



IBM Pension Plan (“The Plan”) **Climate Change-related Disclosures**

Year-end 31 December 2024

Report prepared to comply with the
UK Occupational Pension Schemes Climate
Change Governance and Reporting
Regulations 2021 (as amended)

July 2025

IBM PENSIONS TRUST

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Chair's foreword

Welcome to the 2024 Climate Change-related Disclosures Report for the IBM Pension Plan ("the Plan"). This report covers both the defined benefit (DB) and defined contribution (DC) sections of the Plan.

The risks and opportunities presented by climate change continue to shape the financial and environmental landscape the Trustee navigates. The increasing concentration of greenhouse gases in the atmosphere is contributing to a range of challenges, including rising global temperatures, extreme weather events, sea level rise, and ecosystem disruption. However, it is important to recognise that climate change is not only an environmental issue – it is also a significant financial issue.

As Trustee Directors, we believe that addressing climate-related risks and supporting the transition to a sustainable economy go hand in hand with securing the long-term financial wellbeing of the Plan's members. We continue to integrate climate-related factors into our decision-making processes, recognising that the transition to a low-carbon economy presents both risks and opportunities for the Plan's investments. Managing these risks is not a one-time effort but a long-term commitment, and we are focused on continually improving our ability to assess and manage climate risks. As the availability of data improves and our reporting process becomes more established, we will gain a clearer view of these risks, helping us take informed actions that are aligned with our investment objectives.

This report outlines how the Trustee has maintained oversight of climate-related risks and opportunities in the Plan's investment portfolio during the year ending 31 December 2024. It also details the progress made since last year's report, highlighting the steps taken to manage climate related risks in a way that supports the long-term interests of our members. Notably, the Plan has met its initial carbon reduction target, marking a significant milestone in its climate strategy and reinforcing the Trustee's commitment to responsible investment.

That said, the global context surrounding climate change remains complex, with many challenges to the climate transition and broader ESG objectives. This includes both the headwinds in policy and regulation and the evolving nature of the risks associated with climate change. Against this backdrop, the Trustee acknowledges the importance of striking the right balance – continuing to make meaningful progress in addressing climate-related risks while ensuring that any actions taken are expected to benefit the Plan's members over the long term. As the Trustee moves forward, it will continue to assess the evolving landscape, taking a pragmatic and measured approach that aligns with the Plan's long-term investment goals.

The Trustee has internal investment processes to ensure climate change is considered as part of any investment decision-making

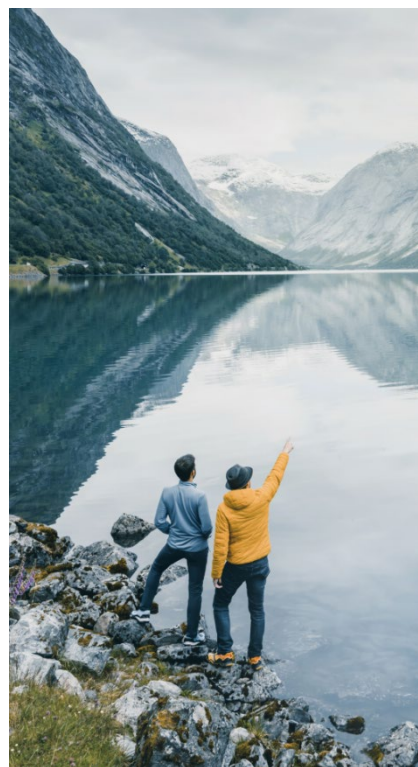
This report is available online at <https://www.smartpensionsuk.co.uk/#/page/governance-documentation>.

As Trustee Directors, we also encourage members to engage with us on this important topic. If you have any questions, feedback, or thoughts on how to enhance the approach to managing climate-related risks, please do not hesitate to get in contact via IBM Pensions Trust at [IBM Pensions Trust | Contact Us \(smartpensionsuk.co.uk\)](#).

We hope you find this report informative and continue to support the Trustee in its journey toward a more sustainable future.

Robert Tickell

Chair of the Trustee of the IBM Pension Plan



Executive summary

This report covers the following four areas of the Climate Change Governance framework:

- **Governance:** How the Trustee maintains oversight and incorporates climate change into its decision making;
- **Strategy:** How potential future climate warming scenarios could impact the Plan;
- **Risk Management:** How the Trustee incorporates climate-related risk in its risk management processes; and
- **Metrics and Targets:** How the Trustee measures and monitors progress against different climate related indicators known as metrics and targets.

Trustee's Aims and Objectives:

Having achieved its original three-year target, the Trustee has now set a new goal: **to reduce the Plan's Weighted Average Carbon Intensity (WACI) for Scope 1 and 2 emissions by 50% by 2030**, relative to the baseline of 31 December 2021. This target applies to assets for which WACI data is available.

In addition, the Trustee:

- supports the goal of meeting the Paris Agreement's ultimate aim of limiting global temperature increases to 1.5°C above preindustrial levels;
- believes that climate risk can have an impact on securing long-term financial returns and that considering climate risk is in the best long-term interest of Plan members;
- aspires to set a net-zero target and is working towards such a commitment as data quality improves.

The Trustee is working with its investment managers to improve the quality of data and is considering approaches to reduce carbon emissions exposure within the Plan's asset portfolio, with a view to gradually moving towards setting a net-zero target in the future. The regulations note that *"whilst long term targets such as 'net-zero by 2050' are ambitious, a long term target with no interim targets would not on its own meet our expectation for the trustee to consider and appropriately manage climate-related risk. Therefore, the target which the trustee sets should not be more than 10 years into the future."*

The key messages from this report are:

- The Trustee has established processes to identify, assess and mitigate climate change risk.
- Climate change risk can have an impact on the long-term funding objectives of the DB portfolio and outcomes for DC members.
- Four metrics have been reviewed and reaffirmed to monitor the progress against climate change risk.
- Reporting on carbon metrics has improved, with a greater proportion of assets now covered compared to the previous year.
- Scope 3 emissions data has been reported for the second consecutive year, although the Trustee recognises that coverage remains limited and expects data availability to improve over time.
- Given progress to date has exceeded expectations, the Trustee has reviewed and updated the climate-related target to ensure continued alignment with its objectives.
- In Q4 2024, the Trustee further considered ESG factors as part of the annual Stewardship Assessment, with a particular focus on how investment managers align with the Trustee's ESG beliefs on climate change, energy efficiency, and diversity, equity and inclusion (DEI). A framework has been established to monitor and better understand manager approaches in these areas.
- The Trustee reaffirmed its sustainable investment beliefs in early 2025, following a dedicated review conducted in the final quarter of 2024.

Trustee's progress against Target:

The table below summarises the progress against WACI (the chosen target metric) over the year to 31 December 2024:

	Mandate(s)	Asset allocation (%)	Coverage	Change in WACI since 2021
DB Section	Global Bonds /			
	Global Credit /	46.8%	69.3%	-36.1%
	Long-term			
	UK Core			
	Credit			
DC Section		100.0%	82%*	-60.9%

*Represents coverage of popular arrangements only.

For the **DB Section**, there has been significant progress towards the WACI target with a 36.1% reduction in carbon intensity for the credit mandates from 2021.

Carbon intensity for the LDI portfolio is measured using a different methodology. The change in carbon intensity therefore cannot be compared on a like-for-like basis with the other mandates shown. Whilst the LDI portfolio does not form part of the Trustee's overall target (as sovereign assets are excluded), the sovereign carbon intensity for both production emissions and consumption emissions was broadly unchanged over the reporting year.

In addition, carbon emission intensity via the Plan's pensioner buy-in policy with Rothesay is estimated to have reduced by 30% over the year from 2022 to 2023.

For the **DC Section**, the Trustee is pleased to demonstrate the significant progress made since 2021 in reducing carbon intensity within the Plan's investment portfolio. The changes to the underlying funds of the Lifecycle arrangements (implemented in early 2023) contributed significantly to this reduction, with a further 13% reduction achieved over the 2024 Plan year.

The Trustee notes that the initial target has been met for the DC Section but is aware that data continues to improve, and coverage may increase next year which could change the position. In addition, the Trustee notes that there are other economic factors, such as the increase in inflation, that could be driving the reduction in WACI rather than real world carbon emissions reduction.

Continuing the climate journey:

Over the next 12 months and beyond, the Trustee is planning to undertake the following actions:

- **Stewardship:** Engage with investment managers on carbon intensive holdings, voting and engagement activity to work towards the Trustee's climate goals and alignment with the Trustee's beliefs. An annual stewardship and ESG integration assessment will also be completed.
- While the Trustee has observed a reduction in carbon intensity over the reporting period across most mandates, the Trustee will still be engaging with the managers to understand the investment decisions made and the consideration of ESG and climate change factors as part of their investment process.
- **Risks:** Conduct an annual review of the risk register and Plan governance documentation.
- **Climate Analysis:** Consider climate change risks and opportunities following completion of the DB Section's current investment strategy review.
- **DC strategy changes:** A number of changes have been agreed to the DC section's strategy, which will impact both the default lifecycle strategy and the Freestyle fund range. These changes are expected to enhance the ESG credentials of the wider portfolio, and serve to reduce overall carbon emissions.
- **Training:** Ensure that the Trustee is well equipped with sufficient knowledge of developments around climate change risk and regulatory changes.

The Trustee, with support from the Plan's advisors, will review the above actions on an ongoing basis and consider longer-term actions as part of the Trustee's commitment to a sustainable future. The Trustee continues to assess its own capabilities within the area of sustainable investment, and in 2023 carried out a formal assessment to quantify the level of ESG integration within its investment decision-making, scoring highly for both the DB and DC sections.

All of the above said, the Trustee acknowledges the significant challenges facing the global investment community in achieving net zero targets. These challenges include geopolitical tensions, fluctuating regulatory frameworks, and the need for substantial technological and infrastructural advancements. While these headwinds can make the path to net zero more complex, the Trustee remains committed to integrating ESG factors into the investment strategy and pursuing long-term sustainable outcomes. The transition to a low-carbon economy is a gradual process, and the Trustee is focused on navigating these challenges responsibly while continuing to support the global effort towards a sustainable future.



Governance

Describe the Trustee's oversight of climate change-related risks and opportunities

The Trustee has the ultimate responsibility for ensuring effective governance of climate-related risks and opportunities. The Trustee directors are becoming increasingly educated on climate change-related risks and opportunities and about how these may influence decisions in relation to risk management, strategy setting and in monitoring implementation.

The Trustee maintains a [Statement of Investment Principles](#) (SIP), which details the key beliefs, risks and approach to responsible investment and climate change. This is reviewed on an annual basis or more frequently as required.

Following a review of investment beliefs that took place over the end of 2024 and into early 2025, the Trustee's investment beliefs on sustainability were agreed as follows:



Environmental, social and governance (ESG) factors have the potential to impact financial outcomes and there is sufficient data to support climate risk being a significant financial risk for pension schemes



Engagement is more effective in achieving better outcomes relative to exclusions



Effective stewardship requires time, expertise, scale and influence and this can be best provided by using third parties and collaboration

In Q1 2023, the Trustee agreed the following key stewardship priorities:

- Climate change;
- Diversity, equity and inclusion;
- Energy efficiency.

These stewardship priorities were subsequently reaffirmed and are used to determine the significant votes to include within the [Implementation Statement](#) for the DC Section.

The Trustee takes independent investment advice to help assess climate risks and opportunities and looks to ensure that any decisions continue to be integrated into a coherent investment strategy that supports the Plan's ability to provide pensions.

The Trustee meets at least four times a year (and more frequently, as deemed necessary) where investment performance and risk management are reviewed, and climate-related risks form part of the wider assessment.

Research into how climate-related risks and opportunities impact financial markets is constantly evolving and expanding.

The Trustee has delegated the responsibility for the selection, retention, and realisation of investments to its underlying investment managers. The Trustee seeks to manage the risks and opportunities associated with these ESG factors by seeking industry leaders in investment management who demonstrate strong ESG, stewardship and engagement credentials, and align with the Trustee's ESG priorities.

The Trustee considers its current investment managers to be well-aligned overall with its own beliefs and policies.

The consideration of climate-related risks and opportunities is integrated into the wider monitoring and decision-making responsibilities of the Trustee. On at least an annual basis, the Trustee reviews the Plan's risk register which includes climate change risks. The Trustee will be monitoring the carbon emissions metrics, portfolio alignment metric and non-emissions metric produced in this report against the chosen target annually and will consider climate-related risks and opportunities in conjunction with triennial investment strategy reviews.

The Trustee continued to review the level of integration of ESG factors within the Plan's investments over the course of 2024. Following changes made in 2023 within the DC section which served to improve the ESG focus of the investment strategy, the outcome of a detailed strategic review conducted over the second half of 2024 will see further changes implemented in 2025, serving to improve ESG integration across a default member's journey, whilst simplifying the options available for self-select members.

Roles and responsibilities of those advising or assisting the Trustee on Plan governance activities

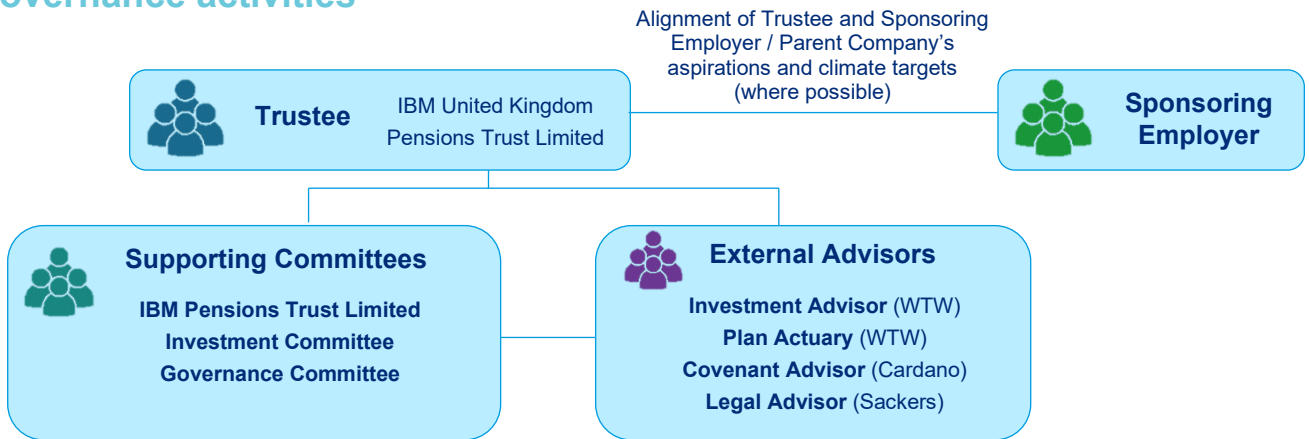


Figure 1: Plan governance structure

Further details of the roles and responsibilities of the Trustee-appointed advisors are set out in the Appendix.

During 2024 the Trustee selected a new investment advisor, appointing WTW in May. As part of the selection process, WTW's approach to ESG and their capabilities to advise clients on these matters was considered. The Trustee works with its advisors to ensure that climate-related risks and opportunities are considered as part of its integrated risk management framework and expects its advisors to ensure the Trustee is compliant with the regulatory requirements when considering climate change. Specific objectives are included within WTW's investment advisor objectives to ensure ESG and climate related risks and opportunities are considered as part of the investment strategy setting and monitoring/selection of investment managers. An assessment against these objectives is completed by the Trustee on an annual basis. It is also noted that WTW co-founded the Investment Consultants Sustainability Working Group ('ICSWG') which brings together leading UK investment consulting firms with the aim of seeking to improve sustainable investment practices across the investment industry.

The Trustee expects all advisors to act with integrity and diligence in fulfilling the set objectives and uses meetings with the advisors to assess and challenge them. In addition, the Governance Committee has a rolling programme of inviting advisors to its meetings to review and assess their performance.

IBM Pensions Trust (the Plan's in-house Pensions team) or WTW, acting on behalf of the Trustee, will engage with underlying investment managers where they are perceived to be lagging their peers in terms of ESG integration and climate risk management, and to ensure the investment managers are voting and engaging with the investee companies in line with the Trustee's engagement priorities. Over the reporting year, the investment managers have been challenged on how ESG is integrated into their investment processes as part of the Trustee's ongoing stewardship monitoring.

In 2021 the Trustee established an ESG sub-committee to have oversight of climate change, stewardship and ESG related issues, as well as ensuring compliance with regulatory requirements, regularly reporting back to the Trustee to keep it informed of discussions and progress at the ESG sub-committee meetings.

Having established the Plan's overarching strategy with regards to sustainability, in 2024 the ESG sub-committee was integrated into the Investment Committee ("IC") with a view to streamlining decision-making and ensuring that sustainability perspectives are fully embedded in the wider investment process. The IC considers a range of sustainable investment topics and initiatives and make recommendations to the Trustee Board where appropriate.

The Trustee has a specified engagement priority which includes focusing on climate change with the aim of improving the alignment to the transition to a lower carbon environment for the companies in which the Plan is invested.

Strategy

Summary of Plan’s Assets

This section sets out the Plan’s invested assets and highlights parts of the asset portfolio which are within the scope of climate-change related reporting requirements and therefore considered as part of the scenario analysis and metrics (where available) in the remainder of this report, which also includes the pensioner buy-in policy.

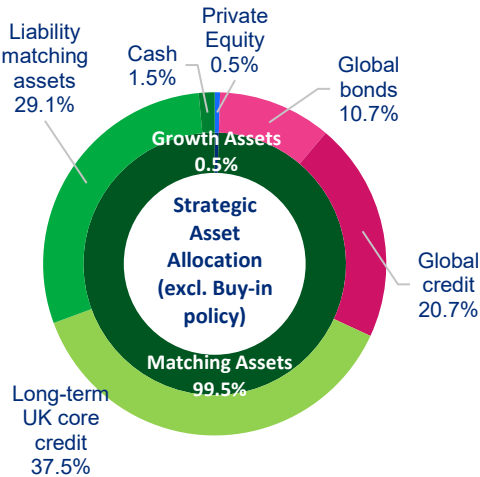


Figure 2: Strategic Asset Allocation of the Plan’s DB Section assets (excluding pensioner buy-in).

DB Section

The long-term strategic asset allocation of the DB Section is set out in Figure 2. Additionally, there is a currency overlay mandate which Russell Investments manage, and a reinsurance mandate held with Nephila. The Global and Core credit strategies are fully hedged at mandate level. Currency risk is controlled either via a currency overlay approach that hedges 100% of the \$, ¥ and € currency exposure, or is fully hedged at mandate level. Northern Trust is the global custodian of the Plan’s DB Section assets.

The Plan also holds a pensioner buy-in policy with Rothesay Life Plc which covers around 50% of the DB Section’s pensioner liabilities (approximately 40% of the Plan’s total DB Section assets).

For the DB Section, the Trustee completed scenario analysis as at 31 December 2024 based on the long-term strategic asset allocation. The Trustee, as far as it is able, has considered metrics for the Plan assets, excluding for the currency overlay, private equity and re-insurance mandates (due to the availability of data from the investment managers), which equates to 97% of total DB Section assets (based on the long-term strategic asset allocation).

DC Section

The Plan’s DC investment arrangements are provided by Legal & General Assurance Society Limited (“LGAS”) under a bundled arrangement. The majority of the funds available to members are managed by Legal & General Investment Management Limited (“LGIM”) with one fund managed by HSBC Asset Management.

As a minimum, the scope of reporting for DC arrangements is expected to cover popular arrangement(s), which is considered to meet one of the following criteria:

- £100m or more of invested DC assets; or
- accounts for 10% or more of the assets used to provide money purchase benefits.

