

The Honda Group – UK Pension Scheme

Climate Change Report

*In line with the recommendations of the Task Force on
Climate-related Financial Disclosures (“TCFD”)*

Reporting period: 12 months to 31 March 2025

October 2025



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Section 1

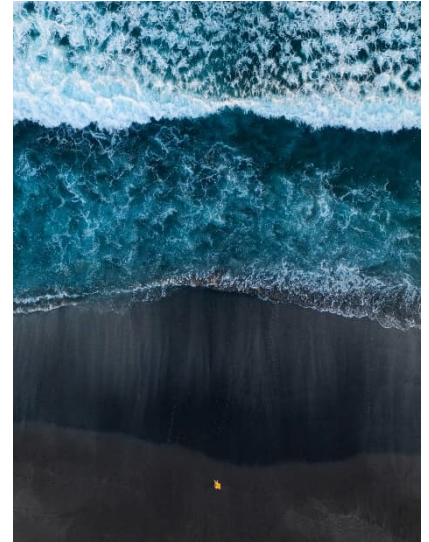
Introduction

Dear Members,

Welcome to our third climate change report, which has been prepared in line with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) and the statutory requirements prescribed by the Department of Work and Pensions.

The Honda Group - UK Pension Scheme Trustee Limited (“the Trustee”) of the Honda Group - UK Pension Scheme (“the Scheme”)¹ has a legal fiduciary responsibility to invest the Scheme’s assets in the best way possible for its members. As part of this responsibility, the Trustee recognises:

- Climate change as **a risk** that could impact the financial security of members’ benefits if it is not properly measured and managed.
- That climate change presents **an opportunity**, by investing in companies or assets that are expected to perform well in an economy that is positioned to address the challenges associated with climate change.



The Trustee’s assessment of climate-related risks and opportunities has been carried out based on information that is currently available, both in terms of data from the companies and assets in which the Scheme invests and in consideration of the different global warming scenarios we have analysed. As we have previously observed, this data is subject to change as climate change reporting improves.

Important Scheme Development – Insurer Buy-In Transaction Post Year-End

We are writing this report at an exciting time for the Scheme. Over the summer of 2025 we completed a full Scheme buy-in² transaction with an insurer. Whilst this falls outside of the reporting period, we highlight this transaction as it is important in the context of the potential long-term impact of climate change risks, and this therefore influenced the work undertaken by the Trustee in this Scheme year.

As we have separately communicated to members, this transaction was undertaken with the security of our members’ benefits at its core. The successful outcome of the buy-in exercise followed a rigorous selection process across market insurers and months of dedicated preparation and due diligence, which was supported by the Trustee’s advisors.

There were a number of important factors that fed into the identification of an appropriate insurer to partner with for this transaction. These included the financial security of the insurers and the member experience that they could offer. Another key factor was the assessed sustainability of the insurer, and how they address risks including climate change. Having undertaken climate change reporting for the Scheme in recent years, the Trustee spent considerable time with advisors understanding the sustainability and broader environmental, social and governance (“ESG”) credentials of each of the short-listed insurers, before making the decision to select Legal & General Assurance Society (“L&G”)³.

¹ Defined Benefit Scheme and the only scheme that sits under this trust.

² A pension buy-in is a risk transfer transaction where an insurance policy is purchased from an insurer to cover a portion of the scheme’s pension liabilities (in this case the full Scheme liabilities). This includes a premium paid to the insurer in exchange for the obligation to pay an income stream relating to the current and future pensions of the pension scheme, whilst the trustee retains responsibility for administering the payments to those members. This arrangement transfers investment, longevity, and inflation risks from the pension scheme to the insurer.

³ Press Release: <https://www.legalandgeneral.com/institutional/pension-risk-transfer/news-and-insights/press-releases/800-million-buy-in-with-the-honda-group-uk-pension-scheme/>

Climate-related metrics – monitoring Data Quality target for the reported climate-related metrics

As part of the first TCFD report, the Trustee agreed to set its climate metrics target as ‘Data Quality’, mainly due to limited climate data availability given the nature of the Scheme’s assets. This included an ambition to reach a position of being as close as practically possible to 100% Data Quality (including reported and estimated data) by 31 March 2033, recognising that this is dependent on various factors, some of which are outside of the Trustee’s control.

The Trustee’s target over the first year was to achieve increased Data Quality (in aggregate) for those mandates where Data Quality was reported in the first TCFD report⁴ and to be able to report Data Quality for at least one additional mandate in the Scheme’s second TCFD report.

We were pleased to report last year that this initial target was achieved; with one new investment manager (Partners Group) beginning to report metrics for the Scheme in three out of the four fund vintages the Scheme invests in, as well as expanded metrics across other portfolios (including JP Morgan and M&G). We also noted that metrics analysis coverage increased from 74% of total Scheme assets as at 31 December 2022 to 83% of Scheme assets as at 31 December 2023.

We also note that the Scheme continued its de-risking strategy to increase the overall liquidity of the Scheme’s investment portfolio. This meant that certain mandates – which previously reported metrics for the Scheme – were terminated, to help achieve that strategic objective.

This year the metrics analysis covers 84% of Scheme assets, a small improvement on the 83% coverage last year, albeit this largely reflects how the assets have matured, rather than any new mandates reporting climate metrics for the first time. Data Quality for Scope 1 & 2 and Scope 3 emissions is largely unchanged, and the development in WACI metrics over the year is mixed; with increases for three mandates, reductions in two, and broadly unchanged for one mandate.

As a reminder, climate change is one risk amongst many that the Trustee measures, monitors and manages. The buy-in transaction is a good example of how climate change risk featured as an important part of a broader risk transfer exercise.

This report has been split into several sections to help members understand:



The Technical Appendix sets out the methodology and assumptions used to produce the information contained in this report.

As always, members are encouraged to contact the Trustee if there are comments they wish to raise. You can contact the Trustee using the following email address: honda@aon.com.

Trustee of the Honda Group – UK Pension Scheme

⁴ These mandates were; the M&G Secured Finance portfolio, the Mercer Multi-Asset Credit portfolio and the LGIM Liability Driven Investment portfolio.

Section 2

Executive Summary

This report sets out the disclosures of the Honda Group – UK Pension Scheme Trustee Limited, as Trustee of The Honda Group – UK Pension Scheme (the “Scheme”) and covers the Scheme’s year ending 31 March 2025. This report has been prepared in line with the recommendations of the TCFD and the statutory requirements prescribed by the Department of Work and Pensions⁵. As such, it focuses on the areas of Governance, Strategy, Risk Management and Metrics and Targets.

In summary, this report details:

- Key aspects of the Trustee’s Climate Governance Policy, which outlines the roles and responsibilities of the Trustee and the Investment and Covenant Committee (the “ICC”) (a sub-committee established by the Trustee)
- The Trustee’s beliefs with respect to ESG considerations, including in the area of climate change
- The training received by the Trustee and ICC at multiple meetings over the year from its investment advisors and investment managers, including around how insurers incorporate ESG and climate-related factors into their operations and investment processes, given the buy-in transaction objective that was agreed during the year
- The steps taken by the Trustee in response to the risk posed by climate change and its impact on the long-term funding objective for the Scheme
- The key findings from the Trustee’s climate change scenario analysis and climate metric analysis
- The Trustee’s processes to identify, assess and mitigate climate change risk
- The five climate metrics that the Trustee has selected to better inform its understanding of climate-related risks and opportunities:
 - 1) Total greenhouse gas emissions
 - 2) Carbon footprint
 - 3) Weighted average carbon intensity (“WACI”)
 - 4) Implied temperature rise
 - 5) Data quality

As previously reported, the Trustee has agreed to monitor WACI as an additional data point but not as a formal TCFD metric.

- The target set by the Trustee is to improve the data quality metrics of the assets in which the Scheme invests.
- The Trustee’s ambition to reduce the Scheme’s exposure to climate-related risks, where possible.

⁵ The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and the Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021.

Section 3

Investment Arrangements

Summary of Scheme's Assets

This section sets out the Scheme's invested assets and highlights parts of the asset portfolio which are within the scope of climate-change related reporting requirements and therefore considered as part of the scenario analysis and metrics (where available) in this report.

The Scheme provides defined benefit ("DB") pension benefits and as at 31 March 2024, the Scheme had c.£815m of invested assets (excluding cash holdings and cash-in-transit). The funding level on the Technical Provisions basis was c. 98% as at the same date.

Climate metrics included in this report are as at 31 December 2024, and the results of climate scenario analysis are as at 31 December 2023. The latter analysis must be updated at least every three years, and the Trustee will consider updating it more regularly for material changes to the investment strategy since the last analysis. The table below outlines the Scheme's asset allocation at these two dates.

Figure 1: Allocation of the Scheme's assets

Fund	Actual Asset Allocation ¹	
	31 December 2023	31 December 2024
Partners Group - Private Equity / Infrastructure	4.0%	3.6%
Knighthead - Distressed Private Debt		
JP Morgan - Infrastructure Equity	17.9%	21.1%
M&G - Secured Finance	3.9%	3.8%
Ares - Secured Finance	3.6%	1.9% ²
PGIM - Ground Lease Property	11.3%	12.0%
LGIM - Liability Driven Investments	59.2%	57.5%
Total	100.0%	100.0%

Source: investment managers and Mercer. Figures may not sum due to round.

¹ We have shown actual allocations as some of the Scheme's illiquid portfolios (e.g. Partners Group, Ares) were in wind-down, resulting in the actual allocation differing from the strategic allocation. As at 31 December 2024 there was also a residual holding in a legacy buy-and-maintain credit mandate which represented less than 0.1% of total Scheme assets.

² The investment manager of this mandate placed the fund into wind-down in late 2023, and significant progress was made during the first year on realising those assets. The Trustee therefore reflected this by assigning a nil target allocation to the mandate.

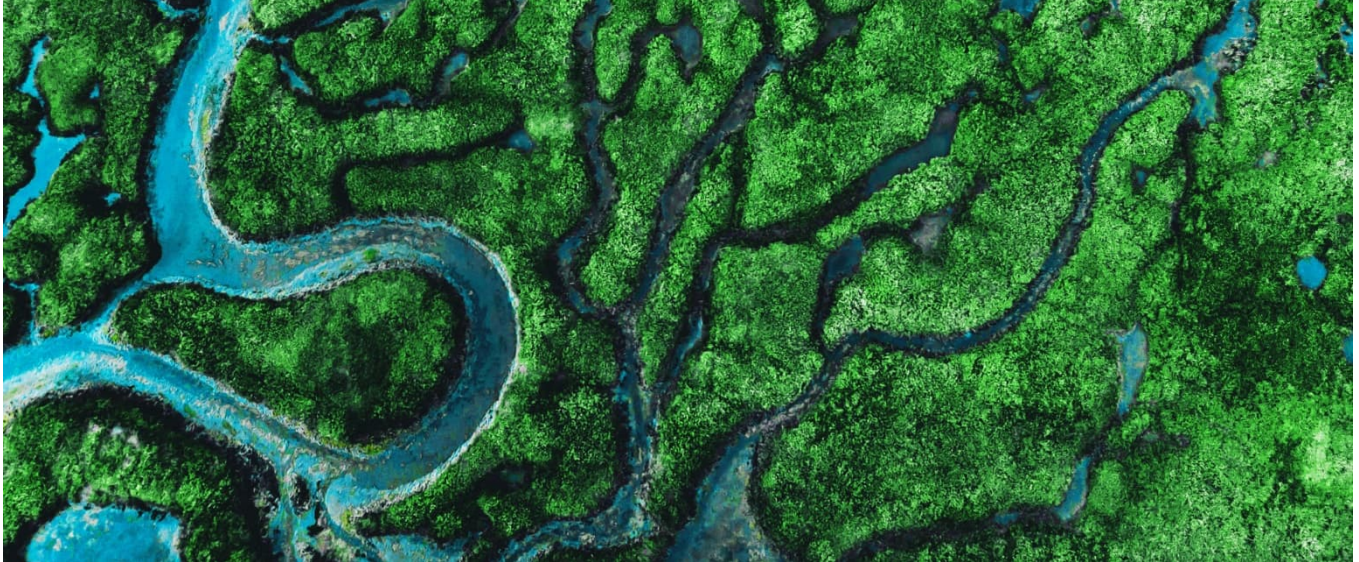
Climate scenario analysis within this report allows for expected future de-risking of the strategic asset allocation over time.

