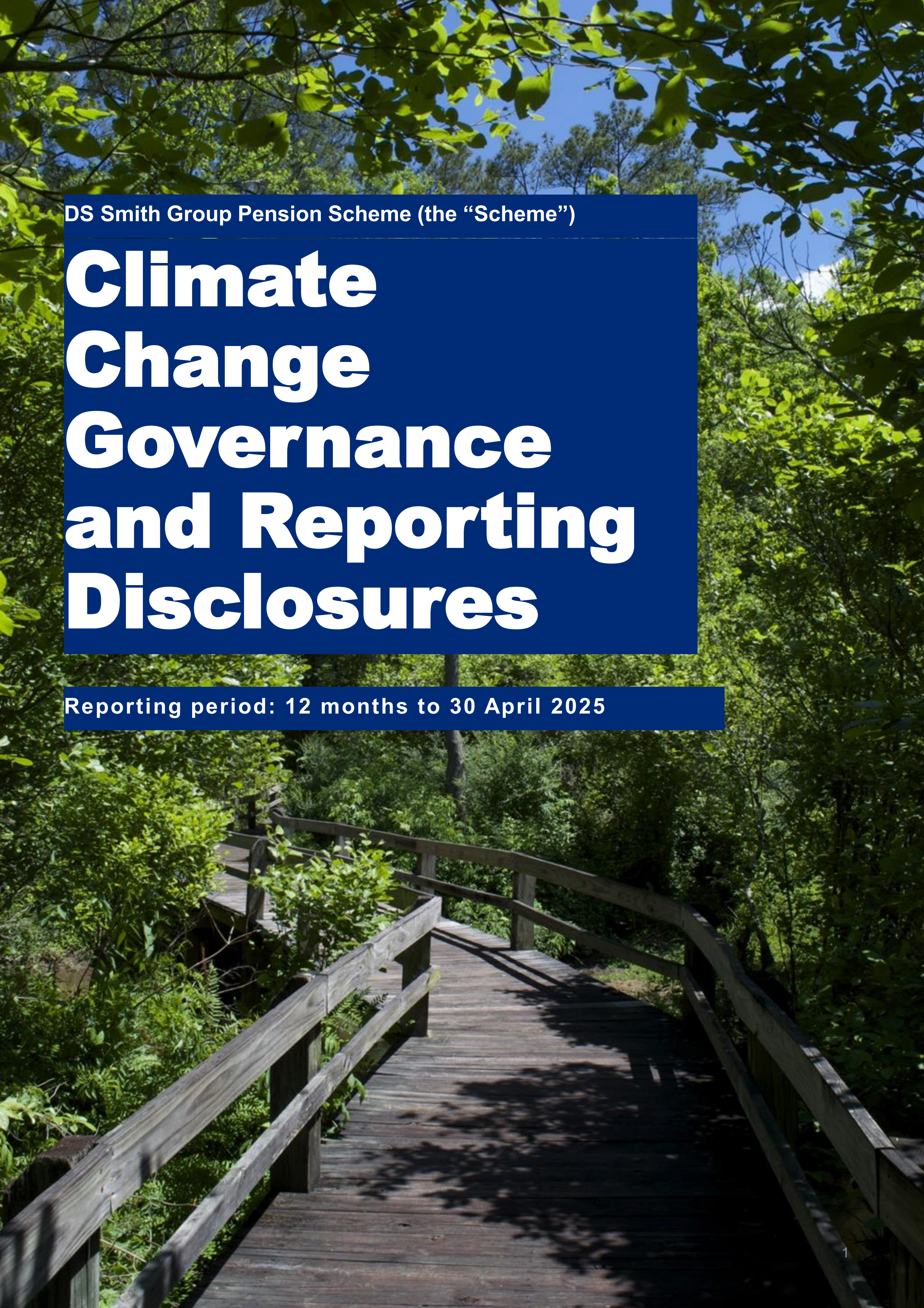

DS Smith Group Pension Scheme (the "Scheme")

Climate Change Governance and Reporting Disclosures

Reporting period: 12 months to 30 April 2025

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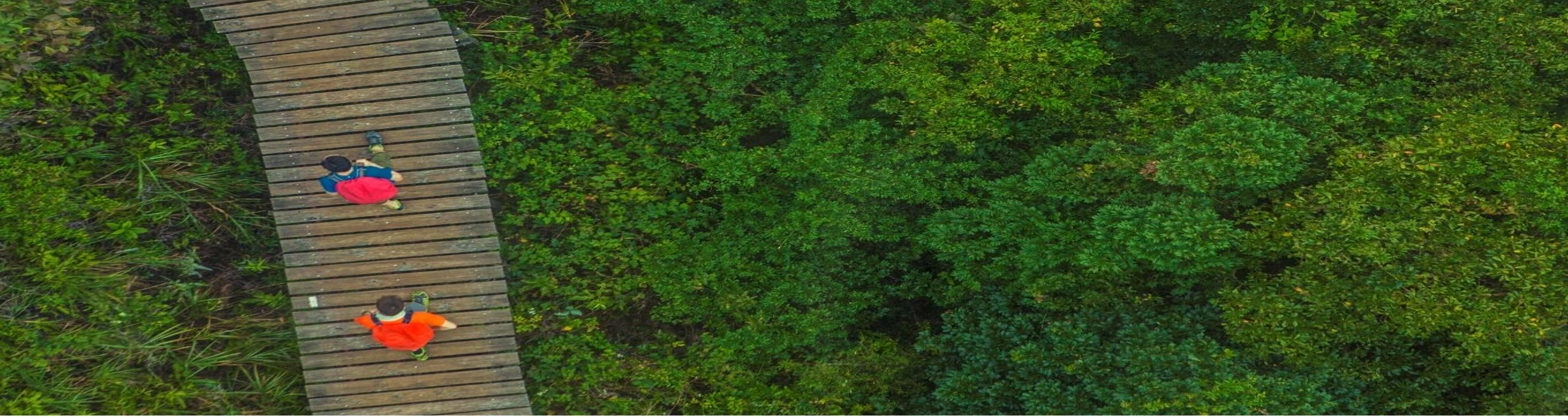


EXECUTIVE SUMMARY

Climate-related target and progress against the target

The Trustee had set a target to reduce carbon emissions (Scope 1 and 2) associated with its segregated corporate bond portfolio by at least 25% by 2030, relative to a March 2023 base year. This portfolio is expected to grow in size over time and therefore the Trustee uses the Weighted Averaged Carbon Intensity Measure (scope 1 and 2). The WACI had reduced by c.19% as at 31 March 2025 relative to baseline levels, similar to last year. The Trustee is aware that the progress will be volatile. The Trustee, as far as it is able, has considered metrics for the Scheme's invested assets, excluding its hedge fund allocation, the secured finance mandates and private market assets (due to the availability of data from the investment managers), which equates to coverage of c.70% of total Scheme assets (based on the actual asset allocation as at 31 March 2025, the analysis date).

Climate scenario analysis

The Trustee last undertook quantitative climate scenario analysis as at 30 September 2023 to test the resilience of the DB Section investment strategy. **There has been no update to this analysis in 2024, as there has been no material change to the investment strategy for the Defined Benefit Section over the year.**

The analysis modelled three climate scenarios:

- **Rapid Transition** (1.5°C)
- **Orderly Transition** (less than 2°C)
- **Failed Transition** (greater than 4°C).

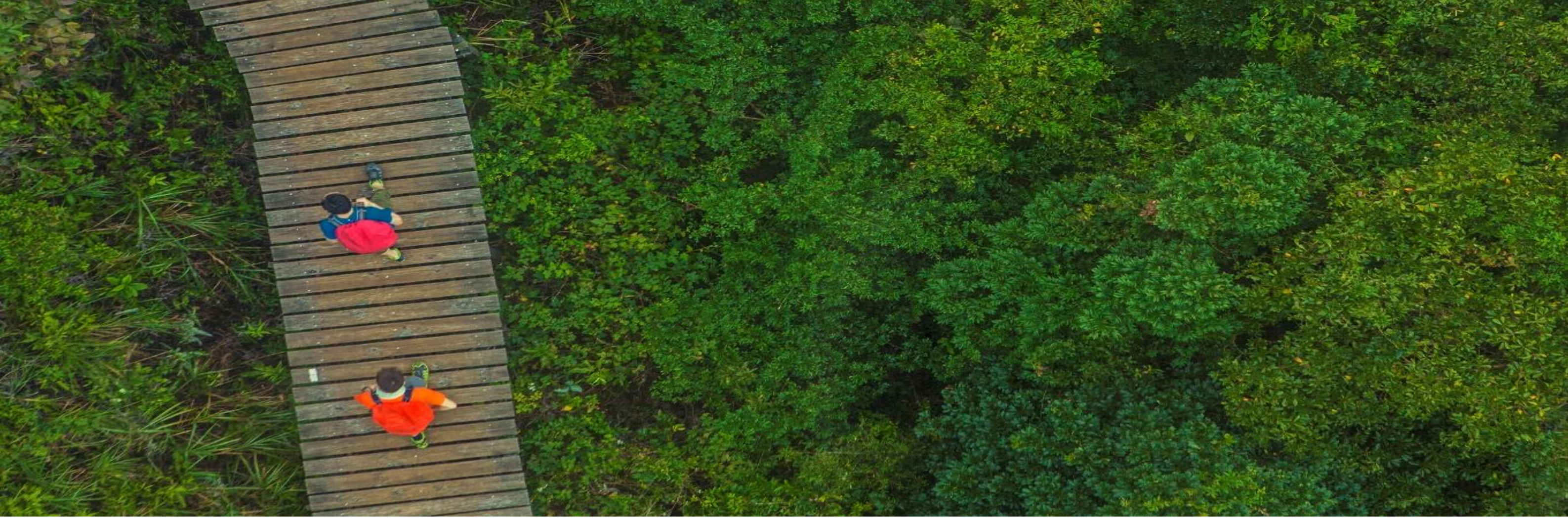
The analysis projected the expected impact on annual investment returns to 2028 (short term), 2028-2036 (medium term) and 2036-2043 (long term).

The impact of climate risk on the Scheme's investments has reduced due to the de-risking of the Scheme's assets into fixed income type asset classes, compared to investing in equities. Also, as the allocation to LDI assets forms a significant part of the overall portfolio, the exposure of which is mainly to UK government bonds, the Trustee has little control over the carbon intensity of these assets and it's very difficult to influence this as this represents the carbon intensity of the UK.

However, in the short term, the Rapid Transition Scenario is the most impactful, causing a funding level shock of about 3% in year 3 (of 4) followed by a recovery in the following year.

Conversely, the Failed Transition is fairly positive due to the absence of transition costs as they will not have materialised yet. The Scheme is also well protected against physical risks arising in such a Failed Transition, so the Trustee has no current plans to adjust the investment strategy or funding approach to mitigate against such an outcome but will keep this under ongoing review. The Trustee is mindful that a Failed Transition is not a positive outcome for society.

Further detail is available in Appendix A of the report.



INTRODUCTION

The DS Smith Group Pension Scheme (the "Scheme") is a UK-registered occupational pension scheme with assets held on behalf of members. It is managed by DS Smith Pension Trustee Limited (the "Trustee").

The majority of the Scheme's assets are in respect of defined benefit ("DB") pension provision. From 1 May 2024 to 10 April 2025, less than 1% of the Scheme's assets were in respect of DC benefits, where this was a closed DC arrangement primarily held in cash. Due to the size of the arrangement and the fact it has now closed, the Trustee considered the cost of obtaining metrics and carrying out scenario analysis to be disproportionate, but the risk management and governance sections are relevant for how the DC arrangement was treated prior to being removed after 10 April 2025.

This is the third climate change report, which has been prepared in line with the statutory requirements prescribed by the Department of Work and Pensions[1]. The report covers the year to 30 April 2025.

The report explains how the Trustee has established and maintained oversight and processes to satisfy themselves that the Scheme's relevant climate-related risks and opportunities are considered appropriately by all stakeholders involved in the day-to-day management of the Scheme. The sub-headings in this report address the specific disclosure requirements in the statutory guidance.

The Trustee recognises that climate change is one of their most important issues to consider when governing the Scheme. As a result, the Trustee recognises climate change as a significant financial risk that could impact the financial security of members' benefits if it is not properly measured and mitigated. As well as providing risks to the Scheme, the transition to a lower carbon economy and the mitigation of, and adaptation to, the physical risks of climate change may create new investment opportunities if managed appropriately.

The Trustee's assessment of climate-related risks and opportunities has been carried out based on information that is currently available, both in terms of data from the companies and assets in which the Scheme invests and in consideration of the different global warming scenarios we have analysed. This data is subject to change as climate change reporting improves. The metrics analysis now covers c.70% of total Scheme assets (based on the actual asset allocation as at 31 March 2025, the analysis date). The equivalent coverage for the Schemes at 31 March 2024 (previous analysis date) was slightly higher. The reduction in coverage is largely due to the Scheme having a higher allocation to private market assets as at 31 March 2025 where such climate metrics are not readily available.

The Trustee are pleased to report positive momentum in moving towards the Trustee's emission reduction target. However, we have been cognisant of the importance of fully understanding and explaining the reason for the change in our climate-related metrics year-on-year. Further details are provided in the Metrics and Targets Section of the report.

Following a short summary of the Investment Arrangements for the Scheme, this report focuses on several sections to help members understand each pillar of the TCFD Framework (see next page). The final section sets out the methodology and assumptions used to produce the information contained in this report, as well as providing some additional background information.

The Trustee recognises that some scenarios which may benefit the Scheme's funding are not positive outcomes for broader society such as a failed transition or an increase in the mortality rate amongst the Scheme members.

As always, members are encouraged to contact the Trustee if there are comments you wish to raise.

Gary Saunders, Chairman of the Trustee

[1] The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and the Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021)).

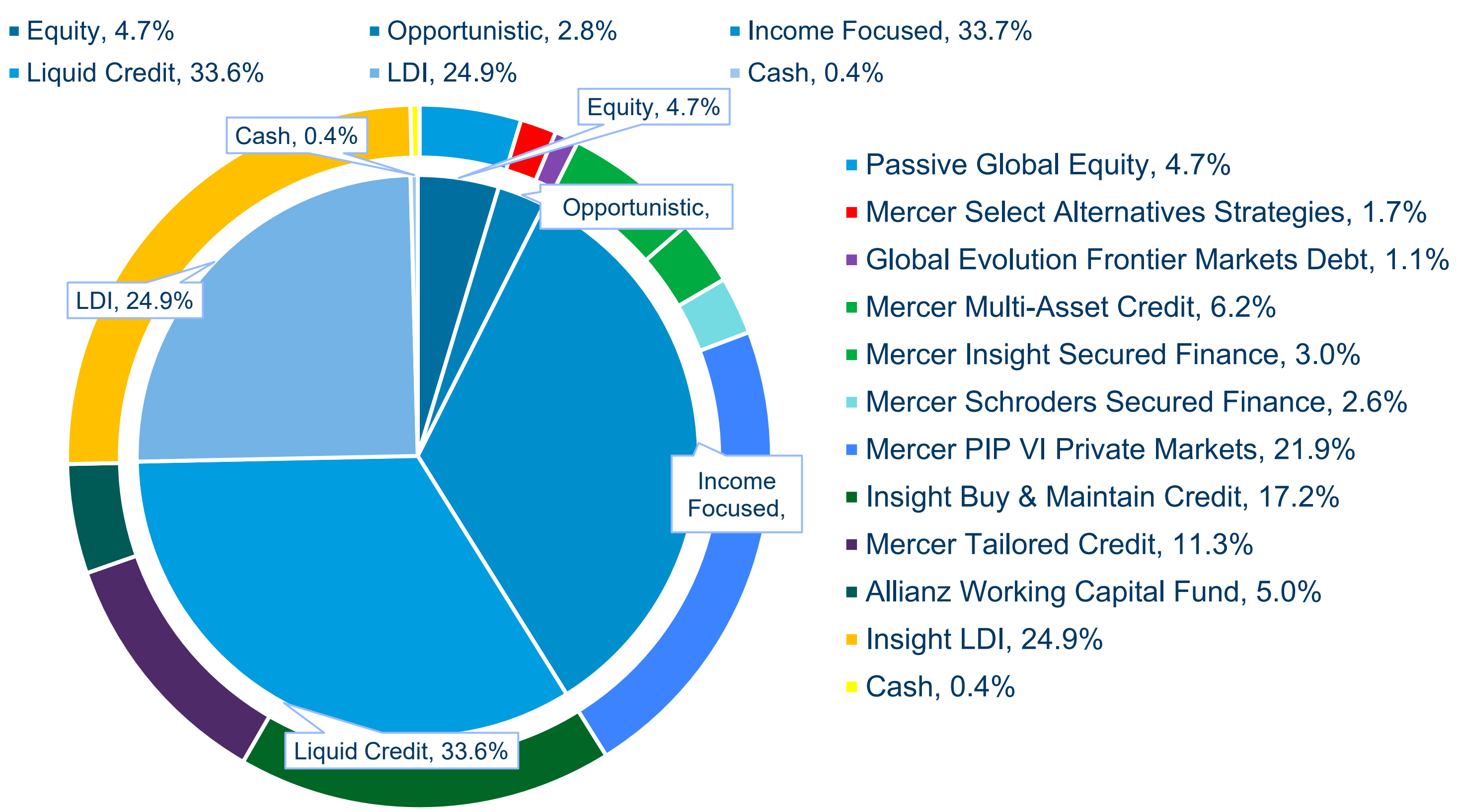
INVESTMENT ARRANGEMENTS

Summary of Scheme's Assets

This section sets out information on the Scheme's invested assets and highlights parts of the asset portfolio which are within the scope of climate-change related reporting requirements and therefore considered as part of the scenario analysis and metrics (where available) in this report.

