

The Reckitt Benckiser
Pension Fund Trustees'
Climate Change report for
the year ended 5 April 2025

Table of Contents

Section 1: Introduction and Chair Foreword	1
Section 2: Governance.....	4
Section 3: Strategy	8
Section 4: Risk Management.....	11
Section 5: Metrics and Targets	12

This page is intentionally blank

Section 1: Introduction and Chair Foreword

A foreword from the Chair of the Reckitt Benckiser Pension Fund

We have prepared this report in respect of the Occupation Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 for the Fund year ending 5 April 2025.

The Trustees recognise the importance and financial materiality of climate-related issues. We have been provided with training by our advisors, have discussed and agreed specific sustainable investment beliefs and we have assessed the risks to the Fund using scenario analysis and a quantification of the Fund's exposures.

The Trustees recognise the significant impact which climate change could have on the Fund, and on the Fund's members and have set a goal for the DB assets of reaching net zero greenhouse gas emissions by 2050, with a 50% reduction in the Fund's carbon footprint by 2030. Within the DB section the strong funding position of the Fund has allowed the portfolio to be significantly de-risked which has materially reduced the potential impact of climate change. We will continue to engage with our investment managers and advisors to better understand the Fund's risks and opportunities and to take action to reduce the Fund's carbon footprint.

We naturally expect some fluctuations in the Fund's carbon footprint as underlying investments evolve and data coverage improves over time. Over the 12 months to 31 March 2024, the Fund saw a slight increase in its carbon footprint for DB assets—from 40 to 48 tCO₂e per million dollars invested. Despite this, the Fund continues to make meaningful progress toward its interim target of a 50% reduction in emissions by 2030.

In 2024, the Trustees made the decision to transfer the assets of the DC section into the Aon MasterTrust arrangement, which was completed shortly after the Fund year end. Hence, we have decided to take a proportionate approach to the reporting of DC-related ESG activities in this statement. The Aon MasterTrust produces its own TCFD report on an annual basis, and this can be found on the Aon MasterTrust website. The Trustees considered the sustainable investment policies and processes of the MasterTrust prior to transferring the assets to ensure they were comfortable that these reflected the Trustees' views in this area.

Notwithstanding the actions set out above the Trustees have chosen to take a proportionate approach to ensuring these factors are appropriately considered whilst recognising the relatively limited influence they have in the wider market as a result of the types of securities they hold in the DB portfolio.

The Fund has continued to move forward over the year, as we progress on our journey to manage and address climate change risk. However, our work is far from done—only through continued long-term collaboration with all the Fund's stakeholders and the wider pensions and investment industry can we bring meaningful and positive change.

This report has been completed on a best endeavours basis. The industry is still learning and evolving, and we expect data accuracy, completeness, and availability to improve over time.

Dr Brian Bentley

*As at 31/03/25

Chair of the Reckitt Benckiser Pension Fund

Introduction

The Trustees of the Reckitt Benckiser Pension Fund (hereinafter referred to as the “Trustees” and the “Fund”, respectively) present their annual report under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the “Regulations”) for the year ended 5 April 2025. The principal employer of the Fund is Reckitt Benckiser Group plc.

The Fund is made up of a Defined Benefit and Defined Contribution Section. As at 05 April 2025, the Fund’s DB assets were c£809m in value, the residual DC assets were c£0.04m following the transfer to the Aon MasterTrust. The DB Section also provides the facility for members to pay AVCs into the Fund to enhance their benefits at retirement.

The Fund is subject to the requirement to produce climate change disclosures in line with the above regulation. The aim is to improve and increase reporting of climate-related financial risks and opportunities.

The climate change framework requires disclosures in four broad categories:

Governance: around climate-related risks and opportunities

Strategy: the actual and potential impact of climate-related risks and opportunities on the strategy and financial plans of the scheme under different climate scenarios

Risk management: how the scheme identifies, assesses, and manages climate-related risks

Metrics and targets: the metrics and targets used to assess and manage climate-related risks and opportunities



This report sets out the Trustees’ approach to compliance in each of these four areas. This report focuses on the DB Section due to the Fund’s DC assets being moved to a MasterTrust arrangement which has its own climate related disclosures.

