

Chevron UK Pension Plan 2023 Climate Change Report

Introduction

The Chevron UK Pension Trustee Limited, as corporate trustee (“Trustee”) of the Chevron UK Pension Plan (the “Plan”), presents the annual Plan Climate Change Report in response to regulations¹ (“Regulations”) that require pension plan trustees to produce disclosures that are based on the recommendations of the Financial Stability Board’s Task Force on Climate-Related Financial Disclosures (“TCFD”). This report covers the 2023 Plan year which ended December 31, 2023.

The Plan, which has £2.1 billion in assets and an estimated £1.7 billion in liabilities on a technical provisions basis as of December 31, 2023, remains open to active members but is comprised mostly of pensioners and deferred pensioners. The Trustee’s primary objective is to have sufficient and appropriate assets to cover all Plan obligations as they come due. The Trustee recognises that climate-related issues could represent a risk to this objective, but believes the Plan is resilient due to its low-risk asset allocation; its current funding surplus, which makes the Plan more resilient in the face of downside risk; and a strong covenant. The Trustee also believes that the Plan has appropriate governance, risk management, strategy and metrics in place to assess risks, including climate change-related risks, which are described in more detail throughout this report.

This report, in alignment with the Regulations, is laid out in four broad categories:



- **Governance:** the Plan’s governance with respect to climate-related risks and opportunities
- **Risk management:** the processes to systematically identify, assess, and manage climate-related risks
- **Strategy:** consideration of the actual and potential impacts of climate-related risks and opportunities on the Plan’s investment strategy, liabilities and covenant
- **Metrics and targets:** the metrics and targets used to assess and manage climate-related risks and opportunities

Section 1 – Governance

This section describes the governance in place to manage potential climate change-related risks and opportunities.² The Trustee believes that strong governance is the cornerstone to managing risks, including climate-related risks, and is a core part of the Trustee’s ability to react to evolving factors. The Trustee oversees the Plan’s strategic planning and risk management, both of which include climate change-related issues.

There are currently nine Directors of the Plan’s Trustee, three of whom are member nominated, who have extensive experience across a wide range of businesses. The Trustee is responsible for all strategic

¹[The Occupational Pension Schemes \(Climate Change Governance and Reporting\) Regulations 2021 \(legislation.gov.uk\)](https://www.legislation.gov.uk/uksi/2021/1000/contents/part-1)

²For brevity, where we refer in this report to the risks and opportunities relating to climate change, we mean this to cover both the risks arising from changes in the climate itself and the risks and opportunities presented by the anticipated transition of economies and society to a lower carbon future.

decision-making related to the Plan's assets, liabilities and risks. The Trustee retains a number of internal and external advisers in connection with the operation of the Plan, including the following:

- Investment consultants, Willis Towers Watson ("WTW"), who provide assistance to the Trustee Directors to formulate investment principles and reflect these in the Plan's investment policies and strategy. WTW also assist the Trustee Directors with conducting scenario analyses, advise on how climate-related risks and opportunities might affect the Plan over the short-, medium-, and long-term and provide ad hoc specialist advice on a variety of pension matters, including risk management.
- Chevron's internal subject matter experts, including Chevron's Benefit Plan Investment group ("BPI"), who provide advice on all matters related to retirement plan assets and liabilities. BPI engages with internal and external resources such as investment consultants, investment managers and the Plan Actuary in this respect.
- Investment Managers and other carbon data providers, who manage diverse investment portfolios and provide greenhouse gas ("GHG") emissions data for Plan analyses.
- The Plan Actuary, WTW, who performs actuarial valuations of the Plan and who advises on how variations in future experience, including those arising from climate-related risks and opportunities, might affect the Plan's funding position over the short-, medium-, and long-term.
- The Covenant Advisor, Interpath, who provides advice to the Trustee Directors on the ability of Chevron Energy Limited (the "Sponsor") and other select subsidiaries of Chevron Corporation that support the ability of the Sponsor to meet Plan obligations ("Supporting Companies").

Advisors are selected for their skill and expertise, and the quality of their performance is subject to ongoing assessment, with a formal assessment being carried out by the Trustee on an annual basis. It is the expectation of the Trustee that its advisors be competent in the identification, assessment and management of all risks and opportunities relevant to the Plan. As it relates specifically to climate change, the Trustee understands that WTW has significant resources in this space and the Trustee has incorporated climate specific objectives into the annual review which is based on the Competition Market Authority's Investment Consultant Objective framework. Additionally, the Trustee ensured that BPI consulted with appropriate internal sustainability experts and receives updates from various investment managers and consultants on global trends in monitoring and managing climate exposure.

