

Novartis UK Pension Scheme

Climate change governance and reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”)

Reporting period: 12 months to 31 December 2025

July 2026





Contents

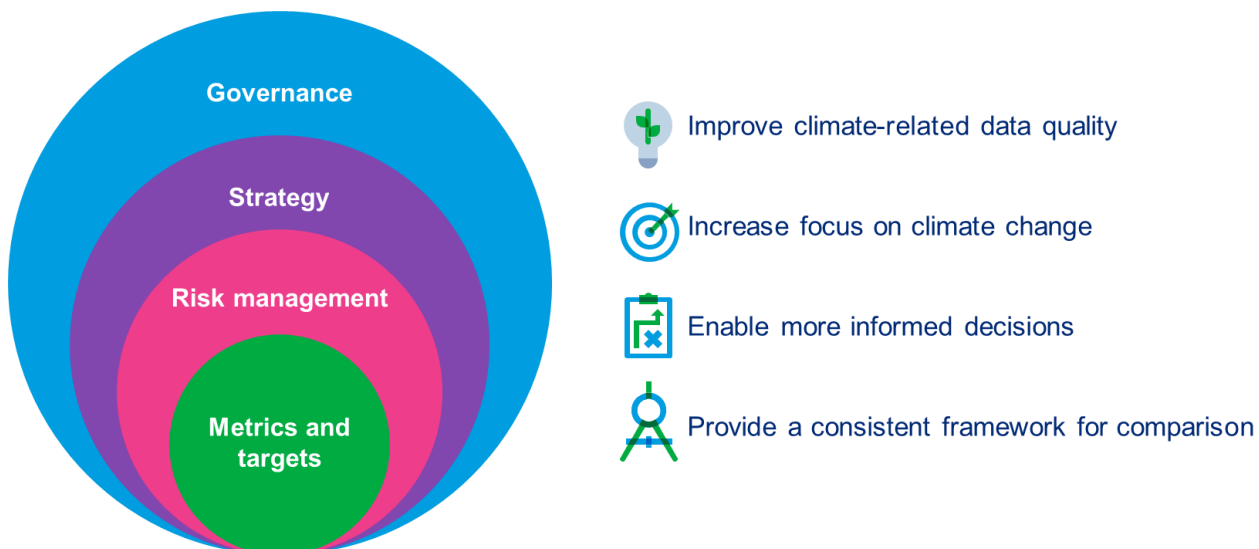
1. Introduction	2
2. Governance	3
3. Strategy	6
4. Risk Management	12
5. Metrics & Targets	16
6. Appendix	29

1. Introduction

The Novartis UK Pension Scheme (“Scheme”) is a UK-registered occupational pension scheme with assets held on behalf of members by Novartis UK Pension Trustees Limited (“the Trustee”).

The Trustee believes that good stewardship and ESG (Environmental, Social and Governance) issues may have a material impact on investment risk and return outcomes. This includes climate change issues. It is committed to developing and implementing ESG and Climate Change related investment governance policies, and adhering to the annual reporting requirements under The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and the Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021. These serve as a framework to help manage and report on the actions being taken to identify climate change related risks and opportunities in the Scheme’s portfolio.

This is our fourth annual report and covers the twelve months to 31 December 2025. It explains how we, the Trustee, have established and maintained oversight and processes to ensure that relevant climate related risks and opportunities are considered appropriately by all stakeholders involved in the day-to-day management of the Scheme. The report is divided into four sections: Governance, Strategy, Risk Management, and Metrics and Targets, consistent with the four pillars of the TCFD framework:



We recognise that climate issues can be more relevant and readily implementable for some parts of the portfolio than others. This report focuses on the areas where the governance of climate risk and opportunities has been applied. We will seek to expand the remit of this reporting to cover the entirety of the Scheme’s portfolio for all metrics monitored as and when the ability to monitor these risks becomes more achievable via improved availability of data.

The remainder of this report considers these four areas in turn. We start with Governance, before considering Strategy, then Risk Management and finally Metrics and Targets.

2. Governance

Trustee's oversight of climate change-related risks and opportunities

The Trustee has ultimate responsibility for ensuring effective governance of climate-related risks and opportunities. The Trustee maintains a **Statement of Investment Principles** ("SIP"), which details the key objectives, risks and approach to considering ESG factors, including climate change, as part of the investment decision making processes. The SIP is reviewed on at least an triennial basis and the latest version can be found via the following link:

<https://novartis.compendiatouch.co.uk/media/ankjhe2v/sip-june-2025.pdf>

In addition, following a session on ESG beliefs held in October 2021, the Trustee has adopted **Responsible Investment Beliefs and Policies**, which provides further details on the Trustee's beliefs and policies in relation to ESG factors and the Trustee's commitments around climate change.

The Trustee's intention is to align the Scheme's investments with the targets set under the Paris Agreement (which aims to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels) in relation to greenhouse gas emissions and carbon neutrality, to the extent that this is consistent with overall risk and return considerations (including, for example, avoiding a material detriment to return expectations through the existence of any "green premia" or a concentration of risk that could result from an excessively narrow investment universe).

The Trustee takes independent investment advice to help assess climate risks and opportunities, and looks to ensure that any decisions continue to be integrated into an effective investment strategy that supports the Scheme's ability to provide pensions to members.

Once a year, the Trustee receives a report summarising the engagement activity carried out on its behalf by the investment managers.

The Trustee has dedicated a significant amount of time and resource to the governance of climate-related risks and opportunities. The Trustee has a fiduciary duty to act in the best interests of members, and **the Trustee believes that climate-change and other ESG issues may have a material impact on investment risk and return outcomes, which ultimately affect pension outcomes for members**. Therefore, the Trustee will continue to ensure that appropriate governance resources are available for developing and implementing ESG and climate change related governance policies.

Organisational structure

The Trustee meets at least two times a year (and more frequently, if deemed required) where investment performance and risk management are reviewed, with climate-related risks forming part of the wider assessment.

Research into how climate-related risks and opportunities impact financial markets is constantly evolving and expanding. The Trustee, as a Professional Corporate Sole Trustee, has training requirements to ensure nominated directors keep up-to-date with developments, and allocates time on meeting agendas to cover relevant items. At the March 2025 ISC meeting, the legacy Investment Sub Committee received a presentation from a sustainable investment expert which included an element of training on alternative climate metrics and climate scenario analysis. The Scheme Secretary will liaise with the Trustee's advisers to ensure that relevant items are included on meeting agendas as and when appropriate.

Trustee Advisers

Investment Consultant

The Trustee's appointed investment adviser, Mercer, assists the Trustee in developing and executing its climate related investment policy as follows:

- Providing training, when required and other updates to the Trustee on relevant climate-related matters;
- Helping the Trustee to formulate its investment beliefs in relation to 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 processes, expertise and resources of investment managers in relation to managing climate-related risks and opportunities, given the Trustee's stated investment objectives and beliefs;
- Advising on the inclusion of climate change in the Scheme's governance arrangements and risk register, working with the Trustee and its other advisers as appropriate;
- Leading on the preparation of the Trustee's TCFD reporting, working with the Trustee and its other advisers as appropriate;
- Assisting the Trustee in identifying and monitoring suitable climate-related metrics and targets in relation to the Scheme's investments, including liaising with the Scheme's investment managers;
- Monitoring, managing and challenging the performance of the investment managers;
- Undertaking investment related Scheme governance activities on behalf of the Trustee, such as coordinating required public disclosures;
- Reviewing quarterly investment performance reports and highlighting key information to the Trustee for noting or action; and
- Assisting the Trustee with understanding climate-related risks and opportunities at the strategic asset allocation level and also at the investment manager and individual portfolio level.

Scheme Actuary & Covenant Advisers

The Scheme's actuarial adviser, Mercer, has provided input into the climate related scenario analysis. Mercer also incorporates climate change related considerations into other actuarial projects such as the triennial actuarial valuations.

The Scheme's covenant adviser, EY, has provided input on the exposure of the Scheme's sponsor to climate-related risks.

Climate related exposures are considered alongside other factors that could have a positive or negative impact on the strength of the sponsor's covenant.

Assessment of Advisers

The Trustee is required to ensure that the advisers that provide support and technical expertise on various climate issues have the appropriate level of climate-related risk expertise and resources to enable them to carry out their duties.

If appropriate, the Trustee will challenge whether the risks and opportunities are effectively allowed for in its governance processes and wider activities, will challenge its advisers to ensure the governance support and advice adequately covers the consideration of climate-related risks and opportunities and will also challenge its advisers on the information provided to the Trustee in relation to this topic. This process also affords the Trustee an opportunity to identify new and emerging risks related to climate change.

The Trustee has set specific expectations for its investment adviser through its Investment Consultant Objectives (the "Objectives"); these Objectives are aligned with the best practice indicators from the Investment Consultants Sustainability Working Group ("ICSWG") guide for assessing climate competency of Investment Consultants. An assessment of the performance of the investment adviser against these Objectives is collated on an annual basis, consistent with regulatory requirements.

Time and resources spent on climate change-related matters

The Trustee is responsible for ensuring that sufficient time is allocated for consideration and discussion of climate matters by the Trustee and its advisers. The Trustee, will allocate time to climate change topics, amongst other ESG topics, to cover the various workstreams listed below.

There are a number of workstreams that are to be completed regularly in order for the Trustee to fulfil its responsibility for managing climate risks and opportunities. It is important to note that many of the workstreams will cover wider ESG risks not just climate change risk, as the Trustee does not consider climate risks in isolation but holistically alongside the various other ESG risks the Scheme may be facing.

The workstreams are listed below as well as the frequency of which each task will be carried out:

- Scenario analysis modelling the investment strategy and funding strategy (minimum frequency = first year of TCFD reporting and every 3 years thereafter).
- Review appropriateness of undertaking scenario analysis in light of a) data availability changes b) material changes in investment strategy / funding strategy (minimum frequency = annual).
- Metrics data collection (minimum frequency = annual).
- Target setting / target appropriateness review (minimum frequency = annual).
- Progress against target assessment (minimum frequency = annual).
- Responsible Investment Beliefs and Policies (including climate change) update / review (minimum frequency = triennial).
- Review of manager ESG integration, climate policies (minimum frequency = annual).
- Stewardship, covered as part of the Trustee's annual Engagement Policy Implementation Statement (minimum frequency = annual).
- Risk frameworks update/review e.g. risk register (minimum frequency = annual).
- Climate covenant assessment (minimum frequency = annual).
- Drafting annual TCFD report (minimum frequency = annual).

A photograph showing three people in a meeting. A man with glasses and a light pink shirt is gesturing with his hands while speaking to two other people, a woman with curly hair and a man with a beard, who are listening. They are in a bright, modern office setting.

3. Strategy

Analysing the potential impact of climate change on assets, liabilities and the covenant

Climate scenarios

Given the uncertainty around the timing and impact of climate-related transition and physical risks, the Trustee has considered a range of possible climate scenarios to help test the resilience of the Scheme's investment and funding strategy.

This report summarises the analysis of two climate scenarios. These are defined as a 'rapid transition' and a 'failed transition'. Both scenarios are considered plausible and therefore it is important for the Trustee to understand the potential impact of the scenarios on the Scheme.

Climate scenario analysis is an ever evolving space and, as such, the scenarios modelled and reported may be subject to review in future periods. It is important to note that the modelling may understate the true level of risk due to the uncertainty around the future economic impacts of climate change.

Resilience of the Scheme's strategy

Climate change scenario analysis has been undertaken on the Scheme's strategic asset allocation to assess the potential implications of climate change under two core scenarios and explores a range of outcomes over defined short, medium and long-term time horizons, rather than exploring tail risks.

The Trustee focuses on the following two core scenarios:

A Rapid Transition – Average temperature increase stabilises at 1.6°C from 2050 onwards (relative to pre-industrial average). Highly ambitious low-carbon policy and rapid technology transition. Sudden divestments in 2026 to align with the Paris Agreement goals have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock. Following this shock there is a recovery. The world experiences comparably low impacts from physical risks (such as extreme weather events) as the world adapts to the effects of climate change.

