

Climate disclosures for the year ended 31 March 2026

OSPS Trustee Limited

Prepared by: OSPS Trustee Limited

Date: June 2026



Introduction

Climate change is causing extreme weather, affecting crops, and threatening ecosystems. Understanding its impact and the University of Oxford Staff Pension Scheme's (the "Scheme"s) vulnerability to climate risks helps mitigate these risks and seize opportunities. UK regulations require pension schemes with over £1bn in assets, on or after 1 March 2021, until such a time as they have less than £500M in assets, to meet climate governance standards and publish annual reports on climate risks. Improved climate reporting enhances decision-making and transparency, increasing accountability and providing valuable information to investors and beneficiaries.

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

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Executive summary

This report explains what we, the Trustee, have done to understand how climate change might affect the Scheme. We collaborated with our investment adviser to find the climate-related risks and opportunities for the Scheme and to learn how we can manage and reduce those risks.

Effective Governance and Risk Management for Climate Resilience

We, the Trustee, are responsible for overseeing all strategic matters related to the Scheme, including climate-related risks and opportunities. We have established a process to identify, assess, and manage the climate-related risks and opportunities the Scheme faces, integrating it into the broader risk management framework. Please see [Appendix 01 - Climate governance and risk management framework](#) for our climate governance and risk management framework.

Strategy update

Our qualitative risk analysis found that the asset classes the Scheme invests in are somewhat affected by climate-related risks, and these risks are expected to grow over time. We also found several investment opportunities across different asset classes. More details are available on pages 3-6.

Over the year there have been no material changes to the climate-related risk assessment for most managers however, two new managers have been introduced to the portfolio. Diversification across asset classes, sectors and regions is important to manage climate-related physical and transition risks for the Scheme.

We reviewed the climate scenario analysis from 31 Dec 2024 and are confident it is still suitable for this year's report.

DB Metrics & Target update



	Scope 1 & 2 Emissions (excl. LDI) changes since last year
Total emissions	Increased by
9,217	41%
Carbon footprint	Increased by
29.8	28%
Coverage (%)	Increased by
75.2	18%

Overall emissions reported increased over the year across all asset classes, this is due to improvements in data quality and coverage, in addition to a change in investment strategy, where the Scheme reduced its allocation to credit and invested in a new asset class, hedge funds, which can be more carbon intensive overall. Improvements in data quality and coverage have resulted in a more accurate measurement of the Scheme's emissions and do not necessarily indicate an increase in the portfolio's underlying carbon intensity.

The Trustee has reviewed the initial data quality target set and believes it remains relevant. This will enable the Trustee monitor consistency across the portfolio especially for the new funds that have been recently introduced and will allow subsequent targets to be set with conviction.

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

Chair's signature

on behalf of the OSPS Trustee Limited.

Strategy

Identifying climate-related risks and opportunities

We carry out a qualitative risks and opportunities assessment of the asset classes the Scheme is invested in. From this we identify which climate-related risks could have a material impact on the Scheme. We also identify suitable climate-related opportunities.

Given the number of asset classes used in the Scheme, we completed this exercise to the best of our ability. To help us with our assessment, we surveyed our investment managers asking them to rate the climate-related risks and opportunities they believe their funds is exposed to. At the time of writing 2 managers have not been able to provide information for the risk assessment.

Our investments

The Scheme is a hybrid Scheme, which has two sections, a Defined Benefit (DB) Section of c.£824M and a Defined Contribution (DC) Section of c.£97M.

The Scheme's DB investment portfolio is diversified across a range of different asset classes including equities, credit, infrastructure and hedge fund.

DB section:

	LDI	Equities	Credit	Infrastructure	Illiquid Credit	Hedge Fund
Allocation	45.6%	11.3%	12.9%	10.8%	12.7%	4.5%

Asset allocations as at 31 Mar 2026. Note: Figures do not sum to 100% due to the exclusion of cash.

The assets held within the DC Section are diversified across a range of equity, fixed income, property, alternative and multi-asset funds, through pooled fund platforms. The Trustee has focused its analysis on the default funds (the Legal & General target date funds), which are entirely multi-asset arrangements. An example glidepath (i.e. demonstration of how the asset mix changes over time) has been included in the climate change scenario analysis for the DC Section, and can be found on page 8. The select funds have been excluded from this analysis as only a small number of members, and a small amount of assets, are invested in these funds.

How the risk assessment works

Risk categories

The analysis divides climate-related risks into two types: **Transition risks** related to the transition to a low-carbon economy.

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

More details can be found in [Appendix 02 – Climate risk categories](#).

Ratings

The analysis uses RAG ratings where:

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

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

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

Time horizons

We assessed the climate-related risks and opportunities over different time horizons considering the Scheme liabilities. We decided the most appropriate time horizons for the Scheme are:

Short-term: 1-3 years

Medium-term: 4-10 years

Long-term: 11-30 years

Climate-related risk assessment

Key conclusions

Diversification across asset classes, sectors and regions is important to manage climate-related physical and transition risks for the Scheme.

During the year there were some changes to the Scheme's investment allocation, including the introduction of a new hedge fund allocation, an additional allocation to a credit fund through a new manager, and a change of equity manager. Following these strategy changes, the Scheme's overall exposure to climate-related risks has reduced.

The hedge fund investment considers climate-related risks indirectly through diversified strategy design, manager due diligence and manager-level climate governance. Further work is underway to enhance the assessment of climate risk for hedge fund strategies.

The new equity manager appointed during the reporting year assesses the fund as having low transition risk over the short- and medium-term. However, the manager expects physical climate risks to become increasingly material as climate change progresses.

The additional credit fund introduced during the reporting year has been assessed as having low physical and transition risks across all time horizons. This has contributed to an improvement in the medium- and long-term physical risk profile of the overall credit portfolio.

This year, one of the Scheme's Illiquid Credit managers was able to provide an assessment of the short- to medium-term physical risks, which were identified as low. This was due to the short-dated nature of the portfolio and diversified exposure across sectors and geography. The manager does not expect physical climate risks to materially impact borrower performance over these time horizons.

The LDI portfolio manager identified the physical and transition risks across all time horizons as low, apart from the long-term acute physical risk which was classed as medium due to higher long-term interest rate projections.

Similar to last year, Ares could not provide the RAG status in a format consistent with the other assets as at the time of writing; therefore, it has not been included in the overall RAG tables. The Trustee will continue to engage with the manager, with the support of its investment consultant, to ensure correct RAG statuses are provided, allowing the Trustee to directly compare with other asset classes in which the Scheme is invested in the future.

For the DC Section of the Scheme, the Trustee has chosen a range of equity, fixed income, property, alternative and multi-asset funds, through pooled fund platforms.

RAG ratings for each asset class can be found in the [Appendix 03 - Climate-related risk assessment in detail](#).

Climate-related opportunities

We identified some climate-related opportunities which may be suitable for the asset classes we invest in. These opportunities are valid over the short-, medium- and long-term time horizons:

Equities	The Climate Transition rules-based strategy tilts portfolios toward companies better prepared for a low-carbon future by targeting meaningful reductions in carbon intensity and fossil fuel reserves, while increasing exposure to green technologies, firms on a credible Net Zero 2050 glide path, and businesses with stronger ESG profiles and alignment to key UN Sustainable Development Goals, thereby combining risk reduction with opportunity seeking over the short- to medium-term.
Infrastructure	Climate-related investment opportunities in infrastructure are well-known, and can include: • Green power generation assets (solar, wind, other clean power). • Clean technologies (e.g., carbon capture and storage). • Natural assets (e.g., forestry and farmland). On the debt side, proceeds for green bonds are earmarked for infrastructure projects.
Credit	Across all horizons, the strategy offers mainly indirect climate-related exposure: in the short term opportunities arise from financing private market funds with robust ESG practices; in the medium term growing demand from energy transition, infrastructure and climate-themed strategies may increase climate-aligned fund finance; and over the long term the fund may benefit from sustained growth in private capital allocated to climate sectors, even though it does not explicitly target climate outcomes. As a fixed income strategy, the analysis is centred on issuers' cash-generation, cash-flow quality and debt-repayment capacity, with a strong emphasis on identifying downside credit risk given the asymmetrical payoff for bondholders; while ESG and climate factors are primarily used to flag potential risks, such as weak risk management that could trigger severe credit deterioration, they can occasionally enhance the investment case where products deliver positive environmental solutions, and are systematically considered as part of the overall ESG assessment.
LDI	The investments in UK Government Bonds could give rise to potential opportunities in the next few years. In particular, we may consider investment opportunities in liquid credit, which offers climate-related investment opportunities through green bonds and companies focused on climate change solutions. Green bonds are issued by companies to fund projects that benefit the environment.
DC Multi Asset	The Scheme's DC investment manager has identified opportunities in relation to the transition to low carbon economy, principally through electric vehicles, alternative fuels and innovative technologies.

