TCFD REPORT 2024

The Barclays Bank UK Retirement Fund

BARCLAYS

Contents

Chair’s Foreword

On behalf of the Trustee, I am pleased to present our third Task Force on Climate-related Financial Disclosures (‘TCFD’) report. The report explains the work we have done with regards to climate change governance and decision making over the year to 30 September 2024, as well as the progress made to date in achieving our emissions reduction ambitions.

We see climate change as a long-term systemic financial risk, which requires careful monitoring by the Trustee of the Barclays Bank UK Retirement Fund (‘the UKRF’ or ‘the Fund’). We acknowledge that the wide-ranging impact of climate change – on the natural environment, on industry, and society – may impact the ability to invest the UKRF’s assets optimally over the long-term. As a result, in 2021, we announced our ambition to align the Fund’s investment strategy with the goals of the Paris Agreement. We set our ambition to reduce the carbon equivalent emissions of the Fund’s assets to net zero by 2050 or sooner, with an interim ambition to reduce emissions intensity by 50% by 2030 against a baseline calculated in 2020. We continue to work with our advisers and investment managers to help achieve these goals.

Improving data quality and availability continues to be an important area of focus and we have demonstrated progress by increasing our data coverage of the UKRF’s assets for the 2024 report. Whilst this facilitates greater insights and supports decision making around managing and reducing the Fund’s climate footprint, it also represents a key driver for the aggregate increase in absolute emissions for the Fund’s DB arrangements in the year with emissions intensity relatively flat. By contrast, absolute emissions and emissions intensity increased for the Default Lifestyle DC arrangements, driven in part by increased data availability compared to prior year. The Trustee will continue to monitor this as part of its broader governance of climate-related risks and opportunities. This year, we have also updated our scenario analysis, which considers the potential impact of different climate scenarios on the Fund. This scenario analysis is just one way of assessing and integrating the impact of climate change into our decision making. We recognise the role that scenario analysis can play, but also the potential limitations, and for this reason, we take a varied approach to assessing the resilience of the Fund.

We support the requirement for mandatory climate governance and reporting (in line with TCFD recommendations). This framework supports us in assessing, monitoring, and mitigating climate-related risks on behalf of Fund members. We will continue to evolve our TCFD reporting as industry best practice evolves and data quality improves. We look forward to demonstrating continued progress in future years.

Eileen Haughey, Chair of the Trustee Board

Introduction

This report was prepared by Barclays Pension Funds Trustees Limited (‘BPFTL’ or ‘the Trustee’) and covers the year from 1 October 2023 to 30 September 2024. It was prepared in accordance with The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and the Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021 along with the subsequent statutory guidance released by the Department for Work and Pensions in 2022 (collectively ‘the Regulations’ in this document).

It details how the Trustee governed the UKRF in a manner consistent with the four elements set out in the Regulations and in line with the recommendations of TCFD. The report describes the approach taken by the Trustee to address climate change risks and the resultant opportunities in the context of its regulatory and fiduciary responsibilities. This is the Trustee’s third TCFD report. This third report has been prepared with reference to industry-wide feedback from the Pensions Regulator on the second wave of reporting and in line with evolving industry standards. In addition, the Trustee has updated its scenario analysis (see Strategy Section) and has set out any changes in emissions reported compared to the previous year (see Metrics and Targets Section).

This report fits within the Trustee’s wider Responsible Investment (’RI’) approach and consideration of Environmental, Social, and Governance (‘ESG’) factors. The Trustee recognises climate change as an important long-term systemic financial risk which could impact the Fund’s investments, hence the considerable time and resource invested in the Trustee’s governance of climate-related risks and related opportunities demonstrated within this report. The Trustee integrates RI and ESG factors, including climate change, throughout its investment and risk management processes. Climate change is the subject of specific risk management, measurement, stewardship, and collaborative efforts as part of the UKRF’s wider investment and RI activities for the Defined Benefit (‘DB’) and Defined Contribution (‘DC’) arrangements of the Fund.

Given the complex and technical nature of climate change, there is a glossary of terms used throughout this report in Appendix A. The table overleaf sets out and links through to the main sections of this report.

UKRF Overview

About the Trustee

The Trustee takes overall responsibility for the UKRF, including governance, investment, and administration.

There are nine Trustee Directors, three of whom are member nominated directors ('MNDs'). The main role of the Trustee is to:

- Act in the best interests of all members and beneficiaries;
- Act in line with the UKRF Trust Deed and Rules and legislation;
- Be responsible for the proper running of the UKRF including collecting contributions, investing assets and paying benefits; and
- Ensure that members' benefits are secure.

About the Fund

For the purposes of this report, and in line with the Regulations, we have considered the DB and DC arrangements separately.

DB Arrangements

DB Arrangements

As of 30 September 2024, the DB arrangements of the UKRF had c. 204,000 members. Of these, c.34% were pensioners.

Total investment assets of £22.8 bn in the DB arrangements as of 30 September 2024.

The Funding position* as of 30 September 2024 was 108% (109.7% as of 30 September 2023).

*Technical provisions basis

The DB assets were invested in Cash and LDI (47%), High Quality Credit (22%), Contractual Cashflow Assets (17%), and High Return Assets (14%) as of 30 September 2024.

DC Arrangements

Members of the DC arrangements who did not make an active investment decision on joining the UKRF had their contributions invested in the “UKRF Lifestyle Fund” ranges, which comprise a series of funds offering members flexibility to target the year in which they expect to access their pension savings. There were two such “default lifestyle fund ranges” in place during the reporting period.

The Trustee also made a range of other DC investment options available, known as “self-select” ranges. Consistent with the Regulations, the Trustee has reported separately against the self-select funds that were classified as “popular arrangements” as of 30 September 2024. Popular arrangements are defined as arrangements in which £100m or more of the Fund’s assets are invested, or which account for 10% or more of the assets used to provide DC benefits. As of 30 September 2024, there were two self-select funds that qualified as popular arrangements, the Global (ex-UK) Equity Index Fund and the UK Equity Index Fund.

The DC arrangements had total assets of £2.2bn as of 30 September 2024. The UK Lifestyle Fund ranges comprise the majority of assets (65.3%), with the remainder comprising the self-select ranges.

Sectionalisation

Following the 2013 Government banking reforms, the Trustee and Barclays have been addressing the requirement that ring-fenced banks cannot share pension liabilities with non-ring-fenced banks after 2025. After careful consideration, the Bank has concluded that the best approach to regulatory compliance is to divide the Fund into two sections, enabling all members to remain in the UKRF and to retain the same benefits. Consequently, the Trustee intends that from 1 July 2025 there will be two Sections in the UKRF:

- Barclays UK Section: active members employed by Barclays Bank UK PLC will be members of this Section.
- Barclays Bank Section: active members employed by Barclays Bank PLC and Barclays Execution Services Limited and deferred and pensioner members of the UKRF.

1. Governance

This section outlines how the Trustee governed the Fund in relation to climate-related risks and opportunities. This includes how the Trustee oversaw, assessed, and managed climate-related risks and resultant opportunities, for the year from 1 October 2023 to 30 September 2024.

1.1 Governance of Climate-related Risks and Opportunities

The Trustee Board is responsible for managing the UKRF in the best interests of its members. It is aware that the wide-ranging impacts of ongoing climate change could have a long-term impact on the UKRF's funding and investment strategy. This includes the asset portfolio of both the DB and DC arrangements of the Fund, as well as the liabilities and employer covenant associated with the DB arrangements (supported by Barclays Bank Plc (the 'principal employer'), Barclays Bank UK Plc and Barclays Execution Services Limited (together the 'participating employers').

To ensure climate-related risks and resultant opportunities are integrated into the UKRF's overall investment strategy, the Trustee has adopted a set of climate-related investment principles which are recorded within its Climate Change Risk Management Policy ('CCRMP'), which is available to members upon request.

This policy is integrated with the Fund's existing risk management framework and outlines the climate-related governance structure adopted by the Trustee. This includes the roles and responsibilities of the Trustee Board, the Investment Committee, and the DC Committee, as well as Oak Pensions Asset Management ('OPAM'), and the Fund's external advisors.

The graphic overleaf lists the Trustee's five climate-related investment principles.

01	Climate-related risks should be managed in line with the Fund's overall risk management and included in its risk management framework.
02	Climate-related financial risks could be material over the short (1-3 years), medium (4-10 years), and long-term (10+ years) to the Fund.
03	Climate-related factors will likely create investment opportunities that the Trustee should consider taking advantage of as appropriate within its wider investment objectives.
04	The Fund should invest in a way that is measurably aligned with achieving the goals of the Paris Agreement to the extent that is possible and in the financial interests of members to do so.
05	Engagement, collaboration and using voting rights as appropriate are a few of a number of effective tools to manage climate-related risks.

The Trustee has delegated the day-to-day responsibilities of monitoring climate-related risks and opportunities to OPAM, with the assistance of the Fund's external advisors. The Investment Committee and DC Committee also have certain responsibilities in relation to climate change and have delegated decision making powers. They report to the Trustee Board.

This report was produced with input from OPAM and the Trustee's external advisors and was reviewed and approved by the Investment Committee, the DC Committee, and the Chair of the Trustee Board. Details of the roles and responsibilities of each party are summarised in the tables overleaf.

Where relevant, the Trustee was satisfied that the responsible parties carried out their delegated responsibilities during the year.

1.2a Roles and Responsibilities of the Trustee Board

The Trustee has a standalone RI policy, which describes its approach to responsible investment in the context of managing the UKRF, outlining the guiding principles the Trustee has adopted, and the core activities undertaken. The Board receives, and reviews annually, a report produced by OPAM on the Fund's progress on all RI activity. The report is based on internal review and external benchmarking and forms the basis of further discussions and activities in relation to climate-related risks.

Responsibility	Related Activity over the year to 30 September 2024
Oversee the identification, assessment and management of climate-related risks and opportunities as they apply to the Fund's funding strategy. This includes reviewing the Fund's latest climate scenario analysis, which assesses the possible impact of climate-related risks on the Fund under defined scenarios (see Strategy Section).	The Board reviewed the OPAM 2023 RI report on 30 November 2023. The report prompted discussion on the Trustee's interim ambitions, such as increasing consideration of key themes like biodiversity in the RI policy. Climate change was discussed at the September 2024 Trustee Board meeting, during which the Barclays Head of Sustainability gave a briefing covering the Barclays climate strategy, progress to date against Barclays climate ambitions and Barclays climate policies.
Set the Fund's climate-related objectives, including risk appetite, and approve metrics to measure progress towards these objectives.	The Trustee has stated an ambition to support the goals of the Paris Agreement by transitioning to a net zero investment portfolio by 2050 at the latest, with emissions intensity halved by 2030. This has been set out in the Fund's Climate Change Risk Management Policy. Progress to date against the Trustee's ambition was reviewed in the year at the September 2024 Trustee Board meeting.

1.2b Roles and Responsibilities of the Investment Committee

The Investment Committee derives its authority from and reports to the Trustee Board. It operates under a separate Terms of Reference and Delegated Authorities from the Trustee and reports to the Trustee Board. The Investment Committee has certain responsibilities in relation to climate change and has delegated decision making powers.

Responsibility	Related Activity over the year to 30 September 2024
Review the RI policies and relevant frameworks to ensure alignment with the strategy set by the Trustee. Monitor, review, and approve the implementation of RI policies, reporting and monitoring requirements, and existing/new RI initiatives. This includes receiving input from the DC Committee on all aspects of DC reporting documents, including the Statement of Investment Principles and RI reporting. Review and approve the Statement of Investment Principles, making recommendations on amendments to the Trustee Board for their approval where there are material changes. Make recommendations to the Trustee Board as applicable on RI policies, implementation of policies, and climate-related objectives.	During the year to 30 September 2024, climate-related matters were covered in all Investment Committee meetings. The Investment Committee completed its latest review of the RI policy in September 2023. In April 2024, the Investment Committee discussed updates and developments to be made to the RI policy, such as increasing alignment of wording with the Stewardship Policy and reviewing the Trustee's net zero ambition and horizon scanning. The next reviews of the RI policy will take place in November 2024 and Q1 2025. Progress to date against the Trustee's ambitions was reviewed in the year at the September 2024 Investment Committee meeting. Updates to the CCRMP to include the DC Committee activities were approved at the 3 September 2024 Investment Committee meeting.
Monitor performance of and set annual objectives for the UKRF Strategic Investment Advisor. Monitor and provide oversight of the performance of OPAM.	The Strategic Investment Advisor was given annual objectives to ensure it took adequate steps to identify and assess climate-related risks and opportunities. Performance against these objectives was reviewed at the November 2023 Investment Committee meeting. The Strategic Investment Advisor provided quarterly reporting to the Investment Committee oversighting the role and performance of OPAM.

Responsibility	Related Activity over the year to 30 September 2024
Oversee the Fund's stewardship activity in relation to climate-related risks and opportunities. The Trustee has delegated responsibility for the delivery of stewardship on ESG-related matters, including climate change, to the Fund's third-party investment managers and other service providers. The Investment Committee oversees the monitoring steps taken by OPAM in relation to the investment managers' and service providers' stewardship activity to ensure they are in alignment with the Fund's climate-related objectives.	The Investment Committee discussed engagement activity undertaken by OPAM. This is presented as part of the RI annual review process. The Investment Committee monitored stewardship activity, carried out by the investment managers in the year, including setting priorities over the next 12 to 18 months, for the Fund's climate journey, setting expectations for OPAM and the investee companies to take a long-term, responsible approach to business strategy.
Monitor regulatory compliance with investment reporting / disclosure requirements, and external signatory requirements. Approve regulatory disclosures, such as the TCFD report and the Implementation Statement. Monitor compliance with external signatory requirements such as the Stewardship Code, Principles for Responsible Investment ('PRI') and Net Zero Commitment.	The Investment Committee reviewed the 2023 TCFD report and member friendly summary in February 2024, providing feedback prior to approving the documents. It will review the 2024 report and member friendly summary at meetings in November 2024 and February 2025. The draft Implementation Statements were reviewed and approved at the November 2023 Investment Committee meeting. The draft 2024 DB Implementation Statement was reviewed at the November 2024 meeting.

1.2c Roles and Responsibilities of the Defined Contribution Committee

The DC Committee was established with effect from 1 April 2024 and reports to the Trustee Board. The DC Committee has delegated decision-making powers.

Responsibility	Related Activity over the year to 30 September 2024
Monitor and review RI reporting and monitoring requirements for the DC arrangements of the Fund.	During the year to 30 September 2024, climate-related objectives and associated matters were covered in all but one of the DC Committee meetings. This included the RI policy annual review at the 12 September 2024 DC Committee meeting, as part of the RI reporting and monitoring requirements. Updates to the CCRMP to include the DC Committee activities in relation to RI activities were also approved at the 12 September 2024 DC Committee meeting.
Monitor and provide oversight of the performance of OPAM including progress on the implementation of the Trustee's DC investment strategy and execution, including Trustee's RI policies.	The DC Committee reviewed OPAM's quarterly report at the 12 June 2024 meeting, which included information on ESG ratings and carbon equivalent emissions trends.
Monitor DC regulatory compliance and compliance with investment reporting / disclosure requirements. This includes reviewing documents such as the DC aspects of the Statement of Investment Principles and reviewing and approving the DC Implementation Statement.	Reviews of the Statement of Investment Principles and DC Implementation Statement took place at the 12 September 2024 DC Committee meeting. The DC Committee will review the DC arrangements sections of the 2024 TCFD report and member friendly summary in December 2024, and February 2025, providing feedback prior to approving the documents.

1.2d Roles and Responsibilities of Oak Pensions Asset Management

OPAM operates under formal delegation from the Trustee, in line with parameters agreed by the Trustee. OPAM is responsible for the management of the UKRF asset portfolio and the implementation of the Trustee strategy, including the appointment, supervision and management of the Fund's underlying investment managers and the implementation and monitoring of the Fund's investment policy.

The terms of the relationship between the Trustee and OPAM are set out in an Investment Advisory and Management Agreement ('IAMA') which documents the Trustee's requirements of OPAM, alongside Investment Guidelines under which OPAM is required to operate. The roles and responsibilities of OPAM are set out in more detail below.

