Baptist Pension Scheme - TCFD Report

Climate change governance and reporting in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)

Scheme year to 31 December 2025

Why have we written this report?

We are pleased to share with you this year's TCFD report for the Baptist Pension Scheme. This report provides the members with the opportunity to find out more about the Trustee's work in relation to climate change.

As part of the Baptist Family, we have always believed in the importance of responsible investing. This report reflects our ongoing dedication to environmental stewardship and describes our evolving strategies to incorporate climate considerations into our investment decisions. Over the year, the changes to the default investment strategy were implemented, which aims to improve member outcomes by investing in funds with improved climate credentials and alignment to our stewardship policies.

As well as stating our own beliefs, as reflected in the Baptist Union Ethical Investment Policy, we also seek to ensure that the companies we invest in are striving towards sustainability and reduced environmental impact. We believe this is in line with our Baptist Family commitment to support the global shift towards a net-zero future. You can read more about the Baptist Union's approach to climate change and its Ethical Policy document on the BUGB website.

We trust that this report is informative and strikes a chord with you. We value your feedback and invite you to share your perspectives with us as we navigate this critical aspect of our investment journey.

Thank you for your continued engagement and support.

Chris Maggs
Moderator for the Baptist Pension Trust Limited

Contents

This report should be read alongside the Scheme's annual report and accounts, which is available online via this link.

The **DB section is no longer covered in these reports**. In June 2022, the previous DB assets of the Scheme were largely transferred to an insurer to purchase a bulk annuity policy, with only residual assets remaining in the Scheme. In November 2024, the DB liabilities were fully transferred to the insurer, and the DB section was then wound up. All residual DB assets were transferred to the DC section in this Scheme Year. Therefore, the DB section is not included in this year's TCFD report.

Overview

This TCFD report covers the assets of the Scheme. In particular, the analysis in Sections 2 and 4 covers only the Default Strategy.

The Trustee of the Baptist Pension Scheme recognises climate change as both a financial risk and an investment opportunity. The shift to a low-carbon economy will impact markets, businesses, and asset values, shaping the Scheme's investment landscape.

To protect members' interests and support sustainable growth, the Trustee integrates climate considerations into its investment decisions and ensures its investment managers engage with companies to encourage sustainable practices.

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

The Trustee has been successful in reducing total emissions and emissions intensity, in part due to the strategic changes made over the year to the Default Strategy. This followed on from utilising and interrogating the previous climate risk and opportunities analysis, with the Trustee proactively changing the strategy. Further progress has been made towards the climate-related target.

Key findings and developments 2025

Governance - *the Trustee has a robust framework for managing the Scheme, including setting clear expectations and responsibilities in relation to climate change*

A Climate Governance Statement defines responsibilities of everyone involved

Climate-related risk and opportunities are reviewed regularly at Investment Committee meetings in light of the Trustee's Ethical Investment Policy

The Scheme's advisers support the Trustee on climate-related matters. The Trustee appointed Broadstone as its investment adviser in 2025

Strategy and Risk Management - *the Trustee has taken steps to understand how climate change might affect the Scheme and to control the risks it has identified. Based on the analysis carried out, the Trustee expects climate change is likely to impact the Scheme most significantly over the longer term. The Trustee aims to reduce climate-related risks to the Scheme in several ways.*

Invest responsibly in line with our Ethical Investment Policy, as far as it is practical.

Updated default investment strategy

- Replaced the L&G Ethical Equity Fund with the L&G ESG Paris Aligned World Developed Equity Fund
- Moved the credit allocation to the M&G Sustainable Total Return Credit Investment Fund

We adopted a new climate scenario and modelling this year, based on latest data, aiding risk management

Regular review of Scheme's investment manager's climate practices, integrating this into selection of new managers.

Set climate as a stewardship priority.

Metrics and Targets - *the Trustee has collected and reviewed information about the total greenhouse gas emissions, carbon footprint and emissions reductions targets for the assets we invest in, as well as the quality of the data provided in this report, to help us understand the Scheme's exposure to climate risks. We set a target to increase the proportion of companies we invests in with science-based emissions reduction targets.*

Updated methodology for carbon emissions. Improved understanding and disclosure

Scope 1,2 and 3 carbon emissions reduced over the year.

Despite prudent methodology change

Improved 'reported' data quality:

- Scope 1 & 2: 82% (75% for 2024)
- Scope 3 – 60% (51% for 2024)

Proportion of in-scope Scheme assets with approved, science-based climate targets increased from 50% in 2024, to 54% in 2025. This remains broadly in line with the pathway to reach our target of 80% by 2030.

Section 1 - Governance

The Trustee maintains a “Climate Governance Statement” (also known as “Roles and Responsibilities” document) which sets out the responsibilities between the Trustee, Investments Committee and investment adviser. This aims to maintain appropriate oversight of the climate-related risks and opportunities relevant to the Scheme, so that the Trustee can be confident that its obligations are being met. This section reflects how the Scheme is currently governed, by describing the roles of those undertaking, advising on or assisting with Scheme governance activities in identifying, assessing, and managing relevant climate-related risk and opportunities.

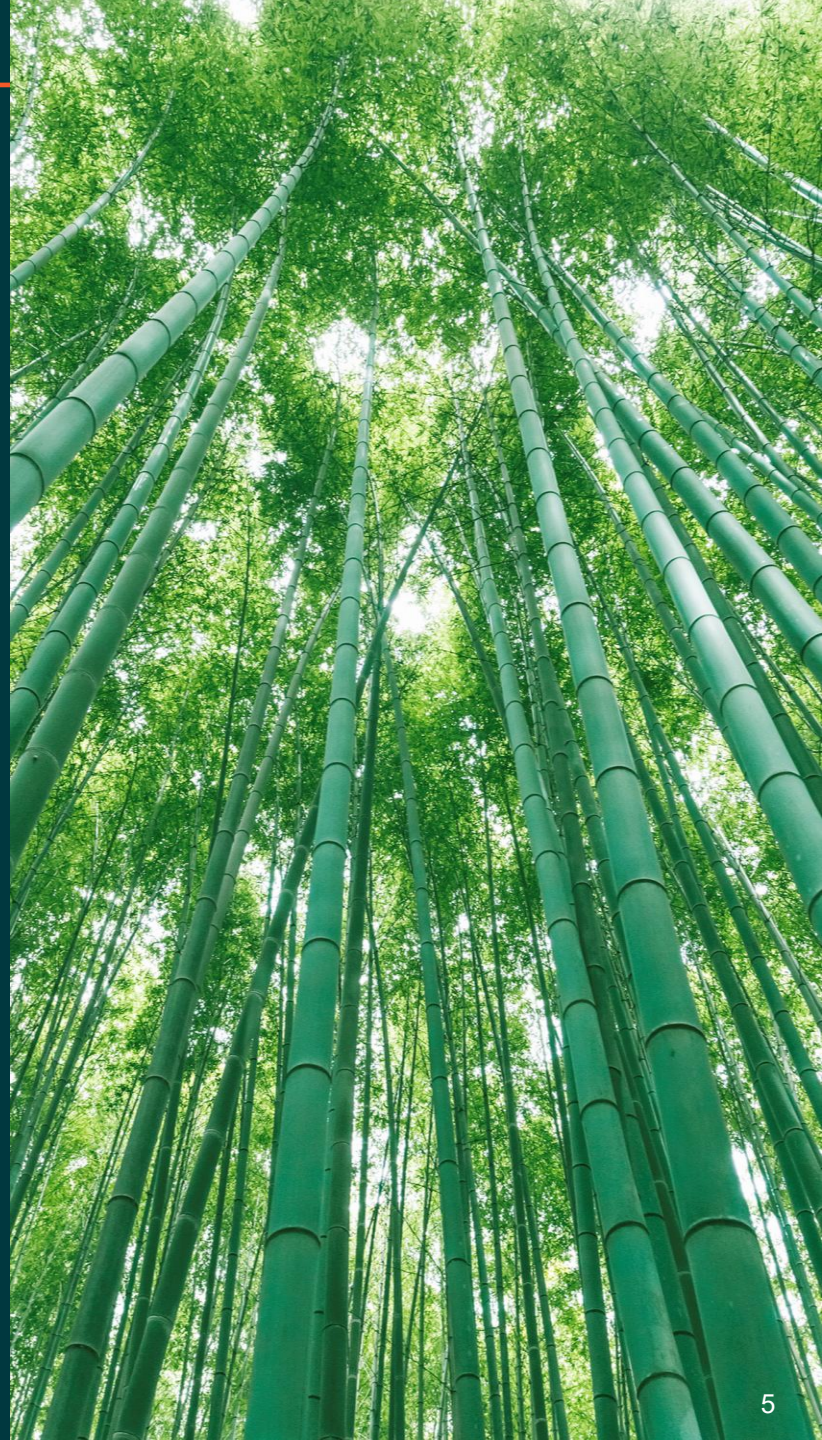
The Trustee uses outputs from the TCFD reporting process to inform areas of focus for their climate-related governance activities.

1. Trustee’s Role

The Trustee has ultimate responsibility for ensuring effective governance of climate-related risks and opportunities in relation to the Scheme. This is done by the Trustee Board and Investments Committee, with support from the Pensions Manager and the Trustee’s external advisers. As the Trustee has ultimate responsibility for Scheme governance activities, its role is to review and discuss any information, decisions and proposals that have been made by the Investment Committee, the Governance and Risk Committee and/or its advisers. Having done so, the Trustee Directors will then confirm or amend any decisions or proposals made, and ensure the decisions are implemented appropriately. All decisions are ratified by the Trustee Board, including decisions relating to climate change.

The Trustee Board meets each quarter to discuss and make decisions regarding various topics related to the Scheme. As part of the work surrounding these meetings, the Trustee allocates significant time and resources to meeting its obligations on climate change governance and reporting. TCFD-related activities, such as monitoring climate metrics and reviewing the climate practices of the Scheme’s investment managers, regularly represent substantive agenda items. This level of time and resources spent reflects the Trustee’s view that climate change presents both a financial risk and an investment opportunity.

This structure allows third parties with climate-related responsibilities, such as investment advisers and investment managers, to have clear monitoring and review frameworks of how and when they report to the Trustee on climate-related matters.



Section 1 - Governance

The Trustee also ensures that the Investments and Governance and Risk Committees have suitable experience in considering climate risk, to ensure that risks are suitably considered, documented, reviewed and kept up to date.

The Trustee role also includes:

- Agreeing training requirements and scheduling them into the business plan;
- Ensuring the climate governance arrangements remain appropriate and effective;
- Signing off the Trustee's investment beliefs, investment policies and risk register, including appropriate climate-related wording;
- Communicating with Scheme members and other stakeholders on climate change where appropriate.

Oversight activity – at the regular Trustee Board meeting

At its regular Board meeting each quarter, the Trustee receives and reviews:

- An update from the Governance and Risk Committee which includes any recent review of the Scheme's risk register. Where appropriate, this includes updates in relation to the climate-related risks and opportunities identified in the risk register.
- An update from the Investments Committee and/or the investment adviser on the Scheme's investments. Where appropriate, these include updates in relation to the investment managers' climate policies, and their assessment of relevant climate-related risks and opportunities.

The Trustee also considers climate-related risks and opportunities whenever a review of the investment strategy is undertaken. Over the year, the Trustee considered opportunities to further mitigate climate risk within the Scheme's investment strategy, as part of analysing the output of the climate scenarios, the emissions and metrics data, with the support of the IC.

In addition, the Trustee annually reviews a responsible investment report from the Scheme's investment adviser that reviews the Scheme's investment managers in relation to environmental, social and governance (ESG) factors and climate change.

Section 1 - Governance

2. The role of the Investments Committee

The Investments Committee ("IC") provides the Trustee with updates and guidance following the reviews it has carried out and sets out any decisions that are required. It does this by:

- Reviewing and discussing all investment advice received, including ensuring appropriate consideration of climate change;
- Reporting back significant pieces of investment advice and recommendations to the Trustee, including any advice and recommendations relating to climate change;
- Ensuring any advice from the investment adviser is requested and carried out appropriately;
- Providing recommendations in respect of the investment adviser's competency;
- Meeting with the investment managers and receiving updates on the managers' approaches to climate risk and opportunities;
- Challenging the investment managers to improve ESG processes and reporting on climate risks. The Trustee's investment adviser engaged with L&G and M&G during the Scheme year on improving its carbon metrics reporting.
- Reviewing the metrics and targets to assess climate-related risks and opportunities in relation to the Scheme's investment managers.

Oversight activity – by the IC

The IC considers climate-related risks and opportunities within each investment topic and individual mandates as and when they arise at bi-annual meetings. The IC also reviews (at least annually):

- Data on climate-related metrics and progress against the target set in relation to these metrics;
- Whether it is appropriate to update the climate scenario analysis that illustrates how the Scheme's assets might be affected under various climate change scenarios;
- Their advisers' climate competency including assessing how they have performed against their climate responsibilities; and
- A responsible investment report that reviews ESG factors and climate change of the Scheme's managers.

Climate-related policies within the Ethical Investment Policy

- The Trustee seeks to achieve an acceptable balance between risk, reward and ethical considerations in its Ethical Investment Policy that will satisfy this expectation and the conscience of the Baptist constituency. The Trustee must at all times satisfy itself that its action in applying an ethical investment policy will not involve significant financial detriment. The Scheme invests in pooled funds and, in selecting which pooled funds to make available, the Trustee takes into account ethical issues. Through its Ethical Investment Policy, the Trustee seeks a constructive engagement with the corporate world, investing in companies that will successfully develop their business financially where responsible business practices and high standards of corporate behaviour are encouraged and supported. This policy includes the use of different approaches as described below:
    - Investing in companies or sectors which reflect Christian values in areas including environmental protection, supporting sustainable development and health (including healthy food).
    - Avoiding investment in companies or sectors undertaking a particular activity or operating in a way which may be harmful and inconsistent with the Scheme's Christian values and ethos. The Trustee will therefore avoid investment in companies with significant trading in certain areas, including the extraction, production and refining of fossil fuels. Significant trading or involvement is normally taken to mean greater than 10% of turnover.
    - Stakeholder Activism, whereby the Trustee seeks to influence a company's policies towards those which better reflect the Scheme's values and ethos. The Trustee is in regular dialogues with the Scheme's investment managers to understand how they have exercised company voting rights, noting the Trustee's agreed stewardship priorities, climate change and human rights. These stewardship priorities are also considered on an ongoing basis in fund retention and selection.

