CLIMATE-RELATED DISCLOSURE REPORT

Citi (UK) Pension Plan (the Plan)

A report for members by the Trustee of the Plan for the period 6 April 2024 to 5 April 2025

INTRODUCTION

Overview

This Climate Report has been prepared by the Trustee of the Plan to comply with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the Climate Regulations).

The Climate Regulations introduced requirements relating to the Trustee's governance and disclosure of climate-related risks and opportunities and are based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. The TCFD was set up in 2015 by the Financial Stability Board (an international body promoting financial stability) to improve climate-related financial disclosures.

This Climate Report explains how the Trustee has established and maintained oversight and processes to satisfy itself that the Plan's relevant climate-related risks and opportunities are identified, assessed and managed appropriately during the period 6 April 2024 to 5 April 2025 (the "Plan Year").

A short summary of the Climate Report is included below to help members to understand the key findings. A more detailed report then follows, split into four sections:

Section 1: **Governance** – The Trustee's governance around climate-related risks and opportunities

Section 2: **Strategy and scenario analysis** – The actual and potential impacts of climate-related risks and opportunities on the Trustee's investment strategy

Section 3: **Risk Management** – The processes used by the Trustee to identify, assess and manage climate-related risks in relation to the Plan

Section 4: **Metrics and Targets** – The metrics and targets used to assess and manage relevant climate-related risks and opportunities

These sections address the specific disclosure requirements in the Climate Regulations and have regard to the DWP's statutory guidance for trustees of occupational schemes on the governance and reporting of climate change risk (the "Statutory Guidance"). This Climate Report has also been prepared having regard to TPR's guidance on the governance and reporting of climate-related risks and opportunities, TPR's feedback to industry from their 2023 and 2024 reviews of occupational pension scheme TCFD reports and the DWP's guidance on stewardship.

Application of the Climate Regulations and Statutory Guidance to the Plan

The Plan is a defined contribution (DC) scheme. As at 5 April 2024 (the end of the last Plan year), the Plan had £2,009,489,000m in net assets. The Plan's assets are invested in a range of lifestyle strategies and self-select funds held on a platform via a unit linked insurance policy.

The requirements relating to strategy and scenario analysis and metrics relate to each 'popular arrangement' offered by a scheme. A popular arrangement is considered to be one in which £100m or more of the scheme's DC assets are invested, or which accounts for 10% or more of the DC assets used to provide money purchase benefits (excluding assets which are solely attributable to additional voluntary contributions). The main default arrangement in the Plan – the Drawdown Lifestyle strategy - is considered its only 'popular arrangement' for these purposes.

This is the third Climate Report published by the Trustee of the Plan. We hope you find it informative and welcome any feedback.

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This Climate Report is being published alongside the Plan's annual report and accounts for the Plan Year and is available online here: https://epa.towerswatson.com/accounts/citi/public/ifa-resource/

KEY MESSAGES

Scenario analysis

1. The Trustee decided to carry out new scenario analysis during the Plan Year, which was undertaken in October 2024.
2. The revised scenario analysis continues to indicate (again, noting the limitations set out in this Climate Report) Plan members will be subject to climate-related risks to varying degrees, with younger members seeing the biggest potential detrimental impact to their benefits.

Metrics and targets

1. The Trustee decided to retain its existing climate change metrics and targets.
2. The metrics that the Trustee is able to report on are still constrained by the data that investment managers can provide. As investment managers continue to adapt to the TCFD requirements, more consistent and reliable data is likely to become available. Appendix 3 sets out further information on the current issues with climate data.
3. The metrics demonstrate that that the Plan's equity allocation continues to be the most exposed of any asset class in the 'popular arrangement' to climate-related risks given the younger demographics of the Plan and members therefore having greatest exposure to growth assets in the form of equities. However, the switch from standard passive regional equity funds to low carbon alternatives in October 2023 reduced the equity holdings' Scope 1 and Scope 2 emissions significantly.
4. The metrics also show that the DGF allocation's carbon intensity appears to have increased. This is mainly the result of the consolidation of the DGF allocation for the Drawdown Lifestyle strategy into the L&G Diversified Fund, which primarily holds assets directly (meaning it is able to report on the climate impact of the majority of its holdings). Previously the Drawdown Lifestyle strategy also allocated to another DGF, BlackRock Market Advantage Fund which artificially reduced the overall emissions profile of the DGF allocation as it invested via a significant amount of derivatives, for which the data was unavailable.
5. The Plan has continued to make progress towards its chosen targets.

SUMMARY

The Trustee believes that climate change may represent a material financial risk to the Plan's investments.

Governance

The Trustee maintains appropriate internal controls and processes to ensure adequate oversight of climate-related risks and opportunities. These include:

- Maintaining a climate working group which serves as a focus group in relation to the detail of the Climate Regulations and Statutory Guidance and the wider consideration of climate-related risks and opportunities in relation to the Plan.
- Ensuring the Plan's investment advisers can demonstrate adequate climate-related expertise and consider climate-related risks and opportunities as part of their advice to the Trustee through ensuring environmental, social and governance (ESG) is incorporated into their objectives on which they are annually assessed.
- Ensuring investment managers have appropriate skills and processes to take account of climate change risks and opportunities through the Plan's investment advisers incorporating their assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement in their advice on the selection and ongoing review of the investment managers.
- Ensuring the Plan's investment managers are fully aware of the Trustee's stewardship priorities, one of which is climate change.

Metrics and targets

The Trustee decided to retain its existing climate change metrics and targets (set out below), which were adopted by the Trustee during the Plan year to 5 April 2023, to ensure consistency of reporting of the medium-term and to enable the Trustee to assess progress against these selected metrics.

Metrics

Metric	Selected
Absolute emissions	Total GHG emissions of Plan assets.
Emissions intensity	Carbon footprint, (this shows the total GHG emissions per unit of currency invested by the Plan).
Portfolio alignment	% of portfolio with Science-Based Targets (SBT) (this captures the percentage of portfolio companies which have set a voluntary decarbonization target using a science-based methodology).
Additional metric	Data coverage (calculating the % of the portfolio for which data is available). The Trustee believes this metric provides a useful "confidence indicator" in the accuracy of data available and is a useful tool in its efforts to manage climate risk by providing a basis for investors to encourage improvements in the quality of climate-related reporting that is available.

Metric	Target
Data coverage (calculating the % of the portfolio for which data is available).	The Trustee has agreed that by 31 March 2027, 100% of the equity holdings and 95% of the corporate bond and DGF holdings in the portfolio should have climate-related data available.
Portfolio Alignment	The Trustee has agreed that by 31 March 2032, 80% of the Plan's portfolio financed emissions should have science-based Net Zero targets (as currently measured by the SBT metric).

Targets

The results of this year's metrics analysis is reported in further detail in Section 4 of this Climate Report where an update on the performance against the targets is also provided.

Conclusions

The metrics demonstrate that the Plan's equity allocation is the most exposed of any asset class in the 'popular arrangement' to climate-related risks given the younger demographics of the Plan and members therefore having greatest exposure to growth assets in the form of equities. However, the switch from standard passive regional equity funds to low carbon alternatives in October 2023 reduced the equity holdings' Scope 1 and Scope 2 emissions significantly.

The emissions data coverage for the equity funds is high and has improved compared with last year following the investment changes implemented in the Drawdown Lifestyle strategy (October 2023). Data coverage for the Plan's DGF allocation has also improved as a result of the strategy changes made by the Trustee.

The proportion of each portfolio invested in companies with science-based targets remains low, though did improve over the Plan Year in all asset classes for which it is reported (i.e. equities, DGF, and corporate bonds). Notably, the Trustee's expectation that the proportion of the equity portfolio with science-based targets would increase due to the replacement of the strategic equity allocations with low carbon equivalents has been borne out in practice.

The Plan made progress towards its targets across both selected metrics (i.e. data coverage and portfolio alignment) and in all asset classes over the course of the Plan Year. This progress was underpinned by the investment strategy changes implemented in October 2023, specifically in relation to the equity and DGF allocations.

Assessment of climate-related risks and opportunities and scenario analysis

The Trustee has considered the type of climate-related risks the Plan could be exposed to (i.e. "physical" and "transition" risks over short-, medium- and long-term time horizons) and what climate change opportunities may look like.

The Trustee has identified and assessed the key risks and opportunities through a number of tools including risk registers, climate-related risks and opportunities dashboards and analysis of the climate metrics calculated during the Plan Year (see above). The Trustee wishes to note that poor data coverage continues to impact the Trustee's ability to assess climate-related risk and is an area the Trustee continues to seek improvements from its investment managers.

In addition, the Trustee decided to undertake revised climate scenario analysis during the Plan Year to help it assess the resilience of the Plan's investment strategy and the forward looking risks to members.

For the purposes of the revised scenario analysis, the Trustee decided to adopt three high-level climate scenarios based on different temperature rises. Further details on these are set out in Section 2 of this Climate Report.

