Taskforce on Climate-Related Financial Disclosures Report

1 January 2025 – 31 December 2025

MRC Pension Scheme

Executive Summary

M.R.C. Pension Trust Limited (company number 01218492), the Trustee of the MRC Pension Scheme ("Trustee" and "Scheme") has prepared the following report in response to statutory disclosure requirements issued in 2021 and the Department for Work and Pensions (DWP) "Governance and reporting of climate change risk: guidance for trustees of occupational pension schemes" (June 2021), which provides guidance on meeting the statutory requirements and is built on the recommendations of the Taskforce on Climate-Related Financial Disclosures ("TCFD"). This report covers both sections of the Scheme – the MRC Section and the Universities Section (together the "Sections"). The Trustee believes that climate change is likely to be a financial risk that will affect all the Scheme's investments to some degree. The regulation sets out four elements that need to be covered in the report and a summary of the Scheme's positions against each element is given below:

Governance

Through the creation of a Climate Change Risk Management Policy in 2022, the Trustee has adopted a governance structure which specifies roles regarding climate change risks and opportunities. Climate beliefs have also been articulated within the Policy. The Trustee has ultimate oversight for identifying, assessing, and managing climate-related risks and opportunities relevant to the Scheme. However, it has delegated day-to-day responsibility for ensuring the Policy is effectively implemented to the Investment Committee ("IC"). The Scheme's investment adviser, Gallagher, supports the IC and Trustee to identify and manage climate-related risks and opportunities, and to integrate Environmental, Social and Governance ("ESG") considerations across the Scheme's investments. There have not been any changes to the governance structure during 2025 and the IC and the Trustee continue to receive training on climate change risks and opportunities, carbon emissions and targets, climate change scenario analysis, and stewardship to help in its understanding of how climate change may impact the Scheme.

Strategy

In the previous year's report, the Trustee refreshed its climate scenario analysis on the Scheme's assets and liabilities to assess the potential impact of climate change under three different climate scenarios, based on Network for Greening the Financial System ("NGFS") assumptions.

Given there have been no material changes to the Scheme's investment strategy since the previous year's report, or any developments in scenario analysis methodology considered sufficiently significant to warrant an update, the Trustee has retained the scenario analysis performed in 2024 for the purposes of this report. The analysis continues to consider the impact of climate change on the Scheme's funding level under each of the scenarios. Under all scenarios, the MRC Section's funding level is projected to fall, while the impact on the Universities Section's funding level is more mixed.

The Trustee continues to view the "Hot House World" scenario as the most relevant scenario for the Scheme, as it has the most severe impact of the NGFS scenarios on the Scheme (when not accounting for longevity), reflecting heightened physical climate risks. Under the "Hot House World" scenario (omitting the longevity impact), the MRC Section's funding level is projected to fall by 8.3% and the Universities Section's funding level is projected to fall by 0.1%. The notable difference in these impacts is explained by differences in the asset allocations between the two sections; primarily due to the MRC Section's larger allocation to assets that are more sensitive to physical risks.

Risk Management

The Trustee recognises the Scheme is exposed to climate change-related risks. It continues to monitor and manage these risks through:

(i) conducting and reviewing the results of climate change scenario analysis;

(ii) receiving climate change reporting from the Scheme's investment adviser (including carbon emissions); and

(iii) expecting the Scheme's investment managers to have sufficient regard for climate change risk within their investments.

Although the Trustee retains oversight of the Scheme's exposure to climate change-related risks, it delegates day-to-day responsibility and monitoring to the IC and external advisers. In 2023, the Trustee also agreed a stewardship policy which formalised climate change as a stewardship priority to help focus the Trustee's understanding and assessment of the stewardship activities of the Scheme's investment managers.

