

Task Force on Climate-Related Financial Disclosures
(TCFD) report

**JOHNSON & JOHNSON UK GROUP
RETIREMENT PLAN**

For the year ending 31 March 2025



Overview

Chair Summary:

The Trustee of the Johnson & Johnson UK Group Retirement Plan ("the Plan") is committed to managing both financial and non-financial risks in the best interests of its beneficiaries. Recognising climate change as a material risk to long-term investment sustainability, the Trustee has integrated climate considerations into the Plan's governance and strategic decision-making processes.

Aligned with the Taskforce on Climate-related Financial Disclosures (TCFD) framework, and in accordance with UK regulations, the Trustee publishes an annual TCFD-aligned report on governance, strategy, risk management, and metrics. This third TCFD report, for the year ending 31 March 2025, builds on previous efforts to enhance transparency and accountability in addressing climate-related risks.

The Trustee acknowledges that climate change presents both risks and opportunities. The transition to a low-carbon economy and the management of physical climate risks offers potential to enhance the portfolio's long-term value if handled effectively. To this end, Environmental, Social, and Governance (ESG) considerations have been embedded into the Plan's investment governance framework.

Significant progress has been made this year, including strengthening governance structures through regular discussions on climate and sustainability and utilising independent data to enhance transparency in monitoring and reporting climate-related metrics. The Trustee, as part of the annual review of climate metrics, are pleased to note that there had been a significant increase the percentage of the Fund's portfolio which had Science based Targets initiative (SBTi) targets in place. The Fund has made strong progress over the year to achieving its 2027 target.

The Plan is well-funded, with a significant surplus that provides the Trustee with some comfort that members' benefits will remain secure should climate related risks materialise. Given the strong funding level, the Plan is allocated heavily toward low-risk, defensive assets (80% strategic allocation to such assets). This defensive asset allocation consists of corporate bonds and government securities making up 30% and 50% of the total portfolio respectively. As a result, the Trustee places particular emphasis on the corporate bond portfolio and its implications for the overall climate metrics, given that this allocation is expected to remain static or potentially grow over time. Recent developments in the US-climate related disclosure requirements, influenced by political and regulatory shifts, are expected to lead to variability in reporting metrics and any US holdings (particularly in equities) will be carefully considered as a result.

This year's report aligns with the four key TCFD pillars:

- **Governance:** Enhanced governance to integrate climate and sustainability risks into decision-making.
- **Metrics:** The Plan tracks progress using metrics like carbon intensity and fossil fuel exposure, with defined targets to assess and manage climate risks.
- **Strategy:** Ongoing assessment of climate risks and opportunities, with a focus on both transitional and physical risks.
- **Risk Management:** Robust processes are in place to regularly identify, assess, and manage climate risks.

Looking ahead, the Trustee remains focused on further integrating climate and sustainability factors into the Plan's governance framework. While progress has been made, challenges remain, particularly regarding ESG data credibility and evolving regulatory targets, which may create volatility in the Plan's progress against its long-term climate objectives.

Key Highlights

As the Trustee of the Johnson & Johnson UK Group Retirement Plan, we are committed to managing the financial and non-financial risks that could impact the long-term sustainability of the Plan. Recognising the material risks posed by climate change, we have integrated climate-related considerations into our governance and investment strategies. This report outlines the portfolio changes that have taken over the past year, in alignment with the Task Force on Climate-Related Financial Disclosures (TCFD) framework, to ensure that we proactively address both the risks and opportunities presented by the transition to a low-carbon economy. We remain focused on enhancing transparency, improving governance, and aligning the Plan's investments with sustainability goals.

Governance:

We have continued to integrate climate risks into our decision-making process. ESG considerations are embedded and discussed at the Trustee meetings.

The Trustee has completed ongoing ESG and climate-related training.

Strategy:

We have continued to integrate physical and transition climate risks into our investment strategy, considering short, medium, and long-term impacts.

The Trustee reviewed changes in the Plan's portfolio, focusing on the change in Science Based Targets initiative (SBTi).

Metrics:

We continue to report against metrics agreed in previous reports. However we note that this year there has been a material decrease in reporting figures due to portfolio restructuring occurring at the time of the accounting year end. We report on the impact of these and post implementation impacts in the metrics section of this report.

Risk Management:







We have continued to recognise climate risks on our Trustee risk register. As the Plan's funding level improves, we continue to embark on proactive hedging strategies and focus on low-risk investments.

We have utilised a continuous monitoring system using a dashboard that tracks climate-related risk factors.

Looking Ahead:

We are focusing on engaging with managers to seek to increase Science-Based Targets coverage and expanding climate metrics to include non-publicly traded assets. However, we note that there are considerable political headwinds which may impact our ability to accurately report due to changes in corporate reporting requirements. Nonetheless, we will continue refining our climate risk management approach.

Metrics at a glance

	<p>Total Weighed Average Scope 1 & 2 Carbon Intensity (tCO₂e per \$m revenue)¹</p> <p>112.7</p> <p>Compared to 94.4 for 2024</p>		<p>Country level production based carbon emissions (thousand tCO₂e)²</p> <p>264.4</p> <p>Compared to 361.7 for 2024</p>
	<p>Total Scope 1 & 2 Carbon Emissions (thousand tCO₂e)¹</p> <p>24.0</p> <p>Compared to 45.6 for 2024</p>		<p>Carbon Targets Coverage (% of covered AUM that has SBTi approved targets)¹</p> <p>47.0%</p> <p>Compared to 34.9% for 2024</p>
	<p>Total Scope 3 Carbon emission (thousand tCO₂e)¹</p> <p>221.6</p> <p>Compared to 343.6 for 2024</p>		<p>Implied Temperature Rise¹</p> <p>2.7°C</p> <p>Compared to 2.8°C for 2024</p>

Source: Investment Managers, Custodian, Impact Cubed as at 31 March 2025, prior period reported as at 31 March 2024

¹ Company-based metric that is in respect of covered equity and corporate bond holdings. ² Country-based metrics that is in respect of any covered holdings. For further details on coverage, see the “data coverage and limitations” section.

³ Asset value based on the Plan’s draft Annual Report. Valuations and hence allocations may vary due to timing differences.

Overview of our Portfolio

Asset base as at 31 March 2025³

£1.946bn

Asset Allocation

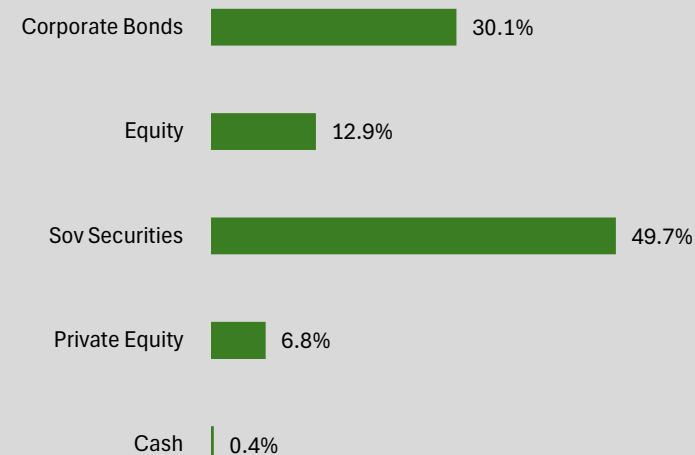


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Governance

Our belief

The Trustee's primary concern is to act in the best financial interest of the Plan and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental factors, including climate change, may negatively impact the value of the investments held if not understood and evaluated properly.

Through the actions of its appointed investment managers and advisers, an engagement-led approach allows the Trustee to be active participants in improving corporate behaviour, upholding high standards of corporate governance, and encouraging responsible ownership practices.

