



Taskforce on Climate-related Financial Disclosures Report

FirstGroup Pension Scheme
Year ending 5 April 2025



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 (c91% of Scheme assets) and Group (c9% of Scheme assets) Sections of the FirstGroup Pension Scheme (“FGPS”). Past reports from the Trustee have related to The First UK Bus Pension Scheme – the bulk of this Scheme’s assets now (post merger) comprise the Bus Section of 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 FGPS being in scope of TCFD requirements. Therefore, the Trustee extended its coverage of climate-related Strategy and Metrics & Targets reporting to cover both Sections over the prior 12 months, whilst formalising a consolidated approach to overall Scheme Governance and Risk Management. Over the reporting period, the Trustee enhanced its approach to TCFD reporting requirements across several key areas:

- Decarbonisation progress: across both Sections, Scope 1 & 2 carbon footprint and GHG emissions were reduced compared to the year ended December 2023.
- Scenario analysis: The Group Section of the Scheme conducted its initial Scenario Analysis aimed at analysing the impact of climate-related risks and opportunities on the Group Section’s strategy. The Bus Section Scenario Analysis will next be completed for inclusion in next year’s report.
- Adoption of Section specific Emissions targets – while the Bus Section retained its target to increase report/verified emissions (Scope 1 & 2) to 70% of total portfolio emissions by 31 December 2025, the Group Section adopted a new formal target to increase coverage to 90%. The differences in target reflect the differing investment strategies and underlying liquidity, across the Sections’ asset portfolios.

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

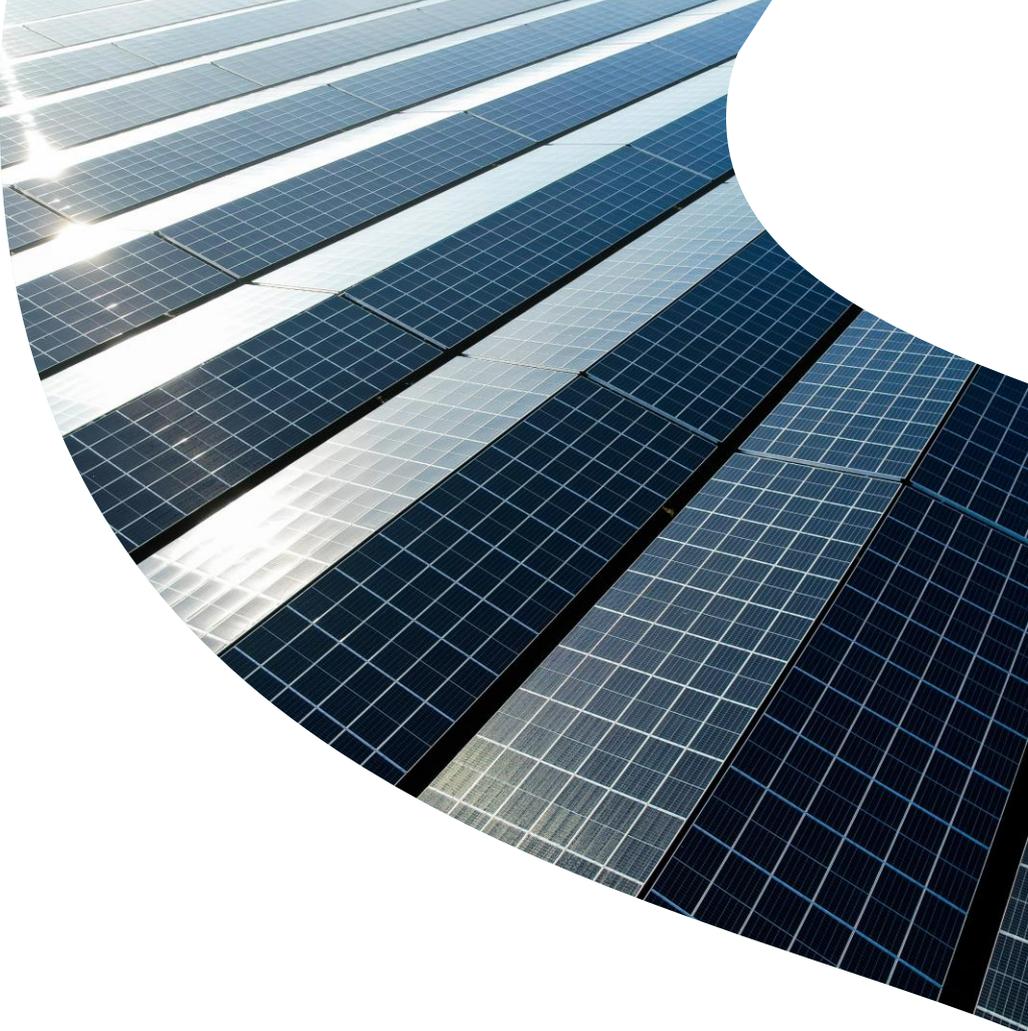
To decarbonise the global economy, policies, technologies and market preferences are expected to shift in favour of low-carbon solutions.

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. However, in 2024, global average temperatures reached 1.6°C above the pre-industrial baseline, exceeding the 1.5°C threshold for the first time. This underscores the need for accelerated action to mitigate climate change.

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 – Covenant formally considered by external professional covenant consultant ongoing
- 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. On an annual basis, 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.

Over the period, the Scheme continued to meet criteria on ESG and Climate grounds, meaning that it scored well based on each Investment Advisers' respective assessment criteria.

TCFD Summary

Metric improved over 2024 

Metric deteriorated over 2024 

Strategy

Actual and potential impacts of climate risks and opportunities

Climate-related scenario analysis:

Bus Section: the Trustee last conducted climate-related scenario analysis on the Bus Section (formerly The First UK Bus Pension Scheme) investment and funding strategies in 2023. The Trustee reviewed this workstream and determined that further analysis, outside of the regulatory cycle, was not required as the investment strategy has not changed materially. The next review will be in 2026.

