Toyota Motor Manufacturing (UK) Ltd Pension Plan ("the Plan")

Annual Task Force on Climate-related Financial Disclosures ("TCFD") Report

Reporting to 31 March 2025

Table of Contents

Background and Executive Summary

The purpose of this report is to meet the climate change reporting requirements, building on the approach set out by the Trustees of the Plan in the Plan's Statement of Investment Principles ("SIP"). This report sets out how the Trustees plan to respond to the requirements in Climate Change Regulations. The report has been prepared in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD").

Climate change is the large-scale, long-term shift in global weather patterns and temperatures. It poses an existential threat to our planet and society and a risk to financial markets. The potential severity of the impacts motivated the commitment to reducing emissions via the Paris Agreement. Policy responses to achieve 2.0°C alignment will result in changes to the fundamental structure of the economy and society, resulting in impacts on investment portfolios.

Climate-related issues are complex in nature and can be difficult to report. To address this problem, the Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) in 2015. Following a consultation, TCFD published a framework of recommendations in 2017 to improve the way that private and public organisations can report on climate-related financial information. The framework can be separated into four key sections: Governance, Strategy, Risk Management and Metrics and Targets. The recommended disclosures are detailed on the following page.

In the UK, the Pension Schemes Act 2021 introduced a requirement for scheme trustees, with a view to ensuring that there is effective governance of the scheme with respect to the effects of climate change. The Plan fell under these guidelines and this is the third report of this kind that the Trustees have published.

Governance

- How the Trustees plan to maintain oversight and monitor climate-related risks and opportunities which are related to the Plan.
- The roles and responsibilities for managing and assessing climate-related risks and opportunities.

Strategy

- Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term.
- Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning.
- Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Risk Management

- The Plan’s processes for identifying and assessing climate-related risks.
- Describe the Plan’s processes for managing climate-related risks, and how the management of climate-related risks are integrated into the Plan’s overall risk management.

Metrics and Targets

- Disclose the metrics used by the Plan to assess climate-related risks and opportunities in line with its strategy and risk management process, including where data is not available.
- Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
- Describe the target used by the Plan to manage climate-related risks and opportunities and performance against targets.

Governance

Overall Governance Framework

- **Trustees:** The overall Statement of Investment Principles ("SIP") which includes the Trustees' approach to ESG factors. The Trustees have oversight of the approach and are responsible for actively monitoring compliance.

- **Investment managers:** Investment managers appointed by the Trustees are required to demonstrate strong capabilities in managing ESG and climate risks as well as supporting the Trustees in reporting against TCFD. The Trustees require the Plan's Investment Managers to take ESG and climate change risks into consideration within their decision-making, in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

- **Investment Consultant:** The Trustees will seek advice from the Investment Consultant on the extent to which their views on ESG and climate change risks may be taken into account in any future Investment Manager selection exercises. Furthermore, the Trustees, with the assistance of the Investment Consultant, will monitor the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in the Statement of Investment Principles.

- **Actuarial advisor:** The Trustees' advisors are responsible for keeping the Trustees informed of how climate change related matters and ESG considerations impact the liabilities and for considering how the Company may be affected by these factors.

- **Covenant Advisor:** The Covenant Advisor's responsibilities include, but are not limited to, the following. Undertaking periodic reviews, at least triennially, of the extent to which climate-related risks and opportunities might affect the Plan's sponsoring employer over the short, medium, and long term.

The Trustees have consulted with the Company in relation to the climate-related risks to establish the potential impact on the Company and it has been determined that the risk to the Company is relatively low. The agreed funding strategy provides considerable protection against a reduction in covenant. There is visibility over the strength of the UK covenant until 2026 and an evergreen guarantee has been provided by a parent company.

Given the Trustee's reliance on the Investment Consultant and Actuarial advisors for advice in relation to ESG and climate change issues, it is important that both are sufficiently skilled. The Trustees are comfortable that this is the case based on ongoing assessments made in relation to the quality of training, advice and communications provided on such topics.

Investment beliefs related to climate change

The Trustees consider climate change to be a significant long-term financial and systemic risk that if not managed has the potential to adversely affect the value of the Plan's investments.

Further details of the Trustees' beliefs are contained in the Plan's SIP. These will be formally reviewed at least every three years to ensure they remain appropriate and will be informally reviewed on a more frequent basis. The last review was in November 2023 and so the beliefs will be formally reviewed in November 2026, or earlier if deemed necessary.

During the year, the Trustees received detailed information from the Plan's investment managers regarding the Plan's underlying holdings through the ESG ratings report.

Climate-related requirements into manager selection, review and monitoring

The Trustees rely on the Investment Consultant's research process which explicitly considers ESG factors within their manager ratings and recommendations. This has been detailed further within the SIP.

During the year, there were no manager selection exercise for the Plan. Post year end, the Trustees expect to receive a partial redemption from the Fidelity UK Real Estate Fund. The Trustees have been considering suitable funds for onward investment of these funds and have considered ESG factors as part of this review.

Day-to-day Trustees operations

The Trustees will remain mindful of the impact of its own operations on the environment. The Trustees also consider the extent to which environmental considerations are a priority for their providers and advisors which is reviewed periodically and as part of new appointments.

Monitoring climate risk

The Trustees will monitor the below metrics related to climate change.

Table 1 - Monitoring climate risks

Reporting content	Frequency
Specific climate-related metrics	Annually
Scenario analysis	At least tri-annually (Quantitative scenario analysis to be next considered for the 2026 TCFD report)
Progress toward climate change related target	Annually
Assessment of the investment managers' ESG and climate-related credentials from XPS	As required
Any holdings/activity within the portfolio that require attention from a climate-related perspective	As required
Any notable stewardship activity related to climate risk within the portfolio	As required

The Trustees are satisfied that they have monitored most of the above items throughout the year. For example, stewardship activity related to climate risk within the portfolio has been reported on by the inclusion of both firm and strategy level engagement data within the Plan's Implementation Statement. Furthermore, the Trustees commissioned a report from XPS on the extent to which ESG considerations are incorporated into the investment processes of the investment manager organisations appointed to the Plan. This report allows the Trustees to review the Plan's ESG risk exposures. The Trustees recognise that the level of ESG integration within the investment processes is dependent on the asset class in question.

Further examples of actions taken during the Plan's reporting year are provided within this report.

Climate change as an agenda item within Trustee meetings

The Trustees will incorporate a climate-related agenda item into Trustee meetings whenever there is demand from the Trustees to further climate-related knowledge to enable it to actively discuss climate risk and opportunities. Topics of discussion can include:

- Relevant updates from the advisers and investment managers regarding the investment portfolio, strategic allocation and/or relevant developments within the industry.
- Input from the sponsor's in-house experts where appropriate.
- More closely aligning the Plan's ESG targets with those of the company.

At the 13 March 2025 Trustee meeting, there was a presentation from Partners Group at a Trustee meeting who provided an update on the portfolio with a particular focus on ESG. This helped the Trustees to understand how Partners Group integrate ESG and sustainability within the Partners Fund and how they report transparently on their engagement processes and outcomes.

The Trustees plan to receive the same type of presentation from all their managers in future Trustee meetings.

Ongoing training needs

The Trustees are required to maintain sufficient knowledge and understanding of climate-related risks. Given the fast evolution and innovation within the industry the Trustees and / or a subgroup of the Trustees will hold a training session to climate-related issues alongside ESG issues on at least a tri-annual basis.

During the year, the Trustees commissioned a report from XPS Group to the extent to which ESG considerations are incorporated into the investment process of the investment manager organisations appointed to the Plan. This report allows the Trustees to review the Plan's ESG risk exposures. The Trustees also received ESG training during from one of the Plan's investment managers, Partners Group.

Strategy

Time Horizon

The Plan is closed to accrual but has a long-term time horizon, given the immaturity of the Plan's liabilities compared to the average UK Pension Scheme. Therefore, the Trustees have defined the time horizons as below and identified relevant climate-related risks and opportunities which will be managed as far as practicable via the overall framework.

The Trustees are clear that climate change represents a material financial risk to the Plan's funding level. Furthermore, the Trustees recognise that there are opportunities available within the investment strategy as a result of the transition to a low carbon economy.

