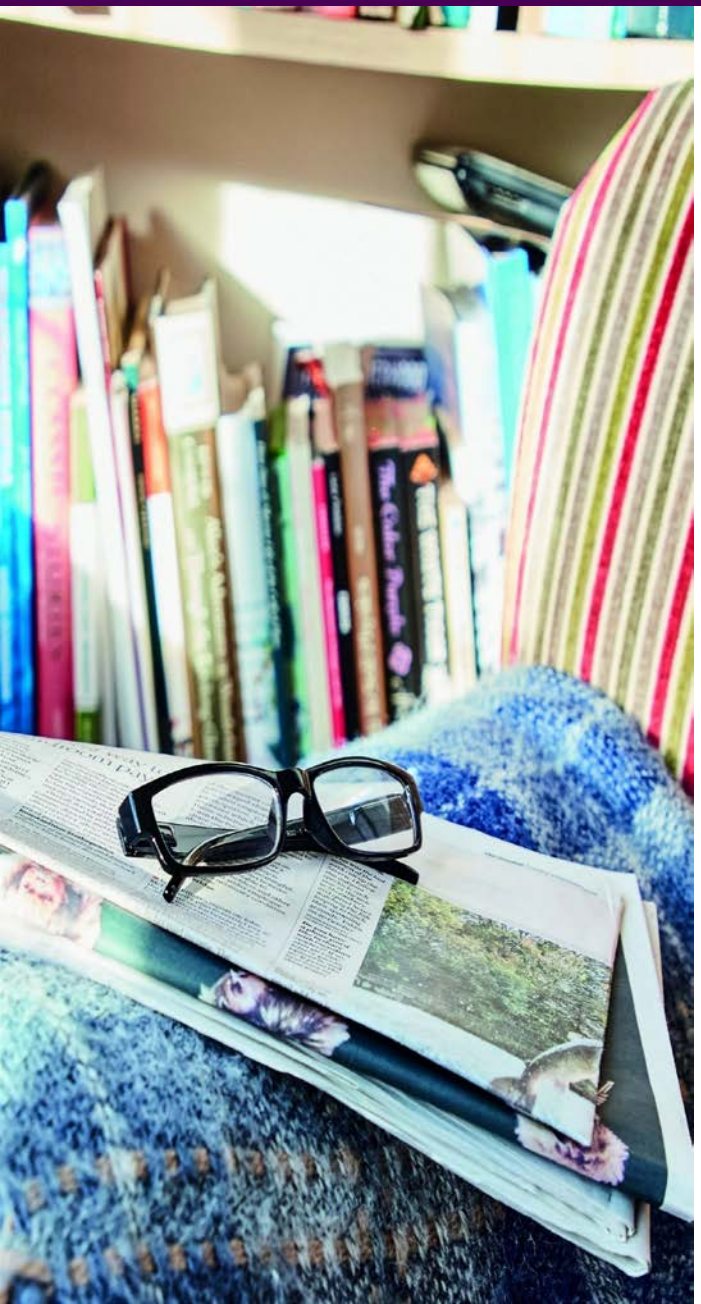
The Royal London Group Pension Scheme

How we manage climate-related risks and opportunities for the Scheme

A report for members by the Trustee of the Scheme, RLGPS Trustee Limited, for the year ending 31 December 2025

Why have we written this report?



Dear Scheme members

The Trustee believes that good management of Environmental, Social and Governance ("ESG") issues is important for the Scheme, its members and wider society. Accordingly, we place significant focus on ensuring the companies that we invest in are managing these issues well. It is pleasing to note that the Trustee and Royal London are very well aligned in this belief.

The Trustee also acknowledges that the impact of climate change on financial markets can only be mitigated through the collective actions of governments, corporates, non-government organisations and individuals. As such, the Trustee recognises that broader, policy-level interventions are essential to achieving meaningful, long-term impact. The Trustee therefore takes comfort from Royal London's efforts on policy advocacy, which includes engaging with government and policymakers to promote effective responses to climate risk.

Our fourth annual report provides you with the opportunity to find out more about the recent work carried out by the Trustee in relation to climate change. We are pleased to have made continued progress in this area, including the introduction of a new global equity fund with a stronger emphasis on investing in companies more closely aligned with a 'net zero' future.

Although this report is required by legislation, the monitoring of our investment manager's engagement with companies on strategic and ESG matters is a core part of our stewardship responsibilities.

We recognise that the content of this report is quite technical. We have used plain English wherever possible, but a glossary is included in Appendix 3 to help you understand the technical terms better.

We hope that you find it informative, and we would welcome any feedback – please contact the Trustee via the Scheme's administrators, Willis Towers Watson using email royallondongroup@wtwco.com or by phone on 0113 394 9307.

Andrew Evans

Chair of the Trustee

The Trustee's net zero ambition

The Trustee believes that climate change is a financially material factor for the Scheme. It represents a systemic risk to society, the economy and the financial system, although the transition to a low carbon economy also presents opportunities.

In managing the risks and opportunities associated with climate change, the Trustee decided in 2022 that an appropriate approach to addressing this is to align the Scheme's investments to achieve net zero[1] by no later than 2050.

In seeking to achieve this, the Trustee acknowledges that its current investment manager (Royal London Asset Management, RLAM) has the objective of achieving net zero across its investment portfolios by 2050, and an interim target of reducing carbon emissions by 50% no later than 2030[2] . This pathway will involve a process of decarbonisation in conjunction with active engagement with portfolio companies.

The Trustee intends to work closely with RLAM to achieve this transition pathway[3], and to seek opportunities to accelerate it where possible, provided it is consistent with the Trustee's duty to members.

Should the Trustee decide to invest with any additional managers, the Trustee will ensure that the manager is able to invest in line with this ambition.

1. A 'Net Zero' economy is one where the overall level of greenhouse gases that is being emitted globally is the same as the level of carbon dioxide that is being absorbed globally.
2 The commitment is baselined on the year 2020.
3. Based on the expectation that governments and policymakers will deliver on their commitment to achieve the goals of the Paris Agreement, and that required actions do not contravene Royal London's legal and regulatory obligations to its members and customers.

Overview

The Trustee of the Royal London Group Pension Scheme views climate change as a risk to society, the economy and the financial system, but also recognises that reducing carbon emissions throughout the economy presents opportunities.

These risks and opportunities may impact the Scheme's financial position, for example by impacting the businesses the Scheme invests in. The Trustee monitors this potential impact and takes steps to reduce climate-related risks for members.

This report describes how the Trustee has identified, assessed and managed climate-related risks and opportunities to the Scheme during the Scheme year to 31 December 2025.

Contents

Published alongside the Scheme's annual report and accounts for the Scheme year to 31 December 2025 and available online at **https://www.royallondon.com/about-us/our-performance/regulatory-and-governance-reports/group-pension-schemes/**

Key messages (how we manage climate change)

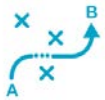
1. **Governance – the Trustee has a strong framework for managing the Scheme. This includes setting clear expectations and responsibilities in relation to climate change.**

A Climate Governance Statement sets out responsibilities of everyone involved

Climate-related risks and opportunities are reviewed regularly

The Scheme's advisers support the Trustee on climate-related matters

2. **Strategy and Risk Management – the Trustee has taken steps to understand how climate change might affect the Scheme and to control the risks it brings. The Trustee expects that climate change will have a bigger impact on the Scheme over the longer term. It aims to reduce the risks to the Scheme by:**



As funding improves, de-risking may also reduce climate risk, depending on the assets involved.

Investing responsibly, in line with the Trustee's policy on environmental, social and governance factors

Regularly reviewing the Scheme's investment manager's climate practices

Using the Scheme's influence as an investor to encourage positive climate action by companies

3. **Metrics and Target – the Trustee has collected and reviewed information about the Scheme's assets, to help understand the level of climate risks in the Scheme. It has set a target to increase the proportion of companies the investment manager engages with significantly on climate change, and reviews progress against this target regularly.**

Collected and reviewed greenhouse gas emissions data for the Scheme's investments

Reported proportion of investments with no data or estimated data, as an indicator of a potential focus for engagement.

Target to increase significant engagement with companies on climate change

Governance - oversight of climate-related risks and opportunities

How the Trustee maintains oversight of climate-related risks and opportunities

Establishing responsibilities

In June 2022, the Trustee agreed a full Climate Governance Statement which clearly lays out the division of responsibilities between the Trustee, its Investment Committee ("IC"), and the Trustee's advisers (across actuarial, investment and employer covenant). This helps to maintain appropriate oversight of the climate-related risks and opportunities relevant to the Scheme and so that the Trustee can be confident that its statutory and fiduciary obligations are being met. This Statement was reviewed in February 2025.

The Trustee's role

The Trustee of the Scheme has ultimate responsibility for ensuring effective governance of climate change risks and opportunities in relation to the Scheme.

As the Trustee has ultimate responsibility for scheme governance activities, its role is to review and discuss any information, decisions and proposals that have been made by the IC and/or its advisers. Having done so, the Trustee will then confirm or amend any decisions or proposals made, and ensure the decisions are implemented appropriately, having consulted with Royal London.

All decisions are approved by the Trustee, including but not limited to decisions relating to climate change.

The Trustee role also includes:

- agreeing training requirements and scheduling them into the business plan to ensure sufficient knowledge and understanding of climate change;
- putting effective climate governance arrangements in place;
- allowing for climate-related considerations when assessing and monitoring the strength of the sponsoring employer's covenant;
- ensuring the Scheme's advisers have clearly defined responsibilities in respect of climate change; and
- communicating with Scheme members and other stakeholders on climate change where appropriate.

The role of the Investment Committee

The IC provides the Trustee with regular updates and guidance following the reviews it has carried out and sets out any decisions that are required.

It does this by:

- reviewing, discussing and reporting all investment and funding advice received, including ensuring appropriate consideration of climate change;
- identifying and assessing the main climate-related risks and opportunities for the Scheme over various time periods and documenting the management of them;
- incorporating climate-related considerations into the Scheme's risk management framework;
- ensuring the Scheme's investment manager is managing climate-related risks and opportunities; and
- selecting and regularly reviewing metrics to inform the Trustee's assessment of climate-related risks and opportunities, and setting and monitoring targets to improve these metrics over time where appropriate.

The role of the Royal London pensions team

The pensions team's role is to ensure that the Trustee Board, IC and its advisers have full access to all the information needed on the Scheme and to help implement any decisions made. Members of the pensions team attend the Trustee's climate-related training sessions.

Governance - oversight of climate-related risks and opportunities

Oversight activities

By the Trustee

At its regular meetings each quarter, the Trustee receives and reviews:

- an update from the IC which includes any recent review of the Scheme's risk register. Where appropriate this includes updates in relation to the climate-related risks and opportunities identified; and
- an update from the IC and investment adviser on the Scheme's investments. Where appropriate these include updates in relation to the investment manager's climate policies, and its assessment of relevant climate-related risks and opportunities.

By the Investment Committee

The IC considers climate-related risks and opportunities within each investment topic and individual mandates as and when they arise at quarterly meetings.

Over 2025, the IC received an update from the Scheme's investment manager and investment consultant on the environmental, social and governance scores of each of the investment mandates, which included an assessment of climate risk. The review confirmed a broadly robust ESG framework with most mandates indicating that ESG factors are systematically embedded in RLAM's investment process.

The IC also regularly reviews:

- the Scheme's governance arrangements, investment beliefs and policies in relation to climate change (including a "roadmap" for the next 12 months);
- a report from the investment consultant that reviews the investment manager in relation to environmental, social and governance factors, climate change and overall engagement activity with companies;
- data on climate-related metrics and progress against the target set in relation to these metrics (including whether the target remains appropriate);
- whether it is appropriate to carry out scenario analysis that illustrates how the Scheme's assets and liabilities might be affected under various climate change scenarios (and time periods); the latest climate scenario analysis was conducted as at 30 June 2025 with the results shown in Appendix 1;
- the Scheme's consultants' climate competency including assessing how they have performed against their climate responsibilities.

Other activity

The Trustee also considers climate-related risks and opportunities whenever the following activities are undertaken:

- actuarial valuation of the Scheme;
- review of the investment strategy for the Scheme; and
- assessment of the sponsoring employer's covenant.

