonable timeframe and is comfortable with the level of security offered by the overall covenant structure in place. The Trustee is therefore comfortable with the company covenant in respect of the impact of potential climate risks.**

# *Risk Management*

## Processes for identifying and assessing climate-related risks

The Trustee has implemented a number of processes to enable it to identify, assess and manage climate-related risks and opportunities in relation to the Plan, and has integrated these within the overall risk management of the Plan. Below we set out some of the Trustee's processes in more detail.

### Monitoring within the Plan's risk management framework

The Trustee maintains a risk register covering the wide range of risks applicable to the Plan, including specific climate risks. The Trustee reviews the register regularly to help to ensure that the Trustee manages these risks.

Some potential impacts resulting from climate risks identified in the most recent review include:

- Higher cost of future buy-ins;
- Lower real investment returns due to climate change (both due to transition or physical risks); and
- Regulatory changes due to climate change affecting business models and asset prices.

The Trustee reviews these risks and opportunities periodically to ensure they are up-to-date and help identify emerging risks, to assess any significant priority risks and opportunities to manage/embrace and to ensure regular action is maintained in monitoring and mitigating these risks.

The Trustee's current assessment, based on consideration of their impact and likelihood, is that these climate-related risks present a medium-risk to the Plan, relative to other risks, and should continue to be monitored using existing monitoring processes.

The Trustee will consider the processes and governance framework it has in place for identifying, assessing and monitoring climate-related risks and opportunities on a periodic basis to ensure it remains appropriate and useful.

### Monitoring climate-related metrics and Plan-specific targets

The metrics and targets that the Trustee uses to monitor climate-related risks and opportunities for the Plan are set out in **Section 4**. The Plan's exposures on these metrics are reviewed at least once a year, with progress against the targets also assessed and reported.

### Monitoring investment managers' climate practices

GMIMCo and the Plan's investment adviser provide quarterly investment performance monitoring reports in respect of the Plan. Any concerns in relation to the investment managers are raised and monitored as part of this process.

The Trustee also receives and reviews information about its investment managers' responsible investment credentials, including climate change mitigation, periodically. This information is provided by the Plan's investment adviser, LCP, based on proprietary manager research carried out. The Plan's investment adviser and GMIMCo support the Trustee in conducting engagement with the managers, encouraging them to improve their practices further and report back to the Trustee.

The most recent review of managers' approach to climate and responsible investment report used a "traffic light" system to show the managers' RI capabilities against a range of different factors which included climate specific responses to LCP's 2025 Responsible Investment ("RI") Survey. The RI Survey provides a more detailed review of the climate credentials for the investment managers. These included factors such as:

- the use of climate tools to assess climate risks and opportunities (eg, scenario modelling, metrics);
- commitments to climate goals (eg TCFD reporting, Net Zero targets);
- the quality and coverage of climate data provided; and
- evidence of stewardship and engagement on climate change – through participation in industry-wide collaborations.

## Processes for identifying and assessing climate-related risks (cont.)

### Monitoring investment managers' climate practices (cont.)

In addition, the report provides the investment adviser's manager specific ratings and any 'red flags' identified, based on the specialist asset class and climate knowledge of LCP's manager research teams.

The assessments provided key information on the actions taken by the managers to integrate good climate practices into the running of their firms. Based on this review, there were some follow-up actions in relation to areas LCP identified as red flags – which the Trustee requested were fed back directly the relevant managers. Overall, it was assessed that the Plan's managers take a reasonable approach to net zero and climate practices and the Trustee used the output of the reviews to drive climate-related conversations with its investment managers over the year.

### Monitoring advisers' climate practices

The Trustee also ensures its advisers have processes in place to help it understand its investment managers' climate-related practices, thereby helping it make informed judgements about its managers.

Similar expectations are set of GMIMCo, through its roles and responsibilities set out in the SIP, which supports the Trustee in making manager appointment decisions.

The Trustee has set strategic objectives for its investment adviser – which include some climate-related objectives. The Plan's investment adviser is assessed against these objectives regularly – and as part of the review in 2025 the Trustee was satisfied with LCP's performance as it related to supporting the Trustee in managing climate-related risks and identifying opportunities, as well as complying with statutory reporting aspects of this.

### Investor engagement and Stewardship

The Trustee uses investor stewardship to help manage climate-related risks. Voting and engagement activities are delegated to the individual investment managers. The Trustee has set climate change as its stewardship priority.

Each manager has its own ESG policy, which includes assessment of climate-related risks and policies on voting on climate-related resolutions. In order to monitor how the individual investment managers are exercising their voting rights and undertaking engagement on behalf of the Trustee:

- GMIMCo periodically meet with the investment managers, to engage with them inter alia on how they have considered ESG issues (including climate change) within their stewardship activities and will seek to challenge the investment managers on these matters where they think this is in the best interests of members; and
- The investment adviser monitors the investment managers by receiving stewardship information on a regular basis and summarising this for consideration by the Investment Committee.

The Trustee has written to its investment managers regarding the Trustee's stewardship priorities, in line with the Department for Work and Pensions ("DWP') stewardship guidance. The Trustee has communicated to managers its expectations of them when they carry out responsible investment on the Plan's behalf.

