

Cushon Master Trust Annual Climate Change Report 2025

For the year ending 31st December 2025

Prepared by the Cushon Investment Office for the Cushon Master Trust Trustees

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Contents

Foreword	3
Executive Summary	6
Climate Change Reporting	9
<i>Governance</i>	9
<i>Strategy</i>	16
<i>Risk Management</i>	32
<i>Metrics and Targets</i>	38
<i>Conclusion</i>	48
Technical Section	49
<i>Glossary</i>	54

Foreword

The Trustees of the Cushon Master Trust (the “Scheme”) recognise Environmental, Social & Governance (‘ESG’) considerations as financially material and dynamic sources of risks and opportunities. The Trustees believe incorporating ESG factors, including climate change, into investment decision making is in the best interests of Scheme members in accordance with the Trustees’ legal duties.

Climate change is a systemic risk to the global economy and financial markets, due to the significant changes required for the transition to a low-carbon economy and the fact that Physical risks from climate change will be felt across all sectors and asset classes. Whilst there may be indications of geopolitical resistance to the impacts of climate change and investment in climate solutions, the Trustees view these as short-term dynamics. Over the Trustees long-term investment time horizons physical and transition risks are still expected to be significant

The Trustees believe that climate change represents the largest systemic risk that is facing the portfolio, and that appropriate measurement and disclosure of climate-related considerations may contribute towards a better climate strategy. The aim of the climate strategy is to combat the impacts and leverage the opportunities of systemic climate risks and ultimately improve our members’ standard of living in retirement.

Our understanding of climate change is constantly evolving and the Trustees endeavour to stay abreast of developments in the latest climate science and incorporate factors into portfolio design. Recent developments include an increasing understanding of long-term risks called climate tipping points. These are specific thresholds that, when crossed, present irreversible changes to Earth’s systems. Examples of events that may occur as we approach 1.5°C of warming include large-scale dieback of the Amazon Rainforest, and the collapse of Antarctic ice sheets leading to sea level rise.

The Trustees also recognise other ways in which the climate is changing due to unintended consequences of human activity. In 2025 it was reported that global warming has in part been increased due to a reduction of an aerosol cooling effect in the atmosphere. This is an effect in which particulates left in the atmosphere from burning fossil fuels reflect sunlight and counteract some global warming. As fuels have become cleaner, atmospheric aerosols have drastically decreased.

Consideration should also be given to the conflict involving Iran and the U.S./Israel that began in early 2026, and the ongoing war in Ukraine. These conflicts have created environmental and social risks (e.g. human rights factors). Climate change has been impacted by substantial additional emissions through military activities (burning fuels, munitions and tanker/refinery fires). Additionally, attacks on oil infrastructure have disrupted energy supply chains causing countries

to utilise emergency fossil-fuel subsidies or increase domestic fossil fuel production. Ultimately this is likely to increase levels of atmospheric pollution and therefore global warming.

Given the everchanging dynamics of climate change, the Trustees recognise this is an issue that cannot be ignored. The Trustees will continue to evolve their approach to managing these factors, and further details on their approach can be found in the Scheme's Statement of Investment Principles, Responsible Investment Policy and Stewardship Policy: [Climate Focused Pension | Cushon](#). In the future it is expected that this approach will also consider biodiversity and nature risks, due to the inextricable link with climate risks. The Trustees will incorporate nature risk into annual reporting as this area develops in the industry and possibly seek to align with industry frameworks such as the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD).

Ultimately, the Trustees are aiming to take into account the world that the Scheme's members will retire into when making investment decisions. This is linked to a legal opinion that the Trustees had commissioned during 2025 that stated it was reasonable for pension scheme Trustees to take into account members' future standard of living in retirement when making investment decisions. The opinion provided commentary around the Trustees role as potential universal owners and a workable framework to invest in broader opportunities that support good outcomes for members. This may include access to clean energy, levels of infrastructure and alternative climate solutions.

This report is the Scheme's fifth Climate Change Report, prepared in accordance with The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, which are based on the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD') reporting requirements. The report outlines the Trustees' governance processes and presents key findings related to climate change reporting for the Scheme year ending on the 31st December 2025.

In this years' Climate Change Report, the Trustees have evolved their approach to measurement and disclosure of climate related risks with the support of their investment adviser and the Cushon Investment Office. Across the year, the Trustees have also better embedded their climate risk framework across their investment strategy as they seek to build a portfolio that demonstrates resilience under various climate scenarios.

In 2025, the Trustees made a commitment to the Aviva Carbon Removal Fund, filling the allocation to Natural Capital that was approved earlier in the year. This strategy will invest in nature-based projects that generate a financial return as well as high-quality carbon credits. When fully invested, this strategy will provide a partial hedge to higher carbon prices that are expected in various transition scenarios, thus improving portfolio resilience. As at the end of 2025 no investments had been made, but the first projects have been deployed in 2026.

As part of the evolution of their Climate Change Report, the Trustees have conducted refreshed scenario analysis for 2025, that utilises new models and qualitative scenarios to present plausible climate outcomes. For the first time, the Trustees have also disclosed explicit consideration of physical climate risks that are facing the portfolio.

Whilst these are important steps, there is more to be done to evolve this analysis and understand the risk impacts more deeply. Using these insights, the Trustees will embed the considerations in investment decision-making.

Executive Summary

When making investment decisions about members’ pension arrangements, the Trustees must consider a variety of financial risks, some of which may take decades to materialise. Given the long timescales and considerable uncertainty surrounding outcomes from climate change, the Trustees consider managing climate risks and opportunities to be a key part in their role of safeguarding Scheme members’ pensions.

This report illustrates how the Scheme is taking action to manage and partially mitigate the impact of climate change risks on members’ pension pots. The Scheme is an authorised DC UK Master Trust and is therefore required to disclose how climate change is factored into the Scheme’s decisions at Trustee Board Level.

The key disclosures required by law are in-line with guidance from the Department for Work and Pensions (DWP) which are based on the recommendations of the TCFD. There are four focus pillars for the disclosure which are covered through this report, a summary of each of these pillars is listed below:

	Summary
Governance	The Trustees have a duty to consider the financial risks and opportunities presented by climate change when running the Scheme. To do this, the Trustees have adopted a Climate Risk Framework that seeks to balance building resilience to climate risks, decarbonising the economy and decarbonising our portfolio. The Trustees have established their investment beliefs so that they take into consideration climate risks and opportunities. There are several policies aimed at ensuring the Scheme is governed in accordance with these principles The Trustees work in collaboration with the Investment Office of Cushon, their investment advisers (Isio) and investment managers to fulfil their climate-related responsibilities. The Trustees review their advisers’ climate competency to ensure they understand the latest climate thinking. Given how quickly the climate landscape evolves, the Trustees receive regular training on climate risks and opportunities, latest examples include nature risks and the mechanics of carbon markets.
Strategy	The Trustees primary default investment strategy is the Cushon Sustainable Investment Strategy, which includes investments in exciting climate opportunities across public and private markets. Across 2025, the Trustees worked to select a natural capital asset manager as the latest investment that seeks to manage some of the climate risks facing members’ pensions. In 2025, the Trustees also undertook refreshed scenario analysis on the Sustainable Investment Strategy to assess the potential impact of climate-related risks across short, medium and long-term timeframes. The scenario analysis that the Trustees have

	adopted attempts to provide a more realistic measurement of climate risks and opportunities by modelling the interaction of climate change with the economy, energy and the environment. The modelling is based on narrative scenarios that seek to give a more realistic projection of climate outcomes by describing shifting policies and market behaviours (versus quantitative scenarios that model risks as movements in numerical data). As a part of this analysis, the Trustees have also modelled the impacts of physical hazards on the portfolio for the first time. This approach is a probabilistic assessment of 6 different hazards related to climate change. It allows the Trustees to understand how the portfolio is exposed to increasingly severe hazard impacts and highlights specific regions that may be more affected by the physical risks of climate change. To manage some of these risks, the mandates employed within the default investment strategies adopt various approaches to climate risks and opportunities. This includes exclusions, identifying climate-positive opportunities like renewable infrastructure, and supporting high-emitting companies in their decarbonisation efforts. Alongside the modelling and investment decision-making, the Trustees also embed stewardship activities to ensure alignment of the underlying investment strategies with the Trustees' stewardship priorities. This includes an annual assessment of the Scheme's investment managers. For 2026, the Scheme is also engaging with policymakers to drive better climate risk management.
Risk Management	The Trustees have established a Climate Risk Framework that balances three key areas of climate risk management: 1. Portfolio risk/return resilience, in which the Trustees aim to build a strategy that is resilient under different climate transition pathways 2. Real-world decarbonisation, where the Trustees seek to invest in opportunities and manage existing assets, to accelerate the transition to a low-carbon economy. 3. Portfolio decarbonisation, where Trustees seek to manage the emissions of their own portfolio and work towards a portfolio with net zero emissions by 2050. Across 2025, the Trustees have been working to embed this framework into different facets of Scheme management. This has included investment decisions and targets set as a part of this report. The Trustees have also integrated climate change risks into routine management via inclusion in the Trustee's risk register. Risks are considered across various sub-risk areas including regulatory risks, and investment risks. At a strategy level, the Scheme assesses the risks exposed to the default using assessments of key economic variables aligned with the scenario analysis performed.
Metrics & Targets	The Trustees are required to report on designated metrics each year for the Sustainable Investment Strategy. For 2025, the metrics have been calculated as at the 30th of September 2025 and are as follows: 1. Total GHG emissions (tCO₂e): 46,733 (Scope 1&2), 692,051 (Scope 3) 2. Carbon footprint (tCO₂e/\$1m invested): 22.9 (Scope 1&2), 338.7 (Scope 3) 3. Implied temperature rise: 1.8°C 4. Data Quality: Transition risk data coverage 100% (25% estimated), Physical risk data coverage (75%).

The Trustees are also required to set targets relating to these metrics. Following the achievement of the interim decarbonisation target in 2024, the Trustees have adopted new targets that are aligned with the Scheme's Climate Risk Framework. As such, the Trustees have established three new targets which will be reported on an annual basis. These targets are:

1. **Risk-Return Resilience**: We aim to secure access to detailed data to better measure our portfolio's economic exposure to transition and physical risks under credible climate scenarios, using non-linear models across public and private asset classes. By 2027, we target improved coverage for the growth stage of the default and to include this data in portfolio design.
2. **Real-World Decarbonisation**: By 2030, we aim to avoid at least 500,000 tonnes of CO₂ emissions via investment in renewable infrastructure, thus supporting the transition to a low-carbon economy and contributing to UK energy security.
3. **Portfolio Decarbonisation**: For the growth stage of our default strategy we aim to maintain a portfolio that has a scope 1+2 carbon intensity (tCO₂e/£m invested) approximately 60% lower, and up to 80% lower, than our composite benchmark as of 2022. We will review our approach to decarbonisation on an annual basis.

Climate Change Reporting

Governance

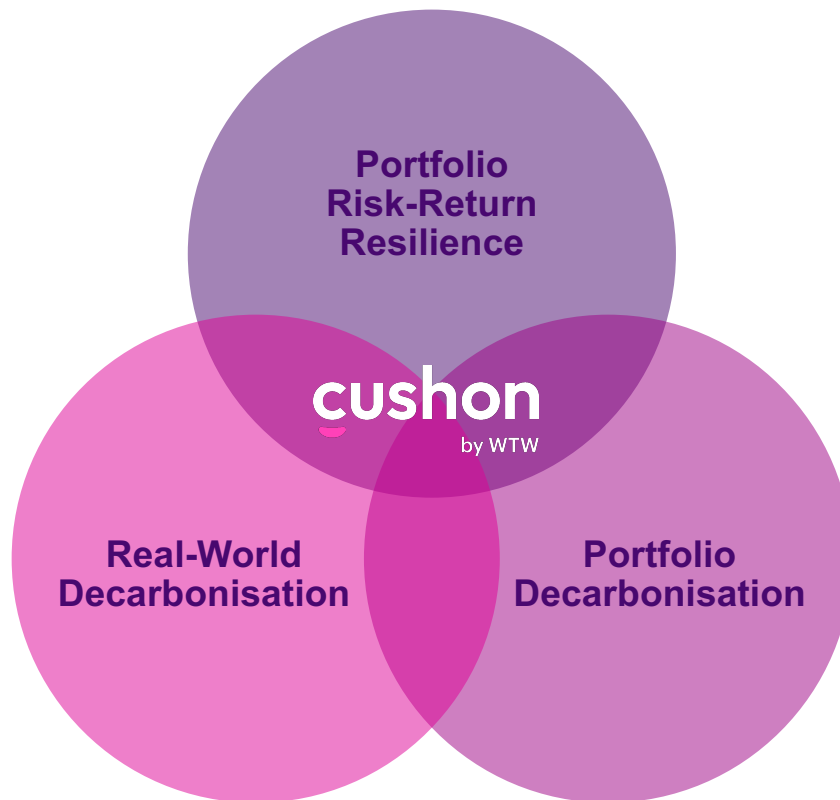
Describe the Trustee Board's oversight of climate-related risks and opportunities

The Trustees are responsible for governing the Scheme, with a fiduciary duty to prioritise the best interests of Scheme members. Acknowledging the financial significance of ESG factors, the Trustees diligently incorporate them into their decision-making processes as an integral part of their fiduciary duty. The Trustees believe that this approach to investment is in the best interests of members in accordance with the Trustees' legal duties.

A key part of managing ESG factors is establishing oversight of climate-related risks and opportunities. The Trustees have put in place a [Responsible Investment \('RI'\) Policy](#) and a [Stewardship Policy](#), which summarises their investment beliefs with respect to RI and how ESG factors are integrated into decision making. The Trustees act in accordance with this set of beliefs when considering material changes in the Scheme's investment arrangements.

The Trustees' immediate ESG priority is to address climate change, which poses a financially material risk, and potential opportunity, for Scheme members. To this end, the Trustees' aim is to build an investment strategy that is resilient under different climate scenarios, and this is why the Trustees launched the Cushon Sustainable Investment Strategy (which has a clear climate focus) in 2022. This strategy boasts a low carbon footprint, having decarbonised by over 80% versus a 2022 benchmark, but equally the strategy is committed to proactive measures and innovative financing solutions aimed at contributing to the transition to a low-carbon economy.

This strategy has been developed with consideration of the three areas of the Trustees' Climate Risk Framework:



The Trustees aim to balance the three areas of their climate risk framework in investment decision making, as they believe that all these facets contribute towards long-term climate risk management.

- **Portfolio Risk-Return Resilience:** As a part of their fiduciary duty to the members of the Cushon Master Trust, the Trustees recognise that their investment portfolio should be resilient under different climate scenarios. It is clear that temperatures are rising and the economy is transitioning, but ultimate global temperatures and the speed of the transition remain unclear. To protect member outcomes against climate risks, trustees should prioritise embedding resilience to multiple climate scenarios.
- **Real-World Decarbonisation:** The Trustees recognise the need for financial institutions to accelerate the transition to a low-carbon economy via their investments, to combat the systemic risks that climate change represents. This may be via engagement (with companies or governments) or via new investments that facilitate the transition.
- **Portfolio Decarbonisation:** The Trustees recognise they have a responsibility to work towards a decarbonised portfolio that aligns with international policies on climate change, and to mitigate exposure to assets that could be stranded in a low-carbon economy. It is worth noting that this area does little to contribute to reduce emissions in the wider economy, and some transition assets may have higher emissions initially (e.g. in the building of a wind farm).

