

GXO Logistics Pension Trustee Limited

TCFD Report 2024

This report has been prepared to meet GXO Logistics Pension Trustee Limited's obligation under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations (2021) to prepare a report in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

This report covers the period 1 January to 31 December 2024, in line with our financial reporting year. This report should be read alongside our annual report and financial statements. It is our first TCFD report.

GXO Logistics Pension Trustee Limited would like to thank Chronos Sustainability Limited for its assistance in writing this report. GXO Logistics Pension Trustee Limited's also thanks BlackRock Investment Management (UK) Limited for contributing data presented in the Metrics the Scenario Analysis sections of this report.

GXO Logistics Pension Trustee Limited

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ORGANISATIONAL OVERVIEW: GXO LOGISTICS PENSION TRUSTEE LIMITED

The GXO Logistics Pension Scheme ('the Scheme') was set up on 26 January 2016 to manage the assets and liabilities from the TDG Pension Scheme and Christian Salvesen Pension Scheme arrangements.

The Scheme's primary objective is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents. The Scheme is a defined benefit scheme and is closed to further accruals and to new members.

The Scheme's strategic objectives are to ensure that (a) employer contributions are set at a level which is sufficient to recover any shortfall in assets relative to the value placed on accrued liabilities over the long term, and (b) there are always sufficient assets to deliver all benefits as they fall due for payments to members. The Scheme Trustee has translated these strategic objectives into a strategic asset allocation benchmark for the Scheme, which seeks to balance the enhanced long-term return on investments with short-term volatility and risk.

The Scheme had £628 million in assets under management as at 31 December 2024. These were invested in a mix of quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Scheme also used contracts of insurance, derivatives and contracts for difference for the purposes of efficient portfolio management and to hedge specific risks.

In 2023, we made the decision to change from an advisory model (where our selection and appointment of investment managers was advised by our investment consultant (Mercer)) to an Outsourced Chief Investment Officer (OCIO) model, appointing BlackRock Investment Management (UK) Limited ("BlackRock") as OCIO provider. In this new model, the responsibility for investment decisions, portfolio monitoring and other operational activities has been outsourced to the OCIO provider. Strategic investment decisions will remain the responsibility of the Trustee, taking professional advice. The assets were formally transferred to the OCIO provider in Q4 of 2023 following an onboarding period. For the purposes of this report, all mentions of the OCIO refer to BlackRock.

What is OCIO?

Outsourced Chief Investment Officer (OCIO) is an arrangement where an asset owner outsources the investment management decisions for their pool of assets to a third party. The third party, usually an investment firm, takes on fiduciary responsibility, investment decisions, portfolio monitoring and other operational services from the asset owner. In these arrangements, asset owners retain full authority over their asset allocation policy, and risk and return objectives.

GOVERNANCE AND MANAGEMENT

In 2023, we made the decision to change from an advisory model (where our selection and appointment of investment managers was advised by our investment consultant (Mercer)) to an Outsourced Chief Investment Officer (OCIO) model, appointing BlackRock Investment Management (UK) Limited ("BlackRock") as OCIO provider.

In this new model, the responsibility for investment decisions, portfolio monitoring and other operational activities has been outsourced to the OCIO provider. Strategic investment decisions remain the responsibility of the Trustee, who takes independent professional advice on these decisions.

The assets were formally transferred to the OCIO provider in Q4 of 2023 following an onboarding period.

An Overview of our Governance and Management Structure and Responsibilities

The GXO Logistics Pension Scheme is governed by GXO Logistics Pension Trustee Limited ('the Trustee') through the Trustee Board. The Trustee Board - which meets four times a year - is collectively responsible for the oversight of all strategic matters relating to the Scheme. This includes the approval of the governance and management framework relating to environmental, social and governance (ESG) and climate-related risk and opportunities.

The Trustee has established four committees, namely the Investment Implementation Committee (IIC), the Risk Register Committee, the Discretions Committee (which considers the exercise of discretion in relation to member benefits) and the GMP Committee (which oversees the implementation of guaranteed minimum pension requirements). The IIC and the Risk Register Committee have specific functions that relate to climate change (see call-out boxes). The key activities and decisions of the IIC are reported to the Trustee on a quarterly basis. Any decisions requiring Trustee approval will be reviewed and ratified at the quarterly Trustee Board meetings.

The Investment Implementation Committee

The full Trustee Board sets the overall investment strategy for the Scheme. This includes defining the target portfolio return, risk and hedge levels the OCIO must work within. The Board also approves asset allocation proposals developed by IIC changes to the main body of the Statement of Investment Principles.

The IIC's responsibilities - which require it to take advice from the Scheme's investment advisors - include:

- Oversight of implementation of investment strategy.
- Monitoring the investment performance and progress towards the long-term objective and progress on the Journey Plan.

- Development of the asset allocation proposal (and any future changes to the agreed asset allocation) for agreement by the Trustee Board and for discussion with the Principal Employer.
- Approval of OCIO agreements / terms.
- Approval of Investment Policy Implementation Document.
- Approval of the TCFD Report.
- Detailed review of investment performance.
- Monitor the OCIO against the OCIO Objectives on an annual basis and report back to main Board.
- Periodic benchmark review of the Fiduciary Manager against wider market to include costs.
- Review OCIO Objectives at least every three years and earlier if a major change. Any suggested changes to be approved by the Board.
- Monitor custodian.
- Review the Scheme's collateral pool(s) / counter parties / leverage ratio as reported by the OCIO.
- Review the investment risks and the controls in place to mitigate the risks.
- Review the performance of the AVC investment funds with Aegon.

The Risk Register Committee

The role of the Risk Register Committee is to ensure the adequacy and effectiveness of the Scheme's risk management framework. Its responsibilities include:

- Maintaining an appropriate register to identify and assess the risks that may affect the Scheme and having an overview of the key risks identified for the Pension Scheme.
- Attending an annual risk review meeting to review each risk, assess the appropriateness of the controls and mitigations in place to manage the risk, assess the severity of the risks and the scores attached to each risk and make changes as appropriate.
- Requesting updates from the Schemes' service providers in respect to GDPR compliance, business continuity plans and cyber resilience.
- Gathering input from the Investment Implementation Committee on the investment risk element of the risk register.
- Providing an updated Risk Register to the Trustee Board following the Annual Review Meeting
- Ensuring on-going maintenance of the Risk Register

The Terms of Reference of the Risk Register Committee are currently under review.

The GXO Logistics Pension Scheme executive comprises the Head of Pensions for UK & Ireland and the Secretary to the Scheme. Supported by professional advisers, the Executive's responsibilities include providing the administrative and other support necessary to manage the Scheme, analysing and managing risks relevant to the Scheme, managing relationships with employees and beneficiaries, and complying with statutory accounting and reporting requirements. The Executive also supports the Trustee through organising quarterly board

meetings, preparing papers for these meetings and reviewing the information provided by the Scheme's investment managers and advisers.

Monitoring and Review

The IIC meets quarterly to review investment performance and other investment issues. As highlighted in the "metrics and monitoring" section of this report, the OCIO provides an ESG dashboard on a quarterly basis, which includes a number of reporting metrics, such as ESG scores and carbon emissions metrics for the liquid portfolio.

A review of the OCIO against the formal objectives set for them by the Trustee was undertaken in Q4 2024.