## Tools for identifying and assessing climate-related risks and opportunities

The Trustee has sought to identify and assess climate-related risks and opportunities facing the Plan arising from both the physical impacts of climate change and the transition to a low carbon economy. It has used the following main tools to do so:

- **Climate scenario analysis** was used to understand the macroeconomic impact of different climate scenarios on the Plan's finances and sponsor covenant (see **Section 2** and **Appendix 2** for further details).
- **Assessment of sponsor covenant** was used to identify the potential exposures of the sponsor covenant to both physical and transition risks from climate change. The covenant adviser also integrates climate considerations into its broader assessment of the employer' strength, putting climate risks into context of other covenant risks the Plan is exposed to.
- The Trustee's investment adviser helps the Trustee report the Plan's portfolio exposures to various **climate-related metrics**, as outlined above, which help illustrate the current exposure to certain climate transition risks (see **Section 4** for further details).
- The Trustee's investment adviser and GMIMCo, provide the Trustee with their opinions on the ESG and Responsible Investment approaches of the Plans' fund managers to help the Trustee make **manager assessments** of any shortcomings on both topics (see above for further details and the conversations which took place over the year).

These tools are used to identify the key risks that the Trustee should focus on. The Trustee assesses these risks as part of its investment decision-making processes and monitors them through its risk register to ensure all risks are being considered and managed consistently and proportionately.

These tools have helped the Trustee consider issues such as:

- Which climate change risks are most material to the Plan;
- How to take account of transition and physical risks; and
- How climate change affects the Trustee's risk appetite.

The Trustee also undertakes training to maintain and deepen its understanding of climate-related risks and opportunities and hence support its identification and assessment of those faced by the Plan. On an ongoing basis the use of these tools will help the Trustee to identify both current, but also new and emerging climate-related risks and opportunities.

### How the Trustee manages the key risks and opportunities

Some examples of the measures to help manage climate-related risks and opportunities are outlined below:

- The Plan has a well-diversified investment strategy to help reduce exposure to risk generally, which also reduces the exposure to climate risks particularly impacting specific asset classes.
- The Trustee has a policy to protect against a high proportion of the interest and inflation risks that impact the value of the Plan's liabilities. Therefore, any potential impact on interest rates and inflation from climate change (and indeed from other factors) are significantly mitigated.
- The Trustee, with the help of its investment consultant, engages with its investment managers on climate-related risks and opportunities when they meet. The Trustee encourages managers to improve their climate practices where possible.
- The Trustee factors climate-related metrics into its covenant monitoring, as provided by its covenant adviser.

## The Trustee's chosen metrics

The Trustee has chosen four climate-related metrics to help it monitor climate-related risks and opportunities relevant to the Plan. These are listed below and reported on the following pages (as far as the Trustee was able to obtain the data). The data has been calculated using portfolio holdings at 31 March 2025 (unless otherwise stated).

| Metric | High-level methodology |
| --- | --- |
| **Absolute emissions: Total greenhouse gas emissions[1]** | The sum of each company's most recent reported or estimated greenhouse gas emissions attributable to the Plan's investment in the company, where data is available. Emissions are attributed evenly across equity and debt investors. Reported in tonnes of $CO_2$ equivalent. This methodology was chosen because it is in line with the statutory guidance. |
| **Emissions intensity: Carbon footprint** | The total greenhouse gas emissions described above, divided by the value of the invested portfolio in £m, adjusted for data availability. Emissions are attributed evenly across equity and debt investors. Reported in tonnes of $CO_2$ equivalent per £1m invested. This methodology was chosen because it is in line with the statutory guidance. |
| **Portfolio alignment: Science-based targets (SBT)** | The proportion of the portfolio by weight of holdings with science-based targets to reduce their greenhouse gas emissions, demonstrated by a target validated by the Science Based Targets initiative (SBTi) or equivalent. This measures the extent to which the Plan's investments are aligned to the Paris Agreement goal of limiting global average temperature rises to 1.5°C. Reported in percentage terms. The Trustee chose this "binary target" measure because it is the simplest and most robust of the various portfolio alignment metrics available. |
| **Additional climate change metric: Data quality** | The proportion of the portfolio for which greenhouse gas emissions data is reported, estimated or unavailable. "Reported" emissions are reported by the emitting company but not verified. This approach was chosen because it is in line with the statutory guidance. |

[1] More information about greenhouse gas emissions is provided in Appendix 1, including their classification into Scopes 1, 2 and 3.

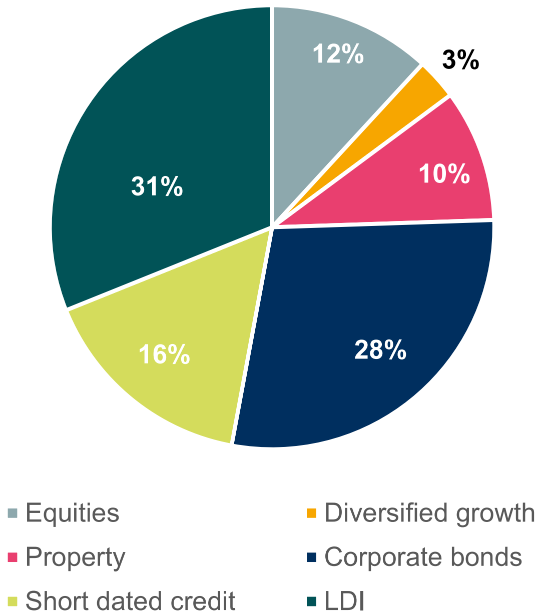
Further information about the methodologies used to calculate the metrics including: key judgements, assumptions, data inputs and treatment of data gaps is provided in **Appendix 3**.

The data has been calculated using portfolio holdings as at 31 March 2025, using data from the Plan's investment managers.

# Metrics and Targets

## Key data considerations

**Plan asset allocation as at 31 March 2025**




Where data coverage is less than 100% that is because managers have not shared data on those holdings. This may be because the company is not covered by the manager's research or because the company does not report the information.

Note: For the purposes of the asset breakdown above we have used the market value of the LDI portfolio. On the following pages we have used the market value of the long gilt exposure (some of which is accessed through derivatives).

