# Climate change report

A report for members by the Trustee of the Santander (UK) Group Pension Scheme

Year to 31 March 2026.

*"As Chair of the Sustainability Committee, I am pleased to introduce the Scheme's latest climate change report. This report is the Trustee's opportunity to explain to members the work we are doing to identify, assess, monitor and manage the financial risks and opportunities that climate change may present to the Scheme.*

*Climate change is far more than a regulatory reporting requirement, it is a critical financial risk, a powerful driver of investment opportunity, and a defining issue for our Scheme. Our core purpose is to provide true security for our members over the long term. Embracing climate-related risks and opportunities is not just how we fulfil our duty as Trustees, but how we drive meaningful, real-world change for our communities and future generations.*

*I am encouraged by the progress we continue to make against our principal climate target. Our target is for 60% of the Scheme's credit holdings to have science-based targets that are aligned with the Paris Agreement goals by 2030. In September 2025, 53% of these holdings had science-based targets, up from 47% in September 2024 and 19% at the original December 2021 baseline. We therefore consider the Scheme as on track against this vital target. At the same time, we recognise that our engagement with our investment managers, which has been a cornerstone of our climate approach over the last year, will be essential in sustaining this momentum.*

*We have continued to monitor the sponsoring employer's resilience against climate risk. Furthermore, climate and broader responsible investment were important considerations during the Trustee's insurer selection process for the bulk annuity transaction completed after the Scheme year end.*

*While the quality and availability of climate data continue to advance, we believe there are areas that could be improved further. We clearly recognise the limitations of current emissions data in certain asset classes, and we continue to work with our advisers and investment managers to elevate the coverage, consistency and real value of the insights available to us.*

*Confronting climate change requires action from governments, companies, investors, consumers and society more broadly. As a pension scheme, our core mission is to protect the long-term security of members' benefits by managing the financial risks and opportunities, using our influence through our investment managers and advisers, and staying at the forefront of evolving market practice and scientific understanding.*

*We believe that through collective action and engagement we can build a more resilient economy and improve outcomes for our members and wider society."*

*Helen Hermant*
*Chair of the Scheme's Sustainability Committee*

# Executive summary

This report describes the activities and approach taken by the Trustee to understand and reduce the risks to the Scheme related to climate change, and potentially take advantage of any opportunities as part of the transition to a lower carbon economy.

The following points are a summary of the detailed report that follows:

- Sustainability, including climate change, is a priority for us (the Trustee). This is because we believe that appropriate treatment of climate-related risks and opportunities for the Scheme's investments should improve outcomes for our members through better long-term returns and lower risk.

- We have therefore allocated significant time and resource to this topic. Our Sustainability Committee oversees development and implementation of the Scheme's climate-related practices and takes advice from a sustainability adviser with significant knowledge in this area.

- We have identified a number of risks and opportunities to the Scheme arising from physical changes to the climate itself and from steps being taken to limit climate change. We are taking actions to better position the Scheme to reflect these factors. Due to de-risking and restructuring in the Scheme's portfolios, there has been a gradual change to the Scheme's risk profile which is expected to reduce the exposure to climate risk at an asset level. We continue to consider climate risk as we make decisions about the future of the Scheme's portfolios given the risk posed to financial systems by climate change.

- We have previously considered analysis on how such risks and opportunities might affect the funding strategy, investment strategy and the Bank's ability to provide financial support to the Scheme, by modelling the Scheme under different potential climate scenarios (noting the limitations of any modelling). Overall, we continue to believe the Scheme is well positioned to be resilient to climate-related risks over the long term, but there might be some volatility in the funding position under certain scenarios in the short term. Moreover, in higher warming scenarios, there is likely to be significant economic disruption in the long-term to which no schemes would be immune.

- The Scheme's assets are invested in a well-diversified, risk-controlled investment strategy. Our biggest focus is our **investment grade credit** investments, which are expected to remain strategically important for the Scheme in the long term and reflect a significant portion of Scheme assets.

- With the help of our advisers and in-house team, we regularly assess our investment managers' sustainability practices including their ability to protect the Scheme's assets from climate change and we engage with them on any matters of concern. Over the Scheme year, the Central Pensions Unit engaged regularly with the managers of the two corporate bond portfolios and the Sustainability Committee received presentations from both managers on sustainability-related activity, including progress towards net zero.

- During the year the Trustee received training on stewardship, including its role in addressing system-wide risks such as climate change. The Sustainability Committee received training at its regular meetings through discussion of various sustainability-related issues, including planetary solvency, climate adaptation, climate lobbying and physical climate risks. The Sustainability Committee also received updates on relevant regulatory developments, including developments relating to climate transition plans, the climate reporting regime for pension schemes and trustees' fiduciary duty.

- Net zero continued to be a focus over the last year and we have been pleased to see the reporting capabilities of the key investment managers improving over time, better enabling tracking of our interim targets. The target that we set in 2021 (to increase the proportion of the Scheme's investment grade credit holdings that have targets aligned with the Paris Agreement goal of limiting global average temperature rises to well below 2°C and aiming for 1.5°C) is also supportive of the Trustee's target for the Scheme's investments to reach net zero emissions by 2050.

- During the year, the Trustee carried out a selection exercise for an insurer to insure some of the Scheme's benefits. For each of the insurers invited to participate in the exercise, we considered their approach to responsible investment, including climate change. Once a shortlist of insurers was selected, we asked them further questions, including about climate change, and the answers were considered as part of the final selection decision.

- We have collected emissions data on the Scheme's assets, including their **carbon footprint**, to help us understand and monitor climate-related risks and identify any data gaps. It is widely recognised that there remain shortcomings in the quality and completeness of the emissions data available for many assets. Our in-house team and sustainability adviser continue to work with our investment managers to improve the quality and coverage of reporting on climate data. Overall coverage of scope 1+2 emissions data has remained broadly similar at 93%*.

- The Trustee completed the third year of monitoring progress against its main climate target. The target aims to increase the percentage of the Scheme's investment grade credit holdings that have **science-based targets** for reducing emissions to 60% by 31 December 2030. Following continued encouragement from the Trustee, one of our investment grade credit managers has improved its methodology to use a more comprehensive measure of science-based targets, as the other investment grade credit manager already does. As at 30 September 2025, 53% of the corporate bonds within the investment grade credit portfolio had science-based targets (compared to 19% at 31 December 2021 and 47% at 30 September 2024).

**Frank Oldham**
**Chair of Santander (UK) Group Pension Scheme Trustees Limited**

* Mandates where emissions metrics are not applicable are excluded from this figure.

# Introduction

## About the Santander (UK) Group Pension Scheme

The Scheme is a multi-employer scheme (with one principal employer, and one participating employer), with members from around the UK.

The Scheme is a Defined Benefit ("DB") scheme, with invested assets of c£7.7bn as at 31 March 2026 plus insurance policies valued at c£0.3bn as at 31 March 2026 which pay the benefits of a small proportion of retired members. The Scheme's overall asset allocation is summarised on page 22. As at 31 March 2026, the Scheme was 100% funded on a low-risk measure[1].

The Scheme has seven separate, actuarially segregated, defined benefit sections with a common governance and risk management framework. During the reporting period, the sections all had similar characteristics in relation to assets, liabilities and funding. Considering this, and given that the results of the climate scenario analysis (see pages 11-15) showed that the aggregated Scheme funding position was sufficiently resilient under each of the scenarios modelled, the Trustee determined that it would not be proportionate to carry out the analysis on a section-by-section basis.

Similarly, since each section had a similar asset allocation, it was not considered informative or proportionate to collect climate-related metrics at section level. Therefore, the analysis presented in this report has been carried out at the aggregated Scheme level rather than for individual sections.

In May 2026, the Trustee purchased a **bulk annuity** to insure approximately £1.5bn of the Scheme's benefits, relating to the A&L Section. This will be reflected in the next climate change report.

## The purpose and structure of this report

The purpose of this report is to describe the Scheme's governance framework for managing climate-related risks and opportunities and how it has been implemented in the year to 31 March 2026. It is the Scheme's fifth report in line with the recommendations of the **Taskforce on Climate-related Financial Disclosures (TCFD)**, as required by the 2021 Climate Change Governance and Reporting Regulations for Occupational Pension Schemes.

This report covers the TCFD's thematic areas of:

- **Governance** – the Scheme's governance around climate-related risks and opportunities.
- **Strategy** – the potential impacts of climate-related risks and opportunities on the Scheme and the resilience of the Scheme's investment strategy and funding strategy under different climate-related scenarios.
- **Risk Management** – the processes used by the Scheme to identify, assess, and manage climate-related risks.
- **Metrics and Targets** – the metrics and targets used to assess and manage relevant climate-related risks and opportunities to the Scheme.

To aim to improve readability, the main body of this report contains key comments, with references to relevant Appendix pages which you can read for more detailed information. In Appendix 1 we have included a glossary of relevant terms (which are in **bold** at first mention in this report), and below we confirm some Santander-specific abbreviations used throughout this report.

- **Bank** = Santander UK plc, the principal sponsoring employer of the Scheme.
- **CIF** = Common Investment Fund – this is the entity via which most invested assets of the Scheme are held, for all underlying Scheme Sections. The CIF is set up as a Trust and therefore requires a Trustee to govern it (see below).
- **CFT** = Common Fund Trustee, the Trustee of the CIF (see above).
- **CPU** = Central Pensions Unit – this is a team which operates from the Bank, to support the Trustee in matters related to the governance and management of the Scheme.

[1] As measured on a gilts+0.5% pa basis

# Governance

## Management of climate-related risks and opportunities – roles and responsibilities

The Trustee of the Scheme has ultimate responsibility for ensuring effective governance of climate-related risks and opportunities in relation to the Scheme. Given the importance of sustainability and the significant level of oversight required, not least in relation to the TCFD regulations, the Trustee also has a Sustainability Committee. The Trustee and Sustainability Committee are supported by various parties including the Scheme Secretary, CPU, CFT, investment managers and advisers, as listed in Appendix 2. No climate-related governance activities are undertaken by parties other than the Trustee, the CPU and its sub-committees.

The Trustee has a Climate Governance Policy which clearly lays out the division of responsibilities between the parties noted above in order to maintain appropriate oversight of the climate-related risks and opportunities relevant to the Scheme. This ensures the Trustee can be confident that its statutory and fiduciary obligations are being met. The Policy was first agreed in September 2021. The Trustee recently agreed to review it every two years, rather than annually, to align with the Bank's policies. The next review is due in September 2026.

### *The role of the Trustee*

As the Trustee has ultimate responsibility for Scheme governance activities, its role is to review, discuss and confirm or amend any decisions and proposals that have been made by the Sustainability Committee. Apart from where related to implementing the Trustee's already-agreed sustainability objectives, all decisions are ratified by the Trustee.

The Trustee role also includes:

- Scheduling appropriate training into the business plan (with the help of the Scheme Secretary and CPU) to ensure the Trustee Directors have sufficient knowledge and understanding of climate change and sustainability issues to fulfil their obligations.
- Ensuring the climate governance arrangements remain appropriate and effective.
- Signing off the Trustee's investment beliefs, investment policies and risk register, including appropriate climate-related wording.
- Ensuring any advice from the Scheme's external advisers is requested and carried out appropriately.
- Working with the CFT to ensure the investment managers (accessed via the CIF) manage climate-related risks and opportunities appropriately, as well as making clear its priorities for **engagement** with investment managers.
- Commissioning scenario analysis from time to time that illustrates how the Scheme may be affected under different climate pathways.
- Communicating with Scheme members and other stakeholders on climate change where appropriate.

### *The role of the Sustainability Committee*

The Sustainability Committee supports the Trustee in maintaining the Scheme's overall sustainability strategy by providing recommendations and implementing and monitoring these. It is a sub-committee of the Trustee. It oversees the Scheme's policies, regulatory obligations, priorities and membership of organisations and networks in respect of climate change and wider sustainability matters. The Sustainability Committee reports back to the Trustee as necessary and reviews sustainability-related disclosures in annual reports and other publicly available documents.

Additional training and education provided to the Sustainability Committee ensures there is suitable experience in relation to sustainability and climate risk, to allow the risks to be suitably considered, documented, and periodically reviewed.

The Sustainability Committee works closely with the Integrated Risk Management (IRM) Committee and the CPU, as well as liaising with the Bank and relevant advisers, to ensure sustainability risks are reflected throughout the Scheme's activities, managed and escalated to the Trustee as appropriate.

Risk identification and assessment is achieved by:

- monitoring sustainability trends, standards and requirements in the wider industry, including their impact on the Scheme;
- undertaking climate-related scenario analysis from time to time;
- reviewing climate-related metrics for the Scheme's assets;
- monitoring activity (including stewardship activity) of the Scheme's main investment managers; and
- liaising with the Bank on its sustainability risks, objectives and policies.

To ensure these actions are possible, the Sustainability Committee ensures appropriate resourcing and funding of sustainability-related activities; and maintains the Scheme's **Responsible Investment** Policy. Supporting this aim, Sustainability Committee meetings are attended by Committee members, representatives from the CPU, the Bank and relevant advisers.

### *The role of the CPU*

The CPU's responsibilities in relation to climate change include undertaking management of the Scheme's advisers and engagement with investment managers, as well as assisting the Trustee in setting the Scheme's climate strategy which includes risk management and governance arrangements. Through these responsibilities, the CPU assists the Trustee with climate-related governance activities.