3. Other parties' and advisers' roles

Pensions Team

The Pensions Team's role is to ensure that the Trustee Board, IC and its advisers have full access to all the information needed on the Scheme and to help implement any decisions made. Members of the Pensions Team attend the Trustee's climate-related training sessions and other opportunities for similar training from investment specialists in the pensions industry.

Investment adviser

Whenever it reviews its agreements with external advisers, or appoints new advisers, the Trustee also considers and documents the extent to which the advisers' climate-related responsibilities are included in the agreements and/or any adviser objectives set. The oversight structure provides clear lines of communication between the Trustee and those working on climate-related risks and opportunities relevant to the Scheme.

The Trustee reviews the investment adviser's climate change expertise and is satisfied that they have the skill and resources to integrate climate change-related risks and opportunities into their investment advice. The Trustee has most recently reviewed the competency of its investment adviser during the Scheme year, as part of changing the investment adviser. No concerns were identified.

The investment adviser was previously LCP, with Broadstone being appointed as the new investment adviser during the Scheme year. To provide continuity and consistency, both firms make use of the same modelling provider for climate scenario modelling.

The investment adviser assists the Trustee in carrying out the following tasks:

- Manager selection and ongoing monitoring;
- Quarterly investment monitoring;
- Annual responsible investment review; and
- Annual climate metrics review.

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

The Risk Management section provides more detail on each of the monitoring and review items listed above.

Investment Managers

Legal & General Investment Management (L&G) are responsible for the day-to-day implementation of the Scheme's default investment strategy. M&G plc (M&G) also manage part of the strategy with implementation via the L&G platform. This includes climate responsibilities such as considering climate-related risks and opportunities, implementing the ethical policies, exercising voting rights, undertaking engagement activities, and providing climate data.

Section 1 - Governance

ESG-related objectives set for advisers over the year

• Help the Trustee integrate its ESG policy and stewardship in implementing the Scheme's investment strategy;

• Take into account the Scheme's ethical policy, ESG and stewardship considerations in putting in place a suitable range of alternative lifestyles and self-select funds;

• Inform the Trustee of regulatory changes and assist the Scheme in becoming compliant.

Information received by the Trustee

• The Trustee receives summary of the Scheme's investment manager Responsible Investment process and climate approaches in the Annual Responsible Investment Review;

• The Trustee receives detailed climate metrics data on an annual basis. The Trustee has most recently received and reviewed climate metrics data during the Scheme year, in November 2025.

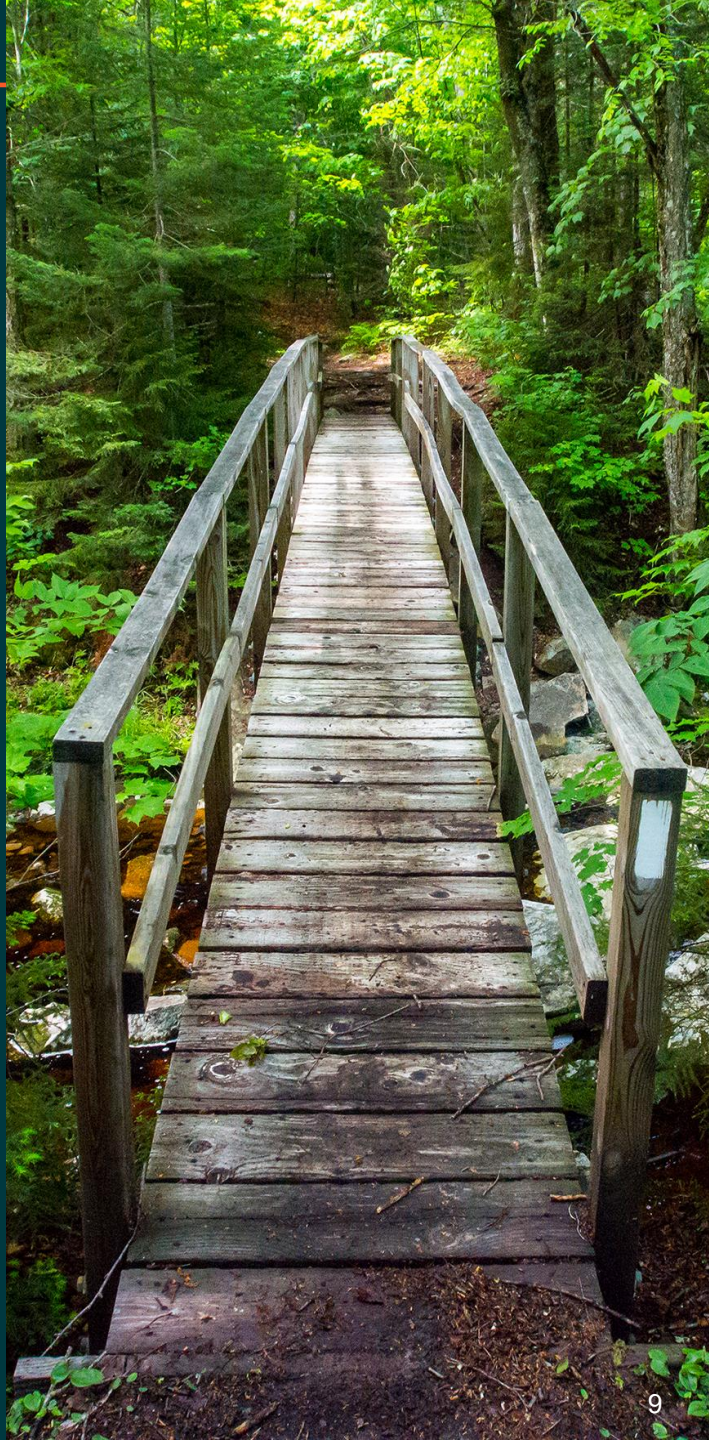
A Responsible Investment overview was delivered at the November 2025 IC meeting.

Quarterly Stewardship Reports from Investment Managers sent to the Trustee advisers with items raised, as required.

Training for the Trustee

The Trustee recognises that appropriate knowledge and understanding are critical to effective climate governance. Accordingly, the Trustee and Investments Committee receive regular training on a variety of relevant topics. There was less training over 2025 due to the change in investment adviser, reduced number of IC meetings, and in light of this being the year following the investment strategy review. During 2025, the Trustee and Investment Committee received training on:

- Investment beliefs session that considered climate-related beliefs (September 2025)
- Current DC topics and direction of regulatory travel (throughout the year)
- Climate scenario analysis including update on trends and critical changes in this area (November 2025).
- Responsible investment annual review from investment adviser (November 2025)
- Climate metrics and targets paper from investment adviser (November 2025).



Section 1 - Governance

The processes by which the Trustee satisfies itself that the relevant third parties are taking adequate steps to identify, assess and manage those risks and opportunities

The Trustee seeks to ensure that any third parties assisting the Trustee in undertaking governance activities have suitable climate-related risk expertise and resources to carry out their role.

The Trustee considers and documents climate-related responsibilities in Scheme documents and agreements, such as the Statement of Investment Principles, the Ethical Investment Policy, the investment adviser's strategic objectives and service agreements.

In particular, the Trustee incorporates its beliefs and policies on climate-related risks into its Statement of Investment Principles and Ethical Investment Policy, which help to define the investment strategy for the Scheme. This process allows the Trustee to engage with the relevant parties, either directly or through its investment adviser, to satisfy themselves that climate-related risk has been adequately prioritised.

Climate-related beliefs in the Statement of Investment Principles (SIP)

- The Scheme's Statement of Investment Principles (SIP) is designed to reflect the Department for Work and Pensions (DWP)'s 2018 guidance on matters pertaining to environmental, social and governance (ESG), including climate change.
- The Trustee believes ESG factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted investment returns by taking account of ESG factors including factors relating to climate change. This is one of the Trustee's key investment beliefs, which influence the setting of the investment arrangements.
- The Trustee has considered how ESG considerations, including climate change, should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.
- The Trustee expects its investment managers to take account of financially material considerations, including climate change. The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and from time to time reviews how its managers are taking account of these issues in practice. The Trustee recognises that it has limited influence over investment managers' investment practices where assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.
- The Trustee is responsible in respect of investment matters for formulating a policy in relation to financially material factors and exercise of rights and engagement activities in respect of the investments, such as those relating to ESG considerations, including climate change.
- The Trustee expects its investment adviser to be responsible, in respect of investment matters, for advising on the selection, and review, of the investment managers, incorporating its assessment of the nature and effectiveness of the managers' approaches to financially material considerations, including climate change.
- The Scheme's SIP explicitly identifies climate change as a source of risk, which could be financially material over both the short and longer term. This risk is defined as relating to the transition to a low carbon economy, and the physical risks associated with climate change, such as extreme weather events. The Trustee seeks to appoint investment managers who will manage this risk appropriately.
- The Trustee has set Stewardship Priorities for the Scheme, to provide a focus for monitoring investment managers' voting and engagement practices. Climate change was identified as a priority for the Scheme, alongside human rights. These priorities are reflected in the SIP and have been communicated to Legal and General, the Scheme's main investment manager. The Stewardship Priorities are considered when selecting new investments, as well as in the monitoring of existing investments

Section 2 - Strategy

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

The Trustee recognises that climate change is likely to affect members differently depending on the investments held and the length of time considered. The Trustee has considered climate-related risks and opportunities over the various time periods which it believes are most relevant to the Scheme.

During the Scheme year, The Trustee selected short, medium and long-term time horizons over which to formally consider the impact of climate related risks and opportunities for the Scheme. These are shown in the table below, alongside the main reason why each period was chosen.

Time Horizon	Timeframe	Reason
Short Term	To 2030 (5-year period)	Many companies are committed to halve emissions with improved data reporting. Widely used as a milestone for interim corporate emissions targets and improved climate disclosure
Medium Term	To 2040 (15-year period)	Recognised as a key waypoint for policy maturity across climate frameworks. Policy action over this period will determine if Paris Agreement goals can be met.
Long Term	To 2050 (25-year period)	Most climate targets focus on achieving net zero emissions by the midcentury.

When selecting the above time horizons, the Trustee has considered the expected timeframe over which current members' monies will be invested to retirement and the actual investments members are expected to hold.

The Trustee recognises that members face risks and opportunities from both the physical effects of climate change, such as rising temperatures and more extreme weather events, as well as from the effect of transitioning to a lower carbon economy to help mitigate the impacts of climate change, such as government policies to reduce the use of fossil fuels, technological advantages in renewable energy, and shifts in consumer demand for "greener" products. Many of these climate-related risks and opportunities could impact the value of the Scheme's assets.

Time Horizon	Risks	Opportunities
Short Term	• Older members are less exposed to physical risks due short time horizon and de-risking in the default strategy. Despite this, they have a shorter time horizon, so will be less able to recover from short-term market volatility caused by the energy transition. Younger members, reflecting higher-risk strategies, are more exposed to physical risk in the short-term • Low carbon investments can help to reduce impact	• Introduction of new Paris Aligned equity strategy over 2025 improved resilience of the default strategy to climate risks • M&G Sustainable Total Return Credit increases the percentage of ESG themed bonds and removes all exposure to United Nations Global Compact (UNGC) Breaches, within the default strategy. • Policy incentives for clean investment can boost returns for those investing sustainably
Medium Term	• Members 15 years from retirement face transition risks (under Limited Action and Delayed Net Zero scenarios, with the impact occurring earlier in the Delayed Net Zero pathway) • High Warming pathway leads to severe physical risks but risk present across all pathways	• Impact investments benefit from the shift to a low carbon economy and may provide an enhanced source of return over this period (includes long-term) • Resilient infrastructure investment is required for climate adaptation, potentially creating opportunities
Long Term	• Younger members are most exposed to High Warming impacts, with updated modelling showing the risk has increased. • Longer time to retirement offers resilience but increases exposure, as member investments are more likely to be affected by the expected severe physical impacts.	• Engagement with managers becomes more important to ensure they are exercising stewardship in support of net zero pathways is key to avoiding a failed transition • The Trustee has set Climate Change as a stewardship priority which is monitored regularly in the Implementation Statement.

Section 2 - Strategy

The climate-related risk and opportunities feed into the Trustee's policies in various ways including the Scheme's Ethical Investment Policy. The investment managers are asked to disclose whether the funds they manage on behalf of the Scheme are in compliance with the Scheme's Ethical Investment Policy. Whilst some of the investment managers are not able to report alignment with our specific criteria, our investment adviser considers this alignment in detail and reports any concerns to the Trustee on a regular basis. Overall, the investment managers' Responsible Investment practices were believed to be broadly in line with expectations following the most recent review in November 2025 (based on the version of the Ethical Investment Policy dated March 2023)

Manager selection and ongoing assessment

For members who wish to take a more direct approach in mitigating climate change risk and aligning their investments with the transition to a low carbon economy, the Trustee offers a Low Carbon UK Equity fund as an investment option for members. This fund invests in the UK equity market while on a de-carbonisation path to achieve net zero by 2050. Within this fund, the investment manager excludes companies that fail to meet predefined minimum standards in low carbon transition and corporate governance standards.

The Trustee also offers an Ethical Global Equity fund as an option members can choose. The fund follows an investment philosophy that aims to invest in companies demonstrating specific Environmental, Social and Governance ("ESG") practices. Climate change is a key consideration in the FTSE Russell ESG ratings used to screen out the companies for inclusion in the index construction. These ratings take into consideration the sector that a particular company operates in.

The Trustee engages with current and prospective investment managers on matters including climate change but does not monitor or engage directly with issuers or other holders of bonds or equities.

1. Manager selection

The Trustee seeks to appoint investment managers that have strong responsible investment skills and processes. The Trustee favours investment managers who are signatories to the Principles for Responsible Investment and UK Stewardship Code.

When selecting new managers, the Trustee considers its investment adviser's assessment of potential managers' capabilities in this area. If the Trustee meets prospective managers, the Trustee usually asks questions about responsible investment, focusing on the stewardship priorities the Trustee has chosen, namely climate change and human rights. These principles were key considerations in the selection of managers for the new equity and credit allocations for the default strategy during previous Scheme year. The selected funds demonstrated strong RI and climate integration and aligned closely with the with the Ethical Investment Policy. The new funds were introduced to the default strategy over the Scheme year.

2. Manager monitoring

The IC receives information regularly to enable them to monitor the Scheme's managers' responsible investment practices and check how effective these are. This information includes metrics such as carbon emissions data for the Scheme's mandates (where available).

