



The Pearson Pension Plan (the “Plan”) Climate change report

A report for members by the Trustee of the Pearson Pension Plan
Plan Year to 31 December 2025

Climate change report

This report provides members the opportunity to find out more about the work carried out by the Trustee of the Pearson Pension Plan (the “Plan”) in relation to climate change. It is the fourth climate change report by the Trustee for the Plan.

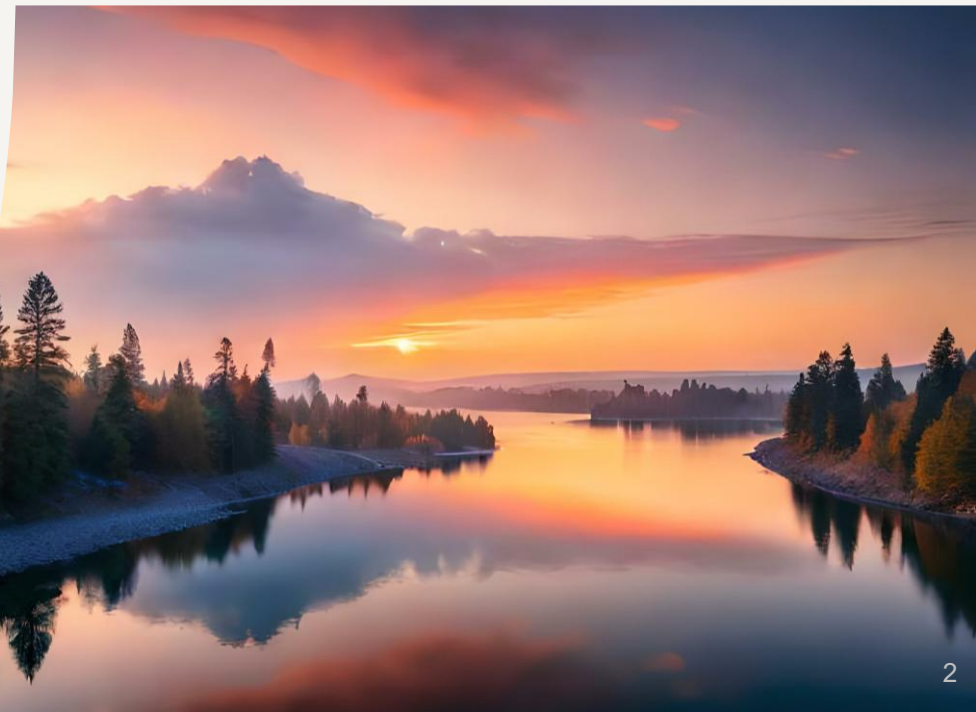
Our primary responsibility is to ensure that the investments held within your pension plan are stewarded effectively to deliver returns that support your long-term financial security. As part of fulfilling this responsibility, we increasingly recognise the relevance of understanding how climate change could affect your pension savings, both today and over the longer term. As the impacts of climate change become more visible across the global economy, we believe that maintaining this balanced approach leaves us well placed for the future, while remaining firmly focused on our core objective of helping you save for a secure retirement.

In the UK it is mandatory for the largest companies and financial organisations to disclose their climate-related risks and opportunities. This is part of the government’s commitment to making the UK financial system the greenest in the world.

We hope you find it informative.

Lynn Ruddick

Chair of the Trustee of the Pearson Pension Plan



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Introduction

About The Pearson Pension Plan (the “Plan”)

The Plan has a Defined Benefit (“DB”) Section with total assets (including its buy-ins) of c.£2.3bn as at 31 December 2025, and a Defined Contribution (“DC”) Section with total investment assets of c.£854m as at 31 December 2025. The DC section has three lifecycle strategies, and members are automatically enrolled into the Drawdown Lifecycle strategy (“default strategy”), unless they actively choose one of the alternative strategies available. The majority of DC members (c.88%) are invested in the default strategy.

The Trustee believes that climate change is a material financial risk to the Plan, alongside other environmental, social and governance (“ESG”) considerations. The Trustee has committed appropriate time and resources to ensure that its objectives in this area have been met.

The Trustee notes that any actions as a result of its work in relation to climate change, including efforts to move towards achieving any targets set, will be taken on the condition that they are also appropriate from a wider strategic perspective and are with the Trustee’s overall objectives in mind.

The purpose and structure of this report

This report describes the activities and approach taken by us (the Trustee) to understand and reduce the climate-related risks faced by the Plan, and to potentially take advantage of any investment opportunities as part of the transition to a lower carbon economy. It is the Plan’s fourth report in line with the recommendations of the **Taskforce on Climate-Related Financial Disclosures (“TCFD”)**, as required by the 2021 Climate Change Governance and Reporting Regulations.



This report covers the TCFD’s thematic areas of:

1. **Governance** – the Plan’s governance around climate-related risks and opportunities;
2. **Strategy** – the potential effects of climate-related risks and opportunities on the Plan, the resilience of the Plan’s investment strategies (for the DB & DC Sections) and the DB funding strategy under different climate-related scenarios;
3. **Risk Management** – the processes used by the Plan to identify, assess, and manage climate-related risks; and
4. **Metrics and Targets** – the metrics and targets used to assess and manage relevant climate-related risks and opportunities to the Plan.

This TCFD report is published alongside the Plan’s Report and Financial Statements for the Plan Year to 31 December 2025.

Overview

The Trustee of the Pearson Pension Plan views climate change as a risk to society, the economy, and the financial system, but also recognises that reducing carbon emissions throughout the economy presents opportunities. These risks and opportunities may affect the Plan’s financial position, for example by impacting the businesses the Plan invests in. The Trustee monitors this potential impact and takes steps through engagement with fund managers to reduce climate-related risks for members.

This report describes how the Trustee has identified, assessed, and managed climate-related risks and opportunities to the Plan during the Plan year to 31 December 2025.

Governance

The Trustee has a robust framework for managing the Plan, including setting clear expectations and responsibilities in relation to climate change.



A Climate Governance Statement defines the responsibilities of everyone involved



Climate-related risks and opportunities are reviewed regularly in light of the Trustee’s beliefs



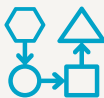
The Plan’s advisers support the Trustee on climate-related matters

Strategy and risk management

The Trustee has taken steps to understand how climate change might affect the Plan and, where possible, to control the risks it has identified. Based on the analysis carried out, the Trustee expects climate change to potentially impact the Plan more significantly over the longer term. The Trustee aims to reduce the risks to the Plan in several ways, including:



Investing responsibly, in line with the Trustee’s beliefs.



Regularly reviewing the Plan’s investment managers’ climate practices and engaging with managers if concerns arise.



Setting Stewardship priorities and communicating these expectations to the Plan’s investment managers.

Metrics and target

The Trustee has collected and reviewed information about the greenhouse gas emissions, carbon footprint and emissions reductions targets for the assets the Plan invests in, to help it understand the Plan’s exposure to climate risks. It has set a target to increase the proportion of companies it invests in with science-based emissions reductions targets.



Reported proportion of investments with no data or estimated data.



Collected and reviewed greenhouse gas emissions data for the Plan’s investments, with comparisons to the metrics provided in the previous year’s report.



Used data quality as an additional climate-related metric to help it monitor climate-related risks.

Summary (1 of 2)

Governance

Governance around climate-related risks and opportunities

Overview of Trustee responsibilities

As the Trustee, we maintain ultimate responsibility in managing the Plan's climate-related risks and opportunities for making decisions and ensuring effective governance of climate change risks and opportunities in relation to the Plan. It is the Trustee Chair's responsibility to ensure that sufficient time is allocated for consideration and discussion of climate matters by the Trustee, the Investment Committee, and its advisers.

Delegated responsibilities

The Trustee Board seeks to identify, assess and manage climate risks and opportunities, with some matters delegated to the Investment Committee, and with support from the Secretary to the Trustee and the Trustee's advisers.

Trustee monitoring

The Trustee and Investment Committee monitor climate-related risks and opportunities through a range of regular governance and reporting processes. This includes reviewing updates from investment advisers and managers, climate-related metrics, TCFD reporting, responsible investment reporting, the Plan's risk register and wider governance arrangements.

The Trustee also reviews advisers' climate competence and the extent to which climate-related matters are being appropriately reflected in advice and oversight. Scenario analysis and the suitability of climate-related metrics and targets are reviewed periodically, including at least every three years or following significant changes to the Plan's position, funding strategy or investment strategy.

Risk Management

Identifying, assessing and managing climate-related risks

The Trustee has established processes for identifying, assessing and managing the Plan's climate-related risks and opportunities, and has integrated these within the Plan's wider risk management framework. These processes apply across both the DB and DC Sections and include climate-related training, climate scenario analysis, assessment of the sponsoring Employer, monitoring of investment managers' climate practices, stewardship oversight and review of climate-related metrics.

Identification and assessment of climate-related risks and opportunities

The Trustee uses a range of tools to identify and assess the climate-related risks and opportunities that may affect the Plan over time. In particular, climate scenario analysis is used to assess the potential impact of transition and physical risks across short-, medium- and long-term time horizons, and to consider the resilience of the Plan's investment strategy, funding position and employer covenant under different climate pathways. The Trustee also considers how climate change may affect its overall risk appetite and decision-making.

Integration into the Plan's risk management framework

The Trustee has integrated climate-related considerations into the Plan's existing risk management processes, including the business plan, the risk register and the wider integrated risk management framework for the DB Section. The results of climate scenario analysis are used to inform covenant, investment and funding discussions for the DB Section, and to support decisions relating to the DC default investment strategy and the expected impact on members of different ages over time.

Summary (2 of 2)

Strategy

Actual and potential impacts of climate risks and opportunities

Climate-related scenario analysis

The Trustee last conducted climate-related scenario analysis on the Plan's DB investment and funding strategies in 2024 as well as the DC's default strategy. The Trustee reviewed this workstream and determined that further analysis, outside of the regulatory cycle, was not required as the investment strategies had not changed materially. The next review will be in 2027.

Strategy changes over the period:

DB Section:

The DB section saw relatively minor changes to its investment strategy over the year due to the extent of illiquid holdings and available liquidity.

DC Section:

A new fund called the Bespoke global equity fund was created in September 2025 for the lifecycle strategies. The previous main equity fund used in the lifecycle strategies, the Blended global equity fund, was restructured to disinvest one of its underlying funds. The Blended global equity fund was then incorporated into the Bespoke global equity fund and given a 66% target allocation within it. The other 34% was allocated to a new fund, the L&G low carbon transition global equity index fund, to better incorporate consideration of climate risk into the investment strategy. In addition, Baillie Gifford was removed from the Blended multi-asset fund, and it was replaced with an allocation to the Bespoke global equity fund and the BlackRock sterling short duration credit fund.

Metrics and Targets

Disclosure of key metrics and targets

Metrics

The Trustee selected and monitored four consistent climate metrics for both the DB Section and DC Section over the year.

In line with DWP statutory guidance, the Trustee has selected four metrics: **absolute emissions**, **carbon footprint**, **portfolio alignment** and **data quality**.

Targets and progress

The Trustee has set a target in relation to the percentage of assets with a science-based target.

Over the period, the DB and DC Section coverage progressed toward its target.



- As at 30 September 2025, **39%** of the DB assets within scope of the Trustee's target have a **science-based target**, which represents a **10% increase** in absolute terms from the baseline level in 2022, and a 7% increase from 2024.



- As at 30 September 2025, **47%** of the DC assets within scope of the Trustee's target have a **science-based target**, which represents a **15% increase** in absolute terms from the baseline level in 2022, a 9% increase from 2023, and a 3% increase from 2024.

Governance

The Trustee has ultimate responsibility for making decisions and ensuring effective governance of climate change risks and opportunities in relation to the Plan. No one other than the Trustee undertakes governance activities.

1. The Trustee and Trustee Chair's role

It is the Trustee Chair's responsibility to ensure that sufficient time is allocated for consideration and discussion of climate matters by the Trustee, the Investment Committee, and its advisers.

In broad terms, the Trustee is responsible for having effective climate governance arrangements in place for both the DB (Final Pay) and DC (Money Purchase) Sections including:

- Allowing for climate-related considerations when assessing and monitoring the Pearson Group's covenant;
- Ensuring that the Plan's actuarial, investment, covenant and legal advisers have clearly defined responsibilities in respect of climate change and that they all work together with the Trustee to incorporate climate change in its governance arrangements, risk register, Integrated Risk Management ("IRM") framework and communication with stakeholders;
- Ensuring that the Plan's actuarial, investment, and covenant advisers: (i) have adequate expertise and resources, including time and staff, to carry out their responsibilities; (ii) are taking adequate steps to identify and assess any climate-related risks and opportunities which are relevant to the matters on which they are advising; and (iii) are adequately prioritising climate-related risks;
- Considering and documenting the extent to which the advisers' climate-related responsibilities are included in their service agreements, and the investment advisers' strategic objectives;
- Incorporating climate-related considerations into the Plan's risk register and IRM framework; and
- Communicating with Plan members and other stakeholders on climate change where appropriate, including public reporting in accordance with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (together "TCFD reporting") when required.

