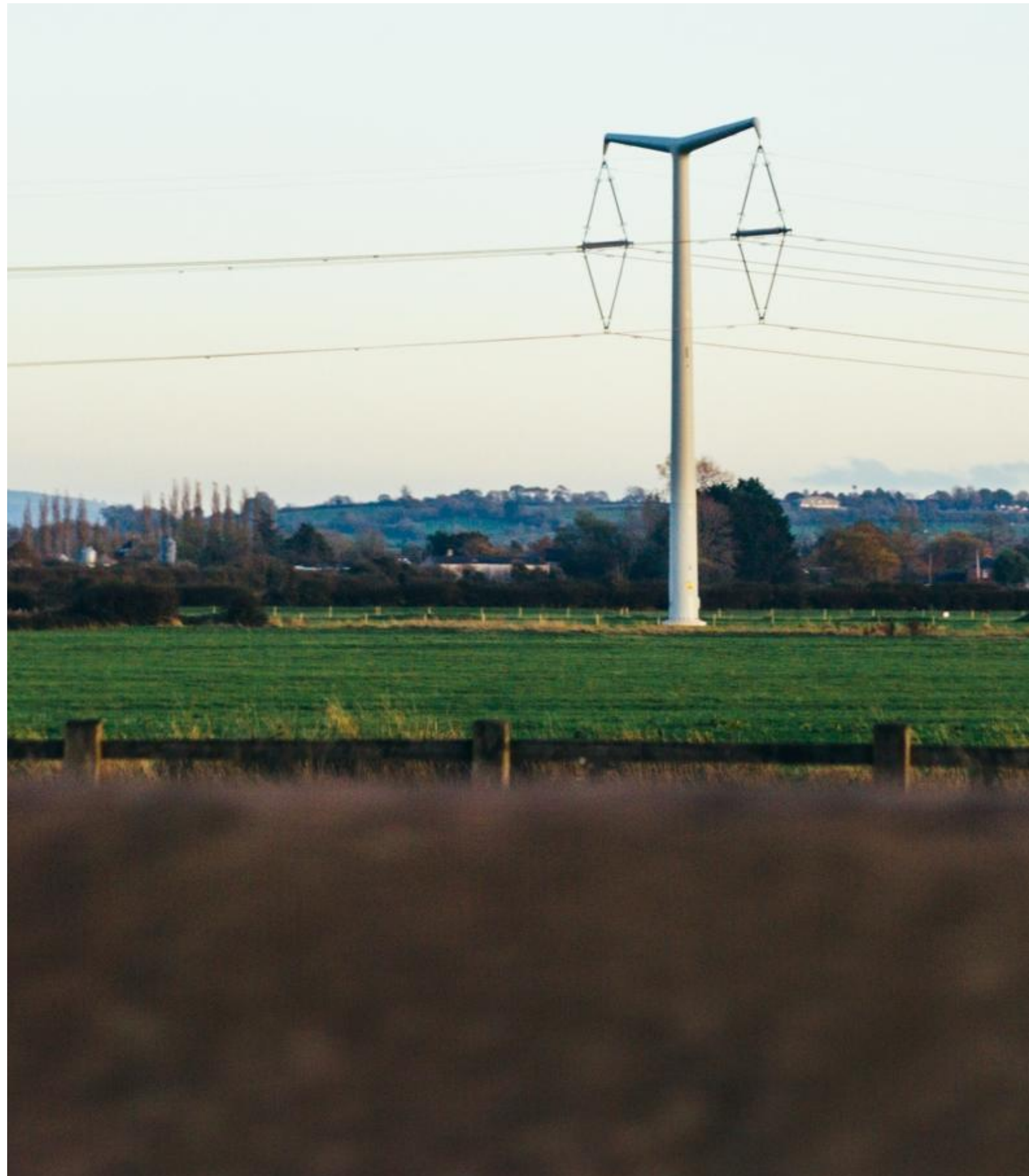


Climate disclosures for year ending 31 March 2025



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

Date: October 2025



Introduction

This document is the annual TCFD report for the Scheme for the year ended 31 March 2025. It has been prepared by Electricity Pensions Trustee Limited as Scheme Trustee of the Electricity Supply Pension Scheme (the “Scheme Trustee”) and is the Scheme’s fourth published report to date.

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

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

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

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

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

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

What is the TCFD?

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

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

Governance and Risk Management Annex

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

The Governance and Risk Management Annex is available here: <https://www.espspensions.co.uk/#useful-documentation> and provides supplementary information to the Governance and Risk Management sections of this report.



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Executive Summary

The Scheme has produced an annual report on the actual and potential impact of climate risks and opportunities on the Scheme. The central Scheme Trustee presents this report to comply with the requirements as determined by The Pensions Regulator over the period from 1 April 2024 to 31 March 2025. However, the central Scheme Trustee believes it would be best presented at an individual Group level by the relevant Group Trustees.

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

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

Previous TCFD reports have noted that there was an exception to the above-described position in relation to the Forestry Sector for which the management of the investments was led by the Scheme Trustee. A project was completed in March 2025 which resulted in certain Groups now having investment decision power over those forestry assets (the **Forestry Project**), in the same way as described for all other investments. Therefore, for the period covered, the investment decision power over the Forestry Sector vested in the Scheme Trustee but, going forwards, there are no assets over which the Scheme Trustee exercises investment decision making power. The governing document of the Scheme also contains detailed provisions which prevent the assets and liabilities of one Group being attributed to another Group.

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

Climate Mission Statement

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

Strategy

The Groups invest across a diverse range of asset classes including (but not limited to) equities, credit, alternatives (including bulk annuities, longevity hedging and illiquid assets) and Liability Driven Investment (“LDI”). Some Groups also invest in bulk annuity arrangements which is an insurance policy to secure all, or part of future pensions benefits due to members. While the Scheme Trustee and Group Trustees recognise that these asset classes each have different risk and return profiles, they acknowledge that climate risk can be categorised into two different types of risk: transition risks and physical risks.

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

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

Risk Management

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

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

Metrics and Targets

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

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

With regards to disclosing a portfolio alignment metric (“PAM”) and an additional metric, most groups chose to disclose binary target measurements and data coverage respectively. Some groups elected other metrics, such as the implied temperature rise for the PAM and climate Value at Risk (“Climate VaR”) for the additional metric. Regarding targets, 14 of the Groups reported a target related to emissions reductions/ net zero, data coverage and data quality. In summary, there are some differences in the metrics (and the underlying methodologies) that each of the relevant Groups have used. This means that it has not been possible to produce a fully consolidated disclosure, but this does not undermine the value of the full report.

Scope of this report

Whilst not all Groups were able to provide all of the requested information at the time of writing, Groups comprising 95% of the Scheme’s total assets as of 31 March 2025 (compared to 95% as of 31 March 2024 included in last year’s report) provided detailed information which is summarised in this report. It should also be noted that, as in previous years, not all Groups provided Group-specific TCFD-related information requested by the Scheme Trustee for the purposes of the Scheme’s report. The Groups that did not provide detailed information are smaller groups and information was not provided for reasons of proportionality. In Appendix E of this report, links to 2025 TCFD reports for any Groups that have published their own Group level report are available. Details of the relevant Groups are shown below:

Analysis of Scheme Net Assets by Group as of 31 March 2025:

Note that not all Groups listed below provided Group-specific TCFD-related information for the purposes of the Scheme’s report. Please also note, the Net Asset values for each Group are subject to change, throughout the report, until completion of the Scheme audit review.

Groups included in report	£ millions
Carillion*	11
Central Networks	2,580
EA Technology	75
EDF DB / DC	5,280
Electricity North West*	908
E.ON	2,969
EPSL*	9
First Hydro*	122
International Power*	239
Magnox Electric	2,203
Manweb	741
National Grid Electricity*	2,278
Northern Powergrid	975
OVO Energy*	80



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Powerhouse Retail*	154
RWE	3,747
Schneider	18
SSE Southern	1,526
UK Power Networks	2,662
Uniper	391
United Utilities PLC	325
Western Power Distribution	1,655
Total Net Assets	28,948

Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.

*This Group does not feature in the strategy and metrics & targets pillars sections of this report, in line with the scope of the report as outlined above.

Signed by:

Melanie Cusack

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

Summary by Group

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

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

Central Networks

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

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

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

Our commitment on climate change

We have committed our investment portfolio to achieving net-zero greenhouse gas emissions (i.e., not adding to the amount of greenhouse gases in the atmosphere) by 2050 and a 50% emissions reduction from 2020 levels by 2030 at the latest. We have reflected on our target setting and adjusted the baseline date to 2020 as data for 2019 is limited in certain asset classes and, we feel, is

not a fair representation of the Group's strategy for the majority of the period measured.

We acknowledge there is a high degree of uncertainty in achieving this, as this requires progress across a range of areas, including global collaboration and the development of new, cost-effective technologies.

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

Our investments

We invest in a balanced portfolio of assets using carefully selected asset managers. A wide range of assets are held which have different exposures to greenhouse gasses.

We delegate the day-to-day investment decision-making to our asset managers. Our asset managers are in a position to exert significant influence on the companies in which they invest. In this regard, we expect our appointed asset managers to be responsible investors and in particular:

- Adopt effective climate change risk metrics to enhance the ability of all stakeholders in the investment chain to assess and minimise such risks. This includes assessing, integrating and reporting relevant greenhouse gas emissions metrics, including Scope 3 emissions, undertaking scenario analysis, and aligning investment portfolios with net zero greenhouse gas emissions by 2050
- Be signatories to the Principles for Responsible Investment (PRI)
- Disclosing against the TCFD reporting framework
- Engaging companies in investment portfolios in accordance with the UN Principles for Responsible Investment (UNPRI) and/or Stewardship Code requirements (Code Reporting Requirements) as appropriate. As a minimum, to report at least annually on (a) how climate change risks and opportunities have been incorporated into the managers' investment processes and (b) their engagement with companies they invest in to ensure that environmental, social and governance concerns are addressed.

Our property managers are expected to be signatories to the Global Real Estate Sustainability Benchmark (GRESB) and to maintain Green Star status.

Where one of our asset managers is not a signatory to the PRI and/or does not disclose against the TCFD and/or does not adhere to our reporting requirements, we require them to explain why this has not been done. We believe this is a step in the right direction to help us to consider climate change-related risks and opportunities and its impact on the Group as well as helping us to achieve our Climate Change targets. However, we know that there is more to be done and this is our focus, today and in the future.

Sustainability beyond climate change

Climate change is one of a number of sustainability issues important to our investment strategy. We have selected three key stewardship priorities for investment manager engagement, in order to improve alignment with its policies as well as enhance disclosure. The priorities are linked to the UN Sustainable Development Goals with an aim to improving responsible investment characteristics within the portfolio and ultimately deliver better outcomes to our members. Our stewardship priorities are:

- Climate Crisis (with a focus on climate change and net zero greenhouse gas emissions)
- Environmental Impact (with a focus on biodiversity, deforestation, and water)
- Human Rights (with a focus on living wages, gender equality, and health and nutrition)

On behalf of the Group Trustee Directors, the Investment Adviser has written to our asset managers reaffirming and expanding on our policy and expectations. We expect our asset managers to incorporate these priorities into their voting practices and the Investment Adviser will monitor manager disclosures to ensure alignment against them.

E. ON

Climate change remains a significant global challenge, with increasing scientific evidence that global temperatures are likely to climb above the targeted maximum increase of 1.5 °C above pre-industrial levels without increasingly urgent action. The responses to this global challenge will determine the health and prosperity of the world now and for future generations.

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

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

Integrating sustainability matters makes sense for our members

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

Our commitment

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

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

In 2025, our Scope 1 and 2 greenhouse emissions per £1m invested was 74 tonnes of carbon dioxide equivalent. For every million pounds of investment, this is the equivalent of around 17 passenger vehicles driven for one year¹.

As at 31 March 2025, the Group is tracking above the Group’s target. The Group Trustee believes there is no reason to change the investment strategy as 1) the Group Trustee is in the process of reviewing its investment strategy and subsequently its climate targets and 2) the marginal increase in emissions compared to 2024 is due to the inclusion of a Credit Asset Manager where data wasn’t available previously i.e. it does not represent an actual increase in emissions.

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

Our three scenarios are outlined below. In 2025, we reviewed the appropriateness of these climate scenarios with our advisers and continue to use these scenarios:

Scenario	Description	Results (qualitative impact assessment on total assets)
Paris-aligned transition	This is our goal: assumes measures are taken that will keep the rise in temperature limited to 1.5°C	Positive
Late transition	This is a forecast of what we think is most likely to happen: assumes measures are introduced to tackle climate change, but are	Moderate

¹ Source: United States Environmental Protection Agency

introduced too late to meet the Paris Agreement

Slow transition	This is our hot-house scenario: assumes current policies being continued. According to the UN, we are currently on track for 3.0°C warming	Negative
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Electricity North West

The Trustee of Electricity North West Group of the ESPS (the 'Group Trustee'), acknowledges that climate change is a critical issue, affecting countries, companies, and individuals globally. The Group Trustee understands that climate change poses a significant financial risk that could impact the financial security of the Group's members' benefits if not accurately assessed and mitigated. While the Group itself is not presently obligated to comply with the TCFD requirements as it falls out of scope, the overall ESPS scheme is, and the Group contributes to this broader Scheme's TCFD report. Similar to last year, a comprehensive report has been prepared, which builds upon the governance and risk management frameworks detailed in last year's report.

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

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

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

Quarterly meetings with the Group Trustee investment adviser, Isio, allow the Group Trustee to review the processes and strategies of the Group's investment

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

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

Magnox Electric

Climate change is affecting the planet, causing extreme weather events, impacting crop production, and threatening Earth's ecosystems. Understanding the impact of climate change and the Group's vulnerability to climate-related risks will help the Group Trustee to mitigate the risks and take advantage of any opportunities.

Better climate reporting should lead to better-informed decision-making on climate-related risks. And on top of that, greater transparency around climate-related risks should increase accountability and provide decision-useful information to investors and beneficiaries.

The Group is one of the segregated Groups within the Electricity Supply Pension Scheme (the "ESPS"), which is a UK occupational pension scheme with assets of in excess of £29bn as at 31 March 2025. Each Group has its own Group Trustee which has defined responsibilities in relation to a particular Group, including the setting of investment strategy. There is a separate Scheme Trustee which has defined responsibilities for the whole of the ESPS. In particular, the Scheme Trustee has exclusive responsibility for ownership and custody, has administrative control of assets, and implements investment strategy decisions made by each Group Trustee.

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

Governance

- The Group is a Defined Benefit (“DB”) pension scheme.
- The asset portfolio of approximately £2.4bn is invested in a range of asset classes including Equities, Diversified Growth Funds (“DGF”s), Property & Infrastructure, Liquid Credit, Illiquid Credit and Gilts (via Liability Driven Investments, or “LDI”). There is also an annuity within the Atkins Section of the Group.
- The Group Trustee is ultimately responsible for the oversight of all strategic matters relating to the Group, this includes climate-related risks and opportunities.
- The Group Trustee delegates the day-to-day oversight of the Group’s climate change risk management to the Investment Committee (“IC”).

Strategy

- The Group Trustee’s qualitative analysis of climate-related risks and opportunities showed that the asset classes in which the Group invests are impacted to some degree by climate-related risks, and over time, the risk exposure is expected to increase.
- The Group Trustee identified numerous investment opportunities as part of the transition to a low carbon economy. These opportunities lie within new and existing asset classes.
- The Group Trustee reviewed its climate scenario analysis, completed in the previous reporting period, and has decided to not refresh the analysis given there have been no material changes to the investment strategy or scenario modelling techniques. The results of the analysis indicate that the Group has a reasonable degree of resilience relative to climate-related risks. The resilience is primarily driven by running a relatively low-risk investment strategy with a low allocation to Equities.

Risk Management

- The Group Trustee has established a process to identify, assess and manage the climate-related risks and opportunities to which the Group is exposed. This is integrated into the Group’s wider risk management framework.
- The Group Trustee’s climate risk management framework sets out the process for the ongoing management of climate related risks and opportunities. Alongside this, the Group Trustee undertakes annual training on responsible investment to understand how Environmental, Social and Governance (“ESG”) factors, including climate change, may impact the Group’s assets and liabilities. Details of training the Group Trustee has undertaken through the Group’s year are included in the Governance and Risk Management Sections of this report.

Metrics and Targets

The Group Trustee has disclosed information on four climate-related metrics for each asset class across the Sections within the Group, as far as it is able to.

- Total Greenhouse Gas (“GHG”) Emissions.
- Carbon Footprint.
- Data Coverage.
- Binary Target Measurement

The Group Trustee has also set the following target for the Group:

Achieve a Data Coverage target of 90% for Scope 1 & 2 emissions across all of the Group's asset classes.

The Group Trustee has decided to continue to prioritise the following actions over the next 12 months:

- Continue to engage with investment managers to ensure their reporting on climate-related risks allows the Group Trustee to ensure the Group is sufficiently resilient.
- Enhance analysis of climate-related opportunities to incorporate the time-horizons that are relevant to the Group.

Manweb

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

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

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

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

The Group Trustee recognises that the Group must provide security to its members and their beneficiaries for many years to come. Over recent years the

Group Trustee has taken several steps to reduce the level of risk associated with the Group's investment strategy. This has helped reduce exposure to a range of risks, including Environmental, Social and Governance ("ESG") factors and, within that, climate-change risks. To this extent, the Group Trustee believes that climate change needs to be considered alongside other risks in a balanced and proportionate manner.

Our TCFD reporting aims to help readers understand the risks and opportunities that climate change presents and the actions we are taking to achieve our objectives. As set out in our TCFD reporting, it is pleasing to note that progress is being made with regards to the level of climate-related data coverage, compared to the prior year, albeit further improvement needs to be made in order to achieve the target level set by the Group Trustee. We will continue to report on our progress each year.

As background, the Group's total assets were valued at £823 million as at 31st December 2024. The Scheme had 4,936 members as at 31 March 2024; membership type was split 293 actives, 1,038 deferred members and 3,605 pensioners (including beneficiaries).

The Group Trustee supports the recommendations of the Financial Stability Board's Task force on Climate-related Financial Disclosures ("TCFD") as a best-practice framework to manage and report on the actions being taken to identify climate change-related risks and opportunities in the Group's portfolio and incorporate climate change risk management into investment processes.

Our TCFD reporting outlines how the Group Trustee has established, and maintains, oversight and processes to satisfy itself that the climate-related risks and opportunities which are relevant to the Group are considered appropriately by all stakeholders involved in the day-to-day management of the Group.

The Group Trustee is, on behalf of its members, a long-term investor. It is therefore in the interests of members that the market is able to effectively price climate-related risks and that policy makers, and other market participants, are able to address these risks and avoid market failure. The Group Trustee believes that TCFD-aligned disclosure from asset owners, asset managers, and companies, is in the best interest of the Group's members.

National Grid Electricity

The Group is one of the segregated Groups within the Electricity Supply Pension Scheme (the "ESPS"), which is a UK occupational pension scheme with assets in excess of £29bn². Each Group has its own Group Trustee which has defined responsibilities in relation to a particular Group, including the setting of investment strategy. There is a separate Scheme Trustee which has defined responsibilities for the whole of the ESPS. In particular, the Scheme Trustee has exclusive responsibility for asset ownership and custody, has administrative control of assets, and implements the investment strategy decisions made by each Group Trustee.

² As at 31 March 2024.

Key conclusions

Our TCFD reporting sets out the actions that we, the Group Trustee, have taken to understand the potential impact climate change could have on the Group.

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

Overview of the Group

The Group is a Defined Benefit (“DB”) pension scheme, with a small amount in Additional Voluntary Contributions (“AVCs”).

The investment portfolio of c.£762.5m (at 31 December 2024) is invested in a range of asset classes including, property and infrastructure, and liability driven investment (“LDI”).

The Group concluded a bulk annuity transaction for a significant proportion of its liabilities last year. Given the nature of bulk annuities this has largely been excluded from this analysis. However, we have included details of this arrangement within the Metrics and Targets pillar.

Governance

We, the Group Trustee, are ultimately responsible for the oversight of all strategic matters relating to the Group, including climate-related risks and opportunities.

We delegate the day-to-day oversight of the Group’s climate change risk management to the Funding and Investment Committee (“FIC”).

Strategy

Our qualitative analysis of climate related risks and opportunities shows that the asset classes in which the Group invests are impacted to some degree by climate-related risks, and over time the risk exposure is expected to increase. We have identified potential climate-related investment opportunities for the Group’s asset classes.

In December 2023 we carried out climate change scenario analysis to better understand the impact climate change could have on the Group’s assets and liabilities. The climate scenario analysis shows the Group has a good level of resilience against climate-related risks. This analysis does not allow for the recent bulk annuity transaction.

Risk Management

We have established a process to identify, assess and manage the climate-related risks and opportunities the Group is exposed to. This is integrated into the Group’s wider risk management framework. Our Climate Risk Management framework assists with the ongoing management of climate related risks and opportunities.

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

Metrics and Targets

We have disclosed information on four climate-related metrics:

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

The Group Trustee set a target for the Group to increase the data coverage for Scopes 1 and 2 emissions across property and has currently achieved c70%. This year there was a small reduction in this figure, but this is not of particular concern given the size of the change.

Northern Powergrid

Climate change is affecting the planet, causing extreme weather events, impacting crop production and threatening Earth’s ecosystems. Understanding the impact of climate change and the Group’s vulnerability to climate-related risks will help us to mitigate the risks and take advantage of any opportunities.

Better climate reporting should lead to better-informed decision-making on climate-related risks. In addition, greater transparency around climate-related risks should increase accountability and provide decision-useful information to investors and beneficiaries.

The Group is one of the segregated Groups within the Electricity Supply Pension Scheme (the “ESPS”), which is a UK occupational pension scheme with assets of in excess £29bn. Each Group has its own Trustees who have defined responsibilities in relation to a particular Group, including the setting of investment strategy. There is a separate Scheme Trustee which has defined responsibilities for the whole of the ESPS. In particular, the Scheme Trustees have exclusive responsibility for asset ownership and custody, have administrative control of assets, and implement the investment strategy decisions made by each Group’s Trustees.

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

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

Overview of the Group

The Group’s investment portfolio comprises a range of different asset classes including equities, bonds, property, and liability driven investments (“LDI”).

Within this report we consider the impact of climate-related risks on those asset classes, the investment strategy, and the funding of the Group.

The Additional Voluntary Contributions (“AVCs”) within the Group are small in size compared to the Group’s defined benefit liabilities and, therefore, have been deemed to be immaterial for the purposes of this report.

The Group Trustees have been supported by their investment adviser, Aon Investments Limited (“Aon”), in producing this report.

Governance

- The Group is a Defined Benefit (DB) pension scheme with AVCs.
- The Group has an asset portfolio of £990m as at 31 December 2024 which is invested across a range of asset classes including equities, alternatives, and liability driven investments (“LDI”).
- We, the Group Trustees, are ultimately responsible for the oversight of all strategic matters relating to the Group, including climate-related risks and opportunities.

Strategy

- Our qualitative analysis of climate-related risks showed that the asset classes in which the Group invests are expected to be impacted to some degree, and that over time the risk exposure is expected to increase.
- We have also identified potential climate-related opportunities for the Group’s asset classes.
- We carried out climate change scenario analysis in December 2023 to better understand the impact climate change could have on the Group’s assets and liabilities. We have reviewed this existing analysis and concluded that it is still applicable for our portfolio.
- The climate scenario analysis shows that the Group has a good degree of resilience against climate-related risks. The resilience is primarily driven by the high level of diversification in the asset classes invested in, low risk in the investment strategy, and high levels of liability hedging in place.

Risk Management

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

Our Climate Risk Management framework supports the ongoing management of climate-related risks and opportunities. Alongside this, the Group Trustees undertake periodic training on responsible investment to understand how Environmental, Social and Governance (ESG) factors, including climate change, may impact the Group’s assets and liabilities. Details of this training over the last Group year are included in the Governance Section and Risk Management Section.

Metrics and Targets

We have disclosed information on four climate-related metrics for the Group:

- Total Greenhouse Gas (GHG) Emissions.
- Carbon Footprint.
- Data Coverage.
- Portion of the portfolio with either declared net zero or Paris-aligned targets.

The Group Trustees have set a target for the Group to increase data coverage across the portfolio to 90% by 2028 for scope 1, 2 and 3 emissions. Data coverage has remained consistent over the year due to the inclusion of new data for a fund that previously did not provide emissions data. This can therefore be considered as an improvement to the data availability of the portfolio.

Powerhouse Retail

The Powerhouse Retail Group is a well-funded Group invested in a low-risk strategy. Over the year to 31 March 2025 the Group Trustees have taken a proportionate approach to managing climate risks and opportunities, in line with their approach to managing other financial risks facing the Group.

Climate has remained a key agenda item for the Group Trustees over the year. The Group Trustees invite their investment manager to present on the investment portfolio at their quarterly meetings and receive quarterly reports that detail the key ESG actions (including climate) undertaken by the manager over the period. The Group Trustees have used these meetings to challenge the manager on climate topics where appropriate.

The Group Trustees are supported in relation to the investment of the Group's assets by a Joint Investment Sub-Committee ("JISC"), which comprises Trustee representatives from three pension schemes related to Heidelberg Materials UK. Over the year the JISC conducted its annual review of the climate approach of the Group's investment manager. The review highlighted that the manager had a strong approach to climate risk management at a firm level but was limited in its ability to integrate ESG factors into the investment processes for the Group's funds as they are passive in nature. The JISC noted that the key tool available to the manager was stewardship and that it had demonstrated a strong approach to voting and engagement.

The JISC undertook training on incorporating sustainability guidelines (including climate) into corporate bond portfolios in November 2024. The JISC subsequently reviewed the Group's corporate bond portfolio in February 2025, agreeing to move from its passive corporate bond fund to a shorter-dated bond portfolio with a more active management style. The JISC noted that one benefit of this change was the scope for a manager to integrate ESG into more of the investment process.

Due to the size of the Group, the Group Trustees did not undertake climate scenario analysis or collect climate metrics in relation to its investments over the Group Year.

RWE

Mission

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

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

The Group Trustees have established a Responsible Investment Committee ("RIC"), which aims to assess, monitor and manage the risks and opportunities resulting from climate change. The Group Trustees delegate the day-to-day considerations in Responsible Investment to the RIC.

Financial resilience

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

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

The Group Trustees also consider how the Group's Sponsors³ (who are responsible for funding the benefits of the Group) are expected to manage their own climate-related risks and opportunities, given that their operations include both fossil fuel and renewable energy generation.

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

As mentioned above, the scenario analysis was last conducted during the year ended 31 March 2025, and the Group Trustees will next review the climate scenario analysis during the year ending 31 March 2028, reflecting any new developments in the scenarios being modelled. In the intervening years, the Group Trustees will consider whether a more frequent update is required depending on whether the results are expected to change materially either due to a change in strategy, membership or the scenarios considered. Further detail on the scenario analysis is set out in Section 2 of this report (Strategy).

Climate change metrics

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

This is a developing area as not all companies report their GHG emissions. Therefore, the availability of data is expected to change over time. However, the Group Trustees are engaging with the investment managers to ensure that a larger proportion of the companies in which the Group invests report their GHG emissions. The Group Trustees last engaged formally with all of their investment managers during the year ended 31 March 2025 and will check on progress and conduct further engagements during the year ending 31 March 2027.

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

³ RWE Generation UK Plc is the principal employer of the Group and a participating employer of the RWE Section of the Group. RWE Renewables Management UK Limited and RWE Renewables UK Swindon Limited are participating employer and guarantor (respectively) of the Innogy Section of the Group. These are collectively referred to as the "Sponsor", "Sponsors" or "Sponsoring employers".

target on one of the metrics, focussed on reducing the GHG footprint of the non-government bond assets.

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

Actions taken during the year ending 31 March 2025

Over the scheme year to 31 March 2025, the Group Trustees undertook a number of actions to help achieve the aim of managing climate change risks and opportunities:

- Stewardship priorities – The Group Trustees consider that stewardship is a valuable tool for managing risk and improving financial outcomes of the Group. However, the Group Trustees also acknowledge that Responsible Investment is broad and therefore have selected a small number of stewardship priorities to focus engagements, with “climate change” being one of these priorities. During the year to 31 March 2025, the Group Trustees focussed on these priorities, for example monitoring Responsible Investment metrics in relation to each stewardship priority and receiving additional targeted training.
- Manager assessment and engagement – The Group Trustees employ investment managers, who manage assets on behalf of the Group. The Group Trustees assess the managers' capabilities, including in respect of Responsible Investment factors, on an annual basis. In addition, during the year to 31 March 2025, the Group Trustees issued formal letters to all of the Group's managers, notifying them of the Group's chosen stewardship priorities, noted earlier, and inquiring about the alignment of each manager's investment approach with the Group Trustees' Responsible Investment strategy.
- Member communications – The Group Trustees are committed to keeping the Group's members informed of the work carried out in the Responsible Investment space and how it impacts member benefit security. The Group Trustees provided an update in the member newsletter during the year, which covered the publication of the Scheme and Group TCFD statements and the wider responsible investment work done by the RIC.

Further, the Group Trustees have developed a framework to determine for which asset classes they should prioritise engagements and other activities in the short term. The following table sets out key actions taken for each asset class:

Asset class	Ability to influence	Actions taken during the year
Equities	Medium	The Group Trustees completed the implementation of an investment in a passive equity mandate that tilts away from companies expected to be negatively impacted by the climate transition (and towards companies that are expected to benefit). This is expected to reduce the climate transition risk exposure of the Group.
Core Credit	Medium	The Group Trustees also reviewed and updated the Group's credit portfolio guidelines with two credit managers. The updates reflected industry developments and best practice and include explicit consideration of the Responsible Investment approaches of the managers, including references to the managers' ESG policies in the guidelines. The Group Trustees have introduced climate-related objectives in the guidelines to ensure that the managers' investment strategies are aligned with the Group's net zero target.
Alternative Credit	Medium	The Alternative Credit Fund investment is made up of a number of underlying investments with different managers. The Group Trustees observed that the Responsible Investment approaches for a small number of these underlying managers were not in line with industry expectations and their peers. They engaged with the Fund manager to understand the reasons for this and confirm what the Fund manager was doing to improve the overall Responsible Investment approach of the Fund.
Secure Income Assets	High	As part of the engagement letters issued to managers, the Group Trustees continued to encourage the Secure Income Asset managers (which include real estate and infrastructure projects) to assess the climate-related risks and opportunities that the underlying assets are exposed to.
LDI/Liquid assets	Low	The Liability Driven Investment ("LDI") holdings primarily comprise UK Government issued debt. The Group Trustees have not carried out any engagements with the UK Government to date, recognising the limited capability to influence Government policy. However, they continue to monitor what the LDI manager's approach is in this area.

Conclusions

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

The Group Trustees will continue to monitor this and report on an annual basis in future climate change reports.

Schneider

The Group Trustee is of the opinion that all policies pertaining to climate-related risks and opportunities (CRROs) – as documented in the Group's Statement of Investment Principles – have been followed and implemented for the YE 31 March 2025. In particular, the Group Trustee is of the opinion that the policy in respect of voting, stewardship and engagement has been followed appropriately.

No changes to the Group's investment strategy were necessary to enhance alignment with the Group Trustee's climate beliefs, however, the SGMF Global Managed Volatility Fund was replaced with the SGMF Factor Allocation Global Managed Volatility Fund during the reporting period. This fund is listed as Article 8 under the Sustainable Finance Disclosure Regulation (SFDR), which means that it promotes environmental and/or social characteristics.

There were modest improvements in data coverage for both the carbon metrics and climate risk data over the reporting period, across most funds held by the Group.

There was a modest year-on-year improvement in aggregate climate risk across the three climate scenarios considered. This suggests greater resilience of the Group's portfolio to climate risks, irrespective of the realised future climate pathway. The general conclusions of the climate scenario analysis were otherwise unchanged: an Orderly Transition to a net-zero economy is expected to have the greatest adverse impact on the Group's portfolio, followed by a Disorderly Transition, and then the Hot House scenario. This is because transition risk – which is more greatly associated with the Orderly Transition – is expected to have a greater near-term impact than physical risk. As physical risk is generally projected to occur further into the future, it tends to be discounted more heavily.

Based on the MSCI data as at 31 March 2025, the Group's carbon footprint fell by about 20% over the year (for the funds with available data), a significant improvement. The total carbon emissions attributable to the Group declined by a similar margin. The Implied Temperature Rise was broadly unchanged at 2.6°C.

With respect to shareholder engagement, fewer companies were engaged over the YE 31 March 2025 versus the previous reporting period (235 vs. 331), but this belies the fact that the number of companies achieving milestones related to CRROs increased dramatically – up from 46 to 84.

SSE Southern

Our TCFD reporting sets out the approach of the Group Trustee of the SSE Southern Group of the ESPS (“the Group”) to assessing, monitoring and mitigating climate-related risks in the context of the Group Trustee’s broader regulatory and fiduciary responsibilities to their members.

The Group Trustee believe that climate change is a systemic risk and an immediate concern. To ensure a sustainable future and to safeguard economic growth, the Group Trustee believe that concerted global action is required to tackle the climate crisis. The Group is a long-term investor, and the Group Trustee believes that improved transparency on climate related matters will lead to improved investment decisions which in turn will improve member outcomes. This has created focus and an imperative to act.

Therefore, the Group Trustee is supportive of any initiative that helps improve disclosures and enhances transparency. The TCFD framework provides a structure for companies, asset managers, asset owners, banks and insurance companies to outline the steps they have undertaken to identify, manage and monitor climate related risks and opportunities. The framework is designed to increase comparability but allow sufficient flexibility to communicate the specific approach adopted by each entity. Therefore, the Group Trustee supports the TCFD recommendations.

The Group submits this report to demonstrate its commitment to addressing climate change within the Group’s investment strategy, and the progress the Group has made with regards to Responsible Investment (“RI”) considerations. This builds on a large amount of work that the Group Trustee has been doing to address climate related risks throughout recent years.

As well as developing the Group’s own reporting for TCFD, the Group Trustee expects the Group’s underlying investment managers and service providers to be aligned with TCFD. The Group Trustee will continue to monitor this through the regular reporting carried out.

We have set out a summary of this report and the key highlights across each of the four pillars of TCFD below.

Governance

- The Group has a governance policy that sets out roles/responsibilities.
- The Group Trustee has a Responsible Investment (RI) policy in place – available on the member website – that sets out the Group’s approach to climate-related issues and the key roles and responsibilities with respect to climate change and broader Responsible Investment.
- The Group Trustee consider climate change to be a key risk to the Group and so have embedded climate-related issues across the Group’s strategic decision-making and other governance processes.

The Group Trustee has also adopted climate change as one of four key stewardship themes for engagement with investment managers.

- There are a number of parties that feed into the Group Trustee's approach to climate change by way of advice, supporting implementation, training and other means. The Group Trustee retain overall responsibility for the approach that is taken but has delegated responsibility to the Group's investment managers to assess and manage climate related risks and opportunities on a day-to-day basis for their respective portfolios that they manage on the Group's behalf.

Strategy:

- The Group Trustee has not carried out scenario analysis for the current reporting year having done so for the 2022/23 report. This analysis, which was based on the Group's de-risking framework, tested the strategies the Group will adopt as funding improves and provided comfort that the current framework has a good degree of resilience to climate change. The Group Trustee will refresh this scenario analysis for the 2025/26 report in line with the requirements.
- The Group Trustee meets with the Group's investment managers on an ongoing basis where the discussions cover RI considerations, including climate change. A log of these engagement activities is maintained and included in each Trustee meeting pack.
- The Group Trustee has assessed how ESG considerations are integrated into specific asset classes and individual mandates. For example, whilst working alongside its investment advisor to review the options to redeploy the Group's excess collateral within its protection portfolio, the Group Trustee considered which option would best align with the Group Trustee's RI beliefs. As a result, half of the assets in transition were moved from a liability driven investment (LDI) portfolio, which provided little RI benefit to the Group, into the RI and UN Sustainable Development Goal ("SDG") aligned Buy & Maintain corporate bond mandate, which has strong RI characteristics.

Risk management:

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

Metrics and targets:

- The Group Trustee has selected a number of climate metrics by which to measure the Group's position and exposure to climate risks and opportunities.
- The Group has a Weighted Average Carbon Intensity ('WACI') as at 31 December 2024 of 85 tCO₂/\$m Sales (Scope 1 and 2 emissions only). This is a reduction of c21% versus the position as at 31 December 2023.
- The Group Trustee has set a data quality target for 2 of the Group's mandates: LGIM Buy & Maintain corporate bonds and Insight Secured Finance. The target for the LGIM Buy & Maintain corporate bonds has been updated given the previous target was achieved over the year.
- The Group Trustee aims to achieve a net zero position for all Group assets by 2050. Whilst this is not currently a formal target, the Group Trustee will use this aim to guide decisions and targets to be set within the individual mandates.

Next steps:

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

UK Power Networks

UK Power Networks Group (the 'Group') is part of the Electricity Supply Pension Scheme (ESPS), an industry-wide pension scheme formed when the UK electricity industry was privatised in 1990. With £2.7 billion in assets under management, the Group operates for the sole purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries. It is principally a defined benefit pension arrangement. Membership has been closed to new employees since March 1994.

The UK Power Networks Group Trustee (the 'Group Trustee') operates as a corporate trustee with a Board of Directors. The Group Trustee sets the Group's general investment policy and ensures that investments are managed in line with the Group's funding objectives.

The Group Trustee has delegated day-to-day investment decisions and asset allocation to BlackRock (the 'Fiduciary Manager'). BlackRock, and any underlying managers appointed by BlackRock, are responsible for conducting

stewardship, voting and engagement activities in respect of the Group's assets in line with the Group's Statement of Investment Principles.

Summary and key findings

The Group Trustee holds ultimate responsibility for the management of climate risks and opportunities and engages with the Fiduciary Manager, BlackRock, on a quarterly basis to ensure that climate risks and opportunities are adequately considered and managed within their investment approach. The Group Trustee monitors climate risks through its climate risk register which considers the impact of various physical and transition risks and opportunities over the short, medium and long term and documents the steps being taken to mitigate against the risks and to capture the opportunities. The Group Trustee also monitors climate risks and opportunities through annual climate scenario analysis, conducted by its Fiduciary Manager. Based on the most recent scenario analysis conducted by the Fiduciary Manager, the Group Trustee has concluded that climate change-related risks do not currently present a significant risk to the resilience of the covenant.

In 2024 the Group Trustee received training on (a) how climate change and ESG matters are built into the capital market assumptions, strategic asset allocation and portfolio construction advice provided by BlackRock, and (b) how BlackRock engages with companies regarding their ESG and climate change records to seek improvements.

In terms of climate change and ESG matters and risks, in late 2023 the Group Trustee approved the creation of a joint ESG Working Party, together with the UK Power Networks Pension Scheme (a separate registered Pension scheme which is not part of the ESPS), to monitor the climate-related activities of the Fiduciary Manager and to oversee its compliance with the ESG Policy. The ESG Working Party is not a decision-making body but will make recommendations to the Board for it to take the ultimate decisions. The first meeting of the ESG Working Party was held in July 2024.

One of the aims of the ESG Working Party is to allow more time to be spent by the Group Trustee to better understand how BlackRock integrates climate considerations in its portfolio management, stewardship and voting activities and to oversee BlackRock's implementation of the Group Trustee's ESG Policy.

In its first meeting in July 2024, the ESG Working Party requested that BlackRock present to the Board regarding changes to the TCFD targets set for data quality. Recognising the importance of improving data quality, the Group Trustee has set a target to improve data availability for Scope 1, 2 and 3 carbon emissions for the overall portfolio to at least 50% over the medium term (3-5 years). These updated targets, which were adopted by the Board in September 2024, acknowledge that the LDI portfolio represents 72.5% of the total portfolio and will make the most meaningful change to the Group's data and ability to manage climate change risks and opportunities. As such, the new targets focus on the LDI portfolio, aiming to maintain the current scores for Scope 1 and 2 emissions and to improve Scope 3 data quality in the medium term once the industry wide methodologies have been finalised.

The Group Trustee is pleased to note that data coverage continues to improve, with Scope 1 & 2 emissions now at 77.6% which is a slight improvement from last year. The Group Trustee expects BlackRock to continue to engage with underlying investment managers to improve the data quality across the total portfolio. The Group Trustee hopes to see an improvement in Scope 3 emissions data (currently at 9.4%, at the total portfolio level) over the next 3-5 years, but notes this may prove difficult due to industry concerns about the measurement of Scope 3 emissions for sovereign debt. The improvement in Scope 3 data quality is because BlackRock is now reporting data from the AXA portfolio separately to the LDI portfolio. BlackRock is working closely with the LDI portfolio manager to understand the steps it is taking to meet this target and will report back regularly to the Trustee with their progress. Further detail is available in the Metrics and Targets section of this report.

Uniper

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

The Group Trustee is supportive of initiatives it believes will be in the long-term financial interest of members. TCFD is one such initiative, as the Group Trustee believes greater disclosure will lead to better investment decisions. Indeed, where appropriate, the Group Trustee will also engage with its appointed fiduciary manager and/or fund managers to support such initiatives.

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

As a fiduciary manager, VLK’s objective is to make a difference for the pension schemes for whom it manages investment assets for. VLK holds the belief that sustainability, including effective stewardship, is fundamental to successful investment outcomes and to the real world outcomes for the ultimate beneficiaries of VLK clients’ assets. This is core to what VLK does and how it works. VLK invests assets using a wide range of investment vehicles covering a wide spectrum of asset classes to implement bespoke strategic asset allocations for each of its clients.

The ultimate responsibility for asset allocation, an important part of managing climate risk, remains with the trustees of these pension funds, despite this being delegated to VLK under a fiduciary management approach. VLK works closely

with its clients to provide support on sustainability, including on climate change – though most of VLK’s clients benefit from using VLK’s own climate change policies and ambitions. The remainder of the Uniper sections of this report are written from the perspective of the Group Trustee – where we have assumed that the Group Trustee has adopted by default the VLK approach to climate policies.

We actively consider how climate change, the shifting regulatory environment and potential macroeconomic impact affect investments. We believe that climate change is a systemic risk with potential financial impacts associated with physical impacts and the transition to a low-carbon economy under different climate scenarios. We believe that these pose significant investment risks, as well as opportunities, with the potential to impact long-term value across all asset classes. VLK therefore supports the recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (‘TCFD’). As a representative of asset owners, we have a role to play in influencing the companies and organisations in which we invest to take account of climate change, including the provision of better climate-related financial disclosures, enabling us to make better informed investment decisions. How we do this is outlined in our Responsible Investment & Stewardship Report which, together with further information regarding our approach to sustainability more generally, can be found on our website.

Within the context of its fiduciary responsibility, the Group Trustee is supportive of the Paris Agreement to avoid dangerous Climate Change by limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C.

Our TCFD reporting summarises the Group Trustee’s current position with regards to the TCFD recommendations. The focus on our TCFD reporting is on updates of the climate metrics. The governance, strategy and risk management sections remain broadly similar to last year’s report.

United Utilities PLC

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

Managing Climate Risks and Opportunities – Governance and Risk Management Highlights

The Trustee has a robust framework for managing climate risks and opportunities. Key elements of this activity are summarised below. You can find more on these topics in the **Error! Reference source not found.** and **Error! Reference source not found.** sections of this report.

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

Activity During the Year

In our last report, we highlighted the completion of a significant milestone, when the Trustee took steps to provide benefit security for members through the purchase of a bulk annuity insurance policy (a "buy-in") in July 2023, in respect of a portion of the Group's liabilities. The insurer's management of climate change risks formed a key part of the decision-making criteria.

Following the buy-in, the year to 31 March 2025 has been focused on governance and monitoring. Key areas where the Trustee considered climate change matters included but are not limited to:

- Dedicating a material part of our annual Trustee Training day to climate change.
- Holding two meetings with the Group's investment manager, LGIM. Climate change risks and opportunities formed a substantive part of the discussions, including consideration of engagement, and the

investment manager’s pathway to achieving net zero greenhouse gas emissions.

- Meeting with the sponsoring employer’s sustainability team to consider how the employer is measuring, monitoring, and mitigating climate change related risks.
- Meeting with the bulk annuity insurer and also reviewing the insurer’s climate change scenario analysis to assess the robustness of the insurer in a range of potential scenarios.
- Reviewing the ESG policies of the Group’s custodian and bank counterparties, with a particular focus on exposure to fossil fuels.
- A review of our investment adviser against the strategic objectives set, which include specific objectives relating to ESG and climate change.

Climate Metrics and Progress Relative to Target

Climate metrics have two important roles. Firstly, by considering metrics for individual investment mandates and funds, they can help to identify climate risks and opportunities. For example, by highlighting funds that have a relatively high carbon footprint. Secondly, metrics are useful in charting the progress of the Group’s investments over time.

The Trustee has selected the metrics in the following table and report the metrics for the invested assets outside the bulk annuity. Details of metrics for the bulk annuity policy are shown overleaf.

Metric category	Selected metric	What does this represent?	Metric Value
			at 31 March 2025 (at 31 March 2024)
Absolute emissions	Total Greenhouse Gas Emissions	The tonnes of carbon dioxide and equivalents that the Group is responsible for financing.	3,314 tCO ₂ e (4,090 tCO ₂ e)
Emissions intensity	Carbon Footprint	The amount of carbon dioxide and equivalents (tCO ₂ e) emitted per million US\$ of Group investments.	38.3 tCO ₂ e/\$1m (43.4 tCO ₂ e/\$1m)
Portfolio Alignment	% of portfolio with targets approved by the Science Based Targets initiative (SBTi)	Assessment of the proportion of portfolio companies / issuers of securities that have set net-zero targets that have been validated by an independent body, the SBTi.	24.8% of all assets ¹ (21.8%)

Implied Temperature Rise (ITR) A forward-looking assessment of how aligned assets are relative to the Paris Agreement's 1.5°C goal, estimated based on the activities and decarbonisation targets of portfolio companies/issuers, relative to what global decarbonisation needs to be to meet 1.5°C. 1.9°C
(1.9°C)

For scope 1 and 2:

74.4% reported; 2.3%
estimated; 9.8%
unavailable; 13.5%
cash / other assets.

Additional Data Quality

The proportion of the assets for which there is high quality data.

2024 position:

76.5% reported; 1.0%
estimated; 13.7%
unavailable; 8.8%
cash / other assets.

A breakdown of scope 3 data quality is shown later in this report.

Note: Metrics are combined values for the LGIM LDI and Buy and Maintain Credit mandates unless otherwise stated. Where applicable, corporate and sovereign carbon emissions metrics have been combined by LGIM. ¹The % of portfolio with targets approved by the SBTi is only available for corporate assets, therefore it does not relate to the LGIM liability driven investment (LDI) which invests only in sovereign assets and derivatives.

L&G Bulk Annuity Policy

The Group has contracts in place with a life insurer, L&G, which will pay the pensions for a group of pensioner members. There are two main areas of climate-related risks:

L&G has committed to achieving carbon net zero across its annuities book of business in aggregate by 2050 to align with the Paris Agreement on Climate Change. As part of the L&G's strategic asset allocation process, climate-related risk is assessed in terms of physical, transition and litigation risks.

L&G has calculated the carbon emissions intensity (defined as tonnes CO₂e/£m on an EVIC basis) at 31 December 2024 as 52 tonnes CO₂e/£m. As at 31 December 2023, this figure stood at 57 tonnes CO₂e/£m, and at 31 December

2022 the figure was 64 tonnes CO₂e/£m. This demonstrates steady progress in reducing emissions intensity over time (a reduction of c. 19% over the period from 31 December 2022 to 31 December 2024. These figures are not directly comparable to the carbon footprint metrics shown in this report for the LGIM LDI and Buy and Maintain Credit mandates due to the different currency unit of the denominator.

L&G currently only report on climate-related metrics at the end of the year, and therefore 31 December 2024 is the closest reporting date to the Group’s own reporting date. The metrics L&G uses are not directly comparable to those chosen by the Trustee but are still useful in tracking progress over time. We have included them here for completeness and expect that reporting frameworks may converge in future to help with comparability.

The Group’s Climate Target

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

The rationale for the Group’s target is that it is:

Grounded in science	Clear plan	Alignment with the employer
<p>This target is considered necessary to reduce greenhouse gas emissions and keep global warming to 1.5°C, meeting the goals of the Paris Climate Agreement.</p>	<p>The Group’s investment manager and insurer are committed to net zero by 2050. Therefore, the assets are expected to get to net zero and the Trustee can objectively track this goal.</p>	<p>United Utilities has also set a net zero target. While recognising that pension schemes and companies have different legal and financial duties, a joined-up approach can be an enabler of success.</p>

As at 31 March 2025, the Group’s carbon footprint for the assets covered by our target was 38.3 tCO₂e/\$m invested (based on the available data). This is a decrease of c.12% over the year following a c. 50% decrease in the prior year.

Therefore, the Group had met its interim target as at 31 March 2025. This is positive but the Trustee recognises the data limitations and will keep working with the investment manager to stay on track for the net zero target by 2050. The Trustee invests the Group's corporate bonds in a mandate with an explicit "net zero" emissions target which forms a key step in our net zero transition strategy. The LDI mandate largely invests in UK government bonds and is therefore expected to decarbonise in alignment with the UK as a whole.

Western Power Distribution

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

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

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

Our commitment on climate change

We have committed our investment portfolios to achieving net-zero greenhouse gas emissions (i.e., not adding to the amount of greenhouse gases in the atmosphere) by 2050 and a 50% emissions reduction from 2020 levels by 2030 at the latest. We have reflected on our target setting and adjusted the baseline date to 2020 as data for 2019 is limited in certain asset classes and, we feel, is not a fair representation of the Group's strategy for the majority of the period measured.

We acknowledge there is a high degree of uncertainty in achieving this, as this requires progress across a range of areas, including global collaboration and the development of new, cost-effective technologies.

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

Our investments

We invest in a balanced portfolio of assets using carefully selected asset managers. A wide range of assets are held which have different exposures to greenhouse gasses.

We delegate the day-to-day investment decision-making to our asset managers. Our asset managers are in a position to exert significant influence on the companies in which they invest. In this regard, we expect our appointed asset managers to be responsible investors and in particular:

- Adopt effective climate change risk metrics to enhance the ability of all stakeholders in the investment chain to assess and minimise such risks. This includes assessing, integrating and reporting relevant greenhouse gas emissions metrics, including Scope 3 emissions, undertaking scenario analysis, and aligning investment portfolios with net zero greenhouse gas emissions by 2050
- Be signatories to the Principles for Responsible Investment (PRI)
- Disclosing against the TCFD reporting framework
- Engaging companies in investment portfolios in accordance with the UN Principles for Responsible Investment (UNPRI) and/or Stewardship Code requirements (Code Reporting Requirements) as appropriate. As a minimum, to report at least annually on (a) how climate change risks and opportunities have been incorporated into the managers' investment processes and (b) their engagement with companies they invest in to ensure that environmental, social and governance concerns are addressed.

Our property managers are expected to be signatories to the Global Real Estate Sustainability Benchmark (GRESB) and to maintain Green Star status.

Where one of our asset managers is not a signatory to the PRI and/or does not disclose against the TCFD and/or does not adhere to our reporting requirements, we require them to explain why this has not been done. We believe this is a step in the right direction to help us to consider climate change-related risks and opportunities and its impact on the Group as well as helping us to achieve our Climate Change targets. However, we know that there is more to be done and this is our focus, today and in the future.

