

Climate Change report

Scheme year to 31 December 2025

A foreword from the Chair of the Trustee

On behalf of the Trustee, I am pleased to present our climate change report for the year to 31 December 2025, prepared in line with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”). The report summarises the actions taken by the Trustee over the year to manage climate-related risks and opportunities for the Scheme.

During 2025, the Trustee refreshed its climate scenario analysis to reflect recent changes to the investment strategies for both the DB and DC sections. This exercise also provided an opportunity to update the scenarios to better reflect the latest views on potential climate outcomes, taking into account progress in global climate policy and action to date. While the DB section is expected to remain resilient under a range of climate pathways, the Trustee also considered severe downside scenarios and the potential financial impact on the Scheme given the systemic nature of climate risk. For the DC section, the analysis highlighted the material impact that physical risks could have on our youngest members’ retirement pots, reinforcing the importance of taking action to manage climate risks where possible.

We welcomed the improvements observed following our engagement with BlackRock on its approach to climate factors. We will continue to engage with the Scheme’s managers to ensure that climate risks are being identified, assessed and managed appropriately on behalf of the Scheme.

We remain on track to achieve the Scheme’s climate target by 2029. The target aims to increase the proportion of underlying companies within the Scheme’s investments that are aligned with a low-carbon economy. During the year, the DC section saw a large improvement in alignment within the developed market equity portfolio, while for the DB section we were pleased to see the infrastructure portfolio reach 100%, given it represents one of the largest carbon footprints for the section.

The Trustee remains committed to transparency and to playing its part in addressing the global challenge of climate change. We hope that our actions, alongside those of other investors, companies and policymakers, will contribute to meaningful real-world outcomes.

Sincerely

Mike Smaje
Chair of the Trustee of the Hanson Industrial Pension Scheme



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About the Hanson Industrial Pension Scheme

The Hanson Industrial Pension Scheme (the “Scheme”) is a long-standing UK pension scheme with both Defined Benefit (“DB”) and Defined Contribution (“DC”) sections. The DB section closed to new entrants in 2002 with the formation of the DC section.

As at 31 December 2025, the DB section had invested assets of around £1,478m, plus insurance policies valued at around £36m, which pay the benefits of a small portion of retired members. The DC section had assets of around £388m as at the same date.

Appendix 6 includes a glossary of relevant terms. To aid with the reading of this report, we have defined some Scheme specific abbreviations below:

Employer	relates to Hanson Holdings (1) Limited, and any other sponsoring employers of the Scheme, as the context requires.
Group	relates to the wider Heidelberg Materials Group, with which the Employer is associated.
Trustee	relates to HIPS (Trustees) Limited who act as Trustee to the Scheme.
JISC	relates to the Joint Investment Sub-Committee who have investment related responsibilities for three UK pension schemes associated with the Group, including the Scheme.

Executive Summary

This report describes the activities and approach taken by the Trustee to understand and reduce the risks to the Scheme related to climate change and take advantage of any opportunities as part of the transition to a low carbon economy.

Governance

- The Trustee has established a “Trustee Statement on Governance of Climate Change Risks and Opportunities”, that sets out the respective responsibilities of the Trustee and its advisers in overseeing the climate risks and opportunities facing the Scheme. The Statement was reviewed and updated by the Trustee and its advisers during the year to ensure it remains fit for purpose.
- Climate has remained a regular agenda item for the JISC, ensuring it maintains the appropriate knowledge to make climate informed decisions and recommendations for the Scheme.

Strategy

- To help assess how climate risks and opportunities might impact the Scheme’s funding and investment strategies and the Employer’s ability to provide financial support to the Scheme, the Trustee refreshed its climate scenario analysis during the year. Overall, the Trustee believes that the DB section remains well positioned to be resilient to climate-related risks over the long-term due to its low-risk investment strategy and strong funding position.
- For younger DC members, climate risks could materially impact the size of their retirement pot. This risk has heightened since the previous analysis in 2022, as lack of policy action has increased the likelihood of the physical risks of climate change arising.
- Covenant analysis highlighted that due to the nature of the business, various climate risks could impact the Group. It also noted potential decarbonisation opportunities and the progress the Group has made towards its peer-leading Net Zero commitments.

Risk Management

- With the help of its investment adviser, the JISC reviewed its investment managers’ approaches to managing climate factors. The review confirmed strong processes across most managers.
- The JISC welcomed BlackRock’s clarification of its approach to systemic stewardship, a key theme of the Trustee’s engagement with the manager in 2025. BlackRock provided further clarity on its engagement with governments and regulators, and reviewing trade association positions for consistency with its own policies. Following review by the Trustee’s investment adviser, this resulted in an improved view of the manager’s approach in this area.

Metrics and Targets

- The Trustee has set four climate metrics to help it understand and monitor climate risks for the Scheme. These are total carbon emissions, carbon footprint, portfolio alignment, and data quality.
- The Trustee is pleased to report a reduction in carbon footprint for Scope 1 and 2 emissions across most of its investments, as well as improvements in data coverage.
- The Trustee has set a target to increase the proportion of the Scheme’s infrastructure, listed equity and corporate bond assets that are aligned with a Net Zero pathway over time. The Scheme has continued to make progress against this target for the DC section over the year, with an 8% increase in alignment over the year. Due to changes in the investment strategy over the year, the DB section did not make progress towards its target, but the Trustee remains comfortable that it remains on track.

1. Governance

How the Trustee maintains oversight of climate related risks and opportunities relevant to the Scheme

The Trustee has ultimate responsibility for ensuring effective governance of climate change risks and opportunities relating to the Scheme. Identifying, assessing and managing these risks and opportunities is a strategic priority for the Scheme and is therefore done by the Trustee Board. Over the year under review, to leverage off their expertise, the Trustee delegated certain investment-related responsibilities for both the DB and DC sections of the Scheme to the JISC, with support from the Trustee’s advisers.

Roles and responsibilities

In March 2022, the Trustee agreed a “Trustee Statement on Governance of Climate Change Risks and Opportunities” (“Governance Statement”), which outlines the division of responsibilities between the Trustee, JISC, their advisers and investment managers. The Governance Statement also sets out the nature and frequency of monitoring of climate-related risks and opportunities to be undertaken for the Scheme.

The purpose of the Governance Statement is to ensure appropriate oversight of the climate-related risks and opportunities relevant to the Scheme and provide the Trustee with confidence that its statutory and fiduciary obligations are being met. The Governance Statement has been agreed by each party to ensure they have a clear understanding of their roles and responsibilities.

The Trustee and its advisers reviewed the Governance Statement during the year and adopted an updated version in October 2025. No material changes were made to the roles and responsibilities or the nature and frequency of monitoring climate risks and opportunities, as set out in the Statement, which continues to provide a clear and effective framework for oversight of climate-related risks and opportunities.

The Governance Statement can be found in Appendix 1.

Climate beliefs and policies

The Trustee incorporates its beliefs and policies on climate-related risks and opportunities into its Statement of Investment Principles (“SIP”), which sets out the policies of the Trustee on various matters that govern decisions about the investments of the Scheme. The Trustee reviewed and updated its SIP in April 2025. As part of this review, the Trustee determined that the existing climate policies and beliefs, which were last updated in 2022, remained suitable.

The Trustee’s climate policies and beliefs are outlined below, and a full copy of the SIP is available [online](#).

The Trustee’s climate-related investment beliefs

- Environmental, social and governance (“ESG”) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors.
- Climate change is a financially material systemic issue that presents risks and opportunities over the short, medium and long-term.
- Long-term ESG sustainability is one factor the Trustee should consider when making investment decisions.

The Trustee’s climate-related policies

The Trustee has considered how ESG and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and from time-to-time reviews how its managers are taking account of these issues in practice.

Consideration of climate-related risks

The Trustee believes that climate change is a source of risk, which could be financially material over both the short and longer-term. This risk relates to the transition to a low carbon economy, and the physical risks associated with climate change. The Trustee seeks to appoint investment managers who will manage this risk appropriately.

1. Governance

Oversight activity

During 2025, the Trustee and JISC allocated regular meeting time to discuss climate-related topics. The key rationale for allocating time and resources to this area is that the Trustee believes that climate change is a financially material consideration for the Scheme.

As delegated in the Governance Statement, many of the climate-related activities were undertaken by the JISC, as

summarised below. Where a climate-related topic was on the agenda, the session began with high-level training to help identify and address any gaps in the JISC's knowledge and ensure it was able to make informed climate-related decisions for the Scheme.

The JISC summarised the climate-related activities it had undertaken at each quarterly Trustee meeting during the year,

confirming any key considerations or actions for the Trustee. In addition, the JISC provided the Trustee with updates on the Scheme's investments, including the investment managers' climate policies, and their assessment of relevant climate-related risks and opportunities where relevant.

Climate-related agenda items over the year to 31 December 2025

May JISC meeting

- Review of climate-related metrics and targets for the Scheme, including refresher training on the requirements, and a comparison of data to previous years.

September DC Day

- Training on illiquid asset investments including climate opportunities such as infrastructure and natural capital

September JISC meeting

- Climate governance plan for meeting the Scheme's ongoing TCFD requirements.
- Review of the Governance Statement, climate risks in the Risk Register, and consideration of further climate scenario modelling.
- High-level review of investment managers' approaches to climate, including refresher training on how to assess ESG factors.

October JISC meeting

- Climate scenario analysis (including refresher training) and review of short, medium and long-term horizons for assessing climate related risks and opportunities.

May 2025

September 2025

October 2025

1. Governance

Ensuring adequate oversight of climate-related risks and opportunities

The Trustee seeks input from its investment, actuarial and covenant advisers to ensure that it can identify, assess and manage climate risks and opportunities. The Trustee reviews the climate competency of its advisers from time-to-time and will take appropriate action if any concerns are raised.

In October 2025, as part of its annual “Investment Consultant Objectives” review, the JISC reviewed the competency of its investment adviser, LCP, against the objective to: “Help the Trustee identify, assess and manage climate-related risks and opportunities in relation to the Scheme’s investments”.

As part of its assessment the JISC considered:

- How LCP had met its roles and responsibilities as set out in the Governance Statement.
- Clarity of advice and whether suitable training had been provided to make informed climate-related decisions.
- LCP’s expertise and resources to provide climate advice.
- Prioritisation of climate-related risk in advice.

As part of the objectives review, the Trustee also added an objective to support the identification of suitable private market investment opportunities. This would help to further embed climate considerations within the Trustee’s wider investment governance framework as part of the private markets opportunity set, particularly infrastructure and natural capital, carry a strong climate dimension.

The JISC concluded that LCP had provided clear, practical and effective advice to support the Trustee in understanding and managing climate-related risks and opportunities in relation to the Scheme’s investments during the year. The JISC was satisfied that climate-related factors had been appropriately considered in LCP’s advice and that the service provided was of a high standard.

The Trustee and JISC were satisfied that their other advisers had also taken adequate steps to identify and assess climate-related risks and opportunities and had the relevant credentials to provide climate advice. This was based on the same criteria, where relevant to the matters on which they had advised.

With appropriate advisers in place, the Trustee ensures that climate-related risks and opportunities are considered as part of any relevant advice and included in agenda items. During 2025, this included considering how Insight integrates ESG factors (including climate) into its investment process, when appointing the manager for the Scheme’s new short-dated corporate bond mandate. For the DC section, this included the consideration of climate opportunities, such as renewable energy infrastructure and natural capital, as part of training on private markets.

Where appropriate, the Trustee has questioned information provided by its advisers and investment managers to ensure it has a clear understanding of the risks facing the Scheme and the actions it can take. Examples of how the Trustee has

challenged advisers and managers over the year are provided on the next page.

As part of the actuarial valuation 31 December 2024, climate-related risks were factored into the Trustee’s view on covenant, which in turn fed into the Trustee’s long term financial and demographic actuarial assumptions.

The Trustee ensures that the JISC and Joint Governance Sub-Committee (“JGSC”) have suitable experience in considering climate risk through relevant training, to ensure that the risks are suitably considered, documented, reviewed and kept up-to-date.

When appointing new advisers in the future, the Trustee and JISC will consider whether the advisers have suitable climate credentials.

1. Governance

Challenging advisers

The Trustee's investment adviser, LCP, conducted Climate Scenario Analysis on the Scheme's funding and investment, presenting the results to the JISC in October 2025.

The analysis showed that on a best estimate basis the DB section was projected to retain a material surplus over the long-term under all scenarios.

The JISC noted the limitations of climate scenario modelling, acknowledging that in a downside scenario the funding position of the Scheme could be materially worse and queried what other tools it had to quantify climate risk.

LCP noted that due to the systemic nature of climate risk, a combination of quantitative and qualitative analysis should be used. It discussed a scenario where the value of all of the Scheme's growth assets were reduced to zero, noting that the biggest risk to the Scheme was a default by the UK government on the Scheme's gilt holdings. The JISC and LCP discussed the potential events that could lead to that and the wider issues that may be facing the Scheme in such a scenario.

Challenging managers

When the DB section's Infrastructure manager, IFM, presented to the JISC in February 2025, the JISC queried the improvement in portfolio alignment over the last few years.

The JISC noted that whilst it was good to see that most portfolio companies now had carbon reduction targets in place, it was keen to understand why IFM had not sought to get them accredited (for example by the Science Based Targets initiative ("SBTi")).

IFM noted that as it typically has seats on the board of its portfolio companies, it has been heavily involved in the setting of targets. As part of this it makes sure the companies have both long term and interim targets and that the plans they have in place to reach them are both credible and fit in with their wider plans for the companies.

The JISC noted that in the future it would be good to see how IFM tracks companies' progress towards these targets now they are in place, and see what action is taken when companies fall behind target. The JISC was pleased to see that IFM has subsequently begun reporting on alignment.

2. Strategy

Identification and assessment of climate-related risks and opportunities relevant to the Scheme

The Trustee has considered climate-related risks and opportunities over various time periods which it believes are most relevant to the Scheme.

The JISC has selected short-term, medium-term and long-term time horizons over which to formally consider the impact of climate-related risks and opportunities for both the DB and DC sections. These time horizons were formally reviewed and updated in October 2025, alongside the climate scenario analysis that was undertaken for the Scheme.

The JISC agreed to different time horizons for the DB and DC sections reflecting differences in the membership profile and investment strategy. These time horizons are outlined in the tables below, along with the JISC’s rationale for each.

The Scheme faces risks and opportunities from both the physical effects of climate change (physical risks) – for example, rising temperatures and more extreme weather events – and from the effect of transitioning to a lower carbon economy to help mitigate the impacts of climate change

(transition risks) – for example, government policies to reduce the use of fossil fuels, technological advances in renewable energy, and a rise in consumer demand for “greener” products.

Many of these climate-related risks and opportunities could affect the Scheme’s funding position directly through impacts on the assets and liabilities. Climate-related risks and opportunities could also impact the financial strength of the Group and its ability to provide support to the Scheme.

DB section

	Time horizon	Rationale
Short term	3 years (to 2028)	This is in line with the next actuarial valuation cycle.
Medium term	10 years (to 2035)	This is the approximate duration of the aggregated DB section liabilities and is the period in which climate transition risks will be heightened.
Long term	17 years (to 2042)	This is the period in which physical climate risks are expected to have a material impact on financial markets.

DC section

	Time horizon	Rationale
Short term	5 years (to 2030)	Major improvements in climate data quality are expected over this period and many companies are expected to improve their climate reporting.
Medium term	10 years (to 2035)	Significant action is required by 2030 to limit climate change. The following years will demonstrate whether sufficient action has been made or if tipping points have been hit.
Long term	25 years (to 2050)	Aligned with the date by which many economies are targeting to be net zero (2050).

2. Strategy

Climate Scenario Analysis

Scenario analysis is a tool for examining and evaluating different ways in which the future may unfold. At its October 2025 JISC meeting, the JISC used scenario analysis to consider how climate change might affect the Scheme's investment and funding strategies. The JISC carried out the analysis with the support of their investment consultants, LCP, using macro-economic data at 31 December 2024, calibrated to market conditions at 30 June 2025.

The analysis looked at three possible scenarios, as outlined below.

Transition	Description	Why the JISC chose it
High Warming	Under this scenario it is assumed that no new ¹ low-carbon policies are enacted and some of the existing policies are scaled back, however current technological trends continue. As a result, the Paris Agreement Goals ² are not met, and temperatures rise significantly, leading to severe physical impacts.	The JISC chose to consider this scenario to explore what might happen to the Scheme's finances if carbon emissions continue at broadly current levels, resulting in severe physical risks from changes in the global climate that disrupt economic activity.
Limited Action	Under this scenario it is assumed that policymakers implement limited new climate policies and fall short of meeting the Paris Agreement goals, resulting in a combination of transition and physical risks.	The JISC chose to consider this scenario to see how the Scheme's finances could play out if limited additional climate action is taken, meaning that temperature rises far exceed 2°C by 2100 – resulting in significant physical risks, and policy changes result in some transition risks as financial markets react.
Net Zero Financial Crisis	Under this scenario it is assumed that rapid and effective climate action is taken (including using carbon capture and storage) and global net zero carbon emissions are achieved by 2055. Financial markets react abruptly to the climate action.	The JISC chose to consider this scenario to assess the risks and opportunities for the Scheme if global net zero carbon emissions are achieved by 2055, but financial markets remain volatile as they adjust to a low carbon economy, and the physical impact of climate change remains moderate.