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

Strategy changes over the period:

Bus Section: relatively minor changes were implemented to the Bus Section investment strategy over the year due to the extent of illiquid holdings and available liquidity. A private markets infrastructure debt mandate was terminated – the illiquidity here made ESG integration challenging, so selling this mandate increases flexibility. The Trustee agreed to invest in an asset-backed securities mandate, which was subsequently implemented post reporting period. The Trustee will assess climate-related investment opportunities as part of its next investment strategy review (2025 – 2026).

Group Section: in conjunction with the Bus Section, in November 2024, the Trustee agreed to make a 10% strategic allocation to asset-backed securities (ABS) to diversify the Scheme’s liquid credit holdings. In April 2025, the Trustee appointed an investment manager and the asset transfer to support the ABS investment was carried out in May 2025, funded by a partial disinvestment from the Section’s short duration credit allocation.

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 25 to 28.

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

Targets and progress:

The Trustee has set a consistent target in relation to reported/verified emissions (Scope 1 & 2) data coverage, with results shown below. Over the period, Group Section coverage progressed toward its target, while the Bus Section coverage deteriorated, primarily due to reduced data availability for a Private Equity and Secured Finance mandate (full detail on pages 25 to 28).

Reported/ Verified Carbon footprint coverage (Scope 1 & 2)	31 Dec 2022 (Baseline)	31 Dec 2023	31 Dec 2024 (Current)	31 Dec 2025 Target
Bus Section	1%	58%	48% 	70%
Group Section	n/a	78%	85% 	90%

Note: * Total GHG Emissions (Unlevered) and Carbon Footprint metric improvements outlined above are based on Scope 1 & 2 emissions data. Scope 3 levels for these two metrics have increased over 2024. ** Scope level of emissions are not defined for the Implied Temperature Rise (°C) metric and the calculation methodology varies between data providers. *** Overall data coverage improved across both Sections over 2024 in relation to extent of data provided (emissions verified, reported or estimated). Data coverage (Scope 1 & 2 - reported / verified) levels vs target deteriorated in relation to the Bus Section and improved within the Group Section.

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 2025

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 investing 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 highlights include the acquisition of track access rights for new services between London Paddington and Carmarthen and London Euston and Stirling.

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 2020, FirstGroup reports that it has reduced Scope 1 and 2 emissions by 26%. Over the same period, it reports it has achieved a 4% reduction in Scope 3 emissions from fuel and energy-related activities. 50% of its suppliers in scope also already 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 4,500 suppliers, spending c. £3.2bn 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 has introduced the 'Link-Up' supplier toolset, requiring key suppliers to provide data on carbon emissions and sustainability measures. This platform will become an integral part of its supplier onboarding process from FY 2026.

FirstGroup plans to increase supplier participation in this programme, integrate sustainability further into its tendering processes, and continue advocating for enhanced industry-wide data sharing. It is planning to continue to engage and collaborate with critical suppliers to support those yet to adopt a science-based target.

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, with more than 650 zero emission vehicles currently in service in regional operations, and more than 300 in London. It is investing in depot electrification, smart charging infrastructure, and on-site renewable energy. Ten depots in the UK are now electrified and electrification is underway at a further five depots (c.30% of its depots.)

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.

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.

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.

There is a commitment to provide performance updates on the plan and wider climate-related disclosures in the Annual Report and Accounts and Environmental Performance Report, providing transparency on progress and challenges.

FirstGroup's Climate Transition Plan aligns with key industry and regulatory frameworks, including the Transition Plan Taskforce (TPT) Disclosure Framework, Carbon Disclosure Project (CDP) and the Task Force on Climate-related Financial Disclosures (TCFD).

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



Focus on improving data

We recognise the critical role of robust and accurate climate metrics data in informing strategic decisions. We have therefore set tailored data coverage targets across both Sections.

The Trustee, supported by our Investment Advisers, is taking proactive steps to collaborate with investment managers to enhance the consistency and accessibility 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.

This practice will continue, with collaborative analysis (guided by our Investment Advisers) on how ESG principles are embedded within investment managers' portfolios and reflected in our 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 anticipate our reliance on the Company will diminish further from 2025 onwards – this should reduce the potential impact of Company-related climate risks on our long-term strategy.

We will continue to monitor the Scheme's 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 (affordable and clean energy, and climate action) amongst other goals which are impacted by and will benefit from improved climate practices).

The Trustee has been conscious that the requirements of TCFD and its beliefs in relation to ESG more generally have arrived from different directions, and have never been properly reconciled. Over the last year it has therefore made a particular effort to integrate its TCFD compliance responsibilities more fully into its well-established employment of ESG-informed perspectives on investment risks and opportunities. It has tried to do this through a 'from first principles' internal debate about the objectives of both and believes this has been helpful in ensuring the Scheme takes the most integrated approach possible.

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 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

In March 2024, the Scheme's Investment Advisers trained the IC on TCFD compliance, detailing the four pillars (requirements, current status, reporting), alongside updates on climate science and transitional/physical risks. In May 2025, the Investment Adviser to the Bus Section hosted an investment manager roundtable event on current ESG-related themes. The aim of the session was to broaden thinking and obtain different perspectives from a range of leading investment managers.

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.

Roles and Responsibilities

Trustee	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none">- 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	<ul style="list-style-type: none">- 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	<ul style="list-style-type: none">- 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.- Assist with the preparation and provide a legal review of the Trustee's annual TCFD report.		
Covenant Adviser	<ul style="list-style-type: none">- 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 process, 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 16).