Table 2 - Rationale for time horizons

Time horizon		Risks and opportunities
Short term	**0-5 years**	**Transition risks highly prevalent:** Changes in consumer and corporate behaviour, driven by policy and technological change. **Legal and Regulatory risks:** Changes in asset prices/stock price movements. **Opportunities:** Companies which adapt well can take advantage of this fundamental shift in the economy. Physical risks exist but impacts expected to be less severe.
Medium term	**5-10 years**	
Long term	**10-50 years**	**Transition risks as above, and physical risks more likely:** Damage to real assets and resource availability e.g., sea level rise and more frequent severe weather events. There will be knock-on effects on input costs and supply chains.

The key assumptions that have a significant impact on the assessed value of the liabilities are:

1. Gilt yields: a reduction in the level of the gilt yield curve increases the assessed value of the liabilities and vice versa.
2. Future price inflation: an increase in the level of future expected price inflation would increase the expected payments out of the Plan and hence increase the assessed value of the liabilities.
3. Life expectancy: any change in life expectancy for Plan members would impact on the length of time benefits are assumed to be paid out of the Plan and hence impact on the assessed value of the liabilities.

Impact on investment strategy

The Trustees are cognisant of climate related risks and opportunities, and this therefore informs the Trustees when setting the investment strategy and taking any investment decisions.

The Trustees have assessed the investment managers' ability to analyse climate change related risks and opportunities during the investment process as a feature in its due diligence when appointing new managers for the Plan assets. Therefore, the investment managers selected are those which demonstrate clear integration of climate change risk analysis, alongside other fundamental and technical risk analysis techniques. As such, climate change is a consideration when the investment manager's make investment related decisions.

As the Plan invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest.

They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Plan's investments to the Investment Managers. The Trustees encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes.

The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees and to report on engagement activity undertaken within the funds in which the Plan are invested. This information is reported in the Plan's Implementation Statement and allows the Trustees to monitor engagement undertaken against the scheme specific stewardship priorities.

Scenario modelling - choice of scenarios

The Trustees have considered different climate-related scenarios to form a view on the resilience of the Plan's current strategy. The below scenarios represent four of the six designed by the Network for Greening and Financial System ("NGFS") which provide a good overview of possible outcomes. For added context, the NGFS scenarios explore the impacts of climate change and climate policy with the aim of providing a common reference framework.

Regarding the DB Section, the scenarios designed by the Network for Greening and Financial System (NGFS) have been updated for this year's report, the changes made by the NGFS are outlined below:

- New economic and climate data, policy commitments, and pace of technology change.
- Physical risk modelling has been enriched by including more hazards and increasing geographical granularity.
- The addition of the 'Fragmented World' scenario explores more adverse impacts because of dissimilar and delayed responses from countries leading to higher physical and transition risks.
- The 1.5°C Disorderly scenario (Divergent Net Zero) has been phased out given the reduced likelihood of an uncoordinated transition being successful. This has been replaced by the Net Zero 2050 1.5°C scenario.

Net Zero 2050 1.5C	Delayed Transition 1.7C	Fragmented World 2.3C	Current Policies 2.9C
• Limits global warming to 1.5 °C through stringent climate policies and innovation, reaching global net zero CO_2 emissions around 2050. Orderly scenario assumes climate policies are introduced early and become gradually more stringent. Both physical and transition risks are relatively subdued.	• Assumes annual emissions do not decrease until 2030. Strong policies are needed to limit warming to below °2C. Negative emissions are limited. Disorderly scenario with higher transition risks due to policies being delayed or divergent across countries and sectors.	• "Too-little-too-late" assumes a delayed and divergent climate policy response among countries globally, leading to high physical and transition risks. Countries with net zero targets achieve them only partially (80% of the target), while the other countries follow current policies.	• Hot house world scenario assumes that some climate policies are implemented in some jurisdictions, but globally efforts are insufficient to halt significant global warming. The scenarios result in severe physical risk including irreversible impacts like sea-level rise.

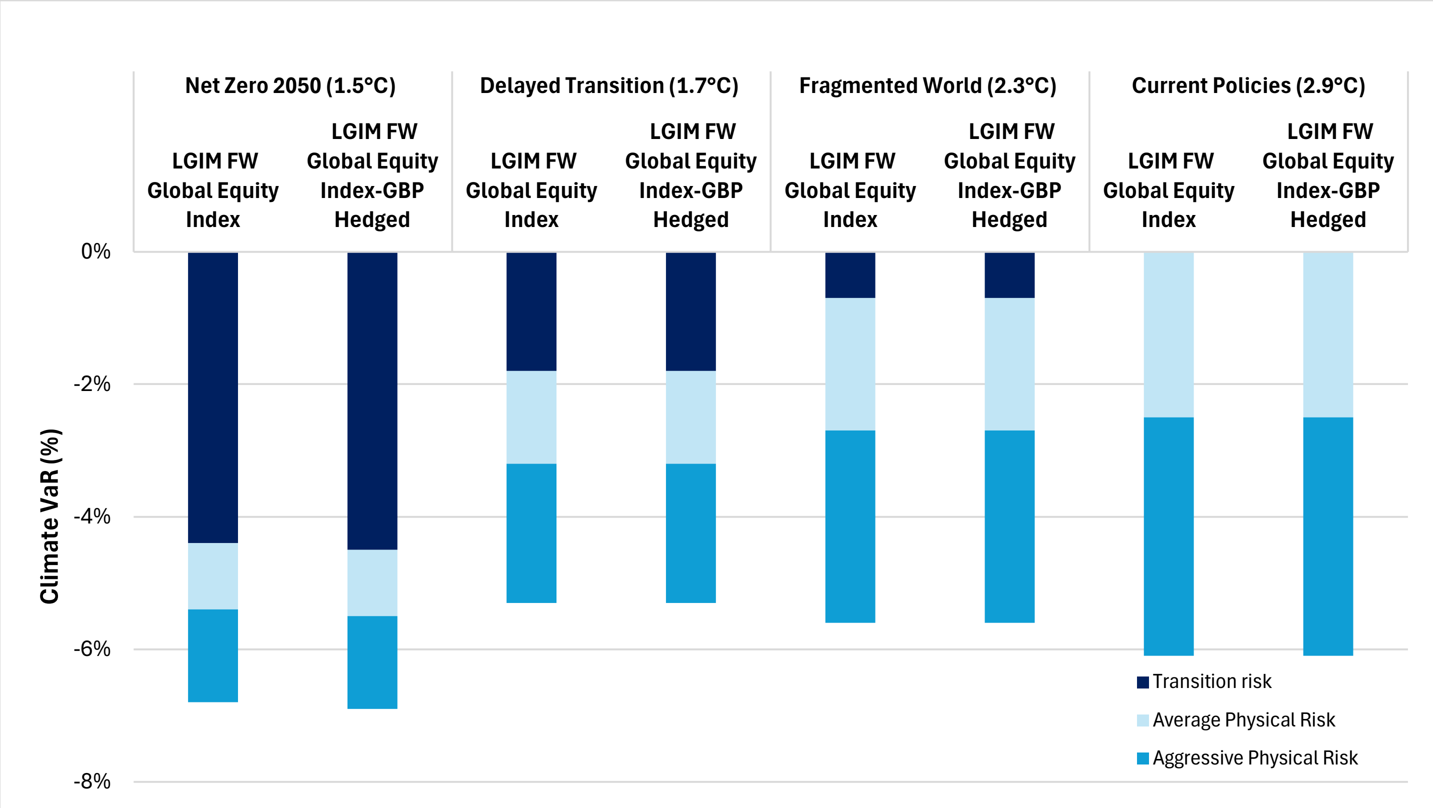
Scenario Analysis on the Plan's Assets

Climate Value at Risk (VaR) provides a forward-looking and return-based valuation assessment to measure climate related risks and opportunities in an investment portfolio. It provides insights into the potential climate-stressed market valuation of investment portfolios and downside risk. The below chart shows the changes in portfolio value of the Plan's funds held with Legal & General Investment Management ("LGIM") under the scenarios broadly in line with the above. The more illiquid, unlisted assets are not able to report CVAR and therefore have not been included in this section.