A Failed Transition – Average temperature increase of 3.7°C by 2100. The world fails to co-ordinate a transition to a low carbon economy. Physical climate impacts significantly reduce economic productivity and have increasingly negative impacts including from extreme weather events. These are reflected in re-pricing events in 2030 and late 2030s. Physical damages are most significant under this scenario.

These scenarios are not predictions, but rather an illustration of plausible scenarios that might occur.

One way to illustrate the scenarios modelled is by plotting the transition risk against the physical risk. This is shown in the chart below, which builds upon the Climate Scenarios Framework developed by the Network for Greening the Financial System (“NGFS”).

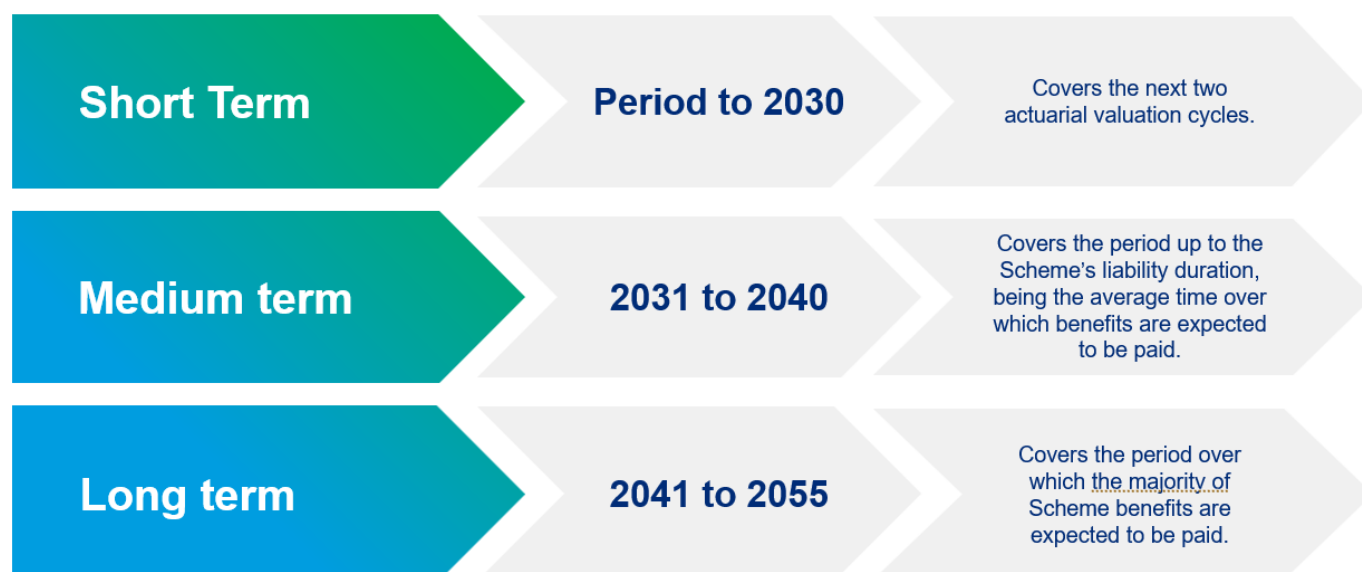
The scenarios modelled do not directly map to any of the 7 NGFS long-term scenarios. The scenarios used by the Trustee are tailored to support investment analysis.



A key strength of the scenarios modelled is that they allow for climate impacts to be “priced-in” before they happen. This reflects likely market dynamics and means climate impacts are more likely to fit within investment timeframes (i.e. they are likely to impact on asset values within the Scheme’s investment time horizon).

The effects of climate change, and the actions or measures taken by governments, businesses or individuals, will be felt at different times in the future and to different extents. It is important for the Trustee to understand how the Scheme’s exposure to climate-related risks and opportunities may change over time, when the risk exposure may be greatest and what actions can be taken now, or in the future, to avoid those risks becoming financially material to the Scheme.

To help with this assessment, the Trustee has defined short, medium and long-term time horizons for the Scheme. The climate-related risks and opportunities that are relevant to the Scheme will be different over these periods.



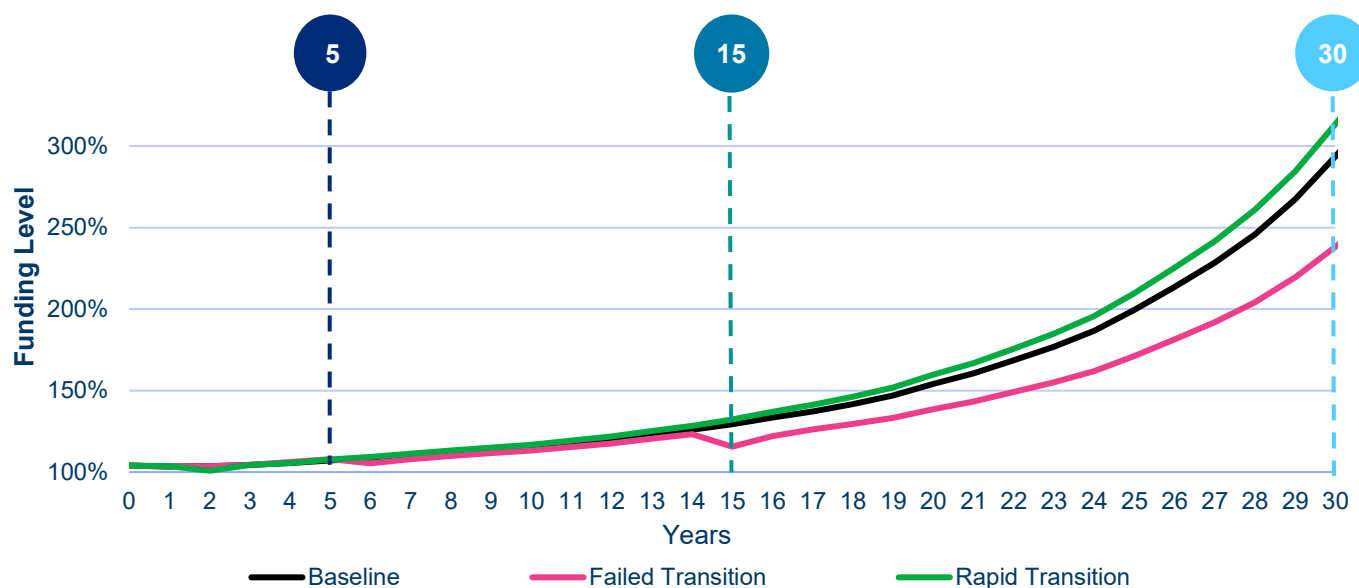
The Trustee acknowledges that the Scheme's time horizon may be shorter in practice than any of the time horizons listed above (particularly the long term time horizon). However there is significant uncertainty over when climate risks will become reflected in market prices and the modelled changes, if they transpire, could occur sooner than modelled.

Market impact



Now to 2030	2031 to 2040	2041 to 2055
Transition risks are greater than physical risks. - Perceived or real increase of the pricing of greenhouse gas emissions/carbon by markets may lead to the value of assets in certain sectors being materially impacted as market awareness of the future physical impacts of climate change grows. - Unexpected or accelerated climate-related policy changes (such as the introduction of a 'carbon price') by governments or industry bodies may surprise markets.	Risks are more balanced, reflecting both transition risk and physical risk. - The implications of the physical impacts of climate change become clearer to markets and will impact asset valuations. - Advancement of the transition is likely to have started to <u>crystallise</u> stranded asset risks over the medium term (e.g. oil companies owning a commodity whose value has fallen to the point it is not economical to mine).	Physical risks are expected to dominate. - There will be more frequent and extreme weather events creating physical damages to property and infrastructure. - Availability of resources is expected to become more important if changes in weather patterns (e.g. temperature or precipitation) affect the availability of natural resources such as water. - The impact of global heating on productivity, particularly in areas closer to the equator, will also be a key driver.

Climate scenarios – Summary of results



**Analysis as at 30 November 2025, based on the results of the 2024 actuarial valuation. The starting point for the forward looking projection is 30 November 2025. Projections assume a static asset allocation that does not allow for future changes to the strategy. The assumed strategy is however based on a Memorandum of Understanding between the Trustee and Company over a future investment strategy rather than the actual allocation in place as at 30 November. The analysis does not allow for any actions that may be taken by the Trustee in response to a growing surplus.*

In designing scenario analysis, a fundamental decision is whether to assume that any climate impacts are priced in today. The analysis in this report is expressed relative to a 'climate-informed' baseline¹; the implication is that all return impacts are presented in terms of how they are different to what we are assuming is priced in today.

Further detail on climate scenario narratives, including modelling limitations, is included in the appendix of this report. As noted above, there were no material changes to the investment or funding strategy over the year and as such the Trustee has not sought to undertake new scenario analysis outside of the mandatory cycle.

Key points at different time frames:

5 Years

- Over this period, transition risks dominate, with the rapid transition scenario seeing the biggest impact. The model includes a market shock in the rapid transition scenario as transition risks are priced into markets, causing a deterioration of c.3% in funding level terms at year 2 followed by a quick recovery to an improvement of c.1% by year 5 (compared to the baseline scenario, which makes an allowance for climate change impacts). The timing of any shock or recovery is uncertain.

15 Years

- At this timeframe, transition risk and physical risk are both factors. The impact of transition risks under the Rapid Transition and physical risks under the Failed Transition are broadly similar.
- At the 15 years time point the projected funding position drops by c.13.7% under the Failed Transition scenario (compared to the baseline).

30 years

- Over the long term, physical impacts become significant, with the Failed Transition resulting in significant falls in asset value relative to the baseline. The Failed Transition is the worst scenario, potentially reducing the funding level by around c.55% (compared to the baseline).

Climate scenarios – Key conclusions

- The analysis illustrates that **a failed transition is by far the worst in terms of long-term funding outcomes.**
- The Scheme's funding level is relatively resilient to climate shocks as it remains above 100% under both Failed and Rapid Transition scenarios.
- This supports the view that long term investors collectively trying to bring about an effective transition is aligned to their fiduciary duty to seek the best return within risk, liquidity and complexity restraints.
- The Trustee has already taken steps consistent with this both from a policy point of view and in terms of investing in climate aware solutions. The analysis supports continuing to develop this approach.
- This analysis focuses on the long term impact of a failed transition on the Scheme. It is not the purpose of this review to remark on the obviously negative consequences for the planet of a failed transition.

Longevity assumptions

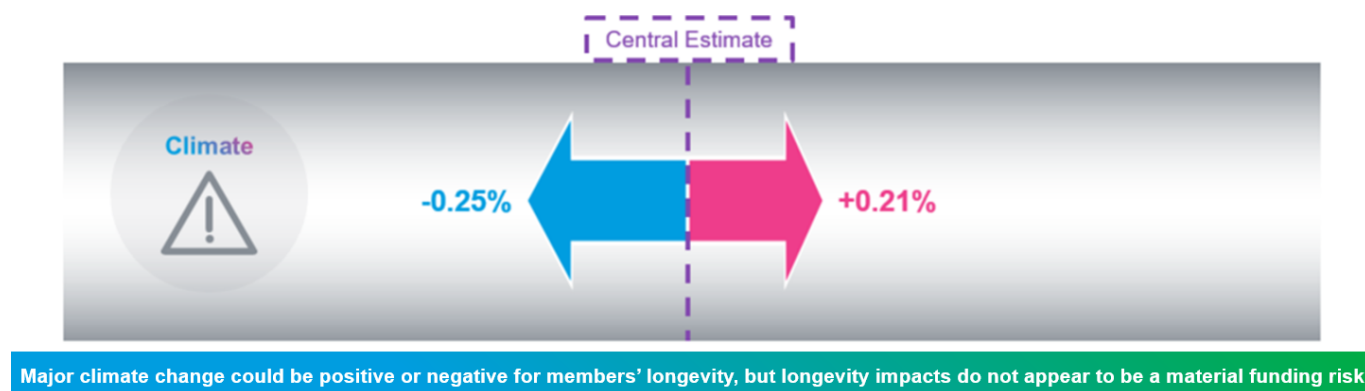
The Intergovernmental Panel on Climate Change ("IPCC") has defined a range of Representative Concentration Pathways ("RCPs") for greenhouse gas emission. Of those, RCP8.5 represents the most extreme change, with global mean temperature rises of 2°C by 2046-2065 and 3.7°C by 2081-2100. With rising temperatures potentially giving rise to positive and negative effects on human longevity, RCP 8.5 has the greatest potential to reduce longevity

¹ The baseline represents what we are assuming the market is currently pricing in. The baseline includes a 10% weight to a Failed Transition, 35% weight to a Delayed Transition, 5% to a Rapid Transition, 15% to a Limited Transition, and 35% to a range of Low Impact scenarios.

improvements by comparison with other scenarios with RCPs, with the magnitude of reduction varying greatly by age.