ESG integration: Where possible, the Trustee ensures ESG considerations are integrated within each mandate. As an example, the Bus Section currently has an allocation in a Timberland Fund; however, the Fund is restructuring, providing an opportunity for liquidity (which the Trustee expects to take later in 2025). Post reporting period, the Trustee agreed to communicate views to one manager (secured finance) on potential ESG improvements within their mandate.



Climate risk monitoring

Assessing investment managers: The IC assesses the ESG capabilities of the investment managers. While the 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, to ensure these align with our ESG beliefs and policy and is 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, to ensure climate considerations are suitably reflected. Risk registers were reviewed in 2024 with no new material climate risks identified and therefore no changes made to these documents over the year.

	Potential risk:	Potential control measures:
Company covenant	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - Covenant formally considered by external professional covenant consultant ongoing - Regular review with the covenant
Investment strategy	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - Investment Advisers monitors 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	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - 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 provides 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 (climate scores are summarised below).
- **Group Section Assessment:** A "traffic light" assessment is conducted annually and reported within the annual Responsible Investment (RI) Survey report.

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 (2024 Responsible Investment Survey Review)

The report provides a detailed review of managers' responsible investment practices. This includes the investment adviser's qualitative assessment of each manager across five areas: ESG foundations, climate and net zero, engagement, voting, and systemic stewardship. While the Trustee was satisfied with the managers' scores, it wrote to each investment manager to highlight identified areas for improvement.

Manager	ESG foundations	Net zero	Engagement	Systemic stewardship	Voting
Manager A	Green	Green	Green	Amber	N/A
Manager B	Green	Green	Amber	Green	Green
Manager C	Green	Amber	Amber	Amber	N/A
Manager D	Manager D did not complete our survey. We have followed up with Manager D requesting that they complete the survey.				

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 scores are on a red, amber and green traffic light rating system (based on underlying scores to manager responses to a range of questions). The Group Section's investment adviser suggests that any amber or red rating warrants grounds for engagement with the managers.

Strategy

Describe the resilience of each of the Bus Section's and Group Section's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Agreed timeframes

Climate considerations differ depending on the timeframe in question; we have identified timeframes that are relevant to the Bus and Group Section and considered material climate-related risks and opportunities under each of these. We have identified the following timeframes 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	Investment Horizon (Bus Section specific)	Investment Horizon (Group Section specific)	Climate Horizon (broader comments relating to timeframes)	Risks to Asset Strategies	Risks to Liabilities
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 COP29	Transitional risks such as the costs associated with global decarbonisation anticipated, carbon pricing and regulation.	Changes to yields (as for assets), inflation and longevity expectations due to expected transition costs or rising physical risks.
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 targets, and alignment with the timeframe of the global UN Sustainable Development Goals*		
Long term <i>15 years</i>	Duration of Scheme's liabilities	Cost of buy-out may increase as insurers allow for climate-related risks in pricing.	Physical damages starting to be incurred, transition risks becoming increasingly present	Physical risks such as damage to assets caused by extreme weather events anticipated.	
Very long term <i>28 years</i>	Majority of remaining liabilities paid		Physical damages incurred, 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

The Trustee factor climate risks and opportunities into strategic decision making. This includes considering how climate risks and opportunities differ over various time horizons and how the Scheme can be resilient under various possible climate futures.

Summary of Bus Section risk considerations

Transition risks	Physical risks	Opportunities
<p>Risks arising from changes required to support a transition to a sustainable, lower-carbon economy. For example:</p> <ul style="list-style-type: none"> • Market risks • Policy and legal risks • Technology risks • Member lifestyle changes <p>Transition risks are expected to be considered and priced-in by financial markets over the short to medium term.</p>	<p>Risks arising from changes in weather systems attributable to climate change. For example:</p> <ul style="list-style-type: none"> • Severity of extreme weather events • Supply chain disruption • Temperature changes • Impact on mortality rates (related to points above) <p>Physical risks are expected to be experienced over the medium to long term under extreme warming scenarios.</p>	<p>Opportunities will arise to support sustainable growth, development and investment across industries as part of a move towards net zero economies.</p> <p>As illiquid mandates roll off sustainable liquid assets (e.g. in the credit or equity space) could be considered. The Trustee and/or IC will consider such opportunities as part of the 2025 – 2026 strategy review process.</p>

Summary of Group Section risk considerations

Short term risks (3 years)	Medium term risks (8 years)	Long term risks (15+ years)
<p>Exposure to climate-related investment risks may be highest while you retain an allocation to growth assets</p> <p>The Group Section has a fairly low-risk investment strategy with a strong funding position on its long-term funding basis. The Trustee feels that it is appropriately positioned taking these risks and time horizons into consideration.</p>	<p>Market volatility could cause investment losses and increase time to reach full funding on buy-out basis.</p>	<p>Cost of buy-out may increase as insurers allow for climate-related risks in their pricing and reserving bases.</p> <p>Looking into the longer term, the Trustee will monitor buy-in pricing and climate regulation and consider ways to limit exposure to pricing volatility due to climate risks.</p>
Short term opportunities (3 years)	Medium term opportunities (8 years)	Long term opportunities (15+ years)
<p>Climate-tilted funds aim to protect against transition risks and provide exposure to transition opportunities. The Group Section already has climate tilted equities and a Net Zero transition short duration credit mandate. One other potential opportunity would be green gilts in the LDI mandate.</p>	<p>Buy-out may provide greater protection from climate risks for members' benefits.</p>	<p>Climate-aware credit mandates should increase the resilience of assets to climate risks.</p>

Strategy

Describe the resilience of the Scheme's strategy, considering different climate-related scenarios, including a 2°C or lower scenario

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 last scenario analysis was undertaken for the Bus Section during the scheme year to 5 April 2023. The Group Section conducted scenario analysis in the scheme year to 5 April 2025 as this was the first year that the Group Section was required to produce TCFD reporting.