3. Ongoing cycle of manager engagement

Given that responsible investment is rapidly evolving, the Trustee expects most managers will have areas where they could improve. The Trustee therefore aims to have an ongoing dialogue with its managers to clarify its expectations and encourage improvements. In particular, investment managers have been invited to meetings with the IC and the investment adviser. The Trustee reviews the information provided to them by its investment adviser to identify any concerns, for example where the managers' actions are not aligned with the Trustee's views. Where there are concerns, the Trustee will typically seek further information through its investment adviser.

4. Annual responsible investment review

The IC undertakes a review of its managers' responsible investment practices. This includes the investment adviser's qualitative responsible investment assessments for each manager, including how the manager mitigates climate change risk. This review was most recently carried out in November 2025, it assessed how investment manager's integrated Responsible Investment policies and provided recommendations on how further improvements could be achieved.

Section 2 - Strategy

2) Climate Scenario analysis

The Scheme considered updated climate scenario analysis in the Scheme year. Since the Scheme's previous climate scenario analysis in 2024, the scenarios have been developed to remove the Net Zero Financial Crisis scenario as the Trustee and new investment adviser no longer believe this is plausible due to scientific evidence. **Delayed Net Zero** scenario was introduced which represents the Trustee's most optimistic scenario included in the analysis, which assumes strong but later action to decarbonise. The **Limited Action** scenario has been retained, under which some action is taken to mitigate climate change but not as much as under the Delayed Net Zero scenario. For Limited Action scenario Net Zero is not achieved in 2050. The **High Warming** scenario has been retained. The modelling was updated as recent emission and energy data show that global emissions are now higher than previously assumed. Updated modelling reveals higher temperature outcomes where the scenario has been retained.

During the Scheme year, the Trustee retained the existing time horizons. The Trustee has carried out the analysis for a 40-year-old, 50-year-old and 60-year-old as these members are expected to retire at the end of the long-, medium- and short-term time horizons, respectively. As per last year the Trustee has also provided analysis to assess the impact on a member post-retirement, with a 65-year-old member.

Delayed Net-Zero

Objective

Evaluates impact when a sudden step-up in policy action in 2030 drives a sentiment shock in financial markets

1.9°C

Limited Action

Objective

Evaluate how falling short of meeting emissions targets and pledges would drive high exposure to physical risk

2.9°C

High Warming

Objective

Evaluates implications of a future without any further action to limit climate change, triggering multiple climate tipping points and very severe physical risk

3.7°C

2) Climate Scenario analysis

The climate scenario analysis undertaken for the Scheme year ending 31 December 2025 looked at the retirement outcomes (in terms of the size of their retirement pot) for individual members of different ages who are invested in the default strategy. The analysis highlighted that members will be subject to climate risks to varying degrees depending on the climate scenario. In general, the default strategy has been designed in a way which reduces investment risk as members approach retirement. Climate risks are generally expected to have the greatest impact on return-seeking assets such as equities. In the default strategy, exposure to these assets is reduced as members approach retirement, which should help to reduce their exposure to climate risks.

The results of the climate scenario analysis are summarised in the table below, showing percentage loss in the value of a member's savings at retirement (or 10 years post retirement for age 65). It shows how much lower expected pot sizes at retirement will be in different climate scenarios compared to a base case scenario. The analysis assumes that the 40-, 50- and 60-year-old members are actively contributing into the Scheme, and the 65-year-old is deferred (ie no longer paying contributions). The Trustee also conducted the analysis for deferred members in the first three age groups.

The climate scenario analysis highlights that climate risks outweigh the climate opportunities, with active and deferred members over all investment horizons modelled expected to face a loss from climate change. In particular, younger members are more adversely affected. This is due to a higher investment allocation to higher-risk asset classes, which are more exposed to climate risks, and a longer investment horizon over which climate impacts can affect the member's retirement pots. Also, deferred members are more negatively affected than active members when comparing over the same investment horizon. Deferred members no longer contribute towards their retirement pot, so the assets are less able to recover from climate shocks compared to active members. The contributions paid by the active members reduces the impact in the modelling.

Active Members	Member aged 40	Member aged 50	Member aged 60
Delayed Net-Zero (+1.9ºC)	*-6.8%*	*-5.2%*	*-0.0%*
Limited Action (+2.9ºC)	*-19.2%*	*-11.1%*	*-0.1%*
High Warming (+3.7ºC)	*-29.4%*	*-17.8%*	*-0.4%*

Deferred Members	Member aged 40	Member aged 50	Member aged 60	Member aged 65
Delayed Net-Zero (+1.9ºC)	*-9.9%*	*-6.9%*	*-0.0%*	*-2.9%*
Limited Action (+2.9ºC)	*-23.1%*	*-12.1%*	*-0.1%*	*-2.3%*
High Warming (+3.7ºC)	*-35.1%*	*-19.5%*	*-0.5%*	*-3.2%*

Additional detail on scenarios

See Appendix 2 for details of the reasons the Trustee chose each of these scenarios, along with the key assumptions, approach, outcomes and limitations of the modelling (e.g. material simplifications or known under/over estimations). Potential issues with the data or its analysis which may have limited the comprehensiveness of the assessment is also covered

Deferred member at age 65 analysis: The Trustee believes some members will remain invested post-retirement, with a current expectation that a large proportion of Scheme members will choose to gradually withdraw their pension savings during retirement (i.e. drawdown). For this reason the climate scenario analysis includes a member aged 65, with the modelling representing a 10- year investment in the Scheme's at-retirement allocation to cover members who remain invested past their target retirement date. This also illustrates the potential impacts of the climate scenarios on members who have not selected the correct target retirement age.

Section 3 – Risk Management

1. Processes for identifying and assessing climate risk

The Trustee has implemented a number of processes and tools for identifying, assessing and managing climate-related risks and opportunities, including:

- attending regular training on various climate-related topics, for example training on making climate scenario analysis decision useful;
- ensuring its advisers have processes in place to help it research its investment managers' climate-related practices; and
- ensuring good stewardship practices are in place.

The Trustee expects its investment managers to identify, assess and manage climate-related risks to the Scheme's assets on an ongoing basis. The above processes are integrated into the overall risk management of the Scheme through the business plan, the risk register and regular support from its advisers. The Trustee's risk register is updated regularly to ensure all risks are being monitored and managed consistently and proportionately.

These processes have helped the Trustee consider issues such as:

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

The processes and tools stated above are used to identify the key risks and opportunities that inform the Trustee's investment decision processes. In particular, our climate processes have fed into recommendations made by our previous investment advisers in the previous triennial investment strategy review and the subsequent manager selection (during the previous Scheme year), and implementation of this carried out during the Scheme year.

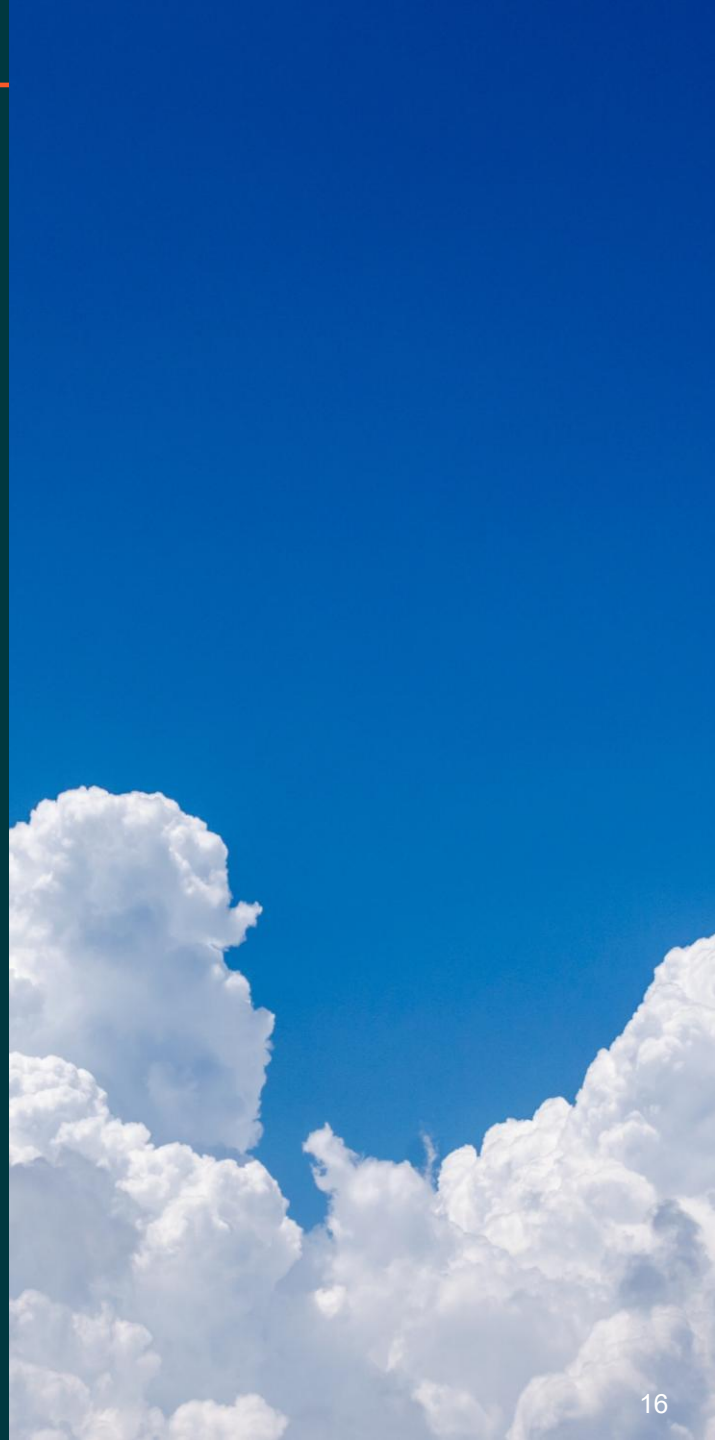
Section 3 – Risk Management

One of the main conclusions from previous climate scenario analysis was that the Scheme's youngest members are heavily exposed to climate risk. The changes to the default strategy agreed as part of the triennial investment strategy review are expected to help mitigate this risk. In particular, the Trustee agreed to replace the L&G Ethical Equity Fund within the default strategy with the L&G ESG Paris Aligned World Developed Equity Fund. The latter equity fund has a decarbonisation target, and its index meets the European Commission's minimum criteria to be on a pathway to the 1.5°C goal of the Paris Agreement. Additionally, the Trustee agreed to replace the passive bonds within the default with an allocation to sustainable credit, which manages duration risk in the approach to retirement. The new credit fund is significantly better aligned with the Trustee's Ethical Policy and has a net zero target.

How the Ethical Investment Policy addresses climate risks

The Ethical Investment Policy specifically addresses climate risks by excluding fossil fuel extraction companies, unless a company is deemed to be moving significantly to sustainable energy policies. The Ethical Policy excludes companies with significant trading in all extraction, production and refining of fossil fuels. The policy specifically addresses climate opportunities by allocating to companies involved in environmental protection and supporting sustainable development. As stated in the policy, the Trustee regards itself as "stewards of the world" and will avoid investment in companies that act without proper regard to the environment.

The Trustee, with help from its IC and advisers, has sought to align all funds with its ethical and climate beliefs, where possible, but notes this is challenging for a scheme of our size which requires the use of pooled funds.



Section 3 – Risk Management

Annual Responsible Investment Review

The IC is responsible for carrying out an annual responsible investment review.

Core Principles

- Understanding the potential impact of responsible investment on the Scheme's funds, including fund performance;
- Maintaining up-to-date knowledge on responsible investment methodologies, how these differ between providers, and how their results should be interpreted in relation to the Scheme's investments and against industry benchmarks;
- Awareness on how the Trustee's Stewardship policies and priorities impact and influence their responsible investment decisions;
- Referencing established frameworks aimed at driving responsible investment, such as the United Nations Sustainable Development Goals and the United Nations Global Compact, to identify shared responsible investment goals and provide the Trustee with industry-leading practises with which to compare or emulate where appropriate.

Review of Current Position

In previous years, the Trustee agreed to apply their Ethical Investment Policy when selecting pooled funds for the Scheme. The Scheme's current fund range reflects the Trustee's desire to invest in pooled funds which – so far as possible – reflect Christian values including environmental protection and social justice, exclude companies with a sufficiently poor track record in human or natural resource exploitation, or allow the Trustee to use their voting rights to engage with the underlying companies that the funds invest in. As at 31 December 2025, the largest single fund holding was the L&G ESG Paris Aligned World Equity Index Fund.

The latest Annual Responsible Investment Review was produced by the Scheme's investment adviser in November 2025.

Process for this year and findings

The Trustee was presented with research on each Investment Manager that the Scheme has funds invest with, covering several aspects of responsible investment including voting policies, engagement with underlying companies, industry-level scoring and overall assessment of integration of responsible investment practises within each firm.

Two of the Scheme's investment managers, Legal & General and Columbia Threadneedle, were found to provide consistently high quality, thorough and transparent responsible investment programs at the fund- and firm-level that reflect well the stewardship policies of the Trustee's Ethical Investment Policy. The remaining two investment managers, M&G and Newton, were singled out as having engagement policies that were not quite as comprehensive. The Trustees considered these managers' voting and engagement policies comparing these to the Human Rights and Climate Change stewardship priorities, with the potential for opportunity to consider follow-up action, noting any action would need to be proportionate based on the expected benefit for members (for example, the cost associated with taking action may outweigh the potential benefits for funds that only represent a very small proportion of members' assets).

Section 3 – Risk Management

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

Tools the Trustee have employed include:

• undertaking climate scenario analysis which shows how the Scheme's assets might be affected under a range of climate scenarios;

• reviewing its investment adviser's assessments of the climate practices of the Scheme's investment managers;

• monitoring a range of climate-related metrics in relation to the Scheme's assets; and

• updating the risk register regularly to ensure all risks are being monitored and managed consistently and proportionately.

The Trustee has used the climate scenario analysis as a key tool for identifying, assessing and managing climate-related risks and opportunities. In particular, the analysis was used to identify the time horizons over which the physical risks and transition risks could materialise. The Trustee has considered what the possible impacts of climate change could be over each of these time horizons and whether its investment strategies are likely to be robust against these risks (or able to take advantage of any opportunities).

Risk Register

The Trustee maintains a risk register covering the wide range of risks run in the Scheme. The Governance and Risk Committee maintains and updates the risk register, with any amendments notified to the Trustee Board.

