DHL Group Retirement Plan (DHL GRP)

Defined Benefit Sections

CLIMATE REPORT

YEAR ENDING 31 MARCH 2025

CONTENTS

"Over the last year, we've started to implement our ambition for the Plan's assets to be Net Zero by 2050. We believe the achievement of this ambition, along with the proper management of climate-related risks and opportunities, will aid in our mission to protect members' pensions. In this report, we set out how we're managing climate-related risks and opportunities which might affect the Plan's assets and liabilities."

Peter Flanagan, P F Trustee Ltd, Chair of the DTL Board

INTRODUCTION

DHL Trustees Limited ('DTL') ('DTL Board' or 'the Trustee') is the Trustee of the DHL Group Retirement Plan ('the Plan'). The DTL Board believes climate change creates a material financial risk and should be considered as part of its investment decision making. The Trustee has produced this Climate Report to comply with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021. The sub-headings in this report address the specific disclosure requirements in the regulations, which are based on the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ('TCFD').

The Trustee believes that reporting annually in line with the TCFD recommendations will lead to better risk assessment and strategic planning, identification of potential investment opportunities, and ultimately better outcomes for the Plan's members.

The Trustee has a legal duty to consider matters which are financially material to its investment decision making. The Trustee believes that the impact of, and potential responses to, climate change creates a material financial risk. The Trustee believes that companies should adjust their business strategies to align with the 2015 Paris Agreement and hence reduce the risk to the companies and the Plan from unmitigated climate change.

This, our fourth annual climate report for the DB sections, outlines how the Trustee's beliefs on climate risk and opportunities impact the investment and funding strategy, inform the approach to risk management and influence the choice of metrics and targets. The Trustee has also reported on those metrics – one year on from last year's report – and on our progress towards our targets. Last year we announced our ambition for the Plan's assets to be Net Zero by 2050. In this report, we provide details on our progress against this ambition. During the Plan year the Environmental, Social and Covernance Committee ('ESGC') was established to support in assessing climate-related risks and opportunities and oversee the production of this report.

The Plan has six Defined Benefit ('DB') Sections, whose assets are commingled in the DHL Pensions Investment Fund ('Fund'), and a Defined Contribution ('DC') Section. For context, these were valued at £2.9bn and £2.7bn respectively as at 31 March 2025, with the DB Sections having a 99% funding level in aggregate at this date (measured on a Technical Provisions basis). It is recognised that, given the different membership profiles, underlying investments and long-term strategic objectives, there will be differences in how climate-related risks impact the DB and DC Sections of the Plan. This report solely covers the DB Sections of the Plan, over the Plan year from 1 April 2024 to 31 March 2025. The DC Section is reported separately. With regards to the DB Sections of the Plan, given they have similar characteristics in relation to assets, liabilities and investment policy, the reporting is focused on climate risks at an aggregate Fund level, however we note section-specific observations where relevant. For convenience, we refer in this report to reporting in line with the applicable Regulations and accompanying Statutory Guidance as TCFD reporting.

On behalf of the DHL Group Retirement Plan

Peter Flanagan, P F Trustee Ltd, Chair of the DTL Board

SUMMARY OF THE REPORT

Below are some of the key highlights from this year's Climate Report for the DB Sections.

Governance

- The Trustee has a robust governance framework for managing the Plan, including setting clear expectations and responsibilities in relation to climate change. This includes support from the Plan's advisers and investment managers.
- The Trustee has a clear set of investment beliefs around climate change which underpin all investment decisions made on members' behalf.
- Over the reporting period, the TCFD Working Group has been replaced with a new ESG Committee. The ESG Committee has a wider remit than the previous TCFD Working Group in that it is the primary committee for consideration of Responsible Investment matters, including climate change, for the Plan. There have been no other changes to the Plan's governance structure.
- There were meetings with most of the Fund's investment managers this year as part of the Trustee's ongoing monitoring and assessment of them. Within the manager meetings, the Trustee considered the managers' approach to climate change.

Strategy

- The Trustee undertakes climate scenario analysis to understand how the Plan's assets and liabilities might be impacted by climate change. It has previously considered five different scenarios for how climate change might unfold, all of which resulted in worse investment performance.
  - Most of the DB Sections were still expected to achieve their current funding target by 2030 under each of the five scenarios.
  - For the Tibbett and Britten Section, the time taken to reach the current funding target was delayed by a few years in three of the five scenarios due to its relatively lower funding position.
- The climate scenario analysis was last completed as at 31 March 2024. The Plan is required to run scenario analysis every 3 years or where there has been a significant change in the investment strategy or scenario analysis methodology which warrants re-running the scenario analysis. The Trustee concluded there were not sufficiently material changes to warrant re-running the scenario analysis at this stage.
- The Trustee has reviewed updated information on the potential impact of climate change on the employer and is satisfied that climate-related risks are unlikely to have a significant impact on the funding and investment strategy over the medium-term under the scenarios modelled.

Risk Management

- The Trustee updated the entries for Environmental, Social and Governance ('ESG') risks in its risk register during the Plan Year.
- Overall, the Trustee has assessed the risk to the Plan from ESG risks, including climate change, as High after taking into account the various steps that are being taken to manage the risk.
- The Trustee views engagement and stewardship as being key to managing climate risks and opportunities. The Investment Implementation Committee ('IIC') actively engages with the Fund's investment managers, with support from the DB Investment Adviser, to assess their effectiveness in engaging with underlying companies on climate-related risks and opportunities.
- As part of its climate risk management strategy, the Trustee has set an ambition to achieve Net Zero greenhouse gas emissions by 2050 or sooner across its asset portfolio.
- During the year, the Trustee appointed Legal & General to manage a new credit mandate which incorporates Net Zero objectives.
- The Trustee will review annually the progress towards aligning its DB investment mandates with Net Zero emissions pathways. From those which it does not yet consider to be aligning with Net Zero, it has chosen two high priority mandates and will focus on increasing the Net Zero alignment of these over the next year.

Metrics and Target

- The Trustee has collected information on the Fund's total carbon emissions, carbon footprint, weighted average carbon intensity, and emissions data quality as at 31 March 2025. The amount of data available has improved since data was previously collected as at 31 March 2024.
- The Trustee also collects data on the proportion of assets with science-based targets in place. A science-based target is a target to reduce greenhouse gas emissions that is considered to be in line with what the latest climate science deems necessary.
- The Trustee has set a target to increase the proportion of corporate bond holdings with a science-based target to 60% by 2030. Over the reporting period, corporate bonds with a science-based target increased to 30% versus 26% at the start of the year.

SECTION 1: GOVERNANCE

OVERSIGHT AND INVESTMENT BELIEFS

The Trustee has responsibility for and oversight of the impact of climate risks and opportunities arising from the transition to a low-carbon economy as they relate to the Plan.

The Trustee's approach to climate change and ESG issues more broadly is informed by its investment beliefs for DB assets.

The investment beliefs reflect the Trustee's core, long-term views and drive all decisions in relation to investment strategy. The investment beliefs are reviewed annually and are summarised below:

- ☑ The Trustee believes that ESG issues, including climate change risks, can be financially material to security prices and should therefore be considered as part of the Fund's investment process.
- ☑ The Trustee believes that good active managers have considered how to best account for ESG factors in their investment process and that investment teams are likely to have stronger ESG analysis if the importance of ESG is recognised by their broader organisation.
- ☑ The Trustee believes that climate change is a financially material systemic issue that presents risks and opportunities for the Plan over the short, medium and long term. In particular, the Trustee has set a Net Zero ambition and believes that companies should adjust their business strategies to align with the 2015 Paris Agreement and those that fail to do so can face significant downside and stranded asset risks.
- ☑ The Trustee believes that active stewardship can improve investment returns and should therefore be considered when appointing managers.
- ☑ The Trustee believes that investments in businesses and corporate entities that are involved in the production of controversial weapons[1] are not appropriate and are at risk of financial loss, e.g. for reputational reasons.

With regards to climate risks and opportunities, the Trustee accepts that there is a wide range of uncertainty in both the future climate scenarios and the timing and choice of policy responses. A carbon tax, as just one example, could have financial implications for the profitability and competitive position of companies that are impacted. The Trustee believes that climate change risks should be considered in the selection of individual investments by investment managers. Companies that do not adjust their business strategies to align with the 2015 Paris Agreement can face significant downside and stranded asset risks. Investment managers should consider how companies are adjusting their business strategies to align with the 2015 Paris Agreement and ensure that any exposure to stranded asset risk is considered in the selection of individual investments.

1 This is defined as weapons which are contrary to international treaties or conventions. These investments are prohibited within the Plan's segregated mandates. The Trustee understands that given the nature of the Plan's segregated mandates, this exclusion is unlikely to have a material impact on the financial outcomes of the investment portfolios.

SECTION 1: GOVERNANCE

ROLES AND RESPONSIBILITIES

The Trustee is ultimately responsible for compliance with the governance requirements which underpin the TCFD recommendations and for reporting how this has been done. The Trustee has, however, delegated as follows:

- **The Investment Implementation Committee ('IIC')** in relation to the DB assets, is responsible for undertaking the governance and reporting requirements relating to climate-related risks and making recommendations to the Trustee. The IIC delegates some of its responsibilities to a sub-committee (the **IIC Sub-Committee**).
- **The Funding & Investment Strategy Committee ('FISC')** is responsible for making recommendations to the Trustee in the setting of the funding and investment objectives for the Plan's DB Sections and assessing and managing the Plan's integrated risk management framework. As part of the climate reporting, the Trustee has undertaken scenario analysis for the Plan, to enable the Trustee to understand the impact of climate risks on the journey plan for the DB Sections. Further details of the scenario analysis are covered in Section 3 - Scenario Analysis.
- **The Audit & Risk Management Committee ('ARMC')** is responsible for maintaining the Plan's risk management framework and risk register, and carrying out a risk assessment and review for the Plan – with input from the relevant committees – and reporting the results to the Trustee. The risk register includes ESG and climate change risks. Further details can be found in Section 4 – Risk Management.
- **The Environmental, Social and Governance Committee ('ESGC')** is the primary committee for consideration of Responsible Investment, including climate change matters across the DB and DC Sections. The ESGC makes Responsible Investment-related recommendations to the IIC, DCC or direct to the Trustee Board as appropriate.
- **The in-house teams** do not have a decision-making role, but are responsible for supporting the Trustee and the various committees in ensuring that there is effective governance, risk management and internal controls in operation. In particular, the in-house teams are responsible for the maintenance of various policy documents including the Climate Risk Policy. Even though the in-house teams do not make decisions (or advise the Trustee) and therefore do not need climate expertise, those team members that support the IIC attend any climate-related training sessions. After the year end, the Trustee agreed to replace the Climate Risk Policy with an ESG Policy. You can read the Policy **here**.
- **DB Investment Adviser** is responsible for advising on investment strategy, taking into account climate-related risks and opportunities. The DB Investment Adviser also supports the IIC and ESGC with monitoring in relation to ESG and stewardship.
- **Investment Managers** are responsible for implementing the Trustee's ESG and climate policies, and are given discretion to evaluate ESG issues (including climate change) in the selection, retention and realisation of investments. Current managers, and potential new managers, are assessed for their integration of climate risks into their wider stewardship activities, and for their ability to understand their portfolio's ability to withstand climate-related risks. For example, the DB Investment Adviser carries out an annual review of the stewardship and engagement activities (including assessment ratings) of the investment managers, which is then reviewed by the IIC. Investment managers are also responsible for providing the Trustee with the relevant data required to meet regulatory requirements.
- **Actuarial Adviser** is responsible for considering the impact of climate-related risks on the Plan's DB liabilities. Further details are provided in Section 3 – scenario analysis.
- **Covenant Adviser** is responsible for monitoring the covenant of Deutsche Post AG ('DPAG'). The covenant adviser has conducted an assessment on the effects of climate risk on the covenant, of which more details can be found in Section 2 – Strategy, and in Appendix 1.
- **Legal Adviser** is responsible for ensuring the Trustee is compliant with the regulations.
- **Communications Adviser** is responsible for ensuring that communications to members, including those related to investment and climate-related matters, are clear and easy to understand.

SECTION 1: GOVERNANCE

ROLES AND RESPONSIBILITIES

At each Trustee board meeting, the Trustee has sight of all of the minutes from the various committees as well as an executive summary and presentation on key aspects of each meeting. This allows the Trustee board to review and challenge the recommendations put forward by the committees on a regular basis, thereby ensuring that the Trustee is taking adequate steps to identify and assess climate-related risks.

In complying with its governance and reporting requirements, the Trustee is supported by its professional advisers and the in-house teams. In particular, the Trustee has previously obtained details of its investment and actuarial advisers' climate competencies based on the guide published by the Investment Consultants Sustainability Working Group ('ICSWG'). It intends to review its advisers' competency again, later in 2025.

As part of the annual assessment of its DB Investment Adviser's performance against strategic objectives, the Trustee considers how the DB Investment Adviser has supported the Climate Risk Policy. In relation to the DB Sections, the last assessment was carried out in February 2025, and concluded that the DB Investment Adviser had fulfilled this objective satisfactorily.

The Trustee appointed the Actuarial Adviser to carry out scenario analysis at least every three years, with scenario analysis last being undertaken in the previous reporting period. The results of the scenario analysis as at 31 March 2024 are detailed later in the report.

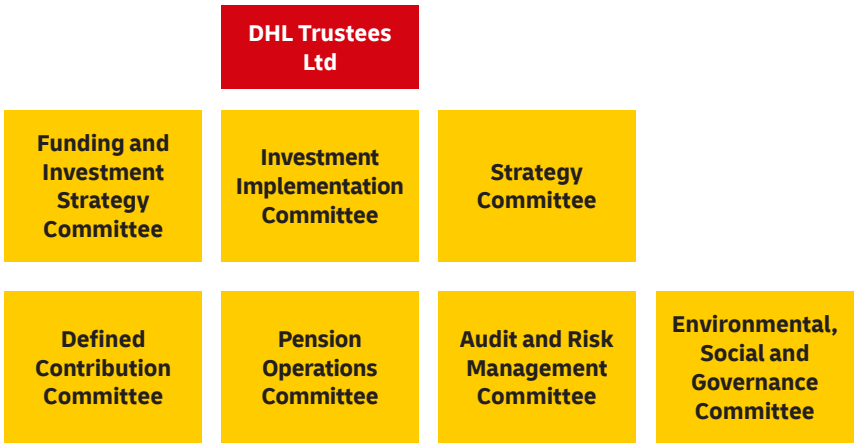
The IIC and IIC sub-committee met nine and three times over the year respectively. These meetings included a total of 11 sessions where fund managers attended to discuss the Plan's mandates. For every one of these sessions, the manager was asked to update the Trustee on its ESG activities. At these meetings, the committee members asked about engagement with companies not aligned or aligning to Net Zero, the risks associated with heavy emitters and other engagement initiatives that the managers had undertaken on the Trustee's behalf.

SECTION 1: GOVERNANCE

ROLES AND RESPONSIBILITIES

DTL Board

Committees



SECTION 1: GOVERNANCE

KNOWLEDGE AND UNDERSTANDING

The Trustee has continued to build on its knowledge and understanding of climate risk through its work on the annual climate reports.

The Trustee continues to work closely with DHL Group to share knowledge on how each is addressing climate-related risks and complying with and reporting on the TCFD recommendations. As an example, the Trustee's covenant advisers completed a detailed covenant review as part of the 2024 actuarial valuations, which took into account the Sustainability Framework for DHL Group.

