



TCFD REPORT 2025

Introduction

This report for the year ended 31 March 2025 has been prepared by BBC Pension Trust Limited (the Trustee), as the sole corporate trustee of the BBC Pension Scheme (the Scheme). It is presented in compliance with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the Climate Regulations) which applied to the Scheme from 1 October 2021.

The Scheme is a defined benefit pension scheme. Information about the Scheme, its investments and funding position can be found in the Annual Report available on the Scheme website. The value of the Scheme's investments was £12.6bn at 31 March 2025.

The Climate Regulations require the Trustee to carry out certain activities and prepare a report on how it manages climate-related risks and opportunities in the Scheme. The regulations are based on disclosures recommended by the Taskforce on Climate-related Financial Disclosures (TCFD), which aims to improve and increase reporting of climate-related financial information.

This is the fourth annual report of the Trustee under the Climate Regulations, although the Trustee has published annual disclosures in line with the recommendations of the TCFD since 2018.

The TCFD recommends that organisations consider relevant climate-related risks and opportunities and make disclosures under four headings:

1. **Governance:** the organisation's governance around climate-related risks and opportunities
2. **Strategy:** the impacts of climate-related risks and opportunities on the organisation's strategy
3. **Risk Management:** how the organisation identifies, assesses, and manages climate-related risk
4. **Metrics and Targets:** the metrics and targets used to assess and manage relevant climate-related risks and opportunities.



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The Trustee recognises that climate change is a long-term risk for the Scheme and has the potential to impact the Scheme's investments, liabilities, funding position and employer covenant. The Trustee has developed robust governance and risk management processes to monitor and manage these risks. In addition, the Trustee seeks to take advantage of opportunities arising from the transition to a low-carbon economy, where these are compatible with the Scheme's financial objectives.

1. GOVERNANCE

Trustee oversight of climate-related risks and opportunities

The Trustee has published a Governance Statement which sets out the arrangements in place for managing the Scheme appropriately and effectively. This can be viewed on the [Scheme website](#).

The Trustee aims to meet good governance standards. It manages the Scheme in line with industry best practice and the guidelines set out by the Pensions Regulator, in order to comply with applicable law and regulatory requirements and to achieve its objective of paying members the benefits due to them.

The Trustee has documented its approach to investment and climate change in the Statement of Investment Principles and Responsible Investment Policy, available on the [Scheme website](#). These documents are reviewed and approved annually by the Trustee Board.

The Statement of Investment Principles includes a set of investment beliefs which are used as foundation blocks for the Trustee to develop investment policy. This includes a specific climate-related investment belief.

The Trustee recognises that climate change is a long term risk for the Scheme and has the potential to impact the Scheme's investments, liabilities and funding position. The Trustee understands that financial risks will arise from the global transition to a low-carbon economy, as well as from long term physical impacts of climate change.

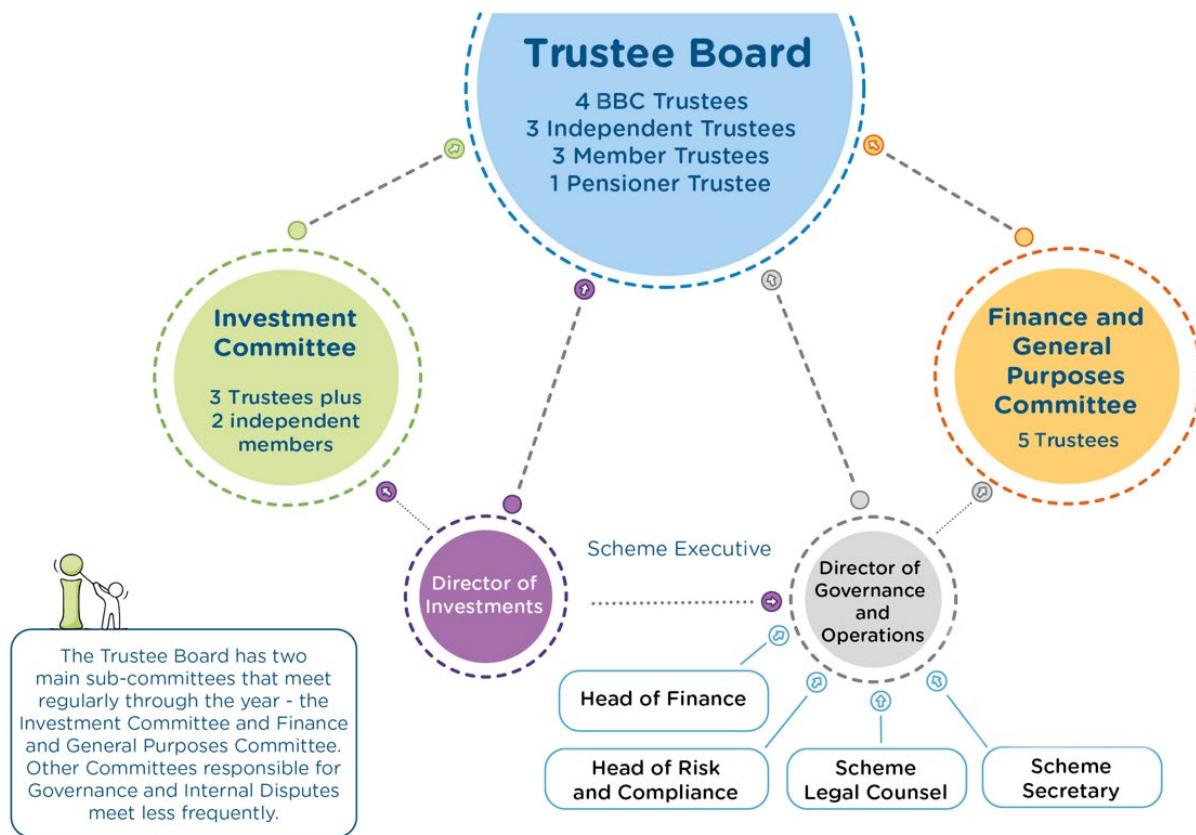
The Trustee has set out its approach to responsible investing, including how it works with its investment managers, in the Scheme's Responsible Investment Policy. It reviews the activities, priorities and overall approach to responsible investment and stewardship at least annually.

The Trustee Board has delegated responsibility for implementing the Trustee's investment strategy and the arrangements for managing the Scheme's assets to the Investment Committee. Committee members are appointed by the Trustee Board.

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The structure of the Trustee Board and its committees is set out in the diagram overleaf. The Trustee has approved terms of reference that explain how the Trustee Board and its committees operate. These are available on the [Scheme website](#).

The Investment Committee terms of reference include responsibility for ensuring that investment risks, including climate risks, are identified and adequately controlled to best practice levels. The Investment Committee reports to the Trustee Board on at least a quarterly basis.



The Trustee carries out scenario analysis periodically, in order to better understand the Scheme's exposure to climate risks. Climate change is included in the register of the Scheme's main risks, which is reviewed at least annually by the Investment Committee and Trustee Board.

During the year, climate-related matters relevant to the Scheme were included in meeting papers and discussions at five Investment Committee meetings and three Trustee Board meetings. Topics covered include:

- company engagement and voting on climate issues;
- management of climate-related risks to Scheme investments;
- climate metrics and targets;
- Scheme investments in renewable energy and the energy transition; and
- the results of climate scenario analysis, its assumptions and limitations.

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The Investment Committee terms of reference include reviewing the resources provided by the BBC to ensure there is the right set of skills and sufficient in-house capacity to oversee management of the Scheme's assets. These reviews are carried out at least annually. A member of the in-house investment team obtained the CFA Institute Sustainable Investing Certificate in 2021. This course included consideration of climate matters relevant to Scheme investments. The in-house team's knowledge and skills have been kept up-to-date through participation in industry groups and regular attendance at industry events, seminars and conferences.

Collaboration and involvement in industry initiatives

The Trustee seeks to engage with regulators and public policy-makers, and collaborate with other pension funds and investors where appropriate and in the best interests of the Scheme, in order to make the best use of resources. Involvement in wider industry initiatives helps Trustee Directors and the Scheme Executive to keep informed of climate-related risks and opportunities which are relevant to the Scheme.

The Trustee is a member of the [Institutional Investors Group on Climate Change \(IIGCC\)](#), the investor-led European membership body with over 400 members across 27 countries. In 2021 the Trustee joined the IIGCC-coordinated [Paris Aligned Asset Owners \(PAAO\)](#) initiative and signed the Net Zero Asset Owners Commitment.

The Trustee is a long-standing signatory to the UN-supported [Principles for Responsible Investment \(PRI\)](#) and a member of the [Asset Owners Council](#), a forum for UK pension schemes and other asset owners to share knowledge and best practice on responsible investment. The Chair of Trustees and members of the Scheme Executive also contribute to investor groups focused on stewardship such as those run by [Accounting For Sustainability \(A4S\)](#) and the [Pensions and Lifetime Savings Association \(PLSA\)](#).

Through membership and support for these groups the Trustee aims to contribute to the development of public policy and support the transition to a low-carbon economy.

Investment managers

The Trustee delegates day-to-day investment decisions to suitably qualified independent investment managers. Investment managers across all asset classes are required to take environmental, social and governance (ESG) factors, including climate change, into account when making investment decisions.

The Trustee carries out monitoring of investment managers including the managers' policy and approach to climate change. Managers are reviewed at least annually or more frequently via written reporting and manager meetings.

Information provided by managers varies according to asset class and includes carbon emissions and portfolio alignment metrics, progress against net zero commitments and detailed analysis of climate-related risks and opportunities related to underlying holdings. Where relevant, managers' voting and engagement activities and priorities are also monitored and reviewed at least annually.

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ESG factors, including climate, are included in due diligence carried out when appointing new managers. This is commissioned from investment consultants who provide detailed reporting for review by the Investment Committee when making investment decisions.

