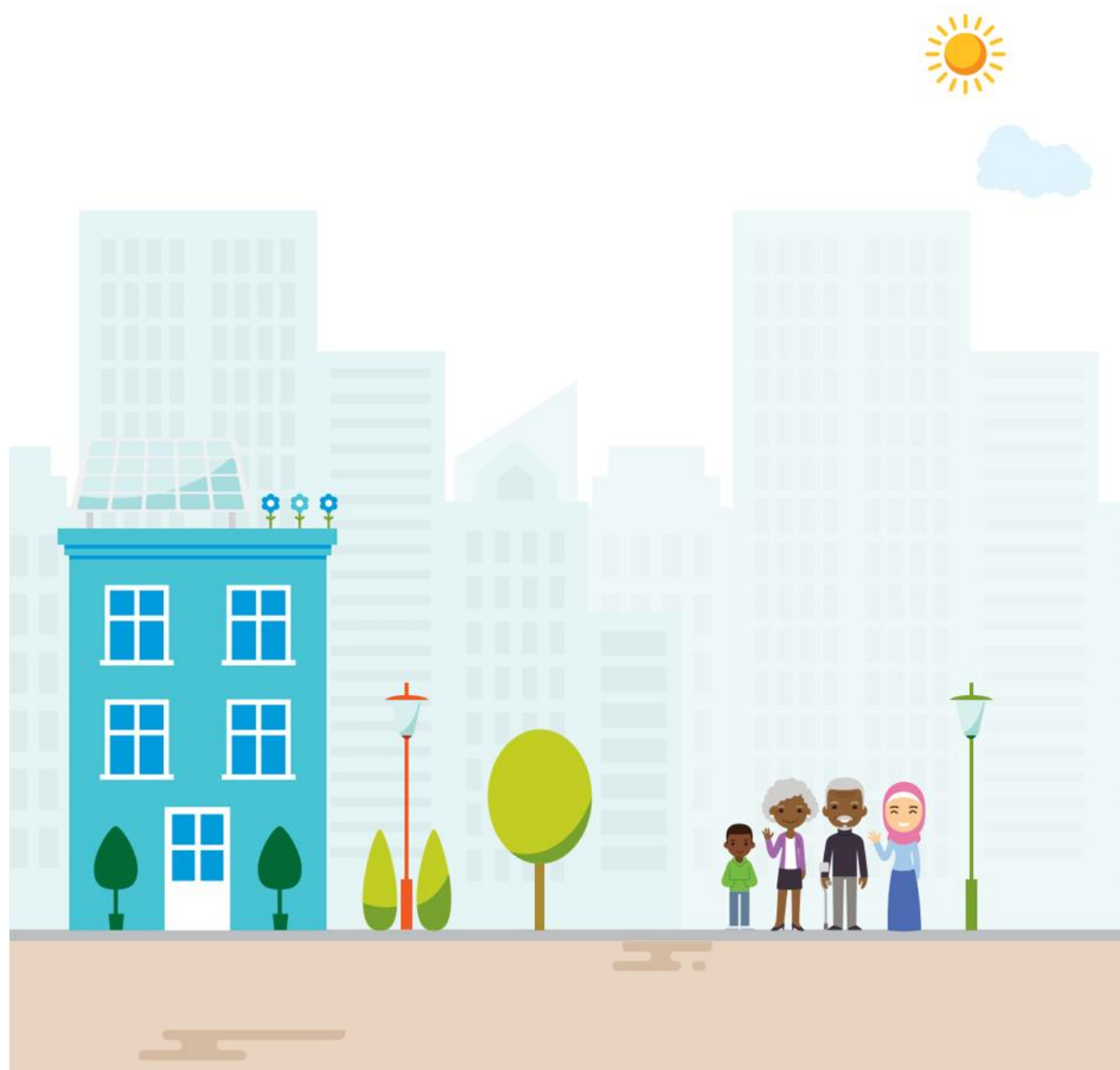


National Grid UK Pension Scheme

2026 Climate Disclosure Report (Edition 5)

For the Scheme year ending 31 March 2026



Prepared for the Trustee of the National Grid UK Pension Scheme

This is the Trustee's fifth mandatory report under the DWP climate governance and reporting regulations, in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). It explains how the Trustee has identified, assessed and managed climate-related risks and opportunities during the Scheme year to 31 March 2026.

Table of contents

Introduction	3
Background & context	3
A letter from the Chair	5
Executive Summary	6
Section 1: Governance of climate-related risks and opportunities	8
Introduction	8
1.1 Management's role in assessing and managing climate-related risks and opportunities	8
1.2 The Board's oversight of climate-related risks and opportunities	10
Section 2: Strategy, identification and assessment of climate-related risks and opportunities	11
2.1 Process for identifying and assessing climate-related risks and opportunities	11
2.2 Top-down scenario analysis process	12
2.3 Bottom-up metrics process	14
2.4 Climate-related risks and opportunities identified over the short, medium and long term	14
2.5 Resilience of the Scheme's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	15
2.6 Discussion of scenario outputs and modelling limitations	17
2.7 Case study: Considering nature-related risks in the Scheme's corporate credit holdings	18
Section 3: Management of climate-related risk	21
Introduction	21
3.1 Integration of climate-related risk into the Scheme's overall risk management	21
3.2 Process for managing climate-related risk	21
3.3 Impact of climate-related risks and opportunities on the Scheme's strategy, funding and financial planning	23
Section 4: Metrics & Targets	24
4.1 Metrics used by the Trustee to assess climate-related risks and opportunities in line with its strategy and risk management process.	24
4.2 Metrics Disclosure	25
4.3 Targets used by the Trustee to manage climate-related risks and opportunities and performance against targets	27
4.4 Qualitative real-world observations	29
Section 5: Appendix	31
Section 5.1: Glossary of terms and acronyms	31
Section 5.2: Metrics Methodology	32
Section 5.3: Climate Scenario Analysis Modelling Assumptions	35

Introduction

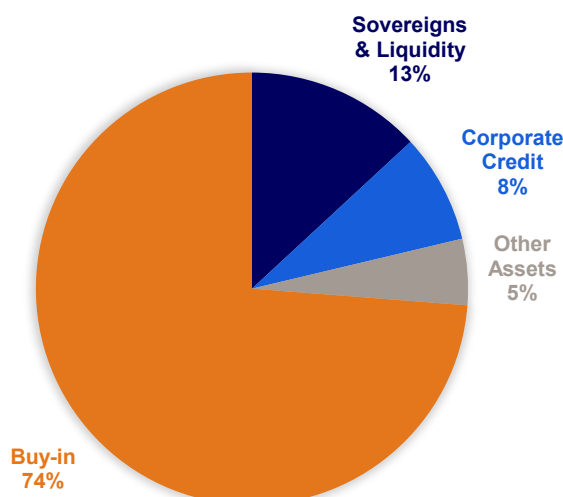
Background & context

This is the Trustee's fifth climate disclosure report and covers the National Grid UK Pension Scheme (the "Scheme" or "NGUKPS") for the Scheme year to 31 March 2026.

This report is provided in compliance with requirements under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, which are based on the climate-risk reporting recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). The purpose of the report is to explain how the Trustee has identified, assessed and managed climate-related risks and opportunities in a way that is proportionate to the Scheme's circumstances and aligned with the Trustee's fiduciary duties.

The Trustee's primary objective is to meet its obligations to the Scheme's beneficiaries. The investment strategy supports this objective by maintaining suitable liquidity to meet current and future benefit payments, limiting the risk of the Scheme's assets failing to meet its liabilities over the long term, and managing investment risk and return in a manner consistent with the Scheme's funding plan.

NGUKPS remains mature and well-funded on the Trustee's Long-Term Objective ("LTO") basis, with a low-risk investment strategy. Its asset composition reflects the significant de-risking undertaken over time. This includes holding insurance contracts ("buy-ins") to cover a proportion of pensioner liabilities, while the remaining assets are invested principally in sovereign bonds (specifically, UK government bonds or "gilts"), held through the Scheme's liability-driven investment (LDI) portfolio, and corporate credit, alongside a smaller allocation to other assets. The Scheme also maintains high levels of interest-rate and inflation hedging. This composition informs the Trustee's proportionate approach to climate-risk monitoring, stewardship and manager oversight. Below, we show the Scheme asset composition as at 31 December 2025:



Note: Percentages are based on total Scheme assets including buy-in policies. "Sovereigns & liquidity" combines the Scheme's sovereign-bond exposure and separately held cash / liquidity portfolio. "Other assets" primarily comprises the Scheme's remaining illiquid and private-market investments, grouped for presentation because each represents a relatively small proportion of total Scheme assets.

During the Scheme year, the Trustee continued to simplify and de-risk the Scheme's investment strategy. This included transferring gilts and cash to Rothesay as part of the Scheme's buy-in arrangements, reducing exposure to illiquid credit assets, and reallocating proceeds to the Scheme's liability-driven investment portfolio.

Following the end of the reporting period, the Scheme completed the sale of its remaining corporate credit holdings. The corporate credit analysis and related examples in this report therefore reflect assets held during the reporting period. As the Scheme's investment strategy and asset allocation continue to evolve, the Trustee's approach to climate-risk monitoring will be adapted accordingly.

These changes are relevant to the interpretation of this report. The corporate climate metrics principally reflect the remaining corporate credit allocation, while the Scheme's larger sovereign exposure requires a different monitoring

approach. The reduction in corporate credit and other illiquid assets also reduces exposures where transition risk and modelling uncertainty may be more prominent, although the Trustee continues to monitor financially material climate risks across the Scheme's assets, liabilities and Sponsor covenant.

The report is structured around the four TCFD pillars:

- Governance
- Strategy
- Risk Management
- Metrics & Targets

The report describes the key climate-related risks and opportunities identified by the Trustee, and the assessment undertaken using climate-related metrics and scenario analysis.

The Trustee retains ultimate responsibility for climate governance and reporting. It is supported by one of its subcommittees, the Integrated Risk Management Committee ("IRMC"), and the LCP Executive, Russell Investments as the Master Manager, Mercer as the covenant adviser (previously Cardano Advisory), LCP who serves as the Scheme Actuary, the Scheme's investment managers, the Scheme's legal adviser and other third parties where relevant.

The Trustee's ambition

The Trustee's ambition is to manage climate-related risks and opportunities in a proportionate and decision-useful way, aligned with its fiduciary duties and the Scheme's wider integrated risk management framework. The Trustee has committed to achieving net zero greenhouse gas emissions across the Scheme's investment portfolio by 2050, supported by interim targets on emissions reduction, portfolio alignment and engagement. Given the Scheme's mature and de-risked position, the Trustee's focus is on robust oversight, effective stewardship and continued challenge of its advisers and investment managers.

Key climate governance roles and service providers

The Trustee is supported by a number of advisers and service providers in carrying out its climate governance, monitoring and reporting activities. These parties are introduced below by role. For readability, the remainder of this report generally refers to these parties by their role, for example "Master Manager", "Covenant Adviser", "Scheme Actuary" and "investment managers", rather than by organisation name, except where data is sourced.

Governance party	Climate-related responsibilities
Trustee	Retains ultimate responsibility for climate governance, regulatory compliance and reporting; approves policies, disclosures and targets; oversees progress and escalation.
Integrated Risk Management Committee ("IRMC")	Trustee subcommittee providing detailed oversight of responsible investment matters, climate metrics, re-baselining, stewardship, supplier input and climate-related developments as part of the Scheme's wider IRM framework.
LCP Executive	Coordinates adviser and supplier input, supports the Trustee and IRMC, monitors service providers, reviews reporting and challenges the Master Manager and other providers.
Russell Investments, Master Manager	Identifies and assesses climate-related investment risks and opportunities; supports climate metrics, target-setting, re-baselining, stewardship, manager monitoring, scenario analysis and annual reporting.
Mercer, Covenant Adviser	Assesses the Sponsor covenant and advises on climate-related covenant risks and whether covenant developments warrant a refreshed scenario analysis.
LCP, Scheme Actuary	Assesses potential impacts of climate change on longevity assumptions and Scheme liabilities.
Third-party Investment managers or "Investment Managers"	Integrate climate and ESG considerations into investment decisions and stewardship; provide reporting and respond to enhanced oversight challenge.
Legal adviser and other third parties	Support compliance with climate governance and reporting requirements and related legal / regulatory considerations.

This role-based approach is intended to make the report easier to follow and to distinguish between the Trustee's oversight responsibilities, the LCP Executive's coordination role, and the specialist input provided by the Scheme's advisers and investment managers.

A letter from the Chair

I am pleased to introduce the National Grid UK Pension Scheme's fifth Climate Disclosure Report, covering the Scheme year ending 31 March 2026.

Climate-related risks and opportunities remain a financially material consideration for pension schemes. The transition to a lower-carbon economy, evolving public policy, changes in market pricing and the physical impacts of climate change can all affect investment outcomes, funding positions and covenant strength over time. The Trustee therefore considers climate-related matters as part of its broader governance, investment and integrated risk management framework.

During the year, the Trustee continued to oversee the Scheme's climate governance arrangements, supported by the IRMC, LCP Executive, the Master Manager and other advisers. The Trustee reviewed climate metrics, target progress, re-baselining and stewardship activity.

The Trustee also reviewed improvements in the Scheme's climate data coverage and sector classification. Enhanced security mapping has provided a more complete view of the corporate credit holdings within climate alignment metrics. While this has affected year-on-year comparisons, the Trustee views the improved coverage as an important step in strengthening the robustness of future monitoring, target assessment and stewardship activity.

During the reporting period, the Trustee also considered nature-related risks within the Scheme's corporate credit holdings. Although the Scheme has since exited these holdings, the analysis remains informative as it demonstrates how nature-related risks were assessed within the portfolio. The analysis indicated that the holdings had lower exposure to TNFD priority sectors than the wider credit-market proxy.

The Trustee remains committed to maintaining an appropriate focus on climate-related risks and opportunities as part of its fiduciary responsibilities. The Scheme continues to make strong progress against its emissions-intensity targets after appropriate re-baselining, and stewardship remains a key lever for influencing real-world outcomes across the assets held.

The Trustee recognises that data, methodologies and market practice continue to evolve. We will continue to challenge our advisers and investment managers, monitor developments and consider climate-related factors alongside other financially material risks when making decisions on behalf of members.

On behalf of the National Grid UK Pension Scheme,

Chris Martin

Chair of the Trustee Board – NGUKPS

Executive Summary

This executive summary highlights the main developments and conclusions for the 2026 Climate Disclosure Report. More detailed disclosures are provided in the body of the report and appendices.

Governance

- The Trustee retains the ultimate responsibility for climate-related risks and opportunities. The IRMC provides detailed oversight as part of its wider integrated risk management remit, supported by the LCP Executive and Master Manager.
- The LCP Executive supported the Trustee and IRMC by coordinating reporting, policy reviews and adviser input, but does not have decision-making responsibility.
- During the year, the Trustee reviewed training, quarterly climate reporting, target re-baselining, manager oversight and stewardship activity.