CVAR is a function of both:

- **Transition risks** (downside risk arising from regulatory and policy changes, and opportunities for companies adapting to the modelled scenario); and
- **Physical risks** (how trends in extreme cold, extreme heat, extreme precipitation, heavy snowfall, extreme wind, coastal flooding, fluvial flooding, tropical cyclones, river flow and wildfires continue along the modelled scenario). Within physical risk there are a range of possible cost outcomes under each scenario and the charts below illustrate both the average (expected or 50th percentile outcome) cost impact, and an 'aggressive' (worse case) cost impact. The 'aggressive' physical element below represents the 95th percentile outcome.

Chart 1: Climate Value at Risk of the Plan's LGIM assets



Notes

1. Sources: LGIM as at 31 March 2025 and provided by the manager. LGIM information sourced from MSCI ESG Screener tool using portfolio holdings at 31 March 2025. Analysis assumes an "average" physical risk outcome, i.e. the median expected costs incurred under the various scenarios due to physical risks. "Aggressive" physical risk reflects the higher expected costs incurred under various scenarios due to the severe physical risks associated with climate change.
2. NDC = Nationally Determined Contributions, representing countries' self-defined national climate pledges under the Paris Agreement.

A Net Zero 1.5°C scenario would present the greatest risk to the Plan's asset valuation due to the transition risk embedded in this scenario. While a delayed transition scenario typically carries greater transition risk, in the Plan's case, the underlying holdings in the funds are not currently aligned to net zero by 2050. As such, adjustments are needed to align the portfolio to this trajectory which can be costly, therefore posing a greater transition risk. As these adjustments would need to be made in the short term, if this scenario played out these risks are expected to emerge in the short to medium term.

The narrative around the 1.7°C Delayed Transition, 2.3°C Fragmented World and 2.9°C Current Policies scenarios are more aligned to the medium and long-term timeframes defined by the Plan. The overall impact of each of these scenarios on the Plan's assets are broadly similar. The 1.7°C Delayed Transition carries more transition risk than a 2.3°C Fragmented World scenario and the 2.9°C Current Policies carries no transition risk because this is the scenario that would likely play out with no changes to policies. Physical risk is greatest under the 2.9°C Current Policies scenario.

To mitigate these long term risks the Trustees will continue to engage with current managers to identify the high-risk holdings or consider investing in funds which take more explicit account of forward-looking low carbon transition alignment with the same financial objectives.

There has been a decrease in the Climate Value at Risk within the Plan's LGIM Future World Global Equity holdings relative to last year.

The Trustees note the limitations of scenario modelling given it is underpinned by a series of assumptions which may or may not hold in practice, noting in particular that the investment outcomes in a Current Policies 2.9°C scenario, where physical risks associated with climate change are expected to be high, are hard to estimate. Nevertheless, the Trustees are comfortable that the modelling serves the purpose of helping the Trustees to better manage climate-related risks.

Impact of and resilience to liability-related risks

The key assumptions that have a significant impact on the assessed value of the liabilities are:

- **Gilt yields:** a reduction in the level of the gilt yield curve increases the assessed value of the liabilities and vice versa.
- **Future price inflation:** an increase in the level of future expected price inflation would increase the expected payments out of the Plan, and hence increase the assessed value of the liabilities.
- **Life expectancy:** any change in life expectancy for Plan members would impact the length of time benefits are assumed to be paid out of the Plan and hence impact on the assessed value of the liabilities.

Gilt yields and future price inflation are financial risks. These risks are currently fully hedged. So long as this remains the case the funding position is expected to be protected from these risks. There may be some residual/secondary risk exposure in particular if there is significant volatility in gilt yields and/or future inflation rates, if it is not possible to maintain a 100% hedge in the face of significant and unprecedented volatility.

Life expectancy is a key risk from climate-related changes and is typically unhedged. Life expectancy changes tend to happen gradually over a long period and are rarely significant one-off hits. Over the short and medium-term, the Trustees believe that significant changes to life expectancy due to climate change are unlikely and it will not be easy to distinguish any climate impact from the usual "statistical noise". However over the longer term the impact could be more significant.

The Trustees have commissioned qualitative analysis on these risks under the above scenarios and a summary of the expected impact is given below:

Net Zero 2050

There may be an increase in liabilities in the short term due to increased inflation. This may be offset to an extent by increases in interest rates. There may be a slow-down in improvements in life expectancy over the short term which may offset inflation increases to some extent. Overall, a small improvement in the funding position could be expected in the short term provided the matching assets offset the increases in liabilities whilst the slow-down in improvements in life expectancy continue to be unhedged.

Delayed Transition

There may be an increase in liabilities in the medium term due to increased inflation. This may be offset to an extent by increases in interest rates. Due to the level of liability hedging in place these changes would be expected to be offset by increases in matching assets. There may be a slow-down in improvements in life expectancy over the short term which may offset inflation increases to some extent. Overall, a small improvement in the funding position could be expected in the short term provided the matching assets offset the increases in liabilities whilst the slow-down in improvements in life expectancy continue to be unhedged.

Fragmented World

There may be a modest increase in liabilities in the short term due to increased inflation, which may be offset to an extent by increased interest rates. There may be a small improvement in life expectancy over medium term. Overall the impact on funding could be a small deterioration over the short- to medium term due to unhedged liability increases from the small improvement in life expectancy.

Current Policies

There may be a decrease in liabilities over the long term due to increased interest rates. However, to the extent that hedging continues to be in place, any decrease in liability will be offset by decreases in matching assets. There may be a reduction in life expectancies over the long term, leading to a fall in liability values. Overall, there may be an improvement in the funding position in the long term due to unhedged liability movements from reduction in life expectancies.

Impact on covenant

The Trustees have consulted with the Company in relation to the climate-related risks to establish the potential impact on the Company and it has been determined that the risk to the Company is relatively low, based on the latest Covenant report available as at the date of this report.

Resilience to covenant-related risks

Covenant: The agreed funding strategy provides considerable protection against a reduction in covenant. There is visibility over the strength of the UK covenant until 2026 and an evergreen guarantee has been provided by a parent company.

Risk management

Processes to identify and assess the potential impact of climate-related risks/opportunities

The Trustees recognise the importance of identifying and assessing the potential impact of climate change within the Plan's investments and have taken the following key actions:

- Defined their broad investment beliefs related to climate change.
- Delegated the management of climate risk and opportunities (including stewardship of assets) to the investment managers. As such, responsibility for identifying and assessing climate-related risks has also been delegated to the investment managers.
- The Trustees will, at least, tri-annually require the investment managers to undertake climate risk modelling and scenario testing in order to understand the risk exposure of the Plan's assets to various climate scenarios.
- The Trustees request that the Plan's investment managers undertake climate risk modelling on an annual basis, however due to the nature of some of the funds in which the Plan invests, some investment managers are not able to provide updated information on an annual basis. Climate risk for all funds is also assessed in the ESG ratings report, which is produced by the Plan's investment consultants annually at the request of the Trustees.
- Consulted with the Company in relation to the climate-related risks to establish the potential impact on the Company, and therefore the potential impact on the Plan.

Processes to manage the potential impact of climate-related risks/opportunities

The Trustees recognise the importance of managing the potential impact of climate change within the Plan's investments and has taken the following key actions:

- Set out in the Statement of Investment Principles the Trustees' intended approach within the investments to ensure climate related risks are appropriately managed.
- Set out a monitoring process to review how the underlying investment managers are assessing, managing and mitigating climate risks including the portfolio's positioning in relation to the transition to a lower-carbon economy. This includes conducting scenario analysis on, at least, a tri-annual basis to understand the resilience of the portfolio to various climate scenarios as far as practicable.
- Appointed managers who demonstrate robust stewardship and engagement with the underlying investments (recognising that active ownership is key to managing ongoing risks).

The Trustees' approach in this regard is detailed further in the Statement of Investment Principles.

The integration of processes for identifying, assessing, and managing climate-related risks into the organisation's overall risk management

The Trustees recognise the importance of integrating the considerations which surround climate change within the Plan's overall risk management and has taken the following key actions:

- Defined its investment beliefs related to climate change in order to gain clarity over the views of the Trustees and the necessary steps to be taken.
- Climate change is considered alongside other risks (in terms of invested assets and the impact on the funding strategy).

