Northern Ireland Electricity Pension Scheme

How we manage climate-related risks and opportunities for the Scheme

A report for members by the Trustees of the Scheme, for the year ending 31 March 2026

Why have we written this report?

Dear Scheme members,

The Trustees believe that good management of Environmental, Social and Governance ("ESG") issues including climate change is important for the Scheme, its members and wider society, across both the defined benefit (the "Focus Section") and the defined contribution (the "Options Section") sections of the Scheme. Accordingly, we place significant focus on ensuring the companies that we invest in are managing these issues well.

Our fourth annual report provides you with the opportunity to find out more about the work carried out by the Trustees in relation to climate change over the year to 31 March 2026.

Although this report is required by legislation, the monitoring of our investment managers' engagement with companies on strategic and ESG matters is a core part of our stewardship responsibilities.

We recognise that the content of this report is quite technical. We have used plain English wherever possible, but a glossary is included in Appendix 3 to help you understand the more technical terms.

We hope that you find it informative. The Trustees would welcome any feedback – please contact us via paula.cunningham@nienetworks.co.uk or +44 07824 857608.

Signed by the Chair of the Trustees

Peter Ewing

Content of this report

Overview

The Trustees of the Northern Ireland Electricity Pension Scheme view climate change to be a financially material factor for the Scheme, over both the short and longer term. It represents a systemic risk to society, the economy and the financial system, although the transition to a low carbon economy also presents opportunities for investors.

These risks and opportunities have the potential to impact the Scheme's investments, the financial health of the sponsoring employer and the Scheme's funding position. The Trustees monitor this potential impact and take steps to reduce climate-related risks on behalf of members.

This report describes how the Trustees have identified, assessed and managed climate-related risks and opportunities to the Scheme during the Scheme year to 31 March 2026.

Published alongside the Scheme's annual report and accounts for the Scheme year to 31 March 2026 and available online at: https://nieps.lcp.uk.com.

Key Messages

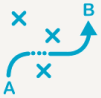
Governance – the Trustees have a strong framework for managing the Scheme. This includes setting clear expectations and responsibilities in relation to climate change.

A Climate Governance Statement sets out responsibilities of everyone involved

Climate-related risks and opportunities are reviewed regularly

The Scheme's advisers support the Trustees on climate-related matters

Strategy and Risk Management – the Trustees have taken steps to understand how climate change might affect the Scheme and to control the risks it brings. They aim to reduce the risks to the Scheme by:



Holding less risky assets (e.g., equities) as the Focus Section funding position improves and offering a well-balanced default strategy for Option Section members

Investing responsibly, in line with the Trustees' policy on environmental, social and governance factors

Regularly reviewing the Scheme's investment manager's climate practices

Using the Scheme's influence as an investor to encourage positive climate action by companies

Metrics and Target – the Trustees have collected and reviewed information about the Scheme's assets, to help them understand the level of climate-related risks in the Scheme. They have also set a target to increase the proportion of assets held that are aligned with a "net zero" pathway. The Trustees have:

Collected and reviewed greenhouse gas emissions data for the Scheme's investments

Reported the proportion of investments with no data or estimated data

Set a target to increase "net zero" alignment by 2027

Section 1 – Governance

How the Trustees maintain oversight of climate-related risks and opportunities

The Trustees believe that climate change is a material financial risk to the Scheme, alongside other environmental, social and governance (ESG) considerations. The Trustees have committed appropriate time and resources to ensure that their objectives in this area have been met. This has been driven by the Trustees' belief regarding the potential impact of climate-related risks and opportunities on the Scheme, as well as the need to ensure compliance with the Trustees' legal obligations in relation to climate change.

Over the year, the Trustees received training sessions and update reports covering responsible investment and climate-related risks and opportunities. These were carried out by the Scheme's investment adviser, LCP. Where any knowledge gaps were identified, these were addressed. The Trustees also regularly discuss, question and challenge the information they receive from their investment adviser and managers.

Roles and responsibilities

The Trustees have agreed a "Climate Governance Statement" which clearly lays out the division of responsibilities between the Trustees, their actuarial, investment, covenant and legal advisers, and their investment managers, in order to maintain appropriate oversight of the climate-related risks and opportunities relevant to the Scheme so that the Trustees can be confident that their statutory and fiduciary obligations are being met. This Climate Governance Statement sets out the roles and responsibilities of the Trustees' professional advisers. The Trustees work closely with the Scheme's investment, actuarial, covenant and legal advisers in identifying, assessing, monitoring and managing climate-related risks and opportunities. Details of the nature and frequency of monitoring activities are also included in the Climate Governance Statement. A copy of this is available upon request.

The Trustees of the Scheme have the sole and ultimate responsibility for ensuring effective governance of climate-related risks and opportunities in relation to the Scheme.

As the Trustees have ultimate responsibility for Scheme governance activities, their role is to review and discuss any information, decisions and proposals that have been made by their advisers. Having done so, the Trustees will then confirm or amend any decisions or proposals made, and ensure the decisions are implemented appropriately. All decisions are approved by the Trustees, including but not limited to decisions relating to climate change.

The Trustees' role also includes:

- agreeing training requirements and scheduling them into the business plan to ensure sufficient knowledge and understanding of climate change;
- putting effective climate governance arrangements in place;
- allowing for climate-related considerations when assessing and monitoring the strength of the sponsoring employer's covenant;
- ensuring the Scheme's advisers have clearly defined responsibilities in respect of climate change; and
- communicating with Scheme members and other stakeholders on climate change where appropriate.

Section 1 – Governance

The Trustees ensure climate change is addressed throughout the Scheme's activities

The Trustees oversee the identification, assessment and management of these risks and opportunities that are relevant to the Scheme. They do this by reviewing, discussing and, where appropriate, challenging the information and advice they receive.

The Trustees have established processes to satisfy themselves that adequate steps are being taken and that third parties are taking adequate steps to identify, assess and manage those risks and opportunities.

The Trustees seek input from their advisors to ensure that they are able to identify, assess and manage climate-related risks and opportunities. From time to time, the Trustees will review the climate competency of their advisers and take appropriate action if any concerns are identified. When appointing new advisers in future, the Trustees would consider whether the advisers have suitable climate credentials through discussing their experience and qualifications in this area.

With appropriate advisers in place, the Trustees ensure that climate-related risks and opportunities are considered as part of any relevant advice, such as the actuarial valuation process, investment strategy review and assessment of the sponsoring employer's covenant.

The Trustees satisfy themselves that their consultants take adequate steps to identify and assess climate-related risks and opportunities which are relevant to the matters on which they are advising by ensuring the consultants:

- are set clearly defined responsibilities in respect of climate change;
- have documented their responsibilities in relevant agreements, such as investment consultants' strategic objectives and service agreements;
- have adequate expertise and resources, including time and staff, to carry these out; and
- are adequately prioritising climate-related risk.

When setting their annual business plan, the Trustees ensure appropriate coverage of ESG and climate-related topics. In addition, the Trustees assess their knowledge and understanding of climate risks and opportunities and identify any training requirements needed to ensure they have the skills required to manage these risks and opportunities. The training undertaken is documented in the Trustees' training log.

Climate-related actions taken in the 12 months to 31 March 2026

The Trustees received an in-depth assessment of manager stewardship capabilities from its investment adviser, covering CTI, Ruffer, M&G, BlackRock and Ruffer (collectively representing around 50% of Focus section assets and 100% of Options section default strategy assets). As a result, key "asks" were identified and communicated with the managers to support them in improving their stewardship approach. The Trustees plan to monitor progress against these "asks" regularly, through regular meetings between its investment adviser and managers.

The Trustees also reviewed the results of an annual Responsible Investment survey conducted by its investment adviser, which assessed the broader practices of the investment managers and identified focussed areas for further manager engagement.

The Trustees assessed the Scheme's key climate risk exposures from an investment and funding perspective, including:

- calculation of the Scheme's climate metrics, alongside a comparison of how these have changed over the last year; and
- updated climate scenario analysis.

Section 1 – Governance

How the Trustees incorporate climate-related risks into their Statement of Investment Principles

The Trustees incorporate their beliefs and policies on climate-related risks into their Statement of Investment Principles, which helps to define the investment strategy for the Scheme.

Climate beliefs within the Statement of Investment Principles

"We consider how ESG considerations (including but not limited to climate change) should be addressed in the selection, retention, and realisation of investments, given the time horizon of the Scheme and its members.

We influence the Scheme's approach to ESG and other financially material factors through our investment strategy and manager selection decisions. We expect all of our investment managers to take account of financially material factors (including climate change and other ESG factors) within the parameters of the mandates they are set. We seek to appoint managers that have the skills and processes to do this, and periodically review how the managers are taking account of these issues in practice.

We have limited influence over managers' investment practices where assets are held in pooled funds, but we encourage our managers to improve their ESG practices within the parameters of their funds.

We do not consider any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention, and realisation of investments for the Focus Section.

Within the Options Section we recognise that some members may wish for ESG and religious factors to be more explicitly reflected in their investments and therefore have made available the Aegon BlackRock World ESG Equity Tracker Fund and the NIEPS - Islamic Global Equity Fund as investment options to members in the self-select fund range."

Section 2 – Strategy

Introduction

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

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

The Trustees have implemented a framework for identifying, assessing and managing climate-related risks and opportunities, including climate scenario analysis, monitoring of metrics and targets and stewardship, as well as ensuring its advisers have processes in place to help it research its investment managers' climate-related practices.

The framework is used to identify the key risks that the Trustees should focus on. The Trustees then ensure that these risks are fed into their investment decision processes for both the Focus and Option Sections as well as feeding into the covenant and Focus Section funding processes. It also feeds into the Trustees' risk registers to ensure all risks are being monitored and managed consistently and proportionately.

Climate scenario analysis

The Trustees have used climate scenario analysis as a key tool for identifying, assessing and managing climate-related risks and opportunities. In particular, they have used the analysis to identify the time horizons over which the physical risks and transition risks could materialise. They have then considered what the possible impacts of climate change could be over each of these time horizons and whether their current investment and Focus Section funding strategies are likely to be robust against these risks (or able to take advantage of any opportunities). The Trustees also considered how the sponsor might be affected by climate-related factors and resulting implications for the Scheme.

