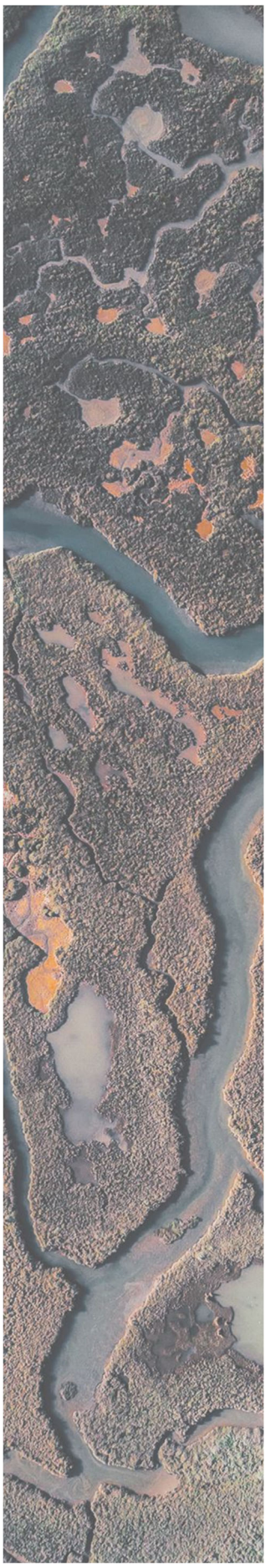
Climate disclosures for year ended 5 April 2025

Produced by: The Trustee of the GKN Group Pension Scheme No.1

Date: October 2025

Introduction



Climate change is affecting the planet, causing extreme weather events, impacting crop production and threatening Earth's ecosystems. Understanding the impact of climate change and vulnerability of GKN Group Pension Scheme (No.1) ("the Scheme") to climate-related risks will help us to mitigate the risks and take advantage of any opportunities.

UK regulations require trustees of pension schemes with more than £1bn in assets to meet certain climate governance requirements and publish an annual report on their scheme's climate-related risks, until such a time as the assets fall below £500M.

Better climate reporting should lead to better-informed decision-making on climate-related risks. And on top of that, greater transparency around climate-related risks should increase accountability and provide decision-useful information to investors and beneficiaries.

This report is the annual climate disclosures for the Scheme for the year ended 5 April 2025. This report has been prepared by the Trustee of the GKN Group Pension Scheme (No.1) ("the Trustee") in accordance with the regulations set out under The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the "Regulations") and is aligned to the Taskforce for Climate-related Financial Disclosures ("TCFD") framework.

The four elements covered in the report are:

Governance	The Scheme's governance around climate-related risks and opportunities.
Strategy	The potential impacts of climate-related risks and opportunities on the Scheme's strategy and financial planning.
Risk Management	The processes used to identify, assess and manage climate-related risks.
Metrics and Targets	The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

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Executive summary

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

We have worked closely with our investment adviser to identify the climate-related risks and opportunities faced by the Scheme, and to understand ways we can manage and mitigate those risks.

Overview of the Scheme

The Scheme is set up as a hybrid Scheme, which has two sections, a Defined Benefit ("DB") Section of c.£460.8M and a Defined Contribution ("DC") Section of c.£287.5M, as at 31 December 2024.

Governance

The Trustee is ultimately responsible for the oversight of all strategic matters relating to the Scheme, this includes climate-related risks and opportunities.

The Trustee delegates the day-to-day oversight of the Scheme's climate change risk management to the fiduciary manager, Cardano, for the DB Section and the DC investment manager, Legal & General Asset Management ("L&G") for the DC Section.

Strategy

Our qualitative analysis of climate related risks and opportunities showed that the asset classes in which the Scheme invests are impacted to some degree by climate-related risks. And over time, the risk exposure is expected to increase.

We also identified numerous investment opportunities for the different asset classes. More details of the risks and opportunities identified for the Scheme's investments can be found on pages 9-23.

We have previously carried out climate scenario analysis, which showed that the Scheme has a reasonable degree of resilience relative to climate-related risks. The resilience was primarily driven by the high level of diversification in the assets. We reviewed the climate scenario analysis undertaken in respect of the reporting year to 5 April 2023, and we are comfortable that this analysis remains appropriate for this year's report.

Risk Management

We have established a process to identify, assess and manage the climate-related risks and opportunities the Scheme is exposed to. This is integrated into the Scheme's wider risk management framework.

Our climate risk management framework is set out on pages 24-30, which assists us with the ongoing management of climate related risks and opportunities. Alongside this, the Trustee undertakes periodic training on responsible investment to understand how Environmental, Social & Governance ("ESG") factors, including climate change, may impact the Scheme's assets and liabilities. Details of training the Trustee has undertaken throughout the Scheme year are included in the Governance Section and Risk Management Section of this report.

Metrics and Targets

Metrics

We have disclosed information on four climate-related metrics for each of the DB and DC Sections of the Scheme:

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

In respect of the DB assets, the total Scope 1 and 2 emissions has decreased due to a reduction in carbon footprint. We have also been able to report on Scope 3 emissions for the first time.

In respect of the DC assets, the total Scope 1 and 2 emissions has increased due to the total amount invested in the DC assets increasing since last year. The GHG intensity of the Scope 3 emissions increased significantly, largely driven by changes in the methodology underlying the approximation of Scope 3 emissions.

Targets

We have set the following targets for each Section of the Scheme:

DB Section target:

The Trustee had set a target to improve the data coverage metric for Scopes 1, 2 and 3 across the non-liability driven investment ("LDI") portfolio to 80% by 2026. This target has now been met consistently. The Trustee has updated this target to improve the data coverage metric to 95% by 2027.

DC Section target:

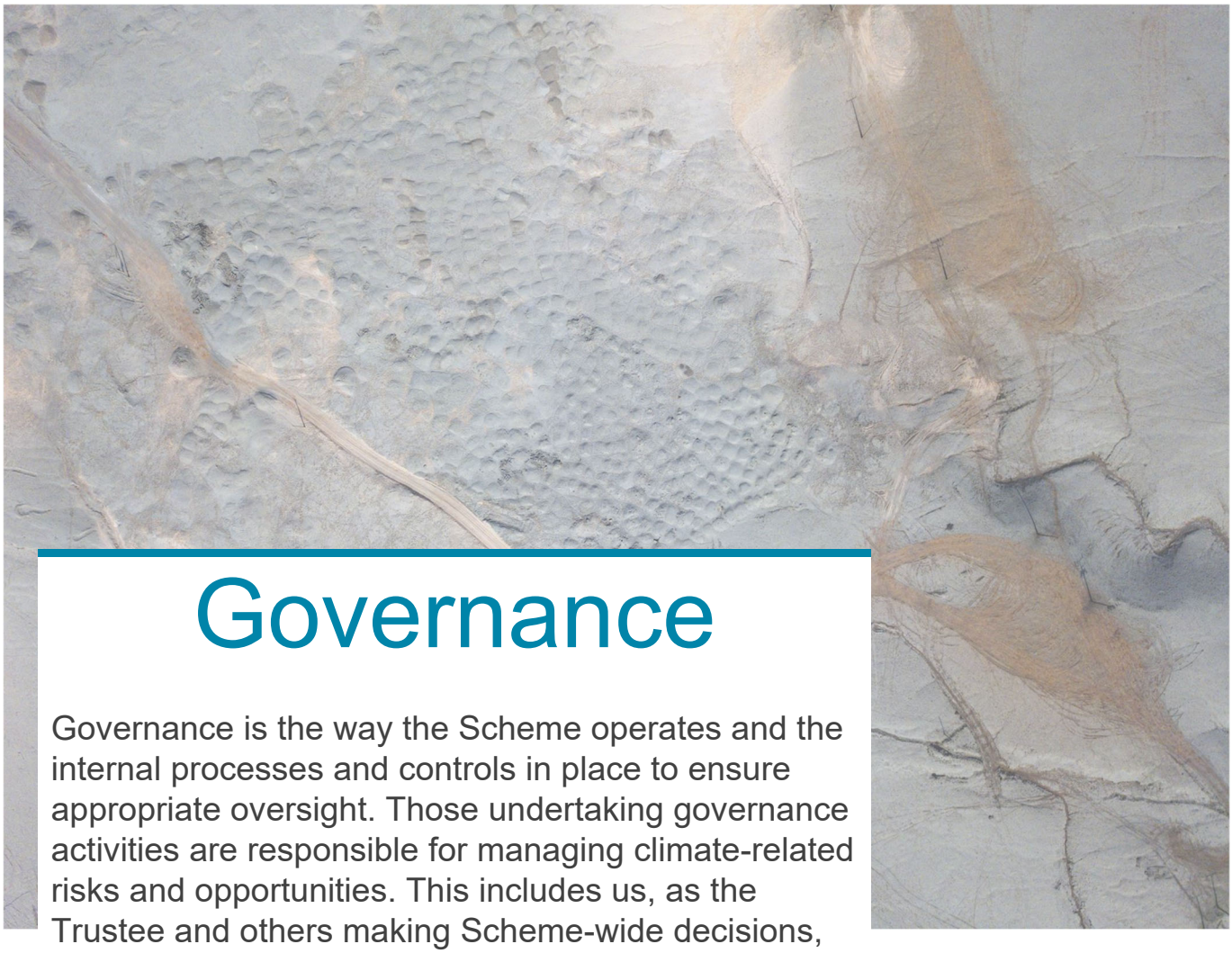
The Trustee has set a target to improve the data coverage for Scope 1 and 2 emissions only to 100% by 2026.

