Smart Pension Master Trust

Task Force on Climate-Related Financial Disclosures

("TCFD") Report (30 June 2025)

Smart Pension

A message from the Chair

I am pleased to share our climate report for the Smart Pension Master Trust (the "Scheme") over the year to 30 June 2025, in line with recommendations made by the Taskforce on Climate-Related Financial Disclosures. We ("the Trustee") consider climate change to be a financially material risk for the Scheme. This reflects the potential long-term impacts they could have on financial markets, which could in turn impact on the value of members' investments.

We have set out our beliefs and have documented policies and processes for managing climate and nature-related risks and opportunities. Our overarching Responsible Investment Policy considers the broader environmental, social and governance ("ESG") considerations of our investments. Our Climate and Nature Policy goes into detail on how we address specific environmental risks and our voting and engagement policies outline how we engage to improve better practice across the investments and how we instruct our external managers to vote on members' behalf.

The Trustee recognises the need to consider ESG issues together in order to achieve a "just" transition in line with our net-zero commitment to help keep our global temperature rise to 1.5°C.

Our Smart Sustainable Growth Fund (our "main default growth fund" or our "portfolio") invests in passive equities with a climate transition strategy and has additional allocations to green financing projects, biodiversity solutions and private markets.

We have undertaken analysis to assess our progress on reducing our greenhouse gas emissions, our temperature alignment, as well as climate scenario analysis to understand the potential impact on retirement outcomes for different members. We continue to believe that the most effective way for managing climate-related risks, and capturing opportunities, is through decisions made about the way the assets are invested and stewarded.

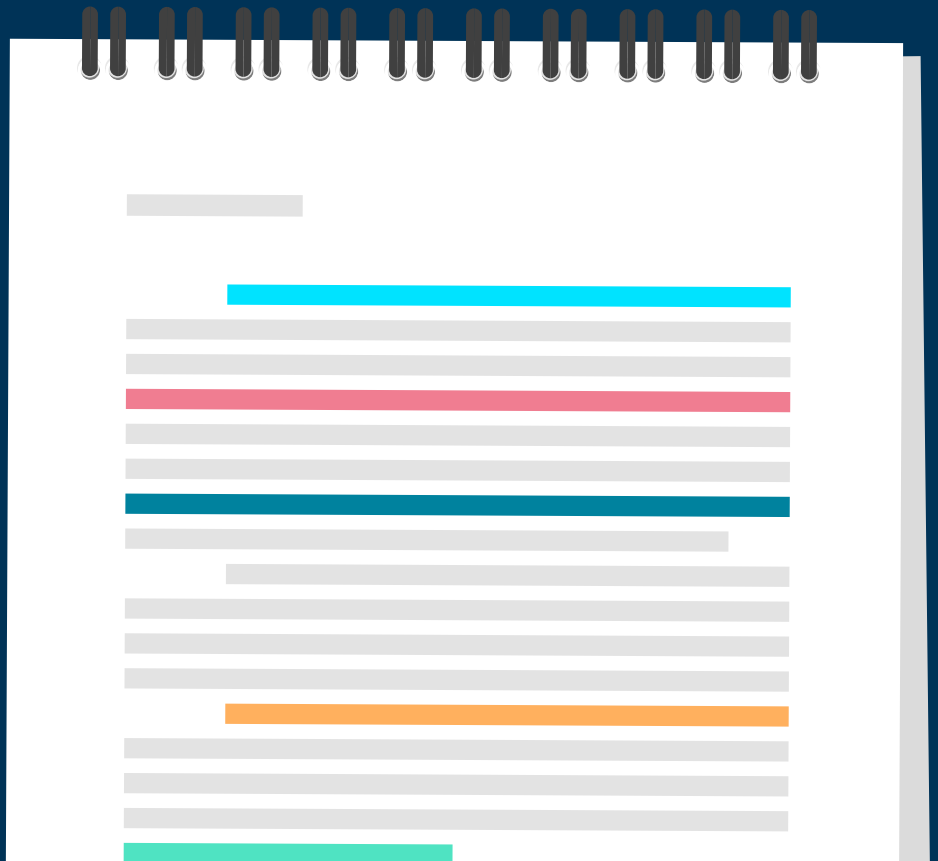
During the reporting period the intensity of our scope 1 and 2 emissions increased and scope 3 emissions decreased, for the first time since our reporting started. Scope 1 and 2 emissions increases were due to changes undergone by our corporate bond allocation within our private credit fund. This allocation has been under review for the past year and earlier this year the Trustee made the decision to remove this allocation. This was due to a number of reasons, including that we are able to access private credit directly with the dual credit structure of the current fund, the assets will be used to fund future allocations to private markets (renewable infrastructure and private equity) and the fund showed misalignment with the Trustee's broader strategy aims, including ESG targets (as demonstrated in this report). The rest of our underlying funds are trending downwards in emissions intensity as we would expect. We keep our investments under review to make sure we identify ways to improve outcomes for Scheme members.

We include scope 1, 2 and 3 emissions in our reporting, although note that the data is still developing across companies reporting and scope 3 emissions remain more unreliable than the former two. We continue to work with our advisers and collaborative organisations to develop our monitoring of our metrics. Climate change is considered as part of our ongoing monitoring activities, including monitoring the voting and engagement activities from underlying fund managers.

This report shows how we identify and manage climate-related risks and opportunities with the intention to improve members' outcomes in retirement.

Raj Mody
Chair of the Smart Pension Master Trust,
30 June 2025

1 Introduction



Why is climate change important to us?

Climate change is one of the most important challenges facing the world today and cannot be solved overnight. The climate is intrinsically linked to nature as well as social factors surrounding people such as basic human rights. Being proactive in addressing the causes of climate change, and targeting a lower temperature outcome than is currently forecast, is a key sustainability goal. Decisions today will have an impact many years from now.

The Trustee believes that climate, as well as wider Environmental, Social and Governance ("ESG") risks pose a real and material threat to members' investments and therefore their retirement outcomes. Generating an appropriate and sustainable financial return for members while also addressing these global challenges helps to mitigate these risks. The Trustee also believes that there can be opportunities for long-term performance when considering new technologies and solutions to assist with the global transition to net zero. Net zero is the balance between the amount of greenhouse gases produced and the amount removed from the atmosphere. In order to meet the 1.5°C global warming target in the Paris Agreement[1], it was recommended that global carbon emissions should reach net zero by around mid-century. However, more recent analysis suggests this should be sooner. The Scheme's net zero target date is 2040. We also have an interim target of 75% reduction in scope 1 and 2 emissions intensity by 2030. We met our initial interim target early for our scope 1 and 2 emissions (at the end of 2022), which was a 50% reduction by 2025. We continue to target this for our scope 3 emissions. Our targets have been set without the use of carbon offsetting and we do not use any carbon offsets.

Each stage of the investment decision making process therefore needs to consider ESG risks and opportunities (investment strategy, investment selection, reporting etc.) which include climate and nature. Being active owners of investments over the long term is also critical for responsible stewardship of assets. The Trustee has developed the Smart Sustainable Growth Fund to identify and capture investment opportunities offering solutions to environmental and social challenges and will continue to do so, provided they are aligned with the Scheme's objectives and strategy[2]. Since our base year of 30 June 2019, our emissions intensity has reduced by 60.1% for our scope 1 and 2 emissions, and reduced by 68.3% for our scope 3 emissions, to 30 June 2025[3] (see Section 6 'Climate-related Analysis' for further details). Our emissions are based on tonnes of CO2 equivalent or CO2e, which is a way of expressing all greenhouse gases (e.g. methane, ozone etc.) as a single metric, by converting them into CO2.

In order to demonstrate the above, the Trustee is a supporter of the Task Force on Climate-Related Financial Disclosures and has produced this report to show our progress.

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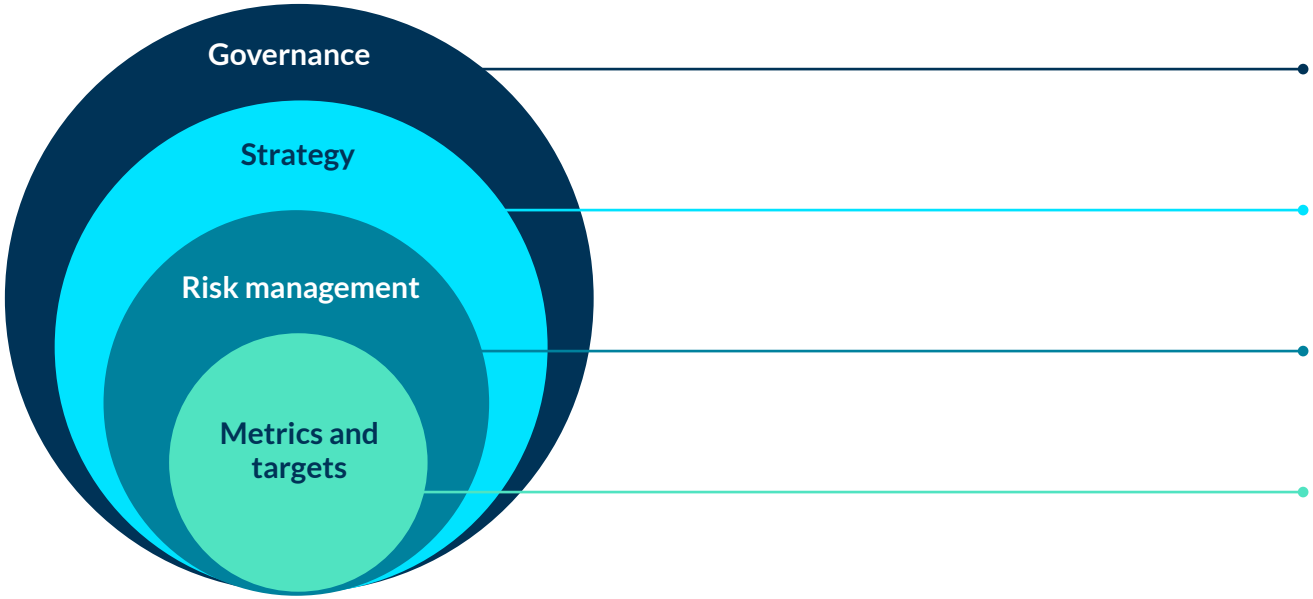
1. The Paris Agreement is a legally binding international treaty on climate change, adopted by 196 Parties at the UN Climate Change Conference (COP21).

2. Statement of Investment Principles **https://www.smartpension.co.uk/governance/scheme-governance**

3. Hymans Robertson, MSCI data

What is the Task Force on Climate-Related Financial Disclosures (TCFD)?

