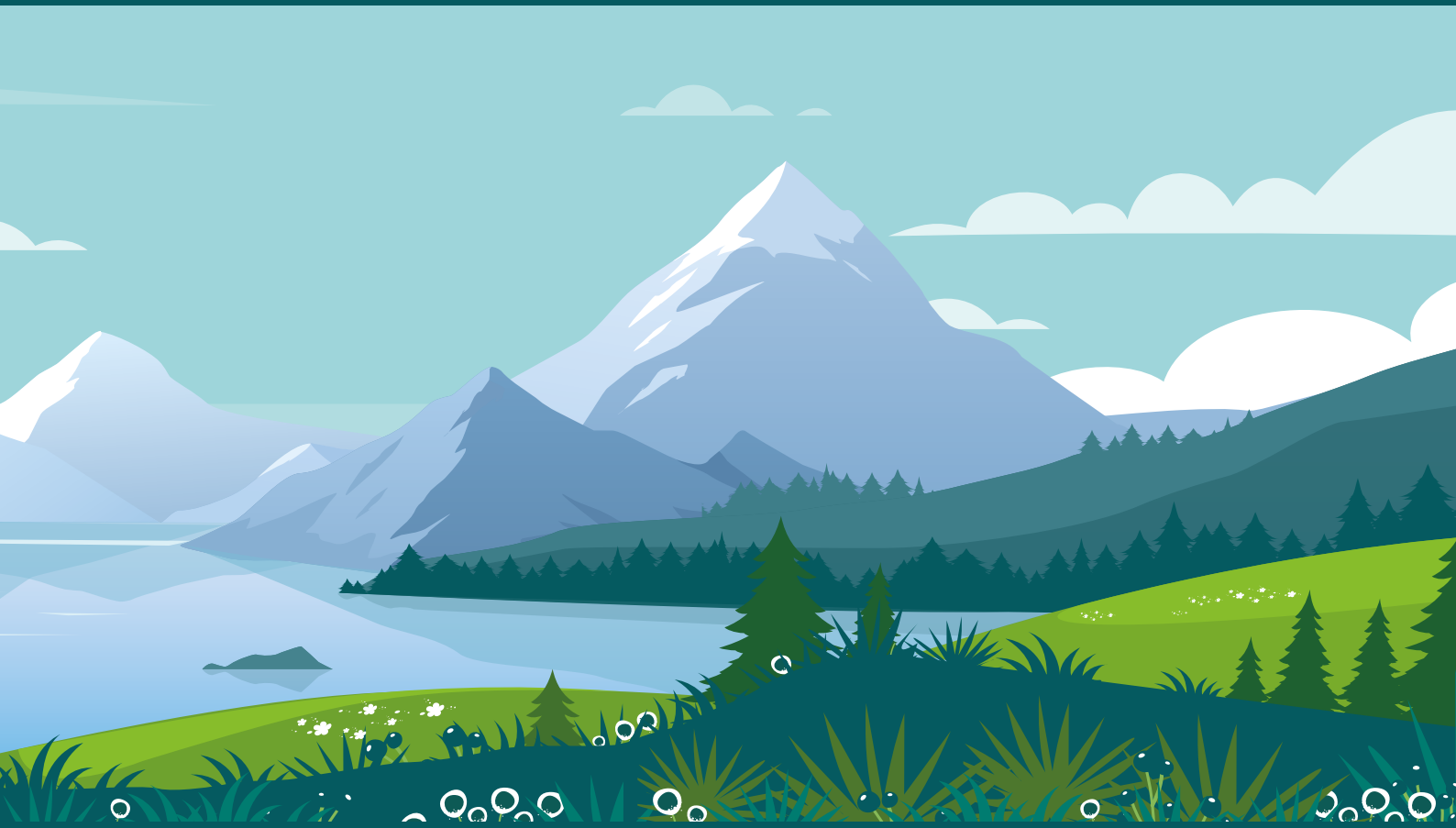
PRUDENTIAL
Staff Pension Scheme
Defined Benefit Section



TCFD Report

Disclosures in respect of TCFD for the period ending 31 March 2025

OCTOBER 2025

Contents

Executive summary

In this report, the Trustee Directors of the Prudential Staff Pension Scheme (the Scheme), also known as PSPS, outline how we are overseeing and managing the climate-related risks and opportunities facing the Scheme. It covers both the Defined Benefit (DB) and Defined Contribution (DC) Sections of the Scheme.

We've structured this report in line with the four thematic areas the TCFD used for its recommendations: governance, strategy, risk management, and metrics and targets. Those four areas represent the core elements of how organisations operate.

Those four areas are supported by recommended disclosures. This report outlines our progress with each disclosure.

Update since last year

Here we give a summary of progress in the last year on:

- our metrics
- our new targets
- the climate scenario analysis, which we re-ran this past year

There is more detail on each of these later in this report.

Metrics

We set out a number of metrics for assessing the climate change risks from the Scheme's assets, such as:

- carbon emissions
- carbon footprint
- implied temperature rise
- data coverage

We use these metrics as they're in line with Department for Work and Pensions (DWP) guidance. Below is a summary of the current metrics for both Sections:

For the DB Section:

- We've seen a decrease in the Scheme's aggregate carbon footprint in the last year, driven principally by reductions from a number of the credit mandates managed by M&G Investment Management Limited (M&GIM).
- Since we started monitoring the Scheme's emissions, however, there has been a reported increase in the carbon footprint of the portfolio as data has become available for an increasing proportion of the portfolio.
- While data availability remains imperfect, we have seen that the coverage of listed assets has improved quickly. However, further improvements from here are likely to be more challenging with data relating to private and securitised assets being significantly more difficult to produce.

For the DC Section:

- Total carbon emissions have increased by 4% over the year, owing to an increase in total assets and a higher proportion of assets with data coverage.
- The carbon footprint has dropped by 14% in the last year, having reduced from 79.2 tonnes/£million invested last year, to 67.9 tonnes/£million invested this year.
- Data coverage has also improved, from 95% last year to 96% this year.
- There's been an increase in implied temperature rise, although this is mainly due to a methodological change in the MSCI modelling.

Targets

We have agreed the following medium-term and long-term targets to manage climate-related risks and opportunities:

- Reduce the Scheme's carbon footprint and carbon emissions over time, with a long-term target of reaching net zero by 2050.
- For the DB Section, reduce the emissions intensity from the Scheme's directly owned public corporate debt assets by approximately 50% from a 2022 baseline.
- For the DC Section, reduce the emissions intensity for public markets in the default lifestyle (PSPS Multi-asset Lifestyle Profile) by 70% from 2022 levels to 2030. We have selected carbon footprint to measure the intensity.

The DB and DC Section targets are new. We explain why we've made these changes in the Disclosure 11 section of this report.