The Trustee has reviewed the metrics and targets, and believes they remain appropriate. The Trustee will undertake training in the upcoming reporting year in order to consider further targets.

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

Andrew McKinnon, Chair of Trustees

on behalf of the Trustee of GKN Group Pension Scheme No.1



Governance

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

Our Scheme's governance

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

We agreed our climate-related beliefs and our approach to managing climate change risk. These are set out in the Governance section of this report below and are reviewed annually.

Role of the Trustee

The Trustee is ultimately collectively responsible for oversight of all strategic matters related to the Scheme. This includes approval of the governance and management framework relating to environmental, social and governance ("ESG") considerations and climate-related risks and opportunities.

Given its importance, the Trustee has not identified one individual to specifically be responsible for the Trustee's response to climate risks and opportunities. Rather, the Trustee has collective responsibility for managing the Scheme's climate change risk framework.

The Trustee's Climate Beliefs

The Trustee has discussed and agreed its climate-related beliefs and overarching approach to managing climate change risk. These beliefs and objectives are as follows:

- **Climate Change:** The Trustee recognises climate change is an urgent and critical global challenge. It poses systemic risks to financial markets due to both physical and transitional risks; physical risks referring to disruptive climate events/trends and transitional referring to the risks and associated adaptation costs arising from a move to a low-carbon economy. These risks are likely to impact the Scheme's investments and members' benefits.
- **Fiduciary Duty:** The Trustee's focus is on its fiduciary duty to act in the best financial interest of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. Among other things, this includes the risk that environmental factors, including climate change, may negatively impact the value of the investments held if not understood and evaluated properly. The Trustee recognises that ESG factors are financially material and that taking them into account with a long-term vision is consistent with its fiduciary duty to members of the Scheme.
- **Responsible Investment:** The Trustee recognises that whilst risk and return considerations are important, there is a view that financial factors should not be the only consideration when making investment decisions. The Trustee believes that whilst climate change is a key risk factor to the Scheme, social and governance factors are also important, both from a financial and non-financial perspective.
- **Opportunities:** The Trustee wants the Scheme's investment portfolio to be resilient to the risks posed by the transition to a low carbon economy. As such, when assessing the impact of climate change on the Scheme's investment strategy, the Trustee (via its fiduciary manager), will seek to identify investment opportunities that have the potential to be resilient to climate change risks. This may include investments in low-carbon or ESG-titled investments if these investment opportunities fit within the wider strategic objectives of the Scheme. The Trustee believes that taking ESG considerations into account may lead to better risk-adjusted returns.

- **Engagement:** The Trustee believes that it should practically prepare for the risks associated with climate change. The Trustee expects that its fiduciary manager will itself engage with the underlying managers it appoints to the Scheme's portfolios and measure the impact this engagement has on outcomes associated with the investment decisions on the Trustee's behalf.
- **Framework:** As a first step, the Trustee has formalised its climate change risk management framework (see *Risk Management* section of this report), which sets out the Trustee's processes for identifying, understanding and managing climate-related risks. The Trustee will review its climate change risk framework annually and will monitor progress against its objectives at least annually, and more frequently if required.

Trustee Training and Delegation

The Trustee receives training on climate-related issues at least once a year, but more frequently if required. This training ensures that it has the appropriate degree of knowledge and understanding on these issues to support good decision-making.

The Trustee expects its advisers to bring important and relevant climate-related issues and developments to the Trustee's attention in a timely manner. This forms a routine part of Trustee meetings, and part of the ongoing programme of training for the Trustee.

The Trustee delegates the day-to-day responsibility for all investment decisions, including those in relation to climate-related risks and opportunities of the Defined Benefit ("DB") Section, to the fiduciary manager and to the Defined Contribution ("DC") investment manager for the DC Section. The Trustee considers the fiduciary manager and DC investment manager to be best placed to invest the assets on their behalf, within the remit of their agreements.

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

Trustee update

During the year, the Trustee received training from its DB investment consultant as part of the TCFD reporting process, including the need to ensure climate change risks are integrated into the investment decision process. The Trustee recognised that it fulfils such expectations, through its mandatory reporting requirements aligned with the recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD").

Role of other advisers

The Trustee expects its advisers and investment managers to bring important climate-related issues and developments to its attention in a timely manner. The Trustee also expects its advisers and investment managers to have the appropriate knowledge on climate-related matters.

The Trustee annually reviews the quality of its advisers' provision of advice and support on climate-related issues.

Investment consultants – The Trustee has two investment consultants, one for the DB Section, and one for the DC Section of the Scheme. The DB investment consultant provides strategic advice and practical support to the Trustee in respect of the management of climate-related risks and opportunities and ensuring compliance with the recommendations set out by the TCFD, with support of the DC investment consultant, who provides information in relation to the DC Section.

This includes provision of regular training and updates on climate-related issues and climate change scenario modelling to enable the Trustee to assess the Scheme's exposure to climate-related risks.

The Trustee will monitor the quality of climate-related support and advice from its investment consultants as part of an annual review against the investment consultant's objectives. These were last reviewed in November 2024 and the Trustee concluded that its investment consultants had met their objectives.

Scheme Actuary – The Scheme Actuary will help the Trustee assess the potential impact of climate change risk on the Scheme's funding.

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

Fiduciary/Investment Managers (the "managers") – The Scheme's managers will help the Trustee understand how they, and the underlying managers where relevant, consider climate change risk in their investment approach. The Scheme's managers are also responsible for the implementation of climate-related opportunities, where appropriate.

The Trustee will monitor the performance of the managers on an ongoing basis through the regular reports and meetings held to discuss the management of the Scheme's portfolios. As part of this, the Trustee will seek updates regarding the climate-related capability and expertise present, including how this influences the Scheme's portfolios.

Covenant adviser – The Trustee's covenant adviser will help the Trustee understand the potential impact of climate change risk on the sponsor covenant on a triennial basis, in line with the Scheme's full actuarial valuation starting from 2025. As part of covenant advice sought, the Trustee will seek to understand how climate-related factors could affect the sponsoring employer's strategy over time and consider this in light of the Scheme's de-risking journey. In doing so, the Trustee will seek information from the covenant adviser regarding their credentials in assessing climate-related factors.