**Scope 1 + 2 data coverage of around 85% of Plan assets**
**Scope 3 data coverage of around 83% of Plan assets**

| Asset class (% Plan assets) | Details of missing data or estimations |
|---|---|
| **Equities (12%)** | Data sourced from investment managers. Scope 1 + 2 emissions data for 8% of assets was estimated and 2% was unavailable. Around 19% of Scope 3 emissions data was estimated and 2% unavailable.<br>*The Trustee considers this data availability acceptable. Coverage remained broadly stable versus the previous year.* |
| **Diversified growth funds (3%)** | No data available – in line with previous years. See **Appendix 3** for more details. |
| **Property (10%)** | Data sourced from investment managers. SBT data is not available for the property mandate. Scope 3 emissions data was unavailable for 36% of the portfolio.<br>*The Trustee notes the challenges around data for property portfolios, but has taken a proportionate approach to encourage the manager to continue to develop its reporting (rather than use its own estimation techniques).* |
| **Short dated credit (16%)** | Data sourced from investment managers. Scope 1 + 2 emissions data for approximately 6% of assets was estimated and 44% was unavailable. 5% of Scope 3 emissions data was estimated and 44% unavailable. |
| **Corporate bonds (28%)** | Data sourced from investment managers. Scope 1 + 2 emissions data for approximately 3% of assets was estimated and 44% was unavailable. 13% of Scope 3 emissions data was estimated and 44% unavailable.<br>*These numbers are an improvement from last year, however bond information continues to lag behind equities and is an area of focus.* |
| **Government bonds and LDI (31%)** | See **Appendix 3** for more details on how the Trustee has sourced this data. |

# Metrics and Targets

## Metrics collected

The metrics collected at 31 March 2025 are shown below (with the corresponding 31 March 2024 figures in brackets). More information on the comparator figures can be found in last year's report.

| Asset class | Valuation of Plan assets (£m) | Coverage | | Total GHG emissions[1] (tCO2e) | | Carbon footprint ($tCO_2e$ per £m invested) | | Data quality (% reported/ estimated/ unavailable) | | Portfolio alignment | Data source | Date of holdings data |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Scopes 1 + 2 | Scope 3 | Scopes 1 + 2 | Scope 3 | Scopes 1 + 2 | Scope 3 | Scopes 1 + 2 | Scope 3 | Proportion with SBT | | |
| **Listed equities** | **220** (298) | **97%** (97%) | **98%** (96%) | **14,118** (33,125) | **81,279** (184,389) | **65** (114) | **380** (638) | **89 / 8 / 2** (90 / 7 / 3) | **77 / 19 / 3** (77 / 19 / 3) | **47%** (41%) | Investment Managers (Investment Managers) | 31/03/2025 (31/03/2024) |
| **Diversified Growth Fund** | **61** (67) | **-** (-) | **-** (-) | **n/a** (n/a) | **n/a** (n/a) | **n/a** (n/a) | **n/a** (n/a) | **n/a** (n/a) | **n/a** (n/a) | **n/a** (n/a) | n/a (n/a) | n/a (n/a) |
| **Property[2]** | **178** (202) | **100%** (100%) | **64%** (64%) | **2** (36) | **1,389** (1,423) | **0** (1) | **8** (22) | **100 / 0 / 0** (35 / 0 / 65) | **(64 / 0 / 36)** (56 / 0 / 44) | **n/a** (n/a) | Investment Managers (Investment Managers) | 31/12/2024 (31/12/2023) |

Source: Investment managers, LCP. Figures may not sum due to rounding. Note we have only included invested assets and have excluded monies held in cash accounts.

[1] Figures relate only to the assets for which data is available. Total emissions are for the Plan's assets.

[2] The emissions figures relating to electricity use are market-based, ie calculated using the emissions intensity of the electricity the landlord / tenant has chosen to acquire. For the property mandate, the majority of emissions are "tenant controlled" so they are classed as Scope 3 emissions. The Scope 1 and 2 emissions for the property portfolio therefore look low compared to other asset classes.

# *Metrics and Targets*

## *Metrics collected (cont.)*

The metrics collected at 31 March 2025 are shown below (with the corresponding 31 March 2024 figures in brackets). More information on the comparator figures can be found in last year's report.

| Asset class | Valuation of Plan assets (£m) | Coverage | | Total GHG emissions[1] (tCO2e) | | Carbon footprint (tCO$_2$e per £m invested) | | Data quality (% reported/ estimated/ unavailable) | | Portfolio alignment | Data source | Date of holdings data |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Scopes 1 + 2 | Scope 3 | Scopes 1 + 2 | Scope 3 | Scopes 1 + 2 | Scope 3 | Scopes 1 + 2 | Scope 3 | Proportion with SBT | | |
| **Corporate bonds[2]** | **528**<br>(805) | **56%**<br>(56%) | **56%**<br>(56%) | **15,214**<br>(31,627) | **117,259**<br>(237,709) | **54**<br>(70) | **615**<br>(527) | **55 / 2 / 43**<br>(54 / 2 / 44) | **40 / 17 / 43**<br>(44 / 12 / 44) | **41%**<br>(35%) | Investment Managers<br>(Investment Managers) | 31/03/2025<br>(31/03/2024) |
| **Short dated credit[2]** | **296**<br>(n/a) | **55%**<br>(n/a) | **55%**<br>(n/a) | **9,927**<br>(n/a) | **49,702**<br>(n/a) | **60**<br>(n/a) | **301**<br>(n/a) | **49 / 6 / 44**<br>(n/a) | **50 / 5 / 44**<br>(n/a) | **29%**<br>(n/a) | Investment Managers<br>(n/a) | 31/03/2025<br>(n/a) |
| **Government bonds and LDI [3,4]** | **1,549**<br>(1,339) | **100%**<br>(100%) | **100%**<br>(100%) | **219,234**<br>(227,098) | **247,700**<br>(181,711) | **142**<br>(170) | **160**<br>(136) | **100 / 0 / 0**<br>(100 / 0 / 0) | **100 / 0 / 0**<br>(100 / 0 / 0) | **100%[5]**<br>(100%) | LCP<br>(LCP) | 31/03/2025<br>(31/03/2024) |

Source: Investment managers, LCP. Figures may not sum due to rounding. Note we have only included invested assets and have excluded monies held in cash accounts.

