The Bupa Pension Scheme

Climate Disclosures Report for the year ended 30 June 2025

October 2025

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Message from the Chair

Welcome to our latest climate disclosure report, covering the progress we have made against our climate goals over the latest Scheme year.

The climate crisis continues to reshape the global economy, influencing markets and supply chains. Extreme weather events, evolving regulations, and the transition to low-carbon energy are creating both risks and opportunities for investors.

At the same time, global political challenges are slowing progress towards net zero. Governments are adopting unpredictable approaches to tariffs, and risks that previously seemed remote - such as economic sanctions or the repatriation of overseas assets - are becoming more material. This political context makes international cooperation on climate more difficult and reduces the effectiveness of global climate action.

Against this backdrop, the Trustee's role is to ensure that the Scheme's investments continue to be managed effectively, safeguarding members' benefits and positioning the portfolio for a changing world. Over the past year, we have refocused on areas within the Trustee's control to drive positive change. In particular:

- We improved the quality and reliability of climate metrics analysis by sourcing more data directly from managers, particularly within our alternative credit portfolio.
- We conducted our first annual review of the Scheme's investment managers against our Sustainable Investment Policy.
- While challenges remain, we believe that proactive stewardship and informed decision-making are essential to navigating the climate transition and protecting members' long-term interests. As such, we continued to engage actively with managers to better understand their approaches to addressing climate change.

Looking ahead, we intend to evolve our climate scenario analysis to incorporate an additional high-temperature scenario, testing how the portfolio might perform under more challenging conditions.

The Trustee remains committed to aligning the Scheme's portfolio with a 1.5°C pathway by 2040, recognising that achieving this goal will ultimately require coordinated efforts across the investment ecosystem. Our key focus remains on safeguarding members' long-term interests while contributing to the global transition toward a sustainable economy.

Mr M Potkins

Chair of Bupa Pension Scheme Trustees Limited.

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Executive Summary

Governance	Good governance is essential to manage climate change risks and opportunities effectively. The Trustee seeks to identify ways to enhance governance processes to ensure sustainability is integrated in every part of the investment decision making process. The Trustee continued to receive formal training to support its engagement with the Scheme's investment managers and with other advisors. ESG and specifically climate risk has been an agenda item at all Investment Committee meetings over the Scheme year. Over the year, the Trustee has formalised its views and expectations within a Sustainable Investment policy to help guide engagement with investment managers and will monitor managers' compliance with this policy on an annual basis. This policy was shared with the Scheme's managers, who were reviewed against this in the second half of 2025.
Strategy	In early 2023, the Trustee, in collaboration with its Investment Consultant, carried out the first climate scenario analysis for the Defined Benefit (DB) section of the Scheme, offering insights into how climate-related risks and opportunities could influence its long-term resilience. This analysis was reviewed during the Scheme year to assess whether an update was necessary. Given the continued stability of the Scheme's strategy and objectives, the Trustee concluded that an updated analysis was not warranted. The Trustee continually keeps the Scheme's longer term investment strategy under review. Climate change risks and opportunities will be considered as part of this review, and any findings will be incorporated within the climate scenario analysis to be performed next year. The Scheme's Investment Consultant continues to evolve its climate scenario modelling capabilities, and an additional "high temperature" climate scenario will be considered in next year's analysis to further expand the analysis and complement the scenarios previously considered.
Risk management	Managing climate change risk continues to be a strategic investment priority for the Trustee and sits at the core of the Scheme's risk management strategy. Over the Scheme year, the Trustee reviewed its stewardship priorities. Climate change, biodiversity, human capital (e.g., gender equality, diversity in ethnicity) and human rights have been confirmed as the key stewardship priorities for the Scheme. The Trustee continued to monitor the Scheme's investment managers through direct engagement (i.e., meetings, regular reporting) and indirectly (i.e., via assessments conducted by the Scheme's advisors).
Metrics and targets	The Trustee has worked to improve the quality of data underpinning the climate metrics analysis by sourcing a greater proportion of this directly from the Scheme's managers. This has strengthened the Trustee's ability to understand and monitor the emissions profile of the Scheme's asset portfolio. Methodological changes and a slower-than-anticipated pace of decarbonisation globally influenced by the geopolitical environment led to an increase in the Scheme's Implied Temperature Rise (ITR) over the year. However, based on the climate analysis undertaken that considers a range of different metrics, the Trustee expects that, over the longer term, the ITR of the Scheme's asset portfolio will converge toward the 1.5°C target.

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Section 1: Introduction

The Trustee of the Bupa Pension Scheme (hereinafter referred to as the “Trustee” and the “Scheme”, respectively) presents its third annual climate disclosure report under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the “Regulations”) for the year ended 30 June 2025 (formerly, the Taskforce on Climate-Related Financial Disclosures’ (“TCFD’s”). The Scheme is subject to the requirements to produce climate change disclosures in line with the above regulation. One of the aims of the regulation is to improve and increase reporting of climate-related financial risks and opportunities.

This report sets out the Trustee’s approach towards managing the risks and opportunities presented by climate change across the DB and DC sections of the Scheme.

The climate disclosure framework requires disclosures in four broad categories:

- **Governance**: around climate-related risks and opportunities
- **Strategy**: the actual and potential impact of climate-related risks and opportunities on the strategy and financial plans of the scheme under different climate scenarios
- **Risk management**: how the scheme identifies, assesses, and manages climate-related risks
- **Metrics and targets**: the metrics and targets used to assess and manage climate-related risks and opportunities

This report sets out the Trustee’s approach to compliance in each of these four areas. Following the transfer of the DC Section of the Scheme to Master Trust in 2021, the Scheme’s remaining DC assets (which represent a very small proportion of the Scheme) now consist of legacy investments which the Trustee cannot influence or change in a meaningful way at present. As a result, we have not covered these assets in the Strategy or Metrics and Targets sections of the report and instead have focussed our efforts on the DB assets which form the majority of the Scheme’s assets and where the Trustee has more scope to influence.

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Section 2: Governance

The Trustee recognises that an investment's financial success is influenced by a wide range of factors including Environmental, Social and Governance ("ESG") factors. The Trustee considers climate change as both a material risk and an opportunity, which should be integrated within the Scheme's investment processes and requires sustained, long-term oversight and management. To achieve this, the Trustee must have a robust and effective governance framework, which should be flexible over time to meet the needs of the Scheme and its beneficiaries.

Scheme governance

The Trustee has ultimate decision-making responsibilities on all investment matters including identifying, assessing and monitoring climate-related risks and opportunities. The Trustee is supported by sub-committees and by third-party professional advisors covering actuarial, investment and legal aspects, amongst others. A formal Terms of Reference document governs the relationship between the Trustee and its sub-committees, setting out roles and responsibilities, and how the sub-committees report to the Trustee Board. The Trustee ensures that investment managers, including the delegated manager, and the investment consultant are regularly monitored. This includes consideration of their incorporation of climate change considerations into the activities that they undertake on behalf of the Scheme.
The key overarching investment policies of the Scheme are further detailed in the Statement of Investment Principles, which was last updated in December 2024. This document can be found online at the following link: https://www.bupa.co.uk/~/media/Files/MMS/digi-03123

The Trustee has established a ***Risk & Administration Committee (RAC)***, which is responsible for ensuring that the Scheme maintains appropriate risk management processes. The RAC meets at least quarterly and is responsible for ensuring that appropriate focus is placed on risk management across the spectrum of the Scheme's activities, and, for reviewing and maintaining the Scheme's risk register. ESG risks, including climate are included within the Scheme's risk register which is reviewed on a quarterly basis. The RAC reports up to the Trustee on a quarterly basis.

The ***Investment Committee ("the IC")*** has delegated responsibilities relating to investment matters, including climate change-related considerations. The Trustee retains responsibility for setting appropriate frameworks and for key strategic investment decisions, such as the Scheme's net-zero target detailed later in this report, and delegates monitoring responsibilities to the IC. The IC is responsible for:

- implementing the Scheme's approach with regards to embedding climate change into investment processes and for reviewing this on an ongoing basis, as industry practices evolve,
- ensuring that any parties used in implementing the Scheme's climate change strategy are closely monitored and held accountable for the work they do on behalf of the Scheme; and,
- considering a range of sustainable investment topics and initiatives and making recommendations to the Trustee Board where appropriate.

The IC typically meets quarterly, but in practice will convene as required to deal with ad hoc investment matters. The IC reports up to the Trustee on a quarterly basis and provides a summary of the key issues that it has discussed. Trustee approval for certain decisions is requested as appropriate, and the Trustee has oversight of the production of this report. ESG and sustainable investment has been an agenda item at all IC meetings over the Scheme year.

