

Anglian Water Group Pension Scheme

A tall, white, tapered lighthouse with a black lantern room and a glowing light inside. It stands on a rocky outcrop. To its right is a small, white, single-story building with a dark roof. The scene is set at sunset or sunrise, with a sky transitioning from deep blue at the top to vibrant orange and pink near the horizon. The calm water reflects the colors of the sky. In the foreground, several dark, jagged rocks are visible in the water.

Climate change report

A report for members by the Anglian Water Group Pension Trustee Limited as the Trustee of the Anglian Water Group Pension Scheme

Scheme year to 31 March 2026

Why have we written this report?



This report provides members the opportunity to find out more about the work carried out by the Trustee in relation to climate change. It focuses on the period to 31 March 2026.

We recognise that the content of this report is quite technical. We have used plain English wherever possible, but a glossary is included in Appendix 2 to help you understand the technical terms better.

It is the fourth climate change report by the Trustee of the Scheme. We hope you find it informative and would welcome any feedback

David Farmer

Chair of the Anglian Water Group Pension Trustee Limited

Overview

The Trustee of the Anglian Water Group Pension Scheme recognises the significance of climate change as a major issue that poses significant risks to society, the economy and the financial system as a whole. The Trustee also recognises that transitioning to a lower carbon economy will create opportunities for investors to invest in lower carbon sectors and new technologies.

Climate change could materially affect the Scheme's financial position. For example, through physical risks permanently impairing the value of assets and through transition risks impacting the returns of high emitting entities. Therefore, the Trustee attempts to identify these risks, assess their potential impacts and, where necessary, takes steps to reduce climate related risks. This is done in order to provide greater security to the benefits that the Scheme's members expect to receive.

This is the Trustee's fourth climate change report. It aims to meet the requirements of UK climate regulations for pension schemes (in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations) and to follow the Department for Work and Pensions' statutory guidance. It describes how the Trustee has identified, assessed and managed climate-related risks and opportunities in relation to the main defined benefit section of the Scheme during the Scheme year to 31 March 2026 (the "Scheme Year"). An overview of the Scheme is included in the Appendix.

Climate change is an issue the Trustee has engaged with for some time before the regulations came into force. The Trustee considers that climate change requires regular monitoring and action. In this report, we describe strategic activities and policies the Trustee has engaged with and established on an ongoing basis. These are relevant to the current and subsequent scheme years.

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Published alongside the Scheme's annual report and accounts for the Scheme Year to 31 March 2026 and available online at
<https://awgpension.co.uk/documents/>

Summary

This report describes the activities and approach taken by us (the Trustee) to understand and reduce the climate-related risks faced by the Scheme, and to potentially take advantage of any investment opportunities as part of the transition to a lower carbon economy.

The following points are a summary of the detailed report that follows:

- Sustainability, including climate change, remains a priority for us. We continue to believe that appropriate treatment of climate-related risks and opportunities for the Scheme's investments should improve outcomes for our members through better long-term returns and lower risk.
- Our Policy on Sustainable Investing and net zero commitment remains in place, with the aim of helping deliver members' benefits while also contributing, as part of that, to a better and more sustainable world. We also encourage our advisers to incorporate climate change and sustainability into their work in relation to the Trustee's commitments.
- We have continued to work to identify risks and opportunities to the Scheme (including consideration of the employer covenant) arising from physical changes to the climate itself and from steps being taken to limit climate change.
- Following discussions with the fund manager of one of our key long-term bond portfolios, at the start of 2024 we incorporated and implemented a number of sustainability related updates into the manager's guidelines. These included the introduction of a decarbonisation target aligned with our net zero commitment, the introduction of a limit (which decreases over time) on the exposure to companies without credible net zero commitments, an allocation to impact bonds and restrictions on the allocation to controversial industries/companies.
- The guidelines were subsequently reviewed and refined later in 2024 as part of a broader investment strategy shift to a long-term cashflow-focused investment approach. As part of this, the investment guidelines for the Scheme's long-term bond portfolio were adjusted to allow a broader range of bond exposures to be included. The sustainability guidelines were reviewed and updated in September 2024 to reflect these changes, while seeking to preserve the core principles introduced in 2023. These guidelines remained in place over the year to 31 March 2026.

Summary

- Subsequent to the Scheme Year-end of 31 March 2026, we began undertaking an extensive review of the investment strategy and governance arrangements. This review includes consideration of how our net zero targets relate to our broader portfolio diversification and investment targets.
- In the previous climate scenario analysis exercise, we sought to assess the impact of different scenarios by modelling the Scheme's assets and liabilities in different climate scenarios. However, this kind of analysis potentially underestimates physical risk impacts, for example climate tipping points¹ are not well captured in the models and assumptions used, and shorter-term impacts from macroeconomic factors, such as geopolitical factors, are also not adequately reflected in the results. In the years since the previous climate scenario analysis, we also received a presentation from the Scheme's sponsoring employer on how it was preparing for climate-related risks and opportunities, and we considered the potential impact on the employer covenant. The last such update presentation was in February 2025, building on covenant climate risk work carried out in previous years.
- This year, noting the features of climate risk that are not well captured in models and assumptions, we decided to use narrative-based scenarios to better explore climate-related risks and opportunities that the Scheme could be exposed to in the future.
- With the help of our advisers, we regularly assess our fund managers' sustainability practices including their ability to protect the Scheme's assets from negative impacts of climate change and we engage with them on any matters of concern

¹ A climate tipping point is the moment when gradual climate change triggers a major shift that can accelerate on its own and be very difficult to reverse.

Summary

- During 2024, we agreed to implement two interim targets to support our overall net zero objective. For our public corporate bond holdings, we agreed to target a 63% weighted exposure to issuers with science-based emissions reduction targets by 2030. In addition, for both our public corporate bond and illiquid credit holdings, we aimed for 70% of financed emissions to be either covered by credible engagement activity or aligned with net zero by 2030. These targets were communicated to our investment managers, and our investment adviser collected and reviewed progress against them for managers where data was available. Progress against these targets as at 30 September 2025 is shown below:

Target	Reference (or baseline)		Current progress	
	30 June 2023	30 Sep 2024	30 Sep 2025	31 Dec 2030
Engagement: 70% of financed emissions from liquid and illiquid credit assets to be net zero or net zero aligned or under engagement by 2030	12%	42%	56%	70%
Alignment: Proportion of liquid credit assets with science-based targets to increase to 63% by 2030	22%	33%	41%	63%

Summary

- We collect data on four climate-related metrics: total emissions, carbon footprint (emissions per £m invested), portfolio alignment (a measure of alignment with a transition to a net zero economy) and data quality.
- We agreed to set a target against the fourth metric – data quality – by 31 December 2026, which aims to increase the emissions data quality provided by fund managers. There had been good progress by 30 September 2025 in comparison to the reference (or baseline) date, with the target for reported emissions achieved. Progress is shown below, for data quality for assets within scope (further details on this is set out in the Targets section).
- Since this target was set, the Scheme's strategic changes have been a significant driver of progress against it and data coverage has improved greatly. As a result, we reviewed alternative targets that the Scheme could adopt going forwards and agreed to adopt the science-based alignment target outlined above (one of the two interim targets) as our new TCFD target going forwards.

	Reference (or baseline)			Current progress	Target
Data quality	31 Dec 2022	30 Sep 23	30 Sep 24	30 Sep 2025	31 Dec 2026
Reported emissions	22.5%	35%	55%	66%	61%
Estimated emissions	14.3%	16%	9%	9%	39%

Summary

- We collected emissions data on the Scheme's assets, including their carbon footprint, to help us understand and monitor climate-related risks and identify any data gaps. It is widely recognised that there remain shortcomings in the quality and completeness of the emissions data available for many assets, and there is not yet an industry wide consensus on how to calculate the emissions for some assets such as asset backed securities and derivatives. Our investment adviser continues to engage with our investment managers to encourage improvement in both the quality and the coverage of reporting on climate data and has recently expanded its engagement programme to target better practices with regards to climate change and other environmental, social and governance factors. Through this programme, we were provided an update report on the key "asks" that were identified and communicated with the managers to support them in improving their stewardship approaches.
- After the Scheme Year-end of 31 March 2026, we began reviewing the engagement threshold target and alignment target as part of a broader review of our investment strategy and governance arrangements.



Governance

1. The Trustees' role

The Trustee increased focus on Environmental, Social and Governance (ESG) issues in the summer of 2021 with three dedicated responsible investment related training sessions. The Trustee subsequently set a Policy on Sustainable Investing and a net zero commitment with the aim of helping deliver members' benefits while also contributing, as part of that, to a better and more sustainable world. These were reviewed and updated during the Scheme Year. The Trustee has encouraged its advisers to incorporate climate change and broader responsible investment issues in strategy advice and monitoring.

Climate-related activities have been covered in multiple meetings through the Scheme Year alongside other agenda items. In particular, there was a 2-hour meeting dedicated to responsible investment held in February 2026. A similar meeting is expected to occur annually to provide the Trustee with an appropriate time to dedicate to responsible investment issues, including covering climate risks and opportunities. Meeting materials are provided in advance of the meeting to allow the Trustee time to consider and challenge advice provided (for example, when considering suitability of recommended climate targets or considering an updated process for assessing the sponsoring employer's approach to climate change).