The Trustee believes that the risks associated with climate change can have a materially detrimental impact on the Plan's investment returns, the Trustee seeks to integrate assessments of climate change risk into their investment decisions.

Furthermore, the Trustee believes that climate-related factors are likely to create investment opportunities. Where possible, and where appropriately aligned with the Trustee's strategic objectives and fiduciary duty, the Trustee will seek to capture such opportunities through their investment portfolio. The Trustee expects their investment managers to integrate ESG factors in their analysis and decision making.

Governance Structure



The Trustee holds direct responsibility for setting investment objectives, focusing on long-term sustainability and aligning with TCFD guidelines. This includes establishing risk and return targets that consider climate risks and opportunities. The Trustee makes these decisions ensuring ESG factors are integrated into the investment strategy.

The Trustee oversees the implementation of its strategy, appointing and monitoring managers and service providers, ensuring they adhere to sustainability and climate-related goals. Investment managers oversee the day-to-day management of assets, with discretion to make decisions within sustainability guidelines. The Trustee is supported by the EMEA Benefit Investments team who have oversight of the Plan's assets and assist (alongside investment managers) to identify and flag any potential risks and opportunities as they arise. This is supported by independent external advisers where relevant.

Responsibilities

Trustee Board:

The Trustee holds ultimate responsibility for overseeing all strategic matters related to the Plan, including approving the governance and management framework for environmental, social, and governance (ESG) considerations, as well as managing climate-related risks and opportunities. Recognising climate change as a significant long-term financial and systemic risk, the Trustee implements and oversees the Plan's climate risk management approach on a day-to-day basis, regularly monitoring progress. Failure to manage these risks effectively could negatively impact the Plan's investment value.

The Plan is supported by a Professional Corporate Sole Trustee, who receives ongoing training on climate-related issues to ensure they maintain the necessary knowledge for informed decision-making. The Trustee expects advisers to proactively update them on relevant climate-related developments to guide sound investment decisions.

Advisers and Stakeholders:

The Trustee is supported by advisers who meet with the Trustee quarterly, or more frequently if necessary. These advisers, along with the investment managers, provide insights and support for implementing the Plan's climate change strategy.

Investment Consultants:

The Trustee has appointed Mercer as an investment consultant, who assists with compliance under TCFD guidelines and provides insights into climate-related risks and opportunities. This includes offering training, updates, and scenario modelling to help the Trustee assess the Plan's exposure to climate change.

Plan Actuary:

Mercer also serves as the Plan Actuary, supporting the Trustee in integrating climate change considerations into the Plan's funding assumptions.

Covenant Monitoring:

The Trustee employs a Trustee-led approach to covenant monitoring, with independent input from external advisers as needed. Covenant considerations focus on the impact of ESG and climate change risks on the sponsor covenant for both the principal employer and participating employers in the Plan.

Investment Managers:

The Investment Managers are responsible for implementing the Plan's investment strategy while considering ESG and climate factors. They are expected to integrate climate-related risks and opportunities, engage with investee companies on sustainability issues, and report on ESG performance to the Trustee.

EMEA Benefits Investment Team:

The team plays a crucial role in supporting the Trustee's climate risk management framework. They are responsible for managing all communication and oversight of asset returns and exposures with the Plan's asset managers and funds.

The team collaborates with investment managers and external data providers to regularly assess the portfolio's performance, including in relation to climate-related financial risks. They support the Trustee by preparing proposals and strategic adjustments. This enables the Trustee to make informed decisions based on the advice provided.

Actions taken over the year

We have undertaken the following activities in assessing and managing climate related risks across the reporting period:

Focus	Activity
Leveraging the approach to data collection and analysis	<p>Over the reporting period, the Trustee was able to leverage the integrated data sources provided by Impact Cubed and IGGiQ. This independent data includes detailed insights into the Plan's portfolio holdings, which are evaluated consistently at regular intervals.</p> <p>With access to raw data on holdings, the Trustee is empowered to engage in meaningful discussions with managers about the environmental, social, and governance (ESG) implications of their investments. This approach enables informed dialogues to foster improvements and advocate for best practices across portfolios.</p> <p>This allows the Trustee to consider the underlying drivers of change in metrics as well as identify any outlier investment managers, and to engage with the Sponsor on potential remedial action.</p> <p>Currently, this methodology is applicable to liquid market assets, the Trustee continues to explore ways to extend this data coverage to non-market-traded assets, such as those within private equity portfolios. Additionally, the updated data sources allow for more forward-looking projections by examining companies with SBT and assessing revenue streams potentially harmful to the climate. This provides the Trustee with a proactive stance in addressing climate-related risks and driving positive change within the investment strategy.</p>
Compliance with governance processes and policies	<p>The Trustee has ensured compliance with the Statement of Investment Principles and internal governance policies revised in the previous period. Meetings and updated policies are accessible to all stakeholders, fostering robust discussions with the aid of external advisers and internal Sponsor capabilities.</p>
Received independent advice and training	<p>In the first quarter the reporting period, the Trustee received independent advice and training from investment consultants and third-party advisers, enhancing the Trustee's capabilities as a professional trustee through a robust training framework.</p>

Training for Trustee, support teams and advisers

Our Plan is managed by a Professional Corporate Sole Trustee firm, which brings significant experience and specialised expertise to the oversight of the Plan. The Trustee's extensive knowledge of the evolving regulatory landscape; supported by the Plan's advisers enhances its collective competence and expertise in considering sustainability issues pertaining to the Plan.

We have undertaken additional training on ESG and climate issues within the period to ensure we can sufficiently manage the approach of investment managers in this important area. This included a focused session on the Plan's approach as well as a longer-term educational program for the Plan's board:

- **WTW Climate Course (Sept 2023 - May 2024):**
 - **Climate Risks:** Integrating climate risks into Plan's management and long-term planning.
 - **Carbon Literacy:** Aligning investments with global net-zero targets using carbon budgets and international agreements.
 - **Investment & Stewardship:** Balancing engagement and divestment in climate-focused investment strategies.
 - **Compliance:** Setting climate-related targets and aligning with TCFD and a 1.5°C pathway.

Knowledge levels will continue to be monitored and there will be annual training for our Board. To monitor the individual and collective competence of the Board and identify any training requirements the corporate sole trustee undertakes a review of their skills matrix annually.

How we work with our advisers

We are supported in our climate-related activities by independent advisers where relevant. The Trustee expects its advisers and investment managers to proactively bring important climate-related issues and developments to its attention. Additionally, advisers are expected to have the appropriate knowledge and competency on climate-related matters to advise effectively. This expectation is reflected in our performance objectives, annual reviews, and considerations for retention of advisers.

The Trustee applies a rigorous process to assess advisers, expecting them to act with integrity and diligence in meeting set objectives. During meetings, advisers are regularly challenged on their approach, particularly in identifying and assessing climate-related risks and opportunities. The approach of advisers to climate change, including how it is integrated into its advice and services, is a key part of the adviser selection and monitoring process.

The Trustee sets annual objectives for the investment consultant, including specific goals related to ESG and climate change competency.

Particularly, the investment consultant's performance is formally assessed against these objectives on an annual basis. The last assessment was conducted in the final quarter of 2024. Similarly, the Trustee reviews the performance of the Scheme Actuary and Covenant Adviser approximately every three years with the last formal review for the Scheme Actuary being conducted in 2024. This assessment includes evaluation of how climate-related risks and opportunities are incorporated into their advice, helping the Trustee to understand the resilience of the funding strategy in relation to climate risks. The Plan has a Trustee led approach to covenant assessment which is reviewed at least annually, including the impact of Environmental, Social, and Governance (ESG) issues on the covenant.