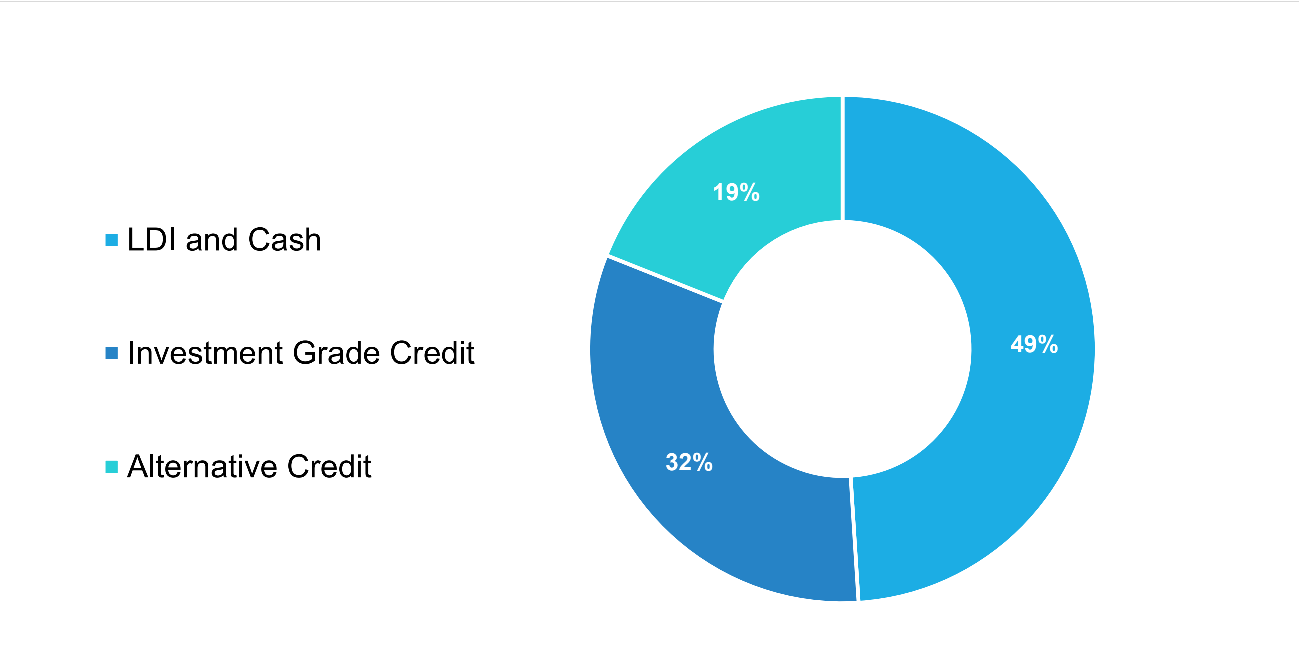
The Trustee recognises that climate change is a fast-evolving and complex area which requires ongoing engagement to stay up to date with the latest developments. Over the Scheme year, the Trustee received a training session covering developments within ESG stewardship across the pensions industry delivered by the **Scheme's Investment Consultant (WTW).** The IC receives additional training as required and regularly discusses factors (including ESG) impacting the Scheme's investments, with WTW and with the Scheme's investment managers as appropriate. In producing this report, the IC has had several sessions discussions with the Investment Consultant focused on climate change risks and opportunities; the discussions also covered the latest feedback provided by the Pensions Regulator ("tPR") to the industry on climate disclosure reporting.

Over the Scheme year, the Trustee has undertaken several actions to further enhance the Scheme's governance with respect to managing climate change risks and opportunities. Some of these key actions are highlighted below:

Stewardship priorities	Governance updates	Ongoing engagement
Stewardship priorities	**Sustainable Investment (SI) Policy**	**Engagement with managers**
The Trustee views stewardship as an essential mechanism for managing climate risk and enhancing the Scheme's financial outcomes. Recognising the complexity of stewardship, the Trustee believes it is most effective to concentrate on a set of priorities to guide engagement efforts in the near term. Over the year, the Trustee reviewed the Scheme's stewardship priorities to confirm they remained appropriate. As part of performing this review, the Trustee also engaged with the Sponsor to ensure that a consistent approach is being adopted. The Trustee agreed that the current priorities of climate change, biodiversity and human capital and human rights remained suitable for the Scheme and will continue to use these to guide their engagement with managers over the coming year	Over the Scheme year, the Trustee introduced an SI policy that has been shared with the Scheme's investment managers. The Trustee performs an annual assessment of the managers' SI capabilities relative to the policy expectations, with the view to identifying areas of improvement to support further engagement over the coming years. This first review relative to SI policy expectations was performed in September 2025. **Adviser review** The Trustee has set ESG objectives for the Scheme's Investment Consultant to ensure alignment with the Scheme's sustainability goals. The Investment Consultant is assessed against these objectives on an annual basis.	The Trustee held a strategy day with a focus on better understanding the Scheme's investment managers' approaches to stewardship and engagement. The Scheme's Investment Consultant provided an overview of some of the managers' sustainable investment policies, membership of industry initiatives and voting data. Following on from this session, the Trustee held meetings directly with the Scheme's LDI manager to discuss their approach for integrating sustainability into their investment processes in more detail. **Ongoing training** As part of the ongoing IC meetings over the year, the Scheme's Investment Consultant discussed with the Trustee a range of topical ESG areas such as biodiversity, evolution of climate disclosure requirements and the FCA's anti-greenwashing rule. The Trustee views this ongoing learning as an essential component of keeping up to date with industry developments, which will aid their assessment of the managers' ESG capabilities.

Background information on the DB Section asset allocation

As of 30 June 2025, the Scheme held around £1.3bn of assets, split as per the chart below. The Scheme has a target asset allocation of 17% in “alternative credit” assets, 30% in “investment grade credit” assets and 53% in “liability matching” assets.



In addition to its role as the Scheme’s Investment Consultant, the Trustee has also delegated responsibility for the ongoing management (including asset allocation and manager selection) of the Scheme’s alternative credit assets to WTW where it acts as the Scheme’s *Delegated Manager.* The parameters for the mandate include consideration of ESG factors, including climate risks and opportunities. The performance of the delegated manager is also reviewed by an independent third-party oversight provider, XPS.

The rest of the Scheme’s DB assets are split between a buy and maintain investment grade credit mandate and an LDI portfolio. Whilst consideration is given to both manager’s capabilities in ESG, the focus to date has been on the investment grade credit assets. These assets are managed on a segregated basis and the Trustee has defined specific restrictions for the mandate in relation to the portfolio’s exposure to thermal coal and tar sands, alongside some other social factors.

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Roles and responsibilities in respect of managing climate risk for different asset classes	
Buy and maintain investment grade credit	• Investment Consultant / Trustee reviews and monitors the ESG capabilities of the investment grade credit manager. • Trustee has delegated responsibility for stewardship with underlying investee companies to the investment grade credit manager. • Investment Consultant / Trustee engages with the investment grade credit manager on a regular basis to understand ESG developments
Alternative credit	• Alternative Credit is managed by the Delegated Manager, who has authority to make investment decisions within the parameters defined in the investment guidelines. The Delegated Manager implements their ESG views with regards to the construction of the alternative credit fund and the selection of underlying managers within alternative credit. • The Delegated Manager engages with the underlying investment managers and monitors/reviews their ESG capabilities • Investment Committee engages with the Delegated Manager on a quarterly basis with regard to the performance of the portfolio. Periodic updates on the integration of ESG are provided by the Delegated Manager.
Liability driven investments (LDI)	• Investment Consultant / Trustee reviews and monitors the ESG capabilities of the LDI manager. • We continue to see limitations regarding the measurement of climate risk within LDI portfolios. This is due to data availability, inconsistent methodologies for treating sovereign emissions and challenges to meaningfully engage with sovereign issuers and clearing houses. However, the Trustee believes that it is essential to monitor the wider ESG capabilities of the Scheme's LDI manager regularly. • Investment Consultant / Trustee engages with the LDI manager on a regular basis to understand ESG developments within the firm.

The Scheme has set an Implied Temperature Rise (ITR) target of 2040 for its credit assets which is aligned with keeping global warming to no more than 1.5 degrees Celsius. In doing so, the Trustee has engaged with the Sponsor (i.e., the Scheme's sponsoring employer) with regards to the parameters of the net-zero strategy adopted by the Scheme, to seek alignment with the Sponsor's strategy and targets where possible and appropriate given the Trustee's wider objectives.

Interaction with our advisors and other third parties

The Scheme's Investment Consultant provides support and advice to the Trustee across a range of investment topics, including ESG matters. Over the Scheme year, the Trustee has engaged in several ESG training sessions provided by its Investment Consultant, as set out above.

The Trustee has set strategic objectives for WTW which include specific reference to supporting the Trustee in sustainable investing and with preparing this report. The Trustee assesses the Investment Consultant against these objectives, and reviews the objectives themselves, on an annual basis. No key concerns have been noted to date and the Trustee has maintained an open dialogue with its advisors throughout the year. The Investment Consultant works closely with the Trustee's other advisors, in particular the Scheme Actuary, Mercer.

The Trustee expects the Scheme's investment managers to have robust stewardship and engagement practices. The Trustee believes that the explicit integration of ESG factors into its investment process may provide opportunities to increase expected financial returns and to have a positive environmental and social impact, as well as encouraging better governance practices in investee companies. Over the year, the Trustee has formalised these views and expectations within their Sustainable Investment Policy to help guide engagement with investment managers and will monitor managers' compliance with this on an annual basis. The first review of the investment managers' activities relative to the policy has been undertaken in September 2025. The Trustee has consulted with the Sponsor in producing this policy reflecting the desire for broad consistency with the Sponsor's sustainability policies, as appropriate.

The Scheme's Investment Consultant researches and reviews the ESG capabilities of the Scheme's LDI manager and buy and maintain investment grade credit manager and the results are regularly discussed with the Trustee. WTW is involved in several industry-wide collaborative initiatives and co-founded the Investment Consultants Sustainability Working Group ('ICSWG') which brings together leading UK investment consulting firms with the aim of seeking to improve sustainable investment practices across the investment industry.

When appointing the Delegated Manager, the Trustee considered several factors including its capabilities and resources in relation to the incorporation of ESG. The Trustee expects its appointed investment managers to have integrated ESG factors as part of their investment analysis and decision-making process, and to undertake positive engagement with investee companies. The Trustee monitors the engagement activities of its investment managers as part of its annual implementation statement and no significant issues have been raised to date.