Standards for asset managers are set out in frameworks such as the PRI and the [UK Stewardship Code](#). These initiatives require detailed annual reporting of stewardship activities and include consideration of climate risks and opportunities. As of 31 March 2025, c.95% of the Scheme's assets are managed by PRI signatory organisations and c.80% by UK Stewardship Code signatories. Managers are reviewed and challenged on their application of these principles.

The majority of the Scheme's property and infrastructure managers submit GRESB assessments on an annual basis. GRESB (formerly the Global Real Estate Sustainability Benchmark) is a global reporting framework for assessing and benchmarking the ESG performance of real assets. This includes climate-related factors such as carbon emissions and energy consumption. The results of GRESB assessments are reviewed and discussed with managers as part of the monitoring process.

Investment consultants

Consultants providing strategic investment advice are required to consider climate change in the advice they provide to the Scheme. Consideration of ESG issues, including climate, is included in the strategic objectives set for investment consultants by the Trustee. Performance of investment consultants is reviewed annually against their objectives. An in-depth market review is scheduled to be carried out every five years and consideration of climate-related factors included in the criteria for assessment of candidates.

The core investment consultant WTW has previously been reviewed with reference to the climate competency framework set out by the [Investment Consultants Sustainability Working Group](#). During this review the consultant provided a range of evidence to demonstrate how it considers climate-related risks and opportunities in the work it does for the Scheme, including some areas which were identified as requiring improvement. Since this review was carried out, periodic discussions have been held with the core consultant on specific aspects of climate-related advice including the assumptions and limitations of scenario analysis and incorporation of climate and ESG factors in manager research and recommendations.

During the year WTW has carried out scenario analysis to assess the impact of climate-related factors on the Scheme's investments, liabilities and funding position. A summary of the analysis is included in the Strategy section.

The Scheme has taken additional advice from Mercer on the assessment of carbon emissions related to the Scheme's investments and establishing metrics and targets in order to monitor and manage climate-related risks. Specific consideration of climate-related matters was included in the objectives set for the project.

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Actuarial and covenant advisers

WTW provides actuarial services to the Scheme and is expected to consider all relevant risks, including climate-related risks, in its advice to the Trustee. An in-depth review of the Scheme actuary is scheduled to be carried out every five years. A recent in-depth market review included consideration of climate risk in the criteria for assessment of candidates.

The Scheme's covenant adviser, Cardano, includes climate-related matters in the covenant advice provided to the Trustee. The employer covenant is the extent of the BBC's legal obligation and financial ability to support the Scheme now and in the future. An in-depth review of the covenant adviser is scheduled to be carried out every five years, or sooner if appropriate. Future reviews will include consideration of climate risk in the criteria for assessment of candidates.

Cardano has carried out a detailed review of the impact of climate-related factors on Scheme covenant and provided scenario analysis to support the Trustee's integrated assessment of risk. A summary of this analysis is included in the Strategy section.

Stewardship

The Trustee has appointed a specialist stewardship service provider, [EOS at Federated Hermes \(EOS\)](#), to vote at company meetings and engage with companies on the Scheme's behalf. EOS employs a large team of engagement specialists, with a range of skills, experience, languages and connections to enable them to access and maintain constructive relationships with investee companies.

EOS has developed a rolling [three-year Engagement Plan](#), which is reviewed by the Scheme each year alongside other EOS clients. This includes climate change as a key engagement priority. EOS sets specific company engagement objectives which define measurable changes it is seeking to achieve and each objective is tracked and reported using milestones. Members of the EOS team are actively involved in the IIGCC and participate in climate-related initiatives on the Scheme's behalf, such as [Climate Action 100+](#).

EOS provides regular reporting on the work carried out on behalf of the Scheme, including access to an online portal with details of engagements and progress against objectives. Activities are monitored by the Scheme Executive and reviewed annually by the Investment Committee and Trustee Board. Quarterly voting disclosures and the annual Voting and Engagement Report are available on the [Scheme website](#).

Case Study: Corporate Credit

EOS has been engaging with a UK utilities company which is held in the Scheme's corporate credit portfolio on the robustness of its climate strategy. Since 2022, EOS has been communicating its expectation for the company to expand its targets to comprehensively cover its material emissions. It highlighted the importance of external validation of the targets to provide greater levels of assurance to investors on the company's commitment. EOS continued to encourage comprehensive and externally-validated 1.5°C-aligned targets at the group level through collaborative meetings as part of the Climate Action 100+ and individually in 2022 and 2023.

In 2024, EOS met with the chief sustainability officer and was pleased to see that the Science Based Targets Initiative (SBTi) had validated the company's group-level near-term targets as being aligned to 1.5°C. This provided reassurance that the targets had captured all fossil-fuelled power stations and downstream Scope 3 emissions from its US gas business. This high-level ambition is supported by a significant capital expenditure plan, focused on energy transition opportunities and overwhelmingly aligned to the EU taxonomy. EOS will continue to engage the company on the implementation of its transition plan.

Case Study: Listed Equity

EOS has been engaging with a Korean technology company which is held in the Scheme's actively managed listed equity portfolio. Since 2018 there has been significant development in the company's climate change action plan across its consumer electronics division and its semiconductor components manufacturing division. The company has a plan to achieve its net-zero targets, built around its most material impacts and supported by detailed sub-targets, such as renewable energy, gas treatment efficiency tech development, and power consumption improvement in key product categories.

EOS has discontinued an engagement objective for the company to establish a groupwide science-based absolute carbon emissions reduction target as it is not anticipated that the company will achieve this, given the diverse nature of its business units and of their impact on carbon emissions.

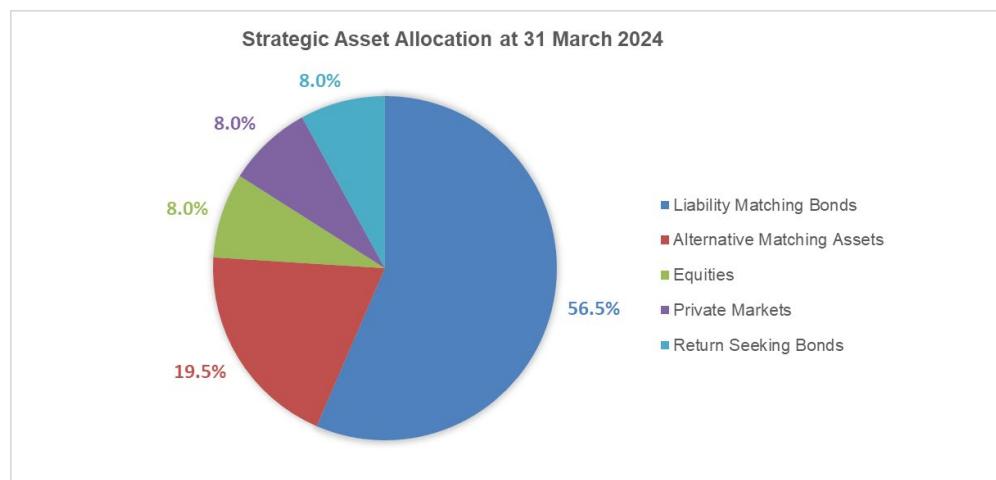
EOS believes this engagement can be more effective by approaching the decarbonisation challenges specific to each business unit, building on the progress achieved so far. A new objective has been set on the development of an interim Scope 1 and 2 carbon emissions reduction target specific to the semiconductor components division.

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2. STRATEGY

Climate-related risks, opportunities and time horizon

The Trustee has a long time horizon over which it must consider its main objectives: to ensure that all beneficiaries receive the benefits to which they are entitled under the rules of Scheme, and that there are sufficient assets to meet the Scheme's liabilities as they fall due. The Scheme invests in a wide range of assets such as equities, bonds, property and alternatives including private equity and infrastructure. Derivative instruments are used to manage the Scheme's investment risk and for efficient portfolio management purposes. The Scheme's strategic asset allocation (SAA) as of the date of this report is set out below.



The Trustee has an objective of achieving full funding on a solvency basis, and then maintaining this position such that, if required at any point from that time, the Trustee should be in a position to settle Scheme benefits in full with an insurer. Based on the current agreed Schedule of Contributions and investment policy, the Trustee expects to achieve this objective by around 2030 without requiring recourse to the BBC for additional contributions.

The Trustee recognises that disruption and instability caused by climate change could have a negative impact on investment returns, and consequently the Scheme's ability to pay pensions as they fall due. The Trustee is also aware that climate change, and the world's response to it, could materially impact the covenant strength of the BBC.

The Trustee has considered the impact of climate-related risks and opportunities over the following time horizons:

Time Horizon	Duration	Comment
Short term	3-5 years	This corresponds with the current target for achieving full funding on a solvency basis.
Medium term	5-10 years	The Scheme is expected to maintain its position of full funding on a solvency basis with the option of settling with an insurer.
Long term	10+ years	The Scheme is expected to reach full maturity.

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The Scheme is exposed to a wide range of climate-related risks, which fall into two broad categories:

1. **Transition risks:** the transition to a low-carbon economy could lead to adverse impacts on Scheme assets and employer covenant from government policy changes, transformation and disruption caused by new technology, climate-related litigation, market and economic risks. Reputational risk increases in association with these factors. These risks are likely to have the greatest impact over the short to medium term and in low-warming scenarios.
2. **Physical risks:** over time, the physical impacts of climate change will be felt in increasing severity of extreme weather events and more gradual longer term shifts in climate patterns, affecting business operations and access to natural resources. These are likely to have the greatest impact over the medium to long term and be greater in higher-warming scenarios.

The Trustee has also identified a range of opportunities arising from the transition to a low-carbon economy. These include investment in areas such as renewable energy, sustainable infrastructure and refurbishment of property to meet high standards of energy efficiency.

The Trustee has commissioned independent analysis from the consultant Mercer to assess the exposure of the Scheme's public assets to transition risk and identify potential stranded assets in the transition to a low-carbon economy. The analysis considers a range of climate-related metrics available for public assets and provides an assessment of the level of risk associated with investments across sectors, geographies and asset classes. The results have been used to inform discussions of long term investment strategy and engagement with investment managers.

