

Taskforce on Climate-related Financial Disclosures (TCFD) Report

Lloyd's Register Superannuation Fund Association (LRSFA)

Reporting year ending 31 March 2025

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Summary

Trustee statement

Statement from the Chair

The Task Force on Climate-related Financial Disclosures (“TCFD”) is an international a globally recognised framework to improve and increase reporting of climate-related financial information. This report sets out the Trustee’s response across the four TCFD pillars of Governance, Strategy, Risk Management, and Metrics and Targets. These pillars collectively underpin The Trustee’s response to climate-related risk and opportunities.

The Trustee continue to recognise climate as a material and dynamic source of risks and opportunities. Climate change is expected to affect our members, financial markets and society at unprecedented levels, and the Trustee recognise managing the associated risks and opportunities form part of our fiduciary duty to members.

During the year, LRSFA’s DB and DC Sections underwent significant changes:

- In June 2024, the Trustee agreed to restructure the investment strategy. The DB Section transacted a full buy in of virtually all assets with Phoenix Group (“the Insurer”), retaining a small surplus alongside – deemed immaterial to the arrangement. This means that member benefits are now effectively insured by the Insurer, largely removing both reliance on the sponsor and also investment and longevity risks.
- In September 2024, the assets of the DC Section were transferred to an off-the-shelf arrangement with Standard Life (the “DC Investment Provider”). The default investment strategy transitioned to Standard Life’s Sustainable Multi-Asset (SMA) Universal strategy; this is the same default investment strategy that is used by the Standard Life Master Trust (SLMT). The Trustee also decided to replicate the SLMT’s self-select range.

For both Sections, the Trustee maintains ultimate responsibility for the effective management of climate risks. However, significance governance responsibility has been delegated to the Insurer and the DC Investment Provider. As LRSFA has now fallen out of scope of the statutory TCFD reporting requirements due to its small remaining asset value, this will be the final report published by the Trustee. Information relevant to members’ pensions will continue to be made available by the Insurer and the DC Investment Provider.

The Trustee ultimately believe that the changes made this year represent a further step towards ensuring the financial stability of members through reducing risks posed by climate change.



The TCFD Framework encompasses four pillars:

Governance: Governance of climate-related risks and opportunities.

Strategy: Assessing the actual and potential impacts of climate-related risks and opportunities.

Risk Management: The identification, assessment and management of climate-related risks.

Metrics and Targets: Disclosure of climate metrics and targets.



Introduction

Why is climate change important?

Climate change presents a systemic risk for financial markets and could have a material impact on member investments. The Trustee seeks to identify, assess and manage risks arising from the transition to a low carbon economy alongside the physical risks from climate change.

Climate change has arisen from emissions being released into the atmosphere, including through the production of energy and use of transport, which trap the sun's energy and warm the planet. In 2015, global governments agreed to limit average temperature rises to well below 2°C, with ambition towards 1.5°C, this century.

Responding to the climate emergency presents both risks and opportunities for the Lloyd's Register Superannuation Fund Association (the Fund). The main risks fall into two categories – transition costs are expected to be incurred from decarbonisation action, and physical damages will be incurred should global temperatures continue to rise (see below definitions). The higher the transition risks (decarbonisation action), the lower the expected physical damages from climate change – and vice versa. Member investments will be exposed to climate-related risks, regardless of global climate outcomes. Global decarbonisation efforts are, however, also expected to offer opportunities for the Fund. The Insurer (for the DB Section) and the DC Investment Provider (for the DC Section), on behalf of the Trustee, will assess the appropriateness of these opportunities in conjunction with other financially material considerations.

Transition risks from climate change



To decarbonise the global economy, near-term policies, technologies and market preferences will shift in favour of low-carbon solutions.

Physical risks from climate change



Include both sudden onset natural disasters and slower shifts in weather patterns and their impact on assets, infrastructure and economies, due to the expected scale up over time as temperatures rise.

This report analyses climate-related risks and opportunities for the Fund, with a section for each TCFD pillar: Governance, Strategy, Risk Management, and Metrics and Targets. This report serves as the final update to members on the Trustee's management of climate-related risks and opportunities, following the buy-in for the DB Section and DC Section transition to the DC Investment Provider's off-the-shelf investment solution.

TCFD Summary



Governance

Governance of climate-related risks and opportunities

The Trustee climate beliefs are set out in the Fund's Statement of Investment Principles. We believe climate change poses a systemic risk for financial markets.

The Trustee governance processes include the setting out of roles and responsibilities in respect to climate change, as laid out in the Fund's Climate Governance Statement (summarised below):

- **Trustee** – Has ultimate responsibility for the oversight of the Fund's climate-related risks and opportunities. The Chair ensures that the Fund allocates adequate time and resources to climate change.
- **Investment Committee** – Although overall responsibility lies with the Trustee, all investment and climate-related activities are delegated to the Insurer. This includes reviewing climate provisions in governance arrangements, strategy and mandates, the risk management framework, and the TCFD report, annually. The IC has now formally disbanded, however the Climate Governance Statement remains unchanged given no further requirement to complete TCFD.
- **Investment Advisor** – Provides climate-related advice to the Trustee, covering all aspects of the TCFD requirements for pension schemes.
- **Actuary** – Provides climate-related advice to the Trustee regarding the Fund's liabilities, funding position and conducts scenario analysis on liabilities.
- **Other Advisors** – The Fund's Covenant Advisor and Legal Advisor provide climate-related advice to the Trustee on the covenant and regulation, respectively.
- **Investment Managers (including DC Provider)** – Responsibility for managing climate-related risks and opportunities in relation to the Fund's investments.

Following the end of this scheme year, the Investment Committee has been disbanded. Since this is the final TCFD report to be published by the Trustee, the Fund's Climate Governance Statement will not be updated going forward to reflect this.



Risk Management

The identification, assessment and management of climate-related risks

The Trustee maintains a risk register to assist with the identification, assessment, prioritisation, and management of climate-related risks. This has been updated to reflect the Insurance transition and the DC transfer of assets into the DC Investment Provider's off-the-shelf solution that occurred during the reporting year. Whilst ultimate responsibility continues to reside with the Trustee, much of the responsibilities and activities associated with risk management have now been delegated to the Insurer and the DC Investment Provider.

Both the DC Investment Provider and the Insurer have the same parent company, so employ the same Risk Management Framework (RMF). This framework is focussed on:

- **Risk identification** – Climate-related risks are integrated into the Risk Management Framework using both top-down and bottom-up approaches through quantitative and qualitative methods.
- **Risk assessment and management** – Risks are assessed on an ongoing basis to determine materiality, with strategies aligned proportionately to other risks. The Insurer and the DC Investment Provider apply a mix of internal and external inputs to inform their investment decisions.
- **Reporting** – Climate risk reporting is a key priority. Reporting is aligned to industry methodologies and evolving standards to ensure transparency and accountability.
- **Risk Register** – Climate related risks are captured across investment, funding, operational and governance risk to minimise severity and strengthen oversight of the Fund.

