GXO Logistics Pension Trustee Limited

TCFD Report 2025

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 2025, in line with our financial reporting year. This report should be read alongside our annual report and financial statements.

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

GXO Logistics Pension Trustee Limited
Registered Office: Margo Green, Lancaster House, Nunn Mills Road, Northampton NN1 5GE

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Executive Summary

Executive Summary

GXO Logistics Pension Scheme believes that climate change creates risks and opportunities that could materially impact the financial interests of the Scheme's beneficiaries. The Trustee also believes that good management of climate change issues is a key determinant of long-term stakeholder value.

The Trustee has **ultimate oversight over the climate risks and opportunities impacting the Scheme**. The Trustee's Investment Implementation Committee (IIC) and Risk and Governance Committee have primary responsibility for monitoring climate risks through the risk register. The Trustee also engages with the OCIO provider on a quarterly basis to ensure that climate risks and opportunities are being effectively managed through the investment and stewardship approach. The Trustee also receives regular updates and training on climate considerations from the OCIO.

The Trustee regularly monitors various climate-related metrics. The Trustee is pleased to report that in 2025, it has **met its target to increase data quality scores for scope 1, 2 and 3 emissions for the overall portfolio to at least 50%** - data quality scores are now 66.1% for scope 1 & 2 and 66.7% for scope 3. Additionally, there was a **notable decrease in portfolio emissions this year** with scope 1 & 2 emissions falling from 0.027 $MtCO_2e$ in 2024 to 0.012 $MtCO_2e$ in 2025 while scope 3 emissions also dropped to 0.093 $MtCO_2e$ (0.237 $MtCO_2e$ in 2024).

The Trustee also continues to use scenario analysis to assess how different climate policy scenarios (net zero, delayed action, current policies) might affect the Scheme's assets. This analysis shows that transition risks under a net zero scenario are of particular risk to the Scheme's assets. The Trustee will continue to monitor and assess these risks through regular engagements with the OCIO.

GXO

Organisational Overview: GXO Logistics Pension Trustee Limited

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 Trustee'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 Trustee'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 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 **£616.9 million in assets under management as at Q4 2025**. 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.

Organisational Overview: GXO Logistics Pension Trustee Limited

Since 2023, we have used 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

Governance and Management Structure and Responsibilities

Since Q4 of 2023, the Scheme has operated through an **OCIO model**, having appointed BlackRock Investment Management (UK) Limited ("BlackRock") as its OCIO provider. Under this 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 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 and Governance Committee (previously 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 and Governance 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.**

Governance and Management Structure and Responsibilities

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 and 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 Manger 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. This includes the maintenance of investment risk register, which includes climate-related risks.
- Review the performance of the AVC investment funds with Aegon.

Governance and Management Structure and Responsibilities

The Risk and Governance Committee

The role of the Risk and Governance 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
- Producing and Own Risk Assessment (ORA)

In 2025, the Terms of Reference of the Risk and Governance Committee were expanded in response to the General Code and the requirement to operate an **Effective System of Governance (ESOG)**. The Committee now meets on a quarterly basis.

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, 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.

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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. In Q2 of 2025, the IIC reviewed ESG-related risks and discussed the control of these risks with the fund manager. It was agreed that no changes to the scores were required.

A review of the OCIO against the formal objectives set for them by the Trustee was undertaken in Q4 2025 and overall results were positive.

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Our Statement of Investment Principles

In our **Statement of Investment Principle (SIP)**, dated September 2023, we note that the Scheme is exposed to risks – funding, asset-specific, counterparty, etc - which may affect the Trustee'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 Trustee 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 in relation to ESG risks:

- "the OCIO, 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 OCIO, 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 OCIO, 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 OCIO shall consider the investment manager's rationale for this position and, where appropriate, report back its findings to the Trustee."

Our Statement of Investment Principles

Alongside the SIP, the Trustee 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 a 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.

The Trustee will undertake a review of the Responsible Investment Beliefs, particularly considering how the Scheme may align its emissions reduction target with that of GXO.

Our Responsible Investment 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.

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 Q1 2025, the IIC received training from BlackRock on the Thematic Private Market Fund (TPMF), a fund which has a thematic focus achieved by investing in companies that are aligned to one or more sustainability themes (including the climate transition). In Q2 2025, IIC received additional training on the Engagement Policy Implementation Statement, including the climate-related engagements undertaken by BlackRock.

