Task Force on Climate-Related Financial Disclosures (TCFD) report

Travis Perkins Pensions and Dependants' Benefit Scheme

For the year ending 30 September 2024

Overview

Chair Summary:

The Trustee of the Travis Perkins Pensions and Dependants' Benefit Scheme ("the Scheme") is committed to managing both financial and non-financial risks in the best interests of its beneficiaries. Recognising climate change as a material risk to long-term investment sustainability, the Trustee has integrated climate considerations into the Scheme's governance and strategic decision-making processes.

Aligned with the Taskforce on Climate-related Financial Disclosures (TCFD) framework, and in accordance with UK regulations, the Trustee publishes an annual TCFD-aligned report on governance, strategy, risk management, and metrics. This second TCFD report, for the year ending 30 September 2024, builds on previous efforts to enhance transparency and accountability in addressing climate-related risks.

The Trustee acknowledges that climate change presents both risks and opportunities. The transition to a low-carbon economy and the management of physical climate risks offers potential to enhance the portfolio's long-term value if handled effectively. To this end, Environmental, Social, and Governance (ESG) considerations have been embedded into the Scheme's investment governance framework.

Progress has been made this year, including strengthening governance structures through discussions on climate and sustainability, and partnering with external providers for independent analysis of the Scheme's carbon footprint. The Trustee has revised its metrics, adopting a more consistent approach to managing climate-related risks.

The Scheme is well-funded, with a surplus on its prudent funding basis that provides resilience against assessed climate-related risks should they materialise. Given the strong funding level, the Scheme is allocated heavily toward low-risk, defensive assets (86% strategic allocation to such assets). Of this allocation corporate bonds, making up 34% of the total portfolio, and LDI (which has a significant leveraged exposure to government securities), comprises 27%. As a result, the Trustee places particular emphasis on the corporate bond portfolio and its implications for the overall climate metrics, given that this allocation is expected to remain static or potentially grow over time.

This year's report aligns with the four key TCFD pillars:

- **Governance:** Enhanced governance to integrate climate and sustainability risks into decision-making.
- **Metrics:** The Scheme tracks progress using metrics like carbon intensity and fossil fuel exposure, with defined targets to assess and manage climate risks.
- **Strategy:** Ongoing assessment of climate risks and opportunities, with a focus on both transitional and physical risks.
- **Risk Management:** Robust processes are in place to regularly identify, assess, and manage climate risks.

Looking ahead, the Trustee remains focused on further integrating climate and sustainability factors into the Scheme's governance framework. While progress has been made, challenges remain, particularly regarding ESG data credibility and evolving regulatory targets.

Key Highlights

As the Trustee of the Travis Perkins Pensions and Dependants' Benefit Scheme, we are committed to managing the financial and non-financial risks that could impact the long-term sustainability of the Scheme. Recognizing the material risks posed by climate change, we have integrated climate-related considerations into our governance and investment strategies. This report outlines the actions we have taken over the past year, in alignment with the TCFD framework, to ensure that we proactively address both the risks and opportunities presented by the transition to a low-carbon economy. We remain focused on enhancing transparency, improving governance, and aligning the Scheme's investments with sustainability goals.

Governance:

We have strengthened governance to integrate climate risks into our decision-making process, through ensuring providers consider ESG consideration within their advice to the Trustee. We have provided ongoing ESG and climate-related training for our trustee.

Strategy:

We continue to consider physical and transition climate risks in our investment strategy, considering short, medium, and long-term impacts. As the portfolio continues to evolve, and the nature of the Scheme's mandates change the Trustee have instructed the investment managers to consider ESG criteria as part of their allocation as the portfolios natural adjust or turnover.

Metrics:

We have transitioned to using independent data in order to build on greater transparency in tracking metrics.

Risk Management:

We have formally recognised climate risks on our Trustee risk register. As the Scheme's funding level improves, we continue to embark on proactive hedging strategies and focused on low-risk investments.

We have implemented a continuous monitoring system using a dashboard that tracks climate-related risk factors.

Looking Ahead:

We are focusing on increasing Science-Based Targets coverage and expanding climate metrics to include non-publicly traded assets.

We will continue refining our climate risk management approach.

Metrics at a glance

Total Weighed Average Scope 1 & 2 Carbon Intensity (tCO2e per $m revenue)[1] **115.96** Compared to 114.84 for 2023		Country level production based carbon emissions (thousand tCO2e)[2] **151.8** Compared to 134.2 for 2023	
Total Scope 1 & 2 Carbon Emissions (thousand tCO2e)[1] **12.4** Compared to 13.3 for 2023		Carbon Targets Coverage (% of covered AUM that has SBTi approved targets)[1] **50.5%** Compared to 46.7% for 2023	
Total Scope 3 Carbon emission (thousand tCO2e)[1] **177.4** Compared to 147.0 for 2023		Implied Temperature Rise[1] **2.4°C** Compared to 2.4°C for 2023	

Source: Investment Managers, Custodian, Impact Cubed as at 30 September 2024, prior period reported as at 30 September 2023

[1] Company-based metric that is in respect of covered corporate bond holdings. [2] Country-based metrics that is in respect of any covered holdings. For further details on coverage, see the "data coverage and limitations" section.

Overview of our Portfolio

Asset base as at 30 September 2024

£774m

Asset Allocation

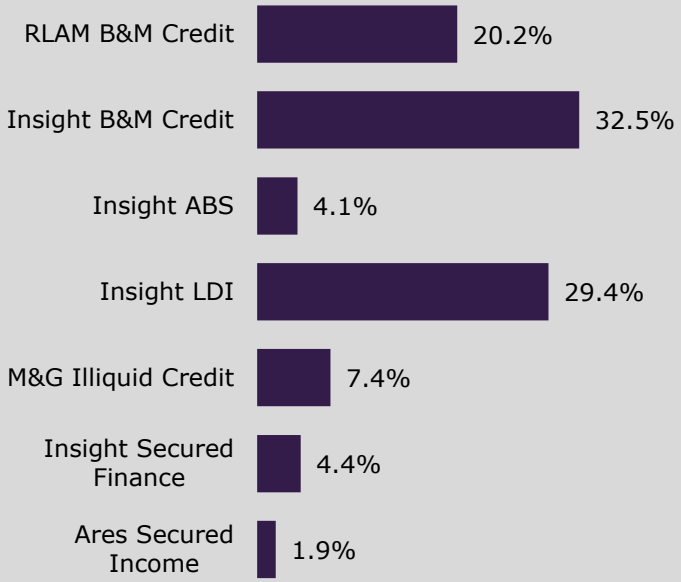


Table of Contents

Governance

Our belief

The Trustee's primary concern is to act in the best financial interest of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental factors, including climate change, may negatively impact the value of the investments held if not understood and evaluated properly.

Through the actions of its appointed investment managers and advisers, an engagement-led approach allows the Trustee to be active participants in improving corporate behaviour, upholding high standards of corporate governance, and encouraging responsible ownership practices.

The Trustee believes that the risks associated with climate change can have a materially detrimental impact on the Scheme's investment returns, the Trustee seeks to integrate assessments of climate change risk into their investment decisions.

Furthermore, the Trustee believes that climate-related factors are likely to create investment opportunities. Where possible, and where appropriately aligned with the Trustee's strategic objectives and fiduciary duty, the Trustee will seek to capture such opportunities through their investment portfolio. The Trustee expects their investment managers to integrate ESG factors in their analysis and decision making.

Governance Structure

The Trustee holds direct responsibility for setting investment objectives, focusing on long-term sustainability and aligning with TCFD guidelines and the overarching Scheme's objectives. This includes establishing risk and return targets that consider climate risks and opportunities where appropriate. The Trustee makes these decisions with input from the Scheme's investment advisors.