The Trustees are seeking to increase the level of risk-return resilience in their portfolio design, as this is an area of climate risk management that is relatively new to the industry. To do this, it is critical to better understand the risks facing the portfolio. The standard approach to climate risk measurement has limitations as it heavily discounts the impacts of climate change in the future,

so the Trustees have been working with data providers to measure climate risks differently. This is an ongoing project that is discussed more in the [Scenario Analysis](#) section of this report.

Having achieved their 80% decarbonisation target, the Trustees have committed to new climate targets that reflect the above climate risk framework and the Trustees' aims to increase risk-return resilience:

These targets are discussed in more detail in the [Metrics & Targets](#) section of this report.

Describe management's role in assessing and managing climate-related risks and opportunities

The Trustees, with support from the Scheme Funder, Cushon, their advisers, and investment managers, retain overall legal and fiduciary responsibility for how the Scheme's assets are invested, as well as ESG considerations (including climate change).

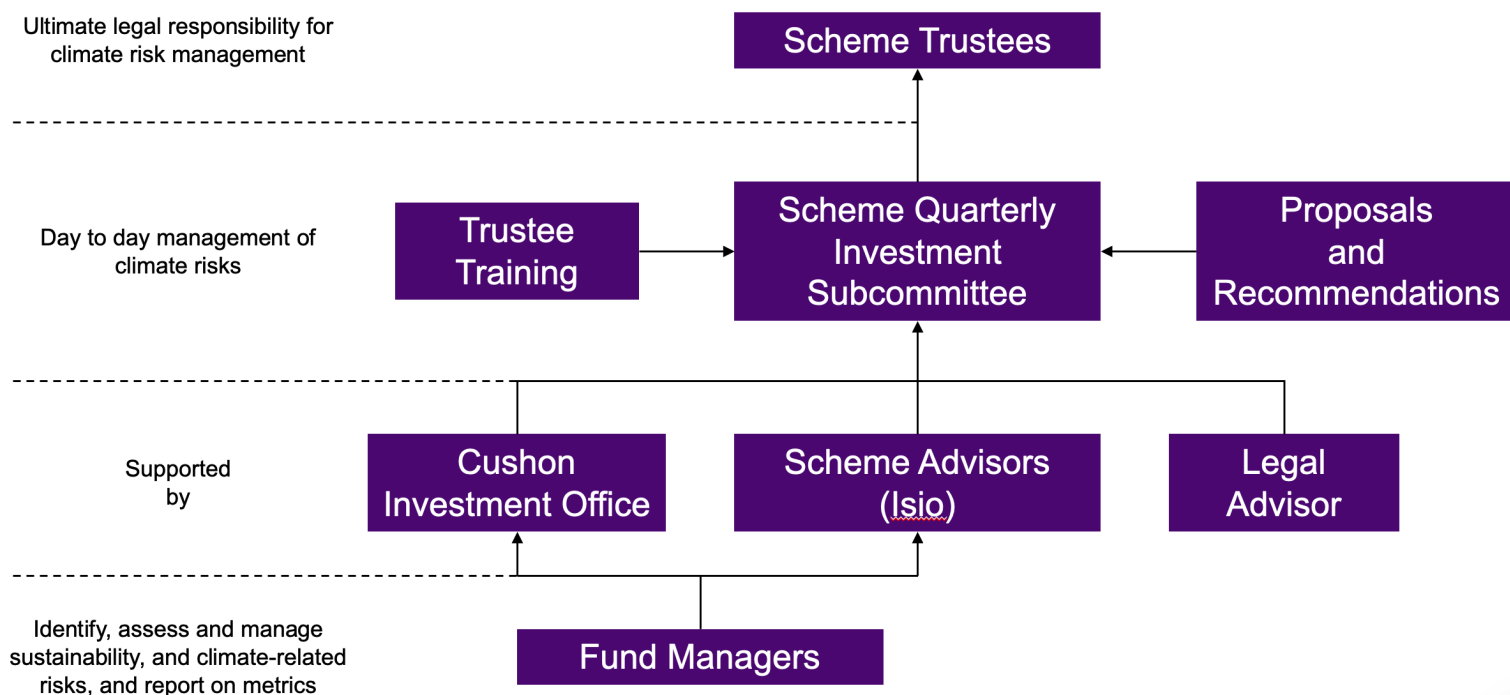
The table below summarises each party's role in managing climate-related risks and opportunities, with full details in the Trustees' RI Policy and Stewardship Policy. The Trustees have regular meetings with their advisers to receive formal advice and updates on the below.

Role	Responsibilities
The Trustees	• Agree (and regularly review) their investment beliefs and the Scheme's investment strategy and investment objective, including the setting of RI ambitions or areas to prioritise. • Maintain policies in a manner that reflects their beliefs and is used as a basis for driving and monitoring the integration of ESG within the Scheme's investments. • Carry out regular reviews of the investment managers' approaches to and effectiveness in RI. ESG criteria will be applied when appointing investment managers, with explicit consideration of the manager's approach to RI and climate change. • Consider the investment managers' track record on voting and engagement with the management of companies in which they are invested in line with the Trustees' Stewardship Policy and report on this via the annual Implementation Statement. • Consider member views on a periodic basis through surveys conducted alongside the Scheme Funder. • Receive regular climate-related updates from the Trustees' advisers, potentially covering the investment managers' climate capabilities, progress on various climate workstreams and any relevant market or regulatory updates. • Assess how external advisers and providers have performed against their climate responsibilities and, where relevant, the Trustees will explicitly include these responsibilities in adviser objectives. • Decide which ESG-related bodies to support and or join. • Respond to regulatory queries. • Fulfil regulatory requirements with respect to ESG, including preparing the annual Implementation Statement and annual Climate Change reporting.

	Continue to develop their understanding of responsible investment through regular training on prevailing risks and sustainable investment opportunities.
Scheme Funder	- Working with the Trustees to review the strategic direction regarding responsible investment and agreeing/delivering on policies. - Proposing investment strategies and managers which are aligned to the SIP and RI policy. - Communicating with members on behalf of the Trustees, as appropriate, regarding the investments and providing engagement tools to collate member views, in accordance with the Service Agreement in place between the Trustees, Mitsubishi UFJ Trust & Banking Corporation and Cushon MT Limited. - Providing updates to the Trustees on the Scheme's investments with respect to responsible investment and climate change. - Assisting with the selection, collection, presentation and monitoring of metrics, targets and scenario analysis required for climate change reporting. - Collating information on the voting and engagement activity of underlying managers for inclusion in the Implementation Statement.
Investment Adviser	- Advising on the inclusion of RI, ESG and climate considerations, which may arise as risks or opportunities, in the Scheme's governance framework, investment strategy, risk management and monitoring. - Assessing the suitability of proposed mandates from an RI, ESG and climate perspective as part of the manager selection process. - Reviewing the Scheme's investments from an RI, ESG and climate perspective. - Assisting with the development of Climate Change reporting. - Reviewing information on the voting and engagement activity of underlying managers for inclusion in the Implementation Statement. - Providing training and updates to the Trustees on relevant RI, ESG and climate-related matters.
Legal Advisers	- Providing training to the Trustees on RI, ESG and climate-related legal matters, and ensuring the Trustees are aware of their RI, ESG and climate-related legal and fiduciary obligations, as required. - Where requested, assisting in the documentation of the arrangements with the Scheme's third parties with respect to RI, ESG and climate-related matters.
Investment Managers	- Identifying, assessing and managing RI, ESG and climate-related risks and opportunities in relation to the Scheme's investments. - Exercising voting rights and engaging with portfolio companies in relation to RI, ESG and climate-related risks and opportunities, with consideration of the Trustees' Stewardship Policy where applicable. - Reporting to the Trustees on their stewardship record, and how this is aligned to the Trustees' investment beliefs and Stewardship Policy. - Providing the agreed climate-related metrics in relation to the Scheme's investments in accordance with the Trustees' Climate Change reporting requirements and focus on increasing the quality and availability of these metrics.

	Responding to assessments from the Trustees on their stewardship activities in line with the Trustees' Stewardship Policy.
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The chart below summarises how these parties interact in the management of climate-related risks:



Trustee Knowledge & Understanding

The landscape regarding climate-related risks and opportunities is evolving rapidly. The Trustees know that in order to identify, assess and manage potential climate-related risks, they must have the right level of knowledge and understanding of these matters.

The Trustees have undertaken training in the following areas (which were also attended by relevant members of the Cushon Investment Office):

- Stewardship (March 2023)
- Sustainability as a strategic risk (April 2023)
- Renewable energy (July 2023)
- Carbon Credits and Biodiversity Net Gain (April 2024)
- Natural Capital and Carbon Removal Credits (July 2024)
- Nature Risk and TNFD Reporting (April 2025)
- Economics and Mechanisms of Carbon Markets (November 2025)

The Trustees receive a range of climate-related materials/information in order to continue to build their level of climate knowledge, with key items including the climate scenario analysis, climate metrics reporting and their climate risks and opportunities dashboard, as outlined in this report.

The Trustees have also embarked on a project across 2024 and 2025 to develop climate data based on narrative scenarios. This is an evolution of climate data which the Trustees have not had access to before and demonstrates the importance placed on developing in this area. We have incorporated the initial outputs from this project into the [Scenario Analysis](#) of this year's Climate Change Report.

Assessing Advisers

The Trustees regularly assess the climate competency of their advisers to ensure they align with best practice and the latest thinking. The Trustees monitor their investment adviser against these high level ESG-related objectives:

- Provision of advice on ESG (including climate change) risks and opportunities consistent with the Trustees' ESG objectives
- Proactively identifying new investment opportunities and risks
- Provision of advice on responsible ownership of assets including stewardship and execution
- Assisting the Trustees in meeting regulatory requirements, including Climate Change Reporting

The Trustees regularly question and challenge information that has been provided to them in order to fully understand work relating to climate-related governance. This has been particularly pertinent where the Trustees are seeking to embed newly developed climate data.

Assessing Investment Managers

The Trustees ensure their investment managers embed a high level of ESG integration into their strategy design, and through regular interaction with investment managers, the Trustees ensure ESG risks are appropriately managed. During the 2024 Scheme year the Trustees formalised an assessment of their investment managers, where their activities are reviewed and compared against the Trustees' stewardship beliefs.

The Trustees also assess how their investment managers have voted in respect of their investee companies and whether their voting record aligns with the Trustees' investment principles. This is assessed annually in the Implementation Statement.

The Trustees are confident that the Cushon Investment Office has the appropriate capabilities and expertise to appropriately support the management of climate risks and opportunities. From the start of the 2025 Scheme year, Cushon has hired a Responsible Investment Manager to further develop the risk capabilities of the Cushon Investment Office for the Scheme. Also during 2025, the Cushon Investment Office employed a new Head of Investment Strategy who has extensive experience of managing climate investments.

Through the Scheme's decarbonisation target, the Trustees monitor their investment managers to ensure best-in-class carbon footprint management. The investment managers are benchmarked against the wider market through this exercise.

Resources

The Trustees' Investment Subcommittee meets on a quarterly basis with the Trustees' advisers and the Cushon Investment Office, where the latest ESG and climate-related risks and opportunities are discussed. The Scheme's investment strategy and any proposed mandates go through a rigorous climate integration framework developed by the Cushon Investment Office.

The Trustees also meet for additional training meetings in which experts from the industry can attend to provide expert insights. Often these have a focus on climate and ESG related risks.

The Trustees also regularly participate in industry events, to ensure they have the latest insights into emerging best practices and ESG concerns. This informs the ongoing evaluation and refinement of responsible investment criteria.

Across all governance activities, and supporting parties, the Trustees have dedicated significant resource to the governance of climate-related risks and opportunities. This is due to the Trustees' belief that climate change represents a significant risk to the Scheme's members, and requires dedicated resource to embed its consideration across the portfolio.

Strategy

Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term.

The Trustees, in conjunction with their advisers, have agreed time horizons of relevance to the Scheme when considering climate-related risks and opportunities. The Trustees have considered the potential impacts of both transition and physical risks on investments.

Transition Risks are defined as risks incurred during the transition to a low-carbon economy due to policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change.

Physical risks are defined as risks that arise from event driven (acute) or longer-term shifts (chronic) in climate patterns. These can result in direct damage to assets or indirect disruption to operations and supply chains.

These time horizons are described below:

Term	Considerations within the Timeframe	Climate Risks Present
Very Short Term (5 years)	- Varied policy action across the globe to combat climate change. Continued regulation for climate risks in pension schemes. - Interim decarbonisation targets met/not-met leading to refreshed approaches to climate risk for corporates/investors. - Significant renewable infrastructure developed to achieve energy requirements. - Market for climate solutions developing and expanding - Adaptation investment starts to be implemented as temperatures rise above 1.5°C - Improved assessment of climate risks and better data availability.	In this timeframe transition risks are likely to dominate despite varied action. It's expected that we will see increased signs of physical risks as global temperatures rise above 1.5°C
Short Term (10 years)	- Refreshed decarbonisation targets in the 2030's in response to increased physical risks - Transition efforts still varied, but regulation and policy impacting schemes	In response to increased physical risks, transition risks may also increase as nations seek to further their efforts to combat climate change.
Medium Term (30 years)	- Organisations begin to reach deadlines for 2050 targets, perhaps causing accelerated transitions - Harder to decarbonise sectors/assets requiring more policy intervention and significant investment. - Physical risks present and increasing as Earth's climate changes more substantially	Transition risks still present due to 2050 targets in the time period. Significant increase in physical risks from extreme weather events and chronic shifts in the climate.
Long Term (50 years)	Considerations are inherently uncertain due to the longer timeframes.	If physical risks worsen due to climate tipping points, transition risks may also increase as

	Physical risks likely to become very dominant, with potential signs/impacts of tipping points being crossed	governments push for increased adaptation measures.
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The Trustees believe that any kind of forecast is subject to significant change or revision and these changes become more likely as timescales become longer. At this moment in time, these timeframes are deemed appropriate for the Trustees when considering the management of climate-related risks and opportunities.

Currently, it's expected that shorter timeframes will predominantly be dominated by transition risks, but as we have seen in recent years the strength of policy and regulation can vary from government to government and nation to nation. However, there is still a general shift to a lower-carbon economy that will create more transition risks.

Trustees expect that over the longer term, the physical impacts stemming from altering climate patterns will become increasingly significant if these ambitions and targets are not achieved. This will be exacerbated if critical climate tipping events occur and thresholds are breached that fundamentally alter the Earth's systems (e.g. large-scale dieback of the Amazon Rainforest, and the collapse of Antarctic ice sheets leading to sea level rise). As the world is on the cusp of 1.5°C of warming, it's expected that the physical impacts of climate change will become more obvious in shorter timeframes as well, and the possibility of tipping events becomes more likely.

Across all timeframes, the Trustees believe there will be investment opportunities in sustainable growth, development and various industries whether a net zero ambition is achieved or if the global transition is more delayed and disorderly. These beliefs have been factored into the Cushon Sustainable Investment Strategy through various means, including:

- Allocations to sustainable infrastructure via our private market portfolio.
- Tilts within our equity index to companies with higher green revenues.
- Allocations to afforestation and nature restoration via our natural capital mandate.

Over time, new opportunities will become available, and the Trustees are committed to monitoring the market and exploring climate-related opportunities that support both the transition to a low-carbon economy and adaptive protections required as a result of physical risks.