## The Trustee's climate-related investment beliefs and policies

The Trustee has agreed a range of climate-specific investment beliefs and policies. These are captured in broad terms in the Statement of Investment Principles, with further detail on beliefs and policies in the Investment Beliefs Document and Responsible Investment Policy.

The Responsible Investment Policy and Statement of Investment Principles are available via the following link: https://mysantanderpension.co.uk/resources/documents/index.html.

### *Investment beliefs*

The Trustee reviewed its investment beliefs during the Scheme year, finalising them in December 2025.

The Trustee supplements its broad investment beliefs with specific beliefs for responsible investment and climate change. The Trustee reviewed its investment beliefs during the Scheme year, including its climate change beliefs. As part of this change, and in line with the approach on the wider investment beliefs, they were made briefer and more high level but there were no significant changes to the substance of the beliefs. The resulting climate change beliefs are as follows:

| **Topic** | **Beliefs** |
|---|---|
| Approach | • Appropriate treatment of climate-related risks and opportunities is likely to improve outcomes for members through enhanced long-term returns and mitigation of risks<br>• Climate risks will impact the macroeconomic environment, asset returns and funding assumptions<br>• The climate transition may present opportunities to invest in attractively priced assets, through asset classes we hold or specialist strategies |
| Paris Alignment | • We should take proactive action to support the Paris Agreement goals including using engagement (directly or indirectly) to drive alignment and real-world emissions reductions |
| Managing risks and opportunities | • It is our responsibility to ensure management of the Scheme's assets appropriately reflects climate risks and opportunities, even though the detailed implementation is delegated to investment managers<br>• One of the most important factors to consider in our approach to carbon-intensive companies is the credibility of their climate transition plans |
| Alignment with our sponsor | • We wish to be aligned broadly with the direction of travel taken by the Bank in relation to climate change, although will consider alternative approaches where appropriate for the Scheme |

### *Responsible Investment Policy*

The Scheme's Responsible Investment Policy expands on the Scheme's approach to **Environmental, Social and Governance (ESG)** factors and the responsibilities associated with holding investments in the members' and beneficiaries' best interests through the full suite of stewardship activities. The Policy contains details of the Trustee's approach to monitoring investments and investment managers on a range of factors, including managing the situation where alignment between an investment manager and the Trustee's investment beliefs is missing. It also covers the types of investments to be considered, including social impact investments. This document was last updated in February 2025 and the next review is due in September 2026.

## Ensuring adequate oversight of climate-related risks and opportunities

The Trustee believes that the dedicated Sustainability Committee, along with the advice of a sustainability adviser with significant knowledge in this area, ensures a structure that allows significant dedication to climate matters, and sufficient

discussion and challenge on information provided. The Sustainability Committee met three times during the Scheme year and its Chair updated the Trustee on the Committee's activities at the next Board meeting.

Typically, the Sustainability Committee receives advice or recommendations from the sustainability adviser which is discussed at a Sustainability Committee meeting. The Sustainability Committee typically debates the advice and challenges the adviser where appropriate, to ensure the advice is fully understood and a range of options considered. Once an agreement has been reached, any decisions are proposed to the full Board for approval.

*Ensuring appropriate adviser arrangements*

Appendix 2 details the advisers that were in place during the Scheme year, along with the advisers' responsibilities, as set out in the Climate Governance Policy.

Where relevant, the Trustee plans to incorporate climate-specific considerations into existing advisers' formal objectives, alongside ESG-wide objectives that may include climate change, when contracts with advisers are next reviewed.

The Trustee and the Sustainability Committee satisfy themselves that their advisers take adequate steps to identify and assess climate-related risks and opportunities which are relevant to the matters on which they advise by:

- setting clearly defined responsibilities and expectations in respect of climate change;
- documenting their responsibilities, where relevant, in agreements such as investment consultants' strategic objectives and advisers' service agreements;
- ensuring they have adequate expertise and resources, including time and staff, to carry these out; and
- ensuring they are adequately prioritising climate-related risk.

The Scheme's sustainability adviser has been set specific climate-related objectives, in the areas of identifying, assessing and managing sustainability-related risks and opportunities for the Scheme; compliance with relevant regulatory requirements; disclosures and member communications; governance; engagement with the Bank; and the Trustee's ESG framework and manager monitoring.

The CFT and its external investment adviser have also been set a formal objective to provide data and analysis on credit and equity managers for use in the ESG monitoring framework.

The CPU reviews all advisers against objectives set on an annual basis. The Trustee has clear processes for assessing the competency of the advisers, including (but not limited to) reviewing the advisers against the climate objectives and explicitly considering climate change in the annual review. The last review of the sustainability adviser took place in December 2025, with a positive outcome: the sustainability adviser scored green for six out of six sustainability criteria. A review of all other advisers takes place annually.

The Sustainability Committee reviewed a summary of its advisers' climate commitments and competencies, which is updated by the CPU annually. On commitments, the Sustainability Committee noted progress made in a number of areas, including new emissions reduction targets for one adviser and a clearer demonstration of climate expertise for another. The CPU seeks evidence of climate competency for the advisers where this is deemed to be of high relevance. The sustainability adviser had previously provided a detailed document outlining its climate competency against each of the indicators of the Investment Consultants Sustainability Working Group's Climate Competency Framework. The covenant adviser previously provided a document with information about its competency for each of the five themes in the Framework. The Trustee reviewed both documents and was satisfied that both advisers had suitable climate-related experience and resources for their roles.

## Oversight activities and processes

The Trustee and relevant committees ensure adequate oversight of climate-related risks and opportunities, as set out in the Climate Governance Policy, by incorporating various activities into the Trustee's annual business plan. A summary of items reviewed by the Trustee, including their frequency, is set out below.

*At quarterly meetings*

- An update on the Scheme's risk register, which incorporates climate-related risks and opportunities, following review by its sub-committees and advisers including considering emerging risks not currently included in the risk register.
- An update on the metrics in the Scheme's Key Risk Indicators document, following review by its advisers. This document currently includes one climate-related metric.

- An update from the Sustainability Committee on progress made in relation to the Scheme's management of sustainability and climate risks, including a summary of related decisions required by the Trustee.

*At least annually (within meetings)*

- Updates on the Scheme's investments, including data on climate-related metrics and progress against agreed targets.
- Whether to retain or replace any targets set in relation to these metrics.
- Reporting from the IRM Committee on the Scheme's investment managers in relation to sustainability factors and climate change, with support from the investment advisers. This is supported by an annual review by the CFT of its investment managers, including a review against climate-related objectives where they have been set.
- An update on engagement activities of the Scheme's key managers, focusing on the Trustee's chosen stewardship priorities.
- Whether it is appropriate to carry out updated scenario analysis that illustrates how the Scheme's assets and liabilities might be affected under various climate change scenarios.
- The advisers' climate competency, where relevant, including how they have performed against their climate responsibilities.
- The Trustee considers, where appropriate, the Scheme's managers' and advisers' actions to limit the potential impact of the **physical risks** of climate change on their ability to support the Trustee.
- Trustee Board effectiveness, including its climate-related skills and experience, and identifying what training is likely to be required over the coming year (to be incorporated into the relevant business plan).
- Climate-related training sessions, including an annual update on recent developments, with interim training on any time-critical developments and in support of specific meeting agenda items. Key individuals from the CPU are invited to attend such sessions, as well as being provided a training budget to ensure sufficient knowledge across that team. The Bank also provides sustainability training, to which the CPU has access.

Induction training for new trustees over the Scheme year covered climate and net zero. More generally, training undertaken by the Trustee during each Scheme year is documented in the Trustee's training log.

*Other regular items*

Climate-related factors are considered as part of:

- Review of the investment strategy – as required, but at least every three years in conjunction with the actuarial valuation.
- Assessment of the Bank's covenant – deep dive review every three years in conjunction with the actuarial valuation, but monitoring produced every six months. This monitoring incorporates a review of covenant risk and resilience factors including in relation to climate factors.

*Specific activities undertaken*

During the Scheme year to 31 March 2026, the Trustee and Sustainability Committee sought to deepen their understanding of climate change (for example, with more discussion of physical risks), enhance the Scheme's management of climate-related risks and opportunities (for example by engaging with managers on their exposures to and management of physical risks), and satisfy their regulatory obligations.

The Trustee and the Sustainability Committee continued to focus on achieving their 2050 net zero carbon target set in June 2022. During the year the Committee reviewed progress against the Trustee's TCFD and interim net zero targets, and considered developments in how the investment grade credit managers could report on alignment with net zero.

The Trustee and the Sustainability Committee received training over the period, including training on climate-related developments. This included sustainability training for the Trustee Board on stewardship and its role in responsible investment including how it could help address system-wide risks. The Sustainability Committee receives updates on topical sustainability issues at each meeting.

Much of the detailed work on climate matters through the year was undertaken by the Sustainability Committee, by design. The Sustainability Committee met three times during the Scheme year covered by this report, with key items centred around the TCFD themes in this report. For example, meetings focussed on steps being taken in relation to the Scheme's net zero commitment, the corporate bond managers' stewardship on climate change, and the impact of climate risks on the covenant. Metrics and targets for this report were reviewed in March 2026.

To assess the investment grade credit managers' approaches to stewardship, net zero and climate risk management, the Sustainability Committee received presentations from both managers. The Committee considered the strengths and weaknesses of the approaches, challenging the managers where appropriate.

# Strategy

## Identification and assessment of climate-related risks and opportunities relevant to the Scheme

*Timeframes for identifying climate-related risks and opportunities*

The Trustee has considered climate-related risks and opportunities over various time periods which it believes are relevant to the Scheme.

The Trustee has selected short term, medium-term and long-term time horizons over which to formally consider the impact of climate-related risks and opportunities. These are outlined in the table below, along with the Trustee's rationale. The Trustee intends to review these during the next Scheme year.

| | Time horizons | Rationale |
|---|---|---|
| **Short term** | <1 year (2026) | This period broadly aligns with the timeframe that the Trustee had set to achieve a lower-risk investment strategy |
| **Medium term** | ~5 years (2031) | This is a key period over which policy action will determine if Paris Agreement goals are likely to be met |
| **Long term** | ~15 years (2041) | This period is broadly in line with the average time period for paying members' benefits |

*Understanding what climate-related risks and opportunities are relevant to the Scheme*

The Scheme faces risks and opportunities from both the physical effects of climate change – for example, more frequent storms, rising temperatures and changing rainfall patterns – and from the effects of transitioning to a lower carbon economy to limit the extent of climate change – for example, government policies to restrict or discourage the use of **fossil fuels**, technological advances in renewable energy, and shifts in consumer demand towards "greener" products.

The Trustee has identified various specific climate-related risks and opportunities which could impact the Scheme's financial position, and monitors these regularly through a climate monitoring section in the risk register, which covers investment, funding and covenant. The Trustee considers the likelihood and impact of these risks and opportunities over the short, medium and long-term time horizons outlined above. Some examples of these are outlined below.

| Factors that impact... | in the short term. | in the medium term. | in the long term. |
|---|---|---|---|

| | | | |
|---|---|---|---|
| **Investments** | Investment market shocks due to the pricing-in of climate effects (transition and/or physical). This is of particular concern in the short term whilst the Scheme transitions to a lower risk portfolio, as the illiquid assets rolling off are exposed to a higher level of investment risk generally.<br><br>The Scheme is less exposed as at 31 March 2026 compared to prior years due to the de-risking that has taken place. The insurance transaction in May 2026 has further reduced investment risk exposure. | Investment market shocks due to the pricing-in of climate effects (transition and/or physical) could cause investment losses and create a need for extra funding.<br><br>The restructuring of the investment grade credit portfolios in 2024 was partly used as an opportunity to aim to improve climate resilience within the investment grade credit portfolios. | Physical climate risks create significant uncertainty. Real investment returns may be lower, particularly over the longer term due to physical impacts of a changing climate.<br><br>The Scheme expects to be fully funded, with little exposure to growth assets, when the main effects of this risk are felt, which should help to reduce the Scheme's exposure to climate risk.<br><br>Systemic action such as policy engagement is also critical to address the long-term risks. |
| **Funding** | Potential shocks to interest rates and inflation could have a positive or negative impact on the Scheme's funding position. However, the Trustee has taken steps to immunise the Scheme from changes in these factors by increasing the level of protection. Therefore, the impact of changes in interest rates and inflation on the Scheme's position is expected to be small. | Climate impacts on investment markets and regulatory requirements could affect the cost of options to secure members' benefits with an insurance company. This could therefore impact on the Scheme's long-term funding target, to the extent it is informed by insurer pricing. | Potential demographic impacts on the Scheme's liability cashflows. Direct and indirect impacts on life expectancy could be either positive or negative. Direct impacts include the effects of milder winters and hotter summers, as well as healthcare disruption caused by extreme weather events. Indirect impacts could include improved air quality due to lower fossil fuel use and reduced spending on healthcare if economic growth is lower.<br><br>A full buy-in (retaining Bank covenant) may provide the greatest protection from climate risks for members' benefits. |
| **Covenant** | The Bank is exposed to both transition and physical risks.<br><br>Economic disruption (particularly from transition measures) impacting on UK GDP, inflation, unemployment rates etc may affect:<br>• affordability of mortgages to customers and house price movements; and<br>• ability of some corporate customers to make loan repayments.<br><br>Physical factors that cause business disruption and property damage will have an adverse impact on aspects of the Bank's business including:<br>• the value of assets backing loans (for example due to flood risk and a lack of insurability), leading to higher losses when loans are not repaid; and<br>• performance of individual companies due to wider economic disruption, damage repair costs etc. potentially leading to a higher level of corporate customers unable to make loan repayments.<br><br>Whilst the Bank is of the view that climate transition represents a potential opportunity to the Bank, for example the ability to create competitive advantage and in relation to the increase in capital deployed to the green economy, it does not quantify the potential opportunities or seek to use them to downplay potential risks or indicate reliable covenant upside. | | |

*Assessing the importance of climate-related risks and opportunities to the Scheme*

The Trustee uses various tools to assess the potential impact and likelihood of the risks and opportunities it has identified, as described in more detail on pages 17-19.

