Climate disclosures for the year ended 31 March 2026

AWE Pension Scheme

Prepared by: AWE Pension Trustees Limited on behalf of the AWE Pension Scheme
Date: October 2026



Introduction

Climate change is causing extreme weather, affecting crops, and threatening ecosystems. Understanding its impact and the vulnerability of the AWE Pension Scheme (the "Scheme") to climate risks helps mitigate these risks and seize opportunities. UK regulations require pension schemes with over £1bn in assets to meet climate governance standards and publish annual reports on climate risks. Improved climate reporting enhances decision-making and transparency, increasing accountability and providing valuable information to investors and beneficiaries.

This report is the annual climate disclosure for the Scheme for the year ended 31 March 2026, prepared by AWE Pension Trustees Limited (the "Trustee") in accordance with The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and aligned with the Taskforce for Climate-related Financial Disclosures (TCFD) framework.

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Executive summary

This report explains what we, the Trustee, have done to understand how climate change might affect the Scheme. We collaborated with our investment adviser to assess the climate-related risks and opportunities for the Scheme and to establish how we can manage and reduce those risks.

Effective Governance and Risk Management for Climate Resilience

We are responsible for overseeing all strategic matters related to the Scheme, including climate-related risks and opportunities. We have established a process to identify, assess, and manage the climate-related risks and opportunities the Scheme faces, integrating it into our broader risk management framework. Please see the *Appendices* for our climate governance and risk management framework.

Strategy Update

Our qualitative risk assessment found that the Scheme's overall exposure to climate-related risks is generally low to medium across the asset classes assessed, with no asset class assessed as high risk over any time horizon. The most material areas of exposure are within Property, Alternatives and Multi-Asset Credit, where assets may be affected by physical climate impacts, or transition-related costs such as regulatory change or market repricing over time. Sovereign bonds continue to be assessed as low risk across all time horizons, reflecting their relatively limited exposure to direct climate-related physical and transition risks compared with many return-seeking asset classes. The Scheme's allocation to sovereign bonds has also increased over the year, further strengthening the Scheme's resilience to climate-related risks.

We also undertook climate scenario analysis this year to reflect the Scheme's expected shorter time horizon given the planned transfer of assets to His Majesty's Treasury ("HM Treasury"). The analysis indicates that the Scheme's hedging strategy should reduce the direct impact of changes in interest rates and inflation on the funding position. However, the Scheme could still be exposed to downside risks from weaker economic growth, transition-related market shocks, widening credit spreads and physical climate damage, particularly through credit, alternative and property assets. The Disorderly Transition scenario is expected to be the most adverse over the relevant time horizon, due to the risk of sudden market repricing and falls in asset values.

Metrics & Targets Update

Scope 1 and 2 excluding LDI and sovereign bond exposures

Scopes 1 and 2

Emissions	Carbon footprint	Data coverage
34,058 tCO_2e	96 tCO_2e/£M	61%
vs 2025 ▲ 9%	▼ 8%	▲ 3%

Scope 3

Emissions	Carbon footprint	Data coverage
149,481 tCO_2e	534 tCO_2e/£M	48%
vs 2025 ▲ 32%	▼ 5%	▲ 9%

The Scheme's carbon metrics continue to be influenced by data availability across the portfolio, particularly within private market investments. Data coverage improved materially within the Multi-Asset Credit portfolio, resulting in a more representative view of underlying emissions, and carbon footprint measures improved for Scopes 1&2 and Scope 3. In contrast, coverage within Alternatives declined due to changes in portfolio composition, resulting in a shift in capital towards holdings with lower data coverage meaning that the fall in reported Alternatives emissions should be interpreted alongside the lower level of coverage. Carbon footprint measures remained

broadly stable or improved across most asset classes. The proportion of assets confirmed to be covered by net zero or Paris-aligned targets increased within Property and Multi-Asset Credit, but decreased within Alternatives which was partly due to the decreased coverage.

We have retained the target of achieving 70% Scope 1 and 2 data coverage by 2027. While the Scheme's anticipated transfer of assets may affect the portfolio over time, we remain comfortable that the target is both achievable and appropriate given current coverage levels and ongoing improvements in climate-related data availability.

We hope you enjoy reading this report and understanding more about how we are managing climate-related risks and opportunities within the Scheme.

AWE Pension Trustees Limited

on behalf of the Trustee of the AWE Pension Scheme.

Strategy

Identifying climate-related risks and opportunities

We carry out a qualitative risks and opportunities assessment of the asset classes the Scheme is invested in. From this we identify which climate-related risks could have a material impact on the Scheme. We also identify suitable climate-related opportunities.

Given the number of asset classes the Scheme invests in, we completed this exercise to the best of our ability. To help us with our assessment, we surveyed our investment managers asking them to rate the climate-related risks and opportunities they believe their funds are exposed to. At the time of writing 3 managers (Partners, DRC and CVC), making up c.8% of the Scheme's assets, have not been able to provide information for the risk assessment.

Our investments

The Scheme's investment portfolio is diversified across a range of different asset classes including Sovereign bonds, Multi-Asset Credit ("MAC"), Alternatives and Property.

DB section:

	Sovereign bonds	MAC	Alternatives	Property	Other
Allocation	35%	19%	20%	7%	19%

Asset allocations as at 31 December 2025

Note: The "Other" allocation, covering the Scheme's cash and derivative positions, has been removed from this year's TCFD reporting analysis given the immateriality of carbon reporting, and exposure, on these asset classes. This approach aligns with the Scheme's investment advisers, Aon, best ideas in relation to TCFD reporting.

Over the reporting year, we took action to align the Scheme's investment strategy with its long-term objectives. The relevant strategy changes included:

- Investment into the Robeco SDG Global Credits Fund to introduce global corporate bond exposure and diversify the wider return-seeking credit allocation.
- Unwound the Scheme's synthetic equity exposure with CTI.
- Utilised cash proceeds from unwinding the synthetic equity exposure, to fund investments into the physical UBS Global Equity Funds. The equity allocation is split equally between the GBP currency-hedged and unhedged share classes.
- Investments into two liquid alternative strategies, which falls under the Scheme's Absolute Return strategic allocation: Adept Active Diversifiers and Adept Core Diversifiers strategies.
- Investment into the Insight Liquidity Fund to support cashflow management of the Scheme's OCIO mandate and wider Scheme expenditure requirements.

Some of these changes are not reflected in the analysis throughout this report, as the analysis has been prepared utilising investment data as at 31 December 2025, consistent with previous years of reporting, while certain strategy changes took place between that date and the Scheme year-end of 31 March 2026.

How the risk assessment works

Risk categories

The analysis divides climate-related risks into two types:
Transition risks related to the transition to a low-carbon economy.

Physical risks associated with the physical impacts of climate change on companies' operations.

More details can be found in the *Appendix*.

Ratings

The analysis uses RAG ratings where:

Red denotes a higher level of financial exposure to a risk.

Amber denotes a medium level of financial exposure to a risk.