[1] Figures relate only to the assets for which data is available. Total emissions are for the Plan's assets.

[2] Some of the mandates previously included within "Corporate bonds" have been amended to "Short dated credit" portfolios over the year. The emissions data is considerably changed versus previous years year, reflecting the different universe of investible bonds. We have moved this into a new row, which contributed to the change in valuation and total emissions figures for "Corporate bonds".

[3] A different emissions intensity metric has been calculated for gilts instead of carbon footprint, so neither this nor total GHG emissions can be compared with the other emissions figures shown.

[4] Market value of long gilt exposure - some of which is accessed through derivatives.

[5] The UK has a net zero by 2050 target written into law, with carbon budgets based on advice from the independent Committee on Climate Change, so UK government bond exposure has been treated as having a credible science-based target.

# Metrics and Targets

## *Metrics collected (cont.)*

### Conclusions from the metrics collected

The Trustee analyses the collected metrics to identify and assess climate-related risks and opportunities to the Plan – which it does at a more granular (mandate) level. This more granular assessment complements the climate scenario analysis carried out by the Trustee, enabling the Trustee to focus its climate risk management on the areas of the portfolio which are expected to be most exposed to climate change.

Whilst there is a requirement to collect and report on total greenhouse gas emissions, the Trustee notes this may not be a good indication of climate risk exposure for certain asset classes. The Trustee has therefore focussed on the intensity and SBT metrics when drawing conclusions.

The Trustee noted that data quality remained broadly stable compared to last year. Both the GHG emissions and the carbon footprint metric have improved for the equities and corporate bonds. For the LDI portfolio both the GHG emissions and the carbon footprint metric improved for scope 1 & 2 emissions but worsened for scope 3.

The Trustee noted that further improvement in a number of areas is required, and that there will not necessarily be a linear trajectory of improvement from here.

Below are some of the conclusions and recommendations agreed (with differing degrees of priority allocated in accordance with the Trustee's view of the importance):

- **Listed equities:**
  - *Overall, the carbon emissions data quality has remained broadly stable the and proportion of holdings with SBT have improved since last year. The overall level reported emissions are significantly lower than last year. The Carbon footprint for scopes 1 & 2 and scope 3 is area also lower than previously reported.*
  - The Trustee agreed to engage with managers to request better information on SBT. The managers have been notified that the Plan has set a target for this and will be reminded that this is a priority.
  - The Trustee chose to pursue some mandates which had a relatively high carbon footprint (in particular Scope 1 & 2) compared to the other listed equity mandates. For example, it was identified that the Plan's emerging markets equities mandate had a relatively high carbon footprint (and low SBT level).
- **Corporate bonds:**
  - *Overall, it was noted that data quality is generally lower than for listed equities, but that this remained broadly stable over the year. The proportion of holdings with SBT increased only modestly. Part of this was due to the change in one of the mandates to invest in shorter dated credit, where issuers generally have a lower SBT uptake (we have split this out in our table on page 23 to aid comparability).*
  - Trustee agreed to encourage managers to engage with portfolio companies that do not yet disclose information on GHG emissions with the aim of accelerating the improvement in the market-wide level of data coverage.
  - It was also agreed to engage with one manager lagging behind others (and the wider market) in terms of the proportion of companies invested in line with SBTs – particularly as this mandate had moved in the wrong direction over the year.

# Metrics and Targets

## Targets

The Trustee set new targets for the Plan in 2025. The previous target was for a c5% pa portfolio increase of approved SBT between March 2022 and 2025, for both equities and corporate bonds. The Trustee is pleased to note that the Plan performed broadly in line with this target, slightly ahead of target by 31 March 2025 for equities, and slightly behind target for corporate bonds (see next page for more details).

The Trustee opted to continue setting a target for the portfolio alignment metric as it is forward-looking and focussed on the transition that needs to occur in the future in order to achieve net zero aims globally.

In recent years the Trustee has observed that companies have committed to setting a SBT at a rapid rate, and the number of companies with an existing commitment having their SBT approved continues to rise. However, based on analysis of the markets in which the Plan currently invests (including with reference to its managers' views), the Trustee believes there is some evidence that the rate of take-up of SBT may be plateauing. The new targets (below) were set considering the expected level of uptake of SBT by companies over the next three years.

| Relevant assets | Target | Baseline level | Baseline level | Baseline reference date |
|---|---|---|---|---|
| **Listed equity investments** | **53% of investments to have set SBT by 31 March 2028** | The Plan's listed equities (currently c12% of assets) | c47% | 31 March 2025 |
| **Corporate bonds** | **44% of corporate bond investments to have set SBT by 31 March 2028** | The Plan's listed corporate bonds (currently c28% of assets) | c41% | |
| **Short dated credit** | **38% of investments to have set SBT by 31 March 2028** | The Plan's short-dated credit (currently c16% of assets) | c29% | |

Achieving the above target will improve the Plan's assets' alignment with a 1.5°C pathway which is expected to help manage climate-related risks to the Plan by:

1. Reducing exposure to climate transition risks in the shorter-term by keeping up with/slightly ahead of a general market trend; and
2. Supporting collective action to meet the Paris Agreement goals, hence reducing longer-term systemic risks from the physical effects of climate change.

