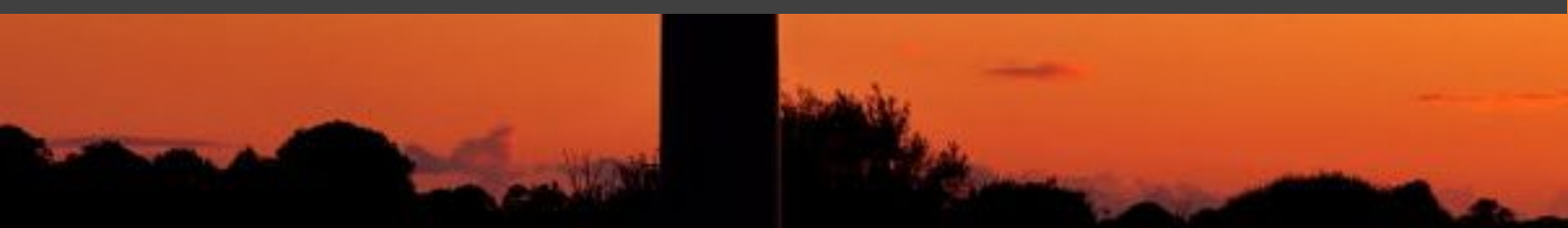
Climate disclosures for year ending 31 March 2026

Produced by: Electricity Pensions Trustee Limited as Scheme Trustee of the Electricity Supply Pension Scheme

Date: October 2026



Introduction

This document is the annual climate disclosures report for the Scheme for the year ended 31 March 2026. It has been prepared by Electricity Pensions Trustee Limited as Scheme Trustee of the Electricity Supply Pension Scheme (the “Scheme Trustee”) and is the Scheme’s fifth published report to date.

From 1 October 2021, the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations (the "climate change governance reporting regulations”) introduced new reporting requirements in line with the TCFD’s recommendations.

The Pensions Regulator's (“TPR”’s) interpretation of the climate change governance reporting regulations is that the Scheme Trustee is required to comply with the climate change governance reporting regulations from 1 October 2021 on a Scheme-wide basis.

As with previous climate disclosures reports, the Scheme Trustee has prepared this report based on TPR’s interpretation but leaves open the possibility of an alternative interpretation applying in future years such that the climate change governance reporting regulations would apply separately to each Group of the Scheme dependent on each Group’s asset values.

UK regulations require the Scheme Trustee to meet climate governance requirements and publish an annual report on Scheme-wide climate-related risks. The regulations require the Scheme Trustee to report in line with the TCFD’s recommendations. The Scheme Trustee must produce and publish a climate disclosures report within seven months of the end of the Scheme year in which they are subject to the regulations.

Thereafter, unless there is an alternative interpretation to the current view of TPR, the Scheme Trustee has produced and will continue to produce a report annually, with a link to the report included within the Scheme’s annual report and accounts.

The TCFD developed recommendations on climate-related financial disclosures in relation to four key areas. These are governance, strategy, risk management and metrics & targets and form the core elements to be included within the climate disclosures report.

The TCFD was disbanded in October 2023, noting that its work (to create a global framework for businesses to disclose climate-related risks and opportunities to support stakeholders in making informed financial decisions) was successfully completed. The International Financial Reporting Standards (“IFRS”) foundation now monitors corporate TCFD disclosures. This change has not impacted the application of the climate change governance and report requirements.

What is the TCFD?

The Financial Stability Board created the Taskforce on Climate-related Financial Disclosure (“TCFD”) to develop recommendations on the types of information that entities should disclose to support investors, to assess and price risks related to climate change.

The TCFD has developed a framework to help companies and other organisations, including pension schemes, more effectively disclose climate-related risks and opportunities through their existing reporting processes.

Governance and Risk Management Annex

The Scheme Trustee has also prepared a Governance and Risk Management Annex which should be read in conjunction with this annual TCFD report.

The Governance and Risk Management Annex is available here and provides supplementary information to the Governance and Risk Management sections of this report.

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Executive Summary

The Scheme has produced an annual report on the actual and potential impact of climate risks and opportunities on the Scheme. The central Scheme Trustee presents this report to comply with the requirements as determined by TPR over the period from 1 April 2025 to 31 March 2026. However, the central Scheme Trustee believes it would be best presented at an individual Group level by the relevant Group Trustees.

The Scheme has a two-tiered structure which involves the central Scheme Trustee and a series of Group Trustees who have trusteeship responsibility for each of the 22 separate Groups ("Groups") of the Scheme. The Scheme Trustee has exclusive responsibility in respect of the ownership, custody, and administrative control of the Scheme's assets.

Responsibility for investment policy and funding principles, including the preparation of statements of investment principles, selection of investment managers and decisions regarding voting rights and other rights attaching to investments sit with the Group Trustees for each Group and the Scheme Trustee has no powers that it can exercise. The Group Trustees are not delegates of the Scheme Trustee in this regard and do not have an authority that can normally be removed by the Scheme Trustee. Group Trustees of one Group only have authority in respect of that Group and do not have authority on a Scheme-wide basis.

For the period covered, there are no assets over which the Scheme Trustee exercises investment decision making power. The governing document of the Scheme also contains detailed provisions which prevent the assets and liabilities of one Group being attributed to another Group.

The detailed climate disclosures reporting has been produced to reflect this structure and to provide the most useful insight to the members.

Climate Mission Statement

The Scheme Trustee believes that the risks associated with climate change can have a significant, negative impact on the investment returns of occupational pension schemes. The Scheme Trustee therefore considers and asks Group Trustees to consider climate change risk when making investment decisions, and seek to capture climate-related investment opportunities, in accordance with their respective powers. More detail about the Groups' approach to Governance is included in the Governance and Risk Management Annex.

Strategy

The Groups invest across a diverse range of asset classes including (but not limited to) equities, credit, alternatives (including bulk annuities, longevity hedging and illiquid assets) and Liability Driven Investment ("LDI"). Some Groups also invest in bulk annuity arrangements which is an insurance policy to secure all, or part of future pensions benefits due to members. In addition, some Groups operate under fiduciary management or Outsourced Chief Investment Officer ("OCIO") arrangements, whereby investment implementation and monitoring activities are delegated to an appointed external provider,

subject to oversight by the relevant Group Trustee. While the Scheme Trustee and Group Trustees recognise that underlying asset classes each have different risk and return profiles, they acknowledge that climate risk can be categorised into two different types of risk: transition risks and physical risks.

The Scheme Trustee and the Group Trustees recognise that the Groups are exposed to these transition and physical risks, which are likely to impact the performance of the Scheme's investments over the time horizons that are of most concern to the Scheme Trustee. The nature and magnitude of the risks (and potential opportunities) that each Group is exposed to is likely to vary accordingly, in line with each Group's individual investment strategy and the asset classes that each Group invests in.

Overall, in respect of the Groups that provided information to support this report, the Scheme's investments exhibit good resilience under all the climate scenarios. Typically, this is due to one or a combination of the following reasons: diversification of the assets, low risk in the investment strategy and/or high levels of hedging against changes in interest rates and inflation expectations.

Risk Management

In identifying, assessing, and managing climate-related risks that are relevant for the Scheme, the Scheme Trustee expects the Group Trustees to undertake qualitative and quantitative analysis, in order to give the Scheme an overview of the climate-related risks that the Scheme is exposed to.

The Scheme Trustee also expects the Group Trustees to undertake their own ongoing governance activities as relevant to their Groups, and in the context of the wider responsibilities of the Scheme Trustee and Group Trustees as described above. Where Groups have provided information about climate risk management, they have provided insight into how risks are identified, assessed, monitored, and integrated into broader risk management processes established by Groups. More information about the Groups' approach to Risk Management is included in the Governance and Risk Management Annex.

Metrics and Targets

Measuring Greenhouse Gas ("GHG") emissions enables pension schemes to assess their exposure to climate change. GHGs are produced by burning fossil fuels, meat and dairy farming, and some industrial processes. When GHGs are released into the atmosphere, they trap heat in the atmosphere causing global warming and contributing to climate change.

All Groups that provided metrics and targets data disclosed at least one absolute emissions-based metric and one intensity-based metric. In this respect, the relevant Groups have broadly chosen to report on a combination of the following measures: Total Greenhouse Gas emissions, Carbon footprint and Weighted Average Carbon Intensity ("WACI").

With regards to disclosing a portfolio alignment metric ("PAM") and an additional metric, most groups chose to disclose binary target measurements and data coverage respectively. Some groups elected other metrics, such as the implied temperature rise for the PAM and climate Value at Risk ("Climate VaR") for the additional metric. Regarding targets, 13 of the Groups reported a target related to emissions reductions/ net zero, data coverage and data quality. In summary, there are some differences in the metrics (and

the underlying methodologies) that each of the relevant Groups have used. This means that it has not been possible to produce a fully consolidated disclosure, but this does not undermine the value of the full report.

Scope of this report

Whilst not all Groups were able to provide all the requested information at the time of writing, Groups representing 95% of the Scheme's total assets as at 31 March 2026 (compared to 95% as at 31 March 2025, as reported in last year's report) provided detailed information which is summarised in this report.

It should also be noted that, as in previous years, not all Groups provided Group-specific climate disclosures-related information requested by the Scheme Trustee for the purposes of the Scheme's report. The Groups that did not provide detailed information were smaller Groups, and information was not requested or obtained on grounds of proportionality.

The table below sets out the relevant Groups and indicates whether they have provided Group-specific information for the Scheme's report, either through the Group's individual climate disclosures report or through submission of a populated climate disclosures information gathering template prepared by the Scheme Trustee ("TCFD Template"). Appendix E provides links to the 2026 climate disclosures reports of any Groups that have published their own Group-level report.

Analysis of Scheme Net Assets by Group as at 31 March 2026:

Please note that, as described above, not all Groups listed below provided Group-specific climate disclosures-related information for the purposes of the Scheme's report. Please also note that, throughout the report, the net asset values for each Group are subject to change until completion of the Scheme audit review.

ESPS Groups	£ Millions	Group specific content provided
Carillion	11	No
Central Networks	2,558	Yes - Individual climate disclosures report
EA Technology	69	No
EDF DB / DC	5,391	Yes - Individual climate disclosures report
Electricity North West	855	Yes - TCFD Template
E.ON UK	2,984	Yes - Individual climate disclosures report
EPSL	9	No
First Hydro	128	No
International Power	231	No
Magnox Electric	2,122	Yes - Individual climate disclosures report
Manweb	775	Yes - Individual climate disclosures report
National Grid Electricity	2,138	Yes - TCFD Template
Northern Powergrid	967	Yes - Individual climate disclosures report
OVO Energy	83	No

Powerhouse Retail	152	No
RWE	3,650	Yes - Individual climate disclosures report
Schneider	18	Yes - TCFD Template
SSE Southern	1,518	Yes - Individual climate disclosures report
UK Power Networks	2,591	Yes - Individual climate disclosures report
Uniper	416	Yes - Individual climate disclosures report
United Utilities PLC	319	Yes - TCFD Template
Western Power Distribution	1,657	Yes - Individual climate disclosures report
Total Net Assets	28,642	

Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

Signed by:

Melanie Cusack

On behalf of the Electricity Pensions Trustee Limited as Scheme Trustee of the Electricity Supply Pension Scheme.

Summary by Group

A summary of the key findings of each Group is presented below, including the key climate achievements of each Group over the reporting period such as climate training, implementation of climate orientated investment strategy and climate opportunities management.

Please note that not all Groups have a plain English summary. Plain English summaries have mostly been provided by larger Groups that intend to publish standalone Group reports to enable members to read and easily deduce key findings from their respective reports.

Central Networks

Climate change remains a significant global challenge, with increasing scientific evidence that global temperatures are likely to climb above the targeted maximum increase of 1.5 degrees above pre-industrial levels without increasingly urgent action. We continue to focus on the impact of climate change as we believe that the responses to this global challenge will determine the health and prosperity of the world now and for future generations. We also believe that in addition to providing pension provisions for members, it would be reasonable to assume that, when they receive their pension, they and their dependents would want to spend it in a world where the environmental quality of life is broadly similar to or better than it is at present.

We recognise that climate change presents a risk that could impact member outcomes. The impact of climate change is already being felt across the globe, and, left unchecked, could lead to substantial financial, environmental and social consequences. We therefore consider a thorough assessment and understanding of climate related risks and impacts to be an integral part of performing our fiduciary duty to protect member benefits. This objective can be aligned, rather than at odds with, the desire to protect and preserve the natural environment.

In addition to this, the rapidly evolving geopolitical tensions are likely to affect the pace and the cost of the climate transition, which could also impact member outcomes.

Our assessment of climate-related risks and opportunities has been carried out based on information that is currently available. This data is subject to change as climate change reporting improves.

Our commitments and beliefs

We have committed our investment portfolios to achieving net-zero greenhouse gas emissions (i.e., not adding to the amount of greenhouse gases in the atmosphere) by 2050 and a 50% emissions reduction from 2020 levels by 2030 at the latest.

This is consistent with the Paris Climate Agreement's objective of limiting warming to 1.5 degrees, which science tells us is the limit of warming that our planet can safely absorb.

We recognise that reaching net zero across our investments will require significant transformation in the global economy. The Group's progress towards the target relies on several factors beyond our direct control, including technological innovation, regulatory developments, market incentives, and the credibility of transition strategies adopted by investee companies and external managers.

Our starting point is to stay invested and have influence rather than disinvest. That said, in the same manner that some investments are judged to be too risky irrespective of returns, some investments will be judged to have too negative a real-world impact, in particular, with regard to systemic issues, such as climate change or respect for human rights.

The key messages from our report are:

- Climate change risk can have an impact on the long-term outcomes of the Group.
- We have processes in place to identify, assess and mitigate climate change risks and take climate opportunities.
- We have undertaken climate scenario analysis to test the resilience of our investment strategy.
    - In the short to medium term, climate impacts on the surplus are expected to be limited because the Group's high hedge ratio should continue to protect the current surplus from inflation and interest-rate movements, although increasing transition and physical risks could modestly weaken asset returns and create some funding level variability.
    - Over the long term, transition, physical and systemic climate risks may become more pronounced and weigh more on asset returns, but a full liability hedge is expected to keep the deficit relatively stable and constrain the knock-on impact on the funding level.
- The level of supportable risk the Group's covenant can support over its covenant reliability period (£3.3bn over 8 years for the purposes of the 31 March 2025 actuarial valuation) provides comfort that the Sponsors could, on current information, meet any negative impact from climate impacts/risks that might lead to a deficit arising.
- There has been a 30% Year-on-Year (YoY) decrease in the portfolio's carbon footprint, resulting in continued improvement vs our net zero target relative to 2020 baseline levels.

EDFG

Governance: The approach and arrangements around climate-related risks and opportunities

The Group Trustee retains ultimate responsibility for identifying, assessing, and monitoring climate-related risks and opportunities, with day-to-day oversight delegated to the Investment Committee (IC), a sub-committee of the Group Trustee.

The Group Trustee requires its appointed investment managers to be cognisant of climate-related risks and opportunities. Active engagement with the Group's appointed investment managers is conducted by the Group Trustee and the Group's Investment Consultants, Gallagher (formerly called Redington) for DB assets and Mercer for DC assets. Active engagement with underlying companies the Group is invested in, is delegated to the Group's investment managers.

The Group Trustee and IC receive regular training relating to responsible investment, climate change in the context of investing and fiduciary responsibility. The Group Trustee deems the training it has received as sufficient in providing the Group Trustee with the necessary knowledge and understanding of climate-related risks and opportunities.

Strategy: The actual and potential impacts of climate-related risks and opportunities on the Group's investment strategy, covenant and financial planning

The Group Trustee considers climate-related risks and opportunities across short-, medium-, and long-term periods on the Group's investment and funding strategy. These risks are assessed via climate-related scenario analysis.

For the DB Section, the Group Trustee has engaged with the DB Investment Consultant, Gallagher, the Group Actuary, LCP and the Covenant Advisor, XPS to understand how various climate scenarios could impact the Group's investment and funding strategy. The investment and funding scenario analysis is calculated based on the Group's position as at 31 March 2026, while the covenant analysis is provided as at 31 May 2026. This is in line with regulatory requirements.

For the DC Section, the Group Trustee has engaged with Mercer and the DC delegated investment manager, MWS to analyse the additional climate change impact on return p.a. to 2030, 2050 and 2100 based on the strategic asset allocation as at 31 December 2025.

Risk Management: The processes used to identify, assess and manage climate-related risks and opportunities

The Group Trustee has integrated climate change risk into the Group's wider risk management framework. The Group Trustee considers the impact of climate-related risks on all the assets in which it invests by conducting and reviewing the results of climate-related stress tests and carbon emissions analysis on a periodic basis. The results are used to identify the potential

actions, for example, engaging with investment managers who have material carbon intensity levels or updating investment guidelines where the Group Trustee has discretion to make such changes in line with fiduciary duty.

The Group Trustee believes engagement with the Group's investment managers is one of the main ways in which the Group Trustee is able to manage climate-related risks and opportunities. The majority of this engagement is carried out on behalf of the Group by the Group's Investment advisors and through meetings with the investment managers.

In Q3 2025, the Group Trustee revised the Group's engagement framework for the investment managers to prioritise ESG integration and stewardship considerations, with a particular focus on case studies demonstrating the investment managers' engagement process in practice. This provides greater opportunity for the Group Trustee to understand how ESG and climate-related considerations are applied to the management of the Group's assets.

Metrics and Targets: The metrics and targets used to assess and manage climate-related risks and opportunities

On a quarterly basis, the Group Trustee receives performance reporting from Mercer for the DC section, which provides details of Mercer's ESG rating for each of the underlying investment managers and carbon metrics for the active equity funds. It is expected that these reports will be expanded to include carbon metrics for more funds when the data becomes available. This report is tabled for discussion at quarterly IC meetings with the Group's investment advisors.

On an annual basis, the Group Trustee monitors the DC section's climate change metrics through an annual MWS ESG report for underlying funds within the multi-asset funds. Going forward this report will provide an update on progress towards these funds' net-zero commitments. The Group Trustee also monitors the DB Section's metrics on at least an annual basis as part of an ESG dashboard provided by Gallagher. The Group Trustee will periodically review its selection of metrics to ensure they remain appropriate for the Group.

The Group Trustee has set a Paris-aligned target for the DB section to reduce total greenhouse gas emissions of the Group's DB assets to net zero by 2050, with a 50% reduction by 2030 compared to the baseline as at 30 September 2021. These targets were reviewed over the year, and the Group Trustee continues to believe that they are complementary to the Group's wider objectives. The Group Trustee notes that given the slow real-world progress on the transition to date, these targets may need to be recalibrated. As such, the Group Trustee will reassess the targets within the next year as appropriate and in line with fiduciary duty. The Group Trustee will adopt the targets as set by the delegated investment manager, MWS. The Group Trustee and MWS are committed to reducing the overall Weighted Average Carbon Intensity (WACI) over time, consistent with the Paris Agreement's ambitions.

Electricity North West (ENWL)

The Trustee of Electricity North West Group of the ESPS (the 'Group Trustee'), recognises that climate change is a critical issue, affecting countries, companies, and individuals globally. The Group Trustee understands that climate change poses a significant financial risk that could impact the financial security of the Group's members' benefits if not accurately assessed and mitigated.

Whilst the day-to-day management of the Group's assets are delegated to the Group's investment managers, the Group Trustee maintains ultimate responsibility for all strategic matters concerning the Group. This includes establishing the governance framework underpinned by a policy focused on sustainable investment (SI) considerations, particularly climate-related risks, and opportunities.

In recent years, the Group Trustee has introduced a Climate Delegation Framework. This framework outlines the Group Trustee's agreed governance processes, ensuring oversight of climate-related risks and opportunities relevant to the Group. Its purpose is to enhance and expand upon the policies stated in the Group's Statement of Investment Principles (SIP) and ESG Policy, detailing roles and responsibilities related to managing climate risks and opportunities. The ESG Policy and Climate Delegation Framework will be reviewed at least triennially, with periodic reviews of the Group's climate-related risk register. The Group Trustee have also updated the Group's ESG Policy specifically for climate considerations and to incorporate the already established climate-specific risk register.

Climate-related considerations are integral to strategic decisions concerning the Group's investments and funding arrangements. This includes the integration of climate considerations into the Group's ESG Policy, continuous risk management through the risk register, and diligent monitoring. As the Group Trustee's and Company's ESG beliefs evolve, these policies will be updated to reflect such changes.

Quarterly meetings with the Group Trustee investment adviser, Isio, allow the Group Trustee to review the processes and strategies of the Group's investment managers comprehensively. An annual in-depth review of the investment managers' Sustainable Investment capabilities is conducted through the use of a Sustainability Integration Assessment (SIA) Report, which evaluates the managers ESG competence via a detailed scorecard, consisting of c.70–75 questions (the exact number varies by asset class). Based on this assessment, the Group Trustee through its investment advisers Isio communicates potential actions for improvements to the investment managers. This SIA Report complements the Group's annual Implementation Statement which highlights the engagement and voting data from the Group's investment managers, (supported by relevant case studies where applicable)

Additionally, the Group Trustee benefits from regular training provided by Isio and updates from investment managers on sustainable investing, climate-related risks, and opportunities, ensuring the necessary understanding needed to fulfil statutory and fiduciary obligations.

E. ON

The Group Trustee is supportive of this regulation and believe greater accountability and transparency in reporting on climate risks should lead to better-informed decision making by investors.

The Group Trustee recognises climate change (defined by the United Nations as the long-term shifts in temperatures and weather patterns) as a material long-term systematic risk to pension schemes and its members.

The Intergovernmental Panel on Climate Change estimated in 2018 that human activities have already caused circa 1 degree Celsius of warming above pre-industrial levels. The Group Trustee is supportive of the goals of the Paris Agreement, to limit global warming to 'well below' 2 degrees Celsius compared with pre-industrial levels and pursuing efforts to limit warming to 1.5 degrees and recognises the relevance of this goal under their obligations of fiduciary duty to their members.

It should be noted that during the reporting year the Group Trustee changed its investment advisor from Cardano and appointed Schroders as the Principal Investment Manager under an Outsourced Chief Investment Officer arrangement (the 'OCIO manager'). Working with the new OCIO manager the Group Trustee plans to review its climate targets and metrics during 2026. The appointment of Schroders has resulted in a material change to the investment strategy and hence a change to the climate risks and opportunities noted in this report. The Group Trustee is comfortable with the revised strategy and regularly engages the OCIO manager.

Mercer (formerly, Cardano Advisory) remain appointed as the Group covenant advisor which is a separate appointment and team to the previously appointed investment advisor.

Integrating sustainability matters makes sense for our members. We think there are good investment reasons to consider sustainability, and climate change in particular. By not considering major sustainability matters, including environmental, social and governance issues, we would be giving an incomplete perspective of the risks to the investments.

Our commitment

We have committed to aligning our investments to the progression towards net-zero greenhouse gas emissions in the global economy by 2050 at the latest. We acknowledge there is a high degree of uncertainty in achieving this, as this requires progress across a range of areas, including global collaboration and the development of new, cost-effective technologies. Net zero means not adding to the amount of greenhouse gases in the atmosphere.

By 2030, we have targeted investments to an aggregate 50% reduction in emissions versus 2019 baseline levels. This is our target and is consistent with the Paris Climate Agreement's objective of limiting warming to 1.5 degrees, which science tells us is the limit of warming that our planet can safely absorb.

As at 31 December 2025, our Scope 1 and 2 greenhouse emissions per £1m invested was 65 tonnes of carbon dioxide equivalent. This is lower than in the previous year. The Group Trustee is comfortable with progress towards its target and will continue to monitor it annually.

We also review scenario analysis due to the complexities involved in forecasting the degree of warming that will result from climate change; including policy uncertainty, multiple environmental tipping points, and potential technology advances. We have chosen to disclose three scenarios that highlight the impact of physical risks and transition risks in different scenarios.

In early 2026, we reviewed the appropriateness of these climate scenarios with our advisers and continue to use these scenarios. The scenarios will be reviewed in detail in 2026 with all advisors, noting that Schroders were appointed as the OCIO manager in 2025.

Magnox Electric

The Group Trustee has worked closely with its Investment Adviser to identify the climate-related risks and opportunities faced by the Group, and to understand ways the Group Trustee can manage and mitigate the risks and access the opportunities.

Effective Governance and Risk Management for Climate Resilience

The Group Trustee are responsible for overseeing all strategic matters related to the Group, including climate-related risks and opportunities. The Group Trustee has established a process to identify, assess, and manage the climate-related risks and opportunities the Group faces, integrating it into the broader risk management framework.

Strategy update

The Group Trustee's qualitative risk analysis found that the asset classes the Group invests in are somewhat affected by climate-related risks, and these risks are expected to grow over time. The Group Trustee also found several investment opportunities across different asset classes.

The Group Trustee reviewed its climate scenario analysis, reported in 2024, and has decided to not refresh the analysis given there have been no material changes to the investment strategy or scenario modelling techniques. The results of the analysis indicate that the Group has a reasonable degree of resilience to climate-related risks.

Metrics & Target update

The total emissions for the Group (excluding LDI) have increased from last year. The Scope 1 & 2 emissions have fallen slightly from last year, however, the emissions for Scope 3 have increased.

Metrics Summary

Total reported emissions*	**Carbon footprint[1]**
Scope 1&2	**Scope 1&2**
54,534 tCO_2e	47.0 tCO_2e/£M
Scope 3	**Scope 3**
419,409 tCO_2e	437.6 tCO_2e/£M
Emissions changes[1]	**Data coverage[1]**
Scope 1&2 ↓	**Scope 1&2**
Scope 3 ↑	87%
	Scope 3
	72%

*excludes emissions for LDI assets.

Whilst, at an overall level, the quality of the data provided by the managers has improved, not all managers were able to provide all the information requested, and some metrics have deteriorated over the period.

Manweb

The primary responsibility of Manweb Corporate Pension Trustee Limited (the "Group Trustee") as Trustee of the Group is to pay members their pension and other benefits. Climate change is one risk amongst many that the Group Trustee measures, monitors and manages. The Group Trustee recognises climate change as a risk that could potentially impact the financial security of members' benefits, if it is not properly measured and managed.

The climate crisis is incredibly complex, both from a scientific and an economic perspective. With this in mind, the Group Trustee's assessment of climate-related risks and opportunities has been carried out based on information that is currently available, in terms of data provided by the investment managers, in respect of the investment managers' funds that the Group's assets are invested in, and in consideration of the climate scenarios we have analysed.

Data on emissions needs to improve and our investment managers, advisors and suppliers will need to play their part. The Group Trustee regularly engages with the Group's investment managers and its advisors, with a view to improving data over time.

We also continue to work closely with ScottishPower, not just because the Company is important to the future security of the Group but also because they are committed to a cleaner, greener and sustainable future. We want to share knowledge and expertise to help the Group Trustee achieve its goals.

The Group Trustee recognises that the Group must provide security to its members and their beneficiaries for many years to come. Over recent years the Group Trustee has taken several steps to reduce the level of risk associated with the Group's investment strategy. This has helped reduce exposure to a range of risks, including Environmental, Social and Governance ("ESG") factors and, within that, climate-change risks. To this extent, the Group Trustee believes that climate change needs to be considered alongside other risks in a balanced and proportionate manner.

It is pleasing to note that progress continues to be made with regards to the level of climate-related data coverage, compared to prior years the baseline year (as at 31 December 2022), with data coverage for absolute emissions and carbon footprint data now achieving the Group Trustee's 80% target. albeit further improvement needs to be made in order to achieve the target level set by the Group Trustee for Implied Temperate Rise data coverage however. We will continue to report on our progress each year.

National Grid Electricity

We have worked closely with our investment adviser to identify the climate-related risks and opportunities faced by the Group, and to understand ways we can manage and mitigate those risks.

Overview of the Group

- The Group is a Defined Benefit ("DB") pension scheme, with a small amount in Additional Voluntary Contributions ("AVCs").
- The investment portfolio of c.£704.4m (at 31 December 2025) is invested in a range of asset classes including, property and infrastructure, and liability driven investment ("LDI").
- The Group concluded a bulk annuity transaction for a significant proportion of its liabilities at the end of 2024. Given the nature of bulk annuities this has largely been excluded from this analysis.

Governance

- We, the Group Trustee, are ultimately responsible for the oversight of all strategic matters relating to the Group, including climate-related risks and opportunities.
- We delegate the day-to-day oversight of the Group's climate change risk management to the Funding and Investment Committee ("FIC").

Strategy

- Our qualitative analysis of climate related risks and opportunities shows that the asset classes in which the Group invests are impacted to some degree by climate-related risks. , and over time the risk exposure is expected to increase. We have identified potential climate-related investment opportunities for the Group's asset classes.
- In December 2023 we carried out climate change scenario analysis to better understand the impact climate change could have on the Group's assets and liabilities. The climate scenario analysis shows the Group has a good level of resilience against climate-related risks. This analysis does not allow for the recent bulk annuity transaction.

Risk Management

- We have established a process to identify, assess and manage the climate-related risks and opportunities the Group is exposed to. This is integrated into the Group's wider risk management framework. Our

Climate Risk Management framework assists with the ongoing management of climate related risks and opportunities.

- Alongside this, we undertake annual training on responsible investment to understand how Environmental Social and Governance ("ESG") factors, including climate change, may impact the Group's assets and liabilities.

Metrics and Targets

We have disclosed information on four climate-related metrics:

- Total Greenhouse Gas ("GHG") Emissions.
- Carbon Footprint.
- Data Coverage (the percentage of the investment portfolio for which carbon emissions data is available).
- A portion of the portfolio with net zero or Paris-aligned target, and a Science Based Target Initiative (SBTi) validated metric.

The Group Trustee set a target for the Group to increase the data coverage for Scopes 1 and 2 emissions across property and has currently achieved c100% for all but one holding, well ahead of the target timescale.

Northern Powergrid

We have worked closely with our investment adviser to identify the climate-related risks and opportunities faced by the Group, and to understand ways we can manage and mitigate those risks.

Our overarching conclusion from preparing this report is that the portfolio is resilient to climate change and the Group's investment managers are properly allowing for climate-related risks and opportunities.

Effective Governance and Risk Management for Climate Resilience

We, the Group Trustees, are responsible for overseeing all strategic matters related to the Group, including climate-related risks and opportunities. We have established a process to identify, assess, and manage the climate-related risks and opportunities the Group faces, integrating it into the broader risk management framework.

Strategy update

Our qualitative risk analysis found that the asset classes the Group invests in are somewhat affected by climate-related risks, and these risks are expected to grow over time. We also found several investment opportunities across different asset classes.

The Group Trustees reviewed the climate scenario analysis, completed in 2023, and decided to not refresh the analysis this year, as a number of changes to the Group's investment strategy are in the process of being implemented. The results of the previously conducted analysis indicate that the Group has a reasonable degree of resilience to climate-related risks and

the changes to the strategy, once implemented, are not expected to worsen this position.

Metrics & Target update

Total reported emissions (S1&2)	**Carbon footprint (S3)**
14,634 tCO2e	63 tCO2e/£M
Emissions changes	**Data coverage**
Scopes 1&2 ↓	51%
Scope 3 ↓	

Overall, absolute and relative emissions fell for Scopes 1, 2 and 3. This was primarily driven by the replacement of the Group's equity holdings with two new asset-backed securities funds over the year. These funds did not report emissions, which has led to a slight reduction in data coverage for the overall portfolio in aggregate.

Progress towards the Group's data coverage target fell slightly over the year.

RWE

Mission

The Group Trustees' overall mission is to manage the assets of the Group on behalf of members and to pay members' benefits. The Group Trustees have identified climate change as the single biggest risk and opportunity in Responsible Investment (closely followed by issues such as biodiversity, fair employment practices and corporate transparency). Both the long- and short-term impacts of climate change are expected to have wide ranging economic and social consequences. As a result, the Group Trustees consider this to be a material risk to paying members' benefits (e.g. investments in companies that produce or rely on fossil fuels may lose money because of the climate transition if they do not adapt their business model). However, they also consider the potential opportunities that the transition to a low-carbon economy can present (e.g. investing in those companies that produce energy with reduced environmental impact, or use this in the creation of their products and services, and are therefore better prepared for the transition).

The Group Trustees monitor Responsible Investment related risks and opportunities (including climate change) within the Group's investment portfolios and set targets to improve over time. The Group Trustees then use the output of this analysis to determine and prioritise engagement with specific investment managers and third parties. The Group Trustees recognise that they can influence the decision making of companies that the Group invests in. The Group Trustees' belief is that this engagement is a more productive way to enact change, than simply disinvesting or excluding companies which have high emissions from the Group's investment portfolios.

The Group Trustees have established a Responsible Investment Committee ("RIC"), which aims to assess, monitor and manage the risks and

opportunities resulting from climate change. The Group Trustees delegate the day-to-day considerations in Responsible Investment to the RIC.

Financial resilience

The Group Trustees conducted climate change scenario analysis in the scheme year ended 31 March 2025, to assess the potential impacts on the financial position of the Group over the next 18 years under different potential future outcomes. This choice of timeframe is the period over which the Group is expected to be most exposed to risks and opportunities from climate change, and links to the Group Trustees' wider strategic targets and ambitions.

The climate scenarios range from no action being taken by governments and investors to reduce Greenhouse Gas ("GHG") emissions, to a global coordinated effort to enact quick (and effective) policy reforms which result in immediate action being taken.

The Group Trustees also consider how the Group's Sponsors (who are responsible for funding the benefits of the Group) are expected to manage their own climate-related risks and opportunities, given that their operations include both fossil fuel and renewable energy generation.

Based on the most recent scenario analysis conducted by the Group Trustees, it is expected that the Group's financial position will remain strong, and the security of members' benefits remains high, in all scenarios considered. The analysis did however identify that climate change remains a material influence on financial outcomes and therefore it remains a top priority for the Group Trustees in the management of the Group.

As mentioned above, the scenario analysis was last conducted during the year ended 31 March 2025, and the Group Trustees will next review the climate scenario analysis during the year ending 31 March 2028, reflecting any new developments in the scenarios being modelled. In the intervening years, the Group Trustees will consider whether a more frequent update is required depending on whether the results are expected to change materially either due to a change in strategy, membership or the scenarios considered. Over the Scheme year ending 31 March 2026, the Group Trustees considered whether the analysis should be repeated and concluded that an update was not required this year.

Climate change metrics

The Group Trustees conduct a detailed Responsible Investment metrics analysis annually, which seeks to assess the Group's exposure to climate-related risks and opportunities. While the Group Trustees' remit considers a broad array of metrics, the output in this statement focuses on four specific climate metrics considered as part of that process.

This is a developing area as not all companies report their GHG emissions. Therefore, the availability of data is expected to change over time. However, the Group Trustees are engaging with the investment managers to ensure that a larger proportion of the companies in which the Group invests, report their GHG emissions. The Group Trustees last engaged formally with all of their

investment managers during the year ended 31 March 2025 and will check on progress and conduct further engagements during the year ending 31 March 2027.

The Group Trustees recognise that measurement of progress of the Group and the whole investment industry in stewarding the transition to a net zero and a climate-resilient economy is a critical issue. There is no single definitive metric that can be used to adequately measure progress as climate is a multi-dimensional issue, and the data and analytics in this space are rapidly evolving. Therefore, the Group Trustees monitor a range of metrics to ensure that the climate and wider Responsible Investment risks are adequately assessed and managed. However, in line with the Regulations, the Group Trustees have set a target on one of the metrics, focussed on reducing the GHG footprint of the non-government bond assets.

Over time, the Group Trustees expect that the longer-term trend of the Group's GHG footprint will continue downwards, towards the Group Trustee's net-zero target. The Group Trustees, however, also recognise that there may be short term deviations in future years. This could be due to changes in underlying holdings and ongoing developments within the industry (such as data availability, methodology changes and inclusion of scope 3 emissions, for example). The Group Trustees also recognise that a key driver of change will be the actions of governments, consumers and corporates and while the Group Trustees will do what they can to help achieve the objective, there is reliance placed on the actions of others.

Actions taken during the year ending 31 March 2026

Over the scheme year to 31 March 2026, the Group Trustees undertook a number of actions to help achieve the aim of managing climate change risks and opportunities:

Stewardship priorities – The Group Trustees consider that stewardship is a valuable tool for managing risk and improving financial outcomes of the Group. However, the Group Trustees also acknowledge that Responsible Investment is broad and therefore have selected a small number of stewardship priorities to focus engagements, with "climate change" being one of these priorities. During the year to 31 March 2026, the Group Trustees focussed on these priorities. This included monitoring Responsible Investment metrics in relation to each stewardship priority and receiving additional targeted training. As a result of this, the Group Trustees selected additional biodiversity, nature and social metrics to broaden the scope of the way the Group Trustees oversee broader Responsible Investment risks and opportunities beyond just climate change.

Manager assessment and engagement – The Group Trustees appoint investment managers, who manage assets on behalf of the Group. The Group Trustees assess the managers' capabilities, including in respect of Responsible Investment factors, on an annual basis. In addition, during the year to 31 March 2025, the Group Trustees issued formal letters to all of the Group's managers, notifying them of the Group's chosen stewardship priorities, and inquiring about the alignment of each manager's investment approach with the Group Trustees' Responsible Investment strategy. The

Group Trustees reviewed the managers' responses and incorporated these into the annual Responsible Investment review carried out in the year to 31 March 2026. As a result of this, the Group Trustees conducted follow-up engagements with a small number of managers where their Responsible Investment approach did not closely align with the Group Trustees' policies.

Member communications – The Group Trustees are committed to keeping the Group's members informed of the work carried out in the Responsible Investment space and how it impacts member benefit security. The Group Trustees provided an update in the member newsletter during the year, which covered the publication of the Scheme and Group TCFD statements, and the wider Responsible Investment work done by the RIC.

Conclusions

Climate risk is a key risk to the payment of members' benefits; however, it also brings with it opportunities. The Group Trustees place a high priority in monitoring these risks and opportunities, in order to appropriately take them into account in the management of the Group's funding strategy.

Schneider

The Group Trustee is of the opinion that all policies pertaining to climate-related risks and opportunities (CRROs) – as documented in the Group's Statement of Investment Principles – have been followed and implemented for the YE 31 March 2026. In particular, the Group Trustee is of the opinion that the policy in respect of voting, stewardship and engagement has been followed appropriately.

No changes to the Group's investment strategy were necessary to enhance alignment with the Group Trustee's climate beliefs.

Data coverage for both the carbon metrics and climate risk data over the reporting period was comparable to last year across the funds held by the Group. Again, data coverage was close to 100% for the equity funds, while coverage for the fixed income and alternative funds was limited given the nature of the underlying investments.

The general conclusions of the climate scenario analysis are similar to last year: an Orderly Transition to a net-zero economy is expected to have the greatest adverse impact on the Group's portfolio, while the outcomes under a Disorderly Transition and Hot House scenario are less onerous (and similar in magnitude). This is because transition risk is highest under the Orderly Transition, and transition risk is given more weight in the aggregate risk methodology than physical risk. Physical risk is generally projected to occur further into the future and therefore tends to be discounted more heavily. Scenarios which skew towards physical risk and away from transition risk (i.e. the Disorderly Transition and Hot House scenario) therefore carry less risk on aggregate.

Based on the MSCI data as at 31 March 2026, the Group's carbon footprint was comparable to last year (for the funds with available data). The Implied Temperature Rise was broadly unchanged at 2.6°C.

With respect to shareholder engagement, the number of companies engaged over the year ending 31 March 2026 increased significantly compared to the previous year (301 vs. 235). Moreover, the number of companies achieving milestones related to CRROs also increased (95 vs. 84).

SSE Southern

Governance

- There have been no major changes over the year to the Group Trustee's governance approach.
- The Group Trustee has a Responsible Investment (RI) policy in place – available on the member website – that sets out the Group's approach to climate-related issues and the key roles and responsibilities with respect to climate change and broader Responsible Investment. Post reporting year-end, the Group Trustee performed an in-depth review of its RI beliefs and policy, the results of which will be detailed in the next reporting period.

Strategy:

- The Group Trustee last carried out scenario analysis for the 2022/23 report. Whilst the Group Trustee acknowledge the regulations state this is to be updated every three years, due to the timing of the Group's triennial valuation, the subsequent scenario analysis will be carried out in the second half of 2026. This means the results will not be included in this year's report but in the 2026/27 iteration. The Group Trustee believes this is the most pragmatic approach to avoid performing analysis using outdated member data and liability cashflows.
- The Group Trustee meets with the Group's investment managers on an ongoing basis where the discussions cover RI considerations, including climate change. A log of these engagement activities is maintained and included in each Trustee meeting pack.
- The Group Trustee has assessed how ESG considerations are integrated into specific asset classes and individual mandates. In early 2026, the Group Trustee undertook a review of its equity holdings and identified a degree of concentration risk, particularly to US markets and certain technology stocks. To address this, the Group Trustee switched one of its equity mandates to provide broader diversification across regions and sectors. Whilst this represented a move away from a stronger ESG tilted mandate, the Group Trustee considered the ESG impact alongside the broader investment risks and were comfortable with this decision. The decision was supported by the fact the new mandate is with L&G, a manager that continues to meet the Group Trustee's overall expectations and objectives in relation to ESG integration and effective stewardship.

Risk management:

- The Group Trustee has a risk management policy in place that shows how climate change is considered in all Group processes and integrated into overall risk management. The Group Trustee has a clear approach to the management of risks posed to the Group, which includes climate-related risks.
- The Group Trustee has embedded the consideration of climate-related risks into its broader risk management approach and consider climate risks as part of all that it does (e.g. investment strategy reviews, engagement with managers, etc.)

Metrics and targets:

- The Group Trustee has selected several climate metrics by which to measure the Group's position and exposure to climate risks and opportunities.
- The Group has a Weighted Average Carbon Intensity ('WACI') as at 31 December 2025 of 80 tCO2/$m Sales (Scope 1 and 2 emissions only). This is a reduction of c6% versus the position as at 31 December 2024.
- The Group Trustee has set a data quality target for 2 of the Group's mandates: LGIM Buy & Maintain corporate bonds and Insight Secured Finance.
- The Group Trustee aims to achieve a net zero position for all Group assets by 2050. Whilst this is not currently a formal target, the Group Trustee will use this aim to guide decisions and targets to be set within the individual mandates.

Next steps:

- Continue to regularly review the Group Trustee's approach to climate change and responsible investment beliefs, and thus the policies and processes in place to embed climate-related issues across the Group's management.
- Refresh the climate scenario analysis following completion of the triennial valuation.
- Undertake annual climate metric reporting against the chosen metrics for the Group and use this to both monitor performance against the agreed targets and aid the Group Trustee in its investment decision-making as appropriate.

UK Power Networks

The Group Trustee holds ultimate responsibility for the management of climate risks and opportunities and engages with the Fiduciary Manager, BlackRock, on a quarterly basis to ensure that climate risks and opportunities are adequately considered and managed within its investment approach. The Group Trustee monitors climate risks through its climate risk register which

considers the impact of various physical and transition risks and opportunities over the short, medium and long term and documents the steps being taken to mitigate against the risks and to capture the opportunities. The Group Trustee also monitors climate risks and opportunities through annual climate scenario analysis, conducted by its Fiduciary Manager. Based on the most recent scenario analysis conducted by the Fiduciary Manager, the Group Trustee has concluded that climate change-related risks do not currently present a significant risk to the resilience of the covenant.

Since 2023, the Group Trustee has participated in a joint ESG Working Party, together with the UK Power Networks Pension Scheme (a separate registered pension scheme which is not part of the ESPS). The working party monitors the climate-related activities of the Fiduciary Manager (including in relation to portfolio management, stewardship and voting activities) and oversees its compliance with the ESG Policy. The ESG Working Party is not a decision-making body but makes recommendations to the Board for it to take the ultimate decisions. In 2025 the ESG Working Party received training from BlackRock on how it structures it engagement teams, activities and reporting, including on voting.

Recognising the importance of improving data quality, the Group Trustee has set a target to improve data availability for Scope 1, 2 and 3 carbon emissions for the overall portfolio to at least 50% over the medium term (3-5 years). The Group Trustee is pleased to note that data coverage continues to improve, with Scope 1 & 2 emissions now at 89.7% which is a notable improvement from last year. The Group Trustee expects BlackRock to continue to engage with underlying investment managers to improve the data quality across the total portfolio. The Group Trustee hopes to see an improvement in Scope 3 emissions data (currently at 16.1%, at the total portfolio level) over the next 3-5 years but notes this may prove difficult due to industry concerns about the measurement of Scope 3 emissions for sovereign debt. BlackRock is working closely with the LDI portfolio manager to understand the steps it is taking to meet this target and will report back regularly to the Group Trustee with its progress.

Uniper

The Group Trustee of the Uniper Group of the Electricity Supply Pension Scheme believes that Climate Change is a systemic risk and seeks to manage that risk on behalf of its members and the sponsoring employer. The Group Trustee's focus on Climate Change risk mitigation plays an important role in how investments are managed across all asset classes. At a policy level, the Group Trustee is supportive of initiatives that contribute towards mitigating Climate Change risk on its investments. As such, the Group Trustee supports the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD).

The Group Trustee is supportive of initiatives it believes will be in the long-term financial interest of members. TCFD is one such initiative, as the Group Trustee believes greater disclosure will lead to better investment decisions.

Indeed, where appropriate, the Group Trustee will also engage with its appointed fiduciary manager and/or fund managers to support such initiatives.

The Group Trustee's investment strategy is delegated to its appointed fiduciary manager – Van Lanschot Kempen Investment Management ("VLK"). VLK have responsibility for managing Environmental (including Climate Change risks), Social and Governance Risks on behalf of the Group. Going forward, the Group Trustee will continue to monitor and engage with VLK to ensure that climate risks and more broadly their sustainability ambitions are achieved while also capitalizing on these opportunities to deliver better member outcomes and contribute to a sustainable planet.

Within the context of its fiduciary responsibility, the Group Trustee is supportive of the Paris Agreement to avoid dangerous Climate Change by limiting global warming to well below 2°C above pre-industrial levels.

United Utilities PLC

The Trustee Board believes that climate change poses a risk to society, the economy and the financial system, but also recognises that the transition to a lower carbon world presents investment opportunities. With these risks and opportunities in mind, the Trustee is pleased to present the report. We summarise below some highlights.

Managing Climate Risks and Opportunities – Governance and Risk Management Highlights

The Trustee has a robust framework for managing climate risks and opportunities, including setting clear expectations and responsibilities in relation to climate change. Key elements of this activity are summarised below.

- Climate-related risks and opportunities are reviewed regularly at Trustee Board and relevant Sub-Committee meetings, and feature as a substantive part of the agenda in meetings held with the Group's investment manager and bulk annuity provider.
- The Group has implemented guidelines within the investment arrangements that explicitly integrate climate risk considerations within how our investments are managed. This helps improve the resilience of the Group to long term climate risks, as well as offering access to growth opportunities, such as in new technology and renewable energy.
- Whenever a new investment fund, investment manager, or insurance investment policy is selected, a thorough assessment of how the provider integrates consideration of environmental, social, and governance (ESG) factors into their approach is made, including receipt of professional, independent advice on this matter.
- The Trustee expects, and encourages, its investment manager and bulk annuity provider to use stewardship (voting and engagement) to engage with investee companies on climate change. We report on

stewardship annually in the Implementation Statement, including details of significant votes on climate change.

Activity During the Year

Climate change matters were considered as a key component of the following activities:

- Review of the Statement of Investment Principles (SIP) – the Trustee reviewed the responsible investment policies in the SIP and updated these disclosures to better reflect the ESG-related practices of the Group. The updates to the SIP included:
    - Documenting the fact that the Trustee conducts an ESG beliefs survey typically every three years to assist with ongoing policy development and implementation.
    - Adding reference to the Trustee's stewardship priorities (climate change, labour practices and standards, and corporate governance).
    - Noting that the Trustee reviews case studies of engagements carried out by the investment manager each quarter, through the Group's investment monitoring dashboard.
- The Trustee also considered how best to engage with members regarding climate change. To support this, an infographic summarising the annual Climate Change report was produced and shared with members, to ensure that those seeking information on this topic can view an accessible summary. Articles were also featured in the member newsletter.
- The Trustee reviewed the selected climate change metrics and the progress of the Group against the targets set. This allows the Trustee to ensure that progress is being made, and we are pleased to report that the Group remains ahead of its interim target and on track to reach its net zero ambitions.

Alongside these activities, the Trustee maintained its wider governance and risk management framework in relation to climate change. Activity during the year included:

- A full review of the risks, controls, and mitigations associated with climate change and wider ESG matters within our Risk Register.
- A review of our investment adviser against the strategic objectives set, which include specific objectives relating to ESG and climate change.
- Quarterly review of the engagement dashboard, which shows case studies of the engagements carried out by the investment manager with the companies in which the Group invests.

Climate Metrics and Progress Relative to Target

Climate metrics have two important roles. Firstly, by considering metrics for individual investment funds and portfolios, they can help to identify risks and opportunities. For example, by highlighting funds with a relatively high carbon

footprint. Secondly, metrics are useful in charting progress over time. The Trustee has selected the following metrics: Total Greenhouse Gas, Carbon Footprint, % of portfolio with targets approved by the Science Based Targets initiative (SBTi) and Implied Temperature Rise (ITR).

L&G Bulk Annuity Policy

The Group has contracts in place with a life insurer, L&G, which will pay the pensions for a group of pensioner members. L&G has committed to achieving carbon net zero across its annuities book of business in aggregate by 2050 to align with the Paris Agreement on Climate Change. As part of L&G's strategic asset allocation review process, climate-related risk is assessed in terms of physical, transition and litigation risks.

The Group's Climate Target

Given the significance of climate change risks, the Trustee has set a "net zero" emissions target by 2050 for listed assets. The Trustee has also set an interim target of achieving a 50% reduction in scope 1 and 2 emissions for these assets by 2030, as measured by the carbon footprint metric, relative to a baseline date of 31 March 2023. The baseline figure was 87 tCO2e/$m invested at 31 March 2023 (based on the available data).

As at 31 March 2026, the Group's carbon footprint was 30.8 tCO2e/$m invested (based on the available data for the invested asset portfolio). This is a decrease of c. 65% vs the baseline figure of 87.0 tCO2e/$m invested. Over the year, there was a reduction in the carbon footprint of 20% (last year's carbon footprint was 38.3 tCO2e/$m invested.

Therefore, the Group remains ahead of its interim target. This is positive but the Trustee recognises the data limitations and will keep working with the investment managers to stay on track for the net zero target by 2050.

Western Power Distribution

The key messages from this report are:

- Climate change risk can have an impact on the long-term outcomes of the Group
- We have processes in place to identify, assess and mitigate climate change risks and take climate opportunities
- We have undertaken climate scenario analysis to test the resilience of our investment strategy
- In the short to medium term, climate impacts on the deficit are expected to be limited because the Group's high hedge ratio should continue to protect the current deficit from inflation and interest-rate movements, although increasing transition and physical risks could modestly weaken asset returns and create some funding level variability.
- Over the long term, transition, physical and systemic climate risks may become more pronounced and weigh more on asset returns, but a full

liability hedge is expected to keep the deficit relatively stable and constrain the knock-on impact on the funding level.

- There has been a 32% year on year ("YoY") decrease in the portfolio's carbon footprint, resulting in continued improvement vs our net zero target relative to 2020 baseline levels.
- A large portion of this can be attributed to the introduction of the Global Sustainable Transition Equity Fund, which embeds explicit net zero objectives within its investment approach, and has improved the portfolio's overall emissions profile.

Governance

Governance is the way the Scheme operates and the internal processes and controls in place to ensure appropriate oversight. Those undertaking governance activities are responsible for managing climate-related risks and opportunities.

Climate risk and the Scheme

The Scheme Trustee acknowledges that there are both long- and short-term risks associated with climate change.

Climate-related risks and opportunities are assessed over the above time horizons, and where appropriate, transition and physical risks are considered separately. The Scheme Trustee recognises that Group Trustees may consider much shorter or longer time-horizons dependent on the particular circumstances of their Group.

Group time periods

Most Groups explicitly stated their definitions of the short-, medium- and long-term time periods. Short-term time horizons were generally defined as between 1 and 5 years, although EDF DC adopted a longer 10-year period and Manweb used 6 years. Medium-term definitions were more varied, but most fell within a range of 4 to 10 years, with notable exceptions including EDF DC (25 years), Manweb (14 years) and Uniper (7 to 15 years). Long-term time horizons showed the greatest variation, ranging from 10 years to over 40 years. However, most Groups defined the long term as broadly between 10 and 20 years, with EDF DC (40+ years) and Manweb (24 years) adopting significantly longer periods.

Group	Short Term	Medium Term	Long Term
Central Networks	3	10	15
E.ON UK	5	10	15
EDF DB	2	2*	10
EDF DC	10	25	40+
Magnox Electric	1 – 3	4 – 10	10+
Manweb	6	14	24
National Grid Electricity	1 – 3	4 – 10	11 – 20
Northern Powergrid	1 – 3	4 – 10	11 – 20
RWE	2	5	17
Schneider	< 5	6 – 10	11+
SSE Southern	2	4	13
UK Power Networks	1	3 – 5	10
United Utilities Plc	3	7	12
Uniper	3 – 6	7 – 15	15+
Western Power Distribution	3	10	15

Source: Groups. Some groups expressed their time periods in 'time to year x' – these Groups have been converted to a year count based upon the formula (year – 2026). Note that not all Groups explicitly stated the relevant time periods as applicable to their Group. (*) EDF DB has

combined its short and medium-term time horizons in line with the Group's target self-sufficiency funding date of 2027.

The roles of the Scheme Trustee and the Group Trustees are described in more detail below, as well as those of the Scheme Trustee's external advisers and fund managers.

Role of the Scheme Trustee

The Scheme Trustee maintains oversight of climate-related risks and opportunities which are relevant to the Scheme as set out in this Governance section of the report. In line with the two-tiered structure of the Scheme described above, investment strategy and implementation are the responsibility of the Group Trustees of the relevant Group.

The directors of the Scheme Trustee receive training on climate-related issues to ensure that they have the appropriate degree of knowledge and understanding of the identification, assessment, and management of risks from the effects of climate change and the opportunities from climate change.

The Scheme Trustee expects its advisers to bring important and relevant climate-related issues and developments to the Scheme Trustee's attention in a timely manner.

The Scheme Trustee monitors and reviews the Scheme's climate change risk management approach annually.

Role of the Group Trustees

The Group Trustees are responsible for the implementation and day-to-day oversight of the Scheme's climate change risk management framework with respect to their specific Group.

The Group Trustees ensure they receive training on climate-related issues to ensure that they have the appropriate degree of knowledge and understanding of the identification, assessment, and management of risks from the effects of climate change and the opportunities from climate change to support good decision-making.

The Group Trustees seek to ensure that any investment decisions appropriately consider climate-related risks and opportunities within the context of the Group's wider risk and return requirements and are consistent with the climate change policy as set out in their respective Statement of Investment Principles (each a "Group's SIP") and other relevant policy documents developed by the Groups.

The Group Trustees monitor and review progress against their Group's climate change risk management approach each year. The Scheme Trustee and Group Trustees acknowledge that the impact of the climate-related risks and opportunities is expected to be assessed at Group level in the context of the Group's investment strategy, as it cannot be disconnected from the employer covenant, and this is different for each Group. Where the Group has a funding strategy, the impact of those risks

and opportunities is expected to be assessed in the funding strategy at a Group level.

Implementation is detailed later in this report, but key activities of the Group Trustees include:

- Setting the Group's responsible investment strategy and wider ESG integration.
- Seeking investment opportunities which reflect the ESG and climate change approach of the Group.
- Ensuring investment proposals explicitly consider the impact of climate risks and opportunities.
- Engaging with their Group's fund managers to understand how climate risks are managed in their investment approach.
- Working with their Group's fund managers to calculate and disclose relevant climate-related metrics as set out in the TCFD's recommendations (for the Groups that provide Group-specific climate disclosures-related information to support this Scheme-level report).
- Ensuring that stewardship activities are being undertaken appropriately on the Group's behalf.

For example, the Group Trustee (the "EDF Group Trustee") of the EDF Group of the Scheme (the "EDF Group"), is ultimately responsible for identifying, assessing, monitoring and managing climate-related risks and opportunities which are relevant to the EDF Group. However, there is also a sub-committee of the EDF Group Trustee (the "Investment Committee") that has been delegated the day-to-day responsibility for ensuring that the established policy for monitoring climate-related risks and opportunities is integrated into investment strategy, risk management and decision making.

More detailed information about the Groups' approach to Governance can be found in the Governance and Risk Management Annex.

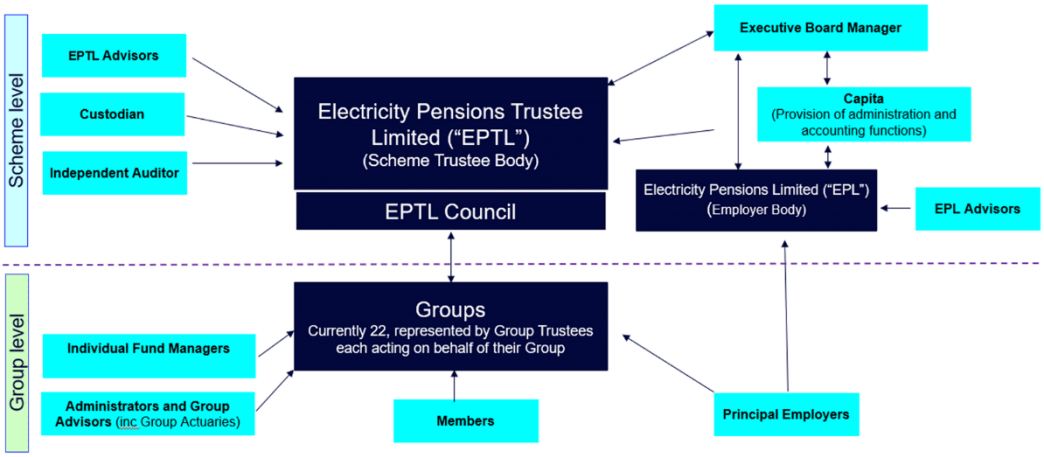
How the Scheme Trustee works with its advisors

The Scheme Trustee and Group Trustees are supported by their advisors and other persons as appropriate in undertaking certain Scheme and Group governance activities respectively. This part of the report describes the role of such persons (other than legal advisers) who advise or assist with respect to Scheme and Group governance activities.

The organisational structure of the Scheme Trustee, the Groups and their relevant supporting external and internal parties is illustrated by the chart below:

Training

The Scheme Trustee receives training on climate-related issues to ensure that the directors have the appropriate knowledge and understanding.



The process by which the Scheme Trustee and Group Trustees satisfy themselves that third parties are taking adequate steps to identify and assess any climate-related risks and opportunities which are relevant to the matters in respect of which they are advising or assisting relevant to this report is set out below.

- **Investment consultant:** the Scheme Trustee and each Group Trustee appoint their own investment consultants. These investment consultants will provide strategic and practical support to the Scheme Trustee and the Group Trustees relevant to their respective capacities in respect of the management of climate-related risks and opportunities and the TCFD recommendations. This includes provision of training and updates on climate-related issues (and when undertaken by that Group, climate change scenario modelling) to enable the Group Trustee to assess climate-related risks. In practice, some Groups (namely, Schneider, UK Power Networks, E. ON and Uniper) use a fiduciary manager or OCIO instead of an investment consultant, who supports Groups with these responsibilities, which may mean that a different approach is taken compared to other Groups.
- **Covenant adviser**: The covenant adviser for each Group will help the Group Trustees understand the potential impacts of climate change risk on the sponsor covenant of each Group.
- **Actuary:** The Group Actuary for each Group will help the Group Trustees assess the potential impact of climate change risk on the Group's funding assumptions.
- **Fund managers**: The Scheme's fund managers (chosen by a particular Group Trustee and appointed by that Group Trustee and the Scheme Trustee) will help the Group Trustees understand how those managers consider climate change risk and opportunities in their investment approach and work with the Group Trustees to disclose relevant climate-related metrics as set out in the climate change governance reporting regulations.

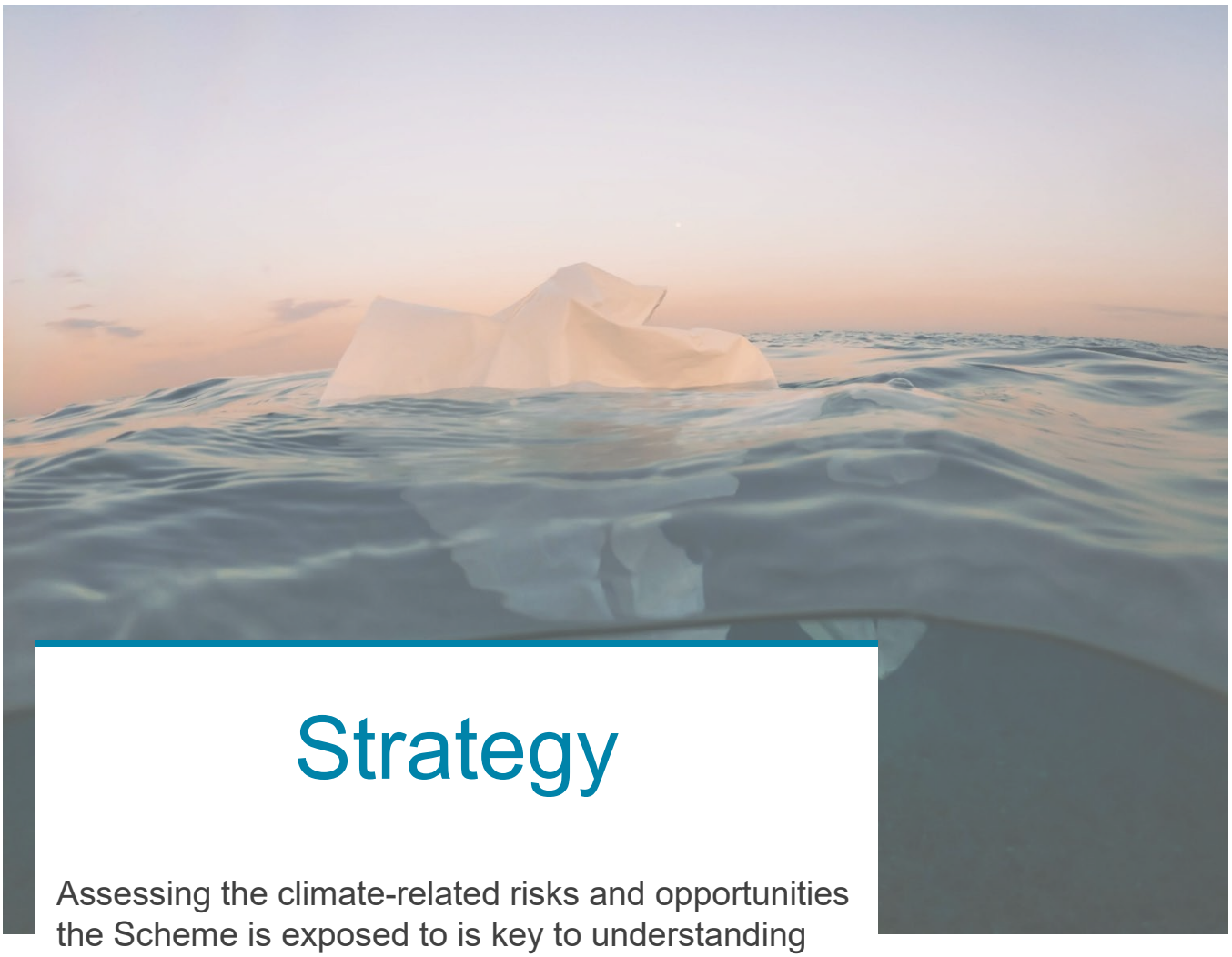
- Capita Pension Solutions carries out administrative functions on behalf of the Scheme Trustee including the coordination of scheme wide governance activities and will coordinate scheme wide climate change activities as directed by the Scheme Trustee.

How the Group Trustees operate

At the Group level, some Group Trustees have either retained oversight of climate risk and opportunities as a collective responsibility of the Full Committee of Group Trustees (e.g., Magnox Electric, SSE, Northern Powergrid and Powerhouse Retail) whilst also delegating day-to-day monitoring of climate risk and opportunities to the Investment Committee or an equivalent committee. This is the case for Central Networks, EDF, Magnox Electric, Manweb, National Grid, Western Power Distribution and United Utilities PLC.

The Group Trustee of RWE has a risk committee which maintains the Group's risk register including climate-related risks and opportunities with established controls and monitoring points throughout the year. The Group has delegated responsibility for the implementation of its Responsible Investment policy to its Responsible Investment Committee, which focuses exclusively on evolving the Group's strategic and monitoring approach to responsible investment. The Group also has a member communications sub-committee, which considers how the Group Trustee's work on Responsible Investment is appropriately communicated to members and external third parties.

Where the Group Trustees have appointed a Fiduciary Manager or OCIO, as is the case for Schneider, UK Power Networks, E.ON and Uniper, the Group Trustees have delegated oversight of climate risks and opportunities to these managers. Other Groups such as OVO Energy and Electricity North West work with their fund manager and investment adviser respectively to identify, assess and manage climate-related risks and opportunities.



