

M&S
PENSION SCHEME

2025 CLIMATE CHANGE REPORT.

The M&S Pension Scheme



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Over 40,000 members are already supporting our journey to a net zero future by choosing to receive digital communications. Thank you.

If you're not one of them, register your email address on your pension account on the M&S Pension Scheme Portal at www.hartlinkonline.co.uk/mandspensionscheme and you'll automatically receive your communications digitally going forward.

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FROM THE CHAIR.



Three years ago, we set an ambitious 2040 net zero greenhouse gas emissions target. We've got a long way to go to reach our goal but we remain steadfast in our efforts. I'm pleased to present our 2025 Climate Change Report, which outlines the progress we're making and the steps we're taking to mitigate climate change risks to the M&S Pension Scheme.

Making sure members receive their pension when it's due is our main duty. We've invested in sustainable investments for more than a decade and it continues to play an important part in securing members' pensions. Not only do these investments make a positive contribution to the world we live

in, they also deliver long-term value and help us to reduce the potential impact of a number of risks to the Scheme.

Our continued progress in reducing carbon emissions relies on a commitment that is shared by our investment managers and the governments and corporations in which our investments are made. The global view on tackling climate change has become more varied over the last 12 months, which may make our net zero journey more challenging. This year, we've made sure that our governance approach and engagement with investment managers considers the wider challenges we face. Over the coming year, we'll be asking our managers to focus their engagement efforts beyond the companies they hold in their

portfolios and towards the policy makers who will play a central role in guiding global progress on net zero.

We hope that demonstrating our commitment to our net zero target, engaging with investment managers in a meaningful way and monitoring how they manage climate risks will result in positive outcomes.

Using the best data available is essential to guiding our future actions and monitoring our progress. As part of our net zero journey, we set ourselves a target of improving data quality by 2025. We are pleased to confirm that we are satisfied to have achieved this target. In the last few years, availability of data and the way it is calculated has developed. We have also continued to engage

with our investment managers to encourage improvements to their data. This year, we've sourced data from more investment managers directly to improve the accuracy of our carbon emissions data.

This report reflects our ongoing commitment and progress in understanding and managing climate risks and opportunities. With around 100,000 members and more than 50,000 pensions in payment, the Scheme must ensure the long-term security of members and their beneficiaries. We welcome your continued support and engagement as we work towards a sustainable future.

A handwritten signature in black ink, appearing to read 'G. Oakley', written in a cursive style.

Graham Oakley
Chair of the M&S Pension Trust

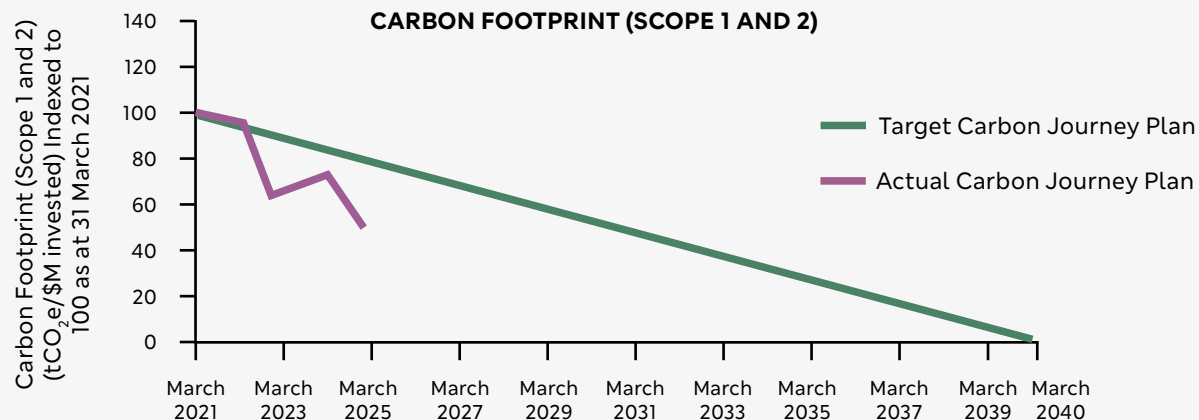
OVERVIEW.

We remain committed to playing our part in protecting the planet by progressing towards our ambitious net zero target, as set out in our Net Zero Journey Plan. This report highlights the Scheme's position and actions taken throughout the year to understand and address climate risks and opportunities.

CARBON FOOTPRINT

Our carbon footprint is a key measure of our progress. We're aiming to halve it by 2030 and achieve a net zero footprint by 2040. This year, we've developed our methodology by sourcing carbon emissions data directly from more managers due to improvements in their data collection capabilities. As a result, we've seen our reported carbon footprint fall substantially and we are confident that our carbon footprint more closely reflects the actual emissions of our investment portfolio.

We remain on track to achieve our targets and are focussed on driving our carbon footprint down further in the coming years as we approach our net zero target of 2040.



NET ZERO JOURNEY PLAN.



2022.

2040 net zero target announced



2025.

Improve quality of data



2030.

Reduce emissions (carbon footprint) by 50% and achieve portfolio alignment with SBTi or equivalent



2040.

Reach net zero

A large proportion of the Scheme's portfolio is in UK Government Bonds, known as 'Gilts', and a reduction in emissions for these will be influenced by the UK Government and UK economy. In addition, over the past year, commitment to climate action has become more varied between nations and organisations. These external factors play a crucial role in our ability to meet our targets. We will continue to do our best to drive for positive change, even outside of the areas we can directly influence.

MEASURING PROGRESS.

The carbon footprint gives us a useful snapshot of where our investments stand today, but it doesn't tell us how investment managers are planning to manage their carbon footprint in future. For this we use what's called an alignment metric. Introduced in 2023, it looks at how much of the overall investment portfolio is on track to meet the goals of the Paris Climate Agreement, based on targets approved by the Science Based Targets initiative (SBTi) or equivalent. Our ambition is for the investment portfolio to be aligned with these targets by 2030. Limited

data availability for a number of our assets means that in some cases we need to make assumptions. Where we don't have strong enough information, we've agreed to record those investments as 'not yet aligning'. This is a cautious approach, but we believe it's the right one.

DATA QUALITY.

Accurate data is a key area of focus because it is essential to understanding the Scheme's position and its progress. The nature of the Scheme's investments has meant that data quality can be challenging. In this report, we review our success against the short-term target to improve data quality by 2025.

When we began reporting, we recognised that we were working with imperfect data. Some of the companies we invested in published good quality emissions data, whereas others had not yet established ways to collect, measure and report emissions. Within our portfolio, we have a significant proportion of private assets, such as infrastructure and property. The emissions from these types of investments are typically harder to measure and there is still

some progress to be made in order to report accurate data. We've been putting pressure on managers to improve their carbon data reporting capabilities, and this year we have been able to source data for some of these investments directly from the managers. Because these are long-term assets, they are strategically important to the Scheme and will have a bigger impact on long-term carbon emission reduction.

Overall, we are satisfied that we have achieved our short-term data quality target and can now turn our focus to progressing our Net Zero Journey Plan. However, we will continue to monitor data quality and look for further opportunities to make improvements.

To understand some of the terms used throughout this report, go to page 47 for the glossary.

OVER THE PAST YEAR, WE'VE:

- Continued to develop our ESG objectives through the dedicated efforts of the ESG Committee.
- Monitored our carbon emissions and considered the impact on the Scheme, both now and in the future.
- Enhanced our annual ESG review to identify a broader range of potential risks and opportunities.
- Engaged meaningfully with investment managers and service providers to better understand their approach to sustainability and to promote best practices.
- Investigated additional ESG themes - such as biodiversity and social factors - to understand the potential risks and opportunities.
- Conducted a detailed review of our investment consultant to ensure their ESG advice remains aligned with our goals and expectations.
- Collaborated with M&S to stay informed on sustainability developments within the business and assess any potential impacts on the Scheme.
- Reviewed our short-term data quality target and concluded that, given current data availability and the type of investments held, we have reasonably achieved our target.

GOING FORWARD, WE'LL:

- Act in line with our ESG Governance Beliefs, continuing to assess ESG risks and opportunities to protect member benefits from the negative impacts of climate change. Next year, we'll complete further scenario analysis to deepen our understanding and preparedness.
- Track progress against our Net Zero Journey Plan, having successfully met our data quality target.
- Engage proactively with investment managers, service providers, and the wider industry to drive change. Our focus will be on strategically important managers with investments in long-term assets, as well as policymakers, where our influence can support progress on climate-related issues.
- Monitor developments in the pensions and investment industry, in particular, the changes in global commitment towards action against climate change. We will ensure the Scheme remains resilient, looking for potential opportunities whilst mitigating risks.
- Collaborate with M&S, as the Scheme's sponsor, to understand and address how climate change risks may impact the business.

What does ESG stand for?

ESG stands for Environmental, Social and Governance and is used to provide a picture of an investment or a company's standards towards sustainability, social impact and corporate responsibility.

INTRODUCTION.

Since publishing our first Climate Change Report in 2022, we've continued to strengthen our approach to managing climate-related risks and opportunities. We remain firmly committed to supporting the transition to a low-carbon economy. While some factors remain outside our direct control, our focus is on the areas where we can drive meaningful impact – always with the long-term security of our members in mind.

This year's report outlines the progress made towards our net zero target, building on the actions and insights from previous years. We've set out how we assess and manage climate-related risks as part of our long-term journey towards net zero greenhouse gas emissions.

While much of this report builds on themes from previous years, we've made positive progress and remain committed to maintaining this momentum.

This report follows the Task Force on Climate-related Financial Disclosures' (TCFD) framework to provide disclosures in four broad categories:

- **GOVERNANCE:** the arrangements that have been put in place around climate-related risks and opportunities.
- **STRATEGY:** the actual and potential impact of climate-related risks and opportunities on the strategy, covenant and financial plans of the Scheme.
- **RISK MANAGEMENT:** how the Scheme identifies, assesses, and manages climate-related risks.
- **METRICS AND TARGETS:** the metrics and targets used to assess and manage climate-related risks and opportunities.

What does net zero mean?

Net zero means that the Scheme's investments don't add any more greenhouse gas emissions to the atmosphere than they take out of it.



1. GOVERNANCE.

As Trustee, we're responsible for all decisions related to the Scheme. However, committees and working groups are tasked with tackling key areas of focus, ensuring efficient and effective decisions are made by trustee directors with relevant experience, supported by expert advisers.

ESG COMMITTEE.

We see climate change as a key risk that requires continuous, long-term oversight and management. We also recognise that the Scheme might be presented with some investment opportunities as part of the transition to net zero.

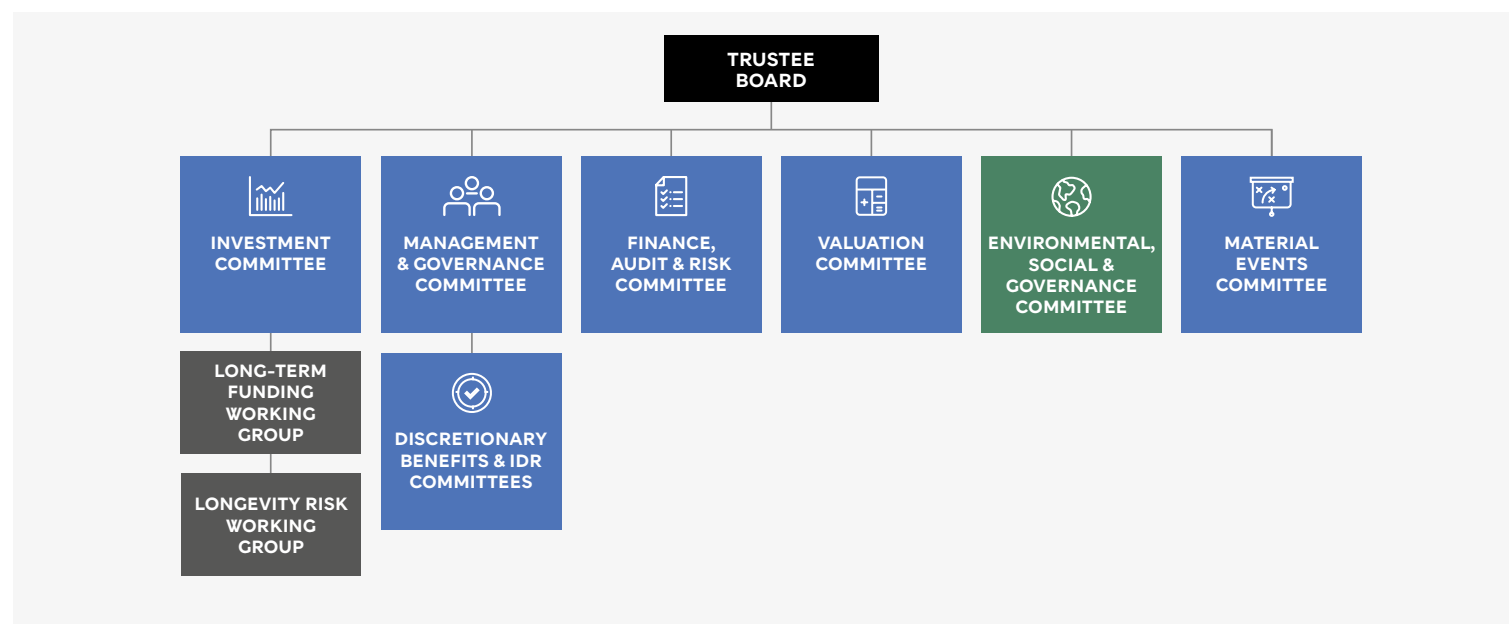
In 2021, we established the ESG Committee (ESGC) to be responsible for exploring the opportunities and risks posed by ESG factors. The ESGC typically meets quarterly and more frequently as and when required. It's made up of members of the Trustee Board and chaired by an independent trustee director with ESG expertise. It has a diverse representation with a variety of experiences and skillsets.

