# Procter & Gamble Pension Fund

Taskforce on Climate-Related Financial Disclosures
Report for the year ending 30 June 2025

# Managing Climate Risk within the Procter & Gamble Pension Fund's Financial Investments in the United Kingdom

## Task Force on Climate-related Financial Disclosures (TCFD) Report For the year ending 30 June 2025

## Introduction

In 2021, the UK Government introduced requirements to report and disclose climate risk in pension schemes. This report has been prepared to meet those requirements, consistent with the Taskforce on Climate-related Financial Disclosures ("TCFD") recommendations. The Procter & Gamble Pension Fund (the Fund) is a hybrid pension scheme with a Defined Benefit (DB) section, and a Defined Contribution (DC) section. This is the third annual climate disclosure which covers the Trustee's approach to managing climate related risks of the Fund. It has been prepared by the Trustee for the year ended 30 June 2025.

Procter & Gamble sponsors various pension plans for its employees that are managed in trust by a corporate trustee. The primary purpose of these plans is to provide savings / pensions at retirement for our employees. A core part of our pension strategy is to invest plan assets in secure, long-term assets that will be available to service pensions for years to come and decades into the future. "We" in this report refers to the Trustee.

**The report contains the following sections.**


1. Message from the Chair of the Trustee
2. Our Investments / Fund Context
3. Governance
4. Strategy
5. Risk Management
6. Metrics and Targets
7. Appendices and Supplemental Information


1. The TCFD was disbanded in October 2023, noting that its work (to create a global framework for businesses to disclose climate-related risks and opportunities to support stakeholders in making informed financial decisions) was successfully completed. The International Financial Reporting Standards ("IFRS") foundation now monitor corporate TCFD disclosures.



# 1. Message from the Chair of the Trustee

For the Fund, the primary fiduciary duty of the Trustee is to ensure that the benefits promised to members are provided. The Trustee looks to achieve returns for a given level of risk as their first and primary consideration in making asset investment/allocation choices. We include climate risk, as one of many considerations, in our evaluations.

## Our findings:

Climate risk is a non-diversifiable risk that may impact all sectors of the economy to varying degrees. The risk cannot be completely eliminated but can be mitigated to some extent. The challenging task for us as asset owners is how to best manage long term implications and impacts that are difficult to assess and predict with certainty. We have assessed climate risk with the help of our advisers and determined that no immediate change is needed to our investment strategies for the DB or DC Sections. Through our climate risk work, we have concluded that, in our view, the Fund is well positioned and resilient to climate risk.

The DB section is well funded at +146%, up by 16% from the prior year of reporting and has a de-risking strategy in place to reduce exposure to growth assets over the next 10 years. Over the past year, we have accelerated the de-risking strategy that also has the benefit of reducing climate risk.

Our equity portfolio is globally diversified, with holdings of over 3,000 companies across all sectors. This broad diversification helps minimise the impact of climate events, risk at any one company, or impacts to any one segment. It also means that the fund will benefit through the companies that manage the transition well, create new technologies and capitalise on changing trends. Our advisers have modelled funding outcomes under different climate scenarios. Since the prior modelling was completed, the Fund's surplus has grown to £1,011M suggesting that the Fund is in a strong enough position to absorb any climate-related risk. Over the time periods and scenarios analysed, there are no projected deficits for the fund.

For our Defined Contribution members, who have the ability to self-select their own portfolio choices, we offer an Environmental, Social, Governance (ESG) Fund that members can choose, and this includes a stronger climate mandate than the default fund.

We are actively engaging on this topic with our investment advisers, other consultants, and industry groups. We have created a specific subcommittee and are actively monitoring climate risk within the risk management process for the Fund. We expect our understanding, knowledge, and sophistication will continue to evolve in this dynamic area and with it the quality of our data and strategies will adjust over time. We will also need to be agile to changes in regulations and new science as these evolve.

We welcome the opportunity to share our climate approach through this TCFD report. We will outline our investment context, our Governance processes, our Strategies, our Risk Management approach, and the Metrics & Targets for the Fund.

**Alison Smith** Chair of the Trustee

## 2. Our Investments/ Fund Context

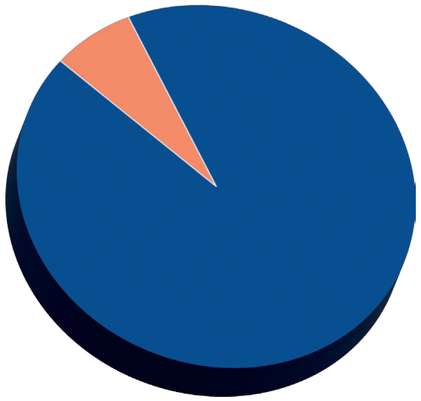
**The Fund has a Defined Contribution (DC) section (c.£0.2billion in assets) and a Defined Benefits (DB) section (c.£3.2billion in assets). Since the DC section is newer, it is smaller than the DB section.**

The DB section is reported on a consolidated basis and is made up of several sections as the company acquired other businesses. These plans were "de-sectionalised" allowing the Trustee to invest and manage the plan on a combined basis.

For the DB section, our primary fiduciary responsibility is to ensure sufficient funds exist to pay members' benefits throughout their retirement. The Trustee has chosen a passive investment strategy of broad, highly liquid, index-based products for fixed income and equities. Private debt, derivatives, hedge funds, active managers, leverage, or alternative investments are not utilised. A private infrastructure fund was added to the portfolio last year with a small investment to provide some hedge against inflation. The Trustee believes that a highly diversified asset portfolio across all sectors of the economy, and across many companies, provides the best risk-adjusted returns and minimises the risks of any single holding or any one sector.

The Trustee view is that this is the optimum strategy to earn returns sufficient to meet the needs of the DB section with an appropriate level of risk, demonstrated by the track record of performance.

**P&G Pension Plan Asset Values**



Defined Benefit Plan  Defined Contribution

## DC Section

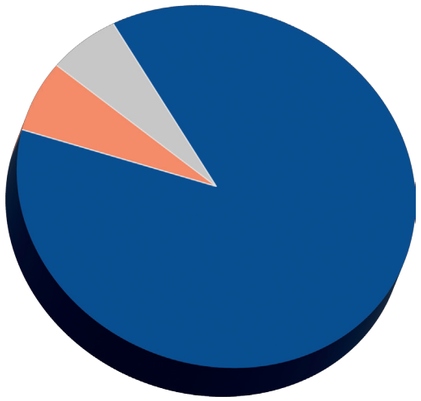
The DC section has assets of c.£0.2billion. The Trustee provide a range of investment options to meet members' short-term and long-term investment objectives.

The Fund's default option is a lifestyle fund that adjusts the members' investment allocation as they approach retirement age.

Approximately 99% of participants are in the default arrangement. This is the second year of reporting since we changed our DC provider and added a master trustee arrangement for retirement members and members who leave the scheme, alongside renewing the investment choices available to members.

We offer a broad range of alternative investment options, including ESG funds. However, as a portion of the overall membership, self-selected ESG funds represent 0.04% of the total, and of the self-selecting membership, ESG funds represent 0.3% of the membership.

**Defined Contribution Member Investments**



Equity funds  Multi asset and property funds

Bond and cash funds

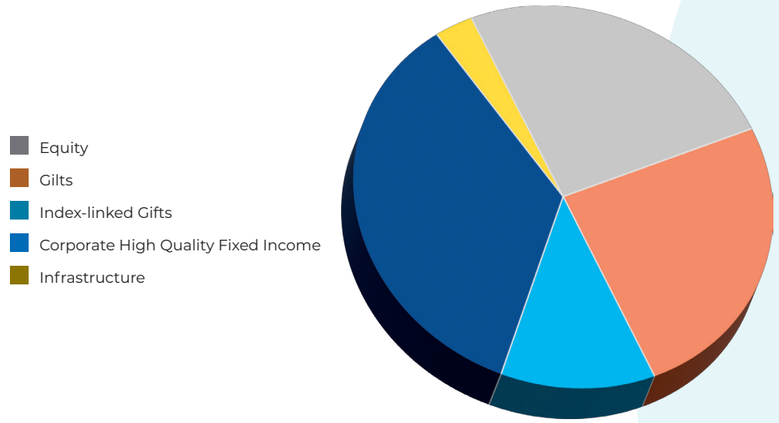


## DB Section

The DB section is currently in surplus (c.146% as of 30th June 2025) with assets exceeding the liabilities. The DB section holds c. a 28% allocation to return-seeking assets (in the form of passive equity funds and an active private infrastructure fund). The strong funding is positioned with a ~90-95% interest rate hedge and ~40-45% inflation hedge. A risk reduction glidepath has been agreed that will further reduce risk over the next 10-12 years.