Responsibility	Related Activity over the year to 30 September 2024
Consider climate-related risks and opportunities in all investment management activities. Advise the Trustee on investment strategy and policy, assess performance, take asset allocation, and risk management decisions within agreed parameters. Appoint, supervise, and manage the Fund's underlying investment managers and the implementation and monitoring of the Fund's investment policy.	OPAM updated the Trustee on its activities and how they comply with the Trustee's climate-related objectives as part of the RI annual review on 30 November 2023. To identify and assess climate-related risks, OPAM conducted Portfolio Review Meetings monthly which served as a forum for reviewing the Fund's climate-related risks. More information can be found in Section 3.2. Based on activity throughout the year, OPAM concluded that no changes to asset allocation were required in response to its RI activity. OPAM will continue to monitor this going forward.
Perform day-to-day management and implementation of the Trustee's RI policies in relation to climate change. Conduct detailed climate-related risk analysis to monitor the Fund's progress against and alignment with the Board's objectives. Report on the implementation of the Trustee's RI policies and outputs of the climate-related risk analysis at least annually to the Trustee.	OPAM monitored progress and alignment with the Trustee's climate-related objectives by conducting monthly Portfolio Review Meetings and provided the Investment Committee and the Trustee with reporting on this matter in the form of the RI annual review. Over the year, OPAM engaged with the Fund's appointed ESG analytics provider to improve coverage and data quality where possible.

Responsibility	Related Activity over the year to 30 September 2024
Monitor managers' identification, assessment, and management of climate-related risks and opportunities and carry out manager engagement as appropriate. In selecting investment managers, the managers' policy on and approach to ESG issues (including climate change) is an important factor. This is set out in more detail in the Fund's RI policy. OPAM will also engage with investment managers who appear not to have implemented the Board's policies, including reporting annually on how climate-related risks and opportunities have been incorporated into their investment process. Should persistent engagement attempts fail to correct an investment manager's misalignment with the Board's objectives, OPAM will consider changes to manager appointment and/or investment strategy.	Throughout the year, all investment managers have reported to OPAM on how they have incorporated climate-related risks and opportunities into their investment process. OPAM has reviewed the disclosures and specific supporting evidence. OPAM also monitored the engagement steps taken by Equity Ownership Services Ltd at Federated Hermes ('EOS) in relation to climate-related risks and opportunities and their alignment with UKRF RI objectives. Questions relating to biodiversity were also introduced into OPAM's annual ESG & Sustainability Questionnaire sent to investment managers to improve the UKRF's understanding of how its external managers think about climate risk management and nature. OPAM has continued to carry out targeted engagement consistent with the RI policy (see Section 3.3c).

1.2e Roles and Responsibilities of the External Advisors

Responsibility	Related Activity over the year to 30 September 2024
Advise on climate-related risks and opportunities. The Trustee requires the Fund's external advisors (namely the Strategic Investment Advisor, the Scheme Actuary, and the Covenant Advisor) to advise on climate-related risks and opportunities, including but not limited to, the provision of relevant training, information concerning market developments, and integrating climate-related considerations into advice for setting the Fund's funding and investment strategy. The external advisors are also responsible for supporting the Fund in updating the CCRMP as and when required.	Over the year to 30 September 2024, the Trustee's Strategic Investment Advisor provided guidance to the Trustee on revisions to the Fund's baseline emissions, against which progress towards net zero can be monitored ('the baseline'). This included a review of the baseline to consider expanding it to include items such as Scope 3 emissions. The Strategic Investment Advisor provided advice in the year in relation to the identification and monitoring of climate-related risks and opportunities, as well as changes to the investment strategy and RI policy. Changes to the CCRMP in respect of the DC Committee activities were reviewed and approved at the 3 September 2024 IC meeting and 12 September 2024 DCC meeting as detailed above. The Covenant Advisor provided an updated assessment of ESG risks, including climate-related risks, in its half-year and full-year monitoring updates to the Trustee Board.
Provide climate scenario analysis and climate-related risk metrics. The external advisors are responsible for assisting the Trustee in carrying out climate scenario analysis on the Fund's funding and investment strategy and summarising the analysis for this report. The external advisors are also required to recommend and regularly calculate relevant climate metrics that facilitate total UKRF-level climate-related risk analysis and that meet the regulatory requirements for the Trustee to monitor.	Updated climate scenario analysis was prepared by the Fund's advisors to assess climate-related risks under certain climate scenarios to help conclude on investment and funding strategy resilience to climate-related risks (see Section 2).
Perform internal reviews and external peer benchmarking reviews of the UKRF's RI position.	Alongside OPAM, one of the Trustee's advisors reviewed the RI policy, RI reporting, alignment with Barclays' ESG priorities and policies and undertook horizon scanning. They presented their findings and recommendations at the 30 November 2023 and 18 April 2024 Investment Committee meetings.
Advise on updating and drafting the Trustee's annual TCFD report.	The Trustee's advisor supported the Trustee with the drafting of its annual TCFD report.

1.3 Trustee Oversight and Assessment

The Trustee Board delegated responsibility to OPAM and the external advisors to assist in assessing, managing, and monitoring climate-related risks and opportunities. To ensure the Fund remained on track against its climate-related objectives, the Trustee assessed the performance and delivery of advice of these parties as set out in the table below.

Party	Description of Process Followed
OPAM	The Trustee monitors the performance of OPAM in relation to RI. The Trustee does this by using relevant comparators. It discusses and reviews the climate-related investment activity carried out on its behalf on at least an annual basis. To assist with this discussion, OPAM prepares an RI annual review. In addition, the UKRF's RI activity was externally reviewed, and peer benchmarking was performed. The Trustee was satisfied that OPAM had the appropriate skills and knowledge, as well as access to relevant data and materials from external advisors to factor climate-related risks and opportunities into investment decision making.
External Advisors	Climate-related considerations are included in the Strategic Investment Advisor's annual objectives. This ensures the Trustee's Strategic Investment Advisor takes adequate steps to identify and assess climate-related risks and opportunities. In the year, the Trustee reviewed the Strategic Investment Advisor's objectives and assessed the delivery of advice using the Competition Market Authority's Investment Consultant Objectives framework and confirmed that objectives had been met. The Trustee also considers the knowledge and experience of its other external advisors in relation to climate change.

1.4 Trustee Knowledge and Understanding of Climate Change

Trustee knowledge and understanding of climate change is a rapidly developing area and training for the Trustee will be an ongoing requirement. The Trustee training programme to date has been consistent with the Pension Regulator's ('tPR's') trustee knowledge and understanding requirements (Code of Practice 7). Training on specific climate-related risks and opportunities is part of the broader training programme of ongoing Trustee knowledge and understanding activity. This includes induction activities for any new Trustee Directors. The Trustee secretariat supports the Trustee Board and works with respective parties to ensure the Trustee has the appropriate training and that policy and documentation reviews are conducted in line with tPR requirements to identify, assess and manage climate-related risks.

Throughout the year, the Trustee received training in relation to climate change, including a briefing from the Barclays Head of Sustainability at the September 2024 Trustee Board meeting, which covered:

- The Barclays climate strategy
- Progress to date against Barclays climate ambitions
- Barclays climate policies.

This training aimed to support the Trustee Board to have the relevant knowledge and understanding of climate-related issues, to aid its decision making. The Trustee continues to consider skills gaps and undertakes training accordingly.

Collaborative Initiatives

One of the guiding principles of the UKRF's RI Policy is that the Trustee believes collaborative initiatives can affect positive change regarding climate change. Collaborative initiatives are also an effective method of staying informed of industry developments that could impact the Fund. The UKRF is, therefore, a participant in select initiatives. See Section 3.3b in the Risk Management Section for further details. Currently the Trustee is associated with the following organisations:

- A member of the Institutional Investors Group on Climate Change ('IIGCC')
- A signatory to the Principles for Responsible Investment ('PRI')
- A signatory of the 2020 UK Stewardship Code, overseen by the Financial Reporting Council ('FRC')

The Trustee will review its participation in external groups periodically.

2. Strategy

This section considers the climate-related risks and resultant opportunities that could impact the Fund to help assess the resilience of the investment and funding strategies and inform the Trustee's strategic decision making.

2.1 Scenario Analysis – Introduction

Climate considerations are incorporated into the Trustee's investment and funding strategy, including the strategic asset allocation process, investment manager selection, and ongoing portfolio monitoring. This ensures that both asset and liability risk and return assumptions take climate considerations into account appropriately. Please see Sections 3.2 and 3.3d for further details on the climate-related opportunities identified during the year.

Scenario analysis is one way the Trustee considers climate-related risks and opportunities. Scenario analysis is a process for identifying possible outcomes based on a hypothetical development of events. It does not predict the future, but helps the Trustee understand the type of risks the Fund is exposed to and the possible impact if certain events were to play out on:

- The value of the Fund's assets (applicable to both the DB and DC arrangements);
- The value of the Fund's liabilities (applicable to the DB arrangements only); and
- The strength of the employer covenant (applicable to the DB arrangements only).

This, in turn, helps Trustee decision making.

Under the TCFD Regulations, the Trustee is required to undertake scenario analysis at least every three years or sooner where appropriate to do so. Reasons for updating the analysis more frequently include significant changes in the investment or funding strategy or a significant increase in the availability of data against which to assess the position of the Fund under different scenarios. The Trustee has updated its scenario analysis for the 2024 TCFD report, supported by the Fund's advisors, using available data and modelling capabilities, to assess the actual and potential impact of climate-related risks and opportunities on the DB and DC arrangements of the Fund. Key drivers for updating the analysis, include that the Trustee has reviewed the Fund's investment strategy and best practice has evolved to reflect a more developed view of the potential impacts of climate change. However, limitations to the analysis remain (see Section 2.5). Given the limitations of climate modelling, the Trustee, supported by its advisors, has carried out both qualitative and quantitative analysis to help it form conclusions on the resilience of the Fund's investment and funding strategies to climate-related risks. In 2025, the Trustee will re-run its scenario analysis following sectionalisation of the Fund. More information can be found in the UKRF Overview Section of the report.

In addition to the scenario analysis, the Trustee considers the possible impact of climate-related risks on the Fund's investment and funding strategies on an ongoing basis at Investment Committee, DC Committee and Trustee Board meetings. Please see Sections 2.3 and 2.4 for further details.

2.2a Scenario Analysis Overview – Description of Scenarios Examined

The approach to scenario analysis prepared for the Trustee's first TCFD report was consistent with the Prudential Regulation Authority's ('PRA') Life Insurance Stress Tests. However, the Trustee has since reviewed the overall approach, including the nature of the scenarios considered as part of the analysis.

As part of its review, the Trustee decided to change its reference scenarios from the PRA scenarios to Network for Greening the Financial System ('NGFS') scenarios. The NGFS scenarios selected for this analysis are consistent with the framework published in the First NGFS Comprehensive Report (April 2019). The Trustee notes that NGFS scenarios are increasingly used across the pensions industry and are likely to be updated annually by a global scientific team, which can help to refine them in line with rapid changes in forecast policies and market conditions. They also allow for technological opportunities that may arise from the green transition.

The NGFS scenarios that have been selected for the scenario analysis are described in the table below, noting the types of risks considered under 'Scenario Description' are defined in Section 2.2b.

Climate Scenario	Scenario Description
Scenario A: Disorderly Transition (NGFS Scenario 'Divergent Net Zero')	1.5°C of warming Disorderly transition for all risks – this represents a situation where rapid and unexpected policy changes to limit global warming impact many companies' profitability. (Downside risk arises almost entirely from transition risk (see Section 2.3) as a result of policies being delayed or divergent across countries and sectors).
Scenario B: Orderly Transition (NGFS Scenario 'Below 2°C')	2.0°C of warming Orderly transition for all risks – this represents a situation where countries implement continual incremental changes to limit global warming. The orderly nature of the introduction of these policies results in more subdued transition risks than the Disorderly Transition Scenario.
Scenario C: Hot House (NGFS Scenario 'Nationally Determined Contributions')	5.0°C of warming This represents an extreme tail risk global warming scenario where some climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming, and a 'tipping point' is reached and warming is worse than predicted.

The same scenarios, headline assumptions and time horizons have been applied consistently to assess the Fund's assets, liabilities, and employer covenant, and to inform the Trustee's views on possible risks and opportunities. The specific details of the stresses applied in each scenario are open to interpretation and therefore, the results of the scenario analysis are based on each advisor's interpretation of the three NGFS scenarios.

The Trustee notes that both the 'Disorderly' and 'Orderly' Transition Scenarios satisfy the 1.5°C - 2.0° C global warming scenarios that schemes must assess under the current Regulations.

2.2b Scenario Analysis Overview – Identification of Risks and Opportunities

The Trustee is aware that climate-related risks and opportunities may have a variety of impacts on the Fund under different climate scenarios. To account for these impacts, the Trustee has evaluated climate-related risks and opportunities through two primary lenses, set out in the table below.

Type	Explanation
Transition	Risks and opportunities that could arise from the adjustment towards a decarbonised economy. The severity of any impact will depend on whether the transition to a carbon neutral economy is orderly or disorderly.
Physical	Acute risks from events, such as storms, floods, droughts, and sea-level rises, or chronic risks from longer-term shifts in climate patterns. These risks could give rise to direct impacts resulting from weather-related events, such as damage to property, or indirect impacts through subsequent events, such as the disruption of global supply chains.

2.2c Scenario Analysis Overview – Time Horizons

The emergence and impact of climate-related risks and opportunities will vary depending on the time horizon in question and so the Trustee has broadly assessed climate-related risks and opportunities over short, medium, and long-term horizons as set out below. The same time horizons have been used for DB and DC arrangements and the reasons for this are covered in the table below.

Time Horizons	Period	Description
Short-term	1-10 years	This period allows the Trustee to consider shorter term climate-related impacts on the Fund up to and including the 2030 time horizon for the Trustee's interim Paris-aligned target. It is aligned with the Trustee's primary funding objective for the UKRF DB arrangements and captures members of the UKRF DC arrangements that are in the glide path stage of the UKRF Default Lifestyle Fund (i.e. within 10 years of retirement).
Medium-term	11-25 years	This medium-term period allows the Trustee to consider climate-related impacts on the Fund up to and including the "2050 or sooner" time horizon for the Trustee's Paris-aligned target. It encompasses a majority of the benefit payments due to members in the DB arrangements and captures DC members for whom retirement is between 11 and 25 years away.
Long-term	25+ years	This long-term period captures the impacts of climate change on members across the DB and DC arrangements which have multi-decade investment horizons. This timeframe is long enough for the Trustee to consider potential climate 'tipping points.'

It is not possible to precisely determine the exact timeframe over which risks could materialise and the level of uncertainty increases over time. As such, the Trustee and its advisors have considered the possible time horizons over which risks and opportunities could materialise qualitatively, rather than quantitatively.

2.3a DB Arrangements – Overview of Investment Strategy

The Trustee's primary objective is to have sufficient funds to meet the UKRF's obligation to pay pensions as they fall due. The Trustee's policy in the year was to seek to achieve its primary objective through investing in a diverse range of assets. These assets are expected to deliver a sufficient investment return, which should enable the Fund to meet its pension obligations.

The UKRF is a mature Fund, and the Trustee intends to gradually transition the UKRF DB arrangements toward a lower-risk investment portfolio with the aim of reaching a low level of reliance on the participating employers during the 2030s. As this transition takes place, the ultimate investment portfolio is expected to be more resilient to the impacts of climate-related risks compared to the current portfolio. This is because the lower-risk investment portfolio will be primarily comprised of UK government bonds ('gilts') and investment grade corporate bonds. This is also expected to result in a reduction in the emissions intensity of the UKRF's portfolio, thereby significantly contributing to the Trustee's Paris-aligned ambition.

Nonetheless, the Trustee recognises climate-related risks may materialise over varying time horizons. It is therefore continuing to take specific steps to accelerate and improve the climate-related resilience of the UKRF DB arrangements over and above the expected changes to the portfolio covered above. Further details are provided in the Risk Management Section of this report.

2.3bi DB Arrangements – Scenario Analysis Modelling and Assumptions – Assets

The scenario analysis undertaken by the Fund's Strategic Investment Advisor for the 2024 TCFD report was prepared in accordance with the selected NGFS scenarios, with each scenario applied to the assets across the UKRF DB portfolio, based on their respective values as of 30 June 2024. Where a line-by-line analysis of the relevant portfolios was not possible, the Strategic Investment Advisor used a suitable asset class proxy to model the impact on the mandates in each scenario.

The Trustee notes that the scenario analysis was applied to a fixed asset allocation (in this case 30 June 2024) and therefore did not account for future changes to the investment strategy. To recognise the UKRF DB arrangements' transition towards a lower-risk portfolio over time and consider how the impact of climate-related risks may vary as a result, the scenario analysis was also carried out with reference to the Trustee's target 2031 asset allocation ignoring any other changes to market conditions and climate transition by 2031.

The Trustee is aware that there are inherent uncertainties in climate modelling concerning the timing, time horizon, and sequence of financial impacts (see Section 2.5). For simplicity, where an asset could be subject to both physical and transition risk, the shocks were applied separately and consecutively.

The consideration of climate-related opportunities in relation to Fund assets was largely qualitative in nature.