The Trustee's strategic objectives for investments are set forth in the Plan's Statement of Investment Principles³ (the "SIP"), which lays out the principles and policies governing investments and managing and mitigating investment risk related to the Plan. The SIP provides that the Trustee seeks to take account of all relevant financially material risks and opportunities in consultation with its advisers. The SIP instructs that the Trustee consider sustainable investment factors, such as (but not limited to) those arising from environment, social, and governance ("ESG") considerations, including climate change-related risks, in the context of this broader risk framework. The Trustee reviews the SIP on an annual basis or after any material changes.

The Trustee have appointed an Investment Committee (the "IC"), comprised of members of the Trustee board, to implement the SIP in such a way as to achieve the Plan's objectives. The SIP is reviewed on an annual basis by the IC with assistance from the above-mentioned advisers and any changes are approved by the Trustees. The IC and Trustee board meet quarterly. The IC delegates the day-to-day management of Plan assets to Investment Managers. On an annual basis, the IC meets with all the Investment Managers to discuss the managers' performance and to receive an update on ESG matters that may be relevant to the Plan, including those related to climate change. In 2023, additional sessions were held with several investment managers to review specific carbon positioning and reporting issues within their respective portfolios. Additionally, the IC independently reviews the voting and engagement

³ www.chevronukpension.co.uk

activities of the Investment Managers to ensure they are in line with the principles and policies as set forth in the SIP. Results of this review are discussed with the Trustees and ultimately reported through the Implementation Statement, which provides detail on the extent to which the SIP has been followed by the Investment Managers during the year.

The Trustee has also established a Planning & Risk Committee, which provides oversight of the assessment and monitoring of pension risks, including climate change-related risks, through its maintenance of a Risk Register. The Planning & Risk Committee further report on developments, for example changes in the nature of the risks faced and the policies and procedures in place to mitigate the potential effect of these risks, at each meeting of the Trustee board. The Risk Register is reviewed quarterly and no changes were made in 2023.

In these first years in which the Regulations have applied to the Plan, the Trustee has focused in its meetings with the IC and the Planning & Risk Committee on the selection of metrics, data quality and coverage, and carrying out of scenario analysis. The Trustee received information from the committees on the range of options for monitoring climate-related risks and how these might be incorporated in the Plan's governance and risk management processes. In recognition of the fact that the study of climate-related risks is a developing area, particularly in relation to the availability and quality of climate metrics, the Trustee keeps these matters under review with the committees and will continue to question and challenge its advisers to improve data coverage and data quality as well as risk-management techniques appropriate to the Plan.

The Trustee Directors have access to continuing education and regularly receive training on climate-related issues from internal and external experts, who report on the potential impact of climate-related issues on pension plans and potential actions that could be taken to help mitigate risk to the Plan portfolio, as well as the Plan's ability to meet objectives in the face of such risks. With respect to the Regulations, two specific trainings were held in 2023: a review of updated guidance for second year report submissions, including scope 3 emissions and scenario testing; and a review of emissions data reporting evolution and aggregation. In addition to climate-specific sessions, all Trustees attend sessions covering investment strategy and performance, actuarial valuations and assumptions, covenant review and funding which all factor in risks and opportunities, including climate-related risk and opportunities. These sessions provide opportunity for the Trustee and its advisers to discuss and assess any risks identified and develop appropriate strategies for risk management.

Section 2 – Risk Management

Risk Management is of fundamental importance to pension management as all pension plans are exposed to multiple risks. As stated in the Chevron UK Pension Plan Annual Report⁴, these principally relate to the performance of Plan assets, inflation, maladministration, how long our pensioners will live, and security provided by the Plan's sponsor. Climate change, as assessed in depth in the Strategy section, below, may impact these risks.

The Trustee seeks to identify, assess and mitigate relevant risks, including those related to climate change, through its established governance structure detailed in the previous section. A key instrument utilized by the Trustee in managing risk is the Risk Register maintained by the Planning & Risk Committee. The Risk Register is a detailed list of all material risks identified by the Trustee and their advisers. Climate risks are explicitly included in the Risk Register. During each quarterly Trustee meeting, the Planning & Risk Committee reports on developments related to these risks and the

⁴ www.chevronukpension.co.uk

mitigating policies and procedures. Action items identified at these report-outs are incorporated in the Risk Register and tracked on an ongoing basis.