Mercer's **central estimate** reflects a balanced view of climatic impact, and in climates like the UK and across the likely term of most DB pension schemes, the impact is most likely to be a very small reduction in general mortality rates. Moody's RMS estimate physical effects to be close to neutral in the UK across the typical time horizon of most DB pension scheme liabilities, with a decrease in cold-related mortality projected to broadly cancel out the projected heat-related mortality.

For the purposes of the 31 December 2021 actuarial valuation, Mercer applied RMS models of the upper and lower bounds for the net effects of an RCP8.5 pathway as shown. This modelling has not been updated for the 31 December 2024 actuarial valuation. Mercer considers this to be reasonable, as the climate impacts on mortality are not expected to change materially over inter-valuation cycles and there is no specific requirement to update this modelling. It is included here for completeness.



The Trustee acknowledges that there are many other scenarios of projected impacts of climate change and that longevity assumptions will be impacted by factors other than hot- and cold-related mortality. For example, in the UK, it may be expected that wider macro-economic, behavioural and health related impacts on longevity from climate change are likely to have a more significant impact (which may be positive or negative) than physical risks in the short-medium term. The Trustee will consider this as part of future reporting requirements.

Impact and Opportunities

Now to 2030

- The Trustee's ability to anticipate these short term changes can position the Scheme favourably, for example, taking advantage of the climate transition by avoiding or reducing investment in high-emitting carbon sensitive businesses that do not have a business plan that supports the transition to a low carbon economy. The Trustee has already engaged with the Buy & Maintain Credit managers to integrate their best thinking on the low carbon transition and physical risks into their mandates over time. The Multi-Asset Credit manager also has explicit ESG aims, especially in relation to climate risk.
- The climate metrics analysis helps the Trustee to understand which of the Scheme's mandates are most exposed to climate-related risks and which are best positioned for the transition to a low carbon economy.

2031 to 2040

- The Scheme's material allocation to defensive fixed income assets means the impact of different climate change scenarios is relatively muted.
- Further policy, legislation and regulatory action is likely to be inflationary, to the extent it results in higher costs for consumers and businesses (e.g. through a carbon tax). Furthermore, inflation is expected to be elevated under the Rapid Transition, resulting from damages to agriculture and change

in food prices, increasing the value of benefits with inflation-linked increases. The Scheme's liability hedging programme will reduce the impact of rising inflation on the funding level.

- Riskier assets such as Equity, Secured Finance, HLV Property and Multi-Asset Credit are likely to experience negative, albeit muted, return impacts, particularly under higher warming scenarios, as physical risks detract from returns.
- Investment opportunities remain in investments linked with the development of technology and low carbon solutions, which will be harnessed through the ESG-related Guidelines and targets in place for the Buy & Maintain Credit portfolios as well as the 'Impact' sleeve of the Multi-Asset Credit portfolio.

2041 to 2055

- The Scheme's market exposure will likely be low beyond 2042 as the Scheme matures, and as such the expected impact is limited in absolute terms.
- The Trustee has discussed setting explicit decarbonisation targets and will review their position from time to time.

Covenant scenario analysis

The Scheme Sponsor, Novartis UK Limited, will be exposed to climate-related risks and opportunities. Given the Scheme's Sponsor is primarily a distributor of pharmaceutical products manufactured by Novartis AG Group ("the Group"), EY has focused its climate risk analysis on the wider Group. EY has considered how the Group's climate strategy and risk mitigations will provide Novartis Pharmaceuticals UK Limited with resilience to climate change risks. EY noted that under all modelled scenarios, the Scheme remains in surplus throughout the projection period. The lowest projected funding level occurs under the Rapid Transition scenario in 2027, where the Scheme remains c.100.8% funded with a surplus of c.£7.2m. Under the Failed Transition scenario, the position is weaker than baseline over the medium and long term but remains in surplus. EY's climate risk analysis considers multiple physical and transition risks such as event driven factors such as increased risk of extreme weather, longer term shifts in climate which may adversely impact the efficiency of operations and supply chains, costs associated with transitioning to improved or innovative technology which is more energy efficient or less carbon intensive.

EY considers the Group's climate strategy to provide a good level of assurance to the Trustee that the Group and its subsidiaries are ready to adapt to potential transition risks that may impact the Group (including those that apply under the rapid transition climate scenario).

Further, an independent ESG and corporate governance research and ratings agency has also given Novartis AG Group an ESG risk rating that compares favourably to industry peers, which provides further assurance that the Group's climate strategy is robust.



4. Risk Management

Processes for identifying, assessing and managing climate-related risks and the integration within the Trustee's overall risk management of the Scheme

Climate Change – The big 'known unknown'

The Trustee Board is not composed of climate specialists. However, it is aware of the material challenges facing the planet with regard to climate change and works closely with its investment advisers and their sustainable investment specialists, who have summarised the present challenge as follows, and helped the Trustee develop its beliefs as reflected in the following pages:

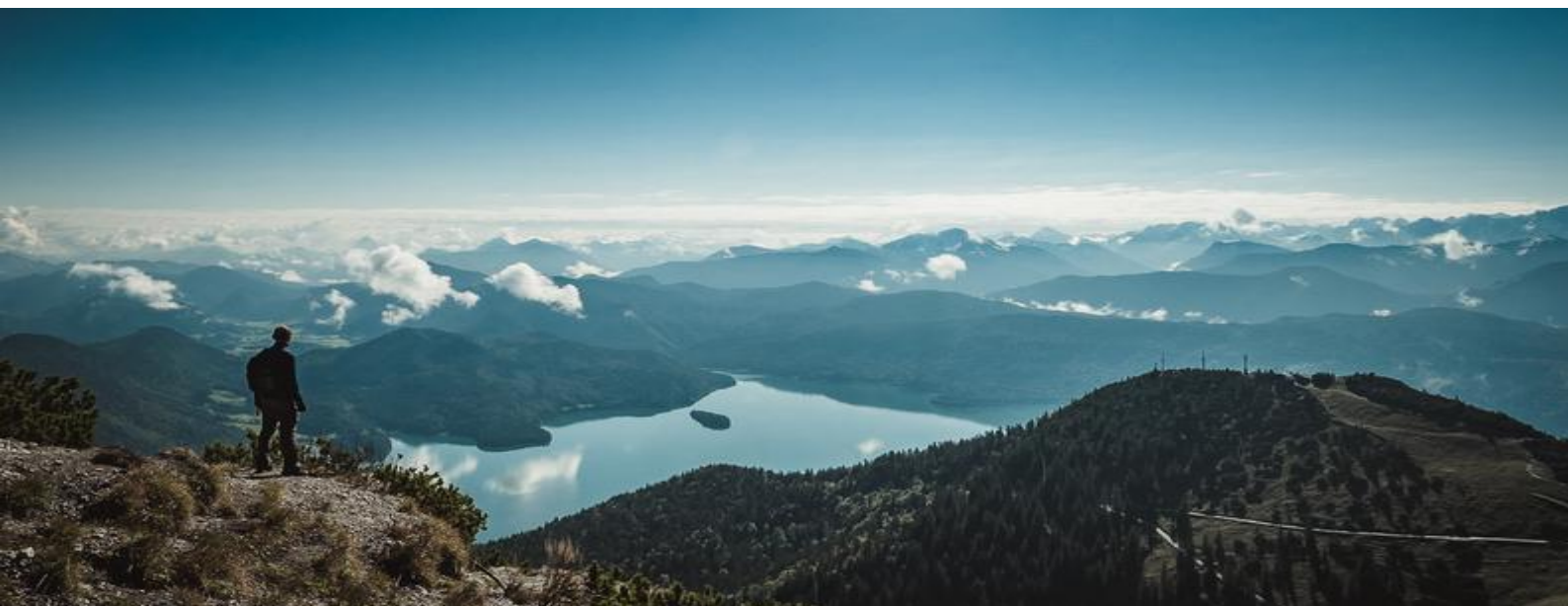
"We are already experiencing climate change and its associated physical impacts today. The average global temperature in 2023 was about 1.3°C above pre-industrial levels. Most of this warming has occurred in the past 35 years, with the seven "warmest" years on record taking place since the start of 2015.

The overwhelming scientific consensus is that the observed climatic changes are primarily the result of human activities including electricity and heat production, agriculture and land use change, industry, and transport.

In order to mitigate the worst economic impacts of climate change, there must be a large, swift, and globally co-ordinated policy response. Despite this, the majority of climate scientists anticipate that given the current level of climate action, by 2100 the world is estimated to be between 2°C and 4°C warmer, with significant regional variations.

This is substantially higher than the 2015 Paris Climate Change Agreement, which reflects a collective goal to hold the increase in the climate's average global surface temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C."

Source: Mercer



What are the climate-related risks and opportunities?

The effects of climate change will be felt over many decades. The Trustee has considered two types of climate-related risks and opportunities in its climate scenario analysis:

1. Transition risks

This covers the potential risks and opportunities from the transition to a low-carbon economy (i.e. one that has a low or no reliance on fossil fuels), in areas such as:

- Policy and legislation
- Market
- Technology
- Reputation.

Risks include the possibility of future restrictions, or increased costs, associated with high carbon activities and products. There are also opportunities, which may come from the development and implementation of low-carbon technologies.

In order to make a meaningful impact on reducing the extent of global warming, most transition activities need to take place over the next decade and certainly in the first half of this century.

2. Physical risks

The higher the future level of global warming, the greater physical risks will be in frequency and magnitude. Physical risks cover:

- Physical damage (storms; wildfires; droughts; floods)
- Resource scarcity (water; food; materials; biodiversity loss).

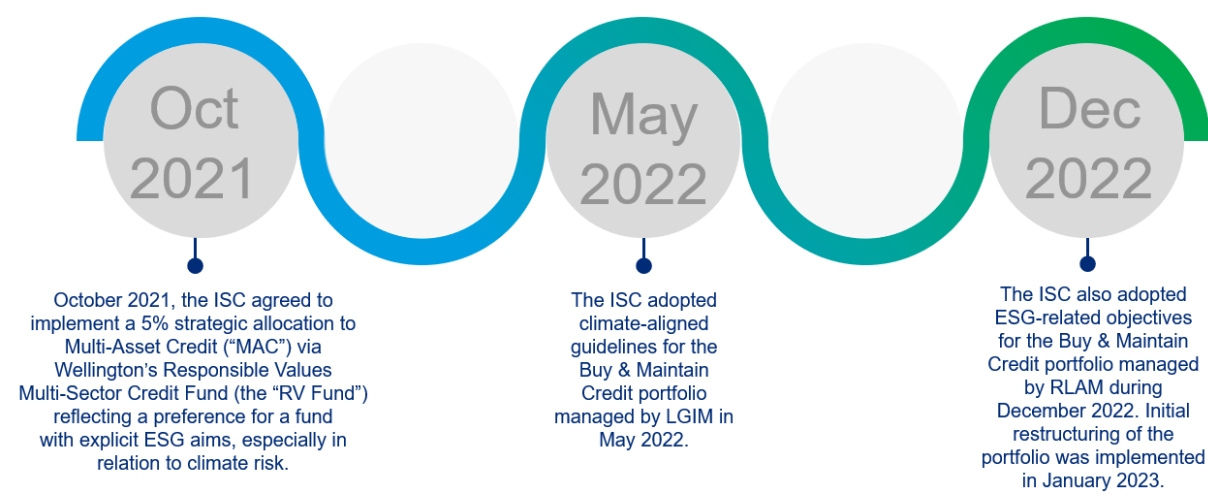
A key part of the Trustee's role is to understand and manage risks that could have a financially material impact on both the Scheme's investments and the wider funding strategy. Climate change is one of the risks that the Trustee considers alongside other financially material risks that may impact the pension outcomes for members.