¹New compared to the International Energy Agency's World Energy Outlook 2022 – Stated Policies Scenario (STEPS).

²The Paris Agreement is a legally binding international treaty on climate change which has been ratified by 189 states, representing almost 97% of global greenhouse gas emissions. The goal of the Paris Agreement is to keep global temperatures well below 2°C above pre-industrial levels, and to pursue efforts to limit increases to 1.5°C above pre-industrial levels.

The Trustee acknowledges that many alternative plausible scenarios exist but found that these were a helpful set of scenarios to explore how climate change might affect the Scheme in the future. To provide further insight, the JISC also compared the results under each scenario to a central base case scenario, that makes some allowance for the physical risks of climate change and the transition to a low carbon economy.

Whilst the High Warming and Net Zero Financial Crisis scenarios are broadly similar to two of the scenarios considered in the previous 2022 climate scenario analysis, the Limited Action Scenario is new. This scenario replaces a previous scenario that assumed Paris Agreement Goals were met with a smooth market reaction, which the Trustee noted was now an unlikely scenario given limited action had been taken since 2022.

2. Strategy

Climate Scenario Analysis (continued)

The key features of each scenario are summarised in the table below.

	High Warming	Limited Action	Net Zero Financial Crisis
Low carbon policies	There are no new ¹ low-carbon policies enacted in this scenario and some existing ones are scaled back. Current technological trends continue (eg significant falls in renewable energy prices).	Moderate steps taken by policymakers to increase climate action but commitments made under the Paris Agreement are not fully met.	Ambitious low carbon policies, high investment in low carbon technologies and substitution away from fossil fuels to cleaner energy sources and biofuel. Carbon Capture and Storage also used to achieve global net zero CO2 by 2055.
Paris Agreement outcome	Paris Agreement goals not met.	Paris Agreement goals not met.	Global net zero CO2 achieved by 2055. Paris Agreement goals nearly met.
Global Warming	Average global warming is about 2°C by 2050 and 3.7°C by 2100, compared to preindustrial levels.	Average global warming is about 1.8°C by 2050 and 2.9°C by 2100, compared to pre-industrial levels.	Average global warming stabilises at around 1.6°C above pre-industrial levels.
Physical impacts	Severe physical impacts. Multiple climate tipping points are reached and modelled and many countries suffer from extreme weather events.	High physical impacts	Moderate physical impacts.
Impact on GDP	Global GDP in 2100 projected to be almost 80% lower than in the Ortec Finance / Cambridge Econometrics base case.	Global GDP in 2100 projected to be about 60% lower than in the Ortec Finance / Cambridge Econometrics base case.	Global GDP in 2100 projected to be about 5% lower than in the Ortec Finance / Cambridge Econometrics base case.
Financial markets impacts	Financial markets price in climate-related risks in 2030 and 2039 as the scale of future risks become more widely accepted and understood.	Financial markets price in climate-related risks in 2030 and 2039 as the scale of future risks become more widely accepted and understood.	Abrupt repricing of assets and a sentiment shock to the financial system in 2026

¹New compared to the International Energy Agency's World Energy Outlook 2022 – Stated Policies Scenario (STEPS).
Source: Ortec Finance, modelling as at 31 December 2024. Figures quoted are medians

These scenarios show that equity markets could be significantly impacted by climate change, as shown in the chart on the next page, with lesser but still noticeable impacts in bond markets. All three scenarios envisage, on average, lower investment returns and these result in a worse DB funding position and poorer retirement outcomes for DC members.

2. Strategy

Climate Scenario Analysis (continued)

Modelling approach

The scenario analysis is based on a model developed by Ortec Finance and Cambridge Econometrics. The outputs were then applied to the Scheme's assets and liabilities by LCP.

The results are intended to help the Trustee consider how resilient the DB funding strategy, DB investment strategy and the DC default strategy are to climate-related risks.

The three climate scenarios chosen are intended to be plausible narratives of how the future could unfold. They are only three scenarios out of countless others which could have been considered. Other scenarios could give better or worse outcomes for the Scheme.

Modelling limitations

As this is a "top-down" approach, investment market impacts were modelled as the average projected impacts for each asset class. This contrasts with a "bottom up" approach that would model the impact on each individual investment. As such, the modelling does not require extensive scheme-specific data and so the Trustee was able to consider the potential impacts of the climate scenarios for all of the Scheme's DB assets and the DC assets in the default strategy. In practice, the Scheme's investments may not experience climate impacts in line with the market average.

The asset and liability projections shown reflect the Scheme's current strategic journey plan. No allowance is made for

changes that might be made to the funding or investment strategy as the climate pathways unfold.

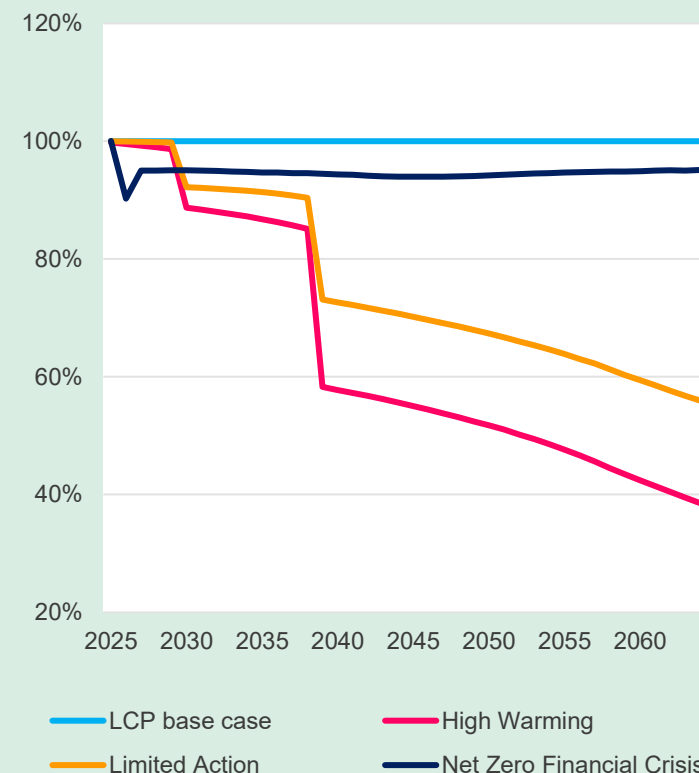
Like most modelling of this type, it does not allow for all potential climate-related impacts and may underestimate the potential impacts of climate-related risks. For example, impacts on health, mortality and migration flows are not explicitly modelled. Tipping points (which could cause runaway physical climate impacts) are only modelled in the High Warming scenario and the actual physical impacts could be very different to what has been modelled. In addition, the model presumes that the UK government and bank counterparties will remain solvent, thereby making no allowance for credit risk on government bonds and derivative exposures. However, in higher temperature scenarios, this assumption may no longer be valid.

Medians from Ortec Finance's model outputs are used to project forward assets and liabilities, which means the results reflect the model's "middle outcomes". Allowing for market volatility may result in different outputs. Investment markets may be more volatile in future as a result of climate risks, and this is not illustrated in the modelling.

The Scheme currently has insurance contracts covering a proportion of the DB benefits payable to pensioners. As these contract broadly match the DB benefits payable to members, they have been excluded from the analysis.

For more information about the modelling approach and limitations, see Appendix 2.

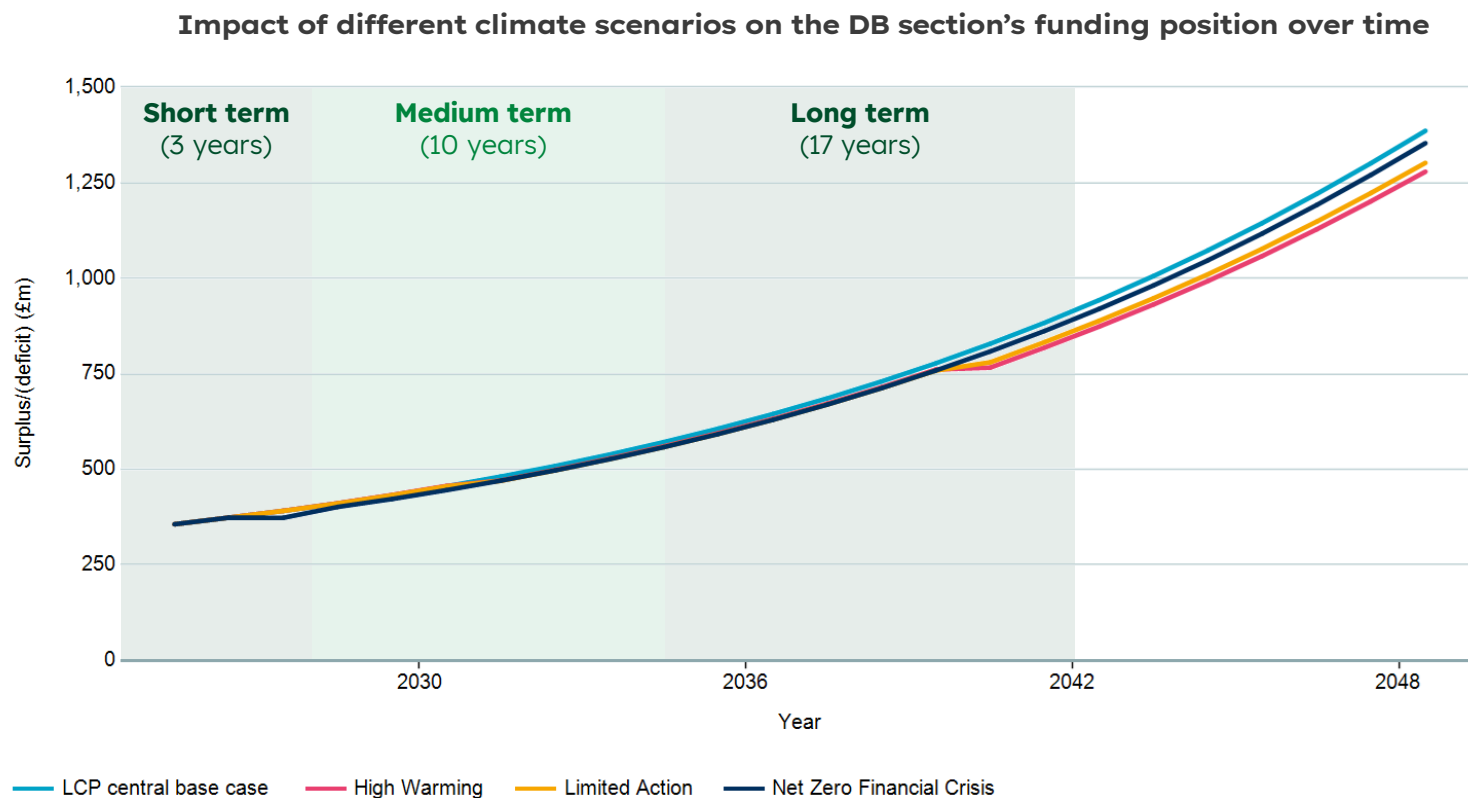
Cumulative impact on global equity returns of the three climate scenarios (relative to LCP base case)



2. Strategy

DB section: Potential impact on the assets and liabilities identified by the climate scenario analysis

The scenario analysis looked at the impact of the scenarios on the Scheme's funding position over time, on a proxy for the Scheme's Solvency basis. The chart below illustrates the expected change in the DB section's surplus under each of the three scenarios considered, as well as under the central base case.



On the face of it, the results suggest that the DB section is resilient under all scenarios. This is partly because it is invested in a low-risk investment strategy with minimal exposure to growth assets such as equities which are expected to be most severely affected by climate change.

Moreover, the DB section invests in a way that is designed to make it fairly immune to changes in interest rates and inflation in normal circumstances, which significantly reduces the volatility of its funding position. However, under the scenarios with major economic disruption, such as the High Warming scenario, the Scheme's interest rate and inflation protection may break down, leaving it more exposed to climate risks. The median modelled outcomes do not illustrate this possibility, but the Trustee has considered this risk.

In reviewing the analysis, the JISC acknowledged that the use of median projected outcomes does not illustrate the downside risk under each scenario and the actual outcomes for the Scheme could be materially worse.

Further commentary on the outcomes under each climate scenario is provided on the next page.

Analysis as at 30 June 2025. Further details on the modelling approach are outlined in Appendix 2

2. Strategy

DB section: Potential impact on the assets and liabilities identified by the climate scenario analysis (continued)

The key impacts under each scenario on the DB section were:

- Under the **High Warming** scenario, the overall impact on the Scheme's funding position is negligible in the short term and modest over the medium term. The transitional risks of climate change are expected to be minimal as no new climate policies are implemented. However, over the long-term, and particularly beyond the time horizon modelled, this scenario has the largest impact on the Scheme's funding position as the severe physical impacts of climate change could have catastrophic impacts on the global economy and financial markets.
- Under the **Limited Action** scenario, the overall impact on the Scheme's funding position is again negligible in the short term and modest over the medium term. As only moderate steps have been taken by policymakers under this scenario, transitional risks remain minimal, although there is a slightly higher impact over the medium term than under the high warming scenario. As limited policy action has been taken, the physical impacts of climate change remain severe, albeit slightly moderated versus the high warming scenario, impacting the Scheme's funding position over the long-term.
- Under the **Net Zero Financial Crisis** scenario, ambitious new policies designed to limit climate change have an impact on the Scheme's overall funding position in the short-term, as markets react abruptly to the changes. Markets are expected to recover over the medium term, however, the losses suffered in the short term mean the Scheme's funding

position remains behind the base case (and the high warming and limited action scenarios) over the medium term. Due to successful policy action, global warming stabilises and the physical impacts of climate change are managed. As a result, unlike the high warming and limited action scenarios, we do not see the same material impact on the Scheme's funding position over the long-term.

Impact of climate change on insurer pricing

The climate scenario modelling was undertaken on a Solvency proxy basis, which can be considered an estimate for the value of assets required to fully secure the Scheme's benefits with an insurance company and meet the expenses involved in winding up the Scheme.

As the potential impacts of climate change on the insurance industry are highly uncertain, modelling of the Solvency proxy does not allow for how climate change risks could affect insurer pricing for securing pension benefits, outside of the impact of changes in interest rates and inflation. The JISC noted that a change in insurer pricing levels could have a significant impact on when it will be feasible to secure benefits with an insurer.

The JISC therefore considered a range of both positive and negative impacts on insurance providers under the different scenarios. For example, under a High Warming scenario, a higher instance of extreme weather events is expected, which could result in more frequent payouts from insurers (eg on buildings insurance) or in an extreme scenario may result in insurers ceasing to provide insurance for such events. As a

result, there may be greater pressure to increase premiums for their wider business (such as annuities).

As future insurance pricing is inherently uncertain, the Trustee will continue to monitor it.

The main influence of the climate scenario analysis was to highlight that the sooner the Scheme can implement an insurance transaction to cover the whole DB section membership, the less likely climate change risks would result in members not receiving their full benefits. This is because of the additional regulatory protections that apply to insurance policies. The JISC, however, also noted that as climate change increases, so does the chance that these regulatory protections are insufficient, particularly in higher temperature scenarios such as the High Warming scenario modelled.

2. Strategy

DB section: Considerations outside of the climate scenarios analysis

Impact of climate change on the Scheme's annuity policies

The Scheme holds annuities which transfer part of the Scheme's exposure to climate risk to an insurer. The annuity policies were not included in the Scheme's climate scenario analysis, however when considering the scenario analysis the Trustee noted:

- The Scheme's insured liabilities are likely to be subject to similar financial risks to its non-insured liabilities.
- A key consideration is the insurer's ability to fully absorb and manage the effects of climate change. If it is able to do so, it should be able to continue to pay the contracted benefits in full under each climate scenario.
- The annuities should provide full hedging for the insured liabilities against any demographic risks associated with climate change.
- Climate change is a systemic risk that will undoubtedly have profound impacts on the insurance sector over the coming years. To the extent that the buy-in provider, or the insurance industry as a whole, are unprepared for these changes, climate risk increases the chance that it will be unable to meet the benefit payments promised.
- The regulatory regime, the insurer's reserves and the financial services compensation scheme (to the extent that this covers the Scheme's policy) continues to protect against insurer defaults due to climate change as well as any other risk. However, the systemic nature of climate change risk increases the chance that these regulatory protections may

prove insufficient, particularly in higher warming scenarios.

