BP Pension Fund Climate Change Report

1 January to 31 December 2024

Welcome

Welcome to our fourth annual climate change report.

This report has been prepared in line with the Department of Work and Pensions (DWP) Climate Change Governance and Reporting Regulations[1] which require large UK pension schemes to put in place appropriate governance processes for managing climate-related risks and opportunities, and report on their actions, as well as specific metrics, annually.

Climate change remains one of the largest and most complex challenges faced by the world today, affecting the global economy, the environment, and the world's population. As energy demands increase, global temperatures continue to rise and, although investments in clean energy are also rising, they fail to keep pace. Earth's warming exceeded 1.50C above pre-industrial levels on an annual basis for the first time in 2024.

While as the Fund's Trustee our primary objective is to safeguard and pay the benefits of our members as and when they fall due, addressing climate change in a manner which remains consistent with our fiduciary duties relating to the investment of assets remains one of our priorities. Our aim is to invest the Fund's assets in the long term interest of its members and we believe that incorporating environmental, social and governance (ESG) considerations including climate change in investment decisions and oversight can help reduce investment risk and enhance the value of the Fund's assets.

[1] The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021.

Our primary lever for managing climate-related risks is via engaging with our asset managers. While our influence as investors is limited, we have seen progress made through effective stewardship and we continue to require our asset managers to engage effectively, and in accordance with local laws and regulations, with the investee companies and relevant issuers to encourage adoption and delivery of credible transition plans which support long-term financial performance.

This report covers the period from 1 January to 31 December 2024 and we are pleased to build on our previous disclosures with respect to climate change. The report includes findings from the integration of climate scenarios within our economic asset and liability modelling, examples of our asset managers' engagement, as well as climate-related metrics for the Fund's assets. At the same time we note that, although improving, the availability and quality of data remains a limiting factor, in particular for unlisted investments. We also note that the reported progress can be attributed to wider factors such as indirect portfolio allocation decisions aimed at broader investment de-risking of the Fund, as well as market volatility which can impact company valuations.

We hope you find the report informative. We welcome any questions or comments which you can send using the details on the final page of this report.

Brendan Nelson
Chair

BP Pension Trustees Limited on behalf of
BP Pension Fund

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Executive summary

As the Trustee of the BP Pension Fund (the Fund), we take our responsibility as a long-term investor on behalf of our members seriously. We recognise the value of integrating financially material ESG factors, which include climate change, into our investment processes and through stewardship. We provide details of our approach in our Responsible Investment policy (RI policy) which is incorporated by reference in the Fund's Statement of Investment Principles (SIP).

We are mandated to share information on how the Fund addresses climate change and we believe that this is an important way to improve transparency. We support the UK government and regulators in their endeavours to improve and enhance the standardisation of reporting in relation to climate change. At the same time, we note the practical challenges relating to the quality and availability of data related to specific metrics. And we also note that the underlying market forces, such as rising company valuations, and portfolio drivers can distort the view of actual progress on decarbonisation.

Below we highlight key developments across areas outlined in the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, which are incorporated in the climate regulations. We elaborate in more detail on each section further in the report.

The Fund's purpose

The Fund is a UK defined benefit pension scheme (also known as a final salary pension scheme) that is closed to new members[2] and future accrual of benefits. The purpose of the Fund is to provide benefits in accordance with the Fund's Trust Deed and Rules for approximately 56,000 members. The Fund's investment time horizon is long term, with some pension benefits still expected to be in payment many decades from now. As at 31 December 2024 the Fund had assets of approximately £18 billion.

The Trustee's investment objective is to invest the assets of the Fund prudently to ensure that the stated accrued benefits are provided to members as and when they fall due. The Trustee also aims to maintain an additional buffer for unexpected adverse events. The funding position remained strong in 2024. As at 31 December 2024 the Fund was 125% funded on our ongoing technical provisions basis and so is not currently in need of any contributions from our sponsor.

The Trustee's approach to climate change

We identify climate change as a potential systemic, long-term material financial risk to the value of the Fund's investments and funding level. The financial risks resulting from the effects of climate change are far-reaching in breadth and magnitude. They are relevant to multiple lines of business, sectors and geographies and the time horizons over which these risks may be realised are uncertain. There is a high degree of certainty that financial risks from some combination of physical and transition risk factors will occur. The magnitude of future impact will, at least in part, be determined by the actions taken today. Therefore, it is

[2] For simplicity, we refer to 'members' rather than 'beneficiaries' throughout.

our fiduciary duty to not only consider the climate-related risks which might affect the Fund's investments, liabilities and influence the strength of our sponsor's covenant (its ability to support the Fund), but also to consider where addressing climate change might contribute positively to anticipated returns or to reduced risk.

We recognise the scale of the climate change challenge and believe we can influence positive change through our investment and stewardship decisions. We expect our asset managers[3] to invest in low-carbon energy transition opportunities which are consistent with our RI policy and in line with the agreed risk and return considerations for each mandate.

Governance

Climate change considerations are incorporated into the Trustee's governance and decision-making processes.

Our governance structure has enabled an appropriate oversight and accountability for assessing and managing climate-related risks and opportunities relevant to the Fund. The Trustee Board, the Board's Committees and the Chief Executive Officer (CEO), supported by the Chief Investment Officer (CIO) and Senior Manager, Responsible Investment, form the core of the governance structure monitoring the Fund's climate change-related activities.

Providing relevant and timely training to the key decision-makers is an important aspect of our governance process. In 2024, the Trustee Board received training on nature loss and its increasing significance as a systemic risk. The training was delivered in collaboration with an appointed sustainability consultant who also assisted with conducting a nature loss risk assessment for the Fund's investments.

Strategy

The Trustee's investment objective is to invest the Fund's assets in a responsible manner that considers downside risks, including those arising from climate change, such that the assets are expected to be sufficient to pay benefits to members and their dependents in accordance with the Fund's governing documents as and when they fall due, minimising reliance on the sponsor. In accordance with this objective, our aim is to maintain a position where sufficient assets are available to cover all expected liabilities plus an additional buffer for unexpected adverse events.

Climate-related factors are integrated into the Trustee's funding and investment decision-making, alongside traditional investment and risk factors. Given the long-term investment time horizon, with pension benefits still expected to be in payment for decades to come, we consider the potential impacts from climate change on our assets and liabilities over the short (1 to 5 years), medium (5 to 10 years) and long (over 10 years) terms, recognising that the financially material impacts from climate change are unlikely to manifest uniformly. It is with this perspective that we adopted our Net Zero Ambition (NZA) at the end of 2022.

As the funding position has gradually improved over the recent years, we have substantially reduced the Fund's exposure to investment risk, moving from growth assets (mainly listed equities) and illiquid assets to UK government bonds and other fixed income investments. This is in line with our prudent de-risking strategy. A consequence of these strategic decisions is that the Fund's emissions metrics have fallen, bringing us significantly closer to meeting the Fund's climate-related target. As we explain in the Metrics and target section below, the improvement in the Fund's emissions is predominantly an outcome of the de-risking decision and was not a driver for it.

[3] In this report the term 'asset managers' is used interchangeably with 'managers'.

The most recent quantitative climate scenario analysis for the Fund's assets was carried out at the end of 2023. Results of this exercise were disclosed in the Fund's 2023 Climate Change Report and are also included in Appendix 2 of this report.

In 2024 we made progress in integrating narrative-based climate scenarios with economic models used to project future risk and returns of the financial assets. While this has not resulted in any asset allocation changes within the Fund, it has provided insights into the extent to which the risk and return projections generated by our asset liability model are in line with climate risk data, both in terms of central case and tail-end scenarios. More details are presented in the Strategy section of this report.

We regularly review and adjust the Fund's investment strategy as necessary to continue to increase the security of our members' benefits. It is important to note that the investment decisions we take are independent of the business investment decisions our sponsor makes to generate returns for its shareholders.

Risk management

The Fund's risk management framework and policy are designed to help the Trustee identify and manage the factors that affect the prospects of meeting the Fund's objectives, especially those factors that affect risks in more than one area. We assess and manage the Fund's exposure to long-term climate change-related risks and short-term shocks to help us remain resilient to both. The two main types of climate-related risks we monitor are transition risks and physical risks. These are explained below:

- **Transition risks** refer to potential financial and economic risks, as well as opportunities, from the transition to a low carbon economy (i.e. one that has a low or no reliance on fossil fuels). For example, those risks can include the possibility of future restrictions, or increased costs, associated with high carbon emitting activities and products.
- **Physical risks** include temperature-related risks and cover risks stemming from physical damage caused by storms, wildfires, droughts and floods, as well as risks caused by natural resource scarcity (e.g. water). The higher the future level of global warming, the greater the physical risks are expected to be in both frequency and magnitude.

The overarching risk for a defined benefit pension fund which is closed to future accrual, is that of insufficient funds to meet benefit payments as they fall due. As such the focus of our integrated risk management is to seek to minimise all risks including climate change whilst maintaining a sufficient funding level. The gradual reduction in the allocation to return seeking assets has reduced the time-horizon and volatility of our assets, and we have also increased the proportion of assets covered by various hedging strategies. An outcome of these activities is expected to include a reduction in the Fund's exposure to climate related impacts.

We manage risks at a Fund level through strategic asset allocation, and at mandate and asset class level through manager selection, monitoring, and engagement. In support of our NZA, we have strengthened our asset manager oversight process to monitor more closely our managers' engagement efforts with investee companies on encouraging them to establish credible climate transition strategies and supporting those companies in the delivery of those strategies. This includes assessing the extent to which our asset managers have established adequate engagement plans with relevant companies.

Metrics and target

The data reported in the Metrics and target section of this report has been obtained from third-party providers via our investment adviser. While we believe that the data can be interpreted meaningfully, the evolving nature of this area means that there are limitations to the conclusions that can be drawn and, naturally, we cannot accept responsibility for any inaccuracies in this data.

Metrics

Using metrics to identify and assess climate-related risks and opportunities, can provide valuable insights to inform the Trustee's investment considerations. We source data from multiple parties, including our asset managers and investment adviser, to increase our ability to understand the drivers behind year on year changes in these metrics. In 2024 we continued our work to increase and improve climate related data available for our analysis. Our investment adviser also keeps an active dialogue with climate data providers around the quality and quantity of data, advocating for improvements year-on-year.

Although we observed significant improvements in availability of data for some asset classes, gaps in coverage remain and quality can be questionable, which leads to frequent need for data to be estimated or proxied.

In this report we present both the backward-looking GHG emissions metrics for the Fund's investments (which include absolute and intensity financed emission metrics) and forward-looking portfolio alignment metrics for the asset classes where such information was attainable, as well as data quality categorisation. The figures are provided at an asset class level, as aggregating could lead to a combination of different methodologies for attribution of emissions (i.e. for sovereign vs corporate issuers) and therefore lead to a degree of double counting.

For companies, GHG emissions are classified across three different categories: scope 1, scope 2 and scope 3, depending on their origin. Please refer to Appendix 1 for details. We deem the Fund's own emissions relating to its business operations (which are scope 1 and scope 2) to be immaterial, and as such in line with the climate regulations, we concentrate on the most material Fund's emissions (scope 3) which represent indirect emissions of companies and assets the Fund is invested in, namely: financed emissions.

Mindful of the limitations of the emissions calculations, we observed a reduction in the financed emissions (scopes 1 and 2) for our listed equities portfolio versus prior year. On the other hand, we observed a small increase in financed emissions (scopes 1 and 2) for our corporate bond mandates relative to the prior year. Attribution analysis for identifying drivers behind change in emission metrics is a complex exercise. At a high level, in addition to real-world emissions reduction achieved by an investee company, the changes can be linked to better data coverage, as well as updates to methodology for how to account for assets without any available data. Additionally, fluctuations in emission metrics may also be driven by factors beyond emissions alone, for example by market volatility affecting the value of investee company equity and debt, given GHG emissions are apportioned across all outstanding equity and debt using the Enterprise Value Including Cash (EVIC).

Target

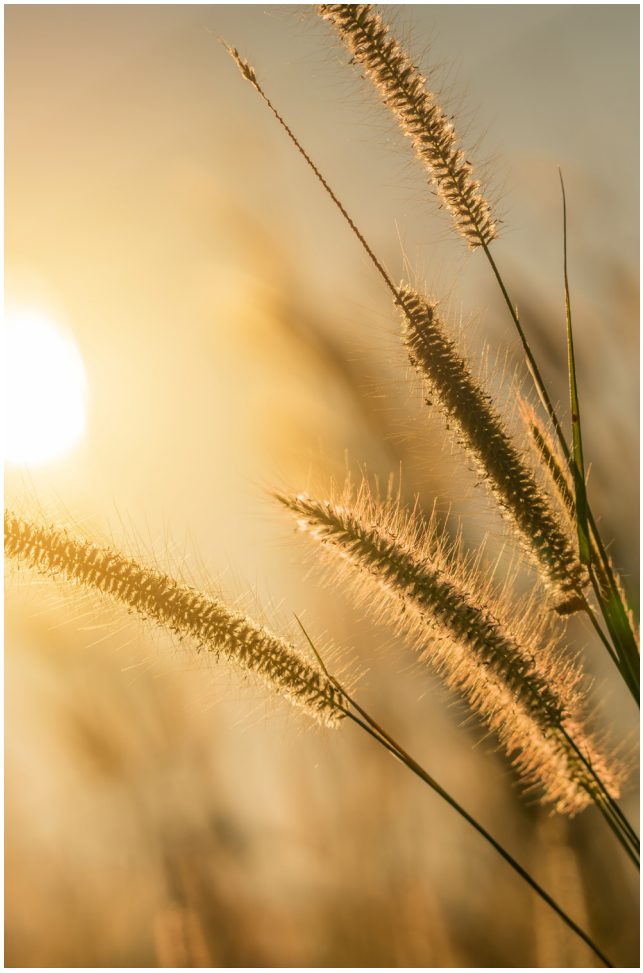
The Trustee is mandated to measure the performance of the Fund against the target set in relation to at least one of the reported climate-related metrics. The aim and ambition of the target is to help track our efforts to manage climate change risks and opportunities consistent with our fiduciary duties. In last year's report we set a target to reduce the identified portfolio-related absolute financed emissions (scopes 1 and 2) across our publicly listed equities and corporate bonds mandates by at least 50% by 2030, compared to baseline metrics as at the end of December 2021. This interim target has been set to support the Fund's NZA, and contribute, to the extent that this is consistent with the Trustee's fiduciary duty, to the real-world transition to net zero.

The level of reduction in absolute financed emissions observed between end of 2024 and end of 2021 is significant, indicating 93% fall for listed equities and 24% fall for corporate bonds.

- As described earlier, the majority of the fall in financed carbon emissions is the outcome of the Fund's de-risking efforts with strategic asset allocation (SAA) to listed equities decreasing from 7% to 3% during this period.
- Decrease in financed emissions for corporate bonds is slightly more complex to disentangle, as the overall SAA to corporate bonds increased from 20% to 21.6% between 2021 and 2024. This would indicate some level of real-world emissions reduction from the underlying companies, especially as many of those adopted and progressed towards meeting their own shorter term decarbonisation targets.
- Based on findings from our managers' oversight process, we also believe that their consideration of climate change as a financial risk factor drove some of the reduction in our portfolio's financed emissions observed since 2021.

We remain very cautious in drawing any firm conclusions from the observed reduction in financed emissions given the data and attribution challenges we highlighted in the Metrics section above. Additionally, a fall in emission metrics may be partially reversed in the future, driven by other asset allocation decisions (i.e. an increase in exposure to IG corporate bonds).

