

Taskforce on Climate-related Financial Disclosures Report

FirstGroup Pension Scheme
Year ending 5 April 2026



Trustee Statement & Climate Change Importance



Trustee statement on climate risks and opportunities

Chair statement on behalf of the Trustee

Following the Scheme merger that took place on 31 May 2024, this report includes both the Bus (c.91% of Scheme assets) and Group (c.9% of Scheme assets) Sections of the FirstGroup Pension Scheme ("FGPS").

The Trustee recognises climate change as both a systemic financial risk and potential value driver for the Scheme, with material implications for members, global markets, and societal stability. In fulfilment of our fiduciary obligations, we have incorporated climate considerations across all governance frameworks, operational procedures, and investment decision-making processes. This includes establishing a strategic roadmap towards achieving net zero portfolio emissions by 2050.

The Task Force on Climate-related Financial Disclosures ("TCFD") is an international institution that has developed a framework to improve and increase reporting of climate-related financial information. This report sets out our key actions across the four TCFD pillars: Governance, Strategy, Risk Management, and Metrics and Targets. It has been produced to comply with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and addresses the specific disclosure requirements in the regulations which are based on the recommendations of the TCFD.

The Scheme merger resulted in the Group Section of the former FGPS coming into scope of the TCFD compliance requirements.

The Trustee continues to operate with a consciousness of the four pillars of TCFD.

- In summary, in respect of Governance, the Trustee incorporates consideration of climate related risks and opportunities into its Board and Investment Committee activities, and into its ESG and other policies.
- In relation to Risk Management, The Trustee regularly reviews its risk registers which include areas related to climate change impacts.
- In relation to Strategy, the Trustee considers the implications of climate change in all its activities including its relationship with the Sponsor. It has not undertaken quantitative modelling in the current annual cycle but did so in 2024, and will do so again when statutorily required, and any major change in policy is adopted.
- In relation to Metrics and Targets, the Trustee recognises that the value of all the measurements, and the extent to which the challenges and opportunities are quantifiable, depends on the quality of data. Data quality improvement was therefore an aspect originally highlighted when setting its TCFD improvement objectives. Unfortunately, the data now being used is no better than when its first TCFD report was prepared. Although investment managers should certainly do more to engage with underlying companies/issuers, managers are ultimately data receivers and wider improvements would be needed to see meaningful change (e.g. from 3rd party data providers, underlying issuers/companies' approach to TCFD reporting etc).

Given the characteristics of the industry which FirstGroup Holdings Limited (the "Company") operates in, climate change and its associated effects would bring about substantial transformations for the business. It is however important to note that the reliance of the Scheme on the Company is expected to continue to reduce further over time. Therefore, the longer-term climate related uncertainty around the Company (involving both upside and downside risk) is not expected to have a material impact on the Scheme's current journey plan (for either Section).

Looking ahead, we will continue building on our sustainability framework. Our key priorities, in line with our target, include deepening engagement with investment managers to improve the quality, consistency, and availability of climate data, and integrating Environmental, Social, and Governance (ESG) and climate considerations as the Scheme's portfolio continues to evolve.

Importance of climate change

Why is climate change important for our members?

Climate change refers to long-term shifts in temperature and weather patterns, primarily driven by greenhouse gas (GHG) emissions from human activities, particularly the combustion of fossil fuels. Rising global temperatures have systemic impacts across the climate system, including more frequent and severe physical events such as extreme weather and resource stress.

Climate change, with its widespread implications for the global economy and financial markets, is a growing concern. It necessitates that we think differently about the future. Consequently, the considerations of climate change should be a key component of our investment strategy and governance decisions.

Global decarbonisation, aimed at climate change mitigation, brings about risks and potential opportunities for the Scheme. Large transition expenses are expected as part of global decarbonisation, and physical damages are anticipated with global temperatures continuing to rise. Such climate-related risks pose a significant challenge for the Scheme and call for effective management strategies irrespective of future uncertainties. Simultaneously, climate change and global decarbonisation initiatives open new opportunities for the Scheme.

Climate science

Greenhouse gas emissions arise from the burning of fossil fuels for purposes such as transport or power. Emissions released into the atmosphere cause warming due to a blanketing effect. As global average temperatures rise, the entire fabric of the climate system changes.

Physical risks from climate change

Physical risks arise from the physical impacts of climate change, including both sudden onset natural disasters and slower shifts in weather patterns. They are expected to scale up in the long term due to rising global average temperatures.

The transition to a low-carbon economy

To decarbonise the global economy, policies, technologies and market preferences are expected to shift in favour of low-carbon solutions.

Current policies in place

Under the Paris Agreement, a number of governments around the world committed to limiting global temperature increases to well below 2°C, and preferably to 1.5°C, above pre-industrial levels. As of 2026, the scientific community consensus on climate change is that the world is likely to overshoot 1.5°C temporarily, but the scale of future damage still depends heavily on emissions reductions over the next decade.

This is therefore a key priority area for the Trustee and we have set out our actions to date within the Executive Summary

Executive Summary



TCFD Summary

Governance

Governance around climate-related risks and opportunities

Overview of Trustee responsibilities:

As the Trustee, we maintain ultimate responsibility in managing the Scheme's climate-related risks and opportunities in line with the Scheme's Climate Delegation Framework.

Trustee ambitions:

The Trustee has committed to having in place a Net Zero investment strategy by 2050 (earlier if possible) as well as ambition to incorporate considerations related to the UN's seventeen Sustainable Development Goals into the investment selection process.

Climate Delegation Framework:

The purpose of the Climate Delegation Framework is to supplement and expand upon the policies set out in each Section's Statement of Investment Principles ("SIP") and Environmental, Social & Governance ("ESG") Policy Statement, with more detail on roles and responsibilities for managing climate-related risks and opportunities. The statement considers both internal and external parties.

The Scheme's covenant and investment managers also support the Trustee in the governance of climate risks.

ESG Policy:

Each Section's ESG Policy details the Trustee's ESG beliefs and ambitions, which reflects a number of the UN Sustainable Development Goals. Additionally, it sets out our policies around manager engagements, ESG monitoring, Sponsor engagement, member communications, allocation to a sustainability fund and wider industry collaborations. We review our Policy and ambitions annually.

Risk Management

Identifying, assessing and managing climate-related risks

The Trustee has a framework to ensure risks are managed holistically. Whilst overall responsibility lies with the Trustee, the ongoing management of investment related risks (e.g. monitoring how investment managers consider ESG risks and opportunities) is delegated to the Investment Committee ("IC").

Risk mitigating tools:

The Trustee periodically reviews the Scheme's risk registers and applies the following control measures across the below areas:

- Company covenant – Climate-related covenant risks are considered periodically with support from the Scheme's covenant adviser
- Investment strategy – Professional advice from Investment Advisers
- Asset and investment manager allocations – Investment Advisers monitor managers and report to the Trustee; including monitoring managers and asset classes on the risks and opportunities that arise from climate change
- Funding level – Training and advice on potential funding impact using climate scenario analysis

Underlying investment mandates:

The Trustee regularly reviews the Scheme's investment managers' ESG capabilities. The Investment Advisers provide an ESG assessment for the Scheme's mandates, analysing the level of ESG integration for each mandate and engaging with managers on areas that can be improved. These reviews have historically been completed on an annual basis.

TCFD Summary

Metric improved over 2025 

Metric deteriorated over 2025 

Strategy

Actual and potential impacts of climate risks and opportunities

Climate-related scenario analysis:

Bus Section: climate-related scenario analysis was completed during the reporting period. Detailed analysis is shown later within this report.

Group Section: the Trustee last conducted climate-related scenario analysis on the Group Section in 2025. The Trustee reviewed this workstream and determined that further analysis, outside of the regulatory cycle, was not required as the investment strategy nor modelling behind it had changed significantly. The next review will be in 2028.

Strategy changes over the period:

Bus Section: in June 2025, the Trustee made the decision to invest in asset-backed securities (“ABS”). This was funded from excess capital held in the existing collateral waterfall with LGIM, to diversify liquid credit holdings.

Group Section: in April 2025, the Trustee made the decision to invest in ABS. This allocation was funded by partially disinvesting from the short duration credit holdings. In November 2025, the Trustee reduced the Scheme’s global equity allocation to 5% of total assets. The proceeds were invested in the ABS fund.

Over the year, the Trustee has de-risked the Group Section’s asset allocation to better reflect the Section’s circumstances.

The Trustee recognises that ESG and climate data availability can be limited within ABS and will therefore continue to monitor climate data coverage, reporting capabilities and risk exposures within the ABS allocation over time.