Climate risk areas included in the risk register include:

• Knowledge and understanding of climate risks

• Compliance with climate risk legislation

• Regular review of climate risks and opportunities relevant to the investment strategy

• Reputational risks of not tackling climate risk appropriately

• Inadequate communication with members on climate risk

These are reviewed regularly to consider if any further risks need adding or amending, to assess any significant priority risks to manage and to ensure regular action is maintained in monitoring and mitigating these risks.

The Trustee's current assessment, based on consideration of their impact and likelihood, is that climate-related risks are appropriately managed for the Scheme and therefore should continue to be monitored in accordance with the current monitoring processes.

Section 3 – Risk Management

Investment monitoring

In addition to the Annual Responsible Investment Review referenced earlier, the Scheme's investment adviser provides quarterly investment performance monitoring reports to the Trustee for discussion. Any concerns in relation to the investment managers, including climate-related matters, are monitored as part of this process.

Climate metrics review

The IC receives and reviews detailed climate metrics data from its investment adviser and investment managers, on an annual basis. The Trustee most recently reviewed the climate change metrics in November 2025. The calculations and reporting of climate change metrics and other climate risk exposures were discussed at the November 2025 meeting. Climate metrics are reported in the next section of this report.

Stewardship

The Trustee expects the Scheme's investment managers to engage with investee companies on climate-related (and other) matters. The Trustee generally believes that engaging with companies is more effective at encouraging change rather than selling the Scheme's investments in those companies. Stewardship is therefore used to help manage climate-related risks. Voting and engagement activities are delegated to the individual investment managers. Each manager has its own ESG policy, which includes assessment of climate-related risks and policies on voting on climate-related resolutions. More information on the Trustee's stewardship activities can be found in its Implementation Statement.

The Trustee has set Stewardship Priorities for the Scheme, to provide a focus for monitoring investment managers' voting and engagement practices. Climate change was identified as a stewardship priority for the Scheme, alongside human rights. The Trustee will review these priorities regularly and update them if appropriate. Over the Scheme year the Trustee reviewed these priorities and retained climate change as a stewardship priority. The Trustee chose these priorities because they are market-wide areas of risk that are financially material for the Scheme's investments, aligned with the interests of the Scheme's members and can be addressed by good stewardship. Therefore, the Trustee believes it is in members' best interests that managers adopt strong practices in these areas. The Trustee has written to the Scheme's investment managers to notify them of the Scheme's stewardship priorities and remind them of the Trustee's expectations of them in relation to responsible investment – including ESG considerations, climate change, voting and engagement. In order to monitor how the individual investment managers are exercising their voting rights and undertaking engagement on behalf of the Trustee, the Investment Committee:

- periodically meets with the Scheme's investment managers, to engage with them on how they have considered climate change and human rights (the Scheme's stewardship priorities) within their stewardship activities and will seek to challenge the investment managers on these matters where they think this is in the best interests of members; and
- further monitors the investment managers. The advisers receive stewardship and governance reports from the investment managers on a quarterly basis, raising issues as required.

Case Study: L&G Engagement with Anglo American Plc

Theme: Climate Action (UN SDG 13)

L&G undertook a series of six meetings with Anglo American Plc (the Company), involving senior leadership, to ensure that the Company's long-term strategy would support continued progress on climate and sustainability objectives. L&G proactively engaged and supported the September 2025 proposed merger announcement with Teck Resources. This would create a sustainable energy-transition leader with significant copper exposure, a critical metal for electrification projected to see growing demand in the future.

Section 4 – Metrics and Targets

Climate Metrics

The Trustee has chosen four climate-related metrics to help it monitor climate-related risks and opportunities to the Scheme. There is no change to the metrics from last year. The metrics are listed below, with a summary of the methodology used to calculate. The metrics are reported on overleaf (as far as the Trustee was able to obtain data).

Metric	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. Reported in tonnes of CO2 equivalent (tCO2e). Scopes 1,2 and 3 are reported. **The next page details a change in methodology for this Scheme year**
Emissions Intensity: Carbon Footprint	The total greenhouse gas emissions described above, divided by the value of the invested portfolio in £m. Emissions are attributed across equity and debt investors. Reported in tonnes of CO2 equivalent per £1m invested (tCO2e/£m). Scopes 1,2 and 3 are reported. In line with market practice, the gilt funds' metrics have been calculated on a different basis, using gilts emissions intensity (analogous to Weighted Average Carbon Intensity or WACI) which is based on GDP. This is because there are no direct operational emissions or revenues to measure for governments; instead, sovereign emissions are typically assessed relative to GDP as a proxy for economic activity. For this reason, the gilts emissions figures cannot be directly compared with other. **The next page details a change in methodology for this Scheme year**
Portfolio Alignment: Science-Based Targets (SBT) Alignment	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) 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 believes 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 by both L&G and M&G, using weighted averages, proprietary modelling and third-party sources. "Unavailable" emissions are not reported on nor estimated.

Further detail on the methodology taken by the investment adviser can be found in the Appendix.

Section 4 – Metrics and Targets

Methodology and data differences to 2024 Scheme year data

In the 2024 report, the investment adviser has assessed that the emissions figures only reflected the portion of assets for which data was 'known', meaning that the emissions metrics reported by the managers were multiplied by the fund's coverage (ie scaled down). While this avoids the assumption that the unavailable and estimated data has the same emissions profile as the covered data, this approach under-represents the emissions of funds with poor coverage. For the 2025 Scheme year analysis the new investment adviser has taken the data covered by the investment manager and scaled these emissions to provide emissions figures for the entire fund : the Trustee believes it is better to represent an estimate of the unavailable data rather than omit this entirely.

Metric	Methodology change
Absolute Emissions: Total Greenhouse Gas Emissions	**This year the data has not been scaled down by the data coverage, hence represents the absolute emissions including the estimated data. This is more prudent than the 2024 Scheme year approach, but the investment adviser and Trustee believes more accurate and is less likely to underestimate the emissions data.**
Emissions Intensity: Carbon Footprint	**This year the data has not been scaled down by the data coverage, hence represents the emissions intensity including the estimated data. This is more prudent than the 2024 Scheme year approach, but the investment adviser and Trustee believes more accurate and is less likely to underestimate the emissions data.**

Further detail on the methodology taken by the investment adviser can be found in the Appendix.

In the 31 December 2024 TCFD Report, the Scope 1 & 2 emissions data had separate reporting based on the emissions attributable to different asset classes within the overall fund (listed equities & corporate bonds or sovereigns). For the 2025 metrics, L&G provided emissions data that was aggregated for the entire pooled fund and could not provide anything more granular based on the underlying asset classes. M&G did provide data with this increased granularity and the reported emissions data for the M&G Sustainable Total Return Credit Investment Fund holdings have been split by asset class to reflect this.

Section 4 – Metrics and Targets

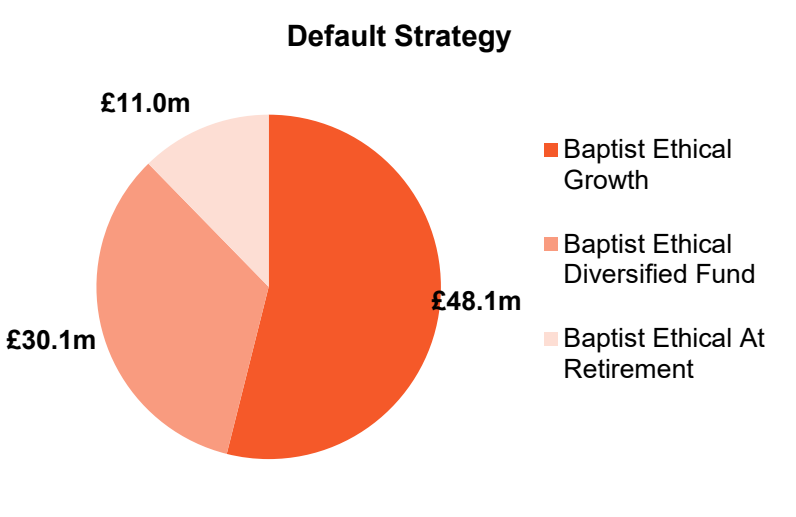
Metrics

The metrics and targets have been calculated using the asset allocation as at 30 September 2025. The Scheme had total assets of c.£100m, which were largely split across the Default Strategy and Self Select Funds.

The metrics and targets have been calculated using climate data as at 30 September 2025 for Legal & General Asset Management ('L&G') managed assets, and 30 June 2025 for M&G plc ('M&G') managed assets. Further detail on the data collected can be found in the Appendix. Government bonds and corporate holdings are reported separately because they are calculated using different assumptions and methodologies.

Coverage for eligible assets will not always be 100%. Reasons for this include a particular company not publishing its carbon emissions data, or lower disclosure requirements for some asset classes. The Trustee has reported coverage of metrics where the investment managers disclose this information and continues to liaise with them to address limitations in coverage of different asset classes. As data coverage is less than 100%, the Scheme's total greenhouse gas emissions could be under or overstated due to new approach to not scaling down the emissions based on coverage. The metrics may increase or decrease in future years as more data becomes available.

Since the 2024 triennial strategy review, there have been changes to the Default Strategy. The Trustee has moved the bond allocation to the M&G Sustainable Total Return Credit Investment Fund. This fund is actively managed, enabling more discretion over investments and a greater scope of engagement. The equity fund has transferred to the L&G ESG Paris Aligned World Equity Index Fund, which tracks a low carbon index. **Despite no changes to the metrics and targets, there have been changes to the methodology, data provided by managers and default strategy over the year, reducing the comparability to past emissions.**



Default Strategy - Asset Class	Value
ESG Global equities	£42.7m
Diversified Growth Funds	£27.9m
Corporate Bonds	£8.7m
Government Bonds	£1.5m
Private Credit	£0.3m
Other	£4.8m
Cash	£3.3m
Total Default Strategy	**£89.2m**

Source: Asset valuation as at 30 September 2025. The total Default Strategy asset allocation by asset class is shown to the right. M&G Sustainable Total Return Credit Investment Fund has allocations to corporate bonds, government bonds, private and other assets.
Note: Other consists of cash & net derivatives, which are used for risk management and defensive positioning.

Section 4 – Metrics and Targets

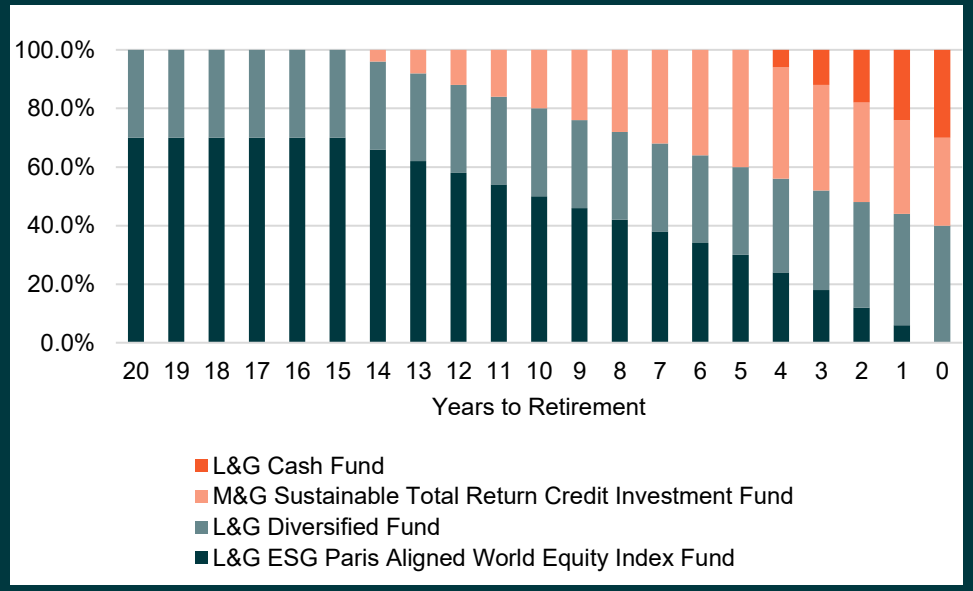
Metrics

The default strategy assets are allocated depending on members' expected retirement date, as shown in the chart to the right.

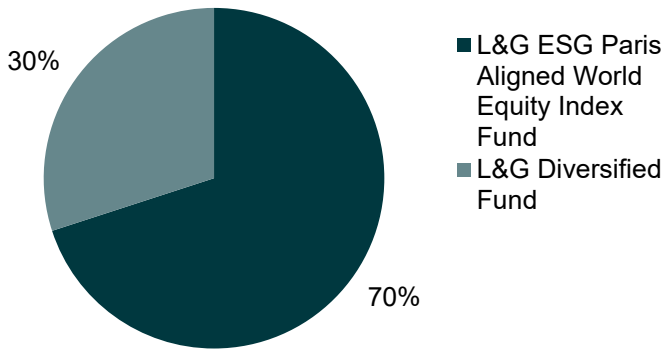
As at 30 September 2025 c.90% of assets are held within the Default Strategy. The Trustee has only collected metrics for the default strategy and not for self-select assets as it decided it was not proportionate to do so. This is in line with the guidance issued by the Department for Work and Pensions.

The Default Strategy invests assets across three funds: Baptist Ethical Growth Fund, Baptist Ethical Diversified Fund and Baptist At Retirement Fund. These funds invest across a number of underlying funds with different asset classes, targeting different risk and return profiles. The asset allocation changes across the funds as a member approaches retirement, as shown below. The remainder of this section reports climate metrics for the Scheme's default strategy, split by the underlying asset class categories as reported on the previous page.