The Trustee has established a new ESGC to further enhance its focus on ESG topics including climate change. The terms of reference for the ESGC state that the VP of Pensions UK & Ireland at DHL is a member of the ESGC and that the ESGC will consider whether to sign up to ESG, stewardship and sustainability-related initiatives and promote better alignment with DHL Group. The ESGC is mindful that the Sustainable Development Goals ('SDGs') supported by the DHL Group – specifically targeting goals 5 (gender equality), 8 (decent work and economic growth), 11 (sustainable cities and communities) and 13 (climate action) – are consistent with the Trustee's engagement priorities.

The Trustee views climate risk as a significant risk, and therefore a significant amount of time has been dedicated to increasing the Trustee's knowledge and understanding in relation to climate-related risks and opportunities over recent years. This Plan year, the ESGC undertook a deep dive into ESG risks and opportunities (including climate change) to enhance their understanding, including of how the risks and opportunities vary between the DB and DC Sections and over the short, medium and long term. The IIC also received formal training on climate-related systemic risks as well as broader sustainability topics, including social factors and nature and biodiversity.

The Chair of the IIC and ESGC, Natalie Winterfrost, has additionally attended various sustainability-focussed events to maintain her knowledge and understanding over the year. These have included, but are not limited to, chairing Net Zero Investor conferences. Additionally, Natalie has engaged directly with the Financial Conduct Authority on improving the effectiveness of company engagement and is a founding member of the new Trustee Sustainability Working Group, formed in 2024. Natalie also became co-chair of the newly created DB Working Group, a pensions industry initiative which aims to consider how pension schemes could support productive finance, including the provision of capital in support of transition to Net Zero, through run on. Since the end of the Plan year, the Trustee has joined the Asset Owners Network of the initiative 'Accounting for Sustainability' ('A4S'). Natalie will represent the Trustee within this network with the aim of sharing knowledge with other asset owners on best practice sustainability activities and applying learnings to the Plan's own sustainability approach.

The Trustee will continue to ensure it receives appropriate ongoing training in relation to climate change, including as best practice develops and different risks and opportunities emerge. All training is formally recorded by the Plan Secretary in the Trustee's training log, with each Trustee Director also maintaining their own training log.

SECTION 2: STRATEGY

CLIMATE-RELATED RISKS AND OPPORTUNITIES

Climate-related risks and opportunities over the short, medium and long term

The Trustee has considered climate risks and opportunities over the short, medium and long term. In this context, the Trustee has considered 'short' term to reflect a one-year period and has considered what the potential impact would be from a climate shock assuming this took place over any given one-year period; 'medium' term has been considered as the time horizon to 2030, which for the DB assets is a significant milestone in the journey plan and 'long' term has been viewed as the time period to 2050. For the DB assets, the Trustee's emphasis is on the short and medium term in line with the journey plan and the duration of the DB Sections' liabilities.

Types of risks

The Trustee has considered climate-related and other sustainability risks that operate at different scales:

- Specific risks – those risks that arise due to a company- or industry-specific hazard.
- Market-wide risks – those risks that lead to financial loss or affect overall performance of an entire market.
- Systemic risks – those risks that may lead to the collapse of an industry, financial market or economy.

Over these different scales, the Trustee considered how climate-related and other sustainability risks could combine with specific features of the Plan to result in negative impacts for the Plan. Specifically, it used the following framework:

For example, increased flooding (a risk driver, arising from climate change) combined with property holdings located on flood plains (a potential vulnerability in the Plan's portfolio) might lead to lower investment returns due to underperformance of the Plan's property assets (a risk impact).

Impact on Covenant

For the DB Sections, the Trustee has obtained advice and guidance from its covenant adviser in assessing the impact of climate-related risks on the value of DPAG's covenant. The covenant adviser has undertaken a high-level analysis based on publicly disclosed information to assess the resilience of the covenant to the climate change related risks identified by DPAG. It also considered the effect of these covenant risks when combined with the most severe of the funding position shocks described in the next section. The last full review was conducted in June 2024 as part of the covenant assessment in supporting the 2024 actuarial valuation. Further details of the analysis carried out with the 2024 covenant assessment can be found in Appendix 1.

In summary, the Trustee has concluded that these risks are not expected to pose a significant threat to the strength of the covenant. The Trustee is satisfied that, as far as the impact on covenant is concerned, climate-related risks are unlikely to have a significant impact on the funding and investment strategy over the medium-term.

SECTION 2: STRATEGY

CLIMATE-RELATED RISKS AND OPPORTUNITIES

Physical Climate Risks

These relate to the physical impacts of climate change (e.g. rising temperatures, changing precipitation patterns, increased risk to coastal systems and low-lying areas from rising sea levels and increased frequency and severity of extreme weather events). These physical climate risks could cause direct damage to Plan assets and indirect destabilising impacts arising from supply chain disruption. This may also lead to wider economic and social disruption, including mass displacement, environmental-driven migration and social strife. As climate change worsens, the likelihood of reaching climate tipping points increases. Tipping points are thresholds at which abrupt and/or irreversible qualitative changes in parts of the climate system are triggered. If tipping points are reached, Physical climate risks will likely grow significantly.

The Trustee recognises physical climate risks can impact DHL Group or specific assets of the DB Sections (e.g. through storm damage), may result in market-wide impacts such as lower returns (e.g. through a major drought causing sector-specific supply chain disruption), and can impact the financial and wider systems the Plan operates in (e.g. extreme weather events causing large scale impairment to economic activity).

Climate Transition Risks

These relate to impacts from the realignment of the global economic system towards low-carbon, climate-resilient and carbon-positive solutions (e.g. via regulations or market forces). This includes 'stranded asset risk' which is the risk of holding assets at some time prior to the end of their economic life that are no longer able to earn an economic return as a result of changes associated with the transition to a low carbon economy.

In a similar manner to physical climate risks, the Trustee recognises that climate transition risks can impact the DB Sections in specific, market-wide and systemic manners. For example, individual assets may be particularly vulnerable to climate-related regulations (e.g. where their climate transition plans lag behind peers), whole sectors may be affected by shifting customer preferences (e.g. the move to electric vehicles) or global markets may be destabilised by a sudden shift in expectations (e.g. an unexpected agreement on a global carbon tax).

The Trustee has considered how physical and transition risks may impact the DB Sections over the time horizons specified above. The Trustee believes the Plan is more exposed to transition risks over shorter time horizons while exposure to physical climate risks will be greater over longer time horizons. This is due to risks from policy interventions to help governments meet their climate commitments being more likely over the short and medium time horizons whereas physical climate risks are expected to worsen with time, particularly if climate commitments are not met and/or tipping points are reached.

Climate-related opportunities

The Trustee expects its DB Investment Adviser to bring any suitable climate-related opportunities to its attention. In February 2025, the DB Investment Adviser delivered a session to the ESGC which included consideration of how ESG opportunities, including climate-related opportunities, could be incorporated into the Plan's existing investments, or as potential future allocations. Further training on this topic is planned for the IIC's 2025 training day.

The Plan currently has exposure to climate-related opportunities through several of the Fund's mandates. For example, it holds renewable infrastructure assets through an Infrastructure Equity mandate with Aviva, such as those that generate energy from waste and wind. The Plan also invests in Infrastructure Debt through the mandate with Ares Management, which may lend to, for example, infrastructure companies with projects aimed at converting natural gas liquids to fuels with lower greenhouse gas emissions than traditional gasoline.

As the Trustee develops its long-term (post-2030) investment strategy, it will consider the scope to invest in other climate-related opportunities that are consistent with its financial risk and return objectives.

However, it notes that the most impactful opportunities typically arise through investments in illiquid vehicles such as Private Equity or Direct Lending and future opportunities to invest in such mandates will be carefully considered in the context of the DB Sections' liquidity profile.

SECTION 2: STRATEGY

IMPACT ON FUNDING AND INVESTMENT STRATEGY

Impact on funding and investment strategy

The Trustee undertook scenario analysis as at 31 March 2024. The results of this analysis were covered in the previous version of this report, and are repeated in Section 3 of this report.

The Plan is required to run scenario analysis every 3 years or where there has been a significant change in the investment strategy or scenario analysis methodology which warrants re-running the scenario analysis. The Trustee considered updating the assessment but concluded there was not a sufficiently material change in investment strategy or scenario analysis methodology to warrant re-running the scenario analysis at this stage.

Through the 2024 scenario analysis, the Trustee considered the potential impact of the scenarios on assets, liabilities and funding levels through two 'lenses':

Investment return and liability 'drags'

This modelled the impact of climate-related risks as drags on investment returns and on liability levels that were felt each year over time. These drags would decrease the returns and impact the liability levels, moving the expected impacts away from the base case scenario which was what the Actuarial Adviser believed was then priced into the market.

Asset and liability 'shocks'

Whilst the drag scenarios assumed the cost of climate change would be incurred as they arise, in reality, markets will react to future impacts once they are anticipated. For this reason, the scenario analysis also examined the impact of climate change using market shocks – these are the potential impacts of the market reacting to and pricing in each scenario over a very short period.

The time period to 2030 is particularly significant to the Trustee as the integrated funding and investment plan aims for all the DB Sections to be fully funded on the Technical Provisions basis by 31 December 2028 and to be fully funded on a gilts +0.5% p.a. basis by 31 December 2030.

With the exception of the Tibbett and Britten Section, the analysis showed that under each of the five scenarios considered, the Plan was still expected to reach 100% funded on a gilts +0.5% pa basis by December 2030. Whilst climate change may have a material impact on returns in the shorter-term, the other five Sections were already sufficiently well progressed towards this funding target that the modelled climate impacts did not impinge on the Plan's ability to achieve the desired level of funding.

For the Tibbett and Britten Section, however, the lower funding level as at 31 March 2024 resulted in the projections indicating a fully funded position not being reached until after 2030, with the worst scenario delaying that to 2038 (based on the deficit contribution schedule in place at the time of analysis).

The Plan has a well-diversified portfolio with a relatively high expected return. As such, exposure to climate risks is varied and arises from various different asset classes and sources. Climate risk is one of various risks that the Plan faces, and can be considered by the Trustee as part of any future discussions on investment de-risking. The implementation of any future de-risking, both in terms of the asset classes chosen to move into and out of, and in terms of the design of mandates, may help to reduce climate risk exposure.

The Trustee used the 2024 scenario analysis to consider if changes were required to the investment policy and concluded that no changes are required to the funding and investment strategy as a result of climate risk. These results were not unexpected and confirmed the Trustee's view that climate risk should continue to be managed through engagement with investment managers to ensure that climate change considerations are fully integrated into security selection, retention and stewardship.

SECTION 3: SCENARIO ANALYSIS

CLIMATE SCENARIOS

The Trustee uses climate risk scenario testing to help understand the Plan's exposure to climate risks. However, the Trustee acknowledges the limitations of climate scenario modelling and therefore does not rely solely on scenario testing for its climate risk management and instead supplements quantitative analysis with qualitative information. The Trustee notes there are many reasons why outcomes may differ from those modelled, but in particular the models used for the 2024 scenario analysis did not capture the most adverse possible scenarios and did not consider the implications of various potential tipping points, which could cause escalating and irreversible global warming.

The scenarios considered by the Trustee in 2024 are summarised below. These scenarios were chosen to show different sizes of the physical risks, based on the resulting temperature impacts, and also different sizes 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.

The Trustee notes that the selected scenarios below do not represent the full range of outcomes, but they provided a useful understanding of potential behaviour of the Plan's assets and liabilities under five scenarios covering a range of temperature pathways.

SECTION 3: SCENARIO ANALYSIS

CLIMATE SCENARIOS

	Nationally Determined Contributions	Delayed Transition Below 2°C	Below 2°C	Net Zero 2050	Hot House World
Description	A 'business as usual' outcome where current policies continue with no further attempt to incentivise further emissions reductions. Socioeconomic and technological trends do not shift markedly from historical patterns.	Delays in taking meaningful policy action result in a rapid policy shift around 2030. Policies are implemented in a less 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 a more aggressive policy is pursued immediately. More extensive technology shifts are achieved with Carbon Dioxide Removal ('CDR'), used to accelerate the transition, broadly in line with sustainable levels of bioenergy production.	The world follows a Net Zero 2050 pathway, however the resultant temperature outcome exceeds 2°C due to a lower than expected remaining carbon budget and/or the impact of climate tipping points. Use of CDR technologies is relatively low.
Temperature rise	~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

Source: WTW

SECTION 3: SCENARIO ANALYSIS

CLIMATE SCENARIOS

As noted in Section 2, the Trustee used scenario analysis as at 31 March 2024 to understand if the funding and investment strategy was resilient to the potential impact of climate change. The scenario analysis considered two approaches:

i. the impact of climate-related risks as drags on asset returns and liabilities for the DB Sections that were felt each year and materialised over the next 15-20 years. This analysis was used to understand the impact over the medium-term i.e. to 2030.

ii. the potential impact of the market suddenly pricing in each of these scenarios instantaneously i.e. as a climate shock, which assumed the entire cost of climate change was capitalised immediately. This analysis was used to understand the impact over the short-term i.e. in any one-year period.

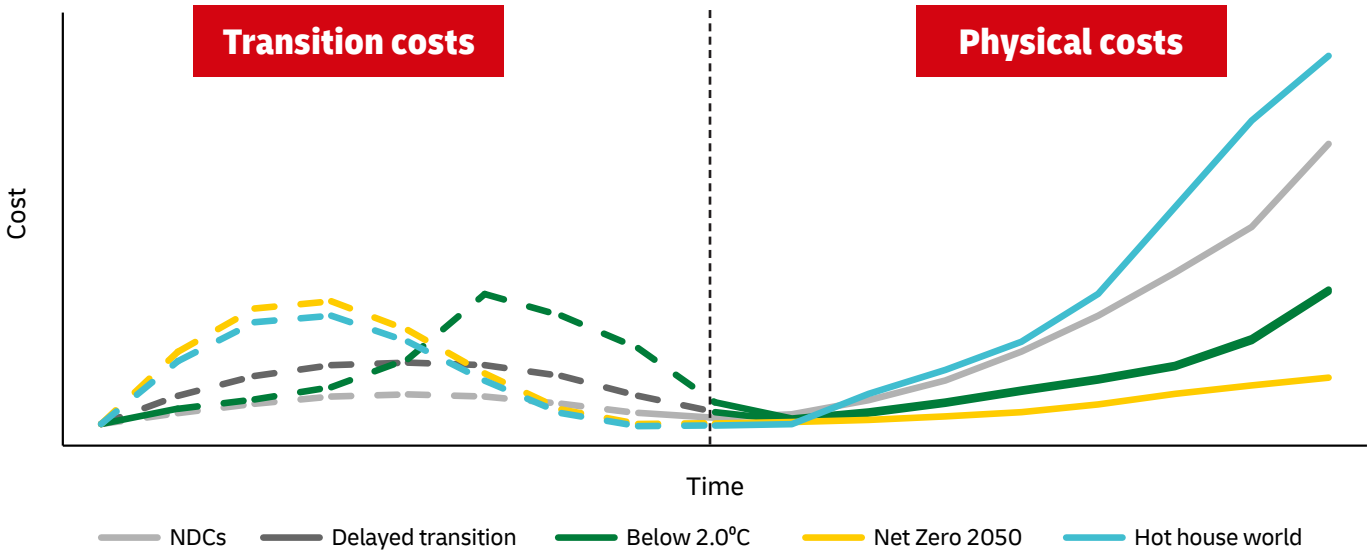
With the exception of the Tibbett and Britten Section, as the impact of the scenarios on the timeframe to expected full funding was limited (as described below), the Trustee did not feel it is necessary to revise the DB Sections' approach to funding or investment strategy as a result of the impact of climate-related risks. For the Tibbett and Britten Section, the worst scenario considered did delay the timeframe to full funding significantly.