Green denotes a lower level of financial exposure to a risk.

Time horizons

We assessed the climate-related risks and opportunities over different time horizons considering the Scheme liabilities. We decided the most appropriate time horizons for the Scheme are:

Short-term: 1-3 years

Medium-term: 4-10 years

Long-term: 11-20 years

Climate-related risk assessment

Key conclusions

Diversification across asset classes, sectors and regions remains important to manage climate-related physical and transition risks for the Scheme. The updated climate-risk assessment indicates that the Scheme's overall exposure is generally low to medium across the asset classes assessed, with no asset class assessed as high risk overall. The most material areas of exposure continue to be within Property, Alternatives and Multi-Asset Credit, particularly where assets may be affected by physical climate impacts, regulatory change, market repricing or transition-related costs over time.

The Scheme's **Sovereign bond** assets continue to be assessed as low risk across all time horizons. This reflects the limited exposure of sovereign bonds to direct climate-related physical and transition risks. The Scheme's allocation to sovereign bonds has increased over the year, increasing the proportion of assets assessed as low climate risk. In addition, sovereign bonds provide some alignment between climate-related impacts on gilt yields and changes in the Scheme's liabilities.

Property assets are assessed as predominantly medium risk. Physical risks remain a key consideration for this asset class, with acute risks assessed as medium across the relevant time horizons and chronic risks increasing over time. Transition risks are also generally assessed as medium, reflecting the potential impact of regulation, market expectations and reputational considerations on property assets and the cost of maintaining or improving environmental standards.

The Scheme's **Multi-Asset Credit** assets are assessed as generally low to medium risk. Physical risks are assessed as low overall, supported by the diversified nature of the portfolio and the manager's assessment of climate value-at-risk. Transition risks are more varied, with some medium ratings where credit issuers may be exposed to regulatory change, technology disruption or market repricing, although no areas are assessed as high risk.

The Scheme's **Alternative** assets are assessed as having a mixed but broadly moderate climate-risk profile. Physical risks are generally assessed as low to medium, reflecting the diversified nature of the underlying exposures, while transition risks are also mainly low to medium across the short, medium and long term. The assessment suggests that these assets may still be exposed to climate-related repricing or operational impacts, but the overall risk profile is not assessed as high.

The Scheme's **Equity** assets, which were invested post calendar year end, are assessed as having a mixed climate risk profile. Physical risks are assessed as medium across all time horizons, reflecting the potential impact of both acute weather events and longer-term climate changes on underlying companies. Transition risks are generally assessed as low in the short and medium term, reflecting the strategy's

focus on companies with stronger climate characteristics and greater exposure to climate-related opportunities. Long-term transition risks increase to medium across all categories, reflecting uncertainty around future policy, technology and market developments, although the strategy continues to favour companies aligned with the transition to a lower-carbon economy.

Following the date of the climate-risk assessment, but within the reporting year, the Scheme invested in two **Liquid Alternative** strategies: Adept Active Diversifiers and Adept Core Diversifiers. As these investments were made after the 31 December 2025 assessment date, consistent with prior years, they are not included in the analysis above.

These assets were analysed as part of the Aon Investments Limited TCFD report, which we have considered in our assessment of the Scheme's alternative assets. These diversified strategies are expected to exhibit a broadly low to medium climate-risk profile, with exposure arising primarily through the underlying investments rather than any concentrated climate-related risk. These allocations will be incorporated into future climate-risk assessments.

How are we mitigating these risks:

Proactive steps which we have taken over the year to mitigate climate-related risks, include:

- close monitoring of stewardship/climate-related activities carried out by our investment managers (to ensure they are appropriately engaging with investee companies on the management of climate risks);
- incorporating sustainability factors as a consideration when selecting fund managers for the Scheme's new investments;
- utilising actively managed strategies where appropriate (allowing greater scope to select investments whilst accounting for climate-related risks and opportunities); and
- engaging with our investment managers when we have identified inadequate management of climate-related risks. This is undertaken at least twice a year.

RAG ratings for each asset class can be found in the *Appendix*.

Climate-related opportunities

We identified some climate-related opportunities which may be suitable for the asset classes we invest in. These opportunities are valid over the short-, medium- and long-term time horizons:

Multi-Asset Credit	The Scheme's managers identified opportunities from growing issuance of green bonds, sustainability-linked bonds and sustainability-linked loans, as well as improving issuer disclosure across credit markets. Better disclosure supports more detailed analysis of issuers' sustainability profiles, climate-related opportunities and exposure to mitigation and adaptation themes. Managers also noted that, while credit analysis remains focused on issuer fundamentals, cash flow quality and downside risk, ESG factors may contribute positively to the investment view where a company's products or services support better environmental outcomes.
Property	The Scheme's property managers identified opportunities from investing in and improving more efficient buildings, which may benefit from lower emissions, reduced energy and water consumption, and stronger operational performance. Managers noted that buildings with better sustainability credentials may become more attractive to tenants and investors over time, supporting occupancy, tenant retention and asset values.

	Managers also highlighted the importance of planning sufficient capital expenditure on existing assets to improve energy efficiency and avoid obsolescence, including through tools such as the Carbon Risk Real Estate Monitor ("CRREM ") where appropriate. Opportunities may include building electrification, use of lower-emission technologies, installation of renewable energy solutions such as rooftop solar, and other initiatives that reduce operating costs, improve energy security and support compliance with evolving regulation and tenant expectations. In addition, investment in physical climate adaptation and resilience measures may help protect asset values by reducing disruption from climate-related events, improving the long-term resilience of buildings and supporting continued tenant demand.
Alternatives	The Scheme's manager identified several climate-related investment opportunities: **Short-term** • Companies that proactively integrate climate-related considerations into their business models and transition plans may benefit from lower refinancing risks and improved access to funding as lenders increasingly incorporate sustainability criteria into lending decisions. • Assets with strong sustainability credentials and higher energy efficiency standards may benefit from stronger investor and occupier demand, including the potential for rental and valuation premiums. **Medium-term** • Opportunities are expected to emerge from renewable energy generation and infrastructure, sustainable transport, sustainable food and agriculture, alternative packaging solutions and businesses supporting the transition to a lower-carbon economy. • Assets and businesses that successfully adapt products, operations and supply chains to evolving environmental requirements may be well positioned to benefit from changing market demand and increasing sustainability expectations. **Long-term** • Continued growth in financing for businesses supporting decarbonisation, climate adaptation and sustainability objectives may create attractive investment opportunities across alternative asset sectors. • Opportunities may arise from further investment in lower-emission technologies, biodiversity enhancements, sustainable infrastructure and climate-resilient assets capable of responding to changing environmental and market conditions.

Source: Managers

Assessing our managers' climate risk management

We evaluated our managers' skills in handling climate-related risks by asking them 10 questions from the Pensions Climate Risk Industry Group. These questions address their climate management strategies, net zero goals, TCFD reporting, climate scenario analysis, engagement policies, and ability to provide GHG emissions data.