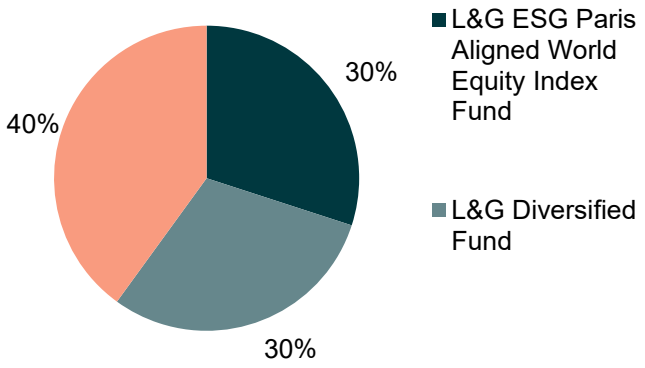
Ethical Default Lifestyle Strategy



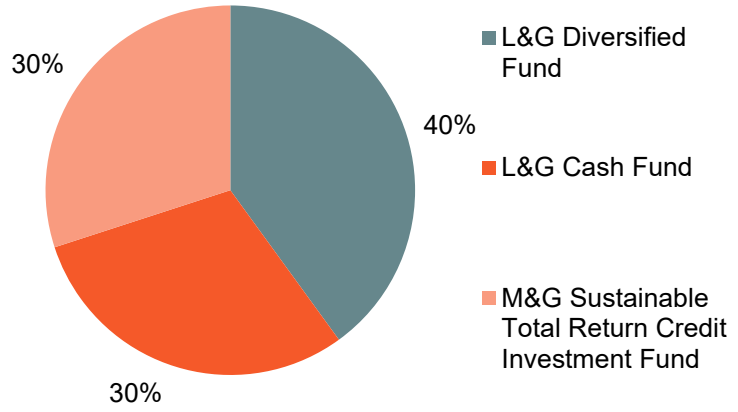
Baptist Ethical Growth



Baptist Ethical Diversified Fund



Baptist Ethical At Retirement



Section 4 – Metrics and Targets

Absolute Emissions – Total greenhouse gas emissions

The table below reports the Absolute Emissions of the default investment strategy, using data provided by the Scheme's investment managers and split out by asset class.

This year's data is as at 30 September 2025 (for L&G managed assets) and 30 June 2025 (for M&G managed assets). The corresponding figures as at 30 September 2024 have been included in brackets for comparison.

The 2024 absolute metrics used data provided by the investment managers and scaled this by the Scheme's investment within the fund and the data coverage. This attempted to reflect the 'known' emissions and avoid reporting emissions that are estimated. For 2025, the Scheme's investment adviser has revised this methodology, no longer scaling for data coverage, based on the belief that it is preferred to estimate unknown emissions rather than omit these entirely.

Changes to funds in the default investment strategy also contribute to the lack of comparability between the 2024 and 2025 climate metrics. The passive corporate and government bonds funds were replaced with an active sustainable credit fund. The new fund has higher data coverage for corporate bonds which improves the reliability of the emissions data reported. It also has allocations to new asset classes, private credit and cash & net derivatives ('Other'). M&G were unable to report on any climate metrics of the cash & net derivatives. Consistent methodology and investment strategy in future TCFD reports should allow for more comparable climate metrics and a better assessment of progress.

Asset Class	Scope 1 & 2 Data Coverage	Scope 1 & 2 Emissions	Scope 3 Data Coverage	Scope 3 Emissions
ESG Global Equities	**99.3%** *(98.7%)*	506 *(1,805)*	**99.3%** *(98.7%)*	7,910 *(22,526)*
Diversified Growth Funds	**81.4%** *(81.3%)*	2,817 *(1,140)*	**81.4%** *(65.6%)*	24,653 *(13,677)*
Corporate Bonds	**96.8%** *(47.9%)*	332 *(40)*	**96.8%** *(39.8%)*	6,101 *(1,229)*
Government Bonds	**85.8%** *(100.0%)*	172 *(1,298)*	**85.8%** *(100.0%)*	16 *(17,095)*
Private Credit	**95.2%**	16	**95.2%**	147
Other	**0.0%**	-	**0.0%**	-
Cash	**74.2%** *(78.4%)*	198 *(191)*	**74.2%** *(17.5%)*	3,623 *(783)*

Source: Data provided by M&G as at 30 June 2025 and L&G as at 30 September 2025. Figures in brackets represents 2024 emissions. Reported in tCO2e. 2024 figures sourced from LCP reports with adjustment for the Diversified Growth Funds where this was previously split between corporate bonds and sovereigns (government bonds). See Appendix for full original 2024 emissions data.
Emission are for the Scheme's assets not the whole pooled fund.
Note: Other consists of cash & net derivatives, which are used for risk management and defensive positioning.

Data coverage has increased for equities, the Diversified Growth fund, corporate bonds but reduced for government bonds and cash. Total data coverage is 87% compared to 89% last year. The decrease is due to M&G's 'Other' assets data coverage.

Scope 1 and 2, and Scope 3 emissions have materially reduced under the equity allocation largely due to the positive change in strategy.

Scope 1 and 2, and Scope 3 emissions have increased for the Diversified Growth Fund which is driven by the methodology change. There was also an increase in emissions for the cash holdings. Emissions increased for corporate bond holdings due to a combination of the methodology change and strategy changes. Emissions for government bond holdings reduced.

Section 4 – Metrics and Targets

Absolute Emissions – Total greenhouse gas emissions

Total absolute Scope 1 & 2 emissions decreased, despite the prudent methodology change. This was driven by the reduced emissions from the equity strategy change and reduction in government bond emissions. Changes to the underlying holdings of the funds will also impact the change in emission figures between years.

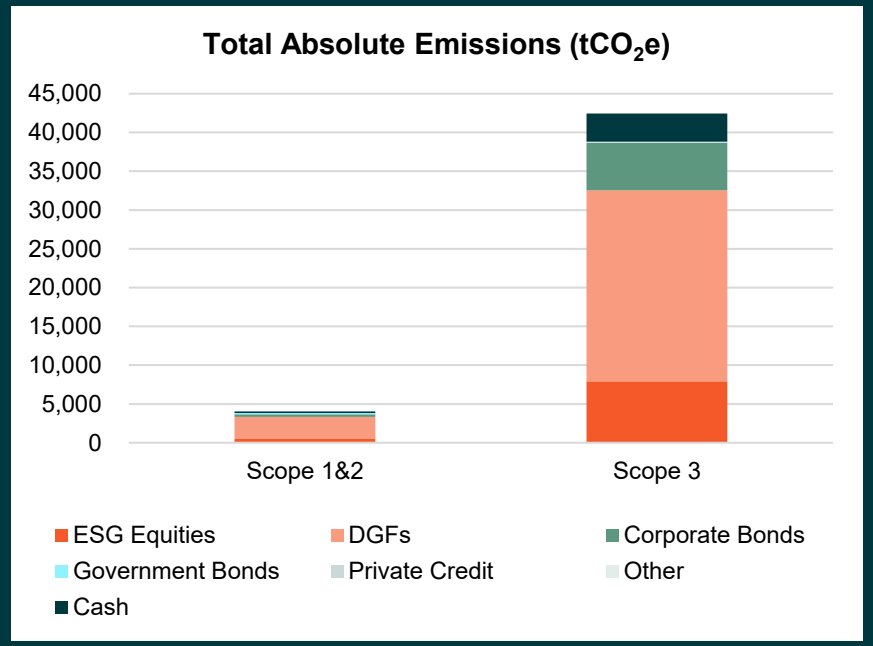
There was also a decrease in total absolute Scope 3 emissions over the year.

We remain confident in the investment managers' Stewardship approaches including their inclusion of climate related factors into their investment approach.

As revealed by the chart opposite, Scope 3 emissions are significantly larger than Scope 1 and 2. This is because Scope 3 includes all the carbon emissions from the goods and services a company uses or sells, not just what the company makes or does directly. Scope 3 emissions are challenging to cut down in an investment portfolio because they come from various sources such as the customers and supply chains associated with the companies we invest in, and we do not have full control over these – for example, we have less control over how an investee company's suppliers run their business.

The table on the previous page shows the amount of total carbon emissions attributable to each asset class in the default strategy. This represents the actual volume of emissions produced in the atmosphere by the Scheme investments. The largest individual fund contribution to the carbon emissions produced by the Scheme comes from the diversified growth fund. A large proportion of the Scheme's assets are invested in this fund. The more assets are invested in a fund, the higher the total emissions from that fund. In addition, last year the equity fund within the default strategy had the largest individual fund contribution to the carbon emissions produced by the Scheme. The change in equity fund over the year, to a low carbon equity fund, helped reduced the emissions for that particular fund and overall.

The Trustee pays attention to all the funds invested in, with particular attention to the climate approach within the largest carbon emitting funds.



Section 4 – Metrics and Targets

Emission Intensity – Carbon Footprint

Emissions intensity is the most useful metric to compare the relative emissions of an asset class, both over time and across asset classes, as it is reported on a standardised basis (emissions per £ million invested). Below shows the Scheme's asset emissions intensity. This year's data is as at 30 September 2025 (for L&G managed assets) and 30 June 2025 (for M&G managed assets). The corresponding figures as at 30 September 2024 have been included in brackets for comparison.

Asset Class	Scope 1 & 2 Emissions Intensity	Scope 3 Emissions Intensity
ESG Equities	12 *(47)*	185 *(588)*
Diversified Growth Funds	101 *(101)*	885 *(852)*
Corporate Bonds	38 *(25)*	699 *(561)*
Government Bonds	116 *(158)*	11 *(2,082)*
Private Credit	45	421
Other	-	-
Cash	60 *(58)*	1100 *(1061)*

Source: Data provided by M&G as at 30 June 2025 and L&G as at 30 September 2025. Figures in brackets represents 2024 emissions. 2024 figures sourced from LCP reports with adjustment for the Diversified Growth Funds where this was previously split between corporate bonds and sovereigns (government bonds). See Appendix for full original 2024 emissions data. Reported in tCO2e/£m invested. Government bond emissions intensity reported in tCO2e/£m revenue to better reflect the impact of emissions on wider society.
Note: Other consists of cash & net derivatives, which are used for risk management and defensive positioning

Over the year, Ethical Equities were replaced by ESG Equities, which have lower carbon emissions intensity. There were no changes to the Diversified Growth Fund or Cash assets over the period, and this is consistent with the relatively similar emissions intensity reported when compared to the previous year.

The emissions intensity of the corporate bonds and government bonds within the active credit fund differ considerably compared to the passive bond funds previously held. There are numerous reasons for this, including differences in investment philosophy, sectoral positions and data sources. Consequently, the emission intensity metrics presented for those asset classes are not useful when compared against the 2024 data.

The Scheme's investment adviser engaged with M&G about their engagement policies for the investee companies within their active credit fund. M&G have Voting, Engagement and ESG Integration policies which dictate their stewardship approach. M&G has also published its Climate Transition Plan, which sets targets around asset alignment, engagements and portfolio decarbonisation. The Trustee and adviser will continue to engage with the investment managers in this area.

Section 4 – Metrics and Targets

Portfolio Alignment – SBTi coverage

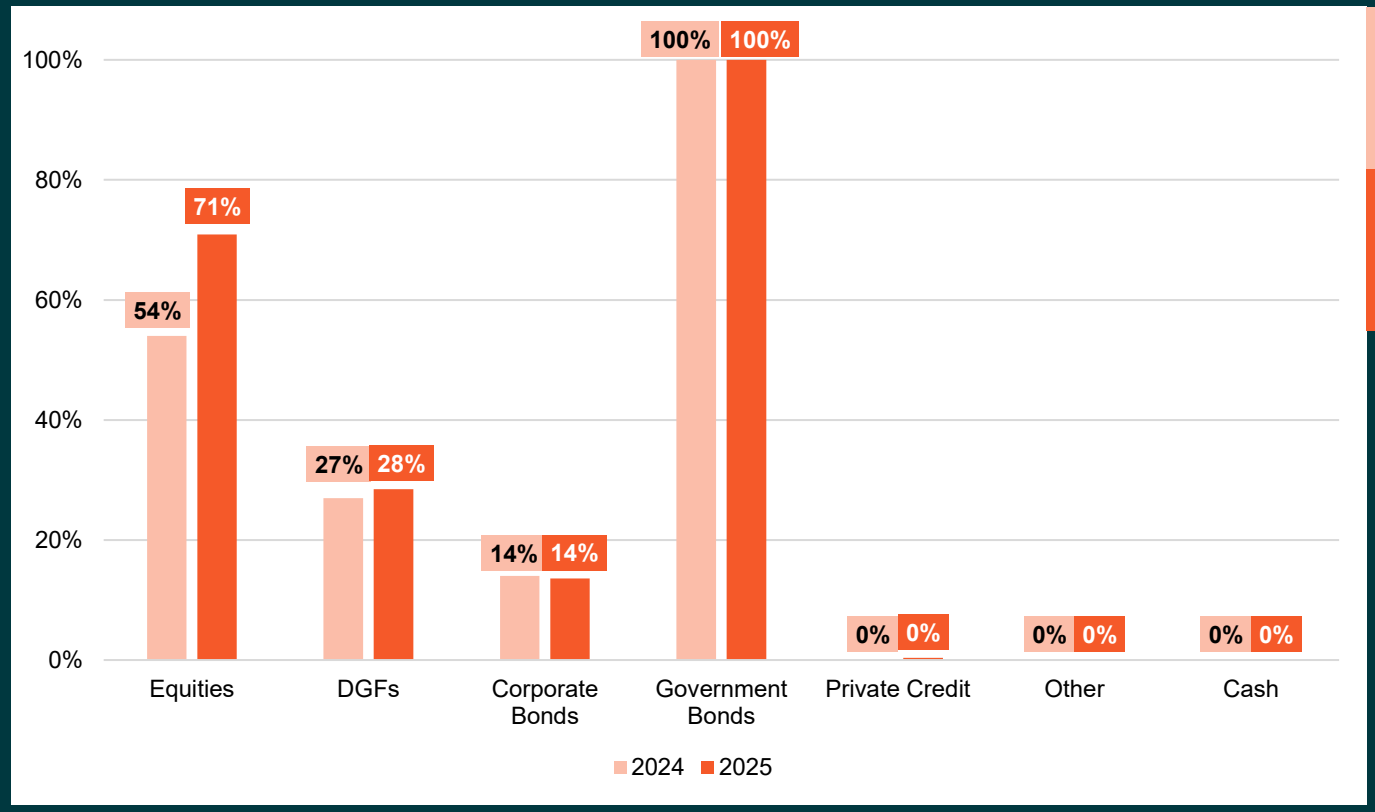
Below we have shown the comparison of the proportion of the funds holdings where the companies have approved Science Based Targets over 2024 and 2025.

The Scheme's portfolio alignment has marginally improved from 45% to 46% when assessing the total default investment strategy. More insights can be found when looking into how alignment has developed within individual asset classes. The switch of equity fund within the default strategy over the Scheme year has increased the alignment. There was slight progress within the Diversified Growth Fund.

The corporate bonds within the active credit fund (managed by M&G) have the same percentage alignment as the passive corporate bond that was replaced. In M&G's Carbon Transition Plan, one of the stated targets is for assets accounting for 50 – 70% of portfolio financed emissions to have set robust targets and transition plans by 2030. Progress against this will be monitored over time.