The next sub-section explains how scenario analysis has been used to assess how climate-related risks and opportunities might impact the Scheme's investment and funding strategy. The following sub-section considers the potential impacts of climate change on the Bank's ability to provide financial support for the Scheme if needed.

The resilience of the funding strategy was considered by the covenant adviser, working with the Bank's sustainability team. This high-level analysis is complemented by more granular assessment of risks to the Scheme's investment portfolios using climate-related metrics (pages 19-25).

The section on risk management (pages 16-19) outlines the steps the Trustee is taking to help mitigate climate-related risks and take advantage of opportunities.

## Climate scenario analysis

Scenario analysis is a tool for examining and evaluating different ways in which the future may unfold. At its September 2025 meeting, the Sustainability Committee reviewed whether it was necessary to undertake updated climate scenario analysis and concluded that it was not. This reflected the Committee's view that there had not been significant changes to the Scheme's investment strategy, funding position or the Bank's covenant since the analysis detailed below, which was considered by the Board in December 2024. Climate scenario analysis is next due to be carried out during the year ending 31 March 2028.

*Details of the climate scenarios the Trustee has used in its most recent scenario analysis*

When considering the possible impact of climate change on the Scheme's expected funding position, the Trustee sought to consider, via asset and liability modelling, the impact of three scenarios on the Scheme. The Trustee chose these scenarios (developed by Ortec Finance and Cambridge Econometrics), after consultation with its sustainability adviser, for the following reasons:

| Transition | Description | Why the Trustee chose it |
|---|---|---|
| High Warming | No new[2] low-carbon policies enacted and some existing ones are scaled back. Current technological trends, such as significant falls in renewable energy prices, continue. Paris Agreement goals not met, and the resulting high warming leads to severe physical impacts, with multiple tipping points reached. | To explore what could happen to the Scheme's funding position if carbon emissions continue at current levels and this results in significant physical risks from changes in the global climate that disrupt economic activity. |
| Limited Action | Policymakers take moderate steps to increase climate action, including using carbon capture and storage, but fall short of meeting the Paris Agreement goals, resulting in a combination of transition impacts and high physical impacts. | To explore what could happen to the Scheme's funding position if carbon emissions are intermediate between the other two scenarios considered. |
| Net Zero Market Correction | Ambitious low carbon policies and high investment in low carbon technologies leading to a transition away from fossil fuels to cleaner energy sources and biofuel. Global net zero $CO_2$ emissions achieved by 2050. Abrupt repricing of assets leads to a shock to the financial system. | To look at the risks and opportunities for the Scheme if the Paris Agreement goals are met, but financial markets are volatile in the short term as they adjust to a low carbon economy. |

[2] New compared to the International Energy Agency's World Energy Outlook 2021 – Shared Policies Scenario (STEPS).

To provide further insight, the Trustee compared the outputs under each scenario to a "base case" that made some allowance for physical and **transition risks**.

The scenarios' key features are summarised in the following table. The three climate scenarios chosen were intended to be plausible narratives of how the future could unfold. The Trustee acknowledges that many alternative plausible scenarios exist and that other scenarios could indicate better or worse outcomes for the Scheme.

The intricacies of climate systems present considerable difficulties in modelling the impacts on the Scheme's assets and liabilities. This is particularly true in the High Warming scenario where 3.7°C of warming is observed by the end of the century. Due to the unprecedented nature of such warming, it is challenging to encompass all potential consequences within the modelling process. Limitations of current available modelling approaches mean the actual impact on pension schemes may be more significant than is currently being modelled. As long as these limitations are understood, the scenarios still provide valuable insights to inform climate risk assessment and management.

| *Scenarios:* | *High Warming* | *Limited Action* | *Net Zero Market Correction* |
|---|---|---|---|
| **Low carbon policies** | No new low-carbon policies are enacted in this scenario and some existing ones are scaled back. Current technological trends continue (eg significant falls in renewable energy prices). | Moderate steps taken by policymakers to increase climate action including working towards the 2030 targets and net zero commitments. Carbon Capture and Storage also used. | Ambitious low carbon policies, high investment in low carbon technologies and substitution away from fossil fuels to cleaner energy sources and biofuel. Carbon Capture and Storage also used to achieve global net zero by 2050. |
| **Paris Agreement outcome** | Paris Agreement goals not met. | Paris Agreement goals not met. | Global net zero $CO_2$ achieved by 2050; Paris Agreement goals met. |
| **Global warming** | Average global warming is about 2°C by 2050 and 3.7°C by 2100, compared to pre-industrial levels. | Average global warming is about 1.8°C by 2050 and 2.6°C by 2100, compared to pre-industrial levels. | Average global warming stabilises at around 1.5°C above pre-industrial levels. |
| **Physical impacts** | Severe physical impacts. Multiple climate tipping points are reached and modelled and many countries suffer from extreme weather events. | High physical impacts. | Moderate physical impacts. |
| **Impact on GDP** | Global GDP in 2100 projected to be almost 80% lower than in the Ortec Finance / Cambridge Econometrics base case. | Global GDP in 2100 projected to be about 50% lower than in the Ortec Finance / Cambridge Econometrics base case. | Global GDP in 2100 is slightly behind the Ortec Finance / Cambridge Econometrics base case. |
| **Financial market impacts** | Physical risks priced in over the period 2026-2030. A second repricing occurs in the period 2036-2040 as investors factor in the severe physical risks. | Physical risks priced in over the period 2026-2030. A second repricing occurs in the period 2036-2040 as investors factor in the high physical risks. | Abrupt repricing of assets and a sentiment shock to the financial system in 2025. |

Source: Ortec Finance as at 31 December 2023. Figures quoted are medians.

Over the long-term, and particularly beyond the time horizon modelled, the largest effects would be felt under the High Warming scenario. On the face of it, the results below suggest that the Scheme is fairly resilient in this scenario as the Scheme remains broadly fully funded in the long term. This is partly because in the modelling the Scheme is assumed to follow a fairly low-risk long-term investment strategy, with low or no exposure to growth assets such as equities which are expected to be most severely affected by climate change. Moreover, the Scheme invests in a way that is designed to

make it fairly immune to changes in interest rates and inflation in normal circumstances, which significantly reduces the volatility of its funding position. However, under climate scenarios with major economic disruption – such as the later years of the High Warming scenario – the Scheme's interest rate and inflation protection may break down, leaving it more exposed to climate risks. The median modelled outcomes do not illustrate this possibility.

There is a wide 'funnel of doubt' around the median outcome under each scenario due to the usual investment market uncertainties and additional uncertainties arising from climate-related variables. This funnel of doubt is wider in higher warming scenarios due to the greater uncertainty surrounding the potential climate impacts.

If the impacts of climate risks in practice are more severe than has been modelled, this could have implications for the Scheme's expected journey plan and potentially require additional contributions from the Bank. Therefore, when considering the impact that climate risks could have on the Scheme's funding strategy, the Trustee also considers the potential impact on the Bank and how these risks could interact.

*Results from the Trustee's assessment of climate scenarios on the Scheme's investment and funding strategy*

The charts below show the potential impact on the progression of the Scheme's funding position over time under each of the scenarios outlined above, relative to the base case. The effective date of the analysis is 31 December 2023, allowing for market conditions as at 30 June 2024. The Scheme's funding position reflects the gap between the value placed on the Scheme's assets and the value placed on its liabilities over time. To calculate the funding position at each point, the impact of each climate scenario has been applied to the assets and liabilities separately, before the two figures are compared.

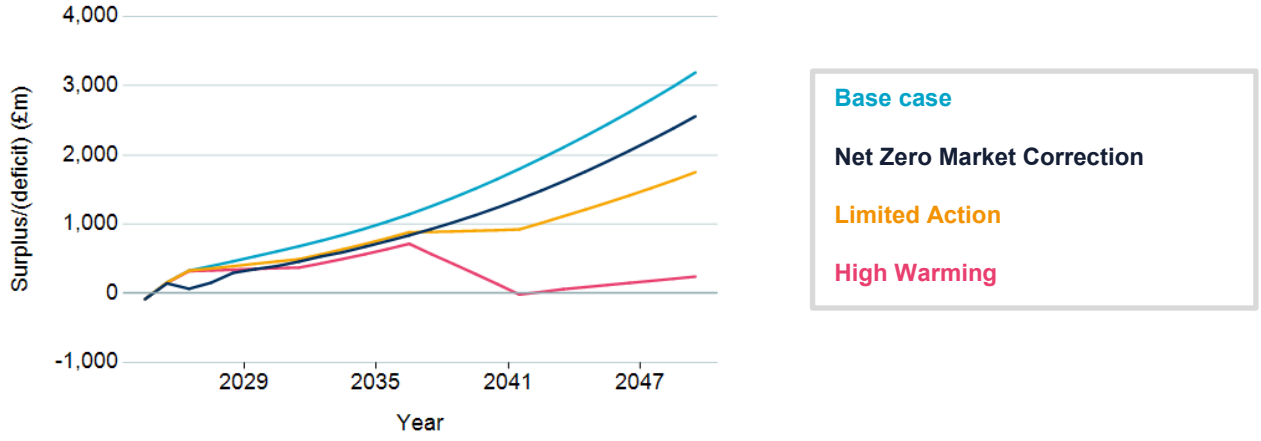
The investment strategy modelled assumes the asset allocation held at the effective date of analysis is maintained into the future. Note that, because the modelling assumes no de-risking of the investment strategy, the charts show the Scheme's surplus growing in perpetuity. In practice, once the Scheme has achieved full funding on the low-risk measure, it is likely the Trustee would pursue further de-risking or look to buy out the Scheme's liabilities with an insurer.

Two further strategies have also been modelled. These are intended to indicate the potential impact of different routes and do not reflect any current plans the Trustee has agreed.

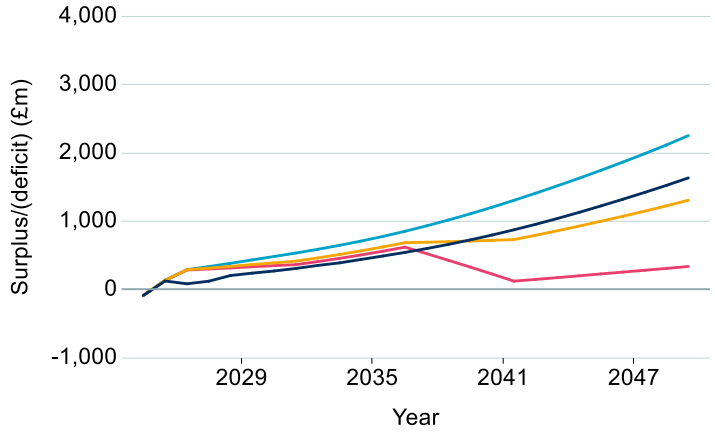
- In the first, the assets distributed from illiquid portfolios are reinvested in a mixture of liquid return-seeking assets and credit, which is shown below.
- In the second, the assets distributed from illiquid portfolios are reinvested into credit and gilts. In this scenario, a small surplus is maintained into the future, with much lower variance by scenario than under the other investment strategies modelled. The Trustee is aware of the limitations of this modelling, including that these are median outcomes, and that there is an asymmetrically large downside risk. The Scheme would remain exposed to credit and gilt defaults, which could be higher than in the base case, particularly under certain more extreme scenarios, and could lead to a deficit emerging in the future.

For the purpose of this analysis, the Trustee used a funding measure of gilts + 0.5% pa which is consistent with the Scheme's low-risk funding measure.

**Projection of funding position assuming no further strategy changes**




**Projection of funding position assuming run off illiquids are reinvested in a mixture of liquid return-seeking assets and credit**




*Results from the Trustee's climate scenario analysis*

The climate scenario analysis shows that the Scheme is expected to be relatively resilient to climate shocks under the scenarios modelled in the short term, consistent with achieving the Trustee's objective of a strong funding position on a low-risk measure[3] within the "short" time horizon.

Over the medium to long term, the Scheme could be knocked off course by significant physical climate impacts if temperature rises are not limited in line with the Paris Agreement, meaning additional contributions could be required from the Bank (although no contributions are required under the modelling results presented). In the High Warming scenario, there is likely to be significant economic disruption in the long term to which no pension schemes would be immune.

