Climate disclosures for the year ended 31 March 2026

Magnox Electric Group of the Electricity Supply Pension Scheme

Prepared by: Magnox Electric Group Pension Trustee Company Limited (the “Group Trustee”)
Date: July 2026

Introduction

Climate change is causing extreme weather, affecting crops, and threatening ecosystems. Understanding its impact and the Group's vulnerability to climate risks helps mitigate these risks and seize opportunities. UK regulations require pension schemes with over £1bn in assets to meet climate governance standards and publish annual reports on climate risks. Improved climate reporting enhances decision-making and transparency, increasing accountability and providing valuable information to investors and beneficiaries.

This report is the annual climate disclosure for Magnox Electric Group of the Electricity Supply Pension Scheme ("the Group") for the year ended 31 March 2026, prepared by the Group Trustee in accordance with The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 ("the Regulations") and aligned with the Taskforce for Climate-related Financial Disclosures (TCFD) framework.

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

This report relates to the Group only, although the contents of this report have been shared with the Scheme Trustee to help it produce an equivalent report for the ESPS: The Electricity Supply Pensions Scheme (espspensions.co.uk)

While this report is in relation to the Group, parts of the report do focus on specific segregated sections within the Group ("Sections"). The Group comprises four Sections with total assets of approximately £2.2bn as at 31 March 2025.

Section	Assets (£m)	Percentage of Group's total assets (%)
SLC Section	2,101.2	95.4%
Cavendish Nuclear Section	49.0	2.2%
Atkins Section	44.6	2.0%
NNL Section	8.0	0.4%
Total Group	2,202.8	100.0%

Source: Investment Adviser/Managers. Data as at 31 March 2025. Totals may not sum due to rounding.

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Executive summary

This report explains what the Group Trustee has done to understand how climate change might affect the Group. The Group Trustee has worked closely with its Investment Adviser to identify the climate-related risks and opportunities faced by the Group, and to understand ways the Group Trustee can manage and mitigate the risks and access the opportunities.

Effective Governance and Risk Management for Climate Resilience

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

Strategy update

The Group Trustee's qualitative risk analysis found that the asset classes the Group invests in are somewhat affected by climate-related risks, and these risks are expected to grow over time. The Group Trustee also found several investment opportunities across different asset classes. Pages 4-8.

The Group Trustee reviewed its climate scenario analysis, reported in 2024, and has decided to not refresh the analysis given there have been no material changes to the investment strategy or scenario modelling techniques. The results of the analysis indicate that the Group has a reasonable degree of resilience to climate-related risks. Pages 9-10.

Metrics & Target update[1]

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

Metrics Summary

Total reported emissions[1]	**Carbon footprint[1]**
Scope 1& 2 54,534 tCO_2e	Scope 1&2 47.0 tCO_2e/£M
Scope 3 419,409 tCO_2e	Scope 3 437.6 tCO_2e/£M

Emissions changes[1]		**Data coverage[1]**	
Scope 1&2	↓	Scope 1&2	87%
Scope 3	↑	Scope 3	72%

[1]excludes emissions for LDI assets.

Whilst, at an overall level, the quality of the data provided by the managers has improved, not all managers were able to provide all the information requested, and some metrics have deteriorated over the period. Further details on pages 11-17.

We hope you enjoy reading this report and understanding more about how we are managing climate-related risks and opportunities within the Group.

Susan Jee

Chair, on behalf of the Group Trustee.

Strategy

Identifying climate-related risks and opportunities

The Group Trustee carries out a qualitative risks and opportunities assessment of the asset classes the Group is invested in. From this the Group Trustee identifies which climate-related risks could have a material impact on the Group. The Group Trustee also identifies suitable climate-related opportunities.

Given the number of asset classes used in the Group, the Group Trustee completed this exercise to the best of its ability. To help the Group Trustee with its assessment, the Group Trustee surveyed its investment managers asked them to rate the climate-related risks and opportunities they believe their fund(s) is(are) exposed to. At the time of writing, one of the property managers for the SLC Section and the diversified growth fund manager for Cavendish Nuclear and NNL Sections, have not been able to provide information for the risk assessment. The Group expects that both managers will be able to provide information next year.

Our investments

The Group comprises four sections with total assets of approximately c£2.2bn as at 31 March 2025. The Group's investment portfolio is diversified across a range of different asset classes as outlined below. Each Section has its own investment strategy to reflect its own unique objectives.

Section	Group's total assets	DGF[1]	Property & Infrastructure	Liquid Credit	Illiquid Credit	LDI[2]	Annuities	Cash
SLC Section	95.4%	-	41.1%	7.5%	12.9%	36.7%	-	1.8%
Cavendish Nuclear Section	2.2%	9.9%	-	20.8%	21.1%	47.1%	-	1.2%
Atkins Section	2.0%	-	-	-	-	36.4%	58.5%	5.2%
NNL Section	0.4%	33.6%	-	-	-	61.1%	-	5.4%

Source: Aon. Asset allocations as at 31 March 2025. Numbers may not sum up due to rounding.
1. Diversified Growth Funds 2. Liability Driven Investment

How the risk assessment works

Risk categories

The analysis divides climate-related risks into two types:

Transition risks are associated with the transition towards a low-carbon economy.

Physical risks are associated with the physical impacts of climate change on companies' operations.

More details can be found in Appendix 02 – Climate risk categories

Ratings

The analysis uses RAG ratings where:

Red denotes a higher level of financial exposure to a risk.

Amber denotes a medium level of financial exposure to a risk.

Green denotes a lower level of financial exposure to a risk.

Time horizons

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

Short-term: 1-3 years

Medium-term: 4-10 years

Long-term: 10+ years

Climate-related risk assessment

Key conclusions

The climate-related risks and opportunities identified are broadly in-line with last year. Diversification across asset classes, sectors and regions is important to manage climate-related physical and transition risks for the Group and the Group continues to have a diversified asset pool.

- Property & Infrastructure and Illiquid Credit have been identified as higher risk areas. The long-term nature of the asset classes increases likelihood of physical climate risks, and the illiquid nature of the asset classes / funds may make it difficult for managers to mitigate transition risks (given assets may have been purchased many years ago).
- DGFs and liquid credit are subject to physical and transition risks, but the funds/portfolios are well diversified, and the managers can adjust positions over time to manage such risks. Both asset classes have therefore been identified as lower-risk areas.
- Annuities and LDI have been identified as low risk given nature of investments (i.e. government or insurance backed).

The Group Trustee is comfortable that the level of climate-related risks within the Group is manageable within its climate risk management framework. The Group Trustee therefore believes that no further mitigation actions and/or changes to the investment strategies of each Section are necessary at this time.

RAG ratings for each asset class can be found in the Appendix 03 – Climate-related risk assessment in detail.

Commentary

The impact assessment broadly incorporates how significant movements in the asset classes noted above would impact the funding level of the Group as a whole, by analysing the relevant climate-risks against the proportion of the Group's assets within each asset class.

The Group Trustee asked 18 asset managers to complete a RAG table. The request did not include BlackRock (cash funds) or JP Morgan (small residual holding) on the basis of materiality. The Group Trustee did not include Canada Life (the Group's insurer for the Atkins Section) because it does not have direct control over the insurer's climate risk management. However, the Group Trustee takes comfort from the insurer's publicly stated net zero commitment, which provides a degree of assurance in this area. Three of the Group's managers were not able to provide information for the climate-related risks and opportunities assessment (Schroders, Chorus and M&G). The Group Trustee expects these managers to complete the RAG table in future years and, with support from its Investment Adviser, will request its completion for the next TCFD report.

Among the managers that provided information, two were identified as particularly noteworthy and are discussed further below.