Sustainability beyond climate change

Climate change is one of a number of sustainability issues important to our investment strategy. We have selected three key stewardship priorities for investment manager engagement, in order to improve alignment with its policies as well as enhance disclosure. The priorities are linked to the UN Sustainable Development Goals with an aim to improving responsible investment characteristics within the portfolio and ultimately deliver better outcomes to our members. Our stewardship priorities are:

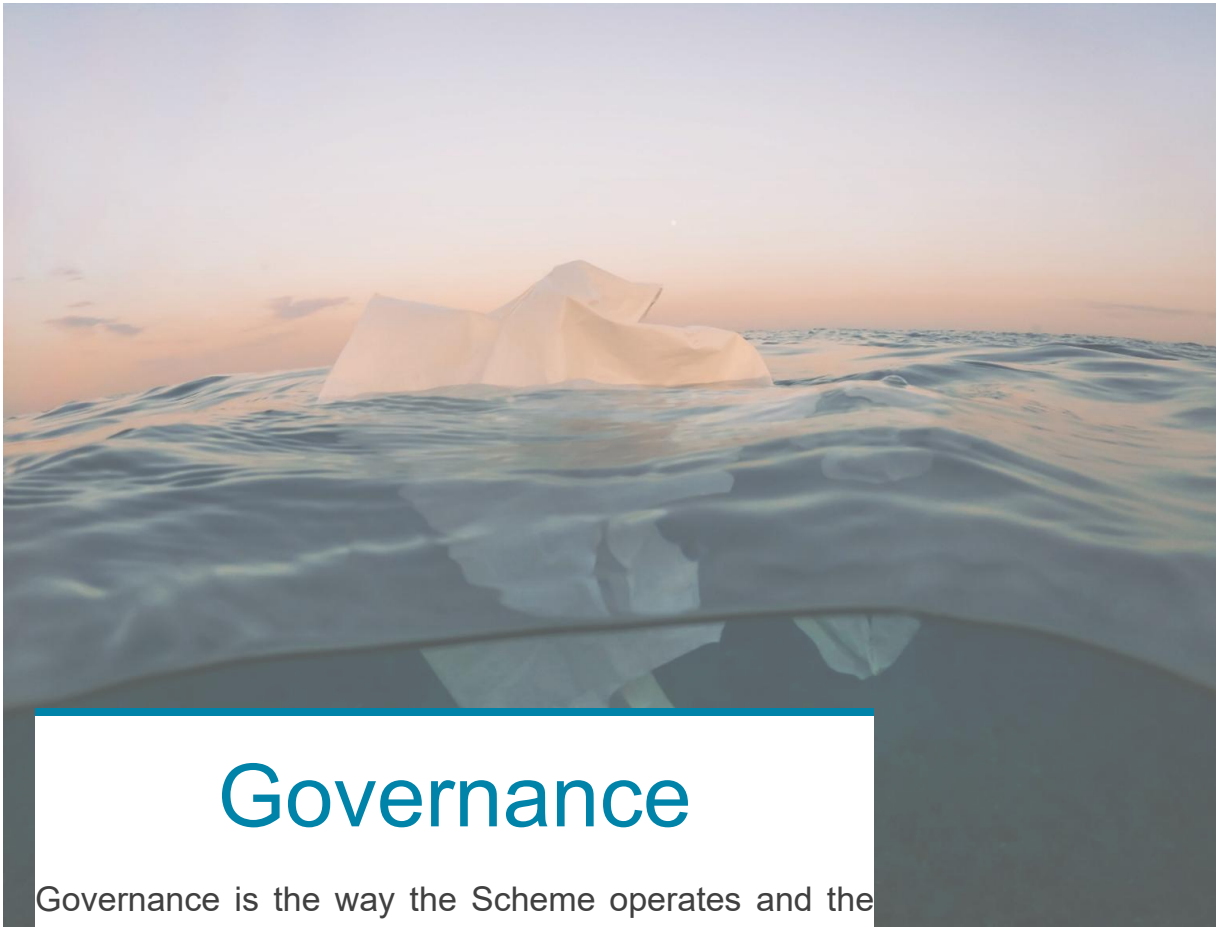
- Climate Crisis (with a focus on climate change and net zero greenhouse gas emissions)



Climate disclosures 31 March 2025

-
- Environmental Impact (with a focus on biodiversity, deforestation, and water)
 - Human Rights (with a focus on living wages, gender equality, and health and nutrition)

On behalf of the Group Trustees, the Investment Adviser has written to our asset managers reaffirming and expanding on our policy and expectations. We expect their asset managers to incorporate these priorities into their voting practices and the Investment Adviser will monitor manager disclosures to ensure alignment against them.



Governance

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



Climate risk and the Scheme

The Scheme Trustee acknowledges that there are both long- and short-term risks associated with climate change, and so considers the following time horizons:

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

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

Group time periods

Most Groups explicitly stated their definitions of the short-, medium- and long-term time periods. For most Groups, short term was defined as 0 to 5 years, with two exceptions. The medium term was defined as 5 to 10 years for the majority with two exceptions. Lastly, the long term was more varied, however the majority of Groups selected periods between 10 and 20 years, with two exceptions.

Group	Short Term	Medium Term	Long Term
Central Networks	5	10	20
E.ON	5	10	15
EDFG DB	2	2*	10
EDFG DC	10	25	40+
Magnox Electric	1-3	4-10	10+
Manweb	3	7	25
National Grid Electricity	1-3	4-10	11-20
Northern Powergrid	1-3	4-10	11-20
RWE	3	6	18
Schneider	< 5	6-10	11+
SSE Southern	3	5	15
UK Power Networks	1	3 - 5	10
United Utilities Plc	3	7	12
Uniper	3 – 6	7 – 15	15+
Western Power Distribution	5	10	20

Source: Groups. Some groups expressed their time periods in 'time to year x' – these Groups have been converted to a year count based upon the formula (year – 2025). Note that not all Groups explicitly stated the relevant time periods as applicable to their Group. (*) EDF DB has combined its short and medium-term time horizons in line with the Group's target self-sufficiency funding date of 2027.

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

Role of the Scheme Trustee

The Scheme Trustee maintains oversight of climate-related risks and opportunities which are relevant to the Scheme as set out in this Governance section of the report. In line with the two-tiered structure of the Scheme described above, investment strategy and implementation are the responsibility of the Group Trustees of the relevant Group. There was one limited exception of the Scheme's investments in the Forestry Sector (which up until completion of the Forestry Project comprised less than 1% of the Scheme's total assets), where Group Trustees chose to invest in the Forestry Sector and how much to invest, and management of the Forestry Sector was then led by the Scheme Trustee. Up until completion of the Forestry Project, the Scheme Trustee expected the Scheme's external Forestry Manager, Bidwells, a certified B Corp multidisciplinary property consultancy, to take climate change risk and stewardship into account when assessing the financial potential and suitability of investments.

The following statements therefore relate to the capacity of the Scheme Trustee in this regard. The role of the Group Trustees is described below.

- The Scheme Trustee was ultimately collectively responsible for oversight of all Governance matters related to the Forestry Sector until completion of the Forestry Project. This included approval of the governance and management framework relating to environmental, social and governance ("ESG") considerations and climate-related risks and opportunities. Given its importance, the Scheme Trustee has not identified one individual to specifically be responsible for the Scheme Trustee's response to climate risks and opportunities. Rather, the Scheme Trustee board has collective responsibility for setting the Scheme's climate change risk framework.
- The directors of the Scheme Trustee receive training on climate-related issues to ensure that they have the appropriate degree of knowledge and understanding of the identification, assessment, and management of risks from the effects of climate change and the opportunities from climate change to support good decision-making. The Scheme Trustee expects its advisers to bring important and relevant climate-related issues and developments to the Scheme Trustee's attention in a timely manner.
- The Scheme Trustee had direct responsibility for the Scheme's climate change risk management in respect of the Forestry Sector until completion of the Forestry Project and has coordinated the input of the Group Trustees for other assets other than Forestry for the purpose of this report.
- The Scheme Trustee monitors and reviews progress against the Scheme's climate change risk management approach annually.

Role of the Group Trustees

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

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

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

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

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

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

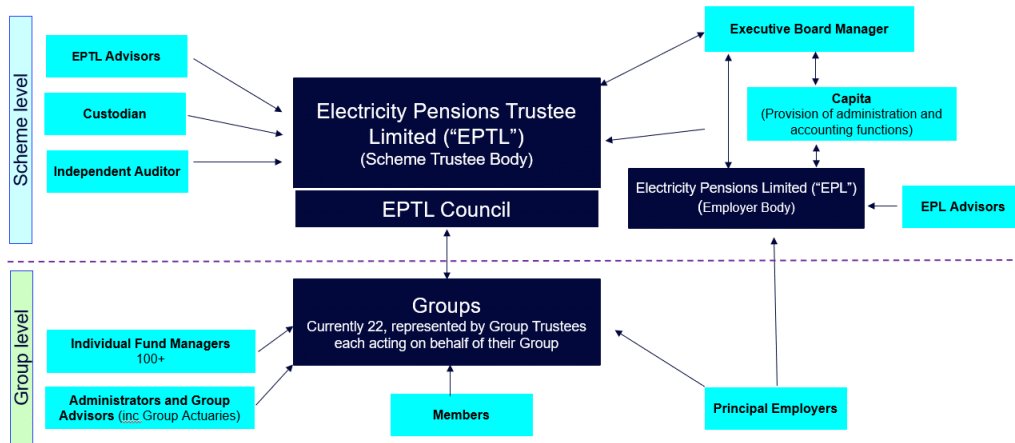
For example, the Group Trustee (the "EDF Group Trustee") of the EDF Group of the Scheme (the "EDF Group"), is ultimately responsible for identifying, assessing, monitoring and managing climate-related risks and opportunities which are relevant to the EDF Group. However there is also a sub-committee of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

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

How the Scheme Trustee works with its advisors

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

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



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

- **Investment consultant** – the Scheme Trustee and each Group Trustee appoints their own investment consultants. These investment consultants will provide strategic and practical support to the Scheme Trustee and the Group Trustees respectively in respect of the management of climate-related risks and opportunities and the recommendations set out by the TCFD. This includes provision of regular training and updates on climate-related issues (and where undertaken by that Group, climate change scenario modelling) to enable the Group Trustee to assess climate-related risks. In practice, some Groups (namely, Schneider, EA Technology, UK Power Networks and Uniper) use a fiduciary manager instead of an investment consultant, who supports Groups with these responsibilities, which may mean that a different approach is taken compared to other Groups.
- **Covenant adviser:** The covenant adviser for each Group will help the Group Trustees understand the potential impacts of climate change risk on the sponsor covenant of each Group.

Regular training

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

- **Actuary:** The Group Actuary for each Group will help the Group Trustees assess the potential impact of climate change risk on the Group's funding assumptions.
- **Fund managers:** The Scheme's fund managers (chosen by a particular Group Trustee and appointed by that Group Trustee and the Scheme Trustee) will help the Group Trustees understand how those managers consider climate change risk and opportunities in their investment approach and work with the Group Trustees to disclose relevant climate-related metrics as set out in the climate change governance reporting regulations.
- Capita Pension Solutions carries out administrative functions on behalf of the Scheme Trustee including the coordination of scheme wide governance activities and will coordinate scheme wide climate change activities as directed by the Scheme Trustee.

In addition, the Forestry Manager was responsible for taking ESG considerations as well as climate change risk and stewardship into account when assessing the financial potential and suitability of investments until the Forestry Project completed.

How the Group Trustees operate

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

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

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



Strategy

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



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

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

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

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

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

Transition risks

Transition risks relate to the need to transition to a low-carbon economy, including development of, and investment in, new technologies and services that support this transition as well as government policy to aid in the transition. Specific market-based activities comprise the mitigation of carbon emissions, and/or adaptation to be resilient against climate change:

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

Potential financial impacts from this transition include:

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

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

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

Physical Risks

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

Acute and chronic related hazards:

Acute

Chronic

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

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

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

Any associated mitigation measures and demand for insurance protection.

Climate-related opportunities

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

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

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

Our investments

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

Portfolio resilience and scenario analysis

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

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

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

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

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

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

change outcomes, the Scheme Trustee recognises that these scenarios are illustrative and subject to change.

Headline observations

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

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

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

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

Liabilities and funding impact

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

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

Impact assessment

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



Climate disclosures 31 March 2025

Group Responses

Central Networks

Net assets⁴ as at 31 March 2025: £2,580m.

Time periods

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

- Short-term to be up to 5 years
- Medium-term to be up to 10 years
- Long-term to be up to 20 years

We use these time periods alongside the metrics, scenarios and target-setting to inform our engagement with Cardano and with our asset managers.

Climate scenarios

Our three scenarios are 1.5°C Paris-aligned transition, 2°C “late transition” and 3°C “slow transition” or “hot house”.

- Paris-aligned transition – this is our goal: AIM/CGE⁵ 1.5°C assumes measures are taken that will keep the rise in temperature limited to 1.5°C
- Late transition – following a review in conjunction with Cardano, this is a forecast of what we think is most likely to happen: Late AIM/CGE 2°C assumes measures are introduced to tackle climate change, but are introduced too late to meet the Paris Agreement
- Slow transition – this is our hot-house scenario: AIM/CGE 3°C assumes current policies being continued. According to the UN, we are currently on track for 3°C warming

We have chosen to disclose three scenarios, because we believe this provides us with sufficient scope to inform our investment decisions. They are scenarios that highlight the impact of physical risks and transition risks as well as systemic risks in different scenarios and so enable us to draw conclusions about the different components of climate change-related risks and opportunities.

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

Impact of scenarios

For the following analysis, we have considered the period to 2030 consistent with our medium-term time horizon for the Group. We are realistic about the challenges with scenario analysis; it is too complex an impact to model far into the future with high confidence and too long a time horizon to be decision useful for the Group Trustee Directors. Nonetheless, it is important that we try to reflect the types of risks and opportunities that our strategy may face over the medium-term that may not materialise over shorter-term time horizons. We believe 2030 is an appropriate

⁴ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.

⁵ The Asia-Pacific Integrated Modeling/Computable General Equilibrium (AIM/CGE) is a multi-regional, multi-sectoral model analysing energy use, agriculture, and climate change policies (among other inputs). It is used by MSCI in determining the financial impacts of climate change.



timeframe as it is enough time for different policy and economic outcomes to develop and affect markets and to be decision useful to trustees.

Additionally, we assess resilience of the Sponsor's covenant and tolerance its tolerance to changes in assumptions.

We have chosen not to provide a quantitative assessment of scenario risks, as we believe that the commercially available scenario metrics are inadequate in the way that they quantify climate change risks. Instead, we have chosen to provide a qualitative assessment of various risks and ultimately portfolio outcomes based on narrative scenarios across the three scenarios for climate outcomes. Our analysis incorporates physical and transitional risks but also separates out systemic risk (impacts on the whole economy) which is often missing from current climate scenario modelling.

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

	1.5 degrees	2 degrees	3 degrees
Physical Risk	Moderate	Moderate	High
Transition Risk	High	Low	Initially moderate but increasingly uncertain
Systemic Risk	Positive	Moderate	High
Portfolio Impact	Positive	Moderate	Negative

- **Physical Risks:** The impacts of climate change on physical assets owned by a company or in its supply chain, from climate change. For example, the damage to a factory due to coastal flooding and storm damage
- **Transition Risks:** The impacts of climate change on the individual assets due to changing climate policies, legal risks, market and reputational risks faced by companies, particularly as reflected in the increase of either direct or indirect costs of greenhouse gas emissions of the company or its supply chain.
- **Systemic Risks:** The macro effects of the consumer and government policy responses to climate change which affect overall economic growth, inflation and broad market outcomes.
- **Portfolio Impacts:** The combined effect of the scenario on both assets and liabilities.

Climate opportunities

Investment decisions made with sustainability in mind

We have been investing in Forestry since the Group's inception in 2011 and increased our allocation over the past 5 years. In addition to growing and maintaining woodland we also use the land for the development of windfarms. Combined, these help to support a more sustainable world. For example, our manager Bidwells latest estimate stated that the Group's Bidwells holding has c.63,000T of CO2 net carbon benefit per year. In addition to this, via windfarms, the Group is currently supporting the generation of renewable energy equivalent to at least 78,000 homes and this is expected to increase over time as new windfarms are developed.

Engagement with companies and governments

We believe it is more important to engage with companies and governments and to supply enabling capital to achieve long-term profitable transformation and decarbonisation than it is to hit short term carbon footprint target metrics. For example, emerging markets, which have higher carbon footprints, in part because they produce carbon intensive goods consumed by developed markets, require capital in order to transform their economies.



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We will resist pressure to modify portfolios to meet headline portfolio level decarbonisation targets at the expense of incentivising the necessary real-world transition. Our goal is net zero greenhouse gas emissions globally – and we seek to maximise our influence to achieve this. In the long-term, this is the only effective strategy to mitigate the systemic effects on markets of climate change.

For these reasons, portfolio decarbonisation targets will continue to be reviewed at least every three years to ensure they remain appropriate and aligned with fiduciary objectives.

Asset manager engagement

The Group Trustee Directors expect:

- UK-regulated asset managers to be signatories of the Stewardship Code
- Non-UK regulated managers to exercise their voting rights in a manner consistent with a focus on medium- and longer- term investment performance

As part of their responsibilities, where applicable, the Group Trustee Directors expect the Group's asset managers to:

- Engage with investee companies with the aim to protect and enhance the value of assets; and
- Exercise the Group Trustee Directors' voting rights in relation to the Group's assets
- Incorporate the Group Trustee Directors' views on climate change risk and opportunities

With the assistance of our Investment Adviser, the Investment and Funding Committee undertakes an in-depth review of the investment managers' ESG credentials, including their stewardship and voting activity and policies every year. Our Investment Adviser monitors the stewardship activity of our investment managers on an ongoing basis and alerts the Investment and Funding Committee of any material concerns between this review period.

Scenario assumptions and limitations

We used a qualitative scenario assessment compared to quantitative analysis due to complexities and inaccuracies involved in forecasting the degree of warming that will result from climate change, including:

- Uncertainties surrounding regional projections and effects of climate change
- Uncertainties around the government policies which will drive transition risks including legislation and regulation, monetary policy and fiscal policy
- Uncertainties around consumer reactions to climate change and how preferences may change over time
- Uncertainties around the economic impacts on future growth and inflation of both the climate change factors and the government policies
- Uncertainties around the market reactions to changes in policy, consumer behaviour, growth and inflation prospects

Covenant Assessment

The strength of the sponsor covenant is an important factor in determining the resilience of the funding strategy, given that the Group depends on the Sponsor for support in the event of adverse experience.

Climate change and the global response to it will influence Short-, Medium-, and Long-term covenant resilience and could affect the ability to pay the member benefits in full. We therefore believe it is important for us to understand the CCRO faced by our Sponsor.

To help with this we have reviewed the Sponsor's stated environmental strategy and goals, by reference to both:

- The NGED Group (as the Sponsor is part of the NGED Group); and



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- The NG Group, as the NGED Group has aligned its position with the NG Group post integration of the NGED Group, and the NG Group is (as a much larger group) required to report and disclose on such matters as well as consulted with our independent covenant adviser.

Principal identified risks

The NGED Group and the NG Group (and by extension the Sponsor as part of both groups) play a central role in enabling and accelerating the energy transition and the move to a cleaner future. The vision is to be at the heart of a 'secure, affordable and clean energy future' and provide the platform for others to meet their own net zero commitments.

The direction of the energy transition is set. The UK government has set out ambitious energy targets in the Clean Power 2030 Plan, calling for 95% of Great Britain's generation to be produced by clean sources by 2030; there is also the target to achieve a net zero power system in the UK by 2035 by which time electricity demand is expected to increase by approx. 50% from 2024 levels in the UK (and in its US jurisdictions by approx. 25% over the same period).

There are ambitious supply and demand UK energy generation targets. The energy sector is undergoing a significant period of change as the UK works towards a net zero carbon future. Net zero cannot happen without the DNOs, which will be at the forefront of driving a more sustainable future and achieving net zero carbon emissions by 2050. To that end, and recognising that responsibility, the NGED Group directors ensured that the ED2 business plan placed the DNOs at the heart of the transition, outlining how they will create a smart, flexible energy grid, facilitate the mass connection of LCTs and ensuring the plan took full account of the UK Government's published plans to achieve net zero by 2050.

Energy systems will look very different in the coming decades, and the NG Group is working with governments and partners globally to accelerate this transition, while balancing decarbonisation, affordability and reliability. The NG Group's business strategy and CTP are aligned to a low carbon economy and decarbonising its operations, as highlighted by the continuing pivot to electricity globally.

From a general covenant perspective, the Group Trustee Directors:

- Consider the NGED Group/NG Group being central to decarbonisation and the electrification of heating and transport to be a positive (including planning for 1m+ EVs, c600k heat pumps and a significant increase in renewable energy), in that it will lead to greater electricity demand and the associated need for investment in the network to enable more power to be provided.
- Note the NGED Group/NG Group have incorporated their key mitigating and adaption responses into its business plans which are regularly reviewed.
- Note that NGED Group reports on various adaption actions such as substation flooding resilience programmes and storm weather responses to Ofgem as part of its normal reporting requirement. Many network assets have long useful lives; therefore, the NGED Group takes account of predicted climate change impacts when planning new installations or safeguarding existing key equipment (for example flood protection currently being provided to key assets is designed to be resilient to the end of this century).
- Note the continued strength of the employer covenant (as advised by their independent covenant adviser), noting in particular:
 - The regulatory framework/ringfence.
 - Investment grade credit ratings.
 - Strong operational performance – Sponsor/NGED Group profitability and operational cash generation.
 - Strong Sponsor/NGED Group balance sheet(s) with significant coverage for the scheme.



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- Good degree of certainty around the Sponsor's/NGED Group's profitability, operational cash generation and recovered investment in the network (as a result of the various RIIO-ED price control periods).
- The strategic pivot towards electricity has positioned the NG Group to benefit from the significant growth opportunities from the transition to net zero; these opportunities are reflected in recent NG Group announcements forecasting £60bn of investment across its energy networks and adjacent businesses (with £51bn linked to the decarbonisation of energy networks and considered aligned with the principles of the EU Taxonomy for climate change adaptation and mitigation); this sets out the 'once-in-a generation' increase in capacity to build the networks of the future, so customers can connect quicker than previously planned.

Notwithstanding these general views, the Group Trustee Directors have noted the transition scenario analysis undertaken by the NG Group and the risks/opportunities associated with those various transition scenarios:

The Group Trustee Directors also note the NG Group's own conclusions that:

- None of the transition scenarios threaten the NG Group's resilience.
- It is in a strong position to adapt its portfolio to maximise the opportunities of the energy transition.
- The momentum behind decarbonisation targets makes growth of electrification certain even in the most pessimistic scenarios, but there is still a wide range of possibilities for the future.

Whilst the Group Trustee Directors recognise that there are risks associated with climate change above, in all scenarios and specifically in the chosen scenario, we currently expect continued covenant reliance/support for the Scheme at least beyond the medium-term (being the NG Group's strategic business planning process period), ensuring that the network remains resilient to ensure consumer demand is met.

As funding improves, and we continue to de-risk our investment strategy, reliance on the Sponsor covenant will reduce. This is expected to be the case at least over the medium-term (as above). Although we expect the impact of any risk to reduce over time, we will continue to monitor the Sponsor covenant as part of our ongoing management of the Group and CCRO.

The full covenant assessment for the Group is included within the Scheme Annex.



EA Technology

Net assets⁶ as at 31 March 2025: £75m

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

Climate scenarios

In the analysis that follows, Aladdin Climate has leveraged industry-standard NGFS scenarios to assess the potential impact of both Transition and Physical Risk, which is expressed in the analysis as physical climate adjusted value (also described as physical risk) and transition climate adjusted value (also described as transition risk), respectively. The scenarios themselves are taken directly from NGFS and are not a reflection of BlackRock’s views.

Physical and Transition Risk are modelled separately as they require different model drivers. For the next 20 years, the increase of Physical Risk is unaffected by the transition pathway.

Available NGFS scenarios ⁷	NGFS Net Zero 2050	NGFS Delayed Transition	NGFS Current Policies
Temperature rise by ~2100	~1.5 degrees	~1.8 degrees	~3.3 degrees

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

The “counterfactual” (NGFS Current Policies) assumes no additional warming for Physical Risk scenarios, and no additional policies enacted for Transition Risk scenarios. The outputs are therefore conservative by design (i.e. they produce more severe outcomes) which is consistent with stress testing market practice. Essentially “de minimis” pricing of climate change is assumed.

Due to different methods the Physical and Transition Risk adjusted values cannot be added to provide a total climate risk adjusted value.

Aladdin Climate scenarios and models have limitations – they may not capture compounding effects of climate change or the scale of monetary and fiscal policy response. The models’ assumptions about changes in financial valuations may therefore be incorrect.

The climate models used do not predict abrupt or irreversible changes that may result from reaching critical climate thresholds or “tipping points”. They may also not adequately reflect feedback loops, and therefore underestimate systemic economic impact.

Given evolving nature of climate analytics, we expect input data and models to change over time, with potentially significant impacts on results

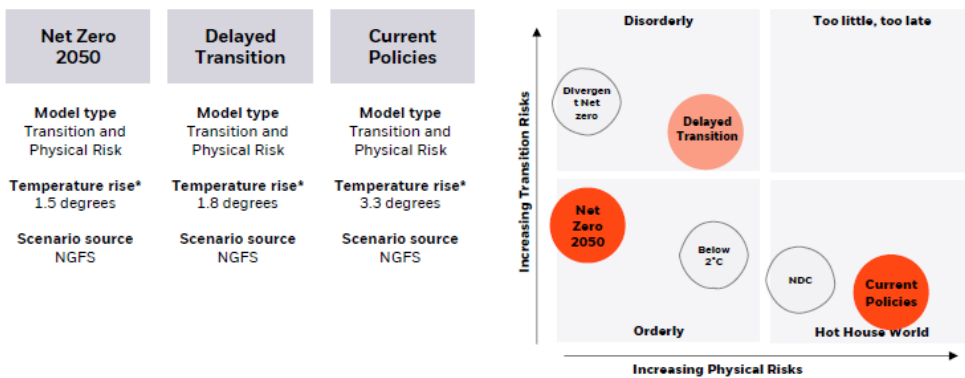
⁶ Scheme Trustee Report and Accounts for the year-ending 31 March 2025.

⁷ NGFS (Network for Greening the Financial System) published Phase 3 scenarios overview can be found here https://www.ngfs.net/sites/default/files/medias/documents/ngfs_climate_scenarios_for_central_banks_and_supervisors_.pdf and technical documentation here https://www.ngfs.net/sites/default/files/medial/2022/11/21/technical_documentation_ngfs_scenarios_phase_3.pdf. NGFS has since released an updated scenario suite (Phase IV) that is on our near-term roadmap to be brought into the Aladdin Climate offering.

Source: BlackRock, December 2024

More overview

In Aladdin Climate reporting, the below climate-related scenarios are modelled as an instantaneous shock to an asset, or a sector benchmark through the Temperature Alignment models. All of these scenarios model Transition and Physical Risk and are defined by NGFS. The Current Policies scenario is Aladdin Climate's base scenario, for Transition Risk to which the Net Zero 2050 and Delayed Transition scenario are compared, for Physical risk we use a base scenario where we assume no additional climate damages in future.



8

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

Understanding Physical Risk

Physical climate risk can manifest in both acute and chronic ways. Acute risks are event-driven, such as increasing extreme weather, increased wildfires, widespread inland flooding. Chronic risks are longer-term and generally less obvious, covering impacts including more volatile and higher average temperatures, and rising sea levels. Physical climate risk, among other risks, has impacts on both short- and long- term investing, with both direct (e.g., damage to property or consumer locations) and indirect (e.g., supply chain disruption) impacts. BlackRock has partnered with climate scientists and research groups to better quantify the financial implications of Physical Risk, combining local climate and econometric data with our financial models to understand the effects of a changing climate.

Physical Climate Scenario Analysis

By combining scenario projections from peer reviewed climate science with econometric models, we can better understand the financial implications of varying carbon emissions pathways on portfolios. Aladdin Climate models the following NGFS scenarios:

⁸ Policy ambition temperature rise by 2081-2100 relative to 1850-1900 source: NGFS <https://www.ngfs.net/ngfs-scenarios-portal/explore/>
Source: NGFS, August 2022, BlackRock December 2024.



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- Current Policies – a “hot house world” scenario developed by NGFS. Current Policies assumes that only currently implemented policies are preserved, leading to high Physical Risk. Emissions grow until 2080 leading to about 3°C of warming, resulting in irreversible changes like higher sea level rise.
- Net Zero by 2050 – an orderly scenario developed by NGFS. Global warming is limited to c. 1.5°C through stringent climate policies and innovation, with CO2 emissions reaching “net zero” in c. 2050
- Delayed Transition - a disorderly scenario developed by NGFS. It assumes that no action is taken in the near term, and that strong policies are then needed from 2030 onwards to limit warming to below 2°C

Source: BlackRock, December 2024.

Understanding Transition Risk

Transition Risk identifies the risks and opportunities that arise from exposure to society’s transition to a lower-carbon economy. The transition is already re-wiring the economy across sectors impacting investments through policy, technology, and behavioural change. However, the speed and shape of the transition is uncertain and uneven. Investors will need to identify and manage risks and opportunities resulting from the transition across their portfolios, with an awareness for differentiations across market channels, sectors, and regions. Aladdin Climate quantifies this impact of transitioning to a lower-carbon economy at the asset level, allowing for meaningful risk identification and portfolio analysis. These analytics are a product of collaboration across BlackRock’s economic researchers, energy value chain experts, and financial analysts.

Transition Scenario Analysis

Transition scenario analysis is a key analytical technique used to model the potential transition scenarios for our economy, and the varying shapes and speeds of response. Such scenarios evaluate the potential futures of economic activity (e.g., GDP and population) alongside energy and land use patterns, as well as embed complex assumptions regarding the socioeconomic drivers of policy, technology, and consumer preferences. While there is vast uncertainty in what will happen, transition scenario analysis enables an understanding of what could happen, and the potential impacts to securities, issuers, and portfolios. Current scenarios referred to as “Net Zero” help us understand what society needs to do to reach Net Zero emissions by 2050 and limit average annual temperature rise to 1.5°C - 2°C by the end of the century, consistent with the Paris Agreement. Aladdin Climate currently models the following NGFS scenarios:

- Current Policies – a “hot house world” scenario developed by NGFS. Current Policies assumes that only currently implemented policies are preserved, leading to high Physical Risk. Emissions grow until 2080 leading to about 3°C of warming, resulting in irreversible changes like higher sea level rise.
- Net Zero by 2050 – an orderly scenario developed by NGFS. Global warming is limited to c. 1.5°C through stringent climate policies and innovation, with CO2 emissions reaching “net zero” in c. 2050
- Delayed Transition - a disorderly scenario developed by NGFS. It assumes that no action is taken in the near term, and that strong policies are then needed from 2030 onwards to limit warming to below 2°C

Aladdin Climate uses the Current Policies scenario as the “counterfactual” scenario, i.e. other scenarios are compared to that counterfactual to derive transition risk impact.

Source: BlackRock, December 2024.

Impact of scenarios

Physical and transition risk: Assets

	Notional Market Value (£m)	Allocation (%)	Physical Climate Adj. Value %		Transition Climate Adj. Value %	
			Net Zero 2050	Delayed Transition	Net Zero 2050	Delayed Transition
Growth Strategy	11.4	14.9				
Alternatives	11.4	14.9	-	-	-	-
Bentall GreenOak Real Estate Debt	1.6	2.1	-	-	-	-
Permira PCS II	1.4	1.8	-	-	-	-
Permira PCS IV	8.4	11.0	-	-	-	-
Cash	0.0	0.0	0.0%	0.0%	0.0%	0.0%
Liability Hedging Strategy	65.0	85.1				
BlackRock LDI	43.5	57.0	-0.2%	-0.2%	-0.4%	0.7%
Cash	21.5	28.1	0.0%	0.0%	0.0%	0.0%
Total Fund	76.4	100.0				

Estimates are based on assumptions and are subject to change. Source: BlackRock, based on holdings as at 31 December 2024, unless otherwise stated. Holdings data for 3rd party managers (Alternative assets) sourced from individual managers as at 31 December 2023. Analysis produced by BlackRock is reliant on the accuracy of the holdings data and/or any other information provided by those managers. Due to differences in the scenario counterfactuals and valuation methodologies, Physical and Transition Risk should not be added to show a total climate risk. Individual securities not covered by Aladdin Climate are assumed to be impacted in line with the relevant portfolio average. Cash is assumed to be non-applicable and assumed to experience an impact of 0.0%. The BGF Continental European Flexible Fund has been omitted from the analysis given the de-minimis allocation.

The potential impact of transition and physical risk on the LDI portfolio and pension scheme liabilities has been modelled separately in Aladdin through calibration of user specified stress tests intended to be consistent with the climate scenarios shown.

Physical and transition risk: Assets, liabilities and funding

	Notional Market Value	Physical Climate Impact		Transition Climate Impact	
		Net Zero 2050	Delayed Transition	Net Zero 2050	Delayed Transition
Assets	76.4	76.4	76.4	76.3	76.7
Liabilities	74.4	74.3	74.3	74.3	74.7
Surplus	2.0	2.0	2.0	1.9	2.1
Funding ratio	102.7%	102.7%	102.7%	102.6%	102.8%
Change in surplus	-	0.0	0.0	-0.1	0.1
Change in funding ratio	-	0.0%	0.0%	-0.1%	0.1%

Estimates are based on assumptions and are subject to change. Source: BlackRock, based on holdings as at 31 December 2024, unless otherwise stated. Holdings data for 3rd party managers (Alternative assets) sourced from individual managers as at 31 December 2023. Analysis produced by BlackRock is reliant on the accuracy of the holdings data and/or any other information provided by those managers. Due to differences in the



scenario counterfactuals and valuation methodologies, Physical and Transition Risk should not be added to show a total climate risk. Individual securities not covered by Aladdin Climate are assumed to be impacted in line with the relevant portfolio average. Cash is assumed to be non-applicable and assumed to experience an impact of 0.0%. The BGF Continental European Flexible Fund has been omitted from the analysis given the de-minimis allocation.

The potential impact of transition and physical risk on the LDI portfolio and pension scheme liabilities has been modelled separately in Aladdin through calibration of user specified stress tests intended to be consistent with the climate scenarios shown.

UK Sovereign Bonds⁹

Orderly transition - transition risk

Rationale	Catalysts	Calibration
<ul style="list-style-type: none"> A transition to Global Net Zero by 2050 is achieved via immediate and smooth policy responses Carbon taxes are channelled back to the economy via government investment 	<ul style="list-style-type: none"> UK sees up to 2% p.a. GDP gains peaking in 2027 (50% of carbon tax assumed to be reinvested into the economy) UK inflation around 1.9% higher peaking in 2026, largely driven by repricing of carbon prices Price of carbon rises to over 800 \$/ton by 2050. 	<p>The UK yield curve rises modestly as growth accelerates.</p> <p>Higher inflation however drives most of the impact on UK LDI assets and pension liabilities</p> <p>There is assumed to be no significant central bank response to higher inflation.</p>

Orderly transition - physical risk

Rationale	Catalysts	Calibration
<ul style="list-style-type: none"> Robust corrective action is taken to reduce emissions is taken but temperatures still rise by 1.5°C by c 2100 relative to pre-industrial levels 	<ul style="list-style-type: none"> Physical changes such as higher temperatures, sea-level rises and hurricanes impact GDP. The impacts are largely felt from 2050 onwards 	<p>The UK yield curve increases modestly in the near term, but more for longer tenors as physical risks become for evident.</p>

Disorderly transition - transition risk

Rationale	Catalysts	Calibration
<ul style="list-style-type: none"> A delayed transition starts in 2030 Carbon taxes are used to cut income tax, thus boosting private consumption There is a negative shock to business confidence as stringent policies are introduced 	<ul style="list-style-type: none"> There is a negative impact on UK GDP particularly in the early to mid 2030s UK inflation around 1% higher than in a base case peaking in 2032 largely driven by repricing of carbon prices Price of carbon rises from 0 in 2030 to over 1000 \$/ton by 2050 	<p>The middle of the UK yield curve rises modestly as the risk premia (probability of default) applied to the UK increases.</p> <p>Higher inflation is priced in from 2030 onwards</p> <p>There is assumed to be no significant central bank response to higher inflation.</p>

Disorderly transition - physical risk

Rationale	Catalysts	Calibration
<ul style="list-style-type: none"> Some corrective action to reduce emissions is take but temperatures still rise by 1.8°C by c 2100 relative to pre-industrial levels 	<ul style="list-style-type: none"> Physical changes such as higher temperatures, sea-level rises and hurricanes impact GDP. The impacts are largely felt from 2050 onwards 	<p>The UK yield curve increases modestly in the near term, but more for longer tenors as physical risks become for evident.</p>

Scenario assumptions and limitations

There are a number of portfolios for which we do not have adequate data (defined as less than 50% coverage) on the underlying holdings to provide quantitative scenario analysis. These have been excluded from the analysis. These include:

- Bentall GreenOak Real Estate Debt
- Permira PCS II
- Permira PCS IV

Source: BlackRock, based on holdings as at 31 December 2024 unless otherwise stated. Holdings data for 3rd party managers (Alternative assets) sourced from individual managers as at 31 December 2023. Analysis produced by BlackRock is reliant on the accuracy of the holdings data and/or any other information provided by those managers.

⁹ The impact of transition and physical risk on LDI portfolios and pension scheme liabilities have been modelled separately in Aladdin through calibration of user specified stress tests intended to be consistent with the climate scenarios shown.

Source: BlackRock, December 2024.



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E.ON

Net assets¹⁰ as at 31 March 2025: £2,969m.

Time periods

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

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

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

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

Climate scenarios

Our three scenarios are 1.5°C Paris-aligned transition, 2°C “late transition” and 3°C “slow transition” or “hot house”.

- Paris-aligned transition – this is our goal: AIM/CGE11 1.5°C assumes measures are taken that will keep the rise in temperature limited to 1.5°C;
- Late transition – following a review in conjunction with our Investment Adviser, this is a forecast of what we think is most likely to happen: Late AIM/CGE 2 degrees assumes measures are introduced to tackle climate change, but are introduced too late to meet the Paris Agreement;
- Slow transition – this is our hot-house scenario: AIM/CGE 3°C assumes current policies being continued. According to the UN, we are currently on track for 3°C warming.

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

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

¹⁰ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.

¹¹ The AIM/CGE model is a multi-regional, multi-sectoral, computable general equilibrium (CGE) model.



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

The Impact of scenarios

For the following analysis, we have considered the period to 2030 consistent with our medium-term time horizon for the Group. We are realistic about the challenges with scenario analysis; it is too complex an impact to model far into the future with high confidence and too long a time horizon to be decision useful for the Group Trustee. Nonetheless, it is important that we try to reflect the types of risks and opportunities that our strategy may face over the medium-term that may not materialise over shorter-term time horizons. We believe 2030 is an appropriate timeframe as it is enough time for different policy and economic outcomes to develop and affect markets and to be decision useful for the Group Trustee.

We have chosen not to provide a quantitative assessment of scenario risks, as we believe that the commercially available scenario metrics are inadequate in the way they quantify climate change risks. Instead, we have chosen to provide a qualitative assessment of various risks and ultimately portfolio outcomes based on narrative scenarios across the three scenarios for climate outcomes. Our analysis incorporates physical and transitional risks but also separates out systemic risk (impacts on the whole economy) which is often missing from current climate scenario modelling.

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

	1.5 degrees	2 degrees	3 degrees
Physical Risk	Moderate	Moderate	High
Transition Risk	High	Low	Initially moderate but increasingly uncertain
Systemic Risk	Positive	Moderate	High
Portfolio Impact	Positive	Moderate	Negative

Definition of risk types

- Physical Risks: The impacts of climate change on physical assets owned by a company or in its supply chain, from climate change. For example, the damage to a factory due to coastal flooding and storm damage.
- Transition Risks: The impacts of climate change on the individual assets due to changing climate policies, legal risks, market and reputational risks faced by companies, particularly as reflected in the increase of either direct or indirect costs of greenhouse gas emissions of the company or its supply chain.
- Systemic Risks: The macro effects of the consumer and government policy responses to climate change which affect overall economic growth, inflation, and broad market outcomes.
- Portfolio Impacts: The combined effect of the scenario on both assets and liabilities.

Scenario assumptions and limitations

We used a qualitative scenario assessment compared to quantitative analysis due to the complexities and inaccuracies involved in forecasting the degree of warming that will result from climate change, including:

- Uncertainties surrounding regional projections of climate change.



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- Uncertainties around the government policies which will drive transition risks including legislation and regulation, monetary policy and fiscal policy.
- Uncertainty around consumer reaction to climate change and how preferences may change over time.
- Uncertainties around the economic impacts on future growth and inflation of both the climate change factors and the government policies.
- Uncertainties around the market reactions to changes in policy, consumer behaviours, growth, and inflation prospects.

Covenant assessment

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

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

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

Cardano Advisory undertook the first full climate scenario analysis in 2022 to assess the resilience of the employer covenant to climate risks. In June 2025, Cardano Advisory prepared a full climate scenario analysis update of the 2022 assessment, the results of which are summarised below.

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

Principal identified risks

The key risks identified by Cardano Advisory in each of the scenarios considered in 2025 included:

Paris Aligned scenario:

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

Late scenario:

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



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Slow Transition scenario:

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

Timing of identified risks

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

Near to medium-term

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

Long-term

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

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

Covenant assessment conclusion

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

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

1. to integrate climate risk analysis on covenant, funding and investment to assess whether these risks are correlated;
2. to monitor the climate covenant risks identified in this assessment through the Group Trustee's regular monitoring framework, particularly in respect of the longer-term reliability under the updated Funding Code;
3. to regularly scan for potential regulations or changes in policy that might impact the covenant; and
4. to document identified climate related risks and mitigation strategies in an integrated way within the DWP mandated disclosures.



EDFG

Net assets¹² as at 31 March 2025: £5,280m.

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

EDFG - Defined Benefit section

Time periods

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

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

The Group Trustee continues to explore investment opportunities which are both appropriate for the Group from an investment perspective and aligned with the goals of the Paris Agreement of avoiding dangerous climate change by limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C. In Q4 2024, the Group Trustee was presented with two new credit investment managers with stewardship capabilities: Janus Henderson and Aegon. Both investment managers have ESG frameworks that are integrated into their investment processes, with focuses on increasing transparency, disclosing information and reducing carbon emissions to help meet these targets. Following this investment manager proposal, the Group decided to invest in these funds. The Group Trustee believes that investing in such opportunities can ensure they remain in-line with their fiduciary responsibility while supporting the goals of the Paris Agreement. The Group Trustee moved their investment in the M&G Alpha Opportunities Fund to the M&G Sustainable Total Return Credit Investment Fund prior to this reporting year.

¹² Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025. Figure includes DB and DC.



Climate scenarios

In order to assess the impact of potential future climate scenarios on the Group's assets, the Group Trustee undertakes detailed scenario analysis periodically (at least triennially, in line with the Group's triennial actuarial valuation). Following a recommendation from the IC (with input from Redington), the Group Trustee agreed in March 2024 that the Group's scenario analysis methodology would be updated from the PRA (Prudential Regulation Authority) to the NGFS (Network for Greening the Financial System) methodology. The new NGFS stress scenarios represent an improvement in methodology as they are updated annually, are more granular and rigorous at the company/instrument level and capture upside potential from climate opportunities, as opposed to solely focusing on downside risks.

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

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

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

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

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

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

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



Impact of climate scenario analysis on Group liabilities

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

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

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

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

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

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

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



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

Covenant Assessment

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

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

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

EDF faces a number of physical and transitional risks. In the most negative scenario considered as part of its analysis for its 2024 Universal Registration document, EDF estimated that the financial impact of transitional risks would be for "EBITDA [to be] down over €5 billion" in 2035 vs. a baseline scenario. A quantitative estimate of the impact of physical risks is not provided, although EDF's qualitative comments remain in line with the previous year suggesting limited change.

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

As part of its covenant monitoring programme, Penfida will continue to monitor the financial impact on the covenant of transitional and physical risks, including those arising from regulatory and governmental changes. It will also continue to monitor EDF's ESG ratings and how they develop, as well as the progress towards, and evolution of, EDF's targets. (Source Penfida, May 2025).

Scenario assumptions and limitations

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

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

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



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

Modelling approach and limitations

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



EDFG - Defined Contribution section

Time periods

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

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

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

Climate scenarios

When considering scenario analysis, the Group Trustee has focused on the impact from changes within the EDGF Growth Fund (noting the underlying fund is the Mercer Growth Fund). This is due to the challenge of scenario analysis on the other Funds that make up the popular arrangements and because this Fund is a large component of the Group's total assets by value. Scenario analysis was carried out for the 2023 report by Mercer. The Group Trustee considers scenario analysis as part of strategic decision-making on an ongoing basis. The Group Trustee must undertake scenario analysis no less than every three years, and in each of the two years following analysis, must review whether refreshed scenario analysis is required to adequately assess climate-related risks to the Group.

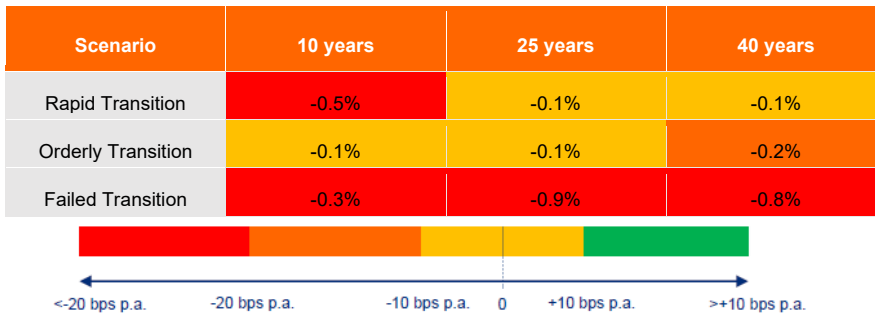
Given that the last scenario analysis was carried out less than three years ago, and no significant changes have been made to the investment strategy since then, the Group Trustee has determined that new scenario analysis at this stage is not strategically useful in determining climate-related risks as the strategic asset allocation is in transition. The Group Trustee intends to review refreshed scenario analysis as part of the 2026 TCFD report.

Mercer Workplace Savings ("MWS") has conducted the following analysis to highlight the additional climate change impact on return p.a. over 10 years, 25 years and 40 years based on the strategic asset allocation of the Mercer Growth Fund as at 31 December 2022. For the Group, the majority of its members are likely to be within 30 years of retirement, though there is potential for a small number of its youngest members to remain invested in 40 years' time.

MWS' analysis illustrates that a failed transition is by far the worst in terms of long-term returns.

This supports the view that long term investors collectively trying to bring about an effective transition is aligned to their fiduciary duty to seek the best return within risk, liquidity and complexity restraints.

Mercer Growth Fund, annualised impact on return



By setting the shorter time horizon at 10 years, MWS is able to assess the impact of transition risks; rapid transition risks are priced in around 2025. All scenarios have priced in shocks relating to future physical damage from the end of the 2020s into the 2030s.

Physical risks are regionally differentiated, consider variation in expected temperature increase per region and increase dramatically with rising average global temperature. Physical risks are built up from:

- Gradual physical impacts associated with rising temperature (agricultural, labour, and industrial productivity losses)
- Economic impacts from climate-related extreme weather events

The current modelling does not capture environmental tipping points or knock-on effects (e.g., migration and conflict).

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

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

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



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

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

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

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

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

- Where the impact of natural catastrophes leading to physical damages through extreme weather events.
- Availability of resources is expected to become more important if changes in weather patterns (e.g. temperature or precipitation) affect the availability of natural resources such as water.

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

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

MWS considers other, bottom up, mechanisms to manage climate risks where necessary, these are detailed in section 3 - Risk Management.

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

The Mercer Growth Fund has explicit decarbonisation targets. The greatest emission risk in the current arrangement arises from Global Listed Infrastructure and Low Volatility Equity (along with Emerging Market Equity also within the Mercer Growth Fund). Whilst these asset classes contribute the highest emissions at present within the arrangement, there is still a relevant place for these within the strategic asset allocation at present.

Scenario assumptions and limitations

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

1. The further into the future you go, the less reliable any quantitative modelling will be.



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2. Looking at average asset class returns over multi-decade timeframes leads to invariably small impacts. The results are potentially significantly underestimated.
 3. There is a reasonable likelihood that physical impacts are grossly underestimated. Feedback loops or 'tipping points', like permafrost melting, are challenging to model particularly around the timing of such an event and the speed at which it could accelerate.
 4. Financial stability and insurance 'breakdown' is not modelled. A systemic failure may be caused by either an 'uninsurable' 4oC physical environment, or due to the scale of mitigation and adaption required to avoid material warming of the planet.
 5. Most adaptation costs and social factors are not priced into the models. These include population health and climate-related migration.



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Magnox Electric

Net assets¹³ as at 31 March 2025: £2,203m.

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

Time periods

The Group Trustee assessed the climate-related risks and opportunities over multiple time horizons. The Group Trustee has decided the most appropriate time horizons for the Group are:

- short term: 1-3 years.
- medium term: 4-10 years.
- long term: beyond 10 years.

When deciding the relevant time horizons, the Group Trustee considered the liabilities of the Group and its obligations to pay benefits.

Climate scenarios

The Group Trustee updated the climate change scenario analysis for the SLC Section, as a proxy for the Group, during the previous year's reporting period. This helped the Group Trustee to better understand the impact climate change could have on the Group's assets and liabilities.

The analysis looks at five climate change scenarios. The Group Trustee chose these scenarios because it believes that they provide a reasonable range of possible climate change outcomes. The climate scenarios are compared to a "base case" scenario.

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

The climate scenarios intend to illustrate the climate-related risks the Group is currently exposed to, using the SLC Section as a proxy for the Group as a whole. This analysis highlights areas where risk mitigation could be achieved through changing the investment portfolio.

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

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

Group Trustee update

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

- a significant/material change to the investment and/or funding strategy; or
- the availability of new or improved scenarios or modelling capabilities or events that might reasonably be thought to impact key assumptions underlying scenarios.

¹³ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.



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The Group Trustee reviewed the scenario analysis completed as at 30 September 2023 and has decided to not refresh the analysis, given no material changes to the above conditions.

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

Base scenario	No transition	Disorderly transition	Abrupt transition	Orderly transition	Smooth transition
2°C – 2.5°C	>4°C	<3°C	1.5°C – 2°C	1.3°C – 2°C	<1.5°C
Emission reductions start now and continue in a measured way in line with the objectives of the Paris Agreement and the UK government's legally binding commitment to reduce emissions in the UK to net zero by 2050.	No further action is taken to reduce greenhouse gas ("GHG") emissions leading to significant global warming.	Limited action is taken, and insufficient consideration is given to sustainable long-term policies to manage global warming effectively.	Explores the impact of delayed action on climate change for five years with governments eventually forced to address greenhouse gas emissions due to increasing extreme weather events.	Immediate and coordinated action to tackle climate change is taken using carbon taxes and environmental regulation.	Shows how rapid advancement of green technology, private innovation and tiered environmental regulation and greenhouse gas taxes could achieve a smooth transition to a low carbon world.

Impact of scenarios

The Group Trustee has undertaken the climate scenario analysis based on the SLC Section's strategic allocation which is outlined below.

Asset Class	Strategic weighting (%)
Multi Asset	0.1%
Bank Loans	0.1%
Property Debt	4.9%
PFI Infrastructure	11.1%
Inflation Opportunities	7.9%
Property	5.0%
Long Lease	3.7%
Global Infrastructure	5.0%
PRS Property	7.3%
Direct Lending	5.7%
Bank Capital Relief	3.7%
Robeco Credit	7.0%
LDI and Cash*	38.5%

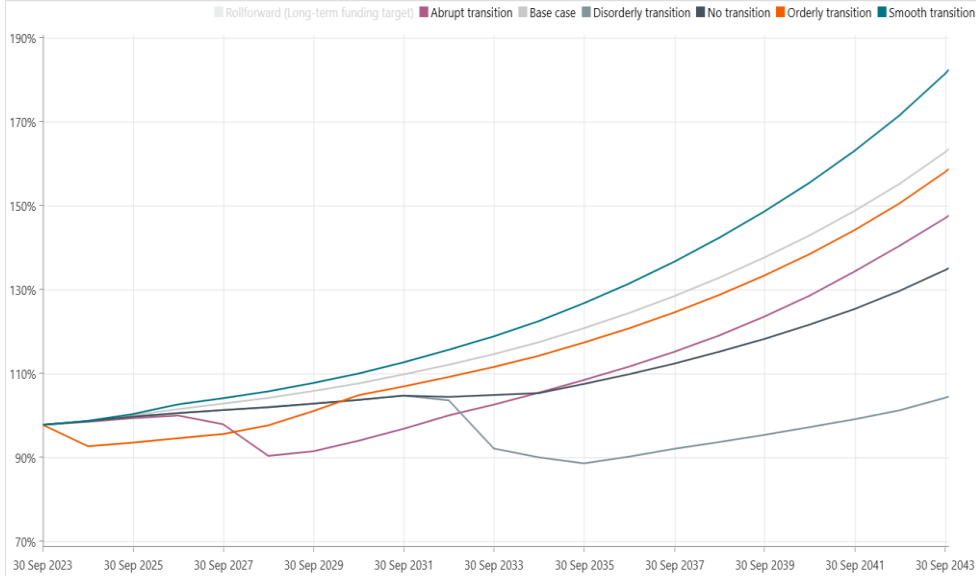
Data as at 30 September 2023.



The outcome of the analysis from the impact assessment is set out in the chart below.

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

Aon's deterministic scenarios | Long-term funding target



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

What does the chart show?

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

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

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

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

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

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



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

The most significant risks posed to the funding level in the long term are projected to materialise in the disorderly scenario; we expect that in this scenario there will likely be more reliance on the covenant. But in any case, the Group Trustee's covenant adviser has concluded that climate-related risks and opportunities are unlikely to impact the covenant of the Group's sponsoring employers (see more detail below), in the timescales and scenarios we have considered. In addition, the funding level is projected to improve thereafter to well above full-funding and so reliance on the covenant is expected to be minimal in the long-term. In the four other scenarios modelled, the reliance on the covenant is expected to be more limited relative to the disorderly scenario, given that a less material impact on funding is expected.

The Group Trustee has previously commissioned an external review of the climate risk and opportunities for the employer(s), and an assessment of the climate risk impact on the covenant provided to each of the Group's Sections (in particular focusing on the SLC Section). This review found that climate-related risks are unlikely to affect the covenants of the Group's Sections given the government-backed nature of the principal employer and how the employers are managing the climate-related risks they are exposed to. In particular:

- Costs incurred by Magnox in relation to nuclear decommissioning are reimbursed by the Nuclear Decommissioning Authority ("NDA") under a Service Agreement, meaning that no profit or loss is generated by Magnox as the Group's principal sponsoring employer.
- Magnox has committed to achieving net zero carbon emissions by 2050 (2045 for Scottish sites), with short-medium term energy efficiency actions outlined in its Carbon Management Plan. Key physical risks to the sites (e.g. flooding) are routinely considered and addressed, as part of Periodic Safety Reviews.
- Furthermore, forward looking strategic opportunities for Magnox have been identified in relation to use of lower-emission inputs and renewable sources of energy, use of more energy efficient processes, and development of lower-emission technologies, products & services.