Scenario #	Description
Scenario 1	1.5°C to 2°C temperature rise by 2100
Scenario 2	3°C temperature rise by 2100
Scenario 3	Temperature rise of 4°C or greater by 2100

Climate-related risks are driven by the equity and DGF allocations used in the Plan's Drawdown Lifestyle strategy. Given the age profile of the Plan (median age of 42, with a range of members between 18 and 80), the Trustee believes that both the physical and transition risks of climate change on financial markets will be significant to the Plan, and younger members who choose to remain invested beyond their target retirement age may be most exposed to the impact of physical risks, which would be most severe if Net Zero is not reached by 2050.

Older members (e.g. those around 5 years from retirement) will be most exposed to climate transition risks, in particular if Net Zero is achieved by 2050 but financial markets are slower to react and then react abruptly, such that they could see the value of their pot fall significantly and potentially impact their retirement plans. Members more than 5 years away from retirement will also be exposed to volatility related to heightened transition risks over the medium-term.

Deferred members of the Plan are more at risk from the impact of climate change on financial markets than active members due to the fact that they are no longer contributing to the Plan and therefore, do not benefit from the effect of 'pound cost averaging' over market cycles.

Management of climate change risks

During 2023, the Trustee replaced the regional passive equity funds used in the Drawdown Lifestyle strategy with climate-tilted alternatives as these funds benefit from a clear decarbonisation pathway that decreases exposure to stocks exposed to climate transition risk and increases exposure to those with green revenues. The impact of these changes is discussed further later in this Climate Report.

Stewardship is also used as a risk management tool. The Trustee has delegated to its investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustee has selected climate change as one of its stewardship priorities and has agreed that it will engage with investment managers to ensure they are exercising stewardship in support of alignment with Paris Agreement goals.

Signed:  Date: 30/09/2025

Chair of the Trustee

Section 1: Governance

This section describes the internal processes and controls that are in place to ensure adequate oversight of climate-related risks and opportunities. This includes the Trustee's approach to knowledge and understanding and the roles and responsibilities of the parties involved.

1. The Trustee's role

Investment beliefs on climate change

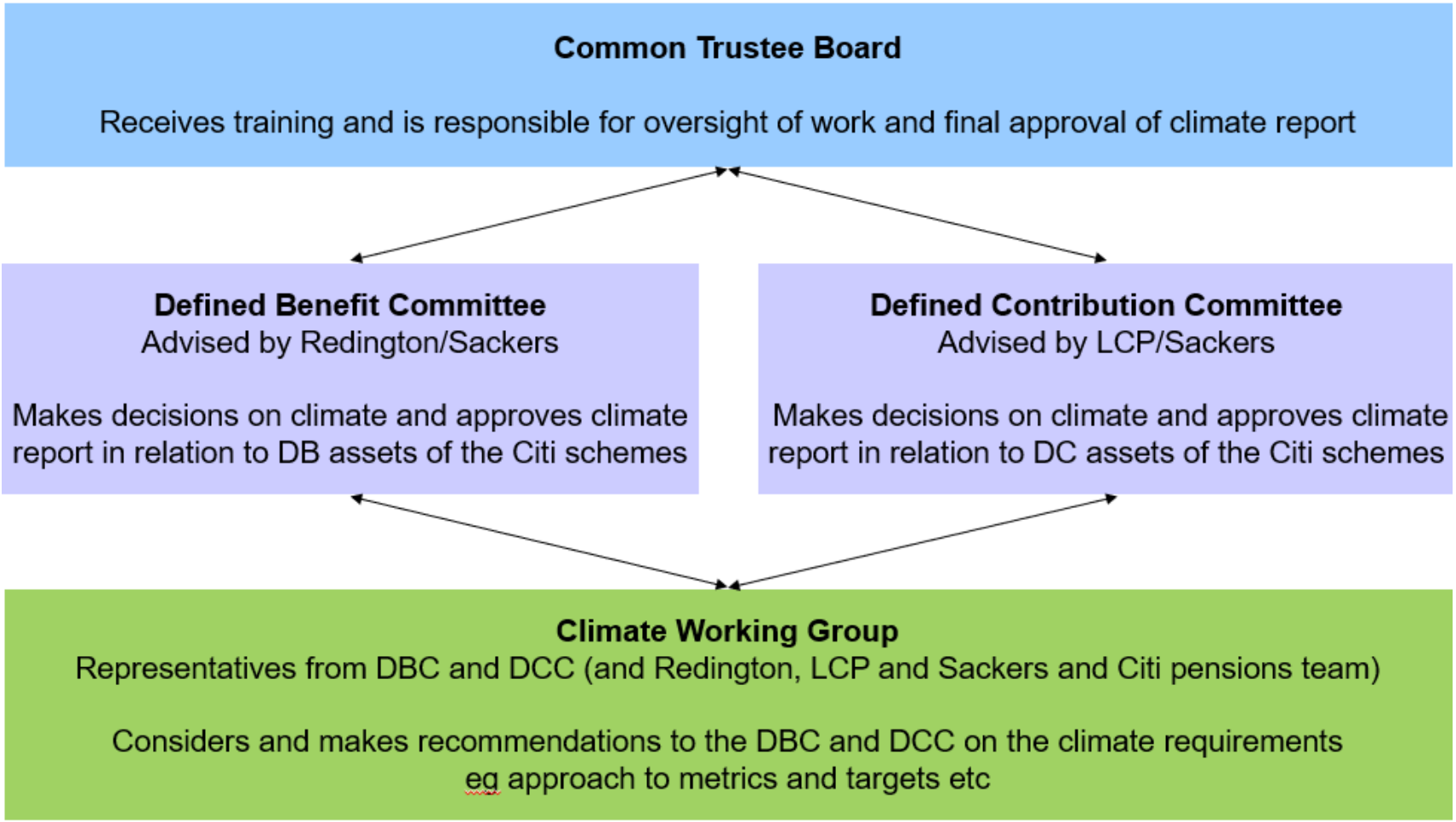
As stated in its Statement of Investment Principles, the Trustee believes that:

> *"Environmental, social and corporate governance (ESG) factors are sources of risk to the Plan's investments, some of which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks investment options that address these risks and to appoint investment managers who will manage these risks appropriately on their behalf where permissible within applicable guidelines and restrictions….*
>
> *… The Trustee does not take into account any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments. However, the Trustee recognises that some members may wish to invest specifically in ethical or Shariah compliant funds and offers members appropriate funds to achieve this."*

Climate governance structure

The diagram below sets out the internal governance structure for climate-related work that was agreed by the Trustee at the beginning of 2022 and has been in operation since.

This governance structure applies to all of Citi's occupational pension arrangements governed by the Trustee, some of which provide defined benefit 'DB' benefits. However for the purposes of the Plan, the Defined Benefit Committee 'DBC' and the DB advisers (noted below) are of no relevance.



Role of the Climate Working Group (CWG)

The Trustee decided it would be beneficial to maintain the CWG (comprising members of the DBC and Defined Contribution Committee 'DCC') during the Plan Year to serve as a focus group in relation to the detail of the Climate Regulations and Statutory Guidance and the wider consideration of climate-related risks and opportunities in relation to the Plan.

The CWG met twice during the course of the Plan Year. At those meetings, the CWG received input and guidance from the Plan's DB and DC investment advisers and legal advisers (and actuarial advisers) on the Climate Regulations and Statutory Guidance, the consideration of climate-related risks and opportunities and the actions/decisions required from the Trustee in relation to these.

Topics and documentation considered at those meetings relevant to the Plan included:

- ✓ The Trustee's existing metrics and targets and whether to update or change them;
- ✓ Updated climate scenario analysis provided by the Trustee's investment advisers; and
- ✓ Analysis of the metrics calculations carried out in the Plan Year and the impact of these and the updated scenario analysis on climate-related risks and opportunities.

The CWG considered the information and advice provided by the Plan's advisers. Under its terms of reference the CWG does not have decision-making powers but makes recommendations to the DCC.

Role of the Defined Contribution Committee (DCC)

The DCC is responsible, for making any decisions required around climate-related risks and opportunities in relation to the Plan and approving the Climate Report.

The DCC received an update (with recommendations where relevant) from the CWG following each of its meetings during the Plan Year and made decisions (where required) at those meetings. Decisions included whether to retain the existing metrics and targets and whether to re-run the Plan's scenario analysis.

The DCC sought input from and interrogated and challenged the advice from its investment advisers and legal advisers at the relevant meetings before making these decisions.

Role of the Combined Trustee Board (CTB)

The CTB is responsible for oversight of the climate work and has ultimate responsibility for compliance with the Climate Regulations and Statutory Guidance. It has responsibility for final approval of the Climate Report. It received regular updates from the DCC through the Plan Year.

Trustee training and knowledge

The CWG received ongoing training and guidance at its meetings during the Plan Year on the Trustee's obligations under the Climate Regulations and Statutory Guidance) including updated approaches to climate scenario analysis modelling.

The CWG concluded that no further training was required at the CTB level during the Plan Year.

As this is a developing area, the Trustee recognises that ongoing training is essential and continues to assess any skills gaps to determine any further training needs.

2. Other parties' and advisers' roles

The Trustee operates a governance model whereby it relies on advice for specific activities from professional advisers and it also relies on an in-house executive team for support. This includes in relation to the consideration of climate-related risks and opportunities. It also delegates responsibility for day-to-day decisions on investment management (including in relation to ESG and climate change) to its investment managers.

