Thales UK Pension Scheme ("the Scheme")

Climate Report

June 2024

Contents

Introduction

Thales Pension Scheme Trustee Limited ("the Trustee") is Trustee of the Thales UK Pension Scheme ("the Scheme"). The Trustee believes Climate Change creates a material financial risk and should be considered as part of our investment decision making. The Trustee has produced this Climate Report to comply with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021. This report follows the framework of reporting based on the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD").

The Scheme is comprised of two Defined Benefit (DB) Sections and a Defined Contribution (DC) Section. The investment policy for the two DB Sections is closely aligned.

This is the Trustees second Climate report and covers the Scheme year to 31 December 2023. Over the Scheme year, the investment strategy for the DB Sections changed significantly on the purchase of several bulk annuity policies ("buy-in policies") from Rothesay Life ("Rothesay") which are designed to fund all members benefit payments as they fall due.

Towards the end of the year, the majority of the Scheme's assets were sold or transferred to Rothesay (or third parties) to facilitate the premium payment for the buy-in policies.

By the end of the Scheme year, there were only a handful of pre-existing investment mandates held in the Scheme. All these mandates are being redeemed with proceeds used to meet the outstanding premium payment due to Rothesay as and when redemption proceeds are received.

The Trustee has a legal duty to consider matters which are financially material to their investment decision making.

The Trustee believes that the impact of, and potential responses to, climate change creates a material financial risk. Following the buy-in transaction, this risk exists primarily through the Scheme's buy-in policies, and it is Rothesay's approach to climate change and the actions they take which will be of most importance going forward.

For this reason, Rothesay's approach to ESG and climate risk was an important consideration in the Trustee's selection of Rothesay as the Scheme's buy-in provider.

The Trustee's ability to directly influence Rothesay's approach to managing these risks is limited and the ability to directly control the Scheme's investment to satisfy the Trustee's ESG policies is diminished. However, Rothesay's approach to climate change will form part of the Trustee's monitoring and ongoing assessment of Rothesay with any concerns raised as appropriate.

On behalf of the Thales UK Pension Scheme

Peter Rowley
Chairman of Thales UK Pension Scheme Limited

Section 1

Governance

Oversight & Investment Beliefs

The Trustee has responsibility for, and oversight of, the impact of climate risks and opportunities as they relate to the Scheme. The Trustees approach to climate change and Environmental, Social and Governance (ESG) issues more broadly is informed by the Trustee's ESG principles set out in the Statement of Investment Principles.

The Trustee's Investment Sub-Committee ("ISC") is required to take account of all financially material risks and opportunities in consultation with their advisers. All risks and opportunities are considered for materiality and impact within a risk management framework, which takes account of the Scheme's investment time horizon and objectives. As part of those considerations the Trustee and the ISC also take account of the Sponsor's business and the Scheme's maturing liability profile. The consideration of ESG risks, including climate change, is integrated into this broader risk management framework.

At the time of publishing this report, most assets for the DB Section had either been disposed of or transferred to Rothesay. The approach set out below relates to what happened through the period under review.

Whilst employed by the Scheme, investment managers, have been required to evaluate ESG issues (including climate change) in the selection, retention, and realisation of investments.

The assessment of how effectively investment managers have identified ESG risks and opportunities, and integrated these into their investment processes was monitored by the ISC with input from the Trustee's investment advisor. The ISC, on behalf of the Trustee assessed the investment managers engagement activities and this has been summarised in the Trustee's annual Implementation Statement.

The risks pertaining to ESG issues (including but not limited to climate change) have been separately identified in the Scheme's risk register which is regularly reviewed and updated.

The Trustee considers the impact of financially material risks, including climate change risks, on the funding strategy and on the Company covenant. The funding risk and reliance on Company covenant have been significantly reduced following the significant sponsor contribution used to facilitate the transactions to enter the buy-in policies with Rothesay.

Section 1 | Governance

Roles and Responsibilities

The Trustee is ultimately responsible for compliance with the governance requirements which underpin the TCFD recommendations and for reporting how this has been done. The Trustee has, however, delegated the following responsibilities:

Investment Sub-Committee (ISC)

The ISC is responsible for undertaking the governance and reporting requirements relating to climate related risks and making recommendations to the Trustee.

The Governance Sub-Committee (GSC)

The GSC is responsible for maintaining and reviewing the Scheme's risk management framework and risk register and for reporting results to the Trustee. The GSC is also responsible for drafting regulatory reporting for the Trustee to review.

In-house Team

The in-house team is responsible for supporting the Trustee and the various committees to ensure there is effective governance, risk management and internal controls in operation.

Project Apple Committee

A special committee was established to manage the project to transact buy-in policies for the DB Sections of the Scheme and for making recommendations in respect of the buy-in transactions for consideration and approval by the Trustee.

Investment Adviser

The investment adviser is responsible for advising on investment strategy, taking into account climate-related risks and opportunities. The investment adviser is also responsible for ensuring investment managers integrate ESG considerations into their investment process in line with the Trustee's beliefs and also supports the ISC with monitoring in relation to ESG and Stewardship. There are separate investment advisors for the DB and DC assets.

Investment Managers

The investment managers are responsible for implementing the Trustee's ESG and climate policies and are given discretion to evaluate ESG issues (including climate change) in the selection, retention, and realisation of investments. Investment managers are assessed for their integration of climate risks into their wider stewardship activities, and for their ability to understand their portfolio's ability to withstand climate-related risks. Investment managers are also responsible for providing the Trustee with the relevant data required to meet the regulatory requirements.

Actuarial Adviser

The actuarial adviser is responsible for considering the impact of climate related risks on the Scheme's liabilities.

Covenant Adviser

The covenant advisor is responsible for monitoring the covenant of the Sponsor.

Legal Adviser

The legal advisor is responsible for ensuring the Trustee is compliant with the regulations.

Section 1

Governance

Roles and Responsibilities, Knowledge and understanding

Roles and Responsibilities

In complying with its governance and reporting requirements, the Trustee is supported by its professional advisers and the in-house team.

The Trustee has established processes for reviewing the competency of its investment advisers. As part of its annual assessment of the investment adviser's performance against their objectives, the Trustee will consider how the adviser has supported the climate risk policy.

Knowledge and Understanding

ESG and climate risk has been included on the training agenda for the Trustee and the Investment Sub-Committee over recent years. Training has principally focussed on ensuring the Trustee is adequately equipped to consider key policy decisions relating to ESG and climate change, as well as understanding the Scheme's regulatory obligations, including reporting in line with recommendations set out by the Taskforce on Climate-Related Financial Disclosures.

The risks pertaining to ESG issues, including climate change, are separately identified in the risk register which is reviewed and updated by the Investment Sub-Committee on a quarterly basis and reported to the Trustee Board.

