

Atos UK 2019 Pension Scheme

**Taskforce on Climate-related
Financial Disclosures (TCFD)
Statement – Year Ended 31
December 2025**

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A summary of the report for members

Climate and your pension: what you need to know

This summary explains how the Trustee of the Atos UK 2019 Pension Scheme (the “Scheme”) is responding to climate change. It is designed to help you understand what the Trustee is doing to protect members’ benefits from climate-related risks and how the Scheme’s assets are being invested responsibly.

Why does climate change present risks and opportunities to pension schemes?

Climate change is already affecting the world around us. Rising temperatures, extreme weather and new government policies can affect how companies, governments and other organisations operate. This can affect the value of investments, including those held by pension schemes such as the Scheme.

There are two main types of climate-related risk that the Trustee considers:

1. **Transition risk:** As the world moves towards a lower-carbon economy, some companies and sectors may be negatively affected by changes in regulation, technology, consumer behaviour or carbon pricing. Others may benefit from the transition, for example providing products or services which support decarbonisation.
2. **Physical risk:** This includes the potential impact of extreme weather events and longer-term environmental changes, such as rising sea levels or changing weather patterns. These risks could affect companies, supply chains, infrastructure and the wider economy.

It is now widely believed such factors should be considered by investors in their decision-making and the Trustee considers how these risks might affect the Scheme’s assets, liabilities (i.e. member benefits due to be paid), and employer (in the context of being able to support the Scheme). Climate change also creates opportunities. These include the potential financial benefits from investing in companies or assets that adapt well to climate change or contribute to the transition to a lower-carbon economy. The Trustee considers these opportunities too as part of its responsibility to act in the best financial interests of members.

How does the Trustee assess climate-related risks and opportunities?

The Trustee measures and monitors four climate-related metrics: 1) total absolute greenhouse gas emissions of the Scheme’s assets; 2) the Scheme’s carbon footprint, i.e. the total greenhouse gas emissions for the portfolio per million pounds invested; 3) data quality and 4) the proportion of companies the Scheme invests in which have a verified science-based target for reducing their carbon emissions.

The Trustee also uses climate scenario analysis to consider how the Scheme might be affected under different possible climate scenarios. A range of scenarios were considered, with differing levels of transition risk and physical risk. However, there are several limitations to this analysis at present and the output is not viewed as decision-useful for the Trustee at this stage in its risk management.

The Trustee recognises that current global climate transition trajectory is closer to ‘hot house’ scenario (i.e. one where global efforts are insufficient to halt significant global warming) than the other transition scenarios assessed. There is a chance physical risks could occur sooner, and are far more material, than models currently predict.

How does the Trustee manage these climate-related risks and opportunities?

The Trustee Board is responsible for the oversight of climate-related risks and opportunities but has set up an Investment and Funding Committee (“IFC”) and an Administration and Governance Committee (“AGC”) which are delegated relevant responsibilities. The IFC is advised by a range of specialist advisers and the Trustee and the IFC undertake regular training around climate topics and how climate change may affect the Scheme.

The Trustee employs two approaches to managing these risks and opportunities: allocating capital to investments that support these objectives (or avoiding allocating to those which don’t) and engaging with its asset managers.

What is a case study of this in practice over 2025?

In 2025, the Trustee’s investment consultant met with one of the Scheme’s investment managers, PIMCO, to discuss the integration of ESG considerations within its investment process. The investment consultant noted progress in the manager’s approach to measuring climate transition pathways and improving the scope of climate-related reporting. This engagement formed part of the Trustee’s ongoing oversight of investment managers and how climate-related risks and opportunities are considered within the Scheme’s investments.

What is the Trustee’s climate-related target for the Scheme?

In 2020, the Trustee chose to set an aspirational target of achieving net-zero carbon emissions within the portfolio by 2035, with an aim to reduce the carbon footprint of the Defined Benefit (DB) Section’s return-seeking assets by 33% from the 2019 level by 2025.

As at 31 December 2025, this target has been met, with the carbon footprint of the relevant portfolio having reduced by 34% from the 2019 baseline. However, the Trustee recognises limitations to this comparison. This is due to evolving best practice methodologies, which make the baseline and current carbon footprint measurements non-comparable. Importantly, the Trustee recognises that real world decarbonisation has not occurred, so this target has not reflected real-world carbon reduction in the way it initially intended to.

For moving forward beyond 2025, the Trustee has agreed a new climate target and will disclose progress in next year’s report. The new target will focus on maintaining a carbon footprint below a reference benchmark for a relevant portion of the assets. The Trustee expects this approach, alongside additional work planned over 2026, to support a more robust framework for monitoring and managing climate-related investment risk over time.

Closing remarks

Whilst the Trustee took some direct actions over the year to develop its identification, assessment and management of climate-related risks and opportunities, the Trustee recognises this is an area which requires regular attention. Several climate-related items remain on the Trustee’s agenda (including a review of its Sustainable Investment Policy and continued engagement with investment managers).

If you have any questions on the report or in relation to the Trustee’s approach to considering climate-related factors on your behalf, please get in touch with via Atos.Secretarial@xpsplc.com.

Introduction to main report

This report has been produced by the Trustee of the Atos UK 2019 Pension Scheme (the “Trustee”) and their advisers under the requirements of the Occupational Pension Schemes (Climate Change Governance and Reporting) regulations 2021. As part of these regulations, the Scheme is legally required to produce formal disclosures in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (“TCFD”). This report covers the period from 1st January 2025 to 31st December 2025. This is the Scheme’s third annual report explaining how the Scheme identifies, assesses and manages climate-related risks and opportunities.

As at 31 December 2025, the DB section had a total asset value of around £1,200m. Roughly 40% of assets are used to match the movements in liabilities in response to changes in interest rate and inflation through a liability driven investment (“LDI”) portfolio. Another c.46% of assets are invested across liquid credit strategies, with the remaining c.14% across illiquid credit and renewable infrastructure.

The Scheme’s DC section effectively ceased to exist following a bulk transfer of the Scheme’s DC assets to the Aegon Master Trust at the end of 2024. During 2025, almost all remaining AVC assets were transferred to the Aegon Master Trust in October 2025. At the Scheme year-end, only a small number of AVC policies remained within the Scheme.

These AVCs were not invested in the Scheme assets (being held in separate insurance policies) and did not constitute a material value. As a result of the transfer of DC and AVC members and assets out of the Scheme over the Scheme year, no analysis has been undertaken in respect of the DC Section in this report and reporting is provided for the DB section only.

All DB sections have been grouped as one in this report, as the sections are benefit categories only, with the investments dealt with on a consolidated basis.

1. Governance

The Trustee Board is ultimately responsible for the Scheme's investment strategy and funding strategy. The investment strategy is built on a set of investment beliefs as outlined in the Trustee's Statement of Investment Principles ("SIP"). The Trustee has also put in place a standalone Sustainable Investment ("SI") Policy which is outlined in Appendix A. The Trustee, with support from its investment adviser, plans to review this policy during 2026 in light of the evolving climate landscape and changing climate risks, including the increasing importance of physical climate risk and the limitations of placing significant focus on static decarbonisation targets and other climate metrics. Details on these updates will be reported on in the next iteration of this report.

To support the implementation of the Trustee's investment and funding strategy, certain responsibilities have been delegated to sub-committees and external advisers where appropriate. Appendix B provides an overview of these roles and their contribution to identifying, assessing and managing climate-related risks and opportunities. The Trustee has delegated to the Investment and Funding Committee (IFC) day-to-day responsibility for ensuring that climate-related risks and opportunities are effectively integrated into the Trustee's overall decision-making. Updates on work done and actions taken by the IFC are provided at quarterly Trustee Board meetings.

The Trustee allocates time within its meeting cycle to consider climate-related matters, with the level of focus varying in line with regulatory developments, market conditions and adviser input, and remaining proportionate to its wider responsibilities.

Consistent with the governance structure set out in Appendix B, the Trustee Board and IFC receive regular advice from their advisers on the assessment and management of climate-related risks and opportunities during quarterly meetings and via ad hoc communication. The IFC are responsible for questioning and challenging the information provided to them by their advisers. For example, the IFC has continued to challenge the robustness and usefulness of the information obtained from climate scenario analysis given limitations in the data and methodology. The investment consultant monitors developments in this area and continues to keep the IFC informed of any updates relevant to the Scheme.