The next few pages of this report details the process and results of the last scenario analysis undertaken.

Agreed climate scenarios

The Trustee, in conjunction with its Investment Advisers, chose the below scenarios to provide a balanced set of hypothetical constructs with which to analyse the potential risks and opportunities across the Scheme's portfolios. Forward-looking analysis always involves uncertainty, however these scenarios help to examine different possible outcomes in terms of emissions, global average temperatures, and associated transition and physical risks, for example.

Section	Year of analysis	Scenario Description		
Bus Section	2023	<p>Net Zero 2050</p> <p>Temperatures kept to a 1.5°C rise this century to enable CO₂ emissions to reach net zero in 2050. Relatively high transition costs incurred in near term, but physical damages minimised.</p>	<p>Divergent Net Zero</p> <p>Temperatures kept to a 1.5°C rise this century. Divergence in policies across sectors results in higher transition costs e.g., the transport sector instils more stringent policies than the energy sector. Physical damages minimised.</p>	<p>Current Policies</p> <p>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,</p>
Group Section	2025	<p>Net Zero Financial Crisis</p> <p>Global net zero CO₂ emissions achieved by 2050 via rapid and effective climate action. Financial markets react abruptly in 2025.</p>	<p>Limited Action</p> <p>Policymakers implement limited new climate policies but fall short of meeting the Paris Agreement goals, resulting in a combination of transition and physical risks.</p>	<p>High Warming</p> <p>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.</p>

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 – 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.

Strategy – Bus Section

Low potential downside risk ■
 Average potential downside risk ■
 High potential downside risk ■

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

Materiality of climate-related risks and opportunities (2023 analysis)

The Trustee, in conjunction with its Investment Adviser, has used a Red, Amber, Green rating scale to illustrate the likely magnitude of the potential impacts of climate-related risks and opportunities across the different time horizons agreed. The last scenario analysis was undertaken for the Bus Section during the scheme year to 5 April 2023 due to limited changes to the investment strategy since 2023. The risk ratings below therefore reflect the 2023 analysis.

- **Assets** – The Bus Section’s diversified portfolio is expected to react differently to various climate scenarios. In practice, the portfolio will change over time (e.g. as illiquid assets roll off and capital can be reinvested). The asset class impact will be further discussed in the slides that follow.
- **Liabilities** – The liabilities are well hedged and protected from movements in yields and inflation. Potential changes in mortality assumptions are a key risk.
- **Company** – Given the nature of the Company, climate change represents both risks and opportunities. The “red” rating below reflects that there is uncertainty around downside scenarios, but the Trustee is also aware of potential upsides (e.g. from vehicle electrification or potential cultural shifts towards public transport). In any case, the Trustee expects the Bus Section’s reliance on the Company to reduce significantly in 2025 and reduce further over time.

Risk	Time frame	Assets							Liabilities	Company
		LDI	Absolute Return Bonds	Corporate Bonds	Secured Finance	Timberland	Diversified Priv Credit	Private Equity		
Transitional (net zero scenario*)	Short term	Low	Low	Average	Low	Low	Average	Average	Average	
	Medium term	Low	Low	Average	Low	Low	Average	High	High	
	Long term	Low	Average	Low	Average	Low	Average	High	High	
	Very long term	Average	Average	Average	Average	Low	Average	High	High	
Physical (current policies scenario)	Short term	Low	Low	Average	Low	Low	Average	Average	Average	
	Medium term	Low	Average	Low	Average	Average	Average	High	High	
	Long term	Low	Average	Average	Average	Average	Average	High	High	
	Very long term	Average	Average	Average	High	Average	Average	High	High	

Expected allocation change reflects the expected change in asset mix as the Bus Section’s funding position improves and membership matures.
 * The directional impacts under the 2050 Net Zero and Divergent Net Zero scenarios are likely to be similar, albeit the magnitude and timing is expected to differ.

Strategy – Bus Section

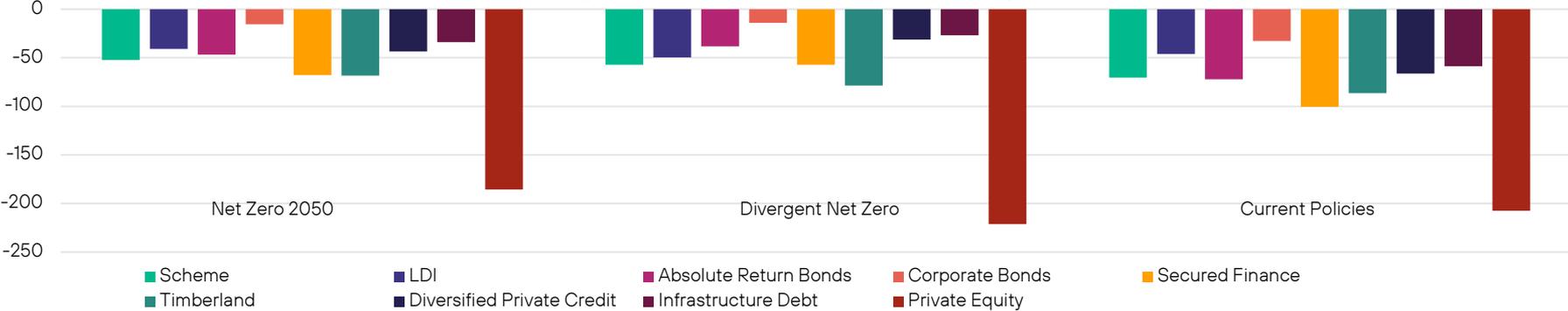
Describe the resilience of the Bus Section’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Climate scenario analysis results (2023) – Asset class impacts

These findings remain consistent with those presented in last year’s report. The Bus Section’s private equity mandate appears to have the greatest exposure to both transitional and physical risks, due to the economic sensitivity inherent in this asset class. However, this assessment is based on an “asset class” perspective, and the Trustee continues to engage actively with the portfolio’s investment manager to ensure climate risks and opportunities are being adequately considered. While the Trustee’s options are currently limited given the illiquid nature of the Section’s assets, it remains vigilant in monitoring developments, with the anticipation that as illiquid holdings mature, the Section will have greater capacity to invest in assets more resilient to various climate-related scenarios.