- Climate scenario analysis was last carried out for the Scheme in November 2025. The Trustees will carry out scenario analysis at least every three years and check annually if the review should be carried out sooner. Further detail on the climate scenario analysis is included in Appendix 1.
- The results of the analysis are fed into the integrated risk management of the Focus Section through specific covenant, investment and funding focused considerations and the interaction of these.
- The results for the Options Section are fed into the Trustees' discussions and decisions on the default investment strategy and how members could be impacted at different ages over different time periods.

Section 2 - Strategy

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

Time horizons relating to the Scheme

The time periods that the Trustees have chosen as short, medium and long term for considering the climate-related risks and opportunities faced by the Scheme are set out below (reviewed and updated in November 2025). These time horizons have informed the Trustees' climate-related decisions over the year.

Time horizons	Focus Section (set in November 2025)	Option Section (set in November 2025)
Short term	**3 years** – In line with the typical Actuarial Valuation cycle and therefore aligns decision making processes.	**5 years** – Period over which transition risks most likely to impact if net zero in the 2050's is to be met.
Medium term	**6 years** – The timeframe over which a transition to a lower carbon economy may take place.	**10 years** – Key period over which policy action will determine if Paris Agreement goals met.
Long term	**15 years** – The potential time frame over which more severe impacts of climate change might start to be seen.	**25 years** – Many economies are targeting to be net zero by this point.

Section 2 - Strategy

The Trustees have identified a range of climate-related risks and opportunities to the Scheme

The Trustees have identified and assessed the risks and opportunities to the Scheme within each of these time horizons, as summarised below. These risks and opportunities are considered further in the following sections where we discuss further the Trustees' approach to investment, covenant and Focus Section funding risks and opportunities.

For the Focus Section

	Key risks	Key opportunities
Short term	Exposure to climate-related investment risks may be highest while the Scheme retains an allocation to growth assets	Climate-aware investment mandates could increase the resilience of assets to climate risks
Medium term	Market volatility could cause investment losses and increase time to reach full funding on a "lower risk" investment strategy	
Long term	Cost of fully insuring the Scheme's benefits with an insurer may increase as insurers allow for climate-related risks	If achievable, a buy-in should provide greater protection from climate risks for members' benefits

For the Options Section

	Key risks	Key opportunities
Short term	Older members will be more susceptible to losses caused by equity market volatility caused by the energy transition and less affected by physical risk	Low carbon investments can mitigate the impact of market shocks due to a market repricing event
Medium term	Members will be exposed to transition risks in the short and medium term in the event of "Limited Action" but will be most affected by physical risks from the High Warming pathway.	Impact investments can take advantage of the shift to a low carbon economy and may provide an enhanced source of return over this period
Long term	Physical risks are most prevalent in the High Warming pathway, impacting those members 25 years or more from retirement	Engagement with investment managers to ensure they are exercising stewardship in support of net zero pathways is key to avoiding a failed transition

The Trustees have also identified specific funding and covenant risks which include:

- **Potential financial and demographic impact on cashflows** – for example, potential shocks to gilt yields and inflation (which could have a positive or negative impact on the Scheme's funding position), and direct or indirect impacts on life expectancy (which could also be positive or negative).
- **Potential impact on journey planning** – for example, market shocks caused by climate change could throw the Scheme's de-risking journey plan off track or climate impacts and regulatory requirements could affect the cost of any insurance options that the Trustees may want to consider.
- **Significant changes in covenant security** – for example, climate-related risks or opportunities could impact NIE Networks and its ability to fund the Scheme.

Section 2 – Strategy

Covenant risk and monitoring, funding risk and investment strategy risk

Covenant and risk monitoring

As part of the climate scenario analysis, the Trustees considered the sponsoring employer's covenant being impacted by climate change and how this might interact with the Scheme's funding position under different climate scenarios. This was last assessed for the employer's covenant assessment for the 2025 actuarial valuation, keeping in mind the Pensions Regulator's guidance on proportionality. The Trustees' focus is on assessing whether climate risks have crystallised or have a material probability to impact the level of covenant support available over the expected period of covenant reliance, especially under scenarios where this support may be most needed.

Risk from climate change was considered to be moderate, primarily physical risks and business continuity risks reflecting the risk of extreme weather events leading to interruptions to supply and higher operating costs, although some severe-weather resilience and recovery costs may be recoverable through regulated allowances or pass-through mechanisms, subject to the applicable regulatory framework and approvals.

The carbon transition risk for the wider ESB Group (the parent company of NIE Networks) is considered low as their strategy is aligned around Ireland's Climate Action Plan and the majority of the Group's earnings come from regulated operators like NIE Networks, which provide stable earnings under a variety of de-carbonisation scenarios.

ESB's published 2030 target is 5GW of renewable generation, alongside a target to connect 25GW of renewables to its networks by 2030, reduce the carbon intensity to 140gCO_2/kWh by 2030 (2025: 314gCO_2/kWh) and reach Net Zero by 2040. This aligns with Northern Ireland's target of 80% renewable electricity consumption by 2030 and a target of net zero greenhouse gas emissions by 2050 and affordable energy, with key elements of this strategy enshrined in legislation. Many elements of ESB's Networks for Net Zero report are framed by the government's strategy and there is strong alignment between the two strategies.

NIE Networks is also a committed partner in the global effort to achieve net zero carbon, being a member of the United Nations Framework Convention on Climate Change "Race to Zero" campaign, which is a global campaign to rally support from businesses, cities, regions and investors for a zero-carbon recovery worldwide.

Funding risk

The Trustees have considered the funding strategy of the Focus Section in light of the scenario analysis and discussions around covenant and investment.

In particular, the current funding strategy is considered to be somewhat resilient to climate change given the investment strategy derisking that the scheme has undertaken.

The funding position will still be susceptible to shocks over the short term from climate change being priced in. If the Scheme is negatively impacted by such market shocks, this will be observed and mitigating actions can be taken. This monitoring is carried out through regular funding updates and investment performance reviews.

The Trustees have considered the uncertainty of member mortality in light of a range of factors including climate change. There are both positive and negative factors that could impact the Scheme under the scenarios considered. The Trustees will ensure that mortality is considered in the context of climate risks as part of future Actuarial Valuations when more information may be available on the potential impacts.

Investment strategy risk

Focus section

Over recent years, the Trustees have taken several steps to reduce the level of investment risk within the strategy, including the level of climate risk (e.g. by selling listed equities in favour of high-quality bonds).

The Trustees continue to seek opportunities to further de-risk the Scheme's assets as opportunities arise, by reducing the strategic asset allocation to growth assets. The implications for climate risk exposure is a part of these considerations.

The Trustees' preference for managing climate-related risk within the high-quality credit portfolios (and indeed, the assets more generally) is through manager engagement, rather than asset exclusions.

Section 2 – Strategy

Investment strategy risk (continued)

Options section

The Trustees consider a variety of risks including climate risk as part of the triennial investment strategy review. Although the Trustees have not explicitly added climate focussed funds in the default, they address these risks through stewardship.

However, the Trustees recognise that some members may wish to take more account of climate or other ESG risks as part of their investments. Therefore, the Aegon BlackRock World ESG Equity Tracker Fund as a self-select option was made available.

Assessment of managers' stewardship activities

In November 2025, the Trustees, with the support of their investment adviser, carried out a review of a selection of the Scheme's managers' stewardship practices across six key areas namely: engagement; voting; resourcing; technology & data; record keeping & reporting; and policy advocacy.

From this year's analysis, the key "asks" identified and communicated with the managers to support them in improving their stewardship approach included:

- developing a process for evaluating the effectiveness of voting and engagement activity;
- articulating a clear resourcing strategy that links team capacity and subject matter expertise to the firm's stewardship objectives and thematic priorities;
- introducing a formal process to assess how investment professionals are accessing responsible investment data / insights and seek specific cases where these insights have been used in investment decisions; and
- within the reporting, where possible, listing objectives for engagements and any progress against milestones, so that they can later be tied to actual outcomes.

Assessment of managers' broader Responsible Investment practices

The Trustees reviewed the results of an annual Responsible Investment survey conducted by its investment adviser, which assessed the broader practices of the investment managers and identified focussed areas for further manager engagement.

The key findings from this review were:

Focus Section

Areas identified for improvement focussed on managers that had, in the investment adviser's view, lagged their peers in their responsible investment practices. Results were also compared against those of the previous year. Bentall GreenOak and M&G's ratings broadly improved, particularly within their climate and ESG foundations approaches while Columbia Threadneedle and TwentyFour's ratings declined, particularly within their systemic stewardship and climate approaches.

Options Section

Across the Options Section, improvements were seen for BlackRock and Ruffer, particularly within climate and engagement respectfully. L&G has experienced some deterioration in climate and engagement. The key areas of improvement focus on strengthening climate and stewardship practices and enhancing transparency and reporting.

The Trustees assessed the results from this review in conjunction with the assessment of managers' stewardship activities and will assess the managers' progress against the "asks" made.

Section 3 – Risk Management

How the Trustees identify and assess climate-related risks and opportunities

The Trustees have established various processes to identify and assess climate-related risks and opportunities in relation to the Scheme, which we set out in more detail below:

Monitoring within the Scheme's wider risk management framework

- Climate-related risk is specified within the Trustees' risk register to ensure risks are considered on a regular basis, and also in the context of wider risks to the Scheme. Risks are regularly assessed according to impact and likelihood, and an overall risk score is assigned, with mitigating actions and next steps then identified to ensure risks are managed and controlled, based on this score.
- The Trustee also considers climate-related risk within its integrated risk framework and, as part of this, considers risks to the Scheme's funding and covenant, supported by the Trustees' advisers.

Monitoring advisers' and managers' investment practices

- The Trustees set objectives for their investment adviser and meet with the Scheme's managers on a regular basis. As part of these assessments, consideration is given to support given to the Trustees in managing climate-related risks to the Scheme and identifying opportunities. The Scheme's investment adviser and investment managers are assessed against their respective objectives regularly.
- Each year, the Trustees undertake a more comprehensive review of their managers' responsible investment practices. This includes their investment adviser's qualitative responsible investment assessments for each manager (please see the strategy section for more details), a summary of the managers' stewardship capabilities, and summary statistics for their voting and engagement where available. One of the Trustees' chosen stewardship priorities is 'climate change'.