Climate change risk is incorporated into the quarterly reporting provided by the Trustee's investment consultant, so it is on the agenda for all Trustee meetings. More specific agenda items relating to climate change risk are often included on IFC meeting agendas or form the subject of separate discussions between the investment consultant and members of the IFC, with discussions and recommendations fed back to the IFC and, where appropriate, the Trustee, formally. During the Scheme year, a significant amount of IFC governance time was devoted to the wider investment strategy review, of which climate risk was a relevant factor. As potential implementation routes for the investment strategy were narrowed down, the Trustee explicitly considered their sustainability characteristics. These decisions were finalised in 2026, so further detail on this will be provided in the next report.

Integration of ESG (including climate change) and stewardship were factors in the Trustee's selection of its investment consultant, and are included in the investment consultant's objectives, which the Trustee reviews at least annually.

2. Strategy

The Trustee recognises its fiduciary duty to incorporate climate change and broader sustainability issues into its investment decision-making to act in the best financial interest of members. The Trustee's long-term financial objective is to be fully funded on a low-risk basis by 2034¹. Delivering on this objective involves ongoing assessment of risk and implementation of appropriate mitigation measures.

The Trustee believes that climate change is one major systemic investment risk, encompassing both transition and physical risks, that needs to be addressed in proportion to the other risks facing the Scheme. The Trustee continues to believe in the importance of the transition to a low-carbon economy, especially as it believes this would be in the best long-term interests for members. As such, the Trustee will continue to consider investment opportunities which contribute to the low-carbon transition as appropriate. However, as rising global temperatures increase the likelihood of physical risks relating to climate change, the Trustee recognises the need to further consider the Scheme's resilience to these risks.

In terms of the Scheme's impact objective, the Trustee follows the below principles:

- The Trustee's climate impact objective is to reduce emissions from the real economy through investment in climate solutions, and by delivering change in invested asset emissions through active stewardship and otherwise. The Trustee has aimed to do this via investments in two separate funds which invest in renewable infrastructure investments. Although the Scheme is one of several investors in each fund, Stonepeak reported avoided emissions of 9,494,583 tCO_{2e} since the fund's inception in 2019, while Mirova reported avoided emissions of 1,093,015 tCO_{2eq} over 2025. The Trustee therefore believes that the allocations to each of these funds has enabled the Scheme to make progress against the impact objective.
- The Trustee, with the aid of its advisers, will continue to assess opportunities that both improve or maintain the attractiveness of the portfolio's risk & return profile and align with the Trustee's broader impact objective.

In line with the Scheme's Sustainable Investment Policy, the Trustee focuses on three primary areas when considering climate change within decision-making processes: emissions reduction objectives, impact objectives (as defined earlier) and climate risk monitoring.

The Trustee notes the assessment of climate-related risks and opportunities may vary depending on the time horizon in question. As such, the Trustee considers climate-related risks and opportunities and their potential implications for the Scheme's investment and funding strategy over the following time horizons, which it deems appropriate in light of the Scheme's strategic objectives:

¹ The Trustee updated its investment objective during 2025 to reach 100% funding by 30 September 2032 on the Technical Provisions basis, but this was only reflected in the updated SIP in 2026.

Time Horizon	Why was this date selected?	Example risks and opportunities
Short term 2028	This short-term focus allows the Trustee to consider the transition risks that the Scheme is exposed to. This date has been changed in this year's report to be in line with the triennial valuation cycle for the Scheme.	Shorter-term climate risk is likely to manifest in a form of transition risk. This may include stock price movements resulting from increased regulation directed at addressing climate change (i.e. mostly transition risk). Shorter-term transition risk is likely to be most applicable to corporate credit assets given the Scheme's investment in these assets is mainly in issuers from developed markets where climate-related policy and societal behavioural changes are expected to occur more quickly and on a wider scale.
Medium term 2035	2035 broadly aligns with when the Scheme is expected to become significantly mature and reach its peak in terms of cashflows paid out of the Scheme. As such, this is an important date in the Scheme's journey.	The main type of climate risk to consider in the medium-term is also likely to be transition risk, as larger scale re-pricing is likely to occur over this time period as a result of changes in consumer spending habits, however physical risk might also impact Scheme assets and liabilities. The increasing frequency and severity of extreme weather events means physical risk is expected to be more prevalent than in the short-term. This is likely to have more of an impact on the Scheme's investments in real assets, such as its renewable infrastructure investments.
Long term 2050	This date is in line with the most ambitious aims of the Paris Agreement, which are achieved by reaching net zero by 2050. This aligns with the Trustee's measurement of portfolio alignment with the Paris Agreement (i.e. Metric 4, see Section 4 for more detail). This time horizon is also set to reflect the long-term time period over which pensions are expected to be paid out in the DB section. This longer-term focus helps the Trustee to understand the risks that the physical changes associated with climate change might have on the Scheme's investment strategy and funding strategy.	The Trustee expects a mix of physical risk and transition risk to manifest in the longer-term, with an increasing intensity in physical risk. This may include transition risk due to the global economy's transition to a decarbonised economy. From a physical risk perspective, this may include physical damage to real assets as a result of rising sea levels for coastal property or infrastructure assets; there may be opportunities for outperformance for organisations that put in place strategies to mitigate these potential risks well in advance of them materialising. These risks are likely to have more of an impact on the Scheme's real assets, such as its investments in renewable infrastructure.

The Trustee also strives to capture opportunities over each time horizon that will contribute to limiting the adverse impacts of climate change, including technology opportunities, while also contributing to enhanced member outcomes. The agreements in place with its investment consultant and investment managers require ongoing assessment of the impact of climate-related risks and opportunities across the above time horizons. Over the year, climate-related considerations formed part of broader discussions related to proposed investment strategy changes and further detail on these considerations will be disclosed in the next iteration of this report. One example is that the Trustee's investment consultant reviewed the duration and maturity profile of the DB Section's credit strategies, with shorter duration credit preferred due to reduced exposure to longer-term climate risks. Changes have been made in 2026 to reduce such risk.

The table included in Appendix C provides an overview of the approach to managing and integrating climate-related risks and opportunities across the Scheme's investments.

As part of considering climate-related risks and opportunities and their potential implications for the Scheme, the Trustee, supported by its advisers, performs scenario analysis. For the DB Section, this incorporates the total assets, liabilities and sponsor covenant.

The Trustee, supported by its investment consultant, updated climate scenario analysis for the DB Section as at 31 December 2025. This analysis covers both the investment and funding strategies, combining quantitative analysis of the assets and liabilities (interest rate impact) with a qualitative assessment of climate-related mortality impacts on liabilities and the sponsor covenant. The Trustee adopted a qualitative approach to mortality analysis this year to reflect the current limitations of quantifying climate-related mortality impacts, noting that adverse mortality outcomes can mechanically reduce liabilities and, in some scenarios, appear to improve funding outcomes in a way that is not especially decision-useful in isolation.

The Trustee undertakes scenario analysis consistent with the Network for Greening Financial System ("NGFS") scenarios, considering the following scenarios:

- *2°C Orderly Transition*: Gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C.
- *2°C Disorderly Transition*: Assumes annual emissions do not decrease until 2030. Strong policies are needed to limit warming to below 2°C. CO2 removal is limited.
- *Hot House World*: Assumes that climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming.

While the Trustee continues to view scenario analysis as having limited usefulness for its investment decision-making process, the analysis has been refreshed in this report to comply with regulatory requirements. In addition, funding-level stresses under the Orderly Transition, Disorderly Transition and Hot House World scenarios continue to be included in quarterly reporting provided by the investment consultant.

Key results are summarised below, with further detail on the methodology provided in Appendix D.

DB Section:

The table below displays the results of this scenario analysis on the funding position of the Scheme (on a Technical Provisions basis) as at 31 December 2025, incorporating the asset and liability stresses provided by the Trustee's investment consultant. The Scheme Actuary provided qualitative commentary regarding the longevity impact on the liabilities under each scenario.