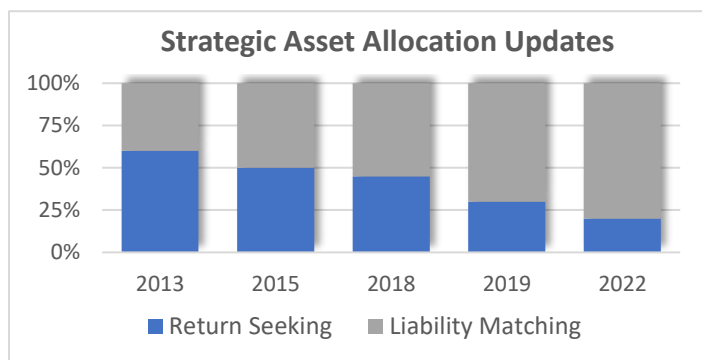
The Trustee’s management of climate related risk for the Plan also includes other tools, such as the climate change scenario analysis, which considers the impact of both transition and physical risks, and carbon emission metrics, referenced in sections 3 and 4 below, to help the Trustee to better understand and monitor the potential impact of climate change risks and opportunities on the Plan’s assets. The Trustee further manages risk by meeting with Investment Managers at least annually to review and provide feedback on their practices around ESG as is detailed in section 1 above.

Additionally, the Trustee assesses and manages risks, including those related to climate change, through its consultations with the Plan Actuary on liability valuation, which is dependent on participant mortality assumptions, and the maintenance of a policy benchmark for the Plan which balances risks arising from the unique characteristics of the Plan’s assets and liabilities. The policy benchmark is established using a complex Asset Liability Model (“ALM”) which is updated regularly by the Investment Consultant and Plan Actuary and reviewed by the Trustee. Through this analysis, the Trustee receives advice on the investment strategy and carefully considers the implications of adopting different levels of risk (in light of the objectives noted in the Strategy section of this report). Climate change-related risks have been implicitly included in these studies as a component of more general Plan risk. Going forward, more direct potential impacts of climate-change to assets and liabilities will be considered.

Section 3 – Strategy

Strategy Overview:

The Trustee, with guidance from advisors, has designed the Plan’s strategy to further the Plan’s objective of promoting the availability of sufficient funds to pay all pensioner obligations as they become due, with prudent levels of risk, climate change-related or otherwise, as is detailed in the SIP and the Chevron UK Pension Plan Annual Report. Cornerstones of this strategy have historically been a well-diversified portfolio of investments to limit Plan risk, a significant portfolio weighting to return-seeking asset classes (such as equities) and active investment mandates to best meet Plan expenses and future Plan growth. Over the last decade, as the growth in Plan participation has slowed and uncertainty around future Plan obligations has been reduced, the Plan has purposefully reduced its risk profile: investments have been re-allocated from equities to lower risk fixed income, including a large weighting to UK Gilts; active investment mandates have been replaced by passive mandates; and the schedule of expected income from Plan assets has been more closely calibrated to the schedule of expected Plan payments. As a result of this strategic evolution and the Plan’s substantial funding level surplus (estimated at 121% at the end of 2023 on a technical provisions basis), the Plan is far less exposed to risks, including climate change-related risks, and less reliant on the Sponsor.



Strategy – Identification and Assessment of Climate Change-Related Risks:

The Regulations require the Trustee to identify and assess climate change-related risks and opportunities which may impact the Plan’s strategy over short-, medium- and long-term time horizons.

For this purpose, the Trustee selected **2025** to comprise the short-term (reflecting the period of expected near term changes in climate regulations and data quality); **2035** to comprise the medium-term; and **2050** to comprise the long-term (broadly aligning with the timeframe when a new employee hired during the reporting period may retire). The Trustee considers these time frames to be appropriate, taking into account the Plan's liabilities and its obligations to pay benefits.

Climate disclosure frameworks generally identify two main areas of climate change-related risk: transition risks and physical risks.

Transition risks: Transition risks relate to the potential risks and opportunities arising from the transition to a lower carbon energy system, such as policy changes, litigation, technology advancements, shifts in supply and demand, and changing stakeholder perceptions. An example of the impact of transition risk on the Plan may be incremental operating costs and carbon-related taxes incurred by a Plan portfolio investment to meet new climate regulations, which may decrease returns on assets. In addition, climate change-related opportunities may arise from government incentives to invest in lower carbon intensity forms of power. The Trustee believes these risks and opportunities are more likely to begin in the short-term and peak and plateau in the medium-term.