The Trustee has considered scenario analysis based on the strategic asset allocation of the Scheme as at 31 December 2023 (allowing for expected future de-risking), which was updated in the last annual report to reflect the de-risking that had already taken place over the year to 31 March 2024. Whilst further de-risking has been completed to the period ending 31 March 2025, the Trustee is satisfied that the scenario analysis remains illustrative of the order of magnitude of potential risks under different climate scenarios.

The Trustee, as far as it is able, has considered metrics for the Scheme's assets, excluding the Knighthead Distressed Debt, Ares Secured Finance, and PGIM Ground Lease Property mandates (due to the unavailability of data from the investment managers), which equates to 84% of total assets (based on the actual asset allocation as at 31 December 2024).

Section 4

Governance



Trustee's governance approach

The Trustee has ultimate responsibility for ensuring effective governance of climate-related risks and opportunities. The Trustee maintains a Statement of Investment Principles (SIP), which details the key objectives, risks and approach to considering ESG factors, such as climate change, as part of its investment decision making. The document is reviewed on at least an annual basis or following a significant change in investment policy.

The Trustee's key belief is that environmental, social, and corporate governance ("ESG") factors have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly require explicit consideration.

In addition, the Trustee's approach to considering ESG as part of its investment arrangements is as follows:

- The Trustee has appointed Mercer Global Investment Europe ("MGIE") as delegated investment manager for the Scheme. MGIE makes use of underlying sub-investment managers which are appointed to manage the majority of the Scheme's assets. These sub-investment managers are given full discretion in evaluating ESG factors, including climate change considerations. This also applies to exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.
- The strategic rationale of different asset classes that help the Trustee to achieve the Scheme's investment objectives and constraints remains the primary driver behind the Scheme's investment strategy. However, within this context, the Trustee is increasingly considering how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers.

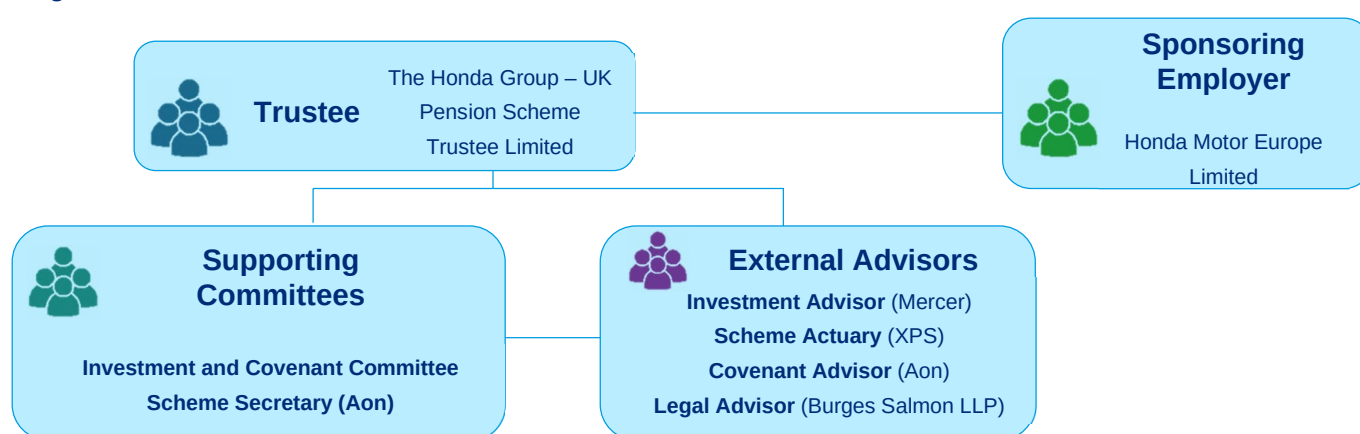
- Following recommendations made by the TCFD, select UK pension schemes are expected to disclose how climate-related risks are measured, monitored and managed in relation to the Scheme's investments. Therefore, as previously reported, the Trustee has proactively worked closely with their investment managers and Mercer to understand the requirements, availability of data and the process of setting quantifiable targets.
- With the assistance of their advisors, the Trustee has undertaken an assessment to better understand the overall level of ESG integration across the Scheme's asset allocation, where relevant. Monitoring is undertaken on a regular basis, and this makes use of the investment consultant's ESG ratings. Specifically, the Trustee has:
 - Collaborated with the Honda Motor Europe Limited ("Company") and confirmed that the Trustee's ESG beliefs are aligned with the Company's 2030 vision;
 - Historically written to the Scheme's existing managers with the lowest ESG rating (assigned by the Trustee's investment consultant) and sought a formal response on how the respective investment managers will improve in areas related to ESG.

Roles of those undertaking scheme governance activities

The Trustee maintains ultimate responsibility for and oversight of climate-related risks and opportunities and has delegated certain responsibilities to the Investment and Covenant Committee (the "ICC"), with the purpose of supporting and guiding the Trustee with matters relating to the Scheme's investments. This included the initial work on compliance with the regulatory requirements and TCFD recommendations. This ongoing reporting is integrated into the workplan of the Trustee and the ICC. The Trustee's approach to the oversight and management of climate-related risks and opportunities is consistent with its approach to considering other financially material risks and opportunities facing the Scheme.

The Trustee has also reviewed the roles of others undertaking scheme governance activities, in particular the supporting committees that have been established and their respective decision-making powers. The Trustee will consider the recommendations of these supporting committees and will ratify any decisions that require its approval. The Scheme's governance structure is set out in Figure 2.

Figure 2: Governance Structure



The roles of the relevant supporting committees and advisors, in relation to the oversight of climate-related risks and opportunities, are summarised in the Technical Appendix.

The Trustee reviews the performance of its advisors on an annual basis.

In addition to the ongoing supporting committees, the Trustee and Company agreed to form a Joint Working Group (the "JWG") as part of the project to implement a buy-in transaction with an insurer. This

group consists of representatives of the Trustee Board, the Company, an overall project manager (Ernst & Young “EY”), a Section 36 advisor (Hymans Robertson) and the professional advisors of both the Trustee and Company.

This group undertook the initial stages of the due diligence in the buy-in project, including training around insurer ESG integration and evaluating the assessments made on the insurer credentials by EY and Hymans Robertson. Ratification of any decisions or proposals by the JWG were made by the full Trustee group, in line with its usual approach.

Assessment of Advisors: The Trustee expects advisors to act with integrity and diligence in fulfilling the set objectives and use meetings with the advisors to assess and challenge them. Where relevant, this includes discussion of the steps taken by advisors to identify and assess any climate-related risks and opportunities.

The approach of the investment consultant to climate change and how it is integrated into its advice and services is assessed as part of the advisor selection and monitoring process. The Trustee sets its investment consultant annual objectives, including ones related to ESG and climate change competency. The investment consultant is formally assessed against these objectives annually. The last assessment was conducted in September 2024 with no required actions identified.

The Trustee also periodically reviews the performance of the Scheme Actuary and Covenant Advisor, usually on a roughly triennial basis. Part of this assessment includes how climate-related risks and opportunities are incorporated into their advice to help the Trustee to continue to understand the wider resilience of the funding strategy to climate-related risks. The last Covenant Assessment took place on 6 December 2022 and as part of this the Covenant Advisor considered the impact of ESG issues on the covenant.

The Trustee also considered the role of covenant advisor specifically for the buy-in project, with the role of assessing the credit worthiness of the insurer being a key element of the overall due diligence undertaken. The JWG appointed PWC to fulfill this role, with PWC producing an ‘Insurer Covenant Report’ paper, which was shared with JWG on 25 April, with highlights also considered by the Trustee board as part of their due diligence.

The Trustee is also mindful that climate change considerations will be factored into the upcoming funding valuation as at 31 March 2025 and the Scheme Actuary is expected to advise on climate change as part of that process. That said, the completion of the full Scheme buy-in will be relevant here and the Scheme Actuary will advise accordingly on the most appropriate analysis as part of that project.

The Trustee applies the appropriate amount of scrutiny, challenge and discussion to advice relating to climate related risks.

Time and resources spent on climate change-related matters

The Trustee Chair, with support from the ICC, is responsible for ensuring that sufficient time is allocated for consideration and discussion of climate matters by the Trustee and its advisors. The Trustee, as part of its regular meeting schedule, will allocate agenda time to climate change topics, amongst other ESG topics, to cover the various workstreams listed below. Those responsible for each workstream will make sure any documents or information is distributed in advance of the meeting to allow the Trustee time to digest the advice. Climate change will usually form an explicit agenda item at least annually for the Trustee and its supporting committees when the Trustee’s annual TCFD report is updated. It will also be covered as part of other agenda items within a wider discussion of funding or investment strategy, or as part of the investment manager appointment and review discussions. The topics covered at Trustee meetings over the year included:

- Planning for 31 March 2025 TCFD report, including considering the continued appropriateness of the climate scenario analysis modelling at 31 December 2023
- How insurers incorporate sustainability and wider ESG considerations into their investment framework and processes

There are a number of workstreams that are completed regularly in order for the Trustee to fulfill its responsibility for managing climate risks and opportunities. It is important to note that many of the workstreams will cover wider ESG risks other than just climate change risk, as the Trustee does not consider climate risks in isolation but holistically alongside the various other ESG risks the Scheme may be facing. The full list of workstreams as well as the frequency of which each task will be carried out are set out in the Technical Appendix. Over the Scheme Year, the following workstreams were completed:

- Review of manager ESG ratings
- Review of stewardship, covered as part of the Trustee's annual implementation statement
- Risk frameworks update/review
- Metrics data collection and analysis
- Drafting annual TCFD report

Training

During the year to 31 March 2025, the Trustee and the ICC received training from the Scheme's Investment Consultant, covering climate-related investment risks and reporting requirements in line with the TCFD recommendations. This included refresher training on the requirements for climate metrics and considering the continued appropriateness of the existing climate scenario analysis.

Training needs for the Trustee were originally identified through feedback gathered during the initial TCFD project and related workstreams, including key analysis that feeds into the TCFD report (e.g. climate scenario analysis, metrics analysis and target setting etc.). These training requirements are then considered as part of the broader Trustee training programme.

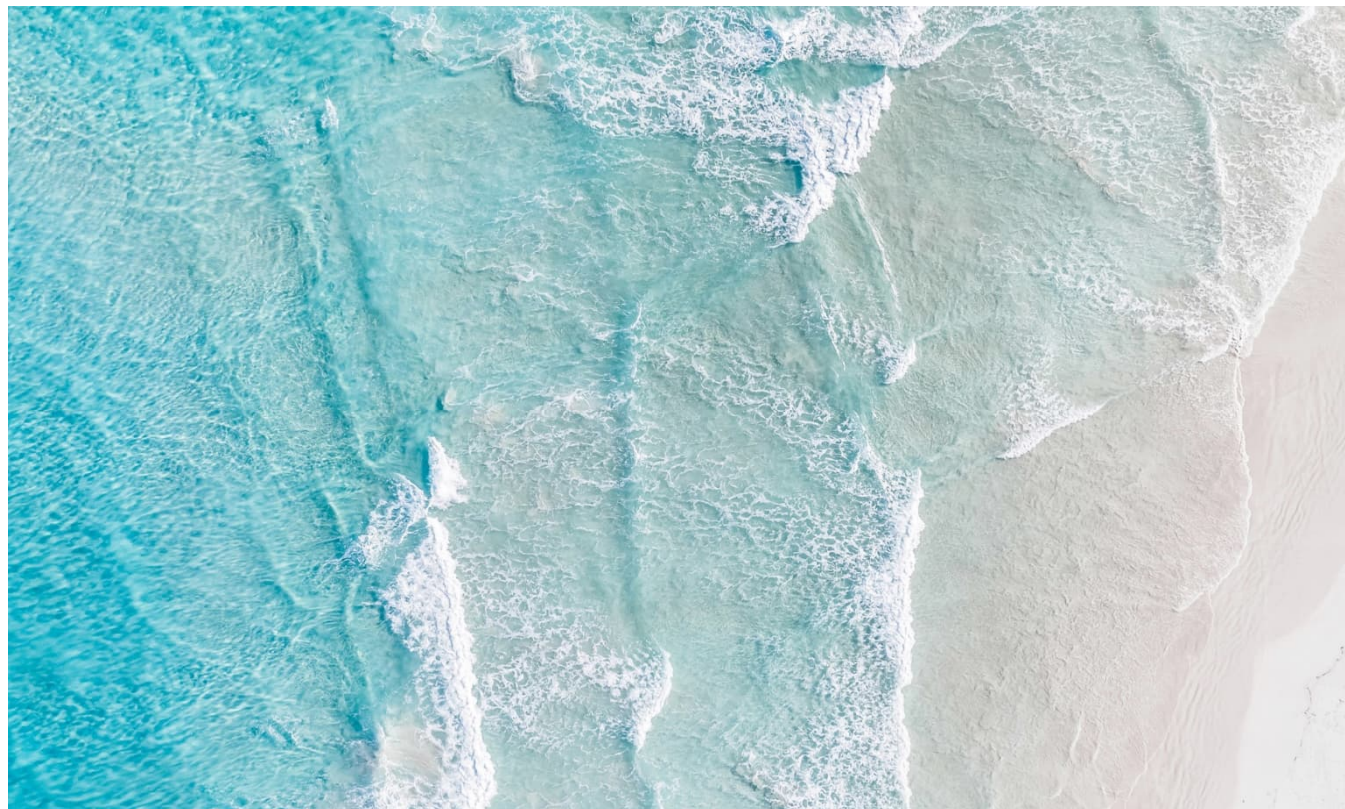
The Trustee acknowledges that the reporting of climate-related risk remains relatively new and the collective experience of the Trustee will grow over time. The Trustee will continue to receive refresher training on climate-related risk and opportunities as appropriate.