- PIMCO, held within the Cavendish Nuclear Section, was able to provide a full RAG breakdown of risks affecting the Low Duration Opportunities Fund. However, the manager remains unable to provide a response for the Tactical Opportunities Fund because it does not produce TCFD reporting for this fund. PIMCO has no near-term plans to extend its TCFD reporting to this fund due to the complexity of the strategy, range of underlying sectors, the size and nature of the fund, which makes meaningful climate-related reporting unfeasible. The Group Trustee accepts this limitation and will not take further actions as a result of this engagement, having been reassured by PIMCO's firm level capabilities and its reporting of the Low Duration Opportunities Fund.
- Hayfin, an Illiquid Credit investment manager within the SLC Section, was able to provide a Climate-Related Risk Management Questionnaire, an improvement from last year, but the manager did not provide a risk assessment for the long-term. The manager noted that it has not considered reinvestment for the long-term given that the closed-ended fund the Section is invested is due to fully return capital over the next couple of years.

Climate-related opportunities

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

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

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

Source: Managers

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

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

Assessing the Group managers' climate risk management

The Group Trustee evaluated the Group's investment managers' skills in handling climate-related risks by asking them 10 questions from the Pensions Climate Risk Industry Group. These questions covered their climate management strategies, net zero goals, TCFD reporting, climate scenario analysis, engagement policies, and ability to provide GHG emissions data.

Key conclusions

Overall, the Group Trustee has seen high quality responses to the climate-related risk disclosures from its investment managers. Some of the key highlights include:

- The Group Trustee received responses from all 18 investment managers written to[1].
- Most of the managers' report in-line with TCFD disclosures and have produced a TCFD-aligned report. 16 managers produce a TCFD report (17 last year), with 16 managers committed to providing carbon-related data (17 last year). This has reduced due to a disinvestment from the Group's equity manager. 2 managers, similar to last year, do not report in-line with TCFD disclosures and have not produced a TCFD-aligned report.
- All of the managers outlined that they participate in one or more industry initiatives such as the Net-Zero Asset Manager Initiative ("NZAM"), Climate Action 100+ ("CA100+"), Institutional Investors Group on Climate Change ("IIGCC"), United Nations Principles for Responsible Investment ("UN PRI"), Science Based Targets Initiative ("SBTi") etc.
- 17 managers carry out climate-related scenario analysis (13 last year), a significant improvement from last year. Whilst not all managers carry this out, the Group Trustee was reassured that most managers do incorporate Environmental Social and Governance ("ESG") considerations into their investment processes.

1 Excludes JP Morgan and BlackRock on the grounds of materiality.

- 11 managers have made a formal science-based temperature alignment or a Net-Zero commitment (13 last year). The fall is due to Chorus, one of the Group's Illiquid Credit managers, withdrawing its net zero commitment and, as noted above, disinvestment from the Group's equity manager. In addition, the Group's insurer for the Atkins Section has a net zero commitment.
- The Group Trustee acknowledges the overall strength of the managers' responses, with most managers answering the majority of questions. There has been an improvement in the use of climate scenario analysis among the Group's managers. The question with the lowest response rate related to science-based temperature alignment; however, the Group Trustee recognises that some managers are still working towards these objectives and that science-based temperature targets are primarily aimed at corporate entities, so are not necessarily applicable to all funds.

The Group Trustee is committed to ongoing engagement to ensure compliance with the broader regulatory landscape and expects to see improvements from its managers in following years.

Assessing the Group's resilience to climate change

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

2026 update

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

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

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

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

Key conclusions

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

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

Please see the Appendix 04 – Climate scenarios in detailfor more details.

Covenant Risk

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

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

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

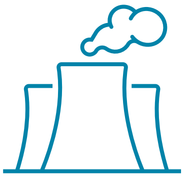
The Group Trustee receives updates from its covenant adviser on an annual basis and its assessment includes an assessment of ESG risks, including climate-related risks. The reviews conducted in 2025 did not note any material climate-related risks in relation to the covenants of each of the Group's sponsoring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

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

Metrics & targets

Our climate metrics

In the first year of TCFD reporting, the Group Trustee selected a set of metrics for annual reporting, as described below. The Group Trustee has reviewed these metrics and considers them to remain appropriate for this year's report.



Total Greenhouse Gas emissions

The total greenhouse gas (GHG) emissions associated with the portfolio. It is an absolute measure of carbon output from the Group's investments and is measured in tonnes of carbon dioxide equivalent (tCO2e).

Carbon footprint

Carbon footprint is an intensity measure of emissions that takes the total GHG emissions and weights it to take account of the size of the investment made. It is measured in tonnes of carbon dioxide equivalent per million pounds invested (tCO2e/£m).

Data Coverage

A measure of the proportion of the portfolio that the Group Trustee has high quality data for (i.e. data which is based on verified, reported, or reasonably estimated emissions, versus that which is unavailable).

This has been selected on the basis that it provides a consistent and comparable measure of the level of confidence in the data.

Binary target measurement

A metric which shows how much of the Group's assets are aligned with a climate change goal of limiting the increase in the global average temperature to 1.5˚C above pre-industrial levels.

It is measured as the percentage of portfolio investments with a declared net-zero or Paris-aligned target, or are already net-zero or Paris-aligned. The Group Trustee does not estimate or interpolate missing data. The figures reported reflect only those proportions of each asset class for which a net zero or Paris-aligned target has been formally confirmed.

The Carbon metrics – Section level

The table below shows a more detailed breakdown of the climate-related metrics from each Section of the Group (where available).

			Data Coverage (%)		Total GHG emissions (tCO2e)		Carbon Footprint		Portion of portfolio SBTi aligned
Section	**Allocation (%)***	**Year**	**Scope 1&2**	**Scope 3**	**Scope 1&2**	**Scope 3**	**Scope 1&2**	**Scope 3**	
SLC Section	95.9%	2025	88.2%	74.2%	50,595	415,460	44.8	437.5	25.5%
	95.9%	2024	77.8%	52.0%	62,083	158,040	56.9	216.5	33.6%
Cavendish Nuclear Section	1.8%	2025	29.9%	29.5%	444	3,360	59.8	458.2	12.8%
	1.7%	2024	33.2%	32.7%	194	1,484	23.8	184.8	26.2%
Atkins Section	2.1%	2025	86.5%	0.0%	3,430	-	152.8	-	50.2%
	2.2%	2024	99.7%	0.0%	2,491	-	85.9	-	0.0%
NNL Section	0.2%	2025	56.8%	54.6%	65	590	43.1	409.1	29.4%
	0.2%	2024	46.6%	46.1%	41	363	35.0	315.07	33.3%
Total Group (excl. LDI)	**100.0%**	**2025**	**87.1%**	**71.9%**	**54,534**	**419,409**	**47.0**	**437.6**	**25.7%**
	100.0%	**2024**	**77.2%**	**50.5%**	**64,800**	**159,887**	**57.4**	**216.4**	**32.7%**
LDI	100.0%	2025	100.0%	-	Physical: 107,991	-	135.6	-	-
					Synthetic: 247,987	-			
	100%	2024	100.0%	-	Physical:136,698	-	141.2	-	-
					Synthetic: 221,760				

Source: Investment Advisers/Managers. Figures may not sum due to rounding.
Data as at 31 March 2025 or latest available. Excludes cash and funds deemed immaterial or not applicable for carbon analysis.
*Allocation excludes holdings in LDI.
Commentary on material movements in the metrics in the table above is provided on page 14.
Scope 3 is not applicable to LDI, as it contains primarily UK sovereign bonds and scope 3 emissions are not yet widely available for UK sovereign bonds.
Emissions associated with LDI includes both physical emissions (emissions associated with physical assets that are held within the portfolio) and synthetic emissions (emissions associated with the notional exposure to sovereign bonds gained through derivatives).
See Appendix 05 – Climate metrics in detail for further information.

LDI is calculated using the following sources:

- UK national emissions as at 31 December 2024 from the Emissions Database for Global Atmospheric Research.
- PPP-adjusted GDP as at 31 December 2024 from the Organization for Economic Cooperation and Development.
- For the LDI assets, carbon metrics are shown solely in relation to the Group's physical and repurchase (repo) gilt holdings.