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Strategy and Scenario Analysis

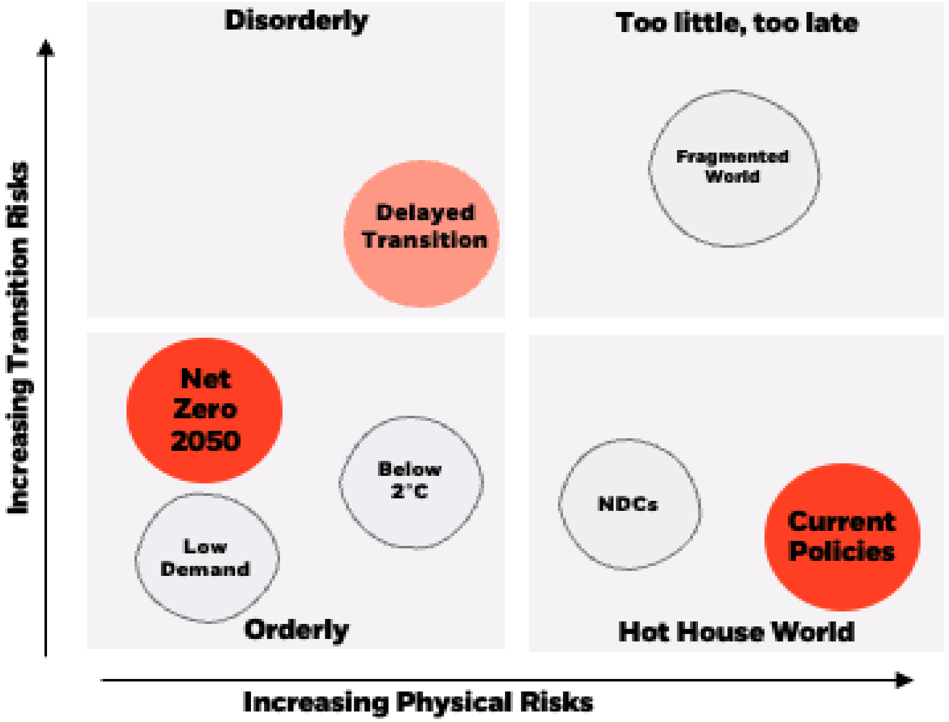
Risk Identification

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 climate risks and opportunities. Decisions on how to integrate climate into investment research and decision-making, have been delegated to the OCIO.

Scenario Analysis

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.

Net Zero 2050	Delayed Transition	Current Policies
Model type Transition and Physical Risk	**Model type** Transition and Physical Risk	**Model type** Transition and Physical Risk
Temperature rise* 1.4 degrees	**Temperature rise*** 1.7 degrees	**Temperature rise*** 3 degrees
Scenario source NGFS	**Scenario source** NGFS	**Scenario source** NGFS



Scenario Analysis

This analysis shows that transition risks under a Net Zero scenario result in a potential loss of £5,612,645, and that physical risks lead to potential losses of between £3,757,121 and £3,895,036. These compare to the initial asset value of approximately £500,000,000.

As described above, the OCIO seeks to manage these physical and transition risks through effective portfolio construction and stewardship. Please see Appendix B for further information about the scenario analysis prepared by the OCIO for the Scheme, including the assumptions involved in the scenario analysis.

		Physical Risk		Transition Risk	
	Current Allocation	Net Zero 2050	Delayed Transition	Net Zero 2050	Delayed Transition
Initial Asset Value (based on in scope assets)*	£501,663,542				
Effect of Scenario £	-	-£3,757,121	-£3,895,036	-£5,613,645	-£2,543,886
New Asset Value	£501,663,542	£497,906,420	£497,768,506	£496,049,896	£499,119,656

	Physical Risk Coverage (%)	Transition Risk Coverage (%)
Average Coverage	85.9%	85.9%

Risk Management

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 OCIO on how ESG considerations are incorporated into their investment activities and advice, and that we regularly meet with OCIO to review their integration of ESG issues into their investment processes.

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,** which votes on the Trustee's behalf. The Engagement Policy Implementation Statement (EPIS), covers the voting and engagement undertaken by BIS on behalf of the Trustee. In Q2 2026, BlackRock gave a presentation to the IIC about its voting and stewardship approach as well as its engagement priorities during 2025. This presentation assured the Trustee that **BlackRock's voting was aligned with the Trustee policies and principles**.

Stewardship Case Studies

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 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 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. The OCIO's approach to voting is demonstrated through the following extracts from the Scheme's annual Engagement Policy Implementation Statement.