As highlighted in this report, a key area of training during the Scheme year (and in the weeks that followed) was in relation to building knowledge and understanding around buy-in transactions. The JWG identified four areas of due diligence for assessing the shortlisted insurers; these covered cybersecurity, financial strength, administration/customer service, and ESG. The due diligence also included site visits to help the decision around the preferred insurer, from those short-listed.

From an ESG and climate change perspective, this training and due diligence included understanding the level of climate risk reporting published by the insurers, as well as identifying their publicly stated decarbonisation targets (e.g. net zero targets). This training also highlighted their participation in industry initiatives and their signatory status with relevant groups (such as the UK Stewardship Code).

Section 5

Strategy



Notwithstanding the full Scheme buy-in that has occurred since the Scheme reporting year end, as a long-term investor, the Trustee recognises the risks and opportunities arising from climate change are diverse and continuously evolving. In relation to climate-related risks, the Trustee believes it is important to understand how the Scheme's exposure to climate-related risks may change over time, when the risk exposure may be greatest and what actions can be taken now, or in the future, to avoid those risks becoming financially material to the Scheme.

To help with this assessment, the **Trustee** has defined short-, medium- and long-term time horizons for the **Scheme**.

Short Term	Medium Term	Long Term
5 years	10 years	25 years
Covers the actuarial valuation at 31 March 2025 and explores the impact of transition risks in short-term.	Long enough timeframe to have a meaningful impact on progress relative to the Trustee's climate targets.	Expect Scheme to have substantially de-risked or bought-out – climate risk largely mitigated but could remain (e.g. insurer pricing could be sensitive to prevailing market conditions at point of risk transfer).

The Trustee has considered the following short, medium and long-term drivers of risk in relation to climate change:

Over the short term (out to 5 years):

Risks may present themselves through rapid market re-pricing relating to climate transition as:

- Scenario pathways become clearer. For example, a change in the likelihood of a well below 2°C scenario occurring (i.e. an increase in probability would be expected to drive additional transition risk).
- Market awareness grows. For example, the cost and impacts of the transition suddenly influence market pricing.
- Policy changes unexpectedly surprise markets. For example, if a carbon price or significant regulatory requirement was introduced across key markets to which the portfolio is exposed, at a sufficiently high price to impact behaviour.
- Market sentiment is shocked. For example, falls in markets could create a downward spiral where economic sentiment worsens, and asset values fall.
- Perceived or real increased pricing of greenhouse gas emissions/carbon.
- Substitution of existing products and services with lower emission alternatives may impact part of the portfolio.
- Litigation risk relating to dangerous warming becoming more prevalent.
- Increases in the energy/heat efficiency of buildings and infrastructure.

As well as risks associated with these drivers, there could also be opportunities. For example, investing in climate solutions as policy support strengthens.

The Trustee's ability to understand these short-term changes could help position the Scheme favourably, for example taking advantage of the climate transition by avoiding and reducing investment in high-emitting carbon sensitive businesses/assets that do not have a business plan that supports the transition to a low carbon economy.

Over the medium term (out to 10 years):

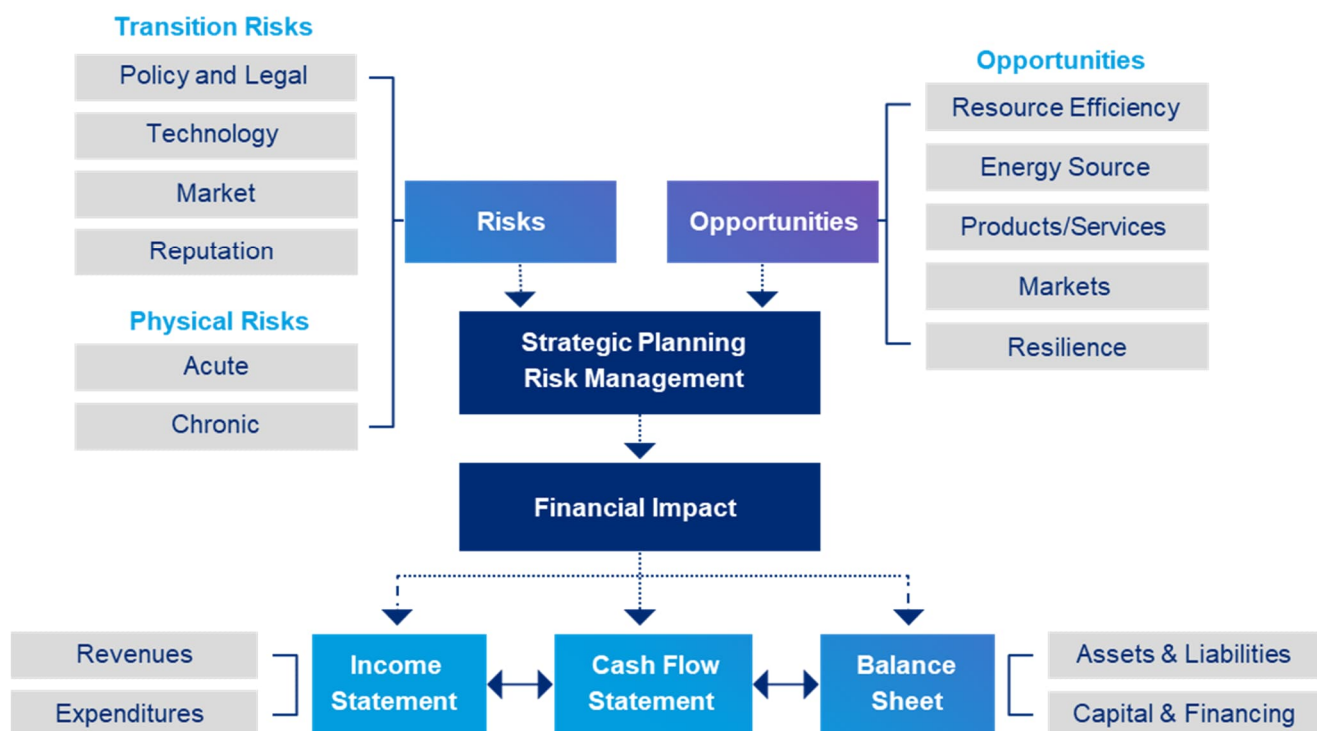
Risks are likely to be more balanced reflecting both transition and physical risk. Over this time period the transition pathway will unfold and the level of anticipated physical damage will become much clearer. While the full extent of the physical damage is unlikely to have occurred markets are likely to be allowing for it to a large degree in asset pricing.

The Trustee's ability to understand these changes and evolve the portfolio as the pathway develops should help to control risk and potentially enhance returns. The Trustee seeks to select managers and choose asset classes that can identify potential emergence of low carbon opportunities and the decline of some traditional sectors.

Over the long term (out to 25 years and beyond):

Physical risks are expected to come to the fore. This includes the impact of natural catastrophes leading to physical damages through extreme weather events. Availability of resources is expected to become more important if changes in weather patterns (e.g. temperature or precipitation) affect the availability of natural resources such as water. The impact of global heating on productivity, particularly in areas closer to the equator, will also be a key driver.

Figure 3: Transition Risks and Opportunities



Source: TCFD - Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, October 2021.

Climate-related risks and opportunities relevant to the Scheme

Having taken into account the Scheme's strategic asset allocation (as set out in Section 2) and allowing for expected future de-risking, the following risks and opportunities have been identified:

- Over the short term, the Trustee has identified the inter-related risk of climate transition risk and asset repricing risk as being most relevant to the investment strategy. Over this time period opportunities are most likely to occur in transition related investment such as climate solutions.

The Trustee's ability to understand these short-term changes can position the Scheme favourably, for example taking advantage of the climate transition by avoiding and reducing investment in high-emitting carbon sensitive businesses/assets that do not have a business plan that supports the transition to a low carbon economy.

- Over the medium term, the Trustee has concluded that both transition risk and physical risk (particularly in the form of asset repricing to allow for future physical damage) could be material.

The Trustee's ability to understand these changes and evolve the portfolio as the pathway develops should help to control risk and potentially enhance returns. The Trustee seeks to select managers and choose indices that can identify potential emergence of low carbon opportunities and the decline of some traditional sectors.

- Over the long term, the Trustee has identified physical risk as the key driver of climate-related risk.

The Trustee has investigated the potential impacts of these risks and opportunities in the scenario analysis that follows.

Testing the resilience of the investment and funding strategy

[The analysis that follows is repeated from last year's report as the Trustee is satisfied that the scenario analysis remains illustrative of the order of magnitude of potential risks under different climate scenarios]

Scenarios analysis

The Trustee has undertaken climate scenario analysis to test the resilience of the investment and funding strategy adopted by the Trustee. Quantitative and qualitative climate change scenario analysis has been undertaken on the Trustee's strategic asset allocation to assess the potential implications of climate change under four modelled scenarios. These scenarios test a broad range of feasible outcomes and the Scheme's exposure to both transition and physical risks.

- **Rapid Transition (1.5°C)** - Average temperature increase of 1.5°C by 2100 (relative to pre-industrial average). This scenario assumes sudden downward re-pricing across assets in 2025. This could be driven by a change in policy, consideration of stranded assets or expected costs. The shock is partially sentiment driven and so is followed by a partial recovery. Physical damages are most limited under this scenario.
- **Orderly Transition (less than 2°C)** - Average temperature increase of less than 2.0°C by 2100. Governments and wider society act in a co-ordinated way to decarbonise and to limit global warming to well below 2°C. Transition impacts do occur but are relatively muted.
- **Limited Transition (2.6°C)** - Average temperature of around 2.6°C by 2100. Policymakers implement limited Nationally Determined Contribution's (NDCs) and fall short of meeting the Paris Agreement goals. This assumes a slight downward re-pricing of securities in late 2020s and slightly mitigates physical damage (relative to a failed transition). The physical damages are priced in to a degree in the late 2020s and late 2030s.
- **Failed Transition (greater than 4°C)** - Average temperature increase above 4°C by 2100. The world fails to co-ordinate a transition to a low carbon economy. Physical climate impacts significantly reduce economic productivity and have increasingly negative impacts including from extreme weather events. These are reflected in re-pricing events in the late 2020s and late 2030s.

In designing scenario analysis, a fundamental decision is whether to assume that any climate impacts are priced in today. The analysis in this report is expressed relative to a 'climate-informed' baseline⁶; the implication is that all return impacts are presented in terms of how they are different to what we are assuming is priced in today.

Further detail on climate scenario narratives, including modelling assumptions and limitations, is included in the Technical Appendix of this report.

⁶ The baseline represents what we are assuming the market is currently pricing in. The baseline includes a 10% weight to a **Failed Transition**, 40% weight to an **Orderly Transition**, 10% to a **Rapid Transition** and 40% to a range of **low impact scenarios**.

Scenario Analysis Results

The table/charts below represent the output of the Trustee's quantitative analysis of the investment and funding strategy. The charts represent projections of funding level and annualised returns from an analysis date of 31 December 2023 over a period of 25 years. Projections ignore the impact of future contributions. Projections assume an evolving asset allocation that allows for future expected de-risking over time.