Responsible investment and climate change metrics have been covered as part of quarterly investment reporting since 2021. This regular focus and pressure on the fund managers to provide information has helped push the importance up the agenda and helps the Trustee with its analysis of climate-related exposures. These metrics are now updated every six months.

In March 2022, the Trustee agreed a Climate Governance Statement. This Governance Statement lays out the division of responsibilities between Trustee, actuarial adviser, investment adviser, covenant adviser, legal adviser and investment managers in order to ensure appropriate consideration of the climate-related risks and opportunities relevant to the Scheme and so that the Trustee can be confident that its statutory and fiduciary obligations are being met. This was reviewed and updated as necessary during the Scheme Year. The roles and responsibilities are summarised below.

The Trustee has ultimate responsibility for ensuring effective governance of climate change risks and opportunities in relation to the Scheme. This is often done by the Trustee Board, with support from the Trustee's advisers and the Trustee Secretary. The Trustee has, on occasion, delegated the initial work on climate-related matters to a subset of the Trustee but all climate-related work is agreed by the full Trustee Board. The Trustee is supported by advisers in incorporating climate change throughout the Scheme's activities as appropriate. The Scheme's investment adviser leads on climate-related matters. All advisers are expected to work with the other advisers as appropriate to ensure a joined-up approach.

Trustee Chair

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

Trustee

A summary of the Trustee's responsibilities are to:

- ensure it has sufficient knowledge and understanding of climate change to fulfil its statutory and fiduciary obligations and is keeping this knowledge and understanding up to date;

- put in place effective climate governance arrangements and use those arrangements to help identify, assess and manage climate-related risks and opportunities for the Scheme;
- incorporate climate-related considerations into strategic decisions, investment beliefs, policies and the assessment of the strength of the Scheme's covenant; and
- ensure that the Scheme's actuarial, investment, covenant and legal advisers have clearly defined responsibilities in respect of climate change, that they have adequate expertise and resources, including time and staff, to carry these out, that they are taking adequate steps to identify and assess any climate-related risks and opportunities which are relevant to the matters on which they are advising, and that they are adequately prioritising climate-related risks.

Ultimately, the Trustee has responsibility for ensuring effective governance of all climate change risks and opportunities in relation to the Scheme, and it does not delegate any responsibility to any sub-committee.

The Trustee considers a range of different information about the climate change risks and opportunities faced by the Scheme to enable it to fulfil its responsibilities set out above.

Oversight activity

The Trustee maintains oversight of climate-related risks and opportunities by undertaking the following activities. At least annually, the Trustee reviews and (where appropriate) revises its governance arrangements, risk register items, investment beliefs, investment policies in relation to climate change and assessment of the competency and performance of its key advisers in relation to their climate responsibilities.

These assessments are often done both as part of wider ongoing assessment or on an informal basis. The investment adviser provides the Trustee with a summary of its climate competencies and is formally assessed by the Trustee annually through a climate-related objective as part of compliance with the Competition and Markets Authority's order for pension scheme trustees to set objectives for their investment consultants and assess performance against them. It sets out a business plan in relation to ESG and climate change matters for the following year, including assessing whether it is appropriate to carry out climate change scenario analysis ahead of the requirement to do it at least once every three years. It also reviews its investments managers' climate-related practices annually. Climate-related metrics and targets are reviewed annually but details are also provided in each quarterly performance report. These items will incorporate climate-related risks and opportunities as appropriate.

During the Scheme year, the Trustee, working with its investment adviser, assessed the Scheme's asset and liabilities against three new climate scenarios and considered the impacts of these scenarios on a narrative basis. This included commentary on the potential impacts for the sponsoring employer and the implications for the resilience of the Scheme's funding and investment strategies (see Strategy section 2).

The Trustee carries out this analysis at least every three years and following any major changes in the Scheme's position or if it is appropriate to do so to ensure the Trustee has an up to date understanding of the climate change scenarios and their impacts. As part of this refresh, there was also a review of the choice of short-, medium- and long-term time periods to be used when identifying climate-related risks and opportunities to the Scheme, as well as the choice of metrics to review regularly.

In addition to the metrics reviewed as part of TCFD, the Trustee also began discussions on physical climate risk during the year. The investment adviser carried out an initial high-level analysis of the Scheme's publicly traded assets, identifying the physical climate risks the portfolios are exposed to and engaging in a discussion on how the Trustee could potentially manage some of these risks

The Trustee will in future consider climate-related risks and opportunities whenever there is an actuarial valuation of the Scheme, a review of the Scheme's investment strategy or an assessment of the sponsoring employer's covenant.

The advisers' climate-related responsibilities are set out on a project-by-project basis and via the sharing of the Climate Governance Statement. A description of the Trustee's advisers and their roles is contained in the next section.

No other party or person makes Scheme-wide decisions.

Training for Trustees

During the Scheme Year, as part of the climate scenario analysis exercise the Trustee received training on the state of the climate crisis and on climate tipping points, as well as a brief introduction to systemic stewardship.

Climate beliefs, Statement of Investment Principles and Policy on Sustainable Investing

The Trustee incorporates its beliefs and policies on climate-related risks into its Statement of Investment Principles ("SIP"), Policy on Sustainable Investing, and Net Zero Statement, which help to define the investment strategy for the Scheme.

Environmental, Social and Governance (ESG) Risk

The Trustee believes that ESG factors can have a financial impact on assets held over the time horizon of the Scheme but will have varying importance for different types of assets invested by the Scheme. The Trustee will give due consideration to ESG risks when making investment decisions.

The Trustee incorporates all financially material considerations into decisions on the selection, retention and realisation of investments through strategic asset allocation decisions and the appointment of investment managers, so far as possible.

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to the relevant fund manager.

Stewardship

The Trustee set its stewardship priorities in February 2023, which include climate change, business ethics, corporate transparency and diversity, equity and inclusion. These priorities were communicated to the Scheme's fund managers in prior periods through the investment adviser, and form part of the ongoing engagement with managers. During 2025, managers were reminded of these priorities.

As part of its oversight, the Trustee also reviewed the results of an in-depth assessment of the stewardship approaches used for its significant managers, carried out by its investment adviser. The majority of the Scheme's fund managers were covered (by weight of the Scheme's assets under management) and benchmarked against peers. As a result, key "asks" were identified and communicated with the managers to support them in improving their stewardship approaches.

Climate-related policies within the Policy on Sustainable Investing

Investment strategy: Environmental, social and governance issues (including climate change) are material financial issues for the Scheme and will influence the risk and return of the Scheme's investments over the long term. The Trustee considers that sustainable investments (including those aligned with a low carbon future, those with a neutral or positive impact on the environment, or those that create broader sustainability-related benefits) will outperform those that do not have regard for sustainability.

Investment process: Climate related and other ESG factors should be integrated, with other risks and opportunities, in its managers' investment processes and decisions

Net zero target: It should set an appropriate target for the Scheme's assets to reach net zero greenhouse gas emissions, which may change over time, to manage the investment risk of the Schemes. It is a long-term investor in governments and companies across the world and there may be reasons for its target, milestones and approach to achieving net zero not to align with those of the sponsoring employer.

Investment mandate selection: The Trustee will consider specialist ESG investment approaches, including sustainable and positive impact strategies, where suitable and appropriate options are available.

Investment manager approaches: While the investment of the Scheme's assets is delegated to the appointed investment managers, the Trustee expects its investment managers to consider ESG, including climate change, factors as an integral part of their investment processes.

2. Other parties' and advisors' roles

Actuarial adviser

The Trustee's actuarial adviser is responsible, at the request of the Trustee, for advising on how climate-related risks and opportunities might affect the Scheme's funding position over various terms and the implications for the Scheme's funding strategy, long-term objective and journey plan. It is also required to provide input to assist the Trustee in incorporating climate change in its governance arrangements, risk register and communication with stakeholders (including, but not limited to, its TCFD reporting) as appropriate.

Investment adviser

The Trustee's investment adviser is responsible, at the request of the Trustee, for Scheme investment matters including the provision of training and other updates to the Trustee on relevant climate-related matters. It is responsible for helping the Trustee to formulate its investment beliefs in relation to climate change and reflecting these in the Scheme's investment policies and strategy, as well as advising on the inclusion of climate change in the Scheme's governance arrangements and risk register, working with the Trustee and its other advisers as appropriate.

At asset class level, the investment adviser is responsible for advising how climate-related risks and opportunities might affect the different asset classes in which the Scheme might invest over the different time horizons, and the implications for the Scheme's investment strategy and journey plan.

At fund level, the investment adviser is responsible for advising the Trustee on the appropriateness and effectiveness of the Scheme's investment managers' processes, expertise and resources for managing climate-related risks and opportunities, given the Trustee's investment objectives and beliefs, and engaging with the investment managers to improve their climate-related integration over time. It also assists the Trustee in incorporating climate change in its investment monitoring.

For the analysis feeding into these disclosures, the investment adviser is responsible for assisting the Trustee in identifying and monitoring suitable climate-related metrics and targets in relation to the Scheme's investments, including liaising with the Scheme's investment managers regarding provision of the metrics. It also leads on the preparation of the Trustee's TCFD reporting, and assists with other communication with stakeholders in relation to climate change, working with the Trustee and its other advisers as appropriate.

Covenant adviser

The Trustee's covenant adviser is responsible, at the request of the Trustee, for advising on how climate-related risks and opportunities might affect the employer covenant in the context of the Scheme's covenant reliance. It is also required to provide input to assist the Trustee in incorporating climate-related risks in its covenant monitoring framework.

