

Climate disclosures for the year ended 5 April 2026

Plumbing & Mechanical Services (UK) Industry Pension Scheme

Prepared by: The Trustee Directors (“the Directors”) of the Plumbing & Mechanical Services (UK) Industry Pension Scheme (“the Scheme”)

Date: 27 August 2026



Introduction

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

This report is the annual climate disclosures for the Scheme for the year ended 5 April 2026. This report has been prepared by the Trustee Directors in accordance with the regulations set out under The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the "Regulations") and is aligned to the Taskforce for Climate-related Financial Disclosures ("TCFD") framework.

Contents

Executive summary	2
Strategy	3
Metrics & targets	9
Appendices.....	13
Appendix 01 - Climate governance and risk management framework ..	14
Appendix 02 – Climate risk categories	18
Appendix 03 – Climate-related risk assessment in detail	19
Appendix 04 – Climate scenarios in detail.....	23
Appendix 05 – Climate metrics in detail	26
Appendix 06 – GHG emissions.....	29

Executive summary

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

Effective Governance and Risk Management for Climate Resilience

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

Strategy update

During the year Willis Towers Watson (“WTW”) was appointed as Outsourced Chief Investment Officer (“OCIO”) to the Scheme and the new investment strategy was being implemented and the metrics reflect the position at 30 June 2025.

Our qualitative risk analysis found that the asset classes the Scheme invests in are somewhat affected by climate-related risks, and these risks are expected to grow over time as the effects of climate change become more prevalent. We also identified several investment opportunities across different asset classes.

We conducted forward looking climate scenario analysis, on WTW target portfolio which showed that the Scheme’s investment portfolio exhibits reasonable resilience under most of the climate change scenarios modelled. This is due to a high hedging level, diversified assets and a relatively low-risk investment strategy.

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

Andy McKinnell on behalf of the Trustee Directors (“the Directors”) of the Plumbing & Mechanical Services (UK) Industry Pension Scheme (“the Scheme”).

Metrics & Target update



Emissions changes since last year

	Scope 1&2	Scope 3
Total emissions	↓	↑
Carbon footprint	↓	↓
Data coverage	-	↑

The investment portfolio is heavily weighted towards LDI and its annuity, which account for a significant portion of reported Scope 1&2 emissions. Equities and Private Markets made material reductions in their carbon footprints since last year.

Data coverage across most asset classes is good but there are notable gaps in Scope 3 reporting and for certain asset classes. Scope 3 emissions, when reported, are substantially higher than last year, highlighting the importance of considering these indirect emissions.

Whilst we are close to the overall portfolio target of 90% data coverage, the data coverage for credit lags the target of 70%. This primarily due to the challenge of obtaining meaningful data for asset backed securities (“ABS”). To improve data coverage, we will engage with the Scheme’s investment managers to improve the availability and reporting of emissions data for each asset class in the which the Scheme is invested.

Strategy

Identifying climate-related risks and opportunities

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

Given the number of asset classes used in the Scheme, we completed this exercise to the best of our ability. To help us with our assessment, we surveyed our investment managers asking them to rate the climate-related risks and opportunities they believe their fund(s) is exposed to. At the time of writing, 2 managers have not been able to provide information for the risk assessment.

Our investments

The Scheme's investment portfolio is diversified across a range of asset classes including equities, credit, property, infrastructure and liability drive investments ("LDI"). The Scheme also holds an annuity policy with L&G. During the year WTW was appointed as OCIO and a new investment strategy was implemented resulting in some changes to the investment portfolio.

	LDI	Credit	Real estate	Equities	Downside Risk Hedging	Private Markets	Liquid Diversifiers	Dynamic Asset Allocation
Allocation (excl. annuity)	45.4%	15.6%	13.7%	12.7%	1.5%	6.8%	2.9%	1.4%

Asset allocation as at 30 June 2025. Exclude cash and residual assets and the annuity policy which was valued at £885.2m as at 30 June 2025.

How the risk assessment works

Risk categories

The analysis divides climate-related risks into two types: **Transition risks** related to the transition to a low-carbon economy.

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

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

Ratings

The analysis uses RAG ratings where:

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

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

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

Time horizons

We assessed the climate-related risks and opportunities over different time horizons considering the Scheme liabilities. We decided the most appropriate time horizons for the Scheme are:

Short-term: 1-3 years

Medium-term: 4-10 years

Long-term: 11-20 years

Climate-related risk assessment

Key conclusions

Diversification across asset classes, sectors and regions is important to manage climate-related physical and transition risks for the Scheme. The risks identified by the managers are broadly consistent with last year.

Equities, which are a material part of the invested assets, are deemed a high-risk (particularly transition risks). Transition risks are more prevalent in the short-term whereas physical risks are more likely to be material over the longer-term time horizons.

Credit accounts for a significant part of the Scheme's investment portfolio and has been rated red (i.e. a higher level of financial exposure to risk) for some risks particularly in the long-term. Acute and chronic physical risks become more material as we approach the medium- and long-term time horizon when these events are expected to become increasingly frequent and severe. Regulatory risks are important risk factors in the long-term, particularly in high-risk sectors such as consumable fuels and utilities.

The LDI manager maintained a green rating for its financial exposure to climate-related risks in the short- to medium-term. Transition risks are assessed as amber for the long term, due to potential policy shifts affecting demand patterns and possibly increasing gilt yields.

Both of the real estate managers rated most of the physical risks as green and the transition risks as mainly amber, similar to last year. This is mainly driven by an increase in expenditure and debt associated with ensuring that property complies with the ever-changing regulations associated with greener buildings and reducing the risks of stranded assets.