Metrics

Summary of metric changes

In the previous reporting period, the Trustee reassessed how the Plan compiles its metrics and measures its exposure to climate-related risks. This reassessment introduced an approach that evaluates the Plan's holdings in combination with data from external providers, Impact Cubed and IGGiQ. This method ensures independence in the metrics, moving away from the previous approach where the Manager's reports were relied upon.

Currently the Trustee looks to target a forward-looking metric for the Plan's fixed income and equity funds to have SBTi coverage targets of 50% or more by 2027, with strong progress being made over the year.

The Trustee acknowledges that each approach has its merits, and there are multiple models capable of monitoring and assessing climate-related risks. However, the reviewed approach is considered more robust, as it allows for direct comparisons of historical trajectories on a consistent methodological basis.

To meet the Plan's medium-term climate targets, the Trustee will focus on identifying outlier managers and engaging with them to ensure alignment with climate objectives. Investment managers underperforming on climate metrics or SBTi targets will be asked to improve their efforts. Additionally, the Trustee will work closely with fund managers to increase SBTi target coverage across the portfolio, aiming for 50% or more by 2027. Independent data from Impact Cubed and IGGiQ will continue to be used to track progress, ensuring robust metrics for managing climate risks and aligning with global climate goals.

Summary of Metrics

Several key metrics show improvements, largely influenced by the M&G portfolio (focused on corporate bonds) and the Insight portfolio (focused on gilts). Most notable changes:

- **Carbon Intensity** – The total weighted average carbon intensity, which measures the emissions per unit of revenue, has increased to 112.7 tCO₂e per \$m revenue, up from 94.4 tCO₂e in 2024. The increase in intensity has been driven by changes in foreign currency exchange rates. However, this was mitigated slightly by Arrow Street who saw a material reduction in intensity due to rotating out of a few companies with extremely high carbon intensity.
- **Scope 1 & 2 Emissions** – Direct and indirect emissions (Scope 1 & 2) are estimated to have decreased significantly from 45.6 thousand tCO₂e in 2024 to 24.0 thousand tCO₂e, this is largely attributable to equity portfolio rotations. The greatest changes have been due to portfolio realignments within the Arrow Street portfolio (18% turnover), Egerton portfolio (c.40% turnover) and a full rotation of security specific allocation with the Dodge and Cox portfolio.

A significant reallocation has been through a rotation of the portfolio away from the Asian energy sector, such as those operating in the gas processing, transportation and regasification of utility supplies. Such sectors naturally have significant absolute carbon emissions, so had a material impact on the overall exposure even though the allocation to such sectors is limited in the context of the wider portfolio.

- **Scope 3 Emissions** – Indirect emissions, which occur across a company’s value chain (Scope 3), have also fallen for similar reasons, from 343.6 thousand tCO₂e to 221.6 thousand tCO₂e. These estimated emissions are often harder to control as they include those from suppliers and customers, but the decrease demonstrates progress in addressing emissions beyond direct operations.
- **Country-Level Production-Based Emissions** – At the sovereign level, emissions linked to country-level production have decreased from 361.7 thousand tCO₂e to 264.4 thousand tCO₂e. Part of this impact was due the portfolio’s allocation to cash, accounting for post-transition, moves this metric to between 280 - 290 thousand tCO₂e.
- **Implied Temperature Rise** – The portfolio’s temperature score has fallen to 2.7°C potential. Although this remains above Paris-aligned levels, the improvement underscores positive momentum. Further engagement with managers and targeted reallocation will be required to continue reducing this trajectory.
- **Data Coverage:** c.82% of all eligible Plan assets are covered by either country-based or company-based metrics. It is noted that the overall portfolio contains a significant number of government and quasi government holdings for which corporate level disclosures are not applicable.
- **Forward looking metrics:** The Plan has an ambition to increase STBi target coverage within the portfolio over time through engagement with fund managers. Over the reporting period the STBi coverage has increased owing to improvements in the Arrow Street, Dodge and Cox, Baillie Gifford, Marathon and MFS portfolios’ target coverage.

All reported figures for 2025 disclosure are as at 31 March 2025.

These improvements reflect ongoing efforts to manage carbon risks across the portfolio. The focus remains on reducing carbon emissions through better energy efficiency, sustainable practices, and aligning with global climate targets.

By integrating the TCFD framework, this report provides transparency and accountability in tracking how well the portfolio is managing the transition to a low-carbon economy. This ongoing monitoring will help ensure that the portfolio aligns with both regulatory expectations and climate goals, safeguarding investments against climate-related risks.

Key data points

Carbon Emissions and Intensity

Carbon emissions represent the total greenhouse gas (GHG) emissions produced by an issuer during a reference year, measured in metric tonnes of carbon dioxide equivalents (tCO₂e). These emissions include those from fossil fuel combustion and production processes owned or controlled by the company. The gases covered are those defined by the Kyoto Protocol: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆), and nitrogen trifluoride (NF₃). For standardisation, these gases are converted into CO₂ equivalent tons (tCO₂e) for reporting purposes.

Currently carbon emissions cover equity and corporate bond allocations within the Plan.

The GHG Protocol Corporate Standard defines three categories of emissions (Scopes):

Scope	Description
Scope 1	Direct emissions from sources owned or controlled by the company.
Scope 2	Indirect emissions from the consumption of purchased energy (such as electricity or heat).
Scope 3	All other indirect emissions occurring within a company's value chain, both upstream and downstream, such as emissions from employee business travel. Scope 3 data is often less reliable due to inconsistent disclosure and measurement practices; as such scope 3 data is based on underlying calculation methodology and assumptions more so than as disclosed under Scope 1 & 2

EVIC (Enterprise Value Including Cash) represents the sum of a company's market capitalisation, total debt, and cash for a specific reference year, expressed in US dollars. EVIC, calculated using data from providers such as Impact Cubed and IGGiQ, is used as the denominator for emission footprint calculations in listed equities and corporate bonds. IGGiQ utilises reference dates correlated to the company financial disclosures.

For sovereign issuers, carbon footprints are based on the country's production-based emissions relative to GDP in USD. Using government debt as an alternative would result in less correlation with emissions and a greater disparity between emerging and developed markets, making it less suitable for carbon intensity calculations.



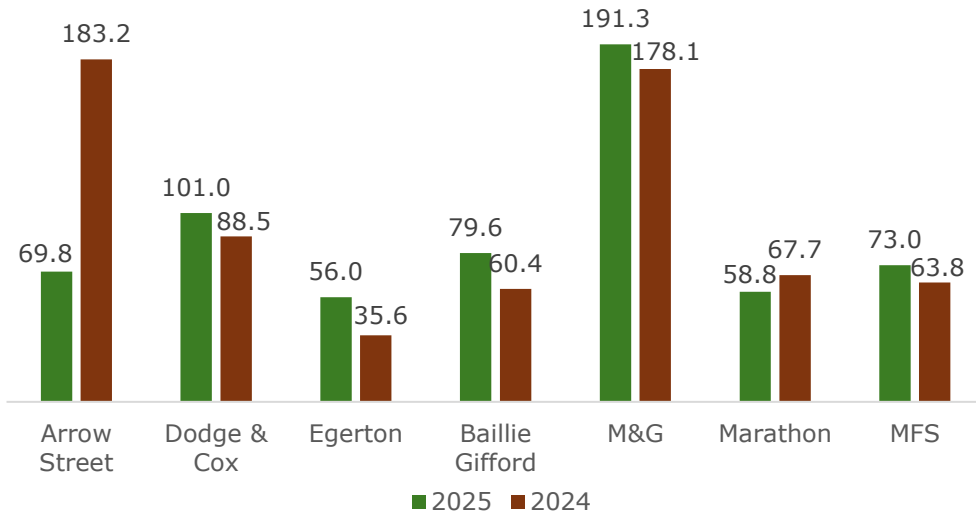
Total Weighed Average Carbon Intensity (tCO2e per \$m revenue)

112.7

Compared to 94.4 for 2024

The increase in intensity has been driven by changes in foreign currency exchange rates. However, this was mitigated slightly by Arrow Street who saw a material reduction in intensity due to rotating out of a few companies with extremely high carbon intensity.