Other parties / advisers reviewing this report

During the preparation of the TCFD report, a number of parties review and provide input to drafts of this report before it is finalised. These include the actuarial, audit, covenant and legal advisers, along with the Trustee, the Trustee Secretary and the sponsoring employer.

Information provided to the Trustee

On a quarterly basis, the Trustee receives analysis of holdings-level climate exposures through data on its portfolios' absolute carbon emissions, carbon footprint, net-zero alignment and the data quality provided by each of its managers as part of its regular investment reporting. The underlying climate data is updated every six months noting that typically it does not change notably quarter by quarter.

On an annual basis, the Trustee receives portfolio level analysis through a high-level overview of how the Scheme's investment managers approach climate issues. The investment adviser provides the Trustee with an overview of its climate competencies and feeds back on how it has satisfied the objectives set by the Trustee.

The Trustee uses the data and information to identify any significant misalignment between its beliefs and the management of its portfolios, as well as identifying potential areas of engagement with its investment managers. Its investment adviser highlights priority areas to address based on the materiality of exposure the Scheme has at the time of assessment, or is expected to have in future.

The Trustee's covenant advisor considered covenant climate-related risk as part of their triennial covenant review during the Scheme Year. The Trustee also receives covenant monitoring updates on a biannual basis, which includes consideration of material covenant risks in the context of the Scheme's covenant reliance and the covenant strength. This includes consideration of key covenant climate-related risks and opportunities, to the extent relevant sponsoring employer information is available.



Strategy

1. Identification and assessment of climate-related risks and opportunities relevant to the Scheme

The Trustee refreshed the scenario analysis in early 2026 and selected the periods to 2030, 2040 and 2050 as suitable short, medium, and long-term time horizons for considering the climate-related risks and opportunities faced by the Scheme:

Time horizons	Year	Rationale
Short term	2030	2030 is a commonly used staging post across governments and corporates. The Trustee has used the short term as a target date for two interim climate targets to align with the Scheme's long-term net zero target. The interim targets cover the Scheme's investment exposure to entities with science-based decarbonisation targets and sets a target for the Scheme's fund managers in relation to their climate-related engagements.
Medium term	2040	2040 is aligned with the Scheme's net zero commitment and incorporates the timing of the potential impacts of transition and initial physical risks. This is also the point at which most Scheme members will be pensioners.
Long term	2050	This is in line with global net zero goals. There will still be decades' worth of the Scheme's liabilities to be paid after 2050, so this long-term horizon helps the Trustee to keep a focus on long-term nature of the Scheme.

The Scheme faces risks and opportunities from both the physical effects of climate change – for example, more frequent / severe storms, rising temperatures and changing rainfall patterns – and from the effects of transitioning to a lower carbon economy to limit the extent of climate change – for example, government policies to restrict or discourage the use of fossil fuels, technological advances in renewable energy, and shifts in consumer demand towards “greener” products.

The Trustee identified a range of climate risks and opportunities to the Scheme across three climate scenarios, as summarised below. They included both transition and physical climate-related risks and opportunities. The Trustee considered the expected impact of these on the Scheme's investment strategy, funding strategy and sponsor, as relevant, and continues to consider them in ongoing strategy discussions.

Scenario	Key risks	Key opportunities
Less than 2 degrees warming – low likelihood given current global pathway	Investment strategy / Funding strategy: Short term: Short-term risks for the assets and liabilities due to the speed of transition to a low-carbon economy, but market volatility should reduce as more technology becomes embedded. Medium term and long term: There are still significant risks of negative climate tipping points being reached in the medium and longer term and the cascade effects of these tipping points leading to further warming. Therefore, significant downsides for the Scheme's assets and member benefits should not be overlooked in this scenario. Covenant: Short and medium term: The Company may face increased costs to comply with more ambitious policies and targets, increased regulatory scrutiny and increased risk of non-compliance. These costs could impact the Company at similar times to when the Scheme needs Company support. Physical covenant risks are expected to be less under this scenario, however substantial investment will still be required to mitigate physical risks.	Investment strategy / Funding strategy / Covenant: Short and medium term: Wide range of opportunities over the short to medium term in assets that are developing fast to meet the needs of a low-carbon world. For example, solar energy as the most cost-effective energy source, and EV usage increasing rapidly, may present significant opportunities to diversify the portfolio and reduce risks. This could be especially useful where risks that could impact the Company could lead to investment opportunities for the Trustee, leading to natural diversification. Opportunities also in adaptation technologies that deal with the consequences of increasing temperatures.

Scenario	Key risks	Key opportunities
2 degrees warming is breached – current trajectory	Investment strategy: Short and medium term: Assets may experience volatility and / or lose value over the short and medium term as they reprice to account for climate impacts and expected outcomes evolving. Medium and long term: Increase in severe weather could cause more damage to assets, including property damage, business disruption, and workforce disruption/displacement. Covenant: Short and medium term: The Company is expected to be exposed to similar transition risks as the scenario above but greater physical risks under this scenario. There is potential for adverse covenant impacts at the same time as when the Scheme needs support. Medium and long term: Increase in severe weather is likely to also have major implications for the Company, with flooding and drought significantly impacting profitability.	Investment strategy: Medium term: Adaptation of infrastructure requires investment if climate impacts are to be addressed – this presents opportunities for investors (likely greater opportunities than in the less than 2 degrees scenario), especially over the medium term. Funding strategy: Long term: Changes in life expectancy could be positive or negative in the UK. Liability impacts would expect to be small compared to the financial impacts from climate change and would only play out over longer time horizons.

Scenario	Key risks	Key opportunities
3 degrees warming – highly plausible	Investment strategy and funding strategy: Long term: One example of a significant tipping point is the potential collapse of the Greenland and West Antarctic ice sheets, potentially leading to 10m of sea level rise. Sea level rises would be unmanageable as adaptation may not be able to keep up with the level of rise. Other impacts of climate change likely lead to significant migration and armed conflict as protectionist policies are followed by governments. Food and water shortages could increase risk to human life in many parts of the world including more temperate regions. UK food security is already a concern for the UK government. Covenant: Medium and long term: Asset repricing likely to happen as climate impacts get priced in (which is likely to be well before climate impacts actually happen). Repricing could occur more frequently, which could lead to further funding being sought from the Company. This may be at a time that is least affordable for the Company due to the impact of climate on the business. Physical climate related risk is expected to be highest under this scenario and severe weather events could adversely impact the operational and financial performance of the Company.	

In all scenarios volatility in gilt markets is a risk to the funding strategy and investment strategy. That could happen over any timeframe.

Impact of climate change on liabilities

As part of the scenario analysis, the Trustee also considered mortality risk. This is not currently hedged and could also be affected by climate change. The Trustee noted that the impacts on mortality (and therefore on the Scheme's liabilities) under each of the scenarios are generally expected to be less significant than the financial impacts on the Scheme's assets. Therefore, the impact of climate change on the funding position will largely be driven by financial factors on the assets rather than any specific impacts on the liabilities.

Positioning of Scheme and actions undertaken in previous Scheme Years

In recent years, the Trustee has progressively implemented a move towards a long-term, low-risk, cashflow-matching investment strategy. As part of this transition, a significant proportion of the Scheme's liquid assets were consolidated into a long-term bond portfolio. The Trustee submitted requests to sell positions in illiquid assets where possible, and took decisions to retain other illiquid positions that aligned more closely with the long-term cashflow-matching strategy

The investment guidelines for the long-term bond portfolio have been reviewed and updated periodically to better reflect its cashflow-matching objectives and LDI requirements. Key changes included broader definitions of eligible debt instruments, the removal of explicit duration limits, increased limits on securitised assets, greater flexibility around credit and currency exposures, and updated sector and issuer concentration limits. Sustainability-related guidelines were also introduced in 2024 to attempt to manage climate risks and contribute to systemic risk reduction. These were updated again later that same year to support the long-term investment strategy.

Covenant risk identification and assessment

As part of the climate risk identification and assessment the Trustee considered the impact of climate-related risk and opportunities on the sponsoring employer, in the context of the Scheme's covenant reliance. Due to the nature of the sponsoring employer's operations, physical risks are expected to be more significant than transition risk. Physical and transition risks could impact in the short, medium and long term but physical risks are likely to be more dominant over the medium and longer-term and transition risks more dominant in the short term.

The key climate-related covenant risks were identified as including:

- The requirement for further significant investment over the next decade (and beyond) to mitigate drought and flooding risks, with potential for unforeseen investment to combat unforeseen climate events, and to secure water supply and water quality.
- Continued pressure on returns and efficiencies as a result of adverse impacts of climate change on income and costs. Particularly to the extent there is mismatch with regards to timing of expenditure being incurred and funding being received through customer bills or if costs cannot be passed on / recovered via customer bills due to the regulatory landscape and customer affordability concerns.
- More stretching Ofwat compliance targets and regulatory scrutiny, which increase the risk of non-compliance in respect of water supply interruptions, sewer flooding and pollution incidents.
- The potential for increased operating costs should policies to reduce carbon be more aggressive than anticipated.

Clearly, this may make it harder for the Scheme's sponsoring employer to fund any contributions the Scheme may require under some climate scenarios. While the Scheme became fully funded on a low-risk basis during 2024 climate change has the ability to derail the ability of the Scheme to pay the benefits due to its members and is why the covenant strength remains important.