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

Impact on the funding level

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

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

Action taken following the scenario analysis

The Group Trustee has not taken any action as a result of the climate change scenario modelling given that the Group is expected to be fairly resilient to climate change.



Climate opportunities

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

Equity	The Group's only equity manager identified opportunities in creating "carbon neutral" businesses, which are more resilient to the costly transitional risks of climate change.
Liquid Credit	Opportunities within the issuance of green bonds, sustainability-linked bonds, and loans with sustainability-linked margin ratchets have been identified, as well as the creation of Article 8 funds.
Diversified Growth Funds	The manager outlined that climate transition will demand significant investment in clean technologies, benefitting from the withdrawal of capital from high emission activities.
Property Infrastructure &	<p>Managers principally identified opportunities within building transformation, stemming from the increased demand of tenants and the wider market. Managers can seek to create low carbon and climate resilient buildings and actively manage portfolios to contribute to the transition to a net-zero carbon economy, including working with underlying managers and operating partners to achieve the same goals. Wider opportunities included:</p> <ul style="list-style-type: none"> Lowering operating costs through a focus on energy efficiency. Delivering returns on investment for technology procurement at assets. Reducing reliance of fossil fuel energy and potential susceptibility shifts in energy policy, taxes and levies. Reputational gains of aligning to the Paris Commitment.
Illiquid Credit	<p>Managers identified a number of opportunities such as:</p> <ul style="list-style-type: none"> Higher rental premiums from assets with Energy Performance Certificates or above or high green building certification. Emissions offsetting can lead to better returns on assets as more companies commit to net zero targets. Identification of biodiversity enhancing measures, such as green walls or roofs which also mitigate pluvial flood risk and heat stress. Access to green debt to support further improvements to these assets. Reducing emissions to increase positive social and environmental outcomes.

Source: Managers

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

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



Climate disclosures 31 March 2025

Scenario assumptions and limitations

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

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

- I. It models the full yield curve as this allows for an accurate treatment of the liabilities and realistic modelling of the future distribution of interest rates and inflation. It also allows the Group Trustee to truly assess the sensitivities of the assets and liabilities to changes in interest and inflation rates.
- II. The parameters in the model vary deterministically with the different scenarios.

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

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

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

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

Covenant Assessment

The Group Trustee's covenant adviser has assessed the exposure of each of the Group's sponsoring employers with respect to climate-related risks as 'low' in the short and long-term.

Key covenant risks identified include policy and legal risks, which are likely to incur higher costs to the sponsoring employers through higher capital expenditure to meet higher climate-related regulations and operational costs associated with staff retention and increased climate risk reporting.

In terms of physical climate risk, National Nuclear Laboratory Limited manages the various laboratory sites, which have potential risk of flooding. Albeit this is partially mitigated by coastal defences in place.

Nuclear is seen as a solution to low carbon energy generation and therefore achieving net zero, and the Group's sponsoring employers are well placed to capitalise on opportunities associated with the UK's "Ten Point Plan for a Green Industrial Revolution" and subsequent energy strategy, as well as the UK's approach to building new reactors.



Climate disclosures 31 March 2025

Manweb

Net assets¹⁴ as at 31 March 2025: £741m.

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

Time periods

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

- **Short term – The period to 2028:** The Group Trustee has a key objective to achieve a funding level of 100% by 2028, with reference to liabilities determined using gilt yields and inflation expectations with 0.4% p. a. outperformance assumed.
- **Medium term – The period to 2032:** The Group Trustee believes that it is appropriate to align the medium-term timeframe with the year when the Group's liabilities are expected to reach significant maturity. Using the Pension Regulator's initial draft guidance (in relation to the DB funding code of practice) of reaching significant maturity when a Pension Scheme's liabilities have a duration of around 12 years, at the time of carrying out the analysis the Group Actuary estimated that this would be in 2032 for the Group.
- **Long term – The period to 2050:** The Group Trustee notes that it is likely that the Group's long-term investment strategy will hold a meaningful allocation to UK Government Bonds, along with potentially corporate bonds and / or insurance contracts. It was therefore deemed appropriate to align the Group's long-term horizon with the UK Government's strategy to achieve net zero greenhouse gas emissions by 2050.

The Group Trustee will review the appropriateness of the above time horizons at least on an annual basis when preparing the Group's TCFD Report, or more frequently if there has been a material change in the Group's circumstances. For example, a significant change to the Group's investment strategy, covenant context, funding strategy or financial position could warrant an ad-hoc review of the appropriateness of the chosen time horizons. Given there have not been any material changes in the Group's circumstances during the year under review, the Group Trustee believes that the time horizons remain appropriate for the purposes of this TCFD Report.

Climate scenarios

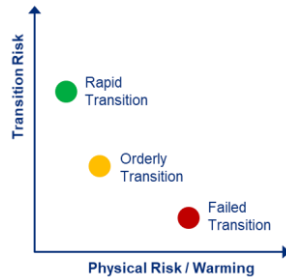
The scenario analysis for the Group has been carried out as at 31st December 2022 and for the purposes of the analysis the Group's liabilities are measured on a Gilts +0.4% p.a. basis. The Group Trustee has a key objective to achieve a funding level of 100% by 2028, with reference to liabilities determined using gilt yields and inflation expectations with 0.4% p.a. outperformance assumed. Therefore, the Group Trustee deems it appropriate to base the scenario analysis on the long-term Gilts +0.4% p.a. basis rather than, for example, using the Technical Provisions basis.

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

Quantitative climate change scenario analysis has been undertaken on the Group Trustee's strategic asset allocation, allowing for how the investment strategy is expected to evolve to 2028 and also beyond 2028, to assess the potential implications of climate change under three modelled scenarios: a Rapid Transition (1.5°C), an Orderly Transition (less than 2°C) and a Failed Transition (greater than 4°C). The scenarios were developed by Mercer, working with Ortec Finance, and are described below:

¹⁴ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.

- **Rapid Transition:** Average temperature increase of 1.5°C by 2100 (relative to pre-industrial average). This scenario assumes sudden downward re-pricing across assets in 2025. This could be driven by a change in policy, consideration of stranded assets or expected costs. The shock is partially sentiment driven and so is followed by a partial recovery. Physical damages are most limited under this scenario.
- **Orderly Transition:** Average temperature increase of less than 2.0°C by 2100. Governments and wider society act in a co-ordinated way to decarbonise and to limit global warming to well below 2°C. Transition impacts do occur but are relatively muted.
- **Failed Transition:** Average temperature increase above 4°C by 2100. The world fails to co-ordinate a transition to a low carbon economy. Physical climate impacts significantly reduce economic productivity and have increasingly negative impacts including from extreme weather events. These are reflected in re-pricing events in the late 2020s and late 2030s.



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

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

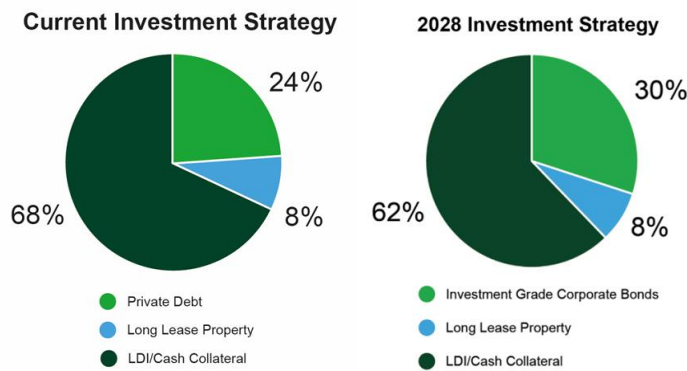
Reporting Regularity

Scenario analysis will be undertaken by the Group Trustee in every third Group year. The scenario analysis will, however, be reviewed each year to ensure it remains relevant and appropriate to the Group and reflects up to date information and/or Regulations. Under certain circumstances, the Group Trustee may choose to carry out additional scenario analysis in a Group year where it is not mandatory. Such circumstances may include, but are not limited to, a material change to the Group's investment strategy (including a material change in the expected future evolution of the Group's investment strategy), a material change in the funding plan for the Group, or a material change in the strength of the covenant of the sponsoring employer. Given there have been no changes to the Group's investment strategy or funding arrangements over the last year, and there has been no material change to the strength of covenant provided by the sponsoring employer, the Group Trustee believes that the scenario analysis previously undertaken (and shown in the next section) remains relevant and does not require to be updated.

Impact of scenarios

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

Note the analysis in the table below assumes that the Scheme’s investment strategy evolves from the current investment strategy to the following investment strategy by 2028 and then remains static thereafter.



Source: Manweb

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

Impact (%) relative to baseline	
Rapid Transition	
Impact at 2028	-0.8%
Impact at 2032	-0.7%
Impact at 2050	-1.3%
Orderly Transition	
Impact at 2028	0.4%
Impact at 2032	0.4%
Impact at 2050	0.4%
Failed Transition	
Impact at 2028	-0.5%
Impact at 2032	-0.4%
Impact at 2050	0.1%



Under the scenarios considered the impact on the Group's funding level is relatively low.

Over the period to 2028, transition risk dominates. The Rapid Transition is the most impactful scenario, but still has a relatively low impact. Under this scenario there is a shock to financial markets in 2026 followed by a recovery the following year. Overall, the funding level as at 2028 is reduced by 0.8% due to the impacts of Rapid Transition relative to the baseline.

As at 2032, the Rapid Transition and Failed Transition have impacts of a similar magnitude. This means that transition risks and physical risks are similarly important from a financial perspective. The Rapid Transition reduces funding level by 0.7% and the Failed Transition reduces funding level by 0.4%. The impact of the Orderly Transition is slightly positive; transition costs and impacts are smaller and largely priced in.

Over the long term, physical damages would be the dominant driver. Beyond 2028 the Group's strategy is low risk, largely allocated to LDI, cash collateral and investment grade corporate bonds and therefore there is a relatively low impact on the funding level as at 2050 under the three scenarios.

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

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

In addition to the above scenario analysis, the Group Trustee's actuary has also assessed the potential impact of climate-related longevity risk on the Group's liabilities as at 31 December 2022. The Group Trustee's actuary has applied Club Vita analysis to the three scenarios outlined above and has also taken into account the longevity risk hedged by the Group's longevity swap.

- Under Rapid Transition, the Group's liabilities are expected to increase as members live longer, driven by the assumption that the population adopts healthier lifestyles and pollution reduces.
- Under Orderly Transition, the Group's liabilities are expected to increase in the short term due to similar lifestyle benefits as seen under Rapid Transition. However, in the longer term there is not expected to be a pronounced impact given the less significant response to climate change.
- Under Failed Transition, the Group's liabilities are expected to reduce as the negative direct effects of climate change and knock-on impacts on the economy and living standards etc. reduce life expectancy.

The impact of climate change and/or society's reaction to it takes time to impact on the longevity of the population. The pace at which this change occurs will differ by scenario as some immediate changes to lifestyle that are beneficial are expected to impact longevity sooner, whereas some of the physical risks of climate change are expected to take longer to materialise. Therefore, the expected impact on longevity experience under a Rapid Transition materialises faster than that under the Failed Transition.

Taking into account the combined impact of the economic scenarios provided by Mercer as well as the longevity scenarios, applied to the liabilities and respective hedging assets as at 31 December 2022 on the gilts + 0.4% basis, the Group Trustee's actuary estimates that:

- The funding level worsens by at most c. 2%, occurring under a Rapid Transition scenario.
- The funding level improves by a maximum of c. 4%, occurring under a Failed Transition scenario.

The impact of the economic scenarios on unhedged liabilities is not deemed to be significant, which is consistent with the aforementioned analysis carried out by Mercer. Although the impact of the longevity scenarios on unhedged liabilities is slightly greater, the Group Trustee's actuary has noted that the maximum net increase of c.2% is still within the impact on funding that the Group may experience due to market volatility and from changes in assumptions and member experience at triennial valuations. There is significant uncertainty as to the impact of climate change on financial markets and demographic trends, and the analysis carried out by the Group Trustee's actuary considers the impact of specific climate change scenarios; Group experience and actual impacts could be materially different to the above.



Overall, the climate scenarios considered do not show a material impact on the Group's financial positions over the short, medium or long-term time periods considered. The Group is helped by the high hedging against adverse movements in long-term interest rates, inflation expectations and longevity risk and also the fact the Group no longer has any equity exposure. Whilst the Group has a high allocation to private debt at the current time, the allocation to this asset class will reduce materially over the next 3 to 4 years. Property is exposed to both transition risk and physical risk; however, the Group's allocation is relatively low as a percentage of total Group assets.

Climate opportunities

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

Scenario assumptions and limitations

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

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

Covenant Assessment

In March 2023, the Group Trustee's Covenant Advisor analysed the potential impact of transition risks under three climate scenarios on the Sponsor's ability to support the Group. The analysis was based on scenario analysis undertaken by the Sponsor, and focused on the impact of covenant transition risks on the Sponsor in 2030, and the scenario analysis undertaken in respect of the Group.

In 2025, the Group's Covenant Advisor has revisited the analysis and determined that conclusions reached in the 2023 analysis remain appropriate, based on the following: no material changes to the results of the Sponsor's scenario analysis, which was updated in 2024 to align with Iberdrola's reporting requirements, no additional material risks or opportunities identified by the Sponsor in 2024, no material changes in covenant based on semi-annual monitoring, and improved funding position of the Group itself.

The Sponsor's scenarios are based on National Grid's Future Energy Scenarios, which provide a UK-specific view and are used for the development of the Sponsor's investment plans.

The scenarios considered are below:

- Consumer Transformation – This scenario is characterised by electrified heating, consumer behaviour change, energy efficiency and demand side flexibility and is aligned with the UK's 2050 net zero target. The Sponsor's outlook for 2023 – 2025 is based on this central scenario, it is therefore the baseline scenario.
- Leading the Way – This scenario goes beyond consumer transformation and assumes the fastest credible decarbonisation, significant lifestyle change, and a mixture of hydrogen and electrification for heating. This scenario is also aligned with the UK's 2050 net zero target.



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- **Falling Short** – This scenario falls behind the other two scenarios and does not achieve the UK's 2050 net zero goal. It is characterised by the slowest credible decarbonisation, minimal behaviour changes and decarbonisation in power and transport but not heat.

The Sponsor's current business planning activities utilise the Consumer Transformation scenario as a baseline, so no impact assessment is carried out on this scenario. The Sponsor's assessment concluded that in 2030 there was no significant adverse impact under the Leading the Way scenario and a low adverse covenant impact under the Falling Short scenario. The impact under the Falling Short scenario is on the Sponsor's Energy Networks division which is particularly impacted by the pace of transition, while the adverse impacts on the Renewables and Retail divisions are not expected to be significant under any of the scenarios considered by the Sponsor.

Although the Sponsor's analysis sets out that there is a low adverse covenant impact under the Falling Short scenario, the Group's Covenant Advisor concluded that the impacts are not expected to impact the resilience of the Group's funding strategy. This conclusion was reached on the basis that the Group is not expected to have additional funding needs under the Group climate scenarios considered and factoring in the current covenant strength and anticipated covenant growth in the period to 2030.

Based on the Sponsor's initial impact analysis, physical risks are expected to have no or low covenant impacts, which can be mitigated via the Sponsor's adaptation actions.

Scenario analysis has not been considered by the Group's Covenant Advisor for the Sponsor's ultimate parent, Iberdrola. Further, although the different scenarios considered by Mercer and the Group's Covenant Advisor appear to provide a reasonable basis for comparison, further consideration will be required in future years to ensure the Group and the Sponsor's scenarios align. The Group Trustee is considering these factors as part as its ongoing governance and risk management.



National Grid Electricity

Net assets¹⁵ as at 31 March 2025: £2,278m.

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

Time periods

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

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

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

Climate scenarios

In December 2023 we carried out climate change scenario analysis to better understand the impact climate change could have on the Group’s assets and liabilities. This analysis does not allow for the bulk annuity transition carried out last year.

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

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

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

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

¹⁵ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.



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

Source: Aon

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

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

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

Impact of scenarios

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

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

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

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

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

Climate opportunities

LDI

The manager identified opportunities within the issuance of green bonds, sustainability-linked bonds, and loans with sustainability-linked margin ratchets have been identified, as well as the creation of funds that promote environmental or social characteristics.



Property

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

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

Scenario assumptions and limitations

Modelling limitations

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

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

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

Assumptions

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

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

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

- i. It models the full yield curve as this allows for an accurate treatment of the liabilities and realistic modelling of the future distribution of interest rates and inflation. It also allows us to truly assess the sensitivities of the assets and liabilities to changes in interest and inflation rates.
- ii. The parameters in the model vary deterministically with the different scenarios.

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

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

- i. Other relevant issues such as governance, costs and implementation (including manager selection and due diligence) must be considered when making changes to the investment strategy.
- ii. Climate-related risks are considered on an asset class level, and do not consider the specific geographical locations which will have a strong influence on the climate-related risk the Group is exposed to.

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



Covenant Assessment

Approach

- As at 31 March 2025, the Group is directly supported by National Grid Electricity Transmission plc (NGET, the sponsoring employer), National Grid UK Limited, and Elexon Limited (together the employers).
- The covenant of the Group is defined as the employers' legal obligation and financial ability to support the Group now and in the future.
- When assessing and monitoring the Group's covenant, we consider the possible impact of climate-related risks and opportunities (physical and transition) on the employers over the short, medium and long-term.
- Given the relative size and covenant support offered by NGET, we focus our review on NGET.
- We consider climate-related risks and opportunities annually as part of regular covenant monitoring, with input from sector and sustainability experts, as well as NGET management, and report to the Trustee Board and/ or FIC.
- This qualitative analysis informs our views on aspects such as employer cash flows and prospects and therefore the resilience of the employer covenant under the climate scenarios that the Group Trustee has considered for the asset and liability impacts.
- As part of our analysis, we consider the Group's funding level. The Group's current funding level means its reliance on the covenant is low, but some reliance is expected to remain over the short to medium term.
- Reviewing the possible impact of climate-related risks and opportunities, whilst factoring in reliance on the covenant, supports the Trustee in reviewing the resilience of the Scheme's investment and funding strategy.

Key Messages

Transition risks and opportunities

- Given the nature of the NGET business, climate-related risks and opportunities are key covenant considerations as the world transitions to a lower carbon future.
- As part of the British Energy Security Strategy, the Government set an ambition to increase offshore wind capacity to 50GW by 2030 to support the UK in reaching net zero by 2050.
- Such targets require significant investment, including the Accelerated Strategic Transmission Investment (ASTI) projects, which are expected to result in an additional £15bn+ of investment from NGET by 2030.
- The size and scale of investment is a significant growth opportunity for NGET, supporting its position as owner and developer of critical national infrastructure, but also carries risk around the successful timely delivery and financing of projects. Such risks are highlighted in management's RIIO-3* business plan with alternative proposals set out to Ofgem to support the financeability of the required capex included in the plan.
- Management is taking action to mitigate risks, for example supporting industry-wide planning reforms to facilitate delivery of the ASTI programme where there are risks around the timing of delivery and supply chain management, and there are inherent protections in place from Ofgem's regulatory frameworks.



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- The extent of any transition risk impact is likely to reduce under a slow orderly transition scenario, with industry, political and regulatory collaboration, with increased risk under a disorderly transition.
- NGET is also taking action to manage its own environmental performance and transition to net zero by 2050, which has its own associated costs and execution risks.
- In addition, the Group has protections in place that would trigger in an NGET downside scenario, further supporting the resilience of the covenant.

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

Physical risks

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

Covenant conclusions

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



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Northern Powergrid

Net assets¹⁶ as at 31 March 2025: £975m.

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

Time periods

The Group Trustees assessed the climate-related risks and opportunities over multiple time horizons and decided the most appropriate time horizons for the Group are:

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

When deciding the relevant time horizons, the Group Trustees have taken into account the liabilities of the Group and its obligations to pay benefits.

Climate scenarios

We carried out climate change scenario analysis in December 2023 to better understand the impact climate change could have on the Group's assets and liabilities. We have reviewed this existing analysis and concluded that is still applicable for our portfolio.

The analysis considers three climate change scenarios, designed to provide a reasonable range of possible climate change outcomes. The climate scenarios are compared to a "base case" scenario.

Each climate scenario considers what may happen to the Group when transitioning to a low carbon economy under different temperature-related environmental conditions. The scenarios aim to illustrate the climate-related risks the Group is currently exposed to, highlighting areas where risk mitigation could be achieved through changing the investment portfolio. These scenarios were developed by Aon and are based on detailed assumptions. They are only illustrative and are subject to considerable uncertainty.

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

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

Group Trustees' update

Under the Regulations, climate scenario analysis must be carried out at least every 3 years, with an annual review in interim years. Circumstances which may require the climate scenario analysis to be refreshed within the 3-year window include:

- a material change to the investment and/or funding strategy; or
- the availability of new or improved scenarios or modelling capabilities or events that might reasonably be thought to impact key assumptions underlying scenarios.

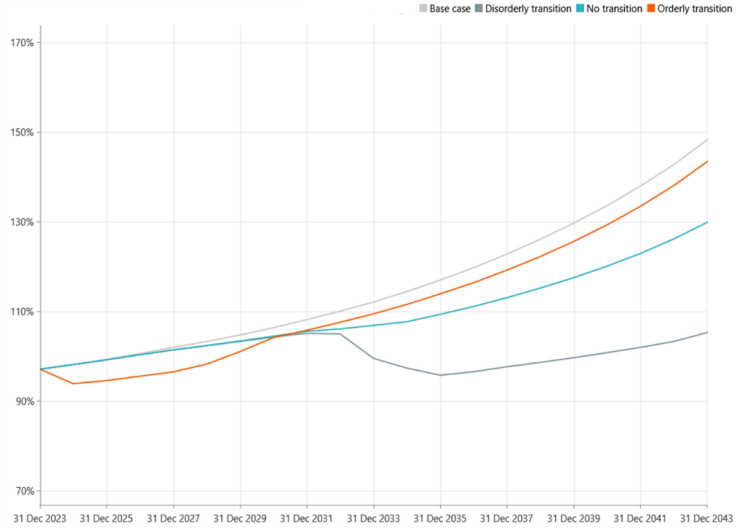
The Group Trustees reviewed the climate scenario analysis completed as at 31 December 2023 and have decided not to refresh the analysis, given no material changes to the above conditions.

¹⁶ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.

Base case	No Transition Scenario	Disorderly Scenario	Orderly Scenario
Temperature rise +1.5°C-2.4°C	Temperature rise +4°C	Temperature rise <3°C	Temperature rise 1.3°C – 2°C
Reach net-zero 2050	Reach net-zero After 2050, if at all	Reach net-zero After 2050	Reach net-zero 2050
Uncoordinated environmental regulation	Environmental regulation None	Environmental regulation Late and Aggressive	Environmental regulation Coordinated

Impact of scenarios

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



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



What does the chart show?

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

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

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

Key conclusions

Overall, we are comfortable with the level of resilience exhibited by the investment portfolio, and we are not going to make any changes to the Group's investment strategy as a result of this analysis.

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

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

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

Comparison with previous analysis

The scenario analysis in this report compared to that last run in 2021 shows a relatively similar funding level results across scenarios, as allocations to different asset classes have remained largely unchanged. In the long term, the smooth transition and disorderly transition scenarios remain the best and worst outcomes for the Group respectively.

We have not taken any action as a result of the climate change scenario modelling given that the Group is expected to be fairly resilient to climate change. The Group Trustees are currently considering how to evolve the portfolio as the funding level improves and the liabilities mature, and we will consider relevant climate-related opportunities for the Group as part of that review.

Climate opportunities

We have identified some climate-related opportunities which may be suitable for the Group across the short, medium, and long-term time horizons.

These investment opportunities are considered on a case-by-case basis. However, at the time of writing, the Group's investment strategy demonstrates resilience to climate-related risks and no further action has been taken with regards to the climate opportunities below.

The opportunities identified by managers follow similar themes to the previous year, including green bonds, innovative climate technologies and improving the energy efficiency of real estate properties.

Equity	The manager noted opportunities stemming from renewables and associated climate technologies. Low carbon technologies may lead to many innovative solutions such as carbon capture and electric vehicles, which will require investment.
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Alternatives	Property managers principally identified opportunities within building transformation, stemming from the increased demand of tenants and the wider market. Managers can seek to create low carbon and climate resilient buildings and actively manage portfolios to contribute to the transition to a net-zero carbon economy, including working with underlying managers and operating partners to achieve the same goals. Wider opportunities included: <ul style="list-style-type: none">▪ Lowering operating costs through a focus on energy efficiency.▪ Reducing reliance of fossil fuel energy and potential susceptibility shifts in energy policy, taxes and levies.▪ Reputational gains of aligning to the Paris Commitment.
Fixed Income / LDI	Opportunities within the issuance of green bonds, sustainability-linked bonds, and loans with sustainability-linked margin ratchets have been identified, as well as the creation of Article 8 funds. These are funds that promote environmental or social characteristics.

Source: Managers

Scenario assumptions and limitations

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

Aon's model uses a deterministic projection of assets and liabilities, using standard actuarial techniques to discount and project expected cashflows.

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

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

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

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

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

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

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

Covenant Assessment

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

- NPg ("Northern Powergrid") [through its subsidiaries Northern Powergrid (Yorkshire) plc and Northern Powergrid (Northeast) plc] is the sole provider of electricity distribution in the north-east of England. It is regulated by the Office of Gas and Electricity Markets ("Ofgem") which requires the DNOs to operate within



a regulatory framework, which protects consumers by limiting what Distribution Network Operators (“DNOs”) can charge for the use of their networks. The RIIO-ED2 price control runs from 1 April 2023 to 31 March 2028.

- In preparing its 2023-28 business plan in 2021, NPg used the Meteorological Office’s UK Climate Projections 2018 which focussed on two potential climate scenarios:
 - RCP2.6, which is roughly in line with the 2°C global warming considered in the Paris agreement (broadly speaking, the Group Trustees’ Orderly Transition scenario); and
 - RCP8.5, which represents the highest greenhouse gas concentrations and has an increase in global mean temperature of c.4°C by 2080-2100 (broadly speaking, the Group Trustees’ No Transition scenario).

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

- In December 2024, NPg published its latest Climate Change Adaptation report which sets out its assessment of identified risks to its assets and operations as a result of climate change and the actions being taken by Management to seek to mitigate the potential impacts.
- The report summarises the likelihood and potential impact of the assessed risks to conclude on an overall score for each risk.
- Higher-likelihood lower-impact risks include the potential interference with assets from higher vegetation growth during longer growing seasons and ground movements due to drought, while lower-likelihood higher-impact risks relate primarily to flooding from higher (and extreme) precipitation.
- As shown in the “Impact and Likelihood” matrix below, the overall score for all risks is generally considered to be low under the RCP2.6 (i.e. Orderly Transition) scenario through to the next century.
- We note that a higher risk status has been assigned to the flooding-related risks under the No Transition (4oC) scenario by the 2100s, but we suggest that this should be treated with caution given the limited confidence in predictions that far into the future.
- In response, NPg has developed various adaptation plans such as improving flood defences and also considered how it can best recover from events when they occur (noting some of the learnings from Storm Arwen in 2021).
- Implementation of mitigations remains in progress in many areas noting that, in some cases, these will require improving the design standards of the network when assets are next due for replacement.

Limitations of the assessment

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

We have adopted a pragmatic approach and summarise only the key issues. NPg publishes a significant amount of information on the risks stemming from climate change which we reference, together with its associated governance arrangements. Accordingly, we only present an abbreviated summary of the key points.

Our comments are based only on public-level information. Accordingly, we have not engaged with Management in the preparation of this paper.

This paper does not represent a full assessment of the employer covenant which will be prepared as part of the Group’s 2025 Valuation.

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

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

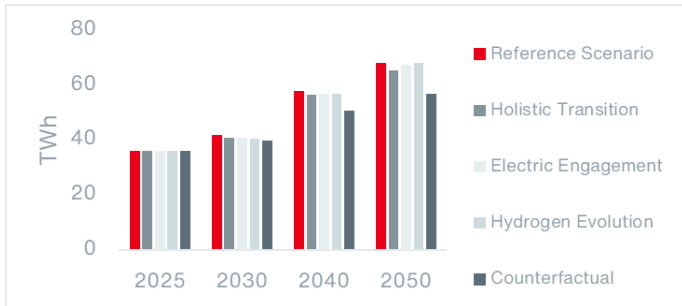
Source: NPg, Adapting to Climate Change, December 2024. Note: Number of risks identified in each category are shown.

Investment is required in response to changing energy demand

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

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

Total electrical energy consumption, NPg region



Source: Distribution Future Energy Scenarios, 2024.

Covenant consequences

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

Summary of potential covenant impact

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

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



RWE

Net assets¹⁷ as at 31 March 2025: £4,092m.

Time periods

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

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

Climate scenarios

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

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

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

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

Impact of scenarios

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

Base case – This is the central funding projection against which the climate scenarios are considered. It projects, using the Investment Adviser's investment model, the assets and liabilities of each Section over the next 20 years. This considers commonly used central UK life expectancy projections for the liabilities (which includes an assumed

¹⁷ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.



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

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

	Nationally Determined Contributions	Delayed Transition Below 2°C	Below 2°C	Net Zero 2050	Hot House world
Description	A 'business as usual' scenario where current policies continue with no further attempt to incentivise additional emission reductions.	A delay in meaningful action but a rapid shift in policy around 2030. Policies are implemented in a somewhat but not completely co-ordinated manner.	Policy makers agree on and immediately implement policies to reduce emissions in a globally co-ordinated manner.	An immediate, ambitious, and co-ordinated response in which aggressive policy is pursued and more extensive technology shifts are achieved.	The world attempts to follow a Net Zero 2050 pathway, however the resultant temperature outcome exceeds 2°C due to a lower-than-expected remaining carbon budget and/or the impact of climate tipping points.
Temperature rise vs pre-industrial	2.5~3.0°C	1.8°C	1.8°C	1.5°C	2.5~3.0°C
Transition risk level (shorter term)	Low	High	Medium	Medium – High	High
Physical risk level (longer term)	High – Very high	Medium	Medium	Low – Medium	High – Very high



Innogy Section funding impact relative to base case funding increase of 42%	By 2043, the funding level is expected to increase by 4% relative to the base case under this scenario (liabilities reduce by 7%, assets reduce by 4%)*	By 2043, the funding level is expected to decrease by 3% relative to the base case (liabilities reduce by 3%, assets reduce by 5%)*	By 2043, the funding level is expected to decrease by 9% relative to the base case under this scenario (liabilities increase by 5%, assets reduce by 1%)*	By 2043, the funding level is expected to decrease by 9% relative to the base case under this scenario (liabilities reduce by 1%, assets reduce by 6%)*	By 2043, the funding level is expected to increase by 7% relative to the base case under this scenario (liabilities reduce by 12%, assets reduce by 8%)*
RWE Section funding impact relative to base case funding increase of 46%	By 2043, the funding level is not expected to change materially relative to the base case under this scenario (liabilities reduce by 4%, assets reduce by 4%)*	By 2043, the funding level is expected to decrease by 4% relative to the base case under this scenario (liabilities reduce by 2%, assets reduce by 5%)*	By 2043, the funding level is expected to decrease by 7% relative to the base case under this scenario (liabilities increase by 3%, assets reduce by 1%)*	By 2043, the funding level is expected to decrease by 8% relative to the base case under this scenario (liabilities reduce by 1%, assets reduce by 6%)*	By 2043, the funding level is not expected to change materially relative to the base case under this scenario (liabilities reduce by 7%, assets reduce by 7%)*

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

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

Innogy Section – The analysis identified that three of the five scenarios considered are expected to have a negative effect on the Innogy Section’s funding level. The most pronounced impact was in the “Below 2°C” and “Net Zero 2050” scenarios, which would result in a funding level increase of 33% over the longer-term relative to the base case increase of 42%. If all of the impact was crystallised immediately, with an associated market overreaction (an unlikely scenario), this could see an immediate fall of 4% in the current funding position. By contrast, it was identified that the “Hot House World” scenario had a positive impact on the funding level relative to the base case (with life expectancy improving significantly less than current expectations), however this would not be a positive impact for members so shouldn’t be interpreted as a positive outcome.

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

Interpretation – In some climate scenarios, the Group Trustee’s modelling process implies reduced life expectancies (relative to other scenarios and/or schemes’ central mortality assumptions) and therefore a relative reduction in the Sections’ liabilities. This is a plausible potential outcome arising from the negative impacts of climate change. This



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

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

Climate opportunities

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

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

Scenario assumptions and limitations

The Group Trustees selected the climate scenarios on the basis that they reflect a plausible range of outcomes consistent with current scientific consensus. Whilst there were no issues with the data or its analysis which have limited the comprehensiveness of the assessment of the scenarios, the Group Trustees recognise that there is a great deal of uncertainty around the assumptions used, and the expected outcome, under each of the scenarios analysed. Despite this uncertainty, the Group Trustees remain confident about the general direction of travel and resilience demonstrated through the analysis. The Group Trustees also expect that other plausible scenarios can be constructed, and other alternative scenarios were considered at a qualitative level as part of the Group Trustees' wider discussion. One of the scenarios qualitatively considered is the impact that "climate tipping points" could have on the Group's assets. Climate tipping points can result from global temperature increases and cause irreversible significant damage to the global ecosystems. This can then lead to a large detrimental impact on global GDP and investment returns. While the research into these issues is still nascent, preliminary assessment suggests that the



negative financial impact on the Group's assets can be more than double that seen in the most severe quantitative scenario considered. While this impact, if realised, would likely lead to a material deterioration of the funding position for both Sections of the Group, the starting funding positions are robust and include funding buffers to cover such extreme risks.

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

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

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

Covenant Assessment

Potential Innogy Section Covenant impact

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

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

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

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

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

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



Climate disclosures 31 March 2025

Potential RWE Section Covenant impact

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

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

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

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

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

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

Impact on sponsoring employers

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

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

Short term: The current operating assets all benefit from subsidies and are cash generative. The current pipeline is well established, and has projects in various stages, which are commercially driven, with commitment from RWE and the UK Government. Short term performance will not be driven by any delays or acceleration in policy shifts, and the Sponsor is likely to remain robust.

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

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

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

Medium and long term: Over the medium term, the resilience of the Sponsor remains strongest in those scenarios where decarbonisation is delayed, whereas in scenarios where decarbonisation is accelerated, additional capital



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



Schneider

Net assets¹⁸ as at 31 March 2025: £18m.

Time periods

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

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

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

Climate scenarios

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

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

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

¹⁸ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.



Impact of scenarios

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

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

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

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

CVaR Metrics

Transition CVaR

Fund Name	Data Coverage (% MV)	Orderly Transition Scenario	Disorderly Transition Scenario	Hot House Scenario
Global Select Equity Fund	99%	-9.3%	-4.1%	-2.1%
Factor Allocation Global Equity Fund	100%	-8.8%	-4.1%	-1.8%
Factor Allocation Global Managed Volatility Fund	100%	-8.8%	-5.1%	-2.3%
Dynamic Asset Allocation Fund	95%	-6.6%	-3.0%	-1.5%
Emerging Markets Equity Fund	99%	-10.5%	-4.3%	-1.9%
Emerging Markets Debt Fund (HDG)*		Unavailable		
High Yield Fixed Income Fund (HDG)*	68%	-18.7%	-10.4%	-6.8%



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Global Opportunistic Fixed Income Fund (HDG) *	47%	-11.8%	-5.4%	-2.7%
Liquid Alternative Fund (HDG)	Unavailable			
UK Credit Fixed Interest Fund*	46%	-4.5%	-2.0%	-0.8%
UK Long Duration Credit Fund*	41%	-12.6%	-5.0%	-1.6%
Weighted Average		-9.9%	-4.8%	-2.3%

Source: SEI, MSCI. Data as at 31 March 2025. *The Group Trustee recommends using caution when interpreting CVaR for portfolios with limited coverage (<80%). Limited data coverage is due to underlying asset class exposure, for which only limited data is currently available.

Physical CVaR

Fund Name	Data Coverage (% MV)	Orderly Transition Scenario	Disorderly Transition Scenario	Hot House Scenario
Global Select Equity Fund	99%	-1.0%	-1.6%	-3.0%
Factor Allocation Global Equity Fund	100%	-1.4%	-2.1%	-4.0%
Factor Allocation Global Managed Volatility Fund	100%	-1.2%	-1.8%	-3.4%
Dynamic Asset Allocation Fund	95%	-0.7%	-1.0%	-2.0%
Emerging Markets Equity Fund	99%	-1.9%	-3.1%	-6.0%
Emerging Markets Debt Fund (HDG) *	Unavailable			
High Yield Fixed Income Fund (HDG) *	68%	-1.2%	-1.7%	-3.8%
Global Opportunistic Fixed Income Fund (HDG) *	47%	-1.0%	-1.4%	-2.9%
Liquid Alternative Fund (HDG)	Unavailable			
UK Credit Fixed Interest Fund*	46%	-0.7%	-1.1%	-2.7%
UK Long Duration Credit Fund*	41%	-1.9%	-2.5%	-4.7%
Weighted Average		-1.2%	-1.8%	-3.5%

Source: SEI, MSCI. Data as at 31 March 2025. *The Group Trustee recommends using caution when interpreting CVaR for portfolios with limited coverage (<80%). Limited data coverage is due to underlying asset class exposure, for which only limited data is currently available.



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Aggregate CVaR

Fund Name	Data Coverage (% MV)	Orderly Transition Scenario	Disorderly Transition Scenario	Hot House Scenario
Global Select Equity Fund	99%	-10.3%	-5.6%	-5.1%
Factor Allocation Global Equity Fund	100%	-10.2%	-6.2%	-5.8%
Factor Allocation Global Managed Volatility Fund	100%	-10.0%	-6.9%	-5.7%
Dynamic Asset Allocation Fund	95%	-7.3%	-4.0%	-3.5%
Emerging Markets Equity Fund	99%	-12.4%	-7.4%	-7.9%
Emerging Markets Debt Fund (HDG)*		Unavailable		
High Yield Fixed Income Fund (HDG)*	68%	-19.9%	-12.1%	-10.6%
Global Opportunistic Fixed Income Fund (HDG)*	47%	-12.8%	-6.8%	-5.6%
Liquid Alternative Fund (HDG)		Unavailable		
UK Credit Fixed Interest Fund*	46%	-5.2%	-3.1%	-3.5%
UK Long Duration Credit Fund*	41%	-14.5%	-7.5%	-6.3%
Weighted Average		-11.1%	-6.5%	-5.9%

Source: SEI, MSCI. Data as at 31 March 2025. Aggregate CVaR represents a weighted sum of the covered positions, capped at +/- 100% for any individual security position. As a result, Transition CVaR and Physical CVaR may not sum to Aggregate CVaR. *The Group Trustee recommends using caution when interpreting CVaR for portfolios with limited coverage (<80%). Limited data coverage is due to underlying asset class exposure, for which only limited data is currently available.

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

Resilience of the Group's investment strategy

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

Orderly Transition

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



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For the Orderly Transition, physical risk is modelled using a mid-range forecast of the physical risks associated with climate change under a 1.5°C scenario. In this scenario, the funds are exposed to the lowest levels of Physical CVaR associated with chronic and acute physical impacts of climate change. This is because early action slows the accumulation of carbon dioxide in the Earth's atmosphere and achieves net zero by 2050.

Disorderly Transition

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

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

Hot House Scenario

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

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

Aggregate Climate Risk

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

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

Scenario assumptions and limitations

Key assumptions

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



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

Modelling Limitations

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

- **Uncertain Climate Models:** CVaR metrics rely on climate models to estimate future climate scenarios. However, climate models have inherent uncertainties and limitations. They may not capture the full complexity of the climate system or accurately predict regional or local climate changes, making it challenging to accurately assess the associated financial risks.
- **Limited Historical Data:** CVaR metrics require historical data to estimate the relationship between climate variables and financial losses. However, the availability of long-term, high-quality climate data is often limited, particularly for localized regions or specific sectors. This lack of comprehensive historical data introduces uncertainties into the calculations and reduces the accuracy of the risk assessment.
- **Complex Interactions and Feedback:** Climate risks are interconnected and often involve complex feedback mechanisms. For example, climate change impacts affect various sectors simultaneously, such as agriculture, energy, infrastructure, and insurance. CVaR metrics may struggle to capture these interdependencies accurately, potentially leading to an underestimation or overestimation of financial risks.
- **Nonlinear and Threshold Effects:** Climate change impacts are often nonlinear, meaning that small changes in climate variables could lead to disproportionately large impacts. Furthermore, some climate-related risks have threshold effects, where the risk increases significantly beyond a certain point. CVaR metrics might not fully account for these nonlinearities and thresholds, leading to an incomplete representation of the potential financial losses.
- **Dynamic Nature of Climate Risks:** Climate risks are dynamic and evolve over time due to changes in climate patterns, technological advancements, policy developments, and adaptation measures. CVaR metrics typically assume a static relationship between climate variables and financial losses, which might not capture the evolving nature of risks accurately.
- **Limited Scope:** CVaR metrics generally focus on physical climate risks, such as extreme weather events, sea-level rise, and temperature changes. They may not adequately capture other climate-related risks, including transitional risks associated with the transition to a low-carbon economy or liability risks related to climate litigation and regulatory changes. Therefore, relying solely on CVaR metrics may provide an incomplete picture of the overall financial risks associated with climate change.
- **Data coverage for the CVaR metric is limited across certain asset classes, most notably government bonds and other fixed income assets, such as emerging market debt. Caution is advised when interpreting the CVaR metrics for funds with data coverage that is below 80%.**
- **CVaR is a tool intended to illustrate a range of possible outcomes, not to forecast actual future portfolio value.**
- **The CVaR metrics are useful for comparison purposes and identifying concentrations of risk, but do not provide much insight into absolute risk levels.**



- The CVaR methodology discounts risks likely to occur further into the future more heavily than those likely to materialise in the near-term. As transition risks are more imminent than physical risks, this means the methodology tends to place more weight on transition risks.
- The CVaR metric is a headline figure, representative of the potential shock to the aggregate enterprise market value of the underlying securities in the fund, which results from the climate assumptions being considered. It does not provide insight into the nature or timing of the underlying climate risks.
- The CVaR metric does not provide insight into the balance of climate risks and opportunities for the scenario considered.

Data issues

Data coverage is the key metric for examining data quality at present. Currently, SEI reports CVaR for corporate equity and debt, with coverage and quality declining in parallel with company size and market maturity. The data coverage for the funds held by the Group is set out in the tables above. Data coverage is expressed as the proportion of the market value of the fund (as at 31 March 2025) for which data is available.

Data coverage for the CVaR metric is limited across certain asset classes. CVaR data is unavailable for the Liquid Alternative Fund (HDG) as its underlying holdings are largely derivative instruments. Similarly, CVaR data is unavailable for the Group's gilt/LDI holdings, as CVaR metrics are not produced for this area of the market (physical/leveraged UK government bond funds). The coverage for the Emerging Markets Debt Fund is also extremely limited. The Group Trustee recommends using caution when interpreting CVaR for portfolios with limited coverage (<80%).

Climate opportunities

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

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

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

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

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

- Climate scenario analyses, including the impact of climate-related risks and opportunities on projected future funding levels and the timeframe in which the Group might achieve its long-term targets.
- The availability, via the Fiduciary Manager and Investment Managers, of reliable and complete information sufficient to enable assessment of the Group's exposures to CRROs. This would include reliable and complete information relating to climate-related metrics such as carbon footprint.
- Inquiry into the extent that areas of the Group are significantly exposed to climate-related risks.



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-
- The philosophy, process and practice of underlying Investment Managers in assessing and managing climate-related risks in the selection of investments. (It is noted here that as Fiduciary Manager, SEI considers ESG factors including climate change to be an integral part of its manager research and due diligence process. However, to date, no minimum threshold has been established with respect to these capabilities in order for a firm to be hired as an underlying Investment Manager.)
 - The extent to which the Fiduciary Manager and Investment Managers actively participate in industry groups and promote better practices and transparency related to CRROs. (The Trustee notes that the Fiduciary Manager, SEI, is a signatory of the UN Principles for Responsible Investment (UN PRI). Additionally, SEI and/or its affiliates are participants in and/or signatories to a range of collaborative industry organisations, including the UK Investment Consultants Sustainability Working Group and the UK Stewardship Code 2020.)
 - Stewardship (shareholder engagement and voting) conducted by SEI, the Fiduciary Manager, on the Group's behalf.



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SSE Southern

Net assets¹⁹ as at 31 March 2025: £1,526m.

Time periods

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

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

- Short term: period to the Group's next triennial actuarial valuation (3 years).
- Medium term: period to the Group's target date to be 100% funded on a gilts basis (5 yrs).
- Long term: period to be broadly aligned with the duration of the Group's liabilities at the most recent formal Actuarial valuation date (15 yrs).

Climate scenarios

To test the resilience of the Group's funding and investment strategy to climate risk, the Group Trustee carried out climate scenario analysis for the Group's 2022/23 TCFD report, considering the Group's assets and market conditions as at 28 February 2023 with liabilities projected from the March 2022 valuation. The Group Trustee has decided not to refresh the analysis for this report given the short time period since the analysis was last conducted and the expectation that any changes would be minimal as the investment strategies modelled remain largely the same. The Group Trustee expect to refresh this analysis as part of the 2025/26 report.

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

The scenario analysis was based on top-down analysis of the Group's strategy, using a model produced by the Group's investment advisor, Hymans Robertson. The scenario analysis considers the potential impact on funding outcomes under three scenarios, which differ by how quickly and decisively the world responds (or fails to respond) to climate change. The table below summarises these scenarios and how they correlate to the variance of the world's transition to a low carbon economy.

¹⁹ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.



Aggressive mitigation

Business as usual

Green Revolution

Delayed Transition

Head in the Sand

Concerted policy action starting now e.g. carbon pricing, green subsidies. Public and private spending on "green solutions". Improved disclosures encourage market prices to shift quickly. Transition risks in the short term, but less physical risk in the long term. High expectation of achieving <2°C warming.

No significant action in the short-term, meaning the response must be stronger when it does happen. Shorter and sharper period of transition. Greater (but delayed) transition risks but similar physical risks in the long term. High expectation of achieving <2°C warming.

No or little policy action for many years. Growing fears over ultimate consequences leads to market uncertainty and price adjustments. Ineffective and piecemeal action increases uncertainty. Transition risks exceeded by physical risks. Low/no expectation of achieving <2°C warming.



Climate Scenarios – Strategies tested

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

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

Climate Scenarios – Outputs

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

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



Impact of scenarios

Please note that as the Group Trustee has chosen not to refresh the climate scenario analysis in this year's report, the time horizons in the table below are set as at those for the Group Trustee's 2022/23 TCFD report.

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

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



Climate Scenarios – Conclusions

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

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

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

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

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

Scenario assumptions and limitations

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

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

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

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

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

Covenant Assessment

The Group Trustee assesses climate related risks and opportunities when setting investment and funding strategy, taking into account covenant, to ensure a holistic and consistent approach. The table overleaf sets out a summary



of the key ESG risks the Group Trustee has identified and monitors at a Group level. To note, the Group Trustee has reviewed the short- and medium-term horizon impacts associated with covenant risk and ultimately decided to retain the current assessment. Whilst the Group Trustee acknowledges that the Company has a capital investment plan in place to accelerate progress towards net zero by 2027, the Group Trustee believes that the current assessment of medium remains appropriate.

The Group Trustee also considers how the impacts of these risks will manifest over the short-, medium- and long-term. Further detail on the risk management processes in place for the Group are set out in risk management. The Group Trustee notes that climate-related risks and opportunities will evolve over time as more information and products come to the fore.

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

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



Climate disclosures 31 March 2025

UK Power Networks

Net assets²⁰ as at 31 March 2025: £2,662m.

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

Time periods

The Group Trustee has developed a Climate Related Risk Register, which rates risks as follows:

- Short-term to be 1 year;
- Medium-term to be 3-5 years;
- Long-term to be 10 years.

Risk Identification

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

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

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

Underpinning BlackRock's CMAs is the view that managing climate-related risks and opportunities will help support economic growth and offer investors the ability to generate better risk-adjusted returns. Climate change and the

²⁰ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.



Climate disclosures 31 March 2025

global energy transition are expected to be drivers of asset returns, and consequently fundamental to strategic investment decisions.

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

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

The 2025 scenario analysis results, combined with the triennial covenant assessment by Penfida, where the covenant was assessed as Strong (the highest level awarded, as at March 2022), suggests that climate change does not currently pose a significant risk to the resilience of the covenant, in either the short, medium or long term. In addition, there is more than sufficient headroom to support the current levels of investment risk when assessed on a 6 year 1 in 6 Value at Risk (VaR) basis.

Penfida have started work on updating their detailed covenant assessment as at 31 March 2025, and while the review is not complete, the initial assessment has considered the Company's assessment of climate change risks and opportunities and its plans to adapt the business over time to address these matters. While the initial assessment does highlight there are many risks, none of these risks are sufficient for the Group Trustee to change its assessment that climate change does not currently pose a significant risk to the resilience of the covenant, in either the short, medium or long term.

Scenario Analysis

Methodology

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



Transition Risk to which the Net Zero 2050 and Delayed Transition scenario are compared. For Physical risk BlackRock uses a base scenario which assumes no additional climate damages in future.

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

Orderly transition - transition risk

Rationale	Catalysts	Calibration
<ul style="list-style-type: none"> A transition to Global Net Zero by 2050 is achieved via immediate and smooth policy responses Carbon taxes are channelled back to the economy via government investment 	<ul style="list-style-type: none"> UK sees up to 2% p.a. GDP gains peaking in 2027 (50% of carbon tax assumed to be reinvested into the economy) UK inflation around 1.9% higher peaking in 2026, largely driven by repricing of carbon prices Price of carbon rises to over 800 \$/ton by 2050. 	<p>The UK yield curve rises modestly as growth accelerates.</p> <p>Higher inflation however drives most of the impact on UK LDI assets and pension liabilities</p> <p>There is assumed to be no significant central bank response to higher inflation.</p>

Orderly transition - physical risk

Rationale	Catalysts	Calibration
<ul style="list-style-type: none"> Robust corrective action is taken to reduce emissions is taken but temperatures still rise by 1.5°C by c 2100 relative to pre-industrial levels 	<ul style="list-style-type: none"> Physical changes such as higher temperatures, sea-level rises and hurricanes impact GDP. The impacts are largely felt from 2050 onwards 	<p>The UK yield curve increases modestly in the near term, but more for longer tenors as physical risks become for evident.</p>

Disorderly transition - transition risk

Rationale	Catalysts	Calibration
<ul style="list-style-type: none"> A delayed transition starts in 2030 Carbon taxes are used to cut income tax, thus boosting private consumption There is a negative shock to business confidence as stringent policies are introduced 	<ul style="list-style-type: none"> There is a negative impact on UK GDP particularly in the early to mid 2030s UK inflation around 1% higher than in a base case peaking in 2032 largely driven by repricing of carbon prices Price of carbon rises from 0 in 2030 to over 1000 \$/ton by 2050 	<p>The middle of the UK yield curve rises modestly as the risk premia (probability of default) applied to the UK increases.</p> <p>Higher inflation is priced in from 2030 onwards</p> <p>There is assumed to be no significant central bank response to higher inflation.</p>

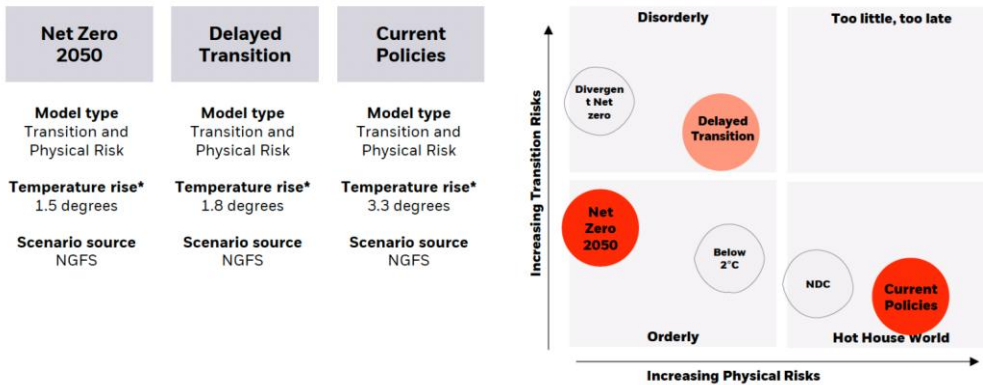
Disorderly transition - physical risk

Rationale	Catalysts	Calibration
<ul style="list-style-type: none"> Some corrective action to reduce emissions is take but temperatures still rise by 1.8°C by c 2100 relative to pre-industrial levels 	<ul style="list-style-type: none"> Physical changes such as higher temperatures, sea-level rises and hurricanes impact GDP. The impacts are largely felt from 2050 onwards 	<p>The UK yield curve increases modestly in the near term, but more for longer tenors as physical risks become for evident.</p>

Source: BlackRock

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

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



Source: BlackRock

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

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

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

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

- The climate models address transition risk and physical risk separately. A more holistic view of climate-related financial risks would address both together.
- The climate models used do not predict the abrupt or irreversible changes that may result from reaching critical climate thresholds or “tipping points”.
- The economics models used may not adequately predict feedback loops and may therefore underestimate the chance of systemic failure in parts of the global economy.
- The models do not include the social or political impact of mass migration.
- The modelling captures first order impacts on companies’ revenues and costs but does not capture second order effects such as supply chain disruption.
- Based on prior economic and financial crises, it can be hard to predict the scale of monetary and fiscal policy responses. The models’ assumptions about changes in financial valuations may therefore be incorrect.



