

Climate change report

A report for members by the Trustee of the Santander (UK) Group Pension Scheme
Year to 31 March 2025.

“As Chair of the Sustainability Committee, I’m happy to take the opportunity of the publication of our TCFD report to reflect on the progress we continue to make on our understanding of the financial risks and opportunities presented by the climate crisis, which are increasingly relevant to long-term investors like our pension fund. This is not just a regulatory reporting exercise, it is a core part of our commitment to our members and their retirement futures. This report outlines how we integrate climate related considerations into our governance, strategy, risk management, and metrics and targets, with the aim to protect and grow the retirement savings of our members by proactively managing climate change risks.

Climate change is unfolding now, reshaping economies, markets, politics and communities. This year we have continued to deepen climate considerations, we continue to monitor the resilience of our sponsor to climate change, we have re-run our forward-looking scenario analysis, sharpened our understanding of transition and physical risks across our portfolio, deepened our engagement with asset managers to hold them accountable for climate stewardship, and monitored our progress towards our net-zero targets. For example, our target to achieve a credit and listed equity portfolio in which 60% of the companies we are invested in have science-based targets to align to the Paris Agreement, by 2030, is on track with an increase from 31% in December 2023 to 47% in September 2024.

There is not a single solution to addressing climate change, it is a challenge that requires a systems approach with action from many different actors (corporations, governments, investors, consumers, activists, scientists, etc.). We are committed to continued learning, to staying aligned with best practices and science backed approaches to the reduction of carbon emissions, and to using our influence to ensure a more resilient and sustainable economy.

Ultimately, our main goal is to protect the retirement security of our members, who will have to live their retirement in a future defined by the choices that we make today. We take that responsibility to heart.”

Amaya Mazaira
Chair of the Scheme’s Sustainability Committee

Executive summary

This report describes the activities and approach taken by the Trustee to understand and reduce the risks to the Scheme related to climate change, and potentially take advantage of any opportunities as part of the transition to a lower carbon economy.

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

- Sustainability, including climate change, is a priority for us (the Trustee). This is because we believe that appropriate treatment of climate-related risks and opportunities for the Scheme's investments should improve outcomes for our members through better long-term returns and lower risk.
- We have therefore allocated significant time and resource to this topic. Our Sustainability Committee oversees development and implementation of the Scheme's climate-related practices and takes advice from a sustainability adviser with significant knowledge in this area to support us.
- We have identified a number of risks and opportunities to the Scheme arising from physical changes to the climate itself and from steps being taken to limit climate change. We are taking actions to better position the Scheme to reflect these factors. Due to de-risking and restructuring in the Scheme's portfolios, there has been a gradual change to the Scheme's risk profile which is expected to reduce the exposure to climate risk. We continue to consider climate risk as we make decisions about the future of the Scheme's portfolios.
- In this report, we have considered new analysis on how such risks and opportunities might affect the funding strategy, investment strategy and the Bank's ability to provide financial support to the Scheme, by modelling the Scheme under different potential climate scenarios (noting the limitations of any modelling). Overall, we continue to believe the Scheme is well positioned to be resilient to climate-related risks over the long term, but there might be some volatility in the funding position under certain scenarios in the short term. Moreover, in higher warming scenarios, there is likely to be significant economic disruption in the long-term to which no schemes would be immune.
- The Scheme's assets are invested in a well-diversified, risk-controlled investment strategy, with the current allocation now close to the Scheme's long-term target portfolio. Our biggest focus is our **investment grade credit** investments, which are expected to remain strategically important for the Scheme in the long term and reflect a significant portion of Scheme assets.
- With the help of our advisers and in-house team, we regularly assess our investment managers' sustainability practices including their ability to protect the Scheme's assets from climate change and we engage with them on any matters of concern. Over the Scheme year, the Central Pensions Unit engaged regularly with the managers of the corporate bond portfolios and the Sustainability Committee received presentations from both managers on sustainability-related activity, including progress towards net zero.
- During the year the Trustee received training on fiduciary duty. The Sustainability Committee received quarterly training through discussion of various sustainability-related issues, including the relevance of **policy engagement**, social factors and nature-related risks to climate change. The Sustainability Committee also received updates on relevant regulatory developments, including The Pensions Regulator's General Code of Practice.
- Net zero continued to be a focus over the last year and we have been pleased to see the reporting capabilities of the key investment managers improving over time, better enabling tracking of our interim targets. The TCFD target that we set in 2021 (to increase the proportion of the Scheme's investment grade credit holdings that have targets aligned with the Paris Agreement goal of limiting global average temperature rises to well below 2°C and aiming for 1.5°C) is also supportive of the Trustee's net zero carbon target.
- As a group, we recognise that whilst our actions alone can go some way to mitigating the impact of climate change (by focussing our investments and engaging with our investment managers), collective action and government action is also key. During the year we therefore discussed and agreed to sign up to the climate policy asks that have been put together by our sustainability adviser,

- We have collected emissions data on the Scheme's assets, including their **carbon footprint**, to help us understand and monitor climate-related risks and identify any data gaps. The reporting date has been moved from 31 December to 30 September to better enable us to collect and consider the data within each Scheme Year. It is widely recognised that there remain shortcomings in the quality and completeness of the emissions data available for many assets. Our in-house team and sustainability adviser are liaising with our investment managers to improve the quality and coverage of reporting on climate data. Coverage improvement has been mixed for individual asset classes compared to last year. However, overall coverage has improved (scope 1+2 emissions data – reported or estimated – has risen from 75%* to 88%* over the year), with significant increases in coverage for investment grade credit, real estate and non-conventional credit.
- The Trustee completed the third year of monitoring progress against its chosen TCFD target. The target aims to increase the percentage of the Scheme's investment grade credit holdings that have **science-based targets** for reducing emissions to 60% by 31 December 2030. As at 30 September 2024, 47% of the investment grade credit portfolio had science-based targets (compared to 19% at 31 December 2021 and 31% as at 31 December 2023).

Frank Oldham

Chair of Santander (UK) Group Pension Scheme Trustees Limited

* Mandates where emissions metrics are not applicable are excluded from these figures

Introduction

About the Santander (UK) Group Pension Scheme

The Scheme is a multi-employer scheme (with one principal employer, and one participating employer), with members from around the UK.

The Scheme is a Defined Benefit (“DB”) scheme, with invested assets of c£7.4bn as at 31 March 2025 plus insurance policies valued at c£0.3bn as at 31 March 2025 which pay the benefits of a small proportion of retired members. The Scheme’s overall asset allocation is summarised on page 22. As at 31 March 2025, the Scheme was 98% funded on a low-risk measure¹.

The Scheme has seven separate, actuarially segregated, defined benefit sections with a common governance and risk management framework. The sections all have similar characteristics in relation to assets, liabilities and funding, and are expected to converge further over the short term. Considering this, and given the results of the climate scenario analysis (see pages 11-15) showed that the aggregated Scheme funding position was sufficiently resilient under each of the scenarios modelled, the Trustee determined that it would not be proportionate to carry out the analysis on a section-by-section basis.

Similarly, since each section has a similar asset allocation, it was not considered informative or proportionate to collect climate-related metrics at section level. Therefore, the analysis presented in this report has been carried out at the aggregated Scheme level rather than for individual sections.

The purpose and structure of this report

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

This report covers the TCFD’s thematic areas of:

- **Governance** – the Scheme’s governance around climate-related risks and opportunities.
- **Strategy** – the potential impacts of climate-related risks and opportunities on the Scheme and the resilience of the Scheme’s investment strategy and funding strategy under different climate-related scenarios.
- **Risk Management** – the processes used by the Scheme to identify, assess, and manage climate-related risks.
- **Metrics and Targets** – the metrics and target used to assess and manage relevant climate-related risks and opportunities to the Scheme.

To aim to improve readability, whilst the main body of this report contains key comments, there are references to relevant Appendix pages from each Section, which you can read for more detailed information. In Appendix 1 we have included a glossary of relevant terms (which are in **bold** at first mention in this report), and below we also confirm some Santander-specific abbreviations used throughout this report.

- **Bank** = Santander UK plc, the principal sponsoring employer of the Scheme.
- **CIF** = Common Investment Fund – this is the entity via which most invested assets of the Scheme are held, including most assets of all underlying Scheme Sections. The CIF is set up as a Trust and therefore requires a Trustee to govern it (see below).
- **CFT** = Common Fund Trustee, the Trustee of the CIF (see above).
- **CPU** = Central Pensions Unit – this is a team which operates from the Bank, to support the Trustee in matters related to the governance and management of the Scheme.

¹ As measured on a gilts+0.5% pa basis

Governance

Management of climate-related risks and opportunities – roles and responsibilities

The Trustee of the Scheme has ultimate responsibility for ensuring effective governance of climate-related risks and opportunities in relation to the Scheme. Noting the importance of sustainability and the significant level of oversight required, not least in relation to the TCFD regulations, the Trustee also has a Sustainability Committee. The Trustee and Sustainability Committee are supported by various parties including the Scheme Secretary, CPU, CFT, investment managers and advisers, as listed in Appendix 2. No climate-related governance activities are undertaken by parties other than the Trustee, the CPU and its sub-committees.

In February 2025, the Trustee reviewed and updated its Climate Governance Policy. The Policy clearly lays out the division of responsibilities between the parties noted above in order to maintain appropriate oversight of the climate-related risks and opportunities relevant to the Scheme. This ensures the Trustee can be confident that its statutory and fiduciary obligations are being met. The Policy was first agreed in September 2021.

The role of the Trustee

As the Trustee has ultimate responsibility for Scheme governance activities, its role is to review, discuss and confirm or amend any decisions and proposals that have been made by the Sustainability Committee. Apart from where related to implementing the Trustee's already-agreed sustainability objectives, all decisions are ratified by the Trustee.

The Trustee role also includes:

- Scheduling appropriate training into the business plan (with the help of the Scheme Secretary and CPU) to ensure the Trustee Directors have sufficient knowledge and understanding of climate change and sustainability issues to fulfil their obligations.
- Ensuring the climate governance arrangements remain appropriate and effective.
- Signing off the Trustee's investment beliefs, investment policies and risk register, including appropriate climate-related wording.
- Ensuring any advice from the Scheme's external advisers is requested and carried out appropriately.
- Working with the CFT to ensure the investment managers (accessed via the CIF) manage climate-related risks and opportunities appropriately, as well as making clear its priorities for **engagement** with investment managers.
- Commissioning scenario analysis from time to time that illustrates how the Scheme may be affected under different climate pathways.
- Communicating with Scheme members and other stakeholders on climate change where appropriate.

The role of the Sustainability Committee

The Sustainability Committee supports the Trustee in maintaining the Scheme's overall sustainability strategy by providing recommendations and implementing and monitoring these. It is a sub-committee of the Trustee. It oversees the Scheme's policies, regulatory obligations, priorities and membership of organisations and networks in respect of climate change and wider sustainability matters. The Sustainability Committee reports back to the Trustee as necessary and reviews sustainability-related disclosures in annual reports and other publicly available documents.

Additional training and education provided to the Sustainability Committee ensures there is suitable experience in relation to sustainability and climate risk, to allow the risks to be suitably considered, documented, and periodically reviewed.

The Sustainability Committee works closely with the Integrated Risk Management (IRM) Committee and the CPU, as well as liaising with the Bank and relevant advisers, to ensure sustainability risks are reflected throughout the Scheme's activities, managed and escalated to the Trustee as appropriate.

Risk identification and assessment is achieved by:

- monitoring sustainability trends, standards and requirements in the wider industry, including their impact on the Scheme;
- undertaking climate-related scenario analysis from time to time;
- reviewing **Environmental, Social and Governance (ESG)** and climate-related metrics for the Scheme's assets;
- monitoring activity (including stewardship activity) of the Scheme's investment managers; and
- liaising with the Bank on its sustainability risks, objectives and policies.

To ensure these actions are possible, the Sustainability Committee ensures appropriate resourcing and funding of sustainability-related activities; and maintains the Scheme's **Responsible Investment (RI)** Policy. Supporting this aim, Sustainability Committee meetings are attended by Committee members, representatives from the CPU, the Bank and relevant advisers.

The role of the CPU

The CPU's responsibilities in relation to climate change include undertaking management of the Scheme's advisers and engagement with investment managers, as well as assisting the Trustee in setting the Scheme's climate strategy which includes risk management and governance arrangements. Through these responsibilities, the CPU assists the Trustee with governance activities in relation to meeting its climate-related responsibilities.