During the Scheme Year, the Trustee received input from its covenant advisor through the climate scenario analysis exercise. This provided another perspective on the update provided by a representative of the sponsoring employer to the Trustee in early 2025, covering the sponsoring employer's progress on sustainability initiatives and level of urgency given to sustainability issues in general.

2. Climate scenario analysis

Scenario analysis is a tool that helps stretch thinking beyond just the experiences of the past. The Trustee has used climate scenario analysis as a key tool for identifying, assessing and managing climate-related risks and opportunities. In particular, it has used the analysis to identify the time horizons over which the physical risks and transition risks could materialise. It has then considered what the possible impacts of climate change could be over each of these time horizons and whether its current funding and investment strategies are likely to be resilient against these risks (or whether it is able to take advantage of any opportunities).

In the previous climate scenario analysis exercise, the Trustee sought to assess the impact of different scenarios by modelling the Scheme's assets and liabilities in different climate scenarios. However, this kind of analysis potentially underestimates physical risk impacts, for example climate tipping points are not well captured in the assumptions used, and shorter-term impacts from macroeconomic factors, such as geopolitical factors, are also not adequately reflected in the results. As such, during the Scheme Year the Trustee decided to use narrative-based scenarios to better consider climate-related risks and opportunities that the Scheme could be exposed to in the future.

The Trustee carried out climate scenario analysis in February 2026, with the support of its actuarial and investment advisers, LCP, and its covenant adviser, EY.

The three climate scenarios considered were as follows:

- Less than 2 degrees warming (compared to pre-industrialisation levels 1850-1900):
 - Temperature increases exceed 1.5 degrees but remain below 2 degrees.
 - Whilst still possible, this scenario requires huge levels of investment in a very short period, in technologies that reduce greenhouse gas emissions and transition economies from fossil fuels to alternative solutions.
 - This scenario is becoming less likely the longer it takes to implement stronger transition policies.
 - Every 0.1 degree matters, and increases the potential to cross tipping points, creating knock on climate impacts.
- 2 degrees warming is breached:
 - Transition risks are expected to be similar to the scenario above over the short to medium term, as the world continues (albeit more slowly) towards a low carbon economy.
 - Physical risks are likely to have much higher impact, with impacts increasing as temperatures increase.
 - Multiple climate tipping points are reached. Severe weather is expected to cause more flooding in the UK.

- 3 degrees warming:

- The three-degree warming barrier is breached if key tipping points are reached and cascade effects are triggered, which may occur if the net zero transition is not met within 40 to 50 years or potentially sooner.
- In this scenario a large number of tipping points could be breached, leading to catastrophic impacts on the environment and therefore the economy.

These scenarios have informed the Trustee's climate-related considerations and decisions during the Scheme Year, projected across three time periods for the identification and assessment of climate-related risks and opportunities - short term, medium term and long term.

Climate scenario analysis was used as a key tool for identifying, assessing and managing climate-related risks and opportunities. In particular, the analysis was used to identify the physical risks and transition risks that could materialise across different scenarios and over which time horizons they may occur. The Trustee considered what the possible impacts of climate change could be for each of these narrative-based scenarios and whether the current funding and investment strategies were likely to be robust against these risks (or if there were any opportunities that the Scheme may be able to take advantage of).

Modelling limitations

Prior to carrying out the refreshed scenario analysis the Trustee considered both the numerical and the narrative approach and weighed up the respective limitations of both models. Ultimately, the Trustee decided to proceed with the narrative analysis.

Numerical approach (Stochastic modelling backed by assumptions and narratives)		Narrative approach (Where is the world now? Where is it heading? What are the real-world impacts of climate change? What and when?)	
Pros	Cons	Pros	Cons
	3 fixed pathways which may not align with trustee thinking	Focused on broad economic impacts relevant to the Scheme	
Numerical output focuses on easily to set out median numbers, supported by narratives	Numerical projections far into the future are speculative Use of median numbers means downside considerations, which are key in climate risk management, are limited	Narratives of future scenarios can be based around assessments and likelihoods determined by the global scientific community Narratives allow more focus on the downsides, which is a better approach to risk management	No numbers involved, which makes the communication of the analysis less straightforward
Comparison of relative resilience of different funding/investment strategies under a particular climate scenario appear straightforward	Commentators have criticised some outputs, i.e. worsen longevity in a high temperature world is used offset asset risk, so presenting improved funding position	Integrating analysis into strategic decisions can give more robust portfolio outcomes. Assessing the relative resilience is more subjective and is brought out via discussion. Overall, the narrative approach may lead to deeper understanding of climate exposures and can lead to more appropriate real-world action	
	Simple modelling doesn't illustrate high-impact climate-related events, for example tipping-points	Narratives allow consideration of any climate-related event, for example migration or conflicts	
	Advisors may have different scenarios	All advisors involved in discussions on same scenario set	

Potential impacts on the Scheme's financial position

Under the TCFD regulations, trustees are required to consider the resilience of the investment and funding strategies against potential impacts of climate change in funding level, assets liabilities and covenant.

In the context of the scenarios used to consider climate risks and opportunities, the Trustee identified:

- To enable the Trustee to take appropriate action to protect member benefits, they need investment managers and advisors who fully integrate climate considerations (and other systemic risks) into their decision-making process; and
- There are significant systemic risks to the assets, liabilities and funding strategy that are difficult to mitigate, and therefore need collective action to reduce the potential for these risks to develop.

Overall, the Trustee agreed that the Scheme's funding strategy and investment strategy have resilience to some risks, work is needed to reduce the impact of some risks, but also that resilience to more extreme risks is limited.

Subsequent to the Scheme Year-end of 31 March 2026, the Trustee began undertaking an extensive review of its investment strategy and governance arrangements. This includes consideration of how climate related risks and opportunities are managed going forwards.

Climate scenario analysis applicable to the covenant

During the scenario analysis exercise, the Trustee considered the impacts on the funding position in the context of the sponsoring employer's ability to fund the Scheme. This was based on qualitative information relating to climate-related risks and opportunities.

The Trustee understands that physical climate risks are more significant to the covenant than transition risks. And that physical impacts, which are already playing out, are expected to increase with time. Physical impacts of extreme weather events may lead to water shortages, sewer flooding, flooding of sites and adverse impacts on natural capital. These issues are already impacting the covenant.

This was reflected in scenario analysis discussions, which highlighted that a significant level of recent Outcome Delivery Incentives ('ODI') penalties had been linked to climate change, particularly flooding and water pollution. The sponsoring employer continues to invest to protect against these risks.

However, this highlights a broader issue around the timing of regulatory support: while Ofwat would likely increase funding for environmental infrastructure programmes over time, mismatches with its Asset Management Plan cycles and the pace and impact of climate change could lead to short-term covenant weakening through environmental-related ODI penalties. There could also be adverse covenant impacts if all necessary costs cannot be fully passed on to customers due to the regulatory landscape and customer affordability concerns.

Looking further ahead, the sponsoring employer's TCFD analysis, which includes modelling to 2050, highlighted increasing risks from flooding and water scarcity, suggesting these pressures are likely to intensify rather than abate over time.

While the Scheme's reliance on the covenant has reduced as the Scheme is now fully funded on a low dependency technical provisions basis and the current level of investment risk is considered to be supportable, the materialisation of larger covenant-related risks still poses a risk to the funding strategy. Particularly if climate events lead to a weakening of the covenant at the same time as they impact the Scheme's assets and liabilities. The chance of this happening increases with the time horizon and increases the warmer the climate becomes.



Risk management

1. Processes for identifying and assessing climate-related risks

The Trustee has established various processes to identify, assess and manage climate-related risks and opportunities in relation to the Scheme, and has taken steps to integrate these within the overall risk management of the Scheme. Some of the key measures in place are outlined below.

- The Trustee's investment adviser provides a business plan to the Trustee for consideration on an annual basis. The business plan includes matters on sustainable investment (including processes required under TCFD reporting requirements) for consideration.
- The climate scenario analysis was undertaken as a holistic risk management exercise, including consideration of the impact on the Scheme's investment strategy, funding strategy and the covenant.
- The Trustee has included climate-related risks in its risk register, while considering its long-term investment and funding strategies.
- The Trustee considers the Scheme's assets' exposure to climate risks on a quarterly basis using selected climate-related metrics that are updated every six months and included in quarterly reporting.
- The Trustee monitors its fund managers' sustainability practices at least annually, supported by sustainable investment assessments from the Trustee's investment advisers.
- In years when no climate scenario analysis is required, the Trustee receives an update from a representative of the sponsoring employer on its progress in addressing climate exposures. The Trustee uses this information to help assess whether to commission further climate scenario analysis from its covenant adviser.

2. Tools for identifying and assessing climate-related risks and opportunities

Climate-related risks and opportunities are identified and assessed over the three time horizons using a range of tools and processes that are applied as appropriate over time. These include climate scenario analysis, manager research and the collection of climate metrics data. The Trustee uses these tools to help analyse and identify climate-related risks and opportunities related to macro-economic exposure and asset classes, manager skill and processes and individual holdings, respectively.

