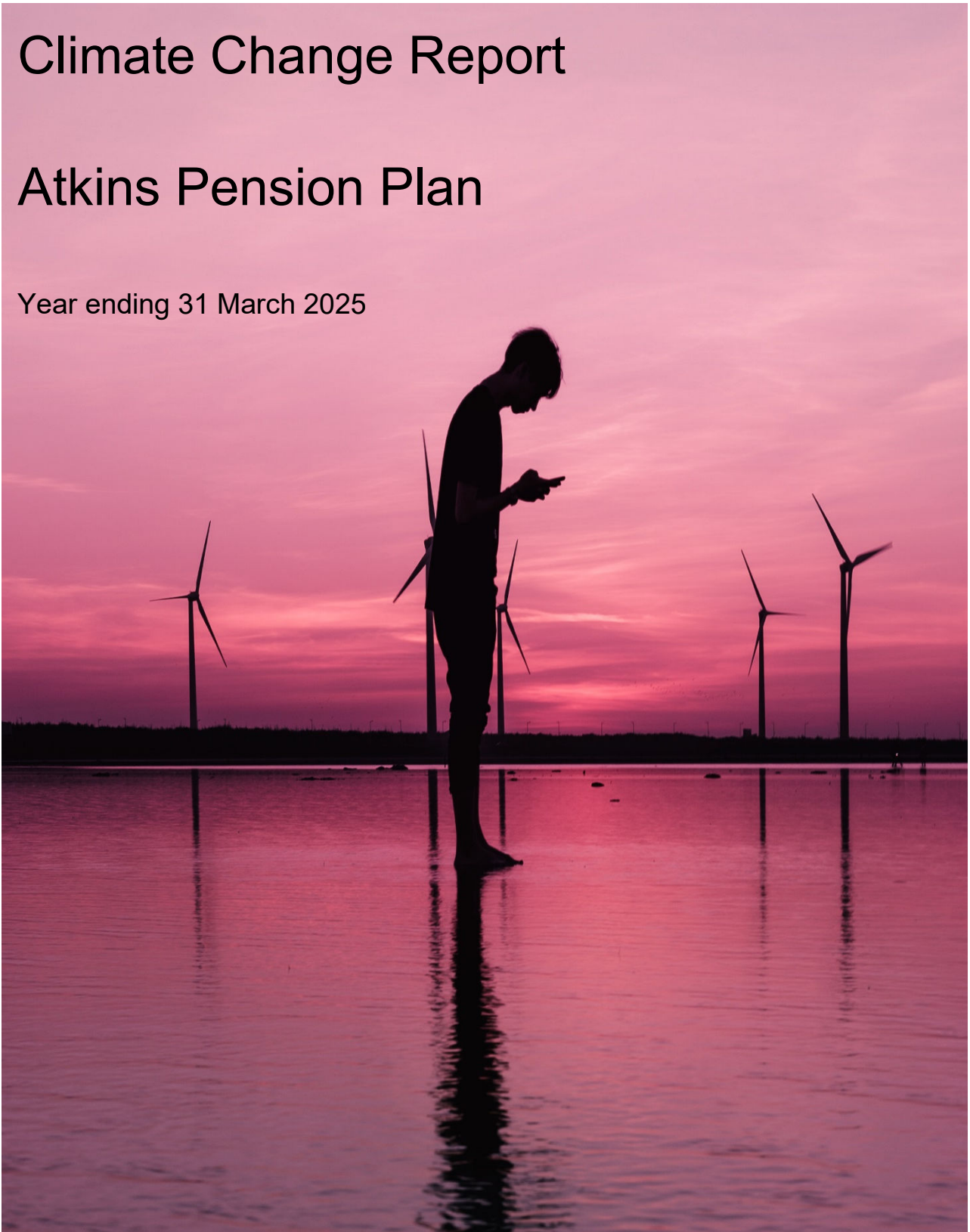


Climate Change Report

Atkins Pension Plan

Year ending 31 March 2025



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Chair’s foreword

On behalf of the Atkins Pension Plan Trustee Board, I am pleased to present our third Climate Change Report. Like the first two reports, this report sets out the steps we (and others acting on our behalf) have taken over the last year, are currently taking, and plan to take, in order to help to make a difference and shape a better future.

Our primary objective will always be to seek to provide security to the Plan’s members and their beneficiaries. However, we know that acting to address climate risk now will support the Plan’s future financial health together with the health of our members. This need to act applies to all aspects of the Plan’s funding strategy, whether it be the investment portfolio, the benefits we are required to pay to members or the support the Plan Sponsor (AtkinsRéalis UK Limited) provides to ensure those benefits are paid.

In this report, we provide an update on our progress relative to our goal for the relevant delegated mandates of the Plan’s investments to achieve net zero carbon emissions by 2050, with the aim of approximately halving such emissions by 2030. In assessing the Plan’s progress, the Trustee recognises that the tools and approaches used for the measurement and management of climate risks continue to develop at a rapid pace. It is therefore important to recognise that over time the quantity and quality of data that we can report to you will improve and with this the assessed position of the Plan may change. We also note that progress can be limited by the Finance industry. We nevertheless view it as important to report the most accurate data we have available at the current time, acknowledging its limitations, and support this with detailed commentary on the work we are undertaking and will endeavour to improve the positioning of the Plan over time.

The Trustee has put considerable time and effort into ensuring the climate change report is digestible and well written. Therefore, changes this year are limited with the exception of updated climate scenario analysis. We have updated the assumptions for each of the scenarios and added a more extreme climate scenario. This “Hot House” scenario is where despite efforts to transition, the resultant temperature outcome exceeds 2°C due to a lower-than-expected remaining carbon budget (the allowable emissions that can be produced to stay within the climate goal) and/or the impact of climate tipping points. We have also reflected some changes in the Plan’s Fiduciary Manager’s (FM) policies.

We have seen reported total scope 1 and 2 emissions increase over the year, which is largely a result of the investment in illiquid (less easily realised) assets during this period, which have higher emissions. Whilst this investment contributed to an increase in total emissions, it includes a number of climate solution holdings which aim to reduce global emissions.

This report is important in detailing our approach to managing the risks and opportunities that climate change presents and the actions we are taking to reduce the Plan’s carbon impact. The Trustee firmly believes that the resulting actions will benefit the members of the Plan, the financial system and society as a whole. We will continue to report on our progress each year.

