BP Pension Fund

2025 Climate Change Report

Welcome

On behalf of the Trustee Board, I am pleased to present the BP Pension Fund's Climate Change Report.

As Trustee of the BP Pension Fund (the Fund), our core purpose is to pay members' benefits in full and on time. This relies on investing the Fund's assets in their long-term interests.

In line with our fiduciary and regulatory responsibilities, we consider climate-related risks and opportunities alongside broader environmental, social and governance (ESG) factors in our decision-making. We view climate change as both a risk to manage and an area where effective stewardship can support long-term value.

The Trustee oversees climate-related matters, supported by its executive team (the Trustee Executive), advisers and asset managers. We integrate climate-related considerations across our investment approach, including strategy setting, risk management, asset manager oversight and stewardship. Through our managers, we set expectations for stewardship and climate-related risk management and monitor how managers engage with the companies in which we invest to improve their climate risk practices, enhance disclosure and adapt to the transition to a lower-carbon economy.

We recognise that climate-related data and methodologies continue to evolve, and that the global transition towards a lower-carbon economy presents significant uncertainty and complexity. Despite this, we remain committed to enhancing our approach over time, including strengthening our analysis, engagement and disclosures.

This report has been prepared in line with the Trustee's climate change governance and reporting obligations and is intended to provide transparent insight into our activities and the progress we are making.

We will continue to develop our approach as regulatory expectations and market practices evolve, to ensure that climate-related risks and opportunities are appropriately considered in the Fund's long-term investment strategy and that doing so serves the best interests of our members.

Please email us at **bpPensionFundRI@bp.com** with any questions or feedback.

Brendan Nelson
Chair

BP Pension Trustees Limited on behalf of the BP Pension Fund

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Executive summary

Climate change remains a financially material risk to the Fund over certain time horizons and under specific scenarios, as it may affect the value of investments, the funding position and, ultimately, member outcomes, including through impacts on economic activity and growth. Physical risks – such as extreme weather events, rising sea levels, and chronic temperature increases – can damage assets, disrupt supply chains, raise costs, and slow economic growth. Transition risks arise as the world shifts towards a lower-carbon economy, including through policy and regulatory changes, shifting consumer demand, and technological disruption which may impact the value of investments. These interconnected risks can already be observed to be affecting global markets and are considered and monitored within the Trustee's broader governance and risk management framework.

While governments and businesses around the world have taken steps to address climate change – including investing in clean energy, setting emissions targets, and improving climate-related disclosures – current policy trajectories suggest that progress has been slower than needed and further action is required to limit longer-term warming outcomes.

The nature of climate risk is also evolving. While transition risks remain important, scenario analysis indicates that physical risks become increasingly material under higher-warming pathways, particularly over longer time horizons. This is driven by the increasing frequency and severity of extreme weather events and associated financial impacts. This shift in emphasis relative to prior reporting reflects updates to climate scenario analysis, including enhanced modelling of physical risks and tipping points, broader coverage of asset classes (particularly real assets and private markets), and a longer-term assessment horizon. Together, these factors explain the greater emphasis on physical risks in this year's analysis and suggest that physical climate impacts could become increasingly financially relevant under higher-warming scenarios.

In this context, stewardship remains an important risk management tool, recognising that climate change is a systemic risk that requires coordinated action across markets, policymakers, companies and investors.

The Trustee reflects climate-related considerations in its approach to managing and protecting members' benefits. These considerations are integrated into the Fund's governance and risk management framework, with oversight supported by committees, the Trustee Executive and specialist advisers. The Trustee continues to draw on a range of complementary tools – including climate scenario analysis, emissions metrics, stewardship and manager monitoring – to inform its understanding and oversight of climate-related risks and opportunities.

About this report

This report summarises how the Trustee has identified, assessed, monitored and managed climate-related risks and opportunities for the Fund during the reporting period ending 31 December 2025.

- The report has been prepared based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as outlined in relevant regulations.
- The report covers governance, strategy, risk management, metrics and targets and draws on input from the Trustee Executive, advisers, managers and external data providers, including scenario and emissions data providers.
- Some disclosures rely on estimates, proxies or modelled data. The key limitations are explained in the relevant sections and should be considered when interpreting results. Detailed assumptions and methodological information relevant to the climate metrics and scenario analysis are provided in the Appendices.

Key activities and findings

- **Climate scenario analysis** – The Trustee Executive completed climate scenario analysis for the Fund with help from Ortec Finance (Ortec). The findings will be used to support long-term risk assessment and inform strategic investment discussions. The latest analysis indicates that, under the scenarios modelled, higher-warming outcomes remain plausible and could give rise to material financial impacts for the Fund over certain time horizons, with physical risks potentially posing increasingly significant implications for long-term investment returns under higher-warming scenarios. These risks are particularly relevant for asset classes such as real estate and infrastructure debt, where exposure to location-specific hazards – including flooding and extreme weather – may materially affect asset values and resilience.
- **Financed emissions** – The Trustee has undertaken more detailed analysis to better understand the drivers of changes in the Fund's financed emissions. While reported financed emissions for listed equities and corporate bonds fell materially relative to the 2021 baseline, a substantial proportion of this change reflects factors other than real-economy decarbonisation – including valuation effects, changes in portfolio composition, data coverage improvements and market dynamics. This underscores the importance of interpreting emissions trends in context and reinforces the need to look beyond headline metrics, alongside a broader set of indicators when assessing climate-related progress.
- **2030 target** – The current absolute financed emissions target has been met in aggregate for listed equities and corporate bonds. However, at the asset-class level, the corporate bond portfolio has achieved approximately 58% of the required reduction. As such, the current target remains in place for corporate bonds but is considered as achieved for listed equities. The Trustee recognises the limitations associated with the design of this target, and its partial achievement should not be interpreted as a complete measure of our portfolio risk reduction (or indeed a sign of real-world decarbonisation). In 2026, the Trustee will review the target's continued suitability, including consideration of alternative metrics.
- **Manager oversight** – Engagement with the Fund's asset managers remains a key mechanism through which the Trustee oversees identification and management of climate change risks.

During the year, the Trustee Executive:

- **Reviewed managers' climate capabilities and alignment with the Fund's climate expectations**, including their approaches to emissions measurement, stewardship and engagement with high-emitting holdings. All managers demonstrated some level of progress in managing climate-related risks, although the level of direct engagement with investee companies appeared to have reduced compared with the prior year.
- **Engaged with managers on their approach to physical climate risk**, including how location-specific risks are identified, assessed, and managed. To support this work, managers typically apply a combination of top-down scenario modelling and bottom-up asset-level assessment, although for many this remains an area of ongoing development.

- **De-risking journey** – The Fund continued its prudent de-risking journey, which included completion of a buy-in transaction in September 2025, helping to support funding resilience and reduce reliance on the sponsor covenant. By transferring a portion of the Fund's longevity and investment risk to the insurer, the transaction also reduced the Fund's direct exposure to certain climate-related investment risks.

Governance

As stated in the Fund's Responsible Investment (RI) Policy, the Trustee recognises climate change as a potentially financially material, systemic risk that may affect long-term investment outcomes and the Fund's ability to meet its obligations to members.
The Trustee retains ultimate accountability for ensuring climate-related risks and opportunities are appropriately identified, assessed and managed, with day-to-day implementation of this delegated to the Trustee Executive.

Effective System of Governance

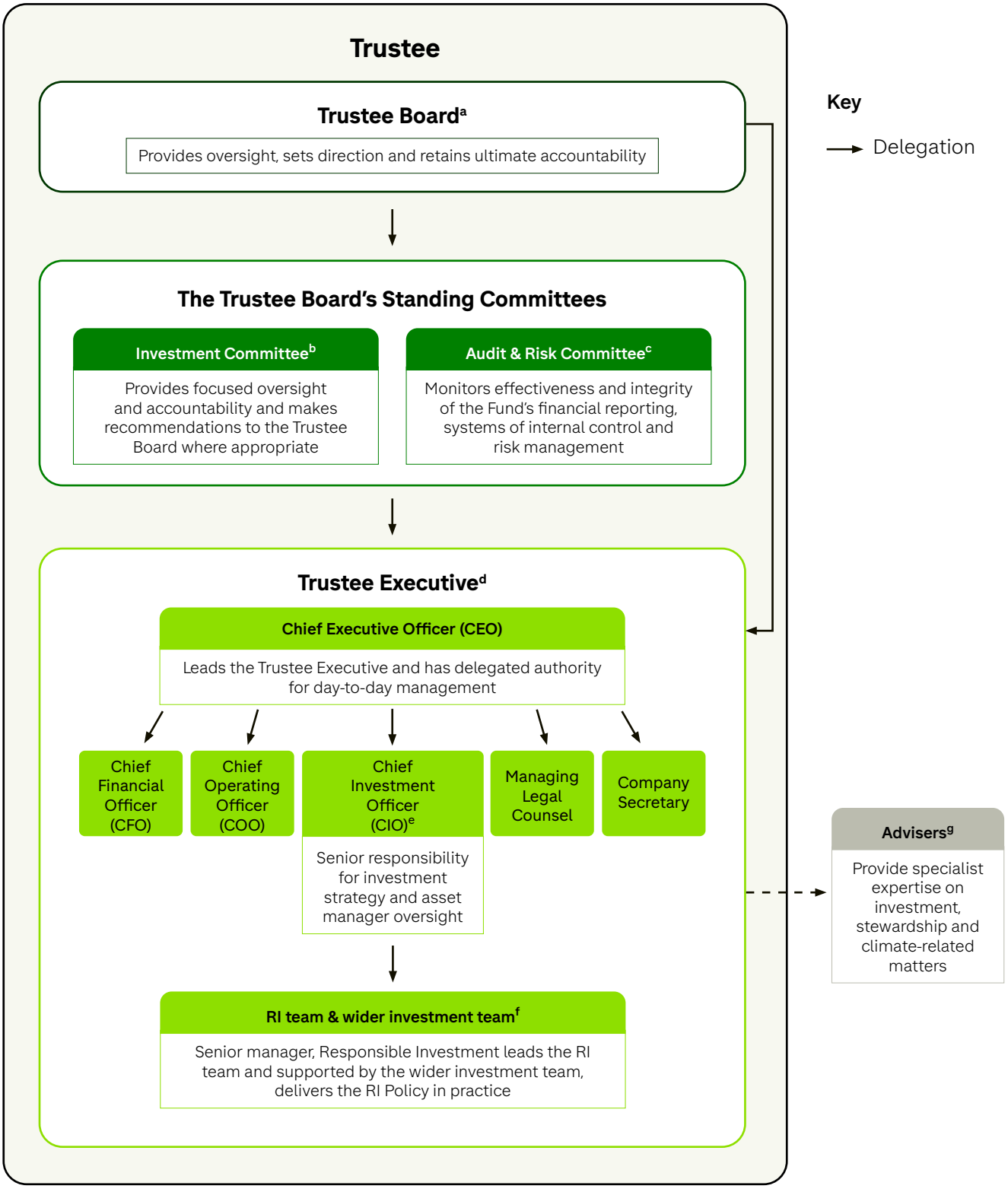
Climate-related matters are governed through the Fund's governance and risk management framework, which forms part of its Effective System of Governance (ESOG), and is aligned with The Pensions Regulator's General Code, with clear roles, structured oversight and regular review supporting effective operation.

The ESOG is complemented by the Own Risk Assessment (ORA), undertaken at least every three years, which evaluates the effectiveness of the Fund's approach to identifying, managing and reporting risks, including climate-related risks.
An independent review of the ESOG and ORA in 2025 concluded that the Fund's governance and risk management arrangements are robust, with no material gaps identified.

Oversight is further supported by the 'three lines of defence' model which structures accountability across three distinct roles:

- **The first line** – operational management, which owns and manages risks on a day-to-day basis,
- **The second line** – risk management and compliance functions, which provide oversight, set policies and monitor adherence,
- **The third line** – internal audit, which provides independent assurance to the governing body on the effectiveness of governance and risk management.

The diagram below illustrates the Fund's governance framework, showing how oversight, decision-making and implementation responsibilities for climate-related matters are structured across the Trustee Board, its committees and the Trustee Executive.



Visual 1: The Fund's governance framework as it pertains to climate-related matters. Superscript letters identify the relevant sections below, where each governance body's climate-related responsibilities are described in more detail.

Trustee Board Oversight[a]

The Trustee Board considers climate change alongside other principal risks, recognising its potential impact on long-term investment and funding outcomes. It has overall responsibility for the Fund's governance, including oversight of climate-related risks and opportunities.

The Trustee Board sets the overall direction for how climate-related risks and opportunities are considered across the Fund and establishes stewardship priorities and expectations for managers. It receives annual reporting from the Trustee Executive, supported by the Investment Committee and external advisers, to monitor the implementation of these expectations and support effective oversight.

The Fund's risk management framework defines the Fund's principal risks and the approach to their management and mitigation. Climate-related risks are formally captured within the Fund's ESG-related principal risk and are subject to regular monitoring and reporting to the Trustee Board.

The Trustee Board's key climate-related responsibilities include:

- Approving the RI Policy and related climate governance framework, including climate-related beliefs and strategic priorities.
- Ensuring compliance with relevant climate-related regulatory requirements.
- Overseeing how climate-related risks and opportunities are identified, assessed and managed across the Fund.
- Reviewing progress against agreed objectives for the Trustee Executive, managers and advisers, and considering emerging climate-related developments.
- Ensuring climate-related considerations are appropriately embedded within the Fund's decision-making and stewardship activity.