The Trustee took climate change into account when updating its funding strategy as part of the Plan's actuarial valuation as at 31 March 2024. Specifically, consideration was given to how climate-related risks might manifest themselves within the DB Sections and the funding assumptions adopted were intended to contain an appropriate degree of prudence taking into account these risks. The Trustee notes that, as climate change unfolds, the impacts will be taken into account in future actuarial valuations. The analysis below did not allow for any future changes in funding or investment strategy in response to climate change or other external factors.

When the Trustee carries out the scenario analysis again in 2027 (or sooner if deemed appropriate), the choice of scenarios will be reviewed to ensure that they remain appropriate for the Plan.

Transition and Physical risks in different scenarios

The Trustee has considered the impact of transition and physical risks in the different climate scenarios. In the graph below, transition risks are represented by the dotted segments of the lines whilst the solid segments represent physical risks. The scenarios which see greater transition initially and therefore transition costs, also see lower levels of costs arising due to the physical impact of climate change in the long run. This is most obvious in the Net Zero 2050 scenario, where the transition costs are material, but this results in the lowest physical costs. In the long run, we would expect asset returns to be better in the Net Zero scenario rather than the Nationally Determined Contributions ('NDCs') scenario, but it may be many decades of physical costs before this outcome is reached.



Source: WTW, for illustrative purposes only

SECTION 3: SCENARIO ANALYSIS

METHODOLOGY

Assumptions

The scenarios assumed a 'base case' scenario, which reflected what is currently priced into the market. The deviance from the base case under each scenario reflected the impact of climate-related risks on the DB Sections of the Plan. The scenario analysis was considered for each Section separately. The results for all Sections except the Tibbett and Britten Section were similar because the Sections had similar funding levels and the same investment strategy. The scenario analysis has therefore been presented in aggregate for these Sections in this report. The Tibbett and Britten Section has been presented separately as its lower funding level results in different expected outcomes under climate scenario analysis.

For all analysis, no allowance was made for any de-risking after 2030. In addition, a 50% longevity hedge ratio was assumed which was kept constant through time to reflect the overall current position of the DB Sections.

The impact of physical and transition risks on cashflows varied over time, with the transition risk being front-end loaded and the physical risk being back-end loaded. It was assumed that the transition risk impact in each scenario occurred over the first eight years and the physical risk over the remainder of the period.

Due to the top-down nature of the analysis, which models climate-related impacts on asset classes rather than individual holdings, there were no data gaps that limited the analysis undertaken.

Limitations of the analysis

The purpose of the climate scenarios used was to help UK pension fund trustees meet their regulatory requirements by assessing whether their investment and funding strategies are resilient to the impacts of climate change. They may not be suitable for any other purpose e.g. public policy making.

The scenarios were designed for risk management and therefore made no allowance for upside events (e.g. material technological breakthroughs around clean energy) and focused on the most plausible downside events. Materially worse outcomes could occur due to the presence of tipping points and feedback loops, particularly over longer time horizons.

The scenarios were derived on the basis of all other things being equal, which is unlikely to be the case in practice. For example, the climate transition could lead to higher or lower levels of global inflation, growth or interest rates, which would in turn have material impacts on investment returns. These second order effects and feedback loops are hard to estimate.

The impact of climate change on investment returns depends upon the extent to which actual outcomes are in line with market pricing. The market pricing of climate risk is almost impossible to observe and therefore broad-brush assumptions were made around what was currently priced in and when and to what extent market pricing will move.

Climate science is a rapidly evolving and uncertain field. The Trustee is aware of the debate underway which challenges whether climate modelling commonly used by the UK pension industry truly reflects the climate science and may consider alternative scenarios in the future, but for now, notes that there can be no guarantee that any given level of transition in the scenarios will result in the associated level of warming and physical risk assumed.

A proxy investment portfolio based on current broad market indices was used in the climate model. This may not fully reflect the Plan's investment approach or the actual portfolio composition over time, as both the Plan's portfolio and the composition of market cap indices will evolve, most likely in the direction of reduced climate risk.

SECTION 3: SCENARIO ANALYSIS

LIFE EXPECTANCY

Impact of climate on UK mortality rates

Climate change may have both direct and indirect impacts on mortality rates and can also increase or decrease mortality rates.

Direct impacts relate to increases in global (and UK) temperatures. A warmer winter could see a reduction in 'excess' winter deaths, although this may be offset by more summer heatwaves, more weather-related disruption, and larger swings in temperature. It was assumed that small increases in global temperatures (like under the Below 2°C scenario) are more likely to increase UK life expectancy, but more dramatic increases (like under the Hot House World scenario) would be more likely to reduce UK life expectancy.

Indirect impacts are likely to arise due to changes in society to combat or adapt to climate change. Potential indirect impacts are outlined in the table below:

Reduction in mortality rates	Increase in mortality rates
Economic gains from positive action on climate change	Disruption to water supplies
Healthier diets	Less healthy diets
Healthier lifestyles	Deterioration in health services
Healthier environments (e.g. less pollution)	Less healthy environment

In the 2024 Scenario Analysis, the impact of climate change on the mortality experience was adjusted to reflect the longevity hedge.

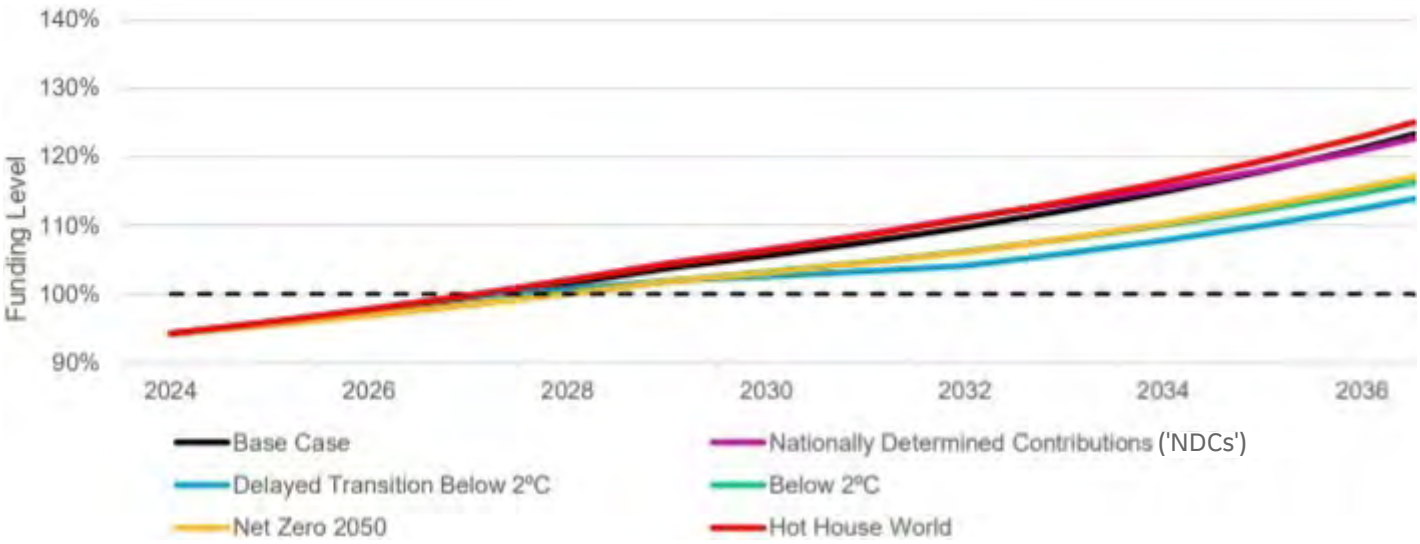
Source: WTW

SECTION 3: SCENARIO ANALYSIS

IMPACT ON JOURNEY PLAN

DB Sections – excluding Tibbett and Britten section: impact over the medium term

The chart below shows the journey plan under the five scenarios vs. the current base case journey plan. This allows for the impact on assets and liabilities.



	Average change in expected returns p.a. (Years 1–20)	Average change in liabilities p.a. (Years 1–20)	Expected year of full funding
Base case	-	-	2028
Nationally Determined Contributions	-0.4%	-0.1%	2028
Delayed Transition Below 2°C	-0.4%	0.0%	2028
Below 2°C	-0.2%	0.1%	2028
Net Zero 2050	-0.2%	0.0%	2028
Hot House World	-0.5%	-0.3%	2028

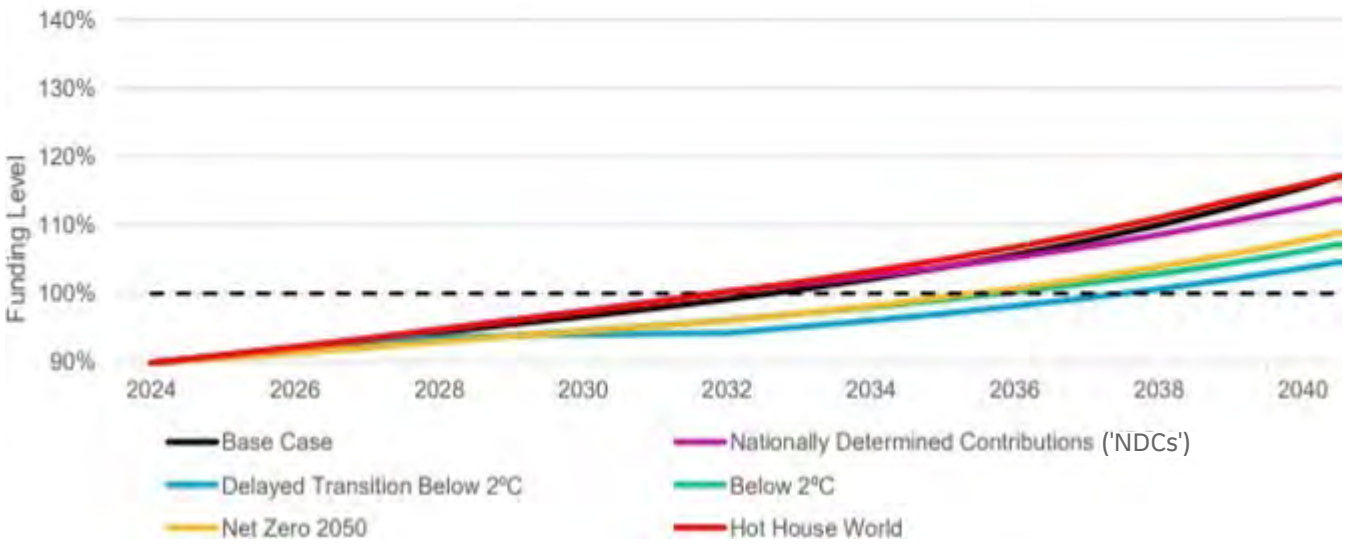
The results illustrate that, over the medium term, the impact on the journey plan was limited under all scenarios that the Trustee chose to model. Due to the impact of lower longevity improvements, the Hot House World & Nationally Determined Contributions scenarios led to the same expected funding level in 2030 as under the current journey plan. The other three scenarios had slightly lower projected funding levels in 2030, however all were projected to reach a fully funded position in 2028.

SECTION 3: SCENARIO ANALYSIS

IMPACT ON JOURNEY PLAN

Tibbett and Britten Section: impact over the medium term

The chart below shows the journey plan under the five scenarios vs. the current base case journey plan. This allows for the impact on assets and liabilities.



	Average reduction in expected returns p.a. (Years 1–20)	Average reduction in liabilities p.a. (Years 1–20)	Expected year of full funding
Base case	-	-	2033
Nationally Determined Contributions	-0.3%	-0.1%	2032
Delayed Transition Below 2°C	-0.4%	0.0%	2038
Below 2°C	-0.2%	0.1%	2036
Net Zero 2050	-0.2%	0.0%	2036
Hot House World	-0.5%	-0.3%	2032

Due to the lower assumed current funding level (90%), the expected year of reaching a fully funded position was 2033 under the current journey plan. This was marginally better (2032) for the Nationally Determined Contributions and Hot House World scenarios, but for the other three scenarios the position worsened. The Delayed Transition Below 2°C scenario was projecting a fully funded position by 2038 (assuming no change to the level of deficit contributions or investment strategy).

SECTION 3: SCENARIO ANALYSIS

SHOCK ANALYSIS

DB Sections – excluding Tibbett and Britten section: impact over the short term

The analysis over the short term assumed that the impact on the assets and liabilities occurred as an instantaneous shock (i.e. the entire climate change impact was capitalised instantaneously). In this analysis, it was assumed that markets overpriced the outcomes by a factor of two.

The analysis is shown in the table below. In each case, the deficit increased and the funding level decreased.

For comparison, the 1 in 20 Value at Risk ('VaR') measure based on conventional investment risk modelling was £226m for these sections of the Plan as at the same date. This was broadly similar to the shock to the deficit in the Below 2°C scenario, slightly worse than the Net Zero 2050 scenario, and less than the shocks in the other three scenarios.

The Trustee recognises that the entire impact of climate change on assets being capitalised at once is an unlikely scenario, and not surprisingly is potentially extreme compared to a 1 in 20 event, but nevertheless this shock analysis showed the risk of early pricing.

Scenario	Asset shock (£m)	Liability shock (£m)	Change in deficit (£m)	Immediate change in funding level
Nationally Determined Contributions	-339	-47	292	-11%
Delayed Transition Below 2°C	-292	-20	272	-10%
Below 2°C	-178	+33	211	-8%
Net Zero 2050	-200	-7	193	-7%
Hot House World	-481	-80	401	-16%

Source: WTW

SECTION 3: SCENARIO ANALYSIS

SHOCK ANALYSIS

Tibbett and Britten Section: impact over the short term

The analysis over the short term assumed that the impact on the assets and liabilities occurred as an instantaneous shock (i.e. the entire climate change impact is capitalised instantaneously). In this analysis, it was assumed that markets overpriced the outcomes by a factor of two.

The analysis for the Tibbett and Britten Section is shown in the table below. In each case, the deficit increased and the funding level decreased.

For comparison, the 1 in 20 Value at Risk ('VaR') measure based on conventional investment risk modelling was £61m for this section as at the same date. This was broadly similar to the shock to the deficit in most of the scenarios, and significantly less than the shock in the Hot House World scenario.

The Trustee recognises that the entire impact of climate change on assets being capitalised at once is an unlikely scenario, and not surprisingly is potentially extreme compared to a 1 in 20 event, but nevertheless this showed the risk of early pricing.