*As at 31/03/25

Section 2: Governance

The oversight of climate risks and opportunities

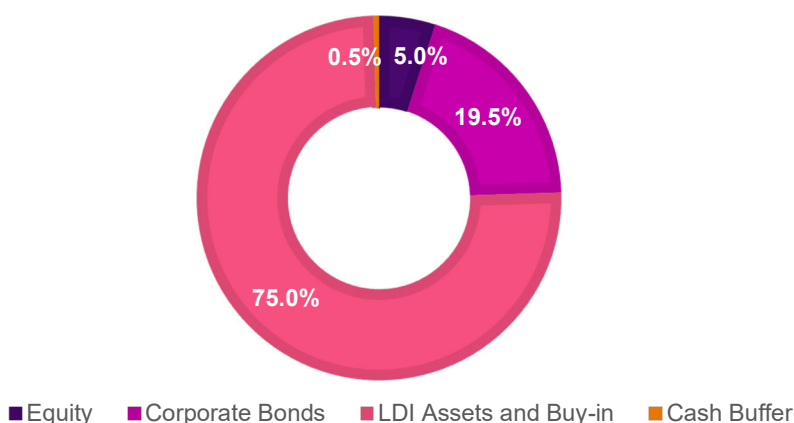
The Trustees' key overarching investment policies (including those in relation to climate) are detailed in the Trustees' Statement of Investment Principles ("SIP") which can be found online at the following link:

<https://www2.myworkpension.co.uk/Resources/Client/THPA/MemberSiteTHPA/MediaArchive/SchemeNotices/RECK/2024-10-02%20Reckitt%20Benckiser%20SIP%20September%202024.pdf>

The Trustees are ultimately the sole party responsible for overseeing all matters related to the Fund, including consideration of the potential impact of climate change on the employer covenant (with assistance from the Fund's advisors and in-house team), including climate-related risks and opportunities.

Context

The Fund's DB section has adopted a low-risk investment strategy as outlined in the strategic asset allocation (SAA) below:



Matching assets make up the majority of the Fund's investment strategy. The Fund has hedged 100% of the interest rate and inflation exposure of the Fund's liabilities, aiming to minimize the volatility of the funding level as a result of changes in these factors.

As at the end of March 2025 the Fund was c110% funded on its self-sufficiency basis. The low-risk nature of the DB strategy means that the scope to incorporate ESG factors to the underlying investments is more limited than it has been previously.

With the transfer of the Fund's DC assets to the Aon MasterTrust, the management of ESG risks and opportunities relating to these assets has also transferred to the MasterTrust provider.

Activities of the Trustee Board

As part of producing this statement, the Trustees have undertaken a number of activities designed to help them better understand the risks and opportunities associated with climate change and their possible impact on the Fund, including:

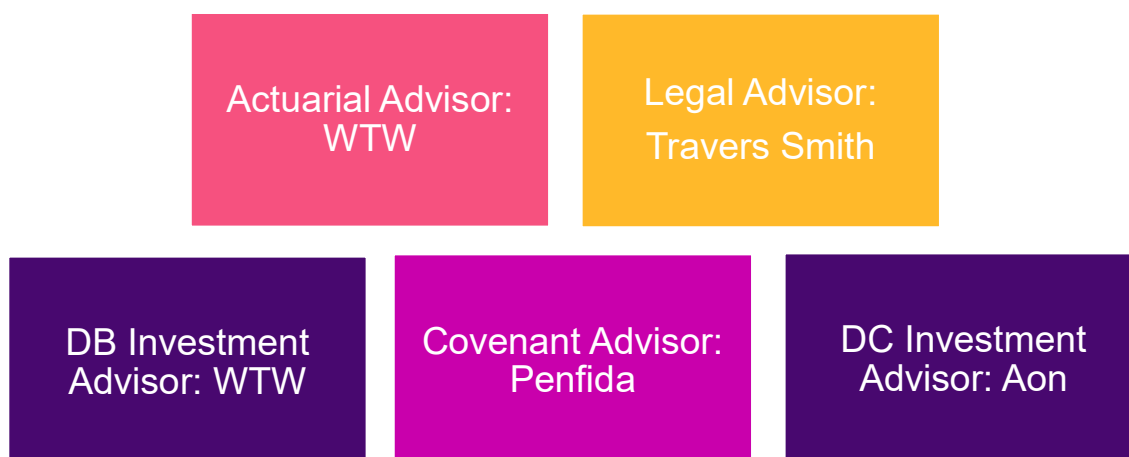
- Consideration of climate change scenario analysis and its potential impact on the assets and liabilities of the DB section of the Fund over time. This analysis is considered in more detail later in this report. This was last conducted in 2024.
- Consideration of the Fund's latest climate metrics and progress towards the stated objective. These metrics and the target are considered in more detail later in this report.