2. Other parties' and advisers' roles

The Trustee Board seeks to identify, assess and manage climate risks and opportunities, with some matters delegated to the Investment Committee, and with support from the Secretary to the Trustee and the Trustee's advisers.

Investment Committee and Alternatives Investment Board

In broad terms, the Investment Committee and Alternative Investment Board are responsible for carrying out the following for both the DB (Final Pay) and DC (Money Purchase) Sections:

- Incorporating climate-related considerations into: (i) the Trustee's investment beliefs and the Plan's investment policies; and (ii) the strategic decisions relating to the Plan's funding and investment framework;
- Determining the short-, medium- and long-term periods to be used when identifying climate-related risks and opportunities for the Plan;
- Identifying and assessing the main climate-related risks and opportunities for the Plan over the agreed time periods and documenting the management of them;
- Commissioning the investment advisers to work with the in-house pension team to satisfy TCFD reporting;
- Ensuring that the Plan's investment managers have processes in place for managing climate-related risks and opportunities in relation to the Plan's investments; and
- Selecting and regularly reviewing metrics to inform the Trustee's identification of climate risks and opportunities, including: carrying out scenario analysis as and when required, assessment and management of climate-related risks and opportunities, and setting and monitoring targets to improve these metrics over time.

2. Other parties' and advisers' roles (cont.)

Actuarial adviser

The Plan's actuarial adviser is responsible for advising on how climate-related risks and opportunities might affect the Plan's funding position over the short-, medium- and long-term and the implications for the Plan's funding strategy, long-term objective, and journey plan.

Investment advisers

The Plan's investment advisers are responsible, as requested by the Trustee or Investment Committee, and working with the Trustee, Investment Committee, in-house pension team and other advisers as appropriate, for:

- Providing training and other updates on relevant climate-related matters;
- Helping the Investment Committee to formulate the investment beliefs in relation to climate change and reflecting these in the Plan's investment policies and strategy;
- Advising how climate-related risks and opportunities might affect the different asset classes in which the Plan might invest over the short-, medium- and long-term, and the implications for the Plan's investment strategy and journey plan;
- Advising the Investment Committee on the appropriateness and effectiveness of the Plan's investment managers' processes, expertise and resources for managing climate-related risks and opportunities, given the Trustee's investment objectives and beliefs, and engaging with the managers to improve climate-related integration over time;
- Assisting the Trustee and Investment Committee in incorporating climate change in its investment monitoring;
- Advising on the inclusion of climate change in the Plan's governance arrangements, risk register and IRM framework;
- Assisting the Investment Committee in identifying, monitoring, and using suitable climate-related metrics and targets in relation to the Plan's investments, including liaising with the Plan's investment managers regarding provision of the metrics;
- Leading on the preparation of the Trustee's TCFD reporting, and assisting with other communication with stakeholders in relation to climate change; and
- Supporting the Alternative Investment Board in relevant Responsible Investment and climate requirement matters.

2. Other parties' and advisers' roles (cont.)

Covenant adviser

The Plan's covenant adviser is responsible for:

- Considering in periodic covenant reviews how climate-related risks and opportunities might affect Pearson Plc over the short-, medium- and long-term and the implications for the Plan's journey plan; and
- Noting in the Plan's covenant monitoring any changes in the policies and practices of the Pearson Group relating to climate change, and the Company's progress against any climate-related targets it has set.

Investment managers

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

- Identifying, assessing and managing climate-related risks and opportunities in relation to the Plan's investments, in line with the investment management arrangements agreed with the Trustee and/or Investment Committee;
- Exercising rights (including voting rights) attached to the Plan's investments, and undertaking engagement activities in respect of those investments, in relation to climate-related risks and opportunities in a way that seeks to improve long-term financial outcomes for Plan members;
- Reporting on stewardship activities and outcomes in relation to the Plan's investments on an annual basis, wherever feasible; and
- Providing information to the Plan's investment advisers on climate-related metrics in relation to the Plan's investments, as agreed from time-to-time, and using its influence with investee companies and other parties to improve the quality and availability of these metrics over time.

3. *Trustee monitoring*

The Trustee and Investment Committee consider a range of different information about the climate change risks and opportunities faced by the Plan to enable them to fulfil their responsibilities set out above. These documents will incorporate climate-related risks and opportunities as appropriate, in accordance with the roles and responsibilities set out above. The Trustee (or Investment Committee as appropriate) will review, revise and approve when required the following, according to their roles and responsibilities:

Quarterly

- Updates on the Plan's investments from the Plan's investment advisers (including updates on environmental, social and governance ("ESG") factors and climate change as part of regular reporting from investment managers and presentations to the Trustee).

Annually

- Governance arrangements, investment beliefs and investment policies in relation to climate change, including reviewing the Plan's risk register;
- TCFD reporting;
- Report on the climate metrics in the Plan's IRM framework;
- Business plan for the following year that outlines the main topics due to be discussed at board meetings;
- Whether it is appropriate to carry out scenario analysis that illustrates how the Plan's assets and liabilities might be affected under various climate change scenarios;
- Advisers' climate competence and assess how they have performed against their climate responsibilities;
- Data on ESG metrics for the Plan's investments, including at least four climate-related metrics, and performance against any targets set in relation to these metrics; and
- Whether to retain or replace any targets set in relation to these metrics.

3. *Trustee monitoring (cont.)*

At least every three years (or following major changes*)

- A responsible investment report from the Plan's investment advisers that reviews the Plan's investment managers in relation to ESG factors and climate change;
- Choice of short-, medium- and long-term time periods to be used when identifying climate-related risks and opportunities to the Plan;
- Scenario analysis that illustrates how the Plan's assets and liabilities might be affected under various climate change scenarios, along with commentary on the potential impacts for the Pearson Plc and the implications for the resilience of the Plan's funding and investment strategies; and
- Choice of metrics to inform the Trustee's identification, assessment and management of climate-related risks and opportunities.

Oversight activity – appointments

The Trustee seeks input from its investment, actuarial and covenant advisers to ensure that it can identify, assess, and manage climate risks and opportunities. The Trustee will review the climate competence of its advisers and take appropriate action if any concerns are identified.

Over 2025, the Trustee and Investment Committee have undertaken activity on climate change, based on information provided to them by their advisers and investment managers. Where appropriate, the Trustee has questioned the information provided to it to ensure it has a clear understanding of the risks facing the Plan and the actions being taken to reduce them.

When appointing new advisers in the future, the Trustee will consider whether the advisers have suitable climate credentials.

With appropriate advisers in place, the Trustee ensures that climate-related risks and opportunities are considered as part of any relevant advice such as investment strategy reviews and assessment of the employer's covenant.

Determining the correct apportionment of resources

The key rationale for allocating resources to this area is that the Trustee believes that ESG factors may be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors which include factors relating to climate change.

*Following a significant/material change to the investment and/or funding strategy or some other material change in the Plan's position or change to the assessment of the Pearson Group covenant.

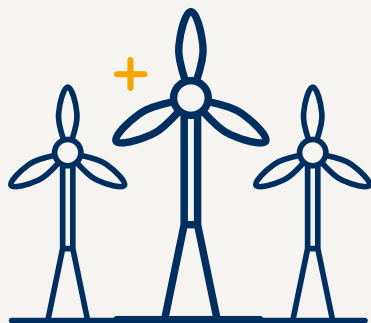
3. Trustee monitoring (cont.)

Oversight activity – objectives set for advisers

Climate-related objectives are included in the Trustee's investment advisers' objectives. These are used to assess the consultant's performance on an annual basis.

Climate-related objectives for the Trustee's investment advisers

- “Support the Trustee in relevant Responsible Investment and climate requirements and decisions, including support with preparation of climate reporting (for the DB & DC Sections)”
- “Support the Alternative Investment Board in relevant Responsible Investment and climate requirements and decisions”



Activities undertaken by the Trustee

Climate-related agenda items during the Plan Year

- **May 2025:** Responsible Investment discussions at the Trustee Strategy Day
- **May 2025:** Climate scenario analysis review to assess if new analysis required

Climate-related agenda items post Plan Year

- **March 2026:** Responsible Investment Survey
- **April 2026:** Climate Governance Statement
- **June 2026:** Review whether to update the Plan's most recent climate scenario analysis

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

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

During the previous Plan year, the Trustee selected short-term, medium-term and long-term time horizons over which to formally consider the impact of climate related risks and opportunities for the Plan (outlined in the table below).

In setting these time horizons, the Trustee has taken into account the membership profile and the timing of widely held future climate milestones.

The Trustee will review the designated time periods regularly and following any material change to the Plan's membership. These time horizons have informed the Trustee's climate-related considerations and decisions during the year.

During the previous Plan year, the Trustee considered how such risks and opportunities might affect the funding strategy, investment strategy and the Company's ability to provide financial support for the Plan, by modelling the Plan under different potential climate scenarios (noting significant modelling limitations).

Each year, the Trustee will re-confirm whether a repeat of the analysis is needed.

Time period	DB Section	DC Section
Short-term	3 years (2027) – To align with valuation timescales and the Trustee's usual strategic decision-making process.	3 years (2027) – Major improvements in climate data quality are expected over this period.
Medium-term	6 years (2030) – Key period over which policy action will determine if Paris Agreement goals will be met.	
Long-term	26 years (2050) – Many economies are targeting to be net zero by this point.	

Strategy

Overview of the climate-related risks and opportunities relevant to the Plan that the Trustee has identified

The Plan faces risks and opportunities from both the physical effects of climate change – for example, rising temperatures and more extreme weather events – and from the effect of transitioning to a lower carbon economy to help mitigate the impacts of climate change – for example, government policies to reduce the use of fossil fuels, technological advantages in renewable energy, and shifts in consumer demand for “greener” products. The Trustee has identified various specific climate-related risks and opportunities which could impact the Plan’s financial position, over the time periods confirmed. This has helped the Trustee to enhance its risk management processes to ensure these issues are appropriately mitigated and monitored.

	<u>DB Section</u>		<u>DC Section</u>	
	<i>Key risks</i>	<i>Key opportunities</i>	<i>Key risks</i>	<i>Key opportunities</i>
Short term	Exposure to climate-related investment risks may be highest while the Plan retains an allocation to growth assets	Climate-tilted funds aim to protect against transition risks and provide exposure to transition opportunities	Older members within 7 years of retirement will be most exposed to transition risks in the short term in the event of a Net Zero Financial Crisis	Low carbon investments can mitigate the impact of market shocks due to a market repricing event
Medium term	Market volatility could cause investment losses and increase time to reach full funding on buy-out basis	When winding down the infrastructure and property funds, consider climate credentials of where the proceeds should be invested	Transition risks may still be heightened over the medium-term, creating volatility. Market returns may be lower if a Net Zero Financial Crisis harms economic performance.	Impact investments can take advantage of the shift to a low carbon economy and may provide an enhanced source of return over this period
Long term	Cost of buy-out may increase as insurers allow for climate-related risks in their pricing and reserving bases	Buy-out may provide greater protection from climate risks for members’ benefits	Physical risks are most severe in the High Warming scenario, impacting those members 15 years or more from retirement	Engagement with investment managers to ensure they are exercising stewardship in support of net zero pathways is key to avoiding a High Warming scenario

The DB Section has a low-risk investment strategy with a strong funding position on its long-term funding basis and the Trustee feels that the DB Section is appropriately positioned taking these risks and time horizons into consideration. The Trustee has a plan in place to wind down its infrastructure and property assets over time which will help to mitigate risks associated with these assets, which may be susceptible to climate risks. This should help to ensure that the strategy and funding level is more resilient to potential climate risks.

The above risks and opportunities were considered as part of the 2023 DC triennial investment strategy review. The Trustee integrated low-carbon equities into the lifecycles in September 2025 to improve their resilience against climate risks and take advantage of opportunities arising from the transition to a low carbon economy.

Climate scenarios analysis

Scenario analysis is a tool for examining and evaluating different ways in which the future may unfold.

The Trustee carried out climate scenario analysis during the Plan year in May 2024, with the support of one of its investment advisers, LCP.