To support effective oversight, members of the Trustee Board maintain appropriate knowledge and understanding of climate-related matters, including through periodic training delivered by the Trustee Executive and external advisers. Training topics are selected to support informed decision-making, discussion and challenge.

Committee oversight[b c]

While the Trustee Board retains ultimate responsibility for the Fund's governance, more detailed oversight activities are delegated to its committees. These committees report directly to the Trustee Board and are supported by appropriate internal and external resources to enable them to discharge their responsibilities:

- **The Investment Committee[b]** plays a central role in supporting the Trustee Board on climate-related governance. It reviews climate-related matters within the context of the Fund's investment strategy and stewardship approach and oversees implementation of the RI Policy (including climate-related risk management), making recommendations to the Trustee Board where appropriate.
- **The Audit and Risk Committee[c]** monitors the effectiveness and integrity of the Fund's financial reporting, systems of internal control and risk management and internal and external audit processes. It receives regular (at least quarterly) updates on principal risks, including climate change and other ESG-related risks.

Other Committees contribute to the wider governance framework within which climate-related matters are managed, including people and governance arrangements.

Delegation to the Trustee Executive[d]

The Trustee Board delegates day-to-day responsibility for the management of the Fund, including the implementation of the RI Policy and climate-related activities, to the Trustee Executive. This delegation is supported by clearly defined roles, responsibilities and reporting arrangements.

The Trustee Executive is led by the Chief Executive Officer (CEO), who has delegated authority for the executive management of the Fund, within parameters agreed by the Trustee Board. The Trustee Executive provides quarterly reporting to the Trustee Board and its Committees, enabling ongoing oversight of activities and timely decision-making.

In relation to climate change, the Trustee Executive is responsible for embedding appropriate considerations across its investment processes, stewardship activity and asset manager oversight, in line with Trustee Board-approved policies and objectives. This includes monitoring asset-manager alignment with the RI Policy and escalating issues where necessary.

Senior accountability for Responsible Investment[e]

Senior accountability for delivering the Fund's responsible investment activities, including those related to climate change, sits with the Chief Investment Officer (CIO). The CIO is supported by the Fund's Senior Manager, Responsible Investment, in delivering these responsibilities.

The CIO oversees the development and implementation of the Fund's investment strategy, including the management of climate-related risks and opportunities, and asset manager oversight.

Responsible Investment implementation[f]

The Senior Manager, Responsible Investment leads the RI team and the delivery of the RI Policy, including monitoring, stewardship, regulatory compliance, and alignment with best practice.

The RI team, supported by the broader investment function, plays a key role in delivering the Fund's climate-related objectives and stewardship activities.

The RI team's main responsibilities include:

- Supporting the monitoring of climate-related risks and opportunities across the Fund.
- Supporting the development and maintenance of processes to manage climate-related risks.
- Assessing managers' stewardship and climate-related activities, including engagement and voting.
- Supporting the setting and monitoring of objectives for advisers.
- Providing regular reporting to the Investment Committee and Trustee Board on progress against the RI Policy, including climate-related matters and any emerging risks or issues requiring attention.
- Providing advice and training to the Trustee Board on climate-related matters.
- Supporting oversight of external service providers' data quality and reporting.

The Fund's internal manager, BP Investment Management Limited (BPIM), manages a portion of the Fund's assets and is required to operate in line with the RI Policy alongside implementing its own asset-class-specific guidance. BPIM is subject to the same oversight and reporting framework as external managers.

Adviser support[g]

The Trustee Board appoints specialist advisers to provide input on investment strategy, stewardship, climate scenario analysis, climate-related data and metrics, and reporting. The Trustee Board sets clear objectives for advisers and monitors their performance against these on an ongoing basis.

Strategy

The Trustee takes a long-term approach to investment, balancing the objectives of achieving continuing capital growth, managing downside risk and generating cash flow to meet liability obligations.

The Fund is invested in a range of different assets. This diversification includes different types of investments, such as shares in companies and fixed income assets, including bonds issued by governments as well as investments across different regions, industries and asset managers.

The Trustee assesses climate-related risks and opportunities over short-, medium- and long-term time horizons. For this purpose, the short-term is generally considered to be three years or less, the medium-term between three and ten years, and the long-term ten years or more. These time horizons help frame the Trustee's assessment of both transition risks, which may be more pronounced over shorter and medium-term periods, and physical risks, which may become increasingly material over longer periods.

Strategic asset allocation

The Fund's latest strategic asset allocation (SAA), approved by the Trustee in the second half of 2025, is set out in the table below. A comparison is provided against the SAA as at the end of 2021 which is the baseline year for monitoring the Fund's financed emissions metrics.

Strategic Asset Allocation (SAA)			
Asset Class	**31/12/2021**	**31/12/2025**	**Difference**
Return Seeking	17.0%	13.0%	-4.0%
Listed Equities	7.0%	3.0%	-4.0%
Private Equity	5.0%	5.0%	0.0%
Property – Return Seeking	5.0%	5.0%	0.0%
Alternative Credit	7.5%	3.5%	-4.0%
Global Leveraged Finance	2.5%	2.5%	0.0%
Emerging Market Debt	2.5%	0.0%	-2.5%
Direct Lending	2.5%	1.0%	-1.5%
Secure Income	25.0%	28.0%	3.0%
GBP Corporate Bonds	11.4%	11.5%	0.1%
Global Corporate Bonds	8.6%	11.5%	2.9%
Property – Liability Matching	2.5%	2.5%	0.0%
Infrastructure Debt	2.5%	2.5%	0.0%
Cash & Other Balances	0.0%	0.0%	0.0%
Liability Driven Investment (LDI) (UK gilts)	50.5%	55.5%	5.0%

Visual 2: The Fund's SAA as at 31 December 2021 and as at 31 December 2025.

Buy-in asset

The SAA shown above does not reflect a bulk annuity policy (buy-in) the Trustee purchased from Legal & General Assurance Society Limited (L&G) in September 2025, which covers approximately 12% of the Fund's liabilities. The buy-in policy was valued at £1,674m as at the end of December 2025, representing approximately 9.2% of the Fund's assets. It will be reflected in the Fund's SAA from 2026.

Scenario analysis

Climate change can affect investments in two main ways.

- One way is through the physical effects of climate change, such as extreme weather, flooding, drought, rising temperatures and heat stress, or longer-term changes such as sea level rise or reduced agricultural productivity. These are referred to as **physical risks**.
- Another way is through the transition to a lower-carbon economy, which can affect how businesses operate and how markets value them, for example, through changes in government policy and regulation, technological developments or shifting consumer demand. These are referred to as **transition risks**.

Climate scenario analysis is a tool used to assess the potential impacts of climate change on the Fund under different possible climate futures. It looks at a range of plausible pathways, also referred to as scenarios, for how climate change and the global response to it could develop over time, and considers how these could affect the economy, financial markets and investments.

These scenarios are not predictions, but they help the Trustee to consider what could happen if the global action to reduce emissions is quicker and stronger, or if warming becomes more severe because action is delayed.

Climate scenarios design

Climate scenarios are designed to illustrate how both transition risks and physical risks may affect investments over time.

- In **lower warming scenarios**, governments, businesses and society take earlier and more effective action to reduce emissions, which results in the rise of global temperatures to be more limited. These scenarios may still involve economic disruption, particularly from the transition to a lower-carbon economy, but physical climate damage is generally less severe over the long term.
- In **higher warming scenarios**, global action to reduce emissions is delayed, limited or insufficient, so temperatures rise more significantly, leading to more severe physical effects of climate change and greater disruptions for economies, markets and long-term investment outcomes.

The Trustee's adviser, Ortec, has designed climate scenarios that aim to combine climate science with macroeconomic and financial modelling. They are intended to provide a realistic view of how climate change may affect economies, asset classes and sectors globally. They are designed to stress-test three factors simultaneously: physical risks, transition risks and financial market shocks.

Ortec updates its climate scenario models periodically to reflect improvements in methodology and development in climate science, data availability, policy and market conditions.

The scenarios relevant to our analysis are set out below. Further details are available in Appendix 2.

Scenario	Physical risks and impacts	Transition risks and impacts	Market pricing-in shocks[1]
Net Zero (NZ) 1.6°C	Lower global temperatures enable adaptation and **lower** physical risks	Low carbon policy pursuing 1.5°C and fast technology transition → **Rapid and orderly transition**	Ambitious policy and preparedness for physical risks → **Gradual re-pricing**
Net Zero Financial Crisis (NZFC) 1.6°C		Low carbon policy pursuing 1.5°C and fast technology transition → **Rapid and disorderly transition**	Sudden divestments and re-pricing to align with the Paris agreement goals disrupt for financial markets → **Stranded assets and the sentiment shock (2027)**
Delayed Net Zero (DNZ) 1.9°C	Policies are too little and too late to protect against **high** physical risk	Limited additional action until 2030 when a highly ambitious set of low carbon policies are introduced → **Delayed transition**	Financial markets price in transition and physical risk to align with sudden step-up in policy action → **Stranded assets and the sentiment policy shock (2030)**
Limited Action (LA) 2.8°C	**Very severe** physical risks	Emissions targets and commitments are pursued but missed → **Slower transition**	Financial markets price in climate-related risks as the scale of future risks become more widely accepted and understood → **Physical risk and insurability shocks[2] (2030 and 2040)**
High Warming (HW) 3.8°C	**Catastrophic** physical risks, multiple climate tipping points	No further action, stalled policies and insufficient mitigation, transition progress is on economic grounds → **Transition failure**	
Reference baseline 2-3°C	Medium-low	Slower transition and missed targets	Gradual re-pricing

Visual 3: Ortec Finance climate scenarios – assumptions with global temperatures outcomes above pre-industrial levels by 2100, driven by physical, transition and market risks and their impacts.

Note 1: 'Market pricing-in shocks' refer to the process by which asset prices quickly adjust to reflect new information or unexpected events as investors reassess future risks and returns.
Note 2: 'Insurability shocks' refer to a sudden loss or reduction in insurance availability or affordability as risks become too high or uncertain for insurers to cover.

Scenarios with a global temperature outcome below 2°C (**NZ, NZFC** and **DNZ**) are considered as lower-warming scenarios, while those above 2°C (**LA** and **HW**) are considered higher-warming scenarios.

Application of climate scenarios

The Trustee uses climate scenarios in two main ways.

1. **Climate scenarios in asset and liability modelling**
   a. A subset of climate scenarios is integrated into the Fund's asset and liability model (ALM) which is used to project future asset class risks and returns.
   b. This approach allows the inclusion of climate-related considerations in investment risk analysis and helps inform the annual investment strategy review.
   c. To ensure that the Fund's asset and liability modelling is more closely aligned with the climate scenario data, some of the model projections were updated last year. For example, interest rate and inflation projections were increased by 0.25%, and equity return projections were lowered by 0.25% on average per year, over a 25-year horizon. These changes to our modelling were more pronounced over the 10-to-15-year horizon because transition risks are expected to have a stronger effect over that period.
2. **Standalone climate scenario analysis**
   a. In line with regulatory obligations the Trustee undertakes dedicated climate scenario analysis at least every three years or following a significant change in the Fund's SAA or substantial developments in scenario analysis methodology.
   b. This exercise allows the Trustee to consider specifically a range of hypothetical climate change pathways and their impact on macroeconomies, asset classes and sectors, which helps to assess in more depth, the Fund's risk exposure and resilience to climate change.
   c. Given both the improvements in Ortec's climate modelling and changes in the Fund's asset allocation, the Trustee carried out a dedicated scenario analysis for the reporting period. Key findings and assumptions are presented below.

Changes informing the latest climate scenario analysis

The Fund's asset allocation changed following the investment in the buy-in policy, which became a new asset of the Fund. While the strategic asset allocation represents the Trustee's long-term target allocation, the actual asset allocation reflects the market value of assets at a specific point in time. The addition of the buy-in asset, together with changes in market values over the year, meant that the actual allocation differed from the strategic allocation.

Alongside these asset allocation changes, Ortec's latest modelling update aims to better capture the interaction between climate science, macroeconomics, and financial markets. Notable improvements include:

- **Changing the inflation modelling assumption**, which resulted in higher inflation in rapid transition scenarios (carbon tax revenues are no longer assumed to be used to lower VAT).
- **Introducing sovereign risk modelling** by deriving debt-to-GDP ratio projections for climate scenarios, alongside GDP and inflation, and linking those projections to sovereign risk premium to capture increasing risk. Change in risk premium can lead to change in losses from defaults, haircuts and debt restructuring.
- **Expanding private assets coverage** (i.e. to include private real estate debt for US, UK and Europe) and improving private equity modelling (which resulted in lower estimated climate impacts for this asset class).
- **Considering additional tail-risk and stress events with the potential to cause abrupt market reactions**, for example from insurance affordability or availability issues and how such shocks could spread through financial markets.

Given the above changes, the Trustee considered it appropriate to carry out a dedicated scenario analysis for this reporting year. The findings of the analysis, set out below, reflect scenario-based modelling outputs and should be interpreted in the context of the assumptions, limitations and uncertainty outlined above. They are intended to inform the Trustee's assessment of potential risks and resilience rather than to predict future outcomes.

Key findings from latest climate scenario analysis

1. Overall climate scenario outlook

Based on the scenario analysis, and subject to the limitations outlined in the report, the Trustee considers climate risk to be a core systemic financial risk, rather than solely a 'tail risk'. This reflects the potential for climate-related impacts to affect multiple asset classes, broader economic conditions and long-term funding outcomes simultaneously, particularly under higher-warming scenarios and over longer time horizons.