Our Statement of Investment Principles

In our Statement of Investment Principle (SIP), last updated in 2023, we note that the Scheme is exposed to risks - funding, asset-specific, counterparty, etc - which may affect the Scheme's ability to meet its objectives. The Scheme is also exposed to systemic risks; examples include the interlinked and simultaneous failure of several asset classes and/or investment managers, and financial 'contagion' increasing the cost of meeting the Scheme's liabilities. Climate change is a particular systemic risk that could cause a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

The SIP notes that the Trustee seeks to manage ESG risks through diversification, through manager selection and oversight, and through stewardship. However, the Scheme acknowledges that it is not possible to make specific provision for all possible eventualities that may result from climate change.

The SIP sets out the following expectations for the OCIO (the 'Manager') in relation to ESG risks:

- "the Manager, as part of its due diligence, assesses the approach of all the Scheme's investment managers in integrating ESG risks considerations into the selection, retention and realisation of investments;
- the Manager, as part of its ongoing monitoring, will review the adherence of the Scheme's investment managers to their ESG principles and, on at least a quarterly basis, will report on key ESG metrics for the Scheme's investment managers and aggregate these to portfolio level where appropriate;
- the Manager, as part of its ongoing monitoring, reviews the execution of voting and engagement responsibilities and periodically reports back its findings to the Trustee (for example where the Scheme invests in pooled funds, the Scheme's investment managers are responsible for exercising voting rights and reporting on how they have exercised those rights); and
- where UK-domiciled investment managers are not signatories to the FRC's UK Stewardship Code, the Manager shall consider the investment manager's rationale for this position and, where appropriate, report back its findings to the Trustee."

Alongside the SIP, the Scheme has also published its Responsible Investment Beliefs (see Box) which guide its investment practices and processes. As part of the onboarding process, the OCIO proposed the integration of the Responsible Investment Beliefs and SIP through four key focus points: portfolio construction; integration; stewardship; and reporting and monitoring. The IIC

reviewed and discussed this approach during the meeting and decided to adopt it. In this meeting, the IIC also decided that the stewardship pillar of the investment approach would be best undertaken by BlackRock Investment Stewardship.

Our Environmental, Social and Corporate Governance Beliefs

- ESG and stewardship issues, including climate change, create both risks and opportunities that could materially impact the financial interests of the Scheme's beneficiaries. The Trustee will explicitly consider these issues, especially the short and long-term implications of climate change, when making investment decisions.
- Sustainability and corporate responsibility are important to the Scheme's Sponsor. To the extent possible, the Trustee aims to align the investment decisions it takes with those of the Sponsor (especially in respect of the Sponsor's stated environmental targets).
- Good management of ESG issues is a key determinant of long-term stakeholder value. The Trustee believes that it is important to set clear expectations of the Scheme's appointed investment managers and advisers on how ESG considerations are incorporated into the investment activities and advice. The Trustee aims to meet with its appointed investment managers on a regular basis to discuss the integration of ESG issues into their investment processes and has explicitly referenced ESG factors in the objectives set for its investment advisors.
- Monitoring material ESG risks closely is important, as the consistent mishandling of ESG issues is an early indicator of wider management or financial problems that have yet to emerge. The Trustee will work collaboratively with the investment managers and advisers to ensure that ESG risks in the underlying portfolio holdings are monitored effectively and (to the extent possible) compared to peers.
- Stewardship (engagement and voting) is important. As the Scheme only has a small exposure to equity, tracking a passive index, the Trustee recognises that the investment manager has full discretion when exercising voting rights and engagement activity. However, the Trustee intends to review voting behaviour and engagement outcomes annually and question decisions that appear out of line with the Scheme's objectives and/or policies.

IMPLEMENTATION

Our Climate Mission Statement

GXO Logistics Pension Scheme believes that climate change creates risks and opportunities that could materially impact the financial interests of the Scheme's beneficiaries. We will, therefore, explicitly consider these issues, especially the short and long-term implications of climate change, when making investment decisions.

We also believe that good management of climate change issues is a key determinant of long-term stakeholder value. We therefore believe that it is important that we both set clear expectations of our appointed investment managers and advisers on how ESG considerations are incorporated into their investment activities and advice, and that we regularly meet with these investment managers to review their integration of ESG issues into their investment processes.

Implementing Our SIP: Stewardship

The Trustee publishes an annual Engagement Policy Implementation Statement, describing how, and to what extent, the engagement policy in the SIP has been followed and implemented over the twelve months to 31 December each year.

The Trustee manages its stewardship through the BlackRock Investment Stewardship (BIS) approach votes on the Scheme's behalf. The Implementation Statement, which covers the voting and engagement undertaken by BIS on behalf of the Trustee, was reviewed by the IIC in May and it was noted that voting and engagement undertaken by BIS was in line with the Trustee's belief.

Our Voting and Engagement 2024¹

The Trustee has delegated to the OCIO the responsibility of collecting the stewardship and engagement reports of the underlying managers and assessing the suitability. The Trustee also expects the OCIO to monitor the underlying manager's activity to ensure compliance and confirm that it remains a suitable investment for the Scheme. The Trustee is comfortable that under the governance structure the responsibility sits with the OCIO to communicate with the underlying managers and on a regular basis collect information as required.

The Scheme has a portion of its Growth assets invested in funds managed by the OCIO. Given the OCIO's appointment as both the fiduciary manager as well one of the investment managers, the Trustee recognises the importance of ensuring that the OCIO's own policies and actions are appropriate for the Scheme. The OCIO publicises its own policies as well as quarterly updates online (which can be accessed [here](#)) which the Trustee has visibility of. This includes details of any changes to policies and also reports at an aggregate level the impact of its voting and

¹ Box includes extracts from the Scheme's annual Engagement Policy Implementation Statement.

engagement. The Trustee is comfortable that the transparency of the OCIO in publicising reports and developments online ensures alignment with the interests of the Scheme.

Whilst it is important to monitor the activities of the OCIO at a high level through this publicly available information, it is also important to monitor the voting and engagement activities undertaken on behalf of the Trustee by the OCIO on a more granular level.

The OCIO's approach to voting is described in the table below.