TCFD was created by the Financial Stability Board to improve and increase reporting of climate-related financial information. The TCFD has four pillars of reporting:



The governance around climate-related risks and opportunities.

The actual and potential impacts of climate-related risks and opportunities on the business, strategy and financial planning.

The processes used to identify, assess and manage climate-related risks.

The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

The Trustee of the SPMT is supportive of initiatives it believes will be in the long-term financial interest of members, such as the TCFD. The Trustee believes greater disclosure, such as TCFD reporting, will lead to better investment decisions. The Trustee has released a Net Zero Plan[4] which details the steps due to be taken to reach our greenhouse gas emissions, climate solutions and engagement targets, based on the Paris Aligned Investment Initiative's Net Zero Framework. Where appropriate, the Trustee will also engage with its appointed fund managers to support such initiatives.

This report outlines the Trustee's position with regards to the TCFD reporting as at 30 June 2025, including our progress over the Scheme year.

4. Net Zero Framework **https://www.smartpension.co.uk/sustainability/net-zero**

2 Learnings and developments

The Trustee's net zero target of 2040 supports the goals of the Paris Agreement, by transitioning the Scheme's investments over time to an investment strategy that is aligned with achieving the goals of limiting global temperature increases to 1.5°C above pre-industrial levels. This target supports a just transition to net zero, to ensure that investments focus on decarbonisation and long-term sustainability and growth. Our net zero targets apply to the listed assets in our main default growth fund, where the majority of the Scheme's assets are invested. As at 30 June 2025, 70% of assets were invested in this fund (67% listed assets). In total, 84% of the Scheme's assets are invested in the same underlying funds as the main default growth fund (81% in listed assets).

Our Net Zero Plan details the steps to be taken to reach our target, including our interim targets. We met our first target of a 50% reduction in scope 1, 2 and 3 emissions intensity by 2025. As a result, we released a new interim target this year for scope 1 and 2 emissions of a 75% reduction by 2030. We recognise that scope 3 data is still less reliable but continue to target our net zero by 2040 target. We will remain flexible to incorporate improvements in data and methodologies. We have aligned our passive equities to our net zero pathway by implementing a custom index with a transition aligned to 2040. We invest in a green bond fund which makes up 10% of our default growth fund and has a c. 60% allocation to climate solutions. Further details on our portfolio's alignment with transition pathways are set out in our UK Stewardship Code and Voting and Engagement Report, available online[5].

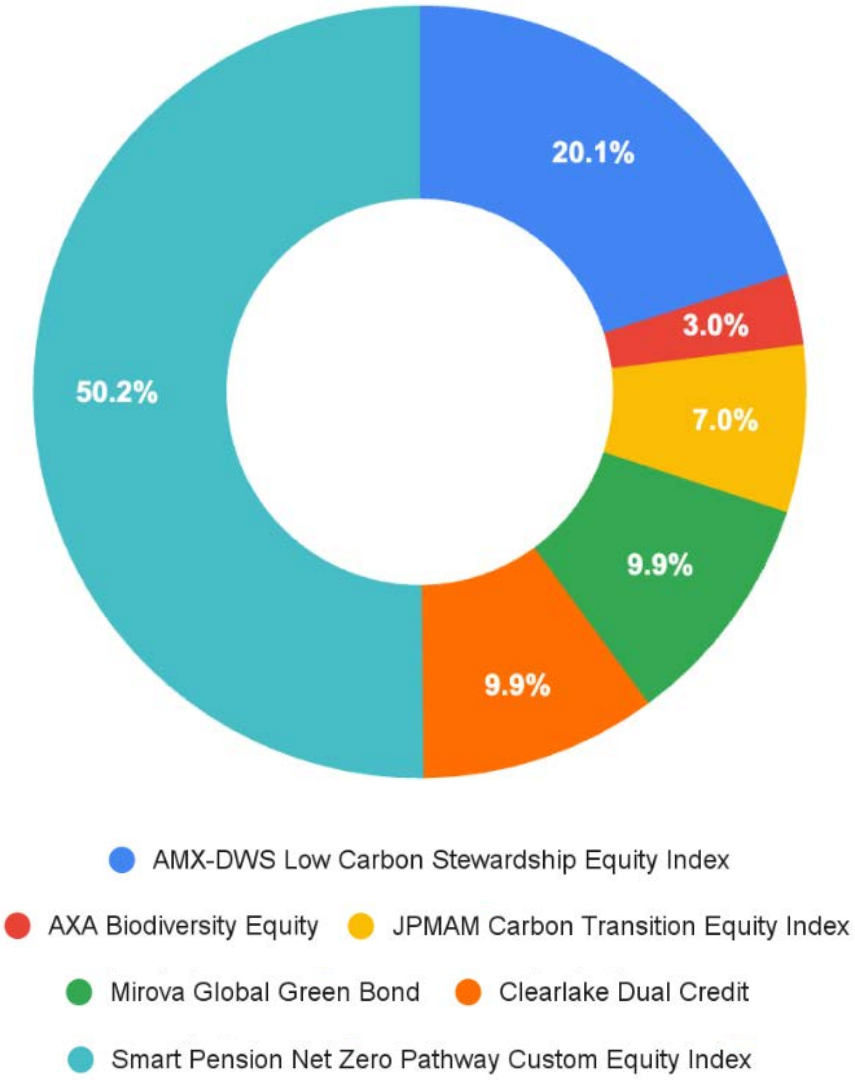
[5] UK Stewardship Code and Voting and Engagement Report available here https://www.smartpension.co.uk/governance/scheme-governance

Smart Sustainable Growth Fund (default growth fund)

The assets in our Smart Sustainable Growth Fund grew over the Scheme year, from £3.95bn to £4.80bn[6]. We acknowledge the importance of data development and progression in the availability and quality of emissions data to reach our net zero target, as well as considering the methodology used to calculate metrics. Keeping abreast of developments can improve our analysis and understanding of our impact on climate, while also having an effect on previous reporting and the indication of our future trajectory. Scope 3 emissions continue to be the least accurate data provided, however, by taking into account scope 3 emissions, we aim to remain transparent and gain a deeper understanding of our goals and impact on the wider environment.

We also recognise the limitations of using scenario analysis and our ability to capture possible downsides from climate-related risks, such as climate tipping points and their second-order effects. On the other side, it is difficult to measure the impact of technological advances in a "green revolution" and what those advances may be. This scenario analysis overweights volatile paths, widening the range of outcomes but the "expected pot size" results are still likely overstated in the delayed and no transition scenarios. Therefore, it's important to consider these alongside a qualitative assessment of the risks.

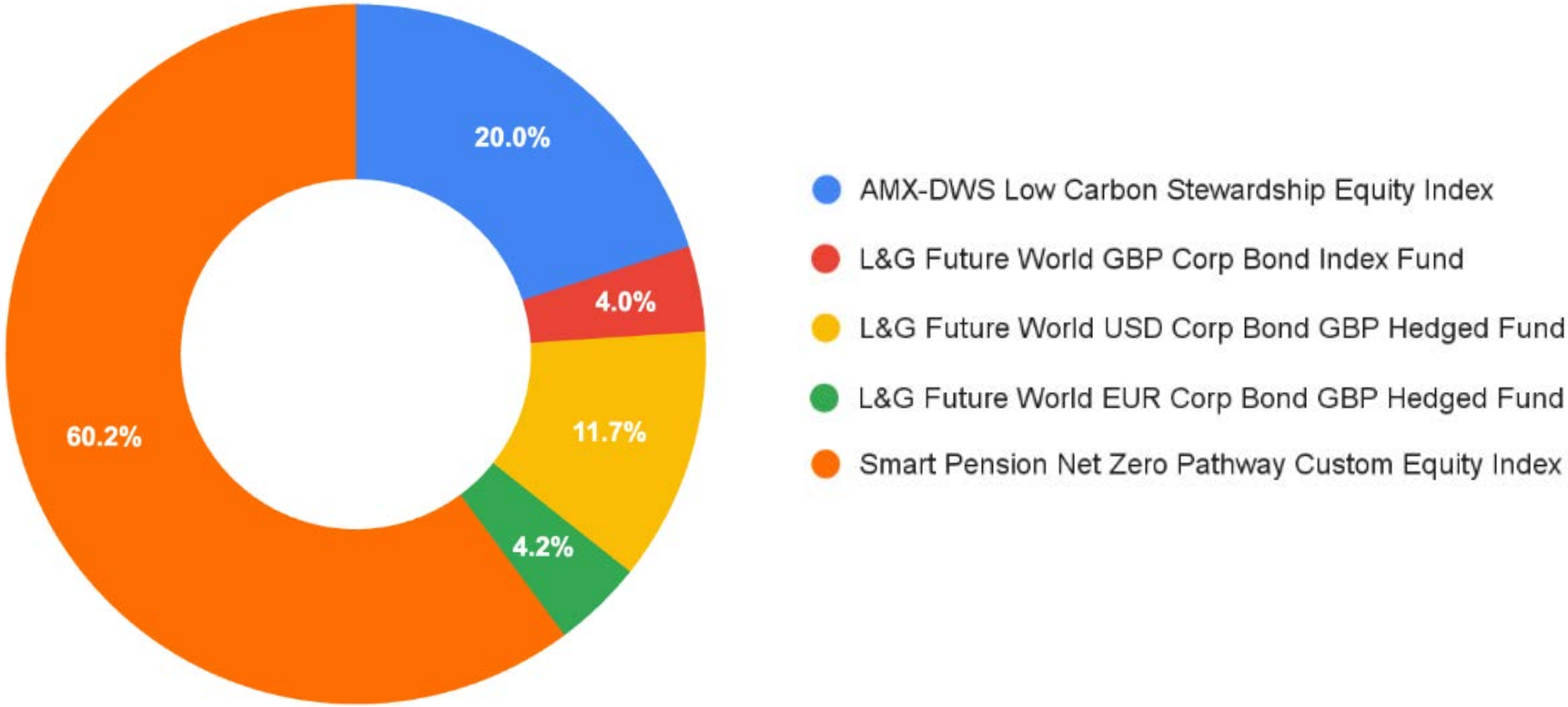
We continue to be aware of the limitations of data collection and analytical methodologies. In addition, the absence of a universal reporting standard across industries, geographies and data providers poses a challenge to data comparison. However, we recognise the need to start somewhere and collaboratively work to bridge data gaps. We remain dedicated to provide transparent and meaningful reporting, while being flexible in our approach to take into account a continually evolving area. Our analysis in this report was carried out by our investment adviser, Hymans Robertson, who uses MSCI data for the purpose of reported and estimated emissions.