This year, 2025, is the first year during which the Trustee will conduct an actuarial valuation and an updated covenant assessment, whilst producing its TCFD-aligned disclosures. The Trustee expects the Scheme Actuary and covenant adviser will incorporate climate-related risks and opportunities into these assessments (more detail is provided later in this report).

At the time of writing, the actuarial valuation is underway. The Trustee intends to include more detail following the completion of the 2025 actuarial valuation, in its future reporting.

Trustee update

During the year, the Trustee reviewed the quality of its advisers' provision of advice and support on climate-related issues.

For its investment consultants, this is part of the annual review of investment consultant objectives.

These were last reviewed in November 2024 and the Trustee concluded its investment consultants had met their relevant objectives.

Trustee update

On 2 April 2025, the Trustee received training from its Scheme Actuary. This training covered climate science and a practitioner's insights. The Trustee was informed about why it should care about climate change, its associated risks, and acknowledged the views of the Scheme Actuary on the potential impact on members and the associated liabilities.

Strategy

It is crucial to think strategically about the climate-related risks and opportunities that will impact the Scheme if we are to stand a chance of mitigating the effects of climate change.

Assessing the climate-related risks and opportunities the Scheme is exposed to is key to understanding the impact climate change could have on the Scheme in the future.

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

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

Given the number of asset classes within the Scheme, we completed this exercise to the best of our ability. To help us with our assessment, we surveyed our managers asking them to rate the climate-related risks and opportunities they believe their funds are exposed to.

Our investments

DB Section:

The DB Section's investment portfolio is diversified across a range of different asset classes including Global Equity, Corporate Credit, Sovereign Bonds and Private Equity.

Asset Class	Private Equity	Multi-asset	LDI
Asset Allocation	3%	39%	58%

Source: Cardano. Asset allocation as at 31 December 2024.

DC Section:

The assets of the DC Section are diversified across a range of asset classes. The Trustee has focused its analysis on the default investments strategy, which is invested in multi-asset arrangements split between a diversified and a growth section. The self-select funds have been excluded from this analysis as only a small number of members, and a small amount of assets, are invested in the select funds.

Asset Class	Diversified	Growth
Asset Allocation	34%	66%

Source: L&G. Asset allocation as at 31 December 2024.

How the qualitative risk assessment works

Risk categories

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

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

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

More details about transition and physical risks can be found in the *Appendix*.

Ratings

The analysis uses a RAG rating system where:

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

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

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

Time horizons

We assessed the climate-related risks and opportunities over multiple time horizons considering the liabilities of the Scheme and its obligations to pay benefits. We decided the most appropriate time horizons for the Scheme are:

DB Section:

- Short-term: 1-3 years
- Medium-term: 4-10 years
- Long-term: 11+ years

DC Section:

- Short-term: 1-5 years
- Medium-term: 6-10 years
- Long-term: 11-30+ years

The time horizons of the DC Section are longer than the DB Section, to reflect the younger population of members.

Climate-related risk assessment

Key conclusions

DB Section

Overall, the Scheme's DB investments display a variety of low, medium and high levels of financial exposure to the physical and transition risks within the time horizons considered, similar to previous years reporting. From this, we identified which climate-related risks and opportunities could have a material impact on the Scheme and we are comfortable that the Scheme's managers have a good understanding of climate-related risks and possess the appropriate knowledge when assessing the climate-related risks for the Scheme.

Global equity and **corporate credit** have the highest risk exposures, rated mostly medium or high levels of risk across all time horizons. Our fiduciary manager believes that in the short-term, due to the increasing prevalence of severe weather, acute impacts are already felt in certain sectors events but we are not yet at tipping points. In the medium-term, our fiduciary manager expects less pressure globally on the introduction of climate regulations due to minimal US support. However, in the long-term, our fiduciary manager believes the most severe risks will occur with the 2020s being the swing decade for policy change and with ambitious 2030 decarbonisation targets set by the UK and Europe.

Our fiduciary manager believes that for **private equity**, similar risks to global equity and corporate credit will be experienced but to a lesser extent.

For **sovereign bonds**, our fiduciary manager believes that in the short term, financial outcomes are more dependent on factors such as monetary policy, inflation, growth, government policy, than climate change. In the medium term, our fiduciary manager expects more focus on climate change informed by a wider societal realisation that current frameworks are not achieving their decarbonisation goals. Similarly in the long term, as we see increases in the frequency and severity of extreme weather events, this is likely to increase the cost of mitigating and transitioning through climate risk. Our fiduciary manager believes that this could lead to an increase in government issuance, and downward pressure on pricing all else being equal.

DC Section

Overall, the Scheme's DC investments display low, medium and high levels of financial exposure to the physical and transitional risks, within the time horizons considered. We are comfortable that the Scheme's DC investment manager has a good understanding of climate-related risks.

Similar to previous years, market and regulatory transitional risks have the highest risk exposures, considered high risk in the long-term. For market risks, policy changes such as carbon pricing will cause demand patterns to shift over the medium term and that may be accompanied by changing sentiment, alongside a decline in global demand for fossil fuels as we see an increase in demand for EV's. The DC investment manager believes that this should affect all equities and corporate bonds, not just those in sectors related to energy and climate.

Overall, there has been no significant changes in the climate risk profile of the Scheme's DC investments since we last undertook this assessment last year.

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

DB Section

Multi Asset (Global Equity and Corporate Credit) – 39% of portfolio *(+9% compared to 31 December 2023)*

Physical Risks

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

In the short-term, the fiduciary manager notes that we are seeing an increasing prevalence of severe weather events and whilst we are not yet at tipping points, acute impacts are already felt in certain sectors such as insurance. In the medium to long-term, the fiduciary manager expects the severity and frequency of weather events to increase in the 2030s and beyond.

Environmental tipping points such as shrinking ice caps, thawing of permafrost or wildfires lead to financial tipping points, such as insurable markets and

Transitional Risks

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

The fiduciary manager believes that medium term regulatory risks have decreased compared to last year. This is because, the fiduciary manager believes that in the current political environment, without US backing, there will be less pressure globally to introduce climate regulations.

Over the long-term, the fiduciary manager has stated that this is where the more severe risks will occur. The 2020s are the swing decade for policy change, with ambitious 2030 decarbonisation targets set by the UK and Europe. As such, the fiduciary manager expects last minute drastic change in

stranded assets, with the issue becoming more chronic.

policy as the physical impact of not enforcing climate policies sooner are felt globally.

Source: Cardano. Data as at 31 March 2025. Cardano applies the above RAG analysis and commentary to both the Global Equity and Corporate Credit parts of the DB Section.

Private Equity – 3% of portfolio *(-1% compared to 31 December 2023)*

Physical Risks

	Acute	Chronic
Short	A	G
Medium	A	A
Long	R	R

The fiduciary manager believes that private equity will face similar physical risks as global equity and corporate credit.

Transitional Risks

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

The fiduciary manager believes that private equity will face similar transition risks as global equities and corporate credit. In the long-term, the fiduciary manager believes some regulation will impact private markets immediately whereas other regulation will be slower to have an impact. While transparency of risks is often lower in private markets, the fiduciary manager believes severity may be as impactful as in more public markets.

Source: Cardano. Data as at 31 March 2025.

Sovereign Bonds – 58% of portfolio *(-8% compared to 31 December 2023)*

Physical Risks

	Acute	Chronic
Short	G	G
Medium	G	G
Long	A	A

Whilst the fiduciary manager is seeing an increasing prevalence of weather events, it does not expect environmental tipping points to pass in the short term. The Scheme invests in high quality sovereign debt whose governments, over the medium term, will be less impacted by physical risks than in developing countries. Whilst there may be a financial impact of the physical risks, this should be put in the context of the other risks impacting the financial outcome of sovereign bonds.

Source: Cardano. Data as at 31 March 2025.