Source: Investment managers, LCP.

# *Metrics and Targets*

## *Targets (cont.)*

### Progress against the previous target

The climate reporting carried out for the Plan during the year included an assessment of the current alignment with the previously set target. Broadly 47% of the listed equity, 41% of the corporate bond investments and 29% of the short dated credit investments had set SBT targets as at 31 March 2025, based on manager data on SBT-validated targets. The Trustee assumes that no other portfolio companies have set science-based targets.

*This represents an increase from the reference levels observed in March 2022. For the equity portfolio the Plan achieved its target of 45% by 31 March 2025. For the corporate bond portfolio, the Plan was slightly behind its target of 45% by 31 March 2025.*

*However overall, the Trustee is satisfied with the progress made on this metric over this three-year period given that the target was previously set to be ambitious. It also notes that recent changes to the corporate bond portfolio mean that the SBT profile of the bonds are now significantly different to three years ago and has re-set its future targets accordingly.*

The proportion of each fund with SBTi-validated targets was compared with the corresponding figure for a relevant market index with similar characteristics. Overall, the current proportion is considered to be broadly in line with the wider market.

**In line with DWP requirements, the Trustee will continue to review the target annually.**

### The following steps are being taken to help achieve the target:

The Trustee, with help from GMIMCo and its investment adviser, has communicated its SBT target to each relevant investment manager. The regular analysis over this period enabled the Trustee to identify the most appropriate funds and managers to focus their engagement on to encourage improvement in the Plan’s alignment with its target.

Investment managers are routinely contacted by GMIMCo and the Trustee’s advisers as part of the monitoring processes. Where appropriate, they will ask managers to discuss progress towards improving the proportion of portfolio companies with SBT-validated targets. In particular, as the target was set in 2025, the Trustee took into account the views and expectations of the investment managers as part of the process of deciding on a suitable target going forwards.

The investment adviser encourages managers to support the goal of net zero emissions by 2050 or earlier and has published its expectations for investment managers in relation to net zero. This includes the use of effective voting (where applicable) and engagement with portfolio companies to encourage achievement of net zero. The investment consultant continues to engage with managers on this topic and will encourage them to use their influence with portfolio companies to increase the use of SBT.

**The Trustee will review progress towards the target each year and consider whether additional steps are needed to increase its chance of meeting the target.**

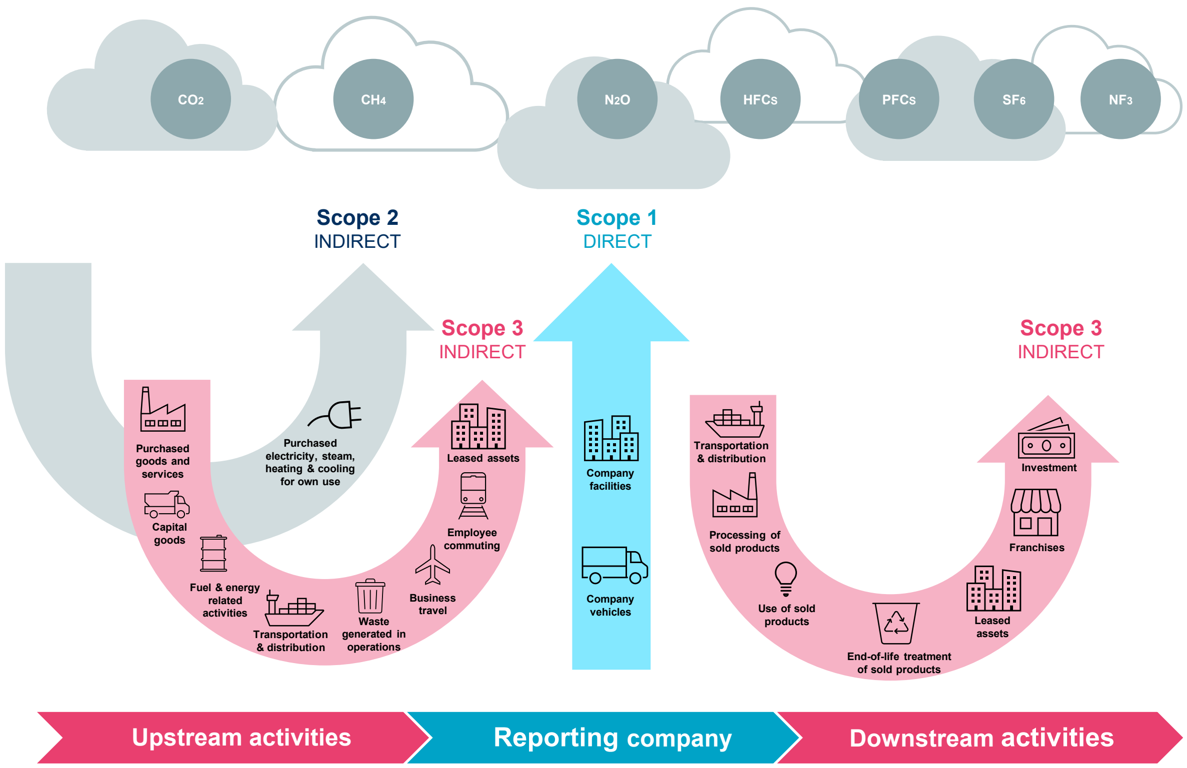
## Appendices

# *Appendix 1 – Greenhouse gas emissions explained*

Within the 'metrics and targets' section of the report, the emissions metrics relate to seven greenhouse gases – carbon dioxide ($CO_2$), methane ($CH_4$), nitrous oxide ($N_2O$), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride ($SF_6$) and nitrogen trifluoride ($NF_3$). The figures are shown as "$CO_2$ equivalent" ($CO_2e$) which is the amount of carbon dioxide that would be equivalent to the excess energy being stored by, and heating, the earth due to the presence in the atmosphere of these seven greenhouse gases.