Portfolio level average weighted carbon intensity
tCO2e per \$m revenue



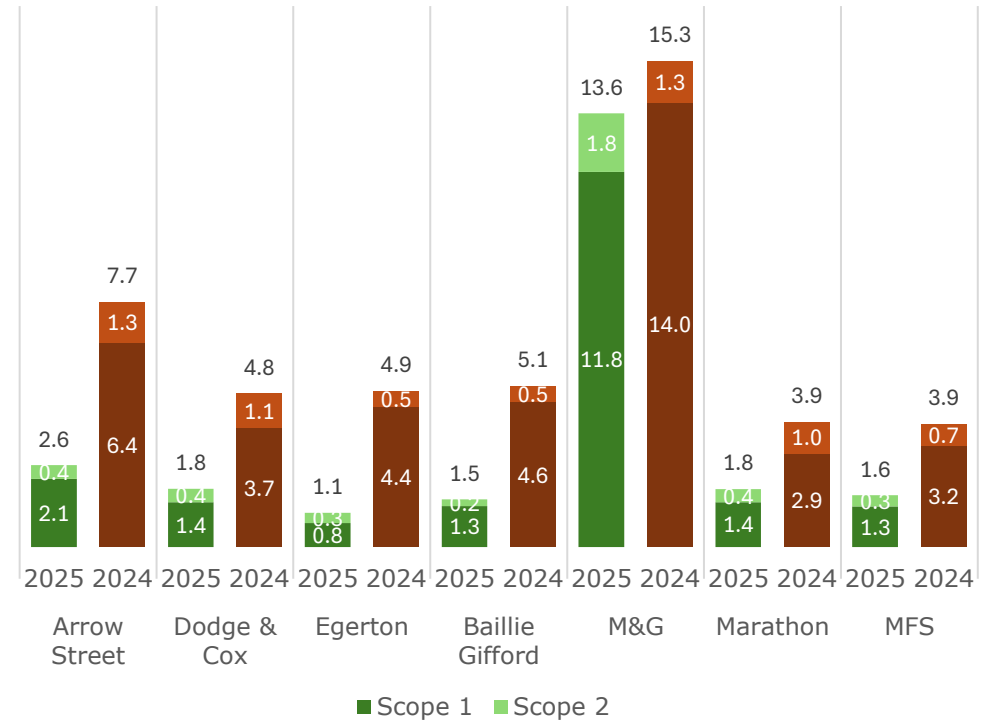
Total Scope 1 & 2 Carbon Emissions (thousand tCO2e)

24.0

Compared to 45.6 for 2024

Total scope 1 and 2 emissions reduced significantly over the year due to reductions in the emissions attributed to the equity portfolio rotations.

Portfolio level scope 1 and Scope 2 emissions
thousand tCO2e



3

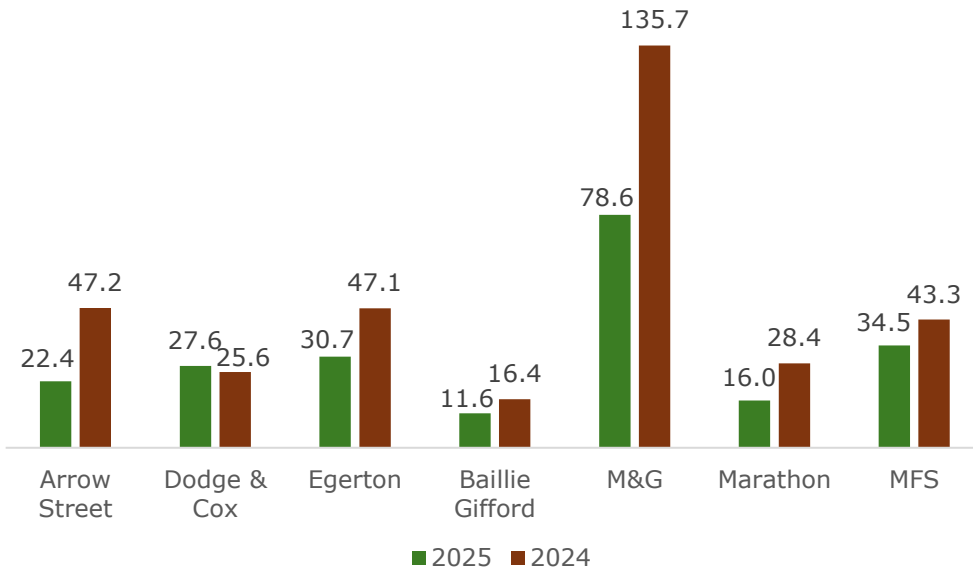
Total Scope 3 Carbon emission (thousand tCO₂e)

221.6

Compared to 343.6 for 2024

Similarly to scope 1 and 2 emissions, scope 3 reduced significantly over the year attributed to a transition impact at the disclosure year end.

Portfolio level Scope 3 emissions
thousand tCO₂e



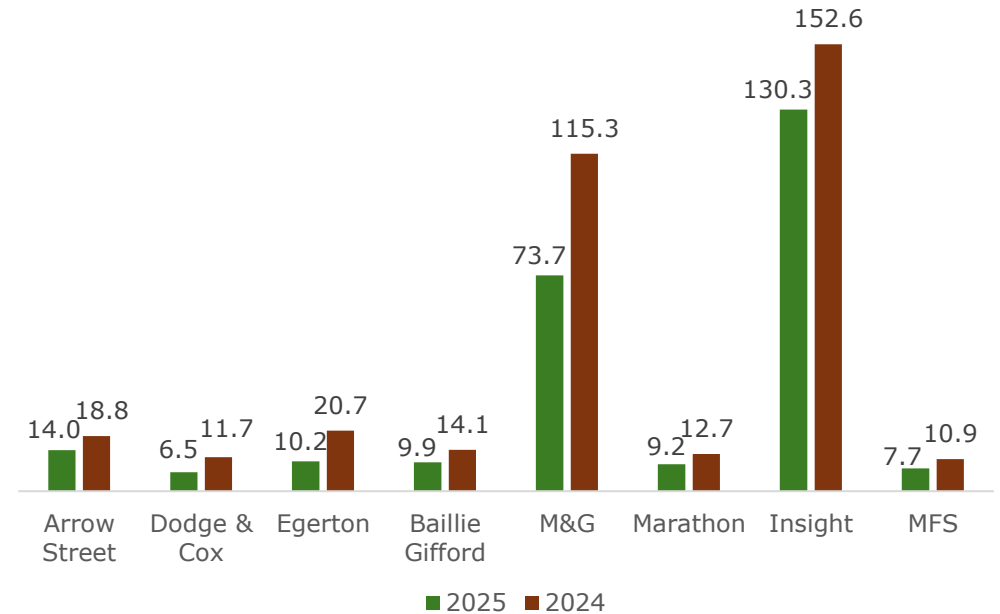
Country level production based carbon emissions (thousand tCO₂e)

264.4

Compared to 361.7 for 2024

Country level emissions are largely driven by the Insight and M&G portfolios due to their size. Although the other Plan's holdings saw larger decreases in emissions, the M&G after accounting for transitional impact only reduced by c.7% leading to a modest reduction in emissions over the year.