The Trustee has delegated sustainable investment decision-making of the alternative credit portfolio to the Delegated Manager, who has discretion to implement their ESG views in the construction of this portfolio, subject to the parameters defined in the mandate's investment guidelines. The Trustee meets with the Delegated Manager on a quarterly basis. The Trustee monitors the ESG performance of the alternative credit mandate on a periodic basis, and the Delegated Manager is responsible for providing the Trustee with updates in relation to any ESG developments within the mandate. No significant issues have been raised to date.

The Trustee and its advisors meet with the Scheme's investment grade credit manager (LGIM) and LDI manager (BlackRock) on a regular basis. The Scheme's managers also attend the IC meeting on a biennial basis. Towards the end of 2023, LGIM attended the IC to provide updates on the evolution of their ESG integration approach within bond portfolios and engagement examples they have undertaken over the year. LGIM are due to provide a further update to the IC later this year. The last meeting with BlackRock took place towards the end of 2024 and covered an overview of Blackrock's ESG LDI offerings, including the use of green gilts and developments in relation to counterparty ESG metrics.

Engagement within the Scheme's alternative credit mandate over the Scheme year
Over the year, one of the managers within the Scheme's alternative credit portfolio – Rivage – engaged with a solar power producer on biodiversity protection and climate resilience. During due diligence, the borrower was asked to strengthen its environmental practices. This included integrating forward-looking assessments of physical climate risks and enhancing transparency and mitigation efforts for projects in biodiversity-sensitive areas such as the Natura 2000 network. The borrower responded positively, formalising these commitments in a side letter, with annual reviews planned to ensure continued progress and compliance.

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Examples of engagement from the Scheme's investment grade credit manager over the Scheme year
Biodiversity: Over the past year, LGIM engaged with a global food and beverage company on the environmental impacts of plastic use, particularly in relation to the transition to an economy designed to minimise waste. As one of the world's largest producers of packaged goods, the company is a key focus for LGIM's nature and pollution-related engagement strategy. The primary objective is to encourage a shift away from single-use fossil-fuel-based plastics, greater support for the Global Plastics Treaty, and transparency around lobbying activities. In 2023, LGIM co-led a collaborative engagement following a joint investor letter, and in 2024, continued this work through the Plastic Solutions Investor Alliance, engaging with senior sustainability leaders at the company. LGIM also supported a shareholder resolution at the 2024 Annual General Meeting calling for a comprehensive assessment of nature-related risks across the company's operations and supply chains. While the company has made some progress, LGIM considers the engagement objectives to be ongoing and will continue to push for more sustainable packaging practices and stronger disclosure.
Climate Change: Over the past year, LGIM engaged with a major energy company for its role in the climate transition, given its significant presence in a climate-critical sector. This engagement aligns with LGIM's Climate Impact Pledge and broader net-zero investment strategy. Key objectives included improved disclosure on climate scenarios, value chain emissions, lobbying activities, responsible divestment, as well as linking executive remuneration to progress in low-carbon initiatives. LGIM has held 11 meetings with senior company representatives in 2024 alone, including the Chair and Head of Investor Relations, reflecting the intensity of its engagement. Despite acknowledging improvements in climate-related disclosures and methane reduction, LGIM voted against the company's 2024 Energy Transition Strategy due to concerns over revised emissions targets and plans to expand its gas business. Engagement remains ongoing, both individually and through the Climate Action 100+ initiative, with objectives still in progress and further action anticipated to drive alignment with net-zero goals.
Human Capital/Human Rights: Over the past year, LGIM has engaged with a global retailer on both environmental and social issues, with a particular focus on climate change and labour rights. As the largest private employer in the US, the company has a significant influence on labour market standards and is a key target in LGIM's living wage campaign. LGIM expects the company to adopt a living wage policy across its operations and supply chains, and to ensure executive pay decisions reflect broader employee remuneration. Engagement included both individual and collaborative efforts through groups such as ShareAction's Good Work Coalition and the Platform for Living Wage Financials, where LGIM has taken a leading role. LGIM has supported multiple shareholder resolutions at the company's AGMs, including calls for transparency on racial justice and wage disparities. While the company has made progress—raising its minimum wage and offering upskilling opportunities—LGIM believes this continues to be insufficient. As a result, LGIM co-filed a shareholder resolution at the 2024 Annual General Meeting and may escalate further by voting against the Chair in 2025 if expectations remain unmet.

Acting as Investment Consultant and Delegated Manager for the relevant parts of the portfolio, WTW researches the ESG capabilities of the investment managers and provides views as appropriate. Outside of the delegated mandate, the Trustee has a policy to engage with its LDI manager and investment grade credit manager if there are any major gaps identified in their practices to encourage further alignment and reserves the right to terminate a manager if appropriate measures are not taken. The Investment Consultant also provides the Trustee with a brief overview of the investment grade credit manager on sustainable investment as part of the implementation statement, which is updated annually.

DC assets

The majority of the Scheme's remaining DC assets are held within a with-profits policy managed by the **DC Manager (Prudential).** These assets are strategically invested to improve the long-term profit share for members but given the nature of the arrangements, the Trustee has no influence over the underlying asset allocations. As a result, the Trustee's main activity in relation to these assets is from an oversight perspective. Further information on the DC Manager's approach and work around ESG and climate risks and opportunities is provided in the Risk Management section of this report.

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Section 3: Strategy

DB Section

The Trustee recognises climate change as a financially material risk to the Scheme, warranting focused and ongoing attention. By embedding climate risk considerations into investment decisions, the Trustee aims not only to enhance long-term outcomes for members but also to contribute positively to the broader environment in which they live.

As part of its analysis around the climate risk faced by the Scheme, the Trustee identified and defined the following elements of this risk and examples of impacts of the crystallisation of these risks:

Transition risk	Physical risk	Reputational risk	Regulatory risk
• The indirect impact arising as a result of changes in society and economies to combat or adapt to climate change • **Example:** • **Assets:** Some industries become obsolete (e.g. coal), reinvent themselves or others emerge (electric vehicles) • **Liabilities:** Improvements in mortality from healthier lifestyles	• The direct impact arising as a result of chronic and/or acute changes in climate and extreme weather events • **Example:** • **Assets:** Damage to physical assets underpinning securities (e.g. real estate and infrastructure) • **Liabilities:** Excess deaths arising from extreme weather	• The increasing spotlight on pension schemes and climate change increases the risk of being "named and shamed" • **Example:** • EAC report on 25 biggest UK schemes	• Regulators are increasing pressure on pension schemes to explicitly consider climate change • **Example:** • Implementation Statement • Mandatory Climate change reporting

With the timing of these impacts being uncertain, the Trustee has sought to assess how the Scheme may be affected by climate through different time horizons. In selecting different time horizons, the Trustee has considered a range of different factors impacting the Scheme.

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	Short Term	Medium Term	Long Term
Timeframe	To next Triennial Actuarial Valuation (2026)	To 2032	To 2040
Primary types of risk	• Transition • Reputational • Regulatory	• Transition • Physical • Reputational	• Transition • Physical
Commentary	Consistent with three-year actuarial valuation and investment strategy review cycle. **Transition Risk** The Trustee is predominately exposed to transition risks through its corporate bond assets. **Reputational Risk** The Trustee (and Sponsor) are exposed to reputational risks if the Trustee's policies are very poorly aligned with peers and/or the Sponsor. **Regulatory Risk** The Trustee is exposed to regulatory risks, including fines, if it does not comply with evolving regulatory requirements.	About halfway between short and long timeframe; new liability data available following 2032 actuarial valuation Position of considerable maturity for the Scheme. **Transition Risk** The Trustee is most exposed to transition risks through its corporate bond assets **Physical Risk** Financial effects of physical risk exposure are expected to begin to play a bigger role **Reputational Risk** The Trustee (and Sponsor) are exposed to reputational risks if the Trustee's policies are misaligned with peers and/or the Sponsors.	Broadly consistent with the duration of the Scheme's liabilities. Given the long-term nature of these risks, there is a high level of uncertainty in terms of the likely effect and the potential magnitude of their impact. **Physical Risk** Financial effects of physical risk exposure are expected to be more pronounced

Climate scenario analysis

In 2023, the Trustee collaborated with its Investment Consultant to conduct climate scenario analysis for the DB section of the Scheme. This analysis and the climate metrics analysis presented in a later section exclude annuities, which make up a very small portion of the DB assets. The purpose of the analysis was to assess the potential long-term impacts of climate change on the Scheme and to identify appropriate actions to manage associated risks and opportunities. The Trustee is required to review this analysis at least every three years, or sooner if there are significant changes. During the Scheme year, the Trustee concluded that an update was not necessary, as there were no material changes to the Scheme's objectives, strategy, asset allocation, membership, or Sponsor Covenant. As a result, the climate scenario analysis remains unchanged from the previous year. The Trustee will undertake an updated climate scenario analysis at the next iteration of the Scheme's climate disclosures report, in line with the requirements.

This analysis conducted was based on the Scheme-specific asset allocation and liabilities as of 30 September 2022. Detailed discussions took place within IC meetings around the methodologies employed. The Trustee recognised that there is a great deal of uncertainty around the assumptions used and the analysis is expected to be further refined as data and industry standards improve, and as the Scheme's investment strategy evolves. The Trustee also recognises that there are ongoing industry-wide discussions that the scenarios used by many investors may not capture the potential severity of climate scenarios, in relation to “tipping points” and will work with the Investment Consultant to consider how to incorporate this within future analysis.