The tools and processes in place help the Trustee to consider issues such as how to identify the most material risks to the Scheme and how to identify key risks to focus on. These key risks are then used to help inform investment and actuarial decisions. The Trustee ensures climate related risks are monitored and managed through the reporting and discussions that accompany these processes (and any corresponding actions) and intends to include some of the key climate risks in a risk register. In addition to undertaking the above activities, the Trustee previously communicated its stewardship priorities to the Scheme's investment managers. One of those stewardship priorities is to encourage action to limit climate change. The Trustee believes that good stewardship practices, including voting and engagement

activities, enhance asset owner value over the long term. It delegates responsibility for voting and engaging with portfolio companies to its investment managers and it expects its managers to vote appropriately and in line with the belief that climate change is a material risk to the Scheme's assets.

Covenant risk monitoring and management

The Trustee will monitor covenant climate-related risks through regular covenant reviews, covenant monitoring updates and discussions with the sponsoring employer. Whilst the sponsoring employer is taking action to mitigate both physical and transition climate risks, it is exposed to potential significant costs over short and longer terms. When assessing the sponsoring employer's covenant as part of the triennial covenant assessment and when monitoring the covenant via the Trustee's covenant monitoring framework, the Trustee will ensure that climate risk has a specific focus. This will enable the Trustee to determine whether the sponsoring employer's risks relating to climate change could impact the level of support available, especially when this support is most needed.



Metrics and targets

Metrics and targets

1. Metrics

The Trustee has chosen four climate-related metrics to help it monitor climate-related risks and opportunities to the Scheme. These are listed and reported below (as far as the Trustee was able to obtain the data).

Metric	High-level methodology
Absolute emissions: Total greenhouse gas emissions	The sum of each company's most recent reported or estimated greenhouse gas emissions attributable to the Scheme's investment in the company, where data is available. Emissions are attributed evenly across equity and debt investors. Reported in tonnes of CO ₂ equivalent. This methodology was chosen because it is in line with the statutory guidance.
Emissions intensity: Carbon footprint	The total greenhouse gas emissions described above, divided by the value of the invested portfolio in £m, adjusted for data availability. Emissions are attributed evenly across equity and debt investors. Reported in tonnes of CO ₂ equivalent per £1m invested. This methodology was chosen because it is in line with the statutory guidance.
Portfolio alignment: Science-based targets (SBT)	The proportion of the portfolio by weight of holdings with science-based targets to reduce their greenhouse gas emissions, demonstrated by a target validated by the Science Based Targets initiative (SBTi) ¹ or equivalent. This measures the extent to which the Scheme's investments are aligned to the Paris Agreement goal of limiting global average temperature rises to 1.5°C. Reported in percentage terms. The Trustee chose this "binary target" measure because it is the simplest and most robust of the various portfolio alignment metrics available.
Additional climate change metric: Data quality	The proportion of the portfolio for which greenhouse gas emissions data is verified, reported, estimated or unavailable. "Verified" emissions refers to data reported by the emitting company and verified by a third party. "Reported" emissions are reported by the emitting company but not verified. "Estimated" emissions are used where the company has not publicly reported its emissions and estimates are used instead. Estimates are calculated using an undefined method (examples include using an industry average or using company-specific models). This approach was chosen because it is in line with the statutory guidance.

The Trustee chose to report these metrics as they are ones recommended in the DWP's statutory guidance.

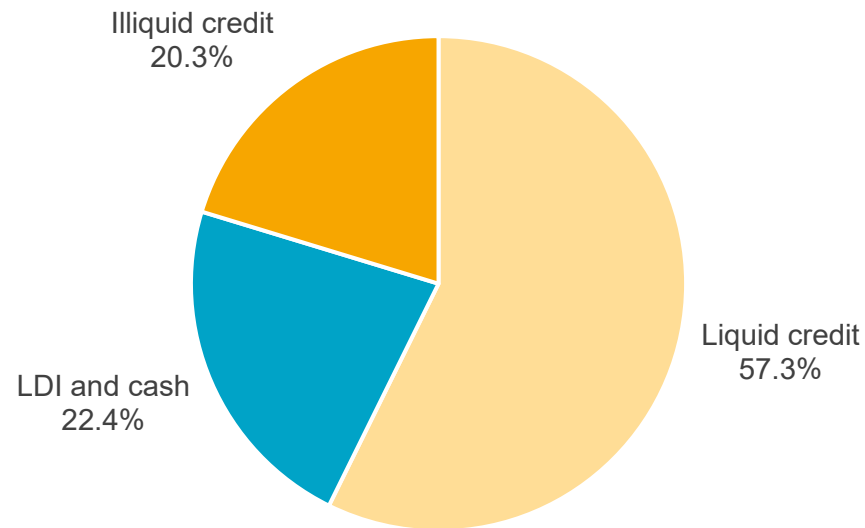
¹ Science-Based Targets initiative (see Glossary in the Appendix).

Metrics and targets

Subsequent to the Scheme Year-end of 31 March 2026, the Trustee began reviewing its targets as part of a broader assessment of its investment strategy and governance arrangements.

The data has been calculated using portfolio holdings as at 30 September 2025, using the most recent data available from Scheme's investment managers. The chart below shows the asset allocation of the Scheme's assets as at 30 September 2025.

Asset allocation as at 30 September 2025



Metrics and targets

Metrics collected

The tables below set out the data the Trustee was able to collect from its investment managers during the Scheme Year on each of the four chosen metrics. The metrics were collected as at 30 September, which is halfway through the Scheme year and was the intended date of metrics collection for its first TCFD report. Around 30 September 2022, however, there was high market volatility due to the gilts crisis caused by the UK government's mini-budget so the metrics collection was done as at 31 December 2022 instead for that year.

Last year's metrics are shown to allow the trend over time to be assessed. However, where data coverage was previously incomplete, the changes in disclosed emissions may be due to more data becoming available and may not necessarily be caused by a real-world change in emissions.

The underlying asset class for the LDI (or Liability Driven Investment) portfolio is UK government bonds. The emissions for the LDI portfolio are calculated as a proportion of total UK emissions, likewise carbon footprint is calculated as a proportion of UK government bonds in issuance. As such the data is not directly comparable to other asset classes. And as a result, there are limited mitigating actions that the LDI fund manager can take to reduce the emissions on the LDI portfolio.

Metrics and targets

Metric 1 (Absolute emissions)

				Metric 1 - Absolute emissions						
	Portfolio	Date of data	30 Sep 2025 (£m)	Scope 1&2	Scope 1&2	Difference	Scope 3	Scope 3	Difference	Source
				(previous)	(previous)	(Tons of CO ₂ e)	(previous)	(previous)		
Illiquid Credit	Manager 1	31 Dec 24	22							
	Manager 2	31 Dec 24	11							
	Manager 3	30 Sep 25	9	8	1,685	-1,677	204	63	141	Manager
	Manager 4	30 Sep 24	2	97	251	-154	-	-	-	Manager
	Manager 5	31 Dec 24	12	139	843	-704	780	2,882	-2,101	Manager
	Manager 6	30 Sep 25	76	348	-	-	-	-	-	-
	Manager 7	31 Dec 24	1	307	319	-11	6,163	2,128	4,035	Manager
	Manager 8	31 Dec 23	66	117	22	95	0	0	0	LCP estimate
Liquid Credit	Manager 9	30 Sep 25	564	20,074	14,693	5,381	142,810	88,631	54,179	Manager
LDI and Cash	Manager 10	30 Sep 25	204	99,492	129,771	-30,279	-	-	-	Manager
	Manager 11	31 Dec 24	6	15	10	5	102	66	36	Manager

Figures relate only to the assets for which data is available. Total emissions are for the proportion of the Scheme's assets within a fund and not for the whole pooled fund (where applicable).

Source: investment managers. LCP is the Trustee's investment adviser. Definitions are as below unless stated otherwise.

Carbon emissions: greenhouse gas emissions associated with the issuer, expressed in tons of CO₂e for Scope 1 & 2 emissions and Scope 3 emissions.

Carbon footprint: carbon emissions / money invested in the fund (tCO₂e per £1m invested = the sum of for all issuers [issuer value in fund / issuer EVIC * issuer Scope 1 & 2 (or Scope 3) greenhouse gas emissions]. EVIC is enterprise value including cash

		Coverage				
	Portfolio	Scope 1&2	Scope 1&2	Difference	Scope 3	Scope 3
		(previous)	(previous)		(previous)	(previous)
Illiquid Credit	Manager 1					
	Manager 2					
	Manager 3	10%	55%	-45%	68%	7%
	Manager 4	100%	100%	0%	-	-
	Manager 5	97%	100%	-3%	97%	100%
	Manager 6	23%	-	-	-	-
	Manager 7	100%	100%	0%	100%	100%
	Manager 8	73%	73%	0%	47%	47%
Liquid Credit	Manager 9	83%	77%	6%	78%	77%
LDI and Cash	Manager 10	100%	100%	0%	-	-
	Manager 11	95%	70%	25%	95%	70%

Metrics and targets

Metric 2 (Carbon footprint)

	Portfolio	Date of data	30 Sep 2025 (£m)
Illiquid Credit	Manager 1	31 Dec 24	22
	Manager 2	31 Dec 24	11
	Manager 3	30 Sep 25	9
	Manager 4	30 Sep 24	2
	Manager 5	31 Dec 24	12
	Manager 6	30 Sep 25	76
	Manager 7	31 Dec 24	1
	Manager 8	31 Dec 23	66
Liquid Credit	Manager 9	30 Sep 25	564
LDI and Cash	Manager 10	30 Sep 25	204
	Manager 11	31 Dec 24	6

Metric 2 - Carbon footprint						
Scope 1&2	Scope 1&2 (previous)	Difference	Scope 3	Scope 3 (previous)	Difference	Source
(Tons of CO ₂ e per £1m)						
9	49	-39	35	14	20	LCP estimate
36	50	-15	-	-	-	Manager
8	36	-28	43	122	-79	LCP estimate
19	-	-	-	-	-	-
127	57	69	2545	383	2161	LCP estimate
2	2	0	0	0	0	LCP estimate
43	53	-10	325	318	6	LCP estimate
159	168	-10	-	-	-	Manager
1	2	-1	5	10	-5	LCP estimate

Figures relate only to the assets for which data is available. Total emissions are for the proportion of the Scheme's assets within a fund and not for the whole pooled fund (where applicable).