The Trustee observed the following points on its climate scenario analysis:

- The two most significant impacts on the Scheme's funding level relate to the short-term volatility in the mid-2020s under the Net Zero Market Correction scenario and over the longer term under the High Warming scenario. Overall, the Scheme is expected to remain fully funded, with an increasing surplus in most modelled scenarios. However, it

[3] As measured on a gilts+0.5% pa basis

is noted that these projections are the median outcome, with an asymmetric risk that a downside scenario could lead to a significant worsening of the funding position (whereas upsides may be more limited).
- As the Scheme hedges a high level of the interest rate and inflation movements in the liabilities, the change in the total value of assets under each scenario generally moves broadly in line with the liabilities. This means the net impact on the Scheme's funding position from changes in interest rates and inflation is mostly quite small. So, over the short-to-medium term, the funding position is reasonably close to the base case in the High Warming and Limited Action scenarios. The potential impacts are shown to be more significant over the long term.
- Under the Net Zero Market Correction scenario, there is some volatility in the short term as markets react to ambitious climate policies and rapid technological change, however the physical impacts from climate change are expected to be much less significant over the long term.
- The alternative modelling based on illiquids being reinvested in a mixture of liquid return-seeking assets and credit shows a narrower range of outcomes, but the Scheme is still exposed to significant climate risk.
- The alternative modelling based on illiquids being reinvested in credit showed a very narrow range of outcomes, however the Trustee is of the view that this is a limitation of the modelling used rather than a reliable indicator that the Scheme would be largely immune to climate risk.

In summary, the scenario that is most likely to hinder the Trustee's objectives to maintain full funding on a low-risk measure is a High Warming scenario. The analysis shows the funding position could initially improve under this scenario, albeit it is expected to significantly deteriorate in later years, with the median outcome possibly removing the surplus.

The Trustee recognises that there are many reasons why the outcome might differ from those modelled. In November 2024, the Sustainability Committee again considered the limitations of this type of analysis. It considered the importance of model risk, that is the risk of the modelling not capturing the full extent of the risks that may arise, either economically or physically. In particular, climate-financial models cannot currently capture the full scale of possible outcomes, meaning significantly different results are possible in practice. However, there is a consistent conclusion that climate change, and the actions taken that seek to prevent it, will have a material impact on economies and asset values. The Sustainability Committee considered a range of actions the Trustee could take to help mitigate key risks, including the importance of considering physical risks and policy engagement, noting that governments would play a key role in addressing climate change.

Following on from this, in March 2025, the Sustainability Committee again discussed the importance of systemic stewardship, whereby investors use their influence at a systems level to address systemic risks (risks that could cause the collapse of the entire financial system or market, and cannot be diversified away). This includes engaging with policy makers and regulators, with the objective of addressing systemic risks such as climate change that have the potential to materially harm financial outcomes. The Trustee aims to make its expectations of its key managers clear in this area and expects managers to show how they are using their influence.

Further information on the assumptions used as part of the climate scenario analysis and the limitations of this analysis can be found in Appendix 3.

## The Trustee's analysis of sponsor covenant

The Scheme is relatively well-funded and so, in the normal course of events, is not expected to have much reliance on the Bank for direct financial support in the medium- to long-term. However, climate-related shocks could trigger the need for additional support. It is therefore important to understand how the Bank could be affected by climate change and, in particular, its ability to support the Scheme in climate scenarios where additional funding is required. To assist with this, the Trustee has continued to receive updates from the Bank and its covenant adviser in relation to its climate scenarios.

In March 2026, the Sustainability Committee received an update from the Bank on its latest climate stress testing. The Bank explained enhancements it had made to its climate risk analysis capabilities and presented the results of bespoke scenarios chosen to illustrate particularly adverse effects on the Bank, which indicated that the Bank considers these risks to remain manageable. The Sustainability Committee asked questions to increase their understanding of how the Bank's climate modelling, regulatory expectations and climate risk approach is being developed. They agreed to continue monitoring progress.

The covenant adviser has worked with the Bank's sustainability team on interpreting the Bank's climate modelling, which continues to be developed, to advise the Trustee in respect of the resilience of the funding strategy. The Trustee's regular reporting from its covenant adviser incorporates climate risk factors and also monitors various resilience factors (such as capital headroom) that help to mitigate the impact of climate risks on the Bank.

# Risk management

## Risk management processes

The Trustee has established various processes to identify, assess and manage climate-related risks and opportunities in relation to the Scheme, and has taken steps to integrate these within the overall risk management of the Scheme. Some of the key measures in place are outlined below.

- Various responsibilities have been agreed to ensure the identification and assessment of climate-related risks and opportunities, as outlined in the Climate Governance Policy (see pages 5-9). These responsibilities are confirmed within the Trustee's business plan, to ensure they are covered appropriately during each Scheme year.

- The Sustainability Committee considers the exposure to climate risks for its assets on an annual basis using selected climate-related metrics, reporting any concerns to the Trustee.

- The Trustee, supported by relevant sub-committees, reviews its risk register on a quarterly basis. This includes explicit consideration of climate risks, alongside other risks relevant to the Scheme. The Trustee has also built climate-related metrics into its Key Risk Indicator reporting.

- The Trustee, IRM Committee and the CPU regularly monitor managers' sustainability practices, supported by responsible investment assessments from the Trustee's investment advisers, and engages with them on any matters of concern.

- During 2025, the Sustainability Committee received presentations from the Scheme's investment grade credit managers on their stewardship activities and engagement progress, along with discussion of how they are assessing the underlying companies' management of their climate-related risk exposures and progress towards the Trustee's net zero interim targets.

- In July 2025, the Trustee Board received training on stewardship, including its role in addressing system-wide risks such as climate change. The Sustainability Committee received training through discussion of various sustainability-related issues at every meeting, including planetary solvency, climate adaptation, climate lobbying and physical climate risks.

- The Trustee has previously had training on the sustainability approach of insurers that provide bulk annuities to pension schemes. In March 2026, the Sustainability Committee reviewed the sustainability adviser's annual assessment of the Scheme's insurer's responsible investment practices, noting some improvement since the previous review. The Sustainability Committee also considered the responsible investment approaches (including those relating to climate change) of other insurers being considered as part of an exercise to insure further Scheme benefits.

- The Trustee's covenant adviser provides covenant monitoring that includes some climate risk factors as well as covenant resilience factors that help to mitigate the impact of climate risk on the Bank, such as its headroom against regulatory capital requirements and the level of collateral cover in its mortgage book. The latest review of the climate exposures of the Bank was conducted in March 2026, as outlined in the sponsor covenant section on page 15.

The Trustee's Responsible Investment Policy reflects the actions being taken to manage climate-related risks. This Policy can be found online via this link: https://mysantanderpension.co.uk/resources/documents/index.html.

## The role of stewardship in managing climate-related risks and opportunities

The Trustee keeps its stewardship approach under review, including how it monitors the stewardship activities undertaken on its behalf by investment managers and how it engages with investment managers to encourage improvements in their practices. These improvements might relate to stewardship, climate risk management or other aspects of investment.

The Trustee has identified climate risk as one of its priorities for stewardship.

During the Scheme year, the Sustainability Committee received presentations from both of the Scheme's investment grade credit managers, including an update on their stewardship and engagement approaches in relation to climate, net zero and other sustainability themes. This provided the Committee with an opportunity to question the managers directly

and request further information going forward, such as more reporting of the outcomes of their engagements, with a view to understanding how engagement is contributing to reducing risk.

In March 2026, the Sustainability Committee considered climate-related issues relevant to the Scheme's **LDI** mandate as part of its review of TCFD metrics. It noted that, for the LDI mandate, focus should be placed on monitoring climate-related UK policy developments and counterparty exposures. As a holder of gilts, the Scheme lends money to the UK government that is used to fund its spending, and therefore the Scheme has some potential to influence the government. As such, the Scheme can have a role in holding the UK government to account on systemic risks such as climate change, given the likely need of the government to continue borrowing from the Scheme (and other pension schemes). The Sustainability Committee will be considering its LDI manager's approach to climate policy advocacy during the next Scheme year.

The Implementation Statement for the year to 31 March 2026 contains more information about the Trustee's stewardship processes and stewardship activity during the Scheme year. The Implementation Statement can be found online via this link: https://mysantanderpension.co.uk/resources/documents/index.html.

## Tools used to identify and assess risks and opportunities

The Trustee has sought to identify and assess climate-related risks and opportunities facing the Scheme arising from both the physical impacts of climate change and the transition to a low carbon economy. It has used the following main tools to help it: climate scenario analysis; assessment of sponsor covenant; discussions with the Bank; climate-related metrics; and investment manager oversight.

- **Climate scenario analysis** was used to understand the macroeconomic impact of different climate scenarios on the Scheme's finances (see the climate scenario section on pages 11-15 for further details).

- **Assessment of sponsor covenant** has been used to identify the potential impact of both physical and transition risks from climate change on the financial strength of the Bank, including under the three chosen climate scenarios. The covenant adviser also integrates climate considerations into its broader assessment of the Bank's strength and resilience, such as capital headroom, putting climate risks into context of other covenant risks the Scheme is exposed to.

- The Trustee's sustainability adviser provides reporting for the Scheme's portfolios containing various **climate-related metrics**, as outlined on pages 19-25, which help illustrate the current exposure to certain climate transition risks.

- The Trustee, with the help of the CPU, its Committees and advisers, **assesses and monitors its investment managers** to ensure they are adequately managing risks to the Scheme's assets, including those relating to the physical and transition risks from climate change. This includes the following steps:

    - Assessing the responsible investment practices of prospective managers during the manager selection process.

    - Regular monitoring of the managers' responsible investment practices with the aid of the investment advisers' assessments.

    - Engaging with the Scheme's key managers by meeting them to discuss and assess their stewardship practices.

    - Regularly reviewing the extent to which the Scheme's investment grade credit investment managers are aligned with the Trustee's 2050 net zero carbon target and actions being taken to improve alignment.

The Trustee also undertakes training, as outlined on page 8, to maintain and deepen its understanding of climate-related risks and opportunities, and hence support its identification and assessment of those faced by the Scheme.

## How the assessment of climate-related risks fits into the wider risk management picture

The Scheme's risk register includes an assessment of climate-related risks and opportunities, including the likelihood and impact of ten key climate factors over the Trustee's short, medium and long-term time horizons. The Trustee has put in place various controls to help mitigate these risks. Inclusion within the risk register helps the Trustee to put climate risk

into the context of other risks being run, and to prioritise those risks which pose the most significant potential for loss and are most likely to occur.

Overall, the Trustee believes the measures it has put in place are sufficient to reduce the risk of the financially material climate factors it has identified to an acceptable level. Its gross risk score, which assesses the inherent risk from climate change prior to implementing operating controls, is currently 20 out of a maximum of 25 reflecting the very high likelihood of risks to a large proportion of the Scheme's assets. Its residual risk score, after allowing for the operating controls, is 9 out of 25, which increased over the year to reflect the nature of climate change as a systemic risk, which means that no asset class can be assumed to be immune from the impact of climate-related risks. The main risk identified which could still materially impact the Scheme's position is the long-term effects of climate change on market returns, which are increasingly uncertain over the long term and significantly dependent on which climate pathway materialises.

## How the Trustee manages the key risks and opportunities identified

The Trustee has in place a number of measures to help manage climate-related risks and opportunities. Some examples of these are outlined below:

- The Scheme invests in a well-diversified investment strategy to help reduce exposure to risk generally, which also reduces the exposure to climate risks impacting any individual asset class. In addition, the Trustee continued to undertake de-risking steps during the latest Scheme year; the main de-risking comprised of continued run-off from the Scheme's illiquid assets. The Trustee also started the process of selecting an insurer to enter into an insurance contract with over the Scheme year. The Trustee views growth assets as likely to be most impacted by climate risks and so de-risking generally also reduces this risk.

- The Trustee has a policy to protect against a high proportion of the interest and inflation risks that could impact the value of the Scheme's liabilities. Therefore, any potential impacts on interest rates and inflation from climate change (and indeed from other factors) are significantly mitigated.

- The Sustainability Committee has identified investment grade credit as the Scheme's priority asset class, since it is expected to remain key in the Scheme's long-term investment strategy. Partly for this reason, the investment grade credit portfolios have been identified as being the Scheme's main area of exposure to climate risks and opportunities over the medium term. The Sustainability Committee focuses on this asset class in its monitoring.

- In June 2022, the Trustee made a commitment to seek to achieve net zero greenhouse gas emissions across the Scheme's investments by 2050 or sooner. Consistent with the Net Zero Investment Framework developed by the Paris Aligned Investment Initiative (PAII), the key areas of focus for the Trustee are: the setting of targets, including suitable interim targets; stewardship; and a forward-looking action plan. The Trustee has engaged extensively with the two investment managers who manage the Scheme's investment grade credit portfolios about aligning their assets with net zero pathways, as well as developing approaches to measuring and monitoring progress on a granular basis. Discussions with these investment managers are ongoing and updates are received regularly from managers.

- The Trustee has explored ways to make the investment grade credit portfolios more resilient to climate risks and take advantage of opportunities where possible and updates were made during portfolio restructuring in early 2024. The investment management agreements reflect differences in the managers' ESG approaches, but one or both of them include requirements relating to:

    - Increasing the proportion of issuers with science-based targets;

    - Improving the portfolio's weighted average Temperature Alignment scores;

    - Reducing the portfolio's greenhouse gas emissions compared to reference benchmarks and over time;

    - Allocating a specified proportion of the portfolio to ESG labelled bonds;

    - Aligning with United Nations Sustainable Development Goals; and

    - Providing reporting to the Trustee on ESG related matters.

- As outlined above, the Trustee with the help of its advisers regularly engages with its investment managers on climate-related risks and opportunities. The Trustee encourages managers to improve their climate practices where

possible. Over the Scheme year, the Sustainability Committee met with its two investment grade credit managers and discussed their climate practices, including asking the managers to provide more information on how they manage physical climate risks at future meetings.