Strategy

Assessing the climate-related risks and opportunities the Scheme is exposed to is key to understanding the impact climate change could have on the Scheme in the future.

What climate-related risks are most likely to impact the Scheme?

The Scheme Trustee believes that climate change is a financially material consideration over the short-, medium- and long-term time horizons identified earlier in this report. The Scheme Trustee and the Group Trustees recognise that over these timescales, climate change can impact the financial performance of securities and, therefore, also the risk-return profile of investments held. Assessing the exposure to climate-related risks and opportunities is key to understanding the impact climate change could have on the Scheme and the Groups.

As described earlier in the Governance section of this report, investment strategy and implementation are the responsibility of the Group Trustees for each relevant Group. The Group Trustees are therefore responsible for identifying the climate-related risks and opportunities that could have a material impact on their respective Group. The Scheme Trustee expects that as part of their fiduciary duty, Group Trustees will manage the risks and opportunities around climate change and climate adaptation within their individual Group's funding and investment strategy.

The Scheme Trustee and the Group Trustees recognise that the Groups are exposed to these transition and physical risks, which are likely to impact the performance of the Scheme's investments over the time horizons that are of most concern to the Scheme Trustee (as described earlier in the Governance section of this report). The Scheme Trustee also acknowledges that each Group employs its own investment strategy. The asset classes that each Group invests in over time may differ depending on its own objectives and circumstances. The nature and magnitude of the risks (and potential opportunities) that each Group is exposed to therefore varies accordingly, in line with each Group's individual investment strategy.

Some Groups have carried out a qualitative risk assessment on each asset class that its Group is invested in. From their assessments, those Group Trustees have identified which climate-related risks and opportunities could have the most material impact on its Group. In some cases, a red, amber, green (RAG) rating system was used to assess the climate-related risks and opportunities over multiple time horizons. The rest of this section provides further detail.

Transition risks

Transition risks relate to the need to transition to a low-carbon economy, including development of, and investment in, new technologies and services that support this transition as well as government policy to aid in the transition.

Specific market-based activities comprise the mitigation of carbon emissions, and/or adaptation to be resilient against climate change:

- **Mitigation**: technologies and services that increase energy efficiency, relate to increased renewable energy uptake and decreased demand for fossil fuels, and/or capture or sequester of carbon dioxide.
- **Adaptation**: infrastructure resiliency efforts, business model shifts (e.g., changing geographic location of production and/or sales, introduction of new products and services and aligning business models with new environmental conditions).

Potential financial impacts from this transition include:

- **Revenue loss (demand contraction)**: reduced demand for fossil fuels, related services, and energy consuming products.
- **Revenue growth**: growth in renewable energy, emergence of new industries, including carbon capture and sequestration, smart grid technologies, energy-efficient products, infrastructure adaptations, and green chemistry solutions.
- **Stranded assets**: devaluation/impairment or “asset stranding” of fossil fuel reserves.
- **Long term cost reductions**: operational cost reduction from investments in updated infrastructure and technologies that facilitate the transition to a low-carbon, resilient economy.

Furthermore, a transition is likely to include some policy and legal risks, such as:

- **Regulation:** policy, legislation and regulation changes are likely to be applied to existing and new products and services. These will produce winners and losers both between and within sectors (e.g., technology, energy).
- **Carbon pricing risks:** mechanisms (e.g., carbon taxes) already implemented in over 25 countries.
- **Litigation risks:** driven by the failure of companies to mitigate impacts of climate change, failure to adapt to climate change, and the insufficiency of disclosure around material financial risks.

Physical risks

Physical risks are associated with the physical impacts of climate change on companies' operations. For example, risks associated with extreme temperatures, floods, storms, or wildfires.

A changing climate can lead to changes in the frequency and severity of extreme or incremental hazards. The TCFD's recommendations refer to these hazards as acute and chronic, respectively. Acute hazards represent severe and extreme events and are location specific (e.g., droughts, heatwaves, storms, wildfires, etc.). Chronic climate change hazards represent the background incremental changes in, for example: temperature, precipitation, and sea-level rise over several decades.

Acute and chronic related hazards:

Acute	Chronic
Extreme heat	Water stress
Extreme rainfall	Sea level rises
Floods	Land degradation
Droughts	Variability in temperature
Storms (e.g., hurricanes)	Variability in precipitation

Over time, the Scheme Trustee expects that the physical risks will increase because of climate-related risks. For chronic risks, such as increasing temperatures and sea-levels, medium- and long-term risks are expected to increase. The impact of certain acute hazards, such as wildfires, droughts, and flooding, will require ongoing analysis to understand:

The impact on communities and how associated exposures adapt to changing risk levels.

Any associated mitigation measures and demand for insurance protection.

Climate-related opportunities

While the Scheme Trustee recognises that climate-related risks are financially material over the time horizons it is most concerned about, it also recognises that the transition to a low-carbon economy will inevitably create winners and losers.

Broadly, the Scheme Trustee and the Group Trustees expect opportunities to arise in the assets associated with (but not limited to) the following themes:

- Clean energy: green power generation, clean technology innovation, sustainable biofuels.
- Environmental resources: Water, agriculture, waste management.
- Energy and material efficiency: Advanced materials, building efficiency, power grid efficiency.
- Environmental services: Environmental protection, business services.

Our investments

The Groups invest across a diverse range of asset classes including (but not limited to) equities, credit, alternatives (including illiquid assets), bulk annuities and Liability Driven Investment ("LDI"). While the Scheme Trustee and Group Trustees recognise that these asset classes each have different risk and return profiles, they acknowledge that climate risk can be categorised into two different types of risk: transition risks and physical risks.

Portfolio resilience and scenario analysis

In assessing the potential impact of climate-related risks and opportunities that are relevant to each Group, the Scheme Trustee expects Group Trustees to undertake both a qualitative and quantitative approach as part of the overall assessment. This is covered in more detail in the Risk Management section of this report.

In preparing this report, the Scheme Trustee has reviewed climate change scenario analysis undertaken by Groups and their Group advisers to better understand the impact climate change could have on their assets and liabilities.

The analysis looks at a range of climate change scenarios and Groups were supported in their analysis by their advisers (selected by the relevant Group). Each scenario considers what might happen when transitioning to a low-carbon economy under different conditions. Whilst there are slight differences in the scenarios (both in the terminology, methodology, and construction) that each Group has considered, broadly all the scenarios can be categorised into the following transition scenarios in line with statutory guidance from the Department of Work and Pensions ("DWP"):

- A measured, orderly transition takes place with climate policies being introduced early and becoming gradually more stringent. Ambitions under the Paris Agreement and commitments such as the UK's commitment to achieve net zero by 2050 are met in an orderly manner. This is likely to mean lower transition risks and less severe physical risks. (Such a scenario could be used for the required scenario of a temperature increase within the range of 1.5°C above pre-industrial levels, to and including 2°C above pre-industrial levels).
- A sudden, disorderly transition takes place with climate policies and wider action on climate change not happening until late (e.g., introduced around 2030). Although climate goals are met, transition risks are also more likely to materialise, given the need for sharper emissions reductions, alongside increased physical risks. (Such a scenario could be used for the required scenario of a temperature increase within the range of 1.5°C above pre-industrial levels, to and including 2°C above pre-industrial levels).
- A "hot house world" which assumes only currently implemented policies are preserved, current commitments are not met, and emissions continue to rise. This would mean climate goals are missed and physical risks are high with accompanying severe social and economic disruption.

Some Groups also established a "base case" scenario, against which they compared the transition scenarios they considered. This scenario often assumes emission reductions start now and continue in a measured way in line with the objectives of the Paris Agreement and the UK government's legally binding commitment to reduce emissions in the UK to net zero by 2050. However, some Group's base cases and their underlying assumptions may differ.

The Scheme Trustee recognises that there is a great deal of uncertainty around the assumptions used, and the expected outcomes, under each of the scenarios. The scenario analyses will be reviewed on an ongoing basis to assess any changes or refinements that need to be made. Although the scenarios provide a reasonable range of possible climate change outcomes, the Scheme Trustee recognises that these scenarios are illustrative and subject to change.

Headline observations

Equities are the most volatile asset class in all the scenarios. The worst-case scenario considered for the Scheme is expected to be the sudden, disorderly transition scenario.

Another key risk is volatility of the funding level. The Scheme Trustee recognises that under some scenarios the Groups may experience sudden falls in their funding levels, even if they eventually recover thereafter. A deterioration in funding levels may place a strain on the covenant of Groups' sponsoring employers if they must make up a bigger shortfall through deficit contributions. It may also require Groups to re-risk their portfolios or extend the time frame to achieve full funding. The Scheme Trustee therefore expects the Group Trustees to monitor their covenant on a regular basis, either with the support of their covenant advisers, and/or through regular dialogue with their sponsoring employers.

Where relevant, the Scheme Trustee expects Group Trustees to consider the following steps to help further protect their Groups from climate-related risks:

- Engagement with their Group's fiduciary managers, fund managers and, where appropriate, investee companies, on climate risk management.
- Appropriate diversification of asset classes.
- Transitioning assets towards lower-carbon investments and those with better ESG ratings, as well as green technologies.

Liabilities and funding impact

Life expectancy and mortality rates, and therefore, the level of liabilities to be paid out from Groups, are assumed to be impacted in several ways, both directly and indirectly. These include the potential for warmer winters, impacts on lifestyles and air quality, and the physical impact of increased natural disasters.

The most extreme outcome for the climate is expected to have a negative impact on future life expectancy, while the impact from more positive climate scenarios is less directionally clear and could be positive or negative depending on the scenario that unfolds. For example, restricting extreme temperature variation is likely to increase life expectancy when considered alone but associated significant spending on the transition to a low carbon economy (at the expense of other spending such as social care) could have a negative impact on life expectancy. The Scheme Trustee, therefore, expects Groups to monitor and consider the potential impact of these changes on the relevant employer and wider covenant.

Impact assessment

In order to better understand the potential impact of climate risk on the Scheme and Groups' assets and liabilities the next few pages summarise some of the qualitative and quantitative analysis undertaken by a number of the Groups. Together these Groups represent around 95% of total Scheme assets.

Group Responses

Central Networks

Net assets[1] as at 31 March 2026: £2,558m.

Time periods

To help with this assessment, we have defined short-, medium- and long-term time horizons for the Group. To reflect the progress of the Group since our first TCFD report was published we have revised the time periods we use to assess the climate scenarios.

Short Term	Medium Term	Long Term
Up to 3 years	Up to 10 years	Up to 15 years
The short-term refers to the period over which we should focus on the interim target and it also broadly aligns to the timeframe between actuarial valuations.	The medium-term refers to the period over which a large proportion of the benefit payments are expected to be made by the Group with respect to the current membership. We focus on those risks that currently fall outside the scope of the external investment management mandates but which are not considered to be long-term in nature, for example risks relating to broad market conditions or to identifiable anomalies or trends in the investing environment that fall across multiple asset classes.	The long-term refers to the period over which the majority of the benefit payments are expected to be made by the Group with respect to the current membership. Whilst the Group could exist for longer than the 15 years, it is understood that by that stage the Group will be mostly invested in government and corporate bonds where the Trustee Directors will have less influence.

Climate scenarios

We have undertaken climate scenario analysis to test the resilience of our investment and funding strategy. Both quantitative and qualitative climate change scenario analysis has been undertaken on the asset allocation as at 31st March 2026 to assess the potential implications of climate change under four modelled scenarios:

Scenario	Detail
Rapid Transition (1.6°C)	Average temperature increase of 1.6°C by 2100 (relative to pre-industrial average). A rapid decarbonisation of the economy where high transition risk feeds into financial markets creating both risks and opportunities. The transition would require a material change in policy, leading to stranded asset risks and short-term costs. The transition-related shock is partially

[1] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

	sentiment driven and so is followed by a partial recovery. Physical damages are most limited under this scenario.
Delayed Transition (1.9°C)	Average temperature increase of less than 2.0°C by 2100. Governments and wider society act in a coordinated way to decarbonise and to limit global warming to well below 2°C. Transition impacts do occur but are relatively muted.
Limited Transition (2.9°C)	Average temperature of around 2.9ºC by 2100. This scenario assumes that policymakers implement limited action and fall short of meeting the Paris Agreement goals. The attempted transition translates in a slight market re-pricing in the late 2020s and slightly mitigates physical damage (relative to a failed transition).
Failed Transition (3.7°C)	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 extreme weather events. These are reflected in re-pricing events in the late 2020s and late 2030s.

The analysis is based on scenarios developed by our Investment Advisor working with Ortec Finance. We selected these scenarios to test a broad range of feasible outcomes and the Group's exposure to both transition and physical risks.

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' baseline[2]; 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.

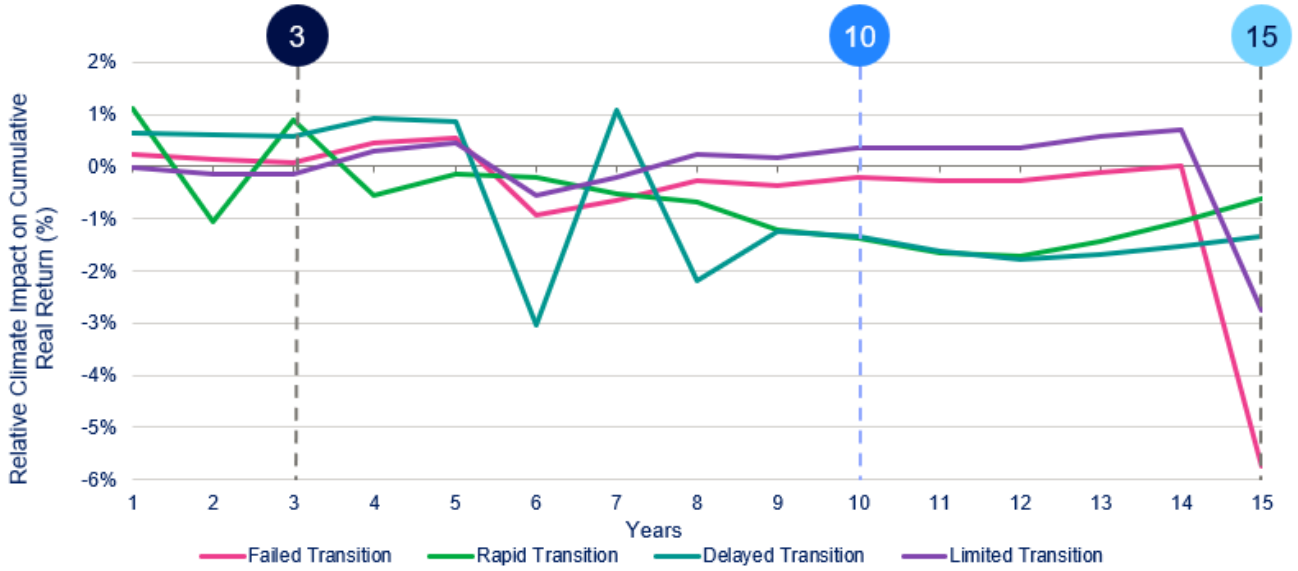
Impact of scenarios

Scenario Analysis Results

The chart below represents the output of the Trustee's quantitative analysis of the investment strategy. The chart shows projections of cumulative returns, expressed in real terms relative to the climate-informed baseline, from an analysis date of 31 December 2025 over a period of 15 years. Projections assume a static asset allocation that does not allow for future expected Group de-risking.

[2] The baseline represents what we are assuming the market is currently pricing in. The baseline includes a 5% weight to Rapid Transition, 35% to Delayed Transition, 15% Limited Transition, 10% to Failed Transition and 35% to No/Low Impact

Cumulative real returns projections



Source: Mercer

The above illustrates the estimated impact on the Scheme's assets in different climate scenarios and it is noted that in funding level terms, the impacts could be somewhat more negative (in accordance with the estimated impacts on the Scheme liabilities outlined later in this section).

Time Horizon	Scenario Analysis	Key Takeaways	Portfolio Impact
Short Term (3 years)	Quantitative	**Rapid Transition** represents the most impactful scenario, with transition risk leading to the largest negative impact upon returns within the 3 year period. There is a shock to returns of about -1.0% by year 2 as shown in the chart however in year 3 is this followed by a recovery.	**Neutral to mildly positive overall** Strong investment in tech, infrastructure & green energy supports equity markets and growth assets which help offset early transition risk impact.
	Qualitative	Physical risks: Increasing frequency of extreme weather events (storms, floods, heatwaves) causing localised infrastructure damage and supply chain disruption. Insurance losses rise but most regions remain insurable.	
		Transitional risks: Climate policy uneven globally due to geopolitical fragmentation and energy security concerns. Carbon pricing and regulation expand mainly in Europe and parts of Asia. Some early stranded asset risk emerging in high-emitting sectors.	

		Systemic risks: Economic growth supported by technology investment and industrial policy. Inflation volatility driven by food and energy price shocks but financial markets remain broadly resilient.	
Medium Term (10 years)	Quantitative	Biggest variability in risk arises from the **Delayed Transition** (due to transition impacts upon growth allocations), with a cumulative return impacts of -1.4% by year 10 (as shown in the chart).	**Moderately negative** Greater dispersion emerges between climate "winners" and "losers". Carbon-intensive industries face higher costs, regulation and stranded asset risks. Diversification within the portfolio helps to remain relatively resilient but likely to experience increased volatility.
	Qualitative	Physical risks: Increasing severity and frequency of extreme weather events affecting infrastructure, agriculture and water availability. Growing insurance withdrawal in exposed areas and rising adaptation costs.	
		Transitional risks: Climate policy strengthens as public and investor pressure increases. Carbon pricing rises and border adjustment mechanisms expand. Stranded asset risk grows in fossil fuel sectors and carbon-intensive industries.	
		Systemic risks: Periods of inflation volatility driven by climate damage and transition investment. Supply chain disruption and commodity price shocks weigh on productivity and economic growth.	
Long-term (15 years)	Quantitative	Biggest risks arise from **Failed Transition**, leading to cumulative returns impacts of -6.0% by year 15 (as shown in the chart).	**Negative overall** High physical damage and systemic disruption weigh heavily on economic growth and asset valuations. Growth assets struggle to deliver due to low productivity and supply chain instability. It's likely the strategy would need to be revisited to focus on assets and countries which are more resilient to climate
	Qualitative	Physical risks: Severe and persistent physical climate impacts including widespread flooding, droughts, crop failures and infrastructure damage. Insurance withdrawal becomes widespread in high-risk areas, reducing property values and increasing economic disruption.	
		Transitional risks: Lack of sustained global climate policy results in continued reliance on fossil fuels and limited	

	coordinated decarbonisation. Transition risks emerge sporadically through abrupt, uncoordinated policy responses or emergency interventions following extreme events.	change and which benefit from the increased demand of natural resources and need for renewable technology.
	Systemic risks: High risk driven by physical climate damage. Economic productivity declines due to repeated climate shocks, resource scarcity and infrastructure losses. Persistent food and energy volatility drives inflation and financial instability. Geopolitical tensions and economic inequality increase as countries compete for scarce resources.	

Over the short term, climate-related impacts on assets and liabilities are expected to be limited, with the Group's high hedge ratio, over 100% assets, designed to substantially protect the level of deficit against movements in inflation and interest rates.

Over the medium term, assets may begin to experience increasing exposure to both transition risks (for example policy changes, carbon pricing and technological shifts) and physical risks, which could place downward pressure on investment returns. While the liability hedge should continue to significantly mitigate the impact of inflation and interest-rate volatility on the level of deficit, weaker asset performance could lead to some modest funding level variability.

Over the longer term, the potential financial effects of transition, physical and systemic climate risks may become more pronounced, increasing the likelihood of adverse impacts on asset returns. The Group's liability hedge is expected to provide protection against inflation and interest rate shocks, supporting a degree of stability in the deficit and help manage the extent to which climate-related asset risks affect the funding level.

Scenario assumptions and limitations

Climate scenario modelling is a complex process. We are 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 reasonable likelihood 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 adaption 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.
5. New and emerging risks, such as the impact of climate change on biodiversity loss, and vice versa, is expected to be integrated into climate scenario modelling over time once the supporting science and impact on econometrics and finance is better understood.

Covenant Assessment

The strength of the sponsor covenant is an important factor in determining the resilience of the funding strategy, given that the Group depends on the Sponsors for support in the event of adverse experience. Climate change and the global response to it will influence short-, medium-, and long-term covenant resilience and could affect the ability to pay member benefits in full. We therefore believe it is important for us to understand the CCRO faced by our Sponsors.

To help this understanding, our Covenant Adviser has reviewed the Sponsors' stated environmental strategy and goals, by reference to both:

- NGED Group (as the Sponsors are two of the NGED DNOs); and
- National Grid Group (the NG Group), as the NGED Group has aligned its position with the NG Group following the NG Group's acquisition/integration of the NGED Group. The NG Group is (as a much larger group) also required to report and disclose on such matters.

NGED Group

In its latest financial statements for the year ended 31 March 2026 ('FY26'), the NGED Group has stated:

- It plays a vital role in transforming the energy systems in its region, safely and reliably connecting millions of people to the energy they use, while investing to power growth, resilience and the transition to a cleaner future.
- It is committed to support the UK's ambition to grow the economy, build more homes, develop industry, and transition to a clean power system.
- DNOs (the Sponsors) will be at the forefront of delivering this transition to a smart, flexible, low cost and low carbon energy system for all consumers and network users.
- Its strategic priorities are aligned to its RIIO-ED2 (ED2) business plan commitments, which include: supporting the UK's ambitions to achieve net zero carbon emissions by 2050; driving crucial changes in energy usage/customer green behaviour; setting the benchmark by achieving net zero in its own operations by 2043 (excluding Scope 3 emissions) in line with a validated 1.5°C SBT; working towards ensuring the network is ready to enable local authorities to achieve similar ambitions; actively working with industry and Government to achieve 'Clean Power 2030' (to ensure the grid is decarbonised in a sustainable way); and ensuring the network can cater for the increasing demand of LCTs and renewable energy over the ED2 period.
- It responded to Ofgem's ED3 Sector Specific Methodology Consultation (SSMC), which included dedicated climate resiliency input, linked to the forthcoming ED3 price control framework.
- It has continued to monitor its Business Carbon Footprint (BCF), including fluid-filled cable losses and SF6 emissions as part of its commitment to achieving net zero by 2043 (excluding Scope 3 emissions).
- Its BCF decreased by 5.5% against FY25, but exceeded its internal target by 6.6%.
- Fluid-filled cable losses were down from c45k litres (FY25) to c17k litres (FY26), also outperforming the internal target – reflecting the dedicated working group set up to prioritise this area.
- SF6 emissions from the network showed a small improvement over FY25.
- The business environment is shaped by rising electricity demand, an evolving supply mix, and major reforms which are changing how energy reforms are planned, built and operated. Against a backdrop of geopolitical uncertainty and rapid technological change, it is delivering the adaptive and reliable infrastructure needed to support economic growth; resilient and secure energy supplies have never been more important.

From a risk management perspective:

- NGED Group is exposed to a range of uncertainties that could have a material effect on achieving its strategic objectives, financial condition, operational results, reputation and value.
- The NG Group board establishes and oversees the level of risk that the NG Group is willing to accept in pursuit of its strategic objectives through the NG Group's risk appetite framework. This framework is applicable to NGED Group in all instances (unless stated otherwise).
- The NGED Group board delegates oversight of risk management and internal control to its Risk/Audit Committee, which is responsible for reviewing its Principal Risks (PRs), which are then monitored, together with Emerging Risks (ERs), by the Ethics Risk & Compliance Committee.

The NGED Group considers various strategic, operational and compliance risks, including:

- **Political and societal expectations and perceptions**: risk of unfavourable public/regulatory policy or negative societal perception regarding its core business purposes and performance including climate change and energy transition.
- **Significant disruption of energy** – the risk of failing to predict and respond to a significant disruption of energy resulting from asset failure, severe weather event or other emergency events leading to significant customer harm, lasting reputational damage and material financial losses.

NG Group

The following commentary is intended to supplement the NGED Group commentary above. The NG Group's FY26 Annual Report included a Responsible Business review and an annual progress update against its Responsible Business Charter (RBC). The progress update noted:

- Over the last year, the NG Group has navigated a complex landscape driven by significant economic and political uncertainty; energy security and affordability therefore remained priorities.
- Looking beyond its own emissions at the emissions reductions that it influences through its delivered and future business activities; supporting deployment of renewable energy supply and innovating via new technologies to maximise the pace/scale of system-wide decarbonization.
- Plan to invest c£70bn in the networks in the 5 years to FY31 (significant 'green investment' element) – to deliver infrastructure expected to support reliable, cleaner and affordable energy; £9.8bn was invested in green infrastructure in FY26.
- Facilitating the uptake of heat pumps and electric vehicles.
- Good progress across multiple areas of emissions inventory including where the NG Group has direct control; where control is not direct, achieving near term targets looks increasingly challenging given reliance on policy and regulatory dependencies.
- Committed to achieve net zero for Scope 1, 2 and 3 by FY50 – working towards ambitious targets but reliant on external dependencies (policy, regulatory support and wider sectoral decarbonisation).
- Near-term emissions reduction targets are aligned to the 1.5°C pathway, as verified by the SBTi and noted in the NG Group's Climate Transition Plan (CTP).
- Scope 1 and 2 GHG emissions down 3% vs FY19 base line; outside the range set in the May 2024 CTP but progress not expected to be linear.
- Scope 2 emissions were down vs FY25, but Scope 1 emissions higher than expected due to increased generation from the Long Island facilities.

- Key near-term target is to reduce absolute Scope 1 and Scope 2 GHG emissions by 60% by FY31 (from a FY19 baseline).
- Scope 3 GHG emissions were up 11% against the FY19 baseline; due to an increase in supply chain emissions (as expected in the CTP) as new infrastructure is built out.
- Key near-term target is to reduce absolute Scope 3 GHG emissions by 37.5% by FY34 (from a FY19 baseline).
- Continuing to connect low-carbon generation and storage and use the networks to support the electrification of heat and transport; replaced 315 miles of leak prone pipe and reduced SF6 emissions by 43% against FY19 baseline (target 50% by FY31) through leak repairs/investing in alternatives.
- Invested in new innovations, such as AI demand response in data centres and enhanced pipeline imaging

Climate change is a key NG Group risk factor and is fully integrated in its enterprise risk management framework. The NG Group considers both physical and transition risks and their potential impact on its business operations, financial performance and reputation. The NG Group manages two climate-related 'Group Principal Risks' (GPR):

- **Climate change (mitigation GPR – strategic)**: the risk that the NG Group fails to identify and/or deliver on actions necessary to meet its climate change targets/enable the wider energy transition due to poor monitoring/response to external developments associated with mitigating climate change, leading to legal risks or reputational impacts of not meeting its climate change targets and in the longer-term reaching net zero by 2050.
- *Mitigating actions taken by management include:*
    - *Implementing a revised US operating model with sustainability teams within business units and integrating ESG/Risk teams to strengthen oversight/co-ordination.*
    - *Undertaking an internal review of NG Group climate targets; maintaining current targets whilst keeping alternative pathways under consideration.*
    - *Updating GHG emissions analysis to reflect changes in policy, regulation and market conditions.*
    - *Improving sustainability narrative to reflect wider societal contribution to emissions reduction.*
- **Loss of supply (adaptation GPR – operational):** the risk of a loss of supply due to network asset failures or operability issues, upstream supply issues, extreme weather, third-party damage or security attacks resulting in disruption of energy to customers.
- *Mitigating actions taken by management include:*
    - *Preparation of ED3 submission to Ofgem (seek to evidence the need for greater investment in climate resilience).*
    - *Updating risk assessments to incorporate upstream supply failure scenarios.*
    - *Reviewing/updating Group-wide assessments of climate vulnerabilities and monitoring progress against multi-decade adaptation plans.*
    - *Ongoing flood contingency plans, including scenario planning and testing response plans.*
    - *Acceleration of proactive pre-winter maintenance/assets checks to maximise network availability.*

NG Group – TCFD

The NG Group:

- Recognises that responding to climate change and supporting the transition to net zero continue to be important considerations in shaping its strategy

- Recognises its networks and operations are crucial to transforming the energy system in the jurisdictions in which it operates.
- Is supportive of 2016 Paris Agreement's long-term goal to keep the rise in global average temperature by 2100 to well below 2°C above pre-industrial levels and to pursue efforts to limit the increase to 1.5°C.
- Operated in FY26 in a complex environment of economic and political uncertainty with energy security and affordability remaining key priorities.
- Has supported the recommendations of the TCFD since its initial publication; by helping it understand the impact of climate change on its operations, has benefited the NG Group by:
    - *Shaping its governance structure to effectively oversee risks and opportunities.*
    - *Aligning its business strategy to identify and seize transitional opportunities (including the significant step up in asset growth).*
    - *Developing values of sustainability in its corporate culture.*
    - *Embedding climate change into its risk management framework, engaging its lines of defence to manage the associated risks.*

Strategy (climate related)

From a strategic perspective, an understanding of climate-related risks and opportunities informs the NG Group's strategic decision-making, as it drives unprecedented levels of investment in energy networks. The NG Group:

- is well positioned to harness the significant growth opportunities afforded by the energy transition, by enabling the transportation and distribution of clean energy to homes/businesses. This requires a fundamental upgrade of its networks, which is already being delivered.
- proactively prepares/plans for the physical and transition risks associated with climate change. It uses scenario planning to explore distinct possible futures, ensuring its strategy remains resilient and adaptable; achieving emissions targets will be challenging without backing from policymakers and regulators.
- is planning to invest c£70bn across its regulated energy networks in UK/US over the five years to FY31; approx. 85% is considered to be aligned with the principles of EU Taxonomy legislation directly invested into the decarbonisation of energy networks and a continued focus on electricity (c80% of NG Group assets are expected to be electric by FY31).
- Growth in clean generation and increased demand for electricity is driving a need for larger, smarter electricity networks, whilst ensuring existing energy networks remain resilient and reliable. NG Group is connecting more new generation and load faster than ever before, enabling economic growth, bolstering energy security and supporting cleaner, affordable energy.

The NG Group uses scenario modelling to test how robust its strategy is to a range of possible futures out to 2050. Its scenarios are used to inform its sustainability approach and assess progress against its climate target commitments.

Transition scenario risks modelling

The NG Group models 3 bespoke transition scenarios out to 2050, tailored to the specific business environments within the UK and US (UK assumptions only noted below):

- **Delayed scenario (2-4°C):** a world with higher warming levels where governments, industry and consumers do not pursue the transition at pace, meaning climate targets are missed; decarbonisation progresses but is insufficient to meet net zero in 2050; geopolitics disrupts established trade flows, with supply chain impacts; policy delays; EV uptake stagnates (cost related); low uptake of heat pumps (limited

policy support); reduced opportunities for further interconnection growth beyond current pipeline; total energy consumption reduces 18% by 2050, but electricity demand increases 108% by that time.

- **Balanced Pathway scenario (2°C):** sees approx. 2°C of warming, with the energy transition progressing at pace, but supply chain, policy and cost challenges/short-term financial concerns mean relevant jurisdictions narrowly miss targets; decarbonisation progresses but just falls short of near-term targets with c10 year delay to Clean Power 2030; geopolitical tensions continue with gradual recovery of supply chains; policy incentives maintained with reforms over time; total energy consumption reduces 31% by 2050; electricity demand increases 112% by 2050 mainly because of electrification of heat and transport; heat pump growth restricted to new builds; existing houses converting off gas continuing at current rates; EVs grow at current rate; interconnector projects progress at pace; gas for power sector still has a role to play in the 2030s beyond the maximum 5% of power generation targeted in Clean Power 2030.
- **Electric Net Zero scenario (1.5°C**): sees approx. 1.5°C of warming, with governments/industry prioritising decarbonisation goals through supportive policies and regulatory reforms; delayed achievement of Clean Power 2030 with economy-wide net zero by 2050; geopolitical tensions ease with robust/diversified supply chains and increased international collaboration; policy progress accelerates/supports increasing investment/target delivery; faster adoption of offshore hybrid assets and overall increased interconnectors; total energy consumption reduces 32% by 2050 as more efficient electric technology replaces combustion technology; electricity demand increases 127% by 2050 with near-complete electrification of demand sectors (heat/transport); heat pumps mandated in existing homes; widespread EV adoption as policies achieve targets.

These scenarios are developed internally. As part of risk management processes, changes in the external environment are continually monitored and implications for the scenarios assessed. The scenarios are not intended to be predictions of likely future events, but as tools to enhance an understanding of possible climate-related risks/opportunities and, along with strategic planning and risk management approaches, guide the NG Group in the identification of material climate-related risks and opportunities.

The NG Group tests the resilience of its business strategy against its transition scenarios, with a particular focus on the Electric Net Zero scenario, given the greater level of action required to deliver decarbonised energy systems.

The following 5 transition insights noted are most relevant to the Electric Net Zero (1.5°C) scenario:

- Achieving energy transition targets depends on effective reforms to drive clean power deployment and policies that incentivise consumer uptake of low-carbon technologies.
- CTP achievement will be challenging in slower scenarios.
- Electricity use and share of final demand will increase driven by consumer electrification and large load growth (data centres).
- Energy supply structure will continue to shift.
- Pathways will adapt to global and local realities.

The NG Group concluded by noting that:

- **None of the transition scenarios threaten the NG Group's resilience**
- **It is well-positioned to adapt its portfolio to maximise the opportunities of the energy transition**

Physical scenario risks modelling

The NG Group uses group-wide climate scenarios to directly assess its vulnerability to climate change. These scenarios benchmark global progress towards limiting warming to 1.5°C in line with the Paris Agreement and evaluate how physical climate impacts (such as extreme weather and long-term changes in weather patterns) could affect its business.

The conclusions from the Physical insights indicated:

- **Most climate hazards are expected to become more frequent, with high temperatures and coastal and river flooding posing the greatest risk across its operations.**
- **The level of risk, in most cases, is greater in a 4°C scenario than a 2°C scenario.**
- **Wildfire risk remains lower than other US territories, but situational awareness and operating procedures have been strengthened.**

Climate-related risks/opportunities

Guided by its scenario modelling, strategic planning and risk management approaches, the NG Group has assessed the climate-related risks and opportunities that pose a financially material impact, assessing the relative materiality by establishing scope of impact, timeframe and likelihood for each risk/opportunity.

Timeframes used are:

- **Short (up to 1 year) –** in line with annual planning and shorter-term budget processes.
- **Medium (from 2 to 10 years) –** reflecting strategic business planning process period.
- **Long (10 years +) –** in line with longer-term emerging risk assessment timelines/up to the date of the net zero commitment.

Likelihood (being an indicative estimate of the probability for material financial impacts) is assessed with reference to the following categorisation: **very low, low, moderate, high and very high**.

From a net impact perspective, the NG Group has concluded that:

- Across all pathways, including worst-case scenarios, none of the risks identified undermine the NG Group's resilience.
- The NG Group remains well-positioned to adapt its portfolio and respond to opportunities from energy transition.
- Reducing uncertainty for uncontrollable risks through building resilience into operations and influencing regulatory outcomes remains essential.

EDFG

Net assets[3] as at 31 March 2026: £5,392m.

The following information should be read in conjunction with the Group's disclaimers included in Appendix D.

EDFG - Defined Benefit section

Time periods

The Group Trustee notes the impact of climate-related risks and opportunities may vary depending on the time horizon in question. The Group Trustee assesses climate risks and opportunities over the following time horizons which it deems appropriate in light of the Group's existing strategic objectives (please note that the Group has not differentiated between the short- and medium-term risks due to both periods being in line with the Group's target self-sufficiency funding date of 2027, and the risks therefore being similar and applicable to both time horizons):

Time Horizon	DB Section	Key Risks
Short term	2 years (in line with the Group's target self-sufficiency funding date of 2027)	This allows the Group Trustee to consider the transition risks (such as changes in corporate behaviour driven by regulatory and technological change), that the Group will predominantly be exposed to over the short and medium term. Transition risks are expected to be the primary risk exposure, however the Group Trustee notes that the increasing frequency/severity of extreme weather events means that physical risk is likely to become more prominent.
Medium term		
Long term	10 years (in line with the Group's secondary de-risking objective)	The Group will be exposed to both transition and physical risks associated with climate change, over the longer-term, with physical risk expected to intensify further into the future, which may have pronounced effects on real assets such as property. Meanwhile, deteriorating resource availability may negatively impact the covenant's position in the long-term.

The Group Trustee continues to explore investment opportunities which are both appropriate for the Group from an investment perspective and aligned with the goals of the Paris Agreement. In Q4 2025, the Group Trustee evaluated two Direct Lending managers for a potential new allocation to the asset class. The Group Trustee considered the ESG capabilities of the managers as part of its manager assessment, and both managers were asked to provide information on the integration of ESG and climate risk management into their investment processes.

Climate scenarios

In order to assess the impact of potential future climate scenarios on the Group's assets, the Group Trustee undertakes detailed scenario analysis periodically (at least triennially, in line with the Group's triennial actuarial valuation). The Group's scenario analysis methodology is based on the Network for Greening the Financial System

[3] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026. Figure includes DB and DC.

(NGFS) methodology. The scenario analysis was last performed for the Group's 2025 TCFD report. The analysis has not been recalculated or updated for this report given there have not been any significant changes to the Group's investment strategy since it was last completed (i.e. over the 12 months to 31 March 2026). This is in line with the regulatory requirements.

These scenarios were selected as they represent a range of possible future climate scenarios, which allow the Group Trustee to assess potential impacts on the funding strategy under different climate outcomes.

The scenarios provided by the NGFS are set to be updated on an annual basis and are designed to show what the impact on the value of the Group's invested assets would be in the following scenarios:

- *2 degrees Orderly Transition* – Gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C.
- *2 degrees Disorderly Transition* – Assumes annual emissions do not decrease until 2030. Strong policies are needed to limit warming to below 2°C. CO_2 removal is limited.
- *Hot House World* (Nationally Determined Contributions) – Includes all pledged policies even if not yet implemented.

The results of these scenarios as at 31 March 2025 (on the Self Sufficiency basis) can be seen below:

Scenario	Impact on deficit (£m)	Impact on funding level via the investment strategy (%)
Scenario A: 2°C Orderly Transition	-£206m	-2.1%
Scenario B: 2°C Disorderly Transition	-£452m	-3.6%
Scenario C: Hot House World	-£288m	-3.6%

The results of the scenarios provide the Group Trustee with a clear overview of how resilient the current investment strategy is to various different climate change outcomes. The results above are based on the Group's current investment strategy, and as such the Group Trustee notes that as the Group continues to de-risk over time from return-seeking assets into liability driven investment (LDI), or "matching" assets, the results are expected to improve over time under the same scenario modelling. This de-risking journey has been formalised in the Group's Long Term asset allocation which allocates 60% into matching assets and 40% into growth assets.

The IC and the Group Trustee Board assess the results of a series of climate stress scenarios on the Group's investment and funding strategy and incorporate them (as well as the impact of any climate-related investment opportunities) into the investment decision-making process. These stress scenarios are also run on a quarterly basis and the results are reported in the Group's Funding and Risk Report prepared by Gallagher, for the Group Trustee's monitoring.

Impact of climate scenario analysis on Group liabilities

The Group Trustee notes that two of the three key liability-related risks (interest rates and inflation) are suitably hedged via the Group's LDI strategy and thus the Group is not overly exposed to changes in these metrics. The third liability-related risk facing the Group is longevity / mortality risk, which is not incorporated into the climate scenario analysis provided by Gallagher. To further understand the impact of climate change on the longevity of the Group, the Group Trustee engaged with the Group Actuary, LCP, to understand how climate change could impact the longevity risk of the Group.

As longevity risk is predominantly unhedged, the variable life expectancy of members will have unmitigated effects on the Group's funding level. Subsequently, LCP have conducted a scenario analysis to assess the approximate impacts on the Group's liabilities. The three scenarios underpinning LCP's longevity analysis are broadly comparable to those used to assess the impact on the Group's assets based on the NGFS framework:

- *2 degrees Orderly Transition* – Assumes climate policies are introduced early and become gradually more stringent. The average global temperature is about 2°C above pre-industrial levels by 2050 and both global and UK GDP fall by c.8% by 2050.
- *2 degrees Disorderly Transition* – Assumes climate policies are delayed or divergent across countries and sectors. The average global temperature is about 2°C above pre-industrial levels by 2050 and both global and UK GDP fall by c.13% by 2050.
- *Hot House World* (Nationally Determined Contributions) – Assumes that some climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming. The average global temperature is about 5°C above pre-industrial levels by 2050 and both global and UK GDP fall by c.15% by 2050.

The scenario analysis considers the approximate impact on the Group's liabilities to 2027 (in line with the Group Trustee's target self-sufficiency funding date) and to 2035 (in line with the Group Trustee's secondary de-risking objective). In all scenarios, the impact on the Group's liabilities is uncertain due to uncertainty on both the timing of climate change to occur and for the effects of climate change to impact liability values. The results (on the Self Sufficiency basis) can be seen below.

Scenario	Impact on funding level via the liabilities (%)	
	To 2027	To 2035
Scenario A: 2°C Orderly Transition	Nil	-1%
Scenario B: 2°C Disorderly Transition	Nil	-1%
Scenario C: Hot House World	Nil	+1%

** The scenarios and outputs being considered are generated by modelling. There is significant "model risk" – the risk that the model does not fully capture the way the world works, either economically or physically.*

The Group Trustee notes that the analysis indicates that there is expected to be a negligible impact on the funding level due to climate-related longevity impacts to 2027. It also indicates that there could be a modest impact to 2035. The Group Trustee notes that "Hot House World" scenario indicates a 1% improvement to the funding level to 2035. This is not a desired outcome as lower longevity risk as a result of decreased life expectancy is clearly not in the interest of members.

The degree of funding level impact due to climate-related mortality changes is highly sensitive to the assumptions built into each of the scenarios. In practice, there are a multitude of unconstrained climate-related risk factors which can affect mortality to varying degrees, materialising in predominantly unhedged longevity risk exposure for the Group. While the Group Trustee has determined that its current strategy remains appropriate and robust against the relevant climate scenarios, the Group Trustee will continue to monitor mortality-related risks relative to the Group's asset allocation.

Covenant Assessment

Similar to the work conducted for the previous iteration of the TCFD report, the Group Trustee has again engaged with the covenant advisor, XPS, in order to understand how the Group's sponsoring employer and the formal support from the significant guarantee provided by EDF Energy Lake Limited and ultimately backed by EDF SA, which together support the Group (known as its "covenant"), would be impacted by various climate scenarios.

The impact of the chosen climate scenario is focused on the EDF group of companies given the reliance that the Group places on the covenant support from EDF SA as a whole and the extent of public disclosure. The assessment provided by XPS as part of this engagement is as follows:

Given EDF's business, it is at the forefront of facilitating and managing the transition to a lower carbon economy; indeed its "raison d'être" is about managing the risks and opportunities borne from climate change. EDF continues to be rated above its peers by a number of ESG ratings providers. XPS note that Standard and Poor's and Moody's consider ESG factors as having a moderately negative impact on EDF's creditworthiness; however, there is limited impact on their assessment of EDF's creditworthiness and the ESG credit impact score assigned to EDF by Moody's is broadly in line with peers.

EDF faces a number of physical and transitional risks. In the most negative scenario considered as part of its analysis for its 2025 Universal Registration document, EDF estimated that the financial impact of transitional risks would be for "EBITDA [to be] down over €5 billion" in 2035 (c.17% of 2025 EBITDA) vs. a baseline scenario. A quantitative estimate of the impact of physical risks is not provided, although EDF's qualitative comments remain in line with the previous year suggesting limited change.

Given the risks to which it is subject, EDF is seeking to mitigate the potential impact of climate change related risks through the adoption of globally recognised initiatives and periodic reviews of climate change adaptation plans. XPS note that Moody's has given EDF a 1.5 °C Net Zero Assessment, and the SBTi rates EDF as being on a "Well Below 2 °C" reduction pathway. Furthermore, given the nature of EDF's business, EDF continues to believe there are a number of opportunities from which it can benefit in terms of the transition to a low carbon economy.

As part of its covenant monitoring programme, XPS will continue to monitor the financial impact on the covenant of transitional and physical risks, including those arising from regulatory and governmental changes. It will also continue to monitor EDF's ESG ratings and how they develop, as well as the progress towards, and evolution of, EDF's targets. (Source XPS, May 2026).

Scenario assumptions and limitations

The Network for Greening the Financial System (NGFS) is a group of 145 central banks and supervisors and 22 observers committed to sharing best practices and developing environment related risk management in the financial sector and mobilising mainstream finance to support the transition.

The NGFS scenarios have been developed to provide a common starting point for analysing climate risks to the economy and financial system and incorporate important themes including increasing electrification and a spectrum of new technologies to tackle remaining hard-to-abate emissions.

NGFS explores scenarios consistent with the framework (see figure below) published in the First NGFS Comprehensive Report covering:

- 2 degrees Orderly Transitions – Gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C.
- 2 degrees Disorderly Transition – Assumes annual emissions do not decrease until 2030. Strong policies are needed to limit warming to below 2°C. CO2 removal is limited.
- Hot House World (Nationally Determined Contributions) – Includes all pledged policies even if not yet implemented.

Modelling approach and limitations

The Group Trustee acknowledges the growing scrutiny of current climate scenario analysis models, which has revealed that current methodologies may not accurately reflect the threat climate change poses to the planet and society, such as overlooking climate tipping points and underestimating the likely implied temperature rise and physical impacts of climate change. Consequently, the analysis currently has limited reliability and usefulness as a decision-making tool. As such, the Group Trustee does not rely solely on this analysis to inform its strategic decision-making. Nonetheless, the scenario analysis does help to highlight that climate change risks do exist, and the Group Trustee therefore believes that appropriate risk management steps should be taken to address and limit their potential impacts.

EDFG - Defined Contribution section

Time periods

The time horizons identified by the Group Trustee for the purposes of the scenario analysis are detailed below. Further information on the climate-related risks that are expected to materialise over these timeframes is set out below. These are in line with the likely time horizons over which the average DC member's benefits will be invested to and through retirement, although the Group Trustee notes that their members are mostly deferred in nature and therefore will likely be invested for only the Short to Medium term.

	DC Section
Short term	10 years (Representative of a member approaching retirement age)
Medium term	25 years (Representative of a member in the mid-career stage)
Long term	40+ years (Representative of a member in the 'early career' stage)

Climate scenarios

The climate scenarios are 40-year projections. This is the longest time horizon considered for scenario analysis. In practice a member could be invested for 35 years or more (based on being able to access their pension at age 57 and auto enrolment starting at age 22), though the majority of the Group's members are likely to be within 30 years of retirement.

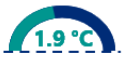
The Group Trustee considers scenario analysis as part of strategic decision-making on an ongoing basis. The Group Trustee must undertake scenario analysis no less than every three years and in each of the two years following analysis, must review whether refreshed scenario analysis is required to adequately assess climate-related risks to the Group. In practice the most recent scenario analysis carried out was during 2023; as such, the Group Trustee has carried out scenario analysis for the DC Section for the purposes of this report.

The climate scenario analysis has been completed on the lifestyle strategies: Cash Retirement Strategy and Annuity Retirement Strategy as at 31 December 2025. An expert team within Mercer has conducted the following analysis to highlight the additional climate change impact on return p.a. over 10 years, 25 years and 40 years based on the strategic asset allocation of these strategies. For the Group, the majority of its members are likely to be within 25 years of retirement, though there is potential for a small number of its youngest members to remain invested in 40 years' time.

The analysis illustrates that a failed transition is by far the worst in terms of asset values.

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.

Impact on Asset Value



Climate Scenarios	Rapid Transition			Delayed Transition			Limited Transition			Failed Transition		
Strategy	**Year 10**	**Year 25**	**Year 40**	**Year 10**	**Year 25**	**Year 40**	**Year 10**	**Year 25**	**Year 40**	**Year 10**	**Year 25**	**Year 40**
The Cash Retirement Strategy	0.6%	7.3%	11.7 %	-3.8%	-0.4%	-0.9%	-2.3%	-16.4 %	-21.7 %	-5.8%	-31.0 %	-39.6 %
The Annuity Retirement Strategy	0.6%	7.3%	11.5 %	-3.8%	-0.4%	-0.9%	-2.3%	-16.4 %	-21.3 %	-5.8%	-31.0 %	-38.9 %

1.6ºC Rapid Transition: A rapid decarbonisation of the economy where high transition risk feeds into financial markets creating both risks and opportunities

1.9ºC Delayed Transition: A sudden step-up in policy action in 2030, with both transition risk and physical risks being experienced

2.9ºC Limited Transition: Insufficient progress being made regarding the transition to a low-carbon economy so physical risks of climate change accelerate causing significant market disruption and a drag on global GDP

3.7ºC Failed Transition: Backsliding on climate commitments by governments and companies with severely negative impacts on human wellbeing and wealth.

RAG status for overall score	Relative to the baseline
🔴	Worse than -10%
🟡	-10% to 0%
🟢	Positive (greater than +0%)

By setting the shorter time horizon at 10 years, Mercer was able to assess the impact of transition risks; rapid transition risks are priced in at a c.3 year time horizon. All scenarios have priced in shocks relating to future physical damage from the end of the 2020s through to the late 2030s.

Physical risks are regionally differentiated, consider variation in expected temperature increase per region and increase dramatically with rising average 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 current modelling does not capture environmental tipping points or knock-on effects (e.g., migration and conflict).

As the delegated investment manager, MWS recognises that the risks and opportunities arising from climate change are diverse and continuously evolving. Climate change presents risks over the short, medium and long term, which the MWS strategy aims to better understand and mitigate where possible.

Over the short term (10 years), risks may present themselves through rapid market re-pricing relating to climate transition as:

- Scenario pathways become clearer. For example, the likelihood of a sub-2°C scenario occurring becoming higher and driving greater transition risk.
- Market awareness grows. For example, the implications of the physical impacts of climate change become clearer to markets and impact the asset valuations.
- Policy changes surprise markets. For example, if a carbon price or a significant regulatory requirement is introduced across key markets to which the portfolio is exposed, at a sufficiently high price to impact behaviour.
- Perceived or real increased pricing of greenhouse gas emissions/carbon.
- Substitution of existing products and services with lower emission alternatives.
- Litigation risk relating to dangerous warming becoming more prevalent.
- Increases in the energy/heat efficiency of buildings and infrastructure.

The ability of MWS to consider these short-term changes means it can position the investment arrangement favourably, for example aligning investments to the climate transition by avoiding and reducing investment (through both tilting and exclusions) in high-emitting carbon sensitive businesses that do not have a business plan that supports the transition to a low carbon economy.

Over the medium term (25 years), risks associated with the transition to a low carbon economy are still likely to dominate relative to the physical impacts of climate change. These include but are not limited to:

- The development of technology and low carbon solutions.
- Policy and regulation are also likely to play a key role at the international, national and subnational level.
- Technology and policy changes are likely to produce winners and losers both between and within sectors.
- Advancement of transition is likely to have started to crystallise stranded asset risks over the medium term.

The ability of MWS and its investment managers to understand these changes may position the funds favourably, for example by increasing investments in new emerging technologies. MWS seeks to select investment managers and indices that can identify potential emergence of low carbon opportunities and the decline of some traditional sectors.

Over the long term (40+ years), physical risks are expected to come to the fore. This includes, but is not limited to:

- Where the impact of natural catastrophes leading to physical damages through extreme weather events.
- 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.

MWS and the underlying investment managers' ability to understand these changes may position the funds favourably in the future, for example increasing investments in infrastructure projects that display a high level of climate resilience. A changing climate may directly impact the viability of some assets or business models (for example, flood risk for real estate and the availability and cost of insurance).

The strategic asset allocation of the multi-asset funds is well-diversified across asset classes, sectors and geographies in order to manage risks, including climate-related risks. Equally MWS believe that there are climate-related opportunities and these are also accounted for in the strategic asset allocation. Importantly, this does not necessarily mean the exclusion of all highly-emitting investments.

MWS considers other, bottom up, mechanisms to manage climate risks where necessary.

MWS considers exposure to carbon risk in the context of its role in asset allocation and investment strategy setting. One of the key beliefs incorporated into the investment arrangement is that a sustainable investment approach creates and preserves long-term value. This includes the consideration that climate change is a systemic risk and that it is necessary to consider the potential financial risks.

The Mercer Growth Fund has explicit decarbonisation targets.

From the perspective of member impact, for younger members, downside risk is higher under the Limited and Failed Transition scenarios due to the long-term adverse impact of these scenarios on investment returns. For older members, downside risk is higher under the Rapid and Delayed Transition, which have shorter term projected adverse impact on projected returns ahead of a projected recovery versus the other scenarios.

Scenario assumptions and limitations

Climate scenario modelling is a complex process. The Group 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. Looking at average asset class returns over multi-decade timeframes leads to invariably small impacts. The results are potentially significantly underestimated.
3. There is a reasonable likelihood 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.
4. Financial stability and insurance 'breakdown' is not modelled. A systemic failure may be caused by either an 'uninsurable' 4oC physical environment, or due to the scale of mitigation and adaption required to avoid material warming of the planet.

Most adaptation costs and social factors are not priced into the models. These include population health and climate-related migration.

E.ON

Net assets[4] as at 31 March 2026: £2,984m.

Time periods

Consistent with guidance from the Pensions Regulator and the position of our Group, we, the Group Trustee, consider:

- Short-term to be 5 years.
- Medium-term to be 10 years.
- Long-term to be 15 years.

The rationale for each of the time periods is as below:

- The short-term refers to the period over which we focus on those risks that have been delegated to external investment pools and managers; these mandates are typically judged over time horizons of up to five years. This is also the period for which the current investment strategy is expected to remain in force.
- The medium-term refers to the period over which we focus on those risks that currently fall outside the scope of the external investment management mandates, but which are not considered to be long-term in nature, for example risks relating to broad market conditions or to identifiable anomalies or trends in the investing environment that fall across multiple asset classes.
- The long-term refers to the period over which the majority of the benefit payments are expected to be made by the Group with respect to the current membership. Whilst the Group could exist for longer than the 15 years, it is understood that by that stage the Group will be mostly invested in government and corporate bonds or potentially insurance contracts where the Group Trustee will have less influence.

Climate scenarios

Our three scenarios are 1.5°C 'Net-Zero' (Paris-aligned transition), 2°C 'Delayed Net Zero' (late transition) and 4°C 'High warming' (slow transition or hot house). While the scenario names have been updated to reflect the change in scenarios used by the OCIO manager these scenarios are broadly aligned with those used in prior years reporting.

- Net Zero – this is our goal: assumes an orderly global transition consistent with the Paris Agreement, achieving net zero emissions by 2050 and limiting warming to around 1.5°C
- Delayed Net Zero – assumes measures are introduced to tackle climate change, but are introduced too late to meet the Paris Agreement, limiting global warming to around 2°C
- High Warming – this is our hot-house scenario: assumes very limited global transition effort, resulting in global temperatures rising to around 4°C

Each scenario consists of a degree of warming and an assessment of its impact on the portfolio. In other words, what do we expect the financial risk to be, and across which asset classes / investments, based on a certain degree of warming.

We have chosen to disclose three scenarios, because we believe this provides us with sufficient scope to inform our investment decisions. They are scenarios that highlight the impact of physical risks and transition risks as well

[4] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

as systemic risks in different scenarios and so enable us to draw conclusions about the different components of climate change-related risks and opportunities.

The Impact of scenarios

For the following analysis, we have looked at the potential funding level impacts under the different scenarios over the Group's short, medium and long term time periods for all asset classes held within the Group's investment strategy (relative to a baseline scenario which gives a reference for a realistic current pathway). We are realistic about the challenges with scenario analysis; it is too complex an impact to model far into the future with high confidence and too long a time horizon to be decision useful for the Group Trustee. Nonetheless, it is important that we try to reflect the types of risks and opportunities that impact our strategy over different time periods.

We have chosen not to provide a quantitative assessment of scenario risks this year to remain consistent with the approach taken to the 31 March 2025 report (this will be reviewed during 2026 following Schroders appointment as the OCIO manager) Instead, we have chosen to provide a qualitative assessment of various risks and ultimately total portfolio outcomes based on narrative scenarios across the three scenarios for climate outcomes. Our analysis incorporates physical and transitional risks for all asset classes held within the investment strategy over the short, medium and long term.

As a summary, the impact is set out in the table below:

Time period	High warming	Delayed net zero	Net zero
5 years	Low	Low	Low
10 years	Moderate	Moderate	Low
15 years	High	High	Low
Key (impact on funding level)	Low = Less than 5%	Moderate = 5–10%	High = More than 10%

Source: Schroders using Ortec Finance data as at 31 March 2025, as the climate model is calibrated once annually. Assets and liability projections as at 31 March 2026. Liability projections (gilts flat) based on a roll forward of the 31 March 2024 cashflow information provided by Aon.

The key conclusions of the scenario analysis are:

- Climate change could have an impact on the investment performance, liabilities and the covenant, taken separately
- Asset projections are assumed to be in line with the current strategic allocation. In reality this asset allocation may change over time
- The impact of climate change on Group funding is not significant in the short term. However, the Group is exposed to potentially material climate risks over the longer-term which needs to be managed especially if the goals of the Paris Agreement are not met
- A High Warming scenario is likely to be the worst outcome for the Group over the long term. The Group would have aimed to have reduced its allocation to growth and more risky assets by the longer term when the worse impacts occur

- The Delayed Net Zero scenario sees the world achieving a 2 degree rise in temperature. Despite the transition occurring, the physical costs associated with the delay and the transition occurring later might be harmful to Group funding level over the medium and long term
- Under a Net Zero scenario, extreme physical and transition risks are likely avoided, and the Scheme's strategy demonstrates resilience over the timeframes considered. Relative to baseline the Scheme funding level may experience a relatively low impact.
- The Group Trustee believes under an OCIO manager governance model climate risk is partially managed by the OCIO manager given Schroders has the ability to adapt the asset allocation particularly within on-risk assets as market conditions change. The analysis also does not reflect the specific underlying holdings. In practice the OCIO manager takes into account climate risks within overall portfolio construction (through the integration of climate data) which are most exposed to transition risk
- In addition, engagement activities undertaken on the Group Trustee's behalf by the OCIO manager and the underlying managers to reduce climate risks cannot be reflected in this analysis, further providing an ability to mitigate these risks.
- To a degree, the impacts can offset each other:
    - Under a Net Zero transition scenario, stronger relative asset performance driven by an orderly transition is expected to support the funding position, although this may be partially offset by higher projected liabilities arising from improvements in life expectancy. Conversely, in a High Warming scenario, weaker investment outcomes and greater market disruption could weigh on funding progress, but this may be partially mitigated by reduced liabilities reflecting lower expected life expectancy.
    - Across the climate scenarios considered, the overall impact on the Group's funding position is expected to emerge gradually and remain manageable over the assessment period. While climate risks may affect both assets and liabilities, the analysis does not indicate a material deterioration in the Group's ability to meet its obligations. In addition, the strength and diversification of the Group sponsor's business model provides comfort that it would be expected to continue to support the Group, should this be required.

Key risks within the portfolio have also been analysed, over the medium term:

- Equities and private growth would likely be adversely impacted under the High Warming and Delayed Net Zero scenarios. Alternatives and 'CDI Funding Source' may also be significantly adversely impacted under High Warming and Delayed Net Zero.
- Over the short/medium term the Group will consider de-risking the investment strategy to reduce the allocations to these higher risk asset classes and increase allocations to 'Traditional CDI' and LDI. This may be expected to improve the resilience of the investment strategy under all scenarios.

Scenario assumptions and limitations

The Group Trustee emphasises that the scenarios analysis does have limitations:

- Whilst there is a scientific consensus regarding the cause and direction of climate change, the extent and speed of future changes to the climate are difficult to predict. The scenarios chosen by the Group Trustee may not be sufficiently 'extreme'
- The reactions to the effects of climate change, which may include significant changes in government policy and spending, population migration, war, impacts on global trade and supply, and markets are hard to predict

- The three scenarios considered are medians from a range of possible outcomes. The Group assets are considered over long time horizons and therefore the range of uncertainty around any outcomes is very wide
- Analysis is done by asset class and does not allow for specific underlying holdings
- There is limited relevant past data by which to predict the effects of climate change – there is no historical precedent for the rate of increase of carbon emission, so we cannot be confident about how quickly the planet will warm, although we can estimate where we might end up with this level of carbon emissions. Similarly, our economy has never been subject to an energy transition of this speed and scale, alongside the increasing physical risk environment we face into
- Ambitious (net zero) scenarios depend on future unproven technologies, such as Bioenergy with Carbon Capture and Storage

Certain necessary changes to achieve net-zero emissions are currently not included in most models, such as changes in lifestyle (e.g. plant-based diets) or economic systems (e.g. circular economy). Furthermore, certain high-risk impacts cannot be covered in most models, such as impacts of sea level rise, migration, health, and tipping points in the climate system.

Covenant assessment

In addition to the implications of general economic conditions on the Group, consideration has also been given to the resilience of the sponsor consistent with the scenarios outlined above.

The Regulations require the Group Trustee to consider the resilience of the funding strategy within different warming scenarios. Covenant is viewed as an integral part of a scheme's funding strategy and therefore to address this requirement this report considers the resilience of the employer covenant to various climate scenarios. The Group Trustee's assessment, carried out by Mercer (formerly, Cardano Advisory), considered the climate risks to both E.ON SE and the Scheme's UK sponsor (E.ON UK).

Given the support from E.ON SE for the Group's funding strategy, the Group Trustee's disclosure in this report has focused primarily on the risks faced by E.ON SE.

Mercer (formerly, Cardano Advisory) undertook the first full climate scenario analysis in 2022 to assess the resilience of the employer covenant to climate risks. In June 2025, Mercer (formerly, Cardano Advisory) prepared a full climate scenario analysis update of the 2022 assessment, the results of which are summarised below. We note that this this analysis has not been refreshed for the 31 March 2026 report. The analysis will be refreshed during the next reporting year in line with the 31 March 2027 actuarial valuation process. Therefore, the Group Trustee is comfortable that the 2025 analysis remains appropriate for this report.

Given E.ON SE's fundamental role in the global energy transition, for example its extensive regulated Energy Networks, it is expected that E.ON SE may benefit from climate-related opportunities which present themselves. In particular, the lower-warming scenarios (Paris Aligned and Late Transition scenarios) will require significant investment in the regulated asset base of E.ON SE to facilitate the transition to a low carbon economy. Mercer (formerly, Cardano Advisory) has historically adopted a primarily risk-focused, more prudent approach in order to identify downside climate exposure which might inform the Group Trustee's climate strategy and risk management. However, the Group Trustee is mindful to account for potential opportunities in order to form a balanced view.

Principal identified risks

The key risks identified by Mercer (formerly, Cardano Advisory) in each of the scenarios considered in 2025 included.

Paris Aligned scenario (Net Zero):

- GHG emissions – risk of proliferation and extension of carbon pricing mechanisms (e.g. the inclusion of Scope 3 emissions) and higher carbon prices, although this may be mitigated by E.ON SE's SBTi validated de-carbonisation targets; and
- Capital investment – risk that the regulatory environment that underpins the necessary substantial investment to support the green energy transition (i.e. network investment) becomes more stringent in the future, putting more pressure on Group resources in the near and mid-terms.

Late scenario (Delayed Net Zero):

- Capital investment – similar risk as set out above – but with a compressed and somewhat increased impact relative to a Paris Aligned scenario, particularly in the mid and longer-terms.
- Climate hazards – the risk of extreme weather events causing disruption to operational sites increases under this scenario albeit to a lesser extent than under the Slow Transition scenario.

Slow Transition scenario (High Warming):

- Macro-economic – under a Slow Transition scenario, global GDP is forecast to suffer the highest impact relative to the other two scenarios considered, which could have a direct impact on the Group's trading and share price
- Climate hazards – a materially increased risk of changing climate (including climate hazards) impacting E.ON SE's operations, including business disruption and increased investment required for mitigation or adaption actions, as well as for replacement assets.

Timing of identified risks

Climate risks were also considered over different time horizons to assist with a coherent climate response:

Near to medium-term

- Mercer (formerly, Cardano Advisory) assessed the risks to be generally greater in the Paris Aligned and Late scenarios given heightened transition risks in these scenarios whilst physical risks across the next decade are expected to be generally consistent across all scenarios considered; and

Long-term

- The Slow Transition scenario is likely to represent a greater risk to E.ON SE as the impact of a warming climate is expected to have a sharply increased impact on climate hazards / events over time.

Factoring in the likely opportunities for E.ON SE to support the green energy transition in lower-warming scenarios (Paris Aligned and Late), on balance it is likely that the most impactful scenario to E.ON SE would be the Slow Transition scenario over the long-term.

Covenant assessment conclusion

Mercer's (formerly, Cardano Advisory) 2025 climate scenario analysis suggests that despite robust progress from the Group towards its sustainability targets and the central role of E.ON SE in the green energy transition, the potential risks of climate change have tended to increase.