The Trustee investigated four climate scenarios which are in part defined through their success, or otherwise, in meeting the temperature rise implied by the Paris Agreement. The Paris target is to limit global temperature rises to well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. They were constructed with reference to the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) and other industry research. The scenarios differ in the size of the physical risks, based on the resulting temperature impacts, but also in the size of the transition risks (see below the key parameters). These are translated into estimate GDP growth impacts which are used to inform the estimated impact on assets returns. The liability impacts modelled are focused on the climate impacts on mortality. Specifically, the Trustee assumes that the long-term rate of mortality improvement will vary in each scenario, and the liability values have been re-calculated under these different mortality assumptions. The impact of each scenario on mortality assumptions have been derived using judgement from professional actuaries at WTW and are designed to illustrate the potential direct and indirect impacts of climate on mortality. These include the impacts of climate change on weather patterns, lifestyles, and the socioeconomic situations of members. In the view of the Trustee, the four scenarios selected continue to reflect an appropriate range of plausible decarbonisation pathways and are relevant in the context of the DB Section.

One development that the Investment Consultant has been working on over the year is the design of a new climate scenario, which models a future where policy efforts to limit global warming prove insufficient, resulting in a significant rise in global temperatures (exceeding 3ºC above pre-industrial levels). This scenario reflects recent industry findings, including those published by the Institute and Faculty of Actuaries (IFoA) in collaboration with climate scientists, which indicate that global warming accelerated in 2023, making an overshoot of the 2ºC target increasingly likely. Under this scenario, in addition to transition costs, the Scheme would be exposed to heightened physical risks, including more frequent extreme weather events, ecosystem degradation, and broader macroeconomic instability. The Trustee recognises that this presents a challenging backdrop for long-term investors and underscores the need for robust risk management and appropriate diversification. This scenario can provide a useful stress-test to assess resilience under adverse climate outcomes and will be considered in the climate scenario analysis that will be undertaken for the Scheme next year.

The Scheme will incorporate the input received from the Scheme Actuary based on the latest triennial actuarial valuation into future analysis. The Trustee has also discussed the approach undertaken to perform climate scenario analysis with the Sponsor, to allow for a certain level of alignment with the approach adopted by the Sponsor for its climate disclosure purposes.

The table below identifies the key parameters that define each scenario.

	Lowest Common Denominator	Inevitable Policy Response	Global Coordinated Action	Climate Emergency
Description	A "business as usual" outcome where current policies continue with no further attempt to incentivise further emissions reductions. Socioeconomic and technological trends do not shift markedly from historical patterns.	Delays in taking meaningful policy action result in a rapid policy shift in the mid/late 2020s. Policies are implemented in a somewhat but not completely co-ordinated manner resulting in a more disorderly transition to a low carbon economy.	Policy makers agree on and immediately implement policies to reduce emissions in a globally co-ordinated manner. Companies and consumers take the majority of actions available to capture opportunities to reduce emissions.	A more ambitious version of the Global Coordinated Action scenario where more aggressive policy is pursued and more extensive technology shifts are achieved, in particular the deployment of Negative Emissions Technologies at scale.
Temperature rise	~3.5ºC	~2.0ºC	~2.0ºC	~1.5ºC
Transition risk level	Low	High	Low – Medium	Medium – High
Physical risk level	High	Low – Medium	Low	Low

Further detail on the climate scenario analysis undertaken is included in the Appendix.

Conclusions

Based on the climate scenario analysis conducted, the Trustee does not expect that any fundamental changes are required to the investment strategy arising from the expected impact of climate risk on the Scheme. The Trustee is constantly keeping the Scheme's investment strategy under review; climate change risks and opportunities are also considered as part of this review, and any findings will be incorporated within the climate scenario analysis to be performed next year.

The scenarios assume that all other factors are equal during the efforts to transition to a low carbon economy which the Trustee acknowledges is very unlikely to occur in practice. Second order effects, such as higher levels of investment, employment, and productivity-enhancing innovation, are hard to estimate (and will likely offset some of the falls highlighted in the analysis), hence the climate scenarios are not the sole driver of investment strategy and risk management decisions.

Ultimately, the Trustee believes that the Scheme's investment strategy is reasonably resilient to the potential impacts of the climate scenarios considered. The Scheme's funding level continues to be strong, and the overall portfolio is relatively low risk given the target investment return and the nature of the assets that the Scheme invests in (i.e., fixed income assets). Furthermore, in each of the scenarios considered, the Scheme's funding level is expected to improve over the long-term. That said, the Trustee recognises that climate risks and opportunities are likely to have a material impact on financial outcomes for the Scheme and the Trustee is committed to taking active steps to address this. The climate scenario analysis performed does not cover any implications that climate risk may have on the Sponsor covenant. However, the Scheme's Sponsor has extensively considered the impact that climate risk has on its business within its own climate disclosures report. The Trustee held several discussions with the Sponsor on its commitment in this area and the scenarios used in the respective modelling is considered broadly consistent in terms of the outcomes relative to the Paris Agreement targets.

Section 4: Risk Management

The Trustee is committed to delivering strong, long-term investment returns for the members of the Scheme, while supporting a sustainable and resilient financial system. A well-structured approach to identifying, managing, and mitigating climate risks is key to improving outcomes for members. Climate considerations are embedded into the Trustee's risk management framework through three core lenses:

1. Governance – DB Section and DC assets

The Trustee views climate change as a risk that interacts with other risks faced by the Scheme and believes that climate risks and long-term investment returns are interlinked – the physical impacts of climate change and the transformation of the global economy as it decarbonises are expected to materially impact investment risk and return.

The Trustee considers climate change risks and opportunities on a regular basis and is supported by the Scheme's Investment Consultant, WTW, in the process of identifying these. The Trustee delegated responsibility to the Risk & Administration Committee (RAC) for several functions relating to the oversight of risk management. This includes maintaining the Scheme's risk register, which is reviewed on a quarterly basis by the RAC and is designed to ensure that the risks the Scheme is exposed to are monitored on a regular basis, whilst newly emerging risks are identified. The risk register clearly details the size and likelihood of the risk, the controls in place and the actions the Trustee takes to manage, mitigate, and exploit both the risk and opportunity. Although the Trustee retains ultimate ownership, the risk register clearly sets out the parties that assist the Trustee in its responsibilities.

The RAC reports quarterly to the Trustee and will take actions and make recommendations where necessary. The Trustee firmly believes that climate change is a material risk that presents significant financial, environmental, and societal challenges. Since 2021, climate change has been discussed regularly by the IC, reflecting the Trustee's desire to manage the Scheme's exposure to climate change risk.

2. Top-down analysis – DB Section

The climate change scenario analysis shown in the previous section provides the Trustee with a holistic overview of the potential impacts of climate change and how they may affect the Scheme's strategy (across assets, liabilities, and covenant). This is an important risk management tool for a top-down risk and opportunity assessment.

3. Bottom-up analysis – DB Section

The Trustee also conducts more granular analysis to manage the risks and opportunities associated with climate change. These include:

- ***Security analysis*** – As detailed in the next section, the Trustee works with its Investment Consultant to calculate various climate metrics for the underlying securities within the portfolio. This includes metrics such as absolute carbon, weighted average carbon intensity and exposure to climate opportunities. These provide the Trustee with a more detailed understanding of the Scheme's asset exposures. The Scheme's investment managers also provide the Trustee with information on the ESG performance of the funds managed as and when required.

- ***Manager analysis*** – The Delegated Manager provides the Trustee with periodic summaries of the ESG credentials of the underlying investment managers within the alternative credit mandate. The Delegated Manager provides bespoke quarterly investment performance reporting to the Trustee and any ESG developments arising in relation to the underlying investment managers are highlighted, if relevant. The Trustee meets with the Scheme's investment grade credit manager and LDI manager on a biennial basis. As part of these meetings the Trustee typically seeks to explore several areas, including the managers' approach to ESG.

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4. Stewardship - DB Section

There are several levers available to the Trustee to help manage the Scheme's climate risk exposure, which are expected to be addressed regularly by the IC and wider Trustee Board in the years to come.

- ***Engagement*** – The Trustee considers that efficient and proactive engagement with the Scheme's investment managers or companies they are invested in, is most likely to change behaviour. Stewardship is one of the most effective tools investors have, to influence companies toward adopting low-carbon business practices. The Trustee expects its investment managers to integrate climate change and other ESG factors at all steps of their investment analysis and decision-making processes. Over the Scheme year, the Trustee developed stewardship priorities to help drive engagement within the stewardship themes that are deemed to be of more relevance to the Scheme. Climate change, biodiversity, human capital and human rights have been identified as the key stewardship priorities for the Trustee. The Trustee has formalised their sustainable investment beliefs into a sustainable investment policy that was finalised in 2024 and was shared with the Scheme's investment managers to clearly communicate the Trustee's approach and expectations in relation to ESG. To the extent that specific concerns arise in respect of certain investment managers, then the Trustee will engage with the investment manager, and is ultimately willing to disinvest from mandates if deemed appropriate.

Engagement case study – buy and maintain investment grade credit manager
The Scheme's investment grade credit manager has undertaken extensive and sustained engagement with one of the world's largest fast-food companies to address the systemic threat of antimicrobial resistance (AMR). Recognising the company's significant influence over global meat supply chains, the manager has pushed for greater transparency and alignment with World Health Organization (WHO) guidelines on antibiotic use in food-producing animals. This has included co-filing shareholder resolutions, publicly pre-declaring votes, signing collaborative investor letters, and holding direct discussions with senior company representatives. Despite some progress, such as the delayed release of antibiotic reduction targets, the manager remains concerned about the limited scope of implementation. In response, it has escalated efforts by re-filing resolutions, joining broader investor coalitions, and continuing to advocate for stronger, enterprise-wide commitments. Through this proactive and collaborative approach, the manager aims not only to drive change within the company but also to set a precedent for industry-wide improvements in tackling AMR.