Describe the impact of climate-related risks and opportunities on the organisation's business strategy and financial planning.

The Trustees provide default investment strategies, the Cushon Sustainable Investment Strategy and the Cushon Core Investment Strategy, to members who do not make a specific investment choice. The default investment strategies are selected in the best interest of the majority of members and beneficiaries, and the Trustees undertake periodic reviews on the suitability. Given the importance of managing climate-related risks and opportunities, the Trustees have spent

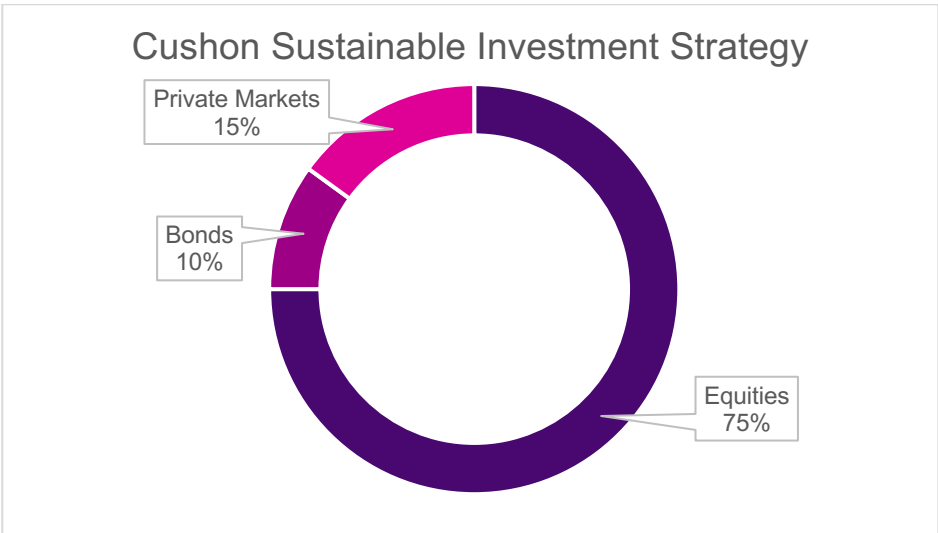
considerable time during the reporting period reviewing these exposures within the default investment strategies.

The Cushon Sustainable Investment Strategy aims to reduce exposure to climate risk across all asset classes. As part of a diversified portfolio, the strategy invests in a range of climate mitigation and climate adaptation strategies in developed and emerging markets targeting both impact on people and the planet.

The Cushon Core Investment Strategy was launched for participating employers seeking a default strategy with lower investment management costs that has no allocation to private markets. The strategies are the same except for the removal of the 15% private markets allocation, which is allocated to equities instead. Both strategies have a comparable level of climate integration, but larger contributions to real-world decarbonisation are achieved via the private markets allocation.

Selected climate-driven investments include wind and solar farms, forestry, battery technology, climate insurance and social housing. These investments seek to manage systemic climate-related risks, and contribute to energy security for the UK. Beyond environmental projects, the Cushon Sustainable Investment Strategy seeks to ensure better outcomes for members by improving their standard of living in retirement. This includes investment in the technologies and medicines that will be used in the future.

Below we show the asset allocation for the Cushon Sustainable Investment Strategy's growth phase, and the investments that constitute both of our default strategies:



Mandate	Manager	Integration of climate-related risks and opportunities
Global Equities	Macquarie	- Investments are screened based on the UN Sustainable Development Goals ('SDGs') alignment, removing companies that have a negative impact on the UN SDGs. - Immediate reduction in scope 1 & 2 greenhouse gas emissions of 60%, with a further 7% p.a. ongoing reduction. - Increases exposure to companies with green carbon revenues, e.g. from low carbon products and services. - Reduces exposure to companies that carry significant carbon risk

		Screens out companies involved in controversial weaponry and serious breaches of the UN Global Compact.
	J.P.M. Mansart	This mandate was established in 2025 and currently reflects the same strategy as the Macquarie/Solactive index.
Bonds (Corporate Bonds)	Lombard Odier	- Invests in issuers which contribute to a reduction in global CO2 emissions and the eventual achievement of net zero by 2050. - May invest in sectors with a high carbon footprint today, but where the company is expected to adapt to the climate transition successfully. This can present opportunities as these companies may be excluded by other investors who only look at emissions in the present. - Screens out companies that derive more than 10% of revenue from sources which the manager believes are detrimental to ESG factors. - Targets a 50% reduction in greenhouse gas emissions by 2030, and net zero by 2050. Aim to achieve this through investing 10%+ to “green” investments and reducing the investments in “red star” assets to below 30% compared to its benchmark.
	LGIM	- Rule-based approach to scoring companies based on their ESG factors. These scores are utilised to apply a weighting to companies within the index, favouring those with strong ESG integration. - LGIM consider transparency as a factor alongside ESG factors, deciding that the quality of a firm’s disclosures are as material as the disclosures themselves. - Through their parent company’s membership of the Net Zero Asset Owner Alliance, LGIM has publicly committed to helping clients transition their assets in line with global pathways towards net zero by 2050.
	Wellington	- Focuses on high impact issuers across 3 core impact areas (Life Essentials, Human Empowerment, and the Environment), with key performance indicators measuring each investment’s level of impact. - Targets a 50% reduction in greenhouse gas emissions by 2030, and net zero by 2050.
Bonds (Multi-Asset Credit)	NinetyOne	- The NinetyOne framework involves investments being assessed against 9 core sustainability themes (climate change, pollution and waste, natural capital, social capital, product liability, corporate behaviour, regulatory risk, governance). - At least 50% of the portfolio to be achieving net zero, aligned to a net zero pathway, or aligning to a net zero pathway according to the Transition Alignment Framework by 2030.
Private Markets	Schroders	70% of investments meet positive climate impact criteria, with the manager having discretion to invest the remaining investments in other SDG-aligned investments. - Includes investments in areas such as renewable energy and infrastructure, sustainable transport, climate-related technology, and forestry, which all play a role in reducing emissions.
	Aviva Investors ¹	Has a dual mandate of a financial return, but also to generate high quality carbon credits. These credits are

		created via projects that remove carbon from the atmosphere. This will include reforestation, afforestation, peatland restoration, mangrove plantations, carbon capture technologies, and biodiversity improvements.
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¹Currently there are no investments in the Aviva Carbon Removal Fund, with deployment expected across 2026

Where the Scheme is invested in pooled funds, the Trustees have considered how the investment managers take climate change into account. This first occurs during initial assessment of an investment opportunity, or in negotiation of the Trustees investment in a fund where they might request enhanced integration. Sustainability is a key factor in the Trustees assessment of an investment opportunity. Secondly, on an ongoing basis, the Trustees take into account the managers' efforts relating to stewardship and engagement.

The Trustees also make available a range of self-select options for members to choose from, based on their own attitude to risk, term to retirement, and investment objective. ESG factors, including climate change, are integrated as a core element of as many self-select funds as possible, subject to availability of funds within different asset classes. These funds are shown below:

Global Equity	Sustainable Global Equity	Sustainable UK Equity	Sustainable Europe (ex UK) Equity
Sustainable Japanese Equity	Global Impact	Sustainable North American Equity	Sustainable Pacific (ex Japan) Equity
Sustainable Emerging Market Equity	Global Bonds	Shariah	Sustainable UK Corporate Bonds

The Cushon Global Impact Fund included above was in fact closed in 2025. It will not be shown for reporting from 2026 onwards. The decision was made in members' best interests, following a period of careful monitoring in which the performance and process of managing assets was considered. The Trustees also concluded (through consultation with their investment advisor) that the positive environmental and social impacts this fund sets out to achieve, can be better achieved by investing in the Schemes default investment strategy.

The Trustees continue to review these options, considering market and product developments in the ESG fund sector. For 2026, the Trustees aim to onboard additional funds, one targeting social impact and a liquid alternatives fund with sustainable tilts.

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Overview of our approach

In line with regulatory requirements, the Trustees have undertaken climate scenario analysis for the Cushon Sustainable Investment Strategy¹. For the Trustee's 2025 Climate Change report, scenario modelling has been refreshed. Since the last scenario analysis was completed, the Trustees have identified the need to enhance the way that climate risks and opportunities are modelled, to better inform decision making.

The Trustees' aim from undertaking climate scenario analysis is to better understand the risks and opportunities that are facing the portfolio and use that understanding to create a portfolio that is resilient under various climate scenarios. To facilitate this aim, the Trustees have partnered with Transition Risk Exeter (Trex) a commercial spin-out from the University of Exeter that provides climate scenario analysis in a differentiated way. Through this partnership we have been able to model transition and physical risks for the Cushon Sustainable Investment Strategy.



The specifics of this approach are discussed further in the Technical Section of this report, but the models used are the E3ME and Future Technology Transformations models (developed by Cambridge Econometrics). These models analyse the interactions between the economy, energy and environment and they have broader applications in modelling the impact of policies for nations. These models are therefore particularly useful in modelling transition risks.



For physical risk assessments, Trex have partnered with the University of Exeter to perform a bottom-up approach based on 6 hazards (3 acute and 3 chronic) under one "middle of the road" scenario. Hazards are modelled by combining probabilistic hazard intensity models with damage functions and applying this to areas associated with economic activity. This is an area of analysis that was previously unconsidered in our approach to climate risk modelling and it will continue to be developed.



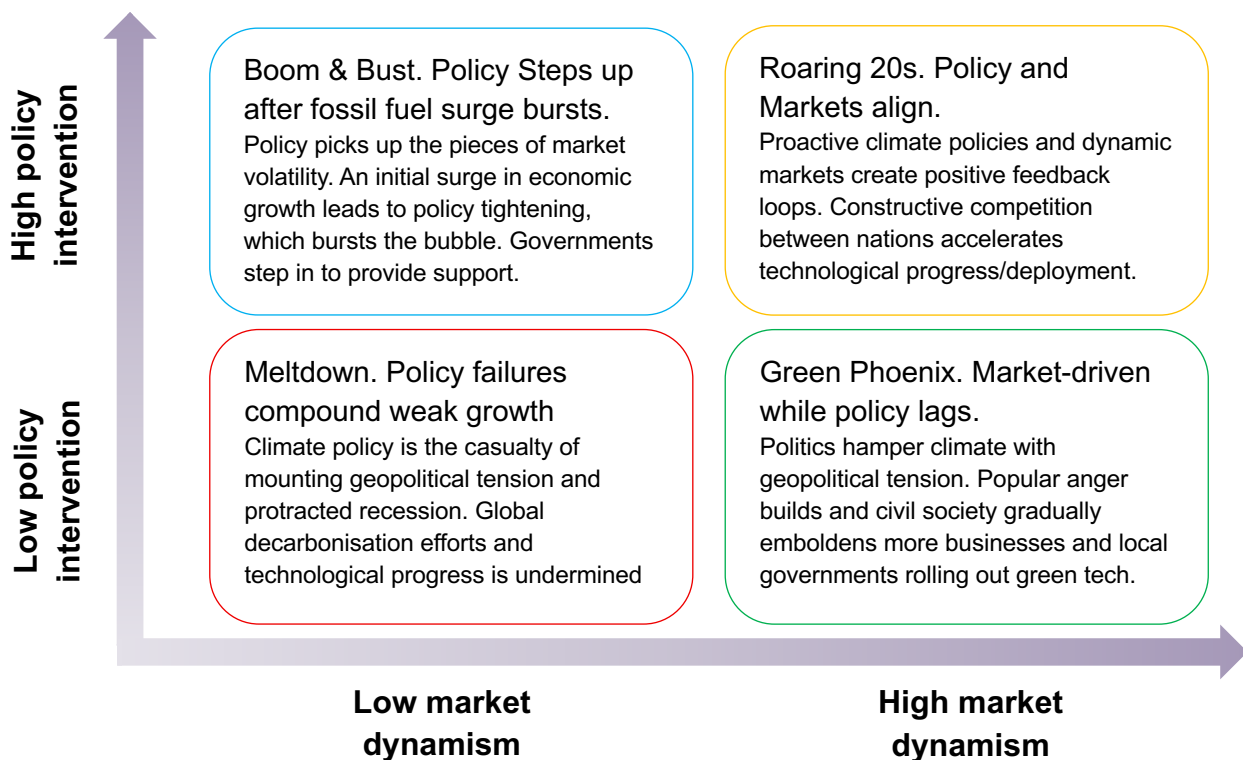
We continue to work with Trex to improve the modelling on the Cushon Sustainable Investment Strategy. For 2026, we are working to include: updated scenarios; the ability to view physical risks alongside transition risks; the inclusion of company asset locations in physical risk assessments.

¹ Scenario analysis is required for strategies that represent at least 10% of assets or £100m, for the Cushon Master Trust in 2025, the Cushon Core strategy was below this threshold, and the Workers Pension Arrangement has been merged into the Cushon Master Trust

Our approach to Transition Risk

The scenarios that have been modelled by Trex are based on the No Time To Lose Scenarios which were developed between Universities Superannuation Scheme (USS) and the University of Exeter in 2023. These scenarios were developed in response to limitations of previous scenarios which failed to consider political and economic transition drivers. The report that discusses these scenarios in more detail can be found here: <https://greenfuturessolutions.com/wp-content/uploads/2023/09/No-Time-To-Lose-New-Scenario-Narratives-for-Action-on-Climate-Change-Full-Report.pdf>

The scenarios that the Trustees have adopted are illustrated below and show varying policy action and market dynamism:



There is also a fifth scenario which is used as a baseline, and this is a continuation of current policies and the current trajectory of the transition to a low-carbon economy (with no mitigation). No new policies are introduced, and the transition to cleaner energy and technologies is slower than required to meet climate goals. Ultimately, society fails to meet net zero targets. This is modelled as a world that eventually heads to 2.5-3°C of warming (approximately, by 2100).

These scenarios have been modelled quantitatively using the E3ME and FTT models. E3ME simulates macroeconomic effects of the transition (onto things like GDP, inflation and interest rates), whilst FTT simulates technology transitions within critical sectors (such as power and

transport). Outputs are at a national and sector level, which are then downscaled to individual companies to assess risk across our portfolio.

The scenarios and the models used are discussed in more detail in the Technical Section of this report.

Our approach to Physical Risk

Due to modelling capacity/constraints, the Trustees' approach to physical risk is based around one assessment, but considers 6 hazards with varying levels of magnitude (i.e. different probabilistic outcomes). Experts from the University of Exeter have employed location-specific GDP data and integrated it with projected simulations of hazard occurrence. This has allowed the Trustees to quantify the potential economic impacts of the physical risks of climate change.

The Trustees believe it is important to take a probabilistic approach to physical risks due to the magnitude and timing of hazards being inherently uncertain. A probabilistic approach allows for analysis under a range of outcomes.

The hazard analysis performed is focused on a 30-year climate window that is centred on 1.5°C of warming occurring by 2035, and c. 2.7°C of warming by 2100 (based on long-term averages). This scenario assumes moderate mitigation with emissions remaining around current levels until 2050 before declining. It is broadly considered a rough alignment to Earth's current trajectory.

The hazards the Trustees have assessed are: floods, tropical cyclones, wildfires, sea level rise, droughts, and heatwaves. The projected impacts of these hazards are overlayed on location-specific GDP data. Company level damages are an assessment of a company's exposure to geographies and sectors.