The Trustee engages with its investment managers on how they are identifying and considering specific climate-related risks related to the Scheme's investments. For example, managers of real assets are conducting analysis of the long term physical climate change risks each asset may be exposed to, such as an increase in flooding events. In the short-term, transition risks include the impact of increasing regulatory requirements on energy efficiency. Managers are using the Carbon Risk Real Estate Monitor (CRREM) framework to assess the carbon performance of assets and exposure to the risk of "stranded assets", i.e. properties which will not meet future energy efficiency standards and lose value as a result.

Seeking to capture the opportunities arising from the transition to a low-carbon economy, the Scheme has previously made investments in wind and solar farms, renewable heating and low-carbon greenhouses, electric vehicles and charging infrastructure. The Scheme aims to continue to make additional investments in renewable energy assets, where these are compatible with the Scheme's financial objectives.

Case Study: Infrastructure

The Scheme invests in a number of infrastructure funds which are invested in “climate solutions” and expected to create a positive environmental impact. This includes renewable energy and low carbon transition opportunities.

These funds include investments in district heating networks in the UK and the Netherlands. These are systems that provide heat for multiple buildings or facilities instead of each building having its own heating system. With district heating, traditional individual gas boilers can be replaced by a network of insulated pipes delivering heating and cooling to buildings at a larger scale, thereby achieving economies of scale.

Instead of individual boilers fuelling the buildings, one or multiple large central energy centres supply the whole network with energy, facilitating the use of low-carbon or renewable heat. Various energy sources can power the network, including sustainable biomass, waste heat from industrial processes, industrial heat pumps, renewable energy (e.g. solar, wind, geothermal etc) and natural gas.

Beyond serving as a cost- and energy-efficient means of heating, heat networks are seen as a vital solution to decarbonise today’s energy systems. In addition, district heating contributes to better air quality thanks to less combustion and cleaner energy sources.

Case Study: Property

The Scheme’s property managers have set targets to increase energy efficiency and reduce carbon emissions associated with the property portfolio.

An Edinburgh office building owned by the Scheme has recently completed refurbishment works, retaining the existing building frame but increasing the lettable area through the addition of two new floors. The building’s environmental credentials have been significantly improved and it is expected to achieve high quality certifications of BREEAM ‘Excellent/Outstanding’ and EPC ‘A’.

An industrial warehouse owned by the Scheme has recently been refurbished. As part of the specification, a new 64.68kwp solar PV system was installed, which is estimated to produce 61,900 kwh of electricity each year. Further energy efficiency improvement measures were installed as part of the refurbishment, including the installation of new LED lighting on PIR sensors and two new EV car chargers.

One of the Scheme’s property fund managers has continued to work on ESG business plans for each asset in its portfolio, including installation of solar panels on the roof of an office building in Luxembourg. This is expected to improve the energy efficiency of the asset and lower energy costs. It has projected generation of 24MWh, equivalent to the energy usage of 3.5 households and is expected to offset 10 metric tons of CO2 annually.

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Scenario analysis

Scenario analysis has been carried out by the Scheme's core investment consultant WTW, considering the potential impact of climate change on assets, liabilities and overall funding position. Climate scenarios have been included alongside a range of economic scenarios monitored annually by the Trustee.

The Trustee has chosen to carry out annual climate scenario analysis for Scheme funding, rather than every three years as stipulated in the Climate Regulations, in order to integrate the process with analysis of economic scenarios conducted each year. This allows the Trustee to gain insights from ongoing developments in methodologies and assumptions which will evolve over time.

The Scheme's covenant adviser Cardano has carried out an assessment of the potential exposure of the Scheme's employer covenant to climate-related risks and opportunities, with a focus on the downside risks. The employer covenant is the extent of the employer's legal obligation and financial ability to support the Scheme now and in the future. This has been considered alongside the analysis of impacts on assets, liabilities and funding position, and uses a range of scenarios which are broadly consistent with the analysis carried out by WTW.

The Trustee is aware of the limitations of climate scenarios and ongoing debate around the assumptions and methodology underpinning the analysis. Developments have been discussed with the Scheme's advisers and the methodology and assumptions are reviewed each year as part of the annual TCFD reporting cycle.

Analysis of scenario impact on Scheme funding

The most recent scenario analysis carried out by WTW in November 2024 assessed the potential impact on the Scheme's assets, liabilities and funding position under five separate scenarios, set out in the table overleaf.

The Trustee took advice from WTW on the selection of scenarios, in order to reflect an appropriate range of plausible decarbonisation pathways which are relevant in the context of the Scheme's journey and funding plans. The Trustee recognises that there is the potential for more extreme outcomes than reflected in the chosen scenarios.

The five scenarios are in part defined through their success, or otherwise, in meeting the Paris Agreement target of a below 2°C temperature rise. The scenarios differ in the size of the physical risks, based on the resulting temperature impacts, and also in the size of the transition risks. In recent years the scenarios have been revised to reflect a shorter window for a successful transition and more extreme outcomes for physical risks. An additional scenario (Hot House World) was introduced to capture the uncertainty in climate science. This sees a full costly decarbonisation transition being undertaken which is insufficient to prevent a significant temperature rise as a result of a lower expected remaining carbon budget and/or the impact of climate tipping points.

WTW noted that Nationally Determined Contributions was the central scenario and the assumption had been made that the transition risks arising from this scenario are in

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aggregate priced into markets. WTW noted the analytical challenges of assessing the physical risk of climate change, given it will grow over time, is subject to uncertainty and will not be uniform across the globe. The impact of physical and transition risk will vary over time, with the transition risk being front-end loaded and the physical risk being back-end loaded. WTW has assumed that the transition risk impact in each scenario is most significant in the short term and the physical risk over the remainder of the period.

	Nationally Determined Contributions	Delayed Transition Below 2°C	Below 2°C	Net Zero 2050	Hot House World
Description	A “business as usual” outcome where current and planned policies are continued, but with no further attempts to incentivise further emissions reductions or meet legally binding emissions reduction targets. Socioeconomic and technological trends do not shift markedly from historical patterns.	Delays in taking meaningful policy action result in a rapid policy shift around 2030. Policies are implemented in a somewhat but not completely co-ordinated manner resulting in a more disorderly transition to a low-carbon economy. Emissions exceed the carbon budget temporarily, but then decline.	Globally co-ordinated climate policies are introduced immediately, becoming gradually more stringent over time. Companies and consumers take the majority of actions available to capture opportunities to reduce emissions.	A more ambitious version of the ‘Below 2°C’ scenario where more aggressive policy is pursued immediately. More extensive technology shifts are achieved with Carbon Dioxide Removal (‘CDR’) used to accelerate the transition, broadly in line with sustainable levels of bioenergy production.	The world follows a Net Zero 2050 pathway, however the resultant temperature outcome exceeds 2°C due to a lower than expected remaining carbon budget and/or the impact of climate tipping points. Use of CDR technologies is relatively low.
Temperature Rise	~2.5°C	~2.0°C	~2.0°C	~1.5°C	~3.0°C
Renewable energy by 2050	c.85%	c.90%	c.90%	c.90%	c.90%
Physical risk level (longer term)	High	Medium	Medium	Low-Medium	Very high
Transition risk level (shorter term)	Low	High	Medium	High	High

Source: WTW

Each of the climate scenarios were assessed in turn, analysing the impact of the asset and liability return drags on the Journey Plan:

Scenario	Average annual drag on expected returns (over 20yrs)**	Average drag on liabilities*	Funding level in December 2028*	Funding level in December 2036*
Journey Plan*	0.00%	0.00%	101.7%	109.2%
Nationally Determined Contributions	-0.21%	-0.16%	101.8%	107.7%
Delayed Transition Below 2°C	-0.18%	-0.07%	101.0%	105.3%
Below 2°C	-0.07%	+0.11%	101.5%	108.0%
Net Zero 2050	-0.21%	-0.02%	99.7%	104.0%
Hot House World	-0.38%	-0.27%	100.6%	104.8%

Source: WTW

*Analysis carried out relative to base case journey plan as at 30 June 2024

**Analysis based on strategic asset allocation as at 30 June 2024 and allowing for planned de-risking steps

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All five climate change scenarios were found to negatively impact asset returns, relative to the assumptions within the current journey plan, through physical and/or transitional effects which are modelled to occur gradually over time. However, these impacts are relatively small compared to other investment risks monitored by the Trustee. The Scheme is relatively de-risked which reduces the impact on assets.

Given the timing of impact from climate change is uncertain, WTW also considered the asset and liability impacts if they were to occur as an instantaneous shock (i.e. allowing for the entire climate change impact to be capitalised instantaneously).

Scenario	Asset shock (reduction in assets, £m)	Liability shock (increases in liabilities, £m)	Immediate change in deficit (£m)*	Immediate change in funding level*
Nationally Determined Contributions	1,362	-420	941	-7.2%
Delayed Transition Below 2°C	694	-180	514	-3.9%
Below 2°C	380	300	680	-4.9%
Net Zero 2050	740	-60	680	-5.1%
Hot House World	1,709	-721	989	-7.8%

Source: WTW

Analysis carried out relative to base case journey plan as at 30 June 2024

This analysis indicates that the Hot House World scenario has the greatest immediate impact on asset values, as the high level of transition risk akin to that in the Net Zero 2050 scenario is coupled with a higher physical risk than any of the other scenarios. The overall impact of the Hot House World scenario, if it were to occur as an instantaneous shock, is broadly comparable with the value at risk (VaR95 including longevity risk) of the Scheme's investment strategy. The smallest impact on funding position comes from the Delayed Transition below 2°C scenario, which is driven by policy rather than social factors, where the temperature rise is lower and so asset values are less impacted by physical risk.