Shell Plc (UK, Energy)	Shell plc is an energy company headquartered in the United Kingdom. BIS has had extensive, multiyear engagements with Shell where they have discussed, among other topics, board composition, corporate strategy, and the board's oversight of, and management's approach to, climate-related risks and opportunities. At the May 2024 AGM, BIS supported management's proposal to approve Shell's energy transition update and its Energy Transition Strategy 2024. Shell first submitted its Energy Transition Strategy for a vote at the May 2021 AGM, when it received 89% support from shareholders, including BIS. In the two subsequent years, the company proposed an advisory shareholder vote on the progress made to date against its Energy Transition Strategy. The proposals received 79.9% and 80% shareholder support in 2022 and 2023, respectively, including from BIS. In BIS' view, Shell has provided and continues to provide a clear assessment of its plans to manage material climate-related risk and opportunities, while also demonstrating progress its stated Energy Transition Strategy. Shell's 2023 Capital Markets Day highlighted its strategy to deliver "more value with less emissions," focusing on markets where it has a competitive edge, like decarbonising transportation. By the end of 2023, Shell had achieved over 60% of its goal to reduce scope 1 and 2 emissions by 50% by 2030. The company is also progressing towards eliminating routine flaring and achieving near-zero methane emissions by 2030. Due to changes in energy markets and its power business strategy, Shell adjusted its climate targets, including retiring its 2035 net carbon intensity (NCI) target and modifying its 2030 NCI reduction target to 15-20%. These adjustments are seen as reasonable and transparent efforts to manage climate-related risks and opportunities.
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Noodles & Company (US, Consumer Discretionary)	Noodles & Company is a U.S.-based restaurant chain. As of January 2024, 90 out of the 470 operated restaurants were franchise locations. In May 2024 AGM, there was a proposal requesting that the company to disclose its current GHG emissions, establish and publish targets for measurably reducing them, and regularly report progress meeting those targets. BIS did not view the shareholder proposal as overly prescriptive or unduly constraining on management's decision-making. Currently, Noodles & Company does not disclose data on its GHG emissions, nor has it set reduction targets. The company lags its peers by not disclosing GHG emissions. However, Noodles & Company is currently in a challenging financial position. Its stock price is down more than 80% over the last 3 years, total revenues have fallen 1.2% in 2023 compared to 2022, average unit volumes decreased 2.3% in 2023 compared to 2022, and it returned a net loss of \$9.9 million in FY2023. The company ended its fiscal year with \$80.2 million in long-term debt (up from \$46.1 million at the end of the previous fiscal year) and, as of the company's annual meeting date, had a market capitalisation of approximately \$97 million. In addition, the company recently had a leadership change with new CEO named in March 2024. Based on BIS assessment, the financial cost to the company to provide the information sought in the proposal outweighed the informational benefit to investors in light of its financial condition. Given the company's situation, it is in their clients' long-term financial interests for the board and management to focus on executing the strategic turnaround plan and bolstering the company's capacity for sustained earnings growth. In their view, it would be more productive to wait for the company to stabilise before seeking climate-related disclosures. Accordingly, BIS did not support the shareholder proposal. As previously mentioned, BIS evaluate shareholder proposals on a pragmatic, case-by-case basis, with a singular focus on its implications for the long-term financial value creation by that company. As the company improves its long-term financial resilience, as discussed in our U.S. proxy voting guidelines, understanding the company's scope 1 and scope 2 emissions will become increasingly helpful to assess underlying long-term investment risk.
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Training

We recognise the importance of building our capacity and expertise on climate change, to ensure that we have the appropriate degree of knowledge and understanding of the identification, assessment and management of risks from the effects of climate change and the opportunities from climate change to support good decision-making.

In May 2024, the IIC received training from BlackRock Investment Institute (BlackRock's investment think tank) focused on climate risks. The session focused on explaining the concept of climate risk, how it can impact the economy and how the OCIO accounts for climate risk in its investment models. In September 2024, IIC received additional training on how climate risks can impact the Scheme and how the OCIO seeks to mitigate climate risk (and broader ESG risks) within the GXO Portfolio.

Metrics and Monitoring

As part of the process of developing and implementing our investment strategy with the OCIO, we held a series of discussions about our investment beliefs, about how we would like to see these implemented in asset allocation and in manager monitoring, and about our expectations on stewardship and voting.

From these discussions we agreed that:

- The OCIO will use climate aware capital market assumptions when designing the Scheme's strategic asset allocation.
- The OCIO will include ESG due diligence in its manager research process and will build ESG expectations into its manager contracts. The OCIO has confirmed that all managers are classed as 'Aligned' or 'Advanced' on its ESG rating scale.
- The OCIO will report climate-related metrics on an annual basis. Specifically, we have agreed that the OCIO will provide the following reporting metrics to us:
 - Total Greenhouse Gas Emissions (a measure of the total absolute greenhouse gas emissions attributable to the portfolio).
 - Carbon Footprint (a measure showing, for each £m invested, how much GHG emissions the investment produces).
 - Data Quality (a non-emissions-based metric that shows the proportion of the portfolio where sufficient data is available to assess the portfolio's exposure to climate change).
 - Binary Target Metric (a binary metrics assessing the proportion of the portfolio invested in issuers with science-based targets)
- The OCIO will report ESG metrics on a quarterly basis. Specifically, we have agreed that the OCIO will provide a number of reporting metrics, such as ESG scores and carbon emissions metrics for the liquid portfolio.

We will use these, in the first instance, to better understand the climate-related risks and exposures in our portfolios. Over time, we expect that the OCIO will provide analysis of trends in these data, allowing us to track progress, both on portfolio related emissions and on the implications of climate change for investment performance.

In 2024, our portfolio carbon emissions were 0.02695 MtCO₂e for Scope 1 & 2 emissions (2023: 0.01042 MtCO₂e) and 0.24698 MtCO₂e for Scope 3 (2023: 0.05254 MtCO₂e). This corresponds to a carbon footprint of 89.31 tCO₂e/£M for Scope 1 & 2 (2023: 74.6 tCO₂e/£M) and 801.42 tCO₂e/£M for Scope 3 (2023: 417.68 tCO₂e/£M). The observed increase in Scope 3 emissions is primarily due to the transition to the new OCIO managed mandate, which encompasses different holdings compared to the previous mandate.

In relation to the portfolio's alignment to net zero, we are pleased to note that 69.8% of the portfolio's equities market value is covered by an SBTi target, an increase from 60% in 2023. This increase can be attributed to several factors:

- Enhanced Corporate Commitments: More companies within the portfolio may have committed to setting science-based targets, reflecting a broader trend towards sustainability and climate responsibility.
- Portfolio Adjustments: The portfolio managers may have reallocated investments towards companies that have SBTi targets, thereby increasing the overall percentage of the portfolio covered by these targets.

- Improved Data and Reporting: There could have been improvements in the data collection and reporting processes, leading to a more accurate reflection of the portfolio's alignment with net zero targets.
- Market Value Changes: Changes in the market value of equities can also impact the percentage. If companies with SBTi targets have performed well, their increased market value would contribute to a higher overall percentage.

This positive trend indicates a stronger alignment with net zero goals, showcasing the portfolio's commitment to supporting companies that are actively working towards reducing their carbon footprint and contributing to global climate targets. Appendix A provides a more detailed overview of the Scheme's climate-related metrics.

In 2024, the IIC worked with the OCIO to further targets related to data quality improvements. It has also been promising to see an increase in data coverage, with the data quality metric reaching 48.1% of the portfolio for Scope 1 & 2 emissions (2023: 20.5%) and 49.1% for Scope 3 emissions (2023: 18.4%). The Trustee has set a target to increase the data quality scores for scope 1, 2 and 3 emissions for the overall portfolio to at least 50% over the medium term (5-10 years). Due to the substantial allocation to government bonds, the Trustee's direct influence on the target is constrained. Progress is, therefore, contingent on industry-wide advancements in emissions accounting methodologies for this asset class. Such progress is unlikely to be linear or quick, as it will be driven by the development of credible methodologies and then by the adoption of these methodologies by data providers and by the wider industry. Our expectation is that we are unlikely to see much change in our performance against our data quality target in the short-term but we do expect to meet our target in the medium term.

We will continue to monitor progress against this target, and we will continue to encourage the OCIO to actively participate and support industry efforts in relation to methodology development and the application of these methodologies to government bonds.

While we have not set our own greenhouse gas reduction targets, we do seek to align with the targets set by our Sponsor, GXO. These targets include:

- Reducing emissions by 30% by 2030 vs a 2019 baseline
- 100% carbon neutral by 2040

Risk Management and Scenario Analysis

We have identified climate change as one of the risks that needs to be managed as part of our overall risk management processes. We monitor and maintain records of climate risks and opportunities (over the short, medium and long term) through our risk register. All investment decisions, including decisions on how to integrate climate into investment research and decision-making, have been delegated to the OCIO.