For our Fixed Income investments, the Fund invests in high quality bonds with 85% having an A or higher credit rating and the remaining 15% in BBB. The Fund does not take on leverage, and there are no high yield/ non-investment grade investments. The high-quality credit ratings are set by Moody, S&P and Fitch. These firms take material financial risk from climate risk into account when setting ratings. Across both Equity and Fixed Income, the Fund invests in sectors at the market weight and does not underweight, or overweight, any one sector or company. Fixed Income is primarily UK based corporate and government debt. Equity investments are global, primarily invested in developed world countries.

**Defined Benefit Plan by Asset Type**




## Investment Managers:

The investment managers utilised by the Fund are large, multinational firms with a long-standing history of excellence in the investment industry with top rated funds on offer. The funds in which we are invested are rated as "ESG integrated" by our investment adviser, Aon, who independently assesses the capabilities of each strategy. This rating means the investment manager has taken appropriate steps to identify, evaluate and mitigate potential financially material ESG risks within its funds.

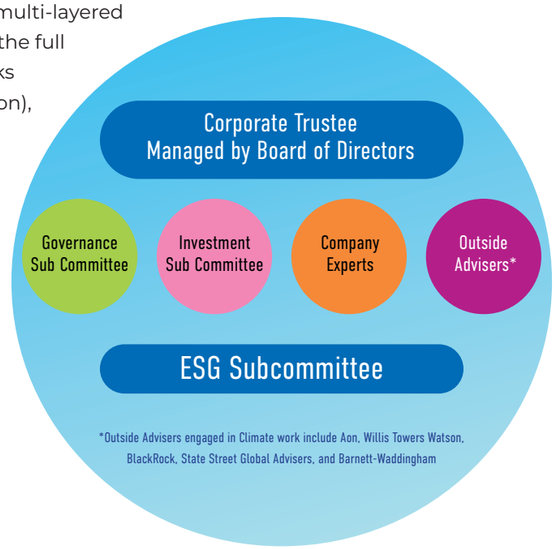
# 3. Governance

**The Trustee is responsible for overseeing all strategic matters related to the Fund. This includes the governance and management frameworks relating to ESG considerations and climate related risks and opportunities. The Trustee applies the same principles for governance of climate related risks as they do for governance of all risks. Strong governance is foundational and enables the Trustee to act with confidence in the administration and decision-making of the Fund.**

**The Trustee has delegated oversight of climate related risks to the Governance subcommittee and Investment subcommittee, which is further strengthened with an ESG subcommittee that works to bring in ESG and climate focus areas. The Trustee retains ultimate responsibility for how the Fund manages climate related risks and opportunities.**

## Multi-Layer Overall Governance Approach:

The Trustee provides governance over the Fund using a multi-layered approach. The overall governance is the responsibility of the full Trustee board and is reviewed quarterly. The Trustee seeks input from outside legal counsel (Womble Bond Dickinson), our pension advisers (Aon & Barnett-Waddingham), investment advisers, and actuaries to ensure all aspects are considered. A Governance subcommittee works closely with our providers to resolve issues.
We maintain a Risk Register that lists all the potential risks to the Fund (including climate risks) and includes mitigation plans.




The Sponsoring Employer provides additional governance through the global pension team that reviews investment performance vs. benchmarks, reviews investment risk vs. agreed targets, and provides "Gold Standard" work processes, governance tools, and training. This group will make recommendations to the Trustee for consideration.

## Oversight of Climate Risk:

The oversight of climate risk in our investments is owned by the Governance Subcommittee and the Investment Subcommittee with recommendations and input from the ESG Subcommittee. The Trustee ensures that those undertaking Fund governance activities take adequate steps to identify, assess and manage climate related risks and opportunities by defining in detail the roles and responsibilities delegated to the subcommittees.

## Role of the Investment subcommittee:

The key activities undertaken by the Investment subcommittee, with the support of the Trustee's advisers, are:

- ensure the investment strategy considers the impact of climate risks and opportunities.
- engage with the Fund's investment managers to understand how climate related risks are considered in their investment approach.
- work with the investment managers to disclose relevant climate related metrics.
- ensure stewardship activities are being carried out appropriately by the investment managers.
- monitor and review progress against the Fund's risk management framework twice a year.



The Investment subcommittee meets quarterly and reviews the DB and DC investment portfolio performance, receives advice from our investment advisers, and monitors the overall market activity. The Investment subcommittee keeps the Trustee updated on any material investment strategy-related developments through regular quarterly updates at Trustee meetings. Examples of the information it reviews and processes to identify risks and opportunities are described in the Risk management section of this report.

## Role of Governance subcommittee:

The key activities undertaken by the Governance subcommittee, with the support of the Trustee' advisers, are:

- To keep a risk register of items that could impact the Fund's operation, administration and funding and mitigate these risks to the extent possible. This includes climate risk.
- To regularly review the strength of the Sponsor covenant, including climate risk to the Sponsor.

The Governance subcommittee meets (at least) quarterly and keeps the Trustee updated on any developments through regular quarterly updates at Trustee meetings.

## Role of the ESG subcommittee:

The key activities undertaken by the ESG subcommittee, with the support of the Trustee' advisers, are:

- understand new climate legislation and ESG trends.
- support the Investment subcommittee and Governance subcommittee.
- engage with our investment managers on climate risk and understand how our advisers engage with individual companies for positive climate outcomes.
- review the climate risk and engagement activity of each investment manager annually.
- drive the alignment of the overall ESG strategy with the Trustee board.
- benchmark risks externally, by leveraging contacts at other similarly sized plans and by reading the TCFD reports of other pensions schemes.

The ESG subcommittee meets (at least) quarterly and keeps the Trustee updated on any material climate-related developments through regular quarterly updates at Trustee meetings. Examples of the types of information and processes used by this subcommittee are described in the risk management section of this report.
This subcommittee will interact with the total Trustee board and the investment subcommittee on an as needed basis to drive alignment to strategies, trustee beliefs, and any needed action as it conducts its work.

## Summary of advisers:

We expect our advisers and investment managers to bring important climate-related issues and developments to the Trustee's attention in a timely manner. We expect our advisers and investment managers to have the appropriate knowledge on climate-related matters. Any recommendations from our advisers are shared with the Trustee for discussion and consideration.

Each year, we review the quality of our advisers' recommendations and support on climate and broader ESG-related matters. For our investment adviser this review is undertaken as part of our annual review of their objectives in respect of the services they offer the Fund.

**Investment adviser:** The Trustee engages with Aon to receive advice on multiple items including climate risk. Aon provides to the Trustee, at least triennially, a climate risk analysis and scenario analysis with various climate change assumptions. To date, the Trustee has received three climate risk analysis reports from Aon as well as various training materials. The Trustee also receives supplemental climate reporting from their investment advisers, that highlight physical and transition climate risks.

**Scheme actuary:** The Trustee appointed Aon (Shahbaz Hamid, FIA) as scheme actuary to help us assess the potential impact of climate-related risks on the Fund's funding where relevant. The plan sponsor utilises Willis Towers Watson ("WTW") for global actuarial services who may also provide ad hoc reporting or analysis to the trustee.