Shell

An example of climate-related shareholder proposals being included at energy companies' shareholder meetings is Shell plc (Shell), an energy company headquartered in the UK, with operations in more than 70 countries around the world. On the agenda at Shell's May 2025 AGM was a shareholder proposal requesting that Shell discloses "*whether and how its demand forecast for liquified natural gas (LNG); LNG production and sales targets; and new capital expenditure in natural gas assets; are consistent with its climate commitments, including its target to reach net zero emissions by 2050.*"

Under BIS' Benchmark Policies, **we did not support** the shareholder proposal at the May 2025 AGM. In our analysis, Shell's disclosure is already sufficiently robust, allowing investors to understand how it is managing material climate-related risks and opportunities that might impact its long-term financial performance. The shareholder proposal received approximately **~21% support.**

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Stewardship Case Studies

Amazon

During the 2024-25 proxy year, certain large technology companies received shareholder proposals requesting disclosure on how investments they have made in artificial intelligence (AI) comport with previously communicated climate related ambitions. On the agenda at Amazon.com, Inc.'s (Amazon) May 2025 AGM was a shareholder proposal requesting that *"Amazon issue a report explaining how it will meet the climate change-related commitments it has made on greenhouse gas emissions, given the massively growing energy demand from artificial intelligence and data centers that Amazon is planning to build."*

Under BIS' Benchmark Policies, **we did not support** the shareholder proposal as in our assessment, the company regularly discloses information on this matter, including its efforts to integrate AI-related infrastructure into its climate-related strategy. The shareholder proposal received approximately **20% support.**

Metrics and Targets

Metrics

The OCIO is responsible for **providing the Trustee with updated information for monitoring climate-related risks and opportunities**. Specifically, the OCIO will

- Use climate aware capital market assumptions when designing the Scheme's strategic asset allocation.
- 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.
- 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.

Metrics

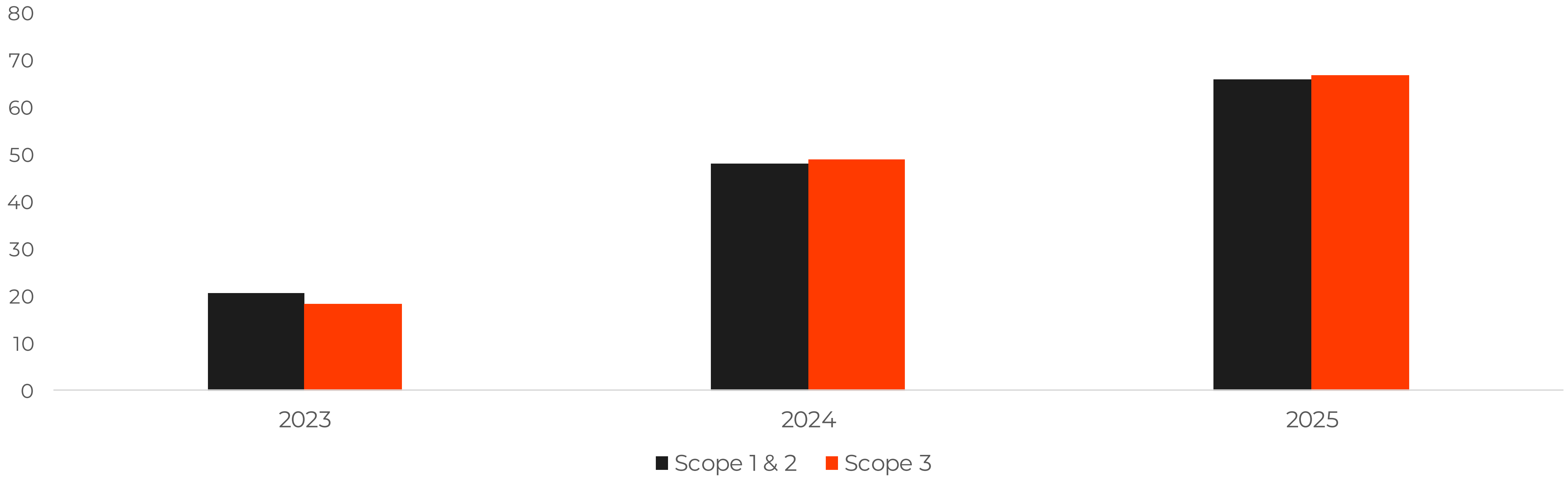
We were pleased to note that in 2025 the **total GHG emissions for scope 1 & 2 fell** from 0.027 MtCO2e in 2024 to 0.012 MtCO2e in 2025. Similarly, scope 3 emissions also dropped to 0.093 MtCO2e from 0.237 MtCO2e in 2024. In relation to the portfolio's alignment to net zero, we note that 47% of the portfolio's equities market value is covered by an SBTi target, a decrease from 69.8% in 2024.