Metrics and Targets

Disclosure of key metrics and targets

Metrics:

The Trustee selected and monitored four consistent climate metrics for both the Bus Section and Group Section over the year. Further detail on metric results can be found on pages 22 to 25.

1. Total GHG Emissions (Unlevered) ¹ 	3. Implied Temperature Rise (°C) ² 
2. Carbon Footprint ¹ 	4. Data Quality 

Targets and progress:

The table below summarises data coverage statistics for 2025 compared to previous years. As shown, both Sections’ reported / verified emissions data coverage declined over the period (the Group Section’s more materially so) due to the addition of the ABS mandate (where data availability is limited). The Trustee also agreed to new targets for each Section during the year. The Group Section now has separate targets for fixed income (“FI”) and equity (“EQ”) assets.

Reported / Verified Carbon footprint coverage (Scope 1 & 2)	31 Dec 2022	31 Dec 2023	31 Dec 2024	31 Dec 2025	Section target ³
Bus Section	1%	58%	48%	46% 	70%
Group Section	n/a	n/a	85%	65% (42% FI, 95% EQ) 	50% (FI) 98% (EQ)

Notes: ¹ Total GHG Emissions (Unlevered) and Carbon Footprint metrics improvements outlined above reflect improvements across both Scope 1&2 and Scope 3 emissions. ² Scope level of emissions are not defined for the Implied Temperature Rise (°C) metric and the calculation methodology varies between data providers. ³ For the Bus Section, the 70% target has been maintained but the target date amended to 31 Dec 2030 (by which time a material proportion of the Section’s illiquid assets are expected to have matured). For the Group Section, as shown, the Trustee agreed two separate targets for FI and EQ assets, with a target date of 31 Dec 2027.

FirstGroup's Climate Transition Plan

Approach to climate related threats and opportunities

Six key elements to corporate strategy

Overview

FirstGroup plc, the Scheme's ultimate Sponsor, has adopted a comprehensive Climate Transition Plan which outlines the actions it is taking to decarbonise its operations, drive modal shift, and align with the UK's net-zero ambitions. By investing in clean technologies and enhancing its public transport services, it is aiming to make it easier for communities to choose low-carbon travel options.

FirstGroup's Plan outlines its strategy for achieving its climate transition goals, by reducing greenhouse gas emissions, managing climate-related risks, and contributing to an economy-wide transition through modal shift by encouraging more people to switch to lower impact forms of transportation.

Six key elements of FirstGroup's Climate Transition Plan

1. Driving modal shift: Buses, coaches and trains contribute less than 5% of the UK's transport emissions, compared to over 50% for cars. Encouraging more people to choose public transport over car or air travel is one of the most effective ways to reduce emissions from the UK transport sector. FirstGroup is encouraging modal shift by making bus and rail services more accessible, reliable, affordable and attractive to passengers.

First Bus utilises AI technology to provide more convenient and reliable bus services. There has been substantial investment in bus priority schemes in partnership with local authorities to reduce congestion and improve journey times.

First Rail is actively growing its open access rail business by adding capacity, enhancing timetables and applying for new and complementary routes. Recent developments include the launch of Lumo's Stirling service and mobilisation of the new Carmarthen route, supporting FirstGroup's strategy to expand open access rail and drive further modal shift from road and domestic air travel.

The customer experience has been enhanced through improved station facilities, onboard services, and digital ticketing options. Action has been taken to integrate rail with other forms of public transport to create seamless, end-to-end journeys.

2. Science based targets: In line with its commitment to reach net-zero emissions by 2050, FirstGroup has adopted a number of science-based emissions targets validated by the Science Based Targets initiative ('SBTi') including:

- Reduce Scope 1 and 2 emissions by 63% by the end of FY 2035 from a FY 2020 base year;
- Achieve a 20% reduction in absolute Scope 3 emissions from fuel and energy-related activities by the end of FY 2028 from a FY 2020 base year;
- Ensure 75% of The Group's suppliers by emissions covering purchased goods and services and capital goods will have targets aligned to the science-based approach by the end of FY 2028.

Since FY2020, FirstGroup has reduced Scope 1 and 2 location-based emissions by 30%. Over the same period, it has achieved an 18% reduction in Scope 3 fuel and energy-related activities (FERA) emissions. 48% of suppliers by emissions covering purchased goods and services and capital goods now have science-based targets in place.

3. Scope 3 and supplier engagement: FirstGroup's Scope 3 emissions account for 49% of its total carbon footprint and it works with over 4,000 suppliers and spends approximately £2.8bn annually on goods and services. By collaborating and sharing best practices, the Group aims to minimise climate impact across its value chain and support the achievement of its Scope 3 reduction targets.

FirstGroup's Climate Transition Plan

Approach to climate related threats and opportunities

Six key elements to corporate strategy

FirstGroup continues to enhance supplier engagement and sustainability oversight through its supplier assurance and onboarding processes. The Group integrates environmental considerations into procurement activities and works with suppliers to improve emissions reporting, support the adoption of science-based targets and reduce climate impacts across its value chain.

4. Decarbonising operations: Decarbonising its operations is a central part of FirstGroup's climate transition. By transitioning to low and zero-emission transport solutions, the Group is reducing its environmental impact while improving the efficiency and reliability of its services.

First Bus aims to transition to a fully zero-emission commercial bus fleet by 2035. First Bus now operates more than 1,400 zero-emission buses, representing approximately 26% of its UK fleet. The Group has four fully electrified depots and seventeen partially electrified depots, with further electrification projects underway. First Bus continues to invest in charging infrastructure, smart charging technology and battery energy storage systems. In FY2026, FirstGroup also launched First Charge, which provides third-party access to charging infrastructure at selected depots and supports the wider transition to electric commercial vehicles.

Within First Rail, the open access rail operators (Lumo and Hull Trains) contributed 1.3% of the Group's overall Scope 1 and 2 emissions in FY 2024, with Lumo operating a fully electric fleet. Through a £60m investment in a new bi-mode fleet for Hull Trains which entered service in 2019, the annual Scope 1 and 2 emissions from this business have been reduced by 65%. Trials of battery train technologies and low-carbon fuels are underway; and collaborative work with Network Rail will improve energy efficiency and expand track electrification.

During FY2026, Great Western Railway introduced the UK's first rapid-charging battery train into passenger service and Avanti completed deployment of its new bi-mode Evero fleet, removing diesel-only train operation from that fleet.

5. Financial planning and investment: FirstGroup's strategy balances short-term capital expenditure with long-term cost savings and revenue opportunities, ensuring financial resilience as decarbonisation proceeds. The implementation of the transition plan is expected to have a positive impact on the Group's financial performance, with this impact expected to grow over time.

There are also new revenue opportunities with FirstGroup being the first UK bus operator to offer access to its electric vehicle charging infrastructure to other organisations that include DPD, Openreach, Centrica, eHGV and smaller bus operators.

FirstGroup has invested more than £500m in fleet electrification and supporting infrastructure over recent years and continues to develop additional revenue opportunities from depot charging infrastructure, battery energy storage systems and related energy services.

6. Governance and culture: A Responsible Business Committee of the FirstGroup Board meets four times a year to review the practices and performance of FirstGroup with respect to climate transition.

Climate-related KPIs are embedded into remuneration practices.

FirstGroup continues to publish progress through its Annual Report, Sustainability Report and Climate Transition Plan, demonstrating alignment with TCFD, the Transition Plan Taskforce framework, CDP and other recognised climate disclosure standards.

What's next?



Building on the opportunities

We maintain our commitment to integrating ESG principles into our investment approach.

Looking ahead, we see scope to extend climate-related opportunities within our strategy, particularly within the Bus Section as liquidity improves over the short to medium term.

This will be achieved through collaboration with existing investment partners and by proactively evaluating new ideas.



Focus on data improvement

We recognise the critical role of robust and accurate climate metrics data in informing strategic decisions. We have therefore set tailored data coverage targets and timeframes specific to each Section.

The Trustee, supported by our Investment Advisers, is taking proactive steps to collaborate with investment managers to enhance the consistency and quality of data we receive. Additionally, for the Bus Section in particular, we hope to see improvements in data quality as illiquid holdings mature and overall Section liquidity improves.



Engaging our managers

We maintain ongoing dialogue with our investment managers, engaging in detailed discussions on ESG and climate-related risks and opportunities to challenge our thinking.

Recent engagement with one of the Scheme's investment managers resulted in significant improvements in ESG disclosures (see detail on page 14).

This will remain a core part of our process, with ongoing collaboration (guided by our Investment Advisers) to assess how ESG considerations are integrated within managers' portfolios and aligned with our overall strategy.