Jacqueline Woods, Chair of Trustee for the Atkins Pension Plan



Summary

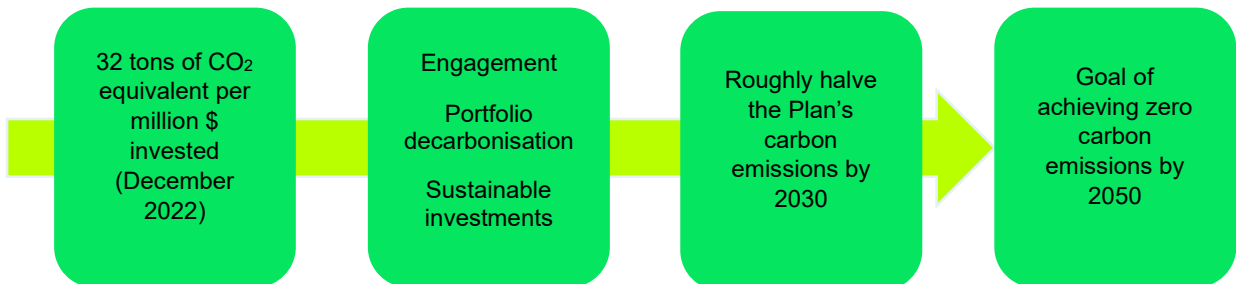
What we have done

- The total scope 1 and 2 emissions have risen over the year primarily due to the increased proportion of illiquid real assets within the portfolio. Whilst this investment contributed to an increase in total emissions, it includes a number of climate solution holdings which aim to reduce global emissions.
- In line with total scope 1 and 2 emissions, the Plan’s Carbon footprint has also increased over the year which again was primarily due to the transition of assets from corporate bonds into the illiquid assets. The Trustee recognises that data provision in the carbon footprint area remains challenging and subject to revision.
- The Trustee has received training from one of the Plan’s investment managers on biodiversity. This was an opportunity for the Trustee to understand the interlinks between biodiversity and climate change.
- The Plan Sponsor’s progress in decarbonising and reducing climate risks remains a key feature of the Trustee’s regular covenant monitoring.

Action we will take

- Continue to engage with the Plan’s FM on climate-related risks and review the FM’s regular assessments of the Plan’s portfolio and managers to understand key climate-related risks and opportunities.
- Continue to work with AtkinsRéalis to ensure that the approach of the Trustee remains well-aligned with that of our Sponsor as well as understand how climate change risks may impact the business.
- Remain compliant with regulations as they apply to the Plan.

Our net zero journey



Introduction

The Trustee of Atkins Pension Plan is pleased to issue its third annual Climate Change Report. The Atkins Pension Plan (“the Plan”) is required to produce disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”), as transposed into UK law in 2021. The aim is to improve and increase reporting of climate-related financial risks and opportunities.

The TCFD framework requires disclosures in four broad categories:

- **Governance** around climate-related risks and opportunities.
- **Strategy:** the actual and potential impact of climate-related risks and opportunities on the strategy and financial plans of the Plan.
- **Risk management:** how the Trustee identifies, assesses, and manages climate-related risks.
- **Metrics and targets:** the metrics and targets used to assess and manage climate-related risks and opportunities.

This Climate Change Report sets out the Plan’s approach to each of these four categories for the year ending 31 March 2025.

The Plan has a Defined Benefit (“DB”) Section, with assets of around £1.1bn as at 31 March 2025.



Section 1 – Governance

This section describes the governance structures in place to facilitate the identification, assessment and management of climate-related risks and opportunities that are relevant to the Plan.

The Trustee recognises that climate change, alongside broader Environmental, Social and Governance (ESG) risk factors, is an important risk and opportunity that requires sustained, long-term oversight and management. Whilst much of the day-to-day activity relating to this is delegated to third parties, the Trustee is aware that it has ultimate responsibility for setting the Plan’s strategy and policies in this area as well as for the actions that are undertaken on its behalf.

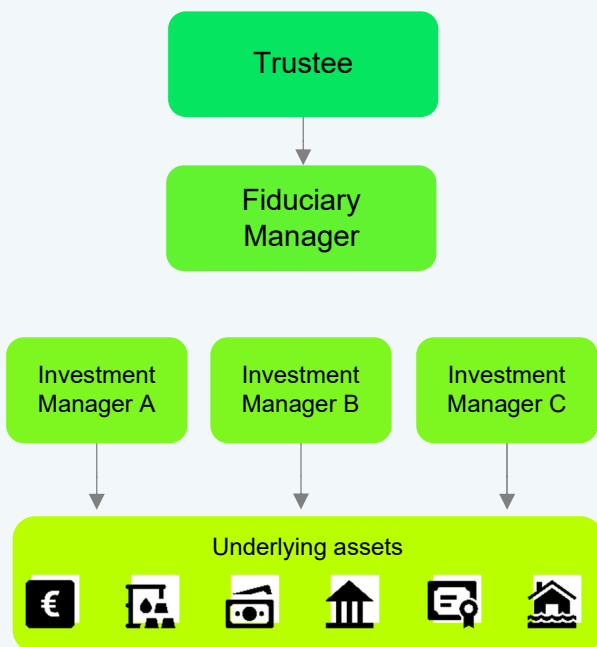
To manage the risk associated with climate change, the Trustee has recognised it as a material financial risk and opportunity in the Plan’s Statement of Investment Principles (SIP). Climate change is also integrated in the Trustee’s Risk Register, with processes put in place to keep this under review over time as the Trustee seeks continually to reflect best practice in this area.

Overview of context

The Plan has a diversified investment portfolio, with a significant proportion of the assets invested in a Liability Driven Investment (LDI) strategy (largely UK Government Bonds). The Plan also has an allocation to growth assets, which includes equities, alternative credit, liquid diversifiers, and secure income assets. As at 31 March 2025, the Plan was c.96% funded on a low-risk self-sufficiency basis (an estimate of the level of assets that the Plan would need if the ongoing reliance on the sponsoring employer were to be kept to a minimal level).

The Trustee has agreed a Journey Plan to achieve its target of being 100% funded on this low-risk self-sufficiency basis by 2030.

How are the Plan’s investments managed?



Trustee – The Trustee’s key objective is to ensure the Plan has sufficient assets to pay members’ benefits as they fall due. The Trustee retains overall responsibility for the Plan’s investment strategy but delegates some responsibilities to ensure they are undertaken by someone with the appropriate skills, knowledge, and resources.

Fiduciary Manager (WTW) – The Trustee appoints a Fiduciary Manager (FM) to implement the Trustee’s investment strategy. The FM allocates the Plan’s assets between asset classes and investment managers.

Investment managers – The FM appoints underlying investment managers using segregated accounts and pooled vehicles. The FM will typically look for best in class specialist managers for each asset class.

Underlying assets – The investment managers pick the underlying investments for their specialist mandate e.g. shares in a company or government bonds.

Section 1 – Governance (continued)

Service providers:

The principal third parties involved in supporting the Trustee in these activities are:

- The FM (WTW), who is responsible for ensuring climate change is considered as part of the ongoing portfolio construction, the selection of the underlying investment managers and the conduct of their stewardship activities. WTW's approach to climate change and sustainable investment was an important factor in their selection as FM and forms part of the Trustee's ongoing monitoring (which noted key points such as its membership of important industry bodies, as well as being a signatory to the UK Stewardship Code). The Trustee has set the FM a series of objectives against which they are assessed annually, including reference to assisting with the assessment, management and measurement of climate change risks and opportunities.
- The FM Oversight Provider (Isio), who provides monitoring to hold the FM accountable for its management of the Plan's portfolio. This includes an assessment of how the FM incorporates climate-related risks and opportunities into its investment process.
- Investment managers, who manage climate change risks and opportunities within their mandates in accordance with the relevant guidelines. This includes the selection of assets as well as the managers' stewardship activities. Although it does not do so regularly, the Trustee can meet with managers on an ad hoc basis to assess performance against the policies outlined in the SIP. The FM also provides the Trustee with its assessment of the Plan's investment managers in its quarterly reporting and engages with the investment managers as appropriate where there are areas for improvement. The FM rates all the investment managers' sustainable investing capabilities as either a strength or acceptable and the Trustee is satisfied that managers have met expectations over the year.
- The Scheme Actuary (David Evans from WTW), who performs valuations of the Plan and who advises on how climate-related risks and opportunities might affect the Plan's funding position over the short, medium, and long-term and the implications for the Plan's funding strategy.
- The covenant adviser (Cardano), who provide advice on the ability of the Sponsor to support the Plan and an overall assessment of the potential impact of climate-related risks and opportunities on the Sponsor's covenant over the short, medium, and long-term. This is an important part of assessing the Trustee's ability to meet its objectives, as the potential real-life impacts of climate change are very difficult to pinpoint, and the strength of the Sponsor is a key support to the Plan.