Monitoring climate-related metrics and targets

- The metrics and targets that the Trustees use to monitor climate-related risks and opportunities for the Scheme are set out in later in this report.

Review of monitoring and governance framework

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

Section 3 – Risk Management

How the Trustees integrate climate-related risks and opportunities into overall risk management

The Trustees take a number of different steps to manage climate-related risks and opportunities to the Scheme and ensure they are integrated within the Scheme's overall risk management. These steps include:

- Maintaining strong governance processes and reviewing these regularly;
- Regularly reviewing risks as part of the Scheme's integrated risk management approach and incorporating them into the Trustees' risk register;
- Ensuring that the Scheme's managers integrate climate risks as part of their investment process;
- Considering whether the Scheme's investment managers support relevant climate initiatives;
- Considering climate-related risks as part of investment strategy discussions and investment manager appointments (when relevant);
- Considering both physical and transition risks facing the Scheme, through scenario analysis and reporting on the Scheme's investment managers provided by the Scheme's advisers;
- Monitoring metrics for measuring and assessing climate risk, and monitoring progress of them over time;
- Monitoring progress against its climate metrics target over time; and
- Exercising effective stewardship to encourage improved outcomes (see below).

Engagement and Stewardship

The Trustees recognise that investment managers' climate competence and practices are crucial for managing the climate-related risks to the Scheme's assets, so the Trustees assess and monitor these on an ongoing basis. During the year, the Trustees agreed their approach to stewardship with a focus on driving meaningful interactions with the Scheme's investment managers on climate change, alongside an appropriate method for documenting their approach.

The Trustees seek to be a responsible steward of their assets. As part of this, they consider both the impact of ESG, including climate change, factors on their investments and also, where it is consistent with their legal obligations, the impact of their investment practices on the economy, society and the environment to achieve the best long-term return on the Scheme's assets whilst managing investment risks and taking account of financially relevant factors.

In particular, the Trustees have identified Climate Change as one of their stewardship priorities and have communicated this to their investment managers. Voting and engagement activities are delegated to the individual investment managers. Each manager has its own ESG policy, which includes assessment of climate-related risks and policies on voting on climate-related resolutions.

Through its investment adviser's assessments, the Trustees receive periodic, in-depth reviews of its significant managers' engagement, voting and policy-advocacy efforts. During the Scheme year, LCP held dedicated meetings with several of the Scheme's managers, including CTI and BlackRock, through which key "asks" were identified and communicated with the managers to support them in improving their stewardship approach.

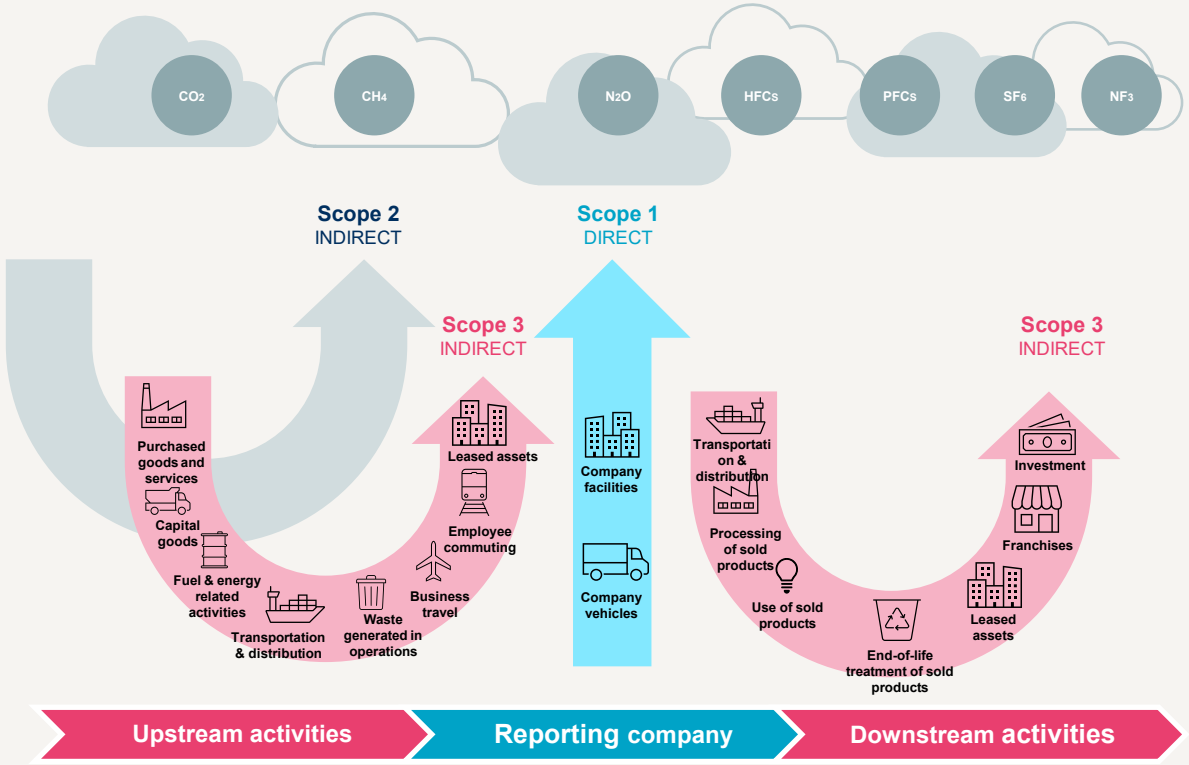
In November 2025, the Trustees received their first such assessment and it is intended that they will continue to receive these assessments periodically going forwards, with the investment adviser providing an annual summary of its views and progress against the "asks". This enables the Trustees to evaluate the quality of their significant managers' stewardship and to challenge them where further improvement is needed and strengthens the Trustees' ability to evidence effective stewardship.

Section 4 - Metrics and Targets

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

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

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



Source: GHG Protocol

Section 4 - Metrics and Targets

Metrics – Focus Section and Options Section

The Trustees have chosen four climate-related metrics to help them monitor climate-related risks and opportunities to the Scheme. These are listed below and reported in the following section (as far as the Trustees were able to obtain the data). The data has been calculated using portfolio holdings as at 30 June 2025, using the most recent data available from the Scheme's investment managers.

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

*The UK has a net zero by 2050 target written into law, with carbon budgets set based on advice from the independent Committee on Climate Change, so we regard UK government bond exposure as having a credible SBT. As such, we have treated UK government bonds as 100% SBT-aligned for the purposes of our metric assessments.

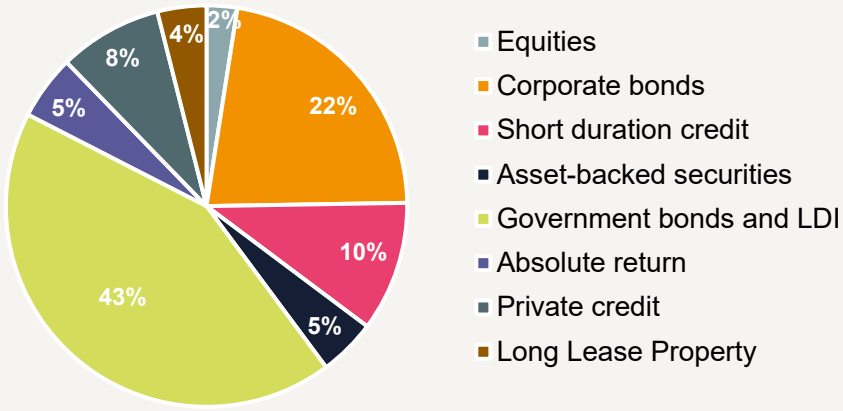
Section 4 – Metrics and Targets

Focus Section

The data has been calculated using portfolio holdings as at 30 June 2025 (unless otherwise stated), from the Scheme's investment managers. The Trustees have collected emissions data for Scope 1, 2 and 3 for the purposes of this analysis.

The most significant emissions data gaps relate to absolute return market assets. As multi-asset strategies, managers retain discretion to dynamically reallocate between asset classes and reposition portfolios in response to market conditions, which may result in fluctuations in reported climate metrics over time.

Focus Section asset allocation as at 30 June 2025



Total Focus Section coverage of 85% (ie proportion of assets for which data was available, either reported or estimated). This represents a slight improvement in coverage from last year's report.

Asset class (% Focus assets)	Details of missing data or estimations
Equities (2%)	Metric information provided by CTI, PIMCO, Schroders and TwentyFour. CTI data as at 30 June 2025 is unavailable for the synthetic equity mandate due to the nature of the underlying assets. TwentyFour provided data for the Fund, although it was limited.
Corporate bonds, short duration credit and asset backed securities (37%)	
Government bonds and LDI (43%)	Calculated by the investment advisor, LCP. Government bond metrics are calculated on a different basis to other mandates, so cannot be compared with them (see following pages for further information).
Absolute return (5%)	Metric information was provided by Ruffer, Baillie Gifford and Blackstone. Ruffer provided metric information for the UK government bond, listed equity and corporate bond allocations in the portfolio. Baillie Gifford provided metric data for its bonds and equity holdings. Metric information provided by Blackstone was reviewed, but the Trustees chose not to disclose the information given the constraints of the permission granted.
Private credit (8%)	Metric information was provided by M&G, Beach Point and Bentall GreenOak. M&G provided metric information for the public and private assets in the portfolio, with the bond metrics calculated by the investment advisor, LCP. Beach Point provided metric information for public and private assets in the portfolio. Partners Group was unable to provide metric information.
Long Lease Property (4%)	Metric information was provided by M&G for the sovereign bonds, real assets and public assets in the portfolio.

Metrics and Targets

Metrics - Focus Section

The data has been calculated using portfolio holdings as at 30 June 2025 (unless otherwise stated), using metrics data from the investment managers. Metrics data previously used as part of last year's report is included in brackets for comparison purposes (where consistent data sources were used). The arrows in the table indicate where the values of metrics have increased or decreased compared to last year's report, green for an improvement and red for a deterioration. Where data has been disclosed for the first time this year, a green arrow is shown for the data quality metric, and a black dash (-) for other metrics. Where a metric has stayed the same based on new data, this is noted with an amber equals sign (=).