6. Previous report stated scheme assets instead of Smart Sustainable Growth Fund

Smart Sustainable Growth Core Fund (alternative default growth fund)

This year, we have introduced reporting on our Smart Sustainable Growth Core Fund. This is an alternative default growth fund with assets of £955m as at 30 June 2025. The inclusion of this (newer) default is aimed at having broader transparency across funds, as it becomes a significant allocation for members and represents our efforts to improve and expand reporting over time. While this fund doesn't fall into the scope of our net zero target, 80% invests in passive equities aligned to our custom index, the same fund in our main default growth fund. The remaining 20% is invested in corporate bonds with Legal & General Investment Management's Future World fund series which target net zero by 2050.



Reviews and new private market allocations

Over the Scheme year, our overall emissions intensity reported increased due to the increase in emissions within our corporate bond allocation, within the Dual Credit fund. The corporate bond allocation is managed by Loomis Sayles and the emissions analysis for the Dual Credit fund is based entirely on Loomis Sayles' holdings. The private credit allocation, managed by MV Credit (now Clearlake Credit) was not included in the analysis. The corporate bond allocation has been under review by the Trustee and earlier this year (2025) the Trustee made the decision to remove this allocation and replace it with allocations to private markets, which will provide members in the default growth fund with further diversification and return potential. From the corporate bond allocation, 63.3% of the holdings reporting scope 1 and 2 data were not present in 2024, increasing the allocation to high emitting companies. While 44.5% of the holdings reporting Scope 3 data were not present in 2024.

As at Scheme year end, the biodiversity equity allocation was under review. The Trustee raised some concerns regarding the strategy's deviation from its impact objectives and the Trustee is exploring whether greater impact could be achieved through private markets. More details on this engagement will be provided in our Voting and Engagement Report, available **online**.

In the next Scheme year, to 30 June 2026, we are planning on making investments into renewable infrastructure and private equity. Our renewable infrastructure allocation will help finance a broad range of green energy projects, from solar and wind farms to innovative start-up technologies such as ground source heat pump networks and efficient data centres that reuse heat. While early days, we're also exploring an 'impact' allocation within our private equity allocation.

3 Governance

Trustee Oversight

The Trustee's investment strategy is designed based on an assessment of the retirement needs of members and their overarching investment beliefs, as set out in the Statement of Investment Principles. One of these beliefs is: 'ESG and climate risks pose a real and material threat to members' retirement outcomes. Generating an appropriate and sustainable financial return for members while also addressing global challenges helps to mitigate these risks.'

Our Climate and Nature Policy is an additional policy to our Responsible Investment Policy, and it details the Trustee's investment beliefs on environmental issues. The investment strategy implemented is in line with these beliefs. Our Statement of Investment Principles also sets out ESG, including climate and nature, as specific risks which need to be managed. Our Voting and Engagement Policy explains the process for implementing these views into the investments. Our investment policies are available on our Scheme governance webpage[7].

The Trustee's approach to addressing climate change risks and capturing opportunities is set out in the Trustee's Climate and Nature Policy, and can be summarised as follows:

1. Analyse the risks in the investments made on behalf of our members and set investment strategy to take into account those risks. Limiting these risks is a key consideration in the selection of the investment funds selected for members; and
2. Seek appropriate investment opportunities which contribute to addressing climate change and are consistent with the best interests of members.

[7]. Scheme governance page
www.smartpension.co.uk/governance/scheme-governance

The Trustee is ultimately responsible for the oversight of the Scheme's climate-related objectives, and action taken to meet these, but is supported by both its advisers, its sub-committees and working groups, as well as Smart Pension itself, including its internal investment and governance teams. This support includes specialist training on climate-related areas at Trustee Board meetings and membership of various industry groups and initiatives to further thinking and progress in these areas. The groups which input into and are responsible for ESG oversight for the Scheme as at 30 June 2025 are:

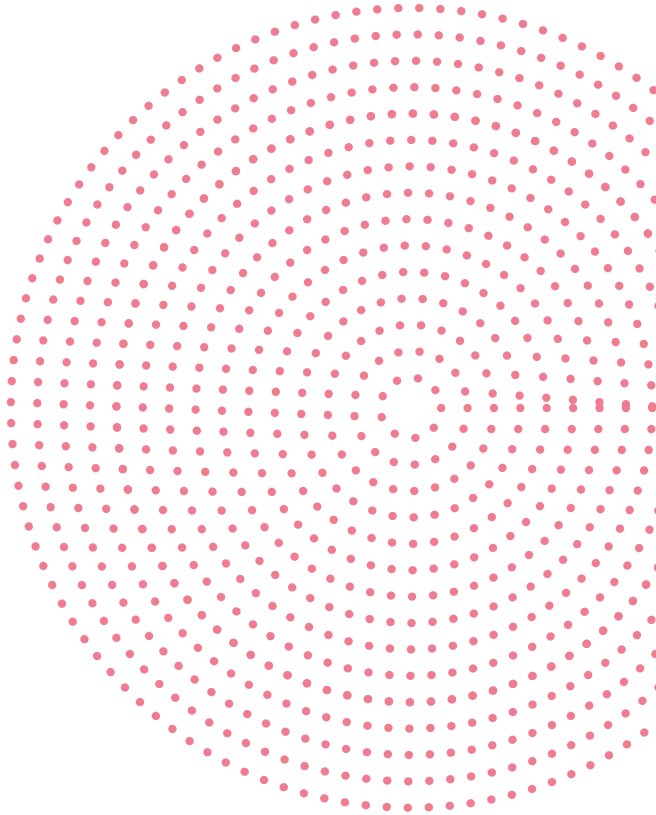
Board of Trustees Six Trustee Directors	Solely responsible for the investment of the assets of the master trust, including decisions regarding the design and selection of strategies.
Investment Sub Committee ("ISC") Three Trustee Directors	To assist the Trustee in making decisions about investments, implement and oversee the whole strategy and monitor compliance with their principles, including climate-related risks and opportunities.

The Trustee ensures knowledge of investment matters remains up to date with training, external activities, and independent advice. The Trustee received training over the year to 30 June 2025, and discussed specific investment issues including private markets. We engage with our investment managers on at least an annual basis in order to determine whether they are meeting the objectives set out by the Trustee in relation to climate change and nature loss, and action will be taken if this is found not to be the case. In addition, climate-related metrics are used to monitor the Scheme's progress against the objectives set, in particular the carbon emissions reduction goals set out above.

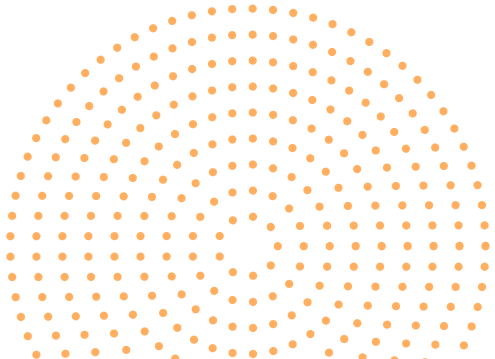
The role of management

The Trustee is supported by full time teams within Smart Pension across various roles including investment, governance, compliance, legal, marketing and communications. The ISC is responsible for undertaking climate risk analysis for the investments, set against the objectives of the Trustee, which is arranged by the in-house investments team and carried out by the Trustee's investment adviser.

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the fund managers, within certain guidelines and restrictions. The Trustee requires its appointed fund managers to be cognisant of climate change risks and opportunities within their investment processes and manage climate-related risks effectively. Fund managers are required to annually report on how these risks and opportunities have been incorporated into the investment process, including descriptions of any engagement activity undertaken with companies in their portfolios and qualitative responses to the issues raised. Over the Scheme year, fund managers undertook engagement activities in line with the Trustee's policies. In addition, the Trustee reviewed the stewardship of the Scheme's investment managers, including from a voting and engagement perspective, as set out in the Trustee's Voting and Engagement Policy, **available online**. This also sets out the Trustee's escalation process where managers are not meeting certain standards. The Trustee considers voting alerts issued by ShareAction, significant holdings and significant votes, as well as independent insights offered by the Transition Pathway Initiative. These are reported on in the Trustee's Implementation Statement and UK Stewardship Code and Voting and Engagement Report which are **available online**, for the year to 30 June 2025.



The Trustee's investment adviser provides objective assessments of differing approaches to responsible investment to help the Trustee decide appropriate responsible investment objectives for the Scheme. This includes informing the Trustee of new responsible investment opportunities or emerging risks, including different risk metrics. The Trustee annually assesses the delivery of this advice using the Department for Workplace Pensions (DWP) Investment Consultant Objectives framework, and carries out a further formal review on a triennial basis. The Trustee's investment adviser is also a member of the Investment Consultants Sustainability Working Group. The Trustee has included the following ESG and climate specific objectives for their investment adviser:



- Help the Trustee to implement an investment strategy which adds value through the integration of ESG, Responsible Investment, effective stewardship and climate change considerations in their investment manager appointments and strategy recommendations. This should be in line with the Trustee's policies, as well as the Trustee's net zero and impact frameworks; and
- As appointed adviser to the Trustee, to act in line with the Trustee's expectations of key advisers and suppliers. This includes demonstrating commitment to ESG, Responsible Investment, climate change and stewardship through their firm wide actions, policies and public activities that does not significantly differ from the Trustee's beliefs and policies. This includes demonstrating commitment to ESG, Responsible Investment, climate change and stewardship through their firm-wide actions, policies and public activities that do not significantly differ from the Trustee's beliefs and policies.

Within Smart Pension, as the sponsoring company of the Smart Pension Master Trust, the ESG Corporate Working Group is in place to provide direction and strategy from a corporate social responsibility perspective. Given the significant focus of the business on the Smart Pension Master Trust, this working group will work with the Smart Pension Master Trust teams mentioned above to ensure that there is consistency between the Scheme and the business itself. The working group consists of representatives from the Smart Finance and HR teams, including the Chief People Officer.

4

Strategy

Climate-related risks and opportunities

The risks

Climate change brings both physical and transition risks to the value of investments. Physical risks refer to the direct impacts: rising sea levels, coastal damage, flood risks, extreme weather events and droughts are all linked to climate change and nature, which pose risks to physical assets and higher insurance costs. Transition risk refers to the costs and disruptions from changing behaviour and policy actions to address climate change and nature and biodiversity loss. As an example, fossil fuel companies may see lower commodity prices and the risk of "stranded assets" where assets are no longer economically viable due to policy changes or climate effects and need to be written off. Heavy polluters are also likely to face rising costs from taxation and regulation. Another example is palm oil, which is an ingredient used widely in many products, and is a major driver of deforestation in tropical regions. The deforestation, land-use change and human rights violations linked to the production of palm oil poses reputational and financial risks to companies exposed.