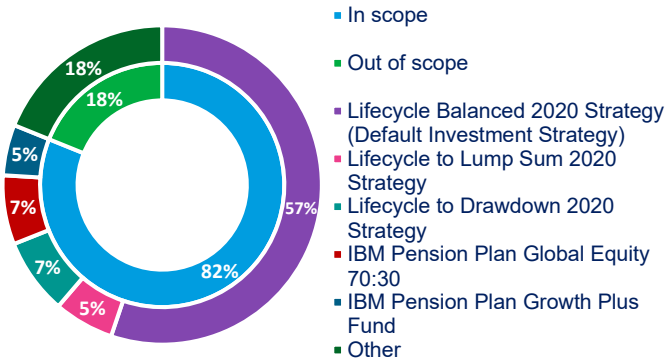


Figure 3: Summary of assets within the Plan’s DC Section as at 31 December 2024
Figures subject to rounding

The popular arrangements represent approximately 82% of the total DC Section assets as at 31 December 2024.

Describe the climate-related risks and opportunities the Plan has identified over the short, medium and long term

Figure 4: Timeframes of short, medium and long-term horizons to identify relevant climate-related risks and opportunities.

Short Term	Medium Term	Long Term
DB Section		
The Trustee expects that potential short-term risks identified could cause an impact in 0-3 years. This time horizon takes into account the DB Section's triennial statutory funding valuation and investment strategy review . The last triennial actuarial valuation, effective 31 December 2024, is expected to be completed in 2025.	The Trustee expects that potential medium-term risks identified could cause an impact in 3-9 years. This time horizon considers how the DB Section's funding and investment strategy will progress to achieve the long-term funding objective. The investment strategy for the DB Section was reviewed in late 2024 with changes to be implemented early 2025. The medium term is defined in conjunction with IBM's 2030 net zero target and the time to move to a low-risk funding target.	The Trustee expects that potential long-term risks identified could cause an impact in 9 years and beyond. This time horizon reflects the long-term objective of the DB Section's funding and investment strategy to secure members' benefits (e.g. with an insurance company). It should be noted that the DB Section's investment time horizon may shorten materially if the Trustee enters into further insurance contracts to secure member benefits.
DC Section		
The Trustee expects that potential short-term risks identified could cause an impact in 0-3 years. This time horizon takes into account the investment strategy review which takes place every 3 years, and most recently in the second half of 2024.	The Trustee expects that potential medium-term risks identified could cause an impact in 3-9 years. This time horizon considers the investment arrangements of the DC Section, such as the investment risk/return profile over the period . The medium term is defined in conjunction with IBM's 2030 net zero target.	The Trustee expects that potential long-term risks identified could cause an impact in 9 years and beyond. This time horizon reflects the long-term future of the DC Section and the Trustee's overarching objective to help members maximise their retirement outcomes . The long term is defined in line with the Paris Agreement.

As a long-term investor, the Trustee recognises the risks and opportunities arising from climate change are diverse and continuously evolving. Climate change presents risks over the short, medium and long-term, which the Trustee aims to better understand and mitigate where possible. The Trustee has considered short, medium and long term drivers of risk which are set out in the Appendix.

Describe the climate-related risks and opportunities relevant to the Plan over the time periods that the Trustee has identified and the impact of these on the Plan's investment strategy

Climate-related Risks

The performance of the Plan's portfolios is directly aligned to the value of the underlying assets, which are impacted by climate-related risks and opportunities.

The Trustee ensures that the Plan's investment strategy is well-diversified, and that the investment managers (including the insurer with respect to the buy-in policy) have an appropriate understanding of both the companies and assets in which they invest and the risks to which they are exposed. As part of regular performance monitoring, the investment managers are expected to provide information on how climate-related risks and opportunities are integrated into their investment decisions.

The Trustee monitors on an annual basis the carbon intensity of the Plan's assets and how this changes over time, where the information is available. The carbon intensity for each of the Plan's assets and impact on the Plan's investment strategy has been reported (where available) within the Metrics section of this report.

Climate change risk can also have an impact on the long-term funding objective of the Plan. The Plan Actuary calculates the DB Section's funding level by comparing the current value of assets to the present value of the

Plan's current and future liabilities (pension payments to members). The Actuary adopts a range of assumptions to calculate the present value of liabilities, such as expected mortality and the long-term investment return. Mortality in the long term may be impacted by the ability to limit warming and transition to a lower carbon economy. Equally, the assumed investment return from the Plan's investment strategy could be impacted under different climate change transition scenarios.

Climate-related Opportunities

Despite recent global headwinds, the Trustee continues to believe that there are significant opportunities for investing in companies and assets that may benefit as the Plan transitions to a lower carbon environment.

From a DB Section perspective, as part of the ongoing monitoring of its investment managers, the Trustee will engage with the investment managers to understand the underlying investments that are being made and the extent that climate change risk is considered along with potential opportunities. The investment strategy for the DB Section is low risk, investing predominantly in credit and gilts and so the scope to explore climate-related opportunities within the DB Section investment strategy is limited.

As at the end of December 2024, the Freestyle range within the DC Section included seven equity funds with different regional exposures and sustainable investment approaches, as well as one sustainable corporate bond fund available for members to select. Following the DC investment strategy review undertaken in the second half of the year, it was decided to streamline the Freestyle options, in order to better highlight the Trustee's preference towards funds with strong ESG credentials. Furthermore, changes agreed to the default strategy will see equity assets invested in the LGIM All World Equity fund switched to the manager's Future World Global Equity Index, which adjusts index weightings to stocks based on a wide range of ESG metrics as determined by LGIM.

Describe the impact of climate-related risks and opportunities on the sponsoring employer's covenant over the relevant short, medium and long-term time horizons

The Trustee recognises it is important to better understand the potential impact on the covenant of the effects of climate change, which can impact on the long-term funding requirements of the Plan. The analysis carried out by Cardano (the Trustee's Covenant Advisor) has been based on the IBM Group (IBM) rather than the Plan's employer (IBM United Kingdom Holdings Limited) given the integrated nature of the Group.

Climate change can impact a business or organisation throughout the whole value-chain and the key issues arising from climate change are complex and multi-dimensional.

IBM's exposure to climate risks can most easily be considered against the possible transmission channels throughout its value chain.

- **Supply Chain:** IBM's supply chain is global and diverse, with spend spread broadly around the world in key areas such as software, hardware, services and labour.
- **Operations:** IBM offers a wide range of Information Technology services, solutions, infrastructure and software such as cloud and data services, artificial intelligence, consulting, hybrid infrastructure and infrastructure support, and financing, to a wide range of customers, including commercial businesses and the public sector, in over 175 countries, primarily in North America, Europe and Asia.
- **Competitors:** Primary competitors include large multi-national listed companies.
- **End Market:** A diverse list of primarily technology services, hybrid, cloud and software for a diverse array of industries, including manufacturing, financial services, communications, energy, transportation, consumer and retail.
- **Macro-economic:** IBM's global reach and the nature of its product offering could expose it to wider macro-economic risks, such as inflationary pressures or global recessions.

What could the sponsoring employer do to address such a risk?

IBM has committed to the climate transition goals below:

	Direct Operations Scope 1 and 2	Value Chain Scope 3
Net Zero Goal	2030	Some by 2030
Interim Target	65% by 2025	Some by 2025
Energy target	75% renewable energy by 2025, 90% renewable energy 2030	
Ambition	Aligned with 1.5 degrees	
Baseline	2010, adjusted for acquisitions and divestitures	

The Plan's Covenant Advisor has assessed the potential climate scenario risks analysis over time and noted that while individual components of risk (such as supply chain exposure) have increased since the 2023 covenant assessment, IBM's progress against their climate-related targets mean that there is no change to the overall risk ratings across the scenarios. Therefore, the Covenant Adviser outlined the following recommendations as part of the 2024 covenant assessment:



Contingency planning: Consider undertaking contingency planning whereby Cardano work with the investment and actuarial advisors to map the possible impact of narrative downside scenarios over the nearer term (e.g. 5 years).



Monitor: Closely monitor the Group's scope 3 carbon reduction progress against targets, including increasing visibility over remaining scope 3 emissions not yet calculated.



Regulatory readiness: Regularly horizon scan for potential regulations, particularly in respect of data centre energy usage, and assess the Group's readiness to meet any such changes.



Supply chain exposure: Consider the Group's supply chain exposure to regional, material climate events and any contingency/mitigation plans in place.



Sustainability oversight: Consider whether the Trustee might benefit from adopting a 'sustainability dashboard' to monitor sustainability risks and policy implementation.

The Trustee is considering these recommendations and will look to incorporate these into its future monitoring and assessment of climate risks in respect of the sponsoring employer in an appropriate and pragmatic way.

Scenario analysis

Describe the resilience of the Plan's strategy, taking into consideration different climate-related scenarios, including a 1.5°C scenario

In early 2025, the Trustee carried out updated climate change scenario analysis for the DB section of the Plan, in partnership with its investment consultant, WTW. The aim of this analysis was to help the Trustee review the potential impact of climate change on the Plan and then focus on possible actions to address the risks and opportunities presented.

As previously highlighted, since last year's report the Trustee has appointed a new Investment Adviser, WTW. Due to the requirement to update the DB scenario analysis every three years, the DB Section refers to five scenarios as established by WTW. The Covenant scenario analysis and the DC scenario analysis refers to the three scenarios previously established by Mercer. Details of all the scenarios used by different advisers can be found in the Appendix, including key assumptions for the scenarios used and the key limitations of the modelling. The Trustee feels that the scenarios provide the information required to consider climate risk. For the 2025 report, the consistent scenarios will be used across both Plans and the covenant advisers.

WTW considered five separate scenarios which are in part defined through its success, or otherwise, in meeting the Paris Agreement target of a temperature rise well below 2°C above pre-industrial levels, whilst pursuing means to limit the increase to 1.5°C.

These scenarios have been considered as the Trustee believes that they cover a plausible and comprehensive range of climate outcomes over the long-term:

1. A clear transition narrative that describes the socioeconomic pathway, both globally and regionally, from climate policies implemented and resulting in technological and societal shifts that occur.
2. Modelled emissions pathways resulting from the implementation of public policies and technologies resulting in the level of temperature rise.
3. A set of economic costs and benefits resulting from physical and transition risks and opportunities.
4. The impact on financial returns at the asset class level.

The hot house world scenario is reflective of the industry findings over recent periods, including those as set out in the [paper](#) published by the Institute and Faculty of Actuaries (IFoA) in collaboration with climate scientists, which indicate that global warming accelerated in 2023 and is now driving more severe impacts across the planet with the overshoot of a 2°C target being more likely.

For the DC scenario analysis, the three climate scenarios completed by the previous Investment Advisor, Mercer, are constructed to explore a range of plausible futures, rather than exploring tail risks. In shorter timeframes transition risk tends to dominate while over longer timeframes physical risk is expected to be the key driver of climate impacts.

Key assumptions for the scenarios used and the key limitations of the modelling are detailed within the Appendix.

Scenario Analysis Results - DB Section

The scenario analysis for the DB Section has been updated as at 31 December 2024, with the previous analysis being conducted as at 31 December 2021.

For the climate scenario analysis of the DB Section, WTW considered both assets and liabilities across the matching and growth portfolios of the Plan's investment strategy. The analysis excluded the currency overlay mandate held with Russell Investments and as well as the buy-in policy with Rothesay Life.

Figure 5: Climate change scenario analysis – Impact of climate drags on funding level.

As at 31 December 2024, based on the March 2021 valuation, the DB Section's funding level was estimated to be around 110%. The approximate funding level impacts are shown below:

Scenario	Funding level impact in 2030 (drag analysis)	Funding level impact in 2025 (shock analysis)
Base Case	115%	110%
Nationally Determined Contributions	117%	109%
Delayed Transition Below 2°C	115%	109%
Below 2°C	114%	107%
Net Zero 2050	115%	108%
Hot House World	118%	110%

The results above are not forecasts of the Fund's funding position but are instead used to quantify potential outcomes under the specific illustrative scenarios.

The timing of the impact from climate change is uncertain. Therefore, as part of the analysis the Trustee has assessed the impact by looking at different time horizons. The above table considers the impact of climate change as a drag on the asset returns but it also shows the impact as an instantaneous shock (allowing for the entire climate change impact to be capitalised instantaneously) occurring in 2025 and the longer-term impact on the funding level in 2030.

Conclusions on resilience of the DB Section to climate change

The analysis completed shows that climate change is a material but manageable risk and is not outsized relative to the other risks that the Plan faces.

- Climate change is a material risk to the Plan but the buffer within the strong funding level and low risk strategy would be able to absorb this in most scenarios (absent any other downside events).
- The scenario analysis suggests that members' life expectancies might increase more slowly (relative to the base case) under some of the scenarios considered. Whilst this would be beneficial to the Plan's funding level, there remains considerable uncertainty relating to the potential impact. Therefore, hedging these liabilities remains an important part of the Plan's risk management. The Plan already has a buy-in policy with Rothesay which covers a portion of the current pensioners to help manage these risks.

The objective of the investment strategy is to provide sufficient return relative to the liabilities (rather than in absolute terms) therefore the analysis carried out to consider the impact on the Plan's funding level is a better test of the resilience of the investment strategy. Similarly, the aim of the funding strategy is to achieve a given development in funding level (e.g. reach a certain level of funding on a given basis over a given timescale) rather than achieve a particular liability value. Hence, the resilience of the funding strategy is also better tested through the assessment of funding level projections.

The Trustee recognises that under different scenarios climate change might lead to longer life expectancies (i.e. higher liabilities) or lower life expectancies (i.e. lower liabilities). Of the scenarios considered, life expectancies are expected to improve only in WTW's 'Global coordinated action' scenario (where all necessary action is taken to achieve the Paris Agreement's ultimate aim of limiting global temperature increases to 1.5°C above preindustrial levels) and deteriorate in WTW's other scenarios. Any impact of changes in life expectancy on the Plan's funding would be significantly reduced by the Plan's pensioner buy-in completed in December 2020. Other than the potential impact on longevity, the Plan's liabilities are assumed not to change in these scenarios; the valuation uses market implied inflation and assumes that transition and physical risks are appropriately priced into markets. The Trustee understands that the scenario analysis is indicative and is used to support wider discussions on climate risk, and it must also be acknowledged that improvements to the funding level may not always correspond to improvements for members or society as a whole. The Trustee recognises that scenario analysis alone cannot be the sole basis for assessing climate risk, and that appropriately assessing climate risk requires a multi-faceted approach. Having climate risk embedded into beliefs and monitoring on an on-going basis is an essential requirement to success in this area, and the Trustee does so through regular sustainable investment reviews, beliefs reviews, and having climate risk documented and assessed routinely on its risk register.

Scenario Analysis Results - DC Section (Popular arrangements)

The scenario analysis for the DC Section was updated in 2023 to reflect the Trustee's agreed short, medium and long term timeframes (3, 7 and 27 years respectively) relative to a base scenario¹ alongside the strategic changes implemented over the Plan year.

The Trustee will revisit the DC analysis for next year's climate disclosures report in order to capture the impact of the strategic changes agreed in 2024 and due to be implemented later in 2025.

Figure 6: Portfolio value impact of climate change scenarios for in-scope popular arrangements within the Plan's DC Section, on projected asset value of the three climate scenarios, based on a £100 starting value (for illustrative purposes), relative to the base.



Source: LGIM for determining popular arrangements as at 31 March 2023, Mercer for impact analysis calculations.

¹ The baseline represents what has been assumed the market is currently pricing in. In terms of what is priced in today the baseline scenario assume a 10% weight to a Failed Transition, 40% weight to an Orderly Transition, 10% to a Rapid Transition and 40% weight to a range of low impact scenarios.

Figure 6 shows the impact of climate change scenarios for the Lifecycle Balanced 2020 Strategy, the Plan's default option and one of the in-scope popular arrangements, based on a starting investment of £100. The impact is shown across 3 different member cohorts:

- **Younger member:** A member aged 38 years, retiring in 27 years (assuming a target retirement age of 65). These members would be invested in risk-seeking assets for longer and therefore the projected asset value is more exposed to climate risks.
- **Average member:** A member aged 53 years, retiring in 12 years (assuming a target retirement age of 65). These members are invested in a more diversified approach, with a lower allocation to equities compared to the 'younger' member.
- **Member 3 years from retirement:** A member aged 62 years, retiring in 3 years (assuming a target retirement age of 65). These members are invested in mainly cash and bonds with a lower allocation to equities and other growth assets.

There is a wide range of impacts on member outcomes due to two main factors:

- the longer the term to retirement – younger members will be exposed to physical and transition risks for a longer period of time, therefore these risks are priced in to a greater extent; and
- the speed of transition.

Figure 6 can be summarised as follows (note this also includes how the analysis for the Lifecycle to Drawdown 2020 and Lifecycle to Lump Sum strategies compares to the Lifecycle Balanced 2020 strategy):

Time horizon	Short-term: 3 Years	Medium-term: 7 Years	Long-term: 27 Years
Impact of transition and physical risks at each time horizon and each climate scenario	Transition risk is most important which has the largest impact on the rapid transition scenario.	Transition risks are still the most significant and therefore the Rapid Transition is most impactful. However, the Failed Transition is becoming more impactful and future Physical damages start to be priced in.	As longer-term physical damages begin to be priced in, the Failed Transition becomes the most impactful scenario.
	Average members are more protected over the short and medium term compared to younger members due to the lower allocation to equities. The short and medium term impacts for the other Lifecycle strategies that fall under the popular arrangements (Lifecycle to Lump Sum 2020 and Lifecycle to Drawdown 2020) are the same as the Lifecycle to Balanced 2020 strategy for younger and average members as all Lifecycles have the same asset allocations at these points on the glidepath.		
Analysis at overall level of the Lifecycle Balanced 2020 Strategy	In the last 3 years to retirement, members hold an increasing allocation to cash and are therefore less impacted by transition and physical risks. However, pot sizes are likely to be much larger at this point resulting in a greater £ impact – this is demonstrated in the first chart where the Failed Transition could potentially have a significant impact on younger member pot sizes over the next 27 years. Impacts for members invested in the Lifecycle to Drawdown 2020 strategy are slightly larger due to the higher allocation to equities as a member approaches retirement. The Lifecycle to Lump Sum strategy has a significant amount allocated to cash in the lead up to retirement and hence the impact in the lead up to retirement is expected to be marginal compared to the other Lifecycle strategies.		
Impact on asset projection at each at time horizon towards retirement with reference to baseline scenario*			
Younger member (27 years from retirement)	Overall projected asset values at this time point are reduced by 12% in the Rapid Transition.	Under the Rapid Transition asset values are reduced by 9%.	The Failed Transition becomes the most impactful scenario. The Failed Transition reduces the asset value by 25%.
	The Failed Transition is marginally positive due to	Under the Failed Transition the asset values are reduced by 1%.	

Time horizon	Short-term: 3 Years	Medium-term: 7 Years	Long-term: 27 Years
	transition costs not materialising.		
Average member (12 years from retirement)	<p>The Rapid Transition shows an 8% reduction in asset values at the 3 year point.</p> <p>Average members are therefore more protected over this period compared to younger members due to the lower allocation to equities.</p>	<p>Under the Rapid Transition asset values are reduced by 5% (compared to 9% for younger members).</p> <p>Under the Failed Transition the asset values are reduced by 2% (compared to 1% for younger members).</p>	-
Member 3 years from retirement	The Rapid Transition projects a 3% reduction in asset values at the 3-year point.	-	-

* The baseline represents what has been assumed the market is currently pricing in. In terms of what is priced in today the baseline scenario assume a 10% weight to a Failed Transition, 40% weight to an Orderly Transition, 10% to a Rapid Transition and 40% weight to a range of low impact scenarios.

The IBM Pension Plan Global Equity 70:30 Fund and IBM Pension Plan Growth Plus Fund are also determined to be popular arrangements as at 31 December 2024. The table below provides some commentary comparing the impact analysis of these funds relative to the Lifecycle Balanced 2020 Strategy, as defined above.