This section summarises the primary climate-related risk management processes and activities of the Trustee. These help the Trustee understand the materiality of climate-related risks, both in absolute terms and relative to other risks that the Scheme is exposed to.



Governance

- The Trustee's **Statement of Investment Principles** is reviewed at least triennially and sets out how climate-related investment risks are managed and monitored.
- The Trustee maintains a **risk register** to monitor and mitigate material risks to the Scheme (both financial and non-financial – for example, regulatory and reputational). The climate-related risks, including physical risk and transition risk, are reviewed annually following any updates to climate scenario modelling and reviews of climate-related metric progress. For example, sudden changes in legislation and/or behaviour to facilitate a low carbon transition, or multiple natural disasters occurring across key markets may lead to a negative impact on the value of assets held by the Scheme. In the risk register, the Trustee uses an 'impact and likelihood' framework to assess which risks pose the most significant potential for loss and are most likely to occur, whereby an 'impact' and a 'likelihood' score are assigned to each financially material risk the Scheme is exposed to. The impact score reflects the financial impact, member impact (negative effect on member benefits) and reputation impact (number of member/media enquiries that may damage the Scheme's reputation). The Trustee dedicates more time and resource to mitigate the risks that score most highly under this framework. Climate-related risks score highly in terms of impact, and as such the Trustee seeks to prioritise and manage these risks over other risks that are awarded a lower score.
- The Trustee will receive **training** from time-to-time on climate-related issues, including market updates. The training allows the Trustee to better understand how climate-related risks and opportunities can have an impact on the Scheme and allow the Trustee to challenge whether

	the risks and opportunities are effectively allowed for in its governance processes and wider activities.
 Strategy	The Trustee believes that good stewardship and ESG issues may have a material impact on investment risk and return outcomes and will therefore be considered as part of the Scheme's investment process. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that require explicit consideration. When setting investment strategy, ESG factors, including climate change, will be considered alongside a number of other factors that can influence investment strategy. The Trustee's intention is to align the Scheme's investments with the targets set under the Paris Agreement (which aims to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels) in relation to greenhouse gas emissions and carbon neutrality, to the extent that this is consistent with overall risk and return considerations (including for example, avoiding, a material detriment to return expectations through the existence of any "green premia" or a concentration of risk that could result from an excessively narrow investment universe). Further detail on the Trustee's beliefs and policies in relation to ESG factors and Climate Change is set out in the Trustee's Responsible Investment Beliefs and Policies document. The Trustee has taken a number of steps to enhance the ESG characteristics of the Scheme's assets at an asset-class level as shown below:  Oct 2021 October 2021, the ISC agreed to implement a 5% strategic allocation to Multi-Asset Credit ("MAC") via Wellington's Responsible Values Multi-Sector Credit Fund (the "RV Fund") reflecting a preference for a fund with explicit ESG aims, especially in relation to climate risk. May 2022 The ISC adopted climate-aligned guidelines for the Buy & Maintain Credit portfolio managed by LGIM in May 2022. Dec 2022 The ISC also adopted ESG-related objectives for the Buy & Maintain Credit portfolio managed by RLAM during December 2022. Initial restructuring of the portfolio was implemented in January 2023. Climate scenario analysis for the investments of the Scheme, and the funding strategy, will be reviewed at a minimum every three years, with additional reviews if there has been a material change to the strategic asset allocation or there is a material change/update to the scenario modelling approach. The Trustee uses this analysis as a tool to quantify the climate-related risks and opportunities facing the Scheme, which helps the Trustee to prioritise these relative to other risks and opportunities. A summary of the Trustee's latest climate scenario analysis is included in the Strategy section of this report.
	The Trustee receives annual monitoring of climate-related metrics in respect of the assets held in the Scheme. This enables the Trustee to engage with investment managers as appropriate The Trustee receives annual engagement activity summaries in respect of the Scheme. The reports summarise how the investment managers choose to engage on climate-related issues (among other key engagement priorities). Key information and outcomes from the stewardship

 Reporting	monitoring are summarised in the Trustee's annual Engagement Policy Implementation Statement. The Trustee will discuss significant engagement activities with the managers as required. The Trustee may also work with investment managers to engage with companies, or engage with investee companies directly, in order to implement positive change. The Scheme's current investment strategy is composed of fixed income and property portfolios only. These portfolios do not typically have securities that hold voting rights.
 Manager selection and retention	• The Trustee, with advice from its investment consultant, will consider an investment manager's firm-wide and strategy-specific approach to managing climate related risks and opportunities when appointing a new manager, in the ongoing review of a manager's appointment, and as a factor when considering the termination of a manager's appointment. • Mercer assesses investment managers on the extent of integration of ESG factors (including climate change) into their processes, for relevant asset classes. A manager's stewardship process forms part of the assessment. This is considered at the firm level and at the investment strategy/fund level. The outcome of the ESG assessments are presented in quarterly investment performance reports. A deterioration in the extent to which ESG factors are taken into account in the investment process may (taking into account other factors) lead to a deterioration in Mercer's overall rating and may lead to an investment manager being put 'on watch' by the Trustee.

5. Metrics and Targets

Assessing climate-change related risks and opportunities

Metrics

Climate-related metrics help the Trustee to understand the climate-related risk exposures and opportunities in the Scheme's investment portfolio, and identify areas for further risk management focus, including investment manager portfolio monitoring, and engagement activity.

The Trustee has chosen to present climate related metrics across four different categories for the Scheme. These metrics were identified after considering the range of different available options, with a view to ensuring they provide a holistic assessment of the climate-related exposure of the Scheme. In aggregate, the metrics will provide an assessment of the existing/historical climate risk exposure (e.g. through analysing the absolute emissions generated by portfolio companies over the 1 year period), and also the forward looking climate risk exposure (e.g. by assessing what temperature warming scenario the portfolio is currently aligned with).

The chosen metrics in this report are set out in the table below.

Metric	Type of Metric	Description
Absolute Greenhouse Gas ("GHG") emissions	Absolute emissions	Absolute greenhouse gas emissions associated with a portfolio (measured in tonnes of CO ₂ equivalent "tCO ₂ e")
Production emissions (relevant for sovereign bond holdings only)	Absolute emissions	Domestic GHG emissions (tCO ₂ e) from sources located within the country territory including land use, land use change and forestry
Weighted average carbon intensity ("WACI")	Emissions intensity	Exposure to carbon-intensive companies (tCO ₂ e / \$m revenue)
Implied temperature rise	Portfolio alignment	An indication of how the portfolio aligns to a global temperature warming level (°C) in 2100
% of portfolio alignment with Paris agreement (on a look through basis)	Portfolio alignment	% of companies in a portfolio that have submitted climate transition plans that have been approved by the Science Based Targets Initiative
Data quality	Additional climate metric	Represents the proportions of the portfolio for which the Trustee has high quality data

The Trustee recognises the challenges with various metrics, tools and modelling techniques used to assess climate change risks and would expect the approach to assessing and managing risks to evolve over time as more data becomes available. The Appendix of this report sets out the data limitations and assumptions used in collating these metrics.

The Trustee sought to source climate metrics data from each of the underlying investment mandates. The data was requested from each of the Scheme's investment managers, however some were unable to provide accurate data. The tables below summarise the outcome for each manager.

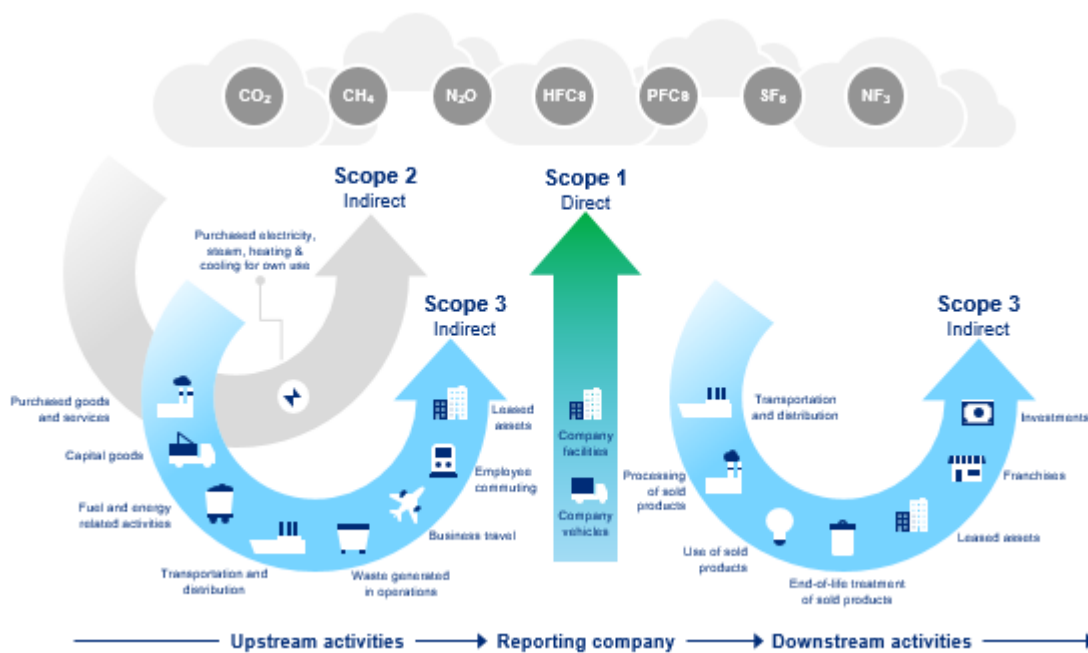
Manager	Mandate	Data obtained	Comments where data unavailable or partial data provided
L&G	Buy & Maintain Credit	✓	

RLAM	Buy & Maintain Credit	✓	
Wellington	Multi-Asset Credit	✓	
Schroders	LDI	✓	Schroders were able to provide production emissions data for sovereign bonds held within the LDI portfolio.
L&G	Cash	✓	
HLV Property	Aviva	✓	

Absolute emissions based metric

The absolute emissions metric is a proxy for the share of GHG emissions that are ‘owned’ by the Scheme through investing in the underlying companies and issuers, including countries (referred to as ‘sovereign exposure’) through government debt. Note that the methods used for measuring sovereign emissions are different to those used for corporate emissions.

This metric represents the underlying investee company’s or issuer’s reported or estimated GHG emissions, where available. It includes various scopes of emissions, which are summarised in the following diagram for a corporate entity.



Source: GHG Protocol

There are seven recognised greenhouse gases, as defined by the GHG Protocol. In order to simplify reporting, each greenhouse gas is calibrated relative to carbon dioxide and is reported as ‘carbon dioxide equivalent’ emissions (CO₂e).

- **Scope 1 “direct” emissions:** those from sources owned or controlled by the company (e.g. direct combustion of fuel from vehicles); and
- **Scope 2 “indirect” emissions:** those caused by the generation of energy (e.g. electricity) purchased by the company.

- **Scope 3 “indirect” emissions:** in this category go all the emissions associated, not with the company itself, but that occur in the value chain of the reporting company.

Scope 3 emissions are now included in the analysis for most mandates due to improvements in data availability. We note that the inclusion of scope 3 emissions may lead to double counting at an overall portfolio level.