Source: investment managers. LCP is the Trustee's investment adviser. Definitions are as below unless stated otherwise.

Carbon emissions: greenhouse gas emissions associated with the issuer, expressed in tons of CO₂e for Scope 1 & 2 emissions and Scope 3 emissions.

Carbon footprint: carbon emissions / money invested in the fund (tCO₂e per £1m invested = the sum of for all issuers [issuer value in fund / issuer EVIC * issuer Scope 1 & 2 (or Scope 3) greenhouse gas emissions]. EVIC is enterprise value including cash

	Portfolio
Illiquid Credit	Manager 1
	Manager 2
	Manager 3
	Manager 4
	Manager 5
	Manager 6
	Manager 7
	Manager 8
Liquid Credit	Manager 9
LDI and Cash	Manager 10
	Manager 11

Coverage					
Scope 1&2	Scope 1&2 (previous)	Difference	Scope 3	Scope 3 (previous)	Difference
10%	55%	-45%	68%	7%	61%
100%	100%	0%	-	-	-
97%	100%	-3%	97%	100%	-3%
23%	-	-	-	-	-
100%	100%	0%	100%	100%	0%
73%	73%	0%	47%	47%	0%
83%	77%	6%	78%	77%	1%
100%	100%	0%	-	-	-
95%	70%	25%	95%	70%	25%

Metrics and targets

Metric 3 (Portfolio alignment)

				Metric 3 - Portfolio Alignment			
	Portfolio	Date of data	30 Sep 2025 (£m)	% of portfolio	% of portfolio (previous)	Difference	Definition
Illiquid Credit	Manager 1	31 Dec 24	22				
	Manager 2	31 Dec 24	11				
	Manager 3	30 Sep 25	9	-	-	-	
	Manager 4	30 Sep 24	2	-	-	-	
	Manager 5	31 Dec 24	12	-	-	-	
	Manager 6	30 Sep 25	76	-	-	-	
	Manager 7	31 Dec 24	1	17.0%	20.0%	-3.0%	Net zero commitment and / or science-based target
	Manager 8	31 Dec 23	66	-	-	-	
Liquid Credit	Manager 9	30 Sep 25	564	41.2%	33.4%	7.8%	Validation by Science-based Targets initiative
LDI and Cash	Manager 10	30 Sep 25	204	100.0%	100.0%	0.0%	UK government's 2050 net zero target
	Manager 11	31 Dec 24	6	-	-	-	

Source: investment managers

Note: The UK has a net zero by 2050 target written into law, with carbon budgets based on advice from the independent Committee on Climate Change, so UK government bond exposure has been treated as having a credible science-based target.

		Coverage		
	Portfolio	Scope 1&2	Scope 1&2 (previous)	Difference
Illiquid Credit	Manager 1			
	Manager 2			
	Manager 3	10%	55%	-45%
	Manager 4	100%	100%	0%
	Manager 5	97%	100%	-3%
	Manager 6	23%	-	-
	Manager 7	100%	100%	0%
	Manager 8	73%	73%	0%
Liquid Credit	Manager 9	83%	77%	6%
LDI and Cash	Manager 10	100%	100%	0%
	Manager 11	95%	70%	25%

Metrics and targets

Metric 4 (Data quality)

	Portfolio	Date of data	30 Sep 2025 (£m)	Coverage			Metric 4 - Data quality								
				Scope 1&2	Scope 1&2 (previous)	Difference	Scope 1&2			Scope 1&2 (previous)			Difference		
							Reported	Estimated	No data	Reported	Estimated	No data	Reported	Estimated	No data
Illiquid Credit	Manager 1	31 Dec 24	22												
	Manager 2	31 Dec 24	11												
	Manager 3	30 Sep 25	9	10%	55%	-45%	6%	4%	90%	51%	4%	45%	-45%	0%	45%
	Manager 4	30 Sep 24	2	100%	100%	0%	0%	100%	0%	0%	100%	0%	0%	0%	0%
	Manager 5	31 Dec 24	12	97%	100%	-3%	32%	65%	3%	15%	85%	0%	17%	-20%	3%
	Manager 6	30 Sep 25	76	23%	-	-	0%	23%	77%	-	-	100%	-	-	-23%
	Manager 7	31 Dec 24	1	100%	100%	0%	67%	33%	0%	60%	40%	0%	7%	-7%	0%
	Manager 8	31 Dec 23	66	73%	73%	0%	73%	0%	27%	73%	0%	27%	0%	0%	0%
Liquid Credit	Manager 9	30 Sep 25	564	83%	77%	6%	76%	7%	17%	68%	9%	23%	8%	-2%	-6%
LDI and Cash	Manager 10	30 Sep 25	204	100%	100%	0%	100%	0%	0%	100%	0%	0%	0%	0%	0%
	Manager 11	31 Dec 24	6	95%	70%	25%	-	95%	5%	-	70%	30%	-	25%	-25%

	Portfolio	Date of data	30 Sep 2025 (£m)	Coverage			Metric 4 - Data quality								
				Scope 3	Scope 3 (previous)	Difference	Scope 3			Scope 3 (previous)			Difference		
							Reported	Estimated	No data	Reported	Estimated	No data	Reported	Estimated	No data
Illiquid Credit	Manager 1	31 Dec 24	22												
	Manager 2	31 Dec 24	11												
	Manager 3	30 Sep 25	9	68%	7%	61%	64%	4%	32%	3%	4%	93%	61%	0%	-62%
	Manager 4	30 Sep 24	2	-	-	-	-	-	100%	-	-	100%	-	-	0%
	Manager 5	31 Dec 24	12	97%	100%	-3%	32%	64%	3%	25%	75%	0%	8%	-11%	3%
	Manager 6	30 Sep 25	76	-	-	-	-	-	100%	-	-	100%	-	-	0%
	Manager 7	31 Dec 24	1	100%	100%	0%	83%	17%	0%	30%	70%	0%	53%	-53%	0%
	Manager 8	31 Dec 23	66	47%	47%	0%	47%	0%	53%	47%	0%	53%	0%	0%	0%
Liquid Credit	Manager 9	30 Sep 25	564	78%	77%	1%	0%	78%	22%	0%	77%	23%	0%	1%	-1%
LDI and Cash	Manager 10	30 Sep 25	204	-	-	-	-	-	100%	-	-	100%	-	-	0%
	Manager 11	31 Dec 24	6	95%	70%	25%	-	95%	5%	-	70%	30%	-	25%	-25%

Source: investment managers

See page 36 for a high level explanation of the methodology to determine data quality.

Update at end- refers to first table in the Metrics section

Metrics and targets

Data gaps

The Trustee has been unable to obtain climate-related data from all of its fund managers. This has prevented calculation of certain metrics and identification of some potential impacts.

The main gaps in the data provided by the Scheme's investment managers relate to the illiquid credit holdings, the securitised assets (e.g. asset-backed securities) within the liquid credit mandate, and the real assets portfolio. This is in part because climate data is generally lagging in private markets investments and because methodologies are still being determined with respect to derivatives. There are a number of factors behind this.

- **Illiquid credit** – while coverage improved compared to last year, some illiquid credit fund managers were still not able to provide metrics data in the required format and units. Of those that did, there remained data gaps in some of those portfolios. This is due to a number of reasons such as:
 - The lower disclosure requirements on private market companies;
 - Companies in the portfolio that are mid-sized and do not have the same resources as larger companies;

- Responsible investment practices of private markets fund managers have generally lagged fund managers with public market strategies;
- Direct lending fund managers often have a holding period of just a few years so have not previously considered climate issues as being material risks within the timeframe of the holdings;
- Calculation methodologies have not been developed for some asset classes; and
- Climate disclosures in the US generally lag those in Europe.

Some of these reasons apply directly to one or more of the Scheme's illiquid credit fund managers and others are based on research by the Trustee's investment adviser into the wider challenges for this asset class.

The Trustee's investment adviser continues to engage with the Scheme's illiquid credit fund managers to determine their plans to close these gaps. If any of the fund managers' plans are considered inadequate the Trustee will directly contact the fund manager with respect to reporting or estimating data in sectors with a higher level of climate risk. It is worth noting that the majority of the Scheme's illiquid credit managers have made concerted efforts already to close these data gaps through estimation tools.