TCFD Summary



Strategy

Actual and potential impacts of climate risks and opportunities

To assess the resilience of the Fund's strategy, the Insurer and the DC Investment Provider have undertaken climate scenario analysis. This analysis evaluates both transition risks (shorter term) and physical risks (longer term), testing the investment strategy against different climate pathways to identify areas of greatest climate exposure. We have summarised the results of both the Insurer's and the DC Investment Provider's scenario analysis in this report, but full details are available within their own respective TCFD reports.

Both the Insurer and the DC Investment Provider's off-the-shelf solution use the following time horizons for assessing climate risks:

- **Short term (0-1 year):** Liquidity monitoring and capital requirements.
- **Medium term (1-5 years):** Linked to financial planning.
- **Long term (5+ years):** Reflects nature of the Insurer's business and emerging risks

Defined Benefit (DB) Section

Risk/Opportunity | Potential Impact | Time Horizon

- **Investment Portfolio Exposures** – There may be losses from transitional/physical risks but opportunities arrive via decarbonisation (Short, Medium and Long).
- **Changing Customer Demand** – There is a risk of losing market share: opportunity for growth via offering low carbon products (Short, Medium and Long).
- **Reputational Risk** – This can affect market trust with the Insurer's credibility at stake (Short and Medium).
- **Operational/Supply Chain** – There may be delivery disruptions: opportunity for efficiency and savings (Short Medium and Long).

Defined Contribution (DC) Default Arrangement

Following the transition to replicate the investment strategy of the SLMT in Q3 2024, the Trustee still retains responsibility for the Fund, however it now also benefits from additional governance, oversight and climate considerations received from the SLMT Trustees. As a result, the DC Investment Provider conducts the scenario analysis with Network for Greening the Financial System (NGFS) as the scenario provider, known for their credibility and widespread adoption through the financial industry.

The scenarios used by NGFS are:

- Hot House World
- Delayed Transition
- Net Zero 2050

The Fund uses a lifestyle approach, which de-risks members' investments via a shifting asset class allocation towards retirement.

Given the longer timeframes to retirement, physical risks scale up through time, becoming particularly significant for younger members who are further from retirement. Upfront decarbonisation costs create drags in the short-term, and this can limit the full potential of member savings in the long-term.

TCFD Summary



Metrics & Targets

Climate-related metrics and targets

The Trustee selected and assessed the four climate metrics in the table below using data provided by the DC Investment Provider and the Insurer. Due to the change in data source, these metrics aren't comparable to those of previous years. Going forwards, relevant metrics for the DB Section's assets can be sourced from the Insurer and the relevant metrics for the DC Section's assets can be sourced directly from the DC Investment Provider or the SLMT's TCFD report.

The Trustee has set a data quality target for the DB Section. Due to the change in source for metrics to the Insurer, there has been an improvement in overall data quality that has brought data closer to meeting the target. Due to this being the final year of TCFD reporting for the fund, progress against this target for future years can be found within the Insurer's TCFD reporting. On the DC Section, the previous targets were met during the year, and the Trustee has therefore adopted the targets of SLMT going forwards, progress against which will be published annually by Standard Life.

Metrics	Total GHG emissions (scope 1 & 2)		Carbon footprint (scope 1 & 2)		Implied Temperature Rise		Data quality (carbon footprint, scope 1 & 2) % of scope 1 & 2 emissions that are:				DB Target: Data coverage & quality	Baseline (Sep 2023)	Current (Dec 2024)	Target
	Metric tCO ₂ e	Coverage	Metric tCO ₂ e/\$m	Coverage	Metric °C	Coverage	Verified	Reported	Estimated	Unavailable				
Total Portfolio	27,204	46%	93	46%	2.2	-	0%	44%	2%	54%	Total portfolio	28%	46%	60%

Metrics	Scope 1 and 2			Scope 3		
	Total GHG emissions (tCO ₂ e)	Carbon footprint (tCO ₂ e/ £1m)	Data Quality Score (scale 1 to 5)	Total GHG emissions (tCO ₂ e)	Carbon footprint (tCO ₂ e/ £1m)	Data Quality Score (scale 1 to 5)
Total Portfolio	12,005	53	1.2	113,739	498	3.6

New DC targets (in line with SLMT):

- 50% reduction in intensity for all assets by 2030 vs 2019 baseline.
- Aspiration (as opposed to target) for net-zero for the investment portfolio by 2050.

Main Report

Governance

Governance

Describe the Trustee Board's oversight of climate-related risks and opportunities

The Fund's DB asset allocation now consists almost entirely of a single buy in policy with the Insurer. Therefore, the governance arrangements of the Insurer are most relevant to these assets. Similarly, the DC Section is now invested in the DC Investment Provider's off-the-shelf solution, through which a large part of climate-related governance activities has been delegated. The Trustee nonetheless retains ultimate responsibility for the governance of climate-related risks and responsibilities and maintains a governance framework to document this.

Climate-related beliefs

The Trustee maintain an ESG Policy as part of the Fund's Statement of Investment Principles, which sets out their ESG beliefs and how these are implemented. In the 2022/2023 reporting year, The Trustee agreed additional climate-specific beliefs to ensure climate change is considered as part of how the Fund operates (see box). Whilst the policy no longer needs to be considered in relation to investment decisions, which have been delegated to the Insurer and DC Investment Provider, the Trustee maintains the policy because it retains ultimate responsibility for ensuring member benefits and will continue to produce a SIP.

Governance responsibilities and delegation by the Trustee Board

Whilst overall governance responsibility lies with the Trustee, all investment decisions are delegated to the Insurer and DC Investment Provider, which were assessed for climate competence during the appointment process and are themselves captured within the TCFD reporting regime. The Trustee will continue to communicate with the DC Investment Provider and the Insurer on their governance responsibilities as part of annual engagements.

Climate-related training

Whilst the need for climate-related training is now much reduced, the Trustee undertook training on the DC Investment Provider and the Insurer's approach to strategy and metrics, and climate was considered materially in the assessment of potential buy-in and off-the-shelf providers that led to the ultimate appointment of Phoenix Group and Standard Life to their respective roles.

ESG Policy: highlights

We believe climate change poses a systemic risk for financial markets and investors.

Investment Approach

The Fund will seek to identify, assess and manage climate change risks and opportunities [as well as understand how the buy-in provider and Investment Managers do so].

Risk Management

Climate change risk poses significant investment risks which will become incrementally more severe over time...[and] will be considered, alongside other investment risks, at all stages of the investment journey.

Stewardship

The Trustee expects its buy-in provider and investment manager to exercise voting rights...[as well as] engaging on financially material ESG factors, such as climate change factors.

Governance

Describe the Trustee Board's role in assessing and managing climate-related risks and opportunities

Summary of responsibilities

Here we provide an overview on responsibilities in relation to climate-related risks and opportunities, as set out in the Climate Governance Statement (which we summarise on the following slide.) The Trustee Board retains ultimate responsibility for the oversight of climate-related risks and opportunities, but all investment decisions are delegated to the Insurer for the DB Section and to the DC Investment Provider for the DC Section.

LRSFA Trustee

Ultimate responsibility for the running of the Fund, including oversight of climate-related risks and opportunities

Investment Advisor: Isio

Provides investment advice to the Trustee, including on climate-related risks and opportunities.