Key conclusions

- All 12 managers support TCFD-aligned reporting or climate-related disclosure. 10 managers have produced, or are covered by, TCFD-aligned reporting, while 2 managers have not yet produced a standalone TCFD report but support the recommendations and are working towards improved reporting.
- 10 managers participate in climate-related industry initiatives or policy engagement, including initiatives such as the Net Zero Asset Managers Initiative, Climate Action 100+, Institutional Investors Group on Climate Change, United Nations Principles for Responsible Investment, Science Based Targets initiative, GRESB and other climate or ESG-related working groups.
- All managers either carry out or are working towards climate-change scenario analysis and incorporate ESG considerations (including climate-related risks) into their investment processes. 7 managers confirmed that they undertake or can share climate scenario analysis, while 5 managers are developing capabilities or face limitations due to data availability, indirect investment structures or asset-class methodology constraints.
- 8 managers have set a net zero, Paris-alignment or climate-alignment commitment of some description.

We are not taking any immediate action in line with these conclusions. We will continue to engage with our managers on the issue of climate change.

Assessing the Scheme's resilience to climate change

This year we analysed climate change scenarios to understand the impact climate change could have on the Scheme's assets and liabilities.

We compared three climate scenarios to a base case, which reflects market expectations. We chose these scenarios because we believe that they provide a reasonable range of possible climate change outcomes. Each scenario explores the Scheme's transition to a low-carbon economy under various environmental conditions. The climate scenarios illustrate the climate-related risks the Scheme faces, highlighting areas where changing the investment portfolio could reduce the risks.

Climate scenarios

	Orderly transition Immediate and coordinated action to tackle climate change is taken using carbon taxes and environmental regulation	**Disorderly transition** Limited action is taken, and insufficient consideration is given to sustainable long-term policies to manage global warming effectively	**No transition** No further action is taken to reduce GHG emissions leading to significant global warming.
Temperature rise by 2100	**1.3°C - 2°C**	**<3°C**	**>4°C**
Reach net-zero by	2050	After 2050	After 2050
Carbon price 2030 2050	 $100 $215	 $65 $340	 $40 $50
Environmental regulation rollout	Coordinated	Late and aggressive	None

Source: Aon. **The scenarios were developed by Aon and are based on many assumptions. They are only illustrative and subject to considerable uncertainty.** Please see the *Appendix* for more details.

Trustee update

Under the Regulations, climate scenario analysis must be carried out at least every three years, with annual reviews to ensure it remains relevant. We refreshed the climate scenario analysis last year following significant changes to the Scheme's investment strategy.

However, following Scheme year end, the Pensions Act 2026 gained Royal Assent on 29 April 2026, which includes provisions for the AWE Pension Scheme to be replaced with a public-sector scheme. It is envisaged this will involve the transfer of assets to His Majesty's Treasury (HMT). The required legislation to enact this transfer is yet to be implemented, and so, while we are working with the Government to plan for the transfer, the Scheme's assets continue to be managed, by its Outsourced Chief Investment Officer (OCIO), in line with the current SIP. As a result, the previous scenario analysis is no longer considered appropriate for this year's report.

We have therefore undertaken a qualitative climate scenario analysis this year, designed to better reflect the expected time horizon of the Scheme and the climate-related risks considered most relevant over those time horizons.

Impact on the DB funding level

Given the Scheme's mature profile and increasing defensive investment strategy, which includes a higher allocation to sovereign bonds, we expect the Scheme's exposure to climate-related funding risks to be lower than that of a less mature scheme with greater exposure to growth assets. In light of the Pensions Act 2026 and the potential transfer of assets to HMT, the most relevant climate-related risks are those which could affect the Scheme's assets over the expected shorter time horizon before any transfer takes place. These include weaker economic growth, transition-related market shocks, widening credit spreads and physical climate damage, which could affect the value of the Scheme's credit, alternative and property assets.

Scenario	Scenario description	Impact
No Transition	The Scheme's diversified investment strategy is expected to provide some resilience to climate-related market stresses, specifically through the Scheme's new Absolute Return (liquid alternatives) investments which are less reliant on traditional markets. However, weaker economic growth, wider credit spreads and increasing physical climate impacts could create downside risk to asset values, particularly within credit, alternatives and property, which could in turn affect the funding level.	Weaker economic growth, increasing physical climate impacts and wider credit spreads could reduce returns from credit, alternatives and property assets over the medium-to-long-term. Overall, the Scheme's diversified asset allocation should help mitigate funding volatility risk, although the funding level could still be affected by changes in asset values over the shorter expected time horizon.
Disorderly Transition	Climate action is delayed and then introduced rapidly with a lack of coordination, with the key risk being a sudden market repricing. This could lead to a fall in growth asset values, widening credit spreads and greater uncertainty over the value of the assets held before any transfer.	Climate policy action is delayed and subsequently introduced more aggressively. The Scheme's diversified investment strategy may provide some resilience to climate-related market volatility. However, a sharp market repricing could lead to weaker returns from growth and credit assets, and greater volatility in the value of the Scheme's holdings prior to the asset transfer exercise. This makes a Disorderly Transition the most adverse scenario for the Scheme over the relevant time horizon, because the key risk is a sudden asset value shock, which could place downward pressure on the funding level.
Orderly Transition	Short-term transition costs and market volatility could temporarily affect asset values. However, clearer policy direction, stronger longer-term growth and tighter credit spreads are expected to provide a more supportive environment than scenarios where climate action is delayed or insufficient.	Higher carbon prices and transition costs could lead to short-term inflation, interest rate and market volatility. The Scheme's investment strategy may help to moderate climate-related funding volatility, although assets exposed to credit, alternatives and property could experience short-term falls in value or increased volatility. Over time, stronger growth prospects, clearer policy

	direction and narrowing credit spreads would be expected to support asset values, making this a more favourable scenario than delayed or insufficient climate action.

Impact on mortality

Worsening physical climate risks could, in principle, affect population health and life expectancy over time. However, given the Scheme's mature profile and the expected shorter time horizon following the Pensions Act 2026, any impact on funding from mortality changes is expected to be small and uncertain relative to investment, inflation and real yield risks. We therefore consider mortality impacts to be a secondary area of uncertainty rather than a basis for immediate assumption changes.

Considering climate change impacts on sponsoring employer(s)

The Scheme has been granted a Crown Guarantee by the UK government which secures the fulfilment of the Scheme's pension obligations, therefore we believe this mitigates the impact of any material deterioration in the covenant of the sponsoring employer.

Metrics & targets

Our climate metrics

In our first year of TCFD reporting, we decided to report on the metrics below. This year we reviewed the metrics, and we believe they continue to be suitable for us to report against.



Total Greenhouse Gas emissions

The total greenhouse gas (GHG) emissions associated with the portfolio. It is an absolute measure of carbon output from the Scheme's investments and is measured in tonnes of carbon dioxide equivalent (tCO2e).