Understanding the Company's position

We will continue to collaborate with the Company and enhance our understanding of the transition risks linked to the global shift toward a low carbon economy, particularly those impacting the Company. We also recognise the Company's climate transition plans and sustainability strategy to mitigate these risks.

We expect our reliance on the Company to diminish over time, which should lessen the potential impact of Company-related climate risks on our long-term strategy. We will continue to monitor our funding position and the Sponsor Covenant with this in mind.

TCFD Pillars

Governance

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

Climate-related beliefs and policies

The Trustee recognises that climate change represents a long-term financial risk to the Scheme and can also be a source of opportunities. Climate change is expected to affect our members, financial markets and society at unprecedented levels. As such, the Trustee recognises that managing the associated risks and opportunities form part of its fiduciary duty to members and therefore aims to incorporate considerations related to the UN's seventeen Sustainable Development Goals into the investment selection process. These include goals directly associated with climate risks (i.e. affordable and clean energy, climate action) amongst other goals which are impacted by and will benefit from improved climate practices.

Oversight responsibilities of the Trustee Board

Whilst overall responsibility for ESG considerations lies with the Trustee, the general ongoing management of its climate-related responsibilities is delegated to the IC. The IC meets regularly (typically every two months) and receives updates and support from its Scheme Actuaries, Investment Advisers, Legal Counsel and Covenant Adviser on ESG and climate change topics. The Trustee challenges and reviews the analysis and recommendations provided to ensure relevant climate-related risks and opportunities are appropriately identified, assessed and considered in decision-making.

The IC and Trustee will consider the quality of advice the advisers are able to provide from a climate perspective when reviewing their appointments. In the annual assessment of the Investment Advisers via the Competition and Markets Authority ("CMA") investment adviser objectives which are reviewed triennially (or more frequently in the event of changes to the strategy), the IC include objectives relating to the advice received on ESG (including climate change) and TCFD reporting.

Climate-related policies within the Trustee's ESG Policy

Monitoring – The Trustee will comply with the spirit as well as the letter of the TCFD requirements and encourage those managers with whom we invest to ensure that they, and the ultimate recipients of the Scheme's investment capital, make available appropriate TCFD data, irrespective of jurisdiction.

Zero carbon by 2050 – The Trustee has an aspiration for an investment strategy which is net zero by 2050.

Climate-related training

At its May 2025 meeting, the IC invited three asset managers to participate in a roundtable session on current ESG-related themes. The aim of the session was to receive training, broaden thinking and obtain different perspectives from a range of leading investment managers. In May 2026, the IC received training on the new qualitative approach taken to complete the Bus Section's triennial TCFD scenario analysis.

Governance

Describe the Trustee Board’s role in assessing and managing climate-related risks and opportunities

Climate Delegation Framework

The Trustee retains the Climate Delegation Framework agreed in 2022 (originally for the First UK Bus Pension Scheme), which sets out the roles and responsibilities of various stakeholders for managing climate-related risks / opportunities. The Trustee has the ultimate responsibility for ensuring Scheme-level climate-related risks and opportunities are governed well. This framework is reviewed, alongside the ESG Policy, at least annually. Whilst overall responsibility lies with the Trustee, the general ongoing management of its climate-related responsibilities is delegated to the IC. The IC is responsible for the assessment of climate impact on assets, covenant, funding, and the members’ financial security. The IC, working with the Investment Advisers, provides oversight and manages ESG related risks to help the Trustee to execute its strategy and enhance long-term, sustainable financial stability. The Trustee discusses ESG climate-related risks and opportunities on an annual basis. The Trustee considers its governance approach to be proportionate to the Scheme’s climate-related exposures. Time and resources are focused on the areas deemed most financially material to members, including investment risk, funding considerations and covenant assessment.

Roles and Responsibilities

Trustee	– Ensuring the Trustee has sufficient knowledge and understanding relating to climate-related risks and opportunities. – Incorporating climate-related considerations into strategic decisions, based on the advice of the IC and external advisers.	Investment Advisers	– Prepare a report assessing how well the Scheme’s investment managers are incorporating ESG considerations (including climate change) and subsequently generate a progress report that updates on the actions outlined in the ESG integration assessment report. – Aid in the selection, collection, and presentation of metrics and targets related to ESG performance. – Support in preparing the Trustee’s annual report aligned with the recommendations of the TCFD. – Provide support in conducting climate scenario analysis to evaluate the potential effects on the Scheme’s assets and liabilities across different climate change scenarios over the short, medium and long term. – Provide training and updates to the Trustee and/or IC on relevant climate-related matters.
Investment Committee	– Ensuring the IC has sufficient level of understanding with regards to climate-related risks and opportunities through regular training, to support the Trustee and to meet statutory and fiduciary obligations. – Reviewing climate-related risks and opportunities for the Scheme, and how risks and opportunities play out over multiple time horizons, across the short, medium and long-term, including defining these time horizons. – Receiving relevant climate-related updates from its Investment Advisers, covering the investment managers’ climate capabilities and how they have performed against their climate targets, as well as any relevant market or regulatory updates.		

Governance

Describe the Trustee Board's role in assessing and managing climate-related risks and opportunities

Roles and Responsibilities

Scheme Actuary	– Assess climate-related risks and opportunities in relation to the Scheme's funding position over the short, medium, and long term and the implications for the Scheme's funding and long-term objective.	Investment Managers	– Identify, assess, and manage climate-related risks and opportunities in relation to the Scheme's investments. – Actively exercise voting rights and engage with portfolio companies concerning climate-related risks and opportunities, prioritizing the best interests of the Scheme's members. – Provide the agreed-upon climate-related metrics to the Scheme's Investment Advisers regarding the Scheme's investments and focus on enhancing the quality and availability of these metrics.
Legal Advisers	– Provide training to the Trustee on climate-related legal matters, including working with the Trustee and the investment advisers as requested to advise in relation to the Trustee's statutory and fiduciary obligations. – Where requested, assist in the documentation of the arrangements with the Scheme's third parties with respect to climate-related matters. – Where requested, assist with the preparation and provide a legal review of the Trustee's annual TCFD report.		
Covenant Adviser	– Undertaking periodic reviews, at least triennially, of the extent to which climate-related risks and opportunities might affect the Company over the short, medium, and long term.		

Risk Management

Describe the Trustee's processes for identifying, assessing and managing climate-related risks

Climate-related risk management process

We present below the Trustee's climate-related risk management tools, designed to identify material risks and develop controls / processes to manage these. There were no new material climate risks identified and therefore no changes made to risk registers over the course of the Scheme year.



Risk identification and prioritisation

Risk registers: The Trustee reviews the climate-related aspects annually.

Roles & responsibilities: The Trustee has agreed with the Scheme's Investment Advisers their various roles and responsibilities, documented in the Climate Delegation Framework. This includes their advice covering the identification, assessment and managements of climate-related risks.

Training: The Trustee receive training to understand potential impacts of climate-related risks. The Investment Advisers help the Trustee and IC to identify which asset classes have the greatest potential risks and therefore which risks to prioritise.



Investment strategy impacts

Climate scenario analysis: The Trustee seeks to quantify the potential impact of climate change on the Scheme's investment and funding strategy (further detail provided on page 15).

ESG integration: Where possible, the Trustee ensures ESG considerations are integrated within each mandate. During the reporting year, the Trustee engaged with one of the Bus Section's investment managers (secured finance) on potential ESG improvements to their mandate. This led to an improvement in the quality of the data provided, resulting in an upgrade to the Investment Adviser's internal ESG rating of the Fund.



Climate risk monitoring

Assessing investment managers: The IC assesses the ESG capabilities of the investment managers. While the most recent assessment conducted by the Scheme's Investment Advisers showed strong scores across the board, the Trustee discussed potential actions to improve ESG integration.

Assessing climate metrics: In line with TCFD recommendations, the Trustee monitors a set of climate-related metrics on an annual basis. The Scheme monitors metrics including total GHG emissions, carbon footprint, Data Quality and Implied Temperature Rise (see metrics and targets section for more detail).



Stewardship

Assessing investment managers: The Trustee assesses the stewardship activities and capabilities of the investment managers annually, documenting this in the Implementation Statements. This ensures that their activities align with the Scheme's ESG beliefs and policy and are in the best interests of the Scheme's members.

The Trustee is comfortable with the Scheme's current stewardship approach, based on advice from its Investment Advisers, but may evolve the approach in the future.