The manager also noted that volume growth and investment returns are not intrinsically correlated and so thematic focus on constraints will be required to protect returns.

The manager noted that investors should focus on three areas to evaluate opportunities and produce targeted investment strategies, which in the manager's view are: geological scarcity; technological innovation; and regulatory changes.

Source: Managers

Assessing our managers' climate risk management

We evaluated our managers' preparedness to handling climate-related risks by asking them 10 questions from the Pensions Climate Risk Industry Group. These questions address their climate management strategies, net zero goals, TCFD reporting, climate scenario analysis, engagement policies, and ability to provide GHG emissions data.

Over the reporting year, the Scheme fully divested from the Generation IM Equity Fund and invested into UBS Global Equity Climate Transition Fund and the AIL Active Diversifiers Fund. The Generation IM Equity Fund therefore is not covered as part of this year's TCFD reporting.

Key conclusions

- The Trustee identified that there have been overall improvements in the managers' climate-related policies and processes aided by the Trustee's investment consultant's continuous engagement with the investment managers.
- The managers that responded at the time of writing showed awareness of climate-related risks and opportunities, to varying degrees. The investment managers overall, have shown willingness to engage in relation to the questions asked in relation to climate risks and opportunities.
- The Trustee believes that all of the Scheme's managers will be able to provide carbon data to support the Scheme in completing its TCFD disclosures reporting, although expect varying degrees of data coverage, and understand that this may vary over time.
- The Trustee does expect that some of the illiquid holdings will face challenges collecting the data and may not be able to provide complete carbon metrics data at this time.
- The quality of managers' responses to the questionnaire has significantly improved since last year. The Trustee will continue to engage with the managers to obtain the outstanding responses and hopes further improvements will follow, and that the managers continue to progress in the future.

We are not taking any immediate action in line with these conclusions. We will continue to engage with our managers on climate-related risks and opportunities.

Assessing the Scheme's resilience to climate change

DB Section

Last year we analysed climate change scenarios to understand the impact climate change could have on the Scheme's assets and liabilities.

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

Climate scenarios

	 No transition	 Disorderly transition	 Abrupt transition	 Orderly transition	 Disinflationary transition
	No further action is taken to reduce GHG emissions leading to significant global warming	Limited action is taken, and insufficient consideration is given to sustainable long-term policies to manage global warming effectively	Action on climate change is delayed for five years at which point we experience more frequent extreme weather events and governments have to address GHG emissions	Immediate and coordinated action to tackle climate change is taken using carbon taxes and environmental regulation	New green technology disrupts carbon intensive economic activity and ultimately lowers energy and transport costs
Temperature rise by 2100	+4°C	<3°C	1.5°C - 2°C	1.3°C - 2°C	<1.5°C
Reach net-zero by	After 2050	After 2050	2050	2050	2045
Carbon price (2030/2050)	\$40/\$50	\$65/\$340	\$135/\$280	\$100/\$215	\$80/\$50
Introduction of environmental regulation	None	Late and aggressive	Aggressive	Coordinated	High coordination

Source: Aon. **The scenarios were developed by Aon and are based on many assumptions. They are only illustrative and subject to considerable uncertainty.** Please see [Appendix 04 – Climate scenarios in detail](#) for more details.

Trustee update

Under the Regulations, climate scenario analysis must be carried out at least every 3 years, with yearly reviews to ensure it's still relevant. We reviewed the analysis from 31 December 2024 and found it suitable for this year's report, as there have been no major changes in investment strategy, liability profile, modelling techniques, policy shifts, or available data.

Impact on the DB funding level

Key conclusions

Overall, The Trustee is comfortable that the Scheme's investment portfolio exhibits reasonable resilience under all of the climate change scenarios. This is due to high starting funding level, the diversification of assets, the low-risk strategy/proportion of equities, and high levels of hedging against changes in interest rates and inflation.

The Trustee believes the worst-case scenario for the Scheme is the disorderly transition. Although initially the funding level improves in line with the base case, after 10 years the funding level deteriorates. This leaves the Scheme materially worse off in terms of surplus relative to the base case, however the Scheme remains in surplus. Another key risk is volatility of the funding level. Under the abrupt and orderly transitions, the Scheme experiences large falls in the funding level.

Compared to the previously run scenario analysis, the Scheme remains reasonably resilient under all climate change scenarios. The disorderly transition remains the worst-case scenario for the Scheme with a deterioration in funding level after a decade.

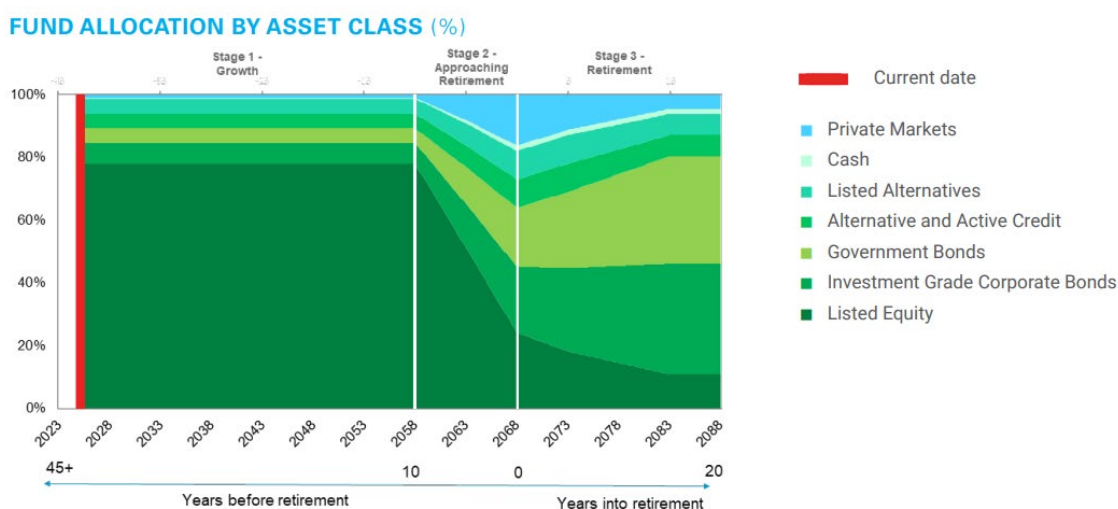
Based on the analysis, the Trustee does not plan to take any immediate actions but will continue to reduce the investment risk in the Scheme's assets in line with its flight plan, as well as consider climate-related opportunities for the Scheme when they are brought to its attention by its investment consultant.

Impact on DC members' pension fund values

For the DC Section, the Trustee has carried out a qualitative analysis under some of the same scenarios. The DC assets within the Scheme's default fund are managed by Legal & General Asset Management ("L&G"). The Trustee reviewed the analysis this year and has concluded that the analysis remains appropriate for this year's reporting period.