The Trustee's climate-related investment beliefs and policies

The Trustee has agreed a range of climate-specific investment beliefs and policies. These are captured in broad terms in the Statement of Investment Principles, with further detail on beliefs and policies in the Investment Beliefs Document and Responsible Investment Policy

The Responsible Investment Policy and Statement of Investment Principles are available via the following link: <https://mysantanderpension.co.uk/resources/documents/index.html>.

Investment beliefs

The Trustee structures all investment beliefs into three levels of detail. The climate-specific level one (high level principles) and two (more detailed) beliefs were as follows during the Scheme year:

Level 1 belief	Level 2 belief
Appropriate treatment of climate-related risks and opportunities is likely to improve outcomes for members through enhanced long-term returns and mitigation of risks	- Climate risks will have an impact on the macroeconomic environment, impacting asset returns and funding assumptions - Climate risks and opportunities are not properly priced into markets currently - The climate transition that needs to occur may present opportunities to invest in attractively priced assets - The Trustee should take proactive action to support the Paris Agreement goals - It is the Trustee's responsibility to ensure management of the Scheme's assets appropriately reflects climate risks and opportunities, even though the detailed implementation is delegated to investment managers

The level three beliefs are more specific beliefs that are used by the Trustee to inform investment decisions.

The Trustee last updated its investment beliefs in June 2023.

Responsible Investment Policy

The Scheme's Responsible Investment Policy expands on the Scheme's approach to ESG factors and the responsibilities associated with holding investments in the members' and beneficiaries' best interests through the full suite of stewardship activities. This document was updated in February 2025 to reflect changes during the year and to reflect the increased focus on non-equity holdings, given the de-risking activities carried out in recent years. More generally, the Policy contains details of the Trustee's approach to monitoring investments and investment managers on a range of factors, including managing the situation where alignment between an investment manager and the Trustee's investment beliefs is missing. It also covers the types of investments to be considered, including social impact investments.

Ensuring adequate oversight of climate-related risks and opportunities

The Trustee believes that the dedicated Sustainability Committee, along with the advice of a sustainability adviser with significant knowledge in this area, ensures a structure that allows significant dedication to climate matters, and sufficient discussion and challenge on information provided. The Sustainability Committee met quarterly during the year and its Chair updated the Trustee on the Committees' activities at each Board meeting.

Typically, the Sustainability Committee receives advice or recommendations from the sustainability adviser which is discussed at a Sustainability Committee meeting. The Sustainability Committee typically debates the advice and challenges the adviser where appropriate, to ensure the advice is fully understood and a range of options considered. Once an agreement has been reached, any decisions are proposed to the full Board for approval.

Ensuring appropriate adviser arrangements

Appendix 2 details the advisers that were in place during the Scheme year, along with the advisers' responsibilities, as set out in the Climate Governance Policy.

Where relevant, the Trustee plans to incorporate climate-specific considerations into existing advisers' formal objectives, alongside ESG-wide objectives that may include climate change, when contracts with advisers are next reviewed. In addition, when appointing new advisers, the Trustee ensures the adviser has suitable climate credentials.

The Trustee and the Sustainability Committee satisfy themselves that their advisers take adequate steps to identify and assess climate-related risks and opportunities which are relevant to the matters on which they advise by:

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

During the Scheme Year, the Sustainability Committee reviewed advisers' climate-related commitments, noting progress made in a number of areas, including new emissions reduction targets for one adviser and a clearer demonstration of climate expertise for another.

The Scheme's sustainability adviser has been set specific climate-related objectives, in the areas of identifying, assessing and managing sustainability-related risks and opportunities for the Scheme; compliance with relevant regulatory requirements; disclosures and member communications; governance; engagement with the Bank; and the Trustee's ESG framework and manager monitoring.

The CFT and its external investment adviser have also been set a formal objective to provide data and analysis on credit and equity managers for use in the ESG monitoring framework.

The CPU reviews all advisers against objectives set on an annual basis. The Trustee has clear processes for assessing the competency of the advisers, including (but not limited to) reviewing the advisers against the climate objectives and explicitly considering climate change in the annual review. The last review of the sustainability adviser took place in December 2024, with a positive outcome: the sustainability adviser scored green for eleven out of eleven criteria. The latest review of all other advisers also took place during the Scheme Year.

The Sustainability Committee reviewed a summary of its advisers' climate commitments and competencies, which is updated by the CPU annually. The CPU seeks evidence of climate competency for the advisers where this is deemed to be of high relevance. The sustainability adviser had previously provided a detailed document outlining its climate competency against each of the indicators of the Investment Consultants Sustainability Working Group's [Climate Competency Framework](#). The covenant adviser previously provided a document with information about its competency for each of the five themes in the Framework. The Trustee reviewed both documents and was satisfied that both advisers had suitable climate-related experience and resources for their roles.

Oversight activities and processes

The Trustee and relevant committees ensure adequate oversight of climate-related risks and opportunities, as set out in the Climate Governance Policy, by incorporating various activities into the Trustee's annual business plan. A summary of items reviewed by the Trustee, including their frequency, is set out below.

At quarterly Trustee Board meetings

- An update on the Scheme's risk register, which incorporates climate-related risks and opportunities, following review by its sub-committees and advisers including considering emerging risks not currently included in the risk register.
- An update on the metrics in the Scheme's Key Risk Indicators document, following review by its advisers. This document currently includes one climate-related metric.
- An update from the Sustainability Committee on progress made in relation to the Scheme's management of sustainability and climate risks, including a summary of related decisions required by the Trustee.

At least annually (within Trustee Board meetings)

- Updates on the Scheme's investments, including data on sustainability and climate-related metrics and progress against agreed targets.

- Whether to retain or replace any targets set in relation to these metrics.
- Reporting from the IRM Committee on the Scheme's investment managers in relation to sustainability factors and climate change, with support from the investment advisers (the CFT undertakes an annual review of its investment managers, including a review against climate-related objectives where they have been set).
- An update on engagement activities, focusing on the Trustee's chosen stewardship priorities.
- Whether it is appropriate to carry out updated scenario analysis that illustrates how the Scheme's assets and liabilities might be affected under various climate change scenarios.
- The advisers' climate competency, including how they have performed against their climate responsibilities.
- The Trustee considers where appropriate the service providers' actions to limit the potential impact of the **physical risks** of climate change on their ability to support the Trustee.
- Trustee Board effectiveness, including its climate-related skills and experience, and identifying what training is likely to be required over the coming year (to be incorporated into the relevant business plan).
- Climate-related training sessions, including an annual update on recent developments, with interim training on any time-critical developments and in support of specific meeting agenda items. Key individuals from the CPU are invited to attend such sessions, as well as being provided a training budget to ensure sufficient knowledge across that team. The Bank also provides sustainability training, to which the CPU has access.

Training undertaken by the Trustee during each Scheme year is documented in the Trustee's training log.

Other regular items

Climate-related factors are considered as part of:

- Review of the investment strategy – as required, but at least every three years in conjunction with the actuarial valuation.
- Assessment of the Bank's covenant – deep dive review every three years in conjunction with the actuarial valuation, but monitoring produced every six months. This monitoring incorporates a review of covenant risk and resilience factors including in relation to climate factors.

Specific activities undertaken

During the Scheme year to 31 March 2025, the Trustee and Sustainability Committee sought to deepen their understanding of climate change, enhance the Scheme's management of climate-related risks and opportunities, and satisfy its regulatory obligations.

The Trustee and the Sustainability Committee continued to focus on achieving their 2050 net zero carbon target set in June 2022. During the year the Trustee reviewed progress against its TCFD and interim net zero targets, noting that the two investment grade credit managers remained broadly on track following portfolio restructuring. As part of its consideration of climate risks and net zero, the Trustee endorsed the sustainability adviser's Climate Policy Asks. These five Asks are addressed to policy makers and request actions that the adviser and the Trustee believe are crucial for net zero to be achieved.

The Committee also conducted its triennial climate scenario analysis, assessing potential impacts of climate change on the Scheme's funding level, assets and liabilities. Three scenarios were modelled to explore physical and transition risks under varying climate pathways. The analysis highlighted short-term resilience under the current strategy, but reinforced the need for long-term planning and management of the Scheme's climate risk exposure.

The Trustee and the Sustainability Committee received training over the period, including training on climate-related developments. This included climate policy engagement, nature and social factors including their relevance to climate-related financial risks and opportunities. It covered frameworks such as the Taskforce on Nature-related Financial Disclosures and the Taskforce on Social Factors, with a focus on measurement challenges, systemic risks, and the role of investment managers in identifying and managing exposures. The Sustainability Committee receives updates on topical sustainability issues at each meeting.

Much of the detailed work on climate matters through the year was undertaken by the Sustainability Committee, by design. The Sustainability Committee met four times during the Scheme year covered by this report, with key items centred around the TCFD themes in this report. For example, meetings focussed on steps being taken in relation to the Scheme's net zero commitment, the corporate bond managers' stewardship on climate change, and the impact of climate risks on the covenant. Metrics and targets for this report were reviewed in March 2025.

To assess the investment grade credit managers' approaches to stewardship, net zero and climate risk management, the Sustainability Committee received presentations from both managers. The Committee considered the strengths and weaknesses of the approaches, challenging the manager where appropriate. It intends to continue to meet the managers annually to assess progress.

Strategy

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

Timeframes for assessing climate-related risks and opportunities

The Trustee has considered climate-related risks and opportunities over various time periods which it believes are relevant to the Scheme.

The Trustee selected short term, medium-term and long-term time horizons over which to formally consider the impact of climate-related risks and opportunities. These are outlined in the table below, along with the Trustee's rationale.

	Time horizons	Rationale
Short term	~1 year (2026)	This period broadly aligns with the timeframe that the Trustee has set to achieve a lower-risk investment strategy
Medium term	~6 years (2031)	This is a key period over which policy action will determine if Paris Agreement goals are likely to be met
Long term	~16 years (2041)	This period is broadly in-line with the average time period for paying members' benefits

Understanding what climate-related risks and opportunities are relevant to the Scheme

The Scheme faces risks and opportunities from both the physical effects of climate change – for example, more frequent storms, rising temperatures and changing rainfall patterns – 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.

The Trustee has identified various specific climate-related risks and opportunities which could impact the Scheme's financial position, and monitors these regularly through a climate monitoring section in the risk register, which covers investment, funding and covenant. The Trustee considers the likelihood and impact of these risks and opportunities over the short, medium and long-term time horizons outlined above. Some examples of these are outlined below.

Factors that impact...	in the short term.	in the medium term.	in the long term.
Investments	Investment market shocks due to the pricing-in of climate effects (transition and/or physical). This is of particular concern in the short term whilst the Scheme transitions to a lower risk portfolio, as the illiquid assets rolling off are exposed to a higher level of investment risk generally. The Scheme is less exposed as at 31 March 2025 compared to prior years due to the de-risking that has taken place. The Trustee noted there may be opportunities to improve climate resilience and contribute to real world impact whilst reviewing investment strategy as illiquids run-off.	Investment market shocks due to the pricing-in of climate effects (transition and/or physical) could cause investment losses and create a need for extra funding. The Trustee noted that steps had been taken to improve the climate resilience of the investment grade credit portfolios during the recent portfolio restructuring.	Physical climate risks create significant uncertainty. Real investment returns may be lower, particularly over the longer term due to physical impacts of a changing climate. The Scheme expects to be fully funded, with little exposure to growth assets, when the main effects of this risk are felt, which should help to reduce the Scheme's exposure to climate risk. Systemic action such as policy engagement is also critical to address the long-term risks.
Funding	Potential shocks to interest rates and inflation could have a positive or negative impact on the Scheme's funding position. However, the Trustee has taken steps to immunise the Scheme from changes in these factors by increasing the level of protection. Therefore, the impact of changes in interest rates and inflation on the Scheme's position is expected to be small.	Climate impacts on investment markets and regulatory requirements could affect the cost of options to secure members' benefits with an insurance company. This could therefore impact on the Scheme's long-term funding target, to the extent it is informed by insurer pricing.	Potential demographic impacts on the Scheme's liability cashflows. Direct and indirect impacts on life expectancy could be either positive or negative. Direct impacts include the effects of milder winters and hotter summers, as well as healthcare disruption caused by extreme weather events. Indirect impacts could include improved air quality due to lower fossil fuel use and reduced spending on healthcare if economic growth is lower. A full buy-in (retaining Bank covenant) may provide the greatest protection from climate risks for members' benefits.
Covenant	The Bank is exposed to both transition and physical risks. Economic disruption (particularly from transition measures) impacting on UK GDP, inflation, unemployment rates etc will affect: • affordability of mortgages to customers and house price movements; and • ability of corporate customers to make loan repayments. Physical factors that cause business disruption and property damage will have an adverse impact on: • the value of assets backing loans (for example due to flood risk and a lack of insurability) leading to higher losses when loans are not repaid; and		

	individual company performance from wider economic disruption, damage repair costs etc. leading to a higher level of corporate customers unable to make loan repayments. Whilst there may be climate-related opportunities for the Bank, for example the ability to create competitive advantage, these are likely to offset losses or be non-material, rather than generating reliable covenant upside.
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Assessing the importance of climate-related risks and opportunities to the Scheme

The Trustee uses various tools to assess the potential impact and likelihood of the risks and opportunities it has identified, as described in more detail on pages 17-19.