The ESGC is supported by the Scheme's internal Trustee Executive Team (TET). The ESGC regularly assess the TET's ability to support the Trustee in managing ESG risks and opportunities, and is satisfied that the team have sufficient expertise and resource to do so.

The ESGC is tasked with improving good practice in sustainable investment and to

guide the actions we take to address ESG factors across the Scheme's investments and our wider strategy.

The Investment Committee (IC) manages the Scheme's investment related matters and any investment decisions arising from the ESGC are put forward to the IC for discussion and approval.



The Scheme's approach to ESG related issues and climate-related investment opportunities was discussed in depth with the ESGC in early 2025, in the context of the Scheme's wider strategy and long-term objectives.

This discussion reinforced the importance of focusing on the parts of the portfolio where the Trustee can make the most meaningful difference. The Scheme is prioritising investments that are both financially material and offer the greatest potential to support the transition to a low-carbon economy. By concentrating on the key areas where the Trustee has real influence, the investment strategy remains firmly aligned with the Scheme's climate goals, while also seeking to gain long-term value from climate-related opportunities.



A formal Terms of Reference document was put in place in 2021 setting out the ESGC's role and responsibilities, and how it reports to the Trustee Board and other committees. This document is reviewed annually and was updated in 2024. The document is summarised below:



GOVERNANCE.

Advise the Trustee Board and aid it to ensure regulatory requirements are met.

Maintain an appropriate ESG Governance Framework for the Scheme.

Maintain the Scheme's Sustainable and Responsible Investment Policy.



BELIEFS AND FOCUS.

Maintain the Scheme's investment beliefs in relation to sustainable and responsible investment.

Identify key areas of focus for the ESGC within ESG environment.

Consider and recommend wider industry ESG initiatives for the Trustee to participate in.



APPROACH.

Determine the appropriate approach for monitoring ESG across the Scheme's Investment Managers and suppliers.

Explore the risks and opportunities presented by ESG factors.

Appoint appropriate advisers to support the ESGC.

A risk register is maintained and reviewed at least annually. The responsibility for maintaining the register and managing the underlying risks sits with the relevant committees to which the risks have been assigned and, ultimately, the Trustee Board. The ESGC has included risks arising from climate change, and how best to mitigate them.

As the Scheme progresses towards the Trustee's funding level targets, the Trustee is committed to ensuring that the strategy aligns with the stated climate ambitions. We'll continue to use our governance framework to support the ESGC and Board level decision making relating to climate and ESG matters. This includes early engagement on areas of ESG that the Scheme may be involved in over the coming years. For example, engaging with insurers on ESG matters as part of considering how ESG factors can influence bulk purchase annuity insurance transactions (where the Scheme buys insurance policies to cover a section of pension payments).

TRAINING.

The ESGC undertakes regular training focused on ESG topics to ensure informed decision-making on sustainable and responsible investment. Ongoing learning is essential for staying ahead of developments in this fast-evolving area and maintaining the expertise needed to guide the Scheme's approach.

Climate and ESG matters are also part of the wider Trustee training programme. Over the past year, dedicated sessions have been delivered to the full Trustee Board and relevant committees, helping to keep everyone up to date with the latest industry practices and developments at both Scheme and market levels.

This commitment to continuous learning supports the Scheme's ability to respond effectively to emerging risks and opportunities, and reinforces our long-term focus on responsible investment.

Since our last climate change report was published, we have undertaken the following ESG related training:

- A training session on incorporating social factors into investment decisions. This considered what social factors are and why it is important for pension schemes to consider them as well as their financial materiality both today and in the future.
- A discussion on greenwashing to ensure the Trustee remains vigilant against potentially inflated investment manager claims. The Trustee reviewed how greenwashing can be identified and the wider implications of anti-greenwashing regulations.
- A training session on developing climate scenarios in response to changing expectations of the impacts of climate-related policies that are currently in place. More detail regarding the impact of this is in the Strategy section of this report.

- The ESGC receives topical insights on a quarterly basis from its investment consultant, which focus on developments on ESG within the industry.

A key discussion for the Trustee this year was the changes to global consensus for tackling climate change. In February 2025, the Trustee discussed an update on the Net Zero Asset Manager's initiative (NZAM) which has been impacted by developments in the U.S. and different regulatory and client expectations in investors' respective jurisdictions. The Trustee heard how this action has led to NZAM launching a review of the initiative to ensure NZAM remains fit for purpose under current circumstances. The Trustee discussed how best to structure the Scheme's ESG engagement in this evolving global context. Further discussion on this can be found in the Risk Management section of this report.

ADVISERS AND SUPPLIERS.

We're supported by independent advisers including Willis Towers Watson (WTW) as the Scheme's investment consultant and Actuary, EY as covenant adviser (assessing M&S's financial ability to support the Scheme now and in the future), and LCP as bulk purchase annuity adviser.

We periodically review the ability of the Scheme's advisers to provide advice on ESG matters and climate-related risks and opportunities, by considering their competencies against the criteria set by the Investment Consultants Sustainability Working Group – a group of leading UK investment consulting firms with the aim of improving sustainable investment practices.

The IC conducts an annual assessment of WTW against clearly defined objectives, which include supporting the Scheme in identifying, managing, and measuring climate-related risks and opportunities.

In November 2024, a detailed review of WTW's capabilities in matters relating to ESG was completed. WTW presented on how they support the Scheme and their innovative thinking for clients as well as their interaction with the wider industry. The Trustee also conducted a benchmarking exercise of the wider industry players in the ESG consulting space. The review concluded that the Trustee was satisfied with the service provided by WTW in this area.

Other ESG service providers are regularly invited to present to the ESGC to understand whether current providers are delivering a good level of support. The Trustee will continue to monitor the industry to make sure it receives the best support possible.



INVESTMENT MANAGERS AND STEWARDSHIP.

The ESGC engages regularly with the Scheme's investment managers to understand how ESG factors are integrated into their investment processes. This engagement takes place throughout the year as part of an annual sustainable investment review.

This review assesses each manager's internal ESG policies and how effectively they're applied at both the fund and portfolio level. The ESGC then gives feedback to encourage alignment with the Scheme's own ESG policies and expectations. For instance, managers who were not signatories to the UK Stewardship Code were asked to explain their position and strongly encouraged to become signatories.

All appointed investment managers are expected to incorporate ESG considerations into their investment analysis and decision-making. Where possible, we encourage them to work with broader industry stakeholders, including policy makers, to help drive wider change. If applicable, they're also expected to exercise voting rights for the Scheme. Stewardship responsibilities have been delegated to investment managers who operate within clearly defined guidelines.

To support ongoing oversight, the Scheme receives regular ESG reporting from its managers including relevant ESG ratings and metrics. Through this continuous engagement, the TET ensures the Scheme's investments are managed responsibly and in line with its long-term objectives.

The investment managers evidence annual compliance with the Scheme's Statement of Investment Principles and integration of ESG considerations into investment management.

The most recent assessment was in November 2024. As a result of industry developments and our own views, we made some important changes to the annual sustainable investments review process:

- Managers are now scored against a traffic light system – green, amber and red - for the key topics we have evaluated them against. This allows the Trustee to easily review and monitor which managers are aligned with the Trustee's expectations and those which require further focus.
- We increased the data requested from managers to include a question on their

approach to social factors. This aligns with industry developments, training the Trustee received in this area and stewardship priorities agreed for the Scheme.

Following a review of the responses and materials provided, the IC was satisfied that managers were adhering to the Scheme's ESG beliefs where applicable. The responses from this exercise are considered by the ESGC when monitoring the activities of individual managers in respect of sustainable investment, including when the TET engage with managers to evaluate ESG integration into investment management.

The TET has developed an ESG evaluation and scoring model for managers, which is used to monitor developments at individual manager level and within specific asset classes.

These activities enable us to monitor the activities of the managers in this area and enrich engagement with key mandates.

What is sustainable investing?

Investing in companies striving to have a positive impact on the world.

MISSION STATEMENT AND BELIEFS.

We've developed a well-considered set of climate-related and ESG beliefs, as well as a mission statement. The mission statement remains unchanged.

FORMAL GOVERNANCE PRIORITIES DOCUMENT.

This document has been created to capture our ESG priorities and guide the actions we take in Responsible Investment. It includes our position on engagement, divestment and significant votes.

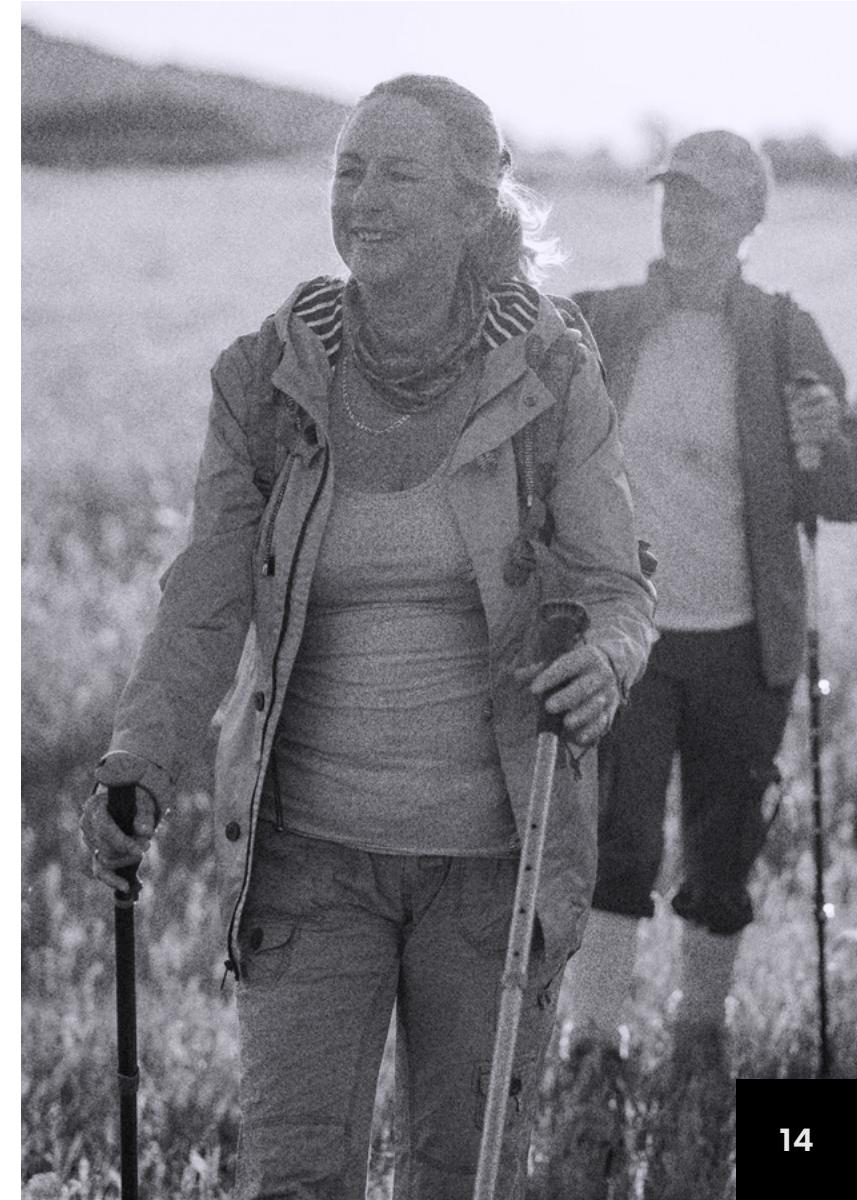
In early 2025, we completed a comprehensive review of the resources allocated to ESG matters, with the aim of streamlining and focusing our efforts on the areas most critical to achieving the Scheme's long-term objectives. Over the past year, the Trustee has actively shifted focus towards the ESG credentials of the assets expected to be retained over the longer-term. This strategic shift emphasises the importance of investing in assets that will have a tangible impact on meeting our net zero objective. The Trustee has been diligently working to ensure that our investments align with our ESG principles, recognising that these assets play a crucial

role in our journey towards sustainability. By concentrating our efforts on these key areas, we are better positioned to make meaningful progress towards our net zero target, while also contributing positively to the broader economy and society.

When it comes to engagement, the Trustee believes it is essential to focus on what is most financially relevant to the Scheme and what will make the biggest difference over time. In practice, this means we're focussing on the Scheme's longer-term assets as well as those with the most significant emissions. We assess how current and potential managers are incorporating ESG considerations into their investment processes, and what this means for the long-term resilience of our strategy. We also keep a close eye on the evolving regulatory landscape.