The Trustee believes that climate change, as well as nature loss, and policies to address these negative impacts and the transition to a lower carbon future, will have a material impact on the value of investments over the time horizon of its members' pension savings.

The main default growth fund has exposure to listed equities and listed debt, as well as private debt, all of which have different climate risks. In terms of physical and transition risk:

- Physical risks are events that may occur due to climate change, such as flooding, droughts and wildfires, which impact the value of assets. Physical risks are assessed through climate scenario analysis undertaken by the Trustee.
- Transition risks occur as a result of moving to a low carbon economy, such as carbon taxes, or stranded assets. Transition risks are also incorporated into the climate scenario analysis.

The climate scenario analysis considers both physical and transition risks by capturing futures with different levels of climate action and climate events. While carbon footprint analysis (both absolute and normalised) and temperature alignment are reporting disclosures, they can indirectly consider transition risks, as high emissions can expose a company to these transition risks.

The outcomes from the scenario analysis and other climate-related metrics are shown in section 6, with the assumptions outlined in the Appendix. Since the baseline 30 June 2019 the carbon footprint of the main default growth fund has been reduced by c. 60% for scope 1, 2 and 3 emissions (on a normalised basis), and temperature alignment has reduced by 0.6°C. Over the Scheme Year, we had allocations to specific impact and carbon transition funds.

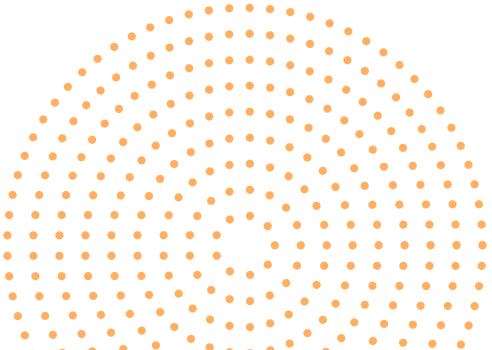
The opportunities

The Trustee looks for climate-related opportunities in their investments and new strategies being developed. We have embedded our impact investing framework into our Responsible Investment Policy. The policy states that we aim to identify sustainable companies and capture investment opportunities offering solutions to environmental and social challenges provided they are aligned with the investment objectives and strategy of our fund offerings. When assessing opportunities for new investments, we also use the United Nations' Sustainable Development Goals and the United Nations Principles for Responsible Investment Impact Investing Market Map, which aims to bring more clarity to the process of identifying mainstream impact investing companies and thematic investments so that asset owners and fund managers can better assess opportunities in the market.

Our impact allocation looks to strengthen risk management and return potential. Our allocation to the Mirova Global Green Bond Fund aims to contribute to the low-carbon transition while making a twofold impact: financial and environmental by financing specific projects with high environmental and social impact. The fund contributes to climate stability, in line with their United Nations Sustainable Development Goals ("SDGs") analysis. Our allocation to the AXA Biodiversity Fund was intended to take advantage of alpha return opportunities and mitigate biodiversity loss by investing in best-in-class companies offering innovative solutions to address issues such as pollution on land and water, land degradation, sustainable materials and recycling.

As mentioned in our 'Learnings and development' section, the biodiversity allocation is under review and we are planning new private market allocations, specifically into renewable infrastructure and private equity, including impactful allocations. Our renewable infrastructure investments began in August 2025.

While our private markets allocation does not currently fall into the scope of our net zero target, we believe these allocations could have a positive impact on achieving global net zero, rather than just focussing on decarbonising companies and trying to make an impact through listed assets. Decarbonising listed portfolios may reduce reported emissions, but it often has limited real-world impact, with the main tool of change being engagement. In contrast, investing in renewable infrastructure directly enables the transition to a low-carbon economy by expanding clean energy supply and displacing fossil fuels. We consider the role of these climate positive investments, as well as nature opportunity, in our strategy, recognising that low emissions in a portfolio do not necessarily equate to meaningful climate impact. Real climate integrity lies in contributing to systemic change. As a pension scheme, our members in the main default growth fund are long-term and have a patient capital profile that makes private markets a good opportunity for strong long-term investment returns and positive impact.



Managing climate-related risks and opportunities

Climate-related risks influence the Trustee's business, strategy and financial planning insofar as mitigating them, as well as wider ESG risks, which are integrated into the investment strategy. Climate-related risks and opportunities are included in our processes:

When we select a new fund we work with the Trustee's investment adviser, Hymans Robertson, to research and assess each fund to ensure their practices align with our Responsible Investment Policy. This includes detailed questions of their approach to managing climate risk and their advocacy for climate action. As we move towards monitoring and reporting the climate performance of our funds, we ensure that external managers measure and disclose the carbon footprint of their funds, using consistent methodology where possible.

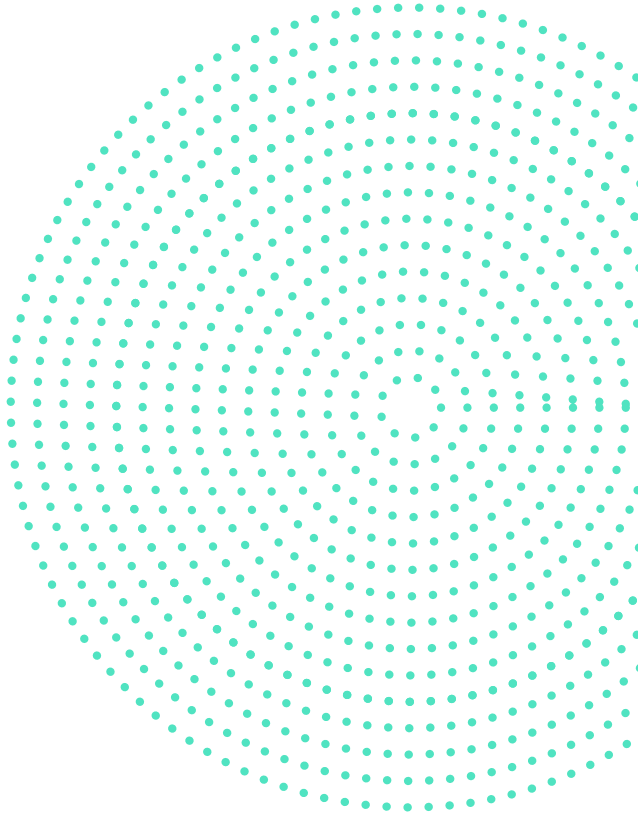
By including the assessment of ESG and climate-related risks as a key part of the objectives of the Trustee's investment advisers, Hymans Robertson, the Trustee receives advice on monitoring the suitability of fund managers and how to react to any ratings downgrades that take place.

C Consistent with its long-term horizon and strategic approach, the Trustee reviews each appointed fund manager at least annually. A core part of such reviews is assessing how the manager is incorporating ESG risk mitigation within its process, including climate-related risk.

The Trustee will review how managers are managing risks, as part of our manager oversight process. The Trustee will determine whether it is comfortable its managers show continued commitment to manage systemic risks, including new and emerging risks associated with climate change. If, through analysis, investment managers are shown to have unexpected or significantly high exposure to certain risks, for example the transition to clean energy, we would escalate this with the investment manager. Should their response not be sufficient, we may look to reduce or terminate their mandate.

In addition to the above, the Trustee has a dynamic risk register in place to cover risks, which is reviewed in its entirety at least annually, with specific risks reviewed and discussed at each quarterly meeting. The Trustee recognises that systemic risks such as climate change can pose a material threat to members' long-term returns. Over the Scheme year, the Trustee considered a number of risks, including the risk that the Trustee fails to address ESG considerations. Details on the risks identified and how we managed these risks are provided in our UK Stewardship Code and Voting and Engagement Report, **available online**. We believe our process remains effective in addressing the risks identified as well as reviewing ongoing stewardship activities that are associated with the Scheme's investments.

Over the reporting period, the Scheme had split voting in place for 70% of the default growth fund (80% is allocated to equities). The remaining 10% allocation with voting rights used pooled funds and this was delegated to the external managers selected. The Trustee expects that the fund managers will have members' financial interests as a priority when choosing investments. As an asset owner, the Trustee believes it is important that it engages with its fund managers to continually drive best practice, as it believes this is in its members' best interests. The Trustee, through the investment team and its advisers, will regularly discuss this with managers. Managers will be invited to present either to discuss their evolving ESG thinking and practises, or to discuss any issues in meeting the ESG objectives set by the Trustee. A key area of focus is the asset managers' approach to incorporating climate considerations into their fund, at both the overall strategic level and the portfolio-level, and the steps they have already taken and plan to implement to ensure they are better-placed to assess and manage the climate risk of their portfolios. The Trustee's approach is documented in our voting and engagement policies and activities over the year are in our Voting and Engagement report, **available online**.



Resilience to different climate scenarios

We have undertaken climate scenario analysis to test the resilience of the Scheme in different climate scenarios, in particular a 'green revolution', 'delayed transition' and 'head in the sand', all with individual likelihoods of reaching a less than 2°C temperature increase. These scenarios have been chosen as a representation of where we are on track to meet climate targets, where there is a delay and where no consideration is given to meet climate targets.

The analysis is in line with the guidance on ways to approach scheme climate governance and TCFD disclosures, produced by the Pensions Climate Risk Industry Group ("PCRIG"). Overall, the results from this analysis showed all of the climate scenarios tested could lead to worse outcomes for members of different ages, but members closer to retirement are relatively immunised from expected climate risks, when compared to younger members.

The Trustee continues to work with its advisers and managers to explore different climate scenario analysis tools and climate stress tests methodologies to develop and refine its climate scenario testing as industry best-practice evolves, including whether any additional stress testing is appropriate.

5

Risk Management

Identifying and assessing climate-related risks

Climate-related risks and opportunities are identified and assessed through a combination of advice received from the Trustee's investment adviser, internal-driven research and engagement with a number of industry groups.

Identify climate-related risks and opportunities:
These are identified from the above activities and prioritised and outlined in our Trustee's Responsible Investment Policy, Climate and Nature Policy and Voting and Engagement Policy.

Implement:
We liaise with our fund managers to ensure they are aligned with Trustee policies and consider these when researching and exploring other opportunities.

Monitor:
We have Investment Sub-Committee meetings where we regularly discuss our climate-related investment activities and review our progress against our objectives and targets.

Review:
Our metrics and targets, as well as our policies (mentioned above) are reviewed annually.

The Trustee has a preference for engagement, rather than exclusion, as a means to encourage greater disclosures and better practices with regard to identifying and assessing climate-related risks. All the underlying funds in the main default growth fund have strong ESG-integration and a focus on engagement.