- As markets price in climate risk, if insurers decide to hold additional reserves against climate risk, buy-in pricing may be affected by climate risk which could materially increase the cost of insuring the remaining uninsured benefits of the Scheme in the future.

The Trustee remains comfortable that the annuities provide a suitable level of protection against climate risks and do not give rise to a material change in risk under each of the climate scenarios.

Impact of climate change on life expectancy

If a member lives longer, the Scheme pays the member's DB pension for longer and therefore needs more assets to make the payments.

Like the economic impacts, the impact of climate change on life expectancy is highly uncertain. As part of the climate scenario discussions, the Trustee considered the various possible drivers for changes in mortality rates with both positive and negative impacts expected in each of the scenarios considered.

For example, under the Net Zero Financial Crisis scenario, the reduced use of fossil fuels should lead to lower air pollution, increasing life expectancy. But this effect could be countered by economic prosperity generally being lower in this scenario, and this may limit the funding available for healthcare.

As at 31 December 2024, it has been calculated that a shift in

longevity expectations equivalent to an increase in life expectancy of around 1 year would increase the technical provisions by around 4%.

Given the level of uncertainty, the Trustee noted that no specific allowance had been made in the scenario analysis, but that it would keep up to date on developments in this area.

Limitations of climate scenario modelling

When reviewing the climate scenario analysis, the JISC discussed the difficulties in modelling the impacts of climate factors on the Scheme's asset and liabilities driven by the intricacies of climate systems. It noted this to be particularly true of the High Warming scenario, where almost 4°C of warming is observed.

Due to the unprecedented nature of such warming, it is challenging to encompass all potential consequences within the modelling process. Whilst the JISC acknowledge some improvements in the modelling (such as the modelling of tipping points in the High Warming Scenario in 2025, which had not previously been allowed for in any of the 2022 scenarios) it noted that simplifications in the modelling mean the actual impact on the Scheme is likely to be more significant than has been modelled.

The JISC was comfortable that, as long as these limitations are understood, the scenarios still provide valuable insights to inform climate risk assessment and management.

2. Strategy

DC section: Potential impact on projected retirement pots for members identified by the climate scenario analysis

The scenario analysis looked at the retirement outcomes, in terms of size of their projected retirement pot, for individual members of different ages invested in the default strategy. The default strategy is the only “popular arrangement¹” within the DC section. Analysis was conducted for members at four different ages to reflect the different asset classes, and therefore level of climate risk, at different points in the lifestyle.

Climate risks are expected to have a greater impact on return-seeking assets, such as equities. The default strategy has been designed in a way that reduces exposure to these types of assets as members approach retirement. As such, climate risks are also expected to reduce the closer a member is to retiring.

The analysis highlighted that climate risk affects different member cohorts in different ways, depending on the scenario and the timing of the shock. The main potential impacts under each scenario were as follows:

- Under the **High Warming** scenario, the dominant driver of impact is physical risk rather than transition risk. The economic effects build gradually but become increasingly severe, therefore this scenario is most damaging for younger members, who remain invested through a long period of worsening economic and market conditions. In contrast, members nearer retirement are exposed to this scenario for a shorter period therefore the full extent of long-run damage is less likely to be reflected in their projected pots.
- The **Limited Action** scenario results in a material deterioration in retirement outcomes relative to the base case, with the impact being most severe for the youngest members as inadequate action is expected to result in both transition frictions and increasing physical damage, creating a substantial drag on long-term member outcomes. For younger members, this persistent drag is more impactful than an initial sentiment shock due to market correction of

carbon-intensive and related assets.

- The **Net Zero Financial Crisis** scenario shows relatively modest reductions in retirement outcomes across all age groups. While the transition shock impacts negatively in the short term, the long-term economic damage is contained as global economy moves decisively onto a lower-carbon pathway. Members close to retirement are most vulnerable due to market disruption in the near term, which leaves them with less time to recover before drawing their benefits. In contrast, younger members have more time for markets to recover, to benefit from new investment opportunities arising from the transition, and for the long-term benefits of lower levels of warming to offset the initial shock.

The table below shows the percentage change in the value of members’ pots at retirement, relative to the central base case, across the three different scenarios and different starting ages.

Change in value of members’ pots at retirement, relative to the central base case

Scenario	Member aged 25	Member aged 35	Member aged 45	Member aged 55
High Warming	-39.4%	-31.4%	-25.5%	-6.3%
Limited Action	-27.1%	-20.9%	-16.4%	-4.3%
Net Zero Financial Crisis	-0.3%	-1.1%	-1.9%	-2.5%

Source: Capita, LCP Horizon

Analysis as at 30 June 2025. Further details on the modelling approach are outlined in Appendix 2

¹Popular arrangement means an investment strategy in which £100m or more of the scheme’s assets are invested, or which represents 10% or more of the assets held in the scheme.

2. Strategy

Potential impacts of climate change on Employer covenant

If the impacts of climate risks are more severe in practice than has been modelled by the climate scenario analysis, this could have implications for the Scheme's journey plan and potentially require additional contributions from the Employer. The Trustee therefore undertook additional climate scenario analysis on the Employer covenant with its covenant adviser, Mercer. Mercer's assessment was based on the Group rather than the Scheme's Employer given the Scheme's access to the assets of the Group parent company via a guarantee provided by Heidelberg Materials AG. The review incorporated the latest information from the Group's accounts and sustainability disclosures for its 2025 Financial Year.

Covenant climate scenarios

The following three scenarios have been considered as part of the climate focussed covenant assessment carried out by Mercer. The scenarios are broadly consistent with those used for the funding and investment analysis. In all three scenarios, it is assumed that the Group continues to implement its committed sustainability targets¹.

	High Warming 2°C scenario by 2050, 3.7°C scenario by 2100	Limited Action 1.8°C scenario by 2050, 2.9°C scenario by 2100	Net Zero Financial Crisis Stabilises at 1.6°C scenario
Scenario outline	No new climate policies are enacted, but transition progresses on economic grounds. Financial markets price in climate-related risks in 2030 and 2039 as the scale of future risks become more widely accepted and understood.	Moderate steps taken by policymakers to increase climate action but commitments made under the Paris Agreement are not fully met.	Highly ambitious low-carbon policy and rapid technology transition. Sudden divestments in 2026 to align with the Paris Agreement goals have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock.
Physical risks	More pronounced physical risks - particularly over the longer-term.	Physical risks increase over time as higher warming drives more frequent extreme weather and chronic climate impacts.	Long-term physical risks are reduced but deviations from the present climate are still expected.
Transition risks	Limited transition risks over above existing commitments and policies.	Transition risks remain moderate as policies develop unevenly across regions and sectors.	Highest in the near-term as policies are implemented immediately.
Macro-economic impact	UK and global GDP growth permanently lower with that impact increasing over time. Macroeconomic uncertainty rises significantly.	Financial markets price in climate-related risks in 2030 and 2039 as the scale of future risks become more widely accepted and understood.	Overall longer-term impact on GDP growth muted, with assumed long-term benefit from green tech investment offset by near-term market dislocation and physical impacts.
Alignment with NGFS²	Aligned to NGFS Current Policies Scenario.	Aligned to NGFS Nationally Determined Contributions ("NDC") Scenario.	Aligned to the NGFS Below 2°C Scenario.

¹A summary of the Group's climate commitments are summarised in Appendix 3.

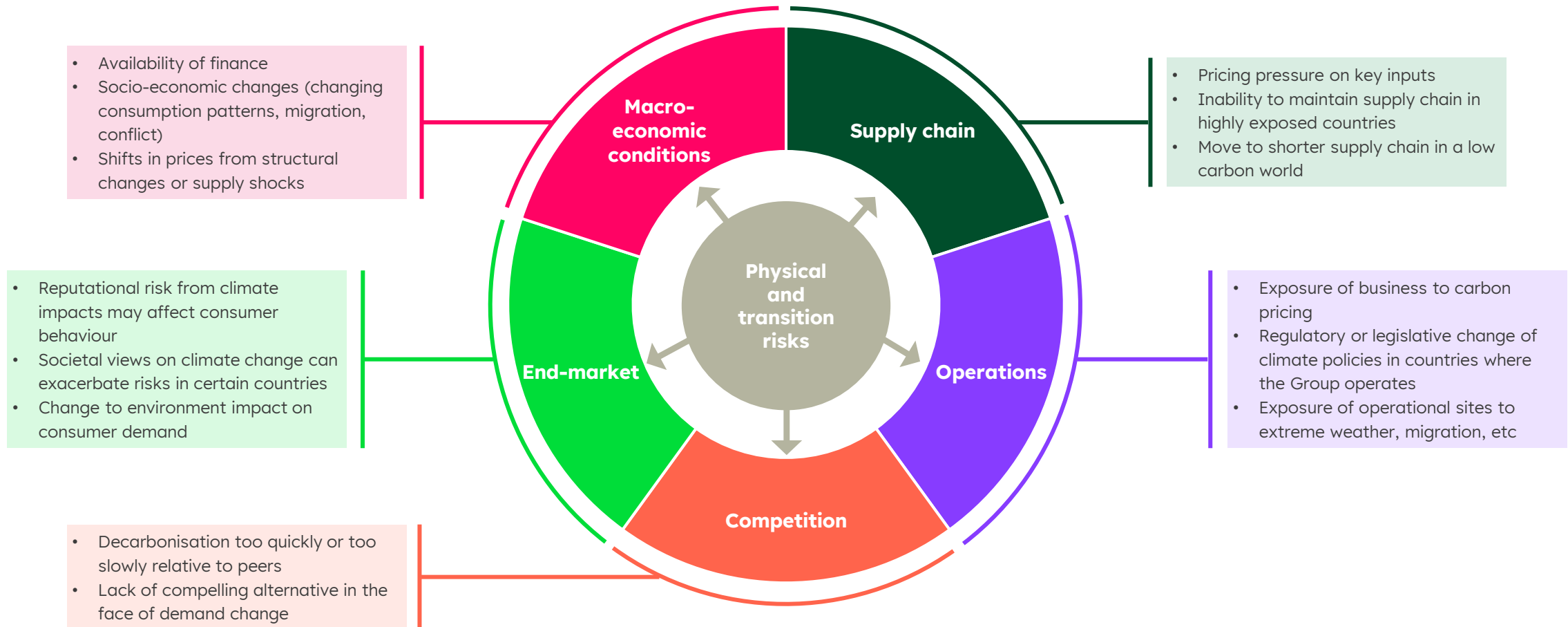
²The Network for Greening the Financial System ("NGFS") is a group of central banks and supervisors committed to sharing best practice on climate. The group has developed NGFS long-term climate scenarios, which are designed to be a global set of harmonised transition pathways for financial institutions to consider for climate scenario analysis.

2. Strategy

Potential impacts of climate change on Employer covenant (continued)

Transmission channels

When assessing potential covenant impact, climate risk can be mapped across the Group's entire value-chain, from the supply of raw materials through to the product end-market. By considering transmission channels, risks and opportunities can be more clearly identified and their impact on the Employer covenant considered.



2. Strategy

Potential impacts of climate change on Employer covenant (continued)

Assessed potential climate scenario risks analysis over time

The table below provides an overview of the risk analysis over time on the Group. The timeframes used have been aligned to those considered for the DB section given the greater reliance on covenant.

Scenario	Short term 3 years to 2028	Medium term 10 years to 2035	Long term 17 years to 2042
High Warming	Lower risk	Medium risk	Higher risk
Limited Action	Lower risk	Higher risk	Higher risk
Net Zero Financial Crisis	Medium risk	Higher risk	Lower risk

Under each scenario, short term risks to the Group remain moderate given its strong initial progress towards its climate targets and a focus on new technologies. However, risks are expected to rise in the medium term as regulatory divergence, carbon costs, macro-economic impacts and physical disruption of operations due to extreme weather events tends to increase.

- Under a **High Warming scenario** physical risks heighten materially over the long term. Over the medium term, an increase in the frequency and severity of extreme weather events (such as flooding, drought and extreme heat) is also expected, posing direct risks to operational sites, logistics networks and workforce productivity. At the same time, it is assumed the Group will attempt to meet existing

commitments where possible, driving increased costs as available low-carbon technology and customer expectations remain uneven and difficult to exploit for growth.

- Under a **Limited Action scenario**, regulatory divergence and the recognition of climate-related risks by markets increases in the 2030s, driving cost pressures, margin volatility and macro-economic uncertainty. Fragmented climate policies across key jurisdictions places pressure on the Group's progress towards its sustainability commitments and low-carbon products. Overall, this scenario represents the greatest risk to the Group, as managing diverging regional decarbonisation requirements and customer preferences may result in stranded assets or unrewarded investment,

while long-term physical climate risks also tend to increase.

- Under a **Net Zero Financial Crisis scenario**, transition risk is higher, driven by early regulatory actions, rising carbon costs and the need for transition across the value chain. This is expected to increase operating costs, require significant capital investment (in such things as as carbon capture technology and plant upgrades) and intensify reliance on supply-chain decarbonisation while accelerating macro-economic impacts.

The Trustee notes that while the analysis highlights key risks, the Group's positive progress compared to peers suggests there could also be opportunities in decarbonisation scenarios.

2. Strategy

Key climate risks and opportunities facing the DB section

The Trustee has identified and assessed climate risks and opportunities for the DB section within each of the time horizons mentioned, as follows:

	Key Risks	Key Opportunities
Short term <i>(3 years)</i>	<p>The Scheme has exposure to climate-related investment risks through its equity and alternatives investments.</p> <p>Transition risks are expected to be larger in the short term due to the cost of investment to meet changes in government policy.</p> <p>The Trustee has already taken steps to de-risk the Scheme and is in a strong funding position, which should help to mitigate the impact of these risks.</p>	<p>Climate-aware funds are available for the Trustee to consider, although the Scheme's growth assets are a relatively small part of the portfolio. The Trustee will consider climate when considering any near-term investment decisions.</p> <p>The Trustee has reviewed its managers' approaches to managing climate risks and opportunities and believes that it is taking these into account in a sensible manner. It will continue to engage with its managers to ensure voting and stewardship are aligned with the key climate risks and opportunities.</p>
Medium term <i>(10 years)</i>	<p>Financial market volatility might increase over the medium term as the physical and transition impacts of climate change unfold, particularly if this happens in an unpredictable manner.</p> <p>This could impact the value of the Scheme's assets and liabilities. The Scheme is estimated to have a material surplus on a Solvency basis but market volatility could impact this position.</p> <p>By hedging a large portion of the interest rate and inflation risk of its liabilities, the Scheme should be largely protected from the impact of climate risks on the value of its liabilities.</p>	<p>The DB section has an investment in renewable energy generation via its infrastructure mandate, which is expected to benefit from the climate transition as this type of infrastructure is essential to the transition to a low carbon economy.</p>
Long term <i>(17 years)</i>	<p>Physical risks could have significant impacts on financial markets in the long-term if climate change continues. This may reduce the Scheme's surplus on a Solvency basis and increase the cost of buy-in as insurers allow for climate-related risks in their pricing and reserving bases.</p>	<p>Buy-in is expected to provide greater protection from climate risks for members' benefits and there may be pricing opportunities along the journey. The Trustee notes that insurance companies (who would insure member benefits in a buy-in scenario) are not immune to the impact of climate risks and would consider these risks as part of any long-term decisions on behalf of the Scheme.</p>

2. Strategy

Key climate risks and opportunities facing the DC section

The Trustee has identified and assessed climate risks and opportunities for the DC section within each of the time horizons mentioned, as follows:

	Key Risks	Key Opportunities
Short term <i>(5 years)</i>	Older members within 5 years of retirement will be most exposed to transition risks in the short term in the event of a Net Zero Financial Crisis pathway.	<p>Low carbon investments can mitigate the impact of market shocks due to a market repricing event.</p> <p>The Low Carbon Global Equity Fund, available through the self-select fund range, offers members a way to position their investments more defensively in anticipation of such repricing events.</p>
Medium term <i>(10 years)</i>	Transition risks may still be heightened over the medium-term creating volatility. Market returns may be lower if a Net Zero Financial Crisis harms economic performance.	<p>Impact investments can take advantage of the shift to a low carbon economy and may provide an enhanced source of return over the period.</p> <p>Climate-aware strategies may be well-placed to benefit from the transition to a low carbon economy, with the potential to deliver resilient returns as policy, regulation and capital flows begin to favour sustainable business models.</p>
Long term <i>(25 years)</i>	Physical risks are most severe in the High Warming pathway, particularly impacting those members 15 years or more from retirement.	<p>Engagement with investment managers to ensure they are exercising stewardship in support of Net Zero pathways is key to avoiding higher warming.</p>

3. Risk Management

Processes and Tools for identifying and assessing climate-related risks

The Trustee has implemented several processes and tools for identifying, assessing and managing climate-related risks and opportunities for the Scheme, including:

- Climate-related training to understand how climate-related risks might affect pension schemes and their investments.
- Undertaking climate scenario analysis which shows how the Scheme's assets and liabilities might be affected under a range of climate scenarios.
- Receiving advice on how the sponsoring Employer might be impacted by climate-related factors and putting in place monitoring to highlight any changes.
- Reviewing its investment adviser's assessments of the Scheme's current and prospective investment managers' climate practices, including how they incorporate climate-related factors into their investment processes and how effectively they manage climate-related risks.
- Ensuring good stewardship practices are in place.
- Monitoring a range of climate-related metrics in relation to the Scheme's assets.