The OCIO provides us with scenario analysis and other data which allows us to understand the climate-related risks that the Scheme's assets are exposed to. The OCIO provides information on how different climate policy scenarios (net zero, delayed action, current policies) might affect the Scheme's assets and underlying investment strategies held in the portfolio during the reporting period. Please see Appendix B for a December 2024 scenario analysis prepared by the OCIO for the Scheme, including the assumptions involved in the scenario analysis.

This analysis shows that transition risks under a net zero scenario are of particular risk to the Scheme's assets, resulting in a potential loss of £5,047,820. Under a delayed transition scenario there are also significant transition risks, potentially resulting in a loss of £4,089,927. As described above, the OCIO seeks to manage these transition risks through effective portfolio construction and stewardship. In 2025 we will schedule a dedicated session on TCFD with the OCIO to more closely understand this analysis and confirm that the OCIO is effectively managing these risks.

APPENDIX A GXO Logistics Pension Trustee Limited TCFD Metrics (Based on Holdings as at 31 December 2024)

All information is provided by BlackRock.

- **BlackRock Restricted**

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BlackRock

FOR THE USE OF GXO COMMON INVESTMENT FUND AND NOT FOR REDISTRIBUTION

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Portfolio Emissions – Aggregated Data – GXO CIF

Metric ¹	Total Portfolio – Scope 1 & 2	Total Portfolio – Scope 3
Total GHG emissions (MtCO ₂ e)	0.02695	0.24698
Carbon footprint (tCO ₂ e/£M)	89.31	801.42

The weighted average data coverage across the investment portfolio has been estimated* to be **48.1%** for scope 1 and 2 emissions combined. The weighted average data coverage across the portfolio has been estimated to be **49.1%** for scope 3 emissions.

The Trustee acknowledges that as coverage improves over coming years (in line with the wider industry), it is likely that the Group's absolute measure of emissions (total GHG emissions) may rise before it falls. This may be as the result of steps taken to improve the ESG characteristics of the investment portfolio.

Source: MSCI, third party managers, Schroders, Wellington, PGIM, Payden, Neuberger Berman, American Century, T Rowe, Lazard data as of 31 December 2024

*We have determined the overall data coverage of the total portfolio as the weighted average of the data coverage across asset classes. For asset classes where the data is not yet available and / or best practice is still being developed, we have assumed that data coverage is nil.

For scope 3 emissions, the emissions data is based on estimated data only.

- BlackRock Restricted

GXO CIF -Emissions by Asset Class: Scope 1 and 2

	Alternatives	Cash	Government Bonds	Corporate Bonds	Matching Strategy	Global Equities	Total
Market Value (£)	£80,879,609.50	£4,906,264.67	£13,218,267.00	£36,368,831.27	£418,586,587.82	£74,065,654.65	£628,025,214.91
% of total section assets	12.9%	0.8%	2.1%	5.8%	66.7%	11.8%	100.0%
Total GHG Emissions (MtCO ₂ e)	0.00000	0.00000	0.00000	0.01671	0.00742	0.00282	0.02695
Carbon Footprint (tCO ₂ e/£M)	0.86	0.74	NA	855.31	36.00	39.32	89.31
Data Quality Reported	-0.1%	90.3%	NA	42.6%	46.6%	85.8%	44.4%
Data Quality Estimated	0.0%	0.2%	NA	11.1%	2.6%	11.1%	3.7%
Data Quality ¹	-0.1%	90.5%	NA	53.7%	49.2% ³	97.0%	48.1%
GHG Intensity (t/ \$M GDP nominal)	NA	NA	212.25	NA	77.64	NA	56.21
Binary Target Metric ²	0.0%	6.3%	NA	13.1%	15.0%	69.8%	19.0%

1. % of Market Value where reported and estimated Carbon Emissions and Carbon Footprint data is available. Total excludes coverage from sovereigns; emissions from sovereigns reported via GHG Intensity Metric.

2. % of Market Value where issuer has SBTi approved target.

3. Includes Corporate Bonds from the Buy and Maintain Credit Portfolio

Source: MSCI, third party managers, Schroders, Wellington, PGIM, Payden, Neuberger Berman, American Century, T Rowe, Lazard data as of 31 December 2024

Matching Strategy data has been estimated based on the latest available statistics on national emissions and national debt, in-line with the DWP's statutory guidance

- BlackRock Restricted

GXO CIF – Emissions by Asset Class: Scope 3

	Alternatives	Cash	Government Bonds	Corporate Bonds	Matching Strategy	Global Equities	Total
Market Value (£)	£80,879,609.50	£4,906,264.67	£13,218,267.00	£36,368,831.27	£418,586,587.82	£74,065,654.65	£628,025,214.91
% of total section assets	12.9%	0.8%	2.1%	5.8%	66.7%	11.8%	100.0%
Total GHG Emissions (MtCO ₂ e)	0.00000	0.00031	0.00000	0.17739	0.04702	0.02226	0.24698
Carbon Footprint (tCO ₂ e/£M)	60.30	69.11	NA	7210.04	228.25	304.25	801.42
Data Quality Reported	0.0%	0.0%	NA	6.0%	0.0%	0.0%	0.3%
Data Quality Estimated	-0.1%	90.5%	NA	61.6%	49.2%	98.8%	48.7%
Data Quality ¹	-0.1%	90.5%	NA	67.6%	49.2% ³	98.8%	49.1%
GHG Intensity (t/ \$M GDP nominal)	NA	NA	212.25	NA	77.64	NA	56.21
Binary Target Metric ²	0.0%	6.3%	NA	16.1%	15.0%	70.6%	19.3%

1. % of Market Value where reported and estimated Carbon Emissions and Carbon Footprint data is available. Total excludes coverage from sovereigns; emissions from sovereigns reported via GHG Intensity Metric.

2. % of Market Value where issuer has SBTi approved target.

3. Includes Corporate Bonds from the Buy and Maintain Credit Portfolio

Source: MSCI, third party managers, Schroders, Wellington, PGIM, Payden, Neuberger Berman, American Century, T Rowe, Lazard data as of 31 December 2024

Matching Strategy data has been estimated based on the latest available statistics on national emissions and national debt, in-line with the DWP's statutory guidance