The Trustee delegate to the investment Managers to oversee the day-to-day management of assets, with discretion to make decisions within guidelines as agreed by the Trustee with input from relevant advisors and the Scheme's primary Sponsor.

The Trustee has incorporated climate-related discussions into Trustee meetings to enable them to actively discuss climate risk and opportunities on an ongoing basis. Topics of discussion may include:

- Relevant updates from the advisers and Investment Managers regarding the investment portfolio, strategic
- allocation and/or relevant developments within the industry.
- Input from the Sponsor where appropriate.
- TCFD Metric discussions and industry standards.
- Ensure the Investment Managers are keeping within their mandate and methodology.

Responsibilities

Trustee Board:

The Trustee holds ultimate responsibility for overseeing all strategic matters related to the Scheme, including approving the governance and management framework for ESG considerations, as well as managing climate-related risks and opportunities. Recognising climate change as a significant long-term financial and systemic risk, the Trustee implements and oversees the Scheme's climate risk management approach on a day-to-day basis, regularly monitoring progress. Failure to manage these risks effectively could negatively impact the Scheme's investment value.

The Scheme is supported by a Professional Corporate Sole Trustee, who receives ongoing training on climate-related issues to ensure they maintain the necessary knowledge for informed decision-making. The Trustee expects advisers to proactively update them on relevant climate-related developments to guide sound investment decisions.

Advisers and Stakeholders:
The Trustee is supported by advisers whom attend quarterly, or more frequently if necessary, Trustee Board meetings. These advisers and managers provide insights and support for implementing the Scheme's climate change strategy.

Investment Consultants:
The Trustee has appointed XPS Investment Limited as an investment consultant, who assists with compliance under TCFD guidelines and provides insights into climate-related risks and opportunities. This includes offering training, updates, and scenario modelling to help the Trustee assess the Scheme's exposure to climate change.

Plan Actuary:
Hymans Robertson LLP (the "Scheme Actuary") is responsible for keeping the Trustee informed of how climate change related matters and ESG considerations impact the liabilities.

Covenant Monitoring:
The Trustee employs a Trustee-led approach to covenant monitoring, with independent input from external advisers as needed. Covenant considerations focus on the impact of ESG and climate change risks on the sponsor covenant for both the principal employer and participating employers in the Scheme.

Investment Managers:

The Investment Managers are responsible for implementing the Scheme's investment strategy with a focus on ESG and climate considerations. They are expected to integrate climate-related risks and opportunities, engage with investee companies on sustainability issues, and report on ESG performance to the Trustee.

Appointed managers are required to demonstrate robust stewardship and engagement with the underlying investments (recognising that active ownership is key to managing ongoing risks).

Actions taken over the year

We have undertaken the following activities in assessing and managing climate related risks across the reporting period:

Focus	Activity
Reviewed our approach to data collection and analysis	Over the reporting period, the Trustee has reassessed and evolved the Scheme's approach to data collection and analysis to enhance its forward-looking capabilities and ensure broader data coverage. The Trustee has integrated independent data sources provided by Impact Cubed and IGGiQ. This independent data includes detailed insights into the Scheme's portfolio holdings, which are evaluated consistently at regular intervals. By leveraging raw data on holdings, the Trustee is empowered to engage in meaningful discussions with managers about the environmental, social, and governance (ESG) implications of their investments. This approach enables informed dialogues to foster improvements and advocate for best practices across portfolios. Consequently, prior years' reporting figures have been restated for consistency with the new evaluation framework. Currently, this methodology is applicable to liquid market assets, the Trustee continues to explore ways to extend this data coverage to non-market-traded assets, such as those within private equity portfolios. Additionally, the updated data sources allow for more forward-looking projections by examining companies with Science-Based Targets (SBT) and assessing revenue streams potentially harmful to the climate. This provides the Trustee with a proactive stance in addressing climate-related risks and driving positive change within the investment strategy.

The year had presented several opportunities for the Scheme due to its improved funding position as such the Trustee have taken time in the Scheme's overall governance budget to consider the long term aspect of the Scheme's funding and journey plan.

Training for trustees, support teams and advisers

Our Scheme is managed by a Professional Corporate Sole Trustee firm, which brings significant experience and specialised expertise to the oversight of the Scheme. The Trustee's extensive knowledge of the evolving regulatory landscape; supported by the Scheme's advisers enhances its collective competence and expertise in considering sustainability issues pertaining to the Scheme.

We have undertaken additional training on ESG and climate issues within the period to ensure we can sufficiently manage the approach of investment managers in this important area. This included a focused session on the Scheme's approach as well as a longer-term educational program for the Scheme's board:

- **WTW Climate Course (Sept 2023 - May 2024):**
  - **Climate Risks**: Integrating climate risks into Plan's management and long-term planning.
  - **Carbon Literacy**: Aligning investments with global net-zero targets using carbon budgets and international agreements.
  - **Investment & Stewardship**: Balancing engagement and divestment in climate-focused investment strategies.
  - **Compliance**: Setting climate-related targets and aligning with TCFD and a 1.5°C pathway.

Knowledge levels will continue to be monitored and there will be annual training for our Board. To monitor the individual and collective competence of the Board and identify any training requirements the corporate sole trustee undertakes a review of their skills matrix annually.

How we work with our advisers

We are supported in our climate-related activities by independent advisers where relevant. The Trustee expects its advisers and investment managers to proactively bring important climate-related issues and developments to its attention. Additionally, advisers are expected to have the appropriate knowledge and competency on climate-related matters to advise effectively. This expectation is reflected in our performance objectives, annual reviews, and considerations for retention of advisers.

The Trustee applies a rigorous process to assess advisers, expecting them to act with integrity and diligence in meeting set objectives. During meetings, advisers are regularly challenged on their approach, including identifying and assessing climate-related risks and opportunities. The approach of advisers to climate change, including how it is integrated into its advice and services, is a key part of the advisor selection and monitoring process.

The Trustee sets annual objectives for the investment consultant, including specific goals related to ESG and climate change competency.

Particularly, the investment consultant's performance is formally assessed against these objectives on an annual basis. The last assessment was conducted in the October 2024. In considering this assessment the Investment advisors are reviewed against the Climate Change credentials template created by the Investment Consultant Sustainability Working Group ("ICSW"). Similarly, the Trustee reviews the performance of the Scheme Actuary approximately every three years. This assessment evaluates how climate-related risks and opportunities are incorporated into their advice, helping the Trustee to understand the resilience of the funding strategy in relation to climate risks. The Scheme has a Trustee led approach to covenant assessment which is reviewed at least annually as part of the annual account process, the impact of ESG issues on the covenant.

Metrics

Summary of metric changes

Since the last reporting period, the Trustee has reassessed how the Scheme compiles its metrics and measures its exposure to climate-related risks. This reassessment introduced an approach that evaluates the Scheme's holdings in combination with data from external providers, Impact Cubed and IGGiQ. Consequently, we have restated the metrics from our last disclosure to align with this revised calculation method and have also reviewed how these metrics are presented in this report.

Currently the Trustee has set a net zero target and an interim target to reduce the WACI by 30% by 2030. In line with current practice the Trustees have also implemented a forward-looking metric based on Science Based Targets initiative (SBTi) targets. The trustee aims for 50% or more of the portfolio to have a SBTi target by 2030.

The Trustee recognises that in practice, total reported carbon emissions is expected to increase in the short term as data coverage improves. As such, the Trustee will continue to monitor the Scheme's climate characteristics and engage with the Investment Managers to understand how the position is expected to improve over the longer term.