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

Climate-related opportunities

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

Equity	The industrial, utility, and basic materials sectors face notable transition risks yet offer climate-related opportunities across all timeframes. As electric vehicles, renewables, and alternative fuels gain competitiveness, these sectors stand to grow. Success hinges on early adaptation and investment strategies. Due to sector impact variations, targeted investments focusing on resource scarcity, innovation, and regulatory shifts are crucial for capturing climate opportunities.
Credit	Climate-related opportunities include green bonds, which provide capital to projects focused on renewable energy, energy efficiency, and sustainable infrastructure.
Liquid Diversifiers	Changes to the frequency or severity of acute or chronic climate hazards will influence the demand for insurance coverage. This has the potential to increase (re)insurance premiums and the yields available on non-life Insurance Linked Strategies ("ILS") which creates opportunities for investors. Additionally, substantial protection gaps exist for risks like flooding, where many lack insurance coverage. As flood risks rise in certain areas, demand for insurance protection should grow, creating further investment opportunities for ILS funds.
Real Estate	In the short term, growing demand for low-carbon and climate-resilient buildings enables development of 'green asset' and 'net-zero' investment offerings. One

manager is enhancing its portfolios through decarbonisation audits, and investing in energy-efficient upgrades.

Over the medium term, opportunities are expected to grow as buildings progress towards Zero Emission Building (“ZEB”) standards, with focus on resilience, energy efficiency, and adapting to emerging regulations and market expectations. This enhances the sustainability credentials and market positions of portfolios.

Over the long term, managers expect continued growth in investment opportunities for assets meeting ZEB standards, underpinned by ongoing market and regulatory shifts towards low-carbon, climate-resilient buildings. Emphasising sustainability and adaptation will help maintain and enhance asset value and competitiveness.

LDI

Within-sector variation in climate-related valuation impact is expected to be large, especially in the most exposed sectors. Those governments that are formulating effective transition plans today and committing the required capital to ensure economic prosperity alongside decarbonisation going forward are among the most likely to benefit.

Beyond the low-carbon technologies already in use today, there are also many potential innovative solutions that could present opportunities. These include carbon capture and storage, direct air capture, low- or zero-carbon hydrogen and ammonia production and nature-based solutions.

It should also be said that just as sovereign bond investors are shielded from some of the downside risk from a low-carbon transition compared to equity investors, they will be unable to profit from much of the upside risk of climate-related opportunities.

Source: Managers

Assessing our managers' climate risk management

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

The table below summarises the responses from the investment managers detailing the types of initiatives they are signed up to and analysis that they conduct related to climate change reporting. Some managers were excluded on the basis of materiality.

Manager	TCFD Report	Climate-related risks analysis	Industry initiatives	Carbon Reporting	Temperature Alignment
CBRE	✓	✓	✓	✓	✓
Insight	✓	✓	✓	✓	✓
DTZ	✓	✓	✓	✓	✓
KKR	✓	✓	✓	✓	✓
L&G	✓	✓	✓	✓	✓
PIMCO	✓	✓	✓	✓	✗
SSGA	✓	✓	✓	✓	✓
WTW	✓	✓	✓	✓	✓
Leadenhall	✗	✓	✓	✓	✗

Source: Managers

Key conclusions

- Most managers (CBRE, Insight, DTZ, KKR, L&G, SSGA, WTW) meet all criteria but a couple lag on specific criteria.
- All the managers participate in industry initiatives such as Climate Action 100+, Institutional Investors Group on Climate Change, United Nations Principles for Responsible Investment ("UN PRI") and Science Based Targets Initiative ("SBTI").
- All the managers carry out climate-related scenario analysis and incorporate ESG considerations into their investment processes.
- Seven managers have a temperature alignment target. This is an improvement since last year where only two managers had temperature alignment targets.
- PIMCO is missing a single criterion, it does not have specific sustainability targets. But the manager has built tools to be able to look at the global temperature rise associated with the GHG emissions of a single entity, as well as factors such as issuers' science-based targets, or carbon emission data.
- Leadenhall is further behind, not meeting two key criteria; TCFD Reporting and Temperature Alignment.

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

Assessing the Scheme's resilience to climate change

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

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

Climate scenarios



Orderly transition

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

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

Reach net-zero by 2050

Carbon price 2030 \$100
2050 \$215

Environmental regulation rollout Coordinated



Disorderly transition

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

<3°C

After 2050

\$65
\$340

Late and aggressive



No transition

Climate action is delayed for four years, leading to more extreme weather, forcing governments to tackle GHG emissions

+4°C

After 2050

\$40
\$50

None

Source: Aon. **The scenarios were developed by Aon and are based on many assumptions. They are only illustrative and subject to considerable uncertainty.** Please see the [Appendix](#) for more details.

Director's update

Under the Regulations, climate scenario analysis must be carried out at least every 3 years, with yearly reviews to ensure it's still relevant. Given the Scheme is in its fourth reporting year under the TCFD regulations and following the changes in investment strategy, the Directors have chosen to refresh the climate scenario analysis this year.

Impact on the DB funding level

Key conclusions

The climate scenario modelling showed that the Scheme exhibits reasonable resilience under most of the scenarios, due to its diversified investments, hedging against inflation and interest rate changes, and a relatively low-risk strategy. **Based on the analysis, we do not plan to take any immediate actions.**

In a well-managed, **orderly transition** to a low-carbon economy, the Scheme's funding level falls temporarily by about 6%, but then recovers and grows strongly, ending well above the base case by 2045.