The next sub-section explains how scenario analysis has been used to assess how climate-related risks and opportunities might impact the Scheme's investment and funding strategy. The following sub-section considers the potential impacts of climate change on the Bank's ability to provide financial support for the Scheme if needed. The resilience of the funding strategy was considered by the covenant advisor working with the Bank's sustainability team. This high-level analysis is complemented by more granular assessment of risks to the Scheme's investment portfolios using climate-related metrics (pages 19-25).

The section on risk management (pages 16-19) outlines the steps the Trustee is taking to help mitigate climate-related risks and take advantage of opportunities.

Climate scenario analysis

Scenario analysis is a tool for examining and evaluating different ways in which the future may unfold. At its November 2024 meeting, the Sustainability Committee used scenario analysis to consider how climate change might affect the funding strategy, investment strategy and the Bank's covenant. This analysis, which used the scenarios described below, was then considered by the Board in December 2024. Climate scenario analysis had previously been considered by the Trustee in September 2021 and March 2022.

Details of the climate scenarios the Trustee has used in its most recent scenario analysis

When considering the possible impact of climate change on the Scheme's expected funding position, the Trustee sought to consider, via asset and liability modelling, the impact of three scenarios on the Scheme. The Trustee chose these scenarios (developed by Ortec Finance and Cambridge Econometrics), after consultation with its sustainability adviser, for the following reasons:

Transition	Description	Why the Trustee chose it
High Warming	No new ² low-carbon policies enacted and some existing ones are scaled back. Current technological trends, such as significant falls in renewable energy prices, continue. Paris Agreement goals not met, and the resulting high warming leads to severe physical impacts, with multiple tipping point reached.	To explore what could happen to the Scheme's funding position if carbon emissions continue at current levels and this results in significant physical risks from changes in the global climate that disrupt economic activity.
Limited Action	Policymakers take moderate steps to increase climate action, including using carbon capture and storage, but fall short of meeting the Paris Agreement goals, resulting in a combination of transition impacts and high physical impacts.	To explore what could happen to the Scheme's funding position if carbon emissions are intermediate between the other two scenarios considered.
Net Zero Market Correction	Ambitious low carbon policies and high investment in low carbon technologies leading to a transition away from fossil fuels to cleaner energy sources and biofuel. Global net zero CO ₂ emissions achieved by	To look at the risks and opportunities for the Scheme if the Paris Agreement goals are met, but financial markets are volatile

² New compared to the International Energy Agency's World Energy Outlook 2021 – Shared Policies Scenario (STEPS).

	2050. Abrupt repricing of assets leads to a shock to the financial system.	in the short term as they adjust to a low carbon economy.
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To provide further insight, the Trustee compared the outputs under each scenario to a “base case” that makes some allowance for physical and **transition risks**.

The scenarios’ key features are summarised in the following table. The three climate scenarios chosen are intended to be plausible narratives of how the future could unfold. The Trustee acknowledges that many alternative plausible scenarios exist and that other scenarios could indicate better or worse outcomes for the Scheme.

The intricacies of climate systems present considerable difficulties in modelling the impacts on the Scheme’s assets and liabilities. This is particularly true in the High Warming scenario where 3.7°C of warming is observed by the end of the century. Due to the unprecedented nature of such warming, it is challenging to encompass all potential consequences within the modelling process. Limitations of current available modelling approaches mean the actual impact on pension schemes may be more significant than is currently being modelled. As long as these limitations are understood, the scenarios still provide valuable insights to inform climate risk assessment and management.

Scenarios:	High Warming	Limited Action	Net Zero Market Correction
Low carbon policies	No new low-carbon policies are 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 including working towards the 2030 targets and net zero commitments. Carbon Capture and Storage also used.	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 by 2050.
Paris Agreement outcome	Paris Agreement goals not met.	Paris Agreement goals not met.	Global net zero CO ₂ achieved by 2050; Paris Agreement goals 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 2.6°C by 2100, compared to pre-industrial levels.	Average global warming stabilises at around 1.5°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 50% lower than in the Ortec Finance / Cambridge Econometrics base case.	Global GDP is slightly behind the Ortec Finance / Cambridge Econometrics base case by 2100.
Financial market impacts	Physical risks priced in over the period 2026-2030. A second repricing occurs in the period 2036-2040 as investors factor in the severe physical risks.	Physical risks priced in over the period 2026-2030. A second repricing occurs in the period 2036-2040 as investors factor in the high physical risks.	Abrupt repricing of assets and a sentiment shock to the financial system in 2025.

Source: Ortec Finance as at 31 December 2023. Figures quoted are medians.

Over the long-term, and particularly beyond the time horizon modelled, the largest effects would be felt under the High Warming scenario. On the face of it, the results below suggest that the Scheme is fairly resilient in this scenario as the Scheme remains broadly fully funded in the long term. This is partly because in the modelling the Scheme is assumed to follow a fairly low-risk long-term investment strategy, with low or no exposure to growth assets such as equities which are expected to be most severely affected by climate change. Moreover, the Scheme invests in a way that is designed to make it fairly immune to changes in interest rates and inflation in normal circumstances, which significantly reduces the volatility of its funding position. However, under climate scenarios with major economic disruption – such as the later years of the High Warming scenario – the Scheme's interest rate and inflation protection may break down, leaving it more exposed to climate risks. The median modelled outcomes do not illustrate this possibility.

There is a wide 'funnel of doubt' around the median outcome under each scenario due to the usual investment market uncertainties and additional uncertainties arising from climate-related variables. This funnel of doubt is wider in higher warming scenarios due to the greater uncertainty surrounding the potential climate impacts.

If the impacts of climate risks in practice are more severe than has been modelled, this could have implications for the Scheme's expected journey plan and potentially require additional contributions from the Bank. Therefore, when considering the impact that climate risks could have on the Scheme's funding strategy, the Trustee also considers the potential impact on the Bank and how these risks could interact.

Results from the Trustee's assessment of climate scenarios on the Scheme's investment and funding strategy

The charts below show the potential impact on the progression of the Scheme's funding position over time under each of the scenarios outlined above, relative to the base case. The effective date of the analysis is 31 December 2023, allowing for market conditions as at 30 June 2024. The Scheme's funding position reflects the gap between the value placed on the Scheme's assets and the value placed on its liabilities over time. To calculate the funding position at each point, the impact of each climate scenario has been applied to the assets and liabilities separately, before the two figures are compared.

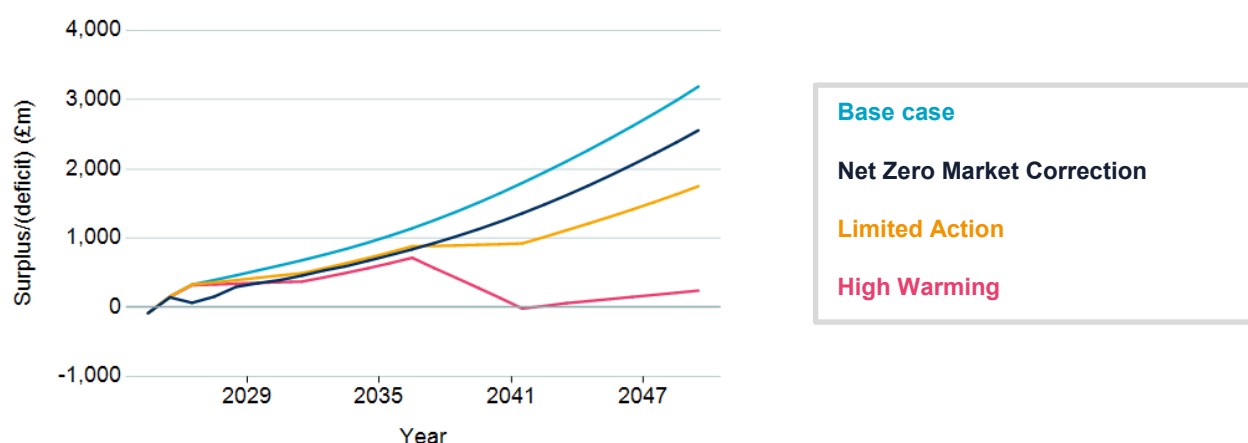
The investment strategy modelled assumes the asset allocation held at the effective date of analysis is maintained into the future. Note that because the modelling assumes no de-risking of the investment strategy, the charts show the Scheme's surplus growing in perpetuity. In practice, once the Scheme has achieved full funding on the low-risk measure, it is likely the Trustee would pursue further de-risking or look to buy out the Scheme's liabilities with an insurer (albeit there currently is no specific plan to secure more liabilities via insurance solutions in the future).

Two further strategies have also been modelled. These are intended to indicate the potential impact of different routes and do not reflect any current plans the Trustee has agreed.

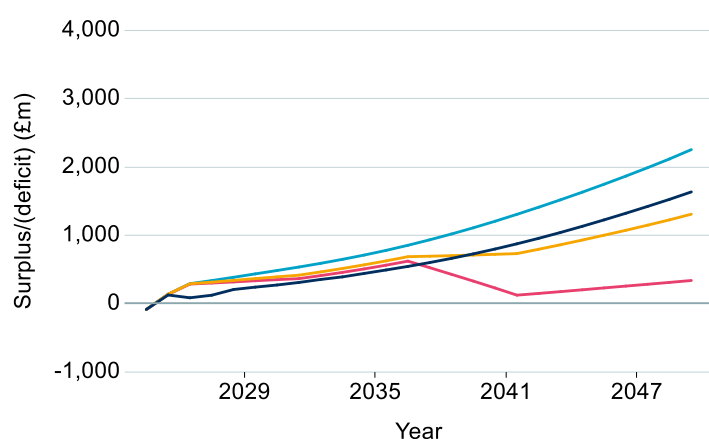
- In the first, the assets distributed from illiquid portfolios are reinvested in a mixture of liquid return-seeking assets and credit, which is shown below.
- In the second, the assets distributed from illiquid portfolios are reinvested into credit and gilts. In this scenario, a small surplus is maintained into the future, with much lower variance by scenario than under the other investment strategies modelled. The Trustee is aware of the limitations of this modelling, including that these are median outcomes, and that there is an asymmetrically large downside risk. The Scheme would remain exposed to credit and gilt defaults, which could be higher than in the base case, particularly under certain more extreme scenarios, and could lead to a deficit emerging in the future.

For the purpose of this analysis, the Trustee used a funding measure of gilts + 0.5% pa which is consistent with the low-risk funding measure.

Projection of funding position assuming no further strategy changes



Projection of funding position assuming run off illiquids are reinvested in a mixture of liquid return-seeking assets and credit



Results from the Trustee's climate scenario analysis

The climate scenario analysis shows that the Scheme is expected to be relatively resilient to climate shocks under the scenarios modelled in the short term, consistent with achieving the Trustee's objective of a strong funding position on a low-risk measure³ within the "short" time horizon.

Over the medium to long term, the Scheme could be knocked off course by significant physical climate impacts if temperature rises are not limited in line with the Paris Agreement, meaning additional contributions could be required from the Bank (although no contributions are required under the modelling results presented). In the High Warming scenario, there is likely to be significant economic disruption in the long term to which no pension schemes would be immune.