The Trustee also note that while the allocation is relatively large today, it is expected to fully mature over the next decade (with timing uncertain, depending on pace of running-off the assets) two net zero scenarios will have delivered the same outcome of net zero by 2050, the Divergent Net Zero will have incurred higher transaction costs. Although impact at overall Section level is marginally different between these two scenarios. We also see significant impacts of the physical costs of rising global temperatures across all asset classes (with temperature rise reaching 2.4°C under Current Policies).

Return drag relative to Baseline scenario (ann. bps) – 28 years



Source: Investment Adviser
 Note that annualised return drags are shown but costs and impacts in reality won't be uniform. Whilst we have modelled the potential physical and abatement costs over the next 28 years, in theory, markets may price these in sooner. The model's projections are sensitive to the underlying methodology and assumptions. No guarantee can be offered that actual outcomes will fall within the range of simulated results.
 Isio's climate model has been developed in partnership with Moody Analytics and based on NGFS scenarios. Commentary is Isio's interpretation of results.

Strategy – Bus Section

Describe the resilience of the Bus Section’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

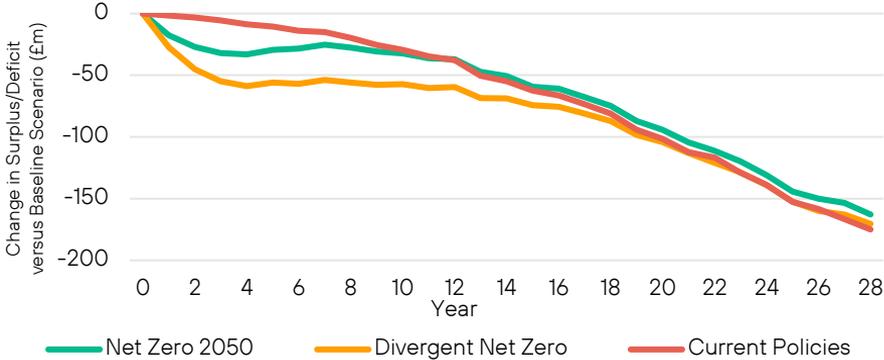
Climate scenario analysis (2023) – Impact on funding position relative to baseline scenario

Under all climate scenarios, the Bus Section’s funding position declines relative to the baseline (which assumes no climate costs). Transition costs are most pronounced in the short-to-medium term under the Net Zero 2050 and Divergent Net Zero scenarios, highlighting the need to prioritise investments in transition-ready companies to mitigate risks.

The Current Policies scenario has the worst impact on the Section’s funding level, while Net Zero 2050 delivers the best outcome. By 2050, Current Policies—projecting a 2.4°C temperature rise—incurs severe long-term physical climate damages, particularly post-2040.

Covenant reliance

The Trustee has assessed the potential impact of climate-related risks on the Company, taking into account the Section’s expected period of reliance on the Company. While the Scheme’s dependence on the Company is anticipated to decrease over time, the climate-related risks relating to the transportation industry and hence the Company are expected to materialise primarily in the long term. The Trustee recognises the steps taken by the Company within its climate transition plans, particularly in relation to electrification of its bus fleet. However, it is reasonable to conclude that longer-term climate risks are unlikely to affect the Section’s current journey plan.



Impact on liabilities

The Section Actuary (Aon) and Investment Adviser use distinct climate scenarios. Aon’s analysis links life expectancy impacts to three scenarios: No Transition (reduced life expectancy, lowering liabilities by ~4%), Orderly Transition (+2% liabilities), and Smooth Transition (+3% liabilities), all relative to a base case. While the Scheme hedges 95% of interest rate and inflation risks, mortality risk remains unhedged.

Note: Isio’s climate model has been developed in partnership with Moody Analytics and based on NGFS scenarios. Commentary is Isio’s interpretation of results. The Baseline scenario assumes no transition or physical impacts of climate change i.e. a climate neutral scenario. Source: Investment Adviser, Moody’s. This is based on stochastic modelling, with the median outcome shown. Liabilities are modelled on a gilts + 0.5% basis. Whilst we have modelled the potential physical and abatement costs over the next 28 years, in theory, markets may price these in sooner. The model’s projections are sensitive to the underlying methodology and assumptions. No guarantee can be offered that actual outcomes will fall within the range of simulated results. Due to the long projection period, the model’s outcomes are particularly reliant upon the underlying assumptions. Therefore, more attention should be paid to the relative comparisons between different projections than to the absolute magnitude of the results.

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”) – Expresses 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 quality is split between reported, estimated, unavailable.

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 quality 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) 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.

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.

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 quality breakdown		
		31 Dec 2023	31 Dec 2024	% of emissions (Scope 1 & 2) that are:	31 Dec 2023	31 Dec 2024
Total GHG Emissions (Unlevered) tonnes CO2e	Scope 1 & 2	79,595	61,622	Verified	0%	0%
	Scope 3	146,000	191,388			
Carbon Footprint tonnes CO2e / £M invested	Scope 1 & 2	82	79	Reported	58%	48%
	Scope 3	319	405			
Implied Temperature Rise °C		2.1	2.2	Estimated	19%	34%
Data quality emissions verified, reported or estimated	Scope 1 & 2	77%	79%	Unavailable	23%	18%
	Scope 3	29%	35%			

Both total Scope 1 & 2 absolute emissions, and carbon footprint have decreased over the reporting year, highlighting a positive trend. In the second year of reporting Scope 3 emissions for this Section, we see lower coverage and higher footprint compared to Scope 1 & 2 as expected, albeit coverage has improved. We anticipate Scope 3 emissions data will still be volatile over coming years as coverage continues to improve.