Scenario	Asset shock (£m)	Liability shock (£m)	Change in deficit (£m)	Immediate change in funding level
Nationally Determined Contributions	-87	-13	74	-10%
Delayed Transition Below 2°C	-75	-6	70	-10%
Below 2°C	-46	+9	55	-7%
Net Zero 2050	-52	-2	50	-7%
Hot House World	-124	-22	102	-14%

Source: WTW

As noted in the 'Limitations of analysis' section above, the modelled scenarios for all sections made no allowance for upside events which may lessen any negative impact on the funding position and journey plan. However, the modelled scenarios also did not allow for the presence of tipping points and feedback loops which means any negative impact may be materially greater than modelled, particularly over longer time horizons. The Trustee recognised these limitations, and others noted in the 'Limitations of analysis' section, when interpreting the results of the scenario analysis.

SECTION 4: RISK MANAGEMENT

IDENTIFYING AND ASSESSING RISKS

The Trustee maintains a Risk Register which identifies risks that have the potential to impact on the Plan's ability to achieve its objectives. ESG risks (including climate-related risks) are included within the Risk Register and integrated into the Plan's risk management.

Each risk is identified, and the causes and consequences are populated and then scored from 1-5 based on inherent likelihood and inherent impact. The results are multiplied to arrive at an inherent risk score. The steps taken to mitigate and effectively manage each risk are identified through a 'three lines of defence' system. The three lines of defence are as follows:

1 First Line of Defence: In-house teams/Advisers/Committees that set and operate ESG policies which reflect investment beliefs

- The investment beliefs for the DB Sections of the Plan reflect the Trustee's position on sustainable investment.
- The DB Statement of Investment Principles sets out the Trustee's policy on responsible investment and sustainability, including its priorities for investment stewardship.
- During the Plan year, the Trustee had a Climate Risk Policy in place which outlined the arrangements in place to manage climate risk, including the Trustee's Net Zero ambition, review of climate-related metrics annually and review of climate scenario analysis at least triennially. After the year end, the Trustee agreed to replace the Climate Risk Policy with an ESG Policy. You can read the ESG Policy **here**.
- The Plan Secretary has oversight of the IIC's and ESGC's work in relation to ESG.

2 Second Line of Defence: Committees/Trustee that monitor and oversee compliance with, and effectiveness of, the ESG policies

- The Trustee has delegated responsibility for compliance with its ESG-related policies to the ESGC, IIC and DCC. This includes undertaking the governance requirements relating to ESG, such as production of the annual Implementation Statements and climate reports, and for monitoring investment managers regarding their ESG policies and practices. The IIC focuses on matters relating to the DB Sections' assets, whereas the ESGC undertakes more in-depth consideration of ESG matters and ensures consistency between the approaches taken for the DB and DC Sections.
- The IIC holds regular meetings with the investment managers to satisfy itself that they continue to carry out their work competently and have the appropriate knowledge and experience to manage the investments of the Fund. The investment managers are also reviewed in light of their approach to material ESG risks.
- The IIC requires all appointed managers to report regularly to the IIC and disclose all voting and engagement activity undertaken on its behalf. The IIC monitors the approach of each investment manager, focusing on the Trustee's stewardship priorities. In particular, the IIC reviews the positive outcomes each manager has achieved through its engagement activities and the alignment of the managers' stewardship activities with the Fund's long-term investment horizon. These activities are summarised by the DB Investment Adviser in its annual Stewardship & Engagement report.
- The covenant adviser incorporates ESG considerations in its assessment and monitoring advice on DPAG's covenant.
- The Trustee Board and its Committees undertake training on ESG topics from time to time to keep their knowledge up to date.
- The Committees are supported by their professional advisers and the in-house teams.

SECTION 4: RISK MANAGEMENT

IDENTIFYING AND ASSESSING RISKS

3 Third Line of Defence: Third parties that provide independent assurance

- For the DB assets, the Bank of New York Mellon Corporation is used as an external independent performance monitoring agency to monitor the Fund's and investment managers' performance against specific benchmarks. They also provide reporting on ESG scores, although it is noted that currently the total DB assets covered by the ESG reporting is low and steps are being taken to increase the coverage.
- The Trustee is a signatory to the UK Stewardship Code in relation to the DB Sections.

After taking into account the three lines of defence, the residual likelihood and residual impact are scored again from 1-5 and multiplied to give the residual risk score. The key to the risk scores is summarised in the table below:

	Risk Score	Number
	Critical	10–25
	High	6–9
	Moderate	3–5
	Minor	1–2

The ESG risks in the Plan's Risk Register are normally reviewed annually and there are various controls in place to address them, which are owned by the in-house teams and IIC.

No changes were made to the headline ESG risk in the Risk Register during the 12-month period to 31 March 2025, but the controls and scores were updated. The inherent likelihood was increased from 3 to 4 and the inherent impact continued to be scored as 5 over a one-year time horizon, resulting in an Inherent Risk Score of 20, which is viewed as Critical. The three lines of defence were then applied to calculate a residual Risk Score. The residual likelihood was increased from 1 to 3 and the residual impact continued to be scored as 3, resulting in a Residual Risk Score of 9 which is assessed as High.

Following the year end, the Plan's Investment Advisers proposed more detailed ESG risks for inclusion in the Plan's risk register in place of the existing ESG entry, spanning DB funding covenant and DC investment, with proposed controls and scores for each. They include 'Climate transition risk', 'Physical climate risk', 'Modern slavery', 'Diversity and Inclusion' and 'other ESG related risks'. The risk register updates are expected to be agreed later in the year.

In addition, the output from the climate scenario analysis provides a holistic overview of the ways in which climate-related risks may affect the DB Sections. The output has been designed to be considered in the context of the wider risks faced by the Plan and will allow the Trustee to prioritise the risks which pose the most significant potential for loss and are most likely to occur.

During the reporting year, the ARMC progressed the work associated with the Effective System of Governance ('ESOG') as prescribed by the Pensions Regulator's new General Code of Practice, with help from the Risk Management Adviser (Muse Advisory). It also completed its second Own Risk Assessment ('ORA').

The IIC and ESGC will continue to identify, assess, manage and monitor climate-related risks and report their findings to the ARMC.

SECTION 4: RISK MANAGEMENT

MANAGING CLIMATE-RELATED RISKS

Engagement is at the core of the Trustee's risk management approach

The Trustee views engagement and stewardship as being key to managing climate risks and opportunities. The IIC actively engages with the Fund's investment managers, with support from the DB Investment Adviser, to assess their effectiveness in engaging on climate-related risks and opportunities.

A summary of what is expected from investment managers is provided below:

- To evaluate ESG issues, including climate-related risks and opportunities, in the selection, retention and realisation of investments. The IIC believes that good active managers should consider how to best account for ESG factors in their investment process and that investment teams are likely to have stronger ESG analysis if the importance of ESG is recognised by their broader organisation. The evaluation of how the IIC's active managers have identified and managed material ESG risks (including climate risks) forms part of the IIC's ongoing appraisal of each manager's appointment.
- With regards to climate-related risks, the Trustee believes that companies should adjust their business strategies to align with the 2015 Paris Agreement, and those that fail to do so can face significant downside and stranded asset risks. The IIC expects its investment managers to take into account how companies are adjusting their business strategies to align with the 2015 Paris Agreement and ensure that any exposure to stranded asset risk is considered in the selection of individual investments. The identification and integration of climate change risks, including the ability of the investment managers to monitor and report on greenhouse gas emissions, forms part of the IIC's monitoring and ongoing assessment of its managers.
- The IIC believes that active stewardship can improve investment returns and a manager's approach to stewardship is considered when appointing and reviewing managers. The Plan is a signatory of the UK Stewardship Code (in relation to the DB Sections), which reflects the importance of effective stewardship to the Trustee. In turn, it expects each of its managers to be signatories to the Code. Eight of the Fund's eleven managers are currently signatories. The IIC monitors each manager's engagement with entities with respect to climate risk and further details are provided in the metrics section.
- In addition to engagement with underlying companies, the Trustee expects the Fund's investment managers to engage with other stakeholders including policy makers, regulators, standard setters and industry bodies. The Trustee believes engagement with these stakeholders can help drive real-world impacts which will allow climate-related risks to be more easily managed and climate-related opportunities more easily accessed.

The Trustee has set stewardship priorities in relation to the following E, S and G factors:

- **E – Climate Change:** For example, investment managers engaging with companies on their climate change policies and/or voting on resolutions requiring publication of a business strategy that is aligned with the Paris Agreement on climate change;
- **S – Modern Slavery:** For example, investment managers engaging with companies on their modern slavery policies especially with regards to their supply chains; and
- **G – Diversity & Inclusion:** For example, investment managers voting against a director appointment where the board is not sufficiently gender diverse.

As part of the annual stewardship and engagement report, the Fund's managers were asked to provide the number of engagements they had carried out in relation to the Trustee's stewardship priorities. The Trustee uses this information to monitor how managers' activities relating to their stewardship priorities change year-on-year.

SECTION 4: RISK MANAGEMENT

MANAGING CLIMATE-RELATED RISKS

The stewardship and engagement report reviewed in May 2024 showed that the quantity and quality of managers' engagement was broadly in line with expectations, given the nature of the mandates, although there was room for improvement in all cases. Many managers, particularly those managing corporate or property assets, reported that they had engaged a material proportion of their portfolio on climate change topics during 2023. This proportion was much higher than for the Trustee's other two stewardship priorities.

At its November 2024 meeting, the IIC considered the engagement undertaken by its LDI manager in relation to UK climate policy. The DB Investment Adviser had developed a set of best practice principles on this topic and assessed five major LDI managers against them. The IIC reviewed the results of this assessment, noting that its LDI manager generally scored better than peers, although had some areas for improvement. The IIC agreed that policy engagement should be an area of increasing focus in its discussions with its investment managers.

Further information on the Trustee's stewardship and engagement activities can be found in the DB Sections' annual Stewardship Report, which can be found on the Plan website here: **mypension.dhl.co.uk/StewardshipReport**.

Engagement Case Study: Investment grade credit (Legal & General – Asset Management, 'L&G')

Rationale for the engagement:

As one of the world's largest diversified mining companies, with strong exposure to metals needed to decarbonise the global economy, L&G believes this mining company has a key role to play in the energy transition. L&G's concerns regarding, and engagement with, the company in recent years has been focused on the company's thermal coal business.

The engagement:

In 2022, L&G pledged to increase pressure on companies that fail to put suitably ambitious and credible climate transition plans to a shareholder vote, by filing shareholder resolutions. Having voted against the company's transition plan in its 2022 AGM, L&G escalated engagement by co-filing a shareholder resolution at the company's 2023 AGM, requesting that the company disclose how its thermal coal production is aligned with the Paris Agreement objective of limiting the increase in global temperature to 1.5°C. Proxy advisors ISS and Glass Lewis recommended shareholders vote in favour of this proposal.

L&G has since met separately with the company's CEO and CFO, Chairman and lead independent director, to discuss the response to the proposal and in broader terms, corporate governance and community relations. L&G met with the company four times in 2024.

Despite ongoing engagement, L&G has seen little progress from the company regarding its plans to increase thermal coal capacity, transparency relating to these, and consistency of these plans with a 1.5°C-aligned transition to Net Zero by 2050. In light of a lack of progress, in 2024, L&G took the decision under its Climate Impact Pledge to divest from the company (in applicable funds, including the Fund's new credit mandate) as a further escalation of its engagement.

Outcomes and next steps:

- L&G's objectives with regards to the company, as set out above, have not yet been achieved. L&G will continue to engage with the company to encourage it to meet minimum expectations, with the goal now being for it to be reinstated in funds, reversing the Climate Impact Pledge divestment decision. L&G assesses progress under the Climate Impact Pledge on an annual basis in June, and will monitor the company's progress in line with this schedule.
- Furthermore, L&G will be engaging with the company as it sets out its strategy for decarbonising its recently acquired assets (four coal mines in British Columbia).

Engagement Case Study: Multi-asset credit (CQS Investment Management)

Rationale for the engagement:

In July 2024, CQS engaged with the CFO of a large Greek shipping company to get an update on the company's decarbonisation efforts and future strategy. The company has now submitted 1.5°C-aligned targets for validation by the Science-Based Targets initiative ('SBTi'). Talks with SBTi are ongoing as the company is looking for the methodology to better reflect the characteristics of the business.

The engagement:

The main driver of decarbonisation in the shipping industry is the demands from companies using liners to get their goods transported across the globe: as pressure on them increases, liners demand vessels that are very fuel efficient and also environmentally friendly. However, CQS's analyst notes there are limits to the emissions reductions that can be achieved in the shipping industry. Alternative fuels such as methanol and ammonia are not currently available in sufficient quantity, and are 5x more expensive when they are available. Most of the existing global fleet is unable to run on alternative fuels and it would take more than 30 years for the shipping fleet to be retired and replaced with vessels able to run using such fuels. That is, assuming all shipyards capable of manufacturing such ships were to run continuously.

According to the company, there are currently no available slots for delivery of methanol-ready vessels before 2028-29. However, there are other technologies, currently at development stage, which could help. With the implementation of carbon taxes, more funds should be available from governments to support research and development on decarbonisation technologies.

The company believes it is doing everything in its power to reduce emissions. It is, for example, investing in developing a 'CO_2 scrubber' which would capture carbon dioxide from the exhaust fumes produced when conventional fuels are burnt.

This engagement is an example of an escalation where management gave CQS an update only after it reached out to the company's bankers to intervene.

Outcomes and next steps:

- Overall, CQS was satisfied with the company's answers and actions – all new vessels being ordered are methanol-ready and adhere to the highest available environmental standards.

SECTION 4: RISK MANAGEMENT

MANAGING CLIMATE-RELATED RISKS

Net Zero ambition

As part of its climate risk management strategy, the Trustee has set an ambition to achieve Net Zero greenhouse gas emissions ('GHG') (Scopes 1, 2 and 3) by 2050 or sooner across its asset portfolio. This ambition is part of the Trustee's efforts to manage the impact of climate change on the Fund's investments and the consequent impact on the financial interests of its members.

During the Plan year, the credit mandates with Loomis Sayles & Co and Wellington Management were terminated, and a revised credit mandate was agreed with L&G (implementation of which was in progress at Plan year end). The new mandate includes a target to align the portfolio to 1.5°C (as measured by L&G's proprietary temperature alignment tool) by 31 December 2030. The DB Investment Adviser, on behalf of the Trustee, has discussed with L&G how it can support the Trustee's target to increase the proportion of corporate bond holdings with a science-based target and is exploring additional mandate guidelines to improve the portfolio's alignment with the Sustainable Development Goals.

The ESGC has undertaken an initial triage of the DB Sections' mandates to assess whether they are aligning with Net Zero emissions pathways and, if not, the ease of alignment. Based on this analysis, it has identified two high priority mandates, with significant assets under management, to focus on during 2025: Aviva LIME and M&G Secure Income. It has started to engage with these two managers to understand the portfolios' current Net Zero alignment and the potential to increase alignment over time. It will also monitor progress towards Net Zero of the two DB mandates which already incorporate Net Zero in the fund guidelines: L&G credit and CQS multi-asset credit. The ESGC plans to repeat the triage process annually, and select priority mandates for engagement over the subsequent year, until all mandates are considered to be aligning with Net Zero.

For new manager appointments, the Trustee will include Net Zero considerations in the selection process, favouring managers and funds with credible Net Zero commitments. In addition to considering portfolio Net Zero alignment, where appropriate in the context of the DB Sections' investment strategy, the Trustee will consider investment opportunities which may contribute to climate mitigation and/or adaptation in the broader economy.