2.3bii DB Arrangements – Scenario Analysis Modelling and Assumptions – Liabilities

The Trustee, with advice from the Scheme Actuary, has illustrated the potential impact on the Long-Term Objective ('LTO') liabilities for the Fund under the three climate scenarios to help inform views on the Fund liabilities' exposure to climate-related risks.

To estimate the impact, the Trustee assigned the UKRF membership differing mortality and longevity assumptions across each climate scenario, relative to the UKRF's LTO assumptions from the 2023 interim valuation, which have been updated for changes in market conditions to 30 June 2024. The estimated mortality and longevity changes were then used to estimate an increase or decrease in liabilities depending on the climate scenario. In addition to the three climate scenarios set out in Section 2.2a, the Trustee has also illustrated the possible impacts on life expectancy of members and the funding position of the UKRF in a more extreme scenario at the bottom end of the range of outcomes modelled. When considering the potential impact of the various climate scenarios, for example on the discount rate used to calculate liabilities, the Trustee ensured that any adjustments were consistent with the corresponding asset stresses applied.

The Trustee notes that mortality outcomes from climate scenarios are impossible to accurately predict and will depend on complex interactions between various factors (see Section 2.5).

The Trustee has also combined the estimated asset value changes with the liability analysis to estimate the net funding level impact on the current portfolio and on the target 2031 'de-risked' portfolio (see Section 2.3ciii). For the purposes of the 2031 de-risked portfolio, the analysis was based on total asset and liability valuations as of 30 June 2024 and the same stresses on the liabilities and relevant underlying assets were applied as for the current portfolio. The only change related to the asset allocation assumed.

2.3biii DB Arrangements – Scenario Analysis Approach – Covenant

The Fund is supported by Barclays Bank Plc, (the 'principal employer'), Barclays Bank UK Plc and Barclays Execution Services Limited (together the 'participating employers'), which operate in the Financial Services sector. They offer a range of services, including retail banking, corporate and investment banking, and wealth management.

The employers' operations are exposed to transition and physical risks associated with climate change but could also benefit from potential climate-related opportunities. The Trustee, supported by its advisor, has undertaken analysis of the employers' resilience to climate change to support its broader considerations of the strength of the employer covenant and the resilience of the Fund's investment and funding strategy.

The analysis considers the employers' exposure to climate-related risks and opportunities under the same NGFS climate scenarios and time horizons as those considered to assess the possible impact on the UKRF's funding position.

The analysis was carried out with reference to the UKRF's latest funding position. As the UKRF is well funded, reliance on the employer covenant is currently low with reliance expected to reduce over time as the Fund implements its asset de-risking strategy. However, some reliance on the employer covenant is expected to remain over the short, medium, and long-term.

The analysis is predominantly qualitative in nature and considers actions taken by the participating employers to mitigate climate-related risk, including Barclays' own dedicated climate strategy and transition planning.

2.3ci DB Arrangements – Scenario Analysis Results – Assets

The Trustee, supported by its Strategic Investment Advisor, has concluded that the Fund's assets are exposed to climate-related risks over the short, medium, and long-term and has estimated that the Fund's assets would suffer a loss in value under all three scenarios.

The results of the Strategic Investment Advisor's analysis are presented in the table below.

Scenario	Change in Portfolio Value
Scenario A: Disorderly Transition	-3.4%
Scenario B: Orderly Transition	-1.1%
Scenario C: Hot House	-2.2%

The largest loss was expected under the Disorderly Transition Scenario, driven mostly by short-term transition risks.

The lowest estimated reduction in asset value was under the Orderly Transition Scenario, as this was expected to give rise to lower economic downside risk over the shorter term, alongside lower exposure to physical risks due to reduced levels of warming over the longer term.

In comparison to the two transition scenarios, under the Hot House Scenario the Fund's assets were modelled to be less impacted by transition risks, but more impacted by physical risks over the longer term.

The Fund's DB arrangements are invested across a diverse portfolio of assets and each class of assets was expected to be exposed to transition and physical risks to a certain extent. The Fund's Global Equities, within the Private Equity portfolio, and Real Assets were modelled to be more exposed to transition risks than other Fund assets, particularly in less orderly, more ambitious transition scenarios. The Fund's Real Assets, such as Infrastructure and Property, were also assessed to be most exposed to physical risks over the longer term, in scenarios with greater global warming. Physical impacts could lead to property damage and other material financial impacts, particularly in geographically vulnerable areas, due to increasing severity and/or frequency of flooding and other extreme weather events.

The DB arrangements' asset impacts were limited by the assumption that there was no reduction in value of the Gilts and Cash held in the Fund's LDI portfolio as a result of the Fund's hedging position. This had a material impact on the results as Gilts and Cash in the LDI portfolio made up c.40% of the assets in the DB arrangements as of 30 June 2024.

2031 Portfolio

As noted above, the Trustee intends to gradually transition the UKRF toward a lower-risk portfolio over time and this is expected to improve the resilience of the Fund to adverse climate-related risks. The Strategic Investment Advisor therefore conducted an analysis of the Trustee's agreed target 2031 asset allocation under each of the scenarios.

The results of this analysis are set out in the table below.

Scenario	Change in Portfolio Value
Scenario A: Disorderly Transition	-3.0%
Scenario B: Orderly Transition	-0.6%
Scenario C: Hot House	-1.3%

Despite the change in asset allocation to de-risk the portfolio, some reduction in the value of assets was estimated under each of the three scenarios, with the greatest impact estimated under the Disorderly Transition and the lowest under the Orderly Transition. As with the analysis conducted on the portfolio asset allocation as of 30 September 2024, the main drivers of the decrease in asset value were Real Assets, such as Long Lease Real Estate and Infrastructure.

The reduction in asset values was, however, estimated to be lower compared to the asset allocation for the actual portfolio as of 30 June 2024. This was driven by the planned de-risking away from assets which are expected to be more at risk during the climate transition (e.g. global equities) to assets, such as High-Quality Credit and LDI/Cash.

2.3cii DB Arrangements – Scenario Analysis Results – Liabilities

In the UK, it is considered unlikely that the direct effects of climate change will have a significant impact on life expectancies. However, the disruption and impact of transition risks on economic activity could have a more significant effect. Under some scenarios, climate change might lead to longer life expectancies (i.e. higher liabilities) and other scenarios might lead to lower life expectancies (i.e. lower liabilities).

Following longevity swaps entered into in December 2020 and December 2022, over three-quarters of current pensioners' longevity risk is now being hedged. These hedges are reflected in the scenario analysis undertaken by the Scheme Actuary, the results of which are presented in the table below.

Scenario	Change in Liability Value
Scenario A: Disorderly Transition	-0.8%
Scenario B: Orderly Transition	+0.5%
Scenario C: Hot House	-1.2%

The results suggest the value of the Fund's liabilities may be lower under the Disorderly Transition and Hot House Scenarios. Under these scenarios, the average life expectancies assumed were shorter than those used in the Trustee's 2023 interim valuation and therefore both scenarios corresponded to a reduction in the Fund's liabilities and an increase in the funding level (see below).

Under a Disorderly Transition, ensuing from rapid global action and policies, it was noted that resources may be diverted in the short to medium-term from health and public services (transition risks), which could lead to a reduction in life expectancy, and therefore liabilities.

In scenarios where there was assumed to be more significant warming, such as a Hot House Scenario, climate change was expected to lead to warmer winters in the UK, which could reduce cold-related deaths. However, it could also give rise to increased heat-related deaths in summer heatwaves and weather-related disruption, including increased frequency of severe storms and floods (physical risks).

A Hot House Scenario could also lead to a general decline in living standards (e.g. increased air pollution from continued reliance on diesel and petrol cars and food-chain disruption (from unsustainable global farming practices) leading to a deterioration in diets). This, in turn, was expected to reduce life expectancies, and therefore liabilities.

In contrast, life expectancies were expected to be higher under the Orderly Transition Scenario, which is consistent with the Trustee's net zero ambition. In an Orderly Transition Scenario, early and strong investment in renewable energy and greener transport, could limit global temperature increases, and encourage a trend towards cleaner air, less food supply disruption and sustainable economic growth. Increased life expectancies would correspond to higher liabilities relative to the 2023 interim valuation and therefore a reduced funding position.

The members most impacted in all three climate scenarios were estimated to be deferred members (for whom longevity risk is currently not hedged) who are younger (i.e. where there is a longer period over which changes to longevity assumptions could take effect). The Trustee notes that further hedging of longevity risks could reduce the magnitude of the estimated liability impacts for the Fund.

The results of the liabilities scenario analysis have been used to calculate the estimated net funding impact as of 30 June 2024 and, the same liability impacts, have also been used to illustrate the net funding impact for the 2031 de-risked portfolio.

2.3ciii DB Arrangements –
Scenario Analysis Results – Net Funding Impact

The estimated net funding impacts, combining the relative impacts on the assets and liabilities under each scenario, are set out in the table below.

Scenario	Change in Funding Level
Scenario A: Disorderly Transition	-2.7%
Scenario B: Orderly Transition	-1.7%
Scenario C: Hot House	-1.1%

All scenarios assessed were estimated to give rise to an adverse impact on the funding position. The Disorderly Transition Scenario was estimated to have the most material adverse impact, driven by a material reduction in the value of assets. The Hot House Scenario was estimated to give rise to the least adverse impact, with the estimated reduction in assets largely offset by a corresponding reduction in liabilities.

Note that percentage impacts on both the portfolio asset value and the liability value cannot be added to get the percentage net funding impact as this would not be mathematically equivalent.

2031 Portfolio

The combined results of the de-risked 2031 portfolio are set out in the table below.

Scenario	Change in Funding Level
Scenario A: Disorderly Transition	-2.4%
Scenario B: Orderly Transition	-1.2%
Scenario C: Hot House	-0.1%

The impact profile was consistent with that of the current portfolio, albeit the net funding impact was estimated to be lower under each scenario for a de-risked portfolio in 2031.

The modelling showed that a Hot House Scenario could give rise to the lowest net funding impact on both the 2024 and 2031 portfolios (by asset allocation) when compared to the other scenarios. However, the Trustee recognises the inherent uncertainties in climate risk modelling and notes the potential understatement in risk impacts.

When evaluating climate scenarios, it is important to recognise that their impact could extend beyond the funding of a pension scheme. For example, a Hot House Scenario could impact the quality (and length) of members' lives and the quality of the environment into which they may retire.

Key Takeaway 1 – The Fund's assets are expected to be adversely impacted by both the physical and transition risks of climate change to some extent, with the largest impact expected under the Disorderly Transition Scenario. The lowest impact is expected under the Orderly Transition arising from lower economic downside risk over the shorter term and lower exposure to the physical risks of warming over the longer term.

Key Takeaway 2 – The Fund's liabilities are expected to reduce under the Disorderly Transition and Hot House Scenarios due to lower life expectancies. Under the Orderly Transition, however, life expectancies are expected to improve, giving rise to an increase in the Fund's liabilities.

Key Takeaway 3 – Whilst climate change is expected to adversely impact the net funding position of the DB arrangements under all scenarios, the greatest impact is expected under the Disorderly Transition Scenario.

Key Takeaway 4 – The net funding impact of climate change on the de-risked portfolio was consistent under each of the scenarios, however the respective impacts are expected to be lower than the current portfolio.

2.3civ DB Arrangements – Covenant Analysis Results

The Trustee, supported by its advisor, has analysed the impact of climate change on the participating employers, considering both transition and physical risks. The results of this analysis have been set out below.

Transition risks

The participating employers were considered to be exposed to a number of risks related to the transition to a net zero economy, partly driven by the highly regulated industry in which they operate.
These risks include:

- the extent to which the participating employers fund or have stakes in companies that emit greenhouse gases ('GHG') and the potential for increased defaults on loans across associated industries;
- stranded assets where carbon-intensive investments are rendered obsolete by low-carbon technology and solutions;
- evolving stakeholder expectations and consumer sentiment, amongst both climate-conscious and 'anti-ESG' investors; and
- associated legal or regulatory changes, noting non-compliance with new and emerging climate-related policies could present a business risk and impact reputation.

The Trustee notes that transition risk was considered greatest under the Disorderly Transition Scenario over the short-term, with a moderate level of transition risk under the Orderly Transition Scenario.

Physical risks

The participating employers were also considered to be exposed to the potential physical risks of climate change (both directly and indirectly), with the greatest exposure under a Hot House Scenario.
Higher temperatures and more extreme weather events could lead to an increase in loan defaults in relation to affected regions, as well as damage to / loss of real estate and infrastructure and subsequent disruption to operations.

The participating employers' exposure to physical risks was assessed to be greatest over the medium to long-term under the Hot House Scenario. Under this scenario, exposure to transition risks was considered to be minimal.

Climate-related opportunities

Financial institutions, such as banks, play an important role in mobilising green finance and resources for investment in climate adaptation and mitigation, as well as developing and influencing climate change policies. Opportunities identified in the employer covenant analysis included green finance initiatives, such as funding renewable energy projects, sustainable bonds, and climate-resilient infrastructure, which could all strengthen business performance and improve business outlook.

Mitigation against climate change

As part of its analysis, the Trustee considered actions Barclays is taking to tackle climate change and mitigate against the potential impact of climate change on its operations.

In March 2020, Barclays set a goal to become a net zero bank by 2050 and has developed a three-part strategy to help achieve this goal. During 2023, Barclays also performed two group-wide climate stress tests to assess its financial resilience to climate risks. The two scenarios considered both physical and transition risks. Results from these exercises were integrated into Barclays' internal capital adequacy assessment process to ensure it remains sufficiently capitalised against both climate and macroeconomic stresses.

Covenant results summary

The participating employers' exposure to climate-related risk (namely physical risk) was expected to increase over the medium to longer term under the Hot House Scenario. Exposure to transition risk was estimated to be greatest under the short term under the Disorderly Transition Scenario. Despite this, the analysis identified no significant risk to the employer covenant over the time horizon for which some ongoing covenant reliance was more likely (i.e. short-term) under any of the three scenarios.

Barclays was also assessed to be taking action to mitigate climate-related risks and exploring climate-related opportunities, which could mitigate downside risk and protect covenant strength. However, it was noted that visibility regarding climate-related risks and opportunities decreases over the medium to long-term and that rapid changes to policy may arise, which could weaken the strength of the employer covenant. As such, the possible impact of climate change on the employer covenant will continue to be assessed by the Trustee over time and at least triennially.

2.4a DC Arrangements – Overview of Investment Strategy

The Trustee's primary objective, at the time of the analysis, was to make available at a reasonable cost a number of investment options that provided members with access to a range of different asset classes that differed in their level of investment risk and liquidity.

DC members who haven't made an active investment decision to date, have their contributions invested in the UKRF Lifestyle Fund ranges. Lifestyle ranges are a series of funds that offer members flexibility to target the year in which they expect to access their pension savings. These were the "default investment funds" for the UKRF over the reporting period. There were two UKRF Lifestyle Fund ranges in place, both of which are classed as default investment funds.

- **The UKRF Lifestyle Fund range** – This default investment fund was launched in February 2017 and is available to new investors. The investment objective is to generate capital growth over the long-term with increasing levels of capital and retirement income protection as a member approaches their target retirement date. Members many years from retirement are invested in a diversified mixture of assets. The investment objective is to outperform short-term cash (i.e. deposit) rates by 4.5% pa over the long term. Members at their target retirement date are invested in a range of investments within the UKRF Lifestyle Mature Fund, where they are not drawn, with the aim of being broadly aligned to the wider range of options now available when accessing retirement savings. During the 10-year period before a member's target retirement date investments are phased between capital growth and income protection (this is known as the glide path).
- **The UKRF Lifestyle (Closed) Fund range** – This default investment fund closed to new investors in February 2017. The investment objective is to provide a broad compromise between capital protection and tracking movements in annuity prices. Members at their target retirement date are invested predominantly in UK gilts and cash. This fund range only comprises the UKRF Lifestyle (Closed) Mature Fund.

The UKRF Lifestyle Fund is invested in the UKRF Diversified Growth Fund, the UKRF Cash Fund and the UKRF Over 15 Years UK Gilt Index Fund and the UKRF Lifestyle (Closed) Fund is invested in the UKRF Cash Fund and the UKRF Over 15 Years UK Gilt Index Fund.

The table below outlines the various stages of the UKRF Lifestyle Fund ranges as a member approaches their target retirement date.