The Trustee observed the following points on its climate scenario analysis:

- The two most significant impacts on the Scheme's funding level relate to the short-term volatility in the mid-2020s under the Net Zero Market Correction scenario and over the longer term under the High Warming scenario. Overall, the Scheme is expected to remain fully funded, with an increasing surplus in most modelled scenarios. However, it

³ As measured on a gilts+0.5% pa basis

is noted that these projections are the median outcome, with an asymmetric risk that a downside scenario could lead to a significant worsening of the funding position (whereas upsides may be more limited).

- As the Scheme hedges a high level of the interest rate and inflation movements in the liabilities, the change in the total value of assets under each scenario generally moves broadly in line with the liabilities. This means the net impact on the Scheme's funding position from changes in interest rates and inflation is mostly quite small. So, over the short-to-medium term, the funding position is reasonably close to the base case in the High Warming and Limited Action scenarios. The potential impacts are shown to be more significant over the long term.
- Under the Net Zero Market Correction scenario, there is some volatility in the short term as markets react to ambitious climate policies and rapid technological change, however the physical impacts from climate change are expected to be much less significant over the long term.
- The alternative modelling based on illiquids being reinvested in a mixture of liquid return seeking assets and credit shows a narrower range of outcomes, but the Scheme is still exposed to significant climate risk.
- The alternative modelling based on illiquids being reinvested in credit showed a very narrow range of outcomes, however the Trustee is of the view that this is a limitation of the modelling used rather than a reliable indicator that the Scheme would be largely immune to climate risk.

In summary, the scenario that is most likely to hinder the Trustee's objectives to maintain full funding on a low-risk measure is a High Warming scenario. The analysis shows the funding position could initially improve under this scenario, albeit it is expected to significantly deteriorate in later years, with the median outcome possibly removing the surplus.

The Trustee recognises that there are many reasons why the outcome might differ from those modelled. In November 2024, the Sustainability Committee again considered the limitations of this type of analysis. It considered the importance of model risk, that is the risk of the model not capturing the full extent of the risks that may arise, either economically or physically. In particular, climate-financial models cannot currently capture the full scale of possible outcomes, meaning significantly different results are possible in practice. However, there is a consistent conclusion that climate change, and the actions taken that seek to prevent it, will have a material impact on economies and asset values. The Sustainability Committee considered a range of actions the Trustee could take to help mitigate key risks, including the importance of considering physical risks and policy engagement, noting that governments would play a key role in addressing climate change.

Following on from this, in March 2025, the Sustainability Committee again discussed the importance of systemic stewardship, whereby investors use their influence at a systems level to address systemic risks (risks that could cause the collapse of the entire financial system or market, and cannot be diversified away). This includes engaging with policy makers and regulators, with the objective of addressing systemic risks such as climate change that have the potential to materially harm financial outcomes. The Trustee aims to make its expectations of its key managers clear in this area and expects managers to show how they are using their influence.

Further information on the assumptions used as part of the climate scenario analysis and the limitations of this analysis can be found in Appendix 3.

The Trustee's analysis of sponsor covenant

The Scheme is relatively well-funded and so, in the normal course of events, is not expected to have much reliance on the Bank for financial support in the medium- to long-term. However, climate-related shocks could trigger the need for additional support. It is therefore important to understand how the Bank could be affected by climate change and, in particular, its ability to support the Scheme in climate scenarios where additional funding is required. To assist with this, the Trustee has continued to receive updates from the Bank and its covenant advisor in relation to its climate scenarios. In March 2025, the Sustainability Committee received an update from the Bank in relation to its management and modelling of climate change risk. This presentation included consideration of climate scenario analysis, which extended the horizon of scenario planning to 30 years. The Bank presented the results of modelling two scenarios, a baseline and a delayed transition scenario. The Sustainability Committee asked several questions to help them understand the Bank's approach to reducing climate risks and achieving net zero.

The covenant advisor has worked with the Bank's sustainability team on interpreting the Bank's climate modelling, which continues to be refined (eg exploring additional downside risks), to advise the Trustee in respect of the resilience of the funding strategy. The Trustee's regular reporting from its covenant adviser incorporates climate risk factors and also monitors various resilience factors (such as capital headroom) that help to mitigate the impact of climate risks on the Bank.

The Trustee had no immediate concerns and agreed that there was no need for further action until the next update from the Bank and the covenant advisor.

Risk management

Risk management processes

The Trustee has established various processes to identify, assess and manage climate-related risks and opportunities in relation to the Scheme, and has taken steps to integrate these within the overall risk management of the Scheme. Some of the key measures in place are outlined below.

- Various responsibilities have been agreed to ensure the identification and assessment of climate-related risks and opportunities, as outlined in the Climate Governance Policy (see pages 5-9). These responsibilities are confirmed within the Trustee's business plan, to ensure they are covered appropriately during each Scheme year.
- The Sustainability Committee considers the exposure to climate risks for its assets on an annual basis using selected climate-related metrics, reporting any concerns to the Trustee.
- The Trustee, supported by relevant sub-committees, reviews its risk register on a quarterly basis. This includes explicit consideration of climate risks, alongside other risks relevant to the Scheme. The Trustee has also built climate-related metrics into its Key Risk Indicator reporting.
- The Trustee, IRM Committee and the CPU regularly monitor managers' sustainability practices, supported by responsible investment assessments from the Trustee's investment advisers, and engages with them on any matters of concern.
- During 2024, the Sustainability Committee received presentations from the Scheme's investment grade credit managers on their stewardship practices, along with discussion of how they are assessing the underlying companies' management of their climate-related risk exposures and progress towards the Trustee's net zero interim targets.
- In June 2024, the Trustee Board received training on fiduciary duty. The Sustainability Committee received quarterly training through discussion of various sustainability-related issues, including the relevance of policy engagement, social factors and nature-related risks to climate change.
- The Trustee has previously had training on the sustainability approach of insurers that provide **bulk annuities** to pension schemes. The Sustainability Committee discussed the Scheme's insurer in more detail, including a responsible investment assessment by the sustainability adviser. In February 2025, the Sustainability Committee reviewed an updated assessment for the insurer, noting an overall improvement and asking the sustainability adviser to provide further information on the drivers of the improvement.
- The Trustee's covenant adviser provides covenant monitoring that includes some climate risk factors as well as covenant resilience factors that help to mitigate the impact of climate risk on the Bank, such as its headroom against regulatory capital requirements and the level of collateral cover in its mortgage book. The latest review of the climate exposures of the Bank was conducted in February 2025. The Bank carries out climate stress tests on the likely impacts to its balance sheet from climate transition scenarios and presents the results to the Sustainability Committee as relevant. The latest update on its climate modelling and risk management was presented to the Sustainability Committee in February 2025.

The Trustee's Responsible Investment Policy reflects the actions being taken to manage climate-related risks. This Policy can be found online via this link: <https://mysantanderpension.co.uk/resources/documents/index.html>.

The role of stewardship in managing climate-related risks and opportunities

The Trustee is continually evolving its stewardship approach, including how it monitors the stewardship activities undertaken on its behalf by investment managers and how it engages with investment managers to encourage improvements in their practices. These improvements might relate to stewardship, climate risk management or other aspects of investment.

The Trustee has identified climate risk as one of its priorities for stewardship.

In June 2024, the Sustainability Committee reviewed the stewardship approaches of the Scheme's two investment grade credit managers. During the Scheme Year, the Sustainability Committee also received presentations from both of the Scheme's investment grade credit managers, including an update on their stewardship and engagement approaches, with a focus on climate risk. This provided the Committee with an opportunity to question the managers directly and request further information going forward, such as more reporting of the outcomes of their engagements.

In November 2024, the Sustainability Committee considered the importance of policy engagement, particularly in relation to the LDI mandate and its holdings in gilts. As a holder of gilts, the Scheme lends money to the UK government that is used to fund its spending, and therefore the Scheme has some potential to influence the government. As such, the Scheme can have a role in holding the UK government to account on systemic risks such as climate change, given the likely need of the government to continue borrowing from the Scheme (and other pension schemes). The Sustainability Committee considered the sustainability advisers' best practice principles for climate policy engagement by LDI managers. It noted that the Scheme's LDI manager compared favourably to other major managers and discussed policy engagement with the manager when it presented on its investment grade credit mandate.

In March 2025, the Trustee agreed to retain the existing stewardship priorities, including climate risk, and to expand engagement with investment managers to related topics where appropriate. In relation to climate, particular areas of focus are biodiversity loss and the Just Transition.

The Implementation Statement for the year to 31 March 2025 contains more information about the Trustee's stewardship processes and stewardship activity during the Scheme year. The Implementation Statement can be found online via this link: <https://mysantanderpension.co.uk/resources/documents/index.html>.

Tools used to identify and assess risks and opportunities

The Trustee has sought to identify and assess climate-related risks and opportunities facing the Scheme arising from both the physical impacts of climate change and the transition to a low carbon economy. It has used the following main tools to help it: climate scenario analysis; assessment of sponsor covenant; discussions with the Bank; climate-related metrics; and investment manager oversight.

- **Climate scenario analysis** was used to understand the macroeconomic impact of different climate scenarios on the Scheme's finances (see the climate scenario section on pages 11-15 for further details).
- **Assessment of sponsor covenant** has been used to identify the potential impact of both physical and transition risks from climate change on the financial strength of the Bank, including under the three chosen climate scenarios. The covenant adviser also integrates climate considerations into its broader assessment of the Bank's strength and resilience, such as capital headroom, putting climate risks into context of other covenant risks the Scheme is exposed to.
- The Trustee's sustainability adviser provides reporting for the Scheme's portfolios containing various **climate-related metrics**, as outlined above, which help illustrate the current exposure to certain climate transition risks.
- The Trustee, with the help of the CPU, its Committees and advisers, **assesses and monitors its investment managers** to ensure they are adequately managing risks to the Scheme's assets, including those relating to the physical and transition risks from climate change. This includes the following steps:
 - Assessing the responsible investment practices of prospective managers during the manager selection process.
 - Regular monitoring of the managers' responsible investment practices with the aid of the investment advisers' assessments.
 - Engaging with the Scheme's key managers by meeting them to discuss and assess their stewardship practices.
 - Regularly reviewing the extent to which the Scheme's investment grade credit investment managers are aligned with the Trustee's 2050 net zero carbon target and actions being taken to improve alignment.

The Trustee also undertakes training, as outlined on page 8, to maintain and deepen its understanding of climate-related risks and opportunities, and hence support its identification and assessment of those faced by the Scheme.

How the assessment of climate-related risks fits into the wider risk management picture

The Scheme's risk register includes an assessment of climate-related risks and opportunities, including the likelihood and impact of ten key climate factors over the Trustee's short, medium and long-term time horizons. The Trustee has put in place various controls to help mitigate these risks. Inclusion within the risk register helps the Trustee to put climate risk into the context of other risks being run, and to prioritise those risks which pose the most significant potential for loss and are most likely to occur.

Overall, the Trustee believes the measures it has put in place are sufficient to reduce the risk of the financially material climate factors it has identified to an acceptable level. Its gross risk score, which assesses the inherent risk from climate change prior to implementing operating controls, is currently 20 out of a maximum of 25 reflecting the very high likelihood of risks to a large proportion of the Scheme's assets. Its residual risk score, after allowing for the operating controls, is 6 out of 25. These scores did not change during the year. The main key risk identified which could still materially impact the Scheme's position is the long-term effects of climate change on market returns, which are increasingly uncertain over the long term, and are significantly dependent on which climate pathway materialises.