Examples of risk management from within the reporting year

The Trustees recognise the importance of effective stewardship activities to enact change and manage risk. The Trustees have delegated all stewardship activity to the investment managers as they believe the managers are best placed to conduct stewardship given their expertise and access to company management. Where the Plan invests in debt assets, there are no voting rights to be exercised, but the Trustees expect the managers to engage on material ESG and climate- related issues alongside other non-ESG related issues.

During the reporting period, the Trustees undertook numerous activities in order to manage risk. For example, the Trustees commissioned a report from XPS on the extent to which ESG considerations are incorporated into the investment processes of the investment manager organisations appointed to the Plan. This report allows the Trustees to review the Plan's ESG risk exposures. The Trustees recognise that the level of ESG integration within the investment processes is dependent on the asset class in question.

The Trustees asked the investment managers to provide examples of engagement activities which have been undertaken during the year. Below are examples of engagement which shows the action taken from investment managers in relation to climate-related risks. LGIM were unable to provide engagement data for the LGIM 5A Fixed Interest Over 15 Year Targeted Duration Fund, given the fund is predominantly invested in sovereign debt. LGIM was unable to provide engagement data for the LGIM Bespoke LDI Fund, given the fund holds gilts and derivatives.

Table 3 - Engagement example (LGIM Future World Global Equity Index Fund / LGIM Future World Global Equity Index Fund (GBP Hedged))

Name of entity you engaged	Apple Inc
Topic of Engagement	Governance: digitisation
Rationale for engagement	LGIM believe that artificial intelligence ('AI') should drive long-term innovation, productivity and value creation. To secure these gains, they believe investors must engage with companies and policymakers on baseline expectations for governance, risk management and transparency.
Engagement activity carried out.	LGIM met with Apple twice in 2024 - the first time was ahead of their AGM in order to discuss a shareholder resolution that had been filed, asking them to produce a transparency report on the company's use of AI in its business operations and disclose any ethical guidelines that the company has adopted regarding the company's use of AI technology. LGIM wanted to understand how Apple is approaching these issues. Subsequently, LGIM met with Apple a second time for a detailed discussion of governance of AI and risk management at the company.
Outcomes and next steps	Apple had published of responsible AI principles in the months following the AGM, after which LGIM held a second meeting to better understand the company's approach to AI governance and risk management. While LGIM found the responsible AI principles to be a helpful start, the disclosures did not fully align with their aforementioned expectations, particularly with regard to risk management. LGIM look forward to future engagements on this topic and will monitor Apple's progress on their expectations.

Table 4 - Engagement example (LGIM Dynamic Diversified Fund)

Name of entity you engaged	Shell Plc
Topic of Engagement	Environment - Climate Change
Rationale for engagement	LGIM believe that company engagement is a crucial part of transitioning to a net zero economy by 2050. Under their Climate Impact Pledge, they publish their minimum expectations for companies in these 20 climate-critical sectors. Accordingly, they expect the company to meet their minimum expectations as set out in their relevant Climate Impact Pledge sector guides; companies failing to do so may be subject to voting sanctions (and/ or divestment sanctions, for companies selected for in-depth engagement).
Engagement activity carried out.	Having voted against the company's Energy Transition Strategy in 2021, 2022 and 2023, LGIM assessed the plan put forward in their 2024 AGM very carefully against LGIM's published expectations, and in light of their frequent engagements with them. LGIM have met with Shell 11 times in 2024 alone to discuss their approach to the climate transition (with reference to their objectives, which set out where LGIM believe they are falling short).
Outcomes and next steps	LGIM's engagements with the company have continued since their AGM and, in summary, they will continue, through voting and ongoing engagement both as LGIM and as part of the CA100+ group, to drive Shell to strengthen key elements of disclosure and targets, to meet the strategic engagement objectives as set out above. LGIM consider the objectives above to be in progress.

Table 5 - Engagement example (Fidelity UK Real Estate Fund)

Name of entity you engaged	ENBW ENERGIE BADEN-WUERTTEM AG
Topic of Engagement	Environment - Climate change
Rationale for engagement	This engagement is part of the Net Zero Engagement Initiative (NZEI) led by the Investor Group on Climate Change (IIGCC). The topics focus on the company's adoption of full net zero 2050 ambition (scope 1, 2 and material scope 3), and validation of existing net zero targets by a third-party (e.g., SBTi, CA100+ or independent review by another verifier with relevant expertise).
Engagement activity carried out.	For the company to set a net zero target and get an SBTi validation, it needs to first set a credible scope 3 target across relevant categories. Fidelity emphasised the need for the company to help its investors understand the roadmap to achieving its target of reducing 43% of its scope 3 emissions by 2035 (2018 baseline) given the business's exposure to gas networks. Fidelity asked EnBw to disclose other material categories of scope 3 which it may consider in its calculation methodology other than 'use of sold product'.
Outcomes and next steps	EnBw is taking the right steps to accelerate the transition through investing in new technology such as hydrogen, and setting measurable targets to hold itself to account. For example, EnBw have committed to decommissioning all coal plants by 2028. With this context, Fidelity will continue to encourage the company towards decarbonising while minimising environmental and social impacts and achieve net zero by 2050 or sooner.

Table 6 - Engagement example (IFM)

Name of entity you engaged	Aleatica
Topic of Engagement	Social - Safety
Rationale for engagement	IFM's Infrastructure team works closely with investee companies to drive and continuously improve safety performance. To date, incident data suggests that their approach has led to a trend of overall improvement after they acquired each asset.
Engagement activity carried out.	Aleatica became the first company to achieve International Road Assessment Program ("iRAP") Road Safety Certification for multiple assets in multiple countries, with eight of its concessions now certified by iRAP in Europe and Latin America.
Outcomes and next steps	Aleatica signed the #SaferRoadsPledge, an initiative by iRAP, the FIA Foundation and the International Road Federation to improve safety at high-risk roads worldwide.

Table 7 - Engagement example (Columbia Threadneedle)

Name of entity you engaged	One West Smithfield and Richmond office suites
Topic of Engagement	Environment
Rationale for engagement	The Fund has policies that align to their net zero 2040 target and have undertaken engagement to ensure energy efficiency is improved when undertaking refurbishments.
Engagement activity carried out.	The refurbishments included solar panels, removal of gas and introduction of EV charging.
Outcomes and next steps	CT improved the EPC rating.

Table 8 - Engagement example (Partners Group)

Name of entity you engaged	Confluent Health
Topic of Engagement	Environment, Social and Governance
Rationale for engagement	Partners Group has control of the board.
Engagement activity carried out.	Since their investment, Partners Group have worked closely with Confluent Health to support its growth as a leading provider of physiotherapy and occupational health services. Their primary focus has been on expanding access to high-quality healthcare, enhancing workforce development programs, and improving patient outcomes through digitalisation. Partners Group's achievements include the rollout of standardised patient outcome tracking, which has allowed for better assessment of therapy effectiveness. Confluent Health has also expanded its network of clinics, ensuring more communities benefit from specialised rehabilitation services.
Outcomes and next steps	Looking ahead, Partners Group will continue to support technological advancements in patient care, further expand clinic accessibility, and integrate sustainability best practices within healthcare facilities to ensure operational efficiency while reducing environmental impact.

Metrics

This section of the report details the metrics used by the Trustees to assess climate-related risks and opportunities in line with the strategy and risk management process outlined. In order to illustrate the materiality of the metrics provided in this section, Table 6 summarises the breakdown of the Plan's defined benefit assets:

Table 9 - Asset allocation as at 31 March 2025 (2024 allocation provided in brackets)

Fund	Allocation (%)
LGIM LDI	34 *(36)*
LGIM 5A Fixed Interest >15Yr Target Duration Fund	13 *(13)*
LGIM Dynamic Diversified Fund	0 (5)
LGIM FW Global Equity Index	10 *(9)*
LGIM FW Global Equity Index (GBP hedged)	10 *(9)*
Columbia Threadneedle TPEN Property Fund	4 *(4)*
Fidelity UK Property Fund	11 *(9)*
Partners Fund	12 *(10)*
IFM Global Infrastructure Fund	6 *(5)*

Data quality

The Trustees are reliant on the data and metrics provided by third parties, and a key challenge related to this is the coverage and reliability of the data and metrics which differ across asset classes, industries, and geographies. A measure which attempts to summarise this is "coverage" which represents the proportions of the portfolio for which the Trustees have climate-related data available for. Table 10 illustrates the coverage for carbon emissions reporting across the mandates.