The Scheme provided both defined benefit and defined contribution pension benefits for the majority of the Scheme year to 30 April 2025, but only defined benefit pension benefits as at 30 April 2025 due to the defined contribution section closing on 10 April 2025. The value of the Scheme's total assets as at 30 April 2025 was c£730m. As at the analysis date of 31 March 2025 discussed throughout this report, the majority of the Scheme's assets are in respect of defined benefit pension provision with less than 1% of the Scheme's assets being in respect of DC benefits, where this was a closed DC arrangement primarily held in cash

Figure 1: DB Section investment strategy as at 30 April 2025.



The Trustee invests the assets of the Scheme in a fiduciary arrangement with Mercer Limited (Mercer). Under this arrangement Mercer are appointed as a discretionary investment manager and day-today management of the Scheme's assets is by investment in a range of specialist pooled funds (the Mercer Funds). The funds are managed by Mercer Global Investments Europe ("MGIE") and Mercer Alternatives Luxemburg. More detail on the role and responsibilities of MGIE is set out in the Technical Appendix.

For the Scheme, the Trustee has considered scenario analysis based on the strategic asset allocation as at 30 September 2023 (the analysis date) and how it was expected to change under the de-risking framework, where the chosen scenarios help the Trustee understand the resilience of the Scheme's portfolio to different potential warming pathways covering eventual temperature increases over different timeframes. The Trustee, as far as it is able, has considered metrics for the Scheme's invested assets, excluding its UCITS Alternatives Strategies allocation, Secured Finance allocations and private market assets (due to the availability of data from the investment managers), which equates to coverage of c.70% of total Scheme assets (based on the actual asset allocation as at 31 March 2025, the analysis date).

GOVERNANCE

Trustee's governance approach

The Trustee and its sub-committees are solely responsible for making Scheme-wide decisions in identifying, assessing and managing climate-related risks and opportunities relevant to those activities, on the advice of and with the support of their advisers. The Trustee has developed a standalone Climate Governance Statement, which details its approach to considering climate risk within the Scheme's arrangements. A copy of which is provided in the Appendix.

The Trustee maintains a Statement of Investment Principles (SIP), which details the key beliefs, risks and approach to ESG including climate change. This is reviewed on an annual basis or more frequently as required.

The Trustee's key investment beliefs on climate risk are:

- Long-term sustainability issues, particularly climate change present risks and opportunities that increasingly may require explicit consideration including dedicated investments.
- Climate change poses a systemic risk, and investors should consider the potential financial impacts of both the associated transition to a low-carbon economy and the physical impacts of different climate change outcomes.
- Stewardship (or active ownership) helps the realisation of long-term shareholder value by providing investors with an opportunity to enhance the value of companies and markets.

Roles of those undertaking scheme governance activities

The Chair of the Trustee is responsible for ensuring that sufficient time is allocated for consideration and discussion of climate matters by the Trustee and its advisers. The Trustee delegates responsibility for some actions in relation to the oversight of climate-related risks and opportunities to the Investment Sub-Committee ("ISC"). The ISC, as part of its regular monthly meeting schedule, will allocate agenda time to climate change topics from time to time, amongst other ESG topics, to cover the various workstreams listed in the Technical Appendix.

Climate change will form an explicit agenda item at least annually for the Trustee and its sub-committees when the Trustee's annual TCFD report is updated. It will also be covered as part of other agenda items as part of a wider discussion of funding or investment strategy, or as part of the investment manager appointment and review discussions

The advisers responsible for each workstream will make sure any documents or information is distributed in advance of the meeting to allow the ISC time to digest the advice. The ISC reports back to the Trustee board on its activities on a quarterly basis.

Ultimate oversight for managing climate risks and opportunities is the responsibility of the Trustee. In exercising its duties with regards to climate change oversight the Trustee will consult with advisers who will provide support and technical expertise on various climate issues which may impact the Scheme.

The Trustee takes independent advice from Mercer and PWC to help assess climate risks and opportunities and looks to ensure that any decisions continue to support the Scheme's ability to provide pensions over the long term. The Appendix contains fuller details of the roles of those undertaking scheme governance activities in identifying, assessing and managing climate related risks and opportunities relevant to those activities.

The roles of the relevant sub-committees and advisors, in relation to the oversight of climate-related risks and opportunities, are summarised in the Technical Appendix.

Time and resources spent on climate change-related matters

There are a number of workstreams that will be completed in order for the Trustee to fulfil its responsibility for managing climate risks and opportunities. It is important to note that many of the workstreams will cover wider ESG risks than just climate change risk, as the Trustee does not consider climate risks in isolation, but holistically alongside the various other ESG risks the Scheme may be facing. The full list of workstreams, as well as the frequency with which each task will be carried out, is set out in the Technical Appendix.

GOVERNANCE

Time and resources spent on climate change-related matters (continued)

Since the last report was produced, the following workstreams were completed by the Trustee:

- Updated metrics data collected as at 31 March 2025 (closest date with available data relative to Scheme year-end of 30 April 2025) considering the evolution and underlying drivers of the metrics. The appropriateness of the metrics was reviewed and deemed to remain appropriate.
- Reviewed the ongoing appropriateness of the Scheme's carbon intensity reduction target, concluding that the original reasons for choosing the targets remained valid, and thus the targets remained appropriate.
- Assessed progress against the Scheme's target and discussed the reasons behind the progress. Conclusions and agreed actions by the Trustee are outlined in the Metrics and Targets Section.
- Completed the annual ESG and stewardship review, including a review of voting activity where applicable and of managers' engagements with companies in their portfolios. The Trustee's review is summarised in the annual Implementation Statement ('IS').
- All of the items above were presented during meaningful timeslots at appropriate monthly ISC or quarterly IFC meetings, allowing sufficient time for the ISC/IFC to raise questions, debate the topic under consideration and ultimately reach a decision where one was required. The discussions were minuted, and the minutes made available to the Trustee, alongside quarterly updates provided by the ISC to the Trustee board.
- The Trustee is satisfied that the amount of governance time spent is reasonable and will allocate more time at future meetings if any analysis or wider industry research requires additional Trustee review and consideration.

Training

During the year to 30 April 2025, the Trustee, received training from the Trustee's Investment Consultant, covering climate-related investment risks and reporting requirements.

This included training on:

- Climate metrics and targets
- TCFD reporting and its importance
- Responsible Investment Total Evaluation (RITE)

The Trustee acknowledges that the reporting of climate-related risk is relatively new and the collective experience of the Trustee will grow over time. The Trustee will continue to receive refresher training on climate-related risk as appropriate.

Assessment of Advisors

The Trustee expects its advisers to act with integrity and diligence in fulfilling their roles and uses meetings with the advisers to assess and challenge them. Where relevant, this includes discussion of the steps taken by advisers to identify and assess any climate-related risks and opportunities.

The approaches of the investment consultants to climate change, and how it is integrated into their advice and services, is assessed as part of the adviser selection and monitoring process. The Trustee sets its investment consultants objectives, including items related to ESG and climate change competency. The investment consultants are formally assessed against these objectives annually. The latest assessment was completed in Q4 2024, and the investment consultants were found to have met their objectives. Mercer's performance against these objectives are being reviewed again in late 2025.

The Trustee also reviews the performance of the Scheme Actuary and Covenant Advisor on approximately an annual basis, including how climate-related risks and opportunities were incorporated into their advice, and how beneficial that advice was in helping the Trustee understand the resilience of the funding strategy and covenant to climate-related risks. The latest assessment found that both the Scheme Actuary and Covenant Advisor had met their objectives.

The ISC and Trustee apply an appropriate level of scrutiny, challenge and discussion to advice relating to climate related risks.

STRATEGY

Climate-related risks and opportunities relevant to the Scheme

Climate change presents risks over the short, medium and long-term, which the Trustee aims to better understand and mitigate where possible. The Scheme's allocation to fixed income assets is expect to increase over time, and these assets are less exposed to transition and physical risks compared to other asset classes such as equities. The Trustee will consider the following short, medium and long-term drivers of risk going forward. Further details can be found in the appendix,

Over the short term, risks may present themselves through rapid market re-pricing relating to climate transition as:

- Scenario pathways become clearer. For example a change in the likelihood of a well below 2°C scenario occurring (i.e. an increase in probability would be expected to drive additional transition risk).
- Market awareness grows. For example, the cost and impacts of the climate transition suddenly influence market pricing.
- Policy changes unexpectedly surprise markets. For example, if a carbon price or significant regulatory requirement was introduced across key markets to which the portfolio is exposed, at a sufficiently high price to impact behaviour.
- Market sentiment is shocked. For example, falls in markets could create a downward spiral where economic sentiment worsens and asset values fall.
- Perceived or real increased pricing of greenhouse gas emissions/carbon.
- Substitution of existing products and services with lower emission alternatives may impact part of the portfolio.
- Litigation risk relating to dangerous warming becoming more prevalent.
- Increases in the energy/heat efficiency of buildings and infrastructure.

As well as risks associated with these drivers, there could also be opportunities. For example, investing in climate solutions as policy support strengthens.

Over the medium term, the importance of physical risk will be increasing, but transition risks are still expected to be more material, whilst physical impacts are less material. In relation to transition risks, policy, legislation and regulation are likely to also play a key role at the international, national and subnational level. Technology and policy changes are likely to produce winners and losers both between and within sectors. Advancement of transition is likely to have started to crystallise stranded asset risks. In relation to physical risk, material long term physical risks could be priced in by markets. The ability of the Trustee and the investment managers to understand these changes and price drivers can position the Scheme favourably, for example by increasing investments in new emerging technologies while avoiding exposures to physical risks. MGIE seeks to select managers and choose indices (where available and appropriate) that can identify potential emergence of low carbon opportunities and the decline of some traditional sectors.

Over the long term, transition risks are still important, but physical risks start to become more visible. This includes the impact of natural catastrophes leading to physical damages through extreme weather events. Availability of resources is expected to become more important if changes in weather patterns (e.g. temperature or precipitation) affect the availability of natural resources such as water. A successful transition leads to enhanced projected returns. A changing climate may directly impact the viability of some assets or business models (for example, flood risk for real estate, or drought / fire risk for timberland assets). The ability of the Trustee and investment managers to understand these changes can position the Scheme favourably, for example by increasing investments in sustainable investment projects that display a high level of climate resilience (where available and appropriate).

STRATEGY

Climate-related risks and opportunities relevant to the Scheme

Climate-related Risks

One of the greatest impacts to the Scheme's from climate change is investment risk. The performance of the Scheme's investments is directly aligned to the value of the underlying assets, which are increasingly impacted by climate-related risks and opportunities.

Mercer ensures that the Scheme's investment strategy is well-diversified, and applies ratings to the investment managers to reflect that they have an appropriate understanding of both the companies and assets in which they invest in and the risks to which they are exposed.

The Trustee monitors on at least an annual basis the carbon intensity of the Scheme's portfolio and how this changes over time, where the information is available. Within the MGIE fixed income funds there are exclusions on the highest carbon emitters. The carbon intensity for each of the component funds has been reported (where available) within the "Metrics and Targets" section of this report.

Climate-related Opportunities

There are significant opportunities for investing in companies and assets that may benefit as financial markets transition to a lower carbon environment.

The Scheme has invested in the Mercer Sustainable Opportunities Fund since 2021, which targets unlisted sustainable investments.

Under the fiduciary management arrangement, Mercer assesses whether there are attractive sustainability-orientated investment opportunities on an ongoing basis. The Scheme did invest in Mercer's (listed) Sustainable Equity Fund, when the equity allocation was larger.

Addressing Future Risks and Opportunities

Mercer seeks to make further progress in this area specifically for reducing climate-related risks over the short to medium term. For example:

1. Liaising with investment managers around reducing the carbon exposure of their portfolios (where available and appropriate);

2. Allocating to more sustainable assets;

3. Investing with managers that can demonstrate a higher degree of integration for Environmental, Social and Governance issues.

The Trustee expects Mercer, as the Scheme's investment advisor and fiduciary manager, to provide support and consider potential investment and implementation opportunities to reduce the Scheme's exposure to climate-related risks over time.

However, the Trustee recognises a balance is needed to be maintained between meeting the investment objectives of the Scheme and considering these risks. Climate-related risks, but also opportunities, will be monitored as part of regular ongoing investment strategy reviews for the Scheme.

POTENTIAL COVENANT IMPACT FROM CLIMATE CHANGE

Overview

Management of the Sponsor has assessed the potential risks of climate change considering two scenarios, where the global temperature increase varies either 1.5°C or >2°C by 2100. Key challenges for the corrugated cardboard packaging industry include reducing the energy intensity of paper production, reducing the carbon footprint of packaging solutions and reducing waste. Key risks include the cost of carbon taxes, increasing cost of raw materials/threat to supply, and increasing likelihood of disruption due to extreme weather events or water stress.

There are also climate opportunities for the Group, with increased demand for recyclable packaging and through leveraging its market leading position to drive decarbonisation of its supply chain and adapt to new climate-related regulations. Such opportunities could lead to market share growth and higher revenues, which is positive for covenant. Management of the Sponsor has considered mitigating actions to climate change, such as implementing an effective climate change strategy and transitioning to renewable fuel sources, which they anticipate will reduce the impact of management's identified risks.

PWC have used the Group’s 2024 TCFD disclosures, Sustainability Plan and 2024 Annual Report to consider the illustrative potential impact of the risks and opportunities from climate change on the Group’s financial statements and therefore the ability of the Group to meet any contributions to the Scheme.

Key Risks and Opportunities

- **Transitional risks:** The two main risks the Group focuses on are increased costs due to carbon taxes or increases in raw materials, which management see as likely with financial impact between £70m-£200m.
- **Physical risks:** Increased disruption from extreme weather conditions or water stress which the Group see as more likely over the longer time, with financial impact between £10m-£92m.
- **Opportunity from growth in demand for sustainable packaging**. Management anticipate that this growth is likely and could add up to £637m in revenue, which the Group is well positioned to be able to capitalise on. resource efficiency and lower emission energy are also considered to offer likely opportunities in the shorter term, with up to £100m cost savings.

Overall, PWC considers that the covenant impact on the Scheme from climate change is low. The Group and industry is focused on creating packaging from recycled material, which provides an upside opportunity for the Group from a new revenue stream. There doesn’t appear to be a major milestone in the transition plan which will limit the covenant support, and Group have stated they are ‘on track’ to meet their climate targets.

Recommendations

PWC recommends the Trustees continue to monitor management’s progress against its Net Zero strategy and corresponding targets and milestones. PWC expects the Group’s strategy and actions in relation to climate change to evolve and change over the coming years, as well as the wider environmental and business context. Monitoring of management’s progress against the targets it has set should evolve in line with this.

PWC anticipate that the introduction of any carbon taxes can be captured through monitoring of the Group’s financial performance, but this is also likely to be an area to monitor.

RISK MANAGEMENT

Scheme's process for identifying and assessing climate change related risks

The Trustee recognises that climate related risks can be financially material and that the due consideration of climate risk falls within the scope of the Trustee's fiduciary duty. Given the long dated nature of the Scheme's investments and the timeframe in which climate risks could materialise, a total portfolio approach to risk management covering all sectors and all relevant asset classes has been taken.

The Trustee seek to identify and assess climate change related risks from both a top down and bottom up perspective. The climate change scenario modelling (described in the previous section) provides a top down strategic assessment of climate change risks. From a bottom up perspective, the Trustee and Mercer seeks to identify key sources of company and sector level carbon risks using carbon emissions analysis and non carbon emissions climate related metrics (described in the next section).