The Trustee acknowledges that each approach has its merits, and there are multiple models capable of monitoring and assessing climate-related risks. However, the reviewed approach is considered more robust, as it allows for direct comparisons of historical trajectories on a consistent methodological basis.

To meet the Scheme's medium-term climate targets, the Trustee will focus on identifying outlier managers and engaging with them to ensure alignment with climate objectives. Investment managers underperforming on climate metrics or SBTi targets will be asked to improve their efforts. Additionally, the Trustee will work closely with fund managers to increase SBTi target coverage across the portfolio, aiming for 50% or more by 2030. Independent data from Impact Cubed and IGGiQ will continue to be used to track progress, ensuring robust metrics for managing climate risks and aligning with global climate goals.

Summary of Metrics

- **Carbon Intensity –** The total weighted average carbon intensity, which measures the emissions per unit of revenue, has stayed largely the same, increasing slightly from c.115 tCO2e per $m revenue in 2023 to c.116 tCO2e, caused by an increase in both underlying B&M credit portfolios.
- **Scope 1 & 2 Emissions –** Direct and indirect emissions (Scope 1 & 2) are estimated to have decreased slightly from c.13.3 thousand tCO2e in 2023 to c.12.4 thousand tCO2e. This was largely driven by reduction in the level of Scope 1 emissions from the Insight B&M Credit portfolio but was offset to some extent by increasing Scope 1 emissions from the RLAM B&M Credit portfolio. These emissions come directly from company operations and energy use.

- **Scope 3 Emissions –** Indirect emissions, which occur across a company's value chain (Scope 3), have conversely increased, from 147 thousand tCO2e to 177 thousand tCO2e. These estimated emissions are often harder to control as they include those from suppliers and customers.
- **Country-Level Production-Based Emissions –** At the sovereign level, emissions linked to country-level production have increased from 134 thousand tCO2e to 152 thousand tCO2e**.**
- **Implied Temperature Rise –** The portfolio's temperature score, which represents the expected contribution to global temperature rise based on current carbon trends, remains broadly consistent with a 2.4°C potential. Presently, global policies are on track for a 2.6°C warming scenario by 2030, as estimated by the Climate Action Tracker[1]. As a result, most companies are unlikely to align with an outcome below 2°C unless there is a significant, coordinated global policies. Such policies would need to seek to ensure total emissions peak before 2025 supported by a global emphasis on renewable energy generation and material reduction in fossil fuel production.
- **Data Coverage:** c.92% of all eligible Plan assets are covered by country-based metrics with 70% of all eligible assets covered by company-based metrics. It is noted that the overall portfolio contains a significant number of government and quasi government holdings for which corporate level disclosures are not applicable, as such the 74% coverage reflects the coverage of the portfolio exposure to corporate entities.
- **Forward looking metrics:** The Scheme has an ambition to increase STBi target coverage within the portfolio over time through engagement with fund managers. Over the reporting period the STBi coverage has improved from 47% to 51% with both the underlying B&M credit portfolios improving their alignment.

All reported figures for 2024 disclosure are as of 30 September 2024, restated figures are as at 30 September 2023 sourced from the Investment Managers, Custodian, Impact Cubed and IGGiQ.

These improvements reflect ongoing efforts to manage carbon risks across the portfolio. The focus remains on reducing carbon emissions through better energy efficiency, sustainable practices, and aligning with global climate targets. The continued decrease in both direct and value chain emissions showcases the effectiveness of portfolio management in driving meaningful progress on climate objectives.

By integrating the TCFD framework, this report provides transparency and accountability in tracking how well the portfolio is managing the transition to a low-carbon economy. This ongoing monitoring will help ensure that the portfolio aligns with both regulatory expectations and climate goals, safeguarding investments against climate-related risks.

[1] https://climateactiontracker.org/global/cat-thermometer/

Key data points

Carbon Emissions and Intensity

Carbon emissions represent the total greenhouse gas (GHG) emissions produced by an issuer during a reference year, measured in metric tonnes of carbon dioxide equivalents (tCO2e). These emissions include those from fossil fuel combustion and production processes owned or controlled by the company. The gases covered are those defined by the Kyoto Protocol: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF6), and nitrogen trifluoride (NF3). For standardisation, these gases are converted into CO2 equivalent tons (tCO2e) for reporting purposes.

Currently carbon emissions cover equity and corporate bond allocations within the Scheme.

The GHG Protocol Corporate Standard defines three categories of emissions (Scopes):

Scope	Description
Scope 1	Direct emissions from sources owned or controlled by the company.
Scope 2	Indirect emissions from the consumption of purchased energy (such as electricity or heat).
Scope 3	All other indirect emissions occurring within a company's value chain, both upstream and downstream, such as emissions from employee business travel. Scope 3 data is often less reliable due to inconsistent disclosure and measurement practices; as such scope 3 data is based on underling calculation methodology and assumptions more so than as disclosed under Scope 1 & 2

EVIC (Enterprise Value Including Cash) represents the sum of a company's market capitalisation, total debt, and cash for a specific reference year, expressed in US dollars. EVIC, calculated using data from providers such as Impact Cubed and IGGiQ, is used as the denominator for emission footprint calculations in listed equities and corporate bonds. IGGiQ utilises a reference dates correlated to the company financial disclosures.

For sovereign issuers, carbon footprints are based on the country's production-based emissions relative to GDP in USD. Using government debt as an alternative would result in less correlation with emissions and a greater disparity between emerging and developed markets, making it less suitable for carbon intensity calculations.

Total Weighed Average Scope 1 & 2 Carbon Intensity (tCO2e per $m revenue)

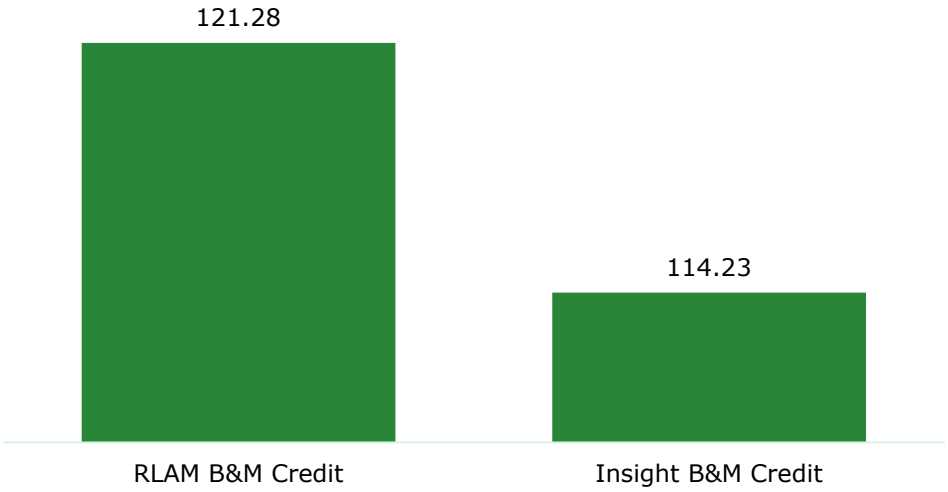
115.96

Compared to 114.84 for 2023

The marginal increase in intensity has been driven by a slight increase in the intensity of both of the credit portfolios. Given the increase, the Scheme is behind its target of a 30% reduction in intensity by 2030 relative to 2023 levels e.g. target of c.80tCO2 per $m revenue.