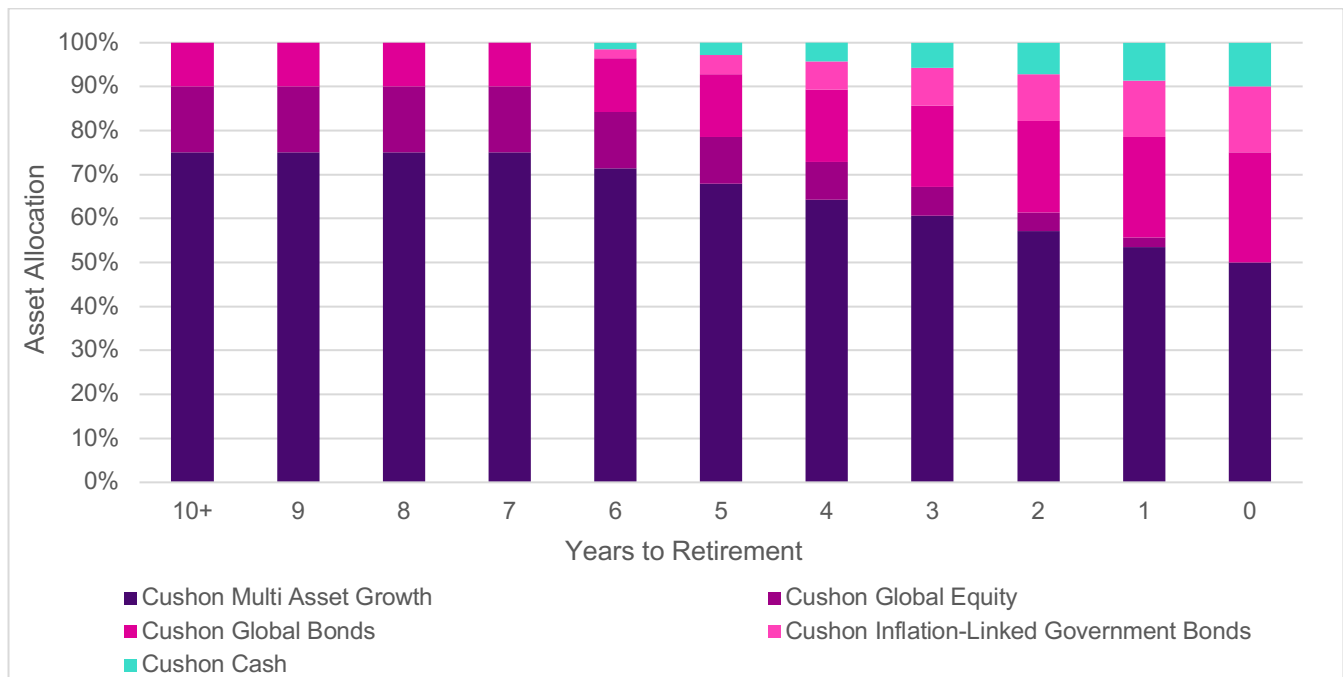
The outcome of this modelling is different extremities of the hazards occurring. With less likely events being of a greater magnitude and therefore having a larger impact on the portfolio.

The approach and models are discussed in more detail in the Technical Section of this report.

Inputs and Outputs of the Modelling

Our Glidepath

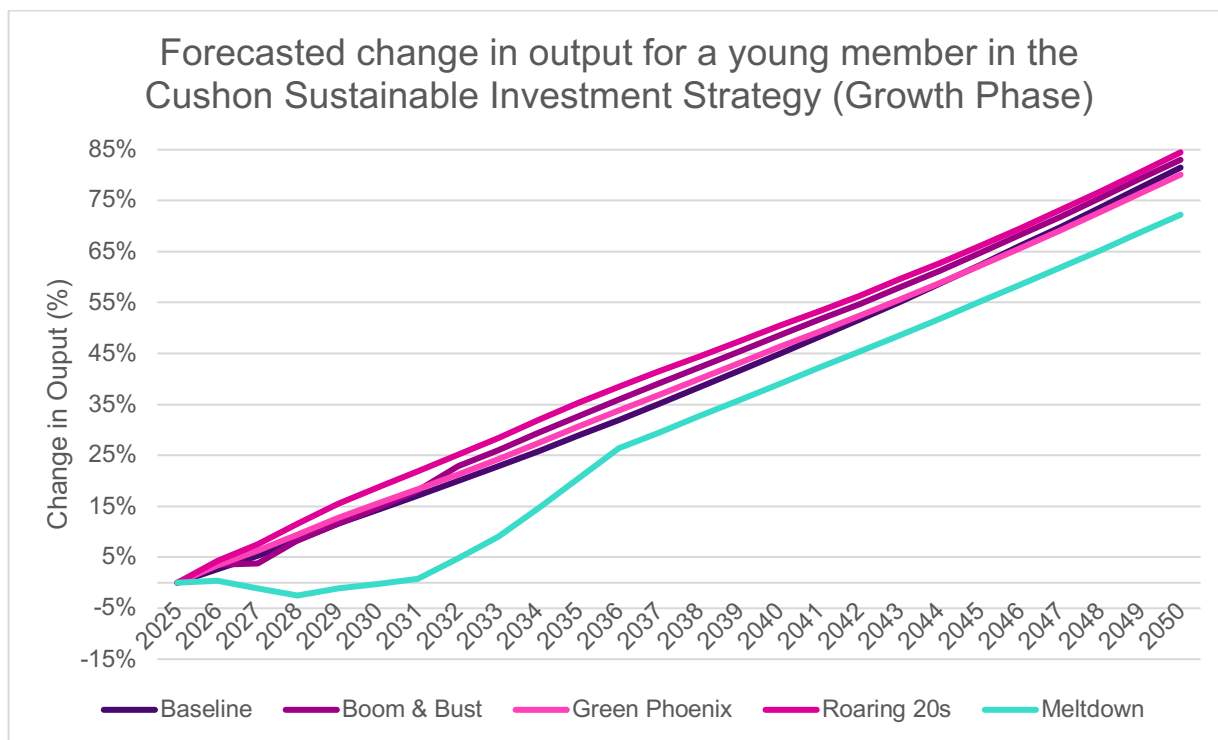
The chart below depicts the Cushon Sustainable Investment Strategy, and a member's de-risking journey. This shows how a member's allocation to assets would change as they approach retirement:



The Trustees have considered the impacts of these scenarios at different stages of the glidepath, but predominantly focused on members in the Growth Stage, and 7+ years away from retirement as this reflects the majority of the Scheme's membership. It also allows Trustees to consider the longest exposure to transition risk for a member that is most exposed to growth assets. Given that the Trustees recognise the importance of considering members at different stages of our glidepath, consideration has also been given to a member that is at retirement.

Transition Risk – Output projections

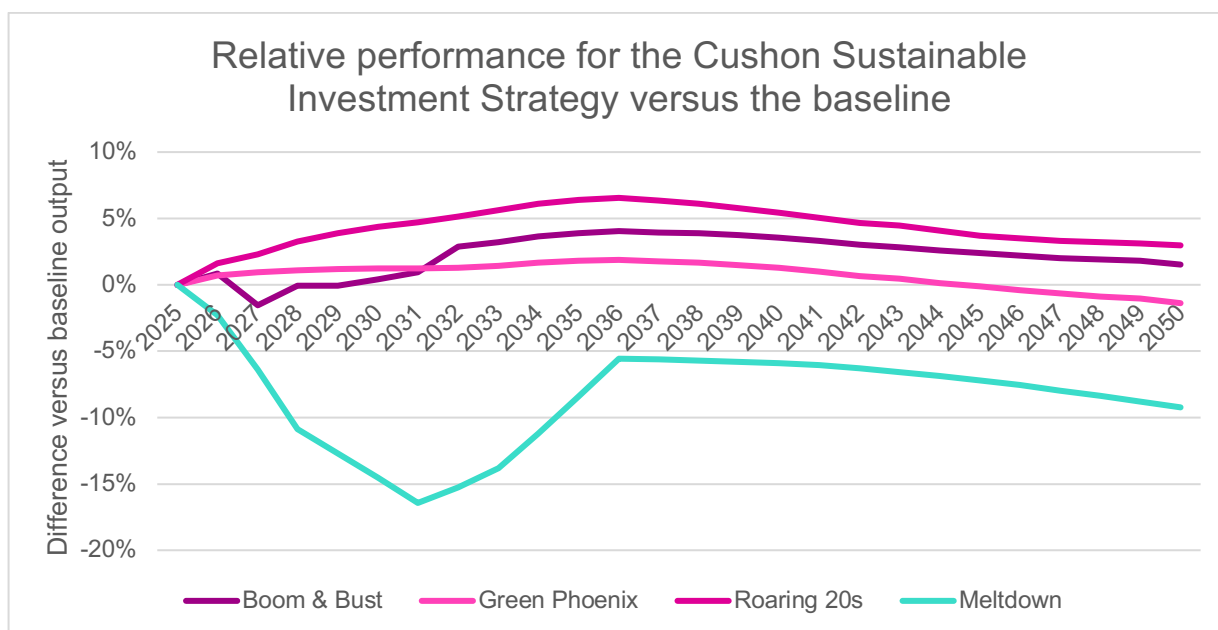
The chart below shows projected outputs for a younger member who is invested in the Cushon Sustainable investment Strategy from 2025 out to 2050. The chart shows cumulative increases in outputs across this time period under each of the scenarios:



Source: Trex

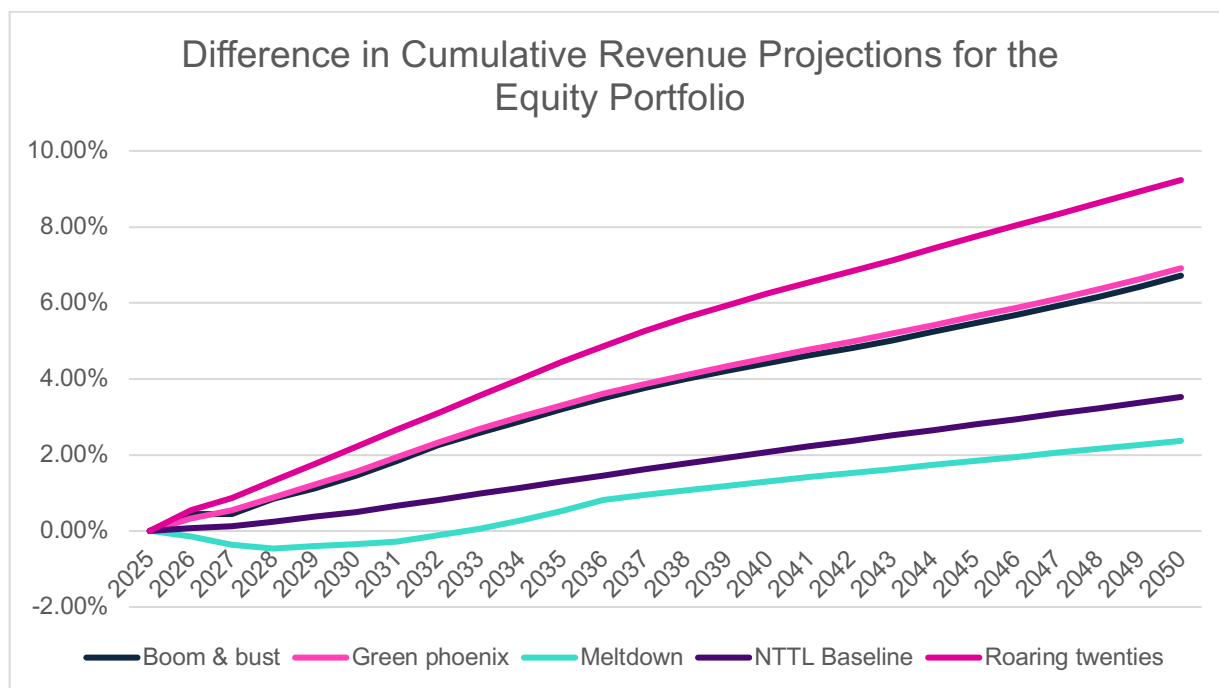
This chart shows a point-in-time climate sensitivity, not a full lifecycle outcome, so it assumes that the member remains in the current allocation. A member at a later stage in their retirement journey would typically hold lower allocations to growth assets and higher allocations to fixed income and diversifying assets.

To visualise performance against the scenario baseline, the chart below considers the difference in returns for each scenario compared to the baseline:



Source: Trex

To provide additional insights, the Trustees have performed additional analysis on the equity portfolio, by comparing outputs of the Scheme's custom index to its benchmark (MSCI ACWI). The chart below shows the difference in cumulative outputs for each scenario:



Source: Trex

What this tells us

From this analysis we can take inferences about areas of the Scheme's strategy that are exposed to more risks in certain scenarios:

- Given the overall projected outputs, there are indications of broad resilience in the strategy under these scenarios, although the Trustees acknowledge that some scenarios exhibit a drag on returns. The Trustees note that there is a general convergence in projected outputs over time as transition risks are priced into asset valuations.
- The strategy as a whole is well positioned in scenarios in which there is ultimately a transition to a low-carbon economy. Implying that the Scheme has managed aspects of transition risk effectively.
- Management of transition risks is further evidenced by the relative outperformance of the equity portfolio (the largest allocation in the growth stage of the default). Under all scenarios, the equity portfolio outperforms its benchmark (MSCI ACWI).
- The Meltdown scenario represents a significant risk to the portfolio with significant underperformance across the portfolio. Given the Cushon Sustainable Investment Strategy is aligned with a low-carbon economy, the lack of transition causes a continuous drag on the portfolio for the time period.
- In the Green Phoenix scenario, the portfolio immediately benefits from the introduction of transition-positive technologies. However, over a longer term there are greater transition risks

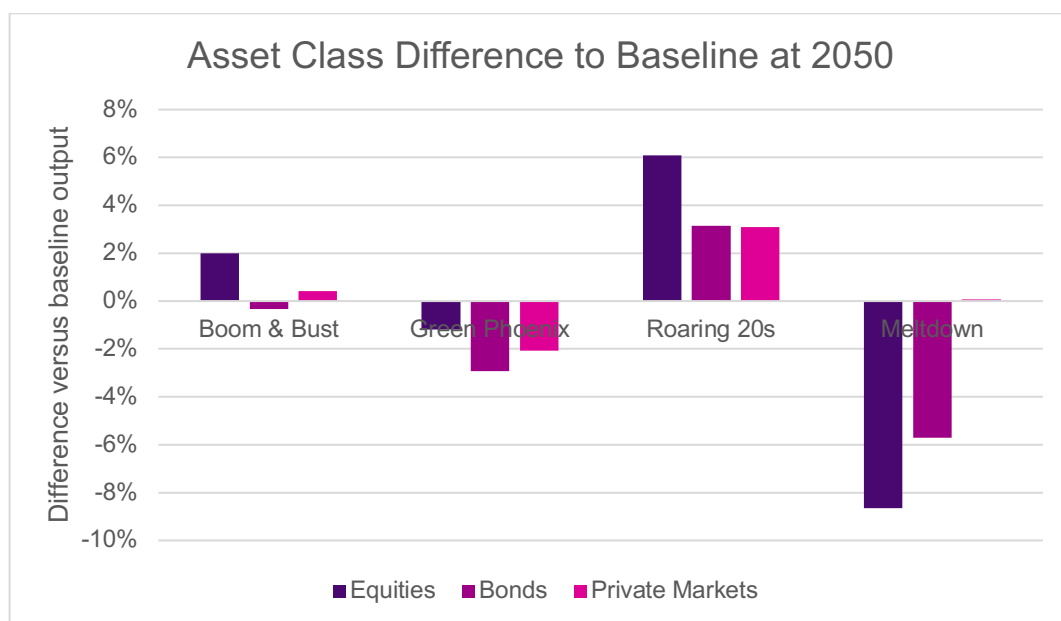
caused by geopolitical tensions, and ultimately this leads to underperformance towards the end of the timeframe.