“ The Scheme should be managed sustainably to create long-term value, provide security to members, and contribute to better outcomes for everybody.

Mission Statement



ESG BELIEFS.

We have established five core ESG beliefs, each supported by a clear level of conviction and practical guidance on how these beliefs influence our investment decisions. These form an integral part of the Scheme's broader Investment Beliefs.

We recognise that ESG can affect the Scheme in different ways, and that these three areas are often closely interconnected. As such, our beliefs are designed to reflect this complexity while guiding responsible investment practices.

Both the ESG beliefs and the overarching mission statement are reviewed annually to ensure they remain relevant and aligned with our approach. Over the past year, no changes were made, as the Trustee continues to view them as appropriate and reflective of our current ESG strategy.

ESG GOVERNANCE BELIEFS, ENGAGEMENT AND SIGNIFICANT VOTES DOCUMENT.

This document outlines the Scheme's approach and position and is reviewed annually. Notably, it's been updated to explicitly reflect our view of stewardship as comprehensive, applying to both public and private investments, all asset classes, and all forms of ownership. We'll continue to build this document to reflect developing ESG areas to make sure its approach is consistent.

STATEMENT OF INVESTMENT PRINCIPLES (SIP).

The key overarching investment policies of the Scheme are detailed in the SIP.



2. STRATEGY.

As Trustee, we believe that managing climate change and the associated risks and opportunities within the Scheme's investment portfolio is part of our fiduciary duty to secure members' pensions.

Climate change has the potential to significantly influence the future financial performance of companies, their ability to repay debt, and the stability of cashflows and asset values. Therefore, climate-related risks affect all investment strategies and mandates, across both short- and long-term horizons.

A large proportion of the Scheme's asset allocation is in longer-term investments, including direct lending to companies and real assets like infrastructure, to align with the timing of pension payments to members. Given the illiquid nature of some of these assets, we place strong emphasis on their long-term sustainability.

Over the past year, the Trustee and the TET have maintained active engagement with investment managers to understand how sustainability is integrated into their investment processes. This ongoing monitoring informs our approach to ESG strategy.

We've assessed the potential impacts of climate change across a range of time horizons relevant to the Scheme. This allows the Trustee to identify risks by timeframe and determine the most effective strategies for managing them.

- **SHORT-TERM.** Over the past few years, one of our key goals has been to improve the quality of data used in carbon-related disclosures, and we're pleased to report that meaningful progress has been made. We talk about this in more detail on page 40. The Trustee is confident that the improvements achieved so far provide a solid foundation for future reporting - especially considering the long-term nature of the assets held by

the Scheme. Our focus going forward shifts to the period up to 2030 where the emphasis is on achieving a 50% reduction in carbon footprint and transition risk will be a key consideration.

- **MEDIUM-TERM.** The period from 2030 to 2040, over which the Scheme continues to mature. Whilst transitional risk is expected to dominate, this period incorporates a greater focus on physical risk exposure and reflects our long-term net zero ambitions.
- **LONG-TERM.** The period beyond 2040 whereby the Scheme is expected to have reached significant maturity and hopes to have achieved, or be very close to achieving, its net zero ambition.

What is an illiquid asset?

An asset that cannot be quickly or easily sold or exchanged for cash for a value close to its fair value.

We have split the climate risks faced by the Scheme into two elements, taking the same approach we have used in previous years.

TRANSITION RISKS.

This relates to the risks and opportunities arising from efforts made to transition towards a net zero economy (both in the UK and globally) to limit climate change. Many of these are expected to occur in the medium-term, but others may take place within a shorter time frame.

Transition risks may include increases in the cost of doing business for companies exposed to carbon-intensive sectors, or at its most extreme resulting in business closure. On the other hand, opportunities may arise from early investment into assets that are well placed to benefit from climate adaptations, such as green energy and battery providers.

Transition risks and opportunities are often driven by regulatory initiatives that prompt behavioural changes. For example, from 2026, the EU Carbon Border Adjustment Mechanism (CBAM) is expected to come into place. The CBAM is essentially a carbon tariff on imports of certain carbon-intensive goods designed to ensure imported goods are subjected to the same carbon costs as those produced within the EU. For importers into the EU, there will be costs associated with compliance, either through payment of tariffs or through the adaptation of cleaner production methods. There may be competitive advantages for companies that have already embraced cleaner technologies.

PHYSICAL RISKS.

This relates to the direct effects of climate change on the Scheme's investments, Scheme members and M&S as the Scheme's sponsor.

These risks are expected to be particularly significant over the longer-term, reflecting the impact of climate change-related weather, and other natural events, on invested companies and assets and the Scheme's covenant, but also on the effect changing temperatures may have on the mortality of Scheme members.

For example, recent studies have tried to predict the range of impacts of the potential collapse of the Atlantic Meridional Overturning Circulation (AMOC) system. The AMOC system is a system of ocean currents that plays a crucial role in regulating climate, particularly in Europe and North America. Its collapse would be seen as a major tipping point in the Earth's climate system which could lead to widespread disruption including rising sea levels, increased storm activity and severe cooling. Such a scenario would present significant physical risks to the Scheme's investments, for example, assets in ecologically sensitive areas may be destroyed.

The scale and scope of such physical events are currently unknown and intrinsically hard to predict, but they are likely to have negative effects on at least some of the Scheme's assets.

CLIMATE SCENARIO ANALYSIS.

The following pages set out the scenario analysis undertaken in 2023.

The analysis considers how the Scheme's assets and liabilities may be impacted under different global warming scenarios. Our view is that, owing to the costs associated with such scenario analysis, and the uncertainties relating to the underlying assumptions, this analysis will be carried out every three years as required by regulation unless there is:

- A significant/material change to the investment and/or funding strategy, or some other material change in the Scheme's position.
- A material improvement in the availability of new or improved scenarios or modelling capabilities/events that might reasonably be thought to impact key assumptions within scenarios.
- A significant change in industry practice/ trends on scenario analysis.

Alongside our scenario analysis for the Scheme, our covenant adviser also undertook analysis to understand the potential impact of climate change on covenant risk in 2022 with

the aim of helping us to quantify the potential effects of climate change on the Scheme's assets, liabilities and covenant. We believe there has been no material change to covenant climate risk over the past year.

In the 2023 analysis, the Scheme's investment consultant considered four separate scenarios which are in part defined through the success, or otherwise, in meeting the Paris Agreement target of a sub-2.0°C temperature rise. The scenarios differ in the size of the physical risks, based on the temperature impacts, but also in the size of the transition risks. For example, compared to the Global Coordinated Action scenario, which reflects a more managed response to tackling climate change, the Climate Emergency scenario and the Inevitable Policy Response scenario present bigger transition risks based on the assumed temperature impact.

Since completing the initial analysis, there has been ongoing industry-wide discussion regarding the severity of the climate scenarios used - particularly concerns that the worst-case scenario may not fully capture the most extreme potential outcomes. One

key limitation is that the current models may not adequately account for climate 'tipping points'. The ESGC has reviewed this issue with its advisers, who have indicated that future analyses are likely to incorporate an additional "hot house world" scenario. In this scenario, the world follows a net zero pathway, but the resulting temperature rise still exceeds 2°C due to a smaller-than-anticipated remaining carbon budget and/or the triggering of climate tipping points. This scenario is expected to have the most significant impact on the Scheme's assets. Given that there has been no material change to the Scheme's strategy over the past year, the Trustee has decided not to update the scenario analysis at this time. However, the Trustee will work with its advisers to refresh the analysis over the coming year and will reflect the updated findings in next year's report.

This analysis is designed to assist us in identifying which climate risks the Scheme faces are likely to materialise during each period (short, medium and long-term), and thus consider how to manage these risks appropriately.

These scenarios have been considered as we believe they cover a plausible range of climate outcomes over the long-term.

Each scenario included:

- 1)** A clear transition narrative that describes the socioeconomic pathway, both globally and regionally, from climate policies implemented to the resulting technological and societal shifts.
- 2)** Modelled emissions pathways (typically communicated using the Representative Concentration Pathways developed by the Intergovernmental Panel on Climate Change) to assess the level of temperature rise resulting from the implementation of public policies and technologies.
- 3)** A set of economic costs and benefits resulting from physical and transition risks and opportunities.
- 4)** The impact on financial returns at the asset class level.



	Lowest Common Denominator	Inevitable Policy Response	Global Co-ordinated Action	Climate Emergency
Description	A 'business as usual' scenario where current policies continue with no further attempt to incentivise further emission reductions. Socioeconomic and technological trends do not shift markedly from historical patterns.	Delays in meaningful policy action result in a rapid policy shift in the mid/late 2020s. Policies are implemented but not in a completely co-ordinated manner resulting in a more disorderly transition to a low carbon economy.	Policy makers agree on and immediately implement policies to reduce emissions in a globally co-ordinated manner. Companies and consumers take the majority of actions available to capture opportunities to reduce emissions.	A more ambitious version of the Global Co-ordinated Action scenario where more aggressive policy is pursued and more extensive technology shifts are achieved, in particular the deployment of Negative Emissions Technologies at scale.
Temperature risk	~3.5°C	~2.0°C	~2.0°C	~1.5°C
Renewable energy by 2050	30%-40%	80%-85%	65%-70%	80%-85%
Transition risk level (shorter-term)	Low	High	Low – Medium	Medium – High
Physical risk level (longer-term)	High	Low – Medium	Low – Medium	Low
Output from the Climate Scenario Analysis	The funding level would be expected to increase by 0.6% under this scenario. If this scenario looks likely to materialise, the Trustee will seek to minimise potential physical risk for assets most likely to be affected in advance of the longer-term. The funding improvement in this scenario is partly caused by a higher probability of a reduction in longevity for members.	The funding level would be expected to decrease by 0.3% under this scenario. If this scenario looks likely to materialise, the Trustee will seek to ensure transition risks do not have a significant impact on the Scheme by reviewing the investment strategy and identifying where risk is highest in the short to medium-term. Though physical risk is lower under this scenario than Lowest Common Denominator, the Trustee will aim to mitigate these risks in advance of the long-term.	The funding level would decrease by 3.7% under this scenario. If this scenario looks likely to materialise, the Trustee will seek to ensure the Scheme benefits from timely action whilst identifying where transition risks adversely impact the Scheme's investments in the short to medium-term. Though physical risk is identified as low, the Trustee will aim to minimise the impact to the Scheme of any physical risk materialisation by acting in advance to identify and mitigate any identified risks.	The funding level would be expected to decrease by 0.7% under this scenario. If this scenario looks likely to materialise, as with the Inevitable Policy Response scenario, the Trustee will act decisively to ensure the medium to high transition risks do not have a significant impact on the Scheme by reviewing the investment strategy and identifying where risk is highest in the short to medium-term. In the longer-term, the Trustee will monitor physical risk and consider action where appropriate to protect the Scheme from any adverse impact.

SUMMARY OF CLIMATE RISK SCENARIOS ON THE SCHEME.

The 2023 analysis identified that three of the four scenarios considered are expected to have a negative effect on the Scheme's funding level. We recognise the limitations to the modelling and that these scenarios might not represent the worst-case scenario. Should the financial impact of climate change be more marked than this modelling suggests, as well as reviewing the investment strategy, we might seek additional funding from M&S.

Compared to the previous analysis completed in 2022, the effects of all four scenarios - whether positive or negative - were less significant. This is primarily due to changes in the Scheme's investment portfolio, particularly a reduction in equity and credit holdings. These asset classes previously contributed heavily to asset shocks during the transition period, so their reduced presence has lessened this impact. Adjustments to the Scheme's investment strategy will alter the level of risk and the potential effects of both transition and physical climate risks, and we remain mindful of this.

The Lowest Common Denominator scenario was the most favourable in terms of funding outcomes, largely due to a higher likelihood of reduced longevity, which lowers the Scheme's liabilities. However, this scenario is the most detrimental to the climate over the long-term and would have negative implications for members and society when broader impacts are considered.

The scenario with the most significant impact was Global Coordinated Action, where an immediate crystallisation of the projected 20-year loss would result in a c.4% decline in the funding level. This is mainly driven by an increase in liabilities, due to lower mortality rates and a modest drag on returns. The Scheme has partially mitigated longevity risk through bulk annuity purchases in recent years, and we acknowledge that further actions to manage uncertainty around life expectancy could help reduce future impacts.

All scenarios project a long-term negative effect on the Scheme's assets. However, in all but the Lowest Common Denominator scenario, certain assets - such as renewable energy infrastructure - were expected to perform well over time. We remain open to exploring these types of investment opportunities, provided they align with the Scheme's strategy and deliver value within our responsible investment principles.

These scenario outcomes highlight that what may appear beneficial from a funding perspective may not align with broader societal or environmental goals. While our primary responsibility is to ensure members' benefits are paid as they fall due, we are conscious that our investment decisions can have wider implications, including for members' long-term environment and quality of life. Therefore, the results of this analysis should not be seen as an endorsement of global inaction or a continuation of the status quo on climate change. Instead, they offer one perspective on resilience, as we continue to engage proactively on climate risk and responsible investment.

POTENTIAL COVENANT IMPACT.