Manager	Asset class	Valuation (£m)	Scope 1 + 2 emissions (for holdings with data)			Scope 3 emissions (for holdings with data)			Portfolio alignment		Data source
			Data quality (%)	Total GHG emissions (tCO_2e)[1]	Carbon footprint (tCO_2e/£m)[1]	Data quality (%)	Total GHG emissions (tCO_2e)[1]	Carbon footprint (tCO_2e/£m)[1]	Proportion with SBT[2]		
CTI[3]	Short duration credit	£112.6 *(£101.0m)*	85 / 10 / 5 *(83 / 11 / 6)* ↑	4,346 *(3,898)* ↑	40 *(39)* ↑	(32 / 63 / 5) *(30 / 65 / 5)* ↑	66,387 *(54,731)* ↑	607 *(538)* ↑			
	Sovereign bonds	£1.7 *(£3.7m)*	100 / 0 / 0 -	254 *(413)* ↓	112 *(152)* ↓	*Unavailable*			55% *(38%)*	↑	Manager
	Other assets	£0.8m *(£7.1m)*	*Unavailable*								
CTI	Synthetic equities	£16.9m	*Unavailable*								Manager
PIMCO	Buy and maintain credit	£195.5m *(£207.0m)*	93 / 7 / 0 *(87 / 5 / 7)* ↑	12,153 *(14,193)* ↓	49 *(59)* ↓	90 / 10 / 0 -	97,276 *(50,722)* ↑	387 *(206)* ↑	60% *(53%)*	↑	Manager
	Other assets	£48.9m *(£22.1m)*	*Unavailable*								
Schroders	UK equities	£10.2m *(£17.4m)*	96 / 1 / 3 *(97 / 1 / 2)* ↓	547 *(1,145)* ↓	57 *(67)* ↓	0 / 96 / 4 *(0 / 98 / 2)* ↓	6,330 *(13,478)* ↓	658 *(790)* ↓	58% *(54%)*	↑	Manager
Ruffer	UK govt bonds	£2.8m *(£4.1m)*	100 / 0 / 0 *(100 / 0 / 0)* =	394 *(691)* ↓	142 (170) ↓	100 / 0 / 0 *(100 / 0 / 0)* =	445 *(553)* ↓	160 *(136)* ↑	100% *(100%)*	=	
	Overseas sovereign bonds	£8.3m *(£6.5m)*	Unavailable *(100 / 0 / 0)* ↓	Unavailable (1,841) ↓	Unavailable (284) ↓	*Unavailable*					Manager
	Listed equity and corporate bonds	£6.7m *(£4.8m)*	88 / 3 / 9 *(79 / 4 / 17)* ↑	1,217 *(564)* ↑	202 *(142)* ↑	0 / 85 / 15 *(81 / 0 / 19)* ↓	3,678 *(2,237)* ↑	645 *(577)* ↑	34% *(25%)*	↑	
	Other (typically private) assets	£1.6m *(£3.1m)*	*Unavailable*								

Metrics and Targets

Metrics - Focus Section (continued)

Manager	Asset class	Valuation (£m)	Scope 1 + 2 emissions (for holdings with data)			Scope 3 emissions (for holdings with data)			Portfolio alignment	Data source
			Data quality	Total GHG emissions (tCO_2e)[1]	Carbon footprint (tCO_2e/£m)[1]	Data quality	Total GHG emissions (tCO_2e)[1]	Carbon footprint (tCO_2e/£m)[1]	Proportion with SBT[2]	
Blackstone	**Listed equity and corporate bonds**	£6.3m *(£8.8m)*	*Data was provided by Blackstone and reviewed by the Trustees, but the Trustees chose not to publish the information due to the constraints of the permission granted by Blackstone.*							Manager
	Private assets	£2.3m *(£10.0m)*								
	Other assets	£6.8m *(£18.1m)*								
M&G ICOF	**Public assets**	<£0.1m *(<£0.1m)*	63 / 5 / 32 *(1 / 0 / 99)* ↑	0 *(<1)* ↓	1 *(46)* ↓	63 / 5 / 32 *(0 / 1 / 99)* ↑	14 *(<1)* ↑	213 *(3)* ↑	7% *(0%)* ↑	Manager
	Sovereign bonds	<£0.1m	100 / 0 / 0 -	<1 -	142 -	100 / 0 / 0 -	<1 -	160 -	100% -	
	Private assets	£2.5m *(£3.3m)*	28 / 3 / 69 *(14 / 0 / 86)* ↑	20 *(2)* ↑	26 *(4)* ↑	12 / 3 / 85 *(0 / 0 / 100)* ↑	186 *(<1)* ↑	498 *(<1)* ↑	3% *(0%)* ↑	
	Other	£3.8m (£7.1m)	*Unavailable*							
M&G IOF	**Public assets**	£1.4m *(£1.1m)*	0 / 100 / 0 *(0 / 100 / 0)* =	15 *(11)* ↑	10 *(10)* =	0 / 100 / 0 *(0 / 100 / 0)* =	2 *(2)* =	1 *(1)* =	0% *(0%)* =	Manager
	Sovereign bonds	£1.3m *(£3.6m)*	100 / 0 / 0 *(100 / 0 / 0)* =	190 *(608)* ↓	142 *(170)* ↓	100 / 0 / 0 (100 / 0 / 0) =	214 *(487)* ↓	160 *(136)* ↑	100% *(100%)* =	
	Real assets	£35.3m *(£31.1m)*	100 / 0 / 0 *(100 / 0 / 0)* =	1.202 *(1,670)* ↓	34 *(40)* ↓	*Unavailable*			0% *(0%)* =	
	Private assets	£3.0m *(£8.2m)*	0 / 0 / 100 *(0 / 1 / 99)* ↓	- *(0)* ↓	- *(0)* ↓	10 / 0 / 90 *(3 / 1 / 96)*	7 *(5)* ↑	25 *(15)* ↑	0% *(0%)* =	
	Other	£2.3m *(£1.9m)*	*Unavailable*							

Metrics and Targets

Metrics - Focus Section (continued)

Manager	Asset class	Valuation (£m)	Scope 1 + 2 emissions (for holdings with data)						Scope 3 emissions (for holdings with data)						Portfolio alignment		Data source
			Data quality		Total GHG emissions (tCO_2e)[1]		Carbon footprint (tCO_2e/£m)[1]		Data quality		Total GHG emissions (tCO_2e)[1]		Carbon footprint (tCO_2e/£m)[1]		Proportion with SBT[2]		
Baillie Gifford	UK and overseas sovereign bonds	£3.0m *(£4.4m)*	0 / 100 / 0 *(0 / 100 / 0)*	=	1,058 *(1,097)*	↓	357 *(249)*	↑	*Unavailable*								Manager
	Listed equity and corporate bonds	£18.8m *(£16.0m)*	45 / 4 / 51 *(47 / 8 / 45)*	↓	1,234 *(1,957)*	↓	94 *(221)*	↓	0 / 49 / 51 *(0 / 55 / 45)*	↓	4,133 *(4,587)*	↓	316 *(518)*	↓	21% *(19%)*	↑	Manager
	Other (typically private assets)	£0.3m *(<£0.1m)*	0 / 0 / 100 *(0 / 0 / 100)*	=	- -	=	- -	=	0 / 0 / 100 *((0 / 0 / 100)*	=	- -	=	- -	=			
TwentyFour	Public assets	£50.6m	0 / 39 / 61	-	803	-	42	-	0 / 0 / 100	-	*Unavailable*						Manager

Manager	Asset class	Valuation (£m)	Scope 1 + 2 emissions (for holdings with data)						Scope 3 emissions (for holdings with data)						Portfolio alignment		Data source
			Data quality		Total GHG emissions (tCO_2e)[1]		Carbon footprint (tCO_2e/£m)[1]		Data quality		Total GHG emissions (tCO_2e)[1]		Carbon footprint (tCO_2e/£m)[1]		Proportion with SBT[2]		
Partners Group	Illiquid credit I	£15.1m *(£20.0m)*	*Unavailable*														Manager
Beach Point	Public assets	£17.7m *(£25.0m)*	4 / 74 / 22 *(12 / 89 / 0)*	↓	143 *(1,415)*	↓	45 *(57)*	↓	0 / 78 / 22 *(0 / 100 / 0)*	↓	5,387 *(8,880)*	↓	2,092 *(355)*	↑	13% *(12%)*	↑	Manager
	Private assets	£23.0m *(£16.0m)*	10 / 59 / 31 *(0 / 100 / 0)*	↓	342 *(446)*	↓	29 *(28)*	↑	0 / 69 / 31 *(0 / 100 / 0)*	↓	5,497 *(6,917)*	↓	175 *(433)*	↓	*Unavailable*		
	Other	£2.3m *(£24.1m)*	*Unavailable*														
Bentall GreenOak	Illiquid credit	£26.8m *(£21.3m)*	0 / 100 / 0 *(0 / 14 / 86)*	↑	0 *(40)*	↓	0	-	0 / 100 / 0 *(0 / 14 / 86)*	↑	165 *(289)*	↓	4	-	*Unavailable*		Manager

Metrics and Targets

Metrics – Focus Section (continued)

LDI & government bonds

Government bond metrics are calculated on a different basis to other mandates, so cannot be compared with them. The emissions intensity has been calculated as "total greenhouse gas emissions produced in the UK" divided by "UK GDP using PPP methodology" using publicly available data sources, consistent with guidance from the Partnership for Carbon Accounting Financials ("PCAF"). The GDP figure for the UK, sourced in US dollars, has previously been converted to Sterling using spot exchange rates. However, as part of a change in methodology, we now convert this figure using long-run purchasing power parity rates (consistent with the Global GHG Accounting and Reporting Standard for the Financial Industry. Further details on how these metrics have been calculated are available in Appendix 2.