Climate disclosures 31 March 2025

- The modelling does not include the impact of other shocks that might occur such as recessions, conflicts or pandemics.

The Group's asset allocation has a significant proportion of assets in LDI (c. 72.5% of the allocation) and a sizeable allocation to private markets (c. 24% of the allocation) where there is insufficient coverage data to be included in the scenario analysis. Therefore, the primary method of integration of climate risks within the portfolio construction process for the Group's asset allocation is through the Climate-Aware Capital Market Assumptions and the selection of underlying asset managers.

Over the course of 2024, two new asset classes were introduced within the matching portfolio (short duration credit and buy and maintain credit) and a formal de-risking strategy was undertaken. The two new managers were included in this year's scenario analysis, but this did not have a material impact on the results of the scenario analysis modelling on a standalone basis nor at the total portfolio level. There were no other material changes to the funding strategy or position. Therefore, the Group Trustee has concluded that the current scenarios cover the range of plausible scenarios likely to be relevant to the Group and that, therefore, it is not necessary to undertake new scenario analysis outside the mandatory cycle.

Results

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

	31 December 2024 £m	Physical Climate Impact		Transition Climate Impact	
		Net Zero 2050	Delayed Transition	Net Zero 2050	Delayed Transition
Assets	£2,716.9	£2,711.2	£2,711.0	£2,709.9	£2,724.6
Liabilities	£2,682.2	£2,678.7	£2,678.7	£2,678.4	£2,691.6
Surplus	£34.7	£32.5	£32.3	£31.5	£33.0
Funding ratio (%)	101.3%	101.2%	101.2%	101.2%	101.2%
Change in surplus	-	-£2.3	-£2.4	-£3.2	-£1.7
Change in funding ratio (%)	-	-0.1%	-0.1%	-0.1%	-0.1%

Source: BlackRock

Overall, the greatest risk to the Group's assets occurs through transition risks under the Net Zero 2050 scenario with an expected decline in the portfolio's surplus by £3.2 million. Meanwhile, under the Delayed Transition Scenario, the expected decline in surplus from transition risks is £1.7 million. Physical climate risks also pose a threat to the portfolio; the expected decline in surplus is £2.3 million under the Net Zero 2050 scenario and £2.4 million under the delayed transition scenario.

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

The Group's investment strategy remains resilient to climate physical and transition risks given that a surplus is maintained under all potential scenarios assessed. Therefore, no changes have been proposed to the investment strategy in response to the 2025 scenario analysis, given the modest impact on the surplus. That being said, under both the Net Zero 2050 scenario and the Delayed Transition Scenario, the Group's assets are predicted to experience a loss. Therefore, the Group Trustee will continue to closely monitor these risks and ensure that they are adequately managed by the Fiduciary Manager. The Group Trustee will continue to conduct scenario analysis on an annual basis to ensure that climate change-related risks continue to not present a significant risk to the resilience of the covenant.

Scenario assumptions and limitations

Climate scenario analysis for the UKPN Group (March 2025)

Scenarios and scenario output

In the analysis that follows, Aladdin Climate has leveraged industry-standard NGFS scenarios to assess the potential impact of both Transition and Physical Risk, which is expressed in the analysis as physical climate adjusted value (also described as physical risk) and transition climate adjusted value (also described as transition risk), respectively. The scenarios themselves are taken directly from NGFS and are not a reflection of BlackRock's views.

Physical and Transition Risk are modelled separately as they require different model drivers. For the next 20 years, the increase of Physical Risk is unaffected by the transition pathway.

Available NGFS scenarios	NGFS Net Zero 2050 ¹	NGFS Delayed Transition ¹	NGFS Current Policies ¹
Temperature rise by ~2100	-1.5 degrees	-1.8 degrees	-3.3 degrees

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

The "counterfactual" (NGFS Current Policies) assumes no additional warming for Physical Risk scenarios, and no additional policies enacted for Transition Risk scenarios. The outputs are therefore conservative by design (i.e. they produce more severe outcomes) which is consistent with stress testing market practice. Essentially "de minimis" pricing of climate change is assumed.

Due to different methods the Physical and Transition Risk adjusted values cannot be added to provide a total climate risk adjusted value.

Aladdin Climate scenarios and models have limitations – they may not capture compounding effects of climate change or the scale of monetary and fiscal policy response. The models' assumptions about changes in financial valuations may therefore be incorrect.

The climate models used do not predict abrupt or irreversible changes that may result from reaching critical climate thresholds or "tipping points". They may also not adequately reflect feedback loops, and therefore underestimate systemic economic impact.

Given evolving nature of climate analytics, we expect input data and models to change over time, with potentially significant impacts on results.

¹ NGFS (Network for Greening the Financial System) published Phase 3 scenarios overview can be found here <https://www.ngfs.net/sites/default/files/medias/documents/ngfs-climate-scenarios-for-central-banks-and-supervisors.pdf> and technical documentation here <https://www.ngfs.net/sites/default/files/medias/2022/11/21/technical-documentation-ngfs-scenarios-2023-3.pdf>. NGFS has since released an updated scenario suite (Phase IV) that is on our near-term roadmap to be brought into the Aladdin Climate offering. Source: BlackRock, March 2024.

Physical and transition risk | Assets

	Current Allocation %	Current Allocation £m	Physical Climate Adj. Value %		Transition Climate Adj. Value %	
			Net Zero 2050	Delayed Transition	Net Zero 2050	Delayed Transition
Growth Strategy						
Equities	95.8	2.1				
BlackRock ACS World ESG Equity Tracker	27.5	1.0	-3.4%	-3.7%	-4.2%	-4.2%
BlackRock Factor Strategy	15.6	0.6	-3.4%	-3.7%	-4.0%	-3.9%
iShares Edge MSCI USA Value Factor	1.9	0.1	-4.2%	-4.5%	-11.4%	-6.4%
Schroders International Selection Emerging Markets	10.8	0.4			Out of Scope	
Bonds	112.2	4.1				
Aquila Life Overseas Bond Index	60.6	2.2	-0.1%	-0.1%	-0.2%	-0.1%
Neuberger Berman Emerging Market Debt - Local Currency	6.2	0.2			Out of Scope	
PGIM Global Corporate Bond	30.4	1.1	-0.2%	-0.2%	-1.2%	-0.7%
T Rowe Global High Yield Bond	15.0	0.6			Out of Scope	
Alternatives	892.6	21.8				
Equitas VI - Infrastructure Equity	92.1	3.0			Out of Scope	
BlackRock Reditus Fund	192.8	7.1			Out of Scope	
Barings European Private Loan Fund	150.3	5.5			Out of Scope	
Blackstone Breeds IV	60.3	2.2			Out of Scope	
Harbourvest	74.7	2.7			Out of Scope	
Partners Fund	32.4	1.2			Out of Scope	
Cash	26.1	1.0				
Matching Strategy						
Insight LDI	1,841.2	67.7	-0.2%	-0.2%	-0.2%	0.0%
AXA Short duration credit	89.0	3.3	-0.0%	-0.0%	-0.2%	-0.1%
Total Fund	100.0%	2,716.9				

The potential impact of transition and physical risk on the LDI portfolio, BSM credit portfolio and pension scheme liabilities has been modelled separately in Aladdin through calibration of user specified stress tests on interest rates and inflation only and are intended to be consistent with the climate scenarios shown.

Estimates are based on assumptions and are subject to change. Due to differences in the scenario counterfactuals and valuation methodologies, Physical and Transition Risk should not be added to show a total climate risk. Individual securities not covered by Aladdin Climate are assumed to be impacted in line with the relevant portfolio average. Figures subject to rounding. Source: BlackRock as at 31 December 2024.

Physical and transition risk: Impact on total assets, liabilities and funding

	31 December 2024 £m	Physical Climate Impact		Transition Climate Impact	
		Net Zero 2050	Delayed Transition	Net Zero 2050	Delayed Transition
Assets	£2,716.9	£2,711.2	£2,711.0	£2,709.9	£2,724.6
Liabilities	£2,682.2	£2,678.7	£2,678.7	£2,678.4	£2,691.6
Surplus	£34.7	£32.5	£32.3	£31.5	£33.0
Funding ratio (%)	101.3%	101.2%	101.2%	101.2%	101.2%
Change in surplus	-	-£2.3	-£2.4	-£3.2	-£1.7
Change in funding ratio (%)	-	-0.1%	-0.1%	-0.1%	-0.1%

The potential impact of transition and physical risk on the LDI portfolio, B&M credit portfolio and pension scheme liabilities has been modelled separately in Aladdin through calibration of our specified stress tests on interest rates and inflation only and are intended to be consistent with the climate scenarios shown. Estimates are based on assumptions and are subject to change. Due to differences in the scenario counterfactuals and valuation methodologies, Physical and Transition Risk should not be added to show a total climate risk. Individual securities not covered by Aladdin Climate are assumed to be impacted in line with the relevant portfolio average. Figures subject to rounding. Source: BlackRock as at 31 December 2024.

Physical and transition risk: Data coverage by portfolio

There are a number of portfolios for which we do not have adequate data (defined as less than 50% coverage) on the underlying holdings to provide quantitative scenario analysis. These have been excluded from the analysis. These include:

Schroders Emerging Market Equity	
Neuberger Berman EMD	
T Rowe Global High Yield	
Equitix Infrastructure Equity	
Bainrigg European Private Loan Fund	
BlackRock Reditus Fund	
Blackstone Breeds IV	
Harbourvest	
Partners Fund	

Where BlackRock has conducted analysis on portfolios managed by other investment managers, we are reliant on the accuracy of the holdings data and/or any other information provided by those managers. The portfolios that have been included in the analysis based on sufficient coverage, are listed below.

	Coverage
BlackRock ACS World ESG Equity	>90%
BlackRock Factor Strategy	>90%
BlackRock Global Treasuries	>90%
PGIM Global Credit	>90%
Insight LDI	>90%
AXA Short Duration Credit	>90%

Source: BlackRock as at May 2025, based on holdings as at 31 December 2024. Note that coverage is estimated based on the incorporation of derivative mark-to-market exposure as at 31 December 2024.

UK sovereign bonds*

Orderly transition - transition risk

Rationale	Catalysts	Calibration
<ul style="list-style-type: none"> A transition to Global Net Zero by 2050 is achieved via immediate and smooth policy responses Carbon taxes are channelled back to the economy via government investment 	<ul style="list-style-type: none"> UK sees up to 2% p.a. GDP gains peaking in 2027 (50% of carbon tax assumed to be reinvested into the economy) UK inflation around 1.9% higher peaking in 2026, largely driven by repricing of carbon prices Price of carbon rises to over 800 \$/ton by 2050. 	<p>The UK yield curve rises modestly as growth accelerates.</p> <p>Higher inflation however drives most of the impact on UK LDI assets and pension liabilities</p> <p>There is assumed to be no significant central bank response to higher inflation.</p>

Orderly transition - physical risk

Rationale	Catalysts	Calibration
<ul style="list-style-type: none"> A robust corrective action is taken to reduce emissions is taken but temperatures still rise by 1.5°C by c. 2100 relative to pre-industrial levels 	<ul style="list-style-type: none"> Physical changes such as higher temperatures, sea-level rises and hurricanes impact GDP. The impacts are largely felt from 2050 onwards 	<p>The UK yield curve increases modestly in the near term, but more for longer tenors as physical risks become for evident.</p>

Disorderly transition - transition risk

Rationale	Catalysts	Calibration
<ul style="list-style-type: none"> A delayed transition starts in 2030 Carbon taxes are used to cut income tax, thus boosting private consumption There is a negative shock to business confidence as stringent policies are introduced 	<ul style="list-style-type: none"> There is a negative impact on UK GDP particularly in the early to mid 2030s UK inflation around 1% higher than in a base case peaking in 2032 largely driven by repricing of carbon prices Price of carbon rises from 0 in 2030 to over 1000 \$/ton by 2050 	<p>The middle of the UK yield curve rises modestly as the risk premia (probability of default) applied to the UK increases.</p> <p>Higher inflation is priced in from 2030 onwards</p> <p>There is assumed to be no significant central bank response to higher inflation.</p>

Disorderly transition - physical risk

Rationale	Catalysts	Calibration
<ul style="list-style-type: none"> Some corrective action to reduce emissions is taken but temperatures still rise by 1.8°C by c. 2100 relative to pre-industrial levels 	<ul style="list-style-type: none"> Physical changes such as higher temperatures, sea-level rises and hurricanes impact GDP. The impacts are largely felt from 2050 onwards 	<p>The UK yield curve increases modestly in the near term, but more for longer tenors as physical risks become for evident.</p>

*The potential impact of transition and physical risk on the LDI portfolio, B&M Credit portfolio and pension scheme liabilities has been modelled separately in Aladdin through calibration of user specified stress tests on interest rates and inflation only and are intended to be consistent with the climate scenarios shown. Source: BlackRock, May 2025.

BlackRock

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Scenarios | Physical risk

Understanding Physical Risk

Physical climate risk can manifest in both acute and chronic ways. Acute risks are event-driven, such as increasing extreme weather, increased wildfires, widespread inland flooding. Chronic risks are longer-term and generally less obvious, covering impacts including more volatile and higher average temperatures, and rising sea levels. Physical climate risk, among other risks, has impacts on both short- and long-term investing, with both direct (e.g., damage to property or consumer locations) and indirect (e.g., supply chain disruption) impacts. BlackRock has partnered with climate scientists and research groups to better quantify the financial implications of Physical Risk, combining local climate and econometric data with our financial models to understand the effects of a changing climate.

Physical Climate Scenario Analysis

By combining scenario projections from peer reviewed climate science with econometric models, we can better understand the financial implications of varying carbon emissions pathways on portfolios. Aladdin Climate models the following NGFS scenarios¹:

Current Policies – a “hot house world” scenario developed by NGFS. Current Policies assumes that only currently implemented policies are preserved, leading to high Physical Risk. Emissions grow until 2080 leading to about 3 °C of warming, resulting in irreversible changes like higher sea level rise.

Net Zero by 2050 – an orderly scenario developed by NGFS. Global warming is limited to c. 1.5°C through stringent climate policies and innovation, with CO₂ emissions reaching “net zero” in c. 2050

Delayed Transition – a disorderly scenario developed by NGFS. It assumes that no action is taken in the near term, and that strong policies are then needed from 2030 onwards to limit warming to below 2°C

Source: BlackRock, December 2022.

BlackRock

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Scenarios | Transition risk

Understanding Transition Risk

Transition Risk identifies the risks and opportunities that arise from exposure to society's transition to a lower-carbon economy. The transition is already re-wiring the economy across sectors impacting investments through policy, technology, and behavioural change. However, the speed and shape of the transition is uncertain and uneven. Investors will need to identify and manage risks and opportunities resulting from the transition across their portfolios, with an awareness for differentiations across market channels, sectors, and regions. Aladdin Climate quantifies this impact of transitioning to a lower-carbon economy at the asset level, allowing for meaningful risk identification and portfolio analysis. These analytics are a product of collaboration across BlackRock's economic researchers, energy value chain experts, and financial analysts.

Transition Scenario Analysis

Transition scenario analysis is a key analytical technique used to model the potential transition scenarios for our economy, and the varying shapes and speeds of response. Such scenarios evaluate the potential futures of economic activity (e.g., GDP and population) alongside energy and land use patterns, as well as embed complex assumptions regarding the socioeconomic drivers of policy, technology, and consumer preferences. While there is vast uncertainty in what will happen, transition scenario analysis enables an understanding of what could happen, and the potential impacts to securities, issuers, and portfolios. Current scenarios referred to as "Net Zero" help us understand what society needs to do to reach Net Zero emissions by 2050 and limit average annual temperature rise to 1.5°C - 2°C by the end of the century, consistent with the Paris Agreement. Aladdin Climate currently models the following NGFS scenarios:

Current Policies – a "hot house world" scenario developed by NGFS. Current Policies assumes that only currently implemented policies are preserved, leading to high Physical Risk. Emissions grow until 2080 leading to about 3 °C of warming, resulting in irreversible changes like higher sea level rise.

Net Zero by 2050 – an orderly scenario developed by NGFS. Global warming is limited to c. 1.5°C through stringent climate policies and innovation, with CO₂ emissions reaching "net zero" in c. 2050

Delayed Transition – a disorderly scenario developed by NGFS. It assumes that no action is taken in the near term, and that strong policies are then needed from 2030 onwards to limit warming to below 2°C

Aladdin Climate uses the Current Policies scenario as the "counterfactual" scenario, i.e. other scenarios are compared to that counterfactual to derive transition risk impact.

Source: BlackRock, December 2022.

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Any information used in the Climate Risk Analysis or other forward-looking information herein is intended to illustrate hypothetical results based on certain assumptions, information and/or financial data (not all of which will be specified herein). The recipient should understand these assumptions and evaluate whether they are appropriate for their purposes. The output may vary significantly depending upon the value of the inputs given. Modelling of scenarios may be proprietary, making the output difficult for any third party to replicate. All opinions and estimates are given as of May 2025 and are subject to change.

- I. The BlackRock data, models and methodologies are not fixed and are likely to change over time;
- II. BlackRock does not endorse any conclusions relating to the BlackRock data, models and methodologies as being definitive; and
- III. the BlackRock data, models and methodologies rely on comparatively new analysis and there is limited peer review or comparable data available.



Climate disclosures 31 March 2025

Uniper

Net assets²¹ as at 31 March 2025: £391m.

Time periods

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

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

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

Climate scenarios

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

This figure was calculated under three different scenarios – where the implied temperature rise is 1.5°C, 2°C and 3°C. The quantitative analysis shows the portfolio is relatively resilient under the different scenarios. Based on the analysis completed in 2024, the Group's assets could fall by 12.5% in the 1.5°C scenario, which would result in a fall in funding level. This is on the assumption that Group's liabilities are not impacted by the shock. Considering the resilience to a shock is increasingly becoming part of the portfolio construction process and VLK believe this will become even more pressing if we were to move away from a global average temperature increase of 1.5°C.

Physical climate risk scenarios define possible climatic consequences resulting from increased levels of GHG emissions, and the ensuing financial burden (or opportunity) shouldered by businesses due to impacts on their facilities. Using the past 35 years of observed weather patterns to set a historical baseline as well as climate models, MSCI ESG Research brings both acute and chronic climate developments into perspective by modelling both costs from asset damage and business interruption respectively. The breakdown for the 1.5°C scenario as at 31 March 2024 across the different factors is shown below.

²¹ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.

Impact of scenarios

SCENARIO	CLIMATE VAR CONTRIBUTION
Low Carbon	
Transition Risk Scenarios	
Selected Model: RCMIPRO / 1.5°C / NGFS / DISORDERLY	-5.52%
Policy Risk Direct Emissions (Scope 1)	-2.77%
Policy Risk Electricity Use (Scope 2)	-1.03%
Policy Risk Value Chain (Scope 3)	-4.61%
Technology Opportunities	+2.90%
Physical Climate Scenarios	
Selected Model: Average	-6.92%
Extreme Cold	+0.59%
Extreme Heat	-4.00%
Precipitation	-0.52%
Extreme Snowfall	+0.01%
Extreme Wind	-0.06%
Coastal Flooding	-2.67%
Fluvial Flooding	-0.28%
Tropical Cyclones	-0.21%
River Low Flow	-0.02%
Wildfire	-0.00%
Aggregated Climate VaR	-12.45%

Source: Uniper

The Group Trustee is supportive of the Paris agreement to avoid dangerous climate change by limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C. These scenarios are supplemented by a 3°C to ascertain the risks the portfolio is exposed to across different outcomes.

Scenario assumptions and limitations

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

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

Covenant Assessment

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

As part of its management of non-financial risks, and environmental, social and governance risks, the Group Trustee receives regular monitoring of the underlying fund managers from VLK, who are responsible for selecting fund



Climate disclosures 31 March 2025

managers who align to their (and the Group Trustee's) responsible investment beliefs, in particular climate risks. The appetite for climate-related opportunities is growing and will continue to increase.



United Utilities PLC

Net assets²² as at 31 March 2025: £325m.

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

Time periods

As a long-term investor, the Trustee recognises the risks and opportunities arising from climate change are diverse and continuously evolving. The Trustee believes it is important to understand how the Group’s exposure to these risks may change over time, when the risk exposure may be greatest and what actions can be taken now, or in the future, to avoid those risks becoming financially material.

To help with this assessment, the Trustee considered climate scenario analysis across the following short, medium, and long-term time horizons:

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

Climate scenarios

The Trustee will carry out scenario analysis at least triennially. When the last analysis was conducted in 2022, the following scenarios were considered:

- A Rapid Transition: Average temperature increase of 1.5°C by 2100. Sudden divestments occur across multiple securities in 2025 in order to align to the Paris Agreement goals. This has disruptive effects on financial markets with sudden repricing, followed by “stranded assets” and a shock to market sentiment. Following this shock, there is a partial recovery.
- A Failed Transition: Average temperature increase above 4°C by 2100. The world fails to coordinate a transition to a low carbon economy and global warming exceeds 4 C above pre industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity, and increasing impacts from extreme weather events. These are reflected in repricing events in the late 2020s and 2030s.

In addition to the Group-specific analysis completed in 2022, during 2024 the ESG Sub-Group reviewed the results of the scenario analysis carried out by the bulk annuity provider. The scenarios used are shown below:

²² Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.



Inaction	Below 2°C	Net Zero 1.5°C	Delayed Below 2°C
Approximate global warming by 2100 3-4°C	Approximate global warming by 2100 <2°C	Approximate global warming by 2100 1.5°C	Approximate global warming by 2100 <2°C
Global failure to act on climate change means emissions continue to grow at historical rates.	Immediate, ambitious policy and investment action to address climate change limits global warming to below 2°C, but warming most likely exceeds 1.5°C.	Immediate, highly ambitious action to address climate change leads to a reduction in emissions to net zero around 2050.	Policy and investment action to limit warming to well-below 2°C is delayed to 2030, resulting in much more disruptive change. Warming most likely exceeds 1.5°C.

The Trustee's adviser works with Ortec Finance and Cambridge Econometrics to develop climate scenarios grounded in the latest climate and economic research, with a focus on providing practical insights.

Two scenarios were selected in order to ensure that both transition and physical risks could be assessed at relative extremes of a series of plausible outcomes. The Trustee also referred to the Pensions Regulator's "step-by-step example of following the climate change guidance in force at the time of the analysis which states:

"You must, as far as you are able, conduct scenario analysis in at least two scenarios:

- One scenario must assume an increase in global average temperatures of between 1.5 and 2°C above pre-industrial levels.
- We suggest that you consider that the other scenario assumes an increase in global average temperatures of well above 2°C above pre-industrial levels (in order to ensure that your analysis captures a scenario with higher physical risks)."

Scenario assumptions and limitations

Key assumptions

	Rapid Transition	Failed Transition
Summary	Sudden divestments in 2025 to align portfolios to the Paris Agreement goals have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock.	The world fails to meet the Paris Agreement goals and warming reaches 4.3°C above pre-industrial levels by 2100. Physical impacts cause large reductions in economic productivity and increasing extreme weather impacts.
Cumulative emissions to 2100	416 GtCO ₂ e	5,127 GtCO ₂ e
Key policy and technology assumptions	An ambitious policy regime is pursued to encourage greater decarbonisation of the electricity sector and to reduce emissions across all sectors of the economy.	Existing policy regimes are continued with the same level of ambition.



	Higher carbon prices, larger investment in energy efficiency and faster phase out of coal-fired power generation under a Rapid transition.	
Financial climate modelling	Pricing in of transition and physical risks of the coming 40 years occurs within a year around 2025. As a result of a market correction, a confidence shock to the financial system takes place in the same year.	Physical risks are priced in 2 different periods: 2026-2030 (risks of first 40 years) 2036-2040 (risks of 40-80 years).
Physical risk impact on GDP	Physical risks are regionally differentiated, consider variation in expected temperature increase per region and increase dramatically with rising average global temperature. Physical risks are built up from: Gradual physical impacts associated with rising temperature (agricultural, labour, and industrial productivity losses) Economic impacts from climate-related extreme weather events Current modelling does not capture environmental tipping points or knock-on effects (e.g., migration and conflict)	
Physical risk impact on inflation	Gradual physical impact (supply shocks) on inflation included through damages to agriculture and change in food prices. Total impact on a Global CPI Index is +2% in 2100.	Severe gradual physical impact (supply shocks) on inflation included through damages to agriculture and change in food prices. Total impact on a Global CPI Index is +15% in 2100.

Source: Mercer and Ortec. Climate scenarios as at 31 December 2022 (the Group last carried out scenario analysis in 2022).

Limitations associated with climate modelling

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

1. The further into the future you go, the less reliable any quantitative modelling will be.
2. There is a reasonable likelihood that physical impacts are grossly underestimated. Feedback loops or 'tipping points', like permafrost melting, are challenging to model particularly around the timing of such an event and the speed at which it could accelerate.
3. Financial stability and insurance 'breakdown' is not modelled. A systemic failure may be caused by either an 'uninsurable' 4°C physical environment, or due to the scale of mitigation and adaption required to avoid material warming of the planet.
4. Most adaptation costs and social factors are not priced into the models. These include population health and climate-related migration.
5. New and emerging risks, such as the impact of climate change on biodiversity loss, and vice versa, is expected to be integrated into climate scenario modelling over time once the supporting science and impact on econometrics and finance is better understood.



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Covenant Assessment

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

The covenant adviser sets out in its reporting to the Trustee the risks associated with climate change that may impact the sponsoring employer, alongside the controls in place. Additionally, in advance of the annual meeting the Trustee held with the employer's CFO, the covenant adviser suggested questions relating to environmental risks.

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



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Western Power Distribution

Net assets²³ as at 31 March 2025: £1,655m.

Time periods

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

- Short-term to be up to 5 years
- Medium-term to be up to 10 years
- Long-term to be up to 20 years

We use these time periods alongside the metrics, scenarios and target-setting to inform our engagement with Cardano and with our asset managers.

Climate scenarios

Our three scenarios are 1.5°C Paris-aligned transition, 2°C “late transition” and 3°C “slow transition” or “hot house”.

- Paris-aligned transition – this is our goal: AIM/CGE 1.5°C assumes measures are taken that will keep the rise in temperature limited to 1.5°C
- Late transition – following a review in conjunction with Cardano, this is a forecast of what we think is most likely to happen: Late AIM/CGE 2°C assumes measures are introduced to tackle climate change, but are introduced too late to meet the Paris Agreement
- Slow transition – this is our hot-house scenario: AIM/CGE 3°C assumes current policies being continued. According to the UN, we are currently on track for 3°C warming

We have chosen to disclose three scenarios because we believe this provides us with sufficient scope to inform our investment decisions. They are scenarios that highlight the impact of physical risks and transition risks as well as systemic risks in different scenarios and so enable us to draw conclusions about the different components of climate-change related risks and opportunities.

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

Impact of scenarios

For the following analysis, we have considered the period to 2030 consistent with our medium-term time horizon for the Group. We are realistic about the challenges with scenario analysis; it is too complex an impact to model far into the future with high confidence and too long a time horizon to be decision useful for the Group Trustees. Nonetheless, it is important that we try to reflect the types of risks and opportunities that our strategy may face over the medium-term that may not materialise over shorter-term time horizons. We believe 2030 is an appropriate timeframe as it is enough time for different policy and economic outcomes to develop and affect markets and to be decision useful to trustees.

We have chosen not to provide a quantitative assessment of scenario risks, as we believe that the commercially available scenario metrics are inadequate in the way that they quantify climate change risks. Instead, we have chosen to provide a qualitative assessment of various risks and ultimately portfolio outcomes based on narrative scenarios across the three scenarios for climate outcomes. Our analysis incorporates physical and transitional risks but also

²³ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.



separates out systemic risk (impacts on the whole economy) which is often missing from current climate scenario modelling.

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

	1.5 degrees	2 degrees	3 degrees
Physical Risk	Moderate	Moderate	High
Transition Risk	High	Low	Initially moderate but increasingly uncertain
Systemic Risk	Positive	Moderate	High
Portfolio Impact	Positive	Moderate	Negative

- Physical Risks: The impacts of climate change on physical assets owned by a company or in its supply chain, from climate change. For example, the damage to a factory due to coastal flooding and storm damage
- Transition Risks: The impacts of climate change on the individual assets due to changing climate policies, legal risks, market and reputational risks faced by companies, particularly as reflected in the increase of either direct or indirect costs of greenhouse gas emissions of the company or its supply chain.
- Systemic Risks: The macro effects of the consumer and government policy responses to climate change which affect overall economic growth, inflation and broad market outcomes.
- Portfolio Impacts: The combined effect of the scenario on both assets and liabilities.

Climate opportunities

Investment decisions made with sustainability in mind

We have been investing in Forestry since 2020. In addition to growing and maintaining woodland, we also explore renewable energy opportunities on our land via the development of windfarms. At present, the portfolio is helping to support a more sustainable world. For example, our manager Bidwells latest estimate stated that the Group's Bidwells holding has c. 11,000T of CO2 net carbon benefit per year. In addition to this, via windfarms, the Group is currently supporting the generation of renewable energy equivalent to at least 11,200 homes and this is expected to increase over time as new windfarms are developed.

Engagement with companies and governments

We believe it is more important to engage with companies and governments and to supply enabling capital to achieve long-term profitable transformation and decarbonisation than it is to hit short term carbon footprint target metrics. For example, emerging markets, which have higher carbon footprints, in part because they produce carbon intensive goods consumed by developed markets, require capital in order to transform their economies.

We will resist pressure to modify portfolios to meet headline portfolio level decarbonisation targets at the expense of incentivising the necessary real-world transition. Our goal is net zero greenhouse gas emissions globally – and we seek to maximise our influence to achieve this. In the long-term, this is the only effective strategy to mitigate the systemic effects on markets of climate change.

For these reasons, portfolio decarbonisation targets will continue to be reviewed at least every three years to ensure they remain appropriate and aligned with fiduciary objectives.

Asset manager engagement



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The Group Trustees expect:

- UK-regulated asset managers to be signatories of the Stewardship Code
- Non-UK regulated managers to exercise their voting rights in a manner consistent with a focus on medium- and longer- term investment performance

As part of their responsibilities, where applicable, the Group Trustees expect the Group's asset managers to:

- Engage with investee companies with the aim to protect and enhance the value of assets; and
- Exercise the Group Trustees' voting rights, in relation to the Group's assets
- Incorporate the Group Trustees' views on climate change risk and opportunities

With the assistance of our Investment Adviser, the Investment Committee undertakes an in-depth review of the investment managers' ESG credentials, including their stewardship and voting activity and policies every year. Our Investment Adviser monitors the stewardship activity of our investment managers on an ongoing basis and alerts the Investment Committee of any material concerns between this review period

Scenario assumptions and limitations

We used a qualitative scenario assessment compared to quantitative analysis due to complexities and inaccuracies involved in forecasting the degree of warming that will result from climate change, including:

- Uncertainties surrounding regional projections and effects of climate change
- Uncertainties around the government policies which will drive transition risks including legislation and regulation, monetary policy and fiscal policy
- Uncertainties around consumer reactions to climate change and how preferences may change over time
- Uncertainties around the economic impacts on future growth and inflation of both the climate change factors and the government policies
- Uncertainties around the market reactions to changes in policy, consumer behaviour, growth and inflation prospects

Covenant Assessment

The strength of the sponsor covenant is an important factor in determining the resilience of the funding strategy, given that the Group depends on the Sponsor for support in the event of adverse experience.

Climate change and the global response to it will influence Short-, Medium-, and Long-term covenant resilience and could affect the ability to pay the member benefits in full. We therefore believe it is important for us to understand the CCRO faced by our Sponsor.

To help with this we have reviewed the Sponsor's stated environmental strategy and goals, by reference to both:

- The NGED Group (as the Sponsor is part of the NGED Group); and
- The NG Group, as the NGED Group has aligned its position with the NG Group post integration of the NGED Group, and the NG Group is (as a much larger group) required to report and disclose on such matters as well as consulted with our independent covenant adviser.

Principal identified risks

The NGED Group and the NG Group (and by extension the Sponsor as part of both groups) play a central role in enabling and accelerating the energy transition and the move to a cleaner future. The vision is to be at the heart of a 'secure, affordable and clean energy future' and provide the platform for others to meet their own net zero commitments.



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The direction of the energy transition is set. The UK government has set out ambitious energy targets in the Clean Power 2030 Plan, calling for 95% of Great Britain's generation to be produced by clean sources by 2030; there is also the target to achieve a net zero power system in the UK by 2035 by which time electricity demand is expected to increase by approx. 50% from 2024 levels in the UK (and in its US jurisdictions by approx. 25% over the same period).

There are ambitious supply and demand UK energy generation targets. The energy sector is undergoing a significant period of change as the UK works towards a net zero carbon future. Net zero cannot happen without the DNOs, which will be at the forefront of driving a more sustainable future and achieving net zero carbon emissions by 2050. To that end, and recognising that responsibility, the NGED Group directors ensured that the ED2 business plan placed the DNOs at the heart of the transition, outlining how they will create a smart, flexible energy grid, facilitate the mass connection of LCTs and ensuring the plan took full account of the UK Government's published plans to achieve net zero by 2050.

Energy systems will look very different in the coming decades, and the NG Group is working with governments and partners globally to accelerate this transition, while balancing decarbonisation, affordability and reliability. The NG Group's business strategy and CTP are aligned to a low carbon economy and decarbonising its operations, as highlighted by the continuing pivot to electricity globally.

From a general covenant perspective, the Group Trustees:

- Consider the NGED Group/NG Group being central to decarbonisation and the electrification of heating and transport to be a positive (including planning for 1m+ EVs, c600k heat pumps and a significant increase in renewable energy), in that it will lead to greater electricity demand and the associated need for investment in the network to enable more power to be provided.
- Note the NGED Group/NG Group have incorporated their key mitigating and adaption responses into its business plans which are regularly reviewed.
- Note that NGED Group reports on various adaption actions such as substation flooding resilience programmes and storm weather responses to Ofgem as part of its normal reporting requirement. Many network assets have long useful lives; therefore, the NGED Group takes account of predicted climate change impacts when planning new installations or safeguarding existing key equipment (for example flood protection currently being provided to key assets is designed to be resilient to the end of this century).
- Note the continued strength of the employer covenant (as advised by their independent covenant adviser), noting in particular:
 - The regulatory framework/ringfence.
 - Investment grade credit ratings.
 - Strong operational performance – Sponsor/NGED Group profitability and operational cash generation.
 - Strong Sponsor/NGED Group balance sheet(s) with significant coverage for the scheme.
 - Good degree of certainty around the Sponsor's/NGED Group's profitability, operational cash generation and recovered investment in the network (as a result of the various RIIO-ED price control periods).
- The strategic pivot towards electricity has positioned the NG Group to benefit from the significant growth opportunities from the transition to net zero; these opportunities are reflected in recent NG Group announcements forecasting £60bn of investment across its energy networks and adjacent businesses (with £51bn linked to the decarbonisation of energy networks and considered aligned with the principles of the EU



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Taxonomy for climate change adaptation and mitigation); this sets out the 'once-in-a generation' increase in capacity to build the networks of the future, so customers can connect quicker than previously planned.

Notwithstanding these general views, the Group Trustees have noted the transition scenario analysis undertaken by the NG Group and the risks/opportunities associated with those various transition scenarios:

The Group Trustees also note the NG Group's own conclusions that:

- None of the transition scenarios threaten the NG Group's resilience.
- It is in a strong position to adapt its portfolio to maximise the opportunities of the energy transition.
- The momentum behind decarbonisation targets makes growth of electrification certain even in the most pessimistic scenarios, but there is still a wide range of possibilities for the future.

Whilst the Group Trustees recognise that there are risks associated with climate change above, in all scenarios and specifically in the chosen scenario, we currently expect continued covenant reliance/support for the Scheme at least beyond the medium-term (being the NG Group's strategic business planning process period), ensuring that the network remains resilient to ensure consumer demand is met.

As funding improves, and we continue to de-risk our investment strategy, reliance on the Sponsor covenant will reduce. This is expected to be the case at least over the medium-term (as above). Although we expect the impact of any risk to reduce over time, we will continue to monitor the Sponsor covenant as part of our ongoing management of the Group and CCRO.

The full covenant assessment for the Group is included within the Scheme Annex.



Risk Management

The Scheme Trustee must have processes to identify, assess and manage the climate-related risks that are relevant to the Scheme, and these must be integrated into the overall risk management of the Scheme.


Reporting on the Scheme's risk management processes provides context for how we, the Scheme Trustee, think about and address the most significant risks to our efforts to achieve appropriate outcomes for members.

The Scheme Trustee’s process for identifying and assessing climate-related risks

As described earlier in the Governance section of this report, investment strategy and implementation are the responsibility of the Group Trustees for the relevant Group. The Group Trustees are therefore responsible for their approach to climate risk management for their respective Group and the oversight of this.


In identifying, assessing, and managing climate-related risks that are relevant for the Scheme, the Scheme Trustee therefore relies on the Group Trustees, in conjunction with their investment advisers, to undertake an assessment of the material climate-related risks and opportunities that are relevant for their Group.

The Scheme Trustee also expects the Group Trustees to do the following, as appropriate and proportionate in the context of specific Groups and their asset size:



Climate change scenario analysis

Undertake climate change scenario analysis, appropriate to their Group, supported by their investment advisers.



Metrics and targets

Where appropriate and proportionate in the context of specific Groups and their asset size, undertake an assessment of their Group’s progress against any specified targets or metrics.

Scheme Trustee update

This process of identifying and assessing climate-related risks has been reviewed in the process of producing this TCFD report and is still suitable.

Together these elements complement each other, and taken together, give the Scheme Trustee an overview of the climate-related risks and opportunities that the Scheme is exposed to. Where appropriate, the Scheme distinguishes between transition and physical risks. All risks and opportunities are assessed with reference to the time horizons that individual Group Trustees have identified as relevant. The Scheme Trustee also recognises that Group Trustees may consider much shorter or longer time-horizons, dependent on the circumstances of their Group and will ask the Groups to provide detail where such divergence arises.

The Scheme Trustee asked the Group Trustees to share information on their quantitative and qualitative assessments, in order to support the Scheme Trustee in monitoring and reviewing progress against the Scheme’s climate change risk management approach on an ongoing basis.

The only exception to this was the Scheme’s investments in the Forestry Sector (which comprised less than 1% of the Scheme’s total assets until completion of the Forestry Project), for which the Scheme Trustee assessed the climate-related risks and

opportunities. In practice, the Scheme Trustee took a proportionate approach for these investments, given the materiality of the assets in the context of the Scheme overall. The external Forestry Manager (Bidwells) provided quarterly and annual reports detailing performance, forestry and windfarm activity, market commentary as well as investment strategy and recommendations.

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

Managing climate-related risks

The Scheme Trustee recognises the risks posed by climate change and receives regular training on responsible investment to understand how ESG factors, including climate change, could impact the Scheme's assets and liabilities over the short, medium, and long term.

The Scheme Trustee also reviews the capability of its advisers to bring important and relevant climate-related issues and developments to the Scheme Trustee's attention in a timely manner. In addition, the Scheme Trustee includes and reviews climate-related risks in the Scheme's other risk processes and documents, such as the risk register (as part of broader ESG considerations).

The Scheme Trustee also expects Group Trustees to:

- Receive regular training on responsible investment and to ensure training is of an appropriate level of knowledge and in line with regulation and market practices, to support good decision-making.
- Undertake regular monitoring and reporting of ESG-related factors, and to share this information with the Scheme Trustee from time to time, in order to support the Scheme Trustee to monitor and assess progress against the Scheme's climate risk management approach on an ongoing basis. This could include both quantitative and qualitative indicators. For example, some Groups may have access to ESG ratings, made available to them through their fund managers and investment advisers.
- Establish that their investment advisers have the appropriate capability to bring important, relevant, and timely climate-related issues to their attention and do so.
- Ensure that investment proposals explicitly consider the impact of climate risks and opportunities.
- Engage with their investment managers to understand how climate risks are considered in their investment approach, and stewardship activities are being undertaken appropriately.
- Understand the climate-related risks to the sponsoring employer of each of the respective Groups over the short, medium, and long term.
- Ensure that actuarial advice adequately incorporates climate-related risk factors where they are relevant and material.



Metrics & Targets

Quantitative measures of the Scheme's climate-related risks, in the form of both greenhouse gas emissions and non-emissions-based metrics, help to identify, manage and track the Scheme's exposure to the financial risks and opportunities climate change will bring.



Metrics background

We use quantitative measures to help us understand and monitor the Scheme's exposure to climate-related risks. Measuring the greenhouse gas emissions related to our assets is a way for us to assess our exposure to climate change.

As described in the Governance section of this report, the Scheme Trustee expects the Group Trustees to work with the fund managers of their respective Groups to calculate and disclose relevant climate-related metrics in line with the TCFD's recommendations. As part of this, and as described in the Risk Management section of this report, the Scheme Trustee expects Group Trustees to obtain data for climate-related metrics, track progress against a stated target for at least one of those metrics and to review the continued appropriateness of those metrics and targets over time.

This part of the report summarises the metrics that the Groups have calculated (where data is available at this stage), as well as the targets that some of the Groups have set.

Scope explanation

Greenhouse gases are produced by burning fossil fuels, meat and dairy farming, and some industrial processes. When greenhouse gases are released into the atmosphere, they trap heat in the atmosphere causing global warming, contributing to climate change. Greenhouse gases are categorised into three types or 'scopes' by the Greenhouse Gas Protocol, the world's most used greenhouse gas accounting standard.

Scope 1

All direct emissions from the activities of an organisation which are under their control; these typically include emissions from their own buildings, facilities, and vehicles.

Scope 2

These are the indirect emissions from the generation of electricity purchased and used by an organisation.

Scope 3

All other indirect emissions linked to the wider supply chain and activities of the organisation from outside its own operations – from the goods it purchases to the disposal of the products it sells.

In line with the regulatory requirement regarding the Scheme's second published TCFD report (and annually thereafter), the Scheme Trustee has endeavoured to report on Scope 3 emissions (in addition to Scope 1 and 2) as far as it has been able to. Scope 3 emissions are often the largest proportion of an organisation's emissions, but they are also the hardest to measure. The complexity and global nature of an organisation's value chain make it hard to collect accurate data.

For more explanation about greenhouse gas (GHG) emissions, please see the Appendix.

The Scheme’s climate-related metrics

The Group Trustees' investment advisers have collected information from the Group's managers on their GHG emissions, in order to calculate climate-related metrics for around 95% of the Scheme's total portfolio.

Overall, there are some differences in the metrics (and the underlying methodologies) that each of the relevant Groups have used, but broadly, the relevant Groups have chosen to report on a combination of the following measures:



Total Greenhouse Gas emissions

The total greenhouse gas (“GHG”) emissions associated with the portfolio is an absolute measure of carbon output from the Scheme’s investments and is measured in tonnes of carbon dioxide equivalent (“tCO₂e”).

Where possible, Groups have obtained scopes 1&2 and scope 3 emissions from the managers separately.



Carbon footprint

Carbon footprint is an intensity measure of emissions that takes the total GHG emissions and weights it to take account of the size of the investment made. It is measured in tonnes of carbon dioxide equivalent per million pounds invested (“tCO₂e/£m”).

Where possible, Groups have obtained scopes 1&2 and scope 3 emissions from the managers separately.



Carbon Intensity

Volume of carbon emissions per million dollars of revenue (carbon efficiency of a portfolio), expressed in tons CO₂e / \$M revenue.



Weighted Average Carbon Intensity (“WACI”)

The portfolio’s exposure to carbon-intensive companies, expressed in tons CO₂e/£M revenue. Emissions are allocated based on portfolio weights.



Data coverage

The percentage of data that is available / or not available within a portfolio.



Data quality / availability

A measure of the proportion of the portfolio that has high quality data for (i.e., data which is based on verified, reported, or reasonably estimated emissions, versus that which is unavailable). This has been selected on the basis that it provides a consistent and comparable measure of the level of confidence in the data.



Binary Target Measurement

A metric which shows how much of the Group’s assets are aligned with a climate change goal of limiting the increase in the global average temperature to 1.5°C above pre-industrial levels. It is measured as the percentage of underlying portfolio investments with a declared net-zero or Paris-aligned target or are already net-zero or Paris-aligned, or that have been verified by the Science Based Target Initiative (“SBTi”).



Implied Temperature Rise (“ITR”)

Analyses the warming scenario that the investment is aligned with on a forward-looking basis. Measured in °C. As a reminder, the 2015 Paris Agreement was to keep global temperature rises to below 2°C above pre-industrial levels.



Climate Value at Risk (“VaR”)

Measures the potential future cost and/or profit relating to the holding’s exposure to future climate change impacts. This looks at the aggregate of transition and physical cost and profit projections until the end of the century 2100. Measured in %.



Shareholder engagement metrics

Companies engaged on Climate-related Risk and Opportunities (CRRO):

The number of engagements with companies held by the Group on CRRO: the Investment Manager will (in conjunction with their specialised climate engagement partners) assess the key climate risks and opportunities in the portfolio holdings and proactively engage to enhance shareholder value. The number of such engagements will be measured.

Climate Action 100+ Companies Engaged: The number of engagements with companies through the Climate Action 100+ initiative: the Investment Manager, through specialised climate engagement partners, will participate in climate-related engagements each year with some of the targeted companies as part of the initiative. The number of such lead engagements will be measured.

Companies achieving milestones on CRRO: The number of engagement milestones achieved on climate-related issues: companies are targeted for engagement and progress is logged, recording examples of positive change (‘milestones’) over each year. The number of milestones achieved each year will be measured.



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Note: The RWE Group Trustees also reported on the RWE Group's exposure to climate-related opportunities.

The Group's metrics in more detail

The table on the next page summarises the metrics which each Group reported on for the purposes of this report. Most Groups reported on a combination of total GHG emissions, carbon footprint, Binary Target Measurement ("BTM") for the portfolio alignment metric and data coverage. Please note that in many instances, Groups have used the terms data coverage, data quality and data availability interchangeably.

For the intensity measure some Groups also reported on the WACI and/or carbon intensity.

For the portfolio alignment metric, some Groups elected the implied temperature rise ("ITR") instead of binary target measurements.

Finally, for the additional metric, some Groups chose to report on some less common metrics (compared to data coverage) such as climate VaR, climate opportunities and engagement metrics.



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	Absolute Emissions Metric	Intensity Emissions Metric	Portfolio Alignment Metric	Additional Metric
Central Networks	Total GHG Emissions	Carbon Footprint	BTM / SBTi	Data Availability
EA Technology	Total GHG Emissions	Carbon Footprint & Intensity	BTM / SBTi	Data Quality
E.ON	Total GHG Emissions	Carbon Footprint	BTM / SBTi	Data Availability
EDF DB	Total GHG Emissions	Carbon Footprint	BTM / SBTi	Data Quality
EDF DC	Total GHG Emissions	Carbon Footprint & WACI	ITR	Data Quality & Aggregated 1p5 Climate VaR
Magnox Electric	Total GHG Emissions	Carbon Footprint	BTM / SBTi	Data Coverage
Manweb	Total GHG Emissions	Carbon Footprint	ITR	Data Coverage
National Grid Electricity	Total GHG Emissions	Carbon Footprint	BTM / SBTi	Data Coverage
Northern Powergrid	Total GHG Emissions	Carbon Footprint	BTM / SBTi	Data Coverage
RWE	Total GHG Emissions	Carbon Footprint	BTM / SBTi	Climate Opportunities
Schneider	Total GHG Emissions	Carbon Footprint & WACI	ITR	3 x Engagement Metrics, Proxy Voting Data
SSE Southern	Total GHG Emissions	Carbon Footprint & WACI	BTM / SBTi	Data Quality
UK Power Networks	Total GHG Emissions	Carbon Footprint & WACI	BTM / SBTi	Data Quality
Uniper	Total GHG Emissions	Carbon Footprint & WACI	ITR	Data Coverage & Climate VaR per scenario
United Utilities PLC	Total GHG Emissions	Carbon Footprint	BTM / SBTi ITR	Data Quality/Coverage
Western Power Distribution	Total GHG Emissions	Carbon Footprint	BTM / SBTi	Data Availability

Source: Groups. BTM / SBTi indicates groups that have selected BTM and/or SBTi.

The Scheme’s GHG emissions carbon metrics

Because not all of the Groups have calculated climate-related metrics at this stage, the reported emissions metrics shown in this report do not include all of the Scheme's GHG emissions. Therefore, the metrics shown underestimate the Scheme's actual GHG emissions across the Scheme's total invested assets overall.

In addition, not all of the fund managers were able to provide all of the requested data. The Scheme Trustee expects that, in future, better information will be available from the managers (driven in part through continued engagement with the fund managers via the Groups and improvements in information availability) and this improvement will be reflected in future years’ reporting.

Some of the Group Trustees have calculated climate-related metrics and have also set climate-related targets for at least one of their chosen metrics. These targets help the Group Trustees and ultimately the Scheme Trustee monitor efforts to manage each Group's climate-change risk exposure.

The rest of this report shows the emissions of each asset class in each Group's portfolio, where the Group has obtained data from its fund managers to date. It also summarises the targets chosen by some of the Groups, as well as steps that will be taken by the Groups in order to meet those targets.

Target response analysis

The majority of Groups included in this report provided between one and two targets. The two most popular targets were related to net zero followed by data coverage. In addition to this, one Group reported a target related to GHG footprint and another WACI. 2 Groups did not mention any target setting in the metrics information they submitted. The table below summarised what each Group said in relation to their targets. Some Groups explicitly stated their targets, whilst others only made reference to the topic their target applied to.

Group ²⁴	Chosen Target
Central Networks	To align our investments to support the goal of net zero greenhouse gas emissions by 2050, in line with global efforts to limit warming to 1.5°C. An interim target for 2030, consistent with a fair share of the 50% global reduction in greenhouse gases, identified as a requirement in the IPCC special report on global warming of 1.5°C.
EA Technology	No target provided
E.ON	To align our investments to support the goal of net zero greenhouse gas emissions by 2050, in line with global efforts to limit warming to 1.5°C. An interim target for 2030, consistent with a fair share of the 50% global reduction in greenhouse gases, identified as a requirement in the IPCC special report on global warming of 1.5°C, based on 2019 levels. 2019 is the baseline year as we have confidence in the climate change data from this year and is prior to the Covid 19 pandemic, which due to lockdowns, saw fluctuations in fossil fuel use.
EDF DB	The Group Trustee has agreed to align the Group's investment strategy with the goals of the Paris Agreement, i.e., to aim to reduce total greenhouse gas emissions of the Group's assets to

²⁴ Please note that not all Groups had set a climate-related target at the time of writing.



net zero by 2050. Given this is a long-term target, the Group Trustee has also set an appropriate interim target of a 50% reduction of carbon footprint by 2030 compared to the baseline as at 30 September 2021.

EDF DC	<p>In March 2021, Mercer committed the Mercer Growth Fund (and other multi-client multi-asset funds) to achieving net-zero absolute portfolio carbon emissions by 2050. To achieve this, Mercer expects to reduce portfolio carbon emissions intensity (as measured by WACI) by at least 45 per cent from 2019 baseline levels by 2030. The commitment is consistent with targeting a 1.5°C limit on global temperature increases and the Paris Agreement's ambitions.</p>
Magnox Electric	<p>In the first year of reporting, the Group Trustee set a target to improve data coverage to 90%. Without meaningful data from the investment managers, it is very hard for the Group Trustee to measure its climate-risk exposure. The Group's performance against the target is measured and reported on every year. Over time, this will show the Group's progress against the target. While the current target is based on Scope 1 & 2 emissions, the Group Trustee has an aspiration to set a target based on Scope 3 emissions in the future.</p>
Manweb	<p>The Group Trustee has set a target to improve the proportion of the portfolio for which climate-related data is provided, consistent with the metrics chosen. The Group Trustee believes that by improving the coverage of the Group-specific climate-related data available, it will help the Group Trustee understand in greater detail the climate-related risks that the Group is exposed to. The Group Trustee has set a target of data coverage of at least 80% for carbon footprint and ITR by the year 2028.</p>
National Grid Electricity	<p>In our first year of reporting, we set a target to improve data coverage of scopes 1 & 2 emissions. Without meaningful data from the investment managers, it is very hard for us to measure our climate-risk exposure. So, it is important to set a target to improve the data coverage of the GHG emissions data from the managers. Our data coverage target is 95% for property, 100% for infrastructure and 100% for private credit. LDI is excluded given LDI data coverage is 100%. This year we have added targets for the Infrastructure and Private Credit allocations, which remain material components of the Group's residual strategic asset allocation alongside the bulk annuity policy.</p>
Northern Powergrid	<p>In our first year of reporting, we set a target to improve scope 1 and 2 data coverage to above 90% coverage of carbon emissions data across all growth asset classes (i.e., ex LDI). Last year we expanded this target to include scope 3 emissions. The data coverage for Scope 1&2 went from 54% last year to 52% in this report. For Scope 3, this year the data coverage was 53%.</p>
RWE	<p>Medium term: 50% reduction in GHG footprint of the Group's portfolio of assets (excluding government, government-related and derivative assets) by 31 March 2030 (Scope 1 & 2 emissions). Long term: Net-zero GHG footprint of the Group's portfolio of assets (excluding government, government-related and derivative assets) by 2050 or sooner (Scope 1 & 2 emissions).</p>
Schneider	<p>No target provided</p>
SSE Southern	<p>The Group Trustee has agreed the following targets for the Group's investment mandates as at 31 March 2025:</p> <ul style="list-style-type: none"> ▪ LGIM Buy & Maintain to achieve a data quality score of 4 within the next 3 years (up from 3 at present day). ▪ Insight Secured Finance mandate to achieve a data quality score of at least 2 within the next 3 years (up from 1 at present day)



UK Power Networks	<p>The Group has set a medium-term target to increase data availability for Scope 1, 2 and 3 carbon emissions for the overall portfolio to at least 50% over the medium term (3-5 years). This target will be monitored closely on an annual basis with a view to setting outcome-based targets once this has been achieved.</p> <p>The target is monitored through the 'Data Quality' metric, as independently reported by MSCI to BlackRock. This metric determines whether Scope 1, 2 & 3 emissions are 'Reported', 'Estimated' or 'Not Reported'. It considers the percentage of the portfolio for which accurate and reliable emissions data is available.</p>
Uniper	<p>With respect to targets, the Group Trustees have entrusted VLK to a) improve data coverage b) invest in strategies that are aligned with their long-term climate ambition c) engage with existing providers to achieve net zero ambitions. Progress is reviewed on a long-term holistic basis, as the Group Trustee considers how to meet its climate goals and their fiduciary duty to meet member's benefits.</p> <p>VLK have set their medium-term sustainability goals as investing in underlying funds which score highly (3 out of 5 or above) in their sustainability spectrum and secondly for liquid assets to be Paris aligned (between 1.5°C and 2.0°C pathway) by 2025 with all non-listed assets to be Paris aligned (between 1.5°C and 2.0°C pathway) by 2030.</p>
United Utilities PLC	<p>Given the significance of climate change risks, the Trustee has set a firm ambition to reach "net zero" emissions by 2050 for listed assets. The Trustee has also set an interim target of achieving a 50% reduction in scope 1 and 2 emissions (i.e. the scopes for which where there is an appropriate level of quality data) for these assets by 2030, as measured by the carbon footprint metric, relative to a baseline date of 31 March 2023. The baseline figure was 87 tCO₂e/\$m invested at 31 March 2023 (based on the available data).</p> <p>Carbon footprint is used for the 2030 target metric rather than absolute emissions as the absolute emissions figures will be impacted by market movements and changes in the value of the asset portfolios.</p>
Western Power Distribution	<p>To align our investments to support the goal of net zero greenhouse gas emissions by 2050, in line with global efforts to limit warming to 1.5°C.</p> <p>An interim target for 2030, consistent with a fair share of the 50% global reduction in greenhouse gases, identified as a requirement in the IPCC special report on global warming of 1.5°C.</p>



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Group Responses

Central Networks

Net assets²⁵ as at 31 March 2025: £2,580m.