## Managing climate related risks and opportunities:

Climate risk is a non-diversifiable risk that likely affects all aspects of the economy. Whilst we are taking steps to manage the risk, it cannot be completely eliminated. To manage climate risk, we are:

- Assessing the climate risk to the Sponsoring Employer as it relates to the strength of the covenant that helps to underwrite the Fund.
- Integrating climate risk into our risk management processes. Climate risk has been added to the risk register managed as part of our governance. The key risks identified, with mitigation steps, are summarised in the table below:

| Risk Identified | Mitigation Steps |
|---|---|
| **Climate change negatively impacts the strength of the Sponsor covenant to the Fund.** | ▪ Trustee receives quarterly information on the financial strength of the guaranteeing entity that supports the Fund.<br>▪ The TCFD report and climate materials of the sponsoring employer are reviewed to determine climate risk to the covenant, if any. The Company (i.e. the global parent) issued a TCFD report in May 2023.<br>▪ The sponsoring employer publishes Scopes 1, 2 and 3 emissions annually with the latest publication being for the 2023/2024 financial year, alongside their plan for reducing these against a baseline year.<br>▪ The sponsoring employer also publishes a local TCFD report with climate related financial disclosures for certain legal entities that have a legal requirement to report annually, with the latest report published for the 2023/24 financial year.<br>▪ The covenant is regularly assessed by the Trustee. It is currently assessed as very strong. |
| **Climate risk negatively impacts economic performance and investment returns.** | ▪ There is a glidepath to reduce investment risk of the DB section's assets over time as the Fund matures.<br>▪ The DB section is currently in a favourable surplus position.<br>▪ The DB and DC sections are invested in high quality fixed income assets with strong credit ratings.<br>▪ The DB and DC sections are invested in a diversified global equity portfolio.<br>▪ Engagement with the investment managers to understand how climate risks are considered in their investment approach and ensure stewardship activities are being undertaken appropriately.<br>▪ Review investment line up on offer for our DC members. Engage with fund providers and our DC consultant on approach to managing climate risk. |
| **DC members not understanding climate/ ESG funds offered in the DC section as investment options.** | ▪ ESG characteristics of funds and their metrics are available to members in the DC fund factsheets.<br>▪ Improving the clarity of the ESG characteristics provided in the factsheets as ESG data/ disclosures improve. |
| **Increasing regulations and requirements** | ▪ ESG subcommittee is responsible for keeping up to date with regulations and understanding the impact on the Fund.<br>▪ Leverage our advisers to understand regulations and trends in the marketplace.<br>▪ Ongoing Trustee Education. |



- Ensuring our investment managers have strong capabilities. Our managers have been independently assessed by our advisers. Aon has provided an "Integrated" ESG rating for the funds we are invested in with BlackRock and State Street Global Advisers which means the investment managers have taken appropriate steps to identify, evaluate and mitigate potential financially material ESG risks within their funds. Our DC investment adviser (Barnett Waddingham) believe that Aon adequately takes into account material ESG issues that could affect the performance of the fund and may be able to capture any benefit into performance or mitigation to risk that ESG awareness brings. The Trustee agrees with these assessments as evidenced through our engagements with our managers.
- Regularly engaging externally with our advisers to benchmark peer companies and to understand risks and opportunities broadly.
- Identifying regulatory requirements and good practises relevant to the Fund and educating the Trustee on these requirements. For example, in the past training has included:
  - Training by Aon on climate risk, TCFD reporting requirements, and climate regulations.
  - Training by rating agencies on how climate risk impacts credit ratings.
  - Training by Aon / WTW on climate scenarios and climate risk drivers
  - Peer group sessions hosted by investment banks and advisers to benchmark approaches with peers.
- We have communicated our ESG focus areas and objectives to our investment managers and review their engagements/ proxy voting results on relevant issues.

# 4. Strategy

In the DB section, the primary responsibility of the Trustee is to ensure the benefits promised to members are provided. We do this by balancing the investment risk we need to take, relative to the expected returns to meet the Fund's objectives. Our investment strategy is set with reference to the liabilities and the expected investment return needed to meet the benefit payments. The investment strategy is reviewed at least every three years and considers any material financial risks including risks caused by climate change.

The Trustee has chosen a largely passive investment strategy for the DB section that leverages broad, highly liquid, index-based products for fixed income and equities. The passive strategy was chosen based on analysis that indicated performance, net of fees, is most consistently achieved via the index as opposed to an active approach that attempts to adjust holdings to improve performance. The Trustee believes that diversification across all sectors of the economy, and across many companies, minimises the Fund's exposure to physical climate risks. Through these index-based products, the Fund is invested in more than 3,000 companies and we believe that this will earn returns sufficient to meet the needs of the Fund. The funds, in which we are invested, do not exclude companies based on climate-related criteria nor look to overweight or underweight specific sectors. The DB section also invests a small allocation of assets in a global private infrastructure fund to provide some hedge against inflation.

For the DC section, the Trustee provides a range of investment options to meet members' short-term and long-term investment objectives. The Fund's default option is a passive lifestyle fund that adjusts the members' investment allocation as they approach retirement age. Approximately 99% of participants are in the default arrangement. Members also have a broad range of alternative investment options, including ESG funds, climate focused funds, and equity/ bond funds that can be chosen to meet a member's objectives. Retired and deferred members are now part of a master trust arrangement managed by Aon.

## Our engagement strategy

The Trustee believes that influence through ownership is an effective way to drive change and have real world impact. We have communicated to our investment managers our focus areas and objectives and have set expectations that they are engaging, with each company as needed, to help influence and drive change in our focus areas. The climate focus areas we have communicated are:

1. Companies should be adopting the TCFD or similar framework and reporting/disclosing climate related risks to investors. Where this is not happening, we support proposals that encourage the appropriate disclosures.
2. Companies should have a plan to reduce Greenhouse Gas ("GHG") emissions in line with science-based targets. We encourage our investment managers to influence the companies to develop plans for GHG emissions reductions in line with science-based targets. We believe this complements our risk management approach.

The Trustee reviews the engagement activity by our investment managers annually via its Engagement Policy Implementation Statement ("EPIS"). This review is done by the ESG and investment subcommittee jointly including a discussion with each investment manager once the data has been reviewed. This includes reviewing case studies that demonstrate how engagement undertaken by our investment managers delivers real results. Each of our investment managers provided examples demonstrating how constructive ownership plays a part in real world transition to Net Zero which we view as critically important.

## Time horizons

The Trustee recognises that climate risk is a long-term risk, is difficult to predict, and comes with various scenarios and assumptions. For the DB section, considering the liabilities of the Fund and its obligations to pay benefits, we define short-term risks as occurring in the next 1-3 years, medium term risks as occurring between years 4-10, and long-term risk as beyond year 10 which is also when the majority of DB section members will be retirees. The Trustee has determined these timeframes are also appropriate for the DC Section, given the profile of its members.



Different experts have very different opinions on how climate risks may materialise and to what degree. Given this lack of consensus, the Trustee approach is to manage climate risk through diversification of holdings and by holding high quality, highly liquid investments. As a general principle, we do not:

- Attempt to time the market or speculate on future interest rate changes or future investment performance. We invest in strategic asset allocations for long term performance.
- We do not speculate on changes in legislation, policy, tax, or other regulatory action that may or may not impact the value of our investments or liabilities. Impacts of policy changes are considered only when they become law (or very likely to become law)/ are formalised as requirements/good practice.

## Identifying and assessing the climate-related risks:

The Trustee has engaged with our advisers to identify and assess the Fund's exposure to climate risks over the time horizons identified. These risks can be divided into:

- Physical risks impacting specific assets due to their location and exposure to climate events (e.g. floods, hurricanes, tornado, water shortage, etc.)
- Transition risks impacting larger sectors of assets driven by regulation and policy, carbon pricing, and technology. Transition risks are those related to the ability of an organisation to adapt to the changes required to reduce greenhouse gas emissions and transition to renewable energy. Transition risk may also impact consumer behaviour in the products and services they purchase.
- Overall economic risk impacting the total economy that can drive inflation, interest rates, and other economic outcomes impacting all assets/companies. This is included within transition risk and can be considered a non-diversifiable risk.

All our investments are exposed to these risks. Diversification across companies, sectors and regions is key to managing climate-related physical and transition risks for the Fund.

Global equities, which are currently ~25% of the DB Fund's assets, have exposure to climate-related risks over all time horizons. Market factors and regulatory changes are viewed as risks that could negatively impact global equities over the short to medium term. Over the long term, changing consumer attitudes, regulation, and changing technology pose risks to companies who are unable to transition to products and services that meet changing conditions. For Global equities, we manage this by being highly diversified (with holdings of over 3,000 companies), and by holding all sectors in global passive index funds. This broad diversification helps minimize the impact of climate events, risk at any one company, or impacts to any one sector. This strategy also means that the funds will benefit through the companies that manage the transition well, that create new technologies, and that capitalise on changing trends.

For fixed income, our holdings are subject to credit down grade and/or default risk over the long term, driven by costs or changes in economic conditions impacted by climate change. To mitigate this risk, we hold a diversified portfolio and focus on high quality credit which includes material financial risk in its credit rating.

Additionally, with the fixed income section of the portfolio having exposure to a global credit mandate, this incorporates both higher quality credit and additional diversification across the credit portfolio via the extended geographic reach. As a result, the extent to which higher quality corporate credit is expected to be more resilient to climate risk, the DB section is well protected against climate risk, in comparison to investing in lower quality corporate credit.