The Implied Temperature Rise provides a better sense of longer-term climate action and the Trustee would like to see improving coverage on this metric. ITR coverage has broadly stayed the same (with a marginal reduction from 57% to 56%).

The decrease in 'reported' emissions this year (from 58% to 48%) is disappointing and not aligned to the Trustee's target. However, this was driven by a few factors, the main factor being that the Section's Private Equity manager (c17% of Section assets) did not receive carbon data directly from underlying managers (so needed to estimate this), and the Secured Finance mandate (c16% of Section assets) changing data provider, which resulted in the prior level of granularity no longer being available. Reduced coverage within the Absolute Return Bond mandate, due to the availability of data for underlying security investments of the Fund, also contributed to the decrease in 'reported' emissions.

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. ¹The 2023 First UK Bus Pension Scheme (FUKBPS) report had an ARB mandate, however this is not directly comparable with the Bus Section's 2024 ARB mandate, as some of these assets continue to be held in the FUKBPS in 2024.

Metrics and Targets – Group Section

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

Metric				Data quality breakdown		
		31 Dec 2023	31 Dec 2024	% of emissions (Scope 1 & 2) that are:	31 Dec 2023	31 Dec 2024
Total GHG Emissions (Unlevered) tonnes CO ₂ e	Scope 1 & 2	14,508	13,522	Verified	81%	95%
	Scope 3	31,024	36,436			
Carbon Footprint tonnes CO ₂ e / £M invested	Scope 1 & 2	103	76	Reported	0%	0%
	Scope 3	344	356			
Implied Temperature Rise °C		2.8	2.7	Estimated	78%	85%
Data quality emissions verified, reported or estimated	Scope 1 & 2	81%	95%	Unavailable	3%	9%
	Scope 3	81%	95%			

The Section's Scope 1 & 2 Carbon Footprint and Total GHG Emissions has fallen over the reporting year (the Section's base year for reporting – i.e. first year of requirements). However, Scope 3 Carbon Footprint and Scope 3 Total GHG Emissions have increased slightly – largely driven by an increase in Scope 3 Carbon Footprint from your low carbon transition equity index funds. Increased data coverage was also a key determinant of the increase in Total Scope 3 GHG Emissions.

The Implied Temperature Rise at Section Level has fallen by 0.1°C – albeit, we note that this only covers the Multi-Asset Credit and Property mandates.

Examining data quality, Scope 1 & 2 and Scope 3 data coverage (including verified, reported or estimated) have increased by 14% over the year to 31 December 2024.

The main gaps in the data provided by investment managers relates 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.

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 new target to increase reported/verified emissions (Scope 1 & 2) to 70% of total portfolio emissions over two years (i.e. by 31 December 2025), a 12% increase from 31 December 2023. As of 31 December 2024, reported/verified emissions accounted for 48% of the total, reflecting a decrease compared to the prior year's figure.

Over this reporting year the Bus Section's reported/verified emissions coverage has reduced due to the reasons outlined on p25. The Trustee still hopes to make progress towards this target over 2025, and will consider this in manager engagement and strategic changes, but is limited by the illiquidity of some mandates (including those which have changed processes and provided more estimated data in 2024).

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

Group Section – Target

The Trustee has set a target of aiming to increase reported and verified emissions (Scope 1 & 2) coverage to 90% of total portfolio emissions by 31 December 2025. This is from the baseline year of reporting which is 31 December 2024. We note that the Trustee has chosen this target so that it aligns closely with that of the target selected for the Bus Section. The Trustee will seek to achieve this target via engagement with its investment managers to drive improvements in reporting. The Group Section has made good progress against target, driven by the high percentage of reported data in the LDI, short duration credit and global equity mandates.

Reported/Verified Carbon footprint coverage (Scope 1 & 2)	31 December 2023 (for comparison)	31 December 2024 (Baseline – ie first year of reporting)	31 December 2025 Target
Total Portfolio	78%	85%	90%

Appendix

Strategy – Bus Section

Scenario analysis appendix

Climate scenario analysis

The Bus Section's Investment Adviser partnered with Moody's to deliver a climate change model. Please see below an overview:

1. Selection of climate scenarios from the Network for Greening the Financial System. The interpretation and implementation of these scenarios are detailed below, across these building blocks.
2. Inclusion of climate scenarios within Moody's climate model, composed of two building blocks: a socioeconomic REMIND-MAGPIE general equilibrium model, modelling macroeconomic growth and energy systems. This assumes that markets are efficient and sets out traditional economic assumptions around the evolution of economic markets. This is combined with the MAGICC 6 climate model, modelling climate and weather. The model runs 600 climate scenario projections and takes the median outcome for each climate scenario: baseline, orderly, disorderly and hot house. There is interplay between these models.
3. The investment model determines how different asset classes will react under the different climate change scenarios analysed, and across time. It is also composed of two building blocks: Moody's Economic Scenario Generator, modelling economic pathways. This is combined with a proprietary investment model, which models the impact on investments.
4. The output is an understanding of the potential impacts on investment strategy and asset class outcomes, as well as the funding position. In particular, the impacts of rising transitional and physical costs associated with climate change are assessed.