The Group Trustee therefore is increasingly focussed on implementing the recommendations from the covenant adviser in each of the following areas:

1. to integrate climate risk analysis on covenant, funding and investment to assess whether these risks are correlated;
2. to monitor the climate covenant risks identified in this assessment through the Group Trustee's regular monitoring framework, particularly in respect of the longer-term reliability under the updated Funding Code;

3. to regularly scan for potential regulations or changes in policy that might impact the covenant; and
4. to document identified climate related risks and mitigation strategies in an integrated way within the DWP mandated disclosures.

Magnox Electric

Net assets[5] as at 31 March 2026: £2,123m.

The following information should be read in conjunction with the Group's disclaimers included in Appendix D.

Time periods

The Group Trustee assessed the climate-related risks and opportunities over different time horizons considering the Group's liabilities. We decided the most appropriate time horizons for the Group are:

- Short-term: 1-3 years
- Medium-term: 4-10 years
- Long-term: 10+ years

Climate scenarios

The Group Trustee compared five climate scenarios to a base case, which reflects market expectations. The Group Trustee chose these scenarios because it believes that they provide a reasonable range of possible climate change outcomes. Each scenario explores the SLC Section's transition to a low-carbon economy under various environmental conditions. The climate scenarios illustrate the climate-related risks the Group faces, highlighting areas where changing the investment portfolio could reduce the risks.

Climate scenarios

Base Case		No transition	Disorderly transition
Emission reductions start now and continue in a measured way in line with the objectives of the Paris Agreement and the UK government's legally binding commitment to reduce emissions in the UK to net-zero by 2050.		Considers the impact of climate change if no further action is taken to reduce greenhouse gas ("GHG") emissions leading to significant global warming.	Explores the impact if limited action is taken and insufficient consideration is given to sustainable long-term policies to manage global warming effectively.
Temperature rise by 2100	**2ºC – 2.5ºC**	**+4ºC**	**<3ºC**
Reach net-zero by	2050	After 2050, if at all	After 2050
Carbon price 2030 2050	$80 $140	$40 $50	$65 $340

[5] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

Environmental regulation rollout		None	Late and Aggressive

Abrupt Transition		**Orderly transition**	**Smooth transition**
Explores the impact of delayed action on climate change for five years with governments eventually forced to address greenhouse gas emissions due to increasing extreme weather events.		Considers the impact of immediate and coordinated action to tackle climate change using carbon taxes and environmental regulation.	Shows how rapid advancement of green technology, private innovation and tiered environmental regulation and greenhouse gas taxes could achieve a smooth transition to a low carbon world.
Temperature rise by 2100	**1.5ºC – 2ºC**	**1.3ºC - 2ºC**	**<1.5ºC**
Reach net-zero by	2050	After 2050, if at all	After 2050
Carbon price 2030 2050	$135 $280	$100 $215	$80 $165
Environmental regulation rollout	Aggressive	Coordinated	High coordination

Source: Aon. The scenarios were developed by Aon and are based on many assumptions. They are only illustrative and subject to considerable uncertainty.

Impact of scenarios

The Group Trustee analysed climate change scenarios for the SLC Section, as proxy for the Group, in 2023, to understand the impact climate change could have on the Group's assets and liabilities. The decision was made not to re-run the scenarios this year as there were no material changes in the Group assets post September 2023.

2026 update

Under the Regulations, climate scenario analysis must be carried out at least every three years, although there are circumstances which may require the climate scenario analysis to be re-done sooner than three years. This may be as a result of, but not limited to:

a significant/material change to the investment and/or funding strategy; or

the availability of new or improved scenarios or modelling capabilities or events that might reasonably be thought to impact key assumptions underlying scenarios.

The Group Trustee reviewed the scenario analysis completed as at 30 September 2023 and has decided to not refresh the analysis, given no material changes to the above conditions. The analysis will be refreshed as at 30 September 2026 using new membership data and assumptions following the 2025 actuarial valuation.

The SLC Section has been used as a proxy for the Group, as it is the largest Section and running the analysis for all Sections would incur disproportionate costs.

Key conclusions

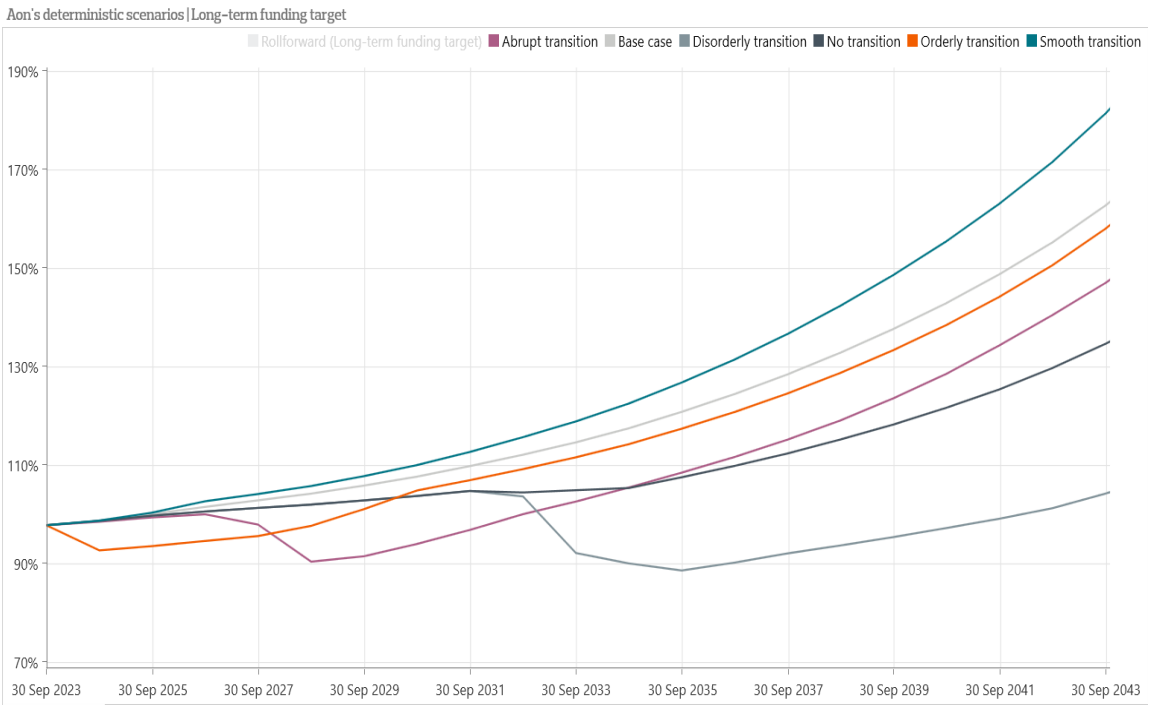
Based on the analysis, the Group Trustee considers that the SLC Section's investment strategy is reasonably resilient to climate change risk, acknowledging that there are scenarios that could lead to a material deterioration in the funding level. As is consistent with the funding projections (covered in the appendix), the largest short-term risk faced by the SLC Section is reflected by the orderly transition scenario. This is due to high inflation in early years having a pronounced negative impact on asset returns; however, this is followed by a material recovery in later years.

Longer-term risks are illustrated by the disorderly transition scenario, where a large shock to asset returns takes place in later years. This is following very limited action to reduce GHG emissions in earlier years, resulting in a much larger impact if action is taken later and with a lack of coordination.

Impact on the Funding level

The Group Trustee has undertaken the climate scenario analysis based on the SLC Section's strategic allocation. The outcome of the analysis from the impact assessment is set out in the chart below, and the subsequent narrative.

Funding Level Projections under the climate change scenarios (SLC Section)



Source: Investment Adviser. Scenario projections as at 30 September 2023.

The Group Trustee reviewed its climate scenario analysis, reported in 2024, and has decided to not refresh the analysis given there have been no material changes to the investment strategy or scenario modelling techniques

The impact assessment shows that the SLC Section's investment strategy exhibits resilience under most of the climate scenarios. This is due to the high funding level at the start of the modelling period, high levels of hedging against changes in interest rates and inflation, and a relatively low risk investment strategy.

Over the short-term, the worst-case scenario for the SLC Section is the orderly transition, due to an orderly transition shock (from the immediate, coordinated action taken). However, the SLC Section recovers, and stays well-funded.

Over the long-term, the worst-case scenario for the SLC Section is the disorderly transition. Although initially the funding level improves, after 10 years the funding level deteriorates due to a disorderly transition shock. However, it recovers above 100% by the end of 20-year modelling period.

Although the Group Trustee has not performed climate change scenario analysis for the other Sections, the overall results at a Group level are expected to be similar as the SLC Section represents the majority of the Group's assets and liabilities. The Group is therefore also expected to be fairly resilient to climate change risk.

The Group Trustee expects covenant risk to be low in all the scenarios and therefore, on the grounds of proportionality, has not commissioned scenario analysis for the employer(s) to complement the funding analysis undertaken.

However, given that the most significant risks posed to the funding level in the long term are projected to materialise in the disorderly scenario, we expect that in this scenario there will likely be more reliance on the covenant. That said, the funding level is projected to improve thereafter to well above full-funding and so reliance on the covenant is expected to be minimal in the long-term. In the four other scenarios modelled, the reliance on the covenant is expected to be more limited relative to the disorderly scenario, given that a less material impact on funding is expected.

Climate opportunities

The Group Trustee relies on its investment managers to take into account climate-related risks and opportunities applicable for their mandates. Based on the qualitative assessment, the Group's managers identified the following opportunities which are valid over the short, medium and long-term time horizons.

Liquid Credit	Opportunities within the issuance of green bonds, sustainability-linked bonds, and loans with sustainability-linked margin ratchets have been identified, as well as the creation of Article 8 funds.
Diversified Growth Funds	The manager outlined that climate transition will demand significant investment in clean technologies, benefitting from the withdrawal of capital from high emission activities.
Property & Infrastructure	Managers principally identified opportunities within building transformation, stemming from the increased demand of tenants and the wider market. Managers can seek to create low carbon and climate resilient buildings and actively manage portfolios to contribute to the transition to a net-zero carbon economy, including working with underlying managers and operating partners to achieve the same goals. Wider opportunities included: ▪ Lowering operating costs through a focus on energy efficiency. ▪ Delivering returns on investment for technology procurement at assets. ▪ Reducing reliance of fossil fuel energy and potential susceptibility shifts in energy policy, taxes and levies. ▪ Reputational gains of aligning to the Paris Commitment.

Illiquid Credit	Managers identified a number of opportunities such as: ▪ Higher rental premiums from assets with Energy Performance Certificates or above or high green building certification. ▪ Emissions offsetting can lead to better returns on assets as more companies commit to net zero targets. ▪ Identification of biodiversity enhancing measures, such as green walls or roofs which also mitigate pluvial flood risk and heat stress. ▪ Access to green debt to support further improvements to these assets. ▪ Reducing emissions to increase positive social and environmental outcomes.

Source: Managers

The Group Trustee considers investment opportunities on a regular basis as part of investment strategy reviews and new manager appointments. The Group Trustee expects its managers to take advantage of the transition to a low carbon economy where appropriate to do so within the investment guidelines it has agreed with the relevant manager. The investment opportunities that arise through the transition to a low carbon economy are considered by the Group Trustee on a case-by-case basis.

The Group Trustee may look to enhance its analysis of the climate-opportunities available to the Group in future years by incorporating the time horizons into this analysis however, at this time, the Group's investment strategy demonstrates resilience to climate-related risks and hence no action has been taken with regards to the climate opportunities identified above.

Scenario assumptions and limitations

Modelling limitations

The scenarios were developed by Aon and are based on many assumptions. They are only illustrative and subject to considerable uncertainty.

The climate scenarios modelling illustrates the potential impact climate change could have on the asset portfolios. It does not consider the impact climate change could have on other risks for our clients, such as timing of member options, operational risks, and covenant risk and longevity risk.

When changing the investment strategy, it is important to consider other relevant issues such as governance, costs, and implementation, including choosing managers and conducting due diligence.

The scenario modelling reflects market conditions and market views at the effective date of the modelling. The model may produce different results for the same strategy under different market conditions.

Modelling assumptions

The climate scenarios were developed by Aon and are based on detailed assumptions. They are only illustrative and are subject to considerable uncertainty. They consider the exposure of the Group to climate-related risks and the approximate impact on asset/liability values over the long-term.

Our Investment Adviser's model uses a deterministic projection of assets gilts+0% liabilities, using standard actuarial techniques to discount and project expected cashflows.

I. It models the full yield curve as this allows for an accurate treatment of the liabilities and realistic modelling of the future distribution of interest rates and inflation. It also allows the Group Trustee to truly assess the sensitivities of the assets and liabilities to changes in interest and inflation rates.

II. The parameters in the model vary deterministically with the different scenarios.

The liability update and projections are considered appropriate for the analysis. However, they are approximate, and a full actuarial valuation carried out at the same date may produce a materially different result. The liability

update and projections are not formal actuarial advice and do not contain all the information you need to make a decision on the contributions payable or investment strategy.

The model intends to illustrate the climate-related risks the Group is currently exposed to, highlighting areas where risk mitigation could be achieved through changing the portfolio allocation. Other relevant issues such as governance, costs, and implementation (including manager selection and due diligence) must be considered when making changes to the investment strategy.

Investment risk is only captured in the deviance from the Base Case, but this is not the only risk that the Group faces; other risks include covenant risk, longevity risk, timing of member options, basis risks and operational risks.

The model has been set up to capture recent market conditions and views; the model may propose different solutions for the same strategy under different market conditions.

Covenant Assessment

The Group Trustee's covenant adviser has assessed the exposure of each of the Group's sponsoring employers to climate-related risks as 'low' in both the short and long term. Key covenant risks relate primarily to transition risks, including potential increases in capital and operating costs arising from changes in climate, nuclear and wider energy policy, as well as delivery risk associated with ongoing restructuring and cost-saving initiatives.

In terms of physical risk, National Nuclear Laboratory Limited operates sites with potential exposure to flooding and other extreme weather events, which are managed through established resilience arrangements, investment in asset integrity and coastal and other defences, although residual risk remains.

Nuclear generation and associated capabilities are expected to play a significant role in the UK's transition to a low-carbon energy system and net zero, and the Group's sponsoring employers are well positioned to benefit from long-term government programmes, demand for specialist nuclear skills and services, and opportunities under the UK's energy security and net zero strategies.

The Group Trustee receives updates from its covenant adviser on an annual basis and its assessment includes an assessment of ESG risks, including climate-related risks. The reviews conducted in 2025 did not note any material climate-related risks in relation to the covenants of each of the Group's sponsoring employers.

Given that the Group Trustee expects covenant risk to be low across all climate-related scenarios, and on grounds of proportionality, the Group Trustee has not commissioned separate, full scenario analysis for the employer(s) to complement the funding analysis already undertaken.

Manweb

Net assets[6] as at 31 March 2026: £775m.

The following information should be read in conjunction with the Group's disclaimers included in Appendix D.

Time periods

The Group Trustee has identified the following time horizons as appropriate for the purpose of assessing the Group's exposure to climate-related risks:

- Short term – The period to 2032:

  The Group Trustee has chosen this period as 2032 is when the Group's existing private debt holdings are expected to have run off.

- Medium term – The period to 2040:

  The Group Trustee believes that it is appropriate to align the medium-term timeframe with the year when the Group's liabilities are expected to reach significant maturity. Using the Pensions Regulator's final guidance (in relation to the DB funding code of practice) of reaching significant maturity when a Pension Scheme's liabilities have a duration of around 10 years, at the time of carrying out the analysis the Group Actuary estimated that this would be in 2040 for the Group.

- Long term – The period to 2050:

  The Group Trustee notes that it is likely that the Group's long-term investment strategy will hold a meaningful allocation to UK Government Bonds, along with potentially corporate bonds and / or insurance contracts. It was therefore deemed appropriate to align the Group's long-term horizon with the UK Government's strategy to achieve net zero greenhouse gas emissions by 2050.

The Group Trustee will continue to review the appropriateness of the above time horizons at least on an annual basis when preparing the Group's climate change report, or more frequently if there has been a material change in the Group's circumstances. For example, a significant change to the Group's investment strategy, covenant context, funding strategy or financial position could warrant an ad-hoc review of the appropriateness of the chosen time horizons. The Group Trustee believes that the time horizons selected for this analysis are appropriate for the purposes of this climate change report.

Climate scenarios

The scenario analysis for the Group has been carried out as at 31st December 2025 and for the purposes of the analysis the Group's liabilities are measured on a Gilts +0.4% p.a. basis. The Group Trustee has a key objective to achieve a funding level of 100% by 2028, with reference to liabilities determined using gilt yields and inflation expectations with 0.4% p.a. outperformance assumed. Therefore, the Group Trustee deems it appropriate to base the scenario analysis on the long-term Gilts +0.4% p.a. basis rather than, for example, using the Technical Provisions basis.

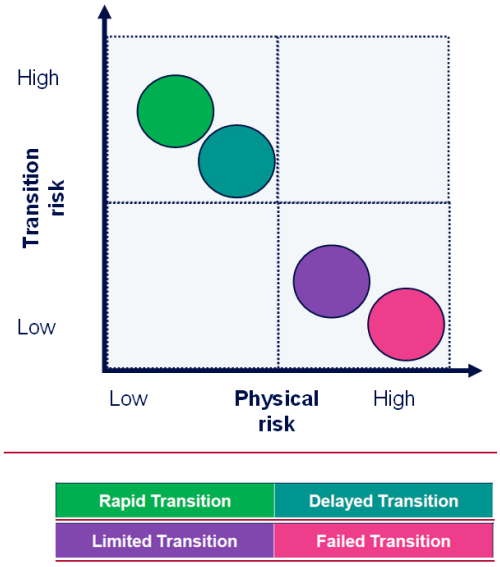
With input from the Group's investment consultant, Mercer, including the use of Mercer's scenario analysis tool, the Group Trustee has undertaken climate scenario analysis to test the resilience of the investment and funding strategy adopted by the Group Trustee, having regard to covenant considerations.

Quantitative climate change scenario analysis has been undertaken on the Group Trustee's strategic asset allocation, allowing for how the investment strategy is expected to evolve over time, to assess the potential

[6] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

implications of climate change under four modelled scenarios; a Rapid Transition (1.6°C), a Delayed Transition (1.9°C), a Limited Transition (2.9°C) and a Failed Transition (3.7°C). The scenarios were developed by Mercer, working with Ortec Finance, and are described below:

- **Rapid Transition**: Average temperature increase stabilises at 1.6°C (above pre-industrial levels) from 2050 onwards. A rapid decarbonisation of the economy where high transition risk feeds into financial markets creating both risks and opportunities. This scenario assumes sudden downward re-pricing across assets in 2027.
- **Delayed Transition:** Average temperature increase of 1.9°C (above pre-industrial levels) by 2100. A sudden step-up in ambitious policy action in 2031, with both transition and physical risks being priced in at this point.
- **Limited Transition:** Average temperature increase of 2.9°C (above pre-industrial levels) by 2100. Insufficient progress being made regarding the transition to a low-carbon economy so physical risks accelerate causing significant market disruption and a drag on global GDP. Transition and physical risks priced in during both 2031 and 2040.
- **Failed Transition:** Average temperature increase of 3.7°C above pre-industrial levels by 2100. Backsliding on climate commitments by governments and companies with severely negative impacts on human wellbeing and wealth. Multiple climate tipping points are hit. Physical risks priced in during both 2031 and 2040.



The scenarios were selected to give a broad range of potential impacts, in terms of both the potential transition risks and physical risks associated with climate change.

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' baseline; the implication is that all return impacts are presented in terms of how they are different to what is assumed to be priced in today.

Reporting Regularity

Scenario analysis will be undertaken by the Group Trustee in every third Group year. The scenario analysis will, however, be reviewed each year to ensure it remains relevant and appropriate to the Group and reflects up to date information and/or Regulations. Under certain circumstances, the Group Trustee may choose to carry out additional scenario analysis in a Group year where it is not mandatory. Such circumstances may include, but are

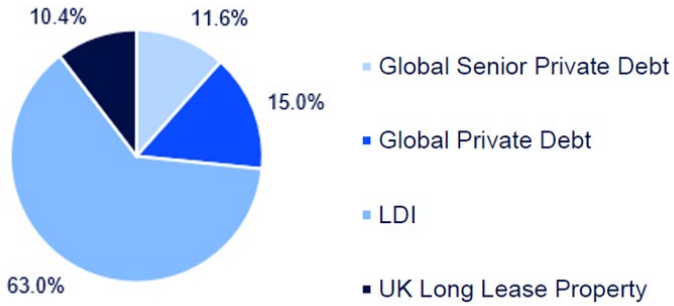
not limited to, a material change to the Group's investment strategy (including a material change in the expected future evolution of the Group's investment strategy), a material change in the funding plan for the Group, or a material change in the strength of the covenant of the sponsoring employer. In line with Statutory Guidance, the scenario analysis has been updated based on the position of the Group as at 31 December 2025.

Impact of scenarios

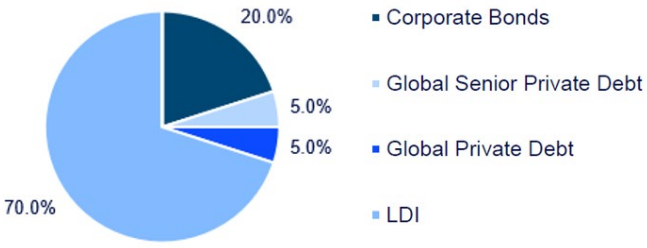
The table below summarises the results of the four climate scenarios considered by the Group Trustee, showing the potential impact on the Group's funding level over the short-, medium- and long-term time periods, relative to the projected baseline.

Note the analysis in the table below assumes that the Group's investment strategy evolves from the actual asset allocation as at 31 December 2025 to an indicative Low Dependency Investment Allocation, linearly over a 5-year period, and then remains static thereafter.

Actual allocation as at 31 December 2025



Low Dependency Investment Allocation



In the modelling, the asset allocations have allowed for the proportion of assets held in the longevity swap accounts. Based on the assumption that the Group's investment strategy will evolve as outlined above, the impact on the Group's funding level (relative to the baseline funding level projection) under the four climate scenarios considered is as follows

	Impact (%) relative to baseline
Rapid Transition	
Impact at 2032	-0.5%
Impact at 2040	-0.8%
Impact at 2050	-2.1%
Delayed Transition	

Impact at 2032	-0.1%
Impact at 2040	-0.1%
Impact at 2050	0.0%
Limited Transition	
Impact at 2032	0.2%
Impact at 2040	-1.5%
Impact at 2050	0.1%
Failed Transition	
Impact at 2032	-0.1%
Impact at 2040	-3.4%
Impact at 2050	-2.5%

Under the scenarios considered the impact on the Group's funding level is expected to be limited given the relatively low-risk nature of the investment strategy.

Over the period to 2032, transition risk dominates. The Rapid Transition is the most impactful scenario, but still has a relatively low impact. Under this scenario there is a shock to financial markets in 2027 followed by a recovery the following year. Overall, the funding level as at 2032 is reduced by c. 0.5% relative to the baseline.

As at 2040, physical risk dominates and the Failed Transition is the most impactful scenario. Under this scenario there is a further shock to asset values by the end of 2040, resulting in a c.3.4% decline in the funding level relative to the baseline.

Over the long term, physical damages would be the dominant driver and the Failed Transition is once again the most impactful scenario, leading to a c.2.5% decline in the funding level relative to the baseline by 2050.

The Group Trustee considered whether the results of the climate scenario analysis warranted changes to the Group's investment strategy, funding strategy, longevity risk management arrangements or covenant monitoring framework. Having reviewed the outputs, the Group Trustee concluded that no immediate changes were required but agreed to continue monitoring climate-related risks through the Group's existing governance and risk management framework.

There were no data issues in producing the above scenario analysis.

The Group Trustee's actuary (Hymans) – longevity risk analysis

In addition to the above scenario analysis, the Group Trustee's actuary has also assessed the potential impact of climate-related longevity risk on the Group's liabilities as at 31 December 2025. The Group Trustee's Actuary has applied Club Vita's Still Hot and Bothered analysis to the four scenarios outlined above as set out in their paper, "Climate related longevity risk – impact analysis", dated June 2026, and has also taken into account the longevity risk hedged by the Group's longevity swap. Considering the impact of longevity risk in isolation:

- Under Rapid Transition, the Group's liabilities are expected to increase as members live longer, driven by the assumption that the population adopts healthier lifestyles and pollution reduces.
- Under Delayed Transition, the Group's liabilities are expected to increase marginally in the short to medium term as members live longer, although the impact is not expected to be as significant as under Rapid Transition, as this scenario assumes that only limited adoption of climate change policies occurs. However,

in the longer term there is expected to be a slight decrease in liabilities as some of the long-term impacts of climate change begin to materialise.

- Under Limited Transition, the Group's liabilities are expected to increase with a similar trend to the Delayed Transition scenario up to 2055, where only limited adoption of climate change policies occurs. After 2055, the impacts of climate change begin to materialise without a significant response in terms of policy and action and to a larger extent than under the Delayed Transition. As the analysis only extends to 2050 under the time horizons considered in the report, these later differences are not captured and the impacts of Limited Transition are broadly similar to the Delayed Transition projection.
- Under Failed Transition, the Group's liabilities are expected to reduce as the negative direct effects of climate change and knock-on impacts on the economy and living standards etc. will reduce life expectancy significantly.

Taking into account the combined impact of the economic scenarios provided by Mercer as well as the longevity scenarios, applied to the liabilities and respective hedging assets as at 31 December 2025 on the gilts + 0.4% basis, the Group Trustee's actuary estimates that as a result of longevity risk in isolation:

- The funding level worsens by at most c. 4% by end of 2050, occurring under a Rapid Transition scenario.
- The funding level improves by a maximum of c. 3% by end of 2050, under a Failed Transition scenario.

Whilst the climate-related longevity stresses modelled could have a meaningful impact on liabilities in isolation, the Group's longevity hedging arrangements significantly reduce the overall funding exposure to these risks and the longevity impact of the economic scenarios on unhedged liabilities is not deemed to be significant. The Group Trustee's actuary has noted that the maximum net deterioration increase of c. 4% as a result of the impact on unhedged liabilities is still within the impact on funding that the Group may experience due to market volatility and from changes in assumptions and member experience at triennial valuations.

There is significant uncertainty as to the impact of climate change on financial markets and demographic trends, and the analysis carried out by the Group Trustee's actuary considers the impact of specific climate change scenarios; Group experience and actual impacts could be materially different to the above. The Group Trustee's actuary has assumed that the Group takes no further action in the future to mitigate longevity risk (i.e. by taking out a longevity swap or buy-in policy on the unhedged liabilities).

Overall, the climate scenarios considered do not show a material impact on the Group's financial positions over the short, medium or long-term time periods considered, in the context of the very high pre- and post-stress projected funding levels. The Group is helped by the high hedging against adverse movements in long-term interest rates, inflation expectations and longevity risk.

Climate opportunities

The Group's Sponsor could also benefit from climate-related opportunities over the short, medium and long term. Opportunities primarily relate to investments in renewables and networks, which will play a key role in the energy transition.

Scenario assumptions and limitations

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

- The further into the future you go, the less reliable any quantitative modelling will be.
- There is a reasonable likelihood 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.

- Financial stability and insurance 'breakdown' are not modelled. A systemic failure may be caused by either an 'uninsurable' 4°C physical environment, or due to the scale of mitigation and adaption required to avoid material warming of the planet.
- Most adaptation costs and social factors are not priced into the models. These include population health and climate-related migration.

Covenant Assessment

In May 2026, the Group Trustee's Covenant Advisor analysed the potential impact of transition and physical risks under three different climate scenarios (three for each of transition and physical risks) on the Sponsor's ability to support the Group. The analysis was based on scenario analysis undertaken by the Sponsor, and focused on the impact of covenant transition climate-related risks on the Sponsor at various points in time between now and 2100, and the scenario analysis undertaken in respect of the Group.

The Sponsor's scenarios are based on International Energy Agency scenarios for transition risks and UK-specific Shared Socioeconomic Pathways (SSP's) for physical risks. The scenarios considered are below:

Transition Risks

- Net Zero Emissions – Significant investment from governments and industry globally to reduce emissions. Average global temperature 1.5°C above pre-industrial levels.
- Announced Pledges – Governments worldwide meet, in full and on time, all climate-related commitments announced. Average global temperature increase of 1.7°C by 2100.
- Stated Policies – No new climate policies are introduced. Average global temperature increase of 2.4°C by 2100.

Physical Risks

- SSP 1-2.6 – Average global temperature increase of 1.8°C by 2100.
- SSP 2-4.5 – Average global temperature increase of 2.7°C by 2100.
- SSP 5-8.5 – Average global temperature increase of 4.4°C by 2100.

The Sponsor's assessment concluded that whilst SPUK is exposed to transition risks in each of the transition scenarios considered, the risks are considered to be 'non-material' which the Covenant Adviser understands that they do not represent a material concern in the context of SPUK and Iberdrola's liquidity. Such risks were detected in all three scenarios for both the Renewables and Customer Business divisions, whilst risks were only detected under the 'Announced Pledges' scenario for the Energy Networks division.

In terms of physical risks, the Sponsor's assessment concluded that the Energy Networks division is exposed to material risks over the period to 2100 across all three scenarios considered. These risks relate to increased sea levels, flooding and droughts. No physical risks were detected within the Renewables and Customer Business divisions.

The Group Trustee notes that material climate-related physical risks have been identified within the Sponsor's Energy Networks business. However, taking account of the Scheme's strong funding position, SPUK's financial resilience and the mitigations being implemented by management, the Group Trustee does not currently consider these risks to threaten the security of members' benefits.

Although the Sponsor's analysis sets out that there is potential for adverse and material covenant impacts in future, the Group's Covenant Advisor does not consider it to create significant concern for the Group Trustee and concluded that the risks are not expected to impact the resilience of the Group's funding strategy. This conclusion was reached on the basis that the Group is not expected to have additional funding needs under the climate

scenarios considered, and factoring in the current covenant strength, liquidity of SPUK, and ongoing support from SPUK's ultimate parent, Iberdrola.

Although covenant reliance is expected to remain low under the climate scenarios considered, the Group Trustee recognises that the Sponsor continues to play an important role in supporting the long-term security of members' benefits and therefore covenant climate-related risks will continue to be monitored as part of the Group's integrated risk management framework.

Whilst SPUK's scenario analysis considered by the Group's Covenant Advisor is undertaken at Iberdrola Group level, the Covenant Advisor has not considered the potential impacts from climate-related risks and opportunities on Iberdrola. Any impact on Iberdrola may therefore impact the support provided by Iberdrola to SPUK and therefore, the overall covenant strength. Furthermore, although the different scenarios considered by Mercer and the Group's Covenant Advisor appear to provide a reasonable basis for comparison, further consideration will be required in future years to ensure the Group and the Sponsor's scenarios align. The Group Trustee is considering these factors as part as its ongoing governance and risk management.

National Grid Electricity

Net assets[7] as at 31 March 2026: £2,138m.

The following information should be read in conjunction with the Group's disclaimers included in Appendix D.

Time periods

We assessed the climate-related risks and opportunities over multiple time horizons considering the liabilities of the Group and our obligation to pay benefits. We decided the most appropriate time horizons for the Group to consider are:

- short term: 1-3 years
- medium term: 4-10 years
- long term: 11-20 years

Please note that the Group's Bulk Purchase Annuity has not been covered in this pillar given the nature of this asset.

Climate scenarios

In December 2023 we carried out climate change scenario analysis to better understand the impact climate change could have on the Group's assets and liabilities. This analysis does not allow for the bulk annuity transition carried out however the Group Trustees have concluded that these findings remain relevant to the Group's residual assets.

The existing analysis looks at three potential climate change scenarios. We chose these scenarios because we believe that they provide a reasonable range of possible climate change outcomes. The climate scenarios are compared to a "base case" scenario.

Each climate scenario considers what may happen to the Group's assets when transitioning to a low carbon economy under different temperature-related environmental conditions. These scenarios were developed by Aon and are based on detailed assumptions. They are only illustrative and are subject to considerable uncertainty.

Details of the climate scenarios we chose to analyse are set out below:

	Base Case	**No Transition**
	Emission reductions start now and continue in a measured way in line with the objectives of the Paris Agreement and the UK government's legally binding commitment to reduce emissions in the UK to net zero by 2050.	No further action is taken to reduce greenhouse gas ("GHG") emissions, leading to significant global warming.
Temperature rise by 2100	+1.5ºC – +2.4ºC	+4ºC
Reach net-zero by	2050	After 2050*
Introduction of environmental regulation	Uncoordinated	None

[7] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

	Orderly Transition	Disorderly Transition
	Immediate and coordinated action to tackle climate change is taken using carbon taxes and environmental regulation.	Limited action is taken, and insufficient consideration is given to sustainable long-term policies to manage global warming effectively.
Temperature rise by 2100	1.3ºC – 2ºC	<3ºC
Reach net-zero by	2050	After 2050
Introduction of environmental regulation	Coordinated	Late and aggressive

Source: Aon

The climate scenarios aim to illustrate the climate-related risks the Group is currently exposed to, highlighting areas where risk mitigation could be achieved through changing the investment portfolio.

Other relevant issues such as governance, costs, and implementation (including manager selection and due diligence) must be considered when making changes to the investment strategy.

Investment risk is captured in the deviance from the base case scenario, but this is not the only risk that the Group faces. Other risks include covenant risk, longevity risk, timing of member options, basis risks and operational risks.

Impact of scenarios

Over the short term, the worst-case scenario for the Group is the orderly transition. In this scenario, there is immediate coordinated action to tackle climate change through the introduction of carbon taxes and environmental regulation. A high level of financial risk exposure is expected in the short-term across all asset classes (except cash) as companies seek to invest in climate transition solutions. Over time, these risks reduce as companies become prepared for the climate transition and the transition to low carbon technologies. Therefore, the Group recovers in the long term and remains well-funded.

Over the long term, the worst-case scenario for the Group is the disorderly transition. In this scenario, delayed and ineffective action to tackle climate change acts as a drag on the returns of risk assets due to the realisation that current levels of action are inadequate. There is a sharp decline in funding level after 10 years due to the disorderly shock, triggered by sudden policy implementations, but the funding level stays above 100% and recovers further in the longer term.

The climate scenario analysis does not allow for the bulk annuity transition carried out. If the scenario modelling was to be rerun, the results may be different.

We believe the Group's investment portfolio exhibits good resilience under the climate scenarios modelled. This is due to the high funding level at the start of the projection period, the high levels of hedging against changes in interest rates and inflation, and the low-risk investment strategy.

We have not taken any action as a result of the climate change scenario modelling given that the Group is expected to be fairly resilient to climate change and has been de-risked significantly over time.

Climate opportunities

LDI

The investments in UK Government Bonds could give rise to potential opportunities in the next few years. In particular, we may consider investment opportunities in liquid credit, which offers climate-related investment opportunities through green bonds and companies focused on climate change solutions. Green bonds are issued by companies to fund projects that benefit the environment.

Property

Opportunities were principally identified in building transformation, stemming from the increased demand of tenants and the wider market. Managers can seek to create low carbon and climate resilient buildings and actively manage portfolios to contribute to the transition to a net-zero carbon economy, including working with underlying managers and operating partners to achieve the same goals. Wider opportunities include:

- Lowering operating costs through a focus on energy efficiency.
- Reducing reliance of fossil fuel energy and potential susceptibility shifts in energy policy, taxes and levies.
- Reputational gains of aligning to the Paris Agreement.

Scenario assumptions and limitations

Modelling limitations

Scenario modelling relies on many assumptions. They are only illustrative and subject to considerable uncertainty. Please see below – Climate scenario modelling assumptions for more detailed information on the assumptions underpinning the scenarios.

The climate scenarios modelling illustrates the potential impact climate change could have on the asset portfolios. It does not consider the impact climate change could have on other risks for our clients, such as timing of member options, operational risks, covenant risk and longevity risk.

The scenario modelling reflects market conditions and market views at the effective date of the modelling. The model may produce different results for the same strategy under different market conditions.

Assumptions

The purpose of the model is to consider the long-term exposure of the Group to climate-related risks and the pattern of asset returns over the long term.

i. In particular, the model considers different climate change scenarios and the approximate impact on asset/liability values over the long-term.

Our model assumes a deterministic projection of assets and gilts+0.25% liabilities, using standard actuarial techniques to discount and project expected cashflows.

i. It models the full yield curve as this allows for an accurate treatment of the liabilities and realistic modelling of the future distribution of interest rates and inflation. It also allows us to truly assess the sensitivities of the assets and liabilities to changes in interest and inflation rates.

ii. The parameters in the model vary deterministically with the different scenarios.

The liability update and projections are considered appropriate for the analysis. However, they are approximate, and a full actuarial valuation carried out at the same date may produce a materially different result. The liability update and projections are not formal actuarial advice and do not contain all the information you need to make a decision on the contributions payable or investment strategy.

The model intends to illustrate the climate-related risks the Group is currently exposed to, highlighting areas where risk mitigation could be achieved through changing the portfolio allocation.

i. Other relevant issues such as governance, costs and implementation (including manager selection and due diligence) must be considered when making changes to the investment strategy.

ii. Climate-related risks are considered on an asset class level, and do not consider the specific geographical locations which will have a strong influence on the climate-related risk the Group is exposed to.

The model has been set up to capture market conditions and views at the effective date of the modelling; the model may propose different solutions for the same strategy under different market conditions.

Covenant Assessment

Approach

- As at 31 March 2026, the Group is directly supported by National Grid Electricity Transmission plc (NGET, the sponsoring employer), National Grid UK Limited, and Elexon Limited (together the employers).
- The covenant of the Group is defined as the employers' legal obligation and financial ability to support the Group now and in the future.
- When assessing and monitoring the Group's covenant, we consider the possible impact of climate-related risks and opportunities (physical and transition) on the employers over the short, medium and long-term.
- Given the relative size and covenant support offered by NGET, we focus our review on NGET.
- We consider climate-related risks and opportunities annually as part of regular covenant monitoring, with input from sector and sustainability experts, as well as NGET management, and report to the Trustee Board and/ or FIC.
- This qualitative analysis informs our views on aspects such as employer cash flows and prospects and therefore the resilience of the employer covenant under the climate scenarios that the Group Trustee has considered for the asset and liability impacts.
- As part of our analysis, we consider the Group's funding level. The Group's current funding level means its reliance on the covenant is low, but some reliance is expected to remain over the short to medium term.
- Reviewing the possible impact of climate-related risks and opportunities, whilst factoring in reliance on the covenant, supports the Trustee in reviewing the resilience of the Scheme's investment and funding strategy.

Key Messages

Transition risks and opportunities

- Given the nature of the NGET business, climate-related risks and opportunities are key covenant considerations as the world transitions to a lower carbon future.
- As part of the British Energy Security Strategy, the Government set an ambition to increase offshore wind capacity to 50GW by 2030 to support the UK in reaching net zero by 2050.
- Such targets require significant investment, including the Accelerated Strategic Transmission Investment (ASTI) projects, which are expected to result in an additional £15bn+ of investment from NGET by 2030.
- The size and scale of investment is a significant growth opportunity for NGET, supporting its position as owner and developer of critical national infrastructure, but also carries risk around the successful timely delivery and financing of projects. Such risks are highlighted in management's RIIO-3* business plan with

alternative proposals set out to Ofgem to support the finance ability of the required capex included in the plan.

- Management is taking action to mitigate risks, for example supporting industry-wide planning reforms to facilitate delivery of the ASTI programme where there are risks around the timing of delivery and supply chain management, and there are inherent protections in place from Ofgem's regulatory frameworks.
- The extent of any transition risk impact is likely to reduce under a slow orderly transition scenario, with industry, political and regulatory collaboration, with increased risk under a disorderly transition.
- NGET is also taking action to manage its own environmental performance and transition to net zero by 2050, which has its own associated costs and execution risks.
- In addition, the Group has protections in place that would trigger in an NGET downside scenario, further supporting the resilience of the covenant.

*RIIO-3 is the price control framework used by Ofgem for setting revenues for gas and electricity transmission and distribution networks for the period April 2026 – March 2031.

Physical risks

- Whilst the most material risks and opportunities to the covenant are around the transition of the UK's energy networks to net zero, the NGET business is also exposed to physical risks, with greatest exposure in the 'no transition' scenario where temperature rises exceed 4°C.
- Higher temperatures and more extreme weather patterns could lead to damage to physical assets and impact NGET's ability to meet customers' electricity demands.

Covenant conclusions

- Whilst evaluation of climate-related risks and opportunities continues to evolve and develop in sophistication, there is nothing emerging from the analysis to date that indicates a significant risk to the ability of the covenant to support the Group over the time horizon for which there is likely to be some reliance on the covenant (short to medium term).
- NGET has a number of processes and actions in place to identify and mitigate the potential impact of climate-related risk and the Group has protections in place to mitigate employer downside risk.
- NGET is also well placed to benefit from increased demand for electricity, as a critical infrastructure provider with a key role in the transition to net zero.
- On this basis, we have not identified any specific threat to the resilience of the Group's funding and investment strategy based on covenant considerations.

Northern Powergrid

Net assets[8] as at 31 March 2026: £967m.

The following information should be read in conjunction with the Group's disclaimers included in Appendix D.

Time periods

We assessed the climate-related risks and opportunities over different time horizons considering the Group liabilities. We decided the most appropriate time horizons for the Group are:

- Short-term: 1-3 years
- Medium-term: 4-10 years
- Long-term: 11-20 years

Climate scenarios

In December 2023, we analysed climate change scenarios to understand the impact climate change could have on the Group's assets and liabilities.

We compared three climate scenarios to a base case, which reflects market expectations. We chose these scenarios because we believe that they provide a reasonable range of possible climate change outcomes. Each scenario explores the Group's transition to a low-carbon economy under various environmental conditions. The climate scenarios illustrate the climate-related risks the Group faces, highlighting areas where changing the investment portfolio could reduce the risks.

Climate scenarios

	No transition	**Disorderly transition**	**Orderly transition**
	No further action is taken to reduce GHG emissions leading to significant global warming	Limited action is taken, and insufficient consideration is given to sustainable long-term policies to manage global warming effectively	Immediate and coordinated action to tackle climate change is taken using carbon taxes and environmental regulation
Temperature rise by 2100	**+4ºC**	**<3ºC**	**1.3ºC - 2ºC**
Reach net-zero by	After 2050	After 2050	2050
Carbon price (2030/2050)	$40/$50	$65/$340	$100/$215

[8] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

Introduction of environmental regulation	None	Late and aggressive	Coordinated

Source: Aon. **The scenarios were developed by Aon and are based on many assumptions. They are only illustrative and subject to considerable uncertainty.**

Group Trustees' update

Under the Regulations, climate scenario analysis must be carried out at least every 3 years, although there are circumstances which may require the climate scenario analysis to be re-done sooner than three years. This may be as a result of, but not limited to:

A significant/material change to the investment and/or funding strategy; or

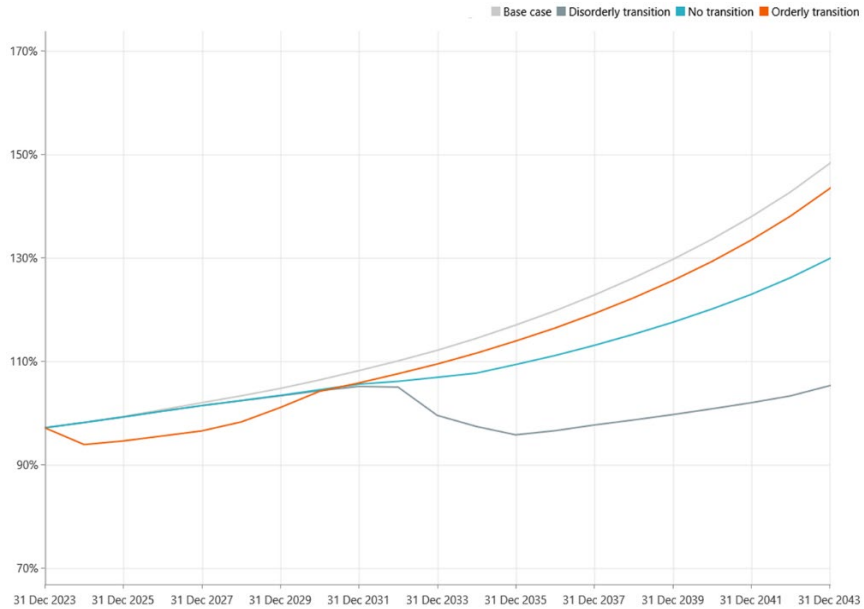
The availability of new or improved scenarios or modelling capabilities or events that might reasonably be thought to impact key assumptions underlying scenarios.

Over the year to 31 March 2026, the Group Trustees have agreed a new investment strategy for the Group, which includes an allocation to Asset-Backed Securities, a sell down of Global Equities (both implemented in Q4 2025), and introduction of Investment Grade Credit.

The Group Trustees reviewed the climate scenario analysis completed as at 31 December 2023 and have decided not to refresh the analysis this year given the Group Trustees are currently in the process of implementing the agreed changes to the Group's strategy. The Group Trustees are due to refresh the analysis later in 2026 as part of the triennial review required under the Regulations.

Impact of scenarios

The Group Trustees reviewed scenario analysis which considered the potential impacts of climate change on the Group's strategic asset allocation and liabilities (measured on the Gilts+0.3% basis) and, therefore, its funding position. The analysis is shown in the chart overleaf.



Source: Aon. Effective date of the impact assessment is 31 December 2023

What does the chart show?

The chart shows what might happen to the Group's funding level under each climate scenario up to 20 years into the future. Each line represents a different scenario. The actual funding experience is likely to be different in reality.

The funding level is a measure of how much surplus assets (or deficit) the Group has above the cost of the pension liabilities.

Depending on the scenario, the funding level increases more or less. Under some scenarios the funding level experiences sudden falls.

Key conclusions

The Group's investment portfolio shows good resilience to climate-related risks in all three climate scenarios modelled. This is because of the low-risk investment strategy used by the Group. The portfolio is diversified across different asset classes, geographic regions and market sectors. Also, the Group invests in assets which provide a high level of protection against changes in interest rates and inflation expectations.

Over the short term, the worst-case scenario for the Group is the orderly transition, due to an orderly transition shock (from the immediate, coordinated action taken). However, the Group recovers and stays well-funded.

Over the long term, the worst-case scenario for the Group is the disorderly transition. Although initially the funding level improves, after 10 years the funding level deteriorates due to a disorderly transition shock. However, it recovers and stays above 100% by the end of 20-year modelling period.

Overall, we are comfortable with the level of resilience exhibited by the investment portfolio, and we are not going to make any further changes to the Group's proposed investment strategy as a result of this analysis. While this analysis has been performed on the Group's investment strategy at December 2023, we anticipate that the potential impact of climate change risk on the Group will be limited following the implementation of the proposed investment strategy, driven predominantly by its lower-risk nature and higher allocation to LDI in comparison to the existing strategy.

Considering climate change impacts on sponsoring employer

A key risk identified from the scenario analysis is the volatility of the funding level. In both orderly and disorderly transition scenarios, the Group's funding level drops before recovering. If the funding level worsens, the sponsoring employer might face financial pressure to cover the shortfall with additional contributions. This could also lead the Group to take on more risk or extend the timeline for reaching full funding or other goals. However, the Group is well-funded and invests in a low-risk strategy with high levels of hedging. Therefore, we have taken a proportionate approach to assessing the employer's exposure to climate-related risks and opportunities.

Group Trustees' update – 31 March 2026

In 2025, the Group Trustees assessed the potential impacts of climate change on the covenant. This included a review of the extent to which these impacts could vary under different scenarios; the actions being taken by the sponsoring employer to respond to climate-related risks and the ability of the covenant to support the climate-related risks to the Group's funding level.

Over the year to 31 March 2026, as part of the 2025 Actuarial Valuation, a full assessment of the employer covenant was prepared by the Group Trustees' covenant adviser (Aon). The impact of climate change on the covenant was reflected proportionately within this review. It was concluded that while there are material physical risks to the sponsoring employer's operations as a result of climate change, the financial impacts are expected to be largely mitigated by the regulatory regime. Furthermore, the covenant is strong enough (at the time) to support the potential impact on the Group's investments.

Scenario assumptions and limitations

Modelling limitations

The scenarios were developed by Aon and are based on many assumptions. They are only illustrative and subject to considerable uncertainty.

The climate scenarios modelling illustrates the potential impact climate change could have on the asset portfolios. It does not consider the impact climate change could have on other risks for our clients, such as timing of member options, operational risks, and covenant risk and longevity risk.

When changing the investment strategy, it is important to consider other relevant issues such as governance, costs, and implementation, including choosing managers and conducting due diligence.

The scenario modelling reflects market conditions and market views at the effective date of the modelling. The model may produce different results for the same strategy under different market conditions.

Modelling assumptions

The climate scenarios were developed by Aon and are based on detailed assumptions. They are only illustrative and are subject to considerable uncertainty. They consider the exposure of the Group to climate-related risks and the approximate impact on asset/liability values over the long-term.

The purpose of the model is to consider the long-term exposure of the Group to climate-related risks and the pattern of asset returns over the long term.

i. In particular, the model considers different climate change scenarios and the approximate impact on asset/liability values over the long-term.

Our model assumes a deterministic projection of assets and gilts+0.5% liabilities, using standard actuarial techniques to discount and project expected cashflows.

i. It models the full yield curve as this allows for an accurate treatment of the liabilities and realistic modelling of the future distribution of interest rates and inflation. It also allows us to truly assess the sensitivities of the assets and liabilities to changes in interest and inflation rates.

ii. The parameters in the model vary deterministically with the different scenarios.

iii. Note no allowance is made for expenses, with modelled asset/liability cashflows left unaffected by these factors.

The liability update and projections are considered appropriate for the analysis. However, they are approximate and a full actuarial valuation carried out at the same date may produce a materially different result. The liability update and projections are not formal actuarial advice and do not contain all the information you need to make a decision on the contributions payable or investment strategy.

The model intends to illustrate the climate-related risks the Group is currently exposed to, highlighting areas where risk mitigation could be achieved through changing the portfolio allocation.

i. Other relevant issues such as governance, costs and implementation (including manager selection and due diligence) must be considered when making changes to the investment strategy.

ii. Climate-related risks are considered on an asset class level, and do not consider the specific geographical locations which will have a strong influence on the climate-related risk the Group is exposed to.

Investment risk is only captured in the deviance from the Base Case, but this is not the only risk that the Group faces; other risks include covenant risk, longevity risk, timing of member options, basis risks and operational risks.

The model has been set up to capture recent market conditions and views; the model may propose different solutions for the same strategy under different market conditions.

This report, and the work relating to it, complies with 'Technical Actuarial Standard 100: General Actuarial Standards' ('TAS 100') (updated July 2023). The model complies with TAS 100.

Covenant Assessment

We have taken a proportionate approach to summarising the potential impacts on the covenant.

- NPg ("Northern Powergrid") [through its subsidiaries Northern Powergrid (Yorkshire) plc and Northern Powergrid (Northeast) plc] is the sole provider of electricity distribution in the north-east of England. It is regulated by the Office of Gas and Electricity Markets ("Ofgem") which requires the DNOs to operate within a regulatory framework, which protects consumers by limiting what Distribution Network Operators ("DNOs") can charge for the use of their networks. The RIIO-ED2 price control runs from 1 April 2023 to 31 March 2028.
- In preparing its 2023-28 business plan in 2021, NPg used the Meteorological Office's UK Climate Projections 2018 which focussed on two potential climate scenarios:
    - RCP2.6, which is roughly in line with the 2°C global warming considered in the Paris agreement (broadly speaking, the Group Trustees' Orderly Transition scenario); and
    - RCP8.5, which represents the highest greenhouse gas concentrations and has an increase in global mean temperature of c.4°C by 2080-2100 (broadly speaking, the Group Trustees' No Transition scenario).

NPg's infrastructure faces varied physical risks from climate change however, its 2024 assessment concluded that the risk status was generally low and mitigating actions are being taken.

In December 2024, NPg published its latest Climate Change Adaptation report which sets out its assessment of identified risks to its assets and operations as a result of climate change and the actions being taken by Management to seek to mitigate the potential impacts.

The report summarises the likelihood and potential impact of the assessed risks to conclude on an overall score for each risk.

- Higher-likelihood lower-impact risks include the potential interference with assets from higher vegetation growth during longer growing seasons and ground movements due to drought, while lower-likelihood higher-impact risks relate primarily to flooding from higher (and extreme) precipitation.
- As shown in the "Impact and Likelihood" matrix below, the overall score for all risks is generally considered to be low under the RCP2.6 (i.e. Orderly Transition) scenario through to the next century.
- We note that a higher risk status has been assigned to the flooding-related risks under the No Transition (4oC) scenario by the 2100s, but we suggest that this should be treated with caution given the limited confidence in predictions that far into the future.
- In response, NPg has developed various adaptation plans such as improving flood defences and also considered how it can best recover from events when they occur (noting some of the learnings from Storm Arwen in 2021).
- Implementation of mitigations remains in progress in many areas noting that, in some cases, these will require improving the design standards of the network when assets are next due for replacement.

Limitations of the assessment

- To the extent possible, we also set out potential timeframes of the impacts.

- We have adopted a pragmatic approach and summarise only the key issues. NPg publishes a significant amount of information on the risks stemming from climate change which we reference, together with its associated governance arrangements. Accordingly, we only present an abbreviated summary of the key points.
- Our comments are based only on public-level information. Accordingly, we have not engaged with Management in the preparation of this paper.
- This paper does not represent a full assessment of the employer covenant which will be prepared as part of the Group's 2025 Valuation.

NPg assessment of climate change risks, RCP2.6 to 2100s

Likelihood	Impact				
	Minimal	Minor	Moderate	Major	Catas-trophic
Almost certain					
Likely		1			
Possible		5	5		
Unlikely		1	2	1	
Highly unlikely					1

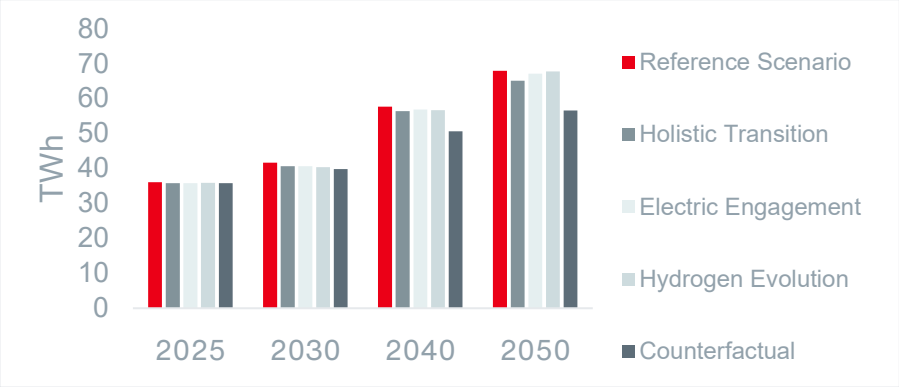
Source: NPg, Adapting to Climate Change, December 2024. Note: Number of risks identified in each category are shown.

Investment is required in response to changing energy demand

While this presents covenant risks and opportunities for NPg, the financial impact will be mitigated by the regulatory regime.

- The UK's target of achieving net-zero carbon emissions by 2050 is expected to have material consequences for the energy sector and Distribution Network Operators (such as NPg).
- In its Distribution Future Energy Scenarios 2024, NPg sets out the five potential transition pathways which have been used by the National Energy System Operator – all four that achieve net zero by 2050 are expected to result in a material increase in total energy consumption (from 36 to 68 TWh) and peak electrical demand (from 7 to 14 GW) in NPg's region by 2050.
- NPg plans to increase capacity and deliver a more flexible network with smart grid solutions that respond in real time to energy demand.
- The annual cost of this investment over the 2023-28 regulatory period is estimated at c.£170m p.a. (i.e. c.25% of total expenditure). The regulatory framework allows NPg to recover this investment from consumers, making it a long-term opportunity for the covenant.
- These costs are typically recovered over a long period of time meaning the significant up-front outlay could result in a near-term increase in debt and associated financing risks.
- However, Ofgem is expected to increase the scale of the permitted investment program in the determination period due to the new Accelerated Strategic Transmission Framework which will significantly limit the risk to the covenant as a result of the significant investment required to support the energy transition.

Total electrical energy consumption, NPg region



Covenant consequences

While the energy transition brings significant investment requirements for NPg, the regulatory regime ultimately acts to limit the upside and the downside to the covenant.

Source: Distribution Future Energy Scenarios, 2024.

Summary of potential covenant impact

Climate change is expected to have limited overall impact on the covenant. Accordingly, we conclude that the covenant is adequate to support the risks to the Group's investment strategy as a result of climate change.

- NPg continues to monitor the physical risks to its infrastructure and seeks to mitigate them where possible. While arguably some impacts are already being felt, the impacts are expected to be greater over the longer term (i.e. over 10 years).
- NPg publishes regular assessments of these risks (most recently in December 2024) and currently assesses the risk level to be low which indicates limited risks to the Group's covenant.
- While material investment will be required to support the transition the current regulatory environment both limits the financial risk to NPg and will likely allow it to earn to a financial return on this investment.
- While the regulatory periods are limited to five years and arrangements can, and do, change, wholesale changes to the regulation of electricity distribution in the UK are not expected.
- As such, we do not expect climate change to have a material impact on the covenant at this time.
- We note that the Group Trustees have previously considered the impact of climate change on the Group's investments (most recently as at 31 December 2023).
- This analysis concluded that the largest impact might be felt under a Disorderly Transition scenario with the funding level on a gilts + 0.3% basis falling to c.90%.
- However, the Group would recover to full funding by the end of the 20-year modelling period, demonstrating that reliance on the covenant is expected to be limited.
- We note that the Group's DNO employers retain strong credit metrics and ratings (Moody's: A3) indicating limited covenant risk and continued financial ability to support the Group if required.

RWE

Net assets[9] as at 31 March 2026: £3,650m.

Time periods

The Group Trustees believe that it is important to consider both the expected timing of the climate transition, over which the Group's path to Net-Zero will take place, as well as the duration (maturity) of the Group's liabilities when deciding on the relevant timeframes over which climate-related risks and opportunities are expected to impact the Group. Having taken these considerations into account and based on the new climate scenario analysis conducted, the Group Trustees have agreed the following timeframes.

Short term	2028	This is the timeframe over which the funding strategy will be revisited in detail as part of the Actuarial Valuation as at 31 March 2027
Medium term	2031	This is the timeframe over which transition risk is expected to dominate and is consistent with the next two Actuarial Valuation cycles.
Long term	2043	This is the timeframe over which the Group will mature significantly. This period starts to incorporate a greater degree of physical risk exposure.

Climate scenarios

In line with the regulations, the Group Trustees have assessed the potential impact of climate change on the Group's investment and funding strategy, using several plausible future scenarios. The Group Trustees carried out a full review of this scenario analysis during the scheme year ended 31 March 2025. This included consideration of more recent climate science and the impact this has on the existing scenarios, as well as the inclusion of a new more severe scenario, reflecting a high transition and high physical risk outcome.

The analysis also considered a qualitative assessment of "climate tipping points" on the Group's funding strategy, i.e. how a large irreversible detrimental change to the world's climate, resulting in significant physical and economic losses, might impact the Group's investments.

The conclusions from the modelling are that the funding of both Sections is projected to remain strong across the scenarios considered. However, climate change remains a big risk and comparable in size to other investment-related risks. Further, there is considerable uncertainty on the likely impacts and the impact could be much higher than implied by the existing scenarios, if tipping points are breached for example.

The sponsors' covenant for both Sections is tending to strong over the short-term. There is greater uncertainty of the strength of the covenant over the medium and long-term and the outcomes are very scenario dependant. However, reliance on the sponsors' covenant is expected to also be low for both Sections, due to the well-funded starting positions and relatively low-risk investment strategies.

Annual review of the scenario analysis

For the scheme year ending 31 March 2026, in line with regulatory requirements, the RIC considered whether the analysis should be repeated, and concluded that an update was not required this year. In coming to this decision, the RIC considered whether there were sufficient changes in: data availability, investment and funding strategy, modelling capabilities, key scenario assumptions and industry best practice to warrant an update; and concluded that, on balance, they did not. The Group Trustees have also noted that both Sections' funding positions have remained very high and stable in the year to 31 March 2026 and therefore all else being equal, the funding

[9] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

resilience of the Group is expected to still be robust. This decision will be reviewed again ahead of the production of the next TCFD report in 2027.

Impact of scenarios

This section sets out the results of the climate scenario analysis carried out by the Group Trustees. The following table details the five main scenarios considered by the Group Trustees and the corresponding impact on the projected funding level over the time horizons identified.

Base case – This is the central funding projection against which the climate scenarios are considered. It projects, using the Investment Adviser's investment model, the assets and liabilities of each Section over the next 20 years. This considers commonly used central UK life expectancy projections for the liabilities (which includes an assumed long-term rate of improvement of 1.5% p.a. over the next 20 years). It assumes that the current asset portfolio of each Section remains the same, which is consistent with Group Trustees' strategic discussions to date. It also does not make any explicit future allowance for climate change outcomes within the assumptions, but there is an implicit assumption that future outcomes will rhyme with history (which has exhibited other such large external shocks). The Group Trustees expect that current market pricing, which is to some extent built into the model, only allows for a small amount of transition risk (similar to the Nationally Determined Contributions scenario) and makes no allowance for physical risk. For the Innogy Section this assumes a 42% improvement in funding (on a self-sufficiency basis) from 108% to 150% by 2043. For the RWE Section this assumes a 46% improvement in funding (on a self-sufficiency basis) from 110% to 156% by 2043.

It's worth noting that the analysis is a top-down assessment of the Group. The Group Trustees also consider detailed bottom-up Responsible Investment reporting which assesses the underlying exposures of the Group's specific assets through the use of multiple metrics, which include exposure to climate-related risks and opportunities.

	Nationally Determined Contributions	**Delayed Transition Below 2ºC**	**Below 2ºC**	**Net Zero 2050**	**Hot House world**
Description	A 'business as usual' scenario where current policies continue with no further attempt to incentivise additional emission reductions.	A delay in meaningful action but a rapid shift in policy around 2030. Policies are implemented in a somewhat but not completely co-ordinated manner.	Policy makers agree on and immediately implement policies to reduce emissions in a globally co-ordinated manner.	An immediate, ambitious, and co-ordinated response in which aggressive policy is pursued and more extensive technology shifts are achieved.	The world attempts to follow a Net Zero 2050 pathway, however the resultant temperature outcome exceeds 2ºC due to a lower-than-expected remaining carbon budget and/or the impact of climate tipping points.

Temperature rise vs pre-industrial	2.5~3.0ºC	1.8ºC	1.8ºC	1.5ºC	2.5~3.0ºC
Transition risk level (shorter term)	Low	High	Medium	Medium – High	High
Physical risk level (longer term)	High – Very high	Medium	Medium	Low – Medium	High – Very high
Innogy Section funding impact relative to base case funding increase of 42%	By 2043, the funding level is expected to **increase by 4%** relative to the base case under this scenario (liabilities reduce by 7%, assets reduce by 4%)*	By 2043, the funding level is expected to **decrease by 3%** relative to the base case (liabilities reduce by 3%, assets reduce by 5%)*	By 2043, the funding level is expected to **decrease by 9%** relative to the base case under this scenario (liabilities increase by 5%, assets reduce by 1%)*	By 2043, the funding level is expected to **decrease by 9%** relative to the base case under this scenario (liabilities reduce by 1%, assets reduce by 6%)*	By 2043, the funding level is expected to **increase by 7%** relative to the base case under this scenario (liabilities reduce by 12%, assets reduce by 8%)*
RWE Section funding impact relative to base case funding increase of 46%	By 2043, the funding level is **not expected to change materially** relative to the base case under this scenario (liabilities reduce by 4%, assets reduce by 4%)*	By 2043, the funding level is expected to **decrease by 4%** relative to the base case under this scenario (liabilities reduce by 2%, assets reduce by 5%)*	By 2043, the funding level is expected to **decrease by 7%** relative to the base case under this scenario (liabilities increase by 3%, assets reduce by 1%)*	By 2043, the funding level is expected to **decrease by 8%** relative to the base case under this scenario (liabilities reduce by 1%, assets reduce by 6%)*	By 2043, the funding level is **not expected to change materially** relative to the base case under this scenario (liabilities reduce by 7%, assets reduce by 7%)*

*Disaggregated impact on assets and liabilities does not sum to overall funding level impact due to compounding.

Overall assessment – Following a detailed consideration by the RIC, the Group's funding strategy is expected to be resilient to the potential impacts of the climate scenarios based on the analysis. Both Sections' funding levels are strong, and due to the Group's investment strategy, the overall portfolio is relatively de-risked, with return seeking asset exposure diversified across a range of asset classes. The Group's expected return on assets is, therefore, sufficiently ahead of the liabilities so that under all the scenarios considered, the funding level would expect to improve over the long-term, despite the impact of the scenarios. The RIC do, however, closely monitor, using a number of climate metrics, the exposure of the underlying assets held to specific climate-related risks and opportunities, and consider the impact of these on the Group's investment strategy. The Group Trustees also recognise that continuing ongoing discussions with the Sponsor in respect of each Section remains important to ensure that, particularly in the case of an uncertain longer-term picture, a robust funding plan remains in place.