Appointments

Whenever it reviews its agreements, or appoints new consultants, the Trustee also considers and documents the extent to which the consultants' climate-related responsibilities are included in the agreements and/or any consultant objectives set.

In particular, the following objectives have been set for the investment consultant that are relevant to climate considerations:

- help and advise the IC and Trustee on how to set a clear journey plan that is focussed on a long-term funding target;
- help and advise the IC and Trustee to implement an investment strategy that integrates its policy on ESG (including climate change) and stewardship;
- help the IC and Trustee to have a good understanding of the range and nature of investment risks to which the Scheme is exposed;
- help and advise the IC and Trustee on how to develop and define its investment beliefs;
- monitor and manage risk on a regular basis and alert the IC and Trustee to any change in the risk profile and emerging risks; and
- advise the IC and Trustee to monitor appropriately and manage the performance of the investment manager relative to its targets.

Governance - oversight of climate-related risks and opportunities

Oversight activities (continued)

Annual business plan

When setting its annual business plan, the Trustee ensures appropriate coverage of ESG and climate-related topics.

In addition, the Trustee Directors assess their knowledge and understanding of climate risks and opportunities and identify any training requirements needed to ensure they have the skills required to manage these risks and opportunities.

Climate-related training sessions typically include an annual update on recent developments, with extra training on any time-critical developments. They may also include training in support of specific agenda items at Trustee meetings. The training undertaken is documented in the Trustee's training log.

Activities undertaken

During 2025, the Trustee and IC allocated significant additional meeting time to climate-related topics and commissioned additional advice in order to deepen their understanding of climate change, enhance the Scheme's management of climate-related risks and opportunities, and satisfy their regulatory obligations. The box on the right shows the items discussed by the IC and Trustee at various meetings.

Allocation of resources

The key idea behind allocating resources to this area is that the Trustee believes that ESG factors are likely to be one area of market inefficiency and so the investment manager may be able to improve risk-adjusted returns by taking account of ESG factors which include factors relating to climate change. In addition, careful management of ESG risks by the investment manager is very important.

Climate-related agenda items during 2025

- *In February 2025, the Scheme invested in RLAM's Global Equity Transitions Fund, which is a global equity fund explicitly aligned with a journey towards "net zero". The fund invests in companies that are either transitioning their business to a sustainable path, enabling the transition of others, or both.*
- *The Trustee reviewed its stewardship priorities, with a particular focus on the concept of 'Just Transition', which seeks to ensure the move to a net-zero economy supports the social needs of workers, communities, consumers and citizens. The Trustee has since decided to adopt Just Transition as a further company engagement priority, which is well aligned with RLAM and Royal London's own engagement plans.*
- *The Trustee conducted a full climate scenario analysis as at 30 June 2025 with the support of the Trustee's investment advisors. Quantitative analysis highlighted lower impacts to the Scheme's funding position under different climate change scenarios compared to previous analysis, given significant de-risking of the Scheme's assets over the last 3 years.*
- *In June 2025, the Trustee benchmarked RLAM's Responsible Investment (RI) practices against peers through its adviser's annual RI survey (which benchmarks them against industry best practice). The review highlighted areas for improvement, which the Trustee is now addressing through engagement with RLAM. A follow-up stewardship deep-dive in November 2025 provided a more detailed review of RLAM's stewardship practices. For more details, see page 13 of this report.*
- *In 2025, the Trustee invested in a second partial pensioner buy-in (insured by Royal London Mutual Insurance Society, "the insurer"). In the lead up to this decision, the Trustee (with their appointed buy-in adviser) considered the insurer's approach to Responsible Investment and was satisfied that the risks and opportunities associated with climate change would be addressed appropriately by the insurer.*
- *Planning a roadmap for Responsible Investment in 2026, with a particular focus this year on reviewing the Scheme's exposure to physical and social climate risks.*
- *Ensuring compliance with various climate-related requirements, including updated calculation of Scheme specific climate metrics and progress vs longer term targets.*
- *In December 2025, RLAM set a new target for the Scheme's emerging market equities, to keep its carbon footprint at least 10% below its comparator benchmark alongside an explicit net-zero footprint goal for 2050 with an interim target of a 50% reduction by 2030.*

Governance - oversight of climate-related risks and opportunities

How the Trustee incorporates climate-related risks into its Statement of Investment Principles

The Trustee incorporates its beliefs and policies on climate-related risks into its Statement of Investment Principles.

Climate beliefs within the Statement of Investment Principles (dated January 2025)

…the Trustee's investment beliefs, which influenced the setting of the investment arrangements, are as follows: …

- *environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors including factors relating to climate change;*
- *responsible investment in well governed companies and engaging as long-term owners can reduce risk over time and may positively impact Scheme returns;*
- *long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions.*

The latest SIP at the time of publishing this report was dated April 2026. The Trustee's climate beliefs documented within the SIP were unchanged throughout the reporting period.

Governance - oversight of climate-related risks and opportunities

The processes the Trustee has established to satisfy itself that adequate steps are being taken and that third parties are taking adequate steps to identify, assess and manage those risks and opportunities

The Trustee seeks input from its investment, actuarial and covenant advisers to ensure that it is able to identify, assess and manage climate risks and opportunities.

From time to time, the Trustee will review the climate competency of its advisers and take appropriate action if any concerns are identified.

In March 2025, the IC reviewed the Trustee's investment consultants against the agreed strategic objectives and concluded that the advisers had worked well with the Trustee to help further develop the Scheme's approach to ESG and related matters, including consideration of climate change where appropriate.

With appropriate advisers in place, the Trustee ensures that climate-related risks and opportunities are considered as part of any relevant advice, such as the actuarial valuation process, investment strategy review and assessment of the sponsoring employer's covenant, with climate change included in the agenda items for each of these at the relevant meetings.

The Trustee and IC satisfy themselves that their consultants take adequate steps to identify and assess climate-related risks and opportunities which are relevant to the matters on which they are advising by ensuring the consultants (where appropriate):

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

The Trustee also acknowledges that the investment manager plays a key role in assessing and managing climate risks and opportunities for the Scheme. The Trustee and IC satisfy themselves that the investment manager is taking adequate steps in this regard by:

- maintaining the written investment management agreement (and considering whether to include specific portfolio objectives with respect to climate change);
- reviewing investment manager performance on a quarterly basis, and portfolio scores with respect to ESG and trends over time on an annual basis;
- receiving an update on stewardship activities and outcomes in relation to the Scheme's investments on an annual basis; and
- assessing the level of investment manager activity relative to the agreed significant engagement target.

The Trustee also ensures that the IC has suitable experience in considering climate risk alongside appropriate training, to ensure that the risks are suitably considered, documented, reviewed and kept up to date.

Strategy and Risk Management

Introduction

The Trustee has implemented a framework for identifying, assessing and managing climate-related risks and opportunities, including climate scenario analysis, monitoring of metrics and targets and stewardship, as well as ensuring its advisers have processes in place to help it research its investment managers' climate-related practices.

This framework has helped the Trustee consider issues such as:

- the materiality of climate change risks to the Scheme;
- how to take account of transition and physical risks; and
- how climate change affects the Trustee's risk appetite.

The framework is used to identify the key risks that the Trustee should focus on. The Trustee then ensures these risks are fed into its investment decision processes for the Scheme as well as feeding into the covenant and funding processes. It also feeds into the Trustee's risk register to ensure all risks are being monitored and managed consistently and proportionately. The Trustee identifies and assesses climate-related risks through regular training sessions and engagement with RLAM on how climate change is integrated into investment decisions and stewardship activities. The Trustee also reviews annual climate metric scores produced by RLAM and receives an annual assessment of RLAM's ESG practices from its investment adviser, as well as periodic climate scenario analysis.

The Trustee has used climate scenario analysis as a key tool for identifying, assessing and managing climate-related risks and opportunities. In particular, it has used the analysis to identify the time horizons over which the physical and transition risks could materialise. It has then considered what the possible impacts of climate change could be over each of these time horizons and whether its current funding and investment strategies are likely to be robust against these risks (or able to take advantage of any opportunities).

Climate scenario analysis was carried out for the Scheme in September 2025, as at 30 June 2025 market conditions (see Appendix 1). The Trustee will carry out scenario analysis at least every three years and check annually if the review should be carried out sooner. The results of the analysis are fed into the risk management of the Scheme through specific covenant, investment and funding focused considerations and the interaction of these. The quantitative analysis highlighted reduced impacts to the funding position under each of the scenarios assessed, relative to the previous analysis carried out in 2022, due to investment de-risking steps taken over this period. The Trustee will take the following steps based on the findings of this analysis: a) integrate the risks discussed into its strategic decision making and ongoing journey planning discussions; b) continue to seek to de-risk the Scheme with appropriate assets to manage climate risks; c) monitor insurer pricing and the potential impacts that climate risk could have on this; and d) consider how resilient the Scheme's assets, liabilities and sponsor covenant are to climate risk and incorporate this in future reporting / member communication.

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

Time horizons	For the purpose of identifying and assessing climate-related risks and opportunities, the Trustee has defined the following time horizons for each section of the Scheme. These time horizons have informed the Trustee's climate-related considerations and decisions during the year.
Short term	**Up to 3 years** – In line with typical actuarial valuation cycle and therefore aligns decision making processes.
Medium term	**2035** – Aligned with long-term journey planning (currently under review).
Long term	**2050** – Broadly aligned with recognised industry objective to achieve Net Zero emissions by 2050 (the UK Government's target).

Strategy and Risk Management

Overview of the climate-related risk and opportunities relevant to the Scheme that the Trustee has identified

The Trustee has identified and assessed the risks and opportunities to the Scheme within each of these time horizons, as summarised below.

These risks and opportunities are considered further in the following sections where we discuss the Trustee approach to investment, covenant and funding risks and opportunities.

	Key risks	Key opportunities
Short term	Exposure to climate-related investment risks may be highest while the Scheme retains an allocation to growth assets (eg equities).	Climate-aware equity portfolios could help protect against transition risks and provide exposure to transition opportunities.
Medium term	Market volatility could cause investment losses and increase time to reach full funding on the long-term funding target.	Climate-aware corporate bond mandates should increase the resilience of assets to climate risks.
Long term	A failed energy transition could result in sustained high price inflation, reducing the value of some pension payments in real terms. Physical climate change risks have the potential to be significant in the context of demographic experience, either directly or through their wider effect on societal and economic activity.	Pension Schemes are long-term investors, meaning allocations can be made to assets like sustainable infrastructure to support the green energy transition.

Investment risk - overview

The Trustee considers climate risk as part of discussions on further de-risking of the investment strategy.

The Trustee and sponsoring employer have a pre-agreed plan to gradually reduce the Scheme's target holdings in growth assets as and when affordable to do so, in the context of the Scheme's long-term objectives.

During 2025, the Trustee completed a second buy-in transaction, which helped to reduce exposure to climate risk. The buy-in was funded via a blend of the Scheme's property and bond assets. This second buy-in effectively transfers part of the Scheme's climate risk exposure to the insurer. The regulatory regime, the insurer's reserves and the financial services compensation scheme continue to protect against insurer default due to climate change as well as any other risk.

The Trustee also made the Scheme's equities allocation more climate aware. **In February 2025, the Scheme invested in Royal London Asset Management's Global Equity Transitions Fund**, which is a global equity fund explicitly aligned with a journey towards "Net Zero". The fund is managed with a specific theme to invest in companies that are either transitioning their business to a sustainable path, enabling the transition of others, or both.

The Trustee regularly reviews the Scheme's exposure to climate-related risks in each individual investment portfolio and considers ways to limit its exposure.

Furthermore, additional clarification is now included with respect to prioritising the fund's financial objective over the climate objectives.

The IC continues to monitor climate-related investment risks and opportunities that arise.

The IC also meets with the investment manager regularly and these meetings include a review of the manager's ESG activities (including climate change) and how these align with the Trustee's expectations.

Approach to Stewardship, Investment Monitoring and Responsible Investment Review

Stewardship

The Trustee uses stewardship to help manage climate-related risks. Voting and engagement activities are delegated to the investment manager. The investment manager has its own ESG policies, which include assessment of climate-related risks and policies on voting on climate-related resolutions.