With regards to engagement on climate related issues, all our underlying funds benefit from fund managers' robust engagement processes and targets. The Trustee's split voting guidelines apply to the AMX-DWS Global Low Carbon Stewardship Fund, managed by AMX-DWS and the Smart Pension Net Zero Pathway Custom Equity Index Fund, managed by J.P. Morgan Mansart. Recommendations are carried out by Minerva based on Smart Pension's guidelines. In addition, engagements in the AMX-DWS Fund are carried out by Engagement International in line with this policy. Minerva employs a voting framework that encompasses materiality, directive, and company assessments. This framework is used to determine how votes are cast, particularly when a topic is specialised and not explicitly covered by a specific guideline within the Trustee's own policy.

At a high-level, the following company exclusions apply to our default growth fund investments:

- involved in the manufacture and production of controversial weapons: antipersonnel landmines, cluster munitions, biological and chemical weapons;
- perennial violators of the United Nations Global Compact ("UNGC"), an initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies; and
- involved in the mining and extraction and generation of thermal coal and oil sands from total exclusion to a 30% revenue threshold (varies by fund manager, the 30% threshold applies to 7% in the J.P. Morgan Carbon Transition Fund).

The Trustee's Climate and Nature Policy outlines that the Trustee seeks to:

- ensure that the investment strategy considers the physical and transition risks to its members' investments associated with climate change and current and future policy action and is positioned accordingly;
- identify opportunities which are sustainable and offer climate solutions; and
- position the members' investments, in a manner consistent with providing strong returns on members' assets and limiting global warming to 1.5°C above pre-industrial levels in line with the best efforts target of the Paris Agreement on Climate Action and recommendations by the Intergovernmental Panel on Climate Change ("IPCC").

Our Net Zero framework and interim targets are set out on our website **available here**.

Managing climate-related risks

The Trustee's approach to managing climate change risks and opportunities can be summarised as follows:

During the Scheme year the Trustee monitored all managers to understand how they continue to manage climate related risks, and further steps being taken by the fund managers to manage and mitigate the risks. The equity allocation in the main default growth fund, is managed across four investment managers; Smart Pension Net Zero Pathway Custom Equity Index Fund (50%), AMX-DWS Global Low Carbon Stewardship Fund (20%), J.P. Morgan Asset Management Carbon Transition Fund (7%) and AXA IM Biodiversity Fund (3%). Each of these managers takes into account ESG-related risks and integrates these into the investment process. The Smart Pension Net Zero Pathway Custom Equity Index Fund is a structured equity swap managed by J.P. Morgan Mansart and we have voting rights on the equities held as collateral within the pledge account. These investments are restricted to the companies within the Solactive custom index used for the AMX-DWS Global Low Carbon Stewardship Fund.

The Trustee reviews the metrics and tools used in this report, with the aim to increase the coverage of risk assessments undertaken. To address market-wide and systemic risks and ensure well-functioning markets, we:

- Have a dynamic Trustee risk register in place, with the key risks for the Scheme, which is reviewed at least annually and discussed at each quarterly meeting;
- Discuss ongoing risks to the portfolios regularly at Trustee and Investment Sub-committee meetings. These include shorter-term risks, such as specific political uncertainty, as well as medium to longer-term risks, such as stranded assets and climate change;
- Regularly request details from our managers on the risks they are seeing, and how they are managing them, as part of our oversight process;
- Have invested in a specific biodiversity strategy as we see this as a systemic risk to both natural and financial systems;
- Understand how universal ownership feeds into our portfolios, to ensure we have visibility on systemic risks, rather than moving the problem elsewhere;
- Regularly request details from our managers on how they are most effectively allocating capital and trading efficiently; and
- Select managers based on their risk management processes and controls, in line with PRI due diligence questionnaires, as well as their ability to execute efficiently and form part of a well functioning market. This forms a key part of the advice and research we receive from our investment adviser, Hymans Robertson.

Over the Scheme year, questionnaires were sent out to our investment managers to help the Trustee to determine whether they are meeting the Trustee's policies and objectives in their stewardship activities and day-to-day management of assets. The ISC meets with these managers annually and discusses stewardship activities. The annual meetings are set over a calendar year, rather than Scheme year. Discussions with managers and their data provision help to feed into the Trustee's priorities for management of risks and seeking new opportunities, along with collaboration with industry groups, initiatives and experts (e.g. investment consultant).

Integrating climate-related risks into our overall risk management

Climate change is explicitly identified as a risk on the Trustee's risk register, which is discussed by the Trustee on a quarterly basis. The Trustee considers climate change risk to be a systemic risk. It is managed through a combination of both positive and negative tilts, where appropriate, as well as stewardship policies, set out in the Statement of Investment Principles and the Voting and Engagement Policy. The Trustee's Climate and Nature Policy further integrates the Scheme's processes around climate risks into its overall risk management processes.

Where feasible, mitigation of climate-related risks is factored into the mandates the Trustee has with its appointed fund managers. For all appointed fund managers, evaluation of ESG risk management, which includes climate-related risks, is an explicit part of both the onboarding process as well as the ongoing due diligence and monitoring that the Trustee undertakes. The Trustee will regularly review which metrics identify, assess and monitor the climate-related risks and opportunities of its appointed fund managers' portfolios. The fund managers are required to provide descriptions of engagement activity undertaken with companies in their portfolios and qualitative responses to issues raised. Examples of managers' engagements can be found in our Voting and Engagement Report[8].

8. www.smartpension.co.uk/governance/scheme-governance

The Trustee believes that through memberships of industry initiatives and organisations, it can contribute towards wider public policy solutions that are aligned with an orderly transition to a low-carbon economy. The Trustee will support organisations or initiatives where doing so will help the Trustee achieve its net zero ambitions and/or progress industry best practice and thinking. Currently the Trustee is associated with the following climate-related organisations:

IIGCC
The Institutional Investors Group on Climate Change

Member of the Institutional Investors Group on Climate Change ("IIGCC"), an investor-led body which provides a framework for transitioning to net zero. We are a member of the group, and have built our net zero framework using the IIGCC template.

Climate Action 100+

Supporting member of Climate Action 100+, an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action to improve climate change governance, cut emissions and strengthen climate-related financial disclosures. We use this as a tool to work with our investment managers on engaging and stewarding the world's largest emitters.

Nature Action 100

Participating in Nature Action 100, another investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss. Similar to Climate Action 100+, it has selected companies in key sectors that are deemed to be systemically important to the issue. Nature loss is a cause and effect of climate change and we can not solve one without addressing the other.

Whilst not specifically a climate-related organisation, the Trustee has also signed up to the Impact Investing Principles for Pensions, developed by the Impact Investing Institute and Pensions for Purpose.

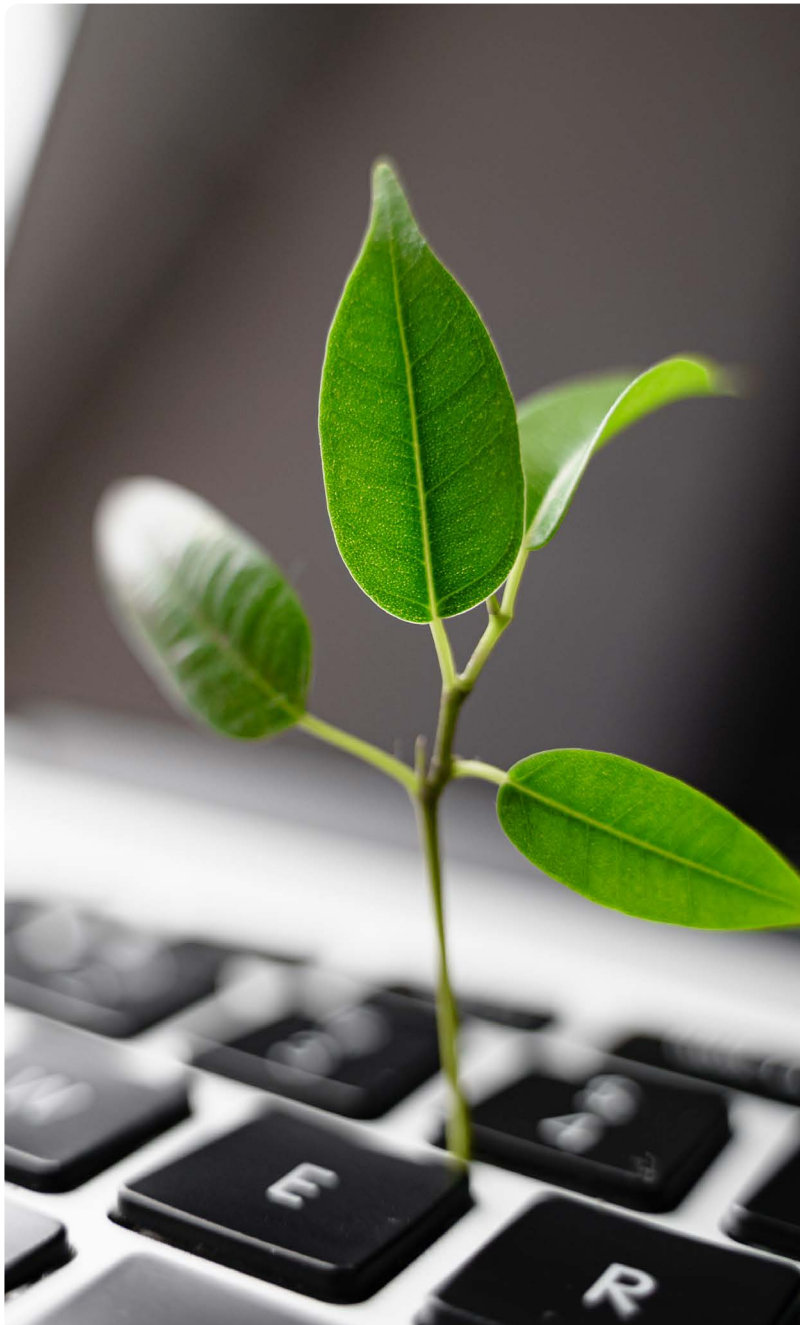
6 Metrics and Targets

Our metrics

With regards to quantitative metrics, the Trustee has commissioned the calculation of carbon intensity and absolute emissions metrics for its main default growth fund, the Smart Sustainable Growth Fund. Analysis is undertaken where the data is available on an annual basis, starting from our net zero base year of 2019. The Trustee has also analysed the quality of the data, detailing what proportion is reported, estimated or unavailable (for scopes 1 and 2 currently). Metrics are provided by Hymans Robertson with data sourced from MSCI. MSCI collects company-specific greenhouse gas emissions data from company public documents and the Carbon Disclosure Project (CDP). If a company does not report emissions then a proprietary methodology is used to estimate them. MSCI noted the low quality and quantity of data reported for scope 3 emissions[9] and we have acknowledged this limitation, reporting scope 3 emissions separately. Hymans Robertson has confirmed that this approach is consistent with DWP guidance, which in turn is consistent with the Partnership for Carbon Accounting Financials (PCAF) standards.