Investment strategy

The investment strategy adopted by the default investment arrangement is shown in the chart below.



Source: L&G. Chart shows illustrative asset allocation for Legal & General Target Date Fund 2065-70 (Default). Data as at 31 March 2025.

The strategy is implemented via 'target date funds', with the asset allocation being managed according to members' terms to retirement. The default strategy, as shown, is the L&G Target Date Fund to drawdown. This default has been selected as it allows for flexibility in how members may take their benefits.

The rationale for the default strategy is as follows:

- A focus on equity investment when members are a long time from retirement. At this stage of the strategy, over 70% of the Fund is invested in funds with a climate / ESG focus.
- A reduction in risk through diversification into other asset classes, and diversification within asset classes (e.g., bonds) as members approach retirement.
- Further reduction in risk through further reduction in equities in favour of diversified assets, and a greater proportion of investment in fixed income securities, in the post-retirement phase.

The Trustee now selects the three most relevant climate change scenarios for comparison: Orderly transition, Disorderly transition, and No transition as described in more detail above. These scenarios have been selected as they best illustrate the impact of physical versus transition risks.

Key conclusions

The Scheme's investment portfolio exhibits resilience under most of the climate scenarios modelled.

Younger and mid-career members

The financial impact of climate change for these members will mainly be driven by what happens over the long-term time horizon.

Given that equities make up the majority of the 'target dated fund' assets that the members further away from retirement will be invested in and that equities reflect a high-risk investment over the long-term, the Trustee recognises that the equity portfolio should remain a key area of focus in managing the climate-related risks. The Trustee has already taken action to address this through its climate-risk aware investment strategy, which includes investment in ESG equity and credit, including a Factor-Based Equity portfolio. These investments aim to manage both the risks and opportunities of climate change to improve the overall risk / return characteristics of the portfolio.

A Disorderly or No Transition scenario is likely to be of most concern for this group of members, particularly to younger members. This reflects the long-time horizon for younger members and that climate-related risks associated with investing in equities to be greatest over the long term.

Sitting alongside this, it is important to invest the majority of members' assets in growth assets during the early years, in order to help members, achieve good retirement outcomes. In particular, allocating to assets such as government bonds, that offer lower exposure to climate-related risks, to be in members' best interests over the long term.

Accordingly, the Trustee and its investment manager, L&G, should focus attention on managing climate-related risks within the equity portfolio.

Further details of this qualitative analysis can be found in [Appendix 04 – Climate scenarios in detail](#).

Considering climate change impacts on sponsoring employer(s)

The University's investments are managed by Oxford University Endowment Management ("OUEM"). These investments may be expected to have an impact on the strength of the Scheme covenant, given these investments are a significant income stream and make a material contribution to the flexibility and strength of the University's balance sheet.

ESG considerations appear to be well embedded within OUEM's investment process, with investment screening subject to robust ethical restrictions (in relation to weapons, tobacco and fossil fuel exploration and extraction). OUEM also continues to produce TCFD reporting as part of its wider integration of climate analysis into its operations and investments.

The TCFD report produced by OUEM demonstrates a strong awareness of climate-related risks and opportunities.

Metrics & targets

Our climate metrics

In our first year of TCFD reporting, we decided to report on the metrics below. This year we reviewed the metrics, and we believe they continue to be suitable for us to report against.



Total Greenhouse Gas emissions

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



Carbon footprint

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



Data Coverage

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



Binary target measurement

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

It is measured as the percentage of portfolio investments with a declared net-zero or Paris-aligned target, or are already net-zero or Paris-aligned.

DB Section

Asset class	Allocation (%)	Year	Scopes 1 and 2			Scope 3		
			Data Coverage (%)	Total GHG emissions (tCO ₂ e)	Carbon footprint (tCO ₂ e/£m)	Data Coverage (%)	Total GHG emissions (tCO ₂ e)	Carbon footprint (tCO ₂ e/£m)
Equities	11%	2025	99.4%	1,371	14.9	99.4%	24,466	265.3
	11%	2024	95.0%	520	6.0	100.0%	31,932	352.5
Hedge Fund	4%	2025	64.4%	1,506	63.5	64.4%	10,851	457.6
	0%	2024	-	-	-	-	-	-
Illiquid Credit	13%	2025	53.0%	1,830	29.8	48.8%	11,887	209.9
	17%	2024	22.6%	252	8.3	21.9%	6,640	224.3
Other Illiquid	11%	2025	81.1%	799	11.1	46.3%	7,105	173.1
	10%	2024	66.2%	403	6.9	51.1%	5,896	131.6
Credit*	13%	2025	77.8%	3,711	61.3	77.9%	14,128	233.2
	14%	2024	84.5%	5,382	50.6	42.9%	22,250	412.3
LDI Physical gilts exposure	46%	2025	100%	50,958	135.6	n/a		
	46%	2024	100%	54,606	141.2	n/a		

Source: Investment managers / Aon. Figures may not sum due to rounding.

Emissions data was provided by the managers as at 31 December 2025, 31 December 2024 and 31 December 2023.

We have not aggregated metrics across the whole portfolio because the methodologies used for some asset classes are significantly different and therefore it is not appropriate to combine them.

Scope 3 emissions are not available for LDI due to the lack of industry agreed methodology to calculate them.

Emissions associated with LDI includes both physical emissions (emissions associated with physical assets that are held within the portfolio) and synthetic emissions (emissions associated with the notional exposure to sovereign bonds gained through derivatives).

*One of the funds in the credit portfolio has been excluded from this analysis as PCAF methodology has not been established to calculate the associated emissions. This fund represents 3.4% of the portfolio's overall asset allocation.

Commentary

- Overall, the Scheme's reported carbon emissions have increased across most asset classes over the year, reflecting changes in the underlying portfolio and methodology, and improvements in data coverage.
- For Equities, the scope 1 & 2 carbon footprint has increased, primarily due to a change in investment strategy. Over the

reporting year, the Scheme divested from the Generation equity fund and invested in a new equity fund managed by UBS, which currently appears more carbon intensive despite being a climate transition strategy. This is not unexpected as transition funds typically have material exposure to higher-emitting sectors (such as utilities, industrials and materials) where companies have credible transition plans and capital expenditure aligned to decarbonisation, rather than simply excluding them. As these underlying companies progress along their transition pathways, we would expect the reported emissions to begin to decline over time.

- For Illiquid Credit, there has been an increase in the carbon footprint for Scope 1&2, primarily driven by an improvement in data coverage for the asset class, as compared to last year. However, carbon footprint for Scope 3 fell slightly.
- For the Credit funds, total scope 1&2 GHG emissions have decreased partly due a fall in data coverage and asset allocation. On the other hand, there has been a significant improvement in scope 3 coverage, the reported scope 3 carbon footprint has fallen over the year, indicating an overall reduction in the carbon intensity of the asset class.

Over the reporting year the Scheme invested in a new Credit fund for which the manager has confirmed due to the nature of capital call fund finance, carbon footprint metrics such as financed emissions or weighted average carbon intensity are not calculated and focuses instead on qualitative assessment of climate related risks and governance. As such it has been excluded from the above analysis.

- Scope 1&2 carbon emissions have increased for Other Illiquid funds alongside improved data coverage. There has also been a significant increase in the scope 3 carbon footprint. This is expected as industry standards and capabilities on both tracking and reporting scope 3 emissions continue to improve.
- Over the reporting year the Scheme also invested in a new Hedge Fund, which is the most carbon intensive fund, excluding LDI, the Scheme is invested in. This is expected given the nature of the strategy, however despite the high carbon footprint due to the relatively smaller allocation the absolute impact on the Scheme's total GHG emissions is limited.
- Scope 1&2 emissions associated with the LDI exposure remains a material contributor in absolute terms, however an improvement in carbon intensity has been seen over the year. Scope 3 emissions are not reported for this exposure at present, in line with current industry methodology.