The Carbon metrics – Asset class level

The table below shows a more detailed breakdown of the climate-related metrics from each asset class of the Group (where available).

			Data Coverage (%)		Total GHG emissions (tCO2e)		Carbon Footprint		Portion of portfolio SBTi aligned
Section	**Allocation (%)**	**Year**	**Scope 1&2**	**Scope 3**	**Scope 1&2**	**Scope 3**	**Scope 1&2**	**Scope 3**	
Equities	0.0%	2025	-	-	-	-	-	-	-
	0.3%	*2024*	*100.0%*	*97.8%*	*23*	*583*	*4.9*	*129.7*	*93.5%*
Diversified Growth Funds	0.6%	2025	*56.8%*	*54.6%*	*181*	*1,648*	*43.1*	*409.1*	*29.4%*
	0.6%	*2024*	*38.8%*	*38.5%*	*122*	*1,090*	*35.0*	*315.0*	*27.7%*
Property & Infrastructure	64.2%	2025	*95.5%*	*75.1%*	*20,771*	*101,606*	*25.4*	*158.2*	*28.7%*
	60.0%	*2024*	*88.6%*	*50.0%*	*30,831*	*26,128*	*39.8*	*59.8*	*42.5%*
Liquid Credit	12.4%	2025	91.4%	91.4%	15,183	65,271	100.2	430.6	42.5%
	11.6%	*2024*	75.7%	75.7%	10,186	47,898	*79.2*	*372.6*	57.9%
Illiquid Credit	20.9%	2025	59.2%	57.7%	14,969	250,884	90.9	1,563.5	4.2%
	25.8%	*2024*	*50.3%*	*43.8%*	*21,147*	*84,188*	*111.4*	*509.2*	*0.7%*
Annuities	1.9%	2025	86.5%	0.0%	3,430	-	152.8	-	50.2%
	2.0%	*2024*	*99.7%*	*0.0%*	*2,490*	-	*85.9*	-	*0.0%*
Total Group (exc. LDI)	**100.0%**	**2025**	***87.1%***	***71.9%***	***54,534***	***419,409***	***47.0***	***437.6***	***25.7%***
	100.0%	***2024***	***77.2%***	***50.5%***	***64,800***	***159,887***	***57.4***	***216.4***	***32.7%***

Source: Investment Advisers/Managers. Figures may not sum due to rounding.
Data as at 31 March 2025 or latest available. Excludes cash and funds deemed immaterial or not applicable for carbon analysis.
Commentary on material movements in the metrics in the table above is provided on page 14.
Scope 3 is not applicable to LDI, as it contains primarily UK sovereign bonds and scope 3 emissions are not yet widely available for UK sovereign bonds.
Emissions associated with LDI includes both physical emissions (emissions associated with physical assets that are held within the portfolio) and synthetic emissions (emissions associated with the notional exposure to sovereign bonds gained through derivatives).
See Appendix 05 – Climate metrics in detail for further information.

LDI is calculated using the following sources:

- UK national emissions as at 31 December 2024 from the Emissions Database for Global Atmospheric Research.
- PPP-adjusted GDP as at 31 December 2024 from the Organization for Economic Cooperation and Development.
- For the LDI assets, carbon metrics are shown solely in relation to the Group's physical and repurchase (repo) gilt holdings.

Commentary

Aggregated Scope 1 and 2 emissions decreased by c.16% over the year, while data coverage increased by c.10%, suggesting that the Group's investment managers were able to provide more information on the Group's assets. The Group's Scope 1 & 2 carbon footprint also decreased by c. 18%, implying that the reduction in aggregate emissions is due to changes within the portfolio rather than a fall in the Group's asset value.

Scope 3 emissions increased significantly over the year. Scope 3 emissions are estimated and year-on-year increases are expected as underlying data quality and coverage improve. Data coverage for Scope 3 emissions increased by c. 20% and the overall level of Scope 3 emissions increased by c. 100%, although considerable challenges across the industry remain with reporting Scope 3 emissions (for example, potential double counting of upstream and downstream emissions and inconsistent methodology and assumptions across managers/asset classes). The Group Trustee therefore remains focused on reviewing Scope 1 & 2 emissions.

There were several changes within the underlying asset classes.

- Property & Infrastructure Scope 1 & 2 emissions decreased, predominantly due to a fall in emissions reported by IFM and Infrared. Scope 3 emissions increased as a result of higher data coverage and IFM and L&G providing Scope 3 data this year.
- Liquid Credit Scope 1, 2 & 3 emissions increased. This is attributable to an increase in the underlying data shared by Robeco for the Buy and Maintain credit portfolio. Additionally, a new investment, the Robeco Global Credit Fund, in the Cavendish Nuclear Section also contributed to higher emissions compared to last year.
- Illiquid Credit Scope 1 and 2 emissions decreased. This was attributable to a fall in emissions reported by most of the Illiquid Credit managers as the funds mature and return capital. Additionally, BGO did not provide complete data at the time of writing, which led to a further decrease in reported emissions. Scope 3 emissions increased due to higher Scope 3 emissions reported by Chorus and Hayfin. Hayfin reported higher Scope 3 emissions from a single underlying borrower, which now represents the vast majority of the fund's Scope 3 emissions, and Chorus Fund IV's emissions changed mainly due to amortisations and redemptions of investments that had previously been based on proxy (estimated) data.

Scope 3 reporting is still limited across all asset classes apart from Liquid Credit, despite an overall increase compared to the previous report. This increase is encouraging and is in line with the Group Trustee's expectation that reporting is likely to improve as industry standards develop and evolve. All asset classes, except for the Annuities, provided at least some assessment of Scope 3 emissions, with Canada Life (the Group's Annuity provider within the Atkins Section) advising that it does not report Scope 3 emissions data.

The proportion of managers/funds with SBTi-aligned targets has decreased since last year. The Group experienced a fall in the underlying proportion of assets with SBTi-aligned targets for Liquid Credit and Property & Infrastructure, driven by Robeco and IFM reporting a decrease in this metric, and by Invesco not reporting this year. All underlying managers were followed up by the Group Trustee's Investment Adviser where they did not provide a SBTi metric in the first instance. The Group's annuity provider reported SBTi-aligned targets for the first time.

The emissions for LDI have decreased compared to the previous report. This is due to a reduction in the carbon footprint calculated from the data provided by OCIO and EDGAR. The Group Trustee has summarised this methodology under the section "Notes on the metrics calculations".

Targets

Climate-related targets help us track our efforts to manage the Group's climate change risk exposure.

In the first year of reporting, the Group Trustee set a target to improve Data Coverage. Without meaningful data from the investment managers, it is very hard for the Group Trustee to measure its climate-risk exposure.

Review of target

Each year, the Group Trustee reviews the suitability of its targets. Based on the data collected and metrics calculated this year, the Group Trustee considers the 90% Data Coverage target for Scope 1 and 2 emissions to remain appropriate, as it has not yet been achieved. In 2023, the Group Trustee set an intermediate target to encourage the investment managers of the Group to improve the Data Quality over the next 3 years in order to ensure any subsequent targets provide a material benefit to the climate-related risks and opportunities faced by the Group. Given that the three-year target period will end during this Scheme year and the 90% data coverage target has not yet been met, the Group Trustee has decided to extend this target by a further year.

Our progress towards the target

The table below shows the Data Coverage (Scope 1 & 2) metrics for last year and this year.

Data Coverage target : 90% (Scope 1 & 2)

Asset class	Target	Actual Coverage 2025	Actual Coverage 2024	Actual Coverage 2023
Equity	c. 100.0%	N/A	100.0%	100.0%
DGF	c. 100.0%[1]	56.8%	38.8%	49.8%
Property & Infrastructure	c. 65.0%	95.5%	88.6%	38.4%
Liquid Credit	c. 100.0%[1]	91.4%	75.7%	93.9%
Illiquid Credit	c. 50%	59.2%	50.3%	38.6%
Annuities	c. 100.0%	86.5%	99.7%	95.0%
Total	**c. 90.0%**	**87.1%**	**77.2%**	**46.2%**

Source: Investment managers. Note: Data Coverage for LDI is 100% given latest methodology used to calculate, we have therefore removed this asset class.
(1) Whilst the Group Trustee has agreed that 100% Data Coverage may not realistically be achievable for the Group's DGF, Liquid Credit and Annuity investments, the Group Trustee has agreed to aspire for Data Coverage at that level.