As part of its ongoing governance processes, the Trustee regularly undertakes assessments of each service provider's capabilities, including the incorporation of climate change risks and opportunities into the advice provided.

Section 1 – Governance (continued)

Trustee activity over the period

The Trustee Board meets at least four times a year to focus on investment matters, and climate change is regularly discussed at these meetings in the context of the Plan's overall asset allocation and the managers employed. It recognises that climate change is a fast-evolving and complex area that requires ongoing discussion and education.

To support this, over the year, the Trustee took various actions to assess and address climate-related risks and opportunities:

- The Trustee reviewed the Plan's Statement of Investment Principles and agreed that its stewardship priorities remain Climate Change and AtkinsRéalis' policy of "Everyone Belongs."
- The Trustee received a training session covering biodiversity where the Trustee had opportunities to engage and ask questions particularly around the link between climate change and biodiversity.
- Ahead of producing the Plan's third Climate Change Report, the Trustee received advice from the FM regarding appropriate changes given industry and regulatory developments.

Over the Plan year to March 2025, the FM has also carried out several activities to help the Trustee meet their climate goals, including:

- The FM participated in a range of industry initiatives over the year to seek to exercise good stewardship practices. Please refer to their latest UK Stewardship Code report for more information: <https://www.wtwco.com/en-gb/solutions/services/sustainable-investment>.
- Confirmed UK Stewardship Code adherence for 1 January 2024 to 31 December 2024
- Employed a leading stewardship services provider
- Maintained climate as their top theme for engaging with investment managers
- Over the year ending 31 December 2024, the FM conducted engagements with over seventy managers across multiple asset classes and also engaged on over one hundred products on sustainability and stewardship.
- Invested in their portfolio construction tool incorporating climate metrics
- Researched over 150 sustainability themed strategies with a focus on climate
- Engaged with and responded to several government consultations

Section 1 – Governance (continued)

Below is an example of an engagement activity in practice.

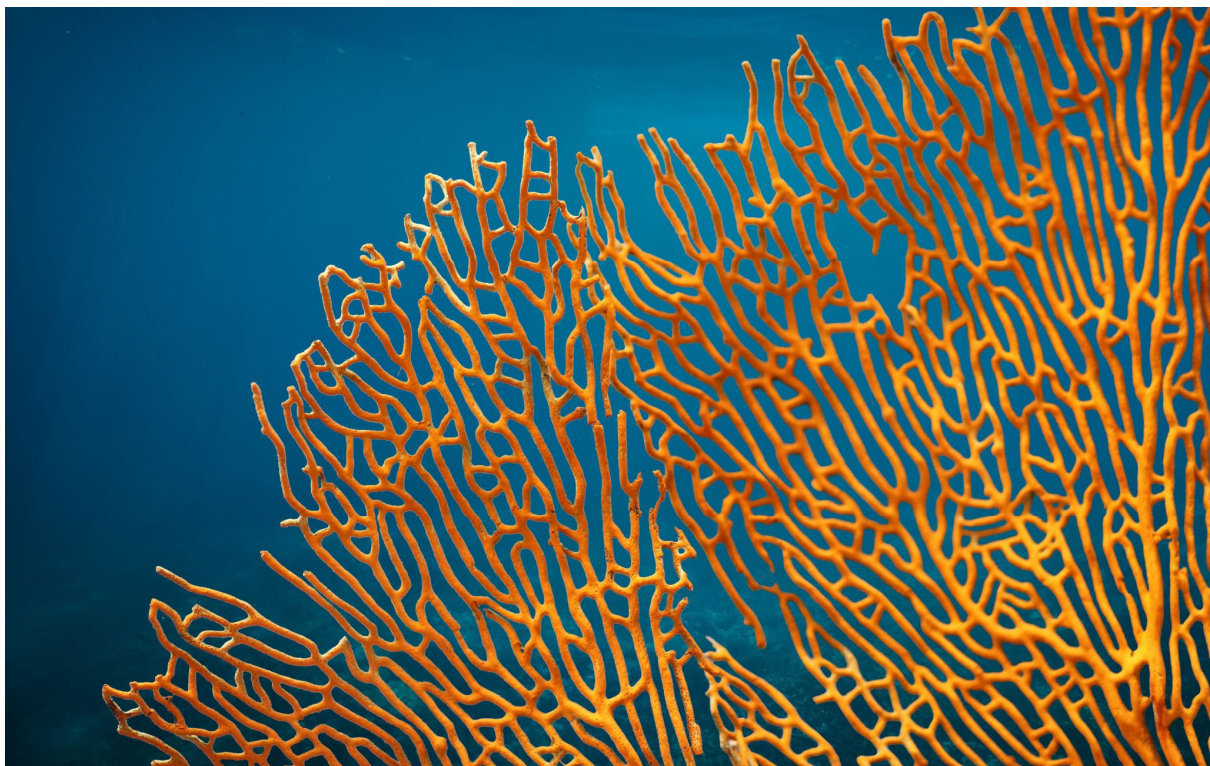


Case study: Engagement with UK regulators around pension scheme reporting

Over 2024, our FM discussed several topics with The Pensions Regulator to provide feedback and suggestions for improvements in areas relating to pension scheme reporting.

Notable areas covered included how climate scenarios can be made more decision useful and current client sentiment on UK pension scheme TCFD reporting. The FM initially discussed and then shared a paper with the regulator on their approach to climate scenarios, with the aim of seeking to contribute to positive developments in this area via the incorporation of some of their views into future guidance.

The FM also discussed client feedback on TCFD reporting — in particular, the benefits of reporting in its current form, and how this could be enhanced in the future to maintain engagement and add value in an area where there are often resource constraints, especially with smaller schemes. They continue to engage, where appropriate, with the Pensions Regulator to input into the constructive development of these regulations.



Section 2 – Strategy

Appropriately managing climate change risks and opportunities from a strategic perspective is a key part of the Trustee's role. Climate change is a financially material consideration that will have significant influence on the future success of companies, notably their ability to service debt, and the security of their cashflows and asset values. As such, climate-related risks could potentially impact the Sponsor's covenant and all investment strategies and mandates, across both short- and long-term time horizons.

Over time, the Plan is expected to acquire an increasing proportion of longer dated assets, notably corporate bonds, and real assets, such as infrastructure, to better match its liability cashflows. The Trustee is therefore very focused on sustainability considerations, as it would typically be expected that such assets would be held to their maturity to generate cash inflows for the payment of members' benefits.

The Trustee has agreed the following time horizons over which climate risks and opportunities should be considered:

- **Short-term** – The next three years to 2028, over which we are striving to improve data quality for carbon-related disclosures. This timescale also aligns with the 3-year valuation cycle over which any sudden shock to the portfolio could impact the contributions required from the Sponsor.

