COMPASS GROUP PENSION PLAN

Taskforce for Climate-Related Financial Disclosures

October 2025

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EXECUTIVE SUMMARY

This report sets out the actions that we, the Trustee, have taken to understand the potential impact climate change could have on the Plan.

We have worked closely with our investment adviser, Aon Investments Limited ("AIL") to identify the climate-related risks and opportunities faced by the Plan, and to understand ways we can manage and mitigate those risks.

Overview of the Plan

The Plan is a hybrid Plan, which has three sections, a Defined Benefit ("DB") Section, a Defined Contribution ("DC") Section and a CRISP Section (which also provides DC benefits) and was created following the merger of the Compass Retirement Income Savings Plan ("CRISP") with the Plan on 1 January 2024.

DB Section

In Q1 2025, the DB Section secured a bulk annuity policy with Phoenix Life Limited (trading as Standard Life) as part of the Trustee's long-term financial strategy for the Plan. As the bulk annuity transaction was completed towards the end of the current Plan year, this report reflects the Plan's position before the transaction was fully completed and is based on the Plan's investment strategy and residual asset values as of 31 December 2024.

DC Section

For the DC Section, the report focuses on each 'popular arrangement' offered. A 'popular arrangement' is defined as one in which £100m or more is invested, or which accounts for 10% or more of the assets used to provide money purchase benefits. The DC Section consists of gilts, equities and property funds and is managed by Mercer.

Future reporting

As a result of the Plan's residual assets (excluding the bulk annuity policy) falling below £500m of 'relevant assets', as defined in the climate change governance and reporting requirements[1], this is expected to be the last report that the Plan is obligated to produce. However, the Trustee remains committed to identifying, assessing and managing financially material climate-related risks and opportunities, proportionate and relevant to the revised structure of the Plan and materiality of the residual assets following the bulk annuity purchase.

Overview of this report

Like previous years, this report is structured across the four pillars of the TCFD recommendations, with key points to note as follows:

Governance

We, the Trustee, are ultimately responsible for the oversight of all strategic matters relating to the Plan; this includes climate-related risks and opportunities.

Strategy

Our qualitative analysis of climate-related risks and opportunities showed that the asset classes in which the Plan invests across the DC and DB Sections are impacted to some degree by climate-related risks.

More details of the risks and opportunities identified for the Plan's investments can be found on pages 11-22.

[1] The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021

We reviewed the climate scenarios analysis, which confirmed that previous analysis undertaken remains appropriate for the DC and residual DB assets. This is due to no significant changes in the Plan's strategies for the residual DB and DC portfolios over the time periods being considered within this report. The analysis shows that the Plan exhibits a reasonable degree of resilience under all climate change scenarios considered.

Risk management

We have maintained our agreed processes to identify, assess and manage the climate-related risks and opportunities the Plan is exposed to. These processes remain integrated into the Plan's wider approach to risk management.

Our Climate Risk Management framework is set out on pages 23-27, which assists with the ongoing management of climate-related risks and opportunities. Alongside this, the Trustee undertakes periodic training on responsible investment to understand how ESG factors, including climate change, may impact the Plan's assets and liabilities. Details of training the Trustee has undertaken through the Plan's reporting year are included in the Governance and Risk Management Sections.

Metrics and targets

Like previous years, we have disclosed information on four climate-related metrics for each of the DB and DC Sections of the Plan:

- Total Greenhouse Gas ("GHG") Emissions.
- Carbon Footprint.
- Data Quality.
- Portfolio Alignment.

Following the Plan's buy-in over the reporting period, the Plan will subsequently adopt its insurer's targets and encourage managers of its residual property assets to continue making efforts to improve data coverage across Scopes 1, 2 and 3.

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

P N Whittome — 1/10/2025

Signed on behalf of the Trustee — **Date**

GOVERNANCE

Governance is the way the Plan operates and the internal processes and controls in place to ensure appropriate oversight. Those undertaking governance activities are responsible for managing climate-related risks and opportunities. This includes us, as the Trustee, and others making Plan-wide decisions, such as those relating to the investment strategy or how it is Implemented, funding, the ability of the sponsoring employer to support the Plan and its liabilities.

Our Plan's governance

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

We have previously agreed our climate-related beliefs and our approach to managing climate change risk. These are set out in the Plan's Statement of Investment Principles ("SIP"), which is reviewed annually. A summary of the Trustee's climate beliefs is set out below.

Climate Mission Statement

The Trustee believes that the risks associated with climate change could impact investment returns within the timeframe that the Trustee is concerned about. Because of this risk, the Trustee seeks to integrate assessments of climate change risk into its investment risk management and strategy. Furthermore, the Trustee believes that climate-related factors are likely to create investment opportunities. Where possible, and where appropriately aligned with the Trustee's strategic objectives and fiduciary duty, the Trustee will seek to capture such opportunities through its investment portfolio.

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

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

Trustee's update

In February 2025, the Trustee received responsible investment training which covered the Plan's climate reporting requirements as outlined by the climate change governance and reporting regulations. This included findings from the Pensions Regulator's latest review of published reports to date, as applicable to the Plan. The training session also explored the integration of ESG-related factors in investing the Plan's assets.

We delegate oversight of the Plan's climate change risk management to the Investment Committee ("IC").

Role of the Trustee

The Trustee is collectively responsible for oversight of all strategic matters related to the Plan. This includes approval of the governance and management framework relating to ESG considerations and climate-related risks and opportunities. Given its importance, the Trustee has collective responsibility for setting the climate change risk framework, rather than naming one individual to be responsible for its response to climate risks and opportunities. As part of its wider Governance

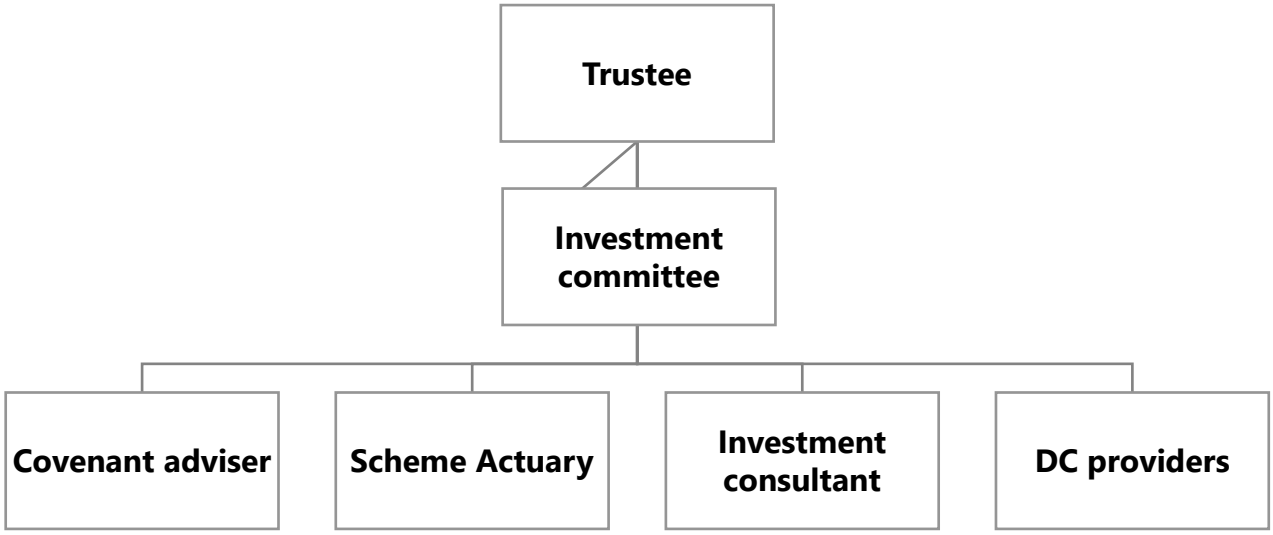
strategy, the IC has also reviewed the Plan's Implementation Statement ("IS") to further understand the voting and engagement practices of the Plan's underlying managers.