In addition, the Trustee expects its investment managers to identify, assess and manage climate-related risks on a day-to-day basis. The above processes are integrated into the overall risk management of the Scheme through the business plan, risk register and ongoing support from advisers.

Investment Manager assessments

Review of managers' Responsible Investment approach

LCP presented its review of the Scheme's investment managers' approaches to Responsible Investment ("RI"), including climate at the September 2025 JISC meeting. The review covered all of the DB and DC sections' managers.

The assessment for each manager included:

- The fund specific RI scores assigned to each of the Scheme's funds, formulated during LCP's regular due diligence meetings with each manager. Each fund is rated on a 1 (weak) to 4 (strong) scale.
- Climate risk management scores based on how well climate factors are integrated into the funds' investment processes. Funds are given a "strong", "moderate" or "weak" rating.
- Net Zero alignment scores, which consider how aligned the portfolios are to a Net Zero transition. Funds are given "strong", "moderate" or "weak" ratings.
- A comparison of how each fund's RI scores have changed since the JISC's last review in 2024.
- Case studies from each of the Scheme's managers providing examples of how they have engaged with portfolio companies on climate matters.
- An overview of how climate considerations are factored into each of the fund's investment process. This included consideration of what steps each manager could take to improve its climate approach.

Outcome of the manager review

For the DB section, there were a couple of changes to the RI scores for the infrastructure mandate. This included an upgrade in its Climate Risk Management score driven by an improvement in approach to understanding climate risk at a portfolio level.

The Trustee also compared the RI scores for the DB Section's new short dated buy & maintain fund with its previously held segregated bond mandate. It was pleased to see that the new fund had a higher overall RI score, which was driven by a higher "Voting and Engagement" score. It was noted that moving from a segregated approach to a pooled fund, meant that the fund had a higher level of dedicated RI resource.

For the DC section, the review of managers' climate approaches in 2024 concluded that BlackRock had fallen behind expected standards for investment managers on climate-related matters, particularly in relation to systemic stewardship. The Trustee therefore engaged with BlackRock over the year, focusing on three key issues: responsible investment training, net zero, and systemic stewardship. In parallel, LCP held further discussions with BlackRock on its broader responsible investment approach. Through this process, BlackRock provided additional information on these issues, including further detail on its engagement with governments and regulators and on its policy positions regarding climate change as a systemic risk.

3. Risk Management

Investment Manager assessments (Continued)

This additional disclosure and clarification gave the Trustee a fuller understanding of BlackRock's position and, following these discussions, led LCP to update its assessment of BlackRock's systemic stewardship from 'weak' to 'moderate' in the 2025 review.

As at the date of the analysis, the only funds with "weak" climate risk management scores were the passive mandates. As these funds track indices, there is limited scope to manage climate risk outside of stewardship, and therefore higher climate scores are not achievable for these types of fund. With this in mind, the JISC undertook a deep dive into each of its passive managers' stewardship practices and was comfortable that these funds remained suitable for the Scheme.

The Trustee reviewed climate case studies from all its managers, including direct engagements on climate with issuers of debt, engaging with companies on expectations ahead of shareholder votes, and collaborating with other entities on the development of climate solutions such as sustainable aviation fuels. Case studies from the DB Section's infrastructure and new short dated buy and maintain bond mandates,

and one of the DC Section's active DGF managers are provided on the next page.

The JISC used the output of the review to drive climate-related conversations with their investment managers over the year. In addition, the Scheme's investment adviser engages with the Scheme's managers, encouraging them to improve their practices further, reporting back to the JISC periodically.

Engagement and other stewardship activities

The Trustee expects its investment managers to engage with investee companies on climate-related (and other) matters. The Trustee generally believes that engaging with companies is more effective at encouraging change than selling its investments in those companies. When reviewing the managers' climate approaches, the JISC also considered their approaches to stewardship and engagement. This review showed that all the Scheme's managers frequently engaged with portfolio companies on climate change.

More information on the Trustee's stewardship activities can be found in its [Implementation Statement](#).

Engagement with BlackRock on its RI practices

Following a review of BlackRock's RI practices in 2024, the Trustee wrote to the manager to highlight areas it was keen to see improvement. These included:

- Providing substantial and regular RI training to all investment staff.
- Working towards Net Zero for all assets under management (subject to client and regulatory constraints) and having a clear transition plan.
- Articulating a clear, public view on climate policy which recognises climate change as a systemic risk, is aligned with latest climate science and highlights where policy ambition and implementation falls short.

The Trustee asked BlackRock to provide a clear response on how it planned to make progress towards these expectations and its timeline for doing so.

The Trustee has been pleased to see BlackRock provide further information on its approach, which has given the Trustee greater clarity and led LCP to update its assessment of BlackRock's systemic stewardship from 'weak' to 'moderate', supporting a more favourable assessment of BlackRock's approach and policies in this area than had previously been demonstrated.

While some aspects of BlackRock's approach to training and net zero are yet to clearly evidence stronger commitments, the engagement was constructive and provided greater clarity on an issue that had been a key focus for the Trustee. LCP will continue to assess BlackRock's responsible investment practices as part of its regular research and monitoring.

3. Risk Management

Climate engagement case studies

Insight Short Dated Credit:

Engagement with a European energy company on its sustainable energy transition

The company is an investment-grade European energy producer whose primary sources of generation are nuclear and renewables.

Gas contributes 6% to the company's total energy production, oil 1%, and coal only a small fraction, giving it lower carbon emissions than fossil-fuel-based peers.

Insight engaged with the company to understand its projected energy mix and plans to phase out coal. Insight also discussed its capital expenditure strategy, focusing on whether it plans to prioritise nuclear or renewable investments.

The company plans to exit coal by 2030 and focus investment on both nuclear and renewables, including projects in China and globally. While nuclear operations carry some health and safety risks, strong regulation and diversified uranium sourcing support secure management. Ongoing monitoring will track coal divestments, project progress, and risk mitigation to ensure alignment with sustainability goals.

IFM Infrastructure:

Memorandum of understanding with GrainCorp on Sustainable Aviation Fuel

IFM manage investments in major airports in Australia and globally. It believes development and production of Sustainable Aviation Fuel ("SAF") is key to the decarbonisation of airports and therefore the long-term risk adjusted returns of these assets.

In November 2023, IFM announced a memorandum of understanding with leading Australian agribusiness and processing company, GrainCorp. Together with GrainCorp, IFM have commenced a feasibility study on the creation of a SAF supply chain in Australia.

IFM see the development of a SAF industry in Australia as critical for its Australian airport assets. More broadly, the Australian Government has signalled the decarbonisation, economic and security benefits of developing a SAF industry in Australia.

In March 2025, the Australian Government committed \$250m to support the production of SAF. IFM view its work to date with GrainCorp as providing forward-thinking leadership to the nascent industry.

Ruffer Diversified Growth Fund:

Engagement with ArcelorMittal (a Lux-based steel manufacturer) on carbon reduction commitments

At the CA100+ meeting, Ruffer sought assurance on ArcelorMittal's commitment to its carbon reduction targets amid reports of delayed green steel investment.

While expanding into scrap recycling and possessing proven technology, the delay raises concerns over green hydrogen availability and renewable power economics.

The company highlighted its global flexibility, including exporting hot briquetted iron (HBI) from its Texas plant, which could cut blast furnace CO₂ emissions by 20%+. It remains confident in meeting targets despite macroeconomic headwinds.

Ruffer urged publication of Climate Action Report 3 (last issued in 2021), with marginal abatement cost curves for 2030 and 2050 targets, assessment of the €10bn investment plan, and scenario analyses.

Next steps include meeting CEO Aditya Mittal and ensuring the report is released at least two months pre-AGM to inform investor engagement.

3. Risk Management

Investment Manager assessments (continued)

Changes to investment mandates

If the JISC identifies any concerns with the way one of the Scheme’s managers addresses climate related risks and opportunities, it will initially engage with the manager to raise concerns and seek improvements. If the manager does not sufficiently improve, the JISC may switch to a different manager. Over 2025, no manager changes were made due to concerns over their climate approaches.

DB section

Over the year the Scheme switched from a segregated buy and maintain bond portfolio to a pooled short duration credit fund. Prior to the switch the Trustee discussed the potential for introducing bespoke climate guidelines into its segregated portfolio, but given the size of the mandate the portfolio manager confirmed there was limited scope to do so. When selecting a short dated credit fund, the Trustee considered the manager’s approach to RI (including climate risk management). The Trustee compared the fund level RI scores assigned by its investment advisor of the incumbent and new credit funds. The Trustee was pleased to note that the new short duration credit fund had received a higher RI rating, which was driven by greater resource supporting the engagement activity in the portfolio.

DC section

There were no changes to the investment strategy during the year under review. The most recent changes were implemented in 2024, following the strategy review carried out in 2023.

Before making any new investment, the Trustee obtained formal written advice from LCP. This advice covered, among other matters, the relevant managers’ investment processes and philosophies, including the extent to which climate-related risks and opportunities are reflected in their investment decision-making.

In considering the risks and opportunities associated with the transition to a lower-carbon and more sustainable economy, the Trustee reviewed the climate credentials of a climate-tilted equity fund and subsequently incorporated the HIPS Low Carbon Global Equity Fund into the Scheme’s self-select fund range in 2024. Over the year, the Trustee monitored member take-up of this fund through regular reporting on the level of assets invested and the number of members invested.

The Trustee also commenced its triennial review of the Scheme’s investment strategy during the year. This review was ongoing at the date of publication of this report.



3. Risk Management

Monitoring climate-related risks to the Scheme

Climate change is integrated into the Scheme's risk management processes, including the Risk Register, covenant monitoring and investment monitoring.

Risk Register

The Trustee maintains a Risk Register which covers all aspects of the Scheme's activities. It is reviewed in detail by the JGSC, and at a high level by the Trustee Board and other committees such as the JISC. Each risk is rated in terms of its impact and likelihood, both on a scale of 1-5, and these figures are multiplied together to give an overall risk score out of 25. The lower the number, the lower the risk.

The key climate-related risks in the Register include:

- Climate-related risks and opportunities are not considered: The JGSC has set out several mitigation steps for the Trustee, including compliance with TCFD reporting regulations. Over 2025, the JGSC scored the risk a 2 for impact and 1 for likelihood, noting the Trustee's commitment to assessing climate risks over the year.
- ESG – poor investment returns over the short and long-term resulting from the transitional and physical risks of climate change: The JGSC has set out a number of mitigation controls covered by the Trustee's investment monitoring of climate risks. Over 2025, the JSGC scored the risk a 4 for impact and a 1 for likelihood, noting the Trustee's ongoing analysis of climate risks and opportunities over the year.

- The Group fails to meet stated GHG emission reduction targets causing reputational damage and increasing costs of offsetting any residual emissions; faces increasing costs from increasingly stringent regulations; or faces higher costs connected to its operations from extreme weather events: The JGSC has set out the inclusion of ESG and sustainability metrics within its covenant monitoring as a key mitigation tool for this risk. Over 2025, the JGSC scored the risk a 4 for impact and a 1 for likelihood noting the ongoing progress of the Group towards its market leading climate commitments.

Investment monitoring

In addition to the annual review of managers' climate approaches, the Trustee reviews LCP's RI scores for the Scheme's managers and funds, which consider climate factors, on a quarterly basis. The information is included in LCP's quarterly investment monitoring reports, as well as details of any due-diligence meetings LCP have conducted with the Scheme's managers over the quarter, including discussions on climate change.

The JISC aims to meet at least one of its managers at each quarterly JISC meeting. During these meetings, the JISC discusses climate change with the managers to increase its understanding of the Scheme's climate-related risks and challenge the adequacy of the steps being taken to manage them. CTI, IFM, Insight and Ruffer presented to the JISC during the year.

Covenant monitoring

Climate-related exposures could have a positive or negative impact on the strength of the sponsoring Employer's covenant. As a result, the Scheme's Covenant adviser, Mercer, includes climate-related matters in the covenant advice it provides.

Over 2025, this included covenant analysis for consideration alongside the 2024 triennial actuarial valuation as at 31 December 2024, as well as climate scenario analysis that included an update on the Group's progress towards its climate related targets covering the 2025 financial year.

4. Metrics and Targets

Selecting climate metrics for the Scheme

The Trustee has chosen four climate-related metrics to help monitor climate-related risks facing the Scheme. These are listed below, alongside the methodology used for calculating the metrics.

Metric	High-level methodology
Absolute emissions: Total greenhouse gas emissions	<p>The sum of each company’s (or equivalent) most recently reported or estimated greenhouse gas emissions attributable to the Scheme’s investment in the company (or equivalent), where data is available.</p> <p>Emissions are attributed evenly across equity and debt holders. Reported in tonnes of CO₂.</p> <p>This methodology was chosen as it is in line with the statutory guidance.</p>
Emissions intensity: Carbon footprint	<p>The total greenhouse gas emissions (as described above), divided by the value of the invested portfolio in £m, adjusted for data availability.</p> <p>Emissions are attributed evenly across equity and debt investors. Reported in tonnes of CO₂ equivalent per £1m invested.</p> <p>This methodology was chosen as it is the preferred method as per the statutory guidance.</p>
Portfolio alignment: Emissions reduction targets	<p>The proportion of the portfolio by weight that has set an emissions reduction target that has been accredited by the or equivalent.</p> <p>Reported in percentage terms.</p> <p>A “binary target” measure was chosen because it is the simplest and most robust of the various portfolio alignment metrics available.</p>
Data quality	<p>The proportion of the portfolio for which the Trustee has access to high quality emissions data.</p> <p>This is reported using three categories: emissions reported by companies, indirectly estimated or modelled emissions, and unavailable data. Reported in percentage terms.</p> <p>The Trustee chose “data quality” as a fourth metric as it complements the other emissions data collected for the Scheme and will be useful to track the progress of mandates where data coverage is currently low.</p>

In May 2025, the JISC reviewed the Scheme’s choice of climate-related metrics and was comfortable that they continued to be appropriate for the Scheme.

The Trustee has collected climate metrics data for both the DB and DC sections as at year end for this report, as summarised later in this section.

4. Metrics and Targets

Climate metrics (Scope 1 and 2 emissions) – DB section

The metric data covering Scope 1 and 2 emissions for the Scheme's DB section is shown below, based on assets as at 31 December 2025 (unless stated otherwise). For comparison, the equivalent figures as at 31 December 2024 are shown in brackets. The arrows indicate where the values have increased or decreased compared to last year's report, green for an improvement and red for a deterioration. Where the metric has stayed the same, an amber equals sign is shown. Where data has been disclosed for the first time this year, no arrow is shown. Scope 3 emissions are detailed on page 31.

Portfolio	Asset value ⁵	Total emissions (tonnes CO ₂ e) ¹	Carbon footprint (tonnes CO ₂ e per £m invested) ¹	Data coverage (Total Emissions and Carbon Footprint, % portfolio)	Portfolio alignment (% targets set)	Data quality (reported/estimated/unavailable)
CTI – LDI ²	£1,080m / 73% (£1,142m / 76%)	146,434 ↓ (173,412)	142 ↓ (170)	100 = (100%)	100 = (100%)	100 / 0 / 0 = (100 / 0 / 0)
Insight – Buy & Maintain credit	- (£108m / 7%)	- (3,659)	- (40)	- (86%)	- (43%)	- (69 / 17 / 14)
Insight – Short Dated Buy & Maintain credit	£110m / 7% (-)	2,343 n/a	27 n/a	79% n/a	34% n/a	75 / 4 / 21 n/a
LaSalle - Property ³	£13m / 1% (£16m / 1%)	20 ↓ (111)	2 ↓ (1)	72% ↓ (82% ⁴)	79% ↑ (30% ⁴)	72 / 0 / 28 ↓ (82 / 0 / 18)
IFM – Infrastructure ^{3,5}	£108m / 7% (£101m / 7%)	5,974 ↑ (5,944)	52 ↓ (61)	100% = (100%)	100% ↑ (98%)	90 / 10 / 0 ↓ (92 / 8 / 0)
L&G - Listed equities	£79m / 5% (£54m / 4%)	4,195 ↑ (2,943)	54 ↓ (56)	99% ↑ (98%)	59% ↑ (56%)	96 / 4 / 1 ↑ (95 / 3 / 2)
L&G - UK Gilts	£84m / 6% (£82m / 5%)	11,857 ↓ (13,912)	142 ↓ (170)	100% = (100%)	100% = (100%)	100 / 0 / 0 = (100 / 0 / 0)
L&G - US Treasuries	£5m / <1% (£5m / <1%)	855 ↑ (827)	157 ↑ (152)	100% = (100%)	0% = (0%)	100 / 0 / 0 = (100 / 0 / 0)
Prudential – annuities ⁶	£4m (£6m)	103 ↑ (73)	57 ↑ (32)	43 ↑ (40%)	10% ↑ (7%)	37 / 6 / 57 ↑ (33 / 7 / 60)

Source: Investment managers, LCP. Metrics data is shown at fund level. Due to differences in calculation methodologies the Trustee has decided not to aggregate figures. Figures may not sum due to rounding.