Strategy and risk management

- The Scheme continued to de-risk through a further buy-in and the full sale of the Index-Linked Credit portfolio (held within the Scheme's corporate credit allocation). These were significant strategic developments, but did not materially change the Trustee's assessment of the Scheme's climate resilience.
- Climate-related risks continued to be monitored through the Scheme's integrated risk management framework, including quarterly metrics, manager oversight, enhanced oversight of higher-risk holdings and stewardship activity.
- The Trustee is required to undertake climate scenario analysis at least once every three years. The most recent comprehensive analysis, completed for the 2024 report using December 2023 data, concluded that the Scheme was resilient under all three scenarios assessed.
- The analysis was not re-run for 2026 because changes in asset allocation, modelling assumptions and the covenant were not expected to materially alter the previous conclusions. Deferring also allows the 2027 assessment to incorporate updated modelling and Network for Greening the Financial System (NGFS) short-term scenarios.

During the year, the Trustee also considered a nature-risk analysis of the Scheme's corporate credit holdings. This illustrated how nature-related risks could be assessed within the Scheme's investment portfolio and how the resulting information supported manager oversight and stewardship at that time. While these assets are no longer held, the analysis remains relevant in demonstrating the Trustee's approach to identifying and monitoring nature-related risks.

Metrics and targets progress

- The quality and completeness of the available data improved. Better security and GICS sector mapping brought more holdings into the net-zero alignment assessment, providing a fuller and more reliable view of the portfolio.
- The resulting reduction in headline alignment percentages therefore mainly reflected improved coverage rather than a deterioration in issuer alignment.
- At 31 December 2025, corporate credit WACI was 52 tCO₂e/\$m revenue and Financed Emissions Intensity was 27 tCO₂e/£m invested. The Scheme's 50% reduction targets for 2030 were achieved in the previous reporting year and both remain ahead of their targets.
- Net zero asset alignment was 41%, above the Trustee's 20% target for 2025 and progressing towards the 100% target for 2040. The proportion of financed emissions associated with issuers aligned or aligning to net zero or subject to engagement was 81%, above the 70% near-term target and nine percentage points below the 90% target for 2030.
- During the reporting period, stewardship, enhanced oversight and manager engagement were the Trustee's principal tools for influencing climate outcomes within the relevant assets held. This supported the Scheme's Paris Aligned Asset Owner (PAAO) membership, 2050 net zero commitment and interim targets. Examples of stewardship activity are provided in the Risk Management section and the 2026 Implementation Statement.

Exhibit 1: Progress against climate targets

Metric	Status vs. target as of 31 Dec 2025
WACI	The 50% reduction target for 2030 was achieved in the previous reporting year and remains ahead of target.
Financed Emissions Intensity	The 50% reduction target for 2030 was achieved in the previous reporting year and remains ahead of target.
Net zero asset alignment	Above the 20% target for 2025; progress continues towards the 100% target for 2040.
Net zero alignment or engagement	Above the 70% near-term target and nine percentage points below the 90% target for 2030.

Source: Master Manager as of 31/12/2025

TCFD disclosure mapping

Exhibit 2 below provides a summary of the Scheme's disclosures against the 11 TCFD disclosures, as well as the more detailed disclosures mandated by the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021. This year's disclosure takes into account the Pensions Regulator's latest climate expectations, as set out in its [Climate adaptation report 2025](#), including the continued emphasis on demonstrating real-world impact, as highlighted in Section 4.

Exhibit 2: TCFD disclosure summary

Pillar	Recommended disclosure	2026 summary disclosure	Where covered
Governance	Describe the board's oversight of climate-related risks and opportunities.	The Trustee Board retains ultimate responsibility. The IRMC has delegated oversight of responsible investment matters as part of broader IRM oversight. The LCP Executive supports the Trustee and IRMC but does not hold a decision-making role.	Section 1.2
	Describe management's role in assessing and managing climate-related risks and opportunities.	The Master Manager identifies, assesses and monitors climate-related investment risks and opportunities, with support from the LCP Executive, the Covenant Advisor, the Scheme Actuary and investment managers.	Section 1.1
Strategy	Describe climate-related risks and opportunities identified over the short, medium and long term.	The Trustee considers transition and physical risks over short, medium and long-term horizons, using top-down scenario analysis and bottom-up metrics / manager monitoring.	Section 2.1, 2.2-2.4
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	Climate risks are considered through the Scheme's IRM framework, including assets, liabilities and covenant. The Scheme's de-risked position and buy-in / hedging arrangements support resilience.	Section 2.4-2.5 and Section 3.3
	Describe resilience under different climate-related scenarios, including a 2°C or lower scenario.	The quantitative scenario analysis is retained from the previous comprehensive analysis based on the December 2023 position. The Trustee reviewed whether a 2026 rerun was warranted and concluded it was not necessary this year.	Section 2.2, 2.4-2.6; Appendix 5.3
Risk management	Describe processes for identifying and assessing climate-related risks.	The Scheme assesses climate-related risk using top-down scenario analysis and bottom-up metrics, including emissions, alignment and data quality indicators.	Section 2.1-2.4 and Section 4.1-4.2
	Describe processes for managing climate-related risks.	Climate-related risks are managed through manager monitoring, enhanced oversight, engagement, stewardship, metrics, targets and integration into the risk register and IRM reporting.	Section 3.1-3.2 and Section 4.3
	Describe how climate-related risks are integrated into overall risk management.	Climate risks are integrated into the Scheme's wider IRM framework, the risk register, quarterly reporting and escalation to the IRMC and Trustee Board.	Section 3.1
Metrics & Targets	Disclose metrics used to assess climate-related risks and opportunities.	The Trustee uses five metrics: Financed Emissions, WACI, Implied Temperature Rise, asset alignment / engagement tracking, and carbon data quality.	Section 4.1-4.2
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and related risks.	The Scheme discloses Scope 1+2 and Scope 3 corporate credit emissions metrics as at 31 December 2025, with placeholders where data remains outstanding.	Section 4.2
	Describe targets and performance against targets.	The Scheme has set climate-related targets covering emissions reduction and net zero alignment. These are: - a 50% reduction in Financed Emissions Intensity by 2030; - a 50% reduction in Weighted Average Carbon Intensity by 2030; 100% of assets aligned with a net zero pathway by 2040; and 90% of assets either aligned with net zero or subject to engagement by 2030. Progress against these targets is discussed in Section 4.3.	Section 4.3

Section 1: Governance of climate-related risks and opportunities

Purpose: describe the governance structure, oversight, roles and supporting evidence

Introduction

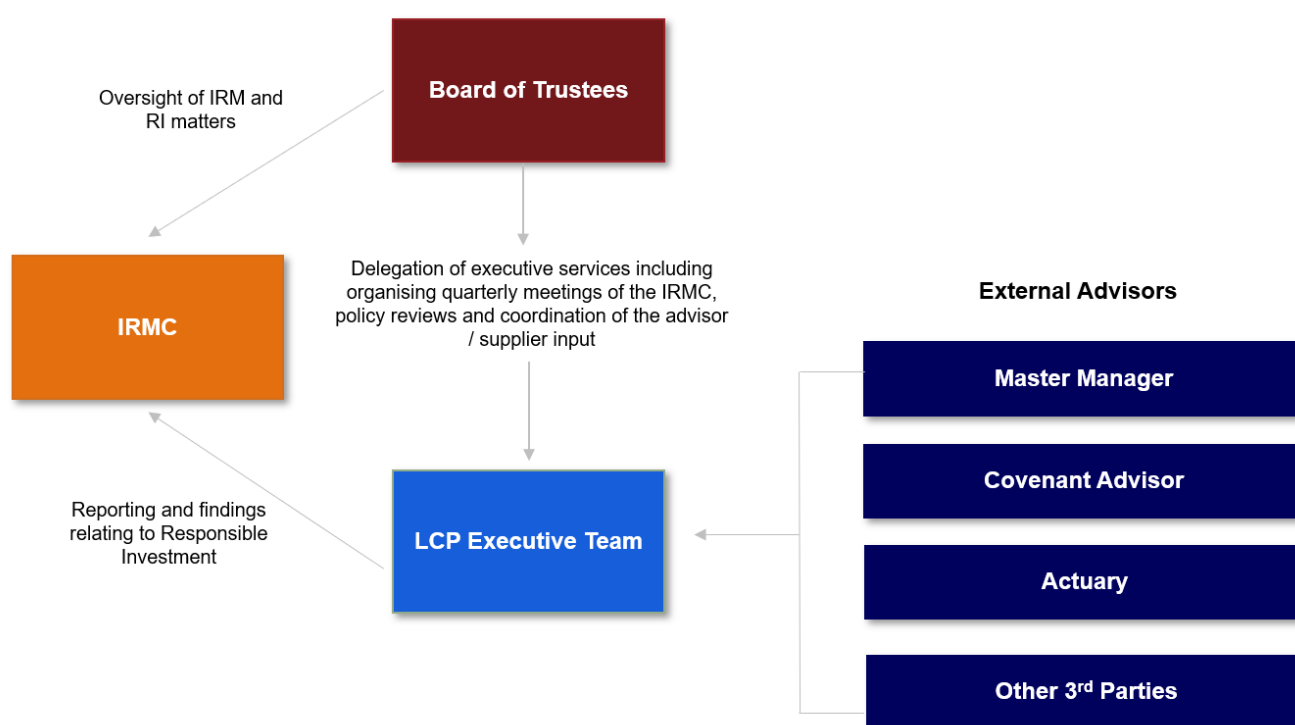
This section covers how the NGUKPS Trustee oversees, assesses and manages climate-related risks and opportunities. It retains the core governance narrative from the prior NGUKPS reports.

The Trustee applied its climate-related oversight in line with its fiduciary responsibilities. The Trustee considers its approach to be proportionate, risk-aligned and appropriate given the maturity and de-risked position of the Scheme. For more detail on the Trustee's current responsible investment approach, including proxy voting, engagement activity and policy implementation, readers should refer to the Scheme's Statement of Investment Principles, Responsible Investment Policy and Implementation Statement (which are located [here](#)).

1.1 Management's role in assessing and managing climate-related risks and opportunities

The Trustee retains ultimate responsibility for compliance with the climate governance requirements that underpin the TCFD recommendations and reporting. As part of its subcommittee structure, the Trustee has delegated oversight of responsible investment matters to the IRMC as part of its broader integrated risk management oversight function.

Exhibit 3: NGUKPS Governance Structure



Source: National Grid UK Pension Scheme / LCP Executive as of 31 December 2025. For illustration purposes only.

The LCP Executive does not have a decision-making role but supports the Trustee and the IRMC by coordinating climate-related governance activity, policy reviews, adviser and supplier input, and quarterly reporting.

Exhibit 4: NGUKPS – Key Parties

Governance party	Climate-related responsibilities	How this feeds into governance
Trustee	- Holds ultimate responsibility for climate-related governance, regulatory compliance and reporting. - Approves the Responsible Investment Policy, climate-related objectives and targets, material strategic decisions and the annual Climate Disclosure Report. - Considers climate-related risks and opportunities alongside other financially material investment, funding and covenant matters.	- Receives reporting, recommendations and material escalations from the IRMC. - Reviews climate-related developments and approves matters reserved for the Trustee.
IRMC	- Provides detailed oversight of responsible investment and climate-related matters as part of the Scheme's wider integrated risk management framework. - Reviews climate metrics, progress against targets, re-baselining, scenario analysis, stewardship, manager oversight, supplier input and relevant covenant and liability considerations.	- Receives the quarterly IRM Dashboard and Report, supported by adviser and provider analysis. - Challenges the information presented, considers matters within its delegated remit and recommends or escalates matters to the Trustee where approval is required.
LCP Executive	- Supports the Trustee and IRMC by coordinating climate-related governance activity and the input of the Scheme's advisers and providers. - Reviews and challenges reporting, methodologies and proposed actions; coordinates policy reviews and regulatory reporting; monitors service-provider capability and delivery; and tracks agreed actions. - The LCP Executive does not have a decision-making role. Decisions remain with the Trustee and, where applicable, the IRMC under its delegated remit.	- Consolidates adviser and provider outputs into IRMC and Trustee reporting, manages the governance timetable and identifies exceptions or matters requiring consideration. - Climate change is considered as part of the annual review of advisers and periodic reviews of the in-house team. - The Chair of the Trustee maintains a direct relationship with the senior lead of the LCP Executive, providing feedback and challenge on service delivery.
Russell Investments, Master Manager	- Identifies, assesses and monitors climate-related investment risks and opportunities across the Scheme's assets. - Calculates and interprets climate metrics; monitors progress against targets; supports target-setting, re-baselining and scenario analysis; assesses investment managers' responsible-investment capabilities; and undertakes enhanced oversight where elevated risks or material metric movements are identified.	- Provides quarterly climate, stewardship and manager reporting to the LCP Executive, feeding into the IRM Dashboard and Report. - Explains material developments, responds to challenge and escalates significant portfolio or manager issues. - Supports the annual Climate Disclosure Report and reports on implementation of the Responsible Investment Policy.
Mercer, Covenant Adviser	- Assesses and monitors the strength and resilience of the Sponsor covenant, including the potential effects of physical and transition risks on the Sponsor and its ability to support the Scheme. - Advises whether covenant or external developments warrant further climate-related assessment.	- Covenant findings are considered alongside investment and liability analysis within the Scheme's integrated risk management framework and climate scenario analysis. - Material developments are reported through the Trustee governance process.
LCP, Scheme Actuary	- Advises on the potential effects of climate change on longevity assumptions, Scheme liabilities and the funding position. - Provides actuarial input into climate scenario analysis and other strategic assessments.	Liability and longevity findings are considered alongside investment and covenant analysis, supporting an integrated assessment of the Scheme's climate resilience.
Third-party Investment managers or "Investment Managers"	- Integrate financially material climate and ESG considerations into investment research, portfolio management and stewardship. - Provide relevant data and reporting, undertake engagement and voting activity where applicable, and respond to enhanced-oversight requests or challenge from the Master Manager.	- Report through the Master Manager. - Material risks, engagement outcomes, outstanding actions and exceptions may be incorporated into quarterly reporting and escalated through the LCP Executive to the IRMC or Trustee where appropriate.
Legal adviser and other third parties	- Support compliance with climate-governance and reporting requirements and provide specialist legal, regulatory or administrative input where required. - Climate-risk management practices are considered when appointing new third-party providers.	- Advice is coordinated by the LCP Executive and incorporated into policies, reporting and governance discussions as appropriate. - Climate capability is also considered as part of the annual review of advisers and providers.

LCP Executive's Supplier and manager oversight

The LCP Executive monitors the capabilities of key advisers and providers involved in climate governance. This includes a particular focus on The Master Manager given its role in implementation, investment oversight, metrics collection and reporting.

The Master Manager reviews underlying investment managers' responsible investment capabilities and engagement activity. Where elevated ESG or climate risk positions are identified, the Master Manager may use its enhanced oversight process to challenge managers, request further information and monitor actions taken.

This governance model supports proportionate oversight. It also helps ensure that climate-related risk management remains aligned with the Trustee's fiduciary duties and the Scheme's long-term funding and investment objectives.

1.2 The Board's oversight of climate-related risks and opportunities

The Trustee oversees the climate-related activities set out in the Responsible Investment Policy and discusses these items at IRMC and Trustee Board meetings through regular reporting.