Manager	Asset class	Valuation (£m)	Scope 1 + 2 emissions (for holdings with data)			Scope 3 emissions (for holdings with data)			Portfolio alignment	Data source
			Data quality	Total GHG emissions (tCO_2e)[1]	Carbon footprint (tCO_2e/£m)[1]	Data quality	Total GHG emissions (tCO_2e)[1]	Carbon footprint (tCO_2e/£m)[1]	Proportion with SBT[2]	
CTI	LDI	£468.6m *(£487.1m)*	100 / 0 / 0 *(100 / 0 / 0)* =	66,322 *(82,606)* ↓	142 *(170)* ↓	100 / 0 / 0 *(100 / 0 / 0)* =	74,933 (66,096) ↑	160 *(136)* ↑	100% *(100%)* =	LCP

Comments on changes to Focus Section metrics over the Scheme Year

Total GHG emissions and carbon footprints declined across a significant proportion mandates over the year, despite a few exceptions such as the Ruffer Absolute Return Fund, which saw an increase in emissions and reduced disclosure quality.

SBT alignment for the corporate bond portfolio rose over the year and has now surpassed the target, indicating investment in assets with improving decarbonisation plans across these mandates. The SBT alignment within the diversified growth funds remained broadly stable, indicating that while alignment has been maintained, there is scope for further progress as managers continue to engage with companies on climate-related targets.

Data coverage for the Scheme's new allocation to asset-backed securities is low. This is mostly due to the structure of the asset class, as there is no single issuer and emissions are difficult to map. The Trustees would expect coverage to improve over time through engagement with the investment manager, although challenges in projecting temperature pathways for this asset class are likely to persist.

Notes regarding metrics

[1]Figures relate to the entire portfolio. Total emissions are for the Scheme's assets, not the whole pooled fund where one is used.

[2]Science-based targets ("SBT") are targets to reduce greenhouse gas emissions that are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement. Where LCP climate dashboards have been used, distinctions could not be made between companies without an SBTi target and companies without data on whether it has an SBT target, due to the limitations of MSCI's database.

Metrics and Targets

Metrics – Options Section

The data has been calculated using portfolio holdings as at 30 June 2025 (unless otherwise stated), using metrics data from the investment managers.

The majority of assets are invested in the default strategy (see chart to the right), with the assets allocated depending on members' expected retirement dates, as shown in the chart. As at 30 June 2025, around c68% of the DC assets were invested this way.

The other assets are invested in the two alternative lifestyles and a range of self-select funds. As at 30 June 2025, the BlackRock UK Equity Optimum Fund and the BlackRock 50:50 Global Equity Index represent 10.6% and c10% respectively of Scheme assets invested in the Fund. As there are more than 10% of assets invested in the Funds, the Trustees will need to report on its climate metrics as these Funds are considered 'popular arrangements'. The Trustees have not collected metrics for these other assets as they did not feel it was proportionate to do so. This is in line with the guidance issued by the Department for Work and Pensions.
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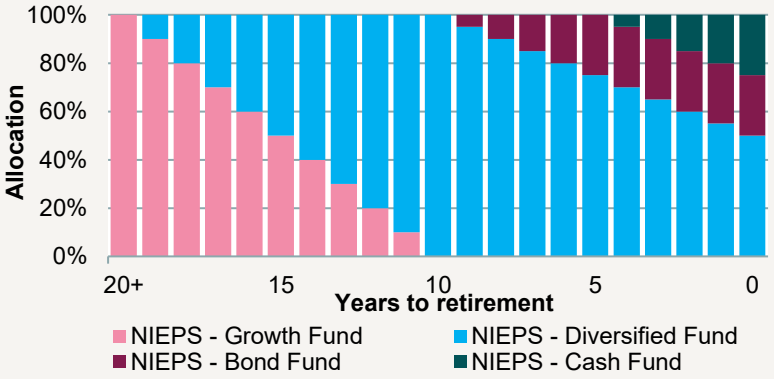


Manager	Asset class	Valuation (£m)	Scope 1 + 2 emissions (for holdings with data)			Scope 3 emissions (for holdings with data)			Portfolio alignment	Data source[2]
			Data quality[1]	Total GHG emissions (tCO_2e)	Carbon footprint (tCO_2e/£m)[1]	Data quality[1]	Total GHG emissions (tCO_2e)	Carbon footprint (tCO_2e/£m)[1]	Proportion with SBT	
BlackRock	**Passive listed global equities**	£29.0m *(£25.8m)*	89 / 10 / 1 (92 / 7 / 1) ↓	1,225 (1,218) ↑	43 (47) ↓	0 / 99 / 1 (0 / 99 / 1) =	10,329 (9,139) ↑	359 (358) ↑	48.0% (45.5%) ↑	BlackRock (BlackRock)
BlackRock	**Active listed UK equities**	£11.2m *(£9.3m)*	97 / 1 / 2 (95 / 2 / 3) ↑	524 (505) ↑	48 (56) ↓	0 / 98 / 2 (0 / 97 / 3) ↑	7,048 (6,163) ↑	643 (684) ↓	66.9% (56.7%) ↑	BlackRock (BlackRock)
BlackRock	**Passive listed emerging market equities**	£5.4m (£4.7m)	91 / 9 / 1[3] (88 / 11 / 1) ↑	838 (837) ↑	155 (180) ↓	0 / 100 / 0 (0 / 99 / 1) ↑	3,257 (3,009) ↑	601 (647) ↓	21.5% (17.9%) ↑	BlackRock (BlackRock)

Source: BlackRock, L&G AM, Aegon, Ruffer. For the L&G AM Diversified Fund, we have adjusted the total emissions by the coverage as the figures provided by L&G AM included emissions for holdings where there was no data (in line with the average for the positions where there was data). For the BlackRock funds, the carbon footprint has been calculated by LCP using the total emissions and dividing those by the value invested (where there is coverage).

[1] Figures relate only to the assets for which data is available. Total emissions are for the Scheme's assets, not the whole pooled fund where one is used. Figures may not sum to 100% due to rounding.

[2] Data has been sourced directly from BlackRock, L&G AM and Ruffer.

[3] Does not sum due to rounding.

Metrics and Targets

Metrics – Options Section (continued)

Manager	Asset class	Valuation (£m)	Scope 1 + 2 emissions (for holdings with data)						Scope 3 emissions (for holdings with data)						Portfolio alignment		Data source[2]
			Data quality[1]		Total GHG emissions (tCO_2e)		Carbon footprint (tCO_2e/£m)[1]		Data quality[1]		Total GHG emissions (tCO_2e)		Carbon footprint (tCO_2e/£m)[1]		Proportion with SBT		
BlackRock	**Passive listed 50:50 global equity[3]**	£10.1m	92 / 5 / 3	–	672	–	68	–	0 / 97 / 3	–	6,621	–	675	–	52.8%	–	BlackRock (BlackRock)
L&G AM	**DGF (1)**	£29.3m *(£19.5m)*	59 / 4 / 37[4] (61 / 4 / 35[4])	↓	1,737 (1,210)	↑	94 (95)	↓	41 / 22 / 37[4] (38 / 27 / 35[4])	↑	17,148 (11,144)	↑	932 (878)	↑	30.1% (31.6%)	↓	L&G AM (L&G AM)
Ruffer[3]	**DGF (2)**	*£6.2m*	91 / 4 / 5	–	476	–	81	–	90 / 0 / 10	–	1,016	–	183	–	8.8%	–	Ruffer
BlackRock	**Short Duration Credit**	£2.5m *(£2.1m)*	70 / 7 / 23 (76 / 7 / 17)	↓	84 (64)	↑	44 (37)	↑	0 / 77 / 23 (0 / 83 / 17)	↓	897 (386)	↑	470 (225)	↑	30.0% (35.0%)	↓	BlackRock (BlackRock)

Source: BlackRock, L&G AM, Aegon, Ruffer. For the L&G AM Diversified Fund, we have adjusted the total emissions by the coverage as the figures provided by L&G AM included emissions for holdings where there was no data (in line with the average for the positions where there was data). For the BlackRock funds, the carbon footprint has been calculated by LCP using the total emissions and dividing those by the value invested (where there is coverage).

[1] Figures relate only to the assets for which data is available. Total emissions are for the Scheme's assets, not the whole pooled fund where one is used. Figures may not sum to 100% due to rounding.

[2] Data has been sourced directly from BlackRock, L&G AM and Ruffer.

[3] BlackRock 50:50 Global Equity Index has been included this year as it represents over 10% of Scheme assets invested in the Fund. The Ruffer Diversified Returns Fund was added to the default lifestyle.

[4] Unavailable data includes ineligible data where L&G AM does not expect to have data.

Metrics and Targets

Metrics – Options Section (continued)

Comments on changes to Options Section metrics over the year

- Although year on year, the total GHG emissions of the BlackRock MSCI World Index Fund (which is used in the default) and the BlackRock UK Equity Optimum Fund have increased, the **lower carbon footprint figure** suggests an improvement in the metrics. The total GHG emissions is an absolute figure which has increased due to an increase in assets invested.
- **Data quality and data coverage is high for the BlackRock MSCI World Index Fund and has remained broadly consistent over the year**, with a large proportion of assets having reported scope 1 and 2 emissions and estimated scope 3 emissions, which helps give a clearer indication of where risks are concentrated in the portfolio.
- Carbon footprint of the BlackRock UK Equity Optimum Fund is higher than the passive global equity fund noted above. The higher carbon footprint can largely be explained by the carbon intensive nature of the UK equity market which has a higher allocation to oil and gas companies compared to the global market. That said, **the carbon footprint of the BlackRock UK Equity Optimum Fund has reduced over the year** due to a slightly reduced allocation to higher emitting sectors including materials and energy.
- **Data coverage has broadly stayed the same as last year for the L&G DGF**. Scope 3 carbon footprint has increased, partly driven by the increase in the GBP/ USD rate to 30 June 2025. L&G have confirmed that changes in Scope 1 and 2 coverage reflect holdings changes and vendor updates.
- The higher carbon footprint for the **BlackRock Short Duration Credit Fund** is primarily due to portfolio turnover, changes in issuer exposure, and variability in disclosures rather than a change in investment approach.