In addition to the three metrics mentioned above, the Trustee has commissioned the calculation of the main default growth fund's implied temperature alignment, in line with TPR's consultation with regards to a fourth climate metric. This is also detailed in section 6.

This section provides analysis of the main default growth fund (Smart Sustainable Growth Fund) and the alternative default growth fund (Smart Sustainable Growth Core Fund), split into scope 1, 2 and 3 emissions. Data coverage is the percentage of assets within each portfolio where the data was available to calculate the carbon metrics of scope 1, 2 and 3 emissions. We recognise there are challenges in relation to suitable data quality and coverage, in particular for scope 3 emissions, which are likely to be volatile year-on-year. We will remain flexible to make sure we are reporting information with a focus on improving accuracy.



9. https://www.msci.com/www/blog-posts/reported-emission-footprints/03060866159

Our targets

The Trustee has set meaningful targets that are in line with the Scheme's investment and climate objectives. Further details are provided in the Net Zero Plan, however in summary the targets set are:

Net zero investments by 2040

We are making investments which will help to align our default growth fund listed assets to a pathway which reaches net zero emissions by 2040.

50% reduction in emissions intensity by 2025

Our 50% reduction target is set over six years from our base year, 2019. This is now achieved. We met this target for our scope 1 and 2 emissions at the end of 2022, two years early and since achieved it for scope 3 emissions. See "Results".

75% reduction in scope 1 and 2 emissions intensity by 2030

Our 75% reduction target is set over 11 years from our base year 2019. By the end of 2025, we had c. 60% reduction in emissions intensity. See "Results".

Invest a minimum of 10% into climate solutions:

We are aiming to consistently allocate a minimum of 10% of our main default growth fund to climate solutions, which are projects or products which help to adapt to climate change occurring and/or reduce and stabilise the amount of greenhouse gases in our atmosphere, such as companies supplying renewable energy. We have exposure to climate solutions across our passive equities and our global green bond allocations. The Mirova Global Green Bond Fund (10% of our default growth fund) allocates a majority of its investments to climate-related Sustainable Development Goals ("SDGs") with further information provided on the factsheet[10]. We continue to search for new investment opportunities and are planning investments into renewable infrastructure later this year.

Align our assets in material sectors to net zero by 2025

We have aligned our passive equities with our net zero pathway through the Solactive ISS ESG Global Markets Net Zero Pathway Custom Index (EU Paris-Aligned Benchmark) and implement high level exclusions as well as implement our split voting policy. Our latest Voting and Engagement Report shows all companies in material sectors[11] within our portfolio are now aware of climate change as a risk in their business operations, even if not all companies have SBTi targets or equivalent. By the end of 2025, all our passive equities within our main default growth fund will invest in line with this index. Our allocation to active green bonds is aligned with creating impactful opportunities to aid the transition to a lower-carbon economy and finally our remaining listed bond allocation was reviewed earlier this year and agreed it would be moved to private market opportunities, which could have a positive impact. In light of this, we will be updating our targets and net zero plan over 2026 to incorporate our new investments and engagements to encourage companies to stay on track or continue to consider climate as a business risk and opportunity.

10. https://www.mirova.com/en/funds/shares/3527/mirova-global-green-bond-fund
11. Carbon-intensive sectors, set out by the Transition Pathway Initiative

Climate-related analysis

As detailed in previous sections, the Trustee has undertaken analysis on the Smart Sustainable Growth Fund, as the main default growth fund with the majority of assets invested, in order to obtain the following metrics:

- **Data coverage:** proportion of the portfolio, weighted by company allocations, for which scope 1, 2 and 3 emissions are available (reported or estimated).
- **Absolute emissions metric:** absolute tonnes of CO2 equivalent.
- **Emissions intensity metric:** tonnes of CO2 equivalent per £m invested.
- **Implied temperature alignment:** this is the temperature rise, versus pre-industrial levels, that the portfolio is aligned to. The Paris Agreement's target is well below 2 degrees Celsius, preferably to 1.5 degrees Celsius.

The Trustee's investment adviser, Hymans Robertson, provides the analysis for the default growth fund and additional alternative default growth fund. Absolute emissions will continue to rise as we continue to grow in asset size, as we invest more into companies. Therefore, we look to our emissions intensity metric to monitor progress and whether we are trending in the right direction. Emission intensity is achieved by calculating the carbon intensity (scope 1 and 2 emissions / £million invested) and (scope 3 emissions / £million invested) for the portfolio. The carbon intensity represents our portfolio's estimated greenhouse gas and equivalent emissions per £ million invested, to allow for comparison between portfolios of different sizes, which allows for comparison between companies of different sizes. However, we note that comparison against other providers' funds is still not suitable at this stage, given the number of different data sources and methodologies to calculate climate-related emissions. In addition, data sourced at different dates could also have a significant impact on the figures reported, as suggested by the improvement in scope emissions disclosures over time.

Our final metric, the implied temperature alignment, looks at the remaining carbon budget left for the world if we are to keep warming this century to well below 2 degrees Celsius (2°C). This budget is allocated to the public companies the portfolio holds.

Results

Overall, our metrics show a mixed trend in the position of our portfolio. Total carbon emissions for scopes 1, 2 and 3 increased over the year to 30 June 2025 reflecting the significant increase in the main default growth fund's assets under management from £3.95bn to £4.80bn. Over the Scheme year, our carbon footprint (scopes 1 and 2 emissions per million invested) increased by 6.6% due to the increase in emissions from the corporate bond allocation, while all other funds' emissions intensity decreased, keeping the positive trend. Overall, scope 3 emissions intensity decreased by 12.8%. Data coverage for scopes 1 and 2 remained broadly unchanged with a slight decrease in scope 3 data, as we expect this to be volatile year-on-year. There was an increase of 0.1°C in our implied temperature alignment, resulting in a portfolio temperature of 2.4°C as at 30 June 2025, reflecting companies not decarbonising fast enough, with updated data showing this reality. Global policy action is lagging and some countries have weakened climate commitments, approved new fossil fuel projects and rolled back ESG regulations. Temperature alignment reflects expected real-world outcomes.

Since 2019, the base year for our net zero targets, there has been a 60% reduction in scope 1 and 2 emissions intensity and a 68% reduction in scope 3 emissions intensity. Absolute emissions have increased, but, given the above, this is largely being driven by increases in assets held by the Scheme.

Smart Sustainable Growth Fund: climate-related metrics by underlying fund

	Portfolio coverage				Absolute emissions		Emissions intensity		Emissions intensity change from 2024 portfolio		Implied temperature alignment
Manager	Allocation	Scope 1 and 2 emissions	Scope 3 emissions	Implied temperature	tCO2e scope 1 and 2	tCO2e scope 3	tCO2e/£m scope 1 and 2	tCO2e/£m scope 3	tCO2e/£m scope 1 and 2	tCO2e/£m scope 3	°C
JP Morgan Mansart*	50%	99.5%	83.7%	99.4%	90,119	479,145	37.6	200	N/A	N/A	2.3
AMX-DWS*	20%	99.1%	83.3%	98.9%	36,830	204,961	38.4	213.8	-10.2%	-12.1%	2.3
JPMAM*	7%	99.6%	89.5%	99.6%	8,079	48,675	24.1	145.1	-15.5%	-22.8%	2.4
AXA IM*	3%	97.2%	83.9%	97.2%	4,008	49,395	27.9	343.6	-16.5%	-36.9%	2.3
Dual Credit**	10%	24.6%	16.7%	24.3%	185,272	707,000	386.6	1,475.3	55.1%	134.1%	3.2
Mirova**	10%	57.0%	49.1%	55.6%	37,191	242,588	77.6	506.2	-48.6%	-9.7%	2.5
Listed equity*	**80%**	**99.3%**	**84.1%**	**99.2%**	**66,389**	**356,817**	**36.3**	**204.0**	**-5.6%**	**-44.7%**	**2.3**
Listed bond	**20%**	**40.8%**	**32.9%**	**40.0%**	**111,232**	**474,794**	**232.1**	**990.8**	**30.8%**	**71.0%**	**2.9**
Total portfolio	**100%**	**87.6%**	**73.9%**	**87.4%**	**361,498**	**1,731,765**	**75.4**	**361.3**	**6.6%**	**-12.8%**	**2.4**

Dual Credit Fund data is the corporate bond allocation only, not the private credit allocation.

The equity fund with the highest carbon emissions is our Biodiversity Fund, which had a total emissions intensity scope 1 and 2 of 27.9 and scope 3 of 343.6 at 30 June 2025. The Biodiversity Fund invests in solutions to effectively preserve life on land, water and air through providing sustainable alternative products and services which are protecting and supporting our ecosystems. While these services and new technologies will produce emissions, the end goal is to lower the impact on biodiversity and waste which in turn will have a larger positive impact on climate change. This positive impact is not taken into account in our current analysis. Both fixed income allocations have the highest emission intensity figure, with the corporate bond allocation emissions, within the Dual Credit Fund, substantially increasing over the year. As mentioned in our 'Learning and Developments' section, this allocation was reviewed earlier in the year and the Trustee agreed to increase the portfolio's allocation to private markets, which will provide members in the default growth fund with further diversification, return potential and climate impact. This will happen over the remainder of 2025 and the start of 2026.

Smart Sustainable Growth Fund: climate-related metrics year-on-year

	Metric	30 June 2019	30 June 2024	30 June 2025	Change since 2024	Change since 2019
Portfolio coverage	**Scope 1 and 2 emissions**	76.7%	87.6% (6.4%[1])	87.6% (8.9%[1])	0.0%	+14.2%
	Scope 3 emissions	55.7%	77.4%	73.9%	-4.5%	+32.7%
	Implied temperature	75.3% (2020)	86.8%	87.4%	+0.7%	16.1%
Absolute emissions	**tCO2e scope 1 and 2**	47,705	279,302	361,498	+29.4%	+657.8%
	tCO2e scope 3	287,807	1,460,596	1,731,765	+18.6%	+501.7%
Emissions intensity	**tCO2e/£m scope 1 and 2**	189.0	70.7	75.4	+6.6%	-60.1%
	tCO2e/£m scope 3	1,138.0	414.2	361.3	-12.8%	-68.3%
Implied temperature alignment	**°C**	3.0 (2020)	2.3	2.4	+0.1	-0.6 (since 2020)

Source: Hymans Robertson, MSCI. Not all 30 June 2019 data was available through the MSCI tool.