Name of Fund	Relevant Period for Fund	Assets in the Fund	Aim of the Fund
UKRF Lifestyle (year of maturity) Fund e.g. UKRF Lifestyle 2040 Fund	Prior to target retirement date	More than 10 years from target retirement date: Diversified Growth Fund, which contains a diversified mixture of assets. Within 10 years of target retirement date: Gilts and cash funds are steadily introduced as members approach their target retirement date.	Over the longer term this fund offers the potential for growth above inflation while preparing members' savings to broadly align with the wide range of retirement options that are available.
UKRF Lifestyle Mature Fund	After reaching target retirement date	45% Diversified Growth Fund, 30% Over 15 Years UK Gilt Index Fund, 25% Cash Fund.	To be broadly aligned with the wide range of retirement options available to members.
UKRF Lifestyle (Closed) Mature Fund	After reaching target retirement date	75% Over 15 Years UK Gilt Index Fund, 25% Cash Fund.	To be broadly aligned with taking a 25% cash lump sum and buying an annuity.

The table below provides further detail on the three funds that members invested in the UKRF Lifestyle Fund range could be invested in over their retirement journey.

Name of Fund	What does the Fund Invest in?	Long-term Growth/Stability
Diversified Growth Fund	A range of asset classes including equities, bonds, and property. There is additional focus on the RI characteristics of the company or country issuing the equity or bond when buying and selling these investments. The fund has specific risk and return objectives, and the fund investment manager decides how much is invested in each asset class to meet these goals.	Over the long-term, this fund targets rates of return above inflation, but through diversification, the fund aims to reduce risk and provide more stability relative to equities.
Over 15 Years UK Gilt Index Fund	UK gilts that have a maturity period of 15 years or longer and which pay interest at a fixed rate.	A small level of expected growth. Historically this fund has moved in a similar way to the cost of annuities that do not have inflationary increases.
Cash Fund	Short-term money market instruments and overnight deposits.	Very little expected growth. This fund offers stability and short-term protection for any cash lump sum to be taken from DC retirement savings.

The Trustee also makes a range of other DC investment options available. Members are able to choose to invest in these options, known as the self-select range. Consistent with the Regulations, the Trustee has only included in this report the self-select funds that were classified as popular arrangements as of 30 June 2024 (i.e. at the time the scenario analysis was carried out). This comprised the Global (ex-UK) Equity Index Fund and the UK Equity Index Fund.

Details of the investment characteristics of the two self-select funds classified as popular arrangements are shown in the table below.

Name of Fund	What does the Fund Invest in?	Long-term Growth/Stability
Global (ex-UK) Equity Index Fund	Shares of overseas companies listed in markets around the world.	Over the long-term, this fund offers the potential for rates of return above inflation. It offers less stability and is more volatile than certain other funds. In addition, as it invests in foreign countries, this fund is exposed to changes in foreign exchange rates.
UK Equity Index Fund	Shares of UK companies.	Over the long-term, this fund offers the potential for rates of return above inflation. It offers less stability and is more volatile than certain other funds.

The Trustee has also made available to members the UKRF Sustainable Equity Fund as a self-select option. This fund invests in shares of companies around the world which demonstrate a positive commitment to the long-term protection of the environment. As of 30 September 2024, c.1.5% of total DC arrangement assets were invested in this fund, and it did not classify as a popular arrangement.

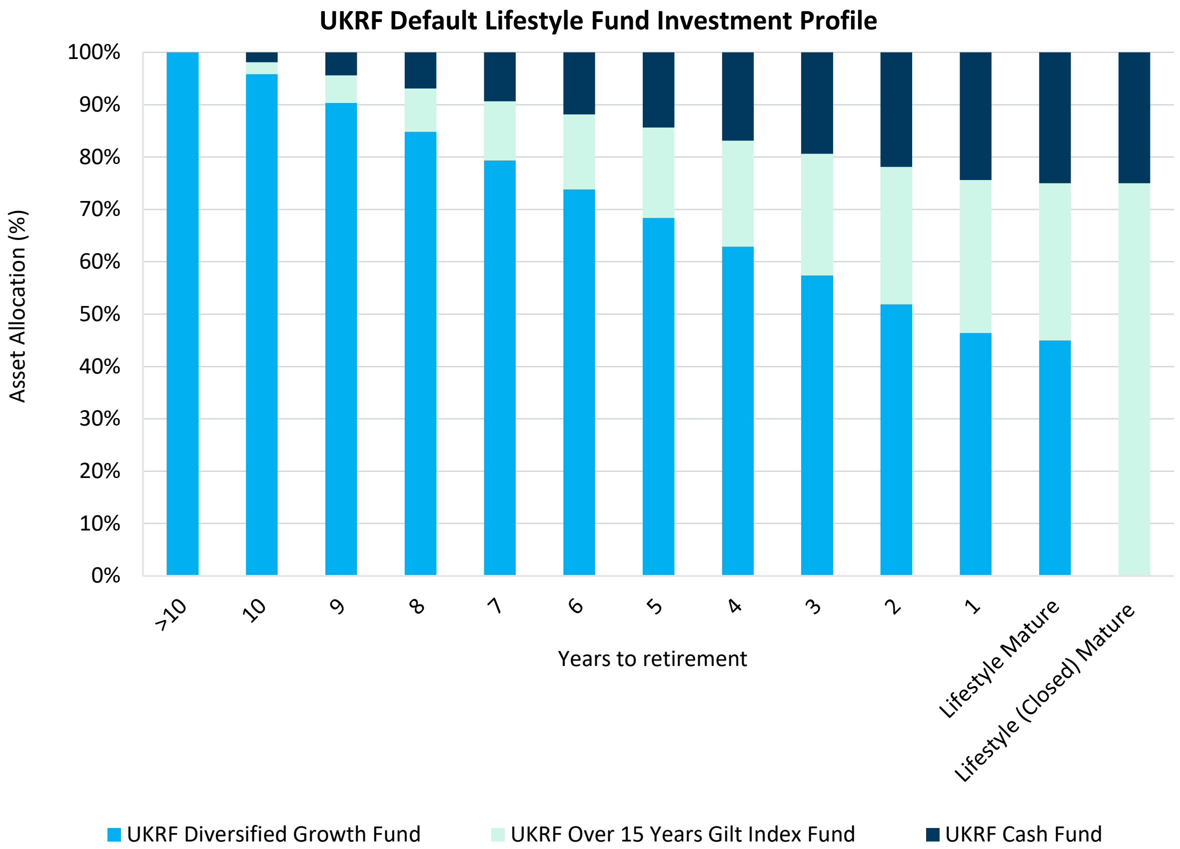
2.4b DC Arrangements – Scenario Analysis Modelling and Assumptions

The Strategic Investment Advisor completed scenario analysis for each popular arrangement using market conditions as of 30 June 2024. The analysis included an assessment of the possible impact on the Lifestyle Fund ranges and, separately, the impact on five individual options available to DC members, comprised of three 'default' funds which make up the Lifestyle Fund ranges (the UKRF Diversified Growth Fund, the UKRF Cash Fund, and the UKRF Over 15 Years UK Gilt Index Fund) and the two 'self-select' funds (the Global (ex-UK) Equity Index Fund and the UK Equity Index Fund) that were classified as popular arrangements as of 30 June 2024.

As with the DB arrangements, the possible impacts of climate-related risks and opportunities on the DC arrangements were considered under the same three NGFS scenarios and time horizons (see Sections 2.2a and 2.2c).

UKRF Lifestyle Fund Ranges

The chart below shows the investment allocation of a more typical member invested in the UKRF Lifestyle Fund ranges over their journey to retirement.



To assess the potential impact on the Lifestyle Funds, the Strategic Investment Advisor performed scenario analysis to illustrate the expected impact of the three climate scenarios on members' pension pots over their journey to retirement. The analysis was based on market conditions as of 30 June 2024 and was completed on the investment allocation of members that:

1. Were more than 10 years from their target retirement date;
2. Were in the glide path stage (i.e. within 10 years of their target retirement date); and
3. Were invested in both mature funds.

The UKRF Diversified Growth Fund comprises a range of different asset classes, and the analysis was applied to the individual asset classes within the portfolio based on a suitable asset class proxy. The total asset impact was calculated as the sum of the portfolio value weighted individual asset impacts.

There was no assumed impact on cash assets under each scenario and therefore the estimated change in value of the UKRF Cash Fund was zero.

Global (ex-UK) Equity Index Fund

For the UKRF's self-select popular arrangement – the Global (ex-UK) Equity Index Fund – the Trustee applied a suitable asset class proxy, as noted above. It then estimated the expected portfolio value impact under the three scenarios.

UK Equity Index Fund

Similarly to the Global (ex-UK) Equity Index Fund, the Trustee applied a suitable asset class proxy to the UK Equity Index Fund and then estimated the expected portfolio value impact under the three scenarios.

2.4ci DC Arrangements – Scenario Analysis Results – Lifestyle Fund Ranges

To estimate the impact of each climate scenario on different retirement pension pots, the Trustee conducted analysis on the relevant asset allocations for three indicative member cohorts, the UKRF Lifestyle Mature Fund and the UKRF Lifestyle Mature (Closed) Fund. To broadly assess how pension pots could be impacted as members approach retirement, the cohorts were categorised according to three intervals along a member's journey to retirement: >10 years away from retirement, 7 years away from retirement, and 3 years away from retirement.

Climate Scenario	UKRF Lifestyle Fund				UKRF Lifestyle Mature (Closed) Fund*
	10+ Years to Retirement	7 Years to Retirement	3 Years to Retirement	Lifestyle Mature Fund	
	Change (%) in Portfolio Value				
Scenario A: Disorderly Transition	-11.9%	-10.7%	-9.1%	-8.0%	-6.6%
Scenario B: Orderly Transition	-4.5%	-3.9%	-3.2%	-2.6%	-1.5%
Scenario C: Hot House	-7.3%	-6.3%	-4.9%	-3.9%	-1.5%

Key Takeaway 1 – There was estimated to be an adverse impact on members' pension pots within the UKRF Default Lifestyle Funds under all scenarios and all member cohorts considered.

Key Takeaway 2 – The Disorderly Transition Scenario was estimated to have the largest impact on members' pension pots within the UKRF Default Lifestyle Funds across all member cohorts considered.

Key Takeaway 3 – Members that have more than 10 years to retirement were considered to be more exposed to climate-related risks than members who are within 10 years of retirement. This reflects the fact that at more than 10 years to retirement, members are fully invested in the UKRF Diversified Growth Fund and its underlying exposure to riskier asset classes (e.g. emerging market equities and developed market small cap equities) compared to the UKRF Over 15 years UK Gilt Index Fund and the UKRF Cash Fund.

Key Takeaway 4 – Exposure to risks was modelled to reduce as members get closer to retirement as their allocation to the UKRF Diversified Growth Fund reduces and their allocation to the UKRF Over 15 years UK Gilt Index Fund and the UKRF Cash Fund commensurately increases.

**The estimated impact on the UKRF Lifestyle (Mature) Fund is entirely attributable to the change in value of the UKRF Over 15 years UK Gilt Index Fund; this is expected to be considerably less impacted under the 2.0 °C Orderly and Hot House scenarios, compared to the 1.5 °C Disorderly scenario based on the Strategic Investment Advisor's analysis.*

2.4cii DC Arrangements – Scenario Analysis Results – Global (ex-UK) Equity Index Fund

Climate Scenario	Change in Portfolio Value
Scenario A: Disorderly Transition	-12.7%
Scenario B: Orderly Transition	-4.8%
Scenario C: Hot House	-8.9%

The Global (ex UK) Equity Index Fund was projected to be most impacted under the Disorderly Transition Scenario. This impact was modelled to be more subdued than the UK Equity Index Fund (see below) owing to the global and more diversified geographical and sector allocation of the fund.

2.4ciii DC Arrangements – Scenario Analysis Results – UK Equity Index Fund

Climate Scenario	Change in Portfolio Value
Scenario A: Disorderly Transition	-23.4%
Scenario B: Orderly Transition	-7.6%
Scenario C: Hot House	-14.4%

The UK Equity Index Fund was projected to be adversely impacted under all scenarios and most impacted under the Disorderly Transition Scenario. This reflects the make-up of the companies within the passive UK Equity Index, which has a high combined allocation to the Energy, Industrial, Utilities and Materials sectors, all of which could be impacted under any of the three climate change scenarios.

2.5 Scenario Analysis – Assumptions and Limitations

The Trustee recognises climate scenario analysis is illustrative in nature and subject to considerable uncertainty and inherent limitations. It should be treated as an estimation and illustration of the potential impacts on the UKRF only and not as a prediction.

The scenarios considered are necessarily simplified and, in practice, the actual future impacts will be realised differently, especially over longer-term time horizons. The scenario analysis results are therefore used as one input, among others, to inform the Trustee's decision making.

Whilst scenarios are helpful for highlighting the sources of climate risk within a portfolio, the Trustee recognises these are highly sensitive to the latest climate science, countries' climate commitments, discount rates used and assumptions regarding costs. For this reason, the scenarios are not directly comparable between one year and the next, as the impact of changes in assumptions can dwarf that of changes to a portfolio.

Specifically in relation to the Fund's assets, limitations of the modelling include:

- The scenarios show downside risk with some mitigation from technology opportunity under each scenario. They are not predications of how companies/assets might perform in such scenarios. In particular, they do not include:
  - An ability to pass on some of the risk (e.g. through price increases).
  - An allowance for such a risk already built into the price of the asset.
- While at an individual company level there will be some companies that fail, at a portfolio level there is some mitigation given the diversified nature of the assets.
- The scenarios referenced do not represent the limit of what could happen. There are increasing scientific findings suggesting the earth could hit a 'tipping point' and something cataclysmic could occur. As a result, it is possible that the results reported in this paper may underestimate the potential downside risk.
- Asset class proxies have been used to estimate the impact of the scenarios on the majority of the UKRF's mandates given the lack of coverage for line-by-line data. Although these proxies are carefully considered and aligned with how these assets are modelled from a risk/return perspective, there could be differences in how these proxies are estimated to be impacted vs the Fund's actual assets.

In relation to the Fund's DB liabilities, limitations of the modelling include:

- Longevity impacts are very difficult to either predict or disaggregate from other impact sources. In particular, while views on the future paths for mortality associated with the current scenarios implied relatively little direct impact on mortality for UK populations due to climate change, the indirect impacts from economic and societal change were modelled to be more significant and inherently may be dependent on those socio-economic outcomes.
- The negative health outcomes for the population associated with climate change could be wide ranging, and the detrimental impact could potentially far exceed the allowance made within the paths for mortality modelled, particularly if there is no possible policy response sufficient to offset the change. Such negative paths are not considered helpful in scenario analysis where the principle is to discuss actions that do fall within the power of policy makers and other stakeholders, but they should still be regarded as a potential occurrence.
- Climate change is only one of many other factors that could influence future rates of mortality. As such, drawing robust conclusions from the results of this analysis remains a challenge.

In relation to the Fund's DB net funding position, assumptions and limitations of the modelling include:

- Given the current hedging position of the UKRF DB arrangements, it was agreed by the Fund's advisors that any impact to the funding level from interest rates and inflation would be matched with a corresponding impact on the liabilities, giving rise to a net nil impact overall in the modelling. The Trustee recognises that there are likely to be slight mismatches in the hedging of the liabilities' interest rates and inflation sensitives, which could lead to small impacts overall. By calculating the portfolio's weighted average impact, factoring in the meaningful allocation to LDI given this approach, this gives rise to a significant dampening of the severity of potential scenario impacts.

In relation to the employer covenant for the DB arrangements, limitations include:

- Quantifying the potential financial impact of climate-related risks and opportunities on the employer covenant in relation to the DB arrangements is highly complex and subjective. Therefore, any attempt to estimate the financial impact on the participating employers is entirely illustrative and the actual impact could be materially higher or lower. The Trustee recognises that analysing covenant risk becomes more difficult and uncertain over the longer term.

2.6 Scenario Analysis – Concluding Remarks and Next Steps

For the DB arrangements of the Fund, the net funding impact, and employer covenant of the UKRF were projected to be adversely impacted by climate change under all three scenarios modelled. To the extent that any impact on the Fund's assets is not offset by an opposite impact on the Fund's liabilities, the Trustee recognises a potential increase in funding needs and, therefore, increased reliance on the employer covenant.

The assets of the DC arrangements were also expected to be adversely impacted by climate change under all three scenarios modelled. The Disorderly Transition scenario was estimated to have the largest impact on members' pension pots for each of the popular arrangements assessed. It was observed that members with more than 10 years to retirement were more exposed to climate-related risks with exposure to risks modelled to reduce as members get closer to retirement. The Trustee notes the importance of continuing to monitor climate-related risks and exploring opportunities to reduce carbon emissions in line with its ambitions and in order to mitigate the UKRF's exposure to climate-related risks. There remains uncertainty over the possible impacts of climate change on the UKRF and the timeframe over which these could materialise. The Trustee recognises that projected impacts are likely to be less accurate as longer time periods are assessed. This means the estimated impact on the investment and funding strategy may appear more, or less, favourable than the true, realised impact. Recognising these limitations, the Trustee will continue to evolve its methodology over time in line with emerging best-practice.