¹Total emissions relate to Scheme assets, where data is available.

²LDI metrics are calculated by LCP. Please see commentary on page 37 and the calculation methodology in Appendix 5 for help interpreting this data. We note that the data sources have been updated for the LDI metrics between 2024 and 2025.

³LaSalle and IFM climate data has been provided as at 31 December 2024 due to availability of data. The carbon footprint for these funds has therefore been calculated with reference to the value of these funds at this date, £16m and £101m respectively.

⁴LaSalle data coverage and portfolio alignment metrics are at a fund level and are not representative of the property exposures in the underlying funds.

⁵IFM climate data for the previous reporting year has been restated to reflect a change in methodology over the period.

⁶Percentage of total asset value includes the Scheme's invested assets and excludes the annuities held with Prudential, Standard Life and the Scheme's other annuity providers.

Other annuities not included in the table above were valued as at £32m as at 31 December 2025.

Further details on obtaining data for metric calculations is provided on page 37.

4. Metrics and Targets

Climate metrics (Scope 1 and 2 emissions) – DB section (continued)

Commentary on Scope 1 and 2 metrics for the DB section

The LDI mandate remains the largest contributor to the Scheme’s total financed emissions, which is expected given that it continues to represent over 70% of invested assets as at 31 December 2025. The Trustee notes that the carbon footprint of the LDI portfolio remains high. This is due to the calculation methodology, which takes account of total UK emissions, as the fund predominantly invests in UK government bonds. The same consideration applies to the Scheme’s UK gilt holdings, and therefore the Trustee does not view these metrics as directly comparable with those of the Scheme’s other assets.

Over the year, the Scheme moved from a segregated buy-and-maintain bond portfolio to a pooled short-dated buy-and-maintain bond fund. The Trustee was pleased to see that the new fund has a lower carbon footprint than the previous portfolio, however, was disappointed to note lower portfolio alignment. Whilst the Trustee is aware that focussing on shorter dated bonds means a smaller investment universe, it is keen to see an improvement in alignment. The JISC will liaise with Insight during 2026 to set its expectations and to understand the steps it is taking to increase alignment.

Despite changes in methodology, the infrastructure portfolio continues to have a relatively high carbon footprint. The Trustee recognises that this reflects the emissions-intensive nature of the underlying assets. The Trustee was therefore pleased to see that 100% of the underlying assets now have a credible decarbonisation plan in place. Furthermore, it was positive to observe a material reduction in the carbon footprint of the portfolio, demonstrating the positive impact of implementing

the initial stages of these plans.

The Trustee previously engaged with IFM to encourage it to seek accreditation for its portfolio companies’ carbon reduction plans. Whilst IFM remains comfortable that the plans in place are credible, it notes that some companies have now sought such accreditation. The Trustee was pleased to note that, as at 31 December 2024, 48% of the portfolio was invested in companies whose carbon reduction plans were accredited by, or seeking validation from, SBTi.

The carbon footprint of the Scheme’s listed equity portfolio also remains high, however, the Trustee was pleased to see a slight reduction over the year. The Trustee notes that, as this is a passive index-tracking mandate, the manager’s ability to alter the portfolio’s climate profile through stock selection is constrained, and progress is therefore more reliant on voting, engagement and broader market transition. A larger uplift in total carbon emissions from the portfolio resulted from an increase in the section’s allocation to equities over the year.

The Trustee is in the process of selling down its property holdings and therefore notes that the metrics for this portfolio may change materially year-on-year as funds are sold. Due to data availability, metrics for this portfolio are reported with a one-year lag. As a result, the previous year’s metrics reflect the position as at 31 December 2023, when the portfolio held seven underlying property funds, and the current year’s metrics reflect the position as at 31 December 2024, when the portfolio held two underlying property funds. The Trustee notes that the manager’s priority when selling assets has been to maximise returns for the Scheme, not managing climate metrics.

Nevertheless, the Trustee continues to engage with the manager to encourage improved data disclosure from underlying fund managers.

The total carbon emissions and carbon footprint for the Prudential buy-in policy increased over the year. This was accompanied by modest improvements in data coverage and data quality, providing a stronger basis for assessment than in the prior year. Portfolio alignment also improved over the year, although the Trustee notes that it remains low at 10% and has engaged with Prudential to encourage further improvements.

The Trustee notes that absolute emissions, carbon footprint, data coverage, portfolio alignment and data quality each provide a different perspective on the Scheme’s exposure to climate risks. As a result, the Trustee places weight not only on the direction of travel in the metrics, but also on the quality of the underlying data and the extent to which managers are supporting credible transition plans within the portfolios.

Change in infrastructure methodology

Over 2025 IFM changed its methodology for calculating climate metrics, in line with guidance from the Partnership for Carbon Accounting Financials (“PCAF”). This change in methodology has resulted in a material reduction in the fund’s reported carbon emissions and carbon footprint metrics.

To enable a fair year-on-year comparison, the carbon metrics for 2024 have been restated in line with the new methodology.

4. Metrics and Targets

Climate metrics (Scope 3 emissions) – DB section

There are a number of complex challenges around Scope 3 emissions that require careful handling, for instance there is no fully developed and agreed methodology, they are not within companies' control, existing calculation approaches do not deliver consistent results, and reporting oil and gas industry emissions is fraught with complexity. Therefore, it should be noted that reported data is often poor quality and incomplete. This means material changes in reported Scope 3 emissions year-to-year may be the result of changes in methodology rather than in actual emissions. Scope 3 emissions metric data for the DB section is shown below, based on assets as at 31 December 2025 (unless stated otherwise). For comparison, the equivalent figures as at 31 December 2024 are shown in brackets.

Portfolio	Asset value ⁶	Total emissions (tonnes CO ₂ e) ¹	Carbon footprint (tonnes CO ₂ e per £m invested) ¹	Data coverage (Total Emissions and Carbon Footprint, % portfolio)	Data quality (reported/estimated/unavailable)
CTI – LDI ²	£1,080m / 73% (£1,142m / 76%)	165,447 ↑ (138,754)	160 ↑ (136)	100% = (100%)	100 / 0 / 0 = (100 / 0 / 0)
Insight – Buy & Maintain credit	- (£108m / 7%)	- (28,899)	- (316)	- (88%)	- (0 / 88 / 12)
Insight – Short Dated Buy & Maintain credit	£110m / 7%	15,136	188	73%	0 / 73 / 27
LaSalle – Property ³	£13m / 1% (£16m / 1%)	325 ↓ (2,965)	29 ↓ (39)	72% ↓ (82% ⁵)	72 / 0 / 28 ↓ (82 / 0 / 18)
IFM – Infrastructure ^{3,6}	£108m / 7% (£101m / 7%)	72,245 ↑ (66,967)	625 ↓ (687)	100% = (100%)	94 / 6 / 0 ↑ (93 / 7 / 0)
L&G – Listed equities	£79m / 5% (£54m / 4%)	61,664 ↑ (37,410)	791 ↑ (706)	99% ↑ (98%)	74 / 25 / 1 ↑ (70 / 28 / 2)
L&G – UK Gilts	£84m / 6% (£82m / 5%)	13,397 ↑ (11,131)	160 ↑ (136)	100% = (100%)	100 / 0 / 0 = (100 / 0 / 0)
L&G – US Treasuries	£5m / <1% (£5m / <1%)	Not provided (Not provided)	Not provided (Not provided)	Not provided (Not provided)	Not provided (-)
Prudential – annuities ⁷	£4m (£6m)	289 ↓ (5,081)	160 ↑ (2,174)	43% ↑ (41%)	34 / 9 / 57 ↑ (32 / 9 / 59)

Source: Investment managers, LCP. Metrics data is shown at fund level. Due to differences in calculation methodologies the Trustee has decided not to aggregate figures. Figures may not sum due to rounding.

¹ Total emissions relate to Scheme assets, where data is available.

² LDI metrics are calculated by LCP. Please see commentary on page 37 and the calculation methodology in Appendix 5 for help interpreting this data. We note that the data sources have been updated for the LDI metrics between 2024 and 2025.

³ LaSalle and IFM climate data has been provided as at 31 December 2024 due to availability of data. The carbon footprint for these funds has therefore been calculated with reference to the value of these funds at this date, £16m and £101m respectively.

⁴ LaSalle data coverage reflects fund level information and is not shown on a look-through basis.

⁵ IFM climate data for the previous reporting year has been restated to reflect a change in methodology over the period.

⁶ Percentage of total asset value includes the Scheme's invested assets and excludes the annuities held with Prudential, Standard Life and the Scheme's other annuity providers.

⁷ Other annuities not included in the table above were valued as at £32m as at 31 December 2025.

4. Metrics and Targets

Climate metrics (Scope 3 emissions) – DB section (continued)

Commentary on Scope 3 metrics for the DB section

The Trustee noted that the Scheme’s listed equity and infrastructure portfolios had the highest Scope 3 carbon footprint of the mandates shown. The Trustee was disappointed to see an increase in the carbon footprint for the Scheme’s equity and gilt holdings, but noted that this may be attributable to changes in methodology.

The Trustee is keen to see improvements in the quality of Scope 3 emissions data and will liaise with the Scheme’s managers to set its expectations for enhancement.

L&G highlighted the challenges associated with collecting Scope 3 data, noting that it continues to work with portfolio companies to encourage greater disclosure and to advocate for improved and standardised Scope 3 reporting. This is intended to facilitate comparisons and enable more meaningful insights to be drawn.

There has been a significant reduction in reported Scope 3 emissions and carbon footprint compared for the Prudential annuities over the year. The Trustee queried this shift with Prudential who confirmed that the change is primarily due to the restatement of underlying emissions datapoints due to changes in methodology, rather than a material change in the actual underlying emissions profile.

Climate metrics (Scope 1 and 2 emissions) – DC section

DC section

The majority of the DC section assets are invested in the default strategy, with assets allocated depending on members’ expected retirement dates. The other assets are invested in a range of self-select funds or self-select lifestyle strategies.

As at 31 December 2025, 98% of the DC section assets were invested in the funds that make up the default strategy. The Trustee has not collected metrics for assets outside the default strategy funds as it did not feel it was proportionate to do so. This is in line with the guidance issued by the Department of Work and Pensions (“DWP”).

The metric data covering Scope 1 and 2 emissions for the funds that comprise the default strategy within the Scheme’s DC section is shown on the next page, based on the assets held as at 31 December 2025 (unless stated otherwise). For comparison, the equivalent figures as at 31 December 2024 are shown in brackets. Scope 3 emissions are detailed on page 34.

As per the metrics tables for the DB section, the arrows indicate where the values have increased or decreased compared to last year’s report, green for an improvement and red for a deterioration. Where the metric has stayed the same, this is noted with an amber equals sign. Where data has been disclosed for the first time this year, no arrow is shown.

The following disclosures should be noted with respect to the data table on the next page:

¹Figures relate only to the assets for which data is available. Total emissions are for the Scheme’s assets, not the whole pooled fund. Data quality figures may not sum to 100% due to rounding. The portfolio alignment metric for the Invesco Global Direct Property Fund (“GDPPF”) relates to the listed equity and corporate bond portfolio of the fund only.

²The Scheme invests in the L&G Emerging Market Multi Asset Fund, which has an asset allocation of 50% L&G World Emerging Markets Equity Index Fund, 25% L&G Emerging Market Passive Local Currency Government Bond Fund and 25% Emerging Market Passive USD Government Bond Fund.

³Climate metrics for the gilt funds have been calculated by LCP. Further details on the methodology used are outlined in Appendix 5.

⁴This data is for corporates and sovereigns. L&G define ‘Sovereigns’ as, Agency, Government, Municipals, Strips and Treasury Bills and is calculated by using: the CO₂e/GDP, Carbon Emissions Footprint uses: CO₂e/Total Capital Stock.

⁵Our estimates assume gilts to have a science-based target. This is because the UK has Net Zero emissions by 2050 written into law, with interim carbon budgets set based on advice from the independent Committee on Climate Change.

4. Metrics and Targets

Climate metrics (Scope 1 and 2 emissions) – DC section

Asset class	Portfolio	Asset value	Total emissions (tonnes CO ₂ e) ¹	Carbon footprint (tonnes CO ₂ e per £m invested) ¹	Data coverage (Total Emissions and Carbon Footprint, % portfolio)	Portfolio alignment (% targets set)	Data quality (reported/estimated/unavailable)
Equities	BlackRock MSCI World Equity Index	£184.8m / 48% (£165.8m / 48%)	7,379 ↑ (6,886)	40 ↓ (42)	99% = (99%)	56% ↑ (47%)	93 / 6 / 1 ↑ (88 / 12 / 1)
	BlackRock MSCI World Equity Fund (hedged)	£56.7m / 15% (£49.4m / 14%)	2,264 ↑ (2,051)	40 ↓ (42)	99% = (99%)	56% ↑ (47%)	93 / 6 / 1 ↑ (88 / 12 / 1)
Diversified Growth	Nordea Diversified Return Fund	£35.0m / 9% (£31.1m / 9%)	380 ↓ (512)	14 ↓ (18)	79% ↓ (92%)	51% ↓ (61%)	77 / 2 / 0 ↓ (89 / 4 / 8)
	Ruffer Diversified Return Fund	£34.9m / 9% (£31.3m / 9%)	5,171 ↓ (5,503)	152 ↓ (201)	97% ↑ (88%)	27% ↓ (29%)	91 / 6 / 3 ↑ (82 / 6 / 12)
	L&G Emerging Market Multi Asset Fund ²	£6.1m / 2% (£5.4m / 2%)	1,168 ↑ (949)	206 ↑ (192)	94% ↑ (91%)	12% ↓ (13%)	54 / 39 / 7 ↑ (51 / 40 / 9)
Alternatives	Invesco Global Direct Property Fund	£6.0m / 2% (£5.5m / 2%)	46 ↑ (43)	11 ↑ (10)	73% ↓ (78%)	10% ↑ (8%)	70 / 3 / 27 ↓ (77 / 1 / 22)
	L&G Infrastructure Equity MFG Fund	£8.0m / 2% (£7.3m / 2%)	1,804 ↑ (1,711)	231 ↓ (235)	98% ↑ (95%)	35% ↓ (37%)	97 / 1 / 4 ↑ (94 / 1 / 5)
Bonds	BlackRock Corporate Bond Index All Stocks Fund	£8.4m / 2% (£7.4m / 2%)	213 ↑ (200)	28 ↓ (31)	92% ↑ 91% ↑	31% ↑ 29% ↑	85 / 7 / 8 ↑ 76 / 15 / 9
	L&G Overseas Bond Fund ⁴	£8.0m / 2% (£7.2m / 2%)	Not provided (861)	130 ↑ (119)	Not provided (100%)	N/A = (N/A)	Not provided (100 / 0 / 0)
	L&G All Stocks Gilt Index Fund ^{3,5}	£10.1m / 3% (£9.0m / 3%)	1,426 ↓ (1,529)	142 ↓ (170)	100% = (100%)	100% = (100%)	100 / 0 / 0 = (100 / 0 / 0)
	L&G All Stocks Index Linked Gilt Fund ^{3,5}	£10.1m / 3% (£9.0m / 3%)	1,423 ↓ (1,520)	142 ↓ (170)	100% = (100%)	100% = (100%)	100 / 0 / 0 = (100 / 0 / 0)
Cash	BlackRock Cash Fund	£11.0m / 3% (£8.3m / 2%)	7 ↑ (3)	1 = (1)	95% ↑ (89%)	5% ↑ (3%)	93 / 1 / 5 ↑ (89 / 0 / 11)

For footnotes and caveats relating to the above table please see notes on previous slide.

4. Metrics and Targets

Climate metrics (Scope 1 and 2 emissions) – DC section (continued)

Commentary on Scope 1 and 2 metrics for the DC section

The developed equity fund continues to generate the highest absolute emissions, which is unsurprising given its large asset allocation. Although total emissions increased over the year, its carbon footprint fell, indicating a modest improvement in carbon intensity. In other words, the rise in absolute emissions does not necessarily indicate a deterioration in the underlying climate characteristics of the portfolio, but in part reflects the scale of the allocation. As this fund is a passive, index-tracking fund, engagement with portfolio companies is the key tool BlackRock has for reducing emissions in the portfolio.

The developed equity allocation remains particularly important from a climate transition perspective because it accounts for the largest share of assets. In this context, the Trustee reviewed BlackRock's voting activity for this fund and took comfort from the fact that BlackRock voted on 91% of eligible resolutions during the year to 31 December 2025, including a number of climate-related resolutions.