Strategy – Bus Section

Scenario analysis appendix

Modelling Principles

- SOFIA is a stochastic model that simulates a large number of possible future economic outcomes, in which financial conditions develop in a number of different ways, defined by assumptions for average outcomes, range of variability, and inter-dependency between different markets.
- The high-level market scenarios are generated by a third-party Economic Scenario Generator (ESG) provided by Moody’s Analytics. The ESG is an industry-standard tool that is widely used by financial institutions (e.g., insurers, asset managers, and investment banks). Both the climate scenarios and the underlying economic impacts are provided by Moody’s Analytics.
- Based on the scenarios generated by the ESG, SOFIA simulates asset-class returns calibrated to Isio Investment Advisory’s asset-class assumptions.
- SOFIA takes the initial starting position of the assets, and projects these values forward under the simulated scenarios, taking into account any relevant inflows and outflows.
- Different investment strategies are modelled in order to illustrate the effects of different allocations. In each case, SOFIA assumes that the strategy remains constant over the full projection period. Assets are annually rebalanced back to the original allocations.

Asset impacts – p.a. return drag relative to Baseline scenario

Scenario	Short-term 3 years	Medium-term 8 years	Long Term 15 years	Very Long-term 28 years
Net Zero 2050	-0.7%	0.0%	-0.4%	-0.7%
Divergent Net Zero	-1.2%	-0.2%	-0.4%	-0.7%
Current Policies	-0.2%	-0.3%	-0.7%	-0.9%

Note: Isio’s climate model has been developed in partnership with Moody Analytics and based on NGFS scenarios. Commentary is Isio’s interpretation of results. The Scenario analysis has been based off the above portfolio, which is the allocation as at 31 December 2022 adjusted for some changes in strategy.

Strategy – Bus Section

Scenario analysis appendix - Assumptions

	Net Zero	Divergent Net Zero	Current Policies
Climate policy	<ul style="list-style-type: none">Climate policies are introduced early and become gradually more stringent	<ul style="list-style-type: none">Climate policies are not introduced until 2030	<ul style="list-style-type: none">Current policies are implemented, but Nationally Determined Contributions (under the Paris Agreement) are not met
Scenario outcome	<ul style="list-style-type: none">Global net zero emissions are achieved by 2060-70, resulting in a 67% chance of achieving a below 2°C scenarioWith significant carbon dioxide removal (CDR) late this century, this could be brought down closer towards (but not quite meet) 1.5°C	<ul style="list-style-type: none">Emissions reductions are sharper (vs the orderly scenario), in order to meet the same target of a well below 2°C scenarioThere is limited deployment of CDR technologies, meaning the cost of decarbonisation is higher than for the orderly scenario	<ul style="list-style-type: none">Emissions continue to grow from today until 2080, leading to a 3°C+ scenario outcome
GDP outcome	<ul style="list-style-type: none">Expects a -4% loss in GDP by the end of the century, with the strongest impact early on, but remaining relatively low through the period of analysis (vs other scenarios)Transition risks are the main driver	<ul style="list-style-type: none">Expects a -9% loss in GDP by the end of the century. The level of GDP loss is initially low but rises substantially (vs orderly scenario) over the period of analysisTransition risks are the main driver	<ul style="list-style-type: none">Expects a -25% loss in GDP by the end of the century, which rises steadily from todayPhysical risks are the main driver, but there is wide uncertainty linked to e.g. localised adaptation responses
Carbon price	<ul style="list-style-type: none">There is a gradual increase in the carbon price from a 2020 baseline, reaching \$300 per ton of greenhouse gas (GHG) emissions by the end of the centuryThe carbon price divergence is <10% across regions in early years, and converges to a global price by 2040	<ul style="list-style-type: none">The carbon price remains extremely low to 2030, then suddenly rise, reaching circa \$700 per ton of GHG emission by the end of this centuryThere is lower regional divergence in carbon prices (<5%) with global divergence occurring much more rapidly (vs the orderly scenario)	<ul style="list-style-type: none">The carbon price remains extremely low until the end of the century, with minimal impact on markets

Strategy – Bus Section

Scenario analysis appendix

Compliance Statement

- This report has been prepared for the purpose of assisting the addressee in quantifying climate risk and feeding into a TCFD report. If you intend to use it for any other purpose or make any other decisions after considering this report, please inform Isio and we will consider what further information or work is needed to assist you in making those decisions.

Material Assumptions

- Isio Investment Advisory's central asset-class assumptions are assessed and revised at each calendar quarter-end. The assumptions used within this modelling exercise are set out in the Appendix.
- Certain assumptions are sourced directly from the Moody's Analytics ESG and available market data or set via adjustments to these sources. Where required or deemed to be more appropriate, assumptions are entirely determined by Isio Investment Advisory. The assumption setting process is subjective and based on qualitative assessments rather than a wholly quantitative process. Where judgement is required, input is received from Isio's internal asset-class research teams.

Limitations and Risk Warnings

- The only risk factors considered in our modelling are those that affect the values of pension schemes' assets. The modelling results should be viewed alongside other qualitative considerations including portfolio complexity, governance burden, and liquidity risk.
- The model's projections are sensitive to the starting position and the econometric assumptions. Changes to the assumptions can have a material impact upon the output. There can be no guarantee that any particular asset class or investment manager will behave in accordance with the assumptions. Newer asset classes can be harder to calibrate due to the lack of a long-term history.
- The modelling analysis is based on portfolios containing a range of asset classes and different approaches to fund management. Clients should not make decisions to invest in these asset classes or approaches to fund management based solely on the modelling analysis.
- Portfolios that make use of derivatives are exposed to additional forms of risk and can experience losses greater than the amount of invested capital.
- No guarantee can be offered that actual outcomes will fall within the range of simulated results. Actual outcomes may be better than the simulated 95th percentile or worse than the simulated 5th percentile.