The UK has a net zero by 2050 target written into law, with carbon budgets set based on advice from the independent Committee on Climate Change. As such, we currently treat the UK's net zero target as a proxy for SBT in relation to the Scheme's UK government bond exposure. However, we continue to keep this position under review. M&G did not report any alignment data for government bonds. Broadstone have reported government bonds as fully aligned, due to all countries signing the legally-binding Paris Agreement, other than Iran, Libya and Yemen. The Unites States also withdrew from the Paris Agreement on President Trump's order in January 2025.

The Scheme's investment adviser discussed the alignment levels of "Other" & "Cash" assets with M&G.



45%
2024

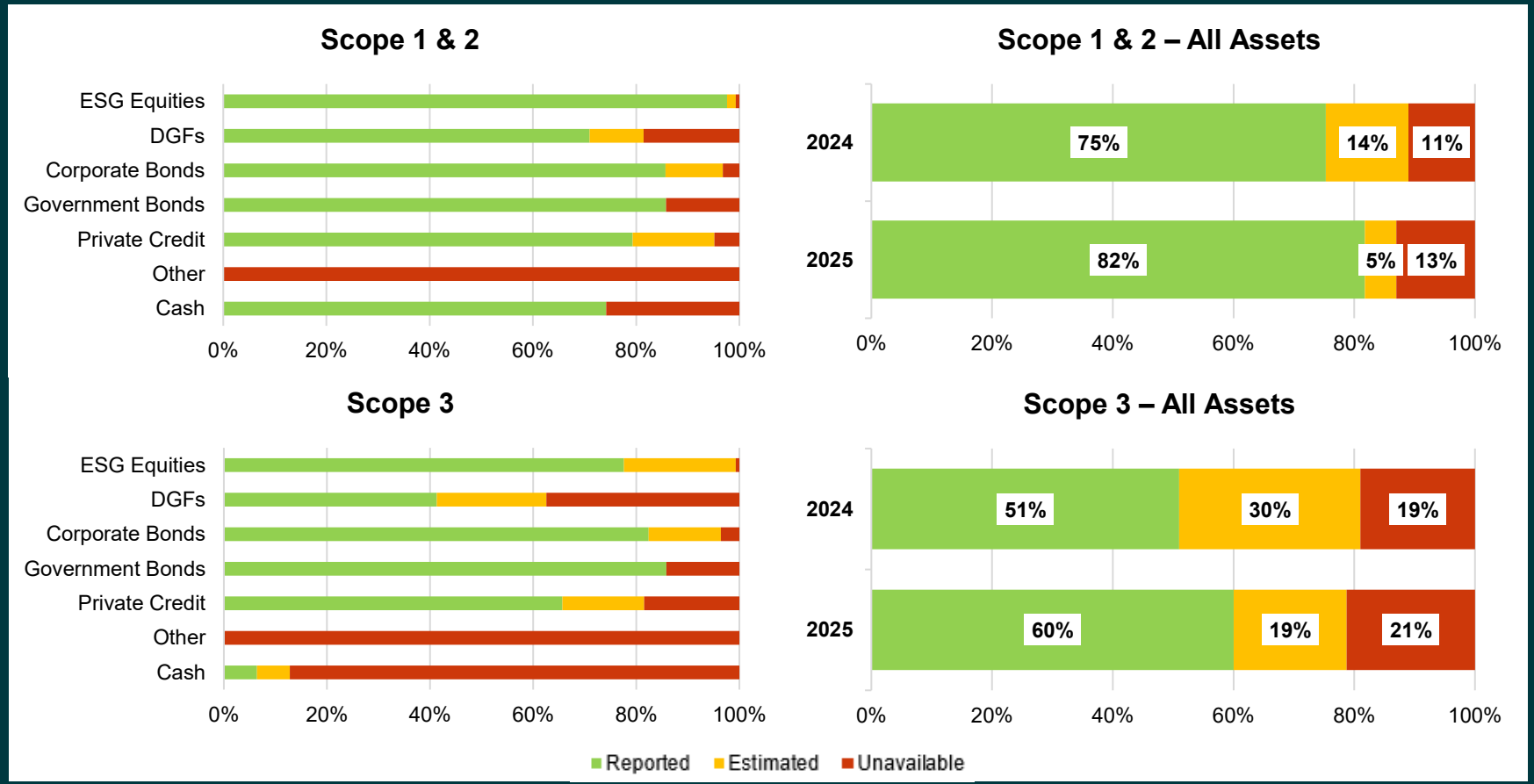
46%
2025

Source: Data provided by M&G as at 30 June 2025 and L&G as at 30 September 2025. Previous year's data from LCP.
M&G Sustainable Total Return Credit Investment Fund has allocations to corporate bonds, government bonds, private and other assets.
Note: Other consists of cash & net derivatives, which are used for risk management and defensive positioning

Section 4 – Metrics and Targets

Data Quality

The data quality is split between the categories of reported, estimated and unavailable. Over the year, data quality improved on a Scope 1 & 2 and Scope 3 basis. This was due to the replacement of the passive bond fund with the active credit fund, which had a higher percentage of reported data for the corporate bond and government bond allocations. No data quality was provided for 'Other' assets. Both M&G and L&G employ the use of estimation within their calculations and are reliant on the third-party data vendors they use.



Source: Data provided by M&G as at 30 June 2025 and L&G as at 30 September 2025. Previous years source is LCP and 31 December 2024 TCFD report.
Note: Other consists of cash & net derivatives, which are used for risk management and defensive positioning

Section 4 – Metrics and Targets

Climate Target

The Trustee has set the following target:

- **Climate Metric Target: I**ncrease the proportion of companies the Scheme invests in with approved Science-Based Targets (SBT) to 80% by 2030
- **Coverage:** listed equities and corporate bonds within the default strategy.
- **Base reference date:** 2021

This target was chosen as the metric is forward-looking and focussed on the transition that needs to occur in order to achieve net zero aims globally. Achieving the above target will improve the Scheme's assets' alignment with a 1.5°C pathway, which is expected to help manage climate-related risks to the Scheme by:

1. Reducing exposure to climate transition risks in the shorter-term by encouraging investee companies to decarbonise; and

2. Supporting collective action to meet the Paris Agreement goals, hence reducing longer-term systemic risks from the physical effects of climate change.

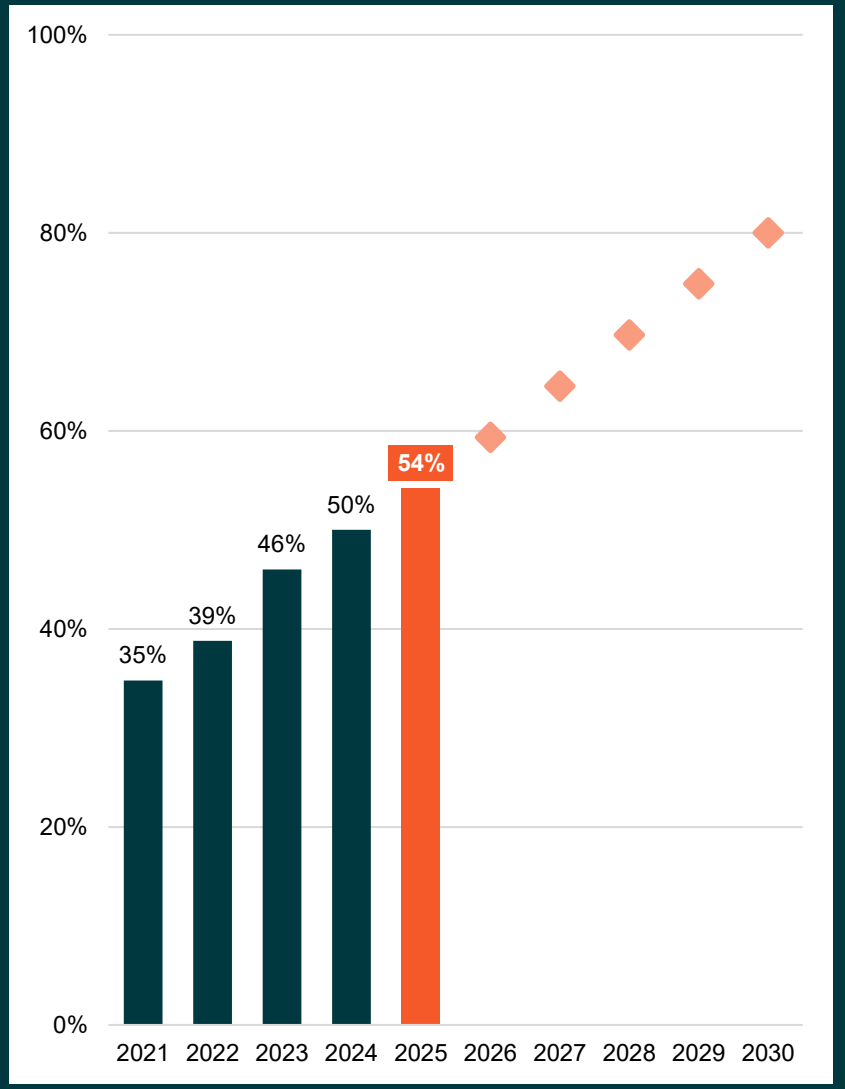
Performance against target

The investment adviser has refined the methodology to calculate the target, to include the listed equities and corporate bonds within the Diversified Growth Fund allocation. This will ensure that the target captures all the assets in the Scheme's default strategy that the target is applicable to, which makes up c.73% of the total assets within the default investment strategy. The climate reporting carried out for the Scheme during the year included an assessment of the current alignment with the above target. Considering only the listed equities and corporate bonds funds as per the target coverage stated in the table above, the proportion of this allocation with SBT is c54%, an increase from 50% as at 30 September 2024.

The 54% level is broadly in line with the expected trajectory, as shown in the chart in the right. The Trustee may choose to engage with its investment managers to drive stronger improvement in this metric. The increase in portfolio's SBT alignment can be attributed to the change in the default strategy, switching the equity fund used. The Trustee notes that achieving the climate metric target will be challenging, increasing in difficulty each year.

Source: Data provided by M&G as at 30 June 2025 and L&G as at 30 September 2025. Broadstone have estimated past climate target data; these estimates may not align with previous reports.

Expected vs actual trajectory towards TCFD target



Section 4 – Metrics and Targets

Steps being taken to achieve the target

Investment managers are invited to present at Trustee and IC meeting as part of the existing monitoring process.

When meeting with any of the Scheme's investment managers, the Trustee or IC, or investment adviser, will ask the manager how they expect the proportion of portfolio companies with SBT-validated targets to change over time and encourage the manager to engage with portfolio companies about setting SBTs, prioritising those with the highest carbon footprint. Where relevant, the Trustee or IC will ask the manager about "equivalent" methods of assessing whether emissions reduction targets are science-based, for example for holdings for which SBTi validation is not available or not well suited, with a view to extending the coverage of the SBT metric.

The investment adviser encourages managers to support the goal of net zero emissions by 2050 or earlier and has published its expectations for investment managers in relation to net zero. Both the Scheme's investment managers have Climate Transition Plans with specific targets of net zero aligned assets under management by 2030. This includes the use of effective voting (where applicable) and engagement with portfolio companies to encourage achievement of net zero. The investment adviser continues to engage with managers on this topic and will encourage them to use their influence with portfolio companies to increase the use of SBTs.

The passive bond allocation within the default strategy was replaced by an allocation to a sustainable active credit fund over the year.

As at 30 June 2025, c.17% of this fund had approved SBTi targets, which is higher than the previous 14% for corporate bonds but lower than the assumed 100% SBTi figure for the current government bonds.

As a result, the new sustainable active credit fund is expected to improve the Scheme's SBT position against the target, which considers only equities and corporate bonds.

Engagement with the investment managers will be a key action to working towards the target, with the Trustee noting data in certain sectors is poor but over time this should improve. The Trustee will review progress towards the target each year and consider whether additional steps are needed to increase their chance of meeting the target.

Appendix – Assumptions & Technical Information

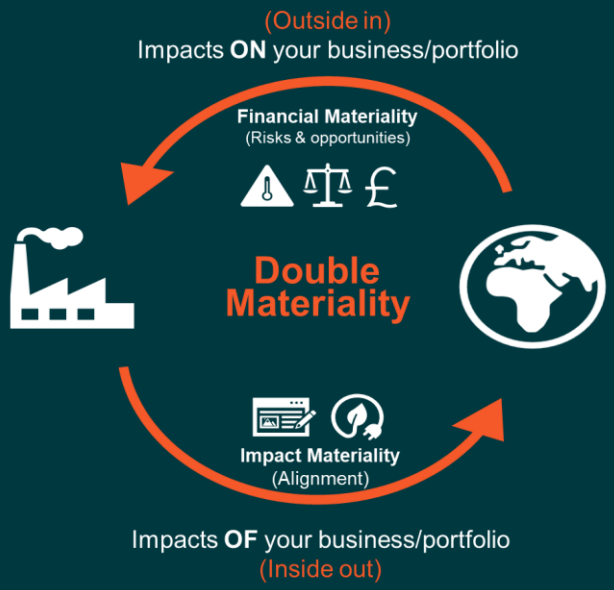
Appendix 1 - Greenhouse gas emissions

Double Materiality is a concept that allows us to consider both financial materiality - risks associated with climate change and sustainability (outside-in) and impact materiality - alignment with climate change and sustainability metrics (inside-out).

Scope 1 greenhouse gas emissions are all direct emissions from the activities of an entity or activities under its control.

Scope 2 greenhouse gas emissions are indirect emissions from energy used by an entity.