Since the Plan's previous climate scenario analysis in 2022, the scenarios have been developed to remove the Orderly Net Zero by 2050 scenario as the Trustee and investment adviser no longer believe this is plausible. Disorderly Net Zero by 2050 remains, now representing the only modelled pathway to Net Zero, and has been renamed as **Net Zero Financial Crisis**. The **Limited Action** scenario has been introduced, under which some action is taken to mitigate climate change but not as much as under the Net Zero Financial Crisis scenario and therefore Net Zero is not achieved in 2050. Failed Transition has been renamed **High Warming**. The new scenarios are described below:

Transition	Description	Why the Trustee chose it
High Warming	No new low-carbon policies enacted and some existing ones are scaled back. Current technological trends continue. Paris Agreement goals not met, and the resulting high warming leads to severe physical impacts. Modelling of tipping points has been included in the High Warming scenario.	To explore what could happen to the Plan's finances if carbon emissions continue at current levels and this results in significant physical risks from changes in the global climate that disrupt economic activity.
Limited Action	Policymakers implement limited new climate policies and fall short of meeting the Paris Agreement goals, resulting in a combination of transition and physical risks.	The Limited Action scenario explores plausible physical outcomes, although the route to get there might be expected to be less smooth. This scenario reflects an attempt to correct the climate crisis but with limited success.
Net Zero Financial Crisis	Global net zero CO ₂ emissions achieved by 2050 via rapid and effective climate action. Financial markets modelled as reacting abruptly (e.g. repricing assumptions about the transition to low carbon) in 2025. Paris Agreement goals nearly met.	Net Zero Financial Crisis gives important insight into potential volatility in financial markets caused by climate change. Financial markets react slower to corporate and consumer behaviour and an abrupt market reaction can negatively impact investments.

The Trustee acknowledges that many alternative plausible scenarios exist but found these were a helpful set of scenarios to explore how climate change might affect the Plan in future. To provide further insight, the Trustee also compared the outputs under each scenario to a "climate uninformed base case", which makes no allowance for either changing physical or transition risks in the future.

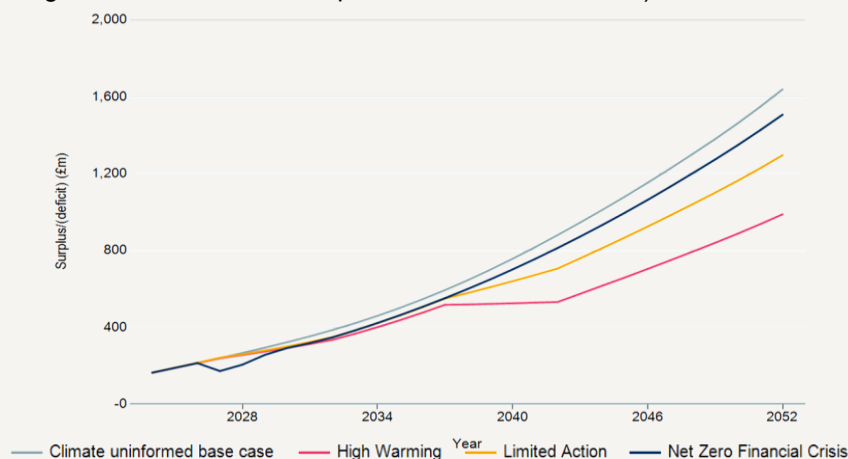
The intricacies of climate systems present considerable difficulties in modelling the impacts on pension plan assets and liabilities. This is particularly true in the High Warming scenario where over 3.7°C of warming is observed. Due to the unprecedented nature of such warming, it is challenging to encompass all potential consequences within the modelling process. Simplifications in the modelling, such as not allowing for tail risks, mean the actual impact on pension plans is likely to be more significant than is currently being modelled. The Trustee considered the potential impact of such limitations in the modelling. The Trustee is comfortable that, whilst acknowledging these limitations. The scenarios still provide valuable insights to inform climate risk assessment and management.

Further details on climate scenario analysis can be found in Appendix 1.

Strategy

Potential Plan impacts under each scenario – DB Section

The scenario analysis looked at the impact of the Plan's funding position over time on the Plan's long-term funding target using a discount rate of gilts flat. The three climate scenarios chosen are intended to be plausible narratives of how the future could unfold (countless others could be considered). The chart below illustrates the expected change in surplus of the DB section under each of the three scenarios considered, as well as in the "climate uninformed" base case. A key limitation of the modelling is that the scenarios are based on median projections, meaning the funding position could be materially better or worse over time than what is depicted in the chart below (noting the Plan remains in surplus in all of the scenarios).



Current surplus position is expected to improve with the current investment strategy providing returns in excess of gilt returns.

If net zero is to be reached by 2050 and if the market reaction to the journey to net zero is volatile, there may be some adverse impacts to funding levels

More adverse impacts are expected if limited climate action was taken and net zero was not reached

A high warming scenario, where no new climate policies are introduced, would be expected to have significant impacts on the current portfolio, but the Plan may be able to de-risk before these impacts occur (potentially via another buy-in in due course for example).

The climate scenario analysis showed that equity markets could be significantly impacted by climate change with lesser but still noticeable impacts in bond markets. All three scenarios envisage, on average, lower investment returns and these result in a worse funding position for the Plan. The Trustee's key conclusion is that the Plan is exposed to climate impacts over all time periods.

The infrastructure and property investments may be susceptible to climate risks either through the transition to a low carbon economy or through the physical impacts of climate change if not limited.

The Trustee noted that a difference in funding position between the climate uninformed baseline and the net zero financial crisis projection in 2026/7 (noting this is an illustrative date) arises and reviewed the components of that difference.

As part of this analysis the Trustee also reviewed analysis on its buy-in and reference scheme test ("RST") strain.

Given the Plan's strong funding position on its long-term basis and its likely time horizon, the focus for the DB Section's investment strategy will be more on mitigating climate risks (by assessing and monitoring its current holdings) rather than looking to amend its investment strategy to consider any potential climate-related opportunities.

It is noted that over the long-term, and particularly beyond the time horizon modelled, the largest effects on the funding position would be felt under the High Warming scenario. On the face of it, the results below suggest that the DB section is resilient in this scenario. This is partly because in the modelling the DB section has a low-risk long-term investment strategy with limited exposure to growth assets. Moreover, the DB section invests in a way that is designed to make it fairly immune to changes in interest rates and inflation in normal circumstances, which significantly reduces the volatility of its funding position. However, under climate scenarios with major economic disruption – such as the later years of the Net Zero Financial Crisis scenario – the Plan's interest rate and inflation protection may break down, leaving it more exposed to climate risks. The median modelled outcomes do not illustrate this possibility, but the Trustee has considered this risk.

Strategy

Employer covenant assessment

The Trustee assessed the Employer's covenant during the Plan year. The Trustee noted that the Employer is committed to operate its business in a more sustainable way and has set an ambitious target of becoming Net Zero by 2030 and reducing their scope 1, 2 and 3 carbon emissions by over 50% over the same time period.

The Trustee noted that the Employer's analysis shows that whilst climate change is not one of their principal risks, they have identified climate transition as an emerging risk due to its intensifying importance to all stakeholders.

In assessing the risks, it was determined that there were no significant material risks arising in the near future. One opportunity could be the provision of sustainability-related learning tools, products and services to their customers. Longer-term, the key risks to the business were supply chain risk and outsourcing risk. However, these are not expected to have a material impact on the business in any scenario, in particular due to the Employer's digitalisation strategy.

The Plan's DB Section is fully funded on the Trustee's Long-Term Target and on a solvency basis. The Plan therefore has a limited reliance on the Employer's Covenant, as it is not expected to require any further cash contributions and only needs the Employer to remain an operational business. If climate change were to have a material impact on the Employer business, the Plan is expected to be able to secure all members benefits in full with an insurance company.

The Trustee is therefore comfortable with the Employer covenant in respect of the impact of potential climate risks.

The Trustee, with its advisers, will of course continue to monitor the insurance market to consider any potential for insurer pricing moving adversely, for example, due to insurers needing to increase reserves for climate change or a lack of market capacity.



Potential Plan impacts under each scenario – DC Section

The scenario analysis looked at the retirement outcomes (in terms of the size of retirement pots) for individual members of different ages who are invested in the Default strategy.

The analysis highlighted that members will be subject to climate risks to varying degrees. In addition to the impact over time on members' pots, the Trustee notes that market shocks for members near retirement can be particularly detrimental to their retirement planning and outcomes. However, these figures are highly uncertain and could be significantly lower or higher than shown.

- In the short-term, older members who may retire within the next 10 years could see a sharp decrease in their benefits under a Net Zero Financial Crisis scenario, as their fund remains invested in return-seeking assets to some degree all the way to retirement, although the proportion decreases over time which helps to mitigate this risk. These members will not have sufficient time to recover from short-term market shocks before retirement.

- In the medium-term, members with 10 or more years until they retire are likely to see an impact on their retirement funds, either initially from a Limited Action scenario, or later on under a High Warming scenario as the long-term physical impacts of climate change are expected to reduce their benefits during their period to retirement.
- In the long-term, younger members would see the biggest detrimental impact to their benefits under a High Warming scenario and this impact could reduce the level of their benefits by 30% or more.

The Trustee believes that it is imperative to avoid a High Warming scenario to prevent the worst effects of climate change being felt, as the strategy may not be as resilient in that event. The Trustee believes that it cannot do this by lowering the emissions of its investments in isolation; the whole world needs to lower emissions. The Trustee's focus therefore is to encourage investment managers to encourage companies to adopt a science-based net zero target.

Impact on retirement pots*

	Member aged 25	Member aged 35	Member aged 45	Member aged 55
<i>Change relative to climate uninformed outcome</i>				
Net Zero Financial Crisis outcome	-11%	-9%	-8%	-4%
Limited Action outcome	-22%	-16%	-10%	-3%
High Warming outcome	-34%	-25%	-16%	-3%

*Whilst some of the impacts appear large, there is limited action that the Trustee can take to mitigate climate change impacts. The Trustee delegates the management of financially material risks, including climate change, to the asset managers of the funds in which members are invested. The Trustee considers managers' approaches to managing climate risk as one of several factors when selecting new investments, and reviews these on an ongoing basis for existing holdings.

Note: The scenario numbers above reflect a projection of example members' pots to age 65 under each scenario to provide an indication of how the different scenarios could impact how much members may have in their pots at the point of retirement. Further details on the modelling assumptions can be found in Appendix 1.

Risk Management

Introduction

The Trustee has implemented a number of processes and tools for identifying, assessing and managing climate related risks and opportunities for the Plan, and has taken steps to integrate these within the overall risk management of the Plan. Some of the key measures in place are outlined below:

- Attending climate-related training to understand how climate-related risks might affect pension plans and their investments in general terms;
- Undertaking climate scenario analysis which shows how the Plan's assets and liabilities might be affected under a range of climate scenarios;
- Reviewing how the sponsoring Employer might be impacted by climate-related factors;
- Reviewing its investment advisers' assessments of the Plan's current and prospective investment managers' climate practices, including how they incorporate climate-related factors into their investment processes and how effectively they manage climate-related risks;
- Ensuring good stewardship practices are in place; and
- Monitoring a range of climate-related metrics in relation to the Plan's assets.

In addition, the Trustee expects its investment managers to identify, assess and manage climate-related risks to the Plan's assets on a day-to-day basis. The above processes are integrated into the overall risk management of the Plan through the business plan, the risk register and regular support from its advisers.

The Trustee also ensures its advisers have processes in place to help it research its investment managers' climate-related practices, thereby helping it make informed judgements about its managers.

These tools have helped the Trustee consider issues such as:

- Which climate change risks are most material to the Plan;
- How to take account of transition and physical risks; and
- How climate change affects the Trustee's risk appetite.

The tools are used to identify the key risks that the Trustee should focus on. The Trustee assesses these risks as part of its investment decision-making processes and monitors them through its risk register to ensure all risks are being considered and managed consistently and proportionately.

Risk Management

Processes for identifying, assessing, and managing climate-related risks and opportunities

How the Trustee has assessed climate exposure

The Trustee has used climate scenario analysis to identify, assess and manage climate-related risks and opportunities. In particular, it has used the analysis to identify the time horizons over which physical risks and transition risks to Plan members could materialise.

Using the scenario analysis, the Trustee has considered what the possible impacts of climate change could be over short-, medium-, and long-term time horizons and whether its investment strategy, funding and covenant is likely to be resilient against these risks (or able to take advantage of any opportunities). Climate scenario analysis was carried out for the Plan in May 2024.

The Trustee will carry out scenario analysis at least every three years and check annually if the review should be carried out sooner.

The results of the analysis are fed into the integrated risk management of the DB Section through specific covenant, investment and DB funding focused considerations and the interaction of these.

The results for the DC Section will feed into the Trustee discussions and decisions on the default investment option and how members could be impacted at different ages over different time periods. The Trustee considered the level of climate risk exposure in the Default funds as part of the triennial investment strategy review carried out during the last Plan Year. The review concluded that an allocation to low carbon equities should be considered as part of the Blended Global Equity Fund within the default arrangements. Implementation was carried out in late 2025.

Risk register

The Trustee maintains a risk register covering the wide range of risks applicable to the Plan. The Trustee includes a number of specific climate risks to ensure that the Trustee manages these as part of their regular risk reviews.