In the meantime, the Trustee continues to implement and research measures by which to mitigate the impact of climate change in the best interests of the UKRF's members, whilst also considering the broader implications of climate change on society. Please see the Risk Management Section of this report for details of the mitigating actions undertaken by the Trustee during the reporting period.

The consideration of climate-related risks and opportunities will continue to be incorporated into all elements of the Trustee's investment and funding strategy, including the strategic asset allocation process, investment manager selection, and ongoing portfolio monitoring.

3. Risk Management

This section describes how the Trustee identifies, assesses, and manages climate-related risks, and how these processes were integrated into the Fund's overall risk management for the year from 1 October 2023 to 30 September 2024.

3.1 Integration of Climate-related Risks into the Fund's Overall Risk Management

Climate change was the subject of specific risk management, measurement, and stewardship efforts as part of the UKRF's wider investment and RI activities over the year to 30 September 2024. The Trustee's approach to climate change is set in the context of the overall RI strategy. One of the principles is: "Climate-related risks should be managed in line with the Fund's overall risk management and included in its risk management framework."

As noted in the Governance Section, the Trustee maintains a Climate Change Risk Management Policy ('CCRMP'). This policy further integrates the Trustee's processes for managing climate-related risks into its overall risk management processes, including the UKRF risk register. It documents the Trustees' approach to identifying, assessing, and managing risks specifically related to climate change. The CCRMP was reviewed by the Trustee during the period and updated to reflect changes to its climate governance processes.

3.2 Identifying and Assessing Climate-related Risks and Opportunities

The Trustee expects the identification and assessment of climate-related risks and opportunities to be incorporated into all elements of the Fund's investment approach. This includes strategic asset allocation, through investment manager selection and portfolio monitoring. As part of the strategic asset allocation process, ESG factors (including climate-related risks and opportunities) are considered. This ensures that asset and liability risk-return assumptions take these issues into account appropriately.

The Trustee considers the long-term sustainability of the Fund's investment strategy to be of primary importance.

When selecting the Fund's underlying third-party investment managers, the investment managers' policy towards and approach to identifying climate-related issues are important factors in the process. Investment managers are required to report to OPAM on how climate-related risks and opportunities are incorporated into their investment processes, where appropriate.

To identify and assess climate-related risks throughout the year to 30 September 2024, OPAM continued to conduct Portfolio Review Meetings monthly. The meetings serve as a forum for reviewing the Fund's climate-related risks. On a quarterly basis, OPAM reviews climate analytics that encapsulate portfolio-level climate metrics and stress test analysis intended to track the evolution of the UKRF's investments over time and progress against its decarbonisation ambitions. Items discussed at the meetings include:

- Deep dive analysis on the quarterly movement in the carbon intensity of the portfolio, splitting carbon movements across factors such as security turnover and foreign exchange movements. This contributes to a better understanding of the carbon drivers in the portfolio, providing useful background for monitoring meetings.
- Quarterly papers that provide updates on ESG bonds, such as the ESG fund flows and bond supplies. These are leveraged for discussions, serving as a useful input for the monitoring of investments given the holdings in such bonds.
- Quarterly movements of ESG metrics against historical levels relative to a benchmark. Commentary is provided on key movements to understand how the fund is positioned in relation to the market and movements are used to track the fund's decarbonisation progress.

On an ad-hoc basis, OPAM also includes deep-dive analysis on specific areas and metrics of interest to the Trustee. Where OPAM defines a climate-related risk as significant following its analysis, it conducts further assessments. This includes, for example, analysing trends in a portfolio's net zero pathway based on Science Based Targets or its emissions intensity over time. If deemed necessary, OPAM conducts more granular analysis involving detailed discussion and challenge over specific holdings with the portfolio investment manager. Where appropriate, OPAM makes clear what corrective steps the investment manager is expected to follow.

Whilst there are no immediate obligations for asset owners, the Trustee recognises biodiversity and nature loss as a systemic risk for investors to manage. The Trustee (through OPAM) continues to explore investment managers' approach to nature, and how nature-related risks and opportunities are embedded into engagement, portfolio monitoring and assessment processes.

Updated scenario analysis was carried out in the year to 30 September 2024 to identify climate-related risks and opportunities and assess the possible impact on Fund assets (DB and DC), liabilities (DB only) and employer covenant (DB only) under different climate scenarios. The aim of this exercise was to support the Trustee in identifying key climate-related risks, assessing the potential impact of such risks under different climate scenarios, and assessing the resilience of the Fund's funding and investment strategy (see Section 2). Some of the resulting actions from this exercise are described in Section 3.3.

For this TCFD report, the Trustee has approved the use of climate metric data provided by the Fund's respective investment managers. This is discussed in more detail in the Metrics Section.

3.3a Mitigation of Climate-related Risks Through Stewardship

The Trustee delegates responsibility for risk management to OPAM. Risks are managed and mitigated through stewardship and strategic decision making.

Effective stewardship is important to protect and enhance the value of investments. In selecting investment managers, the investment managers' policy on and approach to stewardship is an important factor in the process. The Trustee expects its investment managers to adhere to the principles within the UK Stewardship Code and encourages its investment managers to apply the principles of the Stewardship Code to both UK and overseas holdings where possible.

Cognisant of the positive impact engagement can have on the UKRF's investments, the Trustee proactively engages with entities (such as company management, industry groups, and investment managers) through Hermes EOS, who provide targeted engagement for the DB assets only, on behalf of the UKRF and other clients.

OPAM is responsible for monitoring the engagement steps taken by EOS in relation to climate-related risks and opportunities. OPAM holds quarterly meetings with EOS, which provide a platform for discussing progress and outcomes relating to key priorities areas, with a focus on engagement, particularly around climate issues. OPAM also directly engages with investment managers if they appear not to have implemented the Trustee's policies.

Further details on the UKRF's climate-related stewardship, voting activity and subsequent outcomes can be found within the annual UK Stewardship Code report and SIP Implementation Statement.

3.3b Mitigation of Climate-related Risks Through Industry Collaboration

As outlined in the Governance Section, the Trustee believes that collaborative initiatives can be a powerful tool to remain abreast of industry developments and to achieve its climate ambitions. Where an appropriate opportunity arises to contribute to ongoing research or participate in collaborative working groups, the Trustee looks to do so.

During the reporting period, the Trustee, via OPAM, contributed to the research being carried out by the IIGCC. In particular, the Trustee, via OPAM, participated in the IIGCC Asset Owner Alignment Working Group and IIGCC Bondholder Stewardship Working Group. Previous involvement by OPAM has included contributing to the now published Asset Owner Stewardship Questionnaire, which serves as guidance to the Net Zero Stewardship Toolkit and aims to support asset managers, investment consultants and investment managers with a consistent approach to the incorporation of climate stewardship.

3.3c Mitigation of Climate-related Risks Through Targeted Engagement

Listed Credit

The Trustee invests in listed credit via both its Buy & Maintain Credit and Corporate Credit portfolios.
The two investment managers of the Buy & Maintain Credit portfolios invest in credit assets, such as corporate bonds, with a relatively long (10+ years) time horizon that are rated as Investment Grade by recognised credit rating agencies. The bonds in this portfolio are typically held until maturity. These two mandates had assets under management of c.£4.2bn as of September 2024 and constituted 85.1% of the listed credit mandates.

The investment managers of the Corporate Credit portfolios also invest in credit assets, such as corporate bonds. The difference for the Corporate Credit investment managers compared to the Buy & Maintain Credit investment managers is that there is more scope for the underlying investment managers to hold short-dated assets and to actively buy and sell the assets in the portfolio, rather than hold them until they mature. The four mandates making up the Corporate Credit portfolio had assets under management of £730m as of September 2024 and constituted the remaining 14.9% of the listed credit mandates.

Over the year to 30 September 2024, OPAM:

- Continued to perform, monitor and review ESG analytics on the Fund's listed credit mandates (both the Buy & Maintain Credit and Corporate Credit portfolios referenced in the Metrics Section). The annual OPAM ESG & Sustainability Questionnaire was sent to investment managers.
  The questionnaire comprised quantitative and qualitative questions across: Policy and Governance; Investment Monitoring; Stewardship; Collaboration; and Reporting.
- Provided quarterly updates to the Investment Committee with a focus on portfolio progress and priorities.
- Engaged with the listed credit investment managers on the quality of carbon emissions data and reporting, including scope 3 carbon emissions, discussing the methodology around the assessment of scope 3 emissions and the use of the IIGCC Net Zero Alignment Framework.

Property Portfolio

The investment managers of the property portfolios invest in commercial and industrial real estate for the UKRF across the UK and Europe. As of September 2024, the value of these portfolios was c.£1.3bn.

The UKRF submitted its two property funds to the Global Real Estate Sustainability Benchmark ('GRESB') framework and is working with both managers to help measure the carbon footprint of the portfolios by making use of the European Union's Carbon Risk Real Estate Monitor ('CRREM') tool and third-party advisors. The aim of this analysis is to identify the risk of stranded assets in the portfolio as a result of climate change and possible mitigation steps the investment managers could take. In this context, stranded assets refer to properties which do not meet future market expectations for climate resilience and therefore may be exposed to devaluations unless action is taken to implement climate-related risk reduction initiatives.

The CRREM tool is under further development and OPAM continues to engage with the Fund's managers to collect relevant data necessary to develop carbon reduction initiatives, improve the assessment of the portfolios' energy-efficiency and help inform actions relating to energy-efficiency decisions within the property mandates.

As part of the ongoing investment monitoring, OPAM regularly challenges the UKRF property investment managers to improve their annual GRESB score. This is included within each investment manager's annual objectives, ensuring that progress is regularly tracked and assessed.

Infrastructure Debt Portfolio

The investment managers of the infrastructure debt portfolios invest in credit assets linked directly to infrastructure projects for the UKRF. As of September 2024, the value of these portfolios was c.£814m.

Over the year to 30 September 2024, OPAM engaged with the UKRF's infrastructure debt managers to understand engagement initiatives with underlying companies and further improve reporting in relation to engagement progress, key milestones, and performance indicators.

3.3d Mitigation of Climate-related Risks and Exploration of Climate-related Opportunities through Investment Action

The Trustee, with support from OPAM and its investment advisors, also maintains investments in assets that have positive RI and climate characteristics (for example Green Gilts). These assets can help reduce the UKRF's exposure to significant physical and transition climate-related risks but also offer opportunities to contribute to the transition to a more sustainable world. The collective aim of these investments is to provide capital growth with the prospect of income over the long-term without affecting return. Over the year to 30 September 2024, OPAM worked with the investment managers of the Fund's listed credit mandates to explore further opportunities for investments in climate solutions.

4. Metrics and Targets

This section details the metrics used by the Trustee to identify climate-related risks and monitors progress made against the Trustee's emission reduction ambitions during the year from 1 October 2023 to 30 September 2024.

Section 4	Metrics and Targets: What does this Section Cover?
4.1	Details of the Climate Metrics Used by the Trustee
4.2	Methodological Considerations
4.3	DB Arrangements – Climate Metrics Results
4.4	DC Arrangements – Climate Metrics Results
4.5a	The Trustee's Climate Ambitions
4.5b	Performance Against Targets
4.6	Climate Metrics and Targets Concluding Remarks

4.1 Details of the Climate Metrics Used by the Trustee

As noted in the Risk Management Section, OPAM, on behalf of the Trustee, make use of climate metrics to quantitatively identify and manage the Fund's exposure to climate-related risks and resultant opportunities. In developing and calculating the metrics, the Trustee has aligned its approach with the Regulations, and with emerging best practice.

The table overleaf details the Trustee's chosen metrics and the calculation methodologies. The metrics are unchanged from last year's report. The Trustee will continue to consider the suitability of each metric to assess the climate-related risks and opportunities faced by the UKRF as part of its ongoing monitoring.

Metric	Answers the Question	Methodology
Metric 1 –Absolute Emissions (Total Emissions – (tCO2e))	What are the total absolute carbon equivalent emissions that are attributable to the investment portfolio?	Measures the total absolute emissions (Scope 1, 2 and 3 – see Section 4.2) associated with a portfolio. The emissions attributable to the UKRF are based on its equity or fixed income ownership share across the total capital structure of an underlying issuer.
Metric 2 – Emissions Intensity[1] (tCO2e / £m invested)	How carbon efficient is the investment portfolio per million pounds invested?	Measures the total emissions of the UKRF's investments, normalised by the total value of the portfolio.
Metric 3 – Data Quality (% of portfolio for which Scope 1, 2 and 3 carbon equivalent emissions are reported)	What proportion of the investment portfolio has emissions data to determine Metric 1 (absolute emissions) and Metric 2 (emissions intensity) and, where data is available, what proportion is reported vs estimated?	Based on the percentage of underlying holdings that have carbon equivalent emissions data. It aims to serve as a proxy for the quality of the overall data.
Metric 4 – Portfolio Alignment with Science-Based Targets initiative ('SBTi[2]') (% Issuers classified as SBTi approved)	What proportion of the investment portfolio is invested in companies that have an approved science-based emissions reduction target?	Identifies companies which have an SBTi approved pathway to reduce their GHG emissions consistent with the goals of the Paris Agreement – limiting global warming to 1.5°C above pre-industrial levels.

See footnotes in Appendix E

4.2 Methodological Considerations

Emissions data

The absolute emissions and emissions intensity metrics in this report cover the Scope 1, 2 and 3 emissions of the assets held in the UKRF's portfolio. The emissions are defined as:

- Scope 1 – direct GHG emissions from owned or controlled sources. For example, from combustion in furnaces within a company's facilities or company-owned vehicles.
- Scope 2 – indirect emissions from the generation of purchased energy. For example, from the electricity consumed by a company but generated elsewhere.
- Scope 3 – all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. For example, the emissions associated with air travel would represent Scope 3 emissions for the oil and gas company that provides the aircraft's fuel.

Please see the newsroom article on carbon emissions for further information on GHG emission scopes.

To allow appropriate comparison against the prior year, and in accordance with the Regulations, Scope 3 absolute emissions, emissions intensity and data quality are presented separately to Scope 1 and Scope 2 emissions.

There remain challenges around the robustness of climate data. To help address this, the Trustee has obtained all emissions data available from the investment managers. This has enabled both OPAM and the Trustee's advisor to perform reasonableness checks on the data provided by the investment managers and raise queries, where appropriate. Specific data queries were raised where differences were deemed material (with materiality thresholds agreed prior to carrying out checks), there were unexplained gaps in data, or there was not a clear explanation for data trends.

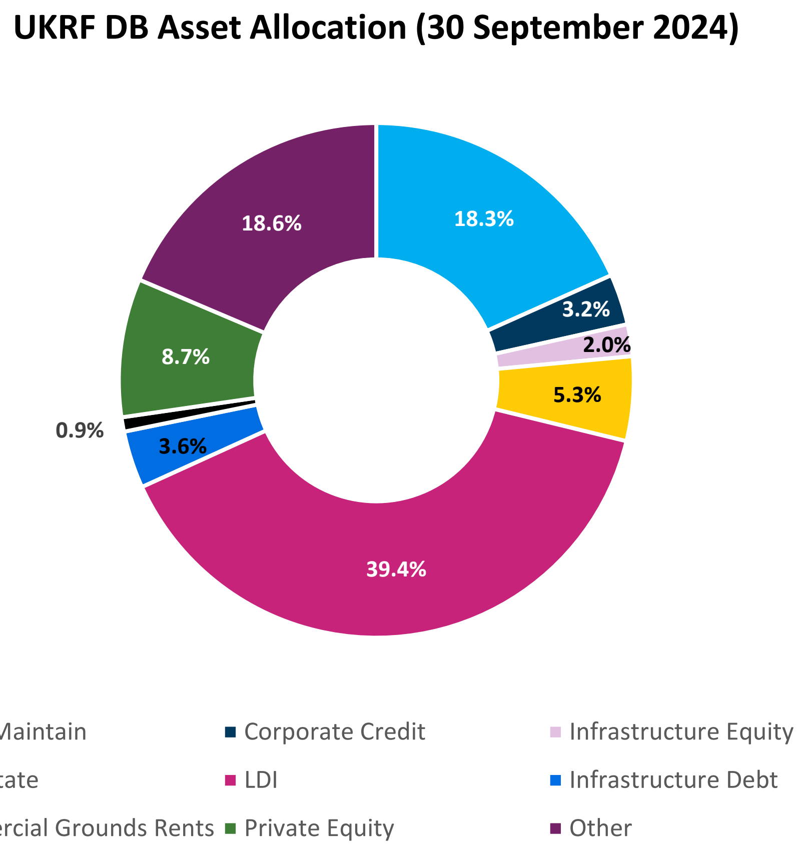
The Trustee expects data quality and availability to improve over time as public disclosures and industry consensus on appropriate methodologies develop. The Trustee will therefore continue to review its approach to calculating climate metrics to align the UKRF with industry best practice as it evolves.