WTW concluded that the current investment strategy continues to be resilient to a range of climate change scenarios, but noted that the analysis suggests that further steps could be taken to mitigate climate-related risks where possible. Actions suggested by WTW include consideration of further engagement with underlying portfolio companies and continued investment in climate opportunities. The Scheme has material investments in renewable energy and other opportunities presented by the transition to a low-carbon economy. These act as a support to the portfolio in a transition scenario, mitigating the Scheme's exposure to climate-related risks.

WTW noted that this analysis is generic based on the asset class of the funds held in the Scheme's portfolio, and it is important to address climate-related risks and opportunities within the Scheme's specific assets. The Trustee continues to engage with its investment managers and monitor a range of metrics in order to assess its overall exposure to climate-related risks and alignment with the transition to net zero (see Metrics and Targets section).

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Analysis of scenario impact on employer covenant

The analysis of Scheme covenant has been updated by Cardano in April 2025 and considers the employer's exposure to three climate change scenarios. These were chosen to provide a range of outcomes and broadly align with three of the scenarios considered by WTW for the assets, liabilities and funding position.

	Net Zero 2050 Transition 1.5°C scenario	Delayed Transition Disorderly scenario (2°C scenario)	Nationally Determined Contributions 2.5°C scenario
Scenario outline	Global decarbonisation is pursued immediately through more aggressive policies. Extensive technology shifts expected to accelerate the transition (e.g. Carbon Dioxide Removal)	Annual emissions do not decrease until 2030, when strong policies are needed to limit warming to below 2°C. There is high variation in regional decarbonisation policies	Transition policies remain in line with existing commitments and pledges, leading to some transition risks but continued increases in GHG emissions and rises in global temperatures
Physical risks	Long-term physical risks are reduced but deviations from the present climate are still expected	Long-term physical risks are reduced to an extent but deviations from present climate still expected	More pronounced physical risks – particularly over the longer-term
Transition risks	Highest in the near-term as policies are implemented immediately	Large transition risks expected over the mid-term	Limited transition risks over and above existing commitments and policies
Macro-economic impact	Pricing in of transition and physical risks takes place over the first 3 years. Overall longer-term impact on GDP is relatively modest under this scenario	Policy uncertainty and the compressed nature of emission reductions drive material short-term macroeconomic disruption and an increase in long-term interest rates, reflecting inflationary pressures	UK and global GDP growth permanently lower. Macro-economic uncertainty rises significantly over time

Source: Cardano

The scenario analysis provides an assessment of risk across three time horizons, with a focus on the downside risks which the employer may be exposed to. In all three scenarios, it has been assumed that the BBC continues to implement its sustainability commitments and seeks to meet its target to achieve Net Zero across the entire value chain by 2050.

	Near-term < 3 years	Mid-term 3 – 10 years	Long-term 10 years +
Net Zero 2050	Lower risk	Higher risk	Lower risk
Delayed Transition	Lower risk	Medium risk	Medium risk
Nationally Determined Contributions	Lower risk	Higher risk	Higher risk

Source: Cardano

The analysis found similar low levels of risk in the short term across all three scenarios. In the medium term, the risks are considered to be higher in the Net Zero 2050 scenario due to possible reputational risks around achievement of mid-term targets and potential associated costs. In the long term, the risks have been assessed as lower in this scenario due to lower physical impacts and robust decarbonisation processes which the BBC aims to implement.

In the Delayed Transition scenario, medium term risks are found to rise due to increased economic disruption and increasing costs of decarbonisation. The impact of physical risks increase in the medium and long term both in this scenario and more sharply in the higher-warming NDC scenario. Recent scientific consensus suggests more extreme weather events arising sooner, potentially impacting the BBC's principal UK operational locations and production locations globally.

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This analysis will be considered alongside the analysis of impacts on assets, liabilities and funding position to inform the Scheme's strategy and risk management. In particular, this shows alignment of higher levels of risk in the longer term in the higher warming scenarios.

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3. RISK MANAGEMENT

Processes for identifying, assessing and managing climate risks

The Investment Committee terms of reference include responsibility for ensuring that investment risks, including ESG and climate risks, are identified and adequately controlled to best practice levels. Climate change is specified in the Scheme risk register which is reviewed at least annually by the Investment Committee and Trustee Board.

Climate risks have been identified via a range of sources, including analysis and manager research commissioned from investment consultants, reporting from external investment managers and advisers, and involvement in industry groups.

Climate scenario analysis is considered by the Investment Committee on an annual basis, as outlined in the Strategy section. Climate scenarios have been included alongside a range of economic scenarios monitored by the Trustee. Climate considerations have also been incorporated into analysis provided by the Scheme covenant adviser.

The Trustee monitors the performance of the investment portfolio against a range of climate metrics. Further details are included in the Metrics and Targets section.

During the year, the Trustee commissioned analysis from Mercer to assess the exposure of public assets to transition risk and identify potential stranded assets in the transition to a low-carbon economy. The analysis considered a range of climate risk factors and provided an assessment of the level of risk associated with investments in public assets across sectors, geographies and asset classes.

The portfolio risk management system used by the internal investment team includes a sustainability module with the functionality to provide a dashboard of ESG data on the Scheme's alternative investments. Members of the team have contributed to development of this module including discussion of relevant data points and outreach to investment managers on standardisation and collection of ESG data on private assets. The data provided by this system is still very limited, although we hope it will improve over time and aid the reporting process in future.

Climate metrics and transition analysis have helped the Trustee to identify and prioritise areas of the portfolio which are more exposed to material climate-related risks. This has informed ongoing engagement with managers on investment decision-making and stewardship priorities.

Investment managers are required to provide the Scheme with their policies on responsible investment, including their approach to climate change and the ways in which they take climate change related factors into account in their investment processes. Managers have been encouraged to consider how investments are aligned with the transition to net zero by 2050 and include this in their reporting to the Scheme.

The Scheme employs EOS as a specialist stewardship service provider, representing a large number of international pension fund and institutional investor clients. EOS provides regular reporting and insights to the Scheme on its engagement plan and activities relating to climate change.

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The covenant adviser, Cardano, supports the Trustee in monitoring progress of the employer against its targets and integrating the potential impact on covenant into ongoing strategic planning, as information improves and the BBC's own assessment of the climate change impact continues to evolve.

Trustee Directors, advisers and members of the Scheme Executive are involved in a number of industry groups and initiatives which are focusing on climate change. This helps the Trustee to keep informed of climate-related risks which are relevant to the Scheme. These are outlined in the Governance section.

Integrating processes into overall risk management

Climate change is incorporated into the overall risk management of the Scheme and considered alongside a range of investment, funding and covenant risks. When making decisions around journey planning, funding and investment strategy the Trustee Board takes into account the potential implications of climate change. Climate risks are included in the Scheme risk register which is reviewed at least annually by the Investment Committee and Trustee Board.

The Trustee monitors a range of climate-related metrics and has set a target to measure and assess progress of the portfolio towards achieving net zero by 2050. These metrics and targets will be reviewed on an annual basis to ensure that they remain appropriate and effective. Further details are provided in the Metrics and Targets section.

EOS engages with investee companies on their approach to climate change, which it views as the largest externality affecting the global economy over the long term. Engagement is also carried out with public, industry and regulatory bodies in the various markets in which the Scheme invests to promote best practice and more robust disclosures around climate-related risk.

The Trustee seeks to contribute to the development of public policy solutions through membership of the IIGCC and PAAO. The Scheme supports the TCFD and the Climate Action 100+ initiative, in which EOS participates on the Scheme's behalf.

4. METRICS AND TARGETS

Metrics

The Trustee is monitoring a range of metrics to track climate-related risks and opportunities associated with the portfolio. These include greenhouse gas (GHG) emissions associated with the Scheme's investments and alignment of assets with achieving net zero by 2050. This continues to be challenging for a large multi-asset fund, due to limited availability of data and inconsistency of metrics across asset classes. Data is most readily available for listed companies and property in developed markets.

The Trustee has worked with the consultant Mercer to assess the carbon emissions associated with the Scheme's investments in public assets. Emissions data for listed equities, corporate bonds and sovereign bonds has been provided by Mercer according to their recommended methodology (see Appendix). Mercer has also provided data to support the Trustee's assessment of portfolio alignment with net zero and investment in climate-related opportunities such as renewable energy, electric vehicles and sustainable infrastructure.

Data for other assets has been reported by the relevant investment managers and collated by asset class. This includes a combination of actual and estimated data. Additionally, based on the data provided by Mercer and the investment managers, an internal assessment of portfolio alignment has been developed to give a broad indication of alignment with net zero across the whole portfolio.

The Trustee has selected a range of metrics to include in this report. These are set out in the table overleaf. Direct and indirect GHG emissions are reported using three "scopes" defined by the GHG Protocol:

- **Scope 1:** All direct GHG emissions occurring from sources that are owned or controlled by the company, for example from combustion in owned or controlled boilers and vehicles.
- **Scope 2:** Indirect GHG emissions from consumption of purchased electricity, heat or steam.
- **Scope 3:** Other indirect emissions which are a consequence of the activities of the company but occur from sources not owned or controlled by the company. These can be "upstream" activities (for example, the extraction and production of purchased materials and fuels) and "downstream" activities (for example, the use of products and services sold by the company).

Scope 3 data has been included in the reported metrics for listed equities and corporate bonds, as provided by Mercer. It has also been included for property as it makes up the majority of emissions associated with those investments. Scope 3 has not been included for other assets as data coverage remains extremely low.