The Technical Provisions basis was used because this is the basis that any additional deficit recovery contributions from the Sponsor are calculated on.

Effects of the climate scenarios on interest rates were modelled consistently on the assets and liabilities by the investment consultant. Inflation effects were not included in the results below as these are not allowed for in the NGFS scenarios, however the Scheme's LDI portfolio is used to fully hedge inflation risks to the Technical Provisions funding level in any case.

Scenario - cumulative impact over period to 2100, discounted to a single 'present day' impact	Impact on assets (%)	Impact on liabilities ² (%)	Impact on funding level (%)	Impact on net asset-liability position
2°C Orderly Transition	-1.7%	-1.4%	-0.3%	-£2.7m
2°C Disorderly Transition	-4.1%	-3.5%	-0.6%	-£4.0m
Hot House World	-2.4%	-1.4%	-0.9%	-£10.4m

As shown in the table above, the Scheme's funding position is expected to marginally worsen under all three scenarios. Under all scenarios, the adverse effect on asset values (which includes broadly corresponding interest rate effects through the liability hedging strategy) is modelled to have a larger negative funding impact than the positive funding impact from the liability reductions through higher interest rates.

The Trustee understands that these are only a small selection of possible scenarios and based on a certain set of assumptions. All scenarios imply a loss to the value of the Scheme's assets. The timing and magnitude of the loss is highly uncertain, and the effects may be far more material. The Trustee does not assume climate risk is a small risk because of the output of this scenario analysis.

The smallest impact is under the 2°C Orderly Transition scenario and the largest impact under the Hot House World scenario. This is broadly consistent with the design of the scenarios. Under the 2°C Orderly Transition, climate policy action is assumed to be introduced earlier and more gradually, giving markets and companies more time to adapt and resulting in a more limited impact on asset values. Under the 2°C Disorderly Transition, policy action is assumed to be delayed and then introduced more abruptly, leading to greater market disruption and a larger impact on the Scheme's assets and funding position. The Hot House World scenario shows the largest funding impact. This scenario assumes insufficient

² As noted above, inflation and longevity effects are not included in the liability impacts. This includes the interest rate impact only.

policy action to limit global warming, resulting in more severe physical climate risks over time. These risks can affect asset values through weaker economic growth, disruption to businesses and supply chains, and greater direct impacts on real assets and infrastructure.

The current global trajectory is closer to a 'hot house' scenario than any other transition scenario, and there is a chance physical risks could occur sooner, and be far more material, than models currently predict. It should be noted that this analysis does not allow for expected changes within the investment strategy over time, for example the likely de-risking into LDI, and the Trustee would expect resilience to improve as the Scheme de-risks.

In addition to the above, the Scheme Actuary provided qualitative commentary outlining the impact of each scenario on likely mortality trends. Given the potential for significant indirect health impacts from climate change, the Scheme Actuary noted that periods of stagnant or even worsening mortality are possible in extreme climate scenarios. However, they also noted that such scenarios would likely lead to some form of public health intervention, mitigating the impact and increasing the difficulty of quantifying how 'adverse' a result could be.

From this qualitative analysis, the Scheme Actuary noted that, all else being equal, the 2°C Orderly Transition would likely result in a modest increase in life expectancies and therefore liabilities. This is because an orderly and coordinated transition is expected to support healthier behaviours and improved living standards. By contrast, the 2°C Disorderly Transition would likely result in a modest decrease in life expectancies and liabilities, reflecting the potential for delayed and uneven transition activity to reduce expected longevity improvements. The Hot House World scenario would likely result in a material decrease in life expectancies, as the more severe physical impacts of climate change could have direct and secondary effects on mortality over the long term. The full commentary provided by the Scheme Actuary is included in Appendix D.

Covenant scenario analysis

The Trustee engaged with its covenant adviser to understand how the Company, and the covenant support provided through Atos SE group ("the Group"), may be affected under different climate-related scenarios. This forms part of the Trustee's wider assessment of how climate-related risks could affect the resilience of the Scheme's funding strategy.

The covenant adviser considered the climate scenarios used for the Scheme's investment and funding analysis, alongside the climate-related disclosures in the Group's 2025 Annual Report. They noted that climate change presents both risks and opportunities for the Group. The key risks are expected to come from the transition to a lower-carbon economy, including regulatory change, higher energy costs, carbon pricing and the need to adapt services and supply chains. These risks are expected to be most significant under a disorderly transition scenario, where delayed climate action is followed by sharper and more costly policy changes. This could put pressure on the Group's costs, margins and cash flow, and therefore on covenant strength. Under an orderly transition, these impacts are expected to be more gradual and manageable, with potential opportunities from increased demand for low-carbon and digital solutions.

The covenant adviser also considered physical climate risks, such as extreme weather, temperature stress, water stress and disruption to operations, data centres or supply chains.

These risks are expected to become more relevant over the longer term, particularly under a Hot House World scenario. However, the adviser noted that the Group's climate-related risks are generally expected to emerge over the medium to long term, while the Scheme's reliance on Group support is currently focused over the next 3–5 years. As a result, the Trustee considers there to be limited linkage between climate-related covenant risks and the resilience of the Scheme's funding strategy over the period when covenant support is expected to be most important.

The Trustee recognises that climate change could still affect the Group over time, and that reduced financial flexibility under more adverse scenarios could affect the Scheme if additional funding were required for other reasons. The Group does not yet produce its own formal climate scenario analysis, although this is expected to begin in 2026. The Trustee will therefore continue to monitor the Group's climate strategy, progress towards its climate-related targets and the potential covenant implications of climate change.

To date, the Trustee does not consider that the scenario analysis has materially influenced its decision-making process in respect of either the investment strategy or funding strategy of the DB Section. The Trustee acknowledges the scrutiny of current climate scenario analysis models, building on concerns identified in previous years' reports that the current climate scenario analysis in the market is based on assumptions which do not accurately reflect the real world. Recent scrutiny has revealed that current methodologies do not accurately reflect the threat climate change poses to the planet and society, such as overlooking climate tipping points and underestimating the likely implied temperature rise and physical impacts of climate change. Consequently, the analysis currently has limited reliability and usefulness as a decision-making tool. However, based on the 2025 climate scenarios modelled and in the context of the Scheme's wider investment risk, the Scheme's DB investment strategy appears to be resilient to the various climate change outcomes, noting the limitations outlined above.

The Trustee, together with its investment consultant, has considered developments in climate scenario analysis and alternative modelling approaches. However, given the limitations and uncertainties of current methodologies, it does not believe further exploration would provide sufficiently more useful insight at this stage. The Trustee has therefore taken a proportionate approach in this report, retaining NGFS-aligned analysis for regulatory purposes and recognises their ability to give a high-level understanding of the potential impact of climate change on the scheme's funding position, whilst also focusing on qualitative assessments. The Trustee is instead focusing governance time on practical actions to manage climate-related risks and opportunities and support real-world outcomes through its approach to updating the Sustainable Investment policy over the next year.

3. Risk Management

Identifying and assessing climate-related risks

As set out in the Strategy section (Section 2), the Scheme is exposed to climate-related risks in the form of transition and physical risk. The Trustee considers the impact of these climate-related risks on all of the Scheme's assets by conducting and reviewing the results of climate-related stress tests on a periodic basis. These stress tests are conducted at least triennially, including both quantitative and qualitative assessments, for the full DB funding stress (i.e. assets, liabilities and covenant), and at least quarterly for the DB assets under the 2°C Orderly Transition, 2°C Disorderly Transition and Hot House World scenarios. However, as set out in the Strategy section of this report, the Trustee has not found this analysis very useful for identifying or assessing specific physical or transition risks.

On an annual basis, the Trustee receives granular reporting on climate-related metrics (as set out in section 4) at a fund and total DB portfolio level. This allows the Trustee to better identify and manage the climate-related risks which are relevant to the Scheme on an ongoing basis. In addition, summary DB total portfolio-level outputs are included in quarterly reporting, with these updated annually in line with the annual climate reporting.

For all appointed DB fund managers, evaluation of ESG risk management, which includes climate-related risks, is an explicit part of both the selection process and continued due diligence or monitoring that the Trustee undertakes. The Trustee also relies on the research carried out by its investment consultant in relation to investment managers' ability to identify and assess climate-related risks and opportunities.