We set this target as an aspiration and we recognize its dependencies on other market participants, both in the private and public sectors, and future uncertainties as the Fund's circumstances and external conditions will evolve. Based on what we know today, and having considered our de-risking investment approach, we believe this target remains fit for purpose in the overall context of our legal duties and the effective management of the Fund. We do however continue to keep our selected metrics and related target under regular review.



Governance

The Fund's governance structure

As Trustee of the Fund, we have a responsibility to establish climate-specific objectives and measure the progress we make against them. We have done this by establishing a climate change governance framework. The Trustee Board is kept informed of progress on the Fund's climate change-related activities through quarterly reports issued by the Trustee Executive and discussions with the Board's strategic investment adviser.

The Trustee's organisational and governance structure is designed to support the Fund in achieving its purpose of providing stated accrued benefits to members.

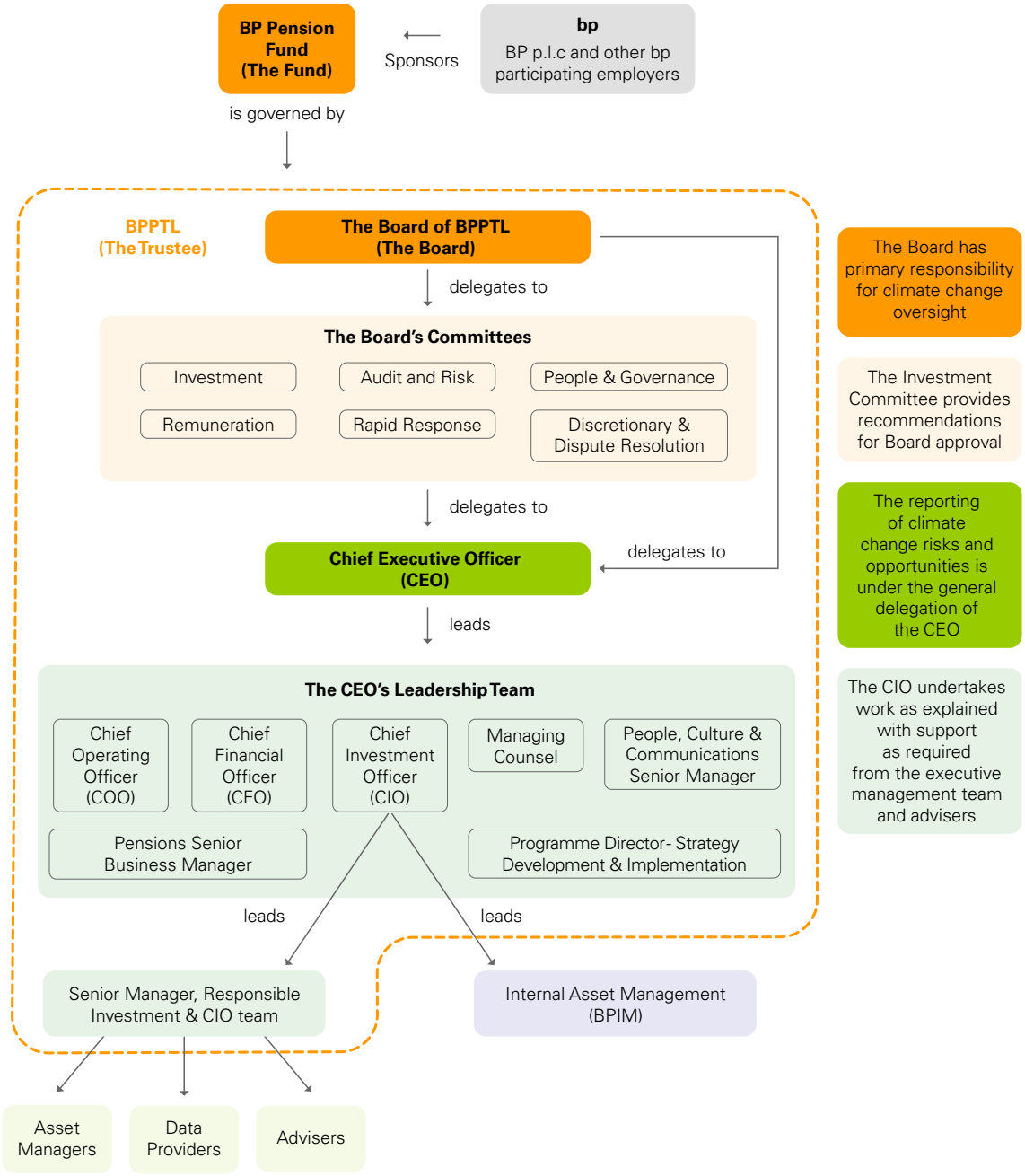
- The Trustee Executive, led by the CEO and their Leadership Team, has been given delegated authority for the executive management of the Fund (within parameters set by the Trustee Board).
- The Trustee Executive provides and presents quarterly reports informing the Trustee Board and its Committees of its activities.
- At each of the Trustee Board and standing Board Committee meetings, the respective Chair encourages open debate and constructive challenge in relation to any proposals put forward by the Trustee Executive.
- The governance structure facilitates timely, effective decision-making during the meetings, by individuals with the appropriate skills and experience.
- The overall governance structure is periodically reviewed to ensure it remains fit for purpose in view of the evolving UK pensions landscape, with the last review having taken place in 2022. The existing structure provides the Trustee with specific contingency arrangements if a significant event arises.

Key roles and responsibilities

- The Trustee Executive delegation, which they received from the Board, includes certain accountabilities and responsibilities with regards to Responsible Investment, including climate change, and the overall Fund's risk management framework.
- The CIO and Senior Manager, Responsible Investment, form the core governance structure monitoring and managing the Fund's stewardship activities. This includes climate-related risks, opportunities, and climate-scenario analysis, as mandated by the DWP regulations.
- The investment team provides quarterly reports informing the Trustee Board and the Investment Committee of its delivery of responsible investment, which includes climate change related activities. The team participates actively in relevant Board and Committee meetings.
- The RI team's key climate change-related accountabilities are to:
  - monitor material climate-related risks and opportunities in relation to investments, actuarial matters and the covenant, including developing processes to manage climate change-related risks
  - advise on and help develop the Fund's climate-related strategies; and
  - assess the performance of the Fund's asset managers in terms of how they manage climate-related risks and opportunities.

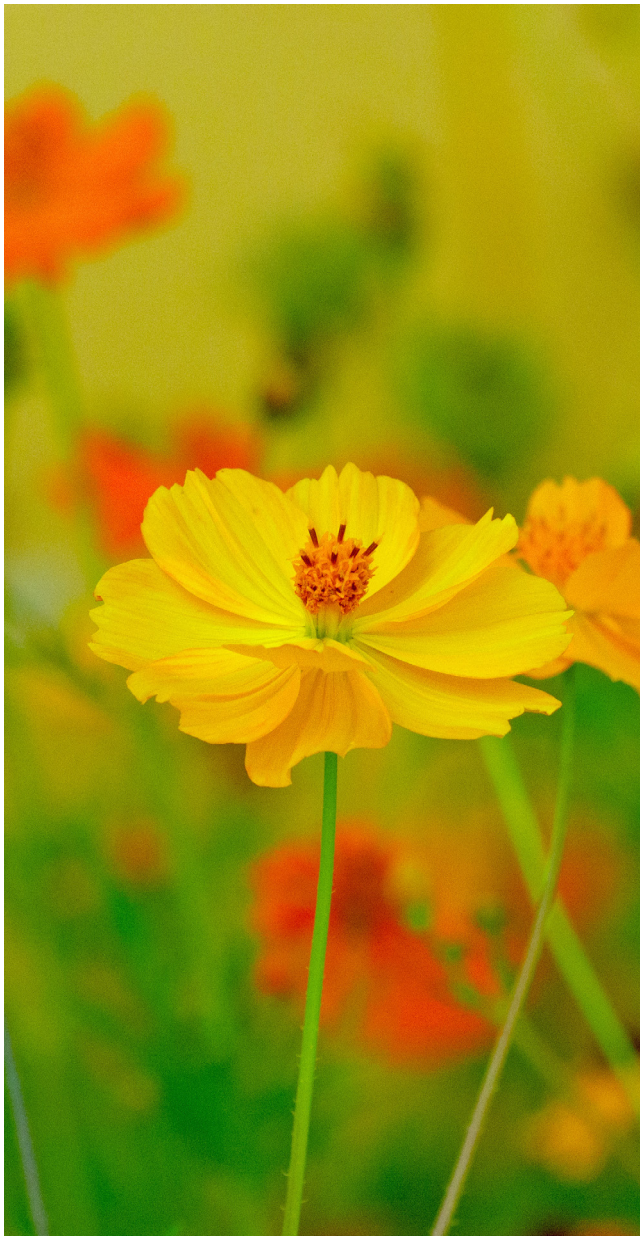
The diagram below shows the Fund's governance and organisational structure as it relates to all climate-related activities.

Use of advisers



Visual 1: The Fund's governance structure for climate-related activities.

We have access to a panel of appointed independent advisers with strengths and specialisms in different areas to assist us in carrying out our responsibilities, including those related to managing climate-related risks and opportunities. Each independent adviser has specific objectives linked to its support on ESG and stewardship matters as relevant, which are agreed with the Trustee. We follow an annual process of assessing the performance of advisers against relevant objectives set by the Trustee. The results of this review are shared with the respective adviser in order that any potential development points can be addressed. Where improvements are considered insufficient, we reserve the right to initiate a tender process to select a new adviser or to amend the team's composition.



Additionally, we rely on data and service providers to assist us in carrying out specific activities (i.e. calculating emission metrics for the Fund, climate change scenario modelling). We monitor the effectiveness of our data and service providers' delivery on an ongoing basis and provide regular feedback. In preparation of this report, we received assistance from our long standing advisers:

- **Redington**, our strategic investment adviser, contributed to relevant discussions during our Investment Committee and Board meetings. They also provided climate-related metrics for inclusion in this report, as well as views on this report and how we compare to the wider industry and developments within the market.
- **Ortec Finance (Ortec)** supported the investment team with climate scenario modelling.

During the quarterly responsible investment updates, the Investment Committee debated, questioned and challenged the information provided by our advisers and the investment team with regards to the progress made on the implementation of the RI strategy, as well as how climate change-related risks and opportunities were monitored and managed via engagement with the Fund's managers. The Investment Committee reports to the Board on a quarterly basis. This process allowed the Trustee to gain comfort that the advisers and the investment team were taking adequate steps to integrate climate change considerations into advice provided and investment oversight.

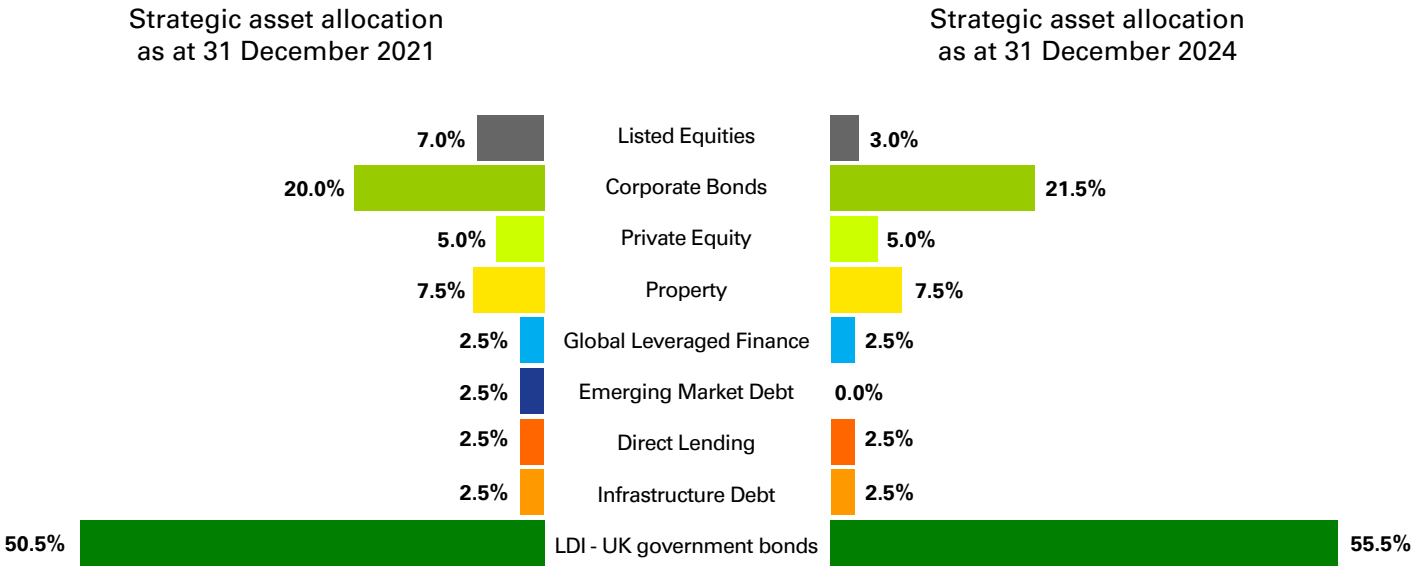
Strategy

Climate scenario modelling and portfolio alignment analysis are key tools which allow us to consider a range of hypothetical climate change-related outcomes and assess their potential impacts and concentrations across investment risk, funding risk and covenant risk. We overlay our findings with a qualitative assessment of climate change impact on our sponsor when assessing the strength of its covenant. We seek independent advice, when required, from our covenant adviser.

Broadly speaking, the continuation of the investment de-risking process is expected to reduce the Fund's sensitivity to financial shocks caused by climate-related risks. The Fund is invested in assets that are diversified by asset class, geography, sector, liquidity and across asset managers. The Trustee takes a long-term approach to investment that allows it to balance the requirement to achieve continuing capital growth, manage downside risk and generate cash flow for liability matching purposes. For instance, the Fund holds illiquid investments where the expected risk-adjusted returns justify it. The liquidity risk is managed by having sufficient assets that are always available and are relatively easy to sell if needed.

Strategic asset allocation

The latest strategic asset allocation (SAA) was approved by the Trustee Board in the second half of 2024 and is provided in the table below.



Visual 2: The Fund's SAA as at 31 December 2021 and as at 31 December 2024. Please note the actual allocation may vary from the SAA.

Scenario analysis

It is a regulatory requirement for the Fund to carry out a climate change scenario analysis at least every three years and following significant change in either the strategic asset allocation or substantial developments in scenario analysis methodology. The most recent scenario analysis we carried out was in 2023 (please refer to Appendix 2 for details). During 2024 our SAA has not changed materially and, as such, we concentrated our efforts on the analysis we described above.

Climate change is a complex risk factor that has a potential impact on every step of the investment decision process. Results and insights from climate risk analysis are increasingly combined and integrated with traditional investment risk analysis to support investment decision making. Last year, we carried out an analysis on integrating climate scenarios with the Fund's asset and liability modelling.

Integrating climate scenarios within economic asset and liability modelling

In 2024, the Fund made progress in integrating narrative-based climate scenarios with the financial models it uses to project future asset class risk and returns. This new approach was developed to compare different climate scenarios, drawing on a wide range of sources, assumptions and models to reflect the current uncertainty about how climate change may impact the economy. The climate data set was then compared to the risk and return assumptions of our model.

The results from this climate benchmarking exercise indicate that most of the collected climate scenario data broadly aligns with a 2 to 3°C global warming range which is currently deemed the most likely[4]. Results and observations from this analysis have been incorporated into the annual investment strategy review and stress test analysis presented to the Investment Committee. While this has not resulted in any specific action taken, carrying out this analysis constitutes an important step in our effort to better integrate climate scenarios within investment risk analysis. To ensure that our asset and liability modelling probability distribution is broadly aligned with the climate scenario data, the central projections of our model need to be increased by 0.25% for interest rate and inflation and lowered by 0.25% for equity returns on average per year on a 25 year horizon. The implemented views are most pronounced on a 10 to 15 year horizon where the impact of transition risks is most prevalent.