Section 2

Strategy

Impact on Funding and Investment Strategy

Climate related risks and opportunities over the short, medium and long term

The Trustee considers climate risk as financially material. In particular, the Trustee believes that the impact of, and potential policy response to, climate change creates significant financial risks to short, medium, and long-term investment returns and so should be a key consideration when making decisions about how the Scheme's assets should be invested. In this context, the Trustee has considered "Short term" to reflect a three-year period.

"Medium term" has been considered as the time horizon to 2034 as this was the target date to achieve full funding for the DB Sections under the Scheme's investment strategy prior to the decision to transact buy-in policies covering all members benefits.

"Long term" was therefore considered as the time horizon after 2034, at which point the DB Sections were aiming to have implemented a low-risk strategy.

Types of risks and opportunities

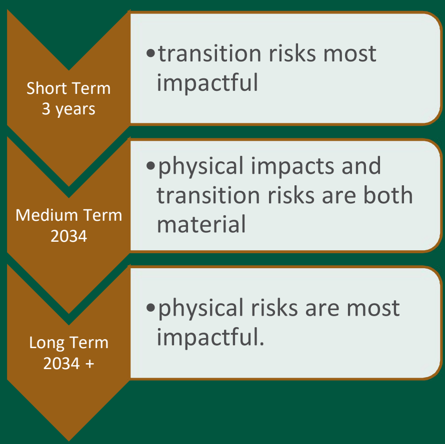
The Trustee has identified "Transition Risks" and "Physical Risks", as the key climate-related risks to its investment and funding strategy.

Physical Risks

This relates to the physical impacts of climate change (e.g. rising temperatures, changing precipitation patterns, increased risk to coastal systems and low-lying areas from rising sea levels and increased frequency and severity of extreme weather events). These physical risks could cause direct damage to assets and indirect destabilising impacts arising from supply chain disruption. This may also lead to wider economic and social disruption, including mass displacement, environmental-driven migration and social strife.

Transition Risks

This relates to the risks (and opportunities) from the realignment of the global economic system towards low-carbon, climate-resilient and carbon-positive solutions (e.g. via regulations or market forces).



The impact of climate-related risks and opportunities, such as those arising from physical and transition risks, is formally reviewed on an annual basis as part of the preparation of the Scheme's climate report. The Trustee believes there may be investment opportunities to come from the transition to a low carbon world that could improve the overall risk/return characteristics of portfolios. Following the decision to target a full buy-in of members benefits for the DB Sections, the Trustee has not sought any such opportunities.

Section 2

Strategy

Impact on Funding and Investment Strategy

The ISC, on behalf of the Trustee, undertook scenario analysis to assess the potential impact of different climate scenarios ahead of publishing the Scheme's first Climate Report in 2023.

The scenario analysis undertaken by Ortec Finance included the impact of transition risks and physical risks on the assets and liabilities of the Scheme under several climate pathways:

- Net Zero – early and smooth transition consistent with 1.5°C temperature rise
- Net Zero Financial Crisis – sudden and disruptive transition but still consistent with 1.5°C.
- Limited Action – limited and delayed transition resulting in 2.9°C temperature rise by 2100.
- High Warming – failure to meet Paris Agreement goals resulting in 4.3°C temperature rise by 2100.

The Trustee acknowledges that climate scenario modelling is a developing area and accepts the limitations of the models and the assumptions used as set out in the Scheme's first Climate Report in 2023.

Nevertheless, the analysis showed that over the medium term, the impact on the assets and liabilities for the DB Sections was limited under all scenarios. This was in line with expectations given that the DB Sections were predominantly invested in fixed income assets and had little exposure to listed equities which would be expected to be more severely impacted by the climate scenarios.

With the Scheme having entered into insurance polices designed to fund all members' defined benefit payments as they fall due, investment and longevity risks have effectively now been very significantly or fully mitigated for the DB Sections.

Therefore, whilst the recent transaction has fundamentally changed how the Scheme invests, the Trustee views there to be no benefit in undertaking further scenario analysis.

The approach that Rothesay takes to managing climate change risk will have an impact on their ability to fulfil their obligations.

As such, the Trustee will monitor Rothesay's commitment and actions in respect of climate change as part of the overall monitoring of Rothesay's creditworthiness which the Trustee will undertake with advice from Cardano.

The Trustee has previously undertaken climate scenario analysis and concluded that no changes were required to the funding and investment strategy for the DB Sections. The Trustee's consider that the principal way to bring about meaningful change will be through engagement with investment managers to ensure that climate change considerations are fully integrated into security selection and engagement.

Section 2

Strategy

Stewardship and Engagement

Stewardship and engagement

To date the Trustee has considered engagement as being key to managing climate risks and opportunities for the Scheme. The Investment Advisor, on behalf of the Trustee, continued to engage with the Scheme's investment managers over the year and the engagement activities of the investment managers was assessed by the ISC as part of the preparation of the Annual Implementation Statement.

In future, the engagement being undertaken by Rothesay will be of most significance. With this being the case, Rothesay's approach to stewardship formed a part of the due diligence undertaken by the Trustee prior to entering into the buy-in policies.

The Trustee notes that Rothesay is a signatory of the UK Stewardship Code having made a successful submission in 2022.

With respect to engagement specifically on climate matters, Rothesay has committed to engaging with the 20 issuers contributing at least 65% of the Carbon Intensity each year within their corporate bond sub-portfolio as reported in Rothesay's 2022 Climate Report.

Assessing Employer Covenant

The Scheme is now less reliant on Company support; however, the Trustee will continue to consider the impact of climate change on the Company covenant. This is formally considered as part of the covenant review, undertaken triennially in conjunction with the actuarial valuation, with this being supplemented annually.

Section 4

Risk Management

Identifying, Assessing and Managing Risks

Overall responsibility for the assessment and management of climate-related risks and opportunities lies with the Trustee. The Trustee maintains a risk register which identifies those risks that have the potential to impact on the Scheme's ability to achieve its objectives and the controls in place to manage and mitigate risks where possible.

The Trustee has delegated the implementation of investment decisions, including those relating to climate change, to the Investment Sub-Committee. Over the calendar year, the risks categorised as being principally investment related were included on the ISC's investment risk register which was reviewed regularly by the ISC and formally reviewed on an annual basis with any changes reported to the Trustee Board.

Following the purchase of the buy-in policies, most of the investment related risks have now been removed from the investment risk register as the implementation and management of these risks now sits predominantly with Rothesay.

The Trustee also considers the impact of climate change risks and opportunities on the strength of the employer covenant. The Scheme's appointed covenant advisers provide advice to help in this assessment.