Financed production emissions

This metric is used to report sovereign emissions. The Greenhouse Gas Protocol’s definition of scope 1,2 and 3 emissions was initially developed for classification of corporate emissions, rather than sovereigns. The Partnership for Carbon Accounting Financials scope definition for sovereign debt is as follows:

Scope 1 – Domestic GHG emissions from sources located within the country territory

Scope 2 – GHG emissions attributable to the import of electricity, steam, heat and cooling from outside the country territory.

Scope 3 – GHG emissions attributable to all other (non-energy) imports from goods or services from outside the country territory.

In this report, scope 1 emissions (production emissions) are presented including land use, land-use change and forestry (“LULUCF”) emissions.

Schroders are in the process of expanding the range of sovereign metrics available to investors, including consumption emissions.

Weighted-Average Carbon Intensity (“WACI”)

This metric scales the total carbon emissions of each underlying investee company by the amount of revenues generated by that company. At a total portfolio level, this metric gives an indication of carbon efficiency – for each \$1m revenue generated by each company/issuer, how many tonnes of greenhouse gases have been emitted (stated in tCO₂e). A lower WACI score suggests better efficiency. The Trustee opted to use WACI over Carbon Footprint (a measure of emissions which is weighted to take account of the size of the investment) given WACI is more widely used by corporate bond managers (which constitute a significant proportion of the Scheme’s investment strategy) and managers are more comfortable setting WACI reduction targets as opposed to Carbon Footprint based targets.

Implied temperature rise (“ITR”)

This is a forward-looking metric that considers the pledges, commitments and business strategy changes that underlying investee companies/issuers have made. It provides a prediction of the potential temperature rise over the rest of the century based on the activities of those companies and issuers. The metric illustrates the degree of portfolio alignment with the goals of the Paris Agreement (notably to limit warming to well below 2°C by the end of the century).

The Trustee has chosen this metric to include in this report because of its simplicity in presentation and the fact it is a useful way to see, at a glance, the alignment of a fund with a low carbon economy. Funds with high ITR metrics are invested in companies or issuers that are not transforming their businesses or activities in order to reduce the reliance on fossil fuels. This is also a measure of climate transition risk, with greater transition risk highlighted in funds with higher ITRs.

Science based targets (“SBT”): (% of Portfolio Alignment)

A measure of how many companies in a portfolio have submitted climate transition plans that have been approved by the Science Based Targets Initiative (SBTi). For the purposes of this report, a percentage in line or above the market comparator index is viewed as a positive indicator.

It is a measure of how many of the Scheme’s mandates have set targets aligned with the Paris Agreement.

Data quality

Data quality aims to represent the proportions of the portfolio for which the Trustee has high quality data. The Trustee has considered whether the underlying emissions data has been verified by a third party, reported by the company, estimated by the data provider, or unavailable to determine how representative the analysis is of the Scheme's actual portfolio.

Data quality also assists the Trustee in monitoring quality of reporting over time, as companies are expected to continually improve their reporting on climate-related metrics. As the quality of data improves, the decision usefulness of the climate metrics reported on the Scheme's portfolio increases. In addition, the Trustee is able to identify the companies in the portfolio that are not currently reporting emissions data and use this as a basis for engagement.

Manager	Mandate	Allocation (%)	Absolute emissions (tCO2e based on value of investment)			WACI (tCO2e/\$million sales)			ITR (°C)	% of Portfolio Alignment ¹
			Coverage (%)	Scope 1 + 2	Scope 3	Coverage (%)	Scope 1 + 2	Scope 1 + 2 + 3		
RLAM²	UK Buy & Maintain	22.7	51.0	5,676	35,188	50.2	65.3	447.2	2.0	17.9
L&G	Global Buy & Maintain	17.4	59.9	4,982	53,011	65.8	71.7	752.5	2.0	42.4
Wellington	Multi-Asset Credit	8.0	58.1	2,796	13,481	58.5	104.5	1,153.6	2.3	14.3
Schroders⁴	LDI	39.6	100.0	140,811	92,755	n/a			-	-
L&G³	Sterling Liquidity	2.2	82.8	1	1,591	82.8	0.4	1,013.6	2.4	0.9
L&G³	Sterling Liquidity Plus	1.1	78.7	1	2,451	82.8	0.6	994.4	2.4	4.5
Aviva⁵	HLV Property	8.6	90.2	8	1,350	90.2	7.4	325.4	3.5	-
Market comparison for credit:										
Total Buy & Maintain Credit portfolio⁶		40.1	59.1	10,658	88,198	n/a	n/a		2.0	60.3
Markit iBOXX GBP Non-Gilts index⁷		n/a	96.3	7,723	82,414	97.2	65.8	600.1	2.0	39.3

Source: MSCI, Mercer and investment managers. Data as at 31 March 2025 unless stated otherwise.

¹ The Science Based Target initiative ("SBTi") has established an industry standard methodology for companies setting long-term carbon emission reduction targets that are in line with climate science. Total Buy & Maintain Credit portfolio calculated based on a simple weighted average and does not include allowance for any crossover within the Buy & Maintain Credit portfolios.

² Implied temperature rise and % of portfolio alignment is based on figures provided by MSCI. The other metrics are calculated by RLAM.

³ Absolute emissions for the Cash Funds (SLF and SLF+) have been scaled to the Scheme's holding in the Fund (0.25% and 1.6% as at 31 March 2025) and therefore last year's figures have been restated.

⁴ Emissions reflect long gilt exposure within the LDI portfolio. Short positions are excluded for the purposes of calculating emissions, as are cash holdings and derivatives. Scope 1 + 2 emissions represents production based emissions including LULUCF (Land Use, Land Use Change, and Forestry). Scope 3 represents emissions attributable to non energy imports.

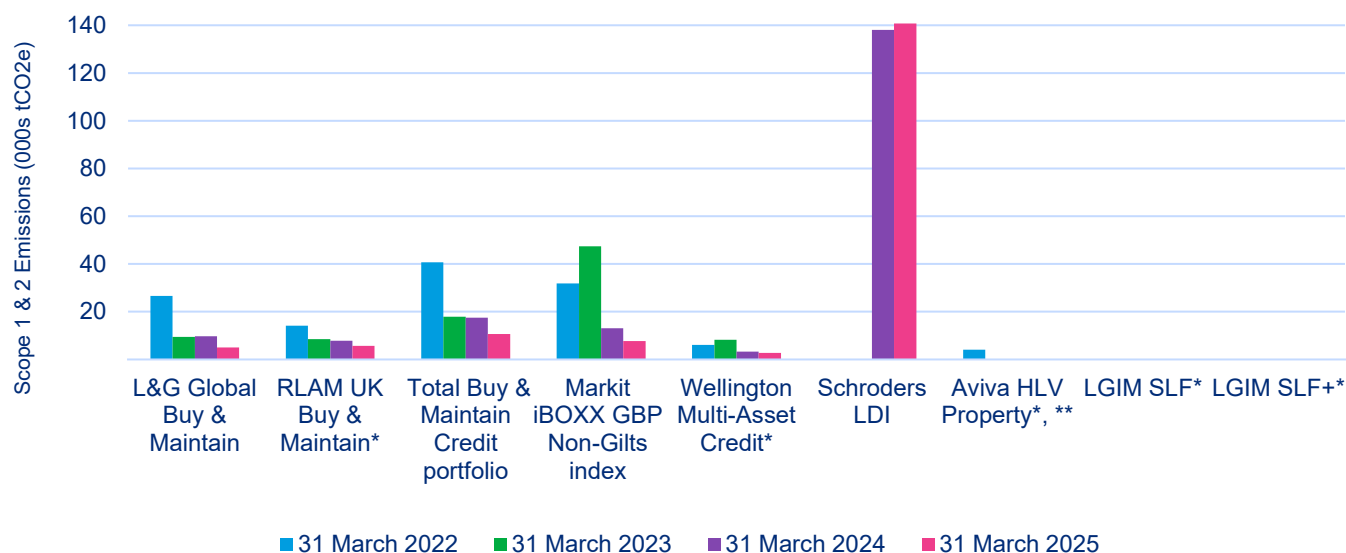
⁵ Aviva metrics shown above are as at 31 December 2024.

⁶ Calculated as a weighted average of the underlying credit portfolio metrics. The calculation for WACI is more complex than a simple weighted average and is therefore not shown. Calculation for ITR assumes that that the component ITRs have been calculated assuming a consistent methodology.

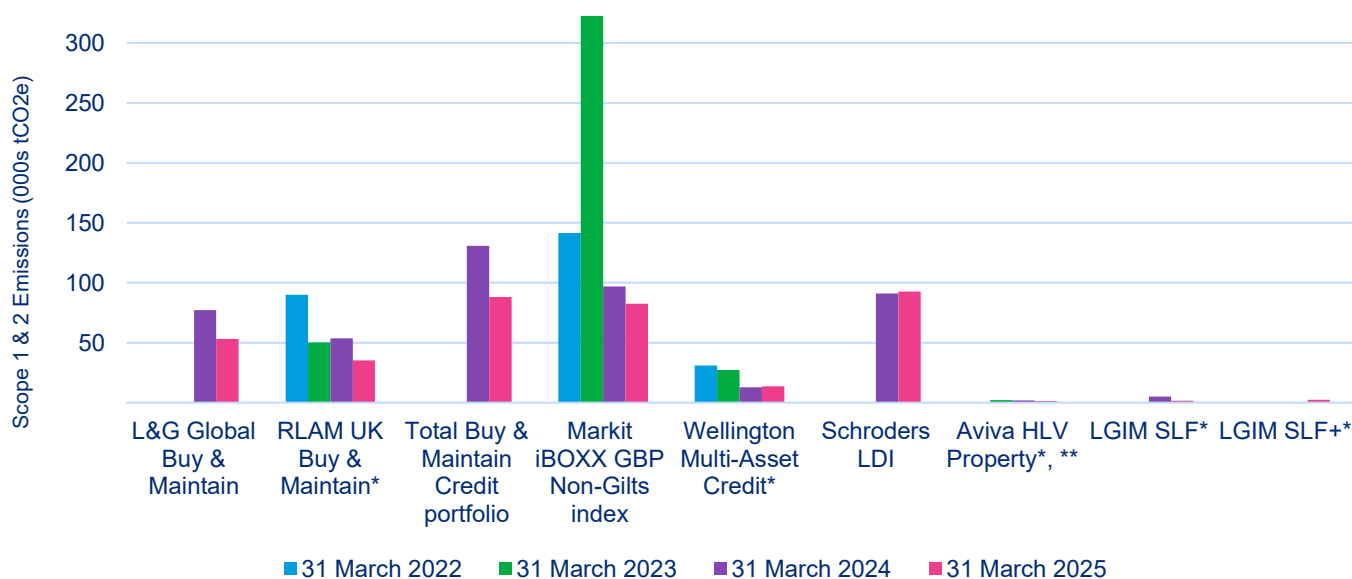
⁷ This represents a comparator for the Buy & Maintain Credit portfolios. Absolute emissions have been scaled up to reflect the allocation as at 31 March 2025 (c.40% of total Scheme assets) to allow comparison with the total buy & maintain credit portfolio.

Absolute Emissions

Scope 1 & 2



Scope 3



Source: Investment managers. Absolute emissions for the Markit iBOXX index have been scaled up to reflect the allocation as at 31 March 2025 (c.40% of total Scheme assets) to allow comparison with the total buy & maintain credit portfolio.

*Historical data has been restated due to changes in calculation methodology or changes in data providers.