In-house pensions team

The secretary to the Plan (and other relevant individuals working within the Citi in-house pensions team where appropriate) attend all CWG, DBC and DCC and CTB meetings.

The secretary's role is to act as a point of continuity on climate change between the CWG, DBC and DCC and CTB, to aid the discussions around climate-related risks and opportunities (as appropriate), ensure adequate time and resources are being spent on relevant climate-related activities and that decisions were being taken by the relevant sub-committees at the correct points in time during the Plan Year. The Plan secretary does not make any decisions related to climate-related risks and opportunities.

Investment advisers

LCP is appointed as the Plan's investment consultant including to advise on climate-related risks and opportunities in respect of the Plan.

This advice was provided through the CWG and the DCC during the Plan Year specifically in relation to, (i) updated analysis on the Plan's chosen climate metrics and year-on-year performance against the selected climate targets, (ii) the provision of updated climate scenario analysis during the Plan Year and, (iii) the assessment of investment managers approaches to ESG and climate change. During the Plan Year LCP also provided ad hoc input during meetings of the CWG.

As part of all investment strategy changes, LCP also reviews the Responsible Investment (RI) credentials of any fund recommendations that are made to the Trustee. Fund RI credentials also feed into the ongoing monitoring of the suitability of funds used by the Plan.

Investment managers

The Trustee has delegated responsibility for the selection, retention and realisation of investments within all investment funds to the underlying investment managers (within certain guidelines and restrictions).

The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations) where permissible within the applicable guidelines and restrictions.

3. Trustee oversight

In house team

The Trustee ensured that the Plan secretary and other relevant members of the in-house team attended all CWG meetings to ensure they were kept abreast of the ongoing climate change requirements.

Advisers

It is the Trustee's policy to ensure its investment advisers can demonstrate adequate climate-related expertise and consider climate-related risks and opportunities as part of their advice to the Trustee.

The DCC, as part of its annual strategic investment consultant objectives has set the Plan's investment adviser (LCP) an objective to "help the DCC implement an investment strategy that integrates its policy on ESG (including climate change) and stewardship". The DCC reviewed LCP's performance against this objective during the Plan Year. The DCC were comfortable following this review that LCP had met this objective, and no further recommendations were made.

LCP are members of a number of bodies such as the Institutional Investors Group on Climate Change (IIGCC), Investment Consultants Sustainability Working Group (ICSWG), Net Zero Investment Consultant Initiative (NZICI), Pensions for Purpose and Glasgow Financial Alliance for Net Zero (GFANZ).

LCP's competence and expertise on climate-change is demonstrated through the fact they are signatories to the UK Stewardship Code and on an ongoing basis through the provision of timely, relevant, and accurate advice and guidance on the subject at CWG and DCC meetings.

Investment managers

The Trustee seeks to appoint managers that have appropriate skills and processes to take account of ESG (including climate change) risks and opportunities.

As part of their advice on the selection and ongoing review of the investment managers, the Plan's investment advisers incorporate into their assessment the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.

The Trustee (via the DCC) reviews LCP's RI scores for the Plan's existing investment managers and funds on a quarterly basis as part of the performance monitoring report. These scores cover the investment manager's approach to ESG factors, voting and engagement. Commentary is provided for any funds with lower RI scores so that the Trustee can monitor any steps being taken by the investment manager to improve these scores over time. In addition, an explanation is provided for any fund RI scores that change over the quarter. The fund scores and assessments are based on LCP's ongoing manager research programme, and it is these that directly affect LCP's investment manager and fund recommendations.

The Trustee has taken specific actions to address the climate risks faced by members. During the previous Plan year, the Trustee:

- replaced the L&G passive regional equity funds used in the blended funds (i.e. Growth Fund and Pre-Retirement Fund in the Drawdown Lifestyle Strategy with passive low carbon equity funds as an alternative; and
- introduced a new blended fund, the Early Stage Growth Fund, to the Drawdown Lifestyle Strategy for members 20 or more years from retirement. The passive equity allocations in this fund are also low carbon.

Section 2: Strategy and scenario analysis

This section describes the climate-related risks and opportunities the Trustee has identified over the short, medium and long-term.

There are two types of climate risk – physical risk and transition risk.

- Physical risks relate to the physical impacts of climate change (e.g. a rise in sea levels could result in flooding and mass migration).
- Transition risks are the risks of transitioning to a lower-carbon economy which may entail extensive policy, legal, technology and market changes (e.g. changes in industry regulation, consumer preferences and technology will take place and impact on current and future investments).

Climate-related opportunities are actions that the Trustee could take to better position the Plan's investment strategy to take advantage of the potential upside related to the climate transition, such as the emergence of new investment opportunities (e.g. new sectors, technologies, etc.). This may ultimately have a positive impact for members' investments.

1. Identification and assessment of climate-related risks and opportunities relevant to the Plan

Trustees are required to decide the short, medium and long-term time horizons that are relevant to their scheme. It is up to trustees how they determine their time horizons for the purpose of identifying and assessing climate-related risks and opportunities. Time horizons should be scheme-specific.

The Statutory Guidance recommends that trustees should take account of the following considerations when setting time horizons:

In a DC scheme or a DC section of a scheme, the likely time horizon over which current members' monies will be invested to and through retirement. This may be the longest time horizon they will need to consider.

The Trustee of the Plan has taken these considerations into account in the course of its discussions on the appropriate time horizons for the Plan. In setting the time horizons, the Trustee has taken account of the membership profile of the Plan and the timing of widely held future climate milestones. The Trustee has also had regard to TPR's guidance when considering which time horizons are appropriate for the Plan.

These time horizons informed the Trustee's climate-related considerations and decisions during the Plan Year.

What time periods has the Trustee defined as short term, medium term and long-term time horizons relevant to the Plan?

The Trustee has defined the time horizons set out in the table below for the Plan.

During the Plan Year, the Trustee reviewed the time horizons for the Plan which had been adopted by the Trustee in the Plan year to 5 April 2023 and decided to adopt these to reflect the proximity of key climate milestones.

Term	Time period	Rationale
Short	3 years from 5 April 2025	Improvements in climate data quality are expected over this period and in line with investment strategy review timescales
Medium	8 years from 5 April 2025	Key period over which policy action will determine if Paris Agreement goals are met
Long	30 years from 5 April 2025	To reflect the open nature of the Plan and its relatively young demographic and the fact that many economies are targeting Net Zero by 2050

The Trustee will continue to review the designated time periods at least every three years to tie-in with the Trustee's triennial investment reviews.

What climate-related risks and opportunities relevant to the Plan has the Trustee identified?

The Trustee has identified and assessed the risks and opportunities to the Plan over the short, medium, and long-term time horizons identified by the Trustee. At a high-level, the risks and opportunities identified are set out in the table below.

These risks and opportunities are considered further in the rest of this Climate Report.

Time Period	Key risks	Key opportunities
Short-term	Older members will be most exposed to transition risks, in particular under a Paris disorderly pathway, whereby a material market repricing event could see the value of their DC pot fall significantly and potentially impact their retirement plans.	Over the short-term, the various regulatory requirements highlight the huge opportunity for innovation to drive down carbon use across many industries through the creation and use of new technology.
Medium-term	Transition risks may still be heightened over the medium-term creating volatility. Market returns may be lower if disorderly transition harms economic performance.	Over the medium-term, new low carbon industries may emerge which the Trustee could take advantage of. This may require longer term funding to scale up to meet the low carbon transition goals.
Long-term	Physical risks are most severe in the Failed Transition pathway, impacting younger members (e.g. those 20 years or more from retirement).	Over the long-term, most companies should be Net Zero or even carbon negative if Paris goals are to be met. Opportunities will lie with those companies that position themselves before others to benefit from this transition.

How are these risks and opportunities expected to impact the Plan's investment strategy?

The potential impact of climate-related risks and opportunities on the Plan's investment strategy was explored by the CWG through their consideration of updated climate scenario analysis carried out during the Plan Year (see Section 2 below) and the most recent climate-related metrics calculated in the Plan Year (see Section 4 below).

The updated climate scenario analysis of the potential effects on member outcomes showed again that different groups within the Plan's membership are likely to be exposed to the impact of different types of climate risk on financial markets (e.g. transition risk, physical risk).

Analysis of the updated climate-related metrics during the Plan Year demonstrated that the Plan's equity allocation continues to be the most exposed of any asset class in the 'popular arrangements' to climate-related risks given the younger demographics of the Plan and members therefore having greatest exposure to growth assets in the form of equities.

The introduction of low carbon equity allocations in the blended funds underlying the Default lifestyle has reduced the carbon exposure of this asset class. These changes were implemented in October 2023 and the Trustee believes that in taking this opportunity the Plan is better placed to mitigate the climate-related risks members face to some extent.

The DCC also continues to receive regular updates on its investment adviser's view of the ESG credentials of its investment managers, including any material changes to those credentials that could have an impact on the performance of the default arrangements and self-select arrangements available to members of the Plan. This enables the DCC to assess the impact of ESG risks and opportunities on the Plan's investment arrangements, including those related to climate, on an ongoing basis.