The impact of climate change on the Plan over this period will depend heavily on regulatory oversight and the improvement in understanding emissions data. Over this period the risk management focus of the Plan's FM and underlying investment managers will be to identify those assets, sectors and companies that are likely to be most affected by the climate transition, both positively and negatively, and to position the Plan's investments taking this into account.

- **Medium-term** – The period to 2035 in which transition risk (please see below) is expected to dominate. This is expected to be the most important period where action taken will have a definitive impact on the ability of the global economy, and the Plan, to reach the desired net zero goals.

In addition to identifying those companies likely to be most affected by climate transition risk (and future potential physical risks – please see below), the ability of the FM to engage with underlying investment managers, regulators and other investors over this period will be key to managing the risks relating to climate change.

- **Long-term** – The period to 2050 in which the Plan will reach significant maturity. This period starts to incorporate a greater degree of physical risk exposure and reflects the long-term net zero goal of the Trustee, as set out in Section 4.

The precise impact of this physical risk is very difficult to ascertain at this point, limiting the ability to manage these risks. However, the Trustee expects the Plan's FM to work to improve the quality of data and the resources available to better understand the risks and opportunities pertaining to climate change and to position the Plan's investments accordingly.

Section 2 – Strategy (continued)

The Trustee has identified the following categories of climate-related risks and opportunities:

Regulatory risk	Reputational risk	Transition risk	Physical risk
Regulators are increasing pressure on pension schemes to explicitly consider and report on climate change	The increasing spotlight on pension schemes and climate change increases the risk of being “named and shamed”	The indirect impact arising as a result of changes in society and economies to combat or adapt to climate change	The direct impact arising as a result of chronic and/or acute changes in climate and extreme weather events

Examples

<ul style="list-style-type: none"> • Implementation Statement • DWP Pensions Bill • Mandatory TCFD reporting 	<ul style="list-style-type: none"> • In 2023 the Pensions Regulator issued its first fine, to ExxonMobil Pension Plan for failing to publish its climate change report on time. 	<ul style="list-style-type: none"> • Assets: Some industries become obsolete (e.g. coal), reinvent themselves or others emerge (electric vehicles) • Liabilities: Improvements in mortality from healthier lifestyles 	<ul style="list-style-type: none"> • Assets: Damage to physical assets underpinning securities (e.g. real estate and infrastructure) • Liabilities: Excess deaths arising from extreme weather
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Section 2 – Strategy (continued)

With the help of the FM, the Trustee has also assessed how the categories identified are relevant to the Plan’s investments over the agreed short-, medium- and long-term time horizons.

	Short Term	Medium Term	Long Term
Primary types of risk	<ul style="list-style-type: none"> Regulatory Reputational Transition 	<ul style="list-style-type: none"> Reputational Transition 	<ul style="list-style-type: none"> Transition Physical
Key risk exposure	<p>The Plan is exposed to regulatory risks, including fines, if it does not comply with evolving regulatory requirements.</p> <p>The Trustee (and Sponsor) are exposed to reputational risks if the Trustee’s policies are misaligned with peers and/or Sponsor.</p> <p>The Plan is predominately exposed to transition risks through its return-seeking assets and corporate bonds.</p>	<p>The Trustee (and Sponsor) are exposed to reputational risks if the Trustee’s policies are misaligned with peers and/or Sponsors.</p> <p>The Plan is exposed to transition risks through its return-seeking assets and corporate bonds.</p> <p>The Trustee may, in the future, wish to insure part or all the Plan’s liabilities with an insurer. Therefore, the Plan is potentially exposed to the impact on bulk annuity insurers’ pricing of climate risk, including the impact on future expected returns and other financial and demographic assumptions.</p> <p>Under a bulk annuity contract, the Plan would pay a fixed amount up front to an insurer, and in return the insurer would take on responsibility for meeting the insured benefits, along with the risks associated with those benefits.</p> <p>Given the long-term nature of these risks, there is a high level of uncertainty in terms of the likely effect and the potential magnitude of their impact.</p>	<p>The Plan may be exposed to transition risks through any holdings in various asset classes (including equity, corporate bonds, property, and infrastructure).</p> <p>The Plan may be exposed to physical risk through its holdings in various assets, in particular real assets, including property and infrastructure.</p> <p>Again, the Plan is potentially exposed to the impact on bulk annuity insurers’ pricing of climate risk, including the impact on future expected returns and other financial and demographic assumptions.</p> <p>Given the long-term nature of these risks, there is a high level of uncertainty in terms of the likely effect and the potential magnitude of their impact.</p>
Potential opportunities	<p>Encouraging the Plan’s existing investment managers to consider and where possible reduce exposure to transition risks by engaging with companies to develop a strong transition plan.</p>	<p>Where supported by a robust investment case, seek alignment with the Trustee’s climate goals.</p> <p>Engage with investment managers to develop and implement the Trustee’s climate goals and ensure new investments are aligned with this.</p> <p>Aligning the Plan’s investments with the ESG policies of leading bulk annuity insurers may increase the likelihood of credit assets being taken <i>in specie</i>, marginally reducing the cost of any bulk annuity purchases.</p>	

Section 2 – Strategy (continued)

Scenario Analysis

More detail on the scenario analysis is available in the appendix.

The Trustee's policy is to carry out climate change scenario analysis every three years unless there is:

- A material increase in the availability of data
- A significant/material change to the investment and/or funding strategy or some other material change in the Plan's or Plan Sponsor's position
- The development of new or improved scenarios or modelling capabilities / events that might reasonably be thought to impact key assumptions within scenarios
- A change in industry practice/trends on scenario analysis

The Trustee first completed scenario analysis for the Plan as part of the First Climate Change Report. Following discussion with the FM, the Trustee has decided to update the scenario analysis this year to include a "hot house" scenario. The underlying assumption of each of the previous scenarios have also been updated for the latest available information and as such they have been renamed/redefined since the first report.

In these scenarios we reference the "carbon budget." This is the amount of emissions that can be emitted to limit global warming to a specific temperature threshold, most commonly quoted as an increase of 2°C. If exceeded, this tipping point could lead to large, accelerating and potentially irreversible changes in the climate system.

The climate scenario analysis now considers the impact to the portfolio under the following five scenarios:

- **Nationally Determined Contributions** (formally lowest common denominator): A "business as usual" approach, where current policies continue with no additional attempt to incentivise further emissions reductions. Socioeconomic and technological trends do not shift markedly from historical patterns.
- **Delayed Transition Below 2°C** (formally inevitable policy response): Delays in taking meaningful policy action result in a rapid policy shift around 2030. Policies are implemented in a somewhat but not completely co-ordinated manner resulting in a more disorderly transition to a low carbon economy. Emissions exceed the carbon budget temporarily but then decline.
- **Below 2°C** (formally Global coordinated action): Globally co-ordinated climate policies are introduced immediately, becoming gradually more stringent over time. Companies and consumers take the majority of actions available to capture opportunities to reduce emissions.
- **Net Zero 2050** (formally climate emergency): A more ambitious version of the 'Below 2°C' scenario where more aggressive policy is pursued immediately. More extensive technology shifts are achieved with Carbon Dioxide Removal ('CDR') used to accelerate the transition, broadly in line with sustainable levels of bioenergy production.
- **Hot House World**: Despite efforts to transition, the resultant temperature outcome exceeds 2°C due to a lower-than-expected remaining carbon budget and/or the impact of climate tipping points.