A **disorderly transition** is the worst-case scenario for the Scheme. Initially, the funding level improves, but after around nine years, there's a sharp decline that does not recover by the end of the modelling period.

The **no transition** scenario appears relatively benign in the results, but this is likely because many of the very negative climate outcomes are expected to occur beyond the modelling timeframe.

A key risk for the Scheme is volatility of the funding level. In particular, the **disorderly transition** and the **orderly transition** show notable falls in funding level. If such deterioration occurs, this could place strain on the Sponsor covenant.

More details on the scenario analysis results can be found in the [Appendix](#).

Considering climate change impacts on sponsoring employer(s)

A key risk identified from the analysis is the volatility of the funding level, with the disorderly transition scenario expected to have the most material impact on the funding level. Deterioration of the funding level could place a strain on the Sponsor covenant and participating employers, if they must make up a bigger shortfall through future deficit reduction contributions. It may also require the Scheme to re-risk to stay on track to achieve the funding target or extend the timeframe for achieving this.

We therefore recognise that climate change may have an impact on the employer covenant. We monitor the covenant on a regular basis, with the support of our covenant adviser and maintain a regular dialogue with the employers.

The Directors carried out the triennial actuarial valuation as at 5 April 2023. As part of this the Scheme Actuary helped the Directors assess the potential impact of climate change risk on the Scheme's funding assumptions.

Climate-related issues represent a material risk to the future economic stability in the long term, with potentially wide-ranging impacts on ESG matters. Key risks that can affect the Scheme's funding level include a reduction in asset value and members living longer than assumed. These risks are separately addressed by the Scheme Actuary.

Metrics & targets

Our climate metrics

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



Total Greenhouse Gas emissions

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



Carbon footprint

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



Data Coverage

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



Implied temperature rise

An estimate of the potential global temperature rise over the rest of the century based on the pledges, commitments and business strategy changes of the underlying companies and issuers. It is expressed as a temperature rise in degrees Celsius.

This metric gives the alignment of the Scheme's assets with the climate change goal of limiting the increase in the global average temperature to 1.5°C above pre-industrial levels.

Asset class	Allocation	Year	Scopes 1 and 2			Scope 3		
			Data Coverage	Total GHG emissions (tCO ₂ e)	Carbon footprint (tCO ₂ e/£m)	Data Coverage	Total GHG emissions (tCO ₂ e)	Carbon footprint (tCO ₂ e/£m)
Equities	9.3	2025	99%	5,686	52.1	99%	60,692	559.6
	3.8%	2024	99%	3,889	78.8	98%	46,965	964
Credit	11.4%	2025	50%	4,940	73.4	35%	14,616	308.2
	17.4%	2024	49%	7,654	69.9	14%	12,789	416.0
Real estate	10.0%	2025	48%	28	0.5	85%	1,659	16.5
	10.7%	2024	56%	57	0.7	83%	1,377	12.2
Liquid Diversifiers	2.1%	2025	100%	0	0.0	100%	0	0.0
	0.0%	2024	-	-	-	-	-	-
Private markets	4.9%	2025	99%	3,674	63.6	0%	-	-
	4.6%	2024	95%	23,823	421.6	0%	-	-
Dynamic Asset Allocation	1.1%	2025	0%	-	-	0%	-	-
	0.0%	2024	-	-	-	-	-	-
Downside Risk Hedging	1.1%	2025	0%	-	-	0%	-	-
	0.0%	2024	-	-	-	-	-	-
Annuity	27.0%	2025	100%	16,656	52.0	0%	-	-
	27.0%	2024	100%	19,653	57.0	0%	-	-
LDI	33.1%	2025	100%	52,036 Physical 68,188 Synthetic	135.6	n/a		
	34.5%	2024	100%	64,792 Physical 52,652 Synthetic	141.2	n/a		

Source: Investment managers / Aon. Figures may not sum due to rounding. Cash and residual assets have been excluded on the basis of materiality.

Emissions data was provided by the managers as at 30 June 2025 and 30 June 2024, except Private Markets, Real Estate, and annuity where data was provided as at 31 December 2024 and 31 December 2023.

We have not aggregated metrics across the whole portfolio because the methodologies used for some asset classes are significantly different and therefore it is not appropriate to combine them.

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

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

In 2024, Real Estate funds were reported under Property, and Inflation Protecting Illiquid, and Private Market funds were reported under Infrastructure.

Commentary

The portfolio is heavily weighted towards LDI and its annuity, which account for a significant portion of reported Scope 1&2 emissions. Some asset classes made material reductions in carbon footprints, particularly Equities and Private Markets.

Data coverage across most major asset classes is good but there are notable gaps in Scope 3 reporting and for certain asset classes (Credit, Real Estate, Dynamic Allocation). Scope 3 emissions, when reported (especially in Equities and Credit), are substantially higher than last year, highlighting the importance of considering these indirect emissions. Smaller allocations to diversifiers and hedging strategies contribute negligibly.

Implied temperature rise

Asset class	Allocation	Year	ITR (°C)
Equities	9.3%	2025	2.4 - 2.6
	3.8%	2024	2.5 - 2.6
Credit	11.4%	2025	Not provided
	17.4%	2024	2.7
Annuity	27.0%	2025	2.4 - 2.8
	27.0%	2024	2.5

Source: Investment managers / Aon. Data as at 30 June 2025 except the annuity which is as at 31 December 2024. For 2024 information, data as at 30 June 2024 except the annuity which is as at 31 December 2023.