During the Plan year end, most of the Plan's assets were secured through a bulk annuity policy. As such, the governance related to these assets has been transferred to the insurer. However, the IC still bears responsibility for the residual DB assets, which will be considered in its overall governance processes and frameworks.

Climate-related risks and opportunities are integrated into the Trustee's risk management framework so the Trustee can maintain oversight of the climate-related risks and opportunities that are relevant to the Plan.

The Trustee also annually monitors and reviews progress against the Plan's climate change risk management approach.

The diagram below shows the structure chart of the Plan.



Role of the Investment Committee

The key activities undertaken by the IC, with the support of our advisers, are:

- Ensure the investment strategy or any implementation proposals consider the impact of climate risks and opportunities.
- Seek investment opportunities which enhance the ESG and climate change focus of the Plan's portfolio.
- Engage with the Plan's investment managers to understand how climate-related risks are considered in their investment approach.
- Work with the investment managers to disclose relevant climate-related metrics as set out in the TCFD recommendations.
- Ensure stewardship activities are being carried out appropriately by the investment managers on the Plan's behalf.
- Monitor and review progress against the Plan's risk management framework annually.

The IC meet regularly to carry out the above activities. The IC keep the Trustee updated on any material climate-related developments through regular (at least annual) updates at Trustee meetings.

As a result of the buy-in for part of the DB portfolio that took place in Q4 2024, the role of the IC will be reduced for these assets. However, the IC still oversees these roles for the DB residual assets, alongside the existing DC assets.

How we work with our advisers

The Trustee expects its advisers and investment managers to bring important climate-related issues and developments to its attention in a timely manner. The Trustee also expects its advisers and investment managers to have the appropriate knowledge on climate-related matters. In future years of reporting, we will work with our annuity provider with regards to the insured assets as necessary.

The Trustee reviews the quality of its advisers' provision of advice and support on climate-related issues. For our investment adviser this is part of the annual review of investment consultant objectives. For our Scheme Actuary and Covenant adviser, this is on a more ad hoc basis (typically every 3 years).

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

Investment consultant – The Trustee's investment consultant for the DB and DC Sections, Aon, provides investment-related strategic advice and support on our climate-related issues, climate change scenario modelling and ESG ratings for investment managers. Alongside this, Mercer is the investment consultant for the CRISP Section of the Plan.

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

Scheme Actuary - The Scheme Actuary, Matt Farraker, helps the Trustee assess the potential impact of climate-related risks on the Plan's funding where relevant.

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

Covenant adviser – The Trustee's covenant adviser, RSM, will help the Trustee understand the potential impact of climate-related risks on the Sponsor covenant of the principal Employer of the Plan, Compass Group PLC.

Risk settlement adviser – During the reporting period, the Trustee engage a risk settlement adviser to support the Plan's entry into a risk settlement transaction. The adviser provided specialist guidance on the selection and implementation of the transaction, including consideration of climate-related risks associated with the insured assets and the chosen provider. The Trustee expects the risk settlement adviser to have appropriate expertise in assessing the climate-related exposures and disclosures of potential future counterparties, and to inform the Trustee of any material climate-related developments relevant to the transaction.

Role of DC provider – The Plan's main DC provider, Legal & General ("L&G"), will be responsible for day-to-day management of the majority of the legacy DC (including AVC) assets and will help the Trustee understand how they can support in providing the necessary information and requisite data to meet TCFD requirements. Alongside this, Mercer is responsible for the day-to-day management of the CRISP Section of the Plan.

STRATEGY

It is crucial to think strategically about the climate-related risks and opportunities that will impact the Plan if we are to stand a chance of mitigating the effects of climate change. Assessing the climate-related risks and opportunities the Plan is exposed to is key to understanding the impact climate change could have on the Plan in the future.

What climate-related risks are most likely to impact the Plan?

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

To help us with our assessment, we surveyed our investment managers asking them to rate the climate-related risks and opportunities they believe their fund(s) is(are) exposed to.

Our investments

The Plan's DB investment portfolio is diversified across a range of different asset classes including property and LDI. The Plan's asset allocation is as follows:

DB Section

Asset Class	LDI	Long Lease Property	Property	Cash
Allocation	62.9%	19.7%	10.9%	6.6%

Asset allocations as at 31 December 2024. However, the value of the Plan's LDI assets held with L&G is as at 4 December 2024 prior to being sold in preparation for the Plan's buy-in. Figures may not round up to 100% due to rounding.

DC Section

The assets of the DC Section are diversified across asset classes i.e., equities and property. The Trustee has focused its analysis on the default investment strategy, which is invested in multi-asset arrangements split between the diversified and growth sections.

The CRISP Section has been excluded from the analysis conducted in this pillar on grounds of materiality.

How the qualitative risk assessment works

Risk categories

In the analysis, the climate-related risks have been categorised into physical and transition risks.

Transition risks are associated with the transition towards a low-carbon economy.

Ratings

The analysis uses a RAG rating system where:

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

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

Time horizons

We assessed the climate-related risks and opportunities over multiple time horizons considering the liabilities of the Plan, de-risking and its obligations to pay benefits. We decided the most appropriate

Physical risks are associated with the physical impacts of climate change on companies' operations. More details about transition and physical risks can be found in the Appendix.

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

time horizons for the Plan are:

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

The time horizons above were, however, defined as those that would have been appropriate prior to securing the bulk annuity for the Plan's DB assets. As this has now been concluded, these time horizons are only relevant to the Plan's residual assets.

Climate-related risk assessment

Key conclusions

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

For Aviva, we have used last year's RAG analysis until we have a more updated version. For CBRE, the climate-related risks remain unchanged from last year's reporting. With the DB assets subsequently being secured via a bulk annuity with Standard Life, the Trustee expects the insurer to consider climate-related risk as necessary.

There have been no other significant changes to the climate-related risks and opportunities since last year of reporting.

The following tables summarise the transition and physical risks for each asset class the Plan is invested in.

DB Section

	Manager	Aviva – Long Lease Property	CBRE – Global Alpha Property	LGIM - LDI
Physical risks	Short term	Green	Green - Amber	Green
	Medium term	Green	Green - Amber	Green
	Long term	Green - Amber	Green - Amber	Green - Amber

Transition risks	**Short term**	Green - Amber	Green - Amber	Green
	Medium term	Green - Amber	Amber	Green
	Long term	Amber	Amber	Green - Amber

DC Section

	Manager	LGIM – Corporate Bonds	LGIM – Multi-Asset Credit	LGIM – Equities
Physical risks	**Short term**	Green	Green	Green
	Medium term	Green	Green - Amber	Green - Amber
	Long term	Green - Amber	Amber	Amber
Transition risks	**Short term**	Green	Green	Green - Amber
	Medium term	Green - Amber	Green - Amber	Amber - Red
	Long term	Green - Amber	Amber - Red	Amber - Red

Climate-related opportunities

The Trustee relies on its investment managers to take into account climate-related risks and opportunities applicable for their mandates. We recognise that we have limited control over the bulk annuity assets, however, we expect our insurer to integrate climate-related opportunities, where available, and to an extent that is appropriate. Based on the qualitative assessment, the Plan's managers identified the following opportunities.