For all mandates, the Trustee believes stewardship is the key lever for achieving its Net Zero ambition. The Trustee therefore encourages all the Plan's managers to implement a stewardship and engagement strategy, with a clear escalation and (where applicable) voting policy, that encourages all assets to reduce their emissions consistent with achieving Net Zero emissions by 2050 or sooner. The stewardship and engagement strategy should encompass the engagement of key actors in the investment system as well as the invested assets themselves. This includes policy makers, regulators, standard setters and industry bodies.

The Trustee encourages managers to focus on real-world emissions reduction which it believes will best help manage risks to members' benefits, through helping to reduce the physical impacts of climate change. The intention is therefore not to discourage managers from investing in non-aligned assets but to use their influence over assets to encourage them to align with Net Zero emissions pathways over time.

The Trustee will continue to monitor managers' climate-related stewardship through periodic meetings and through reviewing the annual stewardship and engagement report. In future, this will include consideration of managers' stewardship in relation to Net Zero.

The Trustee recognises that some asset classes may be harder to align with Net Zero, especially where frameworks and methodologies have not yet been developed. It encourages managers to contribute to their development, including through industry collaboration where appropriate, so that it will be possible to align all the Plan's mandates with Net Zero in due course.

SECTION 5: METRICS AND TARGETS

OVERVIEW

Metrics

To inform its understanding and monitoring of the Fund's climate-related risks and opportunities, the Trustee has selected the metrics shown in the table below.

Metric type	Metric name (unit)	High–level methodology*
Absolute emissions metric	**Total Emissions** (tonnes of CO_2e emitted).	The sum of each entity's most recent reported or estimated GHG emissions attributable to the Fund's investment in the entity, where data is available. Emissions are attributed evenly across equity and debt investors, based on enterprise value of invested capital. Reported in tonnes of CO_2 equivalent.
Emissions intensity metrics	**Carbon Footprint** (tonnes of CO_2e/$m of asset value).	The total GHG emissions described above, divided by the value of the invested portfolio in $m which has data available. Reported in tonnes of CO_2 equivalent per $1m invested.
	Weighted Average Carbon Intensity ('WACI') (tonnes of CO_2e/$m of revenue).	The GHG emissions of each company divided by the company's revenue in $m and aggregated across the portfolio based on the portfolio weights of the investee companies. Reported in tonnes of CO_2 equivalent per $1m of revenue. (Not calculated for non-corporate entities without revenue.)
Portfolio alignment metric	**Science-Based Targets** (Proportion %)	The proportion of the portfolio (by weight) of holdings with science-based targets to reduce their GHG emissions, demonstrated by a target validated by the Science-Based Targets initiative ('SBTi') or equivalent (e.g. a company or asset that the asset manager deems has a science-based emissions target). This measures the extent to which the Fund's investments are aligned to the Paris Agreement goal of limiting global average temperature rises.
Additional metric	**Data quality** (% reported, estimated and unavailable)	The proportion of the portfolio (by weight) for which GHG emissions data is reported, estimated or unavailable. 'Reported' emissions are reported by the emitting entity, whereas 'estimated' emissions are estimated by a third party and so are generally considered to be of lower quality.

*For assets other than LDI. The methodology for LDI assets is described in the relevant sub-section below. Wherever possible, consistent methodologies have been used to calculate the metrics for the other asset classes.

SECTION 5: METRICS AND TARGETS

OVERVIEW

Choice of metrics

Last year, the 'additional metric' was changed from 'climate related engagement' metric to data quality, to help the Trustee monitor the quality and completeness of the emissions data it receives. This is one of the additional metrics recommended in the Statutory Guidance for TCFD reporting and is expected to be available for all mandates. The Trustee's chosen target was also replaced last year with a new target based on the proportion of the portfolio with a science-based target (see pages 40-41 below). These updates were covered in detail in the previous report.

This year the Trustee undertook a review of the metrics and considered whether any additional or alternative metrics should be used. The Trustee agreed to make no changes to the current metrics and targets but will continue to review the choice of climate-related metrics from time to time to ensure they remain appropriate for the Plan.

The Trustee has also investigated what metrics it might be able to gather in relation to its other stewardship priorities and considered whether it could extend this climate report to a broader sustainability report. Based on its initial work, the Trustee concluded that adequate data was not available to do this in a meaningful way. Reporting on broader ESG metrics is still under consideration, but the Trustee has not yet seen a significant change in data which warrants expanding its reporting in this way.

Data availability

Data for the metrics has been sourced from the investment managers and sense-checked by the DB Investment Adviser. The table on the next page summarises the mandates where emissions data was available.

The Trustee recognises that there remains a long way to go to improve the quality of climate-related data so that it is reliable and informative for use in climate risk management. It therefore continues to focus on data quality issues and monitors emissions data quality as a metric.

As at 31 March 2025, there remains 36% of the Fund's physical assets where no carbon emissions data is yet available, an improvement from 45% at 31 March 2024. This is partly driven by the following mandates, which accounted for 8% of the Fund's total assets at 31 March 2025, where the managers currently do not provide any data:

- BlackRock (Global Credit Opportunities);
- King Street (Private Debt);
- Partners Group (Private Equity);
- Twin Brook (Private Debt).

The overall data coverage is also partly driven by data coverage within the underlying mandates, where managers have provided some data but still have some data gaps for their portfolio.

After the year end, some members of the IIC had a call with Twin Brook to discuss Twin Brook's ability to provide climate-related data in future, given that its mandates are the largest ones without data. The IIC intends to discuss the remaining data gaps with the relevant managers as part of the annual manager meetings, to encourage them to improve the data they provide.

It is worth noting that, as data availability improves, it is likely that the carbon emissions of the DB Sections will increase over the next few years due to more data becoming available.

The Trustee accepts that there is an ongoing concern with the lack of consistency and quality of data to quantify the exposure to climate risk. The Trustee proactively raises data quality with investment managers in review meetings and expects that through continuous challenge this position is likely to improve over time.

The emissions metrics will be calculated for the Fund at least annually.

Note that, throughout the metrics section, figures may not sum due to rounding.

SECTION 5: METRICS AND TARGETS

OVERVIEW

What are Scope 1, 2 and 3 emissions?

Scope 1 emissions are direct emissions from company-owned and controlled resources. In other words, emissions released to the atmosphere as a direct result of a set of activities, at a firm level.

Scope 2 emissions are indirect emissions from the generation of purchased energy, from a utility provider. In other words, all GHG emissions released in the atmosphere, from the consumption of purchased electricity, steam, heat and cooling.

Scope 3 emissions are all indirect emissions – not included in Scope 2 – that occur in the value chain of the reporting company, including both upstream and downstream emissions. In other words, emissions that are linked to the company's operations but which it does not directly control.

Overview of emissions data available

Mandate	AUM (% of total DB assets)		% of portfolio for which carbon emissions data is available			
	31 March 2025	*31 March 2024*	31 March 2025		31 March 2024	
			Scopes 1 and 2	Scope 3	*Scopes 1 and 2*	*Scope 3*
Arcmont DLF III	3%	*3%*	100%	100%	*100%*	*100%*
Arcmont SLF I	1%	*1%*	100%	100%	*100%*	*100%*
Arcmont SLF II	4%	*3%*	100%	100%	*100%*	*100%*
Ares	3%	*3%*	85%	84%	*0%*	*0%*
Aviva AIIIF	2%	*3%*	74%	74%	*76%*	*76%*
Aviva Lime	7%	*7%*	96%	96%	*98%*	*98%*
BlackRock GCO I	1%	*1%*	0%	0%	*0%*	*0%*
BlackRock GCO II	2%	*2%*	25%	17%	*0%*	*0%*
CQS	7%	*6%*	76%	76%	*69%*	*68%*
King Street	0%	*0%*	0%	0%	*0%*	*0%*
Loomis	-	*5%*	-	-	*78%*	*78%*
L&G Credit	9%	*-*	72%	69%	*-*	*-*
L&G LDI and longevity swap collateral	28%	*26%*	100%	100%	*100%*	*100%*
M&G Secure Income	6%	*6%*	47%	47%	*36%*	*34%*
M&G Secured Finance	9%	*8%*	2%	2%	*2%*	*2%*
M&G CGP	5%	*6%*	8%	8%	*8%*	*8%*
Partners Group funds	0%	*0%*	0%	0%	*0%*	*0%*
Schroders ILS I	1%	*1%*	79%	10%	*0%*	*0%*

SECTION 5: METRICS AND TARGETS

OVERVIEW

Mandate	AUM (% of total DB assets)		% of portfolio for which carbon emissions data is available			
	31 March 2025	*31 March 2024*	31 March 2025		31 March 2024	
			Scopes 1 and 2	Scope 3	*Scopes 1 and 2*	*Scope 3*
Schroders ILS II	2%	*2%*	34%	22%	*0%*	*0%*
Twin Brook funds	7%	*6%*	0%	0%	*0%*	*0%*
Wellington	-	*4%*	-	-	*64%*	*63%*
Total of physical assets	**98%**	***94%***	**65%**	**63%**	***56%***	***55%***
Bridgewater PA – long positions	3%	*3%*	43%	43%	*57%*	*57%*
Bridgewater PA – short positions			46%	46%	*50%*	*50%*
L&G Synthetic Equities	0%	*2%*	97%	97%	*0%*	*0%*
Longevity swap	-3%	*n/a*	n/a	n/a	*n/a*	*n/a*
Cash and derivatives	2%	*1%*	n/a	n/a	*n/a*	*n/a*
Grand Total	**100%**	***100%***	**n/a**	**n/a**	***n/a***	***n/a***

Source: Investment Managers

Notes to this table:

1. For further information on data availability, including how the available data is made up of reported versus estimated data, see the 'Data quality' section of this report.
2. AUM % includes cash held in custody accounts for certain mandates. The emissions data, including the availability percentages shown, generally relates to the non-cash holdings.
3. The data for Arcmont, Aviva, BlackRock GCO II and Bridgewater is as at 31 December 2024 as data was not available as at 31 March 2025. The data for Ares is as at 31 December 2023 as more recent data was not available. The data for Schroders is as at 30 September 2024 as data was not available as at 31 March 2025.
4. The prior year data for Aviva AIIIF and LIME has been restated using updated methodology and improved data. The data is as at 31 December 2023.
5. The L&G LDI data and longevity swap collateral relates to physical gilts only, including exposure gained through repurchase agreements (repo). This means any emissions relating to counterparties of repo transactions are not included.
6. For M&G Secure Income, the data supplied for the real asset holdings (which made up 22% of the Secure Income Fund's assets at 31 March 2025) was not separated out between Scope 1 and 2 emissions and Scope 3 emissions. All the emissions have been assumed to be Scope 3, given the nature of the real assets held.
7. The data for Schroders relates to the emissions of those companies that ultimately receive financing in the Schroders funds' transactions.
8. For Bridgewater, emissions for long and short positions have been presented separately in line with industry best practice, which is consistent with last year's approach. Data is available for equity and corporate bond exposure. Typically, most of Bridgewater's exposure to these assets is gained through using derivatives. All the Bridgewater exposure (long or short) has therefore been treated as synthetic and not aggregated with physical exposure for other mandates in line with industry best practice.
9. The L&G Synthetic Equities mandate provides exposure to equity market indices through derivatives. Due to the way derivatives are priced, a negative or zero market value is possible while still gaining the desired exposure to the market indices. The exposure was 11.2% of AUM at 31 March 2025. Derivative exposure has not been aggregated with physical exposure in line with industry best practice.
10. Longevity swaps can be priced with a negative value while continuing to hedge longevity risk as intended. The negative position shown is offset by collateral held for the position (3.5% of AUM).
11. Data on longevity swap collateral was not available at 31 March 2024, so the figures at that date relate to the LDI portfolio only.
12. Cash and derivatives include positions used to hedge currency risk.

SECTION 5: METRICS AND TARGETS

TOTAL EMISSIONS (EXCLUDING LDI AND LONGEVITY SWAP ASSETS)

This section sets out the total carbon emissions for non-LDI and longevity swap assets, where data has been provided. These mandates make up 72% of total Fund assets as at 31 March 2025 and include both physical and non-LDI derivative exposures. Physical and derivative exposures have not been aggregated in line with industry best practice.

Note that the figures have not been pro-rated for missing data. Therefore the **carbon emissions only relate to a subset of the assets. If more data was available, the figures would be higher**. In future years, the emissions figures may increase as data availability increases.

Total Carbon Emissions (Tonnes CO_2e, for physical assets only)

	31 March 2025	*31 March 2024*
Scopes 1 and 2	44,412	***32,976***
Scope 3	279,205	***153,371***

The table on the next page shows the GHG emissions for each of the Fund's non-LDI and longevity swap managers, split into 'Scopes 1 and 2' and 'Scope 3' emissions, as of 31 March 2025 and 31 March 2024.

The total Scope 1 and 2 carbon emissions for the Fund's physical, non-LDI mandates (where data was available) was 44,412 tonnes CO_2e, with the largest contributor to emissions being the L&G Credit portfolio, which contributed 37% to the total Scope 1 and 2 carbon emissions. The total Scope 1 and 2 emissions for the Fund have increased by 11,437 tonnes CO_2e compared to the data as at 31 March 2024. This is largely driven by increased data coverage, with mandates such as Ares and BlackRock GCO II reporting emissions for the first time. While some mandates which had reported previously showed meaningful emissions reductions (for example Arcmont funds), some other funds have shown an increase in year-on-year emissions.

The total Scope 3 carbon emissions for the Fund's physical, non-LDI mandates (where data was available) was 279,205 tonnes CO_2e, with the largest contributor to emissions again being the L&G Credit portfolio, which contributed 65% to the total Scope 3 carbon emissions. The total Scope 3 emissions for the Fund have increased by 125,834 tonnes CO_2e compared to the data as at 31 March 2024, which is predominantly driven by an increase in the emissions for the L&G Credit portfolio compared to the Loomis and Wellington portfolios it replaced, and additional mandates reporting Scope 3 data. L&G uses a different data provider to Loomis and Wellington, and this is likely to be the main driver for the increase for the credit assets, given the limited changes to the holdings.