During the year, the Trustees transitioned its corporate bond holdings from the M&G Prudential Corporate Bond Fund into a newly launched product. As part of this decision, the Trustees carefully considered the sustainability credentials of the new fund, including its classification under the Sustainable Finance Disclosure Regulation (SFDR). This ensured that the reallocation aligned with the Fund's broader ESG objectives while maintaining appropriate credit exposure in line with the Fund's strategy. The Trustees are undertaking an investment strategy review this year, during which they will also review their sustainable investment beliefs. These updated beliefs will be incorporated into future decision-making to ensure alignment with the Fund's long-term objectives and ESG commitments.

The Trustees undertake all Fund governance activities in relation to identifying, assessing and managing climate-related risks and opportunities. Climate change and the risks associated with it are monitored by the Trustees on an ongoing basis through Climate Scenario Analysis which is conducted triennially or after significant changes to the investment strategy and/or modelling assumptions.

Service providers

The Fund's SIP sets out the roles and responsibilities of the Trustees and their advisors, including in relation to climate change and other sustainability factors. The Trustees retain ultimate responsibility for setting the Fund's policies, monitoring risks and opportunities and for managing the Fund's exposures to these. Towards the end of this section the roles and responsibilities of the Trustees' advisors are outlined for reference.



As part of its ongoing governance processes, the Trustees periodically undertake assessments of each advisor's capabilities, including where relevant in relation to the incorporation of climate change risks and opportunities into the advice provided. In addition to this, the Trustees have set formal objectives for the Fund's investment consultants, which incorporate the requirement to provide advice consistent with the Fund's SIP.

The Trustees request stewardship information from their investment managers on an annual basis. The Trustees review this information to determine the extent that the stewardship policies of the underlying investment managers continue to align with those of the Trustees. The Trustees have delegated the day-to-day stewardship activities to the Fund's investment managers and expect them to engage with investee companies with the aim of protecting and enhancing the value of assets; have knowledge of the sustainable investment policies of the investee companies and exercise the voting rights in relation to the Fund's assets.

The Trustees regularly review the continuing suitability of the appointed managers and take advice from their investment advisers with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. The Trustees make use of a number of pooled funds in their portfolio which limits their ability to directly influence the specific securities that are held. Further details of the Trustees' policies on the monitoring, selection and retention of its investment managers can be found in the Statement of Investment Principles and further information on the actions of the investment managers can be found in the Fund's annual Implementation Statement.

The role of the actuarial advisor

The Fund's Actuary is responsible for considering the impact of climate-related risks on the Fund's DB liabilities and funding strategy. The Fund's Actuary has considered the potential impact of climate-related risks on the Fund's funding assumptions (e.g. longevity and discount rate) as part of the last actuarial valuation. The Fund is well funded, with a high hedge ratio and a low risk investment strategy, as well as there being a proportion of the Fund's liabilities insured. The Fund's Actuary has taken account of the Fund's characteristics to help assess the potential impact on the Fund's funding position, and to consider the resilience of the funding and investment strategy. The Fund's Actuary considers the impact of climate-related risks on the Fund's Defined Benefit liabilities on a triennial basis (or more frequently if requested) in line with the Fund's triennial actuarial valuation.

The role of the legal advisor

The legal advisor is responsible for providing expert legal guidance to the Trustees to ensure the Fund is operated in compliance with the law and its governing documents. It supports the Trustees in meeting their climate-related governance, risk and disclosure obligations. Looking at each TCFD principle in turn the legal advisor contributes in the following:

- Governance – advises the Trustees on their legal duties to ESG and climate-related risks.
- Risk management – helps embed climate risk into existing risk management frameworks and Trustees decision-making processes and ensures that legal and contractual obligations (i.e. with asset managers or service providers) reflect climate-related risk considerations.
- Metrics and targets – ensure that disclosures made under TCFD are legally compliant and not misleading. Reviewing climate-related disclosures and annual reports to confirm proper caveats and liability protections are in place and is consistent with other reporting. It advises on compliance with statutory TCFD reporting obligations under pension law.

The role of the DB investment advisor

The DB investment advisor is responsible for advising the Trustees on investment strategy taking into account climate-related risks and opportunities, and for supporting the Trustees with monitoring and reporting in relation to ESG and stewardship.

The DB investment advisor is assessed against a set of objectives on an annual basis, in line with the regulatory requirements set by the Competition and Markets Authority. The advisor objectives set by the Trustees include specific references to ESG and climate-related risks and opportunities stating that due consideration must be given to the Trustees' views on ESG issues.