- **Mandate changes / design** – in addition to engagement, the Trustee either directly or via the Delegated Manager will continue to review mandate guidelines, restrictions, as well as implement any policies aimed at reducing emissions. The Trustee has implemented specific restrictions or exclusions in investments in tobacco-related companies, investments in thermal coal, tar sands and controversial weapons within the Scheme's segregated credit mandate.

- **Industry collaboration** – The Trustee supports its investment managers working with the wider industry to bring about positive ESG developments. The Trustee receives regular reporting on the industry initiatives in which its investment managers and Delegated Manager are involved with.

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Industry collaboration case studies
Investment Grade Credit Manager: The Scheme's investment grade credit manager engaged with a major global mining company focused on leveraging its industry leadership to drive systemic improvements across climate action, human rights, and workplace culture. Central to this effort was collaboration through industry groups and peer dialogues to raise ESG standards sector-wide—particularly around climate transition planning, where the company engaged on value-chain decarbonisation with partners and considered investor feedback on target-setting frameworks. Following high-profile governance and cultural failings, the company's response, which included board-level changes and policy reforms, was used as a reference point in broader engagements with other mining firms. This collaborative approach aimed to foster transparency, accountability, and shared progress across the sector.
Delegated Manager: The Scheme's Delegated Manager is a founding member of the Investment Consultants Sustainability Working Group (ICSWG). Over the year, the manager co-led a workstream on climate risk reporting for derivative investments as well as working to establish improved frameworks for disclosing voting activity to asset owners in partnership with the Financial Conduct Authority. Additionally, the manager's not-for-profit research group, WTW Research Network, published reports over the year covering key themes such as natural catastrophes, geopolitical shifts and the trade-off between sustainability and AI.

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DC section of the Scheme

The remaining investments within the DC section of the Scheme are delegated to Prudential Assurance Company (PAC) and invested in line with their strategy to support the long term sharing of profit. Whilst the Trustee recognises that it has little control over the investment strategy of the With Profits fund, it is reassured by the DC Manager's actions in relation to climate change, a summary of which is provided below based on their climate disclosures report.

PAC is a wholly owned subsidiary of M&G plc (referred to as 'the Group'). As such its approach to climate risks and opportunities is aligned with the Group and Group-level climate disclosures, supplemented by entity-specific information where appropriate.

- **Net Zero Goal:** PAC supports its parent company M&G plc's goal of reaching net zero carbon emissions across its investment portfolios by 2050, in line with the Paris Agreement. In 2024, PAC updated its climate strategy to focus on three main actions. First, it aims to increase investments in companies and projects that actively contribute to climate goals or follow credible plans to reach net zero. Second, PAC works with companies that produce high levels of emissions to encourage them to adopt strong climate transition plans. Finally, if a company does not respond to these efforts and continues to pose climate-related risks, PAC may choose to move its investments elsewhere as a last resort. This approach is designed to support meaningful climate action while managing the risks involved in the transition to a low-carbon economy.

- **Integrating ESG Considerations:** PAC considers climate-related risks to have a potential impact on investment performance. It follows a sustainability policy that guides how environmental, social, and governance (ESG) factors are considered when choosing and overseeing investments. This includes specific rules for areas like coal-related investments. To track its progress, PAC measures the carbon emissions linked to its investments using international standards and reports how reliable the data is.

- **Thermal Coal position:** PAC's Thermal Coal Position applies to publicly listed assets and property. Where companies fail its coal screening, PAC prefers to engage with the company to phase out coal, but where engagement is unsuccessful or considered unlikely to succeed, it may exclude some companies from its portfolios.

- **Interim Targets:** To better capture the effects of the net zero transition, PAC has set more detailed short-term goals to track real progress on climate action. These include:

    - Asset Alignment: By 2030, PAC aims for up to 70% of its financed emissions (from listed shares and corporate bonds) to come from companies that are either already aligned with net zero goals or are making progress toward them.

    - Engagement: PAC wants at least 70% of emissions from its investments to be either aligned with climate goals or actively engaged in climate discussions.

    - Decarbonisation: PAC intends to reduce emissions intensity by 50% for listed shares and corporate bonds by 2030 and to reduce emissions intensity by 36% for real estate investments by 2030.

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Section 5: Metrics and Targets

DB Section

The Trustee has set a climate-related target to aid with monitoring how efficiently climate risk is being managed across the Scheme over time. Specifically, the Scheme has set an Implied Temperature Rise (ITR) target of 2040 of 1.5°C. The Trustee calculates a range of climate metrics that will be monitored on an annual basis through future publications of this report. The Trustee has reviewed the metrics chosen and considers that they remain fit for purpose for this Scheme year. The Trustee will, however, consider future changes to the metrics to reflect industry developments and increased data availability. The table below sets out the chosen climate metrics:

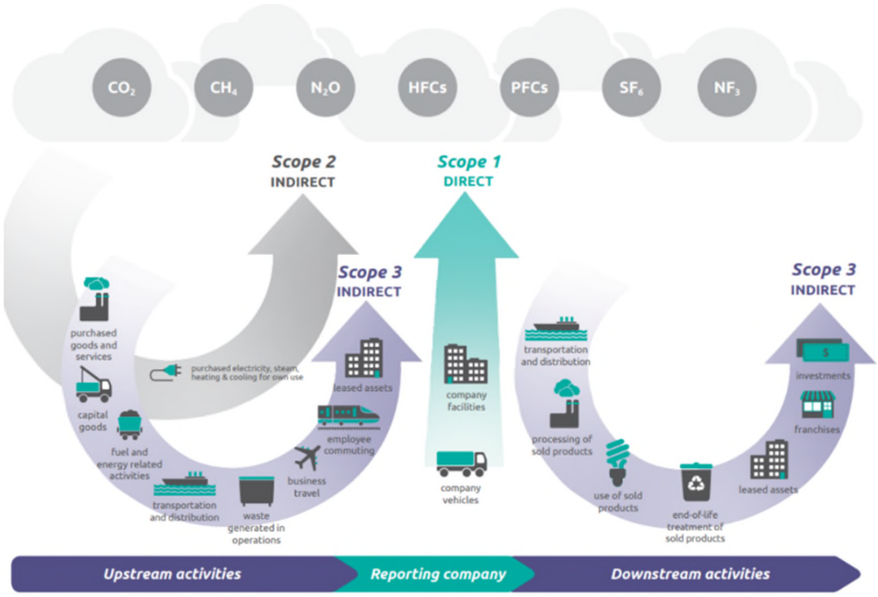
Metric	Definition
Absolute emissions	<u>*Total Carbon Emissions (tCO2e):*</u> This is an "absolute" metric providing an estimate of the total carbon emissions attributable to the Scheme's assets. To compile the figure, the Trustee has used MSCI data for carbon emissions associated with each company the Scheme invests in where available. Where this information is not available, emissions have been estimated. Although this latter approach is naturally more approximate, it does allow the Trustee to produce an emissions figure that encompasses the Scheme's entire credit portfolio rather than only a proportion of it.
Weighted Average Carbon Intensity	<u>*Weighted Average Carbon Intensity (tCO2e / £M sales * portfolio weights):*</u> This is an 'emissions intensity' metric which provides a measure of the efficiency of output and calculates the carbon emissions of a company per unit of revenue generated and weights this by portfolio holding. This calculation provides a figure that is useful for peer comparison. The Trustee has elected to use WACI as its intensity metric to align with the approach taken by the Sponsor.
Portfolio alignment metric	<u>*Implied Temperature Rise (degrees Celsius):*</u> This is a forward-looking measure of the extent to which a portfolio is aligned with the Paris Agreement target of restricting global warming to well below 2 degrees Celsius, with efforts to limit the increase to 1.5°C. This metric calculates the temperature rise associated from holding a portfolio of assets by considering the net zero commitments or carbon emissions trajectories of the underlying investee companies within the portfolio.
Additional non-emissions based metric	<u>*Percentage of the portfolio invested in climate-related opportunities:*</u> Climate opportunities are determined based on the criteria set out in the EU taxonomy (which provides a minimum standard across sustainability disclosure requirements and puts some rigour around what investments can be considered sustainable). This is a measure of the portfolio's exposure to investments which are more likely to benefit from the transition to a low carbon economy and therefore helps provide a balance of the risks and opportunities presented by the transition to a low carbon global economy with the potential to enhance investment returns through investment in such assets.

The metrics above have been selected in accordance with the climate disclosure framework. A key facet of the Trustee's ongoing monitoring and management of climate change is relying on having good data on the Scheme's exposure in this area. The climate disclosure reporting framework requires the Trustee to define the scope of the emissions monitored, which are as follows:

- Scope 1 emissions: all direct emissions from the activities of an entity or the activities under its control

- Scope 2 emissions: indirect emissions from electricity purchased and used by an entity which are created during the production of energy which the entity uses.

- Scope 3 emissions: all indirect emissions from the activities of the entity, other than scope 2 emissions, which occur from sources that the entity does not directly control.



Last year, we started reporting on Scope 3 emissions, which is critical in helping build a better picture of the efficiency of the investment actions taken to decarbonise asset portfolios. The Trustee believes that currently reported scope 3 emissions data continue to be largely inadequate for purposes such as making accurate climate-informed investment decisions. Scope 3 data continue to require significant levels of estimation and is difficult to measure, making it difficult to then compare these emissions between investors and over time.

The Trustee has taken the decision to continue to report Scope 3 emissions separately to Scope 1 and 2 emissions, given the notable difference in data quality and application. The data for the climate metrics has been collated using a combination of manager-provided data, proxied data based on sector/geographical breakdowns, and relevant benchmark data. This data is then uploaded into the Investment Consultant's ESG tool (which uses MSCI underlying data) to determine the carbon related metrics that the Scheme is required to report. This year, the Trustee has also reached out directly to the managers within the alternative credit portfolio given their improved climate reporting capabilities and more in-depth understanding of the assets that they manage. The Trustee will continue to keep these data sources under review and look to leverage additional data sources as data quality and coverage improve.