Risk Management

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the Trustee's overall risk management

Risk registers

The Trustee has retained the below content from The First UK Bus Pension Scheme risk register, as agreed in 2022 (and reviewed in 2024), to ensure climate considerations are suitably reflected. There were no new material climate risks identified and therefore no changes made to risk registers over this Scheme year.

	Potential risk:	Potential control measures:
Company covenant	– Worsening Covenant position associated with the impacts of climate change (transitional and physical) – Damage to reputation and/or legal challenge due to poor or inconsistent climate practices	– Covenant formally considered by external professional covenant consultant ongoing – Regular review with the covenant
Investment strategy	– Asset mispricing due to the impacts of climate change and the transition to low carbon economy and/or physical impacts of climate change, e.g. lower real returns and/or market shocks due to pricing-in climate change	– Professional advice from Investment Advisers – Continued monitoring of investments against the Trustee's ESG policy and climate target(s), and regular (at least triennial) climate scenario modelling – Ongoing Trustee training
Asset and investment manager allocations	– Investment managers do not adequately integrate financially material ESG factors in their risk management framework – Investment managers do not adopt effective stewardship or collaborate to encourage best practice in addressing systemic climate risks – Investment managers do not consider potential investment opportunities, which may be expected to benefit from climate change and provide upside opportunity for the portfolio, or individual asset classes	– Investment Advisers monitor managers and reports to the Trustee; this may include but is not limited to, monitoring managers and asset classes on the risks and opportunities that arise from climate change and how these are managed on an ongoing basis
Funding level	– Funding target is increased at future actuarial valuations due to higher expected costs / greater uncertainty / weaker covenant due to climate-related reasons – Cost of longevity insurance increases due to climate change	– Actuaries, Company, Investment Advisers and covenant consultant all involved in ongoing funding level assessment and IRM – Training and advice on potential funding impact using climate scenario analysis

Risk Management

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the Trustee’s overall risk management

Investment managers

Whilst the Trustee retains ultimate responsibility, day-to-day management of the investments is delegated to investment managers, and the Trustee expects the managers to be identifying, assessing and managing climate-related risks on an ongoing basis on the Trustee’s behalf.

The Investment Advisers typically provide the Trustee with annual assessment reports on the underlying managers with regards to their ESG capabilities, where each mandate is allocated an ESG score. The approaches taken by each Section differs, however this a degree of overlap in terms of the assessment criteria:

- Bus Section Assessment:** An ESG score of between 0 to 5 is allocated to each fund as well as an explicit climate score. This analysis was last undertaken in 2024 and therefore 2024 climate scores are shown in the table below. The Trustee is currently reviewing when to conduct the next formal assessment.
- Group Section Assessment:** Each manager is rated qualitatively on a 1 (weak) to 4 (strong) scale, with 4 representing ‘best in class’, across five key areas (set out in the table below). This forms part of the Investment Adviser’s annual Responsible Investment Survey.

Bus Section of FGPS (2024 climate score assessment)

Manager	Climate
Manager A – Fund 1	2.5
Manager A – Fund 2	2.3
Manager A – Fund 3	4.1
Manager A – Fund 4	3.5
Manager B – Fund 1	0.9
Manager C – Fund 1	1.5
Manager D – Fund 1	1.1
Manager E – Fund 1	2.5

Group Section of FGPS (2025 Responsible Investment Survey Review)

While the Trustee was satisfied with the managers’ scores, it wrote to each investment manager to highlight identified areas for improvement

Manager	ESG foundations	Climate	Engagement	Systemic stewardship	Voting
Manager A	4	3	4	2	4
Manager B	4	3	2	4	4
Manager C	4	4	4	4	3
Manager D	4	4	4	4	3
Manager E	2	3	2	2	-

Note: The Bus Section climate scores correspond to the following ratings: Red (Significantly Fails to Meet Criteria, 0-1), Amber (Partially Meets Criteria, 1-2), Light Green (Meets Traditional Criteria, 2-3), Green (Meets Additional Sustainable Criteria, 3-4) and Dark Green (Meets Additional Impact Criteria, 4-5). The Group Section’s Responsible Investment survey scores use a red, amber and green traffic light rating system.

Strategy

Describe the resilience the Scheme's strategy, taking into consideration different climate-related scenarios

Agreed timeframes

Climate considerations differ depending on the timeframe in question; we have set timeframes that are relevant to the Bus and Group Section and considered material climate-related risks and opportunities under each of these. We remain comfortable with the following timeframes identified via a blended view of the climate outlook, membership demographics, the funding position and long-term objective ("LTOs") for each Section, and the ability to pay benefits. In the shorter term, we expect transition risks to be greatest. However, in the longer-term, we expect physical risks to increasingly manifest and become more important.

Timeframe	Bus Section specific	Group Section specific	Climate Horizon
Short term <i>3 years</i>	Actuarial review and review of illiquid mandates	Review of allocation to growth assets	Company target setting, improvement in data quality, government responses to COP30
Medium term <i>8 years</i>	LTO target & consideration of insurance options	Market volatility could increase time to reach full funding on buy-out	Companies globally hitting (or missing) their interim 2030 - 2040 targets, and alignment with the timeframe of the global UN Sustainable Development Goals
Long term <i>15 years</i>	Approx. duration of Section's liabilities	Cost of buy-out may increase as insurers allow for climate-related risks in pricing	Physical damages increasingly incurred, transition risks becoming increasingly present
Very long term <i>28 years</i>	Majority of remaining liabilities paid		Physical damages significantly scaling up, Net Zero by 2050 target

*SDGs: 17 goals adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 people enjoy peace and prosperity.

Strategy

Describe the resilience the Scheme’s strategy, taking into consideration different climate-related scenarios

As per regulation, the Trustee is required to conduct scenario analysis every three years, unless there has been a significant change in investment strategy, funding and/or climate modelling capabilities. The Bus Section conducted scenario analysis in this Scheme year (the year to 5 April 2026) whereas the Group Section conducted scenario analysis in the scheme year to 5 April 2025.

Agreed climate scenarios

Section	Year of analysis	Scenario Description			
Bus Section	2026	Net Zero 2050 Temperatures kept to a 1.5°C rise this century to enable CO ₂ emissions to reach net zero in 2050. Relatively high transition costs incurred in near term, but physical damages minimised.	Delayed Transition Aligned with a <2°C Paris scenario (67% likelihood), emissions peak by 2030 requiring stronger post-2030 policies, climate ambition varies by region, and while physical risks are lower than in high-carbon pathways, transition risks occur later than in a Net Zero 2050 scenario	Fragmented World Fails to meet the Paris Agreement (>2°C this century) amid delayed and uneven global climate ambition, with only partial net zero achievement—leaving some countries on current-policy paths—resulting in high transition risks for leaders and rising physical risks overall.	Current Policies World largely fails to meet the Paris Agreement, resulting in 3.8° of warming this century. While lower transition costs, higher physical risks arise due to rising global temperatures, shifts in weather patterns and natural disasters.
		Net Zero Financial Crisis Global net zero CO ₂ emissions achieved by 2050 via rapid and effective climate action. Financial markets react abruptly in 2025.	Limited Action Policymakers implement limited new climate policies but fall short of meeting the Paris Agreement goals, resulting in a combination of transition and physical risks.		High Warming No new low-carbon policies enacted and some existing ones scaled back. Current technological trends continue. Paris Agreement goals not met, and resulting high warming leads to severe physical impacts. Modelling of tipping points has been included in this scenario.

Note: The scenarios examined between the two Sections are similar but different models/ specific scenarios have been implemented. The Adviser to the Bus Section has applied Network for Greening the Financial System (NGFS) scenarios whereas the Adviser to the Group Section has applied Ortec Finance scenarios.

Strategy – Bus Section

Describe the resilience of the Bus Section's strategy, taking into consideration different climate-related scenarios

During the year, the Trustee discussed qualitative scenario analysis with its Investment Adviser and identified key strengths and important considerations in relation to the Bus Section's investment strategy. These are summarised below.