Metrics and Targets

In relation to the Scheme's assets, the Trustee measures the following four metrics:

1. *absolute emissions metric*: Total greenhouse gas emissions of the Scheme's assets;
2. *emissions intensity metric:* Carbon footprint – i.e. total carbon dioxide emissions for the portfolio per million pounds invested;
3. *alignment metric:* Science Based Targets initiative ("SBTi") portfolio alignment - i.e. the proportion of assets invested that are classified as being aligned with the goals set out in the Paris Agreement; and
4. *additional non-emissions-based metric:* Data coverage and quality i.e. proportion of portfolio for which emissions data is available combined with an assessment of the quality of data, based on Partnership for Carbon Accounting Financials ("PCAF") methodology.

For this report, the Trustee has reviewed its chosen metrics and concluded they remain appropriate for now; therefore they have not been changed.

The Trustee continues to report sovereign emissions (i.e. the emissions from the Scheme's Gilt holdings, which have increased in allocation over the year) separately for the absolute emissions metric (metric 1) and the emissions intensity metric (metric 2). In line with DWP Guidance, corporate and sovereign emissions cannot be aggregated for reporting purposes due to different calculation methodologies which reflect the fact that corporate and sovereign economic activity or value need to be measured in different ways. For example, corporate emissions are normalised using each entity's enterprise value, whereas sovereign emissions are based on a country's GDP, adjusted for purchasing power parity. Additionally, as sovereign emissions encompass all domestic economic activity – including that of corporations – combining the two would result in double counting. In order to accurately reflect the Scheme's total emissions and given the sizeable allocation to Gilts within the portfolio, these have been shown separately in this report and it is noted the sovereign emissions do not form part of the Scheme's net zero targets.

In 2022, the Trustee agreed to align the Scheme's investment strategy with the goals of the Paris Agreement, and this is currently reflected in the ambition to reduce the greenhouse gas emission intensity of the Scheme's assets to net zero by 2050. Given this is a long-term target, the Trustee has also set an interim target of a 50% reduction in carbon footprint by 2030 (compared to a baseline as of 31 December 2021).

These targets were originally set on the assumption that the low-carbon transition would occur at a reasonable pace, and the most ambitious goals of the Paris Agreement would remain achievable. As the global transition is currently not on track to achieve this, and the Trustee is bound by fiduciary duty

and the prevailing policy environment, the Trustee recognises that these targets may need to be recalibrated in future. However, the Trustee remains very supportive of rapid decarbonisation to net zero, believing that this is in the best long-term interests of members. Any measures taken should align with the original purpose of the targets, namely to manage climate risk, support effective policy action and achieve real-world impact.

In this context, the MRC Section's carbon footprint (reported in tCO2e/EVIC £m) has decreased slightly in comparison to both the 31 December 2021 baseline of 60 and the 2024 carbon footprint of 53 to 50 as at 31 December 2025 on Scope 1 and 2 emissions. This decrease in carbon intensity has been driven by movements in underlying carbon intensities across the portfolio, including a reduction in one of the Section's equity mandates, alongside reductions in the carbon intensity of the liquid credit and illiquid funds.

For the Universities Section, its carbon footprint (reported in tCO2e/EVIC £m) has also decreased in comparison to the 2024 carbon footprint of 47 and the 31 December 2021 baseline of 66, to 33 as at 31 December 2025 on Scope 1 and 2 emissions, driven by asset allocation changes over the year, including a reduced weighting to equities and the addition of a new lower-carbon-intensity short dated credit fund, which together have lowered the Section's overall carbon footprint.

The Trustee will continue to monitor performance against the interim target and review the suitability of this target on an annual basis.

Contents

Introduction

This report sets out the approach of the Trustee with regard to identifying, assessing, monitoring and mitigating climate-related risks in the context of the Trustee's broader regulatory and fiduciary responsibilities to their members. This is the fourth report produced and is based on the year ended 31 December 2025 (in line with the Scheme's year-end). The report encompasses both the MRC Section and the Universities Section of the Scheme.

The Trustee supports the recommendations set out by the TCFD on the basis that they will allow the Trustee to more closely assess, monitor and mitigate climate-related risks on behalf of members. This report is expected to evolve over time with each disclosure under the framework.