- BlackRock Restricted

Metrics & Targets – Methodologies

Metric Type	BlackRock Calculation Methodology
Absolute emissions metric: Total GHG Emissions	Total GHG emissions are calculated using MSCI sourced Enterprise Value Including Cash (EVIC) and Scope 1 and 2 emissions. This is an absolute emissions figure that is normalized using Market Value from BlackRock on the portfolio level. Equation outlined below: $\sum_i \left(\frac{\text{Market Value}_i}{\text{EV Including Cash (\$m)}_i} \times (\text{Carbon Emissions Scope 1 + 2})_i \right)$
Emissions Intensity metric: Carbon Footprint	Carbon footprint is an emissions intensity measure utilizing MSCI sourced EVIC and Scope 1 and 2 emissions. BlackRock market value and Net Asset Value figures are integrated to normalize to the portfolio level. Equation outlined below: $\frac{\sum_i (\text{Carbon Emissions Scope 1 + 2 Intensity (EVIC)}_i \times (\text{Market Value}_i))}{NAV}$
Emissions Intensity metric: Weighted Average Carbon Intensity	Weighted Average Carbon Intensity is an emissions intensity metric utilizing MSCI sources sales and Scope 1 and 2 emissions values. BlackRock market value and Net Asset Value figures are integrated to normalize to the portfolio level. Equation outlined below: $\frac{\sum_i (\text{Carbon Emissions Scope 1 + 2 Intensity (Sales)}_i \times (\text{Market Value}_i))}{NAV}$
Data Quality	MSCI Coverage as measured by Scope 1 and 2 emissions broken down by “Reported”, “Estimated” or “Not Reported” (represented as null values for Scope 1 and 2 emissions). Estimated values represent MSCI indication that the scope 1 and 2 emission data is estimated rather than officially reported.
Portfolio Alignment Metric: Binary Target Metric	The percentage market value of a portfolio where issuers have an approved SBTi target and investment is through a corporate bond or equity investment. Derivatives and other complex investment products are not captured
Emission Intensity metric: Sovereign GHG Intensity (t/USD million GDP nominal)	This figure represents GHG intensity of an economy (in tons per USD million GDP nominal). The higher the value the more carbon intensive the economy is. Six greenhouse gases, considered under Kyoto Protocol, are considered for this data point. These gases are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride. GDP is in nominal terms. Utilizes MSCI data.
Emissions Intensity metric: GHG Emission per Capita (Sovereigns)	Tons CO2e per capita. Six greenhouse gases, considered under Kyoto Protocol, are considered for this data point. These gases are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride. Utilizes MSCI data.

- BlackRock Restricted

Metrics & Targets – Methodologies

Metric Type	BlackRock Calculation Methodology
Total GHG Emissions Scope 3 Only	This figure represents the company's most recently estimated Scope 3 total emissions normalized by the most recently available enterprise value including cash (EVIC) in million USD. This ratio facilitates portfolio analysis by allocating emissions across equity and debt. (t/million USD)
Carbon Footprint Scope 3 Only	This figure represents the company's most recently estimated Scope 3 total emissions normalized by the most recently available enterprise value including cash (EVIC) in million USD. This ratio facilitates portfolio analysis by allocating emissions across equity and debt. (t/million USD)

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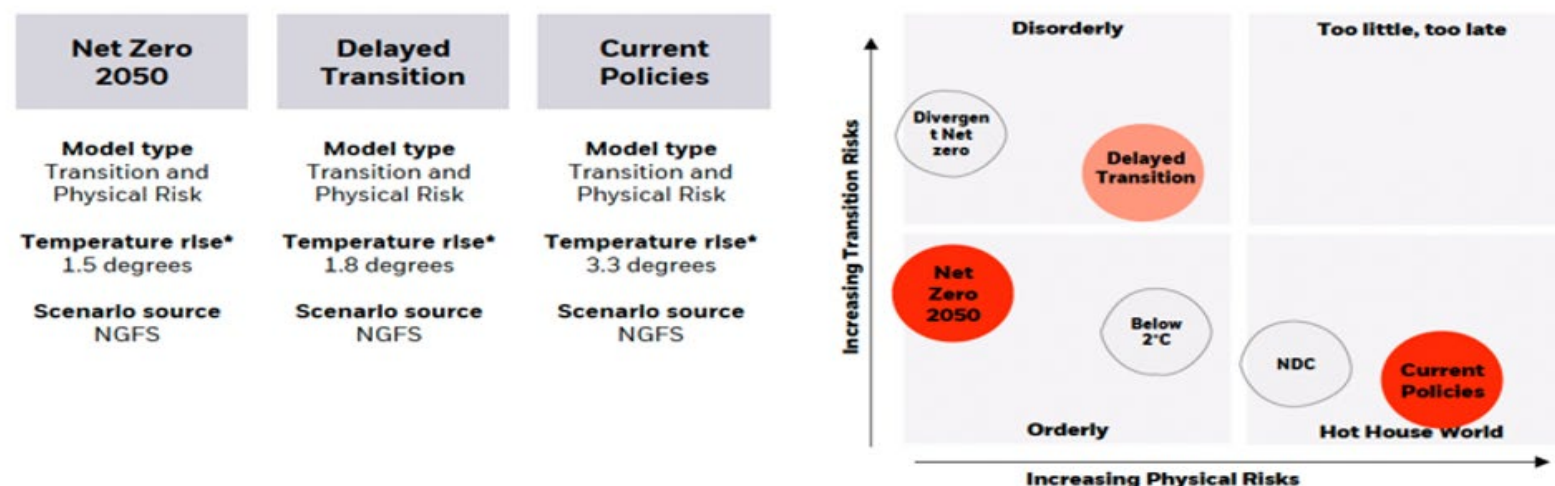
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APPENDIX B Climate Scenario Analysis for GXO Logistics Pension Trustee Limited (April 2024)

Scenarios | Overview

In Aladdin Climate reporting, the below climate-related scenarios are modelled as an instantaneous shock to an asset, or a sector benchmark through the Temperature Alignment models. All of these scenarios model Transition and Physical Risk and are defined by NGFS. The Current Policies scenario is Aladdin Climate's base scenario, for Transition Risk to which the Net Zero 2050 and Delayed Transition scenario are compared, for Physical risk we use a base scenario where we assume no additional climate damages in future.



Aladdin Climate's models are intended to highlight the potential impact of climate policies and outcomes on the economy and on financial markets. Given the uncertainty in how policy makers, economies and companies may respond and adapt to the projected scenarios and the long term nature of the scenarios, we inherently need to make a number of simplifying assumptions in our modelling. This allows Aladdin Climate to provide investors with insight into where they may face climate risks and opportunities within their portfolios, but not a forecast or prediction in how asset values will actually evolve.

*Policy ambition temperature rise by 2081-2100 relative to 1850-1900 source: NGFS <https://www.ngfs.net/ngfs-scenarios-portal/explore/>
Source: NGFS, August 2022, BlackRock, May 2025.

Context | Scenarios and scenario output

In the analysis that follows, **Aladdin Climate has leveraged industry-standard NGFS scenarios** to assess the potential impact of both Transition and Physical Risk, which is expressed in the analysis as physical climate adjusted value (also described as physical risk) and transition climate adjusted value (also described as transition risk), respectively. The scenarios themselves are taken directly from NGFS and are not a reflection of BlackRock's views.

Physical and Transition Risk are modelled separately as they require different model drivers. For the next 20 years, the increase of Physical Risk is unaffected by the transition pathway.

Available NGFS scenarios	NGFS Net Zero 2050 ¹	NGFS Delayed Transition ¹	NGFS Current Policies ¹
Temperature rise by ~2100	~1.5 degrees	~1.8 degrees	~3.3 degrees

Results are expressed as “**climate-adjusted values**” for **Transition and Physical Risks** (“TCAV” and “PCAV”, respectively). These are based on discounted cash flow analysis in each scenario relative to a “counterfactual” scenario that is assumed to be priced into current valuations. BlackRock's analysis considers a single timespan over the lifetime of the scenario modelled.

The “counterfactual” (NGFS Current Policies) assumes no additional warming for Physical Risk scenarios, and no additional policies enacted for Transition Risk scenarios. The outputs are therefore conservative by design (i.e. they produce more severe outcomes) which is consistent with stress testing market practice. Essentially “**de minimis**” **pricing of climate change is assumed**.

Due to different methods the **Physical and Transition Risk adjusted values cannot be added** to provide a total climate risk adjusted value.

Aladdin Climate scenarios and models have limitations – they may not capture compounding effects of climate change or the scale of monetary and fiscal policy response. The models' assumptions about changes in financial valuations may therefore be incorrect.