Metric	Scope	2024	2025
Total GHG emissions (MtCO2e)	Scope 1 & 2	0.02695	0.01219
	Scope 3	0.24698	0.09316
Carbon Footprint (tCO2e/£M)	Scope 1 & 2	89.31	52.82
	Scope 3	801.42	399.87
Data Quality (%)	Scope 1 & 2	48.1	66.1
	Scope 3	49.1	66.7
Binary Target Metric (%)	Scope 1 & 2	19	16.1
	Scope 3	19.3	16.3

Appendix A provides a more detailed overview of the Scheme's climate-related metrics.

Targets

We are pleased to note that in 2025, we have met our target of 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). The data quality metric reached 66.1% for the portfolio for Scope 1 & 2 emissions (2024: 48.1%) and 66.7% for Scope 3 emissions (2024: 49.1%). We will continue to monitor 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.

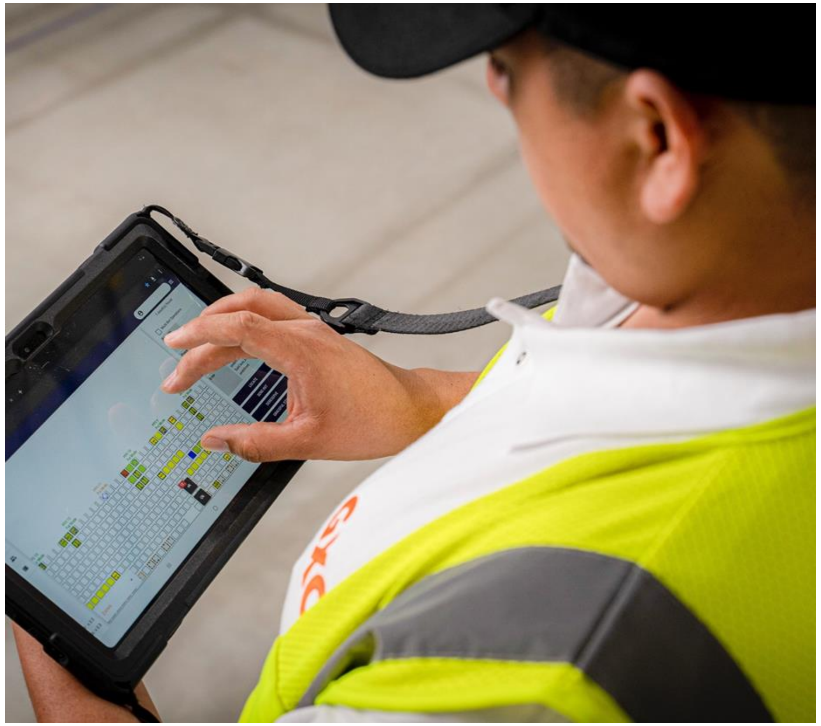


Targets

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 scope 1 and 2 emissions by 30% by 2030 vs a 2019 baseline
- 100% carbon neutral for scopes 1 and 2 by 2040
- Net zero across the value chain (inclusive of scope 3) by 2045

In 2026, the Trustee will continue to examine how it can more closely align its own targets with those of GXO.



Appendix A: GXO Logistics Pension Trustee Limited TCFD Metrics

Based on Holdings as at 31 December 2025

All information is provided by BlackRock

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Recipients of this material should refer to fund prospectuses and/or strategy governing documentation for key information about the investments listed, including fund/strategy objectives and investment risks.

Portfolio Emissions - Aggregated Data – GXO CIF

Metric[1]	Total Portfolio – Scope 1 & 2	Total Portfolio – Scope 3
Total GHG emissions (**$MtCO_2e$**)	**0.01219**	**0.09316**
Carbon footprint (**tCO_2e/£M**)	**52.82**	**399.87**

The weighted average data coverage across the investment portfolio has been estimated* to be **66.1%** for scope 1 and 2 emissions combined. The weighted average data coverage across the portfolio has been estimated to be **66.7%** 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, American Century, T Rowe, Lazard, PIMCO and Capital Group data as of 31 December 2025
*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.