How the Trustee manages the key risks and opportunities identified

The Trustee has in place a number of measures to help manage climate-related risks and opportunities. Some examples of these are outlined below:

- The Scheme invests in a well-diversified investment strategy to help reduce exposure to risk generally, which also reduces the exposure to climate risks impacting any individual asset class. In addition, the Trustee continued to undertake de-risking steps during the latest Scheme year; the main derisking comprised of continued run-off from the Scheme's illiquid assets. The Trustee views growth assets as likely to be most impacted by climate risks and so de-risking generally also reduces this risk.
- The Trustee has a policy to protect against a high proportion of the interest and inflation risks that could impact the value of the Scheme's liabilities. Therefore, any potential impacts on interest rates and inflation from climate change (and indeed from other factors) are significantly mitigated.
- In June 2022, the Trustee made a commitment to seek to achieve net zero greenhouse gas emissions across the Scheme's investments by 2050 or sooner. Consistent with the Net Zero Investment Framework developed by the Paris Aligned Investment Initiative (PAII), the key areas of focus for the Trustee are: the setting of targets, including suitable interim targets; stewardship; and a forward-looking action plan. The Sustainability Committee has identified investment grade credit as the Scheme's priority asset class, since it is expected to remain key in the Scheme's long-term investment strategy. The Trustee has engaged extensively with the investment managers managing the Scheme's investment grade credit portfolios about aligning their assets with net zero pathways, as well as developing approaches to measuring and monitoring progress on a granular basis. Discussions with the investment managers are ongoing and updates are received regularly from managers.
- The portfolios identified as having the most exposure to climate risks and opportunities over the long term are the Scheme's investment grade credit holdings. The Trustee has explored ways to make these investments more resilient to climate risks and take advantage of opportunities where possible in conjunction with its project on working towards net zero alignment (see above) and updates were made during portfolio restructuring in early 2024. The revised investment management agreements reflect differences in the managers' ESG approaches, but one or both of them include requirements relating to:
 - Increasing the proportion of issuers with science-based targets;
 - Improving the portfolio's weighted average Temperature Alignment scores;
 - Reducing the portfolio's greenhouse gas emissions compared to reference benchmarks and over time;
 - Allocating a specified proportion of the portfolio to ESG labelled bonds;
 - Aligning with United Nations Sustainable Development Goals; and
 - Providing reporting to the Trustee on ESG related matters.

- As outlined above, the Trustee with the help of its advisers regularly engages with its investment managers on climate-related risks and opportunities. The Trustee encourages managers to improve their climate practices where possible. Over the Scheme year, the Sustainability Committee met with its two investment grade credit managers and discussed their climate practices.
- To help manage the impact of changes to members' life expectancy, the Trustee has previously:
 - entered into a 'longevity **swap**', which works in a similar way to an insurance contract, and aims to protect the Scheme against the risk that the members covered by the longevity swap live longer than expected; and
 - purchased insurance contracts (bulk annuity policies) which also protect against the risk that some members live longer than expected, by paying all benefit payments required for the covered group of members to the Scheme.

Whilst these contracts were not entered into on the grounds of mitigating climate risk, nonetheless they help protect the Scheme from potential impacts of climate change on member life expectancy.

- The CPU discusses the Scheme's actuarial adviser's approach to climate change, including the use of climate scenario analysis, with the adviser from time to time. The most recent conversation was at a meeting with a Trustee sub-committee in November 2024 and covered how they proposed climate change would be reflected in the adviser's advice to the Trustee, including for the 2025 actuarial valuation, and confirmed that this is the same approach that was taken in 2022 and similar to the approach it is taking with other large schemes. CPU has previously clarified how the investment adviser incorporates climate change in its expected return assumptions, since this informs the actuarial valuation assumptions.

Metrics and targets

The Trustee's choice of metrics

The Trustee has selected the following climate-related metrics to help it monitor climate-related risks to the Scheme:

Metric	Detail
Total greenhouse gas emissions¹	This measures a portfolio's absolute emissions . It represents the Scheme's share of its portfolio companies' emissions if emissions are split between equity and debt investors in proportion to the value of their investment in the company.
Carbon footprint	This is an emissions intensity metric, expressed as emissions per million pounds (£m) invested. It is equal to total greenhouse gas emissions divided by the value of the portfolio. As the metric adjusts for the value of the portfolio, it allows emissions exposure of different portfolios to be compared.
Science-based targets	This is a portfolio alignment metric, which measures the extent to which the Scheme's investments are aligned to the Paris Agreement goal of limiting global average temperature rises to well below 2°C and pursuing efforts to limit them to 1.5°C. It is calculated as the proportion of companies with science-based targets to reduce their greenhouse gas emissions, such as ones validated by the SBTi ² . The Trustee chose this "binary target" measure because it is the simplest and most robust of the various portfolio alignment metrics available.
Data quality	This is an additional climate change metric, which states the proportion of the portfolio for which greenhouse gas emissions data is reported, estimated or unavailable. "Reported" emissions are reported by the emitting entity whereas "estimated" emissions are estimated by a third party and so are generally considered to be of lower quality. This approach was chosen because it is in line with the statutory guidance.

¹ More information about greenhouse gas emissions is provided in Appendix 4, including their classification into Scopes 1, 2 and 3.

² Science-Based Targets initiative (see Glossary in Appendix 1).

The Trustee chose to report these metrics as they are ones recommended in the DWP's statutory guidance. To help it form a broader view of climate-related risks and opportunities, the Trustee also monitors information on the Scheme's exposure to fossil fuel companies and climate-related revenues for the investment grade credit portfolios, since better quality data is available for this asset class and they comprise a large, and growing, proportion of the Scheme's non-LDI assets.

The metrics for the Scheme's assets

The Trustee asked its sustainability adviser to calculate metrics for its government bond and investment grade credit holdings, which ensured high data coverage and a consistent approach. The data was sourced from public databases for government bonds and MSCI (a leading provider of climate-related data for investors), supplemented by manager data where available, for investment grade credit. For the other mandates, metrics were requested from the investment managers if the value of assets comprised more than around 0.5% of the total value of Scheme assets based on valuations as at 30 September 2024, which the Trustee considered to be a proportionate approach. For the largest mandate for which the manager was unable to provide emissions data, the Trustee identified and used proxy data to estimate the emissions.

The metrics obtained are shown on page 22, based on the assets held at 30 September 2024 except where otherwise stated. The figures in brackets are corresponding figures from the previous report, when data was collected at 31 December. The date was changed to make it easier to collect and consider the data within the Scheme Year. The Trustee expects to collect metrics as at 30 September in future years.

The coloured figures in the data quality columns relate to the proportion of the portfolio for which metrics are unavailable, with green indicating good data coverage and red indicating poor data coverage. 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; conversely, where no data has been provided in a place where it previously was, a red arrow is shown for the data quality metric. Where the metric has stayed the same based on new data, this is noted with an amber equals sign. Where it has stayed the same due to being the same data, this is noted with an amber dash.

More detailed comments on the metrics shown are provided in Appendix 5, including information about the methodology used, any estimations made and reasons for missing data.

Conclusions from assessment of climate metrics

The Trustee uses the metrics collected in its identification and assessment of climate-related risks and opportunities to the Scheme. This more granular assessment complements the macro-level climate scenario analysis described on pages 11-15, enabling the Trustee to focus its climate risk management on the areas of the portfolio which are expected to be most exposed to climate change.

The Trustee considered the metrics collected for each of the asset classes in the portfolio (detailed on page 22), with the following highlights:

- **LDI and government bonds:** this is a large component of the Scheme's matching portfolio for investment risk management purposes and will be held long-term. Emissions appear high but this is expected due to the large exposure value and how emissions are attributed to government debt. Although required as part of the disclosure, the Trustee recognises that emissions are not a good indication of climate risk for these portfolios, and that government climate policies are more relevant for assessing their long-term climate risk exposure.
- **Bulk annuity contracts:** although a small component of Scheme assets, the Trustee may wish to undertake further transactions in the future. The Trustee notes that the metrics required for disclosure are not good reflections of the climate risk exposure of the bulk annuity assets, rather the risk lies in scenarios that could affect the insurer's solvency. Therefore, the insurer's financial strength and climate practices are more relevant. The insurer has a goal to be net zero by 2040 with interim targets also set, which the Trustee views positively. The Sustainability Committee reviewed the sustainability practices of the insurer during the year. It agreed to keep them under review and consider further whether and how to include sustainability (including approach to climate change) when selecting insurers for any future transactions.
- **Investment grade credit:** this is likely to be the Scheme's main source of climate risk in the medium term as it is the largest and growing part of the long term de-risked portfolio. The proportion of the holdings with a science-based target has improved significantly since last year, suggesting better alignment with the net zero transition and hence a reduction in transition risk exposure. Since one of the managers has been able to

supplement SBTi data with its own assessment of companies' emissions reduction targets, this also reflects a more complete assessment of the portfolio. The metrics compare favourably to a global corporate bond reference index, suggesting a below-average exposure to climate risk. The Trustee will continue to liaise with its investment grade credit managers to support further improvements over time and help achieve its 2050 net zero carbon target, recognising that the managers' climate practices form a key part of the risk exposure for the Scheme.

- **Real estate:** this is currently a fairly high proportion of assets but is expected to decrease over the coming years as the larger mandate is being sold down. Real estate has quite high climate risk exposure, due to the risk of damage from physical risks such as flooding and the costs of retrofitting properties to improve their energy efficiency, although this is not captured in the metrics reported below. The carbon footprint is low, as is typical for the asset class. Although emissions coverage remains lower than for the listed mandates, it has improved significantly since last year since one of the managers was able to provide estimates of emissions for the first time. This manager has also set a minimum standard for Energy Performance Certificates for the whole portfolio, and has committed to prioritising energy efficiency in redevelopment. This gives the Trustee some comfort that emissions-related risks are being managed. The manager of the larger mandate has committed to net zero by 2050 as a firm and has been investigating the cost of actions to align projected emissions for each property with net zero pathways. This will give the Trustee a better feel for the potential to reduce risk in this area.
- **Infrastructure:** this can be a high-emitting asset class with high exposure to physical and transition risks, but also provides considerable opportunity in relation to the low carbon transition. Both managers' metrics have improved since last year, with notable decreases in the carbon footprint of the asset class overall. One manager was also able to report on science-based targets for the first time, which is a positive development in allowing the Trustee to understand the transition risk exposure in the asset class.
- **Private equity:** this is currently a fairly high proportion of assets but is expected to decrease over the coming years. The emissions for the largest manager have been estimated using sector proxies, as noted above. The actual emissions could be considerably different from the estimates; the Trustee has therefore not drawn firm conclusions from the information received. No information is available on the companies' emission reduction plans.
- **Non-conventional credit:** this does not form part of the long-term portfolio and the assets are in run off, meaning the climate exposure from this asset class is only short term for the Scheme. Data remains a challenge, with large lags or large gaps in information provided, however there has been a significant improvement since last year.

The analysis reinforces the Trustee's decision to prioritise managing climate risks and opportunities for investment grade credit, given its significance in the long-term portfolio. In particular, this asset class is the focus of the Trustee's net zero activities.

Portfolio ¹	£m as at 31 Dec 2023	£m as at 30 Sept 2024	% of total DB assets as at 31 Dec 2024	£m exposure at date of portfolio holdings ²	Total greenhouse gas emissions (tCO ₂ e) ³				Carbon footprint (tCO ₂ e per £m invested) ³				% of emissions data in £m which is: reported / estimated / unavailable (arrows refer to unavailable data)				% science-based targets ¹⁰	Date of portfolio holdings	
					Scope 1 + 2		Scope 3		Scope 1 + 2		Scope 3		Scope 1 + 2		Scope 3				
Matching portfolio, investment grade credit and bulk annuity	5,696	5,558	66.8%																
Government bonds, including gilts and swaps within Liability Driven Investment (LDI) ⁴	3,094	2,798	33.6%	5,235 (4,445)	775,000 (603,000)	▲	902,000 (377,000)	▲	148 (136)	▲	173 (85)	▲	100 / 0 / 0 (100 / 0 / 0)	=	100 / 0 / 0 (100 / 0 / 0)	=	99% (100%)	▼	30/09/2024 (31/12/2023)
Bulk annuity - listed equities and corporate bonds ⁵	292	282	3.4%	93 (96)	4,200 (5,610)	▼			47 (67)	▼			96 / 4 (87 / 13)	▼					31/12/2024 (31/12/2023)
Bulk annuity - government bonds ⁵				34 (41)	6,090 (8,570)	▼			180 (212)	▼			100 / 0 (99 / 1)	▼					31/12/2024 (31/12/2023)
Bulk annuity - other assets ⁵				155 (155)	2,570 (4,220)	▼			21 (34)	▼			78 / 22 (80 / 20)	▲					31/12/2024 (31/12/2023)
Investment grade credit ⁶	2,310	2,478	29.8%	2,477 (2,310)	115,000 (75,200)	▲	723,000 (539,000)	▲	51 (52)	▼	318 (376)	▼	82 / 10 / 8 (56 / 6 / 38)	▼	0 / 92 / 8 (0 / 62 / 38)	▼	47% (31%)	▲	30/09/2024 (31/12/2023)
Real assets	1,490	1,427	17.1%																
Real Estate	1,082	1,055	12.7%	1,200 (1,082)	2,140 (527)	▲	6,310 (6,350)	▼	3 (3)	=	6 (9)	▼	9 / 43 / 48 (15 / 0 / 85)	▼	31 / 62 / 7 (10 / 55 / 35)	▼	0% (0%)	=	30/09/2024 (31/12/2023)
Infrastructure ⁷	408	372	4.5%	431 (412)	41,900 (52,900)	▼			98 (131)	▼			99 / 0 / 1 (98 / 0 / 2)	▼			31% (0%)	▲	31/12/2023 & 30/09/2024 (31/12/2022 & 30/09/2023)
Alternatives	1,015	810	9.7%																
Private equity ^{8,9}	1,003	805	9.7%	838 (1,100)	38,300 (54,900)	▼	239,000 (278,000)	▼	52 (56)	▼	343 (295)	▲	0 / 89 / 11 (0 / 89 / 11)	=	0 / 83 / 17 (0 / 85 / 15)	▲			30/06 & 30/09/2024 (31/12/2022 & 30/09/2023)
Other alternatives managers	12	5	0.1%																
Non-conventional credit	239	181	2.2%																
Non-conventional credit	239	181	2.2%	163 (216)	4,550 (756)	▲	16,400		51 (18)	▲	222		21 / 33 / 46 (20 / 0 / 80)	▼	12 / 33 / 55 (0 / 0 / 100)	▼	0% (0%)	=	31/12/2023 (31/12/2021 & 31/12/2022)
Cash	423	351	4.2%																
Cash and cash equivalents	418	398	4.8%		N/A		N/A		N/A		N/A		N/A		N/A		N/A		
FX Hedge account	21	38	0.5%		N/A		N/A		N/A		N/A		N/A		N/A		N/A		
Longevity swap	-16	-85	-1.0%		N/A		N/A		N/A		N/A		N/A		N/A		N/A		
TOTAL	8,863	8,326	100.0%																