The climate models used **do not predict abrupt or irreversible changes that may result from reaching critical climate thresholds** or “tipping points”. They may also not adequately reflect feedback loops, and therefore underestimate systemic economic impact.

Given evolving nature of climate analytics, **we expect input data and models to change over time**, with potentially significant impacts on results.

¹ NGFS (Network for Greening the Financial System) published Phase 3 scenarios overview can be found here https://www.ngfs.net/sites/default/files/medias/documents/ngfs_climate_scenarios_for_central_banks_and_supervisors.pdf and technical documentation here https://www.ngfs.net/sites/default/files/media/2022/11/21/technical_documentation_ngfs_scenarios_phase_3.pdf. NGFS has since released an updated scenario suite (Phase IV) that is on our near-term roadmap to be brought into the Aladdin Climate offering.
Source: BlackRock. May 2025

Physical and Transition Risk | Results Overview

For this analysis, the portfolio holdings are assumed to remain constant over the scenario period. In other words, the impact of any future de-risking or position change in the portfolio composition is not taken into account.

The graph on below indicates the expected impact on asset value across the scenarios considered. A negative monetary amount indicates a potential deterioration in portfolio asset value versus the 31 December 2024 position (our analysis date).

	Current Allocation	Physical Risk		Transition Risk	
		Net Zero 2050	Delayed Transition	Net Zero 2050	Delayed Transition
Initial Asset Value (based on in scope assets)*	£544,173,044				
Effect of Scenario	-	-£2,862,263	-£3,049,631	-£5,047,820	-£4,089,927
New Asset Value	£544,173,044	£541,310,781	£541,123,414	£539,125,224	£540,083,118

	Physical Risk Coverage (%)	Transition Risk Coverage (%)
Average Coverage	81.4%	81.4%

See Aladdin Climate Explainers section for additional information on the methodology behind the analysis. Due to differences in scenario counterfactuals and valuation methodologies, Physical and Transition Risk should not be added to show a total climate risk. Source: BlackRock, May 2025. Estimated impact of scenario analysis is based on bottom up climate-risk analysis with holdings data 31 May 2022. Due to data limitations, contribution to the total portfolio impact from derivatives (including FX forwards, interest rate swaps and futures) have not been taken into account. *Assets as at 31 December 2024.

Physical and transition risk: Impact on strategies as a %

				Physical Climate Adj. Value %		Transition Climate Adj. Value %	
	Manager	Current Allocation %	Current Allocation £	Net Zero 2050	Delayed Transition	Net Zero 2050	Delayed Transition
Growth Portfolio							
Liquid Growth		20.5%					
US Equities Hedged*	BlackRock	0.0%	£57,365	-3.64%	-3.93%	-2.89%	-3.76%
US Equities Unhedged	BlackRock	4.6%	£28,568,487	-3.63%	-3.91%	-2.87%	-3.74%
UK Equities	BlackRock	0.2%	£1,084,015	-2.59%	-2.77%	-8.43%	-4.88%
Japan Equities	BlackRock	0.8%	£5,093,728	-4.48%	-4.82%	-7.56%	-4.56%
Pacific Ex Japan Equities*	BlackRock	0.1%	£831,148	-3.30%	-3.76%	-10.21%	-6.99%
Europe ex UK Equities	BlackRock	1.6%	£10,499,958	-2.84%	-3.09%	-8.87%	-6.87%
Equity Style Factors	BlackRock	2.0%	£13,063,471	-3.24%	-3.49%	-4.04%	-4.08%
Global Small Cap (1)	American Century	0.2%	£1,245,728	-0.52%	-0.57%	-0.51%	-0.42%
Global Small Cap (2)	Wellington	0.2%	£1,379,339	-0.19%	-0.20%	-0.37%	-0.23%
Emerging Market Equities	Schroders	2.1%	£13,900,290	-0.11%	-0.24%	-0.58%	-0.43%
Global Government Bonds	BlackRock	1.8%	£11,678,228	-0.14%	-0.15%	-0.18%	-0.07%
Global IL Government Bonds*	BlackRock	0.3%	£1,728,344	-0.10%	-0.10%	+2.4%	0.44%
IG Credit	PGIM	2.1%	£13,572,177	-0.21%	-0.24%	-1.22%	-0.66%
Global High Yield (1)	T Rowe Price	1.0%	£6,361,311	-0.19%	-0.22%	-1.39%	-0.88%
Global High Yield (2)	Wellington	0.7%	£4,351,019	-0.60%	-0.69%	-3.46%	-2.46%
EMD (hard ccy)	Payden & Rygel	0.7%	£4,331,072	-0.31%	-0.33%	-1.34%	-0.70%
EMD (local ccy)	Neuberger Berman	0.3%	£1,707,359	-0.05%	-0.05%	-0.16%	-0.01%
Global Convertible Bonds	Lazard	1.0%	£6,574,816	-0.07%	-0.08%	-0.06%	-0.05%
Liquid Cash***	BlackRock	0.8%	4,195,390	-	-	-	-
Private Markets	BlackRock	3.3%	24,315,776	Out of Scope			
Hedge Funds	BlackRock**	9.5%	60,774,095	Out of Scope			
Matching Portfolio							
LDI	BlackRock	45.6%	291,203,546	-0.16%	-0.16%	-0.25%	-0.50%
LDI Credit	BlackRock	21.1%	126,941,645	-0.17%	-0.17%	-0.74%	-0.15%

Estimates are based on assumptions and subject to change. Estimated impact of scenario analysis is based on bottom up climate-risk analysis with holdings data 31 December 2024. Due to data limitations, contribution to the total portfolio impact from derivatives (including FX forwards, interest rate swaps and futures) have not been taken into account. Individual securities not covered by Aladdin Climate are assumed to be impacted in line with the relevant portfolio average.

Source: BlackRock, May 2025. Due to differences in the scenario counterfactuals and valuation methodologies, Physical and Transition Risk should not be added to show a total climate risk. *Benchmark holdings used for these passive funds due to limited data availability. **BlackRock Hedge Funds is a fund of fund vehicle with 3rd party underlying managers. ***Cash is assumed to be non-applicable and assumed to experience an impact of 0.0%.