The role of the covenant advisor

A covenant advisor plays a critical role in supporting the Trustees of the Fund by assessing and monitoring the financial strength of the sponsoring employer. In regard to TCFD principles the covenant advisor role involves recognising how climate-related financial risks and opportunities affect the employer covenant, and how the Trustees can manage those risks with expert covenant input.

The role of the DC investment advisor

The DC investment advisor is responsible for helping the Trustees design, implement, monitor and review the investment strategy and fund choices available to its members. Its focus is on ensuring the investment options support good retirement outcomes for members, while complying with the Trustees' legal duties and regulatory expectations. The Fund has moved the majority of the DC assets to the Aon MasterTrust during the plan year ending 5 April 2025, with the aim of transitioning all DC assets by 5 April 2026.

Section 3: Strategy





Appropriately managing the risks and opportunities associated with climate change from a strategic perspective is a key part of the Trustees' role. The Trustees recognise that climate change could have a material impact on the potential success of the overarching funding strategy and therefore seek to ensure that this matter is given appropriate consideration. To support this, the Trustees undertake climate change scenario analysis to test the resilience of the Fund's funding strategy under a range of plausible climate scenarios. Importantly, the Trustees recognise that climate change could have a material impact on the investments of the Fund, the life expectancy of the Fund's members and the support provided by the Fund's covenant. All three aspects are therefore considered as part of this analysis. The Trustees' intention is to repeat this analysis at least every three years or sooner should there be a material change in either the Fund's circumstances or the assumptions underlying the analysis.

This scenario analysis was undertaken for the first time in 2022 and refreshed in 2024 as there was an update to the available scenarios for consideration, in addition to a significant change in the DB portfolio since the 2022 analysis. There have been no further significant developments since this analysis was undertaken and therefore it has not been revised for this statement.

To appropriately assess the impact of the climate change scenario analysis, the Trustees have agreed the following time horizons over which climate risks and opportunities should be considered:

- **Short Term** – 5 years: this is representative of a member reasonably close to retirement with a short time horizon for investment and represents an approximate timeframe in which a buy-in of the remaining DB liabilities might be achievable.
- **Medium Term** – 10-15 years: this is representative of a member in mid-career with a medium time horizon to retirement.
- **Long Term** – 30+ years: this is representative if a member in the early stages of their career with a long term time horizon to retirement.

The Trustees have identified the following categories of climate-related risks and opportunities:

 <p>Transition risk</p>	 <p>Physical risk</p>	 <p>Regulatory risk</p>	 <p>Reputational risk</p>
<p>The indirect impact arising because of changes in society and economies to combat or adapt to climate change</p>	<p>The direct impact arising because of chronic and/or acute changes in climate and extreme weather events</p>	<p>Regulators are increasing pressure on pension schemes to explicitly consider climate change.</p>	<p>The increasing spotlight on pension schemes and climate change increases the risk of being “named and shamed”</p>
<p>Examples:</p>			
<ul style="list-style-type: none"> • Assets: Some industries become obsolete (e.g. coal), reinvent themselves or others emerge (electric vehicles) • Liabilities: Improvements in mortality from healthier lifestyles 	<ul style="list-style-type: none"> • Assets: Damage to physical assets underpinning securities (e.g. real estate and infrastructure) • Liabilities: Excess deaths arising from extreme weather 	<ul style="list-style-type: none"> • Implementation Statement • DWP Pensions bill • Mandatory climate change reporting 	<ul style="list-style-type: none"> • 2018 EAC report on 25 biggest UK schemes

The Trustees have assessed how the categories identified are relevant to the agreed short-, medium- and long-term time horizons.