Figure 4: Summary results of climate change scenario analysis

	Funding Level		Annualised Returns (% p.a.)	
	Baseline	Climate Impact*	Expected Return (Baseline)	Climate Impact*
Rapid Transition				
Impact at 5 years	103%	-2.7%	4.1%	-0.53%
Impact at 10 years	105%	-3.2%	4.3%	-0.25%
Impact at 25 years	120%	-8.7%	5.0%	-0.08%
Orderly Transition				
Impact at 5 years	103%	0.2%	4.1%	+0.03%
Impact at 10 years	105%	0.3%	4.3%	+0.02%
Impact at 25 years	120%	0.8%	5.0%	+0.00%
Limited Transition				
Impact at 5 years	103%	0.1%	4.1%	-0.01%
Impact at 10 years	105%	0.0%	4.3%	-0.02%
Impact at 25 years	120%	0.6%	5.0%	+0.00%
Failed Transition				
Impact at 5 years	103%	0.5%	4.1%	+0.05%
Impact at 10 years	105%	0.8%	4.3%	+0.02%
Impact at 25 years	120%	2.1%	5.0%	+0.00%

Source: Mercer.
*Relative to Baseline

The Trustee recognises that the outcome for the Scheme in these different scenarios is now influenced by how the chosen insurer (L&G) navigates these climate risks, given the full Scheme buy-in transaction in the summer of 2025. The Trustee is satisfied that L&G takes these risks extremely seriously, and that there are clear and robust portfolio decarbonisation plans in place to manage transition risk.

Scenario Analysis Findings

In light of the above quantitative analysis, the Trustee noted the following findings:

Short Term (5 years)	Over the short term transition risk dominates with the Rapid Transition having the biggest impact. An initial fall in asset returns (relative to baseline) is driven by a transition shock impacting the economy and investment markets causing losses. This could be driven by unprecedented policy action, with markets initially overreacting before partially recovering. The actual timing of any shock or recovery is uncertain. Under this scenario there is a shock to the funding level of about 2.5% in year 2 followed by a limited recovery in the following year and beyond largely due to the de-risking of the underlying asset allocation (i.e. after year 5 assets are assumed to be fully invested in investment grade corporate bonds and government bonds). Overall, the projected funding level is reduced by 2.7% in the Rapid Transition during the first 5 years. The Failed Transition is marginally positive due to transition costs not materialising in this scenario and no physical risk impacts in the short-term.
Medium Term (10 years)	Over the medium term, transition risk and physical risk are both factors. The impact of transition risks under the Rapid Transition results in a negative shock under this scenario over the short term with some recovery, however this recovery is limited over the medium term due to the assumed de-risking within the investment portfolio by year 5. Due to the significant expected de-risking by year 5 to fixed income assets, there is a limited expected impact from the materialisation of physical risks and thus the Rapid Transition remains the most impacted at this time point, with a c.3.2% reduction in funding level.
Long Term (25 years +)	Over the long term, physical impacts typically become much more significant, with the Failed Transition usually resulting in significant shocks to funding levels, however in this case due to de-risking these impacts are not exhibited in the analysis. Similar to the previous timepoints, the Rapid Transition remains the most impacted largely due to the cumulative effect of the reduced expected underlying asset values, sitting at around 8.7%.

The Trustee note the negative impact on funding level if a Rapid Transition scenario, coupled with de-risking, was to arise, particularly the downward spike over the short-term. However, the Trustees are comfortable with the long-term funding projections, particularly for the other three scenarios and the reducing likelihood of a Rapid Transition materialising.

The funding level analysis above takes into account the impact of interest rates and inflation expectations upon the value of the liabilities. Of note, realised inflation is expected to be elevated under the Failed Transition, resulting from damages to agriculture and change in food prices, increasing the value of benefits with inflation-linked increases. These impacts are largely hedged by the Scheme's liability hedging strategy. It does not, however, explicitly take into account the impact of changes to mortality.

The Trustee has separately considered the impact of climate change upon Scheme mortality. In the UK, mortality changes over the next c. 5-10 years directly due to climate change are not expected to be material in the context of general uncertainty about life expectancy. This position will be re-assessed at the next actuarial valuation as at 31 March 2025.

Climate change in respect of the Sponsoring Employer (the Company)

The ongoing financial strength of the Company is important for the Scheme as it ultimately underwrites the Scheme by paying contributions (when required) to support/improve the funding position over time. The Scheme also relies on the Company's operational capabilities in terms of certain administrative and governance activities. As such, the impact of climate change on the Company is important for the Trustee to keep under review.

ESG factors formed part of the last full assessment undertaken by the Trustee's covenant advisor in 2022. In that report the analysis covered environmental factors, highlighting the risks to the Company in relation to carbon transition. The assessment recognised this as a significant risk, noting that the Company's plans to move away from internal combustion engines and the existing mitigation from existing hybrid sales, as well as highlighting the targets set in relation to pivoting to electric vehicle sales.

The Trustee notes that the full Scheme buy-in post reporting year end means that the reliance on the Company's covenant has reduced somewhat, particularly as key risks such as longevity and investment risk have now been transferred to the insurer (L&G).

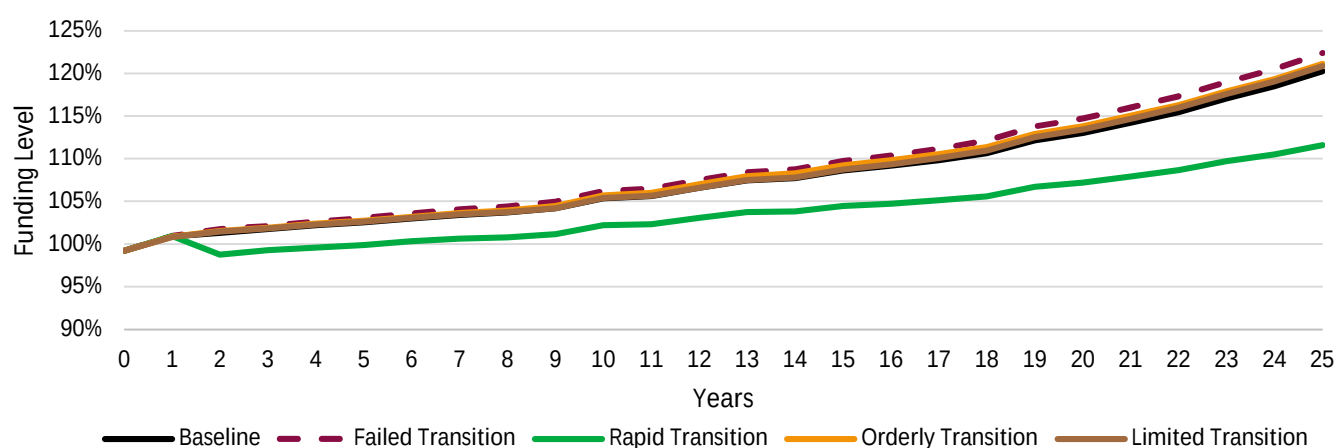
Key conclusions

Conclusion 1 – A successful transition is an imperative

Over the long term for nearly all investors a successful transition leads to enhanced projected returns when compared to scenarios associated with higher temperature outcomes, due to lower physical damages under a successful transition scenario.

However, the quantitative analysis in this report highlights a negative financial impact associated with a Rapid Transition at all time horizons, as de-risking over the short-term results in limited recovery under this scenario in the longer term after the initial shock due to asset repricing in the short term. Although scientific consensus suggests that a Rapid Transition scenario is becoming less likely, there remains a risk in the short-term of a shock in funding level if this scenario was to emerge.

Figure 5 – 25 year projection results of climate change scenario analysis



Source: Mercer

Conclusion 2 – Sustainable Allocations Protect against Transition Risk, Growth Assets are highly vulnerable to Physical Risk

Asset class returns vary significantly by scenario depending on their respective exposure to transition and physical risks. The Scheme has a small allocation to growth assets (c.4% strategic allocation at 31 December 2023) allocated to various Private Market asset classes. These funds within these mandates are closed-ended so monies cannot be disinvested, however they will gradually run-off over time as income and capital is distributed from the mandates. These Pure Growth assets, which are managed by Partners Group and Knighthead, are generally more exposed to transition and physical risks whereas fixed income asset classes are less sensitive. Private Equity is materially exposed to physical risks under a Failed Transition over the longer term, however these funds are expected to run-off within the short-term (next few years) and therefore any physical impacts would be low for the Scheme.

The tables below set out the cumulative return impacts relative to the baseline across the four scenarios by asset class over the 5 year and 25 year time periods respectively:

Modelling Asset Class	5 Years				25 Years			
	Failed Transition	Limited Transition	Rapid Transition	Orderly Transition	Failed Transition	Limited Transition	Rapid Transition	Orderly Transition
Global High Yield Credit	0%	0%	-5%	0%	0%	0%	-5%	1%
Floating Rate Note IG* UK	0%	0%	0%	0%	1%	1%	0%	0%
Floating Rate Note IG* US	0%	0%	0%	0%	2%	0%	0%	0%
Global Senior Private Debt	0%	0%	-6%	0%	-1%	-1%	-6%	0%
Global Private Debt	0%	0%	-2%	0%	-1%	-1%	-2%	0%
Private Infra Global	0%	-1%	-2%	-4%	-16%	-29%	-17%	-21%
Cash	0%	0%	0%	0%	-1%	0%	1%	0%
UK Real Estate	-6%	-2%	-1%	0%	-47%	-20%	7%	2%
Listed Infrastructure	1%	-4%	-9%	-2%	-21%	-24%	-19%	-12%
Private Equity	-4%	-2%	-5%	-2%	-62%	-27%	7%	1%

*IG = Investment Grade.

Conclusion 3 – Sector exposure is key

Climate impacts are naturally sector specific.

Supporting the quantitative analysis in this report, sector level analysis highlights that differences in return impact are most visible at an industry-sector level, with significant divergence between scenarios.

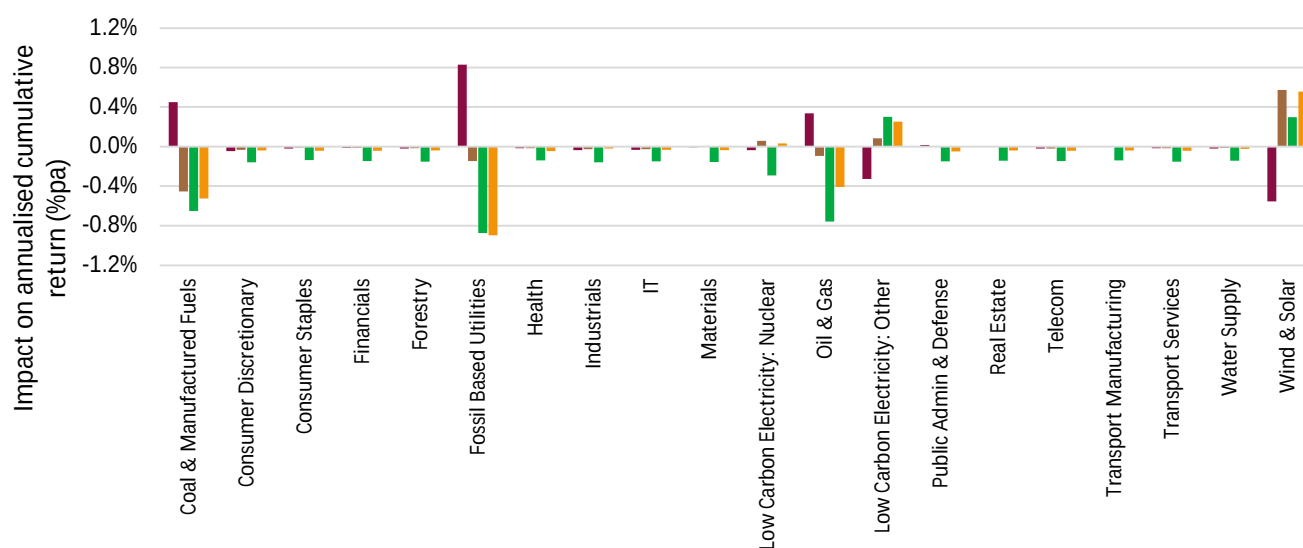
As return impacts in this modelling are expressed relative to a climate-informed baseline, sector-specific impacts are driven both by what happens under the scenarios, but also by what does not happen (but was priced in). For example, there is a positive impact on the low carbon electricity sector under the Rapid Transition, which is an intuitive outcome. Alternatively, there is a positive impact on the oil & gas

sector under the Failed Transition, which is a result of the sector performing better than expected in this scenario (i.e. more revenue than expected for underlying companies).