Innogy Section – The analysis identified that three of the five scenarios considered are expected to have a negative effect on the Innogy Section's funding level. The most pronounced impact was in the "Below 2ºC" and "Net Zero 2050" scenarios, which would result in a funding level increase of 33% over the longer-term relative to

the base case increase of 42%. If all of the impact was crystallised immediately, with an associated market overreaction (an unlikely scenario), this could see an immediate fall of 4% in the current funding position. By contrast, it was identified that the "Hot House World" scenario had a positive impact on the funding level relative to the base case (with life expectancy improving significantly less than current expectations), however this would not be a positive impact for members so shouldn't be interpreted as a positive outcome.

RWE Section – The analysis resulted in similar conclusions for the RWE Section. Three of the five scenarios considered have a negative effect on the Section's funding level in the long term. The most pronounced impact was in the "Net Zero 2050" scenario, which would result in a funding level increase of only 38% over the longer-term relative to the base case increase of 46%. If all of the impact was crystallised immediately, with an associated market overreaction (an unlikely scenario), this could see an immediate fall of 6% in the current funding position. As with the Innogy Section, the "Hot House World" scenario was shown to be the most favourable to the RWE Section funding.

Interpretation – In some climate scenarios, the Group Trustee's modelling process implies reduced life expectancies (relative to other scenarios and/or schemes' central mortality assumptions) and therefore a relative reduction in the Sections' liabilities. This is a plausible potential outcome arising from the negative impacts of climate change. This can suggest a relative improvement in the expected funding position for the Sections, even when combined with associated reductions in the value of the Sections' assets (given their low-risk nature). However, it is important to recognise that an assessment of what is in the best interests of the Group and its members is a much broader question than the impact on funding level alone. Key considerations may be a reduction in the quality (and length) of members' lives, and the quality of the environment that they will retire into. Consequently, the results of any such modelling should not be assumed to reflect any complacency or acceptance (either implicit or explicit) that the Group Trustees consider global inaction or business-as-usual with respect to climate change to be in the best interests of the Group or its members. The Group Trustees believe that climate change is a systemic risk of unprecedented scale and severity. Actions to address it are a collective priority, given the risks it presents to individual pension schemes, the ongoing resilience of the savings universe, and the planet as a whole.

Actions the Group Trustees have taken - As part of the Group's broader Responsible Investment strategy, the Group Trustees have taken a number of actions to manage climate-related risks and exploit the associated opportunities as set out in the Governance section.

Climate opportunities

The Group Trustees have identified the following opportunities in relation to climate change.

	Short Term	Medium Term	Long Term
Potential opportunities	Encouraging existing funds to consider, and where possible reduce exposure to, transition risks and engage with companies to develop a strong transition plan. Also considering investing in assets/companies/sectors that are engaged in contributing to and helping the world to adapt to the	Encouraging existing funds to consider, and where possible reduce exposure to, transition risks and engage with companies to develop a strong transition plan. Disinvest from companies who still do not have a transition plan in place. Also considering investing in assets/companies/sectors that are engaged in contributing to and helping the world to adapt to	Aligning the Group's investments with the Responsible Investment policies of leading insurers may increase the likelihood of credit assets being taken in specie, marginally reducing the cost of settlement transactions. Also considering investing in assets/companies/sectors that are engaged in

decarbonisation of the global economy.	the decarbonisation of the global economy.	contributing to and helping the world to adapt to the decarbonisation of the global economy.

Scenario assumptions and limitations

The Group Trustees selected the climate scenarios on the basis that they reflect a plausible range of outcomes consistent with current scientific consensus. Whilst there were no issues with the data or its analysis which have limited the comprehensiveness of the assessment of the scenarios, the Group Trustees recognise that there is a great deal of uncertainty around the assumptions used, and the expected outcome, under each of the scenarios analysed. Despite this uncertainty, the Group Trustees remain confident about the general direction of travel and resilience demonstrated through the analysis. The Group Trustees also expect that other plausible scenarios can be constructed, and other alternative scenarios were considered at a qualitative level as part of the Group Trustees' wider discussion. One of the scenarios qualitatively considered is the impact that "climate tipping points" could have on the Group's assets. Climate tipping points can result from global temperature increases and cause irreversible significant damage to the global ecosystems. This can then lead to a large detrimental impact on global GDP and investment returns. While the research into these issues is still nascent, preliminary assessment suggests that the negative financial impact on the Group's assets can be more than double that seen in the most severe quantitative scenario considered. While this impact, if realised, would likely lead to a material deterioration of the funding position for both Sections of the Group, the starting funding positions are robust and include funding buffers to cover such extreme risks.

As part of the analysis, the Group Trustees explored the effects of climate-related risks and opportunities on the Group over different time horizons. The results presented provide an overview of the gradual impact over time. As a test to this assumption and to consider the potential impact over the short-medium term time horizon, the Group Trustees also considered the impact on the Group assuming that there is an instantaneous shock, under which markets react to the long-term impacts of climate change over a very short period of time in the immediate future. Markets have also historically been twice as volatile as justified by subsequent outcomes and therefore the Group Trustees have also considered this as an additional stress as part of the analysis. While this is unlikely in practice, it does assist in testing the underlying assumptions and conclusions of the analysis.

A potential limitation of the scenarios considered in this analysis is that they are derived on the basis of all other factors being equal during the efforts to transition to a low carbon economy. This is unlikely to occur in practice. Second order effects, such as higher levels of investment, employment, and productivity-enhancing innovation, are hard to estimate, and represent the reason why the climate change scenarios cannot be the sole driver of the Group's investment strategy and risk management decisions.

There are limitations in the forecasting and prediction of the path of global political action. Within the scenarios considered, there are linear assumptions made about how this might occur. Although these recognise the additional cost of seeking to act fast in a short space of time, they are limited by this assumption which is very unlikely to be true in practice, given the variability in approaches, and policies, over the time periods considered.

Covenant Assessment

Potential Innogy Section Covenant impact

(Sponsor - RWE Renewables Management UK Limited, Guarantor – RWE Renewables UK Swindon Limited)

Principal activity of the business is developing, owning, and operating offshore wind farms in the UK, with a handful of onshore windfarms. Offshore wind farms form a core part of the UK government's decarbonisation strategy, therefore transition risks to the Company are very limited, while there may be some climate-related opportunities.

The Covenant is most uncertain under the Nationally Determined Contributions scenario which is expected to have a positive impact on funding. The Group Trustees are reassured by the potential negative correlation between the Company and the Section (such that the Company is expected to be more robust and able to provide support in scenarios with less positive funding outcomes and vice versa).

Although there is reasonable visibility over the short- and medium-term time horizons identified, there is expected to be greater variability beyond this point, and therefore the Group Trustees consider this closely as part of strategic reviews

In the long-term, extreme weather events under a Hot House World-type scenario could result in greater physical risks and associated costs of replacing and potentially moving assets, as well as increase site downtime. Under this scenario the Section's funding position is projected to be better than the base case and so reliance on employer covenant is lower.

Given the strong current funding position and expected gradual decrease in the size of liabilities, the Section's expected future reliance on the Covenant is low.

Potential RWE Section Covenant impact

(Sponsor - RWE Generation UK plc, Guarantor – RWE AG)

Principal activity of the business is owning, and operating gas fired power stations in the UK, as well as several biomass and hydro power stations

Over the short term, the UK's reliance on gas fired stations is high, as alternatives start to become operational, and therefore demand for these stations appears strong. In the long term, there is less visibility on what the business may look like. This will vary depending on future technological investment and therefore the availability of free cashflow. There is also a higher level of political risk and uncertainty.

The Covenant is most uncertain under the Net Zero 2050 scenario which also has a negative impact on funding. The Group Trustees will therefore continue to engage with the Company to ensure resilience is pursued under such a scenario as well as considering other actions that can be taken to mitigate the future uncertainty of outcomes. The Group Trustees are also reassured by the tending-to-strong rating of the Covenant in the short term. The Group Trustees do however recognise that there is significant variability beyond this point, and this is therefore considered closely as part of strategic reviews and discussions with the Sponsor.

In the long-term extreme weather events under a Hot House World-type scenario could result in site flooding and increased insurance costs and more downtime. Further investment may be required to modify and move sites to manage climate change impacts. Under this scenario the Section's funding position is projected to be similar to the base case and so reliance on employer covenant is relatively low.

Given the strong current funding position and gradual expected decrease in size of liabilities, the Section's expected future reliance on the Covenant is low.

Impact on sponsoring employers

The Group Trustees have also considered how the covenant strength of the sponsoring employers and guarantors could change over the short-long term time periods set out in the Strategy section. The Group Trustees recognise that the Group's sponsors are particularly exposed to the potential impacts of climate change. However both Sections are currently well funded and therefore have a relatively small reliance on the sponsors' covenant. The conclusions below are based on analysis carried out by the Group's Covenant Adviser.

RWE Renewables UK Swindon Ltd (guarantor for RWE Renewables Management UK Ltd - sponsoring employer of the Innogy Section)

Short term: The current operating assets all benefit from subsidies and are cash generative. The current pipeline is well established, and has projects in various stages, which are commercially driven, with commitment from RWE

and the UK Government. Short term performance will not be driven by any delays or acceleration in policy shifts, and the Sponsor is likely to remain robust.

Medium and long term: In the medium and long term, different scenarios will have varying degrees of effect on the Group's Sponsor. The Sponsor is expected to remain robust under most of the scenarios considered (as referenced in the table above) with the exception of the Net Zero 2050 scenario where financial performance might be expected to improve if there is an accelerated rate of decarbonisation.

RWE Generation UK Plc. (sponsoring employer of the RWE Section)

Short term: It currently appears that the UK is locked into a reliance of gas fired station over the short term, as carbon-free alternatives require a material lead time to become operational. The short-term demand for the gas fired stations appears strong and the Sponsor has proved its ability to take advantage of the short-term volatility in the gas and electricity markets.

Medium and long term: Over the medium term, the resilience of the Sponsor remains strongest in those scenarios where decarbonisation is delayed, whereas in scenarios where decarbonisation is accelerated, additional capital expenditure will be required to refit and convert existing infrastructure. Over the long term, there is limited visibility on what the RWE Generation UK Plc business may look like. The uncertainty is so high that the business could potentially provide no Sponsor support to the Section, however, given the Group's maturity, it is unlikely to have Sponsor reliance at that point in time. That said, the Group Trustees continue to engage regularly with the Sponsor and receive update presentations at least once a year and formal covenant advice at least every three years. The next formal update is expected in the year ending 31 March 2028.

Schneider

Net assets[10] as at 31 March 2026: £18m.

Time periods

The Trustee defines the short term, medium term and long term as shown in the table below.

In determining the timeframes, the Trustee has taken account of the Group's liabilities and the funding strategy.

Horizon	Timeframe	Expected behaviour of horizon matched investments
Short term	Up to 5 years	Targeting a moderate level of return for a low level of short-term risk
Medium term	6-10 years	Targeting a medium level of return for an intermediate level of short-term risk
Long term	11+ years	Targeting a high level of return for a high level of short-term risk but lower level of long-term risk

Climate scenarios

Each scenario described below corresponds to an alternative potential future climate pathway. These are referred to below as 'Orderly Transition Scenario'; 'Disorderly Transition Scenario'; and 'Hot House Scenario'.

- The Orderly Transition Scenario models the early implementation of policies and technologies required to limit global warming to 1.5°C. It implies that a coordinated, global effort to reduce greenhouse gas emissions is undertaken immediately and smoothly, allowing economic actors to plan for, respond to and make the necessary investments to adapt to a changing policy and technology landscape. The Paris Agreement targets are broadly achieved.
- The Disorderly Transition Scenario models a late implementation of policies and technologies required to limit climate change, and therefore assumes that global warming reaches 2°C. It implies that policy actors are uncoordinated, and action begins later, resulting in more drastic policies and shorter time horizons to reduce emissions. It also means that the revenue-generating opportunities of low-carbon technologies are not fully realized until later years. The Paris Agreement targets are partly achieved.
- The Hot House Scenario models a failed transition, in which the world does not take enhanced action to address climate change and continues towards a path aligned with existing Nationally Determined Contributions (NDCs) set under the Paris Agreement. Nationally Determined Contributions imply some additional policy implementation over current policies, as many countries are not yet on track to meet their NDCs. As a result, the world experiences very little transition risk but the physical risks of climate change are exacerbated and more uncertain. Global warming of 3°C or more is experienced by the end of the century.

These scenarios have been adopted to help the Trustee consider the potential effects on the Group of different climate scenarios. This provides insight into the resilience of the investments and the potential for adverse climate scenarios to impact the Group.

[10] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

Impact of scenarios

To quantify the financial impact of the CRROs associated with each scenario, SEI analyses a Climate Value at Risk (CVaR) metric for each fund the Group is invested in, sourced from MSCI. This metric provides a forward-looking valuation assessment to measure climate-related risks and opportunities affecting the Group's assets. The Trustee believes that analysing the results set out below will help it focus its time and resources on the most material issues. It will allow the Trustee to review with its advisers whether adjustments to investment holdings should be made to limit exposures to climate-related risks and maximise exposures to opportunities.

SEI has reported the CVaR for each fund the Group holds across each of the three scenarios. The forward-looking CVaR metric represents the aggregate, estimated financial impact of a given climate change scenario, expressed as a shock to the discounted present value of the fund under consideration. (In turn, this can be understood as the potential shock to the enterprise market value of the underlying securities in the fund, which results from the scenario assumptions.) In most cases this figure represents downside risk (<0%), but may, in some circumstances, reflect upside opportunity (>0%).

To provide greater context, the CVaR for a given portfolio is an aggregation of the policy risks, technology opportunities, and physical risks impacting each security in the portfolio. The policy and technology costs and revenues associated with each security reflect a forecast out to 2080, discounted back to their present value. The physical risk costs are forecast out to 2100 and again discounted back to their present value. As such, future costs and revenues are less impactful than near-term costs and revenues. The CVaR metrics disclosed below have been decomposed into their 'transition risk' and 'physical risk' components and then aggregated.

CVaR data is unavailable for the Emerging Markets Debt Fund and the Liquid Alternative Fund (as its underlying holdings are largely derivative instruments). Similarly, CVaR data is unavailable for the Group's gilt/LDI holdings, as CVaR metrics are not produced for this area of the market (physical/leveraged UK government bond funds).

CVaR Metrics

Transition CVaR

Fund Name	Data Coverage (% MV)	Orderly Transition Scenario	Disorderly Transition Scenario	Hot House Scenario
Global Select Equity Fund	99%	-11.5%	-4.1%	-2.6%
Factor Allocation Global Equity Fund	100%	-13.5%	-5.8%	-3.8%
Factor Allocation Global Managed Volatility Fund	100%	-12.5%	-5.9%	-4.3%
Dynamic Asset Allocation Fund	93%	-9.5%	-4.0%	-2.8%
Emerging Markets Equity Fund	100%	-14.4%	-5.2%	-3.6%
Emerging Markets Debt Fund (HDG)*	Unavailable			
High Yield Fixed Income Fund (HDG)*	70%	-24.2%	-12.1%	-9.5%

Global Opportunistic Fixed Income Fund (HDG) *	45%	-15.0%	-6.0%	-4.1%
Liquid Alternative Fund (HDG)		Unavailable		
UK Credit Fixed Interest Fund*	44%	-6.6%	-2.4%	-1.5%
Weighted Average		**-13.1%**	**-5.6%**	**-4.0%**

Source: SEI, MSCI. Data as at 31 March 2026. *The Group Trustee recommends using caution when interpreting CVaR for portfolios with limited coverage (<80%). Limited data coverage is due to underlying asset class exposure, for which only limited data is currently available.

Physical CVaR

Fund Name	Data Coverage (% MV)	Orderly Transition Scenario	Disorderly Transition Scenario	Hot House Scenario
Global Select Equity Fund	99%	-0.5%	-1.1%	-2.5%
Factor Allocation Global Equity Fund	100%	-0.9%	-1.8%	-3.7%
Factor Allocation Global Managed Volatility Fund	100%	-0.7%	-1.4%	-3.2%
Dynamic Asset Allocation Fund	93%	-0.4%	-0.7%	-1.7%
Emerging Markets Equity Fund	100%	-1.5%	-2.8%	-5.2%
Emerging Markets Debt Fund (HDG) *		Unavailable		
High Yield Fixed Income Fund (HDG) *	70%	-0.9%	-1.7%	-3.8%
Global Opportunistic Fixed Income Fund (HDG) *	45%	-0.5%	-1.0%	-2.5%
Liquid Alternative Fund (HDG)		Unavailable		
UK Credit Fixed Interest Fund*	44%	-0.3%	-0.6%	-2.0%
Weighted Average		**-0.7%**	**-1.4%**	**-3.0%**

Source: SEI, MSCI. Data as at 31 March 2026. *The Group Trustee recommends using caution when interpreting CVaR for portfolios with limited coverage (<80%). Limited data coverage is due to underlying asset class exposure, for which only limited data is currently available.

Aggregate CVaR

Fund Name	Data Coverage (% MV)	Orderly Transition Scenario	Disorderly Transition Scenario	Hot House Scenario
Global Select Equity Fund	99%	-12.0%	-5.2%	-5.0%
Factor Allocation Global Equity Fund	100%	-14.4%	-7.6%	-7.5%
Factor Allocation Global Managed Volatility Fund	100%	-13.2%	-7.3%	-7.5%
Dynamic Asset Allocation Fund	93%	-9.9%	-4.7%	-4.5%
Emerging Markets Equity Fund	100%	-15.9%	-7.9%	-8.8%
Emerging Markets Debt Fund (HDG)*		Unavailable		
High Yield Fixed Income Fund (HDG)*	70%	-25.1%	-13.8%	-13.3%
Global Opportunistic Fixed Income Fund (HDG)*	45%	-15.5%	-7.0%	-6.6%
Liquid Alternative Fund (HDG)		Unavailable		
UK Credit Fixed Interest Fund*	44%	-6.9%	-3.0%	-3.4%
Weighted Average		**-13.7%**	**-7.0%**	**-7.0%**

Source: SEI, MSCI. Data as at 31 March 2026. Aggregate CVaR represents a weighted sum of the covered positions, capped at +/- 100% for any individual security position. As a result, Transition CVaR and Physical CVaR may not sum to Aggregate CVaR. *The Group Trustee recommends using caution when interpreting CVaR for portfolios with limited coverage (<80%). Limited data coverage is due to underlying asset class exposure, for which only limited data is currently available.

Longevity or demographic impacts on the Group's liabilities under various climate scenarios are yet to be modelled by the Group Actuary.

Resilience of the Group's investment strategy

Climate-related scenario analysis allows the Trustee to develop insight into how the physical and transition risks and opportunities arising from climate change might impact the investments over time. Importantly, scenario analysis is not meant to predict the future, but rather to provide a deeper understanding of the CRROs to which the Group may be exposed.

Orderly Transition

In this scenario, the funds are exposed to the highest policy-related transition risks (as well as the greatest technology opportunities) relative to the other scenarios, on aggregate. This results in the highest overall Transition CVaR across our three scenarios for all funds. This is due, in part, to the discounting of future costs in CVaR modelling – near term costs and revenues associated with transition risks are weighted more heavily than costs and revenues experienced at a future date.

For the Orderly Transition, physical risk is modelled using a mid-range forecast of the physical risks associated with climate change under a 1.5°C scenario. In this scenario, the funds are exposed to the lowest levels of Physical

CVaR associated with chronic and acute physical impacts of climate change. This is because early action slows the accumulation of carbon dioxide in the Earth's atmosphere and achieves net zero by 2050.

Disorderly Transition

In this scenario, the funds typically experience a more moderate level of transition policy risk and technology opportunities, resulting in a more moderate overall Transition CVaR figure, relative to the Orderly Transition. This is because future costs and benefits are discounted more heavily than their near-term counterparts.

Physical risk is modelled using a mid-range forecast of the physical risks associated with climate change under a 2.0°C scenario. In this scenario, portfolios are exposed to greater levels of Physical CVaR – associated with the chronic and acute physical impacts of climate change – than under an Orderly Transition, as the world experiences greater levels of warming and its resultant impacts.

Hot House Scenario

The funds are subject to the least transition policy risk and technology opportunities, relative to the other scenarios. While the use of low-carbon technologies will continue to grow, such growth occurs at a slower pace than for the Orderly and Disorderly Transition scenarios, resulting in more heavily discounted future benefits.

Physical risk is modelled using a 95th percentile forecast of physical risks associated with climate change under a 3.0°C scenario. In this case, a more aggressive physical risk model is applied because there are more unknowns. Physical risk models are continuing to evolve and the Intergovernmental Panel on Climate Change assessments paint an increasingly concerning picture of the risks associated with climate change. MSCI's estimate of physical risk in this scenario is therefore deliberately at the high-end of the spectrum. The resulting Physical CVaR is somewhat moderated by future cost discounting.

Aggregate Climate Risk

Overall, Aggregate CVaR tends to be highest under the Orderly Transition, while lower and comparable under the Disorderly Transition and Hot House Scenario. This may seem counterintuitive at first but can be understood by referring back to the components of aggregate climate risk: transition and physical risk. As mentioned previously, transition risk tends to be greatest under the Orderly Transition. At the other end of the temperature rise spectrum, the Hot House Scenario carries higher physical risk, but exposes the funds analysed to less transition risk. However, the physical risks modelled are generally projected to materialise further into the future, and the CVaR methodology discounts them more heavily than the near-term costs associated with transition risk. Therefore, in moving from the Orderly Transition to the Hot House Scenario the fall in transition risk more than offsets the increase in physical risk, leading to a fall in Aggregate CVaR. In moving from the Disorderly Transition to the Hot House Scenario, the reduction in transition risk is almost exactly offset by the increase in physical risk, meaning the two carry a similar level of Aggregate CVaR.

The results of the analysis suggest that the Group's assets could be adversely impacted by climate risk under each of the three scenarios. The investment strategy is expected to be more resilient to climate pathways that are more closely aligned with the Hot House Scenario (at least in the short to medium-term), because the climate risks associated with such pathways – primarily physical – are anticipated to materialise further into the future. The transition risks more heavily associated with the Orderly Transition Scenario pose more imminent challenges for the investment strategy and its resilience to them.

Scenario assumptions and limitations

Key assumptions

- **Orderly Transition Scenario**: Transition risk analysis references the 1.5°C NGFS REMIND (Orderly) assessment model that follows an SSP2 pathway for scenario assumptions. Physical risk analysis uses an Average extreme weather risk assumption to model downside potential.
- **Disorderly Transition Scenario**: Transition risk analysis references the 2°C NGFS REMIND (Disorderly) assessment model that follows an SSP2 pathway for scenario assumptions. Physical risk analysis uses an Average extreme weather risk assumption to model downside potential.
- **Hot House Scenario**: Transition risk analysis references 3°C NGFS REMIND (Hot House) assessment model that follows an SPSS2 pathway for scenario assumptions. Physical analysis uses an Aggressive extreme weather risk assumption to model downside potential.

Modelling Limitations

The limitations the Group Trustee faces today are not necessarily limitations that will be faced in the future, as this is an area that is changing rapidly, with research organisations continually developing new methodologies and companies generating better data. Climate Value at Risk (CVaR) metrics are commonly used to assess the potential financial losses associated with climate-related risks. While CVaR metrics can provide valuable insights, there are several limitations to consider when using CVaR metrics:

- Uncertain Climate Models: CVaR metrics rely on climate models to estimate future climate scenarios. However, climate models have inherent uncertainties and limitations. They may not capture the full complexity of the climate system or accurately predict regional or local climate changes, making it challenging to accurately assess the associated financial risks.
- Limited Historical Data: CVaR metrics require historical data to estimate the relationship between climate variables and financial losses. However, the availability of long-term, high-quality climate data is often limited, particularly for localized regions or specific sectors. This lack of comprehensive historical data introduces uncertainties into the calculations and reduces the accuracy of the risk assessment.
- Complex Interactions and Feedback: Climate risks are interconnected and often involve complex feedback mechanisms. For example, climate change impacts affect various sectors simultaneously, such as agriculture, energy, infrastructure, and insurance. CVaR metrics may struggle to capture these interdependencies accurately, potentially leading to an underestimation or overestimation of financial risks.
- Nonlinear and Threshold Effects: Climate change impacts are often nonlinear, meaning that small changes in climate variables could lead to disproportionately large impacts. Furthermore, some climate-related risks have threshold effects, where the risk increases significantly beyond a certain point. CVaR metrics might not fully account for these nonlinearities and thresholds, leading to an incomplete representation of the potential financial losses.
- Dynamic Nature of Climate Risks: Climate risks are dynamic and evolve over time due to changes in climate patterns, technological advancements, policy developments, and adaptation measures. CVaR metrics typically assume a static relationship between climate variables and financial losses, which might not capture the evolving nature of risks accurately.
- Limited Scope: CVaR metrics generally focus on physical climate risks, such as extreme weather events, sea-level rise, and temperature changes. They may not adequately capture other climate-related risks, including transitional risks associated with the transition to a low-carbon economy or liability risks related to climate litigation and regulatory changes. Therefore, relying solely on CVaR metrics may provide an incomplete picture of the overall financial risks associated with climate change.

- Data coverage for the CVaR metric is limited across certain asset classes, most notably government bonds and other fixed income assets, such as emerging market debt. Caution is advised when interpreting the CVaR metrics for funds with data coverage that is below 80%.
- CVaR is a tool intended to illustrate a range of possible outcomes, not to forecast actual future portfolio value.
- The CVaR metrics are useful for comparison purposes and identifying concentrations of risk, but do not provide much insight into absolute risk levels.
- The CVaR methodology discounts risks likely to occur further into the future more heavily than those likely to materialise in the near-term. As transition risks are more imminent than physical risks, this means the methodology tends to place more weight on transition risks.
- The CVaR metric is a headline figure, representative of the potential shock to the aggregate enterprise market value of the underlying securities in the fund, which results from the climate assumptions being considered. It does not provide insight into the nature or timing of the underlying climate risks.
- The CVaR metric does not provide insight into the balance of climate risks and opportunities for the scenario considered.

Data issues

Data coverage is the key metric for examining data quality at present. Currently, SEI reports CVaR for corporate equity and debt, with coverage and quality declining in parallel with company size and market maturity. The data coverage for the funds held by the Group is set out in the tables above. Data coverage is expressed as the proportion of the market value of the fund (as at 31 March 2026) for which data is available.

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Climate opportunities

The efforts to mitigate and adapt to climate change will likely result in new opportunities, such as through resource efficiency and cost savings, the adoption and utilisation of low-emission energy sources and the development of new products and services, and improved resilience along the supply chain. Climate-related opportunities will vary depending on the region, market and industry in which an organisation operates.

Integrating CRRO into the Group's investment strategy is an important activity. Establishing effective governance structures, tools and processes for identifying climate-related risks and opportunities has been central to the Group Trustee's ability to manage climate-related risks and opportunities.

The Trustee uses climate-related metrics and scenario analysis to guide its risk management activities. In years to come, the Trustee expects improvements in the availability, scope and reliability of climate-related metrics such as total emissions, carbon footprint and weighted average carbon intensity to aid future decision-making. The Trustee recognises that not all investments in carbon-intensive companies are necessarily misaligned with the management of climate-related risks and opportunities; for example, heavy emitters with ambitious and realistic science-based targets are likely to play an important role in the transition to a low-carbon economy.

The Trustee believes that stewardship (i.e. shareholder engagement and voting) is an effective means of positively impacting the behaviour of investee companies and also improving transparency; therefore, engagement is favoured over divestment.

The following factors will likely influence the future exposure of the Group to CRRO:

- Climate scenario analyses, including the impact of climate-related risks and opportunities on projected future funding levels and the timeframe in which the Group might achieve its long-term targets.
- The availability, via the Fiduciary Manager and Investment Managers, of reliable and complete information sufficient to enable assessment of the Group's exposures to CRROs. This would include reliable and complete information relating to climate-related metrics such as carbon footprint.
- Inquiry into the extent that areas of the Group are significantly exposed to climate-related risks.
- The philosophy, process and practice of underlying Investment Managers in assessing and managing climate-related risks in the selection of investments. (It is noted here that as Fiduciary Manager, SEI considers ESG factors including climate change to be an integral part of its manager research and due diligence process. However, to date, no minimum threshold has been established with respect to these capabilities in order for a firm to be hired as an underlying Investment Manager.)
- The extent to which the Fiduciary Manager and Investment Managers actively participate in industry groups and promote better practices and transparency related to CRROs. (The Trustee notes that the Fiduciary Manager, SEI, is a signatory of the UN Principles for Responsible Investment (UN PRI). Additionally, SEI and/or its affiliates are participants in and/or signatories to a range of collaborative industry organisations, including the UK Investment Consultants Sustainability Working Group and the UK Stewardship Code 2020.)
- Stewardship (shareholder engagement and voting) conducted by SEI, the Fiduciary Manager, on the Group's behalf.

SSE Southern

Net assets[11] as at 31 March 2026: £1,518m.

Time periods

The Group is a long-term investor. Given the nature of climate change and the time-horizons over which impacts of climate change may be felt, it can be expected that climate risk will impact the Group in various ways. However, it is important first to define the different time-horizons which the Group Trustee may consider, to clarify whether the different risks and opportunities arising from climate change may impact the Group in the short-, medium- or long-term.

In the context of the Group, the Group Trustee considers short, medium and long-term time horizons. The Group Trustee has defined what these time-horizons mean in more detail as set out below. The Group Trustee has reviewed these time horizons and adjusted them as necessary to reflect the time passing since the Group's last TCFD report. No changes were made to the methodology for determining the time horizons.

- Short term: period to the Group's next triennial actuarial valuation (2 years).
- Medium term: period to the Group's target date to be 100% funded on a gilts basis (4 yrs).
- Long term: period to be broadly aligned with the duration of the Group's liabilities at the most recent formal Actuarial valuation date (13 yrs).

Climate scenarios

To test the resilience of the Group's funding and investment strategy to climate risk, the Group Trustee previously carried out climate scenario analysis for the 2022/23 TCFD report, considering the Group's assets and market conditions as at 28 February 2023 with liabilities projected from the March 2022 valuation. The Group Trustee has not refreshed this analysis for the publication of this report. While the Group Trustee acknowledges the regulations state this is to be updated every three years, due to the timing of the Group's triennial valuation, the subsequent scenario analysis will be carried out for the Group Trustee's September 2026 Trustee meeting based on the new liability cashflows from the 2025 actuarial triennial valuation. This means the results are not included in this year's report but will be in the 2026/27 iteration instead.

The Group Trustee believes this is the most pragmatic approach as it avoids unnecessarily performing climate scenario analysis using data that is out of date and incurring costs to members to do so. The updated analysis, which will be performed in September 2026, will reflect the most up to date member and liability profile for the Group, therefore being more relevant and informative to members. This will include both quantitative and qualitative analysis consistent with industry best practice at the time of writing.

The 2022/23 analysis was undertaken to assess the resilience of the Group's combined funding and investment strategy over the short-, medium- and long-term time horizons (as detailed in the Group's 2022/23 TCFD report) to different climate scenarios with a focus on both upside and downside funding outcomes. These climate scenarios estimate the impact to the Group of temperature rises equivalent to 1.5°C, 2°C and 4°C above pre-industrial times, as detailed in the scenario graphic below. The Group Trustee has used these three scenarios as, working in conjunction with their investment advisor, they believe these to be an appropriate assessment of the broad range of potential outcomes.

The scenario analysis was based on top-down analysis of the Group's strategy, using a model produced by the Group's investment advisor, Hymans Robertson. The scenario analysis considers the potential impact on funding outcomes under three scenarios, which differ by how quickly and decisively the world responds (or fails to respond)

[11] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

to climate change. The table below summarises these scenarios and how they correlate to the variance of the world's transition to a low carbon economy.

Green Revolution	Delayed Transition	Head in the Sand
Concerted policy action starting now e.g. carbon pricing, green subsidies. Public and private spending on "green solutions". Improved disclosures encourage market prices to shift quickly. Transition risks in the short term, but less physical risk in the long term. High expectation of achieving <2°C warming.	No significant action in the short-term, meaning the response must be stronger when it does happen. Shorter and sharper period of transition. Greater (but delayed) transition risks but similar physical risks in the long term. High expectation of achieving <2°C warming.	No or little policy action for many years. Growing fears over ultimate consequences leads to market uncertainty and price adjustments. Ineffective and piecemeal action increases uncertainty. Transition risks exceeded by physical risks. Low/no expectation of achieving <2°C warming.

Climate Scenarios – Strategies tested

The Group Trustee performed climate scenario analysis allowing for the proposed changes to the investment strategy following the 2022 Actuarial valuation. This analysis formed part of the Group Trustee's decision-making process as to which investment strategies the Group should adopt moving forward. The Group Trustee considered:

- The potential impact of various climate scenarios on the revised investment strategy as proposed for immediate adoption following the completion of the 2022 triennial actuarial valuation; and
- The potential impact of various climate scenarios on the future investment strategies proposed under the Group's updated de-risking framework following the completion of the 2022 triennial actuarial valuation.

Climate Scenarios – Outputs

The Group Trustee considered two key outputs when understanding the resilience of the Group to each of the climate scenarios:

- 'Likelihood of success': this means the probability that the Group will be 100% funded (i.e. assets are at least equivalent to the liabilities) over the relevant time periods.
- 'Average of worst 5% of funding levels over X years': this means the possible fall in the funding level over the relevant time periods in the worst 5% of cases.

Impact of scenarios

Please note that the below analysis has not been updated in this year's report, the analysis and time horizons in the tables below are set as at those for the Group Trustee's 2022/23 TCFD report.

Strategy	Impact of climate scenario of likelihood of success		
	Short term 2 years	**Medium Term 7 years**	**Long term 17 years**
Current strategy	Base: 26% Green revolution: +1% Delayed transition: -1% Head in the sand: -3%	Base: 56% Green revolution: -1% Delayed transition: -4% Head in the sand: -2%	Base: 76% Green revolution: -2% Delayed transition: +2% Head in the sand: -2%
95.0% trigger	Base: 36% Green revolution: +1% Delayed transition: -1% Head in the sand: -3%	Base: 61% Green revolution: -2% Delayed transition: -4% Head in the sand: -2%	Base: 79% Green revolution: -2% Delayed transition: +1% Head in the sand: -3%
97.5% trigger	Base: 53% Green revolution: +1% Delayed transition: 0% Head in the sand: 0%	Base: 69% Green revolution: 0% Delayed transition: -3% Head in the sand: -2%	Base: 83% Green revolution: -1% Delayed transition: +1% Head in the sand: -5%
100% trigger	Base: 69% Green revolution: +1% Delayed transition: 0% Head in the sand: +1%	Base: 77% Green revolution: +1% Delayed transition:-1% Head in the sand: -1%	Base: 87% Green revolution: -2% Delayed transition: 0% Head in the sand: -4%

Strategy	Average of worst 5% of funding levels		
	Short term 2 years	**Medium Term 7 years**	**Long term 17 years**
Current strategy	Base: 82% Green revolution: 0% Delayed transition: 0% Head in the sand: +1%	Base: 74% Green revolution: -1% Delayed transition: -1% Head in the sand: 0%	Base: 55% Green revolution: -3% Delayed transition: +2% Head in the sand: -7%
95.0% trigger	Base: 85% Green revolution: 0% Delayed transition: 0% Head in the sand: +1%	Base: 78% Green revolution: -1% Delayed transition: -1% Head in the sand: 0%	Base: 63% Green revolution: -1% Delayed transition: +1% Head in the sand: -4%
97.5% trigger	Base: 88% Green revolution: 0% Delayed transition: 0% Head in the sand: +1%	Base: 81% Green revolution: -1% Delayed transition: -1% Head in the sand: 0%	Base: 69% Green revolution: -1% Delayed transition: +1% Head in the sand: -2%
100% trigger	Base: 91% Green revolution: 0% Delayed transition: 0% Head in the sand: +1%	Base: 84% Green revolution: -1% Delayed transition:-1% Head in the sand: 0%	Base: 74% Green revolution: 0% Delayed transition: +1% Head in the sand: -2%

Climate Scenarios – Conclusions

The key takeaway is that the investment strategies in the Group's de-risking framework are all relatively resilient to the climate stresses applied. This is the case over all time periods modelled, with a c7% range (-5% to +2%) of impact on probability of success around the central base case.

Over the medium term, 7-year horizon (note: as the Group Trustee has not refreshed the climate scenario analysis this is the time horizon from the 2022/23 report), the "delayed transition" scenario has the greatest impact on funding outcomes (limited progress on climate preparations in the short term, with a sharp transition in the medium term that is highly disruptive for the global economy).

Over the longer term, the head in the sand scenario is most impactful on funding outcomes. Understandably, the variability around the base case increases over the long term, as the economic impacts from climate change are expected to be more pronounced over longer horizons.

It is important that, in absence of a strong belief of which climate scenario may transpire in practice, the Group continues to factor climate risk into all strategic, asset class and investment manager considerations and decision making.

Based on the output of the scenario analysis, the Group Trustee agreed to continue with the approach outlined above and integrate climate risk and opportunities into decision making where appropriate. This analysis is expected to be carried out on at least a triennial basis, alongside each future investment strategy review and triennial Actuarial Valuation. In the interim years, the Group Trustee will consider whether to refresh the analysis, stating whether or not they choose to do so and why in the relevant TCFD report covering that period.

Scenario assumptions and limitations

This modelling is a form of asset-liability modelling ("ALM").

The Group Trustee's advisor's ESS (Economic Scenario Service) produces stochastic projections for a wide array of asset class returns and other economic factors, which can be used as part of any quantitative risk management exercise - whether that be carrying out asset-liability modelling (ALM), strategic asset allocations (SAA), or any other exercise designed to quantify financial risk exposure. The ESS models are regularly updated to capture the latest market conditions and are maintained and documented by a dedicated specialist team. The models don't make explicit assumptions for climate change or any other economic/political factors like trade wars, pandemics, etc.

However, climate change can be factored in indirectly by weighting the existing ESS outputs to 'tilt towards' possible climate scenarios. For each climate scenario, a weight is calculated for each of the 5,000 projections run for the ALM exercise so that the projections with higher volatility in the specified time period are emphasised in that scenario.

All scenarios involve a period of 'stress', which happens at different points over the selected modelling horizon. Each period of stress encompasses a combination of transition and physical risks, but whereas the early periods are assumed to be nearly all transition risk, the later periods include more physical risk as the impact of climate change is felt. It has therefore been assumed that the later the stress happens, the more intense the climate risk impact will be.

The approach taken is to assess the impact of climate change on the whole range of projected outcomes for the Group's funding position (assets and liabilities combined) and the Group Trustee has not carried out detailed analysis of the impact on the assets and liabilities independently. The impact of the various scenarios tested is that the range of funding outcomes becomes wider and more uncertain, rather than having a direct impact on Group assets or liabilities independently.

Covenant Assessment

The Group Trustee assesses climate related risks and opportunities when setting investment and funding strategy, taking into account covenant, to ensure a holistic and consistent approach. The table overleaf sets out a summary of the key ESG risks the Group Trustee has identified and monitors at a Group level. To note, the Group Trustee has reviewed the short- and medium-term horizon impacts associated with covenant risk in past reports and ultimately decided to retain the current assessment. Whilst the Trustee acknowledges that the Company has a capital investment plan in place to accelerate progress towards net zero by 2027, the Group Trustee believes that the current assessment of medium remains appropriate.

The Group Trustee also monitors these at an individual manager level, which is available in Appendix 2. The Group Trustee also considers how the impacts of these risks will manifest over the short-, medium- and long-term. Further detail on the risk management processes in place for the Group are set out in the next section. The Group Trustee notes that climate-related risks and opportunities will evolve over time as more information and products come to the fore.

SSE Southern Group of the ESPS Climate Risks & Opportunities Dashboard - Group level

Identified Risks	Impact	Mitigation/Actions	Action owner & Timescales for next steps	Identified Opportunities
Risk of Sponsor not meeting climate risk targets which may impact profitability and strength of covenant. Longer term physical risks could impact Sponsor assets and infrastructure leading to destruction of value. Reliance on Sponsor covenant is limited because of the Group's strong funding position but could increase in importance if funding level were to fall due to other risks outlined above.	**Short term** Low **Medium term** Medium **Long term** Medium	Strong funding position reduces Group's reliance on the Sponsor in the medium term. Group Trustee engages with the Sponsor on a regular basis as part of regular covenant monitoring. Sponsor has set strong business goals aligned to UN's Sustainable Development Goals and reports regularly against its targets. Sponsor has set net zero targets verified by Science Based Targets initiative. However, long-term success is reliant on achieving these targets, therefore flagged as Medium risk over the long term. Climate risk to be considered further in future covenant assessments.	Owner: Company/ Group Trustee Timescale: Ongoing - Group Trustee to engage with Company on progress against stated Net Zero targets. Consider whether further independent covenant assessment is required.	Sponsor's capital investment plan to accelerate progress towards net zero over five years to 2027 could see greater growth achieved.

UK Power Networks

Net assets[12] as at 31 March 2026: £2,592m.

The following information should be read in conjunction with the Group's disclaimers included in Appendix D.

Timeframes

The Group Trustee has developed a Climate Related Risk Register, which assesses risks over three timeframes:

- Short-term: 1 year.
- Medium-term: 3-5 years.
- Long-term: 10 years.

Risk Identification

The Group Trustee monitors and records climate risks and opportunities through its climate risk register. This document considers the impact of various physical and transition risks and opportunities over the short, medium and long term. The Group Trustee classifies each risk and opportunity depending on the potential impact to the Group and documents the steps being taken to mitigate against the risks and to capture the opportunities. The Group Trustee, in consultation with its Fiduciary Manager, reviews the risk register on a quarterly basis. While there have been a number of changes to the risk register over the year, there are no climate-related risks which the Group Trustee classifies as high risk. The only climate risk that is classified as a moderate risk is the potential impact of climate transition risks on the key assumptions affecting the funding strategy, specifically discount rates, inflation or other financial assumptions. This risk is assessed as a medium-term risk as it is effectively managed through triennial valuations, the ongoing monitoring of the Group's funding position as well as the hedging of assets against inflation and interest rates. The risk register also considers transition risks arising from the pace of policy change increasing the likelihood of a compliance breach and/or inadequate governance. This is considered a higher risk in the short-term compared to the longer term and is being managed through continued engagement with the Fiduciary Manager as well as training from all the Group Trustee's advisers. There are no other climate related risks which are expected to have a material impact on the Group.

As an integral part of its investment process, BlackRock looks to identify climate-related opportunities as well as downside risks. Climate related risks and opportunities impact asset allocations through the macroeconomy (growth, inflation), through corporate profitability and through climate related repricing. For example, exposure to certain sectors and regions within equities are beneficial either via avoiding climate related damages or by enabling climate-driven opportunities. While no significant climate-related opportunities have been identified, the Group continues to monitor this through continued engagement with BlackRock.

The Group Trustee has delegated to BlackRock, as its Fiduciary Manager, the responsibility to design a diversified Strategic Asset Allocation ("SAA") that is consistent with the long-term investment objectives for the Group. The SAA is deemed consistent based on a number of requirements, including consistency with the BlackRock Investment Institute's expected return assumptions across asset classes and an acute understanding of the Group's specific requirements. In addition, the consideration of Environmental, Social and Governance ("ESG") factors that feature into the investment due diligence for the selection of managers, as well as the choice of mandates with ESG-optimised or exclusionary screen characteristics form part of the overall investment strategy. The Institute's expected return assumptions, referred to as Capital Market Assumptions ("CMAs"), are macroeconomic and asset return forecasts. These inherently account for the impact of climate change.

[12] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

Underpinning BlackRock's CMAs is the view that managing climate-related risks and opportunities will help support economic growth and offer investors the ability to generate better risk-adjusted returns. Climate change and the global energy transition are expected to be drivers of asset returns, and consequently fundamental to strategic investment decisions.

Through the use of these Capital Market Assumptions, climate risk is integrated throughout the design of the SAA for the Group. These base return assumptions form a critical input to the design of the long-term strategic allocation for the Group. The inputs to the asset return models are adapted to account for climate change impacts through three principal channels:

- ***Macroeconomic impact***: A long-run model of climate change is used to account for the physical damages, energy transition and the impact of public policies and their impact on macro variables, such as level of GDP. Two long-term economic scenarios are modelled: a green transition (the base case underlying the Capital Market Assumptions) and a no-climate-action scenario. In the green transition scenario, co-ordinated climate mitigation and fiscal policies, along with technological innovation in areas such as carbon capture, result in global temperature rises by 2100 remaining below 2 degrees Celsius (which is broadly in line with the goals of the Paris Agreement). In contrast, the no-climate-action scenario projects materially higher increase in global temperatures of 5.8 degrees Celsius and a worse economic outcome.
- ***The Repricing channel (discount rate):*** A consequence of shifting societal preferences for sustainability is that the price investors are willing to pay for assets perceived to be sustainable is changing, meaning the discount rate used to value these securities is also changing. For credit and equity markets the future cost of capital estimates are adjusted at the sector level, such that all things being equal, more/less sustainable sectors have respectively lower/higher future costs of capital.
- ***The Fundamentals channel (cashflow/earnings):*** Climate change and the efforts to address it will impact the profitability and growth prospects of companies. The impact on corporate earnings at the sector level of a green economic transition is estimated. To arrive at these estimates, the sensitivity of earnings to carbon pricing initiatives - a core element of climate mitigation policies - is assessed. The physical and transition risks and opportunities at the sector level are also taken into account.

In March 2026, XPS completed its work on the detailed covenant assessment to support the triennial actuarial valuation as at 31 March 2025. The assessment considered the Company's assessment of climate change risks and opportunities and its plans to adapt the business over time to address these matters. While the assessment highlighted that there are many risks associated with climate change, none of these risks – individually or collectively – are considered sufficient for the Group Trustee to change its assessment that climate change does not currently pose a significant risk to the resilience of the covenant, in either the short, medium or long term.

The 2025 scenario analysis results (below), combined with the triennial covenant assessment by XPS, where the covenant was assessed as Strong (the highest level awarded), suggests that climate change does not currently pose a significant risk to the resilience of the covenant, in either the short, medium or long term. In addition, there is more than sufficient headroom to support the current levels of investment risk when assessed on a 6 year 1 in 6 Value at Risk (VaR) basis.

Scenario Analysis

Methodology

In BlackRock's Aladdin Climate reporting, different climate-related scenarios are modelled as an instantaneous shock to an asset, or a sector benchmark through the Temperature Alignment models. All of these scenarios model Transition and Physical Risk, in line with the recommendations from the Network for Greening the Financial System ("NGFS"). BlackRock updates the input data and scenario models over time to reflect the evolving nature of climate analytics. Examples of updates can include (but are not limited to) updates to the discount rate that is used in the discounted cash flow analysis in each scenario, updates to inflation assumptions, or expanded/rolled forward

financial and emissions data for bottom-up modelling. The Current Policies scenario is Aladdin Climate's base scenario, for Transition Risk to which the Net Zero 2050 and Delayed Transition scenario are compared. For Physical risk BlackRock uses a base scenario which assumes no additional climate damages in future.

As outlined in the table below, BlackRock have considered the transition and physical risks of the Net Zero by 2050 scenario (i.e. 'Orderly transition) and the Delayed Transition scenario (i.e. 'Disorderly transition').

Orderly transition

	Rationale	Catalysts	Calibration
Transition risk	• A transition to Global Net Zero by 2050 is achieved via immediate and smooth policy responses • Carbon taxes are channelled back to the economy via government investment	• GDP losses initially peak by 2026 around 1.9% damage on average. While overall GDP losses are sustained throughout the scenario, GDP growth tends to pick up before settling around 0.7% losses by 2050. • UK inflation around 1% higher than in base case peaking in 2025, largely driven by repricing of carbon prices • Price of carbon rises to over 1,000 $/ton by 2050.	The UK yield curve rises modestly as growth accelerates. Higher inflation however drives most of the impact on UK LDI assets and pension liabilities There is assumed to be no significant central bank response to higher inflation.
Physical risk	• Robust corrective action is taken to reduce emissions but temperatures still rise by 1.6°C by c 2100 relative to pre-industrial levels	• Physical changes such as higher temperatures, sea-level rises and hurricanes impact GDP. • The impacts are largely felt from 2050 onwards	The UK yield curve increases modestly in the near term, but more for longer tenors as physical risks become evident.

Disorderly transition

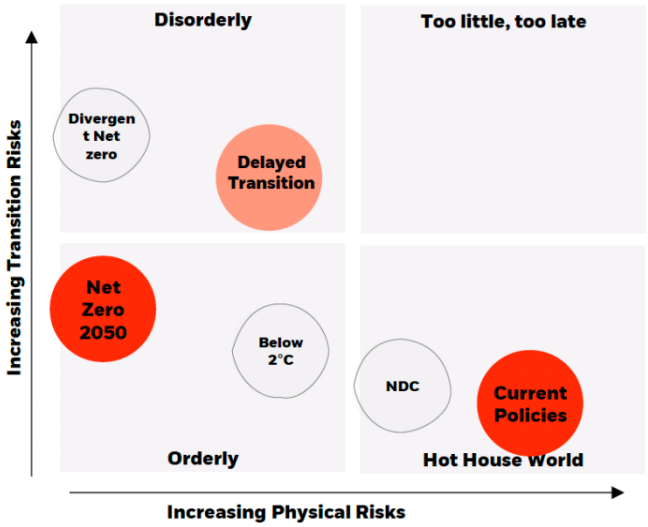
	Rationale	Catalysts	Calibration
Transition risk	• A delayed transition starts in 2030 • Carbon taxes are used to cut income tax, thus boosting private consumption • There is a negative shock to business confidence as stringent policies are introduced	• There is a negative impact on UK GDP particularly in the early to mid 2030s with losses around 1% GDP p.a. • UK inflation around 0.5% higher than in a base case peaking in 2032 largely driven by repricing of carbon prices • Price of carbon rises from 0 in 2030 to over 700 $/ton by 2050	The middle of the UK yield curve rises modestly as the risk premia (probability of default) applied to the UK increases. Higher inflation is priced in from 2030 onwards There is assumed to be no significant central bank response to higher inflation.
Physical risk	• Some corrective action to reduce emissions is taken but temperatures still rise by 1.8°C by c 2100 relative to pre-industrial levels	• Physical changes such as higher temperatures, sea-level rises and hurricanes impact GDP. • The impacts are largely felt from 2050 onwards	The UK yield curve increases modestly in the near term, but more for longer tenors as physical risks become evident.

Source: BlackRock

Aladdin Climate's models are intended to highlight the potential impact of climate policies and outcomes on the economy and on financial markets. Given the uncertainty in how policy makers, economies and companies may respond and adapt to the projected scenarios and the long-term nature of the scenarios, BlackRock makes a number of simplifying assumptions in its modelling. This allows Aladdin Climate to provide investors with insight into where they may face climate risks and opportunities within their portfolios; it is not, however, a forecast or a prediction of how asset values will actually evolve.

The impact of transition and physical risk on the Group LDI portfolio and pension scheme liabilities has been modelled separately in Aladdin through the calibration of user specified stress tests intended to be consistent with the climate scenarios shown below. In the table below, BlackRock have considered the transition and physical risks of the Net Zero by 2050 scenario (i.e. 'Orderly transition') and the Delayed Transition scenario (i.e. 'Disorderly transition').

Net Zero 2050	Delayed Transition	Current Policies
Model type Transition and Physical Risk	**Model type** Transition and Physical Risk	**Model type** Transition and Physical Risk
Temperature rise* 1.5 degrees	**Temperature rise*** 1.8 degrees	**Temperature rise*** 3.3 degrees
Scenario source NGFS	**Scenario source** NGFS	**Scenario source** NGFS



Source: BlackRock

Aladdin Climate's models are intended to highlight the potential impact of climate policies and outcomes on the economy and on financial markets. In Aladdin Climate reporting, the climate-related scenarios are modelled as an instantaneous shock to an asset, or a sector benchmark.

The results are expressed as "climate-adjusted values" for Transition and Physical Risks ("TCAV" and "PCAV", respectively). These are based on discounted cash flow analysis in each scenario relative to a "counterfactual" scenario that is assumed to be priced into current valuations. BlackRock's analysis considers a single timespan over the lifetime of the scenario modelled.

The "counterfactual" (NGFS Current Policies) assumes no additional warming for Physical Risk scenarios, and no additional policies enacted for Transition Risk scenarios. The BlackRock outputs are, therefore, conservative by design (i.e. they produce more severe outcomes) which is consistent with stress testing market practice. Essentially "de minimis" pricing of climate change is assumed in current valuations. Given evolving nature of climate analytics, the Group Trustee expects input data and models to change over time, with potentially significant impacts on results.

The scenario analysis represents BlackRock's best estimate of what happens under the NGFS scenarios. There are, however, a number of important limitations to the modelling:

- The climate models address transition risk and physical risk separately. A more holistic view of climate-related financial risks would address both together.
- The climate models used do not predict the abrupt or irreversible changes that may result from reaching critical climate thresholds or "tipping points".
- The economics models used may not adequately predict feedback loops and may therefore underestimate the chance of systemic failure in parts of the global economy.
- The models do not include the social or political impact of mass migration.
- The modelling captures first-order impacts on companies' revenues and costs but does not capture second order effects such as supply chain disruption.

- Based on prior economic and financial crises, it can be hard to predict the scale of monetary and fiscal policy responses. The models' assumptions about changes in financial valuations may therefore be incorrect.
- The modelling does not include the impact of other shocks that might occur such as recessions, conflicts or pandemics.

The Group's asset allocation has a significant proportion of assets in LDI (c. 74% of the allocation) and a sizeable allocation to private markets (c. 18% of the allocation) where there is insufficient coverage data to be included in the scenario analysis. Therefore, the primary method of integration of climate risks within the portfolio construction process for the Group's asset allocation is through the Climate-Aware Capital Market Assumptions and the selection of underlying asset managers.

There were no material changes to the funding strategy or position this year. Therefore, the Group Trustee has concluded that the current scenarios cover the range of plausible scenarios likely to be relevant to the Group and that, therefore, it is not necessary to undertake new scenario analysis outside the mandatory cycle.

Results

The table below provides an overview of the potential impacts on the Group's total assets liabilities and funding which have been identified through the scenario analysis. The modelling, produced by BlackRock, considers the impact of these climate scenarios over the long-term, with the impacts of transition risks being considered until 2050 and physical risks extending until 2100, and so covers the short, medium and long term horizons set by the Group. The Current Policies scenario is Aladdin is used as a base scenario, to assess the potential impact of the transition and physical risks under the Net Zero 2050 and Delayed Transition scenario. The Current Policies scenario assumes no additional warming for Physical Risk scenarios, and no additional policies enacted for Transition Risk scenarios. On a standalone basis, the Current Policies scenario essentially assumes a "de minimis" pricing of climate change in current valuations.

	31 December 2025 £m	Physical Climate Impact		Transition Climate Impact	
		Net Zero 2050	Delayed Transition	Net Zero 2050	Delayed Transition
Assets	£2,620.2	£2,614.9	£2,614.8	£2,608.8	£2,622.5
Liabilities	£2,596.2	£2,593.6	£2,593.6	£2,585.8	£2,601.4
Surplus	£24.0	£21.3	£21.2	£23.0	£21.1
Funding ratio (%)	100.9%	100.8%	100.8%	100.9%	100.8%
Change in surplus	-	-£2.72	-£2.80	-£1.04	-£2.85
Change in funding ratio (%)	-	-0.1%	-0.1%	0.0%	-0.1%

Source: BlackRock

Overall, the greatest risk to the Group's assets occurs through transition risks under the Delayed Transition scenario with an expected decline in the portfolio's surplus by £2.85 million. Meanwhile, under the Net Zero Transition Scenario, the expected decline in surplus from transition risks is £1.04 million. Physical climate risks also pose a threat to the portfolio; the expected decline in surplus is £2.72 million under the Net Zero 2050 scenario and £2.80 million under the Delayed Transition scenario.

The scenario analysis estimates are based on information from the majority of the Group's equities, bonds and LDI assets. Alternatives are not currently included in the scope of the scenario analysis.

The Group's investment strategy remains resilient to climate physical and transition risks given that a surplus is maintained under all potential scenarios assessed. Therefore, no changes have been proposed to the investment strategy in response to the 2026 scenario analysis, given the modest impact on the surplus. That being said, under both the Net Zero 2050 scenario and the Delayed Transition Scenario, the Group's assets are predicted to experience a loss. Therefore, the Group Trustee will continue to closely monitor these risks and ensure that they are adequately managed by the Fiduciary Manager. The Group Trustee will continue to conduct scenario analysis on an annual basis to ensure that climate change-related risks continue to not present a significant risk to the resilience of the covenant.

Uniper

Net assets[13] as at 31 March 2026: £416m.

Time periods

In order to manage climate related risks and opportunities, the Group Trustees recognise they have to be cognisant of both type of risks and the timeframe in which they can be managed. We would define the timeframes as:

- short term (3 to 6 years)
- medium term (7 to 15 years)
- long term (15 plus years).

The Group has a long-term objective of being fully funded on a low-risk basis over a timeframe of c. 10 years, a medium timeframe. This therefore impacts the investment strategy, funding strategy and the portfolio that is constructed to meet the objective. VLK consider this timeframe in the context of climate risk and opportunities when choosing which asset classes (both liquid and illiquid) to invest in.

Climate scenarios

VLK has undertaken scenario analysis on the portfolio. Working with MSCI ESG, a percentage figure is shown in the quantitative metrics which represents the present value of the aggregated future policy risks costs, technology opportunity profits and extreme weather event costs and profits expressed as a percentage of the portfolio's market value, should the scenario in question be realised. This is based on the listed equity and corporate bonds where data was available. Data is not readily available for the private market assets which the Group are invested in. This is recognised as an industry challenge and VLK continue to explore how to broaden the dataset in less liquid asset classes where data is less readily available. As an example the Group Trustees has had training on net zero focussed infrastructure equity as a form of implementing in that asset class.

The impact on the assets of the portfolio was calculated under three different scenarios – where the temperature rise is 2°C (orderly transition), 2°C (disorderly transition) and 3°C (hot house world). A 2°C orderly transition is where governments and markets act early, gradually and in a coordinated way to limit global warming to around 2°C above pre-industrial levels. A disorderly transition also achieves a similar temperature outcome (2°C) but action is delayed or inconsistent, forcing a more abrupt adjustment later. A 3°C hot house world assumes insufficient climate action leading to significantly higher global warming. The quantitative analysis shows the portfolio is relatively resilient under the different scenarios. Based on the analysis completed in 2024, the value of the Group's assets could fall by 10.75% in the 2°C disorderly transition scenario, which would result in a fall in funding level. This is on the assumption that Group's liabilities are not impacted by the shock. Considering the resilience to a shock is increasingly becoming part of the portfolio construction process and VLK believe this will become even more pressing if we were to move away from a global average temperature increase of 2°C.

Physical climate risk scenarios define possible climatic consequences resulting from increased levels of Greenhouse Gases (GHG) emissions, and the ensuing financial burden (or opportunity) shouldered by businesses due to impacts on their facilities. Using the past 35 years of observed weather patterns to set a historical baseline as well as climate models, MSCI ESG Research brings both acute and chronic climate developments into perspective by modelling both costs from asset damage and business interruption respectively. The breakdown for the 2°C disorderly transition scenario as at 31 March 2026 (updated bi-annually as per regulation) across the different factors is shown below;

[13] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

Impact of scenarios

SCENARIO	CLIMATE VAR CONTRIBUTION
Low Carbon Transition Risk Scenarios *Selected Model: REMIND | 2°C | NGFS | DISORDERLY*	**-6.65%**
Policy Risk Direct Emissions (Scope 1)	-5.74%
Policy Risk Electricity Use (Scope 2)	-0.05%
Policy Risk Value Chain (Scope 3)	-1.40%
Technology Opportunities	+0.54%
Physical Climate Scenarios *Selected Model: Average*	**-4.10%**
Extreme Cold	+0.44%
Extreme Heat	-2.42%
Precipitation	-0.43%
Extreme Snowfall	+0.08%
Extreme Wind	-0.06%
Coastal Flooding	-0.62%
Fluvial Flooding	-0.06%
Tropical Cyclones	-0.45%
River Low Flow	-0.78%
Wildfire	-0.00%
Aggregated Climate VaR	**-10.75%**

Source: Uniper

The Group Trustee is supportive of the Paris agreement to avoid dangerous Climate Change by limiting global warming to below 2°C above pre-industrial levels. Their evaluation is supplemented by a 2°C orderly transition scenario and a 3°C hot house world scenario to ascertain the risks the portfolio could be exposed to across different outcomes.

Scenario assumptions and limitations

A number of assumptions were made when constructing the scenario analysis. In order to arrive at a simplified holistic view, assumptions on interplay of risks and how they offset or cumulatively add up lead to a simplification of risks. Furthermore, the scale of climate change and the result of crossing over a tipping point remains a heavily investigated and discussed topic. That said, the data and analysis provided by MSCI was seen as useful. The magnitude of change will continue to be refined over time as will the quality of the data improves

MSCI ESG Research employs a hybrid top-down and bottom-up methodology to calculate climate change risks and opportunities such as future policies targeting emission reductions, the potential of low carbon technologies and extreme weather hazards. Using estimates of future carbon prices under specific policy scenarios, MSCI ESG Research then calculates the costs associated with such emissions reductions targets and computes “Policy Climate Value-at-Risk” metrics for over 22,000 companies.

Covenant Assessment

Although climate-related risks are increasing, these risks have not directly affected the Group Trustee’s business, strategy or financial planning. The sponsoring employer is an energy producer and therefore the covenant provided to the Group is impacted by climate related factors. The Group Trustees therefore receive regular updates on progress of the sponsoring employer from a third-party covenant adviser, PWC. This includes climate-related risk and opportunities.

As part of its management of non-financial risks, and environmental, social and governance risks, the Group Trustee receives regular monitoring of the underlying fund managers from VLK, who are responsible for selecting fund managers who align to their (and the Group Trustee's) responsible investment beliefs, in particular climate risks. The appetite for climate-related opportunities is growing and will continue to increase.

United Utilities PLC

Net assets[14] as at 31 March 2026: £319m.

The following information should be read in conjunction with the Group's disclaimers included in Appendix D.

Time periods

As a long-term investor, the Trustee recognises the risks and opportunities arising from climate change are diverse and continuously evolving. The Trustee believes it is important to understand how the Group's exposure to these risks 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 help with this assessment, the Trustee considered climate scenario analysis across the following short, medium, and long-term time horizons:

Short Term	Medium Term	Long Term
3 years	**7 years**	**12 years**
Consistent with the frequency of the triennial actuarial valuation.	Aligned with expected changes in climate change data quality and climate regulations.	The Group is closed to new entrants and so a very long horizon would not be suitable. 12 years is broadly aligned with the expected holding period of the only remaining listed assets (corporate bonds), and is not dissimilar to the duration of the liabilities.

Climate scenarios

Following the purchase of a bulk annuity covering a significant proportion of the Group's liabilities, the Trustee has agreed that the most proportionate approach to scenario analysis is to review the analysis prepared by the insurer and the only remaining investment manager. Both parties are part of the L&G Group and therefore a consistent approach is used to climate scenario analysis by the insurer and the investment manager. The scenarios are described below:

Net zero 1.5°C	Below 2°C	Delayed below 2°C	Inaction
Immediate, highly ambitious action to address climate change leads to a reduction in global CO2 emissions to net zero around 2050, most likely limiting warming to 1.5°C.	Immediate, ambitious policy and investment action to address climate change limits global warming to below 2°C, but warming most likely exceeds 1.5°C.	Policy and investment action to limit global warming to well-below 2°C is delayed by 10 years, resulting in much more disruptive change from 2030. Warming most likely exceeds 1.5°C.	Global failure to act on climate change means emissions continue to grow at historical rates. Global warming likely reaches 3-4°C.

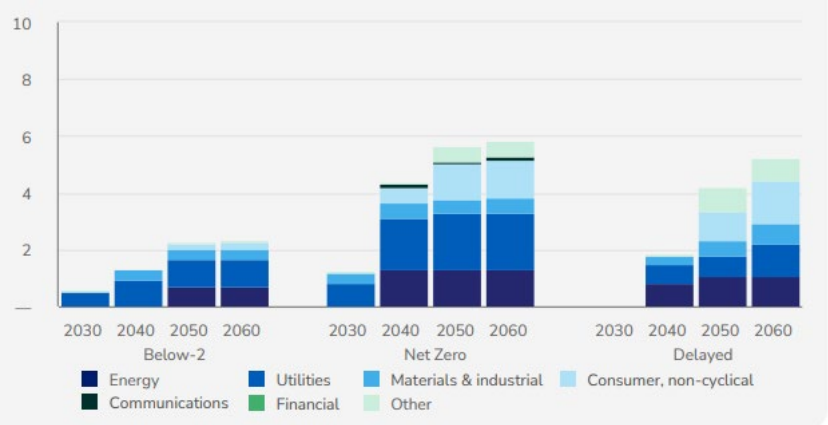
[14] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

Impact of Scenarios

The L&G scenario analysis is used to evaluate climate risk and company alignment, and scenario results are produced for the net zero 1.5°C, below 2°C, and delayed below 2°C pathways, focused on transition risks. L&G do not model the portfolio under the inaction scenario as they expect this scenario to be driven by physical risks.