DC Section

Asset class	Allocation (%)	Year	Scopes 1 and 2			Scope 3		
			Data Coverage (%)	Total GHG emissions (tCO ₂ e)	Carbon footprint (tCO ₂ e/£m)	Data Coverage (%)	Total GHG emissions (tCO ₂ e)	Carbon footprint (tCO ₂ e/£m)
Multi Asset	100%	2025	95.3%	2,775	54.7	92.4%	31,984	650.6
	100%	2024	93.3%	2,230	55.9	87.3%	23,818	638.6

Source: Investment manager / Aon. Data as at 31/12/2025 unless specified otherwise. These metrics have been aggregated for assets only where emissions data was received.

Commentary

- Regulations outline that for DC assets, trustees should focus their attention on each 'popular arrangement offered'. A 'popular arrangement' is defined as one in which £100m or more is invested, or which accounts for 10% or more of the assets used to provide money purchase benefits. Given the limited number of members and assets in the Select funds of the DC Section, an analysis has only been conducted on the carbon metrics of the target-date funds as no other funds are popular arrangements.
- In this year's analysis the Trustee identified that the carbon intensity has reduced alongside an improvement in coverage for the Scope 1 & 2 emissions of the DC assets, demonstrating an overall improvement year-on-year. This is encouraging as emissions reporting continues to become further embedded within company operations, and as methodologies to calculate carbon data is improving within the investment industry.

Binary Target Measurement

DB Section

Asset class	Allocation (%)	Year	BTM
Equities	11%	2025	65.0%
	11%	2024	60.0%
Hedge Fund	4%	2025	0.0%
	0%	2024	-
Illiquid Credit	13%	2025	4.3%
	17%	2024	0.5%
Other Illiquid	11%	2025	N/R
	10%	2024	N/R
Credit	13%	2025	31.8%
	14%	2024	11.4%

Source: Investment managers / Aon. Data as at 31 December 2025 unless specified otherwise. 'N/R' denotes data that is 'not reported' i.e., that no investment managers were able to provide data, and that no emissions have been approximated.

DC Section

Asset class	Allocation (%)	Year	BTM
Multi Asset	100%	2025	51.9%
	100%	2024	51.3%

Source: Investment manager / Aon. Data as at 31 December 2025 unless specified otherwise.

Commentary

The DB section's 2025 binary target measurements show a relatively diversified allocation, with sizeable exposures to equities and credit, and a meaningful 13% to illiquid credit where BTM remains low at 4.3%. Equities continue to dominate reported emissions (65.0% BTM), and other illiquid assets remain largely unreported (N/R), highlighting both concentration of financed emissions in listed equities and ongoing data and reporting gaps in alternative and illiquid asset classes.

Notes on the data

In general, we relied on information provided by the Scheme's investment managers about their greenhouse gas emissions. Our adviser, Aon aggregated this information to calculate the metrics for the Scheme's portfolio of assets.

The exception to this is the metrics for the LDI; please see [Appendix 05 – Climate metrics in detail](#) for more information.

Availability of data:

DB Section

- The Trustee received Scope 1, 2 & 3 emissions data from all the Scheme's material managers.
- Only three managers (M&G, Robeco, UBS) were able to share the portion of the portfolio which is net zero or Paris aligned. The Trustee will continue to engage with these managers, with the support of its investment consultant, to improve the availability of this data in future years of reporting.
- For the Illiquid Credit funds, a significant portion of the assets were classified as "Other", for which no carbon data was reported. "Other" includes all assets outside of listed equity and corporate bonds, private equity and private loans, where underlying emissions data is typically less readily available. This reflects the broader challenges in obtaining robust carbon data for more complex illiquid assets and where disclosure is not yet standardised or mandatory. The illiquid credit managers are continuing to work with the underlying borrowers and data providers to improve coverage and methodologies in these areas,

and we expect the availability and quality of reported carbon data for these 'Other' assets to increase over time as industry practices evolve.

DC Section

- The manager provided all Scope 1, 2 & 3 emissions and coverage data alongside providing the portion of the portfolio with net zero, or Paris-aligned targets for all funds.

Aon did not make estimates for missing data.

The reported emissions metrics may not fully capture the Scheme's GHG emissions due to some missing data. We expect that future reports will benefit from improved information from managers. We plan to work collaboratively with managers who couldn't supply emissions data to express our expectations for future reporting.

How we collected the carbon data

Our investment adviser, Aon, collected the carbon emissions data from our managers on our behalf using the industry standard Carbon Emissions Template ("CET"). The CET was developed by a joint industry initiative of the Pension and Life Savings Association, the Association of British Insurers and Investment Association Working Group. The CET seeks to provide a standardised set of data to help pension schemes meet their climate reporting obligations. Different managers may have different interpretations of the calculations set out in CET. The data provided therefore required careful and informed interpretation by the Trustee's Investment Consultant.

Targets

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

In our first year of reporting, we set a target to achieve above 80% coverage of carbon emission data across all asset classes split across Scopes 1, 2 and 3 in the DB Section, and above 95% coverage across classes in the DC Section by 2026. Without meaningful data from the investment managers, it is very hard for us to measure our climate-risk exposure. So, it is important to set a target to improve the data quality of the GHG emissions data from the managers.

Whilst good progress has been made towards the target set in our initial year of reporting, we would like to continue monitoring improvements across the portfolio given ongoing strategy changes being considered, before formally setting a revised target, to ensure the new objective is both robust and credible. As part of this, further training on setting climate-related targets is planned with the Scheme's Investment Consultant

Trustee update

Each year we review the suitability of the target we have set. Based on the data collected and the metrics calculated this year as well as the ongoing strategy changes being considered, we believe the target set remains appropriate. The Trustee will be receiving training with its investment consultant to set a new climate-related target which would support in refreshing the target in the next reporting year.

Our progress towards the target

Since last year, data coverage has improved, marking a promising step towards meeting our 80% target by 2026. This progress is mainly driven by Other Illiquid, where Scope 1 and 2 coverage has increased from 66.2% to 81.1%, achieving the target set for this asset class.

DB Section

Asset class	Target 2026	Scope 1&2		Scope 3	
		Actual Coverage 2025	Actual Coverage 2024	Actual Coverage 2025	Actual Coverage 2024
Equities	>80.0%	99.4%	95.0%	99.4%	100.0%
Illiquid Credit	>80.0%	53.0%	22.6%	48.8%	21.9%
Other Illiquid	>80.0%	81.1%	66.2%	46.3%	51.1%
Credit	>80.0%	77.8%	84.5%	77.9%	42.9%
Matching	>80.0%	100.0%	100.0%	n/a	n/a

Source: Investment managers/Aon.

DC Section

Asset class	Target 2026	Scope 1&2		Scope 3	
		Actual Coverage 2025	Actual Coverage 2024	Actual Coverage 2025	Actual Coverage 2024
Multi Asset	>95.0%	95.3%	93.3%	92.4%	87.3%

Source: Investment manager/Aon.

The Scheme's performance against the target is measured and reported on every year. Over time, this will show the Scheme's progress against the target.

Steps we are taking to reach the target

To improve data coverage, we will engage with the Scheme's investment managers to improve the availability and reporting of emissions data for each asset class in which the Scheme is invested. Through ongoing pressure from asset owners collectively and new regulatory requirements for asset managers, we expect data coverage to improve over time and will engage further with the managers if progress does not meet our expectations.

To continue to progress towards our target, we plan take the following steps:

- The Trustee will continue to engage with its investment managers, supported by its investment consultant, to request higher data availability and coverage for credit and illiquid credit funds. Through engagement, the Trustee will identify opportunities to improve coverage, or investigate alternative sources of data.
- In addition to engagement undertaken, the Trustee expects that improvement in data availability and reporting will in part be dependent on improved industry methodologies to calculate carbon metrics, including increased regulatory requirements for reporting carbon metrics.
- The Trustee will engage with its investment managers, supported by its investment consultant, to encourage managers to adopt the Investment Associate's Carbon Emissions Reporting Template, and provide guidance on how to complete reporting in line with this data delivery framework to a high standard.