Scenario analysis

We've re-run our scenario analysis this year. We complete separate scenario analyses for the DB Section and the DC Section. This is about assessing both Sections' resilience to different climate scenarios over the short, medium and long term.

- For the DB Section we have considered a wider range of possible outcomes, including a 'hot house world' scenario where levels of global warming reach 3 degrees. Despite the severity of this outcome, the projected impact on benefit security remains relatively limited, reflecting the low-risk and well-hedged strategy that has been in place for many years.
- For the DC Section, we have looked at how 3 different climate scenarios might impact members, and considered this alongside member pot sizes at different ages. The impact on expected member outcomes under the climate scenario analysis is minimal to modest. In most of the scenarios, younger members are more exposed to the wider market disruptions caused by climate change. However, in 1 of the climate scenarios, it is older members who are impacted most. The work shows the actions already taken by the Trustee have mitigated some of the additional risk to member outcomes from climate change.

Our approach to climate change

We support the Paris Agreement to limit global warming to well below 2°C above pre-industrial levels and to strive for 1.5°C, within the context of our fiduciary responsibilities.

This means we:

- Support the TCFD's recommendations.
- Prefer engagement over exclusion. We expect our investment managers to consider which is more appropriate within their investment processes and mandates.
- Use an Integrated Risk Management framework to consider the risks of climate change, covering the investment, funding and covenant implications.
- Expect our investment managers and advisers to integrate climate change risks and opportunities within their investment processes and advice for the Scheme. We also expect them to report on this every year.
- Encourage the development of DC asset classes, investment products and member choices to help meet the Paris Agreement targets, so long as they're all based within the primary fiduciary framework.
- Support and encourage the development of climate change risk metrics, so that all stakeholders in the investment chain can assess and minimise these risks.
- Recognise that understanding of climate change will continue to develop, and that climate change is an ever-evolving area of policy.
- Support policy initiatives that contribute to meeting the Paris Agreement targets.

In relation to climate change, we recognise there's probably more we can do for the DC Section than the DB Section. That's because of the maturity of the DB Section, the composition of the assets, as well as the covenant, which reduces risks to DB Section members.

Governance

Disclosure 1

The Trustee Board's oversight of climate-related risks and opportunities

Summary for DB and DC Sections

This climate change report outlines our approach to climate-related issues, as well as oversight of risks and opportunities, and how these are brought to our attention.

We recognise that overall responsibility for managing the Scheme, including its oversight and management of climate-related issues, lies with the Trustee Board. We're supported by several specialist committees and external advisers, and these cover things like the covenant, investment, legal and actuarial support. There are formal terms of reference documents which govern the relationship between the Trustee Board and each of the Scheme's committees. These documents set out roles, responsibilities, and Trustee Board reporting requirements.

Our overall risk register for the Scheme includes climate risk.

We attend regular training sessions run by our advisers, as we recognise that climate change is a fast-evolving and complex area. Training is carried out when the need arises. And anyone new to the Trustee Board will also get this training. Our training and self-assessments also include climate risk, opportunities, and climate policy.

We assess our advisers on a regular basis, including how they incorporate climate-related risks and opportunities into their advice.

We delegate implementation and monitoring responsibilities to the DB Section Committee (DBSC) and the DC Section Committee who in turn delegate some responsibilities to the DC Investment Committee (DCIC). Their delegated responsibilities include investment matters, which also include identifying, assessing and managing climate-related risks and opportunities.

These committees are responsible for considering climate change in their Section's investment processes. The steps they take to make sure our approach remains appropriate include:

- Closely monitoring their Section's advisers and holding them to account. This includes a yearly objective setting and appraisal process, looking not only at investment performance, but also at how they've considered climate-related matters.
- Having periodic training on climate-related matters. That includes training on how the climate is linked to broader industry developments, climate scenario analysis, and assessing investing managers. This helps the committees to benchmark the approach they take.
- Attending regular presentations from our investment managers. These presentations cover how they take climate-related risks and opportunities into account when managing the Scheme's assets.
- Keeping an eye on evolving industry practice, so the committees can keep their approach up to date.
- Considering a range of sustainable investment topics and initiatives and making recommendations to the Board.
- Meeting with the Board, and reporting up to us, quarterly. The committees will summarise the key issues discussed and seek decisions from us when needed, including in relation to climate risks and opportunities.

Disclosure 2

Management's role in assessing and managing climate-related risks and opportunities

Summary for DB and DC Sections

Managing climate-related risks and opportunities is a priority for the Trustee. Our policies around the management of risks and opportunities associated with climate change are set out in the Statement of Investment Principles (SIP), which is typically reviewed at least once a year. They're also detailed in the annual implementation statement. And we consider the risks as part of our role in monitoring our assets.

We also note the key risks in the Scheme's risk register.

When it comes to stewardship, we prefer engagement over exclusion. We expect our investment managers to consider which is more appropriate within their investment processes and mandates. And we encourage our investment managers to engage with issuers where they can.

DB Section

We delegate a number of responsibilities to the investment managers for the DB Section.

We continuously monitor these investment managers, assisted by our investment adviser, WTW. WTW provides us with quarterly reports that are discussed at the DBSC meetings.

WTW also provides us with an annual sustainable investment report, which details:

- its assessment of the environmental, social and governance (ESG) capabilities of the Section's investment managers, which includes the consideration of climate risks and opportunities
- the corporate governance policies of each investment manager, and how these policies have been implemented over the year
- the key ESG exposures within the portfolio, including climate

The DBSC reflected positively on the most recent sustainable investment report. The committee continues to encourage investment managers to improve their data and their stewardship activities.

WTW also engages with policy makers, and the industry as a whole, on ESG and climate issues.

We also get ad hoc information from our investment managers. We arrange meetings to discuss specific topics when we feel it's needed.

At its meetings, the DBSC reviews, challenges and discusses all the information it provides to us, and we do the same at Board meetings.

Case study

On behalf of its clients, one of our investment managers engaged with Yara, a global chemicals company, through the Net Zero Engagement Initiative (NZEI), a collaborative investor programme targeting major carbon emitters. In August 2024, the manager held their third meeting with Yara, focusing on requesting detailed metrics for their 2025 and 2030 emissions targets, understanding their Science Based Targets initiative application progress, and discussing advocacy positions.

Yara committed to publishing a comprehensive transition plan before their 2025 AGM, outlining specific emissions reduction actions including production efficiency improvements, carbon capture technologies, and potential feedstock changes. The company is preparing for new EU sustainability reporting requirements whilst addressing challenges in measuring downstream agricultural emissions.

Continued monitoring through NZEI will track progress against these commitments.

DC Section

We delegate a number of responsibilities to the investment managers for the DC Section.