- Across the scenarios assessed, physical risks are projected in the modelling to become increasingly important over time and are a key driver of adverse outcomes in the higher-warming scenarios analysed.
- The modelling suggests that the current policy frameworks, energy demand and emissions trends appear more consistent with long-term pathways involving end-century warming of around 2.5–3°C or higher (the LA and the HW scenarios).
- Under current policy trajectories, Net Zero by 2050 scenarios represent increasingly ambitious pathways. For example, Climate Action Tracker indicates that existing global policies are consistent with around 2.6°C of warming above pre-industrial levels[1].
- In this context, Net Zero by 2050 scenarios remain a useful reference point for benchmarking and stress testing portfolio resilience under an orderly transition. However, the uncertainty implied by current policy trends supports consideration of a wider range of scenarios, including those reflecting higher-warming outcomes, non-linear impacts and potential tipping points.

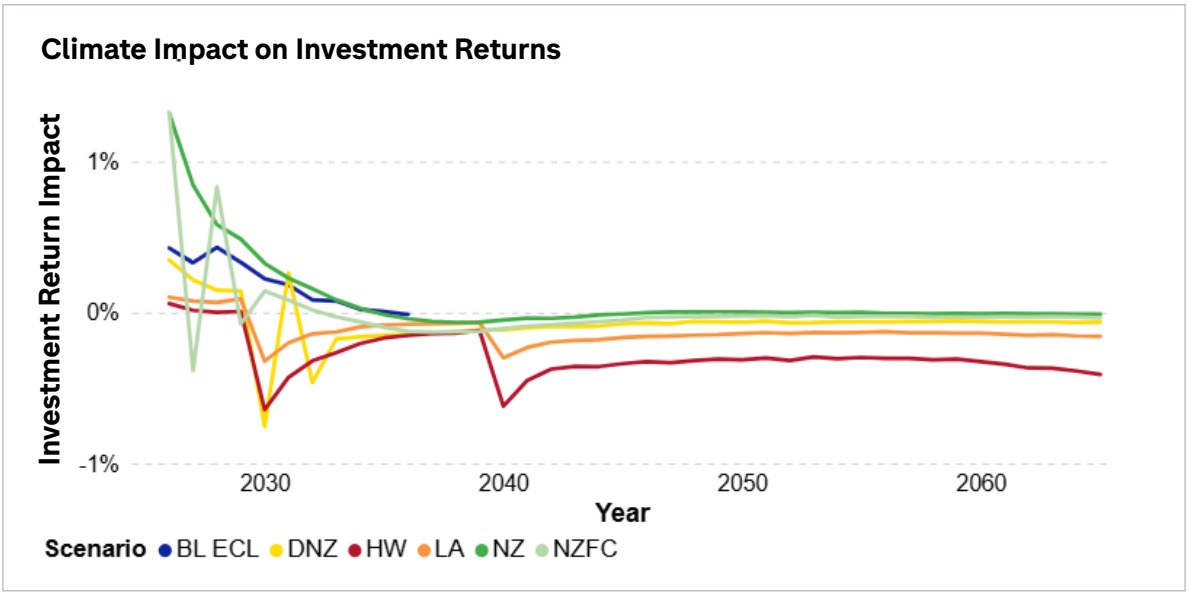
[1] **https://climateactiontracker.org/global/emissions-pathways/**

2. Impact on the Fund's returns

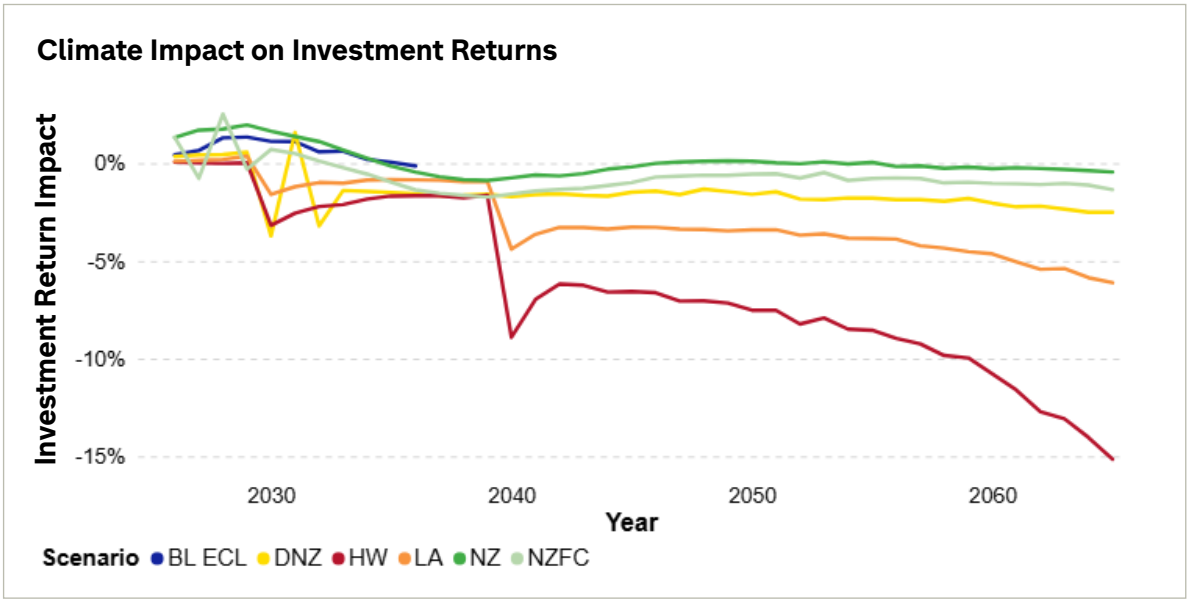
The analysis suggests that climate change presents a potentially material long-term financial risk to the Fund. The modelling suggests that climate risk could represent a meaningful drag on the Fund's future returns under certain scenarios, with the modelling showing larger potential impacts after 2030 and over longer time horizons. The outputs reinforce the importance of preparing for high-warming outcomes and considering climate risk in the context of strategic investment decisions.

The impact on the Fund's investment returns is shown as climate delta, which is the relative return compared to the Reference baseline scenario which assumes global temperature outcome between 2-3ºC.

- Based on the current Ortec model, the estimated annualised impact on returns to 2040 (-0.1% p.a. in the DNZ scenario, -0.3% p.a. in the LA scenario, and -0.6% p.a. in the HW scenario) can be meaningful if it materialises given the Fund's SAA, de-risking journey and the overall Fund's target return.



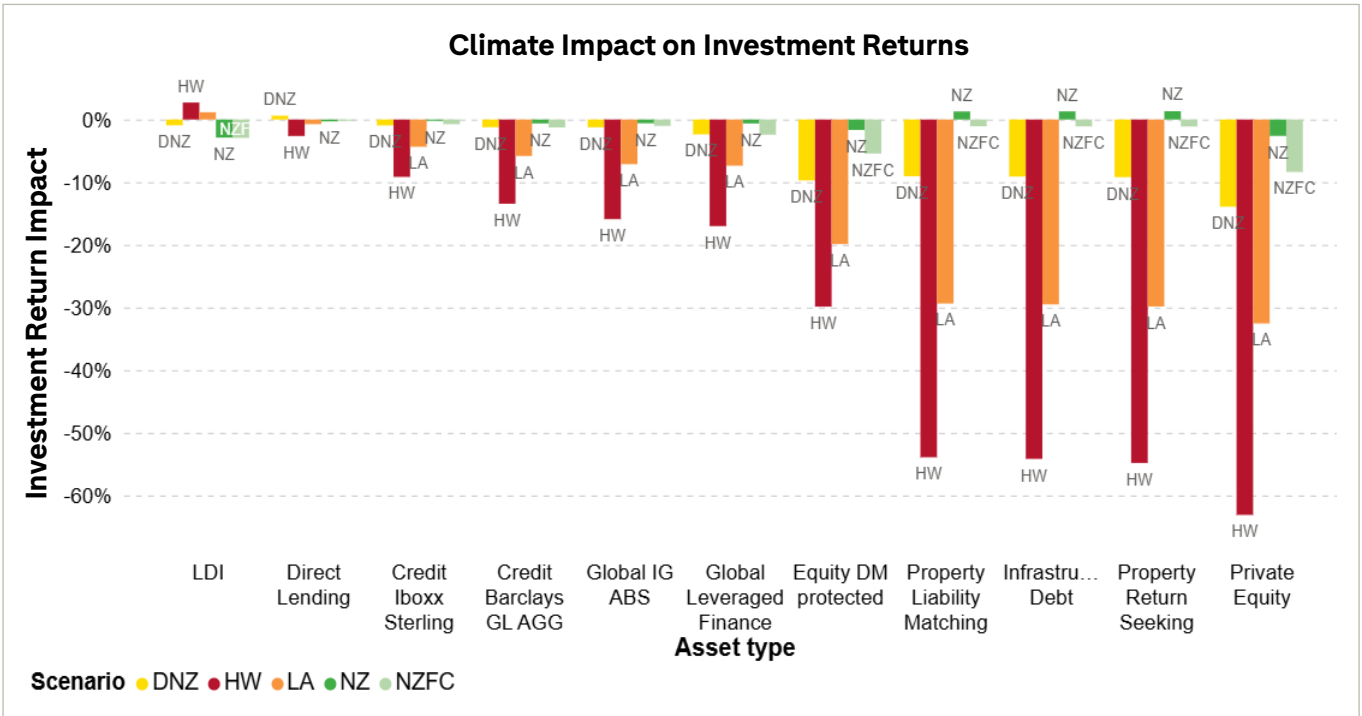
Visual 4: Ortec Finance, Cumulative annualised impact on the Fund's return represented by the climate delta. For DNZ, LA and HW it is assumed that financial markets are pricing-in climate-related risks in 2030 and 2040 as the scale of future risks become more widely accepted and understood.



Visual 5: Ortec Finance, Cumulative impact on returns (climate delta) until 2065.

- The HW scenario is projected to present the most severe impact with the cumulative longer-term impact on the Fund's returns estimated at -9% by 2040, and -15% by 2065.

- The adverse impact under the HW scenario is primarily driven by assets with underlying exposure to physical infrastructure – namely property and infrastructure debt – as well as other illiquid investments, such as private equity which show greater vulnerability to physical climate risks.



Visual 6: Ortec Finance, Cumulative impact on returns (climate delta) per asset class as at 2040.

- The timing of when adverse impacts manifest, differs between the scenarios:
  - In the near term, the DNZ scenario can appear more adverse than HW, reflecting earlier market repricing and transition adjustment. For example, the cumulative impact on the Fund's returns by 2030 is estimated to be -3.7% under DNZ versus -3.2% under the HW. By 2040 however, the cumulative impact improves to -1.7% under DNZ, while worsening significantly to -8.9% under HW.
  - However, by 2050 and beyond, the HW scenario becomes the most damaging, as physical climate impacts accumulate over time.
  - This highlights the importance of considering both near-term transition effects and long-term physical risks.

3. Long-term return assumptions, concentration of risk and funding resilience

The analysis challenges some traditional long-term investment assumptions, particularly in higher-warming scenarios. In these scenarios, persistent physical climate impacts may weigh on long-run growth, productivity and asset valuations.

- The findings suggest that climate change may affect expected long-term returns, the stability of growth assumptions and the extent to which diversification reduces risk.
- Physical climate risks are uneven across geographies, and may lead to more dispersed investment return impacts across regions and sectors, indicating that traditional diversification may be less effective where climate impacts are regionally concentrated and increasingly systemic. As a result, geographic risk assessment is likely to become increasingly important in portfolio analysis, particularly for assets with underlying physical infrastructure.
- Persistent climate-related shocks may increase uncertainty around long-term economic growth, inflation and real interest rates. This may make long-term funding outcomes more uncertain and could affect the Fund's resilience under adverse conditions.

4. Asset class vulnerability over time

The modelling indicates that, overall, climate impacts become more severe at the asset-class level over longer time horizons. Investment return impacts at the asset-class level accelerate significantly post 2030, with impacts increasingly in the range of -20% to -60% towards 2065 as compared versus the investment returns under the Reference baseline scenario. The greatest vulnerability is observed in private equity, property and infrastructure debt. By contrast, LDI and certain credit asset classes appear relatively more resilient under the set of scenarios analysed.

Scenario impact evolution post 2030	
Scenario	**Trend**
HW	Accelerating Decline ↓↓↓
LA	Significant Decline ↓↓
DNZ	Moderate Decline ↓
NZFC	Stable/Slight Decline →
NZ	Minimal Impact/Recovery ↑

Visual 7: Asset class vulnerability trends under each scenario.

Listed Equities

- Listed equities are expected to be increasingly affected over time, particularly under LA and HW scenarios. The main drivers are considered to include lower productivity, increased disruption from extreme weather events, and repricing of long-term climate risks.
- Over time, the modelling suggests that physical risks outweigh transition risks as a driver of equity market impacts.
- The impact is not uniform across global markets. Regions with greater exposure to heat stress, extreme weather, or climate-sensitive sectors are expected to experience larger adverse effects. This suggests that regional and sector-level differentiation is becoming more important in assessing equity risk.