	Short Term	Medium Term	Long Term
Primary types of risk	<ul style="list-style-type: none"> Regulatory Reputational Transition 	<ul style="list-style-type: none"> Reputational Transition 	<ul style="list-style-type: none"> Transition Physical
Key risk exposure	<p>The Trustees are exposed to regulatory risks, including fines, if they do not comply with evolving regulatory requirements.</p> <p>The Trustees (and sponsor) are exposed to reputational risks if the Trustees' policies are misaligned with peers and/or sponsor.</p> <p>The Trustees are predominately exposed to transition risks through the passive corporate bond portfolios.</p>	<p>The Trustees (and sponsor) are exposed to reputational risks if the Trustees' policies are misaligned with peers and/or sponsors.</p> <p>The Trustees are exposed to transition risks through the passive corporate bond portfolios.</p> <p>Given the long-term nature of these risks, there is a high level of uncertainty in terms of the likely effect and the potential magnitude of their impact.</p>	<p>The Trustees (DB) may be exposed to transition risks through its holdings in various asset classes, either directly or through the insurer for the buy-in, (including equity, credit, property and infrastructure).</p> <p>The Trustees (DB) may be exposed to physical risk, either directly or through the insurer, through its holdings in various assets, in particular real assets including property and infrastructure.</p> <p>In an extreme left-tail event, exposure to, and poor management of these risks may weaken the funding position of the DB section (or strength of the insurer) and ability to meet pensioner benefits.</p> <p>Given the long-term nature of these risks, there is a high level of uncertainty in terms of the likely effect and the potential magnitude of their impact.</p>
Potential opportunities	<p>Encouraging existing funds to consider and where possible reduce exposure to transition risks and engage with companies to develop a strong transition plan.</p>		<p>Seek assets or insurance products that purchase assets with positive ESG credentials that aim to reduce the impacts of physical risk.</p>

Section 4: Risk Management

Climate change is a key risk and opportunity and therefore receives particular attention as part of the Trustees' ongoing risk management processes. The Trustees think about how it integrates climate into this in three ways:

Governance

The Trustees consider their sustainable investment beliefs and policies when making investment decisions. In their selection and monitoring of asset managers, the Trustees give consideration to their sustainable investment policies and practices. Investment managers are provided with a copy of the Fund's SIP and a summary of their voting and engagement activities are documented in the Fund's annual Implementation Statement.

Top-down

The climate change scenario analysis shown in the appendix, provides the Trustees with a holistic overview of the potential impacts of climate change and how they may affect the DB section's funding strategy (across assets, liabilities, and covenant). This is an important risk management tool for a top-down risk and opportunity assessment.

Bottom up

The Trustees also conduct an annual review of their investment consultants (by assessing performance relative to their strategic objectives) and underlying investment managers (through data collected for input into the implementation statement, for the assessment of the Fund's exposure to climate-related risks using the agreed metrics below and through reporting provided by the managers). The Trustees have been reassured by the information they have collected and the resulting assessments they have made to date.

The Trustees believe that engagement is the most effective tool in the management of risks for individual companies. The day-to-day role of engaging with companies is delegated to the Fund's investment managers.

Summary

Through the use of the variety of risk tools referenced above, the Trustees have identified a number of key areas to continue further work to help exploit and manage the opportunities and risks associated with climate change. The key priority is continuing to ensure that the investment managers are appropriately factoring climate change into their approach.

Section 5: Metrics and Targets

Introduction and overview

A key facet of the Trustees' ongoing monitoring and management of climate change is having good data on the Fund's exposure in this area. Although there are limitations with some of the metrics presented and the completeness of data, the Trustees still have a strong belief that these can helpfully inform the ongoing monitoring and management of the Fund. The Trustees consider metrics across the Sustainable Investment spectrum, but the focus within this statement is those in climate change. The metrics disclosed have been selected from the following categories:

- An absolute emissions metric
- An emissions intensity metric
- An alignment metric
- One additional climate change metric

It is also important to be clear which emissions are captured within the above metrics and therefore the Trustees have referred to the categories of emissions as follows:

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

Due to the nature of the emissions, scope 3 emissions are significantly more difficult to calculate than scope 1 or scope 2 emissions for any given entity. It is also the case that, for some assets, even scope 1 and scope 2 emissions are difficult to calculate. The Trustees have included Scope 1, 2 and 3 emissions within this report. Scope 1 and 2 emissions are reported separately to Scope 3 emissions given their differences in data quality and application. Further detail is provided on this under the Scope 3 section.

The Trustees have not collected data or calculated metrics for that portion of the Fund relating to Additional Voluntary Contributions (AVC) or for the DC assets. These assets comprise less than 1% of the DB assets as at 5 April 2025 and, accordingly, the Trustees consider this a reasonable and proportionate approach, given the minimal impact that these would have to the overall data and metrics collected and calculated for the remainder of the Fund's assets.