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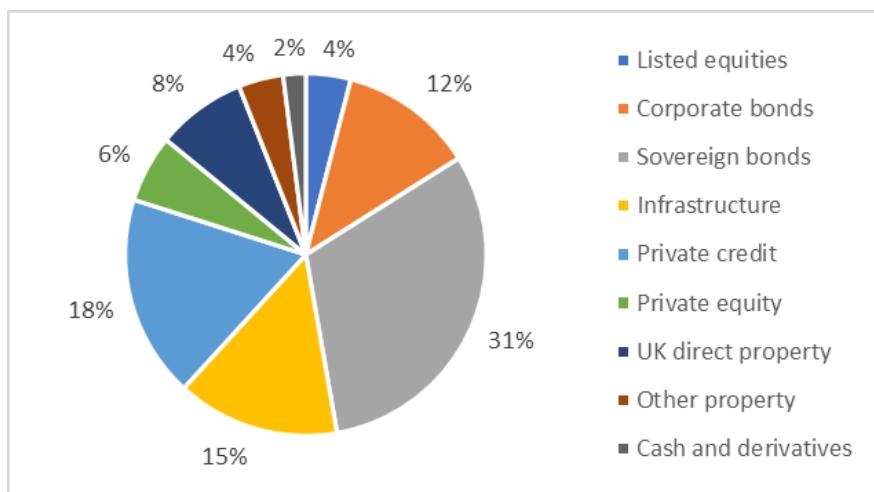
Metric	Unit	Asset class	Comment
(1) Data Coverage	%	All assets	This illustrates the proportion of each portfolio which has available data, either sourced from an external data provider or provided by the investment manager. This has been broken down into total data coverage and actual data coverage excluding estimates.
(2) Absolute Emissions	tCO2e	All assets	This takes an ownership approach to answer what proportion of an asset's emissions an investor owns and is responsible for financing.
(3) Carbon Footprint	tCO2e/ \$m invested	All assets excluding sovereign bonds	This is a measure of how carbon efficient a portfolio is, i.e. how much carbon is associated with each \$m invested.
(4) Weighted Average Carbon Intensity (WACI)	tCO2e/ \$m sales	Listed equities and corporate bonds	This is a measure of average exposure to GHG emissions normalised by sales, i.e. how carbon intensive the companies in the portfolio are.
(5) Sovereign Carbon Intensity	tCO2e/ \$m PPP-adjusted GDP	Sovereign bonds	This is a measure of how carbon intensive the sovereign countries held in the portfolio are, roughly equivalent to the company carbon footprint metric.
(6) Companies with SBTi approved targets	%	Listed equities and corporate bonds	This shows the proportion of each portfolio where listed companies have set climate transition plans which have been validated by SBTi, indicating portfolio alignment with the low-carbon transition.
(7) Implied Temperature Rise (ITR)	°C	Listed equities and corporate bonds	This is a prediction of a temperature rise scenario based on assessment of portfolio companies' plans for GHG emissions reduction. It offers an indication of alignment with the 1.5°C goal of the Paris Agreement.
(8) Investment in climate-related opportunities	%	All assets excluding sovereign bonds	This gives a broad indication of the proportion of assets with evidence of exposure to at least one source of "green revenue". This has been defined as renewable energy, electric vehicles, sustainable infrastructure and properties with high quality environmental certifications.
(9) Engagement of holding companies within material sectors*	%	Listed equities and corporate bonds	This assesses the proportion of financed emissions, associated with companies operating in material sectors*, which either demonstrate evidence of alignment with a net zero pathway, or are under active engagement.

**As defined in the IIGCC Net Zero Investment Framework. Companies are deemed to demonstrate evidence of alignment if they have an SBTi approved decarbonisation target or are assessed as aligned by the TPI to 2050. Engagement data is sourced from CA100+ and the Scheme's engagement providers.*

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Data summary (as at 31 December 2024)

Scheme assets by market value



Listed equities and corporate bonds

Asset class	Data coverage ¹		Absolute emissions Scope 1+2	Carbon Footprint Scope 1+2	WACI Scope 1+2	Approved SBTi targets	Implied Temperature Rise
	Total	Excluding estimates	tCO2e	tCO2e/ \$m invested	tCO2e/ \$m sales	%	°C
Listed equities (physical only)	100%	98.9%	17,712	23.2	47.9	34.8	2.6
Corporate bonds	100%	89.7%	130,922	46.9	119.4	30.6	2.0
Total	100%	91.6%	148,634	41.9	104.2	31.5	2.1
<i>Synthetic equity</i>	100%	99.8%	13,866	27.0	83.8	51.6	2.4

Source: Mercer

Asset class	Absolute emissions Scope 3 Upstream	Absolute emissions Scope 3 Downstream	Carbon Footprint Scope 3 Upstream	Carbon Footprint Scope 3 Downstream	WACI Scope 3 Upstream	WACI Scope 3 Downstream	Climate - related ⁶
	tCO2e	tCO2e	tCO2e/ \$m invested	tCO2e/ \$m invested	tCO2e/ \$m sales	tCO2e/ \$m sales	%
Listed equities	48,468	108,231	67.7	157.4	218.4	341.6	-
Corporate bonds	229,039	443,142	87.1	184.7	197.2	318.9	-
Total	277,507	551,373	83.0	178.9	201.7	323.7	14.0
<i>Synthetic equity</i>	33,868	78,516	71.8	162.4	241.4	383.0	17.5

Source: Mercer

Sovereign bonds

Asset class	Data coverage ²		Absolute Emissions ³	Sovereign Carbon Intensity ⁴
	Total	Excluding estimates	tCO2e	tCO2e/ \$m PPP-adjusted GDP ⁵
Sovereign bonds	100%	97.2%	1,114,252	135.4

Source: Mercer

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Property

Asset class	Data coverage ⁵		Absolute emissions Scope 1+2	Carbon Footprint Scope 1+2	Absolute emissions Scope 3	Climate-related ⁶
	Total	Excluding estimates	tCO2e	tCO2e/ £million invested	tCO2e	%
UK direct property portfolio 1	78%	76%	205	0.5	16,640	24
UK direct property portfolio 2	100%	69%	449	1	8,131	15
Other property	92%	92%	8,161	15	29,017	20

Source: Investment managers

Other assets

Asset class	Data coverage ⁷		Absolute emissions Scope 1+2	Carbon Footprint Scope 1+2	Climate-related ⁶
	Total	Excluding estimates	tCO2e	tCO2e/ £million invested	%
Infrastructure	87%	55%	96,725	45	50
Private credit	88%	43%	37,048	16	-
Private equity	73%	0%	10,031	43	-

Source: Investment managers, eFront Insight

Notes

(1) Data coverage (excluding estimates) is defined as the percentage of each mandate where MSCI data is available for absolute emissions. Data coverage for WACI is typically higher. Aggregate asset class data is calculated using a weighted average of the individual mandate level data. Where data coverage is less than 100%, absolute emissions and carbon footprint metrics have been scaled up to estimate total emissions for 100% of each mandate, reported above as “total” coverage.

(2) Data coverage (excluding estimates) is defined as the percentage of each mandate where sovereign emissions and PPP-adjusted GDP data is available. Aggregate asset class data is calculated using a weighted average of the individual mandate level data. Where data coverage is less than 100%, absolute emissions and sovereign carbon intensity metrics have been scaled up to estimate total emissions for 100% of each mandate, as reported above as “total” coverage.

(3) For sovereign exposures outside of the Scheme's LDI mandate, absolute emissions are calculated based on the market value of the sovereign exposures as at 31 December 2024. These are calculated as: Market Value/ PPP Adjusted GDP* Sovereign Production Emissions. For the LDI mandate, this is calculated on the total exposure to UK Gilts (achieved through both funded gilts & repo). Formula for LDI: Total Exposure/ PPP Adjusted GDP* Sovereign Production Emissions. Emissions data include land use, land use change and forestry.

(4) Sovereign emissions data shown are consistent with the PCAF definition of Scope 1 sovereign emissions, aligning with the UNFCCC definition of domestic territorial emissions, including emissions from exported goods and services. Emissions data include land use, land use change and forestry.

(5) Data coverage for property refers to Scope 1, 2 and 3 emissions based on actual energy consumption as provided by the property manager. Scope 3 emissions related to tenant energy consumption have been included in the figures reported where information has been collected by the property manager, however in some cases estimates have not been made for energy usage by tenants in units where actual data has not been collected for the period. Scope 3 emissions are therefore likely to be under-reported in the figures above.

(6) Climate-related opportunities are defined as assets with evidence of exposure to at least one source of “green revenue”. For analysis of listed equities and corporate bonds, a company's weight within the portfolio is allocated in this category if they have any revenue associated with renewable energy, sustainable infrastructure or electric vehicles. For property this has been defined as the proportion of assets with high quality environmental certifications, such as BREEAM or LEED.

(7) Aggregate asset class data has been calculated using a weighted average of individual mandate level data. Based on data provided by investment managers at 9 May 2025, estimated data calculated using varying methodologies. Previous year's data used as a proxy where recent data not yet available at date of drafting annual TCFD report.

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Target

In the interests of members and aligned with the goals of the Paris Agreement, the Trustee has committed, consistent with its fiduciary obligations, to managing the investment portfolio in line with achieving net zero greenhouse gas emissions by 2050.

This commitment is based on the expectation that governments and policy makers will deliver on their commitments to achieve the 1.5°C temperature goal of the Paris Agreement. The Trustee does not currently plan to use carbon offsets at fund level to achieve this goal.

The Trustee set an interim target of 36% reduction in absolute emissions (Scope 1 and 2) associated with the portfolio by 2025, measured from a baseline set at 31 December 2020. This target applied to public assets (listed equities and corporate bonds) only, where the available data was sufficiently robust.

The Trustee has reviewed performance against the 2025 target and taken advice on setting a further interim target to 2030. The Trustee has set an interim target of 55% reduction in absolute emissions (Scope 1 and 2) associated with the portfolio by 2030, measured from a baseline set at 31 December 2020. This is aligned with the European Policy decarbonisation pathway, with the objective of achieving net zero emissions by 2050. This target currently applies to public assets (listed equities and corporate bonds) and property only.

Performance

Performance against the target and other metrics is discussed in the following sections. Analysis provided by Mercer has shown a significant reduction in financed emissions associated with listed equities and corporate bonds in the portfolio since 2020, passing the target of 36% reduction by 2025. However carbon intensity metrics for this part of the portfolio have only fallen slightly. Portfolio alignment has shown significant improvement in previous years, but progress against some metrics appears to have slowed, including engagement with companies which are expected to have a material impact on the transition to a low-carbon economy. More granular reporting from managers of private assets has led to an improvement in the reported level of investment in climate-related opportunities.