Additional details and information on methodological considerations are provided in Appendix D.

4.3 DB Arrangements – Climate Metrics Results

DB Investment Portfolio Asset Allocation

The figure below outlines the UKRF DB arrangements' asset allocation as of 30 September 2024. The total investment asset value was £22.8bn.



DB Investment Portfolio Description

The table below sets out the level at which the Trustee has aggregated its assets to report on its four metrics. The Trustee is reporting separately on each portfolio within the DB arrangements of the UKRF and the table below provides more detail on the asset classes that sit within each portfolio.

Portfolio	What does it Invest in?	Asset Categorisation
Buy & Maintain Credit	Credit assets, such as corporate bonds, with a relatively long (10+ years) time horizon that were rated as Investment Grade by recognised credit rating agencies. The assets in this portfolio are typically held until they mature.	Liquid assets
Corporate Credit	Credit assets, but with more scope for the underlying investment managers to hold short-dated assets and to actively buy and sell the assets in the portfolio, rather than hold them until they mature.	Liquid assets
Infrastructure Equity	Renewable energy infrastructure assets which generate electricity from renewable energy sources.	Illiquid assets
Real Estate	Portfolios of commercial and industrial real estate across the UK and Europe.	Illiquid assets
Liability Driven Investment ('LDI')	Predominantly in UK gilts, cash, and derivatives.	LDI
Infrastructure Debt	Credit assets linked directly to infrastructure projects, including UK and core European renewable energy generation and social housing.	Illiquid assets
Commercial Ground Rents	Portfolio of long dated leases based on the freehold of an operational real estate asset.	Illiquid assets
Private Equity	Equity that is not publicly listed or traded, such as shares of limited liability partnerships, investments in authorised unit trusts and in mezzanine financing.	Illiquid assets
Other	This refers to assets for which it was not possible to estimate the Trustee's chosen metrics. This includes some illiquid assets and assets held for longevity hedging purposes.	Illiquid assets

Summary of DB results

The results of the analysis as of 30 September 2024 for the Trustee's chosen climate metrics for the DB arrangements of the Fund are summarised on the following pages.

The Trustee has obtained emissions data for portfolios covering 81.3% of the UKRF DB arrangements. Data was unavailable for asset classes that were categorised under "Other," which made up 18.6% of the DB arrangements, down from 31.3% for the 2023 report.

Metric 1 (Absolute Emissions), Metric 2 (Emissions Intensity) – Scope 1 and 2

Portfolio	Absolute Emissions (tCO2e)		Percentage Change in Absolute Emissions	Emissions Intensity (tCO2e/£m)		Percentage Change in Emissions Intensity
	2023	2024		2023	2024	
Buy & Maintain Credit portfolio	177,081	174,906	-1.2%	54.2	55.1[1]	1.6%
Corporate Credit portfolio	25,877	20,435	-21.0%	47.9	35.6[1]	-25.5%
Infrastructure Equity Fund 1[2]	3,921[3]	4,427	12.9%	18.1[3]	21.5	18.6%
Infrastructure Equity Fund 2[3,4]	Not available	3	Not applicable	Not available	0.0	Not applicable
Real Estate Fund 1[2]	686	1,100	60.4%	0.7	2.0	172.6%
Real Estate Fund 2[5]	256	309	21.0%	2.5	2.3	-7.5%
LDI Portfolio 1a[6]	Not available	535,397	Not applicable	197.8	168.4	-14.9%
LDI Portfolio 1b[6]	1,446	1,052	-27.2%	Not available	2.9	Not applicable
LDI Portfolio 2[3,6]	Comparable data not available	443,545	Not applicable	160.9	160.8[1,7]	-0.1%
Infrastructure Debt Fund 1[2]	150	157	4.7%	6.0	6.4	7.3%
Infrastructure Debt Fund 2[8]	80,479	51,759	-35.7%	103.5	53.0	-48.8%
Private Equity[4]	Not available	58,914	Not applicable	Not available	28.8[1]	Not applicable

See footnotes in Appendix E.

Metric 1 (Absolute Emissions), Metric 2 (Emissions Intensity) – Scope 3

Portfolio	Absolute Emissions (tCO2e)		Percentage Change in Absolute Emissions	Emissions Intensity (tCO2e/£m)		Percentage Change in Emissions Intensity
	2023	2024		2023	2024	
Buy & Maintain Credit portfolio	1,158,24	1,596,885	37.9%	354.9	503.1[1]	41.8%
Corporate Credit portfolio	198,968	139,048	-30.1%	390.1	312.9[1]	-19.8%
Infrastructure Equity Fund 1[2]	6,415	1,932	-69.9%	Not available	9.4	Not applicable
Infrastructure Equity Fund 2[4]	1,879	458	-75.6%	7.0	2.1	-70.2%
Real Estate Fund 1[2]	4,914	5,939	20.9%	10.8	8.7	-19.7%
Real Estate Fund 2[5]	4,418	7,593	71.9%	16.7	16.0	-4.1%
LDI Portfolio 1a	Not available	Not available	Not applicable	Not available	Not available	Not applicable
LDI Portfolio 1b	Not available	Not available	Not applicable	Not available	Not available	Not applicable
LDI Portfolio 2[3]	Comparable data not available	292,170	Not applicable	Not available	Not available	Not applicable
Infrastructure Debt Fund 1[2]	3,793	4,360	15.0%	152.0	179.0	17.8%
Infrastructure Debt Fund 2[8]	61,265	44,355	-27.6%	78.8	52.0	-34.0%
Commercial Ground Rents[2]	2,570	3,293	28.1%	12.3	16.4	34.2%
Private Equity[4]	Not available	707,275	Not applicable	Not available	345.2[1]	Not applicable

See footnotes in Appendix E.

Metric 3: Data Quality

A summary of data coverage for the DB arrangements of the Fund is set out in the table below. This is at an aggregate level and shows an increase in data coverage for the year to 30 September 2024 compared to the previous year. Improving data coverage continues to be a key area of focus for the Trustee.

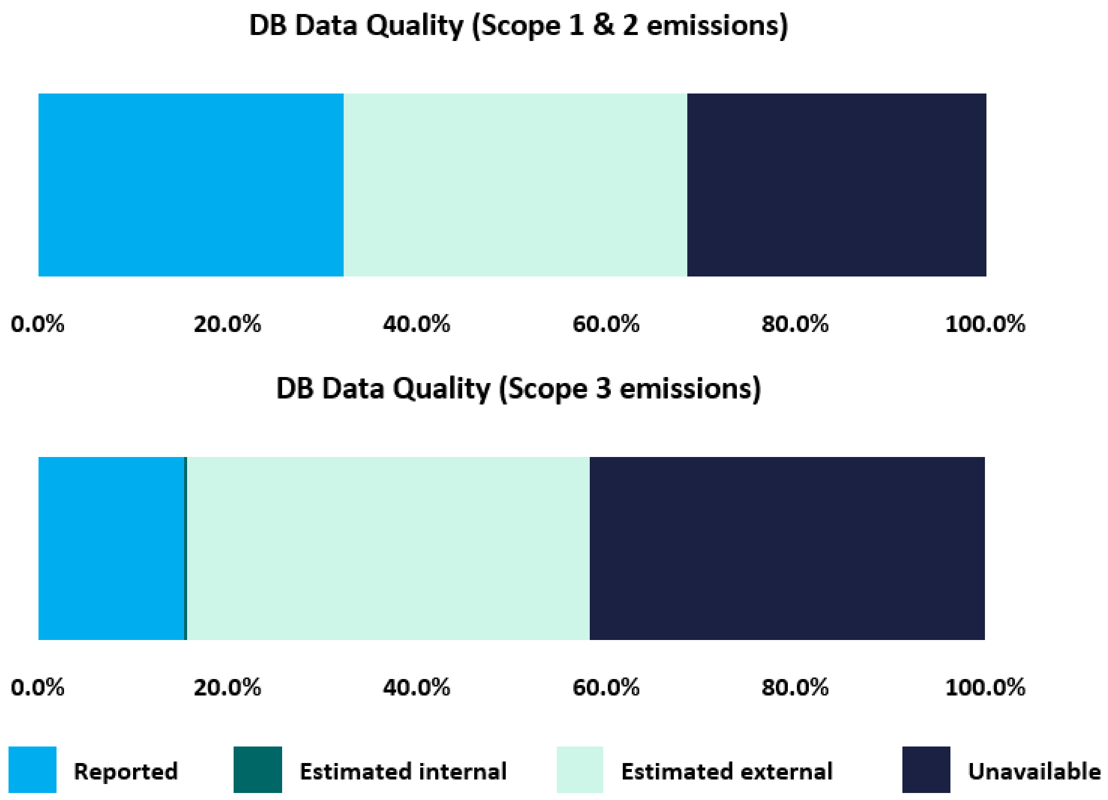
Emissions Data	Data Coverage 2023	Data Coverage 2024
Scope 1 and 2	42.4%	68.5%
Scope 3	29.1%	58.3%

The table below shows the breakdown of data coverage for the emissions metrics for the portfolios in the DB arrangements of the UKRF as of 30 September 2024.

Portfolio	Scope 1 and 2 Data Coverage		Change in Data Coverage (% points ('ppts'))	Scope 3 Data Coverage		Change in Data Coverage (ppts)
	2023	2024		2023	2024	
Buy & Maintain Credit portfolio	80.0%	76.0%	-4.0	78.4%	75.8%	-2.6
Corporate Credit portfolio	71.0%[9]	70.9%	-0.1	54.3%[9]	59.8%	5.5
Infrastructure Equity Fund 1[2]	100%	100%	0.0	100%	100%	0.0
Infrastructure Equity Fund 2[4]	100%	100%	0.0	100%	100%	0.0
Real Estate Fund 1[2]	100%	100%	0.0	48.4%	78.0%	29.6
Real Estate Fund 2	27.7%	28.0%	0.3	72.3%	100%	27.7
LDI Portfolio 1a	100%	100%	0.0	Not available	Not available	Not applicable
LDI Portfolio 1b	100%	100%	0.0	Not available	Not available	Not applicable
LDI Portfolio 2[3]	19.4%	81.5%[10]	62.1	12.3%	81.5%[10]	69.2
Infrastructure Debt Fund 1[2]	55.1%	59.9%	4.8	55.1%	59.9%	4.8
Infrastructure Debt Fund 2[8]	100%	97.0%	-3.0	100%	84.5%	-15.5
Commercial Ground Rents[2]	100%	100%	0.0	100%	100%	0.0
Private Equity[4]	Not available	100%	Not applicable	Not applicable	100%	Not applicable

See footnotes in Appendix E.

The figures below show the breakdown of emissions-based data quality for the DB arrangements of the UKRF as of 30 September 2024. This considers what proportion of emissions data received from the investment managers was reported vs estimated as well as what proportion of data was unavailable.



Data quality for Scope 1 and 2 emissions data was 68.5%, which comprised of 32.2% reported data and 36.4% estimated data. This represents a 26.1 ppts improvement when compared with last year. The 31.5% of assets for which data was unavailable included the Fund's investments in some illiquid assets, such as assets held specifically for longevity hedging purposes.

Data quality for Scope 3 emissions was lower at 58.3%, which comprised of 15.4% reported data and 42.9% estimated data. This represents a 29.2 ppts improvement when compared with last year. The 41.7% of assets for which data was unavailable included some of the Fund's investments in gilts, private equity, and other illiquid assets.

Metric 4 (Portfolio Alignment)

Portfolio alignment scores were only calculated for assets issued by corporate entities as shown in the table below. The metric was not applicable to assets issued by non-corporate entities, such as public-sector institutions and governments. It has also not been applied to most of the UKRF DB arrangements' private or physical assets, such as real estate.

Portfolio	Portfolio Alignment (SBTi Score %)		Change in Portfolio Alignment Score (ppts)
	2023	2024	
Buy & Maintain Credit portfolio	37.5%	38.0%	0.5
Corporate Credit portfolio	22.7%	23.8%	1.1
Infrastructure Debt Fund 2	Not available	5.0%	Not applicable

Commentary on Findings by Asset Type

Liquid Assets (Listed Credit: Buy & Maintain Credit and Corporate Credit)

The Trustee defines liquid assets as those that can be converted into cash in very short timeframes (e.g. one month maximum).

The Trustee noted the following:

Buy & Maintain Credit portfolio

- Similarly to last year, the Buy & Maintain Credit portfolio had the largest absolute emissions and emissions intensity. This reflected the relative size of the portfolio.
- Scope 1 and 2 absolute emissions and emissions intensity stayed relatively flat year on year, noting emissions intensity decreased absent exchange rate movements.
- Scope 3 absolute emissions increased over the year. Drivers for the increase included increased emissions from the capital goods sector, which the Buy & Maintain portfolio is exposed to, and a change in approach to reporting to include estimates from MSCI, noting this has also improved Scope 3 data coverage for one of the Buy & Maintain funds.
- Similarly, Scope 3 emissions intensity increased for the Buy & Maintain Credit portfolio, driven partially by exchange rate movements, as well as the increase in Scope 3 absolute emissions.
- Data coverage decreased slightly year on year.
- Approximately 38.0% of the issuers in the Buy & Maintain Credit portfolio were assessed as Paris-aligned, an improvement of 0.5 ppts from last year.

Corporate Credit portfolio

- Absolute emissions and emissions intensity decreased for Scope 1 and 2 and Scope 3 emissions for the Corporate Credit portfolio. Drivers for the reduction included decarbonisation activities of the investment managers and underlying issuers in the period, including reductions in the portfolio weighting of the highest emitting securities.
- Data coverage was largely flat year on year with a small improvement in Scope 3 emissions data coverage.
- Approximately 23.8% of the issuers in the Corporate Credit portfolio were assessed as Paris-aligned, an improvement of 1.1 ppts from last year.

Illiquid Assets

The Trustee defines illiquid assets as those that cannot be converted quickly into cash for their fair market value. This includes Infrastructure Equity, Infrastructure Debt, Real Estate, Commercial Ground Rents and Private Equity. Investment managers took different approaches to estimating the absolute emissions and emissions intensity metrics across the illiquid assets held.

The Trustee noted the following observations:

- Emissions intensity was generally lower for the illiquid asset portfolios than for the liquid asset portfolios.
- Data availability improved in the year, including emissions-based metrics being available for the Private Equity portfolio for the first time. This will allow greater insight as the UKRF looks to decarbonise going forward.
- As a result of the increase in data availability, there was an overall increase in absolute emissions and emissions intensity for the illiquid mandates.
- However, year on year movements varied by portfolio. Scope 1 and 2 absolute emissions and emissions intensity reduced for the Infrastructure Debt Fund 2, but increased for Infrastructure Equity Fund 1, Real Estate Fund 1, and Infrastructure Debt Fund 1.
- Drivers for the increases in Scope 1 and 2 absolute emissions included higher occupancy rates driving increased utilities usage (for real estate), as well as improved data coverage for some mandates in the period.
- Scope 3 emissions and emissions intensity reduced for Infrastructure Equity Fund and Infrastructure Debt Fund 2 but increased for Infrastructure Debt Fund 1 and Commercial Ground Rents.
- For some mandates it was not possible to consider year on year movements as the approach taken to collect/ estimate data changed in the year.
- As noted in Section 4.2, the Trustee was unable to apply the portfolio alignment metric to these assets, apart from the Infrastructure Debt Fund 2.

LDI

LDI serves as a risk management tool that allows the Trustee to manage interest rate and inflation volatility. Derivatives and UK government bonds make up the majority of the LDI portfolios. This is the first year that the Trustee has reported absolute emissions for the LDI portfolios as there was previously a lack of market consensus on reporting an investor’s absolute emissions or emissions intensity for derivatives and challenges around estimating UK government bonds (e.g. double counting corporate emissions within sovereign emissions). Year on year comparisons should be available in the 2025 report.

4.4 DC Arrangements – Climate Metrics Results

The results of the analysis of the Trustee's chosen climate metrics as of 30 September 2024 for the funds that make up the UKRF Lifestyle Fund ranges and the Global (ex-UK) Equity Index Fund and the UK Equity Index Fund, that classify as popular arrangements, are shown in the following section.

The absolute emissions, emissions intensity, data quality metrics and portfolio alignment metrics were calculated by BlackRock, the UKRF's DC investment manager. Further information on each of the DC funds is included below.

DC Investment Portfolio Description

The table below describes the assets invested in each of the Default Lifestyle ranges and self-select popular arrangements in the DC arrangements of the Fund.