Physical and transition risk: Impact on strategies as £amount

				Physical Climate Adj. Value Em		Transition Climate Adj. Value Em	
	Manager	Current Allocation %	Current Allocation £	Net Zero 2050	Delayed Transition	Net Zero 2050	Delayed Transition
Growth Portfolio							
Liquid Growth		20.5%					
US Equities Hedged*	BlackRock	0.0%	£57,365	-£2,088	-£2,253	-£1,657	-£2,157
US Equities Unhedged	BlackRock	4.6%	£28,568,487	-£1,035,642	-£1,117,336	-£821,024	-£1,068,654
UK Equities	BlackRock	0.2%	£1,084,015	-£28,076	-£30,006	-£91,426	-£52,914
Japan Equities	BlackRock	0.8%	£5,093,728	-£228,244	-£245,318	-£385,120	-£232,148
Pacific Ex Japan Equities*	BlackRock	0.1%	£831,148	-£27,404	-£31,210	-£84,835	-£58,062
Europe ex UK Equities	BlackRock	1.6%	£10,499,958	-£298,555	-£324,261	-£931,352	-£721,215
Equity Style Factors	BlackRock	2.0%	£13,063,471	-£422,809	-£455,397	-£528,070	-£533,485
Global Small Cap (1)	American Century	0.2%	£1,245,728	-£6,417	-£7,043	-£6,323	-£5,288
Global Small Cap (2)	Wellington	0.2%	£1,379,339	-£2,601	-£2,775	-£5,036	-£3,133
Emerging Market Equities	Schroders	2.1%	£13,900,290	-£31,021	-£33,220	-£80,266	-£59,274
Global Government Bonds	BlackRock	1.8%	£11,678,228	-£16,197	-£17,235	-£21,394	-£8,692
Global IL Government Bonds*	BlackRock	0.3%	£1,728,344	-£1,708	-£1,791	£41,533	£7,555
IG Credit	PGIM	2.1%	£13,572,177	-£28,998	-£32,450	-£166,092	-£89,978
Global High Yield (1)	T Rowe Price	1.0%	£6,361,311	-£12,087	-£13,900	-£88,453	-£56,289
Global High Yield (2)	Wellington	0.7%	£4,351,019	-£26,075	-£30,064	-£150,481	-£107,208
EMD (hard ccy)	Payden & Rygel	0.7%	£4,331,072	-£13,559	-£14,112	-£58,251	-£30,277
EMD (local ccy)	Neuberger Berman	0.3%	£1,707,359	-£885	-£874	-£2,778	-£242
Global Convertible Bonds	Lazard	1.0%	£6,574,816	-£4,451	-£4,949	-£3,892	-£3,291
Liquid Cash***	BlackRock	0.8%	4,195,390	-	-	-	-
Private Markets	BlackRock	3.3%	24,315,776	Out of Scope			
Hedge Funds	BlackRock**	9.5%	60,774,095	Out of Scope			
Matching Portfolio							
LDI		45.6%	291,203,546	-£465,926	-£465,926	-£728,009	-£436,805
LDI Credit		21.1%	126,941,645	-£209,521	-£219,510	-£934,892	-£628,370

Estimates are based on assumptions and subject to change. Estimated impact of scenario analysis is based on bottom up climate-risk analysis with holdings data 31 December 2024. Due to data limitations, contribution to the total portfolio impact from derivatives (including FX forwards, interest rate swaps and futures) have not been taken into account. Individual securities not covered by Aladdin Climate are assumed to be impacted in line with the relevant portfolio average.

Source: BlackRock, May 2025. Due to differences in the scenario counterfactuals and valuation methodologies, Physical and Transition Risk should not be added to show a total climate risk. *Benchmark holdings used for these passive funds due to limited data availability. **BlackRock Hedge Funds is a fund of fund vehicle with 3rd party underlying managers. ***Cash is assumed to be non-applicable and assumed to experience an impact of 0.0%.

Physical and transition risk | Data coverage by portfolio

	Coverage
Growth Portfolio	
Liquid Growth	>80%
Private Markets	Out of Scope
Hedge Funds	Out of Scope
Matching Portfolio	
LDI	>70%
LDI Credit	>80%

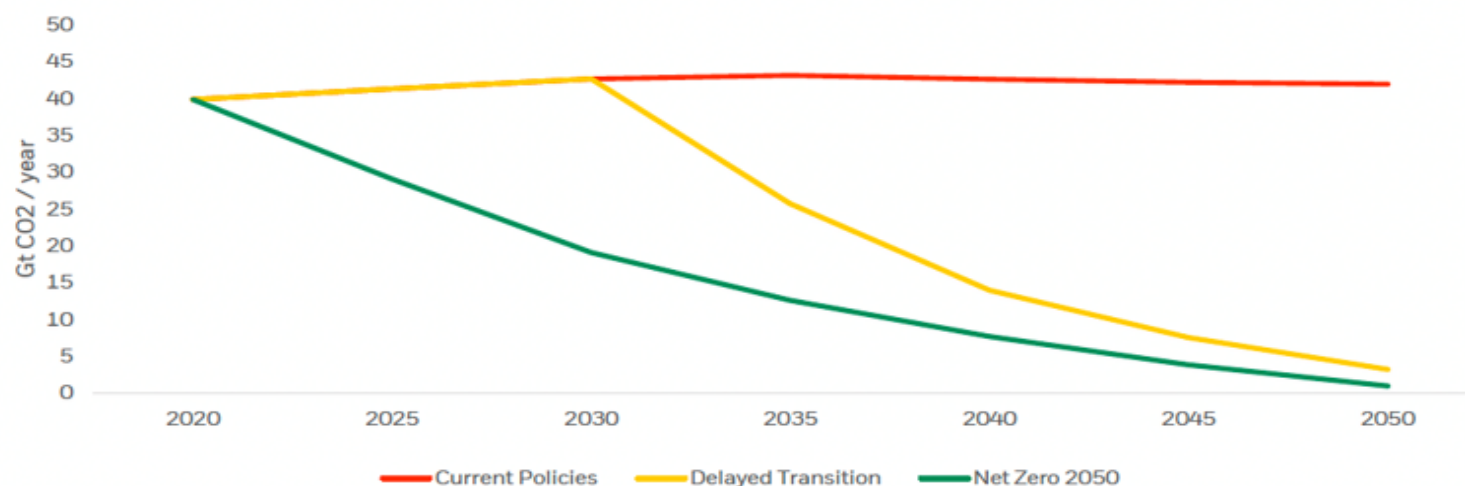
Source: BlackRock, May 2025. Data as at 31 December 2025.

Scenarios | Emissions

Net Zero pledges to date cover around 70% of global GDP and CO₂ emissions. However, this will require investment, innovation, policy, technology, infrastructure, and international cooperation.¹ This means that both the manifestation of climate change (Physical Risk) and the low-carbon transition to mitigate the worst of this impact (Transition Risk) are important and need to be considered alongside conventional investment risks.

Emissions & Temperature Over Time

The below chart shows the projected emissions pathways under three scenarios outlined by the Network for Greening the Financial System (NGFS). These are the Net Zero 2050 scenario aimed at limiting temperature rise to 1.5 degrees above pre-industrial levels by 2100, and the Delayed Transition Scenario which limits warming to c. 1.8 degrees, and the Current Policy Scenario which represents c. 3.3 degrees of warming.



¹ Morningstar, Simfund, Broadridge. Data includes Sustainable Mutual Fund, ETF, Institutional and Alternative AUM, as defined by third party data sources, excluding integration/engagement flags. US MF and Global ETF data as of Dec 31 '21, Non-US MF as of Nov 30 '21, and Institutional & Alternatives data as of Sept 30 '21. All values in \$USD NGFS full published Phase 3 scenarios can be found here https://www.ngfs.net/sites/default/files/medias/documents/ngfs_climate_scenarios_for_central_banks_and_supervisors.pdf

Scenarios | Physical risk

Understanding Physical Risk

Physical climate risk can manifest in both acute and chronic ways. Acute risks are event-driven, such as increasing extreme weather, increased wildfires, widespread inland flooding. Chronic risks are longer-term and generally less obvious, covering impacts including more volatile and higher average temperatures, and rising sea levels. Physical climate risk, among other risks, has impacts on both short- and long- term investing, with both direct (e.g., damage to property or consumer locations) and indirect (e.g., supply chain disruption) impacts. BlackRock has partnered with climate scientists and research groups to better quantify the financial implications of Physical Risk, combining local climate and econometric data with our financial models to understand the effects of a changing climate.