The Group's performance against the Data Coverage target set is monitored and reported on every year by collecting and evaluating metrics data from investment managers across the portfolio. This data is then assessed and benchmarked against the previous years' Data Coverage to determine progress towards the target set. Over time, this will show the Group's progress.

Overall, there has been an improvement in Data Coverage since last year (c10% increase). At an asset class level, all asset classes saw an improvement in Data Coverage except Annuities.

While the current target is based on Scope 1 & 2 emissions, the Group Trustee has an aspiration to set a target based on Scope 3 emissions in the future. Scope 3 reporting across all asset classes is expected to be weaker due to the difficulty to obtain and calculate Scope 3 carbon emissions. Whilst Liquid Credit has good Scope 3 Data Coverage for this year of reporting (above 75%), the Group's other asset classes have relatively poor coverage. The Group Trustee expects reporting to improve in the future years, across all asset classes, in line with industry standards, and will consider setting a Scope 3 emissions target once the Scope 3 data becomes more reliable and complete.

Steps we are taking to reach the target

The Group Trustee expects that data availability and reporting will improve through time in response to regulatory requirements and industry initiatives. However, the Group Trustee, supported by its Investment Adviser, plans to request continued improved data availability and coverage for funds within the DGF and Illiquid Credit asset classes over the next reporting year.

The Group Trustee has not spent time or resource for feedback on managers as year-on-year improvement in the responses from the managers has been seen. If this is not the case going forwards, the Group Trustee may choose to engage. Over the scheme year, the Group Trustee did not engage over and above its regular monitoring.

Appendices

Appendix 01 - Climate governance and risk management framework

Climate governance

The Group Trustee is responsible for overseeing all strategic matters related to the Group. This includes the governance and risk management frameworks relating to climate-related risks and opportunities.

The Group Trustee has discussed and agreed its climate-related beliefs and overarching approach to managing climate change risk. These are set out in the Statement of Investment Principles ("SIP") for each Section, which are reviewed and (re)approved every three years (or sooner in the event of a significant change in investment policy) by the Group Trustee.

Climate Mission Statement

The Group Trustee believes that the risks associated with climate change could have a materially detrimental impact on the Group's investment returns within the timeframe that the Group Trustee is concerned about. Because of this risk, the Group Trustee seeks to integrate assessments of climate change risk into its investment risk management and strategy.

Furthermore, the Group Trustee believes that climate-related factors are likely to create investment opportunities. Where possible, and where appropriately aligned with the Group Trustee's strategic objectives and fiduciary duty, the Group Trustee will seek to capture such opportunities through its investment portfolio.

Role of the Group Trustee

Given its importance, the Group Trustee has not identified one individual to specifically be responsible for the Group Trustee's response to climate risks and opportunities. Rather, the Trustee Directors of the Group Trustee collectively take responsibility for setting the Group's climate change risk framework.

Climate-related risks and opportunities are integrated into the Group Trustee's risk management framework so the Group Trustee can maintain oversight of the climate-related risks and opportunities that are relevant to the Group.

In summary, the Group Trustee believes that:

- The risks associated with climate change can have a materially detrimental impact on the Group's investment returns within the timeframe that the Group Trustee is concerned about and, as such, the Group Trustee seeks to integrate assessments of climate change risk into its investment decisions.
- Climate-related factors may create investment opportunities. Where possible, and appropriately aligned with the Group Trustee's strategic objectives and fiduciary duty, the Group Trustee will proactively seek to capture such opportunities through its investment portfolio.
- The most appropriate time horizons for the Group are as follows:
  - Short-term : 1-3 years
  - Medium-term : 4-10 years
  - Long-term: beyond 10 years

Climate-related risks and opportunities are integrated into the Group's risk management framework so the Group Trustee can maintain oversight of the climate-related risks and opportunities that are relevant to the Group.

The Group Trustee also receives training on an annual basis (or more frequently if required) on climate-related issues as part of its TCFD reporting process, to ensure that it has appropriate degree of knowledge and understanding on these issues to support good decision-making. An update to climate related issues was provided as part of the production of the TCFD report. No material changes have been made to the policy off the back of this update.

The Group Trustee also annually monitors and reviews progress against the Group's climate change risk management approach.

The structure of the Group is presented in a diagram on page 21.

2026 training update

Over the year the Group Trustee received updated information from its Investment Adviser in relation to:

- Latest developments in Responsible Investment, including managing climate-related risks;
- The Group's exposure to climate-related risks and opportunities; and
- The Group's carbon emissions, including Scope 3.

Role of the Investment Committee ("IC")

The Group Trustee has delegated day-to-day oversight of the Group's climate change risk management framework to the Investment Committee ("IC"), which is a sub-committee of the Group Trustee. All Trustee Directors of the Group Trustee are permitted to attend meetings of the IC.

The IC seeks to ensure that any investment decisions appropriately consider climate-related risks and opportunities within the context of the Group's wider risk and return requirements and are consistent with the climate change policy as set out in the SIP.

The IC annually monitors and reviews progress against the Group's climate change risk management approach. The IC will keep the Group Trustee apprised of any material climate-related developments through regular updates as and when required.

The key activities undertaken by the IC, with the support of our advisers, are:

- To ensure the investment strategy or any implementation proposals consider the impact of climate risks and opportunities.
- To seek investment opportunities which enhance the ESG and climate change focus of the Group's portfolio.
- To engage with the Group's investment managers to understand how climate-related risks are considered in their investment approach.
- To work with the investment managers to disclose relevant climate-related metrics as set out in the TCFD recommendations.
- To ensure stewardship activities are being carried out appropriately by the investment managers on the Group's behalf (reviewed as part of the annual Implementation Statement, which provides examples of voting and engagement, and by responses to the four questions asked by the IC as part of each Manager Day (see Strategy: 2026 update above)).
- To monitor and review progress against the Group's risk management framework annually.

While this report is produced on an annual basis, the IC meets at least once a quarter with its Investment Adviser and some of its investment managers to discuss investment matters, including climate-related risks and opportunities. The IC relies on information from its Investment Adviser and investment managers to progress its activities.

The Group Trustee receives quarterly updates from the IC to ensure that tasks delegated to IC are being completed in line with expectations and on time.

2026 update on Investment Committee

Given a framework is now in place to better understand the Group's climate-related risks and opportunities, the Group Trustee noted the efficiency of producing this report compared to its previous disclosures. The Group Trustee broadly expects the time and resource dedicated to producing the TCFD report to continue to reduce in future years, however, acknowledges there may be instances, for example the next TCFD report, which will require additional work as the Group will need to re-do climate change scenario analysis.

The Group Trustee was pleased with the work completed by the IC over the year and no material changes to this report were made by the Group Trustee as part of its review.

Working with advisers

The Group Trustee expects its advisers and investment managers to bring important climate-related issues and developments to its attention in a timely manner. The Group Trustee expects its advisers and investment managers to have the appropriate knowledge on climate-related matters and will seek to question or challenge information received from third-parties for reasonableness in line with its fiduciary duties. Such questioning or challenging will be recorded in the minutes of meetings.

The Group Trustee will review the support advisers provide on climate-related issues as part of its wider review of the quality of its advisers' provision of advice and assess the credentials and competence of advisers to provide such advice. This is performed on an annual basis for the Investment Adviser and on an ad hoc basis for the Scheme Actuary and Covenant adviser (typically every 3 years).