Our investment managers identify and manage the climate-related risks and opportunities at the individual investment level. Our investment adviser for this Section, Hymans Robertson, monitors and rates the investment managers and reports on their approach to managing climate and other environmental risks, via their research function. This helps us to appoint investment managers who integrate ESG and stewardship into their approach.

Hymans Robertson also assists the Trustee in identifying the risks and opportunities at a broader, portfolio level.

We assess Hymans Robertson against its objectives every year, and we review the objectives so they remain appropriate. We also assess Hymans Robertson, and our investment managers, through Hymans Robertson's regular reporting. This reporting includes ESG and climate-specific reporting. We discuss and challenge this reporting at quarterly meetings.

Our investment advisers engage with policy makers, and the industry as a whole, on ESG and climate issues.

We reviewed the investment strategy in the 2022/23 Scheme year. This included an assessment of how appropriate the DC strategy is, and how aligned it is to the Scheme's agreed approach to climate change. This led to some changes in the DC strategy to improve sustainability, including:

- increasing the exposure to funds managed on a sustainable basis within the lifestyle strategies and self-select options
- adding an impact equity fund

This year, we've added a new, sustainable self-select fund. It's called the PSPS Sustainable Total Return Bond Fund – active. This sustainable version of an existing Scheme fund has better sustainability credentials. It aims to reduce environmental and social harm by investing in projects that support environmental and social goals.

We're currently reviewing the investment strategy and we'll share any changes we make in next year's TCFD report.

Case study

The Trustee delegates day-to-day engagement to the fund managers they appoint. On the DC side, we added a Sustainable Equity Fund following the 2023 strategy review, and moved many of our equity investments in the default lifestyle strategy so that they invest in this fund instead.

This fund is managed by a passive manager who complement their approach with strong engagement activity, particularly on climate issues. They engage with 58% of the market they invest in. 70% of those engagements are on environmental topics and the vast majority of those are climate related.

We made these changes as we wanted to ensure that our equity holdings are managed in line with our climate change approach. We felt that adding this fund enabled us to do this.

Strategy

Disclosure 3

The climate-related risks and opportunities we have identified over the short, medium and long term

Summary for DB and DC Sections

We recognise that climate-related risks and opportunities will evolve over time, as new information and new investment products come about.

We've set the short-term time horizon as 5 years (rolling), the medium term as 10 years, and the long term as 25 years. We also recognise the 25-year time horizon roughly aligns to 2050, the date by which countries bound to the Paris Agreement have agreed to reach net zero requirements.

The table below summarises the risks and opportunities that climate change presents to the Scheme – at a strategy and an asset class/sector level:

	Short term	Medium term	Long term
Primary types of risks	– Regulatory – Reputational – Transitional	– Reputational – Transitional	– Transitional – Physical
Key risk exposure	– We are exposed to regulatory risks, including fines, if we do not comply with evolving regulatory requirements. – We are exposed to reputational risks (as is the sponsor) if our policies are misaligned with peers and/or the sponsor. – We are exposed to transition risks principally through our investment portfolios.	– We are exposed to reputational risks (as is the sponsor) if our policies are misaligned with peers and/or sponsors. – We are exposed to transition risks principally through our investment portfolios. – Given the long-term nature of these risks, there is a high level of uncertainty in terms of the likely effect and the potential magnitude of their impact.	– We may be exposed to transition risks through our investment portfolios. – We are exposed to physical risks through our real asset holdings (property and infrastructure) in the DB Section. – Given the long-term nature of these risks, there is a high level of uncertainty in terms of the likely effect and the potential magnitude of their impact.
Potential opportunities	– Encourage existing funds to consider (and where possible reduce) exposure to transition risks. – Engage with companies to develop a strong transition plan.	– Seek alignment with the transition to net-zero where supported by a robust investment case. – Engage with managers to develop and implement net-zero plans and ensure new investments are aligned with this.	– Seek alignment with the transition to net-zero where supported by a robust investment case. – Engage with managers to develop and implement net-zero plans and ensure new investments are aligned with this.

DB Section

On the DB side, the portfolio is significantly de-risked, with significant Gilt holdings. While the security of members' pensions is not directly related to climate change, we monitor the Principal Employer risk in case there's a future shortfall.

DC Section

Equity holdings are higher in the DC Section, so the value of investments could be more affected by climate change. Also, members' pension pot values are directly affected by such changes.

Below, we discuss in more detail some of the overall risks posed to the Scheme, and how those risks link to climate change:

Climate risk

This is the extent to which climate change causes a material deterioration in asset values. It's often split into transition risks (including regulatory risk) and physical risks.

To measure this risk, we look at the policies of our investment managers, and the expected impact of our portfolio holdings.

To manage this risk, we engage with our investment managers to try and ensure their policies are aligned to our approach

Reputational risk

Reputational risk relates to the risk of negative stakeholder perception leading to financial consequences for the Scheme or the Principal Employer in the case of the DB Section.

Principal Employer risk

For the DB Section, climate change has the potential to affect the covenant. And while climate is a consideration when looking at the covenant, we don't consider it to be the most significant factor affecting the covenant.

Disclosure 4

The impact of climate-related risks and opportunities on our business, strategy and financial planning

Summary for DB and DC Sections

Our financial plans incorporate the estimated costs of meeting TCFD reporting requirements alongside that of the advice required over time to ensure we successfully capture future risks and opportunities.

We expect to negate these costs through:

- reduced risk to the Scheme
- our improved position over time by reducing the impact of climate change on the Scheme
- taking advantage of climate-related opportunities

DB Section

This year, we've completed fresh scenario analysis, which helps us to understand the risks to the Section from climate change. This has indicated that, because the DB Section of the Scheme is well funded, the Scheme's guarantee to pay DB benefits is robust in all scenarios.

We recognise the potential investment opportunities from mitigating climate change, and we'll pursue these where they help to increase security for members' benefits.

We've embedded climate-related issues into the DB Section's Integrated Risk Management framework. Linked to this, we also consider the impact of climate risk on the DB Section's liabilities. That includes possible margins of prudence to allow for the economic effects of climate change, as well as adjusting our longevity and mortality assumptions to account for climate change.

While the reliance on the covenant is low, we also consider the effect of climate-related risks and opportunities on the sponsor covenant.

DC Section

As with the DB Section, we've completed fresh scenario analysis this year. This lets us assess how the risks could evolve over time. It indicates that over the short term the effect on members' pension pots is low. But in the medium and longer term, the risk to members' pension pots grows, with a potential small reduction in pot size because of climate change.

We review the DC investment strategy every 3 years, to check it remains appropriate and aligns to our approach to climate change. During this review, we document how we've considered the climate-related issues, risks and opportunities, at a strategic and an asset-class level.

We regularly monitor the investments of the DC Section. This monitoring incorporates climate-related risks and opportunities.