This can inform portfolio construction in a number of ways:

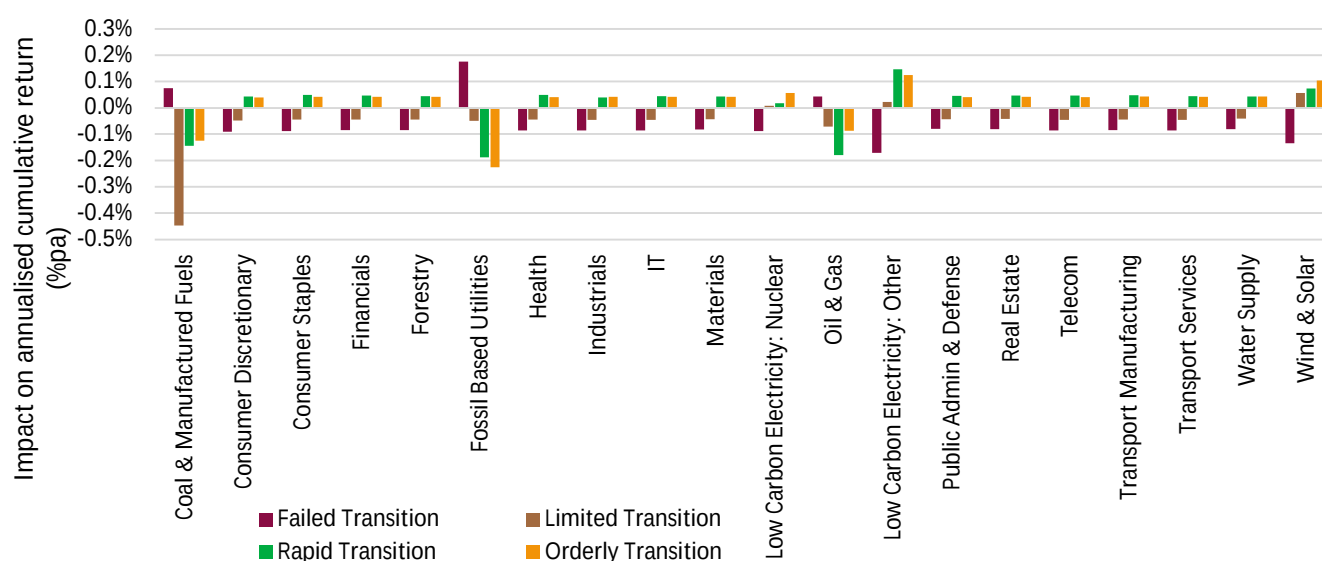
- Consider tilting portfolio or benchmarks in corporate bond portfolios to vary sector exposures;
- Discuss with current or potential investment managers the sector exposures and how they account for sector specific climate risk;
- Understanding key risk exposures can prioritise areas of focus for engagement or decarbonisation planning.

Figure 6 – 5 year cumulative impact return by sector for illustrative corporate bond asset class



Source: Mercer

Figure 7 – 25 year cumulative impact return by sector for illustrative corporate bond asset class



Source: Mercer

Conclusion 4 – Investors should be aware of future pricing shocks

Investors, and therefore “the market”, look to predict future events / impacts and allow for them in asset prices. As particular events become more likely, market pricing will change before the events occur. This means that longer-term impacts, including transition impacts and particularly physical damages, could impact portfolios earlier than they occur. In the climate scenario analysis repricing shocks are included within scenarios.

The quantitative analysis in this report seeks to demonstrate the impacts of such shocks.

The Rapid Transition includes a shock around 2025 pricing in (and initially overreacting to a degree) to transition costs [see blue box in Figure 8 below]. The Failed Transition includes shocks towards the end of the 2020s and 2030s pricing in future damage [see red box], however it can be seen below that the impact for the Scheme is minimal due to de-risking to fixed income assets. While the exact timing of such shocks is unknown, considering such shocks is important to risk analysis.

Figure 8 – 25 year projection results of climate change scenario analysis



This finding has informed the Trustee in thinking ahead in relation to managing climate-related risks and developing a robust portfolio long before climate impacts are expected to occur. This includes the work undertaken to satisfy the Trustee of the credentials of ESG in managing such risks, as the chosen insurer for the buy-in transaction completed in the summer of 2025.

Section 6

Risk Management



A key part of the Trustee's role is to understand and manage risks that could have a financially material impact on both the Scheme's investments and the wider funding position. Climate change is one of the risks that the Trustee considers alongside other financially material risks that may impact outcomes for members.

This section summarises the primary climate-related risk management processes and activities of the Trustee. These help the Trustee understand the materiality of climate-related risks, both in absolute terms and relative to other risks that the Scheme is exposed to. The Trustee prioritises the management of risks primarily based on its potential impact on the security of members' benefits/prospective investment returns.

Governance

- The Trustee's Statement of Investment Principles is reviewed on (at least) an annual basis and sets out how investment climate-related risks are managed and monitored.
- The Trustee maintains a risk register which includes explicit climate risks and an Integrated Risk Management ("IRM") framework to monitor and mitigate financially material risks to the Scheme. The climate-related risks (defined as physical risks and transition risks) are reviewed annually by the Trustee and ICC to ensure the assessment of the likelihood and impact continue to remain appropriate for the Scheme given the developing research and understanding on this subject as well as new and emerging risks related to climate change.
- The Trustee receives training from time-to-time on climate-related issues. The training allows the Trustee to challenge whether the risks and opportunities are effectively allowed for in its governance processes and wider activities, and to be able to challenge its advisors to ensure the governance support and advice adequately covers the consideration of climate-related risks and opportunities. This process also affords the Trustee an opportunity to identify new and emerging risks related to climate change. The training completed over the Scheme year is summarised in Section 3 of the report.

Strategy

- The Scheme's advisors take climate-related risks and opportunities into account as part of the wider strategic investment advice provided to the Trustee and the ICC. This includes highlighting the expected change in climate-risk exposure through proposed asset allocation changes, both from the top-down level (via climate scenario analysis) and bottom-up (via climate-related metrics).
- The Trustee believes that good stewardship and ESG issues may have a material impact on investment risk and return outcomes and will therefore be considered as part of the Scheme's investment process. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that require explicit consideration. When setting investment strategy, and in particular when recommending changes, ESG factors, including climate change, will be considered alongside a number of other factors that can influence investment strategy.
- Climate scenario analysis for the investment and funding strategy of the Scheme is reviewed at least triennially, or more frequently if there has been a material change to the strategic asset allocation or improvements in the methodology. Key findings from the Trustee's latest climate scenario analysis, completed in June 2024, was set out in the previous section. The impact of climate-related risks and opportunities is an input into regular employer covenant updates. The latest review was completed in December 2022 and as noted in the previous section, climate-related risks formed a key part of the ESG factors which were incorporated into the overall assessment of the Company covenant. Climate scenario analysis is the primary tool to help the Trustee understand the materiality of climate-related risks that could impact the Scheme over time (in particular transition and physical risks).

Reporting

- The Trustee receives annual reports of climate-related metrics and progress against targets in respect of the assets held in the Scheme. The Trustee may use the information to engage with the investment managers. Details of the metrics and progress against target are included in the next Section.
- The Trustee receives a voting and engagement activity summary on an annual basis as part of the preparation of the Engagement Policy Implementation Statement. The statement summarises how the investment managers vote and engage on climate-related issues (among other key engagement priorities). The statement is available on the Scheme's website³.

Stewardship

- Over the Scheme Year to 31 March 2025, the Trustee engaged with the investment managers to gather examples of ESG engagement. The following are examples of engagement activity undertaken by the Scheme's investment managers. These examples were provided by the investment managers.

Partners Group (Global Infrastructure 2015) engages with Techem Metering GmbH to achieve a top 1% sustainability rating

Following on from the previous Engagement Policy Implementation Statement, Techem achieved a sustainability risk rating of 8.7 from Morningstar Sustainalytics, designating the company as having 'negligible risk' of material financial impact from sustainability factors. This rating places Techem within the top 1% of the 16,358 companies assessed globally, positioning it in the second percentile within the

³ The Engagement Policy Implementation Statement is available online at <https://pensioninformation.aon.com/honda>.

business support services sub-sector. This recognition underscores Techem's rigorous commitment to sustainability and effective risk management.

Techem is committed to a 90% reduction in CO2e emissions across all scopes by 2045, with specific interim targets: a 42% reduction for Scopes 1 and 2, and a 28% reduction for Scope 3 by 2030, using a 2020 baseline. This aligns with the Science-Based Targets initiative's Net-Zero standard. In support of these ambitious goals, Techem has adopted an extensive sustainability governance framework and established a cross-departmental sustainability team led by the Head of Sustainability. The 2023 Sustainability Report details significant progress, emphasising energy efficiency, water conservation, and waste reduction. Techem has also conducted comprehensive greenhouse gas assessments and manages over 56 million devices across Europe, showcasing its dedication to operational excellence and environmental stewardship.

Partners Group (Global Infrastructure 2012) engages with Esentia to improve environmental and health and safety initiatives

Environmental Initiatives and Greenhouse Gas Emissions: Esentia has set a target to reduce methane emissions by 30% by 2029 compared to 2022 levels. This target, as part of the company's performance goals, underscores Esentia's commitment to emissions reduction, although is not yet aligned with a Net-Zero scenario. Additionally, Esentia plans to expand its emissions tracking by considering Scope 3 accounting, aiming to integrate responses from pre-2023 with updated methodology. Furthermore, the company is promoting renewable energy and resource efficiency. Solar generators, totaling 275kW, are now operational across multiple sites, contributing to cleaner energy use and supporting awareness campaigns for water and energy conservation within its facilities.

Health and Safety: Health and safety are key operational priorities for Esentia, especially given that the incident rate in 2024 (six year-to-date, matching 2023 totals) reflects a need for further improvement. Efforts are underway to reinforce safety standards and incident response protocols, particularly in areas of property damage, illness, and accident prevention.

Partners Group (Global Value 2014) engages with KinderCare Education to improve environmental education and minimise the company's environmental impact

KinderCare is dedicated to providing high-quality education and care services, with a focus on sustainability and social impact. They operate nearly 1,500 early childhood education centers, the largest network of centers with the most licensed capacity in the United States, providing access to more children than any other provider. KinderCare also offers over 650 before- and after-school programs, serving as an additional delivery channel to reach children and parents. They have implemented security practices to protect personal data of children and their families and employees.

KinderCare emphasises the importance of environmental education and implements measures to minimise their environmental impact. They have implemented recycling programs at over 600 of their centers, and have installed energy management systems in over 185 centers, resulting in a 14% reduction in annual energy usage, representing a saving of approximately 2.6 million kWh annually. Additionally, they have reduced their vehicle fleet by approximately 20% to about 2,000 school buses, resulting in a decrease in fuel usage of 11% since 2019.

KinderCare prioritises corporate social responsibility, with oversight at the highest level. The Nominating and Governance Committee of their board of directors has specific oversight of corporate social responsibility matters and receives regular updates from management. Their President directs the development and implementation of the corporate social responsibility strategy and initiatives.

LGIM (firm wide engagements not specific to Honda mandates) engages with BP to ensure the company will not make substantive downward revisions to their climate-related targets.

As one of the largest integrated oil and gas producers in the world, BP has a significant role to play in the global transition to net zero, hence LGIM's focus on this company for in-depth engagements. LGIM have been engaging with BP on climate change for a number of years, during the course of which we have seen many actions taken regarding climate change mitigation. LGIM met with BP several times during 2022. In BP's 2022 AGM, LGIM were pleased to be able to support management's 'Net Zero – from ambition to action' report (Resolution 3). Having strengthened its ambition to achieve net-zero emissions by 2050 and to halve operational emissions by 2030, BP has also expanded its scope 3 targets, committed to a substantial decline in oil and gas production, and announced an increase in capital expenditure to low-carbon growth segments. Following the company's decision to revise their oil production targets, LGIM met with the company several times in early 2023 to discuss their concerns. At their 2023 AGM, LGIM voted against the re-election of the Chair. LGIM have continued to engage with BP in 2023 following their decision, and throughout 2024, specifically on the objectives clarified above which reflect LGIM's main areas of concern at the company (e.g. demonstration of alignment to 1.5°C objectives through enhanced disclosure of scenarios and assumptions and no new long lead-time oil and gas projects). LGIM remain the 'lead' on BP engagement with the CA100+ (Climate Action group), although they also undertake their own individual meetings with the company. Levels of individual typically engaged with include a range of senior staff, including the Chair and the former CEO.