Metrics and Targets

The Trustees have set the following targets for the Focus section

Asset class	SBT alignment target by 30 June 2027	SBT alignment as at 30 June 2025	SBT alignment as at 30 June 2024	SBT alignment as at 30 June 2023	Baseline (as at 30 June 2022)
Focus Section					
Listed equity portfolios	**60%**	58%(↑)	47%	42%	35%
Corporate bond portfolios	**55%**	58%(↑)	45%	38%	30%
Diversified growth funds	**40%**	23% (↓)	24%	11%	15%

Why the Trustees chose these targets:

These targets were chosen as the SBT alignment metric is forward-looking and focussed on the transition that needs to occur in the future in order to achieve net zero aims globally.

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

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

The Trustees reviewed these targets during the Scheme Year and concluded that they remained appropriate. The targets will be reviewed as part of the next reporting cycle.

Progress against the target over the year to 30 June 2025:

Focus Section:

- Listed equities: progress is consistent with meeting the target. The Trustees have now fully redeemed the Scheme's listed equity portfolios therefore this target will not be applicable in subsequent reports.
- Corporate bonds: this target has been met.
- Diversified growth: progress is broadly consistent with meeting the target. However, the discretion of these managers to dynamically reallocate between asset classes may lead to fluctuations in overall SBT alignment over shorter time periods. Over longer periods the managers are expected to use their engagement to encourage increased SBT alignment for the companies they invest in.

Source: Investment managers, LCP.

Metrics and Targets

The Trustees have set the following targets for the Options section

Asset class	SBT alignment target by 30 June 2027	SBT alignment as at 30 June 2025	SBT alignment as at 30 June 2024	SBT alignment as at 30 June 2023	Baseline (as at 30 June 2022)
Options Section					
BlackRock developed equity fund	**60%**	48%(↑)	46%	44%	36%
BlackRock emerging markets equity fund	**30%**	22%(↑)	18%	-	18%[1]
BlackRock 50:50 global equity fund[2]	**60%**	53%	-	-	53%[3]
BlackRock UK equity fund[2]	**60%**	67%(↑)	57%	-	57%[1]
L&G AM diversified growth fund	**40%**	30%(↓)	32%	23%	16%
Ruffer diversified growth fund[4]	**20%**	9%	-	-	9%[3]
BlackRock corporate bonds	**45%**	30%(↓)	35%	23%	22%

Progress against the target over the year to 30 June 2025:

Options Section: (please note that the scope is only for funds included in the default lifestyle):

- BlackRock developed equity fund: progress is broadly on track with meeting the target.
- BlackRock emerging markets equity fund: progress is on track with meeting the target.
- BlackRock 50:50 global equity fund and Ruffer diversified growth fund: this is the first year we are reporting on metrics for these funds.
- BlackRock UK equity fund: exceeded the target of 60% alignment by 2027, indicating the fund is ahead of schedule.
- L&G AM diversified growth fund: progress remains broadly on track despite a slight decline in SBT alignment as at 30 June 2025 due to variation in the SBT year-on-year.
- BlackRock corporate bonds fund: progress is not on track with meeting the target due to portfolio turnover, changes in issuer exposure and variability in data coverage.

Source: Investment managers, MSCI, BlackRock, L&G AM, LCP. See the Appendix for more details. [1]Baseline metrics for the Funds are shown as at 30 June 2024. [2]BlackRock 50:50 Global Equity Index and BlackRock UK Equity Optimum Fund has been included this year as it represents over 10% of Scheme assets invested in the Fund. [3]Baseline metrics for the Funds are shown as at 30 June 2025. [4]The Ruffer Diversified Returns Fund was added to the default lifestyle.

Appendices

Appendix 1 – Climate scenario analysis

Scenarios considered and why the Trustees chose them

The scenario analysis is based on a model developed by Ortec Finance and Cambridge Econometrics. Three climate scenarios were projected year by year, over the next 30 years with the model outputs applied to the Scheme's assets and Focus Section liabilities by the Scheme's investment adviser. The results are intended to help the Trustees to consider how resilient the Focus Section funding strategy, Focus section investment strategy and the Options section default strategy are to climate-related risks.

The results discussed in this report are based on Ortec climate assumptions as at 31 December 2024, calibrated to market conditions at 31 March 2025. The Trustees were able to obtain all the necessary data required to identify potential impacts of the scenarios on all asset classes.

The analysis looked at three possible scenarios:

Transition	Description	Why the Trustees chose it
High Warming	Multiple climate tipping points are reached and modelled and many countries suffer from extreme weather events. Paris Agreement goals are not met.	To explore what could happen to the Scheme's finances if carbon emissions continue at current levels.
Limited Action	Introduced as a potential middle ground scenario between High Warming and Net Zero Financial Crisis, where moderate steps have been taken to increase climate action but commitments made under the Paris Agreement are not fully met.	To see how the Scheme's finances could play out if commitments made under the Paris Agreement are not fully met.
Net Zero Financial Crises	Global net zero CO_2 emissions achieved by 2055 via rapid and effective climate action. Average global warming stabilises at around 1.6°C above pre-industrial levels.	To look at the risks and opportunities for the Scheme if global net zero carbon emissions is achieved by 2055. Gives important insight into potential volatility in financial markets caused by climate change.

The Trustees acknowledge that many alternative plausible scenarios exist, but found these were a helpful set of scenarios to explore how climate change might affect the Scheme in future. For example, Net Zero Financial Crisis gives important insight into potential volatility in financial markets caused by climate change. Meanwhile, the physical outcomes under Limited Action are also plausible, although the route to get there might be expected to be less smooth. The scenarios' key features are summarised on the following page.

These scenarios show that equity markets could be significantly impacted by climate change with lesser but still noticeable impacts in bond markets. All three scenarios envisage, on average, lower investment returns and these result in a worse Focus Section funding position and result in lower retirement outcomes for Option Section members. Having considered the results of the analysis, the Trustees consider the investment strategies for the Focus and Options Sections to be suitably diversified to help manage these risks, acknowledging that future investment returns (and therefore investment risk to some extent) are still required across both Sections. For the Options Section, the Trustees take into account these risks when considering new manager appointments and by delegating stewardship to their managers. The Trustees also made available an ESG Fund within the self-select fund range which takes into account climate related factors.

Appendix 1 – Climate scenario analysis

The climate scenarios considered by the Trustees

Scenarios as at 31 December 2024 – key features

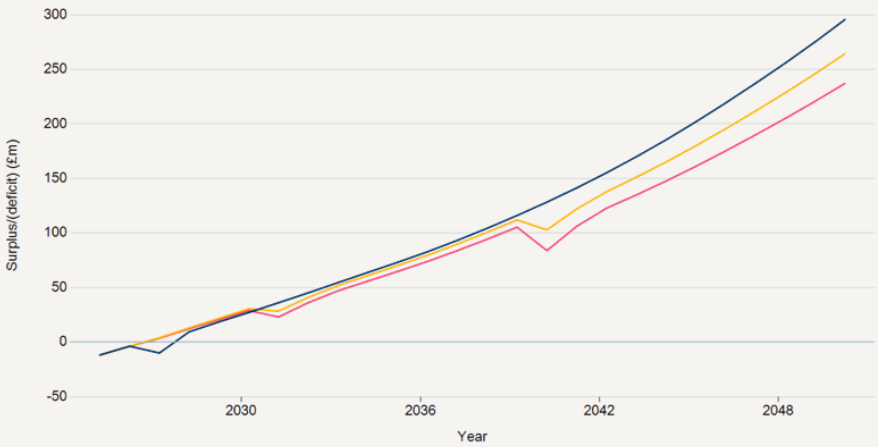
Scenarios:	High Warming	Limited Action	Net Zero Financial Crisis
Low carbon policies	There are no new* low-carbon policies enacted in this scenario and some existing ones are scaled back. Current technological trends continue (eg significant falls in renewable energy prices).	Moderate steps taken by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

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

Appendix 1 – Climate scenario analysis

Potential impacts under each scenario – Focus section

- The chart below illustrates the projected funding position of the Focus section in each of the three scenarios considered. The first is a "limited action scenario" (**yellow** line), where some new policies are implemented but net zero is not achieved by 2050.
- Under the Net Zero Financial Crisis (**dark blue** line), there is some market volatility as the market reprices in the mid to late 2020s, which impacts the funding position (as the investment strategy had a reasonable holding in assets classes that are expected to be most exposed to climate risk, eg equities within diversified growth funds).
- Under High Warming (**pink** line), there would be a more significant impact on the funding position, but not until the 2030s. The Trustees expect to have significantly de-risked the Scheme by this point, already having disinvested from listed equity mandates over the year, which is expected to mitigate the more significant physical effects of climate change over the long term.



Scenario outcomes

- In the short term (next 3 years), exposure to climate-related risks may be highest while the Scheme retains its growth asset allocation. The Trustees have taken significant steps to de-risked the investment strategy, disinvesting from the Scheme's listed equity allocation.
- The Trustees will continue to monitor opportunities, particularly within the insurance space, to take advantages of arising opportunities that may help to mitigate and manage exposure to medium term (next 6 years) risks.
- Over the long term (next 15 years), insuring the Scheme's benefits with an insurance company is expected to help provide greater protection from climate risks for members' benefits and reduce overall funding uncertainty, although this remains subject to affordability of such a transaction.

Impact of climate change on life expectancy for the Focus Section

- If a member lives longer, the Scheme pays the member's pension for longer and therefore needs more assets to make the payments.
- Like the economic impacts, the impact of climate change on life expectancy is highly uncertain.
- For example, in the Net Zero Financial Crisis scenario, the reduced use of fossil fuels should lead to lower air pollution, increasing life expectancy. This effect, however, could be countered by economic prosperity generally being lower in this scenario, and this may limit the funding available for health and social care.
- While the impact of climate change on life expectancy remains uncertain, it also has implications for insurer resilience under a buy-in arrangement. Longer lifespans would increase pension payment durations and if insurers' climate-risk management proves insufficient, this could affect their ability to meet long-term benefit promises. The Trustees should therefore monitor both longevity trends and insurers' approaches to climate risk when assessing buy-in options, if the opportunity arises.