Climate change and longevity

We acknowledge that climate change can not only influence the risk profile of investments but can also potentially impact people's lives. As such, in addition to factors like inflation and interest rates, we also consider demographic factors, with the most relevant being longevity risk. We expect that wider macro-economic, behavioural and health related impacts on longevity from climate change are likely to have an impact (which may be positive or negative) on the Fund's liabilities. Our Fund members' longevity might be affected by many variables, including geographic location, age and access to local health services, facilities and other utilities.

As outlined in last year's report, in 2023 we consulted with the Fund's actuary to understand how climate change-related uncertainties could potentially be included in our assessment of investment, covenant, and longevity risks. Please refer to Appendix 3 for further details. We will look to perform this assessment at a later date once there are significant improvements in the methodology and thinking around how to best model the connection between climate change, financial markets and the impact on society.

[4] Based on Climate Action Tracker: Emissions Pathways to 2100 update as of Nov 2024, and Ortec Finance 'Integrating economic and climate scenarios' whitepaper.

Covenant considerations

The sponsor's covenant is an important part of the funding strategy for a defined benefit pension scheme. As such, we consider and, to the extent possible, assess how climate change can be expected to impact our sponsor covenant.

Our covenant risk is determined by two key factors:

- Surplus: the larger and more resilient our surplus, the lower the likelihood of additional contributions being needed.
- Sponsor covenant: the stronger the covenant, the more likely the sponsor can support the Fund if assets are insufficient.

Over 2024 our funding level remained strong, and we supported its resilience by continuing to minimise investment risk. This includes interest rate risk and inflation risk hedges which aim to reduce funding level volatility. The surplus in our funding position materially reduces the likelihood of future reliance on our sponsor covenant. However, the market and broader economy are difficult to predict, hence we remain vigilant in our investment risk management and analysis.

As part of the Fund's 2024 covenant assessment, the Trustee's covenant adviser rated the overall covenant as 'very strong'. Its primary considerations were the scale of bp relative to the size of the Fund, and the Fund's level of surplus.

Net Zero Ambition

The Fund's NZA, set in 2022, is to transition our investments to achieve net zero emissions for the whole portfolio by 2050, or sooner, and in support of this ambition we set a shorter-term emissions reduction target to reduce the absolute financed emissions (scopes 1 and 2) for our listed equity and corporate bonds by 50% by 2030 compared to baseline levels as at 31 December 2021 (see Target section below). The Fund's NZA statement can be accessed via the following **link**.

Our aim is to progress towards meeting this NZA, while also contributing to real economy decarbonisation, and effectively managing the Fund's climate-related risks and opportunities. We acknowledge the insufficient progress made by the world towards meeting the goals of the Paris Agreement[5] of limiting the increase of the global average temperatures to less than 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels. Nevertheless, we believe that remaining supportive of Paris Agreement goals is consistent with our objectives and an important part of our responsible ownership.

We also recognise that achieving the NZA is highly dependent on a number of factors, including governments and policymakers maintaining and delivering on their existing commitments, providing necessary policy changes and supporting both public and private companies in their own climate transitions.

[5] Paris Agreement – a legally binding international treaty on climate change, adopted in 2015, with the overarching goal to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change. The Paris Agreement | UNFCCC

In our ongoing dialogue with asset managers, we continue to emphasise the importance of collective contribution to progressing real economy decarbonisation and society's drive to achieve net zero emissions. We continue to encourage our managers to establish and follow comprehensive climate transition engagement plans with high-emitting companies, taking into consideration any local standards they may be subject to. To evidence their efforts, managers are required to share with us outcome-focused climate change related engagement case studies on an annual basis.

In 2024 we assessed performance of listed equities and corporate bonds mandates against our climate related target which has been set in support of the Fund's NZA. Our observations are presented in the Target section further in the report. We have also continued to expand our involvement with the Institutional Investors Group on Climate Change (IIGCC), which we remain a member of, particularly in respect of knowledge sharing and framework setting. The IIGCC Net Zero Investment Framework is an important reference we consider in developing the Fund's NZA implementation plan.

Our asset managers' stance on net zero

Climate change is one of the key topics covered during the annual Responsible Investment meetings with our managers. During the 2024 meetings, we observed progress in the way our managers approach climate change-related analysis and decision-making. For example, we tracked how many managers used scenario analysis and we observed that more managers did so to understand potential future impacts of climate change on asset valuations and risks.

In addition to annual meetings, we also arranged net-zero focused sessions with our corporate bond managers to understand their capabilities to support us in meeting our NZA. All managers demonstrated systematic approaches to navigating the net zero transition. One of the key aspects covered was how these managers prioritised which issuers to engage with.

Most of our asset managers have formal net zero commitments and have set relevant targets as at the date of writing this report. We discuss with each manager their approach towards net zero including progress against relevant targets and membership in organisations in support of net zero (i.e. Net-Zero Asset Managers initiative[6]). Managers without a formal net zero commitment are mainly in private asset classes, where the challenge of data availability remains a restricting factor. Some of those managers are working actively as part of collaborative initiatives towards improving the availability of data for private companies.

Example:

- Our Global Leveraged Finance manager helped to lead the development of the ESG Integrated Disclosure Project (IDP) to address the lack of standardised ESG data in alternative credit markets. By designing a unified reporting template for borrowers, they aimed to improve data consistency, transparency, and comparability for investors. Their leadership in promoting the IDP has significantly enhanced ESG risk identification and set a new benchmark for disclosure practices across the asset class.

We set out more information on how we hold our asset managers to account in the Manager Selection and Monitoring section under the Risk Management pillar of this report.

[6] We note that as at the date of writing this report, the United Nations-backed Net-Zero Asset Managers initiative (NZAMI) announced they would suspend all activities to track signatories reporting and their commitments as it reviews the program.

Risk Management

We identify and assess the impact of climate change related risks on the Fund across all areas of our investment process, at both Fund and mandate level, which often corresponds to a specific asset class.

Climate risk management: Fund vs asset class level

We manage risks at a Fund level through strategic asset allocation, and at mandate and asset class level through manager selection, monitoring, and engagement.

- **Fund level**: We continue to combine internal research with research received from our asset managers, advisers, external data providers, and industry groups, to assess the climate change-related risks and opportunities which are relevant and potentially financially material to the Fund. Climate change poses both physical and transitional risks, which could affect both the assets and liabilities, as well as our covenant. Refer to the above Strategy section for details.
- **Asset class level**: We require our asset managers to be aligned with the Fund's SIP and our RI policy, and we encourage them to adhere to the principles of the UK Stewardship Code (or an international equivalent), all of which cover the management of climate change-related risks and opportunities.

Manager selection and monitoring

In the process of evaluating potential asset managers, we examine how consistently and effectively they incorporate ESG factors, including climate change, both from a long-term risk management and valuation standpoint as well as from an opportunity perspective. This includes their integration of ESG into investment processes, their business focus and operational infrastructure, and engagement activities. We also assess whether the asset managers have the necessary resources to carry out the stewardship activities we expect from them, analyse how climate change could impact investment returns and take the necessary steps we would expect of them.

Some specific ways in which we promote the integration of climate change include the following:

- **Investment manager agreements**: Our investment mandates with each of our asset managers incorporate our RI policy, which outlines our expectation of all of our asset managers to integrate potentially material ESG factors, including those relevant to the Fund's stewardship priorities (climate change, human rights, board composition and oversight) into their investment analysis, investment decision-making and engagement activities with investee companies or issuers, subject to local laws and regulations.
- **Segregated mandates and pooled investment funds**: We review the investment objectives and guidelines of pooled funds to align with our investment policies, including our RI policy. For segregated mandates, we may establish climate change related guidelines within our investment manager agreements where appropriate. Currently, all of the Fund's investments are managed under segregated mandates.
- **Engagement & exclusions**: We prefer engagement over exclusion and at present we do not have an exclusions policy based upon ESG factors. While some of our asset managers may have their own exclusions policy, either at the firm level or pertaining to certain mandates, none of those exclusions are incorporated in our agreements with those managers.

- **Assessment period**: When evaluating an asset manager's performance, the focus is on longer-term outcomes and the assessment takes place over a medium- to long-term period, with a minimum of three years.

Our manager selection and monitoring process allows us to gain a comprehensive understanding of each manager's RI policies, processes, and level of incorporation of climate change-related risks and opportunities in their investment activities. We closely monitor our managers' climate change-related stewardship and engagement activities. Climate change-related metrics are also expected to be incorporated, where feasible, alongside the main financial and performance metrics they review when they are carrying out analysis and make investment decisions on our behalf.

Our asset manager monitoring approach is a form of assurance and it is consistent for all asset managers, including our internal manager, BP Investment Management Limited (BPIM).

In addition to quarterly investment review meetings, we carry out a formal annual assessment of our manager's compliance with the Fund's RI policy. It is based on a questionnaire which we request our managers to fill out annually, and a follow up RI review meeting. The annual RI review process allows us to have a better understanding of the managers' progress in practical RI application, management of climate change risks and opportunities, and to discuss substantive engagement case studies pertaining to the Fund's stewardship priorities, including climate change.

Investment activities related to climate change

We believe engagement and a forward-looking assessment of climate change risk can contribute to better outcomes than exclusions or divestment. We require our managers to review investments in detail from a climate change risk perspective and provide examples of how investment decisions are informed by climate considerations. We expect our managers to assess companies and their business strategies, including their approaches to the energy transition and physical risks.

We encourage our asset managers to consider investment opportunities which deliver suitable risk-adjusted returns for the Fund while also helping to address climate change risks. Below, we provide some examples where climate-related opportunities were a factor behind investment decisions during 2024.

Asset class: Corporate bonds

- One of our corporate bond managers has initiated an investment in an electricity grid operator, with its ability to contribute to decarbonisation and its transition credentials mitigating risks associated with its current carbon footprint. The manager's proprietary climate assessment framework, developed by its in-house RI Team, indicated the operator's performance to be relatively strong. Through a collaborative initiative the focus areas included engagement with the company on just transition[7] disclosures, transparency around gas network investments, and clarity on lobbying practices, which the manager intends to discuss via engagement efforts.
- Another corporate bonds manager invested in a company that manufactures components that enhance machine productivity, reduce emissions, lower energy consumption, and facilitate electrification. The company has set a GHG reduction target and its aim is to achieve carbon neutrality in its operations by 2030.

[7] The concept of just transition is a reference to meeting climate goals by ensuring the whole of society – all communities, all workers, all social groups – are brought along in the pivot to a net-zero future. **https://climatepromise.undp.org/what-we-do/areas-of-work/just-transition**

Asset class: Property

- During 2024, the Fund's property manager achieved significant progress in several areas including data integration, sustainability projects, biodiversity efforts and tenant engagement. Over the year, 35% of the portfolio's data was added on to Siera, the manager's data system and Smartertech, a technology solutions company that installed data loggers across all the residential assets which feeds data directly to Siera.
- The manager completed multiple Photovoltaic (PV) projects and installed Electric Vehicle (EV) chargers in five retail parks, with plans for further installations in 2025. Biodiversity surveys were conducted across 18 properties, and all assets with C-rated Energy Performance Certificates (EPCs) were reassessed, with no F or G-rated EPCs remaining in the portfolio.
- The percentage of green leases[8] increased to 25%, and the manager produced one-pagers on solar and wider ESG initiatives to educate tenants and engage them, contacting 90% of tenants.

Managing climate risk through active ownership

Stewardship

Stewardship is a key component of our risk management framework, as we see engagement, active ownership and industry involvement via trade associations and working groups being a crucial part of risk identification, management, and monitoring processes. The Fund retained its signatory status to the UK Stewardship Code, covering the 2023 scheme year. This status was initially obtained in August 2022.

Voting

Another key lever we use to influence investee companies is voting at shareholder meetings. By investing through segregated mandates across all our listed equity portfolios, we retain the right to directly exercise the voting rights attached to our holdings. Where possible, we use voting rights to encourage responsible long-term behaviour and enhance reporting and management on climate change by the companies in which we invest.

Collaborative engagement

The Fund is a signatory to the United Nations-supported Principles for Responsible Investment (PRI), a member of the IIGCC and an active participant of the Asset Owner Council (AOC). The Fund's Senior Manager, RI co-chaired the AOC during 2024 and remains a member of the AOC Steering Group as of 2025. Our aim is to continue collaborating with other investors on climate change-related risks and opportunities to help drive meaningful progress towards a resilient net zero future.

[8] Green leases are rental agreements which contain additional provisions that impose an obligation on the landlord and tenant to manage and reduce the environmental impact of a property by way of improvements. Green leases tend to only relate to commercial properties rather than residential.

Example of the Fund's direct engagement related to climate change risk

IIGCC Working Group

By contributing to climate-related initiatives alongside other investors we can help to drive meaningful progress towards a resilient net zero future. The IIGCC is a forum for collaboration between asset owners and asset managers to help drive considerable progress towards achieving net zero and a more resilient future. Since joining in 2022, we have been using the IIGCC platform as a learning tool to gain insight into how we can integrate climate change considerations into our investment strategy. In 2024 the RI team contributed to two IIGCC working groups:

- Sovereign Bonds and Country Pathways Working Group (2023-2024)
  The group's focus was updating target setting guidance for sovereign bonds and increase its adoption into net zero investment strategies. The group's work resulted in the publication of a discussion paper in April 2024.
- Sector Decarbonisation Roadmaps Working Group (2024)
  The group's focus was development of sector decarbonisation roadmaps and it completed its cycle with the publication of the position paper which outlined principles for policymakers to consider in developing sectoral decarbonisation pathways and supporting policy frameworks.

Participation in these working groups allowed us to share our perspective as an asset owner. For instance, we were able to emphasise how exposure to UK sovereign debt for liability-matching might require a more tailored approach in setting out net zero investment strategies.

Examples of our managers' engagements related to climate change risk

Incorporation of ESG targets in climate strategy

Engagement led by Nikko Asset Management (Nikko AM)

Asset Class: Listed Equities

Context: The industrial gas and engineering company is playing a vital role in the energy transition which was the principal reason for the manager's investment decision. However, due to the nature of its operations, the company represents the largest carbon footprint in the manager's portfolio in terms of scopes 1 and 2 GHG emissions.

Action: Nikko AM initiated engagement with this company in 2022 to discuss important considerations to take into account for the credible and successful execution of the company's climate strategy. These included adoption of meaningful ESG targets in turn linked to management's remuneration. Whilst the company made substantial improvements in these areas, Nikko AM continued engaging with the company as it saw further potential for improvement. For example, it emphasised the need for the GHG emissions targets linked to annual bonus payouts to be more stretching and meaningful, whilst remaining cognisant of what may be achievable.

Outcome: In 2024 Nikko AM noted the company made considerable progress in meeting the expectations set. This included the company's climate goal being independently certified, and the setting of more ambitious targets linked to absolute GHG emissions.

Decarbonisation projects in the housing sector

Engagement led by Macquarie

Sector: Housing
Asset Class: Infrastructure Debt

Context: One of Macquarie's borrowers is a housing association (HA) set up by local community members to improve inequality in housing provision and associated services. Macquarie received a request from the HA to incorporate additional flexibility in the lending agreement to help fund upcoming capital expenditures to meet UK government regulations on carbon emissions and mandatory health and safety requirements. The specific request was to amend the interest cover ratio (ICR) rules to cover costs for decarbonisation and health and safety projects, while still adhering to the financing terms.

Action: Macquarie's Credit team engaged with the HA to understand the drivers behind the increased capital expenditure and the rationale behind the waiver request. Macquarie reviewed the HA's updated business plan, including forecast capital expenditure assumptions, and negotiated an amendment to the ICR definition in the finance documents. Several meetings were held to ensure the HA's request was financially reasonable and aimed at achieving the optimal outcome for both parties.