Fund	Impact comparison
IBM Pension Plan Global Equity 70:30 Fund	<ul style="list-style-type: none"> Over the short and medium term, the impact on projected asset values (relative to baseline) is broadly the same across all three climate scenarios, when compared to the impacts under the Lifecycle Balanced 2020 Strategy. This is because under the Lifecycle Balanced 2020 Strategy, for a “younger” member, assets are invested mainly in equities over these periods. Over the long term, impact on projected asset values (relative to baseline) is higher for the IBM Pension Plan Global Equity 70:30 Fund across all three climate scenarios (particularly for the Orderly and Failed Transition, as there is a greater impact of transition and physical risks). Under the Lifecycle Balanced 2020 Strategy, for a “younger” member, assets are gradually de-risked as the member moves closer to retirement and invests in a lower proportion of equities over time.
IBM Pension Plan Growth Plus Fund	<ul style="list-style-type: none"> Over the short and medium term, the impact on projected asset values (relative to baseline) is lower across all three climate scenarios, when compared to the impacts under the Lifecycle Balanced 2020 Strategy. This is because under the Lifecycle Balanced 2020 Strategy, for a “younger” member, there is a higher allocation to equities. Over the long term, the impact of the Failed Transition on the IBM Pension Plan Growth Plus Fund is greater than under the Lifecycle Balanced 2020 Strategy, for a “younger” member, due to the higher allocation to equities.

Over the second half of 2024 the Trustee carried out a formal review of the Plan’s DC strategy, deciding on a number of changes that are to be implemented in 2025, across both the Lifecycle strategies and Freestyle fund range. As part of the changes, there is a greater emphasis on allocating to LGIM’s Future World suite of equity and bond funds. As highlighted above, the Trustee will look to update the DC scenario analysis for next year’s TCFD report in order to reflect the impact of these changes.

Covenant Scenario Analysis

The three climate scenarios which have been considered as part of the covenant assessment carried out by Cardano for the Trustee's 2024 climate report are unchanged from the prior analysis conducted and are set out in the Appendix.

Under each climate scenario, Cardano identified the key potential risks and determined the extent that these risks would have on the covenant of the sponsoring employer in the short, medium and long term.

The key findings from the risk analysis are:

- The risk associated with a **Rapid Transition** are greater in the near term than in an **Orderly Transition** due to delayed but sudden implementation of policies falling within the 'near-term' time horizon (2025).
- In the near term, risks associated with a **Rapid Transition** scenario are higher due to the implied cost of decarbonisation across the supply chain and operations.
- Over the longer term, the physical risks to suppliers, workforce and key operating sites, as well as GDP declines, are expected to be more pronounced in a **Failed Transition**.

IBM is also likely to benefit from opportunities to provide customers with services that better enable them to meet sustainability targets and limit environmental impact. This could partly offset risks identified in this assessment.



Risk management

Describe the Plan's process for identifying, assessing and managing climate change-related risks

The Trustee recognises that climate-related risks can be financially material, and that the due consideration of climate risk falls within the scope of the Trustee's fiduciary duty. Given the long-dated nature of the Plan's investments and the timeframe in which climate risks could materialise, a total portfolio approach to risk management covering all relevant asset classes has been taken. The ongoing risk management that is carried out by the Trustee is set out in the Appendix. The table below provides additional information in relation to the risk management activities in each of the key areas for the reporting year.

Governance	<ul style="list-style-type: none"> The Trustee regularly receives training from WTW, as appropriate on climate-related issues, including market and regulatory updates.
Strategy	<ul style="list-style-type: none"> The Trustee undertakes Climate change scenario modelling on at least a triennial basis. For DC, the last assessment was carried out in 2023. As there were minimal changes made to the strategy in 2024, this analysis still remains representative of the Plan. The next assessment is expected to take place in 2026 in order to reflect changes due to be implemented later in 2025. For DB, updated analysis took place in early 2025 for the end of 2024 with the next analysis expected to take place in late 2027/early 2028. The Trustee has commissioned covenant analysis carried out by Cardano as part of this report, to understand the impact of climate change risk on the covenant of the Plan's sponsor. The recommendations from the 2024 review are set out in this report.
Reporting	<ul style="list-style-type: none"> The Trustee carried out an assessment of its own capabilities within sustainable investment in 2023, which concluded: <ul style="list-style-type: none"> A strong overall rating for the level of ESG integration in investment decision-making. Action had been taken to strengthen the Trustee's ESG beliefs and key priorities, and work done to further engage with the Plan's investment managers through the annual stewardship assessment.
Manager Monitoring	<ul style="list-style-type: none"> WTW carries out an annual Stewardship and ESG Manager Ratings Assessment. WTW's first assessment was carried out in 2024, following a similar assessment provided in prior years by the Plan's previous investment advisor. The 2024 Stewardship Assessment concluded that: <ul style="list-style-type: none"> All of the Plan's managers achieved a "strong" or "acceptable" rating for their overall ESG credentials. All of the Plan's investment managers remain signatories to the UN Principles for Responsible Investment (PRI). All managers remain signatories to the 2020 UK Stewardship Code. All managers had a publicly available stewardship or engagement policy which aligns with the Trustee's belief that climate change is a priority area. All managers believe climate change risks and DEI to be important (with the majority able to provide an example of DEI engagement). The topic forms part of their investment process, which aligns with the Trustee's ESG beliefs. IBM Pensions Trust are engaging with investment managers where the Stewardship Assessment identified gaps in the responses or where managers did not perform as well on the stewardship assessment as their peers. Specifically, IBM Pensions Trust have engaged on the Net Zero Asset Managers initiative (NZAMi) and DEI and worked with the managers to understand the context for their specific area of the investment.
Manager Selection and Retention	<ul style="list-style-type: none"> WTW rates investment managers on the extent of integration of ESG factors (including climate change) into their processes. A manager's stewardship process forms part of the rating assessment. This is considered at the firm level and at the investment strategy/fund level.

Describe how processes for identifying, assessing and managing climate change-related risks are integrated into the Plan's overall risk management (including the Plan's liabilities and sponsor covenant)

Both climate change-related risks and wider investment risks are considered as very important by the Trustee. Where possible, climate change and wider investment risks such as demographic trends are treated in a holistic manner by recognising they are often interrelated. Climate change and ESG risks are included alongside other material risks in the SIP and the risk register.

The climate change scenario analysis is strategic in nature and has therefore been incorporated into wider investment strategy discussions and considerations and into the portfolio design. The Trustee has commissioned scenario analysis to be carried out as part of understanding the impact of climate change risk on the sponsor covenant and the Plan's assets and liabilities. Furthermore, as mentioned earlier in this report, the Trustee recognises climate change risk in its risk register which is reviewed at least annually.

Examples of Engagement

Over the year to 31 December 2024 the investment managers in which the Plan invests undertook a number of climate-related engagements, examples of which are detailed below:

DB Section - PIMCO

PIMCO provided the example of ING Groep NV ('ING'), an insurer with whom they have previously engaged for several years and most recently on their climate strategy and sustainable financing targets. As part of their engagement, PIMCO encouraged ING to flesh out the drivers for year-on-year changes in financed emissions and to enhance expectations related to methane on zero routine flaring, leakage prevention and moving towards measurement-based emissions accounting in line with the Oil and Gas Methane Partnership 2.0 (OGMP). PIMCO also recommended explicitly linking sectoral finance emissions to the executives' variable compensation to reflect their long term net zero ambition more closely as this is one of the most crucial aspects of the bank's decarbonisation strategy.

DB Section - Wellington

Wellington provided the example of ONEOK which is the leading mid-stream service provider in natural gas industry, operating primarily in the United States. In the fourth quarter, Wellington engaged with them to review their climate goal and discuss future emission reduction post-2030. From their engagement, Wellington learned that the company achieved significant emission reductions in 2023 through operational efficiency and strong focus on methane production achieving 50% of their 2030 emissions reduction goal by 2023. Wellington also discussed their acquisition of EnLink and how the integration will provide the opportunities to decrease emissions. Wellington will continue monitoring the emissions reduction goals and the integration of Enlink assets. This engagement enforced Wellington's confidence in ONEOK's commitment to sustainability and emission reduction.

DC Section – APA (provided by LGIM)

Summary of engagement: APA is Australia's largest energy infrastructure business. Under LGIM's Climate Impact Pledge campaign, they have been engaging with the company directly since 2022; as one of their selected 'dial mover' companies, LGIM believe it has the scale and influence across its industry and value chain for its actions to have positive reverberations beyond its direct corporate sphere. In early 2022, LGIM set out their expectations for management-proposed 'Say on Climate' votes and the criteria they consider in assessing whether to support them. LGIM expect companies to introduce credible transition plans, consistent with the ultimate Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of Scope 1, 2 and material Scope 3 GHG emissions and short, medium and long-term GHG emissions reduction targets consistent with the 1.5°C goal. As a consequence, when APA Group brought its climate transition plan to a vote, LGIM were unable to support it: although the plan presented Scope 1 and 2 goals for the medium and long term on a path to achieving net zero emissions by 2050, no Scope 3 targets were included. The company noted that these would be finalised no later than 2025. LGIM initiated engagement with the company after this vote, and met with them for the first time in early 2023 as part of their Climate Impact Pledge engagement, and LGIM have continued to build the relationship, setting out their expectations as per their net zero guide, and working with the company to understand the hurdles it faces and the challenges to meeting these expectations.

Outcome of engagement: LGIM were very pleased that, in their meeting with the company in early 2024, APA confirmed that they will include a Scope 3 goal in the 2025 refresh of their Climate Transition Plan, and they outlined their proposed Scope 3 reduction pathway. The company noted that feedback from the 20% of investors, including LGIM, who voted against their proposed Climate Transition Plan in 2022, had solidified their decision to commit to a Scope 3 target. This demonstrates the effect of LGIM's engagement strategy, fully aligned with their voting policy, to encourage progress towards decarbonisation. LGIM have noted that they look forward to continuing the engagement with the company on their decarbonisation pathway and journey to net zero.

DC Section - Leading European Pharmaceutical (provided by HSBC)

Summary of engagement: The company has proven highly innovative and successful in developing a number of leading drugs across its therapeutic focus areas. HSBC engaged with the company as they noted the growing scope 3 emissions of the company and believe it should and can be aiming to reduce these emissions both as part of maintaining a strong license to operate and ESG rating, as well as demonstrating it takes a long term and engaged approach to ensuring a sustainable supply chain, upon which its success is partly based. HSBC met the company IR and ESG IR for a private meeting and shared their perspectives on the rise in scope 3 emissions despite the reduction target. They praised the company's approach to health access in less wealthy countries, and their commitment to living wages across its production facilities and supply chain. HSBC also attended a company event for investors on health equity and access where they were able to share their perspectives with the head of sustainability, and the wider IR team.

Outcome of engagement: Whilst the engagement is only a few quarters progressed, HSBC are pleased to see that the company has revealed more explicit targets to engage its supply chain on becoming science-based target aligned for emissions reductions. HSBC learned from the head of sustainability that some suppliers may have to be changed if they cannot reduce emissions, following a clear improvement process that is not completed. HSBC have noted that they will continue to monitor the company and engage in 2025.

Metrics and Targets

Metrics

Disclose the metrics used to assess climate change-related risks and opportunities in line with strategy and risk management process

This report presents carbon data analysis for the Plan's investment mandates as at 31 December 2024 (or the closest date the data is available at time of preparing this report).

The Trustee recognises that the availability of accurate data for some asset classes is an industry-wide issue and continues to engage with the investment managers to improve their climate (and carbon) reporting, but also to influence custodians, and the companies in which they hold these assets, to improve their climate (and carbon) reporting as quickly as possible. In this context, it should be noted that there can be a significant time lag in the provision of emissions data from individual companies to data providers, and from data providers to fund managers. The Trustee recognises that this leads to a certain amount of uncertainty regarding the drivers of changes in carbon emissions across the Plan.

In this report, the Trustee has reported on the following four key metrics, split across different elements of the DB Section and the DC Section:

Metric Category	Metric chosen by Trustee	Rationale for chosen metric	Relevant Figures
Absolute emissions	The total carbon dioxide equivalent emissions (CO ₂ e) attributable to a portfolio.	This is the recommended metric in line with regulations.	Figure 7 and 8 (DB Credit Portfolio), Figure 11 (DB LDI Portfolio) Figure 16 (DC Popular Arrangements)
Emissions intensity	Weighted Average Carbon Intensity ("WACI") The carbon intensity of a portfolio, weighted by the proportion of each constituent in the portfolio. Carbon intensity is calculated for each company as (Scope 1 and 2 carbon emissions / \$m sales).	The Trustee has chosen this metric as the majority of the Plan's investment managers (where relevant, although some investment managers have followed a slightly different approach due to the nature of the underlying assets) are able to report on this and because it provides a measure relative to the respective portfolio allocation and therefore currently provides better insight in this context than Carbon Footprint ² . Carbon footprint is the recommended metric for measuring emissions intensity under the UK regulatory guidance "Taking Action on Climate Risk". The Trustee also reports on this and may move to this as a main metric in future, as it may be more intuitive for Plan members and is a more straightforward metric to apply in the context of portfolio composition and attribution analysis.	Figure 10 (WACI DB Credit Portfolio) Figure 12 (WACI DB Buy-in) Figure 18 (WACI DC Popular Arrangements) Figure 9 (Carbon Footprint DB Credit Portfolio) Figure 17 (Carbon Footprint DC Popular Arrangements) Figure 19 (Sovereign Carbon Intensity DC Popular Arrangements)
Additional metric	Share of portfolio held at year end for which engagement or voting on climate-related risk and opportunities has been a substantive topic.	This non-emissions based metric allows the Trustee to assess the extent to which an asset manager is engaging and/or voting on the topic of climate change. The Trustee has chosen this metric as it believes that engagement on climate-related issues is important. This metric will	Figure 14 (DB engagements) Figure 21 (DC engagements)

² Carbon Footprint is an intensity measure of emissions that takes the Plan's Total greenhouse gas emissions figure and normalises it to take account of the size of the investment.

Metric Category	Metric chosen by Trustee	Rationale for chosen metric	Relevant Figures
		enable the Trustee to monitor improvement in engagement levels over time and is an area of focus for the Trustee.	
Portfolio alignment metric	Science Based Targets initiative ("SBTi").	<p>The Trustee has chosen this metric as it allows for an assessment of the extent to which a portfolio is committed to net zero. In addition, SBTi is an industry approved, scientifically rigorous approach used to assess decarbonisation pathways. This will enable the Trustee to monitor the progress of its investments relative to its own proposed net zero commitments.</p> <p>The Trustee also reports on Implied Temperature Rise³, where data is available from the Plan's investment managers, and this is included in the Appendix.</p>	<p>Figure 13 (DB Section)</p> <p>Figure 20 (DC Popular Arrangements)</p>

Carbon emissions analysis

The carbon emissions analysis includes scope 1, 2 and 3 emissions for the Plan's assets, where available. Where the data cannot be provided, comments have been supplied by the investment managers and included in this report. The Trustee notes that it does not rely on scope 3 data to form conclusions and actions given the poor data quality and availability. This means that for some companies the assessment of their carbon emissions could be considered an 'understatement' at present. Examples could include an online retailer whose logistics emissions are not captured in its scope 1 or 2 emissions.

The metrics information set out in this report includes **coverage**, which represents the share of the securities in the fund which report on a given climate metric, provided by the Plan's investment managers.

For the DC Section, LGIM have provided data on **eligibility**, which represents the share of the securities in the fund which are eligible for reporting and **coverage**, which represents the share of the eligible securities in the fund which report on a given climate metric.

As noted earlier in this section, the Trustee recognises that there are still limitations in the accuracy and availability of emissions information – in particular, for scope 3 emissions. Fluctuations are expected to be observed over time and hence the commentary on the metrics disclosed in this report has focused on the drivers for the changes in scope 1 and 2 emissions.

DB Section emissions-based metrics

The Trustee has commissioned Northern Trust, as custodian of the DB Section's assets, to produce the agreed emissions based metrics for the majority of investment managers. This enables the Trustee to consider the carbon emissions data in a consistent manner across all the mandates where carbon emissions data is available, allowing high-level comparison analysis to be carried out and to aid the Trustee with discussions and planning to reduce the Plan's carbon exposure. Northern Trust are currently only able to report on the asset classes below due to the availability of data. Where possible, the carbon emissions data for the remaining Plan assets have been provided separately by the investment manager in this section.

The following analysis should be considered with some caution given the varying levels of data coverage for all the mandates reported. The comparison of each carbon metric and each mandate are highlighted in red (which represents an increase over the year) and green (which represents a reduction over the year). The scope 1 and 2 emissions are indicated by the solid-coloured bars and scope 3 emissions are indicated in the pattern-shaded bars in the charts shown in this section of the report. The bars are grouped by each fund analysed.

Figure 7 sets out the total carbon emissions for the Global Bonds, Global Credit and Long-term UK Core Credit mandates as at 31 December 2023 and 31 December 2024. This represented around 47% of the assets of the DB Section as at 31 December 2024.

³ This is a forward-looking metric that considers the pledges, commitments and business strategy changes that underlying investee companies/issuers have made. It provides a prediction of the potential temperature rise over the rest of the century based on the activities of those companies and issuers. The metric illustrates the degree of portfolio alignment with the goals of the Paris Agreement.

The total carbon emissions of scope 1 and scope 2 has reduced from 58,499 tCO₂e as at 31 December 2023 to 53,488 tCO₂e as at 31 December 2024 (a decrease of c.9%). The changes in emissions exposure from the underlying holdings within these portfolios led to decrease in emissions. At the individual portfolio level, significant decreases in the total carbon emissions of scope 1 and 2 were observed for Wellington Global Credit and Western UK Core Credit mandates which offset the increases in other mandates:

- Wellington Global Credit: Scope 1 and 2 emissions decreased by c.24%.
- Western UK Core Credit: Scope 1 and 2 emissions decreased by c.37%.
- GSAM Long Term UK Core Credit: Scope 1 and 2 emissions for this mandate increased by c.2%.
- PIMCO UK Core Credit: Scope 1 and 2 emissions increased by c.8%.
- PIMCO Global Credit portfolio: Scope 1 and 2 emissions increased by c.9%.
- The Global Bond portfolio managed by Northern Trust: Scope 1 and 2 emissions increased by c.66%. It invests in a number of underlying mandates and a breakdown of the carbon exposures of the underlying mandates is not available. The Trustee aims to work with Northern Trust to help with the engagement with the underlying investment managers.

In relation to scope 3 emissions, an increase was observed across all of the Plan's credit portfolios with the exception of marginal decrease of c.2% in PIMCO Global Corporate mandate. An increase in scope 3 emissions isn't necessarily a cause for concern, as reporting scope 3 emissions is still a relatively new process for companies. Therefore, enhanced data collection has meant companies are now better equipped to gather detailed data from their entire value chain. This includes more accurate reporting from suppliers and better tracking of downstream emissions. Further, the development and adoption of standardised frameworks have improved the consistency and accuracy of emissions reporting. It is also worth noting that the coverage % increased across all managers which may also contribute to the increase in scope 3 emissions.