This report has been prepared in accordance with the regulations set out under the Pensions Act 1995, the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and the Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021 ("Regulations") and guidance under the Department for Work and Pensions "Governance and reporting of climate change risk: guidance for trustees of occupational pension schemes" (June 2021) and provides a summary on how the Scheme is currently aligning with each of the four elements set out in the Regulations (and in line with the recommendations of the TCFD). Details on these elements are below:

- **Governance:** The Scheme's governance around climate-related risks and opportunities.
- **Strategy:** The actual and potential impacts of climate-related risks and opportunities on the Scheme's strategy and financial planning.
- **Risk Management:** The processes used to identify, assess and manage climate-related risks.
- **Metrics and Targets:** The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

The following pages summarise the Trustee's current position with regards to the TCFD recommendations.

1. Governance

The Trustee has ultimate oversight for identifying, assessing and managing climate-related risks and opportunities which are relevant to the Scheme.

In 2022, the Trustee created a Climate Change Risk Management Policy ("CCRMP") which documents the Trustee's approach to identifying, assessing, and managing risks specifically related to climate change. The CCRMP details the roles and responsibilities of the Trustee, the IC and the Scheme's external advisers in assessing, managing, and monitoring climate-related risks and opportunities. The CCRMP has been taken into account when producing this report.

The Trustee has delegated to the IC day-to-day responsibility for ensuring that the established policy on climate-related risks and opportunities is effectively integrated into the Trustee's investment strategy, risk management and overall decision-making. The IC discusses and reviews delegated actions at least quarterly and provides the Trustee with updates as appropriate.

The governance structure has not changed over the Scheme year and so the specific roles and responsibilities of the Trustee, the IC and the Scheme's advisers remain the same and are summarised below:

- **Role of the Trustee**
  - Sets the overall investment and funding strategy and objectives, which includes the oversight of identification, assessment and management of climate-related risks and opportunities.
  - Approves climate-related metrics/targets and climate scenario analysis. Following recommendations from the IC, the Trustee is responsible for approving the relevant metrics/targets and scenario analysis to allow climate-related risks and opportunities to be considered when setting the Scheme's funding and investment strategy.
- **Role of the IC**
  - Inform and make recommendations to the Trustee regarding climate-related risks and opportunities where this may result in a change to the overall investment strategy. This can be done directly or via a delegated working group if needed to support the Scheme's alignment with climate regulations.
  - Appoint or terminate investment managers where appropriate in relation to climate-related risks and opportunities.
  - Monitor and engage with the Scheme's investment managers on how they measure and manage climate-related risks (including engagement activities which are carried out on the Trustee's behalf) and how they identify climate-related opportunities as appropriate.
  - Review the output of the Scheme's climate-related metrics and scenario analysis on a periodic basis.
  - Assess the performance of the investment adviser, and other external advisers in assisting the Trustee and IC in managing climate change-related risk.
- **Role of the investment adviser (Gallagher)**
  - Advise on climate-related risks and opportunities including the provision of climate scenario analysis.
  - Review the Scheme's investment managers and portfolio to ensure ESG, including climate-related, risks are appropriately integrated into portfolio management.
  - Climate-related considerations are included in the investment adviser's annual objectives to ensure they take adequate steps to identify and discuss climate-related risks and opportunities.
- **Role of other advisers**
  - The Scheme's actuary estimates and evaluates the mortality impact of climate-related risks and opportunities on the Scheme's liabilities, to feed into the climate scenario analysis.

This TCFD report has been approved by the IC and the Trustee.

The Trustee has articulated its climate-related beliefs as follows:

- **Monitoring climate-related risks and opportunities:**
  - The Trustee believes that climate change is likely to be a financial risk that will affect all the Scheme's investments to some degree. The Trustee integrates the monitoring of climate risk metrics into its wider risk management framework and considers these when making investment decisions.
  - The Trustee is open to exploiting the investment opportunities that climate change and the steps needed to combat it may bring.
  - The Trustee believes that seeking to align its investment strategy with achieving the goals of the Paris Agreement, which include limiting global temperature increases to well below 2°C, ideally 1.5°C, by the end of this century, is appropriate in the context of its fiduciary duty.
  - The Trustee does not believe that it can rely solely on markets to price in climate-related risks quickly or accurately enough. The risks arising from climate change should therefore also be actively managed by investment managers where this is possible and appropriate.
  - The Trustee believes that climate change risk needs to be considered alongside and balanced against other relevant investment risks and considerations when evaluating investments. The Trustee therefore acknowledges that it may not always be able to minimise climate-related risk if doing so would be to the detriment of wider strategic objectives.
- **Engagement**
  - The Trustee believes that engagement (including the exercise of voting rights) is an effective means of helping to manage the Scheme's climate-related risks. Engagement with underlying companies (as well as other relevant organisations) is carried out primarily by investment managers on behalf of the Trustee. Although the IC has oversight of the process, it has delegated management of the engagement process with investment managers to the investment adviser. The IC will consider an investment manager's effectiveness in managing climate-related risks before appointment and will continue to consider this effectiveness as part of its monitoring of investment managers.
  - The Trustee may disinvest from investment managers who are inadequately managing their climate-related risks if attempts to engage with these parties to address this are not successful (subject to the constraints of the investment mandate).

At each Trustee meeting during 2025, the IC reported back to the Trustee regarding key investment matters, including relevant details of any climate-related risks and/or opportunities.

In order to make better informed decisions, both the Trustee and the IC (as appropriate) have received and will continue to receive, regular training on climate change-related risks and opportunities, and on alignment with TCFD recommendations. Training sessions have included:

- climate change as an investment risk and changing regulations;
- climate change-related metrics and targets;
- climate change scenario analysis and portfolio alignment metrics;
- stewardship and how this can be used to manage risks and meet sustainability objectives, including on climate change;
- net zero, including the challenges in achieving this goal and considerations for the Scheme, as well as the usefulness of engagement as a tool to manage climate-related risk; and
- sustainable investment trends, providing a strategic overview of progress on the global and industry climate transition to net zero including how to manage climate risks (particularly physical risk) and how carbon-reduction targets are evolving.

2. Strategy

The Trustee considers climate-related risks and opportunities and their potential implications on the Scheme's investment and funding strategy over the short-term, medium-term, and long-term. The consideration of these factors is incorporated throughout the investment process, from strategic asset allocation to manager selection and portfolio monitoring.

The Trustee acknowledges that each of its investments is exposed to climate-related risks to varying extents, and has identified two specific risks which could impact the Scheme's investment and funding strategy:

- physical risks, i.e. those that arise from both gradual changes in climatic conditions and extreme weather events; and
- transition risks (including litigation risks), i.e. risk of re-pricing which would occur as part of the move to a low-carbon economy.

The Trustee and its investment adviser have and will continue to explore climate-related investment opportunities that are appropriate for the Scheme in terms of their risk-return profile, liquidity and strategic fit within the Scheme's asset allocation; and aligned with the goals of the Paris Agreement (avoiding dangerous climate change by limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C). These include, for example, equity strategies which invest in companies that seek to benefit from the transition to a low-carbon economy. The Trustee believes that investing in such opportunities can be neutral or even positive from a traditional risk/return perspective and is therefore consistent with their fiduciary responsibility.

The Trustee, on an ongoing basis, assesses the impact of the identified climate-related risks and opportunities on the Scheme's investment strategy and funding strategy. In order to assess the impact on the Scheme's assets and liabilities, in 2024 the Trustee refreshed its climate scenario analysis to be based on the NGFS stress test assumptions, following investment strategy changes and developments in scenario analysis methodology and industry practice since the analysis had last been refreshed. The Trustee appreciates that there are still limitations with NGFS scenarios, reflecting the underlying model structures and the assumptions required, and that outcomes should therefore be interpreted as indicative rather than central or predictive. As such, the Trustee will keep abreast of methodologies as they evolve and update this analysis as and when necessary. The stresses combine both physical and transition risks to differing degrees and are designed to show the impact on the value of the Scheme's invested assets and liabilities, and consequently the Scheme's funding level, under the following scenarios:

- **2 degrees Orderly Transition:** Gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C.
- **2 degrees Disorderly Transition:** Assumes annual emissions do not decrease until 2030. Strong policies are needed to limit warming to below 2°C. CO2 removal is limited.
- **Hot House World (NDCs):** Some climate policies are implemented in some jurisdictions, but globally efforts are insufficient to halt significant global warming. The scenarios result in severe physical risk including irreversible impacts like sea-level rise.