1. This represents the proportion of underlying emissions data that has been estimated by our data providers, the remaining coverage data has been reported on by underlying companies. For unknown data we do not prorate for total emissions or emissions intensity.

Smart Sustainable Growth Core Fund: climate-related metrics year-on-year

This is a new disclosure for this year. The following table shows metrics for the Smart Sustainable Growth Core Fund, the alternative default growth fund.

	Metric	30 June 2025
Portfolio coverage	Scope 1 & 2 emissions	99.1%
	Scope 3 emissions	82.9%
	Implied temperature	99.0%
Absolute emissions	tCO2e scope 1 & 2	43,368
	tCO2e scope 3	312,457
Emissions intensity	tCO2e/£m scope 1 & 2	45.5
	tCO2e/£m scope 3	328
Implied temperature alignment	°C	2.3

Climate scenario analysis

The climate scenario analysis uses top-down analysis to test the resilience of the investment strategy to stressed climate scenarios which assesses the current carbon efficiency and scope to improve it. Our approach considers three different climate scenarios; 'Green revolution', 'challenging times' and 'head in the sand'. These represent different levels of intervention to address climate change, and consequential impacts on the world and financial markets. These are carried over three different time horizons, as discussed in section 3: short (5-10 years), medium (15-20 years), long (35-40 years). The Trustee uses Hymans Robertson to produce this analysis.

	Short term	Long term
Green revolution	Concerted action taken by governments and corporations around the world to address the negative effects of climate change. We expect to see increased levels of investment in clean technology and increased research and development activity to accelerate a move to a world less reliant on fossil fuels. We expect short-term disruption in markets.	More immediate intervention should lead to more confidence in meeting global objectives to keep global warming to well below 2 degrees. The impact of this intervention will also be to minimise the physical impacts of climate change, such as melting polar ice caps and rising sea levels. Our future world will be supportive to a significant degree by renewable energy as a crucial part of our energy mix. We expect more stability in markets over the longer-term as the physical effects of climate change have been reduced to a degree.
Challenging times	Largely a continuation of the current approach, which is more modest and incremental action being taken globally by governments and corporations. We should expect to see some but limited investment in new technologies in the near term. We expect some disruption in markets in the short to medium term.	We still expect to be broadly on track with a 2 degrees warming target, but delays in intervention to address climate change will mean further physical effects of climate change will be experienced over the longer-term. We expect some disruption in markets while action continues to be taken by governments and corporate companies globally.
Head in the sand	Limited or no material policy action implemented by governments or corporate companies globally. Societal pressure for change is met with a degree of resistance globally. We anticipate little short-term disruption in markets.	We anticipate a realisation point in the future around the significant physical impacts of climate change. Ultimately, we are likely to miss global objectives to keep global warming below 2 degrees. Increasing fears that we will miss global climate-related targets. The severity and cost of intervention in future will be significantly higher than earlier action. We anticipate significant levels of disruption in markets over the longer-term as the impact of policy intervention and physical climate effects are felt more severely.

Over the Scheme year, Hymans Robertson updated their timeframes for scenario analysis, as set out below. This also shows an example of a member in the different time horizons identified. The Trustee aims to ensure that the investment strategy considers the physical and transition risks to its members' investments associated with climate change.

Short term (5-10 years)	Medium term (15-20 years)	Long term (35-40 years)
60 year-old 5 years from retirement, with a time horizon of 5-10 years until retirement including retirement planning and potential for an earlier retirement.	**50 year-old** 15 years from retirement, with a time horizon of 15-20 years to include retirement planning and potential for an earlier retirement.	**25 year-old** 40 years to retirement with a timeframe of 35-40 years includes retirement planning and potential for an earlier retirement.

We recognise the limitations of using scenario analysis and capturing possible downsides. Climate models are significantly underestimating climate risk as they can exclude severe climate change impacts such as tipping points and second order effects. Models are calibrated to historic data and therefore can downplay the biggest forward-looking risks. Hymans Roberston's modelling analysis overweights volatile paths, widening the range of outcomes, and aims to focus on the speed and strength of real-world action and market response. However, the "expected" and "bad" outcome pot size results are still limited. The expected outcome is the median from a range of 5,000 trials of Hymans Robertson's economic scenario generator and the "bad" outcome is the average of the worst 5% of outcomes (the average of the worst 250 outcomes) from the 5,000 trials. Therefore, this does not capture the worst-case or extreme (tail) outcomes which is why we also consider the narrative surrounding these risks.

Long term: impact on 25 year old member

Smart Sustainable Growth Fund

	Base	Green revolution	Challenging times	Head in the sand
Expected pot size (£)	176,911	175,911 (-1%)	173,296 (-2%)	169,719 (-4%)
Bad outcome pot size (£)	46,521	47,472 (+2%)	50,635 (+9%)	42,446 (-9%)

Smart Sustainable Growth Core Fund

	Base	Green revolution	Challenging times	Head in the sand
Expected pot size (£)	175,993	174,428 (-1%)	173,931 (-1%)	166,685 (-5%)
Bad outcome pot size (£)	46,218	46,981 (+2%)	50,418 (+9%)	42,090 (-9%)

Medium term: impact on 40 year old member

Smart Sustainable Growth Fund

	Base	Green revolution	Challenging times	Head in the sand
Expected pot size (£)	93,558	88,797 (-5%)	92,517 (-1%)	88,635 (-5%)
Bad outcome pot size (£)	36,589	38,357 (+5%)	35,072 (-4%)	34,718 (-5%)

Smart Sustainable Growth Core Fund

	Base	Green revolution	Challenging times	Head in the sand
Expected pot size (£)	92,903	88,249 (-5%)	92,520 (0%)	88,217 (-5%)
Bad outcome pot size (£)	36,385	38,078 (+5%)	34,906 (-4%)	34,509 (-5%)

Short term: impact on 60 year old member

Smart Sustainable Growth Fund

	Base	Green revolution	Challenging times	Head in the sand
Expected pot size (£)	16,533	16,320 (-1%)	16,524 (-1%)	16,603 (0%)
Bad outcome pot size (£)	12,288	11,976 (-3%)	12,416 (0%)	12,335 (0%)

Smart Sustainable Growth Core Fund

	Base	Green revolution	Challenging times	Head in the sand
Expected pot size (£)	16,533	16,332 (-1%)	16,494 (0%)	16,603 (0%)
Bad outcome pot size (£)	12,297	11,999 (-2%)	12,428 (+1%)	12,352 (0%)

The scenario analysis suggests that younger members face slightly more risk and slightly lower expected outcomes, while mid-term members face slightly more risk but average expected outcomes are unchanged. Members closer to retirement are relatively immunised from expected climate risks given their short time horizons.

The narrative beyond the data

The Trustee takes into account transition risks and physical risks when considering climate in the context of their investment decision. Scenario analysis can help understand potential impacts from these risks, noting the limitations we have already outlined. Transition risks refer to potential financial losses in our investment portfolio due to shifts toward a low-carbon economy. These shifts may involve new climate policies, carbon pricing or technological disruption which can affect company valuations, particularly in carbon-intensive sectors like energy and transport. Physical risks include the financial, operational, and human impacts caused by the physical events of climate change, tipping points and their second order effects. We've explored physical risks further in this section.

Climate tipping points are critical thresholds in the Earth's climate system, beyond which a small change can trigger large, abrupt, and often irreversible shifts in the environment. These could trigger each other and accelerate global warming and increase the severity of physical impacts. This is a risk to economies and people worldwide, and therefore a physical risk to the companies and assets in which we invest on behalf of members. The severity of this is hard to capture in current climate scenario analysis.

There are two types of physical risk:

Acute physical risks are event-driven risks linked to increased frequency and severity of extreme weather events, such as flooding, wildfires and heatwaves.

Chronic physical risks relate to longer-term shifts in climate patterns from rising sea levels, droughts and higher average temperatures.

Acute events causing physical damage to property and infrastructure can adversely impact financial returns across our portfolio. Severe disruption to businesses and rising costs of insurance will risk our members' return potential. Chronic risks can lead to longer term volatility in agriculture, increase migration and political instability and the devaluation of real estate and infrastructure assets. Imminent tipping points or 'irreversibility' outlined by an IPCC[12] report include melting ice caps, permafrost thaw, coral reef die-off, and deforestation. These can create financial risks for our portfolio. We have illustrated this through the following example of melting ice sheets.

Melting ice sheets - Greenland and West Antarctic ice sheets

Greenland and West Antarctic ice sheets are rapidly losing mass due to climate change, contributing significantly to global sea level rise. This also creates a feedback loop, as ice melts, darker surfaces (ocean or land) absorb more sunlight, speeding up warming. The melting ice sheets and sea level rise can cause increased risk of flooding, saltwater corrosion and intrusion. Effects such as power and water outages, as well as damage to infrastructure leading to supply chain disruption for multiple industries. Investee companies with real assets or property as part of their business and supply chains will be affected, as well as our specific planned infrastructure investments over 2025/6. Second order effects from this could be mass migration, as conditions worse people are forced to move to safer areas. This can put a strain on society for employment, housing and resources, as well as loss of productive land and labour in coastal areas.

12. IPCC, 2023: Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, H. Lee and J. Romero (eds.)]. IPCC, Geneva, Switzerland, pp. 35-115, doi: 10.59327/IPCC/AR6-9789291691647.

We aim to manage these physical risks, similarly to transition risk by:

1. Engaging with our managers and collaboratively to companies to encourage awareness of climate risks and management of them. More details on our engagement activities are provided in our voting and engagement reports available on our **website**.
2. Allocating capital to climate adaptation projects such as infrastructure, ecosystem restoration, water management. Our global green bond allocation over the year was allocated to renewable energy, sustainable land use, biodiversity conservation, sustainable water and wastewater management, as well as specific climate change adaptation projects, shown in the following chart. Since the Scheme year-end, we have initiated investments into renewable infrastructure, which will support climate mitigation and adaptation. While mostly focussed on mitigation, adaptation can be improved through the resilience of infrastructure. For example, offshore wind farms can support grid liability during extreme weather inland.

Mirova Green Bond Fund projects

Renewable energy	17.5	Climate change adaptation	2.3
Energy efficiency	18.1	Health	1.4
Sustainable waste management	0.5	Education	0.9
Sustainable land use	2.0	Affordable housing	0.6
Biodiversity conservation	1.9	Employment generation (SME financing / microfinance)	1.0
Clean transportation	36.8		
Sustainable water & wastewater management	3.7	Socioeconomic integration, advancement & empowerment	2.3
		Diversified	11.0

Source: Mirova factsheet, 30 June 2025

7 Appendix

Climate-related metrics

Metric outcomes are provided by Hymans Robertson. Data is sourced from MSCI[13]. The climate data is sourced from MSCI. MSCI collects company-specific greenhouse gas emissions data from company public documents and the Carbon Disclosure Project. If a company does not report emissions, then a proprietary methodology is used to estimate them. The data is updated on an annual basis and we expect data coverage to continue to improve year-on-year.