2. Climate scenario analysis

Overview

This section of the Climate Report describes the resilience of the Plan's investment strategy taking into account different climate-related scenarios, (including one scenario where there is an increase in the global average temperature between 1.5 degrees Celsius to 2 degrees Celsius above pre-industrial levels, in line with the Paris Agreement goals) and the potential impacts on the Plan that these scenarios have identified.

The Trustee is required to carry out scenario analysis at least every three years and following any material changes to the Plan's 'popular arrangements'.

As set out in previous Climate Reports, the Trustee first undertook scenario analysis in November 2022. Following advice from the Plan's advisers, the Trustee decided to carry out new scenario analysis during the Plan Year, which was undertaken in October 2024.

The Trustee's overall approach to scenario analysis will continue to be assessed regularly for appropriateness and will be updated as best practice continues to develop in this area.

Climate Scenarios considered

When carrying out the revised scenario analysis, the Trustee decided to use 'white-labelled' temperature-based climate scenarios for the sake of consistency and improved comparability. These are set out in the table below):

Scenario	Description
Scenario 1	c.1.5°C to c.2°C temperature rise by 2100
Scenario 2	c.3°C temperature rise by 2100
Scenario 3	Temperature rise of c.4°C or greater by 2100

Further details of the key features of the underlying scenarios considered are set out in Appendix 2.

Modelling approach and Limitations

As the model used for the scenario analysis uses a 'top down' approach, investment market impacts are modelled as the average projected impacts for each asset class. However, in practice, the Plan's investments may not experience climate impacts in line with the market average. In addition, like most modelling of this type, the model does not allow for all potential climate-related impacts and, as such, is quite likely to underestimate some-climate related risks. The scenario analysis also makes no allowance for certain other risks / impacts, for example tail risks and other systemic risks.

Further details of the modelling approach (and the associated limitations) used by the Plan's investment advisers when carrying out the revised scenario analysis are set out in Appendix 2.

Scenario Analysis Results

The latest scenario analysis completed in October 2024 analysis looked at the retirement outcomes (in terms of the size of retirement pots) for individual members of different ages who are invested in the Drawdown Lifestyle strategy, the Plan's DC 'popular arrangement'. Scenarios were not considered for other lifestyle arrangements (i.e. the Annuity Lifestyle and Cash Lifestyle) or for the Plan's self-select funds.

All three scenarios envisage, on average, lower investment returns and these result in lower retirement outcomes for DC members. The scenario analysis also continued to highlight that Plan members will be subject to climate-related risks to varying degrees. In addition to the impact over time on members' pots, the Trustee notes that market shocks for members near retirement can be particularly detrimental to their retirement planning and outcomes.

For Plan members invested in the Drawdown Lifestyle, the key results of the analysis are as follows:

- In the **short-term**, older members who may retire within the near future, active and deferred members could see the most significant decrease in their benefits under Scenario 1, particularly as their savings remain invested in return-seeking assets to some degree all the way to retirement, although the proportion decreases over time, which helps to mitigate this risk.

- In the **medium-term**, members with 8 or more years until they retire, active and deferred members are likely to see a significant impact on their retirement funds, particularly under Scenario 3, as the impacts of physical climate change affect their benefits during their period to retirement.

- In the **long-term**, younger members (active and deferred) could see the biggest detrimental impact to their benefits under Scenario 3, as increasingly severe physical impacts emerge over time, though limited effects from Scenario 1.

The tables below show the results of the climate scenario analysis for active and deferred members invested in the Drawdown Lifestyle Strategy in full.

Active members (Drawdown Lifestyle Strategy):

	Member aged 25	Member aged 35	Member aged 45	Member aged 55
Starting pot	£9,300	£38,300	£80,500	£88,700
Change relative to LCP central base case				
LCP central base case outcome	£546,700	£635,900	£466,400	£193,100
Scenario 1	£541,300 *(-1%)*	£623,200 *(-2%)*	£447,500 *(-4%)*	£186,600 *(-3%)*
Scenario 2	£438,200 *(-20%)*	£534,500 *(-16%)*	£432,900 *(-7%)*	£190,900 *(-1%)*
Scenario 3	£348,700 *(-36%)*	£430,800 *(-32%)*	£399,100 *(-14%)*	£190,000 *(-2%)*

Deferred members (Drawdown Lifestyle Strategy):

	Member aged 25	Member aged 35	Member aged 45	Member aged 55
Starting pot	£7,200	£24,800	£48,400	£52,200
Change relative to LCP central base case outcome in brackets				
LCP central base case outcome	£36,500	£80,000	£91,700	£61,400
Scenario 1	£32,800 *(-10%)*	£72,100 *(-10%)*	£82,400*(-10%)*	£58,200 *(-5%)*
Scenario 2	£25,700 *(-30%)*	£62,100 *(-22%)*	£83,100 *(-9%)*	£60,600 *(-1%)*
Scenario 3	£17,300 *(-53%)*	£45,400 *(-43%)*	£75,600 *(-18%)*	£60,200 *(-2%)*

Section 3: Risk Management

This section describes the Trustee's process for identifying, assessing and managing climate-related risks.

1. Processes and tools for identifying and assessing climate-related risks

Risk register

The CWG considered the type of climate-related risks the Plan could be exposed to i.e. physical and transition risks and what climate change opportunities may look like at its meetings during the Plan Year.

The following climate specific risks are currently included in the DCC risk register:

- The range of investment options is not suitable for members (including a failure to take account of relevant material financial factors, including ESG and climate change).

- The default and lifestyle arrangements are not suitable for members (including a failure to take account of relevant material financial factors, including ESG and climate change).

- Inadequate expertise, understanding, and capability and/or stewardship practices, of managers, including in relation to ESG and climate change risks.

The DCC risk register is considered at the DCC meetings on a quarterly basis and any new risks identified or changes to the assessment of a risk are subsequently captured in the risk registers.

Any new or changing climate-related risks will also continue to be considered by the CWG or DCC on an ongoing basis.

During the Plan Year, the DCC with input from its investment, actuarial and legal advisers, considered their risk register on a regular basis. No changes were made to the climate-related risks in the risk registers during the Plan Year.

Integrated risk management

The Trustee also has a Risk Management Committee which focuses on looking at the approach to integrated risk management within the Plan. This includes any further integration of climate-related risks into overall risk management within the Plan, including within the effective system of governance ('ESOG') required by TPR's General Code.

Climate metrics and scenario analysis

During the Plan Year, the Trustee (through the CWG and DCC, and with input from its advisers), also considered the output from the latest climate-related metrics calculations (see Section 4 of this Climate Report) and the climate scenario analysis carried out in October 2024 (see Section 2) to identify the types of climate change risks (physical or transition) most likely to affect different groups of members (DC, younger/older, active/deferred, etc.), the significance of these risks for these different groups of members, and potential actions the Trustee could take to mitigate these risks.

Management of climate-related risks

Investment strategy changes

In October 2023, following the advice of the Plan's DC investment adviser, the Trustee replaced the regional passive equity funds used in the Drawdown Lifestyle with climate-tilted alternatives.

The funds implemented by the Trustee benefit from a clear decarbonisation pathway that decreases exposure to stocks exposed to climate transition risk and increases exposure to those with green revenues.

No further changes have been made as a result of climate change considerations in the Plan Year.

Stewardship

Stewardship is also used as a risk management tool.

The Trustee has delegated to its investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes.

The Trustee engages with investment managers to ensure they are exercising stewardship in support of alignment with Paris Agreement goals, discusses the SBT with them (see Section 4 below), and asks them what they are doing through stewardship efforts to increase the proportion of companies within their portfolios with SBT.

During 2023 the DCC communicated its four stewardship priorities to its investment managers. The priorities the DCC selected are those it believes to represent key market-wide risks and areas where it believes that good stewardship and engagement can improve long-term financial outcomes for the Plan's DC members. These four stewardship priorities were retained during the Plan Year.

Climate change is one of the priorities identified. The Trustee has also made its DC investment managers aware that it endorses the expectations that its DC investment adviser has set for investment managers in relation to Net Zero emissions in asset management.

As part of its communication to its investment managers, the Trustee also indicated that it prefers managers who are signatories to the Principles for Responsible Investment, UK Stewardship Code, and Net Zero Asset Manager Initiative.

During Q3 2024, the DCC reviewed LGIM's stewardship practices, which included consideration of LGIM's voting and engagement practices around climate change. The DCC agreed to consider its approach to stewardship further during 2025.

Case study: Unilever PLC (May 2024)

- LGIM invests in Unilever Plc ("Unilever") through its underlying investment funds, such as the L&G UK Equity Index Fund. Shareholders were invited to vote on 'Resolution 4 – Approve Climate Transition Action Plan ' on 1 May 2024.
- This vote was deemed significant as it is related to a stewardship priority selected by the Trustee – Climate Change.
- LGIM voted for this proposal as the company already meets its minimum expectations for climate-related disclosures and targets. This includes the disclosure of Scope 1, 2, and material Scope 3 Greenhouse Gas (GHG) emissions, as well as short, medium, and long-term GHG reduction targets aligned with the Paris Agreement's 1.5°C goal. While LGIM acknowledges that the Science Based Targets Initiative (SBTi) recently withdrew its approval of the company's long-term Scope 3 target, LGIM notes that the company has since submitted near-term, 1.5°C-aligned Scope 3 targets for validation. Given this progress, LGIM considers the company's ambition level to be adequate and remains supportive of its net-zero trajectory at this stage.
- This resolution passed. LGIM will continue to engage with the company and publicly advocate its position on this issue and monitor company and market-level progress.