Appendices



Appendix 01 - Climate governance and risk management framework

Climate governance

As the Trustee of the Scheme, we are responsible for overseeing all strategic matters related to the Scheme. This includes the governance and risk management frameworks relating to climate-related risks and opportunities.

Our climate beliefs

The Trustee believes that climate change is one of the highest concern risks facing the world over the next 10 to 50 years and the Trustee recognises the significant weight of the scientific evidence underpinning this.

The Trustee believes that the risks associated with climate change could have a materially detrimental impact on the Scheme's investment returns within the timeframe that the Trustee is concerned about. Because of this

risk, the Trustee seeks to integrate assessments of climate change risk into its investment risk management and strategy.

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

In seeking to mitigate the impacts of climate change risks on the Scheme, the Trustee expects that managers, advisers, and other service providers have themselves assessed the impact of climate change risk on their organisations and are taking steps to identify, mitigate and manage these risks. The Trustee also expects managers, advisers, and other service providers to seek to capture potential climate-related opportunities where appropriate.

Climate-related risks and opportunities are assessed over the above time horizons, with the medium- and long-term being of most concern to the Trustee, given the long-dated nature of the Scheme's DB liabilities and the extent to which

future scientific analysis of the global climate is expected to evolve over that timescale. Where appropriate, the Trustee seeks to consider transition and physical risks separately.

The Trustee receives training on climate-related issues – as part of ongoing continued knowledge and skill development, in discharging its regulatory obligations, when a specific need is identified, or in the event of significant changes to the composition of the Trustee Board – to ensure that the Trustee has the appropriate degree of knowledge and understanding on these issues to support good decision-making.

Finally, the Trustee aims to support progress towards net zero emissions, drawing on Oxford University's leadership on the science, economics, and finance of the transition, and informed by the 2021 United Nations Climate Change Conference ("COP26") and research from leading global organisations such as the Intergovernmental Panel on Climate Change ("IPCC").

Role of the Trustee Board

The Trustee Board is ultimately collectively responsible for oversight of all strategic matters related to the Scheme. This includes approval of the governance and management framework relating to ESG considerations and climate-related risks and opportunities. Given its importance, the Trustee Board has not identified one individual specifically to be responsible for its response to climate risks and opportunities. Rather, the Trustee Board has collective responsibility for setting the Scheme's climate change risk framework.

The Trustee Board has discussed and agreed its climate-related beliefs and overarching approach to managing climate change risk. Details are set out in the Statement of Investment Principles

("SIP") for the DB and DC Sections, which are reviewed and (re)approved annually (or sooner in the event of a significant change in investment policy) by the Trustee Board.

The Trustee Board receives regular training on climate-related issues as and when required, to ensure that it has the appropriate degree of knowledge and understanding on these issues to support good decision-making. The Trustee expect its advisers to bring important and relevant climate-related issues and developments to its attention in a timely manner.

The Trustee Board regularly monitors and reviews progress against the Scheme's climate change risk management approach.

The Trustee Board delegates oversight of the Scheme's climate change risk management to the Funding and Investment Committee ("FIC", formerly Investment Committee ("IC")) where it relates to investment matters and the funding matters. This sub-committee keeps the Trustee updated on material climate-related developments on a regular basis (at least annually).

Role of the Funding & Investment Committee

The Trustee Board has delegated the ongoing monitoring of the Scheme's integrated climate risk management framework to the FIC where they relate to investment matters.

The key activities undertaken by the FIC, with the support of the Trustee's advisers, are:

- Seeking to ensure that any investment decisions appropriately consider climate-related risks and opportunities within the context of the Scheme's wider risk and return requirements and are consistent with the climate change policy as set out in the SIP, and RI and ESG policy.
- Regularly monitoring and reviewing progress against the Scheme's climate change risk management approach.
- Keeping the Trustee Board appraised of any material climate-related developments through regular updates, as and when required.

The FIC meets regularly to carry out the above activities. The FIC keeps the Trustee updated on any material climate-related developments

through regular (at least annual) updates at Trustee meetings.

How we work with our advisers

We expect our advisers and investment managers to bring important climate-related issues and developments to our attention in a timely manner. We expect our advisers and investment managers to have the appropriate knowledge on climate-related matters.

We annually review the quality of our advisers' provision of advice and support on climate-related issues. For our investment adviser this is part of the annual review of investment consultant objectives.

Investment adviser – our investment adviser, Aon, provides investment-related strategic advice and support on our climate-related risks and opportunities. This includes regular training and updates on climate-related issues, climate change scenario modelling and ESG ratings for investment managers.

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

Scheme Actuary - the Scheme Actuary, Aon, helps us assess the potential impact of climate-related risks on the Scheme's funding where relevant.

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

Covenant adviser - our covenant adviser, Ernst & Young, helps us to understand the potential impact of climate-related risk on the Sponsor covenant of the principal employers of the Scheme.

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

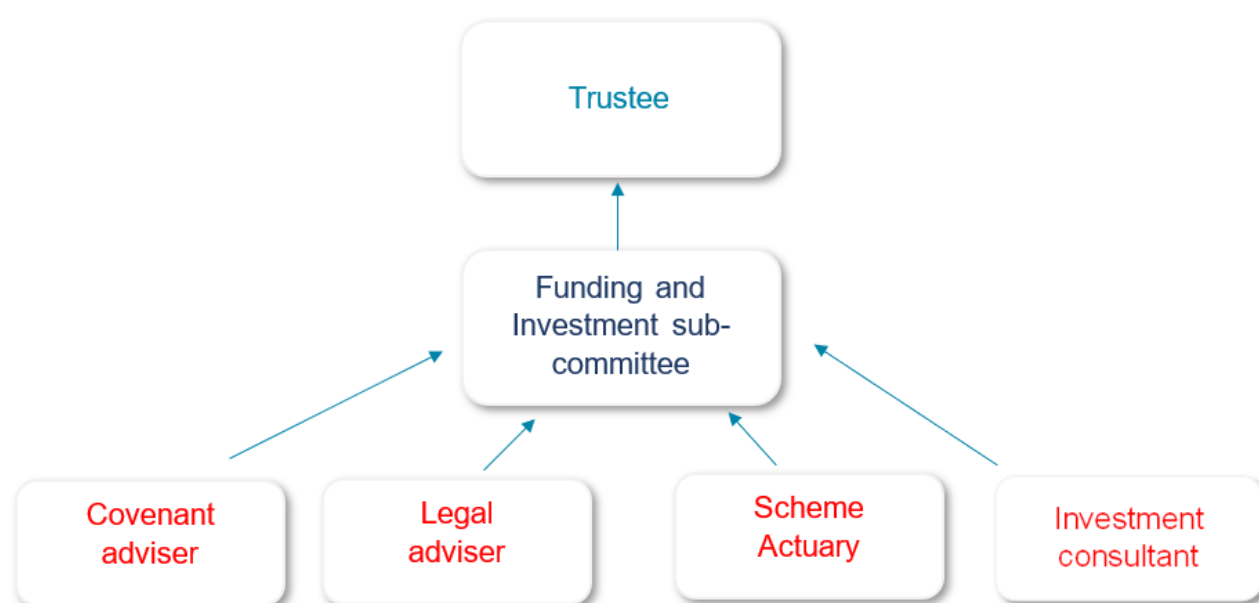
Legal adviser - the Scheme's legal adviser, Burges Salmon, will help the Trustee understand As part of legal advice sought, the Trustee will seek information from the legal adviser regarding its credentials in advising on climate-related factors.