This monitoring, alongside our scenario analysis and carbon data metrics, led us to make several investment changes to the DC Section fund range to increase sustainability. For instance, in May 2023, we increased the allocation to sustainably-managed funds in the PSPS Multi-asset Lifestyle Profile. This meant that we allocated:

- 57.5% to a sustainability-titled global equity fund in the growth phase of the multi-asset lifestyle. This aims to reduce emissions and improve sustainability.
- 5% to a global equity impact fund in the multi-asset lifestyle. This fund is designed specifically to make improvements across a range of ESG factors.

These changes have contributed significantly to the overall lowering of the carbon footprints of the assets in the multi-asset lifestyle.

Disclosure 5

The resilience of our strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Summary for DB and DC Sections

We explore the potential impact of different future climate scenarios on the DB and DC Sections of the Scheme by running scenario analysis. These scenarios attempt to capture the impact of transition risks and physical impacts. We look at the impacts over the short, medium and long term.

We run scenario analysis at least every 3 years. And we'll update the scenario analysis sooner if prompted by:

- the review of the Scheme's investment strategy, which happens every 3 years
- material changes in market assumptions

This scenario analysis was run this year, using data as of 31 December 2024 for the DB Section, and data as of 30 September 2024 for the DC Section.

In line with TCFD requirements, we've produced 2 scenarios aligned with the Paris Agreement, and 1 on a more pessimistic outcome. Each scenario reflects different:

- sizes of physical risks
- sizes of transition risks
- resulting temperature impacts

As there is no industry consensus on how to model different climate scenarios, we rely on insights from our advisers. Their insights are underpinned by their own research and development. We expect our advisers to keep their approach up to date, in line with industry best practice.

As scenario analysis relies on assumptions, it should not be relied on as an exact assessment of the potential impact on members.

Our advisers have run these scenario analyses at the asset class level. That's so we can estimate the effect on different climate scenarios on retirement outcomes for different members.

DB Section

We considered 5 separate scenarios for the DB Section. Each is, in part, defined by its ability to meet the Paris Agreement target. The scenarios are described in the table below.

Along with the 3 scenarios mandated by the TCFD, we've gone further than that for the DB Section and produced 2 additional scenarios. This combination of scenarios provides a clearer picture of the possible range of impacts. One of these additional scenarios, called 'hot house world', takes into account recent criticism of climate scenarios. It does this by including a scenario that considers whether the remaining global carbon budget is actually lower than anticipated.

The table also shows the expected impact of each scenario on the Section's funding level, assuming the full impact is immediately priced in. This results in an immediate change in the funding level. In practice, however, we would expect that the impact would unfold over time.

Under each scenario, the funding of the DB Section is projected to be robust to the impact of climate change. The largest shock is significantly lower than the solvency surplus. This reflects the low-risk asset position held by the DB Section, and the significant steps we've taken to hedge longevity risk.

Scenario name	Description	Temperature rise	Projected change in funding level
Net zero 2050	– More aggressive policy action is pursued immediately. – Extensive technology shifts are achieved, with carbon dioxide removal used to accelerate the transition. This removal will be broadly in line with sustainable levels of bioenergy production.	Approx. 1.5°C	-2%
Below 2°C	– Globally co-ordinated climate policies are introduced immediately. – These policies become more stringent over time. – Companies and consumers take the majority of available actions to reduce emissions.	Approx. 2°C	-4%
Delayed transition below 2°C	– Delays in taking meaningful policy action lead to a rapid policy shift around 2030. – Policy implementation is not fully co-ordinated, leading to a disorderly transition. – Emissions temporarily exceed the carbon budget, but then decline.	Approx. 2°C	-4%
Nationally determined contributions	– Business continues as usual, and current policies continue without new attempts to reduce emissions. – The way technology and society develop will follow familiar patterns to what we've seen before.	Approx. 2.5°C	-5%
Hot house world	– The world follows a net zero 2050 pathway, but the resulting temperature increases exceed 2°C. – This could be due to a lower than expected remaining carbon budget. It could also be down to the impact of climate tipping points. – Use of carbon dioxide reduction technology is relatively low.	Approx. 3.0°C	-6%

While these scenarios include significant levels of warming, under each we assessed the impact on the funding position as modest, with the guaranteed benefits remaining fully covered in each case. This reflects the relatively low risk and well-matched nature of the investment strategy adopted.

As a result, we're not planning any immediate changes to the strategy. However, over the medium term we will continue to identify opportunities to support the transition to a decarbonised economy with investments.

DC Section

We considered 3 real-world scenarios for the DC Section, and these are TCFD compliant. There's some overlap with the DB Section scenarios. We chose these scenarios because they satisfy the guidance provided by the DWP.

The scenarios we've considered would not have a significant impact on the Scheme over the short term. However, there's likely to be an impact from some scenarios over the medium and longer term.

Scenario name	Description	Temperature change	Assumptions
Green revolution	– Concerted policy action starting now, like carbon pricing and green subsidies. – Public and private spending on 'green solutions'. – Improved disclosures encourage market prices to shift more quickly.	Relatively high expectation of limiting temperature change to 2°C or less.	– Higher chance of short-term market disruption, due to transitional impacts. – Lowest chance of material long-term physical climate impacts.
Delayed transition	– No significant policy action in the short term, meaning the policy response must be stronger when it does happen. – Transition will be shorter and sharper. – Transition risks are greater, but delayed. Physical risks are similar in the long-term.	Relatively high expectation of limiting temperature change to 2°C or less.	– Higher chance of medium-term market disruption due to transitional impacts. – Higher chances of material long-term physical risks than with the green revolution scenario.
Head in the sand	– Little to no policy action for many years. – Growing fears over the consequences lead to market uncertainty and price adjustments. – Uncertainty is stoked by ineffective and piecemeal policy action. – Transition impacts exceed physical risks.	Little to no expectation of limiting temperature rise to 2°C.	– Higher chance of long-term market disruption, because of transitional impacts and material physical climate impacts.

We're currently reviewing the DC Section investment strategy, and this will be informed by the scenario analysis. This will help us to adjust the DC asset allocation, to help reduce the climate risk to our members' pensions.

For the DC Section scenarios, we have to look at the impact on retirement outcomes for different cohorts of members. This is in line with the requirement to define short, medium and long-term time horizons when assessing climate risk.

The following table shows the expected average impact for the various scenarios on the outcomes of various cohorts of members in the DC Section's default lifestyle arrangement.

Resulting impact on member outcomes

Scenario name	Short term Members retiring in at least 5 years	Medium term Members retiring in at least 15 years	Long term Members retiring in at least 40 years
Green transition	-2%	-6%	1%
Delayed transition	Unchanged	Unchanged	-1%
Head in the sand	Unchanged	-2%	-4%

The impact on expected member outcomes under the climate scenario analysis is minimal to modest. In most of the scenarios, younger members are more exposed to the wider market disruptions caused by climate change. However, in 1 of the climate scenarios, it is older members who are impacted most.