Managing climate-related risks

The Trustee believes that engagement with its investment managers is one of the main ways it can manage climate-related risks and opportunities. The Trustee has formalised a Stewardship Policy, which is included within the Scheme's SIP. In line with the Trustee's commitment to integrating ESG issues into stewardship practices, the Trustee will act in accordance with the Stewardship Policy and, where relevant, expects its investment managers to actively engage with investee companies to better manage climate-related risks. The Trustee is supported in this engagement by its investment consultant, who regularly conducts due diligence on the Scheme's managers and monitors their progress on ESG issues. As part of this, the investment consultant in the normal course of their work overseeing managers and challenging their delivery of sustainability and stewardship holds active dialogue with a number of the Scheme's managers. For example, the investment consultant met with PIMCO over the year to discuss the wider integration of ESG into its investment process, and noted progress in measuring climate transition pathways and improving the scope of reporting. This work informs their manager recommendations to the Trustee and their other clients.

As detailed in last year's report, the Trustee, through its investment consultant, engaged with its new 'buy and maintain' investment grade credit manager to incorporate enhanced ESG guidelines into the design of the new mandate to manage climate risks. More detail on this is provided below.

Case study: Monitoring the ESG guidelines in the buy and maintain mandate

When the Trustee designed its new buy and maintain mandate with its investment manager, the Trustee, supported by its investment consultant, challenged the manager to go further with its ESG approach to limit the “portfolios” exposure to stranded asset risk without compromising key financial characteristics.

This involved including additional guidelines such as climate-related exclusions, a framework to avoid lending to banks which are material financers of fossil fuel expansion and not reducing this financing, as well as a minimum standard ‘sustainability score’ based on the manager’s proprietary model for estimating the positive and negative ‘externalities’ that companies may create for society or the environment. These enhancements were incorporated into the mandate when it was inceptioned during the Scheme year, and this was done without sacrificing the traditional financial characteristics of the portfolio.

During the Scheme year, on behalf of the Trustee, its investment consultant engaged with the investment manager to review the bespoke fossil fuel financing exclusion framework and the portfolio’s sustainability reporting. This included seeking updates on the framework’s methodology, data inputs and scope, including whether it could be expanded over time, as well as challenging how the manager interprets and uses the mandate’s proprietary sustainability scoring in managing the portfolio. The investment manager confirmed that the exclusion list had been updated in June 2025 using the existing approach, while noting that the framework and wider sustainability monitoring would continue to be kept under review as best practice develops.

Integration of climate-related risks in overall risk management

For the DB Section, climate-related risks are included in the same pension risk management framework dashboard that captures the Scheme’s overall investment objective and key investment risks. The Trustee receives this dashboard from its investment consultant at least quarterly, and also when considering any investment strategy change. Presenting the risks in this way enables the Trustee to consider climate-related risks alongside the other key investment risks and take a proportionate approach to managing risks in the round.

For the DC Section, over the year the Trustee worked with the Company to transfer the remaining DC members and assets to a separate Master Trust arrangement. One of the factors that was considered as part of this was the Master Trust provider’s ability to demonstrate an effective approach to monitoring and managing climate-related risks.

The Trustee recognises this is a fast-developing area and new risk management tools or adaptations of existing tools are likely to be required to support the management of climate-related risks.

4. Metrics and Targets

With regards to quantitative metrics, the Trustee – on an annual basis – monitors and reports:

Metric	Selected Metric	Explanation
Metric 1 – <i>absolute emissions metric</i>	Total Absolute GHG Emissions (tCO ₂ e).	This is the absolute emissions metric recommended by the DWP.
Metric 2 – <i>emissions intensity metric</i>	Carbon Footprint (tCO ₂ e/EVIC £m).	This is the emissions intensity metric recommended by the DWP.
Metric 3 – <i>additional climate change metric</i>	Partnership for Carbon Accounting Financials (“PCAF”) Data Quality Breakdown	This metric provides insight into the reliability of the Scheme’s emissions data, allowing the Trustee to make better informed decisions. The scoring system ranges from one to five, with one representing the highest data quality and five indicating the lowest quality.
Metric 4 – <i>portfolio alignment metric</i>	Science-based target initiative (“SBTi”)	This metric examines whether a voluntarily disclosed company decarbonisation target is aligned with a relevant science-based pathway to align with the goals of the Paris Agreement. The target is verified by the Science-based target initiative.

Further detail on each of the adopted metrics, including information on the methodologies used, is set out in Appendix E.

Over the year, the Trustee reviewed its selection of metrics to ensure they remain appropriate for the Scheme. Following advice from its investment consultant, the Trustee decided to retain its existing climate metrics for the Scheme year. The Trustee continues to report sovereign emissions and emissions from the Scheme’s other assets (i.e. corporate emissions) separately given the difference in methodology noted in last year’s report.

The Trustee also acknowledges concerns on the viability of the SBTi metric (i.e. Metric 4) as targets are based on voluntary corporate action and are therefore highly dependent upon a supportive policy environment. Given current headwinds to the climate transition, the usefulness of SBTi as indicator of portfolio alignment may reduce over time.

Despite the limitation outlined above, the Trustee is comfortable that the selected metrics remain suitable and will continue to periodically review them to ensure they remain appropriate for the Scheme.

Target

In 2020, the Trustee set a target for the non-LDI assets of the DB Section of the Scheme to achieve a 33% reduction in carbon footprint from 30 September 2019 levels by 2025. This target was based on aggregated scope 1, 2 and 3 emissions (as measured by Metric 2 – Emissions Intensity Metric). As part of the aggregation, a 0.22 deduplication multiplier was applied to the Scheme's total scope 3 emissions to overcome double counting, per MSCI's methodology at the time. LDI assets were excluded from this target as they are held for hedging purposes.

As at 31 December 2025, the Trustee has met its target as the carbon footprint reduction of the portfolio from the 2019 baseline level was 34%. That being said, the Trustee notes that the 2019 baseline carbon footprint was calculated using asset class assumptions, whereas a large proportion of the emissions data for the Scheme is now based on company-reported figures given improved MSCI carbon emissions data availability. As such, the baseline carbon footprint and current carbon footprint are not directly comparable. In addition, given the methodological challenges associated with applying de-duplication factors to Scope 3 emissions, it is more appropriate to monitor and report Scope 3 emissions separately from Scope 1 and 2 emissions, as set out in the sections below.

The Trustee recognises that changes in carbon footprint metrics do not always reflect reductions in investment risk or actual reductions in emissions by investee companies. This is because carbon footprint is influenced by a number of factors outside of the Trustee's direct control, such as company enterprise values, portfolio composition and relative weights. These non-climate factors increase the metric's volatility and make progress against a carbon footprint reduction target challenging to interpret. As a result, the Trustee recognises that a decline in the Scheme's carbon footprint does not necessarily indicate that climate-related investment risk is being effectively managed or mitigated.

Accordingly, while the Trustee has technically met its 2025 carbon footprint reduction target as written, it considers that this target is no longer the most appropriate measure of progress in managing climate-related investment risk or supporting real-world decarbonisation. The Trustee considered how it may be able to set a target that has real-world impact, but considered this difficult and without it being clear how this would influence funding and investment strategy.

The Trustee has agreed the basis for a new target, which is to be based on the principle of maintaining the carbon footprint of a portion of the Scheme's asset portfolio below that of a relevant benchmark. The exact design of this target will be finalised in 2026, following the completion and implementation of the Trustee's ongoing investment strategy review, and will be disclosed and monitored in future iterations of this report. It is the aim that the new approach, alongside the ongoing work to review the Trustee's Sustainable Investment Policy, will support a more robust approach to monitoring climate-related investment risk and mitigating it in a prudent way. The proposed approach should allow the Trustee to better interpret year-on-year changes in carbon intensity over time and distinguish genuine change from "noise" driven by external factors and broader market effects.

