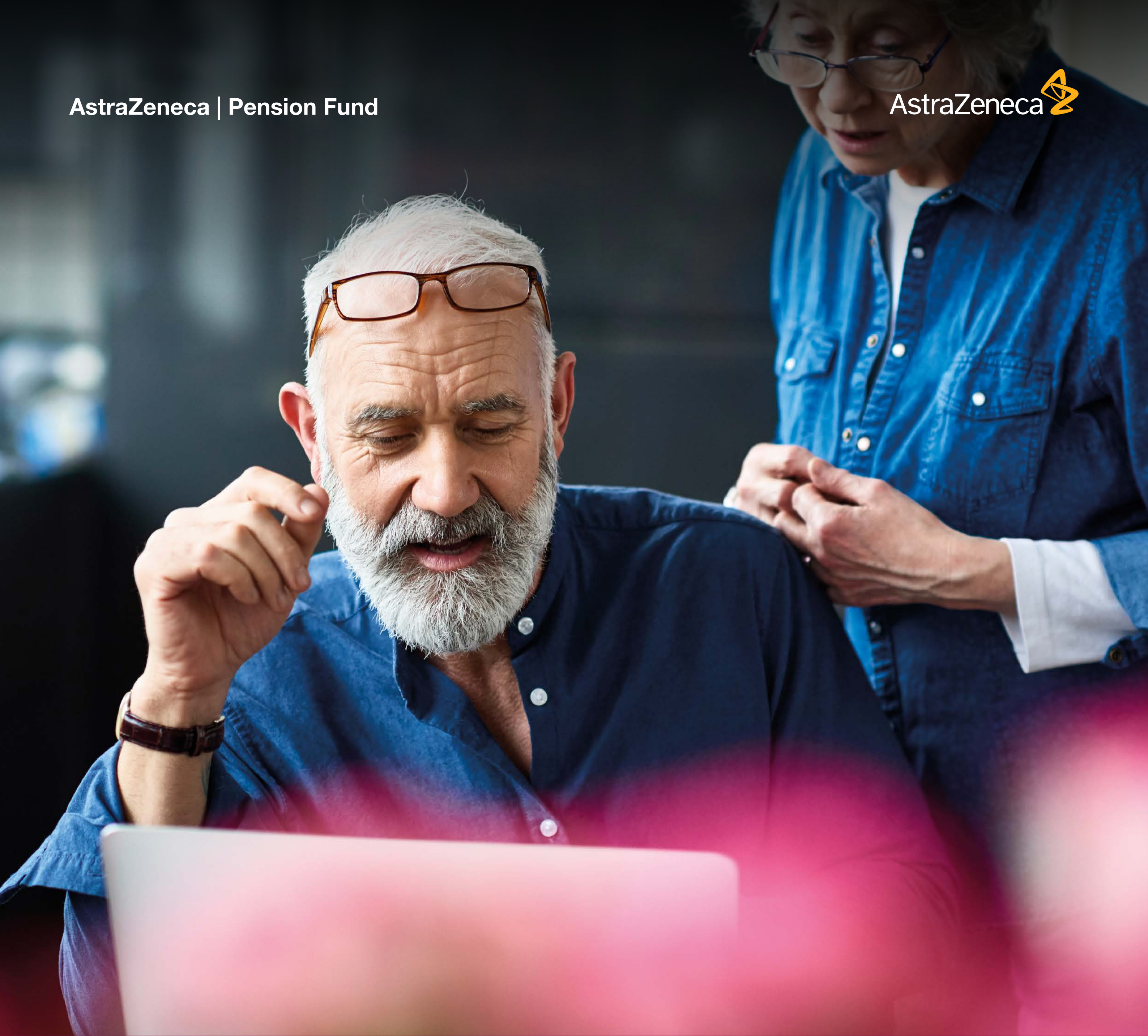

Climate Change Governance Framework

July 2024

Recent regulations made under the Pensions Act 1995, as amended by the Pension Schemes Act 2021 have imposed requirements on the trustees of certain pension schemes. These requirements are in line with the guidelines established by the Task Force on Climate-Related Financial Disclosures (TCFD) and various other bodies, with the aim of making sure there is an effective governance framework, which considers the effects of climate change and ensures all related risks and opportunities are considered.

Introduction

In order to ensure we meet our fiduciary duties to our members, as Trustee, we monitor and manage a range of risks. In managing such risks, some are inter-related, whilst others are conflicting and so a balanced approach needs to be taken to ensure that:

- For the Defined Benefit (DB) Section of the Fund, the overall, aggregate level of risk the Fund is exposed to is appropriate, given its return target and funding objective; and
- For the Defined Contribution (DC) Section of the Fund, the effect of risks and opportunities on members' investments are managed appropriately.

We recognise that climate change is one such risk we need to manage. We believe that consideration of the risks and opportunities relating to climate change should be a fundamental part of our investment decision making, alongside a range of other factors.