During the Scheme year to 30 April 2025, the Trustee received quarterly investment performance reporting, which included ESG investment manager ratings produced by Mercer for the Scheme's investment managers. These ratings assessed the degree to which managers integrated ESG considerations, including climate change, into their investment processes and active ownership activities. If a manager was considered to be "lagging the market", Mercer would engage with the relevant investment manager(s) to strongly encourage that they improve in policies and practises in this area. The Trustee also received annually an ESG Manager Ratings review which analysed the ESG ratings of the funds used comparing these against the wider universe of strategies across various asset classes that are researched by the Investment Consultant.

However, from 1 June 2025 (beyond the Scheme's reporting period to 30 April 2025), these ESG ratings were replaced with Mercer's enhanced ESG Framework. This involves ESG relevance and ESG Integration indicators. The ESG relevance indicator is either high, medium, low, or n/a and represents how relevant ESG considerations are to the asset class/strategy in question. The ESG Integration indicator is either Yes, or No and represents whether or not financially material ESG considerations are integrated into decision making. These indicators can be supplemented by optional manager-level "Stewardship Overview" reports. As well as this enhanced ESG framework and at the time of writing, Mercer's wider Sustainable Investment Specialists producing a range of more in-depth ESG/Sustainable Investment assessment tools to help assess portfolios in a more focussed way.

A summary of the managers' voting statistics and a selection of the Trustee's most significant votes (aligned with the Trustee's stewardship priorities) cast over the year are disclosed in the Scheme's Implementation Statement which is reviewed on an annual basis by the Trustee.

The Trustee is actively considering ways to further enhance the process of identifying and assessing climate related risks and opportunities. The Trustee annually reviews Scheme documentation including the SIP and risk register. The Trustee has strengthened its policy in relation to ESG within the SIP and ESG risks (including climate change) are reflected in the Scheme's investment beliefs and risk register. The risk register is used to effectively identify, prioritise, manage and monitor risks associated with the Scheme and the escalations of risk are managed by internal controls in place . The Trustee also has an Integrated Risk Management Framework which allows it to consider the impact of climate change holistically.

Scheme's process for managing climate change related risks

The Trustee manages risk by prioritising those risks that it believes may be most financially material. These risks are identified in the SIP. In addition, the Trustee reviews the Scheme's risk register annually to ensure that risks are effectively managed.

The Trustee's approach to climate change risk management is guided by climate change scenario modelling, carbon emissions analysis and an assessment of a manager's ability to integrate ESG issues, including climate change considerations, into their investment processes.

The Trustee and Mercer equally sees its target to reduce the level of carbon intensity within the Scheme, as a means to manage climate transition risks. Equally, the Trustee and MGIE expects companies in which it invests to manage climate change risks.

The Trustee recognises the challenges with various metrics, tools and modelling techniques used to assess climate change risks. The Trustee aims to work with its investment consultant and investment managers to continuously improve the approach to assessing and managing risks over time as more data becomes available.

RISK MANAGEMENT

A key part of the Trustee's role is to understand and manage risks that could have a financially material impact on both the Scheme's investments and the wider funding position. Climate change is one of the risks that the Trustee considers, alongside other financially material risks that may impact outcomes for members.

This section summarises the primary climate-related risk management processes and activities of the Trustee. These help the Trustee understand the materiality of climate-related risks, both in absolute terms and relative to other risks that the Scheme is exposed to. The Trustee prioritises the management of risks primarily based on its potential impact on the security of members' benefits/prospective investment returns.

Governance	• The Trustee's **Statement of Investment Principles** is reviewed at least annually and sets out how ESG risks including climate change are managed and monitored. • The Trustee maintains a **risk register** to monitor and mitigate financially material risks to the Scheme. On an annual basis, the Trustee reviews the Scheme's risk register which includes reference to ESG risks (including climate change) to ensure the assessment of the likelihood and impact continue to remain appropriate for the Scheme. • The Investment Sub-Committee and Trustee receive regular **training** on climate-related issues, including market updates. The training allows the Trustee to better understand how climate-related risks and opportunities can have an impact on the Scheme. • Mercer as the Scheme's fiduciary manager, publishes a Sustainable Investment Policy, which is updated approximately annually. • The Trustee has established a climate governance statement setting out how its governance processes to examining climate risk and its impact on the Scheme. • A benchmarking analysis of the extent to which ESG factors are integrated into investment decision making at the portfolio level is undertaken by Mercer on an annual basis.
Strategy	• The Investment Sub-Committee, will take an integrated approach considering the impact to the Scheme's liabilities, covenant and assets when taking climate-related risks and opportunities into account as part of any **wider strategic investment advice** provided to the Trustee. This includes highlighting the expected change in climate-risk exposure through proposed asset allocation changes. Additionally, Mercer as the Scheme's fiduciary manager take account of climate-related issues when considering portfolio construction. • **Climate scenario analysis** for the Scheme will be reviewed annually and refreshed broadly triennially. A summary of the Trustee's latest climate scenario analysis has been included in this report and is the primary tool to help the Trustee understand the materiality of climate-related risks that could impact the Fund over time. • The Trustee has set **strategic objectives for its investment consultant** which includes an expectation that climate-related risks and opportunities are given due consideration. An assessment against these objectives is carried out by the Trustee annually
Stewardship and Reporting	• Annual reports of **climate-related metrics** and progress against climate-related targets will be reviewed by the Trustee. The Trustee may use the information to engage with the investment managers and will take the information into account in triennial investment strategy reviews. • The Trustee produces an annual **Implementation Statement** which includes commentary on how the investment managers choose to vote and engage on climate-related issues (among other ESG issues), where applicable.
Manager selection and retention	• For the underlying Mercer Funds managed by MGIE, MGIE will consider an investment manager's firm-wide and strategy-specific approach to managing climate-related risks and opportunities alongside other ESG factors when either **appointing** a new manager, in the ongoing **review** of a manager's appointment, or as a factor when considering the **termination** of a manager's appointment. • Mercer reviews the relevance of ESG considerations for mandates and assesses whether they integrate ESG considerations (including climate change) into investment processes. A manager's stewardship process forms part of the rating assessment. This is considered at the firm level and at the investment strategy/Scheme level. The ratings are presented in quarterly investment performance reports and are reviewed by the Trustee.

METRICS AND TARGETS

Disclose the metrics and targets used to assess climate-related risks and opportunities in line with strategy and risk management process

This report presents climate metric analysis for the Scheme's DB Assets as at 31 March 2025. As at this date, less than 1% of the Scheme's assets are in respect of DC benefits, this is a closed DC arrangement primarily held in cash and analysis has therefore not been provided for these benefits. As of 10 April 2025, the Scheme's DC Section closed.

Due to practical data availability, the Scheme-level figures quoted in the report assume that companies not covered by the analysis are represented within the range of companies that have been covered in the analysis, the 'pro-rata approach' (i.e. it is not assumed that companies not covered have emissions of 0) is in line with statutory guidance.

The Trustee recognises that the availability of accurate data for some asset classes is an industry-wide issue and is engaging with the investment managers to improve their climate reporting.

Carbon risk metrics aid the assessment of potential climate-related risks to which the Scheme is exposed, and help to identify areas for further risk management, including engagement, monitoring, retention and selection.

The Trustee has agreed to report on the following five metrics:

1. **Carbon Footprint –** measures the carbon emissions (in metrics tons) per million $ dollars invested. This is the DWP's recommended metric for measuring carbon emission intensity.
2. **Weighted Average Carbon Intensity ("WACI")** – this is an alternative carbon emission intensity measure of emissions that normalises a company's total GHG Emissions figure by its revenue. It is calculated by taking the total carbon emissions of the investment and dividing by annual company revenue. A different approach is taken for sovereign bonds, where the specified sovereign GHG Emissions are normalised by Purchasing Power Parity adjusted Gross Domestic Product (PPP-adjusted GDP) or per Capita.

   Analysing a fund's WACI assists the Trustee in identifying how carbon efficient the business models of the companies held within a portfolio are. Alongside Carbon Footprint, the Trustee has chosen this metric to assist them in prioritising carbon intense parts of the investment strategy for potential re-allocation or engagement, as a means of mitigating associated climate-related risks.
3. **Absolute Emissions** – represents each company's reported or estimated greenhouse gas emissions, where available (includes scope 1, scope 2, and scope 3 emissions). It includes various scopes of emissions:
   - **Scope 1 "direct" emissions:** those from sources owned or controlled by the company (e.g. direct combustion of fuel from vehicles); and
   - **Scope 2 "indirect" emissions:** those caused by the generation of energy (e.g. electricity) purchased by the company.
   - **Scope 3 "indirect" emissions:** this category includes all the emissions that occur in the value chain of the reporting company, not with the company itself. Scope 3 emissions are being reported for the first time in this report.

   For sovereign emissions, the emissions are defined as those that relate to production (scope 1) and consumption (scope 1, 2 and 3 minus exported emissions) in line with the Partnership for Carbon Accounting of Financials ('PCAF') guidance. Emissions include those from land use, land use change and forestry ('LULUCF') where specified.
   - **Production emissions:** those attributable to emissions produced domestically and include domestic consumption and exports; and
   - **Consumption emissions:** these include production emissions, minus exported emissions, plus imported emissions (emissions related to energy and non-energy imports from goods or services from outside the country territory as a result of activities taken place in the country territory).
4. **Implied Temperature Rise ("ITR") –** analyses the warming scenario that the investment is aligned with. As a reminder, the 2015 Paris Agreement was to keep global temperature rises to below 2 ºC above pre-industrial levels. It allows for tilting of the Scheme's investments towards companies with a <2ºC implied temperature rise, to show alignment with the Paris Agreement ambition.

   The Trustee has selected to use Implied Temperate Rise as a means to measure portfolio alignment. Implied Temperature Rise is a forward-looking metric which helps infer the degree of portfolio alignment with the goals of the Paris Agreement. The Trustee recognises that very few companies are currently aligned with net zero pathways but that this will change as companies transition their business models.
5. **Climate Value at Risk (cVaR)** – aims to measure the size of the financial loss attributable to climate-related risks a portfolio may experience, within a given time horizon, if a particular scenario unfolds.

METRICS

Figure 2: Scope 1 + 2 Climate-Related Metrics as at 31 March 2025 *(vs 31 March 2024)*

Asset Class	Manager	Allocation (% total assets)	Absolute GHG emissions Scope 1 + 2		Emissions intensity Scope 1 + 2				Other (non-emissions)				Notes
			Metric (tons CO2e)	Coverage (%)	Carbon Footprint (tons CO2e / $m invested)	Coverage (%)	WACI (tons CO2e / $m revenue)	Coverage (%)	Implied Temp. Alignment / "ITR" (ºC)	Coverage (%)	Agg. Company 1.5ºC Company VaR (%)	Coverage (%)	
Equity	Mercer *(Insight – 31/03/24)*	4.7 *(4.3)*	1,180.0 *(1,643.9)*	99.8 *(100.0)*	27.7 *(39.0)*	99.8 *(100.0)*	87.8 *(88.1)*	99.9 *(100.0)*	2.8ºC *(2.8ºC)*	96.7	-8.5 *(-10.2)*	99.9	-
Opportunistic	Mercer Select Alternative Strategies Fund	1.7 *(1.7)*	-	-	-	-	-	-	-	-	-	-	Climate metric data unavailable for hedge fund portfolios largely composed of derivative positions.
Income Focused	Mercer Multi-Asset Credit	6.4 *(5.8)*	3,375.1 *(4,401.8)*	29.9 *(32.0)*	63.0 *(78.7)*	29.9 *(32.0)*	112.0 *(124.0)*	31.0 *(35.0)*	3.4ºC *(2.5ºC)*	27.7	-19.0 *(-20.4)*	24.6	Data coverage is low (<30%) so conclusions drawn from metrics may be spurious.
	Insight Secured Finance	3.1 *(3.2)*	-	-	-	-	-	-	-	-	-	-	Data not available[2]
	Schroders Secured Finance	2.7 *(3.4)*	-	-	-	-	-	-	-	-	-	-	Data not available[2]
	Mercer Private Markets	21.9 *(17.4)*	-	-	-	-	-	-	-	-	-	-	Data not available[2]
Liquid Credit	Tailored Credit Fund	11.2 *(13.7)*	3,950.4 *(4,459.6)*	91.0 *(60.0)*	39.9 *(32.8)*	91.0 *(60.0)*	107.2 *(116.0)*	92.6 *(94.0)*	2.2ºC *(2.3ºC)*	87.1	-11.3 *(-12.7)*	67.5	-
	Insight Buy & Maintain Credit	17.2 *(19.2)*	4,226.0 *(4,124.0)*	89.0 *(87.0)*	26.0 *(22.0)*	89.0 *(87.0)*	69.0 *(69.0)*	91.0 *(91.0)*	1.9ºC *(1.7ºC)*	88.0	Data not available	Data not available	VaR data not provided by Insight
	Allianz Working Capital	5.1	1,454.6	42.1	38.9	42.1	110.4	42.1	3.1ºC	34.3	Data not available	Data not available	VaR data not provided by Allianz
Total[1]		74.0	14,186.1	76.8	36.4	76.8	91.5	78.2	N/a	N/a	N/a	N/a	Unable to estimate total portfolio ITR or agg. 1.5ºC Company VaR metrics due to lack of underlying portfolio correlation data

[1]Doesn't include c0.3% in cash held in the total portfolio, c1.1% allocation to the Global Evolution Frontier Markets Debt Fund, or c24.7% allocation to Insight LDI. Figures many not sum exactly due to rounding.
[2]Given the nature of the structures within the alternatives assets, secured finance and private markets reliable TCFD information is not yet available and so has been omitted from this iteration. As TCFD reporting becomes better developed, greater and more reliable data around these asset classes should become available. Total excluded assets represent c30.4% of the portfolio.

Data Source: MSCI Barra One for all but the Insight Buy & Maintain Credit and the Insight LDI assets, which were sourced directly from Insight (see "Insight Data" below), and the Allianz Working Capital allocation where the information was sourced directly from Allianz.
Calculated figures are rebased to 100% to represent full coverage.

Implied Temperature Alignment *– This analyses the warming scenario with which the investment is aligned. Implied temperature rise is a forward-looking metric that helps infer the degree of portfolio alignment with the goals of the Paris Agreement (that is, limiting global warming to well below 2°C). We recognise that very few companies are currently aligned with net-zero pathways but that this will change as companies transition their business models.*
Aggregate Company 1.5ºC Company VaR *– This demonstrates the expected return contribution from changes arising in a 1.5°C scenario out to 2100. It is designed to provide a forward-looking and returns-based valuation assessment to measure climate-related risks and opportunities in the portfolio across top-down risks and opportunities (transition and physical exposures) and bottom-up risks and opportunities (policy/economic impacts and technology/company-specifics).*

Please be aware that these figures are being provided purely for informational purposes only in order to demonstrate the results of integrating sustainability risk into your portfolio and the funds within in. While the underlying funds may promote environmental and/or social characteristics your portfolio itself does not promote environmental or social characteristics nor does it commit to making investments in sustainable investments unless already agreed with you. Calculated figures are rebased to 100% to represent full coverage. Figures are based on best-available data at time of calculation. Calculation methodologies are subject to change based on evolving market standards.

Corporate metrics represent Scope 1 and 2 emissions normalised by $1M sales revenue. For Sovereign analysis using MSCI Barra One data, the analysis has been conducted in line with the recommended methodology set out by PCAF, Intensity formula Product Emissions / PPP Adjusted GDP ($m). Data for Production Emissions (GHG) for 2021 sourced from EDGARv7.0 website. Crippa et al. (2021, 2022). Data for PPP Adjusted GDP for the latest available data (2020-2021) sourced from The World Bank.

Insight Data
Insight's reporting / metrics are taken in line with DWP's guidance, i.e. "Trustees may treat the requirement to obtain Scope 1 and Scope 2 emissions of a sovereign issuer as referring to the production-based emissions of the jurisdiction, and the requirement to obtain Scope 3 emissions of a sovereign issuer as referring to the emissions embodied in goods and services imported by the jurisdiction. We recognise that trustees may not be able to readily calculate these imported emissions at the current time for jurisdictions other than the UK."