- To help manage the impact of changes to members' life expectancy, the Trustee has previously:
    - entered into a 'longevity **swap**', which works in a similar way to an insurance contract, and aims to protect the Scheme against the risk that the members covered by the longevity swap live longer than expected; and
    - purchased insurance contracts (bulk annuity policies) which also protect against the risk that some members live longer than expected, by paying all benefit payments required for the covered group of members to the Scheme.

  Whilst these contracts were not entered into on the grounds of mitigating climate risk, nonetheless they help protect the Scheme from potential impacts of climate change on member life expectancy.

- The CPU discusses the Scheme's actuarial adviser's approach to climate change, including the use of climate scenario analysis, with the adviser from time to time. The most recent conversation was as part of the 2025 actuarial valuation. The adviser confirmed that this would be the same as the approach taken for the 2022 valuation and similar to the approach it is taking with other large schemes, where the existing allowances for prudence also cover climate risk. CPU had previously clarified how the investment adviser incorporates climate change in its expected return assumptions, since this informs the actuarial valuation assumptions.

# Metrics and targets

## The Trustee's choice of metrics

The Trustee has selected the following climate-related metrics to help it monitor climate-related risks to the Scheme:

| Metric | Detail |
|---|---|
| **Total greenhouse gas emissions**[1] | This measures a portfolio's ***absolute emissions***. It represents the Scheme's share of its portfolio companies' emissions if emissions are split between equity and debt investors in proportion to the value of their investment in the company. |
| **Carbon footprint** | This is an ***emissions intensity*** metric, expressed as emissions per million pounds (£m) invested. It is equal to total greenhouse gas emissions divided by the value of the portfolio. As the metric adjusts for the value of the portfolio, it allows emissions exposure of different portfolios to be compared. |
| **Science-based targets** | This is a ***portfolio alignment*** metric, which measures the extent to which the Scheme's investments are aligned to the Paris Agreement goal of limiting global average temperature rises to well below 2°C and pursuing efforts to limit them to 1.5°C. It is calculated as the proportion of companies with science-based targets to reduce their greenhouse gas emissions, such as ones validated by the SBTi[2]. The Trustee chose this "binary target" measure because it is the simplest and most robust of the various portfolio alignment metrics available. |
| **Data quality** | This is an ***additional climate change*** metric, which states the proportion of the portfolio for which greenhouse gas emissions data is reported, estimated or unavailable. "Reported" emissions are reported by the emitting entity whereas "estimated" emissions are estimated by a third party and so are generally considered to be of lower quality. This approach was chosen because it is in line with the statutory guidance. |

[1] More information about greenhouse gas emissions is provided in Appendix 4, including their classification into Scopes 1, 2 and 3.
[2] Science-Based Targets initiative (see Glossary in Appendix 1).

The Trustee chose to report these metrics as they are ones recommended in the statutory guidance from the Department for Work and Pensions (DWP). To help it form a broader view of climate-related risks and opportunities, the Trustee also monitors information on the Scheme's exposure to fossil fuel companies and climate-related revenues for the investment grade credit portfolios, since better quality data is available for this asset class and they comprise a large proportion of the Scheme's non-LDI invested assets.

*The metrics for the Scheme's assets*

The Trustee asked its sustainability adviser to calculate emissions metrics for its LDI and investment grade credit holdings, which ensured high data coverage and a consistent approach. The data was sourced from public databases for LDI and from MSCI, a leading provider of climate-related data for investors, for investment grade credit. The other metrics were requested from the investment managers if the value of assets comprised more than around 0.5% of the total value of Scheme assets based on valuations as at 30 September 2025, which the Trustee considered to be a proportionate approach. For the largest mandate for which the manager was unable to provide emissions data, the sustainability adviser identified and used proxy data to estimate the emissions.

The metrics obtained are shown on page 22, and are based on the assets held at 30 September 2025 except where otherwise stated. The figures in brackets are corresponding figures from the previous report, most of which are as at 30 September 2024.

The coloured figures in the data quality columns relate to the proportion of the portfolio for which metrics are unavailable, with green indicating good data coverage and red indicating poor data coverage. The arrows in the table indicate where the values of metrics have increased or decreased compared to last year's report, green for an improvement and red for a deterioration. Where data has been disclosed for the first time this year, a green arrow is shown for the data quality metric; conversely where no data has been provided in a place where it previously was, a red arrow is shown for the data quality metric. Where the metric has stayed the same based on new data, this is noted with an amber equals sign. Where it has stayed the same due to being the same data, this is noted with an amber dash.

More detailed comments on the metrics shown are provided in Appendix 5, including information about the methodology used, any estimations made and reasons for missing data.

*Conclusions from assessment of climate metrics*

The Trustee uses the metrics collected in its identification and assessment of climate-related risks and opportunities to the Scheme. This more granular assessment complements the macro-level climate scenario analysis described on pages 11-15, enabling the Trustee to focus its climate risk management on the areas of the portfolio which are expected to be most exposed to climate change.

The Trustee considered the metrics collected for each of the asset classes in the portfolio (detailed on page 22), with the following highlights:

- **LDI and government bonds:** this is a large component of the Scheme's matching portfolio for investment risk management purposes and will be held long-term. Emissions appear high but this is expected due to the large exposure value and how emissions are attributed to government debt. Although required as part of the disclosure, the Trustee recognises that emissions are not a good indication of climate risk for these portfolios, and that government climate policies are more relevant for assessing their long-term climate risk exposure. There is also some level of climate risk from the counterparty exposure within the LDI collateral pool, which is not reflected in the metrics.
- **Bulk annuity contracts:** although a small component of Scheme assets over the Scheme year, this will grow since the Trustee has undertaken a further transaction after the Scheme year end. The Trustee notes that the metrics required for disclosure are not good reflections of the climate risk exposure of the bulk annuity assets, rather the risk lies in scenarios that could affect the insurer's solvency. Therefore, the insurer's financial strength and climate practices are more relevant. The insurer has an ambition to be net zero by 2040 with interim targets also set, which the Trustee views positively. The Sustainability Committee reviewed the sustainability practices of the insurer during the year and noted that these compare favourably to peers.
- **Investment grade credit:** this is likely to be the Scheme's main source of climate risk in the medium term as it is the largest part of the long term de-risked portfolio. The proportion of the holdings with a science-based target has improved since last year, suggesting better alignment with the net zero transition and hence a reduction in transition risk exposure. Both managers have been able to supplement SBTi data with their own assessment of companies' emissions reduction targets, giving a more complete assessment of the portfolio. The metrics compare favourably to a global corporate bond reference index, suggesting a below-average exposure to climate risk, however the Trustee recognises that this is not a complete picture of the risk exposure. The

Trustee will continue to liaise with its investment grade credit managers to support further improvements over time and help achieve its 2050 net zero carbon target, recognising that the managers' climate practices form a key part of the risk exposure for the Scheme.

- **Real estate:** this is currently a fairly high proportion of assets but is expected to decrease over the coming years as the larger mandate is being sold down. Real estate has quite high climate risk exposure, due to the risk of damage from physical risks such as flooding and the costs of retrofitting properties to improve their energy efficiency, although this is not captured in the metrics reported below. The carbon footprint is low, as is typical for the asset class. The manager of the larger mandate has committed to net zero by 2050 as a firm.
- **Infrastructure:** this can be a high-emitting asset class with high exposure to physical and transition risks, but also provides considerable opportunity in relation to the low carbon transition. One of the mandates has been terminated since last year, with the other seeing a considerable increase in emissions. The manager was initially unable to comment on what had driven this increase. However, following engagement from the sustainability adviser and CPU, the manager indicated that it was transitioning to a new methodology, which should improve consistency over time. The Trustee expects the new methodology to be reflected in the next report.
- **Private equity:** this is currently a fairly high proportion of assets but is expected to decrease over the coming years. The emissions for the largest manager have been estimated using sector proxies, as noted above. The actual emissions could be considerably different from the estimates; the Trustee has therefore not drawn firm conclusions from the information received. No information is available on the companies' emission reduction plans.
- **Non-conventional credit:** this is a small proportion of assets that does not form part of the long-term portfolio and is in run off, meaning the climate exposure from this asset class is only short term for the Scheme. Data remains a challenge, with large lags or large gaps in information provided.

The analysis reinforces the Trustee's decision to prioritise managing climate risks and opportunities for investment grade credit, given its significance in the long-term portfolio. In particular, this asset class is the focus of the Trustee's net zero activities.

| Portfolio [1] | £m as at 30 Sept 2024 | £m as at 30 Sept 2025 | % of total DB assets as at 30 Sept 2025 | £m exposure at date of portfolio holdings [2] | Total greenhouse gas emissions ($tCO_2e$) [3] | | Carbon footprint ($tCO_2e$ per £m invested) [3] | | % of emissions data in £m which is: reported / estimated / unavailable (arrows refer to unavailable data) | | % science-based targets [10] | Date of portfolio holdings |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Scope 1 + 2 | Scope 3 | Scope 1 + 2 | Scope 3 | Scope 1 + 2 | Scope 3 | | |
| **Matching portfolio, investment grade credit and bulk annuity** | **5,558** | **5,056** | **68.7%** | | | | | | | | | |
| Government bonds, including gilts and swaps within Liability Driven Investment (LDI) [4] | 2,798 | 2,227 | 30.2% | 4,963 *(5,235)* | 698,000 *(775,000)* ▼ | 789,000 *(902,000)* ▼ | 142 *(148)* ▼ | 160 *(173)* ▼ | 99 / 0 / 1 *(100 / 0 / 0)* ▲ | 99 / 0 / 1 *(100 / 0 / 0)* ▲ | 99% *(99%)* ▼ | 30/09/2025 *(30/09/2024)* |
| Bulk annuity - listed equities and corporate bonds [5,9] | 282 | 253 | 3.4% | 71 *(93)* | 2,960 *(3,880)* ▼ | | 43 *(43)* = | | 97 / 3 *(97 / 3)* = | | | 31/12/2025 *(31/12/2024)* |
| Bulk annuity - government bonds [4,5] | | | | 41 *(34)* | 7,260 *(6,090)* ▲ | | 181 *(180)* ▲ | | 99 / 1 *(100 / 0)* ▲ | | | 31/12/2025 *(31/12/2024)* |
| Bulk annuity - other assets [5] | | | | 142 *(155)* | 2,180 *(2,570)* ▼ | | 21 *(21)* = | | 74 / 26 *(78 / 22)* ▲ | | | 31/12/2025 *(31/12/2024)* |
| Investment grade credit [6] | 2,478 | 2,576 | 35.0% | 2,576 *(2,477)* | *95,000 (115,000)* ▼ | 740,000 *(723,000)* ▲ | 40 *(51)* ▼ | 313 *(318)* ▼ | 81 / 11 / 8 *(82 / 10 / 8)* = | 0 / 92 / 8 *(0 / 92 / 8)* = | 53% *(47%)* ▲ | 30/09/2025 *(30/09/2024)* |
| **Real assets** | **1,427** | **966** | **13.1%** | | | | | | | | | |
| Real Estate [7] | 1,055 | 869 | 11.8% | 1,027 *(1,200)* | 1,950 *(2,140)* ▼ | 6,130 *(6,310)* ▼ | 2 *(2)* = | 6 *(6)* = | 52 / 46 / 2 *(49 / 43 / 8)* ▼ | 50 / 49 / 1 *(31 / 62 / 7)* ▼ | 0% *(0%)* = | 30/09/2025 *(30/09/2024)* |
| Infrastructure [8] | 372 | 97 | 1.3% | 91 *(431)* | 11,100 *(41,900)* ▼ | | 127 *(98)* ▲ | | 96 / 0 / 4 *(99 / 0 / 1)* ▲ | | 0% *(31%)* ▼ | 31/12/2024 *(31/12/2023 & 30/09/2024)* |
| **Alternatives** | **810** | **683** | **9.3%** | | | | | | | | | |
| Private equity [6] | 805 | 679 | 9.2% | *701 (838)* | 28,500 (38,300) ▼ | 144,000 *(239,000)* ▼ | 45 *(52)* ▲ | 244 *(343)* ▼ | 0 / 89 / 11 *(0 / 89 / 11)* = | 0 / 85 / 15 *(0 / 83 / 17)* ▼ | | 31/12/2024 & 30/09/2025 *(30/06 & 30/09/2024)* |
| Other alternatives managers | 5 | 4 | 0.0% | | | | | | | | | |
| **Non-conventional credit** | **181** | **153** | **2.1%** | | | | | | | | | |
| Non-conventional credit | 181 | 153 | 2.1% | 152 *(163)* | *1,770 (4,550)* ▼ | 5,380 *(16,400)* ▼ | *23 (51)* ▼ | 78 *(222)* ▼ | 30 / 22 / 48 *(21 / 33 / 46)* ▲ | 19 / 27 / 54 *(12 / 33 / 55)* ▼ | 5% *(0%)* ▲ | 31/12/2024 *(31/12/2023)* |
| **Cash** | **351** | **505** | **6.9%** | | | | | | | | | |
| Cash and cash equivalents | 398 | 575 | 7.8% | | N/A | N/A | N/A | N/A | N/A | N/A | N/A | |
| FX Hedge account | 38 | 10 | 0.1% | | N/A | N/A | N/A | N/A | N/A | N/A | N/A | |
| Longevity swap | *-85* | *-80* | -1.1% | | N/A | N/A | N/A | N/A | N/A | N/A | N/A | |
| **TOTAL** | **8,326** | **7,362** | **100.0%** | | | | | | | | | |