Role of Oxford University

As set out in its Responsible Investment and ESG policy, the Trustee acknowledges the evolving nature of University and College policies and practices in relation to climate change. Recognising that investment decisions in connection with the Scheme are primarily matters for the Trustee, the Trustee will have regard to Council's policy including when consulting the University on behalf of the sponsoring employers on investment strategy.

Trustee update

The Trustee will be conducting an in-depth review of each manager's RI policies and practices to assess alignment with the Scheme's Policy. The Trustee will also review the University's new RI Policy to determine whether it should take steps to more closely align with the University's Investment Policy Statement.



Source: Aon

Climate risk management framework

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

Governance

Activity	Owner	Support	Frequency
Publish TCFD report and implementation statement	Trustee	FIC	Annual
Receive training on climate-related issues	Trustee	Advisers	Annual
Review adviser objectives to ensure advisers have appropriate climate capability, and bring important, relevant and timely climate-related issues to the Trustee's attention	Trustee	Advisers	Annual
Ensure investment proposals explicitly consider the impact of climate risks and opportunities and seek investment opportunities	FIC	Investment consultant	Ongoing
Ensure that actuarial and covenant advice adequately incorporate climate-related risk factors where they are relevant and material	Trustee	Scheme Actuary, Covenant adviser	Triennial
Engage with the investment managers to understand how climate risks are considered in their investment approach, and stewardship activities are being undertaken appropriately	FIC	Investment managers, Investment consultant	Annual

Trustee update

During the reporting period, the Trustee carried out a high-level review of its investment managers' responsible investment policies, including an assessment against the General Code, to assess the alignment with the Trustee's own RI and ESG policy. A more detailed review of managers' RI policies is being conducted following this reporting period, and the results of this analysis will be provided in future reports.

The Trustee has also continued to review stewardship information provided by its investment managers as part of the Implementation Statement and will undertake further engagement in line with the identified action plan.

Strategy

Activity	Owner	Support	Frequency
Undertake quantitative scenario analysis to understand the impact of climate related risks	FIC	Investment consultant	Triennial (with annual review)
Identify the climate-related risks and opportunities for investment & funding strategy and assess their likelihood and impact	FIC	Advisers	Annual

Trustee update

The FIC reviewed the climate-related risks and opportunities analysis, asking each material manager for details how these are assessed. The conclusion of this is included in the Strategy pillar. The Trustee also reviewed the climate change scenario analysis, carried out on 31 December 2024. The analysis remains relevant and the results of the climate scenario analysis are summarised in the Strategy pillar, with further details included in the appendix.

Risk management

Activity	Owner	Support	Frequency
Identify, assess and manage key climate-related risks	FIC	Aon	Annual
Include consideration of climate-related risks in the Scheme's other risk processes and documents, such as the risk register and the SIP, and regularly review these	Trustee	Aon	Annual

Trustee update

The Trustee reviews its process of identifying and assessing climate-related risks as part of the annual TCFD process to evaluate its continued suitability. This is integrated into the ongoing activities of the Scheme.

The Trustee delegates the review of the underlying investment managers and how ESG is integrated within their decision-making processes (including climate change) to its advisers. The Trustee also asks for details on how these have been implemented in practice, including key themes for engagement, such as climate change.

As mentioned in the Governance pillar, the Trustee will engage with some asset managers following the RI policy review

As part of the action plan identified in the Implementation Statement, the Trustee will also engage with the Scheme's illiquid managers on providing improved engagement information. Outcomes of the engagement will be included in the 2026 Implementation Statement.

Metrics and Targets

Activity	Owner	Support	Frequency
Obtain emissions data and calculate climate metrics	FIC	Aon	Annual
Review the climate metrics remain suitable	FIC	Aon	Annual
Review the target remains suitable	FIC	Aon	Annual

Trustee update

The Trustee, supported by its investment consultant, collects metrics data on an annual basis, to understand the current state of the portfolio regarding its emissions, data coverage and portfolio alignment. This data is evaluated to produce a climate-related target, whereby in this instance the Trustee has elected to improve the data coverage for the Scheme.

Metrics have been collected in line with industry practice and supported by the FIC and its advisers. In addition, the Trustee has reviewed its target, which was set previously, and considered any refinements required to this.

More details can be found in the Metrics and Targets section.

Appendix 02 – Climate risk categories

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

Transition risks

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

Policy and legal

Examples

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

Potential financial impacts

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

Technology

Examples

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

Potential financial impacts

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

Market

Examples

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

Potential financial impacts

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

Reputational

Examples

Stigmatisation of sector
Increased stakeholder concern or negative stakeholder feedback

Potential financial impacts

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

Physical Risks

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

Acute

Examples

Extreme heat
Extreme rainfall
Floods
Droughts

Chronic

Examples

Water stress
Sea level rises
Land degradation
Variability in temperature

Appendix 03 – Climate-related risk assessment in detail

The following tables summarise the transition and physical risks for each asset class the Scheme is invested in. Each table is based on ratings and commentary provided by the manager(s).

DB Section

	Asset class	Equity	Infrastructure	Illiquid Credit	Credit	LDI	Liabilities	Covenant
	% Actual asset allocation	11.3%	10.8%	12.7%	12.9%	45.6%	N/A	N/A
Physical risks	Short-term	Medium	Low	Low	Low	Low	Low	Low / Medium
	Medium-term	Medium	Low	Low	Low	Low	Low / Medium	Medium
	Long-term	Medium	Low / Medium	N/A	Low	Low / Medium	Medium	Medium
Transition risks	Short-term	Low	Low	Low / Medium	Low	Low	Low	Low / Medium
	Medium-term	Low	Low / Medium	Low / Medium	Low	Low	Low / Medium	Medium
	Long-term	Medium	Low / Medium	N/A	Low	Low	Medium	Medium
	2025 Impact	Low / Medium	Low / Medium	Low	Low	Low	Low / Medium	Low / Medium
	2026 Impact	Low / Medium	Low / Medium	Low / Medium	Low	Low	Low / Medium	Low / Medium

Source: Assets - Investment Managers / Aon; Liabilities. For the DIF Infrastructure Fund, data that was provided last year has been used as the manager has not shared an updated analysis as at time of writing. 'N/A' denotes where information is 'not available'.

DC Section

L&G Multi Asset – 100% of portfolio

Physical Risks

	Acute	Chronic
Short	●G	●G
Medium	●A	●G
Long	●A	●A

Source: Investment Manager. Data as at 31 Mar 2026.

Chronic risks are long-term in nature and not expected to have material financial impact in the short-term. In the medium-term, physical risk exposure is expected to remain low. This is independent of the global climate pathway, as much of the additional warming to 2030 is already “committed” given historical emissions.

In the long-term, heat stress, rising sea levels and changes to weather patterns are likely to affect companies’ profitability and countries’ economic output through impacts on labour productivity and availability and potential impacts on supply chains and physical infrastructure.

Transitional Risks

	Regulatory	Technology	Market	Reputation
Short	●G	●G	●G	●G
Medium	●A	●A	●A	●G
Long	●R	●A	●R	●A

Source: Investment Manager. Data as at 31 Mar 2026.

Technology change is accelerating, and companies should already be preparing for the medium- and long-term impacts of this shift. In the short-term it is unlikely that those lagging would lose significant value as a result, regardless of scenario trajectory. The medium-term is a crucial period for the climate transition, as time is running out to stay within global carbon budgets for limiting global warming to well-below 2°C.

Over the longer term, a large drop in demand for fossil fuels is envisaged for both orderly and disorderly transition pathways, especially coal and oil – with potentially large financial repercussions at a global multi-asset portfolio level depending on companies’ and countries’ mitigation actions. Companies could be left competing for limited resources that will negatively affect valuations.