The Trustee undertook a review of the Sponsor's latest climate disclosures to ensure that covenant climate risk considerations were up to date.

Section 2 – Strategy (continued)

The scenario analysis has been provided in the Appendix to this report. Having considered the analysis, the Trustee drew several key conclusions:

- Over the long-term, the Plan’s funding level is expected to improve under all scenarios considered and the Plan is expected to retain a secure position. This reflects the diversified nature of the Plan’s portfolio and the strong risk controls in place.
- The impacts of climate related risks shown in this year’s analysis are expected to be more severe than when the analysis was first conducted on the previous assumptions. This is a result of greater underlying climate asset impacts within the model, in particular due to the introduction of the more severe “Hot House World” scenario. Despite this worsening of impact, the Trustee is satisfied that the assumptions now reflect a more conservative and prudent world view on climate impacts.
- The funding level is expected to improve over time from its current funding position in all scenarios. However, over the long-term (modelled as 20 years), the Plan’s funding level progression is expected to improve less quickly under all scenarios considered, relative to the current journey plan (which does not account for climate risks). This is due to the asset drag (the negative impact on the value of the assets) having a more severe impact than the liability drag (the reduction in the value of liabilities due to the adverse impact on longevity).
- A climate-related shock (where the market reprices suddenly for the risk of climate change), as opposed to drag (where the impact of climate change is felt over time), remains the key risk to the Scheme, as climate risks that occur over a longer time period may not impede the ability of the Scheme to meet the funding objectives.
- The scenarios which see greater transition, and therefore transition costs, initially also see lower levels of costs arising due to the physical impact of climate change in the long run. This is most obvious in the Net Zero 2050 scenario, where the transition costs are material, but this results in the lowest physical costs. In the long run we would expect asset returns to be better in the Net Zero scenario rather than the Nationally Determined Contributions scenario, but it may be many decades of physical costs before this outcome is reached.
- The exception to this pattern of higher initial transition costs leading to lower physical costs is the Hot House World which illustrates the worst-case outcome where high transition costs are incurred but temperature increases remain at the higher end of the scale and as a result high physical costs are also incurred.
- There is a wider range of plausible impacts on the Plan’s liabilities due to climate risk compared to the Plan’s assets. Over time, action to mitigate longevity risk could serve to reduce the range of potential outcomes for the Plan.
- Climate risks to the Sponsor covenant appear generally modest but the “Inevitable Policy Response” and “Lowest Common Denominator” represent more material risks over the mid- or long-term.
- The scenarios assume that all other factors are equal during the efforts to transition to a low carbon economy. This is very unlikely to occur in practice. Second-order effects, such as higher levels of investment, employment, and productivity-enhancing innovation, are hard to estimate (and will likely offset some of the falls highlighted in the analysis), hence the climate scenarios cannot be the sole driver of investment strategy and risk management decisions.

Section 3 – Risk Management

The Trustee views climate change as a risk that cuts across most of the other risks faced by the Plan, as they may all be changed, mitigated, or worsened by the effects of climate change. The climate change scenario analysis discussed in the previous section provides a holistic top-down overview of the potential impact of climate change on the Plan’s funding strategy (across assets, liabilities, and covenant). This is an important risk management tool for a top-down risk and opportunity assessment.

In 2023, the Trustee developed and established stewardship priorities. For both engagement and voting, the Trustee assesses the extent to which the Plan’s managers’ stewardship policies and priorities are aligned with their own. The priorities agreed by the Trustee are Climate Change and AtkinsRéalis’ policy of “Everyone Belongs.” The Statement of Investment Principles (SIP) reflect these stewardship priorities, and the Trustee considers climate risks to the Sponsor as part of its regularly covenant monitoring.

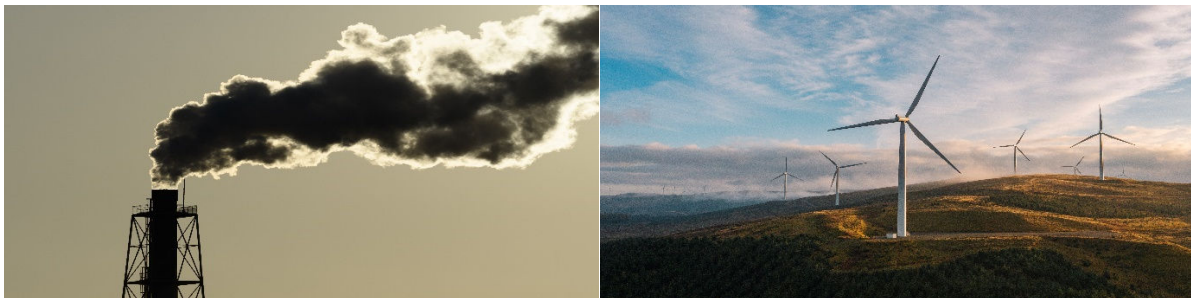
The FM approach to Risk Management

Whilst the Trustee remains ultimately responsible for the actions undertaken, its policy is to delegate day-to-day responsibility for stewardship activities (such as the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity) to the FM and underlying investment managers. The Trustee also expects that the FM and investment managers will engage on its behalf in a manner that is consistent with the Trustee’s policies as set out in the Plan’s SIP. This stewardship activity and the associated outcomes are documented on an annual basis as part of the Plan’s Implementation Statement.

The Plan’s FM considers climate to be a material financial risk and that the transition to net zero is a systematic and urgent global challenge which necessitates specific risk management and collective action. To achieve this, it emphasises the importance of:

- A combination of decarbonising existing investments and making new investments in long-term climate solutions
- Using multiple ‘levers’ including changes to risk management and asset allocation, manager selection, and index design
- Effective stewardship and policy level engagement

In line with this, the Trustee has also agreed an overarching ‘Carbon Journey Plan,’ which represents a long-term goal to manage climate change risks and opportunities. As set out in the next section, this is a goal to reduce the Plan’s carbon footprint (scope 1 and 2 emissions – *defined in the next section of the report*) by approximately 50% by 2030 and to reach net-zero by 2050. Although this ultimate goal is based upon the Plan’s carbon footprint, the Trustee recognises that this is a simple and backward looking metric and therefore the Trustee also monitors a dashboard of climate metrics alongside this. Exposures and trends across multiple metrics are assessed, rather than focussing just on the carbon footprint goal.



Section 3 – Risk Management (continued)

Bottom-up analysis

Alongside the top-down analysis discussed above, the FM also prepares bottom-up analysis to provide the Trustee with greater insight into the Plan's portfolio:

Security analysis – The FM calculates various climate change related metrics for the underlying securities within the portfolio. This includes metrics such as absolute carbon emissions, carbon footprint, data quality and percentage of the Plan's non-LDI assets aligned with Science Based Targets (SBTs). These provide the Trustee with a more detailed understanding of the Plan's exposures.

Manager analysis – The Trustee receives reporting on a quarterly basis to assess the underlying managers' competencies. This provides an assessment of the managers' approach to sustainable investing. The FM assesses the investment managers' approach to sustainable investing before investing on the Trustee's behalf, and on a periodic basis as part of its ongoing manager research activities.