Section 4

Risk Management

Identifying, Assessing and Managing Risks

Over the course of the year, the ISC took the following approaches to managing climate-related risks:

- The Statement of Investment Principles sets out the Trustee's policy on sustainable investment, ESG and stewardship.
- The Trustee has delegated responsibility to the ISC and the Scheme's investment adviser to undertake the governance requirements relating to ESG, including the production of the annual implementation statement, and for monitoring investment managers regarding their ESG policies and practices.
- The ISC requires all appointed managers to report regularly to the ISC and requests that managers disclose all engagement activity undertaken on its behalf. These activities are summarised in the annual Implementation Statement.
- The risks pertaining to ESG issues including climate change are separately identified in the Scheme Risk Register which is regularly reviewed and updated.
- The ISC is supported by its professional advisers and in-house team.
- The ISC employs separate investment advisors for the DB and DC assets.
- Of the Scheme's investment managers that were in place over the year, 18 out of 19 were signatories to the United Nations Principles of Responsible Investment and 10 were signatories of the UK Stewardship Code.

Section 5

Metrics & Targets

Overview

Metrics

To inform its understanding and monitoring of the Scheme's climate-related risks and opportunities, the Trustee selected the metrics set out in the table below. The Trustee also selected data coverage as a metric to monitor and report because greater reporting and disclosures by corporates is key to assessing areas of risk and to inform effective decision making.

Science Based Targets initiative ("SBTi")

The Trustee selected the number of companies with Science Based Targets as the forward-looking alignment metric. This forward-looking metric requires investment managers to disclose the number of companies within their portfolio that have set science-based targets. These targets are clearly-defined science-based pathways for companies to reduce greenhouse gas ("GHG") emissions, which have been reviewed by the SBTi, an external body.

Total Emissions Metric	**Total Emissions** The total scope 1 & 2 and scope 3 Greenhouse Gas Emissions ("GHG") emissions for the DB Sections'/DC Section's assets (tonnes of CO2e emitted).
Emissions Intensity metrics	**Carbon footprint** The total carbon GHG emissions of the portfolio, or part-portfolio, divided by the current value of the portfolio or part-portfolio for which emissions data is available (tonnes of CO2e / $m of asset value). **Weighted Average Carbon Intensity (WACI)** The DB Sections'/DC Section's asset exposure to carbon-intensive companies with attribution of emissions based on portfolio weights, rather than the ownership approach (tonnes of CO2e / $m of revenue).
Non-emissions based metric	**Data Coverage** The proportion of the DB Sections'/DC Section's non-LDI assets for which Scope 1 and Scope 2 carbon emissions data is available.
Forward-looking alignment metric	**Binary target measurement** The total number of companies with carbon emission reduction targets listed on the Science Based Targets initiative ("SBTi") database.

Section 5

Metrics & Targets

Data Coverage and Carbon Emissions Metrics

The data summarised in this report was requested from the Scheme's investment managers as at 31 December 2023. Apart from the buy-in policies, there were only a few mandates owned by the Scheme at this date all of which were in the process of being redeemed.

The remaining mandates were illiquid and semi-liquid mandates where the availability of data remains low. This is an issue observed across non-public markets and is not a particular issue related to the Scheme's investments or investment managers.

Given the significant changes to the investment policies and disposal of assets prior to and as part of the buy-in transaction, the Trustee has decided not to report on or make any comparisons to the metrics reported in the prior year for the DB Sections.

Data coverage

There were seven mandates held by the Scheme at the end of the year. Only one of the investment managers, M&G, was able to provide emissions data on their portfolios. M&G reported scope 1&2 data on 16% of their private lending mandate and reported scope 3 data on 84% of their European Property mandate. There is typically no scope 1&2 data reported for property portfolios.

The managers that did not report any data are in the process of being redeemed and receipt of most of the proceeds is anticipated within the next year. Therefore, the Trustee has not sought to take any action. If these mandates were being held in the medium to long term, the Trustee would engage with the managers to provide estimated data and to encourage the move to reporting actual emissions over time.

SBTi targets

There was no data available for the DB Sections which held no exposure to listed equities or public corporate bonds at year end. At this stage it is primarily public corporates that have set targets that have been verified by SBTi.

DB Sections - metrics summary excluding buy-ins (31.12.2023)	Section 1	Section 2	Total Scheme
Remaining Scheme Assets (excl cash, £m)	£108m	£39m	£147m[1]
Holdings for which emissions data is available (£m)	£41m	£15m	£56m
Absolute GHG emissions - Scope 1 & 2 (tonnes CO2e)	255	91	345
Absolute GHG emissions - Scope 3 (tonnes CO2e)	2,187	779	2,967
Carbon Footprint – Scope 1 & 2	53	53	53
Carbon Footprint – Scope 3	289	289	289
Weighted Average Carbon Intensity - Scope 1 & 2	408	408	408
Weighted Average Carbon Intensity - Scope 3	666	666	666
Data coverage (Scope 1 & 2 emissions)	4%	4%	4%
Data coverage (Scope 3 emissions)	11%	11%	11%
SBTi Targets in place (% of assets)	n/a	n/a	n/a

Section 5

Metrics & Targets

Data Coverage and Carbon Emissions Metrics

DC Section – Metrics Summary

Similar to last year, we have used metric calculations produced by the investment managers of the Scheme and have aggregated these at a popular arrangement level where necessary. This year the investment options listed below have been deemed popular arrangements. As a reminder a popular arrangement is considered to be one in which £100m or more of the Scheme's assets are invested, or which accounts for 10% or more of the assets used to provide money purchase benefits (excluding assets which are solely attributable to Additional Voluntary Contributions ('AVC')).

- Ex-Equitable Life Lifestyle
- Thales UK Pension Scheme Global Multi-Asset Fund
- Thales UK Pension Scheme Global Equity Fund

Please note that the Ex-Equitable Life Lifestyle was not a popular arrangement last year. This is due to the fact that this year the investment and member data clearly separated what assets are DC assets and which are AVCs. Excluding AVCs results in the Ex-Equitable Life Lifestyle breaching the 10% threshold of DC assets.

In this report we present results in relation to the following metrics:

- Absolute Emissions (tCO2e)
- Carbon Footprint (tCO2e / $M invested)
- Weighted Average Carbon Intensity ('WACI') (tCO2e / $M sales or, for Soverein Intensity, tCO2e per 1 million GDP)
- Implied Temperature Rise (ºC)
- SBTi (% of companies with Science Based Decarbonisation Targets)
- Data Quality

We have included data coverage on the above metrics where this is appropriate and has been provided by the investment managers.