We take account of the scenario analysis when considering if we should change the default investment strategy and other options, and how we would do that. The overall output of the climate scenario analysis suggests only a modest additional increase in risk, over and above the normal market uncertainty, when projecting member outcomes into the future. The scenario analysis, whilst informative, has not been a key catalyst for changing the default investment strategy or other options.

Risk management

Disclosure 6

Our processes for identifying and assessing climate-related risks

Summary for DB and DC Sections

Broadly speaking, our risk management process comprises:

- identification
- assessment
- monitoring
- risk control

Our risk management process for climate change incorporates top-down and bottom-up analysis, and accounts for our climate change approach.

We discuss the climate-related risks, and document them in the Scheme's risk register.

Our evaluation of climate-related risks and opportunities depends on relevant information and tools being available. We recognise that climate change is a developing area, with new information emerging all the time.

We use the following types of analysis to assess climate-related risks to the Scheme:

- **Top-down analysis:** this starts by looking at the bigger picture, before narrowing down on specific investments. It's driven by our investment beliefs and climate change approach.
- **Bottom-up security analysis:** this starts by looking at individual assets, assessing the effect of climate-related risks on asset performance. It's run by our investment managers. The DBSC and DCIC then look at the results of this analysis every year.
- **Bottom-up manager analysis:** our investment advisers assess the policies, processes and actions in relation to each mandate. The DBSC and DCIC review the results of this analysis every year. They will engage with the relevant investment managers when they need to.

Disclosure 7

Our processes for managing climate-related risks

Summary for DB and DC Sections

Our approach to climate risk informs the SIP, the Scheme's risk register and our DB and DC investment strategies.

When we appoint investment managers, we look at how climate-related risks impact their investment decisions.

Stewardship plays an important role in how we manage climate-related risks. We expect our investment managers to consider and take appropriate steps to manage climate-related risks to the funds. We also expect them to engage with the companies they're investing in about managing climate-related risks.

We monitor the Scheme's emissions and set emissions objectives. We aim for these objectives to be realistic, and to balance our investment policies (as set out in the SIP) with managing climate-related risks. Our investment managers are responsible for assessing the climate-related risks to our assets, and for managing those risks.

We make sure we fulfil our obligations on climate metric reporting and have a process in place to help us do this. Our investment managers and investment advisers report the climate-related risks of our underlying investments and our investment strategy. We consider this information alongside the relevant metrics and scenario analysis to help mitigate climate-related risks to the Scheme.

We complete training on climate-related risks and opportunities when needed.

DB Section

We regularly assess our DB investment managers, and we actively seek their input on how they manage the climate-related risks of the investments.

WTW also provides us with an annual sustainable investment report, which:

- explains the extent to which the DB investment managers embed climate considerations into their investment processes
- gives an assessment of the DB investment managers' engagement and voting activities, where relevant

This report enables us to identify any issues that should be addressed directly with the investment managers, so things can be improved.

Stewardship plays an important role in how we manage climate-related risks. And it plays a role in improving the financial outcomes for the Scheme. As stewardship can be complex, it's sensible to focus on a few key, current priorities as set out in the SIP.

We delegate day-to-day sustainable investment and stewardship activities, like voting and engagement, to our investment managers. We monitor our investment managers, with the assistance of our investment advisers, to make sure they are doing this.

DC Section

Our DC investment adviser, Hymans Robertson, reports on the engagement and voting activities of our DC investment managers. It does this in the Scheme's implementation statement, which also set out whether our investment managers are operating in line with our agreed investment principles. At the quarterly DCIC meetings, our fund managers are invited to present on, and discuss, stewardship matters, as well as performance and market observations.

Disclosure 8

How processes for identifying, assessing and managing climate-related risks are integrated into our overall risk management

Summary for DB and DC Sections

We work with our advisers and investment managers to identify climate-related risks. We put in place appropriate controls and mitigating actions, and capture all of this in the Scheme risk register.

The Scheme's Audit and Governance Committee reviews and assesses risks to the Scheme, and that includes climate-related risks.

We also consider the approach to climate change taken by the Scheme's sponsor M&G plc.

DB Section

The DBSC is responsible for:

- overseeing the DB Section's investment management policy
- considering the risks around the Section's investments

DC Section

The DCIC is responsible for:

- overseeing the DC Section's investment management policy
- considering the risks around the Section's investments

Metrics and targets

Disclosure 9

The metrics we use to assess climate-related risks and opportunities in line with our strategy and risk management processes

Summary for DB and DC Sections

The metrics we've chosen are:

- total carbon emissions (absolute emissions based)
- carbon footprint
- implied temperature rise
- data quality

We've worked with our advisers in choosing the metrics we use to measure the climate-related risks and opportunities for the Scheme.

These metrics form part of our investment decision-making process. The metrics will also help us to spot opportunities to engage with our investment managers and the underlying investee companies.

There are limitations in the data that's available from investee companies on greenhouse gas emissions. Where information is currently missing, we'll work to get this for future TCFD reports. In the meantime, we believe the current year's metrics results are reflective of the portfolio. However, we bear the limitations in mind when using the metrics to make decisions.

DB Section

We invest in private assets in the DB Section, and we generally do not have emissions data for these. That's because the entities we invest in here are too small, or not required by law to disclose data.

We will monitor developments in this area and engage with the relevant investment managers, so that these assets can be included in future reports.

We invest in government bonds in the DB Section, and provide data as reported by the Scheme's LDI manager.

DC Section

We invest in government bonds in the DC Section, and we do not have full data for these. That's because there's currently no consensus metric for measuring government bonds against climate targets.

Disclosure 10

Scope 1, Scope 2 and Scope 3 greenhouse gas emissions and the related risks

Summary for DB and DC Sections

The current metrics for the DB and DC Sections are presented after this summary.

We monitor the metrics once a year, and identify if performance has improved or deteriorated over time. Where it's deteriorated, we'll investigate so we understand why this has happened, and take remedial action if necessary.

We also use the metrics to determine if we're meeting the Scheme's climate-related targets. There's more on the targets in the next section (Disclosure 11).

We have not been able to obtain the full information we need to calculate metrics for all of the Scheme's funds. However, this has improved since we first started reporting, and it's something we'll keep working on.

We acknowledge that it's difficult to compare metrics industry-wide, because of the limited data available. We've therefore relied heavily on the analysis provided by our investment managers as well as the market knowledge of our advisers, in understanding how well the funds are performing.

Scope 3 emissions data is important for understanding how well our portfolios are decarbonising. But we believe current reported Scope 3 emissions information is largely inadequate for things like making climate-informed investment decisions. Nevertheless, we've reported Scope 3 emissions where that information has been provided by our investment managers.