Fund	What does it Invest in?
Diversified Growth Fund	Invests in a range of asset classes including equities, bonds, and property. There is an additional focus on RI characteristics.
Over 15 Years UK Gilt Index Fund	UK government fixed income bonds (gilts) that have a maturity period of 15 years or longer and pay interest at a fixed rate.
Cash Fund	Short-term money market instruments and overnight deposits.
Global (ex-UK) Equity Index Fund	Shares of overseas companies listed in markets around the world.
UK Equity Index Fund	Shares of companies listed in the UK.

Summary of DC Results

Metric 1 (Absolute Emissions), Metric 2 (Emissions Intensity) – Scope 1 and 2

Portfolio	Absolute Emissions (tCO2e)		Percentage Change in Absolute Emissions	Emissions Intensity (tCO2e/£m)		Percentage Change in Emissions Intensity
	2023	2024		2023	2024[1]	
Diversified Growth Fund	22,615	56,110[2]	148.1%	41.2	54.9	33.0%
Over 15 Years UK Gilt Index Fund[3]	Not available	Not available	Not applicable	160.7	185.9[4]	15.7%
Cash Fund	70	61	-13.3%	0.9	0.7	-18.9%
Global (ex-UK) Equity Index Fund	19,506	20,875	6.6%	58.8	51.9	-11.8%
UK Equity Index Fund	8,465	8,498	0.4%	83.8	79.0	-5.8%

Note: DC analysis provided by BlackRock. Please refer to the data disclaimer in Appendix D.

See footnotes in Appendix E.

Metric 1 (Absolute Emissions), Metric 2 (Emissions Intensity) – Scope 3

Portfolio	Absolute Emissions (tCO2e)		Percentage Change in Absolute Emissions	Emissions Intensity (tCO2e/£m)		Percentage Change in Emissions Intensity
	2023	2024		2023	2024[1]	
Diversified Growth Fund	222,822	325,993	46.3%	433.4	318.8	-26.4%
Over 15 Years UK Gilt Index Fund[3]	Not available	Not available	Not applicable	Not available	Not available	Not applicable
Cash Fund	6,984	8,117	16.2%	110.8	107.5	-3.0%
Global (ex-UK) Equity Index Fund	140,722	137,566	-2.2%	440.9	371.4	-15.8%
UK Equity Index Fund	94,616	94,398	-0.2%	983.8	942.9	-4.2%

See footnotes in Appendix E.

Metric 3: Data Quality (%)

The data used to calculate the emissions-based metrics for the DC arrangements of the Fund was completed using a line-by-line format by BlackRock, the UKRF's DC investment manager. The Trustee noted that it was not possible to achieve 100% coverage of the assets within these funds. A summary of data coverage for the DC arrangements of the Fund is set out in the table below. This is at an aggregate level covering the applicable funds (Default Lifestyle ranges and self-select popular arrangements) and shows a slight decrease in data coverage for Scope 1 and 2 emissions and an increase in data coverage for Scope 3 emissions for the year to 30 September 2024. Improving data coverage was, and continues to be, a key area of focus for the Trustee.

Emissions Data	Data Coverage 2023	Data Coverage 2024
Scope 1 and 2	84.6%	82.5%
Scope 3	62.8%	82.5%

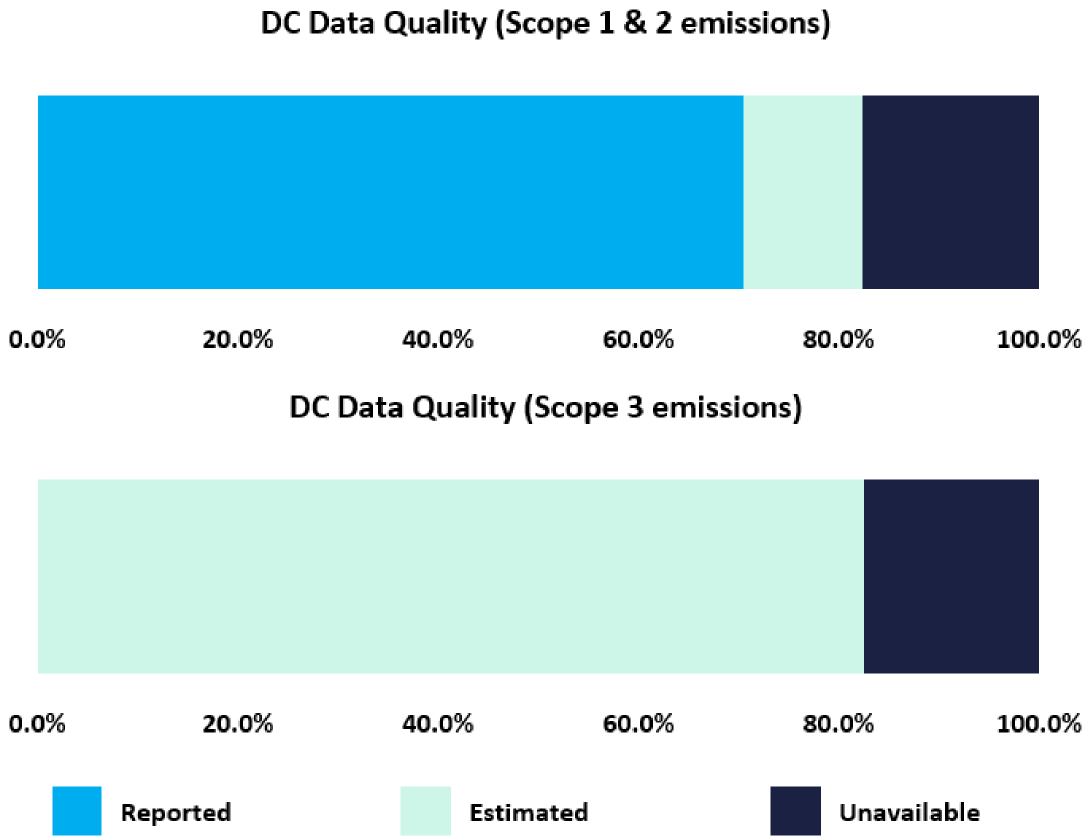
The table below shows the breakdown of data availability for the emissions metrics at a portfolio level for the applicable funds in the DC arrangements of the UKRF as of 30 September 2024.

Scope 1, 2 and 3 Emissions-based Data Coverage

Portfolio	Scope 1 and 2 Data Coverage		Change in Data Coverage (ppts)	Scope 3 Data Coverage		Change in Data Coverage (ppts)
	2023	2024		2023	2024	
Diversified Growth Fund[2]	96.6%	94.7%	-1.9	61.2%	94.8%	33.6
Over 15 Years UK Gilt Index Fund	Not available	Not available	Not applicable	Not available	Not available	Not applicable
Cash Fund	89.8%	90.3%	0.5	71.8%	90.3%	18.5
Global (ex-UK) Equity Index Fund	99.3%	99.2%	-0.1	99.4%	99.2%	-0.2
UK Equity Index Fund	95.2%	95.0%	-0.2	93.1%	95.1%	2.0

See footnotes in Appendix E.

The figures below show the breakdown of emissions-based data quality for the DC arrangements of the UKRF as of 30 September 2024. Data quality considers what proportion of emissions data received from the DC investment manager was reported vs estimated as well as what proportion of data was unavailable.



Data quality for Scope 1 and 2 emissions data was 82.5%, which comprised of 70.5% reported data and 12.0% estimated data. This represents a slight reduction of 2.1 ppts compared with last year.

Data quality for Scope 3 emissions was similar at 82.5%, but all available Scope 3 data was estimated. This represents an increase of 19.7 ppts from 62.8% in 2023.

Metric 4 (Portfolio Alignment)

Portfolio	Portfolio Alignment (SBTi Score %) 2023	Portfolio Alignment (SBTi Score %) 2024	Change in Portfolio Alignment Score (ppts)
Diversified Growth Fund	37.0%	37.4%	0.4
Over 15 Years UK Gilt Index Fund	Not available	Not available	Not applicable
Cash Fund	6.6%	4.7%	-1.9
Global (ex-UK) Equity Index Fund	40.4%	46.3%	5.9
UK Equity Index Fund	45.6%	55.1%	9.4

Commentary on Findings

The Trustee noted the following:

Default Lifestyle Funds

- The Diversified Growth Fund had the largest absolute emissions of the DC funds and had the largest assets under management (c.57.0% of DC assets).
- Scope 1 and 2 and Scope 3 absolute emissions and Scope 1 and 2 emissions intensity increased year on year for the Diversified Growth Fund. The increase in Scope 1 and 2 absolute emissions was largely driven by emissions exposure to CDX instruments (swaps), for which emissions data was not available in the prior year.
- As a result of the size of the Diversified Growth Fund relative to the other DC Funds in scope, the increase in absolute emissions and emissions intensity for the Diversified Growth Fund meant absolute emissions and emissions intensity increased year on year for the DC arrangements on aggregate.
- The Over 15 Years UK Gilt Index Fund was the most emissions intensive fund and emissions intensity for Scope 1 and 2 emissions increased in the year. The fund is made up of UK gilts. The approach to calculating emissions intensity is different to the other DC funds and considers the fund's exposure to the UK economy rather than specific assets.
- Scope 1 and 2 absolute emissions and emissions intensity are small for the UK Cash Fund relative to the other DC funds and reduced in the year. The UK Cash Fund represents 5.4% of DC assets.
- Scope 3 data coverage improved for the Cash Fund resulting in higher absolute emissions.

Self-select popular arrangements

- For the Global (ex-UK) Equity Index Fund, emissions intensity for Scope 1, 2 and 3 emissions reduced in the year to 30 September 2024, largely driven by a decrease in the carbon footprint of the assets held in the Energy and Materials sector.
- Approximately 46.3% of the issuers in the Global (ex-UK) Equity Index Fund were assessed as Paris-aligned, an improvement of 5.9 ppts from last year.
- For the UK Equity Index Fund, emissions intensity reduced slightly year on year.

- Approximately 55.1% of the issuers in the UK Equity Index Fund were assessed as Paris-aligned, an improvement of 9.4 ppts from last year.
- Data coverage remained broadly flat for both self-select funds in scope.

4.5a The Trustee's Climate Ambitions

The Trustee acknowledges that the wide-ranging impact of climate change – on the natural environment, on industry, and society – may impact its ability to invest the UKRF's assets optimally over the long-term. As a result, in 2021, the Trustee announced its ambition to align the Fund's investment strategy with the goals of the Paris Agreement. The Trustee's ambition is to reduce the carbon equivalent emissions of the Fund's assets to net zero by 2050 or sooner, with a 50% reduction in emissions intensity by 2030 against a baseline as of 31 December 2020.

The Trustee considered this appropriate in the context of its fiduciary duty to run the UKRF in the best interests of its members. With input from OPAM and the Trustee's external advisors, the Trustee assessed the feasibility of this ambition in the context of planned changes to the Fund's asset allocation over time and the "passive decarbonisation" of the UKRF's portfolio that could result from changes to the global economy. The Trustee will continue to keep its climate ambitions under review with support from its advisors and investment managers.

Measuring Progress against the Trustee's Ambitions

The 2050 ambition applies to all assets in the UKRF. The baseline for the 2050 ambition includes estimated emissions for all DB and DC assets so progress against this ambition may be overstated as emissions data coverage as of 30 September 2024 was not 100%.

The 2030 ambition is set against a baseline that includes listed credit assets only for the DB arrangements of the Fund and the Default Lifestyle ranges for the DC arrangements of the Fund. The Default Lifestyle ranges include the Diversified Growth Fund, the Over 15 Years UK Gilt Index Fund, and the Cash Fund. The applicable funds accounted for 21.4% of DB assets and 65.2% of DC assets as of 30 September 2024. The baseline excludes other asset classes for DB due to data availability and reliability at the time the baseline was calculated, and it excludes the self-select funds for DC as the Trustee is less able to influence the carbon emissions trajectory of the self-select funds, given the allocation to these funds relies on member choices. As data quality, coverage and methodology evolve, the Trustee will consider including further asset classes within the 2020 baselines.

To measure progress against its 2030 ambition, the Trustee calculates the weighted average emissions intensity of the applicable assets using Scope 1 and 2 emissions data. This approach is in line with the baseline methodology.

Both ambitions include Scope 1 and 2 emissions only.

To calculate performance against its ambitions, the Trustee continues to measure the Fund's absolute emissions and emissions intensity metrics and track its progress. Progress to 30 September 2024 is included in Section 4.5b.

4.5b Performance Against Targets

The performance against the Trustee's ambitions for the DB arrangements as of 30 September 2024, is shown in the table below.

DB Arrangements

Metric	Measurement	Target Year	31/12/2020 Baseline	30/09/2023	30/09/2024
Emissions Intensity	tCO2e / £m	2030	80.2	53.2	52.2
Absolute emissions[1]	tCO2e	2050	1,030,452	288,449[2]	312,009

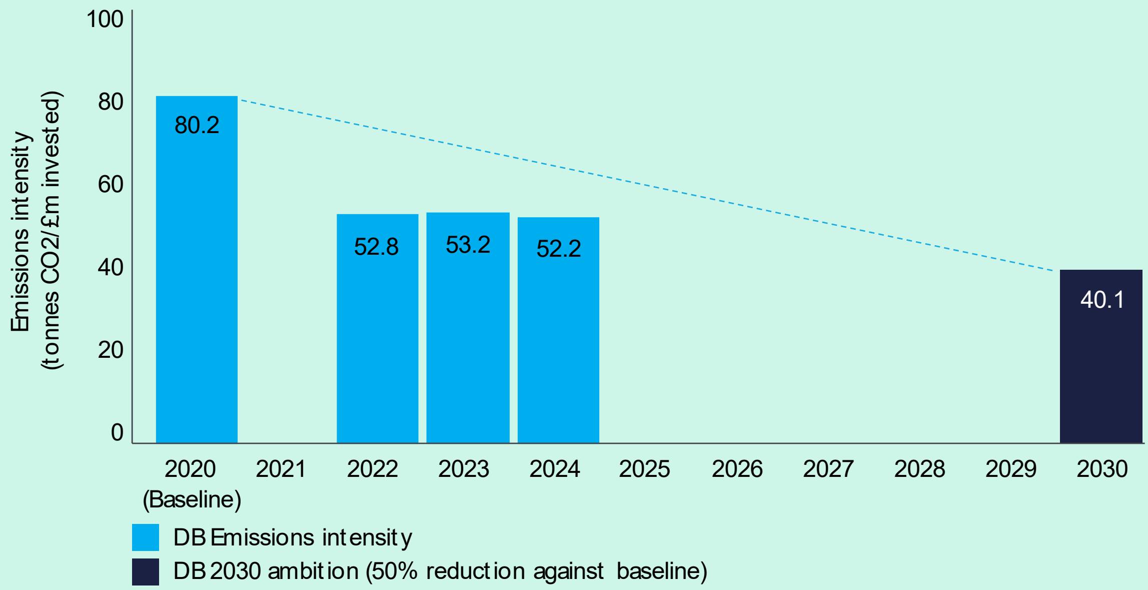
See footnotes in Appendix E.

The baseline emissions intensity as of 31 December 2020 was 80.2tCO2e/£m. This was calculated using individual security holdings data for the listed credit assets. The Trustee noted a 34.9% reduction against the baseline emissions intensity as of 30 September 2024. This compares to the 2030 ambition of a 50% reduction. Year on year, emissions intensity was relatively flat.

There may be some volatility in emissions intensity as the Trustee continues to monitor this metric as emissions intensity can be impacted by various factors, including changes in absolute emissions, market valuations and interest and exchange rate movements.

Progress made to date towards the Trustee's 2030 ambition is also set out in the chart below.

Trajectory to the Trustee's 2030 ambition (DB)



Trajectory to the Trustee's 2030 ambitions (DB)

34.9%

DB reduction from 2020-2024

The baseline absolute emissions as of 31 December 2020 was 1,030,452 tCO2e. This was calculated using individual security holdings data for the listed credit assets and asset class proxies for the remaining DB assets. In the year to 30 September 2024, absolute emissions were 69.7% lower than the baseline. This may overstate actual progress as emissions data is not yet available for all DB assets and cash and gilts have not been attributed emissions in the baseline and are therefore not included in the 2024 numbers for the purposes of this comparison.