Overview of analysis

The following table details the rationale for choosing these metrics

Metric	Definition	Rationale
Total Carbon Emissions (“tCO2e”)	An ‘absolute emissions’ metrics which gives a measure of carbon emissions attributable to the Fund. This is calculated in line with the Greenhouse Gas (GHG) protocol methodology and currently includes only Scope 1 and 2 emissions. The underlying emissions data has been sourced from MSCI and, in line with the protocol, includes all the major GHG gases with a conversion into carbon emissions equivalent quantities. We have used each entity’s enterprise value, including cash (EVIC) to attribute carbon emissions.	Determined by the regulator.
Carbon Footprint (tCO2e / \$ invested)	An ‘emissions intensity’ metric which gives a measure of how many equivalent tonnes of carbon emissions each million invested causes. This uses a comparable methodology as the total carbon emissions referenced above for underlying data and emissions attribution for companies.	It provides a direct measure of absolute emissions, which ultimately impact global outcomes and provides a simple comparable measure across portfolios of different sizes.
Percentage of assets with approved Science based targets (“SBTi”)	A ‘portfolio alignment’ metric which is a forward-looking measure of the percentage of assets with targets validated by the Science-Based Targets Initiative.	It provides a consistent verification of a company’s alignment to the Paris agreement.
Climate-Focussed Engagement	Percentage and number of climate-focussed engagements undertaken by managers on behalf of the Fund.	This is consistent with the Trustees’ view (as set out in their Sustainable Investment Beliefs) that engagement is their preference over exclusion.

DB Section

The Trustees have selected 31 March 2022 as the baseline for setting their target. We have commented below on the change in carbon footprint for DB assets.

Assets excluding LDI and buy-in

These metrics follow the de-risking activity that was described earlier in this report

Scope 1 + 2	31 March 2024	31 March 2023
Total Carbon Emissions (“tCO2e”)	17,364 tonnes	13,064 tonnes
Carbon Footprint (tCO2e / \$m invested)	47.9 tonnes	39.5 tonnes
% of assets with approved Science based targets (SBTi)	26.8%	21.5%
Climate Focussed Engagements¹	861 (52%)	664 (20%)

Notes:

1. Climate focussed engagements related to equity fund holdings.

LDI Assets

The rationale for the current exclusion of Government Bonds from the Fund’s target is as follows:

- The Trustees primarily hold Government Bonds as assets to hedge the Fund’s liabilities and as such, even if reducing exposure to these assets would lead to an overall improvement in climate metrics, it would open the Fund up to excessive funding and investment risk
- The Trustees recognise that they have limited capacity and capability to engage with the Governments on climate related metrics
- The level of financial risk arising from these assets is perceived to be much smaller i.e. the influence of climate change on the price of Government Bonds in comparison to the other assets held is likely to be lower

Whilst the above provide the rationale as to why the Fund excludes liability hedging assets from the Fund’s target, the Trustees still believe it is useful to monitor these figures over time. As such, the table below shows the climate metrics provided by the LDI manager, LGIM.

Scope 1 + 2	31 March 2024	31 March 2023
Total Carbon Emissions (“tCO2e”)	22,899 tonnes	31,873 tonnes
Carbon Footprint (tCO2e / \$m invested)	60 tonnes	58 tonnes
% of assets with approved Science based targets (SBTi)	0.5%	0.4%
Climate Focussed Engagements	0 (0.0%)	27 (1.1%)

Assets excluding buy-in

Scope 3 emissions data is critical for building a more complete picture as we work to decarbonise our portfolios and the broader economy. While the Trustees continue to believe that current Scope 3 data remains limited—often subject to estimation errors and inconsistent methodologies—they acknowledge that data availability is improving. Notably, BlackRock now provides Scope 3 metrics, which were not available in the previous year, enhancing transparency across parts of the portfolio. Despite these improvements, the Trustees consider Scope 3 disclosures to be most meaningful when presented separately from Scope 1 and 2 emissions, and caution against using them for direct comparisons across investors or time periods. Accordingly, Scope 3 emissions are outlined separately in the reporting.

Scope 3	31 March 2024	31 March 2023
Total Carbon Emissions (“tCO2e”)	115,970 tonnes	71,966 tonnes
Carbon Footprint (tCO2e / \$m invested)	281.5 tonnes	134.0 tonnes

Notes:

1. All data provided by investment managers unless otherwise stated.
2. The buy-in has been excluded from the tables above.
3. Data for the property funds is as at 31 December 2023. Asset allocation is as at 5 April 2024.
4. Scope 3 emissions are not applicable to sovereign bonds. Since the LDI portfolio has a very small allocation to non-sovereigns it reports relatively low scope 3 absolute emissions yet a relatively high scope 3 carbon footprint.

Data quality

In calculating absolute emissions and carbon footprint, the Trustees were able to obtain data on 100% of the DB portfolio. Only data for the buy-in was excluded this year.