Section 4 – Metrics and Targets

This section explains the metrics and targets the Trustee has set to help measure, manage and disclose climate-change impact. It also highlights some of the current challenges associated with collecting carbon and climate-related data.

1. Metrics

The Trustee is required to select one absolute emissions metric, one emissions intensity metric, one portfolio alignment metric, and one additional climate change metric in relation to the Plan's assets and to use the calculations of those metrics in order to assess the climate-related risks and opportunities which are relevant to the Plan.

The metrics data provides a snapshot of the selected climate metrics at portfolio level and offers a means of helping the Trustee to monitor exposures to climate-related risks and opportunities. However, the metrics are not intended to be a comprehensive guide to climate risk in the relevant portfolios, nor do they provide a definitive understanding of a portfolio's climate characteristics.

The metrics that pension schemes are able to report on are still constrained by the data that investment managers can provide. This is because the requirement to report climate-related metrics remains relatively new. As investment managers adapt to the new requirements, more consistent data is likely to become available. Appendix 3 sets out further information on the current issues with climate data.

The Trustee decided to retain its existing climate metrics (as set out below) for the Plan Year.

Metric	Selected
Absolute emissions	**Total GHG emissions** of Plan assets. This is the absolute emissions metric that is recommended in the Statutory Guidance. It measures the total GHG emissions attributable to a portfolio (where data is available or can be estimated). Scope 1, 2, and 3 emissions are reported in line with industry best practice.
Emissions intensity	**Carbon footprint**, this gives the total emissions per unit of currency invested by the Plan. Carbon Footprint is useful for comparing asset classes / portfolios to one another, and to a benchmark, because it is normalised.
Portfolio alignment	**% of portfolio with SBT**, this captures the percentage of portfolio companies which have set a voluntary decarbonisation target using a science-based methodology. The target can be aimed at one or all of: the short term, long term or Net Zero. Each company is scored with a binary 'yes' or 'no' assessment on the following target categorisations: '1.5°C SBT', 'Well Below 2°C SBT' or '2°C SBT'. Targets are deemed to be 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement. This means that if a company has set a science-based target, it is in line with limiting the overall warming of the planet to well below 2°C above pre-industrial levels and is pursuing efforts to limit warming to 1.5°C. From a company perspective, SBT shows companies how much and how quickly they need to reduce their GHG emissions to prevent the worst effects of climate change. The Trustee notes that this metric is based on voluntary targets set by corporations and as such, is to some extent dependent on the policy environment changing.
Additional climate change	**Data coverage**, calculating the % of the portfolio for which data is available. Data coverage is an important factor in the Plan's efforts to manage climate risk, because it provides a basis for investors to encourage continued improvements in the availability of climate-related reporting.

The Trustee calculated these metrics during Q3 and Q4 of 2024 using an as at date of 31 March 2024 (the nearest quarter end to the previous Plan Year end date) for the underlying portfolio holdings data. A further explanation of these metrics is included in Appendix 4 of this Climate Report.

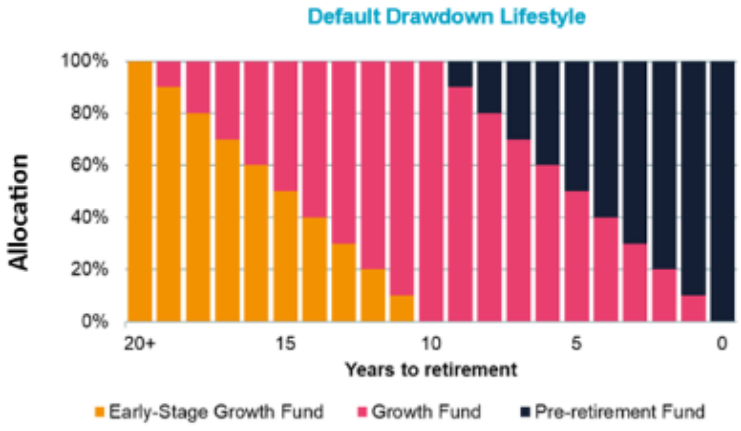
The metrics have been calculated using data made available by the Plan's investment managers.

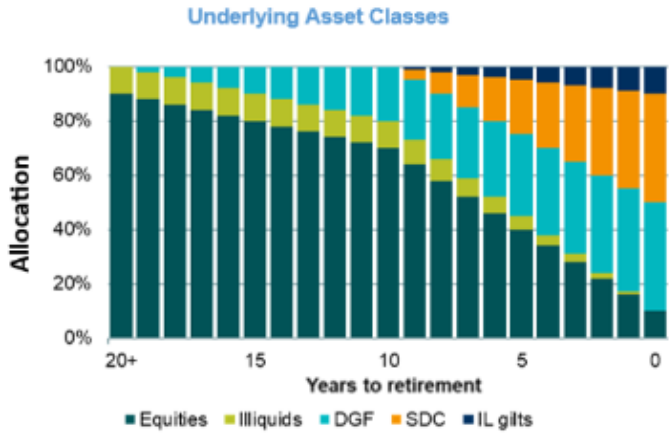
The data has been calculated in relation to the Plan's sole 'popular arrangement': the Drawdown Lifestyle, and the Trustee has collected data on this arrangement as far as it was able to.

The glidepath and asset allocation for the Drawdown Lifestyle as of the date the climate metrics were calculated (31 March 2024) are shown below. In October 2023, strategic changes were implemented, resulting in updates to the glidepath, underlying passive equity funds and the DGF allocation used in the Drawdown Lifestyle. These changes are reflected in this Climate Report and represent a significant change relative to previous Climate Reports.

The Climate Report shows Scope 1 and Scope 2 emissions (though these have been aggregated in this Climate Report) as well as Scope 3 emissions. This reflects the approach adopted last year, in line with regulatory requirements. Whilst Scope 3 emissions dominate the emissions figures shown, there remain concerns on the robustness of this data and, as a result, the Trustee has a higher degree of confidence in the data relating to Scope 1 and Scope 2 emissions.

Drawdown Lifestyle





Climate metrics for the Drawdown Lifestyle

The table below shows a breakdown of the climate metrics by asset class for the Drawdown Lifestyle Strategy (data from last year's metrics calculations is shown in brackets).

In preparing this Climate Report, the Trustee was able to collect data for all asset classes used in the Drawdown Lifestyle Strategy.

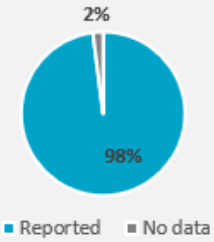
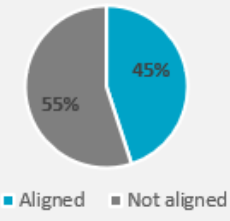
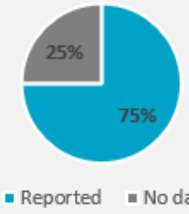
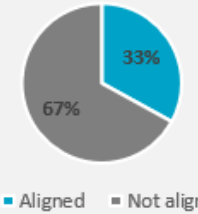
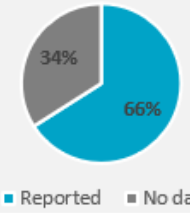
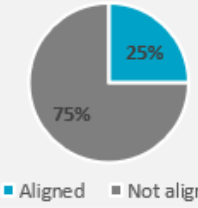
Fund	Fund value (£m)	Absolute emissions metric		Emissions intensity metric		Additional climate change metric		Portfolio alignment metric
		Scope 1 and 2 emissions (t CO2e)	Scope 3 emissions (t CO2e)	Scope 1 and 2 carbon footprint	Scope 3 carbon footprint	Scope 1 and 2 data coverage (%)[3]	Scope3 data coverage (%)[3]	Portfolio alignment (SBTI %)
Equities	1,061 (775)	31,617[1] (58,812)[2]	686,957[1] (416,430)[2]	30[1] (80)[2]	648[1] (569)[2]	98[1] (96)[2]	98[1] (95)[2]	45[1] (37)
Corporate bonds	81 (63)	1,801[1] (2,257)[2]	11,458[1] (12,654)[2]	22[1] (59)[2]	141[1] (338)[2]	75[1] (60)[2]	81[1] (59)[2]	33[1] (25)[2]
Government bonds	20 (16)	3,426[4] (2,188)[4]	2,741[4] (1,377)[4]	170[4] (135)[4]	136[4] (85)[4]	100[4] (100)[4]	100[4] (100)[4]	N/A (N/A)
Diversified growth funds	207 (280)	15,040[1] (3,730)[2]	131,802[1] (26,104)[2]	73[1] (50)[2]	638[1] (445)[2]	66[1] (28)[2]	66[1] (28)[2]	25[1] (11)[2]
Alternatives[2]	130 (107)	440[1] (471)[2]	280[1] (449)[2]	12[1] (12)[2]	16[1] (18)[2]	29[1] (36)[2]	13[1] (23)[2]	Not reported (Not reported)

[1]Source: Investment managers (this is a new approach to data collection used by the Trustee for this Plan year). Holdings data as at 31 March 2024.
[2]Source: MSCI, LCP. Certain data ©2022 MSCI ESG Research LLC. Reported by permission. Holdings data as at 31 March 2023.
[3]Figures in this column represent the percentage of the total portfolio for which data is available.
[4]Government bond data calculated using a proprietary tool of the Trustee's investment adviser.