Actuarial Advisor: LCP

Provides actuarial advice to the Trustee

Legal Advisor: Hogan Lovells International LLP

Provides legal advice to the Trustee

Covenant Advisor: EY Parthenon

Provides covenant advice to the Trustee, including on the impact of climate change on the strength of the covenant

Investment Managers and Insurer (including DC Provider)

Manage the day-to-day running of fund investments, whilst integrating climate-related risks and opportunities

In addition to the Trustee's own governance arrangements, the delegated arrangements of the Insurer and the DC Investment Provider are also relevant to the governance of climate-related risks to assets. Both the Insurer and the DC Investment Provider have documented their own governance arrangements in their respective TCFD reports, available [here](#) and [here](#), which includes further detail on the roles and responsibilities of those involved in climate governance and how risks and opportunities are identified and managed.

Governance

Describe the Trustee's role in assessing and managing climate-related risks and opportunities

Climate Governance Statement

In 2022/2023, the Trustee produced a Climate Governance Statement which sets out the governance processes and the roles and responsibilities of various stakeholders in identifying, assessing and managing climate-related risks and opportunities. This applies to both the DB and DC Sections of the Fund. Going forward, the Investment Committee has been disbanded but as this is the last year of TCFD reporting for the Fund, the Climate Governance Statement has not been updated.

Trustee	– Receiving regular training on climate-related risks and opportunities. Agreeing and reviewing climate beliefs and strategy – Setting and implementing roles set out in the Governance Statement. Incorporating climate-related considerations into strategic decisions across the DB and DC Sections. – Using Board meetings as an opportunity to question and/or challenge TCFD reporting produced by external advisers, to ensure the advice remains appropriate for the Fund and its members – Keeping informed of climate related risks and opportunities using climate scenario analysis and climate-related metrics, and its integration into strategic considerations.	Investment Advisor	– Support the Trustee and IC in identifying, assessing and managing climate considerations within the Fund's governance arrangements, investment strategy and risk management, annually. – Reviewing the Fund's Investment Managers from an ESG and climate perspective to manage climate risks, providing reporting to the Trustee and engaging on areas for improvement. – Assisting the Trustee in selecting and presenting climate metrics and targets, annually, and climate scenario analysis at least triennially – Providing annual training on relevant climate-related matters. – Ensure IC kept informed of relevant industry and scientific updates.
Investment Committee (IC)	– Reviewing climate provisions in governance arrangements, beliefs, strategic direction and policy, as well as risk management framework. – Ensuring climate change and ESG criteria are applied during Investment Manager selection and retention processes. – Identifying climate-related risks and opportunities for the Fund, and how these will play out over various relevant time horizons – Undertaking analysis of various climate scenarios, at least triennially. – Receiving updates on the Fund's investments from the Fund's Investment Advisor, including data on climate metrics and progress against any targets set in relation to these metrics, annually. – Overseeing delivery of TCFD reporting, annually.	Actuarial Advisor	– Assessing climate-related risks and opportunities in relation to the Fund's liabilities and funding position, via scenario analysis reporting..
		Covenant Advisor	– Identifying and assessing how climate-related risks and opportunities could affect the employer's covenant, via scenario analysis reporting.
		Legal Advisor	– Ensuring Trustee fulfils legal obligations in respect to climate change, and a legal review of the TCFD Report.
		Investment Managers (including DC Provider)	– Identifying, assessing and managing climate-related risks and opportunities in relation to the Fund's investments. – Exercising voting rights and engaging with portfolio companies. – Providing information on climate change capabilities and reporting in relation to the Fund's investments, including climate metrics.

Strategy

Strategy

An update on strategy analysis following the DB Section’s buy-in and the DC Section’s transition to an off-the-shelf solution.

Both the DB Section’s move to a buy in, and the DC Section’s transition to an off-the-shelf strategy entailed a significant change to the investment strategy. The scenario analysis that the Trustee undertook previously is therefore no longer relevant. Instead, the Trustee is using strategy analysis undertaken by the Insurer and the DC Investment Provider to assess climate-related risks to the DB and DC Sections, respectively, which has been summarised over the following pages.

What climate risks is the Fund exposed to?

- 1. **Transition risks:** costs due to the transition to a lower carbon economy, e.g. due to policy changes, technological change, and changes in market preferences. Significant investor opportunities will also be present in the transition, however there is also material risk of stranded assets
- 2. **Physical risks:** costs due to the increasing severity and frequency of climate-driven events like violent storms, flooding and extreme heat. There is also an increased risk of hitting tipping points (critical, and often irreversible, thresholds past which the effects of climate change would be expected to accelerate).

Updated time horizons

Both the Insurer and the DC Investment Provider use the below time horizons in their consideration of climate-related risks and opportunities:

Short term (0-1 year)	Medium term (1-5 years)	Long term (5+ years)
Aligned with liquidity monitoring and capital requirements	Consistent with financial planning processes	Reflects the long-term nature of the Insurer and DC Investment Provider’s business and emerging risks.

Because the DB Section now consists primarily of the buy in policy, which matches member benefits in perpetuity, and which is guaranteed by the Insurer, the impact of climate-related risks and opportunities on the sponsor and liabilities is no longer relevant and the analysis in this report is focussed on the investment strategy only.

Strategy

DB Section analysis

Due to the change in asset allocation with the buy in policy completed by the DB Section during the year, this report includes updated scenario analysis sourced from the Insurer. This is used to test the resilience of the Insurer’s investment strategy under different climate pathways, assessing the impacts of both transition and physical risks, and informs the Insurer’s management of climate risk. Whilst this analysis covers the Insurer’s total asset book, not just assets relating to its buy in business, this analysis is an effective measure of risks that assets used to fund DB member benefits are exposed to. We have also commented below on the general implications of the transfer of assets to the Insurer as part of the buy in transaction that was undertaken in 2024.

The Insurer has identified the below climate-related risks and opportunities relevant to its businesses and strategy over the short, medium, and long-term horizons:

Risk / Opportunity	Potential Impact	Time Horizon
Investment Portfolio Exposures	Losses from transition or physical risks; Opportunities from decarbonising benchmarks and climate solutions	Short, Medium, Long
Changing Customer Demand	Risk of losing market share; Opportunity to grow via low-carbon investment products	Short, Medium, Long
Policy/Regulatory/Legal Change	Risk of litigation, sanctions, or failure to meet targets; Opportunity to influence transition	Short, Medium, Long
Reputational Risk	Loss of trust and market share if climate risks not managed	Short, Medium
Operational Disruptions & Supply Chain	High delivery costs, supply chain disruptions; Opportunities for energy efficiency and cost savings	Short, Medium, Long

The UK insurance regime

The UK insurance industry is highly regulated and there are numerous requirements relating to governance and risk management of assets that ensure members’ benefits are paid as they fall due – both climate-related and more broadly – that insurers, including Phoenix Group, are required to comply with. Notably:

- Solvency UK (which replaced the EU’s Solvency II at the end of 2024) imposes capital adequacy, transparency and reporting requirements on insurers and places rules on the overall level of risk UK insurers are permitted to take;
- Insurers are also captured within statutory TCFD reporting requirements, under which they must report on their climate-related governance, risk management, strategy (including conducting scenario analysis), and metrics and targets. More detail is contained in the Insurer’s most recent TCFD report.