Government bonds are less affected by climate related risks compared to return-seeking asset classes.

Based on our analysis, we are not making any immediate changes to the DB section investment strategy or funding strategy. Similarly for the DC section, we are not making changes to the investments.

## Climate-related opportunities

The Trustee has identified that by holding the broad index fund that participates in all sectors, we benefit from those companies that manage the transition well and that create new climate technologies/solutions. We have also identified inflation hedging strategies to better mitigate medium/long term risks should climate solutions become inflationary to the broader economy. We have started to implement these and improved the inflation hedge ratio for the fund. As part of this strategy, a private infrastructure holding was added to portfolio that is expected to offer some inflation protection. It also has clean energy and other climate focused projects within its mandate.

The Trustee has no plans to "tilt" their investment approach towards specific opportunities as this is counter to their passive investment philosophy. The Trustee expects to hold sectors and companies that benefit from climate change as part of this strategy and where the index weights we track are naturally adjusted to firms who succeed over time.

The DC self-select funds include Climate / ESG fund choices as well as a target date product that is more climate focused as options members can choose. To date, there has been very low take up rates on these choices from the membership.

## De-risking the DB Investment Portfolio:

The Trustee has agreed a de-risking plan that will increase our Fixed Income holdings to 80% of assets over the next 10-12 years. Our Fixed Income portfolio is currently comprised of investment grade high quality government and corporate instruments. Credit rating agencies have included climate risk as one of many factors they consider when assigning credit ratings. Our target portfolio is 85% A rated or higher with only 15% of holdings rated BBB. As such, the majority of our portfolio is today, and will be in the future, invested in very high-quality companies.

Furthermore, a portion of the Fixed Income portfolio will be invested in inflation-linked instruments which will help protect the Fund against any inflationary effect climate change regulation may have on the economy. The Fixed Income portfolio is exposed to interest rate risk where the value of the portfolio may increase or decrease due to changes in interest rates that may be influenced by climate change. As a result of de-risking action conducted recently, the portfolio is currently c.90-95% hedged against interest rate risk, and c.40-45% hedge against inflation rate risk.

Further de-risking of the portfolio and implementing liability hedging strategies are expected to enhance the security of the DB section by reducing exposure to market volatility and interest rate fluctuations. As a result, these measures help align assets with liabilities, ensuring more stable funding levels and lowering the risk of future shortfalls or unexpected contribution requirements.



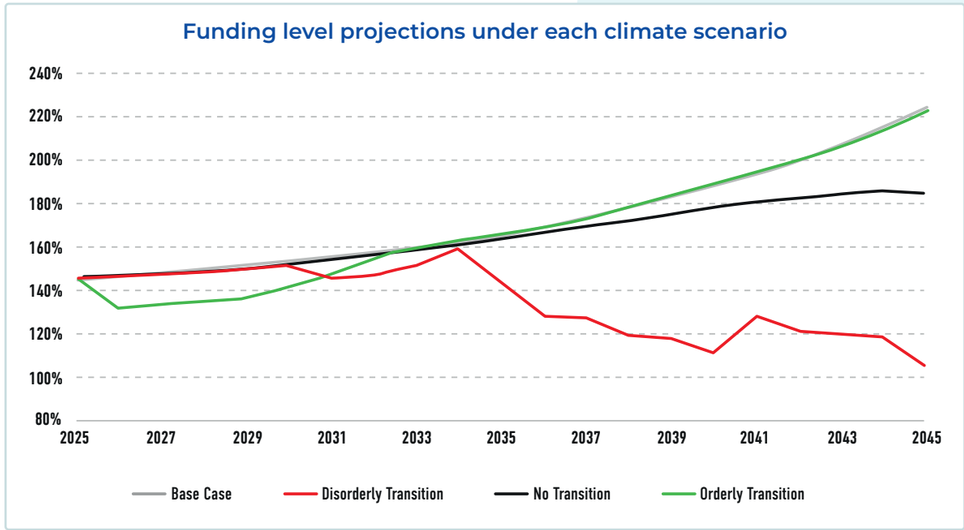
## Resilience of the DB Section to Climate Scenarios:

Given our strategy of highly diversified holdings, and high-quality credit that de-risks over time, the Trustee believes the DB investment portfolio is well protected against material financial loss due to climate change. We have analyzed, with the help of Aon, a range of climate risk scenarios with global temperature rises between +4 °C to +1.3°C above pre-industrial levels. The Trustee choses these scenarios because they believe they provide a reasonable range of possible climate change outcomes, and they were advised to us as industry standard by Aon.

The most recent analysis was conducted using projections as at 30 June 2025 and modelled on a technical provisions basis. Under the Regulations, climate scenario analysis must be carried out at least every three years, with an annual review in interim years. A refreshed scenario analysis was done this year, one year ahead of the requirement recognizing that significant de-risking steps had been taken and that the surplus had grown.

The outcomes of the scenarios analysed ranges from being very positive for the Fund to ones that result in short/medium-term funding reductions, with the worst scenario being that of the "Disorderly Transition". Under this scenario, limited action is taken by global nations, and insufficient consideration is given to sustainable long-term policies to manage global warming effectively and the implied temperature rise under this scenario is < 3°C above pre-industrial levels.

## Impact on funding level – Current Strategic Allocation




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

## Modelling limitations

Please refer to the Appendix for further details in relation to the assumptions used for the scenario analysis and its limitations. Please note: the results of the climate scenario analysis are only illustrative and are subject to considerable uncertainty.

### Conclusions of 30 June 2025 scenario analysis

The current high funding level provides a buffer against possible deterioration under the modelled scenarios. Through continued derisking of the allocation to equities (which increase volatility), and increased allocation to gilts and high-quality credit, the Fund faces less exposure to market risk than before the de-risking. As a result of the strategy changes, the Fund has high levels of hedging in place to counteract shifts in interest rates and inflation, ensuring that assets are well safeguarded against adverse market movements.

In the modelling that took place as at 30 June 2025, while some scenarios suggest that the funding level may temporarily fall, the funding level stays above 100% in all scenarios and in all scenarios recovers to beyond 100%, indicating a good level of resilience.

*The key assumptions of the scenarios analysed, and the modelling approach are included in Appendix 1.*

## Resilience of the DC Section to Climate Scenarios:

The Trustee decided to conduct qualitative scenario analysis on the DC Section assets and focused on the default fund, which holds the majority of the DC assets. Like the DB section, our headline conclusion is that the Fund is well protected against climate-related risks.

The analysis was conducted taking into account the same scenarios and learnings used for the DB fund. The default DC fund is a lifestyle fund that adjusts members' asset allocations as they move towards retirement. For younger and mid-career members, funds are mainly invested in equities and the financial impact for these members is likely to be driven by the long-term timeframe. For members approaching retirement and at-retirement, funds are mostly invested in fixed income assets and the financial impact for these members is expected to be driven by the short- to medium-term timeframes.

Members in the DC section can select funds in addition to the default, or in replacement of it, to adjust their asset allocation to meet their needs and risk tolerance. Members are responsible to select the investments that are right for their circumstances, and we expect they will assess climate risk for themselves and make appropriate choices for their circumstance.

Similar to the DB section, the scenarios analysed result in both potentially positive and potentially negative outcomes. The below table summarises climate risks for members in the downside climate scenarios and risk mitigation.

| Member | Climate Risk Assessment | Mitigation |
|---|---|---|
| **Young Member mostly invested in Equities/Return Seeking assets..** | Short to medium term: there is a lower level of risk as asset values have time to recover before the member reaches retirement.<br><br>Long term: there is a higher level of risk to the long-term asset values in scenarios where economic performance is poor. The climate related risks associated with equities are expected to be greatest over the long-term | ▪ Member has a long-term investment outlook with additional contributions being added each year.<br><br>▪ Members may benefit from acquiring at lower values.<br><br>▪ Members can mitigate risk at any time as they have the ability to adjust contributions/ asset mix depending on market developments and can select ESG funds. |
| **Member Approaching Retirement invested in mix of Equities and Fixed Income** | Short to medium term: The financial impact for these members is expected to be driven by the short- to medium-term timeframes. In particular, the climate related risks associated with investing in equities is expected to have an impact on these members during this time period.<br><br>Long term: n/a | ▪ The lifestyle strategy of the default fund gradually decreases the allocation to equity in favour of Fixed Income. So as members approach retirement, their allocation to equity reduces and hence their exposure to climate risk decreases. |
| **The fund does not have any retired members.** | Retired members move into a master trust arrangement. The investment line up and climate risk assessment is owned by the MasterTrust trustees. | ▪ Retired members exit the DC plan and move into a master trust. The Trustees review annually the performance of the master trust arrangement and reconfirm that this makes sense for our retired members. This assessment is across a number of factors, including the climate/ESG capability of the provider. |

- All members can mitigate risk at any time as they have the ability to adjust contributions/asset mix depending on market developments and can select ESG funds if appropriate for their circumstances.
- During 2024, the Fund moved over to a new administrator and members who were in the self-selected funds, were given the choice to reconsider their investment strategy: keep as is, revert to default, or select new alternative. Given this opportunity to re-evaluate their investment choices, ESG self-select funds still did not receive a high allocation which is consistent with the prior year.
- In the Trustee's opinion this demonstrates that most members do not consider an ESG fund when selecting a fund which will maximise their retirement outcome.