Whilst the analysis undertaken is intended to cover the level of emissions associated with the Scheme's asset portfolio as accurately as possible, this is a rapidly developing area, which currently gives rise to several limitations:

- **Data limitations:** The quality and breadth of data is lower for smaller companies and the coverage across different asset classes varies significantly. The quality of data is typically weaker for private companies and within illiquid mandates. In previous years, for the investment funds within the Scheme's alternative credit portfolio, certain proxies have been used based on sectoral and geographical exposures. This year, we have increasingly been using data supplemented directly by the Scheme's investment managers.

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- **Estimation and subjectivity involved:** It is important to note that some of the climate metrics calculations are based on estimates and/or subjective judgements made by data providers. In particular, the calculation of the Implied Temperature Rise (ITR) is based on a range of assumptions used by MSCI. Different data providers may use alternative methodologies and assumptions that would lead to different results. For example, the Scheme's investment grade credit manager has developed a proprietary tool for modelling ITR, which is based on different assumptions and methodologies leading to different results than calculated by the Scheme's Investment Consultant. The Trustee has continued to apply the MSCI methodology used by the Scheme's Investment Consultant as this is applicable to the full range of assets held by the Scheme and also ensures consistency of reporting with previous years

- **Treatment of government bonds:** The Trustee has agreed to exclude the Scheme's LDI portfolio from the Scheme's reported target. The rationale for the current exclusion of UK Government Bonds (LDI) from the Scheme's target is as follows:

  - The Trustee primarily holds UK gilts as assets to hedge the Scheme's liabilities and as such, even if reducing exposure to these assets would lead to an overall improvement in climate metrics, it would open the Scheme up to excessive funding and investment risk

  - The Trustee recognises that it has limited capacity and capability to engage with the UK Government on climate related metrics

  - The level of financial risk arising from these assets is perceived to be much smaller i.e. the influence of climate change on the price of UK Government Bonds in comparison to the other assets held is likely to be lower

Over time, the Trustee expects methodologies to evolve and industry standards to emerge to reflect improvements in data coverage. This is expected to result in some year-on-year fluctuations within the calculation of certain climate metrics. As data improves, the Trustee will thus monitor trends arising from the calculation of the climate metrics.

Climate metrics analysis as of 31 December 2024

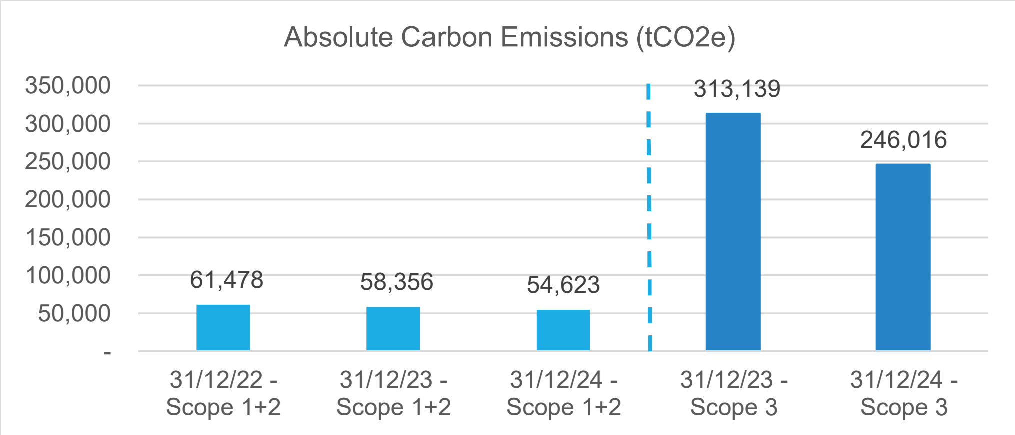
The table and charts below summarise the results of our analysis in respect of the Scheme's asset portfolio over the past three years. The table below compares the results of the climate analysis undertaken and the subsequent charts and commentary provide further details on the results**.**

The Bupa Pension Scheme – Non LDI Assets	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2024**
Total Carbon Emissions (“tCO2e”) – Scope 1 and 2	61,478	58,356	54,622
Total Carbon Emissions (“tCO2e”) – Scope 3	Not measured	313,139	246,016
Weighted Average Carbon Intensity (tCO2e / £M sales * portfolio weights) – Scope 1 and 2	164	113	146
Implied Temperature Rise (Degree Celsius)	1.7°	1.6°	1.9°
Percentage of the portfolio invested in climate-related opportunities	10.3%	6.0%	7.3%

Whilst the Trustee has opted not to include government bond assets in the calculation of the climate metrics above given the limitations outlined previously, the figures for this part of the portfolio are reported below using information provided by the Scheme's LDI Manager, BlackRock.

The Trustee will continue to monitor the evolving climate measurement landscape with the expectation that the robustness of the metrics will improve over time. The Trustee looks forward to sharing updates on its progress in monitoring and managing climate risks and opportunities over time.

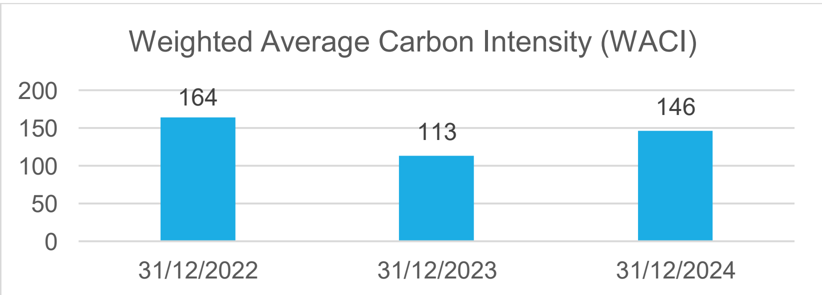
Total Carbon Emissions



There has been a reduction in total scope 1 + 2 carbon emissions over the year, driven primarily by minor changes in the Scheme's asset allocation (e.g., a few disinvestments from the more carbon intensive components of the alternative credit portfolio). In addition, the investment grade credit manager has rebalanced the portfolio to reduce exposure to industrial and utility sectors, in favour of increased exposure to consumer goods, transportation and financial sectors which have lower absolute carbon emissions.

There has also been a reduction in scope 3 carbon emissions over the year, however as set out above, we believe there are significant limitations with regards to the use of scope 3 data. Unlike last year, most of this data has been sourced directly from managers as they have significantly improved their collection and reporting capabilities. This provides more accurate data compared to using more generic approximations based on geography and sector exposure. As scope 3 data quality continues to improve, we expect to see fluctuations in future years.

Weighted Average Carbon Intensity



The weighted average carbon intensity for the Scheme has risen over the year, but remains below the level disclosed in the Scheme's first climate disclosures report. Most of this increase has been driven by the Investment Consultant's ability to source emissions data directly from the managers in the Scheme's alternative credit portfolio. Previously, proxies were used to approximate the WACI for this part of the portfolio as manager data was unavailable.

The Trustee believes that proxies (i.e., estimates constructed based on industries and geographies) are useful tools to estimate carbon emissions for assets without good quality data, however they are designed to cover a broad range of asset classes and do not always accurately reflect the characteristics of the actual asset holding within the portfolio. This year, following improvement in the data collection capabilities of the Scheme's investment managers, the Scheme's Investment

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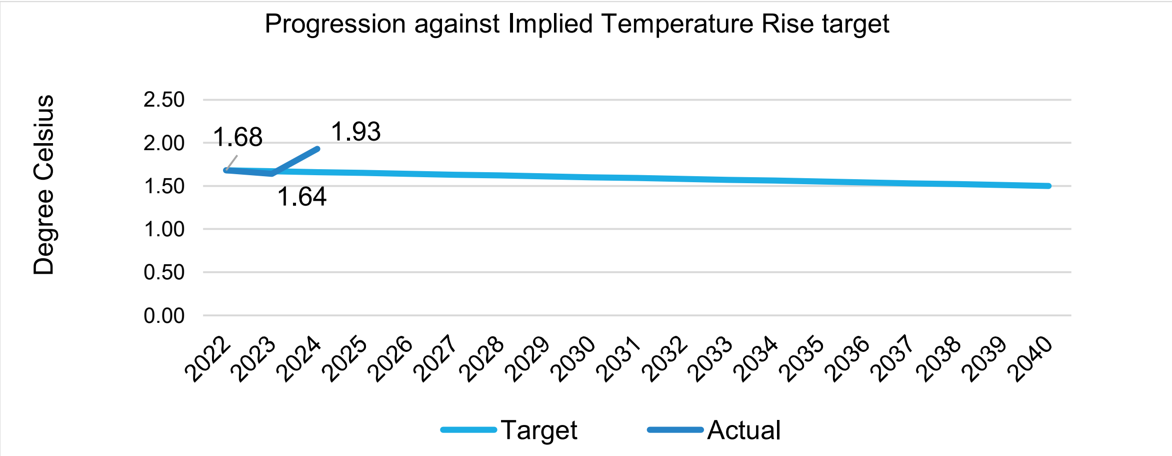
Consultant reached out directly to these managers to collect data with the view to improving the accuracy of the reporting. Most of the managers have been reporting WACI figures higher than under the previous approximation approach.