We excluded LDI, due to the nature of the underlying assets this metric is not applicable. We also excluded real estate and private markets from this analysis due to the data not being readily available from the investment managers.

Notes on the data

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

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

Availability of data:

- 8 funds provided scopes 1, 2 and 3 GHG emissions.
- 2 funds provided scopes 1 and 2 only.
- 3 funds did not provide any information.
- 3 funds provided ITR data.
- 1 manager was excluded on materiality grounds etc

Aon did not make estimates for missing data.

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

How we collected the carbon data

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

Targets

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

In our first year of reporting, we set a target to improve data coverage to 75% for the credit portfolio and to 90% for the overall portfolio by 2028. Without meaningful data from the investment managers, it is very hard for us to measure our climate-risk exposure. So, it is important to set a target to improve the data quality of the GHG emissions data from the managers.

Director's update

Each year we review the suitability of the target we have set. Based on the data collected and the metrics calculated this year, we believe the target continues to be suitable. We will review the target next year following the completion of the investment strategy changes.

Our progress towards the target

Data coverage for credit and the portfolio overall remained broadly the same as last year. Whilst we are close to the overall portfolio target of 90% data coverage, the data coverage for credit lags. This primarily due to the challenge of obtaining meaningful data for asset backed securities ("ABS") which is less straightforward than more traditional credit instruments such as corporate bonds.

Asset class	Target	Actual Coverage			
	by 2028	2025	2024	2023	2022
Credit	75%	49.6%	49.4%	48.6%	30.0%
Overall	90%	86.8%	86.2%	85.6%	81.1%

Source: Investment managers. Note: Based on scopes 1 and 2 emissions. LDI and annuities data coverage has been included in the overall portfolio percentage for illustrative purposes only. This is because typically, LDI and annuities are not comparable with the other asset classes within the portfolio so is excluded. Total data coverage excl. annuities and LDI is 80.2%.

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

Steps we are taking to reach the target

To improve data coverage, we will engage with the Scheme's investment managers to improve the availability and reporting of emissions data for each asset class in which the Scheme is invested. Through ongoing pressure from asset owners collectively and new regulatory requirements for asset managers, we expect data coverage to improve over time and will engage further with the managers if progress does not meet our expectations.

Appendices



Appendix 01 - Climate governance and risk management framework

Climate governance

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

We agreed our climate-related beliefs and our approach to managing climate change risk. These are set out in the Scheme’s Statement of Investment Principles (“SIP”), which is reviewed at least every three years (or sooner in the event of a significant change in investment policy) by the Directors.

Our climate beliefs

We believe that the risks associated with climate change can have a materially detrimental impact on the Scheme’s investment returns within the timeframe that we are concerned about and, as such, we integrate assessments of climate change risk into our investment decisions.

We believe that climate-related factors may create investment opportunities. Where possible, and appropriately aligned with our strategic objectives and fiduciary duty, we will seek to capture such opportunities through the Scheme’s investment portfolio.

We assess climate related risks and opportunities over multiple time horizons. We have decided the most appropriate time horizons for the Scheme are:

- short term: 1-3 years
- medium term: 4-10 years
- long term: 11-20 years

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

We receive regular training on climate-related issues, when appropriate, to develop the appropriate degree of knowledge and understanding on these issues to support good decision-making.

We expect our advisers to bring important and relevant climate-related issues and developments to our attention in a timely manner, informing us of their relevance to the Scheme and incorporating climate related issues into advice.

We have delegated oversight and day-to-day implementation of the Scheme’s climate change risk management framework to the Investment, Funding and Covenant (“IFC”) Committee, which is a sub-committee of the Trustee Board.

Role of the Investment, Funding and Covenant (“IFC”) Committee

The IFC monitors and reviews progress against the Scheme’s climate change risk management approach on an annual basis. The IFC will keep the Trustee Board appraised of any material climate-related developments through regular (typically annual) updates.

The key activities undertaken by the IFC, with the support of the Directors’ advisers, are:

- ensuring the investment strategy or any implementation proposals consider the impact of climate risks and opportunities;
- engaging with the Scheme’s investment managers to understand how climate-related risks are considered in their investment approach;
- working with the investment managers to disclose relevant climate-related metrics as set out in the TCFD recommendations;

- ensuring that stewardship activities are being carried out appropriately by the investment managers on the Scheme's behalf;
- monitoring and reviewing progress against the Scheme's risk management framework.

How we work with our advisors

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

Outsourced Chief Investment Officer ("OCIO") – our OCIO, Willis Towers Watson ("WTW"), acts as the Scheme fiduciary manager and supports the Scheme in developing and implementing investment strategy changes.

Strategic adviser – Aon, provides investment-related strategic advice and support on our climate-related risks and opportunities. This includes the TCFD report, training and updates

on climate-related issues and climate change scenario modelling.

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

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

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

Covenant adviser - our covenant adviser, Interpatch Advisory, helps us understand the potential impact of climate-related risk on the industry and employer covenant for the Scheme.

Directors' update

During the reporting year, the Scheme appointed Willis Towers Watson ("WTW") as a Outsourced Chief Investment Officer ("OCIO") and is currently in the process of implementing a new investment strategy.

Over the year, we worked closely with Aon to publish our fourth TCFD report. We recently assessed our investment consultant, Aon, against its climate-related objectives and concluded that Aon met our expectations.