Data providers like MSCI are trying to solve the problem by providing Scope 3 datasets using proprietary models and internally-vetted methodologies. Its current solutions rely heavily on top-down sector emissions data, with limited use of bottom-up, company-specific data. Since these solutions rely on sector-based information, it limits our ability to distinguish companies from peers.

While there is plenty of support from the investment industry and others for better disclosures, there remains considerable doubt about the reliability of Scope 3 data.

We've included Scope 1, 2 and 3 emissions within this report. But given the concerns over Scope 3 emissions discussed in this part of the report, we believe that Scope 3 emissions should be disaggregated from Scope 1 and 2 emissions.

DB Section

In the following tables, we set out our climate metrics for the DB Section for the years ending 30 September 2023 and 2024.

The total emissions shown are the sum of the emissions from those funds with reported data. The carbon footprint is the weighted average of the carbon footprint for funds with data. This uses reported data from our investment managers, and ignores funds without data.

Emissions data

Total GHG Emissions (tCO2e)						Carbon footprint (tCO2e/£m invested)			
Scope 1+2		Scope 3		UK sovereign (Scope 1+2+3)		Scope 1+2		Scope 3	
2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
56,938	40,444	261,982	308,656	432,200	485,900	34	28	209	273

Notes to the calculations:

- The carbon footprint numbers exclude emissions associated with sovereign bond and cash holdings.
- Data sourced from the Scheme's investment managers, where available.
- UK sovereign emissions refer to the sovereign's domestic territorial emissions adjusted for imported and exported emissions to reflect where emissions were consumed, rather than where they were produced. It is calculated by subtracting emissions embodied in exports and adding emissions embodied in imports. This is equivalent to Scope 1, 2 & 3 less emissions embodied in exports. The calculations allow for land use, land use change and forestry, which can be both a source and sink of emissions.

Implied temperature rise and data coverage

Implied temperature rise and data coverage for DB assets are calculated as a weighted average of funds with data.

For data coverage the figures in brackets show data coverage as a percentage of total assets.

Implied temperature rise		Data coverage (Listed Corporates and Real Estate)				Data coverage (UK Sovereign)	
		Scope 1+2		Scope 3		Scope 1+2+3	
2023	2024	2023	2024	2023	2024	2023	2024
2.6	2.4	47% (29%)	35% (22%)	31% (18%)	30% (17%)	100% (73%)	N/A

Please note: where possible, we are comparing data as at 30 September for both 2023 and 2024. Previously reported data relating to 2023 has been amended to incorporate more up to date information from managers: namely for the BlackRock Strategic Alternative Income Fund, M&G Secured Property Income Fund and M&G Secured Lease Income Fund.

Progress over the last year for the DB Section

We've seen a decrease in the Section's carbon footprint in the last year, although emissions data remains imperfect.

However, since we started monitoring the Section's emissions, there has been a reported increase in the emissions intensity of the Section's portfolio. The key drivers of this are:

- no emissions were reported for the Secured Property Income Fund and Secured Lease Income Fund in the baseline year, so there has been a reported rise when coverage of these funds started
- a significant increase in the carbon footprint of the Strategic Alternative Income Fund portfolio since we started monitoring the Section's emissions as data is now available for a greater proportion of the portfolio – although the carbon intensity of this holding has fallen over the most recent 12 months
- a 5% reduction in the gilt allocation since we started monitoring the Section's emissions, as yields have risen

In terms of data coverage, we note that data availability remains imperfect. While data coverage of listed assets has improved from a low base, further improvements here are likely to be challenging. Data relating to private and securitised assets is significantly more difficult to produce, and this is also true for the broader investment industry.

DC Section

In the following table, we set out our climate metrics for the top-level funds in the DC Section for the period ending 31 March 2025.

		Scope 1 & 2	Scope 3	Scope 1 & 2	Scope 3	Proportion of Emissions Data Coverage (Scope 1 & 2)	Proportion of Emissions Data Coverage (Scope 3)	Implied Temperature Rise	Coverage (ITR)
	Total Assets £	Total GHG Emissions (tCO2e)		Carbon footprint (tCO2e/£m Invested)					
PSPS Global Equity – active	279,545,012	17,474	15,390	63.2	104.6	97.5%	75.2%	2.7	96.0%
PSPS UK Equity – active	106,376,358	6,269	64,890	62.1	731.6	95.4%	86.4%	1.8	95.4%
PSPS Emerging Markets Equity – active	13,372,202	422	2,336	31.8	203.1	99.2%	86.0%	2.4	99.2%
PSPS Impact Equity – active	8,874,616	230	2,907	27.1	578.9	95.7%	56.6%	2.3	95.7%
PSPS Diversified Growth – active	20,419,908	385	2,662	84.8	747.4	40.7%	33.1%	2.3	40.6%
PSPS Diversified Liquid Alternatives – active	2,402,722	281	604	215.7	710.7	54.1%	35.4%	2.6	53.6%
PSPS Total Return Bond – active	15,378,691	1,179	7,944	144.5	1260.5	53.1%	41.0%	2.7	50.2%
PSPS Overseas Equity – passive	83,367,862	8,941	40,493	108.0	619.4	99.4%	78.6%	2.5	99.2%
PSPS UK Equity – passive	36,500,570	3,554	38,720	101.9	1224.1	95.6%	86.7%	1.9	95.6%
PSPS Corporate Bonds – active	17,743,921	390	3,393	33.6	360.6	65.4%	53.0%	2.2	63.0%
PSPS Sustainable Equity – passive	108,474,991	2,742	34,905	27.5	413.0	91.9%	77.9%	2.3	91.9%
PSPS Islamic Global Equity Fund – passive	1,970,047	42	436	21.4	251.6	99.7%	88.0%	2.2	99.7%

Data as at 30 September 2024.

We've sourced the underlying holdings data from fund managers. MSCI has also provided data analysis for the climate metrics, using Hymans Robertson's in-house proprietary tool.

Valuations are based on data provided by The Prudential Assurance Company Limited. Carbon emissions associated with government bonds and short-term money market instruments are not included in the data provided by MSCI, which is used by Hymans Robertson to source the emissions. Prudential With Profits are not included in analysis as no holdings data was available.

Progress over the last year for the DC Section

The overall carbon footprint and data coverage for the DC Section have improved since the 2024 report. There's an increase in implied temperature rise, but this is mainly due to a methodological change in the MSCI modelling.

The carbon footprint of the PSPS funds has fallen consistently since 2022 when we began publishing TCFD reports. At an aggregate level across all the PSPS funds (with available data), the carbon footprint has reduced from 79.2 tonnes/£m invested last year, to 67.9 tonnes/£m invested this year. That's a reduction of 14% in the footprint.