Equities – The scale of the investment required to decarbonise the global economy over the next 40 years is colossal. This ranges from existing technologies such as renewable and nuclear power, electric vehicles, and green building materials, to others that remain in development today such as hydrogen and carbon capture and storage. Investment in all of these areas needs to be at scale and pace, which will create a plethora of investment opportunities over the years ahead.

Property

Seeking revenue opportunity from demand for lower-carbon products and services and products with enhanced sustainability performance.

Refurbishments which seek to minimise environmental, social and climate risk impacts and maximise the creation of economic opportunities in the local community.

Increasing recourse efficiency by reduced operational costs.

Multi-asset – As electric vehicles, renewables and other alternative fuels become cheaper relative to conventional alternatives, companies stand to benefit significantly from this growth. The manager believes that investors should focus on three areas to evaluate opportunities and produce targeted investment strategies: geological scarcity, technological innovation, and regulatory change.

Source: Managers

How resilient is the Plan to climate change?

In our first report, we carried out climate change scenario analysis to better understand the impact climate change could have on the Plan's assets and liabilities. This year we have reviewed that analysis which remains appropriate for the current

reporting year. As such, this section of the report summarises last year's analysis and conclusions.

Trustee update

Under the Regulations, climate scenario analysis must be carried out at least every 3 years, with an annual review in interim years. Circumstances which may require the climate scenario analysis to be re-done include but are not limited to:

- a significant/material change to the investment and/or funding strategy; or
- the availability of new or improved scenarios or modelling capabilities or events that might reasonably be thought to impact key assumptions underlying scenarios.

We reviewed the scenario analysis completed as at 31 March 2022 for the DB Section, and we are comfortable that the analysis remains appropriate for the residual assets within the portfolio.

For the DC Section, there have been no significant changes to the investment strategy, so the previously conducted analysis remains appropriate for this year's report.

The analysis looks at three climate change scenarios that we believe provide a reasonable range of possible climate change outcomes that could have an impact on the residual assets in the DB Section. The climate scenarios are compared to a "base case" scenario. In future years of reporting, given that the DB assets have been insured through a bulk annuity arrangement, the scenario analysis will fall within the remit of the insurer.

The Trustee has prepared a summary for both the DC and CRISP Sections. The Trustee was supported with this by the Plan's DC Section investment consultant, Aon, and the CRISP Section investment consultant, Mercer.

Each climate scenario considers what may happen to the Plan's DB, DC and CRISP Sections when transitioning to a low carbon economy under different temperature-related environmental conditions. These scenarios were developed by Aon and are based on detailed assumptions. They are only illustrative and are subject to considerable uncertainty.

The climate scenarios intend to illustrate the climate-related risks the Plan is currently exposed to, highlighting areas where risk mitigation could be achieved through changing the investment portfolio. Other relevant issues such as governance, costs and implementation (including manager selection and due diligence) must be considered when making changes to the investment strategy.	Investment risk is captured in the deviance from the base case scenario, but this is not the only risk that members face. Other risks include covenant risk, longevity risk, timing of member options and operational risks.

DB Section – Climate change scenario analysis

Climate scenarios in more detail

The table below describes each climate scenario and the impact on the Plan over the short-, medium- and long-term time horizons. Whilst we undertook three scenarios we have summarised the most significant ones below.

Base case	**Summary of the scenario**
Temperature rise ~2°C – 2.5°C Reach net-zero 2050 Uncoordinated environmental regulation	Emission reductions start now and continue in a measured way in line with the objectives of the Paris Agreement and the UK government's legally binding commitment to reduce emissions in the UK to net zero by 2050.

Disorderly transition	**Summary of the scenario**
Temperature rise <4°C Reach net-zero after 2050 Late and aggressive environmental regulation	The world economy remains oriented towards improving near-term economic prospects, with companies and governments taking a "business as usual" approach. Eventually, market participants begin to fully grasp the implications of climate change and there is a growing realisation that current levels of action are inadequate. Market value price in high levels of economic damage and the irreversible loss.

Orderly scenario	**Summary of the scenario**
Temperature rise <2°C Reach net-zero 2050 Coordinated environmental regulation	Increased public awareness of climate change risks galvanises opinion and leads to governments understanding widespread action globally to aggressively mitigate and adapt to climate change. A high global greenhouse gas tax and carbon cap is introduced.

Source: Aon. Effective date of the impact assessment is 31 March 2022.

***Please note**: The results of the scenario modelling are illustrative and rely on many assumptions. These are subject to considerable uncertainty.*

DC Section – Impact on projected asset valuation

For the DC Section, the Trustee has carried out qualitative climate scenario analysis on the default arrangement, under the same climate change scenarios as the DB Section. The default arrangement is a lifestyle arrangement invested in a range of asset classes including gilts, equities and property funds.

We considered the different impacts each scenario would have on two example members, one younger member and one older member. The example younger member has a higher allocation to growth assets. The example older member has a higher allocation to lower risk assets and is assumed to be accessing income drawdown.

Key conclusions

Young and mid-career members

The financial impact for these members is likely to be driven by the long-term time horizon. Specifically, the climate-related risks associated with investing in equities is expected to be greatest over the long term. Nevertheless, it is important for these members for the assets to be invested in growth assets (primarily equities) to help members achieve good retirement outcomes. Allocating to assets such as government bonds, which offer lower exposure to climate-related risks, is unlikely to be in members' best interests over the long-term.

Accordingly, the Trustee believes it is important to focus on managing the climate-related risks of the equity within the portfolio.

Older members (approaching and through retirement)

The financial impact for these members is expected to be driven by the short- to medium-term time horizons. Specifically, the climate-related risks associated with investing in equities is expected to have an impact on these members during this time period. An increased level of diversification will help mitigate this risk, as members' allocation to equities is reduced as they approach and are at-retirement.

Should members continue to invest after retirement, the impact they experience will be more like the long-term effects, albeit mitigated compared to younger members by their lower allocation to equities.

The timing of the impact of climate risks on assets may mean there is limited time (in terms of remaining working life) to make up any shortfall in expected retirement benefits.

Climate scenarios in more detail

The table below describes each climate scenario and the impact of each scenario on the DC Section fund values of the Plan over the short-, medium- and long-term time horizons.

Disorderly Scenario	**Summary of the Scenario**	**Summary of the impact to the Plan**
Temperature rise <4°C Reach net-zero after 2050 Late and aggressive environmental regulation	**In the short-term:** Insufficient consideration given to long-term policies and there is no action taken to combat climate change	**In the short-term:** There is no initial risk to the Plan, the funding level is expected to broadly follow the base case.
	In the medium-term: Late but coordinated action is taken to tackle climate change. The late timing means it is less effective and more costly to implement. Adverse impacts from climate change leads to a drag on risk assets	**In the medium-term:** There is a sudden, sharp decline in the funding level at 10 years.
	In the long-term: After the costly implementation to tackle climate change and the resulting drag on risky assets, the transition to clean technologies and green regulation begins to boost	**In the long-term:** The funding level continues to fall, reaching its lowest point around 2034, however, remains in a funding surplus. After this, the funding level improves, however, by the end of the

	economic growth when considering the very long term. However, the late and disorderly climate transition means that physical climate risks remain prominent over the very long term.	modelling period, remains considerably lower than the base case.