In order to monitor how the investment manager is exercising voting rights and undertaking engagement on behalf of the Trustee, the IC:

- periodically meets with the investment manager, to engage on how it has considered ESG issues (including climate change) within its stewardship activities and will seek to challenge the investment manager on these matters where they think this is in the best interests of members;
- further monitors the investment manager by receiving a stewardship report (which is independently reviewed by the Trustee's investment consultant) on an annual basis; and
- organised a dedicated Stewardship 'deep dive' session with the investment manager in November 2025 to thoroughly evaluate their stewardship approach and confirm alignment with the Trustee's beliefs.

Investment monitoring

The Scheme's investment adviser provides quarterly investment performance monitoring reports and any concerns in relation to the investment manager are monitored as part of this process. The investment manager also provides an annual assessment of portfolio ESG scores, to assess key risks and areas for further engagement

The IC is responsible for carrying out an annual responsible investment review (see opposite) and also receives and reviews detailed climate monitoring (including the chosen climate metrics) from its investment adviser and investment manager, on an annual basis.

The calculations and reporting of these metrics, along with other climate risk exposures, were discussed during the second half of 2025. The reporting included a comparison of the climate characteristics of each mandate. *For full findings see pages 17-24 of this report.*

Highlights from the Annual Responsible Investment Review

In June 2025 the Trustee, supported by its investment adviser, benchmarked RLAM's Responsible Investment (RI) practices against industry peers through an annual RI survey conducted by the Trustee's investment adviser. This was followed by a stewardship deep-dive in November 2025, which looked at RLAM's stewardship practices in greater detail.

The review concluded that RLAM's overall framework is strong – particularly its voting disciplines and climate-focused engagements. The review also identified priority areas for improvement, on which the Trustee will engage with RLAM.

The Trustee aims for active oversight of material climate- and ESG-related risks. This is currently done through annual stewardship deep-dive sessions and quarterly reports from its investment adviser.

Trustee's review of Royal London Climate Transition Plan

The Trustee's investment consultant reviewed Royal London's Climate Transition Plan, published over 2025, and the key findings were:

- Engagement: Royal London (RL) has set a target of engaging with companies covering 70% of financed emissions within five years, embedding active stewardship, with clearly defined escalation steps and the willingness to vote when those companies are falling behind or don't make enough progress.
- Emissions: RL pledges to cut financed emissions by 50% and run fully net-zero operations by 2030. They will encourage transition of highest emitters, including fossil fuel companies.
- Climate-aware solutions: RL will expand and adapt the range of climate-aware investment solutions offered to customers and clients.
- Operational and value chain emissions: RL will focus on energy efficiency and procurement, cut emissions from purchased goods, commuting and travel.

Royal London has set ambitious targets based on the framework developed by the UK Transition Plan Taskforce (TPT).

Approach to Stewardship, Investment Monitoring and Responsible Investment Review

Financially material considerations and non-financial matters

The Trustee considers how ESG considerations (including but not limited to climate change) should be addressed in the selection, retention, and realisation of investments, given the time horizon of the Scheme and its members. The Scheme's approach to ESG and other financially material factors are influenced through investment strategy and manager selection decisions.

The Trustee expects the investment manager to take account of financially material factors (including climate change and other ESG factors) within the parameters of the mandates it is set. The Trustee reviews how the manager is taking account of these issues in practice and encourage it to improve its ESG practices. The Trustee holds the manager to account through monitoring and engagement on these matters. While the Trustee's expectations are the same for pooled and non-pooled arrangements, its ability to influence implementation directly is more limited in pooled funds.

The Scheme's ambition is to align its assets with net zero greenhouse gas emissions by 2050 by investing with an investment manager with a credible net zero target.

The Trustee does not take into account any non-financial matters that are purely non-financial in nature (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments. However, the line between financial and non-financial factors is not always clear and some non-financial factors that may not immediately present as financially material may have the potential to become so in the future. The Trustee keeps this under review as part of its overall ESG considerations.

Voting and engagement

The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments and is in the best interests of the Scheme's members.

The Trustee seeks to appoint investment managers with strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council. The Trustee has delegated to the investment manager the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG factors. The Trustee expects its manager to undertake voting and engagement in line with its stewardship policies, considering the long-term financial interests of investors.

As all of the Scheme's non buy-in investments are held through the investment manager, the Trustee does not monitor or engage directly with issuers or other holders of debt or equity. The Trustee monitors the manager's activities in relation to ESG factors, voting and engagement on a regular basis. The Trustee seeks to understand how the manager is implementing its stewardship policies in practice to check that its stewardship is effective and aligned with the Trustee's expectations.

The Trustee has selected some priority ESG themes to provide a focus for its monitoring of investment managers' voting and engagement activities. The Trustee reviews the themes regularly and updates them if appropriate. These stewardship priorities are communicated to its manager each year. If the monitoring identifies areas of concern, the Trustee will engage with the manager to encourage improvements. The Trustee sets objectives and target dates for each formal engagement, reviews progress and has an escalation process which it will follow if progress is unsatisfactory.

Covenant risk and monitoring and DB funding risk

Covenant and risk monitoring

The Trustee considered the sponsoring employer's covenant and how this might interact with the Scheme under different climate transition outcomes.

In particular, the sponsoring employer has carried out significant research showing that its customers care about climate change and therefore believe that the best outcome for customers is that, collectively, it invests to achieve the goals of the Paris agreement.

As part of this commitment, the sponsoring employer is seeking to achieve net zero across its investment portfolio by 2050.

The commitment is based on the expectation that governments and policy makers will deliver on commitments to achieve the 1.5°C temperature goal of the Paris Agreement. It also assumes this action does not contravene the sponsoring employer's fiduciary duty to its customers. The commitment is baselined on the year 2020.

The Trustee believes that, by the sponsoring employer aligning itself with a net zero objective by 2050, the covenant risks associated with the potential financial outcomes of climate change over short, medium and longer-term periods on the Scheme are reduced. In addition, the sponsoring employer integrates climate-related risk into its overall risk management framework and moving fairly to a sustainable world is a core part of the employer's purpose and strategy.

When assessing the employer's covenant, the Trustee will ensure that climate risk has a specific focus. This will enable the Trustee to determine whether the employer's risks relating to climate change could impact the level of support available for the Scheme, especially when this support is most needed.

The Trustee considered this risk in detail in 2025 when the sponsoring employer presented on its plans to achieve its net zero commitment, alongside the investment manager. In addition, the sponsoring employer shares its Own Risk and Solvency Assessment with the Trustee Board annually, which includes climate risk scenario testing.

Funding risk

The Trustee has considered the funding strategy of the Scheme in light of the scenario analysis and discussions around covenant and investment.

In particular, the current funding strategy is considered to be somewhat resilient to climate change as it is targeting a more de-risked position by the time the Scheme is considered to be relatively "mature" (by 2035).

The funding position will still be susceptible to shocks over the short term from climate change being priced-in. If the Scheme is negatively impacted by such market shocks, the de-risking journey may be affected.

The Trustee will continue to monitor progress towards this more de-risked position to ensure that climate risks (and other risks) continue to be managed and where possible mitigated along the journey. This monitoring is carried out through regular funding updates and investment performance reviews.

The Trustee has considered the impact of climate change on member mortality, noting that there is a significant level of uncertainty on the impact of climate change. There are both positive and negative factors that could impact the Scheme under the scenarios considered.

Risk register

Trustee's risk register

The Trustee maintains a risk register covering the wide range of risks run in the Scheme. The IC maintains and updates the investment components of the risk register, with any amendments notified to the full Trustee Board. The Trustee's risk register includes a number of specific climate risks to ensure that the Trustee manages these as part of its regular risk reviews. Climate risk areas included in the risk registers are:

- Knowledge and understanding of climate risks
- Compliance with climate risk legislation
- Regular review of climate risks relevant to the Scheme
- Covenant and underfunding risk due to climate risks
- Reputational risks of not tackling climate risk appropriately
- Inadequate communication with members on climate risk

These are reviewed regularly to consider if any further risks need adding or amending, to assess any significant priority risks to manage and to ensure regular action is maintained in monitoring and mitigating these risks.

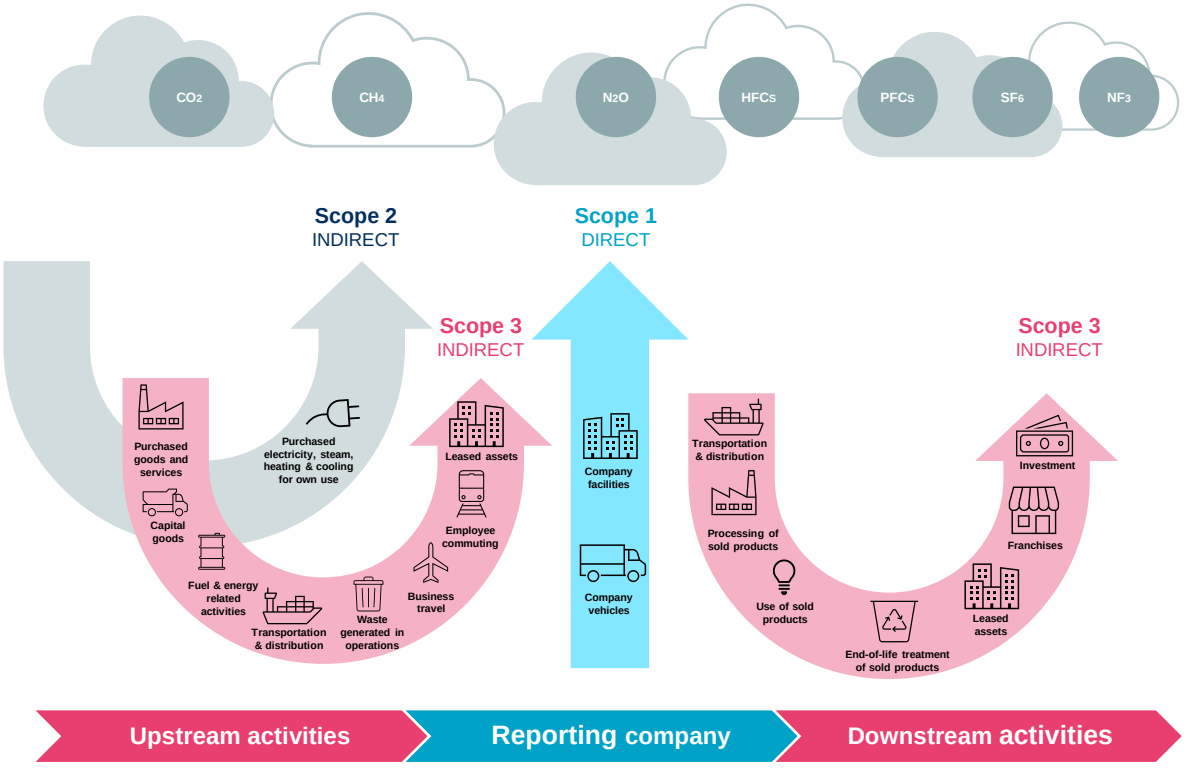
The Trustee monitors these risks regularly and takes action to mitigate them where possible, alongside considering ways of integrating more climate aware investment approaches within the Scheme's assets. For example, the Trustee received training on systemic risks (such as climate change) from its investment advisor and attended a session jointly prepared by its investment manager and investment adviser on stewardship best practices. The Trustee also reviewed an Own Risk and Solvency Assessment (ORSA) report on Royal London Group's exposure to various climate change scenarios.

Metrics and targets

Emissions metrics relate to seven greenhouse gases – carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3). The figures are shown as "CO_2 equivalent" (CO_2e) which is the amount of carbon dioxide that would be equivalent to the excess energy being stored by, and heating, the earth due to the presence in the atmosphere of these seven greenhouse gases.

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

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



Source: GHG Protocol

Metrics and targets

Metrics

The Trustee has chosen five climate-related metrics to help it monitor climate-related risks to the Scheme. These are listed below and reported on the following pages (as far as the Trustee was able to obtain the data).