Outside the equity funds, the Ruffer Diversified Return Fund remains notable for high absolute emissions. However, it also shows one of the strongest improvements in intensity. As a fund investing across a range of asset classes, this improvement reflects changes in underlying portfolio composition, such as reduced exposure to more carbon-intensive assets and a higher allocation to lower-emitting holdings.

The infrastructure equity fund has the highest carbon footprint,

reflecting the relatively carbon-intensive nature of the underlying exposure. While its carbon footprint improved over the year, its total emissions increased as its asset value within the Scheme rose. More generally, several of the Scheme's larger holdings have seen higher absolute emissions as asset values have grown, even where their carbon footprint has improved, showing that higher absolute emissions do not necessarily indicate worsening climate characteristics. It is also worth recognising that infrastructure remains an important asset class in supporting the transition to a low-carbon economy.

The L&G Emerging Market Multi Asset Fund also has one of the highest carbon footprints and showed a deterioration in carbon intensity over the period. This is not unexpected as emerging markets funds often have greater exposure to higher-emitting companies and regions where economic activity is more emissions-intensive than in developed markets.

In terms of data quality, this is strongest for equity, infrastructure equity and cash funds, where a high proportion of assets have reported emissions data, providing greater clarity on where climate risks are concentrated within the portfolio. Data quality is weaker in property, diversified growth and emerging market exposures, where a larger share of data is estimated or unavailable, reflecting the more complex and less transparent nature of the underlying holdings. Data quality is generally 'stable' to 'improving' across most funds, and the Trustee expects this to continue to improve over time as investment managers and underlying companies continue to enhance their data collection and reporting processes.

There is variation in portfolio alignment with science-based targets across funds. Equity funds show relatively strong alignment, with over half of the developed market equity fund invested in issuers with targets. Alignment is lower in the diversified and infrastructure equity funds, reflecting the broader mix of underlying exposures and less consistent target-setting across asset types. The emerging markets multi-asset fund has one of the lowest alignment levels, consistent with the lower prevalence of formal targets and climate disclosure in emerging markets. Lower coverage may also reduce the proportion of assets identified as having targets. Additionally, bond markets include a relatively high share of issuers in hard-to-abate sectors, which results in a smaller proportion of companies in bond markets setting such commitments. This is relevant to the diversified growth funds as well as the corporate bond fund. Over the year, alignment improved in the equity fund and modestly in the corporate bond and cash funds, but weakened slightly in diversified, equity infrastructure and emerging markets funds.

As a result of this analysis, the Trustee's primary action remains to work with its investment adviser to engage with the investment managers, both to ensure they are maximising their influence on climate-related issues through stewardship and engagement, and to improve understanding of how climate factors are being managed within the funds used by the Scheme. Overall, the Trustee remains satisfied that the investments continue to be suitable for the DC default strategy.

4. Metrics and Targets

Climate metrics (Scope 3 emissions) – DC section

Asset class	Portfolio	Asset value	Total emissions (tonnes CO ₂ e) ¹	Carbon footprint (tonnes CO ₂ e per £m invested) ¹	Data coverage (Total Emissions and Carbon Footprint, % portfolio)	Data quality (reported/estimated/unavailable)
Equities	BlackRock MSCI World Equity Index	£184.8m / 48% (£165.8m / 48%)	67,313 ↑ (60,084)	368 ↑ (365)	99% = (99%)	0 / 99 / 1 = (0 / 99 / 1)
	BlackRock MSCI World Equity Fund (hedged)	£56.7m / 15% (£49.4m / 14%)	20,656 ↑ (17,896)	368 ↑ (365)	99% = (99%)	0 / 99 / 1 = (0 / 99 / 1)
Diversified Growth	Nordea Diversified Return Fund	£35.0m / 9% (£31.1m / 9%)	4,771 ↓ (7,046)	173 ↓ (246)	79% ↓ (92%)	2 / 77 / 0 ↓ (3 / 89 / 8)
	Ruffer Diversified Return Fund	£34.9m / 9% (£31.3m / 9%)	18,816 ↑ (18,519)	610 ↓ (708)	88% ↑ (84%)	0 / 88 / 12 ↑ (0 / 84 / 16)
	L&G Emerging Market Multi Asset Fund ²	£6.1m / 2% (£5.4m / 2%)	3,280 ↑ (2,778)	1,110 ↑ (1,080)	49% ↑ (47%)	Not provided ↑ (16 / 31 / 53)
Alternatives	Invesco Global Direct Property Fund	£6.0m / 2% (£5.5m / 2%)	88 ↓ (117)	20 ↓ (27)	73% ↓ (78%)	65 / 8 / 27 ↓ (71 / 7 / 22)
	L&G Infrastructure Equity MFG Fund	£8.0m / 2% (£7.3m / 2%)	4,191 ↑ (4,115)	536 ↓ (566)	98% ↑ (95%)	83 / 16 / 4 ↑ (71 / 24 / 5)
Bonds	BlackRock Corporate Bond Index All Stocks Fund	£8.4m / 2% (£7.4m / 2%)	2,079 ↑ (1,485)	269 ↓ (322)	92% ↑ (91%)	0 / 92 / 8 ↑ (0 / 91 / 9)
	L&G Overseas Bond Fund ⁴	£8.0m / 2% (£7.2m / 2%)	Not available (Not available)	770 ↑ (294)	Not available (Not available)	Not available (Not available)
	L&G All Stocks Gilt Index Fund ³	£10.1m / 3% (£9.0m / 3%)	1,611 ↑ (1,223)	160 ↑ (136)	100% = (100%)	100 / 0 / 0 = (100 / 0 / 0)
	L&G All Stocks Index Linked Gilt Fund ³	£10.1m / 3% (£9.0m / 3%)	1,608 ↑ (1,216)	160 ↑ (136)	100% = (100%)	100 / 0 / 0 = (100 / 0 / 0)
Cash	BlackRock Cash Fund	£11.0m / 3% (£8.3m / 2%)	1,259 ↑ (515)	120 ↑ (91)	95% ↑ (89%)	0 / 95 / 5 ↑ (0 / 89 / 11)

¹Figures relate only to the assets for which data is available. Total emissions are for HIPS' assets, not the whole pooled fund. Data quality figures may not sum due to rounding. Portfolio alignment metrics for the Invesco GDPF relate to the listed equity and corporate bond portfolio of the fund only.

²The Scheme invests in the L&G Emerging Market Multi Asset Fund, which has an asset allocation of 50% L&G World Emerging Markets Equity Index Fund, 25% L&G Emerging Market Passive Local Currency Government Bond Fund and 25% Emerging Market Passive USD Government Bond Fund.

³Climate metrics for the gilt funds have been calculated by LCP. Details of the methodology used are outlined in Appendix 5.

⁴This data is for corporates and sovereigns. L&G define 'Sovereigns' as, Agency, Government, Municipals, Strips and Treasury Bills and is calculated by using: the CO₂e/GDP, Carbon Emissions Footprint uses: CO₂e/Total Capital Stock.

4. Metrics and Targets

Climate metrics (Scope 3 emissions) – DC section (continued)

Commentary on Scope 3 metrics for the DC section

There are a number of complex challenges around Scope 3 emissions that require careful handling, for instance there is no fully developed and agreed methodology, Scope 3 emissions are not within companies' direct control, existing calculation approaches do not deliver consistent results, and reporting oil and gas industry emissions is fraught with complexity. Therefore, it should be noted that reported data is often poor quality and incomplete.

Based on the data available, the Scheme's equity funds have the highest total absolute emissions. The emerging market multi-asset fund has the highest carbon footprint because funds that invest in emerging markets usually demonstrate a higher carbon footprint due to high exposure to high-emitting companies.

The Trustee has not reported Scope 3 emissions for all the metrics for the funds due to limited availability of data for the managers. The Trustee will continue to monitor improvements and changes in future reporting.

Obtaining data to calculate metrics

Climate metric data quoted in this report is based on data provided by the Scheme's investment managers and annuity providers, with the exception of the Scheme's LDI mandate and gilt portfolios which have been calculated by LCP.

Metrics for the LDI and gilt assets have been calculated on a different basis to the other assets in this report, so cannot be compared with them. A summary of the methodology used to calculate these emissions is outlined in Appendix 5. We note there can be issues of double counting across the portfolio where UK country emissions double count UK company emissions already accounted for within the other portfolios.

IFM and LaSalle were unable to provide data as at 31 December 2025, and therefore the metrics provided have been quoted as at 31 December 2024. This one-year lag should be noted when considering improvements year-on-year, in particular with respect to the property mandate which the Trustee is in the process of selling down.

The Trustee welcomed the enhancements IFM made to its methodology between 2023 and 2024, particularly in relation to financed emissions attribution and Scope 3 measurement. These changes resulted in the restatement of prior year metrics, improving consistency and comparability over time. The updated methodology incorporates improved estimation techniques, expanded and more refined portfolio company data, and closer alignment with the evolving PCAF framework and wider market practice. This represents a positive step forward, as in previous years IFM was unable to provide emissions data on a financed or attributable basis, meaning

that reported total emissions and carbon footprint metrics were likely to be materially higher than those attributable to the Scheme's investments.

Data coverage and quality metrics for LaSalle represent the proportion of portfolio invested in funds that provide emissions data to GRESB¹. LaSalle rates all data received from GRESB as "reported". The Trustee notes that this does not represent a true picture of the underlying emissions data collected by the underlying funds on the emissions of their underlying properties. This means that whilst emissions data is available for the property assets, the Trustee does not currently have a full view of the proportion of the underlying assets for which emission data has been reported or how reliable the data is. Whilst the Trustee aims to understand emissions on a look-through basis, it notes that data availability is currently low for many illiquid mandates and LaSalle is reliant on underlying fund managers collecting and reporting data.

The Trustee has defined portfolio alignment as the proportion of the portfolio with an accredited emissions reduction target or equivalent. There are instances where "or equivalent" has been used:

- For the LDI and gilt portfolios the Trustee has assumed 100% portfolio alignment due to the UK Government's 2050 Net Zero target, set as part of the Paris Agreement.
- For LaSalle, the Trustee has measured portfolio alignment as the percentage of assets invested in funds with a target, rather than looking at the underlying assets on a look

4. Metrics and Targets

Obtaining data to calculate metrics (continued)

through basis where an equivalent measure would be required. LaSalle confirmed that 1 of the 2 remaining underlying property funds as at 31 December 2024 had a target. LaSalle confirmed that it had been engaging with the remaining manager on setting a Net Zero target.

- For IFM, portfolio alignment as at 31 December 2024 is based on the proportion of assets with clear Net Zero targets and credible plans to reach these. Whilst this does not represent the number of companies with an SBTi accredited target, IFM has noted that it has developed tailored decarbonisation pathways for its portfolio companies in collaboration with a leading consultant and based on the latest industry guidance.

The Trustee has not reported Scope 3 emissions for the L&G US Treasuries fund noting that L&G was only able to provide data on less than 0.1% of the portfolio. The Trustee will continue to engage with L&G on Scope 3 emissions.

As part of the merger with the Hanson No. 2 Pension Scheme, the Scheme inherited an annuity policy with Standard Life, valued at £32m at the Scheme year end. The Trustee has requested climate metrics relating to the investment portfolios supporting the annuities from Standard Life. However, the insurer has noted that it is unable to provide this information in respect of the Scheme's bulk annuity policies at this time.

The Trustee is keen to understand the climate emissions associated with the policies and has therefore reviewed the insurer's wider emissions data using publicly available

information. As part of its emissions reporting, Standard Life has categorised all emissions associated with the investment portfolio supporting its annuity book as Scope 3, rather than as operational Scope 1 or Scope 2 emissions.

Standard Life's reporting notes that its reported emissions are generally estimated using the underlying investee companies' Scope 1 and Scope 2 emissions, apportioned according to Standard Life's share of ownership or financing. Based on this approach, Standard Life has reported the carbon footprint of its investment portfolio as 67 tonnes CO₂e per £m invested as at 31 December 2025, an improvement from 73 tonnes CO₂e per £m invested as at 31 December 2024. Standard Life has confirmed that it currently collects data for 69% of its investment portfolio, with data coverage of 95% for the asset classes for which data has been collected.

The Trustee has engaged with Standard Life to encourage more detailed reporting in respect of its policies in future years.

The Scheme also holds other annuities totalling around £0.1m at the Scheme year end. These have been excluded on materiality grounds.

L&G was unable to provide data in a timely manner in relation to the L&G Overseas Bond Fund, which sits within the Scheme's DC Section. The Trustee has expressed its disappointment to L&G and highlighted the importance of providing climate data to help assess the climate-related risks and opportunities facing the Scheme.

The Trustee continues to engage with managers on data reporting. To support developments in disclosures and methodologies, and to improve the range of assets included within TCFD analysis for pension funds, the Scheme's investment adviser also continues to participate in a range of sustainable investment working groups.



¹ GRESB is the Global Real Estate Sustainability Benchmark, which aims to provide standardised and validated ESG data for Real Estate and other investments.

4. Metrics and Targets

Setting a climate target for the Scheme

The Trustee has set the following climate target for the Scheme:



“Increase the percentage of underlying companies (by portfolio weight) in the Scheme’s infrastructure, listed equity and corporate bond holdings that have set a SBTi-accredited target or equivalent by 75% (ie 75% times more) by 31 December 2029, compared to 31 December 2021 levels. Note that, for the DC section, this will be restricted to assets within the default strategy.”

The Trustee describes this target as its “portfolio alignment” target.

The Trustee set this target based on the analysis of climate metrics undertaken in August 2022. It was chosen as portfolio alignment is a forward-looking metric that is focussed on the transition that needs to occur in the future to achieve Net Zero aims globally. The Trustee noted that portfolio alignment is particularly important for the infrastructure mandates, which have historically invested in carbon intensive sectors. As such, the Trustee believes it is important for these assets to have robust plans in place to achieve Net Zero with suitable interim targets.

The Trustee felt it was appropriate to extend this target to the Scheme’s equity and corporate bond mandates to get a greater understanding of the action taken on a larger proportion of the portfolio and due to the diverse underlying exposures in these funds. This was further supported by the relatively low alignment of the DB sections equity and

corporate bond assets (both less than 50% as at 30 June 2022).

The Trustee felt that the portfolio alignment target was suitable for the DC section as well, given the majority of the section’s assets are invested in equities, with bonds taking up a larger proportion of members’ portfolios as they approach retirement.

Achieving the above target will improve the Scheme’s assets’ alignment with a 1.5°C pathway, which is expected to help manage climate-related risks to the Scheme by:

1. Reducing exposure to climate transition risks in the shorter-term by keeping up with/slightly ahead of a general market trend; and
2. Supporting collective action to meet the Paris Agreement goals, hence reducing longer-term systemic risks from the physical effects of climate change.

Reviewing the climate target

The JISC reviewed the Scheme’s climate target in May 2025, alongside its review of the climate data as at 31 December 2024. The JISC determined that the target remained appropriate given the scope for increased portfolio alignment in the relevant funds and the progress of the Scheme towards meeting the target to date.

The Trustee will continue to review the target annually to ensure it remains fit for purpose.

4. Metrics and Targets

Progress towards meeting the Scheme's climate target

To assess the Scheme's progress towards its climate target, the Trustee has collected portfolio alignment data for the Scheme's infrastructure, equity and corporate bonds mandates as at 31 December 2021 (reference date), 31 December 2024 (previous reporting date) and 31 December 2025 (current reporting date).

These are outlined at a portfolio level for the DB and DC sections below, as well as the equivalent target alignment as at 31 December 2029.

Portfolio alignment	Reference date 31 December 2021	Previous reporting date 31 December 2024	Current reporting date 31 December 2025	Target 31 December 2029
DB section	49%	67%	64%	85%
DC section	37%*	46%	54%	64%

*As the Trustee was unable to get complete portfolio alignment data as at the reference date (31 December 2021), the Trustee has based the target for the DC section to be a 75% improvement from 31 December 2022.

As at the date of the report, infrastructure, equity and corporate bond portfolios accounted for 20% of total DB assets and 67% of total DC assets.

DB section

The DB section did not progress towards its target over the year. A reduction in portfolio alignment was driven by changes the Trustee made to its corporate bond holdings. In particular, the new shorter dated buy & maintain mandate has a 9% lower portfolio alignment than the previous portfolio. The Trustee was comfortable with this position, noting that the changes to the mandate addressed other risks facing the Scheme's investment strategy. It noted that based on Insight's approach to climate risk management it would expect its portfolio alignment to improve over time.

The Trustee was pleased to see, however, improvements in alignment for both the infrastructure and equity mandates, with the infrastructure mandate reaching 100% alignment.

DC section

The DC section continue to make progress towards its target over the year, with portfolio alignment increasing by 8%. This increase was largely driven by improvements in the developed equity mandate.