We have put in place this framework to help provide a structure for making investment decisions that takes account of climate change. It shows where responsibility lies for decision making and also sets out how this work is integrated into our longer-term plans, monitoring framework and meeting cycle.

This framework aligns with the guidance for governance and reporting of climate change risks issued by the Department for Work and Pensions, the guidance prepared by the Pensions Regulator, the guidance prepared by the Pensions Climate Risk Industry Group (PCRIG), as well as recommendations set out in the Task Force for Climate-Related Financial Disclosures (TCFD).

> The framework comprises three main elements:
>
> 1. Trustee Oversight
> 2. Trustee Knowledge and Understanding
> 3. Third-Party Providers

1

Trustee Oversight

We, as the Trustee, are ultimately responsible for the oversight of climate change risks and opportunities as they relate to the Fund. The effects of climate change, including risks arising from steps taken by governments or others and opportunities relating to climate change, are potentially financially-material considerations which we take into account in our investment decision making.

The Trustee is responsible for putting effective climate governance arrangements in place and sets the Fund's overall policy concerning climate change, including interim targets and metrics to measure progress, for both the DB Section and DC Section. The Trustee is also responsible for determining the short, medium and long-term periods to be used when identifying climate-related risks and opportunities. The Trustee delegates responsibility for implementing and monitoring the climate change policy to its Investment & Monitoring Committee (the IMC) for the DB Section and the Defined Contribution Committee (the DCC) for the DC Section.

The Trustee maintains oversight through a quarterly reporting and meeting cycle, where the IMC and DCC consider a range of different information about climate change risks and opportunities faced by the Fund. These sub-committees:

- Meet quarterly and receive advice and monitoring reports from their respective Investment Advisers on such matters;
- Are responsible for monitoring and using suitable climate-related metrics and targets in relation to the Fund's investments with their respective Investment Advisers to meet TCFD requirements; and
- Report back to the full Trustee at each Board meeting.

2

Trustee Knowledge and Understanding

Although the Trustee is not directly involved in the day-to-day investment decision making process, we are ultimately responsible for ensuring that climate change risks and opportunities are identified, assessed and managed on behalf of the Fund. We are therefore required to have sufficient knowledge and understanding of climate change to fulfil our statutory and fiduciary obligations and to set metrics and targets for our service providers and interpret the results of any analysis and reporting provided to us. We need to ensure that we are sufficiently informed of the principles relating to the identification, assessment and management of climate-related risks and opportunities so that we are able to challenge assumptions, external advice and information received and to fully understand any proposals developed by our advisers.

The Trustee maintains its knowledge and understanding with respect to climate change by:

i. Undertaking Trustee effectiveness review and considering the training likely to be required in order to improve the skills of the Trustee Directors.

ii. Reading relevant background material, including guidance provided by the Pensions Regulator and the Department for Work and Pensions.

iii. Attending seminars on this subject offered by skilled firms of lawyers, consultants, Investment Advisers and climate change specialists.

iv. Attending specific sessions on climate change and TCFD requirements run by our lawyers and Investment Advisers.

v. Having access to an internal investment specialist resource to guide us on such matters and provide challenge both to the advisers and investment managers.

vi. Leveraging the expertise of the Sponsor in such matters. Some of the Trustee Directors have senior corporate roles with the Fund sponsor and are actively involved in developing the Sponsor's own Sustainability Goals, including on climate change and carbon neutrality targets.

3

Third-Party Providers

The Trustee does not carry out underlying investment activities directly and usually utilises pooled funds as the vehicle for investment. As a result, the Trustee relies on our Investment Advisers and third-party investment managers to identify and assess climate change risks and opportunities as part of their mandates.

When selecting third-party providers, alongside a range of other factors, we require each provider to demonstrate sufficient credentials in relation to the assessment of climate change matters. This is done by assessing the providers in terms of their:

- Level of understanding of climate change;
- Commitment to the Paris Climate Agreement;
- Corporate policies focusing on reaching stated decarbonisation targets;
- Resources in place to deliver climate-related objectives;
- Ability to report on key climate-related metrics; and
- Associations with and involvement in relevant industry bodies, such as the UN Principles for Responsible Investment (UN PRI).

The Trustee reviews its third-party providers on a regular basis, including considering that they are taking adequate steps to identify and assess any climate-related risks and opportunities which are relevant to the matters on which they are advising. As part of the quarterly reporting, the IMC and DCC receive from their respective Investment Advisers an assessment of the wider environmental, social and governance (ESG) credentials of each of its third-party investment managers, of which climate change is a fundamental part, and the Investment Advisers review the investment managers' climate change competency for managing climate-related risks and opportunities. The intention is to ensure that the investment managers appropriately incorporate these issues into their investment processes, including investment decision making and stewardship.

We assess our Investment Advisers and are informed by the competency framework proposed by the Investment Consultants Sustainability Working Group. These competencies may be assessed as part of our annual assessment of our Investment Advisers. We also note that our Investment Advisers employ specialist resource dedicated solely to such matters and are also signatories to the UN PRI.