Bonds are central to the Group's portfolio, and the analysis assesses climate risks on credit quality and sector exposure. As a long-dated "buy-and-hold" investor both within the invested asset portfolio and through the bulk annuity policy, the Group's investments are expected to be more sensitive to downgrades and defaults than price movements.

The chart below shows cumulative downgrades under the three scenarios referenced above. Most downgrades arise from high carbon sectors, with the "delayed" scenario also driving notable GDP impacts. Sector outcomes vary across the scenarios, with winners and losers over time - for example, some utilities face severe risks while others remain resilient. As impacts beyond 2060 exceed the current portfolio duration, future allocations will adapt to climate trends and reduce exposure to materially affected issuers.



Further details and technical notes on the analysis can be found here.

The Trustee has chosen not to model quantitatively the potential impacts on funding under different scenarios. This reflects both the de-risked and fully hedged position of the Group, and the desire to take a proportionate and cost effective approach. The Trustee did conduct a full scenario analysis in 2022 and does not consider that the conclusions are expected to have altered significantly.

Resilience Commentary

The scenario analysis shared by L&G as the Group's bulk annuity provider and investment manager did not identify any material climate-related impacts of concern to the Trustee.

Notably, L&G incorporate climate scenarios into its Own Risk and Solvency Assessment (ORSA) and internal capital model and assess climate impacts across its direct investment asset classes. As at 31 December 2025, L&G's reporting states that no material climate-related impacts on the Group's financial position or asset and liability valuations have been identified.

The Trustee continues to adopt a very low risk investment and funding strategy. The Group's net zero target, and the alignment of this target with the investment manager and insurer, are expected to help manage transition risk and physical risks by reducing expected credit stresses (credit being the only remaining risk asset). The Trustee will continue to discuss the resilience of the strategy with L&G, at least annually, to ensure that climate-related risks are appropriately managed.

Scenario assumptions and limitations

Key assumptions

See https://group.legalandgeneral.com/asset/495148/globalassets/group/reporting-hub/sustainability/2026/climate-and-nature-report-2025/climate-and-nature-report-2025.pdf.

Limitations associated with climate modelling

We additionally note the following limitations associated with climate modelling:

1. The further into the future the modelling analyses, the less reliable any quantitative modelling will be owing to the range of possibilities over long periods.
2. There is a reasonable likelihood 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 adaption 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.
5. New and emerging risks, such as the impact of climate change on biodiversity loss, and vice versa, is expected to be integrated into climate scenario modelling over time once the supporting science and impact on econometrics and finance is better understood.

Covenant Assessment

The Trustee has appointed a specialist covenant adviser, who reports to the Trustee at least annually on the sponsoring employer's ability and willingness to continue to support the Group. Climate-related exposures are considered alongside other factors that could have a positive or negative impact on the strength of the covenant.

The covenant adviser sets out in its reporting to the Trustee the risks associated with climate change that may impact the sponsoring employer, alongside the controls in place.

Alongside the covenant adviser's reporting, the Trustee meets with the sponsoring employer's Chief Financial Officer at least annually to discuss the business and its ability to support the Group. This meeting took place on 9 July 2025 and the employer discussed climate-related issues including wastewater performance, pollution risks, and developments in land restoration. A series of climate-related metrics used by the employer were discussed with the Trustee.

Overall, the Trustee is satisfied that covenant risks arising from climate change are being managed appropriately and therefore, in the context of the Group's overall risk management framework (taking into account the low risk investment strategy, the buy-in policy covering the majority of the liabilities, and low dependency funding target), there is a comfortable level of resilience. However, we recognise that risks evolve over time and therefore this topic remains an area of monitoring for the Trustee.

Western Power Distribution

Net assets[15] as at 31 March 2026: £1,657m.

Time periods

We believe it is important to understand how the Group's exposure to climate-related risks 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 Group.

To help with this assessment, we have defined short-, medium- and long-term time horizons for the Group. To reflect the progress of the Group since our first TCFD report was published we have revised the time periods we use to assess the climate scenarios.

Short Term	Medium Term	Long Term
Up to 3 years	Up to 10 years	Up to 15 years
The short-term refers to the period over which we should focus on the interim target and it also broadly aligns to the timeframe between actuarial valuations.	The medium-term refers to the period over which we focus on those risks that currently fall outside the scope of the external investment management mandates but which are not considered to be long-term in nature, for example risks relating to broad market conditions or to identifiable anomalies or trends in the investing environment that fall across multiple asset classes.	The long-term refers broadly to the Group's duration over which a large proportion of the benefit payments are expected to be made by the Group with respect to the current membership. Whilst the Group could exist for longer than the 15 years, it is understood that by that stage the Group will be mostly invested in government and corporate bonds where the Group Trustees will have less influence.

Climate scenarios

Detail of the chosen scenarios

We have undertaken climate scenario analysis to test the resilience of our investment and funding strategy. Both quantitative and qualitative climate change scenario analysis has been undertaken on the asset allocation as at 31st March 2026 to assess the potential implications of climate change under four modelled scenarios:

Scenario	Detail
Rapid Transition (1.6°C)	Average temperature increase of 1.6°C by 2100 (relative to pre-industrial average). A rapid decarbonisation of the economy where high transition risk feeds into financial markets creating both risks and opportunities. The transition would require a material change in policy, leading to stranded asset risks and short-term costs. The transition-related shock is partially sentiment driven and so is followed by a partial recovery. Physical damages are most limited under this scenario.

[15] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

Delayed Transition (1.9°C)	Average temperature increase of less than 2.0°C by 2100. Governments and wider society act in a coordinated way to decarbonise and to limit global warming to well below 2°C. Transition impacts do occur but are relatively muted.
Limited Transition (2.9°C)	Average temperature of around 2.9ºC by 2100. This scenario assumes that policymakers implement limited action and fall short of meeting the Paris Agreement goals. The attempted transition translates in a slight market re-pricing in the late 2020s and slightly mitigates physical damage (relative to a failed transition).
Failed Transition (3.7°C)	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 extreme weather events. These are reflected in re-pricing events in the late 2020s and late 2030s.

The analysis is based on scenarios developed by our Investment Advisor working with Ortec Finance. We selected these scenarios to test a broad range of feasible outcomes and the Group's exposure to both transition and physical risks.

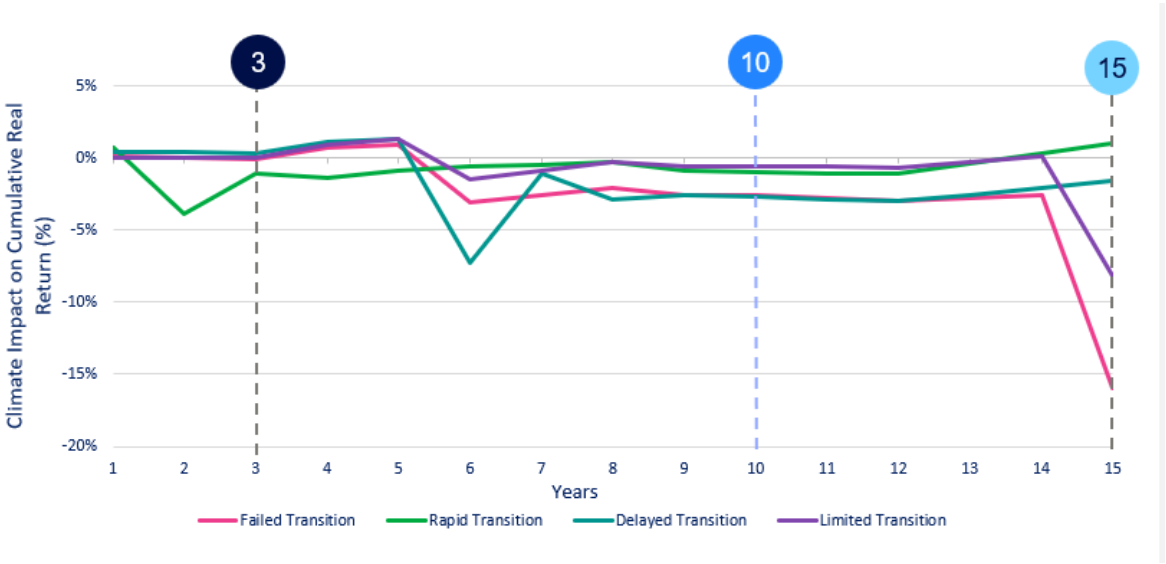
In designing scenario analysis, a fundamental decision is whether to assume that any climate impacts are priced in today. The analysis in this report is expressed relative to a 'climate-informed' baseline[16]; the implication is that all return impacts are presented in terms of how they are different to what we are assuming is priced in today.

Impact of scenarios

The chart below represents the output of the Trustee's quantitative analysis of the investment strategy. The chart shows projections of cumulative returns, expressed in real terms relative to the climate-informed baseline, from an analysis date of 31 December 2025 over a period of 15 years. Projections assume a static asset allocation that does not allow for future expected Group de-risking.

[16] The baseline represents what we are assuming the market is currently pricing in. The baseline includes a 5% weight to Rapid Transition, 35% to Delayed Transition, 15% Limited Transition, 10% to Failed Transition and 35% to No/Low Impact

Cumulative real return projections



Source: Mercer

The above illustrates the estimated impact on the Scheme's assets in different climate scenarios and it is noted that in funding level terms, the impacts could be somewhat more negative (in accordance with the estimated impacts on the Scheme liabilities outlined later in this section).

Time Horizon	Scenario Analysis	Key Takeaways	Portfolio Impact
Short Term (3 years)	Quantitative	**Rapid Transition** represents the most impactful scenario, with transition risk leading to a negative impact upon returns. There is a shock to returns of about -1.0% by year 3 as shown in the chart	**Neutral to mildly positive overall** Strong investment in tech, infrastructure & green energy supports equity markets and growth assets which help offset early transition risk impact.
	Qualitative	Physical risks: Increasing frequency of extreme weather events (storms, floods, heatwaves) causing localised infrastructure damage and supply chain disruption. Insurance losses rise but most regions remain insurable.	
		Transitional risks: Climate policy uneven globally due to geopolitical fragmentation and energy security concerns. Carbon pricing and regulation expand mainly in Europe and parts of Asia. Some early stranded asset risk emerging in high-emitting sectors.	
		Systemic risks:	

		Economic growth supported by technology investment and industrial policy. Inflation volatility driven by food and energy price shocks but financial markets remain broadly resilient	
Medium Term (10 years)	Quantitative	Biggest variability in risk arises from the **Delayed Transition** (due to transition impacts upon growth allocations), with a cumulative return impacts of -2.7% by year 10 (as shown in the chart).	**Moderately negative** Greater dispersion emerges between climate "winners" and "losers". Carbon-intensive industries face higher costs, regulation and stranded asset risks. Diversification within the portfolio helps to remain relatively resilient but likely to experience increased volatility.
	Qualitative	Physical risks: Increasing severity and frequency of extreme weather events affecting infrastructure, agriculture and water availability. Growing insurance withdrawal in exposed areas and rising adaptation costs.	
		Transitional risks: Climate policy strengthens as public and investor pressure increases. Carbon pricing rises and border adjustment mechanisms expand. Stranded asset risk grows in fossil fuel sectors and carbon-intensive industries.	
		Systemic risks: Periods of inflation volatility driven by climate damage and transition investment. Supply chain disruption and commodity price shocks weigh on productivity and economic growth	
Long-term (15 years)	Quantitative	Biggest risks arise from **Failed Transition**, leading to cumulative returns impacts of -16.0% by year 15 (as shown in the chart).	**Negative overall** High physical damage and systemic disruption weigh heavily on economic growth and asset valuations. Growth assets struggle to deliver due to low productivity and supply chain instability. It's likely the strategy would need to be revisited to focus on assets and countries which are more resilient to climate change and which
	Qualitative	Physical risks: Severe and persistent physical climate impacts including widespread flooding, droughts, crop failures and infrastructure damage. Insurance withdrawal becomes widespread in high-risk areas, reducing property values and increasing economic disruption.	
		Transitional risks: Lack of sustained global climate policy results in continued reliance on fossil fuels and limited coordinated decarbonisation. Transition risks	

	emerge sporadically through abrupt, uncoordinated policy responses or emergency interventions following extreme events.	benefit from the increased demand of natural resources and need for renewable technology
	Systemic risks: High risk driven by physical climate damage. Economic productivity declines due to repeated climate shocks, resource scarcity and infrastructure losses. Persistent food and energy volatility drives inflation and financial instability. Geopolitical tensions and economic inequality increase as countries compete for scarce resources	

Over the short term, climate-related impacts on assets and liabilities are expected to be limited, with the Group's high hedge ratio, over 100% assets, designed to substantially protect the level of deficit against movements in inflation and interest rates.

Over the medium term, assets may begin to experience increasing exposure to both transition risks (for example policy changes, carbon pricing and technological shifts) and physical risks, which could place downward pressure on investment returns. While the liability hedge should continue to significantly mitigate the impact of inflation and interest-rate volatility on the level of deficit, weaker asset performance could lead to some modest funding level variability.

Over the longer term, the potential financial effects of transition, physical and systemic climate risks may become more pronounced, increasing the likelihood of adverse impacts on asset returns. The Group's liability hedge is expected to provide protection against inflation and interest rate shocks, supporting a degree of stability in the deficit and help manage the extent to which climate-related asset risks affect the funding level.

Scenario assumptions and limitations

Climate scenario modelling is a complex process. The Group Trustees are 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 reasonable likelihood 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 adaption 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.
5. New and emerging risks, such as the impact of climate change on biodiversity loss, and vice versa, is expected to be integrated into climate scenario modelling over time once the supporting science and impact on econometrics and finance is better understood.

Covenant Assessment

The strength of the sponsor covenant is an important factor in determining the resilience of the funding strategy, given that the Group depends on the Sponsors for support in the event of adverse experience. Climate change and the global response to it will influence short-, medium-, and long-term covenant resilience and could affect the ability to pay member benefits in full. We therefore believe it is important for us to understand the CCRO faced by our Sponsors.

To help this understanding, our Covenant Adviser has reviewed the Sponsors' stated environmental strategy and goals, by reference to both:

- NGED Group (as the Sponsors are two of the NGED DNOs); and
- National Grid Group (the NG Group), as the NGED Group has aligned its position with the NG Group following the NG Group's acquisition/integration of the NGED Group. The NG Group is (as a much larger group) also required to report and disclose on such matters

NGED Group

In its latest financial statements for the year ended 31 March 2026 ('FY26'), the NGED Group has stated:

- It plays a vital role in transforming the energy systems in its region, safely and reliably connecting millions of people to the energy they use, while investing to power growth, resilience and the transition to a cleaner future
- It is committed to support the UK's ambition to grow the economy, build more homes, develop industry, and transition to a clean power system
- DNOs (the Sponsors) will be at the forefront of delivering this transition to a smart, flexible, low cost and low carbon energy system for all consumers and network users
- Its strategic priorities are aligned to its RIIO-ED2 (ED2) business plan commitments, which include: supporting the UK's ambitions to achieve net zero carbon emissions by 2050; driving crucial changes in energy usage/customer green behaviour; setting the benchmark by achieving net zero in its own operations by 2043 (excluding Scope 3 emissions) in line with a validated 1.5°C SBT; working towards ensuring the network is ready to enable local authorities to achieve similar ambitions; actively working with industry and Government to achieve 'Clean Power 2030' (to ensure the grid is decarbonised in a sustainable way); and ensuring the network can cater for the increasing demand of LCTs and renewable energy over the ED2 period
- It responded to Ofgem's ED3 Sector Specific Methodology Consultation (SSMC), which included dedicated climate resiliency input, linked to the forthcoming ED3 price control framework
- It has continued to monitor its Business Carbon Footprint (BCF), including fluid-filled cable losses and SF6 emissions as part of its commitment to achieving net zero by 2043 (excluding Scope 3 emissions)
- Its BCF decreased by 5.5% against FY25, but exceeded its internal target by 6.6%
- Fluid-filled cable losses were down from c45k litres (FY25) to c17k litres (FY26), also outperforming the internal target – reflecting the dedicated working group set up to prioritise this area
- SF6 emissions from the network showed a small improvement over FY25
- The business environment is shaped by rising electricity demand, an evolving supply mix, and major reforms which are changing how energy reforms are planned, built and operated. Against a backdrop of geopolitical uncertainty and rapid technological change, it is delivering the adaptive and reliable infrastructure needed to support economic growth; resilient and secure energy supplies have never been more important

From a risk management perspective:

- NGED Group is exposed to a range of uncertainties that could have a material effect on achieving its strategic objectives, financial condition, operational results, reputation and value
- The NG Group board establishes and oversees the level of risk that the NG Group is willing to accept in pursuit of its strategic objectives through the NG Group's risk appetite framework. This framework is applicable to NGED Group in all instances (unless stated otherwise)
- The NGED Group board delegates oversight of risk management and internal control to its Risk/Audit Committee, which is responsible for reviewing its Principal Risks (PRs), which are then monitored, together with Emerging Risks (ERs), by the Ethics Risk & Compliance Committee

The NGED Group considers various strategic, operational and compliance risks, including:

- Political and societal expectations and perceptions: risk of unfavourable public/regulatory policy or negative societal perception regarding its core business purposes and performance including climate change and energy transition
- Significant disruption of energy – the risk of failing to predict and respond to a significant disruption of energy resulting from asset failure, severe weather event or other emergency events leading to significant customer harm, lasting reputational damage and material financial losses

NG Group

The following commentary is intended to supplement the NGED Group commentary above. The NG Group's FY26 Annual Report included a Responsible Business review and an annual progress update against its Responsible Business Charter (RBC). The progress update noted:

- Over the last year, the NG Group has navigated a complex landscape driven by significant economic and political uncertainty; energy security and affordability therefore remained priorities
- Looking beyond its own emissions at the emissions reductions that it influences through its delivered and future business activities; supporting deployment of renewable energy supply and innovating via new technologies to maximise the pace/scale of system-wide decarbonisation
- Plan to invest c£70bn in the networks in the 5 years to FY31 (significant 'green investment' element) – to deliver infrastructure expected to support reliable, cleaner and affordable energy; £9.8bn was invested in green infrastructure in FY26
- Facilitating the uptake of heat pumps and electric vehicles
- Good progress across multiple areas of emissions inventory including where the NG Group has direct control; where control is not direct, achieving near term targets looks increasingly challenging given reliance on policy and regulatory dependencies
- Committed to achieve net zero for Scope 1, 2 and 3 by FY50 – working towards ambitious targets but reliant on external dependencies (policy, regulatory support and wider sectoral decarbonisation)
- Near-term emissions reduction targets are aligned to the 1.5°C pathway, as verified by the SBTi and noted in the NG Group's Climate Transition Plan (CTP)
- Scope 1 and 2 GHG emissions down 3% vs FY19 base line; outside the range set in the May 2024 CTP but progress not expected to be linear.
- Scope 2 emissions were down vs FY25, but Scope 1 emissions higher than expected due to increased generation from the Long Island facilities

- Key near-term target is to reduce absolute Scope 1 and Scope 2 GHG emissions by 60% by FY31 (from a FY19 baseline)
- Scope 3 GHG emissions were up 11% against the FY19 baseline; due to an increase in supply chain emissions (as expected in the CTP) as new infrastructure is built out
- Key near-term target is to reduce absolute Scope 3 GHG emissions by 37.5% by FY34 (from a FY19 baseline)
- Continuing to connect low-carbon generation and storage and use the networks to support the electrification of heat and transport; replaced 315 miles of leak prone pipe and reduced SF6 emissions by 43% against FY19 baseline (target 50% by FY31) through leak repairs/investing in alternatives
- Invested in new innovations, such as AI demand response in data centres and enhanced pipeline imaging

Climate change is a key NG Group risk factor and is fully integrated in its enterprise risk management framework. The NG Group considers both physical and transition risks and their potential impact on its business operations, financial performance and reputation. The NG Group manages two climate-related 'Group Principal Risks' (GPR):

- Climate change (mitigation GPR – strategic): the risk that the NG Group fails to identify and/or deliver on actions necessary to meet its climate change targets/enable the wider energy transition due to poor monitoring/response to external developments associated with mitigating climate change, leading to legal risks or reputational impacts of not meeting its climate change targets and in the longer-term reaching net zero by 2050
- Mitigating actions taken by management include:
    - Implementing a revised US operating model with sustainability teams within business units and integrating ESG/Risk teams to strengthen oversight/co-ordination
    - Undertaking an internal review of NG Group climate targets; maintaining current targets whilst keeping alternative pathways under consideration
    - Updating GHG emissions analysis to reflect changes in policy, regulation and market conditions
    - Improving sustainability narrative to reflect wider societal contribution to emissions reduction
- Loss of supply (adaptation GPR – operational): the risk of a loss of supply due to network asset failures or operability issues, upstream supply issues, extreme weather, third-party damage or security attacks resulting in disruption of energy to customers
- Mitigating actions taken by management include:
    - Preparation of ED3 submission to Ofgem (seek to evidence the need for greater investment in climate resilience)
    - Updating risk assessments to incorporate upstream supply failure scenarios
    - Reviewing/updating Group-wide assessments of climate vulnerabilities and monitoring progress against multi-decade adaptation plans
    - Ongoing flood contingency plans, including scenario planning and testing response plans
    - Acceleration of proactive pre-winter maintenance/assets checks to maximise network availability.

NG Group – TCFD

The NG Group:

- Recognises that responding to climate change and supporting the transition to net zero continue to be important considerations in shaping its strategy

- Recognises its networks and operations are crucial to transforming the energy system in the jurisdictions in which it operates.
- Is supportive of 2016 Paris Agreement's long-term goal to keep the rise in global average temperature by 2100 to well below 2°C above pre-industrial levels and to pursue efforts to limit the increase to 1.5°C
- Operated in FY26 in a complex environment of economic and political uncertainty with energy security and affordability remaining key priorities
- Has supported the recommendations of the TCFD since its initial publication; by helping it understand the impact of climate change on its operations, has benefited the NG Group by:
    - Shaping its governance structure to effectively oversee risks and opportunities
    - Aligning its business strategy to identify and seize transitional opportunities (including the significant step up in asset growth)
    - Developing values of sustainability in its corporate culture
    - Embedding climate change into its risk management framework, engaging its lines of defence to manage the associated risks

Strategy (climate related)

From a strategic perspective, an understanding of climate-related risks and opportunities informs the NG Group's strategic decision-making, as it drives unprecedented levels of investment in energy networks. The NG Group:

- is well positioned to harness the significant growth opportunities afforded by the energy transition, by enabling the transportation and distribution of clean energy to homes/businesses. This requires a fundamental upgrade of its networks, which is already being delivered
- proactively prepares/plans for the physical and transition risks associated with climate change. It uses scenario planning to explore distinct possible futures, ensuring its strategy remains resilient and adaptable; achieving emissions targets will be challenging without backing from policymakers and regulators
- is planning to invest c£70bn across its regulated energy networks in UK/US over the five years to FY31; approx. 85% is considered to be aligned with the principles of EU Taxonomy legislation directly invested into the decarbonisation of energy networks and a continued focus on electricity (c80% of NG Group assets are expected to be electric by FY31)
- Growth in clean generation and increased demand for electricity is driving a need for larger, smarter electricity networks, whilst ensuring existing energy networks remain resilient and reliable. NG Group is connecting more new generation and load faster than ever before, enabling economic growth, bolstering energy security and supporting cleaner, affordable energy

The NG Group uses scenario modelling to test how robust its strategy is to a range of possible futures out to 2050. Its scenarios are used to inform its sustainability approach and assess progress against its climate target commitments.

Transition scenario risks modelling

The NG Group models 3 bespoke transition scenarios out to 2050, tailored to the specific business environments within the UK and US (UK assumptions only noted below):

- Delayed scenario (2-4°C): a world with higher warming levels where governments, industry and consumers do not pursue the transition at pace, meaning climate targets are missed; decarbonisation progresses but is insufficient to meet net zero in 2050; geopolitics disrupts established trade flows, with supply chain impacts; policy delays; EV uptake stagnates (cost related); low uptake of heat pumps (limited policy

support); reduced opportunities for further interconnection growth beyond current pipeline; total energy consumption reduces 18% by 2050, but electricity demand increases 108% by that time

- Balanced Pathway scenario (2°C): sees approx. 2°C of warming, with the energy transition progressing at pace, but supply chain, policy and cost challenges/short-term financial concerns mean relevant jurisdictions narrowly miss targets; decarbonisation progresses but just falls short of near-term targets with c10 year delay to Clean Power 2030; geopolitical tensions continue with gradual recovery of supply chains; policy incentives maintained with reforms over time; total energy consumption reduces 31% by 2050; electricity demand increases 112% by 2050 mainly because of electrification of heat and transport; heat pump growth restricted to new builds; existing houses converting off gas continuing at current rates; EVs grow at current rate; interconnector projects progress at pace; gas for power sector still has a role to play in the 2030s beyond the maximum 5% of power generation targeted in Clean Power 2030
- Electric Net Zero scenario (1.5°C): sees approx. 1.5°C of warming, with governments/industry prioritising decarbonisation goals through supportive policies and regulatory reforms; delayed achievement of Clean Power 2030 with economy-wide net zero by 2050; geopolitical tensions ease with robust/diversified supply chains and increased international collaboration; policy progress accelerates/supports increasing investment/target delivery; faster adoption of offshore hybrid assets and overall increased interconnectors; total energy consumption reduces 32% by 2050 as more efficient electric technology replaces combustion technology; electricity demand increases 127% by 2050 with near-complete electrification of demand sectors (heat/transport); heat pumps mandated in existing homes; widespread EV adoption as policies achieve targets

These scenarios are developed internally. As part of risk management processes, changes in the external environment are continually monitored and implications for the scenarios assessed. The scenarios are not intended to be predictions of likely future events, but as tools to enhance an understanding of possible climate-related risks/opportunities and, along with strategic planning and risk management approaches, guide the NG Group in the identification of material climate-related risks and opportunities.

The NG Group tests the resilience of its business strategy against its transition scenarios, with a particular focus on the Electric Net Zero scenario, given the greater level of action required to deliver decarbonised energy systems.

The following 5 transition insights noted are most relevant to the Electric Net Zero (1.5°C) scenario:

- Achieving energy transition targets depends on effective reforms to drive clean power deployment and policies that incentivise consumer uptake of low-carbon technologies
- CTP achievement will be challenging in slower scenarios
- Electricity use and share of final demand will increase driven by consumer electrification and large load growth (data centres)
- Energy supply structure will continue to shift
- Pathways will adapt to global and local realities

The NG Group concluded by noting that:

- None of the transition scenarios threaten the NG Group's resilience
- It is well-positioned to adapt its portfolio to maximise the opportunities of the energy transition

Physical scenario risks modelling

The NG Group uses group-wide climate scenarios to directly assess its vulnerability to climate change. These scenarios benchmark global progress towards limiting warming to 1.5°C in line with the Paris Agreement and

evaluate how physical climate impacts (such as extreme weather and long-term changes in weather patterns) could affect its business.

The conclusions from the Physical insights indicated:

- Most climate hazards are expected to become more frequent, with high temperatures and coastal and river flooding posing the greatest risk across its operations
- The level of risk, in most cases, is greater in a 4°C scenario than a 2°C scenario
- Wildfire risk remains lower than other US territories, but situational awareness and operating procedures have been strengthened

Climate-related risks/opportunities

Guided by its scenario modelling, strategic planning and risk management approaches, the NG Group has assessed the climate-related risks and opportunities that pose a financially material impact, assessing the relative materiality by establishing scope of impact, timeframe and likelihood for each risk/opportunity.

Timeframes used are:

- Short (up to 1 year) – in line with annual planning and shorter-term budget processes
- Medium (from 2 to 10 years) – reflecting strategic business planning process period
- Long (10 years +) – in line with longer-term emerging risk assessment timelines/up to the date of the net zero commitment

Likelihood (being an indicative estimate of the probability for material financial impacts) is assessed with reference to the following categorisation: very low, low, moderate, high and very high.

The material climate-related risks and opportunities (focusing on impacts on the NGED Group operations) are provided in Appendix C.

From a net impact perspective, the NG Group has concluded that:

- Across all pathways, including worst-case scenarios, none of the risks identified undermine the NG Group's resilience
- The NG Group remains well-positioned to adapt its portfolio and respond to opportunities from energy transition
- Reducing uncertainty for uncontrollable risks through building resilience into operations and influencing regulatory outcomes remains essential

Risk Management

The Scheme Trustee must have processes to identify, assess and manage the climate-related risks that are relevant to the Scheme, and these must be integrated into the overall risk management of the Scheme.

Reporting on the Scheme's risk management processes provides context for how we, the Scheme Trustee, think about and address the most significant risks to our efforts to achieve appropriate outcomes for members.

The Scheme Trustee's process for identifying and assessing climate-related risks

As described earlier in the Governance section of this report, investment strategy and implementation are the responsibility of the Group Trustees for the relevant Group. The Group Trustees are therefore responsible for their approach to climate risk management for their respective Group and the oversight of this.

In identifying, assessing, and managing climate-related risks that are relevant for the Scheme, the Scheme Trustee therefore relies on the Group Trustees, in conjunction with their investment advisers, to undertake an assessment of the material climate-related risks and opportunities that are relevant for their Group.

The Scheme Trustee also expects the Group Trustees to do the following, as appropriate and proportionate in the context of specific Groups and their asset size:

Climate change scenario analysis

Undertake climate change scenario analysis, appropriate to their Group,

supported by their investment advisers.

Metrics and targets

Where appropriate and proportionate in the context of specific Groups and their asset size, undertake an assessment of their Group's progress against any specified targets or metrics.

Scheme Trustee update

This process of identifying and assessing climate-related risks has been reviewed in the process of producing this climate disclosures report and is still suitable.

Together these elements complement each other, and taken together, give the Scheme Trustee an overview of the climate-related risks and opportunities that the Scheme is exposed to. Where appropriate, the Scheme distinguishes between transition and physical risks. All risks and opportunities are assessed with reference to the time horizons that individual Group Trustees have identified as relevant. The Scheme Trustee also recognises that Group Trustees may consider much shorter or longer time-horizons, dependent on the circumstances of their Group and will ask the Groups to provide detail where such divergence arises.

The Scheme Trustee asked the Group Trustees to share information on their quantitative and qualitive assessments, in order to support the Scheme Trustee in monitoring and reviewing progress against the Scheme's climate change risk management approach on an ongoing basis.

More detailed information about the Groups' approach to Risk Management can be found in the Governance and Risk Management Annex.

Managing climate-related risks

The Scheme Trustee recognises the risks posed by climate change and, as is explained above, relies on the Group Trustees, in conjunction with their investment advisers, to undertake an assessment of the material climate-related risks and opportunities that are relevant for their Group (and so which in aggregate are relevant to the Scheme).

The Scheme Trustee also reviews the capability of its advisers to bring important and relevant climate-related issues and developments to the Scheme Trustee's attention in a timely manner.

The Scheme Trustee also expects Group Trustees to:

- Receive regular training on responsible investment and to ensure training is of an appropriate level of knowledge and in line with regulation and market practices, to support good decision-making.
- Undertake regular monitoring and reporting of ESG-related factors, and to share this information with the Scheme Trustee from time to time, in order to support the Scheme Trustee to monitor and assess progress against the Scheme's climate risk management approach on an ongoing basis. This could include both quantitative and qualitative indicators. For example, some Groups may have access to ESG ratings, made available to them through their fund managers and investment advisers.
- Establish that their investment advisers have the appropriate capability to bring important, relevant, and timely climate-related issues to their attention and do so.
- Ensure that investment proposals explicitly consider the impact of climate risks and opportunities.
- Engage with their investment managers to understand how climate risks are considered in their investment approach, and stewardship activities are being undertaken appropriately.
- Understand the climate-related risks to the sponsoring employer of each of the respective Groups over the short, medium, and long term.
- Ensure that actuarial advice adequately incorporates climate-related risk factors where they are relevant and material.

Group climate-related risk management summary

The Group Trustees have continued to develop and embed climate-related risk management practices within their wider governance, investment and risk management frameworks. Across the Groups, climate-related risks are generally considered alongside other financially material risks and are incorporated into existing governance structures, risk registers, investment policies and decision-making processes, rather than being managed through separate standalone frameworks. A common theme is the recognition that climate change has the potential to affect investment outcomes, funding positions, employer covenant strength and, ultimately, member benefit security over both the short and long term.

Groups generally adopt a combination of qualitative and quantitative approaches to identify and assess climate-related risks and opportunities. Scenario analysis remains a key tool, helping Groups assess the resilience of investment and funding strategies under a range of possible climate pathways and identify how the relative importance of climate risks may change over different time horizons. In general, transition risks are regarded as being more significant over the short to medium term, while physical climate risks become increasingly material over longer periods. Many Groups supplement this analysis with portfolio-level metrics, manager assessments and investment-specific reviews to provide additional insight into potential exposures and areas requiring further monitoring or engagement.

There is a strong emphasis across the Groups on integrating climate considerations into existing risk management arrangements. Climate-related risks are commonly included within risk registers and periodically reviewed as part of broader risk management processes. Where relevant, climate considerations are also incorporated into investment strategy reviews, actuarial valuations, covenant assessments and strategic planning exercises. Groups generally seek to prioritise climate risks based on their potential financial impact and likelihood, ensuring that climate considerations are assessed in the context of wider scheme risks and objectives.

Investment managers and advisers play a central role in supporting climate-related risk management activities. Trustees frequently rely on advisers, fiduciary managers and investment managers to identify emerging climate risks, provide scenario analysis and metrics, monitor portfolio exposures and report on stewardship activities. Many Groups have established formal processes for assessing adviser and manager capabilities in relation to climate change and responsible investment, including annual reviews, objectives and due diligence assessments. This reflects a broad recognition that effective climate risk management depends on robust governance throughout the investment chain.

Metrics & Targets

Quantitative measures of the Scheme's climate-related risks, in the form of both greenhouse gas emissions and non-emissions-based metrics, help to identify, manage and track the Scheme's exposure to the financial risks and opportunities climate change will bring.

Metrics background

We use quantitative measures to help us understand and monitor the Scheme's exposure to climate-related risks. Measuring the greenhouse gas emissions related to our assets is a way for us to assess our exposure to climate change.

As described in the Governance section of this report, the Scheme Trustee expects the Group Trustees to work with the fund managers of their respective Groups to calculate and disclose relevant climate-related metrics in line with the TCFD's recommendations. As part of this, and as described in the Risk Management section of this report, the Scheme Trustee expects Group Trustees to obtain data for climate-related metrics, track progress against a stated target for at least one of those metrics and to review the continued appropriateness of those metrics and targets over time.

This part of the report summarises the metrics that the Groups have calculated (where data is available at this stage), as well as the targets that some of the Groups have set.

Scope explanation

Greenhouse gases are produced by burning fossil fuels, meat and dairy farming, and some industrial processes. When greenhouse gases are released into the atmosphere, they trap heat in the atmosphere causing global warming, contributing to climate change. Greenhouse gases are categorised into three types or 'scopes' by the Greenhouse Gas Protocol, the world's most used greenhouse gas accounting standard.

Scope 1

All direct emissions from the activities of an organisation which are under their control; these typically include emissions from their own buildings, facilities, and vehicles.

Scope 2

These are the indirect emissions from the generation of electricity purchased and used by an organisation.

Scope 3

All other indirect emissions linked to the wider supply chain and activities of the organisation from outside its own operations – from the goods it purchases to the disposal of the products it sells.

In line with the regulatory requirement regarding the Scheme's second published climate disclosures report (and annually thereafter), the Scheme Trustee has endeavoured to report on Scope 3 emissions (in addition to Scope 1 and 2) as far as it has been able to. Scope 3 emissions are often the largest proportion of an organisation's emissions, but they are also the hardest to measure. The complexity and global nature of an organisation's value chain make it hard to collect accurate data.

For more explanation about greenhouse gas (GHG) emissions, please see the Appendix.

The Scheme’s climate-related metrics

The Group Trustees' investment advisers have collected information from the Group's managers on their GHG emissions, in order to calculate climate-related metrics for around 95% of the Scheme's total portfolio.

Overall, there are some differences in the metrics (and the underlying methodologies) that each of the relevant Groups have used, but broadly, the relevant Groups have chosen to report on a combination of the following measures:

Total Greenhouse Gas emissions

The total greenhouse gas (“GHG”) emissions associated with the portfolio is an absolute measure of carbon output from the Scheme’s investments and is measured in tonnes of carbon dioxide equivalent (“tCO2e”).

Where possible, Groups have obtained scopes 1&2 and scope 3 emissions from the managers separately.

Carbon footprint

Carbon footprint is an intensity measure of emissions that takes the total GHG emissions and weights it to take account of the size of the investment made. It is measured in tonnes of carbon dioxide equivalent per million pounds invested (“tCO2e/£m”).

Where possible, Groups have obtained scopes 1&2 and scope 3 emissions from the managers separately.

Carbon Intensity

Volume of carbon emissions per million dollars of revenue (carbon efficiency of a portfolio), expressed in tons CO2e / £M revenue.

Weighted Average Carbon Intensity ("WACI")

The portfolio’s exposure to carbon-intensive companies, expressed in tons CO2e/£M revenue. Emissions are allocated based on portfolio weights.

Data coverage

The percentage of data that is available / or not available within a portfolio.

Data quality / availability

A measure of the proportion of the portfolio that has high quality data for (i.e., data which is based on verified, reported, or reasonably estimated emissions, versus that which is unavailable).
This has been selected on the basis that it provides a consistent and comparable measure of the level of confidence in the data.

Binary Target Measurement

A metric which shows how much of the Group's assets are aligned with a climate change goal of limiting the increase in the global average temperature to 1.5˚C above pre-industrial levels.
It is measured as the percentage of underlying portfolio investments with a declared net-zero or Paris-aligned target or are already net-zero or Paris-aligned, or that have been verified by the Science Based Target Initiative ("SBTi").

Implied Temperature Rise ("ITR")

Analyses the warming scenario that the investment is aligned with on a forward-looking basis. Measured in °C. As a reminder, the 2015 Paris Agreement was to keep global temperature rises to below 2°C above pre-industrial levels.

Climate Value at Risk ("VaR")

Measures the potential future cost and/or profit relating to the holding's exposure to future climate change impacts. This looks at the aggregate of transition and physical cost and profit projections until the end of the century 2100. Measured in %.

Shareholder engagement metrics

Companies engaged on Climate-related Risk and Opportunities (CRRO): The number of engagements with companies held by the Group on CRRO: the Investment Manager will (in conjunction with their specialised climate engagement partners) assess the key climate risks and opportunities in the portfolio holdings and proactively engage to enhance shareholder value. The number of such engagements will be measured.
Climate Action 100+ Companies Engaged: The number of engagements with companies through the Climate Action 100+ initiative: the Investment Manager, through specialised climate engagement partners, will participate in climate-related engagements each year with some of the targeted companies as part of the initiative. The number of such lead engagements will be measured.
Companies achieving milestones on CRRO: The number of engagement milestones achieved on climate-related issues: companies are targeted for engagement and progress is logged, recording examples of positive change ('milestones') over each year. The number of milestones achieved each year will be measured.

Note: The RWE Group Trustees also reported on the RWE Group's exposure to climate-related opportunities.

The Group's metrics in more detail

The table on the next page summarises the metrics which each Group reported on for the purposes of this report. Most Groups reported on a combination of total GHG emissions, carbon footprint, Binary Target Measurement ("BTM") for the portfolio alignment metric and data coverage. Please note that in many instances, Groups have used the terms data coverage, data quality and data availability interchangeably.

For the intensity measure some Groups also reported on the WACI and/or carbon intensity.

For the portfolio alignment metric, some Groups elected the implied temperature rise ("ITR") instead of binary target measurements.

Finally, for the additional metric, some Groups chose to report on some less common metrics (compared to data coverage) such as climate VaR, climate opportunities and engagement metrics.

	Absolute Emissions Metric	Intensity Emissions Metric	Portfolio Alignment Metric	Additional Metric
Central Networks	Total GHG Emissions	Carbon Footprint	BTM / SBTi	Data Quality
EA Technology	Total GHG Emissions	Carbon Footprint & Intensity	BTM / SBTi	Data Quality
E.ON	Total GHG Emissions	Carbon Footprint	BTM / SBTi	Data Availability
EDF DB	Total GHG Emissions	Carbon Footprint	BTM / SBTi	Data Quality
EDF DC	Total GHG Emissions	Carbon Footprint & WACI	ITR	Data Quality & Aggregated 1p5 Climate VaR
Magnox Electric	Total GHG Emissions	Carbon Footprint	BTM / SBTi	Data Coverage
Manweb	Total GHG Emissions	Carbon Footprint	ITR	Data Coverage
National Grid Electricity	Total GHG Emissions	Carbon Footprint	BTM / SBTi	Data Coverage
Northern Powergrid	Total GHG Emissions	Carbon Footprint	BTM / SBTi	Data Coverage
RWE	Total GHG Emissions	Carbon Footprint	BTM / SBTi	Climate Opportunities
Schneider	Total GHG Emissions	Carbon Footprint & WACI	ITR	3 x Engagement Metrics, Proxy Voting Data
SSE Southern	Total GHG Emissions	Carbon Footprint & WACI	BTM / SBTi	Data Quality

UK Power Networks	Total GHG Emissions	Carbon Footprint & WACI	BTM / SBTi	Data Quality
Uniper	Total GHG Emissions	Carbon Footprint & WACI	ITR	Data Coverage & Climate VaR per scenario
United Utilities PLC	Total GHG Emissions	Carbon Footprint	BTM / SBTi ITR	Data Quality/Coverage
Western Power Distribution	Total GHG Emissions	Carbon Footprint	BTM / SBTi	Data Quality

Source: Groups. BTM / SBTi indicates groups that have selected BTM and/or SBTi.

The Scheme's GHG emissions carbon metrics

Because not all of the Groups have calculated climate-related metrics at this stage, the reported emissions metrics shown in this report do not include all of the Scheme's GHG emissions. Therefore, the metrics shown underestimate the Scheme's actual GHG emissions across the Scheme's total invested assets overall.

In addition, not all of the fund managers were able to provide all of the requested data. The Scheme Trustee expects that, in future, better information will be available from the managers (driven in part through continued engagement with the fund managers via the Groups and improvements in information availability) and this improvement will be reflected in future years' reporting.

Some of the Group Trustees have calculated climate-related metrics and have also set climate-related targets for at least one of their chosen metrics. These targets help the Group Trustees and ultimately the Scheme Trustee monitor efforts to manage each Group's climate-change risk exposure.

The rest of this report shows the emissions of each asset class in each Group's portfolio, where the Group has obtained data from its fund managers to date. It also summarises the targets chosen by some of the Groups, as well as steps that will be taken by the Groups in order to meet those targets.

Target response analysis

The majority of Groups included in this report provided between one and two targets. The two most popular targets were related to net zero followed by data coverage. In addition to this, one Group reported a target related to GHG footprint and another WACI. Two Groups did not mention any target setting in the metrics information they submitted. The table below summarised what each Group said in relation to their targets. Some Groups explicitly stated their targets, whilst others only made reference to the topic their target applied to.

Group[17]	Chosen Target
Central Networks	To align our investments to support the goal of net zero greenhouse gas emissions by 2050 with an interim 50% reduction target from 2020 levels by 2030, in line with global efforts to limit warming to 1.5°C. The target relates to the scope 1 & 2 carbon footprint metric for listed equity and bonds.

[17] Please note that not all Groups had set a climate-related target at the time of writing.

E.ON	To align our investments to support the goal of net zero greenhouse gas emissions by 2050, in line with global efforts to limit warming to 1.5°C
EDF DB	The Group Trustee has agreed to align the Group's investment strategy with the goals of the Paris Agreement. This aims to reduce total greenhouse gas emissions of the Group's DB assets to net zero by 2050. Given this is a long-term target, the Group Trustee has also set an interim target of a 50% reduction of the Group's Scope 1 and 2 carbon footprint by 2030 compared to the baseline as at 30 September 2021.
EDF DC	In March 2021, Mercer committed the Mercer Growth Fund (and other multi-client multi-asset funds) to achieving net-zero absolute portfolio carbon emissions by 2050. To achieve this, Mercer expects to reduce portfolio carbon emissions intensity (as measured by WACI) by at least 45 per cent from 2019 baseline levels by 2030. The commitment is consistent with targeting a 1.5°C limit on global temperature increases and the Paris Agreement's ambitions.
Magnox Electric	In the first year of reporting, the Group Trustee set a target to improve data coverage to 90%. Without meaningful data from the investment managers, it is very hard for the Group Trustee to measure its climate-risk exposure. Each year, the Group Trustee reviews the suitability of its targets. Based on the data collected and metrics calculated this year, the Group Trustee considers the 90% Data Coverage target for Scope 1 and 2 emissions to remain appropriate, as it has not yet been achieved.
Manweb	The Group Trustee has set a target to improve the proportion of the portfolio for which climate-related data is provided, consistent with the metrics chosen. The Group Trustee believes that by improving the coverage of the Group-specific climate-related data available, it will help the Group Trustee understand in greater detail the climate-related risks that the Group is exposed to.
National Grid Electricity	In our first year of reporting, we set a target to improve the data coverage of scopes 1 and 2 emissions. Each year we review the suitability of the target we have set. Based on the data collected and the metrics calculated this year, we believe the target continues to be suitable.
Northern Powergrid	In our first year of reporting, we set a target to improve scope 1 and 2 data coverage to above 90% coverage of carbon emissions data across all growth asset classes by 2028. In 2024, this target was expanded to include scope 3 emissions. Without meaningful data from the investment managers, it is very hard for us to measure our climate-risk exposure, so it is important to set a target to improve the data quality of the GHG emissions data from the managers.
RWE	Medium term: 50% reduction in GHG footprint of the Group's portfolio of assets (excluding government, government-related and derivative assets) by 31 March 2030 (Scope 1 & 2 emissions). Long term: Net-zero GHG footprint of the Group's portfolio of assets (excluding government, government-related and derivative assets) by 2050 or sooner (Scope 1 & 2 emissions).
Schneider	No target provided
SSE Southern	Given the nature of the assets and availability of data, the Group Trustee considers targets on a mandate-by-mandate basis to appropriately reflect the action that can be taken and the key priorities for that mandate. Given the current low levels of data available from some of the Group's investment managers and the Group Trustee's focus on engagement with managers to improve this data, the Group Trustee has set a data quality target for some of the Group's mandates where data availability is most limited.

UK Power Networks	The Group Trustee has set a medium-term target to increase data coverage for Scope 1, 2 and 3 carbon emissions for the overall portfolio to at least 50% over the next 3-5 years. This target will be monitored closely on an annual basis with a view to setting outcome-based targets once this has been achieved.
Uniper	With respect to targets, the Group Trustee has entrusted VLK to a) improve data coverage, b) invest in strategies that are aligned with their long-term climate ambition, and c) engage with existing providers to achieve net zero ambitions. Progress is reviewed on a long-term holistic basis, as the Group Trustee considers how to meet its climate goals and their fiduciary duty to deliver members' benefits. VLK's medium-term sustainability ambitions are twofold. First, to invest in underlying funds that score highly (3 out of 5 or above) on their sustainability spectrum. Second, for both liquid and non-liquid assets to be Paris-aligned (2.0°C pathway) by 2030, subject to availability of suitable investments and without compromising the Group Trustees' Fiduciary Objectives.
United Utilities PLC	Given the significance of climate change risks, the Trustee has set a firm ambition to reach "net zero" emissions by 2050 for listed assets. The Trustee has also set an interim target of achieving a 50% reduction in scope 1 and 2 emissions (i.e. the scopes for which where there is an appropriate level of quality data) for these assets by 2030, as measured by the carbon footprint metric, relative to a baseline date of 31 March 2023. The baseline figure was 87 tCO2e/$m invested at 31 March 2023 (based on the available data at that time).
Western Power Distribution	To align our investments to support the goal of net zero greenhouse gas emissions by 2050 with an interim 50% reduction target from 2020 levels by 2030, in line with global efforts to limit warming to 1.5°C. The target relates to the scope 1 & 2 carbon footprint metric for listed equity and bonds.

Group Responses

Central Networks

Net assets[18] as at 31 March 2026: £2,558m.

The following information should be read in conjunction with the Group's disclaimers included in Appendix D.

Chosen metrics

The following metrics are provided:

Metric category	Selected metric
Absolute emissions	Total Greenhouse Gas Emissions
Emissions intensity	Carbon Footprint
Portfolio Alignment*	% of portfolio companies with targets approved by the Science Based Targets initiative (SBTi)
Additional non-emissions metric	Data Quality

* Our portfolio alignment metric is calculated as the percentage of the in-scope corporate portfolio (listed equities and corporate credit; Scope 1 and 2) invested in issuers with SBTi-validated targets at the measurement date, using data from our climate data provider(s) (e.g., MSCI) and/or managers. The metric is portfolio-weighted, and where issuer-level SBTi data is missing, exposures are treated as not aligned (unless reliable evidence is available), which may understate alignment.

Metrics results

Emissions associated with our direct financed exposure:

Asset class	% portfolio exposure	% coverage Scope 1 + 2	% coverage Scope 3	Absolute Financed Emissions tCO2e		Carbon Footprint: Emissions intensity tCO2e/£m invested	
				Scope 1+2	Scope 3	Scope 1+2	Scope 3
Equity	10.7%	98.7%	99.2%	13,809	101,748	49.3	363.5
Credit	7.2%	71.9%	71.6%	31,152	162,025	166.6	866.2
New Forestry	0.4%	100%	N/A	1,296	N/A	124.4	N/A
Total	**18.3%**	**88.2%**	**88.2%**	**43,666**	**263,773**	**91.6**	**564.9**

Notes: Source: Mercer & Managers, using data from MSCI. Analysis is based on stocklists as at 31 December 2025, using latest available data feeds as at 28 May 2026. Gresham corporate bond analysis has been proxied using the iBoxx iShares $ High Yield Corporate Bond Index on proxies and assumes proportion of eligible assets to be 100%. Managers captured: Aquila, iShares EM, Egerton, Bishopsgate, Gresham, Bidwells

[18] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

The Woodland Carbon Code is the UK government scheme for calculating and registering Woodland Carbon Credits that can formally be used in offsetting. The Woodland Carbon Code calculator only looks at the carbon benefit of the physical footprint of new woodlands ("New Forestry") and not the wider land. The model also excludes commercial Forestry. Although the Group's commercial Forestry does not currently meet the criteria for gaining woodland carbon credits that can be used for offsetting reporting purposes, it is (strongly) carbon negative i.e. absorbs more carbon than it produces.

In the table below we have included the approximate carbon sequestration benefit of the remaining Forestry portfolio which, due to regulatory advice, cannot be considered for offsetting purposes.

Asset class	% portfolio exposure	% coverage Scope 1 + 2	Absolute Financed Emissions tCO2e	Carbon Footprint: Emissions intensity tCO2e/£m invested
			Scope 1+2	Scope 1+2
Forestry	8.4%	100%	61,730	282.0

A full breakdown of data quality of the 18.3% exposure analysed has been provided below:

	Verified	Reported	Estimated	Unavailable
Total	54.4%	20.1%	15.0%	11.5%

Emissions associated with our sovereign financed exposure:

Asset class	Physical exposure	Derivative exposure	Total Carbon Emissions (tCO2e)		Sovereign intensity	
			Production (inc. LULUCF)	Consumption	Production emissions (tCO2e/£m PPP adjusted GDP)	Consumption emissions (tCO2e/capita)
LDI	64.6%	35.4%	241,757	366,465	90.9	8.0

Notes: represents sovereign bond exposure within the Insight LDI Active 18 Funds

Commentary on the metrics

The changes in the corporate climate-related metrics year on year ("YoY") to 31 March 2026 are as follows:

Metric	YoY change	Comment
Total Greenhouse Gas Emissions	Decreased (improved) by c. 46% YoY	The portfolio's absolute emissions and carbon footprint have fallen, largely reflecting this year's methodology enhancements. All available manager holdings were processed through a centralised tool, producing results more consistently across the full portfolio and providing a more robust, like-for-like basis for comparison. We expect this to support more meaningful year-on-year comparisons going
Carbon Footprint	Decreased (improved) by c. 30% YoY	

		forward; however, it also means that some managers' results (for example, Gresham) appear lower than last year due to the updated approach.
SBTi Alignment	Decreased by c. 3% YoY	The share of assets aligned with, or committed to, Science Based Targets initiative (SBTi) targets has decreased. This has been driven primarily by lower allocations to credit managers compared with last year, while equity allocations have remained broadly consistent. As a result, the proportion of SBTi-aligned exposure within the credit allocation has fallen, which in turn has reduced the portfolio's overall percentage of SBTi-aligned companies.

For some metrics, comparability with previous years' disclosures is limited due to the refinements to existing definitions:

Sovereign production and consumption emissions data have been introduced for the first time within the Group's climate governance report. In previous years, sovereign metrics were shown in relation to GDP and therefore makes any comparison to previous years challenging. Reporting of metrics is an evolving space.

Comparison of Data Quality metric with previous years is also challenging due to a change in the metric reported this year. Previously, Data Quality was defined primarily as data coverage, representing the proportion of the portfolio for which emissions data was available. While informative, this approach did not distinguish between varying levels of data robustness. This year, Data Quality is shown based on the proportion of the portfolio for which the Trustee has high-quality emissions data, providing a clearer view of the reliability of the underlying metrics. As with other methodological enhancements, this change limits direct comparison with prior years' disclosures, but we believe it offers a more meaningful assessment of data strength and will support improved governance and decision-making as climate data continues to evolve.

Limitations, assumptions and methodology

Total Greenhouse Gas Emissions

The Trustee Directors have chosen this metric to understand the absolute amount of emissions financed by the Group's investments.

In respect of sovereign debt investments, the Trustee Directors follow the Partnership for Carbon Accounting of Financials ('PCAF') to derive absolute emissions.

Carbon Footprint

Analysing an investment fund's Carbon Footprint assists the Trustee Directors in identifying carbon-intense sections of the Group's portfolio. The Trustee Directors have therefore chosen this metric to assist them in prioritising carbon intense parts of the investment strategy for potential re-allocation or engagement as a means of mitigating associated climate-related risks.

% of portfolio companies with net zero targets approved by the Science Based Targets initiative (SBTi)

The Trustee Directors have chosen this metric because it provides a measure of portfolio alignment with the goals of the Paris Agreement. Underlying funds with a low percentage of companies with SBTi-approved

targets could indicate investment in companies or issuers that are not setting targets to align their businesses or activities with net zero, which is a forward-looking indication of climate transition risk.

The Trustee Directors are cognisant that the SBTi's coverage across additional companies and sectors is expanding rapidly, whilst recognising that the Initiative does not currently cover every sector.

Data Quality

The Trustee Directors have 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 the how representative the analysis is of the Group's actual portfolio.

Data Quality also assists the Trustee Directors 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 Group's portfolio increases. In addition, the Trustee Directors are able to identify the companies in the portfolio that are not currently reporting emissions data and use this as the basis for engagement.

Notes to support Net Zero Pathway analysis

The Group's Carbon Footprint Projection and ultimate target uses an emissions intensity metric, which is the total GHG emissions per £1m invested. This is useful because, while subject to market fluctuations, it allows us to compare our emissions year-on-year and help us check we are moving in the direction of achieving our targets. Both the absolute emissions and emissions intensity should trend to zero net greenhouse gas emissions (no additional greenhouse gases released into the atmosphere) if we're to meet our Net Zero target by 2050.

Fully assessing progress of the portfolio towards Net Zero will still take some time. Data is limited in some asset classes so we will continue to first focus on where we have the greatest insight and can have most influence. These data limitations have led us to use 2020 as a base year for our analysis.

The table below summarises the parameters set for the interim target and shows the progress of the Group against the target using the 31 December 2025 metrics:

Parameter	Value	Rationale
Assets within scope	Listed equities and corporate bond assets (scope 1 and 2 emissions) within funds used in the default arrangements	Data is limited in some asset classes so this analysis is in line with our continued focus on where we have the greatest insight and can have most influence.
Baseline date	31 December 2020	Due to the availability of data at the time of this TCFD report the baseline is taken from 2020 for this pathway analysis. This will also allow for more robust future assessments of year-on-year progress.
31 December 2020 (baseline) level	77.6 tonnes of CO2e per £m invested	The baseline level has been calculated as per the following: Developed Market Equity: Proxied by MSCI World as at 31 December 2020. Credit: Emissions intensity data as at 31 December 2020.

31 March 2026 (current) level*	91.6 tonnes of CO_2e per £m invested	The current level has been calculated as an average of the underlying fund carbon footprint figures, weighted by average asset value as at 31 March 2026. We note that the methodology could change in the future as the industry evolves. If this is the case, these figures would be restated.

*Data represents allocations as at 31/03/2026

Targets

We have set the following principal target with respect to the Group:

- To align our investments to support the goal of net zero greenhouse gas emissions by 2050 with an interim 50% reduction target from 2020 levels by 2030, in line with global efforts to limit warming to 1.5°C. The target relates to the scope 1 & 2 carbon footprint metric for listed equity and bonds.

Specifically, we commit to:

- Work in partnership with other asset owners on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner.
- An interim target for 2030, consistent with a fair share of the 50% global reduction in greenhouse gases, identified as a requirement in the IPCC special report on global warming of 1.5°C[19], based on 2022 levels.
- Review the progress against our target every year, and to review the target itself at least every three years, to ensure it remains consistent with the latest scientific thinking and is appropriately incentivising the necessary economic transition.

Our objective is to achieve, where possible, decarbonisation through the transformation of underlying businesses and government activities rather than divestment (because it is in our members' interests to decarbonise the economy-as-a-whole, and by remaining invested we retain our influence on the companies that must transition).

With regards to corporate assets' alignment with the Paris Climate Agreement, the target over time is to consistently increase the proportion of the corporate portfolio that is Net Zero, Aligned to Net Zero or Aligning to Net Zero until 100% of the portfolio is aligned.

We will resist pressure to modify portfolios to meet headline portfolio level decarbonisation targets at the expense of incentivising the necessary real-world transition. Our goal is net zero greenhouse gas emissions globally – and we seek to maximise our influence to achieve this.

The portfolio emissions intensity will be measured against these targets and relative to the appropriate market portfolio representative of the strategic asset allocation of the portfolio.

A wide range of factors will affect whether we achieve our targets and we have varying degrees of control over these factors. For example, the quality and availability of data means that the quoted greenhouse gas emissions are likely to change. For the LDI portfolio, the progress of the UK Government will have a significant influence over the timing of reaching net zero.

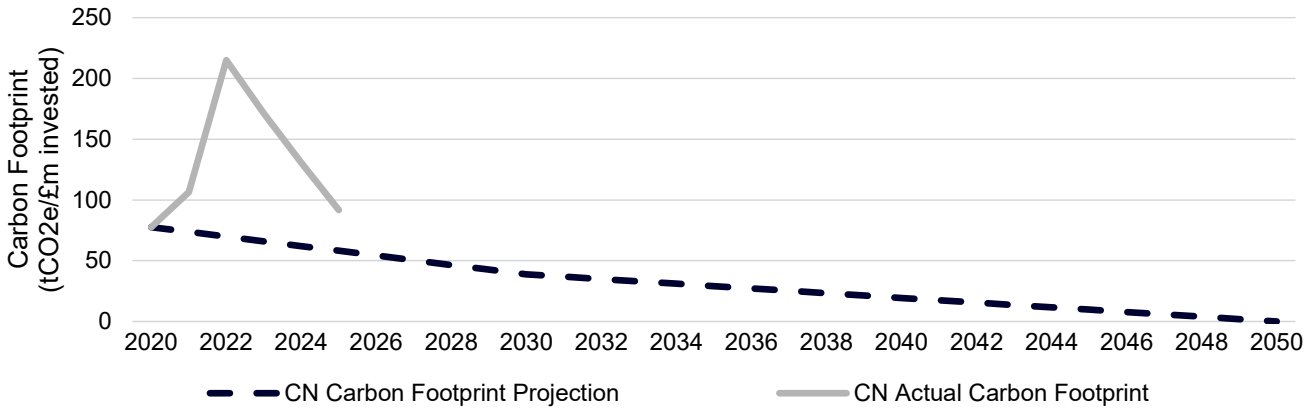
Ultimately achieving the desired level of decarbonisation will depend on global economies overall successfully decarbonising. Notwithstanding that there are factors outside of our control, our' intention is to meet our targets and we engage with our asset managers to make clear our requirements.

[19] https://www.ipcc.ch/reports/

Net Zero Pathway analysis

The tracker has been updated to reflect the latest results, reflecting the scope 1 & 2 direct financed carbon footprint (i.e. not including emissions associated with our sovereign financed exposure). Progress against our target is measured using the portfolio Carbon Footprint (tCO2e per GBP 1m invested) for in-scope assets (Scope 1 and 2 financed emissions), comparing the current value to the 2020 baseline and the implied pathway to 2030/2050. The Carbon Footprint is calculated as a value-weighted average of underlying fund and may include estimates where holdings-level data is unavailable (including public market proxies).

Figure 3: Net Zero Pathway



Source: Mercer

As noted above, there has been a 30% YoY decrease in the portfolio's carbon footprint, resulting in continued improvement vs our net zero target relative to 2020 baseline levels.

We have considered the fact that the current Carbon Footprint exceeds the 2020 baseline and remain satisfied that continuing to use 2020 is appropriate, as although this represents a more ambitious reduction in Carbon Footprint overtime, the Group continue to track towards their target level.

While the reduction is largely driven by methodological improvements in this year's report, the use of a consistent framework across all relevant holdings provides a stronger basis for future comparison. We are encouraged by the direction of travel toward portfolio decarbonisation.

We note that over 2020 to 2025 the emissions intensity is marginally higher. This is as a result of:

- The baseline target date of 2020 being during the Covid 19 pandemic, which due to lockdowns, saw fluctuations in energy use.
- The Credit proportion of the portfolio that's currently analysed under TCFD has increased substantially since 2020. In 2020, only 4.7% was held in Credit but in 2021, the strategic allocation of the portfolio changed and an additional 3.5% was added via introducing Bishopsgate. The Credit allocation reached 8.2% in 2021 leading to a more carbon intensive portfolio compared to baseline levels (as the Credit positions held in the portfolio are considerably more carbon intensive than the Equity holdings).

Actions and next steps

Our Investment Adviser has committed to:

- Provide us with information, metrics and analytics on net zero greenhouse emissions by 2050 investing and climate change-related risks and opportunities.

- Engage with those key to the investment system including data and service providers to ensure that products and services available to the Trustee Directors are consistent with the aim of achieving global Net Zero emissions by 2050 or sooner.
- Ensure any relevant direct and indirect policy engagement is undertaken in support of achieving global net zero greenhouse gas emissions by 2050 or sooner.

We will:

- Take account of and report on progress against Scope 1 and 2 emissions and, to the extent possible, material portfolio Scope 3 emissions.
- Prioritise the achievement of real economy emissions reductions within the sectors and companies in which we invest.
- Use the reporting provided by our Investment Adviser to help us assess progress towards our targets.

Whilst we expect our portfolio to trend towards our 50% emissions reduction target by 2030, we'll take the decisions necessary to align the portfolio consistent with our net zero emissions by 2050 goal.

EDFG

Net assets[20] as at 31 March 2026: £5,392m.

The following information should be read in conjunction with the Group's disclaimers included in Appendix D.

EDFG - Defined Benefit Section

Chosen metrics

In line with the regulatory requirements, the Group Trustee has adopted four climate metrics to monitor and report on:

DWP Suggested metric	Metric selected	Rationale
Absolute Emissions	Total greenhouse gas emissions of the Group's assets	This is the absolute emissions metric recommended by the DWP.
Emissions Intensity	Carbon Footprint	This is the emissions intensity metric recommended by the DWP. This metric is the total emissions divided by the total assets under management in the portfolio. It useful as an indication of carbon emissions per £m invested.
Portfolio Alignment	Science-based target initiative (SBTi)	This metric examines whether a voluntarily disclosed company decarbonisation target is aligned with a relevant science-based pathway.
Additional Metric	Data Quality	This metric provides insight into the reliability of underlying climate data, thereby enhancing the reliability of the output from the Group's other metrics.

The chosen metrics are reviewed at least annually to ensure they remain relevant and appropriate for the Group. At the March 2026 Group Trustee Board meeting the Group Trustee agreed to maintain the same metrics for the 2026 TCFD report.

The Group Trustee noted that the Portfolio Alignment metric, which relies on voluntary targets set by corporations is to some extent dependent on a supportive policy environment. Given the weakening global policy environment, this will be reconsidered by the Group Trustee ahead of publication of the next TCFD report.

Metrics results

The Group Trustee notes that the Group's scope 1&2 carbon footprint is 72 tCO2e / £m invested, a reduction from the 77 tCO2e / £m invested recorded last year. This can largely be explained by asset allocation changes away from more carbon intensive funds rather than uniform decarbonisation across the Group's

[20] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

portfolio. The Group's estimated total scope 1 & 2 financed emissions is 222,773 tCO2e, a small reduction from the 255,717 tCO2e last year.