METRICS

Figure 3: Sovereign Production Emissions as at 31 March 2025 *(vs 31 March 2024)*

Asset Class	Manager	Allocation (% total assets)	Absolute GHG emissions Scope 1 + 2		Emissions intensity Scope 1 + 2				Other (non-emissions)		Notes
			Metric (tons CO2e)	Coverage (%)	Carbon Footprint (tons CO2e / MV of gilts in issuance)	Coverage (%)	WACI (tons CO2e / $M PPP-Adjusted GDP)	Coverage (%)	Implied Temp. Alignment / "ITR" (°C)	Coverage (%)	
LDI	Insight	24.7 *(30.3)*	84,013.0 *(88,157.0)*	100.0 *(100.0)*	166.3 *(167.4)*	100.0 *(100.0)*	86.6 *(99.2)*	100.0 *(100.0)*	1.5-2.0°C *(1.5-2.0°C)*	Data not available	ITR based on analysis by Germanwatch and the Climate Action Tracker (noting this is under review)

Figure 4: Sovereign Production Emissions as at 31 March 2025

Asset Class	Manager	Allocation (% total assets)	Production Emissions Including LULUCF				Production Emissions Excluding LULUCF				Notes
			Sovereign Carbon Intensity (tons CO2e / $M PPP-Adjusted GDP)	Coverage (%)	Absolute emissions (tons CO2e)	Coverage (%)	Sovereign Carbon Intensity (tons CO2e / $M PPP-Adjusted GDP)	Coverage (%)	Absolute emissions (tons CO2e)	Coverage (%)	
Opportunistic	Mercer Frontier Market Debt	1.1	458.9	100.0	2,674.5	100.0	318.1	100.0	1,853.6	100.0	–

Figure 5: Sovereign Consumption Emissions as at 31 March 2025

Asset Class	Manager	Allocation (% total assets)	Consumption Emissions						Notes
			Sovereign Carbon Intensity (tons CO2e / capita)	Coverage (%)	Sovereign Carbon Intensity (tons CO2e / $M PPP-Adjusted GDP)	Coverage (%)	Absolute emissions (tons CO2e)	Coverage (%)	
Opportunistic	Mercer Frontier Market Debt	1.1	3.2	100.0	289.7	100.	1,688.6	100.0	–

Figures many not sum exactly due to rounding.
Data Source: MSCI Barra One and Mercer.

Sovereign emissions data shown are consistent with the PCAF definition of Scope 1 sovereign emissions, aligning with the UNFCCC definition of domestic territorial emissions, including emissions from exported goods and services. Emissions data are presented including and excluding land use, land-use change and forestry (LULUCF). The methodology used for Sovereign bonds has improved over the years, making it unfair to compare year-on-year data. As a result, the current analysis does not take into account the sovereign figures from previous analyses.

Sovereign emissions data shown are consistent with the PCAF definition of consumption emissions, equivalent to production emissions, less exported emissions, plus imported emissions. Emissions data exclude land use, land-use change and forestry. The methodology used for Sovereign bonds has improved over the years, making it unfair to compare year-on-year data. As a result, the current analysis does not take into account the sovereign figures from previous analyses.

Please be aware that these figures are being provided purely for informational purposes only in order to demonstrate the results of integrating sustainability risk into your portfolio and the funds within in. While the underlying funds may promote environmental and/or social characteristics your portfolio itself does not promote environmental or social characteristics nor does it commit to making investments in sustainable investments unless already agreed with you. Calculated figures are rebased to 100% to represent full coverage. Figures are based on best-available data at time of calculation. Calculation methodologies are subject to change based on evolving market standards.

METRICS

Figure 6: Scope 3 Corporate Climate-Related Metrics (as at 31 March 2025)

Asset Class	Manager	Allocation (% total assets)	Absolute GHG emissions Scope 3		Emissions intensity Scope 3				Other (non-emissions)	Notes
			Upstream (tons CO2e)	Downstream (tons CO2e)	Carbon Footprint (EVIC intensity, tCO2e/$m invested) Upstream	Carbon Footprint (EVIC intensity, tCO2e/$m invested) Downstream	WACI (Sales intensity, tCO2e/$m revenue) Upstream	WACI (Sales intensity, tCO2e/$m revenue) Downstream	Data Quality[4] (%)	
Equity	Mercer	4.7	3,383.5	6,875.0	76.8	156.1	234.5	323.3	96.7%	-
Opportunistic	Mercer Select Alternatives Strategies Fund	1.7	-	-	-	-	-	-	-	Climate metric data unavailable for hedge fund portfolios largely composed of derivative positions.
	Mercer Frontier Market Debt	1.1	-	-	-	-	-	-	-	Data not available[3]
Income Focused	Mercer Multi-Asset Credit	6.4	7,900.1	13,050.0	131.8	217.7	218.0	288.4	27.6%	Data coverage is low (<30%) so conclusions drawn from metrics may be spurious.
	Insight Secured Finance	3.1	-	-	-	-	-	-	-	Data not available[3]
	Schroders Secured Finance	2.7	-	-	-	-	-	-	-	Data not available[3]
	Mercer Private Markets	21.9	-	-	-	-	-	-	-	Data not available[3]
Liquid Credit	Tailored Credit Fund	11.2	8,071.5	12,022.9	76.5	113.9	209.4	212.9	87.2%	-
	Allianz Working Capital	5.1	-	-	-	-	-	-	-	Data not available[3]
	Insight Buy & Maintain Credit	17.2	27,635.0		170.0		303.0			Insight did not distinguish emissions as being Upstream or Downstream.
LDI[1]	Insight	24.7	-	-	-	-	-	-	-	-
Total[2]		100.0	78,938.0		-	-	-	-	-	-

Figures many not sum exactly due to rounding.
[1]Scope 3 LDI data has not been included as the sources Insight could find have a 3year + lag. Insight are involved in cross-industry discussions on reporting (including the ICSWG) to agree a more reliable source of data.
[2]Doesn't include c0.3% in cash held in the total portfolio. As the available Insight data was not consistent with the other mandates, we have not aggregated the metrics available.
[3]Given the nature of the structures within the alternatives assets, secured finance and private markets reliable TCFD information is not yet available and so has been omitted from this iteration. As TCFD reporting becomes better developed, greater and more reliable data around these asset classes should become available. Total excluded assets represent c60.2% of the portfolio.
[4]As Scope 3 reporting by underlying companies is nascent, there are inconsistencies in reporting methodologies. As such, the data quality figures shown are MSCI's estimated Scope 3 carbon emissions for these underlying companies instead (for methodology consistency), where these estimates incorporate the Reported emissions data.

Data Source: MSCI Barra One for all but the Insight Buy & Maintain Credit and the Insight LDI assets, which were sourced directly from Insight (see "Insight Data" below), and the Allianz Working Capital allocation where the information was sourced directly from Allianz.

Please be aware that these figures are being provided purely for informational purposes only in order to demonstrate the results of integrating sustainability risk into your portfolio and the funds within in. While the underlying funds may promote environmental and/or social characteristics your portfolio itself does not promote environmental or social characteristics nor does it commit to making investments in sustainable investments unless already agreed with you. Calculated figures are rebased to 100% to represent full coverage. Figures are based on best-available data at time of calculation. Calculation methodologies are subject to change based on evolving market standards.

Insight Data
Insight does not currently report Scope 3 emissions (Consumption as defined by DWP). Insight's explanation for this is that the sources of Scope 3 data that it can find have over a 3-year lag, so whilst we know there is a requirement to report Scope 3 data, it believes the usefulness of such stale data is questionable. The data source that Insight uses in its quarterly reporting can be found here: https://ourworldindata.org/grapher/consumption-co2-per-capita

Definitions
- ***Upstream*** *– This refers to emissions from activities occurring before a product, service, or investment reaches a corporate or sovereign entity, including extraction, production, and transportations in the supply chain*
- ***Downstream*** *– This refers to emissions from activities after a corporate or sovereign entity's involvement, such as the distribution, consumption, disposal, or end-life impact of products, services, or investments*
- ***EVIC Intensity*** *– This is refers to the emissions associated with each unit or Economic Value Added or Contribution (EVIC), measuring the carbon efficiency of a corporate of sovereign entity's economic activities in terms of emissions per unit of economic output*
- ***Sales Intensity*** *– This refers to emissions per unit of sales revenue, reflecting how efficiently a corporate or sovereign entity generates revenue in relation to its carbon emissions.*

TARGETS

Disclose the target used to assess climate-related risks and opportunities in line with strategy and risk management process

The Trustee will keep the following targets under review to ensure they remain appropriate and relevant, taking into account any changes to the investment strategy of the Scheme, the availability of data and wider market developments. **The Trustee has set a target to reduce carbon emissions (scope 1 and 2) associated with its segregated corporate bond portfolio by at least 25% (from March 2023 levels) by 2030.** The segregated corporate bond portfolio is represented by the Insight Buy & Maintain Credit mandate.

The Trustee's target is based on Weighted Average Carbon Intensity ("WACI"), this metric has been chosen as a method of monitoring and reducing the levels of carbon exposure in line with the Trustee's fiduciary duties to invest in the best financial interests of the Scheme's membership.

The Trustee will monitor progress in achieving the carbon reduction goal on at least an annual basis. The exposure had reduced by c.19% as at 31 March 2025 relative to baseline levels (latest available data at time of writing). While part of this is due to developments within the Scheme's underlying assets (i.e. a change in the underlying segregated corporate bond investment manager from Royal London Asset Management to Insight) and general improvements in emissions, this reduction is exacerbated as a result of heightened inflation in recent years. The WACI metric is the absolute emissions (metric tonnes of Carbon Dioxide emissions, i.e. tCO_2e) per $1m in revenues generated, so where revenues generated have increased due to heightened inflation, the emissions figure is being divided by a larger revenues figure. As such, this puts a downward pressure on the overall WACI as a result.

A wide range of factors will affect whether the Trustee achieves its target, and the Trustee has varying degrees of control over these factors. Ultimately achieving the desired level of decarbonisation will depend on global economies overall successfully decarbonising. Notwithstanding that there are factors outside of the Trustee's control, the Trustee will be working closely with Mercer (who will be working closely with the underlying manager) to achieve this climate reduction target. Mercer has set mandate guidelines with the manager with consideration for climate goal alignment, and other risk and return factors, in line with the Trustee's fiduciary responsibility. The Trustee will keep the target under review and is comfortable with the progress made against the target to date and that the Scheme remains on track to meet the target while noting that progress is not expected to be linear.

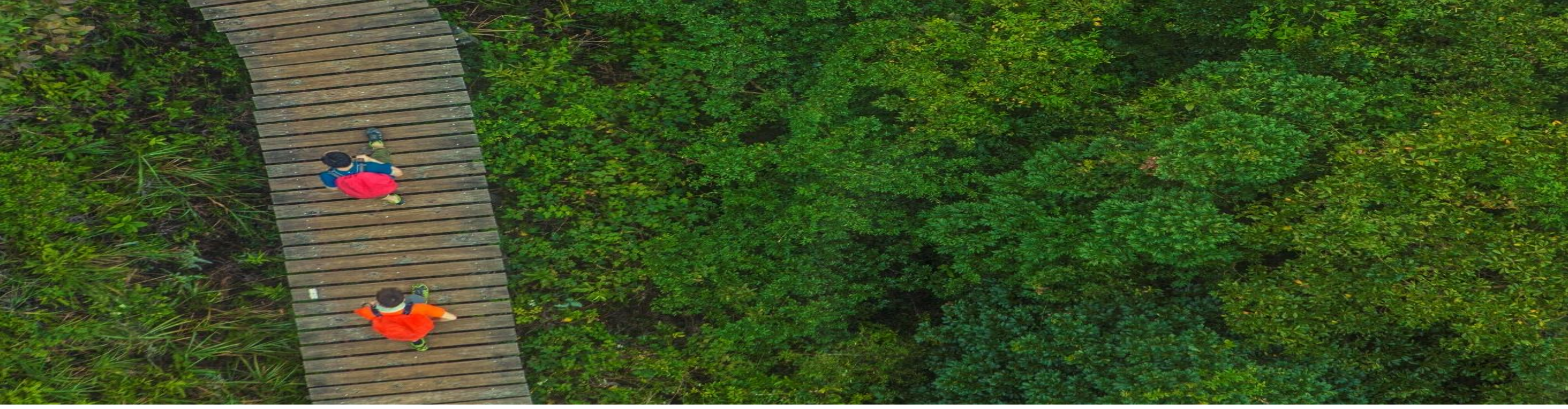
CONCLUSIONS AND NEXT STEPS

The key messages from this report are:

- Climate change risk can have an impact on the long-term funding outcomes for the Scheme, due to the impact on assets, covenant and mortality. Some impacts whilst positive for the Scheme's funding may not be positive for society.
- The Trustee has processes in place to identify, assess, consider and mitigate climate change risk when making decisions.
- Climate risk will largely be the result of “transition risk” than physical risks in the short term. Over the longer term, physical risks will have a larger impact.
- It is likely that assumptions will change over time and therefore the Trustee will keep the potential impacts under review. At the moment, due to the primarily bond orientated portfolio the risks appear low, however, the Trustees and Mercer will continue to monitor and work with the managers to reduce any impact and improve the variability of data.
- Five metrics have been chosen to monitor the progress against climate change risk (Carbon Footprint, Weighted Average Carbon Intensity, Absolute Emissions, Implied Temperature Rise and Climate VaR).
- The Scheme’s progress is currently on track against the target to reduce the level of carbon exposure of the Scheme’s segregated corporate bond assets (Insight Buy & Maintain Credit mandate).
- As part of the covenant assessment, PWC recommends the Trustees continue to monitor management’s progress against its Net Zero strategy and corresponding targets and milestones. PWC expects the Group’s strategy and actions in relation to climate change to evolve and change over the coming years, as well as the wider environmental and business context. Monitoring of management’s progress against the targets it has set should evolve in line with this.
- Mortality changes arising from the direct and indirect impact of climate change may be material to the funding strategy in the longer term. The Trustee will keep this under review, and in the meantime review this triennially as part of the actuarial valuation.

In the longer term, the Trustee expects to:

- Review the climate-related risks and opportunities in the Scheme and maintain compliance with regulatory requirements, with support from the Scheme’s advisers, as part of the annual TCFD report, triennial actuarial valuations and interim strategic discussions.
- Ensure it is well equipped with sufficient knowledge and developments around climate change risk.
- Annually consider the suitability of the Scheme’s investment arrangements to achieve the agreed carbon reduction target.
- Continue to monitor the potential impact of climate change on the Sponsor covenant at least annually.
- The Trustee will continue to monitor integration of ESG factors into their decision making at least annually.



Technical Appendix
THE TCFD FRAMEWORK

The Financial Stability Board, an international body established by the G20 that monitors and makes recommendations about the global financial system, created the TCFD framework in 2015. TCFD was created to improve and increase reporting of climate-related financial information that can promote more climate-informed decision making.

This climate change-related disclosure report is prompted by that drive for transparency and fulfils the Trustee's regulatory obligation in relation to climate change and governance reporting. The Trustee's aim is that members and stakeholders can better understand the climate-related risks and opportunities within the Scheme through its ownership of companies and other investments.

Figure 7: TCFD Framework

TCFD recommendations are categorised under four pillars: Governance, Strategy, Risk Management, Metrics and Targets:

Governance
The Trustee's governance of the Scheme around climate-related risks and opportunities.

Strategy
The actual and potential impacts of climate-related risks and opportunities on the Scheme's investments and funding of member benefits.

Risk Management
The processes used by the Scheme to identify, assess, and manage climate-related risks.

Metrics and Targets
The metrics and targets used by the Trustee to assess and manage relevant climate-related risks and opportunities.

Asset owners like the Trustee sit at the top of the investment chain and, therefore, have an important role to play in influencing the organisations through which they invest (such as asset managers) and companies in which they ultimately invest to provide better climate-related financial disclosures. Disclosure of climate-related risks and opportunities by asset owners allows beneficiaries and other audiences to assess the asset owner's investment considerations and approach to climate change.

In setting the Scheme's investment strategy, the Trustee has incorporated the available and relevant climate-related financial information into their investment decision making. The Trustee believes that their climate-related financial disclosures encourage better disclosures across the investment chain, from asset owners to asset managers to underlying companies.