*Note: figures may not sum due to rounding*

### Notes to the table

*Figures may not sum due to rounding.*

1. Where the Trustee has not been able to obtain any data, the cell is blank. Where the metric is not applicable for the mandate, N/A is shown.
2. This column shows the Scheme's economic exposure from the mandate, consistent with the emissions figures provided. It may differ from the market value of the mandate due to leverage or the use of derivatives. It may also differ from the market value of assets used in the previous two columns where the portfolio holdings are at a date other than 30 September. Where the manager has not provided any emissions or exposure data, the valuation has been used for totals and coverage purposes.
3. The total greenhouse gas (GHG) emissions figures omit any entities for which data was not available. For example, if the portfolio was worth £100m and emissions data was available for 70% of the portfolio by value, the total GHG emissions figure shown would relate to £70m of assets and the portfolio's carbon footprint would equal total GHG emissions divided by 70. In other words, no assumption is made about the emissions for entities without data.
4. A different emissions intensity metric has been calculated for government bonds and is shown in the columns labelled "carbon footprint". Neither this intensity metric nor total GHG emissions can be compared with the emissions figures shown for other asset classes. Metrics for the government bond holdings within the credit portfolios have been omitted on materiality grounds but they are included within the AUM.
5. The valuations shown are based on the value of the Scheme's insurance policies from the Bank's report & accounts. A split of the emissions data between reported and estimated data is not available, so the combined figure is shown.
6. Emissions data is obtained from ©2025-2026 MSCI ESG Research LLC and reported by permission. See Appendix 5 for further information.
7. Metrics for one property manager have been restated for the previous year following a change in presentation for the emissions for tenant-controlled properties. These are now shown as having zero Scope 1+2 emissions, whereas previously they were shown as having no Scope 1+2 data.
8. Metrics for one infrastructure manager have not been collected this year, despite being previously reported, as the mandate comprised less than 0.5% of Scheme assets as at 30 September 2025.
9. Metrics for the listed equities and corporate bonds within the buy-in have been restated for 2024 to account for additional data received by the insurer after the publication of its 2024 report.
10. Aggregation of science-based targets data across mandates within an asset class has been done using mandate valuations rather than mandate exposures. For information on which mandates have reported science-based targets data and so are included in the aggregation, see Appendix 5.

#### *Climate change data gaps*

Some data was available for mandates comprising 98% (last year 93%) of the value of the Scheme's assets at 30 September 2025, with Scope 1+2 emissions data (either reported or estimated) for individual assets comprising 93% (last year 94% following restatement) of the value of the Scheme's assets[4]. This 93% includes a private equity mandate, accounting for 8.1% (last year 8.4%) of the Scheme's assets, for which emissions have been estimated using a broad-brush proxy. Overall coverage has remained broadly the same due to broadly similar coverage across all large mandates within the Scheme portfolio.

The CPU and the Trustee's sustainability adviser continue to encourage managers to improve their reporting and data quality, focusing on the larger mandates and any mandates to which additional money is being allocated.

Some small private equity and non-conventional credit mandates do not have any data. The Trustee has focused on other mandates for improving data since these assets are considered to be in run-off as there are no plans to renew the managers' contracts beyond current arrangements. The assets' illiquid nature also limits the actions the Trustee can take to reduce the Scheme's climate-related risk exposure in relation to these assets.

## The Trustee's choice of target

The Trustee has set the following target (its "TCFD target") against one of its chosen metrics:

| Target | Scheme coverage | Reference base date |
|---|---|---|
| 60% of investment grade credit holdings to have science-based targets by 31 December 2030 | Investment grade credit portfolios (35% of total Scheme assets as at 30 September 2025) | 31 December 2021 |

[4] Mandates where emissions metrics are not applicable (eg cash) are excluded from these figures.

This target was chosen as the metric is forward-looking and focussed on the transition that needs to occur in the future in order to achieve net zero aims globally. It is also supportive of the Trustee's 2050 net zero carbon target, which was formally agreed in June 2022.

The Trustee has agreed two additional targets for each of its two corporate bond mandates in relation to:

- reduction of scope 1+2 emissions intensity by 2030; and
- percentage of scope 1+2 emissions that relate to issuers which are net zero, net zero aligned or the subject of engagement by the manager.

Achieving the above targets will improve the Scheme's assets' alignment with a 1.5°C pathway, which is expected to help manage climate-related risks to the Scheme:

1. Reducing exposure to climate transition risks in the shorter-term by keeping up with/slightly ahead of a general market trend; and

2. Supporting collective action to meet the Paris Agreement goals, hence reducing longer-term systemic risks from the physical effects of climate change.

At 30 September 2025, an estimated 53% of the Scheme's investment grade credit holdings by value had set science-based targets (as shown in the table on page 22). This is based on the managers' own assessment of companies, which supplements data on whether the company has an SBTi-validated target with data from other sources (such as whether it has a Transition Pathway Initiative (TPI) carbon performance score below 2°C). This is an increase from 19% as at the base date of 31 December 2021, and up from 47% at 30 September 2024. Following continued encouragement from the Trustee, one of its investment grade credit managers has improved its methodology to use a more comprehensive measure of science-based targets, as the other investment grade credit manager already does[5].

The Trustee has decided to retain its current TCFD target. It will keep the definition of its science-based targets metric under review as market practice evolves. It will also review the level of its target periodically in light of any changes in definition and the pace of company adoption or lapsing of science-based targets. The Trustee will continue to engage with the investment grade credit managers on achieving progress against the target earlier than planned where there is opportunity to do so.

The Trustee is monitoring its investment grade credit managers' ability to assess the alignment of portfolio companies, with a view to using an alignment maturity scale instead of science-based targets in due course.

*Achieving the Trustee's target*

The following steps are being taken to achieve the TCFD target:

- The CPU has communicated the target to the two investment grade credit managers and incorporated the target into the investment manager agreements.

- The CPU and IRM Committee routinely talk to managers as part of the investment monitoring process. During the year, the science-based target coverage has been monitored for the investment grade credit managers and the CPU has encouraged engagement with companies that do not currently have science-based targets in place.

- The Sustainability Committee, with support from the sustainability adviser and CPU, continues to discuss with the investment grade credit managers how they can support the Trustee's net zero commitment. Given the nature of the TCFD target, this work also contributes to progress against the TCFD target. During the year, the Sustainability Committee met these two managers to review progress against the climate-related targets.

- The sustainability adviser encourages investment managers to support the goal of net zero emissions by 2050 or earlier and has published its views of best practice for investment managers in relation to net zero. This includes the use of effective voting (where applicable) and engagement with portfolio companies to encourage

[5] Figures prior to 2024 are based on information about SBTi-validated targets held on the MSCI database. The figure at 30 September 2024 is based on information about SBTi-validated targets held on the MSCI database for one manager and the other manager's own assessment of companies.

achievement of net zero. The sustainability adviser continues to engage with managers on this topic and encourages them to use their influence with portfolio companies to increase the use of science-based targets.

The Trustee reviews progress towards the target annually as one of the Scheme's Key Risk Indicators and considers whether additional steps are needed to increase the chance of meeting the target. As at 30 September 2025, the progress against the target has been strong and the Scheme is considered on track to meet its target.

# Appendix 1: Glossary of terms used within this report

Below we describe various terms which are used in this report.

- **Bulk annuity** – this is an insurance policy which pays part or all of future benefit payments owed to a group of pension scheme members.
- **Carbon emissions** – these refer to the release of carbon dioxide, or greenhouse gases more generally, into the atmosphere.
- **Carbon footprint** – in an investment context, the total carbon dioxide or greenhouse gas emissions generated per amount invested (eg in £m) by an investment fund. Related definitions are used to apply the term to organisations, countries and individuals.
- **Engagement** – dialogue between investors and relevant parties with the aim of preserving and enhancing the long-term value of assets on behalf of clients and beneficiaries. Relevant parties include companies in which the investor holds equity or debt, regulators, policymakers and other stakeholders.
- **Environmental, social and governance (ESG)** – an umbrella term that encompasses a wide range of factors that may have been overlooked in traditional investment approaches. Environmental considerations might include physical resource management, pollution prevention and greenhouse gas emissions. Social factors are likely to include workplace diversity, health and safety, and the company's impact on its local community. Governance-related matters include executive compensation, board accountability and shareholder rights.
- **Fossil fuels** – fuels made from decomposing plants and animals, which are found in the Earth's crust. They contain carbon and hydrogen, which can be burned for energy. Coal, oil, and natural gas are examples of fossil fuels.
- **Gilt** – a bond issued by the UK government.
- **Greenhouse gas (GHG) emissions (scopes 1, 2 and 3)** – gases that have been and continue to be released into the Earth's atmosphere. Greenhouse gases trap radiation from the sun which subsequently heats the planet's surface (giving rise to the "greenhouse effect"). Carbon dioxide and methane are two of the most important greenhouse gases. See also Appendix 4.
- **Gross Domestic Product (GDP)** – this is the value of all goods and services produced in a country over a given period, typically a year.
- **Investment grade credit** – corporate bonds which are viewed to have a low probability of default, compared to some other corporate bonds available in the market
- **Liability Driven Investment (LDI)** – this is an asset class designed to mirror the movements of pension scheme liabilities relative to interest rates and inflation by investing in leveraged gilt and swap instruments. It is used to protect funding level or surplus against movements in interest rates and inflation that would otherwise have a material effect.
- **Net zero** – this describes the situation in which total greenhouse gas emissions released into the atmosphere are equal to those removed. This can be considered at different levels, eg company, investor, country or global.
- **Physical risk** – these are climate-related risks that arise from changes in the climate itself. They include risks from more extreme storms and flooding, as well as rising temperatures and changing rainfall patterns.
- **Paris Agreement** – the Paris Agreement is an international treaty on climate change, adopted in 2015. It covers climate change mitigation, adaptation and finance. Its primary goal is to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.
- **Policy engagement** – engagement (see definition above) that seeks to influence public policy.
- **Purchasing Power Parity (PPP)** – the PPP is a theory of long-term equilibrium in exchange rates based on relative prices. For example, if the price of a basket of goods in the UK is £100 and the same basket costs $200 in the USA, then the PPP exchange rate would be £1:$2. The PPP rate and the actual market exchange rate can differ.
- **Responsible Investment (RI)** – the process by which environmental, social and governance (ESG) issues are incorporated into the investment analysis and decision-making process, and into the oversight of investments companies through stewardship activities. It is motivated by financial considerations aiming to improve risk-adjusted returns.

- **Science-based targets –** targets to reduce greenhouse gas emissions that are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement.
- **Science-Based Targets initiative (SBTi)** – an organisation that sets standards and provides accreditation for science-based targets set by companies and investors.
- **Stewardship** – stewardship is the responsible allocation, management and oversight of capital to create long-term sustainable value for clients and beneficiaries. It is often implemented via engagement with investee companies and exercising voting rights.
- **Swap** – a derivative contract between two parties in which those parties agree to exchange one set of cash flows for another.
- **Taskforce on Climate-related Financial Disclosures (TCFD) –** a group of senior preparers and users of financial disclosures from G20 countries, which was established by the international Financial Stability Board in 2015 and operated until 2023. The TCFD developed a set of recommendations for climate-related financial risk disclosures for use by companies, financial institutions and other organisations to inform investors and other parties about the climate-related risks they face.
- **Transition Pathway Initiative (TPI)** – a global, asset owner led initiative which assesses companies' preparedness for the transition to a low carbon economy.
- **Transition risk** – these are climate-related risks that arise from the transition to a low-carbon economy and can include changes in regulation, technology and consumer demand.

# Appendix 2: Key advisers supporting the Trustee

We have included a list of the key advisers in-place supporting the Trustee over the year below:

- **Sustainability adviser** – Lane Clark & Peacock LLP
- **Investment advisers** – Willis Towers Watson Limited, Mercer Risk Management Limited (formerly known as Cardano Risk Management Limited), Cambridge Associates Limited and Santander Asset Management UK Limited
- **Actuarial adviser** – Willis Towers Watson Limited
- **Covenant adviser** – Ernst & Young LLP
- **Legal advisers** – Mayer Brown International LLP and Stephenson Harwood LLP
- **Scheme Secretary** – CPU

The roles of these advisers, as described in the climate governance policy, are laid out below**.**

*The role of the sustainability adviser*

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

- providing training and other updates to the Trustee on relevant sustainability and climate-related matters;
- helping the Trustee to formulate its investment beliefs in relation to sustainability and climate change and reflecting these in the Scheme's investment policies and strategy;
- advising how climate-related risks and opportunities might affect the different asset classes in which the Scheme might invest over the short, medium and long-term, and the implications for the Scheme's investment strategy;
- advising the Trustee on the appropriateness and effectiveness of the Scheme's investment managers' processes, expertise and resources for managing sustainability and climate-related risks and opportunities, given the Trustee's investment objectives and beliefs;
- carrying out scenario analysis that illustrates how the Scheme's assets and liabilities might be affected under various climate change scenarios as agreed with the Trustee from time to time, and advising on when it is appropriate to update the analysis;
- advising the Trustee on the implications of the scenario analysis results for the Scheme's investment strategy and journey planning;
- assisting the Trustee in identifying and monitoring suitable climate-related metrics and targets in relation to the Scheme's investments;
- assisting the Trustee in assessing and monitoring investment managers' voting and engagement on sustainability and climate-related issues;
- leading on the preparation of the Trustee's TCFD reporting, working with the Trustee and its other advisers as appropriate; and
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change in its governance arrangements, risk register, Key Risk Indicators and communication with stakeholders as appropriate.

