CLIMATE CHANGE RISK MANAGEMENT POLICY

Vodafone Group Pension Scheme

March 2024

Introduction

Vodafone Group Pension Trustee Limited (the “Trustee”), as the trustee of the Vodafone Group Pension Scheme (“VGPS”, “the Scheme”), which consists of two sections (the "Sections"): the Vodafone Group Pension Scheme Section (“Vodafone Section”) and the Cable and Wireless Worldwide Retirement Plan Section (“CWW Section”), recognises climate change as a key factor which can have a material impact on the financial performance of the Scheme’s investments. Therefore, the Trustee has a fiduciary duty to consider climate change risk when making investment decisions, and the Trustee should assess the impact of climate change risks and opportunities, which may reduce investment risk and enhance long-term investment returns.

This Climate Change Risk Management Policy (“CCRMP”) documents the Trustee’s approach to identifying, assessing, and managing risks specifically related to climate change. The CCRMP details the roles and responsibilities of the Trustee Board and the Scheme’s external advisors in assessing, managing, and monitoring climate-related risks and opportunities. The CCRMP is consistent with the Trustee’s Statement of Investment Principles (“SIP”) and Responsible Investment Policy.

Statement of Trustee’s Climate-related Investment Principles

The following investment principles are pertinent to the Trustee’s approach to climate change in the context of Responsible Investment (“RI”), which it believes are in the interest of members:

- Climate-related risks should be managed in line with the Scheme’s overall risk management and included in its risk management framework.
- Climate-related risks could be material over the short (3 years), medium (5 years), and long-term (10 years) to the Scheme.
- Climate-related factors will likely create investment opportunities that the Trustee should consider taking advantage of as appropriate within its wider investment objectives.
- The Scheme should invest in a way that is measurably aligned with achieving the goals of the Paris Agreement (limiting global temperature rises to well below 2 degrees Celsius above pre-industrial levels by the end of the century) to the extent that is possible, and in the financial interests of members to do so.
- Engagement, collaboration and using voting rights as appropriate are one of a number of effective tools to manage climate-related risks.

The Trustee supports the Paris Agreement’s long-term temperature goal of keeping the mean rise in temperature to well below 2°C above pre-industrial levels. The Trustee therefore takes efforts to ensure that climate-related risks and opportunities are integrated within the approach of investment managers to ESG and stewardship activities.

In the context of its fiduciary responsibility and the above ESG Beliefs, the Trustee has adopted the following policy:

- Climate change is recognised as a financial risk to the Scheme's funding position, and it is viewed as an external risk that affects investments. As such, the Trustee will appropriately factor in climate change risks and opportunities when making strategic asset allocation and manager selection decisions.

- The Trustee requires the appointed investment managers to understand and, as appropriate for the investment strategy they are employed to implement, be cognisant of climate change risks and opportunities within their investment processes as applied to the assets of the Scheme. The Trustee's approach to stewardship and engagement is set out in the Responsible Investment Policy.

- In line with the Trustee's commitment to integrating ESG issues into stewardship practices, the Trustee will act in accordance with the Responsible Investment Policy and, where relevant, expect its managers to engage on ESG matters when they are considered material and relevant to the investment.

- The Trustee supports the Task Force on Climate-related Financial Disclosures ("TCFD") and will incorporate its recommendations into the Scheme's annual reporting, subject to availability of data.

- The Trustee supports the further development of effective climate change risk metrics to enhance our ability to assess and minimise climate risks. We expect our investment managers to continue to improve the climate-related data they provide on the assets of the Scheme.

- The Trustee recognises that climate change will be subject to much further analysis and subsequent related policy changes in the coming years. The Trustee will evolve its policy to ensure relevant developments are captured.

- The Trustee is responsible for setting climate-related objectives and climate metrics in relation to the Scheme's assets. These metrics, and progress towards these objectives, will be explicitly monitored on a quarterly basis. Specifically, the Trustee has agreed to adopt and monitor the following 4 Metrics:

Metrics	Metric Focus	Metric Adopted
Metric 1	Absolute Emissions	Total Greenhouse Gas ("GHG") Emissions
Metric 2	Emissions Intensity	Carbon Footprint
Metric 3	Additional Climate Change	Data Quality
Metric 4	Portfolio Alignment	Proportion of portfolio with SBTi ("Science Based Targets Initiative") targets in place

- The Trustee has adopted a target against Metric 1 (Carbon Emissions), such that both Sections of the Scheme should target a 50% reduction in total scope 1 and scope 2 carbon emissions by 2030 alongside an overall target of achieving net zero carbon emissions (for Scopes 1 and 2, and separately for Scope 3) from its investments by 2050. This target has been set to help the Trustee take climate risk into account when reviewing the current and future investment allocations, and ensure that the Scheme's climate risk exposure is proportional to the amount of investment risk being taken.

- The Trustee carries out scenario analysis on the Scheme's funding and investment strategy using climate scenarios, one of which assumes an increase in the global average temperature between 1.5°C and 2°C and another where global average temperatures rise in excess of that.

- Training on climate-related risks and opportunities is part of the broader programme of ongoing Trustee knowledge and understanding activity, including induction activities for any new Trustees. This aims to enable the Trustee Board to have the relevant knowledge and understanding of climate-related issues.