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

	Alternatives	Cash	Government Bonds[4]	Corporate Bonds[3]	LDI Portfolio	Global Equities	Total
Market Value (£)	£ 87,518,569.62	£ 5,526,830.76	£ 13,562,184.85	£ 158,515,922.36	£ 268,097,811.82	£ 83,723,824.98	£ 616,945,144.39
% of total section assets	14.2%	0.9%	2.2%	25.7%	43.5%	13.6%	100.0%
Total GHG Emissions (MtCO2e)	0.00000	0.00000	0.00000	0.00946	0.00000	0.00272	0.01219
Carbon Footprint (tCO2e/£M)	NA	0.38	NA	64.36	NA	34.70	52.82
Data Quality Reported	NA	90.8%	NA	84.7%	NA	87.0%	60.8%
Data Quality Estimated	NA	3.9%	NA	8.1%	NA	6.7%	5.3%
Data Quality[1]	NA	94.8%	NA	92.7%	NA	93.7%	66.1%
GHG Intensity (t/ $M GDP nominal)	NA	NA	201.92	NA	106.12	NA	50.55
Binary Target Metric[2]	0.0%	4.4%	NA	37.8%	NA	47.1%	16.1%

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
4. Includes Pooled funds from the Liquid Growth Portfolio

Source: MSCI, third party managers, Schroders, Wellington, PGIM, American Century, T Rowe, Lazard, PIMCO and Capital Group data as of 31 December 2025
LDI data has been estimated based on the latest available statistics on national emissions and national debt, in-line with the DWP's statutory guidance

GXO CIF - Emissions by Asset Class: Scope 3

	Alternatives	Cash	Government Bonds[4]	Corporate Bonds[3]	LDI Portfolio	Global Equities	Total
Market Value (£)	£ 87,518,569.62	£ 5,526,830.76	£ 13,562,184.85	£ 158,515,922.36	£ 268,097,811.82	£ 83,723,824.98	£ 616,945,144.39
% of total section assets	14.2%	0.9%	2.2%	25.7%	43.5%	13.6%	100.0%
Total GHG Emissions (MtCO2e)	0.00000	0.00034	0.00000	0.06352	0.00007	0.02923	0.09316
Carbon Footprint (tCO2e/£M)	NA	64.46	NA	425.72	NA	373.13	399.87
Data Quality Reported	NA	0.0%	NA	4.1%	NA	3.3%	2.7%
Data Quality Estimated	NA	94.8%	NA	90.0%	NA	90.2%	64.1%
Data Quality[1]	NA	94.8%	NA	94.1%	NA	93.6%	66.7%
GHG Intensity (t/ $M GDP nominal)	NA	NA	201.92	NA	106.12	NA	50.55
Binary Target Metric[2]	0.0%	4.4%	NA	38.3%	NA	47.1%	16.3%

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
4. Includes Pooled funds from the Liquid Growth Portfolio

Source: MSCI, third party managers, Schroders, Wellington, PGIM, American Century, T Rowe, Lazard, PIMCO and Capital Group data as of 31 December 2025
LDI data has been estimated based on the latest available statistics on national emissions and national debt, in-line with the DWP's statutory guidance

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: $\sum_{n}^{i}\left(\frac{Market\ Value_i}{EV\ Including\ Cash\ (\$m)_i} \times (Carbon\ Emissions\ Scope\ 1+2)_i\right)$
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: $\frac{\sum_{n}^{i}(Carbon\ Emissions\ Scope\ 1+2\ Intensity\ (EVIC_i) \times (Market\ Value_i))}{NAV}$
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: $\frac{\sum_{n}^{i}(Carbon\ Emissions\ Scope\ 1+2\ Intensity\ (Sales_i) \times (Market\ Value_i))}{NAV}$
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.

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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Appendix B: Climate Scenario Analysis for GXO Logistics Pension Trustee Limited