### Considering the Impact of Climate Change on the Sponsoring Employer:

A key risk identified from the scenario analysis of the DB section is the volatility of the funding level. Under the smooth well-coordinated transition and worst-case transition scenarios, the Fund experiences a fall in the funding level before recovering. Deterioration of the funding level may require contributions from the sponsoring employers if it must make up a funding level shortfall through deficit contributions. It may also require the Fund to re-risk its portfolio or extend the time frame for achieving full funding or other long-term goals. However, from the modelling we have conducted, none of the climate scenarios resulted in a funding deficit.

We consider that the Fund is well funded and has a low-risk investment strategy. As such, we have taken a proportionate approach to assessing the sponsoring employer's exposure to climate-related risks and opportunities. We monitor the covenant on a regular basis and maintain a regular dialogue with the sponsoring employer. The covenant of the employer is assessed as strong, and the Trustee has reviewed the parent company's TCFD report and exposure to climate risks and believes the covenant will remain strong under multiple climate scenarios.

# 5. Risk Management

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

The Trustee maintains a Risk Register that outlines all risks, including climate risk, together with their action plans and mitigation plans to help manage the risks identified. This register is reviewed quarterly by the Governance subcommittee and copied to all Trustee directors for regular review and input.

For climate risk, the Trustee receives input from multiple advisers, and benchmarks against other companies with similar sized schemes. The Trustee seeks input from our investment managers BlackRock, State Street Global Advisers, and our investment adviser Aon, who provide climate related metrics for the Fund's investments to both the ESG and the Investment subcommittees. See pages 6 and 7 for the role of the subcommittees and their reporting process to the full Trustee board. The Trustee has worked with our advisers to understand the broader physical, transition, and economic risk of climate change that may impact the asset classes that the Fund invests in.

## Our process for identifying and assessing climate-related risks:

- Qualitative assessment: The first element is a qualitative assessment of climate-related risks and opportunities carried out by the ESG and Governance Subcommittees and shared with the Trustee board.
- Climate scenario analysis: provided by our advisers for the DB section and a qualitative analysis for the DC section. Climate scenario analysis is reviewed by the ESG and investment subcommittees and summarised for the Trustee board.

Where appropriate, the Trustee distinguishes between transition and physical risks. All risks and opportunities are assessed with reference to the time horizons that we have identified as relevant to the Fund.

In order to prioritise the management of risks, the Trustee assesses the materiality of climate related risks relative to the impact and likelihood of other risks to the Fund (which for example are regularly modelled by the Sponsor and the Trustee's investment adviser with asset/liability modelling tools). This helps us focus on the risks that pose material financial impacts.

## Our Risk Management process:

Climate risk management is integrated into the ongoing risk management processes of the Fund. Climate risk is included on the Trustee risk register and any newly emerging risk is added to the register when identified through this process. Risks on the risk register are reviewed and discussed quarterly by the Governance Subcommittee to ensure completeness and that agreed mitigation steps are being taken; the full Trustee board is then updated quarterly at Trustee meetings. Climate scenario analysis is completed regularly and reviewed by the ESG subcommittee and the Goverance subcommittee, who report quarterly to the full Trustee board at Trustee meetings.

Most of the DB Section's holdings are in Fixed Income securities that are highly rated. This is a fairly limited universe of companies that achieve this high-quality standard. The credit rating agencies (primarily S&P Global Ratings and Moody's) consider climate risk in their credit assessments. This includes physical and transition climate risks.

For the Fund's equity holdings, we manage risk through diversification by being exposed to many companies, whilst ensuring any one holding does not exceed 4% of the portfolio. The Fund's geographic footprint is global, further diversifying risk. The Trustee feels that our broad diversification mitigates physical risks from climate change in that any one event will only impact a very small proportion of our holdings. The Trustee feels that this strategy is likely to bring success regardless of the transition scenario. As a passive equity strategy has been adopted, the Trustee accepts it may suffer some loss from some holdings due to climate risks but may also gain from companies that benefit in the transition. The Trustee does not believe that active equity management is likely to outperform the index including climate risk. The passive strategy automatically reweights to companies that grow faster (the winners) over time.



The DB section also invests a small allocation of assets in a global private infrastructure fund to provide some hedge against inflation. This fund holds 12 investments with 25% of the fund invested in clean energy projects and another 15% in environmental initiatives (40% total climate related).

The Investment subcommittee regularly monitors the performance of the DB Section's assets versus benchmarks and takes advice from our investment adviser on the appropriate investment allocation and risks. The inclusion of climate risk has not changed our view on the appropriate investment strategy for the Fund.

## Engagement:

As noted earlier, the Trustee has chosen an engagement strategy as its primary vehicle to drive better climate outcomes. The Trustee meets with their managers annually to communicate their climate focus areas / objectives and review the actions taken and the future priorities for the managers. In these meetings, the managers share examples of where they have engaged with companies on topics of interest to the Trustee. Examples of engagement by our managers impacting climate can be found in our Implementation Statement. Through this dialogue, the Trustee ensures the actions of our managers are consistent with our stated priorities and expectations. The Trustee believes that this engagement strategy augments its diversification strategy to help further reduce overall risk in the portfolio.

Consistent with this strategy, the Trustee expects its investment managers to use their influence as large institutional investors to improve climate outcomes. The Trustee relies on its investment managers to identify the top targets where this influence is needed. The Trustee investment managers engage with the senior management of the companies in which they invest and have the ability to exert influence and, when necessary, through proxy voting on significant issues.

*A summary of the roles and responsibilities of the various subcommittees that form our risk management approach is included in Appendix 2.*

# 6. Metrics and Targets

The Trustee uses four quantitative measures that we report and track for our investment portfolio. We have reported on Scopes 1&2 alongside Scope 3 GHG emissions. This data is provided by our investment managers and adjusted, if appropriate, for the proportion of our holdings within the fund. The four measures that we track and report are:

| | |
|---|---|
| ▪ **Absolute emissions** (tonnes of carbon dioxide equivalent, tCO2e) | The total greenhouse gas emissions associated with the portfolio. It is an absolute measure of carbon output from the **Fund's** investments. |
| ▪ **Carbon footprint** (tonnes of carbon dioxide equivalent per million pounds invested, tCO2e/£m)) | Carbon footprint is a measure of emissions that takes the total GHG emissions and weights it to take account of the size of the investment made. It is measured in carbon emitted divided by amount invested and helps compare values between companies/ investments. This measure uses scope 1 and scope 2 emissions only to calculate intensity. |
| ▪ **Data coverage** (% of holdings reporting climate data) | A measure of the proportion of the portfolio that is reporting climate data. (i.e. data which is based on reported, or reasonably estimated emissions). It is not a measure of the quality of the data provided. Coverage is measured against those reporting scope 1 and 2 data. |
| ▪ **Percentage of holdings that have a science-based carbon reduction target** | A metric which shows how much of the Fund's assets are aligned with a climate change goal of limiting the increase in the global average temperature to 1.5˚C above pre-industrial levels. It is measured as the percentage of underlying portfolio investments with a declared net-zero or Paris-aligned target or are already net-zero or Paris-aligned. This measure is based on targets for scope 1 and 2 emissions. |

## GHG emissions scopes:

**Scope 1, 2 and 3 emissions refer to a way of categorising the different kinds of GHG emissions a company creates in its own operations, as well as in its wider value chain.**

- **Scope 1** covers all direct emissions from the activities of an organisation which are under their control (e.g. running buildings, facilities and vehicles).
- **Scope 2** includes emissions made indirectly from the purchase of energy used by a company in its operations (i.e. a utilities provider generating power supplied to a company).
- **Scope 3** encompasses emissions that are not produced by the company itself, and not the result of activities from assets owned or controlled by them, but by those that its indirectly responsible for, up and down its value chain. (e.g. products bought, used, and disposed of from suppliers by a company or its customers).