The covenant provided by M&S, as sponsor of the Scheme, is subject to a range of potential climate-related risks and opportunities. EY, the Scheme's covenant adviser, has identified several relevant risks, including the impact of transition policies on the cost of key business inputs - such as protein and cotton - as well as physical risks like extreme weather events, which could disrupt trade or damage property.

Following a review, it was agreed that there has been no material change in the climate-related covenant risk since the last analysis conducted in 2022. As such, no further analysis has been undertaken for this reporting period. However, we will continue to monitor developments and commission additional analysis if warranted.

The Scheme remains in a strong funding position and maintains a relatively de-risked investment strategy. As a result, its reliance on the sponsor covenant is modest, even under stressed climate scenarios. EY has advised that transition risks are currently more relevant to the covenant than physical risks, which are expected to become more significant only after the Scheme is no longer dependent on M&S.

EY also noted that the covenant demonstrates lower resilience to downside risks under the more severe Climate Emergency and Global Coordinated Action scenarios. However, these outcomes are considered unlikely in the short-term. The most challenging scenario would involve a funding shortfall emerging in the medium-term, coinciding with the financial impact of high carbon pricing and required investment in alternatives. Such a scenario could constrain M&S's ability to support the Scheme financially.

That said, based on the Scheme's and M&S's scenario modelling, no deficit is projected to arise directly from climate-related impacts. Therefore, any requirement for additional cash support from M&S would only materialise if climate scenarios were accompanied by unrelated volatility in the Scheme's funding position.

Throughout the year, the Scheme has engaged with M&S's sustainability team, 'Plan A'. These discussions help ensure we remain informed about M&S's sustainability initiatives and foster mutual learning. One area of focus this year was the evolving landscape of sustainability data and reporting.



CONCLUSION ON SCHEME RESILIENCE.

Based on the analysis conducted, we remain confident that the Scheme's investment strategy is resilient to the potential impacts of the climate scenarios considered. The Scheme is in a strong funding position, and the portfolio is relatively de-risked in relation to its liabilities, with exposure to growth assets diversified across a broad range of asset classes. The expected return on the portfolio continues to exceed the growth in liabilities, and under all modelled scenarios, the funding level is projected to improve over the long-term.

The investment strategy has been designed to reflect the Scheme's mature profile. As such, the portfolio now holds fewer liquid growth assets than in previous years and has a greater allocation to illiquid, long-term investments. These asset classes, by their nature, are exposed to both transition and physical climate risks. For instance, physical assets such as buildings may become increasingly vulnerable to environmental damage - such as

flooding - due to climate change. It is therefore essential that we understand and monitor these risks and their potential implications for the Scheme's investments.

Changes in investment strategy could introduce various climate risk considerations to the Scheme's portfolio. We'll undertake further scenario analysis as necessary to consider how changes in asset allocation impact climate risks at portfolio level.

Other potential limitations from the scenarios considered arise from the assumption that all other factors are unchanged during the efforts to transition to a low carbon economy. In practice, this is unlikely to be the case. Second order effects, such as higher levels of investment, employment, and productivity-enhancing innovation, are hard to estimate, and represent one reason why the climate scenarios cannot be the sole driver of investment strategy and risk management decisions.

Furthermore, the scenarios assume that most sovereign bonds will not be materially impacted by climate risk over the time horizons analysed. This assumption may not apply to all sovereign bonds as, for example, some are commodity driven sovereigns in the emerging market sector, where the issuer is more exposed to climate change risk. However, the Scheme's exposure to such bonds is limited.

While the Scheme's investment strategy is designed to be resilient to various climate change scenarios, it is important to acknowledge the unpredictability of global events or regulations in regard to climate change. A divergence in views about taking action against climate change can influence policy decisions, market behaviours and ultimately, the trajectory of asset experience under the various scenarios. Therefore, these scenarios won't fully capture all potential outcomes as events shape the global response to climate change.

3. RISK MANAGEMENT.

We view climate change as a risk which is interlinked with the majority of the other risks faced by the Scheme, in that those risks may all be changed, mitigated or worsened by the effects of climate change.

We've implemented a number of risk management disclosures, including those related to climate risks, and the Scheme's Risk Register is reviewed on a regular basis.

The Scheme's Risk Register includes headings for transitional and physical climate risks, along with corresponding mitigating controls. These risks are a key consideration in Scheme decision-making. The annual review of the Risk Register, conducted at full Trustee Board level, serves as a framework for identifying, assessing, and managing climate-related risks in the context of the Scheme's broader risk landscape.

Insights from this review, particularly those related to climate, are shared with the IC and ESGC for further consideration and action where appropriate.

Additionally, the climate scenario analysis referenced earlier provides a comprehensive view of how climate-related risks - divided into 'transition' and 'physical' categories - could impact the Scheme's funding and investment positions. In response to a material change in investment strategy during the previous year, further scenario analysis was undertaken in 2023. We intend to revisit and update this analysis over the coming year, with findings to be reflected in next year's report.

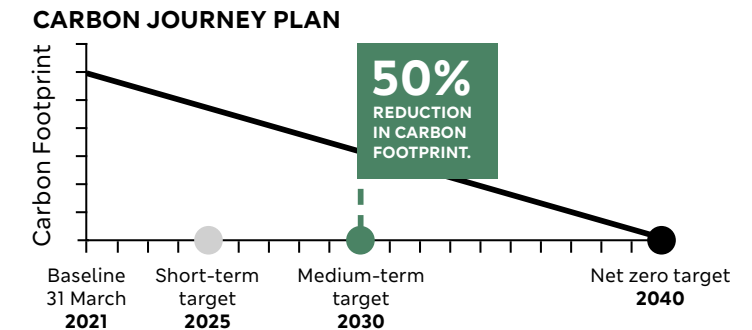
The latest analysis identified that the Scheme is resilient to the potential impact of climate change. The output is considered in the context of the wider risks faced by the Scheme and will allow us to prioritise the risks which pose the most significant potential for loss and are most likely to occur.

To manage the Scheme's climate risks, we also monitor our Carbon Journey Plan, which is recognised as a key tool in helping the Scheme meet its net zero goals and in facilitating effective decision-making. The Carbon Journey Plan helps us to identify where we may be able to take advantage of

opportunities which may arise because of climate change and also ensures that we remain on top of developments in an evolving global landscape.

The governance structure for the Carbon Journey Plan, which is ultimately owned by the Trustee but incorporated into the activities of the ESGC and all other committees, is reviewed and progressed through the ESGC.

As covered in more detail in the following section, we have set an ambitious target of net zero by 2040, with a 50% reduction in carbon footprint by 2030, starting with a baseline of 31 March 2021.



There are a number of ways in which we are aiming to mitigate risks as a result of climate change, all of which will feature heavily on the agenda of the ESGC and wider Trustee Board in the years ahead. This includes:

1. ENGAGEMENT.

We aim to reduce emissions by influencing the practices of our investment managers, advisers, and suppliers. This includes actively engaging with managers of key investment mandates and the Scheme's buy-in providers, encouraging them to adopt similar engagement practices with their underlying holdings, and more widely with governments and other policymakers. In recent years, our engagement efforts have increasingly focused on long-term mandates, where we believe our influence can be most effectively applied. This targeted approach ensures that our resources are directed toward areas where we can drive the greatest impact - both for the Scheme and for broader societal benefit.

Third party stewardship and engagement services may be used where appropriate, and the Scheme will also look to lend its voice to industry-wide collaborative initiatives.

Engagement is a key section within the Scheme's ESG Governance Priorities and Beliefs and we view this as a crucial and effective method to help achieve our net zero targets as a responsible asset owner. These priorities and beliefs include our position on stewardship, climate and biodiversity. We have communicated these priorities to managers and expect them to invest in line with these beliefs. We test the extent to which this has been followed on an annual basis by asking managers to provide examples of engagements that relate back to our priorities. Going forward, it will be even more important to expand engagement initiatives beyond the companies in which we invest towards policy makers who will be driving global change. We'll be working with our managers over the coming year to encourage them to do so.

We also meet with investment managers to better understand how sustainable investment is being integrated into their investment management processes pertaining to the Scheme's mandates and at company level. These meetings provide further understanding of current and

potential future practice in this area and give further opportunity for us to test alignment.

The Trustee places importance on investment manager adherence to the UK Stewardship Code as part of our commitment to responsible investment. Within the annual sustainable investment review, we ask our managers if they are signatories to the code. Over the past couple of years, managers who initially indicated that they were not signatories have been encouraged to become signatories, and in several instances, this approach has been successful.

One reason some managers have cited for not being signatories is their belief that the code is not relevant to their assets. However, it is important to note that the scope of the UK Stewardship Code has recently been under review. The Financial Reporting Council (FRC) recently announced that a revised UK Stewardship Code will take effect from January 2026. This revised code aims to include more asset classes and provide clearer guidance for effective implementation.

In light of these changes, the Trustee plans to re-engage with the managers who previously believed the code was not relevant to their assets and ask them to reassess their position. We believe that aligning with the UK Stewardship Code is crucial for ensuring transparency, accountability, and long-term sustainable value.

We aim to engage with all managers but will prioritise those managing the highest proportion of Scheme assets and those managing investments we've identified as most vulnerable to climate risk. For example, assets recognised as relatively vulnerable to transition risks, such as real assets, will require timely engagement over the short to medium-term when such risks are likely to materialise.

2. MANDATE CHANGES INCLUDING DIVESTMENT.

We will continue to review mandate guidelines, restrictions and benchmarks. This includes implementing policies to reduce emissions, reviewing investment strategies to understand any disproportionately emitting strategies, and ultimately selling assets that

are most exposed to climate risk if deemed necessary to do so. The Trustee aims to achieve most change through engagement with managers and service providers but reserves the use of divestment to achieve its aims as appropriate.

A significant proportion of the Scheme's portfolio remains invested in long-term, illiquid investments, as they contribute to its purpose of meeting its future long-term liabilities. Due to the nature of the assets in these funds, it can be difficult for managers to make significant changes to investment strategy, including in relation to improving sustainability. We'll continue to work with managers to encourage any possible improvements in the sustainability of the assets, whilst recognising the challenges and limitations in progressing such changes for these mandates.

3. IMPACT.

Whilst the Scheme's investment strategy is mature, we'll continue to look for opportunities to add impact investments, providing capital to market participants offering new technology and/or solutions to reduce emissions.

The Trustee agreed a formal Portfolio Exclusions Approach Policy, which outlines its position with regards to controversial investments. It was decided that whilst a material Scheme-wide exclusions policy may not be appropriate, the ability to exclude provides the Scheme with a means to support a manager's engagement activity, or attempt to correct a manager's decision making where deemed substandard in ESG matters.

4. FREE RIDER.

Recognising common goals across the investment industry, we expect to benefit from a reduction in emissions due to the actions taken by other market participants, such as other large investors and the UK Government. Financial markets may move more quickly as companies look to meet their own targets and high carbon industries fall in value or are taken private. However, the effect from this alone will not be enough to meet our ambitions, especially considering recent changes in attitude to net zero amongst some groups.

PORTFOLIO CONSTRUCTION.

In shaping the Scheme's investment portfolio, our approach to monitoring and integrating ESG considerations has evolved significantly in recent years and continues to mature.

Given that the Scheme is closed to future accrual, the portfolio is increasingly composed of long-dated assets—such as credit and real assets—that are aligned with the Scheme's liability cashflows. Due to the nature of these investments, we place a strong emphasis on sustainability and the ESG credentials of the companies and entities in which we invest or to which we lend.

When selecting investment managers, we work closely with our investment consultant, Willis Towers Watson (WTW), to thoroughly assess each manager's expertise and approach to managing ESG risks and opportunities within their portfolios. This evaluation is a key component of our ongoing oversight process. We receive regular ESG reporting on both our investment managers and the underlying assets, including the

annual Sustainable Investment Assessment conducted by WTW. These insights have informed our engagement with managers throughout the year.

Over the past year, we also explored a potential investment in a new credit asset class, asset-backed securities (ABS). ESG integration and alignment with climate-related objectives were central to the manager selection process for this opportunity.

We expect managers to integrate ESG considerations into their management of the Scheme's assets and we recognise that, as investors in a diversified portfolio of various underlying asset classes with different objectives and characteristics, a 'one size fits all' approach to ESG is not optimal. Therefore, the expectations of managers are not uniform across all the Scheme's funds but based upon the individual characteristics of the Scheme's different mandates.

ANNUAL SUSTAINABLE INVESTMENT ASSESSMENT.

WTW conducts a detailed Sustainable Investment Assessment of the portfolio on an annual basis. The review looks at key ESG related considerations across all the Scheme's investment managers. It forms a key part in helping us to understand the risks and how they've changed over the year. The report covers a number of factors, including:

- Net zero alignment – do manager aspirations match the Scheme's?
- SBTi targets or equivalent - do managers have a science-backed plan to reach net zero?
- Biodiversity - how are managers approaching biodiversity?
- Stewardship - are managers responsible stewards of assets?
- Collaborative initiatives – does the manager engage with relevant initiatives on behalf of the Scheme?
- Other ESG factors – does the manager have policies in place outlining approach to social factors and biodiversity?

CASE STUDY.