*The role of the CFT and the investment advisers*

In broad terms, the CFT is responsible for implementing the investment of the Scheme's assets. The CFT and its external investment advisers are responsible, as requested by the Trustee, for:

- ensuring the Trustee's investment beliefs, including responsible investment and climate beliefs, are reflected appropriately in any investment strategy proposals presented to the Trustee;
- incorporating climate-related considerations into any advice they provide to the Trustee, where these considerations may be material;
- incorporating the Trustee's investment beliefs, including responsible investment and climate beliefs, into manager selection, mandate design and manager monitoring;
- advising the Trustee on the appropriateness and effectiveness of the Scheme's investment managers' processes, expertise and resources, including the extent to which these manage climate-related risks and opportunities, reflecting the Trustee's investment objectives and beliefs; and
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change in its funding, investment and covenant monitoring, ESG reporting and communication with stakeholders (including, but not limited to, its TCFD and PRI reporting) as appropriate.

*The role of the actuarial adviser*

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

- assisting the Trustee in understanding how climate-related risks and opportunities might affect the Scheme's funding position over the short, medium and long-term and the implications for the Scheme's funding strategy and long-term objectives, working with the Trustee's other advisers as appropriate;
- advising how climate-related risks and opportunities might affect the Scheme's funding position over the short, medium and long-term and the implications for the Scheme's funding strategy and long-term objectives; and
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change in its funding, investment and covenant monitoring, and communication with stakeholders (including, but not limited to, its TCFD reporting) as appropriate.

*The role of the covenant adviser*

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

- advising how climate-related risks and opportunities might affect the Scheme's sponsoring employer over the short, medium and long-term;
- leading on the inclusion of climate change in the Scheme's covenant monitoring, working with the Trustee and its other advisers as appropriate; and
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change in its governance arrangements, risk register, Key Risk Indicators and communication with stakeholders (including, but not limited to, its TCFD reporting) as appropriate.

*The role of the legal advisers*

In broad terms, the Scheme's legal advisers are responsible, as requested by the Trustee, for:

- providing training and other updates to the Trustee on relevant climate-related legal matters;
- ensuring the Trustee is aware of its statutory and fiduciary obligations in relation to climate change and working with the Trustee's other advisers to ensure alignment between these obligations and:
    - any Trustee formulation of its investment beliefs in relation to climate change; and
    - the identification and monitoring of climate-related metrics and targets in relation to the Scheme's investments;
- working with the Trustee's other advisers to assist the Trustee in incorporating climate change in its governance arrangements, risk register, Key Risk Indicators and communication with stakeholders (including, but not limited to, its TCFD reporting) as appropriate; and
- where requested, assisting in the documentation of any contractual requirements to be included in the arrangements with the Scheme's investment managers with respect to the governance, management and reporting of climate-related matters.

*The role of the investment managers*

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

- identifying, assessing and managing climate-related risks and opportunities in relation to the Scheme's investments, in line with the investment management arrangements agreed with the CFT;
- exercising rights (including voting rights) attaching to the Scheme's investments, and undertaking engagement activities in respect of those investments, in relation to climate-related risks and opportunities in a way that seeks to improve long-term financial outcomes for Scheme members;
- reporting on climate-related stewardship activities and outcomes in relation to the Scheme's investments on an agreed basis wherever feasible; and
- providing information on climate-related metrics in relation to the Scheme's investments, as agreed from time to time, and using its influence with investee companies and other parties to improve the quality and availability of these metrics over time.

# Appendix 3 – More detail on the climate scenario analysis

*A note on the variability of the modelling*

The Trustee recognises that there are many reasons why the outcome might differ from those modelled, including:

- There is a wide 'funnel of doubt' around the median outcome under each scenario due to the usual investment market uncertainties and additional uncertainties arising from climate-related variables.
- The scenarios could play out differently to the specific scenarios modelled (for example, there could be a series of mini shocks and/or different timing of shocks).
- Other scenarios are possible, eg delayed and/or disorderly policy action to limit climate change.
- The timing and amount of benefit payments is uncertain, and cashflows from the Scheme's assets may not match the benefits as closely as assumed.
- The assessment of the funding strategy did not allow explicitly for impacts from changes in mortality rates, as it is hard to predict how climate change might affect longevity in the UK (some effects are likely to be positive and others negative).

*How are the scenarios modelled and what are the key assumptions underlying the modelling?*

The scenario analysis is based on the ClimateMAPS model developed by Ortec Finance and Cambridge Econometrics, and was then applied to the Scheme's assets and liabilities by the sustainability adviser. The three climate scenarios were projected year by year, over the next 40 years.

ClimateMAPS uses a top-down approach that consistently models climate impacts on both assets and liabilities, enabling the resilience of the Scheme's funding strategy to be considered. The model output is supported by in-depth narratives that bring the scenarios to life to help the Trustee's understanding of climate-related risks and opportunities.

ClimateMAPS uses Cambridge Econometrics' macroeconomic model which integrates a range of social and environmental processes, including carbon emissions and the energy transition. It is one of the most comprehensive models of the global economy and is widely used for policy assessment, forecasting and research purposes. The outputs from this macroeconomic modelling – primarily the impacts on country/regional GDP – are then translated into impacts on financial markets by Ortec Finance using assumed relationships between the macroeconomic and financial parameters.

Ortec Finance runs the projections many times using stochastic modelling to illustrate the wide range of climate impacts that may be possible, under each scenario's climate pathway. The sustainability adviser takes the median (ie the middle outcome) of this range of impacts, for each relevant financial parameter, and adjusts it to improve its alignment with the sustainability adviser's standard financial assumptions. These financial assumptions provide market yields and changes to market values in a median case, for each climate scenario considered.

The sustainability adviser uses these adjusted median impacts to project the assets and liabilities of the Scheme to illustrate how the different scenarios could affect its funding level. The modelling summarised in this report used scenarios based on the latest scientific and macro-economic data at 31 December 2023, calibrated to market conditions at 30 June 2024.

The modelling assumed contributions were paid in line with the current Schedule of Contributions. No allowance was made for changes to the investment strategy or contributions in response to the climate impacts modelled.

The modelling was conducted net of the bulk annuity policies owned by the Scheme. Whilst the Scheme's insured liabilities are likely to be subject to similar financial risks to those illustrated for the non-insured liabilities, the protection afforded by bulk annuity policies means that, under the assumptions used in the modelling, any financial impacts are unlikely to affect the net funding position in the three climate scenarios considered. This is because the insurance solvency regime provides considerable protection for policyholders and the climate impacts that are most likely to result in the insurer becoming bankrupt have not been fully modelled, as indicated below. Therefore including the bulk annuity policies would not affect the results presented in this report. However, the Trustee noted that in practice climate change could cause insurer bankruptcy under more extreme scenarios.

Certain assumptions were needed to match the specific asset classes held by the Scheme with the asset classes for which scenario modelling was available:

- Investment grade credit portfolios have been modelled as investment grade corporate bonds with an eight year duration.

- The property portfolio has been modelled as core UK property.
- The strategies within the alternatives portfolio, other than private equity, have been modelled as fund of hedge funds.

*What are the key limitations of the modelling (including any data gaps)?*

As this is a "top-down" approach, investment market impacts were modelled as the average projected impacts for each asset class, ie assuming that the Scheme's investments are affected by climate risk in line with the market-average portfolio for the asset class. This contrasts with a "bottom up" approach that would model the impact on each individual investment held in the Scheme's investment portfolio. As such, it does not require extensive scheme-specific data and so the Trustee was able to consider the potential impacts of the three climate scenarios for all of the Scheme's assets.

In practice, the Scheme's investment portfolio may not experience climate impacts in line with the market average. The Trustee considers how the Scheme's climate risk exposure differs from the market average using climate metrics (which are compared with a market benchmark where appropriate) and its investment advisers' responsible investment assessments which include consideration of the investment managers' climate approaches.

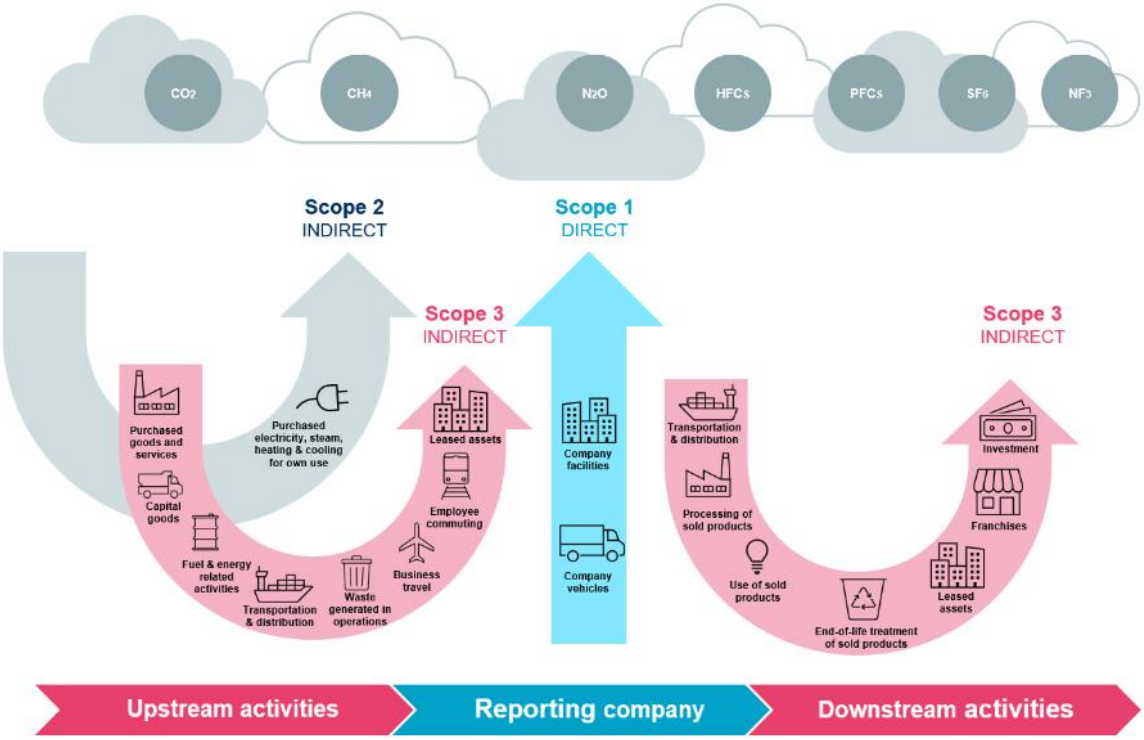
Uncertainty in climate modelling is inevitable. In this case, key areas of uncertainty relating to the financial impacts on the Scheme's assets and liabilities include how climate change – and the steps which might be taken because of any temperature increase (by governments or otherwise) – might affect financial assumptions based on market yields (including interest rates and inflation), and the timing of market responses to climate change. ClimateMAPS, like most modelling of this type, does not allow for all potential climate-related impacts and may underestimate the potential impacts of climate-related risks. For example, impacts on health, mortality and migration flows are not explicitly modelled. Tipping points (which could cause runaway physical climate impacts) are only modelled in the High Warming scenario and the actual physical impacts could be very different to what has been modelled. In addition, the model presumes that the UK government and bank counterparties will remain solvent, thereby making no allowance for credit risk on government bonds and derivative exposures. However, in higher temperature scenarios, this assumption may no longer be valid.

## Appendix 4 – Greenhouse gas emissions explained

In the metrics section of the report, the emissions metrics relate to seven greenhouse gases – carbon dioxide ($CO_2$), methane ($CH_4$), nitrous oxide ($N_2O$), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride ($SF_6$) and nitrogen trifluoride ($NF_3$). The figures are shown as "$CO_2$ equivalent" ($CO_2e$) which is the amount of carbon dioxide that would be equivalent to the excess energy being stored by, and heating, the earth due to the presence in the atmosphere of these seven greenhouse gases.

The metrics related to greenhouse gas emissions are split into the following three categories: Scope 1, 2 and 3. These categories describe how directly the emissions are related to an entity's operations. Scope 3 emissions often form the largest share of an entity's total emissions, but are also the ones that the entity has least control over.

- Scope 1 greenhouse gas emissions are all direct emissions from the activities of an entity or activities under its control.
- Scope 2 greenhouse gas emissions are indirect emissions from electricity purchased and used by an entity which are created during the production of energy which the entity uses.
- Scope 3 greenhouse gas emissions are all indirect emissions from activities of the entity, other than scope 2 emissions, which occur from sources that the entity does not directly control.




Source: GHG Protocol

## Appendix 5 – More detail on the climate-related metrics reported

This appendix provides more detail on the metrics reported in the main body of this report, on page 22.

**Government bonds in the Liability Driven Investment (LDI), gilts and swaps portfolios**

*GHG emissions*

GHG emissions for government bonds and swaps are calculated on a different basis from the other asset classes, so cannot be compared with the other emissions figures shown.

The emissions figures were calculated by the Trustee's sustainability adviser in February 2026 using publicly available data sources, as in previous years.