Scope 3 emissions are often the largest proportion of an organization's emissions and are the hardest to measure. Scope 3 emissions rely heavily on estimates and there is significant double counting within Scope 3, which is reflected in higher figures compared with scope 1 and 2. Given the complexity involved with Scope 3 emissions, this measure is likely less accurate than Scope 1 and 2. Hence the Trustee bases some of its carbon metrics (Carbon Intensity, Data coverage, and % with a science-based target) on Scope 1 and 2 reported data only.

## The emissions reported from our investment portfolios are:

| Defined Benefit Section | | | | |
|---|---|---|---|---|
| Mandate | Equities | Corporate Bonds | Government Bonds | Alternatives |
| Asset Allocation | 24.9% | 35.5% | 37.5% | 2.1% |
| Scope 1&2 Emissions (tCO2e)[1] | 59,053 | 22,275 | 168,904 | N/R |
| Scope 3 Emissions (tCO2e) | 142,471 | 131,950 | N/A[5] | N/R[6] |
| Scope 1&2 intensity (tCO2e invested/£M) | 74.2 | 22.9 | 141.12 | N/R |
| Data Coverage%[3] | 99.9% | 85.6% | 100%[4] | N/R |
| Portfolio % with approved Science Based Target | 32.2% | 20.7% | N/A | N/R |

Source: BlackRock (MSCI), SSGA (TruCost) as at 30 June 2025. Aon does not make any estimates for missing data.

Notes:

1) Scope 1 and 2 tCO2e is the total emissions of CO2 financed by the portfolio as reported to us by our investment managers for the funds and adjusted for our holdings within the funds.
2) tCO2e/GBP million GDP nominal. BlackRock provided the weighted average of sovereign issuer's carbon emissions generated by all economic activities performed domestically, per unit GDP (USD million). This was converted this into GBP using the 30 June 2025 exchange rate.
3) For equities, corporate bonds and alternatives, the Data Coverage % is the percentage of companies by number where Scope 1&2 and scope 3 emission data is available. For government bonds, Data Coverage is assumed to be 100% for Scopes 1&2.
4) % of the portfolio aligned to Science-based targets is not deemed applicable to government bonds which do not set carbon-related targets in the same way as corporates.
5) Scope 3 is not applicable ("N/A") to LDI (liability driven investments) as it contains primarily UK government bonds and scope 3 emissions are currently not available for these assets
6) Data on alternatives was not reported ("N/R") as the investment manager was unable to provide the information in relation to this part of the portfolio
7) The portfolio holds 5% in cash to meet its short-term obligations. Cash is held in financial institutions and money market funds with short duration and is essentially "uninvested". We are not reporting climate metrics on these assets as this are not relevant for this portion of the portfolio. 1

| Defined Contribution Section | | | |
|---|---|---|---|
| Mandate | Equities | Corporate Bonds | Government Bonds |
| Asset Allocation | 92% | 7% | <1% |
| Scope 1&2 Emissions (tCO2e)[1] | 11,205 | 434 | 326 |
| Scope 3 Emissions (tCO2e) | 84,009 | 3,183 | N/A |
| Scope 1&2 intensity (tCO2e invested/£M) | 53 | 29 | 144 |
| Data Coverage%[3] | 100% | 92% | 99% |
| Portfolio % with approved Science Based Target | 44% | 27% | N/A |

Source: Aon, MSCI, underlying investment managers. Based on underlying holdings data provided by the underlying investment managers and available emissions data from MSCI as at 31 December 2024. Asset values as at 30 June 2025. Please note figures above include metrics figures only for those assets where data was available i.e. no assumptions have been made for missing data.

Notes: The Defined Contribution section is reported for all assets selected by members. The large majority of which is in the default arrangement.

Portfolio holds 5% in cash to meet its short-term obligations. Cash is held in financial institutions and money market funds with short duration and is essentially "uninvested". We are not reporting climate metrics as these are not relevant for this portion of the portfolio.

Methodology and assumptions used:

1. The reported investments are based off long physical positions, which exclude any short positions and synthetics / derivatives and include assets in the following categories:
   a. Public Equities: includes publicly traded equities, equity index funds, listed REITs and infrastructure,
   b. Public Credits: includes corporate bonds,
   c. Sovereigns: includes sovereign and municipal bonds,
   d. Cash has been excluded from the above analysis on grounds of materiality and limited carbon reporting opportunities for cash assets.
2. We have not derived carbon metrics attributed to short positions and synthetics / derivatives due to the novelty of the topic and related discussions.
3. In all instances, the latest available data has been used as available from MSCI and the sources as described below.
4. Total greenhouse gas emissions are calculated as the Fund's share of the greenhouse gas emissions for each underlying company / entity. This is calculated as the value invested (£ million) in each company / entity, divided by the Enterprise Value Including Cash (EVIC) for each company / entity. EVIC represents the total value of a company, based on both its equity (measured by total market capitalisation for both common and preferred shares) and debt (measured by the market value of outstanding debt in issuance). Cash and cash equivalents on the balance sheet are also included in this figure.
5. For sovereign bonds, total greenhouse gas emissions are calculated as the Fund's share of the greenhouse gas emissions for each underlying country. This is calculated as the value invested (£ million) in sovereign bonds of each country, divided by the Purchasing Power Parity adjusted Gross Domestic Product (GDP) for each country.
6. Carbon footprint is calculated as the total greenhouse gas emissions of each asset class (as calculated in note 1 and 2 above), divided by the current value invested in each asset class for which greenhouse gas emissions data is available.
7. Greenhouse gas emissions are a mixture of emissions reported by the underlying companies / entities and estimated emissions, as provided by MSCI. For equities and corporate bonds most of the emissions data is reported emissions, with a smaller proportion relating to estimated emissions. Emissions data for sovereign bonds are estimated.
8. For sovereign bonds, estimated scope 1 and 2 greenhouse gas emissions and GDP data are for the 12-month period ending 31 December 2024 (which are the latest figures available) and have been obtained from the following sources:

a. Emission data from the Emissions Database for Global Atmospheric Research (EDGAR).

b. PPP-adjusted GDP from the Organization for Economic Cooperation.

9. The proportion of companies with a SBTi aligned target has been obtained from MSCI and reflects the latest available data.
10. Assets are based on underlying holdings and latest available emissions data as at 30 June 2025, including currency conversion. Figures may be impacted by rounding.

This disclosure was developed using information from MSCI ESG Research LLC or its affiliates or information providers. Although Aon's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

## DB Section: Progress since the last report

The Trustee believes that we need to be cautious initially when looking at trend data for the metrics we track. This recognises the data coverage/quality gaps that exist and could cause short term noise in the trend results. That said, the following changes can be observed in our reported data. We also note that methodological changes undertaken in this year of reporting may have influenced some of the observed changes. We also engaged directly with investment managers on data collection. This provides additional validation of the data that had been utilised in this report.

For equities, data coverage has increased from 91% last year to 99% this year. Meaning there is more data available to report on. While increased data coverage typically leads to higher reported GHG emissions, both Scopes 1&2 and Scope 3 emissions have fallen since last year. This is likely because equities now represent a smaller portion of the portfolio as part of our de-risking strategy. Scopes 1&2 carbon intensity has remained broadly stable showing only a small increase despite the improved coverage.

For corporate bonds, Scope 1&2 emissions and carbon footprint have decreased between this year and last year. Scope 3 emissions have also reduced substantially. Data coverage has decreased slightly from 88% to 86% but remains high. This is likely to be driven by a decrease in the number of underlying companies within the corporate bond portfolio that were able to disclose this information since the last year of reporting. Total emissions have also decreased due to a decrease in the absolute value of corporate bond assets between this year and last year.

The Fund's government bonds are predominantly UK government bonds. Carbon metrics for UK government bonds are based on the total GHG emissions for the whole of the UK. By contrast, carbon emissions for equities, for example, are based on the emissions associated with the underlying companies invested in, which are smaller. Hence, the carbon metrics for LDI are higher than other asset classes. The carbon intensity of the Fund's government bonds has decreased since last year (-c.35). However absolute emissions have increased largely due to an increase in asset values relative to last year. Over the long-term, we expect the carbon intensity of government bonds to reduce if the UK government makes good on its net zero commitments.