Exhibit 5: Trustee oversight activities

Frequency	Oversight activity
Quarterly	The IRM Dashboard and Report incorporate the quarterly ESG report and manager reporting provided by the Master Manager to the LCP Executive. The IRMC discusses progress against climate-related targets, elevated ESG risks, high WACI contributors, manager capability and stewardship activity.
Annual	The Trustee reviews regulatory reporting, including this TCFD-aligned Climate Disclosure Report and the annual Implementation Statement. The Master Manager provides reporting on adherence to the NGUKPS Responsible Investment Policy and the Scheme's net zero commitment.
Ad hoc / as required	Material issues are escalated from quarterly ESG / climate meetings to the IRMC and, where appropriate, to the Trustee Board. This includes material metric movements, target re-baselining decisions, data-quality issues and stewardship escalation.

Over the course of the reporting year, the Trustee and IRMC considered and challenged the Master Manager on the 2025 re-baselining approach, attribution modelling, data coverage improvements, elevated ESG risk holdings and WACI position reviews. Training and development remain important given the continuing evolution of market practice, regulation and data quality.

Training

The Trustee keeps its knowledge and understanding of climate-related risks and opportunities under review and receives ongoing support from the LCP Executive, Master Manager and other advisers. During the year, climate-related learning was embedded into the Trustee's regular governance activity, including consideration of climate metrics and targets, attribution analysis and re-baselining, changes in data coverage, stewardship activity, enhanced oversight cases and developments in climate scenario modelling. This enabled the Trustee to apply its knowledge to the decisions and oversight activities undertaken during the year, rather than considering climate change only through standalone training sessions.

The Trustee also received an update on how climate governance and disclosure practices are developing across the wider UK defined benefit pension-scheme market. The Master Manager presented a benchmarking review of the 2025 climate disclosure reports of 30 large UK defined benefit schemes, covering emerging practice in governance, scenario analysis, risk management, metrics and targets, real-world impact reporting and the consideration of nature- and water-related risks. The review helped the Trustee remain current with evolving market practice, assess the Scheme's approach relative to its peers and identify areas where further development or adviser challenge may be appropriate.

Nature-related risks were also considered as part of the Trustee's broader sustainability agenda. The Master Manager presented a nature-risk review of the Scheme's corporate credit holdings as at 31 December 2025, using TNFD priority-sector exposure, ENCORE ecosystem-service analysis, policy-gap monitoring and controversy data. This provided the Trustee and LCP Executive with a practical illustration of how nature-related risks could be assessed within the assets held during the reporting period.

The LCP Executive also continued to maintain its responsible investment knowledge through internal LCP training and regular engagement with the Master Manager and other advisers. While the LCP Executive does not have a decision-making role, this ongoing training supports its ability to help the Trustee identify relevant issues, challenge advisers and managers, and articulate the Trustee's expectations on responsible investment.

Section 2: Strategy, identification and assessment of climate-related risks and opportunities

Purpose: describe risk identification, time horizons, asset allocation developments, scenario analysis and strategy resilience

Introduction

Identification and assessment of risks and opportunities for subsequent management is well anchored in the Trustee's approach to strategic decision-making and investment beliefs. This also applies to climate-related risks. The Trustee believes climate risks should be considered across all three pillars of the integrated risk management framework: investment, covenant and funding / liabilities.

Where climate-related risks are identified, the Trustee's practical levers include: considering climate-related risks within the design and monitoring of the Scheme's investment strategy; monitoring climate metrics and target progress; challenging the Master Manager and investment managers; using stewardship and engagement to influence issuers; considering whether risk register entries or escalation are required; and deciding whether a refreshed climate scenario analysis is needed.

The Trustee also considered how nature-related dependencies and impacts may create financially material risks for corporate issuers. The nature-risk case study in [Section 2.7](#) illustrates how emerging sustainability risks were identified and assessed within the corporate credit holdings held during the reporting period, and how the resulting information could support manager oversight and stewardship.

Time horizon of climate-related risks and analysis:

In 2019 the Trustee formalised a Long-Term Objective (LTO) to reach self-sufficiency by 2030 and an LTO liability basis was set corresponding to this. Given the strategic importance of 2030, the Trustee defined the period from the end of the short-term horizon to 2030 as the medium-term time horizon; identifying and understanding risks that could materialise and affect the timing of full funding over this period is therefore highly relevant. To complement the medium-term horizon, the Trustee has determined short- and long-term horizons of climate-related analysis as follows:

- **Short term:** Current impacts within the next 2 to 3 years.
- **Medium term:** From the end of the short-term horizon to 2030.
- **Long term:** Beyond 2030.

Given the link between long-term strategy and the time horizons, the time horizon definitions are revisited following any significant revision to the long-term strategy.

The Trustee's time horizons remain aligned with the Scheme's maturity, funding position and long-term objective. Given the nature of the Scheme's assets and its de-risked position, the Trustee places particular emphasis on short- and medium-term risks, while continuing to monitor longer-term physical climate risks where relevant.

The Trustee works with the Master Manager, Covenant Adviser and Scheme Actuary to identify and assess climate-related risks and opportunities in this integrated risk management context. The Scheme's analysis combines top-down scenario analysis with bottom-up metrics and manager monitoring.

2.1 Process for identifying and assessing climate-related risks and opportunities

Identification of climate risks is the first step which enables the management of these risks and is an ongoing process which factors in emerging risks. The assessment of climate risks is done through an IRM lens, considering climate risk impacts on: (i) the investment portfolio; (ii) the Scheme liabilities (including longevity); and (iii) the strength of the covenant. The Trustee maintains a risk register which is reviewed at least quarterly. A high, medium or low rating is assigned for each risk, factoring in current mitigation. This risk register assists with the prioritisation and management of risks. Relevant risks, including climate-related risks, are considered during the design and monitoring of the Scheme's investment strategy.

In line with the recommendations of the TCFD, the Trustee identified two distinct categories of climate-related risks: (i) transition risks, arising from a shift to a low-carbon economy, and (ii) physical risks, arising from rising temperature and weather events. Outlined in Exhibit 6, the Trustee recognises that different risks are likely to manifest over different time horizons and that they require different tools for assessment.

Exhibit 6: Snapshot of the climate risk identification and assessment process

Risk or opportunity identified	Description	Examples of assessment tools	Most relevant time horizon
Transition risks & opportunities	Risks arising from the shift to a low-carbon economy	Scenario analysis (esp. transition scenarios), metrics	Medium-term
Changes in cost	Price on carbon, costs of abatement	Carbon footprinting metrics	Short and medium-term
Changes in demand	Demand destruction and creation arising from shifts in demand	Scenario analysis (esp. transition scenarios), metrics on green revenues or climate solutions, exposure to potentially stranded assets	Short and medium-term
Physical risks	Risks arising from acute weather events and chronic shifts in climate patterns, including flooding, heat stress, resource scarcity and supply-chain disruption.	Scenario analysis, asset-level risk mapping where available, manager reporting, issuer engagement and covenant monitoring.	Medium and long term, with acute events possible at any time
Acute	Increased severity of extreme weather events	Scenario analysis (esp. hot house world scenarios), asset-level risk mapping	All but increasing severity long-term
Chronic	Changes in weather patterns, rising temperatures, rising sea levels	Scenario analysis (esp. hot house world scenarios), estimated sensitivity to productivity impacts, heating/cooling days	Medium and long-term

To help identify new and emerging risks, the Master Manager provides the LCP Executive with regular updates on broader market and regulatory ESG developments as part of its quarterly reporting process.

The Trustee also considers **climate-related opportunities** but recognises that these are more limited for NGUKPS than for less mature schemes with larger allocations to growth assets. Given the Scheme's mature, well-funded and de-risked position, the Trustee's ability to pursue new climate-solution allocations is constrained by the Scheme's investment objectives, liquidity needs and risk profile. Climate-related opportunities are therefore considered primarily through existing manager allocations, stewardship activity, green or sustainable bond exposure where relevant, and assessment of issuers with credible transition plans.

2.2 Top-down scenario analysis process

Scenario analysis is a useful tool for assessing the potential impact of climate-related risks and opportunities on the Scheme's funding level and Sponsor covenant. The scenarios are designed to cover a range of possible climate outcomes, including warming of more than 3°C and a 2°C or lower scenario. The Network for Greening the Financial System ("NGFS") scenarios are widely used across the industry and explore a range of physical and transition risk outcomes, driven by policy ambition, policy timing, coordination and technology levers.

The Trustee undertook climate scenario analysis using NGFS scenarios. The analysis was based on the December 2023 position and first included in the 2024 Climate Disclosure Report. The result of this analysis is included later in this section.

Exhibit 7: Selected NGFS climate scenarios

Scenario	Description	Rationale	Median 2100 warming
Net Zero 2050 (Orderly 2°C)	Immediate, coordinated climate action, stringent policy and innovation deliver global net zero around 2050. Transition risks dominate early but are managed in an orderly way.	Represents an orderly transition aligned with a 1.5°C to 2°C pathway and the Scheme's long-term net zero ambition.	c.1.4°C
Delayed Transition (Disorderly 2°C)	Climate action is delayed until 2030, after which stronger and more abrupt policy action is required. Transition costs and market repricing increase.	Captures timing risk and disorderly policy adjustment, relevant to the Scheme's journey plan and medium-term horizon.	c.1.6°C
Hot House World (Current Policies 3°C+)	Current policies remain in place without significant strengthening. Transition risk is limited, but physical risk becomes increasingly severe over time.	Represents failure to transition and a pathway where physical risks dominate in the long term.	3°C+

Source: Master Manager, NGFS

Trustee decision to not refresh the climate scenario analysis

The Scheme is required to undertake scenario analysis at least every three years, or sooner where there has been a significant change in the investment strategy or scenario-analysis methodology that warrants a refresh. The Trustee concluded that a refreshed quantitative scenario analysis was not required for the 2026 Climate Disclosure Report. In reaching this conclusion, the Trustee considered:

- **Regulatory timing:** the previous comprehensive analysis was undertaken using the Scheme's position as at December 2023 for the 2024 report. A refresh was therefore not required for the 2026 report;
- **Asset allocation changes:** Since the previous analysis, the Scheme has continued to simplify and de-risk its investment strategy. During the year, this included a further buy-in transaction and the full sale of the Index-Linked Credit portfolio, with proceeds reallocated towards the Scheme's liability-driven investment portfolio. The Scheme has also reduced exposure to illiquid private assets / property.

From a climate scenario analysis perspective, these changes were considered risk-reducing. The further buy-in reduced the level of invested assets and further reduced longevity risk exposure. The Scheme remains highly hedged to interest rates and inflation, while the reduction in credit and illiquid asset exposure reduced areas where transition risk or modelling uncertainty may otherwise be more relevant.

Overall, these changes did not materially alter the Trustee's assessment of the Scheme's climate resilience. They were consistent with the Scheme's wider de-risking journey and supported the conclusion that the retained December 2023 scenario analysis remains appropriate for the 2026 report;

- **Modelling developments:** updates to the climate modelling framework, including the move from NGFS Phase 3 to NGFS Phase 5 and changes to the Master Manager's climate risk provider, were not expected to materially alter the overall direction of the scenarios or the previous conclusion on the Scheme's climate resilience;
- **Covenant developments:** the Covenant Adviser confirmed that, from a high-level review, there were no material covenant developments requiring a refreshed scenario analysis in 2026 but several emerging risk areas merit a more detailed review as part of the next climate scenario analysis; and
- **Timing of the next assessment:** deferring the rerun allows the 2027 Climate Disclosure Report to incorporate updated modelling and NGFS short-term scenarios, which are expected to be more relevant to the Scheme's shorter-term funding horizon.

The existing December 2023 analysis therefore remains robust and proportionate for this year's report. The Trustee expects to undertake a full refreshed scenario analysis for the 2027 Climate Disclosure Report. Further details and retained scenario outputs are provided in [Section 2.5](#).

Scenario impacts in an Integrated Risk Management context

The selected climate scenarios are considered through an Integrated Risk Management ("IRM") lens, covering the Scheme's investments, funding position, liabilities, including longevity, and Sponsor covenant.

- **Investment impact:** the Master Manager modelled the potential impact of climate-related risks on the Scheme's assets and funding position, drawing on selected data from its third-party climate risk vendor.
- **Longevity impact:** the Scheme Actuary considered how climate change could affect UK life expectancy and, in turn, Scheme liabilities.
- **Covenant impact:** the Covenant Adviser considered whether climate-related developments could affect the strength of the Sponsor covenant. For the 2026 report, the Covenant Adviser confirmed that, from a high-level review, there were no material covenant developments requiring a refreshed climate scenario analysis. However, several emerging risk areas, e.g. increasing exposure to physical risk, merit a more detailed assessment at the next climate scenario analysis.

This IRM approach supports the Trustee's assessment of climate resilience and helps explain why the retained December 2023 scenario analysis remains proportionate for this year's report. Further detail on the scenario analysis outputs is provided in [Section 2.5](#).

2.3 Bottom-up metrics process

The bottom-up analysis maps identified climate-related risks to representative metrics, allowing those metrics to be assessed at holdings level and aggregated to mandate and Scheme level to manage the risk. The mapping depends on the availability of suitable data and is reviewed as methodologies and data quality improve.

The Trustee's principles for selecting these metrics are as follows:

- Understandable – aid understanding for the Trustee and provide context in setting targets.
- Verifiable – capable of supporting effective internal controls for the purposes of data verification and assurance.
- Actionable – assist the Trustee in reaching a conclusion.
- Objective – free from bias and value judgement.
- Trackable – metrics are consistent, providing clear progression against targets.

The climate-related metrics are one way to gauge historical, current and forward-looking climate-related risks and opportunities.

The Trustee is aware that climate-related data and methodologies around climate scenario analysis are expanding rapidly. Whilst not all investment portfolio holdings currently have data available, the Trustee expects the coverage to expand as data and methodologies for the more non-standard asset classes improve.

The bottom-up metrics used by the Trustee and enhancements to coverage and methodology are described in [Section 4](#) and [Appendix 5.2](#).

2.4 Climate-related risks and opportunities identified over the short, medium and long term

The Trustee has identified that transition risks, including changes in cost, demand, policy, technology and market pricing, are most relevant over the short and medium term. Physical risks are generally expected to be more relevant over the medium and long term, although financial markets may react earlier to emerging physical risk trends. The Trustee considers these risks through an integrated risk management lens, covering the Scheme's assets, funding position, liabilities, including longevity, and Sponsor covenant.

Asset & Liability Assessment

In addition to qualitatively identifying broad climate-related risks, the retained climate scenario analysis provides a quantitative assessment of how those risks could affect the Scheme's assets and funding position. The analysis was last undertaken using the Scheme's December 2023 position and is retained for this year's report.

The analysis indicated that the Scheme's investment and funding strategy remained resilient across the three climate scenarios assessed. This reflects the Scheme's mature, well-funded and de-risked position, including its buy-in arrangements and high levels of interest rate and inflation hedging.

At a more granular level, the analysis showed that transition risk can be more material for carbon-intensive issuers and sectors, particularly under the Net Zero 2050 and Delayed Transition scenarios. However, these effects were diluted at Scheme level given the Scheme's diversified and de-risked asset profile.

Physical risk was less pronounced in the modelled results. The Trustee recognises that this partly reflects the limitations of current physical risk modelling, including challenges in capturing geographically specific impacts, supply-chain disruption, adaptation responses and potential non-linear effects. These limitations are considered further in the scenario analysis discussion and appendix.

Longevity Assessment

The Scheme Actuary considered how climate change could affect future life expectancy in the UK and, in turn, the Scheme's liabilities. Longevity impacts are expected to arise primarily through indirect effects, such as weaker economic conditions, pressure on public resources and changes in health outcomes. Physical risks may also affect life expectancy over time, particularly under higher-warming scenarios.