Climate metrics dashboard

Scope 1 and 2 emissions – Ex-Equitable Life Lifestyle

Asset Class	Mandate	WACI (tCO2e / $M sales) **Sovereign Intensity** (tCO2e per 1 million GDP)		Carbon Footprint (tCO2e / $M invested)		Absolute Emissions* (tCO2e)		Implied Temperature Rise (ºC)		SBTi	Allocation Weight**
		Metric	Coverage	Metric	Coverage	Metric	Coverage	Metric	Coverage		
Listed Equity and Corporate Bonds	M&G Corporate Bonds	72.3	89.0%	33.8	93.0%	2	93.0%	2.2ºC*	95.0%	16.8%	6.5%***
	LGIM All World Equity Index	146.9	98.8%	58.3	97.9%	0.1	97.9%	2.9ºC	98.0%	39.0%	0.2%****
	LGIM All World Equity Index (50% currency hedged)	145.3	95.6%	57.9	94.4%	0.1	94.4%	2.9ºC	92.8%	36.5%	0.2%*****
Total Listed Equity and Corporate Bonds		77.3	89.6%	35.4	93.2%	2	93.2%	-		18.2%	7.0%
	LGIM Over 5 Year Index-Linked Gilts	133.4******	100.0%			3	100.0%	1.9ºC	100.0%		2.6%
Sovereign Bonds	LGIM Over 15 Year Gilts	133.4******	100.0%	-		8	100.0%	1.9ºC	98.5%	-	6.8%
	M&G Corporate Bonds-Sovereigns	131.0******	100.0%			2	100.0%	-	-		1.5%***
Total Sovereign Bonds		133.1	100.0%	-		13	100.0%	-		-	10.9%
Liquidity Fund	BlackRock Institutional Sterling Liquidity	4.1	-	0.9	-	1	-	-	-	6.3%	75.2%

Please note, relevant footers to this table are presented on the next page.

Source: Data from Manager. Mercer have aggregated the metrics provided by the managers.
Notes: Metrics for Insight Board Opportunities Fund were not provided. BlackRock have not provided data coverage information.
*Absolute Emissions for each mandate are derived multiplying the respective fund's Carbon Footprint by the fund's eligible amount of assets in dollars.
**Allocation weight for each mandate is derived based on each fund's actual allocation within the popular arrangement, as at 31 December 2023.
***For M&G Corporate Bonds the actual allocation, as at 31 December 2023, for the whole fund corresponds to c.8.3%. The analysis includes the listed equity and corporate bonds portion (c.78.8%), and the UK sovereign bonds portion (c.17.8%). A residual amount of Overseas sovereign bonds (c.0.7%) is not included in the analysis due to the lack of data.
****For LGIM All World Equity Index the actual allocation, as at 31 December 2023, for the whole fund corresponds to c.0.2%. However, only the listed equity and corporate bonds portion (c.99.4%) is included in the analysis.
*****For LGIM All World Equity Index (50% currency hedged) the actual allocation, as at 31 December 2023, for the whole fund corresponds to c.0.2%. However, only the listed equity and corporate bonds portion (c.96.6%) is included in the analysis.
******Carbon Footprint for sovereigns has not been reported on in the metrics. For sovereign debt, a different intensity metric, which takes into account the Purchasing Power Parity ('PPP') Adjusted Gross Domestic Product ('GDP'), is shown. For presentation purposes this metric is shown in the same column as WACI in the metrics table; however, it does not correspond directly to the corporates WACI or Carbon Footprint as it is a Sovereign Intensity metric.

Climate metrics dashboard

Scope 3 emissions - Ex-Equitable Life Lifestyle

Asset Class	Mandate	WACI (tCO2e / $M sales)		Carbon Footprint (tCO2e / $M invested)		Absolute Emissions* (tCO2e)		Allocation Weight**
		Metric	Coverage	Metric	Coverage	Metric	Coverage	
Listed Equity and Corporate Bonds	M&G Corporate Bonds	498.7	87.0%	150.9	84.0%	8	84.0%	6.5%***
	LGIM All World Equity Index	939.5	98.6%	450.6	97.9%	1	97.9%	0.2%****
	LGIM All World Equity Index (50% currency hedged)	934.1	95.4%	445.9	94.4%	1	94.4%	0.2%*****
Total Listed Equity and Corporate Bonds		528.3	87.7%	171.0	84.8%	10	84.8%	7.0%

Source: Data from Manager. Mercer have aggregated the metrics provided by the managers.
Notes: Metrics for Insight Board Opportunities Fund were not provided. BlackRock are unable to provide Scope 3 emissions information at the 30 September 2023.
The metrics information provided by the managers did not report Scope 3 metrics for the sovereign mandates.
*Absolute Emissions for each mandate are derived multiplying the respective fund's Carbon Footprint by the fund's eligible amount of assets in dollars.
**Allocation weight for each mandate is derived based on each fund's actual allocation within the popular arrangement, as at 31 December 2023.
***For M&G Corporate Bonds the actual allocation, as at 31 December 2023, for the whole fund corresponds to c.8.3%. The table above includes only the listed equity and corporate bonds portion (c.78.8%).
****For LGIM All World Equity Index the actual allocation, as at 31 December 2023, for the whole fund corresponds to c.0.2%. However, only the listed equity and corporate bonds portion (c.99.4%) is included in the analysis.
*****For LGIM All World Equity Index (50% currency hedged) the actual allocation, as at 31 December 2023, for the whole fund corresponds to c.0.2%. However, only the listed equity and corporate bonds portion (c.96.6%) is included in the analysis.

Climate metrics dashboard

Data Quality - Ex-Equitable Life Lifestyle

Asset Class	Mandate	Scope 1 + 2				Scope 3				Allocation Weight*
		Reported (%)	Estimated (%)	Unavailable (%)	Cash and other assets (%)	Reported (%)	Estimated (%)	Unavailable (%)	Cash and other assets (%)	
Listed Equity and Corporate Bonds	M&G Corporate Bonds	53.3%	19.9%	5.6%	21.2%	51.7%	14.2%	12.9%	21.2%	6.5%**
	LGIM All World Equity Index	93.2%	4.7%	1.5%	0.6%	59.7%	38.9%	0.8%	0.6%	0.2%***
	LGIM All World Equity Index (50% currency hedged)	89.9%	4.5%	2.2%	3.4%	56.7%	38.6%	1.2%	3.4%	0.2%****
Total Listed Equity and Corporate Bonds		55.9%	18.9%	5.3%	19.9%	52.1%	15.9%	12.1%	19.9%	7.0%
Sovereign Bonds	LGIM Over 5 Year Index-Linked Gilts	100.0%	0.0%	0.0%	0.0%	-	-	-	-	2.6%
	LGIM Over 15 Year Gilts	100.0%	0.0%	0.0%	0.0%	-	-	-	-	6.8%
Total Sovereign Bonds******		100.0%	0.0%	0.0%	0.0%	-	-	-	-	9.5%
Liquidity Fund	BlackRock Institutional Sterling Liquidity	77.9%	7.1%	15.0%	0.0%	-	-	-	-	75.2%