Over the past few years, LGIM felt the company has made a number of positive steps. BP has made a commitment to allocate a substantial share of its capital to low carbon segments, and a series of announcements detailing their expansion into clean energy. These include projects to develop solar energy in the US, partnerships with Volkswagen (on fast electric vehicle charging) and Qantas Airways (on reducing emissions in aviation), and winning bids to develop major offshore wind projects in the UK and US. BP also announced that it would be reducing its oil and gas output over the next decade, with a view to reaching net-zero emissions by 2050.

Manager Selection and Retention

- The Trustee, with advice from Mercer in its role as Investment Consultant, will consider an investment manager's firm-wide and strategy-specific approach to managing climate-related risks and opportunities when either appointing a new manager, in the ongoing review of a manager's appointment, or as a factor when considering the termination of a manager's appointment.
- Mercer rates investment managers on the extent of integration of ESG factors (including climate change) into their processes. A manager's stewardship process forms part of the rating assessment. This is considered at the firm level and at the investment strategy/fund level. The ratings were presented in the quarterly investment performance reports during the year and are reviewed by the Trustee.
- The Trustee has appointed Mercer to act as fiduciary investment manager in respect of the majority of the Scheme's assets. MGIE makes use of underlying sub-investment managers which are appointed to manage the majority of the Scheme's assets. These sub-investment managers are given full discretion in evaluating ESG factors, including climate change considerations. This also applies to exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

Section 7

Metrics and Targets



Metrics

The Trustee has chosen to present climate-related metrics across four different categories in this report. The climate-related metrics help the Trustee to understand the climate-related risk exposures and opportunities associated with the Scheme's investment portfolio and identify areas for further risk management, including investment manager portfolio monitoring, voting and engagement activity and priorities. The following metrics are provided in this report:

Metric category	Selected metric	Further detail
Absolute emissions	Total Greenhouse Gas Emissions	Tonnes of carbon dioxide equivalent (tCO ₂ e) that the Scheme is responsible for financing.
Emissions intensity	Carbon Footprint	The amount of carbon dioxide equivalent (tCO ₂ e) emitted per million dollars of the Scheme's investments.
	Weighted Average Carbon Intensity (WACI)	The exposure of the Scheme to carbon-intensive companies, measuring the amount of carbon dioxide equivalent (tCO ₂ e) emitted per million dollars of holding company / issuer revenue ⁷ on average.
Portfolio Alignment	Implied Temperature Rise (ITR)	A forward-looking assessment of how aligned the Scheme's portfolios are relative to the Paris Agreement's 1.5°C target. This is estimated based on the activities and decarbonisation targets of portfolio companies / issuers, relative to what global decarbonisation needs to be to achieve 1.5°C.
Additional	Data Quality	Represents the proportions of the portfolio for which the Trustee has high quality data.

⁷ For sovereign bonds, Greenhouse Gas Emissions are expressed in tCO₂e per \$M Total Capital Stocks and tCO₂e per \$M GDP.

The metrics in this report relate to the Scheme's financed emissions only and exclude emissions associated with the operation of the Scheme. Where metrics relate to emissions, these cover scope 1, 2 and 3. Scope 1, 2 and 3 corporate emissions are defined as follows:

- **Scope 1 “direct” emissions:** those from sources owned or controlled by the Company (e.g. direct combustion of fuel from vehicles); and
- **Scope 2 “indirect” emissions:** those caused by the generation of energy (e.g. electricity) purchased by the Company.
- **Scope 3 “indirect” emissions:** In this category are all the emissions associated, not with the company itself, but that occur in the value chain of the reporting company.

For sovereign emissions, the emissions are defined as those that relate to production (scope 1), i.e. those attributable to emissions produced domestically and include domestic consumption and exports. Emissions **exclude** those from land use, land use change and forestry.

The metrics presented in this report are as at 31 December 2024 and are based on the actual asset allocation at that date. The table below set out how the metrics have changed since 31 December 2023. Further details are included in the Technical Appendix.

The Trustee recognises the challenges associated with various metrics, tools and modelling techniques used to assess climate change risks. The Trustee aims to work with its investment advisor and investment managers to continuously improve the approach to assessing and managing risks over time as more data becomes available. The Technical Appendix of this report sets out further information on each metric along with the data limitations and assumptions used in collating these metrics.

Climate Metrics

The regulations require trustees to calculate and report metrics for all assets 'as far as they are able'.

This report presents direct analysis of:

- Infrastructure Equity fund managed by JP Morgan,
- Two Infrastructure funds and one Private Equity Fund managed by Partners Group,
- One of the Scheme's two secured finance funds, managed by M&G,
- The Scheme's LDI mandate, managed by LGIM.

The above assets comprise 84% of the Scheme's total assets based on the actual asset allocation as at 31 December 2024.

The report does not present analysis of the Scheme's:

- Secured Finance fund investment managed by Ares,
- Distressed Debt fund managed by Knighthead,
- Ground Lease Property fund managed by PGIM.

Together, these funds comprise the residual 16% of the actual asset allocation, due to issues with data quality and coverage. It is very challenging to calculate metrics for private debt mandates and it is not expected they will be included in the analysis in the foreseeable future.

Figure 9: Climate-related metric data, scope 1, 2 and 3 emissions as at 31 December 2024 (unless stated otherwise)

Manager / Mandate	Asset Allocation %	Eligible Assets %	Eligible Actual Allocation %	Absolute GHG emissions	Emissions intensity		Other (non-emissions)		% of mandate which is SBTi approved
				Total GHG Emissions ¹ (tCO ₂ e) Scope 1 + 2 / Scope 3	Carbon Footprint (tCO ₂ e/\$M invested) Scope 1 + 2 / Scope 3	WACI (tCO ₂ e/\$M revenue) Scope 1 + 2 / Scope 3	Implied Temperature Rise (ITR, °C)	Data Quality ² Scope 1 + 2 / Scope 3	
Partners Group Private Equity / Infrastructure (4x fund vintages*)	2008 PE: N/A 2012 Infra: 0.2% 2014 PE: 0.7% 2015 Infra: 1.0%	100.0%	2008 PE: N/A 2012 Infra: 0.2% 2014 PE: 0.7% 2015 Infra: 1.0%	2008 PE: N/A (2023: N/A) 2012 Infra: 411 / 2 (based on 34.7% / 7.0% coverage) (2023: 865 / 2) 2014 PE: 80 / 485 (based on 15.1% / 8.4% coverage) (2023: 111 / 751) 2015 Infra: 1,181 / 94 (based on 20.9% / 11% coverage) (2023: 1,991 / 106)	2008 PE: N/A (2023: N/A) 2012 Infra: 162.1 / 0.6 (2023: 226 / 0.4) 2014 PE: 11.6 / 70.6 (2023: 13.4 / 90.9) 2015 Infra: 111.7 / 8.9 (2023: 156.7 / 8.4)	2008 PE: N/A (2023: N/A) 2012 infra: 465.8 / 7.7 (2023: 283.8 / 5.2) 2014 PE: 17.1 / 92.0 (2023: 20.1 / 144.1) 2015 infra: 345.5 / 57.6 (2023: 245.4 / 57.0)			
Knighthead Distressed Debt	1.6%								
JP Morgan Infrastructure Equity ³	21.0%	100.0%	21.0%	25,765 Based on 100% coverage (2023: 26,456)	117 Based on 100% coverage (2023: 123)	944 (2023: 842)		100% (2023: 100%)	-
M&G Secured Finance	3.8%	39.9%	1.5%	146 / 1,144 Based on 16.1% / 15.9% coverage (2023: 355 / 4,880)	9.1 / 71.6 Based on 16.1% / 15.9% coverage (2023: 19.1 / 262.1)	19.9 / 392.3 Based on 18.8% / 20.2% coverage (2023: 53.0 / 455.4)	3.0°C Based on 7.3% coverage (2023: 2.4°C)	6.4% / 6.4% (2023: 7.5% / 7.1%)	
Ares Secured Finance	1.9%								
PGIM Ground Lease Property	12.0%								
LGIM LDI⁴	57.7%	100.0%	57.7%	60,411 Based on 99% coverage (2023: 53,329)	61 Based on 99% coverage (2023: 57)	128 Based on 99% coverage (2023: 127)	1.9°C (2023: 1.9°C)	100.0% (2023: 100.0%)	-
Cash / Other	0.1%								

See notes overleaf.

Source: Investment Managers and Mercer. Figures in orange represent data as at 31 December 2023.

¹ Based on actual allocation as at 31 December 2024. Absolute emissions have been calculated using the carbon footprint per \$m invested provided by the managers and then multiplying by the \$m invested in that particular Fund.

² Data coverage based on reported and estimated data. For M&G the split is; 6.3% reported, 0.2% estimated, 33.5% unavailable and 60.1% cash/other assets for scope 1+2 and 6.2% reported, 0.1% estimated, 33.5% unavailable and 60.1% cash/other assets for Scope 3. Note that due to rounding, the total for 'reported + estimated' is 6.4% for both scope 1+2 and scope 3 in the table above. The data quality split is not reported by LGIM. However, their team anticipate that it will be reported in the future.

³ Based on NAV.

⁴ LGIM LDI carbon footprint is expressed in tCO₂e per \$M Total Capital Stocks and the weighted average carbon intensity is expressed in tCO₂e per \$M GDP (a Sovereign Carbon Intensity measure).

⁵ Partners Group and JP Morgan confirmed that climate metrics provided were based on 100% of eligible assets.

* For the Partners Group investments, the data coverage for each vintage was;

- 2012 Infrastructure: 34.7% scope 1 + 2 for Absolute Emissions, Carbon Footprint and WACI (7% for scope 3),
- 2014 Private Equity: 15.1% scope 1 + 2 for Absolute Emissions, Carbon Footprint and WACI (8.4% for scope 3),
- 2015 Infrastructure: 20.9% scope 1+ 2 for Absolute Emissions, Carbon Footprint, and 18.8% for WACI (11% for scope 3) and
- 2008 Private Equity: N/A – Partners Group did not provide data for this older vintage as it has been in wind down for the past few years.

For full comparison since the base year of 31 December 2022, we show the WACI metrics for the mandates that have reported these figures in the latest report:

- Partners Group:
 - o 2012 Infrastructure:
 - Scope 1 and 2: 2022: n/a, 2023: 283.8, 2024: 465.8
 - Scope 3: 2022: n/a, 2023: 5.2, 2024: 7.7
 - o 2014 Private Equity:
 - Scope 1 and 2; 2022: n/a, 2023: 20.1, 2024: 17.1
 - Scope 3: 2022: n/a, 2023: 144.1, 2024: 92.0
 - o 2015 Infrastructure:
 - Scope 1 and 2; 2022: n/a, 2023: 245.4, 2024: 345.5
 - Scope 3: 2022: n/a, 2023: 57.0, 2024: 57.6
- JP Morgan:
 - Scope 1 and 2; 2022: 894, 2023: 842, 2024: 944
- M&G:
 - Scope 1 and 2; 2022: 40, 2023: 53.0, 2024: 19.9
 - Scope 3: 2022: n/a, 2023: 455.5, 2024: 392.3
- LGIM LDI:
 - Scope 1 and 2; 2022: 123, 2023: 127, 2024: 128

The grey colouring in the table above shows that a specific metric is not yet reported or was not able to be provided by investment managers at the time of writing. We have set out the reasons per manager below where data was not provided or is not available, and also explaining the reasons for some of the changes in metrics over the year (particularly where these have increased):

- Partners Group: The manager began reporting metrics for the Scheme last year, for three out of the four funds it manages for the Scheme. This has continued this year. The manager does not have any data coverage for Global Value 2008 as this is an older vintage. Lack of data availability regarding the ITR, Data Quality and % of mandate which is SBTi approved metrics. The manager has explained the reason for changes in metrics were due to the change in the coverage ratio along with three other factors which make inferences to sustainability less exact:
 - The underlying businesses improving their ability to collect and report emissions data;
 - The sustainability initiatives of the underlying businesses impacting the level of emissions;
 - The maturity of the portfolios impacting exit volume, meaning the underlying composition of the portfolio is not a true comparator to previous years.
- JP Morgan: Lack of data availability regarding the ITR metric.
- Knighthead: The mandate has not set a target for zero emissions and Knighthead do not report on any of these metrics.
- Ares: The Fund currently does not have a net zero carbon emissions framework. Ares have explained that investments made through their Alternative Credit strategies typically lack the appropriate levers of influence (i.e. governance) to effect meaningful change in environmental practices given that their investments are typically made at the asset-level rather than the corporate level. However, there have been more positive broader developments to report including that the manager has highlighted that they have been appointed as chair to UNPRI's inaugural Private Debt Advisory Committee, which focuses on the role of private lenders in addressing climate change
- M&G: A redemption from one of the fund of fund holdings (the M&G European Loan Fund), resulted in a decrease in Scope 1, 2 and 3 emissions. This also resulted in an increase in the implied temperature rise metric.
- PGIM: Lack of data availability regarding Carbon Footprint in tCO₂e/\$M invested terms, ITR, Data Quality and % of mandate which is SBTi approved metrics.
- LGIM LDI: Main reason for carbon emissions increasing was due to the Scheme's increased exposure to gilts and index-linked gilts between 31 December 2023 and 31 December 2024.