Outcome: The engagement resulted in an agreed amendment to the ICR definition, providing the HA with the flexibility needed to comply with regulations and improve their housing portfolio. Additional outcomes included negotiation of enhanced visibility with respect to the implementation of the HA's fire safety and decarbonisation works, as well as the HA's committing to upgrading properties to at least an EPC energy rating of 'C' during the term of the waiver.

Metrics and target

Data procurement, quality and availability

In this report, we disclose financed emissions metrics and portfolio alignment metrics estimated by our investment adviser, based on data sourced from MSCI. Our investment adviser calculated climate metrics for the Fund's listed equities and corporate bonds based on the line by line company/issuer level data. It also calculated climate metrics for our illiquid assets, but because company/issuer level data is not often available for these assets, a suitable asset class proxy was used.

As per the MSCI methodology, emissions are either reported or estimated based on guidance from the Partnership for Carbon Accounting Financials (PCAF) (using either company-specific data, or sectoral and geographic models when reported data is not sufficient (refer to Appendix 1 for details)).

We remain conscious of limitations in both the availability and quality of data necessary for accurate emissions metrics calculations and reporting. In addition to data availability, we believe it is necessary to highlight that the emissions metrics should be considered as approximations rather than exact values.

Our efforts towards improving data quality

Reliable data is essential for evaluating progress of real economy decarbonisation. Through engagement with our managers, we look to indirectly contribute to the improvement of data availability and quality, so as to better understand the transition risks and be able to make informed decisions on capital allocations.

During 2024 we continued discussions with managers on their approach to emissions data collection, including the limitations and challenges they faced. We emphasised the need for good quality data across all asset classes and encouraged managers to engage with investee companies and issuers on improving relevant disclosures and collect emissions data from their investee companies where possible. All managers were asked to report climate change related metrics to us on an annual basis. In 2024, managers reported some level of emissions metrics for fourteen of our fifteen mandates. Although in this report we do not disclose metrics provided to us by our managers, we use them to monitor quarterly changes and compare them to metrics estimated by our adviser.

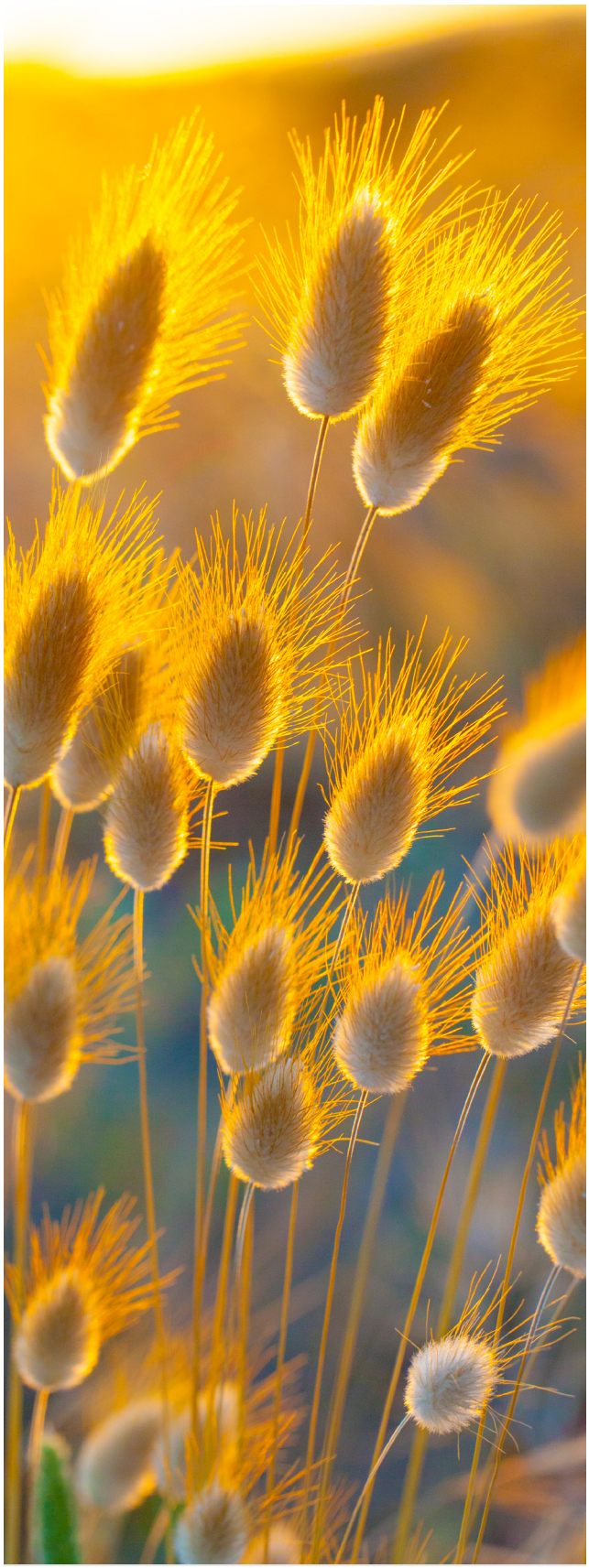
We believe that data providers have an important role to play in improving the quality and availability of not only emissions data, but also that regarding broader ESG and financial metrics. Our investment adviser engages with its data provider, MSCI, to ensure data is as up to date as possible, to minimise a mismatch in different factors. Additionally, we maintain an active dialogue with various parties in the reporting ecosystem to stay abreast of developments.

Financed emissions metrics

For the purpose of our reports, we base our emissions metrics on our provider's standard model, which uses the most up to date datapoint available for each factor, including climate metrics (such as emissions) and financial metrics (such as Enterprise Value Including Cash - EVIC). Within the emissions metrics calculations the EVIC is used to apportion our level of investment and obtain a fair share of emissions associated with that investment. This approach allows for allocation of emissions between equity and debt of a specific company.

Please see below for definitions of the metrics we report, in line with the regulations. For definition of GHG emission scope 1, 2 and 3, refer to Appendix 1.

- **Absolute finance emissions metric**: Total financed GHG emissions in thousands of tons CO2e associated with investee companies in the portfolio. Based on an equal portfolio and benchmark investment.
- **Financed emissions intensity metric**: Financed GHG emissions in tons CO2e per US$ million invested.
- **Financed emissions data coverage**: Includes emissions data which is reported by company or estimated by MSCI.



Listed equities

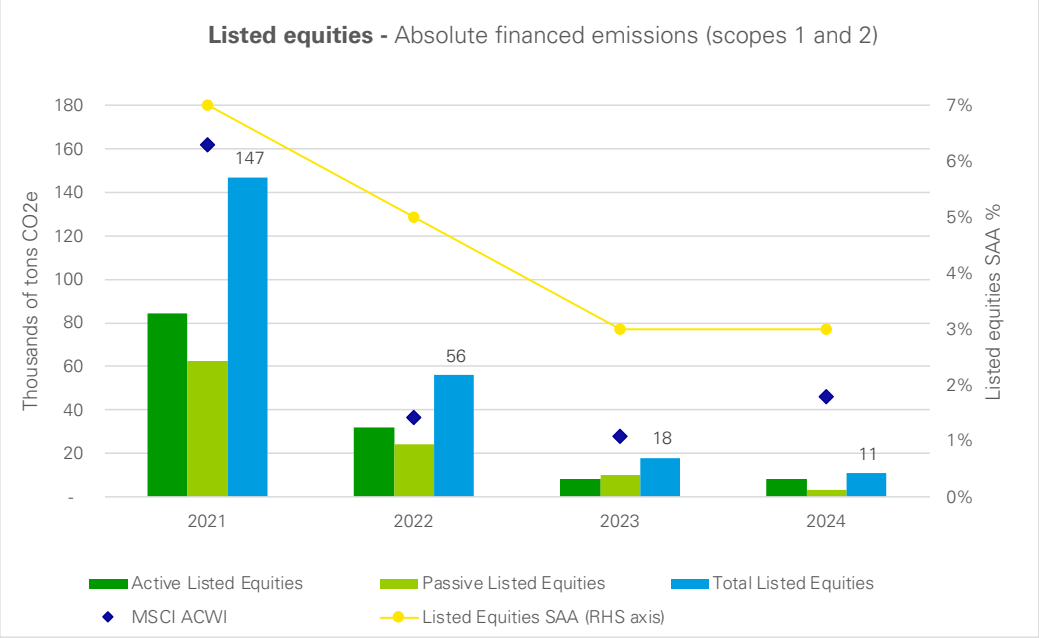
As at 31 December 2024, the SAA for listed equities was 3%. Emission metrics for listed equities are split across the active and passive strategies, given they are managed to different benchmarks.

The absolute financed emissions metric for listed equities (active and passive) reduced between 2023 and 2024 (refer to Visual 3 below), decreasing from 18,000 CO2e tons at the end of 2023 to 11,000 CO2e tons at the end of 2024. A more pronounced decrease was observed for the emissions intensity metric for the passive listed equity mandate from 41 to 12 tons CO2e per US$ million invested (refer to Visual 4 below).

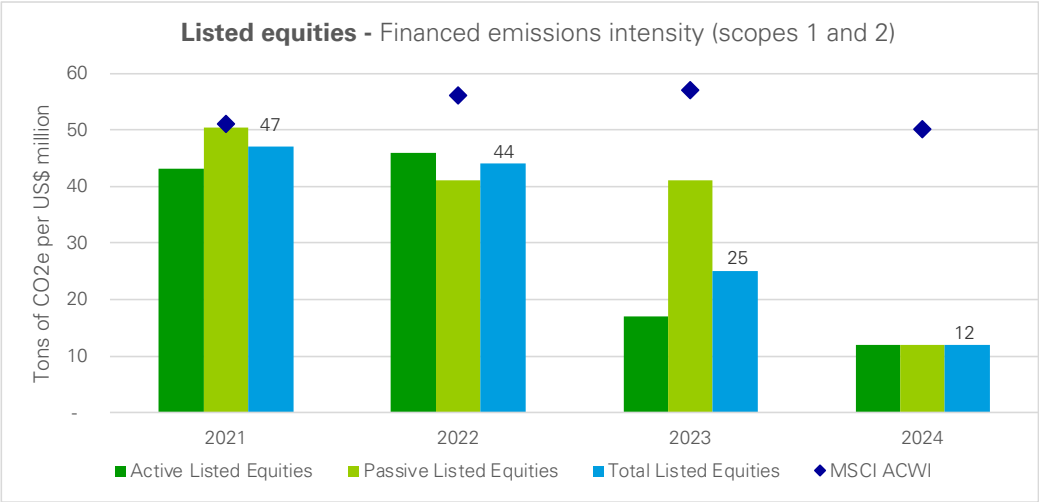
One of the drivers of this reduction is considered to be an increase in valuations of equity markets at the end of 2024. An increased company valuation leads to a higher EVIC (which is used to apportion equity and debt share for each company). A higher EVIC has the effect of reducing a company's carbon intensity metric, even if absolute emissions remain broadly unchanged.

Additionally, some of the reduction in emissions intensity for our passive listed equities mandate can be attributed to reweighting from some high emitting sectors (energy, materials, industrials) and towards lower emitting ones (on a scopes 1 and 2 basis) such as financials and IT. It is worth noting that the passive listed equity mandate is managed against a custom low volatility benchmark with an ESG tilt (applied based on our asset manager's internal ratings) and has a constraint on emissions intensity.

Financed emissions metrics for listed equities



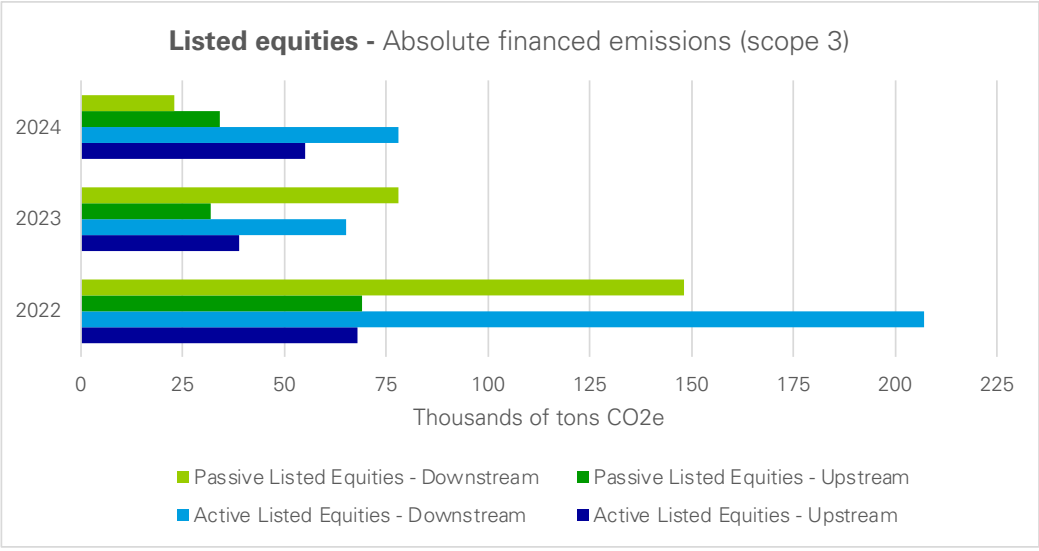
Visual 3: Listed equities absolute financed emissions (scopes 1 and 2) based on investor allocation (emissions apportioned across all outstanding shares and bonds using EVIC). MSCI ACWI benchmark used for comparison purposes. Source: Redington based on data sourced from MSCI.



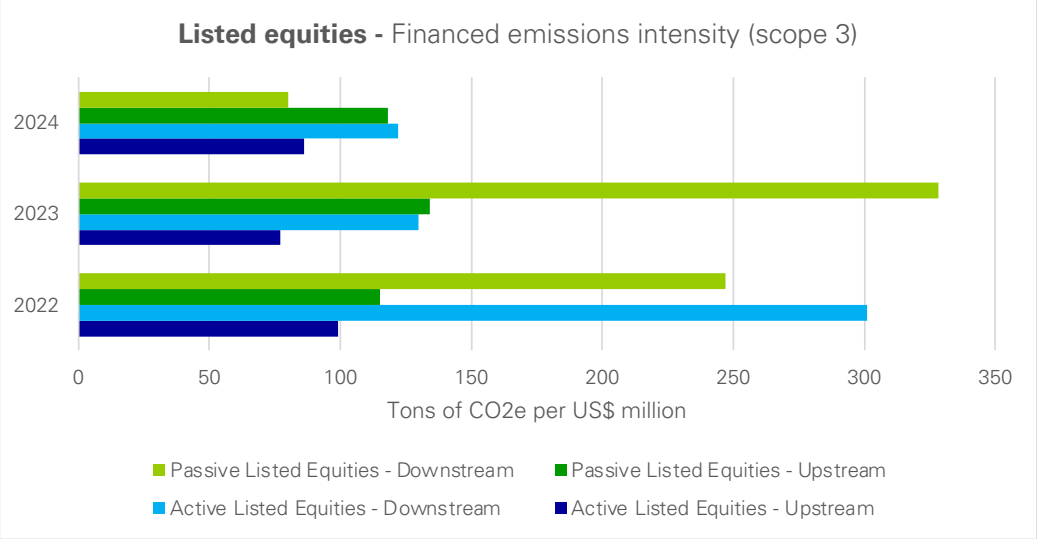
Visual 4: Listed equities financed emissions intensity (scopes 1 and 2) based on investor allocation (emissions apportioned across all outstanding shares and bonds using EVIC). MSCI ACWI benchmark used for comparison purposes. Source: Redington based on data sourced from MSCI.