The potential impacts identified in the risk register that arise from climate risks include:

- Higher cost of future buy-ins;
- Investment losses;
- Increased volatility; and
- Physical risks.

The Trustee reviews the risks and opportunities regularly to ensure they are current, to assess any significant priority risks and opportunities to manage/embrace and to ensure regular action is maintained in monitoring and mitigating the risks identified.

The Trustee's current assessment, based on consideration of their impact and likelihood, is that climate-related risks are fairly low-risk for the Plan, relative to other risks, and should continue to be monitored using existing monitoring processes. However, following the DC triennial investment strategy, the Trustee is in the process of incorporating low carbon equities into the lifecycles to better manage climate-related risks.

Risk Management

Processes for identifying, assessing, and managing climate-related risks and opportunities

Investment monitoring

The Plan's investment advisers provide quarterly investment performance monitoring reports in respect of the DB and DC sections of the Plan. Any concerns in relation to the investment managers are monitored as part of this process.

The Trustee also receives and reviews information about its investment managers' responsible investment credentials, including climate change mitigation, on a biennial basis. This information is provided by one of the Plan's investment advisers, LCP, and is based on proprietary manager research carried out by LCP. The Plan's investment advisers conduct engagement with the managers, encouraging them to improve their practices further and report back to the Trustee periodically.

The 2025 Responsible Investment ("RI") report was presented by one of the Trustee's investment advisers. The report used a "traffic light" system to show the managers' RI capabilities against a range of different factors which included climate specific responses to LCP's 2025 RI Survey. The report provided a detailed review of the climate credentials for the Plan's investment managers, including factors such as:

- The use of climate tools to assess climate risks and opportunities (e.g., scenario modelling, metrics);
- Commitments to climate goals (e.g. TCFD reporting, Net Zero targets);
- The quality and coverage of climate data provided; and
- Evidence of engagement and systemic stewardship relating to climate change.



In addition, the report provided fund-specific ratings, based on the specialist asset class and climate knowledge of LCP's manager research teams.

The assessment provided key information on the actions taken by the managers to integrate good climate practices into the running of their firms as well as the funds in which the Plan invests.

The Investment Committee reviewed its approach to RI issues to ensure the Trustee had clear collective views on key RI issues. This was considered during the Plan year.

The Trustee, with the help of its investment adviser, engages with its investment managers on climate-related risks and opportunities when they meet. The Trustee encourages managers to improve their climate practices where possible.

Risk Management

Processes for identifying, assessing, and managing climate-related risks and opportunities

Changes to investment mandates

If the Trustee identifies any concerns with the way one of the Plan's managers addresses climate-related risks and opportunities, it will initially engage with the manager to raise concerns and seek improvements. If the manager does not sufficiently improve, the Trustee may switch to a different manager. Over the year under review, no manager changes were made due to concerns over their climate approaches.

Stewardship

In 2023, the Trustee wrote to its investment managers regarding the Trustee's stewardship priorities, in line with the Department for Work and Pensions ("DWP") stewardship guidance. The Trustee has communicated to managers its expectations of them when they carry out responsible investment on the Plan's behalf.

The Trustee uses stewardship to help manage climate-related risks. Voting and engagement activities are delegated to the individual investment managers. The Trustee has set out two stewardship priorities:

1. *Climate change; and*
2. *Corporate transparency.*

Each manager has its own ESG policy, which includes assessment of climate-related risks and policies on voting on climate-related resolutions. In order to monitor how the individual investment managers are exercising their voting rights and undertaking engagement on behalf of the Trustee, the Investment Committee:

- Periodically meets with the Plan's investment managers, to engage with them *inter alia* on how they have considered ESG issues (including climate change) within their stewardship activities and will seek to challenge the investment managers on these matters where they think this is in the best interests of members; and
- Further monitors the investment managers by receiving stewardship and governance reports from the investment managers on a regular basis.

The Trustee recognises that investment managers' climate competence and practices are crucial for managing the climate-related risks to the Plan's assets, so the Trustee assesses and monitors these on an ongoing basis.

The Trustee seeks to be a responsible steward of its assets. As part of this, it considers both the impact of ESG factors, including climate change, on the Plan's investments, and also, where it is consistent with their legal obligations, the impact of their investment practices on the economy, society and the environment to achieve the best long-term return on the Plan's assets whilst managing investment risks and taking account of financially relevant factors.

Overall management of risks and opportunities

The Plan invests the DB and DC Sections in well-diversified investment strategies to help reduce exposure to risk generally, which also reduces the exposure to climate risks impacting any individual asset class.

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

Metrics and Targets

Metrics

The Trustee has chosen four climate-related metrics to help it monitor climate-related risks and opportunities relevant to the Plan. These are detailed below and reported on the following pages (as far as the Trustee was able to obtain the data).

The Trustee chose to report these metrics as they are recommended in the Department for Work and Pensions (DWP) statutory guidance.

The metrics and targets are also based on historical data and forward-looking scenarios (science-based targets) that reflect the potential impacts of different climate outcomes on the Plan's assets, liabilities, funding, and investment strategy. For example, portfolio alignment is a key part of the Institutional Investors Group on Climate Change Net Zero Investment Framework, so a science-based target would support any net zero commitment the Trustee decides to make in future.

Metric	High-level methodology
Absolute emissions: Total greenhouse gas emissions	The sum of each company's most recent reported or estimated greenhouse gas emissions attributable to the Plan's investment in the company, where data is available. Emissions are attributed evenly across equity and debt investors. Reported in tonnes of CO ₂ equivalent. This methodology was chosen because it is in line with the statutory guidance.
Emissions intensity: Carbon footprint	The total greenhouse gas emissions described above, divided by the value of the invested portfolio in £m, adjusted for data availability. Emissions are attributed evenly across equity and debt investors. Reported in tonnes of CO ₂ equivalent per £1m invested. This methodology was chosen because it is in line with the statutory guidance.
Portfolio alignment: Science-based targets	The proportion of the portfolio by weight of companies that are aligned with a Net Zero target, demonstrated by a target approved Science Based Targets initiative (SBTi) or equivalent. Reported in percentage terms. The Trustee chose this "binary target" measure because it is considered the simplest and most robust of the various portfolio alignment metrics available.
Data quality	This is the proportion of the portfolio for which each of Scope 1, 2 and 3 emissions are verified, reported, estimated or unavailable. This approach was chosen because it is in line with the statutory guidance.

Greenhouse gas emissions explained

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



Metrics and Targets

Metrics – DB Section



The Trustee has aimed to report on all the Plan's DB assets including its liability driven investments ("LDI") and bulk annuity holdings, which form the largest holdings of the Plan's assets. Minor residual holdings in an infrastructure and property fund and some historical bulk annuity holdings have not been included for materiality reasons and disproportionate levels of time and costs.



The Trustee has been unable to obtain data in certain instances which has prevented it from calculating certain metrics and identifying some potential impacts.

Most of the Plan's investment managers are seeking to improve their climate-related reporting by increasing the number of metrics they report and seeking to fill the data gaps.

The Trustee expects data coverage and quality to improve over time.

The main data gaps provided by the Plan's DB managers have been outlined on page 29.

The tables on the next two pages sets out the data the Trustee was able to collect from its DB investment managers during the Plan Year on each of the four chosen metrics.

DB Metrics and Targets

Portfolio emissions coverage

<75%

75%-90%

>90%

Scope 1 & 2 Emissions

Portfolio	Manager	Assets at 30 September 2025 (% total of DB assets)	GHG emissions (tCO ₂ e)		Carbon footprint (tCO ₂ e / £m invested)		Coverage of emissions data		SBT alignment % targets set		Source
			2025	2024	2025	2024	2025	2024	2025	2024	
LDI	L&G LDI	£526.4m / 23.0%	96,568	109,028	170	170	100%	100%	100%	100%	LCP
Infrastruct ure	Meridiam	£113.7m / 5.0%	655	1,100	6	10	100%	100%	100%	N/A	Manager
	Aberdeen	£185.4m / 8.1%	4,576	3,703 ¹	26	20 ¹	100%	99%	0%	N/A	Manager
	Infrared	£39.4m / 1.7%	619	762	16	19	100%	100%	TBC	N/A	Manager
Trade Finance	Allianz	£61.0m / 2.7%	1,942	1,474	76	53	42%	49%	51%	39%	Manager
Property	LaSalle Main	£3.9m / 0.2%	0	N/A	0	N/A	N/A	N/A	N/A	N/A	Manager
	LaSalle RPI	£154.0m / 6.7%	0	N/A	0	N/A	N/A	N/A	N/A	N/A	Manager
Private Equity	Pantheon	£6.9m / 0.3%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Manager
Short Duration Credit	Aegon Short Duration Credit	£133.4m / 5.8%	2,488	2,771	20	32	93%	67%	33%	29%	Manager
	Aegon Short Duration Credit (Cash / other assets)	£8.3m / 0.4%	N/A								
Buy-ins	L&G	£696.5m / 30.4%	35,661	38,712	51	51	100%	100%	N/A	N/A	Insurer
	Aviva (listed equity and corporate bonds)	£315.8m / 13.8%	8,090	7,411	43	47	97%	96%	N/A	N/A	Insurer
	Aviva (sovereign bonds)		7,785	8,063	181	180	99%	100%	N/A	N/A	Insurer
	Aviva buy-in (Other assets with emissions data)		597	699	18	19	98%	95%	N/A	N/A	
	Aviva buy-in (Assets with no emissions data)		N/A								

Figures may not sum due to rounding. N/A the manager is unable to provide the requested data. We have excluded reporting on EQT, Alinda and L&G SLF. Note total assets include cash held in the Trustee bank account and residuals as at the reference date. Total emissions are for the Plan's assets, not the whole pooled fund. Carbon footprint may have been translated from tCO₂e per €m or \$m invested to £m invested. Total emissions may have been calculated by LCP as assets multiplied by carbon footprint and coverage, due to availability of data. LDI emissions are calculated using a different methodology, outlined in the appendix.¹ We have restated this figure to reflect updates based on emissions data provided directly from the manager.

DB Metrics and Targets

Portfolio emissions coverage	<75%	75%-90%	>90%
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Scope 3 Emissions									
Portfolio	Manager	Assets at 30 September 2025 (% total of DB assets)	GHG emissions (tCO2e)		Carbon footprint (tCO2e / £m invested)		Coverage of emissions data		Source
			2025	2024	2025	2024	2025	2024	
LDI	L&G LDI	£526.4m / 23.0%	77,268	87,238	136	136	100%	100%	LCP
Infrastructure	Meridiam	£113.7m / 5.0%	176,974	68,415	1,556	640	100%	100%	Manager
	Aberdeen	£185.4m / 8.1%	2,585	2,434 ¹	14	N/A	100%	N/A	Manager
	Infrared	£39.4m / 1.7%	436	348	11	8	100%	100%	Manager
Trade Finance	Allianz	£61.0m / 2.7%	13,812	N/A	539	N/A	42%	N/A	Manager
Property	LaSalle Main	£3.9m / 0.2%	N/A	N/A	N/A	N/A	N/A	N/A	Manager
	LaSalle RPI	£154.0m / 6.7%	1,798	2,041	12	14	100%	100%	Manager
Private Equity	Pantheon	£6.9m / 0.3%	N/A	N/A	N/A	N/A	N/A	N/A	Manager
Short Duration Credit	Aegon Short Duration Credit	£133.4m / 5.8%	81,508	39,321	654	455	93%	67%	Manager
	Aegon Short Duration Credit (Cash / other assets)	£8.3m / 0.4%	N/A						
Buy-ins	L&G	£696.5m / 30.4%	N/A						Insurer
	Aviva (listed equity and corporate bonds)								
	Aviva (sovereign bonds)								
	Aviva buy-in (Other assets with emissions data)	£315.8m / 13.8%							
	Aviva buy-in (Assets with no emissions data)								

Figures may not sum due to rounding. N/A the manager is unable to provide the requested data. We have excluded reporting on EQT, Alinda and L&G SLF. Note total assets include cash held in the Trustee bank account and residuals as at the reference date. Total emissions are for the Plan's assets, not the whole pooled fund. Carbon footprint may have been translated from tCO2e per €m or \$m invested to £m invested. Total emissions may have been calculated by LCP as assets multiplied by carbon footprint and coverage, due to availability of data. LDI emissions are calculated using a different methodology, outlined in the appendix.¹ We have restated this figure to reflect updates based on emission data provided directly from the manager.

Metrics and Targets

Conclusions from the DB metrics collected / data gaps

The Trustee uses the metrics to identify and assess climate-related risks and opportunities to the DB section of the Plan. This more granular assessment complements the macro-level climate scenario analysis described in Appendix 1, enabling the Trustee to focus its climate risk management on the areas of the portfolio which are expected to be most exposed to climate change.