KNIGHT FRANK INVESTMENT MANAGEMENT (PROPERTY FUND MANAGER)

Addressing transport emissions has become a major concern for society, and passenger cars are at the forefront of this issue, accounting for 60.7% of transport-related emissions in Europe. As a result, the demand for electric vehicles (EVs) has been substantially increasing among new car buyers, with a record number of EVs sold in the UK in 2024. Over the year, 19.6% of all new car registrations in the UK were EVs, with that number expected to increase in the coming years.

The rise in popularity of EVs has led to a corresponding increase in the installation of charging points, which have now become a necessity at retail parks, shopping centres, and hotels. EV charging points no longer only benefit EV owners but also signal to investors and assets that they are aligned with the market trends focused on reducing emissions.

Knight Frank Investment Management (KFIM) demonstrated their commitment to EV by partnering with Mer, an electric vehicle provider, to conduct a comprehensive feasibility study of landlord-controlled parking spaces across the manager's assets. This study focused on identifying potential EV charging infrastructure opportunities across a selection of the manager's sites. Nine sites were identified as suitable potential EV charging sites.

As a result, Mer has signed a deal to install EV charging points across more than 100 of KFIM client-owned sites in the UK, including those in which the Scheme is invested in. The new charge points will be a mixture of rapid and ultra-rapid, available for public use, and will have the capacity to charge 450 EVs across the network due to multiple-connectors.

KFIM chose Mer due to their experience and understanding of the complex needs of commercial property portfolios. The initiative aligns with KFIM's commitment to creating a more sustainable future within the real estate industry by addressing the growing demand for EV charging infrastructure.



4. METRICS AND TARGETS.

In 2022, we set a bold target to achieve net zero greenhouse gas emissions across Scheme assets by 2040, with an interim goal of halving our carbon footprint by 2030.

The Scheme remains committed to leading in sustainable investment, which inspired us to set a target more ambitious than the Paris Agreement and aligned with M&S's own net zero goal. The 2030 milestone reflects our belief that a 50% reduction is a necessary step toward achieving net zero by 2040. We will continue to review our targets to ensure they remain realistic and relevant.

We recognise that those assets with the longest time horizon will have the biggest impact on the Scheme's ability to realise the targets set. Therefore, we plan to focus engagement efforts on the Secure Income Asset (SIA) managers and buy-in providers over the coming years.

At this stage, the agreed targets relate to a reduction in Scope 1 and 2 emissions, where we have four years of data available to report

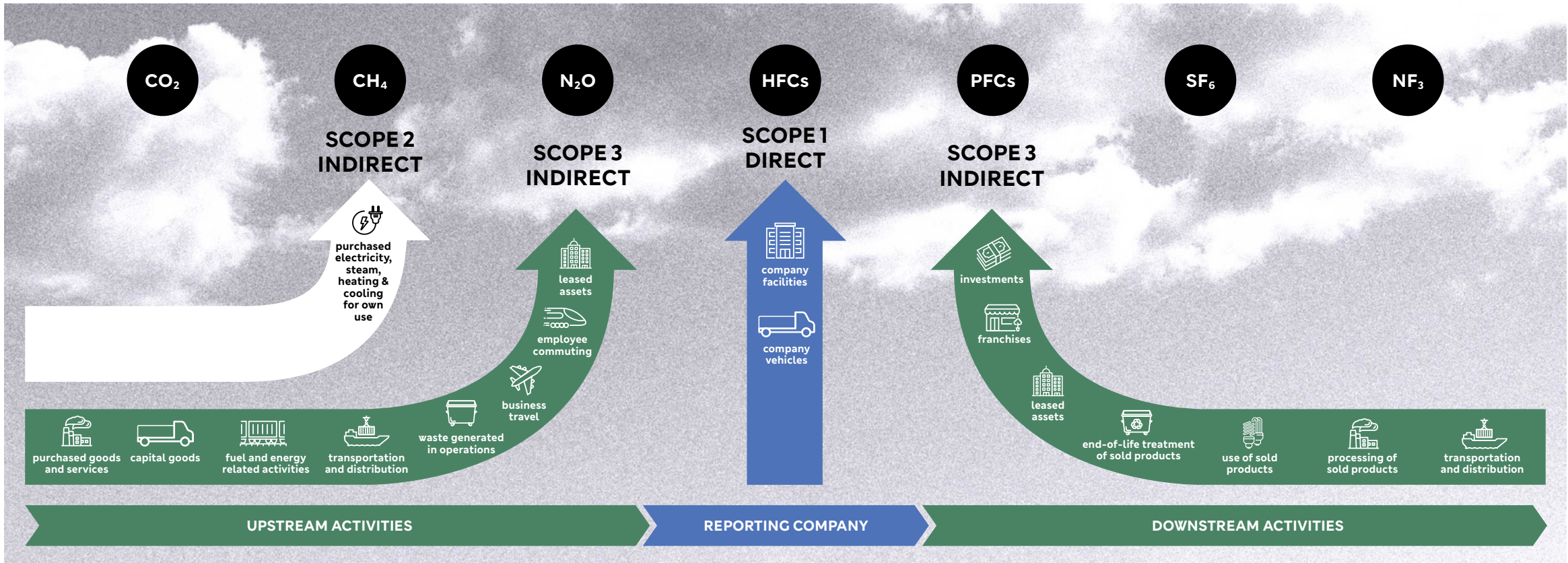
on, but exclude Scope 3 emissions. This is driven by the fact that Scope 3 emissions result in significant estimation uncertainty and inherent double counting at portfolio level whilst quality and coverage of Scope 3 data remains low compared to Scope 1 and 2. Over the year, we have seen a reduction in the reported Scope 3 emissions. We still expect the reporting in this area to continue to evolve given the disparities we have seen in manager capabilities to report Scope 3. Therefore, it is likely that we will continue to see more variance in the coming years. More detail on the breakdown of emissions is provided in the next section of the report.

We remain committed to aligning the Scheme's investment strategy with these forward-thinking climate-related targets and will monitor performance against these targets over time to guide decision making.

In order to achieve these targets on investments held across the Scheme's investment portfolio, where it can collect the

necessary data, we've undertaken to calculate and monitor Scope 1, 2 and 3 emissions as defined below:

- **SCOPE 1 EMISSIONS:** all direct emissions from the activities of an entity or the activities under its control. For example, the fuel combustion used to run delivery vehicles.
- **SCOPE 2 EMISSIONS:** indirect emissions from energy purchased and used by an entity which are created during the production of energy which the entity uses. For example, lighting and heating in retail stores.
- **SCOPE 3 EMISSIONS:** all indirect emissions from the activities of the entity, other than Scope 2 emissions, which occur from sources that the entity does not directly control. For example, the transport and distribution of products from suppliers around the world.



Source: GHG Protocol

In 2022, we chose a set of climate change metrics we believe are appropriate for assisting the Scheme in achieving its net zero targets.

We remain committed to improving the accuracy and reliability of our climate metrics to support better decision-making. As methodologies evolve to more accurately reflect the real-world carbon impact of portfolio assets, we regularly assess whether our metrics remain fit for purpose in a changing industry.

Since 31 March 2021, we've tracked emissions data through a period of significant shifts in both investment strategy and climate reporting standards. This year, we've reported data as at 31 December 2024 to enable a consistent 12-month comparison with the previous report and to reflect the most current asset allocation with reliable emissions data. Going forward, we plan to continue to report data as at the end of each calendar year to ensure our disclosures remain timely and useful.

This year we have reached the end point of the short-term target we set to improve data quality by 2025. In preparation for this report, the Trustee has reflected on the progress made in this area and is satisfied that this has been achieved. This year, just 12% of the portfolio is modelled using a proxy or broad asset class. This represents a portion of the portfolio that remains in run-off and is expected to distribute capital back to the Scheme over the coming years. Therefore, we do not consider these assets to be strategically important in the long-term. The biggest improvement in the data quality figure over the year is driven by the Trustee decision to use carbon emissions data provided directly from the SIA managers. When the Trustee set the Scheme's carbon reduction targets, the manager data was not considered to be consistent or robust. Over the years, we have been encouraging these managers to enhance their reporting capabilities to align with the metrics reported by the Scheme. This year, the Trustee has judged the data to be of sufficient quality to use this data in the report. More detail on the drivers and impact of this are in the data quality portion of this section.

Similar to last year, this year's analysis captures all sovereign emissions from the Scheme's bond portfolios and allows for the categorisation of 'corporate' and 'sovereign' emissions. Scope 3 emissions, which are the result of activities from assets not owned or controlled by the reporting organisation, but that the organisation indirectly affects in its value chain, are included in this year's analysis in line with regulatory guidance and we expect to continue to report these emissions each year. However, the quality and coverage of Scope 3 data available remains low compared to Scope 1 and 2. That said, over the last year, we have seen more managers able to provide Scope 3 data, including the buy-in providers. As more resource is spent analysing and aiming to report this data, the quality of the data is expected to improve.

WTW, as investment consultant and supplier of the Scheme's climate metrics, continues to review the methodology used to calculate carbon metrics to reflect industry best practice.

SCHEME CONTEXT.

The Scheme's Liability Driven Investment (LDI) portfolio makes up the bulk of the value of the Scheme's investment portfolio. This results in a high exposure to Gilts, which help to match the pension commitments of the Scheme given the nature of their risk profile and cashflows. The Scheme has also undertaken Bulk Purchase Annuity transactions with insurers. These are contracts with an insurance company in which the insurer pays the Scheme an amount equivalent to pension payments for certain members. The remainder of the assets are referred to as the Scheme's 'invested assets'. These are in a range of different investments, purchased for their alignment with the overall investment strategy.

The table summarises how the Scheme's assets and liabilities have changed over the period from 31 December 2023 to 31 December 2024 and gives a breakdown of the Scheme between its bulk annuities, LDI portfolio and invested assets. The aim of this information is to help contextualise the changes in carbon metrics, and the proportion of the portfolio for which we focus our reporting on.

M&S Pension Scheme		
	31 December 2023	31 December 2024
Asset value (£m)	6,776	5,976
Invested asset value (£m)	2,095	1,966
LDI (£m)	1,762	1,423
Buy-in - Aviva (£m)	811	710
Buy-in - Phoenix (£m)	829	735
Buy-in - PIC (£m)	582	528
Other	697	614
Liability value - LTFT basis (£m)	6,859	5,848
Surplus/Deficit (£m)	-82	128
Funding level (Gilts + 0.5%)	98.8%	102.2%



1. TOTAL CARBON EMISSIONS.

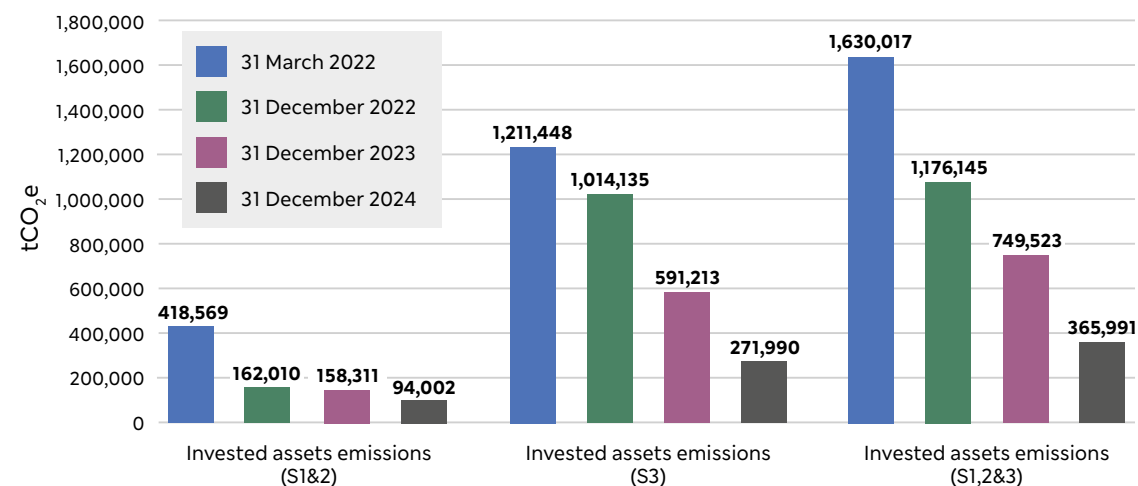
This is an ‘absolute emissions’ metric which gives the total greenhouse gas emissions attributable to the Scheme’s assets. This is calculated in line with the guidance provided by the Greenhouse Gas Protocol. As with previous years, to compile this metric, WTW has used MSCI estimates for direct and indirect (Scope 1, 2 and 3) emissions. Where the company doesn’t report a raw value in tCO₂e, MSCI uses a Company Specific Intensity Model, using its previously reported data. If no company data is reported, MSCI uses the Global Industry Classification Sub-Industry Model, which is more generalised but based on the MSCI emissions database.

Over the year between 31 December 2023 and 31 December 2024, the Scheme’s absolute metric, as measured by total carbon emissions, has decreased across Scope 1 and 2 emissions as well as for Scope 3 emissions. The key driver of this change was the evolution in the approach taken to gather manager data. The Trustee decided to use manager data for the SIA portfolio which equates to over 50% of the invested assets being measured. Therefore, this change in methodology has a material impact when explaining the difference over the year. For Scope 1 and 2 emissions the reduction in assets was also partly driven by a reduction in the absolute value of the in-scope assets, as illiquid assets modestly declined in value, whilst some illiquid asset sales also took place.