The Trustee believes that by effectively removing the Fund’s investment and longevity risk, the buy-in transaction has significantly enhanced the security of benefits, including from the standpoint of climate risks.

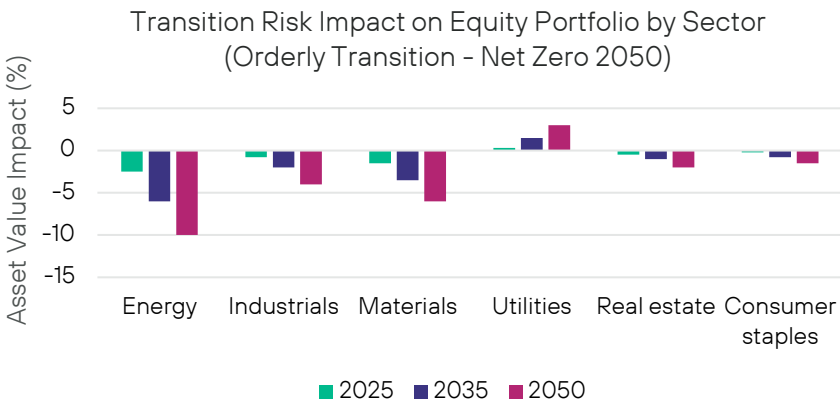
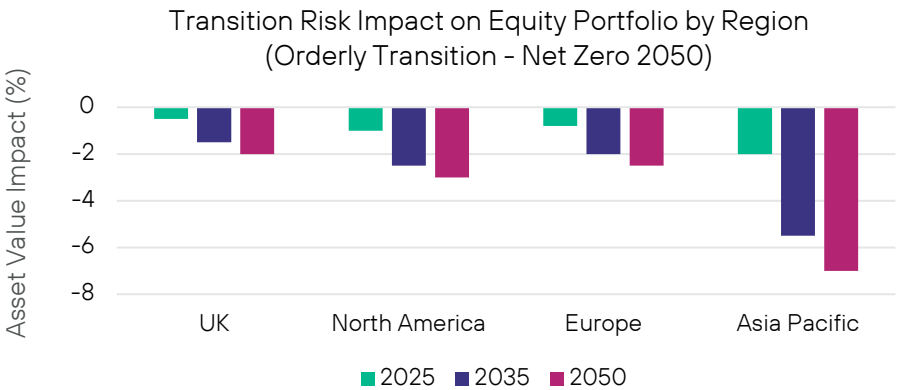
Strategy (DB Section)

Scenario analysis

Overview:

The scenario analysis conducted by the Insurer employed NGFS Phase IV climate scenarios, with a well-managed transition pathway (Net Zero 2050) to scenarios reflecting delayed or fragmented policy implementation. These scenarios were applied to assess potential impacts across the Insurer’s investment portfolio, evaluating risks and opportunities by asset class, geographic exposure, sectoral concentration, and counterparty resilience. The assessment assumed a static asset allocation framework, isolating climate-driven effects by excluding potential management interventions or strategic reallocations during the analysis period. This approach provides a baseline understanding of portfolio vulnerabilities and transition readiness under varying decarbonisation trajectories. More detail on these scenarios, and the Insurer’s reasons for choosing them, are available in their own TCFD report.

- Transition Risk Analysis



The scenario analysis highlighted regional disparities, with Asia Pacific equities having the highest vulnerability due to concentrated exposure to greenhouse gas (GHG)-intensive industries. Sectoral impacts diverged sharply, with Energy and Materials facing acute transition risks, while Utilities exhibited long-term adaptive capacity through decarbonisation investments. Counterparty-level outcomes showed extreme variability (-100% to +550% valuation impacts), underscoring the critical role of active engagement over blanket divestment strategies.

The Insurer’s Actions:

To mitigate these risks, the portfolio implemented three core strategies: adoption of decarbonised benchmarks to systematically reduce carbon intensity; enhanced stewardship programs to accelerate investee companies’ net zero alignment; and targeted allocations to climate solutions supporting both portfolio resilience and real-world emissions reduction.

Strategy (DB Section)

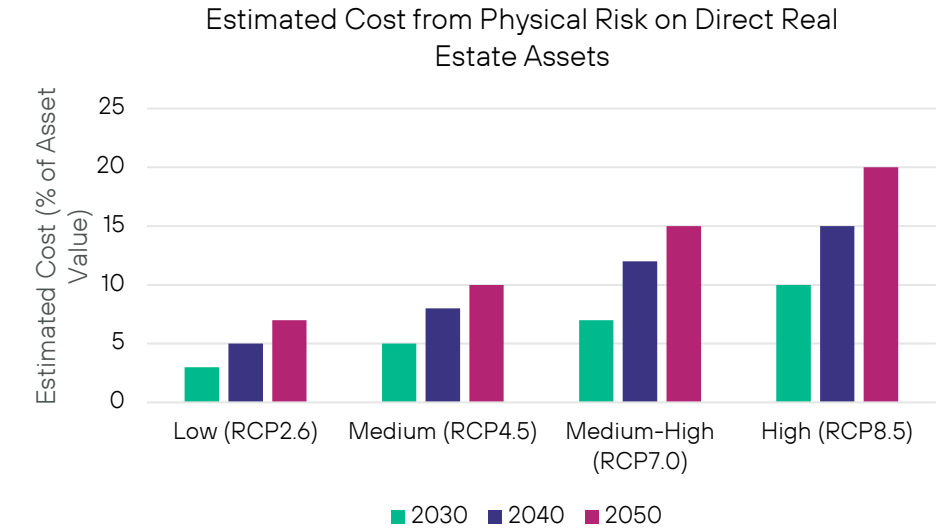
Scenario analysis

Physical Risk Analysis

A comprehensive physical risk analysis was also conducted across £4 billion of directly held real estate assets and £1 billion in real estate loans, utilising S&P Climametrics to model impacts under IPCC RCP scenarios (1.5°C to 4°C+ warming). The assessment quantified exposure to flooding, extreme heat, drought, wildfire, and tropical cyclones, revealing escalating adaptation and operational costs in higher-emission pathways, particularly in later-decade projections. Directly held real estate demonstrated greater vulnerability compared to loan exposures, reflecting concentrated geographic and sectoral risks.

Qualitative Analysis

A qualitative deep-dive into an extreme flooding scenario highlighted acute exposure in Asia Pacific real estate and industrial assets, with cross-functional workshops involving Risk, Asset Management, and Sustainability teams underscoring the materiality of physical risks. These findings reinforce the imperative to embed physical risk considerations – beyond transition risk alone – into the Insurer's portfolio's overarching risk management framework, to ensure holistic resilience across geographies and asset types.



Conclusion of DB Scenario Analysis

Climate change has potential to materially reduce investment returns and increase volatility if unmanaged.