Carbon footprint

Carbon footprint is an intensity measure of emissions that takes the total GHG emissions and weights it to take account of the size of the investment made. It is measured in tonnes of carbon dioxide equivalent per million pounds invested (tCO2e/£m).



Data Coverage

A measure of the proportion of the portfolio that there is high quality data for (i.e. data which is based on verified, reported, or reasonably estimated emissions, versus that which is unavailable).



Binary target measurement

A metric which shows how much of the Scheme's assets are aligned with a climate change goal of limiting the increase in the global average temperature to 1.5˚C above pre-industrial levels.

It is measured as the percentage of portfolio investments with a declared net-zero or Paris-aligned target, or are already net-zero or Paris-aligned.

Growth Assets

Asset class	Allocation (%)	Year	Scopes 1 and 2 Data Coverage (%)	Scopes 1 and 2 Total GHG emissions (tCO_2e)	Scopes 1 and 2 Carbon footprint (tCO_2e/£m)	Scope 3 Data Coverage (%)	Scope 3 Total GHG emissions (tCO_2e)	Scope 3 Carbon footprint (tCO_2e/£m)
Alternatives	20%	2025	56%	17,477	117	38%	66,388	640
	32%	*2024*	*74%*	*23,203*	*122*	*45%*	*76,860*	*669*
Property	7%	2025	62%	730	13	36%	475	15
	11%	*2024*	*64%*	*643*	*11*	*43%*	*528*	*13*
Multi-Asset Credit	19%	2025	65%	15,851	101	63%	82,618	544
	20%	*2024*	*32%*	*7,355*	*144*	*29%*	*35,729*	*770*
Total (excl. sovereign bonds and "Other")	46%	2025	61%	34,058	96	48%	149,481	534
	63%	*2024*	*59%*	*31,202*	*104*	*39%*	*113,117*	*561*

Sovereign Bond Exposure, including LDI

Asset class	Allocation (%)	Year	Data Coverage (%)	Total GHG emissions (tCO2e)	Carbon footprint (tCO2e/£m)
Physical sovereign bond exposure	74%	2025	100%	43,392	136
	100%	*2024*	*100%*	*43,827*	*141*
Synthetic sovereign bond exposure	26%	2025	100%	1,427	136
	0%	2024	N/A		

Source: Investment managers / Aon. Please note figures may not sum directly due to rounding based on asset data as at 31 December 2025.

One of the property managers has been unable to split the data into scopes 1 and 2, and scope 3. In this instance, the data has been reported under scopes 1 and 2.

We have not aggregated metrics across the whole portfolio because the methodologies used for some asset classes are significantly different and therefore it is not appropriate to combine them.

For one Multi-Asset Credit mandate, sovereign bond exposure has been split out and included within the sovereign bonds table. Corporate synthetic exposure has also been separated and excluded from the reported emissions metrics, as there is currently no widely agreed methodology for calculating emissions associated with this type of exposure.

Scope 3 emissions are not available for sovereign bonds due to the lack of industry agreed methodology to calculate them.

Emissions associated with sovereign bonds include both physical emissions (emissions associated with physical assets that are held within the portfolio) and synthetic emissions (emissions associated with the notional exposure to sovereign bonds gained through derivatives).

Commentary

Over the year, the investment strategy changes include investing into equities and core & active diversifiers. So, these asset classes are not part of this year's analysis. As we continue to evolve the investment strategy, next year's reporting may look different again.

Alternatives

The absolute emissions of the Alternatives decreased compared to last year, primarily reflecting lower data coverage and changes in the composition of the underlying portfolio. Scope 1 and 2 coverage fell from 74% to 56%, while Scope 3 coverage fell from 45% to 38%, with capital shifting away from some more highly covered holdings and continued limited data availability across parts of the private markets portfolio.

As a result, reported emissions fell across both Scope 1 and 2 and Scope 3. However, this should be interpreted alongside the reduction in coverage, rather than as a direct reduction in the emissions profile of the asset class. Carbon footprint measures also reduced slightly, indicating a modest fall in reported emissions intensity.

Property

Property emissions metrics were broadly stable compared to last year. The carbon footprint increased modestly compared to last year. However, the changes were relatively small, indicating that the portfolio's carbon intensity has remained broadly consistent over the reporting period.

Multi-Asset Credit

Multi-Asset Credit metrics changed significantly compared to last year, reflecting improved data coverage and the inclusion of additional holdings within the portfolio. As a result, reported emissions increased, with Scope 1 and 2 coverage rising from 32% to 65% and Scope 3 coverage rising from 29% to 63%. However, carbon footprint measures decreased for both Scope 1 and 2 and Scope 3 emissions, suggesting an improvement in the portfolio's emissions intensity.

Sovereign bonds

The Scheme has increased its allocation to sovereign bonds during the year. The carbon footprint for the physical sovereign bond portfolio has decreased compared to last year because there was an increase in the UK GDP per person used to calculate the footprint. More information on the calculation methodology for sovereign bonds can be found in the appendix.

A synthetic sovereign bond exposure was also re-introduced during the year, resulting in an additional allocation with full data coverage.

Binary Target Measurement

Asset class	Allocation (%)	Year	% of the portfolio with net zero/Paris aligned targets
Alternatives	20%	2025	8%
	32%	*2024*	*17%*
Property	7%	2025	40%
	11%	2024	*18%*
Multi-Asset Credit	19%	2025	20%
	20%	*2024*	*10%*

Source: Investment managers / Aon. Data as at 31 December 2025 unless specified otherwise.

Commentary

The proportion of assets covered by net zero or Paris-aligned targets increased within the Property and Multi-Asset Credit portfolios, rising from 18% to 40% and from 10% to 20% respectively. This was primarily driven by the inclusion of additional holdings with climate targets in place. In contrast, the proportion of target coverage within the Alternatives portfolio decreased from 17% to 8%, reflecting capital shifting away from highly covered holdings towards holdings with lower coverage and the lower availability of confirmed climate targets across certain private market investments. Overall, target adoption remains mixed across the portfolio, particularly within private market asset classes where climate target setting is generally less mature.

Notes on the data

In general, we relied on information provided by the Scheme's investment managers about their greenhouse gas emissions. Our adviser, Aon, aggregated this information to calculate the metrics for the Scheme's portfolio of assets.

The exception to this is the metrics for the LDI; please see the *Appendix* for more information.

Availability of data:

- Nine managers, excluding the LDI manager for which data was publicly available, were able to disclose at least one meaningful carbon metric.
- Eight managers provided scopes 1, 2 and 3.
- Three managers provided scopes 1 and 2 only.
- Seven managers provided portfolio alignment data.
- One alternatives manager provided carbon footprint data that appeared unusually low. This has been reported as provided, to maintain consistency with the wider data collection approach.

Aon did not make estimates for missing data.

The reported emissions metrics may not fully capture the Scheme's GHG emissions due to some missing data. We expect that future reports will benefit from improved information from managers. We expect that in the future better information will be available from managers and this improvement will be reflected in the coming years of reporting.