We believe that it is important to interpret WACI trends over several years and within the broader context of the Scheme's other climate metrics to get a fuller understanding of the Scheme's progress towards net zero. For example, one of the infrastructure debt managers within the alternative credit portfolio saw an increase in WACI because many of the renewable energy projects funded by the manager are still in their construction phase. This means that these projects are reporting larger emissions relative to their very low revenue given they are not yet fully operational.

Implied Temperature Rise



As referenced above, the Trustee has identified ITR as the primary metric to use in setting a target for the Scheme. As such, the Trustee's target is alignment with a 1.5°C Implied Temperature Rise by 2040 across the Scheme assets. This is measured from a baseline year of 2022. As previously mentioned, the Trustee has agreed to exclude the Scheme's LDI portfolio from the Scheme's target.

The Scheme's implied temperature rise has risen from 1.64 to 1.93 degrees Celsius. This increase has been driven by the slower-than-expected reduction in global emissions which generally increased the temperature scores for the underlying companies in which the Scheme invests over the year. The methodology used to calculate the ITR is based on MSCI's approach which involves calculating carbon budgets for individual companies, updating these annually, projecting future emissions, and then converting these into an implied temperature rise.

ITR is a forward-looking metric, which is subjective in nature and is heavily reliant on the assumptions and modelling techniques used. As such, variation in results is to be expected as methodologies, assumptions and data evolve. MSCI refine their calculation of the ITR metric and assumptions annually, which has introduced some variation in the reported results for the Scheme this year. For consistency with last year, we have used the same methodology as determined by MSCI.

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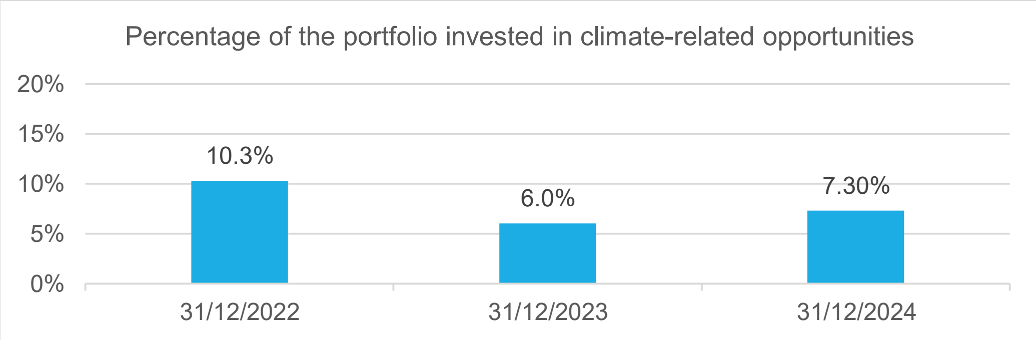
Percentage of the portfolio invested in climate-related opportunities



There has been an increase in the percentage of the portfolio invested in climate-related opportunities from 6.0% in 2023, to 7.3% in 2024. As discussed last year, an updated methodology was introduced in 2023 incorporating an additional ‘good governance’ screen within the requirements, which is a more challenging target for an investment to meet to be classified as a climate-related opportunity. As a result, the last two years’ figures have been lower than that of 2022, which was calculated prior to the inclusion of the additional screen. This year's modest increase in climate opportunities has been driven by the increased exposure to climate bonds within the Scheme’s alternative credit portfolio.

The Scheme’s LDI Assets

The following table summarises the key climate metrics for the Scheme’s LDI assets. All figures have been provided by the Scheme’s LDI manager, Blackrock.

The Scheme’s LDI manager highlighted that they updated their definition of the total carbon emissions metric, in line with guidance from the Partnership for Carbon Accounting Financials (PCAF) and the Institutional Investors Group on Climate Change (IIGCC). Sovereign emissions reporting data uses production-based emissions (i.e., emissions generated within a country’s border, regardless of where the goods or services are consumed). The data provided by the LDI manager is based on 2022 UK carbon emissions (the latest date available) and then scaled to the LDI valuation as at 31 December 2024.

The Bupa Pension Scheme – LDI Assets	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2024**
Total Carbon Emissions (“tCO2e”)	118,000	101,680	92,770*
GHG Intensity (tCO2e / £M GDP) **	201	168	151
Implied Temperature Rise (Degree Celsius)	2.8°	2.8°	2.8°
Percentage of the portfolio invested in climate-related opportunities	Information not provided	Information not provided	Information not provided

*The LDI manager has calculated the total carbon emissions as the sum of absolute production emissions across the exposure achieved by the LDI portfolio, both via physical government bonds, and synthetically via derivates contract.

**GDP has been adjusted for PPP (i.e., purchasing power parity) to remove price level differences between countries.

The Trustee is committed to continue engaging with the LDI manager on methodological developments regarding the calculation of carbon emissions.

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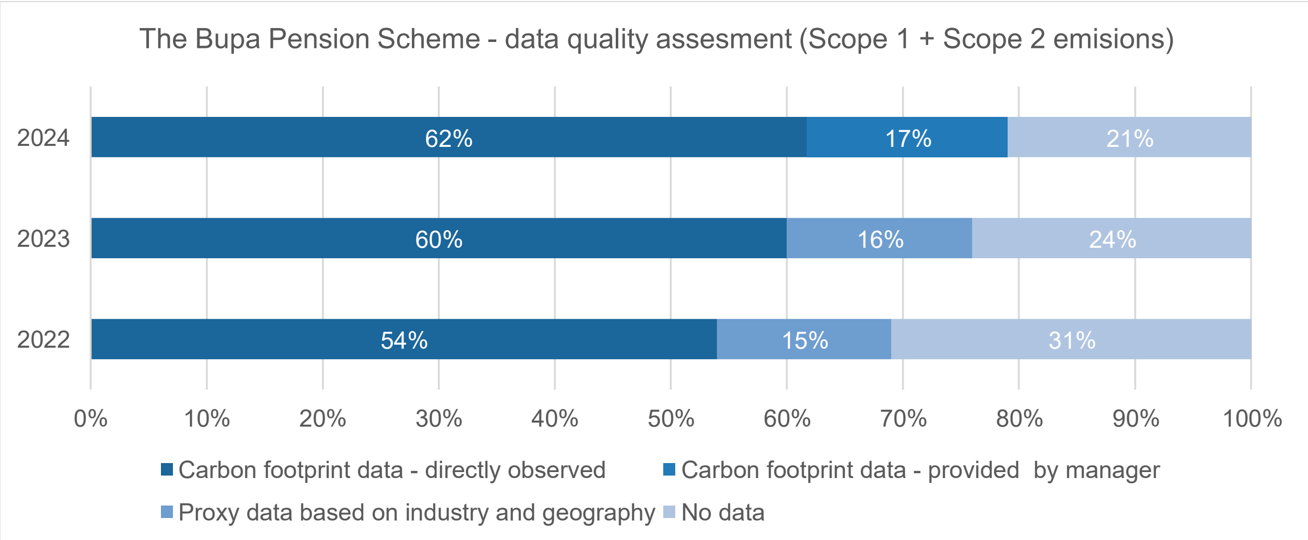
Data quality

Whilst the Trustee has aimed to carry out the analysis as far as they are able to, the availability of data is dependent on external factors which are largely outside of the Trustee's control, such as certain companies not disclosing their GHG emissions or difficulties in calculating emissions for unlisted assets.

This year, the Scheme's Investment Consultant sourced carbon emissions data directly from the managers within the Scheme's alternative credit portfolio. Over the past few years, we have seen evidence of improvements in managers' climate reporting capabilities and believe that using emissions reported by investment managers can be more accurate that using assumptions and proxies based on sectoral and geographical exposures. As such, the climate metrics analysis conducted by the Investment Consultant (based on MSCI data) has been supplemented by data obtained directly from the Scheme's investment managers. Whilst investment managers themselves, also make use of a degree of estimation when reporting their emissions (particularly in the case of illiquid assets), we believe that this update reflects an improvement in the accuracy of the data being used.

In calculating absolute emissions and carbon emission intensity, the Trustee was able to obtain data covering 62% of the Scheme's asset portfolio (excluding liability driven investments) as of 31 December 2024, which is a slight increase over previous years. In addition, data covering 17% of the portfolio has been sourced directly from the Scheme's alternative credit managers, as explained above. A combination of generally improved data availability and sourcing data directly from managers has increased the data coverage of the portfolio.

The chart below provides an overview of the data used by WTW in calculating the climate metrics for the Scheme's non-LDI assets as of 31 December 2024.



Scope 3 emissions data remain less accessible than scope 1 and 2 and is still predominantly estimated with limited support. The Trustee will keep this under review and look to incorporate these emissions in future analysis.

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Looking forward

The Trustee recognises that addressing climate risk is a dynamic and evolving challenge, one that demands adaptability, credible action, and sustained collaboration across the industry. From shifting regulatory landscapes and political uncertainty to the operational complexities of setting and tracking net-zero targets, there remains significant variation in how asset managers, investee companies, and policymakers are responding. The Trustee believes that both the Scheme and the wider industry have a critical role to play in supporting the transition to a net-zero economy.

Over the past year, the Trustee has continued to enhance the quality of data underpinning climate metrics analysis, leveraging insights provided by the Scheme's alternative credit managers. This has strengthened our ability to understand and monitor our emissions profile. In parallel, we have refined our governance processes by implementing and tracking progress against the Scheme's Sustainable Investment Policy, whilst remaining alert to emerging ESG developments.

Methodological changes and a slower-than-anticipated pace of decarbonisation have led to an increase in the Scheme's Implied Temperature Rise (ITR). However, we remain committed to aligning the Scheme's asset portfolio toward the 1.5°C target as far as global conditions allow. In the coming year, we will continue to engage actively with our managers and the broader investment community to drive meaningful progress.