STRATEGY

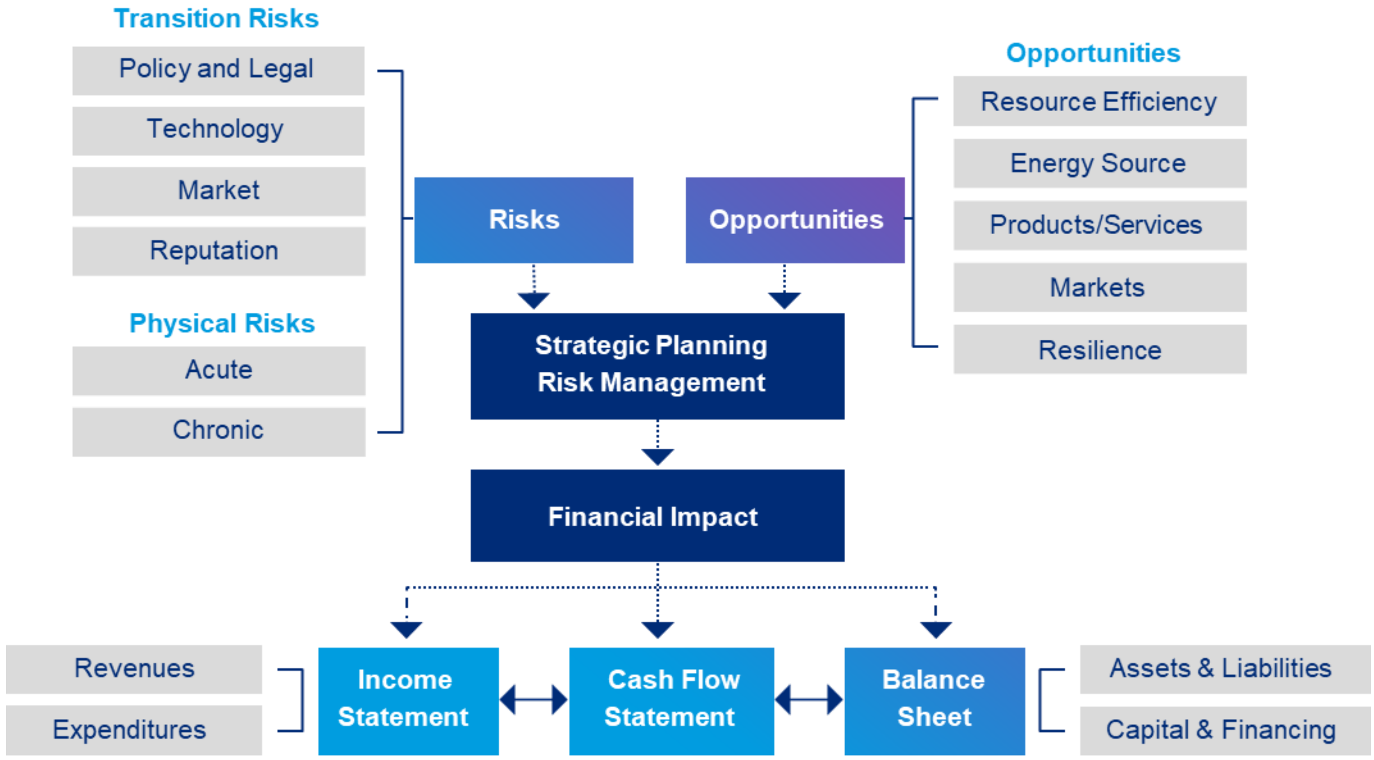
As a long-term investor, the Trustee recognises the risks and opportunities arising from climate change are diverse and continuously evolving. In relation to climate-related risks, the Trustee believes it is important to understand how the Scheme's exposure to these risks may change over time, when the risk exposure may be greatest and what actions can be taken now, or in the future, to avoid those risks becoming financially material to the Scheme.

To help with this assessment, the Trustee has defined short-, medium- and long-term time horizons for the Scheme (from the date of analysis as at 30 September 2023).

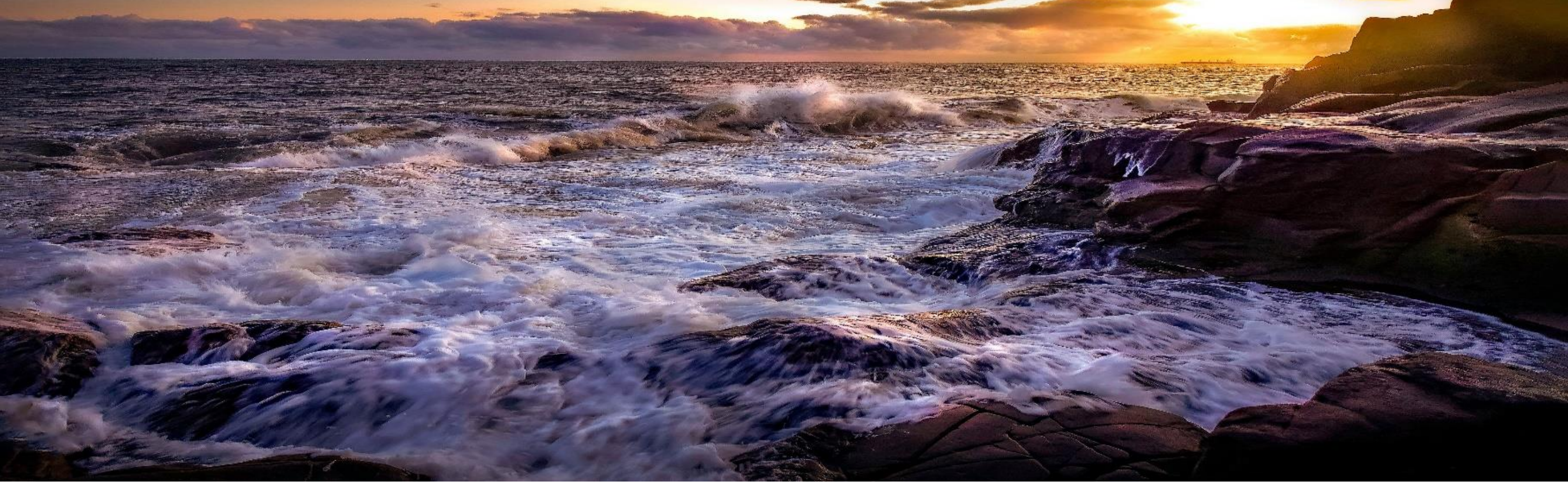
Term	Duration
Short	4 years (covers the period to 2028, when the Trustee expects to have made progress towards reaching full funding on the low-risk basis)
Medium	12 years (covers the period to 2035, when the Trustee expects to reach full funding on the low-risk basis)
Long	19 years (covers the period where the total benefits paid will reduce as the membership ages)

The Trustee recognises that the risks and opportunities arising from climate change are diverse and continuously evolving. This is demonstrated well in Figure 3 which was taken from the Final Report issued by the TCFD.

Figure 8: Climate-related risk and opportunities.



Source: TCFD Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, October 2021



SCENARIO ANALYSIS

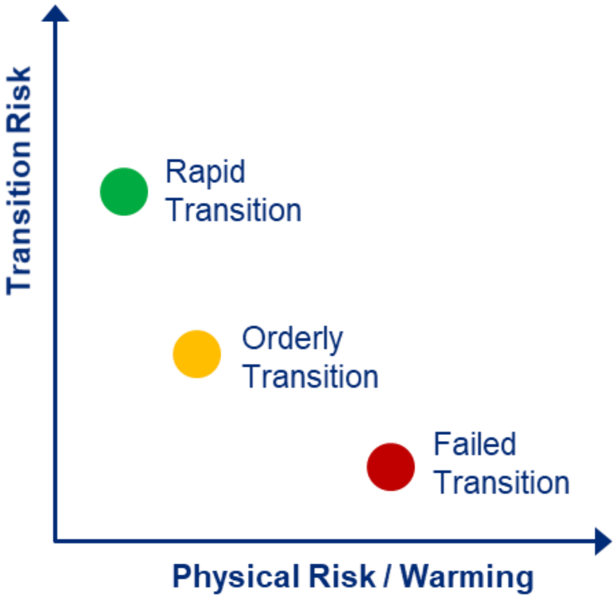
Testing the resilience of the investment and funding strategy

This analysis has not changed from the 2023 TCFD report for the Scheme, but this is expected to be reviewed as part of future statutory funding valuations.

The Trustee supports the goals of the Paris Agreement that deliver a below 2°C temperature increase against pre-industrial levels and believes that climate-risk may impact on securing long-term financial returns and considering climate-risk is in the best long-term interests of members

The Trustee has undertaken climate scenario analysis to the test the resilience of the investment and funding strategy adopted by the Trustee. Quantitative climate change scenario analysis has been undertaken on the Trustee's strategic asset allocation to assess the potential implications of climate change under three modelled scenarios; a Rapid Transition (1.5°C), an Orderly Transition (less than 2°C) and a Failed Transition (greater than 4°C). The analysis is based on scenarios developed by Mercer working with Ortec Finance. These scenarios were selected by the Trustee to test a broad range of feasible outcomes and the Scheme's exposure to both transition and physical risks.

Figure 9: Mercer's Climate Scenarios



Source: Mercer

- Rapid Transition – Average temperature increase of 1.5°C by 2100 (relative to pre-industrial average). This scenario assumes sudden downward re-pricing across assets in 2025/2026. This could be driven by a change in policy, consideration of stranded assets or expected costs. The shock is partially sentiment driven and so is followed by a partial recovery. Physical damages are most limited under this scenario.

- Orderly Transition – Average temperature increase of less than 2.0°C by 2100. Governments and wider society act in a co-ordinated way to decarbonise and to limit global warming to well below 2°C. Transition impacts do occur but are relatively muted.

- Failed Transition – Average temperature increase above 4°C by 2100. The world fails to co-ordinate a transition to a low carbon economy. Physical climate impacts significantly reduce economic productivity and have increasingly negative impacts including from extreme weather events. These are reflected in re-pricing events in the late 2020s and late 2030s.

In designing scenario analysis, a fundamental decision is whether to assume that any climate impacts are priced in today. The analysis in this report is expressed relative to a 'climate-informed' baseline where our baseline represents what we are assuming the market is currently pricing in; the implication is that all return impacts are presented in terms of how they are different to what we are assuming is priced in today. In terms of what is priced in today we give a 10% weight to a Failed Transition, 40% weight to an Orderly Transition,10% to a Rapid Transition and 40% weight to a range of low impact scenarios.

Further detail on climate scenario narratives, including modelling limitations, is included in the Technical Appendix of this report.

Figure 10: Strategy Modelling

The chosen scenarios help the Trustee understand the resilience of the Scheme's portfolio to different potential warming pathways covering eventual temperature increases over different timeframes. While a lower warming pathway (sub-2°C scenario) is one which governments, businesses and society should aim for, there is a possibility that a failure to reduce greenhouse gas emissions quickly enough could set off irreversible feedback loops that significantly warms the planet (4°C scenario or greater).

The Trustee notes that the modelling may understate the true level of risk and uncertainty is likely to be greater for higher warming scenarios, in particular due to the difficulty in being able to accurately predict the future. Please note, climate-related scenario analysis is an ever evolving space and as such the scenarios modelled will be subject to review in future periods.

The table below shows the Strategic Asset Allocation (SAA) as modelled for the DS Smith Group Pension Scheme. Analysis is focused on the investment and funding strategy, The charts represents projections of asset value/funding level/annualised returns from an analysis date of 30 September 2023 and assumes for continued de-risking out of growth assets and into bonds. This has been modelled using an initial asset value and assuming no further contributions for illustrative purposes.

Asset Class	Years 1-2	Years 3-4	Years 5-8	Years 9-19
Global Developed Equity	4%	2%	-	-
UK investment Grade Credit	20%	20%	20%	20%
Multi-Asset Credit (MAC)	6%	6%	6%	6%
Global Investment Grade Credit	11%	13%	15%	15%
UK Floating Rate Note IG Credit	2%	2%	2%	2%
US Floating Rate Note IG Credit	4%	4%	4%	4%
UK Sovereign Bonds (Gilts)*	33%	34%	35%	49%
Global Senior Private Debt	6%	6%	6%	4%
Global Private Debt	6%	6%	6%	-
Global Private Infrastructure	3%	3%	3%	-
Cash (reflecting the opportunistic allocation)	2%	1%	-	-
Sustainable Infrastructure	2%	2%	2%	-
Sustainable Private Equity	2%	2%	2%	-

**The sovereign bonds allocation also includes any cash collateral positions supporting the Liability Driven Investments.*

The analysis has been completed based on an analysis date of 30 September 2023 and using the following assumptions:

1. Mercer's capital market assumptions as at 30 September 2023
2. Ortec's climate scenarios as at 31 December 2022

Scenario Analysis Results

The charts overleaf represent the output of the Trustee's quantitative analysis of the investment and funding strategy. The charts represent projections of the Long Term Funding Target funding level from an analysis date of 30 September 2023 over a period of 19 years. Projections ignore the impact of any future contributions. Projections assume a linear phased progression from the current asset allocation to the expected long-term asset allocation (see table / Figure 5 on page 12 for further details) between 2024 and 2032, and then assume the strategy remains static for the rest of the analysis period. Further detail on the underlying asset allocations and limitations associated with climate scenario analysis are set out in the Technical Appendix.

Figure 11: Funding Level Progression – 4yr projection

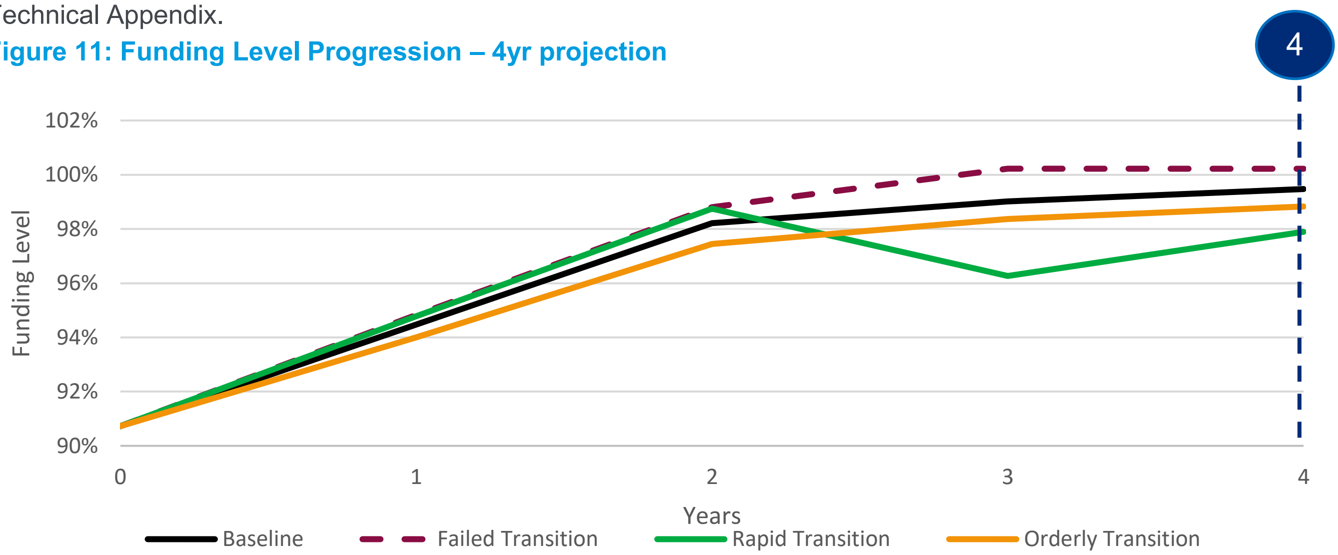


Figure 12: Funding Level Progression – 12yr and 19yr projection

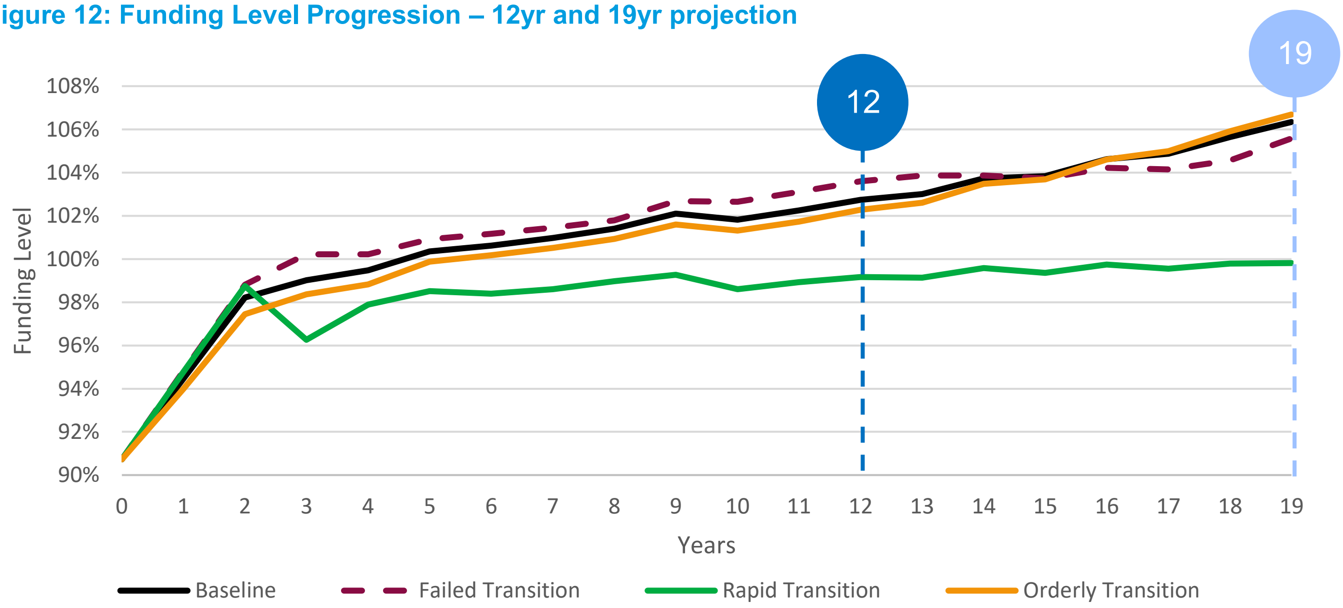


Figure 13: Expected impact on annual investment return for the periods to 2028, 2036 and 2043 across the three scenarios, on the same basis as set out on the previous page.