Metric	High-level methodology
1. Absolute emissions: Total greenhouse gas emissions	The sum of each company's most recent reported or estimated greenhouse gas emissions attributable to the Scheme's investment in the company, where data is available. Emissions are attributed evenly across equity and debt investors. Reported in tonnes of CO_2 equivalent. This methodology was chosen because it is in line with the statutory guidance.
2. Emissions intensity: Carbon footprint	The total greenhouse gas emissions described above, divided by the value of the invested portfolio in £m, adjusted for data availability. Emissions are attributed evenly across equity and debt investors. Reported in tonnes of CO_2 equivalent per £1m invested. This methodology was chosen because it is in line with the statutory guidance.
3. Data quality	The proportion of the portfolio by weight of companies for which greenhouse gas emissions data is reported (verified* or otherwise), estimated or unavailable. This approach was chosen because it is in line with the statutory guidance.
4. Significant engagement	The proportion of the portfolio by weight of emissions that the investment manager has carried out significant engagements with respect to climate change. In this context, "significant" is defined as covering the most high impact companies and being made on the basis of change rather than just to collate information. The Trustee chose this metric because it was considered an effective route to reduce real-world emissions as engagement is more likely to lead to action than disinvestment, and this metric naturally will focus on addressing the heaviest emitters in the Scheme's investments.
5. Portfolio alignment (binary target)	The proportion of the portfolio by weight of companies that have a validated carbon emissions reduction target by the Science Based Targets initiative (SBTi) or equivalent**. This metric indicates the extent to which the Scheme's investments are aligned with the Paris Agreement objective of holding the increase in global average temperature to well below 2°C above pre-industrial levels, while pursuing efforts to limit it to 1.5°C. The Trustee selected this measure as it represents the most straightforward and robust of the available portfolio alignment metrics.

*Reported emissions are reported by the emitting company, and may or may not have been verified by a third party.

**The UK has a net zero by 2050 target written into law, with carbon budgets set based on advice from the independent Committee on Climate Change, so we regard UK government bond exposure as having a credible SBT. As such, we have treated UK government bonds as 100% SBT-aligned for the purposes of our metric assessments.

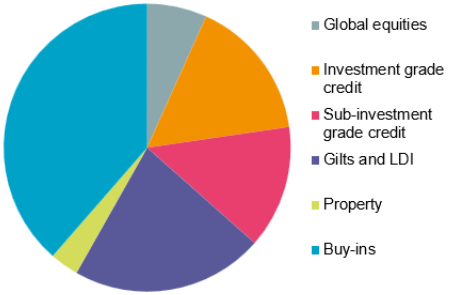
Metrics and targets

Metrics

The data has been calculated using portfolio holdings as at 30 September 2025 where available, sourced from the Scheme's investment manager and the Scheme's buy-in provider (with exception of the government bonds and LDI portfolio, which has been sourced from the Trustee's investment consultant).

Comparisons of data & metrics since the Scheme's Year 3 reporting is considered later in this paper.

Scheme asset allocation as at 30 September 2025 (including buy-ins)



Asset class (% allocation)	Details of missing data or estimations
Equities (7%)	Data coverage is high for the Scheme's physical global equity portfolio.
Credit (30%) – both investment and sub-investment grade	The level of data coverage within the corporate bonds is lower than some other assets. This is mainly because MSCI (who provided most of the data) does not provide certain information for corporate bonds that are not traded publicly, of which RLAM does hold a reasonable amount. The Trustee's investment consultant has previously engaged with MSCI to address this. They have said that they are increasing coverage of corporate bond issuers, and the Trustee's investment consultant has seen some improvement at the time of writing. The Trustee's investment consultant continues to be in dialogue with MSCI regularly around improving data.
Government bonds and LDI (22%)	Government bond metrics are calculated on a different basis to other mandates, so cannot be compared with them. The emissions intensity has been calculated as "total greenhouse gas emissions produced in the UK" divided by "UK GDP using PPP methodology" using publicly available data sources, consistent with guidance from the Partnership for Carbon Accounting Financials ("PCAF"). The GDP figure for the UK, sourced in US dollars, has historically been converted to Sterling using spot exchange rates for analysis. However, as part of a change in methodology, we now convert this figure using long-run purchasing power parity rates (consistent with the Global GHG Accounting and Reporting Standard for the Financial Industry). Total greenhouse gas emissions have been calculated as "value of your investment in gilts" multiplied by "emissions intensity". Note that there can be double counting across the portfolio where UK country emissions include UK company emissions already accounted for within the Scheme's other portfolios. In calculating metrics for the LDI exposure, we have treated derivatives as an investment in an equivalent gilt. Greenhouse gas emissions have been calculated for the gilt exposure (including the repo loan amount) but not the swap positions. This is in line with our understanding of the typical interpretation of the DWP guidance by investment managers and consultancies as not requiring calculation of emissions for swap exposures at this time.
Property (3%)	RLAM has quoted a 100% coverage for GHG emissions of the property assets. In achieving this, where insufficient data coverage was available for a property, RLAM has applied GRESB CO2e intensity benchmarks to the total floor area to estimate emissions.
Buy-ins (39%)	At the time of writing, the Climate metrics were provided by RLMIS for the bulk annuity contract as at 31 December 2024, representing the latest information available for these asset classes at the time of reporting. Given the nature of these investments, climate data is commonly reported on a time-lagged basis and this is consistent with broader market practice. The Trustee, supported by its investment adviser, has considered the information provided and is satisfied that it is appropriate for inclusion in this report. The Trustee will continue to review updated climate metrics as they become available.

Totals may not sum due to rounding.

Metrics and targets (comparison and interpretation)

The Trustee, with its investment consultant considered the climate metric information and used it to identify key trends / changes in metrics between 2024 and 2025. Key trends identified over the last year are set out in the table below. In response to these trends, the Trustee's investment consultant posed several questions to the investment manager, asking them to comment on material changes over the period. The comments received are also set out below. Further information on the Scheme's climate metrics and targets can be found across the following pages.

Over the four reporting years the Scheme has steadily improved most headline TCFD indicators: emissions coverage has improved significantly, the carbon footprint has generally fallen, and the quality of underlying emissions data has edged upwards. At the same time, a growing share of financed emissions is now subject to active climate engagement, and the proportion of portfolio companies with Science Based Targets has increased (except for the investment grade credit mandate). These shifts show ongoing progress towards the Scheme's climate objectives and net zero ambition. The progress for some of the Scheme's mandates has been better than others and the Trustee is focussed on improvement areas while maintaining success where it has been achieved.

High level summary

Asset class	Coverage	Carbon footprint	Data quality (Scope 1 and 2)	Portfolio alignment	Significant engagement	Investment manager response to Trustee questions
Global equities	Remains very high	Reduced	Remains high	Improved	Improved	
Emerging markets equities	Remains very high	Reduced for Scope 1 & 2	Remains high	Improved	Improved	
UK Real Estate / Property	Remains very high	Broadly unchanged	**Reduced for UK Real Estate Fund**	n/a	n/a	Following a change in ESG data platform in 2025, RLAM undertook a one-off meter-re-mapping that temporarily lowered the amount of data available. Data quality is expected to recover from 2026.
Multi asset credit (MAC)	Improved	Reduced	Remains very high	Improved	Improved	
Investment Grade (IG) credit	Improved	Reduced	Remains very high	Improved	**Reduced**	The fall in company engagement levels was a result of portfolio turnover as part of funding the second buy-in. Allocations to higher emitting companies were reduced or sold (reflected in a lower carbon footprint). As such, this did not reflect a decline in active engagement with high emitting companies.

Conclusions

Ultimately, **the Trustee accepts that there will be near-term fluctuations in data quality and portfolio alignment**, given the actively managed nature of the Scheme's investment portfolios (meaning that company holdings will change over time depending on the investment manager's views).

However, **over time the Trustee still expects to see improvements across all these metrics** as data quality in the investment industry improves and companies improve to take better account of climate risks and opportunities.

The Trustee was satisfied with RLAM's responses to questions raised, and is assessing whether complementary climate-focussed targets could be incorporated into future analysis to help mitigate the impact of significant portfolio turnover on a single metric.

Metrics and targets

Metrics – Equities and Property
(Figures in brackets denote figures from the 2024 TCFD report)

Portfolio	Market value (exposure)[7]	Scope 1 and 2 emissions (for holdings with data)				Scope 3 emissions (for holdings with data)				Portfolio alignment (SBTi)[5]	Significant engagement (% financed emissions)[6]
		Coverage	Emissions (tonnes CO_2e)[1]	Carbon footprint (tonnes CO_2e per £m invested)[1]	Data quality (% covered assets with reported emissions)[1]	Coverage	Emissions (tonnes CO_2e)[1]	Carbon footprint (tonnes CO_2e per £m invested)[1]	Data quality (% covered assets with reported emissions)[1]		
Global equities	£81m *(£84m)*	100% *(100%)*	3,715 *(4,282)*	46 *(51)*	80% *(81%)*	100% *(100%)*	31,958 *(36,197)*	393 *(433)*	0% *(0%)*	53% *(39%)*	58% *(56%)*
Global equity futures	(£12m) *[(£14m)]*	99% *(98%)*	489 *(660)*	40 *(50)*	80% *(81%)*	100% *(100%)*	4,456 *(4,875)*	364 *(368)*	0% *(0%)*	57% *(43%)*	n/a *(n/a)*
Emerging markets	£4m *(£5m)*	99% *(100%)*	479 *(523)*	113 *(115)*	93% *(91%)*	99% *(100%)*	2,262 *(1,497)*	537 *(330)*	0% *(0%)*	22% *(20%)*	5% *(2%)*
Global equity transitions**	£17m *(n/a)*	98% *(n/a)*	625 *(n/a)*	38 *(n/a)*	94% *(n/a)*	98% *(n/a)*	8,513 *(n/a)*	513 *(n/a)*	0% *(n/a)*	44% *(n/a)*	73% *(n/a)*
UK Real Estate*	£39m *(£51m)*	100% *(100%)*	39 *(32)*	1 *(1)*	73% *(96%)*	100% *(100%)*	1,196 *(462)*	31 *(9)*	25% *(30%)*	n/a	n/a
UK Property*	£59m *(£82m)*	100% *(100%)*	85 *(83)*	1 *(1)*	99% *(100%)*	100% *(100%)*	1,054 *(934)*	18 *(11)*	3% *(3%)*	n/a	n/a

Footnote references are explained on page 26. We have taken a proportionate approach to the Scheme's (relatively small) global equity futures positions and assumed the climate characteristics are consistent with the benchmark of the Scheme's global diversified equity portfolio. Scope 3 emissions data across the Scheme's non-LDI and government bond assets has been estimated. Coverage for global equity futures for Scope 3 emissions has been assumed to be identical to that of Global equities, given information was not readily available from RLAM at the time of writing.

Climate metrics were provided by Royal London for the property fund as at 30 September 2024 and by RLMIS for the bulk annuity contract as at 31 December 2024, representing the latest information available for these asset classes at the time of reporting. Given the nature of these investments, climate data is commonly reported on a time-lagged basis and this is consistent with broader market practice. The Trustee, supported by its investment adviser, has considered the information provided and is satisfied that it is appropriate for inclusion in this Report. The Trustee will continue to review updated climate metrics as they become available.