As suggested in DWP's statutory guidance, Scope 1+2 emissions have been interpreted as the production-based emissions of the country. Scope 3 emissions have been interpreted as the emissions embodied in goods and services imported by the country and consumed within the country (rather than re-exported).

In line with guidance from the Partnership for Carbon Accounting Financials (PCAF) issued in December 2022, emissions intensity has been calculated for gilts (the only government bonds within the LDI portfolio) as:

$$\frac{\text{(UK greenhouse gas emissions)}}{\text{(UK Gross Domestic Product at Purchasing Power Parity)}}.$$

GHG emissions have then been calculated as:

$$\text{Value of the Scheme's investment in UK government bonds} \times \text{UK emissions intensity.}$$

Derivatives have been treated as an investment in an equivalent government bond. Greenhouse gas emissions have been calculated for the bond exposure (including the repo loan amount) but not the swap positions. This is in line with the Trustee's understanding of the typical interpretation of the DWP guidance by investment managers and consultancies as not requiring estimation of emissions for swap exposures at this time.

*Science-based targets*

Government bonds have been assessed as having a science-based target if Climate Action Tracker has assessed the issuing country as having a domestic emissions target which is rated as 1.5°C or below 2°C. The UK (the issuer of all of the Scheme's government bonds within the LDI portfolio) is rated as below 2.0°C, so has been assessed as having a science-based target. It has a net zero by 2050 target written into law and sets carbon budgets to achieve this target based on advice from the independent Committee on Climate Change.

**Insurance policies**

As at 30 September 2025, the Scheme held two bulk annuity policies that make payments equal to certain members' pension benefits. As suggested in DWP's statutory guidance, the Trustee has used the insurance provider's emissions data from its public TCFD report for the calendar year 2025. It should be noted that this data does not reflect the contracts' exposure to climate-related risks since the payments made to the Scheme are not linked to the value of assets held.

The insurer has published Scope 1+2 emissions data for asset classes comprising 86% of the assets held for the relevant subsidiary company in its 2025 TCFD report. These assets back a range of life insurance products, including the bulk annuity book. The missing 14% of data includes a range of asset classes, primarily where there are not commonly-used methodologies for calculating emissions (such as cash, derivatives, structured products and reinsurance assets). The insurer did not report Scope 3 data for any of the assets, as it believes that the significant uncertainty due to estimation and inherent double-counting at portfolio level means the data is not reliable for decision-making.

The insurer was also not able to provide emissions data for the bulk annuity assets alone, the split of emissions data between reported and estimated data (although it did provide a weighted average data quality score on a 1-5 scale for each asset class), nor data for the subsidiary company for the Trustee's selected alignment metric.

The Scheme's share of the total Scope 1+2 GHG emissions disclosed by the subsidiary has been estimated by multiplying the carbon footprint for each asset class by an estimate of the value of assets in the asset class backing the Scheme's bulk annuity policies, adjusted appropriately for data coverage.

For the metrics as at 31 December 2025, the value of assets in each asset class was estimated by applying the latest available asset allocation of the bulk annuity book (which is as at 31 December 2024) to the value of the Scheme's bulk annuity policies, as calculated for the Bank's accounts for the calendar year 2025. The insurer has previously confirmed that it believes this to be a good approach, offering a reasonable proxy in the absence of specific bulk annuity data currently.

This approach effectively assumes that the value of the policies calculated for the Bank's accounts is the same as the market value of the share of assets backing the Scheme's policies and that the asset allocation for the insurer's bulk annuity policies did not change between 31 December 2024 and 31 December 2025. Whilst this may not be correct in practice, the Trustee believes it is a reasonable approach to take given the data available. An equivalent approach was taken for the metrics as at 31 December 2024.

Scope 1+2 emissions data is available as at 31 December 2025 for listed equities and corporate bonds (28% of bulk annuity assets, with 97% coverage), sovereign bonds (16% of assets, with 99% coverage) and various illiquid assets (including infrastructure debt, commercial real estate mortgages and equity release mortgages) which have been grouped under "other" (56% of assets, with 74% coverage). The carbon footprint and coverage for the "other" asset classes has been calculated as a weighted average of the constituent asset classes for which there is coverage.

The GHG emissions, carbon footprint and data quality as at 31 December 2024 for listed equities and corporate bonds have been updated since last year's report since the insurer has re-presented its 2024 data to include additional emissions data for assets managed by third parties on its behalf.

**Investment grade credit**

The metrics for these mandates were mostly obtained from MSCI[6], a leading provider of climate-related data for investors, by the Trustee's sustainability adviser in February 2026, using portfolio holdings as at 30 September 2025.

*GHG emissions*

Emissions coverage is less than 100% because:

- Some holdings are not covered by MSCI's database, such as bonds that have recently matured.
- The MSCI database does not hold emissions data for some portfolio companies because the company does not report it and MSCI does not estimate it.
- The MSCI database does not hold EVIC[7] data for some portfolio companies, so emissions cannot be attributed between equity and debt investors.

Where emissions data is estimated, MSCI uses one of three methods:

- For electric utilities, MSCI's estimate of Scope 1 emissions is of direct emissions due to power generation, calculated using power generation fuel-mix data.
- For companies not involved in power generation, which have previously reported emissions data, MSCI starts with a company-specific carbon intensity model.

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[7] EVIC is Enterprise Value Including Cash, ie the value of equity plus outstanding debt plus cash. It is used to attribute emissions to investors in the calculation of Total GHG emissions and hence Carbon Footprint.

- For other companies, MSCI uses an industry segment-specific carbon intensity model, which is based on the estimated carbon intensities for 1,000+ industry segments.

The Scope 3 emissions are MSCI's estimates, even where reported emissions are available. This provides greater consistency than using a mixture of reported and estimated emissions. Analysis of reported Scope 3 emissions suggests that the data quality is currently low - data is volatile and often out of date, with relatively few companies reporting on all types of Scope 3 emissions. In contrast, MSCI estimates all types of Scope 3 emissions for most companies in its database, for a recent reporting year and using a consistent approach.

*Science-based targets*

The first manager, whose mandate included investment grade corporate bonds valued at £1,364m at 30 September 2025, has provided science-based targets data calculated using its proprietary Paris Alignment assessment which supplements data on companies with a validated SBTi target with data from other sources such as TPI, enabling the inclusion of companies with ambitious emissions reductions targets that have not been validated by SBTi. The rest of the portfolio has been assessed as not having a science-based target.

The second manager, whose mandate included investment grade corporate bonds valued at £1,212m at 30 September 2025, has provided a similar assessment using TPI data at this date. The rest of the portfolio has been assessed as not having a science-based target. The metric shown as at 30 September 2024 is the proportion of the portfolio by weight for which the MSCI database indicates the company has an SBTi-validated target (ie supplemental TPI data is not included at this date).

**Real estate**

For one real estate mandate, with value £448m as at 30 September 2025, the climate-related metrics have been provided by the investment manager for the buildings held as at the same date. The emissions figures relating to electricity use are location-based, ie calculated using the average emissions intensity of the electricity grid where the property is located. The majority of emissions are "tenant controlled" so they are classed as Scope 3 emissions. The Scope 1 and 2 emissions therefore look low compared to other asset classes.

The "reported" emissions have been calculated using utility meter readings for the year to 30 September 2025. There are two types of "estimated" emissions data:

1. Gap-Filled Data, where actual metered energy supply data is typically available but where data gaps have occurred. These estimates are informed by analysis of historic consumption trends and where appropriate normalised for climate / external temperatures.
2. Unmonitored Data, where actual metered energy supply data is not available. Energy use intensity benchmarks are used to calculate estimated consumption based on the relevant floor area and property type.

The manager has provided Scope 1+2 reported emissions for 99% of the properties by value, and for these it has confirmed that the majority are known to be tenant controlled and therefore have zero Scope 1+2 emissions. The 2024 Scope 1+2 emissions have been restated to more accurately classify these properties as having no Scope 1+2 emissions rather than data being unavailable, giving restated 2024 coverage of 99% of properties by value. Scope 3 reported emissions have been provided for 93% of the properties by value this year, with the remainder of the portfolio having estimated Scope 3 emissions.

The manager of another real estate mandate, with value £420m as at 30 September 2025, provided a mixture of estimated energy usage figures and reported meter reading usage figures for the student residential properties in its portfolio, which accounts for 97% of the total assets under management figure. Where energy usage is estimated, this is based on the number of bedrooms in the property.

The manager calculated emissions in both cases by using:

- greenhouse gas conversion factors[8] published by the UK government; and
- a split between Scope 1+2 or Scope 3 based on whether utilities are included in the rent price (Scope 1+2) or organised and controlled by the tenant (Scope 3).

The manager was not able to provide any emissions estimates for other parts of the portfolio, however these parts have decreased significantly in value compared to last year due to the sale of a non-student property portfolio.

The exposure value of £579m reflects the market valuation of the physical assets in the portfolio, with the valuation of £420m reflecting the net asset value.

*Science-based targets*

The first manager has worked with Carbon Risk Real Estate Monitor (CRREM) to formulate an alignment metric for science-based targets. The latest CRREM methodology has been used as part of the manager's "Net Zero Carbon" audits programme to develop asset-level CRREM pathways against which targets can be set for specific capex interventions for energy and carbon reductions. The manager only considers the property to have an SBT once capex is approved to undertake the recommendations of the audit. Using this definition, none of the properties in the Scheme's portfolio currently have a science-based target.

For the second manager, there is no information available on science-based targets for any of the portfolio.

**Infrastructure**

For one infrastructure manager, with value £94m as at 30 September 2025, the investment manager has provided total GHG emissions and carbon footprint data as at 31 December 2024. This is a single-asset mandate for which the portfolio company reports Scope 1+2 emissions, so no estimation has been used. No Scope 3 data has been provided by the company as at 31 December 2024. The company does not have a science-based target.

Most of the assets held by the other infrastructure manager were sold during the year, leaving only £4m invested as at 30 September 2025, so emissions data has not been collected this year on materiality grounds. Metrics for this mandate, which was valued at £270m as at 30 September 2024, are included in the prior year figures.

**Private equity**

The main private equity manager was not able to provide any emissions data for its portfolio companies. Given the size of the mandates with this manager, valued at £593m as at 30 September 2025, the Trustee sought to estimate their emissions.

The manager provided a split of the assets by sector as at 30 September 2025, reported separately for the US and African holdings. The Trustee's sustainability adviser used data from MSCI in February 2026 to calculate the carbon footprint for each sector of the MSCI North America Index and MSCI Emerging Markets Index at 30 September 2025, using the same sector classification. It then combined these sector-average carbon footprints into an estimate of the overall carbon footprint of the assets using the sector splits provided and the market value of assets at 30 September 2025.

In other words, the figures shown assume that the Scheme's US and African assets have the same emissions intensity as the average company in the relevant sector of the MSCI North America Index and MSCI Emerging Markets Index respectively. This represents a minor change in methodology from the previous year, where the MSCI US Small Cap Index was used for the US assets. In practice, the portfolio companies' emissions may differ significantly from that assumed, for example where the nature of their business differs significantly from the sector average. The manager was not able to provide any information on which portfolio companies have science-based emissions reduction targets.

A second private equity manager, with market value £21m as at 30 September 2025, provided total GHG emissions and carbon footprint data for the whole fund based on latest available emissions data and company valuations as at 31 December 2024, for 77% of the Scheme's exposure. This relates to Scope 1+2 emissions only, based on proxy

[8] https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2024

estimated data using company data (sector/geography) and company financial data sourced via another data provider. The manager was not able to provide any Scope 3 data this year. The manager was also not able to provide any information on which portfolio companies have science-based emissions reduction targets.

The Scheme's share of the fund as at 31 December 2024 has been used to calculate its share of the fund's total GHG emissions. The market value of the Scheme's holding is lower than the implied exposure value because it is net of leverage, fund running costs, management charge and carried interest.

**Private equity and other alternatives – other managers**

The other alternatives managers (mainly private equity, valued at £69m in total as at 30 September 2025) were either unable to provide emissions data or the mandate was considered too small for it to be proportionate to request the data.

**Non-conventional credit**

One of the non-conventional credit managers, valued at £55m as at 30 September 2025, was able to provide total GHG emissions and carbon footprint data for 100% of the portfolio for Scope 1+2 and Scope 3. Reported data accounted for 52% of the portfolio as at 31 December 2024, with the remaining companies' 2024 emissions estimated using proxies based on geographic location, revenue and sector of activity.

None of the portfolio companies have SBTi-validated emissions reduction targets, however the manager was able to use the Private Markets Decarbonisation Roadmap, for 83% of the portfolio, to determine that 15% of the portfolio is aligning to a net zero pathway and has therefore been characterised as having an SBT. None of the portfolio is independently assessed as aligned at this stage.

Emissions data was provided by another non-conventional credit manager, valued at £52m as at 30 September 2025. The manager provided the Scope 1 and 2 emissions data that was available across all its assets, and advised that 2.2% of the total emissions were attributable to the Scheme's assets. It has been assumed that the Scheme's share of Scope 1+2 emissions alone was 2.2% of the manager's total Scope 1+2 emissions. All of the data available was reported by portfolio companies and the manager advised that the reporting companies comprised 26% of the Scheme's assets as at 31 December 2024. There was no Scope 3 data available. The manager was not able to provide the proportion of companies held with science-based targets, but advised it was unlikely that any portfolio companies have SBTi-validated targets.

The other non-conventional credit managers (valued at £47m as at 30 September 2025) were considered too small for it to be proportionate to request the data.