Portfolio level average weighted carbon intensity

tCO2e per $m revenue



Total Scope 1 & 2 Carbon Emissions (thousand tCO2e)[1]

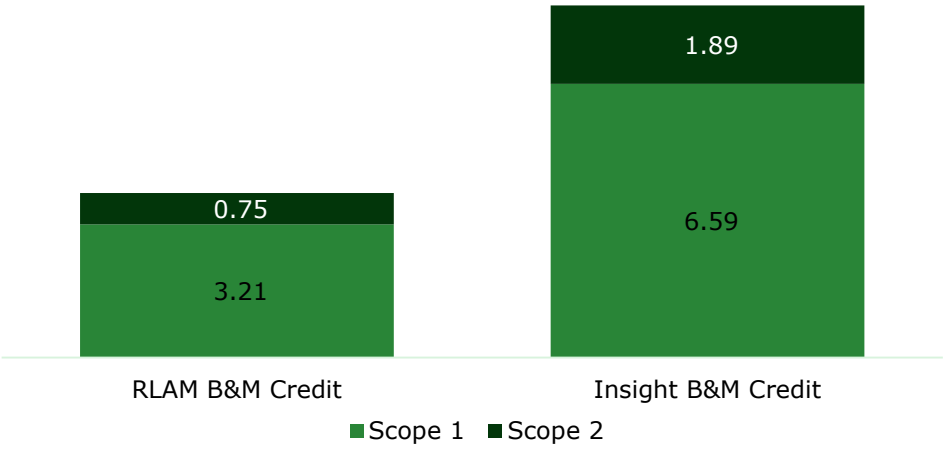
12.4

Compared to 13.3 for 2023

Total scope 1 and 2 emissions have reduced by 0.9k tCO2e due to a reduction in Scope 1 emissions attributed to the Insight B&M Credit portfolio. This was partly offset by an increase in Scope 1 emissions attributed to the RLAM portfolio. Scope 2 emissions increased from both portfolios but to a limited extent.

Portfolio level scope 1 and Scope 2 emissions

thousand tCO2e



Total Scope 3 Carbon emission (thousand tCO2e)[1]

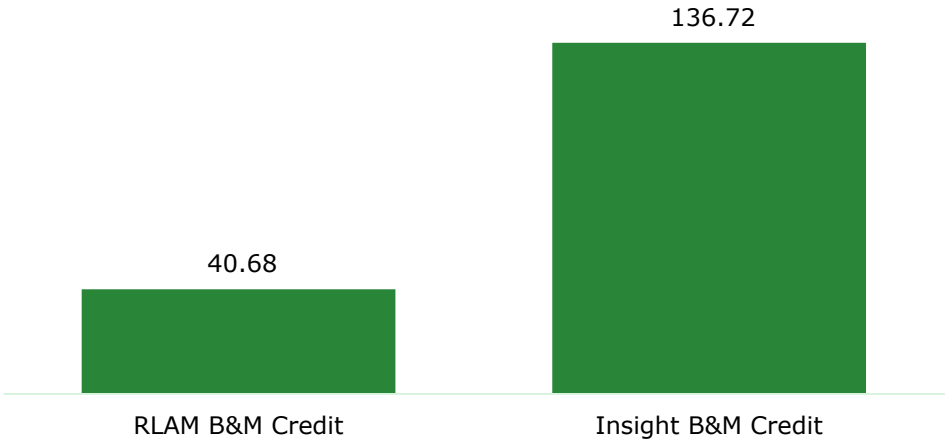
177.4

Compared to 147.0 for 2023

Scope 3 emissions shifted more noticeably over the year, increasing by c.30k tCO2e. This came mostly from the Insight portfolio (+25k) although in % terms the increase was much more evenly split between the portfolios (+16% and +22% respectively).

Portfolio level Scope 3 emissions

thousand tCO2e



Country level production based carbon emissions (thousand tCO2e)

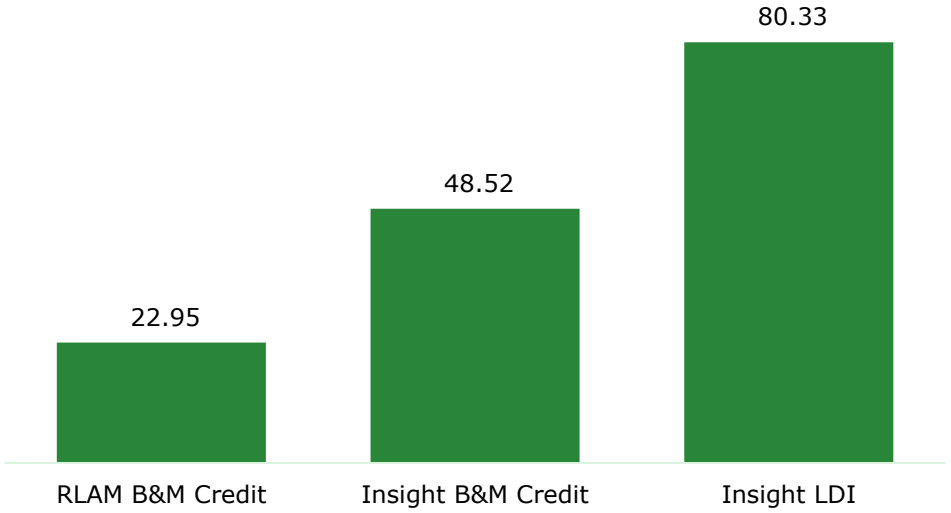
151.8

Compared to 134.2 for 2023

Country level emissions increased across each of the covered portfolios by c. 4k, 8k and 6k respectively.

Portfolio level Country level production-based carbon emissions

thousand tCO2e



Temperature Score

Temperature score, also commonly referred to as "implied temperature rise", is a factor that reflects a company's contribution to climate change from its carbon emissions and alignment with climate scenarios and targets. Expressed in °C, the factor can be interpreted as the temperature increase that would occur if the global economy embraced the company's carbon emission characteristics

The approach to temperature scoring is to avoid multi-layer subjective assumptions and ratings in creating a temperature score, and rely on factual data to the greatest extent possible. We consider three defining characteristics of a company in the construction of the temperature score:

- Carbon emissions trend
- Sector
- Carbon targets.

Analysing and expressing this combination of characteristics in a single factor with an easily digestible scale allows an investor to assess a company's carbon emissions trajectory and how that compares with climate change scenarios or aligns with the Paris Agreement Based on these three fundamental characteristics, a company will fall into one of six possible temperature buckets: 1.5°C, 1.75°C, 2°C, 2.5°C, 3°C and 4°C.

Metric and Scenario Description:

Temperature	Carbon trend
1.5°C	Decreasing
1.75°C	Decreasing
2°C	Decreasing
2.5°C	Decreasing
3°C	Decreasing / Increasing or constant
4°C	Increasing or constant

Implied temperature alignment is calculated using the Impact Cubed model, projecting a company's emissions intensity or absolute emissions (sector-dependent) a decade into the future. This projection is then compared to temperature-aligned sectoral decarbonisation pathways, incorporating both historical trends and probability-adjusted forward-looking targets. These pathways assume an orderly and coordinated global effort towards decarbonisation

It is critical to exercise caution when comparing temperature alignment metrics from different models, as outcomes may vary significantly. This variance is evident in the differences between our 2023 and 2024 reporting disclosures.