Source: Data from Manager. Mercer have aggregated the metrics provided by the managers.
Notes: Metrics for Insight Board Opportunities Fund were not provided. BlackRock are unable to provide Scope 3 emissions information at the 30 September 2023. The metrics information provided by the other managers did not report Scope 3 metrics for the sovereign mandates.
*Allocation weight for each mandate is derived based on each fund's actual allocation within the popular arrangement, as at 31 December 2023.
**For M&G Corporate Bonds the actual allocation, as at 31 December 2023, for the whole fund corresponds to c.8.3%. The analysis includes the listed equity and corporate bonds portion (c.78.8%), and the UK sovereign bonds portion (c.17.8%). A residual amount of Overseas sovereign bonds (c.0.7%) is not included in the analysis due to the lack of data.
****For LGIM All World Equity Index the actual allocation, as at 31 December 2023, for the whole fund corresponds to c.0.2%. However, only the listed equity and corporate bonds portion (c.99.4%) is included in the analysis.
*****For LGIM All World Equity Index (50% currency hedged) the actual allocation, as at 31 December 2023, for the whole fund corresponds to c.0.2%. However, only the listed equity and corporate bonds portion (c.96.6%) is included in the analysis.
****** Figures excluding the sovereign leg of M&G Corporate Bonds due to the lack of data.

Climate metrics dashboard

Scope 1 and 2 emissions – Thales UK Pension Scheme Global Multi-Asset

Asset Class	Mandate	WACI (tCO2e / $M sales) Sovereign Intensity (tCO2e per 1 million GDP)		Carbon Footprint (tCO2e / $M invested)		Absolute Emissions* (tCO2e)		Implied Temperature Rise (ºC)		SBTi	Allocation Weight**
		Metric	Coverage	Metric	Coverage	Metric	Coverage	Metric	Coverage		
Listed Equity and Corporate Bonds	LGIM Diversified	203.9	67.9%	72.5	64.3%	122	64.3%	2.8ºC	63.2%	22.9%	77.1%***
Total Listed Equity and Corporate Bonds		203.9	67.9%	72.5	64.3%	122	64.3%	2.8ºC	63.2%	22.9%	77.1%
Sovereign bonds	LGIM Diversified - Sovereigns	286.9****	16.3%	-		103	16.3%	-		-	16.4%***
Total Sovereign Bonds		286.9	16.3%	-		103	16.3%	-		-	16.4%

Source: Data from Manager. Mercer have aggregated the metrics provided by the managers.
Notes: *Absolute Emissions for each mandate are derived multiplying the respective fund's Carbon Footprint by the fund's eligible amount of assets in dollars.
**Allocation weight for each mandate is derived based on each fund's actual allocation within the popular arrangement, as at 31 December 2023.
***For LGIM Diversified the actual allocation, as at 31 December 2023, for the whole fund corresponds to c.100.0%. The analysis includes the listed equity and corporate bonds (c.77.1%), and sovereign bonds portions (c.16.4%).
****Carbon Footprint for sovereigns has not been reported on in the metrics. For sovereign debt, a different intensity metric, which takes into account the Purchasing Power Parity ('PPP') Adjusted Gross Domestic Product ('GDP'), is shown. For presentation purposes this metric is shown in the same column as WACI in the metrics table; however, it does not correspond directly to the corporates WACI or Carbon Footprint as it is a Sovereign Intensity metric.

Climate metrics dashboard

Scope 3 emissions – Thales UK Pension Scheme Global Multi-Asset

Asset Class	Mandate	WACI (tCO2e / $M sales)		Carbon Footprint (tCO2e / $M invested)		Absolute Emissions* (tCO2e)		Allocation Weight**
		Metric	Coverage	**Metric**	Coverage	**Metric**	Coverage	
Listed Equity and Corporate Bonds	**LGIM Diversified**	**1,117.4**	67.7%	**485.8**	64.3%	**818**	64.3%	77.1%***
Total Listed Equity and Corporate Bonds		**1,117.4**	**67.7%**	**485.8**	**64.3%**	**818**	**64.3%**	**77.1%**

Source: Data from Manager. Mercer have aggregated the metrics provided by the managers.
The metrics information provided by the managers did not report Scope 3 metrics for the sovereign mandates.
Notes: *Absolute Emissions for each mandate are derived multiplying the respective fund's Carbon Footprint by the fund's eligible amount of assets in dollars.
**Allocation weight for each mandate is derived based on each fund actual allocation within the popular arrangement, as at 31 December 2023.
***For LGIM Diversified the actual allocation, as at 31 December 2023, for the whole fund corresponds to c.100.0%. The table above includes only the listed equity and corporate bonds portion (c.77.1%).

Climate metrics dashboard

Data Quality - Thales UK Pension Scheme Global Multi-Asset

Asset Class	Mandate	Scope 1 + 2				Scope 3				Allocation Weight*
		Reported (%)	Estimated (%)	Unavailable (%)	Cash and other assets (%)	Reported (%)	Estimated (%)	Unavailable (%)	Cash and other assets (%)	
Listed Equity and Corporate Bonds	LGIM Diversified	57.1%	7.2%	12.9%	22.9%	32.5%	35.2%	9.4%	22.9%	77.1%**
Total Listed Equity and Corporate Bonds		57.1%	7.2%	12.9%	22.9%	32.5%	35.2%	9.4%	22.9%	77.1%
Sovereign bonds	LGIM Diversified	9.8%	6.5%	0.1%	83.6%	-	-	-	-	16.4%**
Total sovereign bonds		9.8%	6.5%	0.1%	83.6%	-	-	-	-	16.4%

Source: Data from Manager. Mercer have aggregated the metrics provided by the managers.
Notes: The metrics information provided by the managers did not report Scope 3 metrics for the sovereign mandates.
*Allocation weight for each mandate is derived based on each fund actual allocation within the popular arrangement, as at 31 December 2023.
**For LGIM Diversified the actual allocation, as at 31 December 2023, for the whole fund corresponds to c.100.0%. The analysis includes the listed equity and corporate bonds, and sovereign bonds portions (c.77.1% and c.16.4%, respectively).