Alternatives remain a small share of the portfolio (c.2%). This year, the manager could not provide carbon data limiting visibility on this asset class.

**Percentage of portfolio that has a science-based carbon reduction target:**
In the DB portfolio, this measure shows a reduction since last year. Equities and Corporate bonds have ~32% and ~21% of their funds aligned with science based targets relative to 41% and 29% respectively last year.
The reduction may be due to fewer companies validating their targets against science based criteria and a change in the political climate. We hope our engagement strategy will infuence an increase over time.
Currently, there is no standard approach for calculating this metric for government bonds. Hence reporting on this metric is not applicable for the Fund's LDI assets.

## DC Section: Progress since last report

During 2024, we changed our Defined Contribution provider to Aon and renewed the investment line up with this change.

Aon uses different methodologies to calculate certain carbon metrics, which limits the comparability to figures reported prior to 2024. From this year onwards, following a consistent methodology, year –on-year data is again comparable.

The key trend is improving carbon efficiency, with Scopes 1&2 carbon intensity declining materially for both equities and corporate bonds.

Equities remain the biggest allocation in the portfolio. Scopes 1&2 emissions have fallen due to the reduction in Scopes 1&2 intensity. Scope 3 emissions also reduced since last year.

For corporate bonds, data coverage has improved significantly. As a result Scopes 1&2 emissions have increased despite the reduction in intensity. Scope 3 emissions have also increased.

The proportion of assets with approved science-based targets has improved modestly, indicating gradual progress in the portfolio's climate transition profile.



## Data Quality:

This is an evolving area with new regulations being introduced to help improve the quality and consistency of climate data disclosed by companies. Regulations across geographies are not consistent and regulations have not yet been formalised in some key markets. The Trustee is engaging with its investment advisers to understand the available data, its reliability, and how to translate the data into investment risk. Climate data is reported to the Trustee by its investment managers, who also work with third parties to provide and validate this data.

The Trustee is aware of the challenges faced when it comes to collecting data in certain asset classes and that this is an industry-wide challenge, hence the importance placed on using data quality as a target for the Fund. The Trustee will continue to reinforce with both their investment advisers and managers the importance of data quality improvement on a year-on-year basis. That said, as the methodology for calculating investment portfolio emissions evolve and more standardisation is achieved across the industry, we expect direct year-on-year comparisons to not always be possible or meaningful. We do, however expect investment managers to keep us abreast of changes and improvements that they are making to their emission calculation approaches.

The methods for calculating carbon metrics for government bonds are different to those of other assets classes, so aggregating the carbon metrics would not make sense. Given the different calculations methods of these measures we are not able to provide an aggregate portfolio view.

In line with the requirements for TCFD reporting, we have included Scope 3 emissions data. Please note that while we have good coverage for Scope 3 emissions data for some asset classes, these rely heavily on estimates (noting the inherent uncertainty in calculating Scope 3 emissions). Furthermore, there is significant double counting within Scope 3 emissions, and this is reflected in the relatively higher figures compared with Scopes 1&2 emissions.

Scope 3 data is not yet available for the DB alternative asset class. This is a private fund that is in the process of calling capital and making investments into specific projects. We expect the investment manager will report on Scope 3 emissions once the fund is fully established as the underlying investments begin reporting this data.

## Calculation methodology (all metrics):

With support from our investment adviser Aon, the Trustee received data from our investment managers BlackRock and State Street Global Advisers and the Aon Master Trust. Each provided fund-level data that we adjusted to reflect our investment in the funds. Data was provided by our managers to the best of their ability based on the data reported by underlying companies within the funds.

We did not make any estimates for any missing data. Because not all companies held within a fund reported data, the reported emissions metrics do not include all the Fund's GHG emissions. The metrics are therefore likely to understate the GHG emissions associated with the Fund's investment portfolio.

The percentage of the portfolio with an approved science based target is calculated using the data reported to us by our investment managers. If no data was provided for a holding, it is assumed not to have an aligned target. This aligned target is based on Scope 1 and 2 emissions data only.

We expect that in the future better information will be available from the investment managers and this improvement will be reflected in the coming years' reporting. We plan to engage with our managers that were unable to supply emissions data to communicate our expectations for future reporting.

Emissions associated with Liability Driven Investments have been calculated as follows:

- UK national emissions as at 31 Dec 2023 from the Emissions Database for Global Atmospheric Research.
- PPP-adjusted GDP as at 31 December 2023 from the Organisation for Economic Cooperation and Development.

## Our Target:

The Fund's performance against the target will be measured and reported on every year. Each year, the Trustee will collect data coverage information from its managers and weight the coverage based on the value of its holdings. The data coverage includes data which is based on reported, or reasonably estimated emissions. The Trustee relies upon the information provided by their managers and will make no estimates themselves.

Since accurate and reliable data is the foundation to making meaningful conclusions, the Trustee will continue to work toward 95% data coverage across the fund.

We estimate the total portfolio coverage (excluding LDI) is 90% broadly the same as last year. This is consistent progress towards our overall target and as such we will therefore retain our goal considering the progress made to date and note that methodological changes undertaken in this year of reporting may have influenced this. We will engage the Fund's alternatives manager on providing this information in future years.

## How we will reach the target:

To reach its target, the Trustee plans to engage with the Fund's managers to encourage improvement of their data quality. The Trustee engagement strategy is outlined on page 10 of this report.

As definitions and regulations are clarified and come into effect, we expect this will improve the coverage and the quality of the data being provided. As investors, our ultimate objective is to translate the climate metrics into quantifiable risk metrics, where we can measure risk and risk reduction over time.

# 7. Appendices & Supplemental Information

## Appendix 1: Climate Scenarios Analysis – Key assumptions and methodology

Source Aon

| | No transition | Disorderly transition | Abrupt transition | Orderly transition | Disinflationary transition[1] |
|---|---|---|---|---|---|
| | No further action is taken to reduce GHG emissions leading to significant global warming | Limited action is taken and insufficient consideration is given to sustainable long-term policies to manage global warming effectively | Action on climate change is delayed for four years at which point we experience more frequent extreme weather events and governments have to address GHG emissions | Immediate and coordinated action to tackle climate change is taken using carbon taxes and environmental regulation | New green technology disrupts carbon intensive economi activity and ultimately lowers energy ano transport costs |
| **Temperature rise by 2100** | **+4°C** | **<3°C** | **1.5°C - 2°C** | **1.3°C - 2°C** | **< 1.5°C** |
| Reach net-zero by | After 2050 | After 2050 | 2050 | 2050 | After 2045 |
| Carbon price (2030/2050) | $40<br>$50 | $65<br>$340 | $135<br>$280 | $100<br>$215 | $80<br>$50 |
| **Introduction of environmental regulation** | **None** | **Late and aggressive** | **Aggressive** | **Coordinated** | **High Coordination** |

## Climate Scenario Modelling Approach

The purpose of the climate scenario modelling work is to consider the long-term exposure of the Fund to climate related risks and the pattern of asset returns over the long term. The modelling conducted by Aon model climate change scenarios and the approximate impact on Assets and Liabilities over the Short, Medium, and Long term. These are indicative scenarios and not a forecast of future outcomes.

Additionally, the model assumes deterministic projections of assets and the Long-Term target liabilities, using standard actuarial techniques to discount and project expected cashflows. Modelling is done across the full yield curve allowing various scenarios to model sensitivities to key assumptions at various points in time depending on the climate scenario. Investment risk caused by climate change is only captured in the deviance from the Base Case. The model capture recent market conditions and views.

The modelling intends to illustrate the climate related risk exposure of the DB Section of the Fund. Other relevant issues such as governance, costs and implementation (including manager selection and due diligence) must be considered when making changes to the investment strategy. Climate driven investment risk is not the only risk that the Fund faces; other risks include covenant risk, longevity risk, timing of member options, basis risks and operational risks. It would not be appropriate to determine investment strategy solely on a climate risks basis.

## Data used:

The climate modelling was performed during August 2025 using asset values/splits at 31 December 2022.

**The data at 31 December 2022 was:**

- Fund assets were £3.2 billion
- Fund liabilities were £2.5 billion (on a Technical Provisions basis)
- The fund was invested in 35% global equities, 39% corporate bonds, 19% fixed gilts, and 7% index-linked gilts, with a derisking glidepath in place to reduce equities to 20% by 2036.