Data coverage: proportion of the portfolio for which scope 1, 2 and 3 emissions are available or estimated. MSCI collects company-specific greenhouse gas emissions data from company public documents and the Carbon Disclosure Project (CDP). If a company does not report emissions, then a proprietary methodology is used to estimate them. The data is updated on an annual basis. Most reports of scope 3 emissions were incomplete and MSCI noted the limitations of the quality of data[14].

Absolute emissions metric: absolute tonnes of greenhouse gases. This dataset represents a company's scope 1, scope 2 and scope 3 greenhouse gas emissions as reported (if available) or estimated by the MSCI proprietary estimation model.

Scope 1 emissions are those from sources owned or controlled by the company, typically direct combustion of fuel as in a furnace or vehicle.

Scope 2 emissions are those caused by the generation of electricity purchased by the company.

Scope 3 emissions include an array of indirect emissions resulting from activities such as business travel, distribution of products by third parties, and downstream use of a company's products (i.e. by customers).

Emissions intensity metric: is achieved by calculating the carbon intensity (scope 1 + 2 Emissions / £M Invested) and (scope 3 / £M Invested) for the portfolio. The carbon intensity represents our portfolio's estimated greenhouse gas and equivalent emissions per £ million invested, to allow for comparison between portfolios of different sizes, which allows for comparison between companies of different sizes.

Implied temperature alignment: looks at the remaining carbon budget left for the world if we are to keep warming this century well below 2 degrees Celsius (2°C). This budget is allocated to the public companies the portfolio holds. It includes scope 1, 2 and 3 emissions.

Projected emissions from companies over the next five decades are calculated based on their current emissions and analysis of their stated reduction targets. A company whose projected emissions are below budget can be said to "undershoot," while those whose projected emissions exceed the budget "overshoot". The collective over or undershoot of these companies is then converted to an implied global temperature rise - meaning how much would the temperature of the world increase if the whole economy had the same carbon overshoot or undershoot as the company in question.

13. https://www.msci.com/index-carbon-footprint-metrics
14. https://www.msci.com/www/blog-posts/reported-emission-footprints/03060866159

Climate scenario analysis

Hymans Robertson has a standard model, their Economic Scenario Simulation (ESS) Modeller, of different financial markets that explores a range of 5,000 potential outcomes over different time periods, reflecting current expectations of risk and return.

To produce assessments of the potential impact on investment portfolios, the 5,000 outcomes are weighted in favour of the financial market assumptions in the three different climate scenarios defined i.e. green revolution, challenging times and head in the sand.

The impact on investment portfolios are then translated into retirement outcomes for different groups of members. Members' salaries are assumed to be £20,000, £22,500 and £25,000 for the 20, 40 and 60 year olds respectively. Total contribution rates are 8%, starting fund values are £5,000 and retirement age is assumed to be 65. The scenario analysis aims to help us to better understand the potential impact of climate change on a range of members with different needs and time horizons.

As mentioned in our paper, we recognise the limitations of using scenario analysis and capturing possible downsides. Hymans Roberston's aims to improve their modelling by focusing on the speed and strength of real-world action and market response but expected pot sizes could still be overstated in high climate risk scenarios.

The following charts show the impact on different markets, for the different climate scenarios tested, shown in section 6. For each scenario, there are higher weights towards more volatile simulations. The target increase in volatility, from the standard model, is shown in the volatility tables e.g. in years 1-5 for the Green Revolution scenario, the weighted average volatility corresponds to the very high 85 percentile volatility in the standard model.

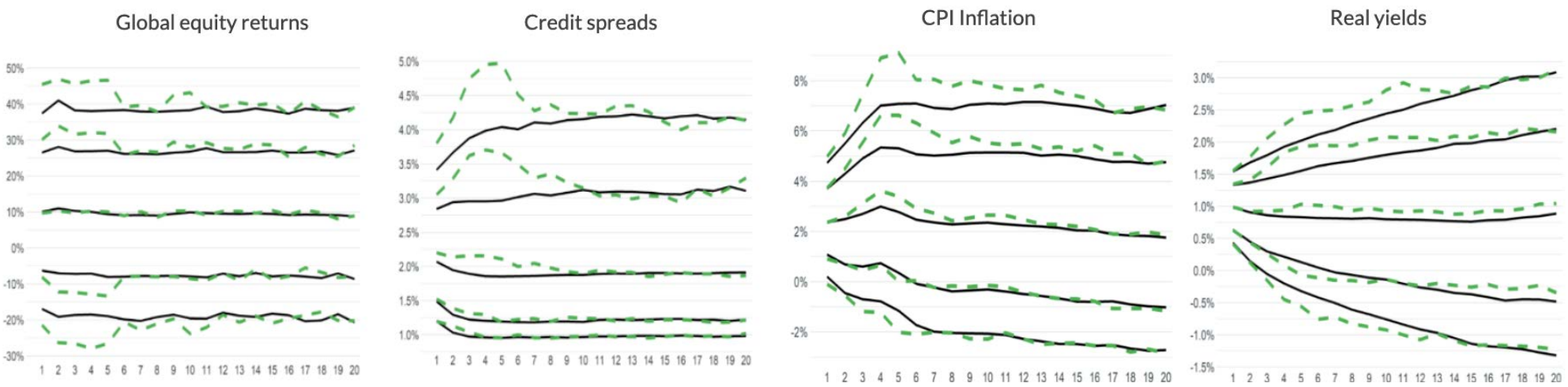
All of the climate scenarios tested could lead to worse outcomes for members of different ages. This is because each scenario is modelled as a 'stress' – i.e. the purpose of the modelling is to test resilience in heightened market conditions. The different climate scenarios modelled are outlined in the table below.

The pairs of dotted and black lines represent the following percentiles: 95%, 84%, 50% (median), 16%, and 5%.

———————— : Standard forward-looking projections from Hymans Robertson's Economic Scenario Simulation Modeller

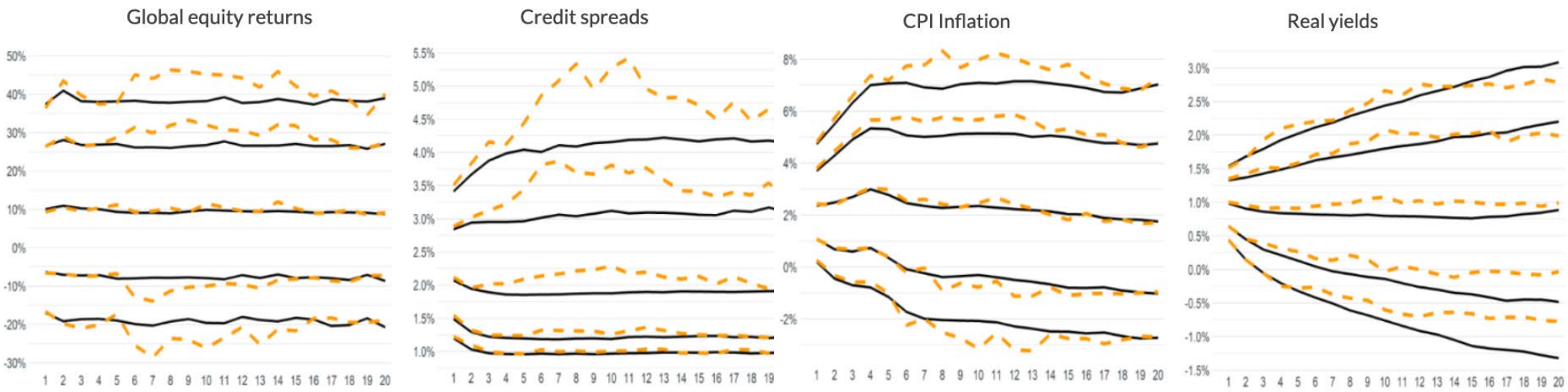
---------- : Stressed scenario of the corresponding standard projections

Green revolution – smooth transiation



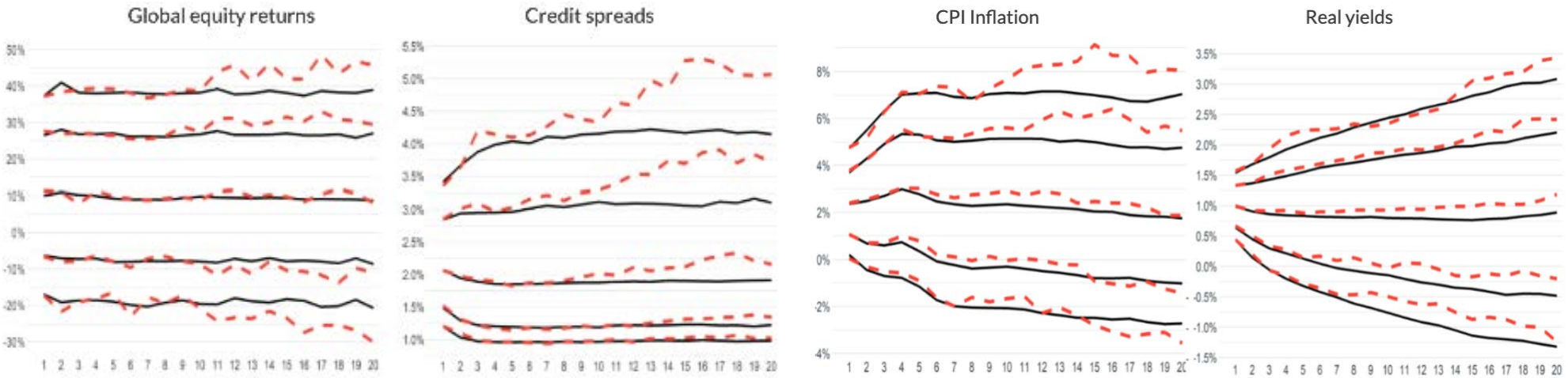
	Years 1-5	Years 6-10	Years 11-15	Years 16-20
Volatility criteria (DT)	Very high (85 percentile)	Moderate (60 percentile)	Moderate (60 percentile)	Standard

Challenging times – delayed transition



	Years 1-5	Years 6-10	Years 11-15	Years 16-20
Volatility criteria (DT)	Standard	Very high (85 percentile)	High (75 percentile)	Standard

Head in the sand – no transition



	Years 1-5	Years 6-10	Years 11-15	Years 16-20
Volatility criteria (DT)	Standard	Standard	High (75 percentile)	Very high (85 percentile)

Smart Pension