Implied Temperature Rise

2.4°C

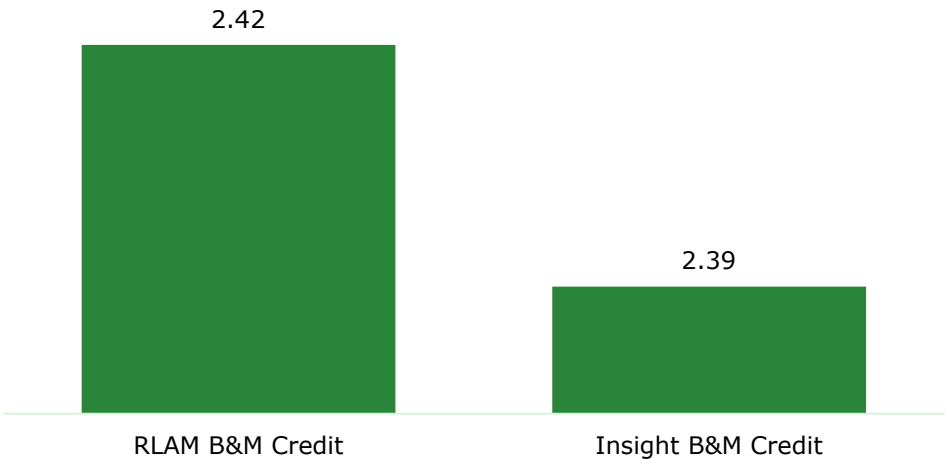
Compared to 2.4°C for 2023

Over the year, implied temperature rise at a portfolio level remained broadly similar leading to a stable Plan level position.

Presently, global policies are on track for a 2.6°C warming scenario by 2030, as estimated by the Climate Action Tracker[2]. As a result, most companies are unlikely to align with an outcome below 2°C unless there is a significant, coordinated global policies. Such policies would need to seek to ensure total emissions peak before 2025 supported by a global emphasis on renewable energy generation and material reduction in fossil fuel production. The overall metric for our plan reflects this reality. This is consistent with our reassessment of 2023 disclosure figures.

Portfolio level Implied Temperature Rise

Degrees centigrade (°C)



[2] https://climateactiontracker.org/global/cat-thermometer/

Carbon Targets – Our forward looking metric

The Science-Based Targets initiative (SBTi) plays an essential role in helping the Trustee set ambitious, measurable goals aligned with the Paris Agreement to limit global temperature rise to well below 2°C, preferably 1.5°C. The incorporating SBTi into portfolio management reporting demonstrates our commitment to aligning with climate science.

The Scheme is targeting a 50% coverage of its forward-looking metric for the Scheme's fixed income by 2030.

The Scheme's alignment across the credit portfolios improved from 46.7% to 50.5% with both underlying portfolios improved their alignment by 1.7% and 4.6% respectively.

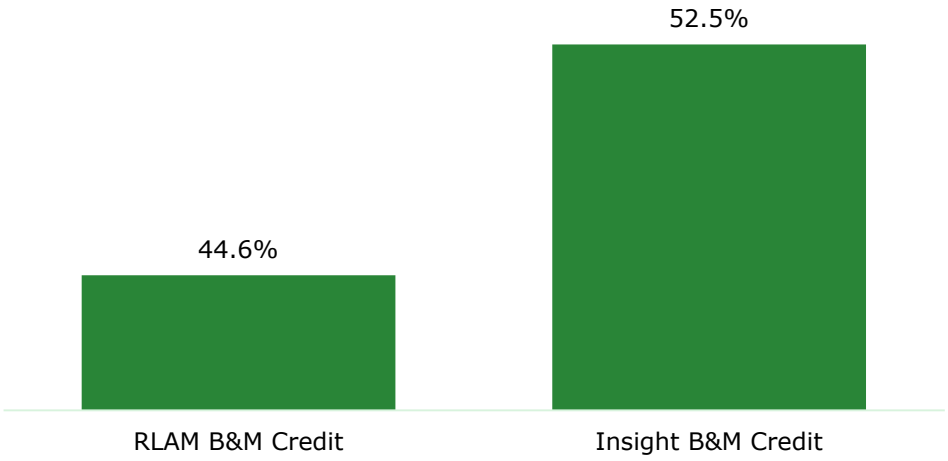
Carbon Targets Coverage (% of covered AUM that has SBTi approved targets)

50.5%

Compared to 46.7% for 2023

Portfolio level SBTI coverage

Percentage of portfolio



Why We Use SBTi Targets

SBTi targets provide a clear and measurable way to track the climate alignment of the Scheme's investments. They are widely regarded as a robust, science-based measure that supports the transition to a low-carbon economy. By focusing on SBTi coverage, the Trustee seeks to align its investment implementation with a greater proportion of companies committed to reducing their greenhouse gas emissions in line with the goals of the Paris Agreement at a total Plan level. This forward-looking metric enables the Trustee to assess how well the Scheme's assets are positioned to navigate both climate transition risks and physical risks over the long term.

How we source our data

The Scheme has refined its data collection and evaluation methods compared to the previous reporting period. Data for ESG metrics is sourced directly from asset managers, the Scheme's custodian records and independent providers, such as Impact Cubed and IGGiQ. These data points are collected regularly at the individual security level, covering corporate equities, corporate bonds, and sovereign asset types. The metrics are calculated by mapping the data to positions and then aggregating it at the fund level. Some metrics, such as carbon intensity, require currency conversion due to the financial nature of the data (e.g., revenue-based calculations), often converting to U.S. dollar figures for TCFD disclosures.

This change in approach has led to a restatement of prior years' calculations, ensuring consistent tracking and providing reliable reference points over time.

The Trustee is actively exploring ways to improve data quality and traceability through enhanced technological solutions. Through our use of Impact Cubed the data is sourced from public data "as reported" by a company. This provides investors with transparency and drives accountability in reporting and performance. This approach is consistent with the Global Greenhouse Gas Accounting and Reporting Standard for the Financial Industry.

Table highlighting key metrics and how these are calculated:

Metric	Scope	Asset Type	Definition	Calculation	Aggregation	Estimate Methodology
Carbon Emissions	Total Weighed Average Carbon Intensity	Corporates	Tonnes CO2e Scope 1 and 2 GHG emissions per $million revenue.	From company reports or estimated tonnes of Scope 1 and 2 GHG emissions divided by $million of revenue.	Weighted Average	Bottom-up analysis based on all company revenues and business activities mapped to a region-subsector average.
	Scope 1 & 2	Corporates	Tonnes CO2e Scope 1 and 2 GHG emissions.	From company reports or estimated tonnes of Scope 1 and 2 GHG emissions.	Summed Total	Bottom-up analysis based on all company revenues and business activities mapped to a region-subsector average.
	Scope 3	Corporate	Tonnes CO2e Scope 3 GHG emissions.	As from company reports or estimated tonnes of Scope 3 GHG emissions.	Summed Total	Bottom-up analysis based on all company revenues and business activities mapped to a region-subsector average.

	Production Based	Sovereign	Tonnes of CO2e emissions produced by the country.	Production-based carbon emissions from the united nations sustainable development goals database.	Summed Total	Not applicable.
Temperature Rise			A temperature in degrees Celsius given to a company to the warming associated with its carbon emissions trend, accounting for industry classification and carbon reduction goals.	Categorises a company based on whether it has increasing or decreasing carbon emissions, is in a heavy-emitting industry and has set an SBTi approved carbon reduction goal. Based on the categorisation, a company is assigned a score between 1.5°C and 4°C.	Weighted Average	The carbon trend may be estimated via bottom-up analysis of Scope 1 and 2 GHG emissions based on all company revenues and business activities mapped to a region-subsector average.
Carbon Targets		Corporates	Binary indicator: 1if company has SBTi-approved target, 0 otherwise.	Approved targets sourced from SBTi and assigned a value of 1. All remaining companies are assigned a value of 0	Weighted Average	Not applicable.

Data coverage and limitations

Although more and more carbon and other ESG data is being reported, data vendors often provide estimates based on their internal methodologies to fill some of the gaps in published data.

However, significant gaps remain, either due to the type of assets, for example for real estate, or due to the complexities in applying data to more advanced financial instruments, such as derivatives. In addition, due to their nature, the Scheme's allocations to private markets are not covered by the existing emissions data set.