As a result of the discussions held with the FM over the year and the Trustee's ongoing monitoring processes, it is satisfied that the FM's objectives and guidelines are consistent with its policies relating to sustainability and responsible investment (where relevant to the mandate in question). The Trustee will continue to monitor and challenge the Plan's FM and engage with them on sustainable investing matters.



Section 4 – Metrics and Targets

Metrics

In line with regulation, the Trustee has taken action to calculate and monitor Scope 1, 2 and 3 emissions as defined below, on investments held across the Plan's investment portfolio, where it can collect the necessary data:

- Scope 1 emissions: all direct emissions from the activities of an entity or the activities under its control. For example, the fuel combustion used to run delivery vehicles across the country, and leaks of greenhouse gases from retail store air conditioning units.
- Scope 2 emissions: indirect emissions from electricity purchased and used by an entity. For example, lighting and heating in retail stores.
- Scope 3 emissions: all indirect emissions from the activities of the entity, other than scope 2 emissions, which occur from sources that the entity does not directly control. For example, the transport and distribution of products from stores around the world.

While this analysis was initially prepared for the Plan using data as at 31 December 2021, industry knowledge and best practice around the analysis has continued to evolve. As part of this third report, the Trustee has reported Scope 1 & 2, as well as Scope 3 emissions where available. The Trustee expects Scope 3 emissions to become an increasingly important part of Climate Change reporting given their material size, and therefore overall impact on metric changes. However there remain significant concerns over the availability and accuracy of data in relation to Scope 3 emissions. As a result, the Trustee's net zero goal continues to relate to Scope 1 and 2 emissions only.



Section 4 – Metrics and Targets (continued)

In line with regulation, the Trustee has agreed and calculated a set of climate metrics, which will be reported against on an annual basis. The selected metrics are:

1. **Total Carbon Emissions** – This is an ‘absolute emissions’ metric which gives the total greenhouse gas emissions attributable to the Plan’s assets. This is calculated in line with the guidance provided by the Greenhouse Gas Protocol. This metric uses estimates for direct and indirect emissions. Absolute metrics such as this are easy to understand. However, they can be difficult to compare through time and against peers, as the larger the investor, the larger the expected carbon footprint.
2. **Carbon Footprint** – This is an ‘emissions intensity’ metric which is divided by the market value of the portfolio, and the primary metric that will be monitored as part of the Plan’s Carbon Journey Plan. This metric gives the total greenhouse gas emissions attributable to the Plan’s assets, per \$ million invested. This is an important complement to the total carbon emissions metric, as well as aiding comparability over time and to industry peers. This is also the preferred metric as set out in Department for Work and Pensions (DWP) guidance, helping to ensure regulatory alignment. The methodology for the calculation of this metric takes the total carbon emissions as calculated above and divides it by the total value of the assets to which the emissions relate.
3. **Data quality** – This measure aims to represent the proportion of the portfolio for which we have high quality data and is a key area in which we are striving for improvement over the coming years. We have reported on the proportion of data available based on actual portfolio holdings, and that calculated from proxies displaying similar characteristics in terms of asset class, geography and sector to actual assets held. In future years, as data quality improves, we aim to expand this measure, breaking down portfolio-specific data into sub-categories, depending on how robust the information provided.
4. **Percentage of assets with approved Science Based Targets (SBT)** – This is an ‘alignment’ metric which is a forward-looking, aiming to communicate a direction of travel and consider the Plan’s exposure to future climate risks, by assessing the extent to which the companies invested in by the Plan are making formal plans to reduce their carbon emissions. The percentage of assets with approved SBT targets has been chosen to allow comparisons of portfolios with peers and track progress over time. The Science Based Targets initiative (SBTi) is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI), and the Worldwide Fund for Nature (WWF) enabling companies to set science-based emissions reduction targets.

The Trustee does not expect these metrics to remain static over time – instead, they will evolve to reflect industry best practice.

The Trustee recognises the limitations in the calculation and gathering of data. These limitations include the lack of common definitions/standards for presenting climate-related data, differences in methodologies, and reliance on assumptions. Some data is also less readily available for certain asset types and there may be data gaps that are filled using varying proxy methodologies. Recognising these limitations, the analysis has been carried out on a “best endeavours” basis, and the Trustee will work with advisers and the pensions industry to improve the quality and consistency of data reported over time.

The emissions associated with UK Government bonds have been included in the report this year as the Plan is required to hold UK gilts to hedge its pension liabilities. However, they are reported separately to the Plan’s “key metrics” figures below, recognising the fundamentally different methodology employed.

Section 4 – Metrics and Targets (continued)

For the absolute emissions and intensity metrics (metric 1 and metric 2) the Trustee has made efforts to represent the emissions of the Plan’s underlying portfolio as accurately as possible. It is recognised, however, that this is a developing area, which currently gives rise to several limitations. Where data is not available, either suitable proxies have been used to estimate the relevant data or data has been scaled to cover the total portfolio. The Trustee is committed to improving the robustness and consistency of the data over time through engagement with managers and changes in the industry approach.

Over the year, we have seen an increase in the reported emissions as the Plan increased investment in illiquid assets which have higher emissions. Whilst this investment contributed to an increase in total emissions, it includes a number of climate solution holdings aim to reduce global emissions.

This portfolio evolution has also led to a slight reduction in data quality as these assets are unlisted and therefore require a higher degree of proxying in order to measure emissions. This has also led to a slight reduction in the alignment metric as this measure is less applicable to the underlying assets within the illiquid investments.

The FM engages with underlying investment managers regularly to understand their Plan to reach net zero carbon emissions.

Key metrics

Metric	31 March 2024	31 March 2025
Metric 1 – Total Emissions (Scope 1 and 2) <i>Total carbon emissions (tCO₂e)</i>	33,567	41,285
Metric 2 – Carbon Footprint (Scope 1 and 2) <i>Assessment of the efficiency of portfolio carbon emissions (tCO₂e / \$m invested)</i>	22	30
Metric 3 – Data Quality % of the invested assets (excluding cash and LDI assets)	51%	47%
<i>Actual holding data – Emissions reported by company</i>	21%	12%
<i>Proxied data – Emissions estimated by FM</i>	28%	18%
<i>No data available</i>		
Metric 4 – Alignment <i>Percentage of total Plan assets with approved SBTi targets</i>	9.4%	8.9%

Source: WTW as at 31 March 2025

Section 4 – Metrics and Targets (continued)

Scope 3 emissions

Scope 3 emissions, which are the result of activities from assets not owned or controlled by the reporting organisation, but that the organisation indirectly affects in its value chain, are included in the analysis in line with regulatory guidance and we expect to continue to report these emissions each year. However, the quality and coverage of Scope 3 data available remains low compared to Scope 1 and 2. The Trustee expects to see Scope 3 emissions fluctuate and be volatile as companies work to better capture these emissions. The total reported Scope 3 carbon emissions for the Plan's portfolio as at 31 March 2025 were 178,305 tCO₂e excluding LDI assets (where there is no agreed methodology for their calculation) compared to 164,037 tCO₂e as at 31 March 2024.

Gilt emissions

The Trustee has agreed to exclude Government Bonds from the Plan's goal and to report the climate metrics for this asset class separately. The reason for the separate disclosure is because the underlying methodology is materially different, as are the potential actions available to the Trustee.