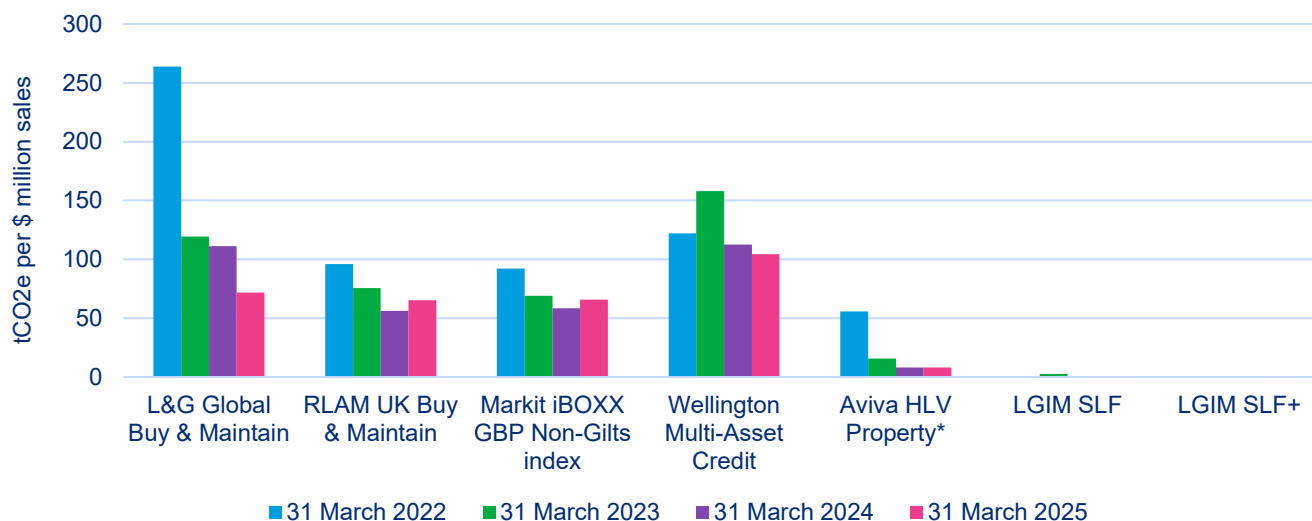
** Aviva data as at 31 December 2021, 2022, 2023 and 2024.

- Both Buy & Maintain Credit managers reported lower emissions relative to the previous year, which is consistent with the broader investment grade credit market.
- Reported scope 1 & 2 emissions for the Aviva Lime Property Fund have seen little change in emissions compared to the previous year. As this Fund primarily consists of assets under full repair and insure leases, meaning energy consumption falls under tenant control. As such, Aviva have categorised the majority of the portfolio's emissions as scope 3 (in line with the GHG Protocol, which provides a consistent framework for GHG reporting), which has reported a 23.9% decrease over the year.

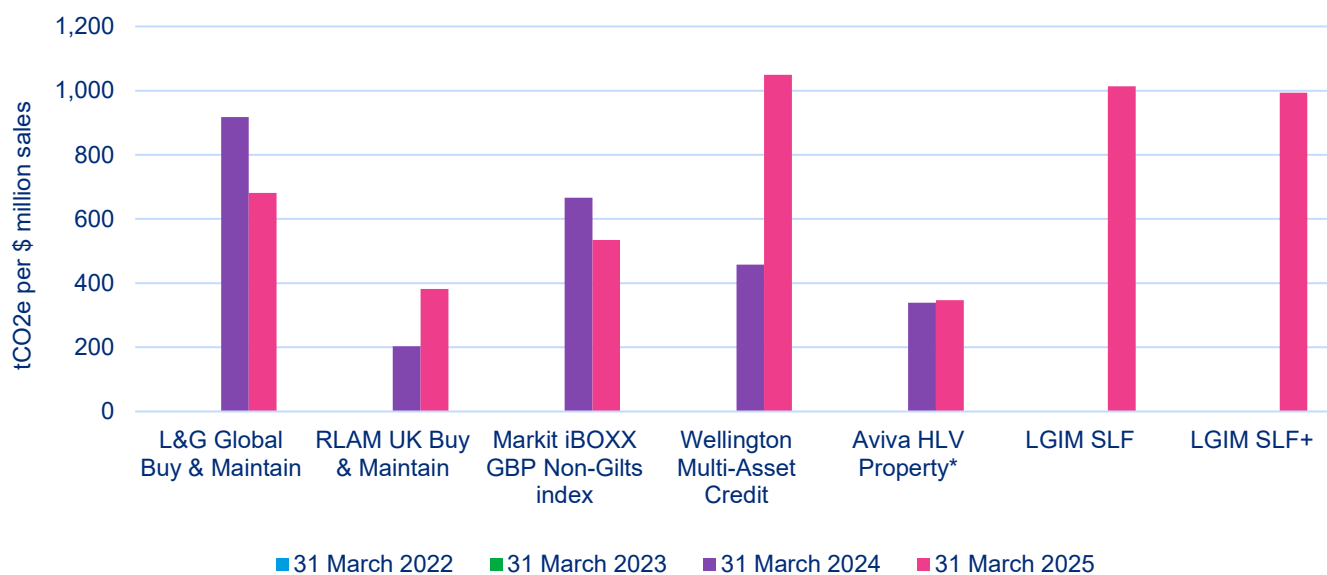
- The emissions associated with the Schroders LDI mandate are much higher than the remainder of the Scheme's asset portfolio. This is not only due to the large allocation in the portfolio (c.39.6% as at 31 March 2025) and the geared nature of the holdings but also how the emissions are calculated. The emissions associated with gilts reflect the emissions of the UK government's activities, which includes a broad and emission-intensive range of activities such as national infrastructure, defense, public healthcare, energy systems and public buildings. These span almost every sector of the economy, many of which are high emitters. In contrast, a corporate bond reflects only the scope of that individual company's operations.

WACI

Scope 1 & 2



Scope 3



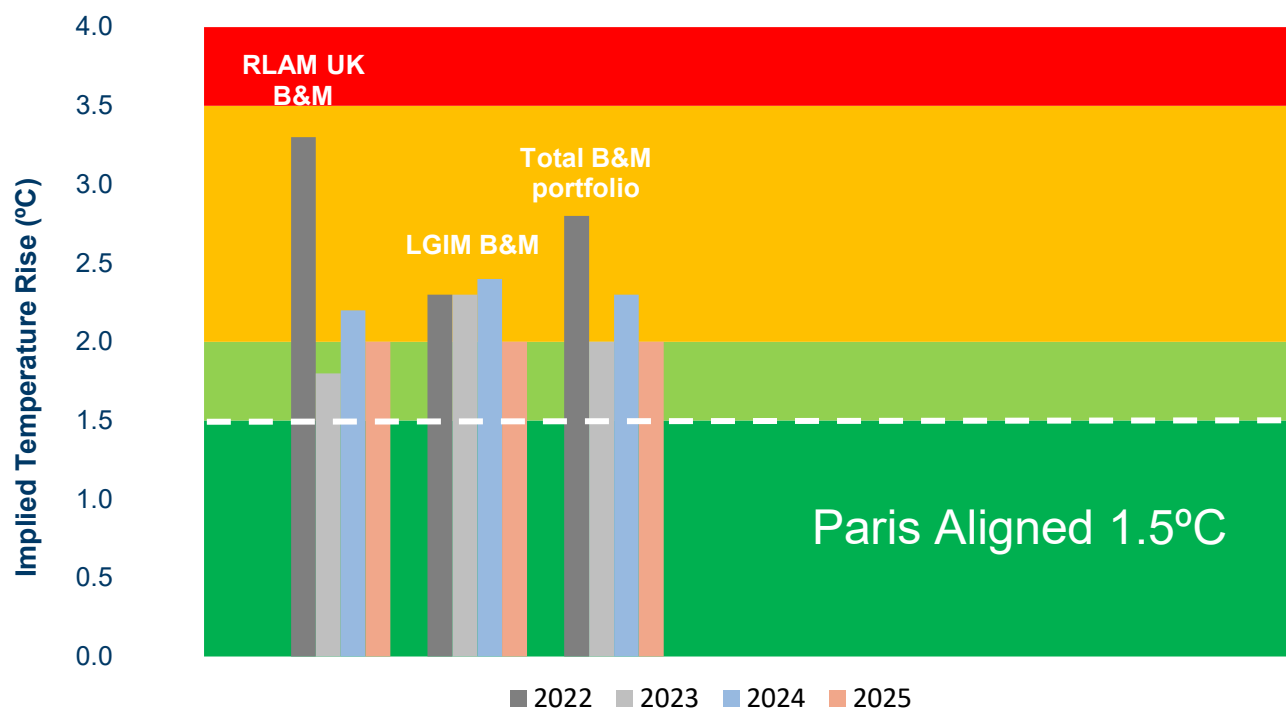
Source: Investment managers.

*Aviva WACI includes scope 3 emissions and 2023 data has been restated.

- The L&G Buy & Maintain Credit mandates has demonstrated a reduction in WACI compared to the previous year. This was predominantly driven a disinvestment of £37m over the period, whereby the portfolio manager took the opportunity to selectively disinvest from bonds issued by carbon intensive issuers. The scope 1 & 2 WACI for the RLAM mandate has increased during the year, which is consistent with the broader investment grade credit market.
- The scope 1 & 2 WACI reported by Wellington decreased slightly over the year, whereas the scope 3 WACI increased primarily as a result of investments in the consumer staples and materials sectors.
- The Aviva scope 1 & 2 WACI has also decreased over the year, whereas the scope 3 WACi increased marginally.

Implied Temperature Rise

The chart below depicts the Implied Temperature Rise of the Buy & Maintain Credit portfolios from 31 March 2022 to 31 March 2025.



Source: Investment managers. Total B&M portfolio calculated as a weighted average of the underlying credit portfolio metrics, assuming that the component ITRs have been calculated assuming a consistent methodology. The figure shown for RLAM as at 31 March 2022 is the portfolio's Warming Potential as RLAM were unable to provide Implied Temperature Rise at the time. RLAM have now switched to reporting Implied Temperature Rise as methodologies have improved and convergence was promoted by the Glasgow Finance Alliance for Net Zero.

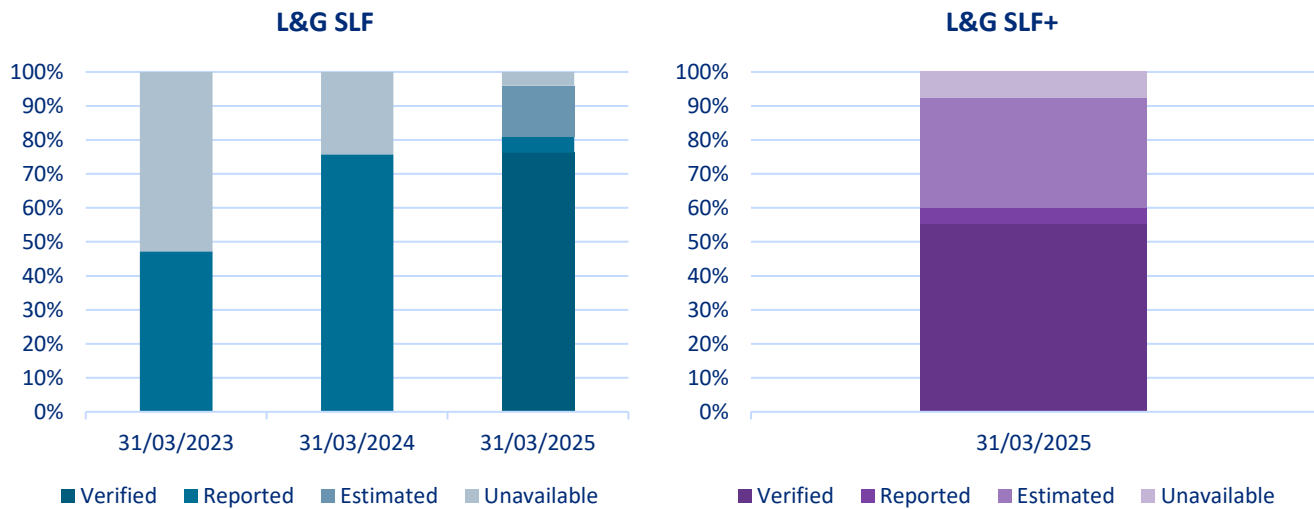
As shown above, there was a decrease in the Implied Temperature Rise reported by both Buy & Maintain Credit managers over the year.

The Trustee has agreed to seek improvement in the Implied Temperature Rise of the Buy & Maintain Credit portfolios by 2028.