The Scheme Actuary does not expect climate-related impacts to have a material effect on life expectancy in the short term. Any impact would be expected to emerge gradually, as assumptions are updated to reflect both observed experience and expectations for the future. While the precise impact of each climate scenario on longevity is uncertain, potential directionality is summarised below.

Exhibit 8: Longevity Impact - Potential impact of climate scenarios on UK life expectancy

Net zero 2050 and Delayed transition		Hot House World	
Life expectancy in the UK affected favourably		Life expectancy in the UK affected adversely	
↑	High investment in low carbon technology, reducing the use of fossil fuels, so carbon emissions reduce, and air quality improves.	↓	Carbon emissions continue to rise, with more air pollution-related deaths.
↑	Average temperature rises are more modest, with no significant change in extreme events.	↓	Average temperatures become more extreme, with greater frequency and severity of adverse events, particularly heatwaves and harsh winters.
↑	Population adequately adapts to the changing circumstances (e.g. installation of air conditioning, insulation, flood defences)	↓	The UK population does not adequately adapt to the changing circumstances.
↑	UK economy adapts to low carbon technology and grows more in the medium term, resulting in no adverse impact on availability of public resources for healthcare.	↓	Lower UK GDP growth, leading to less public resource available for healthcare and lower household incomes.
↑	Improvements to general diets, such as reduced consumption of meat.	↓	Trade barriers affect both UK exports and imports. Restricted food supplies lead to less healthy diets.
↑	Improvements in lifestyles, e.g. more cycling and general exercise.	↓	Fuel costs increase, affecting people's lifestyles and health.

Source: Scheme Actuary as of 31 December 2023

Sponsor Covenant Assessment

In 2024, the Covenant Adviser performed climate scenario analysis to consider the potential impact of climate-related risks on the Sponsor covenant. For the 2026 report, the Covenant Adviser confirmed that, based on a high-level review, there were no material covenant developments requiring a refreshed climate scenario analysis. However, several emerging risk areas merit a more detailed assessment at the next climate scenario analysis.

The retained covenant assessment continues to consider both transition and physical risks. Under the Net Zero 2050 scenario, transition risks may be more pronounced in the short and medium term, including network investment requirements, policy changes and carbon pricing. Under the Hot House World scenario, physical risks and broader macroeconomic effects are expected to become more relevant over the longer term.

Overall, the retained analysis continues to support the conclusion that the Scheme is resilient across the scenarios assessed. This reflects the Scheme's strong funding position, de-risked investment strategy and reduced reliance on the Sponsor covenant under the modelled scenarios.

Within [Exhibit 9](#) below, the analysis which has been performed on a relative risk basis for the Scheme is outlined, determining a RAG indicator of the relative risk versus the baseline for the Scheme across the scenarios. Changes between the 2024 and 2022 analysis are in brackets.

Exhibit 9: Sponsor Covenant – impact of different climate scenarios on strength of the covenant

	Short term (to 2027)	Medium term (to 2030)	Long term (to 2050)
Net Zero 2050	Medium risk (-)	Higher risk (-)	Higher risk (-)
Delayed Transition	Lower risk (-)	Medium risk (↑Lower)	Higher risk (-)
Current Policies	Lower risk (-)	Lower risk (-)	Higher risk (↑Medium)

Source: Covenant Adviser as of 31 December 2023

2.5 Resilience of the Scheme's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

IRM scenario analysis retained from the 2024 Climate Disclosure Report

Assessing scenario resilience from an IRM perspective involves examining the impact on the funding position, factoring in assets and liabilities (including longevity), to arrive at a potential covenant exposure position at the short, medium and long-term horizons. This position is then compared with the potential for climate-related covenant risk to crystallise.

Exhibit 10 below presents the output of the climate-related scenario analysis for the Scheme which was conducted in Q1 2024 based on data as of December 2023, versus the previously produced scenario outputs. The TCFD 2024 scenario results below are colour-coded to denote the change in resilience versus the TCFD 2022 results: (i) **improvement**; (ii) **deterioration**; (iii) no change.

Exhibit 10: Impact of climate scenarios on Scheme's funding position¹

Scenario	Risk Category	Metric	TCFD 2024 (data as of Dec '23)			TCFD 2022 (data as of Dec '21)		
			Short term	Medium term	Long term	Short term	Medium term	Long term
Baseline	Asset & Liabilities ex Longevity	Full funding Date	2024	-	-	2024	-	-
Net Zero 2050	Asset & Liabilities ex Longevity	Change in Full Funding Date	0 Years (2024)	Funding remains above 100%	Funding remains above 100%	1 Year (2025)	Funding remains above 100%	Funding remains above 100%
	Longevity Risk	Impact on Full Funding date	No impact	No Impact	Negative Impact but funding remains above 100%	No impact	Negative impact, but funding remains above 100%	Negative impact, but funding remains above 100%
	Covenant Risk	Covenant Risk	Medium	Higher	Higher	Medium	Higher	Higher
Delayed Transition	Asset & Liabilities ex Longevity	Change in Full Funding Date	0 Years (2024)	Funding remains above 100%	Funding remains above 100%	0 Years (2024)	Funding remains above 100%	Funding remains above 100%
	Longevity Risk	Impact on Full Funding date	No impact	No Impact	Negative Impact but funding remains above 100%	No impact	No impact	Negative impact, but funding remains above 100%
	Covenant Risk	Covenant Risk	Lower	Medium	Higher	Lower	Lower	Higher
Hot House World	Asset & Liabilities ex Longevity	Change in Full Funding Date	0 Years (2024)	Funding remains above 100%	Funding remains above 100%	0 Years (2024)	Funding remains above 100%	Funding remains above 100%
	Longevity Risk	Impact on Full Funding date	No impact	Positive impact with funding above 100%	Positive impact with funding above 100%	No impact	Positive impact with funding above 100%	Positive impact with funding above 100%
	Covenant Risk	Covenant Risk	Lower	Lower	Higher	Lower	Lower	Medium

Legend: **Improvement** vs TCFD 2022 results / **Deterioration** vs. TCFD 2022 results / **No change** vs TCFD 2022 results

Key observations from the retained analysis

- **Baseline:** full funding was expected in the short term under the retained analysis.
- **Assets and funding:** the Master Manager's analysis showed that asset and liability impacts, excluding longevity, were muted across all three time horizons because of the Scheme's mature, well-funded and de-risked investment strategy.
- **Longevity:** the Scheme Actuary's analysis indicated that longevity effects were expected to emerge mainly in the medium and long term and were not sufficiently large to materially impair the Scheme's resilience. Under a Net Zero 2050 scenario, improved air quality, lifestyle changes and economic adaptation could increase life expectancy over time, increasing liabilities. Under a Hot House World scenario, adverse physical and economic impacts could reduce life expectancy, reducing liabilities in the model, although this would not represent a desirable real-world outcome.
- **Covenant:** the Covenant Adviser's retained assessment indicated that transition risks could be more relevant for the Sponsor covenant under the Net Zero 2050 scenario, particularly in the short and medium term, while physical and broader macroeconomic risks become more relevant over the longer term under the Hot House World scenario. However, the Scheme's strong funding position and reduced expected covenant reliance meant these risks did not change the overall resilience conclusion.

Conclusion: Combining these results into an IRM perspective, the Trustee concluded that the Scheme's strategy remained resilient under all three climate scenarios and across the short, medium and long-term horizons assessed.

¹ The table compared the funding position factoring in the assets and liabilities (including longevity) to arrive at a potential covenant exposure position over the short-, medium- and long-term horizons. This position was then contrasted with the potential risk from a covenant point of view, effectively comparing progress to full funding (and reduced covenant reliance) vs the potential of risk materialising from a covenant point of view and impacting the ability of the Scheme to seek support from the covenant.

2.6 Discussion of scenario outputs and modelling limitations

Scenario analysis is a decision-support tool, not a forecast. The Trustee recognises that climate modelling relies on assumptions about future policy, technological change, economic pathways, market pricing, physical climate outcomes and issuer-level impacts. The results should therefore be interpreted as an assessment of potential resilience under plausible pathways rather than a prediction of future outcomes.

- Physical risk modelling remains less mature than transition risk modelling, particularly for geographically specific risks, supply-chain impacts and adaptation responses.
- Climate-risk datasets and scenario frameworks continue to evolve, meaning results can change as methodologies improve even where portfolio exposures are similar.
- The analysis excludes or approximates some less liquid / non-standard asset classes where granular modelling is unavailable.
- Buy-in policies are not modelled in the same way as invested assets. The Trustee continues to monitor the insurer's climate disclosures and climate-risk approach where relevant also taking comfort from the regulatory regime within which the insurer operates.
- The 2027 rerun is expected to incorporate updated modelling frameworks and short-term NGFS scenarios, improving decision-usefulness for the Scheme's near-term funding horizon.

2.7 Case study: Considering nature-related risks in the Scheme's corporate credit holdings

Why was this considered?

Nature-related risks are becoming an increasingly relevant consideration for institutional investors. These risks can arise where companies depend on natural resources, such as water, land and biodiversity, or where their activities place pressure on ecosystems through pollution, land use, deforestation or resource consumption.

During the reporting period, nature-related risks were potentially financially material for certain issuers and sectors within the Scheme's corporate credit holdings. Understanding those risks supported the Trustee's oversight of the relevant assets held at that time.

The Trustee, through the LCP Executive, therefore supported the Master Manager's nature-risk analysis of the Scheme's corporate credit holdings as at 31 December 2025. The purpose of the case study was to illustrate how nature-related risks could be assessed in practice within those holdings.

Scope of the analysis

The review focused on the Scheme's corporate credit holdings as at 31 December 2025, covering the AXA Global Buy & Maintain Credit and LGIM Global Buy & Maintain Credit mandates. These holdings were selected because issuer-level data and GICS classifications were available and because the underlying issuers had potentially relevant ecosystem dependencies or impacts. The portfolio was compared with the Bloomberg Global Aggregate Credit benchmark, used as a proxy for the wider credit universe.

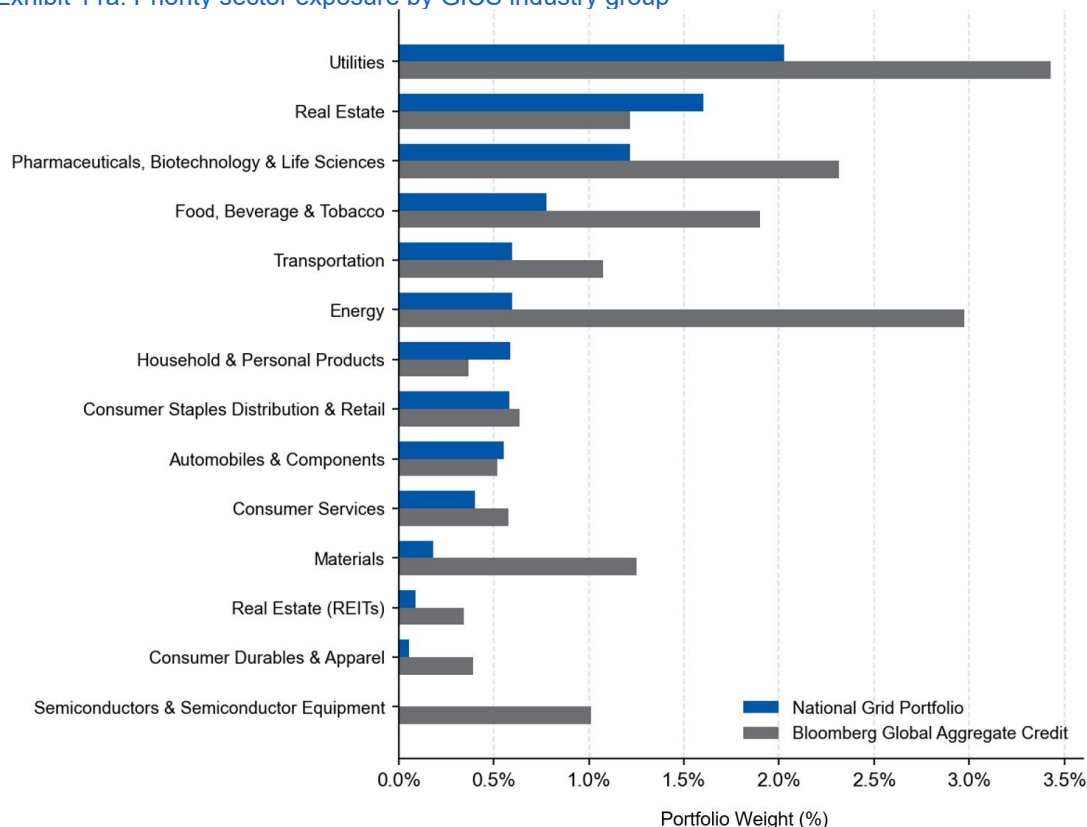
The review considered three practical lenses:

- exposure to TNFD priority sectors, to identify where direct dependencies and impacts on nature may be more material;
- ENCORE ecosystem-service dependency and environmental pressure scores, to identify exposure to sectors where nature-related financial risks may be more relevant; and
- issuer policy gaps and controversy indicators, to help focus stewardship, manager monitoring and engagement where nature-related risks may be financially material.

The first two lenses provide complementary assessments of portfolio exposure. The TNFD lens identifies exposure to predefined priority sectors, while the ENCORE lens provides additional insight into the types and relative significance of ecosystem-service dependencies and environmental pressures associated with those exposures. The third lens considers issuer-level indicators that may help focus monitoring, manager oversight and stewardship.