Whilst there is a requirement to collect and report on total greenhouse gas emissions, the Trustee notes this may not be a good indication of climate risk exposure for certain asset classes. The Trustee has therefore focused on the intensity and SBTi metrics when drawing conclusions from the metrics collected.

Interpreting the metrics / data gaps

LDI:	Emissions for the gilt holdings appear high, but this is expected due to the large exposure value and how emissions are attributed to government debt. DWP requires you to disclose GHG emissions, but they are not a good indication of the climate risk exposure from the LDI assets. The UK government's climate change policies will have an important economic influence on the Plan and are a better measure of the long-term risk of this portfolio. It is recommended the Trustee considers how they can encourage effective climate policies as a holder of gilts.
Infrastructure:	Infrastructure is a medium allocation within your current assets and is in run-off, so is not expected to form part of your climate risk exposure in the medium term. Infrastructure tends to be a high-emitting asset class, with potentially high exposure to both transition and physical risks. However, infrastructure is vital for the low carbon transition, so can form part of a net-zero aligned portfolio. Coverage for the Plan's Infrastructure managers is c100%; there is scope for Aberdeen to improve their Scope 1+2 emissions given an increase compared to last year (2024 numbers have been restated).
Trade Finance:	The Allianz fund experienced an increase in SBT over the year due to result of the portfolio turnover. The short-dated nature of the investments means substantial ongoing rotation.
Property:	Last year's data for LaSalle has been restated to reflect that all previous "missing" data for Scope 1+2 relates to tenant-controlled properties and is therefore known to be zero. The carbon footprint of both mandates is low relative to the Plan's other asset classes, which is typical of property portfolios. Information about energy efficiency and physical climate risk exposure would provide a better indication of the assets' climate risk exposures. LaSalle collects other information that gives a more rounded picture of climate risk exposure and has a net zero by 2050 commitment as a firm, but not yet at individual property level.
Private Equity	Private equity remains a small portion of the current portfolio. However, it is expected to decrease in importance over the next few years. Pantheon is still not able to provide any climate metrics, so it is not clear how it is able to assess and manage climate-related risk to the portfolio. The Trustee understands, there are lower disclosure requirements and greater complexity of the underlying holdings with its private asset holding which affects the collection of data. A higher coverage would of course provide better insights for the Plan.
Short Dated Credit:	Over the year Aegon's data coverage has significantly improved to account for 93% of emission data and with scope 1+2 emission decreasing. Aegon confirmed a small number of issuers dominate the portfolio's scope 3 emissions. The top ten account for around 90% of the total, with Rolls Royce and BP contributing roughly 60%. The rise in reported scope 3 emissions was driven mainly by higher estimated use of sold product emissions (category 11) for these two issuers, particularly Rolls Royce. Although both companies disclose scope 3 data, the provider continues to apply its own estimation model due to concerns over the quality of reported figures.
Buy-in:	GHG emission and carbon footprint provided by L&G and Aviva has broadly remained the same this year, with positive coverage. The metrics that DWP requires you to disclose for buy-ins do not reflect your climate risk exposure associated with these contracts.

Metrics and Targets

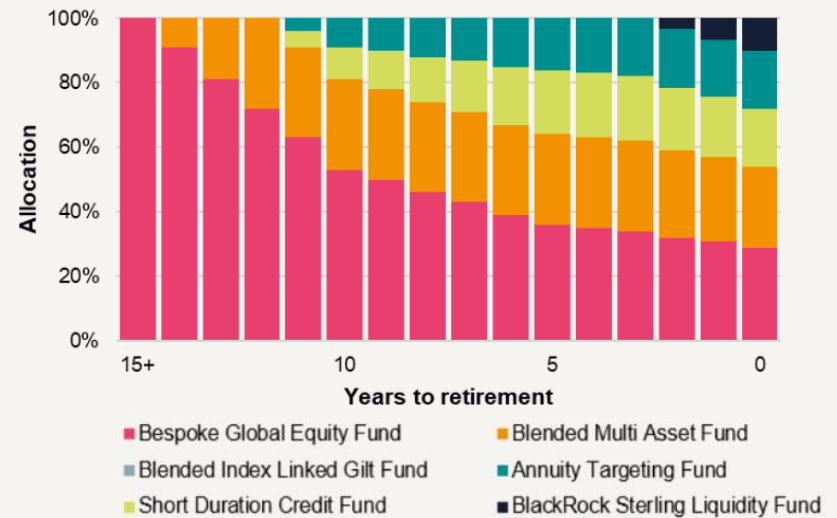
Metrics – DC Section

Metrics are required to be calculated in relation to each “popular arrangement” within the Plan. The Trustee considers the Plan’s default Drawdown Lifecycle to be the only popular arrangement.

Most assets are invested in the default strategy, with the assets allocated depending on members’ expected retirement dates, as shown in the chart on the right.

As at December 2025, around 88% of the DC assets were invested in this strategy. The remaining assets are invested in a range of self-select options, the largest self-select fund allocation being c4% (£36.5m) to the BlackRock World ex UK Equity Index. The Trustee has not collected metrics for the self-select options as it did not feel it was proportionate to do so. This is in line with the guidance issued by the DWP.

Default Drawdown Lifecycle



Equities make the most significant contribution to climate risk in the Plan, both as a result of equities being one of the asset classes most strongly impacted by climate risk and given the high allocation in the default strategy. The Plan’s bond and multi-asset funds contribute a smaller proportion of the Plan’s total emissions.

The proportion of holdings with SBTi portfolio alignment targets is also highest for the Plan’s bond equity funds (higher is better). The Trustee has a long-term target related to this metric which is shown later in this section.

Coverage for eligible assets will not always be 100%. Reasons for this include a particular company not publishing its carbon emissions data, or the correct mapping not being found between a bond and its parent company to apply the correct carbon data to the correct company. As data coverage is less than 100%, the Plan’s total greenhouse gas emissions are understated.

The Trustee has reported coverage of metrics where the investment managers disclose this information and continues to liaise with them to address limitations in coverage of different asset classes.

The Trustee considers both risks and opportunities related to carbon metrics when reviewing its investments.

DC Metrics and Targets

Portfolio emissions coverage	<75%	75%-90%	>90%
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Scope 1 & 2 Emissions

Portfolio	Fund	Manager	Assets at 30 September 2025 (% of total DC assets)	Metric 1		Metric 2		Metric 3		Metric 4		Source
				GHG emissions (tonnes) ¹		Carbon footprint (tonnes CO ₂ e per £m invested) ^{1,2}		SBT alignment % targets set		Coverage of emissions data		
				2025	2024	2025	2024	2025	2024	2025	2024	
Listed equities	L&G Low Carbon Transition Global Equity Index Fund ⁵	L&G	£188.0m / 22.7%	2,948	-	16	-	54%	-	98%	-	Manager
	Fundamental Equity Index Fund ⁶	BlackRock	£171.4m / 20.7%	TBC	20,194	TBC	134	TBC	37%	TBC	99%	Manager
	Minimum Volatility Index Fund	BlackRock	£171.4m / 20.7%	11,065	10,640	65	70	59%	55%	100%	99%	Manager
	World Emerging Markets Equity Index Fund	BlackRock	£22.1m / 2.7%	3,272	5,850	151	171	22%	19%	98%	99%	Manager
Bonds	Over 5 Years Index Linked Gilt Index Fund ³	BlackRock	£12.9m / 1.6%	1,820	1,933	142	170	100%	100%	100%	100% ⁴	LCP
	Up to 5 Years Index Linked Gilt Index Fund ³	BlackRock	£40.0m / 4.8%	5,655	5,885	142	170	100%	100%	100%	100% ⁴	LCP
	Over 15 Years Gilt Index Fund ³	BlackRock	£2.1m / 0.3%	303	390	142	170	100%	100%	100%	100% ⁴	LCP
	Short Duration Credit	BlackRock	£70.9m / 8.5%	2,246	1,691	41	48	30%	35%	77%	84%	Manager
Multi- asset	Real Return Fund	Newton	£39.0m / 4.7%	1,215	2,114	57	116	32%	20%	55%	54%	Manager
	Sustainable Future Multi Asset Fund ⁶	Schroders	£39.0m / 4.7%	TBC	979	27	46	51%	55%	TBC	63%	Manager
Cash	Sterling Liquidity Fund	BlackRock	£13.9m / 1.7%	8	8	1	1	7%	5%	98%	91%	Manager

¹ Figures relate only to the assets for which data is available. Total emissions are for the Plan's assets, not the whole pooled fund. We calculated total carbon emissions using the tonnes CO₂e per £1 million multiplied by data coverage percentage and assets as at 30 September 2025. ² Where necessary, carbon footprint was converted from tonnes CO₂e per \$m to tonnes CO₂e per £m using the exchange rate as at 30 September 2025 (£1= \$1.34). ³ Emissions intensity metric shown for sovereign bonds is a WACI-style metric calculated as emissions per £m of GDP (PPP). ⁴ We consider gilts to have a science-based target. This is because the United Kingdom has net zero emissions by 2050 written into law, with interim carbon budgets set based on advice from the independent Committee on Climate Change. ⁵ This fund was added to the Plan in September 2025. ⁶ Where data is missing for this fund in 2025 this could not be obtained at the time of this report.

DC Metrics and Targets

Portfolio emissions coverage	<75%	75%-90%	>90%
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Scope 3 Emissions

Portfolio	Fund	Manager	Assets at 30 September 2025 (% of total DC assets)	Metric 1		Metric 2		Metric 4		Source
				GHG emissions (tonnes) ¹		Carbon footprint (tonnes CO ₂ e per £m invested) ^{1,2}		Coverage of emissions data		
				2025	2024	2025	2024	2025	2024	
Listed equities	L&G Low Carbon Transition Global Equity Index Fund ⁵	L&G	£188.0m / 22.7%	51,771	-	281	-	98%	-	Manager
	Fundamental Equity Index Fund ⁶	BlackRock	£171.4m / 20.7%	TBC	121,343	TBC	806	TBC	99%	Manager
	Minimum Volatility Index Fund	BlackRock	£171.4m / 20.7%	56,469	52,522	331	347	100%	99%	Manager
	World Emerging Markets Equity Index Fund	BlackRock	£22.1m / 2.7%	12,923	25,022	594	734	98%	99%	Manager
Bonds	Over 5 Years Index Linked Gilt Index Fund ³	BlackRock	£12.9m / 1.6%	2,056	1,547	160	136	100%	100%	LCP
	Up to 5 Years Index Linked Gilt Index Fund ³	BlackRock	£40.0m / 4.8%	6,389	4,709	160	136	100%	100%	LCP
	Over 15 Year Gilt Index Fund ³	BlackRock	£2.1m / 0.3%	342	312	160	136	100%	100%	LCP
	Short Duration Credit	BlackRock	£70.9m / 8.5%	15,715	13,792	288	399	77%	83%	Manager
Multi-asset	Real Return Fund	Newton	£39.0m / 4.7%	10,461	27,629	497	1,514	55%	54%	Manager
	Sustainable Future Multi Asset Fund ⁶	Schroders	£39.0m / 4.7%	TBC	6,334	70	307	TBC	61%	Manager
Cash	Sterling Liquidity Fund	BlackRock	£13.9m / 1.7%	1,560	1,186	114	108	98%	91%	Manager

¹ Figures relate only to the assets for which data is available. Total emissions are for the Plan's assets, not the whole pooled fund. We calculated total carbon emissions using the tonnes CO₂e per £1 million multiplied by data coverage percentage and assets as at 30 September 2025. ² Where necessary, carbon footprint was converted from tonnes CO₂e per \$m to tonnes CO₂e per £m using the exchange rate as at 30 September 2025 (£1 = \$1.34). ³ Emissions intensity metric shown for sovereign bonds is a WACI-style metric calculated as emissions per £m of GDP (PPP). ⁵ This fund was added to the Plan in September 2025. ⁶ Where data is missing for these funds in 2025 this could not be obtained at the time of this report.

Metrics and Targets

Conclusions from the DC metrics collected

Equities

- Equities make the most significant contribution to climate risk in the Plan, both as a result of equities being one of the assets most strongly impacted by climate risk and given the high allocation in the default strategy. It is typical for equities to account for a higher proportion of emissions as investing in equities means investing in companies and their operations, which are directly tied to emissions.
- The Trustee has considered climate change and taken steps to mitigate this within the DC assets during the year, by incorporating a lower carbon equity fund in the main equity fund that is used in the default lifecycle (where most of the DC assets are invested).
- A significant proportion (at least 45%) of companies in the Plan's three global equity funds have made commitments to make their strategy compatible with 1.5C of warming. Therefore, while current emissions are high, companies are integrating strategies to reduce these.
- Stewardship is also a key tool for managing climate risk. Amongst passive managers, we believe BlackRock to be above average in managing climate risk through voting and engagement.