Analysis Results		Per annum return impact to projection horizon (relative to the baseline)
Scenario	**Projection Horizon**	
Rapid Transition (1.5ºC)	2028 (4yrs)	
	2036 (12yrs)	
	2043 (19yrs)	
Orderly Transition (2.0ºC)	2028 (4yrs)	
	2036 (12yrs)	
	2043 (19yrs)	
Failed Transition (4.0ºC)	2028 (4yrs)	
	2036 (12yrs)	
	2043 (19yrs)	

- Figures 6-8 demonstrate that the Scheme's assets and funding level are most exposed to a period of rapid transition in the short-term.
- Over 4 years and 12 years, transition risk dominates and could reduce the baseline return under the Rapid Transition scenario by around -0.4% p.a. over 4 years. Under the Orderly and Failed Transition the impacts are minimal.
- Over 19 years physical impacts and, to a lesser extent, transition risks are evident. The baseline return under a Failed Transition could change by -0.1% p.a., indicating that physical risks are more dominant.
- Overall the impacts are relatively low reflecting the more fixed income orientated portfolio. However, risks would expect to be larger over a longer-time horizon as physical risks increase.
- All of the analysis considered here informs the Trustee's thinking in relation to managing climate-related risks.
- The Trustee is also mindful of the limitations of data and modelling and therefore also approaches it with a qualitative overlay.

OVERVIEW OF ANALYSIS

In light of the above analysis for the Scheme, the Trustee has reached the following conclusions:

Short-Term (4 years)	Over the short-term, transition risk dominates the impact on the investment assets, with the Rapid Transition having the biggest impact. An initial fall in asset returns (relative to baseline) is driven by a transition shock impacting the economy and investment markets, causing losses. This could be driven by unprecedented policy action, with markets initially overreacting before partially recovering. The actual timing of any shock or recovery is uncertain. Under this scenario there is a shock to the funding level of about 3% in year 3 followed by a recovery in the following year Overall, projected funding level at this time point is reduced by 2% in the Rapid Transition. The Failed Transition is fairly positive due to transition costs not materializing. The Trustee has assessed the impact of climate change on the Sponsor covenant as at the lower end of medium risk over the short term, with a slightly increased risk over the longer term.
Medium-Term (12 years)	Over the medium term, transition risk and physical risk are both factors. The impact of transition risks under the Rapid Transition and physical risks under the Failed Transition are broadly similar on the investment assets. However, overall the Rapid Transition is again the most impactful scenario. Much of the impact is driven by credit spreads widening as a result of the transition shock over the shorter-term (i.e. around year 3) and hence reduces the funding level by c4% relative to the baseline. While spreads are expected to tighten again with time, which should drive a recovery in the funding level back towards baseline, under the de-risking pathway modelled, illiquid credit is running off and Secured Finance is being sold in favour of Investment Grade Credit, and thus the full expected market recovery isn't captured by the Scheme's assets. In practice, if the Scheme did experience a transition shock, the Trustee would factor this into the actual de-risking pathway to minimise the impact on the funding level. However, a more extreme scenario to that modelled where defaults occur, and recovery rates are low, should not be discounted, and was considered by the Trustee. The Failed and Orderly Transition pathways are marginally positive relative to baseline over the medium-term due to a transition shock not materialising.
Long-Term (19 years)	Over the long term, physical impacts become significant on the assets, with the Failed Transition resulting in significant falls in asset values relative to the baseline. However, given the low risk investment strategy relative to liabilities, these physical impacts are expected to have little impact on funding level progression. Under the modelled scenarios, as the portfolio undergoes derisking and maintains a small allocation to growth assets, the Scheme is unable to fully recover in the long term under the Rapid Transition scenario, namely, the transition shock around year 3 in particular. Consequently, the Rapid Transition scenario remains the most impactful, resulting in a 7% decrease in funding level. The Trustee has assessed the impact of climate change on the Sponsor covenant as at the lower end of medium risk over the longer term, with a slightly increased risk over the longer term compared to the short term. Mortality changes arising from the direct and indirect impact of climate change may be material to the funding strategy in the longer term. The Trustee will keep this under review.

POTENTIAL MORTALITY IMPACTS FROM CLIMATE CHANGE

This analysis has not changed from the 2023 TCFD report for the Scheme, but this is expected to be reviewed as part of future statutory funding valuations.

The Trustee has carried out an analysis of the potential mortality impacts from climate-related scenarios, including:

Transition risks – risks from policy changes, reputational impacts and shifts in market preferences, norms and technology. For example, these may impact on GDP, with consequent impact on wellbeing and longevity

Physical risks – dangers or perils related to the physical or natural environment that pose a threat to people. This includes the direct impact on changes to heat/cold related deaths.

The modelling indicates the following scenario outcomes, each compared to mortality assumptions constructed with no explicit allowance for climate-related risks:

- A temperature rise of 1.5-2ºC from pre-industrial levels might mean 6.6% higher Scheme liabilities and 21 months higher life expectancy for older generations.*

- A temperature rise of around 3.5-4ºC from pre-industrial levels might mean 1.9% lower Scheme liabilities and over 5 years' lower life expectancy for younger generations.*
  It is important to remember that this reflects real human impacts. Lower life expectancy is a serious consequence that affects individuals and communities, reminding us of the broader social implications of climate change.

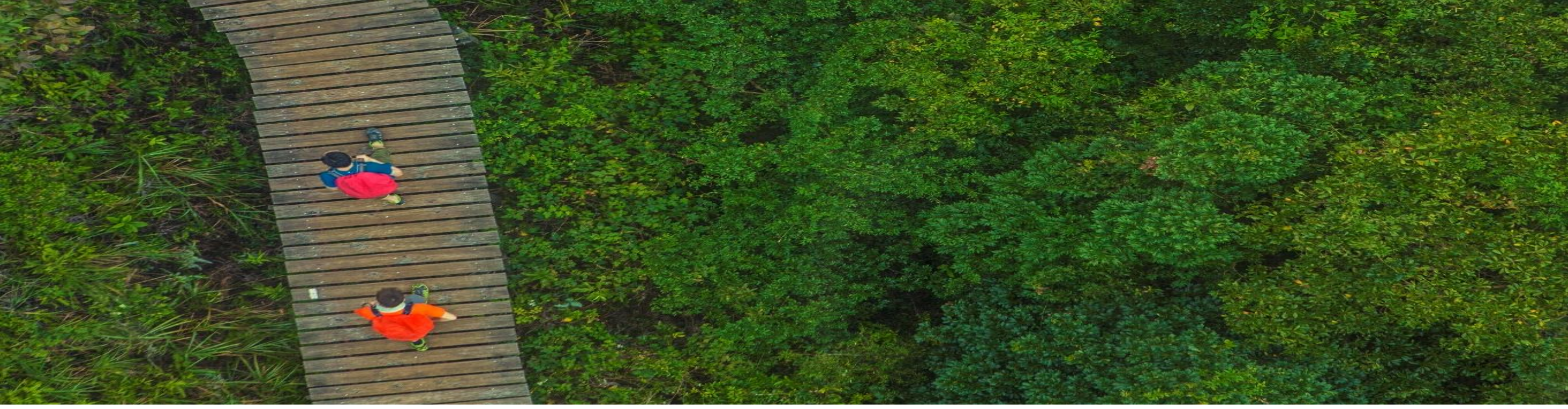
Based on this analysis, mortality changes arising from the direct and indirect impact of climate change may be material to the funding strategy in the longer term. The Trustee will keep this under review, and in the meantime review this triennially as part of the actuarial valuation, including when considering the Scheme's Long Term Funding Target mortality assumption (in line with the Long Term Funding Target requirements).

The balance between transition and physical risks will vary over different time horizons.

In modelling scenarios for mortality impacts, the Trustee's advisors have made use of Representative Concentration Pathways (RCPs) and Shared Socioeconomic Pathways (SSPs) as defined by the UN Intergovernmental Panel on Climate Change (IPCC), including estimated projected temperatures. Relationships between each SSP and a range of socioeconomic and other variables as published by the UK Climate Resilience Program, and modelling of how changes to those variables would affect UK mortality rates.

The Trustee's advisors have also made use of UK-based climate projections from the Met Office, with correlations between past climate data and mortality rates being used to predict future influences.

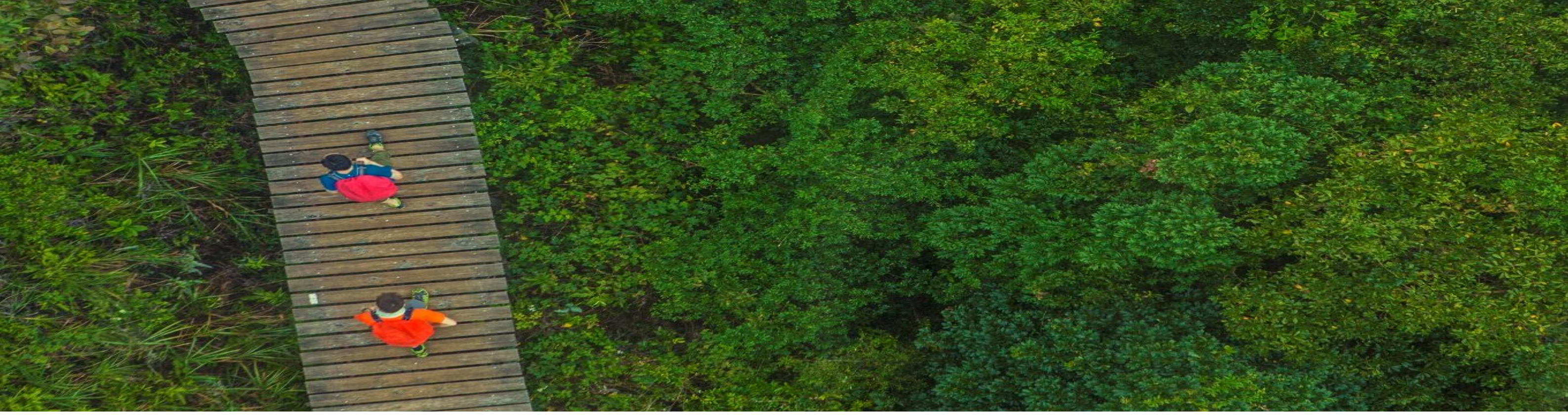
** It is important to note that these "Results" are based on longevity projection models and third-party data which may produce output that differ materially from actual outcomes. The Results are set out for informational purposes only and should not be used for any other purpose. In particular, the Results should not be relied upon and they are not suitable for repurposing, copying, redistributing or modifying. The model provider disclaims all liability and makes no representations about the suitability for any purpose of the Results and such content is supplied on an as is basis, without any warranty of any kind.*



Asset Allocation
Investment Strategy (30 April 2025)

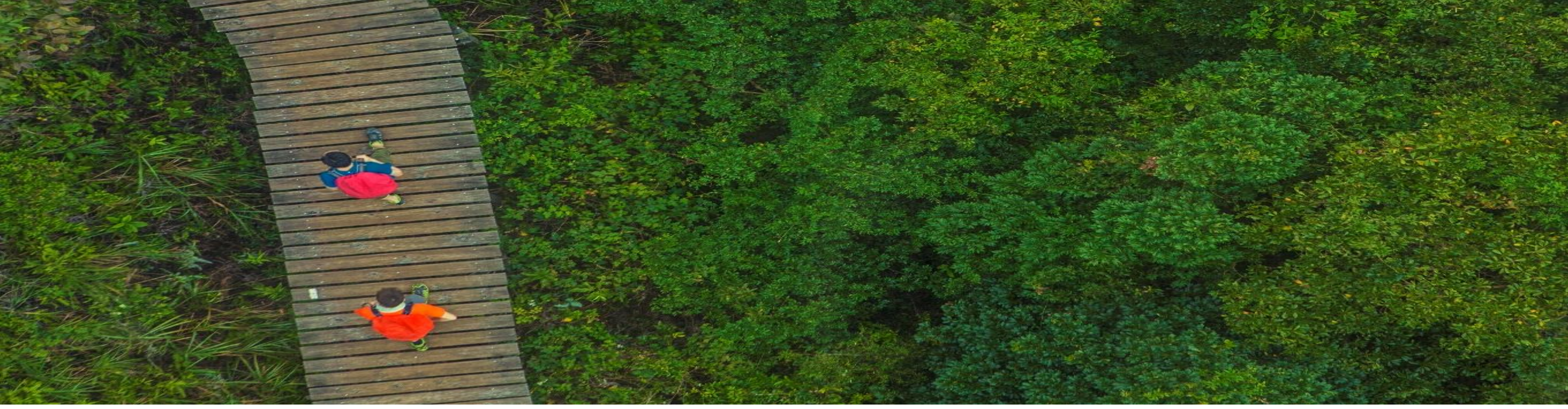
Fund	Value (£m)	Allocation (%)
Mercer Passive Global Equity CCF (Hedged)	34.0	4.7
Mercer Select Alternatives Strategies	12.1	1.7
Frontier Market Debt	8.0	1.1
Multi-Asset Credit (Hedged)	45.3	6.2
Insight Secured Finance	21.8	3.0
Schroders Secured Finance	19.3	2.6
PIP VI – Senior Private Debt	39.6	5.4
PIP VI – Credit Opportunities	30.7	4.2
PIP VI – Infrastructure	31.1	4.3
PIP VI – Sustainable Opportunities	24.3	3.3
PIP VI – Private Debt	34.0	4.7
Tailored Credit	82.5	11.3
Insight Buy and Maintain	125.7	17.2
Allianz Working Capital	36.7	5.0
Insight LDI	181.8	24.9
Cash*	3.0	0.4

**This does not include monies held in the Trustee bank account.*
Figures may not sum exactly due to rounding.



Fund Benchmarks

Fund	Benchmark
Passive Global Equity CCF (Hedged)	MSCI World ex Selected Securities Index (Hedged)
Select Alternatives Strategies	FTSE GBP 1 Month Euro Deposit Index +2.0% p.a.
Global Evolution Frontier Markets Debt	JP Morgan EMBI Global Diversified Composite Hedged
Mercer Multi-Asset Credit	FTSE GBP 1 Month Euro Deposit Index +3.0% p.a.
Mercer Insight Secured Finance	FTSE GBP 1 Month Deposit Index
Mercer Schroder Secured Finance	FTSE GBP 1 Month Euro Deposit Index
Mercer Absolute Return Fixed Income	FTSE GBP 1 Month Euro Deposit Index +1.5% p.a.
Mercer Private Markets (PIP VI) – Private Debt	No specified benchmark
Mercer Private Markets (PIP VI) – Credit Opportunities	No specified benchmark
Mercer Private Markets (PIP VI) – Sustainable Opportunities	No specified benchmark
Mercer Private Markets (PIP VI) – Infrastructure	No specified benchmark
Mercer Private Markets (PIP VI) – Senior Private Debt	No specified benchmark
Mercer Tailored Credit Fund	No specified benchmark
Insight Buy & Maintain Credit	No specified benchmark
Allianz Working Capital Fund	3M-Euribor + 2% p.a. (Net return after fees, expenses and hedging for A-EUR share class)
Insight Liability Driven Investment	No specified benchmark