Both managers will seek to achieve their targets primarily by engaging with underlying issuers in order to improve their ESG practices and position their companies for a successful transition to a net zero carbon economy. As such we do not expect to see significant improvements in ITR over a relatively short period of time.

Data quality (Scope 1 & 2)





Source: Investment managers.

We expect the quality of data provided by the managers to improve over time as underlying portfolio companies are expected to continually improve their reporting on climate-related metrics.

Over the year, the Data Quality has improved across the majority funds shown with the amount of reported data increasing with less reliance on estimated data. There are a couple of exceptions e.g. the proportion of verified data for the Aviva HLV Property portfolio decreased over the year, this was primarily due to the introduction of a new data management platform. The new platform is intended to strengthen the accuracy and efficiency of Aviva's data collection and reporting, but there was an initial drop in Data Quality due to different methodologies.

Over the period since 31 March 2022, the Data Quality has improved materially for all funds.

Targets

The Trustee's intention is to align the Scheme's investments with the targets set under the Paris Agreement (which aims to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels) in relation to greenhouse gas emissions and carbon neutrality, to the extent that this is consistent with overall risk and return considerations (including for example, avoiding a material detriment to return expectations through the existence of any "green premia" or a concentration of risk that could result from an excessively narrow investment universe).

The Trustee has engaged with both of the Scheme's Buy & Maintain Credit managers in order to incorporate climate and ESG-related targets in their portfolio Guidelines. The Trustee agreed the relevant updates to the L&G portfolio Guidelines in May 2022, changes to the portfolio were subsequently implemented over the 3 months that followed. The Trustee agreed the relevant updates to the RLAM portfolio Guidelines in December 2022, an initial restructuring of the portfolio was implemented in January 2023. RLAM will continue to capitalise on transition opportunities within the portfolio structure over time where possible. In order to achieve the targets, the managers will primarily seek to engage with underlying issuers to improve their ESG practices and position their companies for a successful transition to a net zero carbon economy. This will then ultimately feed through to the Scheme's portfolios.

- L&G target a Weighted Average Carbon Intensity that is at least 40% lower than the Reference Portfolio (L&G's flagship Buy & Maintain Credit Fund) as at 31 December 2019 (measurements currently include scope 1 and 2 emissions only). L&G target holding a portfolio by 2030 that is aligned with the Paris Agreement goal of limiting temperature rises to 1.5°C by 2100 (vs pre-industrial levels).
- As at 31 March 2025, the WACI for the L&G portfolio was 71.7. The WACI of L&G's flagship Buy & Maintain Credit Fund as at 31 December 2019 was 683.3 (note both WACI figures are in tCO₂e/£million sales and include scope 1 & 2 emissions only). L&G have achieved a c.90% reduction in WACI relative to the baseline and have therefore achieved their WACI target.
- RLAM has adopted ESG-related objectives which target reduction in Weighted Average Carbon Intensity of 20-30% by December 2031, relative to the position as at 31 December 2021 (measurements currently include scope 1 and 2 emissions only). As at 31 March 2025, the WACI for the RLAM portfolio was 65.3. The WACI of the RLAM portfolio as at 31 December 2021 was 156.2 (note both WACI figures are in tCO₂e/\$million sales and include scope 1 & 2 emissions only). RLAM have achieved a c.58% reduction in WACI relative to the baseline and have therefore achieved their WACI target.

A wide range of factors will affect whether the Trustee is able to achieve its targets and the Trustee has varying degrees of control over these factors. For example, the progress of the UK and other national governments will have a significant influence over the timescale for reaching net zero. In addition, the quality and availability of data improving over time means that the quoted greenhouse gas emissions are likely to change. Ultimately, achieving the desired level of decarbonisation will depend on economies overall being successful in decarbonising.

In addition, significant changes in the investment approach could affect the pace of decarbonisation (for example, a major change in the Scheme's asset allocation or implementing a solution with an insurer).

Actions and next steps

The Trustee, with support from Mercer, will look to undertake the following actions:

- Review of Trustee Responsible Investment Beliefs and Policy
- Continuing to monitor climate metrics and progress against targets on an annual basis

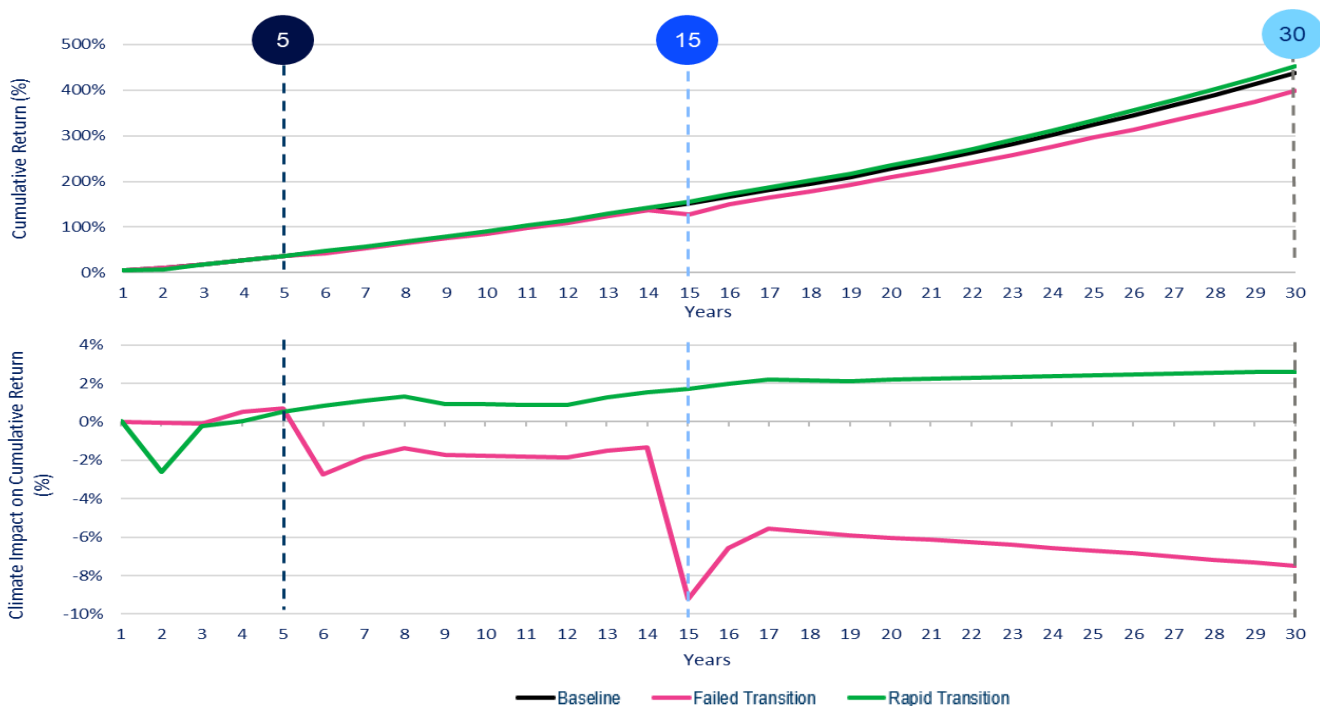
Appendix

Strategy

Commentary on relevant portfolio changes up to and including the reporting period

- In December 2021, prior to the current reporting period, the ISC implemented a 5% strategic allocation to Multi-Asset Credit ("MAC") via Wellington's Multi-Sector Credit Select Fund reflecting a preference for a fund with explicit ESG aims, especially in relation to climate risk. Wellington apply a negative screening process whereby the opportunity set is narrowed to remove issuers that support industries viewed by Wellington as causing harm to society and/or the environment. The Fund has a dedicated 'Impact' sleeve for issuers demonstrating a positive social or environmental impact through their products, services or specific projects. Wellington target a 10% allocation to 'Impact' investments within the Fund, which is comprised of three broad categories: Life Essentials, Human Empowerment and Environment. Wellington seek to reduce the overall carbon footprint of the Fund either on an absolute or benchmark-relative basis, by investing in companies that have less carbon intensive business models. While the Fund does not currently have a net zero target, the portfolio manager is committed to pursuing a path to net zero ahead of the 2050 target.
- In addition, the ISC adopted climate-aligned guidelines for the Buy & Maintain Credit portfolio managed by L&G in May 2022. L&G now targets a WACI that is at least 40% lower than the Reference Portfolio (L&G's flagship Buy & Maintain Credit Fund)) as at 31 December 2019 (measurements include scope 1 and 2 emissions only). L&G targets holding a portfolio by 2030 that is aligned with the Paris Agreement goal of limiting temperature rises to 1.5°C by 2100 (vs pre-industrial levels).
- The ISC also adopted ESG-related objectives in the Buy & Maintain Credit portfolio managed by RLAM during December 2022. RLAM target a reduction in Weighted Average Carbon Intensity of 20-30% by December 2031, relative to the position as at 31 December 2021 (measurements include scope 1 and 2 emissions only). Initial portfolio restructuring was implemented in January 2023. RLAM also adhere to exclusions lists whereby they do not invest in issuers with more than 10% of revenue from the exploration, extraction and refining of oil, gas or coal, or more than 10% of revenues from any tie to thermal coal, in particular reserve ownership, production, and power generation.

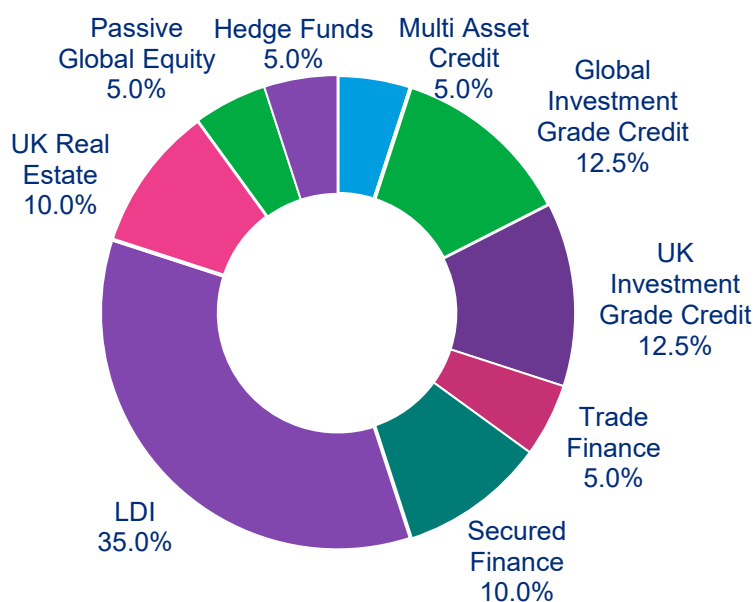
Projection of annualised asset returns



*Analysis as at 30 November 2025, excludes interest rate and inflation hedging exposures.

Strategy Modelled

The pie chart illustrates the asset allocation modelled in the climate scenario analysis. This is consistent with a Memorandum of Understanding between the Trustee and Company over the Scheme's future investment strategy.



- Analysis is as at 30 November 2025, with a starting asset value of £908m and liability value of £872m (Technical Provisions basis).
- We have assumed a constant hedge ratio of 105% (for interest rates and inflation as a percentage of Technical Provisions liabilities) over the projection period.
- The Scheme's investment strategy is expected to evolve over time as the funding level of the Scheme improves. However, given that the future development of the Scheme is currently uncertain, this report focusses on the investment strategy stated above and all forward looking analysis is based on this strategy.