Fixed income, sovereign debt and liability hedging

- Climate change may also affect fixed income assets and liability-hedging strategies, particularly through its effect on sovereign issuers. The analysis suggests that climate-related pressures may weaken government finances through slower long-term economic growth, higher public expenditure and increasing contingent liabilities. These pressures may be greater where governments act as insurers of last resort as private insurance becomes less available in higher-risk locations.
- In higher-warming scenarios, this may lead to debt-to-GDP ratios deteriorating sharply, driving yields and default risk higher over time. This has implications for assumptions around safe assets, real yield expectations, and the effectiveness of some LDI hedging approaches.
- However, within the current modelling, LDI shows minimal sensitivity and slightly reduces the Fund's overall impact over the longer term, while credit assets demonstrate relative resilience compared to equity and real assets. The benign impact on LDI is a reflection of geographic effect, given the Fund uses gilts for liability hedging and the UK has a relatively smaller exposure to physical risks than that of other countries such as the US. However, this is the first attempt to model sovereign climate risk as part of the scenario analysis exercise, and the estimated impact may change as modelling becomes more sophisticated, for example to account for the cost of climate adaptation and mitigation.

- **Real assets, private markets and insurability**
  - Property, infrastructure debt and private equity show the highest sensitivity to physical climate risk over the longer term.
  - A key transmission channel identified in the analysis is the declining affordability and availability of insurance in higher-risk areas. Climate risk can significantly affect the wider economy through reduced insurance availability and affordability. Higher physical risks are increasing insurance premiums and causing some insurers to withdraw from certain high-risk areas. Over time, reduced insurability may contribute to downward pressure on property and infrastructure values, higher volatility in real asset performance, and greater correlation between climate risk and financial risk. This indicates that assessment of real assets should consider not only direct physical hazards, but also geographic insurability risk.
  - Private equity may also show a greater impact than listed equities in climate scenario analysis where it has higher leverage, more concentrated holdings, smaller-company risk, and less complete underlying data. These factors can make valuations more sensitive to adverse climate scenarios, although the result will depend on the specific portfolio and the modelling approach used.

5. Effect of reducing exposure to illiquid assets

The analysis also assessed the impact of a hypothetical change in strategic asset allocation, involving a reduction in exposure to illiquid assets.

- Such allocation changes are likely to result in rotating the capital out of higher-climate-impact assets into lower-climate-impact assets.
- On this basis, the modelling suggests that the impact of such changes is a reduction of climate-related losses in all adverse scenarios, and the harsher the scenario, the more the de-risking is likely to help.

Covenant considerations

The covenant refers to the sponsoring employer's ability to financially support the Fund if needed and remains an important part of the Fund's funding strategy. The Trustee therefore considers, and to the extent possible, assesses how climate change could affect the covenant over time.

The Fund's current surplus materially reduces the likelihood of future reliance on the covenant. However, the market and broader economy are difficult to predict, hence the Trustee remains vigilant in its investment risk management and analysis.

The Trustee's covenant adviser carries out regular assessments of covenant strength, with climate change considered as one of a range of relevant factors. In 2025, bp's covenant was assessed as "strong", the highest of The Pensions Regulator's covenant categories. Its primary considerations were bp's market position, strategy and financial performance, and the Fund's level of surplus.

The Trustee also takes account of bp's climate-related financial disclosures[2] in its ongoing covenant monitoring and would consider further independent analysis if the covenant risk were to change materially.

Overall, the Trustee considers current covenant risk to be relatively low, while recognising the uncertainties inherent in longer-term climate-related assessments.

[2] **https://www.bp.com/investors/results-reporting-and-presentations/annual-report** (page 41-54)

Climate change and longevity

Climate change has the potential to affect how long people live. Its effects on health (such as heat stress and air quality), pressures on healthcare systems, and the wider economy mean life expectancies may differ from what we have seen historically.

The direction on life expectancy is uncertain, and climate change is expected to increase this uncertainty over the long-term. As longevity assumptions are a key driver of the Fund's liabilities, this represents a potential climate-related financial risk to the funding level.

Climate change is not directly built into the main life expectancy assumption since it is one of many potential drivers of future longevity change. Instead, it is treated as a source of uncertainty and risk, explored through scenario analysis and stress testing.

The Trustee considers longevity risk as part of a holistic assessment of climate-related financial risk, alongside impacts on assets and the employer covenant. Based on analysis carried out a few years ago by the Fund's actuary[3], 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 keeps this under review as evidence and regulatory expectations evolve.

Net zero ambition

In support of the goals of the Paris Agreement and recognising the importance of limiting global warming to reduce potential climate-related financial risks, the Fund retains its long-term ambition to achieve net zero greenhouse gas (GHG) emissions across its investments by 2050 or sooner. To support this, the Trustee has set an interim 2030 emissions-reduction target and reports on progress in the 2030 Target section below.

The Trustee retains this ambition as a long-term objective aligned with global climate goals and aims to make progress towards it over time, while recognising that delivery is dependent on a range of external factors, including government policy, market developments, technological progress and the actions of companies. This is influenced in part by the extent to which governments and policymakers maintain and implement existing commitments, introduce further policy measures, and support both public and private companies in their climate transition.

As set out in the scenario analysis section, the Trustee also recognises that the current policy trajectories remain some distance from pathways consistent with global net zero emissions by 2050. While progress on decarbonisation is being made, emissions remain elevated, energy demand continues to grow, and some planned reductions rely on technologies not yet proven at scale. Policy commitments and their implementation also fall short of what would be required over the coming decade to deliver an orderly net-zero transition. These observations are based on scenario analysis and current policy trends, rather than a definitive assessment of achievability, and support the consideration of a range of climate scenarios, including those associated with higher levels of warming and more pronounced transition and physical risks. The Trustee therefore considers both net zero and higher-warming pathways when assessing long-term portfolio resilience.

The Trustee focuses on setting expectations for managers, monitoring their approach to climate-related risks and stewardship, and reviewing engagement case studies where relevant to assess how managers are using stewardship to support risk management and inform decision-making.

The Trustee also remains a member of the Institutional Investors Group on Climate Change (IIGCC), enabling collaboration with other investors on managing climate-related financial risks through engagement, research and shared best practice. The IIGCC Net Zero Investment Framework is used to inform target-setting and implementation to support the net zero ambition.

[3] This analysis was based on the UN IPCC Assessment Report 6 (AR6) (released 2021–2023). No new UN IPCC Assessment Reports have been published since, so there have been no material developments in the Fund's actuary's mortality climate modelling driven by IPCC updates. The next UN IPCC Assessment Report (AR7) is scheduled for 2029.

Risk management

Climate-related risks are managed through the Fund's broader risk management framework. The Trustee identifies, assesses and manages climate-related risks and opportunities over the short-, medium-, and long-term time horizons at both Fund-level and mandate-level, drawing on internal analysis, external research and input from advisers and managers. Together these processes support a structured and proportionate approach to managing climate-related risks across the Fund.

Fund-level risk management

At Fund-level, the Trustee manages climate change as a potentially financially material, long-term risk, with consideration given to its implications for investment strategy, resilience and funding. Using tools such as climate scenario analysis (as explained in the Strategy section), the Trustee assesses the Fund's overall exposure and resilience across a range of plausible climate futures, including higher-warming scenarios. This assessment takes account of the Fund's asset allocation, ongoing de-risking journey, funding position and exposure under different climate scenarios and time horizons. The insights gained help inform strategic decision-making, annual investment strategy reviews, risk monitoring and long-term funding considerations.

Climate-related risks are considered alongside other financially material risks and integrated into investment decision-making and oversight across the following processes: investment strategy (refer to the Strategy section for further details), manager selection, manager oversight, and stewardship.

Manager selection

The Trustee assesses managers' approach to managing climate-related risks both prior to and following appointment. This includes evaluation of governance, resources, investment integration and stewardship practices.

The Fund's RI Policy is used to embed climate-related expectations in investment mandates, supporting asset-level risk management and informing the Trustee's oversight of managers. This includes:

- **Integration of financially material ESG risks and opportunities**, including climate-related factors, into investment decisions.
- **Active stewardship**, including engagement with investee companies and collaboration with other investors to improve the management of climate-related risks, with particular focus on the Fund's highest carbon emitters. The Trustee states its preference for engagement over exclusion, while allowing managers discretion in their approach, and expects clear disclosure of stewardship activities.
- **Appropriate stewardship standards**, informed by recognised frameworks such as the principles of the UK Stewardship Code, to support robust stewardship practices by managers.

Manager oversight

The Trustee monitors managers using a structured framework combining qualitative and quantitative assessment, with a proportionate approach tailored to each mandate. The framework assesses how effectively managers are identifying, assessing, managing and responding to climate-related risks. It focuses on longer-term outcomes (assessed over at least three years) and incorporates regular oversight to track progress, provide constructive feedback and maintain alignment with expectations.

Oversight is delivered through:

- **Quarterly investment review meetings**, including discussion on climate-related matters such as abnormal emissions trends, engagement with companies including the top emitters in the portfolio.
- **Annual RI reviews**, incorporating a questionnaire that assesses compliance with the RI Policy, and detailed discussions on stewardship approaches, engagement activity and progress against the Fund's stewardship priorities.
- **Targeted discussions on climate topics** where appropriate, covering emissions metrics, transition planning and regulatory developments.

Oversight of buy-in asset

The Fund's buy-in policy with L&G represents a material allocation of the Fund. As the Trustee cannot directly control the investment strategy underlying the policy, it relies on L&G to manage climate-related risks within its asset portfolio. The Trustee monitors L&G's approach through regular reporting and engagement.

Below is a summary of L&G's update on the overall UK annuity portfolio that they manage.

- L&G tracks portfolio carbon intensity against a 2019 baseline and has set science-based targets independently validated, covering corporate fixed income and property assets.
- L&G operates an escalation procedure incorporating temperature score considerations, which limits exposure to high-carbon issuers that could impede target delivery. This integrates forward-looking factors such as company-level decarbonisation commitments.
- Active credit book management – including reducing utilities and energy exposures – is used alongside the escalation framework to manage transition risk.
- L&G continues to invest in climate and nature solutions, including green and sustainability bonds, debt-for-nature conversions, and clean energy infrastructure.
- By year-end 2025, L&G reported a 39% reduction in carbon intensity, ahead of its 2030 interim target pathway. A marginal year-on-year increase (~0.6%) was attributed to higher sovereign bond allocations, largely offset by credit trading activity and broader market decarbonisation.

The Trustee is satisfied that L&G has a credible and structured approach to managing climate-related risks within the buy-in portfolio, supported by independently validated targets and an active escalation framework. Progress against interim targets is on track. The Trustee will continue to monitor L&G's climate risk reporting and engage if there are any significant concerns.

Stewardship

The Trustee uses stewardship, both directly and through its managers, as a tool to support the identification, assessment and management of climate-related financial risks. This includes voting at shareholder meetings, engagement and collaboration, focused on manager oversight, improved disclosure, strengthened risk management and credible transition planning.

During 2025, the Trustee exercised voting rights directly for all investments in listed equities. Voting was informed by external research and recommendations from its proxy adviser and external passive equity manager. Following the reporting period, from February 2026, voting authority was delegated to the Fund's sole listed equities manager, L&G. This decision was driven by a significant reduction in listed equities exposure in recent years and the Trustee's aim to manage costs efficiently, while leveraging the manager's expertise and resources.

The Trustee also collaborates with other investors and industry bodies to support knowledge-sharing, market-wide engagement and the development of good practice, with a focus on improving disclosure, risk management and transition planning.

During 2025, this included:

- Contributing to the Asset Owner Council's collective response to the Department for Work and Pensions post-implementation review of the 2021 Climate Governance and Reporting Regulations. This allowed sharing the Trustee's knowledge and experience for the benefit of other asset owners, and the broader system we operate in.
- Participation in the Net Zero surgery series delivered by the Institutional Investors Group on Climate Change. This series facilitated peer-to-peer learning on integrating climate risk and scenario analysis into strategic asset allocation. This helped the Trustee address practical challenges in developing and implementing climate strategies, and to consider a range of potential transition pathways and real economy outcomes.

These activities led to knowledge-sharing, regulatory engagement and peer learning, helping to inform the Trustee's ongoing strategy and oversight.

Mandate-level risk management

At mandate level, climate-related risks are identified, assessed and managed by managers within their day-to-day investment processes. This includes considering risks associated with individual assets within their mandates, reflecting managers' responsibility for investment decisions, ongoing monitoring and investee company engagement.

Managers' integration of climate risk

Managers are responsible for identifying, assessing and managing climate-related risks within the specific investments they oversee. As part of the annual review process, the Trustee requires managers to demonstrate:

- How climate risks are assessed within their portfolios, including use of scenario analysis.
- How these assessments inform investment decisions.
- Evidence of climate change factors integration and engagement with investee companies through case studies.

The most recent review cycle placed increased focus on physical climate risks, alongside transition risks.

Focus on physical climate risk – key findings

Managers typically apply a combination of approaches to inform investment decisions, stewardship activity and, where appropriate, portfolio adjustments. These approaches vary by asset class and mandate and include pre-investment due diligence and ongoing monitoring. Managers carry out top-down analysis, using climate scenario models and, in some cases, geospatial data to identify areas of potential risk exposure, and bottom-up analysis by assessing how individual assets or companies are exposed to, and managing, these risks. Where capabilities are evolving, managers are enhancing their approaches through external data providers and specialist expertise. Below we highlight managers' specific approaches by asset class.