For UK Government Bonds, the carbon emissions are calculated as the territorial emissions in the whole of the UK i.e. those that take place within the territorial boundaries and include exports but omit imports. The denominator used to attribute emissions is the total amount of UK Government Debt outstanding.

The rationale for the current exclusion of Government Bonds from the Plan's target is as follows:

- The Trustee primarily holds Government Bonds as assets to hedge the Plan's liabilities and as such, even if reducing exposure to these assets would lead to an overall improvement in climate metrics, it would open the Plan up to excessive funding and investment risk
- The Trustee recognises that it has limited capacity and capability to engage with governments on climate related metrics
- The level of financial risk arising from these assets is perceived to be much smaller i.e. the influence of climate change on the price of Government Bonds in comparison to the other assets held is likely to be lower

The data below has been provided by the Plan's LDI manager.

Metric	31 March 2024	31 March 2025
Metric 1 – Total Emissions (Scope 1 and 2) <i>Total carbon emissions including sovereigns (Footprint*MV tCO₂e)</i>	163,728	144,354
Metric 2 – Carbon Footprint (Scope 1 and 2) <i>Assessment of the efficiency of portfolio carbon emissions including sovereigns (tCO₂e scope 1 + 2 emissions / £m invested)</i>	167	166

Source: WTW as at 31 March 2025

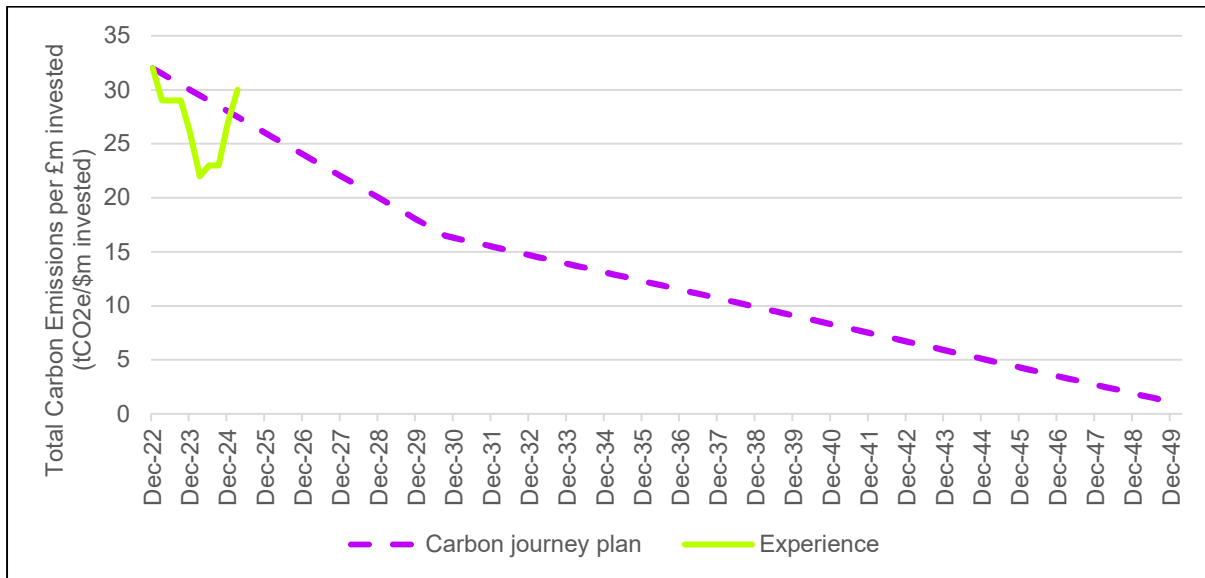
Section 4 – Metrics and Targets (continued)

Targets

In order for the Plan's investment strategy to match the Trustee's ambitions in managing climate risk, several climate-related goals have been set, and the Trustee will monitor performance against them. The Trustee has set a long-term goal of the Plan's assets reaching net zero greenhouse gas emissions by 2050 and an interim goal of approximately a 50% reduction to the Plan's investment portfolio carbon footprint by 2030.

The Carbon Journey Plan

In line with the FM's approach, the Trustee has also developed the below 'Carbon Journey Plan,' which the Trustee believes will act as a tool in helping it to meet its ultimate net zero goals and lead to effective monitoring and decision-making along the way.



Source: WTW as at 31 March 2025

For this report the Plan's Carbon Journey Plan has been rebased to 31 December 2022, reflecting the timing of both the appointment of WTW as the Plan's FM and a significant change in the methodology for calculating the Plan's carbon footprint. Going forward, the Trustee recognises that both methodological changes and data availability may cause the reported position of the Plan to vary, sometimes materially. Nevertheless, the Trustee remains committed to reporting the most accurate data it has available at the time and to working to achieve the agreed long-term reduction goal.

Section 4 – Metrics and Targets (continued)

Over time, there are several ways in which the Trustee expects the Plan to achieve the reduction in its emissions goal over time:

- **Engagement:** The FM and investment managers will aim to reduce emissions associated with the Plan’s portfolio by changing the behaviour of the companies in which it invests. This is principally achieved through the FM’s engagement activities, both with the investment managers held by the Plan and the broader investment industry. The Trustee considers this to be one of the most effective methods of mitigating the investment risk associated with climate change.
- **Mandate changes including divestment:** When designing investment mandates and making new investments, the FM will review the guidelines and restrictions, particularly in relation to investments with disproportionately high greenhouse gas emitting strategies. Where investment managers are unable or unwilling to evolve their approach, this may ultimately result in the Plan not investing or selling assets if deemed necessary to do so.
- **Impact:** As set out above, the FM will assess the sustainable investing characteristics of new and ongoing investments, with a view to identifying strategies that might benefit from the tailwinds of the global move to net zero.
- **Free rider:** Recognising common goals across the investment industry, the Trustee expects the Plan to benefit from the actions and efforts of other participants through a decline in the emissions associated with all asset classes.



○

Conclusion – Looking forward.

The Trustee recognises the contribution the Plan can make to limiting the effects of climate change. Developing a set of climate-related metrics and monitoring these over time is an important first step to understanding the actions that can be taken to help shape a better future. The Trustee is committed to achieving the goals set out in this report and will work with the FM, underlying investment managers and advisers to monitor the Plan's progress and consider what changes should be made.

The Plan has made progress over recent years in the monitoring and management of climate-related impacts on investments, funding, and the Sponsor. With the FM, the Trustee will continue to identify future investment opportunities that can contribute towards the Plan's ultimate goals and seek to manage the risks resulting from climate change. However, we wish to reassure members and their beneficiaries that securing benefits will always be its priority.



Appendix – Climate change scenario analysis

During 2025 the Trustee carried out climate change scenario analysis in partnership with the FM. The analysis conducted by the covenant advisor was carried out in 2023. The aim of this analysis was to help to quantify the potential effects of climate change on the Plan's assets, liabilities, and Sponsor covenant.

The analysis considered five separate scenarios that were in part defined through their success, or otherwise, in meeting the Paris Agreement target of a sub-2.0°C temperature rise.

The scenarios were created to reflect the differing paths that could be taken to meet, or fail to meet, the Paris Agreement target. The Paris target is to limit global average temperature increases to 1.5°C above pre-industrial levels, and "well below 2°C". The scenarios differed in the size of the physical risks, based on the resulting temperature impacts, but also in the size of the transition risks.