LGIM had previously included engagements in relation to the liquidity accounts used within the Fund’s LDI portfolio in their reporting. They have made the decision to exclude these this year to reflect the true engagements of the mandate more accurately. Given the holdings are mostly in gilts and swaps there is limited scope for engagement in this portfolio.

All the underlying carbon emissions data has been sourced from the managers directly. CO2e represents a single unit of measurement for total greenhouse gas emissions (often referred to as CO2 and equivalents) and includes the seven gases mandated under the Kyoto protocol.

Targets

The Trustees recognise that measurement of progress of the Fund and the whole investment industry in stewarding the transition to a net zero and climate-resilient economy is an important issue. There is no single definitive metric that can be used to adequately measure progress as climate is a multi-dimensional issue, and the data and analytics in this space are rapidly evolving. In line with the regulations, the Trustees have however set a target on a single metric which is outlined below. It is well acknowledged in the industry that there are several difficulties associated with measuring progress against a carbon footprint goal, such as data quality, backdating of metric information and the fact that changes in the metric are often driven largely by noise (e.g. a company value changing) rather than reductions in real world emissions. The Trustees therefore measure success by monitoring change in multiple metrics and also by reviewing the actual actions taken by the Trustee board and the third parties that it collaborates with.

As referenced, the Trustees have identified carbon footprint as the metric on which to set a target. This target is to reduce the Fund’s DB Section’s carbon footprint (scope 1 and 2 emissions) by approximately 50% by 2030 and to achieve net-zero by 2050. This will be measured from a baseline of 31 March 2022 and excludes LDI and the buy-in. The Trustees intend that this goal will be achieved through engagement (with the Fund’s underlying managers and companies invested in), strategic changes (investing in assets with lower climate risk) and also as a result of the ‘free-rider’ effect. This recognises that although the Trustees have and will take positive actions, the Trustees won’t be able to achieve this goal alone and will require the continued collaboration of the global community to combat climate change.

The DB portfolio has already achieved a 50% reduction in carbon footprint relative to its original baseline—marking significant progress toward its climate goals. However, over the 12 months to 31 March 2024, the footprint has increased slightly, rising from 40 tCO₂e per million dollars invested to 48 tCO₂e per million.

Over time, the Trustees expect that the longer-term trend of the Fund's carbon footprint will continue downwards, towards the Trustees' net-zero target. The Trustees, however, also recognise that there may be short term deviations in some years. This could be due to changes in underlying holdings and ongoing developments within the industry (such as data availability and methodology changes). The Trustees also recognise that a key driver of change will be the actions of governments, consumers and corporates and while the Trustees will do what they can to ensure the objective is achieved, there is reliance placed on the actions of others.

Going forward

The Trustees continue to focus on taking appropriate actions to manage the risks and opportunities and to monitor the balanced scorecard of climate metrics in line with the belief that climate change will have a material impact on financial outcomes in the future.

The Trustees are continuing to monitor the evolving climate measurement landscape with the expectation that the robustness of the metrics will improve over time. The Trustees look forward to sharing updates on progress in monitoring and managing climate risks and opportunities next year.

Appendix

DB Section Scenario Analysis

For the 2024 report, the Trustees had carried out climate change scenario analysis in partnership with its advisors. The aim of this analysis was to help the Trustees understand and quantify the potential effects of climate change on the Fund’s assets, liabilities and covenant and, where required, identify possible actions to address the risks and opportunities presented.

As part of this analysis, the Trustees considered five separate scenarios that could be taken to meet, or fail to meet, the temperature rise target agreed as part of the Paris Agreement. The Paris target is to limit global temperature rises to well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. The scenarios differ in the size of the physical risks, based on the resulting temperature impacts, but also in the size of the transition risks. In the view of the Trustees, the five scenarios selected reflect an appropriate range of plausible decarbonisation pathways and are relevant in the context of the Fund’s journey and funding plans. The Trustees recognise that there is the potential for more extreme outcomes than reflected in the chosen scenarios.