The Insurer's investment strategy is resilient but requires ongoing action to mitigate transition and physical risks.

Insurer's Commitment: Maintain financial resilience, meet net zero targets, and safeguard customer outcomes.

Next Steps

Continue refining climate scenario modelling and stress-testing.

Expand physical risk analysis to additional asset classes (e.g. illiquid credit).

Develop a physical risk roadmap to prioritise exposure (flooding, subsidence, sea level rise, wildfire).

Explore enhancements from new data providers to improve coverage and accuracy

Strategy

DC Section analysis

During the Fund year, the LRSFA Trustee agreed on changing the default strategy from their bespoke solution to the DC Investment Provider's off-the-shelf solution, which is their Sustainable Multi Asset strategy. With this change, overall responsibility for the assets still sit with the Trustee, but strategic consideration of climate-related risks and opportunities has moved to the DC Investment Provider as part of their asset allocation process. Due to this strategic change, updated strategy and scenario analysis has been sourced from the DC Investment Provider and summarised within this report (though full analysis can be found within the DC Investment Provider's Master Trust's own TCFD report).

The DC Investment Provider has used the following three scenarios to assess the potential risks of climate change:

Net Zero 2050

Limits warming to 1.5°C by 2100 (with temporary overshoot) via strict policies/innovation, achieving global net zero CO₂ by 2050. US, EU, Japan reach net zero for all GHGs; uses moderate CDR.

Delayed Transition

Aims for 2°C by 2100 with temporary overshoot. Emissions plateau until 2030, requiring post-2030 policy surge to stay under 2°C. Net-zero regions lead ambition thereafter.

Hot House World/Current Policies

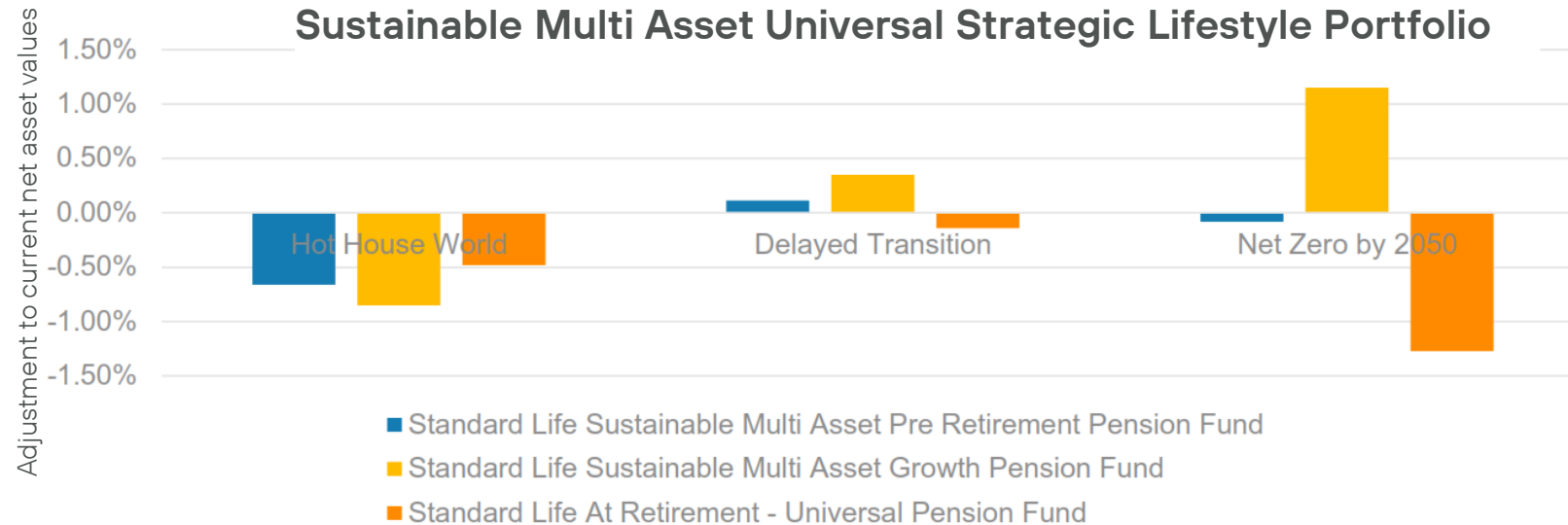
Current climate policies continue but lack strengthened ambition, risking ~3°C warming and severe, irreversible impacts.

The scenarios used are the same as those previously used by the Trustee's investment consultant, but there are likely to be differences in the methodology and assumptions used for modelling. Further detail on the reasons for choosing these scenarios can be found in the DC Investment Provider's own TCFD report.

Strategy (DC Section)

Scenario analysis

The DC Investment Provider has provided the below results from their scenario analysis:



- Under the **Hot House World** scenario, physical risks are most acute, and transitional risks are less severe due to the failure of the world to transition to a low carbon economy. All three funds experience a fall in value under the hot house world scenario.
- In the **Net Zero 2050** scenario, transition risks are the most significant as the world transitions to a low carbon economy, however physical risks are much less acute as a result. Under this scenario, the results are much more disparate across the funds, with Multi Asset Growth fund experiencing an increase in asset value, whilst the At Retirement fund sees a more significant drop in value.

How does the DC Investment Provider integrate sustainability within their strategy?

- Decarbonising of investment portfolios** – In 2024, the strategy introduced new sustainable indices for both equity and corporate bonds that align under the FCA's Sustainability Improvers label under its SDR regime. These indices aim to reduce the carbon footprint by 7% per year, have an uplift on exposure to green revenues and directly connect with the DC Investment Provider's stewardship activities.
- Stewarding of assets** – the DC Investment Provider considers stewardship to be fundamental in decarbonising and having an impact through company engagement and dialogue on climate-related risks and opportunities. Earlier this year, analysis of progress against target companies was conducted. The analysis showed that 49% of climate engagement objectives for the target 25 companies have been achieved or partially achieved and an additional 9% committed to be addressed in the future.

Risk Management

Risk Management

An update on the Fund's risk management

Following the buy-in and DC transfer of assets to the DC Investment Provider's off-the-shelf solution that occurred during the Fund's reporting year, management of climate-related risks and opportunities has been delegated to the Insurer and the DC Investment Provider as the off-the-shelf solution provider, however for both sections, the Trustee remains ultimately responsible. The risks management framework of the Fund, as well as those of the Insurer and DC Investment Provider, are therefore relevant.

The Trustee's existing risk management framework has been updated to reflect the fact that responsibility for identifying, monitoring, and managing risks is now largely delegated to the Insurer and DC Investment Provider, whereas previously it resided with the advisors and investment managers. For greater detail on the delegated risk management frameworks, readers should now refer to the Insurer's and the DC Investment Provider's own TCFD reports, which we have briefly summarised on the following pages.

Risk register

The aim of the process of identifying the main risks is to reduce the severity of these climate-related risks for the Fund, as a whole. Risk management is prioritised based on the relative materiality of these risks. This framework has since been updated to reflect the completion of the buy in transaction with the Insurer .