Note: figures may not sum due to rounding

Notes to the table

1. Where the Trustee has not been able to obtain any data, the cell is blank. Where the metric is not applicable for the mandate, N/A is shown.
2. This column shows the Scheme's economic exposure from the mandate, consistent with the emissions figures provided. It may differ from the market value of the mandate due to leverage or the use of derivatives. It may also differ from the market value of assets used in the next column where the portfolio holdings are at a date other than 30 September 2024.
3. The total greenhouse gas (GHG) emissions figures omit any entities for which data was not available. For example, if the portfolio was worth £100m and emissions data was available for 70% of the portfolio by value, the total GHG emissions figure shown would relate to £70m of assets and the portfolio's carbon footprint would equal total GHG emissions divided by 70. In other words, no assumption is made about the emissions for entities without data.
4. A different emissions intensity metric has been calculated for government bonds and swaps, so neither this nor total GHG emissions can be compared with the other emissions figures shown. Metrics for the government bond holdings within the credit portfolios have been omitted on materiality grounds.
5. The valuations shown are based on the value of the Scheme's bulk annuity policies from the Bank's report & accounts. A split of the emissions data between reported and estimated data is not available, so the combined figure is shown.
6. Metrics data is obtained from ©2024-2025 MSCI ESG Research LLC and reported by permission except for the science-based targets data for one of the investment grade credit mandates. See Appendix 5 for further information. Coverage of the science-based targets metric for the investment grade credit mandate using MSCI data is equal to the % SBT used; this is because the MSCI database does not distinguish between companies which do not have an SBTi target and companies for which the SBTi status is not known.
7. Data is omitted from the table where it relates to only certain sources of emissions and so understates the full emissions exposure. This affects two infrastructure managers. The first infrastructure manager has partial Scope 3 emissions and carbon footprint of 4,130 and 17 respectively, with 90% reported data and 10% unavailable. The corresponding figures last year were 8,990 and 46 respectively, with 70% reported data and 30% unavailable. The second infrastructure manager was unable to report Scope 3 emissions this year, similarly to last year. See Appendix 5 for further information.
8. Metrics data is estimated using data obtained from ©2024-2025 MSCI ESG Research LLC and reported by permission for one private equity manager. This manager manages the majority of the Scheme's private equity assets.
9. Data is missing for Scope 3 emissions for one private equity manager where it was previously reported. The manager has changed its reporting methodology and is in the process of rebuilding its reporting capabilities. As a result, it is not currently able to report Scope 3 emissions data.
10. Aggregation of science-based targets data across mandates within an asset class has been done using mandate valuations rather than mandate exposures. For information on which mandates have reported science-based targets data and so are included in the aggregation, see Appendix 5.

Climate change data gaps

Some data was available for mandates comprising 98% (last year 93%) of the value of the Scheme's assets at 30 September 2024, with Scope 1+2 emissions data (either reported or estimated) for individual assets comprising 88% (last year 75%) of the value of the Scheme's assets⁴. This 88% includes a private equity mandate, accounting for 8.4% (last year 9.8%) of the Scheme's assets, for which emissions have been estimated using a broad-brush proxy. The improvement in the proportion of assets with data available is predominantly due to an increase in the value and coverage of the listed corporate bond mandates.

Most of the Scheme's investment managers are seeking to improve their climate-related reporting, by increasing the number of metrics they report and seeking to fill the data gaps. The Trustee therefore expects data quality to improve over time. The CPU and the Trustee's sustainability adviser are encouraging the managers in their efforts to improve the reporting, focusing on the larger mandates and the mandates to which additional money is being allocated. The sustainability adviser has been encouraging MSCI to improve data coverage for investment grade credit and there has been a noticeable improvement in coverage of the Scheme's portfolios this year.

The CPU and the Trustee's sustainability adviser have worked successfully with one property manager, for which there has previously been no available data, to obtain data that can be used to estimate emissions. Following this inclusion there are now no large mandates without any data.

⁴ Mandates where emissions metrics are not applicable (eg cash) are excluded from these figures.

Some small private equity and non-conventional credit mandates do not have any data. The Trustee has focused on other mandates for improving data since these assets are considered to be in run-off as there are no plans to renew the managers' contracts beyond current arrangements. The assets' illiquid nature also limits the actions the Trustee can take to reduce the Scheme's climate-related risk exposure in relation to these assets.

The Trustee's choice of target

The Trustee has set the following target against one of its chosen metrics:

Target	Scheme coverage	Reference base date
60% of investment grade credit portfolios to have science-based targets by 31 December 2030	Investment grade credit portfolios (c30% of total Scheme assets as at 30 September 2024, but is expected to form a larger part of the Scheme's investment strategy in future)	31 December 2021

This target was chosen as the metric is forward-looking and focussed on the transition that needs to occur in the future in order to achieve net zero aims globally. It is also supportive of the Trustee's 2050 net zero carbon target, which was formally agreed in June 2022.

During 2023, the Trustee agreed two additional targets for each of its two corporate bond mandates in relation to:

- reduction of scope 1+2 emissions intensity by 2030; and
- percentage of scope 1+2 emissions that relate to issuers which are net zero, net zero aligned or the subject of engagement by the manager.

In February 2025, the Trustee refined the second of these targets for each manager, following improvements in their reporting capabilities.

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

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

The climate reporting carried out for the Scheme during the year included an assessment of the progress against the Scheme's TCFD target (ie the one relating to science-based-targets). At 30 September 2024, an estimated 47% of the Scheme's investment grade credit holdings by value had set science-based targets (as shown in the table on page 22), based on:

- for the first manager, the manager's own assessment of companies which supplements data on whether the company has an SBTi-validated target with other data from sources (such as whether it has a Transition Pathway Initiative (TPI) carbon performance score below 2°C); and
- for the second manager, information held on the MSCI database for whether companies have an SBTi-validated target⁵.

This is an increase from 19% as at the base date of 31 December 2021, and up from 31% at 31 December 2023⁶.

The first manager assessed the rest of its portfolio as not having a science-based target. For the second manager, where MSCI data on SBTi targets was missing, the portfolio company was assumed not to have any science-based

⁵ ©2025 MSCI ESG Research LLC and reported by permission.

⁶ This is the first time that the first manager has used its own combined assessment; all previous % are based on information about SBTi-validated targets held on the MSCI database.

targets in place. However, the Trustee notes that it is possible for portfolio companies to have science-based targets that are not validated by SBTi.

The Trustee will continue to monitor its investment grade credit managers' ability to assess science-based targets for portfolio companies themselves, encouraging the second manager to develop a methodology to do so, with a view to using a more comprehensive measure of science-based targets in due course.

The Trustee has decided to retain its current TCFD target. It will keep the definition of its science-based targets metric under review as market practice evolves. It will also review the level of its target periodically in light of any changes in definition and the pace of company adoption or lapsing of science-based targets. The Trustee will continue to engage with the investment grade credit managers on achieving progress against the target earlier than planned where there is opportunity to do so.

Achieving the Trustee's target

The following steps are being taken to achieve the TCFD target:

- The CPU has communicated the target to the two investment grade credit managers and incorporated the target into the investment manager agreements.
- The CPU and IRM Committee routinely talk to managers as part of the investment monitoring process. During the year, the science-based target coverage has been monitored for the investment grade credit managers and the CPU has promoted engagement with companies that do not currently have science-based targets in place.
- Following the Trustee's agreement to set a 2050 net zero carbon target in June 2022, the Sustainability Committee, with support from the sustainability adviser and CPU, has been discussing with the investment grade credit managers how they can support the Trustee's net zero commitment. Given the nature of the TCFD target, this work also contributes to progress against the TCFD target. During the year, the Sustainability Committee met these two managers to review progress against the climate-related targets and to explore opportunities for further alignment with science-based target objectives.
- The sustainability adviser encourages investment managers to support the goal of net zero emissions by 2050 or earlier and has published its expectations for investment managers in relation to net zero. This includes the use of effective voting (where applicable) and engagement with portfolio companies to encourage achievement of net zero. The sustainability adviser continues to engage with managers on this topic and encourages them to use their influence with portfolio companies to increase the use of science-based targets.

The Trustee reviews progress towards the target annually as one of the Scheme's Key Risk Indicators and considers whether additional steps are needed to increase the chance of meeting the target. As at 30 September 2024, the progress against the target has been strong and the Scheme is considered on track to meet its target.

Appendix 1: Glossary of terms used within this report

Below we describe various terms which are used in this report.

- **Bulk annuity** – this is an insurance policy which pays part or all of future benefit payments owed to a group of pension scheme members.
- **Carbon emissions** – these refer to the release of carbon dioxide, or greenhouse gases more generally, into the atmosphere.
- **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.
- **Engagement** – dialogue between investors and relevant parties with the aim of preserving and enhancing the long-term value of assets on behalf of clients and beneficiaries. Relevant parties include companies in which the investor holds equity or debt, regulators, policymakers and other stakeholders.
- **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.
- **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.
- **Gilt** – a bond issued by the UK government.
- **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 4.
- **Gross Domestic Product (GDP)** – this is the value of all goods and services produced in a country over a given period, typically a year.
- **Investment grade credit** – corporate bonds which are viewed to have a low probability of default, compared to some other corporate bonds available in the market
- **Just Transition** – an approach to decarbonisations that seeks to ensure that the substantial benefits of a transition to a green economy are shared widely, while also supporting those who stand to lose economically – be they countries, regions, industries, communities, workers or consumers.
- **Liability Driven Investment (LDI)** – this is an asset class designed to mirror the movements of pension scheme liabilities relative to interest rates and inflation by investing in leveraged gilt and swap instruments. It is used to protect funding level or surplus against movements in interest rates and inflation that would otherwise have a material effect.
- **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.
- **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 patterns.
- **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.
- **Policy engagement** – engagement (see definition above) that seeks to influence public policy.
- **Purchasing Power Parity (PPP)** – the PPP is a theory of long-term equilibrium in exchange rates based on relative prices. For example, if the price of a basket of goods in the UK is £100 and the same basket costs \$200 in the USA, then the PPP exchange rate would be £1:\$2. The PPP rate and the actual market exchange rate can differ.

- **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 accreditation for science-based targets set by companies and investors.
- **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.
- **Swap** – a derivative contract between two parties in which those parties agree to exchange one set of cash flows for another.
- **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.