Although the disclosure of scope 3 emissions (indirect emissions released in the value chains of companies) remains less robust compared to scope 1 and 2 emissions data, we have observed improvements in data quality. The estimates for scope 3 data were done either using models based on prior reported data or based on sector trends, taking the larger value where both reported and estimated scope 3 emissions were available. This is a change in MSCI's approach to providing scope 3 emissions data and has led to more reported data being made available compared to previous years.

Reduction in scope 3 emissions for listed equities is of a similar pattern to scopes 1 and 2 metrics, especially for the passive listed equities mandate. Although the improvements in data quality highlighted above are encouraging, we remain cautious of drawing any conclusions from the changes in scope 3 metrics, given such a high proportion of the underlying emissions data being estimated.



Visual 5: Listed equities absolute financed emissions (scope 3) based on investor allocation (emissions apportioned across all outstanding shares and bonds using EVIC). Source: Redington based on data sourced from MSCI.



Visual 6: Listed equities financed emissions intensity (scope 3) based on investor allocation (emissions apportioned across all outstanding shares and bonds using EVIC). Source: Redington based on data sourced from MSCI.

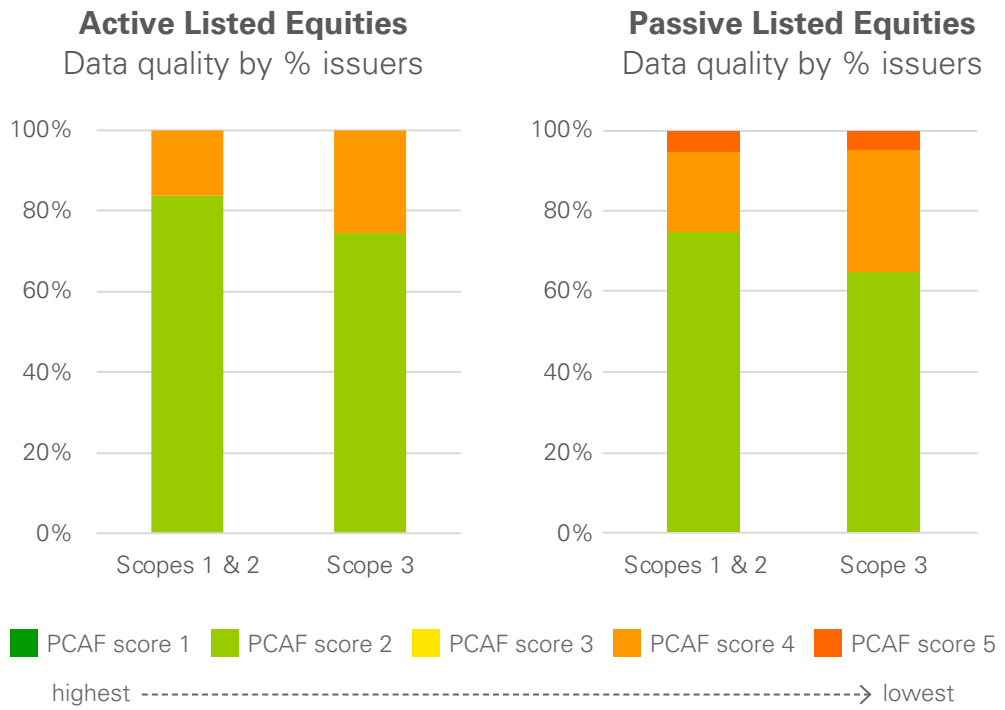
The data coverage for listed equities remains very high (Visual 7). Where it is lacking, the MSCI World Index emission figures are used as a proxy. It is important however to consider data coverage alongside the data quality scores which are presented in Visual 8 given.

Listed equities- data coverage					
Mandate	**Scopes**	**2021**	**2022**	**2023**	**2024**
Active Listed Equities	Scopes 1 & 2	98%	100%	100%	100%
	Scope 3	-	98%	99%	100%
Passive Listed Equities	Scopes 1 & 2	98%	100%	100%	98%
	Scope 3	-	99%	99%	98%

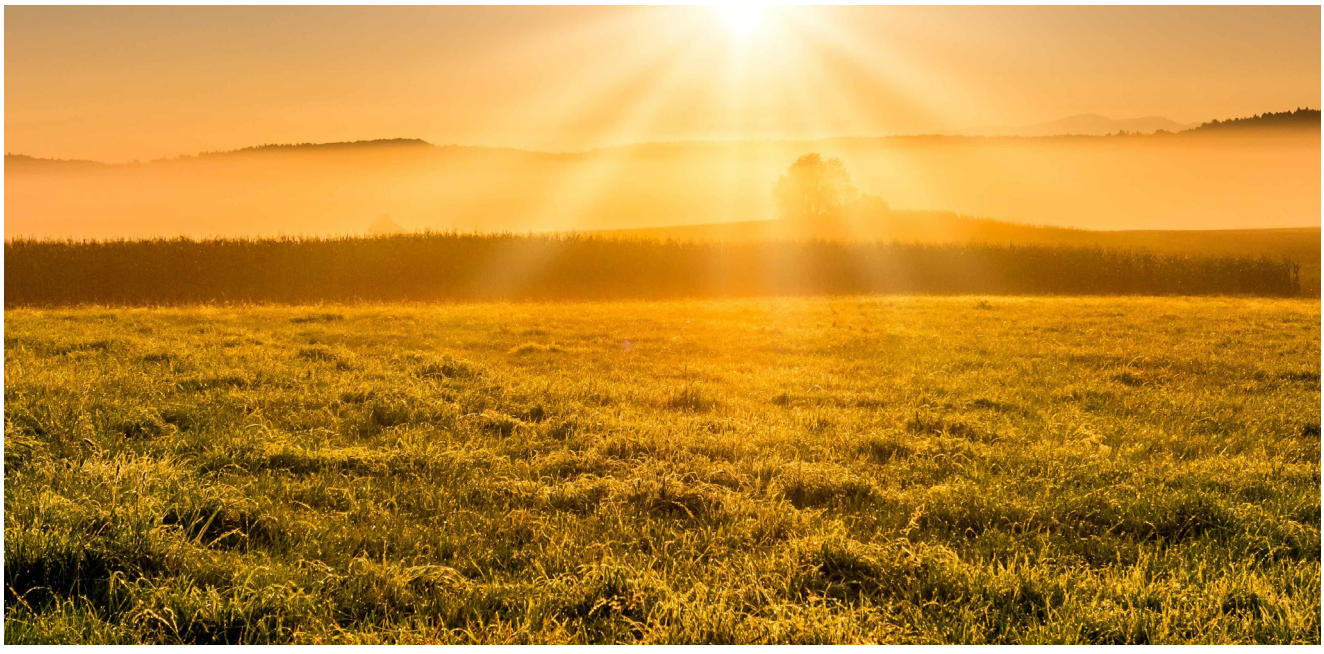
Visual 7: Data coverage for listed equities. Source: Redington based on data sourced from MSCI.

Quality of emissions data for listed equities

Similar to last year, we show the PCAF data quality scores below (refer to Appendix 1 for explanation of categories). Overall, we can see that the majority of the scopes 1 and 2 emissions data we have coverage for is of high-quality, being either reported emissions (PCAF score 2) or highest quality estimates (PCAF score 3). Scope 3 data quality is lower, with a higher proportion of emissions calculated using weaker estimates (PCAF scores 4 and 5). Compared to the previous year, data quality of both scopes 1 and 2 and scope 3 emissions has improved. This is partly due to the change in MSCI's approach to providing scope 3 emissions as described above.



Visual 8: Quality of emissions data for listed equities as at 31 December 2024. Source: Redington based on data sourced from MSCI. Please note data quality metric represents the MSCI emissions data only. Verified and unverified emissions are not distinguished in MSCI's database at this point, so scores 1 and 2 are combined under score 2. Companies and issuers for which there is no data coverage are allocated score 5.



Corporate bonds

As at 31 December 2024, the SAA for corporate bonds was 21.6%. It is important to note that the data coverage for corporate bonds has substantially increased over the last several years and the methodology to address data gaps has evolved. This is a positive development, but it means that any comparisons made between metrics for prior years (especially vs. baseline year of 2021) require careful interpretation.

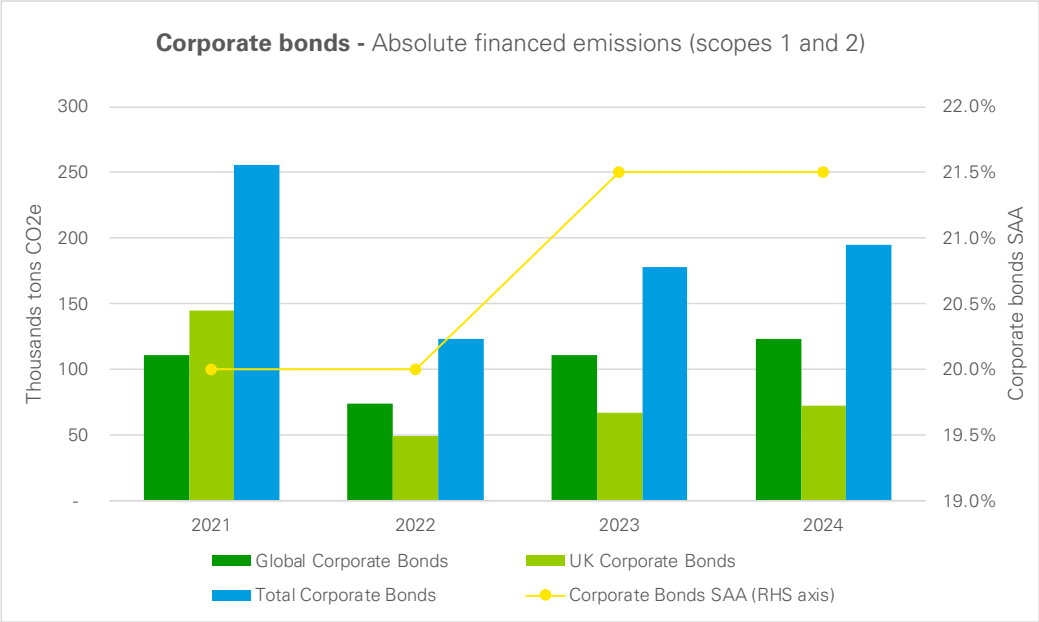
Given the provider of emission metrics for this report changed versus last year, the methodology for addressing data coverage gaps has changed as well. We believe that this change is the main contributor to overall increase in absolute financed emission metric for total corporate bonds by around 10% between 2023 and 2024 (refer to Visual 9). Based on estimates from our provider, if the methodology for filling data gaps used was the same as last year, the total corporate bonds absolute financed emission metric would have reduced by around 12% between 2023 and 2024.

As the data gap is larger for corporate bonds than for listed equities, the change in methodology had a bigger impact.

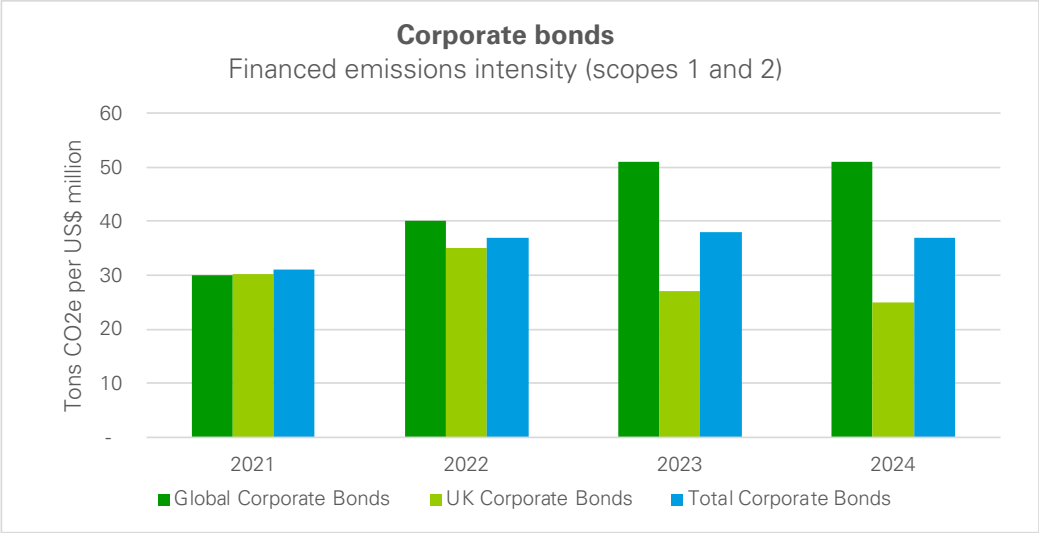
The increase was predominantly for the UK corporate bonds where data coverage is worse at 67% vs. 88% for global corporate bonds (refer to Visual 13). Our provider used asset class benchmark proxy for filling emissions data for issuers with no coverage (33% of issuers for UK corporate bonds and 12% of issuers for global corporate bonds). While absolute emissions have increased, the financed emissions intensity has remained broadly the same for global corporate bonds and has slightly decreased for UK corporate bonds.

Given the volatility in these metrics and the change in methodology, it is perhaps more meaningful to look at data trends over longer periods of time, rather than year-on-year changes. We observed an overall reduction in absolute financed emissions metric by 24% versus 2021, which was the first year we reported emission metrics.

Financed emissions metrics for corporate bonds

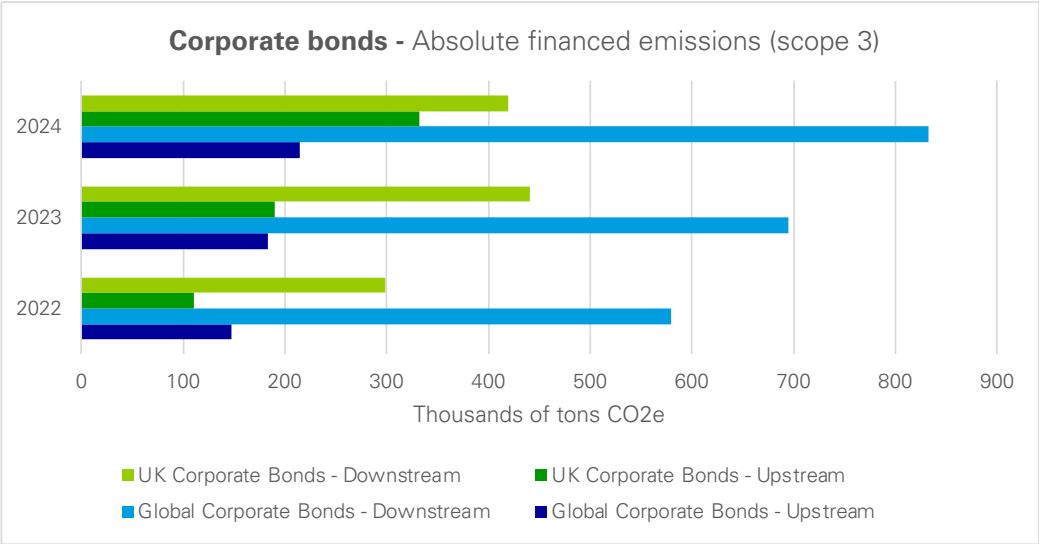


Visual 9: Corporate bonds absolute financed emissions (scopes 1 and 2) based on investor allocation, (emissions apportioned across all outstanding shares and bonds using EVIC), and inclusive of subsidiary mapping. Source: Redington based on data sourced from MSCI.