Appendix 04 – Climate scenarios in detail

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

DB Section

Base case Temperature rise +1.5°C- 2.4°C Reach net zero 2050 Uncoordinated environmental regulation	Summary of the Scenario The base case uses Aon's Capital Market Assumptions, reflecting current market pricing, including climate impacts. Action is taken to tackle climate change, but the approach is fragmented. The transition to a low-carbon economy is assumed to be a slow yet orderly.	Impact to the Scheme The funding level gently increases, with accelerating over time.
Disorderly Scenario Temperature rise <3°C Reach net zero after 2050 Late and aggressive environmental regulation	Summary of the Scenario In the short term: Insufficient consideration is given to long-term policies and there is no action taken to combat climate change. In the medium term: Late but coordinated action is taken to tackle climate change. The late timing means it is less effective and more costly. Adverse impacts from climate change leads to poor performance of growth assets. In the long term: The transition to clean technologies and green regulation begins to boost economic growth. But physical climate risks remain prominent.	Impact to the Scheme In the short term: The Scheme's funding level experiences stable growth in the short term. In the medium term: Although initially the funding level improves in line with the base case, after 10 years the funding level deteriorates. This leaves the Scheme materially worse off in terms of surplus relative to the base case. In the long term: This is the worst-case scenario for the Scheme. The funding level starts to recover slightly and remains above 100% to the end of the modelling period however, is materially worse off in terms of surplus relative to the Base Case and other scenarios modelled.
Orderly Scenario Temperature rise <2°C Reach net zero 2050 Coordinated environmental regulation	Summary of the Scenario In the short term: Immediate coordinated global action is taken to tackle climate change. Growth assets perform poorly. In the medium term: The rapid transition to clean technologies and green regulation begins to boost economic growth.	Impact to the Scheme In the short term: The Scheme suffers a deterioration in its funding level but remains in a surplus. In the medium term: The funding position begins to recover as risky assets perform well, benefiting from the economic growth. The Scheme returns to a funding position in line with the Base Case.

	In the long term: Economic growth continues. This represents the fastest transition to a green economy, combined with limited physical impacts from climate change.	In the long term: The funding position recovers long term and continues to improve over time.
No Transition Scenario Temperature rise >4°C Reach net zero after 2050 No environmental regulation	Summary of the Scenario In the short term: No action is taken to combat climate change. In the medium term: Still no action is taken to combat climate change. The impacts of physical climate risks (such as more frequent extreme weather events) become gradually more significant. These risks begin to slow economic growth and negatively affect investment returns. In the long term: The challenges from climate change intensify and create a persistent drag on economic growth and asset performance. The consequences of physical risks become increasingly severe and, eventually, irreversible.	Impact to the Scheme In the short term: The Scheme's funding position stays relatively stable in the short-term as no regulation comes into force that would impact the Scheme. In the medium term: Funding level continues to increase in line with Base Case but is lower than the Orderly and Disinflationary transition scenarios. In the long term: The funding level continues to increase but is lower than the Base Case.
Abrupt Scenario Temperature rise 1.5 - 2°C Reach net zero 2050 Aggressive environmental regulation	Summary of the Scenario In the short term: Although public awareness of climate change is increasing, no significant action is taken to address it. In the medium term: As extreme weather events become more frequent and severe, governments are compelled to rapidly introduce strong climate policies. Because these actions are delayed, transitioning away from fossil fuels becomes more costly and disruptive. Growth assets perform poorly during this transition, reflecting the higher costs of sudden policy changes. In the long term: After the rapid policy shift in the medium term, the long-term benefits of addressing climate change begin to emerge, leading to higher economic growth.	Impact to the Scheme In the short term: The scheme's funding level deteriorates slightly in the short-term after experiencing a stable growth. In the medium term: The funding position continues to fall as climate regulations crystallise transition risks to cause a funding strain. The funding position then begins to recover as assets aligned to government policies start to perform better. In the long term: The Scheme's funding level regains the initial fall in funding level in the long-term. However, leaves the Scheme materially worse off in terms of surplus relative to the base case.
	Summary of the Scenario In the short term:	Impact to the Scheme In the short term:

Disinflationary Transition Scenario Temperature rise <1.5°C Reach net zero after 2045 Coordinated environmental regulation	Collective and coordinated global action is taken early on. Although there are upfront costs to fund the economic transition, this approach stimulates innovation and the development of green technologies, helping to boost economic growth. In the medium term: Rapid advances in technology, together with effective government policies, enable a smooth shift to a low-carbon economy. The economy continues to benefit and shows consistent growth. In the long term: Continuing technological progress and government support sustain a successful transition to a low-carbon economy. Growth assets perform well due to the stable, well-managed transition.	Scheme funding levels remain relatively stable and government funding improves portfolio performance. In the medium term: The Scheme's funding level improves which is driven by strong performance of the rest of its assets due to high levels of economic growth. In the long term: Trends from the medium-term continue into the long-term. This is the best case scenario for the Scheme.
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Source: Aon. Effective date of the impact assessment is 31 Dec 2024.

DC Section

Orderly	Disorderly	No transition
Short-term	Short-term	Short-term
Asset portfolios are expected to suffer an initial drop as a result of the costs of immediate coordinated action to tackle climate change.	There is not expected to be any initial impact on asset portfolios and performance is expected to follow the base case.	There is not expected to be any initial impact on asset portfolios and performance is expected to follow the base case. There is no action taken to combat climate change.
Medium-term	Medium-term	Medium-term
Asset portfolios are expected to recover from the initial shock of transition costs. Relative to the other scenarios, lower impact from physical risks (given action to tackle climate change) is beneficial for portfolios.	Asset portfolios deteriorate sharply as a result of delayed action required to tackle climate change.	Impacts from physical risks gradually become more severe over time leading to a drag on economic growth and risk asset returns. Asset portfolios begins to lag the base case.

Long-term

Members' asset portfolios are likely to perform strongest relative to the base case. This represents the fastest transition to a green economy, combined with limited physical impacts from climate change despite the large initial transition cost.

Long-term

Whilst asset portfolios do start to recover from the medium-term shock, this scenario is likely to be of most concern for this group of members, which would leave them materially worse off in comparison to the base case.

Long-term

Impacts from physical risks gradually become more severe over time leading to a drag on economic growth and risk asset returns. Asset portfolios lag the base case and continue a downward trend.

Source: Aon. Effective date of the impact assessment is 31 December 2024.

Members approaching retirement and at-retirement

The financial impact for these members is expected to be driven by the **short- to medium-term time horizons**. Specifically, the climate-related risks associated with investing in equities is expected to have an impact on these members during this time period.

The worst-case scenario for the typical members is the orderly transition scenario, with transition risks being the primary driver of the poor outcomes. For these members, when policy shocks occur, there is limited time left to retirement to make back any losses. Both diversification across asset classes (which the Trustee has already accounted for in the design of the 'target date fund') and consideration of climate-related risks within investments are important in appropriately managing these risks for members.

Relative to younger members, the climate risk from asset portfolios is reduced because of the lower allocation to equities and the relatively shorter investment time horizon. However, for this group of members, the timing of the impact of climate risk on assets may mean there is limited time (in terms of remaining working life) to make up any shortfall in expected retirement benefits.

Orderly	Disorderly	No transition
Short-term Asset portfolios are expected to suffer an initial drop as a result of the costs of immediate coordinated action to tackle climate change.	Short-term There is not expected to be any initial impact on asset portfolios and performance is expected to follow the base case.	Short-term There is not expected to be any initial impact on asset portfolios and performance is expected to follow the base case. There is no action taken to combat climate change.
Medium-term Asset portfolios are expected to recover from the initial shock of transition costs. Relative to the other scenarios, relatively lower impact from physical risks (given action to tackle climate change) is beneficial for portfolios.	Medium-term Asset portfolios deteriorate sharply as a result of delayed action required to tackle climate change. For this group of members, the timing of a Disorderly transition may mean there is little time (in terms of remaining working life) to make up pensions shortfall.	Medium-term Impacts from physical risks gradually become more severe over time leading to a drag on economic growth and risk asset returns. Asset portfolios begin to lag the base case.
Long-term Members' asset portfolios are likely to perform strongest relative to the base case. This represents the fastest transition to a green economy, combined with limited physical impacts from climate change despite the large initial transition cost.	Long-term Whilst asset portfolios do start to recover from the medium-term shock, this scenario is likely to be of concern for this group of members, which would leave them materially worse off in comparison to the base case.	Long-term Impacts from physical risks gradually become more severe over time leading to a drag on economic growth and risk asset returns. Asset portfolios lag the base case and continue a downward trend.