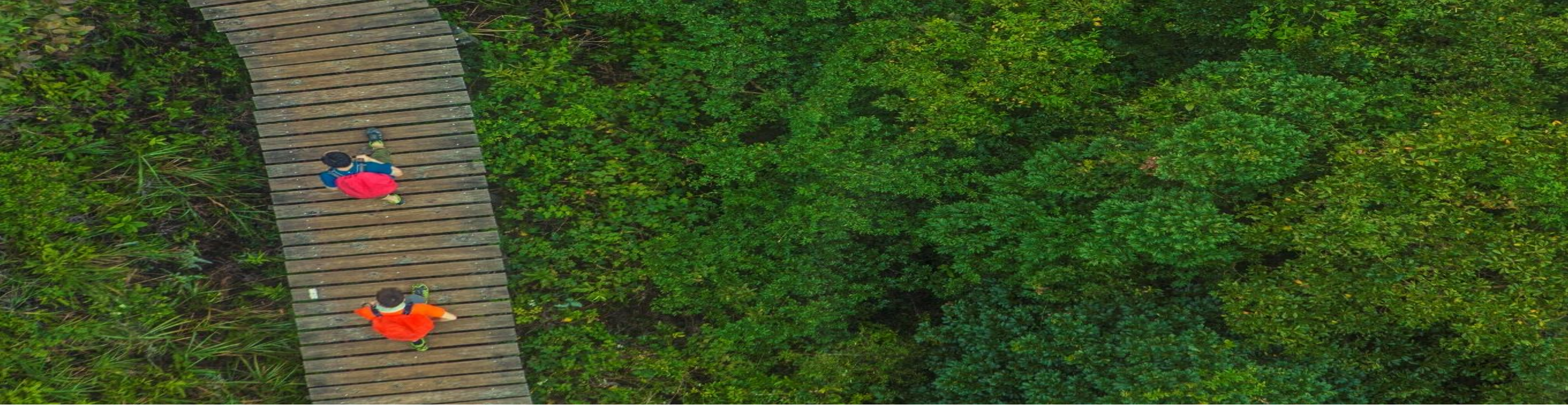
Modelling assumptions
Cumulative Impact on Asset Classes (relative to central return expectations):

	Annualised Returns (%)		Funding Level	
	Expected Return (Baseline)	Climate Impact*	Baseline Funding Level (%)	Impact (%)*
Rapid Transition				
Impact at 4 years	5.2%	**-0.4%**	99%	*-2%*
Impact at 12 years	5.3%	**-0.2%**	103%	*-4%*
Impact at 19 years	5.6%	**-0.1%**	106%	*-7%*
Orderly Transition				-
Impact at 4 years	5.2%	**-0.1%**	99%	*-1%*
Impact at 12 years	5.3%	**-0.0%**	103%	*-0%*
Impact at 19 years	5.6%	**+0.0%**	106%	*+0%*
Failed Transition				-
Impact at 4 years	5.2%	**+0.1%**	99%	*+1%*
Impact at 12 years	5.3%	**+0.0%**	103%	*+1%*
Impact at 19 years	5.6%	**-0.1%**	106%	*-1%*

**Relative to the baseline. Our baseline represents what we are assuming the market is currently pricing in. In terms of what is priced in today we give a 10% weight to a Failed Transition, 40% weight to an Orderly Transition,10% to a Rapid Transition and 40% weight to a range of low impact scenarios.*
Data as at 30 September 2023.

Limitations associated with climate modelling
Climate scenario modelling is a complex process, with associated modelling limitations. In particular:

- The further into the future you go, the less reliable any quantitative modelling will be.
- There is a reasonable likelihood that physical impacts are grossly underestimated. Feedback loops or ‘tipping points’, like permafrost melting, are challenging to model particularly around the timing of such an event and the speed at which it could accelerate.
- Financial stability and insurance ‘breakdown’ is not modelled. A systemic failure may be caused by either an ‘uninsurable’ $4^{o}C$ physical environment, or due to the scale of mitigation and adaption required to avoid material warming of the planet.
- Most adaptation costs and social factors are not priced into the models. These include population health and climate-related migration.



Climate scenario narratives

Investment and Funding Climate Scenario Analysis Assumptions

<table>
<tr><th></th><th>Rapid Transition</th><th>Orderly Transition</th><th>Failed Transition</th></tr>
<tr><td>Summary</td><td>Sudden divestments in 2025 to align portfolios to the Paris Agreement goals have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock.</td><td>Political and social organizations act quickly and predictably to implement the recommendations of the Paris Agreement to limit global warming to below 2°C.</td><td>The world fails to meet the Paris Agreement goals and global warming reaches 4.3°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events.</td></tr>
<tr><td>Temperature change</td><td>Average temperature increase stabilises at 1.5°C around 2050.</td><td>This scenario includes additional economic damage consistent with 1.8°C of average temperature rise – peaking in 2070.</td><td>Expected increase of 4.3ºC, with a high-likelihood range of an increa se between 3.4ºC and 5.6ºC by 2100.</td></tr>
<tr><td>Cumulative emissions</td><td>c400 GtCO2 (2020-2100)</td><td>The additional damage under this scenario could be associated with further human emissions or greater impacts from feedback loops and tipping points.</td><td>c5,000 GtCO2 (2020-2100)</td></tr>
<tr><td>Key policy & tech assumptions</td><td colspan="2">An ambitious policy regime is pursued to encourage greater decarbonization of the electricity sector and to reduce emissions across all sectors of the economy.
Higher carbon prices, larger investment in energy efficiency and faster phase out of coal-fired power generation. This is earlier and more effective under a Rapid Transition than the Orderly Transition, which allows for less investment in energy efficiency and bioenergy with carbon capture and storage.</td><td>Existing policy regimes are continued with the same level of ambition.</td></tr>
<tr><td>Financial climate modelling</td><td>Pricing in of transition and physical risks of the coming 40 years occurs within one year in 2025. As a result of this aggressive market correction, a confidence shock to the financial system takes place in the same year.</td><td>Pricing in of transition and physical risks associated with 1.5°C up to 2050 takes place over the first 4 years. The additional damage, beyond 1.5°C, impacts asset performance on a year-by-year basis with no advance pricing in.</td><td>Physical risks are priced in two different periods: 2026-2030 (risks of first 40 years) and 2036-2040 (risks of 40-80 years).</td></tr>
<tr><td>Physical risks considered</td><td colspan="3">Physical risks are regionally differentiated, consider variation in expected temperature increase per region and increase dramatically with rising average global temperature.
Physical risks are built up from:
• Gradual physical impacts associated with rising temperature (agricultural, labour, and industrial productivity losses)
• Economic impacts from climate-related extreme weather events
Current modelling does not capture environmental tipping points or knock-on effects (e.g., migration and conflict).</td></tr>
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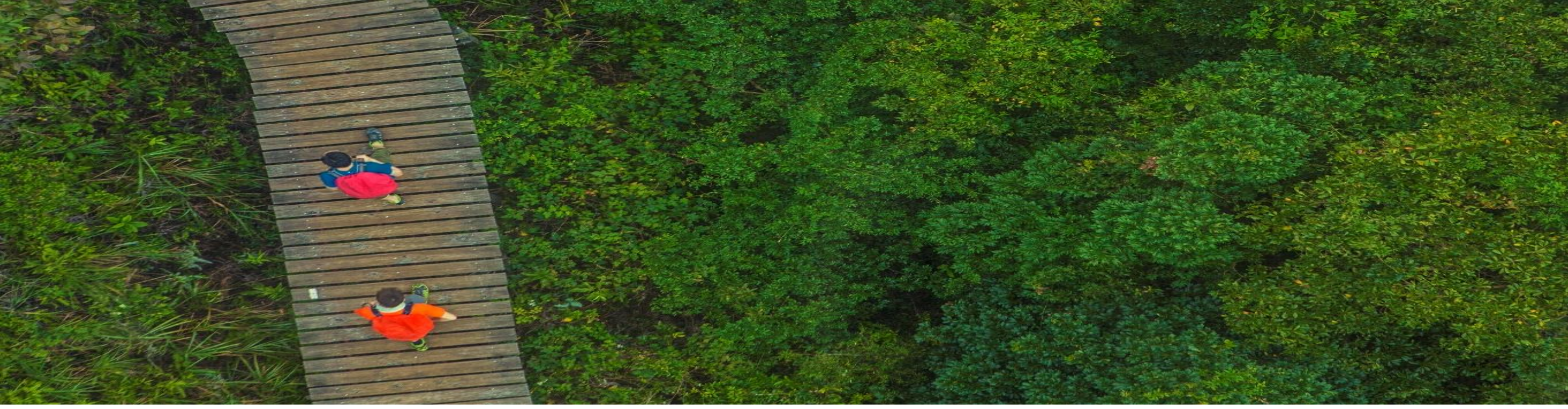


Climate Metric Analysis Approach

Data sources

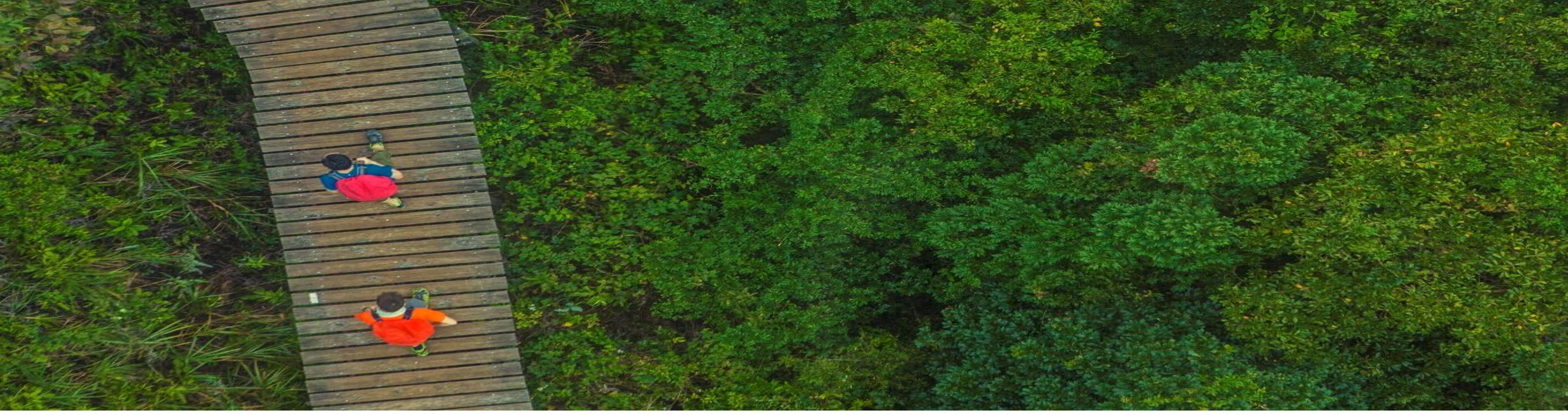
- The Trustee considered the use of proxy metric data for the private market assets, UCITS Alternatives Strategies, and Insight secured finance mandate, however the characteristics of the proxy funds was deemed to be too different from the invested assets to make informed investment and/or engagement decisions with the information. For now, no data on these assets has been presented. These assets represent c.26% of the total actual asset allocation as at 30 April 2024.
- Insight's reporting / metrics are taken in line with DWP's guidance, i.e. "Trustees may treat the requirement to obtain Scope 1 and Scope 2 emissions of a sovereign issuer as referring to the production-based emissions of the jurisdiction, and the requirement to obtain Scope 3 emissions of a sovereign issuer as referring to the emissions embodied in goods and services imported by the jurisdiction. We recognise that trustees may not be able to readily calculate these imported emissions at the current time for jurisdictions other than the UK."

Scope of emissions

- Scope 1, 2 and 3 emissions data has been included in this report except where noted.
- The data coverage for Scope 3 emissions data is improving but the assessment of an invested company's carbon footprint could be considered an understatement. Scope 1, 2 and 3 emissions are as defined by the GHG protocol.

Data coverage

- Data coverage refers to the proportion of an asset in which the various climate-related metric data is available. There are gaps in the data as:
  a. Some publically listed companies are not publishing climate-related data or are providing poor quality data. This is relevant to public equity and corporate bonds. Obtaining data for emerging market equity and debt can also be challenging due to general disclosure and transparency challenges.
  b. Many private companies do not currently produce climate-related data and coverage for private market assets, such as those funded by private equity and private debt, will be low, or zero for mature funds.
  c. Sovereigns, or governments, may not publish climate-related data in the public domain. This is a particular challenge for emerging market debt. For UK government debt, data is available but there is a delay in the data being published.
  d. Short-term instruments, such as some assets underlying secured finance portfolios, have limited data available due to the short-term nature of the individual assets.
  e. For the long dated property portfolio, the occupiers of the buildings in the portfolio have full operational control and there are no Scope 1 or 2 emissions associated with the investments. The asset managers are looking to improve the collection of Scope 3 emissions data – this includes occupier activities where they have direct utility supplier contracts.
- In this report, the Trustee has used a pro rata approach to scale up each climate metric in order to present the data as if full coverage was available for each asset. This assumes that the part of an investment fund that does not have data available has the same climate metrics as the part where there is data. This assumes that the part of an investment fund that does not have data available has the same climate metrics as the part where there is data. For multi-asset mandates, the pro rata is done at the asset class level.
- The Trustee is working with its investment advisor and asset managers to address the data gaps, as far as they are able.



TCFD Governance Policy:
Oversight of Climate-related Risks and Opportunities
15 February 2023

This is the Trustee’s Standalone Climate Governance Statement, referred to in the first paragraph on page 7

Background to policy

- DS Smith Pension Trustees Limited (the “Trustee”) has prepared this TCFD Governance Policy document (the “Policy”) for the DS Smith Group Pension Scheme (the “Scheme”) and consulted upon it with the Scheme’s advisers.
- The Policy is reviewed periodically, and the date of the most recent review can be found at the top of this document.
- The Policy addresses the TCFD (Task Force on Climate-related Financial Disclosures)* recommended governance disclosure and is in accordance with the statutory guidance that supports the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 “the Regulation” which came into force on 1 October 2021.
- The Policy describes the roles and responsibilities of the Trustee and their appointed advisers in meeting the climate governance and risk reporting for pension schemes in line with the Regulation.
- The Investment Sub-Committee (“ISC”) is responsible in supporting the Trustee in the delivery and publication of the Scheme’s inaugural TCFD report, due on or before 30 November 2023.

Responsibilities for climate change oversight
Ultimate oversight for managing climate risks and opportunities is the responsibility of the Trustee. In exercising its duties with regards to climate change oversight the Trustee will consult with advisers who will provide support and technical expertise on various climate issues which may impact the Scheme.

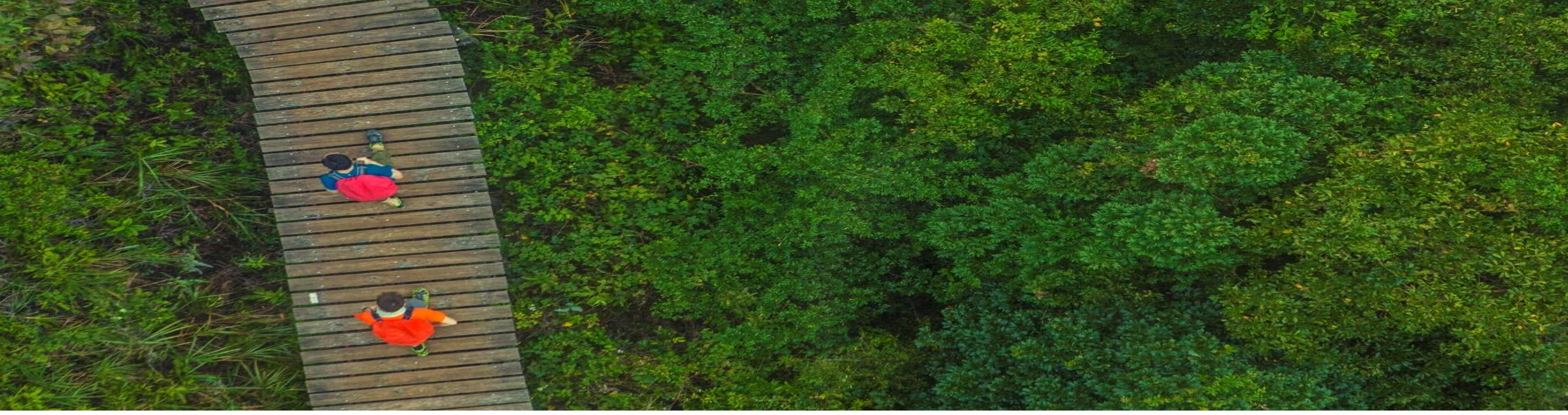
A summary of the key roles and responsibilities are listed below:

Trustee Chair
- It is the Trustee Chair’s responsibility to ensure that sufficient time is allocated for consideration and discussion of climate matters by the Trustee and its advisers, taking into account sponsor covenant, funding, investment and operational factors.