Metrics and targets

- **Liquid credit** – As part of the transition to the long-term investment strategy, the Scheme significantly increased its allocation to the long-term bond portfolio over 2024 and 2025, selling out of a number of other mandates and transferring the proceeds to this portfolio. This long-term bond portfolio has climate data gaps, which are attributable to several factors, including:
 - Some borrowers that feature in portfolios are in industries that have lagged on climate exposures (e.g. universities, housing associations);
 - The increased allocation to securitised assets (e.g. asset-backed securities) which are more complex and less transparent in terms of measurable climate data. The investment manager has begun to report on some subsectors of asset-backed securities, therefore coverage has improved from previous years;
 - The Trustee's investment adviser is encouraging the fund manager to use estimation where data is not available. The manager is in the process of developing proxy data to improve coverage for certain holdings; however, it is unlikely that comprehensive information will be available for all of the securitised assets in the portfolio.

The Trustee made the decision that the residual assets of the Hartlepool Section (i.e. those assets not used to purchase annuity contracts for members, worth c.£1m at March 2023) would not be considered for the purposes of the analysis contained within these climate disclosures as it would have been disproportionate in terms of time and cost to do so. As at February 2026 the Section was in the process of being de-sectionalised and the assets were being disinvested.

Commentary on the climate change metrics

The Trustee uses the metrics collected in its identification and assessment of climate-related risks and opportunities. This more granular assessment complements the macro-level climate scenario analysis described in Section 2, enabling the Trustee to focus its climate risk management on the areas of the portfolio which are expected to be most exposed to climate change.

The Trustee considered the climate-related metrics collected for each of the portfolios, with the following highlights:

- **Illiquid credit** – Over the year, the Scheme continued to reduce its allocation to illiquid assets, through a combination of redemptions and the restructuring of a multi-asset mandate to focus solely on its property elements. The remaining illiquid credit allocations include a number of mandates expected to run off naturally, alongside others the Scheme anticipates retaining over the longer term.

The managers of the three smaller mandates that were nearing maturity achieved high data coverage, particularly for Scope 1 and 2 emissions, and in two cases, also for Scope 3. Despite this improved transparency, the collection of science-based targets remained minimal across the portfolios, with only one reporting a small exposure, providing no clear view of potential future emissions reductions. It is encouraging that the Secured finance manager has begun reporting climate metrics for its portfolio, albeit with limited coverage at present. Given the nature of asset-backed securities, coverage is unlikely to increase substantially in the near term, however this is still a positive development.

Metrics and targets

Liquid credit – the liquid credit mandate is a material and growing component of the Scheme's assets, expected to be in place through the long-term. Following the in-specie transfer of asset-backed securities into the portfolio in the prior period, metrics coverage and overall data quality had declined due to limited data availability for these holdings. It is encouraging that coverage improved slightly during the Scheme Year, with the manager now beginning to report on these assets, although levels remain below those observed prior to the transfer. Scope 1 and 2 emissions have increased over the year, corresponding with the improvement in data coverage. However, encouragingly, the carbon footprint has decreased over the period. Science-based target alignment within the portfolio has improved over the year. However, there remains scope for further progress, particularly around robust transition planning and ongoing engagement with higher-emitting issuers, consistent with the sustainability guidelines in place for the mandate.

- **LDI and cash** – the LDI holding is exposure to UK government bonds and is an allocation driven by the Scheme's matching objectives. As such emissions are not a good indication of climate risk exposure for the LDI. While climate-related factors are less important considerations for a mandate with such an objective, they are not something that can be ignored. The UK government's climate change policies will have an important economic influence on the Scheme and, encouragingly, the footprint decreased over the period since the last reported numbers. The UK government exposure is said to have a science based target due to its 2050 net zero target, which is set in law – this assessment will be kept under review, though, as the independent Climate Change Committee has assessed government actions and policy as being insufficient to meet this target. Additionally, the Scheme has some exposure to climate-related factors through the counterparties in the collateral pool, although data is limited in this respect.

Metrics and targets

2. Target and progress against it

The Trustee had set a target against the data quality metric – by 31 December 2026, which aimed to increase the emissions data quality provided by fund managers. There had been good progress by 30 September 2025 in comparison to the reference (or baseline) date and during the Scheme Year the Trustee decided to replace this target with another based on the Science Based Targets metric. Progress against the initial target (which is being retired) is shown below, for data quality for assets within scope.

Data quality	Coverage / Assets in scope	Initial assessment Reference date (or baseline)	Current progress	Target
		31 December 2022	30 September 2025	31 December 2026
Reported emissions	- Illiquid Credit - Liquid Credit	22.5%	66%	61%
Estimated emissions		14.3%	9%	39%

This target was chosen in 2022 due to the low coverage and quality of data available at the time. Following discussion with its adviser, the Trustee ultimately made the decision that an emissions-based or alignment-based objective may be more useful as coverage improved. While data coverage was initially low and quality was poor, which meant the Trustee had a limited view of the financial risks and opportunities the Scheme was exposed to from climate change and, therefore, addressing data quality was aligned with the Trustee's fiduciary duty to act in members' best interests.

Emissions data may be reported or, where not available, estimated. The target level was calculated by dividing the value of assets with reported/estimated emissions (across in-scope fund managers), by the total value of assets within scope where there was emissions data coverage greater than 0% - this provided a broad view of what level of data quality was achievable at the time, if fund managers reported emissions figures. The Trustee believed the target should be achievable if fund managers that were not reporting emissions data at the time began doing so.

Metrics and targets

The parameters of the target are outlined below:

Assets within scope – “Illiquid Credit” and “Liquid Credit” holdings	Baseline date and level – 31 December 2022	Target date – 31 December 2026
Rationale: These portfolios form a significant part of the current and updated long-term investment strategy, and would be expected to be held for at least the term to 2030. Within each asset class, there were varying levels of data coverage across different fund managers, but there were examples of fund managers with data coverage reaching at least 2/3 within each asset class at the baseline assessment date. Cash was excluded given asset class specific issues with methodologies. LDI was excluded as this allocation is driven by liability matching objectives, rather than any climate-related factors.	The metrics disclosed in the Scheme’s first TCFD report were used as the baseline level. That report was written using data as at 31 December 2022 unless otherwise stated. The baseline level was calculated by dividing the value of assets with reported/estimated emissions by the total value of assets within scope.	This date was in line with the Scheme’s journey plan to be fully funded on a self-sufficiency basis by 2026 and was defined as being the short term time horizon for the purposes of previous disclosures.

Initial performance against the target being retired

The climate reporting carried out for the Scheme during the first year of reporting included an assessment of the alignment with the above target. Broadly 22.5% of assets within scope provided reported emissions data and 14.3% had their emissions data estimated. At the time, the Trustee did not set any targets for assets outside of the target’s scope.

The analysis enabled the Trustee to identify the most appropriate funds and managers to focus its engagement on, which would result in the most significant improvement in the Scheme’s alignment with its target. The Trustee monitored progress against its target on an annual basis.

Updated assessment of performance against the target being retired

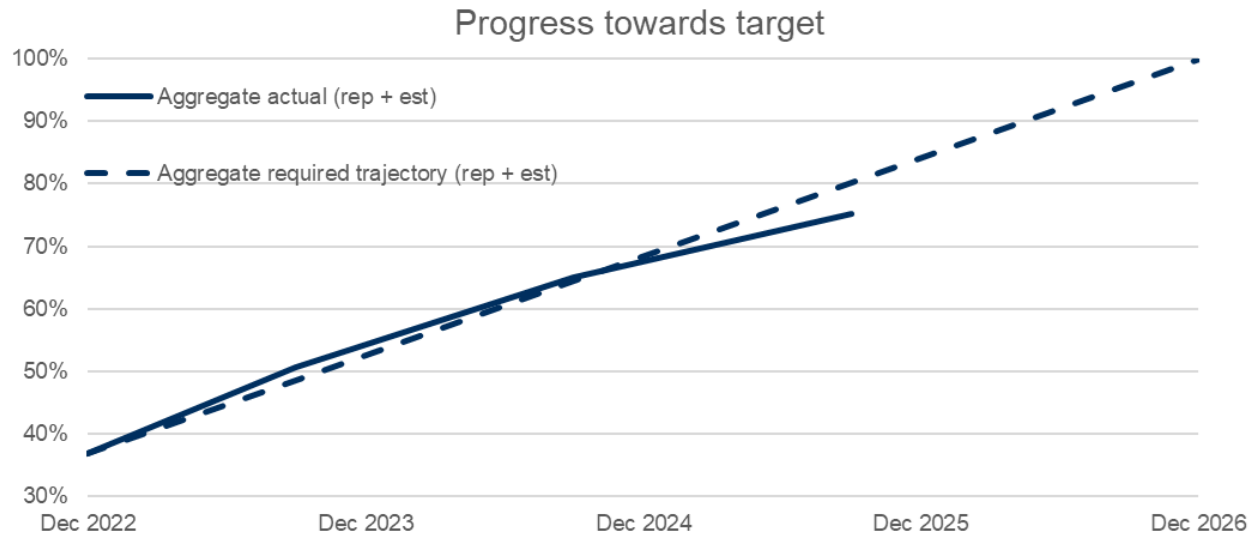
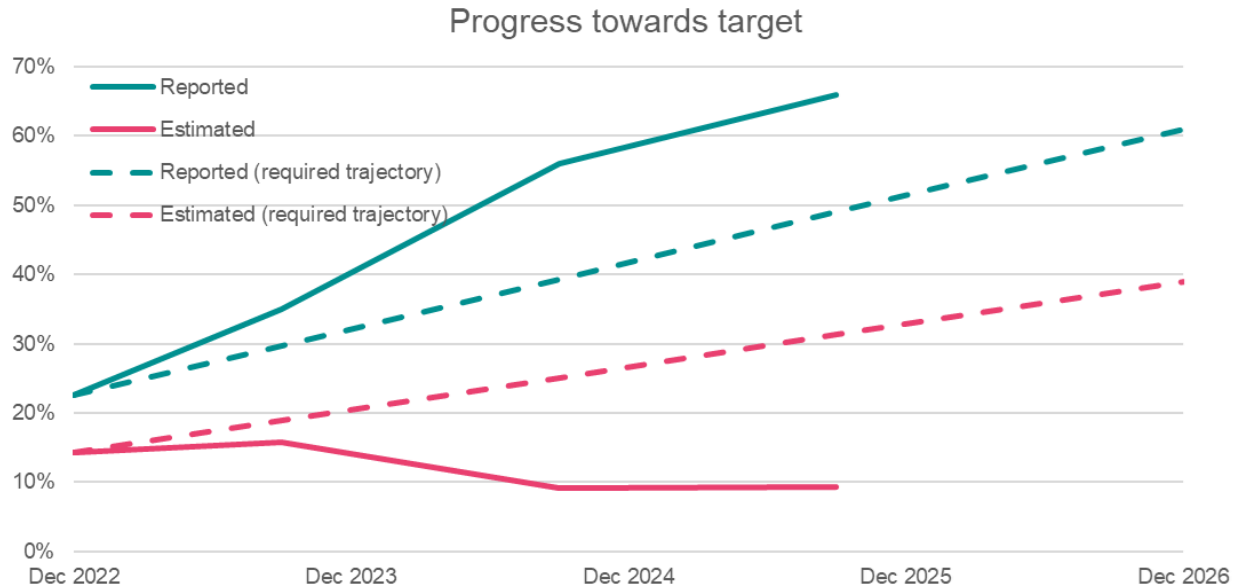
The calculation of the progress against the target is done by dividing the value of assets with reported/estimated emissions (across in-scope fund managers), by the total value of assets within scope.