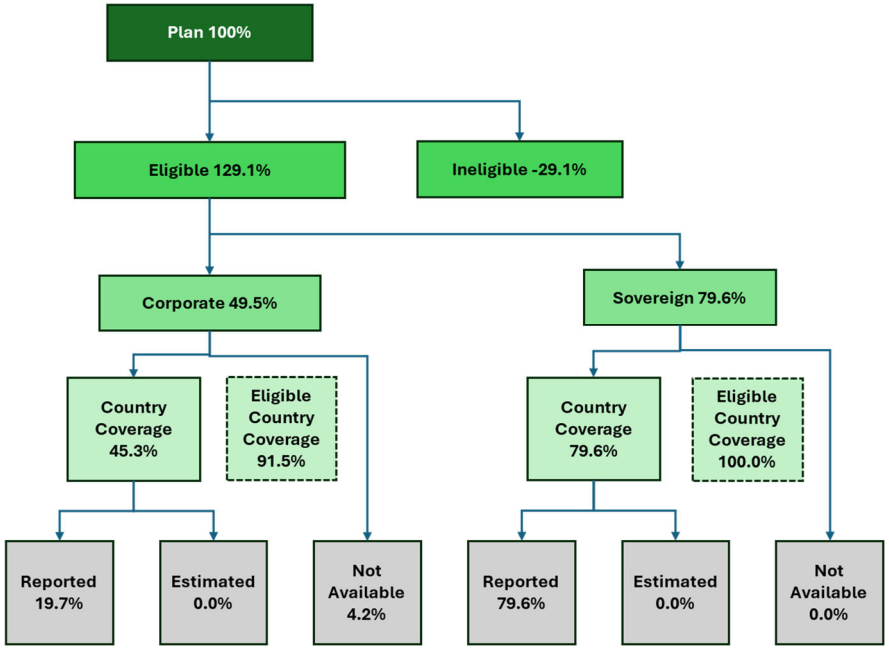
By data coverage indicators the Trustee aims to provide as much transparency as possible about data quality while continuing to address existing limitations.

- **Eligibility**: the proportion of the holdings for which the Trustee can calculate ESG metrics. This is currently the case for market traded corporate and sovereign asset types.
- **Coverage**: the proportion of the eligible holdings for which the Trustee has either estimated or reported data. This is sometimes referred to as total coverage, as opposed to eligible coverage.
- **Eligible coverage**: the coverage relative to the eligible proportion of the fund.
- **Missing/Not available**: the proportion of the covered holdings for which the Trustee has no data.

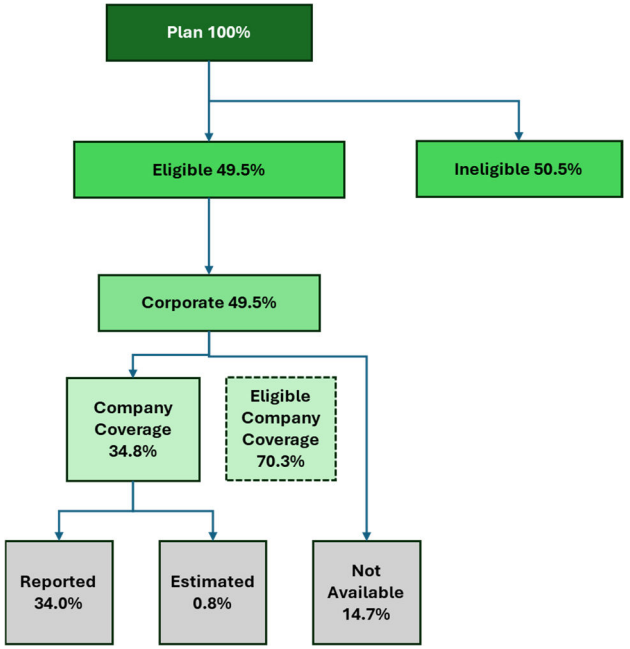
Currently around c.92% of all eligible Plan assets are covered by country-based metrics with 70% of all eligible assets covered by company-based metrics. It is noted that the overall portfolio contains a significant number of government and quasi government holdings for which corporate level disclosures are not applicable.

Scope 3 emissions are purely focused on corporate securities and has a higher proportion derived from modelled estimates rather than reported data.

Country based metric coverage



Company based metric coverage



When do we take our data?

For non-sovereign entities, the reference year is the accounting year for which emissions and other ESG input data points are reported. The reporting cycle for emissions typically aligns with the issuers' financial year. Some financial years do not align with calendar years, but for comparability, we associate the accounting year with the main calendar year of the financial reporting period. However, it is noted that on an ongoing basis the Trustee monitors the ESG metrics on a more regular basis combining data providers ESG input data points and the Scheme's holdings reports.

For sovereign entities, the reference year is the calendar year for which ESG data points are reported. Due to the time it takes a sovereign entity to report these type of data points, reference years can be several years prior to the current scheme year.

Strategy

Climate related factors are integrated into our strategic funding and investment decision making framework. Set alongside our traditional investment and risk factors we recognise that financially material impacts from climate change are unlikely to manifest uniformly across time and we therefore considered the potential impacts of the Scheme's investments over both the short, medium, and long term

The Trustee takes an integrated approach to the management of the Scheme's funding level and, in doing so, takes account of Investment, Funding, Covenant and Non-Investment Risk when setting the Scheme's investment strategy. The Trustee's primary investment objectives are:

- The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with contributions from the Principal Employer, the cost of the benefits which the Scheme provides, as set out in the Trust Deed and Rules.
- To limit the risk of the assets failing to meet the liabilities over the long term, in particular in relation to the Technical Provisions under Section 222 of the Pensions Act 2004, by considering the Scheme's liability profile when setting the asset allocation policy. The Trustee is therefore aiming to achieve a funding level of 100% on the Technical Provisions assumptions and thereafter to maintain 100% funding.

As outlined in the prior reporting period, the Scheme is well funded to meet its current obligations. As a result, this means that the Scheme assets are in predominantly invested in assets which are low risk in nature with corporate bonds making up a significant allocation of the overall portfolio alongside sovereign securities which are used to hedge the interest and inflation risk inherent in the Scheme's funding basis.

In evaluating the implications of climate related change to the Scheme's financial position we evaluate the asset related climate risks through the lenses of:

- **Physical risks**: Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organisations, such as direct damage to assets and indirect impacts from supply chain disruption. Organizations' financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting organisations' premises, operations, supply chain, transport needs, and employee safety.
- **Transitional risks**: Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organisations

It is recognised that the strategy of the Scheme lends itself to assets which are higher up the corporate financing structure and therefore while the Scheme can influence corporate entities through its investment manager's dialogue (such as covenant restrictions) it has limitations on the direct impact of its companies (save for a decision to not invest in an asset).

Time Horizons

The Trustee acknowledges that there are both long- and short-term risks associated with climate change, and so considers the following time horizons in assessing the Scheme's exposure to climate-related risks and opportunities:

Time Horizon	Rationale	Risks and Opportunities
Short Term: 0-5 years	This horizon allows for sufficient time for climate-related decisions to be made, implemented and monitored.	Changes in consumer and corporate behaviour, driven by policy and technological change, i.e. transition risk highly prevalent over the short and medium term.
Medium Term: 5-10 years	It is widely agreed that a 50% reduction in global emissions by 2030 is required in order not to exceed the available global carbon budget in order deliver the Paris Agreement. The Trustee monitors this horizon to reflect this need and the fact many companies and countries have set 'interim' 2030 targets.	This can have impacts on asset prices/stock price movements. Companies which adapt well can take advantage of this fundamental shift in the economy. In the very short-term these risks are only likely to materialise if there is a sudden and robust government intervention. Physical risk exists but the most severe and frequent weather events are likely to materialise over longer timeframes.
Long Term: 10+ years	The Scheme is closed to future accrual. The long-term horizon aligns to the long-term global net zero goals and the objectives of the Paris Agreement.	In the long-term physical risks may be more prevalent depending on policy response – limited policy response is expected to lead to higher warming outcomes and physical risks dominating. Physical damage increases on real assets and resource availability may be disrupted from phenomena such as sea level rises and more frequent severe weather events. There will be knock-on effects on input costs and supply chains. Transition risk for many sectors as regulations and policies may come into force and consumer preferences change.