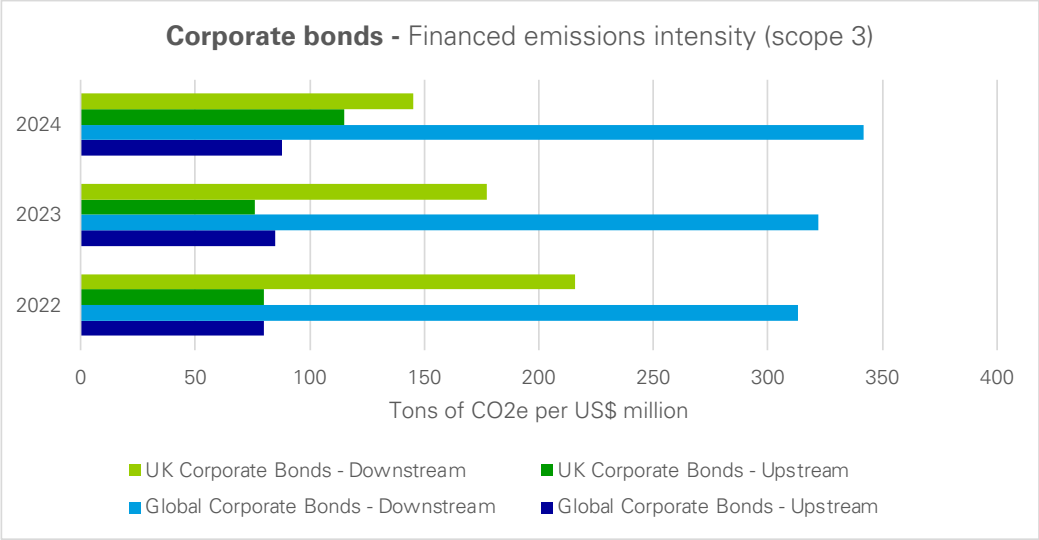


Visual 10: Corporate bonds financed emissions intensity (scopes 1 and 2) based on investor allocation, (emissions apportioned across all outstanding shares and bonds using EVIC), and inclusive of subsidiary mapping. Source: Redington based on data sourced from MSCI.

Although changes in scope 3 emissions for corporate bonds are broadly of a same direction as for scopes 1 and 2 metrics, we remain very cautious of drawing any conclusions. Especially, given the challenges with overall data coverage for corporate bonds, and mapping approach for subsidiary companies.



Visual 11: Corporate bonds absolute financed emissions (scope 3) based on investor allocation, (emissions apportioned across all outstanding shares and bonds using EVIC), and inclusive of subsidiary mapping. Source: Redington based on data sourced from MSCI.



Visual 12: Corporate bonds financed emissions intensity (scope 3) based on investor allocation, (emissions apportioned across all outstanding shares and bonds using EVIC), and inclusive of subsidiary mapping. Source: Redington based on data sourced from MSCI.

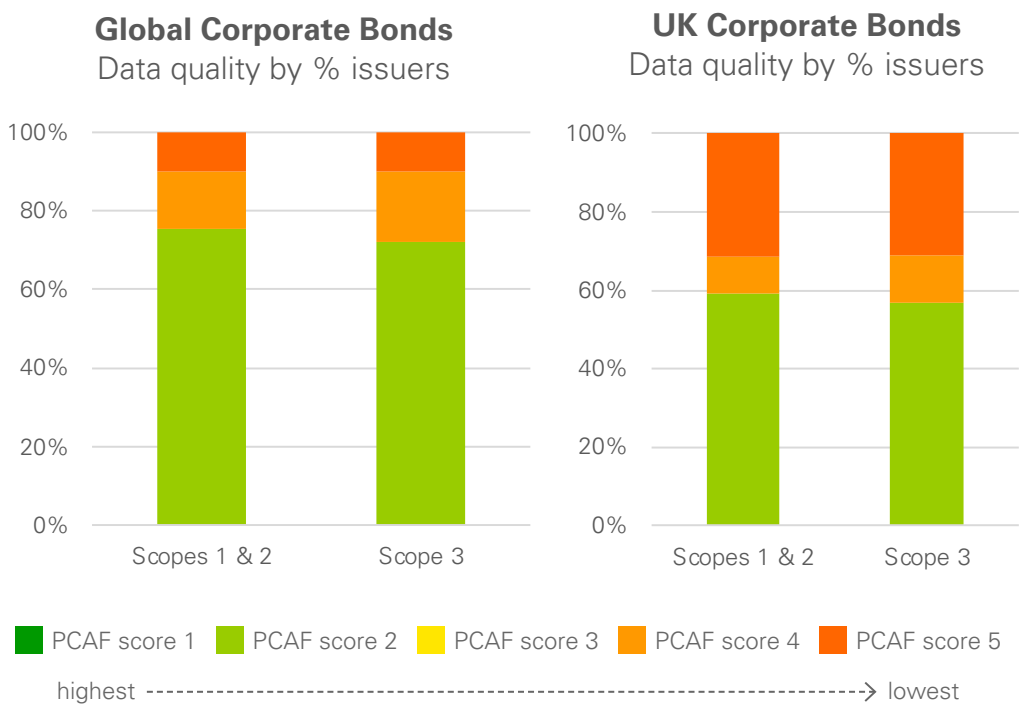
The data coverage for corporate bond issuers is generally lower than that of listed equity. Companies with publicly-traded debt but unlisted equity disclose less information, reducing data availability and quality. Additionally, corporate bond data coverage varies based on the mapping approach for emissions of smaller private issuers, often subsidiaries of larger firms, affecting financed emissions metrics.

Corporate bonds - data coverage					
Mandate	**Scopes**	**2021**	**2022**	**2023**	**2024**
Global Corporate Bonds	Scopes 1 & 2	40%	89%	88%	88%
	Scope 3	-	89%	88%	88%
UK Corporate Bonds	Scopes 1 & 2	40%	56%	53%	67%
	Scope 3	-	56%	52%	67%

Visual 13: Data coverage for corporate bonds. Source: Redington based on data sourced from MSCI.

Quality of emissions data for corporate bonds

Although there was an improvement in emissions data quality in 2024 compared to 2023 across both global corporate bonds (increase in score 4 for scopes 1 and 2 emissions and increase in score 2 for scope 3 emissions) and UK corporate bonds (decrease in score 5 for scopes 1 and 2, and scope 3), data quality for corporate bonds still remains weaker than that for listed equities which underscores the importance of continued engagement with debt issuers.



Visual 14: Quality of emissions data for corporate bonds as at 31 December 2024. Redington based on data sourced from MSCI. Please note data quality metric represents the MSCI emissions data only. Verified and unverified emissions are not distinguished in MSCI's database at this point, so scores 1 and 2 are combined under score 2. Companies and issuers for which there is no data coverage are allocated score 5.

Liability-driven investments

Liability-driven investments (LDI) continue to be the core component of the Fund's investment strategy and its protection mechanism against key risks such as interest rates and inflation. The primary instruments used within our LDI portfolio are UK conventional and index-linked gilts, which aim to hedge the interest rate and inflation sensitivities of the Fund's liabilities. The key limitations for assessing emissions associated with gilts remain the following:

- Gilts within the LDI portfolio are held for liability-matching purposes and typically use derivatives. Therefore measuring emissions of asset-only gilts without taking into account derivatives may provide a misleading picture of the Fund's climate-related risks.
- Total UK emissions data includes corporate and household as well as the government's emissions, hence it is difficult to isolate government-only emissions.
- Inevitably there is a degree of double counting between gilt emissions and UK corporate emissions, which is part of the reason why emissions from gilts are disclosed separately from corporate emissions. Double counting can also be linked to processing of imported and exported carbon emissions. At present, exporting countries retain carbon responsibility for production, even if the goods are used elsewhere.

The following metrics have been calculated by our LDI manager based on the total gilt exposure in the portfolio as at 31 December 2024 and UK government emissions data for 31 December 2024. As consistent methodology is not yet available, it is important to note the sources, assumptions and approach used by our LDI manager are based on their understanding and interpretation.

Estimated LDI financed emissions metrics

Absolute financed emissions		
Type of exposure	**Gilts MV ($m)**	**Thousand tCO2e**
Funded	10,750	1,210
On repo	5,600	630
Total	16,350	1,840
The absolute GHG emissions metric (MV gilts / MV gilts in issuance* CO2e), is based on the annual data for emissions produced in the UK (scopes 1 and 2) as at 31 December 2024 of 371m tonnes of CO2e. Data published by the UK government - provisional UK GHG emissions national statistics 2024 - **GOV.UK**. Scope 3 emissions not included.		

Financed emissions intensity	
Type of exposure	**tCO2e/$m**
Total gilts	132
Total MV of gilts in issuance as at 31 December 2024 of £2,247m (including green gilts) equal to $2,809m	

Weighted average carbon intensity (WACI)	
Type of exposure	**tCO2e/GK$m PPP-adjusted GDP**
Total gilts	87
UK PPP-adjusted GDP for 2024, published by the IMF, GK$4,282m. Geary–Khamis dollar (GK$) is a hypothetical unit of currency that has the same purchasing power parity that the US dollar had in the United States at a given point in time.	

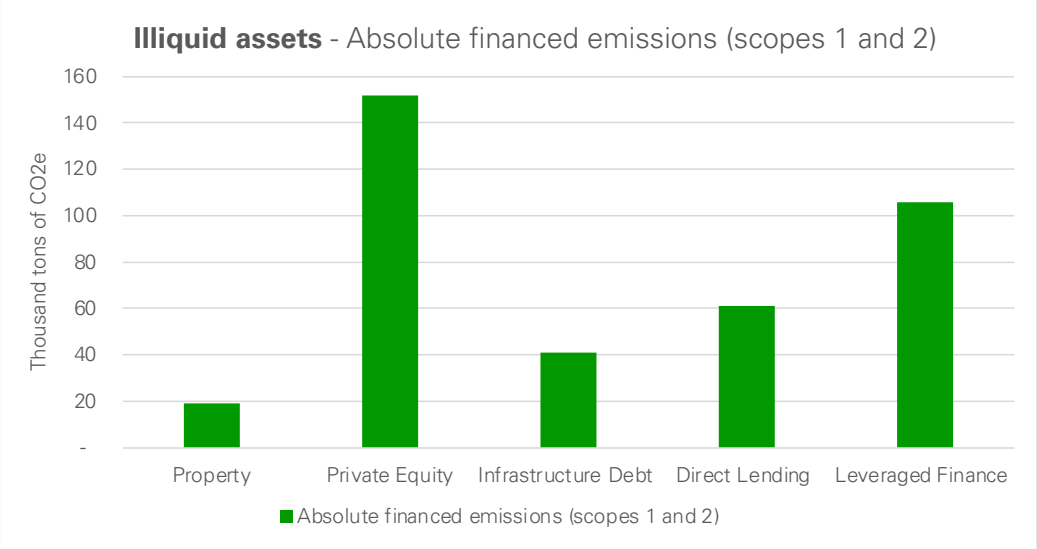
Visual 15: LDI financed emissions metrics (given limitations mentioned above, these metrics should not be aggregated with emissions data for other asset classes). Source: Insight TCFD report (metrics based on PCAF methodology of using WACI*MV tCO2e). Please note: Gilts posted out as collateral by the Fund are included in the gilt valuations, while gilts received as collateral are excluded. Interest rate swaps, inflation swaps, futures, cash, and money market/fund holdings have all been excluded.

Illiquid asset classes

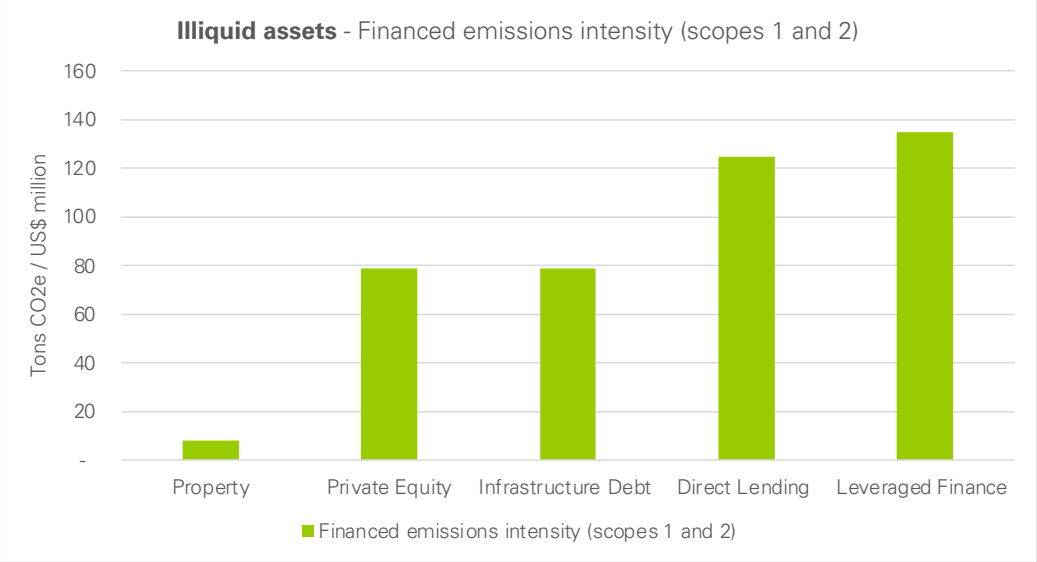
Calculating financed emissions metrics for illiquid asset classes continues to be challenging since data disclosure, especially across private companies, remains particularly low. Over the past two years, in an effort to understand the level of financed emissions for the Fund, we attempted to estimate the carbon footprint of illiquid asset classes leveraging MSCI's methodology. The financed emissions metrics we obtained were all estimated based on economic data – such as sectoral revenues and asset turnover ratios. Given the poor data quality for these metrics (PCAF score 5) we did not place much confidence in those numbers.

To increase the overall coverage of emission metrics reported for the Fund in 2024, we sourced financed emissions metrics for our illiquid portfolios from our investment adviser. These metrics were estimated based on asset class benchmarks. Although the approach is different to the one used last year, the data quality remains the same (PCAF score 5). As such we remain very cautious of drawing any firm conclusions from these metrics in isolation but intend to track and analyse how they change year on year.

The table below provides estimated emission metrics for asset classes which in total aggregate to the Fund's SAA of 20% as at the end of 2024. The emissions estimation approach used by our investment adviser varied for each asset class. For detail on the approach by asset class please refer to Appendix 4.



Visual 16: Estimated absolute financed emissions metrics for the illiquid asset classes as at 31 December 2024. Source: Redington based on asset class benchmark proxy.

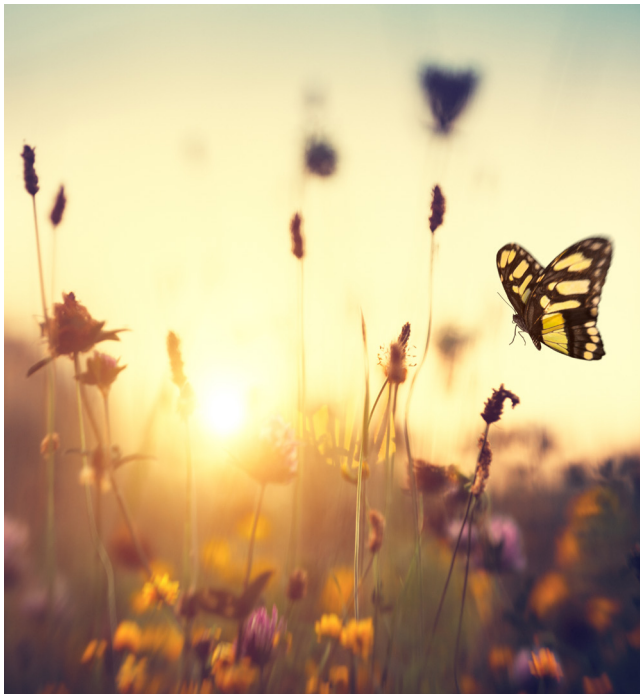


Visual 17: Estimated financed emissions intensity metrics for the illiquid asset classes as at 31 December 2024. Source: Redington based on asset class benchmark proxy.