Given there have not been any material changes to the Scheme's investment strategy, or developments in scenario analysis methodology since the scenario analysis was carried out in 2024, the Trustee has concluded that the existing analysis remains appropriate for assessing the potential implications of climate-related risks and opportunities on the Scheme's funding position. In coming to this conclusion, the Trustee sought input from its advisers regarding industry developments and alternative methodologies available. In the absence of an industry consensus around a superior alternative, the Trustee and its advisers are comfortable retaining the existing analysis but recognise that scenario analysis modelling continues to be subject to limitations and uncertainty. The Trustee therefore continues to monitor developments in scenario analysis approaches and will consider refreshing the analysis as and when this is considered appropriate.

The results from last year are reproduced below which, for completeness, also consider the funding impact of climate-related changes to liabilities, including potential impacts on longevity (or life expectancy).

Scenario Analysis (excluding longevity impact):

	Change	Orderly Transition	Disorderly Transition	Hot House World
Funding level	**MRC Section**	-4.0%	-4.8%	-8.3%
	Universities Section	1.4%	6.7%	-0.1%

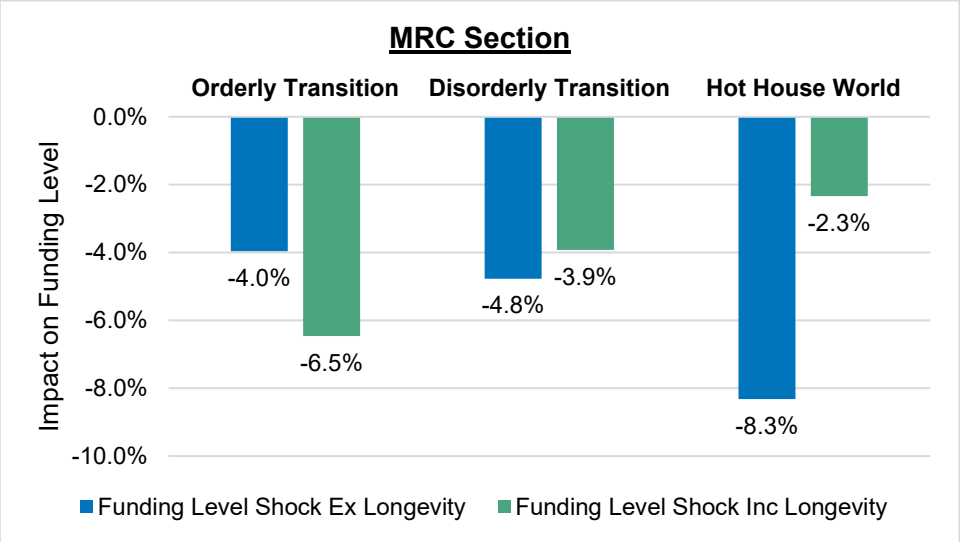
Scenario Analysis (including longevity impact):