Stewardship and Climate-Related Engagement

Stewardship is a key part of the Scheme's approach to managing climate-related risks and opportunities.

The Trustee monitors the extent to which investment managers engage with issuers on climate issues, including emissions reduction, net zero commitments, and climate-related disclosures.

Managers are expected to exercise voting rights and undertake engagement aligned with the Scheme's climate objectives

Where relevant, the Trustee considers managers' participation in collaborative initiatives (e.g. Climate Action 100+) and uses this information as part of ongoing monitoring and manager reviews. The effectiveness of stewardship activity is evaluated at least annually and supports the Scheme's broader climate strategy and investment manager monitoring.

Climate Scenario Analysis

The Scheme's strategy is assessed every three years, or earlier if the Trustee determines that a significant change in the strategic direction of the Scheme necessitates a full review of the scenario analysis. There has been no change the Trustee's objectives nor strategic direction of the Scheme's assets since the Trustee's last disclosure. For the 2024 disclosure, it was not deemed necessary to conduct such a comprehensive review, and therefore a summary of the outcomes from the previous assessment remains relevant.

The analysis looks at three climate change scenarios. Each scenario considers what might happen when transitioning to a low carbon economy under different conditions. The Trustee has chosen these scenarios because it believes that they provide a reasonable range of possible climate change outcomes. These scenarios were developed by XPS and are based on detailed assumptions. They are only illustrative and are subject to considerable uncertainty. The Trustee established a "base case" scenario against which the climate change scenarios are compared.

Scenario	Disorderly 1.5ºC - Divergent Net Zero	Disorderly 2.0ºC - Delayed transition	Orderly 2.0ºC	Hot House World 3.0ºC
Summary	Reaches net zero around 2050 but with greater costs due to divergent policies introduced across sectors (leading to varying carbon prices across sectors) resulting in a quicker phase out of oil use. This scenario is also known as "Divergent Net Zero." This leads to high transition risk but the worst physical damage and risks from climate change are averted.	Assumes annual emissions do not decrease until 2030. As a result, there is higher transition risk (when compared to the orderly 2°C scenario) due to policies being delayed or divergent across countries and sectors. For example, carbon prices are typically higher for a given temperature outcome. Strong policies are needed to limit warming to below 2°C. This scenario is also known as "Delayed Transition.	As above, but more gradual increase in the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C	Assumes that some climate policies are implemented in some jurisdictions, but globally efforts are insufficient to halt significant global warming. Physical risks are most significant in this scenario.

In addition the scheme considers stresses to life expectancy. Life expectancy stresses have been applied based on three alternative climate scenarios developed by Club Vita LLP ("Club Vita"). Club Vita's "Hot and Bothered" scenarios describe a set of three climate scenarios and for each scenario it provides cohort life expectancy stresses for 'typical' members. A summary of the three scenarios considered by Club Vita is set out below.:

Scenario	Head in the sand	Challenging times	Green revolution
Summary	Considers a range of disastrous outcomes resulting from lack of response to resource and environmental	A less extreme outcome than Head in the sand, where some adaptations are made in response	Widespread calls for change and rapid technological advances lead to a positive adaptation to climate change, leading to

	risk, including global crop failures, influx of disease from warmer climates, no progress on cancer treatments and an upward trend in cardiovascular disease. This scenario assumes mortality rates will rise in the future and as it is an extreme scenario, this will happen very soon.	to resource and environmental risk, but there is still a struggle to adapt quickly enough. Scenario includes availability of oil is constrained, possible increasing fuel prices and constraints on NHS funding. Increased cost of imported food has an impact on healthy diets. Scenario assumes a sizeable proportion of lower income groups are unable to afford their basic needs, and this leads to life expectancy ceasing to improve.	improved longevity. A combination of fuel scarcity and environmental awareness leads people to ditch cars in favour of walking, leading to better air quality. There is less reliance on processed food and red meat due to better health education and a general interest in reducing greenhouse gases.

The table sets out the annualised return impact of the climate scenarios compared to their respective baseline on the asset allocation modelled.

Scenario	Approximate mapping to Club Vita Scenarios	Relative risk assessment to Scheme's funding position	Assets stressed (combined % change in market value where available)	Liabilities stressed against inflation (% change)	Liabilities stressed against interest rates (% change)	Liabilities stressed against life expectancy (% change)
Disorderly 1.5ºC	Green revolution	Amber	(4.0%)	0.4%	(11.0%)	6.2%
Disorderly 2.0ºC	Challenging times	Amber	(1.0%)	0.8%	(1.8%)	(4.0%)
Orderly 2.0ºC	-	Amber	(0.4%)	0.3%	(2.2%)	-
Hot House World 3.0ºC	Head in the sand	Amber	(0.7%)	0.4%	(2.6%)	(10.4%)

The Trustee recognises that the scenario which causes the biggest volatility to the Scheme's funding position is the Disorderly 1.5°C scenario. However, given that the Trustee is unable to draw direct conclusions from the scenario analysis due to the limitation of data from the illiquid assets, the Trustee, with the help of the Investment Advisor, will engage with both Insight and M&G to understand how these risks may impact the investment strategy over the short to medium term, as well as how the quality of data across these assets is expected to improve.

This summary underscores the careful adjustments made to the Scheme's portfolio in response to funding improvements and reflects the ongoing commitment to managing climate-related risks through informed and prudent investment strategies.

Sponsor covenant

Climate change can have significant implications for the strength of a given sponsor's covenant. The Scheme is currently positioned with a healthy funding surplus on the Scheme's Technical Provisions basis and the Sponsor is not currently paying deficit reduction contributions.

As part of preparing the Scheme's TCFD considerations, the Trustee reviewed various ESG and climate disclosures with the intention of identifying and assessing whether there has been any change as to:

- the materiality of climate-related risks and opportunities to the Sponsor; and
- the main risks and opportunities for each time horizon.

Travis Perkins recognises climate change as a material business risk. The company follows TCFD recommendations, conducts annual scenario analysis, and integrates climate into Board-level risk oversight.

- Short-term (0–5 years): Transition risks include costs of fleet decarbonisation and regulatory change. However, near-term opportunities exist via increased demand for low-carbon building products.
- Medium-term (5–10 years): Tightening climate policy and product phase-outs present commercial risks. The company is responding through supply chain engagement and low-carbon product development.
- Long-term (10–40 years): Physical risks such as flooding and heat exposure rise in severity, particularly in high-warming scenarios. These are being factored into property and resilience planning.

Scenario analysis includes disorderly transition and high-physical-risk futures. While some risks are material, they are actively managed and not expected to compromise covenant strength. Travis Perkins PLC continues to conduct both qualitative scenario analysis and a quantitative financial impact assessment to understand the impact of climate-related risks and opportunities on its businesses, strategy, and financial planning.