Table 10 - Data quality for the Plan's LGIM holdings (2024 data provided in brackets)

Metrics		LGIM 5A Fixed Interest >15Yr Target Duration Fund	LGIM FW Global Equity Index	LGIM FW Global Equity Index GBP Hedged
Carbon intensity and emissions	Scope 1+2	66% *(0%)*	99% *(99%)*	99% *(99%)*
Weighted Average Carbon Intensity		66% *(68%)*	99% *(99%)*	99% *(99%)*
Carbon intensity and emissions	Scope 3	66% *(0%)*	99% *(99%)*	99% *(99%)*
Weighted Average Carbon Intensity		66% *(68%)*	99% *(99%)*	99% *(99%)*
Implied Temperature Rise		*N/A (N/A)*	99% *(99%)*	99% *(99%)*

Carbon emissions

The Trustees measure the following emissions related metrics on an annual basis for their LGIM listed holdings:

- Absolute carbon emissions
- Carbon emissions as a proportion of the company's enterprise value including cash, normalised per £m invested
- Weighted Average Carbon Intensity ("WACI")

Charts 2 - 8 present the emissions metrics for each fund, where available. The Trustees acknowledge that forward-looking metrics must also be considered as they reflect the potential future pathway for emissions, rather than current emissions which reflect emissions at single point in time and do not account for climate change mitigation plans and adaptation efforts. Scope 3 emissions have been included where available. The Trustees recognise the importance of this metric and remains confident that availability of Scope 3 emissions data across the industry will improve over time.

Absolute Emissions:

Absolute carbon emissions represent the total tonnes of greenhouse gases attributable to the Plan's holdings based on the ownership of the underlying assets. Of the LGIM funds, the largest contributor to the Plan's absolute emissions, across scope 1 and 2 emissions is the LGIM 5A Fixed Interest >15Yr Target Duration Fund.

In 2025, the Plan's equity assets held with LGIM saw a decrease in Absolute Carbon emissions (Scope 1, 2 and 3) compared to 2024 and an increase in the data coverage (i.e. how much of the portfolio LGIM provided data for) of the LGIM 5A Fixed Interest > 15Yr Target Duration Fund for carbon emissions and intensity. Both results show a move in line with the targets of the Plan over the year.

Chart 2 - Absolute Carbon Emissions - Scope 1 and 2

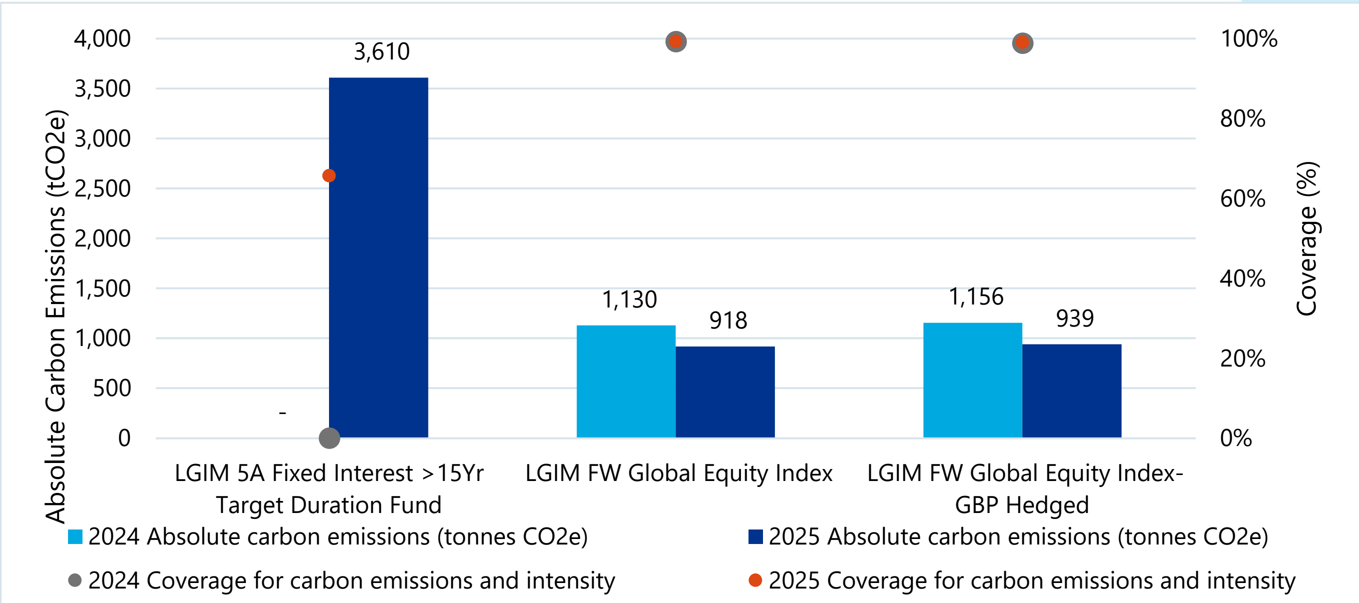
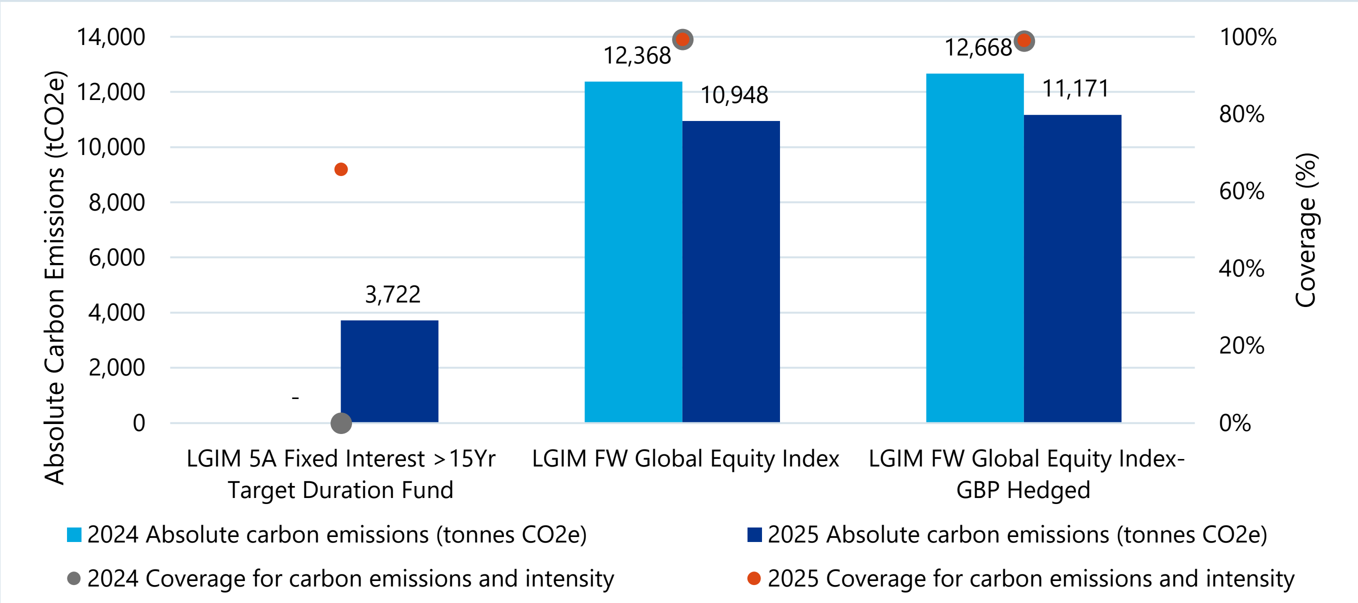


Chart 3 - Absolute Carbon Emissions - Scope 3



Carbon footprint:

Carbon footprint is an intensity metric, showing the total carbon emissions normalised by the value of the investment. This is useful to show comparison of emissions intensity for portfolios of different sizes. Chart 4 shows that the LGIM 5A Fixed Interest >15Yr Target Duration is more carbon intensive than the LGIM equity funds under scope 1 and 2 emissions. However, the LGIM equity funds had the highest Carbon Footprint for scope 3 emissions.