Transitional Risks

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

The fiduciary manager believes that for short-term transitional risks, macro-factors such as inflation and geopolitics will be a greater contributor to risk/return than climate change. In the medium term, the fiduciary manager expects with the frequency and severity of extreme weather events, the cost of mitigating and transitioning through climate risk could lead to an increase of government issuance, and downward pressure on pricing all else being equal.

DC Section

Multi-Asset – 100% of portfolio

Physical Risks

	Acute	Chronic
Short	G	G
Medium	A	G
Long	A	A

Over the short term, the DC investment manager believes that such risks are relatively geographically concentrated and are not expected to have material financial impact at a global multi-asset index level in the short term. However, as extreme weather events become more frequent, severe and unpredictable in the medium to long term, they are likely to have a growing impact at a portfolio.

Transitional Risks

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

In the short term, transitional risks are not expected to have a material financial impact on the fund. During the medium- to long-term time horizons, policy shifts are expected to impact market outcomes, with companies and countries adopting low-carbon technologies. Furthermore, the impact on carbon pricing is expected to rise, causing a significant financial implication on global equity indices, providing rationale for a high financial risk rating in the long term.

Source: L&G. Data as at 31 March 2025.

Climate-related opportunities

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

Equity, corporate credit and private equity	Public and Private companies actively involved in the transition are likely to suffer from less financial risk and achieve more positive investment outcomes particularly in a 1.5 degree world. Even in warmer scenarios we believe that realisation of the need to change will create opportunities for those well positioned. For example, companies that invest in climate resilient ways and those who manage their supply chains are less likely to suffer from financial risks and are able to take advantage of more positive investment outcomes and opportunities. Opportunities for the Scheme include investing in enhanced index equity or bond funds designed to mitigate the risks and support the transition. As of March 2024, the Scheme has invested in sustainable equity allocation within its growth portfolio. The Scheme invests in private equity investments related to renewable energy.
Government Bonds	Governments issuing green bonds can take advantage of cheaper financing opportunities given that green bonds will generally be issued at a lower yield ("Greenium") to an equivalent non green issue. Holding green bonds within the LDI portfolio is permissible but is dependent on factors such as fit to the liabilities and valuation versus non green bonds.
DC Section	Opportunities for multi-asset funds are presented in various ways. For example, the declining costs of renewables, electric vehicles, and alternative fuel companies can benefit from this growth. Alongside this, technologies such as solar and wind energy are already cheaper than traditional alternatives and are likely to grow as the economy transitions. Furthermore, through innovative infrastructure such as carbon capture and storage, as well as innovation of direct air capture, low-or-zero carbon hydrogen and nature-based solutions, other opportunities present themselves for the Scheme. It should also be said that just as bonds are shielded from some of the downside risk from a low-carbon transition compared to equities, so they will be unable to profit from much of the upside risk of climate-related opportunities.

Source: Managers

How resilient is the Scheme to climate change?

In our first TCFD report, we carried out climate change scenario analysis to better understand the impact climate change could have on the Scheme's assets and liabilities.

The analysis looked at a variety of climate change scenarios for the DB and DC Sections. We chose these scenarios because we believe that they provide a reasonable range of possible climate change outcomes. The climate scenarios are compared to a base case scenario, which is based on what is priced into the market at the effective date of the modelling.

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

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

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

Investment risk is captured in the deviance from the base case scenario, but this is not the only risk that the Scheme faces. Other risks include covenant risk, longevity risk, timing of member options, and operational risks.

Trustee update

Under the Regulations, climate scenario analysis must be carried out at least every 3 years, with an annual review in each intervening year to confirm the most recent analysis is still appropriate.

We reviewed the scenario analysis completed as at 31 March 2022, and we are comfortable that the analysis remains appropriate for this year's report.

There have been no significant changes to the investment strategy, the liability profile of the Scheme, the modelling techniques, significant shift in policy implementation to tackle climate change or asset data availability.

DB Impact on the funding level

Key conclusions

The DB investment portfolio exhibits reasonable resilience under all of the climate change scenarios except “No Transition.” This is due to the diversification of assets.

The worst-case scenario (of the three scenarios considered with a sole focus on financial impacts) for the DB Section is the “No Transition” scenario. Although initially the deficit improves in line with the base case (based on the assumptions used), after 10 years there is a steady decline in the funding level, which results in a deficit of c.£30m at the end of the modelling period although the Trustee recognises the actual outcome could be materiality different.

Another key risk is volatility of the deficit. Under the abrupt and orderly transitions, the DB Section experiences an increase in the deficit of around £20m before recovering. Deterioration of the funding level will place a strain on the sponsor covenant as the sponsor may have to make up a bigger shortall through deficit contributions. It may also require the DB Section to re-risk in order to stay on track to achieve its funding target or extend the timeframe for achieving this.

The Trustee is aware, however, that climate change will impact the DB Section’s liabilities and the “sponsor covenant” as well as its assets. Additionally, liability side impacts could include demographic change, e.g., the mortality impacts of different climate change scenarios, as well as financial impacts. The Trustee is also aware that the impact of climate change on the DB Section’s funding strategy could be materially worse than typically illustrated due to tipping point and other impacts.

In downside scenarios that take into account these broader funding strategy impacts the Trustee will need to know how the sponsoring employer will be impacted and what the impacts are on member benefit security rather than solely focusing on the nominal value of any future deficit. As a result, the Trustee will work with its Scheme Actuary and Covenant Adviser as part of the 2025 triennial valuation exercise this year to further understand these risks and consider what mitigants may be available and appropriate, which is still underway as at the time of writing. The results from this valuation and the associated climate risk will be reflected in future years reporting.

Climate scenarios in more detail

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

In the first year of reporting, the Trustee included a chart illustrating the impact on the Scheme's funding level. Following the initial release of UK pension schemes' TCFD disclosures, the Pension's Regulator reviewed a sample of these reports and noted that climate scenarios were generally too complicated for a typical member, who may be reading this document. The Trustee has therefore decided to remove this chart from the report and include narrative to describe the summary of the impact to the Scheme more qualitatively.

No Transition Scenario Temperature rise +4ºC Reach net-zero after 2050 Late and aggressive environmental regulation	**Summary of the Scenario** **In the short term:** No action is taken to combat climate change. **In the medium term:** No action is taken to combat climate change. **In the long term:** Climate change headwinds grow and act as a drag on economic growth and risk asset returns. Impacts from physical risks become more severe and irreversible by 2100.	**Summary of the impact to the Scheme** **In the short term:** The funding level improves in a similar way to the base case. **In the medium term:** The funding level continues to improve and then improvement begins to taper off. This is due to the heightened impact of physical transition risks. **In the long term:** A smooth decline in funding level results in a deficit of c.£30m at the end of the modelling period.
Disorderly Scenario Temperature rise <4°C Reach net-zero after 2050 Late and aggressive environmental regulation	**Summary of the Scenario** **In the short term:** Insufficient consideration is given to long-term policies and there is no action taken to combat climate change **In the medium term:** Late but coordinated action is taken to tackle climate change. The late timing means it is less effective and more costly to implement. Adverse impacts from climate change leads to poor performance of growth assets. **In the long term:** The transition to clean technologies and green regulation begins to boost economic growth. However, physical climate risks remain prominent.	**Summary of the impact to the Scheme** **In the short term:** The funding level improves in a similar way to the base case. **In the medium term:** There is a sudden, sharp decline in the funding level at around 9 years. **In the long term:** The funding level continues to fall resulting in a deficit of c.£50m at around 12 years. After this, the funding level begins to recover and by the end of the modelling period the funding level has recovered to a surplus of £20m

Orderly Scenario Temperature rise <2°C Reach net-zero 2050 Coordinated environmental regulation	**Summary of the Scenario** **In the short term:** Immediate coordinated global action is taken to tackle climate change. Growth assets perform poorly. **In the medium term:** The rapid transition to clean technologies and green regulation begins to boost economic growth. **In the long term:** Economic growth continues. This represents the fastest transition to a green economy, combined with limited physical impacts from climate change despite the large initial cost of the transition.	**Summary of the impact to the Scheme** **In the short term:** Initially there is an increase in the deficit to c.£100m. Then the funding level starts to recover. **In the medium term:** The deficit improves rapidly in the medium-term and after 10 years is in a similar funding position to the base case. **In the long term:** There is a steady improvement in the funding level under this scenario, resulting in a surplus of c.£30m at the end of the modelling period.