Climate risk management framework

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

Governance

Activity	Owner	Support	Frequency
Climate change governance framework (this document)	Directors	Advisers	Annual
Publish TCFD report and implementation statement	Directors	Advisers	Annual
Review adviser objectives to ensure advisers have appropriate climate capability, and bring important, relevant and timely climate-related issues to the Directors' attention.	Directors	Advisers	Annual
Engage with the investment managers to understand how climate risks are considered in their investment approach, and stewardship activities are being undertaken appropriately	Directors	OCIO, Fund managers, Investment adviser	Annual
Ensure investment proposals explicitly consider the impact of climate risks and opportunities, and seek investment opportunities	IFC	OCIO, Investment adviser	Ongoing
Ensure that actuarial and covenant advice adequately incorporate climate-related risk factors where they are relevant and material	Directors	Scheme Actuary, Covenant adviser	Triennial

Directors' update

The Trustee Directors monitors the above activities as part of the Scheme's ongoing management of the climate-related risks and opportunities, which includes the monitoring and reviewing of progress against the Scheme's climate risk management framework.

Strategy

Activity	Owner	Support	Frequency
Identify climate-related risks and opportunities (over agreed time periods) for investment & funding strategy and assess their likelihood and impact.	IFC	Fund managers, Advisers	Annual
Climate scenario analysis - annual review for the continuing suitability of the results	IFC	Investment adviser	Annual

Directors' update

We have spent dedicated time during the year to analyse climate-related risks and opportunities for the Scheme's various asset classes with the support of IFC and our investment adviser. We surveyed the investment managers and insurer asking them to rate the climate-related risks and opportunities they believe their investments are exposed to.

Under the Regulations, climate change scenario analysis must be carried out at least every 3 years. Given this is the fourth reporting year, we updated the climate scenario analysis.

Risk management

Activity	Owner	Support	Frequency
Seek to understand the climate-related risks to the employer over the short, medium, and long term.	Directors	Covenant adviser	Annual
Consider the prioritisation of those climate-related risks, and the management of the most significant in terms of potential loss and likelihood.	IFC	Advisers	Annual
Include consideration of climate-related risks in the Scheme's other risk processes and documents, such as the risk register and the SIP, and regularly review these.	IFC	Advisers	Ongoing

Directors' update

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

We carried out a qualitative assessment of climate risks and a quantitative climate scenario analysis, which combined help us to focus on the risks that pose the most significant impact.

Metrics and Targets

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

Directors' update

For this report, we collected and reported the carbon metrics associated with the Scheme's assets. We reviewed the target set by the Scheme and we believe it remains suitable.

Appendix 02 – Climate risk categories

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

Transition risks

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

Policy and legal

Examples

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

Potential financial impacts

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

Technology

Examples

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

Potential financial impacts

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

Market

Examples

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

Potential financial impacts

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

Reputational

Examples

Stigmatisation of sector
Increased stakeholder concern or negative stakeholder feedback

Potential financial impacts

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

Physical Risks

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

Acute

Examples

Extreme heat
Extreme rainfall
Floods
Droughts

Chronic

Examples

Water stress
Sea level rises
Land degradation
Variability in temperature

Appendix 03 – Climate-related risk assessment in detail

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

L&G – Equities – 3.0% of portfolio (excluding the annuity)

Physical Risks

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

The manager expects minimal short-term climate-related financial impact at the global equity index level. However, medium-term acute physical risks are likely to increase, while chronic risks remain less significant. In the long term, extreme weather is expected to disrupt businesses and harm economic performance, increasingly affecting the portfolio. The manager also warns that climate uncertainty may render some regions uninsurable, leading to asset write-offs.

Transitional Risks

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

The manager sees short-term transition risks as low but remains cautious about the impact of evolving carbon policies on companies. They anticipate earnings volatility as climate regulations change. Companies slow to adopt low-carbon technologies could face significant challenges, and shifts in demand for related materials may affect global markets. Rising carbon prices pose additional risks, and prolonged inaction on climate policy could damage companies' reputations.

DTZ – Real Estate – 6.6% of portfolio (excluding the annuity)

Physical Risks

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

The manager deemed acute climate risks to have a minimal impact on the fund over all time frames given that most of its assets are UK based and have minimal exposure to acute climate risk. For chronic physical risks, however, the manager identified events such as extreme heat and landslides to pose risks to its holdings in the long-term due to the UK's morphology.

Transitional Risks

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

In the short-term, the manager has identified that regulations and compliance to improve efficiency standards pose a mild risk to the portfolio. In addition, increased capital expenditure used to comply with these regulations and to reduce stranded assets poses risk to the fund, thus the manager has identified technology and regulatory risks as medium risks. In the medium-term the transition to cleaner energy may impact some of the fund's holdings due to decreased demand from customers and increased liability through the risk of stranded assets.

Source: Managers

CBRE – Real Estate – 6.9% of portfolio (excluding the annuity)

Physical Risks

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

The fund has a low average exposure to acute and chronic physical climate hazards across all time horizons as indicated by the low rating in the table above. The manager utilises the Moody's Physical Risk Tool methodology. Based on this analysis, it was concluded that the portfolio has a medium average exposure to floods, low exposure to hurricanes and typhoons (i.e., extreme winds), and generally no exposure to sea level rise. Individual assets might have different exposures to individual hazards.

Transitional Risks

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

The manager believes there are reputational risks for real estate managers in medium and long term due to managers failing to set and meet relevant climate-related targets and reducing emissions. The manager is managing reputation based transitional risks through underlying asset-level processes from energy performance certificates performance management to Carbon Risk Real Estate Monitor analysis and green building certifications programs. To effectively manage policy and legal risks, the manager has its Sustainability and Legal and Compliance teams, as well as external advisors and technical consultants, monitoring for policies and regulations that apply to its business.