Climate scenario modelling approach

Climate scenario narratives

	Rapid Transition	Failed Transition
Summary	Highly ambitious low-carbon policy and rapid technology transition. Sudden divestments in 2026 to align with the Paris Agreement goals have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock .	No new climate policies are enacted , but transition progresses on economic grounds. Financial markets price in climate-related risks in 2030 and 2039 as the scale of future risks become more widely accepted and understood.
Cumulative emissions to 2064	500 GtCO ₂ e	1,750 GtCO ₂ e
Key policy and technology assumptions	A highly ambitious low-carbon policy and rapid technology transition. Higher carbon prices, larger investment in energy efficiency and faster phase out of coal-fired power generation.	Existing policy regimes are continued with the same level of ambition, with no new policies enacted.
Financial climate modelling	Pricing in of transition and physical risks over the coming 40 years occurs within one year in 2026. As a result of this aggressive market correction, a confidence shock to the financial system takes place in the same year.	Physical risks are priced in two different timepoints: 2030 (risks of first 40 years) and 2039 (risks of 40-80 years).
Physical risk impact on GDP	Physical risks are regionally differentiated and increase dramatically with rising global temperature. Physical risks are built up from: Gradual physical impacts associated with rising temperature (agricultural, labour, and industrial productivity losses). Economic impacts from climate-related extreme weather events. The Failed Transition incorporates the adverse effects of hitting multiple climate tipping points (e.g. collapse of the Greenland and West Antarctic ice sheets, the collapse of East Antarctic subglacial basins, loss of mountain glaciers, Amazon rainforest dieback, and boreal permafrost collapse). Risks such as climate-related migration and conflict are not captured.	
Physical risk impact on inflation	Transition risk is associated with inflationary pressures over the short-term. Transition costs, including policy costs (e.g. carbon pricing) and costs associated with deployment of new low-carbon technologies, modestly increase short-term inflation.	Chronic physical risk is associated with inflationary pressures over the medium- to long-term. Higher projected temperatures reduce agricultural yields and drive up food prices, increasing medium- to long-term inflation (Kotz et al., 2024).

Source: Mercer

Climate scenario modelling is a complex process. The Trustee is aware of the modelling limitations. In particular:

1. The further into the future you go, the less reliable any quantitative modelling will be.
2. There is a significant risk that physical impacts are grossly underestimated. Feedback loops or 'tipping points', like permafrost melting, are challenging to model particularly around the timing of such an event and the speed at which it could accelerate.
3. Financial stability and insurance 'breakdown' is not modelled. A systemic failure may be caused by either an 'uninsurable' 4°C physical environment, or due to the scale of mitigation and adaptation required to avoid material warming of the planet.
4. Most adaptation costs and social factors are not priced into the models. These include population health and climate-related migration.

Funding level scenario analysis assumptions (cumulative asset returns relative to baseline)

	Failed Transition			Rapid Transition		
Asset Class	31 December 2025					
	5 Years	15 Years	30 Years	5 Years	15 Years	30 Years
Fixed Interest Gilts	-0.3%	0.1%	-0.1%	-0.5%	-0.3%	0.2%
Index-Linked Gilts	0.1%	3.1%	5.4%	1.5%	-2.2%	-2.7%
UK Investment Grade Credit	0.2%	-7.6%	-1.9%	-0.2%	0.1%	0.4%
US Investment Grade Credit	0.4%	-10.9%	-1.9%	-0.1%	0.0%	-0.3%
Hedge Funds	0.5%	1.2%	2.2%	-0.3%	0.0%	-1.6%
Global Senior Private Debt	0.7%	-5.4%	-1.1%	-0.2%	0.2%	-1.0%
Multi Asset Credit	1.5%	-14.3%	-6.5%	-1.5%	-0.2%	0.3%
UK Real Estate	1.9%	-40.1%	-45.3%	1.5%	8.8%	16.4%
MSCI World Equity	1.9%	-38.8%	-46.0%	-2.1%	4.5%	12.6%

Metrics – Data limitations and assumptions

Data sources

All climate-related metrics data has been requested directly from the investment managers. Climate-related metrics provided in respect of the RLAM portfolio have been sourced from MSCI using stocklist data provided by the investment managers.

Scope of emissions

For a number of managers only scope 1 and 2 emissions data has been included in this report. This means that for some companies, the assessment of their carbon footprint could be considered an understatement. Scope 3 disclosure remains insufficient to use reliably at present for these managers. Scope 1, 2 and 3 emissions are as defined by the GHG protocol - Greenhouse Gas Protocol (ghgprotocol.org).

The Trustee will continue to work with Mercer and the investment managers to obtain scope 3 data for the different asset classes.

Data coverage

Data coverage refers to the proportion of an asset fund in which the various climate-related metric data is available. There are gaps in the data:

- Some public listed companies or issuers are not publishing climate-related data or are providing poor quality data. This is relevant to public equity and corporate bonds. Obtaining data for emerging market equity can also be challenging due to general disclosure and transparency challenges;
- Many private companies do not currently produce climate-related data and coverage for private markets, such as private equity and private debt, will be low, or zero for mature funds;
- Sovereigns, or governments, may not publish climate-related data in the public domain. This is a particular challenge for emerging market debt. For UK government debt, data is available but there is a delay in the data being published;
- Short-term instruments, such as illiquid credit assets or money market funds, have limited data available due to the short-term nature of the individual assets;
- Real estate (property) assets can have low climate-related data coverage due to the lack of reporting on the individual properties or projects held within the portfolio.

In this report, the Trustee has used a pro rata approach to scale up each climate metric in order to present the data as if full coverage was available for each asset fund. This assumes that the part of an investment fund that does not have data available has the same investment characteristics (for example, same sector or geography) as the part where there is data.

Example calculation:

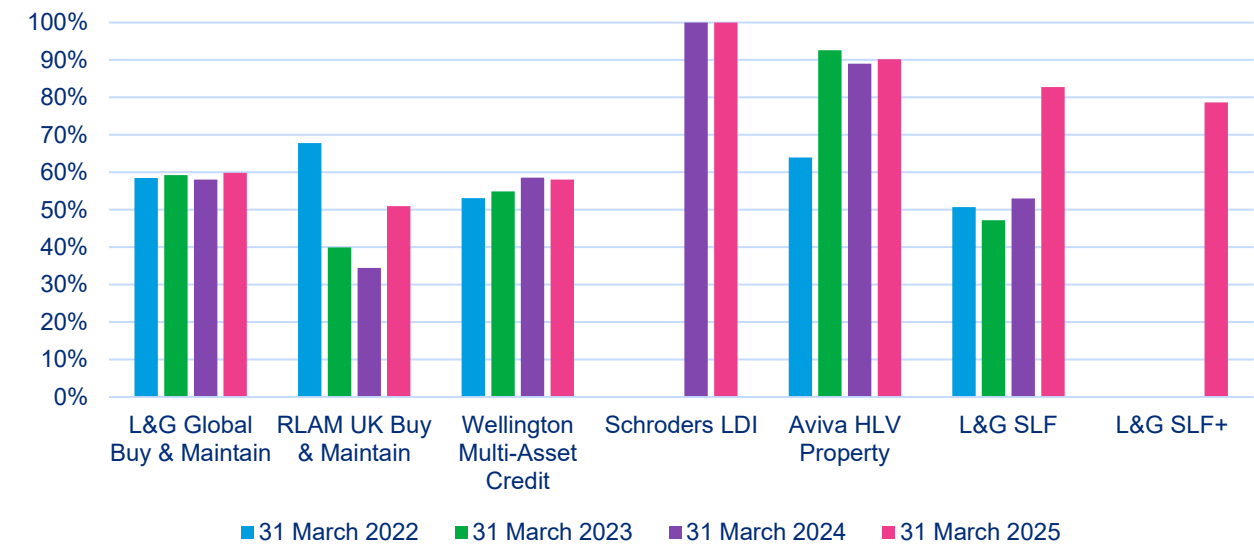
L&G absolute emissions for 58% covered holdings = 26,568 tons CO₂e

Scaling up emissions calculation = 26,568 / 58%

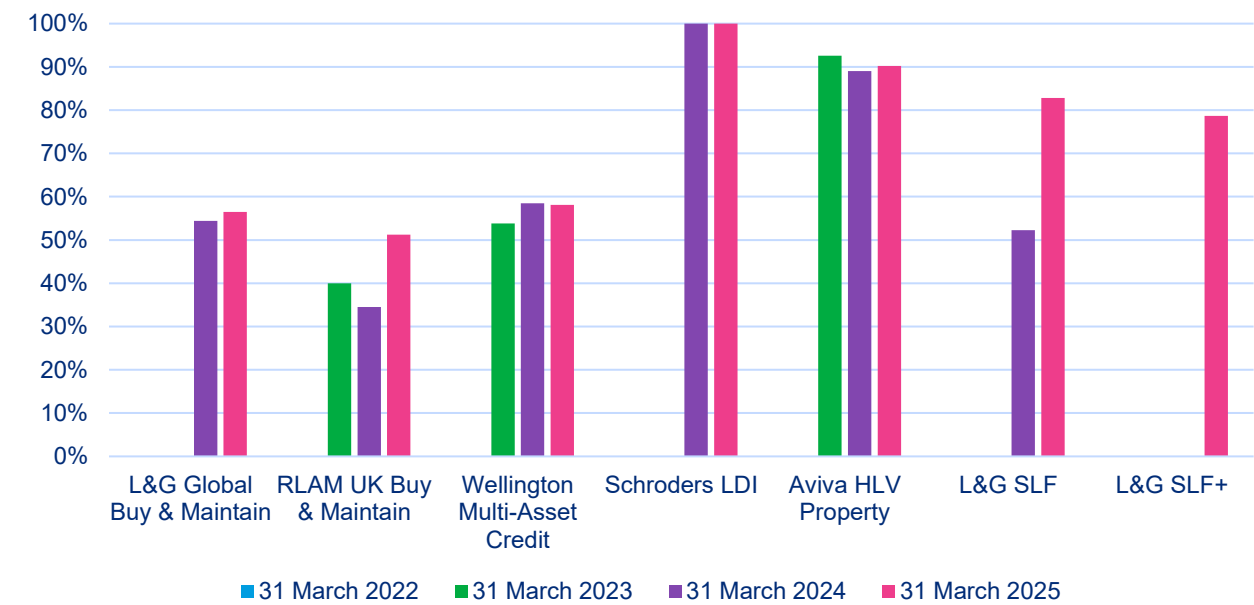
Absolute emissions estimated for 100% coverage = 45,807 tons CO₂e

Absolute emissions coverage

Scope 1 and 2



Scope 3



Important notices from data providers

Mercer

Past performance does not guarantee future results. Information contained herein has been obtained from a range of third-party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party. The information does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend. This does not offer any advice regarding current or future applicable laws or regulations. Mercer does not provide legal advice. You should contact your legal adviser before making any decisions with legal and/or regulatory implications.

Mercer Limited is authorised and regulated by the Financial Conduct Authority. Registered in England and Wales No. 984275. Registered Office: 1 Tower Place West, Tower Place, London EC3R 5BU.

MSCI

In addition, some of the underlying data has been provided by MSCI which is ©2026 MSCI ESG Research LLC. Reproduced by permission.

Although information providers, including without limitation, MSCI Inc., MSCI Inc., MSCI ESG Research LLC, or their affiliates ("MSCI"), or information providers (together the "MSCI Parties"), obtain information from sources they consider reliable, none of the MSCI Parties warrants or guarantees the originality, accuracy and/or completeness of any data herein. None of the ESG Parties makes any express or implied warranties of any kind, and the MSCI Parties hereby expressly disclaim all warranties of merchantability and fitness for a particular purpose, with respect to any data herein. None of the MSCI Parties shall have any liability for any errors or omissions in connection with any data herein. Further, without limiting any of the foregoing, in no event shall any of the MSCI Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Ortec Finance

Mercer has entered into a global agreement with Ortec Finance regarding the use of their climate scenarios.

Climate scenarios have been prepared with care using the best available data. The scenarios may contain information provided by third parties or derived from third party data and/or data that may have been categorized or otherwise reported based upon client direction. The scenarios are not intended as standalone investment advice. Ortec Finance assumes no responsibility for the accuracy, timeliness or completeness of any such information. Ortec Finance accepts no liability for the consequences of investment decisions made in relation to information in this report. The scenarios are copyright of Ortec Finance. You may not, except with our express written permission, distribute or commercially exploit the content. All Ortec Finance services and activities are governed by its general terms and conditions which may be consulted on www.ortecfinance.com and shall be forwarded free of charge upon request.

The Trustee has been supported by Mercer in the production and design of this report.