SECTION 5: METRICS AND TARGETS

TOTAL EMISSIONS (EXCLUDING LDI AND LONGEVITY SWAP ASSETS)

Carbon Emissions (Tonnes CO_2e) – by mandate

Mandate	Scopes 1 and 2		Scope 3	
	31 March 2025	*31 March 2024*	31 March 2025	*31 March 2024*
Arcmont DLF III	2,735	*3,828*	4,863	*7,382*
Arcmont SLF I	208	*440*	1,208	*1,919*
Arcmont SLF II	791	*1,158*	8,131	*7,069*
Ares	800	-	4,108	-
Aviva AIIIF	10,830	*3,565*	1,800	*2,873*
Aviva Lime	13	*13*	3,790	*4,067*
BlackRock GCO II	2,234	-	7,189	-
CQS	8,908	*6,205*	27,131	*19,034*
Loomis	-	*13,482*	-	*74,044*
L&G Credit	16,584	-	180,922	-
M&G Secure Income	925	*104*	8,949	*7,314*
M&G Secured Finance	135	*128*	1,163	*1,113*
M&G CGP	171	*346*	1,031	*4,321*
Schroders ILS I	24	-	2,175	-
Schroders ILS II	55	-	26,744	-
Wellington	-	*3,707*	-	*24,235*
Overall Fund (physical non-LDI assets only)	**44,412**	***32,976***	**279,205**	***153,371***
Bridgewater PA – long corporate exposure	2,890	*4,806*	14,686	*33,637*
Bridgewater PA – short corporate exposure	2,783	*-3,092*	18,271	*-20,784*
L&G Synthetic Equities	23,165	-	250,024	-

Notes to this table:

1. Figures relate only to holdings with data. Total emissions would be higher, both for individual mandates and for the Fund overall, if more data was available.
2. For information on the proportion of each mandate for which emissions data is available, see the 'Overview of emissions data available' table. Information on how this data is split between estimated and reported information can be found in the 'Data quality' section.
3. The data for Arcmont, Aviva, BlackRock GCO II and Bridgewater is as at 31 December 2024 as data was not available as at 31 March 2025. The data for Ares is as at 31 December 2023 as more recent data was not available. The data for Schroders is as at 30 September 2024 as data was not available as at 31 March 2025.
4. The prior year data for Aviva AIIIF and LIME has been restated using updated methodology and improved data. The data is as at 31 December 2023 rather than 31 March 2024.
5. The L&G Credit mandate contains c.4% of overseas sovereign bonds. The Scope 1 and 2 carbon footprint for these bonds has been calculated differently from the carbon footprint of the mandate's other assets, hence the Scope 1 and 2 emissions figures are not consistent, but they have not been shown separately on materiality grounds. Scope 3 emissions data is not available for the sovereign bonds.
6. For the M&G Secure Income mandate, data for the real asset holdings was not separated out between Scope 1 and 2 and Scope 3 emissions. All the emissions have been assumed to be Scope 3, given the nature of the real assets held.
7. The data for Schroders relates to the emissions of those companies that ultimately receive financing in the Schroders funds' transactions. The calculation method is generally in line with how a corporate bond or business loan would be treated under PCAF.
8. For Bridgewater, data is available for equity and corporate bond exposure. Emissions for long and short positions have been presented separately in line with industry best practice, which is consistent with last year's approach. A split of the data between physical and synthetic exposure is not available. Typically, most of Bridgewater's exposure is gained through using derivatives. All the Bridgewater exposure (long or short) has been treated as synthetic and not aggregated with physical exposure for other mandates in line with industry best practice.
9. The L&G Synthetic Equities mandate provides exposure to equity market indices through derivatives. Derivative exposure has not been aggregated with physical exposure in line with industry best practice.

SECTION 5: METRICS AND TARGETS

CARBON FOOTPRINT (EXCLUDING LDI AND LONGEVITY SWAP ASSETS)

This section sets out the carbon footprint for non-LDI and longevity swap assets, where data has been provided. These mandates make up 72% of total Fund assets as at 31 March 2025 and include both physical and non-LDI derivative exposures. Physical and derivative exposures have not been aggregated in line with industry best practice.

Carbon Footprint (Tonnes CO_2e per USD million invested, physical assets only)

	31 March 2025	31 March 2024
Scopes 1 and 2	34	*29*
Scope 3	216	*135*
Scopes 1, 2 and 3	250	*164*

The table on the next page shows the carbon footprint for each of the Fund's non-LDI managers, split into 'Scopes 1 and 2' and 'Scope 3' emissions, as of 31 March 2025 and 31 March 2024.

The overall Scope 1 and 2 carbon footprint for the Fund's physical, non-LDI mandates was 34 tonnes CO_2e/$m as at 31 March 2025, with the largest contributor being the L&G Credit portfolio, which contributed 36% to the overall Scope 1 and 2 carbon footprint of the Fund. The overall Scope 1 and 2 carbon footprint for the Fund has increased by 5 tonnes CO_2e/$m compared to the data as at 31 March 2024.

The overall Scope 3 carbon footprint for the Fund's physical, non-LDI mandates was 216 tonnes CO_2e/$m, with the largest contributor to emissions being the L&G Credit portfolio, which contributed 65% to the overall Scope 3 carbon footprint of the Fund. The Fund's overall carbon footprint for Scopes 1, 2 and 3 has increased by 81 tonnes CO_2e/$m compared to the data as at 31 March 2024.

The increase in carbon footprint is predominantly driven by more mandates reporting, plus a significant increase in the Scope 3 carbon footprint for the L&G Credit portfolio compared to the Loomis and Wellington portfolios it replaced. For example, Ares and BlackRock GCO II did not disclose their carbon footprint for use in the previous report and these mandates have a high carbon footprint, particularly for Scope 3.

SECTION 5: METRICS AND TARGETS

CARBON FOOTPRINT (EXCLUDING LDI AND LONGEVITY SWAP ASSETS)

Carbon Footprint (Tonnes CO_2e per USD million invested) – by mandate

Mandate	Scopes 1 and 2		Scope 3	
	31 March 2025	*31 March 2024*	31 March 2025	*31 March 2024*
Arcmont DLF III	29	*32*	52	*62*
Arcmont SLF I	5	*9*	32	*41*
Arcmont SLF II	6	*9*	62	*55*
Ares	10	*-*	50	*-*
Aviva AIIIF	212	*43*	35	*34*
Aviva Lime	0	*0*	15	*15*
BlackRock GCO II	157	*-*	741	*-*
CQS	47	*42*	144	*127*
Loomis	-	*99*	-	*541*
L&G Credit	67	*-*	778	*-*
M&G Secure Income	8	*4*	79	*87*
M&G Secured Finance	19	*18*	159	*159*
M&G CGP	12	*21*	71	*255*
Schroders ILS I	1	*-*	963	*-*
Schroders ILS II	2	*-*	1,208	*-*
Wellington	-	*35*	-	*234*
Overall Fund (physical non-LDI assets only)	**34**	***29***	**216**	***135***
Bridgewater PA – long corporate exposure	74	*66*	378	*462*
Bridgewater PA – short corporate exposure	68	*48*	443	*325*
L&G Synthetic Equities	58	*-*	625	*-*

Notes to this table:

1. The data for Arcmont, Aviva, BlackRock GCO II and Bridgewater is as at 31 December 2024 as data was not available as at 31 March 2025. The data for Ares is as at 31 December 2023 as more recent data was not available. The data for Schroders is as at 30 September 2024 as data was not available as at 31 March 2025.
2. The prior year data for Aviva AIIIF and LIME has been restated using updated methodology and improved data. The data is as at 31 December 2023 rather than 31 March 2024.
3. Arcmont, Aviva, L&G Credit, M&G and Schroders provided the data relative to GBP £m invested, so the data has been converted to be relative to USD $m invested using a currency conversion rate on 31 December 2023 of 1.27390, on 30 September 2024 of 1.34019, on 31 December 2024 of 1.25192, and on 31 March 2025 of 1.29072.
4. The L&G Credit mandate contains c.4% of overseas sovereign bonds. The Scope 1 and 2 carbon footprint for these bonds has been calculated as the weighted average of production-based emissions divided by total capital stock for each country. This is different from the carbon footprint calculation for the mandate's other assets, but the carbon footprint figures have not been shown separately on materiality grounds. Scope 3 carbon footprint data is not available for the sovereign bonds.
5. For the M&G Secure Income mandate, data for the real asset holdings was not separated out between Scope 1 and 2 and Scope 3 emissions. All the emissions have been assumed to be Scope 3, given the nature of the real assets held.
6. The data for Schroders relates to the emissions of those companies that ultimately receive financing in the Schroders funds' transactions. The calculation method is generally in line with how a corporate bond or business loan would be treated under PCAF.
7. For Bridgewater, data is available for equity and corporate bond exposure. Carbon footprint for long and short positions has been presented separately in line with industry best practice, which is consistent with last year's approach. A split of the data between physical and synthetic exposure is not available. Typically, most of Bridgewater's exposure is gained through using derivatives. All the Bridgewater exposure (long or short) has been treated as synthetic and not aggregated with physical exposure for other mandates in line with industry best practice.
8. The L&G Synthetic Equities mandate provides exposure to equity market indices through derivatives. Derivative exposure has not been aggregated with physical exposure in line with industry best practice.
9. Overall Fund Carbon Footprint has been calculated as a weighted average of the Carbon Footprint data available for non-LDI mandates that do not use derivatives, weighted by the AUM with data available.

SECTION 5: METRIC AND TARGETS

WEIGHTED AVERAGE CARBON INTENSITY ('WACI') (EXCLUDING LDI AND LONGEVITY SWAP ASSETS)

This section sets out WACI for non-LDI and longevity swap assets, where data has been provided. These mandates make up 72% of total DB Sections' assets as at 31 March 2025 and include both physical and non-LDI derivative exposures. Physical and derivative exposures have not been aggregated in line with industry best practice.

The table below shows the WACI for each of the Fund's non-LDI managers, split into 'Scopes 1 and 2' and 'Scope 3' emissions, as of 31 March 2025 and 31 March 2024.

The overall Scope 1 and 2 WACI for the Fund's physical, non-LDI mandates was 141 tonnes CO_2e/$m, with the largest contributor to WACI being the Aviva AIIIF portfolio which contributed 56% to the overall figure. The overall Scope 1 and 2 WACI for the Fund has increased by 71 tonnes CO_2e/$m compared to the data as at 31 March 2024. The main reason for the change was a significant increase in WACI of the Aviva AIIF driven by both a material increase in emissions and a reduction in revenue generated by the assets.

The overall Scope 3 WACI for the Fund's physical, non-LDI mandates was 470 tonnes CO_2e/$m, with the largest contributor to WACI being the L&G Credit portfolio which contributed 63% to the overall figure. The overall Scope 3 WACI for the Fund has increased by 150 tonnes CO_2e/$m compared to the data as at 31 March 2024. The main reason for the change was a significant increase in the Scope 3 WACI for the L&G Credit portfolio compared to the Loomis and Wellington portfolios it replaced. L&G uses a different data provider to Loomis and Wellington, and this is likely to be the main driver for the increase, given the limited changes to the holdings.

WACI (Tonnes CO_2e per USD million invested) – by mandate

Mandate	Scopes 1 and 2		Scope 3	
	31 March 2025	*31 March 2024*	31 March 2025	*31 March 2024*
Arcmont DLF III	109	*67*	124	*91*
Arcmont SLF I	13	*18*	66	*71*
Arcmont SLF II	15	*17*	122	*87*
Ares	-	*-*	-	*-*
Aviva AIIIF	1,830	*162*	304	*130*
Aviva Lime	1	*1*	324	*356*
BlackRock GCO II	176	*-*	263	*-*
CQS	87	*55*	144	*49*
Loomis	-	*195*	-	*957*
L&G Credit	141	*-*	1,431	*-*
M&G Secure Income	12	*41*	442	*472*
M&G Secured Finance	28	*26*	368	*411*
M&G CGP	157	*142*	230	*396*
Schroders ILS I	2	*-*	179	*-*
Schroders ILS II	1	*-*	210	*-*
Wellington	-	*132*	-	*485*
Overall Fund (physical non-LDI assets only)	**141**	***70***	**470**	***320***
Bridgewater PA – long corporate exposure	171	*106*	862	*803*
Bridgewater PA – short corporate exposure	208	*116*	1,092	*910*
L&G Synthetic Equities	126	*-*	1,139	*-*

SECTION 5: METRIC AND TARGETS

WEIGHTED AVERAGE CARBON INTENSITY ('WACI') (EXCLUDING LDI AND LONGEVITY SWAP ASSETS)

Notes to this table:

1. The data for Arcmont, Aviva, BlackRock GCO II and Bridgewater is as at 31 December 2024 as data was not available as at 31 March 2025. The data for Ares is as at 31 December 2023 as more recent data was not available. The data for Schroders is as at 30 September 2024 as data was not available as at 31 March 2025.
2. The prior year data for Aviva AIIIF and LIME has been restated using updated methodology and improved data. The data is as at 31 December 2023 rather than 31 March 2024.
3. Arcmont, Aviva, L&G Credit, M&G and Schroders provided the data relative to GBP £m revenue, so the data has been converted to be relative to USD $m revenue using a currency conversion rate on 31 December 2023 of 1.27390, on 30 September 2024 of 1.34019, on 31 December 2024 of 1.25192, and on 31 March 2025 of 1.29072.
4. WACI data was not available for Ares or for the public and real estate assets of the M&G Secure Income fund, reducing the coverage of the latter to 22% for Scopes 1, 2 and 3. For the other mandates, coverage was the same as shown in the data availability table.
5. The L&G Credit mandate contains c.4% of overseas sovereign bonds. The Scope 1 and 2 WACI for these bonds has been calculated using the same method as emissions intensity for the LDI mandate. This is different from the WACI calculation for the mandate's other assets, but the WACI figures have not been shown separately on materiality grounds. Scope 3 WACI data is not available for the sovereign bonds.
6. The data for Schroders relates to the emissions of those companies that ultimately receive financing in the Schroders funds' transactions. The calculation method is generally in line with how a corporate bond or business loan would be treated under PCAF.
7. For Bridgewater, the figures in the table relate to listed equity and corporate bond exposure. WACI for long and short positions have been presented separately in line with industry best practice, which is consistent with last year's approach. A split of the data between physical and synthetic exposure is not available. Typically, most of Bridgewater's exposure is gained through using derivatives. All the Bridgewater equity and corporate bond exposure (long or short) has been treated as synthetic and not aggregated with physical exposure for other mandates in line with industry best practice. Bridgewater also supplied WACI of 255 tCO_2e/$m and 200 tCO_2e/$m for long and short sovereign exposure respectively as at 31 December 2024. These sovereign figures have been calculated as the weighted average of production-based emissions divided by nominal GDP for each country.
8. The L&G Synthetic Equities mandate provides exposure to equity market indices through derivatives. Derivative exposure has not been aggregated with physical exposure in line with industry best practice.
9. Overall Fund WACI has been calculated as a weighted average of the WACI data available for non-LDI mandates that do not use derivatives, weighted by AUM with data available.

SECTION 5: METRICS AND TARGETS

CARBON ACCOUNTING FOR LDI AND LONGEVITY SWAP COLLATERAL

Methodologies

Emissions have been calculated for the government bond (gilts) holdings only. The method is in line with guidance from the Partnership for Carbon Accounting Financials ('PCAF'), which was issued in December 2022 following public consultation.

GHG emissions for government bonds are calculated on a different basis from the other asset classes, so cannot be compared with the other emissions figures shown in this report.

The emissions figures in this report were calculated by the DB Investment Adviser using publicly available data sources. As suggested in the Statutory Guidance for TCFD reporting, Scope 1 and 2 emissions have been interpreted as the production-based emissions of the UK. Scope 3 emissions have been interpreted as the emissions embodied in goods and services imported by the UK and consumed within the UK (rather than re-exported).

Emissions intensity has been calculated as:

$$\frac{\textit{UK GHG emissions}}{\textit{PPP-adjusted GDP for the UK}}$$ [1]

GHG emissions have then been calculated as:

Emissions intensity x value of Plan's investment in gilts.

1. PPP (Purchasing Power Parity) is a theory of long-term equilibrium in exchange rates based on relative prices. For example, if the price of a basket of goods in the UK is £100 and the same basket costs $200 in the USA, then the PPP exchange rate would be £1:$2. The PPP rate and the actual market exchange rate can differ.

The value of the Fund's investment in gilts has been calculated as the market value of the gilt exposure (including the net repo loan amount) but not the swap positions. This is in line with the DB Investment Adviser's understanding of the typical interpretation of the Statutory Guidance by investment managers and consultancies as not requiring estimation of emissions for swap exposures at this time.