Bonds and multi-asset

- The Plan's bond and multi-asset funds contribute a smaller proportion of the Plan's total emissions. Sovereign bonds (including gilts) metrics are calculated on a different basis to other funds shown, so cannot be compared with them. Emissions associated with gilts are based on the total greenhouse gas emissions produced in the UK.

SBTi alignment

- The proportion of holdings with SBTi portfolio alignment targets is also highest overall for the Plan's gilt and equity funds (higher is better). The Trustee has a long-term target related to this metric, which is shown later in the next section, and there has been strong progress against this target over the year.

Data gaps

- The main gaps in the data for the DC Section relate to multi-asset managers (Newton, Schroders). This is primarily because these managers largely report on climate data for listed equity and corporate bond holdings only. BlackRock was not able to provide data for the Fundamental Equity Index Fund at the time of this report.
- The Trustee will continue to work with the Plan's managers with low data coverage to increase, where possible, their collection and reporting of metrics.

Metrics and Targets

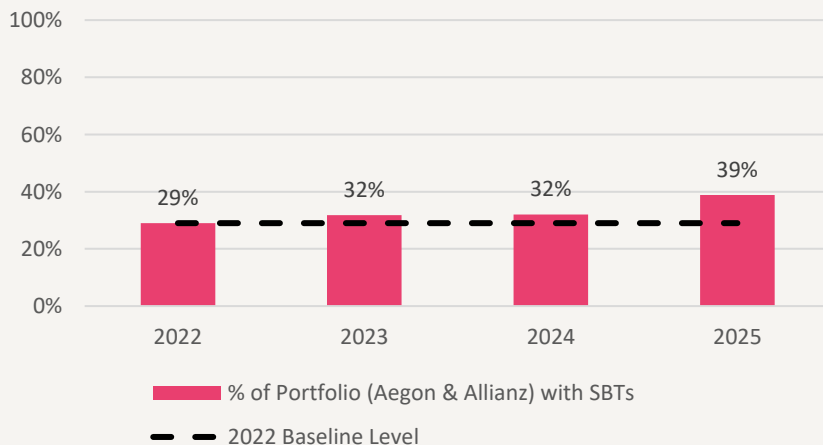
SBT target

The Trustee must measure and review at least one target for its selected metrics and report on it annually (for both DB & DC). The Trustee separates targets for the DB and DC Sections of the Plan.

DB

- The Trustee's DB target is **to increase the percentage of short duration credit and trade finance with an SBT**, relative to the 2022 level, by 30 September 2030, as set out below.
- As at 30 September 2025, **39%** of the DB assets within scope of the Trustee's target have a **science-based target**, which represents a **10% increase** in absolute terms from the baseline level in 2022, and a 7% increase from 2024.

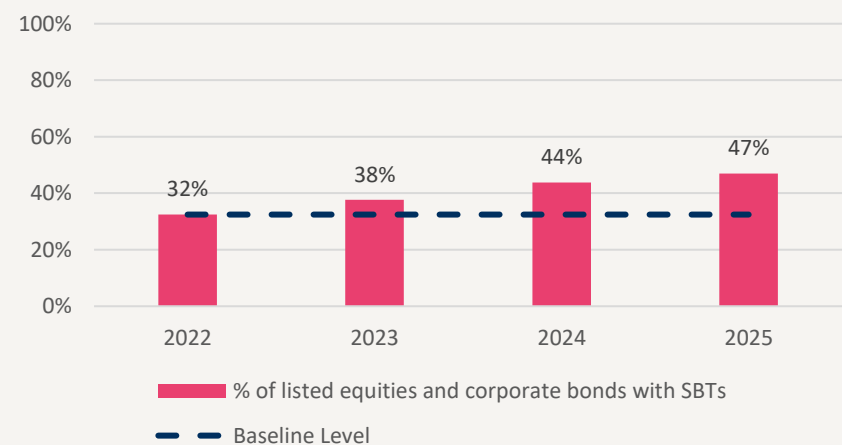
Progress towards the Plan's DB SBT target



DC

- The Trustee's DC target is **to increase the percentage of listed equities and corporate bonds with an SBT**, relative to the 2022 level, by 30 September 2030, as set out below.
- As at 30 September 2025, **47%¹** of the DC assets within scope of the Trustee's target have a **science-based target**, which represents a **15% increase** in absolute terms from the baseline level in 2022, a 9% increase from 2023, and a 3% increase from 2024.

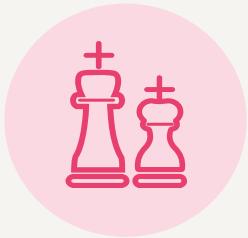
Progress towards the Plan's SBT target



¹Note that the 2025 DC % of listed equities and corporate bonds with SBTs is calculated using the 2024 % SBT alignment for the BlackRock Fundamental Equity Index Fund due to unavailability of data at the time of issue, and 2025 % SBT alignment for all other in scope funds.

Metrics and Targets

Performance against the target for the year to 30 September 2025



The targets were chosen as the metric is forward-looking and focused on the transition that needs to occur in the future in order to achieve net zero aims globally. The Trustee chose to base the targets around listed equities and corporate bonds for the DC section, and short duration credit and trade finance for the DB section as they form a significant part of the respective investment strategies.

The Trustee was comfortable with the current progress made against its targets, noting that the proportion of in-scope DC and DB assets with science-based targets has increased relative to the baseline level. The Trustee notes that actions to move towards achieving the target will be taken on the condition that they also make sense from a wider strategic perspective, with the Trustee's overall objectives in mind.

Steps taken to achieve the target



The Trustee, with help from its investment advisers, has communicated the target to each investment manager. Investment managers are routinely invited to present at Investment Committee meetings as part of the existing monitoring process. When appropriate, the Trustee will ask managers to discuss progress towards improving the proportion of portfolio companies with SBTi-validated targets and data collection/coverage.

One of the investment advisers (LCP) encourages managers to support the goal of net zero emissions by 2050 or earlier and has published its expectations for investment managers in relation to net zero. This includes the use of effective voting (where applicable) and engagement with portfolio companies to encourage achievement of net zero. The investment advisers continue to engage with managers on this topic and will encourage them to use their influence with portfolio companies to increase the use of SBTi targets. The Trustee will review progress towards the target each year and consider whether additional steps are needed to increase their chance of meeting the target.

Appendices



Appendix 1 – Climate Scenario Analysis

The climate scenarios considered by the Trustee

Scenarios as at 31 December 2023 – key features

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

Appendix 1 – Climate scenario analysis

Modelling approach

- The scenario analysis is based on a model developed by Ortec Finance and Cambridge Econometrics. The outputs were then applied to the Plan's assets by LCP.
- The three climate scenarios are projected year by year, up to a 40-year period. The results are intended to help the Trustee to consider how resilient the DB strategy and DC default strategy are to climate-related risks.
- The three climate scenarios chosen are intended to be plausible narratives of how the future could unfold. They are only three scenarios out of countless others which could be considered. Other scenarios could give better or worse outcomes for the Plan.
- The modelling included contributions assumed to be paid in line with the current Schedule of Contributions, and the Trustee discussed how future planned changes to the investment strategies for both Sections would change the analysis. For the DC Section, members' starting pots values were assumed to equal the median value for Plan members of their age, and member and employer contributions were assumed to be paid in line with the current contribution structure. No allowance was made for changes to the investment strategy or contributions in response to the climate impacts modelled.
- The scenario analysis is based on the ClimateMAPS model developed by Ortec Finance and Cambridge Econometrics, and was then applied to the Plan's assets and liabilities by LCP. The three climate scenarios were projected year by year, over the next 40 years.
- ClimateMAPS uses a top-down approach that consistently models climate impacts on both assets and liabilities, enabling the resilience of the DB Section's funding strategy to be considered. The model output is supported by in-depth narratives that bring the scenarios to life to help the Trustee's understanding of climate-related risks and opportunities.
- ClimateMAPS uses Cambridge Econometrics' macroeconomic model which integrates a range of social and environmental processes, including carbon emissions and the energy transition. It is one of the most comprehensive models of the global economy and is widely used for policy assessment, forecasting and research purposes. The outputs from this macroeconomic modelling – primarily the impacts on country/regional GDP – are then translated into impacts on financial markets by Ortec Finance using assumed relationships between the macroeconomic and financial parameters.
- Ortec Finance runs the projections many times using stochastic modelling to illustrate the wide range of climate impacts that may be possible, under each scenario's climate pathway. LCP takes the median (ie the middle outcome) of this range of impacts, for each relevant financial parameter, and adjusts it to improve its alignment with LCP's standard financial assumptions.
- LCP then uses these adjusted median impacts to project the assets and liabilities of the Plan to illustrate how the different scenarios could affect its funding level. The modelling summarised in this report used scenarios based on the latest scientific and macro-economic data at 31 December 2023, calibrated to market conditions at 31 December 2023.
- Uncertainty in climate modelling is inevitable. In this case, key areas of uncertainty relating to the financial impacts include how climate change might affect interest rates and inflation, and the timing of market responses to climate change.

Appendix 1 – Climate scenario analysis

Modelling limitations

- As this is a “top-down” approach, investment market impacts were modelled as the average projected impacts for each asset class. This contrasts with a “bottom up” approach that would model the impact on each individual investment held by the default strategy. As such, the modelling does not require extensive plan-specific data and so the Trustee was able to consider the potential impacts of the three climate scenarios for all of the Plan’s assets in the default strategy and DB Strategy.
- In practice, the Plan’s investments may not experience climate impacts in line with the market average.
- The asset and liability projections shown reflect the current strategic journey plan. No allowance is made for changes that might be made to the funding or investment strategy as the climate pathways unfold, nor for action to be taken in response to the Plan achieving its long-term funding target.
- Like most modelling of this type, the modelling does not allow for all potential climate-related impacts and, therefore, is quite likely to underestimate some climate-related risks.
- In addition, the model presumes that the UK government and bank counterparties will remain solvent, thereby making no allowance for credit risk on government bonds and derivative exposures. However, in a scenario where global warming exceeds 4°C, this assumption may no longer be valid.
- Medians from Ortec Finance’s model outputs are used to project forward assets and liabilities, which means the results reflect the model’s “middle outcomes” for investment markets under the three scenarios. Allowing for market volatility would result in better or worse model outputs than shown. Investment markets may be more volatile in future as a result of physical and transition risks from climate change, and this is not illustrated in the modelling shown.

Appendix 1 – Climate scenario analysis

Assumptions for the DC section

- LCP's modelling is designed to illustrate, for each climate scenario and the default lifestyle strategy, the development of a typical member's fund value. The investment strategy modelled is the Drawdown Lifecycle.
- The key investment assumptions behind its modelling are set out overleaf.
- These assumptions are used within LCP's modelling to determine:
 - the expected fund at retirement and various measures of the risk of achieving this; and
 - the pension the member could buy and various measures of the risk of achieving this.
- A 2.5% pa real increase in the member's salary is assumed. The output is shown in real terms.
- LCP's assumptions for the long-term expected annual return and expected standard deviation of the annual returns for each asset class or investment are set out overleaf.
- The expected return assumptions are geometric average long-term annual figures.
- The assumptions are intended to be best estimates; this means for each assumption there is a 50/50 chance that the observed value will be either higher or lower than assumed. The return assumptions have been reduced to allow for the typical investment management fees required to invest in each asset class.
- The climate-uninformed expected return assumptions for cash, gilts, index-linked gilts, corporate bonds, high yield debt and emerging market debt are based on observed market yields as at 31 December 2023. Other climate-uninformed assumptions have been set by:
 - looking at analyses of historical information;
 - taking into account the views of a number of investment organisations; and
 - making pragmatic judgements.