TNFD priority-sector exposure

Exhibit 11a: Priority sector exposure by GICS industry group



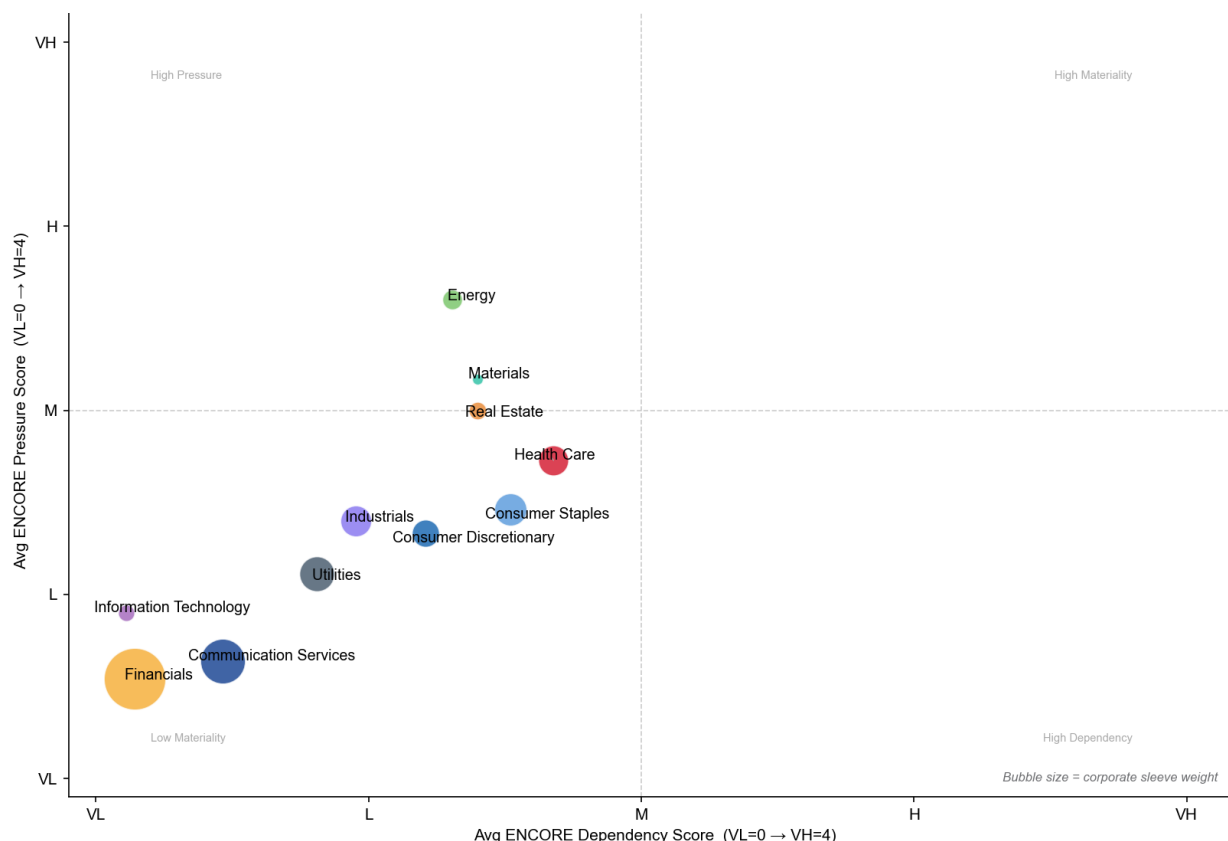
Source: Master Manager, TNFD Additional Guidance for Financial Institutions v2.0.

TNFD guidance identifies 14 GICS industry groups as priority sectors, reflecting sectors with higher direct dependence on and impact on nature. The Scheme's corporate credit holdings had 9.3% exposure to these priority sectors, compared with 18.0% for the wider credit universe proxy.

Exhibit 11a shows which priority sectors drive this comparison. Overall, the Scheme's corporate credit holdings had lower direct exposure to TNFD priority sectors than the proxy for the wider credit universe. This should be interpreted as a relative exposure result, rather than a complete assessment of nature-related risk. Nature-related financial risks may still arise through specific issuers, ecosystem-service dependencies, environmental pressures, policy gaps or controversies.

Areas where nature risk may be most material

Exhibit 11b: ENCORE ecosystem service dependency and environmental pressure by GICS sector



Source: Master Manager, ENCORE (UNEP-WCMC)

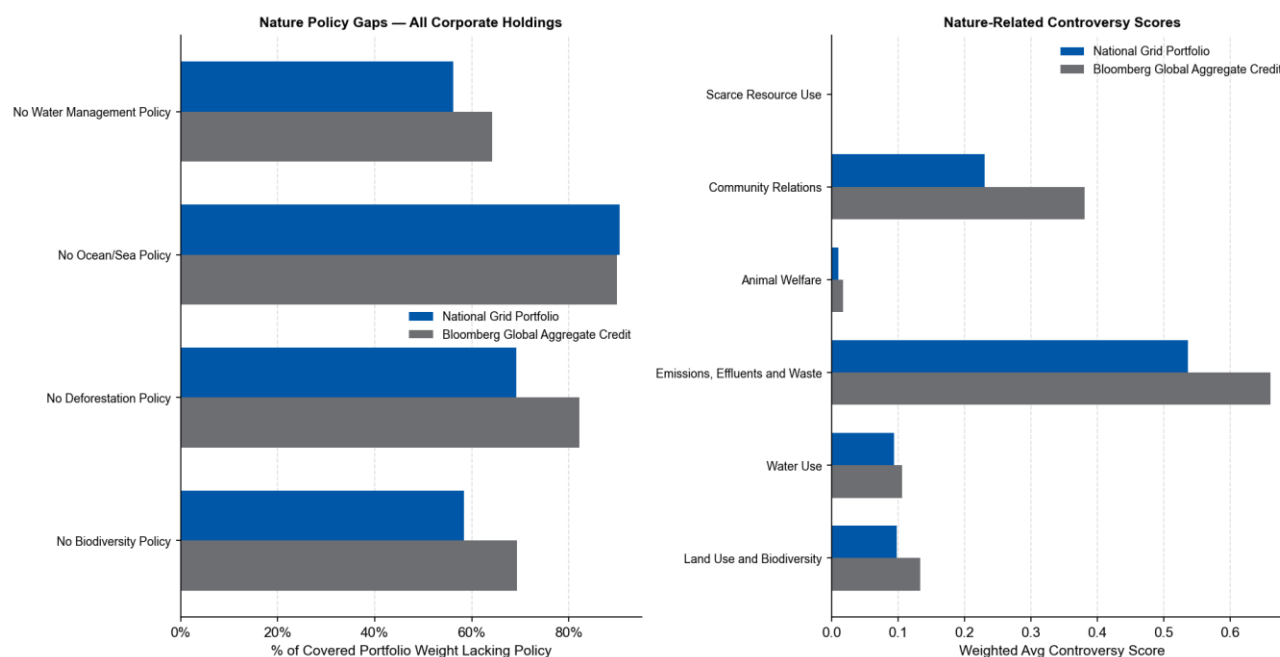
ENCORE maps GICS sub-industries to their dependency on ecosystem services and the pressure they place on the environment. In Exhibit 11b, the bubble size represents the Scheme's exposure to each sector; it does not provide a benchmark-relative comparison. Benchmark comparison is shown separately in Exhibit 11a through the TNFD priority sector exposure analysis.

The chart suggests that the Scheme's larger exposures are generally in sectors with lower dependency and lower environmental pressure scores, such as Financials and Communication Services. Sectors such as Energy and Materials score higher on environmental pressure but represent smaller Scheme exposures.

The analysis provided additional context beyond headline sector exposure by identifying where the portfolio overlapped with higher nature-related dependencies or pressures. During the reporting period, this information could support manager challenge and stewardship relating to the relevant holdings.

Issuer policy gaps and controversy indicators

Exhibit 11c: Nature policy gaps and controversy indicators



Source: Master Manager, Sustainalytics

The review also assessed issuer policy gaps and controversy indicators. Within the covered corporate holdings:

- 58.5% lacked a biodiversity policy;
- 69.2% lacked a deforestation policy; and
- 56.2% lacked a water management policy.

These figures were lower than the benchmark for biodiversity, deforestation and water management policy gaps, but still highlight areas where issuer disclosure and risk management could improve.

Policy gaps do not necessarily mean that an issuer is mismanaging nature-related risks. However, they provide indicators that could support manager challenge, issuer monitoring and stewardship relating to the relevant holdings.

Case study conclusion

The case study provided a practical illustration of how nature-related risks could be assessed within the Scheme's corporate credit holdings as at 31 December 2025. The results indicated that the portfolio had lower direct exposure to TNFD priority sectors than the wider credit-universe proxy, while also identifying sectors, ecosystem-service dependencies, environmental pressures and issuer policy gaps that were potentially relevant to risk assessment and stewardship.

Although the Scheme's corporate credit holdings were sold after the end of the Scheme year, the analysis remains relevant as an illustration of the Trustee's approach to assessing and monitoring nature-related risks held during the reporting period.

Section 3: Management of climate-related risk

Purpose: explain how identified climate-related risks are managed and integrated

Introduction

Section 2 explains how the Trustee identifies and assesses climate-related risks and opportunities. This section explains how those findings are incorporated into the Scheme's wider risk management framework and the actions available to the Trustee.

Given the Scheme's maturity and highly de-risked investment strategy, engagement, stewardship and manager challenge are the Trustee's principal day-to-day tools for managing climate-related investment risks and supporting real-world transition within the assets already held. These activities are supported by Scheme-level strategic initiatives, climate metrics and targets, scenario analysis and the wider integrated risk management framework.

3.1 Integration of climate-related risk into the Scheme's overall risk management

Climate-related risks are integrated into the Trustee's overall risk management framework. The Trustee considers the potential impact of climate-related risks on the Scheme's IRM position, including assets, liabilities and covenant. The risk of climate change impacting the ability to reach the long-term objective is included within the risk register with assessment of the risk supported by selected climate-related metrics reported through the quarterly IRM Dashboard and IRM report.

In addition, the output from the climate scenario analysis provides a holistic overview of the ways in which climate-related risks may affect the Scheme. The output was designed to be considered in the context of the wider risks faced by the Scheme and helps the Trustee to prioritise the risks which pose the most significant potential for loss and are most likely to occur.

During the year, the Scheme Governance and Admin Committee also progressed the work associated with the Effective System of Governance ('ESOG') as prescribed by the Pensions Regulator's General Code of Practice. The Scheme also completed its first Own Risk Assessment (ORA) with a conclusion that the Scheme's governance framework is robust and effective, reflecting a considered and long-standing value-added approach to scheme management.

3.2 Process for managing climate-related risk

The Trustee manages climate-related risk through a combination of:

- Scheme-level strategic initiatives;
- manager monitoring, assessment and engagement;
- quarterly monitoring, enhanced oversight and escalation; and
- active ownership and collaboration

3.2.1 Scheme-level strategic initiatives

The Trustee's principal Scheme-level climate initiatives include:

- **Net-zero ambition:** the Trustee intends to achieve a portfolio with net-zero greenhouse-gas emissions by 2050 or sooner and remains a member of the Paris Aligned Asset Owners (PAAO) initiative. This commitment supports the Trustee's management of financially material climate risks and its contribution to the wider transition envisaged by the Paris Agreement.
- **Interim targets:** the Trustee has established interim emissions-reduction, alignment and engagement targets to monitor progress towards its longer-term ambition. Progress is reviewed regularly, with target pathways adjusted where necessary to preserve comparability following material non-organic portfolio or data changes. Further details are provided in Section 4.
- **Scenario analysis:** climate scenario analysis is used to assess the resilience of the Scheme's investment and funding strategy and the potential interaction between assets, liabilities, longevity and covenant strength.
- **De-risking and insurance:** the Scheme's de-risking, hedging and buy-in arrangements reduce its direct exposure to investment, interest-rate, inflation and longevity risks. Climate-related exposure associated with insured liabilities is transferred to the insurer, although the Trustee retains an interest in the insurer's resilience and climate-risk management. The Trustee therefore considers relevant insurer disclosures and also takes account of the prudential regime within which insurers operate.

- **Proportionate implementation:** the Scheme's maturity, material allocation to UK government bonds and reduced risk budget limit the scope for large new allocations to climate-solution investments. The Trustee therefore places particular emphasis on stewardship, engagement and manager oversight within its existing portfolio.

3.2.2 Manager monitoring, assessment and engagement

Engagement and stewardship are at the core of the Trustee's practical approach to managing climate-related investment risk. The Trustee expects its investment managers to consider financially material climate-related risks and opportunities within their investment processes and to engage with issuers where this can improve risk management, disclosure, transition planning or long-term value.

Responsible-investment considerations are incorporated into manager due diligence, ongoing monitoring and mandate documentation where appropriate. The Master Manager assesses investment managers' approach across areas including ESG commitment and resources, the quality of investment research, implementation within investment managers and effectiveness of their active ownership activities.

The Trustee has established stewardship priorities, including **Climate Change Resilience** and **Natural Capital Management**. As part of quarterly IRM reporting, engagement activity undertaken by the Master Manager and investment managers is mapped against these priorities. The reporting includes the number and focus of engagements and helps the Trustee monitor how stewardship activity changes over time, assess whether it remains aligned with its priorities and identify areas requiring further challenge or escalation.

Given the Scheme's mature, de-risked position, the scope for significant manager changes may be more limited. However, the Trustee retains the ability to amend mandate requirements or manager appointments where material concerns are not addressed appropriately.

3.2.3 Quarterly monitoring, enhanced oversight and escalation

The Trustee's quarterly monitoring and escalation process brings together climate metrics, progress against targets, stewardship activity, data-quality developments and holdings identified for enhanced oversight. The Master Manager and LCP Executive review these matters through quarterly ESG and climate meetings, with material issues reported to the IRMC and, where appropriate, escalated to the Trustee Board. [Exhibit 12](#) summarises the key components of this process.

[Exhibit 12: Key monitoring components](#)

Monitoring component	Description
Quarterly ESG / climate meetings	The Master Manager and LCP Executive review climate metrics, progress against targets, material movements and outliers, stewardship activity, data-quality changes and relevant market or regulatory developments.
Enhanced oversight	The Master Manager identifies holdings with elevated ESG or climate-related risks, raises these with the relevant investment manager and monitors the response and any resulting actions.
IRMC escalation	Material metric movements, potential target re-baselining, significant holdings, data-quality issues and key stewardship developments are reported to the IRMC.
Trustee Board escalation	Matters requiring approval, strategic direction or formal noting – including climate targets, material methodology changes and the annual Climate Disclosure Report – are escalated to the Trustee.
Risk register integration	Climate and ESG risks are considered within the Scheme's wider risk register and quarterly IRM reporting process.

During 2025, the Master Manager used its **enhanced-oversight process** to review and challenge holdings where climate-related risk or stewardship questions had been identified. Examples included high emissions intensity, the credibility of transition plans and climate-related controversy or litigation risk.

[Exhibit 13: Enhanced oversight examples](#)

Example	Issue flagged	Action	Outcome / monitoring
Enel (LGIM)	Identified as a material contributor to portfolio emissions intensity.	Master Manager challenged LGIM on the issuer's transition plan and milestones.	LGIM set out its assessment and ongoing engagement. As at the reporting date, the Master Manager continued to monitor progress against targets.
Heathrow (AXA)	Climate strategy and delivery plan flagged for deeper review.	AXA engagement focused on Scope 1 and 2 reductions, decarbonising heat, fleet transition and operational risks.	Follow-up requested on carbon accounting and scenario planning, including supply-chain considerations where relevant.

Example	Issue flagged	Action	Outcome / monitoring
Shell (AXA)	Concerns around weaker transition ambition and climate-related controversy / litigation.	Master Manager challenged AXA on how risks are reflected in issuer assessment and stewardship.	AXA's view and escalation approach were clarified. At the reporting date, the position remained under active review.

The examples above relate to holdings held during the reporting period. The examples illustrate that enhanced oversight is not intended to result automatically in divestment. Instead, it provides a framework for the Trustee to understand identified risks, assess whether the relevant investment manager is exercising appropriate challenge and stewardship, and ensure that unresolved concerns can be escalated.

3.2.4 Active ownership and collaborations

The Trustee supports the use of stewardship and active ownership as a primary mechanism for influencing real-world progress, particularly as the Scheme matures and the opportunity to allocate capital to new climate-solution investments becomes more limited. The Master Manager's engagement programme and the engagement activity of underlying managers are therefore important components of the Trustee's climate-risk management approach.

Engagement themes include climate change resilience and natural capital management as important net zero levers. The 31 December 2025 sustainable investing dashboard recorded 128 issuers engaged, 255 engagements, 4 securities flagged to investment managers and 4 resolved, with 91% of engagements aligned with Trustee themes. The activity relates to the mandates held during the reporting period.