Source: Aon. Effective date of the impact assessment is 31 December 2022. **Please note:** The results of the scenario modelling are illustrative and rely on many assumptions. These are subject to considerable uncertainty.

DC Impact on the members' pension fund values

For the DC Section, we carried out a qualitative climate scenario analysis on the default arrangement and each of the popular arrangements. The default arrangement is a lifestyle arrangement.

We considered the different impacts each scenario would have on two example members, one at age 35 and one at age 65 at the start of the modelling period. The example member at age 35 has a higher allocation to growth assets and is indicative of the average age of members invested in the default arrangement. The member at age 65 has a higher allocation to lower risk assets and is assumed to be accessing income drawdown.

Key conclusions

The Scheme's investment portfolio exhibits resilience under most of the climate scenarios modelled.

Younger and mid-career members

The financial impact for these members is likely to be driven by the long-term time horizon. Specifically, the climate-related risks associated with investing in equities is expected to be greatest over the long term.

Nevertheless, it is important for these members for the assets to be invested in growth assets (primarily equities) to help members achieve good retirement outcomes. Allocating to assets such as government bonds, which offer lower exposure to climate-related risks, is unlikely to be in members' best interests over the long-term.

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

Members close or at to retirement

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

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

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

Default arrangement

The default arrangement a life styling investment strategy which automatically switches from higher risk assets, such as climate transition equities and multi-factor equities, into lower risk assets, like core diversified assets, passive corporate bonds and government bonds and cash, as members approach retirement age. This is done to better match assets to how members expect to take their benefits.

Climate scenarios in more detail

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

No Transition Scenario Temperature rise +4ºC Reach net-zero After 2050 Late and aggressive environmental regulation	**Summary of the Scenario** **In the short term:** No action is taken to combat climate change. **In the medium term:** No action is taken to combat climate change. **In the long term:** Climate change headwinds grow and act as a drag on economic growth and risk asset returns. Impacts from physical assets become more severe and irreversible by 2100.	**Summary of the impact to the Scheme** **In the short term:** There is not expected to be any initial impact on asset portfolios and performance is expected to follow the base case. **In the medium term:** Impacts from physical risks gradually become more severe over time leading to slow economic growth and poor investment returns. Asset portfolios begins to lag the base case. **In the long term:** Impacts from physical risks gradually become more severe over time leading to a drag on economic growth and risk asset returns. Asset portfolios lag the base case and continue a downward trend.
Disorderly Scenario Temperature rise <4°C Reach net-zero after 2050 Late and aggressive environmental regulation	**Summary of the Scenario** **In the short term:** Insufficient consideration is given to long-term policies and there is no action taken to combat climate change **In the medium term:** Late but coordinated action is taken to tackle climate change. The late timing means it is less effective and more costly to implement. Adverse impacts from climate change leads to poor performance of growth assets. **In the long term:** The transition to clean technologies and green regulation begins to boost economic growth. However, physical climate risks remain prominent.	**Summary of the impact to the Scheme** **In the short term:** There is not expected to be any initial impact on asset portfolios and performance is expected to follow the base case. **In the medium term:** Asset portfolios deteriorate sharply as a result of delayed action required to tackle climate change. **In the long term:** Asset portfolios start to recover from the medium-term shock.
Orderly Scenario Temperature rise <2°C	**Summary of the Scenario** **In the short term:** Immediate coordinated global action is taken to tackle climate change. Growth assets perform poorly. **In the medium term:**	**Summary of the impact to the Scheme** **In the short term:** Asset portfolios are expected to suffer an initial fall in value as a result of the costs of immediate coordinated action to tackle climate change. **In the medium term:**

Reach net-zero 2050 Coordinated environmental regulation	The rapid transition to clean technologies and green regulation begins to boost economic growth. **In the long term:** Economic growth continues. This represents the fastest transition to a green economy, combined with limited physical impacts from climate change despite the large initial cost of the transition.	Asset portfolios are expected to recover from the initial shock of transition costs. Relative to the other scenarios, the lower impact from physical risks (given action to tackle climate change) is beneficial for portfolios. **In the long term:** Members' asset portfolios are likely to perform strongest relative to the base case. This represents the fastest transition to a green economy, combined with limited physical risks.

Source: Aon, based on data provided by the DC investment manager. Effective date of the impact assessment is 31 Dec 2022. **Please note:** The results of the scenario modelling are illustrative and rely on many assumptions. These are subject to considerable uncertainty.

Modelling limitations

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

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

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

Considering the impact of climate change on the sponsoring employer

The Trustee recognises the importance of climate change and the risk it poses to the Scheme. The Trustee takes climate-related risks into account in determining its investment strategy.

A key risk identified from the scenario analysis is the volatility of the funding level for the DB Section. Under the orderly transition and disorderly transition scenarios, the Scheme experiences sudden falls in the funding level before recovering. Deterioration of the funding level will place a strain on the financial strength ("covenant") of the Sponsoring Employer, if it must make up a bigger shortfall through deficit contributions. It may also require the Scheme to re-risk its portfolio or extend the time frame for achieving full funding or other long-term goals.

The Trustee therefore recognises that climate change may have an impact on the Employer covenant. The DB Section is well funded on a low risk basis (including the Walnut SPV) and therefore the risk that climate poses to the employer covenant in the short to medium term, at a high level, appears limited. The Trustee continues to monitor employer covenant every six months using a number of key performance indicators, however, these are financial rather than climate in nature. To the extent that climate related issues impact the financial strength of the employer covenant, these factors will be discussed by the Trustee board.

As part of the DB Section's 2025 actuarial valuation, the Trustee intends to extend the scope of the employer covenant review to consider climate related risks in more detail. The Trustee's covenant advisers, Mercer, will consider the physical and transitional risks that may impact the covenant over the short, medium and longer term and grade their severity as either low, moderate or high. To the extent any of the risks identified are moderate or high and could impact the DB Section's journey to securing member benefits in full, the Trustee will then consider how to monitor these risks on an ongoing basis and what mitigation actions (if any) are appropriate.

Risk Management

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

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

Our process for identifying and assessing climate-related risks

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

Qualitative assessment

A qualitative assessment of climate-related risks and opportunities which is prepared by our DB investment consultant with support from our DC investment consultant and reviewed by us.

Quantitative analysis

Climate scenario analysis, which is provided by our DB investment consultant with support from our DC investment consultant and reviewed by us.

Together these elements give us a clear picture of the climate-related risks that the Scheme is exposed to. Where appropriate, we distinguish between transitional and physical risks. And all risks and opportunities are assessed with reference to the time horizons that we have identified as relevant to the Scheme.

When prioritising the management of risks, we assess the materiality of climate-related risks relative to the impact of other risks to the Scheme. This helps us focus on the risks that pose the most significant impact.

Trustee update

This process of identifying and assessing climate related risks has been reviewed in the process of producing this TCFD report.

Our climate risk management framework

We recognise the long-term risks posed by climate change and have taken steps to integrate climate-related risks into the Scheme's risk management processes.

We have a climate risk management framework to manage climate-related risks and opportunities. The climate risk management framework set out in the tables below clearly outlines who is involved, what is done and how often. We retain responsibility for all activities in this framework.