Climate metrics dashboard

Scope 1 and 2 emissions – Thales UK Pension Scheme Global Equity

Asset Class	Mandate	WACI (tCO2e / $M sales)		Carbon Footprint (tCO2e / $M invested)		Absolute Emissions* (tCO2e)		Implied Temperature Rise (ºC)		SBTi	Allocation Weight**
		Metric	Coverage	Metric	Coverage	Metric	Coverage	Metric	Coverage		
Listed Equity and Corporate Bonds	LGIM All World Equity Index	146.9	98.8%	58.3	97.9%	7	97.9%	2.9ºC	98.0%	39.0%	49.7%***
	LGIM All World Equity Index (50% currency hedged)	145.3	95.6%	57.9	94.4%	7	94.4%	2.9ºC	92.8%	36.5%	48.3%****
Total Listed Equity and Corporate Bonds		146.1	97.2%	58.1	96.2%	15	96.2%	-		37.8%	98.0%

Source: Data from Manager. Mercer have aggregated the metrics provided by the managers.
Notes: *Absolute Emissions for each mandate are derived multiplying the respective fund's Carbon Footprint by the fund's eligible amount of assets in dollars.
**Allocation weight for each mandate is derived based on each fund's strategic asset allocation within the popular arrangement, as at 31 December 2023.
***For LGIM All World Equity Index the actual allocation, as at 31 December 2023, for the whole fund corresponds to c.50.0%. However, only the listed equity and corporate bonds portion (c.99.4%) is included in the analysis.
****For LGIM All World Equity Index (50% currency hedged) the actual allocation, as at 31 December 2023, for the whole fund corresponds to c.50.0%. However, only the listed equity and corporate bonds portion (c.96.6%) is included in the analysis.

Climate metrics dashboard

Scope 3 emissions – Thales UK Pension Scheme Global Equity

Asset Class	Mandate	WACI (tCO2e / $M sales)		Carbon Footprint (tCO2e / $M invested)		Absolute Emissions* (tCO2e)		Allocation Weight**
		Metric	Coverage	Metric	Coverage	Metric	Coverage	
Listed Equity and Corporate Bonds	LGIM All World Equity Index	939.5	98.6%	450.6	97.9%	58	97.9%	49.7%***
	LGIM All World Equity Index (50% currency hedged)	934.1	95.4%	445.9	94.4%	56	94.4%	48.3%****
Total Listed Equity and Corporate Bonds		936.8	97.0%	448.3	96.2%	114	96.2%	98.0%

Source: Data from Manager. Mercer have aggregated the metrics provided by the managers.
Notes: *Absolute Emissions for each mandate are derived multiplying the respective fund's Carbon Footprint by the fund's eligible amount of assets in dollars.
**Allocation weight for each mandate is derived based on each fund's strategic asset allocation within the popular arrangement, as at 31 December 2023.
***For LGIM All World Equity Index the actual allocation, as at 31 December 2023, for the whole fund corresponds to c.50.0%. However, only the listed equity and corporate bonds portion (c.99.4%) is included in the analysis.
****For LGIM All World Equity Index (50% currency hedged) the actual allocation, as at 31 December 2023, for the whole fund corresponds to c.50.0%. However, only the listed equity and corporate bonds portion (c.96.6%) is included in the analysis.

Climate metrics dashboard

Data Quality - Thales UK Pension Scheme Global Equity

Asset Class	Mandate	Scope 1 + 2				Scope 3				Allocation Weight*
		Reported (%)	Estimated (%)	Unavailable (%)	Cash and other assets (%)	Reported (%)	Estimated (%)	Unavailable (%)	Cash and other assets (%)	
Listed Equity and Corporate Bonds	LGIM All World Equity Index	93.2%	4.7%	1.5%	0.6%	59.7%	38.9%	0.8%	0.6%	49.7%**
	LGIM All World Equity Index (50% currency hedged)	89.9%	4.5%	2.2%	3.4%	56.7%	38.6%	1.2%	3.4%	48.3%***
Total Listed Equity and Corporate Bonds		91.6%	4.6%	1.8%	2.0%	58.3%	38.8%	1.0%	2.0%	98.0%

Source: Data from Manager. Mercer have aggregated the metrics provided by the managers.
Notes: *Allocation weight for each mandate is derived based on each fund's strategic asset allocation within the popular arrangement, as at 31 December 2023.
**For LGIM All World Equity Index the actual allocation, as at 31 December 2023, for the whole fund corresponds to c.50.0%. However, only the listed equity and corporate bonds portion (c.99.4%) is included in the analysis.
***For LGIM All World Equity Index (50% currency hedged) the actual allocation, as at 31 December 2023, for the whole fund corresponds to c.50.0%. However, only the listed equity and corporate bonds portion (c.96.6%) is included in the analysis.

Section 5 | Metrics & Targets

Data Coverage and Carbon Emissions Metrics

Target for DB & DC Sections

The Trustee had set a target to increase data availability for Scope 1 and 2 carbon emissions and reported on this target in the first Climate Report for the Scheme.

At the time of publishing this report, the only assets left in the DB Sections of the Scheme are the buy-in policies, cash and several mandates that are expected to redeem in full over the remainder of the year.

The Trustee does not consider the current target to be relevant and there seems little merit in setting a new target in respect of any of the reported metrics. The Scheme's most significant holding is the buy-in policies with Rothesay. The Trustee is supportive of the commitments and targets that Rothesay has set and has agreed to align its targets with those set by Rothesay. The Trustee will monitor Rothesay's progress over time.

Rothesay's commitments and approach to managing climate risks and opportunities was an important consideration as part of their selection.