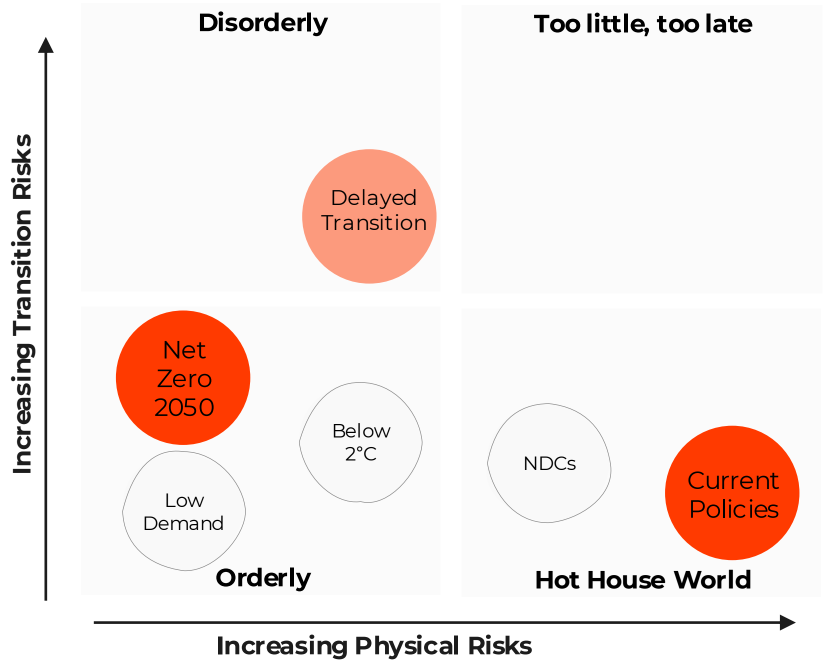
May 2026

All information is provided by BlackRock

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.

Net Zero 2050	Delayed Transition	Current Policies
Model type Transition and Physical Risk	**Model type** Transition and Physical Risk	**Model type** Transition and Physical Risk
Temperature rise* 1.4 degrees	**Temperature rise*** 1.7 degrees	**Temperature rise*** 3 degrees
Scenario source NGFS	**Scenario source** NGFS	**Scenario source** NGFS



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, March 2025, BlackRock March 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 Risk (TR) and Physical Risk (PR), 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	~1.4 degrees	~1.7 degrees	~3.0 degrees

Results are expressed as **"climate-adjusted values" for Transition, Physical and (combined) Climate Risks** ("TCAV" , "PCAV", "CAV", 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**.

For securities with both Physical and Transition Risk analytics available, there is also a combined climate risk metric, CAV, which represents the total impact on the security's valuation under the scenario from both Physical and Transition Climate shocks.

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 V scenarios overview can be found here https://www.ngfs.net/system/files/2025-02/NGFS%20Climate%20Scenarios%20for%20central%20banks%20and%20supervisors%20-%20Phase%20V%20%287%29.pdf and technical documentation here https://www.ngfs.net/system/files/2025-01/NGFS%20Climate%20Scenarios%20Technical%20Documentation.pdf. We show the model average values in the table.

Source: BlackRock, March 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 2025 position (our analysis date).

		Physical Risk		Transition Risk	
	Current Allocation	**Net Zero 2050**	**Delayed Transition**	**Net Zero 2050**	**Delayed Transition**
Initial Asset Value (based on in scope assets)*	£501,663,542				
Effect of Scenario £	-	-£3,757,121	-£3,895,036	-£5,613,645	-£2,543,886
New Asset Value	£501,663,542	£497,906,420	£497,768,506	£496,049,896	£499,119,656

	Physical Risk Coverage (%)	**Transition Risk Coverage (%)**
Average Coverage	85.9%	85.9%

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 2026. 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 2025.