Data coverage figures for the LDI portfolio are based on the gilt exposure only. The data is considered to be fully reported, as it is based directly on data provided by the UK government, rather than third-party estimates. The gilt exposure of the LDI portfolio is more than the total market value of the LDI holdings, due to the use of leverage in this mandate. However, the overall data quality for the Fund has been calculated by weighting the mandates using their market value.

Double-Counting

The emissions figures for gilts are based on the UK's total emissions which includes corporates, households and public sector emissions. The emissions from corporates can therefore be accounted for both through corporate bond holdings in the non-LDI mandates, as well as part of the emissions of the UK economy in the LDI mandate and longevity swap collateral. This is in addition to potential double counting within the non-LDI mandates where, for example, the Scope 1 and 2 emissions of one company contribute to the Scope 3 emissions of the companies which purchase its products, which may also be held by the Fund.

SECTION 5: METRICS AND TARGETS

CARBON ACCOUNTING FOR LDI AND LONGEVITY SWAP COLLATERAL

Carbon metrics for the LDI portfolio and longevity swap collateral

Date of gilt exposure	Gilt exposure (£m)	Scopes 1 and 2		Scope 3	
		Emissions (tonnes CO_2e)	Emissions intensity (tonnes CO_2e per £m GDP)	Emissions (tonnes CO_2e)	Emissions intensity (tonnes CO_2e per £m GDP)
31 March 2025	1,528	216,248	142	244,326	160
31 March 2024	*1,349*	*229,000*	*170*	*183,000*	*136*

Notes to this table:

1. The data for the L&G LDI portfolio and longevity swap collateral relates to physical gilts only, including exposure gained through repurchase agreements (repo). The Plan holds some reverse repos which have been netted off in the calculation of the gilts exposure on which the emissions calculations are based.
2. Data on longevity swap collateral was not available at 31 March 2024, so the figures at that date relate to the LDI portfolio only.
3. The emissions calculations do not include cash held as collateral within the LDI and longevity swap portfolios.

SECTION 5: METRICS AND TARGETS

PROPORTION OF ASSETS WITH SCIENCE-BASED TARGETS IN PLACE

The Trustee has chosen the proportion of assets with Science-Based Targets ('SBTi' or equivalent) targets in place as its forward-looking climate alignment metric. Measuring the extent to which the Fund's assets are covered by science-based targets ('SBT') provides a measure of how well-positioned the portfolio is to be able to achieve Net Zero.

For all asset classes except gilts, this metric is currently based on whether the underlying portfolio companies have set carbon emission reduction targets that have been verified by the external body, SBTi. This is consistent with the approach taken last year.

The SBTi was developed as a partnership between CDP (formerly known as the Carbon Disclosure Project), the United Nations Global Compact ('UNGC'), the We Mean Business Coalition, World Resources Institute ('WRI') and the World Wide Fund for Nature ('WWF'). SBTi defines and promotes best practice in emissions reductions and Net Zero targets in line with climate science, for companies and financial institutions to follow. SBTi provides technical assistance and expert resources to companies who set SBT in line with the latest climate science, using a team of experts to validate submitted targets to ensure compliance.

SBTi validation is not always feasible, particularly outside of listed developed market assets, and some issuers may not be willing to seek validation due to its perceived complexity. Therefore, in relation to the new L&G credit portfolio, work was undertaken during the year to identify possible alternative ways of assessing whether issuers have SBT. A suitable approach has not yet been identified, but this will be kept under review as methodologies and data sources evolve.

The gilts managed by L&G are considered to have a science-based target because the UK has a Net Zero by 2050 emissions target written into law and sets shorter-term carbon budgets to achieve this target based on advice from the independent Committee on Climate Change. In line with the reporting on carbon emissions metrics for the LDI portfolio and longevity swap collateral, the alignment data for these portfolios is based on the gilt exposure only (ie it does not include the swap exposure or cash exposure). In practice, the gilt exposure of the LDI portfolio is more than the total market value of the LDI holdings, due to the use of leverage in this mandate. However, the overall proportion of the Fund with science-based targets has been calculated by weighting the mandates using their market value.

The table below shows the proportion of assets with SBT for each of the Fund's managers where they were able to provide SBT data. Many more managers were able to provide some level of SBT data compared to 2024 when only CQS, Loomis and Wellington were able to report this data. However, the percentage of assets where no SBT data is available remains high.

The proportion of the Fund's assets with SBTs increased from 31% as at 31 March 2024 to 34% as at 31 March 2025. The main contributor to the change is a 2% increase in the proportion of assets held in gilts.

SECTION 5: METRICS AND TARGETS

PROPORTION OF ASSETS WITH SCIENCE-BASED TARGETS IN PLACE

Proportion of assets with Science-Based Targets by Mandate

Mandate	AUM (% of total DB assets)		% of holdings in mandate with					
			SBT	No SBT	No Data	SBT	No SBT	No Data
	31 March 2025	31 March 2024	31 March 2025			31 March 2024		
Arcmont DLF III	3%	*3%*	0%	100%	0%	*0%*	*0%*	*100%*
Arcmont SLF I	1%	*1%*	0%	100%	0%	*0%*	*0%*	*100%*
Arcmont SLF II	4%	*3%*	5%	95%	0%	*0%*	*0%*	*100%*
Ares	3%	*3%*	21%	43%	36%	*0%*	*0%*	*100%*
CQS	7%	*6%*	14%	61%	25%	*23%*	*77%*	*0%*
L&G Credit	9%	*-*	29%	9%	62%	*-*	*-*	*-*
L&G LDI and longevity swap collateral	28%	*26%*	100%	0%	0%	*100%*	*0%*	*0%*
Loomis	-	*5%*	-	-	-	*22%*	*63%*	*15%*
M&G Secure Income	6%	*6%*	1%	2%	97%	*0%*	*0%*	*100%*
M&G CGP	5%	*6%*	0.3%	0%	99.7%	*0%*	*0%*	*100%*
Schroders ILS I	1%	*1%*	7%	0%	93%	*0%*	*0%*	*100%*
Schroders ILS II	2%	*2%*	5%	0%	95%	*0%*	*0%*	*100%*
Wellington	-	*4%*	-	-	-	*21%*	*38%*	*41%*
Other physical assets	28%	*28%*	0%	0%	100%	*0%*	*0%*	*100%*
Overall Fund (physical assets only)	**98%**	***94%***	**34%**	**14%**	**52%**	***31%***	***10%***	***59%***
L&G Synthetic Equities	0%	*2%*	44%	8%	48%	*n/a*	*n/a*	*n/a*
Other assets	2%	*0%*	0%	0%	100%	*0%*	*0%*	*100%*

Notes to this table:

1. 'Other physical assets' are Aviva AIIIF and Lime, BlackRock GCO and GCO II, King Street, M&G Secured Finance, Partners Group funds, Twin Brook funds.
2. Where an issuer does not have an approved or committed SBTi target, L&G is unable to distinguish between 'No SBT' and 'No data'. All such issuers have been treated as having 'No data' in the table.
3. The data for Schroders relates to the companies that ultimately receive financing in the Schroders funds' transactions.
4. 'Other assets' are Bridgewater PA, longevity swap, cash and derivatives.

SECTION 5: METRICS AND TARGETS

DATA QUALITY

The Trustee's 'additional metric' is 'data quality' which should help the Trustee monitor the quality and completeness of the emissions data it receives. This is one of the additional metrics recommended in the Statutory Guidance for TCFD reporting.

Scopes 1 and 2 Data quality

Mandate	AUM (% of total DB assets)		Scope 1 and 2 Data quality					
			31 March 2025			31 March 2024		
	31 March 2025	*31 March 2024*	Reported	Estimated	Unavailable	*Reported*	*Estimated*	*Unavailable*
Arcmont DLF III	3%	*3%*	0%	100%	0%	*0%*	*100%*	*0%*
Arcmont SLF I	1%	*1%*	0%	100%	0%	*0%*	*100%*	*0%*
Arcmont SLF II	4%	*3%*	0%	100%	0%	*0%*	*100%*	*0%*
Ares	3%	*3%*	42%	43%	15%	*0%*	*0%*	*100%*
Aviva AIIIF	2%	*3%*	0%	74%	26%	*76%*	*0%*	*24%*
Aviva Lime	7%	*7%*	94%	2%	4%	*98%*	*0%*	*2%*
BlackRock GCO I	1%	*1%*	0%	0%	100%	*0%*	*0%*	*100%*
BlackRock GCO II	2%	*2%*	25%	0%	75%	*0%*	*0%*	*100%*
CQS	7%	*6%*	35%	41%	24%	*34%*	*35%*	*32%*
King Street	0%	*0%*	0%	0%	100%	*0%*	*0%*	*100%*
Loomis	-	*5%*	-	-	-	*70%*	*9%*	*22%*
L&G Credit	9%	*-*	68%	4%	28%	*-*	*-*	*-*
L&G LDI and longevity swap collateral	28%	*26%*	100%	0%	0%	*100%*	*0%*	*0%*
M&G Secure Income	6%	*6%*	47%	0%	53%	*36%*	*3%*	*61%*
M&G Secured Finance	9%	*8%*	2%	0%	98%	*2%*	*0%*	*98%*
M&G CGP	5%	*6%*	5%	3%	92%	*5%*	*2%*	*92%*
Partners Group funds	0%	*0%*	0%	0%	100%	*0%*	*0%*	*100%*
Schroders ILS I	1%	*1%*	79%	0%	21%	*0%*	*0%*	*100%*
Schroders ILS II	2%	*2%*	34%	0%	66%	*0%*	*0%*	*100%*
Twin Brook funds	7%	*6%*	0%	0%	100%	*0%*	*0%*	*100%*
Wellington	-	*4%*	-	-	-	*57%*	*7%*	*36%*
Overall Fund (physical assets only)	**98%**	***94%***	**48%**	**18%**	**34%**	***44%***	***15%***	***41%***
Bridgewater PA – long positions	3%	*3%*	36%	7%	57%	*57%*		*43%*
Bridgewater PA – short positions			38%	8%	54%	*50%*		*50%*
L&G Synthetic Equities	-0.3%	*2%*	88%	9%	3%	*0%*	*0%*	*100%*
Longevity swap	-2.5%	*n/a*	n/a	n/a	n/a	*n/a*	*n/a*	*n/a*
Cash and derivatives	2.1%	*1%*	n/a	n/a	n/a	*n/a*	*n/a*	*n/a*
Grand Total	**100%**	***100%***	**n/a**	**n/a**	**n/a**	***n/a***	***n/a***	***n/a***

SECTION 5: METRICS AND TARGETS

DATA QUALITY

Scope 3 Data quality

Mandate	AUM (% of total DB assets)		Scope 3 Data quality					
			31 March 2025			31 March 2024		
	31 March 2025	*31 March 2024*	Reported	Estimated	Unavailable	*Reported*	*Estimated*	*Unavailable*
Arcmont DLF III	3%	*3%*	0%	100%	0%	*0%*	*100%*	*0%*
Arcmont SLF I	1%	*1%*	0%	100%	0%	*0%*	*100%*	*0%*
Arcmont SLF II	4%	*3%*	0%	100%	0%	*0%*	*100%*	*0%*
Ares	3%	*3%*	22%	62%	16%	*0%*	*0%*	*100%*
Aviva AIIIF	2%	*3%*	15%	59%	26%	*76%*	*0%*	*24%*
Aviva Lime	7%	*7%*	69%	26%	4%	*98%*	*0%*	*2%*
BlackRock GCO	1%	*1%*	0%	0%	100%	*0%*	*0%*	*100%*
BlackRock GCO II	2%	*2%*	17%	0%	83%	*0%*	*0%*	*100%*
CQS	7%	*6%*	27%	49%	24%	*22%*	*46%*	*32%*
King Street	0%	*0%*	0%	0%	100%	*0%*	*0%*	*100%*
Loomis	-	*5%*	-	-	-	*70%*	*9%*	*21%*
L&G Credit	9%	*-*	40%	28%	31%	*-*	*-*	*-*
L&G LDI and longevity swap collateral	28%	*26%*	100%	0%	0%	*100%*	*0%*	*0%*
M&G Secure Income	6%	*6%*	47%	0%	53%	*34%*	*0%*	*66%*
M&G Secured Finance	9%	*8%*	2%	0%	98%	*2%*	*0%*	*98%*
M&G CGP	5%	*6%*	5%	3%	92%	*5%*	*3%*	*92%*
Partners Group funds	0%	*0%*	0%	0%	100%	*0%*	*0%*	*100%*
Schroders ILS I	1%	*1%*	3%	7%	90%	*0%*	*0%*	*100%*
Schroders ILS II	2%	*2%*	9%	13%	78%	*0%*	*0%*	*100%*
Twin Brook funds	7%	*6%*	0%	0%	100%	*0%*	*0%*	*100%*
Wellington	-	*4%*	-	-	-	*63%*	*63%*	*37%*
Overall Fund (physical assets only)	**98%**	***94%***	**43%**	**21%**	**35%**	***42%***	***17%***	***41%***
Bridgewater PA – long positions	3%	*3%*	0%	43%	57%	*57%*		*43%*
Bridgewater PA – short positions			0%	46%	54%	*50%*		*50%*
LGIM Synthetic Equities	-0.3%	*2%*	60%	37%	3%	*0%*	*0%*	*100%*
Longevity swap	-2.5%	*n/a*	n/a	n/a	n/a	*n/a*	*n/a*	*n/a*
Cash and derivatives	2.1%	*1%*	n/a	n/a	n/a	*n/a*	*n/a*	*n/a*
Grand Total	**100%**	***100%***	**n/a**	**n/a**	**n/a**	***n/a***	***n/a***	***n/a***

Notes to this table:

1. AUM % includes cash held in custody accounts for certain mandates. The data quality figures generally relate to the non-cash holdings.
2. The split between reported and estimated emissions is expressed as a proportion of AUM, except for Aviva AIIIF and LIME where it is a proportion of emissions.
3. The data for Arcmont, Aviva, BlackRock GCO II and Bridgewater is as at 31 December 2024 as data was not available as at 31 March 2025. The data for Ares is as at 31 December 2023 as more recent data was not available. The data for Schroders is as at 30 September 2024 as data was not available as at 31 March 2025.

SECTION 5: METRICS AND TARGETS

DATA QUALITY

4. The prior year data for Aviva AIIIF and LIME has been restated using updated methodology and improved data. The data is as at 31 December 2023 rather than 31 March 2024.
5. The split between reported and estimated emissions was not available for the Wellington mandate. In calculating Overall Fund figures, an equal split of reported and estimated emissions has been assumed for Wellington.
6. The L&G LDI data and longevity swap collateral relates to physical gilts only, including exposure gained through repurchase agreements (repo). This means any emissions relating to counterparties of repo transactions are not included.
7. Data on longevity swap collateral was not available at 31 March 2024, so the figures at that date relate to the LDI portfolio only.
8. The data for Schroders relates to the emissions of those companies that ultimately receive financing in the Schroders funds' transactions.
9. For Bridgewater, emissions for long and short positions have been presented separately in line with industry best practice, which is consistent with last year's approach. Typically, most of Bridgewater's exposure is gained through using derivatives. All the Bridgewater exposure (long or short) has been treated as synthetic and not aggregated with physical exposure for other mandates in line with industry best practice.
10. Overall Fund Data Quality has been calculated as a weighted average of the Data Quality data for non-LDI mandates that do not use derivatives, weighted by the AUM.