- The Scheme's assets are also negatively impacted in the short-term by the Boom & Bust scenario. Given the strategy has a lower exposure to energy, it underperforms as the economy surges through the use of fossil fuels, however, as the world transitions, the portfolio stands to benefit over the longer-term.

Transition Risk - Impacts on our allocations

As well as looking at the strategy as a whole, the Trustees have considered the impacts on the building blocks of the growth phase of the strategy. This is to understand the main contributors to each of the outcomes under each scenario.

The chart below shows how each asset class performs versus the baseline as at the end of the modelling. This shows the final difference at the end of the time period modelled:



Source: Trex

What this tells us

- At first glance, the direction of impact is broadly the same across asset classes apart from in the Boom & Bust scenario.
- It is now visible that impacts to equities are lesser in Green Phoenix. This is expected given the Scheme's equity portfolio has exposure to technologies with green revenues, and the Green Phoenix scenario models positive returns here. However, the geopolitical tensions cause a pronounced drag in bonds and private markets (based on the country of risk – see modelling limitations).
- The portfolio is set to benefit in a Roaring 20s scenario across all asset classes based on positive climate tilts benefitting from various climate policies (carbon pricing, subsidies, fuel taxes etc.).

- The return drag that occurs in the Meltdown scenario is focused in equities and bonds, but most pronounced within equities (the largest part of the portfolio). Private markets demonstrate resilience at the end of the time period (also based on country at risk). This is due to private market exposure being to nations with a higher adaptive capacity that have a better ability at recovering to shocks.

Transition Risk - For members at retirement

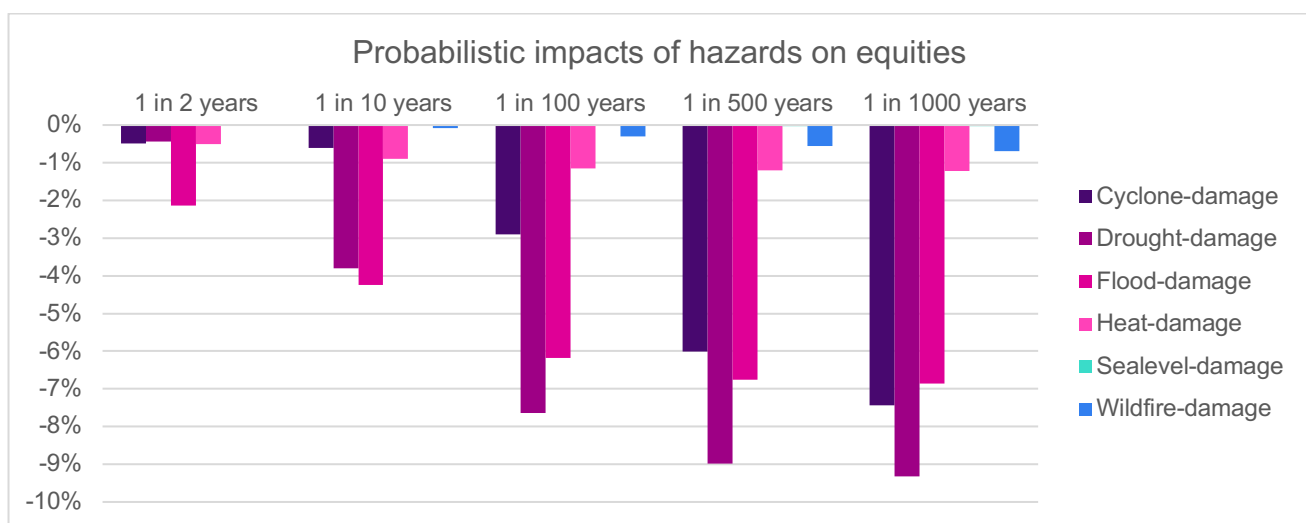
For members at retirement, their exposure to equities and private markets is lower (40% and 10% respectively) and they have greater exposure to bonds and cash. As such, we would expect that they would have more moderate impacts and exposures to transition risks other than in the Meltdown and Green Phoenix scenarios where impacts on bonds are more pronounced.

Through retirement, it's expected that the Boom & Bust scenario would also slightly underperform, due to a lower exposure to equities which would stand to benefit as the economy recovers following a burst in a fossil fuel surge. Given retirement portfolios generally have a lower exposure to risk assets, this is not unexpected.

Physical Risk – Probabilistic impacts

This year, the Trustees have also been able to model the impacts of physical risks on part of the Scheme's portfolio. This is not something that has been considered before in any detail and marks an important step in improvements in climate risk modelling.

The graph below considers the impacts of different hazards with varying levels of severity, at warming that is projected for 2035. This has been considered for the equity portfolio. The varying severity is represented by the likelihood of an event within a given time period. For example, a 1 in 2-year shock has a 50% likelihood of occurring in any given year. A 1 in 500-year shock has a 0.2% chance of occurring in a given year and represents a hazard of much greater magnitude.



Source: Trex

This probabilistic impact assessment allows Trustees to consider which hazards the Scheme is most exposed to, and how these impacts could increase as warming increases and greater shocks become more likely. From these outputs we can see that by 2035, the Scheme's assets are most exposed to drought and flood damage, and more extreme cyclones would have a large impact as well.

Outputs from the Trustees' modelling with Trex has also provided an overview of potential impacts on a country-by-country basis. The Trustees have used these outputs to create the below heatmap of physical risk exposures for countries where they have significant exposure (at least 1% of the Sustainable Investment Strategy growth phase).

Country (% exposure)	Tropical Cyclone	Drought	Heatwave	River flood	Sea-level rise	Wildfire
United Kingdom (12%)						
United States (55%)						
Japan (5%)						
China (3%)						
Taiwan (3%)						
Canada (2%)						
Switzerland (1%)						
Germany (3%)						
France (2%)						
Italy (1%)						
Netherlands (1%)						
Sweden (1%)						
South Korea (1%)						
Australia (1%)						

Source: Trex, Bloomberg

	Low GDP impact		Moderate GDP impact		High GDP impact
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This is in keeping with the analysis of the individual hazards of the equity portfolio, in which drought, floods and more extreme tropical cyclones have an outsized impact on the portfolio.

The Trustees have not considered the impact of physical risks for members at retirement as there is limited data availability to model the physical impacts on bonds and index-linked gilts. This is an area that the Trustees are seeking to improve for future reports.

As this analysis develops, the Trustees will seek to incorporate physical risks into investment decision-making, perhaps reducing exposure to countries of higher risk, or performing enhanced assessments of company resilience. This is a growing area of focus across the industry, and the Trustees will monitor developments in this area, and work with partners to develop analysis.

Assumptions and Limitations of the Modelling

In discussing the outputs of the scenario analysis, the Trustees were mindful of key limitations in the modelling. It is important to remember that this is an analysis of extremes that is used to assess risks that the Scheme could be exposed to. Given uncertainty and assumptions that underly the modelling, some caution should be taken in analysing the results.

Transition risks

Within the transition scenarios, Trex have made various assumptions about the impact on different macroeconomic variables. Expert judgements have been taken from climate scientists and experts within financial services. This includes judgements about a plausible range of extreme outcomes under each scenario. Within the structure of the models, there are also assumptions about the behaviour of the economy in response to changes in critical variables.

For the Trustees' own analysis, some proxies and assumptions have been taken to model different asset classes. The majority of Trex's modelling has been focused on the impacts on countries and macroeconomic variables. Outputs from this modelling have been downscaled to equities and the impacts on companies and their outputs. The Cushon Sustainable Investment Strategy also has allocations to bonds and private markets, which have been more difficult to emulate using Trex's models.

As a proxy, the analysis for bonds considers the impact on the equity of the issuer of the bond. Where this has not been available (e.g. for private issuers of public bonds), proxies have been taken to the country of risk. This can reduce the insights as it does not connect to the specific sectors, and therefore technologies, which have simulated changes in the modelling.

Similarly, the impact on private markets has been modelled as the impact on the country where investments are situated.

Physical risks

The approach taken by Trex models the impacts of hazards across the globe. The shocks that are applied are to GDP, which has been mapped to different areas of the globe. Company revenues and profits are also mapped to different areas of the globe. As such shocks from hazards in a specific location impact the revenues and profits associated with a specific location.

This approach means that the impacts on physical assets are not currently considered, nor is asset significance or supply chain disruptions.

It is also important to note each hazard has been modelled independently, so there have been no considerations of co-occurrence or the compounding effects of hazards. For example, there is likely to be a larger shock from the impacts of a cyclone striking an area that has already been impacted by a flood event.

Looking Forward

The scenario analysis completed for this report has helped identify areas of the strategy that are more resilient to climate risk, and how it may be exposed in other ways. Undoubtedly, the analysis has highlighted that the scheme is better aligned with a transition to a low-carbon economy and is less resilient in the event of a failed transition. This highlights the need to improve resilience via investment in other areas (such as adaptation assets). The Trustees will consider the results of this analysis in future iterations of the Climate Change Report.

Whilst the Trustees recognise that the Scheme has taken significant steps in the approach to scenario analysis, they also recognise that there are still iterations needed to improve the understanding of climate-related risks and opportunities.

Firstly, the Trustees are aware of new scenarios which are currently being developed by Trex which will cover a broader range of outcomes. These scenarios aim to contribute towards decision usefulness.

Secondly, the Trustees are seeking a way to combine the impacts from a transition and physical risk perspective to give a holistic view of portfolio impacts. It is expected that this will be feasible in the modelling in 2026.

As noted above, the approach to physical risk also doesn't consider the impacts on the physical assets of companies. To combat this, Trex are onboarding an asset location database that can be used to enhance the outputs of physical risk modelling.

The ultimate aim of this exercise is to use the analysis in portfolio design, and to make investment decisions that consider the climate-related risks that the portfolio is exposed to. To this end, Trex are seeking to distil the outputs of their modelling to create a risk metric that captures a company's resilience to transition and physical risk in multiple scenarios. The Trustees hope to use this metric to target opportunities and tilt away from areas of higher climate risk.

Risk Management

Describe the organisation's processes for identifying and assessing climate-related risks.

Climate Risk Framework

As well as staying abreast of market developments through training and industry engagement, the Trustees seek advice from their advisers and receive presentations from investment managers on climate-related risks. The Cushon Investment Office also has deep knowledge of climate-related risks and opportunities and plays a key role in ensuring these are incorporated when developing the Scheme's investment strategy.

As stated previously in this report, the Scheme has three dimensions to its climate risk framework, portfolio decarbonisation, real-world decarbonisation and portfolio risk-return resilience. These elements are considered in how the Trustees identify and assess climate-related risks across the portfolio. The table below demonstrates different elements that map to each facet of the Trustees' climate risk framework:

Portfolio Risk/ return Resilience	• When deployed, the Scheme's commitment to natural capital will provide a positive correlation to carbon prices, which are expected to rise and drag equity valuations in various transitions. • Across equity and bond investments, the portfolio is focused on investing in companies that are transition ready, providing resilience to a changing system.
Real-world Decarbonisation	• The Scheme's commitment to natural capital will actively remove carbon from the atmosphere providing real-world decarbonisation. • Within private markets, the Trustees are invested in renewable infrastructure that represents real economy decarbonisation. • Via stewardship and engagement, our managers influence companies to set decarbonisation targets.
Portfolio Decarbonisation	• The Trustees' equity portfolio embeds significant decarbonisation targets. For 2025, an 80% reduction in the scope 1+2 carbon intensity had been achieved versus a 2022 composite benchmark. • Each of the Trustees' investment managers in the bond fund have decarbonisation targets in line with the Paris agreement

The Trustees are seeking to increase their portfolio risk/return resilience as previously mentioned in this report. In 2026 the Trustees are hoping to distil outputs from scenario analysis to a risk metric that will indicate a company's physical and transition risk. To increase risk/return resilience, this metric will be used in portfolio design.

Climate Impact Dashboard

For previous reporting periods, the Trustees utilised a climate risk and opportunities dashboard focused on different asset classes. For this reporting period, the Trustees have leveraged Trex outputs from scenario analysis on key economic variables. This is to align approaches in how the Trustees consider the impacts of climate risks and opportunities under various transition scenarios.

Rather than considering asset classes specifically, this more in-depth assessment allows the Trustees to consider how the broader macroeconomic environment may be affected by climate risks.

The Trustees will use the outputs from this dashboard to aid discussions over investment decisions. For example, the Cushon Investment Office is considering a proposal for inflation protection given the neutral or negative impacts that are expected to occur to inflation under various transition scenarios.

Scenario	GDP growth	Inflation	Interest Rates	Equity Returns	Volatility
Roaring 20s	Positive economic impact	Neutral economic impact	Neutral economic impact	Positive economic impact	Positive economic impact
Green Phoenix	Positive economic impact	Neutral economic impact	Neutral economic impact	Positive economic impact	Neutral economic impact
Boom & Bust	Neutral economic impact	Neutral economic impact	Neutral economic impact	Neutral economic impact	Negative economic impact
Meltdown	Negative economic impact	Negative economic impact	Positive economic impact	Negative economic impact	Negative economic impact

Positive economic impact

Neutral economic impact

Negative economic impact

This dashboard will be updated on an annual basis. For 2026, we expect to reflect updated scenarios as described in the Scenario Analysis section of this report.

Describe the organisation's processes for managing climate-related risks

Investment Managers

The Trustees delegate day-to-day management of the investments to investment managers, so the Trustees rely on the investment manager to undertake management of climate-related risks on an ongoing basis. The Trustees are responsible for selecting and monitoring investment managers, with support from their investment adviser, and the Cushon Investment Office. The Trustees have assessed the climate capabilities of each of the investment managers appointed when designing the Cushon Sustainable Investment Strategy (and by extension the Cushon Core Investment Strategy).

Often a manager is being explicitly considered due to their climate strategy, in keeping with the Trustees aims to build a portfolio that achieves each of the elements of their climate risk framework. This is reflected in the relevant section above.

The table below outlines various considerations that are discussed when assessing investment managers, either in due diligence or on an ongoing basis. The investment managers are assessed on an annual basis based on how they are acting as stewards of the Scheme's assets (discussed more under Stewardship Activity):

Assessment Category	Example Evaluation Criteria
Investment Approach	• Are the fund's climate objectives quantifiable with interim targets set? • Are climate factors/considerations clearly integrated into the fund's due diligence process and ongoing investment analysis?
Risk Management	• Is there a firm-wide policy or commitment on climate change? • Does the manager have a dedicated individual within the ESG team with responsibility for oversight of the climate change policy
Voting & Engagement	• Is climate change incorporated in the fund's stewardship priorities? • Can the manager provide a case study example demonstrating effective engagement on climate-related issues?
Reporting	• Does the manager undertake forward looking climate scenario modelling and is this published in quarterly reports? • Is climate-related data independently verified?
Collaboration	• Can the manager provide evidence of engagement with the wider community on climate change?

Stewardship activity

The Trustees recognise the role of stewardship in driving change and aiding the transition to a lower carbon economy. As noted above, the voting and engagement activity of each investment manager within the Cushon Sustainable Investment Strategy (and by extension the Cushon Core Investment Strategy) has been assessed as a part of the Trustees' investment manager selection process.