Examples of corporate engagement activity are provided below (further examples can be found in the implementation statement which is located [here](#)):

Exhibit 14: Engagements examples

Engagement source	Issuer	Issue flagged	Action taken	Outcome / monitoring
Russell-led direct engagement	Walmart	Near-term delivery risk on emissions targets, driven by reliance on Scope 3 reductions and supply-chain complexity.	Russell engaged on strengthening Scope 3 targets, supplier engagement and transparency on delivery against targets.	Walmart continues to show strong climate strategy and leadership, but execution risk remains. Progress on near-term emissions delivery will continue to be monitored.
AXA investment manager engagement	Engie	Need for clearer disclosure on green bond allocation to hydropower projects, including project selection, verification and EU Taxonomy alignment.	AXA engaged with Engie on its Green Financing Framework, hydropower due diligence process and allocation reporting.	Engagement is progressing. AXA noted scope for better transparency on project types and allocation specifics, with potential framework updates to improve alignment and disclosure.
LGIM investment manager engagement	JPMorgan Chase & Co	Banks have a significant role in financing the net zero transition, with focus areas including transition finance, financed emissions, governance and remuneration.	LGIM maintained direct engagement, including four meetings in 2025, covering transition finance, green opportunities and remuneration. LGIM also used voting to escalate governance concerns and supported a shareholder resolution on social impacts of transition finance.	Engagement remains ongoing. LGIM continues to monitor climate strategy, governance and transition-finance disclosures.

3.3 Impact of climate-related risks and opportunities on the Scheme's strategy, funding and financial planning

The Trustee has developed governance arrangements to support the identification, assessment and management of climate-related risks and opportunities. Although data gaps remain, the Trustee considers the current body of work informative. Carrying out scenario analysis has provided a more holistic view of the interactions between assets, liabilities and covenant, while quarterly metrics and stewardship reporting support ongoing monitoring.

The Trustee will continue to improve climate reporting as methodologies and coverage develop. The planned 2027 scenario analysis rerun is expected to strengthen the connection between scenario outputs, short-term funding horizon, covenant resilience and stewardship / manager oversight priorities.

Section 4: Metrics & Targets

Purpose: report metrics selected by the Trustee, disclose climate metrics and describe targets

4.1 Metrics used by the Trustee to assess climate-related risks and opportunities in line with its strategy and risk management process.

The Trustee uses a range of metrics to assess climate-related risks and opportunities. These metrics are collected and reviewed at least annually, with selected metrics also monitored through quarterly reporting where relevant. As mentioned in [Section 2.3](#), bottom-up analysis relies on a mapping of identified climate-related risks to representative metrics, allowing measurement at a holdings level and then aggregation to the mandate and Scheme level. The mapping is therefore dependent on the availability of suitable metrics and is regularly reviewed as metrics and data quality improve. The Trustee's chosen climate metrics are shown below and in detail in [Appendix 5.2](#).

Exhibit 15: Metrics used to assess climate related risks and opportunities

Regulatory requirement	Chosen metric	Rationale	Target
Absolute emissions metric	Financed Emissions Scope 1+2 <i>Measured in tCO₂e</i>	- Financed emissions are designed to capture the absolute emissions that a portfolio is responsible for, or 'owns'. - This approach is recommended by the Partnership for Carbon Accounting Financials (PCAF), the leading industry standard for measuring financed emissions. - It is calculated by the ownership share in the company factoring the emissions that the company produces.	Yes
Emissions intensity metric	Weighted Average Carbon Intensity (WACI) – Scope 1+2 <i>Measured in tCO₂e/£m revenue</i>	- Attribution of emissions is calculated by portfolio weight rather than direct ownership in that company. - WACI measures carbon intensity by using a company's revenue to standardise. - WACI has been endorsed by the TCFD.	Yes
Portfolio Alignment Metric	Implied Temperature Rise (ITR) <i>Measured in °C</i>	- ITR measures how aligned a company/portfolio is with the goal of limiting global warming to below 2 degrees Celsius. - It is the weighted average of temperature alignment score in the portfolio using sector intensity and AUM. - Easy-to-understand and helps express the portfolio alignment relative to global temperature targets. - Can be compared across a range of benchmarks, portfolio and asset classes.	
Alternative additional climate change metric(s)	Asset alignment & engagement targets	- Forward looking metrics which provides an assessment of: (1) % material Scheme assets aligned or aligning to net zero; (2) % material Scheme financed emissions aligned to net zero or subject to engagements - Can be used to inform active ownership program - This metric is also used to track the Scheme's progress against its net zero commitment.	Yes
Alternative additional climate change metric(s)	Carbon Data Quality	- This measure aims to represent the proportions of the portfolio for which the trustees have high quality carbon data. - Carbon data quality is divided into reported, unreported and estimated. - This allows for a better understanding of carbon data accuracy and more transparency into the carbon data quality.	

Notes: Scope 1 emissions are direct greenhouse gas emissions from sources owned or controlled by an organisation. Scope 2 emissions are indirect emissions from purchased electricity, heat or steam. Scope 3 emissions are other indirect emissions in a company's value chain, including upstream and downstream activities.

During the year, the Trustee reviewed the metrics used to assess climate-related risks and opportunities and considered whether any additional or alternative metrics should be adopted. The Trustee agreed to retain the current metrics and targets for this year's report, but will continue to review the choice of climate-related metrics from time to time to ensure they remain appropriate for the Scheme.

4.2 Metrics Disclosure

4.2.1 Metrics snapshot as of 31 December 2025

The table below presents the Trustee's selected climate metrics by asset class as at 31 December 2025. Asset classes are shown separately where methodologies differ or where data is currently unavailable. Coverage levels are shown in brackets alongside the relevant metric and indicate the proportion of assets for which data is available.

Exhibit 16a: Disclosure of Metrics: Backward looking as of 31 December 2025

Asset Class	AUM (£m)	Weight (excl. buy-in)	Financed Emissions (FE) ^{1,2}				TCFD Weighted Average Carbon Intensity (WACI) ³		Carbon Data Quality ⁴ (reported/estimated/no data)
			Scope 1+2 (tCO ₂ e)	Scope 1+2 (tCO ₂ e/£m invested)	Scope 3 (tCO ₂ e)	Scope 3 (tCO ₂ e/£m invested)	Scope 1+2 (tCO ₂ e/\$m revenue)	Scope 3 (tCO ₂ e/\$m revenue)	
Sovereigns & Liquidity	541	50%	73,940 (100%)	141 (100%)	-	-	106 (100%)	-	-
Corporate Credit	337	31%	8,143 (91%)	27 (91%)	82,876 (91%)	271 (91%)	52 (91%)	438 (91%)	81%/10%/9%
Other Assets	204	19%	6,237	-	-	-	-	-	-
Buy-in	3,043	-	-	72 (87%)	-	-	118 (91%)	-	See footnote

Source: Master Manager, MSCI, climate risk vendor, private market managers, HSBC and buy-in provider data (Rothesay) where available, as at 31 December 2025.

Exhibit 16b: Disclosure of Metrics: Forward-looking as of 31 December 2025

Asset Class	AUM (£m)	Weight (excl. buy-in)	Temperature Alignment	NZT1: Asset Alignment by Market Value ⁵		NZT2: Alignment or Engagement Alignment by Financed Emissions (FE) ⁶	
			°C	% allocation with sector coverage / % of covered allocation in material sectors / % material sector allocation aligned/aligning		% of FE with sector coverage / % of covered FE in material sectors / % of material-sector FE aligned or subject to engagement	
Sovereigns & Liquidity	541	50%	-	-		-	
Corporate Credit	337	31%	2.5 (92%)	67% / 90% / 41%		79% / 99% / 81%	
Other Assets	204	19%	-	-		-	
Buy-in	3,043	-	1.9 (82%)	See footnote	See footnote	See footnote	See footnote

Source: Master Manager, MSCI, climate risk vendor, private market managers, HSBC and buy-in provider data (Rothesay Insurance) where available as at 31 December 2025. Net zero alignment focuses on corporate credit assets where data and methodology are available.

Notes

WACI and Financed Emissions data are sourced from MSCI. Security-level information is required at the mandate level, and these is loaded into MSCI's database (which contains a mixture of company-reported and estimated data from a variety of sources – with underlying data sometimes reported at different dates i.e. the most recent dates). Net Zero Alignment data is sourced from the Master Manager's proprietary methodology. See Appendix 5.3 for Climate modelling and data assumptions.

- Financed emissions** represent the Scheme's share of investee companies' Scope 1 and Scope 2 (or Scope 3) greenhouse gas emissions, calculated using the PCAF ownership approach based on Enterprise Value Including Cash (EVIC). The absolute financed emissions (FE) data for 'Other Assets' are sourced directly from the managers and represents c. 10% of "Other Assets", comprised of: 1. a UK Real Estate Debt mandate (estimated data); 2. a Private Debt mandate (estimated data).
- Financed emissions intensity** represents Scope 1 and 2 (or Scope 3) financed emissions normalised by the amount invested (£m).
- Weighted Average Carbon Intensity (WACI)** measures portfolio exposure to carbon-intensive companies and is expressed as tonnes CO₂e per \$m revenue. WACI is coverage-adjusted.
- Carbon data quality** represents the proportion of assets for which emissions data is reported, estimated or unavailable.
- Net zero target 1 ("NZT1") - Asset alignment by market value:** The first percentage shows the proportion of the corporate credit allocation for which the required sector classification is available. The second shows the proportion of that covered allocation invested in material sectors. The third shows the proportion of the material-sector allocation assessed as aligned or aligning to a net zero pathway by 2050.
- Net zero target 2 ("NZT2") - Alignment or engagement by financed emissions:** The first percentage shows the proportion of financed emissions for which the required sector classification is available. The second shows the proportion of covered financed emissions attributable to material sectors. The third shows the proportion of material-sector financed emissions associated with issuers that are net zero, aligned or aligning to net zero, or subject to direct or collective engagement and stewardship activity.
- Buy-in:** for WACI, Notional Value was used in the numerator because the portfolio is composed of debt. Notional value is used to compute EVIC. For ITR, temperature alignment figures are weighted by financed emissions and cover the publicly traded corporate debt portfolio only.
- Buy-in (Carbon Data Quality):** Rothesay's total portfolio data coverage is 91%. Rothesay uses PCAF quality scores, which assess the standard of climate data on a scale of 1 to 5. A score of 1 indicates that an entity has reported emissions data that has been verified by a third party, while a score of 5 indicates that estimates have been made using limited available data. Rothesay's portfolio has a PCAF score of 2.3.
- Buy-in (Asset Alignment Target):** Rothesay reports alignment with SBTi (Commitment and/or approved target) of 47% of the publicly traded corporate debt portfolio and alignment with SBTi (Approved target) of 45% of the publicly traded corporate debt portfolio.

4.2.2 Data coverage and methodology improvements

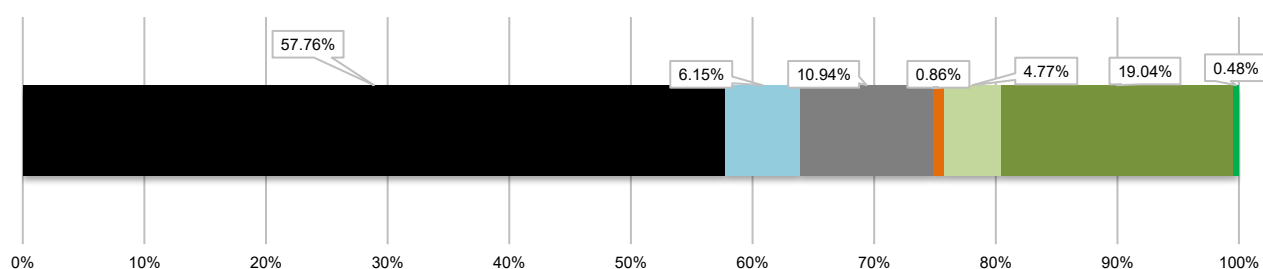
The Trustee recognises the importance of complete and reliable data coverage in supporting effective oversight of the Scheme's climate-metrics and targets. During the year, the Master Manager implemented improvements to GICS sector mapping for the Scheme's corporate credit holdings (illustrated in Exhibit 17). This increased the proportion of holdings that could be assessed under the Scheme's net zero alignment methodology and provided a more complete basis for monitoring alignment, engagement coverage and stewardship priorities.

The improved GICS mapping affected the reported total alignment metrics by bringing more holdings into scope of assessment. As a result, the NZT1 asset-alignment metric reduced from 61% at December 2024 to 41% at December 2025. Similarly, the NZT2 alignment-or-engagement metric reduced from 94% to 81% over the same period.

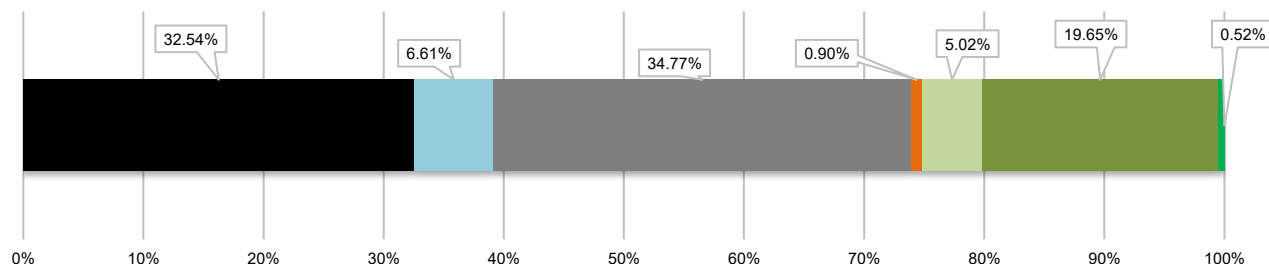
Although the headline alignment percentages were lower, the improved coverage provided the Trustee with a fuller view of the corporate credit holdings captured by the methodology during the reporting period and a stronger basis for the oversight and stewardship activity undertaken at that time.

Exhibit 17: Net zero alignment assessment coverage before and after GICS mapping improvements

Sep-25: Before GICS Coverage Improvements



Dec-25: After GICS Coverage Improvements



- % GICS not identified
- % GICS not in material sectors
- % Not Aligned
- % Committed to Aligning
- % Aligning to net zero
- Aligned to net zero - not high impact sector
- Aligned to net zero - high impact sector

Data interpretation

When data coverage improves, some reported metrics can move because more holdings are now being measured, not necessarily because underlying climate risk has suddenly increased. This was particularly relevant to the 2025 net zero alignment metrics, where material improvements in GICS sector coverage increased the proportion of corporate credit assets included in the alignment assessment.

4.3 Targets used by the Trustee to manage climate-related risks and opportunities and performance against targets

The Trustee strongly believes in being part of the real-world Net Zero transition which it considers to be a key part of how it manages risk and ensures the best financial outcome for the Scheme. Therefore, the Trustee has set targets to enable climate risk management within the Scheme whilst also having an impact on the real-world economy to benefit all investors generally. Each target, along with the mechanism for delivery, is detailed in exhibit 18. As noted in Exhibit 15, the Trustee has selected five climate metrics. Formal targets have been set for Financed Emissions Intensity, WACI and the net zero alignment metric, with the latter comprising two complementary target measures.