- **Property and Infrastructure debt**
  Climate risk considerations are embedded in pre-investment due diligence to identify potentially material transition and physical risks. Physical risks – such as flooding, sea level rise, heat stress and extreme weather – are monitored throughout the investment lifecycle. Some managers also apply frameworks such as NZIF 2.0 to assess borrowers' alignment with the Paris Agreement, enabling ongoing assessment of transition risk exposure.

- **Direct lending, Global leveraged finance[4] and Private equity**
  In private markets, due diligence is the primary tool for identifying climate risks prior to investment. While physical risks are generally considered lower than for real assets given the nature and scale of underlying investments, ongoing monitoring can be more challenging. Some managers are therefore enhancing their capabilities through external expertise.

- **Listed assets (non-sovereign)**
  Managers typically apply a combination of bottom-up and top-down approaches. Bottom-up analysis focuses on company-level exposure, while top-down analysis incorporates scenario modelling and broader risk assessments. Several managers have developed internal scoring frameworks to track companies' alignment with the Paris Agreement over time, to help monitor transition risk.

- **Liability-driven investment (LDI)**
  The LDI portfolio is primarily invested in UK government bonds and derivatives. Emissions are monitored regularly, while climate risk is managed indirectly through engagement and policy advocacy, reflecting the nature of these strategies. Engagement has focused on UK policy initiatives, including the Industrial Strategy and Infrastructure Strategy, drawing on insights from other jurisdictions such as Australia and Japan on adaptation and transition.

Manager climate-related case studies

Manager case studies help evidence how climate-related factors are being integrated into investment decisions and stewardship in practice. Collecting and monitoring these examples supports the Trustee's oversight of delegated manager activity, helps assess whether stated approaches are being applied in day-to-day portfolio management, and strengthens reporting on how climate-related risks and opportunities are being managed.

The following case studies demonstrate how the Fund's managers have integrated climate-related considerations and engaged with investee companies during the year. These case studies pertain to the Fund's mandates with these managers. They are split across two categories – integration in investment process and engagement with investee company.

Case studies on integration in investment process

The Trustee monitors how all managers are integrating financially material ESG factors into their investment processes, and ultimately how these influence their investment decisions. The integration case studies presented below, are categorised into:

- **Climate solutions** – investments in companies whose products or services directly contribute to reducing emissions or enabling the transition to a low-carbon economy, and

- **Climate opportunities** – investments in companies that, while not providing direct climate solutions, are well placed to benefit from the transition through strong management of climate-related risks and opportunities.

[4] While some global leveraged finance instruments are tradable, a significant proportion of the underlying exposure is to loans and private companies with limited public disclosure. As a result, these assets are assessed using due diligence-based approaches and are therefore treated as illiquid.

1. Climate solutions: Enabling organisations to reduce emissions

Asset class: Direct lending

Context: The investee company provides energy and carbon management services that help organisations measure and reduce their carbon emissions.

How climate factors were considered: The manager evaluated how the company assists clients in improving energy efficiency, meeting regulatory requirements and progressing their transition to net zero. This includes turning emissions data into practical actions.

Outcome/implication: The assessment confirmed that the company's services enable accurate energy monitoring and emissions reduction technology. This strengthened the manager's confidence in the company's role as a climate solutions provider, supporting its inclusion and ongoing allocation within the portfolio.

2. Climate solutions: Supporting low carbon materials

Asset class: Global corporate bonds

Context: The bond issuer company produces and recycles glass packaging. This supports circular economy principles as well as potentially enhancing the company's cost structure and long-term competitiveness.

How climate factors were considered: The manager assessed the company's climate strategy as part of its evaluation of financially material risks and opportunities. The company's strategy includes a commitment to net zero emissions across Scopes 1, 2 and 3, and externally validated targets. Planned actions include increasing the use of recycled glass, expansion of renewable energy and reducing emissions through the electrification of furnaces.

Outcome/implication: The assessment confirmed that the company's climate strategy and net zero commitments are well aligned with evolving regulatory and market expectations and the transition to a low-carbon economy. It also provided greater clarity on key decarbonisation levers, including increased use of recycled materials, renewable energy and electrification of production processes. This strengthened the manager's conviction in the company's long-term fundamentals and credit profile and supported its inclusion within the portfolio.

3. Climate opportunities: Aligning supply chains to net zero

Asset class: Global leveraged finance

Context: The borrower company distributes installation products, tools and supplies. It is increasingly adapting its business to support the low-carbon transition, with 99% of its emissions coming from downstream Scope 3.

How climate factors were considered: The manager acknowledged the company's emissions targets are externally validated and its efforts to reduce emissions.

Outcome/implication: The assessment provided greater clarity on the company's approach to reducing value chain emissions, improving product design and the use of third-party-verified Environmental Product Declarations. These declarations provide transparent, climate and environmental information that helps customers compare products more easily and meet their reporting requirements. This strengthens the investment case by demonstrating the company's management of material Scope 3 risks and its ability to support customers' transition needs, supporting long-term value.

Case studies on engagement with investee companies

Managers interact directly with companies to communicate investor expectations, seek clarity on climate-related risks, and encourage improved disclosure, climate risk management and transition planning where appropriate.

The Trustee monitors these activities through its oversight framework, assessing progress against climate priorities and reviewing engagement activities and outcomes. This leads to an understanding of how climate-related risks are being managed at the investee company level and informs ongoing assessment of manager effectiveness. The Trustee Executive also engages with managers on practical challenges, such as data limitations and evolving standards.

While the Fund is no longer a signatory to the UK Stewardship Code (the Code), the Trustee continues to have regard to the Code's principles as a recognised stewardship standard. The Trustee expects its managers to maintain appropriate stewardship standards, including by applying the principles of the Code or equivalent standards where relevant to their mandates and regulatory context.

1. Improving asset resilience through sustainability initiatives

Type: UK property manager's direct engagement with tenants and properties

Context: The manager identified opportunities to reduce environmental risks and improve the resilience of the property portfolio.

Actions:

- Installed photovoltaic panels to generate electricity from solar energy.
- Rolled out electric vehicle charging infrastructure across 5 retail parks.
- Conducted biodiversity surveys and made 73 biodiversity enhancements across 8 properties.
- Increased the proportion of green leases[5] to 27% and facilitated tenant engagement through communications on solar and broader ESG initiatives.
- Commissioned one of the Fund's property managers to collect utility, water and waste data across the portfolio to strengthen environmental data coverage and monitoring.
- Worked with an external property consultant to produce an ESG guidance note, to establish portfolio-level sustainability objectives, KPIs and targets, which is now being used to guide projects across the portfolio.
- Facilitated a healthy living event, which received a Corporate Social Responsibility award.
- Supported the production of an ESG guidance note to establish portfolio-level sustainability objectives, KPIs and targets, which is now being used to guide projects across the portfolio.

Outcome: These actions delivered tangible improvements across the portfolio, including increased on-site renewable energy generation, enhanced electric vehicle infrastructure and better-informed biodiversity management. The expansion of green leases to 27% strengthened collaboration with tenants on sustainability, contributing to improved energy efficiency, reduced environmental risks and greater portfolio resilience.

[5] 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.

2. Enhancing climate disclosure through issuer engagement

Type: UK corporate bonds manager's direct engagement with an investee company

Context: The manager engaged with a renewable energy company to understand its rationale for limited disclosure on avoided emissions and to encourage more complete reporting.

Actions:

- Met with the company's global sustainability and investor relations team to discuss its climate strategy, including capital allocation and transition planning.
- Highlighted investor priorities, including sharing details of a new regulation on how avoided emissions should be accounted for in "impact labelled funds".

Outcome: The engagement encouraged the company to return to reporting more comprehensive avoided emissions disclosure in light of evolving regulatory expectations. The company subsequently returned to reporting its total avoided emissions, as well as avoided emissions financed by green bond issuance, and agreed to publish both calculations on an annual basis. This collaborative approach between the manager and investee company helped support more comprehensive disclosure and ongoing transparency.

3. Supporting transition planning

Type: UK corporate bonds manager's direct engagement with an investee company

Context: The manager engaged with a large European energy company, as part of a collaborative investor initiative to assess its progress on managing climate-related risks and transitioning to a lower-carbon business model.

Action:

- Met with the company's sustainability team to discuss its climate strategy, including how it allocates capital, manages transition risks and plans for future scenarios.
- Highlighted investor priorities, including reducing indirect emissions, improving grid resilience and strengthening transition plans.
- Encouraged clear and consistent climate-related disclosures to support investor assessment.

Outcome: The engagement supported clearer articulation of the company's climate strategy, including capital allocation and transition risk management. The manager also focused on improvements in climate-related disclosures which the company continue to enhance, helping investors better assess progress on reducing indirect emissions, strengthening transition plans and enhancing resilience.

Metrics

This section outlines the metrics used to assess and manage climate-related risks and opportunities, and the target set to track progress towards the net zero ambition. All metrics presented, except for LDI and L&G buy-in metrics, were calculated by the Trustee's investment adviser, Gallagher based on underlying data from MSCI.

The Fund's selected metrics

Category	The Fund's metric	Definition
Absolute emissions	Absolute financed emissions (tCO_2e).	Total GHG emissions associated with the companies in which the Fund is invested, measured in tonnes of carbon dioxide equivalent (tCO_2e) and apportioned based on Enterprise Value Including Cash (EVIC). Using EVIC ensures that the share of emissions associated with any company is apportioned to the size of the investment. Reported for Scopes 1 and 2 emissions. Scope 3 emissions are reported where available. These metrics reflect the progress of decarbonisation of the Fund's investments. Where appropriate, values are presented in thousands ($ktCO_2e$) or millions ($MtCO_2e$) to aid readability.
Emissions intensity	Financed emissions intensity (tCO_2e per US$ million invested).	This metric represents absolute financed emissions per million US dollars invested. As an intensity metric, it allows comparison between different strategies within an asset class or between different asset classes. Reported for Scopes 1 and 2 emissions. Scope 3 emissions are reported where available.
Portfolio alignment	Percentage share of companies in a portfolio aligned to a pathway of well below 2ºC.	Assessment of the proportion of companies in which the Fund is invested that are on a decarbonisation trajectory expected to align with well below 2ºC average temperature increase. This is based on a warming path assessed by the MSCI Implied Temperature Rise (ITR) model and provides a forward-looking assumption of the companies transitioning. Well below 2ºC is represented by ITR of 1.7ºC or lower.
Data coverage	Percentage of portfolio (based on AuM) for which emissions and EVIC data was available.	Assessment of financed emissions data coverage. Considers the combination of emissions data and EVICs available when sourced by MSCI. Includes emissions data which is reported by a company or estimated by MSCI.
Data quality	Percentage of portfolio (based on AuM) grouped by PCAF data quality indicators.	Assessment of the proportion of companies in which the Fund is invested, grouped based on the Partnership for Carbon Accounting Financials (PCAF) data quality scores, with PCAF 1 (verified externally and reported) and PCAF 2 (unverified reported) scores considered the highest quality. This shows how well companies disclose their carbon footprint and transition plans, helping build confidence in the data.

Visual 8: The Fund's selected climate-related metrics.

Listed assets climate metrics

Data considerations

Emissions and portfolio alignment metrics can be used to help identify which investments are most exposed to climate transition risks, monitor progress against climate goals, and challenge managers on how effectively they are managing climate risk in the portfolio. They should, however, be interpreted carefully and treated as approximations rather than precise values. They are impacted by data gaps, timing issues, and market factors meaning they do not always reflect real-world emissions changes accurately or serve as direct estimates for climate-related risk.

The following are the key data limitations identified for the Fund's emissions metrics:

- **Significant data time lags** – corporate emissions data is reported much later than financial data. Very limited recent data is available (e.g. only 1% of companies in the listed equities asset class had 2025 emissions data at the time of analysis).
- **Interpreting emissions changes is complex** – year-on-year changes in financed emissions are difficult to interpret because multiple factors affect results, including changes in company valuations, portfolio composition (weights of holdings), data coverage and quality, and actual changes in real-world emissions.
- **Market effects can distort results** – emissions intensity may fall even when real-world emissions rise. Two key components of the emissions intensity metric are: total emissions for each company in a portfolio and a measure of company's value, represented by the Enterprise Value Including Cash (EVIC). Rising company valuations impact EVIC and can reduce emissions intensity (carbon footprint) even if the total emissions increase.
- **Timing of valuation data availability adds uncertainty** – the metrics used to allocate emissions to portfolios (EVIC) are only partially up-to-date, making it harder to assess the true impact of market movements. For example, EVICs used to apportion emissions to the Fund's holdings were only partially representing values as at the end of 2025 (51% for listed equities and 38% for corporate bonds), making it more challenging to confirm the impacts of the market valuation dynamics.