Over 2025, the Carbon Footprint for the two LGIM equity funds reduced compared to the equivalent figures in 2024. The LGIM 5A Fixed Interest > 15Yr Target Duration Fund didn't provide data in 2024 so the additional data provided shows a move in line with the targets of the Plan over the year.

Chart 4 - Carbon Footprint - Scope 1 and 2

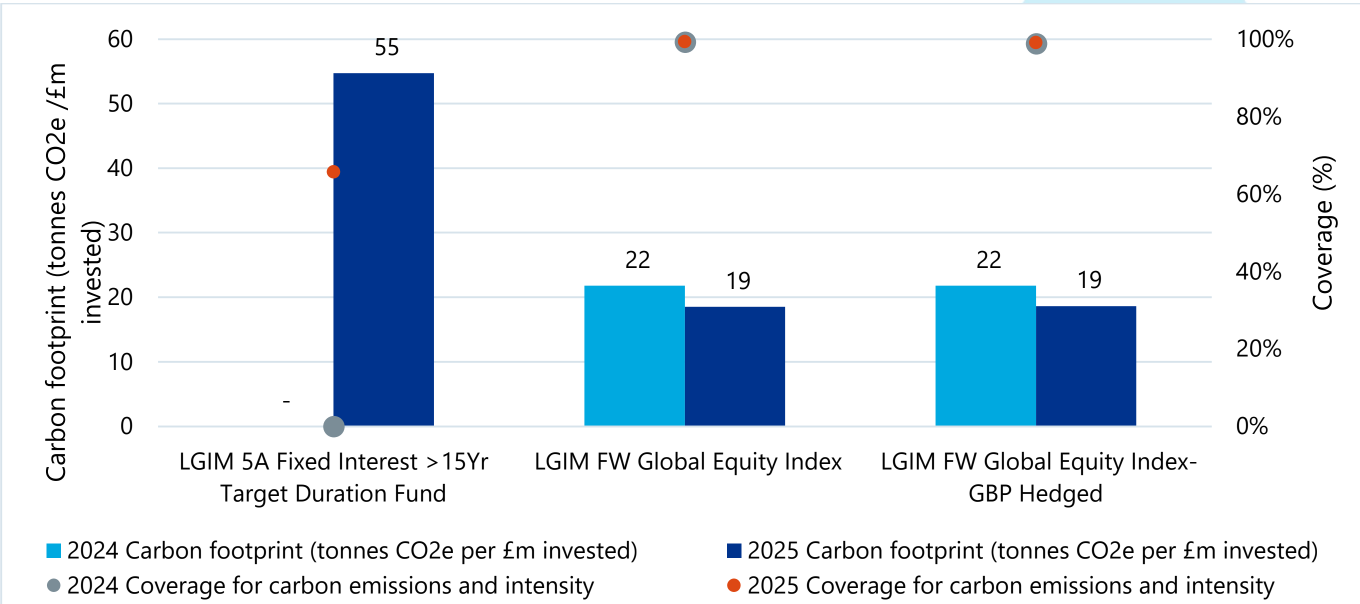
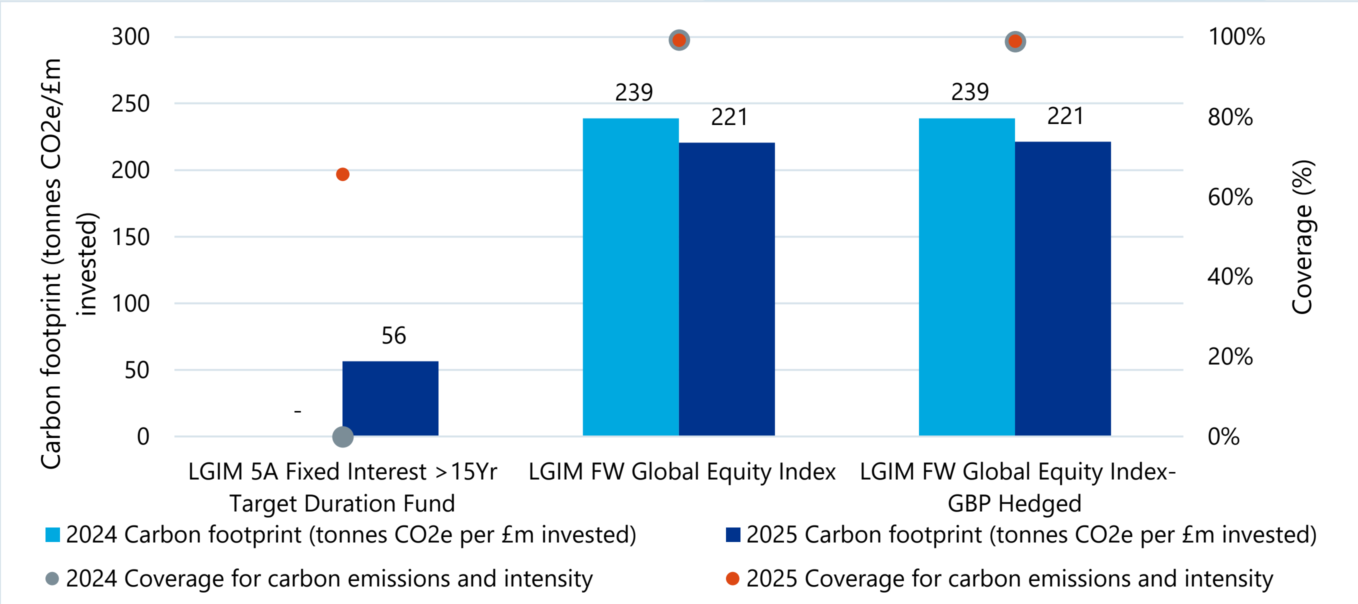


Chart 5 - Carbon Footprint - Scope 3



Weighted Average Carbon Intensity (WACI):

Weighted Average Carbon Intensity (WACI) is another intensity measure. Charts 6 and 7 illustrate the WACI of the Plan's funds. The WACI illustrates how efficient the investments held are with respect to their carbon emissions. The LGIM 5A Fixed Interest >15Yr Target Duration Fund has the highest Scope 1, 2 and 3 carbon intensity. The WACI for the LGIM Equity funds decreased for Scope 1 and 2 intensity compared to last year, however for the LGIM 5A Fixed Interest > 15Yr Target Duration Fund the equivalent figure increased. The Trustees will continue to monitor this in future periods.

For Scope 3 intensity (WACI), the Plan saw a large reduction in the level of intensity in the LGIM 5A Fixed Interest >15Yr Target Duration Fund, however the two LGIM equity funds saw minor increases over the period.

The coverage for carbon emissions and intensity remained broadly similar over the period.