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 2024)

Manager	Strategic allocation %	Total GHG emissions Scope 1 & 2 (tCO ₂ e)		Carbon footprint Scope 1 & 2 (tCO ₂ e/ £1m of EVIC)		Data Quality (scope 1 & 2)			
		Metric	Coverage	Metric	Coverage	Verified	Reported	Estimated	Unavailable
LDI and Corporate Bonds, unlevered	41%	25,295	99%	74	99%	0%	99%	0%	1%
Absolute Return Bonds	8%	2,332	60%	34	60%	0%	58%	2%	40%
Private Equity	17%	13,290	95%	98	95%	0%	0%	95%	5%
Timberland	1%	124 (-61,786)*	100%	7 (-5,023)	100%	0%	0%	100%	0%
Secured Finance	16%	8,171	81%	71	82%	0%	0%	100%	0%
Diversified Private Debt	15%	12,411	15%	113	15%	0%	15%	0%	85%
Total Portfolio, levered	100%	104,814	79%	79	79%	0%	48%	34%	18%
Total Portfolio, unlevered	100%	61,622	79%						

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 2024)

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	40%	-	-	-	-	1.9	100%
Corporate Bonds	2%	-	-	-	-	2.7	27%
Absolute Return Bonds	8%	29,327	55%	576	55%	2.7	55%
Private Equity	17%	86,550	95%	639	95%	-	0%
Timberland	1%	757	100%	40	100%	-	0%
Secured Finance	16%	63,663	72%	392	72%	2.5	62%
Diversified Private Debt	15%	11,091	10%	101	10%	-	0%
Total Portfolio	100%	191,388	35%	405	35%	2.2	56%

Metrics and Targets – Group Section

Disclosure of Scope 1, 2 and 3 greenhouse gas (GHG) emissions and other metrics (as at 31 Dec 2024)

Portfolio	31 December 2024 allocation (%) ¹	Total GHG emissions Scope 1 & 2 (tCO ₂ e) ²		Carbon footprint Scope 1 & 2 (tCO ₂ e/ £m invested) ²		Data Quality (scope 1 & 2)				Total GHG emissions Scope 3 (tCO ₂ e)		Carbon footprint Scope 3 (tCO ₂ e/ £1m of EVIC)		Implied temperature rise (°C)	
		Metric	Coverage	Metric	Coverage	Verified	Reported	Estimated	Unavailable	Metric	Coverage	Metric	Coverage	Metric	Coverage
Short Duration Credit	38%	912	94%	28	94%	0%	82%	12%	6%	15,841	95%	476	95%	-	0%
LDI ⁴	35%	12,178	100%	170	100%	0%	100%	0%	0%	9,744	100%	136	100%	-	0%
Money Market Cash	3%	1	42%	2	42%	0%	37%	5%	58%	267	42%	270	42%	-	0%
Global Equities	17%	233	98%	15	98%	0%	95%	3%	2%	9,105	98%	596	98%	2.6	97%
Multi-Asset Credit	5%	189	95%	39	95%	0%	27%	68%	5%	1,457	95%	302	95%	-	0%
Property	1%	8	96%	10	96%	0%	70%	26%	4%	23	96%	29	96%	3.1	96%
Private Credit	1%	-	0%	-	0%	0%	0%	0%	100%	-	0%	-	0%	-	0%
Total Portfolio	100%	13,522	95%	76⁵	95%	0%	85%	9%	5%	36,436	95%	356⁵	95%	2.7	17%

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 Scheme’s investment managers.
- 4. Additional climate change metric:** Data quality – Exposure to emissions data that is verified, reported, estimated and unavailable:
 - Verified: Data that has been independently verified.
 - 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	Caveats – Group Section
LDI	<ul style="list-style-type: none"> • LGIM 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). • QIAIF Scope 3 coverage remains very low and have doubt in its accuracy so has not been reported. • GHG emissions for Sovereigns are calculated by using the CO2e/Proportion of GDP from public debt. Carbon Emissions Footprint uses: CO2e/Total Capital Stock. • LDI carbon footprint and the absolute emissions figures provided for the QIAIF are shown unlevered (for comparability reasons), while the levered LDI-only absolute emissions is shown. • The carbon footprint of Buy & Maintain sleeve was provided by LGIM per \$1m invested and converted by Isio to GBP based on exchange rate on 31 December 2024. 	<p>The below caveats relate to the Section’s LDI/Gilt metrics:</p> <ul style="list-style-type: none"> • 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.

Metrics and Targets

Metrics appendix: Climate metrics supporting information

Fund	Caveats – Bus Section
Secured Finance	<ul style="list-style-type: none"> • Metrics data is as at 30 December 2024. • Absolute GHG emissions data has been scaled up by Isio to represent 100% of assets.
Timberland	<ul style="list-style-type: none"> • Data is calculated annually and so the 2024 metrics provided are for the 2023 calendar year. • The forestry assets have net negative carbon emissions, this number has been provided by Stafford and is noted in brackets. The methodology for calculating the net negative emissions was updated in 2024.
Diversified Private Debt	<ul style="list-style-type: none"> • Metrics data is as at 30 September 2024. • Absolute GHG emissions data scaled up by Isio to represent 100% of assets.
Private Equity (Fund of Funds)	<ul style="list-style-type: none"> • WTW did not receive any carbon data directly from the managers for the period to 31 December 2024. One manager (9% of overall NAV) provided data in 2023, but this was not made available in 2024. While WTW are working with managers for improved reporting, given the portfolio is in run-off, it is unlikely data quality will improve, but as the mandate rolls off overall Bus Section-level data quality will improve. • Data gathered from portfolio companies is as at 31 December 2023 (latest available). Carbon footprint weights is then based on portfolio valuations as at 31 December 2024. • 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 2023.

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 2024.
- 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 Trustee of the FirstGroup Pension Scheme