Physical risks: Physical risks include potential physical impacts driven by both acute events and long-term shifts in climate patterns. An example of the impact of physical risk on the Plan may be extreme weather impacting the value of portfolio investments or the mortality of Plan participants. The magnitude of the physical effects of climate change is unlikely to be clear for a considerable period of time, and thus, the Trustee believes that the impacts of physical risks will be more likely to occur in the long-term.

The Trustee has considered the potential impact of transition risks and physical risks on the Plan's investment strategy using scenario analysis (see below). Based on the outcome of that review and the Plan's current significant funding surplus as well as the Fund's current ALM, which balances risks arising from the characteristics of the Plan's assets and liabilities, the Trustee has not made any changes to the Plan's strategic asset allocation or choice of investment mandates at the present time. However, the Plan's ALM is reviewed regularly and the potential impact of transition risks and physical risks are kept under review within that context, noting that scenario analysis methodologies will likely evolve over time.

The Trustee recognises that the Plan's covenant may also be impacted by climate-related transition and physical risks due to the Sponsor and Supporting Companies' involvement in a carbon-intensive industry. In 2023, the Plan undertook its annual covenant assessment where the sponsoring employer covenant was graded as 'Strong' by Interpath, the selected third-party independent covenant advisor.

Based on the Interpath report and their own knowledge of the Sponsor and Supporting Companies' businesses and approach to the energy transition as is laid out in Chevron Corporation's 2023 Climate Change Resilience Report⁵, as well as the Plan's reduced reliance on the covenant resulting from the implementation of Plan strategy over the last decade and Plan's substantial surplus, the Trustee believes the covenant remains adequate to support the Plan.

Plan Scenario Analysis⁶:

The Trustee engaged WTW, an independent third-party, in 2022 to carry out hypothetical climate change scenario analysis to assist the Trustee to quantify and assess potential effects of climate change on the Plan's assets and liabilities. The Trustee considered four hypothetical climate-related scenarios, which were developed by WTW using their proprietary model, and form the basis of the scenario analysis ("WTW Scenario Analysis"). In 2023, the Trustee and its advisors reviewed the Department of Work and

⁵ The Sponsor and the Supporting Companies' businesses and operations are included in Chevron Corporation's 2023 [Climate Change Resilience Report](#)

⁶ The Trustee has not undertaken scenario analysis for the investments in the Defined Contribution Element of the Plan, given the immaterial size of non-AVC DC assets relative to the total assets in the Plan (less than 1%) and that it would be disproportionate in terms of time and cost to do so. The statements included in this section represent projections and assumptions of the WTW scenario testing, not the Trustee's own predictions or actual conditions or results at the present time.

Pensions guidance for updating scenario analysis. The Trustee determined not to update the WTW Scenario Analysis, as there remain significant limitations in current models and there were no changes to Plan strategy for 2023. The Trustee will review this determination annually, until the Regulations require a new analysis to be completed in 2025.

| | Lowest Common Denominator | Inevitable Policy Response | Global Coordinated Action | Climate Emergency |
|---|--|--|---|---|
| Description | A 'business as usual' scenario where current policies continue with no further attempt to incentivise further emission reductions. | A delay in meaningful action but a rapid shift in policy in the mid/late 2020s. Policies are implemented but not in a completely coordinated manner. | Policy makers agree on and immediately implement policies to reduce emissions in a globally coordinated manner. | An immediate, ambitious and coordinated response in which aggressive policy is pursued and more extensive technology shifts are achieved. |
| Temperature rise vs pre-industrial levels | 3.5°C | 2.0°C | 2.0°C | 1.5°C |
| Renewable energy by 2050 | 30-40% | 80-85% | 65-70% | 80-85% |
| Transition risk level (shorter term) | Low | High | Low – Medium | Medium – High |
| Physical risk level (longer term) | High | Low – Medium | Low | Low |
| Potential Funding Level (FL) Impact (20- year combined cumulative) | FL would increase by 3.3%, with longevity improvements materially lower than expected | FL would decrease by 1.8% as long-dated assets suffer high transition costs, but longevity improvements are lower than expected | FL would decrease by 5.6% under this scenario, with longevity improvements materially better than expected | FL would decrease by 2.5% under this scenario, with high immediate transition costs |