Interpreting the financed emissions attribution for listed assets

Gallagher has produced emissions metrics for the Fund for the second consecutive year, which allowed it to also conduct a high-level attribution analysis to better understand the key drivers of change. The key factors used for the attribution analysis were:

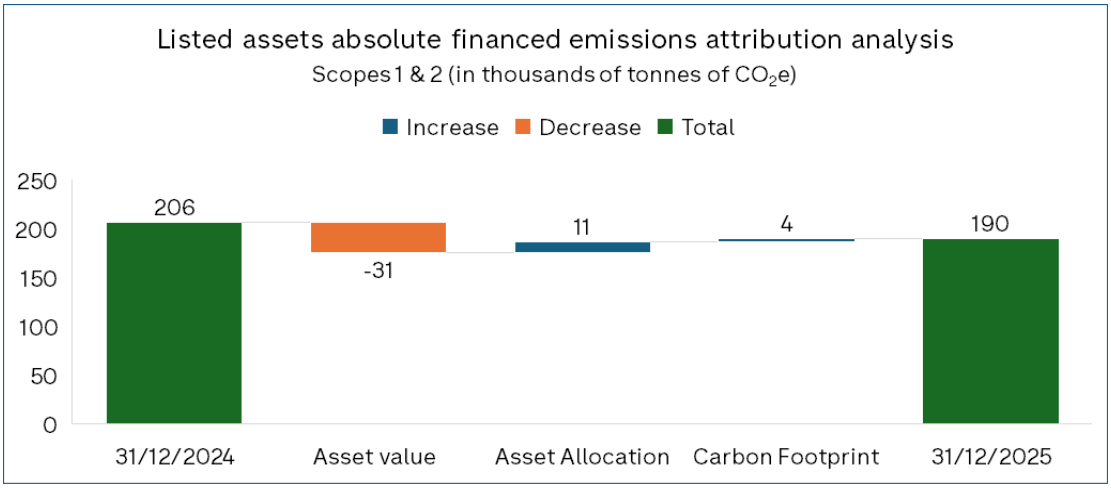
- **Fluctuations in asset value:** accounts for the impact of a higher or lower total investment value on absolute financed emissions.
- **Asset allocation and manager changes:** accounts for any investment, divestment and reweighting (carried out by the managers) between higher and lower emissions holdings.
- **Carbon footprint:** accounts for changes in the carbon footprint of the underlying assets. As the carbon footprint of a given company is calculated as its total emissions/EVIC, this attribution factor is affected both by year-on-year changes in the total emissions and changes in the valuation (EVIC) of the underlying company.

For the purposes of this report, 'carbon footprint' is used when referring to changes in emissions intensity of the underlying companies or indices, and 'financed emissions intensity' is used when referring to the Fund's financed emissions intensity metric.

Fund-level attribution for listed assets

- At a market level, year-on-year changes in financed emissions continue to be predominantly driven by factors including company valuations, relative weights, data coverage and data quality, rather than real-world decarbonisation.
- Despite global and developed market emissions continuing to rise (albeit at a slower pace than previous years), the MSCI ACWI carbon footprint has fallen. This fall has been driven primarily by greater increases in company valuations relative to increases in emissions, which results in a lower carbon footprint. Sector performance and shifts in index composition have also contributed, with the relative outperformance in recent years in low-carbon sectors (e.g. Information Technology increased their index weight and decreased their carbon footprint).
- This shows that carbon footprint as a metric remains volatile and sensitive to financial variables; therefore, it should not be interpreted in isolation as a measure of the Fund's climate-related risks.

The following graph provides attribution of year-on-year changes in absolute financed emissions (Scopes 1 and 2) for the Fund's listed assets (listed equities and corporate bonds).



Visual 9: Listed assets financed emissions attribution, values presented in thousands ($ktCO_2e$).

For reference, the following table provides year-on-year changes in market value and strategic asset allocation for the two asset classes.

Asset class	Market value (MV) as at the end of each year ($m)			Strategic asset allocation (SAA) as at the end of each year (%)		
	2024	2025	Diff	2024	2025	Diff
Listed equities	930	671	-259	3.0%	3.0%	0%
Corporate bonds	5,329	4,643	-686	21.5%	23.0%	1.5%
Total listed assets	**6,260**	**5,314**	**-946**	**24.5%**	**26.0%**	**1.5%**

Visual 10: Market value and strategic asset allocation changes versus prior year.

Key takeaways:

- The total value of the Fund's listed assets decreased between December 2024 and 2025, significantly contributing to a reduction in absolute financed emissions by ~31 $ktCO_2e$. This was the main driver for the fall in the Fund's absolute financed emissions.
- The relatively higher asset allocation to the Fund's corporate bonds mandates, which are more emissions intensive than listed equities, contributed to an increase in the absolute financed emissions metric by ~11 $ktCO_2e$.
- An increase in the carbon footprint of the global corporate bonds allocation also pushed financed emissions higher by ~4 $ktCO_2e$.

Asset class-level attribution for listed assets

Set out below are the strategy-level metrics and commentary for listed assets, based on Gallagher's analysis, explaining changes in these metrics and highlighting contribution of the top 10 holdings to the total financed emissions in each mandate. This comparison is based on a point in time year-end holdings for which data is available as at 31 December 2025 and 31 December 2024 (this does not account for portfolio turnover as a result).

Additional details for alignment metric (percentage of issuers across alignment categories) and data quality (percentage split across PCAF scores) are provided in Appendix 1.

To help with interpretation of changes in metrics:

- **Green** numbers indicate a positive direction of change in metric.
- **Red** numbers indicate negative direction of change in metric.

Active listed equities

The Fund's metrics for active listed equities	31-Dec-24	31-Dec-25	Diff %
Strategic Asset Allocation (SAA %)	2.1%	2.1%	0%
Net asset value of portfolio (AuM US$ m)	639	446	-30%
Absolute financed emissions (Scopes 1 & 2) $ktCO_2e$	8	5	-38%
Absolute financed emissions (Scope 3) $ktCO_2e$	133	123	-8%
Financed emissions intensity (Scopes 1 & 2) tCO_2e/ US$ m	12	11	-8%
Financed emissions intensity (Scope 3) tCO_2e/ US$ m	208	276	33%
Alignment (% of companies aligned to well below 2ºC)	44%	44%	0%
Data coverage (Scopes 1 & 2, EVIC) % of AuM	100%	99%	-1%
Data quality (Scopes 1 & 2 with PCAF 1 + PCAF 2) % of AuM	84%	90%	7%

Visual 11: Active listed equities – climate metrics change year on year.

Key takeaways:

- Absolute financed emissions (Scopes 1 & 2) fell ~38%. This was primarily driven by the termination of one of the active mandates as the Fund moves toward passive equities allocation only (asset value impact of -25%) and small reduction in carbon footprint (-13%) offset by allocation at the asset level (+13%).
- Financed emissions intensity decreased (Scopes 1 & 2) fell ~8%, driven by reduced exposure to higher-emitting sectors (e.g. Materials) and increased exposure to lower-intensity ones (e.g. Financials).
- Relative to 2024, the contribution of the top 10 holdings to the total financed emissions increased marginally from ~68% to ~71%, indicating a large proportion of the financed emissions continue to be driven by a handful of companies.
- When focussing on real-world emissions (i.e. not accounting for changes in EVIC and the Fund's own financed emissions), there was negligible change in the combined year-on-year financed emissions from the top 10 contributors, indicating limited real-world decarbonisation at these companies.
- Share of companies aligned to below 1.5ºC pathway increased by ~4% to 27%.
- Improvement in data quality for Scopes 1 & 2 emissions as combined PCAF 1 and 2 scores increased by ~6% to 90%.

Passive listed equities

The Fund's metrics for passive listed equities	31-Dec-24	31-Dec-25	Diff %
Strategic Asset Allocation (SAA %)	0.9%	0.9%	0%
Net asset value of portfolio (AuM US$ m)	291	225	-23%
Absolute financed emissions (Scopes 1 & 2) $ktCO_2e$	3	3	0%
Absolute financed emissions (Scope 3) $ktCO_2e$	57	45	-21%
Financed emissions intensity (Scopes 1 & 2) tCO_2e/ US$ m	12	13	8%
Financed emissions intensity (Scope 3) tCO_2e/ US$ m	198	202	2%
Alignment (% of companies aligned to well below 2ºC)	59%	51%	-14%
Data coverage (Scopes 1 & 2, EVIC) % of AuM	98%	97%	-1%
Data quality (Scopes 1 & 2 with PCAF 1 + PCAF 2) % of AuM	90%	96%	7%

Visual 12: Passive listed equities – climate metrics change year on year.

Key takeaways:

- Absolute financed emissions (Scopes 1 & 2) remained broadly unchanged, with a small impact of reduced asset value being offset by small increase in carbon footprint of underlying companies.
- Financed emissions intensity (Scopes 1 & 2) increased by ~8% primarily driven by changes in the portfolio at the issuer level, principally due to the introduction of stocks within the Utilities and Materials sectors.
- Relative to 2024, the contribution of the top 10 holdings to the total financed emissions marginally increased from ~74% to ~78%, suggesting minimal or lack of decarbonisation progress.
- For the current top 10 contributors to the financed emissions there was a modest (~3%) increase in their combined total emissions year-on-year, indicating no real-world decarbonisation at these companies.
- Share of companies aligned to a below 1.5ºC pathway decreased by ~7% to 34%. This is the result of a larger number of companies in the strategy compared to last year (180 vs 157).
- Improvement in data quality for Scopes 1 & 2 emissions as combined PCAF 1 and 2 scores increased by ~6% to 96%.

Global corporate bonds

The Fund's metrics for global corporate bonds	31-Dec-24	31-Dec-25	Diff %
Strategic Asset Allocation (SAA %)	10.75%	11.50%	7%
Net asset value of portfolio (AuM US$ m)	2,436	2,281	-6%
Absolute financed emissions (Scopes 1 & 2) $ktCO_2e$	123	136	11%
Absolute financed emissions (Scope 3) $ktCO_2e$	1,047	905	-14%
Emissions intensity (Scopes 1 & 2) tCO_2e/ US$ m	51	59	16%
Emissions intensity (Scope 3) tCO_2e/ US$ m	430	396	-8%
Alignment (% of companies aligned to well below 2ºC)	35%	35%	0%
Data coverage (Scopes 1 & 2, EVIC) % of AuM	88%	88%	0%
Data quality (Scopes 1 & 2 with PCAF 1 + PCAF 2) % of AuM	75%	78%	4%

Visual 13: Global corporate bonds – climate metrics change year on year.

Key takeaways:

- Absolute financed emissions (Scopes 1 & 2) increased by ~11% driven by allocation at the asset level (+2%) and increased carbon footprint of underlying investments (+14%), partially offset by reduction in asset value (-7%).
- Financed emissions intensity (Scopes 1 & 2) increased by ~16% primarily driven by increases in the carbon footprint of the Industrials and Utilities sectors in the portfolio. This was due to new issuers from these sectors added to the strategy.
- Relative to 2024, the contribution of the top 10 holdings to the absolute financed emissions decreased from ~44% to ~38%. Compared to the listed equities asset classes, this indicates the financed emissions for this strategy are less concentrated.
- For the current top 10 contributors to the financed emissions there was a decrease (~19%) in their combined total emissions year-on-year. This was almost entirely driven by a significant reduction in total emissions of one issuer and was not a reflection of a broader trend across the portfolio.
- Share of companies aligned to a 1.5ºC pathway was broadly unchanged at 27%.
- Small improvement in data quality for Scopes 1 & 2 emissions as combined PCAF 1 and 2 scores increased by ~3% to 78%. However, data quality for corporate bonds remains lower than that of equities. One of the main reasons is that there are many private companies with publicly traded debt which typically disclose less data.

UK corporate bonds

The Fund's metrics for UK corporate bonds	31-Dec-24	31-Dec-25	Diff %
Strategic Asset Allocation (SAA %)	10.75%	11.50%	7%
Net asset value of portfolio (AuM US$ m)	2,894	2,352	-19%
Absolute financed emissions (Scopes 1 & 2) $ktCO_2e$	72	46	-36%
Absolute financed emissions (Scope 3) $ktCO_2e$	751	503	-33%
Emissions intensity (Scopes 1 & 2) tCO_2e/ US$ m	25	20	-20%
Emissions intensity (Scope 3) tCO_2e/ US$ m	260	213	-18%
Alignment (% of companies aligned to well below 2ºC)	31%	33%	6%
Data coverage (Scopes 1 & 2, EVIC) % of AuM	67%	66%	-1%
Data quality (Scopes 1 & 2 with PCAF 1 + PCAF 2) % of AuM	59%	61%	3%

Visual 14: UK corporate bonds – climate metrics change year on year.

Key takeaways:

- Absolute financed emissions (Scopes 1 & 2) decreased by ~36% driven by reduction in asset value (-18%) and reduced carbon footprint of underlying investments (-18%).
- Financed emissions intensity (Scopes 1 & 2) decreased by ~20% primarily driven by a decrease in the allocation to Industrials and Utilities sectors, the two most carbon intensive in the portfolio. A larger allocation to Financials also contributed to the lower overall carbon footprint.
- Relative to 2024, the contribution of the top 10 holdings to the absolute financed emissions increased marginally, from ~53% to ~56%. Interestingly, 9 of the 10 top contributors from 2024 were also among the top 10 contributors in 2025, indicating minimal change in the key drivers of the strategy's absolute financed emissions from this group.
- For the current top 10 contributors to the absolute financed emissions there was a decrease (~19%) in the combined total emissions year-on-year. This was almost entirely driven by a significant reduction in total emissions of two issuers from the Utilities sector.
- Share of companies aligned to a 1.5ºC pathway slightly increased to 25%.
- Minor improvement in data quality for UK corporate bonds, which is lower than for Global corporate bonds and remains a major challenge for the strategy. This also means that attribution needs to be taken with additional care.

Illiquid assets emissions metric

Calculating financed emissions metrics for illiquid asset classes (e.g. private equity, infrastructure, real estate debt and private credit) remains significantly more challenging than for liquid and listed assets. Underlying data is limited, inconsistent and often estimated. Although methodologies are evolving, there is no standardisation across asset classes. Additionally, these assets often have complex ownership structures and less transparent capital allocation, which makes determining the investor's 'share' of emissions particularly difficult.