Key strengths:

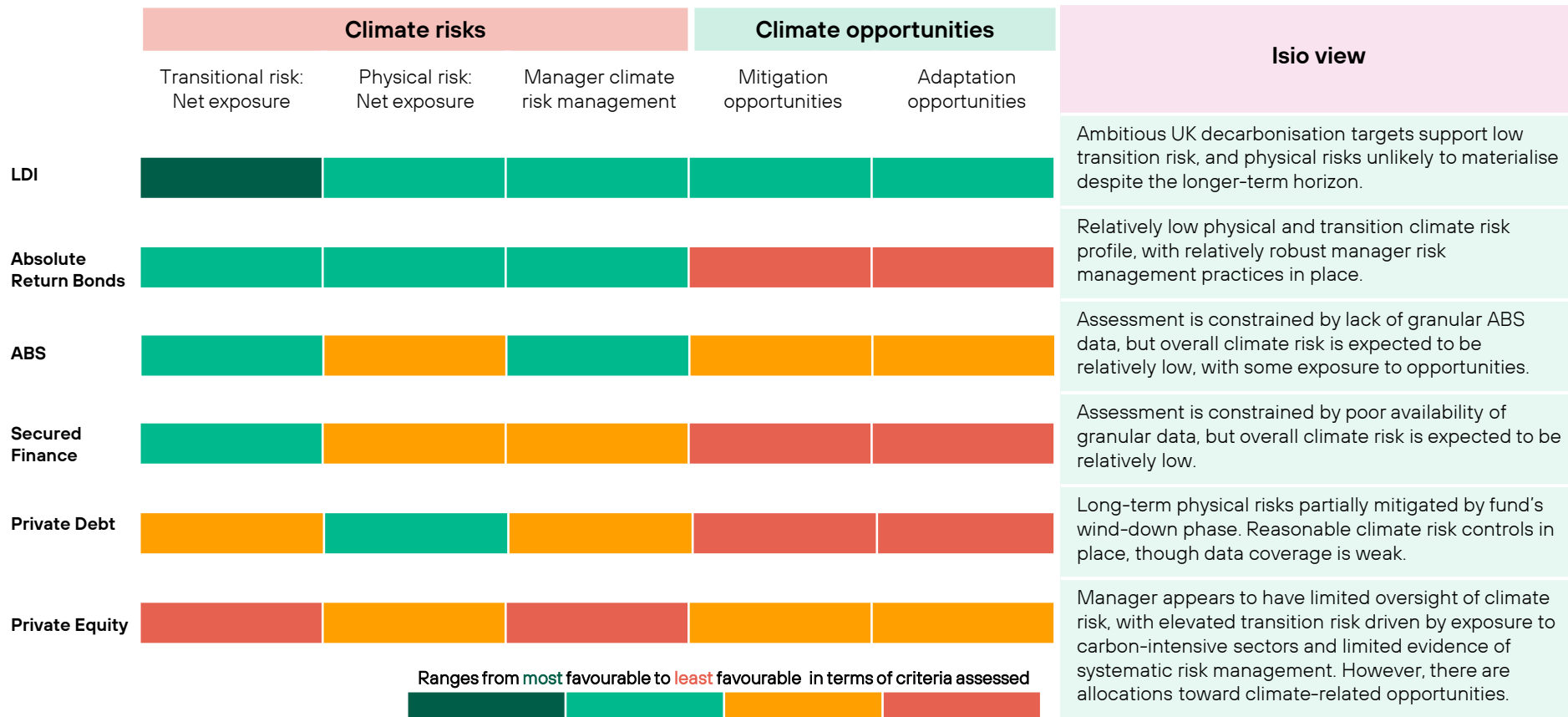
- The Section currently has a reasonably well-diversified asset allocation and strong funding position, supporting overall resilience across the climate scenarios considered.
- Portfolio holdings are predominantly concentrated in developed markets, which are expected to benefit from stronger policy frameworks, higher adaptive capacity and greater resilience to physical climate risks.
- Transition risks largely arise through second-order exposures (e.g. via financials and securitised assets) rather than direct holdings in high-emitting activities, reducing sensitivity to disorderly or delayed transition pathways.
- Several investment managers demonstrate robust firm-level climate governance, including the use of engagement activity and scenario analysis tools to identify and mitigate material risks.

Key points to note:

- The Section's potential long-term investment time horizon increases exposure to physical climate risks, particularly under higher-warming scenarios where impacts become more pronounced over time and in relation to longer-duration funds.
- ABS remains challenging to assess from a climate perspective due to persistent data and granularity constraints, limiting the ability (of investors or asset managers) to fully identify and respond to underlying physical and transition risks.
- Less liquid holdings (Private Debt and Private Equity) are harder to assess but due to being in wind-down, pose less of a risk over the long-term.

Strategy – Bus Section

Describe the impact of climate-related risks and opportunities on the Bus Section's strategy and planning

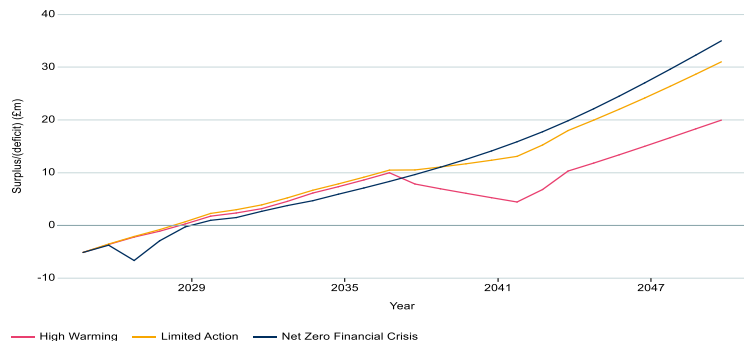


Notes: The difference between the number of mandates covered by this 2026 Scenario Analysis report and latest Sustainable Integration Assessment report (see page 16) is due to changes in the manager line-up over the intervening period.

Strategy – Group Section

Describe the impact of climate-related risks and opportunities on the Group Section's strategy and planning

The scenario analysis considered the impact of the Section's funding position over time on the Section's long-term funding objective using a discount rate of gilts + 0.25% pa and the Section's current investment strategy. The chart below illustrates the expected change in surplus of the Group section under each of the three scenarios considered. A key limitation of the modelling is that the scenarios are based on median projections, meaning the funding position could be materially better or worse over time than what is depicted.



Under the Net Zero Financial Crisis Scenario, the initial market volatility, may cause funding strains in the short term, with growth coming through in later years improving the funding position.

With limited action, lower volatility in financial markets would result in quicker improvements in the funding position provided sufficient steps towards a low carbon future are taken to reduce the physical impacts of climate change that would impact the position in the medium and long term.

A high warming scenario, where no new climate policies are introduced, would be expected to have significant impacts on the current portfolio, but the Section may be able to de-risk before these impacts occur. Under high warming, the physical impacts of climate change mean much less certainty in the funding impact, and a higher chance of funding strains in the medium to long term.

The climate scenario analysis showed that equity markets could be significantly impacted by climate change with lesser but still noticeable impacts in bond markets. All three scenarios envisage, on average, lower investment returns and these result in a worse funding position for the Section. The Trustee's key conclusion is that the Section is exposed to climate impacts over all time periods.

Given the Section's strong funding position on its long-term objective basis and its likely time horizon, the focus for the Section's investment strategy will be more on mitigating climate risks (by assessing and monitoring its current holdings) rather than looking to amend its investment strategy to consider any potential climate-related opportunities.

It is noted that over the long-term, and particularly beyond the time horizon modelled, the largest effects on the funding position would be felt under the High Warming scenario. We note that the Group Section invests in a way that is designed to make it fairly immune to changes in interest rates and inflation in normal circumstances, which significantly reduces the volatility of its funding position. However, under climate scenarios with major economic disruption – such as the later years of the Net Zero Financial Crisis scenario – the Section's interest rate and inflation protection may break down, leaving it more exposed to climate risks. The median modelled outcomes do not illustrate this possibility, but the Trustee has considered this risk.

Metrics and Targets

Disclose the metrics used by the Trustee to assess climate-related risks & opportunities in line with its strategy & risk management process

Climate metrics selection

The Trustee selected and monitored four climate metrics for the Bus and Group Section during the year:

1. **Absolute emissions metric:** Total greenhouse gas emissions (Scope 1, 2 & 3) – Total amount of greenhouse gas emissions emitted by the underlying portfolio companies, attributed to the investor based on the total investment in each company.
2. **Emissions intensity-based metric:** Carbon footprint (Scope 1, 2 & 3) – An intensity measure of emissions that assesses the level of greenhouse gas emissions arising from a £1 million investment in a fund.
3. **Portfolio alignment metric:** Implied temperature rise (“ITR”) – Estimates the alignment of the portfolio relative to the goals of the Paris Agreement, limiting global temperature rises to 1.5 degrees Celsius.
4. **Additional climate change metric:** Data coverage is split between verified or reported, estimated, and unavailable.

Monitoring

The Trustee will assess these metrics at least annually, in order to monitor climate-related risks and as a tool to engage with the Investment Managers.

More detail on how the metrics are defined can be found in the Appendix.