Potential issues:	
Investment risk	• Macroeconomic impacts from climate change impact on investment returns, including both transition risks and physical risks from climate change. • Asset mispricing or asset price bubbles arise from ESG or climate-related risks, resulting in re-pricing events and lower investment returns. • insurer and DC default arrangements fail to adequately integrate climate-related risks into their risk management frameworks.
Funding risk	• The funding position is adversely impacted by climate change, with higher costs and greater uncertainty on the impacts on investments and liabilities. • Climate-related risks deteriorate the strength of the covenant.
Operational risk	• Investment Managers do not provide adequate data for TCFD reporting purposes, in particular climate-related metrics. • TCFD reporting is insufficiently clear for member communication purposes.
Governance risk	• ESG and climate governance responsibilities are not established, leading to a lack of oversight regarding ESG and climate risks. • Knowledge gap on climate issues and regulations, preventing effective oversight.

The Trustee maintains responsibility for **climate-related risk management** following the completion of the buy in, however much of the climate-related risk management has been **delegated to the Insurer and the DC Investment Provider** following changes over the year.

Climate-related risk management

The Trustee maintains processes for managing climate-related risks, however responsibility for monitoring and managing risks to Fund assets has now been delegated to the Insurer and the DC Investment Provider, who are responsible for investment decision-making.

Both the Insurer and the DC Investment Provider have the same parent company, so use the same Risk Management Framework, the key principles of which are discussed in the table to the right.

 Risk identification	The integration of climate-related risks into the Risk Management Framework (RMF) ensures a comprehensive, top-down and bottom-up approach to identifying these risks through both quantitative and qualitative methods.
 Risk Assessment and Management	The materiality of the risk identified is assessed on an ongoing basis, ensuring strategies allow for climate risk, proportionately to the materiality of other risks. This informs how and when to make climate risk-driven decisions over time. This is supported with a variety of tools for identifying, assessing, and managing climate-related risks, including • Annual stress testing and scenario analysis • Ongoing emerging risk, regulatory and market scanning • Ongoing carbon footprinting and monitoring of progress against climate risk metrics and external targets
 Reporting	Climate risk reporting remains a key priority for the Insurer and the DC Investment Provider, evolving alongside market best practices to engage stakeholders and manage risks effectively. As industry methodologies and guidance continue to develop, the Insurer and the DC Investment Provider actively evaluates emerging standards to adapt assessments and ensure transparent alignment with external climate commitments.

Risk Management

The Insurer and the DC Investment Provider's management of climate risk has been incorporated into their risk management framework. The mitigating actions being taken to address material climate risks are set out in the table below.

Risk	Mitigating actions:
Climate risk exposures within investment portfolios	• Scenario testing: Stress-test portfolios across multiple scenarios to assess transition/physical risk exposure. • Decarbonisation focus: Reduce climate risk through targeted portfolio shifts, enhancing resilience and reducing stranded asset risks. • Stewardship-driven transition: Engage investees and asset managers to align business practices with net-zero 2050 goals. • Climate-aligned investments: Direct clients' and shareholders' funds toward assets supporting a resilient net-zero transition.
Emerging government policy, regulatory and legal	• Collaborative climate leadership: Partner with policymakers, industry peers, and thought leaders to address systemic climate risks – driving innovation, overcoming barriers, and refining our risk management strategies.
Reputational damage if climate risks are not appropriately managed	• Ongoing monitoring and measurement of climate metrics: Informs the management actions taken to manage climate risk. • Ensuring net zero targets: Commitment to actions we take to deliver and support good customer outcomes. • Implementation: Anti-greenwashing controls implemented across the business. • Supplier risk management: Suppliers must be able to demonstrate that they operate/provide services that satisfy the Insurer's risk appetite to be onboarded and must continue to demonstrate this on an ongoing basis.
Disruptions to our business operations and supply chain	• Decarbonisation focus: Take action to decarbonise operations to mitigate exposure in transition risks. • Resilience assessment: Assessing business's resilience to various climate risk on an ongoing basis, ensuring the Insurer can continue operations.
Changing demand for products, funds and solutions	• Engagement with customers: Understanding the changing needs and preferences of customers and helping understand these impacts on their investments. • Meeting customer needs: Offering easy, sustainable investment options focused on growing customers' money over the long term while investing more sustainably.

Metrics and Targets

Metrics and Targets

Disclose the metrics used by the Trustee to assess climate-related risks and opportunities in line with its strategy and risk management process

Now that the DB Section's assets have been transferred to the Insurer and DC Section's assets mirror the asset allocation of the DC Investment Provider's Master Trust, the relevant metrics and targets used to assess climate-related risk are those selected by the Insurer and the DC Investment Provider in their own TCFD reporting.

The Insurer and the DC Investment Provider are able to provide reporting on all four of the metrics that the Trustee previously selected to measure, with the exception of data quality, which is now reported on using the 1-5 PCAF scoring methodology.

The Trustee's selected metrics are as follows:



Absolute emissions metric: Total greenhouse gas emissions (Scope 1 & 2 and Scope 3). This seeks to attribute investee company emissions to the Fund, based on the value of investments in the company.



Emissions intensity-based metric: Carbon footprint (Scope 1 & 2 and Scope 3). Absolute emissions are normalised per £1 million invested, to understand the relative emissions intensity of different mandates.



Portfolio alignment metric: Implied temperature rise ("ITR"). The temperature pathway the mandate aligns to, expressed as an increase in global average temperatures by the end of the century.



Additional climate change metric: Data quality score. A weighted average data quality score (1–5 scale) reflecting emissions data quality of held assets, per PCAF methodology.

The analysis summarised on the following pages was provided by the Insurer and the DC Investment Provider to the Trustee.

Why monitor emissions?

Greenhouse gas emissions result from a number of economic activities, primarily as a result of burning fossil fuels. These emissions trap the sun's energy, resulting in a "greenhouse effect" and relative warming. Slowing and reducing the release of emissions into the atmosphere is therefore important.

Why assess portfolio alignment?

It's vital to assess how companies could evolve in the future, as emissions are inherently backward-looking. This ensures we have a longer-term focus for climate-related decision making. For example, understanding a fossil fuel energy company might be carbon intensive today, but has credible plans to align with low carbon goals and transition to renewable energy, in the future.

Why explore data quality?

It's important to understand whether the emissions data we are using to measure the materiality of decarbonisation risks are credible. This in turn allows robust decision-making and target-setting.

Metrics and Targets

The analysis shown is based on information provided by the Insurer as at 31 December 2024. The date of analysis has been changed for the DB Section from 30 September to 31 December to reflect the DB Section investment strategy post buy-in.

Whilst this analysis covers the Insurer’s total asset book, not just assets relating to its buy in business, this nonetheless represents an effective measure of climate-related risk to assets that will be used to fund member benefits.

DB Section		Total Fund 2024/2025
Scope 1 & 2	Total GHG emissions (tCO ₂ e)	27,204 (46% coverage)
	Carbon footprint (tCO ₂ e/ £1m)	93
	Data Quality Score (scale 1 to 5)	1.7
Scope 3	Total GHG emissions (tCO ₂ e)	111,667
	Carbon footprint (tCO ₂ e/ £1m)	383
	Data Quality Score (scale 1 to 5)	3.0
Implied Temperature Rise (°C)		2.2

Metrics data for 2024/2025 sourced from the Insurer and is as at 31 December 2024. Isio makes reasonable efforts to check specific data provided by investment managers, however data provided by managers has not been independently verified by Isio. Further information on the methodology used is available in the Insurer’s TCFD report.