Physical and transition risk: Impact on strategies as a %

	Manager	Current Allocation %	Current Allocation £	Physical Climate Adj. Value %		Transition Climate Adj. Value %	
				Net Zero 2050	Delayed Transition	Net Zero 2050	Delayed Transition
Growth Portfolio							
Liquid Growth		21.6%					
US Equities Hedged*	BlackRock	2.9%	£17,640,587	-4.38%	-4.62%	-2.84%	-3.22%
US Equities Unhedged	BlackRock	1.7%	£10,366,016	-4.36%	-4.60%	-2.83%	-3.20%
UK Equities	BlackRock	0.2%	£1,423,053	-2.61%	-2.77%	-10.86%	-4.91%
Japan Equities	BlackRock	1.9%	£11,678,232	-4.82%	-5.06%	-9.22%	-4.74%
Pacific Ex Japan Equities*	BlackRock	0.1%	£419,267	-3.18%	-3.52%	-8.09%	-4.13%
Europe ex UK Equities	BlackRock	1.4%	£8,536,720	-2.81%	-3.01%	-9.29%	-3.97%
Equity Style Factors	BlackRock	2.3%	£14,028,165	-3.87%	-4.07%	-3.82%	-3.09%
US Financials	BlackRock	0.4%	£2,575,478	-3.84%	-4.05%	-2.67%	-2.41%
Global Small Cap (1)	American Century	0.2%	£1,324,701	-4.05%	-4.33%	-9.08%	-5.23%
Global Small Cap (2)^	Wellington	0.6%	£3,717,398	Out of Scope			
Emerging Market Equities^	Schroders	1.2%	£7,567,083	Out of Scope			
Global Government Bonds	BlackRock	2.2%	£13,573,805	-0.13%	-0.13%	-0.25%	-0.07%
IG Credit	PGIM	1.9%	£11,798,048	-0.34%	-0.34%	-1.60%	-0.60%
Global High Yield (1)	T Rowe Price	0.8%	£4,802,617	-1.49%	-1.56%	-5.59%	-3.31%
Global High Yield (2)	Wellington	0.5%	£3,214,327	-0.74%	-0.79%	-2.76%	-1.85%
EMD (hard ccy)	PIMCO	0.4%	£2,675,848	-0.61%	-0.64%	-2.75%	-1.38%
EMD (local ccy)	Capital Group	0.9%	£5,847,069	-0.25%	-0.26%	-0.46%	-0.09%
Convertible Bonds^	Lazard	1.1%	£6,535,606	Out of Scope			
Liquid Growth Cash***	BlackRock	0.9%	£5,521,579	-	-	-	-
Gold	BlackRock	0.7%	£4,446,759	Out of Scope			
Private Markets	BlackRock	4.8%	£29,390,026	Out of Scope			
Hedge Funds	BlackRock**	9.4%	£58,128,544	Out of Scope			
Matching Portfolio							
LDI	BlackRock	43.5%	268,101,573	-0.21%	-0.20%	-0.17%	0.25%
LDI Credit	BlackRock	20.0%	123,658,037	-0.19%	-0.20%	-0.73%	-0.35%

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 2025. 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 2026. 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%. ^Funds excluded from analysis due to insufficient coverage (<80% coverage) on underlying holdings as we are reliant on data provided by external investment managers.

Physical and transition risk: Impact on strategies as £amount

	Manager	Current Allocation %	Current Allocation £	Physical Climate Adj. Value %		Transition Climate Adj. Value %	
				Net Zero 2050	Delayed Transition	Net Zero 2050	Delayed Transition
Growth Portfolio							
Liquid Growth		21.6%					
US Equities Hedged *	BlackRock	2.9%	£17,640,587	-£773,154.34	-£815,275.51	-£501,317.90	-£567,623.33
US Equities Unhedged	BlackRock	1.7%	£10,366,016	-£451,973.77	-£476,594.05	-£292,881.18	-£331,694.64
UK Equities	BlackRock	0.2%	£1,423,053	-£37,209.74	-£39,389.98	-£154,484.08	-£69,924.42
Japan Equities	BlackRock	1.9%	£11,678,232	-£562,601.21	-£590,395.55	-£1,076,248.22	-£553,691.49
Pacific Ex Japan Equities*	BlackRock	0.1%	£419,267	-£13,321.01	-£14,768.39	-£33,903.19	-£17,328.04
Europe ex UK Equities	BlackRock	1.4%	£8,536,720	-£240,158.14	-£256,702.34	-£792,688.77	-£338,774.17
Equity Style Factors	BlackRock	2.3%	£14,028,165	-£542,312.58	-£571,017.47	-£536,288.52	-£433,416.58
US Financials	BlackRock	0.4%	£2,575,478	-£98,983.23	-£104,285.76	-£68,830.06	-£62,194.80
Global Small Cap (1)	American Century	0.2%	£1,324,701	-£53,690.37	-£57,394.54	-£120,303.08	-£69,328.41
Global Small Cap (2)^	Wellington	0.6%	£3,717,398	Out of Scope			
Emerging Market Equities^	Schroders	1.2%	£7,567,083	Out of Scope			
Global Government Bonds	BlackRock	2.2%	£13,573,805	-£17,364.98	-£18,139.35	-£33,300.50	-£9,752.39
IG Credit	PGIM	1.9%	£11,798,048	-£39,658.34	-£40,632.42	-£189,211.37	-£71,169.94
Global High Yield (1)	T Rowe Price	0.8%	£4,802,617	-£71,326.57	-£74,753.70	-£268,380.65	-£158,925.96
Global High Yield (2)	Wellington	0.5%	£3,214,327	-£23,814.04	-£25,299.10	-£88,870.59	-£59,514.93
EMD (hard ccy)	PIMCO	0.4%	£2,675,848	-£16,288.23	-£17,028.70	-£73,670.19	-£36,978.10
EMD (local ccy)	Capital Group	0.9%	£5,847,069	-£14,613.51	-£15,233.98	-£27,161.65	-£5,296.64
Convertible Bonds^	Lazard	1.1%	£6,535,606	Out of Scope			
Liquid Growth Cash***	BlackRock	0.9%	£5,521,579	-	-	-	-
Gold	BlackRock	0.7%	£4,446,759	Out of Scope			
Private Markets	BlackRock	4.8%	£29,390,026	Out of Scope			
Hedge Funds	BlackRock**	9.4%	£58,128,544	Out of Scope			
Matching Portfolio							
LDI	BlackRock	43.5%	268,101,573	-£563,013.30	-£536,203.15	-£455,772.67	£670,253.93
LDI Credit	BlackRock	20.0%	123,658,037	-£237,638.02	-£241,921.64	-£900,332.77	-£428,525.75