Portfolio level Country level production-based carbon emissions
thousand tCO₂e



Temperature Score

Temperature score, also commonly referred to as “implied temperature rise”, is a factor that reflects a company’s contribution to climate change from its carbon emissions and alignment with climate scenarios and targets. Expressed in °C, the factor can be interpreted as the temperature increase that would occur if the global economy embraced the company’s carbon emission characteristics.

The approach to temperature scoring is to avoid multi-layer subjective assumptions and ratings in creating a temperature score, and rely on factual data to the greatest extent possible. We consider three defining characteristics of a company in the construction of the temperature score:

- Carbon emissions trend
- Sector
- Carbon targets.

Analysing and expressing this combination of characteristics in a single factor with an easily digestible scale allows an investor to assess a company’s carbon emissions trajectory and how that compares with climate change scenarios or aligns with the Paris Agreement Based on these three fundamental characteristics, a company will fall into one of six possible temperature buckets: 1.5°C, 1.75°C, 2°C, 2.5°C, 3°C and 4°C.

Metric and Scenario Description:

Temperature	Carbon trend
1.5°C	Decreasing
1.75°C	Decreasing
2°C	Decreasing
2.5°C	Decreasing
3°C	Decreasing / Increasing or constant
4°C	Increasing or constant

Implied temperature alignment is calculated using the Impact Cubed model, projecting a company's emissions intensity or absolute emissions (sector-dependent) a decade into the future. This projection is then compared to temperature-aligned sectoral decarbonisation pathways, incorporating both historical trends and probability-adjusted forward-looking targets. These pathways assume an orderly and coordinated global effort towards decarbonisation.

It is critical to exercise caution when comparing temperature alignment metrics from different models, as outcomes may vary significantly.



Implied Temperature Rise

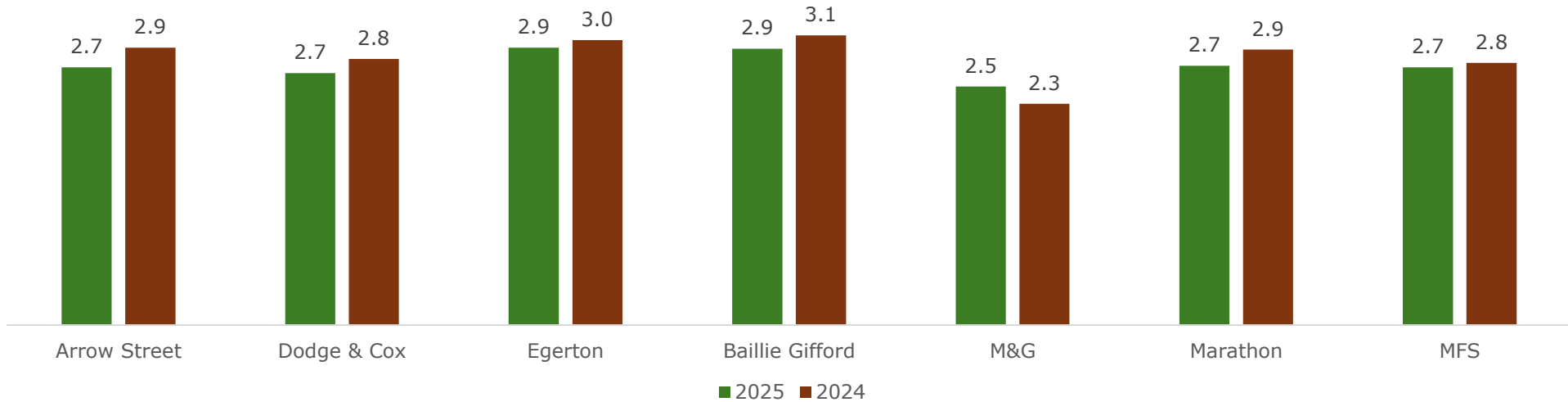
2.7°C

Compared to 2.8°C for 2024

Over the year, implied temperature rise at a portfolio level fell slightly in most portfolios.

Presently, global policies are on track for a 2.8°C warming scenario by 2030, as estimated by the Climate Action Tracker¹. As a result, most companies are unlikely to align with an outcome below 2°C unless there is significant, coordinated global policies. Such policies would need to seek to ensure total emissions peak before 2025 supported by a global emphasis on renewable energy generation and material reduction in fossil fuel production. The overall metric for the Plan reflects this reality. The portfolio's temperature score has fallen to c.2.7°C potential. Although this remains above Paris-aligned levels, the improvement underscores positive momentum. Further engagement with managers and targeted reallocation will be required to continue reducing this trajectory.

Portfolio level Implied Temperature Rise
Degrees centigrade (°C)



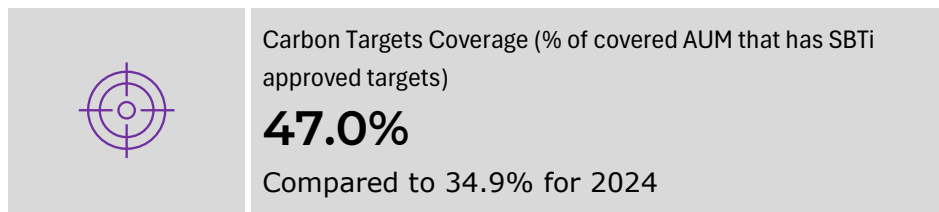
¹ <https://climateactiontracker.org/global/cat-thermometer/>
Johnson & Johnson UK Group Retirement Plan TCFD Report 2025

Carbon Targets – Our forward looking metric

The Science-Based Targets initiative (SBTi) plays an essential role in helping the Trustee set ambitious, measurable goals aligned with the Paris Agreement to limit global temperature rise to well below 2°C, preferably 1.5°C. The incorporating SBTi into portfolio management reporting demonstrates our commitment to aligning with climate science.

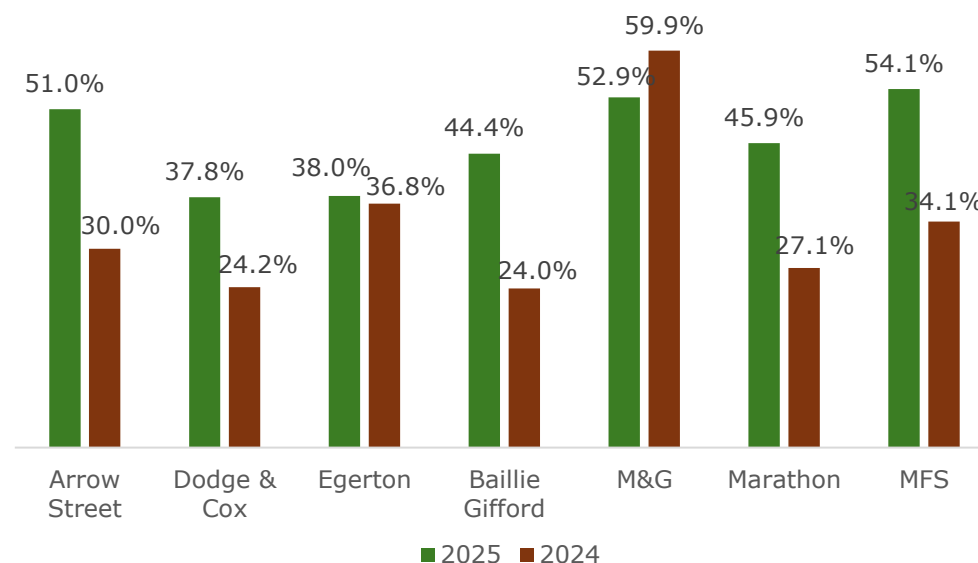
The Plan is targeting a 50% coverage of its forward-looking metric for the Plan’s fixed income and equity funds by 2027.