Targets

The Trustee has set a target of Climate data availability as this is currently very limited for the Scheme's asset classes, therefore setting a meaningful target for carbon emissions (absolute or intensity-based) or implied temperature rise for most of the Scheme's investments is not possible at the time of writing.

As reported last year, the LGIM buy and maintain credit mandate, which was expected to feature in the Scheme's overall long-term investment strategy (prior to the decision to execute a full Scheme buy-in), was largely disinvested during the Gilt Market Crisis in late 2022 to top-up the collateral available in the LGIM LDI portfolio. The Trustee and Company had agreed to consider reintroducing the allocation to buy and maintain credit (at least in part) if credit spreads reached a specific level. The Trustee had identified this mandate as the most suitable to apply a climate-related target to, which it intended to do if the mandate was rebuilt.

It was noted that further investigation would have been required in order to determine the feasibility of setting a specific target with LGIM if the allocation to the buy and maintain credit was restored. However,

from initial discussions it was expected that a measurable target, based on one or more of the Scheme's metrics, would have been possible to integrate into the investment guidelines with a target expected to be able to be set for 2030.

It was noted that in the interim, the Trustee was required to set a target for the Scheme in relation to one of the metrics which have been selected to be monitored. The Trustee therefore set an initial target in their first TCFD report to improve Data Quality.

It is the Trustee's ambition to reach a position of being as close as practically possible to 100% Data Quality (including reported and estimated data) by 31 March 2033. However, the Trustee recognised that this improvement is dependent on a wide range of factors, over which they have varying degrees of control. Specifically, in order to meet this target improvements are required across the broader asset management industry with regards to gathering and producing more widespread and consistent climate metric data. The Trustee notes in particular the challenges in this area where some of the more illiquid assets are involved, including property, private equity and private debt. The Scheme's investment strategy was expected to develop over time and the Trustee recognises that the allocations to these asset classes will likely reduce over the coming years which may naturally help improve the Scheme's overall Data Quality.

In order to help achieve this ambition, the Trustee has engaged with the Scheme's investment managers, including via the investment consultant, and may consider utilising alternative data sources when gathering climate metric data going forwards.

As a reminder, the Trustee's target over the first year was to achieve increased Data Quality (in aggregate) for those mandates where Data Quality was reported in this first TCFD report (i.e. M&G Secured Finance, Mercer MAC and LGIM LDI) and to be able to report on Data Quality for at least one additional mandate in the Scheme's second TCFD report.

The Trustee was pleased to report last year that one new investment manager (Partners Group) began reporting metrics for the Scheme. The Trustee's investment managers also expanded the metrics they reported last year (including JP Morgan and M&G).

Over the one-year period, the Scheme has continued its de-risking strategy to increase the overall liquidity of the assets. As explained in the previous sub-section, the run-off of legacy portfolios also means that the availability of metrics can change, outside of the Trustee's control, and the order in which underlying assets are realised by the investment managers can impact the reported metrics. This can lead to increases in certain metrics, for example, if lower carbon emitting investments are realised before more carbon intensive investments.

This year the metrics analysis covers 84% of Scheme assets, a small improvement on the 83% coverage last year (and higher than the 74% from 2022). The Trustee recognises that this largely reflects how the assets have matured, rather than any new mandates reporting climate metrics for the first time. Data Quality for Scope 1 & 2 and Scope 3 emissions is largely unchanged, and the change in WACI metrics over the year is mixed; with increases for three mandates, reductions in two, and broadly unchanged for one mandate. The change in WACI metrics by mandate since 2022 is highlighted in the notes of the metrics table.

Notwithstanding that a full Scheme buy-in has been transacted, the Trustee would otherwise review the ongoing suitability of the targets it sets on at least an annual basis.

Appendix A

Technical Appendix

Roles of those undertaking scheme governance activities

The Trustee maintains oversight of climate related risks and opportunities by:

- Appointing the Investment and Covenant Committee (the “ICC”), with the purpose of supporting and guiding the Trustee with matters relating to the Scheme’s investments, including the initial work on compliance with the regulatory requirements and TCFD recommendations. Ongoing reporting is integrated into the business of the Trustee and its sub-committee. The Trustee’s approach to the oversight and management of climate-related risks and opportunities is consistent with its approach to considering other financially material risks and opportunities facing the Scheme.

The Trustee will consider the recommendations of this sub-committee and will ratify any decisions that require its approval. Of relevance to the oversight of climate-related risks and opportunities are:

The ICC

The ICC is responsible for:

- Supporting and guiding the Trustee’s work on compliance with the regulatory requirements and TCFD recommendations including:
 - Liaising with professional advisors on the Trustee’s proposed objectives;
 - Ensuring appropriate time and resource is allocated to climate governance and reporting; and
 - Facilitating information sharing between the Trustee, professional advisors and investment managers as appropriate.

The Scheme Secretary

The Scheme Secretary is responsible for:

- Assisting with the organisation of meetings;
- Facilitating reporting to the Trustee Board;
- Facilitating appropriate communications to members;
- Assisting the Trustee in the general running of the Scheme.

The Trustee expects the Scheme Secretary to keep informed about updates and progress within the pensions industry on an ongoing basis. They attend Trustee training sessions and receive current thought pieces and articles via their Investment Consultant and other industry publication.

Roles of advisors

The Trustee has appointed advisors to the following roles:

Investment Consultant

- Advises on strategic asset allocation taking into account climate risk, supported through the provision of climate scenario analysis;
- Advises on the choice of climate-related metrics and targets as well as changes to investment mandates;
- Advises on manager selection, taking into account the Trustee's sustainability beliefs and climate-related targets;
- Monitors investment manager performance against relevant climate-related targets (where possible);
- Supports the Trustee with stewardship activities, which may be related to climate change, such as monitoring and reporting on voting and engagement activities of the invested assets.
- Liaises with investment managers and other professional advisors to provide training to the Trustee on climate change, as appropriate; and
- To assist the Trustee in producing the Scheme's TCFD report on an annual basis.

Funding Advisor

- Advises on the funding position including an understanding of the potential funding impact resulting from changes to financial or demographic assumptions driven by climate change;
- Advises on funding strategy robustness to climate risk. Provides input to enable strategic asset allocation decisions to be made considering impact of climate risks on funding strategy; and
- Where appropriate provides input into scenario analysis and advises on funding implications.

Covenant Advisor

- Assesses the Company's ability and willingness to continue to support the Scheme. Climate-related exposures are considered alongside other factors that could have a positive or negative impact on the strength of the Company's covenant; and
- Where appropriate provides input into scenario analysis and advises on covenant implications.

Assessment of Advisors

The Trustee expects advisors to act with integrity and diligence in fulfilling the set objectives and use meetings with the advisors to assess and challenge them. Where relevant, this includes discussion of the steps taken by advisors to identify and assess any climate-related risks and opportunities.

The approach of the investment consultant to climate change and how it is integrated into its advice and services is assessed as part of the advisor selection and monitoring process. The Trustee sets its investment consultant annual objectives, including ones related to ESG and climate change competency. The investment consultant is formally assessed against these objectives annually.

Role of Fiduciary Managers

As noted, the Trustee has appointed Mercer Global Investment Europe ("MGIE") as delegated investment manager for the Scheme.

As part of the sub-investment manager selection and monitoring process, MGIE considers the level and extent to which sub-investment managers take into account ESG factors, including climate change, in their investment process and stewardship activities (such as voting and engagement with the underlying companies or issuers they invest in).

Regular monitoring and governance activities

As noted, there are a number of workstreams that are to be completed regularly in order for the Trustee to fulfill its responsibility for managing climate risks and opportunities. The workstreams are listed below as well as the frequency of which each task is carried out:

- Climate change training session (minimum frequency = usually at least triennially)
- Scenario analysis modelling the investment strategy and funding strategy (minimum frequency = in 2023, 2024 and every 3 years thereafter)
- Review appropriateness of undertaking scenario analysis in light of a) data availability changes b) material changes in investment strategy / funding position (minimum frequency = annual)
- Metrics data collection (minimum frequency = annual)
- Target setting / target appropriateness review (minimum frequency = annual)
- Progress against target assessment (minimum frequency = annual)
- ESG beliefs (including climate change) update / review (minimum frequency = usually at least triennially)
- Review of manager ESG ratings, climate policies (minimum frequency = usually annual)
- Stewardship, covered as part of the Trustee's annual implementation statement (minimum frequency = annual)
- Risk frameworks update/review e.g. risk register (minimum frequency = usually annual, managed by the Scheme Secretary)
- Climate covenant assessment (minimum frequency = triennially, but can be annual)
- Drafting annual TCFD report (minimum frequency = annual)

Climate scenario modelling approach

Investment and Funding Climate Scenario Analysis Assumptions	Rapid Transition	Orderly Transition	Limited Transition	Failed Transition
Summary	Sudden divestments in 2025 to align portfolios to the Paris Agreement goals have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock.	Political and social organizations act quickly and predictably to implement the recommendations of the Paris Agreement to limit global warming to below 2°C above pre-industrial levels by 2100.	Policymakers implement limited NDCs and fall short of meeting the Paris Agreement goals. Global warming can reach over 2.6°C above pre-industrial levels in 2100.	The world fails to meet the Paris Agreement goals and global warming reaches 4.3°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events.
Expected Emission and energy production	Net Zero by 2050 5% produced by non-renewable sources, with 80% produced by various renewable sources by 2060	c. 12GtCO ₂ by 2063 10% produced by non-renewable sources, with 72% produced by various renewable sources by 2060	c. 27GtCO ₂ by 2063 15% produced by non-renewable sources, with 75% produced by various renewable sources by 2060	c. 38GtCO ₂ by 2063 43% produced by non-renewable sources, with 43% produced by various renewable sources by 2060
Key policy and technology assumptions	A highly ambitious low-carbon policy and rapid technology transition. Higher carbon prices, larger investment in energy efficiency and faster phase out of coal-fired power generation	An ambitious set of policies are introduced, leading to improvements in energy efficiency and replacement of unabated fossil fuel-based technologies with lower-carbon alternatives.	Policies are implemented to encourage decarbonization but have limited scope (only active carbon price schemes that have pricing up to 2060 are included), particularly for large carbon emitters aside from Key economies, that do not reach their NDC targets.	Existing policy regimes are continued with the same level of ambition, with no new policies enacted.
Financial climate modelling	Pricing in of transition and physical risks of the coming 40 years occurs within one year in 2025. As a result of this aggressive market correction, a confidence shock to the financial system takes place in the same year.	Pricing in of transition and physical risks associated with 1.5°C up to 2050 takes place over the first 4 years. The additional damage, beyond 1.5°C, impacts asset performance on a year-by-year basis with no advance pricing in.	Physical risks are priced in two different periods: 2026-2030 (risks of first 40 years) and 2036-2040 (risks of 40-80 years), slightly mitigated by the attempted action that translate into slight transition risks in the 2026-2030 period.	Physical risks are priced in two different periods: 2026-2030 (risks of first 40 years) and 2036-2040 (risks of 40-80 years).