As expected, the Scope 3 data continues to dominate the Scheme’s overall emissions, given they account for both upstream and downstream emissions within the value chain of the underlying

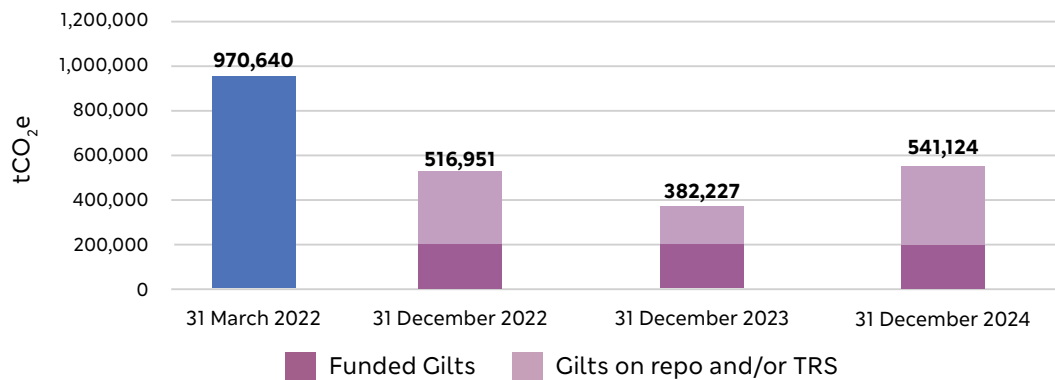
reporting companies. The Scope 3 emissions have fallen over the period and a significant driver of this is the change in the underlying modelling of the SIA portfolio. Where we are now collecting manager data for the actual holdings rather than proxying using listed holdings, we have seen the emissions decrease. In the coming years, as methodologies for measuring Scope 3 assets continue to improve, the Trustee is aware of the very real chance that the Scope 3 emissions will fluctuate and be volatile as companies work to better capture these emissions. Compared to the previous methodology where data used a proxy, collecting manager data directly from the SIA managers has caused the Scope 3 emissions to come down. A better understanding of our emissions is key to taking meaningful action to reduce it over time.

SCOPE 1, 2 & 3 ABSOLUTE EMISSIONS



As with last year’s analysis, estimated Liability Driven Investment (LDI) emissions are reported separately from the Scheme’s “invested emissions”, owing to the use of different methodologies. In previous years, a fall in emissions was seen, caused by climbing UK gilt yields over the period, which resulted in a decreased value of the Scheme’s LDI portfolio. Since then, the absolute emissions from the Scheme’s LDI portfolio has increased as over the year, the value of the Scheme’s total exposure to gilts, including gilt derivatives within the LDI portfolio has increased. This year, we’ve evolved our reporting to split out the carbon emissions attributable to the Scheme’s direct gilt holdings and those which are held indirectly through repo or total return swaps. Data availability means that we have only been able to do this for the past three years of data. As we will go on to discuss under the Carbon Footprint section, the actual footprint for the LDI assets has come down over the year in line with the reduction in UK greenhouse gas emissions. But where the value of the total LDI has increased, so have the total emissions.

LDI ABSOLUTE EMISSIONS



Given their substantial proportion of total Scheme assets, we're committed to reporting on the Scheme's buy-in asset emissions. We've worked on gaining greater data availability in previous years through engagement with the Scheme's three insurers, Phoenix Group, Pension Insurance Corporation (PIC) and Aviva. Last year, we saw Aviva provide Scope 1 and 2 data for their annuity book as a result of our engagement with the manager and the strong desire we expressed to report on these metrics. Due to the significant estimation uncertainty and inherent double counting at portfolio level, Aviva do not believe disclosure of aggregated investee Scope 3 emissions represents decision-useful information and therefore do not currently disclose either absolute or intensity-based Scope 3 emissions metrics. We continue to engage with Aviva on this topic to understand whether there is scope for this view to evolve.

As in previous years' reports, the data outlined here is based on the buy-in providers' respective methodologies, which typically reflect the emissions from corporate bond and equity holdings as part of their underlying annuity books. As such, we have not aggregated the metrics outlined, due to slight differences in each of the insurer's methodologies.

Over the year, the value of the buy-in assets has decreased across the board and therefore the drivers of the changes in the numbers in the table opposite is better explained by looking at the change in footprint,

as per the next section. Following recent discussions and a desire to focus our resource on the strategically important Scheme assets, we have undertaken to enhance engagement with the buy-in providers around carbon emissions and ESG more broadly. A key part of these discussions is to articulate our net zero ambitions to managers. We are looking to better understand the changes in metrics and encourage the providers to take action to reduce emissions in line with target. Manager approach to reporting and managing carbon emissions is also a key consideration for any future insurance contracts. The Trustee is committed to engaging further with all buy-in providers to understand the robustness of their methodology, how they expect this to improve over the years and overall plans to reduce portfolio emissions.

Absolute emissions - buy-in assets		
Emissions (tCO ₂ e)	31 December 2023	31 December 2024
Phoenix emissions (Scope 1 & 2 only)	14,059	12,311
Phoenix emissions (Scope 3)	158,101	113,961
PIC emissions (Scope 1 & 2 only)	68,361	52,949
PIC emissions (Scope 3)	279,278	124,169
Aviva emissions (Scope 1 & 2 only)	67,201	33,370

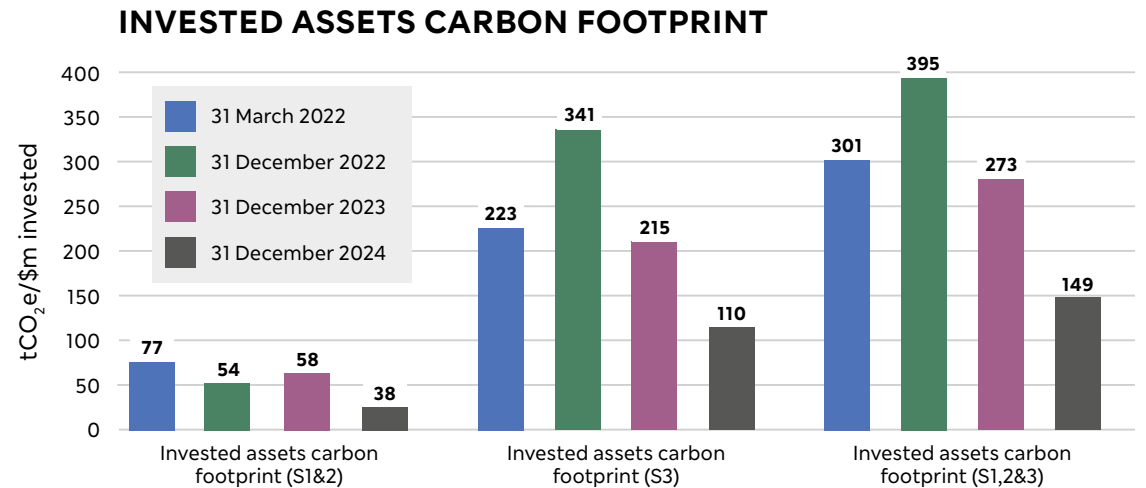
2. CARBON FOOTPRINT.

This is an 'emissions intensity' metric, and the main one monitored as part of the Scheme's Carbon Journey Plan. This gives the total greenhouse gas emissions attributable to the Scheme's assets, per \$m invested. This is an important complement to the total carbon emissions metric, as well as aiding comparability over time and to industry peers. This is also the preferred metric as set out in DWP guidance, helping to ensure regulatory alignment. The metric's calculation takes the total carbon emissions as calculated divided by the total value of the assets to which the emissions refer.

Over the year, we have seen the Scope 1 and 2 carbon footprint decrease. Some of this change is driven by falling reported emissions for the property, infrastructure and credit-like assets and updated methodology for reporting on the carbon emissions of the SIA portfolio. In previous years, this had been proxied by mapping the assets geography/sector splits to listed holdings. Given manager improvements in data gathering and a desire to gain a better understanding of the Scheme's actual emissions, we were able to source this data directly from managers this year. We expected this to cause some variation in the reported emissions as a result but this was balanced against the improved understanding of the Scheme's impact. The decrease in emissions was partially offset by increases in reported emissions from the alternative credit and private equity funds.

Scope 3 footprint has also seen a decrease over the year, again driven almost entirely by the SIA portfolio. This remains a volatile area of reporting as methodology continues to be refined and improved, as

highlighted in the previous section, and we expect to see deviations year-on-year. Therefore, we are conscious that this decrease in reported Scope 3 emissions isn't necessarily reflective of a real life decrease and could be due to the change in methodology. In the coming years we're expecting to see data availability improve and companies become better equipped to gather detailed data from their entire value chain, including suppliers, and improve their tracking of downstream emissions. Furthermore, the development and adoption of standardised frameworks will improve the consistency and accuracy of emissions reporting. It's worth reiterating that the Carbon Journey Plan is currently tracked against Scope 1 and 2 only.



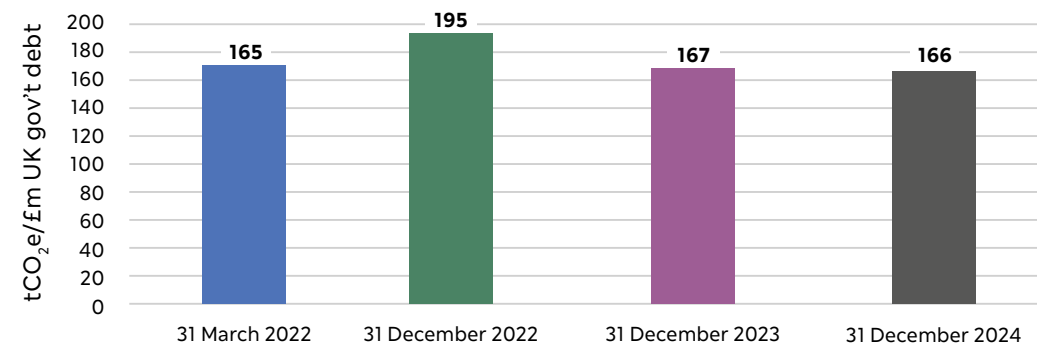
We have also gathered information on buy-in providers' Carbon Footprint, presented in the table below. As mentioned, the data outlined is based on the buy-in providers' respective methodologies. As such, it is not possible to aggregate each of the metrics outlined, due to slight differences in each of the insurer's methodologies.

We recognise that over the year the footprint for Phoenix has remained broadly unchanged across Scope 1 and 2, but that the footprint for the other providers have decreased. The Trustee plans to engage with Phoenix in the coming months to interpret the drivers of this and understand what action the provider is planning to take to bring this down over time.

Intensity - footprint - buy-in assets		
Footprint (tCO ₂ e/£m invested)	31 December 2023	31 December 2024
Phoenix emissions (Scope 1 & 2 only)	67	68
Phoenix emissions (Scope 3)	750	633
PIC emissions (Scope 1 & 2 only)	109	98
PIC emissions (Scope 3)	449	229
Aviva emissions (Scope 1 & 2 only)	65	47
Aviva emissions (Scope 3)	-	-

The footprint for the LDI portfolio also fell slightly over the year. This reflects the fall in annual UK greenhouse gas emissions data, which was primarily due to a decrease in the electricity supply and industry sectors, though partially offset by an increase in emissions from flying.

LDI PORTFOLIO CARBON FOOTPRINT



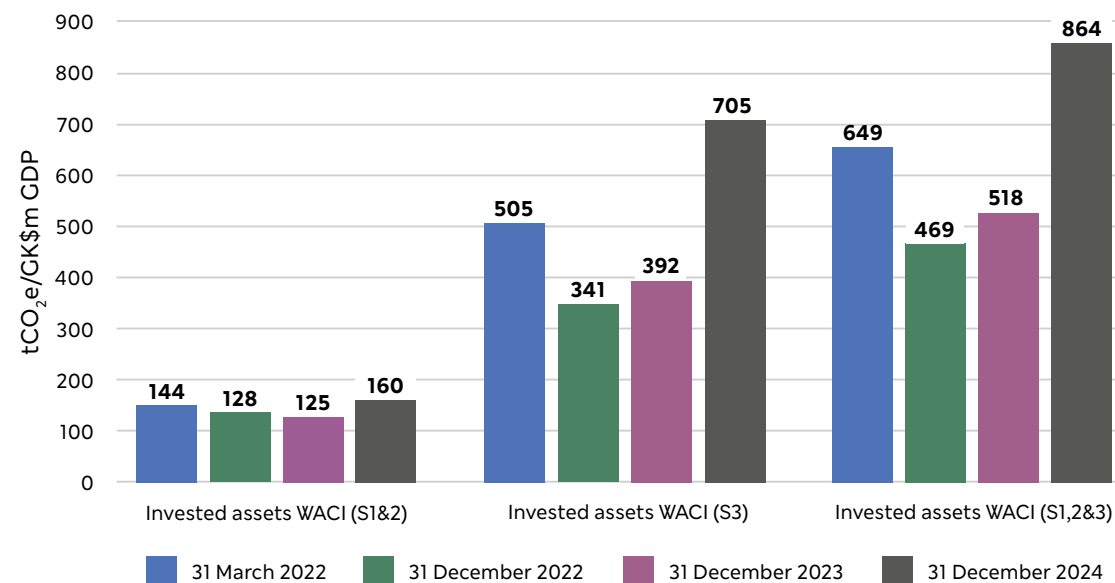
3. WEIGHTED AVERAGE CARBON INTENSITY (WACI).