How we collected the carbon data

Our investment adviser, Aon, collected the carbon emissions data from our managers on our behalf using the industry standard Carbon Emissions Template ("CET"). The CET was developed by a joint industry initiative of the Pension and Life Savings Association, the Association of British Insurers and Investment Association Working Group. The CET seeks to provide a standardised set of data to help pension schemes meet their climate reporting obligations.

Targets

Climate-related targets help us track our efforts to manage the Scheme's climate change risk exposure.

In our first year of reporting, we set a target to improve data coverage. Without meaningful data from the investment managers, it is very hard for us to measure our climate-risk exposure. So, it is important to set a target to improve the data quality of the GHG emissions data from the managers.

Trustee update

Each year we review the suitability of the target we have set. Based on the data collected and the metrics calculated this year, we believe the target continues to be suitable.

Our progress towards the target

Since last year, data coverage has remained broadly similar to last year at 60%, reflecting the current composition of the Scheme's portfolio. Given the expected changes to the Scheme's investment strategy and the planned transfer of assets to His Majesty's Treasury, we have maintained the current target of achieving 70% data coverage for Scopes 1 and 2 by 2027, which we believe remains appropriate and achievable.

Target	Actual Coverage 2025	Actual Coverage 2024
70% by 2027.	61%	59%

Source: Investment managers
Scopes 1 & 2 excluding sovereign bonds

Steps we are taking to reach the target

To improve data coverage, we will engage with the Scheme's investment managers to improve the availability and reporting of emissions data for each asset class in which the Scheme is invested. Through ongoing pressure from asset owners collectively and new regulatory requirements for asset managers, we expect data coverage to improve over time and will engage further with the managers if progress does not meet our expectations.

To continue to progress towards our target, we plan to take the following steps:

- We will engage with the relevant investment managers through our investment adviser.
- Through engagement, we are expecting that this will identify opportunities to improve data availability or investigate alternative sources of data, particularly where there are significant gaps in the data. Engagement may also identify areas to improve the portion of assets with Net Zero or Paris-Aligned targets.

Appendices



Appendix 01 - Climate governance and risk management framework

Climate governance

As the Trustee of the Scheme, we are responsible for overseeing all strategic matters related to the Scheme. This includes the governance and risk management frameworks relating to climate-related risks and opportunities.

Our climate beliefs

We, the Trustee of the AWE Pension Scheme, believe that the risks associated with climate change can have a materially detrimental impact on the AWE Pension Scheme's investment returns and, as such, we have a role to play in helping to tackle climate change.

We believe that climate-related factors may create investment opportunities. We will seek to capture such opportunities through our investment portfolio where it is appropriately aligned with our strategic objectives and fiduciary duty.

We influence and engage with our investment managers with regards to climate related factors, rather than simply divesting from assets that are currently not aligned. This approach is one that has the potential to have a real-world impact, which is important given the systemic risk posed by climate change and the potential macroeconomic impacts. We recognise that, ultimately, divestment is an option if engagement is not expected to achieve the desired results.

We liaise with the employer to understand its approach to climate change and act where necessary.

Where possible and appropriately aligned with our strategic objectives and fiduciary duty, we will consider investment opportunities linked to climate-related factors.

Climate-related risks and opportunities are integrated into our risk management framework so we can maintain oversight of the climate-related risks and opportunities that are relevant to the Scheme. Where appropriate, we consider transition and physical climate-related risks separately.

We receive training on a regular basis (or more frequently if required) on climate-related issues to ensure that we have the appropriate knowledge and understanding to support good decision-making.

We are responsible for oversight of all strategic matters relating to the Scheme. This includes approval of the governance and management framework relating to environmental, social and governance ("ESG") considerations and climate related risks and opportunities.

We have delegated oversight of climate change risk management to the Investment Committee, a subset of the Trustee, where it relates to investment and funding matters. We are updated on material climate related developments on a regular basis (at least annually).

Role of the Investment Committee

The key activities undertaken by the IC, with the support of our advisers, are:

- ensure investment strategy or implementation proposals consider the impact of climate risks and opportunities.
- seek investment opportunities which enhance the ESG and climate change focus.
- engage with the investment managers to understand how climate risks are considered in their investment approach.
- ensure that stewardship activities are being undertaken appropriately by the investment managers.
- ensure that funding advice adequately incorporates climate related risk factors where they are relevant and material.

- to work with the investment managers to disclose relevant climate related metrics as set out in the TCFD recommendations; and
- to align the Scheme to the new requirements to report on climate related risk.

The IC monitors and reviews progress against the Scheme's climate change risk management framework bi-annually. The IC will also monitor and review progress as part of the triennial valuation cycle, annual funding updates and monitoring of the covenant strength.

How we work with our advisers

We expect our advisers and investment managers to bring important climate-related issues and developments to our attention in a timely manner. We expect our advisers and investment managers to have the appropriate knowledge on climate-related matters.

We annually review the quality of our advisers' provision of advice and support on climate-related issues. The IC will specifically work alongside our advisers to review, suggest and implement updates to the Scheme's approach to ESG. The IC then advises us to develop views on Responsible Investment by providing appropriate training and monitoring performance of investment managers. For our investment adviser this is part of the annual review of investment consultant objectives.

Investment adviser – our investment adviser, Aon, provides investment related strategic and practical support to the IC in respect of the management of climate related risks and opportunities. This includes provision of regular training and updates on climate related issues, climate change scenario modelling and ESG ratings.

Scheme Actuary - the Scheme Actuary, at Government Actuary's Department, helps the IC assess the potential impact of climate related risks on funding.

The Scheme has been granted a Crown Guarantee by the UK government which secures the fulfilment of the Scheme's pension obligations; therefore we believe this mitigates the impact of any material deterioration in the covenant of the sponsoring employer.

Trustee update

Throughout the year, the IC undertook a range of activities to deepen its understanding of how investment managers are incorporating climate risks and stewardship into their mandates. This includes monitoring of key issues including climate change, and annual reporting on stewardship activities (including voting and engagement).

TCFD-related items including climate-related risks and opportunities remained key discussion points for the IC and were considered as part of investment strategy and investment manager changes.

The IC kept us updated through regular updates.

Climate risk management framework

The climate risk management framework is set out in the tables below. It is part of the Scheme's wider risk management and is how we monitor the most significant risks to the Scheme.