DB Section results:

The below tables set out the results of each of the Trustee's chosen metrics, broken down by broad asset class. The results are shown as at both 31 December 2025 and 31 December 2024:

	Asset Allocation		Metric 1: Absolute Carbon Emissions (tCO ₂ e) ⁽³⁾				Metric 2: Carbon Footprint (tCO ₂ e/ £m) ⁽³⁾			
	2025	2024	2025		2024		2025		2024	
			Scopes 1 & 2	Scope 3	Scopes 1 & 2	Scope 3	Scopes 1 & 2	Scope 3	Scopes 1 & 2	Scope 3
Liquid Markets	0% ⁽⁴⁾	0%	-	-	1	51	-	-	13	457
Liquid Credit	47%	46%	32,054	203,581	28,326	186,793	58	371	53	352
Illiquid Credit	7%	8%	10,197	64,680	17,552	94,500	129	819	187	1,006
Illiquid Markets	7%	6%	384	8,102	375	6,538	5	102	6	97
Total⁽⁵⁾	100%	100%	42,635	276,363	46,254	287,882	60	391	67	416

	Asset Allocation		Metric 1: Carbon Emissions (tCO ₂ e)				Metric 2: Carbon Intensity (tCO ₂ e/ PPP-adjusted GDP £m)			
	2025	2024	2025		2024		2025		2024	
			Production	Import	Production	Import	Production	Import	Production	Import
LDI (Sovereign emissions)⁽⁶⁾	40%	39%	106,384	82,006	94,102	66,213	122	94	124	87
Total	N/A	N/A	106,384	82,006	94,102	66,213	122	94	124	87

Most certainty in data



Least certainty in data

³ Carbon metrics (Metrics 1 and 2) are proxied using asset class proxies where there is insufficient data for funds.

⁴ Residual liquid markets holding was disinvested by 31 December 2025.

⁵ Figures may not sum due to rounding.

⁶ 'Production' emissions are equivalent to Scope 1 emissions, and 'Import' emissions are equivalent to scopes 2 and 3 emissions.

PCAF Score	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5
Data Criteria	Verified by third party auditor	Unverified or estimated from energy consumption	Estimated from company production	Estimated from company revenue and sector	Other estimated

Metric 3: PCAF Data Quality (Scope 1 & 2 emissions)					
Asset Class	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5
Liquid Credit	50%	15%	0%	6%	29%
Illiquid Credit	0%	0%	0%	0%	100%
Illiquid Markets	0%	0%	0%	0%	100%
Total ⁽⁷⁾	39%	11%	0%	5%	45%

Metric 3: PCAF Data Quality (Scope 3 emissions)					
Asset Class	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5
Liquid Credit	0%	61%	0%	10%	29%
Illiquid Credit	0%	0%	0%	0%	100%
Illiquid Markets	0%	0%	0%	0%	100%
Total ⁽⁷⁾	0%	47%	0%	8%	45%

Metric 4: Science Based Targets initiative (SBTi) Rating		
	2025	2024
Liquid Credit	38%	34%
Illiquid Credit	N/A	N/A
Illiquid Markets	N/A	N/A
LDI	N/A	N/A
Total ⁽⁸⁾	N/A	N/A

Metrics 1 & 2:

The absolute carbon emissions reported above demonstrate the total share of direct and indirect emissions for which the Scheme's assets are responsible and therefore helps the Trustee to evaluate the impact of its investments on the broader global transition.

The Scheme's carbon footprint reveals how carbon efficient the portfolio is per million pounds invested (based on scope 1 & 2 emissions, and scope 3 emissions separately). This measure provides an insight into the carbon intensity of the Scheme's assets and is a reference point for the net-zero target the Trustee previously adopted.

As at 31 December 2025, liquid credit contributed the greatest absolute emissions, in line with it being the largest part of the Scheme's portfolio. For the liquid credit assets, scope 1 &

⁷ Figures do not sum as totals are weighted averages.

⁸ SBTi ratings are unavailable for the illiquid credit, illiquid market and LDI holdings, so totals have not been aggregated.

2 absolute emissions increased c.13%, driven mostly by a c.10% increase in scope 1 & 2 carbon intensity. This increase was partially driven by an increase to the asset class proxy assumptions used to model PIMCO's emissions. This reflects higher emissions in the broader market indices on which the modelling is based as PIMCO is modelled using asset class proxies rather than underlying holdings data. These effects also influence the 5% year-on-year increase in scope 3 carbon intensity, though the impact is slightly less material.

The scope 1 & 2 carbon emissions of the illiquid markets asset class, which consists of both renewable infrastructure funds Mirova and Stonepeak, increased marginally over the year despite falling carbon intensity. The increase in emissions is due to an increase in the asset values, in particular for Mirova, as capital has been called for both funds over the year. Illiquid markets continues to be the asset class with the lowest carbon footprint in the Scheme's portfolio, and illiquid credit the highest. However, it should be noted that asset class proxy assumptions continue to be used to model the carbon emissions for these funds, as opposed to actual holdings data. As such, there are limited meaningful conclusions that can be drawn from these results.

In last year's report, the Trustee began to report on carbon emissions in the LDI portfolio for the first time so this is the first report where year-on-year changes can be observed. Over the year, Production (scope 1) and Import (scope 2 and 3) emissions increased. This was driven by a year-on-year increase in notional exposure in the LDI portfolio, with carbon intensity remaining broadly flat. It is worth noting that this methodology differs from that used for the Scheme's other assets, and therefore direct comparisons cannot be made to the corporate emissions.

As coverage of the overall portfolio improves, the Scheme is likely to see continued volatility in the reported total emissions attributed to the portfolio. The Trustee is also aware that it is placing a large reliance on the Government achieving its net zero ambition given the material allocation that the Scheme has to UK Government bonds.

Metric 3:

The PCAF Data Quality breakdown provides an insight into the reliability of companies' emissions and provides the Trustee with useful context for interpreting the emissions-based metrics. Please note that a PCAF Data Quality Score is only available where line-by-line data is available for the respective fund. In cases where there is insufficient corporate coverage for emissions data, an asset class proxy is used, resulting in a PCAF data quality score of grade five for that asset. It is worth noting that this year is the first year MSCI has begun assigning a score of 1 to any issuers, whereas previously the best available score assigned was 2. This reflects some evidence of verification of corporates' climate reporting.

The analysis shows that, as at 31 December 2025, the data quality of the Scheme's liquid credit assets is generally much better than that of the illiquid assets. Data is generally only available for listed instruments which means that emissions for illiquid assets generally has to be estimated, leading to lower data quality. The anomaly to this is PIMCO, whose data quality is notably worse than the other liquid credit assets. This is due to using 100% asset class modelling of emissions for this fund, rather than line by line data, which is viewed as more appropriate for such a strategy which uses long and short positions. The Trustee will continue to monitor data quality closely and expects its investment consultant to support it in improving data coverage across the portfolio.

Metric 4:

The portfolio alignment metric helps the Trustee to monitor the proportion of holdings within the Scheme's liquid mandates which have declared a science-based decarbonisation target. The Trustee expects higher portfolio alignment to support the management of climate-related risks.

Since 31 December 2024, the overall score has increased, driven by a small increase in the proportion of the Scheme's liquid credit assets with net zero targets validated by the SBTi. This reflects a 4% increase in the score for Insight Buy and Maintain Credit since last year, together with the first reported score for Schroders Buy and Maintain Credit of 59%. This is higher than the 53% score previously reported for Amundi Buy and Maintain Credit, which was the mandate that Schroders replaced. PIMCO's score remains notably below the buy and maintain credit mandates. Given the nature of LDI being made up of sovereign debt (and related instruments), no score can be calculated. There is also no score for the illiquid assets because an asset class assumption is used for the modelling, rather than actual holdings data.

As noted earlier in this section, the Trustee acknowledges that this metric is based on voluntary targets set by companies and that its usefulness may diminish in the absence of sufficient policy change.

Appendix A: Sustainable Investment Beliefs Statement

The Trustee previously agreed its sustainable investment beliefs as articulated in the statement below. This details the governance framework which was adopted by the Trustee in 2020 to approach matters relating to sustainable investment. The Trustee intends to revisit, and likely refresh, this beliefs statement, along with the Trustee's Sustainable Investment Policy, over 2026.