Data Coverage

Metric 1

The analysis included in this report focuses on the Scheme's investments in public assets and property, where the data is more consistent and reliable. Some data has also been included on infrastructure, private credit and private equity investments, although much of this has been estimated using a range of different methodologies across different funds and investment managers.

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Efforts continue to be made to engage with investment managers to improve provision and consistency of data on carbon emissions and alignment of assets with net zero. The Scheme has over 30 independent investment managers across all asset classes. We have seen a significant improvement in responses from managers to requests for information since 2021. The table below illustrates Scope 1 and 2 carbon emissions data coverage which we have been able to report in annual TCFD disclosures each year. The total data coverage includes actual emissions data reported by the underlying assets plus estimated data produced using a range of methodologies. Some asset classes have a high level of actual reported data and others rely more heavily on estimated data. The levels of data coverage have stabilised to some extent following a period of rapid improvement driven by regulation across the investment chain. Variations in calculated coverage figures can be traced to changes in asset allocation within the underlying portfolios.

	31/12/2021 Data coverage	31/12/2022 Data coverage	31/12/2023 Data coverage		31/12/2024 Data coverage	
	Asset class	Total	Total	Total	Excluding estimates	Total
Listed equity*	94%	94%	100%	95%	100%	99%
Corporate bonds*	51%	65%	100%	62%	100%	90%
Sovereign bonds*	98%	100%	100%	99%	100%	97%
Direct property**	c.40%	c.81%	74%	65%	85%	74%
Other property**	-	c.40%	99%	99%	92%	92%
Infrastructure**	c.5%	c.48%	93%	73%	87%	55%
Private credit**	c.2%	c.16%	87%	10%	88%	43%
Private equity**	-	c.7%	75%	5%	73%	0%

*Data provided by Mercer for Scope 1 + 2 absolute emissions

**Data available from relevant investment managers and eFront Insight for Scope 1+2 emissions at date of drafting annual TCFD report.

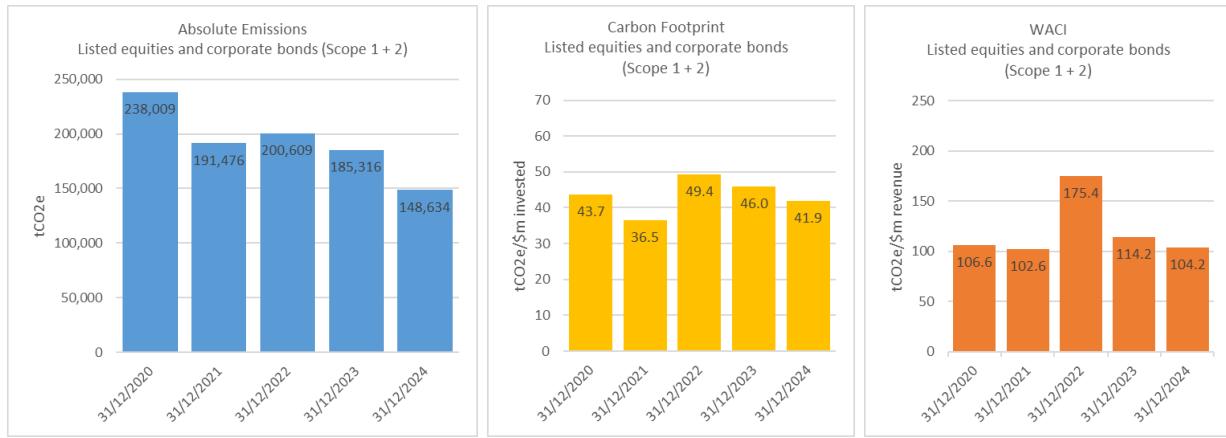
GHG emissions

Metrics 2-5

During the year, Mercer has updated its baseline carbon footprint analysis of two mandates in the corporate bond portfolio, which previously had relatively low levels of data coverage. This was done using MSCI's recently available historical screen functionality for the portfolio holdings at 31 December 2020. The updated analysis has resulted in a material increase in coverage for these mandates and Mercer's assessment of the 2020 baseline carbon footprint has increased slightly as a result. This has been reflected in the analysis of performance against the baseline set out below. During the year Mercer has also expanded its analysis to include the Scheme's synthetic equity holdings. These have been disclosed in the Data Summary but are not incorporated into the total emissions reported for listed equity, in line with best practice guidance.

According to the analysis carried out by Mercer, the total Scope 1 and 2 emissions associated with listed equities and corporate bonds (the target metric) has continued to reduce and is 37.6% below the updated baseline. The carbon intensity of listed equities and corporate bonds has also continued to fall, by both measures of carbon footprint and weighted average carbon intensity (WACI). However these are only slightly below the levels calculated by Mercer at 31 December 2020.

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Source: Mercer

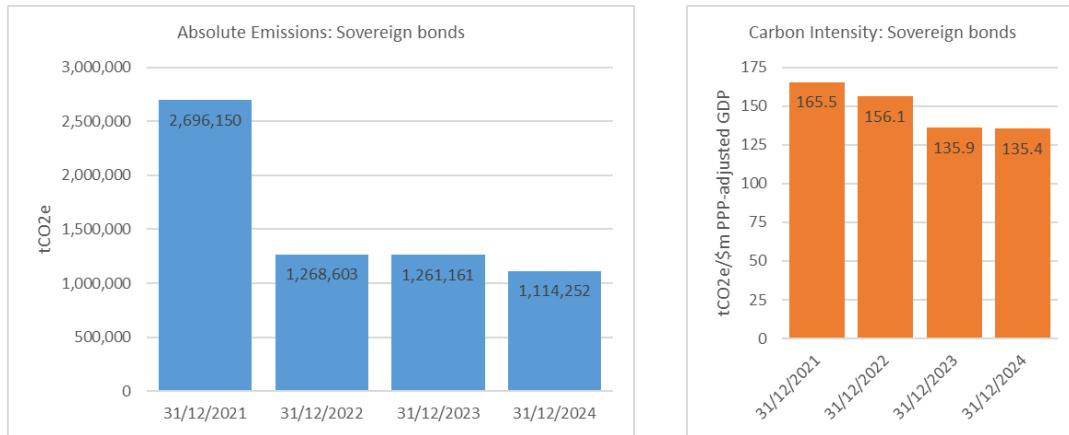
The performance of emissions metrics since 2020 has been significantly affected both by changes in the Scheme's asset allocation and improvements in data coverage, particularly for corporate bonds. In 2022 two equity mandates with relatively high carbon footprint were terminated as a result of the overall reduction in the allocation to listed equities. The Scheme also undertook some strategy changes and part of the corporate credit portfolio was restructured to a cashflow-led approach. Since then the carbon footprint of listed equities has remained consistent at a relatively low level, while the carbon footprint of corporate bonds has come down year on year.

The Trustee has engaged with the relevant investment managers and commissioned attribution analysis to examine the drivers of change in carbon intensity within the different mandates in this part of the portfolio. These include hundreds of companies and small changes in the number of highly carbon-intensive companies present at the point the analysis is carried out can have a significant impact on the results.

In line with the Climate Regulations, analysis of Scope 3 emissions associated with listed equities and corporate bonds has been carried out since 2022. There are concerns about the reliability of this data and potential for double-counting across the portfolio, however data quality is expected to improve over time. These figures are much higher than for Scope 1 and 2 emissions given they encompass a wide range of indirect emissions which occur as a result of the activities of each company. As in previous years, the results provided by Mercer have been reported in the Data Summary and will continue to be monitored year on year.

The Scheme has a significant proportion of assets invested in sovereign bonds, with the majority in UK index-linked gilts. Sovereign analysis has been conducted by Mercer in line with the recommended methodologies set out by the Partnership for Carbon Accounting Financials (PCAF). In 2022, the analysis showed a marked reduction in absolute emissions associated with this portfolio, corresponding with the reduction in market value of UK gilts. This year's analysis shows emissions remain at a similar level, reflecting the market value of gilts in the portfolio.

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Source: Mercer (based on production emissions including land use, land use change and forestry)

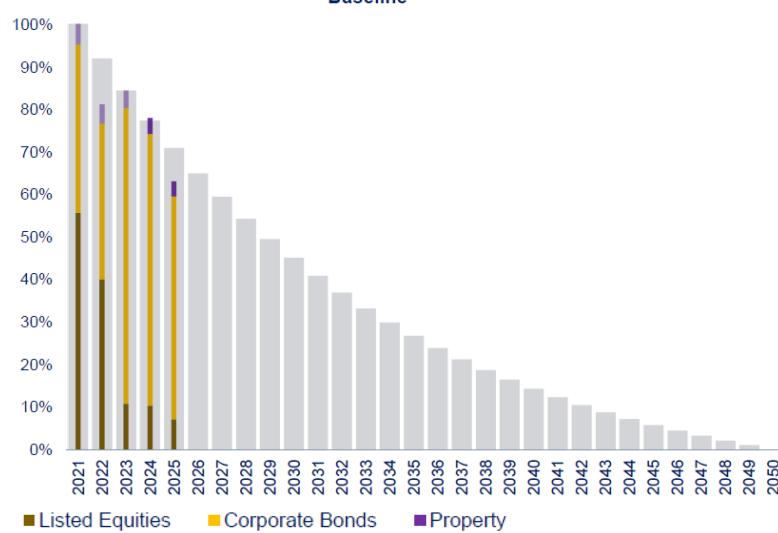
UK government debt contributes the vast majority of absolute emissions associated with sovereign bonds in the portfolio. The UK Government has set a legally binding target to achieve net zero greenhouse gas emissions by 2050 and is expected to continue to decarbonise in future. Given the Scheme's significant exposure to UK government debt, progress towards this target will be essential for the Scheme to meet its net zero commitment.