The Group Trustee reports the emissions from return-seeking assets separately from sovereign assets, rather than at an aggregated level recognising that there is likely to be a degree of double counting between the two. The carbon emissions intensity of the LDI portfolio are reported on a Production (scope 1) and Import (scope 2&3) basis, in line with guidance from the PCAF. The scope 1 carbon emissions intensity of the LDI portfolio is 120 tCO2e/£m, and the scope 2&3 carbon emissions intensity is 93 tCO2e/£m, as at 31 March 2026. While the scope 1 carbon emissions intensity of the LDI portfolio has decreased this year, the scope 2&3 carbon emissions intensity has increased slightly, from 90 tCO2e/£m last year.

With the exception of two mandates; LGIM World Equity Index and M&G Sustainable Total Return Credit Investment Fund, which have c.98% and c.78% coverage on scope 1&2 emissions respectively, the metrics have been modelled at an asset class level. This is due limitations in the availability of robust and credible emissions data for the underlying securities in the funds. The expectation is that the output will evolve over time as data availability improves following the implementation of global sustainability accounting standards and more widespread disclosure of emissions data.

To date the Group Trustee has used the results to identify the funds with higher emissions, which has informed discussions with the investment managers. Subject to at least maintaining the overall investment characteristics of the Group's portfolio, the Group Trustee will continue to explore low-carbon alternative investment options and update investment guidelines for investment managers where the Group Trustee has discretion to make such changes.

Note: All analysis is provided by the Group's DB investment adviser, Gallagher (Administration & Investment) Limited (Gallagher), and the data in the report is sourced from MSCI ©.

Absolute Emissions and Emissions Intensity

Fund	Fund Value (£m)	Carbon Emissions (tCO2e)				Carbon Intensity (tCO2e / EVIC £m)			
		Current - Scope		Previous – Scope		Current - Scope		Previous - Scope	
		1 & 2	3	1 & 2	3	1 & 2	3	1 & 2	3
Liquid Markets (Equities)									
L&G World Equity Index (MSCI) Fund - GBP Currency Hedged	356.6	14,331	204,293	12,291	160,647	40.2	572.9	41.2	538.3
Liquid Markets (Multi-Asset)									
Amundi Multi-Strategy Growth Fund	173.2	3,822	36,471	3,331	34,381	22.1	210.6	21.1	217.6
Man AHL Target Risk Fund	259.5	4,055	131,101	4,318	147,457	15.6	505.3	18.3	625.8
Ruffer Absolute Return Fund (Segregated Account)	205.7	8,811	79,829	10,167	100,388	42.8	388.0	39.1	386.4
Liquid & Semi-Liquid Credit									
Aegon European ABS Fund	212.9	17,389	120,863	7,213	73,302	81.7	567.7	36.4	370.1
Beach Point SCF X Fund	10.4	1,556	10,241	1,943	9,906	149.0	980.6	181.2	923.8
BlueBay Leveraged Finance Total Return Fund	199.6	27,319	200,211	35,815	212,936	136.9	1,002.9	151.5	900.8
CQS Credit Multi Asset Fund	196.7	26,913	197,235	37,681	224,029	136.9	1,002.9	151.5	900.8
Janus Henderson UK & Europe ABS	211.0	17,231	119,765	7,294	74,122	81.7	567.7	36.4	370.0
M&G Sustainable Total Return Credit Investment Fund	198.0	6,051	97,741	6,695	97,655	30.6	493.6	35.2	512.9
PIMCO Low Duration Opportunities Fund	85.9	6,832	51,968	5,006	40,477	79.6	605.3	61.5	497.3
Schroders Alternative Securitised Income Fund	224.5	19,880	139,640	13,310	118,765	88.6	622.1	64.5	575.2
Illiquid Credit									
GSAM Loan Partners IV (Levered) Fund	13.1	5,456	35,921	7,693	42,288	415.3	2,734.0	504.9	2,775.3

Fund	Fund Value (£m)	Carbon Emissions (tCO2e)				Carbon Intensity (tCO2e / EVIC £m)			
		Current - Scope		Previous – Scope		Current - Scope		Previous - Scope	
		1 & 2	3	1 & 2	3	1 & 2	3	1 & 2	3
GSAM Loan Partners IV (Unlevered) Fund	11.8	1,477	9,726	2,779	15,274	124.7	821.0	166.6	915.9
M&G Illiquid Credit Opportunities Fund II	39.9	5,938	39,087	14,921	76,084	149.0	980.6	298.1	1,520.0
M&G Illiquid Credit Opportunities Fund V	46.2	6,876	45,263	17,572	89,607	149.0	980.6	298.1	1,520.0
M&G Real Estate Debt Fund VI	22.3	1,769	12,524	4,740	29,940	79.3	561.7	110.1	695.6
Illiquid Markets									
CBRE Satellite Portfolio	73.4	572	7,464	1,779	7,869	7.8	101.7	19.2	84.7
CBRE UK Property PAIF	120.7	1,223	4,701	1,276	5,643	10.1	38.9	10.6	47.1
Partners Group Fund	451.5	45,270	401,159	59,392	501,845	100.3	888.5	107.3	906.3
Totals	3,112.8	222,773	1,945,203	255,717	2,064,833	71.6	624.9	77.0	621.6

Absolute Emissions and Emissions Intensity - Sovereigns

Fund	Fund Value (£m)	Carbon Emissions (tCO2e)				Carbon Intensity (tCO2e / PPP-adjusted GDP £m)			
		Current		Previous		Current		Previous	
		Production (Scope 1)	Import (Scope 2 & 3)	Production (Scope 1)	Import (Scope 2 & 3)	Production (Scope 1)	Import (Scope 2 & 3)	Production (Scope 1)	Import (Scope 2 & 3)
LDI and Overlay									
L&G Segregated LDI	2,158.4	477,691.4	368,228.1	509,980.8	358,835.3	120.1	92.6	127.9	90.0

1 Totals figures are not a sum of individual asset figures due to asset allocation changes over the year.

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

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

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

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

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

Please note that, as countries do not have an EVIC, we attribute sovereign emissions based on PPP-adjusted GDP. As a result, they are not comparable with corporate emissions.

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Portfolio Alignment

Fund	Fund Value (£m)	Science Based Targets initiative Rating (Asset Weighted)	
		Current	Previous
Liquid Markets (Equities)			
L&G World Equity Index (MSCI) Fund - GBP Currency Hedged	356.6	54.6%	45.8%
Liquid Markets (Multi-Asset)			
Amundi Multi-Strategy Growth Fund	173.2	-	26.0%
Man AHL Target Risk Fund	259.5	-	-

Fund	Fund Value (£m)	Science Based Targets initiative Rating (Asset Weighted)	
		Current	Previous
Ruffer Absolute Return Fund (Segregated Account)	205.7	-	4.6%
Liquid & Semi-Liquid Credit			
Aegon European ABS Fund	212.9	-	-
Beach Point SCF X Fund	10.4	-	-
BlueBay Leveraged Finance Total Return Fund	199.6	-	16.5%
CQS Credit Multi Asset Fund	196.7	-	19.9%
Janus Henderson UK & Europe ABS	211.0	-	-
M&G Sustainable Total Return Credit Investment Fund	198.0	21.2%	15.4%
PIMCO Low Duration Opportunities Fund	85.9	-	23.2%
Schroders Alternative Securitised Income Fund	224.5	-	-
Illiquid Credit			
GSAM Loan Partners IV (Levered) Fund	13.1	-	-
GSAM Loan Partners IV (Unlevered) Fund	11.8	-	-
M&G Illiquid Credit Opportunities Fund II	39.9	-	-
M&G Illiquid Credit Opportunities Fund V	46.2	-	-
M&G Real Estate Debt Fund VI	22.3	-	-
Illiquid Markets			
CBRE Satellite Portfolio	73.4	-	-
CBRE UK Property PAIF	120.7	-	-
Partners Group Fund	451.5	-	-
Totals	**3,112.8**	**7.6%**	**9.8%**

All “Current Total Portfolio” figures in this table are weighted averages with the exception of “Fund Value” and “ITR” (where it is presented).

“Previous” figures show climate metrics from 12 months prior to “Current” figures. Fund-level “Previous” figures may not sum to the “Previous Total Portfolio” figures because the “Total Portfolio” values may contain funds that have now been divested from and not reported in this table. Where presented, “Science Based Target initiative (SBTi)” are based on look through data where it is available and never proxied. The SBTi score reflects only the long positions within a portfolio. ESG and MSCI Carbon Metrics meet the current minimum UK DWP's TCFD-aligned “Metrics and Targets” regulations. However, regulations are subject to change. Redington monitors developments closely. Certain information ©2025 MSCI ESG Research LLC. Reproduced by permission.

Additional Metric - Data Quality - Scope 1 & 2

Fund	Fund Value (£m)	Grade 1 – Verified	Grade 2 – Unverified or estimated from energy consumption	Grade 3 – Estimated from company production	Grade 4 – Estimated from company revenue and sector	Grade 5 – Other estimated
Liquid Markets (Equities)						
L&G World Equity Index (MSCI) Fund - GBP Currency Hedged	356.6	77.8%	15.8%	0.0%	4.6%	1.8%
Liquid Markets (Multi-Asset)						
Amundi Multi-Strategy Growth Fund	173.2	0.0%	0.0%	0.0%	0.0%	100.0%
Man AHL Target Risk Fund	259.5	0.0%	0.0%	0.0%	0.0%	100.0%
Ruffer Absolute Return Fund (Segregated Account)	205.7	0.0%	0.0%	0.0%	0.0%	100.0%
Liquid & Semi-Liquid Credit						
Aegon European ABS Fund	212.9	0.0%	0.0%	0.0%	0.0%	100.0%
Beach Point SCF X Fund	10.4	0.0%	0.0%	0.0%	0.0%	100.0%
BlueBay Leveraged Finance Total Return Fund	199.6	0.0%	0.0%	0.0%	0.0%	100.0%

Fund	Fund Value (£m)	Grade 1 – Verified	Grade 2 – Unverified or estimated from energy consumption	Grade 3 – Estimated from company production	Grade 4 – Estimated from company revenue and sector	Grade 5 – Other estimated
CQS Credit Multi Asset Fund	196.7	0.0%	0.0%	0.0%	0.0%	100.0%
Janus Henderson UK & Europe ABS	211.0	0.0%	0.0%	0.0%	0.0%	100.0%
M&G Sustainable Total Return Credit Investment Fund	198.0	43.5%	28.2%	0.0%	6.3%	21.9%
PIMCO Low Duration Opportunities Fund	85.9	0.0%	0.0%	0.0%	0.0%	100.0%
Schroders Alternative Securitised Income Fund	224.5	0.0%	0.0%	0.0%	0.0%	100.0%
Illiquid Credit						
GSAM Loan Partners IV (Levered) Fund	13.1	0.0%	0.0%	0.0%	0.0%	100.0%
GSAM Loan Partners IV (Unlevered) Fund	11.8	0.0%	0.0%	0.0%	0.0%	100.0%
M&G Illiquid Credit Opportunities Fund II	39.9	0.0%	0.0%	0.0%	0.0%	100.0%
M&G Illiquid Credit Opportunities Fund V	46.2	0.0%	0.0%	0.0%	0.0%	100.0%
M&G Real Estate Debt Fund VI	22.3	0.0%	0.0%	0.0%	0.0%	100.0%
Illiquid Markets						
CBRE Satellite Portfolio	73.4	0.0%	0.0%	0.0%	0.0%	100.0%
CBRE UK Property PAIF	120.7	0.0%	0.0%	0.0%	0.0%	100.0%
Partners Group Fund	451.5	0.0%	0.0%	0.0%	0.0%	100.0%
Totals	**3,112.8**	**11.7%**	**3.6%**	**0.0%**	**0.9%**	**83.8%**

Additional Metric - Data Quality - Scope 3

Fund	Fund Value (£m)	Grade 1 – Verified	Grade 2 – Unverified or estimated from energy consumption	Grade 3 – Estimated from company production	Grade 4 – Estimated from company revenue and sector	Grade 5 – Other estimated
Liquid Markets (Equities)						
L&G World Equity Index (MSCI) Fund - GBP Currency Hedged	356.6	0.0%	89.6%	0.0%	8.6%	1.8%
Liquid Markets (Multi-Asset)						
Amundi Multi-Strategy Growth Fund	173.2	0.0%	0.0%	0.0%	0.0%	100.0%
Man AHL Target Risk Fund	259.5	0.0%	0.0%	0.0%	0.0%	100.0%
Ruffer Absolute Return Fund (Segregated Account)	205.7	0.0%	0.0%	0.0%	0.0%	100.0%
Liquid & Semi-Liquid Credit						
Aegon European ABS Fund	212.9	0.0%	0.0%	0.0%	0.0%	100.0%
Beach Point SCF X Fund	10.4	0.0%	0.0%	0.0%	0.0%	100.0%
BlueBay Leveraged Finance Total Return Fund	199.6	0.0%	0.0%	0.0%	0.0%	100.0%
CQS Credit Multi Asset Fund	196.7	0.0%	0.0%	0.0%	0.0%	100.0%
Janus Henderson UK & Europe ABS	211.0	0.0%	0.0%	0.0%	0.0%	100.0%
M&G Sustainable Total Return Credit Investment Fund	198.0	0.0%	68.2%	0.0%	10.7%	21.1%
PIMCO Low Duration Opportunities Fund	85.9	0.0%	0.0%	0.0%	0.0%	100.0%
Schroders Alternative Securitised Income Fund	224.5	0.0%	0.0%	0.0%	0.0%	100.0%
Illiquid Credit						
GSAM Loan Partners IV (Levered) Fund	13.1	0.0%	0.0%	0.0%	0.0%	100.0%
GSAM Loan Partners IV (Unlevered) Fund	11.8	0.0%	0.0%	0.0%	0.0%	100.0%

M&G Illiquid Credit Opportunities Fund II	39.9	0.0%	0.0%	0.0%	0.0%	100.0%
M&G Illiquid Credit Opportunities Fund V	46.2	0.0%	0.0%	0.0%	0.0%	100.0%
M&G Real Estate Debt Fund VI	22.3	0.0%	0.0%	0.0%	0.0%	100.0%
Illiquid Markets						
CBRE Satellite Portfolio	73.4	0.0%	0.0%	0.0%	0.0%	100.0%
CBRE UK Property PAIF	120.7	0.0%	0.0%	0.0%	0.0%	100.0%
Partners Group Fund	451.5	0.0%	0.0%	0.0%	0.0%	100.0%
Totals	**3,112.8**	**0.0%**	**14.6%**	**0.0%**	**1.7%**	**83.7%**

Targets

The Group Trustee has set an explicit climate target for the Group. In particular, the Group Trustee has agreed to align the Group's investment strategy with the goals of the Paris Agreement. This aims to reduce total greenhouse gas emissions of the Group's DB assets to net zero by 2050. Given this is a long-term target, the Group Trustee has also set an interim target of a 50% reduction of the Group's Scope 1 and 2 carbon footprint by 2030 compared to the baseline as at 30 September 2021. These targets are embedded in the governance, strategy and risk management processes via their inclusion in the quarterly reporting provided to the Group Trustee by Gallagher.

These targets were reviewed over the year, and the Group Trustee continues to believe that they are complementary to the Group's wider objectives. However, the Group Trustee notes that these targets were originally set on the assumption that the low-carbon transition would occur at a reasonable pace, supported by the implementation of necessary climate policies and regulations. Given the slow progress on the transition to date, the Group Trustee recognises that these targets may need to be recalibrated. As such, the Group will reassess the targets within the next year in line with fiduciary duty.

EDFG - Defined Contribution Section

Chosen metrics

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

- Absolute emissions: Total Greenhouse Gas emissions
- Emissions intensity: Carbon Footprint, Weighted Average Carbon Intensity (WACI)
- Portfolio Alignment: Implied Temperature Risk (ITR)
- Additional non-emissions based:
    - Aggregated 1p5 Climate VaR: Measures the potential future cost and/or profit relating to the holding's exposure to future climate change impacts. This looks at the aggregate of transition and physical cost and profit projections until the end of the century 2100. Measured in %.
    - Data quality

Metrics results

Absolute Emissions Metrics (Scope 1 and 2)

	Group Assets (£m)	Proportion in Listed Assets	Corporates		Sovereigns	
			Absolute Emissions (tonnes CO_2E)	Data coverage	Absolute Emissions (tonnes CO_2E)	Data coverage
The Annuity Retirement Strategy	**32.0**	93.6	749.0	98%	1,231.2	100%
The Cash Retirement Strategy	**21.1**	91.3	443.7	95%	621.5	100%

Notes: Data Source: MSCI Barra One, Mercer Calculations. Calculated figures are rebased for representative full coverage. Figures are based on best-available data at time of calculation. Calculation methodologies are subject to change based on evolving market standards. The absolute emissions data is Group specific and based on the AUM in both the Annuity and Cash Lifestyles.

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Emissions Intensity, Portfolio Alignment and Non-Emission Based Metrics

The Annuity Retirement Strategy			Listed Assets (73% of fund)		Sovereign Assets (27% of fund)	Implied Temperature Rise (°C)	Aggregated 1p5 Climate VaR (%)
Fund	Fund Weight	Coverage for WACI and Carbon Footprint	WACI / $m Sales	Carbon Footprint / £m invested	Carbon Intensity tCO2e / $m PPP-Adjusted GDP		
Mercer Growth Fund	80.8%	98%	91.6	26.1	175.3	3.1	-8.0
L&G Future World Annuity Aware Fund	19.2%	98%	68.6	21.0	99.0	2.6	-12.5
Total Portfolio	**100.0%**	**98%**	**89.1**	**25.5**	**144.3**	**2.9**	**-8.6**

Note: Best practice & methodologies have changed for quoting sovereign metrics where sovereign metrics are now split between production (including and excluding 'land-use, land-use change and forestry'/ 'LULUCF') and consumption emissions. Due to these changes, no direct comparison of the sovereign outputs can be made to previously reported sovereign metrics prior to 30 June 2024. For the purposes of this report, we have included ex-LULUCF figures.

Data Quality	Non Eligible	Sovereigns	Verified	Reported	Estimated	Not Reported	Not Estimated
Scope 1 & 2	5.2%	26.7%		61.4%	5.4%	1.3%	
Scope 3	5.2%	26.7%			67.1%		1.0%

Scope 3 (total portfolio)	Upstream	Downstream
Carbon Footprint (tCO2e/£m invested)	83	177
WACI (tCO2e/$m revenue)	234	361
Estimated absolute emissions (metric tonnes)	2,649	5,674

The Cash Retirement Strategy			Listed Assets (83% of fund)		Sovereign Assets (17% of fund)	Implied Temperature Rise (°C)	Aggregated 1p5 Climate VaR (%)
Asset Class	Fund Weight	Coverage for WACI and Carbon Footprint	WACI / $m Sales	Carbon Footprint / £m invested	Carbon Intensity tCO2e / $m PPP-Adjusted GDP		
Mercer Growth Fund	67.1%	98%	91.6	26.1	491.3	3.1	-8.0
Mercer Diversified Retirement Fund	11.7%	95%	111.1	33.3	12.1	3.1	-11.1

BlackRock Institutional Sterling Liquidity	21.3%	87%	2.2	0.5	0.0	2.4	-2.6
Total Portfolio	**100.0%**	**95%**	**69.7**	**20.0**	**621.5**	**2.9**	**-6.9**

Note: Best practice & methodologies have changed for quoting sovereign metrics where sovereign metrics are now split between production (including and excluding 'land-use, land-use change and forestry'/ 'LULUCF') and consumption emissions. Due to these changes, no direct comparison of the sovereign outputs can be made to previously reported sovereign metrics prior to 30 June 2024. For the purposes of this report, we have included ex-LULUCF figures.

Data Quality	Non Eligible	Sovereigns	Verified	Reported	Estimated	Not Reported	Not Estimated
Scope 1 & 2	4.7%	17.1%		69.2%	5.0%	4.0%	
Scope 3	4.7%	17.1%			74.2%		4.0%

Scope 3	Upstream	Downstream
Carbon Footprint (tCO2e/£m invested)	53	114
WACI (tCO2e/$m revenue)	213	376
Estimated absolute emissions (metric tonnes)	1,505	3,229

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Data Source: MSCI Barra one and Mercer calculations

Calculated figures are rebased for representative full coverage.

Proxies are applied where appropriate.

Figures are based on best-available data at time of calculation. Calculation methodologies are subject to change based on evolving market standards

Coverage is defined as the proportion of the asset class that usable carbon emission and revenue data are available for, i.e. if we have a coverage value of 99.8% of an underlying fund / asset class this means 0.2% of the data is missing. For the basis of these calculations, it is assumed that the missing 0.2% behaves in a similar way to the available data and so the available data is pro-rated to account for the missing data. While this is an assumption, we believe this is a reasonable proxy to be used.

When calculating tonnes of carbon dioxide equivalent emissions (tCO2e) Scope 1 and 2 emissions are reported separately to scope 3 emissions. This is for two reasons; 1) coverage of scope 3 disclosure remains insufficient to use reliably and 2) inclusion may lead to double counting at portfolio level. Scope 1, 2 and 3 emissions are as defined by the GHG protocol - Greenhouse Gas Protocol | (ghgprotocol.org) Please note that Carbon Footprint is provided in USD by the fund manager, we have converted to GBP using the following exchange rate, USD/GBP – 0.74347 as at 31 December 2025. Sourced from Refinitiv.

Data quality for Scope 1 and 2 is split between; not eligible, sovereigns, reported, estimated and not reported. Data quality for Scope 3 is split between; not eligible, sovereigns, estimated and not estimated. Whilst a level of reported data is available under scope 3, given the vast discrepancies in scope 3 calculation methodologies across underlying companies we are using estimated data where possible for consistency in reporting. This approach will be reviewed in future as scope 3 data becomes more reliable.

Upstream Scope 3 emissions: defined as indirect carbon emissions related to purchased or acquired goods and services; and Downstream Scope 3 emissions: defined as indirect carbon emissions related to sold goods and services.

Limitations, assumptions and methodology

Coverage is defined as the proportion of the asset class that usable carbon emission and revenue data are available for, i.e. if we have a coverage value of 99.8% of an underlying fund / asset class this means 0.2% of the data is missing. For the basis of these calculations, it is assumed that the missing 0.2% behaves in a similar way to the available data and so the available data is pro-rated to account for the missing data. While this is an assumption, we believe this is a reasonable proxy to be used.

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Upstream Scope 3 emissions: defined as indirect carbon emissions related to purchased or acquired goods and services; and Downstream Scope 3 emissions: defined as indirect carbon emissions related to sold goods and services.

All modelling provided by Mercer.

Targets

The Group Trustee will adopt the targets as set by the delegated investment manager, MWS. The Group Trustee and MWS are committed to reducing the overall WACI over time.

The target for the Mercer Growth Fund has been set against WACI and is aligned with the funds' net-zero commitment.

What is the commitment?

- In March 2021[21], Mercer committed the Mercer Growth Fund (and other multi-client multi-asset funds) to achieving net-zero absolute portfolio carbon emissions by 2050[22]. To achieve this, Mercer expects to reduce portfolio carbon emissions intensity (as measured by WACI) by at least 45 per cent from 2019 baseline levels by 2030. The commitment is consistent with targeting a 1.5°C limit on global temperature increases and the Paris Agreement's ambitions.
- Robust analysis informed Mercer's view that this carbon reduction target, supported by a climate transition plan, is possible while remaining consistent with investment objectives and risk/return profiles to deliver on both short and long term expectations and best interests.
- The goal is to reduce both Absolute Emissions and WACI to net zero by 2050 (considering only Scope 1 and Scope 2) i.e. focused on emissions reductions but likely with some carbon removals included in due course.

[21] The commitment was announced March 2021, but uses a **31 December 2019** baseline.

[22] Defined as: absolute carbon emissions (Scope 1&2) per $M of AUM. Note that absolute emissions are the priority for real world emissions outcomes, however, Weighted Average Carbon Intensity (WACI) remains an important measure from a portfolio perspective for decision making in the shorter term.

- WACI figures are based on listed assets only and does not include sovereign assets. For sovereign exposures, Mercer will be tracking what portion of countries have made net zero commitments and at what date – the weighted average year for reaching net zero should move to 2050 or sooner. Metrics used for country/sovereign exposures are not directly comparable with listed figures, as such the two are not compared, aggregated or otherwise mixed.

Progress to date is as follows (WACI: tCO2e/$m revenue):

	Mercer Growth	Progress towards target
31 Dec 2019 (Baseline)	329.6	
31 Dec 2025 (Target)	*248.7*	
31 Dec 2025 (Actual)	91.6	-72% (below)

MWS will be working closely with its appointed investment managers to identify and manage a staged emissions reduction plan, oversee allocations to climate solutions and steward an increase in transition capacity across the funds. It is evident that the Group is making good progress for the Mercer Growth Fund, as the current WACI figure is below the target threshold for the year. Significant progress was made during 2025 as a result of strategic asset allocation changes. These changes altered the equity and fixed income portfolio construction methodology to align more with that of global index weightings. The Group Trustee is comfortable maintaining the current target and will continue to monitor progress against the target annually.

In order to ensure that the target is met, the MWS IGC has updated its responsible investment four pillar framework. While retaining the four pillar structure, the refreshed wording and emphasis ensure the Committee's sustainability priorities, and in particular climate related risks and opportunities, are clearly reflected and integrated across the investment arrangements. The four pillar framework covers the following four key areas:

- Invest: MWS increases exposure to companies with stronger sustainability credentials and those delivering solutions to the climate challenge. When selecting managers and constructing allocations, the MWS IGC favours strategies that demonstrate clear sustainability objectives and measurable outcomes, using Mercer's manager research to identify managers who integrate ESG and climate considerations into security selection and portfolio construction.
- Influence: MWS actively uses engagement and voting to influence investee companies to improve practices and manage climate risks. The MWS IGC expects managers to engage on the Committee's priorities (including climate change), monitors engagement activity and voting behaviour, and seeks evidence that engagement is driving improved long-term outcomes rather than being purely descriptive.
- Align: MWS proactively aligns the multi asset funds to pathways consistent with the Committee's climate objectives. This includes allocating to Paris aligned or ESG tilted benchmarks, setting and tracking decarbonisation targets (for example WACI reductions and net zero commitments), and working with managers on transition aligned strategies and staged emissions reduction plans to reduce portfolio carbon intensity over time. Since 2019 the carbon emission intensity, as measured by WACI, of the Growth Fund has reduced by 63% and the Diversified Retirement Fund has reduced by 52%. As such, these funds have already hit their 2030 interim target.
- Limit: MWS applies targeted limits and exclusions to reduce exposure to activities or issuers with lower sustainability credentials where appropriate. The MWS IGC regularly reviews exclusions and threshold limits (for example on specified fossil fuel activities and other standard exclusions), and considers screening and allocation constraints as part of the wider toolkit to manage climate-related risks across the investment arrangement.

The Group Trustee is satisfied that good progress is being made with integrating climate considerations into the Mercer Growth Fund, which is reflected in the reduction shown above and ESG Framework assigned to the appointed underlying investment strategies by the Group Trustee's advisors. The Group Trustee also notes that allocations are being introduced (where feasible) to funds that have a dedicated sustainability focus in terms of exclusions applied and significantly lower carbon emissions compared to global equities.

E.ON

Net assets[23] as at 31 March 2026: £2,984m.

Chosen metrics

We calculate and disclose the following metrics:

- Absolute financed emissions
- Carbon Footprint
- Data availability (as shown as % coverage)
- SBTi Alignment Metric

  The metric is either provided by the underling managers or calculated using third-party climate data providers, which match the Group's holdings to public SBTi commitments made by investee companies

  The analysis includes listed equities and corporate bonds, where company-level data on SBTi target setting is available

  The methodology considers only companies with verified targets or publicly committed to setting targets via the SBTi process.

Metrics results

Emissions associated with our direct financed exposure as at 31 December 2025

Asset class	% Portfolio allocation (in scope)	% Coverage (Scope 1 and 2 Coverage)	Absolute Financed Emissions tCO_2e		Carbon Footprint: Emissions intensity tCO_2e/£m investment		SBTI %
			Scope 1+2	Scope 3	Scope 1+2	Scope 3 (For Sovereigns we report Scope 1,2 and 3)	
Equity	17%	100%	21,993	230,932	44	467	52%
Return Seeking Credit	6%	95%	12,704	68,529	99	535	–
Sovereigns	1%	100%	4,998	2,224	196	87	–
Alternatives	4%	48%	8,449	122,571	66	2,285	–
Dynamic Growth Portfolio	**28%**	**95%**	**48,144**	**424,257**	**64**	**591**	**34%**
Private assets	**6%**	**91%**	**4,135**	**37,163**	**23**	**203**	–

[23] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

Cashflow Driven Investments	**16%**	**86%**	**42,289**	**151,672**	**80**	**346**	**28%**
Total ex LDI	50%	91%	94,568	613,091	64	460	28%

Notes:

- Certain information ©2025 MSCI ESG Research LLC. Dated 31/12/2025. Calculation methodology is to aggregate metrics by weight and underlying holding up to total portfolio level where listed data is available from MSCI. Non-public information is taken direct from the Investment Manager.
- In-scope assets exclude Cash, Derivatives and Commodities
- We exclude data on alternatives, private assets and loans for which data is not available
- Return Seeking Credit is Gresham and Towers Watson ACF
- Sovereign emissions include UK and US government emissions
- Growth Alternatives with data provided are Marshall Wace ESG, AQR APEX and AQR Alt trends, Lazard, JPM European hedge fund, and Kadensa
- Growth Private Assets in scope is Cambridge Westwood
- Cashflow Driven Investments includes Buy and Maintain, Securitised and Credit Alternatives
- Holdings weights are rebalanced to represent in-scope assets in each portfolio. Absolute emissions are scaled to 100% coverage
- Non-public information is direct from the Investment Manager
- We have assumed SBTI data is estimated if not clear. SBTI is only appropriate for listed assets and therefore certain asset classes do not have data available

Key takeaways

- Coverage is strong overall, and improved with more of the total portfolio covered versus last year. Data availability is weakest in Alternatives, as expected
- Scope 3 emissions continue to dominate, emphasising the importance of continuing to report and for the industry to improve its standards
- Overall carbon footprint has reduced from 74 tco2e / £m to 64 tco2e / £m. The change in strategy over the scheme year has moved the assets towards a more diversified, lower risk portfolio, with more contractual assets. Overall the strategy has a lower carbon footprint associated and the Group Trustee is satisfied with these results
- As well as the change in portfolio strategy, each of the individual components have seen their carbon footprint reduce
- Absolute emissions have risen due to the increase in data coverage, as expected

Sovereign bond carbon footprint

E.ON LDI portfolio

	Portfolio Allocation	Absolute emissions Scope 1, 2 and 3 (tCO_2e)	Weighted average carbon intensity (Scope 1, 2 and 3) (tCO_2e/£mPPP-adjusted GDP)
LDI Active	27%	587,565	234

Source: LDI manager as at 31/12/2025. Derivatives, cash and short gilt positions have been excluded. ,Metrics include Land Use, Land Use Change and Forestry We show the intensity in GBP this year rather than USD for consistency across the portfolio. Emissions shown are Scope 1, 2 and 3 which is the preferred industry standard, not directly comparable to last year which showed Scope 1 and 2 only. The NPower LDI portfolio has been consolidated during the scheme year.

There has been an increase in both intensity and absolute emissions reported as a result of methodology change (noted above). The Group Trustee will monitor this, though acknowledges there is limited scope to influence the results.

Limitations, assumptions and methodology

Data Gaps

Data coverage is currently incomplete for certain asset classes, including private equity, sovereign debt, infrastructure, real estate, hedge funds, and multi-strategy funds. This is due to either the lack of company-level SBTi disclosures in these sectors or the inability to obtain sufficient look-through into underlying holdings.

Additionally, some small and mid-cap public companies do not yet report or engage with SBTi, limiting data availability in these areas.

Progress will continue to be monitored through industry collaborations (e.g. IIGCC, PRI) and active participation in initiatives that aim to expand SBTi applicability and encourage alignment across a broader range of asset classes.

Limitations

We are acutely aware that Asset Managers' methodologies can vary and whilst we encourage our Asset Managers to follow best practices and complete industry standard templates, there is a limit to the extent we can practically vet the data provided.

When measuring at the portfolio level, where we aggregate the emissions of investee companies, our approach is to disclose Scope 1 and 2 emissions (to avoid double counting). We also report separately on government bond exposures due to aggregation challenges with government bonds, and differing methodologies.

Scope 3 emissions help us better understand a company's sensitivity to climate change-related risks and opportunities, and its ability to transition. It can therefore help to understand relative performance of different companies within industries.

While we believe companies should disclose their Scope 3 emissions, we note that there are a number of data challenges which will take time to resolve.

As shown in the table above, approximately 77% of the portfolio's assets are included within the emissions data.

We note that approximately 27% of the portfolio is invested in Liability Driven Investments (LDI), which includes exposure to UK Gilts/Sovereign Bonds. We separate the sovereign bond carbon footprint from the corporate exposure, and this is explained below.

We recognise this does not cover all of the portfolio's Corporate exposure and that this coverage level is a limitation when disclosing our emissions data. We note that the majority of public market equity issuing companies are already being covered and that the credit issuing company analysis is still developing.

Methodology

Absolute emissions tell us the emissions associated with our investments. While an important metric for us – and the regulator – it is difficult to use this metric for comparison purposes, because it is dependent on the size of the Group at the point, we conduct the analysis.

Therefore, we disclose an emissions intensity metric (or carbon footprint), which is the total GHG emissions per £1m invested. This is useful, because, while subject to market fluctuations, it allows us to compare our emissions year-on-year and help us check we are moving in the direction of achieving our targets. For example, both the absolute emissions and emissions intensity should tend to zero if we're to meet our net zero target.

The emissions data does not currently capture the Group's exposure to the following types of asset classes or investment vehicles, due to inherent limitations in data availability, transparency, and methodology:

- Cash and cash equivalents, which do not generate emissions and are therefore excluded from carbon footprinting metrics.
- Certain derivative-based or short-duration funds, particularly those with minimal long-term credit or equity exposures, where the underlying holdings are either not disclosed or change too frequently to enable meaningful emissions attribution.
- Macro funds, which typically invest based on macroeconomic trends using complex instruments and global exposures, often through derivatives, making it difficult to assess emissions accurately.
- Multi-strategy funds, which combine various investment approaches such as long/short equity, global macro, credit, and arbitrage. These funds often feature high turnover, dynamic asset allocation, and limited transparency into underlying holdings, creating significant barriers to emissions tracking and climate risk assessment.
- Opaque or hedge fund-like structures, where there is limited or no look-through access to the underlying assets, preventing accurate assessment of financed emissions or climate-related exposures.

We report sovereign bonds carbon footprint separately from this measure for several reasons:

1. There is no comparable measure for sovereign bonds to financed EVIC (enterprise value including cash) i.e., sum of the market capitalisation of ordinary & preferred shares, book value of debt and non-controlling interests and cash.
2. Total Sovereign country greenhouse gas emissions involves substantial double counting of emissions with corporate greenhouse gas emissions, and
3. We believe adding sovereign numbers to corporate numbers can substantially obscure the dynamics of monitoring the changes to the portfolio's corporate emissions intensity over time.

Our preferred approach to calculating total sovereign emissions is based on the methodology developed by the Partnership for Carbon Accounting Financials (PCAF), which provides specific guidance for sovereign emissions accounting. For carbon intensity, we favour a metric that is closely aligned with corporate emissions methodology, defined as total sovereign emissions per USD million of GDP, adjusted for purchasing power parity (PPP). Using PPP-adjusted GDP allows for a more accurate comparison of carbon intensity across countries by accounting for differences in the relative cost of goods and services. The LDI manager is

responsible for producing analysis in line with this methodology, and the relevant metrics are reported separately below.

Targets

The target we have set in relation to the metrics calculated

The Group Trustee has set the following principal target with respect to the Group:

- To align our investments to support the goal of net zero greenhouse gas emissions by 2050, in line with global efforts to limit warming to 1.5°C

Specifically, we commit to:

- Work in partnership with other asset owners on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner
- An interim target for 2030, consistent with a fair share of the 50% global reduction in greenhouse gases, identified as a requirement in the IPCC special report on global warming of 1.5°C[24] , based on 2019 levels.
  2019 is the baseline year as we have confidence in the climate change data from this year and is prior to the Covid 19 pandemic, which due to lockdowns, saw fluctuations in fossil fuel use
- Review the progress against our target every year, and to review the target itself at least every three years, to ensure it remains consistent with the latest scientific thinking and is appropriately incentivising the necessary economic transition
- Whilst the investment strategy was considered over the latest reporting period, we note that during the year, the Group Trustee changed its Investment Adviser and appointed Schroders as the OCIO manager. As such the Group has transitioned towards a revised investment strategy. Now the transition is complete the Group Trustee will revisit the appropriateness of our climate targets and metrics monitored (or pathway in Chart 1) during 2026 as part of a deep dive ESG and Sustainability review. In addition to this, we are cognisant of the rapidly evolving geopolitical tensions that are likely to impact our review of our climate targets

The portfolio emission intensity will be measured against these targets.

Our objective is to achieve where possible decarbonisation through the transformation of underlying businesses and government activities rather than divestment (because it is in our members' interests to decarbonise the economy-as-a-whole, and by remaining invested we retain our influence on the companies that must transition). When doing so, we consider two simultaneous objectives:

- Aiming for the best financial risk/reward.
- Aiming for the maximum influence and impact in achieving the target objectives because we believe this helps address the systematic risks associated with climate change.

The steps we are taking to achieve our target

Our OCIO manager has committed to:

- Provide us with information, metrics and analytics on net zero greenhouse emissions by 2050 investing and climate change-related risks and opportunities

[24] https://www.ipcc.ch/reports.

- Engage with those key to the investment system including data and service providers to ensure that products and services available to the Group Trustee are consistent with the aim of achieving global Net Zero emissions by 2050 or sooner
- Ensure any relevant direct and indirect policy engagement is undertaken in support of achieving global net zero greenhouse gas emissions by 2050 or sooner

We will:

- Take account of and report on progress against Scope 1 and 2 emissions and, to the extent possible, material portfolio Scope 3 emissions
- Prioritise the achievement of real economy emissions reductions within the sectors and companies in which
  we invest
- Use the reporting provided by our OCIO manager to help us assess progress towards our targets

The method we used to measure performance against our target

We have developed a Net Zero decarbonisation framework which is being applied to the management of the Group's assets in order to help the Group Trustee achieve its decarbonisation targets. The framework is based off
a four-stage process:

1. **Influence and Support** – influence and support companies to change, remain invested in those with credible plans. This is implemented through engagement with our OCIO manager and our Asset Managers.
2. **Avoid or underweight** – avoid companies we think will not successfully make the transition and represent stranded assets and underweight assets that are less likely to successfully transition. Again, this is implemented through engagement with our OCIO manager and Asset Managers.
3. **Measure** – measure progress made in the broad markets and economies, and in the portfolio holdings towards Net Zero. Measure or assess the managers capabilities in influence and impact.
4. **Re-assess** – assess the portfolios progress against the planned Net Zero pathway and decide how the approach needs to be adjusted.

Given the appointment of Schroders as the OCIO manager towards the end of 2025 the Group Trustee will review this framework with the OCIO manager during 2026. The Group Trustee are keen to collaboratively work with the Sponsor to ensure climate related targets for the Group and Sponsor are aligned.

Schroders' Climate Transition Action Plan details their net zero framework and timescales and targets in place as a firm. Specifically, they have set science based targets to align Schroders' clients' investment portfolios (including OCIO clients) at an overall level to a 2.2ºC pathway by 2030 and 1.5ºC by 2040. This is consistent with
a net zero emissions by 2050 goal. Schroders' targets have been formally validated by the Science Based Targets Initiative (SBTi).

We have constructed a Net Zero Pathway (Chart 1) for the Group given our target timeframes.

Notes to support Net Zero Pathway analysis

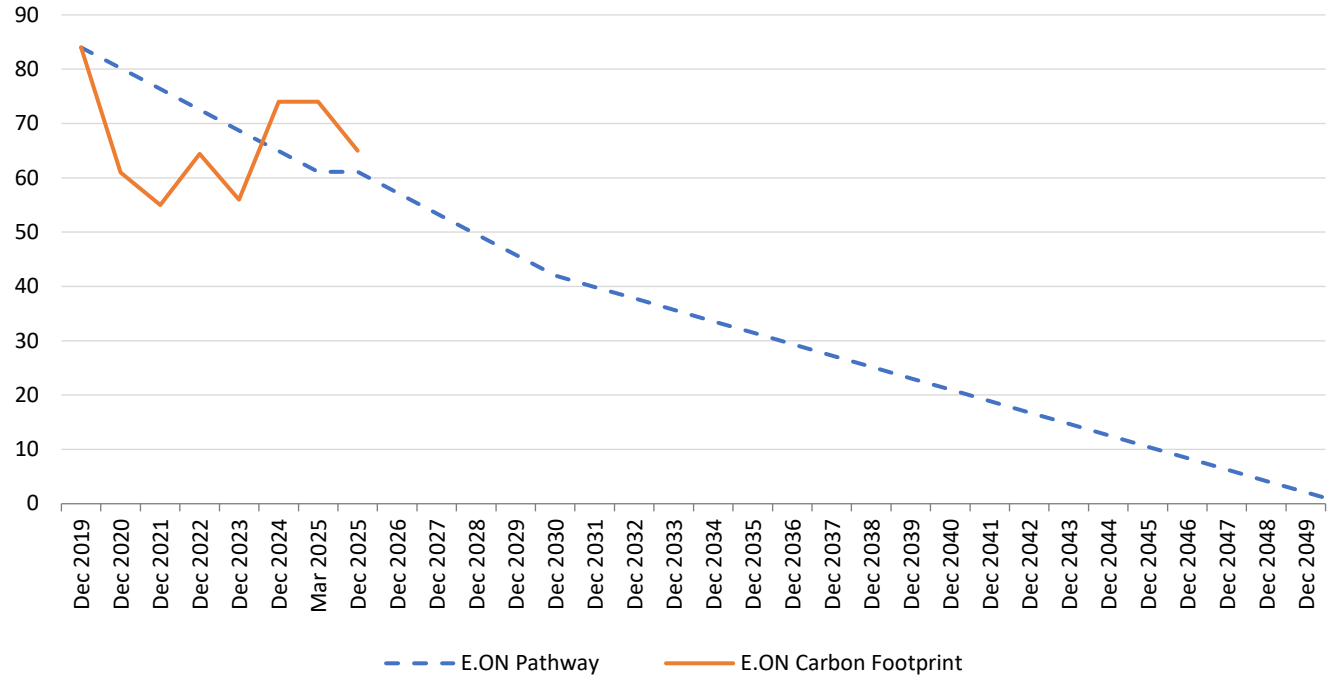
- The Group's Carbon Footprint emissions target uses an emissions intensity metric, which is the total GHG emissions per £1m invested. This is useful, because, while subject to market fluctuations, it allows us to compare our emissions year-on-year and help us check we are moving in the direction of achieving our targets

- Both the absolute emissions and emissions intensity should trend to 0 net greenhouse gas emissions (not adding greenhouse gases to the atmosphere) if we're to meet our Net Zero target by 2050

- Fully assessing progress of the portfolio towards Net Zero will still take some time. Data is limited in some asset classes so we will continue to focus on the data where we have the greatest insight and can have most influence. We therefore show total portfolio excluding LDI, for assets which data is available, in Chart 1
    - This analysis is used to monitor our long-term effort to contribute to decarbonising the economy. Therefore, we do not include the Short Equity and Credit impact, as it does not remove GHG emissions from the atmosphere. It is, however, useful when considering the climate risks of our portfolio

Chart 1: Net Zero Pathway

Carbon Footprint tCO_2e/£m invested



Source: Schroders.

Notes: *This represents the Group's Long Equity from 2019 and Long Equity and Credit Scope 1&2 emissions from April 2023. In 2025 in scope assets are those excluding LDI, cash, derivatives and commodities.

Interpreting Chart 1 and the 2 lines shown

- Because we believe issues remain with the quality and coverage of the data, our framework currently focuses on Scope 1 and 2 emissions
- EON Pathway comprises three key data points: Our estimated emissions as of 2019 (our base year), our 50% emissions reduction target by 2030, and our 100% emissions reduction target by 2050
- EON Carbon Footprint is our actuals. It comprises our annual emissions. This was estimated in 2019, 2020 and 2021 (using our regional benchmark), and records our portfolio's actual carbon footprint in 2022, 2023, 2024 and in March 2025 and December 2025. The previous investment advisor reported metrics in March while our current OCIO manager reported data this year as at 31 December 2025 in

order to meet regulatory deadlines. This will be updated annually at 31 December going forwards by the OCIO manager

- Our emissions methodology has evolved over the last few years, and will continue to as data improves

Conclusions from our 2025 Net Zero Pathway analysis

- The Group Trustee has established the Net Zero Decarbonisation framework to support the long-term monitoring of our carbon footprint. We remain cautious when drawing conclusions from these short-term results.
- We are acutely aware that methodologies can vary and whilst we encourage our Asset Managers to follow
  best practices and complete industry standard templates, there is a limit to the extent we can practically vet
  the data provided.
- As at 31 December 2025, the Group is tracking above the Group's target but carbon footprint has reduced compared to 2024. It should be noted that coverage of data has improved over recent years and most notably within credit over this reporting year. Given credit assets have a higher scope 1+2 emissions intensity this has contributed to the Group tracking above the pathway line. The Group Trustee is comfortable in the progress being made against the target, acknowledging the difficulty in making a direct comparison to previous years due to the change in strategy.
  We will continue to monitor progress annually and consider action if there is a material deviation from the pathway

Prioritising real-world Outcomes over portfolio-level targets

While we measure our carbon footprint to track the progress of the portfolios and the real-world decarbonisation over time, and we have set headline decarbonisation targets, this is not what we believe should drive portfolio change. We will resist pressure to modify portfolios to meet headline portfolio level decarbonisation targets at the expense of incentivising the necessary real-world transition. Our goal is to be aligned with the successful shift to net zero greenhouse gas emissions globally – and we seek to maximise our influence to support this. In the long-term, this is the only effective strategy to mitigate the systemic effects on markets of climate change. For these reasons, portfolio decarbonisation targets will continue to be reviewed every few years to ensure they remain appropriate and aligned to the achievement of the Group's fiduciary objectives.

Magnox Electric

Net assets[25] as at 31 March 2026: £2,123m.

The following information should be read in conjunction with the Group's disclaimers included in Appendix D.

Chosen metrics

The Group Trustee has agreed to report on Total Greenhouse Gas ("GHG") Emissions, Carbon Footprint, Data Coverage and Binary Target Measurements.

Metrics results

The Carbon metrics – Section level

The table below shows a more detailed breakdown of the climate-related metrics from each Section of the Group (where available).

			Data Coverage (%)		Total GHG emissions (tCO2e)		Carbon Footprint		Portion of portfolio SBTi aligned
Section	**Allocation (%)***	**Year**	**Scope 1&2**	**Scope 3**	**Scope 1&2**	**Scope 3**	**Scope 1&2**	**Scope 3**	
SLC Section	95.9%	2025	88.2%	74.2%	50,595	415,460	44.8	437.5	25.5%
	95.9%	2024	77.8%	52.0%	62,083	158,040	56.9	216.5	33.6%
Cavendish Nuclear Section	1.8%	2025	29.9%	29.5%	444	3,360	59.8	458.2	12.8%
	1.7%	2024	33.2%	32.7%	194	1,484	23.8	184.8	26.2%
Atkins Section	2.1%	2025	86.5%	0.0%	3,430	-	152.8	-	50.2%
	2.2%	2024	99.7%	0.0%	2,491	-	85.9	-	0.0%
NNL Section	0.2%	2025	56.8%	54.6%	65	590	43.1	409.1	29.4%
	0.2%	2024	46.6%	46.1%	41	363	35.0	315.07	33.3%
Total Group (excl. LDI)	**100.0%**	**2025**	**87.1%**	**71.9%**	**54,534**	**419,409**	**47.0**	**437.6**	**25.7%**
	100.0%	**2024**	**77.2%**	**50.5%**	**64,800**	**159,887**	**57.4**	**216.4**	**32.7%**
LDI	100.0%	2025	100.0%	-	Physical: 107,991	-	135.6	-	-
					Synthetic: 247,987	-			
	100%	2024	100.0%	-	Physical:136,698	-	141.2	-	-
					Synthetic: 221,760				

[25] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

Source: Investment Advisers/Managers. Figures may not sum due to rounding.

Data as at 31 March 2025 or latest available. Excludes cash and funds deemed immaterial or not applicable for carbon analysis.

*Allocation excludes holdings in LDI.

Commentary on material movements in the metrics in the table above is provided on page 14.
Scope 3 is not applicable to LDI, as it contains primarily UK sovereign bonds and scope 3 emissions are not yet widely available for UK sovereign bonds.

Emissions associated with LDI includes both physical emissions (emissions associated with physical assets that are held within the portfolio) and synthetic emissions (emissions associated with the notional exposure to sovereign bonds gained through derivatives).

LDI is calculated using the following sources:

- UK national emissions as at 31 December 2024 from the Emissions Database for Global Atmospheric Research.
- PPP-adjusted GDP as at 31 December 2024 from the Organization for Economic Cooperation and Development.

For the LDI assets, carbon metrics are shown solely in relation to the Group's physical and repurchase (repo) gilt holdings.

The Carbon metrics – Asset class level

The table below shows a more detailed breakdown of the climate-related metrics from each asset class of the Group (where available).

			Data Coverage (%)		**Total GHG emissions (tCO2e)**		**Carbon Footprint**		**Portion of portfolio SBTi aligned**
Section	**Allocation** (%)	**Year**	**Scope 1&2**	**Scope 3**	**Scope 1&2**	**Scope 3**	**Scope 1&2**	**Scope 3**	
Equities	0.0%	2025	-	-	-	-	-	-	-
	0.3%	2024	100.0%	97.8%	23	583	4.9	129.7	93.5%
Diversified Growth Funds	0.6%	2025	56.8%	54.6%	181	1,648	43.1	409.1	29.4%
	0.6%	2024	38.8%	38.5%	122	1,090	35.0	315.0	27.7%
Property & Infrastructure	64.2%	2025	95.5%	75.1%	20,771	101,606	25.4	158.2	28.7%
	60.0%	2024	88.6%	50.0%	30,831	26,128	39.8	59.8	42.5%
Liquid Credit	12.4%	2025	91.4%	91.4%	15,183	65,271	100.2	430.6	42.5%
	11.6%	2024	75.7%	75.7%	10,186	47,898	79.2	372.6	57.9%
Illiquid Credit	20.9%	2025	59.2%	57.7%	14,969	250,884	90.9	1,563.5	4.2%
	25.8%	2024	50.3%	43.8%	21,147	84,188	111.4	509.2	0.7%
Annuities	1.9%	2025	86.5%	0.0%	3,430	-	152.8	-	50.2%
	2.0%	2024	99.7%	0.0%	2,490	-	85.9	-	0.0%
Total Group (exc. LDI)	**100.0%**	**2025**	**87.1%**	**71.9%**	**54,534**	**419,409**	**47.0**	**437.6**	**25.7%**
	100.0%	**2024**	**77.2%**	**50.5%**	**64,800**	**159,887**	**57.4**	**216.4**	**32.7%**

Source: Investment Advisers/Managers. Figures may not sum due to rounding.

Data as at 31 March 2025 or latest available. Excludes cash and funds deemed immaterial or not applicable for carbon analysis.

Commentary on material movements in the metrics in the table above is provided on page 14.
Scope 3 is not applicable to LDI, as it contains primarily UK sovereign bonds and scope 3 emissions are not yet widely available for UK sovereign bonds.

Emissions associated with LDI includes both physical emissions (emissions associated with physical assets that are held within the portfolio) and synthetic emissions (emissions associated with the notional exposure to sovereign bonds gained through derivatives).

See Appendix 05 – Climate metrics in detail for further information.

LDI is calculated using the following sources:

- UK national emissions as at 31 December 2024 from the Emissions Database for Global Atmospheric Research.
- PPP-adjusted GDP as at 31 December 2024 from the Organization for Economic Cooperation and Development.
- For the LDI assets, carbon metrics are shown solely in relation to the Group's physical and repurchase (repo) gilt holdings.

Commentary

Aggregated Scope 1 and 2 emissions decreased by c.16% over the year, while data coverage increased by c.10%, suggesting that the Group's investment managers were able to provide more information on the Group's assets. The Group's Scope 1 & 2 carbon footprint also decreased by c. 18%, implying that the reduction in aggregate emissions is due to changes within the portfolio rather than a fall in the Group's asset value.

Scope 3 emissions increased significantly over the year. Scope 3 emissions are estimated and year-on-year increases are expected as underlying data quality and coverage improve. Data coverage for Scope 3 emissions increased by c. 20% and the overall level of Scope 3 emissions increased by c. 100%, although considerable challenges across the industry remain with reporting Scope 3 emissions (for example, potential double counting of upstream and downstream emissions and inconsistent methodology and assumptions across managers/asset classes). The Group Trustee therefore remains focused on reviewing Scope 1 & 2 emissions.

There were several changes within the underlying asset classes.

- Property & Infrastructure Scope 1 & 2 emissions decreased, predominantly due to a fall in emissions reported by IFM and Infrared. Scope 3 emissions increased as a result of higher data coverage and IFM and L&G providing Scope 3 data this year.
- Liquid Credit Scope 1, 2 & 3 emissions increased. This is attributable to an increase in the underlying data shared by Robeco for the Buy and Maintain credit portfolio. Additionally, a new investment, the Robeco Global Credit Fund, in the Cavendish Nuclear Section also contributed to higher emissions compared to last year.
- Illiquid Credit Scope 1 and 2 emissions decreased. This was attributable to a fall in emissions reported by most of the Illiquid Credit managers as the funds mature and return capital. Additionally, BGO did not provide complete data at the time of writing, which led to a further decrease in reported emissions. Scope 3 emissions increased due to higher Scope 3 emissions reported by Chorus and Hayfin. Hayfin reported higher Scope 3 emissions from a single underlying borrower, which now represents the vast majority of the fund's Scope 3 emissions, and Chorus Fund IV's emissions changed mainly due to amortisations and redemptions of investments that had previously been based on proxy (estimated) data.

Scope 3 reporting is still limited across all asset classes apart from Liquid Credit, despite an overall increase compared to the previous report. This increase is encouraging and is in line with the Group Trustee's expectation that reporting is likely to improve as industry standards develop and evolve. All asset classes,

except for the Annuities, provided at least some assessment of Scope 3 emissions, with Canada Life (the Group's Annuity provider within the Atkins Section) advising that it does not report Scope 3 emissions data.

The proportion of managers/funds with SBTi-aligned targets has decreased since last year. The Group experienced a fall in the underlying proportion of assets with SBTi-aligned targets for Liquid Credit and Property & Infrastructure, driven by Robeco and IFM reporting a decrease in this metric, and by Invesco not reporting this year. All underlying managers were followed up by the Group Trustee's Investment Adviser where they did not provide a SBTi metric in the first instance. The Group's annuity provider reported SBTi-aligned targets for the first time.

The emissions for LDI have decreased compared to the previous report. This is due to a reduction in the carbon footprint calculated from the data provided by OCIO and EDGAR. The Group Trustee has summarised this methodology under the section "Notes on the metrics calculations".

Limitations, assumptions and methodology

Notes on the metrics data

The Group Trustee's Investment Adviser collected information from the Group's investment managers about their greenhouse gas emissions and used this information to calculate the climate-related metrics for the Group's portfolio of assets.

The exception to this is the metrics for the LDI; please see 'Notes on the metrics calculations' section on the next page for more information.

Availability of data

Our Investment Adviser does not make any estimates for missing data.

Overall, Data Coverage has improved relative to the previous reporting year. However, there are some data availability points to note with respect to each Section (outlined below). The Group Trustee's Investment Adviser will continue to engage with managers where data has not been provided with the aim of data being available for future reports.

SLC Section:

The following funds of manager did not provide the carbon emissions split by scopes, and therefore the Scope 1&2 emissions for this manager include Scope 3:

- ICG-Longbow UK Real Estate Debt Investments IV
- M&G Investments Inflation Opportunities Fund (Real Estate Only)
- The following funds of managers did not provide any emissions data:
- DRC UK Whole Loan Fund
- Invesco Real Estate Finance Fund (GAM II)

Cavendish Nuclear Section:

The following funds of managers did not provide any emissions data:

- PIMCO - Tactical Opportunities Fund

Atkins Section:

Data for Canada Life is based on an aggregated Scope 1&2 carbon footprint for all financed emissions within Canada Life's portfolio. This includes assets in listed bonds, listed equities, corporate real estate, mortgages,

sovereign debt, private debt and private equity. Canada Life does not currently report Scope 3 emissions and the Group Trustee will monitor the Annuity provider's ability to do so in future.

NNL Section:

All managers provided climate-related metrics data for inclusion within this report.

How we collected the carbon data

The Group Trustee's Investment Adviser collected the carbon emissions data from the Group's managers on the Group Trustee's behalf using the industry standard Carbon Emissions Template ("CET").

The CET was developed by a joint industry initiative of the Pension and Life Savings Association, the Association of British Insurers and Investment Association Working Group. The CET provides a standardised set of data to help pension schemes meet their obligations under the Climate Change Governance and Reporting Regulations, and associated DWP Statutory Guidance. Different managers may have different interpretations of the calculations set out in CET. The data provided therefore required careful and informed interpretation by the Group Trustee's Investment Adviser.

Notes on the metrics calculations

There is not an industry-wide standard for calculating some of these metrics yet and different managers may use different methods and assumptions. These issues are common across the industry and highlight the importance of climate reporting to improve transparency. The Group Trustee expects that in the future better information will be available from managers as the industry aligns to expectations and best practice standards.

The carbon metrics

Our Investment Adviser aggregated and calculated the carbon metrics for the Group based on information provided by the managers. The methodology used for this aggregation does not make any assumptions or estimations about the carbon emissions for assets for which data was unavailable. The aggregation methodology is as set out below.

Aon calculated the total GHG emissions for each fund as follows:

£M invested in the fund x *Carbon footprint* x *Data coverage*

Aon aggregated the carbon footprint for each asset class as follows:

$$\frac{\sum Gi}{\sum(Ai \times Ci)}$$

Where *i* is each fund in the asset class

G_i = Total GHG for fund *i* (tCO_2e)

A_i = Assets invested in fund *i* (£M)

C_i = Data Coverage of fund *i* (%)

The methodology used follows the industry-standard best-practice established within the Carbon Emissions Template ("CET").

The table below shows the approach used to collect information from managers for each asset class.

Asset Class	Approach
All Apart from the Annuities	The Group Trustee's Investment Adviser collected the carbon emissions data from the Group's managers on the Group Trustee's behalf using the industry standard CET.
Annuities	The Group Trustee's Investment Adviser collected the metrics data from Canada Life.

How are emissions calculated for LDI

The emissions for the matching assets are a material portion of the Group's total GHG emissions. This is mainly down to the method used to calculate the emissions, which is different to other asset classes.

The LDI portfolio contains mainly UK government bonds, also known as "gilts" or "index-linked gilts". Carbon metrics for UK government bonds are based on the total GHG emissions for the whole of the UK, which are high. By contrast, carbon emissions for equities, for example, are based on the emissions associated with the underlying companies invested in, which are relatively lower. Hence, the carbon metrics for matching assets are higher than many other asset classes.

The carbon emissions for the UK government bonds are driven by the total UK greenhouse gas emissions and the total amount of UK public debt. This uses publicly available information, published by the UK Government:

– The Annual UK greenhouse gas emissions data (Scopes 1 & 2) for 2024, published as a provisional figure by the UK government, of 386.7 MtCO2e, divided by total UK government debt at 31 December 2024 of £2,851.0bn.

=135.6tCO2/£M

Given this difference in methodology to the other emissions figures reported, the matching assets have been split out from the other emissions figures.

Binary target measurement

Overall, the SBTi was not provided by the majority of Group's managers. All managers were queried where they did not provide a SBTi metric on first instance. The Group Trustee's Investment Adviser will continue to engage with all managers on SBTi.

Targets

Climate-related targets help us track our efforts to manage the Group's climate change risk exposure.

In the first year of reporting, the Group Trustee set a target to improve Data Coverage. Without meaningful data from the investment managers, it is very hard for the Group Trustee to measure its climate-risk exposure.

Review of target

Each year, the Group Trustee reviews the suitability of its targets. Based on the data collected and metrics calculated this year, the Group Trustee considers the 90% Data Coverage target for Scope 1 and 2 emissions to remain appropriate, as it has not yet been achieved. In 2023, the Group Trustee set an intermediate target to encourage the investment managers of the Group to improve the Data Quality over the next 3 years in order to ensure any subsequent targets provide a material benefit to the climate-related risks and opportunities faced by the Group. Given that the three-year target period will end during this Scheme year and the 90% data coverage target has not yet been met, the Group Trustee has decided to extend this target by a further year.

Our progress towards the target

The table below shows the Data Coverage (Scope 1 & 2) metrics for last year and this year.

Data Coverage target : 90% (Scope 1 & 2)

Asset class	Target	Actual Coverage 2025	Actual Coverage 2024	Actual Coverage 2023
Equity	c. 100.0%	N/A	100.0%	100.0%
DGF	c. 100.0%[1]	56.8%	38.8%	49.8%
Property & Infrastructure	c. 65.0%	95.5%	88.6%	38.4%
Liquid Credit	c. 100.0%[1]	91.4%	75.7%	93.9%
Illiquid Credit	c. 50%	59.2%	50.3%	38.6%
Annuities	c. 100.0%	86.5%	99.7%	95.0%
Total	**c. 90.0%**	**87.1%**	**77.2%**	**46.2%**

Source: Investment managers. Note: Data Coverage for LDI is 100% given latest methodology used to calculate, we have therefore removed this asset class. (1) Whilst the Group Trustee has agreed that 100% Data Coverage may not realistically be achievable for the Group's DGF, Liquid Credit and Annuity investments, the Group Trustee has agreed to aspire for Data Coverage at that level.

The Group's performance against the Data Coverage target set is monitored and reported on every year by collecting and evaluating metrics data from investment managers across the portfolio. This data is then assessed and benchmarked against the previous years' Data Coverage to determine progress towards the target set. Over time, this will show the Group's progress.

Overall, there has been an improvement in Data Coverage since last year (c10% increase). At an asset class level, all asset classes saw an improvement in Data Coverage except Annuities.

While the current target is based on Scope 1 & 2 emissions, the Group Trustee has an aspiration to set a target based on Scope 3 emissions in the future. Scope 3 reporting across all asset classes is expected to be weaker due to the difficulty to obtain and calculate Scope 3 carbon emissions. Whilst Liquid Credit has good Scope 3 Data Coverage for this year of reporting (above 75%), the Group's other asset classes have relatively poor coverage. The Group Trustee expects reporting to improve in the future years, across all asset classes, in line with industry standards, and will consider setting a Scope 3 emissions target once the Scope 3 data becomes more reliable and complete.

Steps we are taking to reach the target

The Group Trustee expects that data availability and reporting will improve through time in response to regulatory requirements and industry initiatives. However, the Group Trustee, supported by its Investment Adviser, plans to request continued improved data availability and coverage for funds within the DGF and Illiquid Credit asset classes over the next reporting year.

The Group Trustee has not spent time or resource for feedback on managers as year-on-year improvement in the responses from the managers has been seen. If this is not the case going forwards, the Group Trustee may choose to engage. Over the scheme year, the Group Trustee did not engage over and above its regular monitoring.

Manweb

Net assets[26] as at 31 March 2026: £775m.

The following information should be read in conjunction with the Group's disclaimers included in Appendix D.

Chosen metrics

The Group Trustee has chosen to present climate-related metrics across four different categories in this report. The climate-related metrics help the Group Trustee to understand the climate-related risk exposures and opportunities associated with the Group's investment portfolio and identify areas for further risk management, including investment manager portfolio monitoring, engagement activity and priorities.

The metrics in this report relate to the Group's invested assets only and exclude emissions associated with the operation of the Group. The metrics in this report are listed below and cover scope 1, 2 and 3 emissions.

Metric category	Selected metric
1. Absolute emissions	Total Greenhouse Gas Emissions
2. Emissions intensity	Carbon Footprint
3. Portfolio Alignment	Implied Temperature Rise (ITR)
4. Additional	Data Coverage

Metrics results

We note that the climate-related metric data for the Group's private debt and property mandates is limited. However, we recognize that the provision of climate-related metric data has, in general, not historically been included in the loan terms and lease contracts for underlying investments within these mandates. The managers have noted that going forwards the requirement to provide such data will typically be included as a requirement in the contractual terms and therefore we expect the data coverage to improve over time.

In summary, in respect of the data that has been received as at 31 December 2025:

- the total absolute emissions of the Group's assets was 179,075 tCO2e;
- the carbon footprint across the mandates was 120.5 (scope 1&2) / 211.1 (scope 3) tCO2e/£m invested;
- the implied temperature rise was 1.5 - 2.0 degrees Celsius;
- in terms of data coverage, the absolute emissions and carbon footprint data covered approximately 82% (scope 1&2) / 20% (scope 3) of the Group's assets and the Implied Temperature Rise metric covered approximately 62% of the Group's assets.