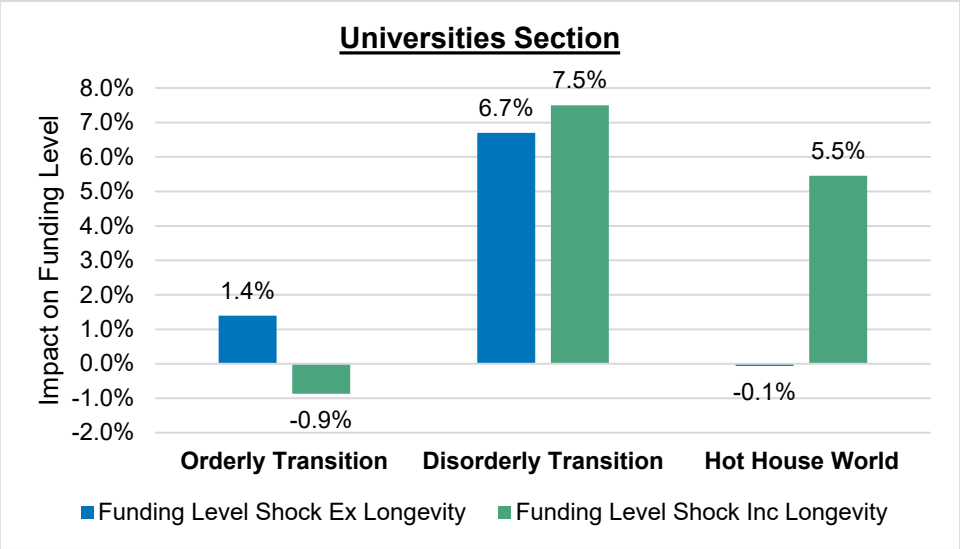
	Change	Orderly Transition	Disorderly Transition	Hot House World
Funding level	**MRC Section**	-6.5%	-3.9%	-2.3%
	Universities Section	-0.9%	7.5%	5.5%

The results of the scenarios provide the Trustee with an overview of how resilient the current investment strategy is with regards to various different climate change outcomes.

- For “Orderly Transition”, the fall in funding level is caused by both transition risk and physical risk.
- For "Disorderly Transition”, the fall in funding level is almost entirely caused by transition risk.
- For “Hot House World”, the fall in funding level is almost entirely caused by physical risk.

The charts below illustrate the results of the scenario analysis, for ease of comparison.





Where the potential impact of climate change on longevity risk (relating to the Scheme's liabilities) is omitted from the analysis, both the MRC Section and the Universities Section experience the largest relative negative impact from the "Hot House World" scenario where the physical risk is maximised (albeit the Universities Section funding level is only projected to fall by 0.1%). This is driven by higher physical climate change risk exposure under the "Hot House World" scenario relative to the other transition scenarios and the impact is relatively larger for the MRC Section due to its larger allocation to assets which are more sensitive to physical risk. Through investing in a way which is aligned with the goals of the Paris Agreement by limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C, the Trustee seeks to mitigate physical risks. Under the "Orderly Transition" and "Disorderly Transition" scenarios, the Universities Section's funding level is projected to increase since the Universities Section's assets fall by a smaller magnitude than its liabilities. This dynamic is a result of the Section's assets' lower sensitivity to physical and transition risks, compared to the MRC Section.

When longevity risk is considered, both the MRC Section and the Universities Section experience the largest negative impact from the "Orderly Transition" scenario. This is driven by the potential longevity stress under the "Orderly Transition" scenario which assumes people will live longer than expected. Given the large number of factors that could affect life expectancy over the longer term, the Trustee is clear that it would be neither prudent nor appropriate to account explicitly for the impact of climate change on liabilities in the strategic decision-making of the Scheme. In summary, given the Scheme's current strong funding position of both Sections (with a funding level of c.151% for the Universities Section and c.166% for the MRC Section measured on the Long-Term Funding Target basis, as at 31 December 2025), the Scheme is well placed to withstand the potential funding impacts that are modelled under these scenarios.

The Trustee notes the assessment of climate-related risks and opportunities may vary depending on the time horizon in question. Given the existing short- and medium-term horizons had begun to converge, the Trustee has agreed to update its approach to defining these periods to ensure they remain appropriate.

The revised time periods, which the Trustee considers appropriate for assessing climate risks and opportunities in the context of the Scheme's objectives are set out below. The Trustee will continue to assess the appropriateness of these over time and will evolve them if required.

	Time horizon
Short term	3 years (in line with the triennial actuarial valuation cycle)
Medium term	10 years (reflecting the period over which investment risk and return decisions are typically assessed, and where both physical impacts and transition-related risks and opportunities are expected to be material)
Long term	30 years (reflecting the period over which physical climate risks are expected to become most impactful)

The Scheme's principal sponsoring employer, UK Research and Innovation ("UKRI"), is a non-departmental public body which receives an allocated budget from the Department for Science, Innovation and Technology ("DSIT"). HM Treasury allocates funding to government departments, including DSIT, through spending reviews and annual budgets. UKRI receives its funding by demonstrating how investment in Research & Innovation can help meet national priorities and create value for money to taxpayers. As such, the Scheme's covenant is supported by committed government funding for research which is reviewed every three to four years.