Alignment within the passive emerging market equity allocation, via the L&G Emerging Markets Multi Asset Fund, and infrastructure equity reduced slightly. This was driven by changes in underlying benchmarks of the index tracking funds, which resulted in the inclusion of new companies with weaker climate alignment.

The Trustee notes that overall portfolio alignment within the DC section is lower because:

- It has exposure to emerging markets, where companies are less likely to have accredited carbon reduction plans.
- It accesses infrastructure through a listed equity mandate, meaning the fund is one of many investors in the underlying companies. By contrast, the DB section invests in unlisted infrastructure, where the portfolio manager is a majority owner of the underlying companies and has greater influence over the setting of Net Zero targets.

Given the regulatory limitations on the types of investments available to the DC section, the Trustee considers the current listed approach to remain the most appropriate at present.

4. Metrics and Targets

Progress towards meeting the Scheme's climate target (continued)

Steps taken to achieve the target

The following steps are being taken to achieve the Scheme's portfolio alignment target:

- The Trustee, with help from its investment adviser, has communicated the Scheme's target to its infrastructure, equity and corporate bond managers. These were reaffirmed to the managers during the Scheme year when collecting data for the Trustee's climate change report.
- The Trustee also confirmed the importance of its target to Insight when appointing the manager for the Scheme's new short dated bond portfolio. The Trustee will continue to engage with Insight to encourage improvements.
- Investment managers are routinely invited to present at JISC meetings as part of the existing monitoring process. When meeting with the Scheme's investment managers, the Trustee will ask the managers how they expect the proportion of portfolio companies with (or equivalent) targets to change over time and encourage the managers to engage with portfolio companies about setting targets.
- Historically, the Trustee's focus has been on the IFM Infrastructure mandate where many portfolio companies have high carbon footprints. The Trustee has been pleased to see the increase in the number of underlying companies with Net Zero and interim targets to 100%.
- The Trustee's investment adviser, LCP, encourages managers to support the goal of Net Zero by 2050 or earlier and has published its expectations for investment managers in relation to Net Zero. This includes the use of effective voting (where applicable) and engagement with portfolio companies. LCP continues to engage with managers on this topic and will encourage them to use their influence with portfolio companies to increase the use of targets (or similar).
- The Trustee will review progress towards the target each year and consider whether additional steps are needed to increase their chance of meeting the target.

As at the report date, the Scheme remains on track to meet its target. The Trustee remains comfortable that the DB section target remains achievable, despite a lack of progress over the year and will continue to take action to encourage improvements.



Appendices

Appendix 1: Governance Statement

Trustee Statement on Governance of Climate Change Risks and Opportunities

HIPS (Trustees) Limited (the “Trustee”) has ultimate responsibility for ensuring effective governance of climate change risks and opportunities in relation to the Hanson Industrial Pension Scheme (the “Scheme”). This statement documents the governance processes the Trustee has put in place to ensure that it has oversight of the climate-related risks and opportunities relevant to the Scheme and that it can be confident that its statutory and fiduciary obligations are being met.

Overview of approach

Climate change is a financially material factor for the Scheme. It represents a systemic risk to society, the economy and the financial system, although the transition to a low-carbon economy also presents opportunities. These risks and opportunities have the potential to impact the Scheme’s investments, sponsoring employers and funding position. Identifying, assessing and managing them is a strategic priority for the Scheme and therefore this is done by the Trustee Board, with certain responsibilities in respect of investment matters for both the defined benefit (“DB”) and defined contribution (“DC”) sections of the Scheme delegated to the Joint Investment Sub Committee (“JISC”) for the Hanson schemes with support from the Trustee’s external advisers.

Trustee knowledge and understanding

It is essential that the Trustee Directors have sufficient knowledge and understanding of the principles relating to the identification, assessment and management of climate-related risks and opportunities that are relevant to occupational pension schemes. The Trustee will review its skills and experience in this area when undertaking the Trustee Board’s annual skills review and also consider what training is likely to be required over the coming year when setting its annual ESG and climate change business plan,

incorporating training sessions as appropriate. These sessions typically include an annual update on recent developments, with interim training on any time-critical developments. They may also include training in support of specific agenda items at Trustee or JISC meetings.

Full details of the training undertaken is documented in the Trustee’s training log.

Roles and responsibilities

Trustee Chair

It is the Trustee Chair’s responsibility, with support from the Scheme Secretary to ensure that sufficient time is allocated for consideration and discussion of climate matters by the Trustee and its advisers, and all relevant matters are considered with appropriate input from the Trustee’s external advisers.

Trustee

In broad terms, the Trustee is responsible for:

- ensuring the Trustee Directors have sufficient knowledge and understanding of climate change to fulfil their statutory and fiduciary obligations, and are keeping this knowledge and understanding up to date. This will include knowledge and understanding of the principles relating to the identification, assessment and management of climate-related risks and opportunities for the Scheme.
- putting in place effective governance arrangements to ensure appropriate and effective oversight of climate-related risks and opportunities that are relevant to the Scheme. incorporating climate-related considerations into strategic decisions relating

to the Scheme’s covenant, investments and funding arrangements. incorporating climate-related considerations into the Scheme’s investment beliefs, investment policies, risk register and contingency planning and monitoring framework and ensuring that climate-related risks are integrated into the overall risk management of the Scheme.

- allowing for climate-related considerations when assessing and monitoring the strength of the sponsoring employer’s covenant.
- ensuring that the Scheme’s actuarial, investment and covenant and legal advisers have clearly defined responsibilities in respect of climate change matters relevant to the Scheme, that they have adequate expertise and resources, including time and staff, to carry these out, that, in the case of the Scheme’s actuarial, investment and covenant advisers, they are taking adequate steps to identify and assess any climate-related risks and opportunities which are relevant to the matters on which they are advising, and that they are adequately prioritising climate-related risk.
- considering and documenting the extent to which the advisers’ responsibilities are included in any agreements.
- communicating with Scheme members and other stakeholders on climate change where appropriate, including public reporting in accordance with The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (together “TCFD reporting”) when required.

The Trustee has delegated consideration of a number of matters to the JISC.

Appendix 1: Governance Statement (continued)

JISC Chair

It is the JISC Chair's responsibility, to ensure that sufficient time is allocated for consideration and discussion of climate matters by the JISC and its advisers and all relevant matters are considered with appropriate input from the Trustee's external advisers.

JISC

The purpose of the JISC is to aid the Trustee with any issues relating to the investment of the Scheme's assets, monitoring of the Scheme's liabilities, and taking investment decisions in respect of the DB section on behalf of the Trustee, subject to the Scheme's Statement of Investment Principles. With regards to the DC section, investment decisions relating to the section's assets are reserved to the Trustee Board, but the JISC remains responsible for reviewing investment arrangements and making recommendations to the Trustee Board.

In broad terms the JISC is responsible for, as delegated by the Trustee:

- ensuring the members of the JISC have sufficient knowledge and understanding of the principles relating to the identification, assessment and management of climate-related risks and opportunities that are relevant to occupational pension schemes to perform their roles.
- determining short, medium and long-term time periods to be used when identifying climate-related risks and opportunities relevant to the Scheme's investment strategy and funding strategy, taking into account the Scheme's liabilities and its obligations to pay benefits.
- identifying and assessing the impact of the climate-related risks and opportunities relevant to the Scheme's investment strategy and funding strategy and documenting these.

- selecting, calculating, and regularly reviewing metrics to inform its assessment and management of climate-related risks and opportunities relevant to the Scheme, setting and monitoring performance against a selected climate-related target and considering on an annual basis whether any selected target should be retained or replaced.
- ensuring that the Scheme's investment managers are managing climate-related risks and opportunities in relation to the Scheme's investments, and have appropriate processes, expertise, and resources to do this effectively.
- determining when it is appropriate to undertake scenario analysis that illustrates how the Scheme's assets, liabilities, investment, and funding strategy might be affected under various climate change scenarios, noting that this will be undertaken at a minimum once every three years.
- selecting appropriate scenarios and undertaking and reviewing the results of climate scenario analysis, that illustrates how the Scheme's assets, liabilities, investment, and funding strategy might be affected under various climate change scenarios.
- considering and documenting the extent to which the Scheme's investment advisers' responsibilities are included in any agreements, such as investment consultants' strategic objectives.

Investment adviser

In broad terms, the Scheme's investment adviser is responsible, in respect of investment matters for both the defined benefit and defined contribution sections of the Scheme, as requested by the Trustee, for:

- providing training and other updates to the Trustee on relevant climate-related matters.

- helping the Trustee to formulate its investment beliefs in relation to climate change and reflecting these in the Scheme's investment policies and strategy.
- identifying and assessing climate-related risks and opportunities relevant to the Scheme's investment strategy including advising how those risks and opportunities might affect the different asset classes in which the Scheme might invest over the short, medium and long-term, and the implications for the Scheme's investment strategy.
- liaising with the scheme actuary (as appropriate) to advise how climate-related risks and opportunities might affect the Scheme's funding position over the short-, medium- and long-term and the implications for the Scheme's funding strategy and long-term objectives.
- advising on the inclusion of climate change in the Scheme's governance arrangements, risk register and contingency planning and risk monitoring framework, in relation to investment matters, working with the Trustee and its other advisers as appropriate.
- advising the Trustee on the appropriateness and effectiveness of the Scheme's investment managers' processes, expertise, and resources for managing climate-related risks and opportunities, given the Trustee's investment objectives and beliefs.
- assisting the Trustee, through the JISC, in identifying, calculating/measuring, and reviewing suitable climate-related metrics and targets in relation to the Scheme's investments, including liaising with the Scheme's investment managers regarding the provision of the data needed to calculate the metrics, calculation of those metrics and measuring performance against selected targets.

leading on the preparation of the Trustee's TCFD reporting, working with the JISC, the Trustee and its other advisers as appropriate.

Appendix 1: Governance Statement (continued)

Actuarial adviser

In broad terms, the Scheme's actuarial adviser is responsible, as requested by the Trustee, for:

- identifying and assessing climate-related risks and opportunities relevant to the funding strategy of the Scheme, including advising how those risks and opportunities might affect the Scheme's funding position over the short, medium and long-term and advising on the implications of those risks and opportunities for the Scheme's strategy and long-term objectives.
- considering climate-related risks and opportunities as part of advice and calculations related to the triennial actuarial valuation.
- advising on the inclusion of climate change in the Scheme's governance arrangements and integrated risk management (IRM) contingency planning and monitoring framework, in relation to funding matters, working with the Trustee and its other advisers as appropriate.
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change in its governance arrangements, IRM contingency planning and monitoring framework and communication with stakeholders (including, but not limited to, its TCFD reporting) as appropriate.

Covenant adviser

In broad terms, the Scheme's covenant adviser is responsible, as requested by the Trustee, for:

- providing training and timely updates to the Trustee on relevant climate-related covenant matters, including developments in regulation and guidance issued by The Pensions Regulator (TPR) and other relevant bodies.
- identifying and assessing climate-related risks and opportunities

relevant to employer covenant supporting the Scheme, including advising how climate-related risks and opportunities might affect the Scheme's sponsoring employer over the short-, medium- and long-term.

- leading on the inclusion of climate change in the Scheme's covenant monitoring, working with the Trustee and its other advisers as appropriate.
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change in its governance arrangements, risk register, contingency planning and monitoring framework and in its communication with stakeholders (including, but not limited to, its TCFD reporting) as appropriate.

Legal adviser

- providing training and other updates to the Trustee on relevant climate-related legal matters.
- advising the Trustee in relation to its legal obligations in relation to climate change in the context of the Scheme and working with the Trustee's other advisers as required to help assess and advise on alignment between these obligations and the practical steps the Trustee is taking in relation to the identification and assessment of climate-related risks and opportunities relevant to the Scheme.
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change in its governance arrangements, risk register, contingency planning and monitoring framework and communication with stakeholders (including, but not limited to, its TCFD reporting) as appropriate.
- where requested, assisting in the documentation of any contractual requirements to be included in the arrangements with the Scheme's investment managers or other advisers with respect to the governance, management and reporting of

climate-related matters.

Investment managers

In broad terms, the Scheme's investment managers are responsible for:

- identifying, assessing and managing climate-related risks and opportunities in relation to the Scheme's investments, in line with the investment management arrangements agreed with the Trustee.
- exercising rights (including voting rights) attaching to the Scheme's investments, and undertaking engagement activities in respect of those investments, in relation to climate-related risks and opportunities in a way that seeks to improve long-term financial outcomes for Scheme members.
- providing information to the Scheme's investment adviser on climate-related metrics in relation to the Scheme's investments, as agreed from time to time, and using its influence with investee companies and other parties to improve the quality and availability of these metrics over time.

Nature and frequency of monitoring

The Trustee considers a range of different information about the climate change risks and opportunities faced by the Scheme to enable it to fulfil its responsibilities set out above.

Annual review

At one or more Board meetings each year, the Trustee will review, revise where appropriate and approve:

- the Scheme's risk register, following review and updates from its advisers;

Appendix 1: Governance Statement (continued)

- its governance arrangements, investment beliefs and investment policies in relation to climate change;
- its draft TCFD reporting;
- a draft business plan for the following year in relation to ESG and climate change that outlines the main topics due to be discussed at each Board meeting and the papers expected from advisers in relation to each item.

At one or more JISC meetings each year, the JISC will review:

- an update report on the metrics in the Scheme's contingency planning and monitoring framework, following review by its advisers;
- updates on the Scheme's investments from the Scheme's investment advisers, including data on environmental, social and governance ("ESG") and climate-related metrics and progress against any targets set in relation to these metrics;
- its draft TCFD reporting;
- taking into account the Scheme's performance against its selected climate-related target, whether that target should be retained or replaced;
- a responsible investment update from the Scheme's investment advisers that reviews the Scheme's investment managers in relation to ESG factors and climate change;
- whether it is appropriate to carry out scenario analysis that illustrates how the Scheme's assets and liabilities might be affected under various climate change scenarios, in years when this is not required because it has been carried out within the previous two years;

- the advisers' climate competency and assess how they have performed against their climate responsibilities.

Less frequent reviews

The JISC and Trustee will consider climate-related risks and opportunities whenever the following activities are undertaken:

- triennial actuarial valuation of the Scheme's defined benefit section;
- review of the investment strategy for the Scheme's defined benefit and defined contribution sections;
- assessment of the sponsoring employer's covenant.

The JISC will, at least every three years and following any major changes in the Scheme's position, review:

- its choice of short-, medium- and long-term time periods to be used when identifying climate-related risks and opportunities relevant to the Scheme's investment strategy and funding strategy;
- the results of scenario analysis that illustrates how the Scheme's assets, liabilities and covenant might be affected under various climate change scenarios;
- its choice of metrics to review regularly to inform its assessment and management of climate-related risks and opportunities.

Whenever it reviews its agreements with external advisers, or appoints new advisers, the Trustee will consider and document the extent to which the advisers' climate-related responsibilities are included in the agreements and/or any adviser objectives set.

Review of this statement

The Trustee approved this statement at its meeting on 3 September 2025. It will review it at least annually.

The Statement was signed by the Chair of the Trustee on behalf of HIPS (Trustees) Limited on 13 October 2025.

Appendix 2: Climate Scenario Modelling approach and limitations

Modelling approach – Investment and Funding

- The scenario analysis is based on the ClimateMAPS model developed by Ortec Finance and Cambridge Econometrics, then applied to the Scheme’s assets and liabilities by LCP. The three climate scenarios were projected year by year, over the next 40 years.
- ClimateMAPS uses a top-down approach that consistently models climate impacts on both assets and liabilities, enabling the resilience of the DB Section’s funding strategy to be considered. The model output is supported by in-depth narratives that bring the scenarios to life to help the Trustee’s understanding of climate-related risks and opportunities.
- ClimateMAPS uses Cambridge Econometrics’ macroeconomic model which integrates a range of social and environmental processes, including carbon emissions and the energy transition. It is one of the most comprehensive models of the global economy and is widely used for policy assessment, forecasting and research purposes. The outputs from this macroeconomic modelling – primarily the impacts on country/regional GDP – are then translated into impacts on financial markets by Ortec Finance using assumed relationships between the macroeconomic and financial parameters.
- Ortec Finance runs the projections many times using stochastic modelling to illustrate the wide range of climate impacts that may be possible, under each scenario’s climate pathway. LCP takes the median (ie the middle outcome) of

this range of impacts, for each relevant financial parameter, and adjusts it to improve its alignment with LCP’s standard financial assumptions.