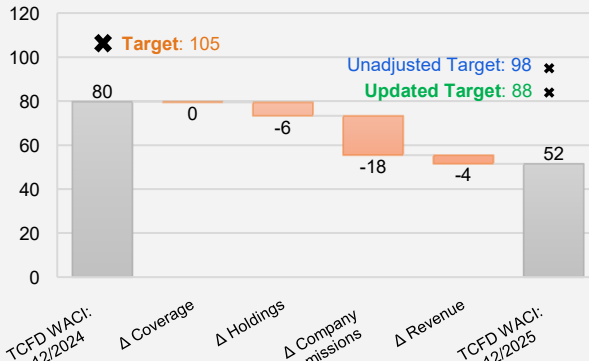
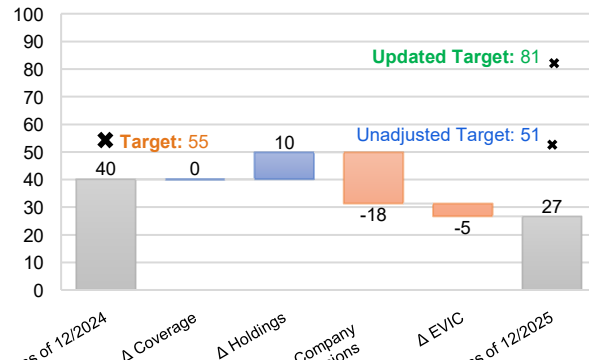
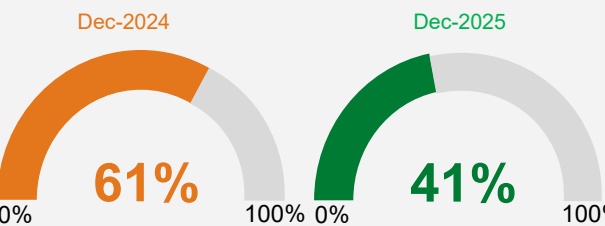
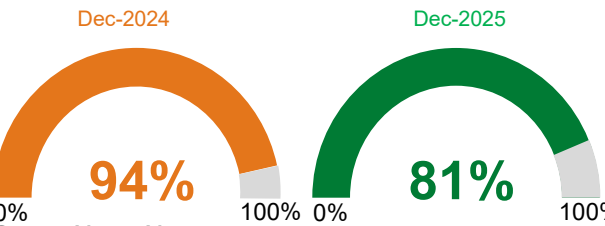
Exhibit 18: Targets adopted by the Trustee as of 31 December 2025

	(1) Financed Emissions (FE) measured in tonnes CO ₂ e * EVIC/£m Invested)	(2) Weighted Average Carbon Intensity (WACI) measured in tonnes CO ₂ e/\$m revenue	(3) Alignment to Net Zero <i>Measurement method outlined below</i>
Target	50% reduction in financed emissions per £m invested by 2030 versus a baseline date of 30 June 2020.	50% reduction in WACI by 2030 versus a baseline date of 30 June 2020.	Target 1: % Scheme climate assets in <u>material sectors</u> that are aligned or aligning to net zero. Target % is: • 20% by 2025 • 100% by 2040 Target 2: % Scheme financed emissions in <u>material sectors</u> that are net zero, aligned to net zero or subject to direct or collective engagement and stewardship actions: • 70% in the near term • 90% by 2030
Applicable to	The targets apply to Corporate Credit.	The targets apply to Corporate Credit with the exception of the index linked credit portfolio.	The targets apply to Corporate Credit.
Rationale	NGUKPS made a commitment to be net zero by 2050 and has done so by joining the Paris Aligned Investment Initiative Net Zero Asset Owner Initiative (PAAO). With the focus on driving down real-world emissions the NGUKPS have set an additional emissions reduction portfolio reference target based on the absolute emissions reductions needed to achieve global net zero emissions by 2050. Measuring absolute emissions provides a necessary baseline for Paris Alignment.	Applicable to multiple asset classes, enabling comparison across varying sized portfolios and can be relatively easy to incorporate in the mandate guidelines to enable implementation.	In order to drive real world change NGUKPS believes that it is necessary to assess portfolio-level alignment to net zero and to channel engagement activities accordingly.
Mechanism to implement & achieve targets²	The Trustee expects there to be a positive correlation between WACI and Financed Emissions. With that in mind the Trustee currently aims to achieve the Financed Emissions targets by the WACI reduction targets discussed in the WACI section earlier. The Trustee will continue to review this approach and will work alongside the underlying managers to further progress.	The target will be achieved by adding these WACI reduction targets to the mandate guidelines. Based on conversations with managers, the Trustee believes this target is achievable and will continue to work alongside the underlying managers to support further progress towards the target.	The target will be achieved by monitoring progress against the targets, and by linking up engagement activity to the required portfolio positions/sectors.

Source: LCP Executive, Master Manager

² The Trustee has also defined a coal policy which was to be fully divested from thermal coal companies by 2022 or earlier, where thermal coal companies are currently defined as: (i) any company with revenues of 20% or more coming from thermal coal (generation or mining) or (ii) any company where 20% or more of its share of power production comes from thermal coal. The divestment was achieved by 2022 year-end in line with the Trustee's definition of what constitutes coal exposure.

4.3.1 Metrics and targets – annual progress – metrics with targets

Metric with Target	Progress
Exhibit 19a: TCFD WACI (S1+2) Attribution – Annual Attribution  Source: Master Manager, MSCI	At the end of 2025, portfolio WACI was 52 tCO₂e/\$m revenue, reduced from 80 tCO₂e/\$m revenue at the end of 2024. The target pathway to achieve a 50% reduction by 2030 reduced from 105 to 98 tCO₂e/\$m revenue. Attribution of the portfolio change using the Master Manager's carbon attribution model showed that this reflected organic changes (lower underlying company emissions and revenue growth, -22), together with non-organic portfolio structure changes (primarily the reduction in the LGIM Buy & Maintain Credit allocation, -6). This left the end-2025 portfolio WACI c.10% lower as a result of the non-organic change (52 instead of 58). The target pathway was therefore reduced by approximately 10%, from 98 to 88 tCO₂e/\$m revenue, to neutralise the non-organic impact and preserve the organic relative position. This maintains comparability and better reflects underlying climate performance.
Exhibit 19b: FE Intensity (S1+2) - Annual Attribution  Source: Master Manager, MSCI	At the end of 2025 portfolio FEI was 27 tCO₂e/£m invested, reduced from 40 tCO₂e/£m invested at the end of 2024. The target pathway to achieve a 50% reduction by 2030 reduced from 55 to 51 tCO₂e/£m invested. Attribution of the portfolio change using the Master Manager's carbon attribution model showed that this reflected organic changes (lower underlying company emissions and improvements in EVIC, -23), offset by non-organic portfolio structure changes (primarily the reduction in the LGIM Index Linked Credit mandate +10). This left the end of 2025 portfolio FEI inflated by c. 1.5x (27 instead of 17). The target pathway was therefore adjusted by c. 1.5x, re-baselined, to neutralise the non-organic impact and preserve organic relative position. This maintains comparability and ensures future progress more closely reflects changes in underlying climate performance.
Exhibit 19c: NZT1: Asset Alignment:  Source: Master Manager	As at 31 December 2025, 41% of material-sector corporate credit assets were assessed as aligned or aligning to net zero under NZT1, ahead of the Scheme's interim target. The percentage was lower than the 61% reported at 31 December 2024, primarily because of the wider assessment scope described in Exhibit 17, rather than a straightforward deterioration in issuer alignment. An issuer is considered aligned where available evidence indicates that it is already aligned with a net zero pathway or has credible transition plans and supporting actions consistent with achieving net zero emissions by 2050.
Exhibit 19d: NZT2: Engagement Threshold  Source: Master Manager	As at 31 December 2025, 81% of material-sector financed emissions were associated with issuers assessed as aligned to net zero or subject to engagement under NZT2. This was below the 94% reported at December 2024 and leaves nine percentage points to reach the Scheme's 90% target for 2030. As with NZT1, the movement mainly reflects the wider assessment scope shown in Exhibit 17. During the reporting period, the NZTZ analysis helped inform manager oversight and stewardship activity, supporting progress towards the Scheme's long-term objective.
Why this matters Re-baselining protects target integrity without reducing the 2030 ambition. It means the Scheme is not given credit for emissions reductions that arise only from portfolio divestment or data changes, and it is not unfairly penalised where non-organic changes make the remaining portfolio look more emissions-intensive.	

4.3.2 Metrics and targets - progress - metrics without targets

The Trustee also monitors climate metrics where no formal target has been set. These metrics provide additional context on the Scheme's climate profile and support interpretation of the target metrics. They are monitored alongside WACI, Financed Emissions Intensity and the net zero alignment metrics, rather than being assessed against a specific target pathway.

Metric	Progress
Exhibit 20a: Temperature Alignment since baseline (June 2020) Source: Master Manager, Climate risk vendor	The Scheme's implied temperature score was 2.5°C as at 31 December 2025, unchanged from the prior year. Since the June 2020 baseline, the metric has improved from approximately 3.0°C to 2.5°C, with coverage increasing to 92%. Temperature alignment is a forward-looking metric and can be affected by issuer targets, data inputs, methodology and portfolio composition. The Trustee therefore uses it as an additional monitoring indicator alongside the Scheme's primary climate targets, rather than as a standalone measure of progress.
Exhibit 20b: Carbon emissions (S1+2) data quality Source: Master Manager, MSCI	Carbon data quality remained strong during 2025. At 31 December 2025, reported emissions data represented 81% of assessed corporate credit holdings, with estimated data accounting for 10% and holdings without emissions data accounting for 9%. Higher levels of reported emissions data improve confidence in the Scheme's carbon metrics, particularly WACI, which depends directly on reported or estimated emissions and revenue data. Financed emissions metrics are also affected by emissions data availability, but are additionally influenced by EVIC and portfolio valuation inputs.

4.4 Qualitative real-world observations

In its guidance, the Pensions Regulator (tPR) recognised that climate data and modelling continue to evolve, and that trustees may draw on qualitative narrative where the numbers alone tell only part of the story. The Trustee agrees - particularly across illiquid assets, where relevant climate activity often sits behind the metrics rather than within them. On behalf of the Trustee, Russell Investments therefore asked the Scheme's managers to describe the climate-related activities they undertake across the mandates in which the Scheme invests. The examples below are intended to illustrate the **types of activity** managers are carrying out - financing, engagement and advocacy - rather than to evidence specific outcomes attributable to the Scheme itself.

Real-world impact efforts by investment managers

The examples below include activity relating to investments held by the Scheme during the reporting year.

Financing the transition. Several managers direct capital toward assets that support the low-carbon transition. Within its credit mandate, **AXA IM** holds green bonds issued by companies such as **Ørsted**, a renewables developer investing in offshore wind, solar and battery storage, and **SNCF**, whose green bonds finance zero-emission rail and are underpinned by a science-based emissions-reduction target. These holdings illustrate the manager's approach to allocating toward transition-aligned issuers, alongside issuer engagement - for example, raising the biodiversity impact of hydropower with **Engie** and discussing net-zero target-setting with **Deere & Co.**

Embedding sustainability in lending. In private markets, managers describe using the terms of financing to encourage borrower action. **Aviva SIA** structures sustainability-linked loans that tie borrowing costs to defined deliverables such as net-zero pathways, BREEAM certification, EPC improvements, on-site solar and EV charging; these KPIs remain in place for the life of each loan, though the Scheme's mandate is now past its investment period. In infrastructure, **KKR** describes working with portfolio companies to baseline emissions, set reduction targets and strengthen climate reporting, with a focus on harder-to-abate sectors. In real estate debt, **abrdn** reported a reduction in the mandate's financed emissions over the year and continues to develop the internal tools used to measure those emissions.

Stewardship and policy advocacy. Managers also describe activity aimed at influencing company behaviour and the wider policy environment. **LGIM** (the Scheme's LDI and one of its credit managers) provided examples of voting escalation - voting against seven directors at Toronto-Dominion Bank following anti-money-laundering failings, and supporting climate-transition resolutions at MUFG and Mizuho - as well as policy engagement, including representations to European Commission members on the EU Methane Regulation, input to US utilities' science-based target-setting methodology, engagement with DEFRA on microplastic-filter legislation, and long-running advocacy on the green-gilt market.

Taken together, these examples illustrate the range of climate-related activity - financing, engagement and advocacy - that the Scheme's managers undertake across its mandates. They are provided as evidence of the types of action being taken by managers, rather than as measurable outcomes delivered by the Scheme.

Section 5: Appendix

Purpose: house definitions, methodology, retained scenario analysis notes and supporting limitations

Section 5.1: Glossary of terms and acronyms

Term	Definition
Carbon data quality	A measure of the extent to which emissions data are reported by companies, estimated by data providers or unavailable.
Carbon footprint	A measure of greenhouse gas emissions associated with a portfolio, often expressed as financed emissions or emissions intensity.
Covenant	The financial ability of the employer, in relation to its legal obligations to the scheme, to support the scheme, including the expected support from contingent assets where relevant.
ESG	Environmental, social and governance factors. The Trustee considers ESG factors where financially material.
FEI	Financed Emissions Intensity. For this report, Scope 1+2 financed emissions per £m invested.
GICS	Global Industry Classification Standard. Used for sector classification, including assessment of material sectors for net zero alignment.
Greenhouse gases (GHGs)	Gases that contribute to climate change. Carbon dioxide equivalent (CO ₂ e) is used to express different gases on a comparable basis.
IIGCC	Institutional Investors Group on Climate Change, a membership body supporting investor collaboration on climate change.
Implied Temperature Rise	A forward-looking metric that estimates the temperature pathway implied by portfolio companies' emissions and transition plans.
Integrated Risk Management (IRM)	A framework for considering investment, funding and covenant risks together.
LEAP	The TNFD assessment approach: Locate, Evaluate, Assess, Prepare.
NGFS	Network for Greening the Financial System, a group producing climate scenarios widely used in financial-sector climate analysis.
NZIF	Net Zero Investment Framework, an investor framework used to support portfolio alignment and stewardship targets.
PCAF	The Partnership for Carbon Accounting Financials (PCAF) is the leading global framework used by financial institutions to measure and report the greenhouse gas emissions associated with their investments and lending activities, providing a consistent and transparent basis for climate reporting and target setting.
Scope 1 emissions	Direct emissions from sources owned or controlled by an organisation.
Scope 2 emissions	Indirect emissions from purchased electricity, heat or steam.
Scope 3 emissions	Other indirect emissions in a company's value chain, including upstream and downstream activities.
TCFD	Task Force on Climate-related Financial Disclosures.
TNFD	Taskforce on Nature-related Financial Disclosures.
WACI	Weighted Average Carbon Intensity, measuring portfolio exposure to carbon-intensive companies, usually expressed as tCO ₂ e per \$m revenue.