Over the twelve months since the previous assessment date, overall progress was slightly behind the trajectory required to meet the target. The proportion of assets with reported emissions was ahead of target, while the proportion with estimated emissions was behind target. As reported data is of higher quality than estimated data, the higher proportion of reported emissions at this stage was a positive outcome.

There was a modest improvement in overall data coverage across the portfolio during the Scheme Year. Some progress was driven by improved reporting from certain illiquid credit managers compared to the previous metrics collection cycle. However, the majority of the increase in data coverage resulted from a higher allocation to the Scheme's long-term bond portfolio.

As noted earlier in this report there had been good progress towards the data quality target by 30 September 2025 in comparison to the reference (or baseline) date.

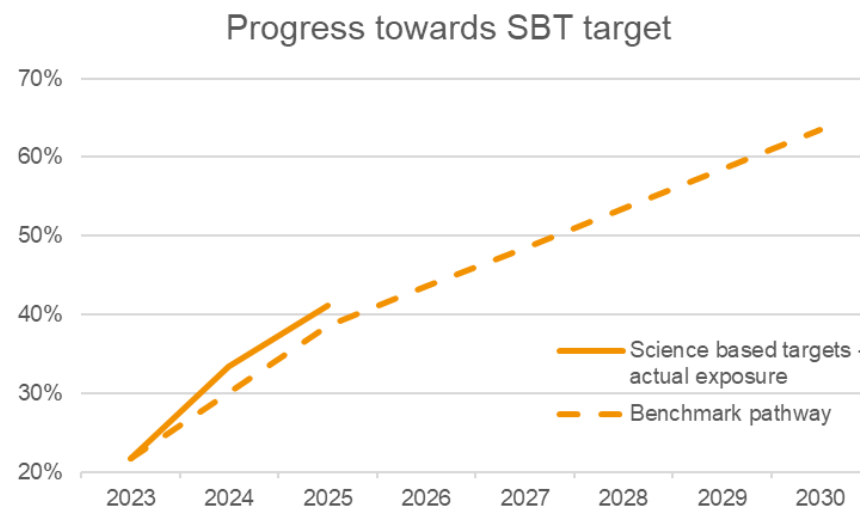
Metrics and targets



Metrics and targets

A target based on science-based targets (SBT) exposure:

Given that the Scheme already had a science-based targets alignment metric in place as one of its interim net zero targets - specifically, that 63% of the Scheme's liquid credit allocation by weight should have set science-based targets by 31 December 2030 - the Trustee agreed to adopt this as its new formal TCFD target, replacing the existing data quality target. Progress against this target over the year to 31 March 2026 is shown below.



Target	Reference (or baseline) 30 June 2023	30 September 2024	Current progress 30 September 2025	Target 31 December 2030
Alignment: Proportion of liquid credit assets with science-based targets to increase to 63% by 2030	22%	33%	41%	63%

Metrics and targets

The following steps are being taken to achieve the updated target:

- Over 2024, the Scheme agreed to set an alignment target as one of two interim targets to help achieve its net zero objective. As part of this, the Trustee's investment adviser communicated the target to each in-scope fund manager.
- The Trustee's investment adviser often talks to fund managers as part of the existing monitoring process. Occasionally the Trustee will meet fund managers. When meeting with the Scheme's managers affected by the target, the Trustee will aim to ask the manager how they expect science-based target exposure to increase over time and what additional pressure they are putting on portfolio companies to achieve this. They will point to best practice seen within the relevant asset class.
- The Trustee will review progress towards the target once a year and will consider whether additional steps are needed to increase its chance of meeting the target. On a quarterly basis the Trustee also receives climate information on science-based target exposure from its investment adviser (updated every 6 months) and therefore has the opportunity to consider further action on a more regular basis.

Subsequent to the Scheme Year-end of 31 March 2026, The Trustee began reviewing its targets as part of a broader assessment of its investment strategy and governance arrangements.



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Appendix – Scheme overview and Glossary

(a) Scheme overview

During the Scheme Year, the Scheme was comprised of two segregated sections, known as the Main Section and the Hartlepool Section. The two sections were formally sectionalised for funding purposes. The Trustee's governance procedures, however, generally apply at a Scheme level.

The Main Section comprised three benefit structures relating to defined benefit liabilities, for WPS, MIS and Executive members. The Trustee considers the assets, liabilities and funding of those structures to be sufficiently similar that it is appropriate that they should be grouped together for the purposes of the Scheme's approach to climate change.

The Trustee completed a bulk annuity transaction in respect of all liabilities for Hartlepool members in May 2020. The Trustee's approach to climate change was considered separately for those assets (as described on page 44 above).

(b) Glossary

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

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

Asset-backed securities (ABS) – invests in financial instruments that are similar to bonds, where the regular interest payments to investors are not sourced from a single issuer, but instead from a diversified pool of underlying borrowers. These may include companies, commercial or residential property owners, or individuals who have borrowed money to finance vehicles or other goods.

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

Appendix – Scheme overview and Glossary

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

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

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

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

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

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

Covenant – the extent to which a sponsoring employer of a pension scheme has a legal obligation and the financial ability to support its pension scheme now and in the future, as well as any expected support received by the pension scheme from suitable contingent assets.

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

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

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

Appendix – Scheme overview and Glossary

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

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

Ethical investment – an approach that selects investments on the basis of an agreed set of environmental, social and governance (ESG) criteria that are motivated by ethical considerations. These can be positive – eg choosing companies involved in water conservation or negative – eg not choosing companies involved in the arms trade.

Fiduciary obligations – a legal obligation of one party (a fiduciary) to act in the best interest of others. Fiduciaries are people or legal entities that are entrusted with the care of money or property on behalf of others. They include pension scheme trustees.

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

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

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

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

Gross Domestic Product (GDP) – this is the value of all goods and services produced in a country over a given period, typically a year.

Appendix – Scheme overview and Glossary

Illiquid credit – Also known as private credit, refers to debt financing by non-bank entities to borrowers in exchange for periodic interest payments, the repayment of the principal amount at maturity, and arrangement fees. The debt is not easily traded in comparison with corporate bonds and is usually backed by the borrower's cash flows and/or underlying assets. Private credit can take various forms, including: direct corporate lending, lending to infrastructure owners, lending to commercial real estate owners, and asset-backed lending.

Investment mandate – see pooled mandate and segregated mandate.

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

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

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

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

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

Paris Agreement – the Paris Agreement is an international treaty on climate change, adopted in 2015. It covers climate change mitigation, adaptation and finance. Its primary goal is to limit global warming to well below 2° C, preferably to 1.5° C, compared to pre-industrial levels.

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

Appendix – Scheme overview and Glossary

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

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

Purchasing Power Parity (PPP) – the PPP is a theory of long-term equilibrium in exchange rates based on relative prices. For example, if the price of a basket of goods in the UK is £100 and the same basket costs \$200 in the USA, then the PPP exchange rate would be £1:\$2. The PPP rate and the actual market exchange rate can differ.

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

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

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

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

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

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

Appendix – Scheme overview and Glossary

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

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

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

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

Sustainable investing – an approach in which an assessment of the environmental and social sustainability a company's products and practices is a key driver in the investment decision. ESG analysis therefore forms a cornerstone of the investment selection process. Sometimes described as Responsible Investment.

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

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