- LCP then uses these adjusted median impacts to project the assets and liabilities of the Scheme to illustrate how the different scenarios could affect its funding level. The modelling summarised in this report used scenarios based on the latest scientific and macro-economic data at 31 December 2024, calibrated to market conditions at 30 June 2025.
- As at the date of the analysis, the Scheme was fully funded on a Technical Provisions and Solvency basis and therefore was no longer receiving contributions from the Employer. The modelling therefore did not include any allowance for future contributions.
- For the DC section, members’ starting pots values were assumed to equal the average value for Scheme members of their age, and member and employer contributions were assumed to be paid in line with the current contribution structure. No allowance was made for changes to the investment strategy or contributions in response to the climate impacts modelled.
- As this is a “top-down” approach, investment market impacts were modelled as the average projected impacts for each asset class, ie assuming that the Scheme’s investments are affected by climate risk in line with the market-average portfolio for the asset class. This contrasts with a “bottom

up” approach that would model the impact on each individual investment held by the Scheme’s DB investment portfolio and DC default strategy. As such, it does not require extensive scheme-specific data and so the Trustee was able to consider the potential impacts of the three climate scenarios for all of the Scheme’s DB assets and DC assets in the default strategy.

- In practice, the Scheme’s investment portfolio may not experience climate impacts in line with the market average. The Trustee considers, on an ongoing basis, how the Scheme’s climate risk exposure differs from the market average using climate metrics (which are compared with an appropriate market benchmark) and its review of its investment managers’ climate approaches.
- Uncertainty in climate modelling is inevitable. In this case, key areas of uncertainty relating to the financial impacts include how climate change might affect interest rates and inflation, and the timing of market responses to climate change. ClimateMAPS, like most modelling of this type, does not allow for all climate-related impacts and therefore, in aggregate, is quite likely to underestimate the potential impacts of climate-related risks, especially for the High Warming scenario. For example, tipping points (which could cause runaway physical climate impacts) are not modelled and no allowance is made for knock-on effects, such as climate-related migration and conflicts.

Appendix 3: Overview of the Group's key climate commitments

Heidelberg Materials Group has committed to reaching Net Zero across the value chain by 2050.

The Group has also set near-term targets to track its progress over the short term, with these targets being relatively challenging compared to global averages and also verified by SBTi. The Group's overarching objective is to decarbonise its cement and concrete products by applying innovative technologies and sustainable practices.

A summary of the Group's near-term targets (to 2030) and its progress towards them is summarised in the table below.

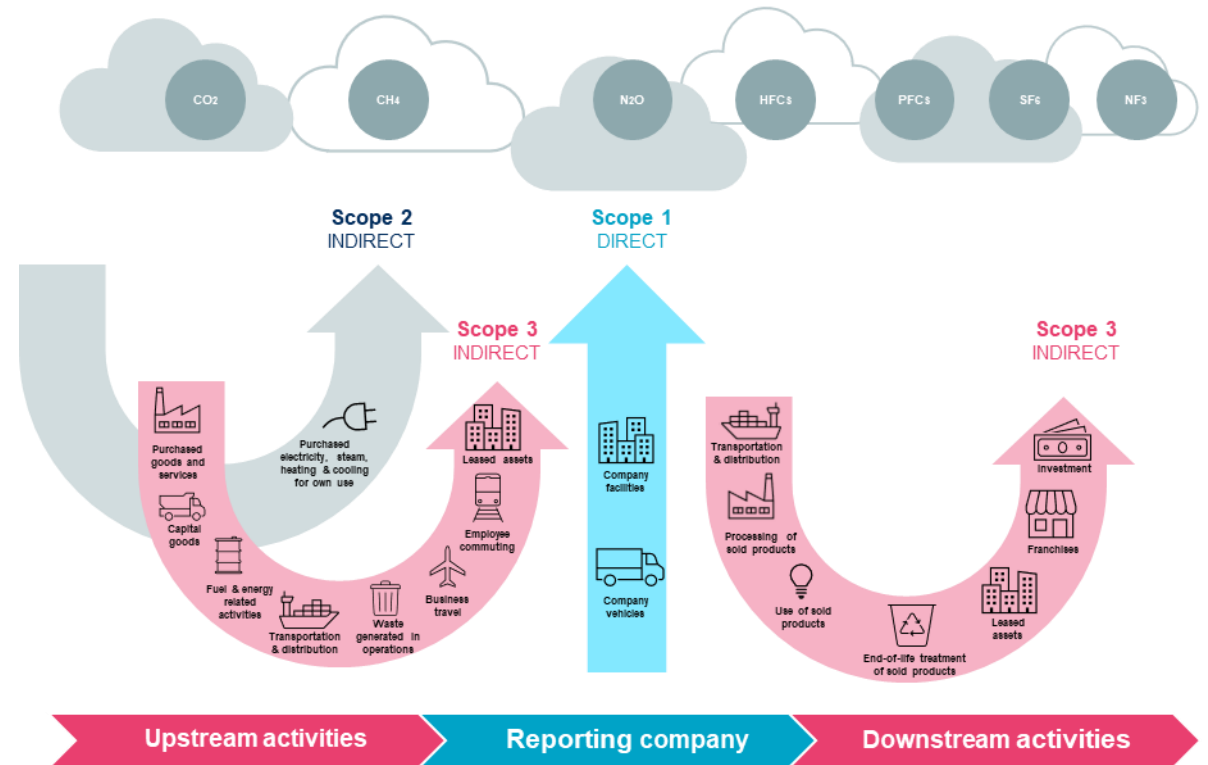
Group Climate target	Progress towards target
Reduce specific net Scope 1 CO ₂ emissions to <400kg per tonne of cementitious material by 2030 (broadly a 31% reduction vs a 2020 baseline).	36%
Reduce total CO ₂ footprint according to the 1.5°C pathway (based on the market based emissions of its cement business line): <ul style="list-style-type: none"> • For Scope 1 emissions, by 24% vs a 2020 baseline • For Scope 2 emissions, by 65% vs a 2020 baseline • For Scope 3 emissions, by 25% in absolute emissions from purchases cement and clinker vs a 2020 baseline 	Scope 1: 42% Scope 2: 25% Scope 3: 96%
Achieve 50% of revenue from sustainable products that are either low-carbon or circular by 2030.	74%

Appendix 4: Greenhouse gas emissions explained

Within the 'metrics and targets' section of the report, the emissions metrics relate to seven greenhouse gases – carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃). The figures are shown as “CO₂ equivalent” (CO₂e) which is the amount of carbon dioxide that would be equivalent to the excess energy being stored by, and heating, the earth due to the presence in the atmosphere of these seven greenhouse gases.

The metrics related to greenhouse gas emissions are split into the following three categories: Scope 1, 2 and 3. These categories describe how directly the emissions are related to an entity's operations, with Scope 1 emissions being most directly related to an entity's everyday activities and Scope 3 referring to indirect emissions in an entity's value chain. Scope 3 emissions often form the largest share of an entity's total emissions, but are also the ones that the entity has least control over.

- **Scope 1** greenhouse gas emissions are all direct emissions from the activities of an entity or activities under its control.
- **Scope 2** greenhouse gas emissions are indirect emissions from electricity purchased and used by an entity which are created during the production of energy which the entity uses.
- **Scope 3** greenhouse gas emissions are all indirect emissions from activities of the entity, other than Scope 2 emissions, which occur from sources that the entity does not directly control.



Source: GHG Protocol

Appendix 5: Further information on climate-related metrics: UK government bonds and LDI

GHG emissions for government bonds (gilts) are calculated on a different basis from the other asset classes, so cannot be compared with the other emissions figures shown.

The emissions figures were calculated by the Trustee's investment adviser using publicly available data sources. As suggested in the statutory guidance, Scope 1+2 emissions have been interpreted as the production-based emissions of the country. Scope 3 emissions have been interpreted as the emissions embodied in goods and services imported by the country and consumed within the country (rather than re-exported).

In line with guidance from the Partnership for Carbon Accounting Financials ("PCAF") issued in December 2022, emissions intensity has been calculated as:

$$\frac{\text{UK GHG emissions}}{\text{PPP – adjusted GDP for the UK}}$$

GHG emissions have then been calculated as:

$$\text{Emissions intensity} \times \text{value of the Scheme's investment in gilts.}$$

For the LDI mandate, derivatives have been treated as an investment in an equivalent gilt. Greenhouse gas emissions have been calculated for the gilt exposure (including the repo loan amount) but not the swap positions. This is in line with the Trustee's understanding of the typical interpretation of the DWP guidance by investment managers and consultancies as not requiring estimation of emissions for swap exposures at this time.

Appendix 6: Glossary of terms

Actuarial valuation – an actuarial valuation is an accounting exercise performed to estimate future liabilities arising out of benefits that are payable to members of a DB pension scheme, typically once every 3 years. In the actuarial valuation, a liability payout at a future date is estimated using various assumptions such as discounting rate and salary growth rate.

Alignment – in a climate change context, it is the process of bringing greenhouse gas emissions in line with 1.5°C temperature rise targets. It can be applied to individual companies, investment portfolios and the global economy.

Asset class – a group of securities which exhibit broadly similar characteristics. Examples include equities and bonds.

Bond – a bond is a security issued to investors by companies, governments and other organisations. In exchange for an upfront payment, an investor normally expects to receive a series of regular interest payments plus, at maturity, a final lump sum payment, typically equal to the amount invested originally, or this amount increased by reference to some index.

Buy-in – DB pension scheme trustees may choose to “buy-in” some of their scheme’s expected future benefit payments by purchasing a bulk (ie one covering many individuals) annuity contract with an insurer. This allows the trustees to reduce scheme risk by acquiring an asset (the annuity contract) whose cash flows are designed to match a specified set of benefit payments of the scheme. The contract is held by the trustees and responsibility for the benefit payments remains with the trustees. Common uses of buy-in arrangements have been to cover the payments associated with current pensioners or a subset of those members. Contracts to meet payments to members who are yet to become pensioners can also be purchased.

Buy-out – a DB pension scheme may choose to “buy-out” some or all of its expected future benefit payments by purchasing a bulk annuity contract from an insurance company. The insurer then becomes responsible for meeting pension benefits due to scheme members (effected ultimately by allocating to each scheme member an individual annuity contract). Following a full buy-out, (ie one covering all scheme members) and having discharged all of the trustees’ liabilities, the pension scheme would normally be wound up.

Carbon emissions – These refer to the release of carbon dioxide, or greenhouse gases more generally, into the atmosphere, for example from the burning of fossil fuels for power or transport purposes.

Carbon footprint – In an investment context, the total carbon dioxide or greenhouse gas emissions generated per amount invested (eg in £m) by an investment fund. Related definitions are used to apply the term to organisations, countries and individuals

Covenant – the ability and willingness of the sponsor to make up any shortfall between a DB scheme’s assets and the agreed funding target.

Defined Benefit (“DB”) – a pension scheme in which the primary pension benefit payable to a member is based on a defined formula, frequently linked to salary. The sponsor bears the risk that the value of the investments held under the scheme fall short of the amount needed to meet the benefits.

Defined Contribution (“DC”) – a pension scheme in which the sponsor stipulates how much it will contribute to the arrangement which will depend upon the level of contributions the member is prepared to

make. The resultant pension for each member is a function of the investment returns achieved (net of expenses) on the contributions and the terms for purchasing a pension at retirement. In contrast to a defined benefit scheme, the individual member bears the risk that the investments held are insufficient to meet the desired benefits.

Debt – money borrowed by a company or government which normally must be repaid at some specified point in the future.

Default strategy – the fund or mix of funds in which contributions in respect of a DC member will be invested in the absence of any explicit fund choice(s) of that member.

Environmental, social and governance (“ESG”) – an umbrella term that encompasses a wide range of factors that may have been overlooked in traditional investment approaches. Environmental considerations might include physical resource management, pollution prevention and greenhouse gas emissions. Social factors are likely to include workplace diversity, health and safety, and the company’s impact on its local community. Governance-related matters include executive compensation, board accountability and shareholder rights.

Appendix 6: Glossary of terms (continued)

Equity – through purchase on either the primary market or the secondary market, company equity gives the purchaser part-ownership in that company and hence a share of its profits, typically received through the payment of dividends. Equity also entitles the holder to vote at shareholder meetings. Note that equity holders are entitled to dividends only after other obligations, such as interest payments to debt holders, are first paid. Unlike debt, equity is not normally contractually repayable.

Fiduciary obligations – a legal obligation of one party (a fiduciary) to act in the best interest of others. Fiduciaries are people or legal entities that are entrusted with the care of money or property on behalf of others. They include pension scheme trustees.

Fossil fuels – fuels made from decomposing plants and animals, which are found in the Earth's crust. They contain carbon and hydrogen, which can be burned for energy. Coal, oil, and natural gas are examples of fossil fuels.

Funding position – a comparison of the value of assets with the value of liabilities for a DB pension scheme.

Gilts – bonds issued by the UK government. They are called gilts as the bond certificates originally had a gilt edge to indicate their high quality and thus very low probability of default.

Greenhouse gas (“GHG”) emissions – gases that have been and continue to be released into the Earth's atmosphere. Greenhouse gases trap radiation from the sun which subsequently heats the planet's surface (giving rise to the “greenhouse effect”). See also Appendix 2.

Gross Domestic Product (“GDP”) – this is the value of all goods and services produced in a country over a given period, typically a year.

Liabilities – obligations to make a payment in the future. An example of a liability is the pension benefit ‘promise’ made to DB pension scheme members, such as the series of cash payments made to members in retirement. The more distant the liability payment, the more difficult it often is to predict what it will actually be and hence what assets need to be held to meet it.

Liability Driven Investment (“LDI”) – an investment approach which focusses more

than has traditionally been the case on matching the sensitivities of a DB pension scheme's assets to those of its underlying liabilities in response to changes in certain factors, most notably interest rate and inflation expectations.

Net Zero – this describes the situation in which total greenhouse gas emissions released into the atmosphere are equal to those removed. This can be considered at different levels, eg company, investor, country or global.

Network for Greening the Financial System (“NGFS”) – is a group of central banks and supervisors committed to sharing best practice on climate. The group has developed NGFS long-term climate scenarios, which are designed to be a global set of harmonised transition pathways for financial institutions to consider for climate scenario analysis.

Offsetting – the process of paying someone else to avoid emitting, or to remove from the atmosphere, a specified quantity of greenhouse gases, for example through planting trees or installing wind turbines. It is sometimes used to meet Net Zero and other emission reduction targets.

Paris Agreement – the Paris Agreement is an international treaty on climate change, adopted in 2015. It covers climate change mitigation, adaptation and finance. Its primary goal is to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.

Partnership for Carbon Accounting Financials (“PCAF”) – is a global, industry-led coalition that provides a standardised methodology for financial institutions to measure and disclose GHG emissions associated with investments.

Physical risk – these are climate-related risks that arise from changes in the climate itself. They include risks from more extreme storms and flooding, as well as rising temperatures and changing rainfall patterns.

Pooled mandate – a pooled fund combines money from multiple investors to buy assets, with each investor owning a proportionate share based on the number of units they hold. For example, if a £1m fund has 1m units, each unit is worth £1. Pooled funds give smaller investors easy access to diversified investments within and across markets.

Appendix 6: Glossary of terms (continued)

Portfolio alignment metric – this measures how aligned a portfolio is with a transition to a world targeting a particular climate outcome, such as limiting temperature rises to well below 2°C, preferably to 1.5°C, as per the Paris Agreement. Assessments using these metrics consider companies’ and governments’ GHG emissions reduction plans and likelihood of meeting them, rather than current, or the latest reported, GHG emissions.

Responsible Investment (“RI”) – the process by which ESG issues are incorporated into the investment analysis and decision-making process, and into the oversight of investments companies through stewardship activities. It is motivated by financial considerations aiming to improve risk-adjusted returns.

Science-based targets – targets to reduce greenhouse gas emissions that are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement.

Science-Based Targets initiative (“SBTi”) – an organisation that sets standards and provides validation for science-based targets set by companies and investors.

Scope 1, 2 and 3 – a classification of greenhouse gas emissions. See Appendix 2.

Self-select – in contrast with a default fund, a self-select fund within a DC scheme is one of a range of funds that members can choose to invest in.

Solvency basis – is a measure of the Scheme’s liabilities that provides an estimate of the cost of securing all of the Scheme’s benefits by purchasing annuities with an insurance company and the expenses involved in winding up the Scheme.

Stakeholder – an individual or group that has an interest in any decision or activity of an organisation. The stakeholders of a company include its employees, customers, suppliers and shareholders.

Statutory obligations – statutory obligations are those obligations that do not arise out of a contract, but are imposed by law.

Stewardship – stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment

and society. It is often implemented via engagement with investee companies and exercising voting rights.

Taskforce on Climate-related Financial Disclosures (“TCFD”) – a group of senior preparers and users of financial disclosures from G20 countries, established by the international Financial Stability Board in 2015. The TCFD has developed a set of recommendations for climate-related financial risk disclosures for use by companies, financial institutions and other organisations to inform investors and other parties about the climate-related risks they face.

Transition Pathway Initiative (“TPI”) – is a global, asset-owner led initiative that, using publicly available information and data, assess the progress that companies are making on the transition to a low carbon economy.

Transition risk – these are climate-related risks that arise from the transition to a low-carbon economy and can include changes in regulation, technology and consumer demand.