Rationale for selection of metrics

The metrics were chosen based on their potential to add value to the Trustee’s decision making. The Trustee has reported, where available, on Scope 1 & 2 emissions and, separately, Scope 3 emissions. However, the Trustee notes that Scope 3 emissions reporting continues to evolve and there are clear data quality challenges.

Whilst it’s important to consider emissions to date, it’s also important to assess how these could evolve into the future. We have chosen ITR, expressed in degrees Celsius (°C), in order to estimate the global implied temperature rise if the whole economy was invested according to our strategy. This ensures we have a longer-term focus for our climate-related decision making.

Availability of data

The Investment Advisers gathered this data from the Investment Managers on behalf of the Trustee. The quality of this information is important to allow robust decision-making and target-setting. This is why we have chosen to monitor data coverage as our fourth metric and we have asked our Investment Advisers, on behalf of the Trustee, to engage with the Investment Managers to seek improvements in data quality – focussing on managers where data quality is currently poor. The Trustee has found that the Scheme’s illiquid funds (i.e. Private Equity, Private Credit etc) as well as Asset-backed securities (due to the underlying nature of the holdings) generally lag in the context of data quality. This has proved a particular challenge for the Bus Section – and is part of the reason that the Trustee finds data quality to be a relevant metric for monitoring.

Metrics and Targets – Bus Section

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

Metric				Data coverage breakdown		
		31 Dec 2024	31 Dec 2025	% of emissions (Scope 1 & 2) that are:	31 Dec 2024	31 Dec 2025
Total GHG Emissions (Unlevered) tonnes CO ₂ e	Scope 1 & 2	104,814	94,512	Verified or Reported	48%	46%
	Scope 3	191,388	183,248			
Carbon Footprint tonnes CO ₂ e / £M invested	Scope 1 & 2	83	68	Estimated	31%	30%
	Scope 3	421	420			
Implied Temperature Rise °C		2.2	2.5	Unavailable	21%	24%
Data coverage Emissions verified, reported or estimated	Scope 1 & 2	79%	77%			
	Scope 3	35%	33%			

From 31 December 2024 to 31 December 2025, total absolute Scope 1 and 2 emissions decreased. While this represents a positive outcome in absolute terms, the reduction was partly driven by a decline in data coverage. Over the same period, the portfolio's carbon footprint improved, falling from 83 to 68, primarily reflecting enhancements within the Private Equity, Secured Finance and LDI mandates.

The proportion of emissions data classified as "reported" declined slightly from 48% to 46%. This was mainly due to the addition of the ABS mandate, an asset class that typically lags others in TCFD-aligned reporting due to the nature of its underlying exposures, although reporting standards are expected to improve over time.

Scope 3 emissions, both in absolute terms and in carbon footprint, also decreased; however, this was again accompanied by reduced coverage, with Private Equity identified as the main contributor to the decline. Given ongoing changes in both data coverage and methodology, these Scope 3 metrics should be interpreted with caution.

Finally, the implied temperature rise (ITR) increased slightly from 2.2°C to 2.5°C, driven by a deterioration in this measure within the LDI and Secured Finance mandates.

Note: More details on the approach for the metrics calculations can be found in the appendix. Where metrics are not reported, the estimation approach used by investment managers or data providers in calculating these metrics may differ, and so the quality of the data might vary.

Metrics and Targets – Group Section

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

Metric			
		31 Dec 2024	31 Dec 2025
Total GHG Emissions (Unlevered) tonnes CO ₂ e	Scope 1 & 2	13,522	12,176
	Scope 3	36,436	27,294
Carbon Footprint tonnes CO ₂ e / £M invested	Scope 1 & 2	76	71
	Scope 3	356	311
Implied Temperature Rise °C		2.7	2.9
Data quality emissions verified, reported or estimated	Scope 1 & 2	95%	80%
	Scope 3	95%	70%

Data quality breakdown		
% of emissions (Scope 1 & 2) that are:	31 Dec 2024	31 Dec 2025
Verified or Reported	85%	65%
Estimated	10%	15%
Unavailable	5%	20%

The Group Section's Scope 1 & 2 and 3 Carbon Footprint and Total GHG Emissions has fallen over the reporting year. However, we note that coverage has fallen, particularly due to the Scheme's new allocation to ABS where TCFD-related disclosures are typically more limited, overall availability of emissions data has been reduced).

The Implied Temperature Rise at Section Level has rise by 0.2°C – albeit, we note that this only covers the Global equities and Property mandates.

Examining data quality, Scope 1 & 2 and Scope 3 data coverage (including verified, reported or estimated) have reduced by 15% over the year to 31 December 2025.

The main gaps in the data provided by investment managers relate to holdings in the Section's illiquid assets, and in particular, the Private Credit mandate. For illiquid assets classes in general there are lower disclosure requirements and greater complexity of the underlying holdings within these asset classes which impacts the collection of data. This also applies to ABS (due to the underlying nature of the holdings).

Metrics and Targets

Describe the targets used by the Trustee to manage climate-related risks and opportunities and performance against targets

Bus Section - Target

In 2024, the Trustee set a target to increase reported Scope 1 and 2 emissions coverage to 70% of total portfolio emissions within two years (by 31 December 2025). As at 31 December 2025, reported / verified emissions accounted for 46% of the total, representing a decline compared with the previous year.

The Trustee agreed to maintain the 70% target, as they still want to support an improvement in data quality and drive the right behaviours. They have therefore extended the target to 31 December 2030, with a continued focus on engaging key investment managers and considering climate risks / opportunities as the illiquid mandates roll off and assets are reinvested into other areas. By the 2030 date, the illiquid portfolio is expected to be a fairly small proportion of Section assets

Reported Carbon footprint coverage (Scope 1 & 2)	31 December 2022 (Baseline)	31 December 2023	31 December 2024	31 December 2025	31 December 2030 Target
Total Portfolio	1%	58%	48%	46%	70%

Group Section – Target

Over the period to 31 December 2025, the Group Section's reported / verified emissions data coverage declined, largely due to the addition of the ABS Fund. As a result, new targets have been implemented to better reflect the Section's current asset allocation. The Group Section adopted a new formal target to increase reported or verified emissions (Scope 1 & 2) coverage to 50% for the fixed income ("FI") holdings, and 98% for the equity ("EQ") holdings, by 31 December 2027. The Trustee will seek to achieve this target via engagement with its investment managers to drive improvements in reporting.

Reported Carbon footprint coverage (Scope 1 & 2)	31 December 2024 (Baseline)	31 December 2025	31 December 2027 Target
Total Portfolio	85%	65% (42% FI, 95% EQ)	50% for FI 95% for EQ

Appendix

Strategy – Bus Section

Scenario analysis appendix - Assumptions

Scenarios	Net Zero 2050	Delayed transition	Fragmented world	Current policies
	- Aligns with the most ambitious target of the Paris Agreement, a <1.5°C scenario this century (50% likelihood*) - Optimistic scenario, where climate policy is implemented immediately, from today - Net zero carbon emissions by 2050. Some regions, e.g. EU and US reach net zero across all GHGs by that date - Physical risks are minimised, however transition risks are extremely high	- Aligns with the less ambitious target of the Paris Agreement, of a well below <2°C scenario this century (67% likelihood*) - Emissions do not peak until 2030, with strong climate policies then needed to align with the Paris Agreement outcome - There is regional variation in climate ambition - Physical risks remain lower (vs high carbon scenarios), whilst transition risks incurred later than in the Net Zero 2050 scenario	- Fails to achieve the Paris Agreement, >2°C scenario this century - Generally, there is delayed and divergent climate policy ambition, globally - Net zero targets are partially achieved, with those falling short continuing along as business as usual (or current policies) pathway - Transition risk is high in some countries (i.e. those meeting net zero targets), whilst physical risks increase in general given the ineffectiveness of the transition	- Fails to achieve the Paris Agreement, >3°C scenario this century - The scenario assumes currently implemented policies remain in place, with no further climate ambition - There is low regional variation in climate ambition, globally - Very high physical risks result (equivalent to a “hot house world”), with irreversible changes in the climate system. Meanwhile, transition risks remain extremely low

Strategy – Bus Section

Scenario analysis appendix

What is scenario analysis?

Scenario analysis is a way of assessing how resilient the Section's strategy is to a range of climate-related scenarios, providing a structured way to review how different climate futures could affect the Section.

The Bus Section assessment (2026) uses qualitative scenario analysis

Qualitative approaches rely on narratives and judgement to identify areas of higher risk that would be associated with different future climate outcomes. Working with our Investment Adviser, we have tried to assess the Section's exposure to:

- Climate risks – transitional, physical and manager climate risk management
- Climate opportunities – mitigation and adaptation by considering the characteristics of the underlying mandates, using information provided by the investment managers.