The Trustees have set stewardship priorities which are regularly communicated to their investment managers, to highlight areas the Trustees expect managers to vote and engage on. These stewardship priorities are:

- Climate alignment – decarbonising and minimising emissions
- Climate adaptation
- Biodiversity risk and management
- Labour rights including modern slavery
- Diversity and inclusion (on boards in particular)

On an annual basis, the Trustees will prepare an Implementation Statement that is published on the Cushon website and included within the Scheme's annual report and accounts. This includes an overview of each investment manager's approach to stewardship and voting and engagement

information relating to the Trustees' stewardship priorities. The Implementation Statement for 2025 is published alongside this report and includes further details of the Scheme's stewardship activities throughout the year.

It is the Trustees' intention that the investment managers appointed to manage the Scheme's assets will share similar responsible investment beliefs, and therefore any voting and engagement by them with underlying companies are expected to be in line with the Trustees' investment beliefs and stewardship priorities. The Trustees deem votes directly associated with their stewardship priorities to be 'significant'. The Trustees expect their investment managers to have effective voting and engagement policies and processes in place, including a set of actions that can be undertaken should companies not meet various ESG expectations (i.e. escalation policies).

Cushon will use the above information on the investment managers to perform an annual assessment of their stewardship activities on the Trustees' behalf. This is shared with the Trustees to help identify any areas of concern and allow for easier escalation. For example, where investment managers have acted against the Trustees' stewardship priorities, the Trustees may wish to engage with the investment manager directly and discuss concerns. Details of the above approach can be found in the Trustees' Stewardship Policy: <https://www.cushon.co.uk/files/cmt-stewardship-policy.pdf>

Further to this activity, in 2025, the Trustees have started to explore how to partake in policy engagement in order to help manage climate-related risks at a system level. The Trustees recognise that under current policies, the world is unlikely to transition to a low-carbon economy within a reasonable degree of warming. As such, the Trustees recognise their duty as an asset owner to engage with policymakers and will seek to influence policies that further the transition. The Cushon Investment Office will support the Trustees to deliver their first steps in climate policy engagement in 2026.

This follows from the Trustees work in 2025 with Eversheds Sutherland, that delivered a legal opinion stating that trustees can reasonably consider members' standard of living in retirement as a financial factor. This means that trustees can explicitly take into account UK specific investments (including climate change protections, and renewable technologies) as part of their fiduciary duty. This work was publicised alongside representatives from HM Government, which endorsed the opinion as a way to support UK businesses.

Risk Register

The Trustees review the climate-related considerations in the Scheme's risk register at least annually, and details of parts of the risk register are noted below as an example. The Trustees consider the likelihood, impact, ownership and any mitigation actions that have been and/or are being taken, with each risk scored according to its likelihood and potential impact pre and post mitigation.

For risks with a combined likelihood / impact score of greater than 15, these are designated as “key risks” and there are additional controls in place to ensure these risks are managed to the appropriate level. A “key risk” would lead to a review to assess whether the risk can be further mitigated and how much of the risk can be accepted. Whilst climate change is recognised as one of the most significant risks for the Scheme, none of the below risks have been highlighted as “key risks”. This is due to both the controls in place, and the long-term nature of climate risks reducing the near-term likelihood.

Risk	Description	Control
Responsible Investing	Risk of investment strategy deviation from the Trustees investment beliefs	Investment beliefs are documented and advice received from the investment adviser. Due diligence carried out on investments ensures that the strategy is developed in keeping with those beliefs. Investments undergo ongoing monitoring with regular engagement with managers to ensure that strategies continue to be aligned with beliefs. Trustees consider all relevant legislation, take independent advice and act under their fiduciary duty when developing their investment beliefs.
	Risk of ESG (Environmental, social and corporate Governance) not being factored into investment decisions	Advice on investment fund selection and retention received from the Trustees' investment adviser who carries out Operational Due Diligence on their recommended funds at outset and on an ongoing basis. This factor is considered within the investment adviser risk management framework, as they identify and manage risks which impact investment outcomes. This factor is integrated into fund selection and monitoring. Responsible Investment Policy has been put in place. ESG is covered within the Statement of Investment Principles and both documents are monitored on an ongoing basis. The Trustees are members of the Occupational Pension Stewardship Council (OSPC).
Climate Change	The Trustees do not comply with the requirements of The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021	Project plan and governance framework in place and being monitored. Trustee training has taken place (latest 20 Jan 2023). Advice from authorised Investment Adviser, Isio, is being received. Regular Trustee meeting agenda item.
	Climate change impacting investment returns	Advice being received from authorised Investment Adviser. Scenario testing has been agreed and monitored on an ongoing basis with tracking towards net zero. MI tracking to be received regularly
	Reputational risk including failing to meet stated climate targets and/or net zero target ambitions	Advice received from authorised investment adviser. Cushon Investment Office completes annual checks on climate metrics, with support from the investment adviser.
	Risk of climate targets impacting overall performance of the portfolio by restricting investment in certain areas or concentrating investment in others	As a part of the construction of the Equity Portfolio, tracking error may be restricted so that it cannot be too high above the market benchmark. The overall strategy is also reviewed every three years to assess the asset allocation and approach to sustainability.
Financial Sustainability	Environmental Lobbyist activity - Poorly informed activities causing targeted and consequential real	Responsible Investment Policy has been put in place and is monitored on an ongoing basis. The Trustees make clear their Responsible Investing policies and

	world disruption and actual physical damage	ensure these meet the rational expectations of members and society.
	The risk that the movement in stranded carbon will impact the economy and as a result - Scheme investment valuations	Responsible Investment Policy has been put in place and is monitored on an ongoing basis. Climate-related risk and management has been incorporated into the Trustees' investment beliefs, Statement of Investment Principles and Responsible Investment policy. All policies are monitored on an ongoing basis.

Looking Forward

The Trustees have improved the way they identify, assess and manage climate risks through their collaboration with Trex and its associated institutions. However, the Trustees recognise that there is still more to do to consider some of the risks that the Scheme may be exposed to. From a climate perspective, the Trustees hope to model and interpret some of the risks that the Scheme would be exposed to as a result of Earth crossing irreversible climate tipping points (which would significantly change climate patterns and weather events).

More broadly, the Trustees are hoping to consider a wider range of sustainability issues that may be facing Scheme members including nature risks and social factors. In turn this will impact the Trustees' approach to risk management. As mentioned above, the Trustees are also seeking to increase their stewardship activities via engagement with policymakers. This may influence how the Trustees manage specific risks going forwards.

Metrics and Targets

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

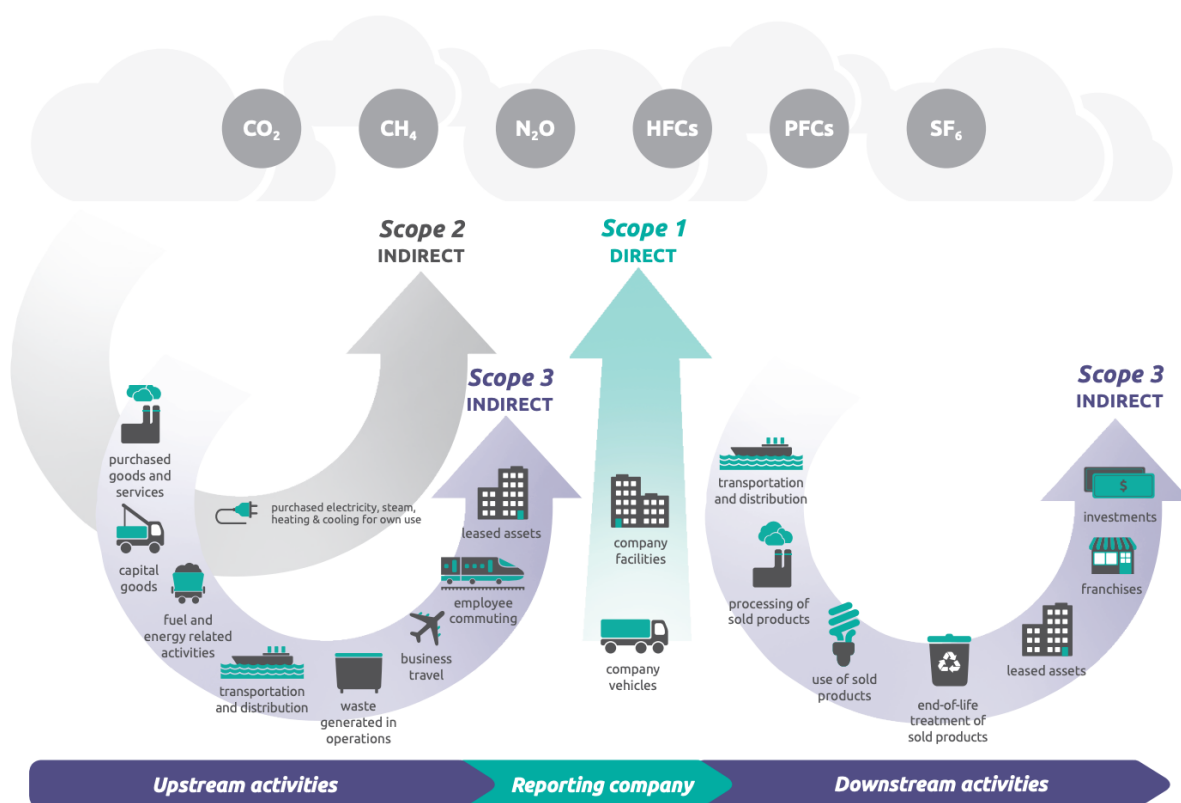
In this report, the Trustees have reported on four metrics based on the partnership for Carbon Accounting Financials (“PCAF”) framework, which are also in line with the recommended DWP guidelines. In previous submissions, the Trustees have reported on data quality - the availability and veracity of reporting emissions data. For this year’s report, the Trustees have amended this slightly to cover transition and physical risk data, in line with their refreshed scenario analysis completed for 2025. Data coverage for emissions data is still included within the Technical Section.

	Metric	Definition	Unit of Measurement
Absolute emissions metric	Total greenhouse gas emissions (scope 1, 2 and 3).	Total amount of greenhouse gas ('GHG') emissions emitted by the fund's underlying portfolio companies, attributed to the investor based on the total investment in each company	CO ₂ e (Tonnes of CO ₂ equivalent emissions)
Emissions intensity-based metric	Carbon footprint (scope 1, 2 and 3).	An intensity measure of emissions that assesses the level of greenhouse gas emissions arising from a £1 million investment in a company	CO ₂ e/\$m invested
Portfolio alignment metric	Implied Temperature Rise (ITR)	The temperature pathway the mandate aligns to, expressed as a projected increase in global average temperatures by the end of the century	°C
Additional climate change metric	Climate risk data coverage	The availability of physical and transition risk data generated using non-linear models under credible climate scenarios. For each risk we will assess the level reported, proxied/estimated and unavailable	% Coverage

The Trustees report on all three scopes of GHG emissions. The definitions of each scope is noted below:

- Scope 1 are direct emissions from company owned or controlled sources – this includes heating/cooling of offices/factories and fleet vehicles
- Scope 2 are indirect emissions from purchased energy – emissions are created during the production of energy which is eventually used by the company
- Scope 3 are all indirect emissions that occur in the value chain – this includes emissions from the production of purchased goods and services and the use of sold products. There are ongoing industry-wide issues with accurately reporting scope 3 emissions

The infographic below (from the GHG Protocol) demonstrates the different greenhouse gases, the scopes and their sources:



The Trustees are reporting on their “financed emissions”, which are the emissions associated with their investments across the portfolio. Generally, this is calculated as:

$$\Sigma \left(\text{Investment Value} / \text{Company EVIC} \right) \times \text{Overall Company Emissions}$$

Where EVIC is Enterprise Value Including Cash, and is calculated as a company’s market capitalisation of equity, preferred shares and total debt.

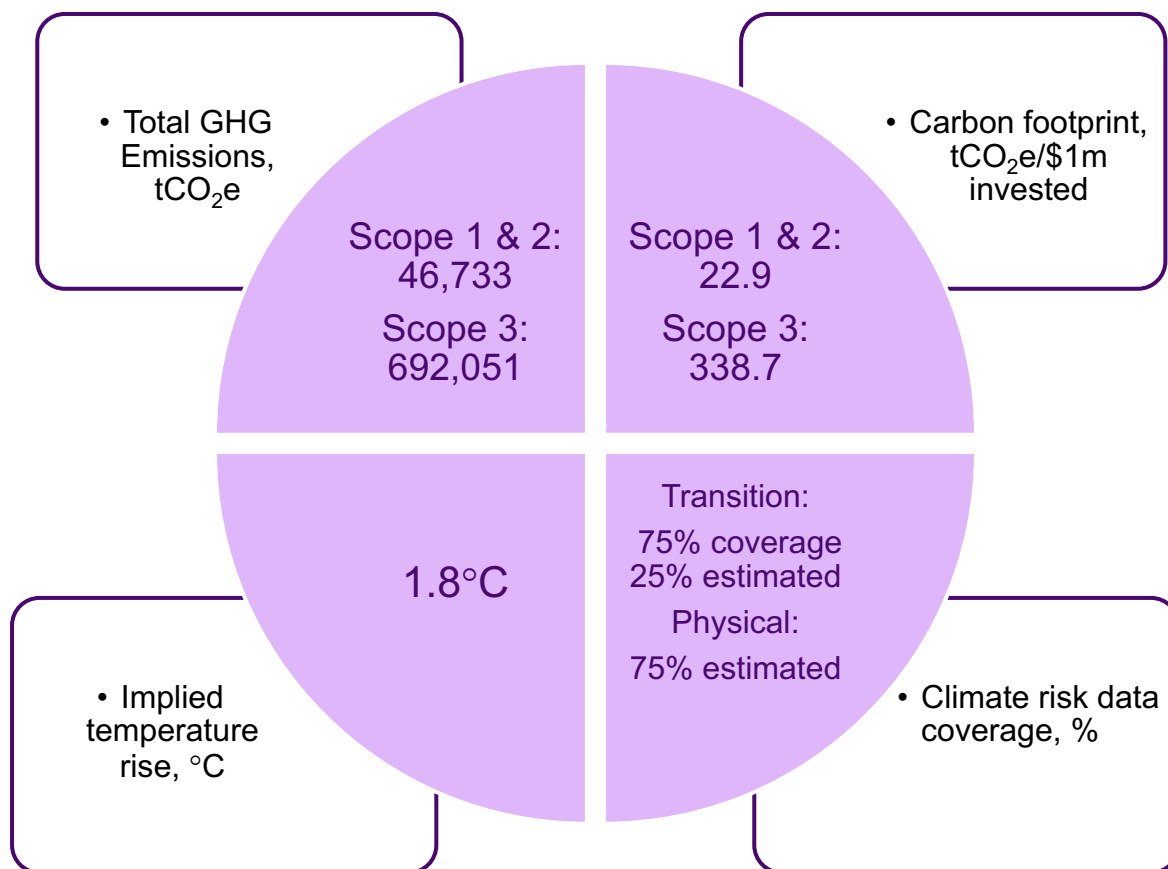
The ITR of a mandate is calculated using projected emissions compared to the global budget for emissions to keep global warming within a given temperature. The budget is determined on global scale and then split across sectors and assigned to individual companies based on their market share of a sector. This metric translates forward looking emission pathways into a single temperature score that implies the global warming trajectory of an investment portfolio by 2100.