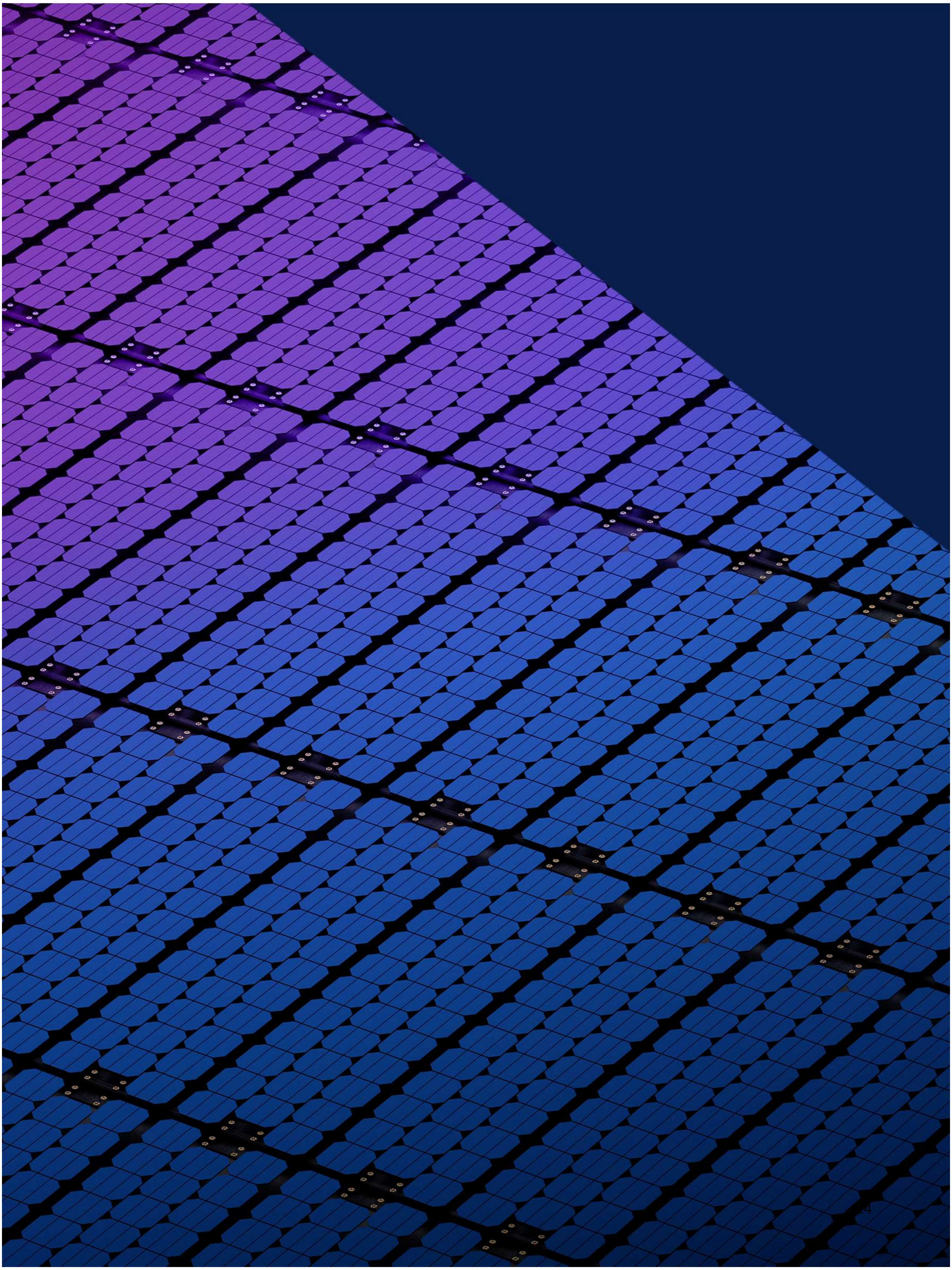
More detail on Rothesay's commitments are set out in their 2022 Climate Report (rothesay-climate-report-2022.pdf).

The Trustee has noted Rothesay's key commitments as follows:

- Aim to transition the investment portfolio to net zero by 2050.
- Aim to reduce scope 1 and 2 Carbon intensity of the total portfolio by 20% over the five years from the baseline set in 2020.
- Target 50% reduction in carbon intensity for all public corporate debt investments by 2030 (versus baseline year of 2020).

The Trustee has also noted the following certifications and signatory status that Rothesay has achieved to date:

- CarbonNeutral® company certification since 2020 (in accordance with The CarbonNeutral Protocol).
- Member of the Net Zero Asset Owners Alliance.
- Signatory to the UK Stewardship Code



Section 3

Scenario Analysis

Impact on Journey Plan

Climate Scenario Analysis – DC Section

The three climate scenarios used for the DC assets are constructed to explore a range of plausible futures over 5 to 40 years, rather than exploring tail risks:

- **1.5°C Rapid Transition** – Average temperature increase of 1.5°C by 2100 in line with the Paris Agreement. This scenario assumes sudden large-scale downward re-pricing across multiple securities in 2025. This could be driven by a change in policy or realisation that policy change is inevitable, consideration of stranded assets or expected cost. To a degree the shock is sentiment driven and is therefore followed by a partial recovery across markets. The physical damages are most limited under this scenario.

- **<2°C Orderly Transition** – Average temperature increase of less than 2.0°C by 2100. This scenario assumes political and social organisations act in a co-ordinated way to implement the recommendations of the Paris Agreement to limit global warming to below 2°C. Transition impacts do occur but are relatively muted across the broad market.

- **4°C Failed Transition** – Average temperature increase above 4°C by 2100. This scenario assumes the world fails to co-ordinate a transition to a low carbon economy and global warming exceeds 4°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasingly negative impacts from extreme weather events. These are reflected in re-pricing events in the late 2020s and late 2030s.

In assessing the Threshold Test for the DC arrangements two Popular Arrangements were identified accounting for more than 10% of the DC assets; the Thales Global Equity (24.1%) and the Thales Global Multi-Asset (49.1%). The asset allocations modelled for these two Popular Arrangements are:

Modelling Asset Class	Thales Global Equity Fund	Thales Multi-Asset Fund
MSCI World Equity	-	3.9%
MSCI ACWI Equity	-	1.1%
US Equity	63.1%	5.4%
UK Equity	3.9%	3.8%
Europe Equity	11.4%	6.0%
Japan Equity	6.2%	4.7%
Developed Asia ex Japan Equity	4.6%	2.8%
Emerging Markets Equity	10.8%	6.6%
UK Investment Grade Credit	-	6.7%
US Investment Grade Credit	-	8.2%
Global High Yield Credit	-	6.1%
Global Investment Grade Credit	-	2.3%
UK Private IG Credit	-	1.3%
US Sovereign Bonds	-	3.3%
UK Sovereign Bonds	-	1.6%
Europe Sovereign Bonds	-	1.5%
EMD Hard Currency	-	10.5%
Cash	-	2.2%
Global Real Estate	-	5.3%
Listed Infrastructure	-	5.1%
UK Real Estate	-	6.2%
Private Equity	-	2.4%
Commodities*	-	2.0%
Timberland/Farmland (Sector Built Equity)	-	1.0%