Orderly Scenario	**Summary of the Scenario**	**Summary of the impact to the Plan**
Temperature rise <2°C Reach net-zero 2050 Coordinated environmental regulation	**In the short-term:** Immediate coordinated global action is taken to tackle climate change. Risky assets perform poorly. **In the medium-term:** The rapid transition to clean technologies and green regulation begins to boost economic growth. **In the long-term:** The rapid transition to clean technologies and green regulation begins to boost economic growth. This represents the fastest transition to a green economy, combined with limited physical impacts from climate change despite the large initial transition cost.	**In the short-term:** Initially, there is a sharp decline in the funding surplus to c£200m, before beginning to recover. **In the medium-term:** The funding surplus improves rapidly in the medium-term and after 10 years has recovered much of the initial gap, relative to the base case. **In the long-term:** There is a steady improvement in the funding surplus under this scenario, eventually leading to a higher funding surplus than the base case, by the end of the modelling period.

Source: Aon. Effective date of the impact assessment is 31 March 2022

***Please note**: The results of the scenario modelling are illustrative and rely on many assumptions. These are subject to considerable uncertainty.*

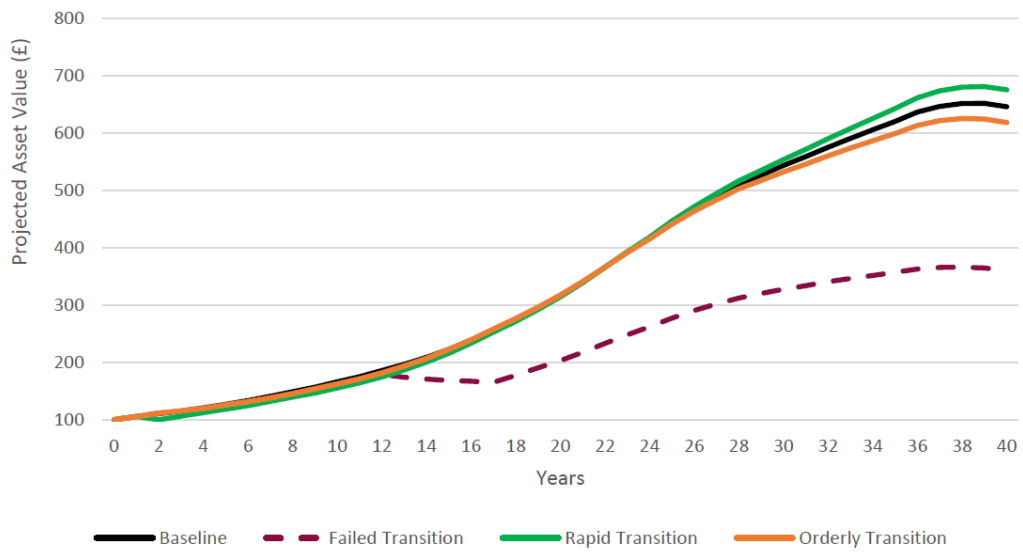
CRISP Section – Climate change scenario analysis

The investment consultant for the CRISP Section, Mercer, conducted quantitative climate change scenario analysis, which was supplemented with qualitative commentary.

The details of the three climate change scenarios (Failed Transition, Rapid Transition and Orderly Transition) Mercer chose, to analyse the CRISP Section, are set out in the Appendix. Whilst not exactly the same, the range of scenarios considered are broadly consistent with those considered within the DB and DC Sections.

CRISP Section – Impact on projected asset valuation

The below chart shows the impact of the three climate change scenarios for members who are more than 40 years from retirement (i.e., further than the Trustee's long-term time horizon, defined earlier in the Governance section of this report). Climate change is predicted to have a material impact on the annualised investment returns of the Plan's popular arrangements.



Source: Mercer

Key conclusions

Under Mercer's Rapid Transition scenario, in the short-term, a shock to the projected asset value is expected around the year 2025, having priced in (and overreacting, to a degree) to transition costs. The member's projected asset value steadily recovers over the medium- to long-term time horizon. This scenario provides the best eventual outcome for the example member's projected asset value.

Under Mercer's Orderly Transition scenario, Mercer does not expect any shocks to the projected asset value in the short- or medium-term time horizons. The projected asset value over time follows a similar path as the Rapid Transition scenario but never reaches the same high as the eventual projected asset value under the Rapid Transition scenario.

Under Mercer's Failed Transition scenario, in the medium-term, shocks are expected to the projected asset value towards the end of the 2020s and 2030s pricing in future damage. Whilst the exact timing of such shocks is unknown, the consideration of such shocks is important to risk analysis. In this scenario, the projected asset value of the member makes a slight recovery but never reaches the same highs as the projected asset value under Mercer's Rapid and Orderly Transitions, as well as the base case. This is the worst projected outcome for the Plan.

DB, DC and CRISP Sections – Scenario modelling limitations

Scenario modelling relies on many assumptions. They are only illustrative and subject to considerable uncertainty. Please see *Appendix 3 – Climate scenario modelling assumptions* for more detailed information on the assumptions underpinning the scenarios.

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

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

RISK MANAGEMENT

We must have processes to identify, assess and manage the climate-related risks that are relevant to the Plan, and these must be integrated into the overall risk management of the Plan.

Reporting on our risk management processes provides context for how we think about and address the most significant risks to our efforts to achieve appropriate outcomes for members.

Our climate risk management framework

We have previously established a process to identify, assess and manage the climate-related risks that are relevant to the Plan. This is part of the Plan's wider risk management framework and is how we monitor the most significant risks to the Plan in our efforts to achieve appropriate outcomes for members.

The climate risk management framework is set out in the tables. We delegate a number of key tasks to different committees but retain overall responsibility.

Governance

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Approve climate risk management framework	Trustee	Investment Committee (IC)	One off
Receive training on climate-related issues	Trustee	Advisers	Annual
Review adviser objectives to ensure advisers have appropriate climate capability, and bring important, relevant and timely climate-related issues to the Trustee's attention	Trustee	Advisers	Annual
Ensure investment proposals explicitly consider the impact of climate risks and opportunities and seek investment opportunities.	IC	Investment Consultant	Ongoing
Ensure that actuarial and covenant advice adequately incorporate climate-related risk factors where they are relevant and material.	Trustee	Scheme Actuary, Covenant Adviser	Triennial
Engage with the investment managers to understand how climate risks are considered in their investment approach, and stewardship activities are being undertaken appropriately	IC	Investment managers, Investment Consultant	Annual

Trustee update for the year ended 5 April 2025

The Trustee has monitored progress of the implementation of the climate change governance framework through the year, receiving regular updates from the IC and querying information as and when required.

The Trustee has also received training focused on Operational Risk Solutions and Analytics in November 2024.

As part of any ongoing changes to the Plan's investment strategy, the IC considers the impact of climate change as part of its due diligence process of the bulk annuity provider.

Strategy

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Undertake quantitative scenario analysis to understand the impact of climate-related risks	IC	Investment Consultant	Annual reviews. Triennial refreshed modelling thereafter
Identify the climate-related risks and opportunities for investment & funding strategy and assess their likelihood and impact.	IC	Advisers	Annual

Trustee update for the year ended 5 April 2025

We have spent time during the year analysing climate-related risks and opportunities for the various asset classes in which the Plan invests. Part of this has been to undertake the qualitative assessment of climate-related risks and opportunities, which can be found in the Strategy section of this report.

We also reviewed the climate scenario analysis for the DB Section and believe that the analysis remains appropriate. Similar to last year's reporting, we have included climate change scenario analysis for the DC and CRISP Sections; this is explained in further detail within the Strategy section of the report.

Moving forward, the delegated responsibility of the Strategy section for the DB assets will fall within the remit of the insurer as they have taken on the climate-related risks and analysis associated with the DB Section of the Plan.