There was a significant increase in the Plan’s overall carbon targets coverage due to improvements in the Arrow Street, Dodge and Cox, Baillie Gifford, Marathon and MFS portfolios’ target coverage.



Portfolio level SBTi coverage

Percentage of portfolio



Why We Use SBTi Targets

SBTi targets provide a clear and measurable way to track the climate alignment of the Plan’s investments. They are widely regarded as a robust, science-based measure that supports the transition to a low-carbon economy. By focusing on SBTi coverage, the Trustee seeks to align its investment implementation with a greater proportion of companies committed to reducing their greenhouse gas emissions in line with the goals of the Paris Agreement at a total Plan level. This forward-looking metric enables the Trustee to assess how well the Plan’s assets are positioned to navigate both climate transition risks and physical risks over the long term.

How we source our data

The Plan refined its data collection and evaluation methods in the previous reporting period. Data for ESG metrics is sourced directly from asset managers, the Plan’s custodian records and independent providers, such as Impact Cubed and IGGiQ. These data points are collected regularly at the individual security level, covering corporate equities, corporate bonds, and sovereign asset types. The metrics are calculated by mapping the data to positions and then aggregating it at the fund level. Some metrics, such as carbon intensity, require currency conversion due to the financial nature of the data (e.g., revenue-based calculations), often converting to U.S. dollar figures for TCFD disclosures.

The Trustee is actively exploring ways to improve data quality and traceability through enhanced technological solutions. Through our use of Impact Cubed the data is sourced from public data “as reported” by a company. This provides investors with transparency and drives accountability in reporting and performance. This approach is consistent with the Global Greenhouse Gas Accounting and Reporting Standard for the Financial Industry.

Table highlighting key metrics and how these are calculated:

Metric	Scope	Asset Type	Definition	Calculation	Aggregation	Estimate Methodology
Carbon Emissions	Total Weighed Average Carbon Intensity	Corporates	Tonnes CO2e Scope 1 and 2 GHG emissions per \$million revenue.	From company reports or estimated tonnes of Scope 1 and 2 GHG emissions divided by \$million of revenue.	Weighted Average	Bottom-up analysis based on all company revenues and business activities mapped to a region-subsector average.
	Scope 1 & 2	Corporates	Tonnes CO2e Scope 1 and 2 GHG emissions.	From company reports or estimated tonnes of Scope 1 and 2 GHG emissions.	Summed Total	Bottom-up analysis based on all company revenues and business activities mapped to a region-subsector average.
	Scope 3	Corporate	Tonnes CO2e Scope 3 GHG emissions.	As from company reports or estimated tonnes of Scope 3 GHG emissions.	Summed Total	Bottom-up analysis based on all company revenues and business activities mapped to a region-subsector average.
	Production Based	Sovereign	Tonnes of CO2e emissions produced by the country.	Production-based carbon emissions from the united nations sustainable development goals database.	Summed Total	Not applicable.
Temperature Rise			A temperature in degrees Celsius given to a company to the warming associated with its carbon emissions trend, accounting for industry classification and carbon reduction goals.	Categorises a company based on whether it has increasing or decreasing carbon emissions, is in a heavy-emitting industry and has set an SBTi approved carbon reduction goal. Based on the categorisation, a company is assigned a score between 1.5°C and 4°C.	Weighted Average	The carbon trend may be estimated via bottom-up analysis of Scope 1 and 2 GHG emissions based on all company revenues and business activities mapped to a region-subsector average.
Carbon Targets		Corporates	Binary indicator: 1if company has SBTi-approved target, 0 otherwise.	Approved targets sourced from SBTi and assigned a value of 1. All remaining companies are assigned a value of 0	Weighted Average	Not applicable.

Data coverage and limitations

Although more and more carbon and other ESG data is being reported, data vendors often provide estimates based on their internal methodologies to fill some of the gaps in published data.

However, significant gaps remain, either due to the type of assets, for example for real estate, or due to the complexities in applying data to more advanced financial instruments, such as derivatives. In addition, due to their nature, the Plan's allocations to private markets are not covered by the existing emissions data set.

The Trustee notes that recent developments in US climate-related disclosure requirements, influenced by political and regulatory shifts, are expected to lead to variability in reported metrics. This may create volatility in the Plan's progress against its long-term climate objectives, particularly with respect to US-based assets.

By data coverage indicators the Trustee aims to provide as much transparency as possible about data quality while continuing to address existing limitations.

- **Eligibility:** the proportion of the holdings for which the Trustee can calculate ESG metrics. This is currently the case for market traded corporate and sovereign asset types.
- **Coverage:** the proportion of the eligible holdings for which the Trustee has either estimated or reported data. This is sometimes referred to as total coverage, as opposed to eligible coverage.
- **Eligible coverage:** the coverage relative to the eligible proportion of the fund.
- **Missing/Not available:** the proportion of the covered holdings for which the Trustee has no data.

Currently around c.82% of all eligible Plan assets are covered by either country-based or company-based metrics. It is noted that the overall portfolio contains a significant number of government and quasi government holdings for which corporate level disclosures are not applicable.

Scope 3 emissions are purely focused on corporate securities and has a higher proportion derived from modelled estimates rather than reported data

When do we take our data?

For non-sovereign entities, the reference year is the accounting year for which emissions and other ESG input data points are reported. The reporting cycle for emissions typically aligns with the issuers' financial year. Some financial years do not align with calendar years, but for comparability, we associate the accounting year with the main calendar year of the financial reporting period. However, it is noted that on an ongoing basis the Trustee monitors the ESG metrics on a more regular basis combining data providers ESG input data points and the Plan's holdings reports.

For sovereign entities, the reference year is the calendar year for which ESG data points are reported. Due to the time it takes a sovereign entity to report these type of data points, reference years can be several years prior to the current scheme year.

Strategy

Climate related factors are integrated into our strategic funding and investment decision making framework. Set alongside our traditional investment and risk factors we recognise that financially material impacts from climate change are unlikely to manifest uniformly across time and we therefore considered the potential impacts of the Plan's investments over both the short, medium, and long term

The Trustee takes an integrated approach to the management of the Plan's funding level and, in doing so, takes account of Investment, Funding, Covenant and Non-Investment Risk when setting the Plan's investment strategy. The Trustee's primary investment objectives are:

- To invest Plan's assets in such a manner that members' defined benefit entitlements can be paid as and when they fall due.
- To achieve good long-term real rates of returns (i.e. in excess of price and wage inflation) so that the value of members' assets grows appropriately.

As outlined in the prior reporting period, the Plan is significantly well funded to meet its current obligations. As a result, this means that the Plan assets are predominantly invested in assets which are low risk in nature with corporate bonds making up a significant allocation of the overall portfolio alongside sovereign securities which are used to hedge the interest and inflation risk inherent in the Plan's funding basis.

In evaluating the implications of climate related change to the Plan's financial position we evaluate the asset related climate risks through the lenses of:

- **Physical risks:** Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organisations, such as direct damage to assets and indirect impacts from supply chain disruption. Organisations' financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and extreme

- temperature changes affecting organisations' premises, operations, supply chain, transport needs, and employee safety.
- **Transitional risks:** Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organisations.