Source: Aon. *Effective date of the impact assessment is 31 December 2024.*

Modelling limitations

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

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

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

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

Modelling assumptions

The climate scenarios were developed by Aon and are based on detailed assumptions. They are only illustrative and are subject to considerable uncertainty. They consider the exposure of the Scheme to climate-related risks and the approximate impact on asset/liability values over the long-term. The scenario modelling assumes a deterministic projection of assets and liabilities on the technical provisions basis, using standard actuarial techniques to discount and project the Scheme's expected future cashflows.

- i. It models the full yield curve as this allows for a more accurate treatment of the liabilities and more realistic modelling of the future distribution of interest rates and inflation.
- ii. The modelling parameters vary deterministically for each scenario.

The liability projections are approximate, but they are appropriate for this analysis. However, a full actuarial valuation carried out at the same date may produce a materially different result.

The scenario modelling focusses on the impact of climate change on the Scheme's assets and liabilities. It does not consider the impact climate change could have on the covenant risk or mortality risk.

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

Modelling limitations

- The purpose of the model is to consider the long-term exposure of the Scheme to the climate-related risks and the pattern of the asset returns over the long term. Thus, the model is subject to limitations.
- The model intends to illustrate the climate-related risks to which the Scheme is currently exposed, highlighting areas where risk mitigation could be achieved through changing the portfolio allocation. Other relevant issues such as governance, costs and implementation (including manager selection and due diligence) must be considered when making changes to the investment strategy.
- The model only considers investment risk, measured in the form of deviance from the Base Case. The Scheme will also face covenant risk, longevity risk, basis risks and operational risks which are not captured in the model.

Additional notes on data

The material provided herein is grounded in part from publicly available information and information from third-party sources (e.g. the investment managers) with whom the Trustee has contractual relationship and the Trustee believes to be reliable, but which has not been independently verified by the Trustee, and Trustee does not represent that the information is accurate or complete.

Appendix 05 – Climate metrics in detail

Additional information on the metrics calculations

Carbon metrics for non-LDI asset classes

Emissions data was collected from the managers using the CET¹. Managers provided carbon footprint and data coverage for their fund(s).

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

$$\text{£M invested in the fund} \times \text{Carbon footprint} \times \text{Data coverage}$$

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

$$\frac{\sum G_i}{\sum (A_i \times C_i)}$$

Where i is each fund in the asset class

G_i = Total GHG for fund i (tCO₂e)

A_i = Assets invested in fund i (£M)

C_i = Data Coverage of fund i (%)

Aon does not make estimates for data which was unavailable

The carbon metrics for LDI

Scopes 1 and 2 emissions associated with LDI includes both physical emissions (emissions associated with physical assets) and synthetic emissions (emissions associated with the notional exposure to government bonds gained through derivatives). The Scheme/Plan's LDI manager(s) provided the value of the physical and synthetic government bond exposures.

The carbon footprint was calculated by Aon as follows:

$$\frac{\text{UK national emissions scopes 1 and 2}}{\text{PPP-adjusted GDP}}$$

Where UK national emissions scopes 1 and 2 as at 31 December 2022 as reported by the

Emissions Database for Global Atmospheric Research; and PPP (Purchasing Power Parity)-adjusted GDP as at 31 December 2022 as reported by the World Banking Group.

Total GHG emissions for LDI was estimated for physical and synthetic exposures as follows:

$$\text{£M physical exposure} \times \text{Carbon footprint} \times \text{Data coverage}$$

$$\text{£M synthetic exposure} \times \text{Carbon footprint} \times \text{Data coverage}$$

Where data coverage is assumed to be 100% estimated.

Scope 3 emissions are not available for LDI due to the lack of industry agreed methodology to calculate them.

Binary target measurement

Aon asked investment managers for binary target measurements of each fund and aggregated the results based on assets invested in each fund.

Aon does not estimate missing data, so the Scheme's measurement only covers the portfolio parts with available data.

There is no standard method for calculating binary target measurements for government bonds, so LDI lacks this measurement.

Industry-wide issues

There is no standard method for calculating metrics for some assets, for example scope 3 emissions for LDI, leading to varied approaches by managers. These industry-wide issues underscore the need for climate reporting to enhance transparency. We anticipate improved information from managers as the industry adopts best practices.

¹ <https://www.plsa.co.uk/Policy-and-Research/Document-library/Carbon-Emissions-Template>

Appendix 06 – GHG emissions

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

Since the Industrial Revolution, greenhouse gas levels have risen significantly. The Kyoto Protocol² identifies six major greenhouse gases, with human-made carbon dioxide being the largest contributor to global warming. Each gas has different global warming potential and atmospheric persistence, so emissions are measured as carbon dioxide equivalent (CO₂e) for comparison.

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

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

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

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

Main greenhouse gases identified by the Kyoto Protocol

CO₂
Carbon dioxide

CH₄
Methane

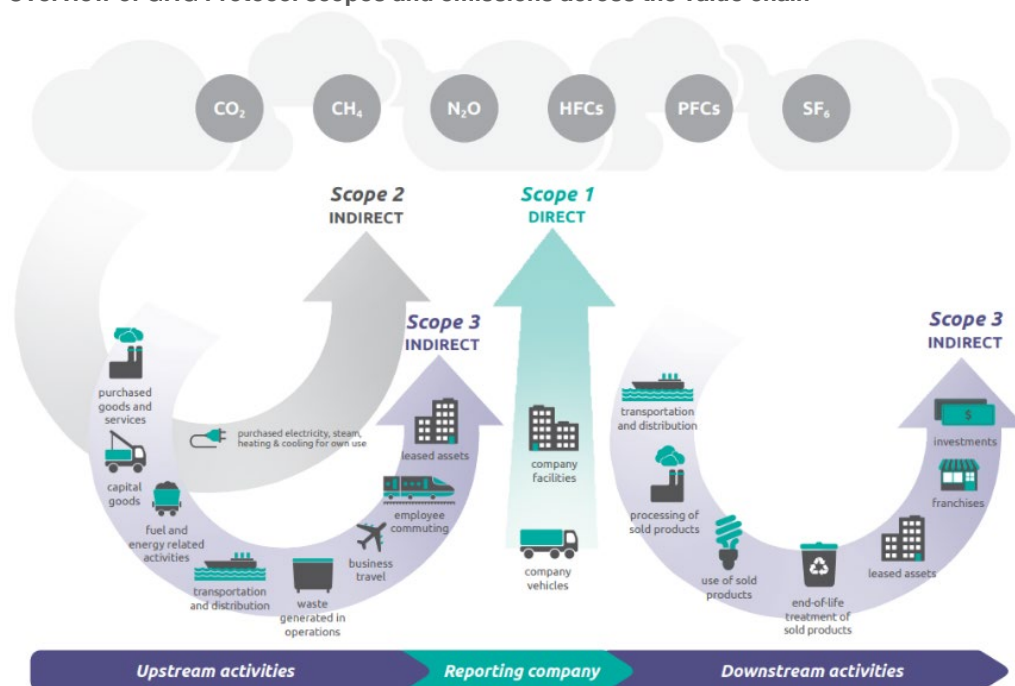
N₂O
Nitrous oxide

HFCs
Hydrofluorocarbons

PFCs
Perfluorocarbons

SF₆
Sulphur hexafluoride

Overview of GHG Protocol scopes and emissions across the value chain



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

² https://unfccc.int/kyoto_protocol