Trustee
In broad terms, the Trustee is responsible for the following, some of which it may choose to delegate to the Investment Committee:

- Ensuring the Trustee Directors have sufficient knowledge and understanding of climate change to fulfil their statutory and fiduciary obligations, and that they are keeping this knowledge and understanding up to date. This will include knowledge and understanding of the principles relating to the identification, assessment and management of climate-related risks and opportunities for the Scheme;
- Putting in place effective climate governance arrangements; • determining short-, medium- and long-term time periods to be used when identifying climate-related risks and opportunities to the Scheme (with input from the ISC – see below);
- Identifying and assessing , on an ongoing basis, the main climate-related risks and opportunities for the Scheme (including both physical and transition risks) and documenting the management of these in the Scheme’s Risk Register;
- Incorporating climate-related considerations into strategic decisions relating to the Scheme’s investments and funding arrangements;
- Allowing for climate-related considerations (if relevant) when monitoring the strength of the sponsoring employer’s covenant and any insurance provider which may be used by the Scheme in the future.

**Correct during the Scheme year to 30 April 2025, but the Policy will be updated to reflect that these requirements are now prescribed by the Department of Work and Pensions instead.*



TCFD Governance Policy:
Oversight of Climate-related Risks and Opportunities
15 February 2023

- Selecting and regularly reviewing (at least annually) metrics to inform its assessment and management of the Scheme's climate-related risks and opportunities, and setting and monitoring (at least annually) targets to improve these metrics over time where appropriate – again, with input from the ISC;
- Reviewing the approach that the Scheme's managers take to incorporate climate considerations in their decision making and using this as one of the criteria for selecting managers.
- Ensuring that the Scheme's actuarial, investment, fiduciary and covenant advisers have clearly defined responsibilities in respect of climate change risks and opportunities, that they have adequate expertise and resources, including time and staff, to carry these out, that they are taking adequate steps to identify and assess any climate-related risks and opportunities which are relevant to the matters on which they are advising, and that they are adequately prioritising climate-related risk;
- Considering and documenting the extent to which the advisers' responsibilities are included in any agreements, such as investment consultants' strategic objectives and service agreements;
- Ensuring that the Scheme's investment and fiduciary managers are managing climate-related risks and opportunities in relation to the Scheme's investments (with input from the ISC – see below), and have appropriate processes, expertise and resources to do this effectively; and
- Communicating with members and other stakeholders on the risk and opportunities associated with climate change where appropriate, including public reporting in accordance with The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (together "TCFD Regulations") when required.

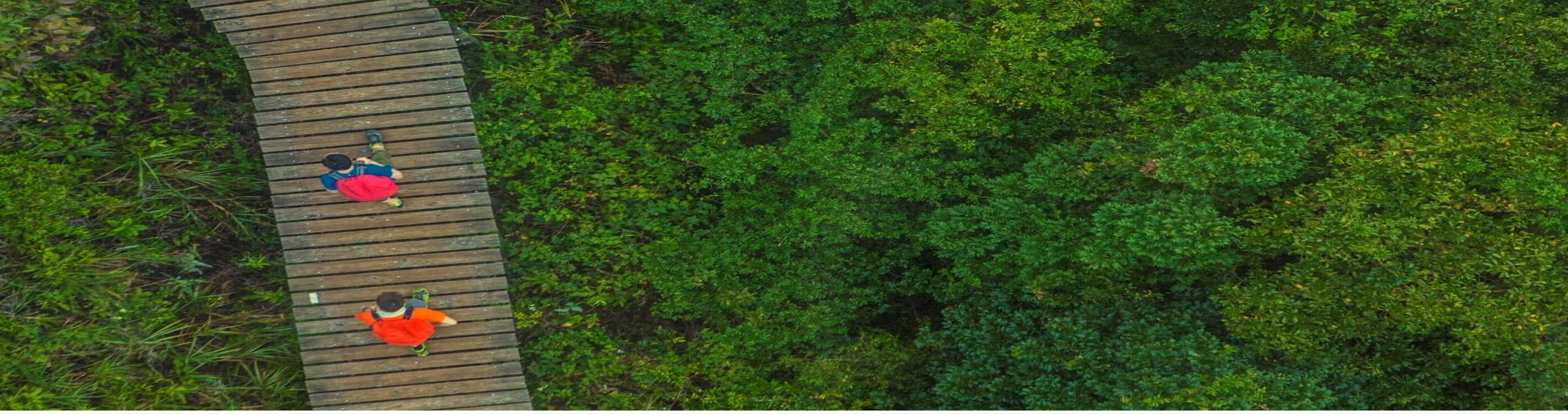
Investment Funding-Committee (at times delegated to the Investment Sub-Committee)
In relation to climate risk, the ISC's remit includes:

- Receiving and reviewing periodic written reports prepared by the Scheme's investment consultant covering the Scheme's investment managers' investment performance, and their integration of environmental, social and corporate governance risks and opportunities (including climate risk) into their investment processes;
- Meeting with the appointed investment managers to review investment performance, asset allocation and engagement with investee companies (including in relation to climate risk); and • Reporting back to the Trustee on key issues raised at the Investment Funding Committee, and the exercise of any delegated powers.

In broad terms, the IFC is initially responsible for understanding the requirements of TCFD on the Scheme, and for supporting work towards ensuring the Scheme comply with those requirements, and to undertake any other actions as delegated to the IFC by the Trustee.

The IFC's remit includes:

- Arranging training as the IFC believe is necessary to improve Trustee knowledge and understanding on climate risk;
- Taking advice on and making recommendations to the Trustee on appropriate climate metrics to monitor and climate-related targets;
- Providing input into (and agreeing the scope of) investment and funding (including covenant) climate-related scenario analysis to be provided by advisers (in particular, agreeing the relevant short, medium and long-term time periods to assess, and the scenarios to consider).



TCFD Governance Policy:
Oversight of Climate-related Risks and Opportunities
15 February 2023

Both the Trustee and the IFC will, when appropriate, question and challenge the information and advice provided to them by their advisers, investment managers and/or insurers in relation to their governance responsibilities. The Trustee will also describe in its TCFD reporting, the rationale for the time and resources it has spent on the governance of climate-related risks and opportunities

Investment consultant/ Fiduciary Manager

In broad terms, the Scheme's investment consultant/fiduciary manager is responsible, as agreed by the Trustee, for:

- Providing training and other updates to the Trustee on relevant climate-related matters;
- Helping the Trustee to formulate its views in relation to climate change risks and opportunities and reflecting these in the Scheme's investment policies and strategy;
- Advising how climate-related risks and opportunities might affect the different asset classes in which the Scheme might invest over the short-, medium- and long-term, and the implications for the Scheme's investment strategy;
- Ensuring the appropriateness and effectiveness of the Scheme's investment managers' processes, expertise and resources for managing climate-related risks and opportunities, given the Trustee's investment objectives and beliefs;
- Advising on the inclusion of climate change risks in the Scheme's governance arrangements, working with the Trustee and its other advisers as appropriate;
- Leading on the preparation of the Scheme's TCFD reporting, working with the ISC and the Trustee, and its other advisers as appropriate; and
- Assisting the Trustee in identifying and monitoring suitable climate-related metrics and targets in relation to the Scheme's investments, including liaising with the Scheme's investment managers.

Actuarial adviser

In broad terms, the Scheme's actuarial adviser is responsible, when requested by the Trustee, for:

- Providing training and other updates to the Trustee on relevant climate-related matters;
- Advising on how climate-related risks and opportunities might affect the Scheme's funding position over the short-, medium- and long-term and the implications for the Scheme's funding strategy and long-term objectives; and
- Working with the Scheme's other advisers to assist the Trustee in incorporating climate change risks in its investment and covenant monitoring, and communication with stakeholders as appropriate.

Covenant adviser

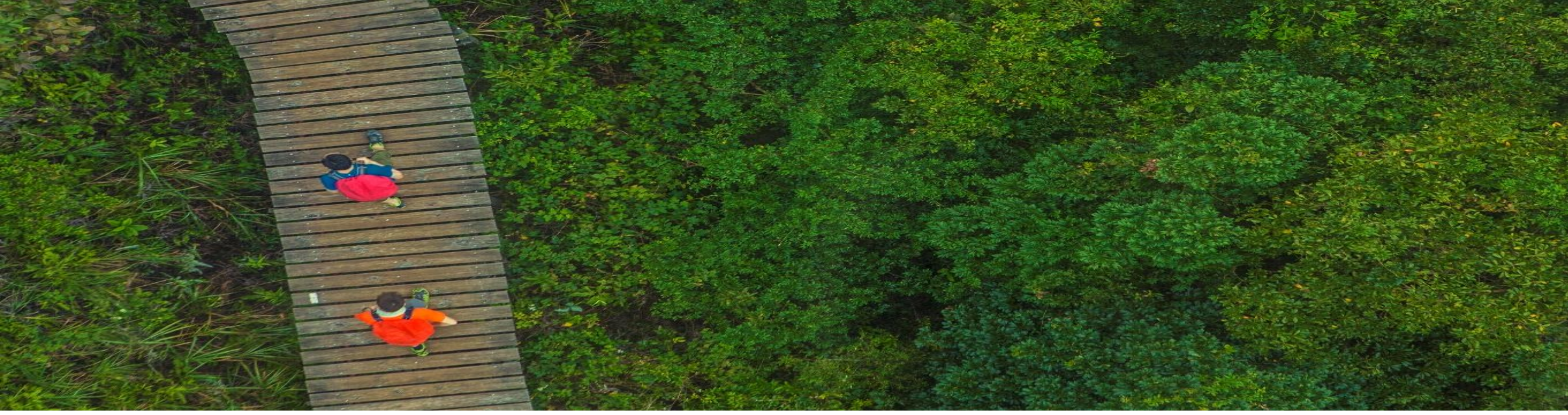
In broad terms, the Scheme's covenant adviser is responsible, when requested by the Trustee, for:

- Supporting the Trustee in a proportionate way to understand as part of its covenant monitoring framework, how climate-related risks and opportunities might affect the Scheme's sponsoring employer and any insurance provider over the short-, medium- and long-term; and
- Working with the Trustee's other advisers if and when requested, to assist the Trustee in incorporating climate change risks in its governance arrangements and monitoring framework as appropriate.

Legal adviser

The Scheme's legal adviser is not advising or assisting the Trustee with the scheme-wide decisions which are the subject of this TCFD report. They are responsible for:

- Supporting the Trustee in understanding the legal requirements of their climate change obligations under pensions legalisation.
- Reviewing the TCFD report before publication



TCFD Governance Policy:
Oversight of Climate-related Risks and Opportunities
15 February 2023

Investment managers
In broad terms, the Scheme's investment managers are responsible for:

- Identifying, assessing and managing climate-related risks and opportunities in relation to the Scheme's investments, in line with the investment management arrangements agreed with the fiduciary manager;
- Exercising rights (including voting rights) attaching to the Scheme's investments, and undertaking engagement activities in respect of those investments, in relation to climate-related risks and opportunities in a way that seeks to improve long-term financial outcomes for the Scheme's members; and
- Providing information to the Scheme's investment adviser/fiduciary manager on climate-related metrics in relation to the Scheme's investments, as agreed from time to time, and using their influence with investee companies and other parties to improve the quality and availability of these metrics over time.

Climate governance meeting agenda

The IFC as part of the regular meeting schedule, in conjunction with Mercer, will allocate agenda time to climate change topics, amongst other ESG topics, to cover the various workstreams listed in the next section. Those responsible for each workstream will make sure any documents or information is distributed in advance of the meeting to allow the IFC time to digest the advice. There will be sufficient time allocated in meeting agendas to discuss the advice and meeting minutes including actions agreed will be circulated after the meeting to allow all parties to review the discussion.

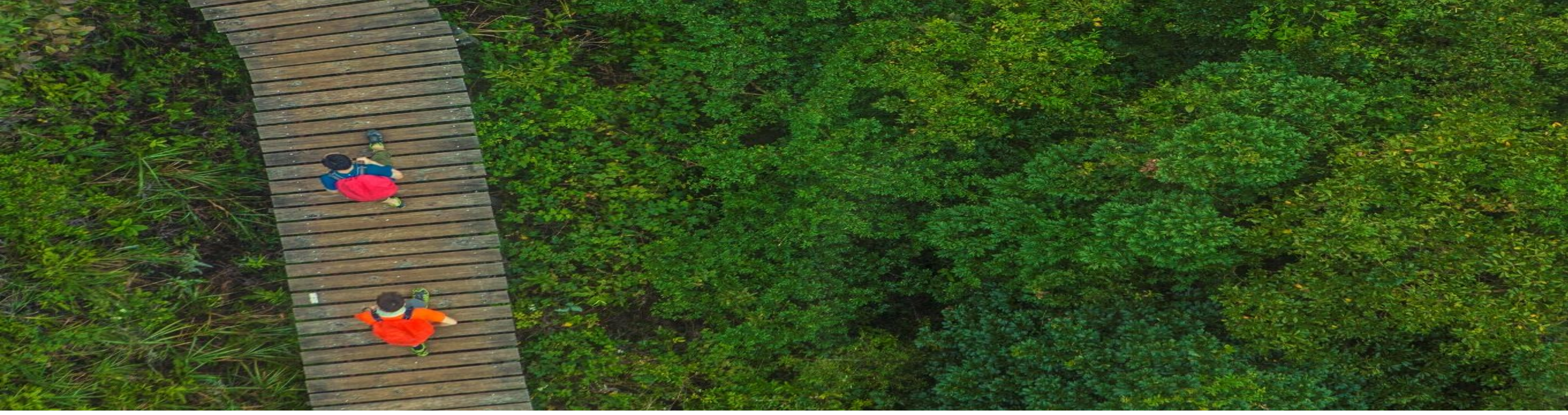
In addition the Trustee and IFC will receive training on climate change topics on a regular basis to ensure that there is a sufficient level of knowledge and understanding to identify, assess and manage climate-related risks and opportunities. The current approach should be documented within the standalone climate governance statement.

Ongoing workstreams and frequency

There are a number of workstreams that are to be completed in order for the Trustee to fulfil its responsibility for managing climate risks and opportunities. It is important to note that many of the workstreams will cover wider ESG risks other than just climate change risk, as the Trustee does not consider climate risks in isolation but holistically alongside the various other ESG risks the Scheme may be facing. The workstreams are listed below as well as the frequency of which each task will be carried out:

- Climate change training session (on a regular basis)
- Scenario analysis modelling the investment strategy and funding strategy (minimum frequency = first year and every 3 years thereafter)
- Review appropriateness of undertaking scenario analysis in light of a) data availability changes b) material changes in investment strategy / funding position (on a regular basis)
- Metrics data collection (minimum frequency = annual)
- Target setting / target appropriateness review (minimum frequency = annual)
- Progress against target assessment (minimum frequency = annual)
- Review of manager ESG ratings*, climate policies (on a regular basis for the largest investments of the Scheme)
- Stewardship (Engagement Policy Implementation Statement) (minimum frequency = annual)
- Risk frameworks update/review e.g. risk registry (minimum frequency = annual)
- Climate covenant assessment (on a regular basis)
- Drafting annual TCFD report (minimum frequency = annual)

**From 1 June 2025, these ESG ratings were replaced with Mercer's enhanced ESG Framework. The ESG ratings and TCFD Governance Policy dated 15 February 2023 were in force during the Scheme year, but the policy will be updated to reflect the enhanced ESG Framework in due course.*



TCFD Governance Policy: Oversight of Climate-related Risks and Opportunities 15 February 2023

Statutory disclosures

In line with regulation the Trustee assumes responsibility for ensuring all required disclosures will be made, these include:

- Publishing TCFD report on a publicly accessible website
- The website link to the TCFD report will be provided via
- Trustee report and accounts
- Annual benefit statement
- Annual funding statement

The Pensions Regulator will also be provided with a link to TCFD report in the annual scheme return.

Ensuring quality of advice and expectations for the advisors
The Trustee aims to ensure that the advisers who provide support and technical expertise on various climate issues have the appropriate level of climate-related risk expertise and resources to enable them to carry out their duties. In light of this the Trustee has incorporated climate considerations into the investment objectives it has set for its investment consultant and considers this when reviewing the actuary and covenant advisor.

Disclaimer

Mercer

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PWC

Advice provided to the Trustee by PWC related to the impact of climate change in respect of the Sponsoring Employer reflects a qualitative assessment based solely on public information. PWC's analysis has been prepared for the Trustee of the DS Smith Group Pension Scheme and may not be relied upon by any other party. PWC express no opinion on the reliability of the financial information or on the achievability of the forecasts and projections used in this analysis. PWC have not independently verified the information provided. PWC have not conducted any actuarial or legal analysis in performing their work and have not had access to any specialist tax advice.