Alignment metrics

While we appreciate that the use of portfolio alignment metrics could help us in better understanding the Fund's relative positioning versus the Paris agreement goals, which we reference in our NZA, and help us prioritise engagement with specific investee companies, we remain cautious in interpreting the results given the limitations these metrics have.

- The alignment metrics criteria are affected by a significant level of uncertainty[9]. Firstly, the quantification of the carbon budget needed to establish the future emission pathways, and so important for these metrics, is itself a challenging exercise. The levels vary substantially, and estimations will evolve in the future as emissions data becomes more widely available and the understanding of certain geophysical variables improves.
- Secondly, forecasting the impacts on emission levels of future regulatory and technological developments and their implementations based on today's knowledge and expectations is also very complex and potentially unreliable.



[9] Measuring Portfolio Alignment: Technical Report (2021) - TCFD Knowledge Hub (**tcfdhub.org**)

Binary alignment metric

Similarly to emission metrics, the portfolio alignment metrics disclosed in this report are estimated by our adviser, based on data sourced from MSCI. Although the source and methodology is different to last year, we decided to continue reporting the binary alignment metric which estimates the percentage share of our holdings aligned with the different temperature thresholds including those set out in the Paris Agreement. The holdings are allocated into the following buckets (where °C denotes degrees of Celsius).

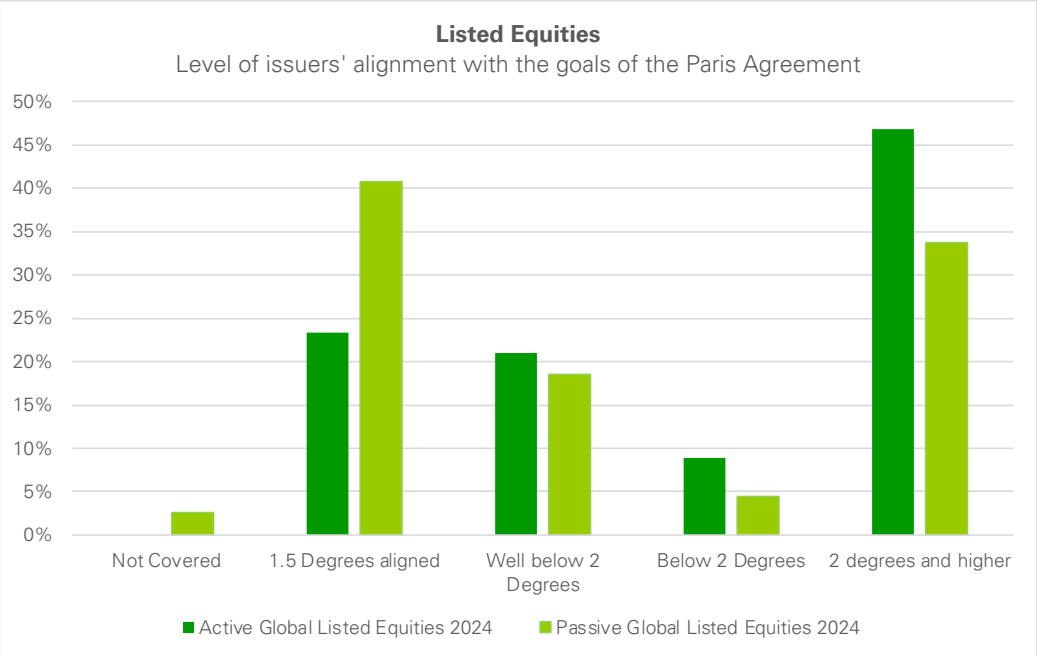
- Net-Zero Aligned (Implied Temperature Rise (ITR) smaller or equal to 1.5°C)
- Well below 2 degrees (ITR larger than 1.5°C but smaller or equal to 1.7°C)
- Below 2 degrees (ITR larger than 1.7°C but smaller than 2°C)
- Two degrees or higher (ITR equal or larger than 2°C)
- Not covered (holdings without sufficient data to calculate ITR)

Details on calculation methodology of the Fund's alignment metrics are in Appendix 4. The lack of a standard way to quantify the carbon budget and defined sectoral and geographical decarbonisation pathways means that the results may vary substantially according to the provider and evolution of individual models over time. As such, it is challenging to directly compare this year's alignment metrics to those from prior years, given change in provider. Whilst we are not currently making any investment decisions on the basis of the alignment metrics, we are using this data to identify companies and issuers of concern and requesting that our managers initiate and strengthen relevant engagement strategies with those companies.

Listed equities alignment metrics

The level of issuers' alignment to the Paris Agreement goals is represented by two categories on the horizontal axis: *1.5 Degrees aligned* and *Well below 2 Degrees*.

- For active listed equities this amounts to 44% of issuers
- For passive listed equities this amounts to 59% of issuers

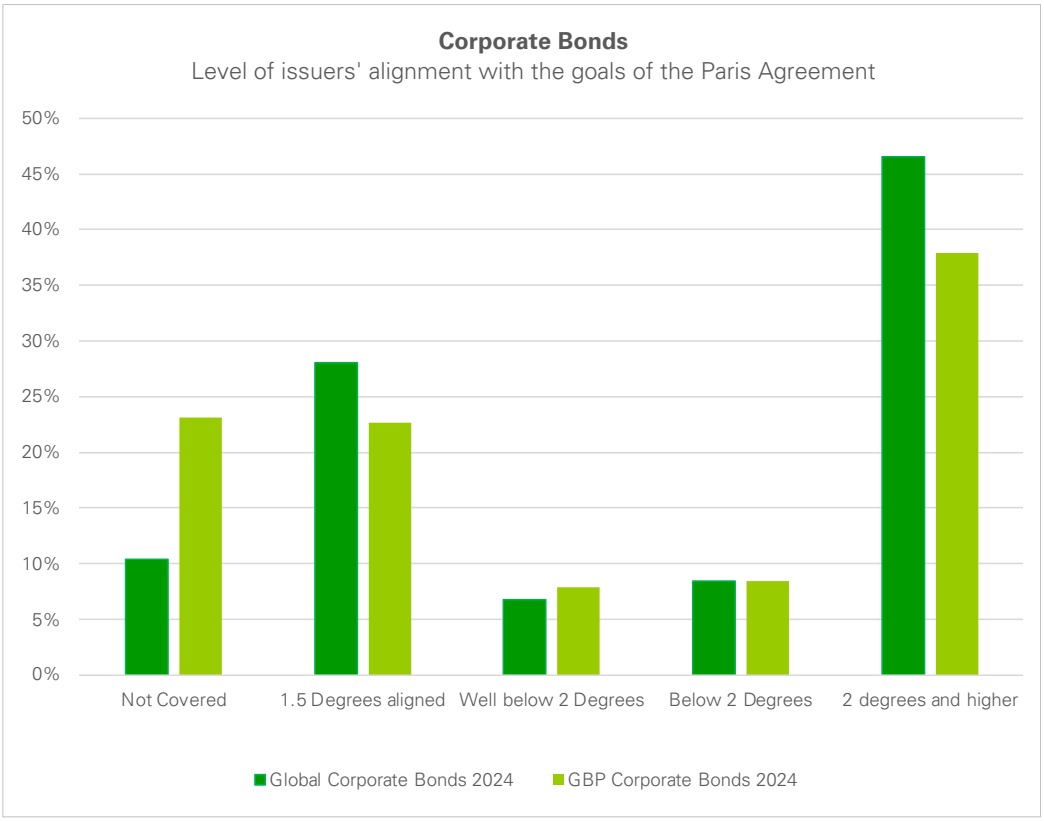


Visual 18: Binary alignment metrics for Listed Equities as at 31 December 2024.Source: Redington based on MSCI Implied Temperature Rise methodology.

Corporate bonds alignment metrics

The level of issuers' alignment to the Paris Agreement goals is represented by two categories on the horizontal axis: *1.5 Degrees aligned* and *Well below 2 Degrees*.

- For global corporate bonds this amounts to 35%
- For UK corporate bonds this amounts to 31%



Visual 19: Binary alignment metrics for Corporate Bonds as at 31 December 2024. Source: Redington based on MSCI Implied Temperature Rise methodology.

Target

The Fund's climate-related target is to achieve 50% reduction in the absolute financed emissions (scopes 1 and 2) across our publicly listed equity and corporate bond mandates by 2030 compared to baseline levels as at 31 December 2021. Both the implied level of reduction (50%) and the relevant timeline (2030) are consistent with our NZA. They are based on the Paris Agreement goals, consider the output of the assessment reports produced by the Intergovernmental Panel on Climate Change (IPCC) and incorporate recommendation from the industry frameworks (e.g. IIGCC Net Zero Investment Framework). The target does not cover scope 3 emissions due to challenges around calculating, attributing and aggregating scope 3 emissions, as highlighted in the Metrics and target section above.

We are applying the target at the individual asset class level, but we are also monitoring the level of reduction at the combined asset class level. As at the end of 2024, as highlighted in the Executive Summary section, the level of reduction in absolute financed emissions observed between end of 2024 and end of 2021 is significant, indicating 93% fall for listed equities and 24% fall for corporate bonds.

The magnitude of change for the listed equities is significantly larger than for corporate bonds, but it is important to note that the majority of this change is due to the reduction in allocation to listed equities as part of our de-risking strategy.

Decrease in financed emissions for corporate bonds is slightly more complex to explain. Partially it can be attributed to our asset managers' increasingly incorporating climate change risk as a financial risk factor. Additionally, given our corporate bonds asset allocation over the period of 2021 to 2024 increased by 1.6%, we believe, there has been some level of real-world emissions reduction from the underlying companies, especially as many of those adopted and progressed towards meeting their own shorter term decarbonisation targets.

The table below presents the levels of reduction in absolute financed emissions (scopes 1 and 2) from our estimated baseline level as at December 2021.

2024 Climate Change Report Target				
Asset Class	**Absolute financed emissions metric (thousand tons of CO2e, scopes 1 & 2)**			
	Baseline (2021)	**Current (2024)**	**% change**	**Target**
Listed equities (LE)	147	11	-93%	-50%
Corporate bonds (CB)	256	195	-24%	-50%
Total LE + CB	**403**	**206**	**-49%**	**n/a**

Visual 20: Estimated levels of change in the absolute financed emissions between 2021 and 2024 versus the 2030 target. For 2024 metrics - Redington based on data sourced from MSCI.

Although the observed level of reduction in financed emissions remains quite significant, we remain conscious of limitations in both the availability and the quality of data necessary for accurate calculation of emission metrics. We also recognise the potential impact of ongoing methodology improvements to address inefficiencies of the current modelling, as observed in corporate bonds emission metrics reported this year. Additionally, changes in emission metrics may also be driven by factors beyond emissions alone, for example by market volatility affecting the market values of investee company equity and debt. These factors can lead to fluctuations in the estimated emission metrics and therefore may impact the overall percentage change in the total portfolio financed emission metrics.

Given our de-risking investment approach and the decarbonisation trends our managers identified in our mandate's benchmarks, at present we believe it is still a suitable target for the Fund. We continue to focus most of our efforts on actively engaging especially with our corporate bond managers to understand how they progress towards their own emissions reduction targets and on discussing their observations of pace of decarbonisation amongst the companies in our portfolios.

We believe that our managers continue to make progress in helping us move towards our 2030 target. However, we recognise the dependencies and challenges emerging from political shifts in certain regions, divergence in standards of different jurisdictions, and the lack of required progress in real economy decarbonisation.

We continue to keep the target as well as our selected metrics under regular review to ensure they remain fit for purpose in the overall context of our legal duties and the effective management of the Fund.

Looking ahead

Events that characterised 2024 are likely to have significant ramifications for the world economy going forward. This is driven primarily by changes to the geopolitical landscape and the ensuing impact on supply chains, which has been accelerated even further in 2025 as we write this report. Legislative changes in different jurisdictions are requiring careful consideration from our managers in how they continue their stewardship and engagement efforts. Nonetheless, the world's need to address the climate change challenge seems likely to become ever more important as the costs linked to extreme weather events become more pronounced.

In 2025, we intend to intensify our work on the liquid Secure Income portfolio allocation which is expected to increase over time as the investment strategy transitioned towards a more simplified and liquid portfolio.

The RI Team will continue to work with asset managers to address climate change related risks applicable to the Fund's investments and seek to expand our net zero ambition implementation plan to cover a broader set of asset classes, recognising that our asset managers may be subject to differing laws, regulations, standards and considerations in different jurisdictions. In addition to this, we will work with our managers to encourage much-needed improvement in the quality and availability of emission data.

It is important for us as a long-term investor to continue in our best-efforts approach to balancing the need to act on climate change-related issues while recognising the uncertainties of the current economic environment. These uncertainties include inflation, longevity, and other crucial factors which may impact the real economy, the decarbonisation pathway and our funding level.

Our ongoing dialogue with our advisers, asset managers, data providers, industry bodies and regulators allows us to keep abreast of relevant best practice. The content of our reports is reflective of our commitment and actions to contribute to real economy decarbonisation, while effectively managing the Fund's climate change-related risks and opportunities.

We recognize that data and methodology gaps remain, and therefore we continue to explore ways in which we can combine quantitative and qualitative assessments to a more comprehensive form of risk analysis which will assist us in monitoring climate-related risks across different asset classes.

We look forward to keeping you informed in future reports on the progress we have made towards fulfilling our climate-related ambitions.

Appendices

Appendix 1: Partnership for Carbon Accounting Financials (PCAF)

PCAF[10] is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the GHG emissions associated with their loans and investments.

GHG Protocol establishes comprehensive global standardised frameworks to measure and manage GHG emissions from private and public sector operations, value chains and mitigation actions.

The Protocol set forth three different classifications of GHG emissions:

- **Scope 1**: emissions from sources owned or controlled by a company.
- **Scope 2**: emissions caused by the generation of the energy, principally electricity, that a company uses.
- **Scope 3**: all indirect emissions that occur in the value chain of the reporting company, including both upstream (providers of goods and services) and downstream (users of the company's products and services).

PCAF data quality

PCAF defines a data quality indicator, ranging from 1 for highest to 5 for lowest data quality. Please see below for an explanation of what each score means.

PCAF Score	Data Required
1	Reported emissions, based on the Greenhouse Gas Protocol, that have been verified by a third-party auditor.
2	Unverified reported emissions or estimates based on the company's energy consumption, in line with the Greenhouse Gas Protocol.
3	Estimated emissions based on the company's production data. For example, tonnes of steel produced.
4	Estimated emissions based on economic data – such as revenue, company value and the amount lent/invested.
5	Estimated emissions based on economic data – such as sectoral revenues and asset turnover ratios.

Verified and unverified emissions are not distinguished in MSCI's database at this point, so PCAF quality scores 1 and 2 are combined under quality score 2. This is not unlike other data providers and reflects the current state-of-play for emissions verification. This is expected to improve over time as standards improve.

[10] **https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf**

Appendix 2: Scenario analysis (prior year analysis)

The Ortec Finance Climate Scenarios (ClimateMAPS) are underpinned by their internal climate scenario narratives. Qualitative narratives describe key scenario drivers and assumptions thereby adding deeper economic, technical, environmental, and social dimensions. Ortec's climate scenarios analysis run for the Fund's assets in 2023 provided four standard climate scenario narratives outlined below:

Net-Zero

Why?

Tests exposure to the risks/opportunities from the systemic drivers of an orderly transition and locked-in pysical risk.

What?