Appendix 1 – Climate scenario analysis

Asset class return assumptions – 31 December 2023

Expected return (% pa)	Climate uninformed based case			High Warming			Limited Action			Net Zero Financial Crisis		
	5 years	10 years	40 years	5 years	10 years	40 years	5 years	10 years	40 years	5 years	10 years	40 years
Money market cash	3.5%	3.6%	3.9%	3.5%	3.6%	3.8%	3.5%	3.7%	3.8%	3.5%	3.7%	3.9%
Fixed interest gilts (18 years)	3.5%	3.6%	3.9%	3.5%	3.6%	3.9%	3.4%	3.6%	4.0%	3.2%	3.5%	4.0%
Index-linked gilts (23 years)	3.5%	3.6%	3.9%	3.5%	3.7%	4.0%	3.6%	3.7%	4.0%	4.0%	3.9%	4.0%
Investment grade corporate bonds (8 years)	4.7%	4.8%	5.1%	4.5%	4.8%	5.1%	4.5%	4.8%	5.1%	4.7%	4.7%	5.1%
Investment grade (ex-BBB) corporate bonds (8 years)	4.7%	4.8%	5.1%	4.5%	4.8%	5.1%	4.5%	4.8%	5.1%	4.7%	4.7%	5.1%
IG ex-BBB Corp bonds FRN	4.7%	4.8%	5.1%	4.6%	4.9%	5.0%	4.7%	4.9%	5.1%	4.8%	4.9%	5.1%
IG Corp bonds FRN	4.7%	4.8%	5.1%	4.6%	4.9%	5.1%	4.7%	4.9%	5.1%	4.8%	4.9%	5.1%
Short duration credit FRN	5.1%	5.2%	5.5%	5.0%	5.3%	5.5%	5.1%	5.3%	5.5%	5.2%	5.3%	5.5%
IG Corp bonds 15Y+ FRN	4.7%	4.8%	5.1%	4.5%	4.8%	5.0%	4.5%	4.9%	5.0%	5.0%	5.0%	5.1%
UK equities	6.8%	6.9%	7.2%	6.0%	6.0%	5.4%	6.3%	6.2%	6.1%	3.7%	5.3%	6.5%
Overseas equities	7.1%	7.2%	7.5%	6.2%	6.1%	5.4%	6.2%	6.0%	6.2%	3.0%	5.0%	6.6%
Overseas equities (currency hedged)	7.0%	7.1%	7.4%	6.1%	6.0%	5.5%	6.1%	5.9%	6.3%	2.9%	4.9%	6.6%
Global equities	7.1%	7.2%	7.5%	6.2%	6.1%	5.4%	6.2%	6.0%	6.2%	3.0%	5.0%	6.6%
Emerging markets equities	8.2%	8.3%	8.6%	7.1%	7.0%	5.1%	7.5%	7.4%	6.5%	4.8%	6.6%	7.4%
Private equity	8.1%	8.2%	8.5%	7.1%	6.9%	5.6%	7.3%	7.2%	6.7%	4.8%	6.3%	7.5%
High yield debt	6.1%	6.2%	6.5%	5.8%	6.2%	6.4%	5.8%	6.2%	6.4%	6.2%	6.2%	6.3%
Emerging market debt	5.9%	6.0%	6.3%	5.7%	5.9%	5.9%	5.7%	5.9%	6.0%	5.3%	5.6%	6.2%
EM multi-asset	7.3%	7.4%	7.7%	6.7%	6.7%	5.7%	6.9%	6.9%	6.5%	5.4%	6.4%	7.1%
UK property	5.6%	5.7%	6.0%	4.8%	4.8%	4.2%	5.2%	5.2%	5.1%	4.2%	5.0%	5.6%
Absolute return bonds	5.1%	5.2%	5.5%	5.0%	5.3%	5.5%	5.1%	5.3%	5.5%	5.2%	5.3%	5.5%
Diversified growth	6.1%	6.2%	6.5%	5.5%	5.7%	5.5%	5.5%	5.6%	5.9%	4.1%	5.1%	6.1%
Unlisted Infrastructure equity	6.5%	6.6%	6.9%	5.9%	5.9%	5.5%	5.9%	6.1%	6.2%	5.3%	6.3%	6.7%
Commodities	6.7%	6.8%	7.1%	6.9%	7.1%	7.3%	7.0%	7.2%	7.2%	5.6%	6.5%	7.0%
Fund of hedge funds	5.1%	5.2%	5.5%	4.8%	5.0%	5.0%	4.8%	4.9%	5.2%	4.5%	4.8%	5.3%
Multi-asset credit	6.3%	6.4%	6.7%	6.2%	6.5%	6.7%	6.2%	6.5%	6.6%	6.5%	6.5%	6.7%
Dynamic LDI LIBOR (3x lev)	3.9%	4.0%	4.3%	3.9%	4.0%	4.2%	3.9%	4.1%	4.2%	3.9%	4.1%	4.3%
Opportunistic credit	7.4%	7.5%	7.8%	6.9%	7.1%	6.8%	6.9%	7.2%	7.2%	6.6%	6.9%	7.4%
Private credit	7.3%	7.4%	7.7%	7.2%	7.5%	7.6%	7.2%	7.5%	7.6%	7.5%	7.5%	7.6%
Long lease property	5.8%	5.9%	6.2%	5.0%	5.0%	4.4%	5.4%	5.4%	5.3%	4.4%	5.2%	5.8%
Alternative risk premia	4.8%	4.9%	5.2%	4.5%	4.7%	4.7%	4.5%	4.6%	4.9%	4.2%	4.5%	5.0%
Insurance-linked securities	6.0%	6.1%	6.4%	5.7%	5.9%	5.9%	5.7%	5.8%	6.1%	5.4%	5.7%	6.2%
Asset-backed securities	5.7%	5.8%	6.1%	5.6%	5.9%	6.1%	5.6%	5.9%	6.1%	6.1%	6.0%	6.1%
Low carbon global equities (hedged)	7.0%	7.1%	7.4%	6.1%	6.1%	5.6%	6.4%	6.3%	6.5%	5.1%	6.2%	7.0%
Low carbon global equities (unhedged)	7.1%	7.2%	7.5%	6.3%	6.2%	5.6%	6.5%	6.4%	6.4%	5.2%	6.3%	7.0%
Low carbon UK equities	6.8%	6.9%	7.2%	6.1%	6.1%	5.6%	6.7%	6.7%	6.4%	7.2%	7.4%	7.2%
Diversified growth (relative value)	5.1%	5.2%	5.5%	4.5%	4.7%	4.5%	4.5%	4.6%	4.9%	3.1%	4.1%	5.1%
Global property	5.5%	5.6%	5.9%	4.7%	4.7%	4.1%	5.1%	5.1%	5.0%	4.1%	4.9%	5.5%
Credit default swaps fund	4.8%	4.9%	5.2%	4.6%	4.9%	5.1%	4.6%	5.0%	5.1%	5.0%	5.0%	5.1%
Listed infrastructure equity	6.3%	6.4%	6.7%	5.6%	5.5%	4.6%	5.2%	5.1%	5.2%	2.5%	3.8%	5.6%

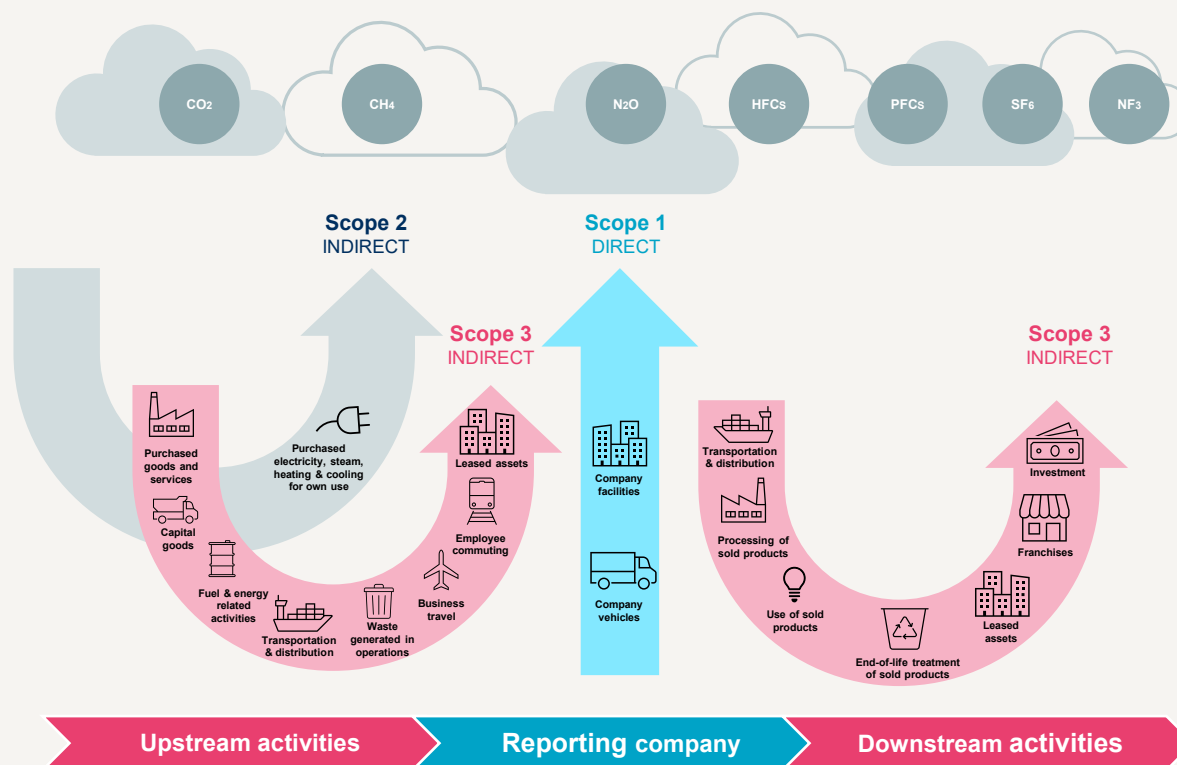
- This table shows the investment annualised returns assumed under each scenario in our modelling over a specified time horizon from 31 December 2023. These annualised returns are a consequence of the many assumptions underlying the scenario modelling. Alternative assumptions may be justifiable; the choice of assumptions will impact the output of our modelling.
- We have illustrated returns over distinct periods. As such, these do not show the timings of exactly when these returns are expected to take place, in particular the timings of any market shocks described throughout this report.

Appendix 2 – Greenhouse gas emissions explained

Within the 'metrics and targets' section of the report, the emissions metrics relate to seven greenhouse gases – carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃). The figures are shown as "CO₂ equivalent" (CO₂e) which is the amount of carbon dioxide that would be equivalent to the excess energy being stored by, and heating, the earth due to the presence in the atmosphere of these seven greenhouse gases.

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

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



Appendix 3 – Gilt / LDI metrics

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

The emissions figures were calculated by the Trustee's investment adviser using publicly available data sources. As suggested in the statutory guidance, Scope 1+2 emissions have been interpreted as the production-based emissions of the country. Scope 3 emissions have been interpreted as the emissions embodied in goods and services imported by the country and consumed within the country (rather than re-exported).

In line with guidance from the Partnership for Carbon Accounting Financials (PCAF), emissions intensity has been calculated as:

$$\frac{\text{UK GHG emissions}}{\text{PPP – adjusted GDP for UK}}$$

GHG emissions have then been calculated as:

$$\text{Emissions intensity} \times \text{value of a scheme's investment gilts}$$

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

Appendix 4 – Glossary

Actuarial valuation – an actuarial valuation is an accounting exercise performed to estimate future liabilities arising out of benefits that are payable to members of a DB pension plan, typically once every three years. In the actuarial valuation exercise, a liability payout at a future date is estimated using various assumptions such as discount rate and salary growth rate.

Alignment – in a climate change context, alignment is the process of bringing greenhouse gas emissions in line with 1.5°C global temperature rise targets. It can be applied to individual companies, investment portfolios and the global economy.

Asset class – a group of securities which exhibit broadly similar characteristics. Examples include equities and bonds.

Avoided emissions – these are reductions in greenhouse gas emissions that occur outside of the value chain a product's life cycle, but as a result of the use of that product. For example, emissions avoided through use of a wind turbine or buildings insulation.

Bond – a bond is a security issued to investors by companies, governments, and other organisations. In exchange for an upfront payment, an investor normally expects to receive a series of regular interest payments plus, at maturity, a final lump sum payment, typically equal to the amount invested originally, or this amount increased by reference to some index.

Buy-in – DB pension plan trustees may choose to “buy-in” some of their plan's expected future benefit payments by purchasing a bulk (i.e., one covering many individuals) annuity contract with an insurance company. This allows the trustees to reduce their plan's risk by acquiring an asset (the annuity contract) whose cash flows are designed to meet i.e., “match” a specified set of benefit payments under the pension plan. The contract is held by the trustees and responsibility for the benefit payments remains with the trustees. Common uses of buy-in arrangements have been to cover the payments associated with current pensioners or a subset of those members. Contracts to meet payments to members who are yet to become pensioners can also be purchased.

Buy-out – DB pension plan trustees may choose to “buy-out” some or all of their plan's expected future benefit payments by purchasing a bulk (i.e., one covering many individuals) annuity contract from an insurance company. The insurer then becomes responsible for meeting pension benefits due to plan members (effected ultimately by allocating to each plan member an individual annuity contract). Following a full buy-out, (i.e., one covering all plan members) and having discharged all of the trustees' liabilities, the pension plan would normally be wound up.

Carbon emissions - These refer to the release of carbon dioxide, or greenhouse gases more generally, into the atmosphere, for example from the burning of fossil fuels for power or transport purposes.

Carbon footprint – In an investment context, the total carbon dioxide or greenhouse gas emissions generated per amount invested (eg in £m) by an investment fund. Related definitions are used to apply the term to organisations, countries, and individuals

Climate change adaptation – steps taken to adapt to the physical effects of climate change such as improving flood defences and installing air conditioning.

Climate change mitigation – steps taken to limit climate change by reducing greenhouse gas emissions, for example by shifting to renewable sources of energy – such as solar and wind – and by using less energy and using it more efficiently.