Risk management

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Consider the prioritisation of those climate-related risks, and the management of the most significant in terms of potential loss and likelihood.	IC	Advisers	Annual
Include consideration of climate-related risks in the Plan's other risk processes and documents, such as the risk register and the SIP, and regularly review these.	IC	Advisers	Ongoing
Seek to understand the climate-related risks to the employer over the short, medium and long term.	Trustee, IC	Covenant Adviser	Triennial

Trustee update for the year ended 5 April 2025

We reviewed processes for identifying and assessing climate-related risks as part of the annual TCFD process to evaluate its continued suitability. This is integrated into the ongoing activities of the Plan.

Based on our analysis this year we have not made any changes to the investment strategy and believe that the managers have the appropriate analysis in place to understand climate-related risk.

Metrics and Targets

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Obtain data for agreed metrics	IC	Investment Consultant, Investment Managers	Annual
Review continued appropriateness of metrics	IC	Investment Consultant	Annual

Trustee update for the year ended 5 April 2025

We collected metrics data on to understand the greenhouse gas emissions associated with the Plan's investments.

This data has been evaluated against our climate-related target, set in the first year of reporting and is described in more detail later in the report, within the Metrics and Targets pillar.

Assessing our managers

To assess our managers' abilities to manage climate-related risks, we asked them 10 questions designed by the Pensions Climate Risk Industry Group[2] ("PCRIG") to help trustees do just that. The questions cover a range of topics including the manager's approach to climate management, whether they produce their own TCFD reports, their ability to conduct climate scenario analysis, their engagement policies, and their ability to provide GHG emissions data.

We asked the managers to confirm whether there have been any significant changes from last year's reporting and where that is the case, the managers have updated accordingly to reflect this.

[2] Aligning your pension scheme with the Taskforce on Climate-Related Financial Disclosures recommendations - GOV.UK (www.gov.uk)

Key conclusions

We have seen improved climate risk disclosures from our investment managers. Some of the key highlights include:

DB Section

- All managers showed a willingness to engage on the questions asked in relation to climate risks.
- CBRE are constantly reviewing best practices solutions and technologies in the market to continuously improve their climate-related analyses. CBRE has successfully completed analysis on 100% of AUM in active funds managed by external managers, enabling them to get a complete and comparable view of exposure to physical climate hazards associated with their investments.
- Aviva and L&G have had no material change and showed good awareness of climate related risks.

DC Section

L&G continues to demonstrate awareness and acknowledges the impact of climate change and understands the importance of assessing climate-related risks.

METRICS AND TARGETS

Metrics help to inform our understanding and monitoring of the Plan's climate-related risks. Quantitative measures of the Plan's climate-related risks, in the form of both greenhouse gas emissions and non-emissions-based metrics, help us to identify, manage and track the Plan's exposure to the financial risks and opportunities climate change will bring.

Our climate-related metrics

We use some quantitative measures to help us understand and monitor the Plan's exposure to climate-related risks.

Measuring the greenhouse gas emissions related to our assets is a way for us to assess our exposure to climate change.

Greenhouse gases are produced by burning fossil fuels, meat and dairy farming, and some industrial processes. When greenhouse gases are released into the atmosphere, they trap heat in the atmosphere causing global warming, contributing to climate change.

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

Scope 1

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

Scope 2

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

Scope 3

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

For more explanation about GHG emissions, please see the Appendix.

Our climate-related metrics – in detail

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

Total Greenhouse Gas emissions	The total greenhouse gas ("GHG") emissions associated with the portfolio. It is an absolute measure of carbon output from the Plan's investments and is measured in tonnes of carbon dioxide equivalent ("tCO2e").
Carbon footprint	Carbon footprint is an intensity measure of emissions that takes the total GHG emissions and weights it to take account of the size of the investment made. It is measured in tonnes of carbon dioxide equivalent per million pounds invested ("tCO2e/£m").

Data quality	A measure of the proportion of the portfolio that the Trustee has high quality data for (i.e., data which is based on verified, reported, or reasonably estimated emissions, versus that which is unavailable).
Binary target measurement	A metric which shows how much of the Plan's assets are aligned with a climate change goal of limiting the increase in the global average temperature to 1.5˚C above pre-industrial levels. It is measured as the percentage of portfolio investments with a declared net-zero or Paris-aligned target or are already net-zero or Paris-aligned.

Carbon metrics

Liability driven investments ("LDI") are primarily made up of UK government bonds. Carbon metrics for UK government bonds are based on the total GHG emissions for the whole of the UK, which are extremely high. This would also be the case for sovereign bonds more generally. By contrast, carbon emissions for equities, for example, are based on the emissions associated with the underlying companies invested in, which are smaller. Hence, the carbon emissions for sovereigns are generally higher than other asset classes. We therefore do not aggregate emission calculations for sovereign and non-sovereign assets given the methodological differences.

In the first year of reporting, the Climate-Value-at-Risk ("Climate VaR") was recorded as £59m. Climate VaR is a measure of the sensitivity in the Plan's investments to downside climate-related risks.

Notes on the data

We relied on information provided by the Plan's investment managers about their greenhouse gas emissions. Our adviser, Aon aggregated this information to calculate the metrics for the Plan's portfolio of assets. Aon did not make estimates for missing data. Due to not all of the data not being available we expect that the reported emissions metrics do not include all the Plan's GHG emissions. And so, the metrics show the Plan's GHG emissions to be lower than they really are.

DB Section

Asset Class	Year	Data Coverage (%)		Total GHG emissions (tCO_2e)		Carbon footprint (tCO_2e/£m)		Portion of portfolio net-zero or Paris aligned (%)
		Scopes 1 & 2	Scope 3	Scopes 1 & 2	Scope 3	Scopes 1 & 2	Scope 3	
Property	**2024**	**86.9%**	**86.9%**	**1,555**	**-**	**15.9**	**-**	**35.2%**
	2023	76.8%	59.1%	12,016	161,323	40.5	707.1	22.8%
LDI	**2024**	**100.0%**	**N/A**	**219,924**	**N/A**	**141.2**	**N/A**	**-**
	2023	100.0%	N/A	211,036	N/A	170.2	N/A	-

Source: Investment Adviser/Managers. Figures may not sum due to rounding. 'N/A' stands for 'Not Applicable'. Data as at 31 December 2024 unless specified otherwise.

- *Scope 3 is not applicable to LDI, as it contains primarily UK sovereign bonds and scope 3 emissions are not yet widely available for UK sovereign bonds.*
- *For the LDI calculations, only physical assets (i.e. no repos or swaps) were held as part of the portfolio as at the time of reporting.*
- *Portion of the portfolio that is net-zero or Paris-aligned are not yet widely available for sovereigns and hence are deemed not applicable for the Plan's LDI mandate.*

DB Section – Metrics commentary

- Total asset values reported on (including LDI) was £1.7B.
- Both Aviva and CBRE provided aggregated Scopes 1, 2 and 3 emissions data. Both managers also provided the most recent data available as at 31 December 2023. Year-on year changes of property emissions and carbon footprint data are therefore not comparable due to changes in how the data has been presented.
- As at 31 December 2024, the Plan held no LDI assets with LGIM. Therefore, carbon data for the LDI mandate has been shown as at 4 December 2024.
- The Plan liquidated its corporate bond position with M&G investments in September 2024, and proceeds were held in the LDI portfolio. As such, the only assets reported on this year were the property and LDI portfolios. Other assets, such as cash, and the sterling liquidity fund were excluded due to materiality.
- For the property portfolio, significant decreases in total greenhouse gas emissions can be attributed to a significant fall in asset values since the last reporting period.
- Emissions associated with the LDI portfolio have increased largely due to an increase in LDI asset values however, a reduction in UK public GHG emissions is the main driver of the lower carbon footprint.