Appendix 1– Climate scenario analysis

Potential impacts under each scenario – Options section

- Members will be impacted in different ways depending on their investments held, contribution rate, fund value and proximity to retirement.
- In this section, we discuss how different example members will be impacted by the different scenarios.
- For simplicity, we will assume that all members have an expected retirement age of 63 in line with the normal retirement age in the Options Section.
- As c64%% of the Scheme's members are active, we have assumed that 3 of the sample members are active and hence their pot sizes will grow with investment returns and new contributions. One sample member considered is deferred.
- Scenario analysis is required to be carried out for "each popular arrangement offered by the Scheme". As such we will show this for the Default Lifestyle Strategy (shown to the right).

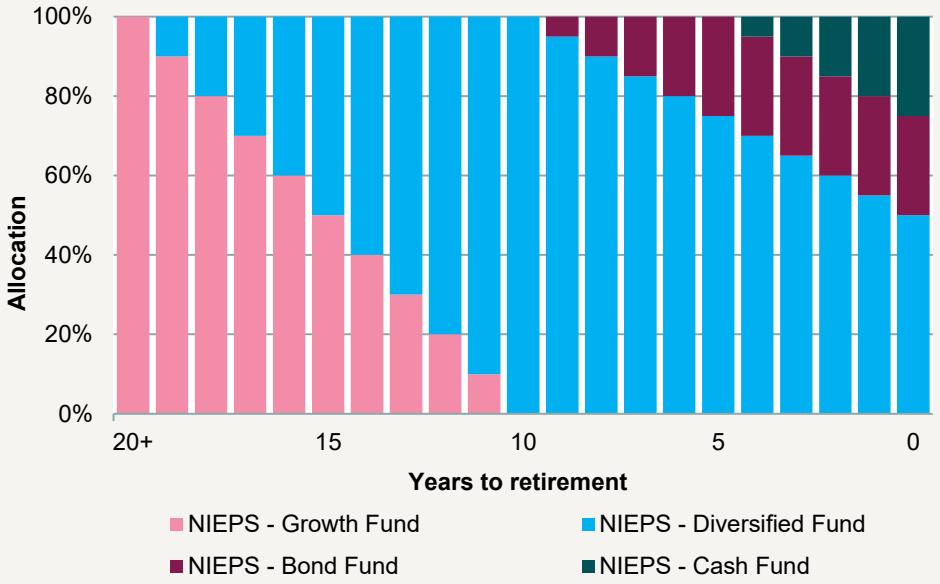


Table showing impact on member pots at retirement with different scenarios and starting ages relative to a climate uninformed outcome. This climate-uninformed scenario assumes no increase of physical risks due to climate change and does not make any explicit assumptions about the transition to a low carbon economy.

Scenario	Member aged 38 (active)	Member aged 53 (deferred)	Member aged 53 (active)	Member aged 58 (active)
Net Zero financial crisis	-1.1%	-2.7%	-0.7%	-0.6%
Limited action	-13.3%	-2.7%	-2.1%	0.0%
High warming	-20.8%	-4.1%	-3.1%	-0.3%

Appendix 1 – Climate scenario analysis

Modelling approach

- The scenario analysis is based on a model developed by Ortec Finance and Cambridge Econometrics. The outputs were then applied to the Scheme's assets and liabilities by LCP.
- The three climate scenarios are projected year by year, over the next 30 years.
- The results are intended to help the Trustees to consider how resilient the Focus Section funding strategy, investment strategy and the Options Section default strategy are to climate-related risks.
- The Trustees discussed how future Scheme changes to the investment strategies for both Sections would change the analysis.
- The three climate scenarios chosen are intended to be plausible, narratives of how the future could unfold. They are only three scenarios out of countless others which could have been considered. Other scenarios could give better or worse outcomes for the Scheme.
- The results discussed in this report have been based on macro-economic data at 31 December 2024, calibrated to market conditions at 31 March 2025.

Modelling limitations

- As this is a "top-down" approach, investment market impacts were modelled as the average projected impacts for each asset class. This contrasts with a "bottom up" approach that would model the impact on each individual investment held by the Scheme's Focus Section investment portfolio and Option Section default strategy.
- As such, the modelling does not require extensive scheme-specific data and so the Trustees were able to consider the potential impacts of the three climate scenarios for all of the Scheme's Focus Section assets and Option Section assets in the default strategy.
- In practice, the Scheme's investments may not experience climate impacts in line with the market average.
- No allowance is made for changes that might be made to the funding or investment strategy as the climate pathways unfold, nor for action to be taken in response to the Scheme achieving its long-term funding target.
- Like most modelling of this type, the modelling does not allow for all potential climate-related impacts and therefore is quite likely to underestimate some climate-related risks. For example, tipping points (which could cause runaway physical climate impacts) are not modelled and no allowance is made for knock-on effects, such as climate-related migration and conflicts.
- In addition, the model presumes that the UK government and bank counterparties will remain solvent, thereby making no allowance for credit risk on government bonds and derivative exposures. However, in a scenario where global warming exceeds 4ºC, this assumption may no longer be valid.
- Medians from Ortec Finance's model outputs are used to project forward assets and liabilities, which means the results reflect the model's "middle outcomes" for investment markets under the three scenarios. Allowing for market volatility would result in better or worse model outputs than shown. Investment markets may be more volatile in future as a result of physical and transition risks from climate change, and this is not illustrated in the modelling shown.

Appendix 1 – Climate scenario analysis

Modelling approach – more details

- The scenario analysis is based on the ClimateMAPS model developed by Ortec Finance and Cambridge Econometrics, and was then applied to the Scheme's assets and liabilities by LCP. The three climate scenarios were projected year by year, over the next 30 years.
- ClimateMAPS uses a top-down approach that consistently models climate impacts on both assets and liabilities, enabling the resilience of the Focus Section's funding strategy to be considered. The model output is supported by in-depth narratives that bring the scenarios to life to help the Trustees' understanding of climate-related risks and opportunities.
- ClimateMAPS uses Cambridge Econometrics' macroeconomic model which integrates a range of social and environmental processes, including carbon emissions and the energy transition. It is one of the most comprehensive models of the global economy and is widely used for policy assessment, forecasting and research purposes. The outputs from this macroeconomic modelling – primarily the impacts on country/regional GDP – are then translated into impacts on financial markets by Ortec Finance using assumed relationships between the macroeconomic and financial parameters.
- Ortec Finance runs the projections many times using stochastic modelling to illustrate the wide range of climate impacts that may be possible, under each scenario's climate pathway. LCP takes the median (ie the middle outcome) of this range of impacts, for each relevant financial parameter, and adjusts it to improve its alignment with LCP's standard financial assumptions.
- LCP then uses these adjusted median impacts to project the assets and liabilities of the Scheme to illustrate how the different scenarios could affect its funding level. The modelling summarised in this report used scenarios based on the latest scientific and macro-economic data at 31 December 2024, calibrated to market conditions at 31 March 2025.
- The modelling included contributions assumed to be paid in line with the current Schedule of Contributions, and the Trustee discussed how future changes to the investment strategies for both Sections would change the analysis. For the Options Section, members' starting pots values were assumed to equal the average value for Scheme members of their age, and member and employer contributions were assumed to be paid in line with the current contribution structure. No allowance was made for changes to the investment strategy or contributions in response to the climate impacts modelled.
- As this is a "top-down" approach, investment market impacts were modelled as the average projected impacts for each asset class, ie assuming that the Scheme's investments are affected by climate risk in line with the market-average portfolio for the asset class. This contrasts with a "bottom up" approach that would model the impact on each individual investment held in the Scheme's investment portfolio. As such, it does not require extensive scheme-specific data and so the Trustees were able to consider the potential impacts of the three climate scenarios for all of the Scheme's assets.
- In practice, the Scheme's investment portfolios may not experience climate impacts in line with the market average. The Trustees consider, on an ongoing basis, how the Scheme's climate risk exposure differs from the market average using climate metrics (which are compared with an appropriate market benchmark) and its annual responsible investment review which considers the investment managers' climate approaches.
- Uncertainty in climate modelling is inevitable. In this case, key areas of uncertainty relating to the financial impacts include how climate change might affect interest rates and inflation, and the timing of market responses to climate change. ClimateMAPS, like most modelling of this type, does not allow for all climate-related impacts and therefore, in aggregate, is quite likely to underestimate the potential impacts of climate-related risks, especially for the Failed Transition scenario. For example, tipping points (which could cause runaway physical climate impacts) are not modelled and no allowance is made for knock-on effects, such as climate-related migration and conflicts.
- The intricacies of climate systems present considerable difficulties in modelling the impacts on pension schemes' assets and liabilities. This is particularly true in the Failed Transition scenario where over 4°C of warming is observed. Due to the unprecedented nature of such warming, it is challenging to encompass all potential consequences within the modelling process. Simplifications in the modelling, such as not allowing for tipping points, mean the actual impact on pension schemes is likely to be more significant than is currently being modelled.

Appendix 2 – Further information on climate-related metrics

1. Listed equities and corporate bonds

- The data has been calculated using asset holdings as of 30 June 2025.
- Carbon emissions data and company fundamental data were sourced by BlackRock and L&G AM from Institutional Shareholder Services ("ISS"). Ruffer data was sourced from MSCI. MSCI's data does not distinguish between companies which do not have an SBTi target and companies for which the SBTi status is not known.
- Carbon emissions data from BlackRock and L&G AM was provided in $m. We have converted the $m figures to £m figures using the $/£ exchange rate on 30 June 2025 of 1.371.
- For the L&G AM Diversified Fund, we have adjusted the total emissions by the coverage as the figures provided by L&G AM assumed emissions for holdings where there was no data (in line with the average for the positions where there was data). For the BlackRock funds, the carbon footprint has been calculated by LCP using the total emissions and dividing those by the value invested (where there is coverage).

Appendix 2 – Further information on climate-related metrics

2. UK government bonds and LDI

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

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

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

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

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

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

There can be issues of double counting across the portfolio where UK country emissions double count UK company emissions already accounted for within the credit portfolio. The UK has a net zero by 2050 target written into law, with carbon budgets set based on advice from the independent Committee on Climate Change, so UK government bond exposure is regarded as having a credible SBT.

Appendix 3 – Glossary

Actuarial valuation – an actuarial valuation is an accounting exercise performed to estimate future liabilities arising out of benefits that are payable to members of a DB pension scheme, typically once every three years. In the actuarial valuation exercise, a liability payout at a future date is estimated using various assumptions such as discounting rate and salary growth rate.