Investment adviser – The Group Trustee's Investment Adviser, Aon Investments Limited ("Aon"), provides strategic and practical support to the Group Trustee and the IC in respect of the management of climate-related risks and opportunities and ensuring compliance with the recommendations set out by the TCFD. This includes provision of regular training and updates on climate-related issues and climate change scenario modelling to enable the IC and Group Trustee to assess the Group's exposure to climate-related risks and the attractiveness of any potential opportunities.

The Group Trustee has noted Aon's qualifications and expertise in this area, including its participation in cross-industry initiatives such as the Investment Consultants' Sustainability Working Group ("ICSWG") and Cambridge Institute for Sustainability Leadership ("CISL").

The Group Trustee will monitor the quality of climate-related support and advice from its Investment Adviser as part of an annual review against the Investment Adviser's objectives.

Scheme Actuary - The Group's Scheme Actuary will help the Group Trustee assess the potential impact of climate change risk on the Group's funding assumptions.

As part of its assessment of its advisers' climate-related competence, the Group Trustee will seek to understand how climate-related factors affect the funding assumptions used for the Group, and which sources of expertise the Group Actuary has used in determining the appropriate assumptions to use.

Covenant adviser - The Group Trustee's covenant adviser will help the Group Trustee understand the potential impact of climate change risk on the sponsor covenant of the participating (AtkinsRéalis UK Limited, Cavendish Nuclear Limited, National Nuclear Laboratory Limited) and principal (Nuclear Restoration Services Limited) employers of the Group.

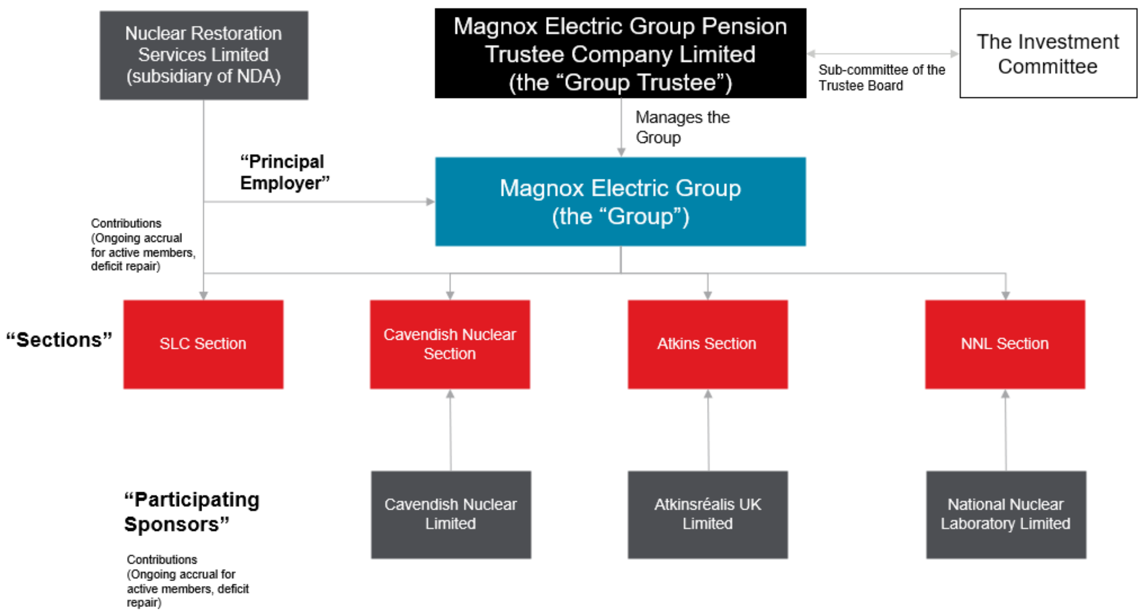
As part of covenant advice sought, the Group Trustee will seek to understand how climate-related factors could affect the sponsoring employers' strategies. In doing so, the Group Trustee will seek information from the covenant adviser regarding its credentials in assessing climate-related factors.

2026 update on advisers

The Group Trustee reviewed its Investment Adviser over the year and was comfortable with the level of support provided on climate-related issues.

The Group Trustee also noted that its Investment Adviser is a signature of the Principles for Responsible Investment ("PRI") and the UK Stewardship Code, offering some external credibility to its credentials and competence.

The diagram below shows the structure of the Group.



The Group Trustee and Investment Committee share a range of advisers which are omitted from the diagram for simplicity.

Climate risk management framework

The climate risk management framework is set out in the tables below. It is part of the Group's wider risk management and is how the Group Trustee monitor the most significant risks to the Group.

Governance

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Approve climate risk management framework (this document)	Group Trustee	IC	Ad-hoc
Receive training on climate-related issues	Group Trustee	Advisers	Annual
Review adviser objectives to ensure advisers have appropriate climate capability, and bring important, relevant and timely climate-related issues to the Group Trustee's attention	Group Trustee	Advisers	Investment Advisers: Annual; Scheme Actuary: Triennial; Other Advisers: At tender
Ensure investment proposals explicitly consider the impact of climate risks and opportunities and seek investment opportunities.	IC	Investment Adviser	Ongoing
Ensure that actuarial and covenant advice adequately incorporate climate-related risk factors where they are relevant and material.	IC / Group Trustee	Scheme Actuary / Covenant Adviser	Triennial
Engage with the investment managers to understand how climate risks are considered in their investment approach, and stewardship activities are being undertaken appropriately.	IC	Investment Adviser / Investment managers	Annual

2026 update

The Group Trustee monitors the above activities as part of its climate-related risks and opportunities management. The Group Trustee has delegated the majority of the day-to-day responsibilities to the IC. Details of the training the Group Trustee has received are set out in the Governance section within the report.

The Group Trustee continues to monitor the progress of the IC, receiving regular updates from the IC and querying information as and when required.

The Group Trustee met regularly with its investment adviser and investment managers, receiving updates on stewardship, responsible investment and climate-related matters. Over the reporting year, the Group Trustee reviewed evidence of engagement activity undertaken by its investment managers across a range of environmental, social and governance issues, including climate change and natural resource use.

Strategy

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Undertake quantitative scenario analysis to understand the impact of climate-related risks	IC	Investment Adviser	At least triennial, with an annual review
Identify the climate-related risks and opportunities for investment & funding strategy and assess their likelihood and impact.	IC	Advisers	Annual

2026 update

Climate-related risks and opportunities are included in the Group's wider risk management framework, which is overseen by the IC on an annual basis. The IC refreshed its risk and opportunities analysis, asking investment managers for details on how these risks are assessed (using the Pensions Climate Risk Industry Group ("PCRIG") Due Diligence Questionnaire and a Magnox tailored RAG Due Diligence Questionnaire).

Alongside this, the Group Trustee has reviewed the appropriateness of the climate change scenario analysis carried out within the Group's previous TCFD disclosures and decided not to refresh the analysis, given there had been no material changes to the investment strategy, and no material changes to the scenarios. The analysis will be re-run next year with new membership data and assumptions from the 2025 actuarial valuation.

Over the year, as part of its manager monitoring programme, the IC trialled asking managers four questions:

1. How are ESG matters considered as part of the investment process?
2. What do you think are the most financially material ESG risks to our portfolio and why?
3. How has the portfolio evolved over the last year, and has the ESG focus of the portfolio changed significantly?
4. Has your approach to ESG added value, and how can you demonstrate that?

As part of this process, one of the illiquid credit managers provided three examples of how they integrated ESG considerations, including climate risk, into their underwriting process over the last year. This was one of many examples shared by managers during the IC's bi-annual manager days. The IC agreed that these questions support fair comparability across managers and decided to retain them as part of the ongoing manager monitoring programme.