We note that the investment managers will have used different methodologies to calculate the climate metrics for their respective portfolios (see Appendix for further details) and this should be borne in mind when considering the total combined data that is reported.

[26] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

Asset breakdown	% Allocation as at 31 Dec. 2025	Absolute Emissions (Scope 1&2) (tCO2e)	Absolute Emissions (Scope 3) (tCO2e)	Carbon Footprint (Scope 1&2) (tCO2e/£m)	Carbon Footprint (Scope 3) (tCO2e/£m)	Implied Temperature Rise (°C)
Insight – LDI	34.9%	105,521	Not available	152.1	Not available	1.5 – 2.0
RREEF – Infrastructure	0.3%	Not available				
CBRE – Long Lease Property	10.4%	Not available				
Highbridge – III, IV & V	6.5%	1,734	5,245	31.9	96.6	n/a
AMP (Ares) III & IV **	1.6%	1,102	1,739	84.2	132.9	n/a
Deerpath **	2.3%	35	62	1.8	3.1	n/a
Metric Capital III & IV	4.9%	Not available				
Audax Capital I	1.3%	Not available				
Audax Capital II	1.7%	579	2,073	41.6	148.9	n/a
Permira IV & V	4.1%	407	2,488	11.8	71.8	n/a
Hayfin III & IV	4.1%	190	24,144	5.5	704.9	n/a
Longevity Swap Buffer, Fee and Experience Accounts*	26.6%	33,755	Not available	152.1	Not available	1.5 – 2.0
FX Hedging and Cash	1.4%	Not available				
Total assets	**100.0%**	**143,323**	**35,752**	**120.5**	**211.1**	**1.5 – 2.0** ***
Data coverage for each metric as a % of total assets		82%	20%	82%	20%	62%

* Insight data provided in respect of Gilts held in LDI portfolio (including any exposure from gilt repo and gilt derivatives) also applied to Gilts held in Longevity Swap accounts (absolute emissions calculated on a pro-rata basis). Insight data includes Scope 1 and 2 data only.

** Carbon footprint data converted using GBP / USD exchange rate of 0.74347 sourced from LSEG Databank.

*** Implied Temperature Rise ("ITR") data only available from the Group's LDI manager. This ITR data has been applied to the Gilts held in the Longevity Swap Buffer, Fee and Experience Accounts. All underlying data provided by the relevant investment managers.

Limitations, assumptions and methodology

The Group Trustee recognises the challenges associated with various metrics, tools and modelling techniques used to assess climate change risks. Due to the gaps in the data currently available it is not possible to provide the metrics chosen on the Group's total assets at the current time. The Group Trustee aims to work with its investment adviser and investment managers to continually improve the approach to assessing and managing risks over time as more data becomes available. The ISC discusses the provision of climate-related data when it meets with the investment managers on an annual basis, including stressing the importance of obtaining available data for the Group Trustee to be able to assess its climate risk exposures and asking the managers what progress has been made over the last year and what efforts are being made to obtain improved data quality in future years. The ability to provide climate-related data will also be a consideration taken into account in any future manager appointment by the ISC.

Metric selection

Climate-related data has been sourced directly from the Group's investment managers.

For some of the Group's private debt managers, data coverage is low or no data is available at all. Use of proxy data (data of another investment manager's fund that broadly represents a given fund) could be used to provide climate- related data where coverage for a fund is limited or not available. However, the Group Trustee considered the use of proxy metric data for such funds and has taken the view, based on advice from its investment consultant Mercer, that the characteristics of the proxy fund would likely be too different from the invested assets to be able to make any informed investment decisions with the information and be of limited use from an engagement standpoint.

For some private debt managers' funds, where data is not available from a portion of their underlying portfolio companies, the investment manager has used sector / industry data, together with financial data from the underlying company, to estimate the climate-related data associated with the portfolio company. This has then been used to aggregate the data at the respective fund level and has then been supplied by the investment manager to the Group Trustee.

In particular, for Highbridge's private debt funds, where emission data was not available from the underlying portfolio company, Highbridge worked with Watershed, an enterprise sustainability platform, to estimate the carbon footprint for such investment. The estimates calculated by Watershed will use relevant company data if available, alternatively Watershed will use industry-specific data to estimate an underlying portfolio company's emission data. The information provided by Highbridge for the Funds in which the Group invests therefore utilise a combination of reported and estimated data. Watershed applied the Partnership for Carbon Accounting Financials ("PCAF") methodology to calculate carbon emissions from the investment activities of the Funds during the measurement period. The PCAF methodology is based on the Greenhouse Gas Protocol ("GHG") standards.

For Permira's private debt funds emission data is based on the value of investment as a proportion of company enterprise value and aligned with the GHG Protocol and PCAF Global GHG Standard. Scope 1, 2 & 3 emissions are based on portfolio company reporting, where available. Where data was unavailable on the underlying portfolio companies, emissions were estimated by Watershed, an enterprise carbon platform for measuring, reducing, and reporting emissions.

For Audax DLS Fund II, the emissions figures are PCAF 4 estimates provided by Watershed.

For Deerpath, the emissions figures provided are based on data reported, where available, by the portfolio company holdings within the RAIF 1 (Fund 5A) compartment level and proportioned based on the Group's percentage holding of that vehicle. Not all portfolio companies provide ESG reporting and therefore the data provided does not represent the full holdings in the Deerpath Fund.

For the long lease property portfolio, the occupiers of the buildings have full operational control and, as such, the Group's property manager relies on the tenants to provide their emissions data. Not all tenants provide the data at the current time, however in these instances the Group's property manager is engaging with the tenants to try to improve the collection of emissions data going forwards.

For the infrastructure fund held by the Group, the investment manager was not able to provide carbon emissions data. The fund is being wound down with only a small amount of residual cash remaining, therefore the Group's investment represents a very small proportion of the Group's total assets and it is expected the Group will be fully disinvested from the fund by the end of 2027 / early 2028.

Scope 1, 2 and 3 emissions are as defined by the GHG protocol.

Please note that for the Implied Temperature Rise data, for Insight's data the assumption used is 1.5 – 2.0 degrees Celsius based on analysis by Germanwatch and the Climate Action Tracker. The same approach has been used for the gilts held in the Longevity Swap Buffer, Fee and Experience Accounts given these are allowed for in the Insight portfolio hedge construction.

Liability hedging mandate (LDI portfolio) data

The following assumptions have been made in the calculation of the climate-related metrics for the liability hedging mandates.

- Latest annual data for emissions produced in the UK (Scope 1 and 2 only) for 2024, published by the UK government, of 371.0m tonnes of CO2e.
- Emissions associated with imports (energy and non-energy) have been excluded.
- Figures cannot sensibly be aggregated with emissions data for non-gilt assets due to risk of double counting as UK emissions include corporate and household emissions.
- The metrics cover the full economic exposure to UK gilts, which will be from the physical gilt holdings and any exposure from gilt repo and gilt derivatives.
- Gilts posted out as collateral by the Group are included in the gilt valuations whereas gilts received as collateral are excluded.
- Interest rate swaps, inflation swaps, futures, cash and money market fund holdings have all been excluded. Short positions have also been excluded.

Longevity swaps

There is a longevity swap contract in place for the Group. This is a financial transaction that reduces the exposure of a portion of the members living longer than assumed, which would, in isolation, result in an increase in the liabilities.

The Group Trustee has carried out qualitative climate scenario analysis and has considered the climate-related risk exposures of the longevity swap, specifically:

- The impact on members' life expectancy; and
- The risks relating to the assets held to support the longevity swap contract.

The Group Trustee has concluded that the risk exposure is low given the structure of the longevity swap contract.

Carbon emissions associated with the longevity swap have not been calculated but the carbon emissions associated with any UK government bonds held as collateral with the longevity swap accounts has been estimated and included in the metric data shown in this report.

Targets

The Group Trustee has set a target to improve the proportion of the portfolio for which climate-related data is provided, consistent with the metrics chosen. The Group Trustee believes that by improving the coverage of the Group-specific climate-related data available, it will help the Group Trustee understand in greater detail the climate-related risks that the Group is exposed to.

As at 31 December 2025, the climate-related data coverage for absolute emissions and carbon footprint data is 82% (was 77% in prior year, 74% as at 31 December 2023 and 58% as at 31 December 2022) and the Implied Temperature Rise data coverage is 62% (was 57% in prior year, 57% as at 31 December 2023 and 47% as at 31 December 2022) of the Group's total assets. The 31 December 2022 metrics form the baseline for measuring improvement against. The Group Trustee has set a target of data coverage of at least 80% for both of these metrics by the year 2028 and the Group Trustee is pleased to see the progress made to date, achieving the target for absolute emissions and carbon footprint data. The Group Trustee intends to review progress against the target on an annual basis.

Approach to achieving the target

The Group Trustee has communicated to each of the Group's investment managers that this target has been selected by the Group Trustee and will be measured going forwards.

Whilst it is the intention of the Group Trustee to achieve and maintain the stated target, the Group Trustee recognises that this is dependent on factors outside of the Group Trustee's control. However, the Group Trustee believes that progress can be made towards the target where required, helped through engagement by the Group Trustee with the Group's investment managers and also through the Group's investment managers engaging (including via introducing contractual terms regarding the provision of climate-related data) with their underlying portfolio companies where applicable.

Whilst there has been progress towards the target over the last year, the Group Trustee recognises that data coverage needs to improve further. The Group Trustee has reviewed the target and believes that it remains appropriate and should be retained. The Group Trustee plans to review the target selected at least annually to ensure that it remains relevant and appropriate to the Group.

National Grid Electricity

Net assets[27] as at 31 March 2026: £2,138m.

The following information should be read in conjunction with the Group's disclaimers included in Appendix D.

Chosen metrics

The Group Trustee's investment adviser, Aon, collected the following information from Group's most material managers.

- Total Greenhouse Gas emissions
- Carbon footprint
- Data coverage
- Portion of the portfolio with a net zero or Paris-aligned target

Metrics results

All managers that received a metrics request provided some data. Based on these requests we have aggregated data in this section.

The tables below show the climate-related metrics for the Group's assets.

LDI includes both physical emissions (emissions associated with physical assets that are held within the portfolio) and synthetic emissions (emissions associated with the notional exposure to sovereign bonds gained through derivatives).

Asset breakdown				**Scopes 1 & 2**		**Scope 3**		
Asset class	Year	£m	Data Coverage (%)	Total GHG emissions (tCO_2e)	Carbon footprint (tCO2e/£m)	Data Coverage (%)	Total GHG emissions (tCO_2e)	Carbon footprint (tCO2e/£m)
Property	2025	8.6	100%	18	2	100%	121	14
	2024	21	70%	31	2	70%	342	23
Infrastructure	2025	164	100%	10,140	62	0%	-	-
	2024	177	100%	12,740	72	0%	-	-
Private Credit	2025	46	95%	338	7	95%	4,614	100
	2024	73	95%	2,889	42	95%	7,629	110
LDI	2025	405	100%	Physical 62,380 Synthetic 35,511	134	Not available		
	2024	423	100%	Physical 59,710 Synthetic	141			

[27] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

				51,805	
Annuity Non-Sovereign holdings	2025	1,434**	97%	45,548	39
Annuity Sovereign bond holdings			99%	41,282	181
Annuity Non-Sovereign holdings	2024	1,686**	96%	51,402	41
Annuity Sovereign bond holdings			100%	54,691	180

Source: Investment managers / Aon. Data as at 31 December 2024 and 31 December 2025 or latest available. Data excludes two funds and cash on the basis of materiality. Property, Infrastructure and Private Credit includes long physical emissions only. LDI includes physical investments in UK government bonds and synthetic exposure gained through long derivatives. *Includes longevity swap collateral.

**Asset valuation is as at 31 December 2025. The annuity has been split between non-sovereigns and sovereigns based on the split of financed emissions provided by Aviva Life & Pensions UK Limited's total portfolio and may not be representative of NGEG's underlying portfolio. Non-sovereign holdings include credit and equities, infrastructure debt, direct real estate mortgages and equity release mortgages.

Emissions associated with LDI have been calculated from the following sources:

- Physical-synthetic split as at 31 December 2025 from Insight.
- UK national emissions as at 31 Dec 2024 from the Emissions Database for Global Atmospheric Research.
- PPP-adjusted GDP as at 31 Dec 2024 from the World Bank Group.

Portfolio alignment metric

We previously reported an SBTi validated metric as our binary target measurement on our portfolio as part of our portfolio alignment metric to show the alignment of our assets to net-zero targets. This metric only covered fixed income. Given our recent buy-in we no longer hold fixed income and therefore cannot report this metric. As an alternative to SBTi, we collected the portion of the portfolio with net zero or Paris-aligned targets. We summarise this data below:

Portion of the portfolio with net zero or Paris-aligned targets

Asset class	Year	Alignment (%)
Property	2025	100%
Infrastructure	2024	99%
Private Credit	2025	45%

Source: Investment managers / Aon. Data as at 31 December 2025 or latest available.

Limitations, assumptions and methodology

There is no industry-wide standard for calculating some of these metrics and different managers may use different methods and assumptions. These issues are common across the industry and highlight the importance of climate reporting to improve transparency. We expect that in the future better information will be available from managers as the industry aligns to expectations and best practice standards.

The carbon metrics

Aon collected carbon metrics from managers before aggregating by asset class. The methodology used for this aggregation does not make any assumptions or estimations about the carbon emissions for assets for which data was unavailable. The aggregation methodology is as set out below:

G = A x C x F

G = Total GHG expressed as (tCO2e).

A = Assets expressed in £ Millions.

C = Data Coverage expressed as a decimal between 0 and 1.

F = Carbon Footprint expressed as (tCO2e/£M invested).

The methodology used follows the industry-standard best-practice established within the Carbon Emissions Template ("CET").

Our investment adviser, Aon, collected the carbon emissions data from our managers on our behalf using the industry standard Carbon Emissions Template ("CET"). The CET was developed by a joint industry initiative of the Pension and Life Savings Association, the Association of British Insurers and Investment Association Working Group. The CET provides a standardised set of data to help pension schemes meet their obligations under the Climate Change Governance and Reporting Regulations, and associated DWP Statutory Guidance.

LDI

Aon collected the physical and synthetic split from the Group's LDI manager. The carbon footprint was calculated using UK GHG Emissions and PPP adjusted GDP and assumes data coverage to be 100%. Scope 3 is not applicable to LDI, as it contains primarily UK sovereign bonds and scope 3 emissions are currently not available for UK sovereign bonds.

Targets

Climate-related targets help us track our efforts to manage the Group's climate-change risk exposure.

In our first year of reporting, we set a target to improve the data coverage of scopes 1 and 2 emissions. Without meaningful data from the investment managers, it is very hard for us to measure our climate-risk exposure. So, it is important to set a target to improve the data coverage of the GHG emissions data from the managers.

Each year we review the suitability of the target we have set. Based on the data collected and the metrics calculated this year, we believe the target continues to be suitable.

Our progress towards the target

The table below shows the data coverage progress against our target compared to the previous year. We have split our target into the asset classes we invest in.

Asset class	Y3 Coverage	Y4 Coverage	Target	Target timescale
Property	70%	100%	95%	2027
Infrastructure	100%	100%	100%	2027
Private Credit	95%	95%	100%	2027

LDI is excluded given LDI data coverage is at 100%. Target is for scopes 1 and 2 emissions only.

This year property has increased coverage to 100% of the real assets achieving the target ahead of the timeline.

Steps the Group Trustees are taking to achieve the target

We will continue engaging with the Group's investment managers (through Aon) to maintain and improve the availability and reporting of emissions data for each asset class in which the Group is invested. Through ongoing pressure from asset owners collectively and new regulatory requirements for asset managers, we expect data coverage to be sustained over time and will engage further with the managers if expectations are not met.

Methodology used to measure performance against the target

The Group's performance against the target is measured and reported on every year. We compare the reported data coverage with the target data coverage. Over time, this will show the Group's progress against the target.

Northern Powergrid

Net assets[28] as at 31 March 2026: £967m.

The following information should be read in conjunction with the Group's disclaimers included in Appendix D.

Chosen metrics

In our first year of TCFD reporting, we decided to report on the metrics below. This year we reviewed the metrics, and we believe they continue to be suitable for us to report against.

- Total Greenhouse Gas emissions
- Carbon footprint
- Data Coverage
- Portion of the portfolio with net zero or Paris-aligned targets

Metrics results

		Scopes 1 and 2				Scope 3			
Asset class		**Asset Valuation (%)**	**Data Coverage** (%)	**Carbon footprint** (tCO_2e/£m)	**Total GHG emissions** (tCO_2e)	**Data Coverage** (%)	**Carbon footprint** (tCO_2e/£m)	**Total GHG emissions** (tCO_2e)	**Proportion of holdings with net zero or Paris-aligned targets (%)**
Equities	2025	*Not applicable – the Group disinvested from its equity holdings during the year to 31 March 2026.*							
	2024	14%	99%	66	4,857	98%	733	53,184	43%
Alternatives	2025	61%	54%	79	11,975	54%	171	26,054	34%
	2024	42%	54%	89	10,717	55%	221	27,035	43%
Fixed Income	2025	39%	46%	32	2,659	47%	873	72,373	19%
	2024[1]	45%	46%	59	6,310	46%	738	79,664	21%
Total (ex LDI)	**2025**	**100%**	**51%**	**63**	**14,634**	**51%**	**419**	**98,427**	**28%**
	2024[1]	100%	57%	73	21,883	57%	528	159,883	33%
LDI	2025		100%	135.6	**Physical** 42,427 **Synthetic** 49,516	Not applicable			
	2024		100%	141.2	**Physical**				

[28] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

	49,716
Synthetic	
	47,288

Source: Investment managers / Aon. Figures may not sum due to rounding.

Emissions data was provided by the managers as at 31 December 2025 and 31 December 2024. Insight and L&G provided data at 31 March 2026.

Scope 3 metrics are not reported for LDI, as LDI contains primarily UK sovereign bonds and the calculation methodology for Scope 3 emissions is not yet widely accepted for sovereign bonds.

[1] 2024 figures for fixed income and total (ex LDI) have been amended to reflect updated calculation methodology.

Commentary

Alternatives:

- Scope 1,2 & 3 coverage remained in line with the previous year.
- Scope 1 & 2 increase in absolute emissions is driven by an increase in reported emissions from the listed infrastructure and property funds. The decrease in relative emissions is mostly attributed to the introduction of two new asset-backed securities funds over the year, which do not report emissions data and has affected the underlying aggregation.
- Scope 3 decrease in relative and absolute emissions is mostly attributed to the lower emissions reported for the Threadneedle Property fund.

Fixed Income:

- Scope 1,2 & 3 coverage remained in line with the previous year.
- Scope 1 & 2 decrease in absolute and relative emissions can largely be attributed to the BlackRock Absolute Return Bond Fund and the Insight Bonds Plus Fund. Both Funds are actively managed and so changes to the underlying portfolio holdings will influence the overall carbon footprint of the Fund.
- Similarly, Scope 3 decrease in absolute emissions can be largely attributed to lower emissions reported for the BlackRock Absolute Return Bond Fund and the Insight Bonds Plus Fund. The Scope 3 increase in relative emissions can be largely attributed to the higher carbon footprint figure reported for the L&G Sterling Liquidity Fund.

Notes on the data

In general, we relied on information provided by the Group’s investment managers about their greenhouse gas emissions. Our adviser, Aon aggregated this information to calculate the metrics for the Group’s portfolio of assets.

The exception to this is the metrics for the LDI.

Availability of data:

- 5 of the Group’s 8 managers provided scopes 1, 2 and 3 GHG emissions.
- 3 managers (Securis, Janus Henderson and TCW) did not provide any emissions data. This is not unexpected given the nature of the asset classes (asset-backed securities and insurance-linked securities) makes it difficult to collate emissions data for the underlying portfolio holdings. This issue is expected to persist for the foreseeable future given the lack of data is inherent to the nature of the asset class itself, which will take significant time to be able to overcome.

Aon did not make estimates for missing data.

The reported emissions metrics may not fully capture the Group's GHG emissions due to some missing data. We expect that future reports will benefit from improved information from managers.

How we collected the carbon data

Our investment adviser, Aon, collected the carbon emissions data from our managers on our behalf using the industry standard Carbon Emissions Template ("CET"). The CET was developed by a joint industry initiative of the Pension and Life Savings Association, the Association of British Insurers and Investment Association Working Group. The CET seeks to provides a standardised set of data to help pension schemes meet their climate reporting obligations.

Limitations, assumptions and methodology

The material provided herein is grounded in part from publicly available information and information from third-party sources (e.g. the investment managers) with whom the Trustee has contractual relationship and the Trustee believes to be reliable, but which has not been independently verified by the Trustee, and Trustee does not represent that the information is accurate or complete.

Additional information on the metrics calculations

Carbon metrics for non-LDI asset classes

Emissions data was collected from the managers using the CET29. Managers provided carbon footprint and data coverage for their fund(s).

Aon calculated the total GHG emissions for each fund as follows:

£M invested in the fund x Carbon footprint x Data coverage

Aon aggregated the carbon footprint for each asset class as follows:

$$\frac{\sum Gi}{\sum(Ai \times Ci)}$$

Where i is each fund in the asset class

Gi = Total GHG for fund i (tCO2e)

Ai = Assets invested in fund i (£M)

Ci = Data Coverage of fund i (%)

Aon does not make estimates for data which was unavailable

LDI

Aon requested the physical and synthetic split from the Group's LDI manager. The carbon footprint was calculated using UK GHG Emissions and PPP adjusted GDP and assumes data coverage to be 100%. Scope 3 is not applicable to LDI, as it contains primarily UK sovereign bonds and scope 3 emissions are not yet widely available for UK sovereign bonds.

Portion of the portfolio with net-zero or Paris-aligned targets

Aon requested a SBTi validated metric from our public investment managers for our binary target measurement metric and aggregated the results based on the portion of assets invested in each fund – i.e., the portion of the assets invested which have a net zero or Paris-aligned target. Aon does not make any estimates for missing data. The Group's SBTi validated metric only represents the portion of the portfolio for which there is data.

[29] https://www.plsa.co.uk/Policy-and-Research/Document-library/Carbon-Emissions-Template

Industry-wide issues

There is no standard method for calculating some of these metrics, leading to varied approaches by managers. These industry-wide issues underscore the importance of climate reporting to enhance transparency. We anticipate improved information from managers as the industry aligns to expectations and best practice standards.

Targets

Climate-related targets help us track our efforts to manage the Group's climate change risk exposure.

In our first year of reporting, we set a target to improve scope 1 and 2 data coverage to above 90% coverage of carbon emissions data across all growth asset classes by 2028. In 2024, this target was expanded to include scope 3 emissions.

Without meaningful data from the investment managers, it is very hard for us to measure our climate-risk exposure, so it is important to set a target to improve the data quality of the GHG emissions data from the managers.

> **Group Trustees' update**
>
> Each year we review the suitability of the target we have set. Based on the data collected and the metrics calculated this year, we believe the target continues to be suitable.

Our progress towards the target

The table below shows the data coverage metrics for this year and the previous reporting years.

	Y1 Report	Y2 Report	Y3 Report[1]	Y4 Report
Actual Data Coverage (ex LDI) Scope 1 and 2	45%	54%	57%	51%
Actual Data Coverage (ex LDI) Scope 3	-	52%	57%	51%

[1] 2024 figures for fixed income and total (ex LDI) have been amended to reflect updated calculation methodology.

The Group's performance against the target is measured and reported on every year by collecting and evaluating metrics data from investment managers across the portfolio. This data is then assessed and benchmarked against the previous year's data coverage to determine how the Group has performed relative to the target set.

Over time, this will show the Group's progress against the target. We have made progress towards our target based the assessment above since the first year. The data coverage excludes LDI.

Data coverage has fallen slightly over the year. This was driven primarily by the replacement of the Group's equity holdings (an asset class with very high data coverage) with two new asset-backed securities mandates (an asset class with very low data coverage) over the reporting year. We therefore do not see this decrease as a material issue given that it is related to a structural change in the Group's asset class mix where data coverage is inherently limited, rather than an underlying reduction in data reported year-on-year for existing managers.

Steps we are taking to reach the target

Over the year, the Group Trustees, supported by their Investment Advisor, have requested continued improved data availability and coverage for the funds in which the Group is invested in. The Group Trustees have not spent further resource on managers beyond the steps outlined in this report, as improvements in the responses from managers at the underlying fund level have been identified. The Group Trustees may choose to engage further in the future should progress towards the target at the underlying fund level decline.

The Group Trustees will continue to take the following steps to progress towards the target:

Step 1 **Increase Data Coverage**

Observation: data was unavailable for three mandates within the Alternatives asset class. Where provided, the data coverage was limited for some mandates, mainly within Fixed Income.

Solution: The Group Trustees will engage with managers directly, or through Aon to request improved data availability and coverage for the mandates that lacked data. Through ongoing pressure from asset owners collectively and new regulatory requirements for asset managers, we expect data coverage to improve over time and will engage further with the managers if progress does not meet our expectations.

However, for some of the asset classes in which the Group invests, particularly in the alternative mandates, it may be some time before meaningful carbon data becomes available due to methodologies to calculate carbon emissions not yet being agreed. We will encourage these managers to participate in industry consultations to develop methodologies.

Step 2 **Facilitate consistent reporting**

Observation: The Group Trustees have relied on manager data but, due to the lack of industry-wide standard on calculating some of these metrics, the information may not be consistent year on year.

Solution: The Group Trustees will engage with the managers directly, or through Aon to ensure that the carbon information provided is consistent on the annual basis. However, the Group Trustees recognise that the reporting may change in line with evolving industry practices.

RWE

Net assets[30] as at 31 March 2026: £3,650m.

Chosen metrics

- Total GHG Emissions (tCO2e)
- GHG Footprint (tCO2e / $M invested)
- Percentage of assets with approved Science based targets ("SBTi")
- Climate Opportunities: This metric was selected by the Group Trustees as an additional climate metric. It aims to assess exposure to investments that are most likely to benefit from the transition to a low carbon economy. Climate opportunities are determined based on companies that may be considered EU Taxonomy eligible based on the criteria set out in the taxonomy (which provides a minimum standard across sustainability disclosure requirements, effectively producing a "rule book" as to what investments can be considered sustainable). A security is considered a climate solution if it meets the following criteria, recommended by the Investment Adviser and using metrics from MSCI:
    - >20% of revenue generated from activities aligned with a climate change adaption or climate change mitigation environmental objective;
    - does no significant harm through involvement in environmentally damaging controversies or activities that could negatively impact society;
    - meets minimum safeguards as defined by the UN Global Principles on Business and Human Rights (UNGP) and OECD Guidelines.

  This metric sums the portfolio weight for each underlying security classified under this criterium. The Group Trustees decided to report on climate opportunities as the additional metric in order to provide a balanced picture of both the risks and opportunities that the climate transition will create. It is expected that the metric to measure this will evolve over time. The Group Trustees are also minded to include climate adaptation within the above definition in the future given the vital role it is likely to play.

Metrics results

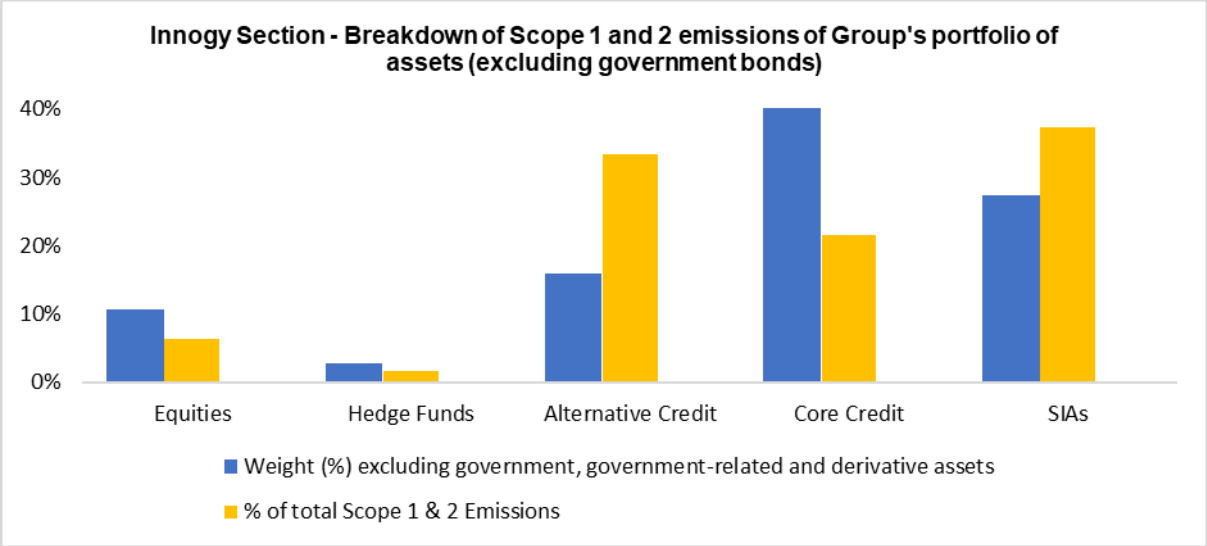
In reviewing the analysis, the Group Trustees have considered the results in respect of each asset class in the Group's portfolio. This enables a comparison of the contribution each asset class makes to the overall emissions for each Section. The Group Trustees have decided not to aggregate the results for the whole portfolio, since some asset classes (e.g., government bonds), are calculated using different methodologies for the metrics reported, as well as the issue noted above around the double counting of emissions, therefore it is not meaningful to aggregate. The effective date for the data used in the most recent analysis is 30 June 2025. The effective date for the data used in the prior year is 30 June 2024.

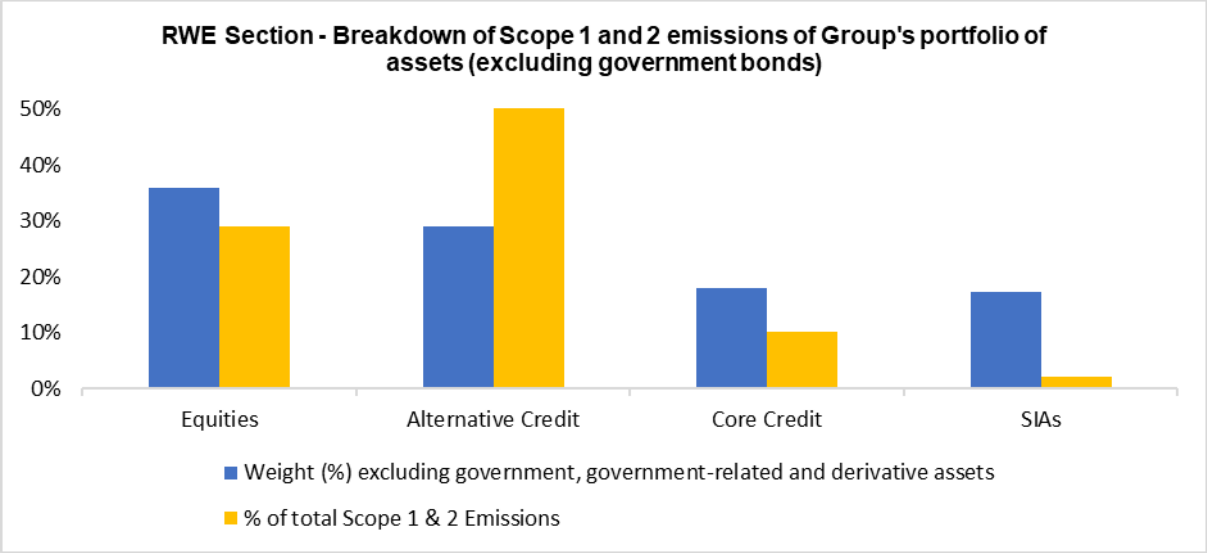
The SBTi alignment and Climate opportunities metrics are only calculated for direct holdings and proxies are assumed to not contribute to either of these metrics. Therefore, these have only been reported for the Equity, Core Credit and SIA classes, where the analysis is predominantly based on direct holdings data or estimated directly by the investment managers in the case of SIAs.

[30] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

Innogy Section	Asset allocation		GHG emissions data				Alignment with SBTis		Climate Opportunities	
	Weight		Absolute emissions Scope 1 and 2 (tCO2e)		Scope 1 and 2 Footprint (tCO2e / $M invested)		Coverage		Exposure	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
Equity	5.1%	5.7%	14,565	6,935	78	32	34.0%	62.0%	7.3%	14.6%
Hedge Funds	1.7%	1.5%	1,205	1,764	20	32	-	-	-	-
Alternative Credit	8.4%	8.5%	27,911	37,142	90	116	-	-	-	-
Core Credit	19.0%	23.3%	20,658	24,060	29	27	33.1%	32.2%	5.2%	8.2%
Secure Income Assets	14.8%	14.7%	44,743	41,481	82	75	-	-	29.2%	29.5%
Benchmark (MSCI ACWI)	-	-	-	-	47	40	42.7%	53.3%	11.5%	12.8%

RWE Section	Asset allocation		GHG emissions data				Alignment with SBTis		Climate Opportunities	
	Weight		Absolute emissions Scope 1 and 2 (tCO2e)		Scope 1 and 2 Footprint (tCO2e / $M invested)		Coverage		Exposure	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
Equity	19.6%	16.4%	24,781	10,342	94	46	41.7%	54.5%	8.6%	12.2%
Alternative Credit	11.9%	13.2%	14,460	20,843	90	116	-	-	-	-
Core Credit	9.6%	8.1%	4,908	3,634	38	33	29.9%	28.4%	0.4%	3.0%
Secure Income Assets	7.5%	7.8%	719	717	7	7	-	-	4.0%	4.1%
Benchmark (MSCI ACWI)	-	-	-	-	47	40	42.7%	53.3%	11.5%	12.8%





Key Observations

Innogy Section

- Equity – Emissions intensity has decreased, while alignment and exposure to climate opportunities have both increased since the previous analysis. This is primarily as a result of the implementation of the climate tilted equity fund in the period since the previous analysis. This mandate aims to invest a greater proportion of the assets in companies which are expected to play a crucial role in facilitating the transition to a low carbon economy. Therefore, such companies are expected to have credible climate transition plans, which improves the alignment of the portfolio and also enables the Group to capture the potential upside from the climate transition.
- Alternative Credit – Emissions have increased due to several of the underlying managers having increases in their emissions intensity. Over the year, the proportion of the underlying managers where direct data is available has increased. This has led to a lower proportion of the assets being proxied and therefore the emissions reported are more representative of the actual assets held. As a result, it's possible that some of the increase in emissions intensity is driven by the improvements in data quality where previous proxies underestimated them, rather than an increase in the emissions intensity of the underlying companies. Due

to the nature of the assets (which include emerging market and high yield debt), the mandate is naturally more exposed to higher emitters. Therefore, engagement with the issuers is a key activity for the manager.

- Core Credit – The emissions intensity in relation to Scope 1 and 2 GHG footprint metrics has remained broadly flat. The Group Trustees made a further investment with the core credit manager, which has also allowed the manager to invest in bonds from issuers with greater exposure to climate opportunities. The alignment of the portfolio is expected to continue to improve in future years following the inclusion of an alignment objective in the credit manager's guidelines.
- Secure Income Assets – There has been an improvement to the emissions intensity of the illiquid assets. This is due to a greater proportion of reported emissions data directly from the managers (rather than via the use of proxies), as a result the figures reported this year are more reflective of the underlying characteristics of the assets. The Group Trustees continue to engage with the managers to improve the accuracy of the underlying data.

RWE Section

- Equity – Emissions intensity has reduced since the previous analysis, as a result of the implementation of the same climate tilted equity fund as noted for the Innogy Section above.
- Core Credit – The emissions from this asset class have decreased over the year, mainly driven by the maturing of the bonds for several high emitters, reducing the average emissions intensity.
- Secure Income Assets – Emissions per unit of allocation have remained broadly unchanged over the year.

Climate metrics for the year ended 31 March 2026, in respect of the Group's sovereign asset holdings

The Group Trustees have agreed to exclude Government Bonds and derivative assets from the Group's target and to report the climate metrics for these asset classes separately. The reason for the separate disclosure is because the underlying methodology is materially different, as are the potential actions available to the Group Trustees.

For UK Government Bonds, for example, the carbon emissions are calculated as the territorial emissions in the whole of the UK i.e. those that take place within a country's territorial boundaries and include exports but omits imports. The denomination used to attribute emissions is the total amount of UK Government Debt outstanding. The rationale then for the current exclusion of Government Bonds from the Scheme's target is as follows:

- The Group Trustees primarily holds Government Bonds as assets to hedge the Group's liabilities and as such, even if reducing exposure to these assets would lead to an overall improvement in climate metrics, it would open the Group up to excessive funding and investment risk;
- The Group Trustees recognise that they have limited capacity and capability to engage with the Government on climate-related metrics;
- The level of financial risk arising from these assets is perceived to be much smaller i.e. the influence of climate change on the price of Government Bonds in comparison to the other assets held is likely to be lower.

Whilst the above provide the rationale as to why the Group Trustees excludes liability hedging assets from the Group's target, the Group Trustees still believe it is useful to monitor these figures over time. As such, the table below shows the climate metrics provided by the Group's LDI manager, Insight. These have been separated between those sovereign bonds held for matching and non-matching purposes. The Group Trustees, with the help of their Investment Adviser, do also continue to monitor that the manager of these Government bonds appropriately considers climate change in their actions, whether that be selecting bank counterparties for derivatives or engaging with industry discussions and consultations on climate-related matters. The Group Trustees have also partnered with a manager in this space which the Investment Adviser views positively in their approach to climate change.

Metric		31 March 2025		31 March 2026	
		Innogy Section	RWE Section	Innogy Section	RWE Section
Absolute Emissions (tCO2e)*	*Funded Gilts Only*	47,659	19,809	31,861	23,601
	Gilts on repo and TRS	41,770	44,392	50,521	27,184
	Combined Gilt Exposure	**89,428**	**64,202**	**82,383**	**50,785**
GHG Footprint (tCO2e/market gilts in issuance)		166.3		153.1	

*Total annual Scope 1 and 2 UK territorial GHG emissions, attributed based on market value gilts held by each Section, divided by total market value gilts in issuance

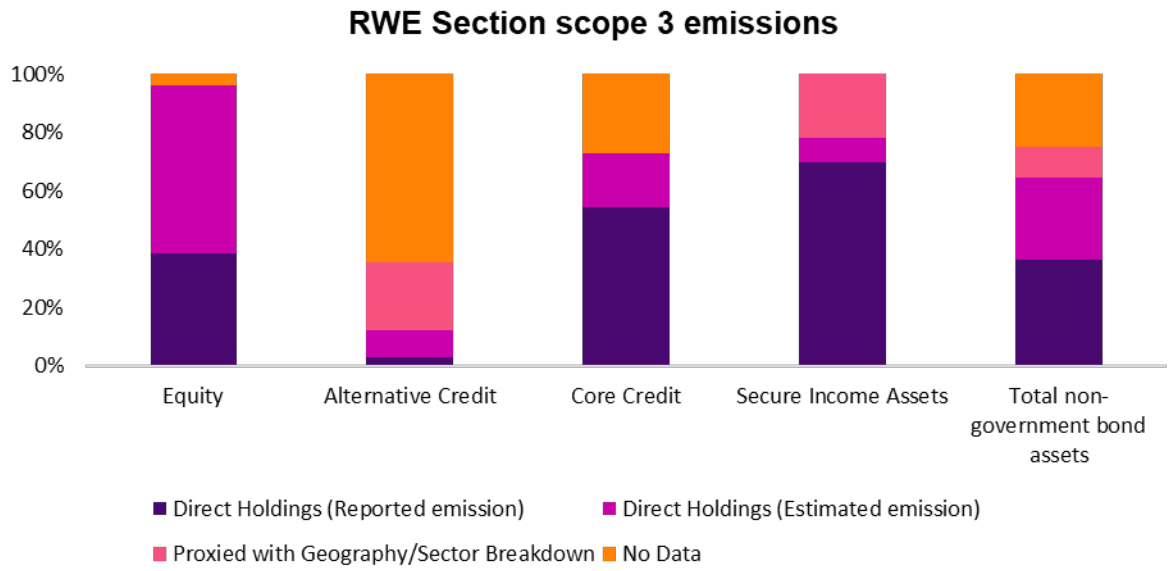
Approach to Scope 3 emissions

Scope 3 emissions data is critical to help build a better picture as the Group Trustees decarbonise their portfolios and economies. However, the Group Trustees believe that current reported scope 3 emissions data is largely inadequate for purposes, including making accurate climate-informed investment decisions. Further, given data issues, the Group Trustees believe that disclosing the scope 3 emissions of investment portfolios at this stage will necessarily be limited in coverage, subject to large estimation errors, and not fit for meaningful comparison between investors or over time. At a minimum, the Group Trustees believe any scope 3 emissions disclosures should be disaggregated from Scope 1 and 2 emissions. The Scope 3 emissions are therefore outlined separately in this report.

Data providers, like MSCI, have tried to solve for this problem by providing scope 3 datasets using proprietary models and internally vetted methodologies. However, current solutions rely significantly on top-down sector emissions data with limited use of bottom-up data (which is company-specific). Models that rely on sector information limit users' ability to distinguish companies from peers. While there is sizable support from the investment industry and others for better disclosures, the Group Trustees need to be realistic around the current issues of reliability of scope 3 data available. Importantly, assessing risks and opportunities are not purely about emissions. A holistic picture that uses various metrics can be achieved through the Group Trustees' Climate Dashboard approach. The Group Trustees believe that this balanced scorecard approach can helpfully inform investment decision-making and support the construction of robust and resilient portfolios.

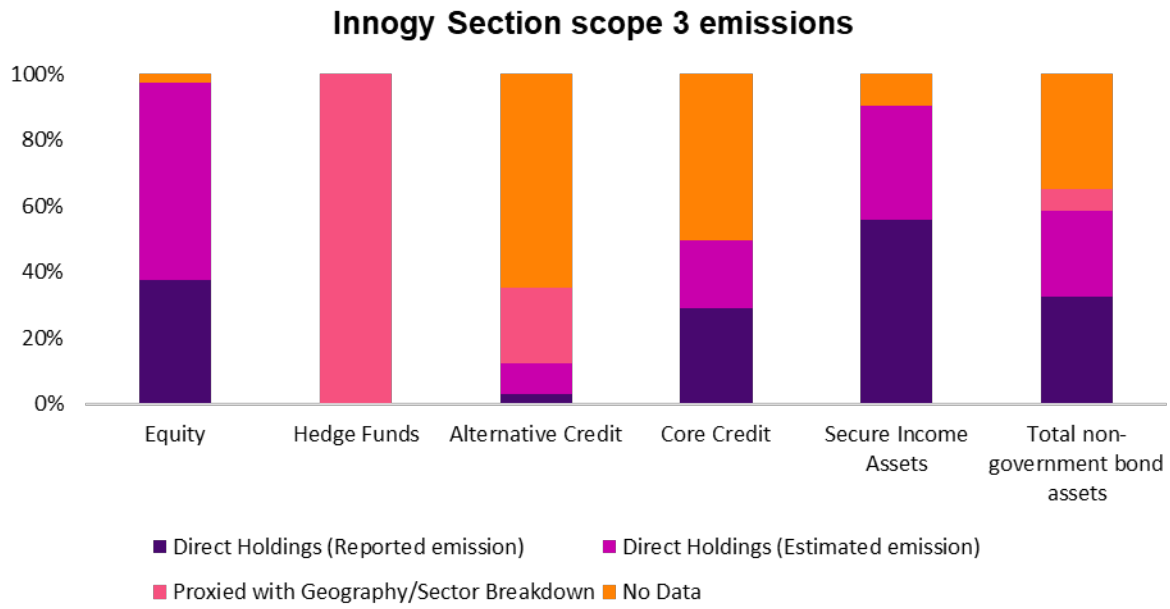
Whilst scope 3 emissions disclosure is improving, the Group Trustees believe that the investment industry can play a proactive role in accelerating and supporting this trend. As outlined earlier, the Group Trustees have been working directly with the Group's investment managers on this point. The RIC have been actively monitoring developments such as IFRS S1 and S2, including provisions around scope 3 emissions and will consider incorporating these as appropriate in future.

As at June 2025	RWE Allocation	Carbon Emissions Data	
		Absolute Emissions (tCO2e) – Scope 3	GHG Footprint (tCO2e / $m) – Scope 3
Total Corporate assets	**45.6%**		
Global Equity	*16.4%*	46,730	210
Alternative Credit	*13.2%*	71,707	398
Core Credit	*8.1%*	24,647	223
Secure Income Assets	*7.8%*	1,434	13
Government Bonds & Cash	**54.4%**	-	-



As at June 2025	Innogy Allocation	Carbon Emissions Data	
		Absolute Emissions (tCO2e) – Scope 3	GHG Footprint (tCO2e / $m) – Scope 3
Total Corporate assets	**53.7%**		
Global Equity	*5.7%*	46,419	217
Hedge Funds	*1.5%*	37,821	691
Alternative Credit	*8.5%*	127,779	398
Core Credit	*23.3%*	285,318	324

Secure Income Assets	*14.7%*	34,553	62
Government Bonds & Cash	**46.3%**	-	-



Limitations, assumptions and methodology

The emissions metrics analysis undertaken by the Group Trustees produces an output for all the metrics reported in this section of the TCFD report. The analysis is based upon MSCI's data, which is undertaken on a company-by-company basis using MSCI's Company Specific Intensity Model which will primarily use direct emissions data, but also estimates (using industry averages) where required. MSCI is a market leader in terms of their ESG research and reporting quality, which will be used to feed into the Group's climate metrics reporting over time.

Whilst the Group Trustees have aimed to carry out the analysis as far as they are able, the availability of data is dependent on external factors which are largely outside the Group Trustees' control, such as certain companies not disclosing their GHG emissions. The charts below show how the portfolio has been modelled, be it through the analysis of direct company holdings data, where it was available, or otherwise, using proxies. The charts only show this breakdown in respect of the Group's assets excluding government, government-related and derivative assets.

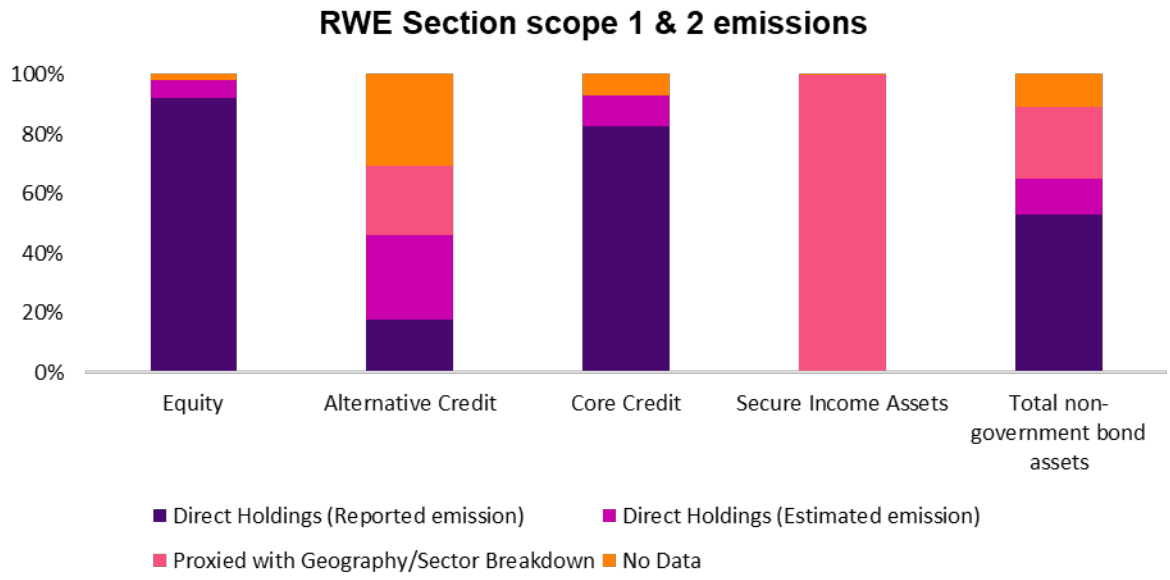
Where data was not available on the underlying holdings (6.7% of the total portfolio), the Group Trustees have followed the 'pro-rata approach' which involves scaling up the portfolio data that exists, rather than assuming such positions have zero emissions. The Group Trustees believe this is a more accurate and prudent approach to take. This is a decrease in the proportion of underlying holdings with no data available, compared to the prior year (10.9% of the total portfolio as at 30 June 2024). This change has been driven by work done by the underlying managers to improve data availability, as well as an increase in the allocation to listed companies, where the data coverage is naturally higher.

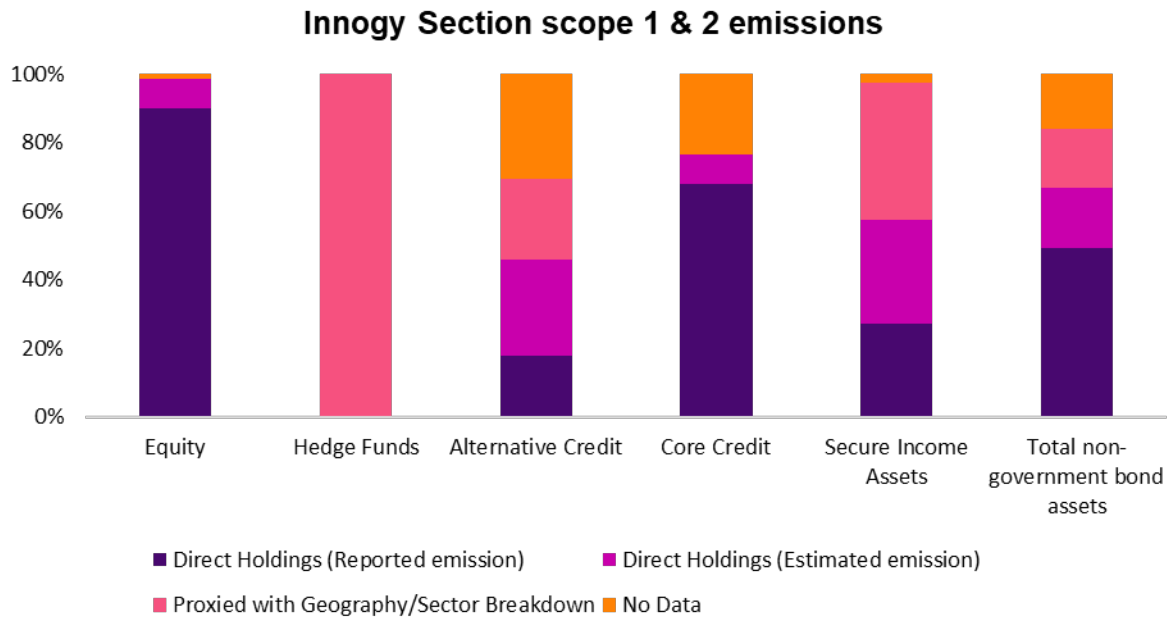
A sizeable proportion of the Group's assets are invested in non-public companies and strategies, as such, direct GHG emissions data is not available in respect of these. As reflected in the data quality chart below, 10.1% of the total portfolio data has been calculated using a proxy based on the underlying sector and geographical classification of the Group's private investments. The Group Trustees have engaged with a number of the Group's investment managers, particularly the managers of the Group's property investments, in order to set out their

expectations around improving their data quality, and in turn, reducing the proportion of data calculated using proxies for this analysis.

In addition, 50.4% of the total asset portfolio has been excluded from the below analysis, this relates to the proportion of the Group's assets invested in sovereign investments, government, government-related and derivative assets, as explained later in this report. This category also includes short-term cash holdings.

The Group Trustees continue to exert influence where possible to improve the availability of data as outlined later in the statement.





The targets set, and metrics disclosed, by the Group Trustees currently exclude emissions attributable to the Group's government, government-related and derivative assets. These assets comprise UK and US government bonds, supranational bonds, derivatives, and Network Rail bonds. While some data has been sourced so far, it

does not cover all assets within this part of the portfolio (noting that the 'pro-rata' approach is too simplistic to be applied to these assets, particularly given they make up such a large proportion of the portfolio).

Targets

The Group Trustees recognise that measurement of progress of the Group and the whole investment industry in stewarding the transition to a net zero and climate-resilient economy is an important issue. There is no single definitive metric that can be used to adequately measure progress as climate is a multi-dimensional issue, and the data and analytics in this space are rapidly evolving. Therefore the Group Trustees monitor a range of metrics to ensure that the climate and wider Responsible Investment risks are adequately assessed and managed. However in line with the Regulations, the Group Trustees have set a target on one of the metrics which is outlined below. It is well acknowledged in the industry that there are several difficulties associated with measuring progress against a GHG footprint goal, such as data quality, backdating of metric information and the fact that changes in the metric are often driven largely by noise (e.g. a company value changing) rather than reductions in real world emissions. The Group Trustees therefore measure success by monitoring changes in multiple metrics and also by reviewing the actual actions taken by the wider Trustee board and the third parties that it collaborates with.

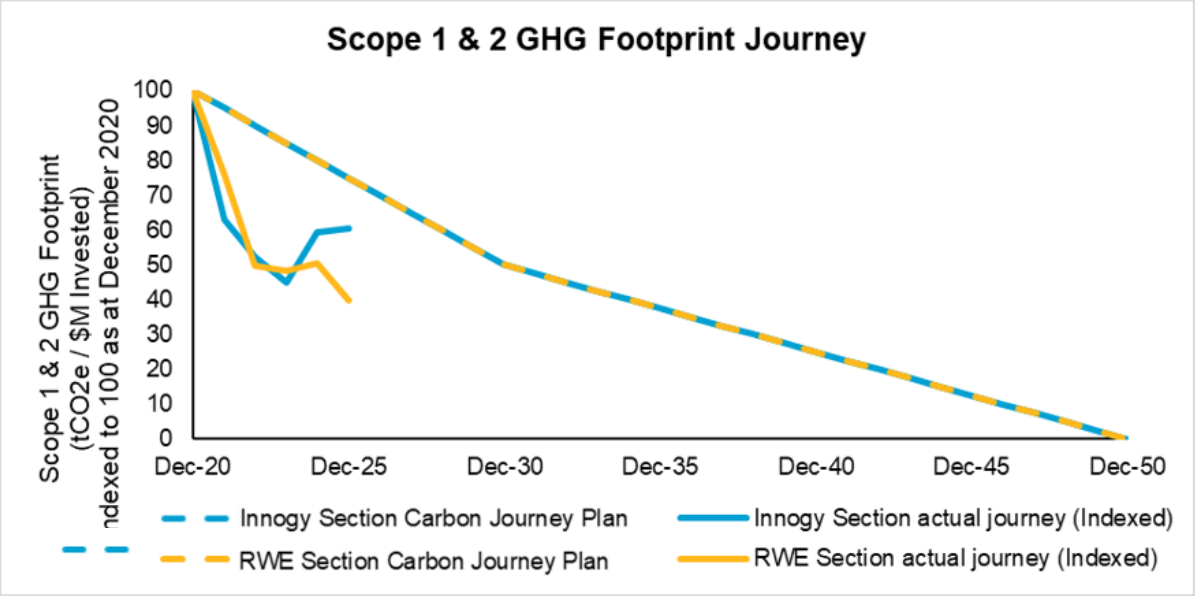
Medium Term Goal

An approximately 50% reduction in GHG footprint of the Group's portfolio of assets (excluding government, government-related and derivative assets) by 31 March 2030 (Scope 1 & 2 emissions)

Long Term Goal

Net-zero GHG footprint of the Group's portfolio of assets (excluding government, government-related and derivative assets) by 2050 or sooner (Scope 1 & 2 emissions)

The Group Trustees have monitored the value of their target metric annually since the baseline date (31 December 2020) to track progress. Overall, both Sections have experienced a decrease in the GHG footprint of the portfolio of assets (excluding government, government-related and derivate assets), covering Scope 1 and 2 emissions, relative to 31 December 2020.



The Innogy Section's GHG footprint has increased since the previous year's analysis. This is primarily driven by improvements in data availability for the Alternative Credit mandate and the Group Trustees are comfortable with the intensity of the reported emissions, given the nature of the investments. This increase has been partially offset by the reduction of the emissions intensity of the equity holdings, following the investment in the climate tilted equity fund.

The GHG footprint for the RWE Section has reduced. While the RWE Section also invests in the same Alternative Credit manager, the reduction in the intensity of the equity mandates has more than offset that increase.

The expected reduction in emissions in the Journey Plan is based on the baseline emissions figures in 2020, using the data coverage available at the time, which utilised a greater extent of "proxying" of emissions (e.g. using industry averages in place of actual emissions). At this stage, the Group Trustees have decided not to update the Journey Plan trajectory to account for improvement in data availability, given the ultimate goal of the Journey Plan is net-zero emissions and therefore the starting figure only impacts the pace of expected reduction. However, the Group Trustees continue to review the appropriateness of the targets set on an annual basis.

Over time, the Group Trustees expect that the trend of their GHG footprint will continue downwards, towards their net-zero target. The Group Trustees do, however, also recognise that there may be short term deviations in some years. This could be due to changes in underlying holdings and ongoing developments within the industry (such as data availability and methodology changes).

While the metrics reported are useful in adding to the broader Responsible Investment decision-making framework, the Group Trustees focus on undertaking actions to improve the climate metrics reported and achieve the stated GHG emissions reduction target over the longer term. The Group Trustees have a belief that stewardship (i.e., engagement with the underlying assets, and voting) is a primary tool to improve climate-related outcomes for the assets held, rather than simply disinvesting (and losing the right to engage and vote in cases of equity ownership). Over time, this is expected to have a positive impact on the metrics considered.

In order to compare the GHG footprint metric across years, the impact of changes in market value needs to be considered on the value of the metric reported (otherwise an increase in the price of a company will result in a lower GHG footprint without necessarily reflecting a fall in emissions). To counteract these impacts, the GHG footprint metric has been rebased using the market value of each Section's portfolio as at the baseline date (31 December 2020) in order to remove the effect of change in market value on the emissions per $M invested.

The Group Trustees' chosen target is unchanged from last year and the current progress remains aligned with that target.

Going forward

Noting the limitations set out above, the Group Trustees will be reviewing the goal that has been set at future iterations of this report, to consider whether it remains fit for purpose or whether a better alternative is available. As mentioned, the goal aside, the Group Trustees continue to focus on taking appropriate actions to manage the risks and opportunities and to monitor a balanced scorecard of climate metrics in line with the belief that climate change will have a material impact on financial outcomes in the future.

The Group Trustees are continuing to monitor the evolving climate measurement landscape with the expectation that the robustness of the metrics will improve over time. The Group Trustees look forward to sharing updates on their progress in monitoring and managing climate risks and opportunities next year.

Schneider

Net assets[31] as at 31 March 2026: £18m.

Chosen metrics

The Group Trustee will disclose the following on an annual basis:

- One absolute emissions-based metric: Total Carbon Emissions
- Two intensity emissions-based metrics:
  - Weighted Average Carbon Intensity (WACI)
  - Carbon Footprint
- One portfolio alignment metric: Implied Temperature Rise
  - Additional measures: the engagement metrics specified below and proxy voting data.
- Shareholder engagement metrics
  - Companies Engaged on CRRO: The number of engagements with companies held by the Group on CRRO: the Investment Manager will (in conjunction with their specialised climate engagement partners) assess the key climate risks and opportunities in the portfolio holdings and proactively engage to enhance shareholder value. The number of such engagements will be measured.
  - Companies achieving milestones on CRRO: The number of engagement milestones achieved on climate-related issues: companies are targeted for engagement and progress is logged, recording examples of positive change ('milestones') over each year. The number of milestones achieved each year will be measured.

Metrics results

The tables below set out the carbon metrics and Implied Temperature Rise for the funds held by the Group (excluding gilts/LDI for the aforementioned reasons). The carbon metrics take into account Scope 1 and 2 data only, again, for the aforementioned reasons.

Fund Name	Allocation	Total Carbon Emissions attributable to Group's investment* (tCO_2e)	WACI (tCO_2e/$m sales)	Carbon Footprint (tCO_2e/$m invested)
Global Select Equity Fund	5.2%	39.6	86.8	32.0
Factor Allocation Global Equity Fund	5.4%	66.7	76.6	51.7
Factor Allocation Global Managed Volatility Fund	9.7%	122.5	127.5	52.6

[31] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

Dynamic Asset Allocation Fund	4.1%	32.5	105.1	32.7
Emerging Markets Equity Fund	3.4%	80.4	174.3	99.2
Emerging Markets Debt Fund (HDG)*	4.2%		Unavailable	
High Yield Fixed Income Fund (HDG)*	4.3%	122.8	214.3	119.4
Global Opportunistic Fixed Income Fund (HDG)*	3.2%	44.6	139.9	58.5
Liquid Alternative Fund (HDG)	6.5%		Unavailable	
UK Credit Fixed Interest Fund*	5.1%	26.5	53.2	21.7
Weighted Average		**73.5**	**118.0**	**55.4**

Source: SEI, MSCI. Data as at 31 March 2026. *The Group Trustee recommends using caution when interpreting carbon metrics where data coverage is limited (<80%). *Calculated as Carbon Footprint multiplied by Group's investment in each fund (in $m).

Fund Name	Data Coverage (% Market Value)	Implied Temperature Rise (°C)
Global Select Equity Fund	99%	2.7
Factor Allocation Global Equity Fund	100%	2.5
Factor Allocation Global Managed Volatility Fund	100%	2.2
Dynamic Asset Allocation Fund	93%	2.7
Emerging Markets Equity Fund	100%	3.2
Emerging Markets Debt Fund (HDG)*	Unavailable	
High Yield Fixed Income Fund (HDG)*	76%	3.4
Global Opportunistic Fixed Income Fund (HDG)*	55%	2.8
Liquid Alternative Fund (HDG)	Unavailable	
UK Credit Fixed Interest Fund*	74%	2.3
Weighted Average		**2.6**

Source: SEI, MSCI. Data as at 31 March 2026. *The Group Trustee recommends using caution when interpreting implied temperature rise metrics where data coverage is limited (<80%).

The table below sets out the engagement activity for the YE 31 March 2026.

Companies Engaged on CRRO	Companies achieving milestones on CRRO
301	95

Source: Data reflects all of SEI's climate change engagement activity across all assets under management for the YE 31 March 2026.

The table below sets out the aggregate proxy voting data relating to shareholder proposals on environmental issues for the YE 31 March 2026.

Shareholder Proposals on Environmental Issues

Number of votable items	Voted For	Voted Against	Voted Abstain	Other	Votes with management	Votes against management
250	5	224	1	14	234	5

Source: Data reflects all of SEI's UCITS Proxy Voting activity relating to environmental issues across all assets under management for the YE 31 March 2026.

Limitations, assumptions and methodology

Data coverage is the key metric for examining data quality at present. Coverage for each of the funds is expressed as the percentage of the fund's total market value for which there is appropriate data, meaning that the coverage figures take into account the relative size of the underlying security positions.

The Trustee is mindful of the lack of coverage in certain areas of the market, in particular, fixed income and government bonds. Carbon data is unavailable for the Emerging Markets Debt Fund and the Liquid Alternative Fund (as its underlying holdings are largely derivative instruments). Similarly, data is unavailable for the Group's gilt/LDI holdings, as such metrics are not readily produced for this area of the market (physical/leveraged UK government bond funds). Where data coverage is limited (<80%), the Group Trustee advises caution when interpreting the results. The Trustee expects that over the coming years, data quality will likely improve.

The data coverage as at 31 March 2026 for the funds held by the Group (excluding gilts/LDI) is set out below.

Fund Name	Data Coverage (% Market Value)	WACI Data Coverage (% Market Value)
Global Select Equity Fund	99%	99%
Factor Allocation Global Equity Fund	100%	100%
Global Managed Volatility Fund	100%	100%
Dynamic Asset Allocation Fund	93%	93%
Emerging Markets Equity Fund	100%	100%
Emerging Markets Debt Fund (HDG)	Unavailable	
High Yield Fixed Income Fund (HDG)	74%	75%
Global Opportunistic Fixed Income Fund (HDG)	55%	55%

Liquid Alternative Fund (HDG)	Unavailable	
UK Credit Fixed Interest Fund	76%	76%

Source: SEI, MSCI. Data as at 31 March 2026. *The Group Trustee recommends using caution when interpreting carbon metrics where data coverage is limited (<80%).

SSE Southern

Net assets[32] as at 31 March 2026: £1,518m.

Chosen metrics

The Group Trustee's metrics are set out in the table below:

Type	Metric
Absolute Emissions Metric	Total Greenhouse Gas (GHG) emissions
Emissions Intensity Based Metric	Carbon footprint
	Weighted Average Carbon Intensity (WACI)
Additional climate change metric (non-emissions based)	Data quality – A measure of the level of actual and estimated data available from the Group's managers.
Portfolio alignment metric	Binary target measurements

Metrics results

The table below sets out a summary of the greenhouse gas emissions data provided by the Group Trustee's investment managers and the measurement of each metric using this data. Due to the nature of some mandates and the difficulty in collecting emissions data on a more frequent basis, the data is not all at the same date. Data has been sourced from a combination of the investment managers and the Group Trustee's investment advisor, using data from a third party source for listed assets.