"We believe that Environmental (including Climate Change risks), Social and Governance issues are complex, multifaceted and may impact the value of our investments. We consider these risks to be of concern over the short, medium and long term. For example, the physical risks associated with climate change are likely to only manifest over the medium to longer term, however regulatory and transition risks are clearly present now and we should factor this into our decision making.

Further to this, we aspire to align with our corporate sponsor by dedicating resource to considering how the Scheme could potentially achieve net-zero carbon emissions by 2035. We recognise that at the current time it is not obvious how we can do this, but we will work with our asset managers and advisers to move towards this target, and report on our progress on an annual basis. It may mean that we have to consider new opportunities that we are not yet familiar with. We will have to dedicate significant time to ensure that we continue to understand the implications of our decisions. We will only take action when we are comfortable it is consistent with our fiduciary duty and in the best financial interests of our members. Whilst we have not yet approached members to ask for their views on ESG issues, it may be appropriate to do so for some sections of the Scheme in the future.

We believe that by adopting this objective we are having a positive impact as part of the transition to a more sustainable, low carbon economy. We recognise that other investment opportunities may arise to be impactful, however we may not have the time or resources to access them. We will rely on our advisers to provide appropriate opportunities for us to review.

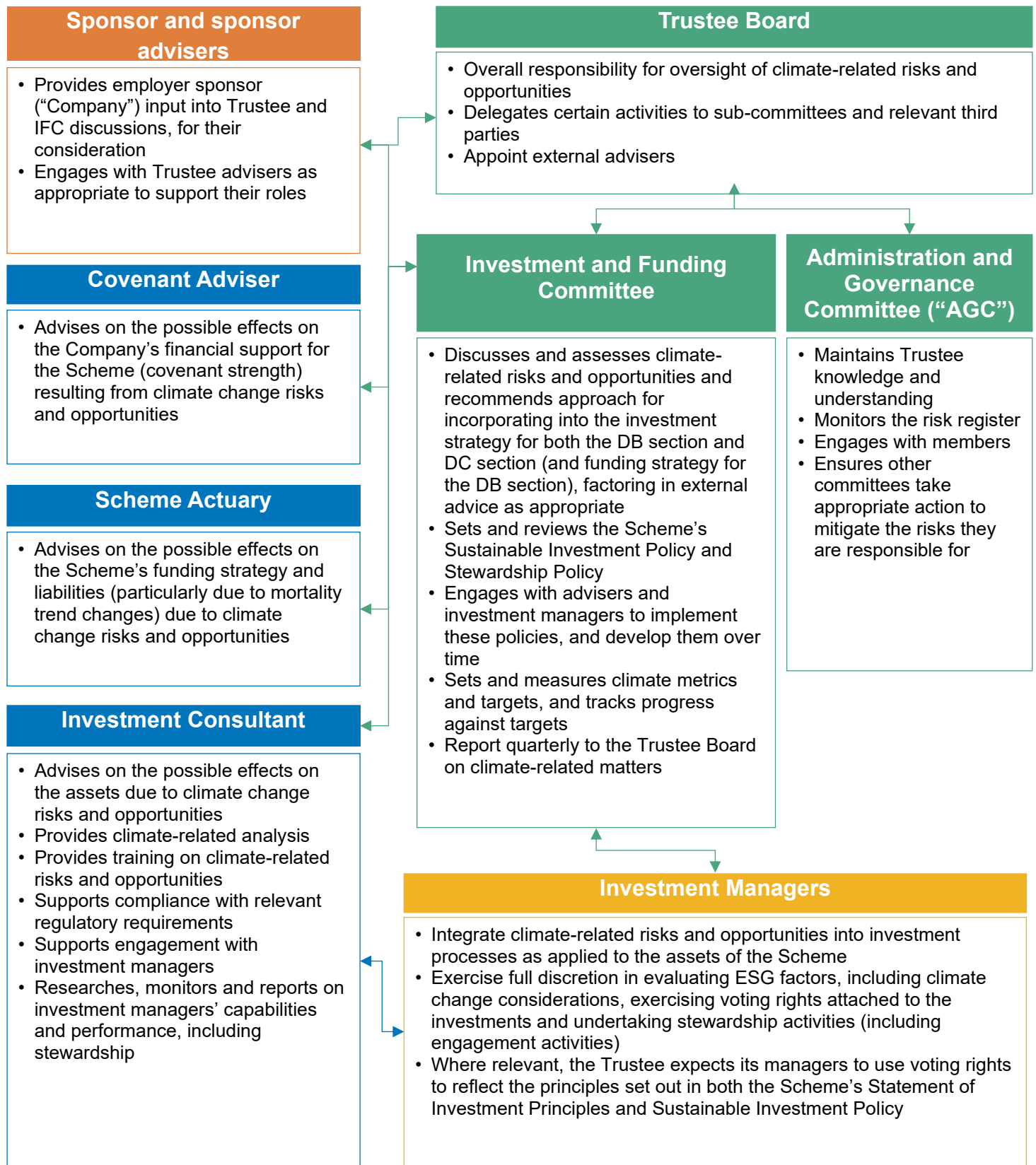
Whenever we select new investment managers we must make ourselves comfortable that they can adequately manage ESG-related risks and invest in line with our beliefs. Managers should be periodically reviewed and held to account. If we are not satisfied that our managers are investing responsibly, we will engage with them to try to improve, but ultimately will terminate their mandate if improvements are not made.

Stewardship and effective engagement are important tools to achieving more sustainable outcomes. All of our managers should exhibit good stewardship practices and we monitor them to ensure they do so.

To inform our view of best practice, we will engage with our peers and other industry practitioners. We have an ambition to become a vocal, public leader in the field of responsible investment. We believe it is important to be transparent, continually learn from our practices and share our experiences with members and peers."

The Trustee's Sustainable Investment (SI) Policy builds on the investment beliefs statement above, reflecting further deliberations by the Trustee over ways to achieve its sustainable investment ambitions.

Appendix B: The Scheme's Climate Governance Structure



Appendix C: The Trustee's approach to managing and integrating climate-related risks and opportunities

Manager	Overview of approach to managing and integrating climate risks and opportunities
Schroders <i>Buy and Maintain Credit</i>	- The Manager considers issuers with publicly available decarbonisation commitments and may engage with issuers on their climate approach. - The portfolio aims to align with net zero by 2050 and maintain a positive SustainEx score (proprietary model for estimating the positive and negative 'externalities' that companies may create for society or the environment). - The portfolio includes climate-related exclusions (including thermal coal, oil sands, Arctic drilling and shale oil and gas thresholds) and a bespoke framework to avoid new financing of banks that are materially financing fossil fuel expansion and/or not taking steps to reduce such financing.
Insight Investment <i>Buy and Maintain Credit</i>	- Invest on a net-zero basis. Insight intends to maintain carbon intensity below market going forward and trend to zero by 2050. The fund avoids issuers that have not, and will not, make a commitment to achieve net zero by 2050. - Issuers with Insight's lowest proprietary ESG score are avoided. - Issuers materially exposed to, or reliant on, coal or unconventional oil/gas extraction are avoided, as are issuers that score poorly on controversy risk, and/or are potentially violating UNGC or other standards.
PIMCO <i>Absolute Return Credit</i>	- No decarbonisation target in place. The manager focuses on engagement with companies. - The Trustee, based on research by its investment consultant, views PIMCO as having an ESG advantage relative to its peers in the diversified absolute return bonds space. However, overall ESG integration can still be improved and the Trustee, through its investment consultant, will continue to work with the manager to further understand and improve ESG efforts in relation to the fund the Scheme is invested in.
Mercer Global Investments <i>Senior Private Debt</i>	Limited explicit integration of climate risks and opportunities, and no direct contribution to carbon reduction of impact objectives, but this is an illiquid investment that is currently in run-off, so there is limited scope to make changes here.
Mirova <i>Renewable Infrastructure</i>	- The allocation is globally diverse in terms of geographic exposure, so there is not a concentrated exposure to physical climate risk in any certain geography. - The Trustee has the view that the transition of our energy system towards low-carbon solutions such as wind and solar is necessary to keep the rise of global temperatures below 2 degrees, in line with the aim of the Paris Agreement. - It is therefore the Trustee's view that this fundamental change in the structure of our energy system makes Renewable Infrastructure an asset class with a compelling long-term risk-adjusted return.
Stonepeak <i>Renewable Infrastructure</i>	
Schroders <i>LDI</i>	- Schroders can participate in UK green gilt syndications, where this would be an appropriate Scheme investment in line with the SIP. - Climate risk is viewed as a less material risk within LDI than return-seeking assets because the Scheme uses the LDI portfolio to hedge the funding level. This means that negative effects on the LDI assets due to climate-related effects on interest rates and inflation would be expected to have proportionately positive effects on the Scheme's liabilities, resulting in a broadly neutral funding outcome.