Governance

Activity	Owner	Support	Frequency
Climate change governance framework (this document)	IC	Investment Adviser	Ad hoc
Publish a TCFD report and implementation statement	IC	Investment Adviser	Annual
Add / review climate risks and activity on key Scheme documentation (e.g., risk register)	IC	Investment Adviser	Ongoing
Review climate change beliefs	Trustee	IC, Investment Adviser	Triennial
Receive training on climate-related issues	Trustee / IC	Advisers	Ad hoc
Review adviser objectives to ensure advisers have appropriate climate capability, and bring important, relevant, and timely climate-related issues to our attention	Trustee	Advisers	Annual
Ensure investment proposals explicitly consider the impact of climate risks and opportunities and seek investment opportunities.	IC	Investment Adviser	Ad hoc
Ensure that actuarial and covenant advice adequately incorporate climate-related risk factors where they are relevant and material.	Trustee	Scheme Actuary, Covenant Adviser	Triennial
Engage with the investment managers to understand how climate risks are considered in their investment approach, and stewardship activities are being undertaken appropriately	IC	Fund managers, Investment Adviser	Annual

Trustee update

We monitor the above activities as part of our management of climate-related risks and opportunities. We have delegated responsibilities of several activities to the IC. We, and the IC receive climate-related training on an ad hoc basis where considered appropriate by the investment adviser. Given the anticipated transition of the Scheme to a public-sector arrangement and the expected transfer of assets to HM Treasury, no additional standalone climate-related training was considered necessary during the year.

Strategy

Activity	Owner	Support	Frequency
Identify the climate-related risks and opportunities for investment & funding strategy and assess their likelihood and impact	IC	Fund managers /Investment Adviser	Annual
Climate scenario analysis - annual review for the continuing suitability of the results	IC	Investment Adviser	Annual
Climate scenario analysis - refresh modelling	IC	Investment Adviser	Triennial
Actuarial valuation	Trustee	Scheme Actuary	Triennial

Trustee update

The IC, with support from the Investment Adviser, updated the climate risk and opportunities analysis, by requesting details from each manager on how they incorporate climate-related risks and opportunities into their respective portfolios.

Alongside this, we reviewed the appropriateness of the climate scenario analysis undertaken in 2025 and concluded that it was no longer suitable for the current reporting year. As a result, we conducted a qualitative assessment, which we believe better reflects the Scheme's current circumstances and climate-related risk profile.

Risk management

Activity	Owner	Support	Frequency
Identify, assess, and manage key climate-related risks.	IC	Investment Adviser	Ongoing
Consider the prioritisation of those climate-related risks, and the management of the most significant in terms of potential loss and likelihood.	IC	Advisers	To consider with strategy review/actuarial valuation

Trustee update

We have established processes for identifying and assessing climate-related risks as part of producing this annual TCFD report. These processes are integrated into the Scheme's ongoing activities and are reviewed at least annually.

We have delegated the review of the underlying investment managers to our advisers, including how ESG factors (including climate change) are integrated within the managers' decision-making processes. We also requested details on how these have been implemented in practice, including key engagement themes, such as climate change. This is monitored bi-annually through the Engagement Policy and Implementation Statement ("EPIS") and this report. The purpose of the EPIS is to help us prioritise engagements with our managers, and to understand the outcomes of these engagements.

Metrics and Targets

Activity	Owner	Support	Frequency
Agree/review approach for metrics	IC	Fund managers, Investment Adviser	Annual
Obtain data for agreed metrics	IC	Fund managers, Investment Adviser	Annual
Review continued appropriateness of target	IC	Investment Adviser	Annual

Trustee update

Supported by our investment adviser, we collect metrics data on an annual basis to understand the emissions associated with the Scheme's assets. Carbon emissions metrics have been collected in line with industry practice. We have reported on carbon metrics data, covering Scopes 1, 2, and 3.

We reviewed the appropriateness of the target set in the Scheme's initial TCFD report and noted the target remains appropriate.

More details can be found in the Metrics and Targets section of this report.

Appendix 02 – Climate risk categories

Climate-related risks are categorised into physical and transition risks. Below are examples of transition and physical risks.

Transition risks

Transition risks relate to how well an organisation can adjust to reducing greenhouse gas emissions and switching to renewable energy. These risks include four main areas: policy and legal issues, technological changes, market shifts, and reputation concerns.

Policy and legal

Examples
Increased pricing of GHG emissions
Enhanced emissions-reporting obligations
Regulation of existing products and services

Potential financial impacts
Increased operating costs (e.g. higher compliance costs, increased insurance premiums)
Write-offs, asset impairment and early retirement of existing assets due to policy changes

Technology

Examples
Cost to transition to lower emissions technology
Unsuccessful investments in new technologies

Potential financial impacts
Write-offs and early retirement of existing assets
Capital investments in technology development
Costs to adopt new practices and processes

Market

Examples
Changing customer behaviour
Uncertainty in market signals
Increased cost of raw materials

Potential financial impacts
Reduced demand for goods and services due to a shift in consumer preferences.
Abrupt and unexpected increases in energy costs.
Re-pricing of assets (e.g., fossil fuel reserves, land valuations, securities valuations).

Reputational

Examples
Stigmatisation of sector
Increased stakeholder concern or negative stakeholder feedback

Potential financial impacts
Reduced revenue from decreased demand for goods and services.
Reduced revenue from decreased production capacity

Physical Risks

Physical risks are the physical effects of climate change on a company's operations. They impact how well a company can function due to climate disruptions. These risks are divided into acute risks, which are sudden extreme climate events, and chronic risks, which are long-term climate trends.

Acute

Examples
Extreme heat
Extreme rainfall
Floods
Droughts

Chronic

Examples
Water stress
Sea level rises
Land degradation
Variability in temperature

Appendix 03 – Climate-related risk assessment in detail

The following tables summarise the transition and physical risks for each asset class the Scheme is invested in. Each table is based on ratings and commentary provided by the manager(s).

Sovereign Bonds – 35% of portfolio

Physical Risks

	Acute	Chronic
Short	G	G
Medium	G	G
Long	G	G

The Scheme's sovereign bond manager considers the physical risks to be low as any adverse movements in gilt prices affects the assets and liabilities equally and so there will be minimal financial impact on the Scheme.

Transitional Risks

	Regulatory	Technology	Market	Reputation
Short	G	G	G	G
Medium	G	G	G	G
Long	G	G	G	G

The Scheme's sovereign bond manager sees transition risks for the government as loss of revenue from taxes on fossil fuels and subsidies on green energy. If either of these risks resulted in costs to the UK government, there may be an increase in the issuance of debt and a potential increase in yields, reducing the value of the UK sovereign bonds. However, the manager sees this as a low risk as liabilities would be impacted in a similar way.

Property – 7% of portfolio

Physical Risks

	Acute	Chronic
Short	A	G
Medium	A	G
Long	A	A

The Scheme's Property assets are assessed as having medium acute physical risk across all time horizons, reflecting the potential for higher capital expenditure, maintenance costs and insurance costs from more frequent extreme weather events such as flooding and storms. Managers noted that asset-level impacts will vary by location and building characteristics, with existing maintenance, property management and resilience measures expected to help manage near-term risks.

Chronic physical risks are assessed as lower in the short and medium term, as issues such as sea level rise, changing precipitation patterns and extreme heat are generally expected to have a more gradual impact. Over the long term, chronic

Transitional Risks

	Regulatory	Technology	Market	Reputation
Short	A	G	A	A
Medium	A	A	A	A
Long	A	A	A	A

In the short term, regulatory and market risks are rated medium, reflecting the need for capital expenditure to meet local standards and tenant demand, as well as potential impacts on valuations and demand for less efficient assets. Technology risk is lower in the near term, given slower refurbishment cycles.