Governance

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Publish TCFD report	Trustee	DB and DC Investment Consultants, DB Fiduciary Manager, DC Investment Manager	Annual
Receive training on climate-related issues	Trustee	DB Investment Consultant, Scheme Actuary	Annual
Review adviser objectives to ensure advisers have appropriate climate capability, and bring important, relevant and timely climate-related issues to the Trustee's attention	Trustee	DB and DC Investment Consultants, Scheme Actuary, Covenant Adviser	Annual
Ensure investment proposals explicitly consider the impact of climate-related risks and opportunities	Trustee	DB and DC Investment Consultants, DB Fiduciary Manager, DC Investment Manager	Ongoing
Ensure that actuarial and covenant advice adequately incorporate climate-related risk factors where they are relevant and material	Trustee	Scheme Actuary, Covenant Adviser	Triennial
Engage with fiduciary manager/investment manager to understand how climate-related risks are considered in their investment approach, and stewardship activities are being undertaken appropriately	Trustee	DB and DC Investment Consultants, DB Fiduciary Manager, DC Investment Manager	Annual

Trustee update

We monitored the above activities as part of our climate-related risks and opportunities management. During the year, we published our TCFD report and implementation statement. As part of the TCFD process, we received training on the approach to the strategy, risk management and metrics pillars.

In March 2024, the Trustee also completed training on the General Code, including how to establish an ESOG. Part of this training highlighted the need for trustees to ensure climate change risks are integrated into the investment decision making process, which the Trustee fulfils through its mandatory climate-related disclosures. More detail is included in the Governance section of this report.

Strategy

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Undertake quantitative scenario analysis to understand the impact of climate-related risks	Trustee	DB and DC Investment Consultants	At least triennial, with an annual review
Identify the climate-related risks and opportunities for investment & funding strategy and assess their likelihood and impact	Trustee	Advisers	Annual

Trustee update

We spent time this year analysing climate-related risks and opportunities for the Scheme's DB and DC Sections. As this is our third climate disclosures report, we reviewed the climate scenario analysis for both the DB and DC Sections. We believe that the analysis remains applicable for the climate-related risks which the Scheme is exposed to, as there have not been any significant changes to the investment strategy. The Trustee expects that it will need to refresh climate scenario analysis within next year's reporting, in line with the regulatory requirement to refresh climate scenarios at least triennially.

Risk management

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

Trustee update

We reviewed processes for identifying and assessing climate-related risks as part of the annual TCFD process to evaluate its continued suitability. This is integrated into the ongoing activities of the Scheme. Based on our analysis this year, we believe that the investment managers have the appropriate analysis in place to understand climate-related risk.

As a result of the TCFD regulations, the Trustee has incorporated climate-related risks into its risk register and will incorporate any required changes to further documentation upon review. The risk register was last reviewed during in March 2025 and the statement of investment principles ("SIP") was last updated in October 2023.

Metrics and Targets

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Report on selected climate metrics	Trustee	DB and DC Investment Consultants, DB Fiduciary Manager, DC Investment Manger	Annual
Review continued appropriateness of metrics and targets	Trustee	DB Investment Consultant	Annual

Trustee update

For the third year of reporting, we collected metrics data to understand the greenhouse gas emissions associated with the Scheme's investments, data quality and portfolio alignment for both the DB and DC Sections. We also reviewed the suitability of the metrics and targets and have updated the target of the DB assets as we have consistently hit the target that we had previously set. We will undertake further training on targets from our investment adviser in the next reporting year to consider what further targets could be set in the future.

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

Assessing our managers

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

Key conclusions

DB Section

Our fiduciary manager gave a comprehensive response regarding the climate-related risk management questionnaire. Some of the highlights include:

- Within its latest available report, covering the 12-month period to 31 December 2023, the fiduciary manager disclosed a decrease in scope 1&2 carbon intensity across the different main common asset classes used in its client portfolios, against a 2019 baseline. The manager outlined that it is continuing its progress towards its targets of emissions reduction within its own managed strategies (namely a 50% reduction by 2030 and a 75% reduction by 2040, relative to a 2019 baseline).
- The fiduciary manager undertook analyses for three climate-related scenarios which are aligned to 1.5°C, 2°C and 3°C temperature outcomes. The manager's key finding was that systemic risks of climate change are substantial and highly unpredictable across asset classes. The manager believes every effort should be made to achieve a 1.5°C scenario, which it believes will lead to the best economic and environmental outcome for most portfolios (within the scenarios analysed), with the 3°C scenario being the worst outcome. The manager is therefore focusing on stewardship, via engagement at both the company and policy maker level, with the objective to achieve alignment with the Paris agreement of a 1.5°C scenario.
- The manager participates in shareholder resolutions related to climate change and was able to provide public market examples where it has voted on climate related issues.
- There are no direct investments in fossil fuels in the Scheme's portfolio. For direct portfolios, the manager excludes thermal coal and engages with companies to understand their management and commitments to climate-risks.
- The internal managed portfolios are committed to net zero by 2050, with a 50% reduction by 2030.

DC Section

Legal & General ("L&G") (formerly Legal & General Investment Management, or "LGIM") has demonstrated awareness of climate change, acknowledged its potential impact, and recognising the importance of assessing climate-related risks and opportunities in its investment process. As such, it has been able to demonstrate that it has a strong resilience to climate related risks, via the tools it has in place through its climate-related risk management plan.

The entity level TCFD report for L&G is unavailable for the 2024 reporting year, however, the 2023 report makes a number of references to the parent company L&G plc's ("L&G") Climate and Nature Report, and the 2024 version of this report was available as at the time of writing.

The latest report from L&G provided the following insights in respect of L&G:

- This provides investors and other stakeholders an understanding of L&G's exposure to climate-related risks, its strategic resilience to these risks, and the climate-related opportunities it has have identified.
- L&G is committed to work in partnership with its clients to reach net zero GHG emissions by 2050 or sooner across all assets under management ("AUM"). L&G has set an interim target of 70% of AUM to be managed in alignment with net zero by 2030.
- L&G commits to maintain engagements with L&G's investment portfolio top 20 emitters, which do not already have Paris-Aligned business transition commitments, up to 2030.
- L&G applies climate change scenario analysis on its traded assets and Asset Management products. L&G analyses four scenarios:
    - Inaction (Approximate global warming by 2100 3-4°C);
    - Below 2°C (Approximate global warming by 2100 <2°C);
    - Net Zero 1.5°C (Approximate global warming by 2100 1.5°C); and
    - Delayed Below 2°C (Approximate global warming by 2100 <2°C).

  Based on these analyses, L&G found that its portfolios were resilient to climate change. L&G uses its analysis to develop its broader strategy, including how it invests, influences and operates.
- L&G is able to provide all climate metric data. This includes carbon footprint, data coverage, portfolio alignment and total GHG emissions.

Similar to previous years reporting, overall, we remain comfortable that the Scheme's investment managers are taking sufficient steps to identify, assess and manage climate-related risks and opportunities on our behalf.

Source: Managers

Metrics & Targets

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

Our climate-related metrics

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

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

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

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

Scope 1

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

Scope 2

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

Scope 3

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

Scope 3 emissions are often the largest proportion of an organisation's emissions, but they are also the hardest to measure. The complexity and global nature of an organisation's value chain make it hard to collect accurate data.

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

Our climate-related metrics – in detail

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

Total Greenhouse Gas emissions

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

Carbon footprint

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

Data Coverage

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

Binary target measurement

A metric which shows how much of the Scheme's assets are aligned with a climate change goal of limiting the increase in the global average temperature to 1.5˚C above pre-industrial levels.

It is measured as the percentage of portfolio investments with a declared net-zero or Paris-aligned target that has been validated by the Science Based Target initiative ("SBTi") or are already net-zero or Paris-aligned.

Carbon metrics

In the table below are the climate-related metrics for the Scheme's assets. You will note that we have not aggregated metrics across the whole portfolio because the methodologies used for some asset classes are significantly different and therefore it is not appropriate to combine them.