Appendix D: Climate Scenario Analysis

As outlined in the 'Strategy' section, the Trustee undertook refreshed climate scenario analysis for the DB Section for this year's report, as at 31 December 2025.

The Trustee undertook this scenario analysis consistent with Phase III of the Network for Greening Financial System ("NGFS") scenarios. The Network for Greening the Financial System (NGFS) is a group of over 150 members and supervisors and over 20 observers committed to sharing best practices and developing environment related risk management in the financial sector and mobilising mainstream finance to support the transition.

The NGFS scenarios are designed to analyse climate risks to the economy and the financial system. The scenarios consider downside risks both from physical changes and from the costs of decarbonisation, with some mitigation from technology opportunity but ignore other potential upsides such as an increase in volume of business. They are risk exposures and not central cases, so even the best scenarios have risks attached. They do not consider how much of the risk might be mitigated either through passing it on to others in the supply chain (e.g. price rises) or assume any allowance built into asset prices for known risks.

In this report, the Trustee has elected to disclose the 2°C Orderly and Disorderly Transition as opposed to also including 1.5°C scenarios disclosed in earlier reports as it views 2°C scenarios as more reflective of the state of the current global trajectory, with current scientific research predicting temperature increases closer to 3°C.⁹

- **Orderly Transition 2°C** - climate policies are introduced early and become gradually more stringent to increase likelihood of global warming being limited to 2°C. Both physical and transition risks are relatively subdued.
- **Disorderly (2°C)** - higher transition risk due to policies being delayed or divergent across countries and sectors. For example, carbon prices would have to increase abruptly after a period of delay.
- **Hot house world** - 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.

MSCI ESG Research leverages the NGFS scenarios to create its "Climate Value-at-Risk (Climate VaR)" metric. Note that this is not a probabilistic VaR but their naming convention for their scenario analysis. MSCI's stresses assess how an investment portfolio could be impacted by climate policy risk (transition risk) and extreme weather (physical risk) under each scenario. Each stress is presented as the annual cost, discounted using company-specific WACC to today, calculated as a % of current Enterprise Value. The stress reflects the full time series of costs to 2100 (not annualised), with 15 years modeled using detailed cost estimates and the rest using MSCI's proprietary cost profile modeling.

⁹ [Climate Action Tracker, Warming Projections Global Update, November 2025.](#)

Liability impact analysis report from WTW

Whilst historical sustained improvements in mortality range up to around 2.5% a year (2000 to 2011), a lower bound for sustained improvements is hard to assess. Given the potential for significant indirect health impacts from climate change, periods of stagnant or even worsening mortality are possible in extreme scenarios. However, such scenarios would likely lead to some form of public health interventions in response, mitigating the impact and also increasing the difficulty of quantifying how 'adverse' a result could be.

Scenario:	2°C Orderly Transition	2°C Disorderly Transition	Hot House World
Characterisation of impact on mortality trends	The changes required to address climate change in an orderly and coordinated manner require substantial changes in the actions of individuals and organisations and are such that people follow a more healthy and active path with the economic activity generating an improvement in living standards.	Whilst the direct impacts in mortality may be similar to those under an orderly transition, the transitional effects and imbalance between the activity of different individuals and organisations result in a deterioration in expectations for longevity improvements relative to typical pension scheme funding assumptions.	Climate change drives mortality over the long term, with the worldwide deterioration in physical factors having a material impact in both direct and secondary terms on mortality. While it is likely that there would be political pressures to mitigate some of the impact, any potential health interventions can't address the magnitude of the effect of climate change on mortality rates.
Comment on the likely impact on scheme liabilities	A modest increase in life expectancies and therefore liabilities, all else being equal.	A modest decrease in life expectancies and therefore liabilities, all else being equal.	A material decrease in life expectancies and therefore liabilities, all else being equal.

Appendix E: Metrics Methodologies and Assumptions

Key notes on the methodologies, including assumptions, used for the four climate metrics are set out below.

1. Absolute emissions:

The Trustee monitors the total greenhouse gas emissions of the Scheme's assets. Greenhouse gases are gases in the Earth's atmosphere that are capable of absorbing infrared radiation and thereby trap and hold heat in the atmosphere. The main greenhouse gases are carbon dioxide ("CO₂"), methane ("CH₄"), and nitrous oxide ("N₂O"). Recognised protocol is to aggregate these emissions and translate them to a carbon dioxide equivalent ("CO₂e") for consistency of measurement and reporting.

There are three scopes of carbon emissions:

- **Scope 1:** direct emissions from an entity's owned or operationally controlled sources;
- **Scope 2:** emissions from the use of electricity or heat purchased by an entity;
- **Scope 3:** indirect emissions from the use of an entity's products, or any other emissions across its value chain.

For a pension scheme, scope 1 emissions include the use of gas fuel and refrigerants in the office whilst scope 2 emissions include the use of electricity in the office buildings. Therefore, the most significant emissions relating to a pension scheme are its scope 3 emissions, (i.e. the emissions of the assets held by the Scheme). The Trustee monitors the scope 1, 2 & 3 emissions of the assets and does not report on its own scope 1 & 2 emissions.

There is inherent double-counting of emissions in the current greenhouse gases protocol and no clear guidance on how to combine scope 1 & 2 and scope 3 emissions to allow for this double-counting. Therefore, the Trustee has reported scope 1 & 2 and scope 3 emissions separately.

The analysis is performed at a fund level. Aggregated emissions for each fund are calculated on the portion of holdings that have line-by-line holdings data, with the remaining holdings without carbon data coverage proxied using asset class modelling of emissions. For funds without any line-by-line data, or where short positions in corporate issuers exceed 2% of the portfolio, emissions are fully modelled using asset class assumptions. Whilst line-by-line data was available for the Schrodgers and Insight buy and maintain funds, for all other funds, emissions were estimated entirely using asset class proxies. In PIMCO's case, although partial line-by-line data was available, 100% asset class modelling was used due to short positions from corporate issuers exceeding 2% of the Fund's allocation. The Trustee notes using asset class modelling of emissions for assets where line-by-line data is not available enables a more holistic view of the Scheme's total portfolio emissions, albeit recognising that the modelled data is not perfect.

The asset class modelling of emissions has been provided by the Trustee's investment consultant and is based on asset class "building blocks". These are either calculated directly using a given index's underlying holdings emissions (such as using MSCI ACWI as a proxy for a broad equity fund) or in some cases these indices are used and extrapolated to other asset classes based on given assumptions (such as using the emissions of infrastructure firms within an index to proxy an infrastructure fund).

The Trustee also now monitors the sovereign emissions for the Scheme. For sovereign bonds, slightly different categories are used versus those used for corporate emissions:

- **Production emissions:** the emissions of everything produced in a country; this

is broadly equivalent to scope 1 emissions; and

- **Import emissions:** the emissions of what a country imports from other countries; this is equivalent to scope 2 & 3 emissions. In practice, for large economies, scope 2 emissions are trivial in comparison to the other scopes.

The share of a country's emissions is attributed to an investment by dividing the value of a portfolio holding by an economy's purchasing-power-parity- ('PPP') adjusted GDP. PPP-adjusted GDP refers to gross domestic product that is based on purchasing power parity. This adjustment is done in order to aid comparison between different economies.

2. Emissions intensity:

The Trustee monitors carbon footprint as its emissions intensity metric. Carbon footprint measures the carbon efficiency of a portfolio in terms of emissions per million pounds invested. It normalises the total financed emissions for the value of the portfolio. In other words, as it shows the emissions per millions of pounds invested, the metric is comparable between investments of different sizes.