Metrics and targets

Metrics – Credit, Government Bonds and LDI
(Figures in brackets denote figures from the 2024 TCFD report)

Portfolio	Market value (exposure) [7]	Scope 1 and 2 emissions (for holdings with data)				Scope 3 emissions (for holdings with data)				Portfolio alignment (SBTi)[5]	Significant engagement (% financed emissions) [6]
		Coverage	Emissions (tonnes CO_2e)[1]	Carbon footprint (tonnes CO_2e per £m invested)[1]	Data quality (% covered assets with reported emissions)	Coverage	Emissions (tonnes CO_2e)[1]	Carbon footprint (tonnes CO_2e per £m invested)[1]	Data quality (% covered assets with reported emissions)		
MAC	£236m *(£256m)*	53% *(30%)*	14,014 *(10,031)*	113 *(131)*	96% *(91%)*	52% *(30%)*	99,129 *(69,653)*	804 *(912)*	0% *(0%)*	9% *(6%)*	34% *(12%)*
IG credit	£272m *(£473m)*	61% *(38%)*	3,114 *(8,551)*	19 *(47)*	94% *(97%)*	61% *(38%)*	24,916 *(25,784)*	150 *(147)*	0% *(0%)*	14% *(13%)*	14% *(44%)*
Index linked gilts[2,4]	£231m *(£392m)*	100% *(100%)*	32,633 *(66,478)*	142 *(170)*	100% *(100%)*	100% *(100%)*	36,870 *(53,191)*	160 *(136)*	100% *(100%)*	100% *(100%)*	n/a
Gilt futures[2,3]	(-12m) *[(-£0m)]*	100% *(100%)*	-1,662 *(-3)*	142 *(170)*	100% *(100%)*	100% *(100%)*	-1,877 *(-3)*	160 *(136)*	100% *(100%)*	100% *(100%)*	n/a
Hedging portfolio[2,3]	(£437m) *[(£417m)]*	100% *(100%)*	61,811 *(70,711)*	142 *(170)*	100% *(100%)*	100% *(100%)*	69,837 *(56,579)*	160 *(136)*	100% *(100%)*	100% *(100%)*	n/a

Note: Gilts metrics are calculated on a different basis to other mandates shown, so cannot be compared with them. The emissions intensity has been calculated as "total greenhouse gas emissions produced in the UK" divided by "UK GDP using PPP methodology" using publicly available data sources. The increase in gilt emissions and carbon footprint over the year is primarily due to a change in the methodology used for calculating emissions. Previously, the GDP figure for the UK, sourced in US dollars, was converted to Sterling using spot exchange rates. However, under the updated methodology, this conversion is now performed using long-run purchasing power parity rates (consistent with the Global GHG Accounting and Reporting Standard for the Financial Industry).

Footnote references are explained on page 25.

Metrics – Buy-ins

Buy-ins exposures	Market value (exposure) [7]	Scope 1 and 2 emissions (for holdings with data)				Scope 3 emissions (for holdings with data)				Portfolio alignment (SBTi)[5]	Significant engagement (% financed emissions)[6]
		Coverage	Emissions (tonnes CO_2e)[1]	Carbon footprint (tonnes CO_2e per £m invested)[1]	Data quality (% covered assets with reported emissions)	Coverage	Emissions (tonnes CO_2e)[1]	Carbon footprint (tonnes CO_2e per £m invested)[1]	Data quality (% covered assets with reported emissions)		
Corporate fixed income	£240m	69%	5,934	36	80%	71%	36,534	216	0%	n/a	14%
Sovereign debt[2,3]	£36m	100%	6,087	170	96%	100%	4,870	136	96%	n/a	n/a

Footnote references are explained on page 25.

The valuation for buy-in has been sourced from the Scheme Actuary (WTW) as at 31 December 2024. Climate metrics were provided by RLMIS for the bulk annuity contract as at 31 December 2024, representing the latest information available for these asset classes at the time of reporting. Given the nature of these investments, climate data is commonly reported on a time-lagged basis and this is consistent with broader market practice. The Trustee, supported by its investment adviser, has considered the information provided and is satisfied that it is appropriate for inclusion in this Report. The Trustee will continue to review updated climate metrics as they become available.

RLMIS has provided the asset split specifically for the bulk annuity business as at 31 December 2024, such that it is more representative of the underlying exposure of the Scheme's buy-in policies. We have proportionally split the Scheme's buy-in valuations to align with RLMIS' asset breakdown and have calculated climate metrics accordingly.

The Scheme's buy-in policies have c£35m exposure to Commercial Real Estate Loans and Private Placement Loans. RLMIS has not shared climate metrics for these illiquid assets due to availability of data. The sovereign debt allocation includes a cash component.

Metrics and targets

Progress vs previously agreed targets and potential next steps

Portfolio	Significant engagement (% financed emissions)		Target by 2027	Progress towards target	Next steps
	2024	2025			
Global Developed Equities	56%	61%	70%	Improvement	The investment manager is on track to achieve this objective, and the Trustee therefore considers it appropriate to retain the current target.
IG credit	44%	14%	70%	Significant decline	Due to portfolio management and bond selection decisions made within the Scheme's individual portfolios, the engagement percentage for the Scheme is subject to change depending on how many companies held are then captured in RLAM's emissions engagement list at an overall firm level. Over time, it is RLAM's and the Trustee's expectation that IG credit engagement figures will improve as RLAM has established an annual programme of engaging with the highest emitters each year, and the Trustee therefore considers it appropriate to retain the current target. The buy-in transaction completed during the year also accelerated turnover, as bonds were exchanged for insurance contracts, further reducing the proportion of holdings currently captured by RLAM's engagement list. However, the Trustee acknowledges that the target engagement level by 2027 is likely to prove challenging, and is considering introducing a complementary target to help mitigate the impact of significant portfolio turnover on a single metric.
MAC	12%	34%	n/a	n/a	The companies chosen for engagement are selected based on RLAM's total assets under management, of which MAC comprises a relatively small portion. As such, it is not currently considered appropriate to set a Scheme specific target for this portfolio.

Recap: rationale for the chosen target

The climate reporting carried out for the Scheme during the year included an assessment of the current level of significant engagement made by the investment manager with the companies held within the global equity and corporate bond mandates. This measure is weighted by financed emissions – i.e. it provides an indication of the total financed emissions of the portfolio that is actively being engaged with on climate change.

"Significant" is defined as the most high impact companies and being made on the basis of change rather than just to collate information.

The rationale for the preferred target was:

- *Setting an engagement target weighted by financed emissions naturally focusses action on the "worst emitters", which is viewed as an effective route to reduce real-world emissions.*
- *The investment manager already has a robust plan for engaging with portfolio companies as part of its own de-carbonisation plans (however the Trustee target has been set to stretch these existing plans further).*
- *Setting alternative portfolio alignment targets (i.e. to simply reduce financed emissions) could potentially lead to some counter-productive actions (e.g. companies selling "less green" parts of their business to new owners who are less incentivised to reduce emissions).*

Recap: the following steps are being taken to achieve the target:

- *The Investment manager is regularly invited to present at Trustee meetings as part of the existing monitoring process. When meeting with the Scheme's investment manager, the Trustee will ask the manager how it expects the engagement with portfolio companies to change over time and encourage the manager to engage with portfolio companies, prioritising those with the highest carbon footprint.*
- *The investment manager has the goal of net zero emissions by 2050 or earlier. This includes the use of effective voting (where applicable) and engagement with portfolio companies to encourage achievement of net zero. The investment consultant continues to engage with the manager on this topic and will encourage them to use its influence with portfolio companies to increase the engagement with the worst emitters.*
- *The Trustee will review progress towards the target each year and consider whether additional steps are needed to increase the chance of meeting the target.*
- *Each year, the Trustee may decide to apply a similar target to other parts of the assets, once data availability increases.*

Appendix - Metrics and targets

Footnotes / points to note in calculating metrics

[1] Figures relate only to the assets for which data is available. Total emissions are for the Scheme's assets, not the whole pooled fund where one is used.

[2] Gilts metrics are calculated on a different basis to other mandates shows, so cannot be compared with them. The emissions intensity has been calculated as "total greenhouse gas emissions produced in the UK" divided by "UK GDP using PPP methodology" using publicly available data sources. Total greenhouse gas emissions have been calculated as "value of your investment in gilts" multiplied by "emissions intensity". Note that there can be double counting across the portfolio where UK country emissions include UK company emissions already accounted for within the credit portfolio.

[3] In calculating metrics for your LDI exposure, we have treated derivatives as an investment in an equivalent gilt. Greenhouse gas emissions have been calculated for the gilt exposure (including the repo loan amount) but not the swap positions. This is line with our understanding of the typical interpretation of the DWP guidance by investment managers and consultancies as not requiring calculation of emissions for swap exposures at this time.

[4] In calculating metrics for the index-linked bond portfolio, we have assumed all bond holdings are issued in the UK. In practice, the actual proportion in these bonds is c98%.

[5] SBTi targets are the near-term targets and only include companies that already have targets, not those which have committed to set them. The UK has a net zero by 2050 target written into law, with carbon budgets based on advice from the independent Committee on Climate Change, so UK government bond exposure has been treated as having a credible science-based target.

[6] RLAM defines significant engagement as "covering the most high impact companies and being made on the basis of change rather than just to collate information".

[7] Market values for non-LDI portfolios exclude the value of any cash and sovereign bond holdings. Therefore, carbon footprint data also applies to the same market value.

*The emissions and valuations for the Royal London Property Funds are shown as at 30 September 2024 due to the availability of data.

**The Scheme had no investments in the RLAM Global Equity Transitions Fund as at 30 September 2024.

LCP Sources for LDI metrics below. LCP has calculated metric figures in line with DWP and PCAF guidelines.

GHG Emissions – Climate Watch (climatewatchdata.org)
Government debt – OECD Data (data.oecd.org)
GDP (PPP adjusted) – World Bank (data.worldbank.org)
United States CO2 emissions – Our World in Data (ourworldindata.org)
Global CO2 emissions – OECD Stat (stats.oecd.org)
UK government debt – Office for National Statistics (ons.gov.uk)

Appendices

Appendix 1 – Climate scenario analysis

Comparison to previous scenarios

The Trustee carried out a full climate scenario analysis as at 30 June 2025 (previously as at March 2022) with the support of their investment consultants. The analysis looked at three possible scenarios:

Scenarios considered and why the Trustee chose them

Transition	Description	Why the Trustee chose it
High Warming	There are no new* low-carbon policies enacted in this scenario and some existing ones are scaled back. Current technological trends continue. The world fails to meet the Paris Agreement goals, and temperatures rise significantly.	To explore what could happen to the Scheme's finances if carbon emissions continue at broadly current levels and this results in severe physical risks from changes in the global climate that disrupt economic activity.
Limited Action	Policymakers implement limited new climate policies and fall short of meeting the Paris Agreement goals.	To see how the Scheme's finances could play out if limited additional climate action is taken, meaning that temperatures rise far exceeds 2°C by 2100 - resulting in significant physical risks - and policy changes result in some transition risks as financial markets adjust.
Net Zero Financial Crisis	Global net zero carbon emissions achieved in the mid 2050s; rapid and effective climate action (including using carbon capture and storage), but financial markets react abruptly in 2026.	To look at the risks and opportunities for the Scheme if global net zero carbon emissions is achieved by the mid 2050s, but financial markets are volatile as they adjust to a low carbon economy.

*New compared to the International Energy Agency's World Energy Outlook 2022 – Stated Policies Scenario (STEPS)

The Trustee acknowledges that many alternative plausible scenarios exist, but found these were a helpful set of scenarios to explore how climate change might affect the Scheme in future.

The intricacies of climate systems present considerable difficulties in modelling the impacts on pension schemes' assets and liabilities. This is particularly true in the High Warming scenario where nearly 4°C of warming is observed by 2100. Due to the unprecedented nature of such warming, it is challenging to encompass all potential consequences within the modelling process. Simplifications in the modelling mean the actual impact on pension schemes may be more significant than is currently being modelled. The Trustee has considered the potential impact of such limitations in the modelling and is comfortable that, as long as these limitations are understood, the scenarios still provide valuable insights to inform climate risk assessment and management.

The scenarios' key features are summarised overleaf.