The Scheme's property managers provide a wide range of environmental data on the UK direct property investments. The Data Summary includes actual Scope 1, 2 and 3 emissions as reported by the relevant property managers. These are relatively low in the context of the whole portfolio; however the property managers have set targets to improve the energy efficiency of individual properties where possible. It should be noted that Scope 3 emissions are currently likely to be under-reported due to reliance on tenants to provide information on energy consumption. The property managers are seeking to improve tenant engagement and data collection year on year.

As there is now good coverage of emissions data from the Scheme's property managers, Scope 1 and 2 emissions from property have been included in the formal 2030 target. The chart below incorporates Scope 1 and 2 emissions from listed equity (physical only), corporate bonds and property, showing progress over time against the decarbonisation pathway to 2050. In the absence of available data, property emissions between 31 December 2020 (denoted 2021 in the chart below) and 31 December 2022 (denoted 2023 in the chart below) assume historical decarbonisation in line with target, meaning that the holdings do not positively or negatively contribute to performance relative to target over this time period.

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Absolute Emissions (tCO₂e) for listed equity (physical only),
corporate bonds, property (Scope 1+2), relative to 31 December 2020
Baseline



Source: Mercer

Carbon emissions data for investments in infrastructure, private credit and private equity are included in the Data Summary. Much of this data is estimated, in particular for private credit and private equity. Changes in emissions noted continue to be primarily due to changes in data coverage and in estimation methodology. Estimates have been made using a range of different methodologies and the total figures are not robust enough to be incorporated into target-setting at this stage. The Trustee monitors the data reported for each investment and it is discussed with the relevant investment managers where necessary in the context of their overall management of climate-related risk within the portfolio.

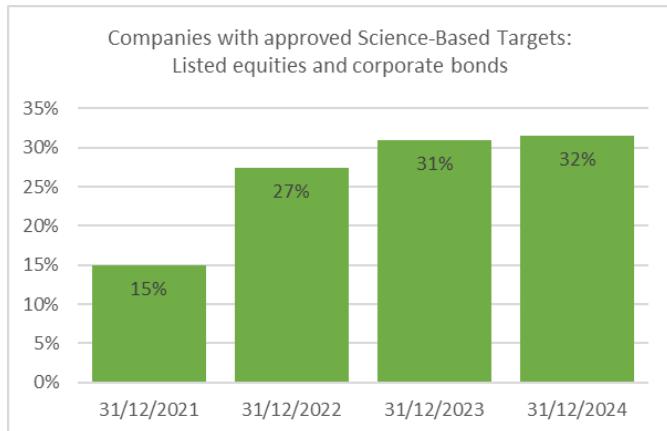
Portfolio Alignment with Net Zero

Metrics 6-7

The Trustee is seeking to measure the alignment of the portfolio with achieving net zero by 2050. As noted previously, a significant proportion of Scheme assets is invested in UK index-linked gilts. The UK Government has set a legally binding target to achieve net zero greenhouse gas emissions by 2050 and progress towards this target will be essential for the Scheme to meet its net zero commitment.

Since 2021, analysis of listed equities and corporate bonds has been carried out to assess the percentage of companies invested with targets which have been approved by the [Science-Based Targets Initiative \(SBTi\)](#). Following a large improvement from 2021-23 this metric has remained at a consistent level. This could reflect a slowdown in progress towards alignment with the low-carbon transition.

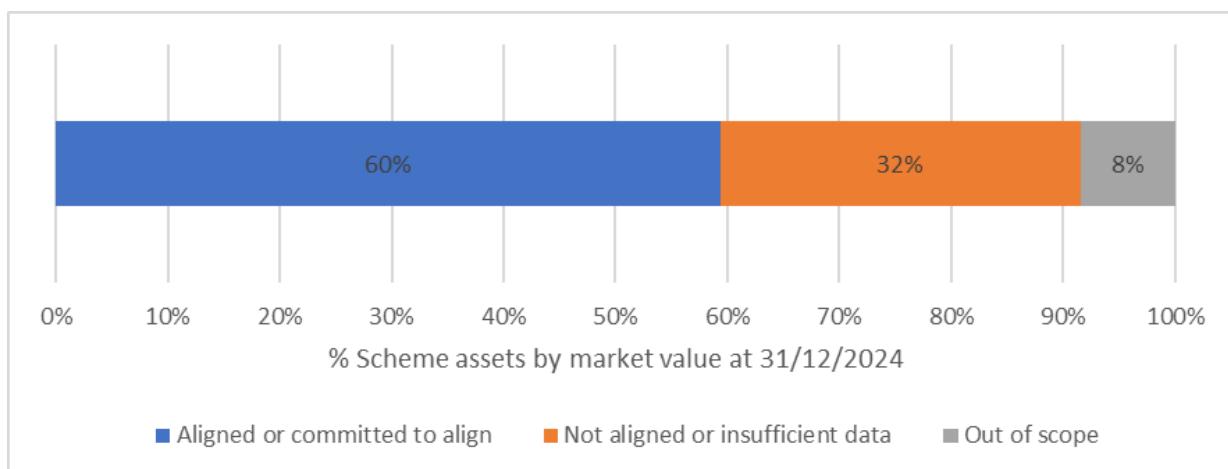
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Source: Mercer

The Trustee also monitors the Implied Temperature Rise of the portfolio. This is a forward-looking metric designed to show the alignment of companies and portfolios with global temperature goals. It is based on an assessment by MSCI of companies' plans to reduce emissions in line with the remaining "carbon budget" if global warming is to be limited to 1.5°C by 2100. This year's analysis indicates that the combined listed equity and corporate bond portfolios are aligned with a temperature rise of 2.1°C. This has slightly increased from last year (2.0°C). The Trustee monitors this metric as part of its wider assessment of climate risk and alignment with the 1.5°C goal of the Paris Agreement.

We continue to work with the Scheme's investment managers and advisers to improve the data that they provide on net zero alignment across the portfolio. An internal assessment of net zero alignment has been carried out based on the information sourced from Mercer on public assets and the relevant investment managers for all other assets. We have looked through to the asset level as far as possible, rather than considering manager-level commitments which often do not apply to the underlying investments.



Available information on alignment varies widely between managers and types of assets. The following binary categorisation has been used to give a current approximation of alignment across the portfolio. This analysis is expected to evolve over time as data on net zero alignment expands and improves.

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Aligned or committed to align

This includes public companies and sovereigns which have been assessed to be aligned, aligning or committed to align with net zero according to analysis provided by Mercer. Also included in this category are private investments which the manager has assessed as aligned or committed to align with net zero 2050 and properties which are being managed in line with a net zero target.

Not aligned or insufficient data

Companies and other assets which do not have a net zero target in place and for which we have not received clear evidence of management in line with a net zero pathway. Many of these are private investments where we hope to see data coverage improve over time.

Out of scope

This includes assets where there is no clear methodology for assessing net zero alignment, such as cash, securitised credit and a fund of funds.

This broad assessment indicates that around 60% of the Scheme's assets show evidence of being managed in line with a net zero target. The improvement on last year's assessment (53% aligned or committed to align) is mainly due to more detailed reporting being made available by managers of private assets. The Trustee will continue to work with its managers to improve the data available on net zero alignment and allow a more complete and accurate forward-looking assessment of all assets in the portfolio in future.

Investment in climate-related opportunities

Metric 8

Climate-related opportunities have been defined for this purpose as investments in renewable energy, sustainable infrastructure and electric vehicles. This assessment has been made based on analysis of exposure to sources of green revenue provided by Mercer for public assets in the portfolio, combined with an assessment of private assets based on information provided by the relevant investment managers. Also included in the assessment are properties with a high-quality environmental certification such as BREEAM or LEED.

The analysis indicates that, at 31 December 2024, approximately 13% of the Scheme's assets by market value had exposure to climate-related opportunities as defined above. This has increased from 11% last year, mainly due to more granular reporting being made available by investment managers. Many of these investments are concentrated in the infrastructure portfolio, with around 50% of this portfolio invested in climate-related opportunities. The Trustee will continue to monitor this metric and seek to make further investments where compatible with the Scheme's financial objectives.

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Engagement of companies in sectors material to the net zero transition

Metric 9

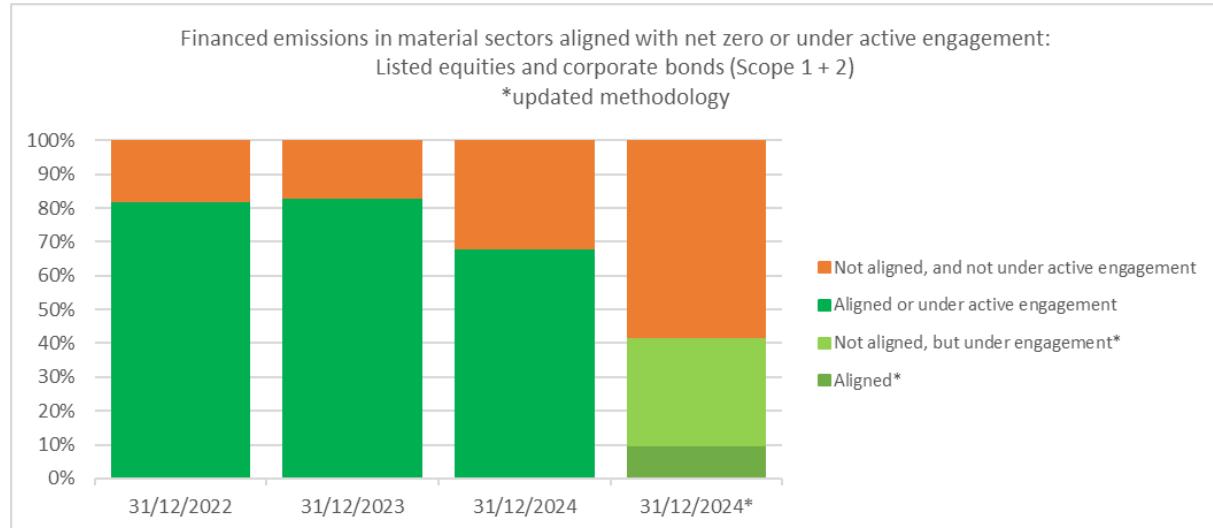
The Trustee is prioritising stewardship and engagement to drive alignment of the portfolio with net zero. In line with the IIGCC Net Zero Investment Framework, the Trustee seeks to ensure that a high proportion of companies operating in sectors material to the transition to net zero are either assessed as aligned with a net zero pathway or are the subject of climate-related engagement and stewardship actions.