DC Section

Asset Class	Year	Asset Allocation%	Data Coverage (%)		Total GHG emissions (tCO_2e)		Carbon footprint (tCO_2e/£m)		Binary Target Measurement (%)
			Scopes 1 & 2	Scope 3	Scopes 1 & 2	Scope 3	Scopes 1 & 2	Scope 3	Portion of portfolio net-zero or Paris aligned
Equities	**2024**	**83.0%**	**94.9%**	**94.8%**	**110.2**	**1,351.2**	**67.6**	**829.9**	**52.8%**
	2023	85.0%	93.6%	3.1%	166.1	61.2	73.9	836.5	49.4%
Property	**2024**	**17.0%**	**100.0%**	**6.4%**	**0.6**	**4.8**	**1.7**	**223.5**	**0.0%**
	2023	15.0%	5.4%	2.2%	0.0	3.0	0.3	319.0	1.1%
Total Plan (excl. Sovereigns)	**2024**	**100.0%**	**95.7%%**	**80.2%**	**110.8**	**1,355.9**	**56.2**	**821.9**	**44.1%**
	2023	100.0%	80.4%	3.0%	166.1	64.2	73.2	778.0	42.2%
Sovereigns	**2024**	**100.0%**	**100.0%**	**-**	**158.1**	**-**	**141.2**	**-**	**-**
	2023	100.0%	100.0%	-	188.9	-	170.2	-	-

Source: Investment Adviser/Managers. Data as at 31 December 2024 unless specified otherwise. Figures may not sum due to rounding.

- *The 2024 sovereign carbon footprint corresponds to tCO_2e/£m PPP-adjusted GDP as at 31 December 2023.*
- *Scope 3 is not applicable to LDI, as it contains primarily UK sovereign bonds and scope 3 emissions are not yet widely available for UK sovereign bonds.*

DC section – Metrics commentary

- The total asset value reported on for this section is £2.1M.
- For the DC Section, data coverage is higher for Scope 1 & 2 this year, with this Section exceeding its 2026 data coverage target. This is mainly driven by a considerable increase in the data coverage for the property fund and a slight increase in data coverage for equities.
- Scope 3 emissions data coverage has improved since the last report, This is particularly the case for the equity section of the portfolio.

- Scope 1 & 2 GHG emissions have marginally reduced compared to last year, despite the increase in data coverage for both the equity and property mandates. This can be explained, in part, by a reduction in asset values over the year.
- Similarly, the percentage of the DC portfolio that is aligned with net-zero or Paris-Alignment, which is associated with the Binary Target Measurement ("BTM") has marginally increased.

CRISP Section

Asset Class	Year	Asset Allocation%	Data Coverage (%)		Total GHG emissions (tCO_2e)		Carbon footprint (tCO_2e/£m)		Binary Target Measurement (%)
			Scopes 1 & 2	Scope 3	Scopes 1 & 2	Scope 3	Scopes 1 & 2	Scope 3	Portion of portfolio net-zero or Paris aligned
Corporate Assets	**2025**	**84.7%**	**95.0%**	**95.0%**	**4,808**	**23,950**	**59.7**	**297.4**	**40.6%**
	2024	70.0%	94.0%	94.0%	5,917	20,905	83.6	295.3	34.6%
Sovereigns	**2025**	**15.3%**	**100.0%**	**-**	**3,948**	**-**	**257.2**	**-**	**-**
	2024	15.1%	100.0%	-	5,964	-	368.7	-	-

Source: Investment Adviser/Managers. Data as at 31 March 2025 unless specified otherwise. Figures may not sum due to rounding. Total asset allocation does not sum to 100.0% as the metrics exclude cash and derivatives.

- *Sovereign analysis has been conducted in line with the recommended methodology set out by PCAF, Sovereign Intensity formula: Product Emissions / PPP Adjusted GDP (£m). Data for Production Emissions ("GHG") for 2021 sourced from EDGARv7.0. This consists of global sovereigns.*

CRISP Section – Metrics commentary

- Total asset values reported on (including LDI) was £91.5M.
- This is the second year of reporting climate-related metrics for the CRISP Section, following its merger with the Plan.
- The DC provider for the CRISP Section provided climate-related metrics split by corporate and sovereign exposure.
- For corporate assets, which includes equity, corporate bonds and securitised assets, the data coverage has marginally improved since last year.
- For sovereign assets, there has been an overall reduction in GHG emissions and carbon footprint.
- The portion of the portfolio with net-zero or Paris-aligned targets, within the corporate assets has seen an improvement since last year's reporting.
- Scope 3 carbon data and the portion of the portfolio that is net-zero or Paris-aligned are not yet widely available for sovereigns and hence are deemed not applicable for the sovereign assets.
- Relative to the DB and DC sections, CRISP data is reported as the latest available which is 31 March 2025.

Notes on the metrics calculations

There is no industry-wide standard for calculating some of these metrics and different managers may use different methods and assumptions. This highlights the importance of climate reporting to improve transparency. We expect that in the future better information will be available from managers as the industry aligns to expectations and best practice standards.

The carbon metrics

Aon collected carbon metrics from managers before aggregating by asset class. The methodology used for this aggregation does not make any assumptions or estimations about the carbon emissions for assets for which data was unavailable. The aggregation methodology is as set out below.

G = A x C x F

G = Total GHG expressed as tCO2e.

A = Assets expressed in £ Millions.

C = Data Coverage expressed as a decimal between 0 and 1.

F = Carbon Footprint expressed as tCO2e/£M invested.

The methodology used follows the industry-standard best-practice established within the Carbon Emissions Template ("CET")[3].

How we collected the data
Our investment adviser, Aon, collected the carbon emissions data from our managers on our behalf using the industry standard Carbon Emissions Template ("CET"). The CET was developed by a joint industry initiative of the Pension and Life Savings Association, the Association of British Insurers and Investment Association Working Group. The CET provides a standardised set of data to help pension Groups meet their obligations under the Climate Change Governance and Reporting Regulations, and associated DWP Statutory Guidance.

LDI

Aon requested the physical and synthetic split from the Plan's LDI manager. The carbon footprint was calculated using UK GHG Emissions and PPP adjusted GDP and assumes data coverage to be 100%. Scope 3 is not applicable to LDI, as it contains primarily UK sovereign bonds and scope 3 emissions are not yet widely available for UK sovereign bonds.

- Sovereign GHG emissions provided by the Emissions Database for Global Atmospheric Research (EDGAR) as at 31 December 2023.
- PPP-adjusted GDP from the Organization for Economic Cooperation (OECD) as at 31 December 2023

Portion of the portfolio with net zero or Paris-aligned targets

Aon requested a SBTi validated metric from our public investment managers for our binary target measurement metric and aggregated the results based on the portion of assets invested in each fund – i.e., the portion of the assets invested which have a net zero or Paris-aligned target.
Aon does not make any estimates for missing data. The Plan's SBTi validated metric only represents the portion of the portfolio for which there is data.

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

Looking to the future
Our climate-related target

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

In our first year of reporting, we set a target to improve data quality. Without meaningful data from the investment managers, it is very hard for us to measure our climate-risk exposure. So, it is important to set a target to improve the data quality of the GHG emissions data from the managers.

Trustee update
Each year we review the suitability of the target we have set. Based on the data collected and the metrics calculated this year, we believe the target continues to be suitable.

Our progress towards the target

The table below shows the data coverage progress against our target compared to the previous year.

Asset class	Actual coverage 2023	Actual coverage 2024	Target	Target timescales
DB assets (excl. LDI)	76.8%	**86.9%**	90.0%	2026
DC assets (excl. sovereigns)	80.4%	**95.7%**	95.0%	2026

Source: Investment managers.