A more detailed analysis of the climate metrics is set out in Appendix 4, which shows data at the underlying fund level for the Drawdown Lifestyle Strategy.

Metrics

The charts on this page summarise the data shown on the previous page for the equity, bond, and DGF funds in the Default Drawdown Lifestyle.

	Scope 1, 2 & 3 emissions	Scope 1 and 2 data coverage	Portfolio alignment
Equities 31 March 2024 £1,061,000,000	718,574 tonnes CO2		
Bonds 31 March 2024 £81,000,000	13,259 tonnes CO2		
DGFs 31 March 2024 £207,000,000	146,842 tonnes CO2		

Conclusions

From the analysis of climate metrics data for the 'popular arrangement', the Drawdown Lifestyle strategy, the Trustee has concluded that:

- Carbon emissions in the arrangements are driven primarily by the 'popular arrangement's' equity holdings given the younger demographics of the Plan and members therefore having greatest exposure to growth assets in the form of equities. As per last year's analysis, we have shown Scope 1 and Scope 2 emissions (though these have been aggregated in this Climate Report). Scope 3 emissions have also been shown in this analysis. Whilst Scope 3 emissions dominate the emissions figures, there remain concerns on the robustness of this data. In October 2023, the Trustee replaced the strategic equity allocations in the 'popular arrangements' with low carbon equivalents that tilt the portfolios away from the highest emitting companies, reducing headline carbon emissions. The Trustee's investment adviser's analysis shows that the introduction of these funds has improved the carbon profile of the equity allocation, per the Trustee's expectations.
- The DGF allocation appears to have had an uptick in emissions. This is a result of two factors: i) the switch from standard passive regional equity funds to low carbon alternatives in October 2023 and ii) the consolidation of the DGF allocation into the L&G Diversified Fund. Previously, the Default allocated to two DGFs, with the other being the BlackRock Market Advantage Fund ("ALMA"). The presence of ALMA in the strategy artificially reduced the overall emissions profile of the DGF allocation, as it invested via a significant number of derivatives, for which data was unavailable. The significant increase in DGF-related Scope 1 and 2 emissions vs. last year is primarily a result of the fact that assets in the L&G Diversified Fund have increased (following the removal of ALMA from the Default) and its holdings consists mainly of direct investments.
- The Trustee has secured data for the direct government bond (LGIM Over 5 Year Index-Linked Gilts Index Fund) and private markets (Partners Group Generations Fund) allocations in the Drawdown Lifestyle Strategy. Emissions for the government bond have increased versus last year. Although emissions for the private markets' allocation have reduced, this is likely due to the reduction in data coverage versus. the previous year. Over the medium-term, we expect data coverage to improve across assets classes in general and in private markets allocations in particular, given this is a relatively new asset class for DC schemes.
- Data coverage varies quite significantly from fund to fund. The emissions data coverage for the equity funds is high and has improved compared with last year. The investment changes implemented in the Drawdown Lifestyle strategy (October 2023) markedly improved the data coverage for the Plan's DGF allocation. Data coverage in the corporate bond also improved year-on-year, though, as stated above, it reduced for the Trustee's investment in private markets.

- The proportion of each portfolio invested in companies with science-based targets remains low, though did improve over the Plan Year in all asset classes for which it is reported (i.e. equities, DGF, and corporate bonds). This suggests that manager engagement with investee companies in this area is having a positive impact on the number of companies that are targeting alignment with the goals of the Paris Agreement, but further engagement to drive improvement is necessary. Notably, the Trustee's expectation that the proportion of the equity portfolio with science-based targets would increase as a result of the replacement of the strategic equity allocations with low carbon equivalents has been borne out in practice.

Targets

The Trustee is required to set at least one non-binding target for the Plan in relation to at least one of the chosen metrics and to measure performance against these targets on an annual basis.

Targets are set by reference to a baseline date against which progress is assessed, a timeline for achieving the target, and the methodology by which performance against the target is assessed.

In 2022, the Trustee selected the following metrics to set targets against (further details of which are set out below) and these have remained unchanged during the Plan Year:

1. Data coverage
2. Portfolio alignment based on SBT

Details of the targets set for the Plan are as follows:

Metric	Baseline date	Target level (%)	Timeframe to reach target
Data Coverage			
Equities	31 March 2022	100	31 March 2027
Corporate bonds	31 March 2022	95	31 March 2027
DGFs	31 March 2022	95	31 March 2027
SBT			
Equities	31 March 2022	80	31 March 2032
Corporate bonds	31 March 2022	80	31 March 2032
DGFs	31 March 2022	80	31 March 2032

Rationale for selection of targets

These targets were selected during the Plan year to 5 April 2023.

The Trustee selected these targets because:

- without complete data, the usefulness of the climate metrics in assessing climate-related risks and opportunities is limited, so achieving consistently high data coverage across all asset classes should be the first step to try to achieve in the short-term.

- SBT shows the proportion of companies that have committed to reduce their GHG emissions in line with the Paris Agreement, with the goal of limiting the overall warming of the planet to well below 2°C above pre-industrial levels. Setting a SBT will help the Plan to manage climate-related risks by providing a focus for its stewardship activities, both direct and indirect (i.e. via its investment managers). The Trustee felt this was a useful way of assessing progress towards a Net Zero economy.

- these were aligned with the Trustee's fiduciary duty of acting in the best financial interests of members. The Trustee felt that setting a carbon emissions target would focus too much on portfolio optimisation to meet these targets (through disinvesting and investing) and would not help it to fulfil its role as a fiduciary.

- the Trustee had considered Citi's most recent climate report, noting that Citi has set its own target to be carbon neutral by 2050. The Trustee has sought further input from Citi in respect of its own analysis of its exposure to climate change risks and upon receipt of this, the Trustee can evaluate whether it wishes to set its own carbon neutral target in the future.

Review of existing targets

During the Plan Year the Trustee (through the CWG and DCC and with input from its advisers) considered whether to retain its existing targets or whether these should be extended, replaced or added to.

Following these discussions, the Trustee decided to retain its existing targets on the basis that the rationale for originally selecting these targets continues to be applicable and retaining the existing targets would allow the Trustee to better chart progress over time.

The Trustee will continue to assess the appropriateness of the targets outlined in this Climate Report before the next iteration and will recalibrate these targets in the short-term if needed.

Performance against targets

The table below show the performance of the two metrics against their targets. An update on performance against these targets will be provided annually to chart progress over time.

Metric	Baseline date	As at 31 March 2022 (%)	As at 31 March 2023 (%)	As at 31 March 2024 (%)	Target level (%)	Timeframe to reach target
Data Coverage[1]						
Equities	31 March 2022	98	96	98	100	31 March 2027
Corporate bonds	31 March 2022	72	60	75	95	31 March 2027
DGFs	31 March 2022	29	28	66	95	31 March 2027
SBT						
Equities	31 March 2022	29	37	45	80	31 March 2032
Corporate bonds	31 March 2022	22	25	33	80	31 March 2032
DGFs	31 March 2022	7	11	25	80	31 March 2032

[1]*Data coverage is reported for Scope 1 and 2 emissions. Scope 3 emissions data coverage is not reported in the aggregated data presented in the table but is presented at an individual fund level in Appendix 4.*

The Plan made progress towards its targets across both selected metrics (i.e. data coverage and portfolio alignment) and in all asset classes over the course of the Plan Year. This progress was underpinned by the investment strategy changes implemented in October 2023, specifically in relation to the equity and DGF allocations.

Steps being taken to achieve targets

Investment managers are informed of the Trustee's targets periodically as well as the Trustee's stewardship priorities, one of which is climate change.

The Trustee's DC investment adviser encourages managers to support the goal of 'Net Zero' emissions by 2050 or earlier and has published its expectations for investment managers in relation to 'Net Zero'. This includes the use of effective voting (where applicable) and engagement with portfolio companies to encourage achievement of 'Net Zero'. The investment adviser continues to engage with managers on this topic and will encourage them to use their influence with portfolio companies to improve data coverage and increase the use of SBTs.

Most Plan assets are managed by LGIM. LGIM has set an interim target of 70% of eligible assets under management to be managed in alignment with Net Zero by 2030 (this interim target excludes sovereign bonds and derivative securities, due to lack of clear industry methodologies to account for these asset classes). As at November 2021 (the latest date for which data is available), 38.2% of LGIM's eligible assets under management were covered by the Net Zero Asset Managers Commitment Statement.