The Trustees have also opted to report on various metrics that the Scheme has achieved through their investments. This is to demonstrate the different facets of their climate risk framework and to highlight contributions the Scheme’s strategy has made to combatting systemic climate risks and improving members’ standard of living in retirement.

Metric	Definition	Unit of Measurement
Emissions avoided	GHG reductions achieved by providing products/services that replace higher-emission alternatives	CO ₂ e
Waste treated	Amount of waste treated to manage/reduce/transform, to minimise the environmental impact.	Tonnes
Renewable energy generated	Total amount of energy created from renewable sources, measured in megawatt-hours (MWh), i.e. the amount produced in 1 hour of operation.	MWh/per annum

Disclose scope 1, scope 2, and if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks

The Trustees have calculated the designated metrics for the Cushon Sustainable Investment Strategy as of the 30th of September 2025. The diagram below shows an overview of the metrics for the growth phase:



The table below shows a breakdown of the Scheme's carbon intensity by fund and by retirement phase. The default lifestyle strategy involves a gradual 7 year de-risking period, transitioning into a drawdown ready portfolio that includes index-linked gilts and cash. The allocations below reflect a member's allocation as they reach retirement The JPM Morgan Mansart equity mandate, and the Aviva Carbon Removal Fund are not included in this analysis as there were no assets in these funds at the time of analysis (30th of September 2025).

Fund	Growth Phase	Carbon intensity (scope 1&2 tCO ₂ e/\$m invested)	Retirement Phase	Carbon intensity (scope 1&2 tCO ₂ e/\$m invested)
Macquarie True Index	75%	14.6	40%	14.6
Schroders Climate+	15%	53.4	10%	53.4
Lombard Odier Target Net Zero	2.5%	44.9	6.25%	44.9
Wellington Global Impact	2.5%	7.9	6.25%	7.9
NinetyOne Multi Asset Credit	3.2%	72.2	8%	72.2
LGIM Future World Corporate	1.8%	17.0	4.5%	17.0
LGIM Index Linked Gilts	0%	-	15%	54.1
LGIM Cash	0%	-	10%	44.8
Total	100%	22.9	100%	33.6
Total (2024)	100%	19.0	100%	53

A breakdown of the ITR of the Cushon Sustainable Investment Strategy (growth phase) is shown in the table below:

Fund	TrueIndex	Climate+	Wellington	Lombard	LGIM	NinetyOne
ITR	1.7	2	1.9	1.9	2.2	2.1
Coverage %	100%	100%	65%	100%	81%	50%

Finally, for this scheme year, the Trustees are also beginning to report on additional metrics, as mentioned above. These metrics all come from the Trustees' private markets portfolio for 2025.

Metric	Impact	Equivalence
Emissions avoided (tCO ₂ e)	118,859	62,000 cars removed from roads for 1 year
Waste treated (tonnes)	11,036	Annual household waste for 27,000 UK homes
Renewable energy generated (MWh/per annum)	32,991	Enough to power 12,000 UK homes for 1 year

Key takeaways

- The carbon intensity of the Cushon Sustainable Investment Strategy's growth phase has increased since 2024 to 22.9 tCO₂e/£m versus 19 tCO₂e/£m in 2024. This is a moderate

increase and reflects the fact that carbon intensity of the private markets portfolio has increased (through the construction of renewables projects and significant investment across the year). It is also worth noting that the wider economy is not decarbonising at the same rate. This can make it more difficult to find decreases in emission intensity without increasing risk through overweight allocations to specific sectors.

- The carbon intensity of the entire Cushon Sustainable Investment Strategy portfolio (covering all assets across growth and de-risking phases), has also been calculated. This is 15 tCO₂e/£m and is lower due to significant decarbonisation within our equity portfolio, and there being a larger exposure to equities when you consider the portfolio as a whole.
- Whilst intensity has decreased, absolute emissions has increased. This is a byproduct of the fund growing substantially in size, partly through the transfer of assets from the Workers Pension Trust, which has now been consolidated into the Scheme.
- Absolute emissions have also increased as a result of further deployment in private markets. Emissions have been higher here as a result of carbon-intensive activities to construct renewable infrastructure. It is expected that the transition to a low-carbon economy will require the use of carbon-intensive activities, and this is evidence of this. Over the longer term the Trustees expect emissions to decrease in this area of the portfolio.
- Whilst the Scheme's private markets allocation has contributed to an increase in carbon metrics, the Trustee's also note that this area of the portfolio has begun to increase the impact achieved. In particular the emissions avoided, that would have been generated via energy creation using fossil fuels, dwarf the emissions generated as a result of the Trustees' investment.
- The implied temperature rise of the portfolio has decreased to 1.8°C. This is mostly driven by a reduction in the equity portfolio to 1.7°C from 2°C in 2024. Equities represent the largest allocation in the portfolio, and as such a decrease here contributes substantially to a fall overall.
- Two of the Scheme's bond managers continue to exhibit larger carbon intensity figures, this is due to the manager's investing in high emitters with credible decarbonisation pathways (thus supporting the transition to a low-carbon economy). However, the Trustees note that carbon intensity for these funds has fallen by c. 25% in the year, demonstrating progress on their trajectories.
- The climate risk data coverage is a new metric for the Trustees and reflects the discussions in the limitations of the scenario analysis discussed earlier in the report.

Notes and Assumptions

- For cash and sovereign emission intensity for the LGIM Cash and LGIM Gilt funds, there is no widely agreed methodology for estimating emission intensities for the assets in which

these funds are invested in. The approach used here is to estimate using tCO₂e/\$m GDP for year in question. The Trustees have opted to include this metric for completeness, but caution should be taken when comparing cash/sovereign intensity to other portfolios. The Trustees expect differences to improve over time as more established methods of estimating emission intensities of government bonds and cash funds emerge.

- Data availability for emission metrics remains difficult for private markets allocations, but there has been an improvement in the amount reported 2025. The underlying investment structures of Schroders Climate+ can be complex which can make the sourcing of emissions data inaccurate. For 2025, data has been sourced for 53% of this portfolio, which demonstrates an improvement from 28% in 2024.
- For the implied temperature rise metric, the Trustees relied on a third-party investment manager to model part of the portfolio where it was not reported directly from the manager. For the Climate+ fund, it has not been feasible to model this portfolio due to data availability of illiquid assets. This year, the Trustees have estimated the implied temperature rise as 2°C (versus an estimate of 1.5°C in 2024). This increase reflects the more carbon intensive activities of the investments in 2025. Over the longer-term we expect this to decrease given the fund invests almost exclusively in climate solutions.
- In the preparation of this report, the Trustees have changed the data source for scope 3 emissions. This was previously estimated from Bloomberg, but for this report, data came directly from Macquarie. As a result, methodologies and estimates are substantially different, and as a result no comparison has been made to prior year estimates. In part this reflects the inherent uncertainty in measuring scope 3 emissions accurately.
- The Trustees note that methodologies and best practice will evolve. Therefore short term movements in metrics may be seen as a result; the Trustees' focus will instead be on longer term trends.
- The Trustees may consider additional metrics in the future as data improves and best practice evolves. This includes additional metrics that demonstrate progress towards systemic risk mitigation.

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

In 2022, the Trustees agreed climate targets for the growth phase of the Cushon Sustainable Investment Strategy. These were to achieve an 80% reduction in the emission intensity versus a 2022 baseline by 2030, and to be net zero well in advance of 2050 (depending on decarbonisation trajectory of the wider economy). Last year the Trustees reported that they had achieved their 2030 target and had decarbonised by 84% (to 19 tCO₂e) and noted that the target would be maintained given that emission intensity can fluctuate.

In 2025, the Trustees have reported an increase in the carbon intensity for the Cushon Sustainable Investment Strategy's growth phase to 22.9 tCO₂e. Despite increasing, this represents an 80.6% reduction versus the 2022 baseline. Following the consistent achievement of this target, the Trustees have taken the opportunity to review their approach to climate targets.

Across 2025, the Trustees have reviewed their climate strategy and have been seeking to better embed their climate risk framework that was established in late 2024. As discussed above, this framework considers portfolio decarbonisation, real-world decarbonisation and portfolio risk/return resilience. Using this, the Trustees have opted to establish three climate targets/commitments for each area of their climate risk framework. These are:

1. **Risk-Return Resilience:** We aim to secure access to detailed data to better measure our portfolio's economic exposure to transition and physical risks under credible climate scenarios, using non-linear models across public and private asset classes. By 2027, we target improved coverage for the growth stage of the default and to include this data in portfolio design.
2. **Real-World Decarbonisation:** By 2030, we aim to avoid at least 500,000 tonnes of CO₂ emissions via investment in renewable infrastructure, thus supporting the transition to a low-carbon economy and contributing to UK energy security.
3. **Portfolio Decarbonisation:** For the growth stage of our default strategy we aim to maintain a portfolio that has a scope 1+2 carbon intensity (tCO₂e/£m invested) approximately 60% lower, and up to 80% lower, than our composite benchmark as of 2022. We will review our approach to decarbonisation on an annual basis.

The Trustees will also maintain their broader ambition to achieve net zero well in advance of 2050, but this remains dependent on the decarbonisation of the wider economy.

Risk-Return Resilience

This target reflects the Trustees' aims to better measure the climate risks that the portfolio is exposed to. Whilst the Trustees have begun to use outputs from their partnership with Trex in scenario analysis, ultimately the aim is to embed the risk analysis within investment decision making.

Currently there is need for estimation and proxied data for parts of the portfolio across both physical and transition risks. The Trustees recognise that because of this it is limited in its use for investment decision-making across the portfolio.

Within bonds, proxies for holdings have been reflected as risk associated with the issuer or country of risk. Within private markets, money market instruments have not been modelled, and other investments have been proxied via the country of risk.

For all of the portfolio, physical risk assessments do not include asset location data, and proxies have been taken based on company activity, rather than the physical location of company assets.

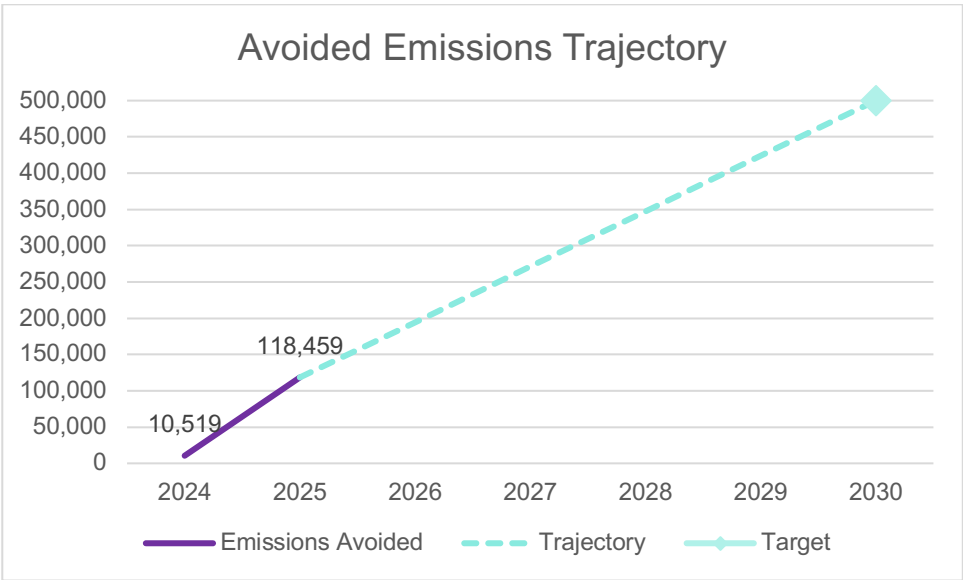
Across 2026 the expectation is that there will be a broader asset class coverage, and additional data points that are specifically tailored for investment decision-making. To facilitate this, the Trustees will continue to partner with Trex and iterate outputs to best reflect the risks facing the portfolio.

Real-World Decarbonisation

This target reflects the Trustees aims to tackle systemic climate risks and improve members' standard of living in retirement. The Trustees have begun reporting associated metrics for this report, of which avoided emissions is one of them. Given the Trustees significant investment in renewable infrastructure, it is expected that the strategy will continue to provide positive contributions.

The cumulative avoided emissions for the Cushon Sustainable Investment Strategy is currently 128,978 (across 2024 and 2025), solely from the Schroders Climate+ fund. Across 2026, the Trustees anticipate further emissions to be avoided via renewable infrastructure.

Future investments may also support this target, as the scheme develops its investment strategy and commits to other areas across asset classes and markets. The chart below demonstrates progress and the ultimate target:



Portfolio Decarbonisation

The Trustees have predominantly focused on portfolio decarbonisation since 2022, as demonstrated by achievements in 2024 and 2025, however there is a growing concern that

portfolio decarbonisation does little to combat climate change in the real-world. After all, portfolio decarbonisation can be achieved through the exclusion of high emitting assets from a portfolio, but this does not decarbonise the assets.

Portfolio decarbonisation also does little to protect the portfolio from climate-related risks. No resilience is added to the strategy by removing emissions, and ultimately the Trustees have a duty to protect members' retirement pots.

Additionally, as is demonstrated by the Scheme's report on climate metrics for 2025, assets that ultimately decarbonise the planet can lead to a temporary increase in emissions. This is not unexpected and it is the role of financial institutions to facilitate the transition (as noted in the Paris Agreement).

This is not to say that portfolio decarbonisation is not important, and it remains one of the three facets of the Trustees' climate risk framework. The Trustees recognise that the portfolio needs to decarbonise along with wider society, and that for many investments there are lower-carbon alternatives. However, there is a conflict in that the Trustees are seeking to manage systemic risks and improve members' standard of living, and doing that (via investing in portfolio resilience) can increase emissions in the portfolio. The Trustees therefore need headroom against the existing level of portfolio decarbonisation to improve resilience.

With all of this in mind, the Trustees believe that a more sophisticated approach must be taken for portfolio decarbonisation. To facilitate the transition, and avoid real-world decarbonisation being restricted by portfolio decarbonisation requirements, the Trustees have opted to set a target that aims for a level of decarbonisation below our composite benchmark of approximately 60-80% lower. This will be measured as a scope 1 & 2 carbon intensity (tCO₂e per \$m invested).

This approach ensures that the Trustees maintain a lower-carbon offering than the broader market and allows for investment in opportunities that ultimately contribute to the transition to a low-carbon economy and seek to mitigate systemic risks to the portfolio.

The Trustees recognise that the accuracy and usefulness of backward-looking emission metrics to tackle forward-looking risks are increasingly challenged in the industry. As such, the Trustees are also committing to review their approach to decarbonisation on annual basis. There is a recognition that our approach may need to evolve as we further incorporate resilience into the investment strategy.