PIMCO – Credit – 6.7% of portfolio (excluding the annuity)

Physical Risks

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

The manager does not see material financial impacts in the short-term as the risks associated with acute and chronic weather risks such as floods, wildfires and hurricanes have had a limited impact on corporate issuers' financials. The manager identifies acute and chronic risk becoming a more material impact as we approach the medium-term horizon where these impacts will become increasingly frequent and severe. Over the long-term the investment manager sees risks from extreme weather events as becoming exacerbated affecting corporate issuers financials and therefore labelling it as a high-risk.

Transitional Risks

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

The manager believes policy risks are the most important risk factors in the long-term, particularly in high-risk sectors such as consumable fuels and utilities. In the long run the policing of emissions and holding corporates accountable to sustainability will be at its peak, thereby intensifying reputation risks in the long-term. Technology substitution is a risk enhancer as new technologies strip out the need for oil and gas production and distribution, a key growth factor in these high-risk sectors.

Source: Managers

Insight – Credit – 4.7% of portfolio (excluding the annuity)

Physical Risks

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

The manager does not see material financial impacts in the short-term as the risks associated with acute and chronic weather risks such as floods, wildfires and hurricanes have had a limited impact on corporate issuers' financials. The manager identifies acute and chronic risks becoming a more material impact as we approach the medium to longer-term horizon where these impacts will become increasingly frequent and severe.

Transitional Risks

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

The manager believes policy risks arise mostly from deeper carbon cuts as a result of policy changes, but that such policy actions are likely to be delayed beyond the medium term. Substitution technologies such as hydrogen-based technology are likely to take time before becoming cost competitive and therefore will be a medium to longer-term disruption to industries at scale.

Leadenhall – Liquid Diversifiers – 2.9% of portfolio (excluding the annuity)

Physical Risks

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

The manager does not see material financial impacts in the short- to medium-term as the risks associated with acute and chronic weather risks such as floods, wildfires and hurricanes have had a limited impact on corporate issuers' financials. The manager identifies acute and chronic risks becoming a more material impact as we approach the longer-term horizon where these impacts will become increasingly frequent and severe.

Transitional Risks

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

In the short term, the manager expects transition risks to have limited financial impact, with current modelling and controls supporting risk management. Over the medium and long term, these risks may grow more significant, especially for carbon-intensive sectors, as evolving policies and market expectations shift risk profiles. Technological progress will aid adaptation, but changing market dynamics and perceptions may affect capital requirements and product offerings. The manager anticipates transition risks will become increasingly material as climate change advances.

Source: Managers

L&G – LDI – 45.4% of portfolio (excluding the annuity)

Physical Risks

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

The manager does not see material financial impacts in the short-term and medium-term. These risks are relatively geographically concentrated and not expected to have material financial impact on UK sovereign bonds, although there is some risk over the longer-term.

Transitional Risks

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

Policy changes such as carbon pricing will cause demand patterns to shift over the medium and long terms and may be accompanied by changing market sentiment independent of policy change. It is likely that many fossils fuel exporting countries see relatively larger losses in GDP, depending on the ambition of global policy and resulting demand patterns. As a result, they may see their credit ratings fall and yields increase, with some impact on investors' global sovereign bond portfolios.

KKR – Private Markets – 6.7% of portfolio

KKR were unable to complete the climate risk and opportunities questionnaire. However, they provided their sustainability report that covers how they consider both physical and transition risks at the firm level.

Physical risks

At the firm level, the manager identified that physical risks had potentially higher impacts on specific sectors such as energy, transportation, manufacturing, and real estate. Acute risks associated with increased severity of extreme weather events such as floods and storms are more likely to have an impact on communications technology and healthcare and information. The manager found that physical risks did not have a significant impact on the retail, financial and consumer technology sectors but does highlight these sectors will experience secondary impacts from the other more affected sectors.

Transition risks

At the firm level, the manager identified that risks associated with transitioning to a low-carbon economy affected sectors such as energy, transportation, manufacturing, and real estate to a greater extent. The manager highlights that these companies have a more pressing need to mitigate these risks as well as gaining greater insights in the extent of these impacts and potential mitigation and adaption options to ensure these risks are minimal.

Source: Managers

Appendix 04 – Climate scenarios in detail

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

Base case Temperature rise +1.5°C- 2.4°C Reach net-zero 2050 Uncoordinated environmental regulation	Summary of the Scenario The base case uses Aon's Capital Market Assumptions, reflecting current market pricing, including climate impacts. Action is taken to tackle climate change, but the approach is fragmented. The transition to a low-carbon economy is assumed to be a slow yet orderly.	Impact to the Scheme The funding level gently increases, accelerating over time.
Disorderly Scenario Temperature rise <4°C Reach net-zero after 2050 Late and aggressive environmental regulation	Summary of the Scenario In the short term: Insufficient consideration is given to long-term policies and there is no action taken to combat climate change. In the medium term: Late but coordinated action is taken to tackle climate change. The late timing means it is less effective and more costly. Adverse impacts from climate change leads to poor performance of growth assets. In the long term: The transition to clean technologies and green regulation begins to boost economic growth. But physical climate risks remain prominent.	Impact to the Scheme In the short term: There is no initial impact on the Scheme as the performance of the assets, and the funding level is expected to follow a similar path to the base case. In the medium term: Around 9 years, the funding level deteriorates sharply as a result of late and aggressive action to tackle climate change. This may place a strain on the employers should they be required to make up any funding shortfalls with additional contributions. In the long term: The funding level continues to deteriorate, falling c. 20% from its peak. The funding level does not recover by the end of the modelling period, leaving the Scheme materially worse off relative to the base case. This is the worst case scenario for the Scheme.
Orderly Scenario Temperature rise <2°C Reach net-zero 2050 Coordinated environmental regulation	Summary of the Scenario In the short term: Immediate coordinated global action is taken to tackle climate change. Growth assets perform poorly. In the medium term: The rapid transition to clean technologies and green regulation begins to boost economic growth.	Impact to the Scheme In the short term: The Scheme experiences a sudden fall, c.7%, in the funding level before starting to recover. In the medium term: The funding level continues to recover and then follows a similar trajectory as the base case.