Investment and Funding Climate Scenario Analysis Assumptions	Rapid Transition	Orderly Transition	Limited Transition	Failed Transition
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Physical risks considered

Physical risks are regionally differentiated, consider variation in expected temperature increase per region and increase dramatically with rising average global temperature. Physical risks are built up from:

Gradual physical impacts associated with rising temperature (agricultural, labour, and industrial productivity losses)

Economic impacts from climate-related extreme weather events

Current modelling does not capture environmental tipping points or knock-on effects (e.g., migration and conflict).

Source: Mercer and Ortec. Climate scenarios as at 31 December 2023.

The return impacts of the climate scenarios represented in this report are relative to the 'baseline'. The baseline represents what we are assuming the market is currently pricing in. The baseline includes a 10% weight to a **Failed Transition**, 40% weight to an **Orderly Transition**, 10% to a **Rapid Transition** and 40% to a range of **low impact scenarios**.

Limitations associated with climate modelling

Climate scenario modelling is a complex process. The Trustee is aware of the modelling limitations. In particular:

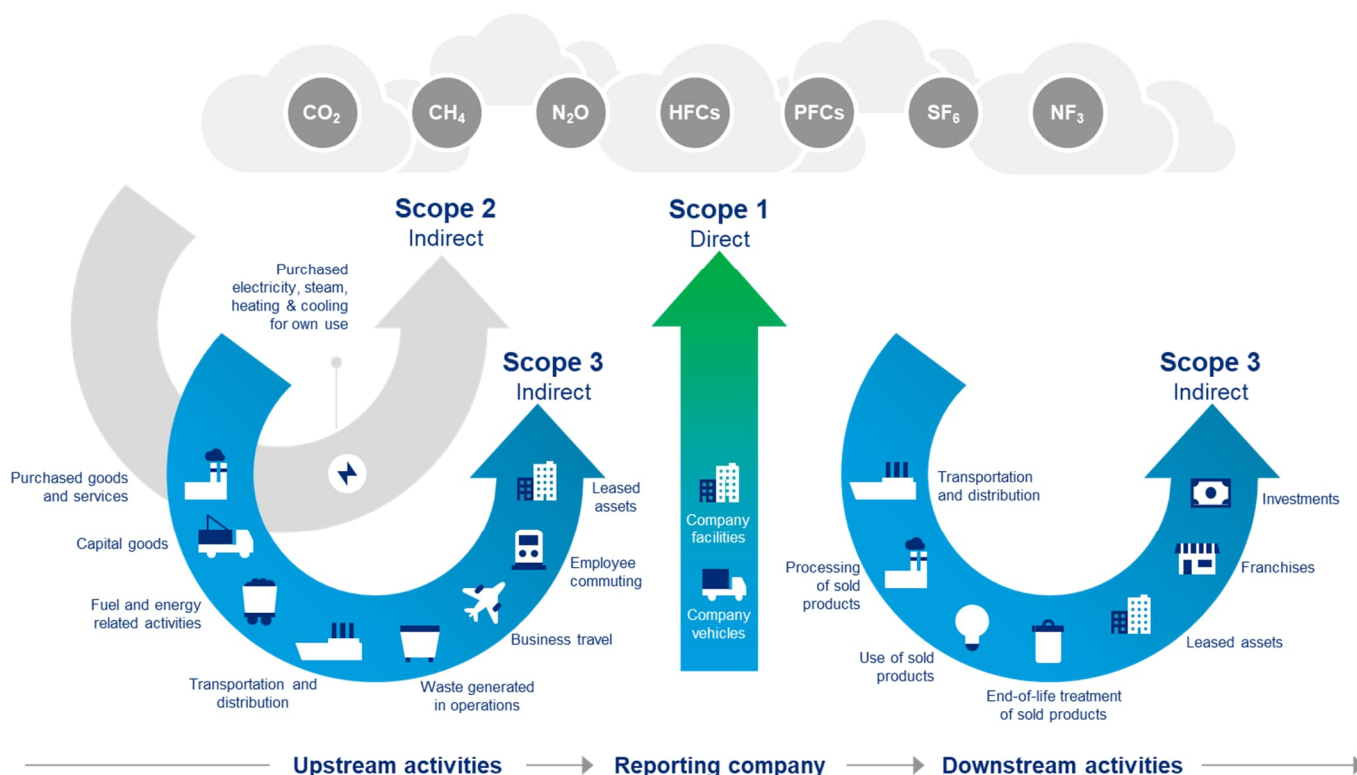
1. The further into the future you go, the less reliable any quantitative modelling will be.
2. There is a reasonable likelihood that physical impacts are grossly underestimated. Feedback loops or 'tipping points', like permafrost melting, are challenging to model particularly around the timing of such an event and the speed at which it could accelerate.
3. Financial stability and insurance 'breakdown' is not modelled. A systemic failure may be caused by either an 'uninsurable' 4°C physical environment, or due to the scale of mitigation and adaption required to avoid material warming of the planet.
4. Most adaptation costs and social factors are not priced into the models. These include population health and climate-related migration.
5. New and emerging risks, such as the impact of climate change on biodiversity loss, and vice versa, is expected to be integrated into climate scenario modelling over time once the supporting science and impact on econometrics and finance is better understood.

Climate metric analysis approach

Total Greenhouse Gas Emissions

This metric takes an ownership approach to answer what proportion of a company's or asset's emissions an investor owns and is therefore responsible for financing. It includes the seven types of greenhouse gas ("GHG") (as defined in the Kyoto Protocol⁸), across the three scopes of emissions, as summarised below.

Figure 10 - Scope 1, 2 and 3 emissions



Source: GHG Protocol

Emissions of the seven greenhouse gases have different impacts on climate change. In order to simplify reporting, each greenhouse gas is calibrated relative to carbon dioxide and is reported as 'carbon dioxide equivalent' emissions (CO₂e). In this way the Trustee can compare companies that emit different amounts of different gases on a consistent basis. Recognising the different methodologies used to calculate absolute emissions for sovereigns and corporates, the Trustee reports sub totals at the corporate and sovereign levels as well as a grand Total Greenhouse Gas Emissions figures.

The Trustee has chosen this metric to understand the absolute amount of emissions financed by the Scheme's investments. In respect of sovereign debt investments, the Trustee follows the Partnership for Carbon Accounting of Financials ('PCAF') to derive absolute emissions.

⁸ https://unfccc.int/kyoto_protocol

Carbon Footprint

Carbon Footprint is an intensity measure of emissions that takes the Scheme's total GHG Emissions figure and normalises it to take account of the size of the investment.

Analysing an investment fund's Carbon Footprint assists the Trustee in identifying carbon-intense sections of the Scheme's portfolio. The Trustee has therefore chosen this metric to assist them in prioritising carbon intense parts of the investment strategy for potential re-allocation or engagement as a means of mitigating associated climate-related risks.

Weighted Average Carbon Intensity

The Trustee has agreed to monitor Weighted Average Carbon Intensity (WACI) as an additional data appoint but not as a formal TCFD metric. WACI is an alternative intensity measure of emissions that normalises a company's total GHG Emissions figure by its revenue. This metric is calculated by taking the total carbon emissions of the investment and dividing by annual company revenue.

A different approach is taken for sovereign bonds, where the specified sovereign GHG Emissions are normalised by Purchasing Power Parity adjusted Gross Domestic Product (PPP-adjusted GDP). A portfolio level intensity metric is calculated as the weighted average of the underlying holdings' intensity metrics.

Analysing a fund's WACI assists the Trustee in identifying how carbon efficient the business models of the companies held within a portfolio are. Alongside Carbon Footprint, the Trustee has chosen this metric to assist them in prioritising carbon intense parts of the investment strategy for potential re-allocation or engagement as a means of mitigating associated climate-related risks.

Implied temperature rise

This is a forward-looking metric that considers the pledges, commitments and business strategy changes that underlying investee companies/issuers have made. It provides a prediction of the potential temperature rise over the rest of the century based on the activities of those companies and issuers. The metric illustrates the degree of portfolio alignment with the goals of the Paris Agreement.

The calculation of the level of warming is determined by mapping a given company's/issuer's level of over/undershoot (relative to its carbon budget) to a temperature outcome.

The Trustee has chosen this metric to include in this report because of its simplicity in presentation and a useful way to see, at a glance, the positioning of a fund relative to 1.5°C economy. This is also a measure of climate transition risk with greater transition risk highlighted in asset allocations with a higher Implied Temperature Rise.

Data Quality

Data Quality aims to represent the proportions of the portfolio for which the Trustee has high quality data. The Trustee has considered whether the underlying emissions data has been verified by a third party, reported by the company, estimated by the data provider, or unavailable to determine the how representative the analysis is of the Scheme's actual portfolio.

Data Quality also assists the Trustee in monitoring quality of reporting over time, as companies are expected to continually improve their reporting on climate-related metrics. As the quality of data improves, the decision usefulness of the climate metrics reported on the Scheme's portfolio increases. In addition, the Trustee is able to identify the companies in the portfolio that are not currently reporting emissions data and use this as the basis for engagement.

Data sources

Climate-related metrics provided by Mercer have been sourced from MSCI using stock list data provided by the investment managers. Other data has been requested directly from the asset managers.

Proxy data

For some asset classes, data coverage is too low (or no data is available) to be able to take a pro rata approach. Use of proxy data (data of other asset classes or funds that broadly represent a given fund) can help provide climate-related data where coverage for an asset class/fund is limited.

The Trustee considered the use of proxy metric data for private equity, private debt, property and secured finance (only for the mandate managed by Ares) however, the characteristics of the proxy funds was deemed to be too different from the invested assets to be able to make any informed investment decisions with the information and be of limited use from an engagement standpoint. For now, no data on these asset classes has been presented. These assets represent 17% of the total actual asset allocation.

Scope of emissions

In 2022, the Trustee reported on Scopes 1 and 2 emissions only. Last year and this year, Scope 1, 2 and 3 emissions data has been included, except where noted. Scope 3 emissions are often the largest proportion of an organisation's emissions, but they are also the hardest to measure. The complexity and global nature of an organisation's value chain make it hard to collect accurate data. The data coverage for Scope 3 emissions data is improving but the assessment of an invested company's carbon footprint could be considered an understatement. Scope 1, 2 and 3 emissions are as defined by the GHG protocol.

Data coverage

Data coverage refers to the proportion of an asset in which the various climate-related metric data is available. There are gaps in the data as:

- Some public listed companies are not publishing climate-related data or are providing poor quality data. This is relevant to public equity and corporate bonds.
- Many private companies do not currently produce climate-related data and coverage for private markets, such as private equity and private debt, will be low, or zero for mature funds.
- Sovereigns, or governments, may not publish climate-related data in the public domain. This is a particular challenge for emerging market debt. For UK government debt, data is available but there is a delay in the data being published.
- Short-term instruments, such as secured finance assets, have limited data available due to the short-term nature of the individual assets.
- For the long dated property portfolio, the occupiers of the buildings in the portfolio have full operational control and there are no Scope 1 or 2 emissions associated with the investments. The asset manager is looking to improve the collection of Scope 3 emissions data – this includes occupier activities where they have direct utility supplier contracts.

In this report, the Trustee has reported the climate metrics provided by each of the investment managers.

The Trustee is working with the investment advisor and asset managers to address the data gaps, as far as they are able.

Asset class assumptions

Liability Driven Investment (LDI)

The following assumptions have been made in the calculation of the climate-related metrics for the LDI mandate (Liability Hedging Programme):

- Government bond data uses 2021 emissions;
- Emissions associated with imports (energy and non-energy) have been excluded;
- Figures cannot sensibly be aggregated with emissions data for non-gilt assets due to risk of double counting as UK emissions include corporate and household emissions;
- The Scheme's asset position at 31 December 2024.
- The metrics cover the full economic exposure to UK gilts which will be from the physical gilt holdings and any exposure to repo.
- Gilts posted out as collateral by the LDI portfolio are included in the gilt valuations and gilts received as collateral are excluded.
- Interest rate swaps, inflation swaps, futures, cash and money market fund holdings have all been excluded.

Category	Market value of exposure (£m)	Absolute production emissions (tCO2e)
Gilts and index-linked gilts	786	60,409
Gilts and index-linked gilts funding	-311	-
Swap MTM and other cash	-0.8	-
SLF (Sterling Liquidity Fund)	5	2

Source: LGIM, UK Government, Debt Management Office (DMO) and International Monetary Fund (IMF). Valuations sourced by LGIM from portfolio management systems and may differ from official valuation sources.

Important notices from data providers

Mercer

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Ortec Finance

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