It is recognised that the strategy of the Plan lends itself to assets which are higher up the corporate financing structure and therefore while the Plan can influence corporate entities through its investment manager's dialogue (such as covenant restrictions) it has limitations on the direct impact of its companies (save for a decision to not invest in an asset).

Time Horizons

The Trustee acknowledges that there are both long and short term risks associated with climate change, and so considers the following time horizons in assessing the Plan's exposure to climate-related risks:

- Short term: until the 2026 actuarial valuation
- medium term: until the 2035 actuarial valuation
- long term: the shorter of until the last member retires, or 40 years

Climate-related opportunities are also assessed over the same time horizons.

Climate Scenario Analysis

The Plan's strategy is assessed every three years, or earlier if the Trustee determines that a significant change in the strategic direction of the Plan necessitates a full review of the scenario analysis. There has been no change in the Trustee's objectives nor strategic direction of the Plan's assets since the Trustee's last disclosure. For the 2025 disclosure, it was not deemed necessary to conduct such a comprehensive review, and therefore a summary of the outcomes from the previous assessment remains relevant.

The analysis looks at three climate change scenarios. Each scenario considers what might happen when transitioning to a low carbon economy under different conditions. The Trustee has chosen these scenarios because it believes that they provide a reasonable range of possible climate change outcomes. These scenarios were developed by Mercer and are based on detailed assumptions. They are only illustrative and are subject to considerable uncertainty. The Trustee established a "base case" scenario against which the three climate change scenarios are compared.

Category	Failed Transition	Rapid Transition	Orderly Transition
Summary	The world fails to meet the Paris Agreement goals and global warming reaches 4.3°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events.	Sudden divestments in 2025 to align portfolios to the Paris Agreement goals have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock.	Political and social organisations act quickly and predictably to implement the recommendations of the Paris Agreement to limit global warming to below 2°C.
Temperature change	Expected increase of 4.3°C, with a high-likelihood range of an increase between 3.4°C and 5.6°C by 2100.	Average temperature increase stabilises at 1.5°C around 2050.	This scenario includes additional economic damage consistent with 1.8°C of average temperature rise peaking in 2070.
Cumulative emissions	c5,000 GtCO ₂ (2020-2100)	c400 GtCO ₂ (2020-2100)	The additional damage under this scenario could be associated with further human emissions or greater impacts from feedback loops and tipping points.
Key policy & tech assumptions	Existing policy regimes are continued with the same level of ambition.	An ambitious policy regime is pursued to encourage greater decarbonisation of the electricity sector and to reduce emissions across all sectors of the economy. Higher carbon prices, larger investment in energy efficiency and faster phase out of coal-fired power generation. Less investment in energy efficiency and bioenergy with carbon capture and storage. The transition to lower emissions occurs steadily and predictably.	
Financial climate modelling	Physical risks are priced in two different periods: 2026-2030 (risks of first 40 years) and 2036-2040 (risks of 40-80 years).	Pricing in of transition and physical risks of the coming 40 years occurs within one year in 2025. As a result of this, aggressive market correction, a confidence shock to the financial system takes place in the same year.	Pricing in of transition and physical risks associated with 1.5°C up to 2050 takes place over the first 4 years. The additional damage beyond 1.5°C impacts asset performance year by year.
Physical risks considered	Physical risks are regionally differentiated, consider variation in expected temperature increase per region and increase dramatically with rising average global temperature. Physical risks are built up from: Gradual physical impacts associated with rising temperature (agricultural, labour, and industrial productivity losses), Economic impacts from climate-related extreme weather events.		

The table sets out the annualised return impact of the three climate scenarios compared to their respective baseline on the asset allocation modelled.

Scenario	Category	Impact at 3 years	Impact at 12 years	Impact at 40 years	Expected Return (Baseline)	Climate Impact (Cumulative Returns)	Sustainable Tilt Impact (Cumulative Returns)
Rapid Transition	Funding Level (Baseline)	126%	136%	218%	13.60%	-3.40%	1.00%
	Climate Impact	-3.60%	-2.20%	-2.40%	13.60%	-2.30%	1.40%
	Sustainable Tilt Impact	1.10%	1.40%	4.70%	13.60%	1.50%	4.40%
Orderly Transition	Funding Level (Baseline)	126%	136%	218%	13.60%	-0.90%	0.10%
	Climate Impact	-1.00%	0.20%	-6.70%	13.60%	0.10%	0.30%
	Sustainable Tilt Impact	0.10%	0.30%	1.50%	13.60%	-13.50%	1.90%
Failed Transition	Funding Level (Baseline)	126%	136%	218%	13.60%	1.40%	-0.30%
	Climate Impact	1.50%	-2.30%	-44.30%	13.60%	-2.30%	-0.40%
	Sustainable Tilt Impact	-0.30%	-0.30%	1.70%	13.60%	-66.70%	3.20%

The 2023 analysis indicated that the Plan's investment portfolio exhibits reasonable resilience across all climate scenarios. This resilience is largely due to high levels of hedging against interest rate changes and a relatively low-risk growth strategy. The Plan has a relatively low allocation to growth assets, which are generally more exposed to both transition and physical risks. The bulk of the Plan's assets are in fixed income classes, which are typically less sensitive to climate-related risks. However, it is noted that both listed and private equities are significantly exposed to physical risks under a failed transition scenario over the long term. Specifically, private equity is identified as the most vulnerable asset class under such a scenario over a 40-year horizon.

This summary underscores the careful adjustments made to the Plan's portfolio in response to funding improvements and reflects the ongoing commitment to managing climate-related risks through informed and prudent investment strategies.

Sponsor covenant

Climate change can have significant implications for the strength of a given sponsor's covenant. The Plan is currently positioned with a healthy funding surplus on the Plan's Technical Provisions basis and the Sponsor is not currently paying deficit reduction contributions.

As part of preparing the Plan's TCFD considerations, the Trustee reviewed various ESG and climate disclosures with the intention of identifying and assessing whether there has been any change as to:

- the materiality of climate-related risks and opportunities to the Sponsor and J&J Group; and
- the main risks and opportunities for each time horizon.

J&J's corporate responsibility framework outlines its high-priority environmental and social sustainability topics. Climate is a high-priority sustainability topic where it wants to support decarbonisation, adaptation and resilience.

Within its disclosures for CDP, 8 climate-related risks were highlighted by J&J, and 9 scenarios over the short-term (0-5 years), medium-term (5-10 years) and long-term (10-40 years) time horizon were considered in 2018 and in 2021 where they undertook a focussed assessment of potential physical climate related risks ; the most material of which being relevant to the short- and medium-term periods. Although scenarios have been considered, J&J don't appear to fully recognise the potential impact of a more disorderly transition to Net Zero, the Group maintains a comprehensive risk management process which includes identification and assessment of climate-related risks and opportunities.

J&J continues to conduct both qualitative scenario analysis and a quantitative financial impact assessment to understand the impact of climate-related risks and opportunities on its businesses, strategy, and financial planning.

Forward-Looking Approach to Plan's management of climate related risks

As part of the Plan's approach to managing climate-related risks, the Trustee has adopted a forward-looking strategy centred around increasing the Science-Based Targets initiative (SBTi) coverage across its fixed income and listed equity investments. This strategy is designed to align the Plan's portfolio with the global transition towards net-zero emissions, helping to mitigate both short-term and long-term climate-related risks.

Through engagement with the Investment Consultant, the Plan is targeting a 50% or more coverage of its forward-looking metric for the Plan's fixed income and equity funds by 2027.