- The Trustee has also considered which of the SDGs, if not achieved, would have the biggest financial impact on risks and returns as a way of focussing their RI strategy. These are expressed in three key themes, of which Climate Change is the first, alongside Human Rights and Corporate Governance.

  The roles of the relevant parties within the Scheme's governance structure for climate change are summarised below:

<u>Governance: Roles and Responsibilities</u>

Role of the Trustee Board

- **Sets the overall investment and funding strategy and objectives and governance framework, which includes the identification, assessment and management of climate-related risks and opportunities:** The Trustee is committed to integrating and managing the consideration of climate-related issues within the Scheme as the Trustee is ultimately responsible for overseeing climate-related risks and opportunities of the Scheme.

- **Sets climate-related objectives:** The Trustee is also responsible for setting the Scheme's climate-related objectives, including risk appetite, and approving metrics to measure progress towards these objectives.

- **Sets climate-related metrics and climate scenario analysis:** The Trustee is responsible for setting the relevant metrics and scenario analysis which allow the Trustee to consider climate-related risks and opportunities when setting the Scheme's funding and investment strategy.

- **Determines appropriate climate-related objectives in the investment consultant's annual objectives.** The Trustee is responsible for setting objectives for its investment consultants in accordance with the requirements of the Competition and Markets Authority ("CMA") which take climate-related considerations into account.

- **Selects and reviews the investment managers:** The Trustee is responsible for selecting suitable investment managers are to help achieve the Scheme's climate-related objectives. The Trustee's assessment framework for ensuring its investment managers align with their goals is set out in more detail in the Responsible Investment Policy.

- **Monitors and oversees its advisors and consultants:** Although the Trustee is ultimately responsible for making decisions on strategic matters including investment and funding strategy and investment manager selection, it relies on its advisors and consultants for advice on such matters.

Role of the Investment and Funding Committee ("IFC")

- **Reviews proposed climate-related objectives:** The IFC reviews the Scheme's proposed climate objectives before they are presented to the Trustee Board for approval to ensure they are robust and fit for the Scheme.

- **Informs, monitors, and reviews the investment managers:** The IFC informs and makes recommendations to the Trustee board, ensuring suitable investment managers are identified and recommended to the Trustee board for selection. The IFC also monitors the managers on an ongoing basis to ensure that they remain appropriately placed to help achieve the Scheme's climate-related objectives.

- **Refines materials and recommendations before they are presented to the Trustee Board:** The IFC is responsible for ensuring that the Board's climate objectives are implemented through the Scheme's investment policy. To achieve this remit, the IFC will review climate-related recommendations, including assessment of climate journey planning, opportunities, metrics, and progress towards targets. The IFC acts as a forum to debate on these issues before they are recommended to the Trustee Board.

- **Supports the Board in considering climate-related risks and opportunities when setting the Scheme's funding and investment strategy:** The IFC is responsible for reviewing the results of various climate scenarios that influence the Scheme's funding and investment strategy set by the Board. The impact of various climate scenarios on the liabilities and sponsor covenant strength are also considered with the help of the Scheme's advisors. The results of these climate scenarios are aligned where possible to ensure a consistent approach is taken across the Scheme's entire funding strategy.

Role of the Vodafone In-House Pension Team ("VPT")

- **Assists the Trustee Board and IFC in ensuring that appropriate time is allocated to assessing climate related risks and opportunities**, by maintaining the Scheme's regulatory framework and ensuring sufficient time is set aside at meetings to discuss identified areas.
- **Assists in the implementation of any climate-related enhancements** such as updating the IMA of the Scheme's mandates with investment managers.

Role of the external advisors

- **Advise on climate-related risks and opportunities:** The Trustee requires the Scheme's external advisors (namely the Investment Consultant, the Actuary and the Covenant Advisor) to advise on climate-related risks and opportunities, including, but not limited to, providing relevant training, information concerning market developments and integrating climate-related considerations in setting the Scheme's investment strategy.

- **Provision of climate scenario and climate risk metric analysis:** The external advisors are responsible for assisting the Trustee in carrying out climate scenario analysis on the Scheme's funding and investment strategy. The Trustee also requires the external advisors to recommend and regularly calculate relevant climate metrics that meet the regulatory requirements for the Trustee to monitor.

- **Climate-related considerations are included in the advisors' annual objectives:** This ensures the Scheme's advisors are taking adequate steps to identify and assess climate-related risks and opportunities. The Trustee annually assesses the delivery of this advice against the Investment Consultant Objectives.

    - The DB asset analyses are performed by the Scheme's Investment Advisor.

    - The liability analysis is performed by the Scheme Actuary.

    - The covenant analysis by the Scheme's Covenant advisor.

    - The Trustee reviews the Scheme's investment managers to ensure ESG and climate-related risks are appropriately integrated into portfolio management; specifically carried out by the Scheme's Investment Advisor.

Trustee Knowledge and Understanding

- Training on climate-related risks and opportunities is part of the broader programme of ongoing Trustee knowledge and understanding activity, including induction activities for any new Trustees. This aims to enable the Trustee Board to have the relevant knowledge and understanding of climate-related issues.

- The Trustee works with the Scheme's external advisors to ensure the Trustee has the appropriate training and that policy and documentation reviews are conducted in line with the regulatory requirements to identify, assess and manage climate-related risks.