As a result of changes in the portfolio, and the development of the Scheme's strategy, the Trustees have slightly amended their 2022 benchmark so that it is more comparable to the portfolio today. The table below shows our composite benchmark, as of the 30th of September 2022, which will be used for future reporting:

Fund/Asset Class	Strategic asset allocation	Carbon benchmark	Carbon Footprint (scope 1 & 2, tCO ₂ e/\$m invested)
JPM Global Equity	75%	MSCI ACWI	78.06
Private Markets	15%	MSCI ACWI	78.06

Wellington Global Impact	2.5%	Bloomberg Global Aggregate	60.46
Lombard Odier Target Net Zero	2.5%	Bloomberg Global Aggregate Corporates	72.97
LGIM Future World Corporate Bond Fund	1.8%	Bloomberg Global Aggregate Corporates	72.92
NinetyOne MAC	3.2%	50/50 ICE BoA Global High Yield / Global Investment Grade	117.7
	100%		78.67

This allocation reflects the building blocks of the Trustees' default strategy, which houses each of the underlying investments in the Scheme. A broad benchmark has been selected for the private markets portfolio as a pragmatic proxy for the global investable corporate opportunity set. As the strategy develops, the Trustees may amend this benchmark to better reflect the investments within the portfolio.

Conclusion

Climate change stands as the paramount global challenge, and actions today will define the future for many generations to come. The next few decades will create new risks and opportunities related to climate change, and the Trustees believe it is in the best interests of members to incorporate these factors into the running of the Scheme

The Trustees have designed and implemented default strategies which have climate considerations at their core. For this report the Trustees' have slightly shifted their approach to the measurement of climate-related risks and the integration of climate risk management. The Scheme is now focused on embedding climate resilience and considering how to protect the retirement pots of members through systemic risk management. Considering society's increasing understanding of how these risks may manifest, for example through changes in Earth's systems as a result of climate tipping points, it seems all the more pertinent to shift to an approach of systemic risk management. In addition to this, the Trustees recognise the constantly shifting dynamics of geopolitics that ultimately impact the climate transition and the future of the Scheme's members.

Ultimately, the Trustees are taking into consideration the world that members are retiring into. This means trying to mitigate the systemic risks and investing in opportunities that will benefit members in their retirement. Many of these are interlinked with climate change, but there is also consideration of nature (via natural capital), and social issues. Through 2026, the Trustees will continue to invest in opportunities that will support members in line with their long-term membership horizons.

With refreshed targets and a new approach to managing the climate risks within the strategy, the Trustees are well positioned to build strategies that are resilient under different climate scenarios. However, the Trustees are aware that these risks are constantly changing and require constant assessment. In next year's report the Trustees aim to expand their understanding and increase resilience across the portfolio.

Technical Section

Scenario Analysis

The Trustees have changed their approach to scenario analysis for the 2025 Climate Change Report. Both the scenarios used and the approach to modelling have now changed from the 2024 approach.

At a high level, there is no guarantee that actual outcomes will fall within the range of simulated results, and the results could be better or worse than what is shown. The modelling results are also inherently uncertain and based in assumptions. Changes to these assumptions can have a material impact on the outputs. There can also be no guarantee that any particular asset class or investment manager will behave in accordance with the assumptions.

Transition risk

The new modelling approach uses two models to simulate the impacts of climate change on global economies. The first of these models is the E3ME model developed by Cambridge Econometrics. This is a global macroeconomic model designed to analyse the interactions between the economy, energy and the environment. It is demand driven and incorporates imperfect competitions. It assesses policies like carbon pricing, energy subsidies and green investments by integrating sectoral and regional data. The model also accounts for feedback loops between economic activity and environmental policies.

The E3ME model makes macro-level projections for key variables based on parameters that are estimated from historical data (as opposed to being imposed by economic theory). This allows the model to capture real-world complexities, such as how businesses and consumers respond to policy changes. Due to this approach, the model can face limitations where the underlying data is weak. This is likely to occur in more niche areas and regions of modelling, but also occurs in some areas of international trade where data is less granular

The second model is the Future Technology Transformations (FTT) model, which is a simulation-based framework within E3ME that projects the adoption and diffusion of technologies across sectors. This model differs from traditional models as it incorporates real-world investment behaviours, including bounded rationality, market inertia and learning effects. Traditional models assume cost-optimisation, rational decision-making and perfect foresight.

FTT does not rely on historical data, as it is based on simulation and evolutionary economics. It uses input data of costs, adoption rates and learning curves to model technology diffusion. This allows the model to project variables such as electricity generation and energy resource demand, in a non-linear way. Where more emerging technologies are modelled, FTT can be more sensitive to data assumptions (such as on adoption rates) due to incomplete or uncertain data.

Together, these models help to model the non-linear and uncertain nature of ESG risks, as opposed to the previously used integrated-assessment models which could understate the risks and be unable to highlight opportunities.

Scenarios

The scenarios adopted for the modelling are based in the No Time To Lose scenarios, published by USS and the University of Exeter in 2022. They have been refreshed for modelling completed in 2025. These scenarios are based in narratives that attempt to capture plausible futures in terms of policy and market developments. The previous scenarios used (which were based in the NGFS scenarios) were risk-based and attempted to highlight different levels of physical and transition risk based on different sets of assumptions.

The use of narratives allows for a more realistic approximation to real-world events and leads to consideration of macroeconomic variables (based in historical data). The aim is to model systems, interdependencies and feedback loops. This is particularly important for climate change that represents a systemic risk to portfolios.

The scenarios are based in the shorter-term and longer-term results are extrapolated out based on a continuation of assumptions used in short-term modelling. The shorter-term focus on modelling allows for outputs that are better aligned to investment decision-making.

The table below shows how key macroeconomic variables have been considered in the scenarios for 2026-2030. Historical and projected analysis has been completed to identify these ranges, with consideration of the qualitative overlays:

	GDP	Inflation	Interest Rates	Equity Returns
Roaring 20s	2.5-5% with relatively steady profile	2-4%	2.5-4.5%	5-15% with strong cumulative returns
Green Phoenix	1-4% with a more volatile profile	2.5-5%	2.5-4.5%	5-10% with lower cumulative returns
Boom & Bust	2-4%	1.5-5%	0.5-6%	20-30% with low cumulative return
Meltdown	2%	2-7%	0-5%	-20% to -10% with negative cumulative returns

Physical risk

The approach to physical risk considers the impacts under the SSP2-4.5 pathway. The SSPs are the Shared Socioeconomic Pathways defined in the UN's Intergovernmental Panel on Climate Change. These pathways are climate change scenarios that project socioeconomic global changes up to 2100.

The modelling considers a bottom-up probabilistic approach that looks at physical locations on the planet. Probabilities are created via probability density functions applied to hazard intensity time series. The time series are generated based on 30-year intervals of climate model outputs (pooled together and ranging from 120years to 570years of impacts). The outputs from multiple climate models are used for each individual hazard that has been modelled.

The hazards that we have assessed are as follows:

- Floods (acute): Models the Earth on a 4km x 4km grid scale, providing varying flood depths and their economic impacts
- Cyclones (acute): Models the Earth on a 10km x 10km resolution, looking at maximum sustained wind speeds and the associated damages
- Wildfire (acute): Models the Earth on a 25km x 25km resolution, looking at the annual burnt area of the planet and the associated damages
- Sea level rise (chronic): A 4km x 4km resolution of coastal flood depth and varying impacts
- Drought (chronic): Models an index that shows the onset, duration and magnitude of drought conditions on a 25km x 25km grid scale
- Heat (chronic): Models a heat stress index on a 25km x 25km resolution that determines the potential for heat impacts (on health and activity)

Company level damages have been derived from their sectoral and country-level exposure to GDP losses, with hazard damages weighted towards different sectors. The modelling approach used considers the physical impacts by 2035, and is scenario agnostic.

Physical hazard modelling is inherently uncertain and there is no guaranteed way of predicting the time and severity of any hazard. This is why a probabilistic assessment is appropriate and demonstrates a range of possible outcomes. Each hazard has been modelled independently, so there is the potential for larger impacts to be shown if there is a co-occurrence of hazards.

Metrics and Targets

Data for metrics has been sourced directly from investment managers. The total GHG emissions numbers have been adjusted to account for coverage. The metric tCO₂e represents “Tonnes of Carbon Dioxide Equivalent”, which expresses the impact of each different greenhouse gas in terms of the amount of CO₂e that would create the same amount of warming. For LGIM Gilts and LGIM CASH, the metric tCO₂e/\$1m GDP was used due to complications with calculating \$m invested of a sovereign. Consequently, scope 3 data for these funds was not available. Percentages may not add to 100% due to rounding. Data as at 30th September 2025, 2024 data was at 30th September 2024.

Cushon Sustainable Investment Strategy (growth phase) – as at 30th September 2025

Fund	Total GHG Emissions (tCO ₂ e)		Carbon Footprint (tCO ₂ e/\$1m)		Data Quality					
					% of scope 1 & 2 emissions that are:					Scope 3 cov. (%)
	Scope 1+2	Scope 3	Scope 1+2	Scope 3	Verified	Reported	Est.	Unavail.	Covered	
True Index (75%)	10,298	681,148	6.7	444.5	0%	95%	5%	0%	100%	90%
Climate+ (15%)	16,376	48,923	53.4	159.6	0%	53%	10%	37%	64%	64%
Wellington (2.5%)	404	9,276	7.9	181.6	0%	77%	3%	20%	80%	80%
Lombard (2.5%)	2,299	18,389	44.9	360.0	0%	80%	16%	4%	96%	96%
LGIM (1.8%)	626	16,720	17.0	454.6	0%	92%	1%	8%	92%	92%
NinetyOne (3.2%)	4,721	39,621	72.2	606	0%	31%	69%	0%	100%	94%
Total	34,724	814,078	17.0	414.4	0%	86%	8%	6%	94%	86%
Total (2024)	12,032	N/A*	19	N/A*	0%	75%	15%	10%	90%	88%

Fund	TrueIndex	Climate+	Wellington	Lombard	LGIM	Ninety One	LGIM Gilts	LGIM Cash
ITR	1.5	2	1.86	1.9	2.2	2.1	2.1	2.1
Coverage %	100%	100%	63%	100%	81%	50%	100%	43%
Actual allocation %	78.75%	7.60%	2.78%	2.78%	2.00%	3.56%	1.51%	1.02%

Cushon Sustainable Investment Strategy (total portfolio) – as at 30th September 2025

Fund	Total GHG Emissions (tCO ₂ e)		Carbon Footprint (tCO ₂ e/\$1m)		Data Quality					
					% of scope 1 & 2 emissions that are:					Scope 3 cov. (%)
	Scope 1+2	Scope 3	Scope 1+2	Scope 3	Verified	Reported	Est.	Unavail.	Covered	
True Index	12,768	844,511	6.7	444.5	0%	95%	5%	0%	92%	90%
Climate+	9,803	29,287	53.4	159.6	0%	53%	10%	37%	64%	63%
Wellington	530	12,181	7.9	181.6	0%	77%	3%	20%	80%	80%
Lombard	3,018	24,147	44.9	360.0	0%	80%	16%	4%	96%	96%
LGIM	822	21,956	17.0	454.6	0%	92%	1%	8%	92%	92%
NinetyOne	6,200	52,027	72.2	606	0%	31%	69%	0%	100%	94%
LGIM Gilts	1,971	n/a	54.1	n/a	0%	100%	0%	0%	100%	0%
LGIM Cash	1,102	n/a	44.8	n/a	0%	74%	0%	26%	74%	0%
Total	36,214	999,195	15.0	418.5	0%	88%	8%	4%	96%	85%

Cushon Core Investment Strategy (total portfolio) – as at 30th September 2025

Fund	Total GHG Emissions (tCO2e)		Carbon Footprint (tCO2e/\$1m)		Data Quality					
					% of scope 1 & 2 emissions that are:					Scope 3 cov. (%)
	Scope 1+2	Scope 3	Scope 1+2	Scope 3	Verified	Reported	Est.	Unavail.	Covered	
True Index	178	11,791	6.7	444.5	0%	95%	5%	0%	92%	90%
Wellington	6	140	7.9	181.6	0%	77%	3%	20%	80%	80%
Lombard	35	278	44.9	360.0	0%	80%	16%	4%	96%	96%
LGIM	9	253	17.0	454.6	0%	92%	1%	8%	92%	92%
NinetyOne	71	599	72.2	606	0%	31%	69%	0%	100%	94%
LGIM Gilts	13	n/a	54.1	n/a	0%	100%	0%	0%	100%	0%
LGIM Cash	7	n/a	44.8	n/a	0%	74%	0%	26%	74%	0%
Total	320	13,164	11.5	436.3	0%	91%	8%	1%	99%	87%
Total (2024)	660	3,180	23	110	0%	83%	9%	8%	92%	87%

Fund	TrueIndex	Wellington	Lombard	LGIM	Ninety One	LGIM Gilts	LGIM Cash
ITR	1.5	1.86	1.9	2.2	2.1	2.1	2.1
Coverage %	100%	63%	100%	81%	50%	100%	43%
Actual allocation %	86.10%	2.89%	2.89%	2.08%	3.70%	1%	0.94%

Glossary

Environmental, Social and Governance ('ESG')

ESG factors relate to the external impact that investing in companies can have on wider society, outside of traditional financial factors. There are not only related to the environment and climate change, but also to social issues.

Examples of ESG factors include:

- Environmental:
 - Climate Change
 - Resource Depletion, including water
 - Waste and pollution
 - Deforestation
- Social
 - Working conditions, including slavery and child labour
 - Local communities, including indigenous communities
 - Conflict
 - Health and safety
 - Employee relations and diversity
- Governance
 - Executive pay
 - Bribery and corruption
 - Political lobbying and donations
 - Board diversity and structure
 - Tax strategy

TCFD

The Financial Stability Board established the Taskforce on Climate-related Financial Disclosures (TCFD) to develop recommendations for effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions. In turn this enables stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks

The TCFD was disbanded in December 2023 having been deemed to have completed it's work. However, the TCFD recommendations remain relevant for climate-related disclosures by organisations globally.

The TCFD was committed to market transparency and stability. The TCFD believed that better information will allow companies to incorporate climate-related risks and opportunities into their risk management and strategic planning processes. As this occurs, companies' and investors' understanding of the financial implications associated with climate change will grow, empowering the markets to channel investment to sustainable and resilient solutions, opportunities and business models.

The TCFD's disclosure recommendations are structured around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets. These thematic areas are intended to interlink and inform each other.

UN Sustainable Development Goals ('UN SDGs')

The UN has set in place 17 goals, intended to be achieved by 2030, which encourage collective action towards a better and more sustainable future. These are a series of globally accepted norms that allow investors and companies to align interests.

Net Zero

Net Zero is defined as where released emissions into the atmosphere are equal to those emissions taken back out of the atmosphere, through the application of nature-based solutions, man-made technology or the purchase of carbon offsets.

Carbon Offsets

Companies reduce their net greenhouse gas emissions through purchasing carbon offset credits. This involves investing in projects which aim to avoid emissions (e.g. renewable energy) or remove carbon from the atmosphere (e.g. reforestation). These projects generate carbon credits, where a single credit is equivalent to 1 tonne of CO₂e being removed from the atmosphere. This means that companies can reduce their overall carbon footprint without reducing the carbon intensity of their business practices.

Avoided Emissions

Avoided emissions are greenhouse gas reductions that occur outside a product's life cycle or a company's direct operations, resulting from the use of its goods or services compared to higher-emission alternatives. They represent "emissions that never occur" such as using video conferencing instead of travel, or energy generated via renewable means instead of through the burning of fossil fuels. Unlike carbon offsets/removals, this focuses on reducing future emissions.

Cushon calculates avoided emissions via their investment managers who are aligned with guidance from the Partnership for Carbon Accounting Financials (PCAF). Under the PCAF Global GHG Accounting and Reporting standards (part A), avoided emissions from renewable power projects reflect the reduction in emissions compared to what would have been emitted in the absence of a company's renewable energy generation.

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