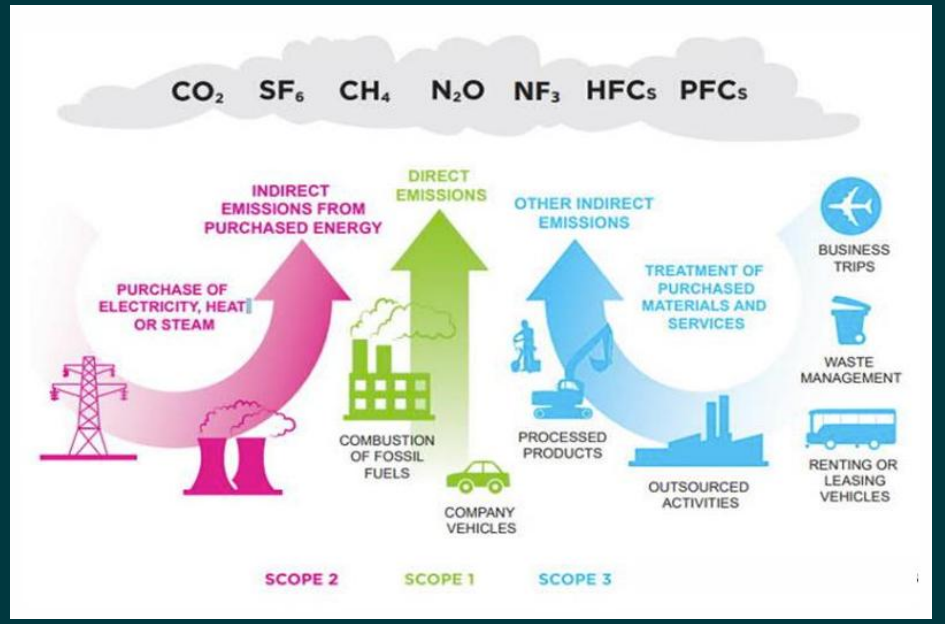
Scope 3 greenhouse gas emissions are all indirect emissions from activities of the entity, excluding scope 2 emissions, which occur from sources that are not directly controlled. These often form the largest share of an entity's total emissions but usually are the emissions with least control over.



Within this report, the emissions metrics relate to seven greenhouse gases:

- Carbon dioxide (CO2)
- Methane (CH4)
- Nitrous oxide (N2O)
- Hydrofluorocarbons (HFCs)
- Perfluorocarbons (PFCs)
- Sulphur hexafluoride (SF6)
- Nitrogen trifluoride (NF3)

Figures are shown as "CO2 equivalent" (CO2e) which is the amount of carbon dioxide that would be equivalent to the excess energy being stored by, and heating, the earth due to the presence in the atmosphere of these seven greenhouse gases.



Appendix 2 – Climate scenario analysis

Scenarios considered and why the Trustee chose them.

The Trustee carried out climate scenario analysis with the support of its new investment adviser, Broadstone. The scenario analysis is based on Ortec Finance 2025 climate scenarios. These use macroeconomic data as at 31 December 2024, calibrated to market conditions as at 30 September 2025. The analysis looked at three possible scenarios, as below. As noted earlier in the report, members may be affected by both physical and transition risks linked to climate change, with impacts varying across different climate scenarios and time horizons. Older members may be more exposed to short-term financial market (or sentiment) shocks, such as those modelled in the Delayed Net Zero scenario, whereas younger members may be more likely to face the longer-term risks associated with the Limited Action and High Warming scenarios.

Transition	Description	Why Trustee Chose it
High Warming	No new low-carbon policies enacted, and some existing ones are scaled back. Current technological trends continue. Paris Agreement goals not met, and the resulting high warming leads to severe physical impacts. Modelling of tipping points has been included in the High Warming scenario.	To explore what could happen to the Scheme's finances if carbon emissions continue at current levels and this results in significant physical risks from changes in the global climate that disrupt economic activity.
Limited Action	Policymakers implement limited new climate policies and fall short of meeting the Paris Agreement goals, resulting in a combination of transition and physical risks	The Limited Action scenario explores plausible physical outcomes, although the route to get there might be expected to be less smooth. This scenario reflects an attempt to correct the climate crisis but with limited success.
Delayed Net Zero	This scenario explores increased policy action and technological developments, that drive a transition which reduces severe physical risk impacts. Policy change is delayed until 2030. These policies are not implemented on the scale that is required to reach net-zero emissions by 2050. Financial market disruption arising from transition risks occur in 2030.	This gives important insight into potential volatility in financial markets caused by climate change. Financial markets react slower to corporate and consumer behaviour and an abrupt market reaction can negatively impact investments. **New scenario**, replacing Net Zero Financial Crisis. The Trustee with its investment adviser no longer believed the previous scenario was plausible

The Trustee acknowledges that many alternative plausible scenarios exist but found these were a helpful set of scenarios to explore how climate change might affect the Scheme in future.

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

To provide further insight, the Trustee also compared the outputs under each scenario to a base case which makes some allowance for the physical risks of climate change and the transition to a low carbon economy. The scenarios' key features are summarised on next page.

Appendix 2 – Climate scenario analysis

The climate scenarios considered by the Trustee

Scenarios as at 31 December 2025 – key features.

	Delayed Net-Zero	Limited Action	High Warming
Overview	**This scenario explores increased policy action and technological developments, that drive a transition which reduces severe physical risk impacts.**	**This scenario explores a limited transition, with high exposure to physical risk.**	**This scenario explores the risks of a failed transition leading to very severe physical risks.**
Policies	Policy change is delayed until 2030 when ambition increases, and the feasibility/competitiveness of low-carbon technology ensures emissions reach net-zero later in the century. These include global carbon pricing and energy taxation, a phase-out of coal and fossil fuel technologies, energy efficiency regulations, and subsidies for renewables and electric vehicles. These policies are not implemented on the scale that is required to reach net-zero emissions by 2050.	Policymakers take moderate steps to address climate change but commitments and Nationally Determined Contributions (NDCs) made under the Paris Agreement are not fully met and adjusted for credibility. Only existing carbon markets continue, including the EU Emissions Trading System (ETS), with an assumed moderate increase in the carbon price. Regulation and taxation of fossil fuel-based technologies is limited.	There are no new low-carbon policies enacted in this scenario and some existing ones are scaled back.
Temperature	This scenario results in emissions trending towards net-zero after 2050 and global average temperatures stabilizing at 1.9°C above pre-industrial levels by 2100.	In this scenario, global average temperatures are 1.8°C warmer than pre-industrial levels by 2050 and 2.9°C warmer by 2100.	In the High Warming scenario, the global average temperature is around 2°C warmer than pre-industrial levels by 2050 and 3.7°C warmer by 2100.
Technology	This scenario reflects rapid power generation technology developments, with considerable progress in the development of carbon capture and storage (CCS) technologies.	There is progressive adoption of low-carbon technologies, such as electric vehicles, driven by factors including cost reduction and efficiency improvements.	
Physical Impacts	**Moderate** impacts from extreme weather events and temperature change.	This scenario reflects **high risks** from extreme weather events and high temperatures.	**Multiple climate tipping points** are reached and many countries suffer from extreme drought and water shortages. The higher average temperatures affect human health and damage crop yields, driving a reduction in labor and agricultural productivity. In addition, infrastructure damage from extreme weather events leads to direct losses and indirect effects to the economy via supply chain disruption. The triggering of multiple climate tipping points drives an exponential increase in extreme weather events.
Market Timing	Financial market disruption arising from transition risks occur in 2030.	Material financial market implications in the 2030s, due to lower expected returns.	The lost productivity and extreme weather events have large financial market implications in 2030 and 2039 when future risks are priced in.
Impact on GDP	-2.5% against baseline by 2060	-5.2% against baseline by 2060	-9.9% against baseline by 2060

Source: Ortec Finance, 2025.

Appendix 2 – Climate scenario analysis

Modelling approach

The scenario analysis is based on a model developed by Ortec Finance. The outputs were then applied to the Scheme's assets by Broadstone.

- The three climate scenarios are projected year by year, up to a retirement age of 65 for each member, apart from the 65-year old member whose projection was modelled over 10 years.
- The results are intended to help the Trustee to consider how resilient the Scheme default strategy is to climate-related risks. The other self-select strategies have not been considered here.
- The Trustee compared how the change in scenario, and the previous year's scenario analysis impacted the modelled members' pension pots.
- The three climate scenarios chosen are intended to be plausible narratives of how the future could unfold. They are only three scenarios out of countless others which could have been considered. Other scenarios could give better or worse outcomes for the Scheme.
- The results discussed in this report have been based on macroeconomic data as at 31 December 2024, calibrated to market conditions as at 30 September 2025.
- The three climate scenarios were projected year by year, over the next 40 years.
- The model output is supported by in-depth narratives that bring the scenarios to life to help the Trustee's understanding of climate-related risks and opportunities.

Please note that the member data differs from those in the 2024 report. Previously, the analysis was based on a small number of illustrative members. In contrast, this year's examples are derived from the average values of all members at each relevant age group, providing a more representative view of potential outcomes across the Scheme. Due to this change the starting pension pots are generally higher within our analysis. Therefore, for the same percentage change under a scenario there will be a larger monetary impact.

- ClimateMAPS uses Cambridge Econometrics' macroeconomic model which integrates a range of social and environmental processes, including carbon emissions and the energy transition. It is one of the most comprehensive models of the global economy and is widely used for policy assessment, forecasting and research purposes. The outputs from this macroeconomic modelling – primarily the impacts on country/regional GDP – are then translated into impacts on financial markets by Ortec Finance using assumed relationships between the macroeconomic and financial parameters.
- Broadstone uses adjusted median impacts to project the assets of the Scheme to illustrate how the different scenarios could affect member outcomes. The modelling summarised in this report used scenarios based on the latest scientific and macroeconomic data as at 31 December 2024, calibrated to market conditions as at 30 September 2025.
- The Scheme members' starting pots values were assumed to equal the average value for Scheme members of their age, and member and employer contributions were assumed to be paid in line with the current contribution structure. No allowance was made for changes to the investment strategy or contributions in response to the climate impacts modelled. For example, the salary assumption for a 40-year-old active member reflects the average salary of all active members aged 40 within the scheme. Salaries are increased by inflation, which is modelled at 2.5% p.a.
- Based on member data as at 6 November 2025.

Appendix 2 – Climate scenario analysis

Assumptions and Modelling

The use of climate scenarios is intended to serve as a valuable aid for planning, risk assessment, and strategic decision-making in addressing climate change. These scenarios are developed through complex models that integrate scientific data, assumptions, and projections about future economic, environmental, technological, and social factors. However, users should always consider them as one of multiple decision-support resources and maintain awareness of their inherent uncertainties and limitations.

Assumptions in the Climate Scenario Modelling

- Ortec Finance 2025 Climate Scenarios are used.
- M&G Sustainable Total Return Credit Investment Fund uses delta assumptions from US and Europe ESG IG Corporate Bonds. UK ESG IG Corporate Bonds are assumed to have the same delta benefit as the benefit we see when comparing Europe Grey IG Corporate Bonds and Europe ESG IG Corporate Bonds. All regions are included as per the splits given by the investment manager.
- L&G Diversified Fund uses a weighted average delta mixed between UK Large Cap Equities, UK Investment Grade Bonds and UK High Yield Bonds.
- L&G ESG Paris Aligned World Equity Index Fund uses delta assumptions from the World Climate Paris Aligned Index.
- L&G Cash Fund uses delta assumptions from UK Fixed Government Bonds.

Modelling

- **Macroeconomic Shocks:** The macroeconomic modelling looks at 3 different UK macro variables: GDP, Inflation and 10-year Nominal Yields.
- **Asset Class Shocks:** The asset class modelling applies the same principle as the macroeconomic shock modelling. The 'deltas' (impact of climate risk on the expected returns of different asset classes) have been applied to a member estimated retirement pots and applied cumulatively over selected time periods. For active members, the continued contributions until retirement have also been assumed within the modelling. The climate scenario outputs illustrate that the more severe climate warming paths have a greater expected loss, because of climate risk. An example of the climate delta modelling starts by taking Broadstone's Capital Market Assumptions for Global Equities of Gilts + 4% p.a. as at 30 September 2025. The climate path deltas are negative, and these are applied on top of the expected return assumptions, and so in practice climate scenario modelling should be seen as reducing the amount of growth rather than resulting in asset contraction.

Climate Scenarios

- **Delayed Net Zero –** 1.9ºC warming compared to pre-industrial levels by 2100
- **Limited Action -** 2.9ºC warming compared to pre-industrial levels by 2100
- **High Warming -** 3.7ºC warming compared to pre-industrial levels by 2100

Appendix 2 – Climate scenario analysis

Modelling limitations

Given the uncertainty around the timing and impact of climate-related transition and physical risks, the Trustee has modeled various climate scenarios to test the resilience of the Scheme's investment strategies. Scenario analysis helps understand the potential risks and opportunities posed by climate change, informing strategic investment decisions. These scenarios are hypothetical constructs, not forecasts or predictions, and assume either a static investment strategy or can incorporate lifestyling and derisking features with varying investment strategies over time.

Medians from Ortec Finance's model outputs are used to project forward assets and liabilities, which means the results reflect the model's "middle outcomes" for investment markets under the three scenarios. Allowing for market volatility would result in better or worse model outputs than shown. Investment markets may be more volatile in future as a result of physical and transition risks from climate change, and this is not illustrated in the modelling shown.

No allowance is included for Tail Risks (high impact but less likely outcomes), tipping points impacts other than temperature, impacts of migrations and increased likelihood of armed conflict, food, water or other shortages, and other systemic risks. These are currently beyond the current modelling capabilities.

Key limitations of their approach are summarised below.

Transition Risk	Physical Risk	Market Risk
• Only one possible pathway to each temperature outcome is modeled, thus the scenario results are specific to the underlying narrative. • Technologies where insufficient data is available or that do not yet exist are not captured. • Behavioral shifts, such as changes in lifestyle (e.g low-meat diets) or economic systems (e.g. circular economy) are not included in our scenarios. • The econometric approach means that historical interactions between economic and financial variables in the model are assumed to hold in the future.	• Chronic physical risks are modeled by a damage function proxy from literature. • Economic and financial impacts of climate-related health impacts, biodiversity loss, geopolitical conflict and migration are only implicitly captured. • The impacts of tipping points in the High Warming scenario are reflected by modeling their impact on global warming (i.e. stronger increase of temperatures after a tipping point is hit) and feeding these higher temperatures in the physical risk damage function. This is a simplification of reality, as tipping points may also impact physical risks via other channels than temperature. Furthermore, tipping points could also be hit in lower temperature scenarios.	• The timing and severity of events like the sentiment shock and pricing-in of transition and physical risks is based on assumptions but inherently uncertain. • Climate-related health impacts, geopolitical conflicts and migration are not explicitly captured.

Source: Ortec Finance, 2025.

Appendix 2 – Climate scenario analysis

Potential impacts under each scenario

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

The analysis highlighted that members will be subject to climate risks to varying degrees depending on the climate scenario. In general, the default strategy has been designed in a way which reduces investment risk as members approach retirement. Climate risks are generally expected to have the greatest impact on return-seeking assets such as equities. In the default strategy, exposure to these assets is reduced as members approach retirement, which should help to reduce their exposure to climate risks. Overall, younger members are more adversely affected. This is due to a higher investment allocation to higher-risk asset classes which are more exposed to climate risks, and a longer investment horizon over which climate impacts can affect the member's retirement pots.