The Trustee believes that achieving its data coverage target within the specified time horizon continues to be feasible. However, the Trustee is aware that for the Plan to continue to progress against its SBT target it requires greater support from global policy. As such, the Trustee will consider during the next Plan year whether this target needs to be amended or replaced.

Appendix 1 – Glossary of terms

DB means defined benefit.

DBC means the Defined Benefit Committee.

DC means defined contribution.

DCC means the Defined Contribution Committee.

DGF means a diversified growth fund.

Citi means the collective or "generic" name of Citibank NA, Citigroup Global Markets Ltd and other Citi entities.

Climate Regulations means the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021.

Climate Report means this report, in respect of the Plan Year, prepared to satisfy the requirements of the Climate Regulations.

CTB means the Combined Trustee Board.

CWG means the Climate-Change Working Group established by the Trustee.

ESG means environmental, social and governance.

EVIC means Enterprise Value Including Cash.

First Report means the Trustee's first climate report in respect of the year to 5 April 2023.

GFANZ means the Glasgow Financial Alliance for Net Zero**.**

GHG means Greenhouse Gas emissions.

ICSWG means the Investment consultants' sustainability working group.

IIGCC means Institutional investors Group on Climate Change.

Net Zero means achieving a balance between the amount of GHG emissions produced and the amount of GHG removed from the atmosphere.

NZICI means the Net-Zero Investment Consultants Initiative.

Paris Agreement means the legally binding international treaty agreed on 12 December 2015 and effective from 4 November 2016 which sets out long-term goals to guide all nations to substantially reduce global GHG emissions to limit the global temperature increase in this century to 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees.

Plan means the Citi (UK) Pension Plan.

Plan Year means the year to 5 April 2025.

PRA means the Prudential Regulation Authority.

RI means responsible investment.

SBT means the science-based targets.

SBTi means the SBT initiative.

Statutory Guidance means the DWP's statutory guidance for trustees of occupational schemes on the governance and reporting of climate change risk.

TCFD means the Task Force on Climate-related Financial Disclosures.

TPR means The Pensions Regulator.

Trustee means the CTB.

Appendix 2 – Climate scenarios – key assumptions, modelling approach and limitations

This appendix sets out further details of the key features of each of the climate scenarios considered. This appendix also sets out the modelling approach used (and associated limitations) as well as the member demographics considered, when carrying out the scenario analysis for the Plan.

Key features of climate scenarios considered

The key features of each of the climate scenarios considered in relation to the Plan are summarised below:

Scenarios:	*NET ZERO FINANCIAL CRISIS*	*LIMITED ACTION*	*HIGH WARMING*
Citi 'white-labelled' nomenclature	***Scenario 1***	***Scenario 2***	***Scenario 3***
Low carbon policies	Ambitious low carbon policies, high investment in low carbon technologies and substitution away from fossil fuels to cleaner energy sources and biofuel. Carbon Capture and Storage also used to achieve global net zero by 2050.	Moderate steps taken by policymakers to increase climate action including working towards the 2030 targets and net zero commitments. Carbon Capture and Storage also used.	There are no new* low-carbon policies enacted in this scenario and some existing ones are scaled back. Current technological trends continue (eg significant falls in renewable energy prices).
Paris Agreement outcome	Global net zero CO_2 achieved by 2050; Paris Agreement goals met.	Paris Agreement goals not met	Paris Agreement goals not met.
Global warming	Average global warming stabilises at around 1.5°C above pre-industrial levels.	Average global warming is about 1.8°C by 2050 and 2.6°C by 2100, compared to pre-industrial levels.	Average global warming is about 2°C by 2050 and 3.7°C by 2100, compared to pre-industrial levels.
Physical impacts	Moderate physical impacts.	High physical impacts.	Severe physical impacts. Multiple climate tipping points are reached and modelled and many countries suffer from extreme weather events.
Impact on GDP	Global GDP is slightly behind the Ortec Finance / Cambridge Econometrics base case by 2100.	Global GDP in 2100 predicted to be about 50% lower than in the Ortec Finance / Cambridge Econometrics base case.	Global GDP in 2100 predicted to be almost 80% lower than in the Ortec Finance / Cambridge Econometrics base case.
Financial market impacts	Abrupt repricing of assets and a sentiment shock to the financial system in 2025.	Physical risks priced in over the period 2026-2030. A second repricing occurs in the period 2036-2040 as investors factor in the high physical risks.	Physical risks priced in over the period 2026-2030. A second repricing occurs in the period 2036-2040 as investors factor in the severe physical risks.

Modelling Approach and Limitations

The climate scenario analysis carried out for the Plan is based on a model developed by OrtecFinance and Cambridge Econometrics. The outputs were then applied to the Plan's assets by LCP.

- The three climate scenarios are projected year by year, over a 40-year period. The results are intended to help the Trustee to consider how resilient the 'popular arrangements' are to climate-related risks.

- The three climate scenarios chosen are intended to be plausible, not "worst case". They are only three scenarios out of countless others that could be considered by the Trustee.

- Other scenarios could give better or worse outcomes for Plan members.

The climate scenarios used by the Trustee are subject to limitations. As the model uses a "top-down" approach, investment market impacts were modelled as the average projected impacts for each asset class. This contrasts with a "bottom up" approach that would model the impact on each individual investment held by the 'popular arrangements'. As such, the modelling does not require extensive scheme-specific data and so the Trustee was able to consider the potential impacts of the three climate scenarios for all the Plan's assets in the 'popular arrangements'.

However, in practice, the Plan's investments may not experience climate impacts in line with the market average. Like most modelling of this type, the model does not allow for all potential climate-related impacts and, therefore, is quite likely to underestimate some climate-related risks. For example, tipping points (which could cause runaway physical climate impacts) are not modelled and no allowance is made for knock-on effects, such as climate-related migration and conflicts.

In addition, the model presumes that the UK government and bank counterparties will remain solvent, thereby making no allowance for credit risk on government bonds and derivative exposures. However, in a scenario where global warming exceeds 4 degrees Celsius, this assumption may no longer be valid.

The scenario modelling also makes no allowance for:

- Tail risks;
- Variations from median outcomes;
- Impacts of migration and increased likelihood of armed conflict;
- Impacts of food and other resource shortages; or
- Other systemic risks (e.g. new pandemics, financial market volatility, energy security).

Tipping points are allowed for to some extent in the High Warming scenario, but not in the other scenarios. Some aspects, such as market pricing-in shocks and the level of adaptation to climate risks are modelled, but the impact and timing is highly uncertain and could mean actual outcomes are very different to what has been modelled.

Member Demographics Considered

For the 'popular arrangements' considered, the Trustee chose to carry out scenario analysis for a representative sample of the Plan's membership invested in these arrangements. This meant that the analysis assessed the potential outcomes under different scenarios for members aged 25, 35, 45, and 55 at the time of the analysis for the Drawdown Lifestyle. It also meant that scenarios were considered for active and deferred members of the Drawdown Lifestyle. A target retirement age of 60 was assumed, in line with the default target retirement age for the Plan.

As the scenarios only extend to the Plan's target retirement age (60), they do not account for the fact that members may remain invested beyond this date (either in the Plan or in an income drawdown arrangement outside of the Plan). The Trustee believes the assumption that members will not remain invested post-retirement is not realistic, particularly given their current expectation that a large proportion of Plan members will choose to gradually withdraw their pension savings during retirement (i.e. via income drawdown). However, at the time it was carried out, the modelling capability did not allow the Trustee to consider members in retirement.

Appendix 3 – The Issues with Climate Data

Climate data sourcing for pension fund footprinting and analysis is still in its infancy. As a result, it is important to understand the following when it comes to climate data and resulting metrics:

- The availability and quality of data vary across asset classes, and even within asset classes. This means that some assets and asset classes will rely on estimated data.

- With all climate data, as both carbon data disclosure and measurement techniques improve, reported numbers are likely to change. This means that the metrics and other data published are not certain and that they may change in the future. As a result, if necessary, calculations may need to be rebased as carbon data and measurement processes change.

- Scopes 1 and 2 data are generally available for public asset classes. But disclosure of Scope 3 data is inconsistent. Scope 3 is particularly important for some sectors, for example, in oil and gas it makes up approximately 85% of emissions. In this Climate Report, the Trustee has disclosed Scope 1, 2, and 3 emissions to ensure that the most representative emissions are disclosed.

- The processes for assessing carbon footprints for certain asset classes are still in development, particularly, for example, for sovereign debt. This means the results can be anomalous. In the case of sovereign debt, the footprint is apparently an order of magnitude higher than that for public equities because whole-of-economy data are used. This is because of the very substantial effect of double-counting of data reported by companies. For this reason, the Trustee has chosen not to report sovereign debt climate metrics in this Climate Report. As mentioned previously in the report, this will be addressed in the production of the next iteration of the Climate Report now that more appropriate approaches to calculating sovereign emissions have been developed by the Trustee's investment advisors.

Appendix 4 – Drawdown Lifestyle Strategy

A more detailed analysis of the climate metrics shows data at the underlying fund level for the Drawdown Lifestyle Strategy is set out in the table below (data from last year's metrics calculations is shown in brackets).