SECTION 5: METRICS AND TARGETS

OUR CHOSEN TARGET

Proportion of assets with science-based targets in place

During the previous Plan year, the Trustee set a target to increase the proportion of the portfolio with a science-based target. This target supports the Trustee's ambition for the Plan's assets to reach Net Zero emissions by 2050 (see section 4).

The Trustee has set its target for the DB Sections in relation to corporate bond assets only, since science-based target data is currently poor for other asset classes (except gilts which are currently treated as being fully covered by a science-based target).

TARGET: 60% of the Fund's corporate bond assets to be covered by a science-based target by 31 March 2030.

The table below show the proportion of corporate bonds with science-based targets. The overall proportion of corporate bonds with science-based targets has increased from 26% as at 31 March 2024 to 30% as at 31 March 2025.

Mandate	Mandate AUM (% of total DB assets)		Corporate bond holdings (% of mandate)		Corporate bond AUM (% of total DB assets)		% of corporate bond holdings in mandate with					
							SBT	No SBT	No Data	SBT	No SBT	No Data
	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025			31 March 2024		
CQS	7%	*6%*	36%	*68%*	2%	*4%*	19%	81%	0%	*23%*	*77%*	*0%*
L&G Credit	9%	-	85%	-	8%	-	34%	11%	55%	-	-	-
Loomis	-	*5%*	-	*90%*	-	*4%*	-	-	-	*24%*	*70%*	*6%*
Wellington	-	*4%*	-	*64%*	-	*3%*	-	-	-	*33%*	*60%*	*8%*
Overall	**16%**	***15%***	**64%**	***74%***	**10%**	***11%***	**30%**	**27%**	**42%**	***26%***	***70%***	***4%***

The proportion of CQS's corporate bond holdings with SBT has slightly fallen since 31 March 2024. CQS attributed the decrease to turnover on the portfolio over the 12-month period.

The Trustee is taking a number of steps to meet its target of 60% of the Fund's corporate bond assets being covered by a science-based target by 31 March 2030.

For existing mandates, the Trustee expects managers' engagement to be the main lever to increase the proportion of corporate bond holdings with science-based targets, rather than changes to portfolio construction, in order to have a greater real world impact. It is also encouraging its managers to improve the level of data available.

When new mandates are awarded in future, the Trustee intends to consider this target as part of any mandate construction. For example, when the Trustee appointed L&G as a new credit manager over the year, the ESGC explored incorporating an explicit target for holdings to have science-based targets into the mandate. In this instance, the mandate incorporates Net Zero alignment through a temperature target, calculated using L&G's proprietary temperature alignment metric. The ESGC concluded it was not appropriate to incorporate science-based targets as well, but has explored ways in which L&G can support the Trustee's target through its reporting and engagement.

The Trustee believes that the target level of 60% is ambitious but achievable. The Trustee will review its target annually. If there are material changes to the investment strategy, or changes in data availability, the Trustee may amend the target.

DHL Group Retirement Plan (DHL GRP)

Defined Benefit Sections

APPENDICES

APPENDIX 1: COVENANT ASSESSMENT

DPAG ESG TARGETS

The following analysis, with the exception of the updated ESG Rating Benchmark, was completed as part of the covenant assessment made in support of the 2024 actuarial valuation.

DPAG has affirmed its ESG targets, which include clear, science-based CO_2 targets to be achieved by 2030. These targets are supported by Management's compensation being impacted by the achievement of ESG targets.

DPAG's key ESG targets along its three core sustainability roadmap commitments

Clean operations
for climate protection

Reduce emissions to

<29M

metric tonnes CO_2e by 2030 ('SBTi')

No offsetting included

Net Zero

GHG emissions by 2050

>30%

share of sustainable fuels by 2030

60%

e-vehicles used in pick-ups and deliveries by 2030

All new owned buildings to be

climate neutral

Great company
to work for all

>80%

Group-wide Employee Engagement (aggregated and weighted result of 5 statements in Employee Opinion Survey)

Increase share of women in middle and upper management to

>30%

by 2025

Reduce lost time injury frequency rate ('LTIFR') to

<3.1%

by 2025

Highly trusted
company

30%

ESG-related targets in bonus calculation for the Board of Management as of 2022

98%

share of valid compliance training certificates in middle and upper management (FY 2024 target)

≥690 out of achievable 820 points

cyber security rating (FY 2024 target); equals top quartile in our reference group

DPAG's Sustainability Roadmap lays out three core commitments within which its ESG targets fall:

- **Clean operations for climate:** science-based target for CO_2 reduction targeting more than carbon-neutral growth – absolute reduction by 2030 with €7bn expected spend (since 2021) on decarbonisation measures by 2030 with a focus on the modes of transport using the most fuel and generating the most emissions; this is reflected in DPAG's medium-term financial guidance.
- **Great company to work for all:** incorporating employee matters.
- **Highly trusted company:** including compliance on anti-corruption, data protection and security.

ESG targets are also anchored in corporate board incentivisation with 30% of the board's targets for bonus calculation being ESG-related.

Source: Penfida (11 April 2025).

APPENDIX 1: COVENANT ASSESSMENT

ESG ISSUES/CONSIDERATIONS

DPAG operates in the transportation sector which is estimated to be responsible for c.16% of global GHG. As such, DPAG faces significant potential ESG issues now and in the future which could impact both the underlying operations of DPAG as well as its ability to access capital.

DPAG is currently largely rated ahead of its peers by third party agencies. Whilst these ratings continue to evolve, they suggest that DPAG should prove resilient to, and be capable of managing, long-term ESG risks.

Potential ESG issues impacting DPAG

Category	Risk
Operational	Risk of operational restrictions due to climate change
Human Resources	Impact of collective bargaining
Information Technology	IT security incident
Market and customer-specific	Availability of sustainable aviation fuels and energy from renewable sources
Regulation	Carbon taxation Restriction on GHG emissions

ESG Rating Benchmark (updated since Penfida's 2024 covenant assessment)

Rating agency	Performance
Sustainalytics	Ranks DPAG's risk rating **75th strongest (out of 383)** in the transportation sector universe, outperforming peers such as UPS and FedEx which are ranked 121st and 78th respectively. Categorised as '**low**' in terms of exposure to material ESG issues and '**average**' in terms of how robust its ESG framework is.
MSCI	DPAG has been awarded an **A rating** from MSCI (2023: A rating) which categorises it as '**average**' in the air freight and logistics industry with regards to its resilience to long-term industry material ESG risks. UPS is rated BBB whilst FedEx is rated A, with both considered to be '**average**' in the industry.

Source: Penfida (11 April 2025), Sustainalytics; MSCI.

APPENDIX 1: COVENANT ASSESSMENT

CLIMATE-RELATED RISKS AND OPPORTUNITIES

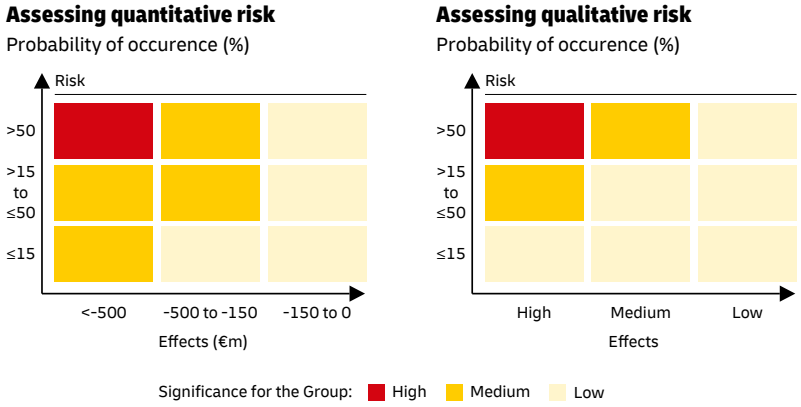
DPAG's 2023 TCFD report concluded that DPAG is exposed to significant climate change related transition risks; physical climate-related risks were assessed as being insignificant.

The four key transition risks identified by Management are assumed by Management to have a 'medium' level of significance. This equates to having a potential c.€150m – €500m negative impact on EBIT (earnings before interest and taxes) with a medium to high probability or a potential >€500m negative impact on EBIT with a low to medium probability.

Significant climate change risks in 2023

Category	Opportunity/Risk	Significance
Operational	Risk of operational restrictions due to climate change	Medium
Market- and customer-specific	Availability of sustainable aviation fuels (SAF) and energy from renewable sources	Medium
Regulation	Carbon tax	Medium
	Restrictions of GHG emissions	Medium

Assessing quantitative and qualitative risks



- DPAG assessed its risks and opportunities arising from climate change using scenario analysis and summarised them as set out in the table to the left.
- When assessing physical risks, Management evaluated the impacts from both chronic and acute risks.
- The assessment of transition risks included those due to changes in regulation, technology, changing market conditions and reputational risks.
- Management concluded that the DHL Group's exposure to physical risks was insignificant. However, four significant transition risks were identified.
- The key transition risks identified (see table) are assumed by Management to have a medium level of significance.
- From a quantitative perspective, this equates to having a potential c.€150m – €500m negative impact on EBIT with a medium to high probability, or a >€500m negative impact on EBIT with a low to medium probability (see the graphs to the left for the detailed matrices).
- Management also stated that 'there were no identifiable risks for DPAG in the current forecast period which, individually or collectively, cast doubt upon DPAG's ability to continue as a going concern. Nor are any such risks apparent in the foreseeable future.

APPENDIX 1: COVENANT ASSESSMENT

CLIMATE-RELATED RISKS AND OPPORTUNITIES

The Trustee has considered the potential impact on the covenant if all four key transition risks were to materialise at the same time and as the Plan's assets/liabilities experiences a shock as a result of climate-related risks. This shock was based on the Hot House World shock analysis outlined in the main report, since this has the most negative impact of the scenarios considered. The covenant shock assumed that the decrease in EBIT was permanent, rather than being a one-off reduction in the first year. This integrated analysis showed a material decline in deficit coverage, but there remained substantial support for the Plan.

Following the release of DPAG's investor presentation in March 2025, Penfida noted that DPAG has broadly affirmed its existing ESG targets whilst also increasing some targets, and introducing a new 2030 target relating to employee matters. DPAG has also reduced the number of transition risks with medium significance to three (previously four). On this basis, Penfida's view of DPAG's climate-related risks remain broadly unchanged since its June 2024 covenant assessment.

Source: Penfida (11 April 2025).

APPENDIX 2: GLOSSARY

Accounting for Sustainability ('A4S') – an initiative which aims to 'transform finance to make sustainable business, business as usual'. The initiative includes an Asset Owners Network which is a grouping of chairs of pension funds and other asset owners.

Actuarial valuation – an actuarial valuation is an accounting exercise performed to estimate future liabilities arising out of benefits that are payable to members of a DB pension scheme, typically once every three years. In the actuarial valuation exercise, a liability payout at a future date is estimated using various assumptions such as discounting rate and salary growth rate.

Alignment – in a climate change context, alignment is the process of bringing greenhouse gas emissions in line with a Net Zero pathway. It can be applied to individual companies, investment portfolios and the global economy.

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

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

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

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

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

Covenant – the ability and willingness of Deutsche Post AG ('DPAG') to make up any shortfall between a DB scheme's assets and the agreed funding target.

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

Defined Contribution ('DC') – a pension scheme in which the sponsoring employer stipulates how much it will contribute to the arrangement on behalf of each member, which may depend upon the level of contributions the member is prepared to make. The resultant accumulated fund (or 'pot') of money for each member is a function of the investment returns achieved (net of expenses) on the contributions and how long the money is invested. DC members typically use their accumulated pot for one of three purposes – annuity purchase, cash or drawdown. In contrast to a DB scheme, the individual member bears the risk that the investments held are insufficient to meet the desired benefits.

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

Engagement – dialogue between investors and relevant parties with the aim of preserving and enhancing the long-term value of assets on behalf of clients and beneficiaries. Relevant parties include companies in which the investor holds equity or debt, regulators, policymakers and other stakeholders.

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

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

APPENDIX 2: GLOSSARY

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

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

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

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

Gross Domestic Product ('GDP') – this is the value of all goods and services produced in a country over a given period, typically a year.

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

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

Long – when an investor benefits from a rise in the price of an asset, they are said to have a 'long position' or simply to be 'long the asset'. With traditional assets such as equities or bonds, a long position simply means buying the asset, but it can be more complicated with derivatives. Contrast with short (see next page).

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

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

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

Portfolio alignment metric – this measures how aligned a portfolio is with a transition to a world targeting a particular climate outcome, such as limiting temperature rises in line with the Paris Agreement. Assessments using these metrics typically consider companies' and governments' GHG emissions reduction plans and likelihood of meeting them, rather than current, or the latest reported, GHG emissions.

Purchasing Power Parity ('PPP') – the PPP is a theory of long-term equilibrium in exchange rates based on relative prices. For example, if the price of a basket of goods in the UK is £100 and the same basket costs $200 in the USA, then the PPP exchange rate would be £1:$2. The PPP rate and the actual market exchange rate can differ.

Repo – a repo trade is a type of loan between two financial institutions. The borrower 'sells' an asset (normally a bond) to the lender in exchange for cash. At the same time, there is an agreement by the borrower to repurchase the asset at some specified future date for a higher price. The interest rate implicit in this higher price is similar to the interest rate on a traditional secured loan.

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

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

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

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

APPENDIX 2: GLOSSARY

Scopes 1, 2 and 3 – a classification of greenhouse gas emissions. Scope 1 emissions are direct emissions from company-owned and controlled resources. In other words, emissions released to the atmosphere as a direct result of a set of activities, at a firm level. Scope 2 emissions are indirect emissions from the generation of purchased energy, from a utility provider. In other words, all GHG emissions released in the atmosphere, from the consumption of purchased electricity, steam, heat and cooling. Scope 3 emissions are all indirect emissions – not included in Scope 2 – that occur in the value chain of the reporting company, including both upstream and downstream emissions. In other words, emissions that are linked to the company's operations but which it does not directly control.

Short – when an investor benefits from a fall in the price of an asset, they are said to have a 'short position' or simply to be 'short the asset'. Being short an asset is generally more complex to manage than being long the asset. For example, to short an equity requires the 'investor' to borrow the equity (for a fee), to then sell the equity and finally to buy it back at some future date, at which point the expectation/hope is that the price has fallen. Contrast with long (see above).

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

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

Stranded assets – assets that have suffered an unanticipated loss of value before the end of their expected useful economic life. The term is most often applied to fossil fuel investments in the context of climate policy, where legislative and market developments may result in assets being worth less than the value recorded on company balance sheets.

Sustainable Development Goals – a set of 17 global goals established by the United Nations (UN) in 2015 and agreed by all 191 UN member states. These goals aim to address pressing challenges, including poverty, inequality, climate change, environmental degradation, peace and justice.

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

Swaps – swaps are derivative contracts between two parties in which those parties agree to exchange one set of cash flows for another.

Taskforce on Climate-related Financial Disclosures ('TCFD') – a group of senior preparers and users of financial disclosures, established by the international Financial Stability Board in 2015 which operated until 2023. The TCFD developed a set of recommendations for climate-related financial risk disclosures for use by companies, financial institutions and other organisations to inform investors and other parties about the climate-related risks they face.

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