Appendix 1 – Climate scenario analysis

The climate scenarios considered by the Trustee

Scenarios as at 31 December 2024 – key features

Scenarios:	*High Warming*	*Limited Action*	*Net Zero Financial Crisis*
Low carbon policies	Continuation of current low carbon policies and technology trends	Moderate steps taken by policymakers to increase climate action but commitments made under the Paris Agreement are not fully met.	Ambitious low carbon policies, high investment in low carbon technologies and substitution away from fossil fuels to cleaner energy sources and biofuel. Carbon Capture and Storage also used to achieve global net zero by 2055.
Paris Agreement outcome	Paris Agreement goals not met	Paris Agreement goals not met	Global net zero CO_2 achieved by 2055; Paris Agreement goals not met.
Global warming	Average global warming is about 2°C by 2050 and 3.7°C by 2100, compared to pre-industrial levels	Average global warming is about 1.8°C by 2050 and 2.9°C by 2100, compared to pre-industrial levels.	Average global warming stabilises at around 1.6°C above pre-industrial levels.
Physical impacts	Severe physical impacts	High physical impacts.	Moderate physical impacts.
Impact on GDP	Global GDP is significantly lower than the climate-uninformed scenario in 2100. For example, UK GDP in 2100 predicted to be 50% lower than in the climate uninformed scenario.	Global GDP in 2100 predicted to be about 60% lower than in the Ortec Finance / Cambridge Econometrics base case.	Global GDP in 2100 predicted to be about 5% lower than in the Ortec Finance / Cambridge Econometrics base case.
Financial market impacts	Physical risks priced in over the period 2026-2030. A second repricing occurs in the period 2036-2040 as investors factor in the severe physical risks	Financial markets price-in climate-related risks in 2030 and 2039 as the scale of future risks become more widely accepted and understood.	Abrupt repricing of assets and a sentiment shock to the financial system in 2026.

*New compared to the International Energy Agency's World Energy Outlook 2022 – Stated Policies Scenario (STEPS)
Source: Ortec Finance, modelling as at 31 December 2024. Figures quoted are medians.

Appendix 1 – Climate scenario analysis

Modelling approach

- The approach used by the Trustee combined some narrative considerations of potential pathways that the world could take in relation to climate change, together with numerical analysis to consider the potential impacts on the Scheme.
- The scenarios are based on a model developed by Ortec Finance and Cambridge Econometrics. The outputs were then applied to the Scheme's assets and liabilities by LCP.
- For the quantitative output, the three climate scenarios are projected year by year, over the next c30 years.
- The results are intended to help the Trustee to consider how resilient the funding and investment strategy is to climate-related risks.
- The Trustee discussed how future planned changes to the investment strategy would change the analysis.
- The three climate scenarios chosen are intended to be plausible, not "worst case". They are only three scenarios out of countless others which could have been considered. Other scenarios could give better or worse outcomes for the Scheme.
- The results discussed in this report have been based on macro-economic and climate data at 31 December 2024, calibrated to market conditions at 30 June 2025.

For more information about the modelling approach, see next page.

Modelling limitations

The scenario modelling considered here makes no allowance for:

- Tail risks: These are events that are considered to be rare (ie a very low level of likelihood) but catastrophic to the extent that would severely disrupt economies, ecosystems and societies. As these events are considered to have low probabilities of occurring (they are in the tail of the probability distribution), they are very difficult to model with any accuracy. As the modelling did not cover these potential events sufficiently, the Trustees considered the potential for more extreme events in a qualitative way, through a discussion of how such events would affect the Scheme and the Trustee ability to pay member benefits.
- Variations from median outcomes
- Impacts of migration and increased likelihood of armed conflict
- Impacts of food and other resource shortages
- Other (systemic) risks (eg new pandemics, financial market volatility, energy security)

Tipping points are allowed for to some extent in the High Warming scenario, but not in the other scenarios.

Some aspects, such as market pricing-in shocks and the level of adaptation to climate risks are modelled in certain scenarios, but the impact and timing is highly uncertain and could mean actual outcomes are very different to what has been modelled.

These are key limitations of the modelling and can result in:

- Underestimating downside risks
- Simplifications masking some impacts that could be significantly better or worse (eg using simplified metrics to allow for weather events)

Appendix 1 – Climate scenario analysis

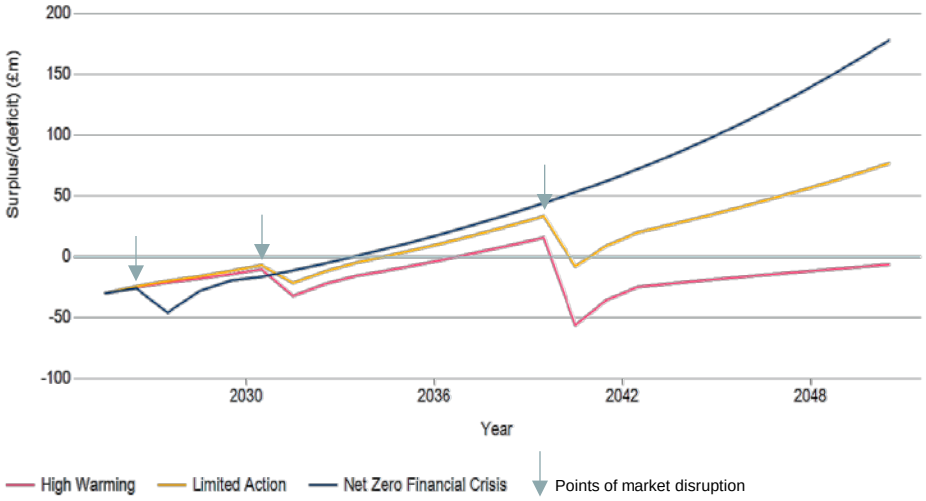
Modelling approach – more details

- The scenario analysis is based on a model developed by Ortec Finance and Cambridge Econometrics, and was then applied to the Scheme's assets and liabilities by LCP. The three climate scenarios were projected year by year, over the next c30 years.
- The modelling uses a top-down approach that consistently models climate impacts on both assets and liabilities, enabling the resilience of the Scheme's funding strategy to be considered. The model output is supported by in-depth narratives that bring the scenarios to life to help the Trustee's understanding of climate-related risks and opportunities.
- The modelling uses Cambridge Econometrics' macroeconomic model which integrates a range of social and environmental processes, including carbon emissions and the energy transition. It is one of the most comprehensive models of the global economy and is widely used for policy assessment, forecasting and research purposes. The outputs from this macroeconomic modelling – primarily the impacts on country/regional GDP – are then translated into impacts on financial markets by Ortec Finance using assumed relationships between the macroeconomic and financial parameters.
- Ortec Finance runs the projections many times using stochastic modelling to illustrate the wide range of climate impacts that may be possible, under each scenario's climate pathway. LCP takes the median (ie the middle outcome) of this range of impacts, for each relevant financial parameter, and adjusts it to improve its alignment with LCP's standard financial assumptions.
- LCP then uses these adjusted median impacts to project the assets and liabilities of the Scheme to illustrate how the different scenarios could affect its funding level. The modelling summarised in this report used scenarios based on the latest scientific and macro-economic data at 31 December 2024, calibrated to market conditions at 30 June 2025.
- The modelling assumed no further cash contributions and the Trustee discussed how future planned changes to the investment strategy for the Scheme would change the analysis. No allowance was made for changes to the investment strategy or contributions in response to the climate impacts modelled.
- As this is a "top-down" approach, investment market impacts were modelled as the average projected impacts for each asset class, ie assuming that the Scheme's investments are affected by climate risk in line with the market-average portfolio for the asset class. This contrasts with a "bottom up" approach that would model the impact on each individual investment held in the Scheme's investment portfolio. As such, it does not require extensive scheme-specific data and so the Trustee was able to consider the potential impacts of the three climate scenarios for all of the Scheme's assets.
- In practice, the Scheme's investment portfolio may not experience climate impacts in line with the market average. The Trustee considers, on an ongoing basis, how the Scheme's climate risk exposure differs from the market average using climate metrics (which are compared with an appropriate market benchmark) and its regular responsible investment reviews which considers the investment managers' climate approaches.
- The Trustee notes that the three climate scenarios chosen are intended to be plausible, not "worst case", and the modelling is based on median outcomes. It therefore illustrates how the centre of the "funnel of doubt" surrounding the funding projections might be affected by climate change. It does not consider tail risks within that funnel, nor does it consider how the funnel might be widened by the additional uncertainties arising from climate change. In addition, only three scenarios out of infinitely many have been considered. Other scenarios could give better or worse outcomes for the Scheme.
- Uncertainty in climate modelling is inevitable. In this case, key areas of uncertainty relating to the financial impacts include how climate change might affect interest rates and inflation, and the timing of market responses to climate change. The modelling, like most modelling of this type, does not allow for all climate-related impacts and therefore, in aggregate, is quite likely to underestimate the potential impacts of climate-related risks, especially for the Failed Transition scenario. For example, tipping points (which could cause runaway physical climate impacts) are only modelled in the High Warming scenario and no allowance is made for knock-on effects, such as climate-related migration and conflicts.

Appendix 1 – Climate scenario analysis

Potential impacts under each scenario

- The chart below illustrates the projected funding position of the Scheme (on a "self-sufficiency" basis) in each of the three scenarios considered.
- High Warming scenario (pink line) - this pathway focuses on the severe physical impacts of climate change and is most likely to disrupt the Scheme's journey plan. Return seeking assets (equities and property) are the main contributors to the negative impacts under the high warming scenario.
- Limited Action (amber line): The low carbon transition is not expected to be quick enough to create significant market volatility, so the more significant impacts on funding level come from the physical impacts of climate change. Impacts of physical climate risk are not as severe as under high warming but could still be significantly detrimental in some downside scenarios.
- NZ Financial Crisis (blue line): Biggest impact would be in the short to medium term as the low carbon transition evolves. Market turmoil as the transition picks up pace may have some limited impact on the funding position, but this is not expected to be significant given the low level of risk now being run by the Scheme.



All analysis is carried out as 30 June 2025 (funding level considered on a "self-sufficiency" basis). The analysis suggests a limited impact to the funding position under each of the scenarios. In practice, we would expect the Trustee to de-risk the investment strategy further through time which could materially impact these projections.

Scenario outcomes

The scenario analysis highlighted a number of potential financial impacts for the Scheme including:

- A limited impact to the funding position under each of the scenarios.
- Near term risks exist in relation to a market correction for "Net Zero Financial Crisis" transition, as the new carbon transition impacts global markets. The Trustee will work with its investment consultant and investment manager to ensure exposure to these risks are managed carefully. These considerations are already reflected in the ongoing RI-related work undertaken by the Trustee and its investment adviser, which helps ensure that transition risks are monitored and addressed as part of the Scheme's wider stewardship and risk-management activities.
- Longer-term risks exist for "High Warming" and "Limited Action" scenarios, although the Trustee is aspiring to achieve a low risk investment strategy ahead of these full effects potentially being felt in markets.

Impact of climate change on life expectancy

If a member lives longer, the Scheme pays the member's pension for longer and therefore needs more assets to make the payments. Like the economic impacts, the impact of climate change on life expectancy is highly uncertain. As part of the discussions on the climate scenario analysis, the Trustee considered the various possible direct and indirect drivers for changes in mortality rates.

For example, in the UK, the estimated number of deaths each year due to extremely hot temperatures (direct impact) is around 2,000 and around 25,000-60,000 cold-related deaths. If temperatures rise, we could expect fewer deaths due to cold periods, and more deaths due to more frequent and longer lasting heatwaves. The net effect in the medium term of direct deaths due to temperature changes in the UK is likely to be lower mortality rates overall.

Indirect drivers include disruption to health and social care services, and farming; interruption of food supply chains; increased risk of transmission of vector-borne diseases and lifestyle changes. The indirect consequences due to climate change could have a more significant impact in the UK than the direct deaths.

Given the level of uncertainty, the Trustee noted that no specific allowance has currently been made in the scenario analysis, but that it would keep up to date on developments in this area and consider it further as required.

Appendix 1 – Climate scenario analysis

Considering the Scheme's buy-in policies

The Scheme's existing buy-in assets have effectively transferred part of the Scheme's exposure to climate risk to Royal London Mutual Insurance Society (RLMIS).

The Scheme's insured liabilities are likely to be subject to similar financial risks to those illustrated for the non-insured liabilities. However, as the scenarios do not model the more extreme outcomes, it is assumed that insurers have been able to fully absorb and manage the effects, and so will continue to pay the contracted benefits in full. As a result, the net funding position for the Scheme's insured assets and liabilities is unchanged in all of the scenarios.

The buy-in assets also provide full hedging for the insured liabilities against the demographic risks associated with climate change.