The High Warming scenario is the worst outcome for younger members (aged 40 and 50) as they would be most severely impacted by the long-term impacts of the severe physical risks associated with this scenario.

As the short-term scenario only considers the next 5 years for members aged 60, these members are unlikely to be largely impacted by the progress of the climate transition. However, they are likely to be impacted by short term market shocks in the Delayed Net Zero scenario.

The Trustee also conducted the analysis for deferred members. For these members, all scenarios are expected to have a greater negative impact on their retirement pot compared to the average active member of the same age. As deferred members are no longer making contributions, they are less able to recover from market shocks.

The analysis confirmed the importance of managing climate-related risks to members' pots. The Trustee does this by ensuring the Scheme's investment managers have strong climate practices; reducing members' exposure to return-seeking assets as they approach retirement; and using stewardship to encourage the companies the Scheme invests in to improve their climate practices.

Appendix 3 – Further information on climate-related metrics

The information was requested from the Scheme's Investment Managers, with Legal & General Asset Management ('L&G') providing data as at 30 September 2025 and M&G plc ('M&G') providing data as at 30 June 2025. The Scheme's investment adviser had contact with both L&G and M&G to understand the emissions data and clarify the appropriate approach to take in performing the climate metrics analysis. Data provided by the Investment Managers includes data reported by the investee companies, using proprietary and third-party sources. Both M&G and L&G use estimation to partially fill some data gaps, and some data remains unavailable and is not provided.

The methodology used to calculate the absolute emissions has changed compared to previous years. L&G have clarified that unavailable information is the proportion of the holdings for which they have no data. Given this, the investment adviser have not scaled the emissions data by the data coverage, as this would only serve to underestimate the emissions that are reported or estimated for the funds which the Scheme invests in. The absolute emissions takes the reported emission intensity data and scales this up for the size of the investment within the fund. For funds which invested across multiple asset classes, the emissions intensity data and absolute emissions data has been reported separately for corporate holdings and sovereign holdings within the funds. This is due to calculation differences between corporate and sovereign entities, especially when considering Scope 3 data, where the entire value chain should be included.

The most significant climate metric concern during the 2025 analysis was the lack of reporting on the 'Other' assets within the M&G Sustainable Total Return Credit Fund. This asset class consists of cash & net derivatives, which are used for risk management and defensive positioning. This represents M&G's investment belief that investments will only be made where the returns are sufficient to repay the credit risk being taken and provides the managers with sufficient capital to deploy at short notice as new opportunities arise. No climate metrics data was reported for these assets, and the Scheme's investment adviser engaged with M&G to understand more. M&G advised that all the holdings within the M&G Sustainable Total Return Credit Fund were subject to the ESG screening tests to ensure good governance, with the counterparties of the cash investments having to meet specific climate-positive requirements. This provides some assurances that M&G are considering climate-related considerations over all assets in the fund, but the Trustee will continue to push for more transparent data in future years.

The investment managers were not able to differentiate between verified and reported data for this reporting year. As a result, "Reported" is used to describe both verified and reported data in this section of our TCFD report.

Appendix 3 – Further information on climate-related metrics

We have reported SBTs based on companies with targets already in place rather than companies “intending to commit to a target”. The latter is the approach of some investment managers. The Trustee has a preference for the more stringent approach. L&G have aligned their reporting with this approach for this and last year’s reporting year.

The total greenhouse gas emissions sum each company’s most recent reported or estimated emissions that are attributable to the investment in the company. Emissions are attributed evenly across equity and debt investors. It is reported in tonnes of CO2 equivalent (tCO2e).

Scope 3 is shown separately to Scope 1 & 2, in line with regulations. Scope 3 is usually much larger than Scope 1 & 2 but is generally less reliable.

Managers were unable to provide all the data for the relevant metrics and the funds requested. Any data gaps have been outlined during the report. For the funds reported, data has been used from the gross of charges share classes.

The emissions data applicable to the underlying holdings often relates to an earlier period.

Corporate emissions data typically relates to a 12-month period aligned to the corporate earnings year. As corporate financial years vary, the emissions data will be from various periods.

Appendix 3 – Further information on climate-related metrics

Climate metrics reported during the 2024 assessment

Fund	Assets at 30 Sep 2024	Scope 1 & 2 Emissions (tCO_2e)	Scope 1 & 2 Carbon Footprint (tCO_2e/£m invested)	Scope 3 Emissions (tCO_2e)	Scope 3 Carbon Footprint (tCO_2e/£m invested)	Data Coverage[2]
Ethical Global Equity Fund	£38.8m *(46%)*	1,804.5	47.1	22,526.4	587.9	98.7%
Diversified Fund *(listed equities and corporate bonds)*	£20.6m *(25%)*	1,248.8	92.4	13,676.7	852.3	81.3%
Diversified Fund *(sovereigns)*	£3.9m *(5%)*	563.5	146.3			
AAA-AA-A Corporate Bond All Stocks Fund *(corporate bonds)*	£5.1m *(6%)*	40.2	20.0	1,228.6	560.7	47.9%
AAA-AA-A Corporate Bond All Stocks Fund *(sovereigns)*	£0.4m *(1%)*	41.1	91.9			
All Stocks Fixed-Interest Gilt Fund[1]	£5.5m *(7%)*	868.0	158.3	11,430.3	2,083.1	100.0%
All Stocks Index-Linked Gilt Fund[1]	£2.7m *(3%)*	429.8	158.3	5,664.4	2,081.6	100.0%
Cash Fund	£4.2m *(5%)*	191.4	58.0	783.2	1061.1	78.4%

Source: LCP, 30 September 2024.
Emissions data reported relate only to the assets for which data is available & total emissions are for the Scheme's assets, not the whole pooled fund.
1. Gilt funds metrics are calculated on a different basis to other mandates shown, using gilts emissions intensity (analogous to Weighted Average Carbon Intensity or WACI), so cannot be compared with them.
2. Data Coverage represents both corporates and sovereigns for Scope 1 & 2 emissions.

Appendix 4 – Glossary

The below definitions are taken from 'The Climate Dictionary' published by the UNDP. The full version is publicly available to download from this link.

Carbon Footprint

A carbon footprint is a measure of the greenhouse gas emissions released into the atmosphere by a particular person, organization, product, or activity. A bigger carbon footprint means more emissions of carbon dioxide and methane, and therefore a bigger contribution to the climate crisis. Measuring a person's or an organization's carbon footprint entails looking at both the direct emissions resulting from the burning of fossil fuels for energy production, heating, and land and air travel, and indirect emissions resulting from the production and disposal of all food, manufactured goods, and services they consume. Carbon footprints can be reduced by shifting to low-carbon energy sources like wind and solar, improving energy efficiency, strengthening industry policies and regulations, changing purchasing and travel habits, and reducing meat consumption and food waste.

Climate Crisis

The climate crisis refers to the serious problems that are being caused, or are likely to be caused, by changes in the planet's climate, including weather extremes and natural disasters, ocean acidification and sea-level rise, loss of biodiversity, food and water insecurity, health risks, economic disruption, displacement, and even violent conflict. Since the 1800s, human activities have caused the Earth's average temperature to increase by about 1.2° C – with more than two-thirds of this warming occurring since 1975. This is already causing significant damage to human societies and natural ecosystems in many parts of the world. More than 3 billion people live in places that are very vulnerable to the climate crisis, with lower income countries being disproportionately affected. Scientists expect that an increase beyond 1.5°C would begin to lead to a series of dangerous tipping points that would make many changes irreversible and pose a very serious threat to human civilization. This is why governments must act now.

Decarbonisation

Decarbonisation means reducing the amount of greenhouse gas emissions that a society produces, as well as increasing the amount that is being absorbed. It entails changing many, if not all, aspects of the economy, from how energy is generated, to how goods and services are produced and delivered, to how buildings are built and how lands are managed. To meet the goals of the Paris Agreement and keep the 1.5° target alive, governments and businesses must rapidly decarbonize by 2030. Meaningful decarbonisation requires substantial investments in low-carbon infrastructure and transportation, renewable energy sources, circular economy and resource efficiency, and land and soil restoration. It also requires a rethinking of current economic models that are focused on growth at all costs.

Greenhouse Gas Emissions

Greenhouse gases are gases that trap heat from the sun in our planet's atmosphere, keeping it warm. Since the industrial era began, human activities have led to the release of dangerous levels of greenhouse gases, causing global warming and climate change. The main greenhouse gases released by human activities are carbon dioxide, methane, nitrous oxide, and fluorinated gases used for cooling and refrigeration. Carbon dioxide is the primary greenhouse gas resulting from human activities, particularly from burning fossil fuels, deforestation, and changing the way land is used. Our reliance on fossil fuels has led to a 50 percent increase in the concentrations of carbon dioxide in the atmosphere over the last 200 years. Methane is another important greenhouse gas that is responsible for 25 percent of global warming. Methane is released during the extraction and transport of coal, gas, and oil, and by waste landfills and agricultural practices. To prevent catastrophic climate change, the world's governments must work together to significantly reduce greenhouse gas emissions now and in the coming decades and keep global warming below the dangerous threshold of 1.5°C.

Appendix 4 – Glossary

Just Transition

In the context of climate change, transitioning to a low-carbon or net-zero economy requires massive transformation of our economic systems. Such transformation runs the risk of further increasing social inequality, exclusion, civil unrest, and less competitive businesses, sectors, and markets. As countries work to meet their climate goals, it's vital that they ensure the whole-of-society – all communities, all workers, all social groups – are brought along and part of the structural change that takes place. Ensuring a just transition means that countries choose to green their economy through transition pathways and approaches that reinforce equality and inclusivity. This means looking at the impacts of the transition on different groups of workers across the economy and providing opportunities for training and reskilling that support decent work and aim to leave no one behind.

Mitigation

Climate change mitigation refers to any action taken by governments, businesses, or people to reduce or prevent greenhouse gas emissions, or to enhance carbon sinks that remove these gases from the atmosphere. Reducing or preventing greenhouse gas emissions can be achieved by transitioning to renewable energy sources like wind and solar, using energy more efficiently, adopting low carbon or carbon-free transportation modalities, promoting sustainable agriculture and land use, and changing production and consumption models and diet behaviours. Enhancing carbon sinks can be achieved by restoring forests, wetlands, and marshlands, maintaining soil health, and protecting terrestrial and marine ecosystems. In order for mitigation actions to be successful, it is crucial that countries develop supportive environments through legislation, policies, and investments. To limit global warming to 1.5° C, which is the critical goal of the Paris Agreement, the world must implement climate change mitigation actions to reduce greenhouse gas emissions by 45 percent before 2030 and reach net-zero greenhouse gas emissions by mid-century.

Net Zero

Reaching net zero requires us to ensure that carbon dioxide emissions from human activity are balanced by human efforts to remove carbon dioxide emissions (for example, by creating carbon sinks to absorb carbon dioxide) - thereby stopping further increases in the concentration of greenhouse gases in the atmosphere. Transitioning to net zero requires a complete transformation of our energy, transportation, and production and consumption systems. This is necessary to avert the worst consequences of climate change. To keep global warming below 1.5° C, the world's governments need to ensure that all greenhouse gas emissions peak by 2025, and reach net zero in the second half of this century. The IPCC has recommended to reduce CO2 emissions globally by 45% before 2030 (compared to 2010 levels) and reach net zero by mid-century.

Paris Agreement

The Paris Agreement is a legally binding international treaty aiming to limit global warming to well below 2° C, preferably to 1.5° C, compared to pre-industrial levels. It was adopted by 196 Parties in 2015 at COP21 in Paris and entered into force in 2016. The Paris Agreement is a landmark achievement in international cooperation on climate change because it is a binding agreement for all Parties to scale up efforts to combat climate change and adapt to its effects. It also provides the instruments for developed nations to assist developing nations in their climate mitigation and adaptation efforts, while creating a framework for transparent monitoring and reporting of results.

Appendix 4 – Glossary

Resilience

Climate resilience is the capacity of a community or environment to anticipate and manage climate impacts, minimize their damage, and recover and transform as needed after the initial shock. To best safeguard societal wellbeing, economic activity, and the environment, people, communities, and governments need to be equipped to deal with the unavoidable impacts of climate change. This can be done by training people to obtain new skills and diversify the sources of their household income, building more robust disaster response and recovery capacities, enhancing climate information and early warning systems, and working on long-term planning, among others. Ultimately, a truly climate-resilient society is a low-carbon one, because drastically reducing greenhouse gas emissions is the best way to limit how severe climate impacts will be in the future. It is also a society based in equity and climate justice that prioritizes support for people and communities most exposed to climate impacts or least able to cope with them.

Tipping Point

A tipping point is a threshold after which certain changes caused by global warming and climate change become irreversible, even if future interventions are successful in driving down average global temperatures. These changes may lead to abrupt and dangerous impacts with very serious implications for the future of humanity and our planet. As the world gets hotter, several tipping points are becoming very likely. One of them is the collapse of the Greenland and West Antarctic ice sheets, which would lead to significant sea level rise and threaten coastal communities and ecosystems. Another is the thawing of the permafrost in the tundra regions, which will release huge quantities of trapped greenhouse gases, further accelerating global warming and climate change. Mass coral bleaching events and the destruction of rainforests are two other major tipping points with immense implications for both biodiversity and human societies.

Transparency

Under the Paris Agreement, countries must regularly report on the implementation of their Nationally Determined Contributions. It is crucial that this reporting is done with transparency to allow the global community to accurately assess collective progress and build trust that everyone is playing their part. Transparent reporting allows governments and international bodies to have access to reliable data and make evidence-based decisions. It also enhances our scientific understanding of climate change and the actions and policies needed to mitigate it and adapt to its impacts. Ultimately, transparency is key to unlocking the full potential of the Paris Agreement, by promoting trust, collaboration and knowledge transfer and encouraging further ambition on climate targets.

Weather vs Climate

Weather refers to atmospheric conditions at a particular time in a particular location, including temperature, humidity, precipitation, cloudiness, wind, and visibility. Weather conditions do not happen in isolation; they have a ripple effect. The weather in one region will eventually affect the weather hundreds or thousands of kilometres away. Climate is the average of weather patterns in a specific area over a longer period of time, usually 30 or more years, that represents the overall state of the climate system. Human activity in the industrial age, and particularly during the last century, is significantly altering our planet's climate through the release of harmful greenhouse gases.

Broadstone