This metric is being monitored as it measures engagement activity with listed companies operating in sectors such as energy, construction and manufacturing (specifically defined in the Net Zero Investment Framework as those sectors in NACE code categories A-H and J-L). Analysis of the Scheme's listed equity and corporate bond portfolios at 31 December 2024 shows that 64% of Scope 1 and 2 financed emissions are derived from companies operating in these material sectors.

Companies have been assessed as under active engagement if they are included in engagements carried out on behalf of the Scheme by EOS or the relevant investment manager, or in the Climate Action 100+ engagement list. Previously companies have been assessed as aligned with a net zero pathway if they have an approved SBTi target or are categorised as aligned by the Transition Pathway Initiative (TPI) to 2050. This methodology shows that 68% of financed emissions are produced by companies which are either aligned with net zero or were under active engagement during 2024. This has reduced from over 80% last year.

This year Mercer has updated its assessment of alignment using the classifications "Achieving Net Zero" or "Aligned" as set out in the updated Net Zero Investment Framework 2.0, including broadening the analysis to all financed emissions rather than emissions associated with material sectors. The updated methodology shows a lower level of coverage (42%). This is mainly due to the more stringent definition of alignment applied to the underlying companies. However both sets of results indicate that there may also have been a reduction in the level of company engagement. Changes in the corporate bond portfolio mean that GHG emissions associated with that portfolio are now spread across a wider pool of companies than in previous years. This will be investigated further and discussed with EOS and the relevant investment managers.

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Source: Mercer

Conclusions and next steps

This report sets out the governance processes and structures that the Trustee has put in place to identify, assess and mitigate climate-related risks. Climate scenario analysis carried out by the Trustee has highlighted the potential impacts of climate change on assets, liabilities, funding position and employer covenant. The Trustee will continue to take these possible impacts into account when making Scheme funding, journey plan and investment strategy decisions. The Trustee will also continue to engage with its investment managers and advisers on the consideration of climate risks and opportunities.

The Trustee aims to achieve its decarbonisation target by prioritising stewardship and engagement to drive alignment of the portfolio with net zero. This includes:

1. Engagement with investment managers to improve disclosure of emissions data and consideration of climate risks and opportunities.
2. Engagement with the stewardship provider and equity managers to implement voting policy and engagement plan aligned with net zero.
3. Contribution to wider industry initiatives on net zero via organisations such as the IIGCC and Climate Action 100+.

Analysis presented in this report indicates that the Trustee has met its 2025 interim target for reduction in GHG emissions. However, the range of metrics tracked by the Trustee continue to show a complex picture regarding alignment of the portfolio with net zero. Although real world emissions associated with listed equities and corporate bonds held in the portfolio appear to have reduced significantly, carbon intensity of these assets has only come down slightly since the 2020 baseline. Over the past year the rate of improvement in portfolio alignment metrics appears to have slowed and there may have been a reduction in the level of engagement with high-emitting companies operating in sectors material to the net zero transition.

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The Trustee has reviewed its net zero target and updated its interim emissions reduction objective for 2030, in line with achieving net zero emissions by 2050. The target now incorporates Scope 1 and 2 emissions for properties held in the portfolio, the majority of which are being managed in line with a net zero target of 2050 or earlier. Scope 3 emissions and climate-related metrics for other asset classes continue to be monitored and discussed with the relevant investment managers.

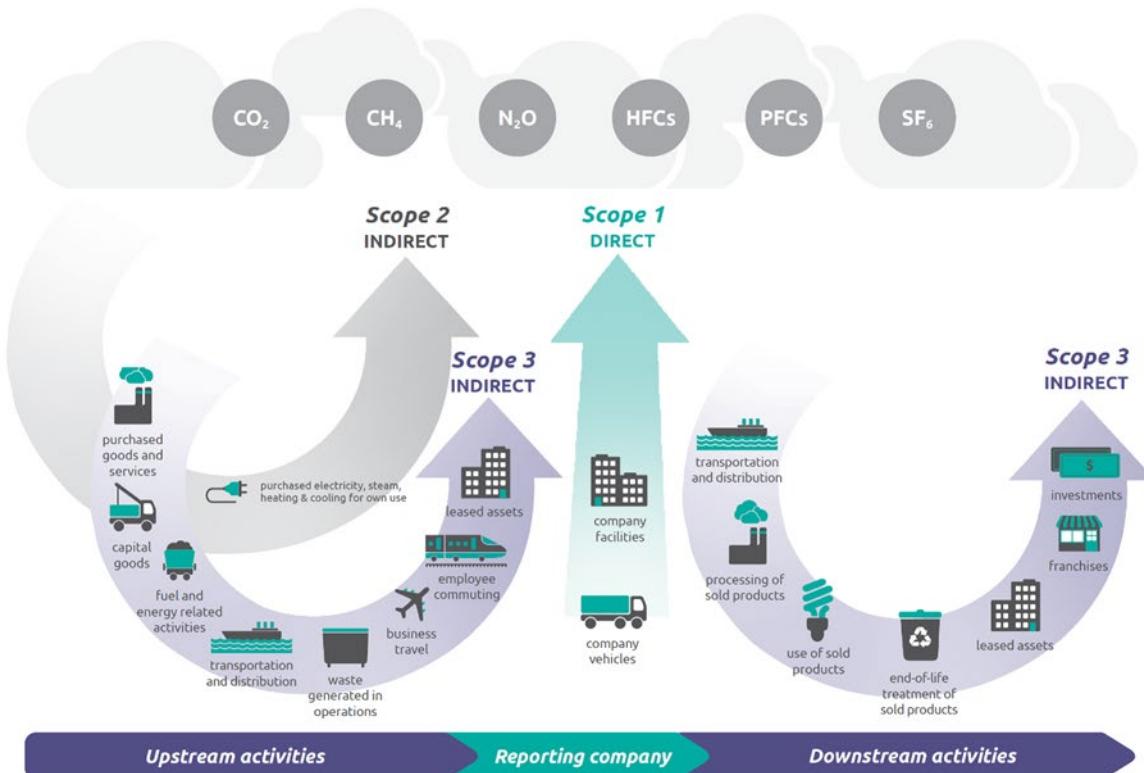
While the metrics in this report do indicate some positive progress, we are aware that recent political developments and heightened legal risks may mean that achievement of the Scheme's net zero target is becoming more challenging. The Trustee will continue to engage with its investment managers and advisers on the material financial risks posed by climate change, and with regulators and public policy-makers on the wider policy environment, in line with its fiduciary duty.

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APPENDIX

Methodology and limitations

The decarbonisation analysis provided by Mercer focuses on the listed equity and corporate bond portfolios. Emissions metrics and decarbonisation targets used in this report are in respect of all greenhouse gases covered by the Kyoto Protocol and are expressed in terms of carbon dioxide equivalents (CO₂e) – the amount of CO₂ which would have the equivalent global warming impact. While different greenhouse gases are expected to have different net zero dates under a 1.5°C aligned outcome, CO₂ pathways target a 2050 net zero end point and this end point has been adopted in this instance.



Source: WRI/WBCSD Corporate Value Chain (Scope 3) Accounting and Reporting Standard

Caution should be exercised in interpreting individual data points, as in reality, emissions may differ, given the data coverage in the analysis is less than 100%. Where companies do not have data points, companies are assumed to have the same carbon metrics as the average of companies that Mercer does have data points for. This means that, where we do not have data, we are not assuming that those companies have zero emissions.

Many of the mandates analysed by Mercer do not have complete coverage of emissions data: this may be because some companies do not yet measure and report their emissions. If a figure was reported covering the % of the portfolio that there is coverage for, this would essentially assume zero emissions for the portion of the portfolio for which there is no coverage. Therefore the portion of the portfolio for which there is coverage is scaled up, to estimate an absolute emissions figure to cover 100% of the portfolio.

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Example calculation:

Absolute emissions for 48% covered holdings = 9,746 tons CO2e

Scaling up emissions calculation = 9,746 / 48%

Absolute emissions estimated for 100% coverage = 20,303 tons CO2e

Many of the IPCC's scenarios are reliant on net zero (or net negative) assumptions later this century. This can include the deployment of mitigation technologies, such as carbon capture and storage, as well as ecosystem approaches, such as land and forest conservation and restoration. There has been some scepticism as to whether such technologies and approaches are viable, at the required scale. Mercer will look to integrate further assumptions around net zero emissions in due course, as the science and technology evolves.

The Greenhouse Gas Protocol's definition of scope 1, 2 and 3 emissions was initially developed for classification of corporate emissions, rather than sovereigns. In this report the recommendations of the Partnership for Carbon Accounting Financials (PCAF) have been adopted when reporting sovereign emissions. The definition of Production emissions follows the territorial emissions approach adopted by the UN Framework Convention on Climate Change (UNFCCC) for annual national inventories. Production emissions are presented including land use, land-use change and forestry emissions.

Scope 3 emissions for listed equities and corporate bonds are calculated using estimated data due to the lack of availability or poor quality of reported data. Even when reported data is available for scope 3 emissions, there is no guarantee of consistency between the reported figures across different companies, as companies often only report on a subset of the 15 categories of scope 3 emissions. MSCI estimates emissions across each of the 15 categories using a combination of revenue estimates and production data. Using MSCI estimated scope 3 data only ensures that data is consistent for all companies across similar sectors, providing a more robust understanding of where the risks lie and a better intertemporal understanding of how portfolios have evolved.