	Nationally Determined Contributions	Delayed Transition Below 2°C	Below 2°C	Net Zero 2050	Hot House World
Description	A “business as usual” outcome where current policies continue with no further attempt to incentivise further emissions reductions. Socioeconomic and technological trends do not shift markedly from historical patterns.	Delays in taking meaningful policy action result in a rapid policy shift around 2030. Policies are implemented in a somewhat but not completely co-ordinated manner resulting in a more disorderly transition to a low carbon economy. Emissions exceed the carbon budget temporarily, but then decline.	Globally co-ordinated climate policies are introduced immediately, becoming gradually more stringent over time. Companies and consumers take the majority of actions available to capture opportunities to reduce emissions.	A more ambitious version of the ‘Below 2°C’ scenario where more aggressive policy is pursued immediately. More extensive technology shifts are achieved with Carbon Dioxide Removal (‘CDR’) used to accelerate the transition, broadly in line with sustainable levels of bioenergy production.	The world follows a Net Zero 2050 pathway, however the resultant temperature outcome exceeds 2°C due to a lower than expected remaining carbon budget and/or the impact of climate tipping points. Use of CDR technologies is relatively low.
Temperature rise vs pre-industrial levels	~2.5°C	~2.0°C	~2.0°C	~1.5°C	~3.0°C
% of Renewable energy by 2050	c85%	c90%	c90%	c90%	c90%
Transition risk level (shorter term)	High	Medium	Medium	Low-Medium	Very High

Physical risk level (Medium-longer term)	Low	High	Medium	High	High
---	------------	-------------	---------------	-------------	-------------

Below, the Trustees have illustrated the impact of the climate change scenarios on the Fund's DB funding position. The Trustees have considered these over a timeframe that is consistent with the Fund's medium-long term time horizon (c.20 years). The Trustees recognise that assuming such climate scenarios are priced in gradually, year by year, is an unrealistic expectation and in practice this is likely to be far less linear. The Trustees have therefore assessed a one-off shock which seeks to illustrate the impact if climate change was to be reflected instantaneously. This assumes that markets immediately price in the transition and physical risks over the next 20 years and that the market initially overreacts to this news in struggling to price in the actual impact. Whilst this is potentially unrealistic, the Trustees think this helpfully stress tests the assumptions made in the analysis and helps consider how robust the funding strategy might be. The Trustees also recognise the uncertainty in the underlying assumptions and that, in reality, the shocks experienced could be larger.

In some climate scenarios, the modelling process implies reduced life expectancies (relative to other scenarios and/or schemes' central mortality assumptions) and therefore a relative reduction in the Fund's liabilities. This is a plausible potential outcome arising from the negative impacts of increasing climate change. This can suggest a relative improvement in the expected funding position for the Fund even when combined with associated reductions in the value of the Fund's assets (given their low-risk nature). However, it is important to recognise that an assessment of what is in the best interests of the Fund and its members is a much broader question than the impact on funding level alone. Key considerations may be a reduction in the quality (and length) of members' lives, and the quality of the environment that they will retire into. Consequently, the results of any such modelling should not be assumed to reflect any complacency or acceptance (either implicit or explicit) that the Trustees consider global inaction or business-as-usual with respect to climate change to be in the best interests of the Fund or its members. The Trustees believe that climate change is a systematic risk of unprecedented scale and severity. Actions to address it are a collective priority, given the risks it presents to pension schemes, the ongoing resilience of the savings universe, and the planet as a whole.

Below we show the asset and liability shocks (i.e. the impact on asset and liability values in the case where the impact of the climate scenarios over 20 years is priced in immediately) for the DB section of the Fund based on the portfolio that was in place and asset value as at 31 March 2024 and an estimate of the Fund's self-sufficiency liabilities at that date.

Scenario	Asset shock (reduction in assets, £m)	Liability shock (increases in liabilities, £m)	Immediate change in deficit (£m)	Immediate change in funding level
Nationally Determined Contributions	28	-22	5	-0.4%
Delayed Transition Below 2°C	41	-10	31	-3.8%
Below 2°C	18	16	34	-4.2%
Net Zero 2050	29	-3	26	-3.1%
Hot House World	53	-39	14	-1.4%

In its climate change reporting assessment, the company recognised transition risk as being particularly material for their business noting an accelerated transition could cause disruption as movement towards more sustainable products in the market could increase competition, However, they have mitigation strategies in place that they feel will be effective in a more phased policy approach. They noted that physical risks are expected to become more significant over the longer term. The Trustees recognise that the company's climate related targets align directionally with their own.

As a result of the combined analysis, the Trustees' assessment is that climate change poses significant risks for the Fund's assets and liabilities, with the funding level dropping by up to 4% in the climate scenario shocks (noting these shocks are not exhaustive and the actual position could be worse). Notwithstanding this, the Trustees note that the strong funding position of the Fund and the strength of the employer covenant are such that members' benefits would be expected to be paid in full following a stress event of this nature.