Carbon Emissions – Matching portfolio

Figure 7: Chart Comparison of Climate-Related Absolute Emissions Metrics for the DB Section's credit portfolios

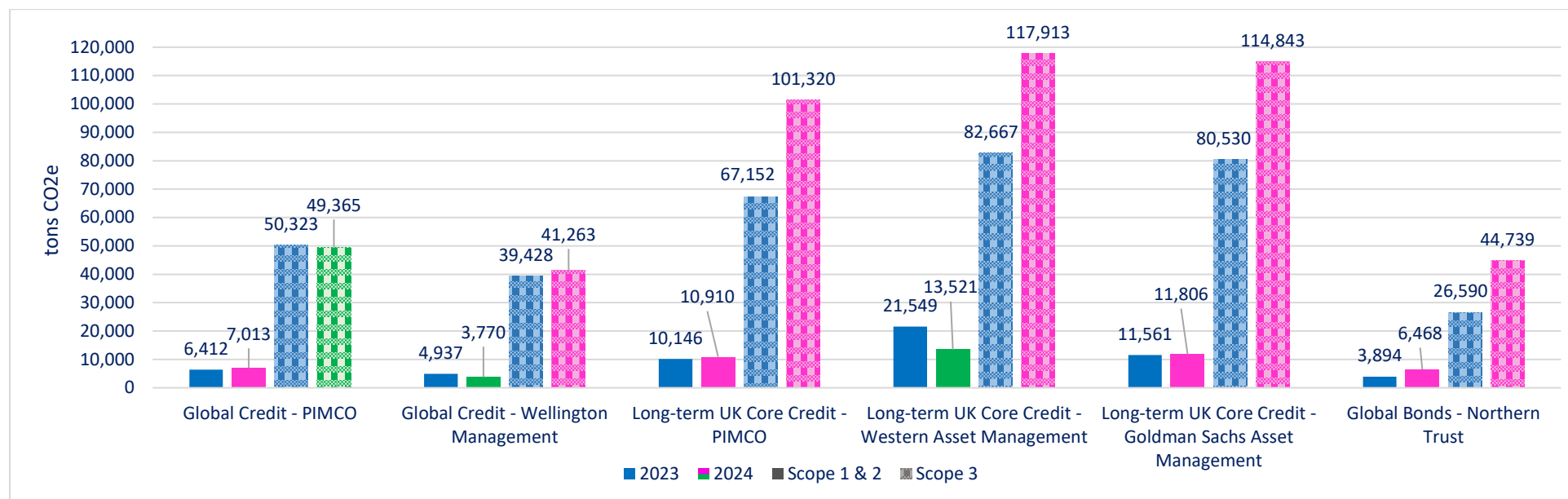


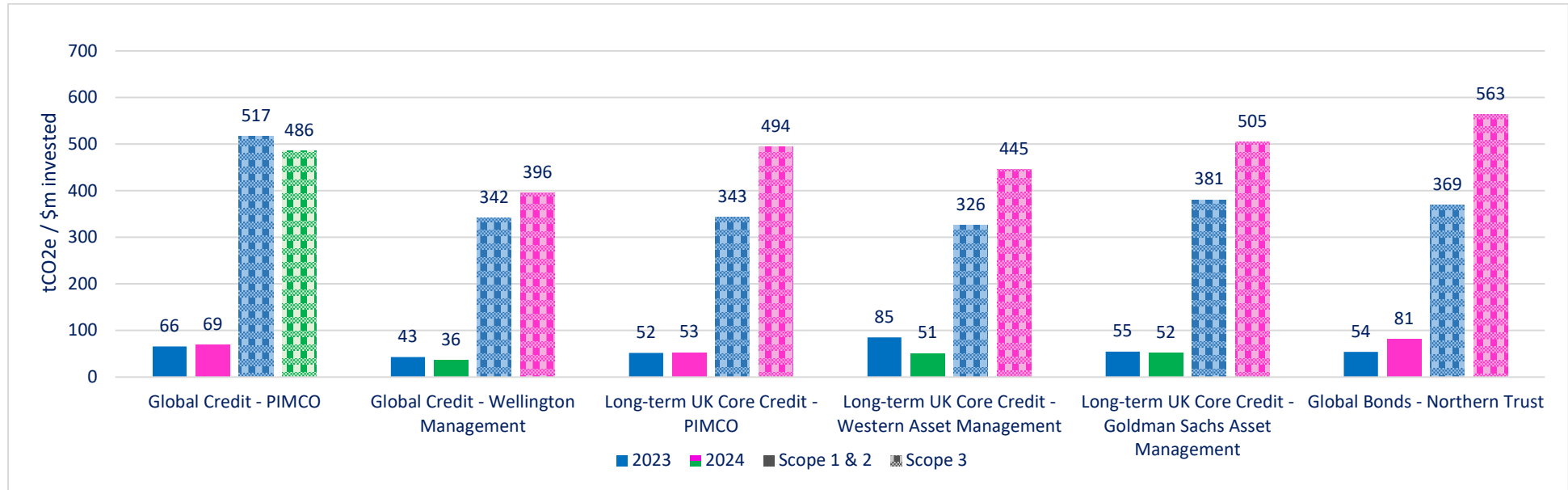
Figure 8: Table Comparison of Value and Coverage of Climate-Related Absolute Emissions Metrics for the DB Section's credit portfolios

	Global Bonds - Northern Trust		Global Credit - PIMCO		Global Credit - Wellington Management		Long-term UK Core Credit - PIMCO		Long-term UK Core Credit - Western Asset Management		Long-term UK Core Credit - Goldman Sachs Asset Management		Total	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
Value (£m)	201.6	204.6	110.5	114.6	106.8	110.8	334.3	322.5	385.7	382.1	376.6	373.5	1,515.5	1,508.1
% of total Plan assets	5.6	6.3	3.1	3.6	3.0	3.4	9.3	10.0	10.7	11.9	10.4	11.6	42.0	46.8
% coverage of reportable assets	86.0	87.7	83.9	85.6	89.4	89.9	56.6	61.9	65.1	69.9	51.9	54.0	63.7	69.3

Source: Northern Trust, 31 December 2023 and 31 December 2024. Coverage shown as a proportion of reportable assets.

The coverage highlights the weight of companies by market value that report reliable emissions in the portfolio from those asset classes which are covered, i.e. corporate bonds. The coverage relates to scope 1, 2 and 3 emissions. The proportion of fund that is reportable at total portfolio level is a weighted average of the mandates shown in the table.

Figure 9: Carbon Footprint of the DB Section's credit portfolios



Source: Northern Trust, 31 December 2023 and 31 December 2024. Coverage shown as a proportion of reportable assets.

Figure 9 sets out the Carbon Footprint for the Global Bonds, Global Credit and Long-term UK Core Credit mandates as at 31 December 2023 and 31 December 2024.

Northern Trust, in its role as Plan Custodian, has noted that carbon footprint takes into consideration not only absolute emissions but also the overall value of the portfolio, which therefore normalises the carbon emissions exposure of the portfolio by the investment for every \$1m invested. The value of the covered assets of the Plan has decreased over the year to 31 December 2024. Over the period, the total carbon emissions per million \$ invested has decreased. The carbon footprint (scope 1 & 2 emissions) has decreased across all managers with the exception of PIMCO Global Credit portfolio, PIMCO UK Core Credit and the Global funds managed by Northern Trust, whose carbon footprint have increased with significant change for the latter.

The Scope 3 carbon footprint increased materially except for the PIMCO Global Credit portfolio which decreased by c.6% over the year. However, at a total credit portfolio level this decrease was offset by the increases from the other credit mandates. The Trustee expects to observe material changes in the short term when reporting on Scope 3 emissions due to increased reporting and coverage of assets available.

Figure 10: Weighted Average Carbon Intensity (WACI) of the DB Section's credit portfolios

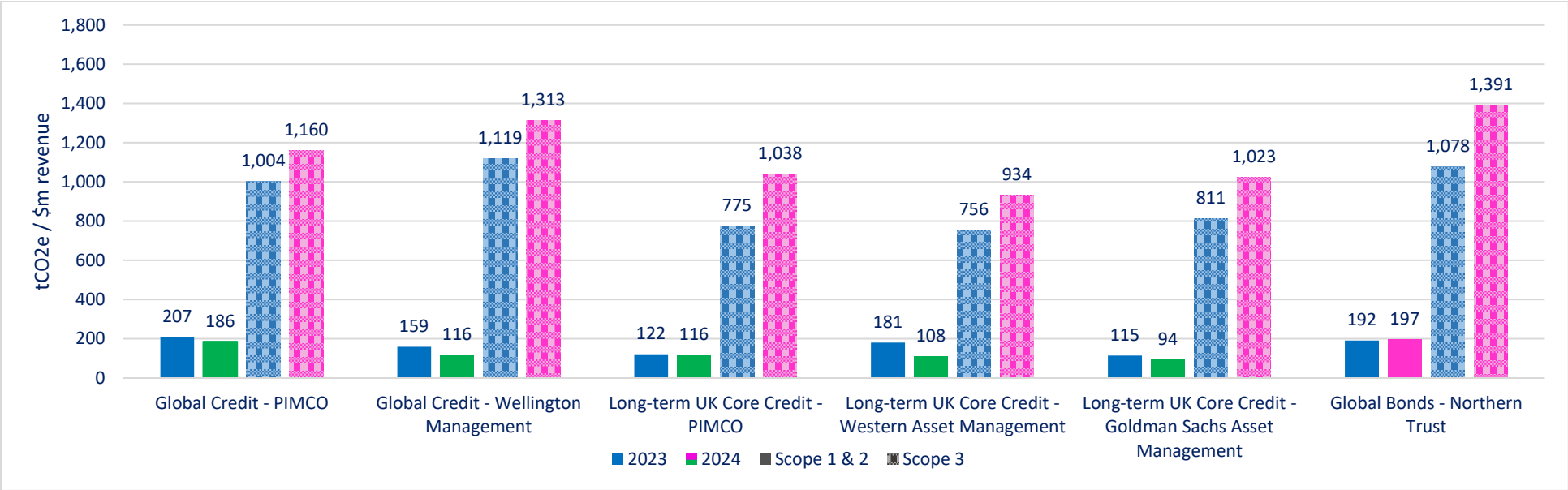


Figure **10** sets out the WACI for the Global Bonds, Global Credit and Long-term UK Core Credit mandates as at 31 December 2023 and 31 December 2024.

Across the total credit portfolio, weighted according to mandate size, the overall decrease in WACI for scope 1 & 2 was c.18% when comparing 2024 to 2023 whilst the increase for scope 3 emissions was c.26%.

Climate-Related Metrics: BlackRock LDI portfolio

The remaining proportion of the matching assets held in the DB Section of the Plan mainly comprises of the Plan's Liability Driven investment (LDI) Portfolio managed by BlackRock, which is predominantly invested in UK Government bonds and liquidity assets. The Trustee will continue to engage with BlackRock on carbon emission information in respect of these assets, and the table below summarises the information available.

Figure 11 below provides carbon emissions metrics data in respect of the Plan's LDI portfolio, managed by BlackRock, for which data is reportable as at 31 December 2023 and 31 December 2024.

Figure 11: Climate-Related Metrics in respect of the DB Section's LDI portfolio

Date	Value (£m)	Proportion of Total Plan Assets (%)	Proportion of fund that is reportable (%)	Coverage of reportable assets (%)	Total Carbon Emissions (tons CO ₂ e)		Sovereign Carbon Intensity (tons CO ₂ e / \$M PPP adjusted GDP)	
					Production Emissions*	Consumption Emissions**	Production Emissions*	Consumption Emissions**
31 Dec 2023	1,917.80	54.5	81.6	100.0	246,300	342,900	120.6	167.3
31 Dec 2024	1,641.47	50.9	88.1	100.0	247,824	344,496	120.6	167.6

Source: BlackRock and MSCI, 31 December 2023 and 31 December 2024.

*Sovereign emissions data shown are considered with reference to the PCAF definition of Scope 1 sovereign emissions, aligning with the UNFCCC definition of domestic territorial emissions, including emissions from exported goods and services. Emissions data exclude land use, land use change and forestry. Data sourced from MSCI.

**Sovereign emissions data shown with reference to the PCAF definition of Scope 1, 2, and 3 sovereign emissions, aligning with the UNFCCC definition of domestic territorial emissions, including emissions from exported goods and services. Emissions data exclude land use, land use change and forestry. Data sourced from MSCI.

The table above displays the emissions from the total exposure to UK gilts (£1,641M).

Carbon Emissions – Growth portfolio

The DB Section invests in growth assets equating to less than 1% of total invested assets (excluding the buy-in policy) as at 31 December 2024. The growth portfolio includes investments in private equity and alternatives (in respect of re-insurance arrangements). Due to the complexity of these assets, there is no carbon emissions data available.

Carbon Emissions – Buy-In

As mentioned earlier in this report, the DB Section of the Plan also holds a buy-in policy managed by Rothesay Life which covers approximately 50% of the DB Section's pensioner liabilities. Whilst the funding and investment risks to the Trustee for this portion of the DB Section has been transferred to and managed by Rothesay Life (and therefore the emissions of the assets to back these liabilities should be managed by the insurer), the Trustee is required under the DWP's guidance to disclose a proportionate share of the emissions of the insurer's total assets backing their UK pension bulk annuity book, or if this not available, the emissions in relation to all the insurer's assets.

Figure 12 below sets out the absolute emissions and carbon intensity metrics in respect of the Plan's buy-in policy, based on Rothesay's total investment portfolio. Rothesay advised previously that the Trustee could use a comparison of its estimated liability value to their total insurance contract liabilities (which were £38,112m as at 31 December 2022 and £54,630m as at 31 December 2023, from their annual report and accounts) in order to estimate the fraction of Rothesay's financed emissions that the Trustee may wish to attribute to the Plan.

Figure 12: Climate-Related Metrics in respect of the buy-in policy under the DB Section

Manager	Underlying portfolio	Data coverage (%)		Value (£bn)		WACI (Scope 1 & 2) (tons CO ₂ e / \$M revenue)*		Change since 2022	Data coverage (%)		Financed Emissions (tons CO ₂ e)		Change since 2022
		2022	2023	2022	2023	2022	2023		2022	2023	2022	2023	
Rothsay Life Plc	Supranationals / Sovereign / Public	93%	94%	14.6	22.6	196	143	-27.0%	80%	88%	118,873	122,468	3.0%
	Corporate and Infrastructure	96%	94%	16.6	18.2	163	139	-14.7%	88%	88%	61,176	34,716	-43.3%
	Property	90%	92%	18.6	21.4	193	103	-46.6%	78%	84%	24,586	6,695	-72.8%
Total Portfolio		90%	93%	49.8	62.2	184	128	-30.4%	82%	87%	64,456	56,960	-11.6%

Source: Rothsay Life's, Climate Report 31 December 2022 and 31 December 2023

*For sovereigns, the WACI is defined as annual tons CO₂e / \$M GDP. The emissions refer to those produced within the country and do not include those generated in producing imported items.

DB Section portfolio alignment metric – SBTi

The Science Based Target initiative (SBTi) has established an industry standard methodology for companies setting long-term carbon emission reduction targets that are in line with climate science. Companies submit their net zero plans to SBTi, who then act as an independent assessor of the validity of the plans.

The Trustee has chosen this metric because it provides a measure of portfolio alignment with the goals of the Paris Agreement. Underlying funds with a low percentage of companies with SBTi-approved targets could indicate investment in companies or issuers that are not setting targets to align their businesses or activities with net zero, which is a forward-looking indication of climate transition risk.

The Trustee recognises that the SBTi does not currently cover every sector, however is cognisant that the initiative's coverage across additional companies and sectors has been expanding rapidly. The SBTi has recently launched a draft of its revised Corporate Net-Zero Standard (V2.0) for public consultation. This new version aims to address challenges such as Scope 3 emissions, which are often the most difficult for companies to manage. The revised standard also emphasises the need for climate transition plans, third-party assurance, and stricter validation and progress reporting. Despite the progress, some companies have faced challenges in meeting their SBTi commitments. In 2024, the SBTi delisted over 200 high-profile companies, including major players like Microsoft, Unilever, and Walmart, for failing to meet their emissions reduction target. As such, the Trustee will continue to consider whether this metric remains suitable in the future.

Figure 13 provides the proportion of each portfolio where the underlying investee companies have a SBTi-approved target (where available).

The Trustee notes that there has been an overall improvement in the proportion of companies that have an SBTi-approved target in two-thirds the Plan's mandates and this is a positive observation.

Figure 13: Plan SBTi figures

Asset Class	Manager / Mandate	2023: SBTi(%)	2024: SBTi(%)
Global Bonds	Northern Trust	24.5	28.6
	PIMCO	27.6	31.1
	Wellington Management	31.0	34.4
Long-term UK Core Credit	PIMCO	58.8	60.0
	Western Asset Management	59.4	58.0
	Goldman Sachs Asset Management	55.2	51.6
LDI	BlackRock	-	-
Buy-in Policy	Rothsay	42%	-

Source: Northern Trust, BlackRock and Rothsay

The Trustee has also reported on Implied Temperature Rise (another portfolio alignment metric), where available. This data is provided in the Appendix. There has been an improvement in the availability of reporting in relation to ITR which covers all of the Plan's mandates including the Northern Trust Global Bond mandate, with the exception of LDI and the buy-in.

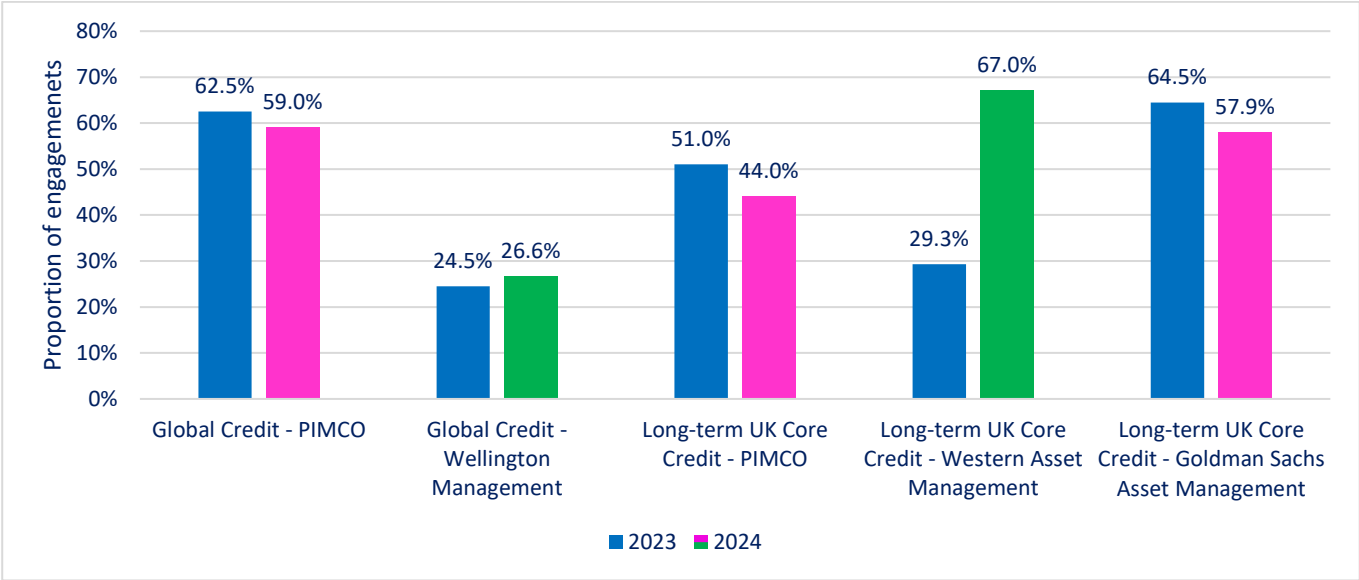
DB Section non-emissions based metric

Figure 14 sets out the share of the portfolio held at year end for which engagement or voting on climate-related risk and opportunities has been a substantive topic. At the fund level, the proportion of engagements that are climate-related varies between funds where data is available. The results below enhance the Trustee’s recognition of the importance of encouraging investment managers to engage with companies on climate change.

The Trustee expects levels of engagement to increase over time and the investment managers will be monitored by this metric. The Trustee will be engaging with managers regarding their climate-related engagements with companies and has also included this within the criteria of ‘significant votes’ which will be reported on within the [Implementation Statement](#).

The blue bars in Figure 14 show climate-related engagements for the credit mandates as at 31 December 2023. The green and pink bars show climate-related engagements for the credit mandates as at 31 December 2024. The green bars show that there has been an improvement in the number of climate-related engagements over the year and pink bars show a deterioration in engagements. Climate-related engagements are defined as the % share of the portfolio held at year end for which engagement or voting on climate related risk and opportunities has been a substantive topic.

Figure 14: Climate-related engagements of mandates within DB Section



Source: Investment managers, 31 December 2023 and 31 December 2024. Wellington Management provided updated information as at 31 December 2023 compared to the reported % in 2023 report.