Hypothetical Scenario Overview: The Trustee used the WTW scenarios as the Trustee believes the hypothetical scenarios cover a broad range of potential climate outcomes of varying likelihoods, over short-, medium-, and long-term periods. The scenarios differ in the size of the physical and transition risks based on the resulting temperature impacts. For example, according to the WTW model, the Climate Emergency scenario, where forced decisive action is taken, and the Inevitable Policy Response scenario, where transition is more disorderly due to delays in meaningful action, likely represent bigger transition risks across the economy than the Global Coordinated Action scenario, which reflects a more managed global response to tackling climate change.

Scenario Analysis: The WTW Scenario Analysis identified that while three out of the four scenarios considered are expected to have a negative impact on funding level, the Plan's absolute funding level is expected to remain in surplus in all hypothetical scenarios. The most pronounced impact was in the Global Coordinated Action scenario where a potential loss over the 20-year period would see the funding level fall ~6% due primarily to lower asset returns and a relatively high increase in longevity. By contrast, in the Lowest Common Denominator scenario funding levels could potentially improve on lower transition costs and relatively low increase in longevity.

The Trustee understands that the WTW Scenario Analysis uses simplifying assumptions to shield the analysis from being obscured by other factors. The key assumptions in the modelled Scenario Analysis include:

- The current investment strategy (20% return seeking and 80% liability matching assets) does not change over the projection period
- No change to the level of prudence in the discount rate relative to the yield on government bonds
- The impact of the climate scenarios is experienced in a linear way over the projection period
- The impact of climate change is time dependent, with transition risk being front-loaded over the first 10 years, and physical risk following over the remainder of the projection period (up to 20 years)
- Investment return assumptions were calibrated from the long-term historical experience across a wide range of countries, but then further calibrated to reflect future returns being lower than suggested by the historical track record reflecting WTW's belief that markets are more expensively priced than they have been and a number of the historic tailwinds for markets (debt, demographics, globalisation) are likely to turn into headwinds in the immediate future and new headwinds such as climate change will emerge
- The liability analysis focuses on the impact of different climate scenarios on long-term rates of improvement in mortality trends
- Gilts will not be materially impacted by climate risk over the short and medium term and are shown as having no reduction in expected returns in all scenarios. Global equity is expected to be the most negatively impacted of the Plan's asset classes followed by Property and Investment Grade Fixed Income.

| Base Case Return Reduction (%) | Lowest Common Denominator | | | Inevitable Policy Response | | | Global Coordinated Reaction | | | Climate Emergency | | |
|--------------------------------|---------------------------|-----|------|----------------------------|-----|------|-----------------------------|-----|------|-------------------|-----|------|
| | Years | 1-5 | 5-10 | 11+ | 1-5 | 5-10 | 11+ | 1-5 | 5-10 | 11+ | 1-5 | 5-10 |
| Global Equity | 0.0 | 0.0 | 0.7 | 0.0 | 2.2 | 0.4 | 0.4 | 0.4 | 0.4 | 0.8 | 0.8 | 0.3 |
| Corporate Bonds | 0.0 | 0.0 | 0.0 | 0.0 | 1.2 | 0.0 | 0.1 | 0.1 | 0.0 | 0.5 | 0.5 | 0.0 |
| Property | 0.0 | 0.0 | 0.2 | 0.0 | 1.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.3 | 0.3 | 0.1 |
| Gov. Bonds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

In addition to the WTW Scenario Analysis focused on the Plan, the Trustee notes that Chevron Corporation, the ultimate parent company of the Sponsor and Supporting Companies, in 2023 conducted scenario analysis on its enterprise-wide portfolio under the International Energy Agency's Net Zero by 2050 scenario ("NZE 2050"). Chevron Corporation concluded that under the hypothetical IEA NZE 2050 scenario, its asset mix would need to evolve to adapt to various scenarios. Chevron Corporation did note, however, that as of the publication date, it believed its processes for tracking leading indicators and adapting its business would enable it to be flexible in response to potential changes in policy, supply, demand and physical risk.