Physical Climate Scenario Analysis

By combining scenario projections from peer reviewed climate science with econometric models, we can better understand the financial implications of varying carbon emissions pathways on portfolios. Aladdin Climate models the following NGFS scenarios¹:

Current Policies – a “hot house world” scenario developed by NGFS. Current Policies assumes that only currently implemented policies are preserved, leading to high Physical Risk. Emissions grow until 2080 leading to about 3 °C of warming, resulting in irreversible changes like higher sea level rise.

Net Zero by 2050 – an orderly scenario developed by NGFS. Global warming is limited to c. 1.5°C through stringent climate policies and innovation, with CO₂ emissions reaching “net zero” in c. 2050

Delayed Transition – a disorderly scenario developed by NGFS. It assumes that no action is taken in the near term, and that strong policies are then needed from 2030 onwards to limit warming to below 2°C

Source: BlackRock, December 2022.

Scenarios | Transition risk

Understanding Transition Risk

Transition Risk identifies the risks and opportunities that arise from exposure to society's transition to a lower-carbon economy. The transition is already re-wiring the economy across sectors impacting investments through policy, technology, and behavioural change. However, the speed and shape of the transition is uncertain and uneven. Investors will need to identify and manage risks and opportunities resulting from the transition across their portfolios, with an awareness for differentiations across market channels, sectors, and regions. Aladdin Climate quantifies this impact of transitioning to a lower-carbon economy at the asset level, allowing for meaningful risk identification and portfolio analysis. These analytics are a product of collaboration across BlackRock's economic researchers, energy value chain experts, and financial analysts.

Transition Scenario Analysis

Transition scenario analysis is a key analytical technique used to model the potential transition scenarios for our economy, and the varying shapes and speeds of response. Such scenarios evaluate the potential futures of economic activity (e.g., GDP and population) alongside energy and land use patterns, as well as embed complex assumptions regarding the socioeconomic drivers of policy, technology, and consumer preferences. While there is vast uncertainty in what will happen, transition scenario analysis enables an understanding of what could happen, and the potential impacts to securities, issuers, and portfolios. Current scenarios referred to as "Net Zero" help us understand what society needs to do to reach Net Zero emissions by 2050 and limit average annual temperature rise to 1.5°C - 2°C by the end of the century, consistent with the Paris Agreement. Aladdin Climate currently models the following NGFS scenarios:

Current Policies – a "hot house world" scenario developed by NGFS. Current Policies assumes that only currently implemented policies are preserved, leading to high Physical Risk. Emissions grow until 2080 leading to about 3 °C of warming, resulting in irreversible changes like higher sea level rise.

Net Zero by 2050 – an orderly scenario developed by NGFS. Global warming is limited to c. 1.5°C through stringent climate policies and innovation, with CO₂ emissions reaching "net zero" in c. 2050

Delayed Transition – a disorderly scenario developed by NGFS. It assumes that no action is taken in the near term, and that strong policies are then needed from 2030 onwards to limit warming to below 2°C

Aladdin Climate uses the Current Policies scenario as the "counterfactual" scenario, i.e. other scenarios are compared to that counterfactual to derive transition risk impact.

Source: BlackRock, December 2022.

Glossary

Term	Definition
Coverage	Percentage of portfolio for which there is data, uncovered securities are assumed to be impacted in line with the average of those covered
Total Carbon Emissions	The absolute greenhouse gas emissions associated with a portfolio, expressed in tons CO ₂ e
Scope 1 Emissions	Emissions from sources owned or controlled by the company, typically direct combustion of fuel as in a furnace or vehicle
Scope 2 Emissions	Emissions caused by the generation of electricity purchased by the company
Scope 3 Emissions	Includes an array of indirect emissions resulting from activities such as business travel, distribution of products by third parties, and downstream use of a company's products (i.e. by customers)
NGFS	Network for Greening the Financial System. It is a voluntary group of Central Banks and Supervisors who work to develop and share best practice in the financial sector with respect to managing environmental and climate-related risks.
RCP	Representative Carbon Pathway. An RCP is defined by a greenhouse gas concentration trajectory (which is related to but is not the same as expected emissions). RCPs are intended to help describe different climate futures
TCFD	The Task Force on Climate-Related Financial Disclosures (TCFD) is a global guideline that recommends climate disclosures for businesses. It is currently mandatory in select regions (i.e., New Zealand), but voluntary elsewhere globally. The Task Force calls for businesses to create a governance structure around climate risk, incorporate climate considerations into corporate strategy and risk management, and disclose the specific metrics and targets used to assess climate risk.
NDC	Nationally Determined Contributions, are where countries set targets for mitigating the greenhouse gas emissions that cause climate change and for adapting to climate impacts. In scenario terms this relates to a scenario that assumes governments implement further policies consistent with Nationally Determined Contributions (NDCs)
PCAV	Physical climate adjusted value, or physical risk, is a measure of the change in valuation in the climate physical scenario relative to the base scenario.
TCAV	Transition climate adjusted value, or transition risk, is a measure of the change in valuation in the climate transition scenario relative to the base scenario.
W/m²	Watts per meter squared

Source: BlackRock, December 2022.

UK sovereign bonds*

Orderly transition – transition risk

Rationale	Catalysts	Calibration
- A transition to Global Net Zero by 2050 is achieved via immediate and smooth policy responses - Carbon taxes are channelled back to the economy via government investment	- UK sees up to 2% p.a. GDP gains peaking in 2027 (50% of carbon tax assumed to be reinvested into the economy) - UK inflation around 1.9% higher peaking in 2026, largely driven by repricing of carbon prices - Price of carbon rises to over 800 \$/ton by 2050.	The UK yield curve rises modestly as growth accelerates. Higher inflation however drives most of the impact on UK LDI assets and pension liabilities There is assumed to be no significant central bank response to higher inflation.

Orderly transition – physical risk

Rationale	Catalysts	Calibration
Robust corrective action is taken to reduce emissions is taken but temperatures still rise by 1.5°C by c 2100 relative to pre-industrial levels	- Physical changes such as higher temperatures, sea-level rises and hurricanes impact GDP. - The impacts are largely felt from 2050 onwards	The UK yield curve increases modestly in the near term, but more for longer tenors as physical risks become for evident.

Disorderly transition – transition risk

Rationale	Catalysts	Calibration
- A delayed transition starts in 2030 - Carbon taxes are used to cut income tax, thus boosting private consumption - There is a negative shock to business confidence as stringent policies are introduced	- There is a negative impact on UK GDP particularly in the early to mid 2030s - UK inflation around 1% higher than in a base case peaking in 2032 largely driven by repricing of carbon prices - Price of carbon rises from 0 in 2030 to over 1000 \$/ton by 2050	The middle of the UK yield curve rises modestly as the risk premia (probability of default) applied to the UK increases. Higher inflation is priced in from 2030 onwards There is assumed to be no significant central bank response to higher inflation.

Disorderly transition – physical risk

Rationale	Catalysts	Calibration
Some corrective action to reduce emissions is take but temperatures still rise by 1.8°C by c 2100 relative to pre-industrial levels	- Physical changes such as higher temperatures, sea-level rises and hurricanes impact GDP. - The impacts are largely felt from 2050 onwards	The UK yield curve increases modestly in the near term, but more for longer tenors as physical risks become for evident.

* The impact of transition and physical risk on corporate and sovereign bond portfolios and pension scheme liabilities has been modelled separately in Aladdin through calibration of user specified stress tests intended to be consistent with the climate scenarios shown.

Source: BlackRock, May 2025.

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