The Trustee notes that the share of climate-related engagements is relatively low for some investment managers, although there has been an increase in the proportion of climate-related engagements over the reporting year overall. It can be observed that the proportion of engagements for Western has seen significant improvement since 2023. Wellington Management provided updated information on climate-related engagement as at 31 December 2023 compared to the reported % in 2023 report and based on that, there has been marginal increase in the year 2024. On the other hand, the engagement levels for other managers have reduced over the period.

Engagement data is not available in respect of the Global Bonds fund due to the fund-of-funds nature. The Trustee had discussed this with Northern Trust previously and has set out its aims regarding managers’ engagement on climate change.

DC Section emissions-based metrics

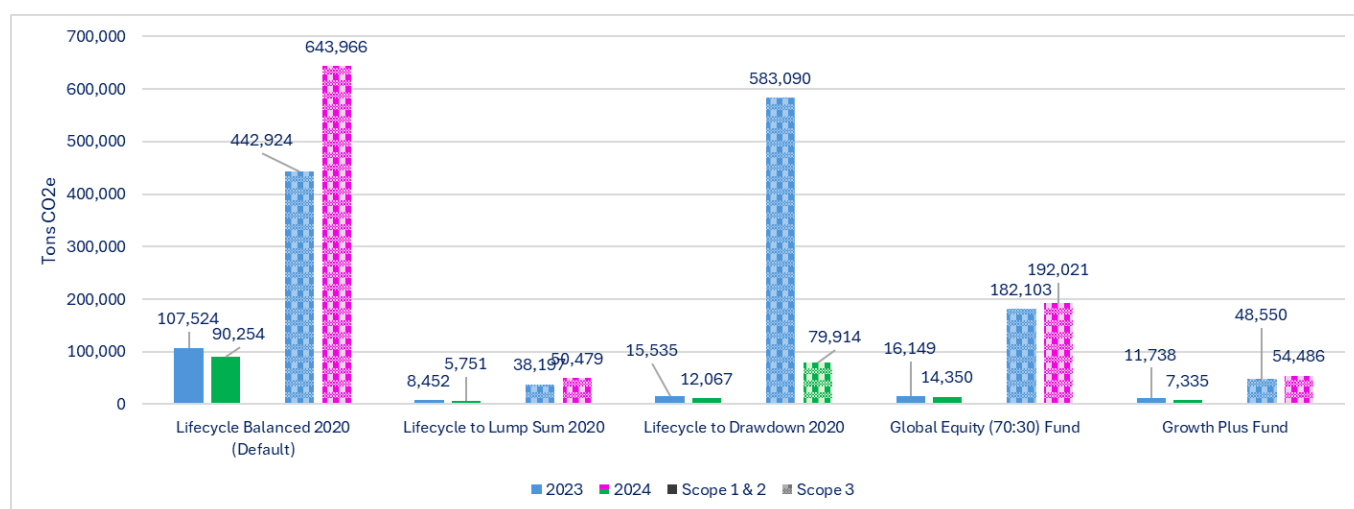
The majority of the Plan's DC investments are managed by LGIM and made available via a bundled arrangement with LGAS (as at end December 2024 there was also one Freestyle fund managed by HSBC). The Trustee relies on LGIM to produce the required emissions based metrics and engagement data. This enables the Trustee to consider the data in a consistent manner across the DC mandates. The Trustee has to disclose metrics data for all popular DC arrangements which are funds or Lifecycle arrangements constituting either more than 10% of the total DC assets or are valued at over £100m. The Trustee has obtained all relevant data and is therefore able to disclose the carbon metrics for all popular DC arrangements as at 31 December 2024 and also as at 31 December 2023 for comparative purposes. The popular arrangements are shown in Figure 15. At 31 December 2024, approximately 82% of all DC assets were held in Lifecycle strategies or funds deemed as popular arrangements (compared with approximately 81%, as at 31 December 2023). Please note that most metrics shown in this report are based on the proportion of assets for which climate metrics are available (the "coverage"). Coverage figures may vary depending on the specific climate metric shown. Relevant coverage figures for all funds are shown in the Appendix. For the avoidance of doubt, all aggregated metrics for the popular arrangements are adjusted for eligibility.

Figure 15: Popular Arrangements in the DC Section as at 31 December 2024

Popular Arrangement	Value (£m)	Proportion of Total DC Section Assets (%)
Lifecycle Balanced 2020 Strategy (Default Investment Strategy)	1,589.55	57.4%
Lifecycle to Lump Sum 2020 Strategy	150.44	5.4%
Lifecycle to Drawdown 2020 Strategy	203.85	7.4%
IBM Pension Plan Global Equity 70:30	182.00	6.6%
IBM Pension Plan Growth Plus Fund	136.46	4.9%
Total	2,262.30	81.7%

The blue bars in Figure 16 show the total carbon emissions for the popular arrangements as at 31 December 2023. The green and pink bars show the total carbon emissions for the popular arrangements as at 31 December 2024, with a green bar indicating a reduction and a pink bar indicating an increase over the year. Solid bars represent scope 1 & 2 emissions. Scope 3 emissions were first reported in 2023, therefore this is the first year the Trustee is showing a comparison for scope 3 emissions.

Figure 16: Comparison of absolute carbon emissions for the popular arrangements within the DC Section



Source of underlying data: LGIM, 31 December 2023 and 31 December 2024.

LGIM have confirmed for metrics to be reportable for each fund there are two criteria: (a) at least 50% of the underlying holdings are eligible for reporting and (b) coverage of those eligible assets is at least 60%.

WTW has calculated aggregate metrics based on the underlying fund data provided by LGIM. Total carbon emissions include both corporate and sovereign assets, with a green bar indicating a reduction and a pink bar indicating an increase over the year.

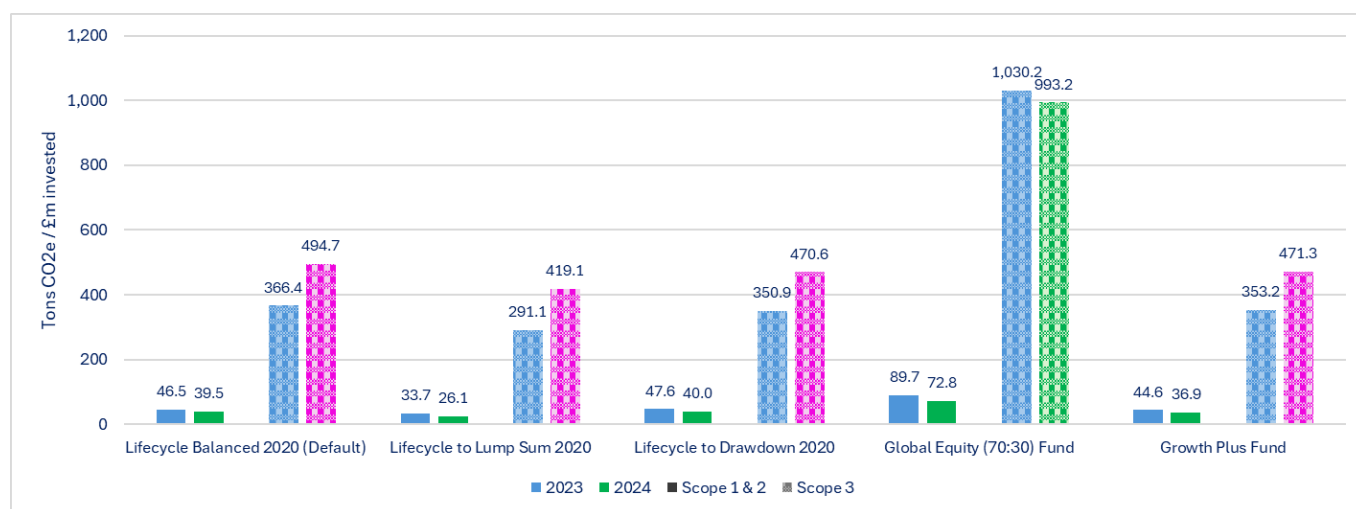
Over the year the scope 1 & 2 carbon emissions for the DC Section's popular arrangements reduced by 18.6% from 159,398 tons CO2 emissions in 2023 to 129,757 tons CO2 in 2024. There are a number of reasons for the reduction in total carbon emissions. Total carbon emissions depend on the size of the investment, the proportion of assets carbon metrics can be provided for, and the change in carbon emissions of the underlying assets. The size

of the Plan's investments increased in the Lifecycle strategies which is likely to have offset some of the reduction as a result of changes made to move to more sustainable investments as part of the 2021 investment strategy review. The total scope 1 & 2 carbon emissions have reduced for all of the popular arrangements, owing to the reduction in total scope 1 & 2 emissions for the majority of the underlying funds. In particular, the Growth Plus fund saw a 37.5% reduction in emissions intensity over the year. The increase in total carbon emissions for the Pre-Retirement Inflation Linked (Annuity Target) Fund has offset some of the reduction in emissions for the Lifecycle Balanced 2020 strategy.

The underlying holdings within the popular arrangements that were eligible for carbon emissions reporting were broadly unchanged (97% in 2024 versus to 96% in 2022). The eligibility criteria for carbon emissions reporting are outside of the Trustee's control. As total carbon emissions are strongly impacted by these factors, the metric is not an indicator of the Trustee's efforts to decrease carbon intensity across the Plan. However, total carbon emissions illustrate the Plan's contribution to global carbon emissions on an absolute basis.

Figure 17 shows corporate carbon footprint for the popular arrangements as at 31 December 2023 and 31 December 2024. Solid bars represent scope 1 & 2 emissions, and shaded bars show scope 3 emissions. Carbon footprint is measured as tons of CO₂ emissions per £m invested.

Figure 17: Comparison of corporate carbon footprint metrics for the popular arrangements within the DC Section



Source: LGIM, 31 December 2023 and 31 December 2024.

LGIM have confirmed for metrics to be reportable for each fund there are two criteria: (a) at least 50% of the underlying holdings are eligible for reporting and (b) coverage of those eligible assets is at least 60%.

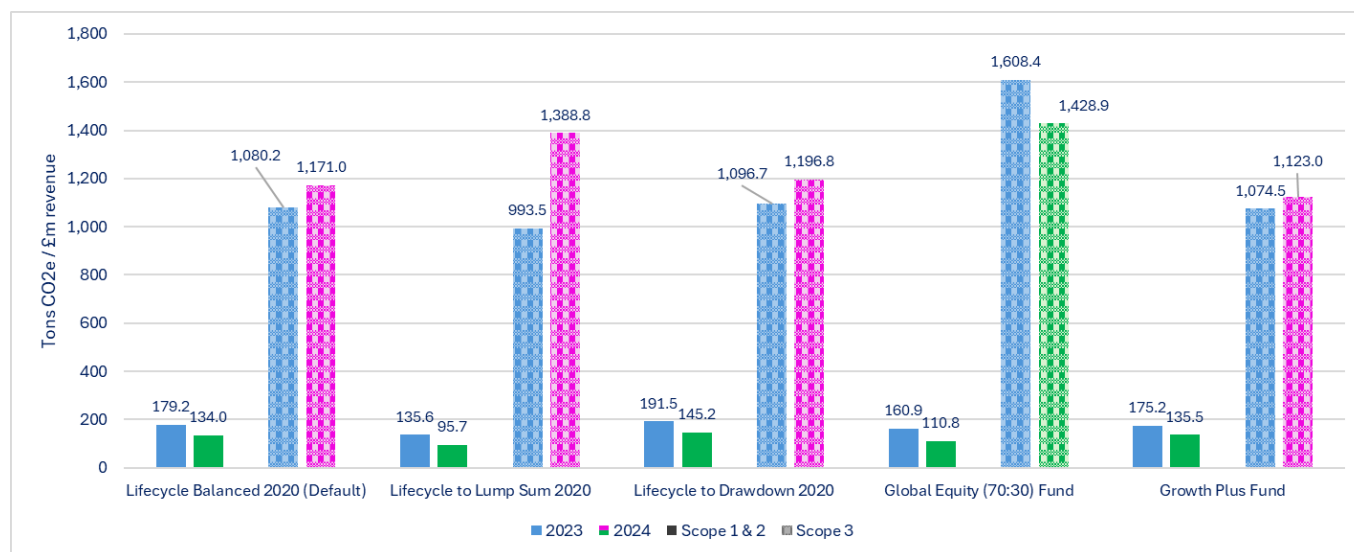
WTW has calculated aggregate metrics based on the underlying fund data provided by LGIM. Aggregated carbon footprint figures for the Lifecycle arrangements and the popular arrangements total are weighted averages of individual fund carbon footprint figures and account for relative investment size as well as coverage.

The total scope 1 & 2 corporate carbon footprint for the popular arrangements (weighted by size of fund) has decreased by 16% between 31 December 2023 and 31 December 2024. The scope 1 & 2 carbon footprint metric decreased for all popular arrangements. This was due to a reduction in the carbon footprint for the All World Equity, Growth Plus and Growth Funds which are the underlying funds within the Lifecycle strategies.

WACI is measured as tons CO₂ emissions / £m company revenue.

Figure 18 shows corporate WACI for the popular arrangements as at 31 December 2023 and 31 December 2024. Solid bars represent scope 1 & 2 emissions, and shaded bars show scope 3 emissions.

Figure 18: Comparison of corporate carbon intensity metrics (Weighted Average Carbon Intensity) for the popular arrangements within the DC Section



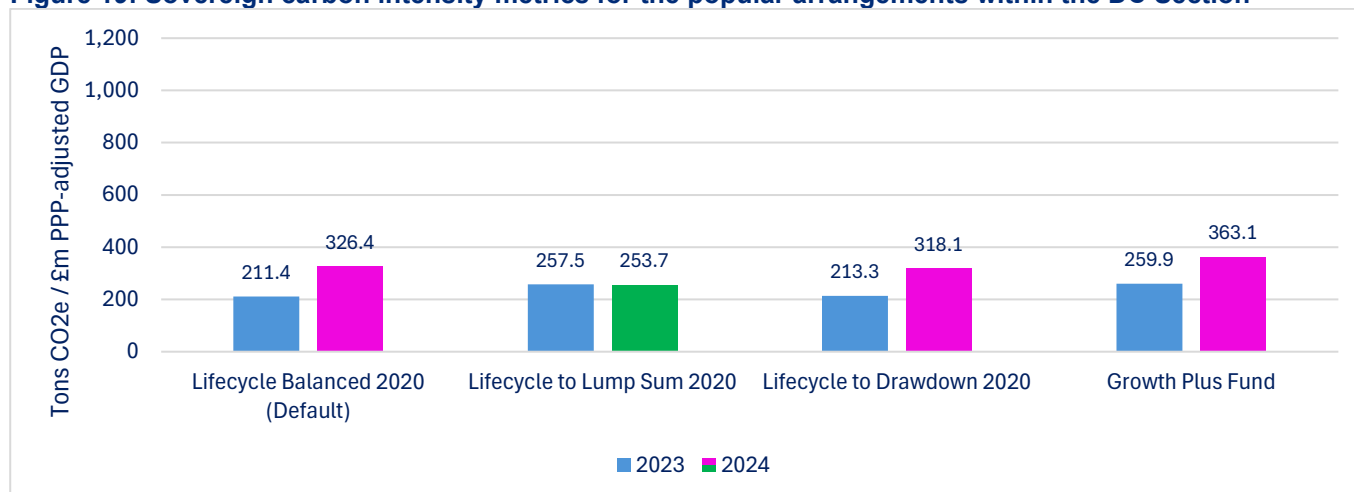
Source: LGIM, 31 December 2023 and 31 December 2024.

LGIM have confirmed for metrics to be reportable for each fund there are two criteria: (a) at least 50% of the underlying holdings are eligible for reporting and (b) coverage of those eligible assets is at least 60%.

WTW has calculated aggregate metrics based on the underlying fund data provided by LGIM. Aggregated WACI figures for the Lifecycle arrangements and the popular arrangements total are weighted averages of individual fund WACIs and account for relative investment size as well as eligibility.

Due to the different calculation method for sovereign assets, the sovereign carbon intensity metrics are shown separately in Figure 19 below. Sovereign carbon intensity is measured in tons of CO₂ emissions divided by £m purchasing power parity-adjusted Gross Domestic Product (GDP). The different denominator, compared to WACI, means that this metric cannot be aggregated with WACI and is not directly comparable. Sovereign carbon intensity is only measured for funds with underlying exposures to securities issued by sovereign entities. The Global Equity (70:30) Fund invests in only corporate holdings and is therefore not included.

Figure 19: Sovereign carbon intensity metrics for the popular arrangements within the DC Section



Source: LGIM, 31 December 2023 and 31 December 2024.

LGIM have confirmed for metrics to be reportable for each fund there are two criteria: (a) at least 50% of the underlying holdings are eligible for reporting and (b) coverage of those eligible assets is at least 60%.

WTW has calculated aggregate metrics based on the underlying fund data provided by LGIM. Aggregated sovereign carbon intensity figures for the Lifecycle arrangements and the popular arrangements total are weighted averages of individual fund sovereign carbon intensity figures and account for relative investment size as well as eligibility.

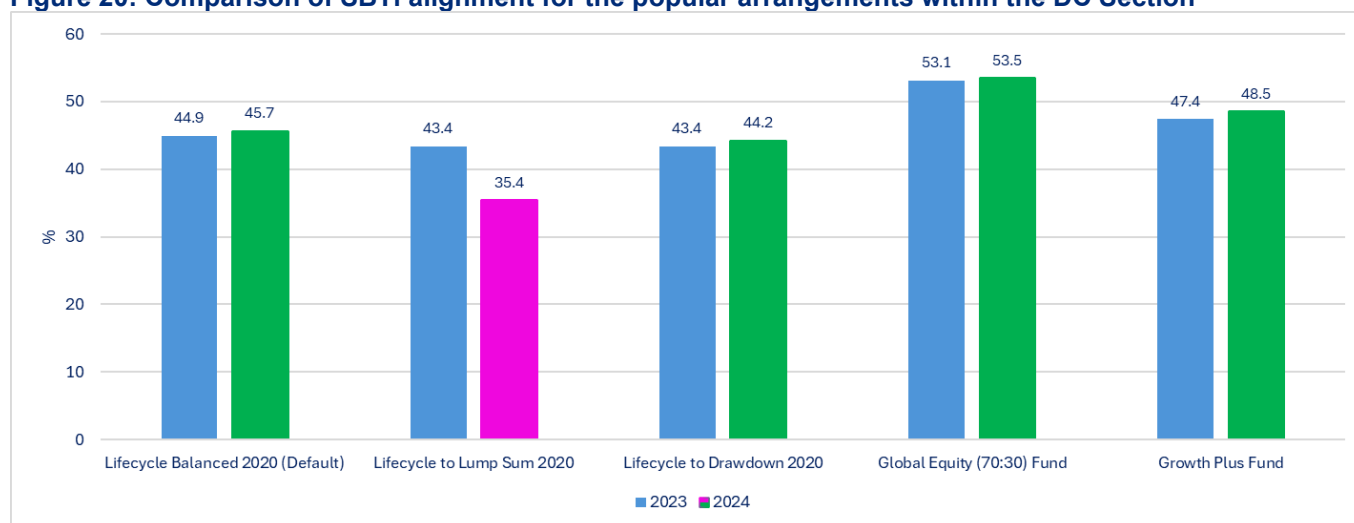
The year-on year changes in sovereign carbon intensity metrics will be largely due to changes in positions in the constituent funds. In particular, relating to new positions, asset allocation changes and changes to existing sovereign bond emissions in some of the constituent funds. In addition, member movements may have also contributed to the changes in sovereign carbon emissions.

LGIM have confirmed that they are unable to provide Scope 3 sovereign carbon intensity metrics due to lack of available and good quality data.

DC Section portfolio alignment - SBTi

The Trustee is able to report on two portfolio alignment metrics as LGIM have published alignment with the SBTi and Implied Temperature Rise for the current reporting period. The data in Figure 20 below relates to the SBTi metric as at 31 December 2023 and 31 December 2024 and the Implied Temperature Rise data is provided in the Appendix.