Climate change is a systemic risk that will undoubtedly have profound impacts on the insurance sector over the coming years. To the extent that RLMIS or the insurance industry as a whole are unprepared for these changes, climate risk increases the chance that insurers will be unable to meet the benefit payments promised.

The regulatory regime, the insurer's reserves and the financial services compensation scheme (to the extent this covers your policy) continue to protect against insurer default due to climate change as well as any other risk. However, the systemic nature of climate change risk increases the chance that these regulatory protections prove insufficient, particularly in higher warming scenarios.

Appendix 2 – Data provided by RLAM

Methodological and data assumptions, limitations and disclaimers

We recognise there are currently limitations to the reliability and usefulness of climate data due to the emerging nature of climate data applications and methodologies in finance. Low levels of data coverage may give inaccurate fund statistics. All data is supplied for information purposes only and should not be relied upon for investment decisions. We endeavour to improve climate data in finance through our engagement with companies and data providers. We believe that technological innovations will make data more easily accessible and auditable in the future. We are also working with regulators, such as through the FCA's Climate Financial Risk Forum (CFRF) in the UK, to support the evolution of good practice in climate risk disclosures.

Although Royal London Asset Management Ltd's information providers, including but not limited to, MSCI ESG Research LLC and its affiliates (the ESG parties), obtain information from sources considered reliable, none of the ESG parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose.

We have identified the following areas where limitations are most evident:

Accuracy and availability of emissions data

Scope 1 and 2 emissions data

Not all companies disclose their emissions. The level and accuracy of disclosure varies across geographies and industry sectors, and where disclosures are made, they are typically subject to less rigorous auditing processes than financial data. Issuers disclose emissions with different levels of transparency, coverage and methodologies, making disclosures less comparable.

The accuracy of data is reduced further through "subsidiary mapping", where subsidiaries are mapped back to their parent company when subsidiary emissions data is not available. Where emissions data is still not available, our data provider applies its estimation methodology to allow for higher overall coverage.

Reported emissions are supplemented by estimated emissions calculated by our data provider to allow for higher overall coverage, which can make emissions data less reliable. Methodologies to estimate emissions can be based on a company's production data, historical companies' emissions reports or by using the subindustry segment intensity average. Since 2019, Royal London Asset Management has enhanced its Scope 1 and 2 emissions data with in-house research for fixed income credit instruments based on detailed knowledge of the issuers, capital structure considerations and underlying assets.

Royal London Asset Management uses its enhanced fixed income data set for Weighted Average Carbon Intensity (WACI). However, it is unable to use this same approach for financed emissions and carbon footprint as it is restricted by the calculation of enterprise value (EVIC for public markets, which includes equity market value) that is incompatible with the 'Equity + Debt' metrics for private companies, which are either not being disclosed or include equity book value (instead of market value). Royal London Asset Management provides this as an explanation of why data coverage may vary between metrics.

Scope 3 emissions data

Few companies are currently reporting their Scope 3 emissions resulting in only estimations being available for most of our holdings. Companies are selectively disclosing certain subcategories of Scope 3, often not the most material but the easiest to calculate, which can lead to underestimation of emissions if reported Scope 3 emissions are relied on for calculations.

There is a lack of consistency on the methodology being adopted across the industry to estimate these emissions. As a result, Scope 3 emissions can vary significantly across different data providers, and in the subsequent reporting across our peers. The Scope 3 estimation methodologies cannot follow entirely the GHG Protocol as it would require complete understanding of each company's entire value chain and market. Nonetheless, the methodologies are based on bottom-up company specific data when available but can also use top-down sector intensities. Estimations allow for better like-for-like comparison of Scope 3.

We note that the Scope 3 emission estimates are particularly weak for financials. This is mostly as methodologies for financials are only recently being supplemented by PCAF, disclosures are more complex and estimations involve using reference proxy portfolios and sub-industry average emissions which are less accurate in nature than estimations for sectors where activities can be tracked by revenue split or assets.

Accuracy and availability of financial data

The financial data standardised by ESG data providers used in this report may differ to data used in our internal financial analysis. For example, conversion rates and differences in tax system reporting make data less comparable. To assess companies' performance, we use the financial data from various data providers, including the ESG data vendors used in this assessment. This includes revenue, market capitalisation and enterprise value.

Timeliness of emissions data reporting

The comparability and timeliness of companies' disclosures is limited by research cycles and the rapidly moving landscape of corporate and policy climate pledges. Timing of disclosure varies across jurisdictions and companies, with announcements on climate strategy or emissions targets not necessarily following the financial disclosure schedules.

The data reported may not always utilise the most recently reported emissions from our underlying holdings, particularly with regard to our fixed income data set. The reported emissions are updated on a best-efforts basis following company disclosures which is in line with the carbon emissions data provided by our external vendor. MSCI and Royal London Asset Management make regular updates to their databases following company disclosures, but still do not always report the most recent carbon emissions for all companies. This results in carbon data often being out of date by 12-24 months. We endeavour to use the most up-to-date data available to us at the time of calculation.

MSCI make ongoing updates to their database, therefore the carbon emissions reported for our Funds can vary from one day to the next. Using our underlying holdings data as at the end of our financial reporting year (31 December), we extract our emissions data within 10 business days each year. This provides some consistency with the data from the previous periods.

Source: RLAM

Appendix 2 – Data provided by RLAM

Methodological and data assumptions, limitations and disclaimers

Asset class coverage

There are some asset classes where emissions data or methodologies to calculate proxies are not readily available, and therefore these are excluded from our analysis. This includes private markets and derivatives. While these make up a relatively small proportion of our Fund, we will aim to report emissions for these asset classes as they become available in the future.

Aggregation and data coverage

The percentage data coverage for each metric is based on the portion of corporate fixed income and listed equity with available data and expressed in % value in the Fund. For the portion of Fund where data (emissions or financial data, including holding value, revenue or EVIC) is not available, the holdings are removed and the Fund is reweighted to 100%. We follow the aggregation process that our data provider uses. The portion of our Fund that has no climate disclosures is assumed to mirror the behaviour of the holdings with available data. Sovereign debt follow the same aggregation and coverage logic explained above and are treated as a distinct Fund.

We classify assets internally to perform aggregation calculations. This means there may be, on occasion, incidents where we have excluded instruments from our analysis with available carbon data as they are not considered to be corporate fixed income or listed equity instruments.

Forward-looking and Fund alignment metrics

Forward-looking metrics are underpinned by many uncertainties and subjective choices. While we observe improvements, they may still:

- exclude widely accepted material climate risks that cannot be modelled, including the impacts from external policy decisions, market sentiment and climate tipping points.
- rely on material subjective assumptions, including viability of investee net zero plans and assumed sector-level transition pathways.

Data providers' methodologies, using the latest available climate science, will inevitably need to evolve with changes in scientific understanding. This could make our year-on-year disclosures non-comparable. Whilst quantitative information is useful, we do not rely on these forward-looking metrics for investment decisions or assessing climate risk exposure due to the limitations described [below]. This allows us to consider more nuanced qualitative assessment and judgement when making decisions.

Despite ongoing enhancements by data providers such as MSCI, modelling limitations look set to persist in the short term. We will continue to encourage enhancements by MSCI and other data providers, and we will strive to use and report the most logical and decision useful data available. This approach will be kept under review as the quality of climate data for financials improves and as decision makers become more familiar with the basis and limitations of climate metrics.

Source: RLAM

Methodological and data assumptions, limitations and disclaimers

Implied Temperature Rise (ITR)

ITR compares the current and projected greenhouse gas emissions of nearly every publicly listed company across all emissions scopes (based on the company's track record and stated reduction targets) with its share of the remaining global carbon budget for keeping warming this century well below 1.5°C. A company projected to emit carbon below budget can be said to "undershoot" the budget; a company projected to exceed the budget "overshoots" it. Implied Temperature Rise converts the overshoot or undershoot to an implied rise in average global temperatures this century, expressed in degrees Celsius (°C). An implied temperature of 1.5°C, for instance, indicates that a company is projected to remain within its share of a carbon budget that would keep warming this century to 1.5°C. An implied temperature of 2.5°C or 3°C, in contrast, would show that the company's emissions align with temperatures that keep rising, bringing greater harms. The portfolio-level Implied Temperature Rise compares the sum of projected greenhouse gas emissions against the sum of carbon budgets for the underlying constituents or holdings. The estimated carbon budget overshoot or undershoot for the portfolio in question converts to a degree of temperature rise.

The scientific inputs to the ITR model used by our data provider are carbon budgets based on IPCC reviewed research. Carbon budgets link economic activity to levels of carbon emissions and these emissions to a level of warming by the end of the century. The relationship between emissions and warming is well-established by science, but other assumptions remain subject to scientific debate. IPCC assertions and models have inherent uncertainties, probabilistic claims and confidence ranges typically used in climate science. For instance, the remaining carbon budget may change with new findings, as well as the upper boundary or worst-case warming scenario. Some modelling assumptions are socio-political such as the rates of population and economic growth and the relative importance of carbon removal strategies to expand the carbon budget through negative emissions (taking greenhouse gases from the atmosphere).

Further uncertainties arise when the global scientific carbon budget concept is applied to company emission intensities and their trajectories over time. For ITR, the allocation of a carbon budget to a company is similarly based on the company's emission intensity per dollar of revenue. This means that changes in the company's revenues, for factors unrelated to its emissions reductions such as M&A or sector cyclicality, affect the company's implied temperature scores. There are currently no factors of credibility included in the forward-looking trajectory of the company emissions. The ITR model assumes the company will meet its targets and does not provide judgement on whether those targets are credible or achievable.

Binary target metrics

As with ITR models, a key assumption in alignment metrics is that companies' emission targets are met. These metrics therefore may not account for the dynamic nature of climate change and the need for ongoing adaptation and mitigation efforts. A company that is currently considered 'aligned' may not remain so in the future if it does not adapt to changing climate change conditions or if the regulatory landscape shifts.

Other sources of uncertainty in the methodology include company emissions targets which are typically not standardised. These metrics provide limited detail regarding the climate targets that our investee companies have set, other than whether or not they have set these targets and if they are SBTi-approved.

SBTi provides a source of validation for corporate climate targets, however the initiative does not provide full disclosure of the material provided by companies to obtain verification. SBTi approval is also not a necessary requirement of a credible net zero target – companies may have credible net zero targets while choosing not to align with SBTi. Conversely, MSCI's companies with targets across all scopes' metric is susceptible to including companies that have set weak or immaterial targets in its count.

The SBTi allows for different methods for corporates to establish and receive validation of targets, some of which are more likely to avoid a global overshoot of the 1.5°C carbon budget. Additional shortcomings include that the SBTi is solely focused on emission reductions and not on full climate transition plans and does not provide a methodology for verification in key sectors where most global emissions are concentrated. Furthermore, the methodologies for target setting represent typically one possible path to net zero and there is a lack of acknowledgement of the multiple potential routes to net zero or a broader systemic understanding of the role that different companies within a sector may have to deliver emission reductions.

Data sources and quality

Financial data:

- Fund and benchmark data for Listed equities and Corporate fixed income is from Royal london Asset Management financial data systems with values as at end of 2023.
- Revenues and EVIC data from MSCI and revenues data from Royal london Asset Management's proprietary research are with values in-line with the date of the collected emissions data.

Emissions data:

- Royal london Asset Management discloses percentage of data sourced from Royal london Asset Management's proprietary research or from MSCI. It also discloses percentage of data reported by issuers and percentage of estimated data where either Royal london Asset Management or MSCI have used approximations.
- Listed equity emissions data comes wholly from MSCI.
- For fixed income securities, Royal london Asset Management has developed its own emissions research process which provides carbon emissions data that is more granular and relevant to fixed income issuers. The emissions figures are calculated using a formula which uses the sourced data as a preference where this data is available, supplementing with MSCI data or estimates where it has not gathered proprietary data. Royal london Asset Management's data for emissions includes a combination of company disclosures through annual reporting, sustainability supplements, filings to the carbon disclosure project and primary research by Royal london Asset Management's Responsible Investment and Credit teams. Where lending is to ring-fenced subsidiaries, Royal london Asset Management has tried to source carbon data and revenues specific to those subsidiaries.
- All Scope 3 data is sourced from and estimated by MSCI for both Corporate fixed income and Listed equities.