Over the past few years, emissions metrics for the Fund's illiquid asset classes have been estimated, either by MSCI or more recently by Gallagher, based on asset class benchmarks. Although these metrics give some indication of the magnitude of exposure to climate-related risk, they do not reflect the specifics of the Fund's investments. The Trustee therefore remains cautious about drawing conclusions from these metrics and their changes over time.

The table below provides estimated emissions for the Fund's illiquid mandates. The estimation methodology varies by asset class.

Estimated financed emissions metrics for illiquid and/or private assets

Asset class	Absolute financed emissions (Scopes 1 and 2) $ktCO_2e$			Financed emissions intensity (Scopes 1 and 2) tCO_2e/US$ m		
	31 Dec 2024	31 Dec 2025	Diff %	31 Dec 2024	31 Dec 2025	Diff %
Property [a]	19	13	-32%	8	5	-38%
Private equity [b]	152	142	-7%	79	73	-8%
Infrastructure debt [b]	41	41	0%	79	73	-8%
Direct lending [c]	61	38	-38%	125	91	-27%
Global leveraged finance [d]	106	84	-21%	135	107	-21%

Visual 15: Illiquid and/or private assets – emissions metrics change year on year.

[a] Estimated based on a combination of Commercial Property Industries, Residential Property Industries and Property Industry Groups of the MSCI ACWI index.

[b] Estimated using emissions data of the MSCI World Small Cap Index.

[c] Estimated using emissions of EUR/USD high yield credit indices, adjusted for sectoral biases. The asset mapping includes SME lending and leveraged loans, all FX-hedged to GBP.

[d] Estimated using emissions of EUR/USD high yield credit indices, adjusted for sectoral biases.

Absolute financed emissions decreased across all illiquid asset classes except one, where they remain unchanged. The main reason behind the decrease, however, was the reduction in carbon footprint of the underlying benchmarks which were used to estimate the emissions metrics.

- **Property, Private equity** and **Direct lending** – the decrease in absolute financed emissions was further impacted by partial divestments from these asset classes.
- **Infrastructure debt** – the decrease in absolute financed emissions caused by the benchmark's carbon footprint reduction, was partially offset by the increase in asset values.
- **Global leveraged finance** – the decrease in absolute financed emissions was almost entirely driven by benchmark's carbon footprint reduction.
- The **depreciation of USD vs GBP** over the year to 31 Dec 2025 offset some of the effects of the lower £ value for Private equity and Property given the asset value and emissions intensity attribution is calculated in $.

The table below illustrates the direction of contribution across various factors.

Contributors to change in financed emissions metrics for illiquid and/or private assets

Asset class	Percentage difference in metrics 2024 vs 2025			Contributors to change in absolute financed emissions			
	MV in GBP % diff	MV in USD % diff	Absolute financed emissions diff %	Changes in asset value	Divestments or capital return	Currency depreciation (USD vs GBP)	Carbon Footprint of relevant benchmark
Property	-5%	10%	-32%	↓	↓	↑	↓
Private Equity	-5%	2%	-7%	↓	↓	↑	↓
Infrastructure debt	5%	20%	0%	↑	-	↑	↓
Direct lending	-19%	-13%	-38%	↓	↓	↑	↓
Global leveraged finance	-7%	0%	-21%	↑	-	↑	↓

Visual 16: Illiquid and/or private assets – contributors to change in emissions metrics year on year.

Given the limitations and potential unreliability of emissions metrics for illiquid asset classes, it is even more important for the Trustee to understand and monitor the other approaches managers use to monitor climate change risk. This requires an asset-class-specific view, alongside a clear understanding of managers' practices – such as which alternative metrics they use, whether they conduct scenario analysis, and how they apply engagement and stewardship activities. This approach is incorporated within the Trustee's manager monitoring process.

Below is an example of how the Fund's infrastructure debt manager is monitoring and managing climate risk.

Infrastructure debt manager – approach to climate change

Manager's approach	Relevance to the Fund's mandate
Integrate climate risk through a bespoke scenario analysis tool used across new and existing investments to identify physical and transition risks, including flooding and tighter energy-efficiency regulation.	Manager highlighted the following potential climate-related risks to the Fund's mandate: regulation on energy efficiency and certification, and heavy precipitation and flooding.
Engage with borrowers on a range of ESG considerations throughout the life of the investment, including their carbon footprints and decarbonisation strategies. Review annually borrowers' progress and engage as needed if their emissions reporting and trend misaligns with their net zero or decarbonisation goals.	In the Fund's mandate: 62% of borrowers are categorised as "committed to aligning" or better (vs. 42% previous year), and 12% of the mandate (based on market value) is covered by manager's emissions-related engagements.

Visual 17: Example of infrastructure debt manager's approach to climate change management.

LDI emissions metrics

The primary investments in the Fund's LDI portfolio are UK conventional and index-linked bonds issued by the UK government, known as gilts. Gilts are used to offset the interest rate and inflation risks of the Fund's liabilities.

There are multiple challenges when trying to accurately assess the emissions for gilts:

- **Use of derivatives**
  - Gilt derivatives are used to match the Fund's liabilities.
  - As derivatives are agreements that are based on the value of gilts, it is harder to assess actual emissions.
- **Lack of standardised methodology**
  - UK emissions relate to an entire economy, hence data includes corporate, government and household data.
  - For corporate bonds, there are standardised methods to attribute emissions to a specific issuer, however there is no agreed methodology on how to isolate government-only emissions, hence they are reported differently and used more cautiously.
- **Risk of double counting**
  - As emissions data is aggregated at country level, there is double counting between gilts' emissions and UK corporate bonds' emissions. As such, emissions metrics from gilts in the LDI mandate, are disclosed separately from emissions metrics for other asset classes.
  - Double counting can also result from the processing of imported and exported carbon emissions. At present, exporting countries retain carbon responsibility for production, even if the goods are consumed elsewhere.

The below annual UK greenhouse gas emissions data, published as provisional figures by the UK government, is used by Insight (the Fund's LDI manager) to calculate emissions metrics for the Fund.

UK greenhouse gas emissions metric and underlying data

Metric	Calcs	Unit	31 Dec 2024	31 Dec 2025
Annual UK greenhouse gas emissions data (Scope 1 and 2 only) published as a provisional figure by the UK government	A	$MtCO_2e$ (millions of tonnes of CO_2e)	371	367
Total UK government debt, taken as the market value of gilts in issuance (including green gilts)	B	$bn (billions US $)	2,809	3,280
UK PPP-adjusted GDP estimate, published by IMF (international dollar, used for consistency vs other sovereigns)	D	GK$ bn (billions Geary–Khamis dollar)	4,282	4,553
UK Carbon footprint (per US$)	A/B	tCO_2e/$m	132	112
UK Weighted average carbon intensity (WACI)	A/C	tCO_2e/GK$m GDP	87	81

Visual 18: UK emissions metrics and underlying data.

The table below shows absolute financed emissions metrics for the Fund calculated by Insight.

Estimated financed emissions metric for gilts in LDI portfolio

Absolute financed emissions gilt based on type of gilt exposure	31 Dec 2024			31 Dec 2025		
	Gilts MV ($m)	UK Carbon footprint (tCO_2e/$m)	Absolute financed emissions (thousand $ktCO_2e$)	Gilts MV ($m)	UK Carbon footprint (tCO_2e/$m)	Absolute financed emissions (thousand $ktCO_2e$)
Funded gilts only	10,750	-	1,420	10,168	-	1,138
Gilts on repo	5,600	-	740	4,493	-	503
Total gilt exposure	**16,350**	**132**	**2,160**	**14,661**	**112**	**1,641**

Visual 19: LDI emissions metrics change year on year.

Note 1: Gilts given as collateral by the Fund when entering agreements 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.

Note 2: Models used to determine country-level alignment with the Paris agreement are based on emissions profile (based on GDP sectoral attribution, land use, import vs export), policy environment and macroeconomic status and direction, especially regarding electrification investments. Currently the UK is considered as one of the leaders among the developed economies both according to the Climate Change Performance Index (CCPI) and the Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) tools.

Buy-in emissions metrics

As highlighted earlier, the Trustee invested in a buy-in with L&G last year. The buy-in is an asset of the Fund and its year-end value as at the end of December 2025 was £1,674m.

The table below includes the estimated financed emissions metrics for the buy-in asset. These are based on the Carbon Emissions Intensity (CEI) metric provided by L&G for its UK annuity portfolio.

Metric	As at 31 Dec 2025
L&G Carbon Emissions Intensity[1] (EVIC basis – GBP) in tCO_2e/£m	52
BPPF buy-in asset Market Value in £m	1,674
BPPF buy-in asset – Absolute financed emissions[2] in $ktCO_2e$	87

Visual 20: Buy-in asset emissions metrics.

[1] Annuity policy emissions are estimated by reference to the assets backing the related liabilities. L&G calculated the carbon emissions intensity metric for its UK annuity portfolio, not the specific assets backing the Fund's insurance contract.

[2] Individual policy emissions are allocated on a proportional basis by reference to each policy's share of liabilities or backing assets. It is a standard industry practice, recognising this is a pragmatic approximation rather than a precise attribution. The total absolute financed emissions for BPPF buy-in asset have been calculated based on carbon emissions intensity data reported by L&G, for the emissions of its UK annuity book multiplied by an approximate market value of the BPPF buy-in contract.

2030 Target

The Fund's financed emissions target is to reduce Scopes 1 and 2 absolute financed emissions by 50% by 2030, from the baseline levels as at December 2021. The target applies to publicly listed equities and corporate bonds.

Absolute financed emissions metric ($ktCO_2e$, Scopes 1 & 2)

Asset class	2021 (baseline)	2024	2025	% change vs baseline	Target
Listed equities	147	11	8	-95%	-50%
Corporate bonds	256	195	182	-29%	-50%
Total listed assets	**403**	**206**	**190**	**-53%**	**-50%**

Visual 21: Listed assets – absolute financed emissions versus target since baseline reporting year.

The Fund's allocation to publicly listed equities and corporate bonds has changed significantly since the target was first set. Additionally, net zero industry frameworks and emerging best practice have increasingly emphasised real-world decarbonisation alongside portfolio decarbonisation through use of emissions targets. In this context, the Trustee has recognised certain limitations of the existing target and, as part of the 2025 RI strategy review, agreed to review its ongoing suitability in 2026, taking into account developments in market practice and climate scenarios.

The table below shows how the main drivers of the Fund's absolute emissions have changed between 2021 and 2025 – asset class allocation and emissions intensity. For simplicity, other changes such as those in relation to data coverage or methodology are not considered.

- **Green** numbers reduced absolute financed emissions.
- **Red** numbers increased absolute financed emissions.

Progress towards the Fund's 2030 target

Asset class	Market value (£m)			Financed emissions intensity (Scopes 1 & 2) tCO_2e/ US$m			Absolute financed emissions (Scopes 1 & 2) $ktCO_2e$		
	2021	2025	Change	2021	2025	Change	2021	2025	Change
Listed equities	2,335	498	-79%	47	12	-74%	147	8	-95%
Corporate bonds	6,140	3,445	-44%	31	39	26%	256	182	-29%
Total listed assets	**8,475**	**3,943**	**-53%**	**35**	**36**	**2%**	**403**	**190**	**-53%**

Visual 22: Progress towards the Fund's 2030 target.

Key takeaways – Listed equities:

- The fall in absolute financed emissions for listed equities can be attributed to both a lower allocation to listed equities and a fall in emissions intensity (which as explained in the Metrics section above, is due to changes in valuations as well as absolute emissions).
- Given the listed equities emissions are significantly below target, the Trustee has decided to treat this target as achieved as at 31 December 2025.
- The most suitable alternative target for listed equities will be considered as part of the 2026 review.

Key takeaways – Corporate bonds:

- The fall in absolute financed emissions reflects a lower allocation to corporate bonds. Increases in emissions intensity (which as explained in Metrics section above, is due to changes in valuations as well as absolute emissions) have reduced the overall fall.
- The reduction in corporate bond emissions is only slightly over halfway towards meeting the target, but there are some potential challenges:
  - Potential changes in allocation: the strategic asset allocation to corporate bonds may increase as part of the Fund's de-risking strategy which would make the target harder to achieve.
  - Emissions of investee companies: although modest decreases in emissions are expected over time, progress depends on company decisions, the policy environment and technological developments.
- As noted above, the Trustee will consider the most suitable alternative target for corporate bonds as part of the 2026 review.

Appendices

1. Additional details: alignment and data quality metrics

The Trustee monitors alignment and data quality metrics at a more granular level to allow for better understanding of drivers of changes in these metrics and improvement over time.

To help with interpretation of changes in metrics **green** numbers indicate a positive direction of change in metric, and **red** numbers indicate negative direction of change in metric.

These metrics have been provided by Gallagher, based on data sourced from MSCI.

Alignment metrics – percentage of issuers across alignment categories

Asset class	Issuers Count	Non Coverage	Over 2°C		Below 2°C, above 1.7°C		Below 1.7°C, above 1.5°C		Below 1.5°C	
			2024	2025	2024	2025	2024	2025	2024	2025
Active listed equities	88	2%	47%	44%	9%	9%	21%	17%	23%	27%
Passive listed equities	180	4%	34%	37%	5%	8%	19%	17%	41%	34%
Global corporate bonds	378	11%	47%	47%	8%	7%	7%	8%	28%	27%
UK corporate bonds	358	26%	38%	36%	8%	6%	8%	7%	23%	25%

Visual 23: Alignment metrics – percentage of issuers across alignment categories.