Fund	Fund value (£m)	Absolute emissions metric		Emissions intensity metric		Additional climate change metric		Portfolio alignment metric
		Scope 1 and 2 emissions (t CO2e)	**Scope 3 emissions (t CO2e)**	**Scope 1 and 2 carbon footprint**	**Scope 3 carbon footprint**	**Scope 1 and 2 data coverage (%)[3]**	**Scope 3 data coverage (%)[3]**	**Portfolio alignment (SBTI %)**
L&G Low Carbon Transition UK Equity Index Fund	185 (133)	4,341[1] (13,788)[2]	106,525[1] (115,381)[2]	23[1] (113)[2]	575[1] (963)[2]	96[1] (92)[2]	96[1] (90)[2]	60[1] (45)[2]
L&G Low Carbon Transition North America Equity Index Fund	250 (180)	2,638[1] (8,698)[2]	98,012[1] (63,471)[2]	11[1] (48)[2]	392[1] (351)[2]	99[1] (100)[2]	99[1] (100)[2]	46[1] (41)[2]
L&G Low Carbon Transition Europe (ex-UK) Equity Index Fund	250 (180)	6,274[1] (14,047)[2]	220,569[1] (85,751)[2]	25[1] (82)[2]	881[1] (498)[2]	98[1] (96)[2]	98[1] (96)[2]	62[1] (58)[2]
L&G Low Carbon Transition Japan Equity Index Fund	83 (60)	3,037[1] (5,026)[2]	96,026[1] (45,206)[2]	36[1] (86)[2]	1,151[1] (777)[2]	98[1] (98)[2]	98[1] (98)[2]	51[1] (41)[2]
L&G Low Carbon Transition Asia Pacific (ex-Japan) Developed Equity Index Fund	158 (113)	3,368[1] (14,593)[2]	106,486[1] (91,737)[2]	21[1] (132)[2]	676[1] (827)[2]	99[1] (99)[2]	99[1] (99)[2]	21[1] (10)[2]
JP Morgan Emerging Markets Fund	134 (110)	11,959[1] (2,661)[2]	59,340[1] (14,884)[2]	90[1] (27)[2]	444[1] (156)[2]	97[1] (88)[2]	96[1] (86)[2]	20[1] (13)[2]
BlackRock Short Duration Credit Fund	81 (63)	1,801[1] (2,257)[2]	11,458[1] (12,654)[2]	22[1] (59)[2]	141[1] (338)[2]	75[1] (60)[2]	81[1] (59)[2]	33[1] (25)[2]

Fund	Fund value (£m)	Absolute emissions metric		Emissions intensity metric		Additional climate change metric		Portfolio alignment metric
		Scope 1 and 2 emissions (t CO2e)	**Scope 3 emissions (t CO2e)**	**Scope 1 and 2 carbon footprint**	**Scope 3 carbon footprint**	**Scope 1 and 2 data coverage (%)[3]**	**Scope 3 data coverage (%)[3]**	**Portfolio alignment (SBTI %)**
LGIM Over 5 Year Index-Linked Gilts Index Fund	20 (16)	3,426[4] (2,188)[4]	2,741[4] (1,377)[4]	170[4] (135)[4]	136[4] (85)[4]	100[4] (100)[4]	100[4] (100)[4]	N/A (N/A)
LGIM Diversified Fund	207 (31)	15,040[1] (1,902)[2]	131,802[1] (11,048)[2]	73[1] (97)[2]	638[1] (563)[2]	66[1] (63)[2]	66[1] (62)[2]	25[1] (22)[2]
Partners Group Generations Fund[2]	130 (107)	440[1] (471)[2]	280[1] (449)[2]	12[1] (12)[2]	16[1] (18)[2]	29[1] (36)[2]	13[1] (23)[2]	N/A (N/A)

[1]Source: Investment managers (this is a new approach to data collection used by the Trustee for this Plan year). Holdings data as at 31 March 2024.
[2]Source: MSCI, LCP. Certain data ©2022 MSCI ESG Research LLC. Reported by permission. Holdings data as at 31 March 2023.
[3]Figures in this column represent the percentage of the total portfolio for which data is available.
[4]Government bond data calculated using a proprietary tool of the Trustee's investment adviser.

Appendix 5 – Climate Metrics Explained

GHG emissions

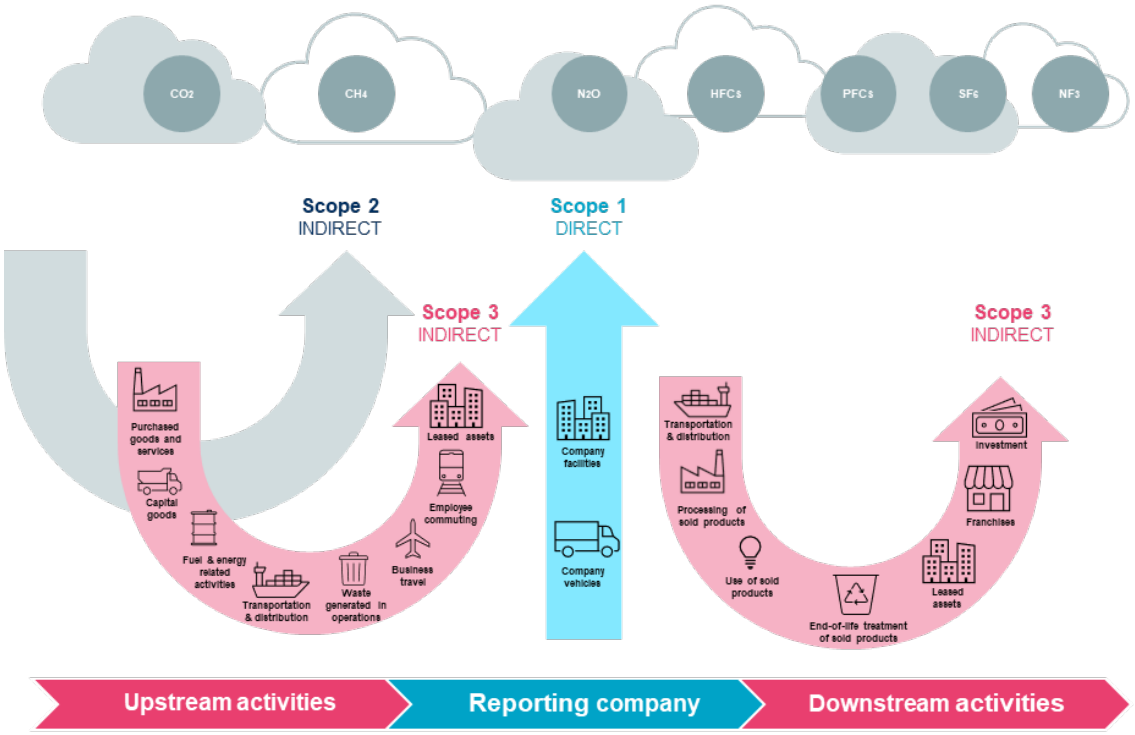
The emissions metrics relate to seven GHGs – carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3). The figures are shown as "CO_2 equivalent" (CO_2e) which is the amount of carbon dioxide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

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

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

tCO2e indicates the real-world impact of the portfolio on the climate. However, the metric is not normalised, which makes it difficult to compare, and it may be volatile year on year, because it can be distorted by changes in portfolio size.

Financed emissions are calculated as the proportional share of the Scope 1 and Scope 2 GHG emissions for each relevant investment, based on the size of the investment relative to the EVIC of the respective company – the EVIC is a measure of a company's total value.



Source: GHG Protocol

Carbon footprint

At a portfolio level, the emissions intensity measures are calculated as the average of the emissions intensity of the underlying holdings, weighted by the value of each holding. This metric is therefore useful for portfolio decomposition and attribution analysis (because you can understand where the most concentrated carbon emissions are in a portfolio). A portfolio with a high emissions intensity will have a steeper route towards decarbonisation than a less intensive one. Hence, measuring the emissions intensity is useful in order to gauge how difficult (or easy) it will be to progressively decarbonise the portfolios.

Differences in portfolio emissions intensities are driven by differences in sector and company exposure. Portfolios with higher exposures to high-carbon sectors such as utilities, non-energy materials, energy and industrials tend to exhibit higher emissions intensities.

It can be volatile year on year, due to being distorted by changes in market cap (as opposed to portfolio size).

Science Based Target

The target can be aimed at one or all of: the short-term, long-term or Net Zero, with each company being scored with a binary yes or no assessment on three categories. The categories are: “SBTi Approved 1.5 C”, “SBTi Approved Well Below 2 C” or “SBTi Approved 2 C”.

Whilst the Trustee is aware that the “SBTi Approved 2 C” categorisation will be gradually phased out in line with the initiative’s raised ambition to 1.5 degrees Celsius, the Trustee will continue to report under the “SBTi Approved 2 C” categorisation to capture companies currently on a 2 degrees Celsius path until they increase their target ambition to 1.5 degrees Celsius in the next few years. The SBTi rating of a fund shows what percentage of the companies the fund invests in have set a decarbonisation target using science-based methodology.

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MSCI

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