As the industry continues to evolve, the Trustee will maintain close collaboration with its advisers, investment managers, and the wider pensions community to ensure that the Scheme is well-positioned to manage climate-related risks and seize opportunities in the transition to a more sustainable global economy.

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Section 6: Appendices

Appendix 1: Glossary

Absolute Emissions	The total emissions attributable to the relevant portion of the Scheme's assets
Emission Intensity	The weighted average carbon intensity (tCO2e / £M sales * portfolio weights)
CO_2e	Carbon dioxide emissions or equivalent
ESG	Environment, Social and Governance
Net Zero	The position of removing as many greenhouse gases as are emitted
Physical Risk	The direct effects of climate change on the Scheme and its members
Transition Risk	Risks and opportunities arising from efforts made to transition towards a net-zero economy (both domestically and globally) to limit climate change
Portfolio Alignment	The percentage of the portfolio aligned with a particular net-zero initiative
Responsible Investment	Making investment decisions and engaging with companies in order to encourage a positive impact on the world
Scope 1 Emissions	Direct emissions from a company's owned or controlled sources. This may include emissions from a firm's manufacturing processes or emissions from company vehicles
Scope 2 Emissions	Indirect emission from the generation of purchased energy, such as heating for company facilities
Scope 3 Emissions	All other indirect emission, including those of suppliers and customers. These may include emissions related to the transportation and distribution of goods and disposal of waste generated in operations

Appendix 2: Further details on climate scenario analysis - methodology employed and results

The 'base case' used in the analysis below is the central funding projection against which the climate scenarios are considered. It projects, using the Investment Consultant's model, the assets and liabilities of the Scheme over the period considered. This considers commonly used central UK life expectancy projections for the liabilities (which includes an assumed long-term rate of improvement of 1.5% p.a. over period). It assumes that the current asset portfolio of the Scheme remains the same. It also does not make any explicit future allowance for climate change outcomes within the assumptions, but there is an implicit assumption that future outcomes will rhyme with history (which has exhibited other such large external shocks). The assumptions underpinning the model expect that current market pricing, which is to some extent built into the model, only allows for a small amount of transition risk (similar to the Lowest Common Denominator scenario) and makes no allowance for physical risk.

Below the Trustee has illustrated the impact of the climate change scenarios considered on the Scheme's funding level. The Trustee has considered these over a timeframe that is broadly consistent with the Scheme's longer term time horizon and the duration of the Scheme's liabilities. The Trustee recognises that assuming such climate scenarios are priced in gradually, year by year, is an unrealistic expectation and in practice this is likely to be far less linear. The Trustee has therefore also included a one-off shock which seeks to illustrate the impact if climate change was to be reflected instantaneously. This assumes that markets immediately price in the transition and physical risks over the next 20 years and that the market initially overreacts to this news in struggling to price in the actual impact. Whilst this is potentially unrealistic, the Trustee thinks this helpfully stress tests the assumptions made in the analysis and helps consider how robust the funding strategy might be. The Trustee also recognises the uncertainty in the underlying assumptions and that the shocks experienced could be larger.

In some climate scenarios, the modelling implies reduced life expectancies (relative to other scenarios and/or schemes' central mortality assumptions) and therefore a relative reduction in the Scheme's liabilities. This is a plausible potential outcome arising from the negative impacts of increasing climate change. This can suggest a relative improvement in the expected funding position for the Scheme even when combined with associated reductions in the value of the Scheme's assets (given their low-risk nature). However, it is important to recognise that an assessment of what is in the best interests of the Scheme and its members is a much broader question than the impact on funding level alone. Key considerations may be a reduction in the quality (and length) of members' lives, and the quality of the environment that they will retire into. Consequently, the results of any such modelling should not be assumed to reflect any complacency or acceptance (either implicit or explicit) that the Trustee considers global inaction or business-as-usual with respect to climate change to be in the best interests of the Scheme or its members. The Trustee believes that climate change is a systemic risk of unprecedented scale and severity. Actions to address it are a collective priority, given the risks it presents to individual pension schemes, the ongoing resilience of the savings universe, and the planet.

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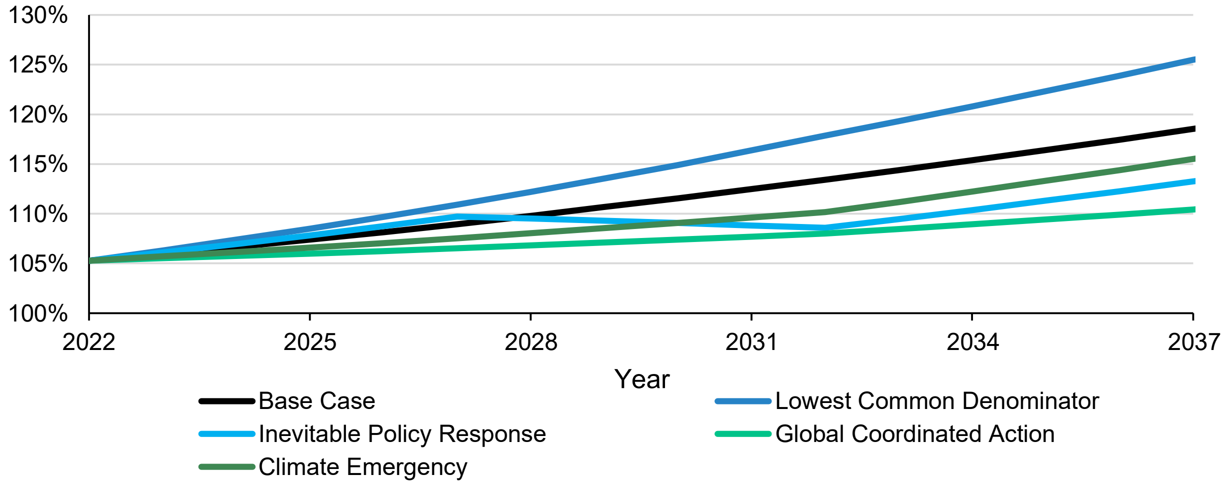
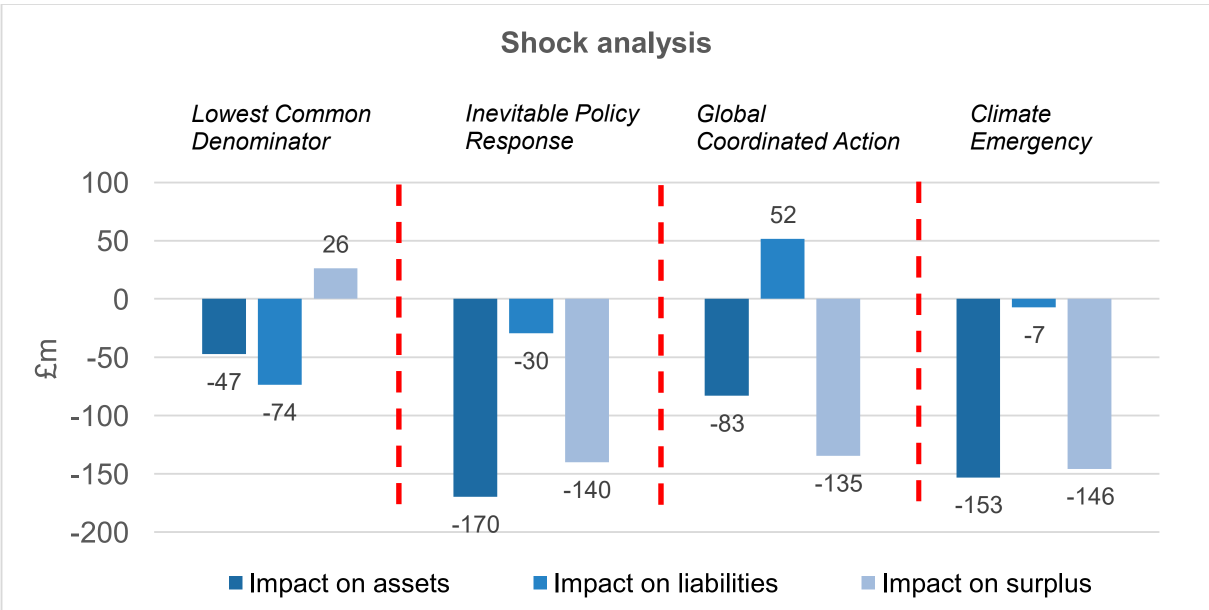
Impact of Climate Drags and Shocks on the Scheme's Funding Level (gilts + 0.5%)

The chart below shows how the DB Section's funding level is expected to evolve under the different climate scenarios considered (defined in the earlier table). This illustrates the range of potential funding outcomes. The scenarios vary based on the level of assumed transition and physical risk that occurs (shown in the earlier table), such that over the short-term a high transition risk scenario has greater impact on asset returns and in the longer term there is a greater impact of the physical risk from climate change.



The Base Case was derived from the Scheme's funding level of 105.4% (using a gilts + 0.5% basis) as of 30 September 2022. This timing coincides with the UK gilts crisis, a notably turbulent period in the markets that affected the funding levels of numerous pension schemes. Since then, the Scheme's funding level had increased to 113.7% as of 30 June 2024.

Impact of Climate Shocks on the Scheme's Funding Level (gilts + 0.5%)



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	Assets (£m)	Liabilities (£m)	Surplus (£m)	Funding level (%)
Base Scenario	1,554	1,475	79	105.40%
Lowest Common Denominator	1,507	1,401	106	107.60%
Inevitable Policy Response	1,384	1,445	-61	95.80%
Global Coordinated Action	1,471	1,527	-56	96.30%
Climate Emergency	1,401	1,468	-67	95.40%

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