	In the long term: Economic growth continues. This represents the fastest transition to a green economy, combined with limited physical impacts from climate change.	In the long term: The funding level gently increases accelerating over time and it is expected to outpace the base case near the end of the modelling period. This is the best case scenario for the Scheme.
No Transition Scenario Temperature rise +4°C Reach net-zero After 2050 No introduction of environmental regulation	Summary of the Scenario In the short term: No agreed global action is taken to combat climate change In the medium term: No action is taken to combat climate change. Impacts from physical risks gradually become more severe over time leading to a drag on economic growth and asset returns. In the long term: Climate change headwinds grow and act as a drag on economic growth and asset returns. Impacts from physical risks become more severe and irreversible.	Impact to the Scheme In the short term: There is no initial impact on the Scheme as the performance of the assets, and the funding level is expected to follow a similar path to the base case. In the medium term: The funding level stays relatively stable and gently increasing over time, slightly below the base case path. In the long term: The funding level improvement slows down before beginning to deteriorate falling far behind the base case by the end of the modelling period.

Source: Aon. Effective date of the impact assessment is 30 Jun 2025.

Modelling limitations

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

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

When changing the investment strategy, it is important to consider other relevant issues such as governance, costs, and implementation, including choosing managers and conducting due diligence.

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

Modelling assumptions

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

The purpose of the model is to consider the long-term exposure of the Scheme to climate-related risks and the pattern of asset returns over the long term.

In particular, the model considers different climate change scenarios and the approximate impact on asset/liability values over the long-term.

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

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

The parameters in the model vary deterministically with the different scenarios.

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

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

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

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

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

The model has been set up to capture recent market conditions and views; the model may propose different solutions for the same strategy under different market conditions.

Appendix 05 – Climate metrics in detail

Asset class	Allocation	Year	Scopes 1 and 2			Scope 3		
			Data Coverage	Total GHG emissions (tCO ₂ e)	Carbon footprint (tCO ₂ e/£ m)	Data Coverage (%)	Total GHG emissions (tCO ₂ e)	Carbon footprint (tCO ₂ e/£ m)
Equities	9.3%	2025	99%	5,686	52.1	99%	60,692	559.6
	3.8%	2024	99%	3,889	78.8	98%	46,965	964.0
L&G Min vol	1.1%	2025	100%	370	20.7	100%	4,842	271.3
	1.9%	2024	100%	712	28.8	99%	11,136	453.1
L&G RAFI	1.1%	2025	100%	1,336	74.5	100%	16,977	946.9
	1.9%	2024	99%	2,664	108.3	97%	35,829	1,243.6
SSgA Global Equities	7.1%	2025	99%	3,981	34.9	98%	38,874	343.5
	-	2024	-	-	-	-	-	-
Credit	11.4%	2025	50%	49,340	73.4	35%	14,616	308.2
	17.4%	2024	49%	7,654	69.9	14%	12,789	416.0
Insight	3.5%	2025	18%	111	15.1	-	-	-
	8.6%	2024	21%	78.0%	3.4	-	-	-
PIMCO	4.9%	2025	61%	770	21.9	61%	6,471	183.7
	8.8%	2024	77%	7,577	87.4	27%	12,789	416.0
WTW	3.1%	2025	67%	4,058	164.2	33%	8,144	668.4
	-	2024	-	-	-	-	-	-
Private Markets KKR	4.9%	2025	99%	3,674	63.6	-	-	-
	4.6%	2024	95%	23,823	421.6	-	-	-
Real Estate	10.0%	2025	48%	28	0.5	85%	1,659	16.5
	10.7%	2024	56%	57	0.7	83%	1,377	12.2
DTZ	4.8%	2025	100%	28	0.5	71%	861	21.2
	6.1%	2024	100%	57	0.7	70%	565	10.6
CBRE	5.1%	2025	-	-	-	99%	792	13.2
	4.7%	2024	-	-	-	99%	813	13.6
Annuity	27.0%	2025	100%	16,656	52.0	0%	-	-
	27.0%	2024	100%	19,653	57.0	n/a	-	-
LDI L&G	33.1%	2025	100%	52,036 Physical 68,188 Synthetic	135.6	-	-	-
	34.5%	2024	100%	64,792 Physical 52,652 Synthetic	141.2	-	-	-

Source: Investment managers / Aon. Figures may not sum due to rounding.

Emissions data was provided by the managers as at 30 June 2025 and 30 June 2024, except Private Markets, Real Estate, and the annuity where data was provided as at 31 December 2024 and 31 December 2023.