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

Chosen metrics

We calculate and disclose the following metrics:

- **Absolute financed emissions** – Our chosen absolute emissions-based metric is in line with TCFD guidance and PCAF (Portfolio Carbon Accounting Financials) recommendations and allows for clear and comprehensive measurement of an organisation's overall impact on climate change, allowing stakeholders to easily compare emissions financed by a portfolio. The metric measures the total greenhouse gas emissions financed, in tons of carbon dioxide equivalent, of the portfolio, using Scope 1 and 2 emissions. The financed emissions are the percentage ownership of the total enterprise value including cash owned by the investor across debt and equity. Our total GHG emissions for financed corporate Credit, Equity and forestry GHG Scope 1 and 2 is: 80,961 tCO₂e.
- **Carbon Footprint** – Our chosen intensity emissions-based metric is in line with TCFD and PCAF recommendations and describes the total financed emissions per million pounds invested. This adjusts for the size of the portfolio and allows for a standardised and comparable measure of the climate impact of this portfolio compared to other portfolios of different sizes. This approach supports transparent and effective climate risk management, target setting, and stakeholder engagement. The metric measures the total GHG emissions in tons of carbon dioxide equivalent per £m invested, using Scope 1 and 2 emissions. Our emissions intensity for GHG Scope 1 and 2 is: 131 tCO₂e. This is the total greenhouse gas (GHG) emissions, in CO₂ equivalent, of the portfolio. This is based on public market proxies where the Asset Manager does not provide data.
- **Data availability** (% Coverage in the tables below) – Our coverage is 92.2% of the credit and equity exposure financed. This is the proportion of the analysis for which there is high-quality emissions data and is sourced from MSCI and third-party Asset Managers directly. There is good coverage of GHG emissions data in public listed equity markets. In public credit markets, there is sustainability-related data for some issuers, but not all, particularly emerging markets.
 - We will work with our Investment Adviser and our asset managers to engage companies, policy makers and data providers to improve data quality and coverage.
- **SBTi alignment metric** – We use the Science-Based Targets Initiative (SBTi) framework²⁶ which assesses the ambition of a company's Scope 1 and 2 targets. When organisations demonstrate their commitment to ambitious, scientifically grounded climate action, this not only enhances credibility and stakeholder trust but also supports strategic risk management, regulatory compliance, and long-term sustainable growth. The metric has been chosen because it is a straightforward metric that the Group Trustee can use to track progress of the portion of their portfolio that have made such commitments. Our estimated alignment is 6.6% of the total portfolio (or approximately 20.0% as a proportion of the assets captured). This is the

²⁵ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.

²⁶ <https://sciencebasedtargets.org/>



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percentage of the total portfolio exposure having set Science Based Targets to align with either a 1.5 degree or 2 degree climate scenario.

Metrics results

Emissions associated with our direct financed exposure are as follows:

Asset class	% exposure financed	% coverage	Absolute Financed Emissions tCO ₂ e		Carbon Footprint: Emissions intensity tCO ₂ e / £m invested	
			Scope 1+2	Scope 3	Scope 1+2	Scope 3
Equity	10.1%	99.0%	13,784	142,709	53	548
Credit	13.5%	84.0%	68,474	347,067	197	997
New Forestry	0.4%	100.0%	1,296	n/a	129	n/a
Total	24.0%	92.2%	80,961	489,776	131	792

Source: MSCI, Managers (Credit: Beach Point and GoldenTree, Equity: BlackRock Aquila, Egerton and iShares Emerging Markets, Forestry: Bidwells). Data represents emissions as at 31/12/2024 with allocations as at 31/03/2025.



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In the table below we have included the approximate carbon sequestration benefit of the remaining Forestry portfolio. However, due to regulatory advice, existing forestry cannot be considered for offsetting purposes.

Asset class	% exposure financed	% coverage	Absolute financed emissions	Carbon footprint:
			tCO ₂ e / EVIC	Emissions intensity
			Scope 1+2 only	Scope 1+2 only
Forestry	8.9%	100.0%	62,347	272

Source: Bidwells. Data represents emissions as at 31/12/2024 with allocations as at 31/03/2025.

The Paris alignment metric helps us understand the extent to which a portfolio is aligned with the goals of the Paris climate agreement, to limit warming well below 2 degrees and towards 1.5 degrees.

We disclose the extent to which portfolio companies have made commitments to net zero GHG emissions, and whether the commitments have been independently reviewed by the Science-based Targets Initiative.

This metric is most useful in helping us understand our own commitment to net zero GHG emissions, and therefore, consistent with guidance published by IIGCC, we have disclosed our physical exposure, not including our derivatives exposure.

SBTi alignment % of portfolio aligned with the Paris agreement*

6.6%

*As a % of total assets as at 31/03/2025

We report sovereign bonds' carbon footprint separately from this measure for several reasons:

- There is no comparable measure for sovereign bonds to financed EVIC (because countries' debt levels are not comparable)
- Total Sovereign country greenhouse gas emissions involve substantial double counting of emissions with corporate greenhouse gas emissions, and
- We believe adding sovereign numbers to corporate numbers can substantially obscure the dynamics of monitoring the changes to the corporate Portfolio Carbon footprint over time.

Our preferred approach to Sovereign emissions is to use a metric that is as close to and consistent with an emissions intensity metric. We use the weighted average consumption based GHG emissions per Issued Debt and to calculate the Group's carbon footprint using \$ PPP-adjusted GDP. These sovereign bond measures are reported separately below.

Sovereign bond carbon footprint

Country	Physical Bond Exposure	Derivative Exposure	% coverage	Consumption Intensity per Issued Debt (tCO ₂ e)	Production Intensity per GDP-PPP (tCO ₂ e)
UK	1,097	1,491	100%	430,406	86.6

Source: LDI manager. Data represents exposure and fund holding data as at 31/03/2025. *Interest rate swaps, inflation swaps, futures, cash and money market fund holdings have all been excluded. Short gilt positions have also been excluded.



Limitations, assumptions and methodology

We recognise the importance of managing CCRO – but also the challenges involved in doing it well. We continue to develop and evolve our policies to reflect climate change-related challenges. This reflects the evolution of our thinking on sustainability and the changes underway in the financial services sector, and society more broadly.

We are acutely aware that managers' methodologies can vary and whilst we encourage our managers to follow best practices and complete industry standard templates, there is a limit to the extent we can practically vet the data provided.

When measuring at the portfolio level, where we aggregate the emissions of investee companies, our approach is to disclose Scope 1 and 2 emissions (to avoid double counting). We also report separately on government bond exposures due to aggregation challenges with government bonds, and differing methodologies.

We recognise that there remain gaps in data availability, in particular, regarding Scope 3 emissions, emissions data from private market and alternative investment managers, and emissions data from managers located outside of the UK and EU region.

Scope 3 emissions help us better understand a company's sensitivity to climate change-related risks and opportunities, and its ability to transition. It can therefore help to understand relative performance of different companies within industries.

While we believe companies should disclose their Scope 3 emissions, we note that there are a number of data challenges which will take time to resolve.

As shown in the metrics table, approximately 23.6% (net credit and equity exposure financed) of the portfolio's assets are included within the emissions data. We note that approximately 58.2% of the portfolio is invested in Liability Driven Investments (LDI), which includes exposure to UK Gilts / Sovereign Bonds. We separate the sovereign bond carbon footprint from the corporate exposure, and this is explained below.

We recognise this does not cover all of the portfolio's Corporate exposure and that this coverage level is a limitation when disclosing our emissions data. We note that the majority of public market equity issuing companies are already being covered and that the credit issuing company analysis is still developing.

Targets

The Group Trustee Directors have set the following principal target with respect to the Group:

- To align our investments to support the goal of net zero greenhouse gas emissions by 2050, in line with global efforts to limit warming to 1.5°C.

Specifically, we commit to:

- Work in partnership with other asset owners on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner.
- An interim target for 2030, consistent with a fair share of the 50% global reduction in greenhouse gases, identified as a requirement in the IPCC special report on global warming of 1.5°C.
- Review the progress against our target every year, and to review the target itself at least every three years, to ensure it remains consistent with the latest scientific thinking and is appropriately incentivising the necessary economic transition.

The portfolio emissions intensity will be measured against these targets.

Our objective is to achieve, where possible, decarbonisation through the transformation of underlying businesses and government activities rather than divestment (because it is in our members' interests to decarbonise the economy-as-a-whole, and by remaining invested we retain our influence on the companies that must transition).



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With regards to corporate assets' alignment with the Paris Climate Agreement, the target over time is to consistently increase the proportion of the corporate portfolio that is Net Zero, Aligned to Net Zero or Aligning to Net Zero until 100% of the portfolio is aligned.

We will resist pressure to modify portfolios to meet headline portfolio level decarbonisation targets at the expense of incentivising the necessary real-world transition. Our goal is net zero greenhouse gas emissions globally – and we seek to maximise our influence to achieve this.

For these reasons, portfolio decarbonisation targets will continue to be reviewed at least every three years to ensure they remain appropriate.



Notes to support Net Zero Pathway analysis

The Group’s Carbon Footprint projection and ultimate target uses an emissions intensity metric, which is the total GHG emissions per £1m invested. This is useful, because, while subject to market fluctuations, it allows us to compare our emissions year-on-year and help us check we are moving in the direction of achieving our targets.

Both the absolute emissions and emissions intensity should trend to zero net greenhouse gas emissions (not adding greenhouse gases to the atmosphere) if we’re to meet our Net Zero target by 2050.

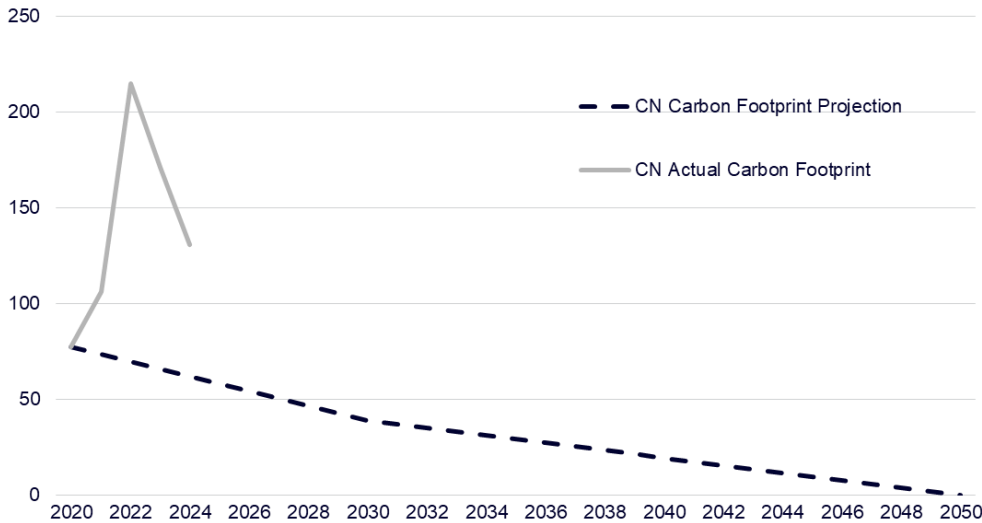
Fully assessing progress of the portfolio towards Net Zero will still take some time. Data is limited in some asset classes so we will continue to first focus on where we have the greatest insight and can have most influence. These data limitations have led us to use 2020 as a base year for our analysis.

The table below summarizes the parameters set for the interim target and shows the progress of the Group against the target using the 31 December 2024 metrics reported above.

Parameter	Value	Rationale
Assets within scope	Listed equities and corporate bond assets (scope 1 and 2 emissions) within funds used in the default arrangements	Data is limited in some asset classes so this analysis is in line with our continued focus on where we have the greatest insight and can have most influence.
Baseline date	31 December 2020	Due to the availability of data at the time of this TCFD report the baseline is taken from 2020 for this pathway analysis. This will also more robust future assessments.
31 December 2020 (baseline) level	77.6 tonnes CO2e per £m invested	The baseline level has been calculated as per the following: DM Equity: Proxied by MSCI World as at 31 December 2020. EM Equity: Proxied by MSCI EM as at 31 December 2020. Credit: Emissions intensity data as at 31 December 2020.
31 March 2025 (current) level*	130.8 tonnes CO2e per £m invested	The current level has been calculated as an average of the underlying fund carbon footprint figures, weighted by asset value as at 31 March 2025. We note that the methodology could change in the future as the industry evolves. If this is the case, these figures would be restated.

* Data represents emissions as at 31/12/2024 with allocations as at 31/03/2025

Net zero GHG pathway analysis:



Interpreting the chart:

The CN Carbon Footprint Projection comprises three key data points: Our estimated emissions as of 2020 (base year used for this analysis), our 50% emissions reduction target by 2030, and our 100% emissions reduction target by 2050.

Due to manager and regulatory advice, only new forestry can be included for offsetting purposes whereas existing forestry cannot.

As at 31 March 2025, the Group's carbon footprint has decreased and continues to track towards their net zero pathway. The Group Trustee Directors believe there is currently no reason to change the investment strategy.

We note that over 2020 to 2025 the emissions intensity has increased. This is as a result of:

- The baseline target date of 2020 being during the Covid 19 pandemic, which due to lockdowns, saw fluctuations in energy use.
- The Group Trustee Directors have established the Net Zero decarbonisation framework to support the long-term monitoring of our carbon footprint. We recognise that we have 4 data points (2021-2025) and so are cautious when drawing conclusions from these short-term results.
- The Credit proportion of the portfolio that's currently analysed under TCFD has increased substantially since 2020. In 2020, only 4.7% was held in Credit but in 2021, the strategic allocation of the portfolio changed and an additional 3.5% was added via introducing Bishopsgate. The Credit allocation reached 8.2% in 2021 leading to a more carbon intensive portfolio compared to baseline levels (as the Credit positions held in the portfolio are considerably more carbon intensive than the Equity holdings).



Climate disclosures 31 March 2025

Steps being taken to achieve target and methods used:

Steps being taken by Cardano:

- Provide the Group Trustee Directors with information, metrics and analytics on net zero greenhouse emissions by 2050 to enable the Group to invest in accordance with our net zero commitment and account for climate change-related risks and opportunities.
- Engage with those key to the investment system including data and service providers to ensure that products and services available to the Group Trustee Directors are consistent with the aim of achieving global Net Zero emissions by 2050 or sooner.
- Ensure any relevant direct and indirect policy engagement is undertaken in support of achieving global net zero greenhouse gas emissions by 2050 or sooner.

Steps being taken by the Group Trustee Directors:

- Take account of and report on progress against Scope 1 and 2 emissions and, to the extent possible, material portfolio Scope 3 emissions.
- Prioritise the achievement of real economy emissions reductions within the sectors and companies in which we invest.
- Ensuring investment proposals explicitly consider the impact of CCRO.
- Use the reporting provided by Cardano to help us assess progress towards our targets.

Whilst we expect our portfolio to trend towards our 50% emissions reduction target by 2030, we'll take the decisions necessary to align the portfolio consistent with our goal of net zero emissions by 2050.

In order to help us track progress against our target of net zero greenhouse gas emissions by 2050, Cardano will, at least annually, report to us:

- Our portfolios' absolute GHG emissions.
- Our portfolios' carbon footprint (emissions intensity).
- Data coverage, including use of proxies, relevant methodologies, and steps taken to address data gaps.
- Update our scenarios.

EA Technology

Net assets²⁷ as at 31 March 2025: £75m.

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

Chosen metrics

The Group Trustee has chosen to report the following metrics:

- Total GHG emissions
- Carbon footprint
- Data quality
- GHG Intensity
- Binary Target Measurement

Metrics results

Portfolio Emissions - Aggregated Data

Metric	Total Portfolio – Scope 1 & 2	Total Portfolio – Scope 3
Total GHG emissions (MtCO ₂ e)	0.00025	0.00148
Carbon footprint (tCO ₂ e/£M)	18.13	105.39

Source: MSCI, third party managers American Century, JPM, Neuberger Berman, Payden, PGIM, Schroders, T Rowe Price, Wellington (Note, Schroders provided overall data quality figure but were unable to provide split between estimated and reported so this had been left blank) as of 31 December 2024

*We have determined the overall data coverage of the total portfolio as the weighted average of the data coverage across asset classes. For asset classes where the data is not yet available and / or best practice is still being developed, we have assumed that data coverage is nil.

For scope 3 emissions, the emissions data is based on estimated data only.

The weighted average data coverage across the investment portfolio has been estimated* to be 5.7% for scope 1 and 2 emissions combined. The weighted average data coverage across the portfolio has been estimated to be 12.1% for scope 3 emissions.

The Trustee acknowledges that as coverage improves over coming years (in line with the wider industry), it is likely that the Group's absolute measure of emissions (total GHG emissions) may rise before it falls. This may be as the result of steps taken to improve the ESG characteristics of the investment portfolio.

²⁷ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.

Emissions by Asset Class: Scope 1 and 2

	Alternatives	Cash	Global Equity	LDI	Total
Market Value (£)	£11,398,420.14	£4,357,672.99	£572.59	£60,675,005.79	£76,431,671.51
% of total section assets	14.9%	5.7%	0.0%	79.4%	100.0%
Total GHG Emissions (MtCO ₂ e)	0.00025	0.00000	0.00000	0.00000	0.00025
Carbon Footprint (tCO ₂ e/£M)	25.68	0.37	81.67	NA	18.13
Data Quality Reported	48.4%	95.4%	85.6%	NA	12.7%
Data Quality Estimated	37.7%	0.4%	14.1%	NA	5.7%
Data Quality ¹	86.2%	95.8%	99.7%	NA	18.3%
GHG Intensity (t/ \$M GDP nominal)	NA	NA	NA	113.57	90.16
Binary Target Metric ²	0.0%	3.6%	73.0%	NA	0.2%

1. % of Market Value where reported and estimated Carbon Emissions and Carbon Footprint data is available. Total excludes coverage from sovereigns; emissions from sovereigns reported via GHG Intensity Metric.

2. % of Market Value where issuer has SBTI approved target.

Source: MSCI, No data available for BTO as of 31 December 2024.

LDI data has been estimated based on the latest available statistics on national emissions and national debt, in-line with the DWP's statutory guidance.

Emissions by Asset Class: Scope 3

	Alternatives	Cash	Global Equity	LDI	Total
Market Value (£)	£11,398,420.14	£4,357,672.99	£572.59	£60,675,005.79	£76,431,671.51
% of total section assets	14.9%	5.7%	0.0%	79.4%	100.0%
Total GHG Emissions (MtCO ₂ e)	0.00122	0.00026	0.00000	0.00000	0.00148
Carbon Footprint (tCO ₂ e/£M)	124.00	61.56	417.70	NA	105.39
Data Quality Reported	41.5%	0.0%	0.0%	NA	6.2%
Data Quality Estimated	44.7%	95.8%	99.7%	NA	12.1%
Data Quality ¹	86.2%	95.8%	99.7%	NA	18.3%
GHG Intensity (t/ \$M GDP nominal)	NA	NA	NA	113.57	90.16
Binary Target Metric ²	0.0%	3.6%	73.0%	NA	0.2%

1. % of Market Value where reported and estimated Carbon Emissions and Carbon Footprint data is available. Total excludes coverage from sovereigns; emissions from sovereigns reported via GHG Intensity Metric.

2. % of Market Value where issuer has SBTI approved target.

Source: MSCI, No data available for BTO as of 31 December 2024.



LDI data has been estimated based on the latest available statistics on national emissions and national debt, in-line with the DWP's statutory guidance.

Limitations, assumptions and methodology

Metric Type	BlackRock Calculation Methodology
Absolute emissions metric: Total GHG Emissions	Total GHG emissions are calculated using MSCI sourced Enterprise Value Including Cash (EVIC) and Scope 1 and 2 emissions. This is an absolute emissions figure that is normalized using Market Value from BlackRock on the portfolio level. Equation outlined below: $\sum_i \left(\frac{\text{Market Value}_i}{\text{EV Including Cash } (\$m)_i} \times (\text{Carbon Emissions Scope 1 + 2})_i \right)$
Emissions intensity metric: Carbon Footprint	Carbon footprint is an emissions intensity measure utilizing MSCI sourced EVIC and Scope 1 and 2 emissions. BlackRock market value and Net Asset Value figures are integrated to normalize to the portfolio level. Equation outlined below: $\frac{\sum_i (\text{Carbon Emissions Scope 1 + 2 Intensity } (EVIC_i) \times (\text{Market Value}_i))}{NAV}$
Emissions intensity metric: Weighted Average Carbon Intensity	Weighted Average Carbon Intensity is an emissions intensity metric utilizing MSCI sources sales and Scope 1 and 2 emissions values. BlackRock market value and Net Asset Value figures are integrated to normalize to the portfolio level. Equation outlined below: $\frac{\sum_i (\text{Carbon Emissions Scope 1 + 2 Intensity } (Sales_i) \times (\text{Market Value}_i))}{NAV}$
Data Quality	MSCI Coverage as measured by Scope 1 and 2 emissions broken down by "Reported", "Estimated" or "Not Reported" (represented as null values for Scope 1 and 2 emissions). Estimated values represent MSCI indication that the scope 1 and 2 emission data is estimated rather than officially reported.
Portfolio Alignment Metric: Binary Target Metric	The percentage market value of a portfolio where issuers have an approved SBTi target and investment is through a corporate bond or equity investment. Derivatives and other complex investment products are not captured
Emission intensity metric: Sovereign GHG Intensity (t/USD million GDP nominal)	This figure represents GHG intensity of an economy (in tons per USD million GDP nominal). The higher the value the more carbon intensive the economy is. Six greenhouse gases, considered under Kyoto Protocol, are considered for this data point. These gases are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride. GDP is in nominal terms. Utilizes MSCI data.
Emissions intensity metric: GHG Emission per Capita (Sovereigns)	Tons CO2e per capita. Six greenhouse gases, considered under Kyoto Protocol, are considered for this data point. These gases are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride. Utilizes MSCI data.
Metric Type	BlackRock Calculation Methodology
Total GHG Emissions Scope 3 Only	This figure represents the company's most recently estimated Scope 3 total emissions normalized by the most recently available enterprise value including cash (EVIC) in million USD. This ratio facilitates portfolio analysis by allocating emissions across equity and debt. (t/million USD)
Carbon Footprint Scope 3 Only	This figure represents the company's most recently estimated Scope 3 total emissions normalized by the most recently available enterprise value including cash (EVIC) in million USD. This ratio facilitates portfolio analysis by allocating emissions across equity and debt. (t/million USD)



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E.ON

Net assets²⁸ as at 31 March 2025: £2,969m.

Chosen metrics

We calculate and disclose the following metrics:

- **Absolute financed emissions** – Our chosen absolute emissions-based metric is in line with TCFD guidance and PCAF (Portfolio Carbon Accounting Financials) recommendations and allows for clear and comprehensive measurement of an organisation's overall impact on climate change, allowing stakeholders to easily compare emissions financed by a portfolio. The metric measures the total greenhouse gas emissions financed, in tons of carbon dioxide equivalent, of the portfolio, using Scope 1 and 2 emissions. The financed emissions are the percentage ownership of the total enterprise value including cash owned by the investor across debt and equity. Our absolute emissions for GHG Scope 1 and 2 are 89,294 tCO₂e. This is the total greenhouse gas (GHG) emissions, in CO₂ equivalent, of the portfolio. This is based on public market proxies where the Asset Manager does not provide data.
- **Carbon Footprint** - Our chosen intensity emissions-based metric is in line with TCFD and PCAF recommendations and describes the total financed emissions per million pounds invested. This adjusts for the size of the portfolio and allows for a standardised and comparable measure of the climate impact of this portfolio compared to other portfolios of different sizes. This approach supports transparent and effective climate risk management, target setting, and stakeholder engagement. Our emissions intensity for GHG Scope 1 and 2 is 74 tCO₂e per £1m invested. This is based on public market proxies where the Asset Manager does not provide data.
- **Data availability** (as shown as % coverage) – Our coverage is 89% of the credit and equity exposure financed. This is the proportion of the analysis for which there is high-quality emissions data and is sourced from MSCI and third-party Asset Managers directly. There is good coverage of GHG emissions data in public listed equity markets. In public credit markets, there is sustainability-related data for some issuers, but not all, particularly emerging markets.
 - We will work with our Investment Adviser and our asset managers to engage companies, policy makers and data providers to improve data quality and coverage.
- **SBTi alignment metric** – We use the Science-Based Targets Initiative (SBTi) framework²⁹ as a portfolio alignment metric. This methodology assesses whether companies in our portfolio have committed to setting near-term Scope 1 and 2 emissions reduction targets aligned with either a 1.5°C or 2°C climate scenario. When organisations make these commitments, it enhances credibility, strengthens stakeholder trust, and supports strategic risk management, regulatory compliance, and long-term sustainable growth.

This metric has been selected because it provides a clear and practical means for the Group Trustee to track progress in climate alignment across the portfolio. As of the reporting period, approximately 14% of the total portfolio (or around 30% of the portion of the portfolio where relevant data is available) is aligned with SBTi targets.

- Methodology and Assumptions

²⁸ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.

²⁹ <https://sciencebasedtargets.org/>



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- The metric is either provided by the underlying managers or calculated using third-party climate data providers, which match the Group's holdings to public SBTi commitments made by investee companies
- The analysis includes listed equities and corporate bonds, where company-level data on SBTi target setting is available
- The methodology considers only companies with verified targets or publicly committed to setting targets via the SBTi process

- Data Gaps and Limitations

- Data coverage is currently incomplete for certain asset classes, including private equity, sovereign debt, infrastructure, real estate, hedge funds, and multi-strategy funds. This is due to either the lack of company-level SBTi disclosures in these sectors or the inability to obtain sufficient look-through into underlying holdings
- Additionally, some small and mid-cap public companies do not yet report or engage with SBTi, limiting data availability in these areas

Progress will continue to be monitored through industry collaborations (e.g. IIGCC, PRI) and active participation in initiatives that aim to expand SBTi applicability and encourage alignment across a broader range of asset classes.



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Metrics results

Emissions associated with our direct financed exposure.

Asset class	% exposure financed	% coverage	Absolute Financed Emissions tCO ₂ e		Carbon Footprint: Emissions intensity tCO ₂ e/£m invested	
			Scope 1+2	Scope 3	Scope 1+2	Scope 3
Equity	20%	99%	24,733	243,864	38	374
Private Equity	6%	87%	4,618	45,550	23	226
Credit	11%	70%	59,943	324,169	168	911
Total	38%	89%	89,294	613,584	74	507

Source: Cardano. Data represents exposure and fund holding data as at 31/03/2025. Managers captured: Wellington, Rialto, Gresham, TWIM Alternative Credit Fund, Sands, Dorsal, Kadensa, Egerton & Westwood.

Limitations, assumptions and methodology

Limitations

We are acutely aware that Asset Managers' methodologies can vary and whilst we encourage our Asset Managers to follow best practices and complete industry standard templates, there is a limit to the extent we can practically vet the data provided.

When measuring at the portfolio level, where we aggregate the emissions of investee companies, our approach is to disclose Scope 1 and 2 emissions (to avoid double counting). We also report separately on government bond exposures due to aggregation challenges with government bonds, and differing methodologies.

Scope 3 emissions help us better understand a company's sensitivity to climate change-related risks and opportunities, and its ability to transition. It can therefore help to understand relative performance of different companies within industries.

While we believe companies should disclose their Scope 3 emissions, we note that there are a number of data challenges which will take time to resolve.

As shown in the table above, approximately 38% (net credit and equity exposure financed) of the portfolio's assets are included within the emissions data. We note that approximately 50% of the portfolio is invested in Liability Driven Investments (LDI), which includes exposure to UK Gilts / Sovereign Bonds. We separate the sovereign bond carbon footprint from the corporate exposure, and this is explained below. Therefore, we cover approximately 75% of the corporate exposure (38% of the 50% non-Sovereign exposure)

We recognise this does not cover all of the portfolio's corporate exposure and that this coverage level is a limitation when disclosing our emissions data. We note that the majority of public market equity issuing companies are already being covered and that the credit issuing company analysis is still developing.

Methodology

Absolute emissions tell us the emissions associated with our investments. While an important metric for us – and the regulator – it is difficult to use this metric for comparison purposes, because it is dependent on the size of the Group at the point, we conduct the analysis.

Therefore, we disclose an emissions intensity metric (or carbon footprint), which is the total GHG emissions per £1m invested. This is useful, because, while subject to market fluctuations, it allows us to compare our emissions year-



on-year and help us check we are moving in the direction of achieving our targets. For example, both the absolute emissions and emissions intensity should tend to zero if we're to meet our net zero target.

The emissions data does not currently capture the Group's exposure to the following types of asset classes or investment vehicles, due to inherent limitations in data availability, transparency, and methodology:

- Cash and cash equivalents, which do not generate emissions and are therefore excluded from carbon footprinting metrics.
- Certain derivative-based or short-duration funds, particularly those with minimal long-term credit or equity exposures, where the underlying holdings are either not disclosed or change too frequently to enable meaningful emissions attribution.
- Macro funds, which typically invest based on macroeconomic trends using complex instruments and global exposures, often through derivatives, making it difficult to assess emissions accurately.
- Multi-strategy funds, which combine various investment approaches such as long/short equity, global macro, credit, and arbitrage. These funds often feature high turnover, dynamic asset allocation, and limited transparency into underlying holdings, creating significant barriers to emissions tracking and climate risk assessment.
- Opaque or hedge fund-like structures, where there is limited or no look-through access to the underlying assets, preventing accurate assessment of financed emissions or climate-related exposures.

We report sovereign bonds carbon footprint separately from this measure for several reasons:

1. There is no comparable measure for sovereign bonds to financed EVIC (enterprise value including cash) i.e., sum of the market capitalisation of ordinary & preferred shares, book value of debt and non-controlling interests and cash.
2. Total Sovereign country greenhouse gas emissions involves substantial double counting of emissions with corporate greenhouse gas emissions, and
3. We believe adding sovereign numbers to corporate numbers can substantially obscure the dynamics of monitoring the changes to the portfolio's corporate emissions intensity over time.

Our preferred approach to calculating total sovereign emissions is based on the methodology developed by the Partnership for Carbon Accounting Financials (PCAF), which provides specific guidance for sovereign emissions accounting. For carbon intensity, we favour a metric that is closely aligned with corporate emissions methodology, defined as total sovereign emissions per USD million of GDP, adjusted for purchasing power parity (PPP). Using PPP-adjusted GDP allows for a more accurate comparison of carbon intensity across countries by accounting for differences in the relative cost of goods and services. The LDI manager is responsible for producing analysis in line with this methodology, and the relevant metrics are reported separately below.

Sovereign bond carbon footprint

E.ON LDI portfolio

	Absolute emissions Scope 1 & 2 (tCO ₂ e)	Weighted average carbon intensity (tCO ₂ e/\$m PPP-adjusted GDP)
LDI Active	327,256	86.6

Source: LDI manager as at 31/03/2025. Derivatives, cash and short gilt positions have been excluded.



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Legacy Npower LDI portfolio

	Absolute emissions Scope 1 & 2 (tCO ₂ e)	Weighted average carbon intensity (tCO ₂ e/\$m PPP-adjusted GDP)
Npower	22,516	86.6

Source: LDI manager as at 31/03/2025. Derivatives, cash and short gilt positions have been excluded.

Targets

The Group Trustee has set the following principal target with respect to the Group:

- To align our investments to support the goal of net zero greenhouse gas emissions by 2050, in line with global efforts to limit warming to 1.5°C.

Specifically, we commit to:

- Work in partnership with other asset owners on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner.
- An interim target for 2030, consistent with a fair share of the 50% global reduction in greenhouse gases, identified as a requirement in the IPCC special report on global warming of 1.5°C³⁰, based on 2019 levels. 2019 is the baseline year as we have confidence in the climate change data from this year and is prior to the Covid 19 pandemic, which due to lockdowns, saw fluctuations in fossil fuel use.
- Review the progress against our target every year, and to review the target itself at least every three years, to ensure it remains consistent with the latest scientific thinking and is appropriately incentivising the necessary economic transition.
- Whilst the investment strategy was considered over the latest reporting period, we note that as at the date of our 2025 report, the Group Trustee is in the process of changing its Investment Adviser and will complete an investment strategy review by 2026. As part of this activity we will revisit the appropriateness of our climate target (or pathway in our net zero pathway chart). In addition to this, we are cognisant of the rapidly evolving geopolitical tensions that are likely to impact our review of our climate target.

As at the date of our 2025 report, the Group Trustee is in the process of changing its Investment Adviser and will complete an investment strategy review by 2026. As part of this activity we will revisit the appropriateness of our climate target (or pathway in the Net Zero Pathway chart on the following pages). In addition to this, we are cognisant of the rapidly evolving geopolitical tensions that are likely to impact our review of our climate target.

The portfolio emission intensity will be measured against these targets.

Our objective is to achieve where possible decarbonisation through the transformation of underlying businesses and government activities rather than divestment (because it is in our members' interests to decarbonise the economy-as-a-whole, and by remaining invested we retain our influence on the companies that must transition). When doing so, we consider two simultaneous objectives:

- Aiming for the best financial risk/reward.
- Aiming for the maximum influence and impact in achieving the target objectives because we believe this helps address the systematic risks associated with climate change.

The steps we are taking to achieve our target

³⁰ <https://www.ipcc.ch/reports/>



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Our Investment Adviser has committed to:

- Provide us with information, metrics and analytics on net zero greenhouse emissions by 2050 investing and climate change-related risks and opportunities.
- Engage with those key to the investment system including data and service providers to ensure that products and services available to the Group Trustee are consistent with the aim of achieving global Net Zero emissions by 2050 or sooner.
- Ensure any relevant direct and indirect policy engagement is undertaken in support of achieving global net zero greenhouse gas emissions by 2050 or sooner.

We will:

- Take account of and report on progress against Scope 1 and 2 emissions and, to the extent possible, material portfolio Scope 3 emissions.
- Prioritise the achievement of real economy emissions reductions within the sectors and companies in which we invest.
- Use the reporting provided by our Investment Adviser to help us assess progress towards our targets.
- Whilst we expect our portfolio to trend towards our 50% emissions reduction target by 2030, we'll take the decisions necessary to align the portfolio consistent with our net zero emissions by 2050 goal.

The method we used to measure performance against our target

We have developed a Net Zero decarbonisation framework with our Investment Adviser which is being applied to the management of the Group's assets in order to help the Group Trustee achieve its decarbonisation targets. The framework is based off a four-stage process:

1. Influence and Support – influence and support companies to change, remain invested in those with credible plans. This is implemented through engagement with our Investment Adviser and our Asset Managers.
2. Avoid or underweight - avoid companies we think will not successfully make the transition and represent stranded assets and underweight assets that are less likely to successfully transition. Again, this is implemented through engagement with our Investment Adviser and Asset Managers.
3. Measure - measure progress made in the broad markets and economies, and in the portfolio holdings towards Net Zero. Measure or assess the managers capabilities in influence and impact.
4. Re-assess - assess the portfolios progress against the planned Net Zero pathway and decide how the approach needs to be adjusted.

We have constructed a Net Zero Pathway for the Group given our target timeframes.

Notes to support Net Zero Pathway analysis

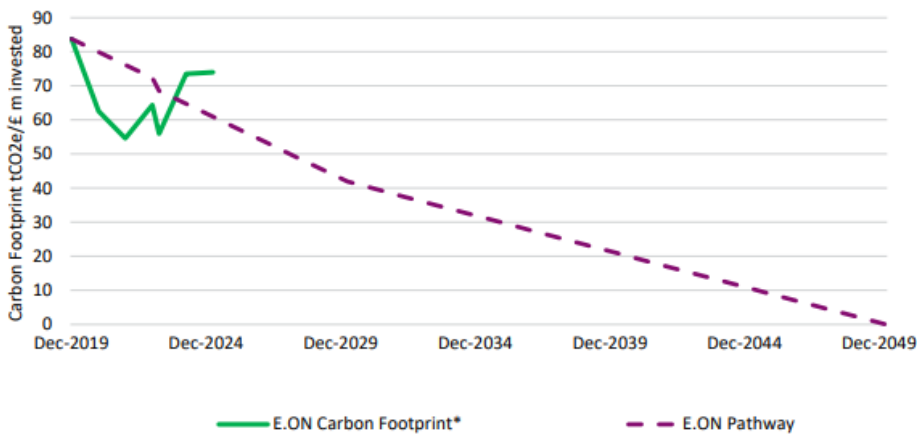
- The Group's Carbon Footprint emissions target uses an emissions intensity metric, which is the total GHG emissions per £1m invested. This is useful, because, while subject to market fluctuations, it allows us to compare our emissions year-on-year and help us check we are moving in the direction of achieving our targets.
- Both the absolute emissions and emissions intensity should trend to 0 net greenhouse gas emissions (not adding greenhouse gases to the atmosphere) if we're to meet our Net Zero target by 2050
- Fully assessing progress of the portfolio towards Net Zero will still take some time. Data is limited in some asset classes so we will continue to first focus on the equity and credit where we have the greatest insight and can have most influence. We therefore show the Long Equity and Credit Carbon Footprint for the Group.



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- This analysis is used to monitor our long-term effort to contribute to decarbonising the economy. Therefore, we do not include the Short Equity and Credit impact, as it does not remove GHG emissions from the atmosphere. It is, however, useful when considering the climate risks of our portfolio.

Net Zero Pathway



Source: Cardano. Notes: *This represents the Group's Long Equity from 2019 and Long Equity & Credit Scope 1&2 emissions from April 2023

Interpreting Chart above and the 2 lines shown:

- Because we believe issues remain with the quality and coverage of the data, our framework currently focuses on Scope 1 and 2 emissions.
- EON Pathway comprises three key data points: Our estimated emissions as of 2019 (our base year), our 50% emissions reduction target by 2030, and our 100% emissions reduction target by 2050.
- EON Carbon Footprint is our actuals. It comprises our annual emissions. This was estimated in 2019, 2020 and 2021 (using our regional benchmark), and records our portfolio's actual carbon footprint in 2022, 2023, 2024 and 2025. This will be updated annually.
- Our emissions methodology has evolved over the last few years, for example the inclusion of emissions for Credit holdings in the last two years. Emissions for these holdings were not included in our base year of 2019 as the methodology had not been developed (please see further details within our Conclusions below).

Conclusions from our 2025 Net Zero Pathway analysis

- The Group Trustee has established the Net Zero Decarbonisation framework to support the long-term monitoring of our carbon footprint. We recognise that we have 4 data points (2022-2025) and so are cautious when drawing conclusions from these short-term results
- In 2024, the Group's Carbon Footprint included for the first time the Long Credit Scope 1&2 emissions. The Group's Credit Asset Managers hold relatively carbon intensive positions which explained the increase in the Group's emissions intensity metric (or carbon footprint) in 2024.
- In 2025, another Credit Asset Manager's metrics were included for the first time (this manager was invested in previous years); as shown the percentage of exposure financed increased to 11% (it was 7% in 2024).



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The emissions intensity also increased for the Credit Asset Managers this year; this contrasts with the Equity Asset Managers, where the emissions intensity has reduced.

- If the addition of the Credit Asset Manager in 2025 is excluded, the Group's total emissions metrics shown in the Net Zero Pathway chart would have reduced between 2024 and 2025.
- As at 31 March 2025, the Group is tracking above the Group's target and was broadly flat compared to 2024. As of today, the Group Trustee believes there is no reason to change the investment strategy as 1) the Group Trustee is in the process of reviewing its investment strategy and subsequently its climate targets and 2) noting the impact from the inclusion of the Credit Asset Manager.
- Finally, we also note that responsibility has now shifted to third-party Asset Managers to report their carbon footprint. We are acutely aware that methodologies can vary and whilst we encourage our Asset Managers to follow best practices and complete industry standard templates, there is a limit to the extent we can practically vet the data provided. For Asset Managers that failed to provide analysis, appropriate proxies were used but these may not perfectly represent the strategy and/or companies held within the Funds.

Prioritising real-world Outcomes over portfolio-level targets

While we measure our carbon footprint to track the progress of the portfolios and the real-world decarbonisation over time, and we have set headline decarbonisation targets, this is not what we believe should drive portfolio change. Instead, we would consider shifting our focus to alignment metrics, such as the proportion of the portfolio that have set Science Based Targets. We will resist pressure to modify portfolios to meet headline portfolio level decarbonisation targets at the expense of incentivising the necessary real-world transition. Our goal is to be aligned with the successful shift to net zero greenhouse gas emissions globally – and we seek to maximise our influence to support this. In the long-term, this is the only effective strategy to mitigate the systemic effects on markets of climate change. For these reasons, portfolio decarbonisation targets will continue to be reviewed every few years to ensure they remain appropriate and aligned to the achievement of the Trust's fiduciary objectives.



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EDFG

Net assets³¹ as at 31 March 2025: £5,280m.

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

EDFG - Defined Benefit Section

Chosen metrics

In line with the regulatory requirements, the Group Trustee has adopted four climate metrics to monitor and report on:

DWP Suggested metric	Metric selected	Rationale
Absolute Emissions	Total greenhouse gas emissions of the Group's assets	This is the absolute emissions metric recommended by the DWP.
Emissions Intensity	Carbon Footprint	This is the emissions intensity metric recommended by the DWP. This metric is the total emissions divided by the total assets under management in the portfolio. It useful as an indication of carbon emissions per £m invested.
Portfolio Alignment	Science-based target initiative (SBTi)	This metric examines whether a voluntarily disclosed company decarbonisation target is aligned with a relevant science-based pathway.
Additional Metric	Data Quality	This metric provides insight into the reliability of underlying climate data, thereby enhancing the reliability of the output from the Group's other metrics.

The chosen metrics are reviewed at least annually to ensure they remain relevant and appropriate for the Group. At the March 2024 Group Trustee Board meeting the Group Trustee agreed to replace *Metric: the result of Scenario B of the PRA stress test scenarios* with a new 'Data Quality' metric that measures the proportion of the portfolio where the Group has high data quality. Reviewing the data quality scores aids the degree of conviction the Group Trustee has in the data being used. This change was as a result of industry standards and best practice progressing with non-emission based targets and scenario-based analysis, which the Group Trustee is looking to review for the next TCFD report.

Additionally, the Group Trustee continues to report the total emissions and emissions intensity of the Group's sovereign bonds (i.e. the Group's LDI portfolio), incorporating the growing industry consensus around a methodology for calculating sovereign emissions - the Group Trustee discloses the sovereign emissions in line with the Department

³¹ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.



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of Work and Pensions guidance, calculated using methodology based on PCAF (Partnership for Carbon Accounting Financials) guidance.

Given the difference in methodology between sovereign emissions and those from the Group's other assets (i.e., corporate emissions) emissions from the Group's LDI portfolio are reported separately below and are not included in the Group's progress towards its emissions-based targets.

Recognising the nascency of climate metrics in an investment context, the Group Trustee acknowledges there may be further situations where it is appropriate to consider replacing or updating the Group's metrics and targets as it has done over this year.

The Group Trustee receives these metrics on at least an annual basis as part of an ESG dashboard provided by Redington. The Group Trustee will continue to periodically review its selection of metrics to ensure they remain appropriate for the Group, with these last reviewed in March 2025. The Group Trustee has also gone through the process of setting explicit targets for the Group which are aligned with the Group Trustee's climate-related beliefs and are complementary to the Group's wider objectives.

Metrics results

The Group Trustee notes that the Group's scope 1&2 carbon footprint is 77 tCO₂e / £m invested, and the scope 1 & 2 estimated Group carbon emissions is 255,717 tCO₂e. This is a small reduction from the 267,196 tCO₂e last year.

There is emerging industry consensus regarding the carbon emissions of sovereign bond assets and the Group Trustee has engaged with the Group's LDI manager, Legal & General (L&G), to understand the emissions attributable to the Group's LDI portfolio. The Group Trustee reports the emissions from return-seeking assets separately from sovereign assets, rather than at an aggregated level recognising that there is likely to be a degree of double counting between the two.

In line with developing practice, the approach to calculating sovereign emissions has been improved based on guidance from the PCAF. As such, the carbon emissions intensity of the LDI portfolio are now reported on a Production (scope 1) and Import (scope 2&3) basis. The scope 1 carbon emissions intensity of the LDI portfolio is 128 tCO₂e/£m, and the scope 2&3 carbon emissions intensity is 90 tCO₂e/£m, as at 31 March 2025.

With the exception of two mandates; LGIM World Equity Index and M&G Sustainable Total Return Credit Investment Fund, which has c.98% and c.79.5% coverage respectively, the metrics have been modelled at an asset class level. This is due to the data coverage for those funds' data provided by the investment managers being below 50%. Data coverage for these funds are lower than the minimum threshold for a combination of reasons; for instance the underlying securities the funds invested in being unable to provide the required ESG data at this time, the investment manager still developing the process to engage and retrieve this data from the underlying securities, or ESG data is unavailable due to the underlying security type (e.g. for derivatives).

The expectation is that the output will evolve over time as data availability is likely to improve and increasing public disclosures should increase the speed at which the data becomes available. As and when new data becomes available, the Group Trustee will review the targets, which have been set to ensure they remain appropriate.

The Group Trustee has engaged with their investment managers to provide more detailed ESG data on their investments, in particular with Partners Group and CBRE. Although the coverage of these portfolios remains below the minimum threshold required to supersede the proxies in the ESG report, considerably below for the CBRE satellite portfolio, both investment managers are now providing information that was not provided previously. The Group Trustee will continue to monitor whether data quality is improving over time.

To date the Group Trustee has used the results to identify the funds with higher emissions, which has led to informed discussions with the investment managers and subsequently investing in appropriate alternative low-carbon funds (for example with M&G). The Group Trustee anticipates using the climate-related risks, which are raised through the above-mentioned metrics, as a further opportunity to engage with investment managers who have materially higher



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carbon intensity levels. The Group Trustee will continue to explore low-carbon alternative investment options and update investment guidelines for investment managers where the Group Trustee has discretion to make such changes.

Note: All analysis is provided by the Group's DB investment adviser, Redington Ltd (Redington), and the data in this Group's section is sourced from MSCI ©.

Absolute Emissions and Emissions Intensity

Fund	Fund Value (£m)	Carbon Emissions (tCO2e)				Carbon Intensity (tCO2e / EVIC £m)			
		Current - Scope		Previous - Scope		Current - Scope		Previous - Scope	
		1 & 2	3	1 & 2	3	1 & 2	3	1 & 2	3
Liquid Markets (Equities)									
LGIM World Equity Index (MSCI) Fund - GBP Currency Hedged	298.4	12,291	160,647	10,379	81,307	41.2	538.3	47.3	370.5
Liquid Markets (Multi-Asset)									
Amundi Multi-Strategy Growth Fund	158.0	3,331	34,381	3,715	23,344	21.1	217.6	24.3	152.7
Man AHL Target Risk Fund	235.6	4,318	147,457	3,589	88,539	18.3	625.8	22.0	542.0
Ruffer Absolute Return Fund (Segregated Account)	259.8	10,167	100,388	6,950	39,636	39.1	386.4	49.6	282.9
Liquid & Semi-Liquid Credit									
Aegon European ABS Fund	198.1	7,213	73,302	-	-	36.4	370.1	-	-
Beach Point SCF X Fund	10.7	1,943	9,906	3,044	12,461	181.2	923.8	158.1	647.0
BlueBay Leveraged Finance Total Return Fund	236.4	35,815	212,936	33,186	134,793	151.5	900.8	150.7	612.1
CQS Credit Multi Asset Fund	248.7	37,681	224,029	34,359	139,556	151.5	900.8	150.7	612.1
Janus Henderson UK & Europe ABS	200.3	7,294	74,122	-	-	36.4	370.0	-	-
M&G Sustainable Total Return Credit Investment Fund	190.4	6,695	97,655	8,382	66,949	35.2	512.9	47.3	378.2
PIMCO Low Duration Opportunities Fund	81.4	5,006	40,477	4,843	26,377	61.5	497.3	64.3	350.1
Schroders Alternative Securitised Income Fund	206.5	13,310	118,765	13,271	78,999	64.5	575.2	68.6	408.5
Illiquid Credit									
GSAM Broad Street Loan Partners IV (Levered) Fund	15.2	7,693	42,288	10,699	43,746	504.9	2,775.3	469.1	1,918.2
GSAM Broad Street Loan Partners IV (Unlevered) Fund	16.7	2,779	15,274	3,219	13,162	166.6	915.9	154.8	633.0
M&G Illiquid Credit Opportunities Fund II	50.1	14,921	76,084	13,759	56,317	298.1	1,520.0	260.1	1,064.6



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Fund	Fund Value (£m)	Carbon Emissions (tCO2e)				Carbon Intensity (tCO2e / EVIC £m)			
		Current - Scope		Previous - Scope		Current - Scope		Previous - Scope	
		1 & 2	3	1 & 2	3	1 & 2	3	1 & 2	3
M&G Illiquid Credit Opportunities Fund V	59.0	17,572	89,607	16,679	68,265	298.1	1,520.0	260.1	1,064.6
M&G Real Estate Debt Fund VI	43.0	4,740	29,940	5,579	28,472	110.1	695.6	101.3	516.9
Standard Life Long Lease Property Series II Fund	47.1	501	2,218	1,192	8,758	10.6	47.1	6.8	50.2
Illiquid Markets									
CBRE Satellite Portfolio	92.9	1,779	7,869	1,483	10,893	19.2	84.7	12.3	90.3
CBRE UK Property PAIF	119.9	1,276	5,643	812	5,963	10.6	47.1	6.8	50.2
Partners Group Fund	553.8	59,392	501,845	91,503	571,743	107.3	906.3	136.1	850.2
Totals¹	3,321.9	255,717	2,064,833	267,196	1,509,846	77.0	621.6	90.5	511.1

¹ Totals figures are not a sum of individual asset figures due to asset allocation changes over the year.

All "Current Total Portfolio" figures in this table are weighted averages with the exception of "Fund Value" and "Absolute Carbon Emissions (tCO2e)".

"Absolute Carbon Emissions (tCO2e)" is calculated using the notional value of the fund. "Fund Value (£m)" shows the mark-to-market value of the fund.

"Previous" figures show climate metrics from 12 months prior to "Current" figures. Fund-level "Previous" figures may not sum to the "Previous Total Portfolio" figures because the "Total Portfolio" values may contain funds that have now been divested from and not reported in this table.

Carbon metrics are proxied where there is insufficient data for funds. In these instances, no figure is shown for MSCI Climate Metrics Coverage.

ESG and MSCI Carbon Metrics meet the current minimum UK DWP's TCFD-aligned "Metrics and Targets" regulations. However, regulations are subject to change. Redington monitors developments closely.