- **Early and smooth policy** transition
- **Locked-in** physical impacts
- **Financial markets pricing-in** dynamics occur **smoothed** out in the first 4 years

↑ 1.5°C

Net-Zero Financial Crisis

Why?

Shows the resilience of portfolios to sudden repricing, triggering market dislocation centred on high-emitting stocks.

What?

- **Early and smooth policy** transition
- **Locked-in** physical impacts
- 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

↑ 1.5°C

Limited Action

Why?

Highlights how scaled-down transition policy leads to larger physical risk and material transition risks for portfolios.

What?

- Policymakers implemented **limited NDCs** and **fall short of meeting the Paris Agreement goals**
- **High** gradual physical and extreme weather impacts
- Financial **markets price-in** physical risks **smoothly** with the coming 40 years

↑ 2.8°C

High Warming

Why?

The main focus of this scenario is physical risk, results show the exposure to plausible, severe climate change impacts.

What?

- The world **fails to meet the Paris Agreement goals** and global warming reaches 4.2°C above pre-industrial levels by 2100
- **Very severe gradual** physical and extreme weather **impacts**
- Financial **markets price-in** physical risks **smoothly** with the coming 40 years

↑ 4.2°C

Methodology

In ClimateMAPS, Ortec leverages the Cambridge Econometrics' E3ME model to capture the effects of the low-carbon transition on the real economy.

- A wide range of policies necessary to reach global net-zero CO2 emissions are modelled at a country level, which leads to changes in energy demand and technology uptake. The key outputs from the model include country-level impacts on inflation, GDP and GVA per sector.
- The climate-adjusted GDP, GVA and inflation shocks from transition, chronic physical risks and acute physical risks are fed into the Ortec Finance Stochastic Financial Model (OFS) as 8-year shocks. The climate shocks are translated to a wide range of financial and economic variables, and pricing-in of future expected climate risks is modelled in annual time steps, as well as a sentiment shock in the Net-Zero Financial Crisis Scenario.
- The economic impact of climate-related acute weather events is modelled in Ortec's proprietary model and the outputs are differences in annual GDP growth rates per country compared to a world with no further warming than the current 1.2°C relative to pre-industrial levels.

Limitations

Any modelling framework carries certain limitations. For example, in ClimateMAPS only one possible pathway to each temperature outcome is modelled, and behavioural shifts, such as changes in lifestyle or economic systems are not currently included in scenarios used. Additionally, chronic physical risks are modelled by a damage function proxy from literature and economic and financial impacts of climate tipping points, climate-related health impacts, biodiversity loss, geopolitical conflict and migration are not fully captured.

Observations

The latest climate scenario analysis on the Fund's assets during 2023, used Ortec's ClimateMAPS tool and considered four scenarios: *Net Zero* (NZ), *Net Zero Financial Crisis* (NZFC), *High Warming* (HW), and *Limited Action* (LA).
Given the Fund's funding level and the de-risking journey undertaken to safeguard it, we expected the reduced exposure to return-seeking assets to lower the Fund's exposure to transition risks which are more likely to impact return and asset prices in the short term.
We also assessed and acknowledged the longer-term results of the scenario analysis (looking at 2050 and beyond). However, given the uncertainty around medium-term policy development and the rapid development of climate science, we focused on shorter-term risks over the 5-year time horizon. Below are our high level observations.

- **Limited Action (LA) scenario impact**
  The portfolio investment return projections suggested an annualized performance drag of c.-0.6% for the LA scenario relative to the NZ scenario over 5 years from 2023. This was explained by lower expected returns for LDI and secure income assets under the LA relative to the NZ scenario linked to a reduced transition risk. While listed equities and private equity performances were expected to be less negative under the LA relative to the NZ scenario, they had a limited impact on the Fund's overall return given their diminishing allocation (c. 6% by 2028).

- **Net Zero Financial Crisis (NZFC) Scenario Impact**
  Under the NZFC scenario, the Fund's performance was expected to be-2% to-4% lower relative to the NZ scenario in the year of the financial stress. However, considering a 5-year period and assuming that the financial stress takes place in year 2, the Fund's performance under the NZFC scenario was expected to recover and to be comparable to the Fund's performance under the NZ scenario at the end of the period. Furthermore, comparing the Fund's performance between the scenario analysis done in 2021 and 2022, under the NZFC scenario we noted that the 5-year annualized performance had improved by c. 2%, with the Fund's performance recovering more significantly post the financial stress impact in the new run. This was attributed to the progress made around the investment de-risking over the past years which had increased the Fund's resilience against a potential disorderly transition scenario where the transition risk is more material.

Appendix 3: Climate change and longevity (prior year analysis)

Climate change can influence the risk profile of investments but also impacts people's lives. As the world gets warmer, the air more polluted and extreme weather events more frequent and severe, life expectancies are likely to change. The expectation is that climate change impacts on the Fund members' longevity will be affected by many variables, including geographic location, age and access to local sanitary/ health services facilities and other utilities.

In 2023 we carried out an analysis with support from the Fund's actuary, to increase our understanding of the potential interactions between climate change-related uncertainties and our funding level, including considerations of investment, covenant, and longevity risks.

Methodology

In modelling scenarios for mortality impacts, our adviser made use of:

- Representative Concentration Pathways (RCPs) and Shared Socioeconomic Pathways (SSPs) as defined by the UN Intergovernmental Panel on Climate Change (IPCC), including estimated projected temperatures.
- Relationships between each SSP and a range of socioeconomic and other variables as published by the UK Climate Resilience Programme, and modelling of how changes to those variables would affect UK mortality rates.
- UK-based climate projections from the Met Office, with correlations between past climate data and mortality rates being used to predict future influences.

In effect, scenarios were modelled on a global scale, with their UK-specific mortality consequences applied to the Fund.

Observations

The effects of climate change, and the actions or measures taken by governments, businesses, or individuals, are expected to be felt at different times in the future and to different extents. As such, the Fund's exposure to climate change-related risks may develop over time. Based on the range of scenarios modelled, we observed the climate change-related longevity uncertainty to be higher in respect of younger generations, though there could be more funding risk associated with climate-positive scenarios and their implications for improved shorter-term mortality for current pensioners. Key drivers of differences in life expectancies between the scenarios include GDP growth and healthcare provision, in addition to the impact of temperature rises.

Based on this analysis, we observed that mortality changes arising from the direct and indirect impact of climate change may be material to funding levels over the longer term. The Trustee will keep this under review.

Appendix 4: Redington's approach to climate metrics calculation

Redington is the provider of the Fund's climate change related metrics disclosed in this report. Below we provide a high level explanation of their approach.

Financed emission metrics

Redington sources emissions input data for calculating emission metrics from MSCI.

- Redington calculates carbon emissions for listed equity and corporate bond funds using underlying holdings data, where available, in line with the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting and Reporting Standard for the Financial Industry.
- Aggregated metrics are calculated on the portion of holdings that have climate data coverage, with the remaining holdings proxied using an appropriate benchmark for each asset class.
- For illiquid assets, where climate metrics are not readily available, Redington estimates emissions metrics based on asset class emissions estimated using relevant proxies. This approach enables a more complete strategic overview of the portfolio's position.

The reporting approach provides an assessment of carbon emissions across various asset classes, by using a combination of line-by-line data and appropriate proxies.

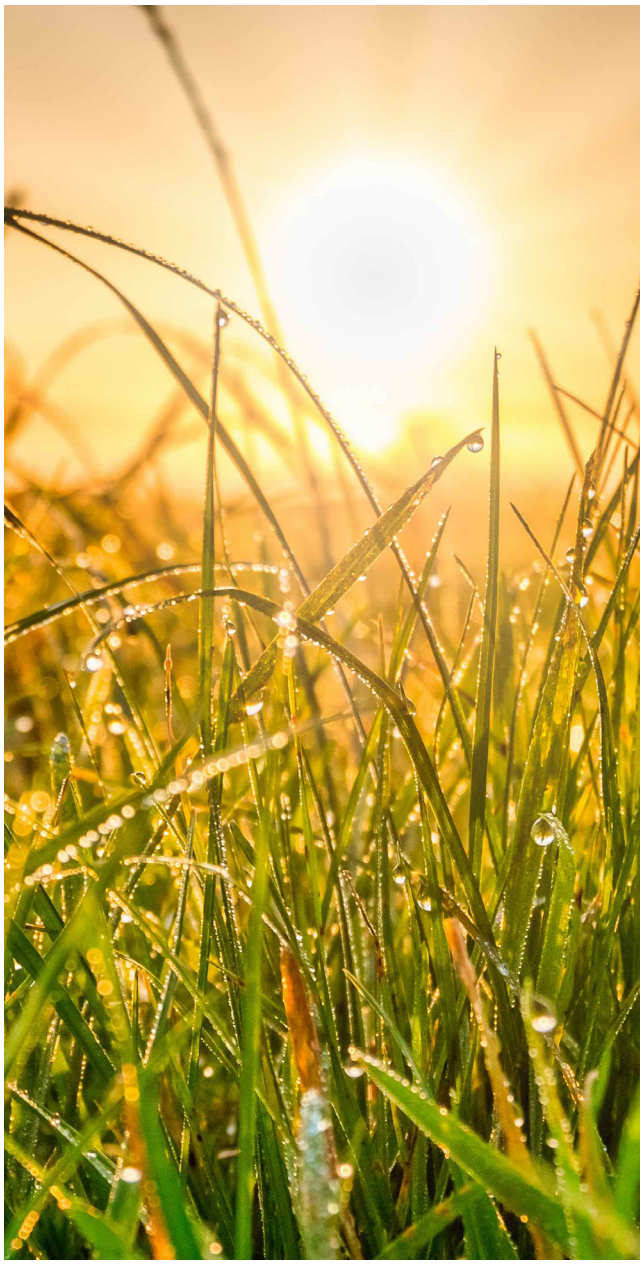
The approach taken for each asset class is highlighted below.

- **Listed Equities** – Redington utilises line-by-line data for listed equities where available. Redington focuses solely on the physical equity portion, attributing zero emissions to synthetic exposure. Where data coverage is lacking, the MSCI World Index emission figures are used as a proxy.
- **Corporate Bonds** – Redington utilizes line-by-line data for corporate bonds where available. For parts of the portfolio without line-by-line data coverage, a mix of benchmarks of corporate debt in USD, EUR, and GBP is used as a proxy. The coverage of corporate bond issuers is generally lower than that of listed equity. Companies with publicly-traded debt but unlisted equity disclose less information, reducing data availability and quality. Additionally, corporate bond data coverage varies based on the mapping approach for emissions of smaller private issuers, often subsidiaries of larger firms, affecting financed emissions metrics.
- **Private Equity** – Redington uses a generic small cap buyout proxy, with emissions calculated based on the MSCI Small Cap Index.
- **Infrastructure Debt** – Redington estimates emissions based on the infrastructure sector of the MSCI UK index.
- **Leveraged Finance** – Redington uses a mix of high yield debt and leveraged loans, with exposure split between USD and EUR. Emissions are estimated using the ICE BofA Euro High Yield Index and the ICE BofA US High Yield Index, adjusted for sectorial biases.
- **Direct Lending** – Redington uses a mix of SME lending and leveraged loans, with exposure split between USD and EUR. Emissions are proxied using EUR/USD high yield data, adjusted for sectorial biases.
- **Property** – Redington estimates emissions based on the commercial and residential property industries of the MSCI ACWI index.

Portfolio alignment metrics

Redington used the MSCI Implied Temperature Rise (ITR) methodology in estimating the binary alignment metrics for the Fund's listed equities and corporate bond portfolios.

- ITR is a forward-looking metric that aims to provide an indication of how aligned companies are with global climate targets. Expressed in degrees Celsius (°C), the metric estimates the global temperature rise (in the year 2100 or later) that could be expected if the company/portfolio in question was representative of the wider global economy. An ITR below 2°C is considered to indicate alignment with the goals of the Paris Agreement.
- ITR is based on carbon budgets[11], which are heavily dependent on the pathways for future global emissions. Carbon budgets represent the total remaining GHGs that can be emitted by each sector before exceeding the warming threshold of 1.5°C. These budgets are then allocated to individual entities, sectors and regions, reflecting each entity's contribution to global emissions.
- MSCI determines ITR by: (1) calculating a sector-specific carbon budget in metric tons of CO2e that the company can emit to be aligned with a pathway for limiting global warming to 1.5°C; (2) projecting the company's future emissions through 2050 based on current emissions and reported emissions-reduction targets. This includes adjusting companies' projected emissions for each scope based on whether the company has published a climate target with a sufficient level of detail to be assessed; (3) converting the company's relative carbon budget over- or undershoot to an ITR, expressed in degrees Celsius.
- Redington subsequently categorised companies' ITRs based on the following classification, to derive the binary alignment measurement approach which was also used in last year's report.
  - Net-Zero Aligned (ITR smaller or equal to 1.5°C)
  - Well below 2 degrees (ITR larger than 1.5°C but smaller or equal to 1.7°C)
  - Below 2 degrees (ITR larger than 1.7°C but smaller than 2°C)
  - Two degrees or higher (ITR equal or larger than 2°C).



[11] The IPPC Special Report on Global Warming of 1.5 °C (PDF, 2.68 MB)

Appendix 5: MSCI Disclaimer

This disclosure was developed using information from MSCI ESG Research LLC or its affiliates or information providers. Although BP Pension Fund's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the 'ESG Parties'), obtain information (the 'Information') from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose.
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Glossary

Board – Board of directors of the Trustee

BP Investment Management Limited **(BPIM)** – our internal asset manager

Emerging Market – list of markets associated countries that has some characteristics

EPCs – Energy Performance Certificates

ESG – environment, social and governance

Fund – BP Pension Fund

GBP – British pound sterling

GDP – gross domestic product

GHG – greenhouse gas emissions

GtCO2 – gigatons of CO2; one gigaton is equal to 1,000,000,000 (1 billion) metric tons, each metric ton is equal to 1,000 kilograms (kg)

GVA – gross value added

HW – High Warming Scenario

Investment Committee – a Committee delegated by the Board to focus on investment matters

IIGCC – Institutional Investors Group on Climate Change

ITR – implied temperature rise

LA – Limited Action Scenario

LDI – liability driven investments

NZ – Net Zero

NZFC – Net Zero Financial Crisis Scenario

NZA – the Fund's Net Zero Ambition

OFS – Ortec Finance Stochastic Financial Model

PRI – UN-linked Principles for Responsible Investment

RCPs – Representative Concentration Pathways

RI policy – our Responsible Investment policy adopted by the Board

SBTi – Science Based Targets initiative

SDA – sectoral decarbonization approach

SIP – Statement of Investment Principles

Sponsor or bp – BP p.l.c.

SSPs – Shared Socioeconomic Pathways

TCFD – Task Force on Climate-related Financial Disclosures

Trustee – BP Pension Trustees Limited, corporate trustee of the BP Pension Fund

United Nations Framework Convention on Climate Change (UNFCCC) – international environmental treaty to combat human interference with the climate system

Important information

The information contained in this report may cover general activity on stewardship, investments, voting, Responsible Investment, climate, ESG, including opinions, prospects, results, forward-looking statements. Use of forward-looking terminology using words such as 'may,' 'believe', 'aim', 'will,' 'should,' 'expect,' 'anticipate', 'seek', 'intend', or the negatives thereof or other variations (together, 'forward-looking statements') are not a reliable indicator of performance of the Fund. There can be no assurance that any of the matters set out in these forward-looking statements are attainable, will actually occur or will be realised or are complete or accurate.

The Trustee has prepared this report for the Fund based on internally developed data, publicly available information, and third-party resources with whom it has contractual relationships. Although we believe the information obtained from third party sources to be reliable, it may not be independently verified, and we cannot guarantee its accuracy or completeness.

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Link to referenced documents

Investment, Stewardship and Climate change related documents →