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 2025. 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 2026. 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%. ^Funds excluded from analysis due to insufficient coverage (<80% coverage) on underlying holdings as we are reliant on data provided by external investment managers.

GXO

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	>95%
LDI Credit	>95%

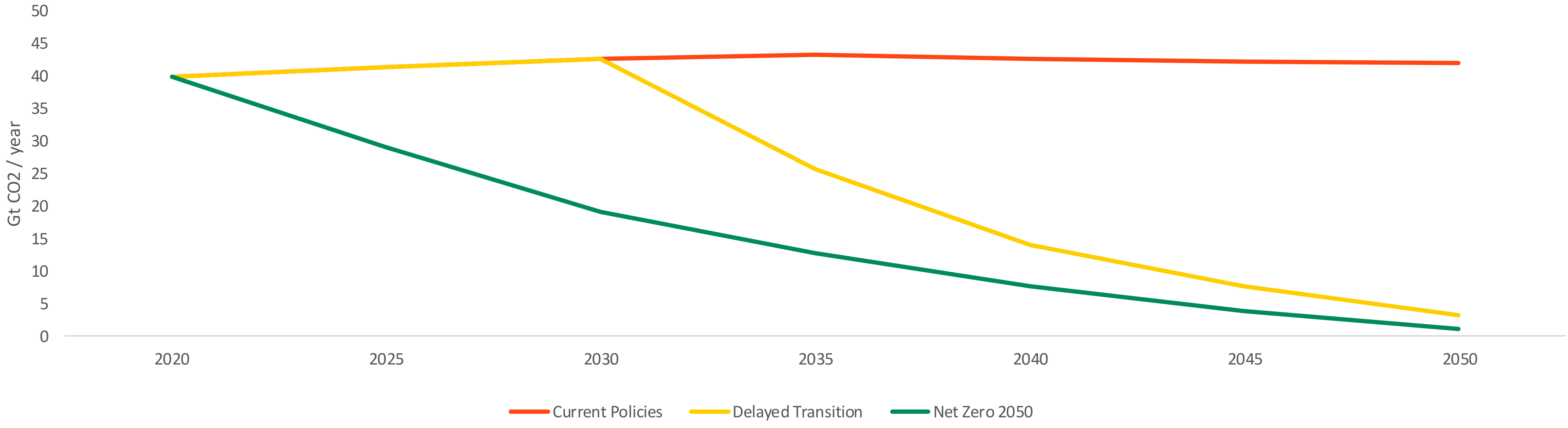
Source: BlackRock, May 2026. Data as at 31 December 2025.

Scenarios | Emissions

Net Zero pledges to date cover around 70% of global GDP and CO_2 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.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 scenarios[1]:

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 CO_2 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 CO_2 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 CO2e
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.

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UK sovereign bonds*

Orderly transition

	Rationale	Catalysts	Calibration
Transition risk	• 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	• GDP losses initially peak by 2026 around 1.9% damage on average. While overall GDP losses are sustained throughout the scenario, GDP growth tends to pick up before settling around 0.7% losses by 2050. • UK inflation around 1% higher than in base case peaking in 2025, largely driven by repricing of carbon prices • Price of carbon rises to over 1,000 $/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.
Physical risk	• Robust corrective action is taken to reduce emissions is taken but temperatures still rise by 1.6°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

	Rationale	Catalysts	Calibration
Transition risk	• 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 with losses around 1% GDP p.a. • UK inflation around 0.5% 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 700 $/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.
Physical risk	• 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 potential impact of transition and physical risk on the LDI portfolio, B&M Credit portfolio and pension scheme liabilities has been modelled separately in Aladdin through calibration of user specified stress tests on interest rates and inflation only and are intended to be consistent with the climate scenarios shown.**
Source: BlackRock, March 2026.

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