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Portfolio Alignment

Fund	Fund Value (£m)	Science Based Targets Initiative Rating (Asset Weighted)	
		Current	Previous
Liquid Markets (Equities)			
LGIM World Equity Index (MSCI) Fund - GBP Currency Hedged	298.4	45.8%	42.4%
Liquid Markets (Multi-Asset)			
Amundi Multi-Strategy Growth Fund	158.0	26.0%	11.1%
Man AHL Target Risk Fund	235.6	-	-
Ruffer Absolute Return Fund (Segregated Account)	259.8	4.6%	4.2%
Liquid & Semi-Liquid Credit			
Aegon European ABS Fund	198.1	-	-
Beach Point SCF X Fund	10.7	-	-
BlueBay Leveraged Finance Total Return Fund	236.4	16.5%	5.8%



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Fund	Fund Value (£m)	Science Based Targets Initiative Rating (Asset Weighted)	
		Current	Previous
CQS Credit Multi Asset Fund	248.7	19.9%	3.8%
Janus Henderson UK & Europe ABS	200.3	-	-
M&G Sustainable Total Return Credit Investment Fund	190.4	15.4%	21.1%
PIMCO Low Duration Opportunities Fund	81.4	23.2%	4.0%
Schroders Alternative Securitised Income Fund	206.5	-	-
Illiquid Credit			
GSAM Broad Street Loan Partners IV (Levered) Fund	15.2	-	-
GSAM Broad Street Loan Partners IV (Unlevered) Fund	16.7	-	-
M&G Illiquid Credit Opportunities Fund II	50.1	-	-
M&G Illiquid Credit Opportunities Fund V	59.0	-	-
M&G Real Estate Debt Fund VI	43.0	-	-
Standard Life Long Lease Property Series II Fund	47.1	-	-
Illiquid Markets			
CBRE Satellite Portfolio	92.9	-	-
CBRE UK Property PAIF	119.9	-	-
Partners Group Fund	553.8	-	-
Totals	3,321.9	9.8%	6.8%

All "Current Total Portfolio" figures in this table are weighted averages with the exception of "Fund Value" and "ITR" (where it is presented).

"Previous" figures show climate metrics from 12 months prior to "Current" figures. Fund-level "Previous" figures may not sum to the "Previous Total Portfolio" figures because the "Total Portfolio" values may contain funds that have now been divested from and not reported in this table. Where presented, "Science Based Target initiative (SBTi)" are based on lookthrough data where it is available and never proxied. The SBTi score reflects only the long positions within a portfolio. ESG and MSCI Carbon Metrics meet the current minimum UK DWP's TCFD-aligned "Metrics and Targets" regulations. However, regulations are subject to change. Redington monitors developments closely. Certain information ©2025 MSCI ESG Research LLC. Reproduced by permission

Additional Metric - Data Quality - Scope 1 & 2

Fund	Fund Value (£m)	Grade 1 – Verified	Grade 2 – Unverified or estimated from energy consumption	Grade 3 – Estimated from company production	Grade 4 – Estimated from company revenue and sector	Grade 5 – Other estimated
Liquid Markets (Equities)						
LGIM World Equity Index (MSCI) Fund - GBP Currency Hedged	298.4	0.0%	88.1%	0.0%	10.0%	1.9%
Liquid Markets (Multi-Asset)						
Amundi Multi-Strategy Growth Fund	158.0	0.0%	0.0%	0.0%	0.0%	100.0%
Man AHL Target Risk Fund	235.6	0.0%	0.0%	0.0%	0.0%	100.0%
Ruffer Absolute Return Fund (Segregated Account)	259.8	0.0%	0.0%	0.0%	0.0%	100.0%
Liquid & Semi-Liquid Credit						



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Fund	Fund Value (£m)	Grade 1 – Verified	Grade 2 – Unverified or estimated from energy consumption	Grade 3 – Estimated from company production	Grade 4 – Estimated from company revenue and sector	Grade 5 – Other estimated
Aegon European ABS Fund	198.1	0.0%	0.0%	0.0%	0.0%	100.0%
Beach Point SCF X Fund	10.7	0.0%	0.0%	0.0%	0.0%	100.0%
BlueBay Leveraged Finance Total Return Fund	236.4	0.0%	0.0%	0.0%	0.0%	100.0%
CQS Credit Multi Asset Fund	248.7	0.0%	0.0%	0.0%	0.0%	100.0%
Janus Henderson UK & Europe ABS	200.3	0.0%	0.0%	0.0%	0.0%	100.0%
M&G Sustainable Total Return Credit Investment Fund	190.4	0.0%	68.1%	0.0%	12.3%	19.6%
PIMCO Low Duration Opportunities Fund	81.4	0.0%	0.0%	0.0%	0.0%	100.0%
Schroders Alternative Securitised Income Fund	206.5	0.0%	0.0%	0.0%	0.0%	100.0%
Illiquid Credit						
GSAM Broad Street Loan Partners IV (Levered) Fund	15.2	0.0%	0.0%	0.0%	0.0%	100.0%
GSAM Broad Street Loan Partners IV (Unlevered) Fund	16.7	0.0%	0.0%	0.0%	0.0%	100.0%
M&G Illiquid Credit Opportunities Fund II	50.1	0.0%	0.0%	0.0%	0.0%	100.0%
M&G Illiquid Credit Opportunities Fund V	59.0	0.0%	0.0%	0.0%	0.0%	100.0%
M&G Real Estate Debt Fund VI	43.0	0.0%	0.0%	0.0%	0.0%	100.0%
Standard Life Long Lease Property Series II Fund	47.1	0.0%	0.0%	0.0%	0.0%	100.0%
Illiquid Markets						
CBRE Satellite Portfolio	92.9	0.0%	0.0%	0.0%	0.0%	100.0%
CBRE UK Property PAIF	119.9	0.0%	0.0%	0.0%	0.0%	100.0%
Partners Group Fund	553.8	0.0%	0.0%	0.0%	0.0%	100.0%
Totals	3,321.9	0.0%	11.8%	0.0%	1.6%	86.6%

Additional Metric - Data Quality - Scope 3

Fund	Fund Value (£m)	Grade 1 – Verified	Grade 2 – Unverified or estimated from energy consumption	Grade 3 – Estimated from company production	Grade 4 – Estimated from company revenue and sector	Grade 5 – Other estimated
Liquid Markets (Equities)						
LGIM World Equity Index (MSCI) Fund - GBP Currency Hedged	298.4	0.0%	83.8%	0.0%	14.3%	1.9%



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Fund	Fund Value (£m)	Grade 1 – Verified	Grade 2 – Unverified or estimated from energy consumption	Grade 3 – Estimated from company production	Grade 4 – Estimated from company revenue and sector	Grade 5 – Other estimated
Liquid Markets (Multi-Asset)						
Amundi Multi-Strategy Growth Fund	158.0	0.0%	0.0%	0.0%	0.0%	100.0%
Man AHL Target Risk Fund	235.6	0.0%	0.0%	0.0%	0.0%	100.0%
Ruffer Absolute Return Fund (Segregated Account)	259.8	0.0%	0.0%	0.0%	0.0%	100.0%
Liquid & Semi-Liquid Credit						
Aegon European ABS Fund	198.1	0.0%	0.0%	0.0%	0.0%	100.0%
Beach Point SCF X Fund	10.7	0.0%	0.0%	0.0%	0.0%	100.0%
BlueBay Leveraged Finance Total Return Fund	236.4	0.0%	0.0%	0.0%	0.0%	100.0%
CQS Credit Multi Asset Fund	248.7	0.0%	0.0%	0.0%	0.0%	100.0%
Janus Henderson UK & Europe ABS	200.3	0.0%	0.0%	0.0%	0.0%	100.0%
M&G Sustainable Total Return Credit Investment Fund	190.4	0.0%	65.4%	0.0%	16.3%	18.3%
PIMCO Low Duration Opportunities Fund	81.4	0.0%	0.0%	0.0%	0.0%	100.0%
Schroders Alternative Securitised Income Fund	206.5	0.0%	0.0%	0.0%	0.0%	100.0%
Illiquid Credit						
GSAM Broad Street Loan Partners IV (Levered) Fund	15.2	0.0%	0.0%	0.0%	0.0%	100.0%
GSAM Broad Street Loan Partners IV (Unlevered) Fund	16.7	0.0%	0.0%	0.0%	0.0%	100.0%
M&G Illiquid Credit Opportunities Fund II	50.1	0.0%	0.0%	0.0%	0.0%	100.0%
M&G Illiquid Credit Opportunities Fund V	59.0	0.0%	0.0%	0.0%	0.0%	100.0%
M&G Real Estate Debt Fund VI	43.0	0.0%	0.0%	0.0%	0.0%	100.0%
Standard Life Long Lease Property Series II Fund	47.1	0.0%	0.0%	0.0%	0.0%	100.0%
Illiquid Markets						
CBRE Satellite Portfolio	92.9	0.0%	0.0%	0.0%	0.0%	100.0%
CBRE UK Property PAIF	119.9	0.0%	0.0%	0.0%	0.0%	100.0%
Partners Group Fund	553.8	0.0%	0.0%	0.0%	0.0%	100.0%
Totals	3,321.9	0.0%	11.8%	0.0%	2.2%	86.6%



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Targets

The Group Trustee has set an explicit climate target for the Group. In particular, the Group Trustee has agreed to align the Group's investment strategy with the goals of the Paris Agreement. This aims to reduce total greenhouse gas emissions of the Group's DB assets to net zero by 2050. Given this is a long-term target, the Group Trustee has also set an appropriate interim target of a 50% reduction of the Group's Scope 1 and 2 carbon footprint by 2030 compared to the baseline as at 30 September 2021.

The Group Trustee notes that these targets were originally set on the assumption that the low-carbon transition would occur at a reasonable pace, that the most ambitious goals of the Paris Agreement would remain achievable and relies on the necessary climate policies and regulations being implemented at the policy level. However, the world is currently far behind the decarbonisation trajectory needed to achieve this, with a predicted temperature increase closer to 3°C by the end of the century.

The Group Trustee continues to believe in the paramount importance of the transition to a low-carbon economy, especially as it believes this would be in the best interest of members. As such, the Group Trustee will continue to consider investment opportunities which contribute to the low-carbon transition as appropriate. However, as rising global temperatures increase the likelihood of physical risks relating to climate change, the Group Trustee will further consider the Group's resilience to these risks.

These targets are embedded in the governance, strategy and risk management processes via their inclusion in the quarterly reporting provided to the Group Trustee by Redington. On an annual basis, the Group Trustee will measure performance against this target and furthermore determine whether this should be retained or replaced.

These targets were reviewed over the year and the Group Trustee continues to believe that they are aligned to the Group's climate-related beliefs and are complementary to the Group's wider objectives whilst noting the headwinds that the transition to net zero faces. However, these targets may need to be recalibrated in the short term, alongside a more thorough assessment of portfolio resilience to a scenario where global temperatures continue to rise and the transition fails.



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EDFG - Defined Contribution Section

Chosen metrics

With regards to quantitative metrics, the Group Trustee – on an annual basis – monitors and reports:

- Absolute emissions: Total Greenhouse Gas emissions
- Emissions intensity: Carbon Footprint, Weighted Average Carbon Intensity (WACI)
- Portfolio Alignment: Implied Temperature Risk (ITR)
- Additional non-emissions based:
 - Aggregated 1p5 Climate VaR: Measures the potential future cost and/or profit relating to the holding's exposure to future climate change impacts. This looks at the aggregate of transition and physical cost and profit projections until the end of the century 2100. Measured in %.
 - Data quality

Metrics results

Absolute Emissions Metrics

	Group Assets (£m)	Proportion in Listed Assets	Absolute Emissions (tonnes CO2E)
The Cash Retirement Strategy	19.5	89.9	571.8
The Annuity Retirement Strategy	28.6	84.0	1,235.1

Notes: Data Source: MSCI ESG Data, Mercer Calculations. Calculated figures are rebased for representative full coverage. Figures are based on best-available data at time of calculation. Calculation methodologies are subject to change based on evolving market standards. The absolute emissions data is scheme specific and based on the AUM in both the Annuity and Cash Lifestyles.

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Emissions Intensity, Portfolio Alignment and Non-Emission Based Metrics

The Annuity Retirement Strategy		Listed Assets (84% of fund)			Sovereign Assets (16% of fund)	Implied Temperature Rise
Asset Class	Fund Weight	Coverage for WACI / Sales	WACI / \$m Sales	Carbon Footprint / £m invested	Carbon Intensity tCO2e / \$m PPP-Adjusted GDP	
Emerging Markets Equity	6.2%	95.8%	284.8	128.0	244.1	3.3
Multi-Factor Global Equity	11.6%	96.2%	94.4	63.8	-	3.0
Global REITs	0.8%	95.8%	85.0	9.5	-	3.1
Global High Yield Bonds	3.3%	69.7%	160.7	130.2	-	3.5
Corporate Bonds (US)	0.2%	93.8%	264.7	115.7	-	3.2
Sustainable Global Equity	10.4%	95.1%	23.7	7.2	-	2.5
Alternatives	7.2%	99.5%	-	-	-	-
Japan Equity	1.7%	100.0%	61.6	62.5	-	2.9
Asia High Yield Bonds	2.5%	80.2%	656.5	433.3	499.4	4.8
Global Inflation Linked Bonds	2.3%	98.6%	-	-	193.4	-
Emerging Market Debt	5.6%	90.3%	269.1	219.8	307.8	4.0
Global Equity CCF	14.9%	96.9%	83.5	35.7	-	2.8
Global Equity	12.4%	97.7%	84.5	36.2	-	2.8
UK Gilts	3.7%	100.0%	-	-	120.2	-
LGIM Future World Annuity Aware Fund	12.9%	96.7%	77.8	39.6	0.4	2.3
BlackRock Cash Fund	4.3%	5.1%	0.1	0.0	-	-
Pro-Rated Total	100.0%	91.4%	112.3	61.5	235.1	3.6



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Note: Best practice & methodologies have changed for quoting sovereign metrics where sovereign metrics are now split between production (including and excluding 'land-use, land-use change and forestry'/'LULUCF') and consumption emissions. Due to these changes, no direct comparison of the sovereign outputs can be made to previously reported sovereign metrics prior to 30 June 2024. For the purposes of this report, we have included ex-LULUCF figures.

Data Quality	Non Eligible	Sovereigns	Verified	Reported	Estimated	Not Reported	Not Estimated
Scope 1 & 2	11.3%	13.4%	0.0%	64.4%	8.5%	2.3%	-
Scope 3	11.3%	13.4%	-	-	73.0%	-	2.3%

Scope 3	Upstream	Downstream
Carbon Footprint (tCO ₂ e/£m invested)	111.4	213.2
WACI (tCO ₂ e/\$m revenue)	207.2	277.5

The Cash Retirement Strategy		Listed Assets (90% of fund)			Sovereign Assets (10% of fund)	Implied Temperature Rise
Asset Class	Fund Weight	Coverage for WACI / Sales	WACI / \$m Sales	Carbon Footprint / £m invested	Carbon Intensity tCO ₂ e / \$m PPP-Adjusted GDP	
Emerging Markets Equity	5.7%	95.8%	284.8	128.0	244.1	3.3
Multi-Factor Global Equity	10.6%	96.2%	94.4	63.8	-	3.0
Global REITs	0.8%	95.8%	85.0	9.5	-	3.1
Global High Yield Bonds	3.0%	69.7%	160.7	130.2	-	3.5
Corporate Bonds (US)	0.2%	93.8%	264.7	115.7	-	3.2
Sustainable Global Equity	9.4%	95.1%	23.7	7.2	-	2.5
Alternatives	6.6%	99.5%	-	-	-	-
Japan Equity	1.5%	100.0%	61.6	62.5	-	2.9



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Asia High Yield Bonds	2.3%	80.2%	656.5	433.3	499.4	4.8
Global Inflation Linked Bonds	2.1%	98.6%	-	-	193.4	-
Emerging Market Debt	5.1%	90.3%	269.1	219.8	307.8	4.0
Global Equity CCF	13.6%	96.9%	83.5	35.7	-	2.8
Global Equity	11.3%	97.7%	84.5	36.2	-	2.8
UK Gilts	3.4%	100.0%	-	-	120.2	-
BlackRock Cash Fund	24.5%	5.1%	0.1	0.1	-	4.5
Pro-Rated Total	100.0%	73.0%	91.8	50.5	167.3	3.8

Note: Best practice & methodologies have changed for quoting sovereign metrics where sovereign metrics are now split between production (including and excluding 'land-use, land-use change and forestry' / 'LULUCF') and consumption emissions. Due to these changes, no direct comparison of the sovereign outputs can be made to previously reported sovereign metrics prior to 30 June 2024. For the purposes of this report, we have included ex-LULUCF figures.

Data Quality	Non Eligible	Sovereigns	Verified	Reported	Estimated	Not Reported	Not Estimated
Scope 1 & 2	11.3%	13.4%	0.0%	64.4%	8.5%	2.3%	-
Scope 3	11.3%	13.4%	-	-	73.0%	-	2.3%

Scope 3	Upstream	Downstream
Carbon Footprint (tCO2e/£m invested)	111.4	213.2
WACI (tCO2e/\$m revenue)	207.2	277.5

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Data Source: MSCI ESG and Mercer calculations

Calculated figures are rebased for representative full coverage.

Proxies are applied where appropriate.

Figures are based on best-available data at time of calculation. Calculation methodologies are subject to change based on evolving market standards



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Limitations, assumptions and methodology

Coverage is defined as the proportion of the asset class that usable carbon emission and revenue data are available for, i.e. if we have a coverage value of 99.8% of an underlying fund / asset class this means 0.2% of the data is missing. For the basis of these calculations, it is assumed that the missing 0.2% behaves in a similar way to the available data and so the available data is pro-rated to account for the missing data. While this is an assumption, we believe this is a reasonable proxy to be used.

When calculating tonnes of carbon dioxide equivalent emissions (tCO₂e) Scope 1 and 2 emissions are reported separately to scope 3 emissions. This is for two reasons; 1) coverage of scope 3 disclosure remains insufficient to use reliably and 2) inclusion may lead to double-counting at portfolio level. Scope 1, 2 and 3 emissions are as defined by the GHG protocol - Greenhouse Gas Protocol | (ghgprotocol.org) Please note that Carbon Footprint is provided in USD by the fund manager, we have converted to GBP using the following exchange rate, USD/GBP – 0.78444 as at 31 December 2023. Sourced from Refinitiv.

Data quality for Scope 1 and 2 is split between; not eligible, sovereigns, reported, estimated and not reported. Data quality for Scope 3 is split between; not eligible, sovereigns, estimated and not estimated. Whilst a level of reported data is available under scope 3, given the vast discrepancies in scope 3 calculation methodologies across underlying companies we are using estimated data where possible for consistency in reporting. This approach will be reviewed in future as scope 3 data becomes more reliable.

Upstream Scope 3 emissions: defined as indirect carbon emissions related to purchased or acquired goods and services; and Downstream Scope 3 emissions: defined as indirect carbon emissions related to sold goods and services.

All modelling provided by Mercer.



Targets

The Group Trustee will adopt the targets as set by the delegated investment manager, MWS. The Group Trustee and MWS are committed to reducing the overall WACI over time.

The target for the Mercer Growth Fund has been set against WACI and is aligned with the funds' net-zero commitment.

What is the commitment?

- In March 2021³², Mercer committed the Mercer Growth Fund (and other multi-client multi-asset funds) to **achieving net-zero absolute portfolio carbon emissions by 2050**³³. To achieve this, Mercer expects to **reduce portfolio carbon emissions intensity (as measured by WACI) by at least 45 per cent from 2019 baseline levels by 2030**. The commitment is consistent with targeting a 1.5°C limit on global temperature increases and the Paris Agreement's ambitions.
- Robust analysis informed Mercer's view that this carbon reduction target, supported by a climate transition plan, is possible while remaining consistent with investment objectives and risk/return profiles to deliver on both short and long term expectations and best interests.
- The goal is to reduce both Absolute Emissions and WACI to net zero by 2050 (considering only Scope 1 and Scope 2) i.e. focused on emissions reductions but likely with some carbon removals included in due course.
- WACI figures are based on listed assets only and does not include sovereign assets. For sovereign exposures, Mercer will be tracking what portion of countries have made net zero commitments and at what date – the weighted average year for reaching net zero should move to 2050 or sooner. Metrics used for country/sovereign exposures are not directly comparable with listed figures, as such the two are not compared, aggregated or otherwise mixed.

Progress to date is as follows (WACI: tCO2e/\$m revenue):

	Mercer Growth	Progress towards target
31 Dec 2019 (Baseline)	329.6	
31 Dec 2024 (Target)	250.5	
31 Dec 2024 (Actual)	122.2	-49% (below)

MWS will be working closely with its appointed investment managers to identify and manage a staged emissions reduction plan, oversee allocations to climate solutions, and steward an increase in transition capacity across the funds. It is evident that the Group is making good progress for the Mercer Growth Fund, as the current WACI figure is below the target threshold for the scheme year. Most of these gains against the target were made during 2022 as a result of new benchmarks being introduced for the listed infrastructure and low volatility equity allocations. 2023 saw further reductions driven by a lower allocation to passive Global High Yield (high WACI strategy) and progressive decarbonisation built into the listed infrastructure benchmark construction. The Group Trustee is comfortable maintaining the current target and will continue to monitor progress against the target annually.

³² The commitment was announced March 2021, but uses a **31 December 2019** baseline.

³³ Defined as: absolute carbon emissions (Scope 1&2) per \$M of AUM. Note that absolute emissions are the priority for real world emissions outcomes, however, Weighted Average Carbon Intensity (WACI) remains an important measure from a portfolio perspective for decision making in the shorter term.



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In order to ensure that the target is met, the MWS IGC adheres to its responsible investment four pillar framework. The four pillar framework covers the following four key areas which specifically ensures that climate risks are considered across the investment strategy:

- **Integration:** When selecting investment managers, the MWS IGC ensures that it only appoints investment managers who thoroughly consider ESG and climate considerations (risks and opportunities) into their security selection and portfolio construction where relevant. These investment managers are identified by Mercer's manager research team rating investment managers using Mercer's ESG rating process.
- **Stewardship:** The MWS IGC engages with its investment managers to ensure they maintain strong processes in relation to voting to ensure activities and behaviours are aligned with MWS's wider ESG beliefs and carbon emission reduction targets. The MWS IGC also does an annual survey of the engagement activities that are undertaken by its investment managers with investee companies with a focus on those engagements related to MWS's engagement priorities, including climate change.
- **Investment:** MWS's Multi-Asset funds (including the Mercer Growth Fund) hold direct allocations to ESG tilted indices currently through global equities, global high yield bonds and emerging market debt. These allocations will tilt away from higher emitting companies and the MWS IGC keeps under regular review whether additional allocations to ESG tilted allocations can and should be made. The sustainable global equity allocation tracks a Paris-Aligned benchmark which has explicit carbon reduction targets.
- **Screening:** The MWS IGC considers certain screens and whether exclusions are applied. Standard exclusions applied where possible across the fund range and within the multi-asset funds are: controversial weapons, tobacco companies and specified fossil fuel activities (1% revenue cap on thermal coal extraction, oil tar sands mining and arctic drilling). The MWS IGC keeps the list of excluded activities under regular review.

The Group Trustee is satisfied that good progress is being made with integrating climate considerations into the Mercer Growth Fund, which is reflected in the reduction shown above and ESG ratings assigned to the appointed underlying investment strategies by the Group Trustee's advisors. The Group Trustee also notes that allocations are being introduced (where feasible) to funds that have a dedicated sustainability focus in terms of exclusions applied and significantly lower carbon emissions compared to global equities.

Magnox Electric

Net assets³⁴ as at 31 March 2025: £2,437m.

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

Chosen metrics

The Group Trustee has agreed to report on Total Greenhouse Gas ("GHG") Emissions, Carbon Footprint, Data Coverage and Binary Target Measurements.

Metrics results

The carbon metrics – Section level

The table below shows a more detailed breakdown of the climate-related metrics from each Section of the Group (where available).

Section	%	Year	Data Coverage (%)		Total GHG emissions (tCO ₂ e)		Carbon footprint (tCO ₂ e/£m)		Binary Target Measurement (%)
			Scope 1 & 2	Scope 3	Scope 1 & 2	Scope 3	Scope 1 & 2	Scope 3	Portion of portfolio SBTi aligned
			1 & 2	3	1 & 2	3	1 & 2	3	
SLC Section	95.4%	2024	77.8%	52.0%	52,084.5	110,775.7	47.7	151.8	33.6%
	95.6%	2023	45.1%	29.5%	42,819.8	123,298.5	65.4	288.5	22.1%
Cavendish Nuclear Section	2.2%	2024	33.2%	32.7%	194.0	1,483.8	23.8	184.8	26.2%
	2.1%	2023	48.1%	27.0%	613.9	1,435.3	56.5	235.3	36.8%
Atkins Section	2.0%	2024	99.7%	0.0%	2,490.7	-	85.9	-	0.0%
	2.0%	2023	95.0%	0.0%	2,188.2	-	73.5	-	0.0%
NNL Section	0.4%	2024	46.6%	46.1%	40.7	363.4	35.0	315.0	33.3%
	0.3%	2023	50.9%	49.0%	162.6	1,025.1	138.1	902.7	37.8%
Total Group (excl. LDI)	100.0%	2024	77.2%	50.5%	54,800.7	112,622.8	48.5	152.4	32.7%
	100.0%	2023	46.2%	28.9%	45,784.5	125,758.9	65.8	289.3	21.9%
LDI	100.0%	2024	100%	-	Physical:	-	141.2	-	-
					Synthetic:	-	-	-	-

³⁴ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.



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				Physical:				
100.0%	2023	100%	-	181,972.8	-	170.2	-	-
				Synthetic:				
				197,272.6				

Source: Investment Adviser/Managers. Data as at 31 March 2024 or latest available. Figures may not sum due to rounding. Excludes cash and funds deemed immaterial or not applicable for carbon analysis.

Scope 3 is not applicable to LDI, as it contains primarily UK sovereign bonds and scope 3 emissions are not yet widely available for UK sovereign bonds.

LDI is calculated using the following sources:





UK national emissions as at 31 December 2023 from the Emissions Database for Global Atmospheric Research.

PPP-adjusted GDP as at 31 December 2023 from the Organization for Economic Cooperation and Development.

For the LDI assets, carbon metrics are shown solely in relation to the Group's physical and repurchase (repo) gilt holdings.

The carbon metrics – Asset class level

The table below shows a more detailed breakdown of the climate-related metrics from each asset class of the Group (where available).

Asset Class	%								
			Data Coverage (%)		Total GHG emissions (tCO _{2e})		Carbon footprint (tCO _{2e} /£m)		Binary Target Measurement (%)
			Scope 1 & 2	Scope 3	Scope 1 & 2	Scope 3	Scope 1 & 2	Scope 3	Portion of portfolio SBTi aligned
Equities	0.3%	2024	100.0%	97.8%	22.7	583.4	4.9	129.7	93.5%
	0.3%	2023	100.0%	96.0%	41.0	836.5	9.0	191.0	97.0%
Diversified Growth Funds	0.6%	2024	38.8%	38.5%	122.2	1,090.1	35.0	315.0	27.7%
	0.5%	2023	49.8%	34.9%	469.4	1,624.0	115.1	568.5	34.3%
Property & Infrastructure	60.0%	2024	88.6%	50.0%	30,830.9	26,127.5	39.8	59.8	42.5%
	61.1%	2023	38.4%	18.0%	15,821.6	37,433.2	44.8	225.8	20.7%
Liquid Credit	11.6%	2024	75.7%	75.7%	187.2	633.6	1.5	4.9	57.9%
	11.5%	2023	93.9%	91.3%	18,983.3	61,959.8	117.0	393.1	42.0%
Illiquid Credit	25.8%	2024	50.3%	43.8%	21,147.0	84,188.3	111.4	509.2	0.7%
	24.5%	2023	38.6%	28.2%	8,281.0	23,905.5	58.3	229.8	16.3%
Annuities	2.0%	2024	99.7%	0.0%	2,490.7	-	85.9	-	0.0%
	2.1%	2023	95.0%	0.0%	2,188.2	-	73.5	-	0.0%
Total Group	100.0%	2024	77.2%	50.5%	54,800.7	112,622.8	48.5	152.4	32.7%
(excl. LDI)	100.0%	2023	46.2%	28.9%	45,784.5	125,758.9	65.8	289.3	21.9%



				Physical:					
	100%	2024	100%	-	136,697.7	-	141.2	-	-
					Synthetic:				
					221,759.7				
LDI					Physical:				
	100%	2023	100%	-	181,972.8	-	170.2	-	-
					Synthetic:				
					197,272.6				

Source: Investment Adviser/Managers. Data as at 31 March 2024 or latest available. Figures may not sum due to rounding. Excludes cash and funds deemed immaterial or not applicable for carbon analysis.

Scope 3 is not applicable to LDI, as it contains primarily UK sovereign bonds and scope 3 emissions are not yet widely available for UK sovereign bonds.

LDI is calculated using the following sources:

UK national emissions as at 31 December 2023 from the Emissions Database for Global Atmospheric Research (EDGAR).

PPP-adjusted GDP as at 31 December 2023 from the Organization for Economic Cooperation and Development (OCIO).

For the LDI assets, carbon metrics are shown solely in relation to the Group's physical and repurchase (repo) gilt holdings.

Key observations:

The Group Trustee noted that the aggregated emissions are broadly in line with the previous year. The absolute emissions have increased marginally for Scope 1&2 and decreased marginally for Scope 3. These subtle movements can be principally attributed to the increased Data Coverage compared to the previous year with Scope 1&2 increasing by 31% and Scope 3 by 22% respectively. The Group Trustee is pleased with the increase in Data Coverage as it means the Group's investment managers are able to provide more information on the Group's assets. The Group Trustee is also pleased that the carbon footprint at the Group level across all scopes has reduced relative to the previous year, even with the increase in Data Coverage.

There are a number of significant movements in the underlying asset classes. Property & Infrastructure Scope 1&2 emissions increased due to M&G and Infrared providing data this year, improving the coverage of this asset class. Scope 3 emissions decreased despite more managers reporting overall, predominantly attributed to the fall in emissions reported by Innisfree. Liquid Credit Scope 1,2&3 emissions reduced significantly. This is attributed to the underlying data which Robeco provided, which experienced a significant fall in carbon footprint across all scopes. Illiquid Credit Scope 1,2&3 emissions increased significantly. This is attributed to a major increase in coverage reported by Chorus.

Scope 3 reporting is still limited across all asset classes apart from Equities and Liquid Credit, despite an overall increase compared to the previous report. This increase is encouraging and is in line with the Group Trustee's expectation that reporting is to improve as industry standards develop and evolve, however, there is still progress to be made. All asset classes, except for the Annuities, provided at least some assessment of Scope 3 emissions, with Canada Life (the Group's Annuity provider within the Atkins Section) advising that it does not report Scope 3 emissions data.

The portion of managers/funds with SBTi aligned targets has slightly improved since last year. This is driven by more managers being aligned to net-zero and/or the Paris Agreement across the Liquid Credit and Property & Infrastructure asset classes. Despite this overall increase, the Group did experience a fall in the underling portion of assets with SBTi aligned targets for Illiquid Credit, caused by Hayfin reporting a decrease in this metric, and ICG-Longbow not reporting data this year. There were also falls across Equities and DGFs, which are described in more detail later in this commentary. All underlying managers were followed up by the Group Trustee's Investment Adviser where they did not provide a SBTi metric in the first instance.



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The emissions for LDI have decreased compared to the previous report. This is due to a reduction in the carbon footprint calculated from the data provided by OCIO and EDGAR.

Within the Cavendish Nuclear Section, PIMCO provided clarification on the proportion of public and private assets for which the manager has data. This led to a change in the methodology for calculating the climate-related metrics within this Section. The Scope 1&2 Data Coverage figure calculated this year (33.2%) is not directly comparable to that calculated last year (48.1%), however, the updated methodology will be applied in future years, allowing for a more appropriate comparison of figures. This also contributed to a significant reduction in the Scope 1&2 Data Coverage of Liquid Credit at asset class level.

The Cavendish Nuclear Section also experienced a fall in the portion of the portfolio which is SBTi aligned (from 36.8% to 26.2%), driven in part by the change in methodology described above, as well as a minor decrease within the Section's underlying Lindsell Train UK Equity Fund (which was fully redeemed in June 2024). This minor decrease is not considered a significant concern by the Group Trustee; however, this will be monitored in future years.

The Group Trustee noted that the Atkins Section experienced an increase in the total absolute Scope 1&2 emissions, driven by an increase in the Scope 1&2 carbon footprint of the annuity portfolio. As noted earlier, the Group's Annuity provider, Canada Life, does not report Scope 3 emissions data.

There were also some notable changes in the climate-related metrics within the NNL Section, which experienced falls in Data Coverage, total GHG emissions and carbon footprint across all scopes, as well as the portion of the portfolio which is SBTi aligned. This was driven by the full redemption of the Ruffer DGF during the reporting period, which was rather carbon intensive but invested in underlying companies with SBTi aligned targets. Gaps in Data Coverage exist within the underlying Schroders DGF which remains within the portfolio – as shown by the fall in Data Coverage at asset class level – and the Group Trustee will continue to monitor any progress the manager is able to make in future years. Despite the year-on-year decrease in the Scope 3 carbon footprint of the NNL Section, it remains high compared to the Group's remaining Sections. This is driven by the exposure to the high Scope 3 carbon footprint of the underlying issuers within the Schroders DGF.

Limitations, assumptions and methodology

The Group Trustee's Investment Adviser collected information from the Group's investment managers about their greenhouse gas emissions and used this information to calculate the climate-related metrics for the Group's portfolio of assets.

Notes on the metrics calculations

There is not an industry-wide standard for calculating some of these metrics yet and different managers may use different methods and assumptions. These issues are common across the industry and highlight the importance of climate reporting to improve transparency. The Group Trustee expects that in the future better information will be available from managers as the industry aligns to expectations and best practice standards.

The carbon metrics

Our Investment Adviser aggregated and calculated the carbon metrics for the Group based on information provided by the managers. The methodology used for this aggregation does not make any assumptions or estimations about the carbon emissions for assets for which data was unavailable. The aggregation methodology is as set out below:

$$G = A \times C \times F$$

G = Total GHG expressed as (tCO₂e).

A = Assets expressed in £ Millions.

C = Data Coverage expressed as a decimal between 0 and 1.

F = Carbon Footprint expressed as (tCO₂e/£M invested).



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The methodology used follows the industry-standard best-practice established within the Carbon Emissions Template (“CET”).

The table below shows the approach used to collect information from managers for each asset class.

Asset Class	Approach
All apart from the Annuities	The Group Trustee’s Investment Adviser collected the carbon emissions data from the Group’s managers on the Group Trustee’s behalf using the industry standard CET.
Annuities	The Group Trustee’s Investment Adviser collected the metrics data from Canada Life.

Targets

Climate-related targets help the Group Trustee track its efforts to manage the Group’s climate-change risk exposure.

In the first year of reporting, the Group Trustee set a target to improve Data Coverage. Without meaningful data from the investment managers, it is very hard for the Group Trustee to measure its climate-risk exposure.

Group Trustee update

Each year the Group Trustee reviews the suitability of the target it has set. Based on the data collected and the metrics calculated this year, the Group Trustee believes the target continues to be suitable.



Data Coverage target: **90.0% (Scope 1&2)**

Asset class	2023 Data Coverage (Scope 1 & 2)	2024 Data Coverage (Scope 1 & 2)	2025 Data Coverage Target (Scope 1 & 2)
Equity	100.0%	100.0%	c.100.0%
DGF	49.8%	38.8%	c.100.0% ¹
Property & Infrastructure	38.4%	88.6%	c. 65.0%
Liquid Credit	93.9.%	75.7%	c.100.0% ¹



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Illiquid Credit	38.6%	50.3%	c.50.0%
Annuities	95.0%	99.7%	c.100.0%
Total	46.2%	77.2%	c.90.0%

Note: (1) Whilst the Group Trustee has agreed that 100% Data Coverage may not realistically be achievable for the Group's Illiquid Credit and DGF investments, the Group Trustee has agreed to aspire for Data Coverage at that level. (2) Data Coverage for LDI is 100% given latest methodology used to calculate, we have therefore removed this asset class.

Our progress towards the target

The table below shows the Data Coverage (Scope 1 & 2) metrics for last year and this year.

	2023	2024
Actual Data Coverage	46.2%	77.2%

The Group's performance against the target is measured and reported on every year. Over time, this will show the Group's progress against the target.

The Group's performance against the Data Coverage target set is monitored and reported on every year by collecting and evaluating metrics data from investment managers across the portfolio. This data is then assessed and benchmarked against the previous year's Data Coverage to determine how the Group has performed relative to the target set. Over time, this will show the Group's progress. The Group Trustee also reviews the target annually to ensure that it is appropriately stretching.

Overall, there has been an improvement in Data Coverage since last year (31% increase). Within the Group's Sections, the greatest improvement was in the SLC Section, and there were no material changes for the Atkins or NNL Sections. However, there has been a decrease in Data Coverage for the Cavendish Nuclear Section.

At an asset class level, the main improvement in Data Coverage was within the Property & Infrastructure and Illiquid Credit asset classes, with increases in coverage principally attributed to new data for M&G and Infrared, and an increase in coverage for the Chorus fund.

While the current target is based on Scope 1 & 2 emissions, the Group Trustee has an aspiration to set a target based on Scope 3 emissions in the future. Scope 3 reporting across all asset classes is expected to be weaker due to the difficulty to obtain and calculate Scope 3 carbon emissions. Whilst Equities and Liquid Credit have good Scope 3 Data Coverage for this year of reporting (above 75%), the Group's other asset classes have poor coverage. The Group Trustee expects reporting to improve in the future years, across all asset classes, in line with industry standards, and will consider setting a Scope 3 emissions target once the Scope 3 data becomes more reliable and complete.

Steps being taken to reach the target

The Group Trustee expects that data availability and reporting will improve through time in response to regulatory requirements and industry initiatives. However, the Group Trustee, supported by its Investment Adviser, plans to request improved data availability and coverage for funds within the DGF and Illiquid Credit asset classes over the next reporting year.



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Manweb

Net assets³⁵ as at 31 March 2025: £741m.

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

Chosen metrics

The Group Trustee has chosen to present climate-related metrics across four different categories in this report. The climate-related metrics help the Group Trustee to understand the climate-related risk exposures and opportunities associated with the Group's investment portfolio and identify areas for further risk management, including investment manager portfolio monitoring, engagement activity and priorities.

The metrics in this report relate to the Group's invested assets only and exclude emissions associated with the operation of the Group. The metrics in this report are listed below and cover scope 1, 2 and 3 emissions.

Metric category	Selected metric	Further detail
1. Absolute emissions	Total Greenhouse Gas Emissions	Tonnes of carbon dioxide and equivalents (tCO ₂ e) that the Group Trustee is responsible for financing.
2. Emissions intensity	Carbon Footprint	The amount of carbon dioxide and equivalents (tCO ₂ e) emitted per million pounds of the Group's investments.
3. Portfolio Alignment	Implied Temperature Rise (ITR)	A forward-looking assessment of how aligned the Group's portfolios are relative to the Paris Agreement's 1.5°C target. This is estimated based on the activities and decarbonisation targets of portfolio companies / issuers, relative to what global decarbonisation needs to be to achieve 1.5°C.
4. Additional	Data Coverage	Represents the proportion of the portfolio for which the Group Trustee has climate-related data available.

Asset breakdown	% Allocation as at 31 Dec 2024	Absolute Emissions (Scope 1, 2 & 3*)	Carbon Footprint (Scope 1, 2 & 3*)	Implied Temperature Rise
Insight – LDI	30.7%	105,129 tCO ₂ e	171.0 tCO ₂ e/£m	1.5 – 2.0 degrees Celsius
RREEF – Infrastructure	0.6%	Not available		
CBRE – Long Lease Property	10.3%	Not available		
Highbridge – III, IV & V	7.5%	9,299 tCO ₂ e	150.7 tCO ₂ e/£m	n/a
AMP (Ares) III & IV	2.3%	Not available		
Deerpath***	2.7%	424 tCO ₂ e	48.2 tCO ₂ e/£m	n/a

³⁵ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.



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Metric Capital III & IV	5.4%	Not available		
Audax Capital I	1.4%	Not available		
Audax Capital II	1.5%	1,626 tCO ₂ e	130.1 tCO ₂ e/£m	n/a
Permira IV & V	3.7%	7,427 tCO ₂ e	244.3 tCO ₂ e/£m	n/a
Hayfin III & IV	4.5%	8,156 tCO ₂ e	221.6 tCO ₂ e/£m	n/a
Longevity Swap Buffer, Fee and Experience Accounts**	26.5%	28,718 tCO ₂ e	171.0 tCO ₂ e/£m	1.5 – 2.0 degrees Celsius
FX Hedging and Cash	2.9%	Not available		
Total assets	100.0%	160,780 tCO ₂ e	170.3 tCO ₂ e/£m	1.5 – 2.0 degrees Celsius****
Data coverage for each metric as a % of total assets		77%	77%	57%

* Scope 3 data included in metric data provided by Highbridge, Audax, Deerpath and Permira.

** Insight data provided in respect of Gilts held in LDI portfolio (including any exposure from gilt repo and gilt derivatives) also applied to Gilts held in Longevity Swap accounts (absolute emissions calculated on a pro-rata basis). Insight data includes Scope 1 and 2 data only.

*** Deerpath carbon footprint data converted by Mercer using GBP / USD exchange rate of 0.79847 sourced from LSEG Databank.

**** Implied Temperature Rise ("ITR") data only available from the Group's LDI manager. This ITR data has been applied to the Gilts held in the Longevity Swap Buffer, Fee and Experience Accounts.

All underlying data provided by the relevant investment managers.

The Investment Sub-Committee intends to use the above data to help identify and assess climate risks, in particular when engaging with the Group's respective investment managers.

Metrics results

We note that the climate-related metric data for the Group's private debt and property mandates is limited. However, we recognize that the provision of climate-related metric data has, in general, not historically been included in the loan terms and lease contracts for underlying investments within these mandates. The managers have noted that going forwards the requirement to provide such data will typically be included as a requirement in the contractual terms and therefore we expect the data coverage to improve over time.

In summary, in respect of the data that has been received as at 31 December 2024:

- the total absolute emissions of the Group's assets was 160,780 tCO₂e;
- the carbon footprint across the mandates was 170.3 tCO₂e/£m;
- the implied temperature rise was 1.5 - 2.0 degrees Celsius;
- in terms of data coverage, the absolute emissions and carbon footprint data covered approximately 77% of the Group's assets and the Implied Temperature Rise metric covered approximately 57% of the Group's assets.

We note that the investment managers will have used different methodologies to calculate the climate metrics for their respective portfolios and this should be borne in mind when considering the total combined data that is reported.



Limitations, assumptions and methodology

The Group Trustee recognises the challenges associated with various metrics, tools and modelling techniques used to assess climate change risks. Due to the gaps in the data currently available it is not possible to provide the metrics chosen on the Group's total assets at the current time. The Group Trustee aims to work with its investment adviser and investment managers to continually improve the approach to assessing and managing risks over time as more data becomes available. The Investment Sub-Committee discusses the provision of climate-related data when it meets with the investment managers on an annual basis, including stressing the importance of obtaining available data for the Group Trustee to be able to assess its climate risk exposures and asking the managers what progress has been made over the last year and what efforts are being made to obtain improved data quality in future years. The ability to provide climate-related data will also be a consideration taken into account in any future manager appointment by the Investment Sub-Committee.

Metric selection

Climate-related data has been sourced directly from the Group's investment managers.

For some of the Group's private debt managers, data coverage is low or no data is available at all. Use of proxy data (data of another investment manager's fund that broadly represents a given fund) could be used to provide climate-related data where coverage for a fund is limited or not available. However, the Group Trustee considered the use of proxy metric data for such funds and has taken the view, based on advice from its investment consultant Mercer, that the characteristics of the proxy fund would likely be too different from the invested assets to be able to make any informed investment decisions with the information and be of limited use from an engagement standpoint.

For some private debt managers' funds, where data is not available from a portion of their underlying portfolio companies, the investment manager has used sector / industry data, together with financial data from the underlying company, to estimate the climate-related data associated with the portfolio company. This has then been used to aggregate the data at the respective fund level and has then been supplied by the investment manager to the Group Trustee.

In particular, for Highbridge's private debt funds, where emission data was not available from the underlying portfolio company, Highbridge worked with Persefoni, an ESG software vendor that specializes in carbon footprint inventories and climate disclosures, to estimate the carbon footprint for such investment. The estimates calculated by Persefoni will use relevant company data if available, alternatively Persefoni will use industry-specific data to estimate an underlying portfolio company's emission data. The information provided by Highbridge for the Funds in which the Group invests therefore utilise a combination of reported and estimated data. Persefoni applied the Partnership for Carbon Accounting Financials ("PCAF") methodology to calculate carbon emissions from the investment activities of the Funds during the measurement period. The PCAF methodology is based on the Greenhouse Gas Protocol ("GHG") standards.

For Permira's private debt funds emission data is based on the value of investment as a proportion of company enterprise value and aligned with the GHG Protocol and PCAF Global GHG Standard. Scope 1, 2 & 3 emissions are based on portfolio company reporting, where available. Where data was unavailable on the underlying portfolio companies, emissions were estimated by Watershed, an enterprise carbon platform for measuring, reducing, and reporting emissions.

For Audax DLS Fund II, the emissions figures are PCAF 4 estimates provided by Watershed.

For the long lease property portfolio, the occupiers of the buildings have full operational control and, as such, the Group's property manager relies on the tenants to provide their emissions data. Not all tenants provide the data at the current time, however in these instances the Group's property manager is engaging with the tenants to try to improve the collection of emissions data going forwards.



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For the infrastructure fund held by the Group, the investment manager was not able to provide carbon emissions data. The Group's investment in the infrastructure fund represents a relatively small proportion of the Group's total assets and it is expected the Group will be fully disinvested from the infrastructure fund by the end of 2025.

Scope 1, 2 and 3 emissions are as defined by the GHG protocol.

Please note that for the Implied Temperature Rise data, for Insight's data the assumption used is 1.5 – 2.0 degrees Celsius based on analysis by Germanwatch and the Climate Action Tracker. The same approach has been used for the gilts held in the Longevity Swap Buffer, Fee and Experience Accounts given these are allowed for in the Insight portfolio hedge construction.

Liability hedging mandate (LDI portfolio) data

The following assumptions have been made in the calculation of the climate-related metrics for the liability hedging mandates.

- Latest annual data for emissions produced in the UK (Scope 1 and 2 only) for 2023, published by the UK government, of 384.2m tonnes of CO₂e.
- Emissions associated with imports (energy and non-energy) have been excluded.
- Figures cannot sensibly be aggregated with emissions data for non-gilt assets due to risk of double counting as UK emissions include corporate and household emissions.
- The metrics cover the full economic exposure to UK gilts, which will be from the physical gilt holdings and any exposure from gilt repo and gilt derivatives.
- Gilts posted out as collateral by the Group are included in the gilt valuations whereas gilts received as collateral are excluded.
- Interest rate swaps, inflation swaps, futures, cash, and money market fund holdings have all been excluded. Short positions have also been excluded.

Targets

The Group Trustee has set a target to improve the proportion of the portfolio for which climate-related data is provided, consistent with the metrics chosen. The Group Trustee believes that by improving the coverage of the Group-specific climate-related data available, it will help the Group Trustee understand in greater detail the climate-related risks that the Group is exposed to.

As at 31 December 2024, the climate-related data coverage for absolute emissions and carbon footprint data is 77% (was 74% in prior year and was 58% as at 31 December 2022) and the Implied Temperature Rise data coverage is 57% (was 57% prior year and was 47% as at 31 December 2022) of the Group's total assets. The 31 December 2022 metrics form the baseline for measuring improvement against. The Group Trustee has set a target of data coverage of at least 80% for both of these metrics by the year 2028 and the Group Trustee is pleased to see the progress made to date. The Group Trustee intends to review progress against the target on an annual basis.

Approach to achieving the target:

The Group Trustee has communicated to each of the Group's investment managers that this target has been selected by the Group Trustee and will be measured going forwards.

Whilst it is the intention of the Group Trustee to achieve the stated target, the Group Trustee recognises that this is dependent on factors outside of the Group Trustee's control. However, the Group Trustee believes that progress can be made towards the target, helped through engagement by the Group Trustee with the Group's investment managers and also through the Group's investment managers engaging (including via introducing contractual terms regarding the provision of climate-related data) with their underlying portfolio companies where applicable. The Group Trustee notes that Deerpath has provided metric data this year, for the first time, which is a positive development.



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Whilst there has been progress towards the target over the last year, the Group Trustee recognises that data coverage needs to improve further. The Group Trustee has reviewed the target and believes that it remains appropriate and should be retained. The Group Trustee plans to review the target selected at least annually to ensure that it remains relevant and appropriate to the Group.

National Grid Electricity

Net assets³⁶ as at 31 March 2025: £2,278m.

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

Chosen metrics

The Group Trustee's investment adviser, Aon, collected the following information from Group's most material managers.

- Total Greenhouse Gas emissions
- Carbon footprint
- Data coverage
- Portion of the portfolio with a net zero or Paris-aligned target

Metrics results

All managers that received a metrics request provided some data. Based on these requests we have aggregated data in this section.

The tables below show the climate-related metrics for the Group's assets.

LDI includes both physical emissions (emissions associated with physical assets that are held within the portfolio) and synthetic emissions (emissions associated with the notional exposure to sovereign bonds gained through derivatives).

Asset breakdown			Scopes 1 & 2			Scope 3		
Asset class	Year	£m	Data Coverage (%)	Total GHG emissions (tCO ₂ e)	Carbon footprint (tCO ₂ e/£m)	Data Coverage (%)	Total GHG emissions (tCO ₂ e)	Carbon footprint (tCO ₂ e/£m)
Property	2024	21	70%	31	2	70%	342	23
	2023	103	72%	152	2	72%	771	10
Infrastructure	2024	177	100%	72,536	411	0%	-	-
	2023	159	100%	128,857	813	0%	-	-
Private Credit	2024	73	95%	2,889	42	95%	7,629	110
	2023	140	78%	25,860	239	78%	15,547	143
LDI	2024	423	100%	Physical 59,710 Synthetic 51,805	141	Not applicable		
	2023*	1803	100%	Physical 306,871 Synthetic	170			

³⁶ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.



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				93,099				
Annuity	2024	[TBC]	[TBC]	[TBC]	[TBC]	[TBC]	[TBC]	[TBC]

Source: Investment managers / Aon. Data as at 31 December 2024 and 31 March 2023 or latest available. Data excludes two funds and cash on the basis of materiality. Property, Infrastructure and Private Credit includes long physical emissions only. LDI includes physical investments in UK government bonds and synthetic exposure gained through long derivatives. *Includes longevity swap collateral.

**Asset valuation is as at 30 September 2024. The annuity has been split between non-sovereigns and sovereigns based on the split of financed emissions provided by Aviva Life & Pensions UK Limited's total portfolio and may not be representative of NGE's underlying portfolio. Non-sovereign holdings include credit and equities, infrastructure debt, direct real estate mortgages and equity release mortgages.

Emissions associated with LDI have been calculated from the following sources:

- Physical-synthetic split as at 31 December 2024 from Insight.
- UK national emissions as at 31 Dec 2023 from the Emissions Database for Global Atmospheric Research.
- PPP-adjusted GDP as at 31 Dec 2023 from the World Bank Group.

Portfolio alignment metric

We previously reported an SBTi validated metric as our binary target measurement on our portfolio as part of our portfolio alignment metric to show the alignment of our assets to net-zero targets. This metric only covered fixed income. Given our recent buy-in we no longer hold fixed income and therefore cannot report this metric. As an alternative to SBTi, we collected the portion of the portfolio with net zero or Paris-aligned targets. We summarise this data below:

Portion of the portfolio with net zero or Paris-aligned targets		
Asset class	Year	Alignment (%)
Property	2024	100%
Infrastructure	2024	70%
Private Credit	2024	41%

Source: Investment managers / Aon. Data as at 31 December 2024 or latest available.

Limitations, assumptions and methodology

There is no industry-wide standard for calculating some of these metrics and different managers may use different methods and assumptions. These issues are common across the industry and highlight the importance of climate reporting to improve transparency. We expect that in the future better information will be available from managers as the industry aligns to expectations and best practice standards.

The carbon metrics

Aon collected carbon metrics from managers before aggregating by asset class. The methodology used for this aggregation does not make any assumptions or estimations about the carbon emissions for assets for which data was unavailable. The aggregation methodology is as set out below:

$$G = A \times C \times F$$

G = Total GHG expressed as (tCO₂e).

A = Assets expressed in £ Millions.

C = Data Coverage expressed as a decimal between 0 and 1.

F = Carbon Footprint expressed as (tCO₂e/£M invested).



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The methodology used follows the industry-standard best-practice established within the Carbon Emissions Template (“CET”).

Our investment adviser, Aon, collected the carbon emissions data from our managers on our behalf using the industry standard Carbon Emissions Template (“CET”). The CET was developed by a joint industry initiative of the Pension and Life Savings Association, the Association of British Insurers and Investment Association Working Group. The CET provides a standardised set of data to help pension schemes meet their obligations under the Climate Change Governance and Reporting Regulations, and associated DWP Statutory Guidance.

LDI

Aon collected the physical and synthetic split from the Group’s LDI manager. The carbon footprint was calculated using UK GHG Emissions and PPP adjusted GDP and assumes data coverage to be 100%. Scope 3 is not applicable to LDI, as it contains primarily UK sovereign bonds and scope 3 emissions are currently not available for UK sovereign bonds.

Targets

Climate-related targets help us track our efforts to manage the Group’s climate-change risk exposure.

In our first year of reporting, we set a target to improve the data coverage of scopes 1 and 2 emissions. Without meaningful data from the investment managers, it is very hard for us to measure our climate-risk exposure. So, it is important to set a target to improve the data coverage of the GHG emissions data from the managers.