The metrics related to greenhouse gas emissions are split into the following three categories: Scope 1, 2 and 3. These categories describe how directly the emissions are related to an entity's operations.  Scope 3 emissions often form the largest share of an entity's total emissions, but are also the ones that the entity has least control over.

- **Scope 1** greenhouse gas emissions are all direct emissions from the activities of an entity or activities under its control.
- **Scope 2** greenhouse gas emissions are indirect emissions from energy purchased and used by an entity.
- **Scope 3** greenhouse gas emissions are all indirect emissions from activities of the entity, other than scope 2 emissions, which occur from sources that the entity does not directly control.




Source: GHG Protocol

# Appendix 2 – Climate scenario analysis

## Scenarios considered and why the Trustee chose them

The Trustee carried out climate scenario analysis as at 31 December 2024 with the support of their investment consultants, LCP.  The analysis looked at three possible scenarios:

| Transition | Description | Why the Trustee chose it |
|---|---|---|
| High Warming | There are no new* low-carbon policies enacted in this scenario and some existing ones are scaled back. Current technological trends continue. The world fails to meet the Paris Agreement goals, and temperatures rise significantly. | To explore what could happen to the Plan's finances if carbon emissions continue at broadly current levels and this results in severe physical risks from changes in the global climate that disrupt economic activity. |
| Limited Action | Policymakers implement limited new climate policies and fall short of meeting the Paris Agreement goals. | To see how the Scheme's finances could play out if limited additional climate action is taken, meaning that temperatures rises far exceed 2°C by 2100 - resulting in significant physical risks - and policy changes result in some transition risks as financial markets adjust. |
| Net Zero Financial Crisis | Global net zero carbon emissions achieved in the mid 2050s; rapid and effective climate action (including using carbon capture and storage), but financial markets react abruptly in 2026. | To look at the risks and opportunities for the Plan if global net zero carbon emissions is achieved by the mid 2050s, but financial markets are volatile as they adjust to a low carbon economy. |

*New compared to the International Energy Agency's World Energy Outlook 2022 – Stated Policies Scenario (STEPS)

The Trustee acknowledges that many alternative plausible scenarios exist, but found these were a helpful set of scenarios to explore how climate change might affect the Plan in future.

The intricacies of climate systems present considerable difficulties in modelling the impacts on pension schemes' assets and liabilities. This is particularly true in the High Warming scenario where nearly 4°C of warming is observed by 2100. Due to the unprecedented nature of such warming, it is challenging to encompass all potential consequences within the modelling process. Simplifications in the modelling mean the actual impact on pension schemes may be more significant than is currently being modelled. The Trustee has considered the potential impact of such limitations in the modelling.  The Trustee is comfortable that, as long as these limitations are understood, the scenarios still provide valuable insights to inform climate risk assessment and management.

To provide further insight, the Trustee also compared the outputs under each scenario to a "base case", that makes some allowance for the physical risks of climate change and the transition to a low carbon economy.

The scenarios' key features are summarised on **page 30**.