Figure 20: Comparison of SBTi alignment for the popular arrangements within the DC Section



Source: LGIM, 31 December 2023 and 31 December 2024.

LGIM have confirmed for metrics to be reportable for each fund there are two criteria: (a) at least 50% of the underlying holdings are eligible for reporting and (b) coverage of those eligible assets is at least 60%.

WTW has calculated aggregate metrics based on the underlying fund data provided by LGIM. Aggregated SBTi figures for the Lifecycle arrangements and the popular arrangements total are weighted averages of individual fund SBTi figures and account for relative investment size as well as eligibility.

As at 31 December 2023, alignment was highest for the Global Equity (70:30) Fund with 53.5% and lowest for the Lifecycle to Lump Sum 2020 strategy with 35.4%. Companies set SBTi targets, therefore the metric applies to equity and credit mandates only. The Trustee notes that there has been an improvement in the proportion of companies that have an SBTi-approved target in all of the Plan's popular arrangements, except for the Lifecycle to Lump Sum 2020 strategy which is due to the changes in the underlying holdings over the reporting period. The increase in SBTi-approved targets for the majority of the Plan's popular arrangements is a positive observation.

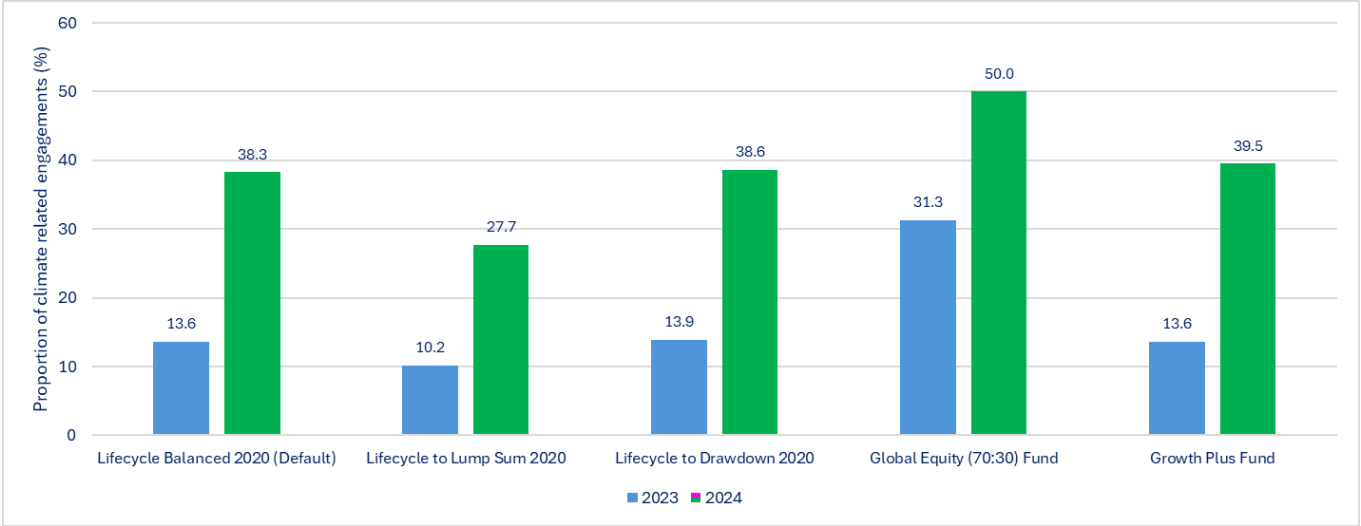
DC Section non-emissions based metric

For the additional non-emissions based metric, the Trustee has chosen the share of the portfolio held at year end for which engagement or voting on climate related risk and opportunities has been a substantive topic.

The Trustee expects levels of engagement to increase over time and the investment managers will be monitored via this metric. The Trustee will be engaging with managers regarding their climate-related engagements with companies and has also included this within the criteria of 'significant votes' which will be reported on within the Plan's implementation statement.

Figure 21 shows climate-related engagements for the popular arrangements as at 31 December 2023 and 2024. Climate-related engagements are defined as the percentage share of portfolio held at year end for which engagement or voting on climate related risk and opportunities has been a substantive topic.

Figure 21: Climate-related engagements of mandates within Plan



Source: LGIM, 31 December 2023 and 31 December 2024.
LGIM have confirmed for metrics to be reportable for each fund there are two criteria: (a) at least 50% of the underlying holdings are eligible for reporting and (b) coverage of those eligible assets is at least 60%.
WTW has calculated aggregate metrics based on the underlying fund data provided by LGIM. Aggregated climate engagement metrics for the Lifecycle arrangements and the popular arrangements total are weighted averages of individual fund climate engagement metrics and account for relative investment size as well as coverage.

There has been an increase in the percentage of climate related engagements over the year for all of the Plan's popular arrangements. This is positive to see and the Trustee continues to engage with LGIM to drive greater engagement over time.

Targets

Disclose the target used to assess climate change-related risks and opportunities in line with strategy and risk management process

The Trustee has set the following updated target for both the **DB and DC Sections**. This target will be monitored and measured against 2021 metric data as the base year on an annual basis:

Reduce the Plan’s Weighted Average Carbon Intensity (WACI) by 50% under Scope 1 & 2 over the medium-term horizon to 2030 from 31 December 2021 (where data is available⁴).

The Trustee based its target on WACI due to the availability of data (which is expected to increase over time), as well as the metric being relative (and therefore is not skewed by the size of the fund).

The target metric⁴ has been chosen as a method of monitoring and reducing the levels of carbon intensity in line with the Trustee’s duties to invest in the best financial interests of the Plan and its beneficiaries. The metric was recently updated in 2024 owing to the Plan having achieved its original target to reduce WACI by 20% over the three years through to end 2024, and the Trustee’s desire to put in place an achievable target over the medium-term.

It should be noted that the target applies for the assets where WACI data is reportable. Please note that the coverage differs for different metrics depending on the data available.

	Mandate(s)	Asset allocation (%)	Coverage	Carbon Intensity Change since 2021
DB Section	Global Bonds / Global Credit / Long-term UK Core Credit	46.8%	69.3%	-36.1%
DC Section		100.0%	82%*	-60.9%

*Represents coverage of popular arrangements only.

The target excludes sovereigns. Carbon intensity is an available metric for investments in sovereign bonds, but it is measured and expressed in a different way compared to corporate WACI. WACI and sovereign carbon intensity cannot be aggregated.

The majority of carbon exposure relating to sovereign assets is mainly to UK government gilts (held within the DB Section’s LDI Portfolio). The Trustee has little control over the carbon intensity of the UK and has concluded that a target set to include sovereign assets would be very difficult to influence and change.

The Trustee notes that there has been a reduction in emissions intensity for the credit mandates within the DB Section. This reduction is largely driven by the changes in the underlying holdings as well as increases in coverage % within funds, as set out in the Metrics section of this report. The Trustee continues to engage with its investment managers on the investment process and how they are supporting the Trustee in moving towards its climate targets.

Whilst the LDI portfolio does not form part of the Trustee’s overall target (as sovereign assets are excluded), the sovereign carbon intensity was broadly unchanged over the year.

In addition, carbon emission exposure via the Plan’s pensioner buy-in policy with Rothesay is estimated to have reduced by around 30%.

The Trustee notes that the DC target has already been exceeded but is aware that data continues to improve, and coverage may increase in the future which could change the Plan’s position. The Trustee recognises that the reduction in WACI since 2021 is due to a number of factors. The reduction is partially driven by the implementation of sustainable funds within the Lifecycle arrangements in early 2023. However, whilst this is a positive step in the Trustee’s sustainable investment journey, it should be noted that there are external and economic factors outside of the Trustee’s control which can result in fluctuations in the metrics.

As noted, the WACI target was reviewed and consequently updated during 2024. It will again be reviewed next year to ensure continued appropriateness.

Both targets are expected to increase in line with the Trustee’s support of the goals of the Paris Agreement, gradually moving towards achieving a portfolio of assets with net zero carbon emissions. The impact of the significant ongoing transition to a low carbon economy on performance and risk within the investment portfolio will be closely monitored and assessed.

⁴ This includes scope 1 and 2 weighted average carbon intensity emissions data where available for the following mandates (excluding sovereigns): DB Section –

Global Bonds, Global Credit and Long-term UK Core Credit, DC Section – popular arrangements.

The Trustee is aware of IBM's net zero target and seeks to align the Plan as best as possible with the company's sustainability policy. When formulating an approach to climate change and the climate transition, different organisations have different opportunities and constraints. From the perspective of the Plan, the Trustee invests in a large number of underlying companies. The investment managers of those funds have discretion over the underlying investments with investee companies to meet the fund's stated investment objectives.

The Trustee recognises that there is still further progress to be made to consider climate-related risks and opportunities in a balanced and proportionate approach in respect of the Plan, and that the ultimate responsibility of the Trustee is to pay members their benefits, which the Trustee is aiming to do in as sustainable a way as possible.



Conclusions and next steps

The key messages from this report are:

- The Trustee is equipped in the knowledge of ESG risks and beliefs through training sessions provided by their Investment Advisor.
- The Trustee has maintained a high standard of stewardship reporting and assessment over the year bespoke to the Plan's specific investment mandates and the Trustee's stewardship priorities.
- The Trustee will continue to engage with the investment managers on moving towards its WACI target and review the appropriateness in future strategic reviews and as part of annual climate change reporting.
- The Trustee will continue to liaise with investment managers on voting and engagement activity in respect of climate change – in particular, where it has been identified that climate engagements are low.
- The Trustee believes that the new emissions reduction target is relevant and will review its appropriateness on an annual basis. The Trustee will continue to engage with the investment managers on supporting the Trustee through its sustainable investment journey.
- Progress has been made for the DB and DC Sections in meeting and exceeding the respective WACI targets.

The Trustee has considered a number of actions in order to work towards the set target. **Over the next 12 months, the Trustee is planning to undertake the following actions:**

- Further integrate ESG factors into the DC default strategy.
- Continue engagement with investment managers on voting and engagement activity in respect of climate change.
- Consider climate change risks and opportunities as part of strategic decision-making for the Plan (including updating the Plan's scenario analysis).
- Continue to liaise with investment managers to understand the drivers and movements of changes in emissions metrics and how the changes are attributed.

In the longer term, the Trustee expects to:

- Regularly review the climate-related risks and opportunities in the Plan and maintain compliance with regulatory requirements, with support from the Plan's advisors.
- Ensure it is well equipped with sufficient knowledge of developments around climate change risk through training and a review of skills.
- Annually consider the suitability of the Plan's investment arrangements to move to the agreed target reduction in carbon exposure.
- Continue to monitor integration of ESG factors into its decision making and strive for continued improvement by carrying out regular stewardship assessments.

The Trustee believes that the pensions and investment industry is beyond the stage of merely acknowledging climate change as a financially material risk; the key focus should now be on taking ongoing and effective climate action by all stakeholders.

The above being said, the Trustee acknowledges the significant challenges facing the global investment community in achieving net zero targets.

Whilst these headwinds can make the path to net zero more complex, and suggest taking a balanced approach, the Trustee remains committed to achieving the targets set out in this report, integrating ESG factors into the investment strategy and pursuing long-term sustainable outcomes.



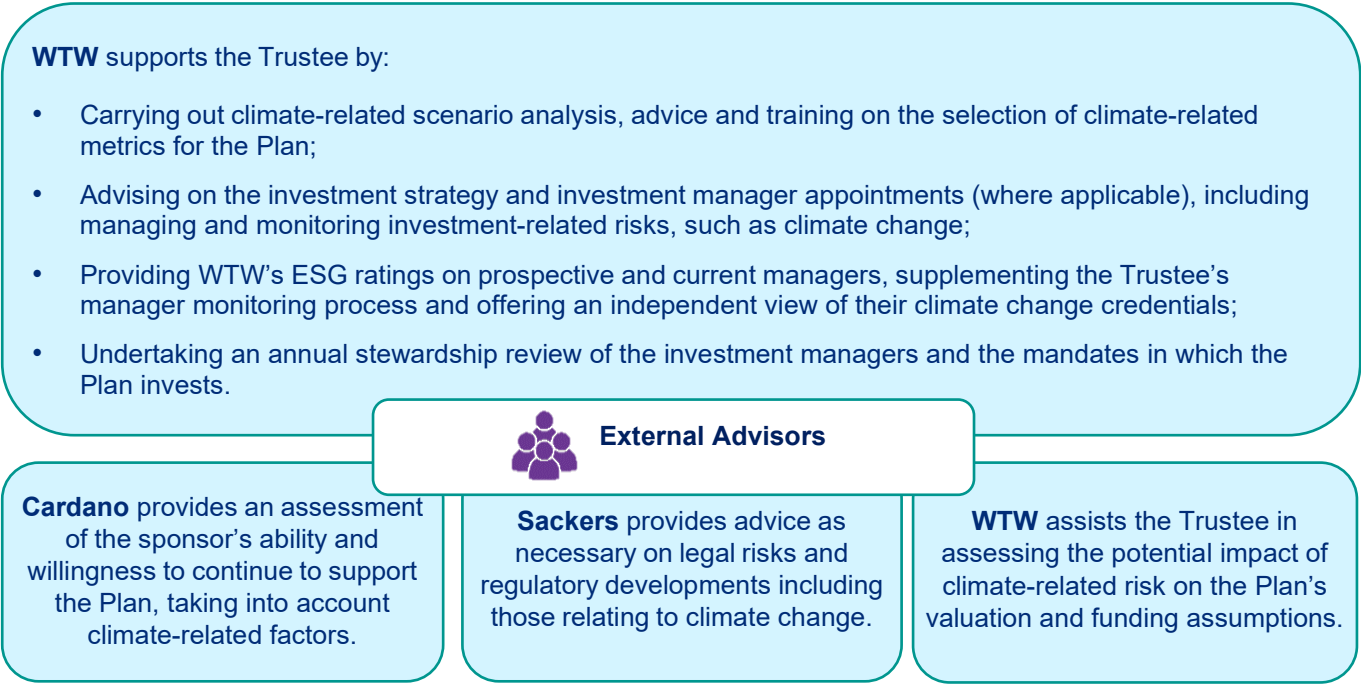
Appendix

Roles and responsibilities of those advising or assisting the Trustee on Plan governance activities

The Trustee monitors the investment managers on a regular and ongoing basis, including with respect to stewardship activities. The investment managers have been appointed based on their credentials, which includes the integration of sustainability at the strategic asset allocation level and the manager selection level.

The Trustee expects the overall approach to climate-related financial risks and opportunities for each of the Plan’s investment managers to be consistent with the governance and reporting of climate change risk statutory guidance. Disclosures consistent with this guidance are also expected of appointed investment managers. The Trustee works with its Investment Advisor, WTW, to ensure that the investment managers adopt a consistent approach where possible and the Investment Advisor is assessed by the Trustee on an annual basis to the extent that ESG considerations are considered in investment advice provided to the Trustee (where appropriate).

IBM Pensions Trust, the Plan’s in-house pensions team, supports the Trustee with ensuring climate risks and opportunities are considered throughout the Plan’s governance framework and supports the Trustee’s engagement with the investment managers. IBM Pensions Trust also works closely with the Trustee’s advisors to consider climate-related risks and opportunities, and report back to the Trustee.



Short, medium and long-term drivers of climate risk

Short Term	Medium Term	Long Term
<p>Rapid market re-pricing relating to climate transition:</p> <ul style="list-style-type: none"> • Scenario pathways become clearer. For example, a change, in the likelihood of a 1.5°C scenario occurring becoming higher and driving the transition risk. • Market awareness grows. For example, the implications of the physical impacts of climate change become clearer to markets and impact asset valuations. • If policy changes unexpectedly, it could surprise markets. For example, if a carbon price or significant regulatory requirements are introduced across key markets to which the portfolio is exposed at a sufficiently high price to impact behaviour. • Substitution of existing products and services with lower emission alternatives may impact part of the portfolio. • Litigation risk relating to dangerous warming becoming more prevalent. • Increases in the energy/heat efficiency of buildings and infrastructure. 	<p>Transition to a low carbon economy risks are still likely to dominate:</p> <ul style="list-style-type: none"> • Development of technology and low carbon solutions. • Policy, legislation and regulation are likely to also play a key role at the international, national and subnational level. • Technology and policy changes are likely to produce winners and losers both between and within sectors. • Advancement of transition is likely to have started to crystallise stranded asset risks over the medium term. <p>The Trustee's ability to understand these changes may position it favourably, for example by increasing investments in new emerging technologies. The Trustee will consider this further as part of any future manager appointments and ongoing manager engagement.</p>	<p>Physical risks are expected to come to the fore:</p> <ul style="list-style-type: none"> • The impact of natural catastrophes leading to physical damages through extreme weather events. • A lack of important natural resources such as water and food due to changes in weather patterns. <p>The Trustee's ability to understand these changes may position it favourably in the future, for example by increasing investments in infrastructure projects that display a high level of climate resilience. A changing climate may directly impact the viability of some assets or business models (for example, flood risk for real estate, or drought / fire risk for timberland assets).</p>

Modelling Assumptions – DB Section

The Trustee understands that WTW made a series of simplifying assumptions to shield the analysis from being obscured by other factors. All the analysis was conducted as at 31 December 2024.

For the scenario analysis five separate scenarios have been considered which are in part defined through their success, or otherwise, in meeting the Paris Agreement target of a sub-2.0°C (and ultimately 1.5°C) temperature rise.

The scenarios differ in the size of the physical risks, based on the resulting temperature impacts, but also in the size of the transition risks. The Net Zero 2050 scenario, where decisive action is taken, and the Delayed Transition Below 2°C scenario, where transition is more disorderly due to delays in meaningful action, represent bigger transition risks than the Below 2°C scenario.

Climate Scenarios Definitions

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

Nationally Determined Contributions are currently treated as the central scenario and it is believed that the transition risks arising from this scenario are in aggregate priced into markets. Therefore, whilst there will likely be costs associated with transition in that scenario, they will likely lead to lower investment returns than those used in the “base case” modelling.



Drags

The regulations require the trustees to use scenario analysis to understand if their investment and fund strategy is resilient to the potential impact of climate change. The scenario analysis models the impact of climate-related risks as drags on asset returns and changes in liabilities that are felt each year over the life of the Fund. As such, these drags will increase or decrease the returns and move the expected impacts away from the base case scenario, what we believe is currently priced into the market.



Shocks

Our asset drags assume the costs of climate change are incurred as they arise, but in reality markets will price in future impacts once they are anticipated. For this reason, we also examine the impact of climate change using instantaneous shocks. These shocks are the potential impact of the market suddenly pricing in each of these scenarios instantaneously. They can be seen at an asset level and on a portfolio level.

Looking at the impact from both a drag and a shock perspective helps to test the sensitivity of the Plan to the timing of climate impacts as it is unknown when markets could start to price in climate related costs.

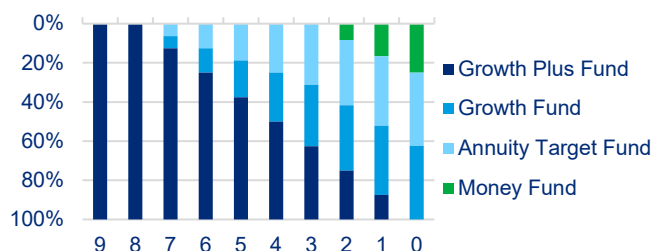
DC Section – Lifecycle Glide Paths

Last 10 years of the lifecycle

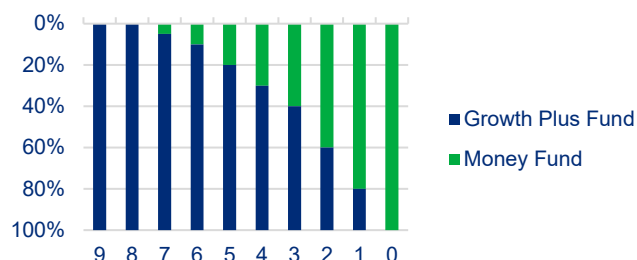
Glide paths represented, focusing on the last 10 years of the Lifecycle strategies as previously outlined. The Lifecycles that have been modelled represent those with £100m+ of assets invested.