Points to note on scenario analysis:

- Its reliance on subjective methods may lead to bias and inconsistency;
- It can be prone to underestimation and oversimplification, particularly given that there remains a high degree of uncertainty about what different temperature outcomes would be in practice (for example, if particular 'tipping points' are reached or if new adaptation methods are developed).
- Despite its limitations, our view is that scenario analysis is still a useful lens through which to consider the resilience of the Section's asset allocation, adequacy of risk management measures, and whether climate opportunities have been sufficiently captured.

Strategy – Group Section

Scenario analysis appendix

Scenarios:	High Warming	Limited Action	Net Zero Financial Crisis
Low carbon policies	There are no new* low-carbon policies enacted in this scenario and some existing ones are scaled back. Current technological trends continue (eg significant falls in renewable energy prices).	Moderate steps taken by policymakers to increase climate action including working towards the 2030 targets and net zero commitments. Carbon Capture and Storage also used.	Ambitious low carbon policies, high investment in low carbon technologies and substitution away from fossil fuels to cleaner energy sources and biofuel. Carbon Capture and Storage also used to achieve global net zero by 2050.
Paris Agreement outcome	Paris Agreement goals not met.	Paris Agreement goals not met.	Global net zero CO2 achieved by 2050; Paris Agreement goals met.
Global warming	Average global warming is about 2°C by 2050 and 3.7°C by 2100, compared to pre-industrial levels.	Average global warming is about 1.8°C by 2050 and 2.6°C by 2100, compared to pre-industrial levels.	Average global warming stabilises at around 1.5°C above pre-industrial levels.
Physical impacts	Severe physical impacts. Multiple climate tipping points are reached and modelled and many countries suffer from extreme weather events.	High physical impacts.	Moderate physical impacts.
Impact on GDP	Global GDP in 2100 predicted to be almost 80% lower than in the Ortec Finance / Cambridge Econometrics base case.	Global GDP in 2100 predicted to be about 50% lower than in the Ortec Finance / Cambridge Econometrics base case.	Global GDP is slightly behind the Ortec Finance / Cambridge Econometrics base case by 2100.
Financial market impacts	Physical risks priced in over the period 2026–2030. A second repricing occurs in the period 2036–2040 as investors factor in the severe physical risks.	Physical risks priced in over the period 2026–2030. A second repricing occurs in the period 2036–2040 as investors factor in the high physical risks.	Abrupt repricing of assets and a sentiment shock to the financial system in 2025*.

Strategy – Group Section

Scenario analysis appendix

Modelling approach

- The scenario analysis is based on a model developed by Ortec Finance and Cambridge Econometrics. The outputs were then applied to the Plan's assets by LCP.
- The three climate scenarios are projected year by year, up to a 40-year period. The results are intended to help the Trustee to consider how resilient the DB strategy and DC default strategy are to climate-related risks.
- The three climate scenarios chosen are intended to be plausible narratives of how the future could unfold. They are only three scenarios out of countless others which could be considered. Other scenarios could give better or worse outcomes for the Plan.
- The modelling included contributions assumed to be paid in line with the current Schedule of Contributions, and the Trustee discussed how future planned changes to the investment strategies for both Sections would change the analysis. For the DC Section, members' starting pots values were assumed to equal the median value for Plan members of their age, and member and employer contributions were assumed to be paid in line with the current contribution structure. No allowance was made for changes to the investment strategy or contributions in response to the climate impacts modelled.
- The scenario analysis is based on the ClimateMAPS model developed by Ortec Finance and Cambridge Econometrics, and was then applied to the Plan's assets and liabilities by LCP. The three climate scenarios were projected year by year, over the next 40 years.
- ClimateMAPS uses a top-down approach that consistently models climate impacts on both assets and liabilities, enabling the resilience of the DB Section's funding strategy to be considered. The model output is supported by in-depth narratives that bring the scenarios to life to help the Trustee's understanding
- ClimateMAPS uses Cambridge Econometrics' macroeconomic model which integrates a range of social and environmental processes, including carbon emissions and the energy transition. It is one of the most comprehensive models of the global economy and is widely used for policy assessment, forecasting and research purposes. The outputs from this macroeconomic modelling – primarily the impacts on country/regional GDP – are then translated into impacts on financial markets by Ortec Finance using assumed relationships between the macroeconomic and financial parameters.
- Ortec Finance runs the projections many times using stochastic modelling to illustrate the wide range of climate impacts that may be possible, under each scenario's climate pathway. LCP takes the median (ie the middle outcome) of this range of impacts, for each relevant financial parameter, and adjusts it to improve its alignment with LCP's standard financial assumptions.
- LCP then uses these adjusted median impacts to project the assets and liabilities of the Plan to illustrate how the different scenarios could affect its funding level. The modelling summarised in this report used scenarios based on the latest scientific and macro-economic data at 31 December 2023, calibrated to market conditions at 31 December 2023.
- Uncertainty in climate modelling is inevitable. In this case, key areas of uncertainty relating to the financial impacts include how climate change might affect interest rates and inflation, and the timing of market responses to climate change.

Strategy – Group Section

Scenario analysis appendix

Modelling limitations

- As this is a “top-down” approach, investment market impacts were modelled as the average projected impacts for each asset class. This contrasts with a “bottom up” approach that would model the impact on each individual investment held by the default strategy. As such, the modelling does not require extensive plan-specific data and so the Trustee was able to consider the potential impacts of the three climate scenarios for all of the Plan’s assets in the default strategy and DB Strategy.
- In practice, the Plan’s investments may not experience climate impacts in line with the market average.
- The asset and liability projections shown reflect the current strategic journey plan. No allowance is made for changes that might be made to the funding or investment strategy as the climate pathways unfold, nor for action to be taken in response to the Plan achieving its long-term funding target.
- Like most modelling of this type, the modelling does not allow for all potential climate-related impacts and, therefore, is quite likely to underestimate some climate-related risks.
- In addition, the model presumes that the UK government and bank counterparties will remain solvent, thereby making no allowance for credit risk on government bonds and derivative exposures. However, in a scenario where global warming exceeds 4°C, this assumption may no longer be valid.
- Medians from Ortec Finance’s model outputs are used to project forward assets and liabilities, which means the results reflect the model’s “middle outcomes” for investment markets under the three scenarios. Allowing for market volatility would result in better or worse model outputs than shown. Investment markets may be more volatile in future as a result of physical and transition risks from climate change, and this is not illustrated in the modelling shown.

Metrics and Targets – Bus Section

Disclosure of Scope 1 and Scope 2 greenhouse gas (GHG) emissions (as at 31 Dec 2025)

Manager	Strategic allocation %	Total GHG emissions Scope 1 & 2 (tCO2e)		Carbon footprint Scope 1 & 2 (tCO2e/ £1m of EVIC)		Reported	Estimated	Unavailable
		Metric	Coverage	Metric	Coverage			
LDI	39%	60,225	100%	71	100%	94%	0%	6%
Absolute Return Bonds	11%	3,313	63%	37	63%	61%	2%	37%
Asset Backed Securities	7%	2,270	35%	38	35%	0%	35%	65%
Private Equity	14%	10,222	89%	85	89%	0%	89%	11%
Secured Finance	14%	4,693	86%	35	86%	0%	100%	0%
Private Debt	14%	13,789	24%	113	24%	24%	0%	76%
Total Portfolio	100%	94,512	77%	68	77%	46%	30%	24%

Please note that LDI levered results were also reported and monitored by Trustee and feed into the Total Portfolio. * These refer to sequestration figures. Further caveats and detail can be found in the Appendix.