# *Appendix 2 – Climate scenario analysis (cont.)*

## The climate scenarios considered by the Trustee

Scenarios as at 31 December 2024 – key features

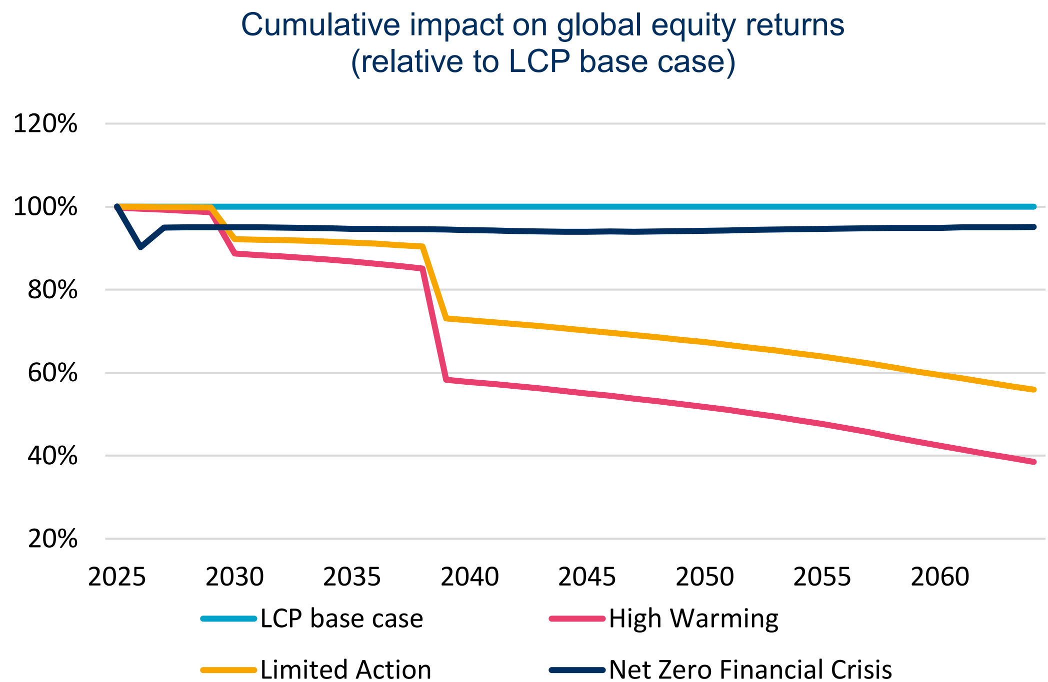
| ***Scenarios:*** | ***High Warming*** | ***Limited Action*** | ***Net Zero Financial Crisis*** |
|---|---|---|---|
| **Low carbon policies** | There are no new* low-carbon policies enacted in this scenario and some existing ones re scaled back. Current technological trends continue (eg significant falls in renewable energy prices). | Moderate steps taken by policymakers but commitments made under the Paris Agreement are not fully met. | Ambitious low carbon policies, high investment in low carbon technologies and substitution away from fossil fuels to cleaner energy sources and biofuel. Carbon Capture and Storage also used to achieve global net zero $CO_2$ by 2055. |
| **Paris Agreement outcome** | Paris Agreement goals not met. | Paris Agreement goals not met. | Global net zero $CO_2$ achieved by 2055. Paris Agreement goal nearly met. |
| **Global warming** | Average global warming is about 2°C by 2050 and 3.7°C by 2100, compared to pre-industrial levels. | Average global warming is about 1.8°C by 2050 and 2.9°C by 2100, compared to pre-industrial levels. | Average global warming stabilises at around 1.6°C above pre-industrial levels. |
| **Physical impacts** | Severe physical impacts. Multiple climate tipping points are reached and modelled and many countries suffer from extreme weather events. | High physical impacts. | Moderate physical impacts. |
| **Impact on GDP** | Global GDP in 2100 predicted to be almost 80% lower than in the Ortec Finance / Cambridge Econometrics base case. | Global GDP in 2100 predicted to be about 60% lower than in the Ortec Finance/Cambridge Econometrics base case. | Global GDP in 2100 predicted to be about 5% lower than in the Ortec Finance / Cambridge Econometrics base case. |
| **Financial market impacts** | Financial markets price in climate-related risks in 2030 and 2039 as the scale of future risks become more widely accepted and understood. | Financial markets price in climate-related risks in 2030 and 2039 as the scale of future risks become more widely accepted and understood. | Abrupt repricing of assets and a sentiment shock to the financial system in 2026. |

*New compared to the International Energy Agency's World Energy Outlook 2022 – Stated Policies Scenario (STEPS)
Source: Ortec Finance, modelling as at 31 December 2024. Figures quoted are medians.

# *Appendix 2 – Climate scenario analysis (cont.)*

### The climate scenarios considered by the Trustee

These scenarios show that equity markets could be significantly impacted by climate change, as shown in the chart below, with lesser but still noticeable impacts in bond markets. All three scenarios envisage, on average, lower investment returns and these result in a worse DB funding position.




Source: Ortec Finance. Impacts shown are medians, based on financial conditions as at 31 December 2024.

Over the long-term, and particularly beyond the time horizon modelled, the largest effects would be felt under the High Warming scenario. On the face of it, the results on **page 14** suggest that the DB section is resilient in this scenario. This is partly because, in the modelling, the DB section is assumed to reach its low-risk long-term investment strategy by around 2030, after which it has very little exposure to growth assets such as equities which are expected to be most severely affected by climate change.

Moreover, the DB section invests in a way that is designed to make it fairly immune to changes in interest rates and inflation in normal circumstances, which significantly reduces the volatility of its funding position. However, under climate scenarios with major economic disruption – such as the later years of the High Warming scenario – the Plan's interest rate and inflation protection may break down, leaving it more exposed to climate risks. The median modelled outcomes do not illustrate this possibility, but the Trustee has considered this risk.

# Appendix 2 – Climate scenario analysis (cont.)

## Modelling approach

- The scenario analysis is based on a model developed by Ortec Finance and Cambridge Econometrics. The outputs were then applied to the Scheme's assets and liabilities by LCP.
- The three climate scenarios are projected year by year, over the next 40 years.
- The results are intended to help the Trustee to consider how resilient the DB funding and investment strategies are to climate-related risks.
- The Trustee discussed how future planned changes to the investment strategy would change the analysis.
- The three climate scenarios chosen are intended to be plausible narratives of how the future could unfold. They are only three scenarios out of countless others which could have been considered. Other scenarios could give better or worse outcomes for the Plan.
- The results discussed in this report have been based on macro-economic data at 31 December 2024, calibrated to market conditions at 31 March 2025.

## Modelling limitations

- As this is a "top-down" approach, investment market impacts were modelled as the average projected impacts for each asset class. This contrasts with a "bottom up" approach that would model the impact on each individual investment held by the Plan's DB investment portfolio. As such, the modelling does not require extensive scheme-specific data and so the Trustee was able to consider the potential impacts of the three climate scenarios for all of the Plan's DB assets.
- In practice, the Plan's investments may not experience climate impacts in line with the market average.
- The asset and liability projections shown reflect the Plan's current strategic journey plan. No allowance is made for changes that might be made to the funding or investment strategy as the climate pathways unfold, nor for action to be taken in response to the Plan achieving its long-term funding target.
- Like most modelling of this type, the modelling does not allow for all potential climate-related impacts and may underestimate the potential impacts of climate-related risks. For example, impacts on health, mortality and migration flows are not explicitly modelled. Tipping points (which could cause runaway physical climate impacts) are only modelled in the High Warming scenario and the actual physical impacts could be very different to what has been modelled.