Risk management

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Consider the prioritisation of those climate-related risks, and the management of the most significant in terms of potential loss and likelihood.	IC	Advisers	Annual
Include consideration of climate-related risks in the Group's other risk processes and documents, such as the risk register and the SIP	IC	Advisers	Annual
Include consideration of climate-related risks in the Group's other risk processes and documents, such as the risk register and the SIP	Group Trustee	Covenant Advisors	Triennial

2026 update

The Group Trustee has processes in place for identifying and assessing climate-related risks as part of the annual TCFD Process. Climate risk management is integrated into the ongoing risk management activities of the Group Trustee via the Group's climate risk management plan.

The Group Trustee delegates responsibility to the IC to review the underlying investment managers and how ESG is integrated within their decision-making processes, including climate change.

Metrics and Targets

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Obtain data for metrics	IC	Investment Adviser / investment managers	Annual
Review continued appropriateness of metrics	IC	Investment Adviser	Annual

2026 update

The Group Trustee, supported by its Investment Adviser, collects metrics data on an annual basis, in order to understand the current state of the portfolio regarding its emissions, data coverage and portfolio alignment metric. This data is evaluated to produce a climate-related target. Metrics have been collected in line with industry practice.

In addition, the Group Trustee has reviewed its target, which was set in the first year's TCFD report, and considered whether this remains appropriate for the Group. More details can be found in the Metrics and Targets section of the report.

Appendix 02 – Climate risk categories

Climate-related risks are categorised into physical and transition risks. Below are examples of transition and physical risks.

Transition risks

Transition risks relate to how well an organisation can adjust to reducing greenhouse gas emissions and switching to renewable energy. These risks include four main areas: policy and legal issues, technological changes, market shifts, and reputation concerns.

Policy and legal

Examples
Increased pricing of GHG emissions
Enhanced emissions-reporting obligations
Regulation of existing products and services

Potential financial impacts
Increased operating costs (e.g. higher compliance costs, increased insurance premiums)
Write-offs, asset impairment and early retirement of existing assets due to policy changes

Technology

Examples
Cost to transition to lower emissions technology
Unsuccessful investments in new technologies

Potential financial impacts
Write-offs and early retirement of existing assets
Capital investments in technology development
Costs to adopt new practices and processes

Market

Examples
Changing customer behaviour
Uncertainty in market signals
Increased cost of raw materials

Potential financial impacts
Reduced demand for goods and services due to shift in consumer preferences.
Abrupt and unexpected increases in energy costs.
Re-pricing of assets (e.g., fossil fuel reserves, land valuations, securities valuations).

Reputational

Examples
Stigmatisation of sector
Increased stakeholder concern or negative stakeholder feedback

Potential financial impacts
Reduced revenue from decreased demand for goods and services.
Reduced revenue from decreased production capacity

Physical Risks

Physical risks are the physical effects of climate change on a company's operations. They impact how well a company can function due to climate disruptions. These risks are divided into acute risks, which are sudden extreme climate events, and chronic risks, which are long-term climate trends.

Acute

Examples
Extreme heat
Extreme rainfall
Floods
Droughts

Chronic

Examples
Water stress
Sea level rises
Land degradation
Variability in temperature

Appendix 03 – Climate-related risk assessment in detail

The following table summarises the transition and physical risks for the asset classes within each Section in which the Group is invested in.

		SLC Section			Cavendish Nuclear Section		NNL Section	Atkins Section	All Sections	
	Asset class / Category	Property & Infrastructure	Illiquid Credit	Liquid Credit	DGF	Liquid Credit	DGF	Annuities	LDI	Covenant
Physical risks	Short-term	Low	Low to Medium	Low	Not provided	Low	Not provided	Low	Low	Low
	Medium-term	Low to Medium	Low to Medium	Low	Not provided	Low	Not provided	Low	Low	Low
	Long-term	Low to Medium	Low to High	Medium	Not provided	Medium	Not provided	Low	Low	Low
Transition risks	Short-term	Low to Medium	Low to Medium	Low to Medium	Not provided	Low	Not provided	Low	Low	Low
	Medium-term	Low to High	Medium to High	Low to Medium	Not provided	Low to Medium	Not provided	Low	Low	Low
	Long-term	Medium to High	Medium to High	Low to Medium	Not provided	Low to High	Not provided	Low	Low	Low
	Impact on Group	High	Medium	Low	Low	Low	Low	Very low	Low	Low

Source: Investment Adviser/Managers as at 31 March 2025. Asset Classes / categories have been assessed separately for each Section but collated for presentational purposes. Cash & cash equivalents are excluded due to the lack of relevance of climate risk for this asset class.

Appendix 04 – Climate scenarios in detail

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

Climate scenarios

Base Case

Emission reductions start now and continue in a measured way in line with the objectives of the Paris Agreement and the UK government's legally binding commitment to reduce emissions in the UK to net-zero by 2050.

No transition

Considers the impact of climate change if no further action is taken to reduce greenhouse gas ("GHG") emissions leading to significant global warming.

Disorderly transition

Explores the impact if limited action is taken and insufficient consideration is given to sustainable long-term policies to manage global warming effectively.

	Base Case	No transition	Disorderly transition
Temperature rise by 2100	**2°C – 2.5°C**	**+4°C**	**<3°C**
Reach net-zero by	2050	After 2050, if at all	After 2050
Carbon price 2030	$80	$40	$65
Carbon price 2050	$140	$50	$340
Environmental regulation rollout		None	Late and Aggressive

Abrupt Transition

Explores the impact of delayed action on climate change for five years with governments eventually forced to address greenhouse gas emissions due to increasing extreme weather events..

Orderly transition

Considers the impact of immediate and coordinated action to tackle climate change using carbon taxes and environmental regulation.

Smooth transition

Shows how rapid advancement of green technology, private innovation and tiered environmental regulation and greenhouse gas taxes could achieve a smooth transition to a low carbon world.

	Abrupt Transition	Orderly transition	Smooth transition
Temperature rise by 2100	**1.5°C – 2°C**	**1.3°C - 2°C**	**<1.5°C**
Reach net-zero by	2050	After 2050, if at all	After 2050
Carbon price 2030	$135	$100	$80
Carbon price 2050	$280	$215	$165
Environmental regulation rollout	Aggressive	Coordinated	High coordination

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

Impact on the Funding level

Impact Assessment

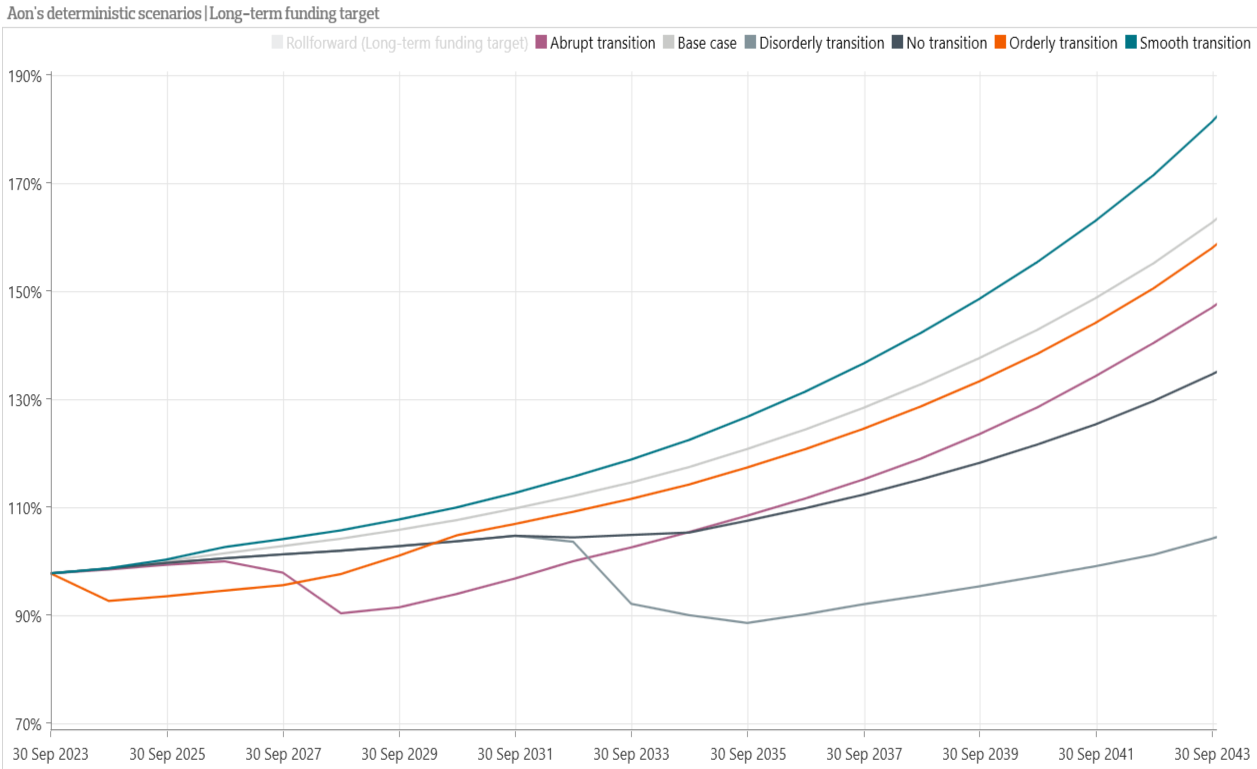
The Group Trustee has undertaken the climate scenario analysis based on the SLC Section's strategic allocation which is outlined below:

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

Data as at 30 September 2023.

The outcome of the analysis from the impact assessment is set out in the chart below, and the subsequent narrative.

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



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

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

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

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

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

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

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

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

The table below describes each climate scenarios and the impact on the Group over the short-, medium- and long-term time horizons.

Base case Temperature rise +1.5°C-2.4°C Reach net zero 2050 Uncoordinated environmental regulation	**Summary of the Scenario** The base case is based on Aon's Capital Market Assumptions which consider what is currently priced into the market. This includes climate change related impact. In the base case, action is taken to tackle climate change, but the approach is fragmented. The transition to a low carbon economy is expected to happen in a slow but orderly fashion.	**Impact to the Group** The funding level gently increases, with accelerating over time.
Disorderly Scenario Temperature rise <3°C Reach net-zero After 2050 Environmental regulation Late and Aggressive	**Summary of the Scenario** **In the short term:** Insufficient consideration is given to long-term policies and there is no action taken to combat climate change. **In the medium term:** Late but coordinated action is taken to tackle climate change. The late timing means it is less effective and more costly. Adverse impacts from climate change leads to poor performance of growth assets. **In the long term:** After the costly implementation to tackle climate change and the resulting drag on risky assets, the transition to clean technologies and green regulation begins to boost economic growth when considering the very long-term. However, the late and disorderly climate transition means that physical climate risks remain prominent over the very long-term.	**Impact to the Group** **In the short term:** There is no impact on the Group's funding level, as it is expected to follow the base case. **In the medium term:** There continues to be little impact on the Group's funding level, however as time passes the funding level starts to lag behind the base case. **In the long term:** In the long-term, this scenario has the worst impact on the Group's funding level. The funding level experiences a sudden fall after 10 years. Whilst the funding level starts to slowly recover by the end of the 20-year modelling period, the Group's funding level is still materially worse off relative to the base case and all other scenarios.
Orderly Scenario Temperature rise 1.3°C – 2°C Reach net-zero 2050	**Summary of the Scenario** **In the short term:** Immediate coordinated global action is taken to tackle climate change. Growth assets perform poorly.	**Impact to the Group** **In the short term:** In the short-term, this scenario has the worst impact on the Group's funding level. The Group suffers a deterioration in its funding level, dropping below the base case.

Environmental regulation Coordinated	**In the medium term:** The rapid transition to clean technologies and green regulation begins to boost economic growth. **In the long term:** The rapid transition to clean technologies and green regulation begins to boost economic growth. This represents the fastest transition to a green economy, combined with limited physical impacts from climate change despite the large initial transition cost.	**In the medium term:** The funding position begins to recover following the initial fall in funding and starts to catch up with the base case. **In the long term:** The funding level continues to rise but never catches up with the base case over the 20-year modelling period.
No Transition Scenario Temperature rise +4°C Reach net-zero After 2050, if at all Environmental regulation None	**Summary of the Scenario** **In the short term:** No action is taken to combat climate change. **In the medium term:** No action is taken to combat climate change. **In the long term:** Climate change headwinds grow and act as a drag on economic growth and risk asset returns. Impacts from physical risks become more severe and irreversible by 2100.	**Impact to the Group** **In the short term:** There is no initial risk to the Group, the funding level is expected to broadly follow the base case. **In the medium term:** There continues to be little impact on the Group's funding level, however as time passes the funding level starts to lag behind the base case. **In the long term:** The funding level begins to lag the other scenarios and is relatively worse off to the base case and other scenarios, but still remains in a surplus.
Abrupt Scenario Temperature rise 1.5°C – 2°C Reach net-zero 2050 Environmental regulation Aggressive	**Summary of the Scenario** **In the short term:** Despite growing public awareness, material action is not undertaken to combat climate change. **In the medium term:** Increasing effects of extreme weather lead to a rapid introduction of policies to tackle climate change. The delayed action leads to higher costs to tackle climate change and risky assets perform poorly as a result. The higher costs are the result for the economy being forced to transition away from fossil fuels. **In the long term:**	**Impact to the Group** **In the short term:** In the short-term, this scenario has the second- worst impact on the Group's funding level. The funding level experiences a sudden drop before recovering in the medium-term. **In the medium term:** The funding position begins to recover following the initial fall in funding, with the Group now remaining back in surplus. **In the long term:**

	Following rapid action in the medium-term, the longer-term benefits from tackling climate change lead to higher growth.	The funding level continues to rise but never catches up to the base case over the 20-year modelling period.
Smooth transition Temperature rise <1.5°C Reach net-zero 2045 Environmental regulation High coordination	**Summary of the Scenario** **In the short term:** Collective and coordinated action in the short-term, despite initial costs of funding the structural costs to transition the economy, leads to innovation and green technology development which boosts growth. **In the medium term:** The rapid technological advancement combined with government actions drives a smooth transition to a low carbon economy and enjoys growth. **In the long term:** The rapid technological advancement combined with government actions drives a smooth transition to a low carbon economy. Risk assets perform well.	**Impact to the Group** **In the short term:** There is no impact on the Group's funding level, as it is expected to follow the base case. **In the medium term:** There continues to be no impact on the Group's funding level as it continues to rise and even rises above the base case. **In the long term:** The funding level rises above the base case, this is the best outcome from all the scenarios shown in the long-term.

Source: Aon. Effective date of the impact assessment is 30 September 2023

Modelling limitations

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

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

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

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

Modelling assumptions

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

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

I. It models the full yield curve as this allows for an accurate treatment of the liabilities and realistic modelling of the future distribution of interest rates and inflation. It also allows the Group

Trustee to truly assess the sensitivities of the assets and liabilities to changes in interest and inflation rates.

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

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

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

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

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

Appendix 05 – Climate metrics in detail

Notes on the metrics data

The Group Trustee's Investment Adviser collected information from the Group's investment managers about their greenhouse gas emissions and used this information to calculate the climate-related metrics for the Group's portfolio of assets.

The exception to this is the metrics for the LDI; please see 'Notes on the metrics calculations' section on the next page for more information.

Availability of data

Our Investment Adviser does not make any estimates for missing data.

Overall, Data Coverage has improved relative to the previous reporting year. However, there are some data availability points to note with respect to each Section (outlined below). The Group Trustee's Investment Adviser will continue to engage with managers where data has not been provided with the aim of data being available for future reports.