Source: RLAM

Appendix 2 – Data provided by RLAM

Methodological and data assumptions, limitations and disclaimers

The metrics we disclose are following requirements captured in the United Kingdom Financial Conduct Authority and the Department for Work and Pensions climate disclosures regulations. Our climate scenario analysis uses the Network for Greening the Financial System (NGFS) climate scenarios. As of March 11th 2025, the NGFS is a network of 145 Central Banks including the Bank of England.

We follow the Task Force for Climate-related Financial Disclosure (TCFD) and Climate Financial Risk Forum (CFRF) industry recommendations.

MSCI disclaimer

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Important information

Past performance is not a guide to future performance. The value of investments and the income from them is not guaranteed and may go down as well as up and investors may not get back the amount originally invested. Capital at risk. Portfolio characteristics and holdings are subject to change without notice. The views expressed are those of Royal London Asset Management at the date of publication unless otherwise indicated, which are subject to change, and is not investment advice.

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Source: RLAM

Appendix 2 – Data provided by RLAM

Property metrics: methodology notes

1. Due to the nature of carbon, energy and water data for property, the data presented in this section is taken from 1 October 2022 (Q4) to 30 September 2023 (Q3), and 1 October 2023 (Q4) to 30 September 2024 (Q3). The need to report Q4 to Q3 data is common within the property management industry and is driven by delays in data availability.
2. For the property reporting period of Q4 2023 – Q3 2024, there have been some methodological changes to the Scope 1, 2 and 3 emissions calculations. This includes benchmarking and estimations. Therefore, the last two years may not be directly comparable.
3. Scope 1 is inclusive of emissions from landlord-procured gas (excluding occupier spaces) and fugitive emissions from refrigerants. Scope 2 is inclusive of emissions from landlord-procured electricity (excluding occupier spaces). Scope 3 is inclusive of:
   - purchased goods and services
   - capital goods (including development activities)
   - energy transmission and distribution
   - landlord-procured water emissions
   - landlord-managed waste emissions
   - end-of-life treatment of sold products
   - indirect investments
   - emissions from energy consumption in occupier spaces.
4. Please see RLAM's Property Net Zero Carbon Pathway Progress Report (2024) for a full breakdown of Scope 1, 2 and 3 emissions by GHG source. Like-for-like intensity metrics are calculated only where whole building coverage is available to align with the INREV reporting guidelines. It relates only to internal (gross internal area (GIA)) utilities. Assets sold or purchased during the reporting period and assets with incomplete data sets have been excluded from like-for-like analysis.
5. Energy intensity calculations are inclusive of data from assets which have whole building data and full coverage across the reporting period.
6. Where data has not been available, GHG emissions calculations have utilised benchmarks and averages. Therefore, total emissions and intensities cover the GIA of each fund.
7. See Appendix II for methodological and data assumptions, limitations and disclaimers.

Source: Royal London Group

Appendix 2 – Data calculated by LCP

Notes for data sourced from LCP calculations based on publicly available data in respect of government bonds.

Government bond metrics are calculated on a different basis to other asset classes, so cannot be compared with them and should not be aggregated with them. They are typically much higher than emissions metrics for corporate debt.

Note that manager estimates of emissions data may differ materially from those calculated by LCP due to differences in methodologies, sources of data and/or dates of calculation.

The Scope 1+2 emissions intensity has been calculated as:

$$\frac{total\ GHG\ emissions\ produced\ in\ Country\ A}{PPP-adjusted\ GDP\ of\ Country\ A}.$$

Scope 3 emissions intensity has been calculated similarly, except that the emissions are those embodied in goods and services imported by the country and consumed within the country (rather than re-exported), rather than emissions produced in the country.

In both cases, Total greenhouse gas emissions have been calculated as:

$$emissions\ intensity * value\ of\ your\ investment\ in\ \text{government bonds.}$$

These are measures of the country's reliance on greenhouse emissions. There can be issues of double counting across the portfolio where the country's emissions double count the country's company emissions already accounted for within other asset classes.

Appendix 3 – Glossary

Actuarial valuation – an actuarial valuation estimates the amount of money a pension scheme needs today to be able to pay all future promised benefits to members. The difference between this amount and the actual level of assets, is referred to as the funding level. This is typically performed every three years. In making this estimate, various assumptions are used such as the level of investment return that might be made on the assets (on a prudent basis) and future inflation expectations.

Alignment – in a climate change context, alignment is the process of bringing greenhouse gas emissions in line with 1.5°C temperature rise targets. It can be applied to individual companies, investment portfolios and the global economy.

Asset class – a group of securities which exhibit broadly similar characteristics. Examples include equities and bonds.

Avoided emissions – these are reductions in greenhouse gas emissions that occur outside of a product's life cycle of value chain, but as a result of the use of that product. For example, emissions avoided through use of a wind turbine or buildings insulation.

Bond – a bond is a security issued to investors by companies, governments and other organisations. In exchange for an upfront payment, an investor normally expects to receive a series of regular interest payments plus, at maturity, a final lump sum payment, typically equal to the amount invested originally, or this amount increased by reference to some index.

Carbon emissions - These refer to the release of carbon dioxide, or greenhouse gases more generally, into the atmosphere, for example from the burning of fossil fuels for power or transport purposes.

Carbon footprint – In an investment context, the total carbon dioxide or greenhouse gas emissions generated per amount invested (eg in £m) by an investment fund. Related definitions are used to apply the term to organisations, countries and individuals.

Climate change adaptation – steps taken to adapt to the physical effects of climate change such as improving flood defences and installing air conditioning.

Climate change mitigation – steps taken to limit climate change by reducing greenhouse gas emissions, for example by shifting to renewable sources of energy – such as solar and wind – and by using less energy and using it more efficiently.

Covenant – the ability and willingness of the sponsor to make up any shortfall between a DB scheme's assets and the agreed funding target.

Credit – long-term debt issued by a company, also known as corporate bonds. Corporate bonds carry different levels of credit risk which is indicated by their rating and credit spread.

Defined Benefit (DB) – a pension scheme in which the primary pension benefit payable to a member is based on a defined formula, frequently linked to salary. The sponsor bears the risk that the value of the investments held under the scheme fall short of the amount needed to meet the benefits.

Debt – money borrowed by a company or government which normally must be repaid at some specified point in the future.

Default strategy – the fund or mix of funds in which contributions in respect of a DC member will be invested in the absence of any explicit fund choice(s) of that member.

Environmental, social and governance (ESG) – an umbrella term that encompasses a wide range of factors that may have been overlooked in traditional investment approaches. Environmental considerations might include physical resource management, pollution prevention and greenhouse gas emissions. Social factors are likely to include workplace diversity, health and safety, and the company's impact on its local community. Governance-related matters include executive compensation, board accountability and shareholder rights.

Equity – through purchase on either the primary market or the secondary market, company equity gives the purchaser part-ownership in that company and hence a share of its profits, typically received through the payment of dividends. Equity also entitles the holder to vote at shareholder meetings. Note that equity holders are entitled to dividends only after other obligations, such as interest payments to debt holders, are first paid. Unlike debt, equity is not normally contractually repayable.

Appendix 3 – Glossary

Fossil fuels – fuels made from decomposing plants and animals, which are found in the Earth's crust. They contain carbon and hydrogen, which can be burned for energy. Coal, oil, and natural gas are examples of fossil fuels.

Funding position – a comparison of the value of assets with the value of liabilities for a DB pension scheme.

Gilts – bonds issued by the UK government. They are called gilts as the bond certificates originally had a gilt edge to indicate their high quality and thus very low probability of default

Global warming – a gradual increase in the overall temperature of the earth's atmosphere generally attributed to increased levels of carbon dioxide and other pollutants.

Greenhouse gas (GHG) emissions (scopes 1, 2 and 3) – gases that have been and continue to be released into the Earth's atmosphere. Greenhouse gases trap radiation from the sun which subsequently heats the planet's surface (giving rise to the "greenhouse effect"). Carbon dioxide and methane are two of the most important greenhouse gases.

Investment mandate – see pooled mandate and segregated mandate

Integrated risk management – Integrated risk management is an approach used by DB pension scheme trustees to identify, manage and monitor the wide range of risks (relating to investment, funding and covenant) which might impact the chances of meeting their scheme's overall objectives

Liabilities – obligations to make a payment in the future. An example of a liability is the pension benefit 'promise' made to DB pension scheme members, such as the series of cash payments made to members in retirement. The more distant the liability payment, the more difficult it often is to predict what it will actually be and hence what assets need to be held to meet it.

LDI (Liability Driven Investment) – an investment approach which focusses more than has traditionally been the case on matching the sensitivities of a DB pension scheme's assets to those of its underlying liabilities in response to changes in certain factors, most notably interest rate and inflation expectations.

Net zero – this describes the situation in which total greenhouse gas emissions released into the atmosphere are equal to those removed. This can be considered at different levels, eg company, investor, country or global.

Offsetting – the process of paying someone else to avoid emitting, or to remove from the atmosphere, a specified quantity of greenhouse gases, for example through planting trees or installing wind turbines. It is sometimes used to meet net zero and other emission reduction targets.

Paris Agreement – the Paris Agreement is an international treaty on climate change, adopted in 2015. It covers climate change mitigation, adaptation and finance. Its primary goal is to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.

Physical risk – these are climate-related risks that arise from changes in the climate itself. They include risks from more extreme storms and flooding, as well as rising temperatures and changing rainfall patterns.

Pooled mandate – a feature of a collective investment vehicle whereby an investor's money is aggregated (ie "pooled") with that of other investors to purchase assets. Investors are allotted a share of those assets in proportion to their contribution. Ownership is represented by the number of "units" allocated – eg if the asset pool is worth £1m and there are 1m units then each unit is worth £1. Pooled funds offer smaller investors an easy way to gain exposure to a wide range of investments, both within markets (eg by buying units in a UK equity fund) as well as across markets (eg by buying units in both a UK equity fund and a UK corporate bond fund).

Portfolio alignment metric – this measures how aligned a portfolio is with a transition to a world targeting a particular climate outcome, such as limiting temperature rises to well below 2°C, preferably to 1.5°C, as per the Paris Agreement. Assessments using these metrics consider companies' and governments' greenhouse gas (GHG) emissions reduction plans and likelihood of meeting them, rather than current, or the latest reported, GHG emissions.

Appendix 3 – Glossary

Responsible Investment (RI) – the process by which environmental, social and governance (ESG) issues are incorporated into the investment analysis and decision-making process, and into the oversight of investments companies through stewardship activities. It is motivated by financial considerations aiming to improve risk-adjusted returns.

Science-based targets – targets to reduce greenhouse gas emissions that are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement.

Science-Based Targets initiative (SBTi) – an organisation that sets standards and provides validation for science-based targets set by companies and investors.

Scenario analysis – a tool for examining and evaluating different ways in which the future may unfold.

Scope 1, 2 and 3 – a classification of greenhouse gas emissions.

Segregated mandate – a segregated investment approach ensures that an investor's investments are held separately from those of other investors. This approach offers great flexibility – for example, the investor can stipulate the precise investment objective to be followed and can dictate which securities can or cannot be held.

Stakeholder – an individual or group that has an interest in any decision or activity of an organisation. The stakeholders of a company include its employees, customers, suppliers and shareholders.

Statutory obligations – statutory obligations are those obligations that do not arise out of a contract, but are imposed by law.

Stewardship – stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. It is often implemented via engagement with investee companies and exercising voting rights.

Sustainable investing - an approach in which an assessment of the environmental and social sustainability of a company's products and practices is a key driver in the investment decision. ESG analysis therefore forms a cornerstone of the investment selection process.

Taskforce on Climate-related Financial Disclosures (TCFD) – a group of senior preparers and users of financial disclosures from G20 countries, established by the international Financial Stability Board in 2015. The TCFD has developed a set of recommendations for climate-related financial risk disclosures for use by companies, financial institutions and other organisations to inform investors and other parties about the climate-related risks they face.

Transition risk – these are climate-related risks that arise from the transition to a low-carbon economy and can include changes in regulation, technology and consumer demand.