The agreed funding strategy provides considerable protection against a reduction in covenant. The Scheme's investment strategy has been de-risked and is contractual asset based, increasing the certainty and predictability of investment returns. A low-risk investment strategy and strong funding basis does not guarantee that members will be completely protected in the situation that the Sponsor becomes insolvent. The Trustee undertakes periodic reviews of the covenant strength, including as part of the triennial Actuarial Valuation.

Forward-Looking Approach to Plan's management of climate related risks

As part of the Scheme's approach to managing climate-related risks, the Trustee has adopted a forward-looking strategy centred around increasing the SBTi coverage across its fixed income and listed equity investments. This strategy is designed to align the Scheme's portfolio with the global transition towards net-zero emissions, helping to mitigate both short-term and long-term climate-related risks.

Through engagement with the Investment Consultant, the Scheme is targeting a 50% coverage of its forward-looking metric for the Scheme's fixed income and equity funds by 2030.

The Role of Engagement and Ongoing Monitoring

The Trustee recognises that achieving the SBTi target will require regular engagement with the Scheme's investment managers. By applying pressure to managers to improve their climate-related disclosures and actions, the Trustee expects SBTi coverage to increase progressively. The Trustee will monitor the managers' progress annually and take appropriate action if the expected improvement in SBTi coverage is not realized.

Long-Term Benefits of the Strategy

The decision to adopt an SBTi-based target is forward-looking and strategic. By focusing on this metric, the Trustee is positioning the Scheme to:

- Mitigate short-term transition risks: By increasing exposure to companies with SBTi-approved targets, the Scheme can stay ahead of market trends as companies transition towards lower-carbon business models.
- Reduce long-term systemic risks: Supporting the global effort to achieve the Paris Agreement's climate goals helps to mitigate long-term physical risks associated with climate change.

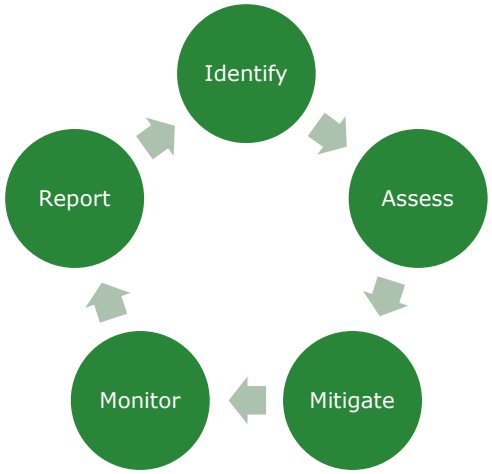
We see this as a way to strengthen the Scheme's resilience to climate risks but also supports collective action in reducing systemic risks from the physical effects of climate change. The Trustee will continue to review the appropriateness of this target to ensure that it remains relevant as part of the Scheme's broader climate strategy.

Risk Management

We consider the management of risks through a holistic lens considering the Scheme's overall objectives, while balancing this with the investment risk, the risk arising from the sponsors climate related business activity, as well as the overall funding level of the Scheme.

To ensure climate related risks are assessed in an integrated manner, we have explicitly identified climate change as a risk on the Trustee risk register, which is overseen by the Trustee.

Risk management framework:



Under the overall governance previously described responsibility for the identification and management of climate-related risks in undertaken by input from:

(a) the Investment Adviser, who assists in the establishment of asset allocation policy and in the oversight of the investment managers
(b) investment managers, who are responsible for day-to-day positioning of the portfolios.
(c) Use of independent regular assessment though the revised approach to the Scheme's monitoring approach to climate related risks.

The Trustee recognises the importance of managing the potential impact of climate change within the Scheme's investments. The Trustee has set out a monitoring process which include how both investment managers and their advisers are assessing, managing and mitigating climate risks.

This includes conducting scenario analysis (undertaken every three years) to understand the resilience of each fund to various climate scenarios as far as practicable noting that this type of analysis is still evolving. The Trustee is confident that managers appointed demonstrate robust steward and engagement with underlying companies.

The Scheme invests in a well-diversified investment strategy to help reduce exposure to risk generally, which also reduces the exposure to climate risks impacting any individual asset class.

The Trustee has a policy to protect against a high proportion of the interest and inflation risks that could impact the value of the Scheme's liabilities. Therefore, any potential impact on interest rates and inflation from climate change (and indeed from other factors) are significantly mitigated.

The implementation of an active monitoring solutions provides the Trustee and support teams with a comprehensive climate risk dashboard. The dashboard is built upon the Impact Cubed review of individual assets and aggregated to provide an overall climate assessment across 150 risk factors the Scheme may be exposed to.

While the embedding of the dashboard into the Trustee overall governance framework remains under consideration the intention is that this will be continually developed to monitor emerging risks and opportunities, as well as those that are identified within the mandates.

Glossary

Governance	refers to the system by which an organisation is directed and controlled in the interests of shareholders and other stakeholders.[3] Governance involves a set of relationships between an organisation's management, its board, its shareholders, and other stakeholders. Governance provides the structure and processes through which the objectives of the organisation are set, progress against performance is monitored, and results are evaluated.[4]
Strategy	refers to an organisation's desired future state. An organisation's strategy establishes a foundation against which it can monitor and measure its progress in reaching that desired state. Strategy formulation generally involves establishing the purpose and scope of the organisation's activities and the nature of its businesses, taking into account the risks and opportunities it faces and the environment in which it operates.[5]
Risk management	refers to a set of processes that are carried out by an organisation's board and management to support the achievement of the organisation's objectives by addressing its risks and managing the combined potential impact of those risks.[6]
Climate-related risk	refers to the potential negative impacts of climate change on an organisation. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations.[7]
Climate-related opportunity	refers to the potential positive impacts related to climate change on an organisation. Efforts to mitigate and adapt to climate change can produce opportunities for organisations, such as through resource efficiency and cost savings, the adoption and utilization of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organisation operates.[8]
Greenhouse gas emissions ("GHG") scope levels[9]	Greenhouse gases are categorised into three types or 'scopes' by the Greenhouse Gas Protocol, the world's most used greenhouse gas accounting standard. Scope 1 refers to all direct GHG emissions. Scope 2 refers to indirect GHG emissions from consumption of purchased electricity, heat, or steam. Scope 3 refers to other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions. Scope 3 emissions could include: the extraction and production of purchased materials and fuels, transport-related

[3] A. Cadbury, Report of the Committee on the Financial Aspects of Corporate Governance, London, 1992.
[4] OECD, G20/OECD Principles of Corporate Governance, OECD Publishing, Paris, 2015.
[5] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017
[6] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017
[7] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017
[8] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017
[9] World Resources Institute and World Business Council for Sustainable Development, The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), March 2004.

	activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g., transmission and distribution losses), outsourced activities, and waste disposal.[10]
Value chain	refers to the upstream and downstream life cycle of a product, process, or service, including material sourcing, production, consumption, and disposal/recycling. Upstream activities include operations that relate to the initial stages of producing a good or service (e.g., material sourcing, material processing, supplier activities). Downstream activities include operations that relate to processing the materials into a finished product and delivering it to the end user (e.g., transportation, distribution, and consumption).[11]
Climate scenario analysis	is a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, for example, scenarios allow an organisation to explore and develop an understanding of how the physical and transition risks of climate change may impact its businesses, strategies, and financial performance over time.[12]
Net zero	means achieving a balance between the greenhouse gases emitted into the atmosphere, and those removed from it. This balance – or net zero – will happen when the amount of greenhouse gases add to the atmosphere is no more than the amount removed.[13]

[10] PCC, Climate Change 2014 Mitigation of Climate Change, Cambridge University Press, 2014.
[11] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017
[12] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017
[13] Energy Saving Trust, What is net zero and how can we get there? - Energy Saving Trust, October 2021