For members invested in the Section's PSPS Multi-asset Lifestyle Profile, the reduction in carbon footprint is significant – including a reduction of up to 21% from September 2023 for some members.

In aggregate, over the last year total assets have increased by 20% (for those assets with emissions data). However, total carbon emissions have only increased by 4%. That's because many of the funds have seen reductions in their carbon emissions.

Across the PSPS funds, the data coverage figures are largely unchanged, with only small improvements in a number of funds. In aggregate, data coverage has risen from 95% in 2023 to 96% in 2024.

The implied temperature rise numbers have increased over the last year, from 2.02°C to 2.45°C. This is largely driven by a change in the models used in the MSCI methodology.

The table below shows the carbon footprint for the top-level funds in the DC Section over the last 3 years.

Fund Name	Carbon Footprint (tCO2e/£m invested)			
	Sept. 2022	Sept. 2023	Sept. 2024	Change 2023 to 2024
PSPS UK Equity – Passive	161.56	136.64	101.85	-25%
PSPS Overseas Equity – Passive	167.57	121.07	107.98	-11%
PSPS Sustainable Equity – Passive	58.32	37.12	27.50	-26%
PSPS Islamic Global Equity Fund – Passive	-	26.40	21.41	-19%
PSPS Index Linked Gilts – Passive	0.00	0.00	0.00	-
PSPS Long Dated Gilt – Passive	0.00	0.00	0.00	-
PSPS UK Equity – Active	78.36	70.37	62.11	-12%
PSPS Global Equity – Active	50.69	70.39	63.18	-10%
PSPS Emerging Markets Equity – Active	43.76	43.83	31.83	-27%
PSPS Impact Equity – Active	-	24.10	27.13	13%
PSPS Diversified Growth – Active	153.47	115.33	84.81	-26%
PSPS Diversified Liquid Alternatives – Active	-	252.70	215.71	-15%
PSPS Total Return Bond Fund – Active	126.42	126.74	144.46	14%
PSPS Corporate Bonds – Active	75.27	48.47	33.59	-31%
PSPS Index Linked Gilts – Active	0.00	0.00	0.00	-
PSPS Fixed Interest Bonds – Active	0.00	0.00	0.00	-
PSPS Cash – Active	0.00	0.00	0.00	-
Total PSPS Assets	**91.4**	**79.2**	**67.9**	**-14%**

The table below shows the carbon footprint for the DC Section's PSPS Multi-asset Lifestyle Profile (the default strategy). In the appendix, we show metrics for all 3 of the Section's lifestyle strategies.

Member invested in the Multi-Asset lifestyle	Carbon Footprint (tonnes/£m invested)			
	Sept. 2022	Sept. 2023	Sept. 2024	Change 2023 to 2024
35 year old	110.98	48.94	40.78	-17%
55 year old	142.85	80.37	63.62	-21%
62 year old	133.95	105.55	90.84	-14%

Disclosure 11

The targets we use to manage climate-related risks and opportunities and performance against targets

Last year, we decided to revise our short-term target, which was to aim to improve carbon emissions data coverage for listed equity and public fixed income to 100% by 2025.

We did this because we realised 100% coverage was no longer a reasonable target to set. While we have seen improvements in data quality, and have worked with our investment managers to produce improved data, we believe future improvements will need to be driven by the wider industry, rather than individual engagements.

Because of this, we've added 2 new targets: one each for the DB and DC Sections.

These are the targets we've agreed for managing climate-related risks and opportunities:

- Reduce the carbon footprint over time and reduce carbon emissions over time, with a longer-term target of reaching net zero by 2050.
- **New target:** For the DB Section, reduce the emissions intensity from the Scheme's directly owned public corporate debt assets by approximately 50% from a 2022 baseline.
- **New target:** For the DC Section, reduce the emissions intensity for public markets in the default lifestyle (PSPS Multi-asset Lifestyle Profile) by 70% from 2022 levels to 2030. We have selected carbon footprint to measure the intensity.

We've chosen these targets because we recognise that reaching net zero is an important goal. And we've chosen our new targets as it means we have proportionate, interim carbon reduction targets on the path to net zero by 2050 that are appropriate for each Section.

We support the development of target-setting methodologies, as well as increasing the completeness of carbon datasets. We wish to set ourselves meaningful and challenging climate targets.

For the first target, the metrics reported on previous pages are consistent with the progress that needs to be made to meet the target.

Appendix

Climate metrics and scenario analysis for popular DC Section investment options

Metrics for the DC Section lifestyle strategies

The tables below show the climate metrics for all 3 of the DC Section's lifestyle strategies. Each table shows the metrics for members of different ages.

Member invested in the Multi-Asset lifestyle	Total Carbon Emissions (tonnes)				
	Sept. 2021	Sept. 2022	Sept. 2023	Sept. 2024	Change 2023 to 2024
35 year old		9,375	6,852	7,300	7%
55 year old		3,073	4,426	4,736	7%
62 year old		2,187	1,753	1,910	9%

Member invested in the Active lifestyle	Total Carbon Emissions (tonnes)				
	Sept. 2021	Sept. 2022	Sept. 2023	Sept. 2024	Change 2023 to 2024
35 year old		9,454	13,541	14,112	4%
55 year old		9,454	13,541	14,112	4%
62 year old		2,561	3,443	3,519	2%

Member invested in the Passive lifestyle	Total Carbon Emissions (tonnes)				
	Sept. 2021	Sept. 2022	Sept. 2023	Sept. 2024	Change 2023 to 2024
35 year old		11,127	6,881	7,325	6%
55 year old		11,127	6,881	7,325	6%
62 year old		2,963	1,844	1,890	2%

Member invested in the Multi-Asset lifestyle	Carbon Footprint (tonnes/£m invested)				
	Sept. 2021	Sept. 2022	Sept. 2023	Sept. 2024	Change 2023 to 2024
35 year old	-	110.98	48.94	40.78	-17%
55 year old	-	142.85	80.37	63.62	-21%
62 year old	-	133.95	105.55	90.84	-14%

Member invested in the Active lifestyle	Carbon Footprint (tonnes/£m invested)				
	Sept. 2021	Sept. 2022	Sept. 2023	Sept. 2024	Change 2023 to 2024
35 year old	-	59	70	63	-11%
55 year old	-	59	70	63	-11%
62 year old	-	40	33	27	-21%

Member invested in the Passive lifestyle	Carbon Footprint (tonnes/£m invested)				
	Sept. 2021	Sept. 2022	Sept. 2023	Sept. 2024	Change 2023 to 2024
35 year old	-	166	126	106	-16%
55 year old	-	166	126	106	-16%
62 year old	-	65	47	37	-21%