Section 5.2: Metrics Methodology

Metric	Supporting information	
Financed emissions Also known as: Total Carbon Emissions (EVIC method)	<i>Description</i>	The absolute greenhouse gas emissions associated with a portfolio, expressed in tonnes CO ₂ e. <i>Metric recommended by the Partnership for Carbon Accounting Financials (PCAF).</i>
	<i>Formula</i>	$\sum_i^n \left(\frac{\text{current value of investment}_i}{\text{issuer's EVIC}_i} \times \text{issuer's scope 1 and scope 2 GHG emissions}_i \right)$
	<i>Methodology</i>	Share of emissions attributable to the investor's holding in the company. If an investor holds an investment worth 5 percent of the company's total financing (enterprise value incl. cash), then 5 percent of the company's emissions are attributable to that investor. Attributable emissions in each company are summed across the portfolio. By using EVIC instead of market cap as the attribution factor, the method can be used for both equity and fixed income.
	<i>Sovereign Equivalent*</i>	"GHG emissions": Share of sovereign GHG emissions attributable to the investor's share of total debt outstanding. $\sum_i^n \left(\frac{\text{Exposure to Sovereign Bond (USD)}_i}{\text{Public Debt Outstanding (USD)}_i} \times \text{Country GHG Emissions}_i \right)$
	<i>Key points +/-</i>	+ Metric may be used to communicate the carbon footprint of a portfolio consistent with the GHG protocol, generally interpreted as more impact-oriented as opposed to risk-oriented and hence is frequently used in target setting - Metric is generally not used to compare portfolios because the data is not normalised; increases in portfolio value (or AUM) will lead to increases in portfolio emissions - Changes in underlying companies' EVIC can be misinterpreted as reductions in real world emissions
Financed emissions intensity	<i>Description</i>	Total carbon emissions for a portfolio normalised by the market value of the portfolio, expressed in tonnes CO ₂ e / £M invested.
	<i>Formula</i>	$\frac{\sum_i^n \left(\frac{\text{current value of investment}_i}{\text{issuer's EVIC}_i} \times \text{issuer's scope 1 and scope 2 GHG emissions}_i \right)}{\text{current portfolio value (£M)}}$
	<i>Methodology</i>	Financed emissions above, standardised by portfolio value.
	<i>Key points +/-</i>	+ Metric may be used to compare portfolios to one another and/or to a benchmark - Metric does not take into account differences in the size of companies (e.g. does not consider the carbon efficiency of companies) - Changes in underlying companies' EVIC can be misinterpreted as reductions in real world emissions
Weighted average carbon intensity Also known as: WACI	<i>Description</i>	Portfolio's exposure to carbon-intensive companies, expressed in tonnes CO ₂ e / \$M revenue. <i>Metric recommended by the Task Force on Climate-Related Financial Disclosures (TCFD).</i>
	<i>Formula</i>	$\sum_i^n \left(\frac{\text{current value of investment}_i}{\text{current portfolio value}} \times \frac{\text{issuer's scope 1 and scope 2 GHG emissions}_i}{\text{issuer's \$M revenue}_i} \right)$
	<i>Methodology</i>	Scope 1 and scope 2 GHG emissions are allocated based on portfolio weights (the current value of the investment relative to the current portfolio value).
	<i>Sovereign Equivalent</i>	"GHG Intensity (t/USDM GDP Nominal)": The higher the value, the more carbon-intensive the economy is. $\sum_i^n \left(\frac{\text{Exposure to Sovereign Bond (USD)}_i}{\text{current portfolio value}} \times \frac{\text{Country GHG emissions}_i}{\text{Country GDP Nominal (m USD)}_i} \right)$
	<i>Key points +/-</i>	+ Metric can be more easily applied across asset classes since it does not rely on an equity ownership approach + Generally interpreted as a more risk-oriented approach versus the preceding metrics, which are more related to aggregate real-world emissions and hence considered more "impact" related. + Metric allows for portfolio decomposition and attribution analysis - Metric is sensitive to outliers

Notes: the term 'portfolio' can be defined as "fund or investment strategy" for asset owners and "product or investment strategy" for asset managers. Total carbon emissions and carbon footprint can also be calculated using a company's market capitalisation instead of Enterprise Value including cash though the Master Manager does not use this because it cannot be used across asset classes.

Supplemental metrics

Following the UK's Department for Work and Pensions mandating TCFD-related disclosures for institutional pension schemes, a standard set of climate-related metrics is increasingly being expected by UK clients and consultants. The following metrics are part of this core template:

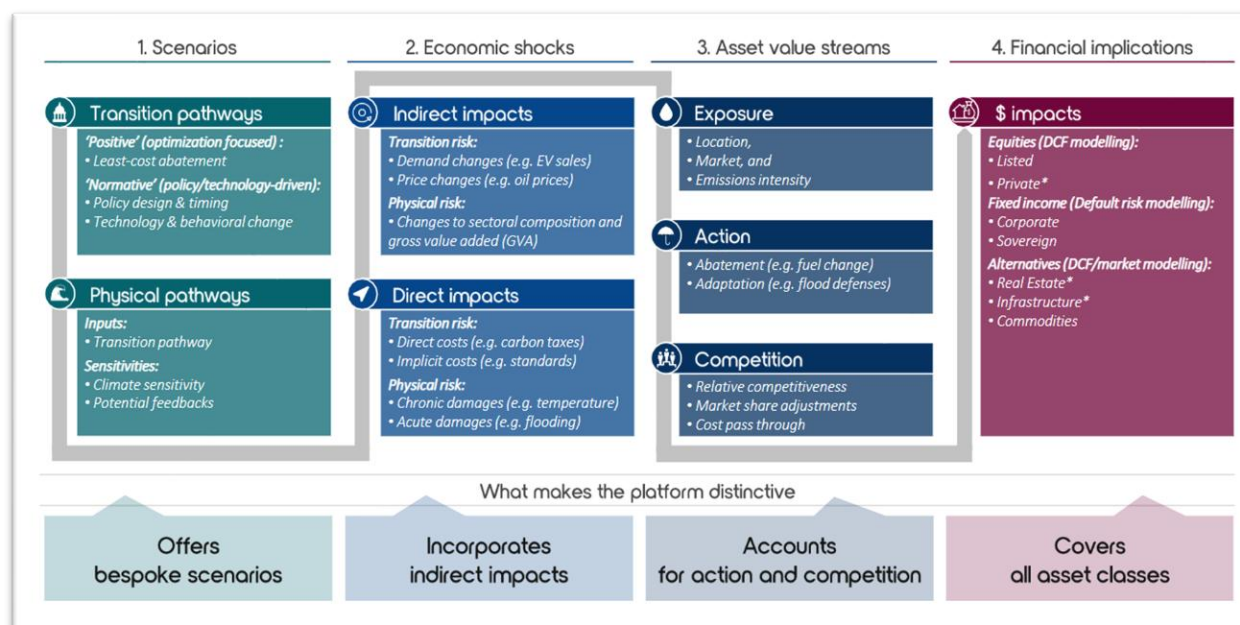
Metric		Supporting information
Carbon Data Quality	<i>Description</i>	Proportion of a portfolio where there is high-quality data. <i>Additional climate change metric recommended by the Task Force on Climate-Related Financial Disclosures (TCFD).</i>
	<i>Methodology</i>	Calculates the proportion of Scope 1-2 emissions that are verified, reported, estimated or unavailable.
	<i>Key points +/-</i>	+ Metric allows for a better understanding of ESG data accuracy. + More transparency into the breakdown of carbon data quality. - Does not look into climate change analysis directly. - Estimated data coverage is subject to model risk.
Net zero alignment target 1 <i>% material sector assets aligned or aligning to net zero</i>	<i>Description</i>	The percentage of material sectors aligned or aligning to Net Zero provides a useful forward-looking indicator and can be used to inform the Scheme's active ownership programme. This metric is also used to monitor the Scheme's Net Zero Commitment. This is a newer metric, and methodologies are still being developed for certain asset classes. Thus, the focus has been on assessing the listed equities and corporate fixed income portions of the portfolio. One challenge to this metric is that data coverage can be particularly low in portfolios where the underlying firms are not covered by any of the major datasets used in the alignment tool. Coverage is expected to increase meaningfully over time as more companies commit to their own Net Zero ambitions.
	<i>Methodology</i>	The Scheme will leverage the Paris Aligned Investment Initiative's Net Zero Investment Framework. This framework has been developed in conjunction with the IIGCC and its partner networks. For listed equities and corporate fixed income in scope, the Framework provides a set of 10 current and forward-looking criteria against which investors should assess the alignment of companies. Six of these are core criteria. These criteria are key to identifying that a company has a credible, science-based Net Zero Transition Plan. The PAII has determined that higher impact companies should be assessed against all six core criteria. High impact companies are defined as those companies on the Climate Action 100+ focus list, companies in high-impact sectors consistent with Transition Pathway Initiative sectors, plus banks and real estate. All other companies are deemed 'lower impact' by PAII. To assist with this mapping exercise an asset alignment tool has been utilised where securities are mapped to an alignment status by utilising data from MSCI, Climate Action 100+, Transition Pathway Initiative, and the Science-Based Targets Initiative. The percentage aligned or aligning is calculated exclusively on the portion of the portfolio that is invested in material sectors. Once the alignment metric at a mandate-level has been calculated the next step is to aggregate the total up to the Scheme level using a weighted approach that considers the weight of the mandate in the Scheme and the percent of the mandate that is invested in material sectors. This allows the Master Manager to produce a Scheme level total for the percent of material sectors aligned or aligning.
	<i>Description</i>	The percentage of financed emissions that are either aligned to Net Zero or subject to engagement represents a key indicator under the Net Zero Investment Framework (NZIF 2.0). This target provides a financed emissions-based perspective on progress and prioritisation, and serves to guide the Scheme's stewardship and engagement strategy. It complements other climate metrics by focusing not only on alignment status but also on the portion of portfolio emissions being actively addressed through engagement. This measure is also used to monitor the Scheme's progress toward its Net Zero commitment.
Net zero alignment target 2: <i>% material sectors Financed Emissions aligned to net zero or subject to engagements</i>	<i>Description</i>	As this is a relatively new metric, methodologies continue to develop, especially for illiquid and non-corporate asset classes. To date, the focus has been on listed equities and corporate fixed income, where emissions data is more readily available. One current limitation is incomplete data coverage, particularly where companies are not captured by the major alignment and engagement datasets. However, coverage is expected to improve over time as more issuers adopt formal Net Zero targets or become subject to targeted engagement efforts.
	<i>Methodology</i>	The Scheme adopts the methodology defined in the Paris Aligned Investment Initiative's Net Zero Investment Framework (NZIF 2.0), developed by the IIGCC and its global partners. For listed equities and corporate fixed income, the framework identifies the portion of financed emissions that is either: • Aligned or Aligning with Net Zero based on a set of core criteria (e.g. formal targets, disclosure, decarbonisation performance), or • Subject to engagement through active stewardship strategies, particularly where the issuer is not yet aligned but is a high-emitting entity or considered a priority for action. To determine this, an asset alignment tool is used, which maps issuers to Net Zero status using data from MSCI, Climate Action 100+, the Transition Pathway Initiative (TPI), and the Science-Based Targets Initiative (SBTi). Engagement status is overlaid using known stewardship activities and institutional priorities. The final metric is calculated as the percentage of total financed emissions within material sectors that are either aligned/aligning or under engagement. This emissions-based focus ensures alignment and stewardship efforts are targeted toward the most significant contributors to portfolio

emissions. Metrics are first calculated at the mandate level and then aggregated to the Scheme level using a weighted average of each mandate's financed emissions contribution.

Portfolio Temperature Alignment (Implied Temperature Rise)	<i>Description</i>	Metric which estimates a global temperature rise associated with the greenhouse gas emissions of a portfolio. It is a forward-looking metric that incorporates current GHG emissions, alongside other assumptions, to estimate expected future emissions. Expressed as a temperature score (e.g., 5 degrees Celsius). <i>Portfolio Alignment climate change metric recommended by the Task Force on Climate-Related Financial Disclosures (TCFD).</i>
	<i>Formula</i>	$Temperature\ Score_F = \frac{\sum_{i \in F} Temperature\ Score_i \times GHG\ intensity_S \times Current\ value\ of\ investment\ in\ entity_i}{\sum_{i \in F} GHG\ intensity_S \times Current\ value\ of\ investment\ in\ entity_i}$
	<i>Methodology</i>	Total portfolio temperature alignment is calculated as a weighted average of underlying security temperature scores using sector intensity and AUM weighting. These scores are sourced from the Master Manager's third-party climate risk partner.
	<i>Key points +/-</i>	+ Forward-looking and accounts for inherent differences in carbon emissions across industries and regions. + Can be compared across different benchmarks, portfolios, and asset classes. - The methodology is constantly developing and is likely to change significantly as quantitative methods are researched further - Complex and opaque regarding the influence of key assumptions.

Section 5.3: Climate Scenario Analysis Modelling Assumptions

The Trustee via its Master Manager has determined the climate impact on the assets held in the portfolio under different climate scenarios. This analysis draws on selected data provided by the Master Manager's third-party climate risk partner (which does not include investment advice).³ The climate risk vendor's methodology is summarised by the diagram below:



Source: Master Manager's third-party climate risk partner

Step 1: Scenarios

The model captures a transition pathway and a physical pathway for each of the six NGFS climate scenarios. The transition pathway defines the pathway for transition risk under that specific scenario. For example, how a particular government might react to the climate crisis and transition to a Net Zero economy e.g. establishing new policies, taxes etc. The physical pathway defines a pathway for physical risk (i.e., extreme climate events) under that specific scenario. For example, how probable is an extreme climate event under a specific scenario.

Step 2: Economic shocks

Each climate scenario creates an economic shock. These shocks are expanded from the NGFS scenarios by the climate risk vendor's model. There are two types of economic impacts namely direct and indirect. Direct impacts to the economy can be related to transition risk (e.g. direct or indirect cost arising from carbon taxes and change in standards respectively) or be physical in nature (i.e. damage caused by flooding). Likewise, indirect impacts relating to transition risk (e.g. demand change as a result of electric vehicle sales) and physical risk (e.g. changes to sectoral composition) are also specified.

Step 3: Asset Value Streams

This step involves the climate risk vendor assessing and understanding the structure of each individual company to correctly apply the economic shocks based on the company's specific characteristics. There are three elements to this asset-level valuation assessment:

- **Exposure:** involves understanding the exposure of a certain company such as location, markets in which it operates, and its emission intensity
- **Action:** involves understanding the company's ability to take any action to limit its exposure by adapting to the physical impacts of climate change or reducing its own emissions
- **Competition:** involves analysing the company's ability to pass additional costs on to consumers and gain or lose market share due to climate impacts.

³ This report represents the Master Manager's and the Trustee's own selection of applicable scenarios selection and/or its own portfolio data.

Step 4: Financial Implications

This fourth and final step involves calculating the financial impact of climate risk by using different pricing methodologies. Each asset class has a specific methodology to calculate the financial impacts. For example, future valuation of equity and the impact of climate risk are assessed with a discounted cash flow model.

Two different types of outputs are generated during the climate scenario analysis:

- Aggregated portfolio-level financial impacts of climate risk with an attribution by mandate and asset class to allow assessment of risks and opportunities and risk management
- Portfolio temperature alignment to the Paris Agreement target

The output shows expected loss or gain relative to a baseline. The climate risk vendor's baseline scenario is based on the current policies and current climate (today's temperature and physical risks) and is slightly different from the Hot House World scenario which assumes current policies but changing and heightened physical risks based on a high climate sensitivity (90th percentile warming effects from scenario emissions), high ice sheet-level melt and increasing tropical cyclone risk among other impacts.

Key scenario assumptions

Each climate scenario used contains important assumptions about how the world and global economy will be affected. These modelling inputs include key climate-related variables such as global mean temperature, carbon prices, commodity demand, GHG emissions, and oil prices.