The Role of Engagement and Ongoing Monitoring

The Trustee recognises that achieving the SBTi target will require regular engagement with the Plan's investment managers. Through constructive engagement with managers to improve their climate-related disclosures and actions, the Trustee expects SBTi coverage to increase progressively. The Trustee will monitor the managers' progress annually and take appropriate action if the expected improvement in SBTi coverage is not realised.

Long-Term Benefits of the Strategy

The decision to adopt an SBTi-based target is forward-looking and strategic. By focusing on this metric, the Trustee is positioning the Plan to:

- Mitigate short-term transition risks: By increasing exposure to companies with SBTi-approved targets, the Plan can stay ahead of market trends as companies transition towards lower-carbon business models.
- Reduce long-term systemic risks: Supporting the global effort to achieve the Paris Agreement's climate goals helps to mitigate long-term physical risks associated with climate change.

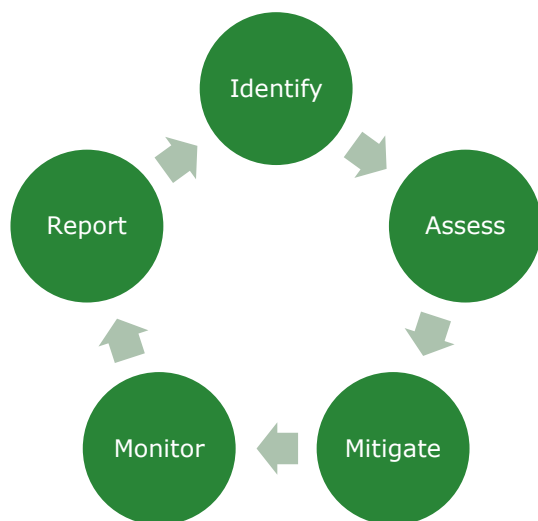
We see this as a way to strengthen the Plan's resilience to climate risks but also supports collective action in reducing systemic risks from the physical effects of climate change. The Trustee will continue to review the appropriateness of this target to ensure that it remains relevant as part of the Plan's broader climate strategy.

Risk Management

We consider the management of risks through a holistic lens considering the Plan's overall objectives, while balancing this with the investment risk, the risk arising from the sponsors climate related business activity, as well as the overall funding level of the Plan.

To ensure climate related risks are assessed in an integrated manner, we have explicitly identified climate change as a risk on the Trustee risk register, which is overseen by the Trustee.

Risk management framework:



Under the overall governance previously described, responsibility for the identification and management of climate-related risks is undertaken by input from:

- (a) the Investment Adviser, who assists in the establishment of asset allocation policy and in the oversight of the investment managers.
- (b) investment managers, who are responsible for day-to-day positioning of the portfolios.

- (c) The Trustee who is supported by the EMEA Benefits Investment Team.
- (d) Use of independent regular assessment though the revised approach to the Plan's monitoring approach to climate related risks.

The Trustee recognises the importance of managing the potential impact of climate change within the Plan's investments. The Trustee has set out a monitoring process which includes how investment managers and their advisers are assessing, managing and mitigating climate risks.

This includes conducting scenario analysis to understand the resilience of each fund to various climate scenarios as far as practicable, noting that this type of analysis is still evolving. The Trustee is confident that managers appointed demonstrate robust steward and engagement with underlying companies.

The Plan invests in a well-diversified investment strategy to help reduce exposure to risk generally, which also reduces the exposure to climate risks impacting any individual asset class.

The Trustee has a policy to protect against a high proportion of the interest and inflation risks that could impact the value of the Plan's liabilities. Therefore, any potential impact on interest rates and inflation from climate change (and indeed from other factors) are significantly mitigated.

The implementation of an active monitoring solutions provides the Trustee and support teams with a comprehensive climate risk dashboard. The dashboard is built upon the Impact Cubed review of individual assets and aggregated to provide an overall climate assessment across 150 risk factors the Plan may be exposed to.

While the embedding of the dashboard into the Trustee overall governance framework remains under consideration the intention is that this will be continually developed to monitor emerging risks and opportunities, as well as those that are identified within the mandates.

Glossary

Governance	refers to the system by which an organisation is directed and controlled in the interests of shareholders and other stakeholders. ² Governance involves a set of relationships between an organisation’s management, its board, its shareholders, and other stakeholders. Governance provides the structure and processes through which the objectives of the organisation are set, progress against performance is monitored, and results are evaluated. ³
Strategy	refers to an organisation’s desired future state. An organisation’s strategy establishes a foundation against which it can monitor and measure its progress in reaching that desired state. Strategy formulation generally involves establishing the purpose and scope of the organisation’s activities and the nature of its businesses, taking into account the risks and opportunities it faces and the environment in which it operates. ⁴
Risk management	refers to a set of processes that are carried out by an organisation’s board and management to support the achievement of the organisation’s objectives by addressing its risks and managing the combined potential impact of those risks. ⁵
Climate-related risk	refers to the potential negative impacts of climate change on an organisation. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations. ⁶
Climate-related opportunity	refers to the potential positive impacts related to climate change on an organisation. Efforts to mitigate and adapt to climate change can produce opportunities for organisations, such as through resource efficiency and cost savings, the adoption and utilisation of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organisation operates. ⁷
Greenhouse gas emissions (“GHG”) scope levels⁸	Greenhouse gases are categorised into three types or ‘scopes’ by the Greenhouse Gas Protocol, the world’s most used greenhouse gas accounting standard. Scope 1 refers to all direct GHG emissions. Scope 2 refers to indirect GHG emissions from consumption of purchased electricity, heat, or steam. Scope 3 refers to other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions. Scope 3 emissions could include: the extraction and production of purchased materials and fuels, transport-related

² A. Cadbury, *Report of the Committee on the Financial Aspects of Corporate Governance*, London, 1992.

³ OECD, *G20/OECD Principles of Corporate Governance*, OECD Publishing, Paris, 2015.

⁴ TCFD, *Recommendations of the Task Force on Climate-related Financial Disclosures*, 2017

⁵ TCFD, *Recommendations of the Task Force on Climate-related Financial Disclosures*, 2017

⁶ TCFD, *Recommendations of the Task Force on Climate-related Financial Disclosures*, 2017

⁷ TCFD, *Recommendations of the Task Force on Climate-related Financial Disclosures*, 2017

⁸ World Resources Institute and World Business Council for Sustainable Development, *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)*, March 2004.

	activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g., transmission and distribution losses), outsourced activities, and waste disposal. ⁹
Value chain	refers to the upstream and downstream life cycle of a product, process, or service, including material sourcing, production, consumption, and disposal/recycling. Upstream activities include operations that relate to the initial stages of producing a good or service (e.g., material sourcing, material processing, supplier activities). Downstream activities include operations that relate to processing the materials into a finished product and delivering it to the end user (e.g., transportation, distribution, and consumption). ¹⁰
Climate scenario analysis	is a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, for example, scenarios allow an organisation to explore and develop an understanding of how the physical and transition risks of climate change may impact its businesses, strategies, and financial performance over time. ¹¹
Net zero	means achieving a balance between the greenhouse gases emitted into the atmosphere, and those removed from it. This balance – or net zero – will happen when the amount of greenhouse gases add to the atmosphere is no more than the amount removed. ¹²

⁹ PCC, *Climate Change 2014 Mitigation of Climate Change*, Cambridge University Press, 2014.

¹⁰ TCFD, *Recommendations of the Task Force on Climate-related Financial Disclosures*, 2017

¹¹ TCFD, *Recommendations of the Task Force on Climate-related Financial Disclosures*, 2017

¹² Energy Saving Trust, *What is net zero and how can we get there?* - Energy Saving Trust, October 2021