Notes: The Group Trustee changed how it reports carbon footprint in the following tables in 2025/26. Historically, this metric was reported on a market cap basis, whereas now carbon footprint is assessed on an EVIC basis (Enterprise Value Including Cash), meaning the full capital structure (debt and equity) of the company under assessment is being accounted for. When the Group Trustee first started reporting on climate metrics for its TCFD disclosures, EVIC data was low on quality and coverage. This has evolved in recent years, such that measuring carbon footprint on an EVIC basis is now the industry standard for best practice. Partners illiquid debt has been removed from the tables as the final cash proceeds from the mandate were returned to the Group by year end.

[32] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

Asset Class	Manager	Long-term importance	Date of measurement	Total carbon emissions – Scope 1+2 (tCO_2)	Carbon footprint – Scope 1+2 (tCO_2/$m EVIC)	WACI – scope 1+2 (tCO_2/$m sales)
Global Equities (Passive)	L&G	High	31/12/25	2,303	20	62
Multi-Factor Developed Equity[i]	L&G	High	31/12/25	8,435	71	116
Property[ii]	CBRE	Very low	31/12/24	1,550	N/A	0.03
Corporate Bonds (B&M)	L&G	High	31/12/25	13,982	24	76
Secured Finance bespoke[iii]	Insight	High	31/03/26	323	N/A	N/A
Liability Driven Investment (LDI)[iv]	L&G	High	31/03/26	79,084	N/A	N/A

Notes: Figures rounded to nearest whole number. Total carbon emissions is calculated as carbon footprint multiplied by size of the Group's holding in £m converted to $m using the exchange rate at the date of the data. [i] The L&G RAFI Multi-Factor Developed Equity fund was invested on 23 February 2026, with a corresponding disinvestment from Storebrand. For the purposes of reporting (as at 31 December 2025), to better reflect the current and future exposure data for the Multi-Factor fund has been used as opposed to the Storebrand fund. [ii] Property analysis as at 31 December 2024 as 2025 data was not available at the time of writing. The carbon footprint and WACI of the property portfolio has been calculated as tCO_2/m^2 of floor space and WACI includes scope 3 emissions as CBRE are no longer able to strip this out. The methodology used by CBRE to calculate the carbon metrics has changed from the previous report which has contributed to an increase in some of the metrics and resulted in CBRE no longer providing a separate carbon footprint and WACI measurement [iii] The Group Trustee is engaging with the manager on the provision of carbon data but recognise that data quality and coverage is very limited given the nature of the asset class [iv] In our experience, LDI data is available but comes heavily caveated and with numerous disclaimers/limitations. Given the strategic importance of LDI to UK private sector DB schemes we expect LDI managers will face significant pressure from the industry to improve their disclosure. LDI data is currently unable to be aggregated with other carbon data. Total carbon emissions for LDI mandate includes leveraged positions and carbon footprint and WACI are measured in tCO_2/ £m invested and tCO_2/£m revenue respectively.

The methodology for scope 3 emissions is currently less well defined than for scope 1 and 2 emissions; therefore, this has been kept separate from the table above. Additionally, in part due to the complexities of measuring scope 3 emissions in a consistent way, data for scope 3 emissions is a lot harder to gather from the fund managers and underlying investee companies. As a result, and as may be expected, the Group's assets have poorer coverage of scope 3 data than for scope 1 and 2. The scope 3 emissions, where available, have been set out in the table below.

Asset Class	Manager	Long-term importance	Date of measurement	Total carbon emissions – Scope 3 (tCO_2)	Carbon footprint – Scope 3 (tCO_2/$m EVIC)	WACI – scope 3 (tCO_2/$m sales)
Global Equities (Passive)	L&G	High	31/12/25	24,185	205	988
Multi-Factor Developed Equity[i]	L&G	High	31/12/25	67,398	566	1,282
Property[ii]	CBRE	Very low	31/12/23	10,319	N/A	N/A
Corporate Bonds (B&M)	L&G	High	31/12/25	77,486	132	633
Secured Finance bespoke[iii]	Insight	High	N/A	N/A	N/A	N/A
Liability Driven Investment (LDI)[iii]	L&G	High	N/A	N/A	N/A	N/A

Notes: Figures rounded to nearest whole number. WACI emissions measured in $m invested for scope 3 emissions as £m is not available from the third party data supplier. Total carbon emissions is calculated as carbon footprint multiplied by size of the Group's holding in £m converted to $m using the exchange rate at the date of the data. [i] The L&G RAFI Multi-Factor Developed Equity fund was invested on 23 February 2026, with a corresponding disinvestment from Storebrand. For the purposes of reporting (as at 31 December 2025), to better reflect the current and future exposure data for the Multi-Factor fund has been used as opposed to the Storebrand fund. [ii] Property analysis as at 31 December 2024 as 2025 data was not available at the time of writing. The carbon footprint and WACI of the property portfolio has been calculated as tCO_2/m^2 of floor space. The methodology used by CBRE to calculate the carbon metrics has changed from the previous report which has resulted in CBRE being unable to disaggregate WACI by scope for the time being [iii] Scope 3 data was not available at the time of writing. The Group Trustee will continue to engage with the relevant managers to drive improvements in data coverage and quality going forward, with a view to including more meaningful figures in future reports.

The other metrics chosen by the Group Trustee for the Group's assets were also measured over the period, as shown in the table below.

Asset Class	Manager	Date of measurement	% of underlying assets that have specific net zero targets	% of mandate for which actual data (as opposed to estimated or modelled data) has been used to calculate carbon footprint
Multi-Factor Developed Equity[i]	L&G	31/12/25	51%	94%
Global Equities (Passive)	L&G	31/12/25	60%	92%

Property	CBRE	31/12/24	100%	85%
Corporate Bonds (B&M)	L&G	31/12/25	49%	69%[iv]
Secured Finance bespoke[iii]	Insight	31/03/26	N/A	8%[ii]
Liability Driven Investment (LDI) [iii]	L&G	N/A	N/A	N/A

Notes: Data from Investment Managers and the Group's carbon footprinting report (MSCI). [i] The L&G RAFI Multi-Factor Developed Equity fund was invested on 23 February 2026, with a corresponding disinvestment from Storebrand. For the purposes of reporting (as at 31 December 2025), to better reflect the current and future exposure data for the Multi-Factor fund has been used as opposed to the Storebrand fund. [ii] Data coverage is for total carbon emissions as carbon footprint data not available from manager. [iii] The Group Trustee is engaging with the manager on the provision of data but recognise that data quality and coverage is very limited given the nature of the asset class. [iv] As at 31 March 2026

Limitations, assumptions and methodology

Currently, a proportion of the Group's holdings are unable to be measured across the different metrics. This is in part due to the nature of some investments and the difficulties in measuring climate metrics across these types of investments. Some of the Group's investment managers also do not currently monitor these metrics and so are unable to provide data at present. As part of ongoing dialogue with managers, the Group Trustee will strive to improve the managers' provision of non-emissions data over time, to ensure it receives a fuller picture of the Group's position.

In attempts to address this, the Group Trustee discussed climate data availability with Insight at a manager focused RI day as noted in the Governance section. The Group Trustee have also set data quality targets for the Group's mandate with Insight of which the manager is aware. Data availability and quality will remain a topic for discussion when the Group Trustee is meeting with the manager going forward.

Metrics Data – Group level

The carbon data included within this section only considers the L&G RAFI Multi-Factor Developed Equity Fund, L&G Future World, and L&G B&M mandates. Data for the Group's other mandates were either unable to be measured or unable to be aggregated with other mandates. The assets in this section represent c40% of assets based on their target allocations.

The Group has a Weighted Average Carbon Intensity ('WACI') as at 31 December 2025 of 80 tCO2/$m Sales (based on target allocations as at 31 December 2025). This is a reduction of c6% versus the position as at 31 December 2024 (85 tCO2/$m Sales) but remains slightly higher relative to an equivalent figure of 67 for the corresponding composite Group benchmark. The relative decrease in the Group's WACI was smaller than that seen in the benchmark (i.e. the WACI gap between the Group and the benchmark has widened).

The Group's B&M holding remains the largest contributor to total WACI given its size; however, the WACI for this mandate decreased significantly compared to the benchmark over the year which is a positive sign. As previously noted, during the year, the Group Trustee reviewed its equity allocation and replaced the Storebrand fund with the L&G RAFI Multi-Factor Developed Equity fund for strategic reasons. Whilst this represents a move away from a fund which performs very well from a carbon metric standpoint, the Group Trustee remains satisfied that the overall equity portfolio continues to align with the Group Trustee's RI beliefs. This move also helps to explain why the aggregate WACI figure underperformed the benchmark over the year as the RAFI mandate is typically more titled towards companies which perform less well from a carbon standpoint compared to the Storebrand mandate.

In future reports, the Group Trustee will monitor these metrics on at least an annual basis and assess whether performance has improved or deteriorated over time. Where deterioration is identified, the Group Trustee will engage further to understand the drivers and consider any appropriate remedial actions. These metrics will also be used to monitor performance against the Group's climate-related targets (see Metrics and Targets Disclosure 3).

The Group Trustee acknowledge that at this point, limited data is available on industry wide comparisons and the Group Trustee has relied heavily on the benchmark set for each fund and the market knowledge of its advisors in understanding how well the funds are performing from a climate risk perspective, and whether further improvements could be made at this stage.

Targets

Given the nature of the assets and availability of data, the Group Trustee considers targets on a mandate-by-mandate basis to appropriately reflect the action that can be taken and the key priorities for that mandate. For example, for some mandates the current priority is to improve data in the first instance to enable the Group Trustee to set more meaningful targets in future, whereas for other mandates, agreeing a path towards carbon emissions reduction and net zero for all holdings is the key priority.

Emissions reduction targets

As discussed in the 2024/25 TCFD report, the Group Trustee met both its short- and long-term targets in relation to emissions reductions quicker than anticipated due to the effort the Group Trustee has made in recent years to improve the carbon credentials of the Group's assets.

Meaningful reduction in emissions going forward will be driven by strong engagement with the Group Trustee's managers and in turn the underlying investee companies that the mandates are investing in, to improve both data quality and their carbon credentials. As such, the Group Trustee will focus its efforts on engagement and progressing the data quality standards both of which the Group Trustee acknowledges will take time to see tangible results come through in the data metrics.

Data Quality Target

Given the current low levels of data available from some of the Group's investment managers and the Group Trustee's focus on engagement with managers to improve this data, the Group Trustee has set a data quality target for some of the Group's mandates where data availability is most limited.

The Group Trustee agreed to use the scoring system outlined below for monitoring and assessing the managers' progress and setting data quality targets. Please note that all percentages refer to portfolio coverage, i.e., the % of portfolio where given type of data is available.

Score	Emissions data requirements	Current mandate score*
4 – Excellent	At least 90% of actual data available OR >95% overall coverage including at least 75% actual data	L&G RAFI Multi-factor Developed Equity [i], L&G Future World[i]
3 – Good	At least 65% actual data available OR >75% overall coverage including at least 50% actual data	L&G Buy & Maintain corporate bonds[iii], CBRE Property[ii]
2 – Adequate	At least 45% of actual data available OR >75% overall coverage using estimates	L&G LDI[iii]
1 – Poor	Less than 45% of actual data available OR <75% overall coverage using estimates	Insight Secured Finance[iii]

Source: Investment Managers and the Group's carbon footprinting report (MSCI). Coverage only considers emissions data. [i] As at 31 December 2025 [ii] As at 31 December 2024 [iii] As at 31 March 2026

To date, the Group Trustee has agreed the following targets for the Group's investment mandates as at 31 March 2026:

- L&G Buy & Maintain to achieve a data quality score of 4 within the next 2 years (up from 3 at present day).
- Insight Secured Finance mandate to achieve a data quality score of at least 2 within the next 2 years (up from 1 at present day)

The Group Trustee has reviewed the data quality scores across mandates over the period. For the L&G Buy & Maintain mandate, the data quality target was increased in the 2025/26 reporting year to encourage further improvement. The mandate has maintained a score of 3 over the period and the Group Trustee will continue to engage with the manager with the objective of achieving a score of 4 over time.

The CBRE UK property mandate has also improved from a data quality score of 2 to 3 since last year, demonstrating progress in the availability and coverage of underlying data.

Conversely, the Insight mandate continues to have relatively limited data availability and remains at a score of 1. The Group Trustee will continue to engage with the manager to encourage improvements in data quality and coverage where possible.

More broadly, the Group Trustee recognises that improvements in data quality are partly dependent on the availability and reliability of third-party data. As such, ongoing engagement with investment managers remains the primary mechanism for driving improvements in both the availability and quality of climate-related data.

Net zero ambition

In addition to the targets above, the Group Trustee aims to achieve a net zero position for all Group assets by 2050. Whilst this is not currently a formal target, the Group Trustee will use this aim to guide decisions and targets to be set within the Group's individual mandates.

The Group Trustee is comfortable that this ambition is in line with its fiduciary responsibility to the Group and its members. The Group Trustee's key aim is to make a real-world impact on global emissions, which will be achieved through engagement with the Group's investment managers in relation to their policies and processes, as well as the reallocation of capital where appropriate. The Group Trustee will continue to work with the Group's managers to gather the relevant data to allow well informed targets to be put in place which are appropriate for each asset class. The Group Trustee expects different parts of the portfolio to follow different trajectories as it works towards this aim. This commitment is based on the expectation that governments and policy makers will deliver on their commitments to achieve the 1.5°C temperature goal of the Paris Agreement.

As part of the deep dive review of the Group Trustee's RI beliefs being undertaken post reporting year end, the Group trustee will also review the net zero ambition.

Targets Summary

The Group Trustee will undertake an annual review of the targets, to ensure that they remain appropriate and challenging, given the ever changing economic, environmental and technological environment. These reviews will look for opportunities to introduce net zero targets where this is considered reasonable.

As described in detail above, the Group Trustee's efforts are focused on engagement with the Group's managers, and in turn the underlying investee companies that the mandates are investing in, to improve both data quality and their carbon credentials. As such, the Group Trustee will focus on engaging with L&G and Insight to ensure they meet the data quality targets set for their mandates as described above.

The ability for diversified investors (such as pension funds) to set meaningful climate targets is inhibited by the limited availability of credible methodologies and data currently available. Like most investors, the Group Trustee is supportive of the development of target-setting methodologies, and of the increasing completeness of carbon

datasets. The Group Trustee wishes to set meaningful and challenging climate targets for its investment portfolio and work is underway to assess options within the limitations of currently available data.

UK Power Networks

Net assets[33] as at 31 March 2026: £2,592m.

The following information should be read in conjunction with the Group's disclaimers included in Appendix D.

Chosen metrics

Since mid-2021, BlackRock has provided climate change-related metrics to the Group as part of its quarterly reporting. These metrics and their calculation methodology are outlined in the table below. BlackRock has reported against all of the metrics outlined in the table.

Metric Type	BlackRock Calculation Methodology
Absolute emissions metric: Total GHG Emissions	Total GHG emissions are calculated using MSCI sourced Enterprise Value Including Cash (EVIC) and Scope 1 and 2 emissions. This is an absolute emissions figure that is normalized using Market Value from BlackRock on the portfolio level. Equation outlined below: $\sum_{n}^{i}\left(\frac{Market\ Value_i}{EV\ Including\ Cash\ (\$m)_i} \times (Carbon\ Emissions\ Scope\ 1+2)_i\right)$
Emissions **intensity** metric: Carbon Footprint	Carbon footprint is an emissions intensity measure utilizing MSCI sourced EVIC and Scope 1 and 2 emissions. BlackRock market value and Net Asset Value figures are integrated to normalize to the portfolio level. Equation outlined below: $\frac{\sum_{n}^{i}(Carbon\ Emissions\ Scope\ 1+2\ Intensity\ (EVIC_i) \times (Market\ Value_i))}{NAV}$
Emissions **intensity** metric: Weighted Average Carbon Intensity	Weighted Average Carbon Intensity is an emissions intensity metric utilizing MSCI sources sales and Scope 1 and 2 emissions values. BlackRock market value and Net Asset Value figures are integrated to normalize to the portfolio level. Equation outlined below: $\frac{\sum_{n}^{i}(Carbon\ Emissions\ Scope\ 1+2\ Intensity\ (Sales_i) \times (Market\ Value_i))}{NAV}$
Data Quality	MSCI Coverage as measured by Scope 1 and 2 emissions broken down by "Reported", "Estimated" or "Not Reported" (represented as null values for Scope 1 and 2 emissions). Estimated values represent MSCI indication that the scope 1 and 2 emission data is estimated rather than officially reported.
Portfolio Alignment Metric: Binary Target Metric	The percentage market value of a portfolio where issuers have an approved SBTi target and investment is through a corporate bond or equity investment. Derivatives and other complex investment products are not captured
Emission **intensity** metric: **Sovereign** GHG Intensity (t/USD million GDP nominal)	This figure represents GHG intensity of an economy (in tons per USD million GDP nominal). The higher the value the more carbon intensive the economy is. Six greenhouse gases, considered under Kyoto Protocol, are considered for this data point. These gases are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride. GDP is in nominal terms. Utilizes MSCI data.
Emissions **intensity** metric: GHG Emission per Capita (**Sovereigns**)	Tons CO2e per capita. Six greenhouse gases, considered under Kyoto Protocol, are considered for this data point. These gases are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride. Utilizes MSCI data.

[33] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

Total GHG Emissions Scope 3 Only	This figure represents the company's most recently estimated Scope 3 total emissions normalized by the most recently available enterprise value including cash (EVIC) in million USD. This ratio facilitates portfolio analysis by allocating emissions across equity and debt. (t/million USD)
Carbon Footprint Scope 3 Only	This figure represents the company's most recently estimated Scope 3 total emissions normalized by the most recently available enterprise value including cash (EVIC) in million USD. This ratio facilitates portfolio analysis by allocating emissions across equity and debt. (t/million USD)

Since 2022, BlackRock has provided analysis of the developing trends in climate-related metrics. This analysis has allowed the Group Trustee to track progress, both on portfolio related emissions and on the implications of climate change for investment performance. The table below outlines the performance of the Group's portfolio on key climate metrics. The Group's total GHG emissions were 0.31064 MtCO2e for Scope 1 and 2 and 0.1316 MtCO2e for Scope 3. Meanwhile, the Group's carbon footprint was 132.15 tCO2e/£M for Scope 1 and 2 and 311 tCO2e/£M for Scope 3. The significant decline in Scope 3 emissions can largely be attributed to changes in the portfolio composition of the corporate bond holdings

Metric	Total GHG Emissions (Mt/CO2e)		Carbon Footprint (tCO2e/£M)		Binary Target Metric (%)		Data Quality (%)	
Scope	**1 & 2**	**3**	**1 & 2**	**3**	**1 & 2**	**3**	**1 & 2**	**3**
2022	0.012	0.100	41.78	360.64	3.4	0	9.5	8.7
2023	0.381	0.094	164.66	373.02	5.3	5.3	76.5	8.4
2024	0.392	0.726	186.00	2846.58	2.1	2.1	77.6	9.4
2025	0.311	0.132	132.15	311.00	2.1	2.1	89.7	16.1

Targets

One of the Group Trustee's conclusions from the data and analysis that have been provided by BlackRock to date, is that there are limited data available for important areas of the market, e.g. private markets. These data limitations constrain the Group Trustee's ability to set performance or other expectations in these asset classes. This is the reason why the Group Trustee set data quality targets in its TCFD report published in 2023. The Group Trustee has set a medium-term target to increase data coverage for Scope 1, 2 and 3 carbon emissions for the overall portfolio to at least 50% over the next 3-5 years. This target will be monitored closely on an annual basis with a view to setting outcome-based targets once this has been achieved.

The target is monitored through the 'Data Quality' metric, as independently reported by MSCI to BlackRock. This metric determines whether Scope 1, 2 & 3 emissions are 'Reported', 'Estimated' or 'Not Reported'. It considers the percentage of the portfolio for which accurate and reliable emissions data is available.

Since 2022, data availability for Scope 1 and 2 emissions has risen from less than 10% to over 80% of the total portfolio. Emissions data for the purpose of calculating Scope 1 and 2 emissions for the LDI portfolio is based on the emissions of the UK government, as reported on the DWP website. Data availability for Scope 3 emissions remains low (16.1%) but has improved significantly since 2024 (9.4%). The Group Trustee believes the target to increase Scope 3 data coverage by 2030 is achievable, supported by the Partnership for Carbon Accounting Financials' (PCAF) continued standardisation of financed-emissions methodologies and the Assessing Sovereign

Climate-related Opportunities and Risks' (ASCOR) expanding sovereign climate dataset, both of which should improve the availability, consistency and comparability of portfolio emissions data over time.

BlackRock has engaged with Insight Investment (the Group's LDI manager) who have noted that aggregation of Scope 3 data is dependent on the existence of accurate emissions data at the global level. However, Insight believes that the availability of accurate data is going to be a multi-year journey and have formed a cross-body group across the LDI industry to reach a consensus on developing a reporting standard. BlackRock's manager research team is engaging with Insight to understand what interim steps need to be achieved before Scope 3 data will become available and will report this to the Group Trustee once available.

While BlackRock has requested that all underlying investment managers provide climate change related data for the purpose of compiling this report, some managers are still unable to do so. The following reasons have been provided to BlackRock:

- For some sub-asset classes, there continues to be a lack of industry consensus on how to attribute and quantify emissions statistics. This is particularly relevant for alternative assets. These assets are bespoke in nature and the industry is still working towards achieving a uniform reporting standard.
- Some elements of the investment portfolio are managed by underlying asset managers domiciled in parts of the world where TCFD-related reporting is not yet a mandatory regulatory obligation.
- In the case of Scope 3 data, investment managers have cited difficulties with the complexity of calculating this data accurately whilst avoiding the possibility of double-counting data.

BlackRock is liaising with all underlying managers to better understand when they may be in a position to start reporting climate-related data. BlackRock has asked its manager research team to raise questions in relation to this matter during its ongoing engagement with these managers. BlackRock has noted an improvement in the data being reported by underlying investment managers, with two additional managers reporting data for the first time in 2025.

Uniper

Net assets[34] as at 31 March 2026: £416m.

Chosen metrics

With regards to quantitative metrics, the Group Trustee will set out where possible on an annual basis:

- Percentage of portfolio with data coverage
- Absolute total emissions in tCO2e
- Weighted Average Carbon Intensity (WACI)
- Carbon footprint (per £m invested)
- Portfolio temperature alignment
- Climate VaR under different scenarios

The Group Trustee will keep these metrics under review and may add to, or amend, these metrics over time as data and best practice evolves.

Metrics results

The tables below set out the results of the Group Trustee's agreed metrics for the equities and credit in the portfolio. The data is sourced from ISS ESG and MSCI. ISS ESG and MSCI have been identified as leaders in the space while also understanding the nuances of asset classes and strategies. Although they are currently VLK's preferred providers for climate and ESG data, other vendors may be used in the future as research capabilities progress. Currently the data only covers Scope 1 and Scope 2 emissions, as Scope 3 emissions are heavily reliant on assumptions with research still underway on how best to capture and act on Scope 3 emissions data.

Defined Benefit Portfolio	Metric	Data source	31 March 2024	31 March 2025	31 March 2026
Portfolio Coverage	% of total portfolio covered by analysis weighted by value	ISS ESG	29.2	34.7	18.8
Absolute Emissions	Total Portfolio, tCO2e	ISS ESG	2803.6	2048.5	4489
Weighted Average Carbon Intensity	Total Portfolio, tCO2e per $m sales	ISS ESG	62.5	67.0	271.4
Carbon Footprint	Total Portfolio, tCO2e per £m invested	ISS ESG	31.4	31.3	57.2
Portfolio implied temperature rise*	Degrees Celsius	MSCI ESG	2.0	updated biannually as per regulation	2.3

[34] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

Climate VaR (1.5°C disorderly transition scenario)	Climate Value at Risk, %	MSCI ESG	-12.5	updated biannually as per regulation	Discontinued to focus on varying 2°C scenarios
Climate VaR (2°C orderly transition scenario)			Introduced in 2026	updated biannually as per regulation	-6.3
Climate VaR (2°C disorderly transition scenario)			-9.0	updated biannually as per regulation	-10.8
Climate VaR (3°C hot house world scenario)			-7.6	updated biannually as per regulation	-8.9

* The Implied Temperature Rise (ITR) metric provides an indication of how well public companies align with global temperature goals. Expressed in degrees Celsius, it is an intuitive, forward-looking metric that shows how a company aligns with the ambitions of the Paris Agreement -which is to keep a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C.

The portfolio-level Implied Temperature Rise uses an aggregated budget approach: compares the sum of "owned" projected GHG emissions against the sum of "owned" carbon budgets for the underlying fund holdings. The portfolio's total estimated carbon budget over- /undershoot is then converted to a degree of temperature rise (°C) using science based TCRE (Transient Climate Response to Cumulative Emissions). The allocation base used to define ownership is Enterprise Value including Cash (EVIC) in order to enable the analysis of equity and corporate bond portfolios.

Metrics for government bonds

Sovereign related emissions reporting for investment portfolios is an emerging field and standards are not yet fully developed and accepted across the industry. As TCFD does not specifically cover sovereign bonds, we have used guidance established by the Partnership for Carbon Accounting Financials (PCAF) Standard. We provide emissions sourced from MSCI which covers c. 43% of the portfolio. The data is for long only bond positions. This is predominantly UK government bonds and emerging market debt. This excludes cash and repo positions. We note there are other publicly available datasets that offer an assessment of individual countries' net zero alignment. These include (but are not limited to):

- ASCOR (Assessing Sovereign Climate-related Opportunities and Risks)
- CCPI (Climate Change Performance Index)
- CAT (Climate Action Tracker)

Coverage of liquid assets (table above) and government bonds (table below) results in a significant increase in coverage.

As this area evolves, we will assess whether we continue to use MSCI data and methodology or whether we use other available datasets in the future.

Metrics		31 March 2026
Weighted Average Emissions Intensity (normalised by Purchasing Power Parity (PPP) GDP) - tonnes of CO2e per $ million GDP PPP	**Scope 1 (excl LULUCF)**	99.0
	Scope 1 (incl LULUCF)	103.0
	Consumption	138.9
Absolute Emissions (apportioned by PPP GDP) - tonnes of CO2e	**Scope 1 (excl LULUCF)**	22,375.6
	Scope 1 (incl LULUCF)	23,280.95

	Consumption	31,374.58

We have provided the data above as part of increasing the coverage of the Group's portfolio. We recognise the Institutional Investors Group on Climate Change (IIGCC) published a paper which provides an overview of the challenges of net zero aligned investing in the sovereign bonds asset class. The paper finds that despite their relevance; there is currently little evidence of adoption of this asset class within investors' net zero strategies. When it comes to sovereign bonds, investors see challenges in their ability to exercise asset selection to meet net zero commitments, mainly due to:

1. Liability management restrictions under which a great portion of sovereign bond holdings operate,
2. The limited number of prominent issuers and the concentrated nature of the market means that reducing or removing some sovereigns from the portfolio may force others to be overweighted thereby increasing material risks,
3. Persisting flaws in the global policy framework; currently, most National Determined Contributions suffer from ambition and/or implementation gaps within a non-binding framework, and;
4. A combination of concerns around engagement with sovereigns such as limited engagement opportunities, non-credible 'exit', intricate nature of sovereign entities, fairness considerations, lack of metrics to assess success, among others.

Limitations, assumptions and methodology

This analysis includes all liquid listed equities and corporate bond assets where the data was available. The Group Trustee notes that data availability is likely to improve and public disclosure should increase the speed at which the data becomes available. Data for less liquid asset classes is less readily available which is a known limitation in the investment industry. For the group, a prudent approach is followed by excluding the portfolio without coverage and assuming the portfolio is invested pro-rata in the asset classes where data is available. The portfolio and asset class coverage is expected to be expanded in subsequent annual reports, as the data improves – particularly in respect of the treatment of gilts and LDI assets, as well as less liquid and real assets.

Targets

The Group Trustee has an ambition to set meaningful targets that are in line with the Group's investment and climate objectives, including to align its portfolio with achieving the goals of the Paris Agreement. The Group Trustee is taking a considered approach to setting climate-related targets. Comparing the quantitative metrics of this report provides a basis on which targets and objectives may be set. The Group Trustee will review sustainability and stewardship with its fiduciary manager, including engagement and voting activities, as a part of its effort to set and monitor meaningful climate-related targets across the portfolio.

With respect to targets, the Group Trustee has entrusted VLK to a) improve data coverage, b) invest in strategies that are aligned with their long-term climate ambition, and c) engage with existing providers to achieve net zero ambitions. Progress is reviewed on a long-term holistic basis, as the Group Trustee considers how to meet its climate goals and their fiduciary duty to deliver members' benefits.

VLK's medium-term sustainability ambitions are twofold. First, to invest in underlying funds that score highly (3 out of 5 or above) on their sustainability spectrum. Second, for both liquid and non-liquid assets to be Paris-aligned (2.0°C pathway) by 2030, subject to availability of suitable investments and without compromising the Group Trustees' Fiduciary Objectives.

United Utilities PLC

Net assets[35] as at 31 March 2026: £319m.

The following information should be read in conjunction with the Group's disclaimers included in Appendix D.

Chosen metrics

The following climate-related metrics for the Group's investments have been considered by the Group Trustee:

- Absolute greenhouse gas emissions
- Carbon footprint
- Portfolio temperature alignment (% of portfolio companies with targets approved by the Science Based Targets initiative (SBTi) and Implied Temperature Rise.
- Data quality

Metrics results

L&G disclose data coverage (rather than quality) for the carbon emissions intensity metric (tCO2e/£m on an EVIC basis) for the bulk annuity insurance policy, and only for scope 1 and 2 emissions. Although the metrics are only provided at the year end with 31 December 2025 being the closest reporting date, we do not expect these metrics to have materially changed over the 3 months to 31 March 2026.

L&G bulk annuity insurance policy	Scope 1 and 2 Data Coverage 31.12.2025	Scope 1 and 2 Data Coverage 31.12.2024
Actual vendor-provided data coverage (%)	47	42
Estimated data coverage (%)	53	58

Source: L&G. The "Vendor provided coverage" figures quoted above are instances where L&G have actual data from its carbon data vendors. These providers do themselves produce estimations for entities where they do not have all required data points from an entity to undertake a complete analysis of their carbon emissions.

As regards the assets invested outside the bulk annuity policy, the investment manager, L&G, discloses data quality metrics for scope 1 and 2, as well as the scope 3 emissions as at 31 March 2025. They are set out for the L&G LDI and LGIM Buy and Maintain Credit mandates combined below.

Combined LGIM LDI and Buy and Maintain Credit mandates	Scope 1 and 2			Scope 3		
	R	E	U	R	E	U
31 March 2026	76.5	1.3	12.6	33.3	11.1	12.6
31 March 2025	74.5	2.3	9.8	27.3	10.0	9.8

Source: L&G. For scope 1 and 2 emissions, corporate and sovereign carbon emissions metrics have been combined by L&G. Scope 3 emissions are available for corporate mandates only. R = Reported (%), E = Estimated (%), U = Unavailable (%). Metrics are shown as a share of the total combined L&G LDI and LGIM Buy and Maintain mandates.

[35] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

L&G do not disclose total GHG emissions for the bulk annuity insurance policy. The emissions for the L&G LDI and L&G Buy and Maintain Credit mandates (combined) are shown below.

Combined LGIM LDI and Buy and Maintain Credit mandates	Scope 1 and 2 total GHG emissions (tCO2e)	Scope 3 total GHG emissions (tCO2e)
31 March 2026	2,884	21,300
31 March 2025	3,314	11,626

Source: L&G. For scope 1 and 2 emissions, corporate and sovereign carbon emissions metrics have been combined by L&G. Scope 3 emissions are available for corporate mandates only.

L&G disclose carbon emissions intensity for the bulk annuity insurance policy as at the calendar year end. These figures are:

- 31 December 2025 – 52 tonnes CO2e/£m
- 31 December 2024 - 52 tonnes CO2e/£m
- 31 December 2023 - 57 tonnes CO2e/£m
- 31 December 2022 - 64 tonnes CO2e/£m.

Overall, this demonstrates steady progress in reducing emissions intensity over time. The Trustee also discussed the rationale for the lack of movement between the 2024 and 2025 reporting dates, which L&G explained relates to changes in the composition of the underlying asset portfolio, including for example a higher proportion of utility companies being held. L&G confirmed that they were still seeing good progress in decarbonisation at the company level.

These figures are not directly comparable to the carbon footprint metrics shown in this report for the L&G LDI and Buy and Maintain Credit mandates due to the different currency unit of the denominator.

The scope 1 and 2, as well as the scope 3 carbon footprint values are set out for the LGIM LDI and LGIM Buy and Maintain Credit mandates combined below.

Combined LGIM LDI and Buy and Maintain Credit mandates	Scope 1 & 2 carbon footprint coverage (%)	Scope 1 & 2 carbon footprint (tCO2e/$m invested)	Scope 3 carbon footprint coverage (%)	Scope 3 carbon footprint (tCO2e/$m invested)
31 March 2026	77.9	30.8	44.4	399.3
31 March 2025	76.7	38.3	37.3	285.5

Source: L&G. For scope 1 and 2 emissions, corporate and sovereign carbon emissions metrics have been combined by L&G. Scope 3 emissions are available for corporate mandates only.

Limitations, assumptions and methodology

The Trustee notes that the availability of accurate data for some asset classes is an industry-wide issue and standards are still developing. The following points should also be noted:

- **Absolute emissions** are a function of a fund's total asset value. Therefore, for the Group, portfolios and funds with relatively high levels of assets invested in them will generally have higher absolute emissions than smaller mandates.
- **Carbon Footprint** "normalises" emissions by size of the investment, so a fall in market prices can make the denominator lower and therefore carbon footprint may be "pushed up". However, it still provides a better idea of the carbon intensity of each portfolio (when compared with absolute emissions).
- For some funds, the **data coverage** has improved over the year. This means that reported emissions and related measures such as carbon footprint may increase simply as there is more of the portfolio where emissions are reported.
- There can be a **time lag** in the provision of climate data from individual companies to data providers, and then from data providers to investment managers. For example, in the reporting year, investment managers may have received climate data at different times, some of which may be based on disclosures at the company level over the course of past periods. With a reporting date of 31 March 2026, this means that the metrics presented in this report are likely to be subject to time lags and revisions. The Trustee recognises that this leads to a certain amount of uncertainty regarding the drivers of changes in carbon emissions from year-to-year.

The Trustee recognises the challenges associated with various metrics, tools and modelling techniques used to assess climate change risks. The Trustee aims to work with its investment adviser and investment manager to continuously improve the approach to assessing and managing risks over time as more data becomes available.

Targets

Given the significance of climate change risks, the Trustee has set a firm ambition to reach "net zero" emissions by 2050 for listed assets. The Trustee has also set an interim target of achieving a 50% reduction in scope 1 and 2 emissions (i.e. the scopes for which where there is an appropriate level of quality data) for these assets by 2030, as measured by the carbon footprint metric, relative to a baseline date of 31 March 2023. The baseline figure was 87 tCO2e/$m invested at 31 March 2023 (based on the available data at that time).

Carbon footprint is used for the 2030 target metric rather than absolute emissions as the absolute emissions figures will be impacted by market movements and changes in the value of the asset portfolios.

The rationale for the Group's target is:

Grounded in science	Practical and clear	Aligned with the employer
This target is considered necessary to reduce greenhouse gas emissions and keep global warming to 1.5°C, meeting the goals of the Paris Climate Agreement.	The Group's investment manager is committed to net zero by 2050. Therefore, the assets are expected to get to net zero and the Trustee can objectively track this goal.	United Utilities has also set a net zero target. While recognising that pension schemes and companies have different legal and financial duties, a joined-up approach can be an enabler of success.

As at 31 March 2026, the Group's carbon footprint was 30.8 tCO2e/$m invested (based on the available data for the invested assets). This is a decrease of c. 65% vs the baseline figure of 87.0 tCO2e/$m invested and therefore the interim target has been met. Over the year, there was a reduction in the carbon footprint of 20% (last year's carbon footprint was 38.3 tCO2e/$m invested.

The Group remains ahead of its interim target. This is positive but the Trustee recognises the data is evolving all the time and therefore will keep working with the investment managers to stay on track for the net zero target by 2050.

Steps the Group Trustees are taking to achieve the target.

- Discussing and agreeing the roadmap to next zero with the investment manager and insurer.
- Implementing an explicit net zero mandate for the Group's credit mandate and the bulk annuity.
- When considering new investments or risk management approaches, such as further insurance policies, the Trustee has commissioned advice on the alignment of potential providers' approaches to net zero with the Trustee's target.

Western Power Distribution

Net assets[36] as at 31 March 2026: £1,657m.

The following information should be read in conjunction with the Group's disclaimers included in Appendix D.

Chosen metrics

We calculate and disclose the following metrics:

- Total Greenhouse Gas Emissions
- Carbon Footprint
- SBTi Alignment
- Data Quality

Metrics results

Emissions associated with our direct financed exposure:

Asset class	% portfolio exposure	% coverage Scope 1 + 2	% coverage Scope 3	Absolute Financed Emissions tCO2e		Carbon Footprint: Emissions intensity tCO2e/£m invested	
				Scope 1+2	Scope 3	Scope 1+2	Scope 3
Equity	29.1%	97.4%	97.7%	10,756	106,935	28.2	280.4
Credit	12.1%	72.8%	72.6%	25,329	141,639	159.6	892.7
Total	**41.2%**	**90.2%**	**90.6%**	**36,085**	**248,574**	**66.8**	**460.3**

Notes: Source: Mercer, using data from MSCI. Analysis is based on stocklists as at 31 December 2025, using latest available data feeds as at 28 April 2026. Gresham corporate bond analysis has been proxied using the iBoxx iShares $ High Yield Corporate Bond Index and assumes proportion of eligible assets to be 100%. Managers captured: Mercer Equity, Egerton, Bishopsgate & Gresham.

In the table below we have included the approximate carbon sequestration benefit of the Forestry portfolio. However, due to regulatory advice, existing forestry cannot be considered for offsetting purposes.

Asset class	% portfolio exposure	% coverage Scope 1 + 2	% coverage Scope 3	Absolute Financed Emissions tCO2e	Carbon Footprint: Emissions intensity tCO2e/£m invested
				Scope 1+2	Scope 1+2
Forestry	3.3%	100%	100%	15,440	285

Source: Bidwells. Data represents emissions as at 31/03/2026.

A full breakdown of data quality of the 41.2% direct financed exposure analysed has been provided below:

[36] Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2026.

	Verified	Reported	Estimated	Unavailable
Total	60.1%	19.5%	11.2%	9.2%

Emissions associated with our sovereign financed exposure:

Asset class	Physical exposure	Derivative exposure	Total Carbon Emissions (tCO2e)		Sovereign intensity	
			Production (inc. LULUCF)	Consumption	Production emissions (tCO2e/£m PPP adjusted GDP)	Consumption emissions (tCO2e/capita)
LDI	35.9%	64.1%	154,439	234,105	90.9	8.0

Notes: represents sovereign bond exposure within the Insight LDI Active 62 Fund

Commentary on the metrics

The changes in the corporate climate-related metrics YoY to 31 March 2026 are as follows:

Metric	YoY change	Comment
Total Greenhouse Gas Emissions	Decreased (improved) by c. 47% YoY	The portfolio's absolute emissions and carbon footprint have fallen, largely reflecting two factors: First, the introduction of the Global Sustainable Transition Equity Fund, which embeds explicit net zero objectives within its investment approach, has improved the portfolio's overall emissions profile. Second, this year's methodology enhancements mean that all available manager holdings were processed through a centralised tool, producing results more consistently across the full portfolio and providing a more robust, like-for-like basis for comparison. We expect this to support more meaningful year-on-year comparisons going forward; however, it also means that some managers' results (for example, Gresham) appear lower than last year due to the updated approach
Carbon Footprint	Decreased (improved) by c. 32% YoY	
SBTi Alignment	Increased (improved) c. 19% YoY	The share of assets that are aligned with, or committed to, Science Based Targets initiative (SBTi) targets has increased largely due to the introduction of the Global Sustainable Transition Equity Fund and the removal of a non-ESG-focused equity fund. The Global Sustainable Transition Equity Fund is managed against a sustainability framework that aims to support

the transition of investee companies and targets net zero by 2050. As a result, the Fund has a higher proportion of SBTi-aligned companies than the equity fund it replaced.

In addition, this improvement also reflects a wider industry trend of increasing corporate adoption of SBTi, as more companies embed more robust long-term decarbonisation objectives into their core business strategies.

For some metrics, comparability with previous years' disclosures is limited due to the refinements to existing definitions:

Sovereign production and consumption emissions data have been introduced for the first time within the Group's climate governance report. In previous years, sovereign metrics were shown in relation to GDP and therefore makes any comparison to previous years challenging. Reporting of metrics is an evolving space.

Comparison of Data Quality metric with previous years is also challenging due to a change in the metric reported this year. Previously, Data Quality was defined primarily as data coverage, representing the proportion of the portfolio for which emissions data was available. While informative, this approach did not distinguish between varying levels of data robustness. This year, Data Quality is shown based on the proportion of the portfolio for which the Trustee has high-quality emissions data, providing a clearer view of the reliability of the underlying metrics. As with other methodological enhancements, this change limits direct comparison with prior years' disclosures, but we believe it offers a more meaningful assessment of data strength and will support improved governance and decision-making as climate data continues to evolve.

Limitations, assumptions and methodology

For some metrics, comparability with previous years' disclosures is limited due to the refinements to existing definitions:

- Sovereign production and consumption emissions data have been introduced for the first time within the Group's climate governance report. In previous years, sovereign metrics were shown in relation to GDP and therefore makes any comparison to previous years challenging. Reporting of metrics is an evolving space.
- Comparison of Data Quality metric with previous years is also challenging due to a change in the metric reported this year. Previously, Data Quality was defined primarily as data coverage, representing the proportion of the portfolio for which emissions data was available. While informative, this approach did not distinguish between varying levels of data robustness. This year, Data Quality is shown based on the proportion of the portfolio for which the Trustee has high-quality emissions data, providing a clearer view of the reliability of the underlying metrics. As with other methodological enhancements, this change limits direct comparison with prior years' disclosures, but we believe it offers a more meaningful assessment of data strength and will support improved governance and decision-making as climate data continues to evolve.

Total Greenhouse Gas Emissions - This metric takes an ownership approach to answer what proportion of a company's or asset's emissions an investor owns and is therefore responsible for financing. It includes the seven types of greenhouse gas ("GHG") (as defined in the Kyoto Protocol). Emissions of the seven greenhouse gases have different impacts on climate change. In order to simplify reporting, each greenhouse gas is calibrated relative to carbon dioxide and is reported as 'carbon dioxide equivalent' emissions (CO_2e). In this way the Group Trustees can compare companies that emit different amounts of different gases on a consistent basis. Recognising the

different methodologies used to calculate absolute emissions for sovereigns and corporates, the Group Trustees report sub totals at the corporate and sovereign levels as well as a grand Total Greenhouse Gas Emissions figures.

The Group Trustees have chosen this metric to understand the absolute amount of emissions financed by the Group's investments.

In respect of sovereign debt investments, the Group Trustees follow the Partnership for Carbon Accounting of Financials ('PCAF') to derive absolute emissions.

Carbon Footprint – Carbon Footprint is an intensity measure of emissions that takes the Group's total GHG Emissions figure and normalises it to take account of the size of the investment.

Analysing an investment fund's Carbon Footprint assists the Group Trustees in identifying carbon-intense sections of the Group's portfolio. The Group Trustees have therefore chosen this metric to assist them in prioritising carbon intense parts of the investment strategy for potential re-allocation or engagement as a means of mitigating associated climate-related risks.

% of portfolio companies with net zero targets approved by the Science Based Targets initiative (SBTi) – 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. Companies submit their net zero plans to SBTi, who then act as an independent assessor of the validity of the plans.

The Group Trustees have chosen this metric because it provides a measure of portfolio alignment with the goals of the Paris Agreement. Underlying funds with a low percentage of companies with SBTi-approved targets could indicate investment in companies or issuers that are not setting targets to align their businesses or activities with net zero, which is a forward-looking indication of climate transition risk.

The Group Trustees are cognisant that the SBTi's coverage across additional companies and sectors is expanding rapidly, whilst recognising that the Initiative does not currently cover every sector.

Data Quality – Data Quality aims to represent the proportions of the portfolio for which the Group Trustees have high quality data. The Group Trustees have 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 the how representative the analysis is of the Group's actual portfolio.

Data Quality also assists the Group Trustees 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 Group's portfolio increases. In addition, the Group Trustees are able to identify the companies in the portfolio that are not currently reporting emissions data and use this as the basis for engagement.

Targets

We have set the following principal target with respect to the Group:

- To align our investments to support the goal of net zero greenhouse gas emissions by 2050 with an interim 50% reduction target from 2020 levels by 2030, in line with global efforts to limit warming to 1.5°C. The target relates to the scope 1 & 2 carbon footprint metric for listed equity and bonds.

Specifically, we commit to:

- Work in partnership with other asset owners on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner

- An interim target for 2030, consistent with a fair share of the 50% global reduction in greenhouse gases, identified as a requirement in the IPCC special report on global warming of 1.5°C37, based on 2022 levels
- Review the progress against our target every year, and to review the target itself at least every three years, to ensure it remains consistent with the latest scientific thinking and is appropriately incentivising the necessary economic transition

Our objective is to achieve, where possible, decarbonisation through the transformation of underlying businesses and government activities rather than divestment (because it is in our members' interests to decarbonise the economy-as-a-whole, and by remaining invested we retain our influence on the companies that must transition).

With regards to corporate assets' alignment with the Paris Climate Agreement, the target over time is to consistently increase the proportion of the corporate portfolio that is Net Zero, Aligned to Net Zero or Aligning to Net Zero until 100% of the portfolio is aligned.

We will resist pressure to modify portfolios to meet headline portfolio level decarbonisation targets at the expense of incentivising the necessary real-world transition. Our goal is net zero greenhouse gas emissions globally – and we seek to maximise our influence to achieve this.

The portfolio emissions intensity will be measured against these targets and relative to the appropriate market portfolio representative of the strategic asset allocation of the portfolio.

A wide range of factors will affect whether we achieve our targets and we have varying degrees of control over these factors. For example, the quality and availability of data means that the quoted greenhouse gas emissions are likely to change. For the LDI portfolio, the progress of the UK Government will have a significant influence over the timing of reaching net zero.

Ultimately achieving the desired level of decarbonisation will depend on global economies overall successfully decarbonising. Notwithstanding that there are factors outside of our control, our intention is to meet our targets and we engage with our asset managers to make clear our requirements.

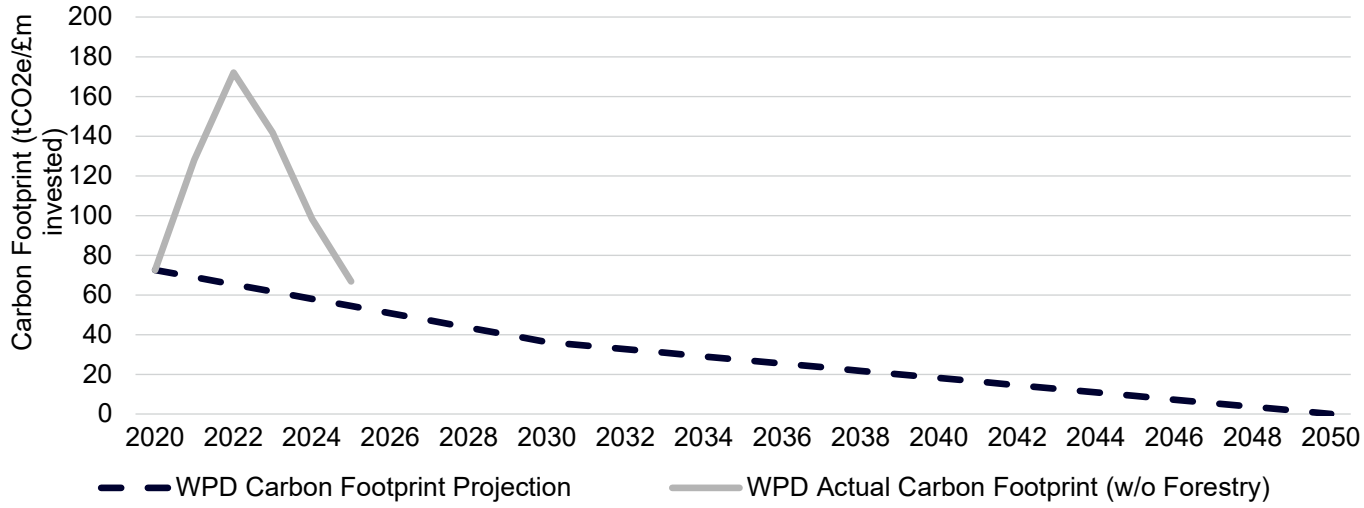
Net Zero Pathway analysis

The tracker has been updated to reflect the latest results, reflecting the scope 1 & 2 direct financed carbon footprint (i.e. not including emissions associated with our sovereign financed exposure or forestry).

Progress against our target is measured using the portfolio Carbon Footprint (tCO2e per GBP 1m invested) for in-scope assets (Scope 1 and 2 financed emissions), comparing the current value to the 2020 baseline and the implied pathway to 2030/2050. The Carbon Footprint is calculated as a value-weighted average of underlying funds and may include estimates where holdings-level data is unavailable (including public market proxies).

[37] https://www.ipcc.ch/reports/

Figure 3: Net Zero Pathway



Source: Mercer

As noted above, there has been a 32% YoY decrease in the portfolio's carbon footprint, resulting in continued improvement vs our net zero target relative to 2020 baseline levels.

We have considered the fact that the current Carbon Footprint exceeds the net zero pathway and remain satisfied that continuing to use 2020 as the baseline is appropriate, as although this represents a more ambitious reduction in Carbon Footprint over time, the Group continue to track towards their target level.

The reduction in Carbon Footprint has been driven by two factors:

1. The introduction of the Global Sustainable Transition Equity Fund, which embeds explicit net zero objectives within its investment approach, has improved the portfolio's overall emissions profile.
2. This year's methodology enhancements which meant that all available manager holdings were processed through a centralised tool, producing results more consistently across the full portfolio and providing a more robust, like-for-like basis for comparison. We expect this to support more meaningful year-on-year comparisons going forward; however, it also means that some managers' results (for example, Gresham) appear lower than last year due to the updated approach

We note that since 2020 the emissions intensity increased prior to falling back below 2020 levels in 2025. The initial increase was as a result of:

The baseline target date of 2020 being during the Covid 19 pandemic, which due to lockdowns, saw fluctuations in energy use.

The Credit proportion of the portfolio that's currently analysed under TCFD has increased substantially since 2020. In 2020, only 5.2% was held in Credit but in 2021, the strategic allocation of the portfolio changed and an additional 3.5% was added via introducing Bishopsgate. The Credit allocation reached 8.6% in 2021 leading to a more carbon intensive portfolio compared to baseline levels (as the Credit positions held in the portfolio are considerably more carbon intensive than the Equity holdings).

Actions and next steps

Our Investment Adviser has committed to:

- Provide us with information, metrics and analytics on net zero greenhouse emissions by 2050 investing and climate change-related risks and opportunities.
- Engage with those key to the investment system including data and service providers to ensure that products and services available to the Group Trustees are consistent with the aim of achieving global Net Zero emissions by 2050 or sooner.
- Ensure any relevant direct and indirect policy engagement is undertaken in support of achieving global net zero greenhouse gas emissions by 2050 or sooner.

We will:

- Take account of and report on progress against Scope 1 and 2 emissions and, to the extent possible, material portfolio Scope 3 emissions.
- Prioritise the achievement of real economy emissions reductions within the sectors and companies in which we invest.
- Use the reporting provided by our Investment Adviser to help us assess progress towards our targets.

Whilst we expect our portfolio to trend towards our 50% emissions reduction target by 2030, we'll take the decisions necessary to align the portfolio consistent with our net zero emissions by 2050 goal.

Appendices

Additional supplementary information regarding our climate disclosures report.

Appendix A – Glossary

Governance refers to the system by which an organisation is directed and controlled in the interests of shareholders and other stakeholders.[38] Governance involves a set of relationships between an organisation's management, its board, its shareholders, and other stakeholders. Governance provides the structure and processes through which the objectives of the organisation are set, progress against performance is monitored, and results are evaluated.[39]

Strategy refers to an organisation's desired future state. An organisation's strategy establishes a foundation against which it can monitor and measure its progress in reaching that desired state. Strategy formulation generally involves establishing the purpose and scope of the organisation's activities and the nature of its businesses, taking into account the risks and opportunities it faces and the environment in which it operates.[40]

Risk management refers to a set of processes that are carried out by an organisation's board and management to support the achievement of the organisation's objectives by addressing its risks and managing the combined potential impact of those risks.[41]

Climate-related risk refers to the potential negative impacts of climate change on an organisation. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations.[42]

Climate-related opportunity refers to the potential positive impacts related to climate change on an organisation. Efforts to mitigate and adapt to climate change can produce opportunities for organisations, such as through resource efficiency and cost savings, the adoption and utilization of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organisation operates.[43]

[38] A. Cadbury, Report of the Committee on the Financial Aspects of Corporate Governance, London, 1992.

[39] OECD, G20/OECD Principles of Corporate Governance, OECD Publishing, Paris, 2015.

[40] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017

[41] Please refer to the link in reference number 10.

[42] Please refer to the link in reference number 10.

[43] Please refer to the link in reference number 10.

Greenhouse gas emissions scope levels[44]	Greenhouse gases are categorised into three types or 'scopes' by the Greenhouse Gas Protocol, the world's most used greenhouse gas accounting standard. Scope 1 refers to all direct GHG emissions. Scope 2 refers to indirect GHG emissions from consumption of purchased electricity, heat, or steam. Scope 3 refers to other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions. Scope 3 emissions could include: the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g., transmission and distribution losses), outsourced activities, and waste disposal.[45]
Carbon (or GHG) Footprint	is an intensity measure of emissions that takes the Total GHG Emissions figure and weights it to take account of the size of the investment made.
Enterprise value including cash (EVIC)	reflects a company's debt and equity value, which ensures that GHG emissions are shared across equity and debt holders, preventing the double counting of emissions and distortion of company value. This is the valuation method used in calculating the GHG footprint for the underlying companies invested, as well as the Group's overall GHG footprint.
Market Cap	reflects the equity value of a company, which does not allow for the capital committed by debt holders. This results in the double counting of GHG emissions when apportioning emissions for a portfolio which includes debt assets.
Value chain	refers to the upstream and downstream life cycle of a product, process, or service, including material sourcing, production, consumption, and disposal/recycling. Upstream activities include operations that relate to the initial stages of producing a good or service (e.g., material sourcing, material processing, supplier activities). Downstream activities include operations that relate to processing the materials into a finished product and delivering it to the end user (e.g., transportation, distribution, and consumption).[46]
Climate scenario analysis	is a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, for example, scenarios allow an organisation to explore and develop an understanding of how the physical and transition risks of climate change may impact its businesses, strategies, and financial performance over time.[47]

[44] World Resources Institute and World Business Council for Sustainable Development, The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), March 2004.

[45] PCC, Climate Change 2014 Mitigation of Climate Change, Cambridge University Press, 2014.

[46] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017

[47] Please refer to the link in reference number 16.

Net zero	means achieving a balance between the greenhouse gases emitted into the atmosphere, and those removed from it. This balance – or net zero – will happen when the amount of greenhouse gases add to the atmosphere is no more than the amount removed.[48]
Climate adaptation	means the process of adjustment to actual or expected climate and its effects. In human systems, adaptation seeks to moderate or avoid harm or exploit beneficial opportunities. In some natural systems, human intervention may facilitate adjustment to expected climate and its effects.[49]
Fund manager / asset manager	refers to the entity responsible for managing a given Group's investments. Some Groups have used the term "asset manager" in place of "fund manager" where they have deemed it appropriate to their circumstances.

[48] Energy Saving Trust, What is net zero and how can we get there? - Energy Saving Trust, October 2021

19 TCFD, Measuring Portfolio Alignment: Technical Considerations, page 52

22 Association of Investment Companies, Glossary

[49] Intergovernmental Panel on Climate Change ("IPCC") Glossary, 2014

Appendix B – An explanation of climate risk categories

Climate-related risks are categorised into physical and transitional risks. Below are examples of transition and physical risks.

Transition risks

Transition risks are those related the ability of an organisation to adapt to the changes required to reduce greenhouse gas emissions and transition to renewable energy. Within transition risks, there are four key areas: policy and legal, technological innovation, market changes, and reputational risk.

Policy and legal

Examples

Increased pricing of GHG emissions

Enhanced emissions-reporting obligations

Regulation of existing products and services

Potential financial impacts

Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

Write-offs, asset impairment and early retirement of existing assets due to policy changes

Technology

Examples

Cost to transition to lower emissions technology

Unsuccessful investments in new technologies

Potential financial impacts

Write-offs and early retirement of existing assets

Capital investments in technology development

Costs to adopt new practices and processes

Market

Examples

Changing customer behaviour

Uncertainty in market signals

Increased cost of raw materials

Potential financial impacts

Reduced demand for goods and services due to shift in consumer preferences.

Abrupt and unexpected increases in energy costs.

Re-pricing of assets (e.g., fossil fuel reserves, land valuations, securities valuations).

Reputational

Examples

Stigmatisation of sector

Increased stakeholder concern or negative stakeholder feedback

Potential financial impacts

Reduced revenue from decreased demand for goods and services.

Reduced revenue from decreased production capacity (e.g., delayed planning approvals, supply chain interruptions)

Reduced revenue from negative impacts on workforce management and planning

Physical Risks

Physical risks refer to the physical impacts of climate change on a firm's operations. They directly impact a firm's ability to perform its function due to climate disruption. They fall into two subcategories: acute and chronic; acute referring to extreme climate events such as flooding and wildfires, and chronic referring to trends over time such as an increase in temperature or ocean acidification.

Acute	Chronic
Examples	**Examples**
Extreme heat	Water stress
Extreme rainfall	Sea level rises
Floods	Land degradation
Droughts	Variability in temperature
Storms (e.g., hurricanes)	Variability in precipitation

Appendix C – Greenhouse gas emissions in more detail

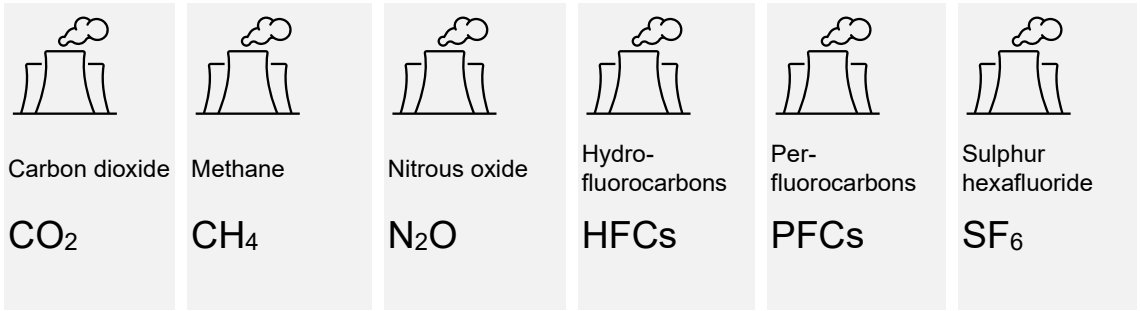
Greenhouse gases in the atmosphere, including water vapour, carbon dioxide, methane, and nitrous oxide, keep the Earth's surface and atmosphere warm because they absorb sunlight and re-emit it as heat in all directions including back down to Earth. Adding more greenhouse gases to the atmosphere makes it even more effective at preventing heat from leaving the Earth's atmosphere.

Greenhouse gases are vital because they act like a blanket around the Earth making it the climate habitable. The problem is that human activity is making the blanket "thicker". For example, when we burn coal, oil, and natural gas we send huge amounts of carbon dioxide into the air. When we destroy forests, the carbon stored in the trees escapes to the atmosphere. Other basic activities, such as raising cattle and planting rice, emit methane, nitrous oxide, and other greenhouse gases.

The amount of greenhouse gases in the atmosphere has significantly increased since the Industrial Revolution. The Kyoto Protocol[50] identifies six greenhouse gases which human activity is largely responsible for emitting. Of these six gases, human-made carbon dioxide is the biggest contributor to global warming.

Each greenhouse gas has a different global warming potential and persists for a different length of time in the atmosphere. Therefore, emissions are expressed as a carbon dioxide equivalent (CO_2e). This enables the different gases to be compared on a like-for-like bases, relative to one unit of carbon dioxide.

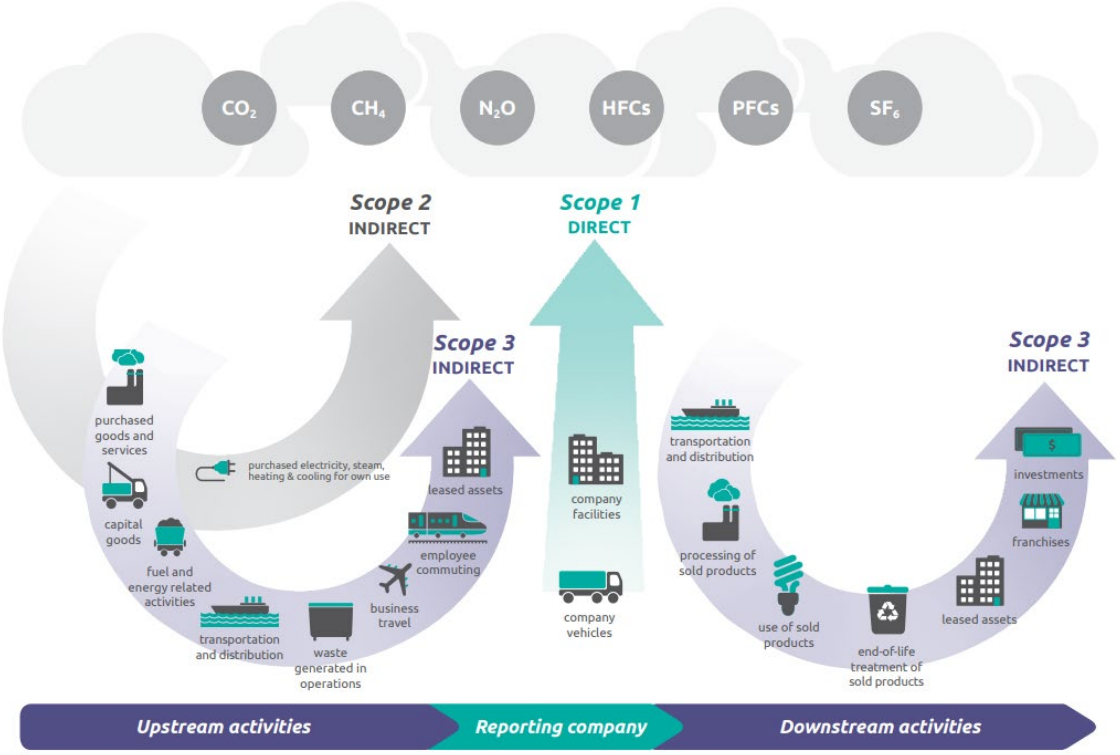
Six main greenhouse gases identified by the Kyoto Protocol



[50] https://unfccc.int/kyoto_protocol

Greenhouse gases are categorised into three types or ‘scopes’ by the Greenhouse Gas Protocol, the world’s most used greenhouse gas accounting standard.

Overview of GHG Protocol scopes and emissions across the value chain



Source: Greenhouse Gas Protocol, Corporate value chain (scope 3) Accounting and Reporting

Appendix D – Group Disclaimers

The following disclaimers have been extracted from and apply to the information provided by the respective Groups (and their advisers) and/or the Scheme Trustee, in respect of the Strategy and Metrics & Targets sections of this report.

It should also be noted that nothing in this report constitutes financial or investment advice, and no data within the report should be relied upon by any reader for financial or investment purposes.

Central Networks

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Manweb

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Appendix E – Links to Published Group climate disclosures Reports

Groups included in report	Link to Groups' TCFD reports
Central Networks	https://lwp.aegon.co.uk/retirementplanmanager/ioMicrositeContactUs.do?site=western_power
EDF	https://www.edfgpensions.co.uk
Magnox Electric	https://www.my-magnox-pension.com/knowledge-hub/about-the-scheme/scheme-documents
Manweb	https://v4.aptiaoneview.co.uk/MANWEB/education-centre/6680
Northern Powergrid	https://www.northernpowergridgroup-esps.co.uk/public-documents/
RWE	https://epa.towerswatson.com/accounts/rwh/public/rwe-fund-information/
SSE Southern	https://ssepensions.com/
UK Power Networks	https://media.umbraco.io/ukpn-cms/bopdqqfv/ukpn-group-climate-change-report-2026.pdf
Uniper	https://ukpensions.uniper.energy/docs/uniper24libraries/esps-scheme-reports/tcfd-report.pdf
United Utilities	https://www.unitedutilities.com/corporate/careers/pensions/information-library/
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