# Appendix 2 – Climate scenario analysis (cont.)

- In addition, the model presumes that the UK government and bank counterparties will remain solvent, thereby making no allowance for credit risk on government bonds and derivative exposures. However, in higher temperature scenarios, this assumption may no longer be valid.
- Medians from Ortec Finance's model outputs are used to project forward assets and liabilities, which means the results reflect the model's "middle outcomes" for investment markets under the three scenarios. Allowing for market volatility would result in better or worse model outputs than shown. Investment markets may be more volatile in future as a result of physical and transition risks from climate change, and this is not illustrated in the modelling shown.

# Appendix 2 – Climate scenario analysis (cont.)

## Impact of climate change on life expectancy

If a member lives longer, the Scheme pays the member's pension for longer and therefore needs more assets to make the payments.

Like the economic impacts, the impact of climate change on life expectancy is highly uncertain. As part of the discussions on the climate scenario analysis, the Trustee considered the various possible drivers for changes in mortality rates with both positive and negative impacts expected in each of the scenarios considered.

For example, in the Net Zero Financial Crisis scenario, the reduced use of fossil fuels should lead to lower air pollution, increasing life expectancy. But this effect could be countered by economic prosperity generally being lower in this scenario, and this may limit the funding available for healthcare.

Given the level of uncertainty, the Trustee noted that no specific allowance has currently been made in the scenario analysis, but that it would keep up to date on developments in this area and consider it further at the next actuarial valuation.

## Potential long-term funding objective (insurance)

The Trustee also discussed the possible impact of climate change on their long term funding target. In particular, the Trustee considered how climate change risks could affect insurer pricing for securing pension benefits. A change in insurer pricing levels could have a significant impact on when it will be feasible to secure benefits with an insurer.  Future insurance pricing is inherently uncertain, so the Trustee will continue to monitor it, especially as it gets closer to a possible transaction.

The main influence of the climate scenario analysis was to highlight that the sooner the Plan can implement an insurance transaction to cover the whole membership, the less likely climate change risks would result in members not receiving their full benefits. This is because of the additional regulatory protections that apply to insurance policies. The Trustee noted that climate change increases the chance that these regulatory protections are insufficient, particularly in higher temperature scenarios such as the High Warming scenario modelled.

# Appendix 3 – Further information on climate-related metrics

## UK government bonds and LDI

GHG emissions for government bonds (gilts) are calculated on a different basis from the other asset classes, so cannot be compared with the other emissions figures shown.

The emissions figures were calculated by the Trustee's investment adviser using publicly available data sources. As suggested in the statutory guidance, Scope 1+2 emissions have been interpreted as the production-based emissions of the country. Scope 3 emissions have been interpreted as the emissions embodied in goods and services imported by the country and consumed within the country (rather than re-exported).

In line with guidance from the Partnership for Carbon Accounting Financials (PCAF) issued in December 2022, emissions intensity has been calculated as:

$$\frac{UK\ GHG\ emissions}{PPP - adjusted\ GDP\ for\ the\ UK}.$$

GHG emissions have then been calculated as: $Emissions\ intensity\ x\ value\ of\ the\ Scheme's\ investment\ in\ gilts.$

For the LDI mandate, derivatives have been treated as an investment in an equivalent gilt. Greenhouse gas emissions have been calculated for the gilt exposure (including the repo loan amount) but not the swap positions. This is in line with the Trustee's understanding of the typical interpretation of the DWP guidance by investment managers and consultancies as not requiring estimation of emissions for swap exposures at this time.

## Key data considerations

The Trustee has aimed to report on all the Plan's assets, including liability driven investments ("LDI") which form the largest holdings of the Plan's assets.

Some emissions data was available for mandates comprising 97% of the value of the total Plan's assets as at 31 March 2025.

For listed equities, corporate bonds and property, data was sourced from the investment managers. Data coverage has remained consistent with last year.

The Plan's diversified growth fund mandate was unable to provide emissions or SBT data, due to the nature of the portfolio. The Trustee has agreed to omit the portfolio from the reporting metrics as exposures are primarily gained through derivatives. Currently there is no established method to provide climate data for derivatives.

Most of the Plan's investment managers are seeking to improve their climate-related reporting by increasing the number of metrics they report and seeking to fill the data gaps. The Trustee therefore expects data coverage and quality to improve over time. The Trustee (supported by GMIMCo and the investment adviser) is encouraging these investment managers to increase, where possible, their collection and reporting of metrics (in particular coverage of SBT data).

**As data is incomplete, the total greenhouse gas emissions will be understated. This metric may increase in future years as more data becomes available.**

Scope 3 emissions data is shown separately from Scopes 1+2, in line with the statutory guidance. This is good practice because Scope 3 data is much larger on average, so dominates combined carbon emissions data, but is also generally less reliable in terms of the quality of data being reliant on estimation.

# *Appendix 4 – Principles for Effective Disclosure*

The Trustee has aimed to follow the Principles for Effective Disclosure (as set out in the statutory guidance) when drafting this report.

| | |
|---|---|
| 1 | Disclosures should present relevant information specific to the potential impact of climate-related risks and opportunities on the plan avoiding generic or boilerplate disclosures that do not add value to members' understanding of issues. |
| 2 | Disclosures should be specific and sufficiently complete to provide a thorough overview of the Plan's exposure to potential climate-related impacts and the Trustee's governance, strategy and processes for managing climate-related risks and opportunities. |
| 3 | Disclosures should be clear and understandable showing an appropriate balance between qualitative and quantitative information. |
| 4 | Disclosures should be consistent over time to enable plan members to understand the development and/or evolution of the impact of climate-related issues on the plan. |
| 5 | Disclosures should ideally be comparable with other pension funds of a similar size and type. |
| 6 | Disclosures should be reliable, verifiable, and objective. |
| 7 | Disclosures should be provided on a timely basis. The TCFD recommends annual disclosures for organisations. |