This is a secondary 'emissions intensity' metric, measured by the volume of carbon emissions per million dollars of revenue for each holding in the portfolio. These figures are then averaged using the portfolio weights to produce the WACI metric. This additional measure is included to allow the Trustee to incorporate data from the Scheme's three buy-in providers, who primarily report against this measure. Given the buy-in assets are a relatively large proportion of Scheme assets, the Trustee believes monitoring these assets is crucial to understanding the Scheme's impact on climate.

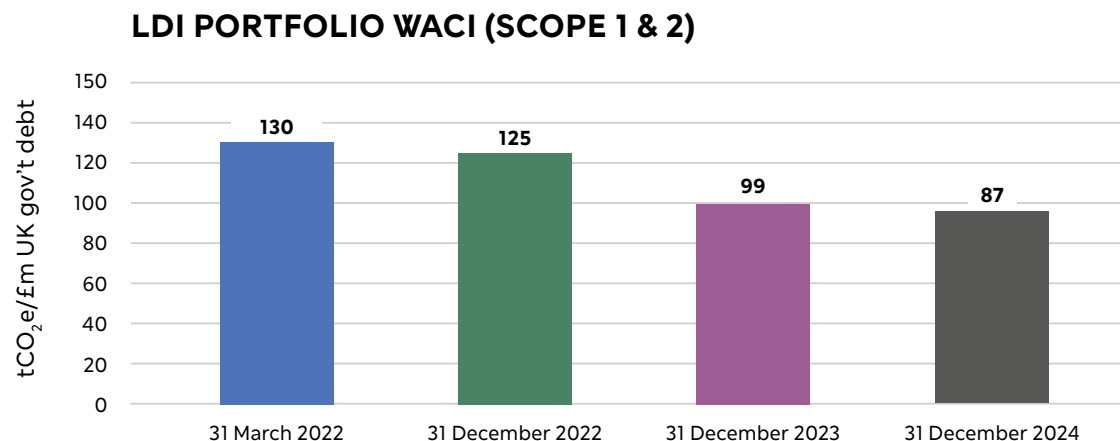
Over the period, the Scheme's WACI metric has increased for Scope 1 and 2 emissions attributable to the Scheme's invested assets, LDI and buy-in portfolios.

The Scope 3 WACI has increased significantly over the year. This was driven mostly by increases in credit assets and private equity Scope 3 intensities as well as SIAs where the methodology for collecting data has evolved over the year. The Trustee expects to observe material changes in the short-term when reporting on Scope 3 emissions due to increased reporting and coverage of assets available.

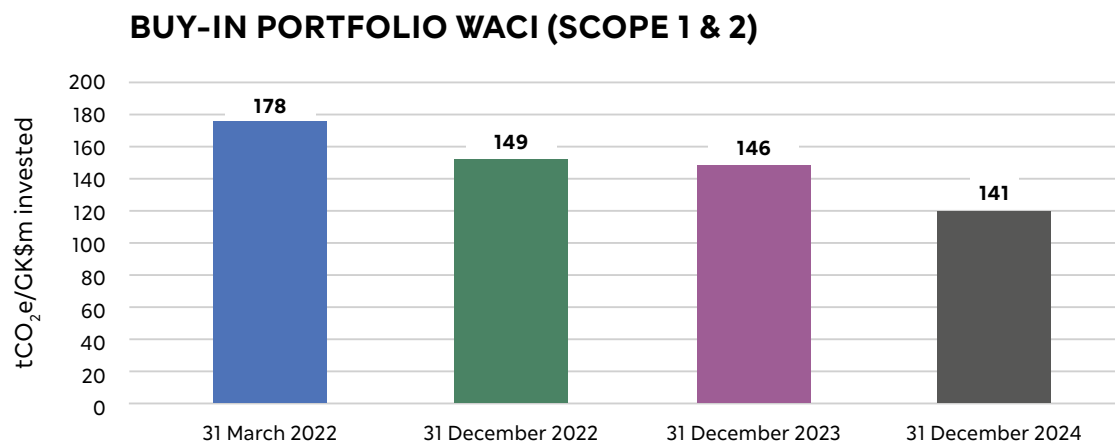
INVESTED ASSETS WACI (SCOPE 1, 2 & 3)



The LDI portfolio's WACI saw a small decrease over the period. This is as a result of an increase in the UK GDP estimate, used to calculate the portfolio's WACI. Scope 3 emissions are not a concept currently applied to government debt, which already uses a country's total emissions, rather than specifically the emissions related to government activities.



As mentioned opposite, this metric is useful to include as it is the established method for insurers measuring carbon intensity and therefore allows for comparison with the Scheme's invested assets over historic periods. Over the year, we have seen the buy-in portfolio WACI be fairly stable with some modest reductions resulting from decarbonisation within these portfolios.



4. DATA QUALITY.

The Trustee considers that the short-term data quality target, set in 2022 for achievement by 2025, has now been met. This target aimed to increase the proportion of the portfolio for which high-quality, asset-level carbon emissions data is available. The focus was on improving transparency and reducing reliance on proxy data, particularly for liquid assets such as equities and corporate bonds.

At the time the target was set, the portfolio included a higher proportion of liquid assets, and it was anticipated that security-level data would improve as the Scheme engaged with its investment managers and as industry standards evolved. Today, the portfolio - excluding LDI assets - has shifted towards a greater allocation to illiquid assets. In response, and to meet our target, we focused on improving data coverage by directly engaging with SIA managers to obtain carbon data, rather than relying on proxies as in previous years. The earlier use of proxies reflected the evolving state of emissions reporting for unlisted, illiquid assets, as managers were still developing appropriate methodologies.

Now, we are seeing greater consistency in the type of data managers can provide, though some methodological differences remain. Nonetheless, this direct engagement approach has proven effective in achieving our short-term goal and positions us well for continued progress in data quality and transparency.

Naturally, there are some limitations of this new approach that are important to address. The first is the expected divergence in data following the change in methodology. In line with the industry, we have seen the Scope 1 and 2 emissions for the SIA portfolio fall and Scope 3 emissions increase. This is explained by the nature of the underlying holdings having more exposure to Scope 3 emissions – something that the proxy method was unable to fully capture. Furthermore, some managers do not report a WACI figure and therefore we have had to continue to use a proxy in these cases for now. Finally, it is important to flag that some managers will make use of a degree of proxying when calculating their emissions figures to complement the data they can collect directly. We would expect managers to improve their direct data collection over time.

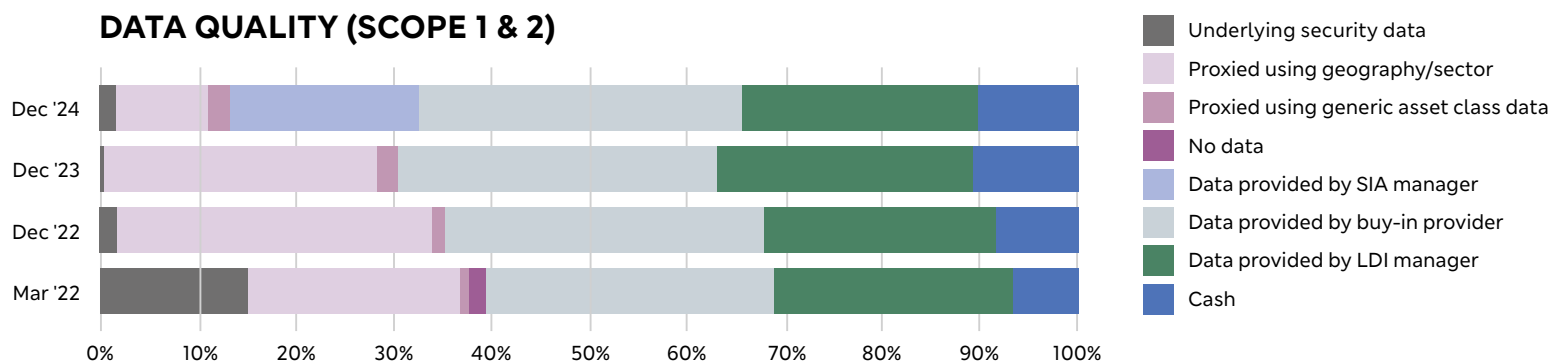
Despite these drawbacks, we are confident that the change in methodology is a positive step in the right direction towards the ambition of improving data quality. Following this change, we are likely to be approaching a sensible level of progress for data quality improvement, recognising that the remaining proxied data is related to the Scheme's exposure to illiquid mandates which are running-off and therefore it is not efficient to collect direct manager data.

The Scheme's cashflow profile shows that over the coming years, the illiquid assets held outside of the SIA portfolio will begin to return capital. As a result, the SIAs will be the key illiquid holding as the Scheme progresses on the Carbon Journey Plan. Therefore, we are comfortable that the most prudent approach which best utilises resource is to continue to proxy the illiquid assets outside of the SIA portfolio. This equates to around 12% of the portfolio and, as mentioned, is shrinking year on year.

Through ongoing engagement with managers, we have been made aware that methodologies and metrics are still subject to differences as they have not yet been formalised and agreed

across the industry. Therefore, whilst we are satisfied that we have achieved our short-term goal, we will continue to monitor data quality and look out for further opportunities to align the methodologies. We will also continue to work with advisors to adapt and evolve the reporting tool to align with the industry as it continues to adapt to new climate-related regulations and come up with best practice processes for this analysis.

The chart below looks at Scope 1 and 2 data quality. Scope 3 data quality, particularly when applied to private markets, remains very limited. That said, we are committed to reviewing this on a regular basis with a view to incorporating into analysis in due course.



5. BINARY ALIGNMENT METRIC.

In line with best practice, the Trustee also reports a ‘portfolio alignment’ metric. This metric is intended to be forward-looking rather than historical and aims to measure the extent to which assets are aligned with the Paris Agreement climate targets. This is in line with our desire to improve the quality and information provided in reporting over time.

We decided to choose the Binary Alignment Metric, reporting on the proportion of the Scheme’s invested assets aligned with Science Based Targets (SBTs) or equivalent. The rationale was that this metric was the most applicable for the Scheme, as it allows us to identify and monitor which of our investments are strategically committed to achieving net zero and which are not. Further discussions on this topic took place in 2023, following which it was agreed to target 100% portfolio alignment with Science Based Targets initiative (SBTi) or equivalent by 2030.

Last year’s report saw a change in the methodology used to calculate all of the Scheme’s carbon metrics to reflect industry best practice. The change reflected the belief that whilst it remains reasonable to proxy carbon emissions data by sector and geography, if stock-specific data is not available, a parallel approach is less appropriate for SBTi targets given their binary and company-specific nature. We saw the metric fall sharply as a result.

Since last year’s report, a number of companies have also withdrawn from SBTi, citing both political pressures and practical difficulties in achieving alignment. In 2024, the SBTi delisted over 200 high-profile companies for failing to meet their emissions reduction target. Our direct engagement with SIA managers this year has highlighted that it is unlikely that SBTi alignment will improve for the Scheme’s illiquid mandates. In view of this, we have considered whether this metric remains appropriate for the Scheme or whether a broader approach to alignment is required.

Last year we saw substantial improvement in the buy-in assets alignment with SBTi or equivalent. Both Phoenix and PIC have consistently been able to provide the percentage of the Scheme’s buy-in portfolio with SBTs and last year Aviva has also reported on this metric. Given the long-term objective of the Scheme, we believe it is prudent to focus the monitoring of this metric in this area. This will also introduce an additional ESG-related lens through which to consider any future insurers.

SBTi alignment - buy-in assets		
Footprint (tCO ₂ e/£m invested)	31 December 2023	31 December 2024
Phoenix	25%	26%
PIC	25%	25%
Aviva	37%	39%

6. BREAKDOWN OF EMISSIONS.

Similar to previous years, some of the data has been proxied based on sector and geographical data of the underlying funds within the Scheme’s ‘invested assets’. This year, we were able to access data on emissions directly from both our SIA and LDI managers, however LDI data continues to be reported separately from invested assets owing to differing methodologies. Emissions data from buy-in providers is based on their respective methodologies, and typically reflects the emissions from credit assets as part of their wider annuity books. Given the Scheme’s Carbon Journey Plan and longer-term trajectory, improved reporting from the existing buy-in providers is crucial at this stage. These are long-term partners and their ESG practices will have a significant impact on us achieving our ambitions.