Metrics and Targets

Describe the targets used by the Trustee to manage climate-related risks and opportunities and performance against targets

Progress against target

In 2022, the Trustee agreed a target to increase carbon footprint (Scope 1 & 2) and data quality (emissions verified, reported or estimated) to 60% over three years to September 2025.

Two years on, the Fund has not quite reached this target, but overall data quality continues to increase for the DB Fund. The improvement in data quality for the DB Section this year was driven by improved data coverage for the buy-in policy held with the Insurer.

As the relevant assets are no longer in the Trustee’s remit, in subsequent years, and because this will be the Trustee’s final year of TCFD reporting, members should look to the target(s) set out in the Insurer’s own TCFD report for relevant information including for information on the steps being taken to meet the targets. These are summarised in the appendix of the report, and full details can be found in the Insurer’s 2024 Sustainability Report.

	Total Fund	
	30 Sep 2023	31 Dec 2024
Data quality: emissions verified, reported or estimated	28%	46%
<i>Verified</i>	<i>0%</i>	<i>0%</i>
<i>Reported</i>	<i>27%</i>	<i>44%</i>
<i>Estimated</i>	<i>1%</i>	<i>2%</i>
<i>Unavailable</i>	<i>72%</i>	<i>54%</i>

Metrics and Targets

The analysis shown is based on information provided by the DC Investment Provider in relation to the Sustainable Multi-Asset default, as at 30 September 2024.

DC Section		Total Portfolio 2024/2025
Scope 1 & 2	Total GHG emissions (tCO ₂ e)	12,005
	Carbon footprint (tCO ₂ e/ £1m)	53
	Data Quality Score (scale 1 to 5)	1.2
Scope 3	Total GHG emissions (tCO ₂ e)	113,739
	Carbon footprint (tCO ₂ e/ £1m)	498
	Data Quality Score (scale 1 to 5)	3.6
Implied Temperature Rise (°C)		1.6

Metrics data for 2024/2025 sourced from the DC Investment Provider and is as at 30 September 2024. Isio makes reasonable efforts to check specific data provided by investment managers, however data provided by managers has not been independently verified by Isio. Further information on the methodology used is available in the DC Investment Provider's TCFD report.

Metrics and Targets

Describe the targets used by the Trustee to manage climate-related risks and opportunities and performance against targets

Progress against target:

Previously the Trustee set individual targets to increase the coverage and quality of the carbon footprint (Scope 1 & 2) data for each of the underlying funds in the DC Default Arrangement over the 3 years following.

In the 2024 report, we noted that coverage across all three underlying funds increased significantly, and all targets were met.

Given that the DC Section now invests in the DC Investment Providers off-the-shelf solution, the Trustee has chosen to adopt the following target in line with that of the SLMT:

50% reduction in intensity for all assets by 2030 vs 2019 baseline

The full list of SLMT's targets are outlined on the right-hand side.

Because this will be the Trustee's final year of TCFD reporting, members should look to the target(s) set out in the DC Investment Provider's own SLMT TCFD report for relevant information in subsequent years, including for information on the steps being taken to meet the targets.

DC Investment Provider's Master Trust targets:

25% reduction in carbon intensity (for equity/credit) by 2025 vs 2019 baseline. SLMT has already achieved a 68% reduction in carbon footprint equity and credit.

50% reduction in intensity for all assets by 2030 vs 2019 baseline

Aspiration (as opposed to target) for net-zero for the investment portfolio by 2050.

Further detail is available on page 26 of [SLMT's TCFD report](#).

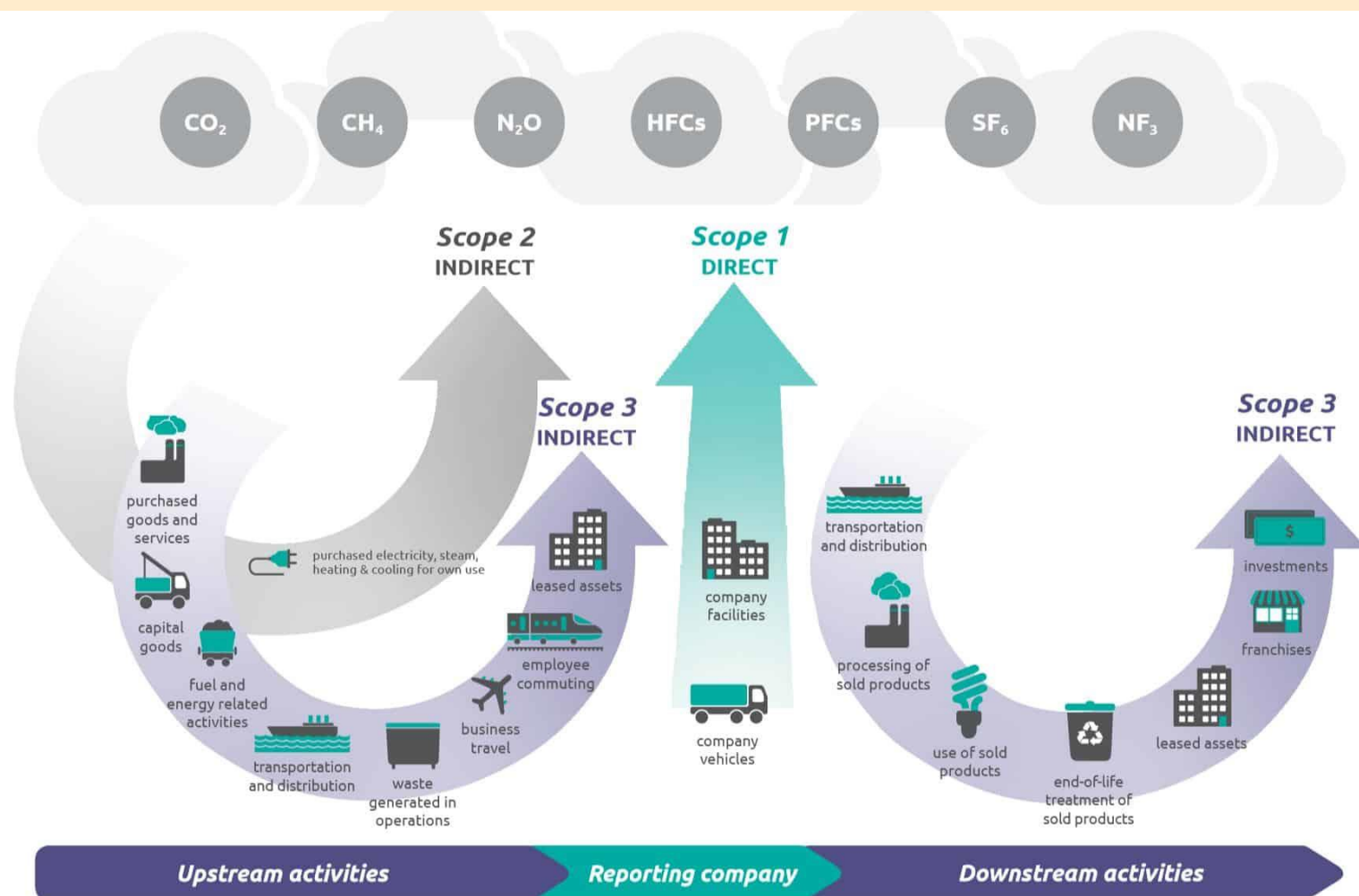
Appendix

Metrics and Targets

Metrics appendix

GHG emissions from a particular company can be split across three levels, as shown in the diagram.