DB Section

			Scopes 1 and 2			Scope 3		
Asset class	**Allocation** (%)	**Year**	**Data Coverage** (%)	**Total GHG emissions** (tCO_2e)	**Carbon footprint** (tCO_2e/£m)	**Data Coverage** (%)	**Total GHG emissions** (tCO_2e)	**Carbon footprint** (tCO_2e/£m)
Multi-asset	93%	2024	94%	6,616	39	94%	111,421	658
	84%	*2023*	*84%*	*8,696*	*80*	*0%*	*N/R*	*N/R*
Private Equity	7%	2024	100%	69	5	100%	951	71
	16%	*2023*	*100%*	*110*	*5*	*0%*	*N/R*	*N/R*
Total Ex. LDI	100%	2024	95%	6,685	37	95%	112,372	615
	100%	*2023*	*87%*	*8,806*	*66*	*0%*	*N/R*	*N/R*
LDI	100%	2024	100%	38,260 Physical gilts exposure 37,439 Synthetic gilts exposure	141		*N/A*	
	100%	*2023*	*100%*	*61,619 Physical gilts exposure* *35,525 Synthetic gilts exposure*	*170*		*N/A*	

Source: Cardano, Aon. 'N/R' denotes where metrics were not reported by the manager. 'N/A' denotes metrics that are not applicable. Please see notes on the metrics data for all data methodology and limitations.

- 2024 emissions data as at 31/12/2024.
- 2023 emissions data as at 31/12/2023.
- Cash and synthetic instruments in the growth portfolio are assumed to have zero emissions associated with them; synthetic LDI remains unaffected.
- Emissions associated with LDI includes both physical emissions (emissions associated with physical assets that are held within the portfolio) and synthetic emissions (emissions associated with the notional exposure to sovereign bonds gained through derivatives).
- Scope 3 emissions are not available for LDI, as there is no widely accepted methodology to calculate Scope 3 emissions for the underlying sovereign bond investment.
- Scope 3 coverage has been estimated by the fiduciary manager using scopes 1 & 2 coverage.

DC Section

Asset class	Allocation (%)	Year	Scopes 1 and 2 Data Coverage (%)	Scopes 1 and 2 Total GHG emissions (tCO_2e)	Scopes 1 and 2 Carbon footprint (tCO_2e/£m)	Scope 3 Data Coverage (%)	Scope 3 Total GHG emissions (tCO_2e)	Scope 3 Carbon footprint (tCO_2e/£m)
Diversified	34%	2024	55%	3,324	61	55%	39,172	720
	35%	*2023*	*56%*	*1,987*	*61*	*56%*	*17,290*	*531*
Growth	66%	2024	98%	7,501	41	98%	115,384	623
	65%	*2023*	*97%*	*4,932*	*47*	*97%*	*45,508*	*462*
Total	100%	2024	83%	10,825	45	83%	154,556	645
	100%	*2023*	*83%*	*6,919*	*50*	*83%*	*65,798*	*478*

Source: L&G, Aon.

- 2024 emissions data as at 31/12/2024.
- 2023 emissions data as at 31/03/2023.
- Select funds, and cash excluded on grounds of materiality. Please see notes on the metrics data for all data methodology and limitations.

Commentary

This year, the total Scope 1 and 2 emissions in respect of the DB assets has decreased, this was accompanied by a slight increase in data coverage and a reduction in carbon footprint. The increase in data coverage means that the total emissions figure now represents a more accurate reflection of the portfolio's emissions. We have also been able to report on Scope 3 emissions for the first time, however, we note that the data coverage of these emissions is entirely estimated based on the coverage of the Scope 1 and 2 emissions.

The total Scope 1 and 2 emissions in respect of the DC assets has increased, despite a reduction in carbon footprint. This is because the total amount invested in the DC assets has increased meaning the total emissions now represent emissions for a larger portfolio. The GHG intensity of the Scope 3 emissions increased significantly, largely driven by changes in the methodology underlying the approximation of Scope 3 emissions, meaning this is a more accurate representation of the Scheme's emissions.

Binary Target Measurement – DB and DC Sections

Asset class	Allocation (%)	Year	% SBTi validated
DB Section			
Multi-Asset	39% 84%	2024 2023	35% 19%
Private Equity	3% *16%*	*2024* *2023*	68% *65%*
DC Section			
Diversified	34% *35%*	2024 2023	29% *7%*
Growth	66% *65%*	2024 2023	58% *14%*

Source: Cardano, L&G, Aon. Data as at 31/12/2023 and as at 31/12/2024.

Commentary

- For the DB analysis, this year's allocation only totals 42%. This is because the remaining balance of the asset allocation (58%) is invested in LDI which does not have an SBTi validated (or equivalent) data available for this part of the DB Section.

Notes on the data

In general, we relied on information provided by the Scheme's DB fiduciary manager and DC manager. The DB investment consultant has collated the information to produce the climate-related metrics for the Scheme's DB and DC Sections' portfolio of assets.

The exception to this is the metrics for the LDI; see *Appendix 4 Additional information on metrics calculations* for more information.

Availability of data:

- Cardano provided data coverage for Scopes 1&2 as an estimate for Scope 3 data coverage within the DB Section.

Aon does not make estimates for missing data.

Due to not having all of the Scope 3 data available, we expect the reported emissions metrics to be lower than the actual total GHG emissions for the Scheme. As data methodologies improve in accuracy over time, we expect more data to be available to accurately reflect the Scheme's total GHG emissions position.

We expect that in the future, better information will be available from managers and this improvement will be reflected in the coming years' reporting. We plan to engage with our fiduciary manager regarding the gaps in the emissions data provided and communicate our expectations for future reporting.

How we collected the carbon data

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

Looking to the future
Our climate-related target

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

In our first year of reporting, we set a target to improve data quality to 80% by 2026 for the DB Section and 100% by 2026 for the DC Section. Without meaningful data from the investment managers, it is very hard for us to measure our climate-risk exposure. So, it is important to set a target to improve the data quality of the GHG emissions data from the managers.

Our progress towards the target

Since last year, data coverage has improved across all sections of the Scheme, having surpassed the target for our DB multi-asset and private equity portfolio, whilst seeing strong progress made within the DC Section.

Section	Asset class	Revised Target[1]	Previous Target	Actual Coverage 2024	Actual Coverage 2023
DB Section	Multi-asset	95%	80%	94%	84%
	Private Equity	95%	80%	100%	100%
DC Section	Diversified	N/A	100%	55%	56%
	Growth	N/A	100%	98%	97%

Source: Investment managers

[1]As a result of the DB Section's target being met, we have decided to increase the DB Section target to achieve 95% data quality by 2027.

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

Trustee update

Each year we review the suitability of the target we have set. Based on the data collected and the metrics calculated this year, we have updated the DB Section's multi-asset target but believe the DC Section's target continues to be suitable.

Steps we are taking to reach the target

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

We summarise our objectives below:

- Continue engaging with the DB fiduciary manager, Cardano, to improve the availability and quality of carbon data.
- Continue engaging with the DC investment manager, L&G, to improve the availability and quality of carbon data; and
- Consider setting a more aspirational target for the Scheme in the future, given the improvements in the data coverage reported this year.

Appendices

Please see the appendices for additional information about our climate disclosures report.

01 Glossary

Governance refers to the system by which an organisation is directed and controlled in the interests of shareholders and other stakeholders.[1] 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.[2]

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.[3]

Risk management refers to a set of processes that are carried out by an organisation's board and management to support the achievement of the organisation's objectives by addressing its risks and managing the combined potential impact of those risks.[4]

Climate-related risk refers to the potential negative impacts of climate change on an organisation. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations.[5]

Climate-related opportunity refers to the potential positive impacts related to climate change on an organisation. Efforts to mitigate and adapt to climate change can produce opportunities for organisations, such as through resource efficiency and cost savings, the adoption and utilization of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organisation operates.[6]

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).[7]

Net zero means achieving a balance between the greenhouse gases emitted into the atmosphere, and those removed from it. This balance – or net zero – will happen when the amount of greenhouse gases add to the atmosphere is no more than the amount removed.[8]

[1] A. Cadbury, Report of the Committee on the Financial Aspects of Corporate Governance, London, 1992.