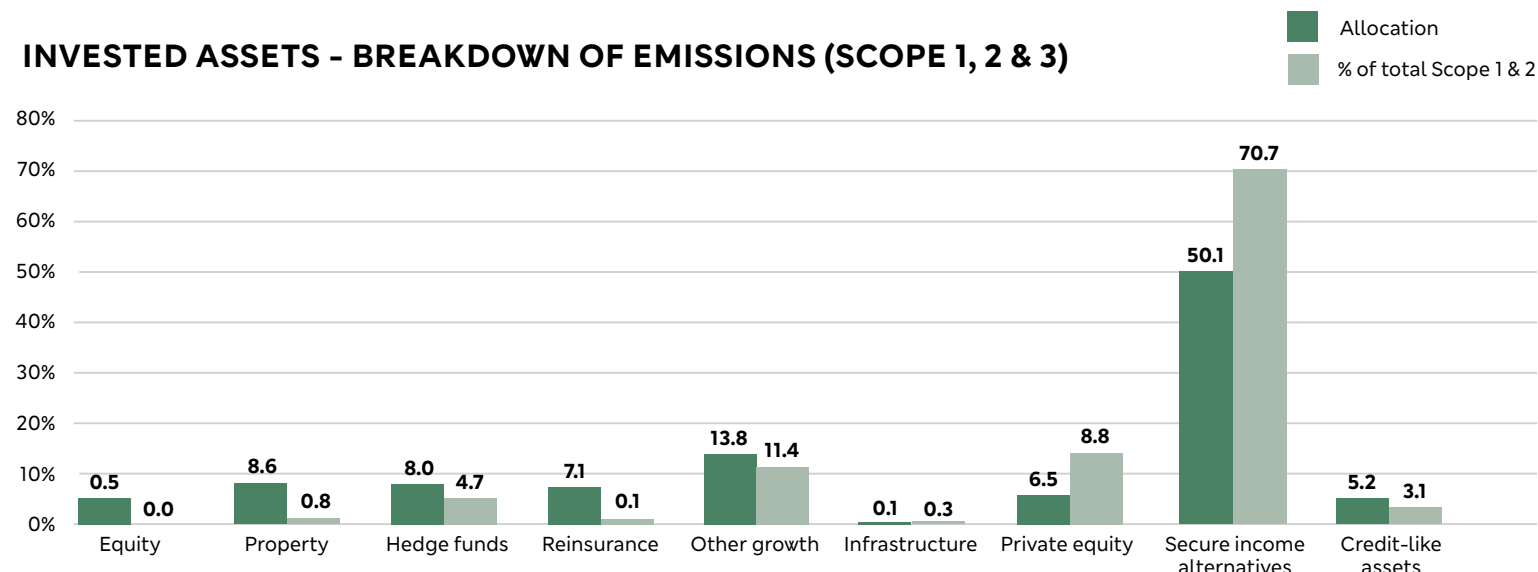
As part of the ESGC’s review of the output, analysis is also broken down by asset class so that we can identify the greatest contributors to overall emissions within the portfolio, as shown in the graph opposite. Over the year, SIAs continue to be both the highest allocation of invested assets, as well as the greatest contributor to emissions.

The decision to source data directly from managers for these assets therefore has the most material impact on the change in reported emissions over the year.

The breakdown of emissions for the Scheme’s buy-ins and sovereign bond asset classes have not been included in the chart because emissions from these holdings cannot be directly affected by the Trustee’s investment decisions (for example, through engagement or divestment).

Recognising some of the limitations in gathering data, the analysis has been carried out on a best endeavours basis. We believe that the changes to how the metrics were calculated for this year’s report make the figures more accurate and therefore more effective for decision making.

INVESTED ASSETS - BREAKDOWN OF EMISSIONS (SCOPE 1, 2 & 3)



7. CARBON JOURNEY PLAN.

We continuously track our progress against the Scheme's Carbon Journey Plan. Since incorporating Scope 3 emissions into our reporting, we've observed a consistent year-on-year increase in our total reported emissions. While we acknowledge that capturing this data is essential for understanding the Scheme's full environmental impact, we also recognise that Scope 3 reporting is still in its early stages. As a result, we anticipate continued variability in the data over the coming years.

Given this, we've chosen to maintain a primary focus on Scope 1 and 2 emissions in this report, as these categories offer more reliable and accessible data. Nonetheless, the Scheme remains committed to reducing emissions across all three scopes, in line with its broader goal of driving positive environmental outcomes. As the accuracy and confidence in Scope 3 data improve, we plan to integrate these figures into future iterations of the Carbon Journey Plan.

As noted earlier in the report, there have been shifts in the global approach to and attitude towards achieving net zero in recent months. A number of companies have withdrawn their net zero goals and the rhetoric in certain groups seems to reflect a movement away from taking the necessary actions today to realise net zero by 2050, as per the Paris Agreement. We remain committed to achieving our ambition of a 50% reduction in carbon footprint by 2030 and net zero emissions by 2040.

In measuring the progress made against these goals, we will account for the reduction in emissions only within Scheme assets excluding Gilts within the Scheme's LDI portfolio and the Scheme's buy-in assets. Whilst the nature of these assets means they cannot be directly affected by the Trustee's investment decisions (for example, through engagement or divestment), we'd like to see alignment across the whole portfolio. Therefore we will continue to engage with LDI and buy-in providers, with the expectation that they too share the Trustee's ambitions.

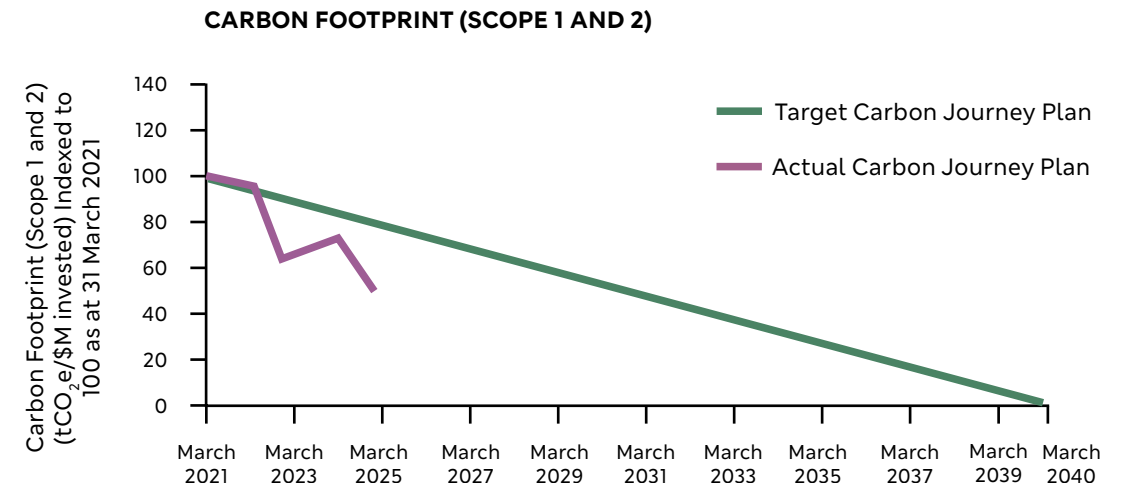


Scope 1 and 2 carbon footprint fell over the year and as a result we are seeing a 50% reduction from the Scheme’s starting point, 5 years ahead of the medium-term target of a 50% reduction by 2030. Whilst we are happy to see the Scheme’s footprint decreasing, we are also aware that there is still important progress to be made in reporting and understanding real world carbon emissions. Therefore, we do not yet feel confident to say that the medium-term target has been achieved. Furthermore, if the global sentiment on climate change continues to diverge, we are conscious that in future years it is possible we see our carbon footprint increase again. We recognise that the path to net zero will not be a smooth journey, however we believe that effective investment decision-making and impactful engagement, alongside wider industry alignment and improved data quality, should result in meaningful progress over time.

As part of the annual sustainable investment review, we engage with managers to understand the action they’re taking to achieve net zero. Given the Scheme’s potential to undertake further buy-in transactions, the onus has started to shift towards a better understanding of what the buy-in providers are doing in this space. Over the year, the ESGC met with one of the Scheme’s three buy-in providers to hear about their policies and ambitions in relation to realising net zero carbon emissions. This insurer also has the goal to achieve net zero by 2040 and at this stage is choosing to maintain this. Over the coming years,

we expect to continue this engagement, and any future decisions to further ensure liabilities will in part be considered through the lens of net zero ambitions.

Additionally, the Scheme’s cashflow profile shows that over the coming years, higher carbon emitting assets such as property, private equity and infrastructure will be drawn down. Therefore, there’s scope here to further reduce the overall carbon footprint of the portfolio when thinking about the reinvestment opportunities open to the Scheme.



LOOKING FORWARD.

Climate change presents a persistent and evolving risk to the Scheme — one that will remain relevant until every member and beneficiary has received their pension.

It's essential we assess these risks today and maintain a clear plan to protect future payments. Tackling climate change also requires sustained effort over time, not only from the Trustee but from investment managers and all those involved in the running of the Scheme. By understanding and addressing climate-related risks, we're better equipped to meet our core objective: securing members' pensions.

The Trustee's belief in the importance of ESG remains steadfast. However, it is important to remember that the Scheme cannot achieve its goals in isolation. Continued progress depends not only on our own actions, but also

on those of the wider industry. We will aim to remain flexible and responsive to industry thinking and evolution, ensuring that we do not make suboptimal decisions. Ongoing engagement with investment managers to understand their approach to ESG and to challenge where needed, will remain central to our strategy.

The Scheme's ESG agenda has continued to develop over the year, with increasing focus on areas beyond climate, including biodiversity and social factors. We've taken steps to deepen our understanding of how these themes may influence the risks and opportunities the Scheme faces. Our ESG investment beliefs will be refined in line with progress on our net zero journey and developments across the industry. Stewardship has remained a key area of focus, and we are actively exploring the introduction of a stewardship metric for inclusion in next year's report.

The illiquid nature of a significant part of the Scheme's portfolio provides challenges with regards to data quality and metrics, as obtaining good data for these investments is still a developing area. We have now reached 2025 and have assessed our success in achieving our goal of improving data quality. Overall, we are satisfied with the progress made since our first report given the nature of the assets held within the Scheme. We'll seek to further our understanding of developments and limitations in relation to the Scheme's portfolio and in a wider industry context.

The journey to net zero may not be straightforward, but with a clear plan and a flexible, long-term mindset, we're prepared to manage the risks and seize the opportunities ahead.

GLOSSARY.

Assets: Investments held by a pension scheme to pay future pensions.

Asset class: A category of investments with similar characteristics, like equities, bonds, or property.

Buy-in transaction/Bulk purchase agreement: An insurance policy purchased by a pension scheme to cover a portion of its liabilities, securing payments for a specific group of members.

Carbon footprint: The total amount of greenhouse gases (like CO₂) produced directly or indirectly by an entity, measured in carbon dioxide equivalents.

Climate change: Long-term shifts in temperatures and weather patterns, mainly due to human activities like burning fossil fuels.

Covenant: The financial health and willingness of a sponsoring employer (i.e. M&S) to support their defined benefit pension scheme.

Credit assets: Investments in debt instruments, such as bonds.

Equities: Securities of shares in companies.

Fiduciary duty: The legal obligation to act in the best interest of another party, such as a pension trustee's responsibility to scheme members.

Fund: A pool of money collected from investors to invest in various assets like stocks, bonds, or property.

Funding level: The ratio of a pension scheme's assets to its liabilities, showing whether it can meet its future obligations.

Illiquid asset: An asset that cannot be quickly or easily sold or exchanged for cash for a value close to its fair value.

Invested assets: The Scheme's investments, excluding LDI and buy-ins, which the Trustee has most impact on and therefore uses to monitor its Carbon Journey Plan.

Investment portfolio: A collection of financial assets, like stocks, bonds, and cash, managed to achieve specific investment goals.

Liabilities: Future pension payments the Scheme is obligated to make.

Liability Driven Investment (LDI): An investment strategy focused on ensuring that a pension scheme's assets grow to meet its future liabilities.

Liquid asset: An asset that can be quickly and easily sold or exchanged for cash for a value close to its fair value.

Longevity: The expected lifespan of pension scheme members, impacting how long pensions will need to be paid.

Mandate: The specific instructions given to an investment manager regarding how to manage a fund or portfolio.

Methodology: The set of rules or processes used to analyse or manage investments.

Net zero: Means that we don't add any more greenhouse gas emissions to the atmosphere than we take out of it.

Private market: Investments in private companies or assets not traded on public stock exchanges.

Proxied data: Estimated or substitute data used when direct information is unavailable.

Real assets: Physical or tangible assets, like real estate or infrastructure, as opposed to financial assets like stocks.

Science Based Targets initiative (SBTi): A global organisation that helps companies set emissions reduction targets in line with climate science.

Secure Income Asset (SIA): An investment that provides stable and predictable income.

Sovereign: Relating to a national government, often used in the context of sovereign debt (bonds issued by governments).

Stewardship: The responsible management and oversight of investments, ensuring they are sustainable and generate long-term value.

Synthetic equity (synthetic investments): Financial instruments that mimic the returns of actual stocks or equity investments, without owning the underlying assets.

Task Force on Climate-Related Financial Disclosures (TCFD) framework: Created to help public companies and other organisations provide information on how they manage climate-related risks and opportunities.

Tonnes of CO₂ equivalent (tCO₂e): A unit for measuring the impact of different greenhouse gases by converting them to the equivalent amount of carbon dioxide.

Triennial valuation: An actuarial assessment of the Scheme's liabilities conducted every three years.

UK Gilts: Bonds issued by the UK government, considered low-risk investments.