At a portfolio level, the emissions intensity measures are calculated as the average of the emissions intensity of the underlying holdings, weighted by the value of each holding. A portfolio with a high emissions intensity will have a steeper route towards decarbonisation than a less intensive one. Hence, measuring the emissions intensity across the Scheme is useful to gauge how difficult (or easy) it will be to progressively decarbonise portfolios.

Differences in portfolio emissions intensities are driven by differences in sector and company exposure. Portfolios with higher exposures to high-carbon sectors such as utilities, non-energy materials, energy and industrials tend to exhibit higher emissions intensities.

The same notes on methodology and assumptions that apply for the Absolute Emissions metric apply here.

For the target based on this metric, the Trustee applied a 0.22 deduplication multiplier to all portfolio companies' scope 3 emissions, to adjust for the double counting incurred by aggregating scope 3 emissions with scope 1 and 2 emissions. This is the discount factor applied by the Scheme's ESG data provider, MSCI, and it is based on the relationship between the total scope 1 and scope 3 emissions of a company.

3. Additional climate change metric

For the non-emissions-based metric, the Trustee monitors the PCAF data quality score, which assesses the reliability of the emissions data used for each fund. The scoring system ranges from one to five, with one representing the highest-quality data (independently verified emissions data) and five indicating the lowest quality (estimated emissions data derived from industry peers).

Please note that a PCAF Data Quality Score is only available where line-by-line data is available for the respective fund. In cases where there is insufficient corporate coverage for emissions data, an asset class proxy is used, resulting in a PCAF data quality score of grade five for that asset class.

4. Portfolio alignment

The Trustee has adopted the Science Based Target's initiative assessment score as the Scheme's portfolio alignment metric, which captures a company or issuer's progress against a self-developed decarbonisation target using science-based methodology.

The target can be aimed at one or all of; the short-term, long-term or Net Zero, with each company being scored with a binary yes or no assessment on the following target categorisations: "SBTi Approved 1.5°C", "SBTi Approved Well Below 2°C" or "SBTi Approved 2°C". Each of the categorisations all denote the implied global temperature increases that coincide with the decarbonisation target.

The "SBTi Approved 2°C" categorisation will be gradually phased out in line with the initiative's raised ambition to 1.5°C. In the immediate term, the Trustee will continue to report under the "SBTi Approved 2°C" categorisation to capture companies currently on a 2°C path until they increase their target ambition to 1.5°C in the next few years.

Asset class assumptions cannot be used here, so the SBTi score of illiquid assets is proxied as nil.

Fund	Fund Value (£m)	Corporate Scope 1 & 2 emissions coverage	Corporate Scope 3 emissions coverage	Carbon Emissions (tCO2e)				Carbon Intensity (tCO2e / EVIC £m)			
				Current – Scope:		Previous – Scope:		Current – Scope:		Previous – Scope:	
				1+2	3	1+2	3	1+2	3	1+2	3
Liquid and Semi-Liquid Credit											
Insight Buy & Maintain Bond Fund	212.4	78%	78%	14,754	62,986	15,630	67,294	70	297	75	324
PIMCO Low Duration Opportunities Fund	111.8	-	-	8,899	67,690	6,679	53,997	80	605	62	497
Schroders Segregated Buy & Maintain Credit	224.5	99%	99%	8,401	72,905	-	-	37	325	-	-
Illiquid Credit											
Mercer Private Investment Partners III Fund (Offshore)	7.8	-	-	1,007	6,386	2,360	12,708	129	819	187	1,006
Mercer Private Investment Partners IV SICAF-SIF - Senior Private Debt Fund	23.6	-	-	3,046	19,322	5,941	31,986	129	819	187	1,006
Mercer Private Investment Partners V SICAF-SIF - Senior Private Debt Fund	47.6	-	-	6,144	38,972	9,251	49,806	129	819	187	1,006
Illiquid Markets											
Mirova Energy Transition 5 Fund	51.5	-	-	71	3,737	66	2,557	1	73	2	63
Stonepeak Global Renewables Fund	28.2	-	-	313	4,365	309	3,981	11	155	11	147
TOTAL PORTFOLIO	707.5			42,635	276,363	46,254	287,882	60	391	67	416

All “Current Total Portfolio” figures in this table are weighted averages with the exception of “Fund Value” and “Absolute Carbon Emissions (tCO2e)”.

“Absolute Carbon Emissions (tCO2e)” is calculated using the notional value of the fund. “Fund Value (£m)” shows the mark-to-market value of the fund.

“Previous” figures show climate metrics from 12 months prior to “Current” figures. Fund-level “Previous” figures may not sum to the “Previous Total Portfolio” figures because the “Total Portfolio” values may contain funds that have now been divested from and not reported in this table.

Carbon metrics are proxied where there is insufficient data for funds. In these instances, no figure is shown for MSCI Climate Metrics Coverage.

Scope 3 emissions have been de-duplicated in the “Total” columns by a factor of 0.22.

ESG and MSCI Carbon metrics meet the current minimum UK DWP’s TCFD-aligned “Metrics and Targets” regulations. However, regulations are subject to change. Gallagher monitors developments closely.

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Appendix F: Glossary of Terms (ESG and Carbon Metrics)

Enterprise Value Including Cash (EVIC): Defined as the sum of market capitalisation of shares and book values of total debts and minority interests at fiscal year end. No deductions of cash or cash equivalents are made to avoid potential negative enterprise values. This is the recommended denominator metric for carbon attribution according to the GHG Protocol, the global standard for carbon accounting endorsed by the European Union and the DWP.

Estimated Scope 3 Carbon Footprint (tCO₂e / EVIC £m): Measurement of the estimated scope 3 CO₂e emissions of a fund per million pounds of EVIC. Scope 3 emissions refer to all those that are not in direct control of a company's productive activities. Namely, all those emissions from a company's upstream supply chains and downstream product use by the consumer.

MSCI Climate Metrics Coverage: The proportion by value of a fund for which carbon metrics are available from MSCI. Climate metrics are proxied where coverage is low and in this case, the MSCI Climate Metrics Coverage will be assumed to be “-”.

PCAF Data Quality Score: The Partnership for Carbon Accounting Financials Data Quality breakdown monitors the reliability of companies' emissions data and provides useful context for interpreting the emissions-based metrics, allowing the Trustee to make better informed decisions. The scoring system ranges from one to five, with one representing the highest data quality, which involves independently verified emissions data, and five indicating the lowest quality, characterised by estimated emissions data derived from industry averages.

Scope 1 & 2 Carbon Footprint (tCO₂e / EVIC £m): Measurement of the scope 1 & 2 CO₂e emissions of a fund per million pounds of EVIC. Scope 1 emissions refer to those which are directly connected to the production of a company's product or service. For example, the burning of fossil fuels to power the electricity grid. Scope 2 emissions refer to those from the electricity used to power the facilities and machinery of a company.

Total Carbon Footprint (tCO₂e / EVIC £m): Measurement of the CO₂e emissions of a fund per million pounds of EVIC using scope 1, scope 2 and scope 3 emissions. Given a company's direct scope 1 emissions will inevitably be another company's indirect scope 3 emissions, aggregating the individual scope emissions results in a higher number of emissions than exists. To mitigate double-counting, we apply a scaling factor in accordance with MSCI's methodology. This metric may be used to assess a fund's contribution to global warming versus other funds. Previous Total Carbon Emissions (tCO₂e / £m invested) are estimated by looking at the funds' respective holdings and emissions 12 months ago.

Tonnes of Carbon Dioxide Equivalents (tCO₂e): Tonnes of greenhouse gases including methane, nitrous oxide, carbon dioxide, and fluorinated gases. Given the abundance and prominence of carbon as a greenhouse gas, all the other gasses are considered carbon equivalents.

SBTi Score: The Science-Based Targets initiative (“SBTi”) sets out a framework through which companies can set out their decarbonisation pathway and have them assessed against the goals set out in the Paris Agreement – limiting global warming to 1.5°C above pre-industrial levels or well-below 2°C. The SBTi Score is the proportion of assets invested that are classified as being Paris-aligned.

Appendix G: Disclaimer

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