Section 3

Scenario Analysis

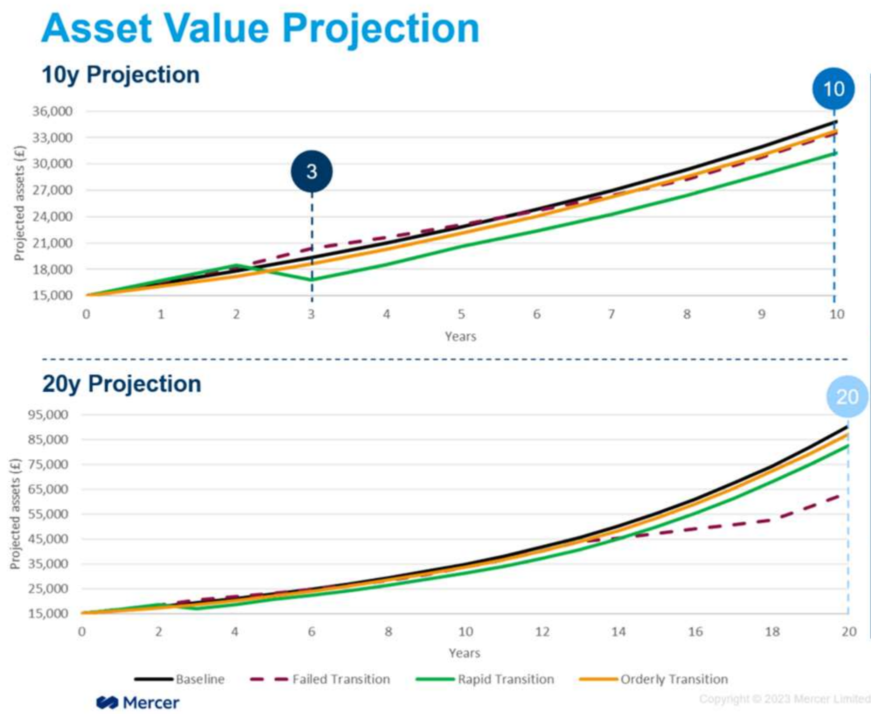
Impact on Journey Plan

Climate Scenario Analysis – DC Section

Thales Global Equity Fund Scenario Analysis Results.

	Annualised Returns		Asset Values	
	Expected Return (Baseline)	Climate Impact*	Impact (%)*	Absolute Impact (£)
Rapid Transition				
Impact at 3 years	8.9%	**-5.0%**	**-13.0%**	*-£2,526*
Impact at 10 years	8.8%	**-1.2%**	**-10.3%**	*-£3,577*
Impact at 20 years	9.4%	**-0.5%**	**-8.5%**	*-£7,688*
Orderly Transition				
Impact at 3 years	8.9%	**-1.3%**	**-3.7%**	*-£708*
Impact at 10 years	8.8%	**-0.3%**	**-3.1%**	*-£1,064*
Impact at 20 years	9.4%	**-0.2%**	**-3.5%**	*-£3,118*
Failed Transition				
Impact at 3 years	8.9%	**1.9%**	**5.3%**	*£1,023*
Impact at 10 years	8.8%	**-0.4%**	**-3.7%**	*-£1,287*
Impact at 20 years	9.4%	**-1.9%**	**-29.6%**	*-£26,791*

*Relative to the baseline



Key points at different time frames :

3 Years – Over this time period, transition risk dominates. The Rapid Transition is the most impacted scenario. Under this scenario there is a shock to asset values with projected asset values reduced by 13%. The Failed Transition is marginally positive due to transition costs not yet materialising.

10 Years – Transition risks are still the most significant and therefore the Rapid Transition is most impacted. However, the Failed Transition is becoming more impacted as future Physical damages start to be priced in. Under the Rapid Transition asset values are reduced by 10%. Under the Failed Transition the asset value is reduced by 4%.

20 Years – As longer term physical damages begin to be priced in, the Failed Transition becomes the most impactful scenario. Failed Transition reduces the asset value by 30%.

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*A starting asset size of £15,000 has been used in the scenario analysis to broadly represent the approximate average pot size in the Scheme at the start date of the projections.

Section 3 | Scenario Analysis

Impact on Journey Plan

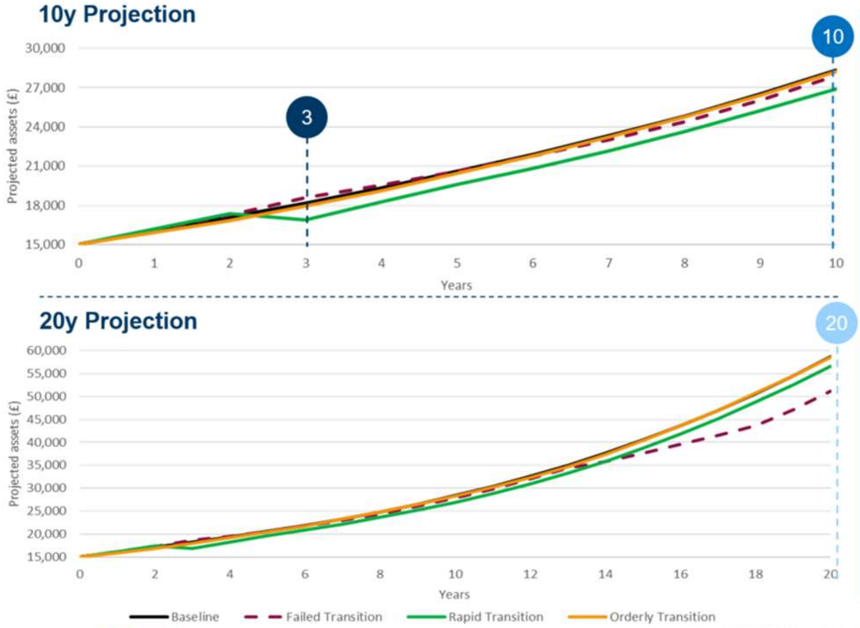
Climate Scenario Analysis – DC Section

Thales Global Multi-Asset Fund Scenario Analysis Results.

	Annualised Returns		Asset Values	
	Expected Return (Baseline)	Climate Impact*	Impact (%)*	Absolute Impact (£)
Rapid Transition				
Impact at 3 years	6.6%	**-2.6%**	**-7.2%**	*-£1,301*
Impact at 10 years	6.6%	**-0.6%**	**-5.1%**	*-£1,437*
Impact at 20 years	7.1%	**-0.2%**	**-3.7%**	*-£2,147*
Orderly Transition				
Impact at 3 years	6.6%	**-0.4%**	**-1.2%**	*-£225*
Impact at 10 years	6.6%	**-0.1%**	**-0.5%**	*-£135*
Impact at 20 years	7.1%	**0.0%**	**-0.1%**	*-£78*
Failed Transition				
Impact at 3 years	6.6%	**0.8%**	**2.3%**	*£425*
Impact at 10 years	6.6%	**-0.2%**	**-1.5%**	*-£433*
Impact at 20 years	7.1%	**-0.7%**	**-12.9%**	*-£7,576*

*Relative to the baseline

Asset Value Projection



Key points at different time frames :

3 Years – Over this time period, transition risk dominates. The Rapid Transition is the most impacted scenario. Under this scenario there is a shock to asset values with projected asset values reduced by 7%. The Failed Transition is marginally positive due to transition costs not materialising.

10 Years – Transition risks are still the most significant and therefore the Rapid Transition is most impacted. However, the Failed Transition is becoming more impactful and future Physical damages start to be priced in. Under the Rapid Transition asset values are reduced by 5%. Under the Failed Transition the asset value is reduced by 2%.

20 Years – As longer term physical damages begin to be priced in, the Failed Transition becomes the most impacted scenario. Failed Transition reduces the asset value by 13%.

Mercer

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*A starting asset size of £15,000 has been used in the scenario analysis to broadly represent the approximate average pot size in the Scheme at the start date of the projections.