Appendix 2: Key advisers supporting the Trustee

We have included a list of the key advisers in-place supporting the Trustee over the year below:

- **Sustainability adviser** – Lane Clark & Peacock LLP
- **Investment advisers** – Willis Towers Watson Limited, Cardano Risk Management Limited, Cambridge Associates Limited and Santander Asset Management UK Limited
- **Actuarial adviser** – Willis Towers Watson Limited
- **Covenant adviser** – Ernst & Young LLP
- **Legal advisers** – Mayer Brown International LLP and Stephenson Harwood LLP
- **Scheme Secretary** – CPU

The roles of these advisers, as described in the climate governance policy, are laid out below.

The role of the sustainability adviser

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

- providing training and other updates to the Trustee on relevant sustainability and climate-related matters;
- helping the Trustee to formulate its investment beliefs in relation to sustainability and climate change and reflecting these in the Scheme's investment policies and strategy;
- advising how climate-related risks and opportunities might affect the different asset classes in which the Scheme might invest over the short, medium and long-term, and the implications for the Scheme's investment strategy;
- advising the Trustee on the appropriateness and effectiveness of the Scheme's investment managers' processes, expertise and resources for managing sustainability and climate-related risks and opportunities, given the Trustee's investment objectives and beliefs;
- carrying out scenario analysis that illustrates how the Scheme's assets and liabilities might be affected under various climate change scenarios as agreed with the Trustee from time to time, and advising on when it is appropriate to update the analysis;
- advising the Trustee on the implications of the scenario analysis results for the Scheme's investment strategy and journey planning;
- assisting the Trustee in identifying and monitoring suitable sustainability- and climate-related metrics and targets in relation to the Scheme's investments; assisting the Trustee in assessing and monitoring investment managers' voting and engagement on sustainability and climate-related issues;
- leading on the preparation of the Trustee's TCFD reporting, working with the Trustee and its other advisers as appropriate; and
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change in its governance arrangements, risk register, Key Risk Indicators and communication with stakeholders as appropriate.

The role of the CFT and the investment advisers

In broad terms, the CFT is responsible for implementing the investment of the Scheme's assets. The CFT and its external investment advisers are responsible, as requested by the Trustee, for:

- ensuring the Trustee's investment beliefs, including responsible investment and climate beliefs, are reflected appropriately in any investment strategy proposals presented to the Trustee;
- incorporating climate-related considerations into any advice they provide to the Trustee, where these considerations may be material;
- incorporating the Trustee's investment beliefs, including responsible investment and climate beliefs, into manager selection, mandate design and manager monitoring;
- advising the Trustee on the appropriateness and effectiveness of the Scheme's investment managers' processes, expertise and resources, including the extent to which these manage climate-related risks and opportunities, reflecting the Trustee's investment objectives and beliefs; and
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change in its funding, investment and covenant monitoring, ESG reporting and communication with stakeholders (including, but not limited to, its TCFD and PRI reporting) as appropriate.

The role of the actuarial adviser

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

- assisting the Trustee in understanding how climate-related risks and opportunities might affect the Scheme's funding position over the short, medium and long-term and the implications for the Scheme's funding strategy and long-term objectives, working with the Trustee's other advisers as appropriate;
- advising how climate-related risks and opportunities might affect the Scheme's funding position over the short, medium and long-term and the implications for the Scheme's funding strategy and long-term objectives; and
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change in its funding, investment and covenant monitoring, and communication with stakeholders (including, but not limited to, its TCFD reporting) as appropriate.

The role of the covenant adviser

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

- advising how climate-related risks and opportunities might affect the Scheme's sponsoring employer over the short, medium and long-term;
- leading on the inclusion of climate change in the Scheme's covenant monitoring, working with the Trustee and its other advisers as appropriate; and
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change in its governance arrangements, risk register, Key Risk Indicators and communication with stakeholders (including, but not limited to, its TCFD reporting) as appropriate.

The role of the legal advisers

In broad terms, the Scheme's legal advisers are responsible, as requested by the Trustee, for:

- providing training and other updates to the Trustee on relevant climate-related legal matters;
- ensuring the Trustee is aware of its statutory and fiduciary obligations in relation to climate change and working with the Trustee's other advisers to ensure alignment between these obligations and:
 - any Trustee formulation of its investment beliefs in relation to climate change; and
 - the identification and monitoring of climate-related metrics and targets in relation to the Scheme's investments;
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change in its governance arrangements, risk register, Key Risk Indicators and communication with stakeholders (including, but not limited to, its TCFD reporting) as appropriate; and
- where requested, assisting in the documentation of any contractual requirements to be included in the arrangements with the Scheme's investment managers with respect to the governance, management and reporting of climate-related matters.

The role of the investment managers

In broad terms, the Scheme's investment managers are responsible for:

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

Appendix 3 – More detail on the climate scenario analysis

A note on the variability of the modelling

The Trustee recognises that there are many reasons why the outcome might differ from those modelled, including:

- There is a wide ‘funnel of doubt’ around the median outcome under each scenario due to the usual investment market uncertainties and additional uncertainties arising from climate-related variables.
- The scenarios could play out differently to the specific scenarios modelled (for example, there could be a series of mini shocks and/or different timing of shocks).
- Other scenarios are possible, eg delayed and/or disorderly policy action to limit climate change.
- The timing and amount of benefit payments is uncertain, and cashflows from the Scheme’s assets may not match the benefits as closely as assumed.
- The assessment of the funding strategy did not allow explicitly for impacts from changes in mortality rates, as it is hard to predict how climate change might affect longevity in the UK (some effects are likely to be positive and others negative).

How are the scenarios modelled and what are the key assumptions underlying the modelling?

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 the sustainability adviser. The three climate scenarios were projected year by year, over the next 40 years.

ClimateMAPS uses a top-down approach that consistently models climate impacts on both assets and liabilities, enabling the resilience of the Scheme’s funding strategy to be considered. The model output is supported by in-depth narratives that bring the scenarios to life to help the Trustee’s 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. The sustainability adviser 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 the sustainability adviser’s standard financial assumptions. These financial assumptions provide market yields and changes to market values in a median case, for each climate scenario considered.

The sustainability adviser 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 2023, calibrated to market conditions at 30 June 2024.

The modelling assumed contributions were paid in line with the current Schedule of Contributions. No allowance was made for changes to the investment strategy or contributions in response to the climate impacts modelled.

The modelling was conducted net of the bulk annuity policies owned by the Scheme. Whilst the Scheme’s insured liabilities are likely to be subject to similar financial risks to those illustrated for the non-insured liabilities, the protection afforded by bulk annuity policies means that, under the assumptions used in the modelling, any financial impacts are unlikely to affect the net funding position in the three climate scenarios considered. This is because the insurance solvency regime provides considerable protection for policyholders and the climate impacts that are most likely to result in the insurer becoming bankrupt have not been fully modelled, as indicated below. Therefore including the bulk annuity policies would not affect the results presented in this report. However, the Trustee noted that in practice climate change could cause insurer bankruptcy under more extreme scenarios.

Certain assumptions were needed to match the specific asset classes held by the Scheme with the asset classes for which scenario modelling was available:

- No allowance is made for likely changes to the investment strategy in reaction to the climate pathways unfolding.

- Investment grade credit portfolios have been modelled as investment grade corporate bonds with an eight year duration.
- The property portfolio has been modelled as core UK property.
- The strategies within the alternatives portfolio, other than private equity, have been modelled as fund of hedge funds.

What are the key limitations of the modelling (including any data gaps)?

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 Trustee was able to consider the potential impacts of the three climate scenarios for all of the Scheme’s assets.

In practice, the Scheme’s investment portfolio may not experience climate impacts in line with the market average. The Trustee considers how the Scheme’s climate risk exposure differs from the market average using climate metrics (which are compared with a market benchmark where appropriate) and its investment advisers’ responsible investment assessments which include consideration of the investment managers’ climate approaches.

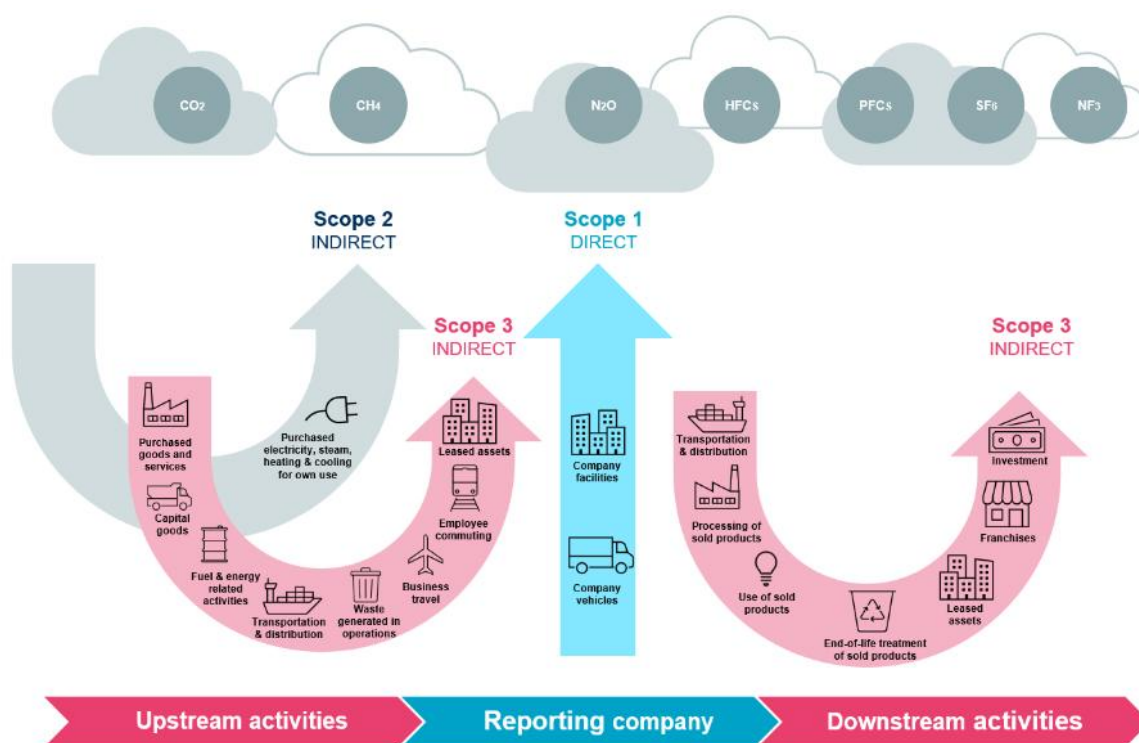
Uncertainty in climate modelling is inevitable. In this case, key areas of uncertainty relating to the financial impacts on the Scheme’s assets and liabilities include how climate change – and the steps which might be taken because of any temperature increase (by governments or otherwise) – might affect financial assumptions based on market yields (including 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 potential climate-related impacts and may underestimate the potential impacts of climate-related risks. For example, impacts on health, mortality and migration flows are not explicitly modelled. Tipping points (which could cause runaway physical climate impacts) are only modelled in the High Warming scenario and the actual physical impacts could be very different to what has been modelled. In addition, the model presumes that the UK government and bank counterparties will remain solvent, thereby making no allowance for credit risk on government bonds and derivative exposures. However, in higher temperature scenarios, this assumption may no longer be valid.

Appendix 4 – Greenhouse gas emissions explained

In the metrics section of the report, the emissions metrics relate to seven greenhouse gases – carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃). The figures are shown as “CO₂ equivalent” (CO₂e) which is the amount of carbon dioxide that would be equivalent to the excess energy being stored by, and heating, the earth due to the presence in the atmosphere of these seven greenhouse gases.

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

- Scope 1 greenhouse gas emissions are all direct emissions from the activities of an entity or activities under its control.
- Scope 2 greenhouse gas emissions are indirect emissions from 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

Appendix 5 – More detail on the climate-related metrics reported

This appendix provides more detail on the metrics reported in the main body of this report, on page 22.

Government bonds, including Liability Driven Investment (LDI), gilts and swaps

GHG emissions

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

The emissions figures were calculated by the Trustee's sustainability adviser in February 2025 using publicly available data sources.

As suggested in the statutory guidance, Scope 1+2 emissions have been interpreted as the production-based emissions of the country. Scope 3 emissions have been interpreted as the emissions embodied in goods and services imported by the country and consumed within the country (rather than re-exported).