Each year we review the suitability of the target we have set. Based on the data collected and the metrics calculated this year, we believe the target continues to be suitable.

Our progress towards the target

The table below shows the data coverage progress against our target compared to the previous year. We have split our target into the asset classes we invest in.

Asset class	Y2 Coverage	Y3 Coverage	Target	Target timescale
Property	72%	70%	95%	2027
Infrastructure	100%	100%	100%	2027
Private Credit	78%	95%	100%	2027

LDI is excluded given LDI data coverage is at 100%. Target is for scopes 1 and 2 emissions only.

This year property has decreased slightly by c2%. This is not of concern to us as minor year-on-year fluctuations are common, and we look for improvements overtime, not necessarily in a linear fashion. We believe that this target remains appropriate for the Group.

This year we have added targets for the Infrastructure and Private Credit allocations, which remain material components of the Group’s residual strategic asset allocation alongside the bulk annuity policy. The targets set reflect the high level of data coverage for both asset classes respectively.

Steps the Group Trustees are taking to achieve the target

To improve data coverage, we will engage with the Group’s investment managers (through Aon) to improve the availability and reporting of emissions data for each asset class in which the Group is invested. Through ongoing pressure from asset owners collectively and new regulatory requirements for asset managers, we expect data coverage to improve over time and will engage further with the managers if progress does not meet our expectations.



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Methodology used to measure performance against the target

The Group's performance against the target is measured and reported on every year. We compare the reported data coverage with the target data coverage. Over time, this will show the Group's progress against the target.



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Northern Powergrid

Net assets³⁷ as at 31 March 2025: £1,073m.

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

Chosen metrics

The Group Trustees' investment adviser, Aon, collected the following information from Group's most material managers.

- Total Greenhouse Gas emissions
- Carbon footprint
- Data coverage
- Portion of the portfolio with net zero or Paris-aligned targets

Metrics results

In the table below are the climate-related metrics for the Group's assets. You will note that we have not aggregated metrics across the whole portfolio because the methodologies used for some asset classes are significantly different and therefore it is not appropriate to combine them.

The carbon metrics

Asset class		Scopes 1 and 2			Scope 3			Proportion of holdings with net zero or Paris-aligned targets (%)	
		Asset Valuation (%)	Data coverage (%)	Carbon Footprint (tCO ₂ e/£m)	Total GHG (tCO ₂ e)	Data coverage (%)	Carbon Footprint (tCO ₂ e/£m)		Total GHG
Equities	2024	14%	99%	66	4,857	98%	733	53,184	43%
	2023	15%	97%	72	5,200	96%	729	51,807	55%
Alternatives	2024	41%	54%	89	10,717	55%	221	27,035	43%
	2023	51%	43%	139	14,986	42%	289	30,155	8%
Corporate Bonds	2024	45%	36%	61	5,317	36%	853	75,623	15%
	2023	34%	51%	109	9,211	48%	523	41,971	6%
Total (ex LDI)	2024	100%	52%	75	20,890	53%	550	155,841	31%
	2023	100%	54%	111	29,397	52%	484	123,933	15%

³⁷ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.



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				Physical	
LDI	2024	100%	141.2	49,716	
				Synthetic	47,288
	2023	100%	170.2	Physical & Synthetic*	
				77,341	

Source: Investment managers. Numbers may not sum up due to rounding. Data as at 31 December 2024 and 31 December 2023. Growth (non-LDI) includes long physical emissions only. LDI includes UK government bonds and associated long derivatives. Data excludes cash. *Physical and Synthetic splits were not received at the time of writing the 2023 report. The 'Alternatives' asset class includes the underlying property and infrastructure investment managers as well as Insurance Linked Securities. Scope 3 metrics are not reported for LDI, as LDI contains primarily UK sovereign bonds and the calculation methodology for Scope 3 emissions is not yet widely accepted for sovereign bonds.

A number of metrics figures from 2023 have been updated to reflect our latest carbon calculation methodology. This includes:

Inclusion of Securis Non-Life Fund as a material fund. The manager was not able to provide us with carbon data. We recognise the challenges associated with collecting carbon data for this asset class, however the fund remains carbon data eligible hence the inclusion.

Update to the data coverage of the BlackRock Absolute Return Bond Fund to remove assumption surrounding scope 3 coverage.

Update to methodology regarding the processing of cash within the LGIM Sterling Liquidity Fund such that the corporate bond allocation within the fund is reflected.

Commentary:

Equities:

- All data remained consistent with high data coverage and in line with expectations for the asset class.

Alternatives:

- Scope 1,2 & 3 coverage increased primarily due to a higher figure reported by Threadneedle Property.
- Scope 1 & 2 decrease in absolute and relative emissions is mostly attributed to a reduction in the asset values of the underlying funds.
- Scope 3 decrease in relative emissions is mostly attributed to the higher coverage figure reported for Threadneedle Property which affected the underlying aggregation.

Corporate Bonds:

- Scope 1,2 & 3 coverage decreased. This is largely due to the inclusion of the corporate bond investments of Insight Bonds Plus after the manager sent us new emissions data for the fund. The derivatives portion of the fund has been excluded due to the industry-wide challenges associated with defining a methodology for calculating carbon emissions associated with derivatives.
- Scope 1 & 2 decrease in absolute and relative emissions, and Scope 3 increase can be largely attributed to the BlackRock Absolute Return Bond Fund. BlackRock confirmed that this is due to their active and flexible allocation approach which influences the carbon footprint.

Limitations, assumptions and methodology

There is no industry-wide standard for calculating some of these metrics and different managers may use different methods and assumptions. This in itself highlights the importance of climate reporting to improve transparency. We expect that in the future better information will be available from managers as the industry aligns to expectations and best practice standards.



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How we collected the data

Our investment adviser, Aon, collected the carbon emissions data from our managers on our behalf using the industry standard Carbon Emissions Template ("CET")¹. The CET was developed by a joint industry initiative of the Pension and Life Savings Association, the Association of British Insurers and Investment Association Working Group. The CET provides a standardised set of data to help pension Groups meet their obligations under the Climate Change Governance and Reporting Regulations, and associated DWP Statutory Guidance.

The carbon metrics

Aon collected carbon metrics data from managers before aggregating by asset class. The methodology used for this aggregation does not make any assumptions or estimations about the carbon emissions for assets for which data was unavailable. The aggregation methodology is as set out below:

$$G = A \times C \times F$$

G = Total GHG expressed as (tCO₂e).

A = Assets expressed in £ Millions.

C = Data Coverage expressed as a decimal between 0 and 1.

F = Carbon Footprint expressed as (tCO₂e/£M invested).

The methodology used follows the industry-standard best-practice established within the Carbon Emissions Template ("CET").

LDI

Aon requested the physical and synthetic split from the Group's LDI manager. The carbon footprint was calculated using UK GHG Emissions and PPP adjusted GDP and assumes data coverage to be 100%. Scope 3 is not applicable to LDI, as it contains primarily UK sovereign bonds and scope 3 emissions are not yet widely available for UK sovereign bonds.

- Sovereign GHG emissions provided by the Emissions Database for Global Atmospheric Research (EDGAR) as at 31 December 2023.
- PPP-adjusted GDP from the Organization for Economic Cooperation (OECD) as at 31 December 2023.

Portion of the portfolio with net zero or Paris-aligned targets

Aon requested a SBTi validated metric from our public investment managers for our binary target measurement metric and aggregated the results based on the portion of assets invested in each fund – i.e., the portion of the assets invested which have a net zero or Paris-aligned target. Aon does not make any estimates for missing data. The Group's SBTi validated metric only represents the portion of the portfolio for which there is data.

Targets

Climate-related targets help us track our efforts to manage the Group's climate-change risk exposure.

In our first year of reporting, we set a target to improve scope 1 and 2 data coverage to above 90% coverage of carbon emissions data across all growth asset classes. Last year we expanded this target to include scope 3 emissions.

Without meaningful data from the investment managers, it is very hard for us to measure our climate-risk exposure, so it is important to set a target to improve the data quality of the GHG emissions data from the managers.



Group Trustees' update

Each year we review the suitability of the target we have set. Based on the data collected and the metrics calculated this year, we believe the target continues to be suitable.



Data Coverage Target
(ex LDI)

90%

By 2028 for all scopes

Our progress towards the target

The table below shows the data coverage metrics for this year and last year.

	Y1 Report	Y2 Report*	Y3 Report
Actual Data Coverage (ex LDI) Scope 1 and 2	45%	54%	52%
Actual Data Coverage (ex LDI) Scope 3	-	52%	53%

*These numbers have been updated to reflect our latest carbon calculation methodology. Please see more details in the footnotes of the metrics table.

The Group's performance against the target is measured and reported on every year by collecting and evaluating metrics data from investment managers across the portfolio. This data is then assessed and benchmarked against the previous year's data coverage to determine how the Group has performed relative to the target set.

Over time, this will show the Group's progress against the target. We have made progress towards our target based the assessment above since the first year. The data coverage excludes LDI.

Data coverage has remained mostly consistent over the year. This was due to the inclusion of the corporate bond element of the Insight Bonds Plus Fund in the Corporate Bonds asset class, upon receiving new information from the manager. We therefore do not see this lack of increase as a material issue given that it is related to new information from the manager, and not any underlying reduction in manager data reported.

Steps we are taking to reach the target

The Group Trustees will be taking the following steps to reach the target:

Step 1 Increase data coverage

Observation: data was unavailable for one mandate and the data coverage was limited for certain mandates, mainly within Alternatives and Corporate Bonds.



Solution: The Group Trustees will engage with managers directly, or through Aon to request improved data availability and coverage for the three mandates that lacked data. Through ongoing pressure from asset owners collectively and new regulatory requirements for asset managers, we expect data coverage to improve over time and will engage further with the managers if progress does not meet our expectations.

However, for some of the asset classes in which the Group invests, particularly in the alternative mandates, it may be some time before meaningful carbon data becomes available due to methodologies to calculate carbon emissions not yet being agreed. We will encourage these managers to participate in industry consultations to develop methodologies.

Step 2

Facilitate consistent reporting

Observation: The Group Trustees have relied on manager data but, due to the lack of industry-wide standard on calculating some of these metrics, the information may not be consistent year on year.

Solution: The Group Trustees will engage with the managers directly, or through Aon to ensure that the carbon information provided is consistent on the annual basis. However, the Group Trustees recognise that the reporting may change in line with evolving industry practices.



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RWE

Net assets³⁸ as at 31 March 2025: £3,747m.

Chosen metrics

- Total GHG Emissions (tCO₂e)
- GHG Footprint (tCO₂e / \$M invested)
- Percentage of assets with approved Science based targets (“SBTi”)
- Climate Opportunities: This metric was selected by the Group Trustees as an additional climate metric. It aims to assess exposure to investments that are most likely to benefit from the transition to a low carbon economy. Climate opportunities are determined based on companies that may be considered EU Taxonomy eligible based on the criteria set out in the taxonomy (which provides a minimum standard across sustainability disclosure requirements, effectively producing a “rule book” as to what investments can be considered sustainable). A security is considered a climate solution if it meets the following criteria, recommended by the Investment Adviser and using metrics from MSCI:
 - >20% of revenue generated from activities aligned with a climate change adaption or climate change mitigation environmental objective;
 - does no significant harm through involvement in environmentally damaging controversies or activities that could negatively impact society;
 - meets minimum safeguards as defined by the UN Global Principles on Business and Human Rights (UNGP) and OECD Guidelines.

This metric sums the portfolio weight for each underlying security classified under this criterium. The Group Trustees decided to report on climate opportunities as the additional metric in order to provide a balanced picture of both the risks and opportunities that the climate transition will create. It is expected that the metric to measure this will evolve over time. The Group Trustees are also minded to include climate adaptation within the above definition in the future given the vital role it is likely to play.

Metrics results

In reviewing the analysis, the Group Trustees have considered the results in respect of each asset class in the Group’s portfolio. This enables a comparison of the contribution each asset class makes to the overall emissions for each Section. The Group Trustees have decided not to aggregate the results for the whole portfolio, since some asset classes (e.g., government bonds), are calculated using different methodologies for the metrics reported, as well as the issue noted above around the double counting of emissions, therefore it is not meaningful to aggregate. The effective date for the data used in the most recent analysis is 30 June 2024. The effective date for the data used in the prior year is 31 December 2023. The reason for the change in calendar month used for the data cut is to ensure that the Group Trustees have sufficient time to consider the results of the analysis, before reporting in line with the timescales required in the regulations. In future years, the Group Trustees will aim to maintain a consistent annual reporting data where possible.

The SBTi alignment and Climate opportunities metrics are only calculated for direct holdings and proxies are assumed to not contribute to either of these metrics. Therefore, these have only been reported for the Equity, Core Credit and SIA classes, where the analysis is predominantly based on direct holdings data or estimated directly by the investment managers in the case of SIAs.

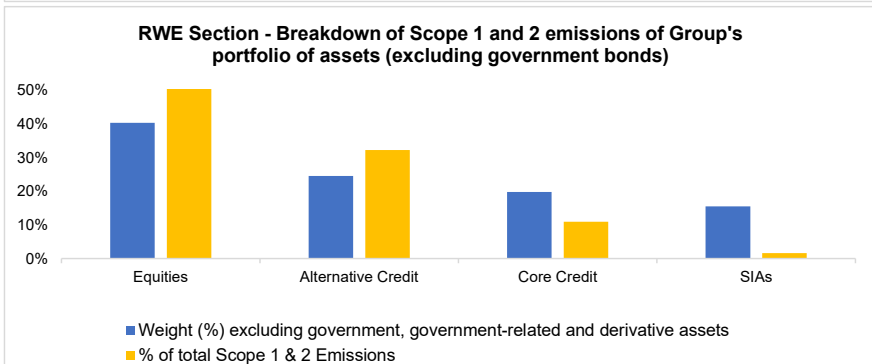
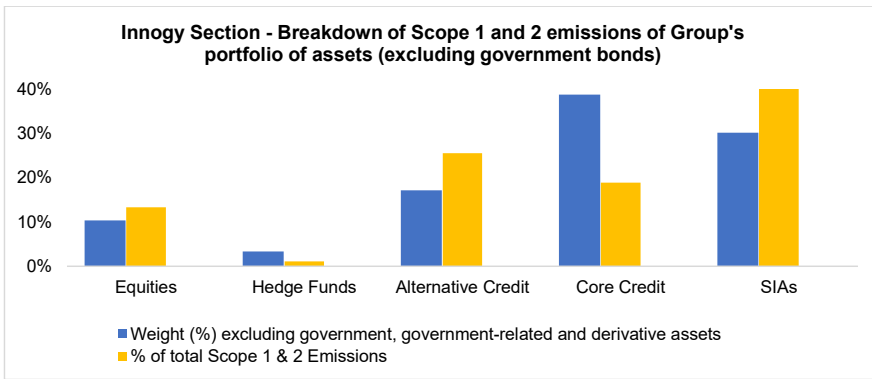
³⁸ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.



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Innogy Section	Asset allocation		GHG emissions data				Alignment with SBTis		Climate Opportunities	
	Weight		Absolute emissions Scope 1 and 2 (tCO2e)		Scope 1 and 2 Footprint (tCO2e / \$M invested)		Coverage		Exposure	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
Equity	5.6%	5.1%	15,334	14,565	68	78	33.8%	34.0%	7.8%	7.3%
Hedge Funds	2.0%	1.7%	1,823	1,205	28	20	-	-	-	-
Alternative Credit	10.7%	8.4%	23,300	27,911	77	90	-	-	-	-
Core Credit	18.1%	19.0%	23,681	20,658	32	29	28.0%	33.1%	9.7%	5.2%
Secure Income Assets	14.2%	14.8%	18,318	44,743	33	82	-	-	-	29.2%
Benchmark (MSCI ACWI)	-	-	-	-	52	47	42.3%	42.7%	11.5%	11.5%

RWE Section	Asset allocation		GHG emissions data				Alignment with SBTis		Climate Opportunities	
	Weight		Absolute emissions Scope 1 and 2 (tCO2e)		Scope 1 and 2 Footprint (tCO2e / \$M invested)		Coverage		Exposure	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
Equity	15.5%	19.6%	26,419	24,781	115	94	36.0%	41.7%	15.1%	8.6%
Alternative Credit	11.2%	11.9%	12,191	14,460	77	90	-	-	-	-
Core Credit	29.3%	9.6%	3,735	4,908	24	38	18.7%	29.9%	9.8%	0.4%
Secure Income Assets	8.0%	7.5%	538	719	5	7	-	-	-	4.0%
Benchmark (MSCI ACWI)	-	-	-	-	52	47	42.3%	42.7%	11.5%	11.5%



Key Observations

Innogy Section

- Equity – Emissions per unit of allocation have marginally increased since the previous analysis, as a result of a higher allocation to transportation and industrial companies made by the Section's active equity manager. However, portfolio alignment and allocations to climate opportunities have remained similar, despite the change in underlying holdings. The investment in the climate-tilted equity fund was completed after the effective date of the analysis. This is expected to reduce the emissions intensity and improve the alignment of the portfolio in future years.
- Alternative Credit – Emissions have increased due to several of the underlying managers having increases in their emissions intensity. Although a large proportion of the underlying strategies are based on proxied emissions and are therefore more impacted by overall changes in geographical and industry emission trends.
- Core Credit – There has been a marginal reduction in emissions intensity, due to a reduction in the reported emissions for a number of the underlying issuers. The alignment of the portfolio is expected to improve in future years following the inclusion of an alignment objective in the credit manager's guidelines.
- Secure Income Assets – Emissions have increased relative to the allocations within the portfolio. This is due to the use of estimated emissions data directly from the managers (rather than via the use of proxies), as a



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result the figures reported this year are more reflective of the underlying characteristics of the assets. The Group Trustees continue to engage with the managers to improve the accuracy of the underlying data.

RWE Section

- Equity – Emissions per unit of allocation have reduced since the previous analysis. The RWE Section uses different investment managers in comparison to the Innogy Section, and one of which has reduced the allocation to the energy sector over the year, which has led to lower emissions. The RWE Section also invested in the same climate-tilted equity fund as the Innogy Section, so this is expected to improve the position in future years.
- Core Credit – The emissions from this asset class have increased over the year, mainly driven by the maturing of the bonds for several low emitters, increasing the average emissions intensity. The credit manager's guidelines were also updated to include an alignment objective which is expected to lead to higher alignment in future years.
- Secure Income Assets – There has been a refinement in the estimation methodology for some managers, similar to that noted for the Innogy Section. Despite this, emissions per unit of allocation have remained broadly unchanged over the year.

Climate metrics for the year ended 31 March 2025, in respect of the Group's sovereign asset holdings

The Group Trustees have agreed to exclude Government Bonds and derivative assets from the Group's target and to report the climate metrics for these asset classes separately. The reason for the separate disclosure is because the underlying methodology is materially different, as are the potential actions available to the Group Trustees.

For UK Government Bonds, for example, the carbon emissions are calculated as the territorial emissions in the whole of the UK i.e. those that take place within a country's territorial boundaries and include exports but omits imports. The denomination used to attribute emissions is the total amount of UK Government Debt outstanding. The rationale then for the current exclusion of Government Bonds from the Scheme's target is as follows:

- The Group Trustees primarily holds Government Bonds as assets to hedge the Group's liabilities and as such, even if reducing exposure to these assets would lead to an overall improvement in climate metrics, it would open the Group up to excessive funding and investment risk;
- The Group Trustees recognise that they have limited capacity and capability to engage with the Government on climate-related metrics;
- The level of financial risk arising from these assets is perceived to be much smaller i.e. the influence of climate change on the price of Government Bonds in comparison to the other assets held is likely to be lower.

Whilst the above provide the rationale as to why the Group Trustees excludes liability hedging assets from the Group's target, the Group Trustees still believe it is useful to monitor these figures over time. As such, the table below shows the climate metrics provided by the Group's LDI manager, Insight. These have been separated between those sovereign bonds held for matching and non-matching purposes. The Group Trustees, with the help of their Investment Adviser, do also continue to monitor that the manager of these Government bonds appropriately considers climate change in their actions, whether that be selecting bank counterparties for derivatives or engaging with industry discussions and consultations on climate-related matters. The Group Trustees have also partnered with a manager in this space which the Investment Adviser views positively in their approach to climate change.



Climate disclosures 31 March 2025

Metric	31 March 2024		31 March 2025		
	Innogy Section	RWE Section	Innogy Section	RWE Section	
Absolute Emissions (market value gilts / market value gilts in issuance CO2e)	<i>Funded Gilts Only</i>	74,478	10,668	47,659	19,809
	<i>Gilts on repo and TRS</i>	31,625	51,682	41,770	44,392
	Combined Gilt Exposure	106,103	62,349	89,428	64,202
GHG Footprint (tCO2e/market gilts in issuance)		167.4	166.3		

Approach to Scope 3 emissions

Scope 3 emissions data is critical to help build a better picture as the Group Trustees decarbonise their portfolios and economies. However, the Group Trustees believe that current reported scope 3 emissions data is largely inadequate for purposes, including making accurate climate-informed investment decisions. Further, given data issues, the Group Trustees believe that disclosing the scope 3 emissions of investment portfolios at this stage will necessarily be limited in coverage, subject to large estimation errors, and not fit for meaningful comparison between investors or over time. At a minimum, the Group Trustees believe any scope 3 emissions disclosures should be disaggregated from Scope 1 and 2 emissions. The Scope 3 emissions are therefore outlined separately in this report.

Data providers, like MSCI, have tried to solve for this problem by providing scope 3 datasets using proprietary models and internally vetted methodologies. However, current solutions rely significantly on top-down sector emissions data with limited use of bottom-up data (which is company-specific). Models that rely on sector information limit users' ability to distinguish companies from peers. While there is sizable support from the investment industry and others for better disclosures, the Group Trustees need to be realistic around the current issues of reliability of scope 3 data available. Importantly, assessing risks and opportunities are not purely about emissions. A holistic picture that uses various metrics can be achieved through the Group Trustees' Climate Dashboard approach. The Group Trustees believe that this balanced scorecard approach can helpfully inform investment decision-making and support the construction of robust and resilient portfolios.

Whilst scope 3 emissions disclosure is improving, the Group Trustees believe that the investment industry can play a proactive role in accelerating and supporting this trend. As outlined earlier, the Group Trustees have been working directly with the Group's investment managers on this point. The RIC have been actively monitoring developments such as IFRS S1 and S2, including provisions around scope 3 emissions and will consider incorporating these as appropriate in future.

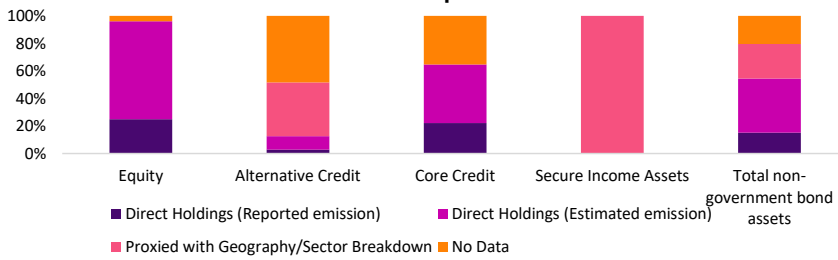


Climate disclosures 31 March 2025

Carbon Emissions Data

As at June 2024	RWE Allocation	Carbon Emissions Data	
		Absolute Emissions (tCO ₂ e) – Scope 3	GHG Footprint (tCO ₂ e / \$m) – Scope 3
Total Corporate assets	48.6%		
Global Equity	19.6%	111,268	422
Alternative Credit	11.9%	45,343	282
Core Credit	9.6%	51,698	400
Secure Income Assets	7.5%	4,109	41
Government Bonds & Cash	51.4%	-	-

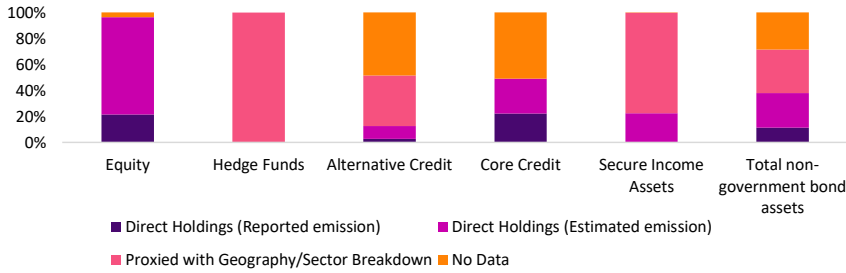
RWE Section scope 3 emissions



Carbon Emissions Data

As at June 2024	Innogy Allocation	Carbon Emissions Data	
		Absolute Emissions (tCO ₂ e) – Scope 3	GHG Footprint (tCO ₂ e / \$m) – Scope 3
Total Corporate assets	48.9%		
Global Equity	5.1%	84,169	450
Hedge Funds	1.7%	16,413	269
Alternative Credit	8.4%	87,522	282
Core Credit	19.0%	273,617	390
Secure Income Assets	14.8%	56,641	104
Government Bonds & Cash	51.1%	-	-

Innogy Section scope 3 emissions



Limitations, assumptions and methodology

The emissions metrics analysis undertaken by the Group Trustees produces an output for all the metrics reported in this section of the TCFD report. The analysis is based upon MSCI's data, which is undertaken on a company-by-company basis using MSCI's Company Specific Intensity Model which will primarily use direct emissions data, but also estimates (using industry averages) where required. MSCI is a market leader in terms of their ESG research and reporting quality, which will be used to feed into the Group's climate metrics reporting over time.

Whilst the Group Trustees have aimed to carry out the analysis as far as they are able, the availability of data is dependent on external factors which are largely outside the Group Trustees' control, such as certain companies not disclosing their GHG emissions. The charts below show how the portfolio has been modelled, be it through the analysis of direct company holdings data, where it was available, or otherwise, using proxies. The charts only show this breakdown in respect of the Group's assets excluding government, government-related and derivative assets.

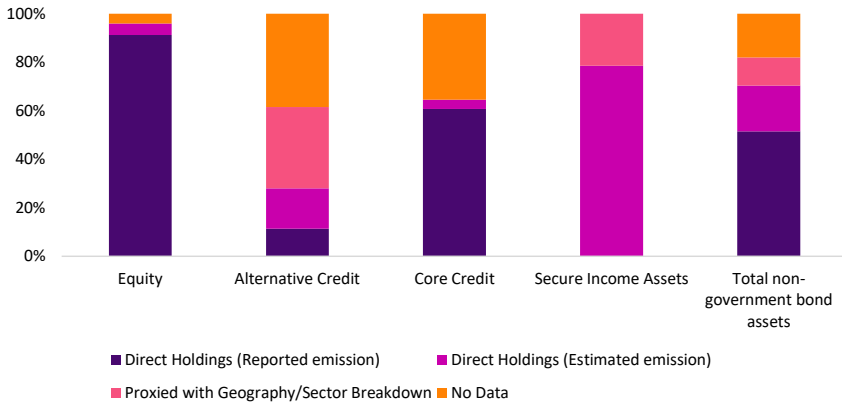
Where data was not available on the underlying holdings (approximately 10.9% of the total portfolio), the Group Trustees have followed the 'pro-rata approach' which involves scaling up the portfolio data that exists, rather than assuming such positions have zero emissions. The Group Trustees believe this is a more accurate and prudent approach to take.

A sizeable proportion of the Group's assets are invested in non-public companies and strategies, as such, direct GHG emissions data is not available in respect of these. As reflected in the data quality chart below, approximately 5.2% of the total portfolio data has been calculated using a proxy based on the underlying sector and geographical classification of the Group's private investments. The Group Trustees have engaged with a number of the Group's investment managers, particularly the managers of the Group's property investments, in order to set out their expectations around improving their data quality, and in turn, reducing the proportion of data calculated using proxies for this analysis.

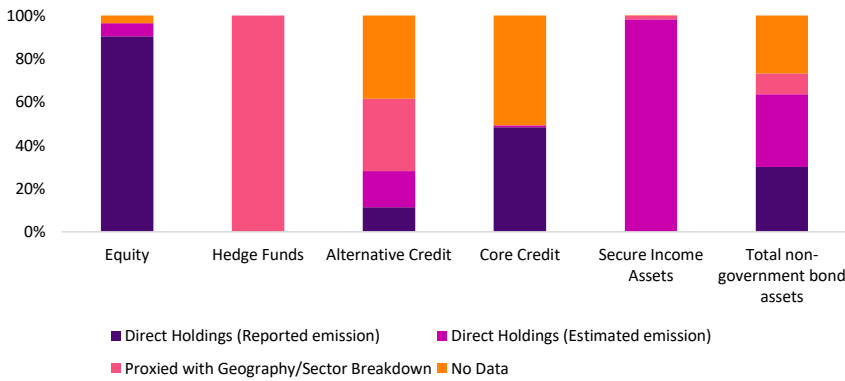
In addition, around 51.2% of the total asset portfolio has been excluded from the below analysis, this relates to the proportion of the Group's assets invested in sovereign investments, government, government-related and derivative assets, as explained later in this report. This category also includes short-term cash holdings.

The Group Trustees continue to exert influence where possible to improve the availability of data as outlined later in the statement.

RWE Section scope 1 & 2 emissions



Innogy Section scope 1 & 2 emissions

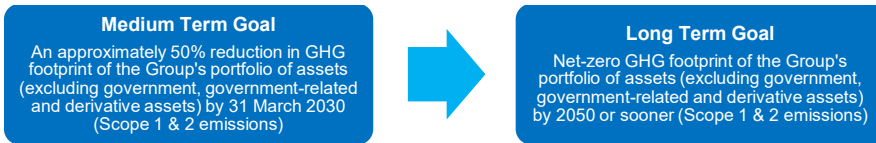


The targets set, and metrics disclosed, by the Group Trustees currently exclude emissions attributable to the Group's government, government-related and derivative assets. These assets comprise UK and US government bonds, supranational bonds, derivatives, and Network Rail bonds. While some data has been sourced so far, it does not cover all assets within this part of the portfolio (noting that the 'pro-rata' approach is too simplistic to be applied to these assets, particularly given they make up such a large proportion of the portfolio).

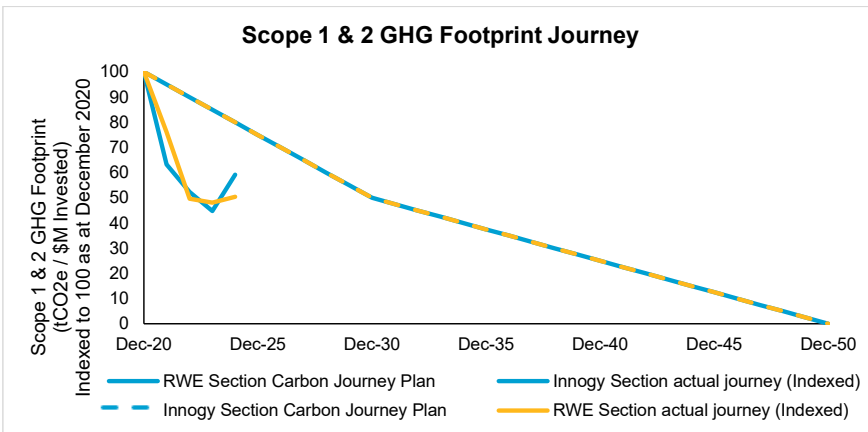
Targets

The Group Trustees recognise that measurement of progress of the Group and the whole investment industry in stewarding the transition to a net zero and climate-resilient economy is an important issue. There is no single definitive metric that can be used to adequately measure progress as climate is a multi-dimensional issue, and the data and analytics in this space are rapidly evolving. Therefore the Group Trustees monitor a range of metrics to ensure that the climate and wider responsible investment risks are adequately assessed and managed. However in

line with the Regulations, the Group Trustees have set a target on one of the metrics which is outlined below. It is well acknowledged in the industry that there are several difficulties associated with measuring progress against a GHG footprint goal, such as data quality, backdating of metric information and the fact that changes in the metric are often driven largely by noise (e.g. a company value changing) rather than reductions in real world emissions. The Group Trustees therefore measure success by monitoring changes in multiple metrics and also by reviewing the actual actions taken by the wider Trustee board and the third parties that it collaborates with.



The Group Trustees have monitored the value of their target metric annually since the baseline date (31 December 2020) to track progress. Overall, both Sections have experienced a decrease in the GHG footprint of the portfolio of assets (excluding government, government-related and derivate assets), covering Scope 1 and 2 emissions, relative to 31 December 2020.



Both Sections' GHG footprints have increased since the previous year's analysis. This is primarily driven by improvements in data availability for the SIA mandates and the Group Trustees are comfortable with the intensity of the reported emissions, given the nature of the investments. The expected reduction in emissions in the Journey Plan is based on the baseline emissions figures in 2020, using the data coverage available at the time, which utilised a greater extent of "proxying" of emissions (e.g. using industry averages in place of actual emissions). At this stage, the Group Trustees have decided not to update the Journey Plan trajectory to account for improvement in data availability, given the ultimate goal of the Journey Plan is net-zero emissions and therefore the starting figure only impacts the pace of expected reduction. However, the Group Trustees continue to review the appropriateness of the targets set on an annual basis.

Over time, the Group Trustees expect that the trend of their GHG footprint will continue downwards, towards their net-zero target. The Group Trustees do, however, also recognise that there may be short term deviations in some years. This could be due to changes in underlying holdings and ongoing developments within the industry (such as data availability and methodology changes).



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While the metrics reported are useful in adding to the broader Responsible Investment decision-making framework, the Group Trustees focus on undertaking actions to improve the climate metrics reported and achieve the stated GHG emissions reduction target over the longer term. The Group Trustees have a belief that stewardship (i.e., engagement with the underlying assets, and voting) is a primary tool to improve climate-related outcomes for the assets held, rather than simply disinvesting (and losing the right to engage and vote in cases of equity ownership). Over time, this is expected to have a positive impact on the metrics considered.

In order to compare the GHG footprint metric across years, the impact of changes in market value needs to be considered on the value of the metric reported (otherwise an increase in the price of a company will result in a lower GHG footprint without necessarily reflecting a fall in emissions). To counteract these impacts, the GHG footprint metric has been rebased using the market value of each Section's portfolio as at the baseline date (31 December 2020) in order to remove the effect of change in market value on the emissions per \$M invested.

The Group Trustees' chosen target is unchanged from last year and the current progress remains aligned with that target.

Going forward

Next year the Group Trustees will be reviewing the goal that has been set to consider whether it remains fit for purpose and to take account of some of the limitations referred to above. As mentioned, the goal aside, the Group Trustees continue to focus on taking appropriate actions to manage the risks and opportunities and to monitor a balanced scorecard of climate metrics in line with the belief that climate change will have a material impact on financial outcomes in the future.

The Group Trustees are continuing to monitor the evolving climate measurement landscape with the expectation that the robustness of the metrics will improve over time. The Group Trustees look forward to sharing updates on their progress in monitoring and managing climate risks and opportunities next year.

Schneider

Net assets³⁹ as at 31 March 2025: £18m.

Chosen metrics

The Group Trustee will disclose the following on an annual basis:

- One absolute emissions-based metric: Total Carbon Emissions
- Two intensity emissions-based metrics:
 - Weighted Average Carbon Intensity (WACI)
 - Carbon Footprint
- One portfolio alignment metric: Implied Temperature Rise
 - Additional measures: the engagement metrics specified below and proxy voting data.
- Shareholder engagement metrics
 - Companies Engaged on CRRO: The number of engagements with companies held by the Group on CRRO: the Investment Manager will (in conjunction with their specialised climate engagement partners) assess the key climate risks and opportunities in the portfolio holdings and proactively engage to enhance shareholder value. The number of such engagements will be measured.
 - Companies achieving milestones on CRRO: The number of engagement milestones achieved on climate-related issues: companies are targeted for engagement and progress is logged, recording examples of positive change ('milestones') over each year. The number of milestones achieved each year will be measured.

Metrics results

The tables below set out the carbon metrics and Implied Temperature Rise for the funds held by the Group (excluding gilts/LDI for the aforementioned reasons). The carbon metrics take into account Scope 1 and 2 data only, again, for the aforementioned reasons.

Fund Name	Allocation	Total Carbon Emissions attributable to Group's investment* (tCO ₂ e)	WACI (tCO ₂ e/\$m sales)	Carbon Footprint (tCO ₂ e/\$m invested)
Global Select Equity Fund	5.2%	44	102	37
Factor Allocation Global Equity Fund	5.0%	59	74	51
Factor Allocation Global Managed Volatility Fund	8.2%	103	149	55

³⁹ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.



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Dynamic Asset Allocation Fund	4.0%	30	97	33
Emerging Markets Equity Fund	3.1%	78	163	109
Emerging Markets Debt Fund (HDG)*	4.1%		Unavailable	
High Yield Fixed Income Fund (HDG)*	4.1%	117	232	124
Global Opportunistic Fixed Income Fund (HDG)*	3.1%	40	116	56
Liquid Alternative Fund (HDG)	5.0%		Unavailable	
UK Credit Fixed Interest Fund*	4.9%	20	52	18
UK Long Duration Credit Fund*	4.7%	26	58	24
Weighted Average		60	115	53

Source: SEI, MSCI. Data as at 31 March 2025. *The Group Trustee recommends using caution when interpreting carbon metrics where data coverage is limited (<80%). *Calculated as Carbon Footprint multiplied by Group's investment in each fund (in \$m).

Fund Name	Data Coverage (% Market Value)	Implied Temperature Rise (°C)
Global Select Equity Fund	99%	2.6
Factor Allocation Global Equity Fund	100%	2.4
Factor Allocation Global Managed Volatility Fund	100%	2.2
Dynamic Asset Allocation Fund	94%	2.4
Emerging Markets Equity Fund	99%	2.9
Emerging Markets Debt Fund (HDG)*		Unavailable
High Yield Fixed Income Fund (HDG)*	75%	3.1
Global Opportunistic Fixed Income Fund (HDG)*	67%	3.3
Liquid Alternative Fund (HDG)		Unavailable
UK Credit Fixed Interest Fund*	77%	2.3



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UK Long Duration Credit Fund*	81%	2.5
Weighted Average		2.6

Source: SEI, MSCI. Data as at 31 March 2025. *The Group Trustee recommends using caution when interpreting implied temperature rise metrics where data coverage is limited (<80%).

The table below sets out the engagement activity for the YE 31 March 2025.

Companies Engaged on CRRO	Climate Action 100+ Companies Engaged	Companies achieving milestones on CRRO
235	73	84

Source: Data reflects all of SEI's climate change engagement activity across all assets under management for the YE 31 March 2025.

The table below sets out the aggregate proxy voting data relating to shareholder proposals on environmental issues for the YE 31 March 2025.

Shareholder Proposals on Environmental Issues

Number of votable items	Voted For	Voted Against	Voted Abstain	Other	Votes with management	Votes against management
165	25	138	2	1	137	27

Source: Data reflects all of SEI's UCITS Proxy Voting activity relating to environmental issues across all assets under management for the YE 31 March 2025.

Limitations, assumptions and methodology

Data coverage is the key metric for examining data quality at present. Coverage for each of the funds is expressed as the percentage of the fund's total market value for which there is appropriate data, meaning that the coverage figures take into account the relative size of the underlying security positions.

The Trustee is mindful of the lack of coverage in certain areas of the market, in particular, fixed income and government bonds. Carbon data is unavailable for the Liquid Alternative Fund (HDG) as its underlying holdings are largely derivative instruments. Similarly, data is unavailable for the Group's gilt/LDI holdings, as such metrics are not readily produced for this area of the market (physical/leveraged UK government bond funds). The coverage for the Emerging Markets Debt Fund is also extremely limited. Where data coverage is limited (<80%), the Group Trustee advises caution when interpreting the results. The Trustee expects that over the coming years, data quality will likely improve.

The data coverage as at 31 March 2025 for the funds held by the Group (excluding gilts/LDI) is set out below.

Fund Name	Data Coverage (% Market Value)	WACI Data Coverage (% Market Value)
Global Select Equity Fund	99%	99%
Factor Allocation Global Equity Fund	100%	100%
Global Managed Volatility Fund	100%	100%
Dynamic Asset Allocation Fund	95%	95%



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Emerging Markets Equity Fund	99%	99%
Emerging Markets Debt Fund (HDG)	Unavailable	
High Yield Fixed Income Fund (HDG)	73%	76%
Global Opportunistic Fixed Income Fund (HDG)	68%	70%
Liquid Alternative Fund (HDG)	Unavailable	
UK Credit Fixed Interest Fund	77%	79%
UK Long Duration Credit Fund	80%	81%

Source: SEI, MSCI. Data as at 31 March 2025. *The Group Trustee recommends using caution when interpreting carbon metrics where data coverage is limited (<80%).



SSE Southern

Net assets⁴⁰ as at 31 March 2025: £1,526m.

Chosen metrics

The Group Trustee's metrics are set out in the table below:

Type	Metric	Measurement
Absolute Emissions Metric	Total Greenhouse Gas (GHG) emissions	The total volume of scope 1 and scope 2 emissions from the Group's assets – Measured in tons of CO ₂ e
Emissions Intensity Based Metric	Carbon footprint	The total volume of scope 1 and scope 2 emissions per unit of capital invested from the Group's assets – Measured in tons CO ₂ e per £m EVIC (Enterprise Value Including Cash)
	Weighted Average Carbon Intensity (WACI)	The total volume of scope 1 and scope 2 emissions per unit of sales for each portfolio company, weighted by the size of allocation to each company within the Group's assets – Measured in tons CO ₂ e per \$m revenue generated
Additional climate change metric (non-emissions based)	Data quality – A measure of the level of actual and estimated data available from the Group's managers.	% of mandate for which actual data (as opposed to estimated or modelled data) has been used to calculate carbon footprint
Portfolio alignment metric	Binary target measurements	% of underlying assets that have specific net zero targets

Metrics results

The table below sets out a summary of the greenhouse gas emissions data provided by the Group Trustee's investment managers and the measurement of each metric using this data. Due to the nature of some mandates and the difficulty in collecting emissions data on a more frequent basis, the data is not all at the same date. Data has been sourced from a combination of the investment managers and the Group Trustee's investment advisor, using data from a third party source for listed assets.

Note: The Group Trustee have changed how it reports carbon footprint in the following tables versus previous years. Historically, this metric was reported on a market cap basis, whereas now carbon footprint is assessed on an EVIC basis (Enterprise Value Including Cash), meaning the full capital structure (debt and equity) of the company under assessment is being accounted for. When the Group Trustee first started reporting on climate metrics for its TCFD disclosures, EVIC data was low on quality and coverage. This has evolved in recent years, such that measuring carbon footprint on an EVIC basis is now the industry standard for best practice.

⁴⁰ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.



Climate disclosures 31 March 2025

Asset Class	Manager	Long-term importance	Date of measurement	Total carbon emissions – Scope 1+2 (tCO ₂)	Carbon footprint – Scope 1+2 (tCO ₂ /£m invested)	WACI – scope 1+2 (tCO ₂ /\$m sales)
Global Equities (Passive)	Storebrand	High	31/12/24	1,557	12	29
Global Equities (Passive)	LGIM	High	31/12/24	1,780	19	60
Property ^[i]	CBRE	Very low	31/12/23	1,470	N/A	0.05
Corporate Bonds (B&M)	LGIM	High	31/12/24	15,256	38	110
Secured Finance bespoke	Insight	High	31/03/25	536	N/A	N/A
Illiquid Debt ^[iii]	Partners	Very low	N/A	N/A	N/A	N/A
Liability Driven Investment (LDI) ^[iv]	LGIM	High	31/03/25	80,587	73	133

Notes: Figures rounded to nearest whole number. Total carbon emissions is calculated as carbon footprint multiplied by size of the Group's holding in £m converted to \$m using the exchange rate at the date of the data [i] Property analysis as at 31 December 2023 as 2024 data was not available at the time of writing. The carbon footprint and WACI of the property portfolio has been calculated as tCO₂/m² of floor space and includes scope 3 emissions as CBRE are no longer able to strip this out. The methodology used by CBRE to calculate the carbon metrics has changed from the previous report which has contributed to an increase in some of the metrics and resulted in CBRE no longer providing a separate carbon footprint and WACI measurement [ii] The Group Trustee is engaging with the manager on the provision of carbon data but recognise that data quality and coverage is very limited given the nature of the asset class [iii] In our experience, LDI data is available but comes heavily caveated and with numerous disclaimers/limitations. Given the strategic importance of LDI to UK private sector DB schemes we expect LDI managers will face significant pressure from the industry to improve their disclosure. LDI data is currently unable to be aggregated with other carbon data. Total carbon emissions for LDI mandate includes leveraged positions and carbon footprint and WACI are measured in tCO₂/£m invested and tCO₂/£m revenue respectively.

The methodology for scope 3 emissions is currently less well defined than for scope 1 and 2 emissions; therefore, this has been kept separate from the table above. Additionally, in part due to the complexities of measuring scope 3 emissions in a consistent way, data for scope 3 emissions is a lot harder to gather from the fund managers and underlying investee companies. As a result, and as may be expected, the Group's assets have poorer coverage of scope 3 data than for scope 1 and 2. The scope 3 emissions, where available, have been set out in the table below.

Asset Class	Manager	Long-term importance	Date of measurement	Total carbon emissions – Scope 3 (tCO ₂)	Carbon footprint – Scope 3 (tCO ₂ /£m invested)	WACI – scope 3 (tCO ₂ /\$m sales)
Global Equities (Passive)	Storebrand	High	31/12/24	24,061	184	884
Global Equities (Passive)	LGIM	High	31/12/24	20,427	213	877
Property ^[i]	CBRE	Very low	31/12/23	11,664	N/A	N/A



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Corporate Bonds (B&M)	LGIM	High	31/12/24	61,103	153	647
Secured Finance bespoke ^[ii]	Insight	High	N/A	N/A	N/A	N/A
Illiquid Debt ^[ii]	Partners	Very low	N/A	N/A	N/A	N/A
Liability Driven Investment (LDI) ^[ii]	LGIM	High	N/A	N/A	N/A	N/A

Notes: Figures rounded to nearest whole number. WACI emissions measured in \$m invested for scope 3 emissions as £m is not available from the third party data supplier. Total carbon emissions is calculated as carbon footprint multiplied by size of the Group's holding in £m converted to \$m using the exchange rate at the date of the data [i] Property analysis as at 31 December 2023 as 2024 data was not available at the time of writing. The carbon footprint and WACI of the property portfolio has been calculated as tCO₂/m² of floor space. The methodology used by CBRE to calculate the carbon metrics has changed from the previous report which has resulted in CBRE being unable to disaggregate WACI by scope for the time being [ii] Scope 3 data was not available at the time of writing. The Group Trustee will continue to engage with the relevant managers to drive improvements in data coverage and quality going forward, with a view to including more meaningful figures in future reports.

The other metrics chosen by the Group Trustee for the Group's assets were also measured over the period, as shown in the table below.

Asset Class	Manager	Date of measurement	% of underlying assets that have specific net zero targets	% of mandate for which actual data (as opposed to estimated or modelled data) has been used to calculate carbon footprint
Global Equities (Passive)	Storebrand	31/12/24	64%	99%
Global Equities (Passive)	LGIM	31/12/24	50%	98%
Property	CBRE	31/12/23	100%	60%
Corporate Bonds (B&M)	LGIM	31/03/25	42% ^[ii]	69%
Secured Finance bespoke	Insight	31/03/25	N/A	16% ^[i]
Illiquid Debt ^[ii]	Partners	N/A	N/A	N/A
Liability Driven Investment (LDI)	LGIM	N/A	N/A	N/A

Notes: Data from Investment Managers and the Group's carbon footprinting report (MSCI). [i] Data coverage is for total carbon emissions as carbon footprint data not available from manager. [ii] The Group Trustee is engaging with the manager on the provision of data but recognise that data quality and coverage is very limited given the nature of the asset class. [iii] LGIM updated their categorisation of Science Based Targets initiative (SBTi) targets to align with those of the SBT resulting in an increase from the 2023/24 report.



Limitations, assumptions and methodology

Currently, a proportion of the Group's holdings are unable to be measured across the different metrics. This is in part due to the nature of some investments and the difficulties in measuring climate metrics across these types of investments. Some of the Group's investment managers also do not currently monitor these metrics and so are unable to provide data at present. As part of ongoing dialogue with managers, the Group Trustee will strive to improve the managers' provision of non-emissions data over time, to ensure it receives a fuller picture of the Group's position.

In attempts to address this, the Group Trustee discussed climate data availability with Insight at a manager focused RI day as noted in the Governance section. The Group Trustee have also set data quality targets for the Group's mandate with Insight of which the manager is aware. Data availability and quality will remain a topic for discussion when the Group Trustee is meeting with the manager going forward.

Metrics Data – Group level

The carbon data included within this section only considers the Storebrand, LGIM Future World and LGIM B&M mandates. Data for the Group's other mandates were either unable to be measured or unable to be aggregated with other mandates. The assets in this section represent c30% of assets based on their target allocations.

The Group has a Weighted Average Carbon Intensity ('WACI') as at 31 December 2024 of 85 tCO₂/\$m Sales (based on target allocations as at 31 December 2024). This is a reduction of c21% versus the position as at 31 December 2023 but remains slightly higher relative to an equivalent figure of 75 for the corresponding composite Group benchmark. Despite taking steps to reduce the Group's carbon risk metrics, the results indicate that the Group underperforms the aggregate benchmark. However, the relative decrease in the Group's WACI was larger than that seen in the benchmark (i.e. the WACI gap between the Group and the benchmark has reduced) and the Group Trustee will continue to look for ways to improve its results where practical.

The Group's B&M holding was the largest contributor to the total WACI given its size. As discussed in the Group Trustee's 2023/24 TCFD report, the Group Trustee terminated two equity mandates and replaced them with the LGIM Future World fund at the start of the reporting year. This was to more closely align the Group's equity portfolio to the Group Trustee's RI policy, in turn removing an equity mandate which disproportionately contributed to the Group's WACI for its size.

In future reports, the Group Trustee will monitor the metrics on an annual basis and identify whether performance has improved or deteriorated over time. Where performance has deteriorated, the Group Trustee will engage further to understand the reasoning and undertake any appropriate remedial actions. The metrics will also be used to monitor the Group's performance in line with any climate-related targets (see Metrics and Targets Disclosure 3).

The Group Trustee acknowledge that at this point, limited data is available on industry wide comparisons and the Group Trustee has relied heavily on the benchmark set for each fund and the market knowledge of its advisors in understanding how well the funds are performing from a climate risk perspective, and whether further improvements could be made at this stage.

Targets

Given the nature of the assets and availability of data, the Group Trustee considers targets on a mandate-by-mandate basis to appropriately reflect the action that can be taken and the key priorities for that mandate. For example, for some mandates the current priority is to improve data in the first instance to enable the Group Trustee to set more meaningful targets in future, whereas for other mandates, agreeing a path towards carbon emissions reduction and net zero for all holdings is the key priority.

Emissions reduction targets

As discussed in the 2023/24 TCFD report, the Group Trustee met both its short- and long-term targets in relation to emissions reductions quicker than anticipated due to the effort the Group Trustee has made in recent years to improve the carbon credentials of the Group's assets.



Meaningful reduction in emissions going forward will be driven by strong engagement with the Group Trustee's managers and in turn the underlying investee companies that the mandates are investing in, to improve both data quality and their carbon credentials. As such, the Group Trustee will focus its efforts on engagement and progressing the data quality standards both of which the Group Trustee acknowledges will take time to see tangible results come through in the data metrics.

Data Quality Target

Given the current low levels of data available from some of the Group's investment managers and the Group Trustee's focus on engagement with managers to improve this data, the Group Trustee has set a data quality target for some of the Group's mandates where data availability is most limited.

The Group Trustee agreed to use the scoring system outlined below for monitoring and assessing the managers' progress and setting data quality targets. Please note that all percentages refer to portfolio coverage, i.e., the % of portfolio where given type of data is available.

Score	Emissions data requirements	Current mandate score*
4 – Excellent	At least 90% of actual data available OR >95% overall coverage including at least 75% actual data	Storebrand[i], LGIM Future World[i]
3 – Good	At least 65% actual data available OR >75% overall coverage including at least 50% actual data	LGIM Buy & Maintain corporate bonds[iii]
2 – Adequate	At least 45% of actual data available OR >75% overall coverage using estimates	LGIM LDI[iii], CBRE Property[ii]
1 – Poor	Less than 45% of actual data available OR <75% overall coverage using estimates	Insight Secured Finance[iii], Partners Group Private Debt[iii]

Source: Investment Managers and the Group's carbon footprinting report (MSCI). Coverage only considers emissions data. [i] As at 31 December 2024 [ii] As at 31 December 2023 [iii] As at 31 March 2025

To date, the Group Trustee has agreed the following targets for the Group's investment mandates as at 31 March 2025:

- LGIM Buy & maintain to achieve a data quality score of 3 within the next year (up from 2 at present day).
- Insight Secured Finance mandate to achieve a data quality score of at least 2 within the next 4 years (up from 1 at present day)

The Group Trustee has updated its data quality target for LGIM given the previous target to achieve a score of 3 by the end of this reporting year (31 March 2025) has been achieved. A material improvement in data quality is now required to meet the updated target; however, the Group Trustee has set this such that it is a stretching target for the mandate and will engage with the manager to encourage improvement over the coming years.

The Group Trustee notes that efforts in improving data quality will be significantly limited by third parties' ability and willingness to provide data. As such, the Group Trustee will use regular engagement with the managers as the main action to improve availability and quality of the climate data. One such example of this was the RI focused manager day, held in September 2024 as noted in Governance Disclosure 1, where the Group Trustee explored with Insight in particular, as the Group's lowest scoring manager for climate data, the work Insight is doing to improve data quality and coverage in the asset class the Group Trustee invests.