The climate modelling was also performed using asset values/splits as at 30 June 2025. This was done to compare the analysis outcome against the current strategic allocation, against the asset allocation at 31 December 2022 which was prior to the Fund derisking.

**The data at 30 June 2025 was:**

- Fund assets were £3.2 billion
- Fund liabilities were £2.2 billion (on a Technical Provisions basis)
- The fund was invested in 25% global equities, 35% corporate bonds, 24.5% in fixed gilts, 12.5% in index-linked gilts and 3% in global infrastructure.

| Asset Class | 31 December 2022 (%) | 30 June 2025 post de-risking (%) | % change |
|---|---|---|---|
| Global Equities | 35% | 25% | -10% |
| Corporate Bonds | 39% | 35% | -4% |
| Fixed Gilts) | 19% | 24.5% | +5.5% |
| Index-Linked Gilts) | 7% | 12.5% | +5.5% |
| Global Infrastructure | N/A | 3% | +3% |
| Total | 100% | 100% | |

# Appendix 2: Summary of Roles and Responsibilities

The various roles and responsibilities of our teams described in this report is summarized in the below tables. This reflects the integrated risk management framework we use to manage the Fund overall, including the management of climate related risks and opportunities. The table summarises who is involved, what is done and how often. While we have delegated a number of key tasks to different committees, the Trustee retains overall responsibility.

## Governance

| Activity | Delegated responsibility | Adviser / supplier support | Frequency of review |
|---|---|---|---|
| Climate change governance framework (see the Governance section of this report) | ISC | RI adviser | Annual |
| Publish TCFD report and implementation statement | ESG | RI adviser / Managers | Annual |
| Add / review climate risks and activity on key Fund documentation (risk register, work plan) | ESG/ Governance | RI adviser | Ongoing |
| Defined ESG beliefs (including climate change) | Trustee | RI adviser | Triennial |
| Trustee training | Trustee | RI adviser / Managers | Ongoing |
| Ensure investment proposals explicitly consider the impact of climate risks and opportunities, and seek investment opportunities | ISC | Investment adviser | Ongoing |
| Ensure that actuarial and covenant advice adequately incorporate climate-related risk factors where they are relevant and material | Trustee/ Governance | Scheme Actuary, | Triennial<br>Quarterly |
| Engage with DC benefit providers to understand how climate risks are considered in their selection of funds | Trustee | DC providers, investment adviser | Annual |
| Manager engagement plan | Trustee | Investment adviser / Managers | Annual |

## Strategy

| Activity | Delegated responsibility | Adviser / supplier support | Frequency of review |
|---|---|---|---|
| Identify climate-related risks and opportunities (over agreed time periods) for investment and funding strategy | ISC/ESG | RI adviser | Annual |
| Scenario analysis | ESG | Investment adviser | Annual |
| Actuarial valuation | ESG/ Governance | Scheme Actuary | Triennial |

## Risk management

| Activity | Delegated responsibility | Adviser / supplier support | Frequency of review |
|---|---|---|---|
| Identify, assess and manage key climate related risks | ESG | RI adviser | Ongoing |
| Consider the prioritisation of those climate-related risks, and the management of the most significant in terms of potential loss and likelihood | Governance | RI adviser | Annual |
| Include consideration of climate-related risks in the Fund's other risk processes and documents, such as the risk register and the SIP, and regularly review these | Governance | RI adviser; Investment adviser | Ongoing |

## Metrics and Targets

| Activity | Delegated responsibility | Adviser / supplier support | Frequency of review |
|---|---|---|---|
| Agree/review approach for metrics | ESG | RI adviser / Managers | Annual |
| Agree/review target | ESG | RI adviser / Managers | Annual |
| Obtain data for agreed metrics | ESG | RI adviser / Managers | Annual |

**ISC – Investment Subcomittee**

**ESG – ESG Subcomittee**

**Governance – Governance Subcomittee**

**Trustee – Full Board of directors managing the corporate trustee.**

**The full Trustee board engages with all the Subcomittees.**

## Glossary

**ASSET ALLOCATION** is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance, and investment horizon. The three main asset classes—equities, fixed-income, and cash and equivalents—have different levels of risk and return, so each will behave differently over time.

**BOARD OF DIRECTORS (or BOARD)** refers to a body of elected or appointed members who jointly oversee the activities of a company or organisation. Some countries use a two-tiered system where "board" refers to the "supervisory board" while "key executives" refers to the "management board."

**CLIMATE-RELATED RISK** refers to the potential negative impacts of climate change on an organization. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations.

**A COVENANT** is a contractual requirement that one party to a contract either specifically complete a task or to refrain from doing something. In our pension context the Fund sponsor, Procter and Gamble, is committed to fund the plan with incremental cash should funding be required to support the Fund.

**ENGAGEMENT STRATEGY** is a long-term active dialogue between investors and companies on environmental, social and governance factors. An active dialogue offers investors the opportunity to discuss sustainability risks and opportunities with companies and provides them with insights into investors' expectations of corporate behavior.

**ESG INTEGRATED** A rating assessed by Aon that describes how well ESG, including climate, factors are taken into account by investment managers. Aon's ESG Integrated ratings conveys that the fund's management team has taken appropriate steps to idenfify, evaluate, and mitigate potentially financially material ESG risks within the portfolio. The other descriptors used by Aon to conduct this rating are "Advanced", "Limited", and "Not Applicable."

**FINANCIAL FILINGS** refer to the annual reporting packages in which organizations are required to deliver their audited financial results under the corporate, compliance, or securities laws of the jurisdictions in which they operate. While reporting requirements differ internationally, financial filings generally contain financial statements and other information such as governance statements and management commentary.

**GOVERNANCE** refers to "the system by which an organisation is directed and controlled in the interests of shareholders and other stakeholders." "Governance involves a set of relationships between an organisation's management, its board, its shareholders, and other stakeholders. Governance provides the structure and processes through which the objectives of the organisation are set, progress against performance is monitored, and results are evaluated."

**GREENHOUSE GAS (GHG) EMISSIONS SCOPE**

- Scope 1 refers to all direct GHG emissions.
- Scope 2 refers to indirect GHG emissions from consumption of purchased electricity, heat, or steam.
- Scope 3 refers to other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions.
- Scope 3 emissions could include: the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g., transmission and distribution losses), outsourced activities, and waste disposal.

**PROXY VOTING** refers to a ballot cast by a single person or firm on behalf of a corporation's shareholder who may not be able to attend a shareholder meeting, or who may not choose to vote on a particular issue.

**RISK MANAGEMENT** refers to a set of processes that are carried out by an organization's board and management to support the achievement of the organisation's objectives by addressing its risks and managing the combined potential impact of those risks.

**SCENARIO ANALYSIS** is a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, for example, scenarios allow an organisation to explore and develop an understanding of how the physical and transition risks of climate change may impact its businesses, strategies, and financial performance over time.

**SCIENCE BASED TARGETs** Targets adopted by companies to reduce GHG emissions are considered "science-based" if they are in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement—to limit global warming to well-below 2°C above preindustrial levels and pursue efforts to limit warming to 1.5°C.

**SECTOR** refers to a segment of organisations performing similar business activities in an economy. A sector generally refers to a large segment of the economy or grouping of business types, while "industry" is used to describe more specific groupings of organisations within a sector.

**STRATEGY** refers to an organisation's desired future state. An organisation's strategy establishes a foundation against which it can monitor and measure its progress in reaching that desired state. Strategy formulation generally involves establishing the purpose and scope of the organisation's activities and the nature of its businesses, taking into account the risks and opportunities it faces and the environment in which it operates.

**SUSTAINABILITY REPORT** is an organisational report that gives information about economic, environmental, social, and governance performance and impacts. For companies and organisations, sustainability —the ability to be long-lasting or permanent—is based on performance and impacts in these four key areas. P&G's sustainability report is included within its Global Citizenship report.

**TECHNICAL PROVISIONS** means that under the scheme funding provisions of the Pensions Act 2004, it is the amount required, on an actuarial calculation, to meet a scheme's liabilities. The figure helps to determine the scheme contributions required to cover the liabilities.

**VALUE CHAIN** refers to the upstream and downstream life cycle of a product, process, or service, including material sourcing, production, consumption, and disposal/recycling. Upstream activities include operations that relate to the initial stages of producing a good or service (e.g., material sourcing, material processing, supplier activities). Downstream activities include operations that relate to processing the materials into a finished product and delivering it to the end user (e.g., transportation, distribution, and consumption).