As highlighted, over the second half of 2024 the Trustee carried out a formal review of the Plan's DC strategy, agreeing a number of changes that are to be implemented in 2025, across both the Lifecycle strategies and Freestyle fund range. The updated strategy will be reflected in next year's report.

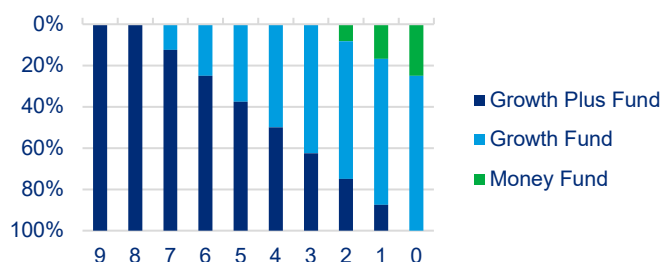
Lifecycle Balanced 2020



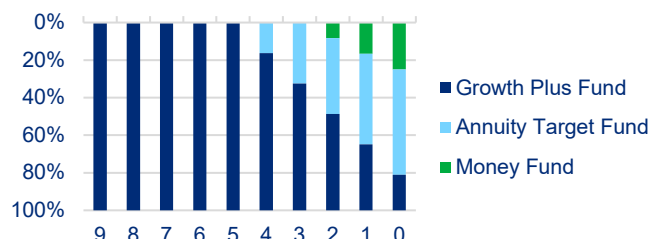
Lifecycle to Lump Sum 2020



Lifecycle to Drawdown 2020



Lifecycle to Annuity



Modelling Assumptions – DC Section

	Failed Transition	Rapid Transition	Orderly Transition
Summary	The world fails to meet the Paris Agreement goals and global warming reaches 4.3°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events.	Sudden divestments in 2025 to align portfolios to the Paris Agreement goals have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock.	Political and social organisations act quickly and predictably to implement the recommendations of the Paris Agreement to ultimately limit global warming to below 1.5°C.
Temperature change	Expected increase of 4.3°C, with a high-likelihood range of an increase between 3.4°C and 5.6°C by 2100.	Average temperature increase stabilises at 1.5°C around 2050.	This scenario includes additional economic damage consistent with 1.8°C of average temperature rise – peaking in 2070.
Cumulative emissions	c5,000 GtCO ₂ (2020-2100)	c400 GtCO ₂ (2020-2100)	The additional damage under this scenario could be associated with further human emissions or greater impacts from feedback loops and tipping points.

	Failed Transition	Rapid Transition	Orderly Transition
Key policy & tech assumptions	Existing policy regimes are continued with the same level of ambition.	An ambitious policy regime is pursued to encourage greater decarbonization of the electricity sector and to reduce emissions across all sectors of the economy. Higher carbon prices, larger investment in energy efficiency and faster phase out of coal-fired power generation. This is earlier and more effective under a Rapid Transition than the Orderly Transition, which allows for less investment in energy efficiency and bioenergy with carbon capture and storage.	
Financial climate modelling	Physical risks are priced in two different periods: 2026-2030 (risks of first 40 years) and 2036-2040 (risks of 40-80 years).	Pricing in of transition and physical risks of the coming 40 years occurs within one year in 2025. As a result of this aggressive market correction, a confidence shock to the financial system takes place in the same year.	Pricing in of transition and physical risks associated with 1.5°C up to 2050 takes place over the first 4 years. The additional damage, beyond 1.5°C, impacts asset performance on a year-by-year basis with no advance pricing in.
Physical risks considered	Physical risks are regionally differentiated, considerable variation in expected temperature increase per region and increase dramatically with rising average global temperature. Physical risks are built up from: <ul style="list-style-type: none"> Gradual physical impacts associated with rising temperature (agricultural, labour, and industrial productivity losses) Economic impacts from climate-related extreme weather events Current modelling does not capture environmental tipping points or knock-on effects (e.g., migration and conflict).		

Summary of the climate scenarios considered in the covenant assessment by Cardano

	Orderly Transition – 1.8°C scenario	Rapid Transition – 1.5°C scenario	Failed Transition - Between 3-4°C scenario
Scenario outline	Global decarbonisation starts now so policies intensify gradually but immediately. Large transition changes will happen quickly	Temperature increase is limited to 1.5°C to achieve carbon neutrality by 2050, but with delayed implementation beginning in 2025	No new transition policies above existing commitments leads to continued increase in greenhouse gas emissions and rise in global temperature
Physical risks	Long-term physical risks are reduced but deviations from present climate still expected	Long term physical risks are reduced but deviations from present climate still expected	More pronounced physical risks , particularly over the longer-term
Transition risk	Highest in the near-term as policies are implemented immediately	Highest in the medium term as policy implementation is delayed	Limited transition risks over and above existing commitments and policies
Macro-economic impact	Pricing in of transition and physical risks takes place over the first 4 years. Overall longer-term impact on GDP growth muted, with an assumed long-term benefit from green tech investment	Compressed nature of emission reductions drives material short term macroeconomic disruption in 2025 and a sharp fall in GDP	UK and global GDP growth permanently lower with that impact growing over time. Macroeconomic uncertainty increases

Ongoing risk management activities of the Plan

Governance	<ul style="list-style-type: none"> The Trustee actively considers ways to further enhance the process of identifying and assessing climate-related risks and opportunities. The Plan's risk register includes ESG and climate change risks, and is reviewed by the Trustee Board's Governance Committee to ensure that the Plan's risks are effectively managed. The overall register is reviewed in detail annually in the course of the Trustee's overall risk management approach, with the most prominent risks being reviewed quarterly. It is used to effectively identify, prioritise, manage and monitor risks associated with the Plan and the escalations of risk are managed by internal controls in place. The Trustee and Investment sub-committee receive training from WTW as appropriate on climate-related issues, including market and regulatory updates.
Strategy	<ul style="list-style-type: none"> Climate change-related risks and opportunities are taken into account as part of the investment strategy advice provided by WTW. Climate change scenario modelling (described in the previous section) provides a top-down strategic assessment of climate change risks at the asset class level across transition and physical risks, providing the estimated impact of climate change on the Plan's investment strategy and funding level. An updated DB assessment was carried out in early 2025, with the next DC assessment due in 2026. The Trustee has commissioned covenant analysis carried out by Cardano as part of this report, to understand the impact of climate change risk on the covenant of the Plan's sponsor. The Trustee sees its target to reduce the level of carbon intensity within the Plan's investment portfolio as a means to manage climate transition risks.
Reporting	<ul style="list-style-type: none"> A summary of the managers' voting and engagement actions over the year (including examples) are disclosed in the Implementation Statement which is reviewed on an annual basis by the Trustee. The Trustee regularly monitors integration of ESG factors within its investment decision-making.
Manager monitoring	<ul style="list-style-type: none"> The Plan's custodian and underlying investment managers have been asked to provide information which covers carbon emissions analysis and non-carbon emissions climate-related metrics (described in the next section). This analysis helps identify key sources of company and sector-level carbon risks, as well as monitoring the continued engagement on climate-related issues. The metrics are reported and monitored on an annual basis. The Trustee recognises that active management by the investment managers will continue to be a very important part of the Plan's approach to managing these risks. The Trustee expects companies in its portfolio to manage climate change risks. Where relevant, managers are invited to present to the Trustee to explain their approach to climate change risk management, amongst other topics. Stewardship activities can help hold companies to account and ensure they are taking a meaningful approach in this area. The Trustee receives quarterly investment performance reporting and has access to ESG investment manager ratings produced by WTW for the Plan's investment managers. These ratings assess the degree to which managers integrate ESG considerations, including climate change, into their investment processes and active ownership activities. If a manager is considered to be "lagging the market", the Trustee will engage with the relevant investment manager(s) to strongly encourage that they improve in policies and practises in this area. WTW carries out an annual Stewardship and ESG Manager Ratings Assessment.
Manager Selection and Retention	<ul style="list-style-type: none"> The Trustee, with advice from WTW, will consider an investment manager's firm-wide and strategy-specific approach to managing climate-related risks and opportunities when either appointing a new manager, in the ongoing review of a manager's appointment, or as a factor when considering the termination of a manager's appointment. WTW rates investment managers on the extent of integration of ESG factors (including climate change) into their processes. A manager's stewardship process forms part of the rating assessment. This is considered at the firm level and at the investment strategy/fund level.

DC Section – Notes on Data, Assumptions, Risk Identification & Model Limitations

Data - the data used in the analysis presented in this report is set out in each scenario modelled, which includes the asset allocation modelled how it will develop over time for each scenario. The data used to determine the popular arrangements and the underlying asset allocations used in relation to the Growth and Growth Plus Funds is based on the information sourced from LGIM.

Assumptions - the key assumptions used in carrying out the analysis shown in this report are assumptions for the returns on assets under the base case. The climate scenarios are defined by assumed impacts on asset returns, yield curves and inflation experience relative to the base case.

Risk Identification - this analysis is focused specifically on climate risk. Other risks should be considered as part of a wider review which may include asset liability modelling. Our climate scenarios are not necessarily “extremes” and so should not be construed as illustrating the maximum risk exposure.

Model Limitations

Climate scenario modelling is a complex process, with associated modelling limitations. In particular:

- The further into the future that is modelled, the less reliable any quantitative predictions will be.
- There is a reasonable likelihood that physical impacts are grossly underestimated. Feedback loops or ‘tipping points’, like permafrost melting, are challenging to model particularly around the timing of such an event and the speed at which it could accelerate.
- Financial stability and insurance ‘breakdown’ are not modelled. A systemic failure may be caused by either an ‘uninsurable’ 4°C physical environment, or due to the scale of mitigation and adaption required to avoid material warming of the planet.
- Most adaptation costs and social factors are not priced into the models. These include population health and climate-related migration.
- Not all physical risks are captured and so physical damage could be understated. This includes positive feedback loops that could accelerate warming and systemic impacts of warming for example relating to migration and war.

There are only 3 scenarios illustrated, therefore there is a wide range of possible outcomes not covered.

DB Section – Portfolio Alignment: Implied Temperature Rise

Asset Class	Manager / Mandate	2023: Implied Temperature Rise (°C)	2024: Implied Temperature Rise (°C)
Global Bonds	Northern Trust	-	2.8
Global Credit	PIMCO*	1.5 – 2.0: 49%	2.9
		2.0 – 2.5: 16%	
		2.5 – 3.0: 3%	
		3.0 – 4.0: 20%	
		4.0+: 2%	
	Wellington Management	1.9	3.6
Long-term UK Core Credit	PIMCO*	1.5 – 2.0: 46%	2.5
		2.0 – 2.5: 11%	
		3.0 – 4.0: 42%	
	Western Asset Management	2.4	2.7
	Goldman Sachs Asset Management	1.9	2.3
LDI	BlackRock	2.8	2.8
Property	CBRE	-	-
Buy-in Policy	Rothsay	2.6	2.2

Source: Northern Trust, BlackRock, CBRE and Rothsay as at 31 December 2023 and 31 December 2024. “-” indicates where data not available/applicable.

Rothsay: December 2023 Data provided by MSCI and is only available at this stage for certain corporate issuers so the sub-portfolio with coverage is small (£9bn or 15% of all holdings).

* As at 31 December 2023, PIMCO were “unable to provide a portfolio number for implied temperature rise due to methodological challenges” and believe that “reporting this metric as per a breakdown across implied temperature rise scores remains best practice”.

Carbon emissions analysis – DC Section (All Funds)

31 December 2024 – Absolute Emissions

Fund	Value (£m)	Proportion of Total DC Section Assets (%)	Underlying holdings eligible for carbon reporting (%)	Carbon coverage (Scope 3) (%)	Total Carbon Emissions (Scope 3) (tons CO2e)	Carbon coverage (Scope 1 & 2) (%)	Total Carbon Emissions (Scope 1 & 2) (tons CO2e)	Change since 2023 (Scope 1 & 2) (%)
Equities								
Global Equity (60:40)	82.4	3.0	98.4	94.8	95,800.4	94.8	6556	-14.2
Global Equity (70:30)	182.0	6.6	98.0	94.0	192,021.1	94.0	14350	-13.8
UK Equity	35.2	1.3	97.6	92.4	44,675.1	92.4	3128	-13.7
World (ex-UK Developed Equity)	83.9	3.0	97.9	96.7	63,647.4	96.7	4803	2.9
All World Equity	113.9	4.1	96.9	95.4	88,441.4	95.4	8311	1.9
World Emerging Markets Equity	6.6	0.2	96.8	94.6	8,194.9	94.6	1586	-13.8
Equities Total	504.0	18.2	97.8	94.8	492,780.3	94.8	38,733.3	-50.7
Specialist Equity								
Ethical Global Equity	37.4	1.4	100.2	99.0	26546.5	99.0	1925	9.3
Ethical UK Equity	12.2	0.4	99.9	98.4	13571.6	98.4	984	-12.6
Future World	3.4	0.1	99.2	98.2	8307.0	98.2	334	15.4
Infrastructure Equity	4.2	0.2	99.9	95.0	2963.0	95.0	1233	-19.7
Global Real Estate Equity	2.0	0.1	99.5	98.0	85.8	98.0	15.1	-0.7
Specialist Equity Total	59.2	2.1	100.0	98.5	51,473.9	98.5	4,492.3	-8.3
Multi-Asset								
Growth	199.6	7.2	98.8	63.5	71,831.9	63.5	15,440.6	-7.0
Growth Plus (including was Consensus)	1,689.6	61.0	98.9	82.8	681,077.3	82.8	91,685.5	-21.9
Multi Asset Total	1,889.2	68.2	98.9	80.8	752,909.2	80.8	107,126.1	-28.9
Bonds								
Over 15 Year Gilts	16.2	0.6	100.1	-	-	-	1,277.8	-27.4
All Stocks Index Linked Gilts	1.1	0.0	100.1	-	-	-	101.5	-21.8

Fund	Value (£m)	Proportion of Total DC Section Assets (%)	Underlying holdings eligible for carbon reporting (%)	Carbon coverage (Scope 3) (%)	Total Carbon Emissions (Scope 3) (tons CO2e)	Carbon coverage (Scope 1 & 2) (%)	Total Carbon Emissions (Scope 1 & 2) (tons CO2e)	Change since 2023 (Scope 1 & 2) (%)
Investment grade corporate bond - All Stocks Index	3.0	0.1	98.4	50.2	2,085.8	50.2	192.1	4.9
Pre-Retirement (Annuity Target)	15.7	0.6	98.8	41.9	6,907.6	41.9	1,114.4	-18.7
Pre-Retirement Inflation Linked (Annuity Target)	118.7	4.3	99.0	32.1	40,924.7	32.1	8,047.0	18.4
Annuity Protection Index	3.7	0.1	100.1	-	-	-	280.7	-38.4
Emerging Markets Debt	0.3	0.0	100.4	-	-	-	81.8	-70.6
Bonds Total	158.8	5.7	99.1	29.1	49,918.1	29.1	11,095.3	-153.7
Cash								
UK Money	149.4	5.4	51.2	38.1	25,883.4	38.1	53.8	-67.3
ESG / Sustainable Funds								
Future World Global Equity	1.1	0.0	99.4	98.1	741.4	98.1	29.1	36.7
Future World Developed (ex-UK) Equity	1.1	0.0	99.5	98.5	907.8	98.5	23.3	37.1
Future World UK Equity	0.1	0.0	99.5	97.3	90.9	97.3	3.3	4.1
Future World Emerging Markets Equity	0.0	0.0	96.0	93.1	160.6	93.1	1.5	18.5
Future World GBP Corporate Bonds	0.1	0.0	98.3	79.9	289.6	79.9	4.9	19.7
HSBC Islamic Global Equity**	7.0	0.3	100.0	-	-	100.0	105.0	146.6
ESG / Sustainable Funds Total	9.5	0.3	99.8	25.9	2,190.3	99.2	167.2	262.7
Total	2,770.1	100.0	96.1	78.2	1,375,155.2	78.5	161,666.9	-46.3

Source: LGIM, 31 December 2024. "-" indicates where data not available due to eligibility or coverage criteria not being met. "n/a" indicates where LGIM were unable to provide benchmark data. Rows highlighted in turquoise indicate the funds that are either popular arrangements in their own right or are underlying funds to the Lifecycles identified as popular arrangements.

Please note that for most funds less than 100% of the underlying holdings are eligible for carbon reporting. The total carbon emissions calculation therefore implicitly assumes that the holdings that have not been covered have the same carbon footprint as the average of the covered holdings.

LGIM have confirmed for metrics to be reportable for each fund there are two criteria: (a) at least 50% of the underlying holdings are eligible for reporting and (b) coverage of those eligible assets is at least 60%. The funds highlighted in blue represent the funds which are part of or are underlying funds to the popular arrangement.

** Data sourced from HSBC.

31 December 2024 – Carbon Intensity

Fund	Value (£m)	Proportion of Total DC Section Assets (%)	Underlying holdings eligible for carbon reporting (%)	WACI (Scope 1 & 2)		Actual WACI Change since 2023 (%)	WACI (Scope 3)		Sovereign Intensity (Scope 1 & 2)	
				Coverage (%)	Actual (tons CO2e / £M revenue)		Coverage (%)	Actual (tons CO2e / £M revenue)	Coverage (%)	Actual (tons CO2e / £M revenue)
Equities										
Global Equity (60:40)	82.4	3.0	98.4	95.2	105.0	-0.3	95.0	1512.7	-	-
Global Equity (70:30)	182.0	6.6	98.0	94.4	110.8	-0.3	94.2	1428.9	-	-
UK Equity	35.2	1.3	97.6	92.5	95.0	-0.3	92.3	1514.5	-	-
World (ex-UK Developed Equity)	83.9	3.0	97.9	97.6	109.7	-0.3	97.3	1182.2	-	-
All World Equity	113.9	4.1	96.9	96.3	145.5	-0.3	96.1	1256.7	-	-
World Emerging Markets Equity	6.6	0.2	96.8	95.9	477.9	-0.2	95.7	1810.1	-	-
Equities Total	504.0	18.2	97.8	95.4	121.2	-1.7	95.2	1373.6	-	-
Specialist Equity										
Ethical Global Equity	37.4	1.4	100.2	100.0	80.7	-0.4	99.9	1056.3	-	-
Ethical UK Equity	12.2	0.4	99.9	98.5	100.8	-0.3	98.4	1497.0	-	-
Future World	3.4	0.1	99.2	99.1	104.4	-0.3	99.0	2049.5	-	-
Infrastructure Equity	4.2	0.2	99.9	98.1	1114.2	-0.2	98.1	3168.0	-	-
Global Real Estate Equity	2.0	0.1	99.5	98.6	73.1	-0.1	97.8	450.3	-	-
Specialist Equity Total	59.2	2.1	100.0	99.5	159.3	-1.3	99.3	1333.2	-	-
Multi-Asset										
Growth	199.6	7.2	98.8	66.9	185.3	-0.2	66.8	1303.6	28.5	253.1
Growth Plus (including was Consensus)	1689.6	61.0	98.9	84.5	135.5	-0.2	84.3	1123.0	13.1	363.1
Multi Asset Total	1,889.2	68.2	98.9	82.6	140.8	-0.5	82.5	1142.1	14.7	351.5
Bonds										
Over 15 Year Gilts	16.2	0.6	100.1	-	-	-	-	-	100.1	158.3
All Stocks Index Linked Gilts	1.1	0.0	100.1	-	-	-	-	-	100.1	158.3

Fund	Value (£m)	Proportion of Total DC Section Assets (%)	Underlying holdings eligible for carbon reporting (%)	WACI (Scope 1 & 2)		Actual WACI Change since 2023 (%)	WACI (Scope 3)		Sovereign Intensity (Scope 1 & 2)	
				Coverage (%)	Actual (tons CO2e / £M revenue)		Coverage (%)	Actual (tons CO2e / £M revenue)	Coverage (%)	Actual (tons CO2e / £M revenue)
Investment grade corporate bond - All Stocks Index	3.0	0.1	98.4	70.7	74.8	-0.2	69.9	1366.9	6.2	225.2
Pre-Retirement (Annuity Target)	15.7	0.6	98.8	48.6	85.3	-0.1	48.6	1331.0	38.7	158.3
Pre-Retirement Inflation Linked (Annuity Target)	118.7	4.3	99.0	37.2	78.9	-0.1	37.2	1440.8	52.6	158.3
Annuity Protection Index	3.7	0.1	100.1	0.0	-	-	-	-	100.1	158.3
Emerging Markets Debt	0.3	0.0	100.4	6.0	980.4	-0.2	5.9	3180.0	89.7	391.4
Bonds Total	158.8	5.7	99.1	34.0	70.8	-0.6	34.0	1240.7	56.7	160.0
Cash										
UK Money	149.4	5.4	51.2	40.7	1.9	-0.3	40.7	2012.2	-	-
ESG / Sustainable Funds										
Future World Global Equity	1.1	0.0	99.4	98.9	66.8	-0.3	98.7	1032.0	-	-
Future World Developed (ex-UK) Equity	1.1	0.0	99.5	99.3	56.3	-0.3	99.1	1012.8	-	-
Future World UK Equity	0.1	0.0	99.5	96.6	40.8	-0.4	96.5	1081.4	-	-
Future World Emerging Markets Equity	0.0	0.0	96.0	94.5	163.8	-0.2	94.2	1220.3	-	-
Future World GBP Corporate Bonds	0.1	0.0	98.3	88.0	57.3	-0.2	88.0	1233.7	1.6	158.3
HSBC Islamic Global Equity**	7.0	0.3	100.0	100.0	47.3	-	-	-	-	-
ESG / Sustainable Funds Total	9.5	0.3	99.8	99.5	51.0	-1.5	26.1	276.7	0.0	2.5
Total	2,770.11	100.0	96.1	80.2	125.8	-5.9	79.9	1237.9	13.3	248.9

Source: LGIM, 31 December 2024. "-" indicates where data not available due to eligibility or coverage criteria not being met. "n/a" indicates where LGIM were unable to provide benchmark data. Rows highlighted in turquoise indicate the funds that are either popular arrangements in their own right or are underlying funds to the Lifecycles identified as popular arrangements.