We would note that the data quality target for the CBRE UK property mandate, which was to achieve a data quality score of 3 within the next 5 years (up from 2 as at 31 March 2023), was achieved last year. As the mandate is in the very late stages of being sold down, and will not feature in the Group's investment strategy in the medium to longer term, the decision was taken to remove this target. Following changes to CBRE's reporting methodology the data



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quality has fallen to 60% and so the mandate would now have a data quality score of 2. The Group Trustee are comfortable not reinstating this target on the grounds that the holdings will soon be fully sold down.

Net zero ambition

In addition to the targets above, the Group Trustee aims to achieve a net zero position for all Group assets by 2050. Whilst this is not currently a formal target, the Group Trustee will use this aim to guide decisions and targets to be set within the Group's individual mandates.

The Group Trustee is comfortable that this ambition is in line with its fiduciary responsibility to the Group and its members. The Group Trustee's key aim is to make a real-world impact on global emissions, which will be achieved through engagement with the Group's investment managers in relation to their policies and processes, as well as the reallocation of capital where appropriate. The Group Trustee will continue to work with the Group's managers to gather the relevant data to allow well informed targets to be put in place which are appropriate for each asset class. The Group Trustee expects different parts of the portfolio to follow different trajectories as it works towards this aim. This commitment is based on the expectation that governments and policy makers will deliver on their commitments to achieve the 1.5°C temperature goal of the Paris Agreement.

Targets Summary

The Group Trustee will undertake an annual review of the targets, to ensure that they remain appropriate and challenging, given the ever changing, economic, environmental and technological environment. These reviews will look for opportunities to introduce Net Zero targets where this is considered reasonable.

As described in detail above, the Group Trustee's efforts are focused on engagement with the Group Trustee's managers, and in turn the underlying investee companies that the mandates are investing in, to improve both data quality and their carbon credentials. As such, the Group Trustee will focus on engaging with LGIM and Insight to ensure they meet the data quality targets set for their mandates as described above.

The ability for diversified investors (such as pension funds) to set meaningful climate targets is inhibited by the limited availability of credible methodologies and data currently available. Like most investors, the Group Trustee is supportive of the development of target-setting methodologies, and of the increasing completeness of carbon datasets. The Group Trustee wishes to set meaningful and challenging climate targets for its investment portfolio and work is underway to assess options within the limitations of currently available data.

UK Power Networks

Net assets⁴¹ as at 31 March 2025: £2,662m.

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

Chosen metrics

Since mid-2021, BlackRock has provided climate change-related metrics to the Group as part of its quarterly reporting. These metrics and their calculation methodology are outlined in the table below. BlackRock has reported against all of the metrics outlined in the table.

Metric Type	BlackRock Calculation Methodology
Absolute emissions metric: Total GHG Emissions	Total GHG emissions are calculated using MSCI sourced Enterprise Value Including Cash (EVIC) and Scope 1 and 2 emissions. This is an absolute emissions figure that is normalized using Market Value from BlackRock on the portfolio level. Equation outlined below: $\sum_i \left(\frac{\text{Market Value}_i}{\text{EV Including Cash (\$m)}_i} \times (\text{Carbon Emissions Scope 1 + 2})_i \right)$
Emissions intensity metric: Carbon Footprint	Carbon footprint is an emissions intensity measure utilizing MSCI sourced EVIC and Scope 1 and 2 emissions. BlackRock market value and Net Asset Value figures are integrated to normalize to the portfolio level. Equation outlined below: $\frac{\sum_i (\text{Carbon Emissions Scope 1 + 2 Intensity (EVIC)}_i \times (\text{Market Value}_i))}{NAV}$
Emissions intensity metric: Weighted Average Carbon Intensity	Weighted Average Carbon Intensity is an emissions intensity metric utilizing MSCI sources sales and Scope 1 and 2 emissions values. BlackRock market value and Net Asset Value figures are integrated to normalize to the portfolio level. Equation outlined below: $\frac{\sum_i (\text{Carbon Emissions Scope 1 + 2 Intensity (Sales)}_i \times (\text{Market Value}_i))}{NAV}$
Data Quality	MSCI Coverage as measured by Scope 1 and 2 emissions broken down by "Reported", "Estimated" or "Not Reported" (represented as null values for Scope 1 and 2 emissions). Estimated values represent MSCI indication that the scope 1 and 2 emission data is estimated rather than officially reported.
Portfolio Alignment Metric: Binary Target Metric	The percentage market value of a portfolio where issuers have an approved SBTi target and investment is through a corporate bond or equity investment. Derivatives and other complex investment products are not captured
Emission intensity metric: Sovereign GHG Intensity (t/USD million GDP nominal)	This figure represents GHG intensity of an economy (in tons per USD million GDP nominal). The higher the value the more carbon intensive the economy is. Six greenhouse gases, considered under Kyoto Protocol, are considered for this data point. These gases are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride. GDP is in nominal terms. Utilizes MSCI data.
Emissions intensity metric: GHG Emission per Capita (Sovereigns)	Tons CO2e per capita. Six greenhouse gases, considered under Kyoto Protocol, are considered for this data point. These gases are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride. Utilizes MSCI data.
Total GHG Emissions Scope 3 Only	This figure represents the company's most recently estimated Scope 3 total emissions normalized by the most recently available enterprise value including cash (EVIC) in million USD. This ratio facilitates portfolio analysis by allocating emissions across equity and debt. (t/million USD)
Carbon Footprint Scope 3 Only	This figure represents the company's most recently estimated Scope 3 total emissions normalized by the most recently available enterprise value including cash (EVIC) in million USD. This ratio facilitates portfolio analysis by allocating emissions across equity and debt. (t/million USD)

⁴¹ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.



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Since 2022, BlackRock has provided analysis of the developing trends in climate-related metrics. This analysis has allowed the Group Trustee to track progress, both on portfolio related emissions and on the implications of climate change for investment performance.

The table below outlines the performance of the Group's portfolio on key TCFD metrics. The Group's total GHG emissions were 0.392 MtCO₂e for Scope 1 and 2 and 0.726 MtCO₂e for Scope 3. Meanwhile, the Group's carbon footprint was 186 tCO₂e/£M for Scope 1 and 2 and 2846 tCO₂e/£M for Scope 3. The increase in GHG emissions and the overall Carbon Footprint for 2024 is primarily attributed to enhanced data reporting of Scope 3 emissions by investment managers Neuberger and HarbourVest. In 2023, neither manager provided Scope 3 data, which limited the accuracy of emissions reporting. However, in 2024:

- HarbourVest submitted Scope 3 data on a one-year lag, using 2023 figures to inform the 2024 metrics. This significantly impacted the emissions profile of the Alternatives allocation.
- Neuberger's newly reported Scope 3 data contributed to the rise in emissions for the Corporate Bonds allocation.

These updates reflect a marked improvement in data quality, with coverage increasing by 10.7% for Alternatives and 15.1% for Corporate Bonds compared to 2023.

Metric	Total GHG Emissions (Mt/CO ₂ e)		Carbon Footprint (tCO ₂ e/£M)		Binary Target Metric (%)		Data Quality (%)	
	1 & 2	3	1 & 2	3	1 & 2	3	1 & 2	3
Scope	1 & 2	3	1 & 2	3	1 & 2	3	1 & 2	3
2022	0.012	0.100	41.78	360.64	3.4	0	9.5	8.7
2023	0.381	0.094	164.66	373.02	5.3	5.3	76.5	8.4
2024	0.392	0.726	186.00	2846.58	2.1	2.1	77.6	9.4

Targets

One of the Group Trustee's conclusions from the data and analysis that have been provided by BlackRock to date, is that there are limited data available for important areas of the market, e.g. private markets. These data limitations constrain the Group Trustee's ability to set performance or other expectations in these asset classes. This is the reason why the Group Trustee set data quality targets in its TCFD report published in 2023. The Group has set a medium-term target to increase data coverage for Scope 1, 2 and 3 carbon emissions for the overall portfolio to at least 50% over the next 3-5 years. This target will be monitored closely on an annual basis with a view to setting outcome-based targets once this has been achieved.

The target is monitored through the 'Data Quality' metric, as independently reported by MSCI to BlackRock. This metric determines whether Scope 1, 2 & 3 emissions are 'Reported', 'Estimated' or 'Not Reported'. It considers the percentage of the portfolio for which accurate and reliable emissions data is available.

Since 2022, data availability for Scope 1 and 2 emissions has risen from less than 10% to over 70% of the total portfolio. This is largely a result of GHG emissions now being provided by Insight Investment (the manager of the Group's liability-driven investments (LDIs)). Emissions data for the purpose of calculating Scope 1 and 2 emissions for the LDI portfolio is based on the emissions of the UK government, as reported on the DWP website. Data availability for Scope 3 emissions remains low (9.4%) but has seen gradual improvement since 2023. The Group Trustee hopes to see an improvement in Scope 3 emissions data over the next 3-5 years, in line with its target to increase Scope 3 data coverage by 50% by 2030. It notes this may prove difficult due to industry concerns about the measurement of Scope 3 emissions for sovereign debt.



Climate disclosures 31 March 2025

BlackRock has engaged with Insight (the Group's LDI manager) who have noted that aggregation of Scope 3 data is dependent on the existence of accurate emissions data at the global level. However, Insight believes that the availability of accurate data is going to be a multi-year journey and have formed a cross-body group across the LDI industry to reach a consensus on developing a reporting standard. BlackRock's manager research team are engaging with Insight to understand what interim steps need to be achieved before Scope 3 data will become available and will report this to the Trustee once available.

While BlackRock has requested that all underlying investment managers provide TCFD related data for the purpose of compiling this report, some managers are still unable to do so. The following reasons have been provided to BlackRock:

- For some sub-asset classes, there continues to be a lack of industry consensus on how to attribute and quantify emissions statistics. This is particularly relevant for alternative assets. These assets are bespoke in nature and the industry is still working towards achieving a uniform reporting standard.
- Some elements of the investment portfolio are managed by underlying asset managers domiciled in parts of the world where TCFD-related reporting is not yet a mandatory regulatory obligation.
- In the case of Scope 3 data, investment managers have cited difficulties with the complexity of calculating this data accurately whilst avoiding the possibility of double-counting data.

BlackRock is liaising with all underlying managers to better understand when they may be in a position to start reporting TCFD-related data. BlackRock has asked its manager research team to raise questions in relation to this matter during their ongoing engagement with these managers.



Uniper

Net assets⁴² as at 31 March 2025: £391m.

Chosen metrics

With regards to quantitative metrics, the Group Trustee will set out where possible on an annual basis:

- Percentage of portfolio with data coverage
- Absolute total emissions in tCO₂e
- Weighted Average Carbon Intensity (WACI)
- Carbon footprint (per £m invested)
- Portfolio temperature alignment
- Climate VaR under different scenarios

The Group Trustee will keep these metrics under review and may add to, or amend, these metrics over time as data and best practice evolves.

Metrics results

The tables below sets out the results of the Group Trustee's agreed metrics for the equities and credit in the portfolio. The data is sourced from ISS ESG and MSCI. ISS ESG and MSCI have been identified as leaders in the space while also understanding the nuances of asset classes and strategies. Although, they are currently VLK's preferred providers for climate and ESG data, other vendors may be used in the future as research capabilities progress. Currently the data only covers scope 1 and scope 2 emissions, as scope 3 emissions are heavily reliant on assumptions with research still underway on how best to capture and action on scope 3 emissions.

Defined Benefit Portfolio	Metric	Data source	31 March 2024	31 March 2025
Portfolio coverage*	% of total portfolio covered by analysis weighted by value	ISS ESG	29.2	34.7
Absolute Emissions	Total Portfolio, tCO₂e	ISS ESG	2,803.6	2,048.5
Weighted Average Carbon Intensity	Total Portfolio, tCO₂e	ISS ESG	62.5	67.0
Carbon Footprint	Total Portfolio, emissions per £m invested	ISS ESG	31.4	31.3
Portfolio implied temperature rise	Degrees Celsius	MSCI ESG	2.0	-
Climate VaR (1.5% scenario)	Climate Value at Risk	MSCI ESG	-12.5	-
Climate VaR (2% scenario)		MSCI ESG	-9.0	-
Climate VaR (3% scenario)		MSCI ESG	-7.6	-

⁴² Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.



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* The Implied Temperature Rise (ITR) metric provides an indication of how well public companies align with global temperature goals. Expressed in degrees Celsius, it is an intuitive, forward-looking metric that shows how a company aligns with the ambitions of the Paris Agreement - which is to keep a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C.

The portfolio-level Implied Temperature Rise uses an aggregated budget approach: compares the sum of "owned" projected GHG emissions against the sum of "owned" carbon budgets for the underlying fund holdings. The portfolio's total estimated carbon budget over- /undershoot is then converted to a degree of temperature rise (°C) using science based TCRC (Transient Climate Response to Cumulative Emissions). The allocation base used to define ownership is Enterprise Value including Cash (EVIC) in order to enable the analysis of equity and corporate bond portfolios.

Metrics for government bonds

Sovereign related emissions reporting for investment portfolios is an emerging field and standards are not yet fully developed and accepted across the industry. As TCFD does not specifically cover sovereign bonds, we have used guidance established by the Partnership for Carbon Accounting Financials (PCAF) Standard. We provide emissions sourced from MSCI which covers c. 39% of the portfolio. The data is for long only bond positions. This is both UK government bonds and emerging market debt. This excludes cash and repo positions. We note there are other publicly available datasets that offer an assessment of individual countries' net zero alignment. These include (but are not limited to):

- ASCOR (Assessing Sovereign Climate-related Opportunities and Risks)
- CCPI (Climate Change Performance Index)
- CAT (Climate Action Tracker)

Coverage of liquid assets (table above) and government bonds (table below) results in a significant increase in coverage.

As this area evolves, we will assess whether we continue to use MSCI data and methodology or whether we use other available datasets in the future.

Metrics

31 March 2025

		31 March 2025
AUM covered (\$ mn)		445.6
	Scope 1 (excl LULUCF)	99.0
	Scope 1 (incl LULUCF)	103.0
Weighted Average Emissions Intensity (normalised by PPP GDP) - tonnes of CO2e per \$ million GDP PPP	Scope 2	0.5
	Scope 3	69.2
	Consumption	138.9
	Imported	69.7
	Exported	29.9
Absolute Emissions (apportioned by PPP GDP) - tonnes of CO2e	Scope 1 (excl LULUCF)	44,127.9



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Scope 1 (incl LULUCF)	45,913.3
Scope 2	230.3
Scope 3	30,820.6
Consumption	61,875.0
Imported	31,050.9
Exported	13,303.7

We have provided the data above as part of increasing the coverage of the Group's portfolio. We recognise the Institutional Investors Group on Climate Change (IIGCC) published a paper which provides an overview of the challenges of net zero aligned investing in the sovereign bonds asset class. The paper finds that despite their relevance; there is currently little evidence of adoption of this asset class within investors' net zero strategies. When it comes to sovereign bonds, investors see challenges in their ability to exercise asset selection to meet net zero commitments, mainly due to:

1. Liability management restrictions under which a great portion of sovereign bond holdings operate,
2. The limited number of prominent issuers and the concentrated nature of the market means that reducing or removing some sovereigns from the portfolio may force others to be overweighted thereby increasing material risks,
3. Persisting flaws in the global policy framework; currently, most National Determined Contributions suffer from ambition and/or implementation gaps within a non-binding framework, and;
4. A combination of concerns around engagement with sovereigns such as limited engagement opportunities, non-credible 'exit', intricate nature of sovereign entities, fairness considerations, lack of metrics to assess success, among others.

Limitations, assumptions and methodology

This analysis includes all liquid listed equities and corporate bond assets where the data was available. The Group Trustee notes that data availability is likely to improve and public disclosure should increase the speed at which the data becomes available. Data for less liquid asset classes is less readily available which is a known limitation in the investment industry. For the group, a prudent approach is followed by excluding the portfolio without coverage and assuming the portfolio is invested pro-rata in the asset classes where data is available. The portfolio and asset class coverage is expected to be expanded in subsequent annual reports, as the data improves – particularly in respect of the treatment of gilts and LDI assets, as well as less liquid and real assets.

Targets

The Group Trustee has an ambition to set meaningful targets that are in line with the Group's investment and climate objectives, including to align its portfolio with achieving the goals of the Paris Agreement. The Group Trustee is taking a considered approach to setting climate-related targets. Comparing the quantitative metrics of this report provides a basis on which targets and objectives may be set. The Group Trustee will review sustainability and stewardship with its fiduciary manager, including engagement and voting activities, as a part of its effort to set and monitor meaningful climate-related targets across the portfolio.



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With respect to targets, the Group Trustees have entrusted VLK to a) improve data coverage b) invest in strategies that are aligned with their long-term climate ambition c) engage with existing providers to achieve net zero ambitions. Progress is reviewed on a long term holistic basis, as the Group Trustee considers how to meet its climate goals and their fiduciary duty to meet member's benefits.

VLK have set their medium term sustainability goals as investing in underlying funds which score highly (3 out of 5 or above) in their sustainability spectrum and secondly for liquid assets to be Paris aligned (between 1.5°C and 2.0°C pathway) by 2025 with all non-listed assets to be Paris aligned (between 1.5°C and 2.0°C pathway) by 2030.

United Utilities PLC

Net assets⁴³ as at 31 March 2025: £325m.

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

Chosen metrics

The following climate-related metrics for the Group's investments have been considered by the Group Trustee:

- Absolute greenhouse gas emissions
- Carbon footprint
- Portfolio temperature alignment (% of portfolio companies with targets approved by the Science Based Targets initiative (SBTi) and Implied Temperature Rise.
- Data quality

Metrics results

L&G disclose data coverage (rather than quality) for the carbon emissions intensity metric (tCO₂e/£m on an EVIC basis) for the bulk annuity insurance policy, and only for scope 1 and 2 emissions. Although the metrics are only provided at the year end with 31 December 2024 being the closest reporting date, we do not expect these metrics to have materially changed over the 3 months to 31 March 2025.

L&G bulk annuity insurance policy	Scope 1 and 2 Data Coverage 31.12.2024
Actual vendor-provided data coverage (%)	42
Estimated data coverage (%)	58

Source: L&G.

As regards the assets invested outside the bulk annuity policy, the investment manager, LGIM, discloses data quality metrics for scope 1 and 2, as well as the scope 3 emissions as at 31 March 2024. They are set out for the LGIM LDI and LGIM Buy and Maintain Credit mandates combined below.

Combined LGIM LDI and Buy and Maintain Credit mandates	Scope 1 and 2			Scope 3		
	R	E	U	R	E	U
31 March 2025	74.4	2.3	9.8	27.3	10.0	9.8
31 March 2024	76.5	1.0	13.7	28.7	11.4	13.7

Source: LGIM. For scope 1 and 2 emissions, corporate and sovereign carbon emissions metrics have been combined by LGIM. Scope 3 emissions are available for corporate mandates only. R = Reported (%), E = Estimated (%), U = Unavailable (%). All data quality metrics are shown as a share of the total combined LGIM LDI and LGIM Buy and Maintain mandates.

L&G do not disclose total GHG emissions for the bulk annuity insurance policy. The emissions for the LGIM LDI and LGIM Buy and Maintain Credit mandates (combined) are shown below.

⁴³ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.



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Combined LGIM LDI and Buy and Maintain Credit mandates	Scope 1 and 2 total GHG emissions (tCO ₂ e)	Scope 3 total GHG emissions (tCO ₂ e)
31 March 2025	3,314	11,626
31 March 2024	4,090	15,352

Source: LGIM. For scope 1 and 2 emissions, corporate and sovereign carbon emissions metrics have been combined by LGIM. Scope 3 emissions are available for corporate mandates only.

L&G disclose carbon emissions intensity for the bulk annuity insurance policy but only as at the calendar year end. As at 31 December 2024, this was 52 tonnes CO₂e/£m. As at 31 December 2023, the figure stood at 57 tonnes CO₂e/£m, and at 31 December 2022 the figure was 64 tonnes CO₂e/£m. This demonstrates steady progress in reducing emissions intensity over time (a reduction of c. 19% over the period from 31 December 2022 to 31 December 2024). These figures are not directly comparable to the carbon footprint metrics shown in this report for the LGIM LDI and Buy and Maintain Credit mandates due to the different currency unit of the denominator.

The scope 1 and 2, as well as the scope 3 carbon footprint values are set out for the LGIM LDI and LGIM Buy and Maintain Credit mandates combined below.

Combined LGIM LDI and Buy and Maintain Credit mandates	Scope 1 & 2 carbon footprint coverage (%)	Scope 1 & 2 carbon footprint (tCO ₂ e/\$m invested)	Scope 3 carbon footprint coverage (%)	Scope 3 carbon footprint (tCO ₂ e/\$m invested)
31 March 2025	76.7	38.3	37.3	285.5
31 March 2024	77.5	43.4	40.1	303.2

Source: LGIM. For scope 1 and 2 emissions, corporate and sovereign carbon emissions metrics have been combined by LGIM. Scope 3 emissions are available for corporate mandates only.

Limitations, assumptions and methodology

The Trustee notes that the availability of accurate data for some asset classes is an industry-wide issue and standards are still developing. The following points should also be noted:

- **Absolute emissions** are a function of a fund's total asset value. Therefore, for the Group, portfolios and funds with relatively high levels of assets invested in them will generally have higher absolute emissions than smaller mandates.
- **Carbon Footprint** "normalises" emissions by size of the investment, so a fall in market prices can make the denominator lower and therefore carbon footprint may be "pushed up". However, it still provides a better idea of the carbon intensity of each portfolio (when compared with absolute emissions).
- For some funds, the **data coverage** has improved over the year. This means that reported emissions and related measures such as carbon footprint may increase simply as there is more of the portfolio where emissions are reported.
- There can be a **time lag** in the provision of climate data from individual companies to data providers, and then from data providers to investment managers. For example, in the reporting year, investment managers may have received climate data at different times, some of which may be based on disclosures at the company level over the course of past periods. With a reporting date of 31 March 2025, this means that the metrics presented in this report are likely to be subject to time lags and revisions. The Trustee



recognises that this leads to a certain amount of uncertainty regarding the drivers of changes in carbon emissions from year-to-year.

The Trustee recognises the challenges associated with various metrics, tools and modelling techniques used to assess climate change risks. The Trustee aims to work with its investment adviser and investment manager to continuously improve the approach to assessing and managing risks over time as more data becomes available.

Portfolio Alignment

The Trustee considers two alignment metrics (as described in q1 above). While SBTi is relatively straightforward, the following should be noted regarding Implied Temperature Rise:

Implied Temperature Rise is calculated by the investment manager by projecting forward the expected emissions intensity/absolute emissions (dependent on sector) of an issuer to 2030 and comparing this projection to temperature-aligned sectoral decarbonisation pathways. The projection integrates backward-looking trend analysis and probability-adjusted forward-looking targets. The scenarios used to calibrate the sectoral decarbonisation pathways are all 'orderly' scenarios which require smooth and coordinated action towards decarbonisation. The carbon intensity used in the analysis, includes all greenhouse gases adjusted to tonnes of carbon dioxide equivalents using the IPCC AR4 GWP (Global Warming Potential) factors in line with GHG protocol guidance.

Implied temperature alignment is then a function of two mappings: first, global emissions onto global temperatures, and second, a company's projected emissions onto global emissions pathways. In aggregate, a company is then mapped to a temperature.

Targets

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

Carbon footprint is used for the 2030 target metric rather than absolute emissions as the absolute emissions figures will be impacted by market movements and changes in the value of the asset portfolios.

The rationale for the Group's target is:

Grounded in science	Clear plan	Alignment with the employer
This target is considered necessary to reduce greenhouse gas emissions and keep global warming to 1.5°C, meeting the goals of the Paris Climate Agreement.	The Group's investment manager is committed to net zero by 2050. Therefore, the assets are expected to get to net zero and the Trustee can objectively track this goal.	United Utilities has also set a net zero target. While recognising that pension schemes and companies have different legal and financial duties, a joined-up approach can be an enabler of success.

The Trustee works closely with its investment manager to monitor and track progress over time. Discussions with the investment manager will take place at least annually.

As at 31 March 2025, the Group's carbon footprint for the assets covered by our target was 38.3 tCO2e/\$m invested (based on the available data). This is a decrease of c.12% over the year following a c. 50% decrease in the prior year. **Therefore, the Group had met its interim target as at 31 March 2025.** This is positive but the Trustee recognises the data limitations and will keep working with the investment manager to stay on track for the net zero target by 2050.



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Ultimately achieving the desired level of decarbonisation will depend on global economies overall successfully decarbonising. Notwithstanding that there are factors outside of the Trustee's control, the intention is to meet the target set and we consider progress to date is very encouraging.

Steps the Group Trustees are taking to achieve the target.

- Discussing and agreeing the roadmap to next zero with the investment manager and bulk annuity provider.
- Implementing an explicit net zero mandate for the Group's credit mandate and the bulk annuity contract.
- When considering new investments or risk management approaches, such as further insurance policies, the Group Trustee has commissioned advice on the alignment of potential providers' approaches to net zero with the Group Trustee's target.



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Western Power Distribution

Net assets⁴⁴ as at 31 March 2025: £1,655m.

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

Chosen metrics

We calculate and disclose the following metrics:

- **Absolute financed emissions** – Our chosen absolute emissions-based metric is in line with TCFD guidance and PCAF (Portfolio Carbon Accounting Financials) recommendations and allows for clear and comprehensive measurement of an organisation's overall impact on climate change, allowing stakeholders to easily compare emissions financed by a portfolio. The metric measures the total greenhouse gas emissions financed, in tons of carbon dioxide equivalent, of the portfolio, using Scope 1 and 2 emissions. The financed emissions are the percentage ownership of the total enterprise value including cash owned by the investor across debt and equity. Our total GHG emissions for financed corporate Credit and Equity GHG Scope 1 and 2 is: 68,415 tCO₂e.
- **Carbon Footprint** – Our chosen intensity emissions-based metric is in line with TCFD and PCAF recommendations and describes the total financed emissions per million pounds invested. This adjusts for the size of the portfolio and allows for a standardised and comparable measure of the climate impact of this portfolio compared to other portfolios of different sizes. This approach supports transparent and effective climate risk management, target setting, and stakeholder engagement. The metric measures the total GHG emissions in tons of carbon dioxide equivalent per £m invested, using Scope 1 and 2 emissions. Our emissions intensity for GHG Scope 1 and 2 is: 98 tCO₂e. This is the total greenhouse gas (GHG) emissions, in CO₂ equivalent, of the portfolio. This is based on public market proxies where the Asset Manager does not provide data
- **Data availability** (% Coverage in the tables below) – Our coverage is 92% of the credit and equity exposure financed. This is the proportion of the analysis for which there is high-quality emissions data and is sourced from MSCI and third-party Asset Managers directly. There is good coverage of GHG emissions data in public listed equity markets. In public credit markets, there is sustainability-related data for some issuers, but not all, particularly emerging markets.
 - We will work with our Investment Adviser and our asset managers to engage companies, policy makers and data providers to improve data quality and coverage.
- **SBTi alignment metric** – We use the Science-Based Targets Initiative (SBTi) framework which assesses the ambition of a company's Scope 1 and 2 targets. When organisations demonstrate their commitment to ambitious, scientifically grounded climate action, this not only enhances credibility and stakeholder trust but also supports strategic risk management, regulatory compliance, and long-term sustainable growth. The metric has been chosen because it is a straightforward metric that the Group Trustee can use to track progress of the portion of their portfolio that have made such commitments. Our estimated alignment is 14.6%% of the total portfolio (or approximately 16.6% as a proportion of the assets captured). This is the percentage of the total portfolio exposure having set Science Based Targets to align with either a 1.5 degree or 2 degree climate scenario.

⁴⁴ Source: Scheme Trustee Report and Accounts for the year-ending 31 March 2025.



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Metrics results

Asset class	% exposure financed	% coverage	Absolute Financed Emissions tCO ₂ e		Carbon Footprint: Emissions intensity tCO ₂ e / £m invested	
			Scope 1+2	Scope 3	Scope 1+2	Scope 3
			Equity	27.7%	99.7%	20,916
Credit	14.7%	77.5%	47,499	241,147	197	999
Total	42.3%	92.0%	68,415	483,351	98	694

Source: MSCI, Managers (Credit: Beach Point and GoldenTree Equity: Egerton, LGIM, Forestry: Bidwells). Data represents emissions as at 31/12/2024 with allocations as at 31/03/2025.

In the table below we have included the approximate carbon sequestration benefit of the Forestry portfolio. However, due to regulatory advice, existing forestry cannot be considered for offsetting purposes.

Asset class	% exposure financed	% coverage	Absolute Financed Emissions tCO ₂ e	Carbon Footprint: Emissions intensity tCO ₂ e / £m invested
			Scope 1+2 only	Scope 1+2 only
Forestry	3.3%	100%	10,997	205

Source: Bidwells. Data represents emissions as at 31/12/2024 with allocations as at 31/03/2025.

The Paris alignment metric helps us understand the extent to which a portfolio is aligned with the goals of the Paris climate agreement, to limit warming well below 2 degrees and towards 1.5 degrees.

We disclose the extent to which portfolio companies have made commitments to net zero GHG emissions, and whether the commitments have been independently reviewed by the Science-based Targets Initiative.

This metric is most useful in helping us understand our own commitment to net zero GHG emissions, and therefore, consistent with guidance published by IIGCC, we have disclosed our physical exposure, not including our derivatives exposure.

Metric 3: SBTi alignment % of portfolio aligned with the Paris agreement*

14.6%

Interpreting the results:

Absolute emissions tell us the emissions associated with our investments. While an important metric for us – and the regulator – it is difficult to use this metric for comparison purposes, because it is dependent on the size of the Group at the point, we conduct the analysis.

This is why we disclose an emissions intensity metric, which is the total GHG emissions per £1m invested. This is useful, because, while subject to market fluctuations, it allows us to compare our emissions year-on-year and help us check we are moving in the direction of achieving our targets. For example, both the absolute emissions and emissions intensity should trend to zero if we're to meet our Net Zero target.



Note that, while we expect our emissions intensity to trend to zero, different regions will have different pathways. For example, some emerging markets may see emissions rise, before they fall. When we make investment decisions we take into account the emissions, the climate change-related risks and opportunities, the asset manager's stewardship activities and the sectoral and regional characteristics of the portfolio.

Due to the lack of established methodologies and/or data quality issues, not all the investments have been included in the analysis. This includes the Group's investments in Hedge Funds (Bridgewater, Lynx and Ruffer).

In order to advance GHG emissions disclosures and methodologies and improve the range of assets included within TCFD analysis for pension funds, such as the Group, Cardano is participating in a range of sustainable investment working groups.

We report sovereign bonds' carbon footprint separately from this measure for several reasons:

- There is no comparable measure for sovereign bonds to financed EVIC (because countries' debt levels are not comparable)
- Total Sovereign country greenhouse gas emissions involve substantial double counting of emissions with corporate greenhouse gas emissions, and
- We believe adding sovereign numbers to corporate numbers can substantially obscure the dynamics of monitoring the changes to the corporate Portfolio Carbon footprint over time. Our preferred approach to Sovereign Carbon Footprint is to consider weighted average GHG emissions per Capita which we record and report separately below.

Our preferred approach to Sovereign emissions is to use a metric that is as close to and consistent with an emissions intensity metric. We use the weighted average consumption based GHG emissions per Issued Debt and to calculate the Group's carbon footprint using \$ PPP- adjusted GDP. These sovereign bond measures are reported separately below.

Sovereign bond carbon footprint

Country	Physical Bond Exposure	Derivative Exposure	% coverage	Consumption Intensity per Issued Debt (tCO2e)	Production Intensity per GDP-PPP (tCO2e)
UK	685	957	100%	273,048	86.6

Source: LDI manager. Data represents exposure and fund holding data as at 31/03/2025. *Interest rate swaps, inflation swaps, futures, cash and money market fund holdings have all been excluded. Short gilt positions have also been excluded.

Limitations, assumptions and methodology

We recognise the importance of managing CCRO – but also the challenges involved in 'doing it well'. We continue to develop and evolve our policies to reflect climate change-related challenges. This reflects the evolution of our thinking on sustainability and the changes underway in the financial services sector, and society more broadly.

We are acutely aware that managers' methodologies can vary and whilst we encourage our managers to follow best practices and complete industry standard templates, there is a limit to the extent we can practically vet the data provided.

When measuring at the portfolio level, where we aggregate the emissions of investee companies, our approach is to disclose Scope 1 and 2 emissions (to avoid double counting). We also report separately on government bond exposures due to aggregation challenges with government bonds, and differing methodologies.

We recognise that there remain gaps in data availability, in particular, regarding Scope 3 emissions, emissions data from private market and alternative investment managers, and emissions data from managers located outside of the UK and EU region.



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Scope 3 emissions help us better understand a company's sensitivity to climate change-related risks and opportunities, and its ability to transition. It can therefore help to understand relative performance of different companies within industries.

While we believe companies should disclose their Scope 3 emissions, we note that there are a number of data challenges which will take time to resolve.

As shown in the table below, approximately 42.3% (net credit and equity exposure financed) of the portfolio's assets are included within the emissions data. We note that approximately 41.6% of the portfolio is invested in Liability Driven Investments (LDI), which includes exposure to UK Gilts / Sovereign Bonds. We separate the sovereign bond carbon footprint from the corporate exposure, and this is explained below.

We recognise this does not cover all of the portfolio's Corporate exposure and that this coverage level is a limitation when disclosing our emissions data. We note that the majority of public market equity issuing companies are already being covered and that the credit issuing company analysis is still developing.

Targets

The Group Trustees have set the following principal target with respect to the Group:

- To align our investments to support the goal of net zero greenhouse gas emissions by 2050, in line with global efforts to limit warming to 1.5°C.

Specifically, we commit to:

- Work in partnership with other asset owners on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner.
- An interim target for 2030, consistent with a fair share of the 50% global reduction in greenhouse gases, identified as a requirement in the IPCC special report on global warming of 1.5°C.
- Review the progress against our target every year, and to review the target itself at least every three years, to ensure it remains consistent with the latest scientific thinking and is appropriately incentivising the necessary economic transition.

The portfolio emissions intensity will be measured against these targets and relative to the appropriate market portfolio representative of the strategic asset allocation of the portfolio.

Our objective is to achieve, where possible, decarbonisation through the transformation of underlying businesses and government activities rather than divestment (because it is in our members' interests to decarbonise the economy-as-a-whole, and by remaining invested we retain our influence on the companies that must transition).

With regards to corporate assets' alignment with the Paris Climate Agreement, the target over time is to consistently increase the proportion of the corporate portfolio that is Net Zero, Aligned to Net Zero or Aligning to Net Zero until 100% of the portfolio is aligned.

We will resist pressure to modify portfolios to meet headline portfolio level decarbonisation targets at the expense of incentivising the necessary real-world transition. Our goal is net zero greenhouse gas emissions globally – and we seek to maximise our influence to achieve this.

For these reasons, portfolio decarbonisation targets will continue to be reviewed at least every three years to ensure they remain appropriate.

Notes to support Net Zero Pathway analysis

The Group's Carbon Footprint projection and ultimate target uses an emissions intensity metric, which is the total GHG emissions per £1m invested. This is useful, because, while subject to market fluctuations, it allows us to compare our emissions year-on-year and help us check we are moving in the direction of achieving our targets.



Both the absolute emissions and emissions intensity should trend to zero net greenhouse gas emissions (not adding greenhouse gases to the atmosphere) if we're to meet our Net Zero target by 2050.

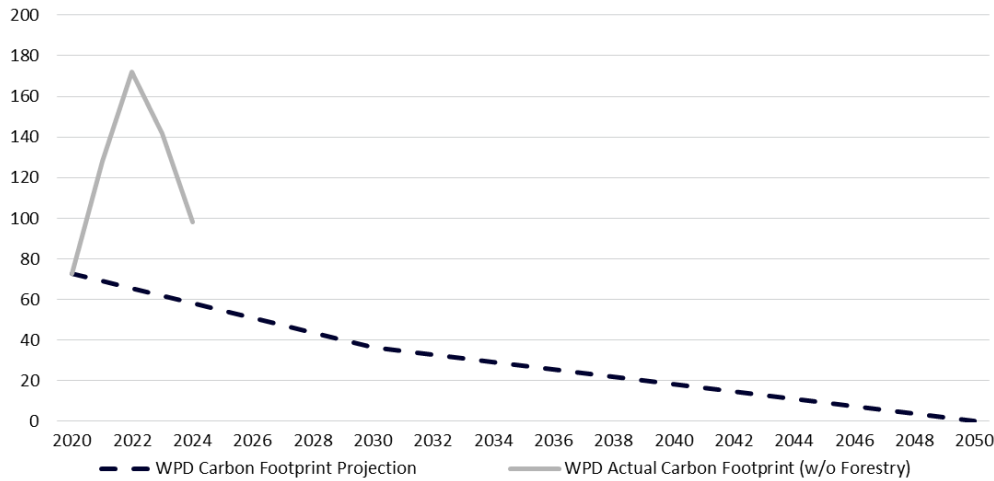
Fully assessing progress of the portfolio towards Net Zero will still take some time. Data is limited in some asset classes so we will continue to first focus on where we have the greatest insight and can have most influence. These data limitations have led us to use 2020 as a base year for our analysis rather than our preferred position as at 2019.

The table below summarises the parameters set for the interim target and shows the progress of the Group against the target using the 31 December 2024 metrics reported above.

Parameter	Value	Rationale
Assets within scope	Listed equities and corporate bond assets (scope 1 and 2 emissions) within funds used in the default arrangements	Data is limited in some asset classes so this analysis is in line with our continued focus on where we have the greatest insight and can have most influence.
Baseline date	31 December 2020	Due to the availability of data at the time of this TCFD report the baseline is taken from 2020 for this pathway analysis. This will also allow for more robust future assessments of year-on-year progress.
31 December 2020 (baseline) level	72.5 tonnes CO ₂ e per £m invested	The baseline level has been calculated as per the following: Developed Market Equity: Proxied by MSCI World as at 31 December 2020. Credit: Emissions intensity data as at 31 December 2020.
31 March 2025 (current) level*	98.2 tonnes CO ₂ e per £m invested	The current level has been calculated as an average of the underlying fund carbon footprint figures, weighted by asset value as at 31 March 2025. We note that the methodology could change in the future as the industry evolves. If this is the case, these figures would be restated.

* Data represents emissions as at 31/12/2024 with allocations as at 31/03/2025

Net zero GHG pathway analysis:



Interpreting the chart:

The WPD Carbon Footprint Projection comprises three key data points: Our estimated emissions as of 2020 (base year used for this analysis), our 50% emissions reduction target by 2030, and our 100% emissions reduction target by 2050.

Due to manager and regulatory advice, only new forestry can be included for offsetting purposes whereas existing forestry cannot.

As at 31 March 2025, the Group’s carbon footprint has decreased and continues to track towards the net zero pathway. The Group Trustees believe there is currently no reason to change the investment strategy.

We note that since 2020 to 2025 the emissions intensity has increased. This is as a result of:

- The baseline target date of 2020 being during the Covid 19 pandemic, which due to lockdowns, saw fluctuations in energy use.
- The Group Trustees have established the Net Zero Decarbonisation framework to support the long-term monitoring of our carbon footprint. We recognise that we have 4 data points (2021-2025) and so are cautious when drawing conclusions from these short-term results
- The Credit proportion of the portfolio that’s currently analysed under TCFD has increased substantially since 2020. In 2020, only 5.2% was held in Credit but in 2021, the strategic allocation of the portfolio changed and an additional 3.5% was added via introducing Bishopsgate. The Credit allocation reached 8.6% in 2021 leading to a more carbon intensive portfolio compared to baseline levels (as the Credit positions held in the portfolio are considerably more carbon intensive than the Equity holdings).



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The steps we are taking to achieve our target

Steps being taken by Cardano:

- Provide the Group Trustees with information, metrics and analytics on net zero greenhouse emissions by 2050 to enable the Group to invest in accordance with our net zero commitment and account for climate change-related risks and opportunities
- Engage with those key to the investment system including data and service providers to ensure that products and services available to the Group Trustees are consistent with the aim of achieving global Net Zero emissions by 2050 or sooner
- Ensure any relevant direct and indirect policy engagement is undertaken in support of achieving global net zero greenhouse gas emissions by 2050 or sooner

Steps being taken by the Group Trustees:

- Take account of and report on progress against Scope 1 and 2 emissions and, to the extent possible, material portfolio Scope 3 emissions
- Prioritise the achievement of real economy emissions reductions within the sectors and companies in which we invest
- Ensuring investment proposals explicitly consider the impact of CCRO
- Use the reporting provided by Cardano to help us assess progress towards our targets

Whilst we expect our portfolio to trend towards our 50% emissions reduction target by 2030, we'll take the decisions necessary to align the portfolio consistent with our goal of net zero emissions by 2050

The method we used to measure performance against our target

In order to help us track progress against our target of net zero greenhouse gas emissions by 2050, Cardano will, at least annually, report to us:

- Our portfolios' absolute GHG emissions
- Our portfolios' carbon footprint (emissions intensity)
- Data coverage, including use of proxies, relevant methodologies, and steps taken to address data gaps
- Update our scenarios.



Appendices

Additional supplementary information regarding our climate disclosures report.



Appendix A – Glossary

Governance	refers to the system by which an organisation is directed and controlled in the interests of shareholders and other stakeholders. ⁴⁵ Governance involves a set of relationships between an organisation's management, its board, its shareholders, and other stakeholders. Governance provides the structure and processes through which the objectives of the organisation are set, progress against performance is monitored, and results are evaluated. ⁴⁶
Strategy	refers to an organisation's desired future state. An organisation's strategy establishes a foundation against which it can monitor and measure its progress in reaching that desired state. Strategy formulation generally involves establishing the purpose and scope of the organisation's activities and the nature of its businesses, taking into account the risks and opportunities it faces and the environment in which it operates. ⁴⁷
Risk management	refers to a set of processes that are carried out by an organisation's board and management to support the achievement of the organisation's objectives by addressing its risks and managing the combined potential impact of those risks. ⁴⁸
Climate-related risk	refers to the potential negative impacts of climate change on an organisation. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations. ⁴⁹
Climate-related opportunity	refers to the potential positive impacts related to climate change on an organisation. Efforts to mitigate and adapt to climate change can produce opportunities for organisations, such as through resource efficiency and cost savings, the adoption and utilization of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organisation operates. ⁵⁰

⁴⁵ A. Cadbury, Report of the Committee on the Financial Aspects of Corporate Governance, London, 1992.

⁴⁶ OECD, G20/OECD Principles of Corporate Governance, OECD Publishing, Paris, 2015.

⁴⁷ TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017

⁴⁸ Please refer to the link in reference number 10.

⁴⁹ Please refer to the link in reference number 10.

⁵⁰ Please refer to the link in reference number 10.



Greenhouse gas emissions Greenhouse gases are categorised into three types or 'scopes' by the Greenhouse Gas Protocol, the world's most used greenhouse gas accounting standard.

scope levels⁵¹ Scope 1 refers to all direct GHG emissions.

Scope 2 refers to indirect GHG emissions from consumption of purchased electricity, heat, or steam.

Scope 3 refers to other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions. Scope 3 emissions could include: the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g., transmission and distribution losses), outsourced activities, and waste disposal.⁵²

Carbon (or GHG) Footprint is an intensity measure of emissions that takes the Total GHG Emissions figure and weights it to take account of the size of the investment made.

Enterprise value including cash (EVIC) reflects a company's debt and equity value, which ensures that GHG emissions are shared across equity and debt holders, preventing the double counting of emissions and distortion of company value. This is the valuation method used in calculating the GHG footprint for the underlying companies invested, as well as the Group's overall GHG footprint.

Market Cap reflects the equity value of a company, which does not allow for the capital committed by debt holders. This results in the double counting of GHG emissions when apportioning emissions for a portfolio which includes debt assets.

Value chain refers to the upstream and downstream life cycle of a product, process, or service, including material sourcing, production, consumption, and disposal/recycling. Upstream activities include operations that relate to the initial stages of producing a good or service (e.g., material sourcing, material processing, supplier activities). Downstream activities include operations that relate to processing the materials into a finished product and delivering it to the end user (e.g., transportation, distribution, and consumption).⁵³

Climate scenario analysis is a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, for example, scenarios allow an organisation to explore and develop an understanding of how the physical and transition risks of climate change may impact its businesses, strategies, and financial performance over time.⁵⁴

⁵¹ World Resources Institute and World Business Council for Sustainable Development, The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), March 2004.

⁵² PCC, Climate Change 2014 Mitigation of Climate Change, Cambridge University Press, 2014.

⁵³ TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017

⁵⁴ Please refer to the link in reference number 16.



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-
- Net zero** means achieving a balance between the greenhouse gases emitted into the atmosphere, and those removed from it. This balance – or net zero – will happen when the amount of greenhouse gases add to the atmosphere is no more than the amount removed.⁵⁵
- Climate adaptation** means the process of adjustment to actual or expected climate and its effects. In human systems, adaptation seeks to moderate or avoid harm or exploit beneficial opportunities. In some natural systems, human intervention may facilitate adjustment to expected climate and its effects.⁵⁶
- Fund manager / asset manager** refers to the entity responsible for managing a given Group's investments. Some Groups have used the term "asset manager" in place of "fund manager" where they have deemed it appropriate to their circumstances.
- Forestry Sector** means the UK forestry sector of the ESPS Unitised Fund established in accordance with the governing document of the ESPS.

⁵⁵ Energy Saving Trust, What is net zero and how can we get there? - Energy Saving Trust, October 2021

19 TCFD, [Measuring Portfolio Alignment: Technical Considerations](#), page 52

22 Association of Investment Companies, [Glossary](#)

⁵⁶ Intergovernmental Panel on Climate Change ("IPCC") Glossary, 2014

Appendix B – An explanation of climate risk categories

Climate-related risks are categorised into physical and transitional risks. Below are examples of transition and physical risks.

Transition risks

Transition risks are those related the ability of an organisation to adapt to the changes required to reduce greenhouse gas emissions and transition to renewable energy. Within transition risks, there are four key areas: policy and legal, technological innovation, market changes, and reputational risk.

Policy and legal

Examples

Increased pricing of GHG emissions
Enhanced emissions-reporting obligations
Regulation of existing products and services

Potential financial impacts

Increased operating costs (e.g., higher compliance costs, increased insurance premiums)
Write-offs, asset impairment and early retirement of existing assets due to policy changes

Technology

Examples

Cost to transition to lower emissions technology
Unsuccessful investments in new technologies

Potential financial impacts

Write-offs and early retirement of existing assets
Capital investments in technology development
Costs to adopt new practices and processes

Market

Examples

Changing customer behaviour
Uncertainty in market signals
Increased cost of raw materials

Potential financial impacts

Reduced demand for goods and services due to shift in consumer preferences.
Abrupt and unexpected increases in energy costs.
Re-pricing of assets (e.g., fossil fuel reserves, land valuations, securities valuations).

Reputational

Examples

Stigmatisation of sector
Increased stakeholder concern or negative stakeholder feedback

Potential financial impacts

Reduced revenue from decreased demand for goods and services.
Reduced revenue from decreased production capacity (e.g., delayed planning approvals, supply chain interruptions)
Reduced revenue from negative impacts on workforce management and planning

Physical Risks

Physical risks refer to the physical impacts of climate change on a firm's operations. They directly impact a firm's ability to perform its function due to climate disruption. They fall into two subcategories: acute and chronic; acute referring to extreme climate events such as flooding and wildfires, and chronic referring to trends over time such as an increase in temperature or ocean acidification.

Acute

Examples

- Extreme heat
- Extreme rainfall
- Floods
- Droughts
- Storms (e.g., hurricanes)

Chronic

Examples

- Water stress
- Sea level rises
- Land degradation
- Variability in temperature
- Variability in precipitation

Appendix C – Greenhouse gas emissions in more detail







Greenhouse gases in the atmosphere, including water vapour, carbon dioxide, methane, and nitrous oxide, keep the Earth’s surface and atmosphere warm because they absorb sunlight and re-emit it as heat in all directions including back down to Earth. Adding more greenhouse gases to the atmosphere makes it even more effective at preventing heat from leaving the Earth’s atmosphere.

Greenhouse gases are vital because they act like a blanket around the Earth making it the climate habitable. The problem is that human activity is making the blanket "thicker". For example, when we burn coal, oil, and natural gas we send huge amounts of carbon dioxide into the air. When we destroy forests, the carbon stored in the trees escapes to the atmosphere. Other basic activities, such as raising cattle and planting rice, emit methane, nitrous oxide, and other greenhouse gases.

The amount of greenhouse gases in the atmosphere has significantly increased since the Industrial Revolution. The Kyoto Protocol⁵⁷ identifies six greenhouse gases which human activity is largely responsible for emitting. Of these six gases, human-made carbon dioxide is the biggest contributor to global warming.

Each greenhouse gas has a different global warming potential and persists for a different length of time in the atmosphere. Therefore, emissions are expressed as a carbon dioxide equivalent (CO₂e). This enables the different gases to be compared on a like-for-like bases, relative to one unit of carbon dioxide.

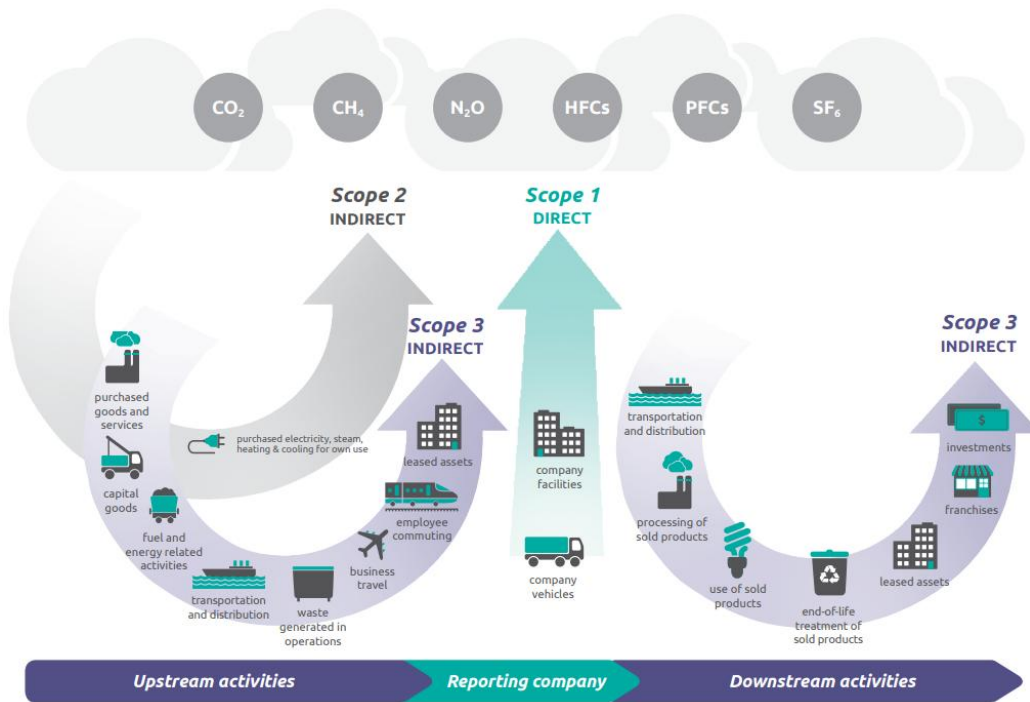
Six main greenhouse gases identified by the Kyoto Protocol

					
Carbon dioxide	Methane	Nitrous oxide	Hydro-fluorocarbons	Per-fluorocarbons	Sulphur hexafluoride
CO ₂	CH ₄	N ₂ O	HFCs	PFCs	SF ₆

⁵⁷ https://unfccc.int/kyoto_protocol

Greenhouse gases are categorised into three types or ‘scopes’ by the Greenhouse Gas Protocol, the world’s most used greenhouse gas accounting standard.

Overview of GHG Protocol scopes and emissions across the value chain



Source: Greenhouse Gas Protocol, [Corporate value chain \(scope 3\) Accounting and Reporting](#)

Appendix D – Group Disclaimers

The following disclaimers have been extracted from and apply to the information provided by the respective Groups (and their advisers) and/or the Scheme Trustee, in respect of the Strategy and Metrics & Targets sections of this report.

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EA Technology

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Appendix E – Links to Published Group TCFD Reports

Groups included in report	Link to Groups' TCFD reports
Central Networks	CN TCFD Report
EDF	EDF Group of the ESPS (EDFG) - TCFD Report 31 March 2025.pdf
Magnox Electric	magnox-tcf-2025.pdf
Manweb	https://be.v4.aptiaoneview.co.uk/resources/files/7.5%20-%20MWB_2025%20TCFD%20report%20-%20v6%20(3).pdf
Northern Powergrid	np3-tcf-2025-f.pdf
RWE	https://epa.towerswatson.com/accounts/rwh/public/rwe-fund-information/
SSE Southern	https://ssepensions.com/scheme-documents/
UK Power Networks	ukpn-group-of-esps-climate-change-report-2025.pdf
Uniper	Microsoft Word - TCFD Report - Uniper Group of the ESPS 31 March 2025 FINAL
United Utilities	https://www.unitedutilities.com/corporate/careers/pensions/information-library/
Western Power Distribution	TCFD Report