Since last year, good progress has been made with data coverage improving by 10.1% for the DB portfolio and 14.6% for the DC portfolio. This shows strong progress in both the coverage of the data that the Plan's investment managers are able to provide and progress towards the Plan's 2026 target.

The CRISP Section has been excluded on grounds of materiality.

Steps we are taking to reach the target

With the buy-in having been completed during the reporting period, we expect our insurers to ensure climate-related considerations and targets are reflected appropriately in the management of the Plan's transferred assets.

For the Plan's residual property assets, we will continue to expect our investment managers to make progress towards improving their data coverage.

Appendix 1 – Glossary

Governance	refers to the system by which an organisation is directed and controlled in the interests of shareholders and other stakeholders.[4] Governance involves a set of relationships between an organisation's management, its board, its shareholders, and other stakeholders. Governance provides the structure and processes through which the objectives of the organisation are set, progress against performance is monitored, and results are evaluated.[5]
Strategy	refers to an organisation's desired future state. An organisation's strategy establishes a foundation against which it can monitor and measure its progress in reaching that desired state. Strategy formulation generally involves establishing the purpose and scope of the organisation's activities and the nature of its businesses, taking into account the risks and opportunities it faces and the environment in which it operates.[6]
Risk management	refers to a set of processes that are carried out by an organisation's board and management to support the achievement of the organisation's objectives by addressing its risks and managing the combined potential impact of those risks.[7]
Climate-related risk	refers to the potential negative impacts of climate change on an organisation. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations.[8]

[4] A. Cadbury, Report of the Committee on the Financial Aspects of Corporate Governance, London, 1992.
[5] OECD, G20/OECD Principles of Corporate Governance, OECD Publishing, Paris, 2015.
[6] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017
[7] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017
[8] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017

Climate-related opportunity	refers to the potential positive impacts related to climate change on an organisation. Efforts to mitigate and adapt to climate change can produce opportunities for organisations, such as through resource efficiency and cost savings, the adoption and utilization of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organisation operates.[9]
Value chain	refers to the upstream and downstream life cycle of a product, process, or service, including material sourcing, production, consumption, and disposal/recycling. Upstream activities include operations that relate to the initial stages of producing a good or service (e.g., material sourcing, material processing, supplier activities). Downstream activities include operations that relate to processing the materials into a finished product and delivering it to the end user (e.g., transportation, distribution, and consumption).[10]
Net zero	means achieving a balance between the greenhouse gases emitted into the atmosphere, and those removed from it. This balance – or net zero – will happen when the amount of greenhouse gases add to the atmosphere is no more than the amount removed.[11]

[9] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017
[10] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017
[11] Energy Saving Trust, What is net zero and how can we get there? - Energy Saving Trust, October 2021

Appendix 2 – Climate risk categories

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

Transition risks

Transition risks are those related to the ability of an organisation to adapt to the changes required to reduce greenhouse gas emissions and transition to renewable energy. Within transition risks, there are four key areas: policy and legal, technological innovation, market changes, and reputational risk.

Policy and legal	Technology
Examples Increased pricing of GHG emissions Enhanced emissions-reporting obligations Regulation of existing products and services	**Examples** Cost to transition to lower emissions technology Unsuccessful investments in new technologies
Potential financial impacts Increased operating costs (e.g. higher compliance costs, increased insurance premiums) Write-offs, asset impairment and early retirement of existing assets due to policy changes	**Potential financial impacts** Write-offs and early retirement of existing assets Capital investments in technology development Costs to adopt new practices and processes

Market	Reputational
Examples Changing customer behaviour Uncertainty in market signals Increased cost of raw materials	**Examples** Stigmatisation of sector Increased stakeholder concern or negative stakeholder feedback
Potential financial impacts Reduced demand for goods and services due to shift in consumer preferences. Abrupt and unexpected increases in energy costs. Re-pricing of assets (e.g., fossil fuel reserves, land	**Potential financial impacts** Reduced revenue from decreased demand for goods and services. Reduced revenue from decreased production capacity

valuations, securities valuations).	

Physical Risks

Physical risks refer to the physical impacts of climate change on a firm's operations. They directly impact a firm's ability to perform its function due to climate disruption. They fall into two subcategories: acute and chronic. Acute risks are extreme climate events, and chronic risks are trends that appear over time.

Acute	Chronic
Examples	**Examples**
Extreme heat	Water stress
Extreme rainfall	Sea level rises
Floods	Land degradation
Droughts	Variability in temperature

Appendix 3 – Modelling assumptions

DB Section - Assumptions

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

Aon's model uses a deterministic projection of assets and liabilities, using standard actuarial techniques to discount and project expected cashflows.

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

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

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

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

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

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

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

Data used

The model projects using the following inputs as at 31 March 2022 (as provided by Aon in their email dated 31 March 2022:

- Market value of assets: £2,616M
- Present value of liabilities: £2,341M
- Real proportion of the liabilities: 71.5%

CRISP Section - Assumptions

	Rapid transition	Orderly transition	Failed transition
Summary	**Sudden divestments in 2025 to align portfolios to the Paris Agreement goals have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock.**	**Political and social organizations act quickly and predictably to implement the recommendations of the Paris Agreement to limit global warming to below 2°C.**	**The world fails to meet the Paris Agreement goals and global warming reaches 4.3°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events.**
Cumulative emissions	416 GtCO2 (2020-2100)	810 GtCO2 (2019-2020)	5,127 GtCO2 (2020-2100)
Temperature change	Average temperature increase of 1.5°C by 2100.	Average temperature increase of <2°C by 2100.	Average temperature increase of >4°C by 2100.
Key policy & tech assumptions	An ambitious policy regime is pursued to encourage greater decarbonization of the electricity sector and to reduce emissions across all sectors of the economy. Higher carbon prices, larger investment in energy efficiency and faster phase out of coal-fired power generation under a 'rapid' transition		Existing policy regimes are continued with the same level of ambition.
Financial climate modelling	Pricing in of transition and physical risks of the coming 40 years occurs within one year in 2025. As a result of this aggressive market correction, a confidence shock to the financial system takes place in the same year.	Pricing in of transition and physical risks until 2050 takes place over the first 4 years.	Physical risks are priced in two different periods: 2026-2030 (risks of first 40 years) and 2036-2040 (risks of 40-80 years).
Physical risk impact on GDP	Physical risks are regionally differentiated, consider variation in expected temperature increase per region and increase dramatically with rising average global temperature. Physical risks are built up from: • Gradual physical impacts associated with rising temperature (agricultural, labour, and industrial productivity losses) • Economic impacts from climate-related extreme weather events Current modelling does not capture environmental tipping points or knock-on effects (e.g., migration and conflict).		
Physical risk impact on inflation	Gradual physical impact (supply shocks) on inflation included through damages to agriculture and change in food prices. Total impact on a Global CPI Index is +2% in 2100.	No explicit modelling of physical risk impact on inflation (supply-side shocks). Impact on inflation follows historical relationship between GDP and CPI.	Severe gradual physical impact (supply shocks) on inflation included through damages to agriculture and change in food prices. Total impact on a Global CPI Index is +15% in 2100.