Conclusion on Plan resilience to Climate Change-Related Risks

The Trustee concludes that while the WTW Scenario Analysis showed a potential negative impact to anticipated increases in funding level for three of the scenarios over the next 20 years, none of the scenarios translate into a funding deficit reflecting the Plan's current significant funding surplus and expected positive net return on Plan assets. As a result, the Trustee believes that the Plan's investment strategy is resilient to a broad array of hypothetical futures. Furthermore, the Trustee takes added assurance on the resilience of the Plan covenant from Chevron Corporation's previously reported analysis (in addition to the Interpath study referenced above) and the Plan's strong funding level.

Nevertheless, the Trustee recognises that there is a great deal of uncertainty around all aspects of hypothetical climate scenario modelling. It is not yet known which energy transition pathway will transpire and it could look quite different to those modelled. The WTW projections serve only to illustrate the possible future range of long-term returns from different asset classes and their inter-relationship, but it is recognised that no economic model can be expected to capture perfectly future uncertainty, particularly the risk of largely unknown, and often extreme, events.

Section 4 – Plan Metrics and Targets

Metrics:⁷

In order for the Plan to better understand and monitor the carbon emissions attributable to the Plan's assets in accordance with the mandates of the Regulations, the Trustee has selected and gathered data on four metrics: Absolute Carbon Emissions, Carbon Emissions Intensity, Data Quality and Alignment. Currently, the data gathered to calculate these metrics are related to:

- Scope 1 emissions (direct emissions of a company or emissions under the company's control),
- Scope 2 emissions (indirect emissions that result from a company's use of energy in its operations), and
- Scope 3 emissions (indirect emissions from activities of the entity, other than Scope 2 emissions, which occur from sources that the entity does not directly control).

In preparation for calculating Plan metrics and targets in the 2023 Climate Change Report the Trustee has engaged Northern Trust Total Portfolio Solutions ("Northern Trust") to provide portfolio results for the Plan's corporate bond and equity holdings. Northern Trust utilise data from a third-party relationship with ISS ESG.

Whilst the analysis has been undertaken to represent the emissions of the Plan's underlying portfolio as accurately as possible, this is a developing area, which gives rise to limitations. Only emissions data for corporate bonds and equity, approximately 40% and 10% of the portfolio assets respectively, are included in the metrics and as reflected by the data quality metric, a portion of this data, primarily Scope 2 and 3 emissions, has been estimated or not reported. Even for emissions that were reported by individual companies, there is not yet a universally accepted way to calculate emissions, which makes the data more uncertain. Recognising these limitations, the analysis has been carried out on a "best endeavours" basis, with the expectation that data quality and analytical insight gleaned from the data will improve over time. Additionally, UK Gilts, which represent approximately 40% of the portfolio, have been excluded from this data as the practice of reporting emissions for sovereign bonds varies widely. Moving forward, the Trustee will continue to engage with its investment managers to develop a reliable estimate that better informs on the Plan's exposure to climate change within this asset class. Lastly, the private property, representing approximately 10% of the Plan asset holdings, has been excluded as comparable data is not yet readily available on a portfolio basis.

Metric 1 – Absolute Carbon Emissions

The Absolute Carbon Emissions Metric measures the total amount of carbon emissions released by a company over the course of a year. Determining the progress a company, asset class or an investment portfolio is making towards "Net-Zero" can be accomplished by tracking this metric but it cannot provide a comparison against peers or asset classes. This metric is calculated in line with the guidance provided by the Greenhouse Gas Protocol. This metric is calculated using underlying company emissions data for

⁷ The Trustee has not undertaken data collection for the investments in the Defined Contribution Element of the Plan, given the immaterial size of non-AVC DC assets relative to the total assets in the Plan (less than 1%) and that it would be disproportionate in terms of time and cost to do so.

direct and indirect emissions, as provided by Northern Trust using data from ISS ESG. Where ISS do not have reported data for a company, they utilise an estimation model based on an approach that relies on company information and a sub-sector model.

The estimated total Scope 1, 2 and 3 carbon emissions for the equity and corporate bond portfolios as at December 31, 2023 was 453,192 tonnes of carbon dioxide (CO₂) equivalent (tCO₂e). The chart below shows this broken down by asset class.

| Asset class | Scope 1 & 2 Carbon Emissions (tCO ₂ e) | Scope 1, 2 & 3 Carbon Emissions (tCO ₂ e) |
|-----------------|---|--|
| Equity | 18,348 | 189,598 |
| Corporate bonds | 32,974 | 263,594 |

The Trustee expects the total portfolio emissions to increase as coverage of the corporate bonds increases and emissions are attributed to the UK Gilts and Private Property. It is important to note that publicly traded property typically has lower scope 1 and 2 emissions than the average for equity.