Chart 6 - Weighted Average Carbon Intensity (WACI) - Scope 1 and 2

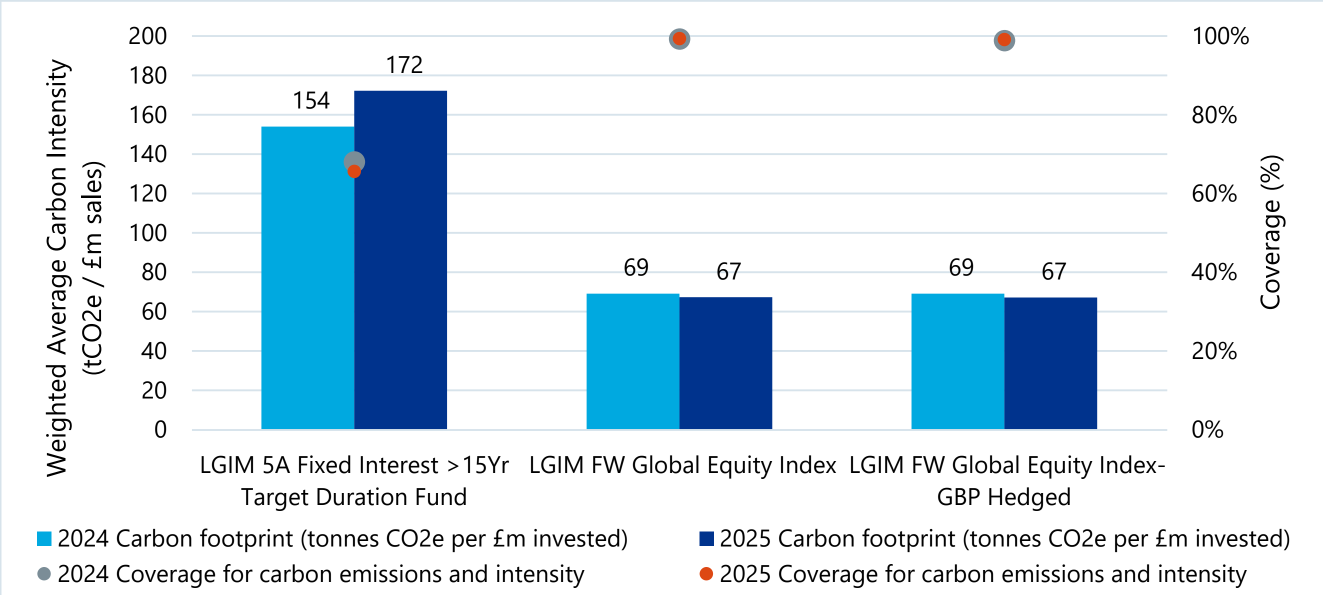
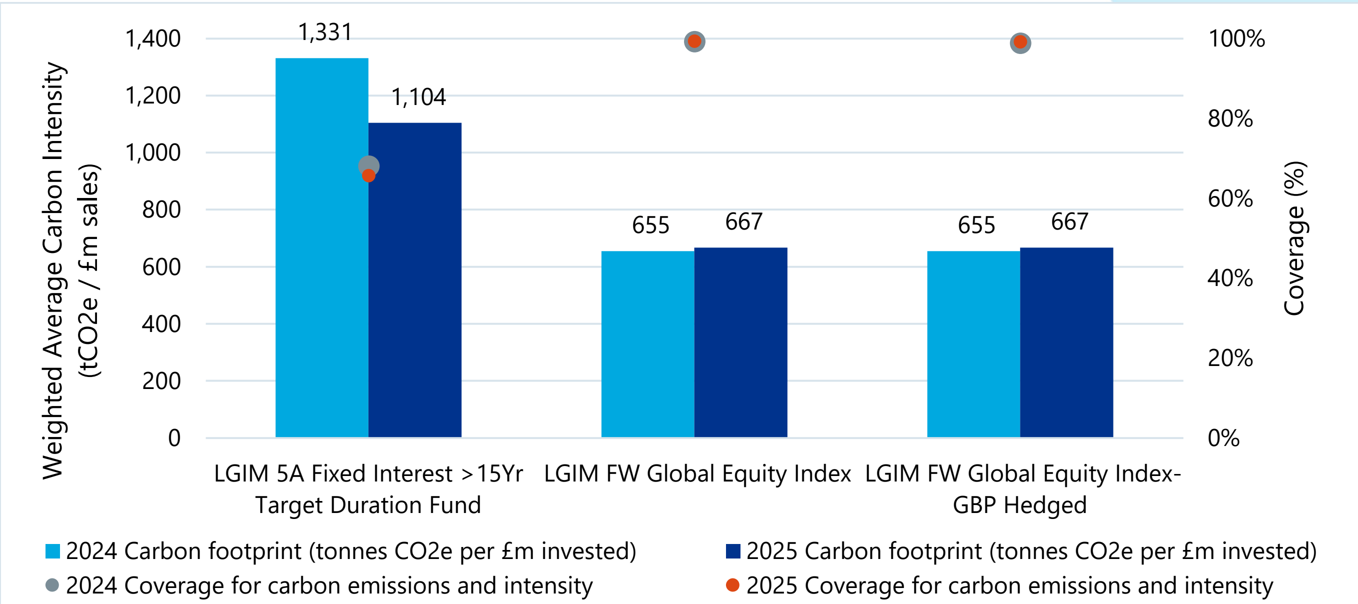


Chart 7 - Weighted Average Carbon Intensity (WACI) - Scope 3



Notes regarding core metrics (LGIM):

- Metric results sourced from MSCI (see full Disclaimer on page 27) ESG Manager tool for all funds using underlying fund holdings provided by LGIM at 31 March 2025.
- Coverage indicates the proportion of the fund for which carbon data is available.
- Where coverage is less than 100%, data provided has been re-normalised to reflect 100% of the funds (assumes unknown emissions data is equivalent to known data points).

Implied temperature rise

Implied Temperature Rise ("ITR") is a measure of the alignment of the portfolio to a future increase in global temperatures above pre-industrial levels, to give an indication of whether the portfolio is in line with the delivery of the Paris Agreement. Portfolios which have an implied temperature rise of 2°C or lower are consistent with the Paris Agreement. Based on available information, the LGIM funds are not aligned with the Paris Agreement.

The portfolio-level ITR calculates the difference between the total projected GHG emissions and the total carbon budgets of the fund holdings to assess their climate impact. The portfolio's total estimated carbon budget over/undershoot is then converted to a degree of temperature rise (°C) using science based TCRE (Transient Climate Response to Cumulative Emissions). The percentage figures show the % of companies in the fund that are either 1.5°C Aligned, 2°C Aligned, Misaligned or Strongly Misaligned which the ambitions of the Paris Agreement.

The ITR of both the equity funds has increased overall despite a slightly higher allocation to the 1.5°C Aligned as the overall temperature of the Misaligned and Strongly Misaligned allocation has increased.

This shows the need to engage with the laggard companies within the portfolio to reduce the overall implied temperature rise of the funds.

Table 11 - Implied temperature rise

	LGIM 5A Fixed Interest >15Yr Target Duration Fund	LGIM FW Global Equity Index	LGIM FW Global Equity Index-GBP Hedged
Implied temperature rise of the mandate (°C)	3.8 *(N/A)*	2.3 *(2.2)*	2.3 *(2.2)*
1.5°C Aligned	0% *(20%)*	26% *(24%)*	27% *(24%)*
2°C Aligned	60% *(40%)*	27% *(29%)*	27% *(29%)*
Misaligned	0% *(0%)*	30% *(31%)*	30% *(31%)*
Strongly Misaligned	40% *(40%)*	16% *(16%)*	16% *(16%)*

1. 2024 figures in brackets

This metric was not available for the unlisted funds held by the Plan. The Trustees recognise this is an area of development in the market for non-listed assets. The Trustees intend to engage with their managers on the availability of this information and expect this to become increasingly available over time.

Additional metrics

Table 12 - Forward-looking exposure to opportunities

	LGIM 5A Fixed Interest >15Yr Target Duration Fund	LGIM FW Global Equity Index	LGIM FW Global Equity Index-GBP Hedged
Exposure to low carbon solutions	18.8% *(17.9%)*	13.6% *(13.5%)*	13.5% *(13.4%)*
Exposure to green revenue	3.8% *(3.7%)*	8.4% *(6.5%)*	8.3% *(6.5%)*

1. 2024 figures in brackets

Exposure to low carbon solutions refers to the % of investments that produce significantly lower carbon than fossil fuels. Exposure to green revenue refers to the weighted average of revenue exposure to alternative energy, energy efficiency, green building, pollution prevention, sustainable water and sustainable agriculture. Over 2025, the Plan saw minor increases in exposures to Forward-looking opportunities across all LGIM funds, with the exposure to green revenue increases in the equity funds the most significant increase. The Trustees will continue to monitor these exposures as an indication of the contribution of the Plan's assets to addressing climate change and the opportunities present for companies to benefit from the reorganisation of the economy.

Table 12 states the proportion of the LGIM funds' underlying holdings which have verified Science Based Targets, as verified by the Science Based Targets initiative (SBTi). The SBTi is a global company which assesses the current emissions and emission reduction plans of companies and assigns a temperature alignment score (e.g. 1.5ºC aligned) based on the credibility of the plans. It is promising that 51% of the equity funds' holdings have approved SBTi targets, which is an improvement on last year, as it illustrates commitment by management to put robust climate transition plans in place. The Trustees will continue to monitor this going forward.