Source: Mercer

Modelling Limitations

- The further into the future you go, the less reliable any quantitative modelling will be.
- Looking at average asset class returns over multi-decade timeframes leads to invariably small impacts. The results are potentially significantly underestimated.
- There is a reasonable likelihood that physical impacts are grossly underestimated. Feedback loops or 'tipping points', like permafrost melting, are challenging to model particularly around the timing of such an event and the speed at which it could accelerate.
- Financial stability and insurance 'breakdown' are not modelled. A systemic failure may be caused by either an 'uninsurable' 4°C physical environment, or due to the scale of mitigation and adaption required to avoid material warming of the planet.
- Most adaptation costs and social factors are not priced into the models. These include population health and climate-related migration.
- Caution should be exercised in interpreting individual data points, as in reality, emissions may differ, given the data coverage in the analysis is less than 100%. Where companies do not have data points, companies are assumed to have the same carbon metrics as the average of companies that we do have data points for. This means that, where we do not have data, we are not assuming that those companies have zero emissions.

Appendix 4 – Additional information on the metrics calculations

Where possible we use the industry standard methodologies for calculating metrics. There currently is no industry-wide standard for calculating metrics for some assets, and different managers may use different methods and assumptions.

These issues are common across the industry and highlight the importance of climate reporting to improve transparency. We expect that in the future better information will be available from managers as the industry aligns to expectations and best practice standards.

The carbon metrics for non-LDI asset classes

Emissions data was collected from the managers using the CET[12]. Managers provided carbon footprint and data coverage for their fund(s).

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

carbon footprint x £m Plan assets invested in the fund x data coverage.

Where necessary Aon aggregated the carbon metrics for each asset class. The methodology used for aggregating did not make any assumptions about the carbon emissions for assets for which data was unavailable. The aggregation methodology is as set out below:

carbon footprint for the asset class = $$\frac{\sum Gi}{\sum(Ai \times Ci)}$$

Where i is each fund in the asset class

G_i = Total GHG for fund i (tCO_2e)

A_i = Assets invested in fund i (£M)

C_i = Data Coverage of fund i (%)

The carbon metrics for LDI

Emissions associated with LDI includes both physical emissions (emissions associated with physical assets that are held within the portfolio) and synthetic emissions (emissions associated with the notional exposure to government bonds gained through derivatives). The Plan's LDI manager(s) provided the value of the physical and synthetic government bond exposures.

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

The carbon footprint was calculated by Aon as follows:

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

Where UK national emissions scopes 1 and 2 as at 31 December 2023 as reported by the Emissions Database for Global Atmospheric Research; and PPP (Purchasing Power Parity)-adjusted GDP as at 31 December 2023as reported by the Organization for Economic Cooperation and Development.
Total GHG emissions for LDI was estimated for physical and synthetic exposures as follows:

£m of Plan's physical exposure x carbon footprint x data coverage
£m of Plan's synthetic exposure x carbon footprint x data coverage

Where data coverage is assumed to be 100% estimated.

Binary target measurement

Aon requested the binary target measurement of each fund from the investment managers and aggregated the results based on the portion of assets invested in each fund.

Aon does not make any estimates for missing data. The Plan's binary target measurement only represents the portion of the portfolio for which we have data.

Currently, there is no standard approach for calculating binary target measurement for government bonds. Hence there is no binary target measurement for the LDI assets (or other government bonds in the portfolio).

Appendix 5 – GHG emissions

Greenhouse gases in the atmosphere keep the Earth's surface and atmosphere warm because they absorb sunlight and re-emit it as heat in all directions including back down to Earth. Adding more greenhouse gases to the atmosphere makes it even more effective at preventing heat from leaving the Earth's atmosphere.

Greenhouse gases are vital because they act like a blanket around the Earth making it the climate habitable. The problem is that human activity is making the blanket "thicker". For example, when we burn coal, oil, and natural gas we send huge amounts of carbon dioxide into the air. When we destroy forests, the carbon stored in the trees escapes to the atmosphere. Other basic activities, such as raising cattle and planting rice, emit methane, nitrous oxide, and other greenhouse gases.

The amount of greenhouse gases in the atmosphere has significantly increased since the Industrial Revolution. The Kyoto Protocol[13] identifies six greenhouse gases which human activity is largely responsible for emitting. Of these six gases, human-made carbon dioxide is the biggest contributor to global warming.

Each greenhouse gas has a different global warming potential and persists for a different length of time in the atmosphere. Therefore, emissions are expressed as a carbon dioxide equivalent (CO_2e). This enables the different gases to be compared on a like-for-like bases, relative to one unit of carbon dioxide.

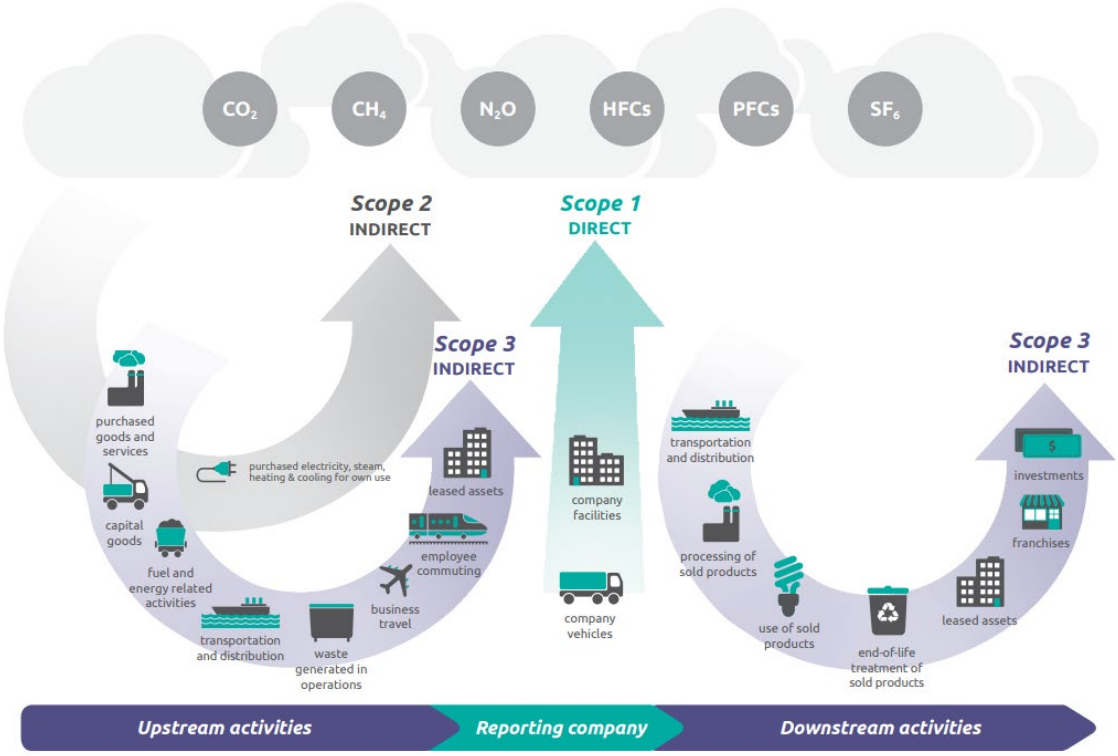
Six main greenhouse gases identified by the Kyoto Protocol

Carbon dioxide	Methane	Nitrous oxide	Hydro-fluorocarbons	Per-fluorocarbons	Sulphur hexafluoride
CO_2	CH_4	N_2O	HFCs	PFCs	SF_6

Each greenhouse gas has a different global warming potential and persists for a different length of time in the atmosphere. So, emissions are expressed as a carbon dioxide equivalent (CO_2e). This enables the different gases to be compared on a like-for-like basis, relative to one unit of carbon dioxide.

[13] https://unfccc.int/kyoto_protocol

Overview of GHG Protocol scopes and emissions across the value chain



Source: Greenhouse Gas Protocol, Corporate value chain (scope 3) Accounting and Reporting Standard, 2011