In line with guidance from the Partnership for Carbon Accounting Financials (PCAF) issued in December 2022, emissions intensity has been calculated for gilts (the only government bonds within the LDI portfolio) as:

$$\frac{(\text{UK greenhouse gas emissions})}{(\text{UK Gross Domestic Product at Purchasing Power Parity})}$$

GHG emissions have then been calculated as:

$$\text{value of the Scheme's investment in UK government bonds} \times \text{UK emissions intensity.}$$

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

Science-based targets

Government bonds have been assessed as having a science-based target if Climate Action Tracker has assessed the issuing country as having a domestic emissions target which is rated as 1.5°C or below 2°C. The UK (the issuer of all of the Scheme's government bonds within the LDI portfolio) is rated as below 2.0°C. It has a net zero by 2050 target written into law and sets carbon budgets to achieve this target based on advice from the independent Committee on Climate Change.

Insurance policies

The Scheme holds two bulk annuity policies that make payments equal to certain members' pension benefits. As suggested in the statutory guidance, the Trustee has used the insurance provider's emissions data from its public TCFD report for the calendar year 2024. It should be noted that this data does not reflect the contracts' exposure to climate-related risks since the payments made to the Scheme are not linked to the value of assets held.

The insurer has published Scope 1+2 emissions data for asset classes comprising 72% of the assets held for the relevant subsidiary company in its TCFD report. These assets back a range of life insurance products, including the bulk annuity book. The insurer did not report any Scope 3 data, as it believes that the significant uncertainty due to estimation and inherent double-counting at portfolio level means the data is not reliable for decision-making.

The insurer was also not able to provide emissions data for the bulk annuity assets alone, the split of emissions data between reported and estimated data (although it did provide a weighted average data quality score on a 1-5 scale for each asset class), nor data for the subsidiary company for the Trustee's selected alignment metric.

The Scheme's share of the total Scope 1+2 GHG emissions disclosed by the subsidiary has been estimated by multiplying the carbon footprint for each asset class by an estimate of the value of assets in the asset class backing the

Scheme's bulk annuity policies, adjusted appropriately for data coverage. The value of assets in each asset class was estimated by applying the latest available asset allocation of the bulk annuity book, as at 31 December 2023, to the value of the Scheme's bulk annuity policies, as calculated for the Bank's accounts for the calendar year 2024. The insurer has confirmed that it believes this to be a good approach, offering a reasonable proxy in the absence of specific bulk annuity data currently.

This approach effectively assumes that the value of the policies calculated for the Bank's accounts is the same as the market value of the share of assets backing the Scheme's policies and that the asset allocation for the insurer's bulk annuity policies did not change between 31 December 2023 and 31 December 2024. Whilst this may not be correct in practice, the Trustee believes it is a reasonable approach to take given the data available.

Scope 1+2 emissions data is available for listed equities and corporate bonds (33% of bulk annuity assets, with 96% coverage), sovereign bonds (12% of assets, with 100% coverage) and various illiquid assets (including infrastructure debt, commercial real estate mortgages and equity release mortgages) which have been grouped under "other" (55% of assets, with 78% coverage). "Other" also includes the bulk annuity's 12% allocation to private credit and other illiquids, which has 0% coverage given it is not included in the data disclosed by the insurer. The carbon footprint and coverage for the "other" asset classes has been calculated as a weighted average of the constituent asset classes.

Investment grade credit

The metrics for these mandates were mostly obtained from MSCI⁷, a leading provider of climate-related data for investors, by the Trustee's sustainability adviser in February 2025, using portfolio holdings as at 30 September 2024.

GHG emissions

Emissions coverage is less than 100% because:

- Some holdings are not covered by MSCI's database such as bonds that have recently matured.
- The MSCI database does not hold emissions data for some portfolio companies because the company does not report it and MSCI does not estimate it.
- The MSCI database does not hold EVIC⁸ data for some portfolio companies, so emissions cannot be attributed between equity and debt investors.

Where emissions data is estimated, MSCI uses one of three methods.

- For electric utilities, MSCI's estimate of Scope 1 emissions is of direct emissions due to power generation, calculated using power generation fuel-mix data.
- For companies not involved in power generation, which have previously reported emissions data, MSCI starts with a company-specific carbon intensity model.
- For other companies, MSCI uses an industry segment-specific carbon intensity model, which is based on the estimated carbon intensities for 1,000+ industry segments.

The Scope 3 emissions are MSCI's estimates, even where reported emissions are available. This provides greater consistency than using a mixture of reported and estimated emissions. Analysis of reported Scope 3 emissions suggests that the data quality is currently low - data is volatile and often out of date, with relatively few companies reporting on all

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⁸ EVIC is Enterprise Value Including Cash, ie the value of equity plus outstanding debt plus cash. It is used to attribute emissions to investors in the calculation of Total GHG emissions and hence Carbon Footprint.

types of Scope 3 emissions. In contrast, MSCI estimates all types of Scope 3 emissions for most companies in its database, for a recent reporting year and using a consistent approach.

Science-based targets

The first manager, whose mandate included investment grade corporate bonds valued at £1,374m at 30 September 2024, has provided science-based targets data calculated using its proprietary Paris Alignment assessment which supplements data on companies with a validated SBTi target with data from other sources such as the Transition Pathway Initiative, enabling the inclusion of companies with ambition emissions reductions targets that have not been validated by SBTi. The rest of the portfolio has been assessed as not having a science-based target.

For the second manager, whose mandate included investment grade corporate bonds valued at £1,103m at 30 September 2024, the metric shown is the proportion of the portfolio by weight for which the MSCI database indicates the company has an SBTi-validated target. Coverage for this metric is equal to the proportion of the portfolio with an SBTi-validated target because the MSCI database does not distinguish between companies which do not have an SBTi target and companies for which the SBTi status is not known. The Trustee's sustainability adviser has asked MSCI to introduce this distinction.

Real estate

For one real estate mandate, with value £596m as at 30 September 2024, the climate-related metrics have been provided by the investment manager for the buildings held as at the same date. The emissions figures relating to electricity use are location-based, ie calculated using the average emissions intensity of the electricity grid where the property is located. The majority of emissions are "tenant controlled" so they are classed as Scope 3 emissions. The Scope 1 and 2 emissions therefore look low compared to other asset classes.

The "reported" emissions have been calculated using utility meter readings for the year to 30 September 2024. There are two types of "estimated" emissions data:

1. Gap-Filled Data, where actual metered energy supply data is typically available but where data gaps have occurred. These estimates are informed by analysis of historic consumption trends and where appropriate normalised for climate / external temperatures.
2. Unmonitored Data, where actual metered energy supply data is not available. Energy use intensity benchmarks are used to calculate estimated consumption based on the relevant floor area and property type.

The manager has provided Scope 1+2 reported emissions for 19% of the properties, Scope 1+2 estimated emissions for 1% of the properties, and Scope 3 reported emissions for 62% of the properties, with the remainder of the portfolio having estimated Scope 3 emissions.

The second real estate mandate, with value £458m as at 30 September 2024, provided estimated energy usage figures for the student residential properties in its portfolio, which accounts for 85% of the total assets figure. The manager estimated emissions by using:

- estimates for gas and electricity use, based on the number of bedrooms in the property;
- greenhouse gas conversion factors⁹ published by the UK government; and
- a split between Scope 1+2 or Scope 3 based on whether utilities are included in the rent price (Scope 1+2) or organised and controlled by the tenant (Scope 3).

The manager was not able to provide any emissions estimates for other parts of the portfolio.

The exposure value of £604m reflects the market valuation of the physical assets in the portfolio, with the valuation of £458m reflecting the net asset value.

Science-based targets

⁹ <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2024>

The first manager has been working with Carbon Risk Real Estate Monitor (CRREM) to formulate an alignment metric for science-based targets. The latest CRREM methodology has been used as part of the manager's "Net Zero Carbon" audits programme to develop asset-level CRREM pathways against which targets can be set for specific capex interventions for energy and carbon reductions. The manager only considers the property to have a science-based target once capex is approved to undertake the recommendations of the audit. Using this definition, none of the properties in the Scheme's portfolio currently have a science-based target.

For the second manager, there is no information available on science-based targets for any of the portfolio.

Infrastructure

For one infrastructure manager, with value £270m as at 30 September 2024, data was provided by the investment manager for holdings as at 30 September 2024, and emissions to the relevant asset year end of 31 March 2023 or 31 December 2023. Emissions data was reported by each company and a proportionate share was allocated to the Scheme based on its percentage ownership of the asset. Some companies reported Scope 1-3 emissions, whereas others reported Scope 1+2 only. Where Scope 3 emissions are reported, the Trustee understands that these typically do not represent emissions throughout the full value chain and so the figure provided understates the full Scope 3. For this reason, the figure has been disclosed in a footnote rather than in the main table.

The manager has assessed that 42% of the assets are aligned or aligning to the 1.5°C goal of the Paris Agreement using the manager's own methodology based on the Net Zero Investment Framework guidance. An additional 44% of the portfolio has a net zero commitment.

For a second infrastructure manager, with value £102m as at 30 September 2024, the investment manager has provided Total GHG emissions and Carbon Footprint data as at 31 December 2023. This is a single-asset mandate for which the portfolio company reports Scope 1+2 emissions, so no estimation has been used. No Scope 3 data has been provided by the company as at 31 December 2023. The company does not have a science-based target.

Private equity

The main private equity manager continues to request emissions data from its portfolio companies. However, very little information was available in time for this report. Given the size of the mandates with this manager, valued at £696m as at 30 September 2024, the Trustee sought to estimate their emissions.

The manager provided a split of the assets by sector as at 30 September 2024, reported separately for the US and African holdings. The Trustee's sustainability adviser used data from MSCI in February 2025 to calculate the Carbon Footprint for each sector of the MSCI US Small Cap Index and MSCI Emerging Markets Index at 30 September 2024, using the same sector classification. They then combined these sector-average Carbon Footprints into an estimate of the overall Carbon Footprint of the assets using the sector splits provided and the market value of assets at 30 September 2024.

In other words, the figures shown assume that the Scheme's US and African assets have the same emissions intensity as the average company in the relevant sector of the MSCI US Small Cap Index and MSCI Emerging Markets Index respectively. In practice, the portfolio companies' emissions may differ significantly from that assumed, for example where the nature of their business differs significantly from the sector average.

The manager was not able to provide any information on which portfolio companies have science-based emissions reduction targets.

A second private equity manager, with market value £24m as at 30 September 2024, provided Total GHG emissions and Carbon Footprint data for the whole fund based on latest available emissions data and company valuations as at 30 June 2024, for 83% of the Scheme's exposure. This relates to Scope 1+2 emissions only, based on proxy estimated data using company data (sector/geography) and company financial data sourced via another data provider. Due to the manager going through a restructuring of its data collection process, it was not able to provide any Scope 3 data this year. The manager was also not able to provide any information on which portfolio companies have science-based emissions reduction targets.

The Scheme's share of the fund as at 30 June 2024 has been used to calculate its share of the fund's Total GHG emissions. The market value of the Scheme's holding is lower than the implied exposure value because it is net of leverage, fund running costs, management charge and carried interest.

Private equity and other alternatives – other managers

The other alternatives managers (mainly private equity, valued at £90m in total as at 30 September 2024) were either unable to provide emissions data or the mandate was considered too small for it to be proportionate to request the data.

Non-conventional credit

One of the non-conventional credit managers, valued at £73m as at 30 September 2024, was able to provide Total GHG emissions and Carbon Footprint data for 100% of the portfolio for Scope 1+2 and Scope 3. Reported data accounted for 27% of the portfolio (representing three companies in the portfolio) as at 31 December 2023, with the remaining companies' 2023 emissions estimated using proxies based on geographic location, revenue and sector of activity. None of the portfolio companies have SBTi-validated emissions reduction targets.

Emissions data was provided by another non-conventional credit manager, valued at £57m as at 30 September 2024. The manager provided the Scope 1, 2 and 3 emissions data that was available across all its assets, and advised that 2.87% of the total emissions were attributable to the Scheme's assets. It has been assumed that the Scheme's share of Scope 1+2 emissions alone was 2.87% of the manager's total Scope 1+2 emissions. All of the data available was reported by portfolio companies and the manager advised that the reporting companies comprised 39% of the Scheme's assets as at 31 December 2023. The Scope 3 data was incomplete and has therefore not been included in this report. The manager was not able to provide the proportion of companies held with science-based targets, but advised it was unlikely that any portfolio companies have SBTi-validated targets.

The other non-conventional credit managers (valued at £51m as at 30 September 2024) were considered too small for it to be proportionate to request the data.