For the purpose of modelling the long-term impact to the funding level, WTW have modelled this as 2045. WTW do not believe projections over 20 years provide reasonable results. Hence the 2045 long term funding level impacts in the below table. For all other purposes, the long-term date remains as 2050.

The high-level results of the climate change scenario analysis have been outlined below. These were considered over the key time horizons agreed by the Trustee and set out above. The Trustee recognises that assuming such climate scenarios are priced in gradually, year by year, may be an unrealistic expectation and in practice this is likely to be far less linear. The results therefore also considered the impact of an instantaneous shock, which assumed that markets immediately price in the transition and physical risks (and initially overreact to this news). Again, although likely unrealistic, this stress tested the assumptions made in the analysis and helped consider how robust the funding strategy is.

The Trustee recognises the uncertainty in the underlying assumptions and that in reality, the shocks experienced could be larger.



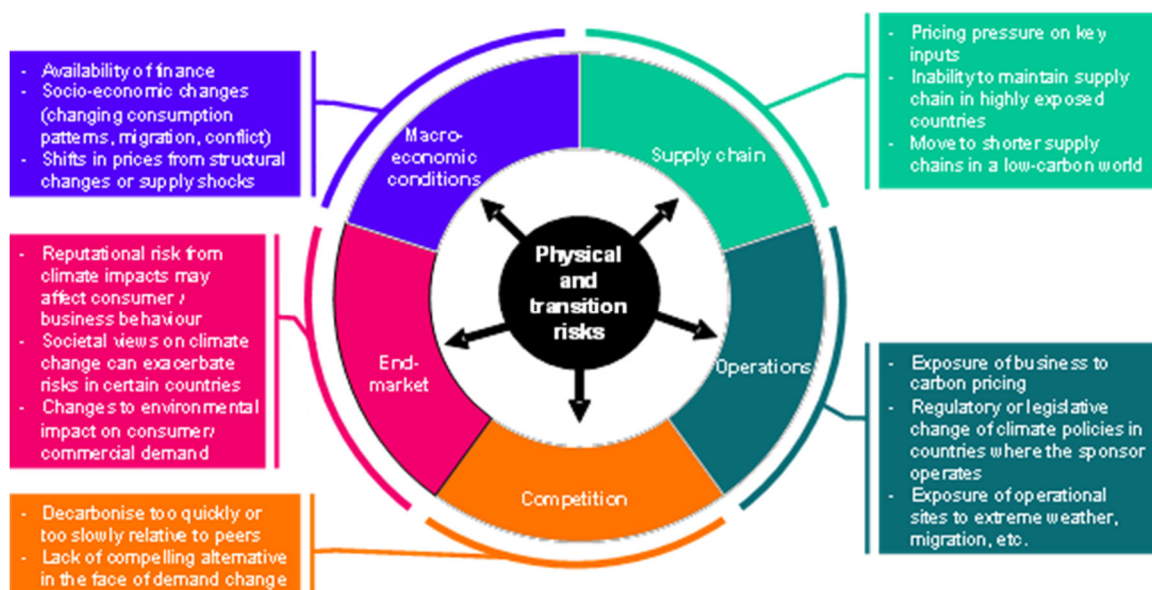
	Nationally Determined Contributions	Delayed Transition Below 2°C	Below 2°C	Net Zero 2050	Hot House World
Description	A “business as usual” outcome where current policies continue with no further attempt to incentivise further emissions reductions. Socioeconomic and technological trends do not shift markedly from historical patterns.	Delays in taking meaningful policy action result in a rapid policy shift around 2030. Policies are implemented in a somewhat but not completely co-ordinated manner resulting in a more disorderly transition to a low carbon economy. Emissions exceed the carbon budget temporarily but then decline.	Globally co-ordinated climate policies are introduced immediately, becoming gradually more stringent over time. Companies and consumers take the majority of actions available to capture opportunities to reduce emissions.	A more ambitious version of the ‘Below 2°C’ scenario where more aggressive policy is pursued immediately. More extensive technology shifts are achieved with Carbon Dioxide Removal used to accelerate the transition, broadly in line with sustainable levels of bioenergy production	Despite efforts to transition, the resultant temperature outcome exceeds 2°C due to a lower-than-expected remaining carbon budget and/or the impact of climate tipping points.
Temperature rise vs pre-industrial levels	~2.5°C	~2.0°C	~2.0°C	~1.5°C	~3.0°C
Transition risk level (shorter term)	Low	High	Medium	High	High
Physical risk level (longer term)	High	Medium	Medium	Low-Medium	High
Estimated impact on funding relative to expected position	2028: 1% 2035: 1% 2045: -5%	2028: 0% 2035: -3% 2045: -4%	2028: -1% 2035: -2% 2045: -5%	2028: 2% 2035: -5% 2045: -6%	2028: 0% 2035: 0% 2045: -5%
Instantaneous funding level shock	-11%	-6%	-6%	-8%	-12%

Source: WTW as at 31 March 2025

The Trustee recognises it is also crucial to understand the potential impact on the Sponsor covenant of the effects of climate change, which can also impact on the long-term funding requirements of the Plan.

In July 2024, the Trustee therefore commissioned a refresh of the 2023 assessment of the impact of a range of scenarios (Climate Emergency, Inevitable Policy Response and Lowest Common Denominator) on the Sponsor covenant by its covenant adviser, Cardano. Given the integrated nature of the Group and the availability of information, the review was carried out primarily on the AtkinsRéalis Group. The July 2024 refresh review suggested there was no new information to suggest a material change to the conclusion of Cardano’s climate scenario analysis on the Group from 2023.

Climate change can impact a business or organisation throughout the whole value-chain, and the key issues arising from climate change are complex and multi-dimensional. The figure below provides an overview of the transmission channels considered by the Trustee’s covenant adviser and the potential risks or impacts from climate change arising under these channels.



Source: Cardano as at 31 March 2024

The key findings from the scenario risk analysis on the covenant available to the Plan were as follows:

- Climate risk to the Sponsor and the wider Group generally appears modest in the near-term, given their relatively small greenhouse gas (GHG) emissions.
- Over the medium and longer-terms, the main risks are the cost or operational complications associated with emission reductions and/or more stringent regulations impacting client demand.
- In a Lowest Common Denominator (“LCD”) scenario, over the long-term extreme weather events are likely to cause disruption to projects and negatively impact the global economy, with associated risks to the Group’s future performance.

	Near-term 2028	Mid-term 2035	Long-term 2050
Lowest Common Denominator (3.5°C)	Lower risk	Medium risk	Higher risk
Inevitable Policy Response (2.0°C)	Lower risk	Higher risk	Medium risk
Climate Emergency (1.5°C)	Lower risk	Medium risk	Lower risk

Source: Cardano as at 31 March 2024

To address the risks identified in the assessment, the Trustee has considered the recommendations from the covenant adviser in each of the following areas:

- Climate risks identified (e.g. GHG emissions and reduction targets, the potential cost of offsetting residual emissions once targets have been met, extreme weather events in key locations and emerging regulations in key markets) have been integrated into the Trustee’s regular Sponsor covenant monitoring framework.
- The impact of climate risk on the Sponsor covenant will continue to inform the Trustee’s choice of long-term funding targets and time horizons.