Covenant – the ability and willingness of the sponsor to make up any shortfall between a DB plan's assets and the agreed funding target.

CO2e (carbon dioxide equivalent) – the standard measurement of GHG emissions in terms of the most common GHG, carbon dioxide (CO2)

Credit – long-term debt issued by a company, also known as corporate bonds. Corporate bonds carry different levels of credit risk which is indicated by their risk rating and credit spread.

Defined Benefit (DB) – a pension plan in which the primary pension benefit payable to a member is based on a defined formula, frequently linked to salary. The sponsor bears the risk that the value of the investments held under the plan fall short of the amount needed to meet the benefits.

Appendix 4 – Glossary

Defined Contribution (DC) – a pension plan in which the sponsor stipulates how much it will contribute to the arrangement which will depend upon the level of contributions the member is prepared to make. The resultant pension for each member is a function of the investment returns achieved (net of expenses) on the contributions and the terms for purchasing a pension at retirement. In contrast to a defined benefit plan, the individual member bears the risk that the investments held are insufficient to meet the desired benefits.

Debt – money borrowed by a company or government which normally must be repaid at some specified point in the future.

Default strategy – the fund or mix of funds in which contributions in respect of a DC member will be invested in the absence of any explicit fund choice(s) of that member.

Environmental, social and governance (ESG) – an umbrella term that encompasses a wide range of factors that may have been overlooked in traditional investment approaches. Environmental considerations might include physical resource management, pollution prevention and greenhouse gas emissions. Social factors are likely to include workplace diversity, health and safety, and the company's impact on its local community. Governance-related matters include executive compensation, board accountability and shareholder rights.

Equity – through purchase on either the primary market or the secondary market, company equity gives the purchaser part-ownership in that company and hence a share of its profits, typically received through the payment of dividends. Equity also entitles the holder to vote at shareholder meetings. Note that equity holders are entitled to dividends only after other obligations, such as interest payments to debt holders, are first paid. Unlike debt, equity is not normally contractually repayable.

Ethical investment – an approach that selects investments on the basis of an agreed set of environmental, social and governance (ESG) criteria that are motivated by ethical considerations.

Fossil fuels – fuels made from decomposing plants and animals, which are found in the Earth's crust. They contain carbon and hydrogen, which can be burned for energy. Coal, oil, and natural gas are examples of fossil fuels.

Funding position – a comparison of the value of assets with the value of liabilities for a DB pension plan.

Gilts – bonds issued by the UK government. They are called gilts as the bond certificates originally had a gilt edge to indicate their high quality and thus very low probability of default

Greenhouse gas (GHG) emissions (scopes 1, 2 and 3) – gases that have been and continue to be released into the Earth's atmosphere. Greenhouse gases trap radiation from the sun which subsequently heats the planet's surface (giving rise to the "greenhouse effect"). Carbon dioxide and methane are two of the most important greenhouse gases.

Impact investing – an approach to investing that aims to generate a positive, measurable social and/or environmental impact alongside a financial return

Investment mandate – see pooled mandate and segregated mandate

Integrated risk management – Integrated risk management is an approach used by DB pension plan trustees to identify, manage and monitor the wide range of risks (relating to investment, funding and covenant) which might impact the chances of meeting their plan's overall objectives

Liabilities – obligations to make a payment in the future. An example of a liability is the pension benefit 'promise' made to DB pension plan members, such as the series of cash payments made to members in retirement. The more distant the liability payment, the more difficult it often is to predict what it will actually be and hence what assets need to be held to meet it.

LDI (Liability Driven Investment) – an investment approach which focusses more than has traditionally been the case on matching the sensitivities of a DB pension plan's assets to those of its underlying liabilities in response to changes in certain factors, most notably interest rate and inflation expectations.

Appendix 4 – Glossary

Net zero – this describes the situation in which total greenhouse gas emissions released into the atmosphere are equal to those removed. This can be considered at different levels, e.g., company, investor, country or global.

Offsetting – the process of paying someone else to avoid emitting, or to remove from the atmosphere, a specified quantity of greenhouse gases, for example through planting trees or installing wind turbines. It is sometimes used to meet net zero and other emission reduction targets.

Physical risk – these are climate-related risks that arise from changes in the climate itself. They include risks from more extreme storms and flooding, as well as rising temperatures and changing rainfall patterns.

Pooled mandate – a feature of a collective investment vehicle whereby an investor's money is aggregated (i.e., “pooled”) with that of other investors to purchase assets. Investors are allotted a share of those assets in proportion to their contribution. Ownership is represented by the number of “units” allocated – e.g., if the asset pool is worth £1m and there are 1m units then each unit is worth £1. Pooled funds offer smaller investors an easy way to gain exposure to a wide range of investments, both within markets (e.g., by buying units in a UK equity fund) as well as across markets (e.g., by buying units in both a UK equity fund and a UK corporate bond fund).

Portfolio alignment metric – this measures how aligned a portfolio is with a transition to a world targeting a particular climate outcome, such as limiting global temperature rises to well below 2°C, preferably to 1.5°C, as per the Paris Agreement. Assessments using these metrics consider companies' and governments' greenhouse gas (GHG) emissions reduction plans and likelihood of meeting them, rather than current, or the latest reported, GHG emissions.

Responsible Investment (RI) – the process by which environmental, social and governance (ESG) issues are incorporated into the investment analysis and decision-making process, and into the oversight of investments by companies through their stewardship activities. It is motivated by financial considerations aiming to improve risk-adjusted returns.

Science-based targets – targets to reduce greenhouse gas emissions that are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement.

Science-Based Targets initiative (SBTi) – a partnership that sets standards and provides validation for science-based targets set by companies and investors.

Scenario analysis – a tool for examining and evaluating different ways in which the future may unfold.

Scope 1, 2 and 3 – a classification of sources of greenhouse gas emissions.

Segregated mandate – a segregated investment approach ensures that an investor's investments are held separately from those of other investors. This approach offers great flexibility – for example, the investor can stipulate the precise investment objective to be followed and can dictate which securities can or cannot be held.

Self-select – in contrast with a default fund, a self-select fund within a DC plan is one of a range of funds that members can choose to invest in.

Stakeholder – an individual or group that has an interest in any decision or activity of an organisation. The stakeholders of a company include its employees, customers, suppliers and shareholders.

Statutory obligations – statutory obligations are those obligations that do not arise out of a contract, but are imposed by law.

Stewardship – stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. It is often implemented via engagement with investee companies and the exercising of voting rights.

Stranded assets – assets that have suffered an unanticipated loss of value before the end of their expected useful economic life. The term is most often applied to fossil fuel investments in the context of climate policy, where legislative and market developments may result in assets being worth less than the value recorded on related company balance sheets.

Appendix 4 – Glossary

Sustainable investing - an approach in which the environmental and social sustainability of a company's products and practices is evaluated and is a key consideration in the investment decision. ESG analysis therefore forms a cornerstone of the investment selection process.

Taskforce on Climate-related Financial Disclosures (TCFD) – a group of senior preparers and users of financial disclosures from G20 countries, established by the international Financial Stability Board in 2015. The TCFD has developed a set of recommendations for climate-related financial risk disclosures for use by companies, financial institutions and other organisations to inform investors and other parties about the climate-related risks they face.

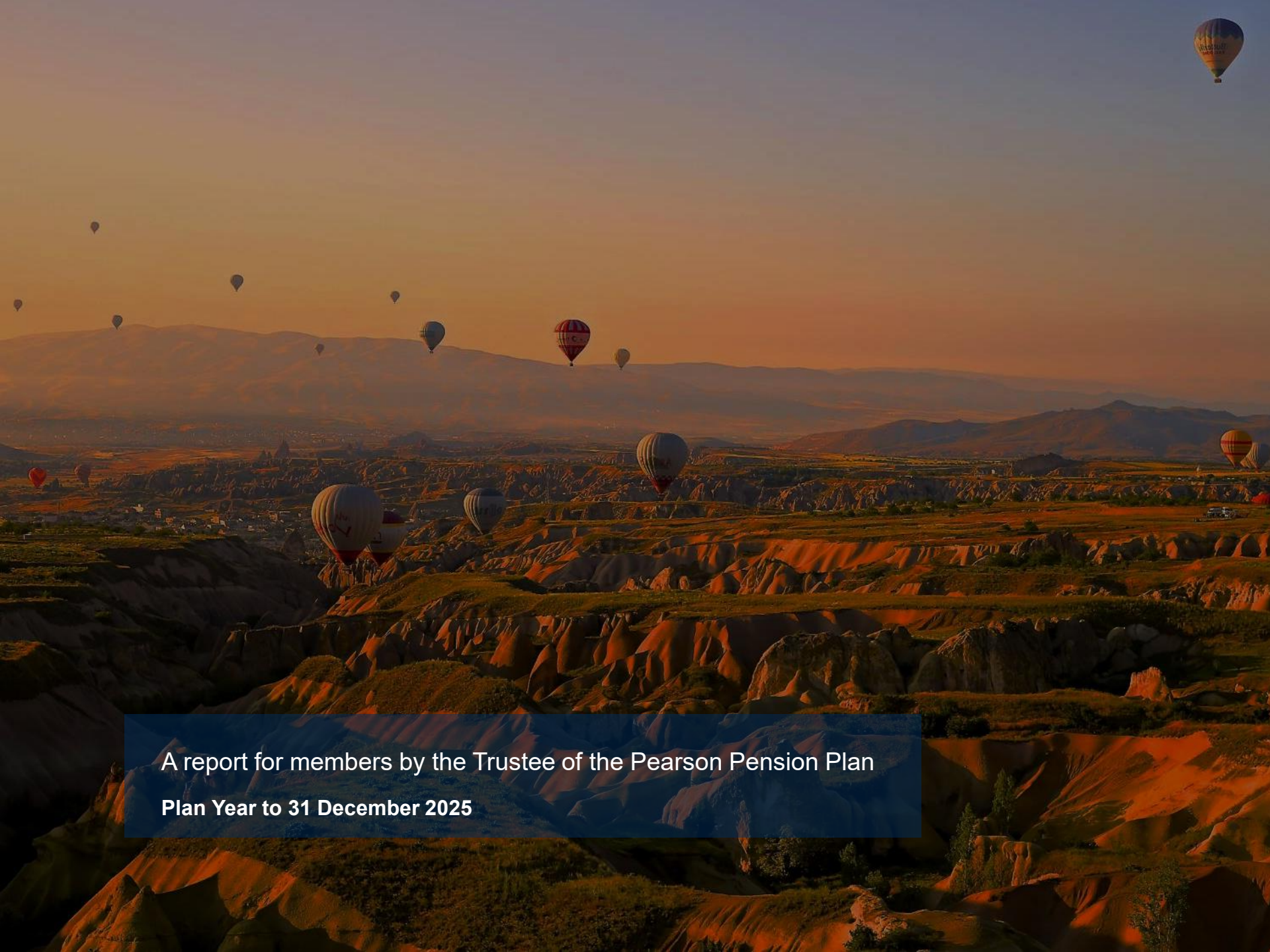
Transition risk – these are climate-related risks that arise from the transition to a low-carbon economy and can include changes in regulation, technology and consumer demand.

Appendix 5 – Principles for Effective Disclosure

The Trustee has aimed to follow the Principles for Effective Disclosure (as set out in the statutory guidance) when drafting the report.

Principles

- 1** Disclosures should present relevant information specific to the potential impact of climate-related risks and opportunities on the plan avoiding generic or boilerplate disclosures that do not add value to members' understanding of issues.
- 2** Disclosures should be specific and sufficiently complete to provide a thorough overview of the Plan's exposure to potential climate-related impacts and the trustees' governance, strategy and processes for managing climate-related risks and opportunities.
- 3** Disclosures should be clear and understandable showing an appropriate balance between qualitative and quantitative information.
- 4** Disclosures should be consistent over time to enable plan members to understand the development and/or evolution of the impact of climate-related issues on the plan.
- 5** Disclosures should ideally be comparable with other pension funds of a similar size and type.
- 6** Disclosures should be reliable, verifiable, and objective.
- 7** Disclosures should be provided on a timely basis. The TCFD recommends annual disclosures for organisations.

A wide-angle photograph of a vast canyon landscape, likely in Cappadocia, Turkey, during the 'golden hour' of sunrise or sunset. The sky is a soft gradient of orange and blue. Numerous hot air balloons of various colors and patterns are scattered across the sky, some appearing as small specks in the distance and others as larger, more detailed shapes closer to the canyon. The canyon itself features deep, layered rock formations with a mix of reddish-brown and grey tones. Patches of green vegetation are visible on the lower slopes and in the valleys. In the far distance, more mountain ranges are visible under the hazy sky.

A report for members by the Trustee of the Pearson Pension Plan
Plan Year to 31 December 2025