[2] OECD, G20/OECD Principles of Corporate Governance, OECD Publishing, Paris, 2015.

[3] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017

[4] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017

[5] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017

[6] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017

[7] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017

[8] Energy Saving Trust, What is net zero and how can we get there? - Energy Saving Trust, October 2021

02 Climate risk categories

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

Transition risks

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

Policy and legal

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

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

Technology

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

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

Market

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

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

Reputational

Examples
Stigmatisation of sector
Increased stakeholder concern or negative stakeholder feedback

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

Physical Risks

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

Acute

Examples
Extreme heat
Extreme rainfall
Floods
Droughts

Chronic

Examples
Water stress
Sea level rises
Land degradation
Variability in temperature

03 – Climate scenario modelling assumptions

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

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

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

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

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

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

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

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

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

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

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

DB Section:

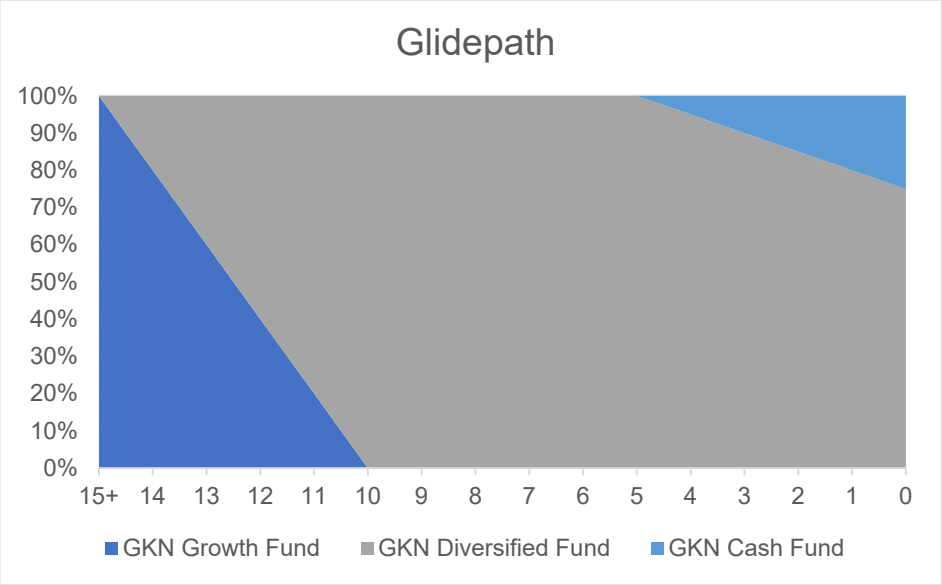
The model projects using the following inputs as at 31 December 2022.

- ▪ Market value of assets: £627.6M
- ▪ Present value of liabilities: £708.3M
- Deficit : £80.7m

Investment strategy

DC Section

The default arrangement is the GKN Scheme No.1 'Drawdown Lifestyle' fund. The investment strategy of the default investment arrangement is shown in the chart below:



Source: DC investment consultant

In the default arrangement the asset allocation is managed according to members' terms to retirement. This default has been selected as it allows for flexibility in how members may take their benefits.

For members who do not wish to take an active role in investment decisions, the Trustee offers three default investment funds which should broadly meet the needs and reflect the likely benefit choices of the typical member. The aims of the default investment options, and the ways in which the Trustee seeks to achieve these aims, are detailed below:

- To generate positive nominal long-term returns in excess of inflation during the growth phase of the lifestyle strategy.
    - The default strategies' growth phase structure invests in equities. These investments are expected to provide growth and some protection against erosion in both real and nominal terms.
- To generate positive nominal long-term returns in excess of inflation during the growth phase of the lifestyle strategy whilst maintaining downside risk.
    - The default strategies' consolidation phase structure invests in a diversified growth fund. These investments are expected to provide growth with some downside protection and some protection against erosion in both real and nominal terms. This is achieved via automated lifestyle switches by phasing in the diversified growth fund at 15 years prior to retirement, for a period of 5 years.
- To provide a strategy that reduces investment risk for members as they approach retirement.
    - The lifestyle options progressively and automatically switches members from high risk/higher expected return funds to lower risk/lower expected return as the member approaches their selected retirement date.

04 Additional information on the metrics calculations

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

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

The carbon metrics for non-LDI asset classes

Emissions data was collected from the managers using the CET[9]. Managers provided carbon footprint and data coverage for their fund(s).

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

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

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

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

Where i is each fund in the asset class

G_i = Total GHG for fund i (tCO_2e)

A_i = Assets invested in fund i (£M)

C_i = Data Coverage of fund i (%)

The carbon metrics for LDI

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

The carbon footprint was calculated by Aon as follows:

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

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

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

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

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

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

Where data coverage is assumed to be 100% estimated.

Binary target measurement

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

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

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

Implied temperature rise

Aon requested the implied temperature rise of each fund from the investment managers and aggregated the results based on the portion of assets invested in each fund.

Guidance from the Department of Work and Pensions [10] states that the trustee should not aggregate the ITR unless the same methodology has been used across the Scheme/Plan's investments. We have relied on the individual manager data; hence the consistency of methodology cannot be guaranteed.

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

05 GHG emissions

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

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

The amount of greenhouse gases in the atmosphere has significantly increased since the Industrial Revolution. The Kyoto Protocol[11] identifies six greenhouse gases which human activity is largely responsible for emitting. Of these six gases, human-made carbon dioxide is the biggest contributor to global warming.

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

Six main greenhouse gases identified by the Kyoto Protocol

CO_2
Carbon dioxide

CH_4
Methane

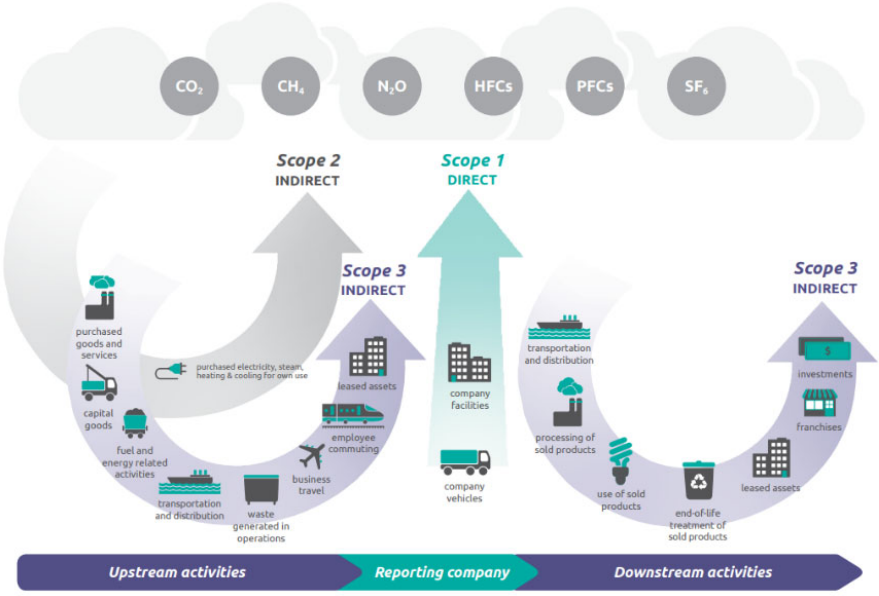
N_2O
Nitrous oxide

HFCs
Hydrofluorocarbons

PFCs
Perfluorocarbons

SF_6
Sulphur hexafluoride

Overview of GHG Protocol scopes and emissions across the value chain



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

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