Alignment – in a climate change context, alignment is the process of bringing greenhouse gas emissions in line with 1.5°C temperature rise targets. It can be applied to individual companies, investment portfolios and the global economy.

Asset class – a group of securities which exhibit broadly similar characteristics. Examples include equities and bonds.

Avoided emissions – these are reductions in greenhouse gas emissions that occur outside of a product's life cycle of value chain, but as a result of the use of that product. For example, emissions avoided through use of a wind turbine or buildings insulation.

Bond – a bond is a security issued to investors by companies, governments and other organisations. In exchange for an upfront payment, an investor normally expects to receive a series of regular interest payments plus, at maturity, a final lump sum payment, typically equal to the amount invested originally, or this amount increased by reference to some index.

Buy-in – DB pension scheme trustees may choose to "buy-in" some of their scheme's expected future benefit payments by purchasing a bulk (ie one covering many individuals) annuity contract with an insurance company. This allows the trustees to reduce their scheme's risk by acquiring an asset (the annuity contract) whose cash flows are designed to meet i.e. "match" a specified set of benefit payments under the pension scheme. The contract is held by the trustees and responsibility for the benefit payments remains with the trustees. Common uses of buy-in arrangements have been to cover the payments associated with current pensioners or a subset of those members. Contracts to meet payments to members who are yet to become pensioners can also be purchased.

Buy-out – DB pension scheme trustees may choose to "buy-out" some or all of their scheme's expected future benefit payments by purchasing a bulk (ie one covering many individuals) annuity contract from an insurance company. The insurer then becomes responsible for meeting pension benefits due to scheme members (effected ultimately by allocating to each scheme member an individual annuity contract). Following a full buy-out, (ie one covering all scheme members) and having discharged all of the trustees' liabilities, the pension scheme would normally be wound up.

Carbon emissions - These refer to the release of carbon dioxide, or greenhouse gases more generally, into the atmosphere, for example from the burning of fossil fuels for power or transport purposes.

Carbon footprint – In an investment context, the total carbon dioxide or greenhouse gas emissions generated per amount invested (eg in £m) by an investment fund. Related definitions are used to apply the term to organisations, countries and individuals

Climate change adaptation – steps taken to adapt to the physical effects of climate change such as improving flood defences and installing air conditioning.

Climate change mitigation – steps taken to limit climate change by reducing greenhouse gas emissions, for example by shifting to renewable sources of energy – such as solar and wind – and by using less energy and using it more efficiently.

Covenant – the ability and willingness of the sponsor to make up any shortfall between a DB scheme's assets and the agreed funding target.

Credit – long-term debt issued by a company, also known as corporate bonds. Corporate bonds carry different levels of credit risk which is indicated by their rating and credit spread.

Appendix 3 – Glossary

Defined Benefit (DB) – a pension scheme in which the primary pension benefit payable to a member is based on a defined formula, frequently linked to salary. The sponsor bears the risk that the value of the investments held under the scheme fall short of the amount needed to meet the benefits.

Defined Contribution (DC) – a pension scheme in which the sponsor stipulates how much it will contribute to the arrangement which will depend upon the level of contributions the member is prepared to make. The resultant pension for each member is a function of the investment returns achieved (net of expenses) on the contributions and the terms for purchasing a pension at retirement. In contrast to a defined benefit scheme, the individual member bears the risk that the investments held are insufficient to meet the desired benefits.

Debt – money borrowed by a company or government which normally must be repaid at some specified point in the future.

Default strategy – the fund or mix of funds in which contributions in respect of a DC member will be invested in the absence of any explicit fund choice(s) of that member.

Environmental, social and governance (ESG) – an umbrella term that encompasses a wide range of factors that may have been overlooked in traditional investment approaches. Environmental considerations might include physical resource management, pollution prevention and greenhouse gas emissions. Social factors are likely to include workplace diversity, health and safety, and the company's impact on its local community. Governance-related matters include executive compensation, board accountability and shareholder rights.

Equity – through purchase on either the primary market or the secondary market, company equity gives the purchaser part-ownership in that company and hence a share of its profits, typically received through the payment of dividends. Equity also entitles the holder to vote at shareholder meetings. Note that equity holders are entitled to dividends only after other obligations, such as interest payments to debt holders, are first paid. Unlike debt, equity is not normally contractually repayable.

Ethical investment – an approach that selects investments on the basis of an agreed set of environmental, social and governance (ESG) criteria that are motivated by ethical considerations. These can be positive – eg choosing companies involved in water conservation or negative – eg not choosing companies involved in the arms trade.

Fiduciary obligations – a legal obligation of one party (a fiduciary) to act in the best interest of others. Fiduciaries are people or legal entities that are entrusted with the care of money or property on behalf of others. They include pension scheme trustees.

Focus Section – refers to the defined benefit (DB) section of the Scheme.

Fossil fuels – fuels made from decomposing plants and animals, which are found in the Earth's crust. They contain carbon and hydrogen, which can be burned for energy. Coal, oil, and natural gas are examples of fossil fuels.

Funding position – a comparison of the value of assets with the value of liabilities for a DB pension scheme.

Gilts – bonds issued by the UK government. They are called gilts as the bond certificates originally had a gilt edge to indicate their high quality and thus very low probability of default

Greenhouse gas (GHG) emissions (scopes 1, 2 and 3) – gases that have been and continue to be released into the Earth's atmosphere. Greenhouse gases trap radiation from the sun which subsequently heats the planet's surface (giving rise to the "greenhouse effect"). Carbon dioxide and methane are two of the most important greenhouse gases. See also Appendix 1.

Investment mandate – see pooled mandate and segregated mandate

Integrated risk management – Integrated risk management is an approach used by DB pension scheme trustees to identify, manage and monitor the wide range of risks (relating to investment, funding and covenant) which might impact the chances of meeting their scheme's overall objectives

Appendix 3 – Glossary

Liabilities – obligations to make a payment in the future. An example of a liability is the pension benefit 'promise' made to DB pension scheme members, such as the series of cash payments made to members in retirement. The more distant the liability payment, the more difficult it often is to predict what it will actually be and hence what assets need to be held to meet it.

LDI (Liability Driven Investment) – an investment approach which focusses more than has traditionally been the case on matching the sensitivities of a DB pension scheme's assets to those of its underlying liabilities in response to changes in certain factors, most notably interest rate and inflation expectations.

Net zero – this describes the situation in which total greenhouse gas emissions released into the atmosphere are equal to those removed. This can be considered at different levels, eg company, investor, country or global.

Offsetting – the process of paying someone else to avoid emitting, or to remove from the atmosphere, a specified quantity of greenhouse gases, for example through planting trees or installing wind turbines. It is sometimes used to meet net zero and other emission reduction targets.

Options Section – refers to the defined contribution (DC) section of the Scheme.

Paris Agreement – the Paris Agreement is an international treaty on climate change, adopted in 2015. It covers climate change mitigation, adaptation and finance. Its primary goal is to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.

Physical risk – these are climate-related risks that arise from changes in the climate itself. They include risks from more extreme storms and flooding, as well as rising temperatures and changing rainfall pattens.

Pooled mandate – a feature of a collective investment vehicle whereby an investor's money is aggregated (ie "pooled") with that of other investors to purchase assets. Investors are allotted a share of those assets in proportion to their contribution. Ownership is represented by the number of "units" allocated – eg if the asset pool is worth £1m and there are 1m units then each unit is worth £1. Pooled funds offer smaller investors an easy way to gain exposure to a wide range of investments, both within markets (eg by buying units in a UK equity fund) as well as across markets (eg by buying units in both a UK equity fund and a UK corporate bond fund).

Portfolio alignment metric – this measures how aligned a portfolio is with a transition to a world targeting a particular climate outcome, such as limiting temperature rises to well below 2°C, preferably to 1.5°C, as per the Paris Agreement. Assessments using these metrics consider companies' and governments' greenhouse gas (GHG) emissions reduction Schemes and likelihood of meeting them, rather than current, or the latest reported, GHG emissions.

Responsible Investment (RI) – the process by which environmental, social and governance (ESG) issues are incorporated into the investment analysis and decision-making process, and into the oversight of investments companies through stewardship activities. It is motivated by financial considerations aiming to improve risk-adjusted returns.

Science-based targets – targets to reduce greenhouse gas emissions that are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement.

Science-Based Targets initiative (SBTi) – an organisation that sets standards and provides validation for science-based targets set by companies and investors.

Scenario analysis – a tool for examining and evaluating different ways in which the future may unfold.

Appendix 3 – Glossary

Scope 1, 2 and 3 – a classification of greenhouse gas emissions. See Appendix 1.

Segregated mandate – a segregated investment approach ensures that an investor's investments are held separately from those of other investors. This approach offers great flexibility – for example, the investor can stipulate the precise investment objective to be followed and can dictate which securities can or cannot be held.

Self-select – in contrast with a default fund, a self-select fund within a DC scheme is one of a range of funds that members can choose to invest in.

Stakeholder – an individual or group that has an interest in any decision or activity of an organisation. The stakeholders of a company include its employees, customers, suppliers and shareholders.

Statutory obligations – statutory obligations are those obligations that do not arise out of a contract, but are imposed by law.

Stewardship – stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. It is often implemented via engagement with investee companies and exercising voting rights.

Stranded assets – assets that have suffered an unanticipated loss of value before the end of their expected useful economic life. The term is most often applied to fossil fuel investments in the context of climate policy, where legislative and market developments may result in assets being worth less than the value recorded on company balance sheets.

Sustainable investing - an approach in which an assessment of the environmental and social sustainability a company's products and practices is a key driver in the investment decision. ESG analysis therefore forms a cornerstone of the investment selection process.

Taskforce on Climate-related Financial Disclosures (TCFD) – a group of senior preparers and users of financial disclosures from G20 countries, established by the international Financial Stability Board in 2015. The TCFD has developed a set of recommendations for climate-related financial risk disclosures for use by companies, financial institutions and other organisations to inform investors and other parties about the climate-related risks they face.

Transition risk – these are climate-related risks that arise from the transition to a low-carbon economy and can include changes in regulation, technology and consumer demand.