Data quality represented by PCAF scores (from 1 for highest to 5 for lowest data quality)

Asset class	Scopes	Date	PCAF 1	PCAF 2	PCAF 3	PCAF 4	PCAF 5
Active listed equities	Scopes 1 & 2	31-Dec-24	84%		0%	16%	0%
		31-Dec-25	71%	19%	0%	9%	1%
	Scope 3	31-Dec-24	75%		0%	26%	0%
		31-Dec-25	0%	82%	0%	18%	1%
Passive listed equities	Scopes 1 & 2	31-Dec-24	90%		0%	8%	2%
		31-Dec-25	81%	15%	0%	2%	3%
	Scope 3	31-Dec-24	86%		0%	12%	2%
		31-Dec-25	0%	92%	0%	6%	3%
Global corporate bonds	Scopes 1 & 2	31-Dec-24	75%		0%	15%	10%
		31-Dec-25	56%	22%	0%	12%	10%
	Scope 3	31-Dec-24	72%		0%	18%	10%
		31-Dec-25	0%	72%	0%	17%	10%
UK corporate bonds	Scopes 1 & 2	31-Dec-24	59%		0%	9%	32%
		31-Dec-25	42%	19%	0%	5%	34%
	Scope 3	31-Dec-24	57%		0%	12%	31%
		31-Dec-25	0%	56%	0%	11%	33%

Visual 24: Data quality represented by PCAF scores (from 1 for highest to 5 for lowest data quality).

2. Partnership for Carbon Accounting Financials (PCAF)

PCAF[6] 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, which 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.

Visual 25: PCAF score explanations.

From 2025, verified and unverified emissions are distinguished in MSCI's database hence separate PCAF quality scores 1 and 2 are available.

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

3. Climate scenario analysis details

The Ortec Finance climate scenarios provide a structured view of how different climate futures could affect markets and the Fund. They consider a range of potential transition, physical and market impacts.

- Climate scenario results are shown relative to a baseline scenario. This baseline is broadly consistent with a world in which global warming reaches around 2°C to 3°C.
- The baseline is used as the starting point for assessing how different climate pathways could affect economic and investment outcomes. Ortec's Reference baseline is based on a scenario in which climate action is limited and climate impacts continue to build over time.
- As with any modelling exercise, the results are subject to uncertainty and should be interpreted with appropriate caution. In particular, the analysis reflects one possible path for each climate outcome and does not capture every potential technological, behavioural or market development.
- Ortec also considers the relative likelihood of different warming outcomes. Its analysis centres on a temperature increase of around 2.8°C by the end of the century, while recognising a range of possible outcomes and the risk of more severe climate effects.
- Across scenarios, common themes include rising electricity demand, greater use of renewable energy, and the increasing importance of investment in power networks, storage and related infrastructure.

Ortec's analysis run for the Fund's assets covered the most recent five scenarios, updated in April 2026. The key features of each scenario are summarized below.

Net Zero (NZ)

Net Zero

Why?

Evaluate the risks and opportunities under a highly ambitious but orderly transition with climate adaptation.

What?

- **Low-carbon policy** pursuing 1.5°C and rapid technology transition
- Lower global temperatures enable **adaptation and lower physical risks** of climate change
- Clear communication of ambitious policy and preparedness for physical risks mean financial markets **do not price-in** future risks

1.6°C

In the Net Zero scenario, global CO_2 emissions reach net zero in the late 2050s, and global average temperatures stabilises at around 1.6°C above pre-industrial levels by 2100. The scenario reflects an ambitious but orderly transition to net zero by 2055.

It assumes the introduction of strong policy measures to reduce emissions, including carbon pricing, tighter energy efficiency standards, a phase-out of coal and other fossil fuel technologies, and support for renewable energy, electric vehicles and nature-based solutions.

The scenario also assumes continued progress in lower-carbon technologies, including hydrogen and carbon capture and storage, alongside increased afforestation and reforestation to help offset residual emissions.

Under this scenario, physical climate impacts are comparatively lower and financial market disruption from transition and physical risks is assumed to be limited.

Net Zero Financial Crisis

Net Zero Financial Crisis

Why?

Evaluate the resilience to sudden repricing, triggering market dislocation centered on high-emitting stocks.

What?

- **Low-carbon policy** pursuing 1.5ºC and rapid technology transition
- Lower global temperatures enable **adaptation and lower physical risks** of climate change
- Sudden divestments in 2027 to allign with the Paris Agreement goals have **disruptive effects on financial markets** with sudden repricing followed by stranded assets and a sentiment shock

1.6°C

In the Net Zero Financial Crisis scenario, global CO_2 emissions still reach net zero in the late 2050s and global temperatures stabilise at around 1.6°C above pre-industrial levels by 2100, consistent with the Net Zero scenario.

The key difference is that the transition is assumed to be disorderly and financially disruptive. Climate risks are repriced abruptly in 2027, resulting in a sharp loss of confidence and significant market disruption.

This reflects a scenario in which companies and investors are required to make rapid adjustments to remain on track with net zero commitments. The repricing of carbon-intensive assets leads to abrupt valuation changes and wider knock-on effects across financial markets.

Physical climate impacts are assumed to be the same as in the Net Zero scenario.

Delayed Net Zero

Delayed Net Zero

Why?

Evaluates impact when a sudden step-up in policy action in 2030 drives a sentiment shock in financial markets.

What?

- Limited additional action until **2030**, when a **highly ambitious** set of low-carbon policies are introduced
- Policies are **'too little, too late'** to protect against high physical risk
- Financial markets **price-in transition and physical risk** in 2030 to align with ambitious policy announcement followed by stranded assets and a sentiment shock

1.9°C

In the Delayed Net Zero scenario, policy action is delayed until 2030, after which stronger measures are introduced to support the transition. As a result, emissions continue to fall but are trending towards net zero after 2050, with global temperatures stabilising at around 1.9°C above pre-industrial levels by 2100.

The scenario assumes stronger policy support for the transition, including carbon pricing, tighter regulation, and further investment in lower-carbon technologies such as renewable energy, electric vehicles and carbon capture and storage.

Under this scenario, physical climate impacts are moderate, but markets experience disruption in 2030 as transition risks are repriced. The scenario reflects a delayed but more rapid transition, reducing the risk of more severe long-term physical impacts.

Limited Action (LA)

Limited Action

Why?

Evaluate how falling short of meeting emissions to targets and pledges would drive high exposure to physical risks.

What?

- Emissions targets and commitments are **not fully met**
- **Very severe** chronic and acute physical risks
- Financial markets **price-in climate-related risks in 2030 and 2040** as the scale of future risks become more widely accepted and understood

2.8°C

In the Limited Action scenario, policymakers take only moderate steps to address climate change. Emissions reductions continue, but not at the pace required to meet global climate goals. Global temperatures reach around 1.9°C above pre-industrial levels by 2050 and 2.8°C by 2100.

The scenario assumes limited additional policy action, with existing measures continuing but no sufficiently strong shift in regulation or investment to deliver a full transition. Lower-carbon technologies continue to develop, but progress is gradual.

Under this scenario, physical climate risks become significant, with material implications for economic and market outcomes from the 2030s onwards, due to lower expected performance. The scenario reflects a limited transition combined with higher exposure to physical risk.

High Warming (HW)

High Warming

Why?

Evaluates implications of a future without any further action to limit climate change, triggering multiple climate tipping points and very severe physical risks.

What?

- **No new climate policies** are enacted, but transition progresses on economic grounds
- **Catastrophic** chronic and acute physical risks
- Financial markets **price-in climate-related risks in 2030 and 2040** as the scale of future risks become more widely accepted and understood

3.8°C

In the High Warming scenario, the transition largely fails and physical climate risks become severe. Global temperatures rise to around 2.2°C above pre-industrial levels by 2050 and 3.8°C by 2100.

As warming intensifies, multiple climate tipping points are triggered, leading to a sharp increase in the frequency and severity of extreme weather events.

These impacts lead to reduced productivity, damage to infrastructure, water stress and weaker agricultural output, leading to direct losses as well as indirect effects on the economy through supply chain disruption.

The combined effect of lower productivity and more frequent extreme weather events has significant financial market implications, particularly in the 2030s and 2040s as future risks are priced in. The scenario reflects a failed transition and high exposure to severe physical risk.

4. Gallagher's approach to climate metrics calculations

Gallagher is the provider of the Fund's climate change metrics disclosed in this report (except for LDI and L&G buy in metrics). A high-level explanation of its approach is provided below.

Financed emissions metrics

- Emissions input data is sourced from MSCI. For listed equities and corporate bonds funds metrics are calculated using underlying holdings data, where available, in line with the 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 illiquid assets, where climate metrics are not readily available, Gallagher 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.

Asset class modelling approach

Asset class	Details
Listed equities & Corporate bonds	Calculated using line-by-line holdings data and latest available EVIC data. Due to data availability constraints, the majority of the emissions data used by MSCI is for the year ending 31 Dec 2024, while the EVIC data used by MSCI for Listed equities and Global corporate bonds is mostly for the year ending 31 Dec 2025 and for UK Corporate Bonds mostly 31 Dec 2024
Property	Emissions are estimated based on a combination of Commercial Property Industries, Residential Property Industries and Property Industry Groups of the MSCI ACWI index
Private equity	Emissions are estimated using emissions data of the MSCI World Small Cap Index
Infrastructure debt	Emissions are estimated using emissions data of the MSCI World Small Cap Index
Direct lending	Emissions are estimated using emissions of EUR/USD high yield credit indices, adjusted for sectoral biases. The asset mapping includes SME lending and leveraged loans, all FX-hedged to GBP
Leveraged finance	Emissions are estimated using emissions of EUR/USD high yield credit indices, adjusted for sectoral biases

Visual 26: Asset class modelling approach.

Portfolio alignment metrics

Gallagher used the MSCI Implied Temperature Rise (ITR) methodology to estimate binary alignment metrics for the Fund's listed equities and corporate bonds portfolios.

ITR is a forward-looking metric that indicates how aligned a company or portfolio is with global climate goals. Expressed in degrees Celsius (°C), the metric estimates the level of global warming that would be implied if the company or portfolio were representative of the global economy. Lower ITR values indicate closer alignment with the objectives of the Paris Agreement.

The methodology is based on sector-level carbon budgets, which represent the amount of GHG emissions that may be emitted while remaining within a specified temperature pathway. These carbon budgets are allocated across sectors, regions and entities in order to assess whether a company's projected emissions are aligned with a 1.5°C pathway.

MSCI calculates ITR by assessing:

- the carbon budget available to a company under a sector-specific 1.5°C pathway,
- the company's projected emissions to 2050, based on current emissions and disclosed emissions reduction targets, and
- the extent to which projected emissions exceed or remain within that budget, which is then converted into an implied temperature rise.

Gallagher subsequently classified company-level ITR scores into the categories set out below in order to derive the binary alignment metric, consistent with the approach adopted in the previous year's report:

- **Net zero aligned:** ITR less than or equal to 1.5°C
- **Well below 2°C:** ITR greater than 1.5°C and less than or equal to 1.7°C
- **Below 2°C:** ITR greater than 1.7°C and less than 2.0°C
- **2°C or higher:** ITR equal to or greater than 2.0°C

Gallagher MSCI Data disclaimer

This disclosure was developed using information from MSCI ESG Research LLC or its affiliates or information providers. Although the BP Pension Trustees Limited (BPPTL)'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. The Information may only be used for internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Some funds may be based on or linked to MSCI indexes, and MSCI may be compensated based on the fund's assets under management or other measures. MSCI has established an information barrier between index research and certain Information. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits), even if notified of the possibility of such damages.

Glossary and abbreviations

ALM – Asset Liability Model

ASCOR – Assessing Sovereign Climate-related Opportunities and Risks

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

CCPI – Climate Change Performance Index

CEO – Chief Executive Officer

CIO – Chief Investment Officer

CO_2e – Carbon dioxide equivalent

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

EPCs – Energy Performance Certificates

ESG – environment, social and governance

EVIC – Enterprise Value Including Cash

Fund – BP Pension Fund

GBP – British pound sterling

GDP – gross domestic product

GHG – greenhouse gas emissions

$GtCO_2$ – gigatons of CO_2; one gigaton is equal to 1,000,000,000 (1 billion) metric tons, each metric ton is equal to 1,000 kilograms (kg)

HW – High Warming Scenario

Investment Committee – a committee delegated by the Trustee 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

MSCI – a provider of investment indices, climate-related data and ESG research used in the calculation of the Fund's climate metrics

NZ – Net Zero

NZFC – Net Zero Financial Crisis Scenario

NZIF – Net Zero Investment Framework

Ortec Finance – Ortec

PCAF – Partnership for Carbon Accounting Financials

RI policy – our Responsible Investment policy adopted by the Trustee Board

SAA – Strategic Asset Allocation, representing the Trustee's long-term target allocation across asset classes

SBTi – Science Based Targets initiative

SDA – sectoral decarbonization approach

SIP – Statement of Investment Principles

Sponsor (bp) – BP p.l.c., the sponsoring employer of the Fund

TCFD – Task Force on Climate-related Financial Disclosures

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

Trustee Board – The Board of directors of BP Pension Trustees Limited

Trustee Executive – the executive team of the Trustee, led by the CEO

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

WACI – Weighted Average Carbon Intensity

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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