WACI is measured as tons CO2 emissions / £m company revenue. Sovereign carbon intensity is measured as tons CO2 emissions / £m PPP-adjusted GDP.

Please note that for most funds less than 100% of the underlying holdings are eligible for carbon reporting.

LGIM have confirmed for metrics to be reportable for each fund there are two criteria: (a) at least 50% of the underlying holdings are eligible for reporting and (b) coverage of those eligible assets is at least 60%.

The funds highlighted in blue represent the funds which are part of or are underlying funds to the popular arrangement.

** Data sourced from HSBC. HSBC provide figures on a \$M basis, therefore the figures provided have been converted in the £M using a USD/GBP conversion rate of \$1:£0.8.

31 December 2024 – Carbon Footprint

Fund	Value	Proportion of Total DC Section Assets	Underlying holdings eligible for carbon reporting	Carbon Footprint (scope 3)		Corporate Carbon Footprint (Scope 1 & 2)		Sovereign Carbon Footprint (Scope 1 & 2)	
				Coverage	Actual	Coverage	Actual	Coverage	Actual
	(£m)	(%)	(%)	%	(tons CO2e / \$M invested)	%	(tons CO2e / \$M invested)	(%)	(tons CO2e / \$M invested)
Equities									
Global Equity (60:40)	82.4	3.0	98.4	94.8	1106.2	94.8	74.5	-	-
Global Equity (70:30)	182.0	6.6	98.0	94.0	993.2	94.0	72.8	-	-
UK Equity	35.2	1.3	97.6	92.4	1116.2	92.4	76.3	-	-
World (ex-UK Developed Equity)	83.9	3.0	97.9	96.7	677.4	96.7	50.1	-	-
All World Equity	113.9	4.1	96.9	95.4	727.9	95.4	66.3	-	-
World Emerging Markets Equity	6.6	0.2	96.8	94.6	1079.8	94.6	202.3	-	-
Equities Total	504.0	18.2	97.8	94.8	908.9	94.8	69.8	-	-
Specialist Equity									
Ethical Global Equity	37.4	1.4	100.2	99.0	613.6	99.0	44.6	-	-
Ethical UK Equity	12.2	0.4	99.9	98.4	992.4	98.4	71.9	-	-
Future World	3.4	0.1	99.2	98.2	1796.5	98.2	71.7	-	-
Infrastructure Equity	4.2	0.2	99.9	95.0	566.4	95.0	235.5	-	-
Global Real Estate Equity	2.0	0.1	99.5	98.0	39.1	98.0	6.8	-	-
Specialist Equity Total	59.2	2.1	100.0	98.5	736.7	98.5	64.0	-	-
Multi-Asset									
Growth	199.6	7.2	98.8	63.5	469.9	63.5	50.5	28.4	116.7
Growth Plus (including was Consensus)	1689.6	61.0	98.9	82.8	471.3	82.8	36.9	13	166.2
Multi Asset Total	1,889.2	68.2	98.9	80.8	471.2	80.8	38.3	14.6	161.0
Bonds									
Over 15 Year Gilts	16.2	0.6	100.1	-	-	-	-	100.1	74.6
All Stocks Index Linked Gilts	1.1	0.0	100.1	-	-	-	-	100.1	74.6
Investment grade corporate bond - All Stocks Index	3.0	0.1	98.4	50.2	598.5	50.2	45.9	6.2	91.1

Fund	Value (£m)	Proportion of Total DC Section Assets (%)	Underlying holdings eligible for carbon reporting (%)	Carbon Footprint (scope 3)		Corporate Carbon Footprint (Scope 1 & 2)		Sovereign Carbon Footprint (Scope 1 & 2)	
				Coverage %	Actual (tons CO2e / \$M invested)	Coverage %	Actual (tons CO2e / \$M invested)	Coverage (%)	Actual (tons CO2e / \$M invested)
Pre-Retirement (Annuity Target)	15.7	0.6	98.8	41.9	679.4	41.9	57.9	38.7	74.6
Pre-Retirement Inflation Linked (Annuity Target)	118.7	4.3	99.0	32.1	728.0	32.1	53.1	52.6	74.6
Annuity Protection Index	3.7	0.1	100.1	-	-	-	-	100.1	74.6
Emerging Markets Debt	0.3	0.0	100.4	-	-	-	-	87.9	180.8
Bonds Total	158.8	5.7	99.1	29.1	622.6	29.1	46.3	56.7	75.1
Cash									
UK Money	149.4	5.4	51.2	38.1	294.1	38.1	0.3	-	-
ESG / Sustainable Funds									
Future World Global Equity	1.1	0.0	99.4	98.1	522.9	98.1	25.7	-	-
Future World Developed (ex-UK) Equity	1.1	0.0	99.5	98.5	512.5	98.5	20.8	-	-
Future World UK Equity	0.1	0.0	99.5	97.3	659.5	97.3	29.9	-	-
Future World Emerging Markets Equity	0.0	0.0	96.0	93.1	601.4	93.1	66.5	-	-
Future World GBP Corporate Bonds	0.1	0.0	98.3	79.9	513.3	79.9	33	1.6	74.6
HSBC Islamic Global Equity**	7.0	0.3	100.0	-	-	100.0	15.0	-	-
ESG / Sustainable Funds Total	9.5	0.3	99.8	25.9	139.6	99.2	17.6	0.0	1.2
Total	2,770.11	100.0	96.1	78.2	554.5	78.5	42.9	13.2	114.1

Source: LGIM, 31 December 2024. "-" indicates where data not available due to eligibility or coverage criteria not being met. Rows highlighted in turquoise indicate the funds that are either popular arrangements in their own right or are underlying funds to the Lifecycles identified as popular arrangements.

Carbon footprint is measured as tons CO2 emissions / £m invested.

Please note that for most funds less than 100% of the underlying holdings are eligible for carbon reporting.

LGIM have confirmed for metrics to be reportable for each fund there are two criteria: (a) at least 50% of the underlying holdings are eligible for reporting and (b) coverage of those eligible assets is at least 60%. The funds highlighted in blue represent the funds which are part of or are underlying funds to the popular arrangement

** Data sourced from HSBC. HSBC provide figures on a \$M basis, therefore the figures provided have been converted in the £M using a USD/GBP conversion rate of \$1:£0.8.

Key

	Actual ITR above 1.5 degrees Celsius
	Actual ITR above 2.0 degrees Celsius

DC Section – Portfolio Alignment: SBTi and Implied Temperature Rise

Fund	Value (£m)	Proportion of Total DC Section Assets (%)	Underlying holdings eligible for carbon reporting (%)	SBTi (%)	Implied Temperature Rise	
					Coverage (%)	Actual (°C)
Equities						
Global Equity (60:40)	82.4	3.0	98.4	55.8	93.0	2.4
Global Equity (70:30)	182.0	6.6	98.0	53.5	91.7	2.5
UK Equity	35.2	1.3	97.6	53.3	89.2	2.3
World (ex-UK Developed Equity)	83.9	3.0	97.9	55.8	96.0	2.6
All World Equity	113.9	4.1	96.9	52.2	94.5	2.8
World Emerging Markets Equity	6.6	0.2	96.8	25.5	94.3	3.1
Equities Total	504.0	18.2	97.8	53.6	93.1	2.6
Specialist Equity						
Ethical Global Equity	37.4	1.4	100.2	65.7	98.9	2.6
Ethical UK Equity	12.2	0.4	99.9	61.2	95.7	2.3
Future World	3.4	0.1	99.2	67.4	97.1	2.4
Infrastructure Equity	4.2	0.2	99.9	37.0	95.5	2.7
Global Real Estate Equity	2.0	0.1	99.5	55.5	97.7	3.0
Specialist Equity Total	59.2	2.1	100.0	62.5	97.9	2.5
Multi-Asset						
Growth	199.6	7.2	98.8	36.4	89.2	2.6
Growth Plus (including was Consensus)	1689.6	61.0	98.9	48.5	92.7	2.7
Multi Asset Total	1,889.2	68.2	98.9	47.3	92.3	2.7
Bonds						
Over 15 Year Gilts	16.2	0.6	100.1	0.0	100.1	1.9
All Stocks Index Linked Gilts	1.1	0.0	100.1	0.0	100.1	1.9
Investment grade corporate bond - All Stocks Index	3.0	0.1	98.4	33.1	53.8	2.3
Pre-Retirement (Annuity Target)	15.7	0.6	98.8	31.2	80.7	2.0

Key

	Actual ITR above 1.5 degrees Celsius
	Actual ITR above 2.0 degrees Celsius

Fund	Value (£m)	Proportion of Total DC Section Assets (%)	Underlying holdings eligible for carbon reporting (%)	SBTi (%)	Implied Temperature Rise	
					Coverage (%)	Actual (°C)
Pre-Retirement Inflation Linked (Annuity Target)	118.7	4.3	99.0	24.3	85.0	2.0
Annuity Protection Index	3.7	0.1	100.1	0.0	100.1	1.9
Emerging Markets Debt	0.3	0.0	100.4	0.2	54.2	2.8
Bonds Total	158.8	5.7	99.1	21.9	85.9	2.0
Cash						
UK Money	149.4	5.4	51.2	4.5	10.1	2.4
ESG / Sustainable Funds						
Future World Global Equity	1.1	0.0	99.4	59.4	97.4	2.6
Future World Developed (ex-UK) Equity	1.1	0.0	99.5	62.8	97.9	2.5
Future World UK Equity	0.1	0.0	99.5	62.7	93.1	2.3
Future World Emerging Markets Equity	0.0	0.0	96.0	30.1	92.8	3.1
Future World GBP Corporate Bonds	0.1	0.0	98.3	48.4	81.9	2.1
HSBC Islamic Global Equity**	7.0	0.3	100.0	52.0	100.0	2.0 - 3.0
ESG / Sustainable Funds Total	9.5	0.3	99.8	54.2	99.1	2.5
Total	2,770.11	100.0	96.1	45.0	87.8	2.6

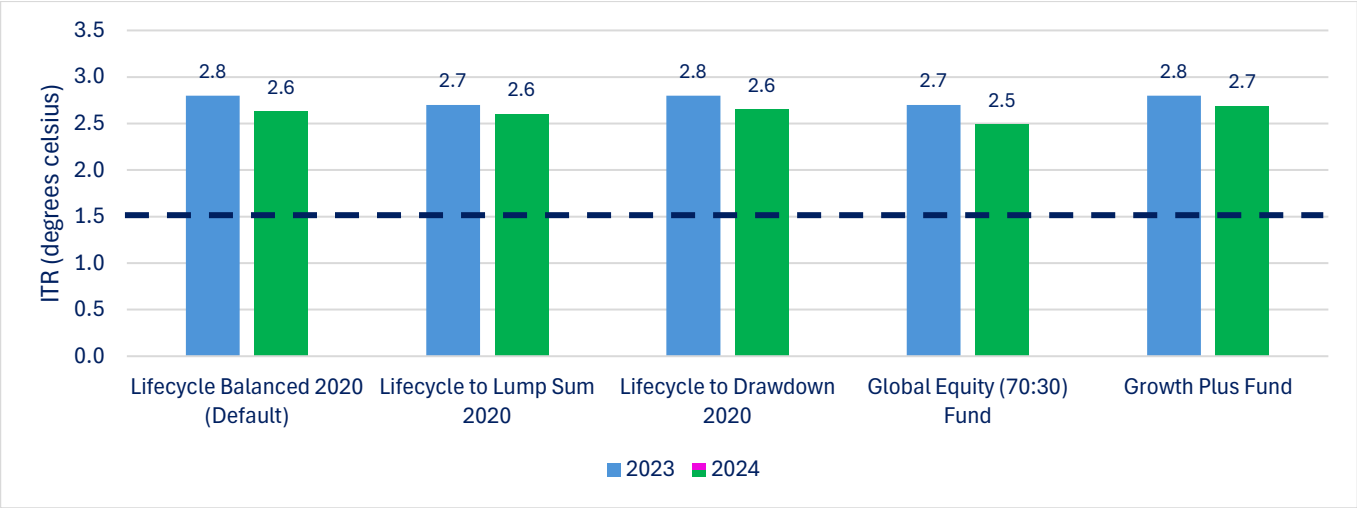
Source: LGIM, 31 December 2024. "-" indicates where data not available due to eligibility or coverage criteria not being met. Rows highlighted in turquoise indicate the funds that are either popular arrangements in their own right or are underlying funds to the Lifecycles identified as popular arrangements.

Please note that for most funds less than 100% of the underlying holdings are eligible for carbon reporting.

LGIM have confirmed for metrics to be reportable for each fund there are two criteria: (a) at least 50% of the underlying holdings are eligible for reporting and (b) coverage of those eligible assets is at least 60%. The funds highlighted in blue represent the funds which are part of or are underlying funds to the popular arrangement.

** HSBC have disclosed an Implied Temperature rise range of 2 to 3 degrees Celsius rather than a precise estimate as provided by LGIM for their own funds. It should be noted that this factors into the total metrics as 2.5 degrees Celsius.

Comparison of Implied Temperature Rise for the popular arrangements within the DC Section



Please note: The blue bars show Implied Temperature Rise in degrees Celsius for the popular arrangements as at 31 December 2024. The dashed line shows the temperature rise limit in line with the Paris Agreement which is ultimately pursuing 1.5 degrees Celsius.

Source: LGIM, 31 December 2024.
LGIM have confirmed for metrics to be reportable for each fund there are two criteria: (a) at least 50% of the underlying holdings are eligible for reporting and (b) coverage of those eligible assets is at least 60%.
WTW has calculated aggregate metrics based on the underlying fund data provided by LGIM. Aggregated Implied Temperature Rise figures for the Lifecycle arrangements and the popular arrangements total are weighted averages of individual fund Implied Temperature Rise figures and account for relative investment size as well as coverage.

The figure above provides a prediction of the potential temperature rise over the rest of the century based on the activities of the companies and issuers within the popular arrangements. As at 31 December 2024, all popular arrangements exceeded the goal of the Paris Agreement to limit temperature rises to below 2°C above pre-industrial levels, whilst pursuing means to limit the increase to 1.5°C.

Disclaimer(s)

Northern Trust

The DB Section carbon metrics data has been sourced from the IBM UK Investment Risk & Analytical Services ESG Insights: Climate Focus report provided by Northern Trust, the custodian of the DB Section assets. The information in the Northern Trust report has been prepared using the best available data. It may also contain information provided by third parties or derived from third party data and/or data that may have been categorised or otherwise reported based upon client direction – Northern Trust assume no responsibility for the accuracy, timeliness or completeness of any such information.

Data Source: Institutional Shareholder Services (ISS)

LGIM

Data Source: Institutional Shareholder Services (ISS). Information is for recipients' internal use only.

Carbon Emissions Notes:

1. Carbon dioxide equivalent (CO₂e) is a standard unit to compare the emissions of different greenhouse gases.
2. LGIM define 'Sovereigns' as, Agency, Government, Municipals, Strips and Treasury Bills and is calculated by using: the CO₂e/GDP, Carbon Emissions Footprint uses: CO₂e/Total Capital Stock.
3. Eligibility % represents the % of the securities in the benchmark which are eligible for reporting including equity, bonds, Exchange Traded Funds and sovereigns (real assets, private debt and derivatives are currently not included for carbon reporting). The Coverage % represents the coverage of those assets with carbon scores.
4. Derivatives including repurchase agreements are not presently included and the methodology is subject to change. Leveraged positions are not currently supported. In the instance a leveraged position distorts the coverage ratio over 100% then the coverage ratio will not be shown.
5. LGIM set the following threshold for reportable funds 1) the assets eligible for coverage e.g. eligible ratio needs to be greater than or equal to 50% and 2) the carbon coverage of the eligible assets e.g. eligible coverage needs to be greater than or equal to 60%.
6. Engagement figures do not include data on engagement activities with national or local governments, government related issuers, or similar international bodies with the power to issue debt securities.

There have been metrics changes over the year which are driven by the following reason:

- Bloomberg issuer tree update – Updated companies are mapped to subsidiaries.
- Cash coverage/ short dated bond coverage – LGIM started covering cash and short dated bonds.
- Impact of data year change – carbon data lags behind so it was based on 2020 in 2022 and 2021 in 2023 – because this is coming out of COVID years LGIM expects jumps for specific industries' carbon, such as airlines.
- Data changes from data vendors - for example emissions to water has been updated by sustainability to no longer include inorganic salts as an emission source to water (which reduced a lot of company emissions to water values).

WTW

The assumptions used in this material have been derived by WTW using a blend of economic theory, historical analysis and opinions provided by investment managers. They inevitably contain an element of subjective judgement. Any opinions or return forecasts on asset classes contained in this material are not intended to imply, nor should they be interpreted as conveying, any form of guarantee or assurance by WTW of the future performance of the asset classes in question. The WTW Investment Model is designed to illustrate the likely future range of long-term returns from different asset classes and their inter-relationship. No economic model can be expected to capture perfectly future uncertainty, particularly the risk of extreme events.

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Cardano

The Trustee is required to consider an integrated assessment of the exposure of the Plans' assets, liabilities and employer covenant to at least two climate related scenarios (one of which must be low warming).

The covenant assessment completed by Cardano sets out a high-level assessment of the potential exposure of the Plan's employer covenant over three climate scenarios. Cardano's assessment is based on the IBM Group rather than the Plan's employer (IBM UK) given the integrated nature of the Group.

In preparing this covenant assessment, Cardano have relied on information from numerous sources, including governments, scientific journals and IBM (including the 2023 ESG Report). Cardano have not verified the accuracy of this information or attempted to include it in full in their covenant assessment document.

Mercer

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MSCI

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