Over the medium and long term, transition risks remain broadly medium as regulation, occupier and investor expectations, and technology requirements are expected to increase. Managers highlighted potential costs from building electrification, low-carbon materials, renewable technologies, carbon charges and obsolescence risk, particularly for assets unable to adapt. Ongoing capital investment and active asset management will therefore be needed to maintain long-term asset value.

risks increase as these hazards become more severe, potentially requiring further adaptation, refurbishment and resilience investment to maintain asset operability, tenant demand and valuations.

In the long term, these risks remain at a medium level across all transition risk categories, reflecting the continued need to adapt to decarbonisation requirements, evolving technologies and changing stakeholder expectations. Ongoing strategic attention and capital investment will be required to manage these risks effectively and maintain long-term asset value.

Source: Managers, Aon.

Multi-Asset Credit – 19% of portfolio

Physical Risks

	Acute	Chronic
Short	A	A
Medium	A	A
Long	G	G

Transitional Risks

	Regulatory	Technology	Market	Reputation
Short	G	G	G	G
Medium	A	A	A	G
Long	G	G	G	G

The Scheme's MAC assets are assessed as having medium short-term physical risk, reflecting the potential for extreme weather and changing weather patterns to disrupt issuer operations, assets and supply chains. However, managers noted that portfolio diversification helps limit the overall financial impact at portfolio level.

Over the longer term, the assessment is lower than last year. One manager rated physical risks as low across all time horizons, supported by low climate value-at-risk analysis, while another identified medium long-term physical risk due to the potential for more severe weather events and rising sea levels. Overall, physical risks are no longer considered to increase materially over time, reflecting diversification across the underlying credit portfolios and current scenario analysis.

In the short term, transition risks are assessed as low overall, with limited expected impact from policy, legal, market and reputational factors. However, one manager identified some technology-related risk, noting that issuers in sectors such as industrials, commodities and energy are beginning to invest in transition technologies, which may affect cash flows in some cases.

Over the medium and long term, transition risks are assessed as more mixed. One manager rated all transition risks as low, supported by low climate value-at-risk analysis and lower emissions relative to its benchmark. The other manager identified medium risks across most categories, reflecting the potential for higher carbon costs, increased reporting requirements, and investment in transition technology. Overall, managers expect these risks to remain manageable at portfolio level, supported by diversification and integration of climate-related factors within credit analysis.

Asset Backed Securities ("ABS")

The ABS-focused exposure within Multi-Asset Credit has been considered separately because its climate risk assessment uses a different scenario-based framework, rather than the manager survey RAG ratings used for the rest of the asset class.

Under an orderly transition, risks are higher in the short term as immediate policy action, regulation and investment in low-carbon technologies create transition-related costs, before reducing over time as the economy adjusts.

Under a disorderly transition, risks are lower initially but increase in the medium term as delayed and more aggressive policy action creates greater disruption.

Under a no-transition scenario, risks increase over time as physical climate risks become more severe and weigh on economic growth and asset returns.

Overall, we note that the ABS exposure remains a relevant part of the Multi-Asset Credit assessment, but its results should be interpreted separately due to the different methodology used.

Source: Managers, Aon.

Alternatives – 20% of portfolio

Physical Risks

	Acute	Chronic
Short	A	A
Medium	A	A
Long	G	G

Transitional Risks

	Regulatory	Technology	Market	Reputation
Short	G	G	G	G
Medium	A	A	A	G
Long	G	G	G	G

The Scheme's Alternative assets are assessed as having medium short- and medium-term physical risk for both acute and chronic risks. Managers noted that extreme weather events and longer-term climate shifts could affect underlying assets and borrowers through operational disruption, higher costs, reduced asset resilience and weaker borrower financial performance. However, the diversified nature of the underlying investments, including exposure across sectors and developed markets, is expected to limit the overall portfolio-level impact.

In the long term, physical risks are assessed as lower or not applicable for some strategies due to their expected investment horizons. However, managers acknowledged that physical risks are likely to become increasingly important for future investments, particularly in more exposed geographies and sectors.

The managers are assessed as having low short-term transition risk overall, although managers identified some specific areas of medium risk, including the use of newer lower-carbon technologies and property-related building standards, occupier demand and carbon pricing.
Over the medium term, transition risks increase to medium across regulatory, technology and market categories. Managers highlighted increasing climate reporting requirements, tougher building standards, costs of adopting lower-carbon technologies, potential brown discounts for less sustainable assets, and changing customer, occupier and investor preferences. Reputation risk remains low overall, supported by ESG integration and managers' ongoing consideration of climate-related risks within investment processes.

In the long term, transition risks are lower or not applicable for some strategies due to their expected investment horizons. However, managers noted that transition risks will remain relevant for future investments, particularly where assets or borrowers need to adapt to regulation, decarbonisation requirements and changing market expectations.

Source: Managers, Aon.

Equities – Invested after 31 December 2025

Physical Risks

	Acute	Chronic
Short	A	A
Medium	A	A
Long	A	A

Transitional Risks

	Regulatory	Technology	Market	Reputation
Short	G	G	G	G
Medium	G	G	G	G
Long	A	A	A	A

The Scheme's equity manager considers physical risks to be medium across all time horizons for both acute and chronic risks. The manager believes the strategy's exposure to physical climate risks is broadly neutral relative to its benchmark but acknowledges that acute and chronic physical risks are becoming increasingly relevant considerations for investors.

In the short and medium term, transition risks are rated low across all categories. The manager attributes this to the strategy's focus on companies with stronger transition characteristics, lower carbon intensity and greater exposure to climate-related opportunities.

Over the long term, transition risks increase to medium across all categories. The manager noted that long-term transition risks remain inherently uncertain and difficult to assess robustly given limitations in current methodologies

The manager also highlighted ongoing challenges in assessing physical climate risks due to limitations in corporate disclosures, climate modelling and data availability. To help address these risks, the manager engages with investee companies on climate resilience and adaptation measures to help mitigate these risks.

and uncertainty around future policy, technological and market developments.

Appendix 04 – Climate scenarios in detail

Modelling limitations

The scenarios were developed by Aon and are based on many assumptions. They are only illustrative and subject to considerable uncertainty.

The climate scenarios analysis illustrates the potential impact climate change could have on the asset portfolios. It does not consider the impact climate change could have on other risks for our clients, such as timing of member options, operational risks, and covenant risk and longevity risk.

When changing the investment strategy, it is important to consider other relevant issues such as governance, costs, and implementation, including choosing managers and conducting due diligence.

The analysis reflects market conditions and market views at the effective date of the modelling. The model may produce different results for the same strategy under different market conditions.