Metric 2 – Carbon Emissions Intensity

Carbon Footprint, the selected intensity metric, measures the total carbon dioxide emissions per unit of currency invested by the Plan. This metric can help the Trustee's understand which investments and asset classes it invests in have a heavier exposure to carbon emissions on a size adjusted basis. The calculation of this metric takes the total carbon emissions value, as explained above and divides it by the total enterprise value of the assets to which the emissions refers to. Northern Trust performed the calculation using data from a third-party relationship with ISS ESG.

The table below shows a breakdown for carbon intensity by equity and corporate bonds as at December 31, 2023.

| | Scope 1 & 2 Carbon footprint (tCO ₂ e/£m invested) | Scope 1, 2 & 3 Carbon footprint (tCO ₂ e/£m invested) |
|-----------------|---|--|
| Equity | 81 | 838 |
| Corporate bonds | 83 | 666 |

Metric 3 – Additional climate change metric – Data Quality

The chosen metric is Data Quality. This metric can be used to assess whether a Plan's data quality is improving over time which, if so, should give greater validity to the analysis of Metrics 1 and 2 above.

The table below shows a breakdown of Data Quality for Scope 1, 2, and 3 emissions by asset class as at December 31, 2023.

| | % securities whereby carbon data is reported by company | % securities whereby carbon data is estimated | % securities whereby carbon data is not reported |
|-----------------|---|---|--|
| Scope 1 & 2 | | | |
| Equity | 91.4% | 8.3% | 0.3% |
| Corporate bonds | 69.4% | 0.9% | 29.6% |
| Scope 3 | | | |
| Equity | 56.5% | 43.2% | 0.3% |
| Corporate bonds | 39.9% | 30.4% | 29.6% |

This metric was provided by Northern Trust using data from a third-party relationship with ISS ESG.

Metric 4 – Alignment – Implied Temperature Rise

The chosen alignment metric is implied temperature rise (ITR). This metric can be used to understand if assets held via investment managers would lead to global warming beyond the Paris Agreement goals of limiting temperature rise to 2 degrees Celsius or less. While Private Property and UK Gilts are not included in the table below, all three of the private property managers utilized by the fund and the UK government have net zero targets.

| | Implied Temperature Rise |
|-----------------|--------------------------|
| Equity | 2.7 |
| Corporate bonds | 2.4 |

This metric was provided by Northern Trust using data from a third-party relationship with ISS ESG.

Metric Targets

The Trustee believes that, currently, the quality and comprehensiveness of carbon related data is uncertain. As a result, the Trustee has limited our target setting to a short-term objective of reporting data for at least 60% of the assets by plan year end 2025 and seeing the percentage of corporate bonds whereby carbon data is reported by company, as measured by Data Quality Metric 3, improve to 75%. In preparation for measuring performance against this target in the 2023 Climate Change Report, as is noted above, the Trustee has engaged Northern Trust to provide metrics for our equity and corporate bonding holdings through their proprietary Climate Focus reporting service that uses data from a third-party relationship with ISS ESG. They are also working with Northern Trust to incorporate government bonds and private real estate proxies in coming reports. This will assist the Trustee in meeting its target. Beyond this, the Trustee will continue to monitor the reporting of carbon emissions data, and this target, with Northern Trust and investment managers to receive updates on evolution of their carbon emissions metric collection and reporting and to encourage the adoption of stricter standards if appropriate. The Trustee will update targets again in future reporting cycles as data quality improves.

The base year for this target is 2022.

| 2025 Plan Year Targets | Base date - 2022 | Current Date - 2023 | Target Date – 2025 | Variance |
|---|-------------------------|----------------------------|---------------------------|-----------------|
| % of portfolio included in section 4 | 47% | 54% | 60% | 6% |
| % of corporate bond emissions reported by company | 56% | 69% | 75% | 6% |

Conclusion – Looking Forward

The Trustee recognizes that climate change-related risks and opportunities will be an element considered in forming investment strategy over the coming years. While the Trustee has made significant progress over previous years to mitigate risks that may impact the Plan portfolio, including climate change, we recognize that standards and market conditions continue to evolve but believe the Plan has the appropriate governance in place to adapt. The Trustee wishes to reassure members and their beneficiaries that our priority is that all payments due from the Plan are made on time and in full.