- **Scope 1** are direct emissions from company owned or controlled sources – this includes heating/cooling of offices/factories and fleet vehicles.
- **Scope 2** are indirect emissions from purchased energy – emissions are created during the production of the energy which is eventually used by the company.
- **Scope 3** are all indirect emissions that occur in the value chain – this includes emissions from the production of purchased goods and services and the use of sold products. There are currently industry-wide issues with reporting scope 3 emissions.



Metrics and Targets

Metrics appendix: The Insurer's additional climate targets (1/2)

Planet Targets

Invest	Executive Remuneration					
	Material issues	SDG(s)	ED Strategic Scorecard	LTIP**	Target Year	Status 2024
Reduce the carbon intensity of our listed equity and credit assets by 25% where we exercise control and influence	1	13	✓	✓	2025	Ongoing
Reduce the carbon intensity of all assets where we can exercise control and influence by at least 50%	1	13			2030	Ongoing
Achieve net zero in our investment portfolio	1	13			2050	Ongoing
50%–70% of illiquid asset origination in the shareholder portfolio to be sustainable, transition or productive assets	1,3	8, 9, 11, 13			2025	Ongoing
Climate aware benchmarks to be implemented or explored for all regions for 100% of AUM	1	13			2025	New
Instruct votes at 80% companies' AGMs on our priority list	1,3	13			2025	New
Deliver initial £1bn to Future Growth Capital to invest in productive assets in line with the Mansion House Compact goal*	1	13			2026	New

*Capital allocated to Future Growth Capital may not be invested by 2026. ** Long-term Incentive Plan.

Metrics and Targets

Metrics appendix: The Insurer's additional climate targets (2/2)

Planet Targets

Lead	Executive Remuneration					
	Material issues	SDG(s)	ED Strategic Scorecard	LTIP**	Target Year	Status 2024
Net zero in our operations (covering Scope 1 and 2 emissions from our occupied premises and Scope 3 emissions from our business travel)	1	13			2025	Ongoing
Maintain 75–85% intensity reduction vs 2019 baseline in operational carbon emissions	1	13		✓	2025	Ongoing
The 10 highest emitting suppliers to have set science-based targets, in line with a net zero trajectory*	1	13			2025	New
50% reduction in our supplier base emissions intensity	1	13			2030	Ongoing
Net zero across our entire business	1	13			2050	Ongoing

*Suppliers will be deemed to have set science-based targets if they have met the net zero goal-setting and emissions reduction target-setting standards set out in the Insurer's ESG Supplier Standards. ** Long-term Incentive Plan.

Further details can be found in the Insurer's TCFD report.

Strategy

Scenario analysis

Limitations in scenarios and modelling (the Insurer)

We are conscious of the limitations related to scenario analysis and we take these limitations into account when assessing what the implications of scenario analysis are for the business. We will continue to ensure that actions taken to manage climate risk are implemented at the appropriate pace and support the delivery of good outcomes for our customers and shareholders.

Scenarios

- How climate risk will emerge, the speed at which it will emerge, and when it will emerge are all highly uncertain. Only a subset of possible climate outcomes have been assessed and we acknowledge an infinite range of possible climate pathways could emerge, each of which could impact the Group's business model, balance sheet resilience and our customers in a range of ways.
- There are limitations to how physical risks are captured within quantitative modelling, particularly relating to the impacts of tipping points and the systemic effects of climate risk events on the wider economy.
- The scenarios used are not considered to be upper or lower limits for potential climate outcomes and impacts could be far in excess those estimated.

Impacts

- The impacts of the climate scenarios on our investment holdings do not account for potential abatement and adaptation actions that companies and governments may take as the scenarios unfold. If and how these actions may emerge are highly uncertain so they have been excluded to allow an assessment of more extreme versions of the pathways.
- The impacts of the scenarios are highly sensitive to the underlying assumptions, including the future trajectory of carbon prices which are inherently uncertain.

Data

- The Group has sourced scenario data from a leading data provider, however data is more readily available for investments in listed counterparties than private markets.
- Look-through data has been used to identify the underlying investments in respect of some of our funds invested in collective investment vehicles. Data coverage in the climate models used for scenario analysis currently stands at c.70%.

Our ability to increase the coverage further is limited by the granularity/functionality of data providers.

Strategy

Scenario analysis

Limitations in scenarios and modelling (the DC Investment Provider)

We are conscious of the limitations related to scenario analysis and we take these limitations into account when assessing what the implications of scenario analysis are for the business. We will continue to ensure that actions taken to manage climate risk are implemented at the appropriate pace and support the delivery of good outcomes for our customers and shareholders. Since the DC arrangement has moved to Standard Life, we have outlined their approach below

- the DC Investment Provider's approach to scenario analysis combines the use of a quantitative model along with judgement to qualitatively interpret and assess the risk associated with the quantitative analysis.
- The DC Investment Provider qualitatively interprets the model output by comparing the model metrics against those from pre-selected groups of assets.
- These groups are selected using qualitative information to create a series of comparison points:
 - "Low"- This represents assets which are potentially in a position to perform well in a given scenario and may see lower levels of risk because of the types of asset, the sector a company may operate in, the capability of commitment it may have to manage a transition to a low carbon economy, or due to the geographic location of its operations a lower level of potential exposure to physical hazards.
 - "Medium"- This represents assets which may have mixed performance in a given scenario and may see lower levels of risk because of the types of asset, the sector a company may operate in, the capability of commitment it may have to manage a transition to a low carbon economy, or due to the geographic location of its operations some moderate level of potential exposure to physical hazards.
 - "High"- This represents assets which are potentially in a position to perform poorly in a given scenario and may see lower levels of risk because of the types of asset, the sector a company may operate in, the capability of commitment it may have to manage a transition to a low carbon economy, or due to the geographic location of its operations an elevated level of potential exposure to physical hazards.
- The DC Investment Provider's assessment of low, medium and high risk is individually calibrated by scenario and incorporate expert judgement on the types of risk and timings of when it may manifest in each scenario.
- The models are based on assumptions and simplifications across both the climate-related impacts and the investment implications, they are not intended to be a perfect prediction of the future but rather provide the Trustee with hypothetical constructs. The model's projections are sensitive to the starting position and the econometric assumptions. Changes to the assumptions can have a material impact upon the output. There can be no guarantee that any particular asset class or investment manager will behave in accordance with the assumptions.