Metrics and Targets – Bus Section

Disclosure of Scope 3 greenhouse gas (GHG) emissions and other metrics (as at 31 Dec 2025)

Manager	Strategic allocation %	Total GHG emissions Scope 3 (tCO2e)		Carbon footprint Scope 3 (tCO2e/ £1m of EVIC)		Implied temperature rise (°C)	
		Metric	Coverage	Metric	Coverage	Metric	Coverage
LDI	39%	-	-	-	-	2.1	100%
Absolute Return Bonds	11%	54,111	58%	785	58%	2.6	62%
Asset Backed Securities	7%	-	-	-	-	-	0%
Private Equity	14%	50,661	89%	418	89%	-	0%
Secured Finance	14%	58,066	80%	402	80%	3.5	67%
Private Debt	14%	20,410	21%	163	21%	-	0%
Total Portfolio	100%	183,248	33%	420	33%	2.5	55%

Metrics and Targets – Group Section

Disclosure of Scope 1, 2 and 3 greenhouse gas (GHG) emissions and other metrics (as at 31 Dec 2025)

Portfolio	31 December 205 allocation (%) ¹	Total GHG emissions Scope 1 & 2 (tCO2e) ²		Carbon footprint Scope 1 & 2 (tCO2e/ £m invested) ²		Data Quality (scope 1 & 2)				Total GHG emissions Scope 3 (tCO2e)		Carbon footprint Scope 3 (tCO2e/ £1m of EVIC)		Implied temperature rise (°C)	
		Metric	Coverage	Metric	Coverage	Verified	Reported	Estimated	Unavailable	Metric	Coverage	Metric	Coverage	Metric	Coverage
Short Duration Credit	26%	643	95%	28	95%	0%	86%	8%	6%	9,978	94%	441	94%	-	0%
LDI ⁴	35%	10,899	100%	142	100%	0%	100%	0%	0%	12,314	100%	160	100%	-	0%
Money Market Cash	2%	0	41%	0	41%	0%	41%	0%	59%	95	41%	140	41%	-	0%
Global Equities	4%	25	98%	6	98%	0%	95%	3%	2%	2,648	98%	645	98%	2.9	98%
Multi-Asset Credit	6%	273	95%	56	95%	0%	40%	55%	5%	2,253	95%	461	95%	-	0%
Asset-Backed Securities	26%	335	36%	38	36%	0%	0%	36%	64%	-	0%	-	0%	-	0%
Property	0%	2	94%	8	94%	0%	83%	11%	6%	6	94%	29	94%	3.1	94%
Private Credit	1%	-	0%	-	0%	0%	0%	0%	100%	-	0%	-	0%	-	0%
Total Portfolio	100%	12,176	80%	71	80%	0%	65%	15%	20%	27,294	70%	311	70%	2.9	5%

Figures may not sum due to rounding. The Private Credit manager has confirmed that they are unable to provide data for the Private Credit mandate.

"-" indicates where the manager has been unable to provide the requested data.

¹31 December allocation excludes cash held in the Trustee bank account, which we have also excluded elsewhere in this report.

²Total emissions are for the Scheme's assets, not the whole pooled fund. Total GHG emissions have been calculated by LCP as assets multiplied by carbon footprint and coverage.

³Unavailable includes ineligible assets.

⁴LDI emissions are calculated using a different methodology, which we have outlined in the Appendix. A different emissions intensity metric has been calculated for gilts instead of carbon footprint, so neither this nor total GHG emissions can be directly compared with the other emissions figures shown. Nonetheless, we have calculated the Total Portfolio figures in line with the methodology provided by Isio, which includes LDI and other assets.

⁵Total Portfolio Carbon footprint strips out portfolios where this is no data available, scaling up remaining allocations to be 100%.

Total portfolio Implied Temperature Rise strips out portfolios where this is no data available, scaling up remaining allocations to be 100%.

Metrics and Targets

Metrics appendix: climate metrics definitions

GHG emissions from a particular company can be split across three levels:

- Scope 1 are direct emissions from company owned or controlled sources – this includes heating/cooling of offices/factories and fleet vehicles.
- Scope 2 are indirect emissions from purchased energy – emissions are created during the production of the energy which is eventually used by the company.
- Scope 3 are all indirect emissions that occur in the value chain – this includes emissions from the production of purchased goods and services and the use of sold products. There are currently industry-wide issues with reporting scope 3 emissions.

The IC selected and monitored four climate metrics during 2024:

1. **Absolute emissions metric:** Total greenhouse emissions (scope 1 & 2 and scope 3)
 - Total amount of greenhouse gas emissions emitted by the underlying portfolio companies, attributed to the investor based on the total investment in each company.
2. **Emissions intensity-based metric:** Carbon footprint (scope 1 & 2 and scope 3)
 - An intensity measure of emissions that assesses the level of greenhouse gas emissions arising from a £1 million investment in a company.
3. **Portfolio alignment metric:** Implied temperature rise ("ITR")
 - The temperature pathway the mandate aligns to, expressed as a projected increase in global average temperatures by the end of the century. A Paris-aligned strategy should have an ITR of 1.5°C.
 - This metric is reliant on the modelling methodologies adopted by the Bus Section's investment managers.
4. **Additional climate change metric:** Data quality – Exposure to emissions data that is reported, estimated and unavailable:
 - Reported: Data directly reported by the company.
 - Estimated: Data that has been estimated by the investment manager or an ESG data provider.
 - Unavailable: Data that is not available under any of the other categories.

Metrics and Targets

Metrics appendix: Climate metrics supporting information

Fund	Caveats – Bus Section
Absolute Return Bonds Segregated LDI	- The manager uses ISS as their data provider for corporates, while the LDI reported data has come from UNFCCC and estimated data from CAIT (Climate Analysis Indicators Tool). - LDI Scope 3 coverage remains very low and is not 'reported' (so is unlikely to be accurate). - GHG emissions for Sovereigns are calculated by using the CO2e/Proportion of GDP from public debt. Carbon Emissions Footprint uses: CO2e/Total Capital Stock.
Asset Backed Securities	- Metrics data is as at 31 December 2025. - Scope 1 & 2 carbon footprint data was provided in GBP. Scope 3 carbon footprint data was unavailable. - Absolute GHG emissions data scaled by Isio to represent the client's holdings in the Fund.
Secured Finance	- Metrics data is as at 31 December 2025. - Carbon footprint data was provided in euros and subsequently converted at the EUR/GBP exchange rate as at 31/12/2025 (€1.15/ £1). - Absolute GHG emissions data has been scaled up by Isio to represent 100% of assets.
Private Debt	- Metrics data is as at 31 December 2024. - Absolute GHG emissions data scaled up by Isio to represent 100% of assets.
Private Equity (Fund of Funds)	- Data gathered from portfolio companies is as at 30 June 2024 (latest available). Carbon footprint weights is then based on portfolio valuations as at 31 December 2025. - Carbon footprint data was provided in USD and subsequently converted at the USD/GBP exchange rate as at 31/12/2025 (\$1.35/ £1). - Last year's carbon footprint data has been restated to be converted at the USD/GBP exchange rate as at 31/12/2024 (\$1.25/£1) - Proxy data is used where possible to estimate company-specific metrics where direct data is lacking. This involves utilising sector-level information, according to GICS sub-sectors, to approximate the data for specific companies. The sustainability data used for this proxy is from MSCI as at 31 December 2024.

Metrics and Targets

Metrics appendix: Climate metrics supporting information

Caveats – Group Section

- All of the Scheme's assets are in scope (including LDI). Data was requested from the Scheme's managers for all portfolios except for the cash holdings within the trustee bank account. The Scheme's climate metrics have been calculated based on portfolio holdings at 31 December 2025.
- Note that the emissions data applicable to the underlying holdings at this measurement date will often relate to an earlier period. Corporate emissions data will typically relate to 12-month periods aligned to the corporate reporting year. As year-ends vary by company, the emissions data will be from various periods.
- The climate metrics shown in the appendix have been set out to allow comparison across different portfolios. Scope 3 is shown separately from Scopes 1+2, in line with the statutory guidance. This is good practice because Scope 3 data is much larger on average, so dominates combined Scopes 1-3 data, but is generally less reliable.

The below caveats relate to the Section's LDI/Gilt metrics:

- Government bond metrics are calculated on a different basis to other asset classes, so cannot be compared with them and should not be aggregated with them. They are typically much higher than emissions metrics for corporate debt.
- Note that manager estimates of emissions data may differ materially from those calculated by LCP due to differences in methodologies, sources of data and/or dates of calculation.
- The emissions intensity has been calculated as "total greenhouse gas emissions produced in the UK" divided by "UK GDP using PPP methodology" using publicly available data sources. This is different from the methodology employed last year, which calculated emissions attributable to an investor by their share of total debt outstanding.
- Total greenhouse gas emissions have been calculated as "value of your investment in gilts" multiplied by "emissions intensity".
- These are measures of the UK's reliance on greenhouse emissions. There can be issues of double counting across the portfolio where UK country emissions double count UK company emissions already accounted for within other asset classes.
- Please note we have followed new guidance from PCAF on attributing greenhouse gas emissions for sovereign bonds, which we expect to be quickly adopted as market standard. Instead of calculating an investor's total emissions via their share of the total debt outstanding, we are now attributing emissions using GDP (as per the guidance). We understand that many investment managers and other consultancies have interpreted the DWP guidance as requiring no action to be taken (as of yet) with regard to swap exposure. As a result, our tool does not calculate emissions for swap exposures within LDI portfolios.

The Trustee of the FirstGroup Pension Scheme