Modelling methodology

The analysis uses qualitative climate scenarios to explore the resilience of the Scheme under different plausible climate futures. It is designed to inform strategic discussion and risk identification, not to provide forecasts or precise financial estimates.

- The climate scenarios were developed by Aon and are based on detailed assumptions. They consider the exposure of the Scheme to potential climate-related risks and the possible impact on assets and liabilities over the long-term.
- No probabilities are assigned; scenarios are illustrative and exploratory.
- Policy, carbon price and technology trajectories are simplified and indicative only.
- Impacts are assessed qualitatively.
- The focus is on direction and relative magnitude of risks and opportunities.

Appendix 05 – Climate metrics in detail

Additional information on the metrics calculations

Carbon metrics for non-LDI asset classes

Emissions data was collected from the managers using the CET[1]. Managers provided carbon footprint and data coverage for their fund(s).

Aon calculated the total GHG emissions for each fund as follows:

£M invested in the fund x *Carbon footprint* x *Data coverage*

Aon aggregated the carbon footprint for each asset class as follows:

$$\frac{\sum Gi}{\sum(Ai \times Ci)}$$

Where *i* is each fund in the asset class

G_i = Total GHG for fund *i* (tCO_2e)

A_i = Assets invested in fund *i* (£M)

C_i = Data Coverage of fund *i* (%)

Aon does not make estimates for data which was unavailable

The carbon metrics for LDI

Scopes 1 and 2 emissions associated with LDI includes both physical emissions (emissions associated with physical assets) and synthetic emissions (emissions associated with the notional exposure to government bonds gained through derivatives). The Scheme LDI manager(s) provided the value of the physical and synthetic government bond exposures.

The carbon footprint was calculated by Aon as follows:

$$\frac{\textit{UK national emissions scopes 1 and 2}}{\textit{PPP-adjusted GDP}}$$

Where UK national emissions scopes 1 and 2 as at 31 December 2022 as reported by the Emissions Database for Global Atmospheric Research; and PPP (Purchasing Power Parity)-adjusted GDP as at 31 December 2022 as reported by the World Banking Group.

Total GHG emissions for LDI was estimated for physical and synthetic exposures as follows:

£M physical exposure x *Carbon footprint* x *Data coverage*

£M synthetic exposure x *Carbon footprint* x *Data coverage*

Where data coverage is assumed to be estimated at 100%.

Scope 3 emissions are not available for LDI due to the lack of industry agreed methodology to calculate them.

Binary target measurement

Aon asked investment managers for binary target measurements of each fund and aggregated the results based on assets invested in each fund.

Aon does not estimate missing data, so the Scheme measurement only covers the portfolio parts with available data.

There is no standard method for calculating binary target measurements for government bonds, so LDI lacks this measurement.

Industry-wide issues

There is no standard method for calculating metrics for some assets, for example scope 3 emissions for LDI, leading to varied approaches by managers. These industry-wide issues underscore the need for climate reporting to enhance transparency. We anticipate improved information from managers as the industry adopts best practices.

[1] https://www.plsa.co.uk/Policy-and-Research/Document-library/Carbon-Emissions-Template

Appendix 06 – GHG emissions

Greenhouse gases trap heat in the atmosphere, keeping the Earth's surface and atmosphere warm. They warm the Earth by absorbing sunlight and re-emitting it as heat. Human activities, like burning fossil fuels and deforestation, increase greenhouse gases, making the atmosphere more effective at trapping heat.

Since the Industrial Revolution, greenhouse gas levels have risen significantly. The Kyoto Protocol[2] identifies six major greenhouse gases, with human-made carbon dioxide being the largest contributor to global warming. Each gas has different global warming potential and atmospheric persistence, so emissions are measured as carbon dioxide equivalent (CO2e) for comparison.

Greenhouse gases are categorised into three 'scopes' by the Greenhouse Gas Protocol, the world's most used greenhouse gas accounting standard.

Scope 1: All direct emissions from the activities of an organisation which are under their control; these typically include emissions from their own buildings, facilities and vehicles.

Scope 2: These are the indirect emissions from the generation of electricity purchased and used by an organisation.

Scope 3: All other indirect emissions linked to the wider supply chain and activities of the organisation from outside its own operations – from the goods it purchases to the disposal of the products it sells.

Main greenhouse gases identified by the Kyoto Protocol

CO_2
Carbon dioxide

CH_4
Methane

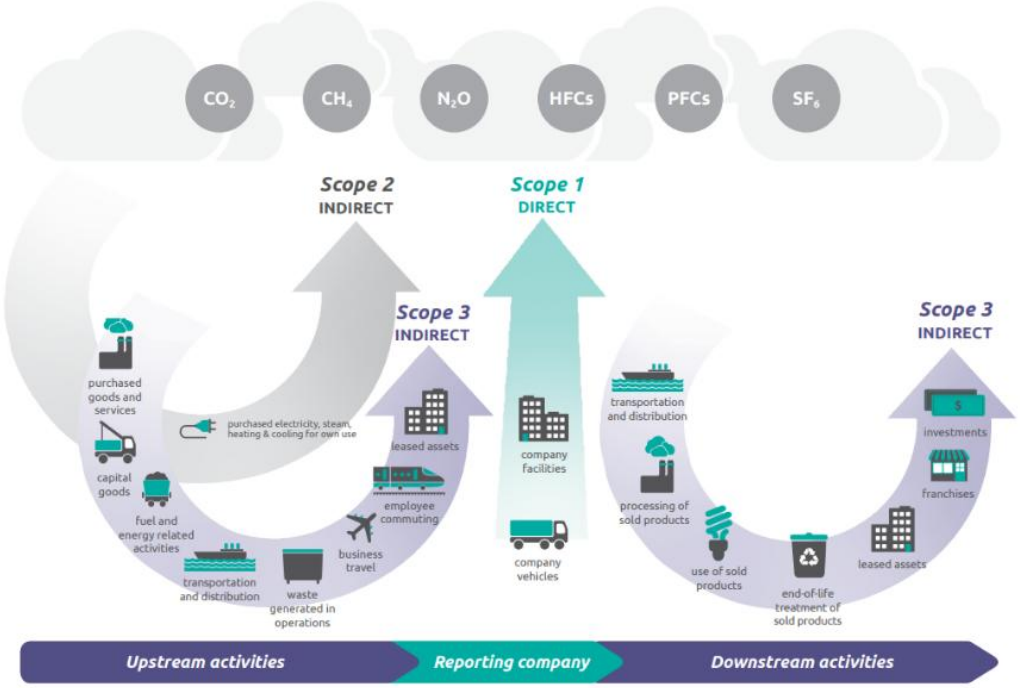
N_2O
Nitrous oxide

HFCs
Hydrofluorocarbons

PFCs
Perfluorocarbons

SF_6
Sulphur hexafluoride

Overview of GHG Protocol scopes and emissions across the value chain



Source: Greenhouse Gas Protocol, https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporing-Standard_041613_2.pdf, 2011

[2] https://unfccc.int/kyoto_protocol