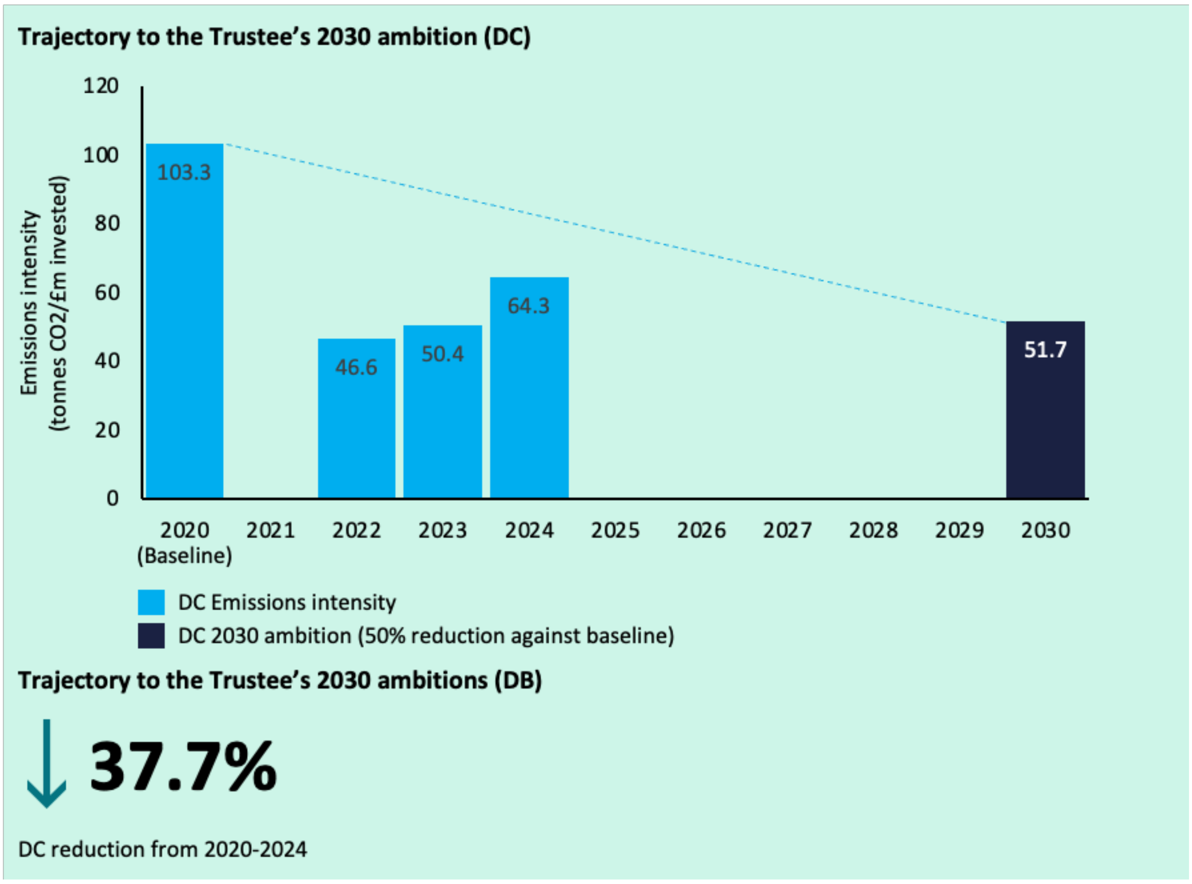
Year on year, absolute emissions have increased 8.2%. This is as a result of an improvement in data coverage, for example the investment manager for the private equity portfolio has provided absolute emissions for the first time for the year to 30 September 2024.

DC Arrangements

Metric	Measurement	Target Year	31/12/2020 Baseline	30/09/2023	30/09/2024
Emissions Intensity	tCO2e / £m	2030	103.3	50.4	64.3
Absolute emissions	tCO2e	2050	104,292	50,656	85,454

The baseline emissions intensity as of 31 December 2020 was 103.3tCO2e/£m. This was calculated using the weighted average emissions intensity of the Default Lifestyle ranges. Although the Trustee noted an overall 37.7% reduction against the baseline emissions intensity as of 30 September 2024, there was an increase of 27.7% relative to the 2023 position, which is illustrated by the chart overleaf. Over the last year, carbon emissions intensity data for additional portfolio assets became available, and this resulted in an overall increase in the portfolio carbon emissions intensity. An increase in portfolio carbon emissions intensity due to increased data coverage occurs as more companies are included in the portfolio analysis, and the newly added companies are, on average, more carbon-intensive than the assets included in the previous analysis. Despite this increase, the Trustee remains on track relative to its 2030 interim ambition. Emissions intensity fell for the two self-select funds not included in the baseline calculation.

The chart below shows progress made against the Trustee's 2030 ambition.



The baseline absolute emissions as of 31 December 2020 was 104,292tCO_2e. This was calculated for all DC assets. In the year to 30 September 2024, absolute emissions were 18.1% lower than the baseline, but up year on year. As stated above, this is largely due to exposure to carbon emissions of the CDX instruments (swaps) held by the Diversified Growth Fund, for which emissions data was not available in the prior year. There was also an increase in the value of assets under management held by the UKRF in its DC arrangements.

Trustee action to achieve its ambitions

The Trustee is taking the following steps to achieve its ambitions:

- Applying targeted engagement with the Fund's investment managers focussed on decarbonisation amongst high emitting assets;
- Further integrating climate considerations into investment decision making;
- Collaborating with other industry participants to support decarbonisation efforts (see Governance Section for more details);
- Exploring low-carbon alternative investment options;

- Monitoring the Fund's investment managers of all portfolios to ensure they are taking necessary action to align their portfolios with the Trustee's climate-related objectives; and
- Monitoring voting activities, carried out by the investment managers, to encourage investee companies to take a long-term, responsible approach to business strategy.

4.6 – Climate Metrics and Targets Concluding Remarks

Overall, progress has been made towards the Trustee's 2030 ambition since 2020. However, the Trustee notes that the impact of increased data availability, particularly in relation to exposure to the carbon emissions of the CDX instruments (swaps) has contributed to an increase in the DC emissions intensity in 2024 compared to prior year. This has resulted in an adverse trend towards the Trustee's 2030 target. The Trustee will continue to monitor the impact of data on progress towards its 2030 ambition.

To be able to make well-informed decisions, the Trustee requires accurate data that covers a sizeable proportion of its assets across both the DB and DC arrangements of the UKRF. The Trustee identified some data coverage issues that constrained its investment decision making in relation to climate-related risks and opportunities. The Trustee will continue to work with its investment managers and is supportive of future industry developments to improve the scope and quality of analysis as a result.

The Trustee notes that the metrics and analysis included within this report are subject to change as industry best practice and methodologies evolve. It is also taking action to improve data availability, quality, and coverage over time, facilitating broader coverage of asset classes. The Trustee will endeavour to clearly signpost any changes to the metrics in future reports.

Appendices

Appendix A: Glossary of Technical Terms

Technical Term	Description/ Definition
Baseline	The position as of 31 December 2020 against which progress is measured when considering the Trustee's climate ambitions.
BPFTL	Barclays Pension Funds Trustees Limited.
CCRMP	The Trustee's Climate Change Risk Management Policy, which sets out the climate-related investment principles of the Barclays Bank UK Retirement Fund.
CRREM	The European Union's Carbon Risk Real Estate Monitor tool. See Appendix B.
Defined Benefit (DB)	A type of pension scheme in which an employer promises a specified schedule of pension payments during retirement that is predetermined by a formula based on the employee's earnings history (e.g. final salary or average salary), tenure of service and age, rather than depending directly on individual investment returns.
Defined Contribution (DC)	A type of pension scheme, also known as a money purchase scheme, which provides retirement savings from the fund built up from contributions paid and investment returns achieved. Contributions may be made by the employer and/or employee and include any contributions made via salary sacrifice.
EOS	Hermes Equity Ownership Services Limited.
ESG	Environmental, Social, Governance.
Federated Hermes	Hermes Equity Ownership Services Limited.
Greenhouse gas (GHG)	Gases that trap heat in the Earth's atmosphere.
Gilts	UK Government Bonds.
GRESB	The Global Real Estate Sustainability Benchmark. GRESB is an independent organisation providing validated Environmental, Social and Governance performance data and peer benchmarks.
IAMA	Investment Advisory Management Agreement. This is the document that governs the delegation of investment management activity by the Trustee to Oak Pensions Asset Management (OPAM).
IIGCC	Institutional Investors Group on Climate Change, a European membership body for the investment community.
LTO	Long Term Objective.

Technical Term	Description/ Definition
FRC	Financial Reporting Council, an independent regulator in the United Kingdom (UK) and Ireland, responsible for regulating auditors, accountants and actuaries and setting the UK's Corporate Governance and Stewardship Codes.
MSCI	Morgan Stanley Capital International. MSCI is a provider of decision-support tools and services, including climate metrics, for the global investment community.
Net Funding Level	The net funding level refers to the difference between a pension scheme's assets and its liabilities, indicating whether the scheme has a surplus or deficit.
OPAM	Oak Pensions Asset Management. The Trustee appointed OPAM to act in a fiduciary capacity with regards to investing the assets of the Fund. This means that OPAM has responsibility for managing the assets of the UKRF on behalf of the Trustee with a view to achieving the Trustee's investment objectives.
ppts	Percentage points.
PRI	Principles for Responsible Investment. The United Nations supported Principles for Responsible Investment describe six principles covering Environmental, Social and Governance issues and how these impact the investment decision process. The Trustee is a signatory to those principles.
PRA	Prudential Regulation Authority. The PRA is regulatory body for financial services in the United Kingdom.
RI	Responsible Investment.
SBTi	Science-Based Targets initiative, which defines and promotes best practice in science-based target setting.
Strategic Investment Advisor	Redington for DB arrangements and scenario analysis for TCFD reporting Barnett Waddingham for DC arrangements.
Swaps	A type of derivative contract that exists between two parties that have agreed to exchange the cash flows or liabilities from different financial instruments for an agreed upon length of time.
TCFD	Task Force on Climate-related Financial Disclosures. The Task Force was created in 2015 to improve and increase reporting of climate-related financial information.
The Fund	The Barclays Bank UK Retirement Fund.
The Regulations	The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and The Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021.
tPR	The Pensions Regulator. TPR regulates work-based pension schemes in the United Kingdom.

Technical Term	Description/ Definition
Technical Provisions	As part of the triennial valuation, Technical Provisions liabilities are calculated by valuing the benefits payable in the future to members and their dependants, by separating the value of benefits earned to date and those arising in respect of future service. They are calculated using assumptions agreed by the Trustee and Barclays specific to the UKRF's individual circumstances and by considering the Trustee's assessment of the strength of the employer covenant.
Trustee	Barclays Pension Funds Trustees Limited.
UKRF	The Barclays Bank UK Retirement Fund.

Appendix B: Carbon Risk Real Estate Monitor ('CRREM') tool

The CRREM Risk Assessment Tool to identify stranded assets is designed for asset owners and investors to understand the climate risks inherent in their real estate portfolio. CRREM has derived decarbonisation pathways by breaking down the global anthropogenic GHG emissions budget that is consistent with the Paris Climate Agreement towards individual countries, the commercial real estate sector, property types and individual assets. The CRREM tool offers the possibility to evaluate the progress of a portfolio's carbon reduction performance against reduction targets (the developed "pathways") in line with the Paris Agreement.

The CRREM tool helps to identify which properties will be at risk of stranding due to the expected increase in stringent building codes, regulation, and carbon prices. It also enables an analysis of the effects of refurbishing single properties on the total carbon performance of a company, including by assessing emissions related to the embodied carbon of the energetic retrofit itself. Further details can be found in the Carbon Risk Real Estate Monitor document.

Appendix C: European Union's Climate Transition Benchmark

The European Union's Climate Transition Benchmark aims to assist in meeting the decarbonisation objectives set by the European Union's Sustainable Finance Action Plan. It incorporates specific objectives related to GHG emission reductions and the transition to a low-carbon economy through the selection and weighting of underlying constituents.

Further details can be found in the Commission Delegated Regulation (EU) 2020/1816 of 17 July 2020.

Appendix D: Data Disclaimer

- This report was prepared by Barclays Pension Funds Trustees Limited in accordance with The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and the Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021 along with the subsequent statutory guidance released by the Department for Work and Pensions in 2022 (collectively 'the Regulations' in this document). As stated within the report, there are inherent limitations in the provision and quality of the data provided by investment managers. Whilst the Trustee has sought to perform checks of the data where possible, the data has not been fully audited.
- All absolute emissions, emissions intensity, data quality and portfolio alignment metrics have been obtained from the appointed investment managers. Whilst the Trustee's advisors and OPAM have undertaken some checks on the figures provided, the Trustee cannot be held responsible for errors in the emissions data.
- The emissions data for the Buy & Maintain mandate, Corporate Credit mandates, Infrastructure Equity, Real Estate Fund 1, Real Estate Fund 2, Infrastructure Debt Fund 1, Infrastructure Debt Fund 2, Commercial Ground Rents, and Private Equity were calculated and provided by the UKRF's respective investment managers.
- The emissions data for the LDI Fund 1 was calculated by Insight Investment Management. The following inputs and assumptions apply:

To calculate the emissions attributable to Gilts, Insight have used the latest annual Scope 1 and Scope 2 CO2e emissions data produced by the Department for Energy Security & Net Zero and apportioned these figures to the total market value of Gilts and in issuance as of 30 September 2024. Gilts posted out as collateral by the UKRF are included in the gilt valuations and gilts received as collateral are excluded. Interest rate swaps, inflation swaps, futures, cash, and money market fund holdings have all been excluded. Scope 3 emissions are not included.

- The emissions data for part of the Corporate Credit mandate, LDI Fund 2, Diversified Growth Fund, Global (ex-UK) Equity Index Fund, Cash Fund, UK Equity Index Fund and Over 15 Years UK Gilt Index Fund were calculated by Blackrock Investment Management (UK) Limited. The emissions data for these assets is from MSCI and Blackrock internal estimates. Please see MSCI data disclosure below:

Certain information contained herein (the Information) has been provided by MSCI ESG Research LLC, an RIA under the Investment Advisers Act of 1940 and may include data from its affiliates (including MSCI Inc and its subsidiaries ('MSCI')) (or third-party suppliers (each, an 'Information Provider'), and it may not be reproduced or disseminated in whole or in part without prior written permission. The Information has not been submitted to, nor received approval from, the US SEC or any other regulatory body. The Information may not be used to create any derivative works, or in connection with, nor does it constitute, an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy, nor should it be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Some funds may be based on or linked to MSCI indexes, and MSCI may be compensated based on the fund's assets under management or other measures. MSCI has established an information barrier between equity index research and certain Information. None of the Information in and of itself can be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided "as is" and the user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. Neither MSCI ESG Research LLC nor any Information Provider makes any representations or express or implied warranties (which are expressly disclaimed), nor shall they incur liability for any errors or omissions in the Information, or for any damages related thereto. The foregoing shall not exclude or limit any liability that may not be excluded or limited by applicable law MSCI ESG Research LLC and MSCI shall be deemed to be third party beneficiaries with respect to the terms of this paragraph, entitled to enforce such terms against any third party.

Appendix E: Metrics and Targets Footnotes

Metrics - Overview

1. Consistent with the GHG Protocol, measured as total carbon equivalent GHG emissions.
2. For more details, please visit: https://sciencebasedtargets.org/how-it-works

Metrics - DB arrangements

1. Emissions intensity has been converted (in full or in part) from USD to GBP using the rate \$1.3380: £1 as of 30 September 2024
2. Latest available data reported, which is as of 31 December 2023
3. Change in approach to estimating/calculating emissions means year on year comparisons are not appropriate.
4. Latest available data reported, which is as of 30 June 2024
5. Best estimates at the time of reporting
6. The portfolio invests in Gilts and financial derivatives. When assessing emissions and carbon footprint for the Gilts within the LDI portfolio, the data is derived from UK Government emissions data and UK GDP. However, due to the limited availability of granular data, the Fund's LDI manager has had to make several assumptions, including accounting for the emissions from the assets under repurchase agreements held to more accurately reflect the Fund's exposure.
7. Emissions intensity is sourced from sovereign metrics and relates to production intensity, which only captures Scope 1 emissions.
8. Latest available data reported, which is as of 31 March 2024
9. Prior year restated
10. Data coverage relates to the proportion of the fund that is invested in gilts which have emissions data available.

Metrics - DC arrangements

1. Emissions intensity has been converted (in full or in part) from USD to GBP using the rate \$.3380: £1 as of 30 September 2024.
2. Emissions figures for the Diversified Growth Fund provided relate to 54.7% of the fund’s holdings (including equities, bonds, and property assets), scaled up to 100% (or 82.5% based on notional value). This compares to 50.4% of the fund's holdings as of 30 September 2023 (or 69% based on notional value).
3. The investment manager for this portfolio was unable to provide an estimate of the absolute emissions attributable to the UKRF’s investment.
4. This figure represented the greenhouse gas intensity of an economy (in tonnes per GBP million GDP nominal).

Targets

1. Excludes LDI emissions as these assets have not been attributed emissions in the Investment Advisor's baseline calculation.
2. Prior year restated