Member invested in the Multi-Asset lifestyle	Proportion of Emissions Data Coverage (%)				
	Sept. 2021	Sept. 2022	Sept. 2023	Sept. 2024	Change 2023 to 2024
35 year old	-	87.22%	93.29%	94.04%	1%
55 year old	-	41.05%	73.51%	74.96%	2%
62 year old	-	43.89%	53.18%	52.58%	-1%

Member invested in the Active lifestyle	Proportion of Emissions Data Coverage (%)				
	Sept. 2021	Sept. 2022	Sept. 2023	Sept. 2024	Change 2023 to 2024
35 year old	-	90.28%	95.36%	96.90%	2%
55 year old	-	90.28%	95.36%	96.90%	2%
62 year old	-	46.28%	48.33%	45.49%	-6%

Member invested in the Passive lifestyle	Proportion of Emissions Data Coverage (%)				
	Sept. 2021	Sept. 2022	Sept. 2023	Sept. 2024	Change 2023 to 2024
35 year old	-	83.55%	98.15%	98.22%	0%
55 year old	-	83.55%	98.15%	98.22%	0%
62 year old	-	44.67%	49.00%	45.81%	-7%

Member invested in the Multi-Asset lifestyle	Implied Temperature Rise (oC)				
	Sept. 2021	Sept. 2022	Sept. 2023	Sept. 2024	Change 2023 to 2024
35 year old	-	2.18	1.90	2.35	24%
55 year old	-	1.63	1.93	2.34	22%
62 year old	-	1.64	1.89	2.28	21%

Member invested in the Active lifestyle	Implied Temperature Rise (oC)				
	Sept. 2021	Sept. 2022	Sept. 2023	Sept. 2024	Change 2023 to 2024
35 year old	-	1.98	1.94	2.41	24%
55 year old	-	1.98	1.94	2.41	24%
62 year old	-	1.14	1.10	1.32	19%

Member invested in the Passive lifestyle	Implied Temperature Rise (oC)				
	Sept. 2021	Sept. 2022	Sept. 2023	Sept. 2024	Change 2023 to 2024
35 year old	-	2.27	2.14	2.32	8%
55 year old	-	2.27	2.14	2.32	8%
62 year old	-	1.21	1.15	1.30	12%

Scenario analysis

The tables below show the expected impact of the different scenarios across the DC Section strategies. It does this by showing the effect on the median expected pot size for different member personas.

Multi-Asset Lifestyle			
Expected Pot Size (£p.a.)	**25-year-old**	**50-year-old**	**60-year-old**
Base	817,000	593,300	233,800
Green revolution	821,100	556,100	229,300
% change	1%	-6%	-2%
Delayed Transition	806,100	595,100	232,700
% change	-1%	0%	0%
Head in the Sand	787,800	580,700	234,800
% change	-4%	-2%	0%
Active Lifestyle Strategy			
Expected Pot Size (£p.a.)	**25-year-old**	**50-year-old**	**60-year-old**
Base	781,100	578,100	224,900
Green revolution	775,900	554,900	223,900
% change	-1%	-4%	0%
Delayed Transition	755,600	566,700	224,400
% change	-3%	-2%	0%
Head in the Sand	744,900	562,900	223,400
% change	-5%	-3%	-1%
Passive Lifestyle Strategy			
Expected Pot Size (£p.a.)	**25-year-old**	**50-year-old**	**60-year-old**
Base	865,400	595,200	225,800
Green revolution	862,000	571,200	224,800
% change	0%	-4%	0%
Delayed Transition	835,000	583,800	225,300
% change	-4%	-2%	0%
Head in the Sand	825,000	580,000	224,300
% change	-5%	-3%	-1%
Annuity Lifestyle Strategy			
Expected Pot Size (£p.a.)	**25-year-old**	**50-year-old**	**60-year-old**
Base	805,400	589,200	229,800
Green revolution	805,700	565,400	226,300
% change	0%	-4%	-2%
Delayed Transition	783,900	586,100	228,600
% change	-3%	-1%	-1%
Head in the Sand	783,000	575,300	229,100
% change	-3%	-2%	0%
Cash Lifestyle Strategy			
Expected Pot Size (£p.a.)	**25-year-old**	**50-year-old**	**60-year-old**
Base	801,500	576,200	229,500
Green revolution	804,700	550,100	226,500
% change	0%	-5%	-1%
Delayed Transition	785,900	570,400	229,500
% change	-2%	-1%	0%
Head in the Sand	762,500	566,400	230,800
% change	-5%	-2%	1%

Self-select UK Equity (Active)

Expected Pot Size (£p.a.)	25-year-old	50-year-old	60-year-old
Base	876,200	633,900	248,600
Green revolution	900,800	598,900	239,900
% change	3%	-6%	-3%
Delayed Transition	847,600	616,700	253,100
% change	-3%	-3%	2%
Head in the Sand	807,100	625,100	247,400
% change	-8%	-1%	0%

Self-select O/S Equity (Active)

Expected Pot Size (£p.a.)	25-year-old	50-year-old	60-year-old
Base	965,300	666,800	252,200
Green revolution	960,000	630,300	247,500
% change	-1%	-5%	-2%
Delayed Transition	915,900	670,600	253,600
% change	-5%	1%	1%
Head in the Sand	936,400	682,600	253,000
% change	-3%	2%	0%

Self-select Global Equity (Active)

Expected Pot Size (£p.a.)	25-year-old	50-year-old	60-year-old
Base	844,400	631,300	247,300
Green revolution	830,900	598,100	242,600
% change	-2%	-5%	-2%
Delayed Transition	801,700	636,700	248,600
% change	-5%	1%	1%
Head in the Sand	806,800	642,100	248,000
% change	-4%	2%	0%

Self-select Sustainable Equity (Passive)

Expected Pot Size (£p.a.)	25-year-old	50-year-old	60-year-old
Base	920,900	654,300	250,200
Green revolution	905,900	620,300	246,100
% change	-2%	-5%	-2%
Delayed Transition	877,800	658,900	252,100
% change	-5%	1%	1%
Head in the Sand	886,100	663,800	249,800
% change	-4%	1%	0%

The following assumptions are used for the member persons used in these illustrations:

- 25-year old: contributing 16% of a current salary of £49,000. She has a current pot size of £24,000 and is aiming to retire at age 65.
- 50-year old: contributing 19% of a current salary of £96,000. She has a current pot size of £136,000 and is aiming to retire at age 65.
- 60-year old: contributing 21% of a current salary of £91,000. He has a current pot size of £121,000 and is aiming to retire at age 65.

These projections illustrate the growth in pension pots for these member personas based on the initial assumptions projected into the future by Hymans' proprietary Economic Scenario Generator ("ESS") using market assumptions and adjusted for the different climate scenarios. The projection shown is the median projection out of 5,000 simulations provided by ESS in real terms and as at a specified date (in this case 30 September 2024).