Table 13 - Forward-looking commitments of underlying companies

	LGIM 5A Fixed Interest >15Yr Target Duration Fund	LGIM FW Global Equity Index	LGIM FW Global Equity Index-GBP Hedged
% of portfolio with SBTi approved targets	0% *(0%)*	51% *(49%)*	51% *(49%)*

Climate metrics for illiquid managers

Table 14 - Climate metrics for illiquid managers

	Absolute Emissions	Emissions intensity	Emissions intensity	Other
	Total carbon emissions 2025 *(2024)*	**Weighted Average Carbon Intensity (“WACI”) (tCo2e / £m revenue)**	**Carbon footprint (tCo2e / £m invested)**	**Carbon emissions Coverage**
Columbia Threadneedle UK Property Fund	5,798 *(4,561)*	49 (26.3)	4 (2.2)	56% (100%)
	2025: Scope 1 and 2 data as at 31 Dec 2024 *2024: Scope 1 and 2 data as at 30 Sept 2022*	2025: Scope 1 and 2 data as at 31 Dec 2024 2024: Data as at 31 Dec 2022, 31 Dec 2023 Data not provided	2025: Scope 1 and 2 data as at 31 Dec 2024 2024: Data as at 31 Dec 2022, 31 Dec 2023 Data not provided	2025: Scope 1 and 2 data as at 31 Dec 2024 2024: Data as at 31 Dec 2022, 31 Dec 2023 Data not provided
Fidelity UK Real Estate Fund	1,893 *(1,880)*	0.0[1]	0.0[1]	90%
	2025: Scope 1 and 2 data as at 31 Dec 2023 *2024: Scope 1 and 2 data as at 31 Dec 2022* Data available for 90% of portfolio (by capital value)	As at 31 Dec 2023 Data available for 90% of portfolio (by capital value)	As at 31 Dec 2023 Data available for 90% of portfolio (by capital value)	As at 31 Dec 2023
[1]Estimated Scope 1 & 2 WACI is not relevant for this fund given they are invested in buildings not companies. Fidelity have provided the WACI based on rental income.				
IFM Global Infrastructure Fund	2,367 *(2,710[2])*	165 (184[2])	41 (48[2])	100% (100%)
	2025: Scope 1 and 2 data as at 31 Dec 2024 2024: Scope 1 and 2 data as at 31 Dec 2023	2025: Scope 1 and 2 data as at 31 Dec 2024 (tCo2e / $m revenue) 2024: Scope 1 and 2 data as at 31 Dec 2023 (tCo2e / $m revenue)	2025: Scope 1 and 2 data as at 31 Dec 2024 (tCo2e / $m invested) 2024: Scope 1 and 2 data as at 31 Dec 2023 (tCo2e / $m invested)	2025: Scope 1 and 2 data as at 31 Dec 2024 2024: Data as at 31 Dec 2023
[2]Please note that IFM have restated the 31 December 2023 data they provided last year. IFM have refined their application of the PCAF methodology for all financed emissions calculations. Previously, they calculated financed emissions on an equity basis only, resulting in historical over-reporting of their emissions profile.				
Partners Fund	32,697 *(70,710)*	70.8 (297.7)	17.4 (44.1)	31% (29%)
	2025: Scope 1 and 2 data as at 31 Mar 2025 *2024: Scope 1 and 2 data as at 31 Dec 2024*	2025: Scope 1 and 2 data as at 31 Mar 2025 2024: Scope 1 and 2 data as at 31 Dec 2023	2025: Scope 1 and 2 data as at 31 Mar 2025 2024: Scope 1 and 2 data as at 31 Dec 2023	2025: Data as at 31 Mar 2025 2024: Data as at 31 Dec 2023

The Trustees measure the following emissions related metrics on an annual basis:

- Absolute: Total carbon emissions. This measures the absolute emissions associated with a portfolio, expressed in tons of CO_2e.
- Intensity: Weighted Average Carbon Intensity ("WACI"). This measures a portfolio's exposure to carbon-intensive companies. It normalises for company size to enable comparison regardless of company size.

The implied temperature rise metric uses forward-looking estimates to indicate a global temperature rise associated with the greenhouse gas emissions of a single company or portfolio. Companies and portfolios which have an implied temperature rise of 2°C or lower are consistent with the Paris Agreement.

The Trustees are reliant on the data and metrics provided by third parties and a key challenge related to this is the coverage and reliability of the data and metrics which differ across asset classes, industries and geographies. A measure which attempts to summarise this is the "data quality metric" which represents the proportions of the portfolio for which the Trustees have high quality data on Scope 1 and 2 emissions.

Targets

The Trustees will measure and monitor the level of greenhouse gas emissions data coverage across the portfolio annually at year end. The level of data coverage within the Plan's equity holdings this year was 99%, in line with last year. Last year, the corporate bond fund was not able to provide any carbon emissions data, and this year carbon data was provided for c.66% of the fund.

As part of any strategy work the Trustees undertake for the upcoming year, the Trustees have set a target to incorporate a review of the ESG credentials of each investment manager.

The Trustees will continue to discuss the Plan's ESG targets at Trustee meetings in order to more closely align the Plan's ESG targets with those of the Company.

The Trustees work closely with the Investment Consultant to understand the actions that need to be taken to progress towards the Trustees' target. Examples of continued efforts to work towards the target are:

- Better integration of climate considerations in the manager selection process.
- Pushing managers to enhance their voting and engagement practices.
- Continuing to identify and allocate to solutions which deliver return opportunities as well as emission reduction targets.

The Trustees will review the progress against our target every year and review the target itself at least every three years. This is to ensure it remains consistent with the latest scientific thinking and is appropriately incentivising the economic transition that is needed.

Over the reporting year, the Trustees have taken steps to improve knowledge and understanding of their underlying holdings and investments. For example, the Trustees commissioned an ESG ratings report from their investment consultant and held a meeting with Partners Group and discussed the ESG credentials of the Partners Group Partners Fund, in which the Plan invests. Additionally, as part of a manager selection exercise for an ongoing strategy review, ESG-issues have been considered by the Trustees, and prospective managers have been invited to present on ESG topics to provide the Trustees with greater insight before making changes to the investment strategy.

Appendix - Glossary

Glossary	
Absolute emissions	(tCO2e) Measures the absolute tons of CO2e for which an investor is responsible.
Carbon footprint	(tCO2e / £m invested) The total greenhouse gas emissions ‘owned’ per £ million invested. This is an intensity measure but should not be confused with carbon intensity which is typically quoted as an emissions per amount of revenues of a company.
Weighted Average Carbon Intensity	(tCO2e / £m sales) Measures portfolio exposure to carbon-intensive assets.
Implied Temperature Rise	Provides indication of portfolio alignment to Paris Agreement targets. Estimates global temperature rise (above pre-industrial levels) associated with current and estimated GHG of a company.
Climate VaR	A scenario-based approach to analysing climate-related risks which aims to assess potential financial sensitivity to climate-related risks and opportunities. Measures the potential loss in value of a portfolio if different climate scenarios come to fruition.
Scope 1 greenhouse gas emissions	Scope 1 emissions are those directly occurring from sources that are owned or controlled by the institution, including: on-campus stationary combustion of fossil fuels; mobile combustion of fossil fuels by institution owned/controlled vehicles; and "fugitive" emissions. Fugitive emissions result from intentional or unintentional releases of GHGs, including the leakage of hydrofluorocarbons from refrigeration and air conditioning equipment as well as the release of methane from institution-owned farm animals.
Scope 2 greenhouse gas emissions	Scope 2 emissions are indirect emissions generated in the production of electricity consumed by the institution.
Scope 3 greenhouse gas emissions	Scope 3 emissions encompass all other indirect emissions that are a consequence of the activities of the institution but occur from sources not owned or controlled by the institution such as commuting; waste disposal; embodied emissions from extraction, production, and transportation of purchased goods; outsourced activities; contractor-owned vehicles; and line loss from electricity transmission and distribution.
SBTi approved targets	Active carbon emissions reduction target/s as approved by the Science Based Targets initiative.

MSCI disclaimer

This disclosure was developed using information from MCSI ESG Research LLC or its affiliates or information providers. Although Toyota Motor Manufacturing (UK) Ltd Pension Plan’s information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the “ESG parties”), obtain information (the “Information”) from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Contact us

xpsgroup.com