SLC Section:

The following funds of manager did not provide the carbon emissions split by scopes, and therefore the Scope 1&2 emissions for this manager include Scope 3:

- ICG-Longbow UK Real Estate Debt Investments IV
- M&G Investments Inflation Opportunities Fund (Real Estate Only)

The following funds of managers did not provide any emissions data:

- DRC UK Whole Loan Fund
- Invesco Real Estate Finance Fund (GAM II)

Cavendish Nuclear Section:

The following funds of managers did not provide any emissions data:

- PIMCO - Tactical Opportunities Fund

Atkins Section:

Data for Canada Life is based on an aggregated Scope 1&2 carbon footprint for all financed emissions within Canada Life's portfolio. This includes assets in listed bonds, listed equities, corporate real estate, mortgages, sovereign debt, private debt and private equity. Canada Life does not currently report Scope 3 emissions and the Group Trustee will monitor the Annuity provider's ability to do so in future.

NNL Section:

All managers provided climate-related metrics data for inclusion within this report.

How we collected the carbon data

The Group Trustee's Investment Adviser collected the carbon emissions data from the Group's managers on the Group Trustee's behalf using the industry standard Carbon Emissions Template ("CET").

The CET was developed by a joint industry initiative of the Pension and Life Savings Association, the Association of British Insurers and Investment Association Working Group. The CET provides a standardised set of data to help pension schemes meet their obligations under the Climate Change Governance and Reporting Regulations, and associated DWP Statutory Guidance. Different managers may have different interpretations of the calculations set out in CET. The data provided therefore required careful and informed interpretation by the Group Trustee's Investment Adviser.

Notes on the metrics calculations

There is not an industry-wide standard for calculating some of these metrics yet and different managers may use different methods and assumptions. These issues are common across the industry and highlight the importance of climate reporting to improve transparency. The Group Trustee expects that in the future better information will be available from managers as the industry aligns to expectations and best practice standards.

The carbon metrics

Our Investment Adviser aggregated and calculated the carbon metrics for the Group based on information provided by the managers. The methodology used for this aggregation does not make any assumptions or estimations about the carbon emissions for assets for which data was unavailable. The aggregation methodology is as set out below.

Aon calculated the total GHG emissions for each fund as follows:

£M invested in the fund x *Carbon footprint* x *Data coverage*

Aon aggregated the carbon footprint for each asset class as follows:

$$\frac{\sum Gi}{\sum (Ai \times Ci)}$$

Where *i* is each fund in the asset class

G_i = Total GHG for fund *i* (tCO_2e)

A_i = Assets invested in fund *i* (£M)

C_i = Data Coverage of fund *i* (%)

The methodology used follows the industry-standard best-practice established within the Carbon Emissions Template ("CET").

The table below shows the approach used to collect information from managers for each asset class.

Asset Class	Approach
All Apart from the Annuities	The Group Trustee's Investment Adviser collected the carbon emissions data from the Group's managers on the Group Trustee's behalf using the industry standard CET.
Annuities	The Group Trustee's Investment Adviser collected the metrics data from Canada Life.

How are emissions calculated for LDI

The emissions for the matching assets are a material portion of the Group's total GHG emissions. This is mainly down to the method used to calculate the emissions, which is different to other asset classes.

The LDI portfolio contains mainly UK government bonds, also known as "gilts" or "index-linked gilts". Carbon metrics for UK government bonds are based on the total GHG emissions for the whole of the UK, which are high. By contrast, carbon emissions for equities, for example, are based on the emissions associated with the underlying companies invested in, which are relatively lower. Hence, the carbon metrics for matching assets are higher than many other asset classes.

The carbon emissions for the UK government bonds are driven by the total UK greenhouse gas emissions and the total amount of UK public debt. This uses publicly available information, published by the UK Government:

– The Annual UK greenhouse gas emissions data (Scopes 1 & 2) for 2024, published as a provisional figure by the UK government, of 386.7 MtCO2e, divided by total UK government debt at 31 December 2024 of £2,851.0bn.

=135.6tCO2/£M

Given this difference in methodology to the other emissions figures reported, the matching assets have been split out from the other emissions figures.

Binary target measurement

Overall, the SBTi was not provided by the majority of Group's managers. All managers were queried where they did not provide a SBTi metric on first instance. The Group Trustee's Investment Adviser will continue to engage with all managers on SBTi.

Appendix 06 – GHG emissions

Greenhouse gases trap heat in the atmosphere, keep the Earth's surface and atmosphere warm. They warm the Earth by absorbing sunlight and re-emitting it as heat. Human activities, like burning fossil fuels and deforestation, increase greenhouse gases, making the atmosphere more effective at trapping heat.

Since the Industrial Revolution, greenhouse gas levels have risen significantly. The Kyoto Protocol[2] identifies six major greenhouse gases, with human-made carbon dioxide being the largest contributor to global warming. Each gas has different global warming potential and atmospheric persistence, so emissions are measured as carbon dioxide equivalent (CO2e) for comparison.

Greenhouse gases are categorised into three 'scopes' by the Greenhouse Gas Protocol, the world's most used greenhouse gas accounting standard.

Scope 1: All direct emissions from the activities of an organisation which are under their control; these typically include emissions from their own buildings, facilities and vehicles

Scope 2: These are the indirect emissions from the generation of electricity purchased and used by an organisation

Scope 3: All other indirect emissions linked to the wider supply chain and activities of the organisation from outside its own operations – from the goods it purchases to the disposal of the products it sells

Main greenhouse gases identified by the Kyoto Protocol

CO_2
Carbon dioxide

CH_4
Methane

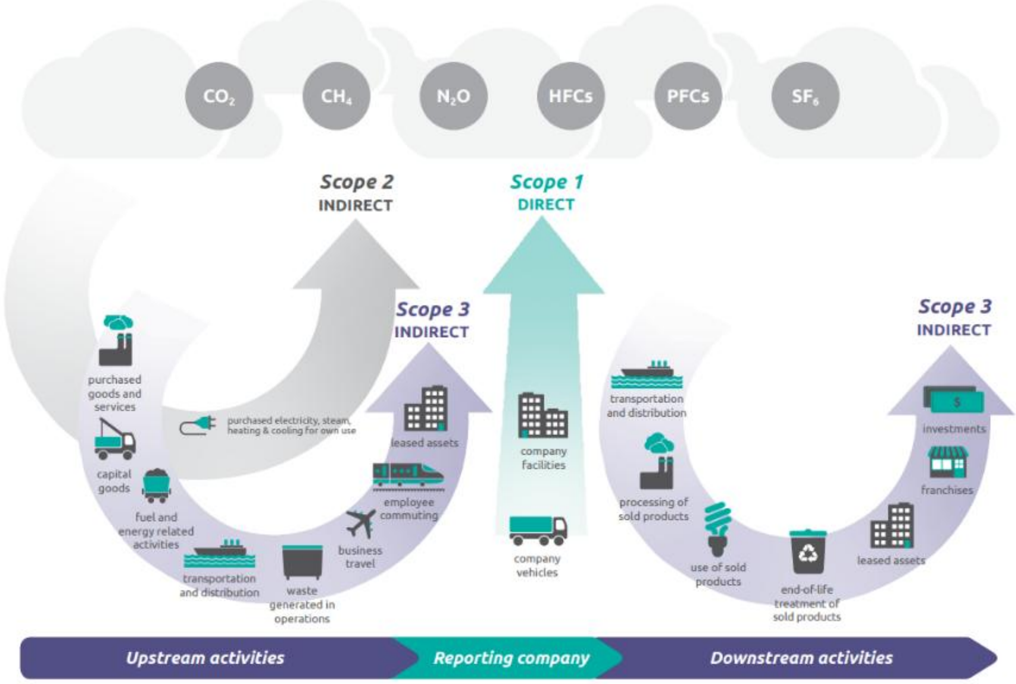
N_2O
Nitrous oxide

HFCs
Hydrofluorocarbons

PFCs
Perfluorocarbons

SF_6
Sulphur hexafluoride

Overview of GHG Protocol scopes and emissions across the value chain



Source: Greenhouse Gas Protocol, https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporing-Standard_041613_2.pdf, 2011

[2] https://unfccc.int/kyoto_protocol