We have not aggregated metrics across the whole portfolio because the methodologies used for some asset classes are significantly different and therefore it is not appropriate to combine them.

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

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

No data was available for Liquid Diversifiers, Downside Risk Hedging, Dynamic Asset Allocation and Real Estate - Bellevue House; these are not shown in the table above for simplicity. These represent c.4.4% of the portfolio.

We excluded cash and residual assets on the grounds of materiality. These represent c.2.4% of the portfolio.

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

Additional information on the metrics calculations

Carbon metrics for non-LDI asset classes

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

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

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

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

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

Where i is each fund in the asset class

G_i = Total GHG for fund i (tCO₂e)

A_i = Assets invested in fund i (£M)

C_i = Data Coverage of fund i (%)

Aon does not make estimates for data which was unavailable

The carbon metrics for LDI

Scopes 1 and 2 emissions associated with LDI includes both physical emissions (emissions associated with physical assets) and synthetic emissions (emissions associated with the notional exposure to government bonds gained through derivatives). The Scheme/Plan's LDI

manager(s) provided the value of the physical and synthetic government bond exposures.

The carbon footprint was calculated by Aon as follows:

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

Where UK national emissions scopes 1 and 2 as at 31 December 2022 as reported by the Emissions Database for Global Atmospheric Research; and PPP (Purchasing Power Parity)-adjusted GDP as at 31 December 2022 as reported by the World Banking Group.

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

$$\text{£M physical exposure} \times \text{Carbon footprint} \times \text{Data coverage}$$

$$\text{£M synthetic exposure} \times \text{Carbon footprint} \times \text{Data coverage}$$

Where data coverage is assumed to be 100% estimated.

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

Implied temperature rise

Aon asked investment managers for the implied temperature rise of each fund and aggregated the results based on asset invested in each fund.

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

Guidance from the Department of Work and Pensions² advises against aggregating ITR unless the same method is used across all investments. We used individual manager data, so consistency in methodology can't be guaranteed.

Industry-wide issues

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

² Statutory guidance: Governance and reporting of climate change risk: guidance for trustees of occupational schemes - GOV.UK (www.gov.uk)

Appendix 06 – GHG emissions

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

Since the Industrial Revolution, greenhouse gas levels have risen significantly. The Kyoto Protocol³ identifies six major greenhouse gases, with human-made carbon dioxide being the largest contributor to global warming. Each gas has different global warming potential and atmospheric persistence, so emissions are measured as carbon dioxide equivalent (CO₂e) for comparison.

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

Scope 1: All direct emissions from the activities of an organisation which are under their control; these typically include emissions from their own buildings, facilities and vehicles

Scope 2: These are the indirect emissions from the generation of electricity purchased and used by an organisation

Scope 3: All other indirect emissions linked to the wider supply chain and activities of the organisation from outside its own operations – from the goods it purchases to the disposal of the products it sells

Main greenhouse gases identified by the Kyoto Protocol

CO₂
Carbon dioxide

CH₄
Methane

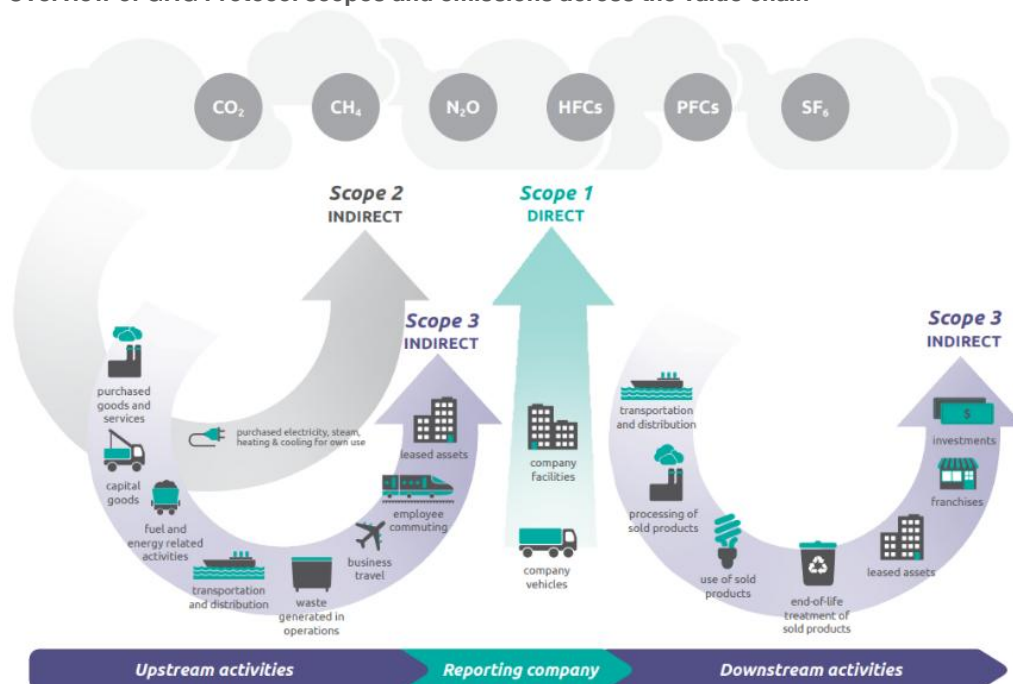
N₂O
Nitrous oxide

HFCs
Hydrofluorocarbons

PFCs
Perfluorocarbons

SF₆
Sulphur hexafluoride

Overview of GHG Protocol scopes and emissions across the value chain



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

³ https://unfccc.int/kyoto_protocol