The Trustee acknowledges that climate-related risks are likely to directly impact the activities of UKRI which may in turn affect the sponsor's ability to support the Scheme. Based on the information currently available to the Trustee, it is difficult to assess this potential impact. Any adverse effects would, however, be mitigated by the Scheme's current funding position which means it is less reliant on its sponsor for funding past service liabilities.

In addition, the Trustee recognises the UK economy is exposed to climate-related risks and by extension, the UK government is also therefore exposed. After careful consideration, the Trustee has concluded that it is unable to quantify or estimate the potential impact of climate related risks on future funding the UK government may provide to UKRI.

In summary, as a result of the challenges associated with estimating the magnitude and materiality of climate-related covenant risk, this scenario analysis excludes potential impacts on the Scheme's covenant. Whilst the nature of UKRI's activities do not suggest any obvious direct material impact from climate change, the Trustee will continue to engage further with UKRI and the Scheme's Covenant Adviser to monitor this risk for subsequent reports.

3. Risk Management

As set out in section “2. Strategy”, the Trustee recognises the Scheme is exposed to climate change-related risks in the form of transition and physical risk. The Trustee considers the impact of these risks on all of the Scheme’s investments via conducting and reviewing the results of climate-related stress tests on a periodic basis. Climate change is also included in the Scheme’s risk register and reviewed regularly as part of the wider risk management framework.

The IC continues to receive additional climate-related reporting from its investment adviser on an annual basis and monitors the output of these reports. The reports contain relevant climate metrics as set out under the DWP’s adoption of the recommendations of the TCFD (and as further discussed under section “4. Metrics and Targets”). This allows the Trustee to better identify and manage the climate-related risks which are relevant to the Scheme on an ongoing basis.

For all appointed investment managers, evaluation of ESG risk management, which includes climate-related risks, is an explicit part of both the selection process and continued monitoring that the Trustee undertakes. The Trustee also relies on the manager research capabilities of its investment adviser to assess each manager’s ability to effectively integrate climate-related risks and opportunities. In 2023, the MRC Section invested in a climate-impact equity fund which seeks to benefit from the transition to a low-carbon world over the long-term while also reducing the Scheme’s overall exposure to climate change-related risks.

Active engagement with underlying companies in which the Scheme is invested, specifically relating to climate-related risks and opportunities, is delegated to the Scheme’s investment managers. The Trustee believes that such engagement is an effective means of helping to manage the Scheme’s climate-related risks. Engagement with the investment managers themselves is carried out on behalf of the Scheme by the investment adviser who reports back regularly to the IC. Throughout this engagement process, investment managers are asked to provide details of how climate-related risks and opportunities have been incorporated into the investment process within applicable guidelines and restrictions. In addition to the investment adviser’s engagements with investment managers, in September 2025 the IC met with four of the Scheme’s managers across four different asset classes as part of the annual ‘Meet the Managers’ Engagement Day. During these meetings, ESG, including climate change was a key topic of discussion and the IC concluded they were comfortable with the investment managers’ consideration of climate change-related risks and opportunities. This ensures that there is an integration of processes into overall risk management of the Scheme.

Furthermore, in response to DWP’s guidance, the Trustee updated its stewardship policy in 2023. The updated stewardship policy articulated the Trustee’s expectations of its investment managers to carry out effective stewardship activities on the Scheme’s behalf while recognising the Trustee remains responsible for the oversight of these activities. Within the updated stewardship policy, the Trustee chose to adopt a stewardship theme of “climate change”. The Trustee has since been using this theme as a lens to focus its monitoring and assessment of managers’ stewardship activities. The Trustee recognises that it is useful to focus its efforts on this one theme as it aligns with its wider climate beliefs, while being manageable from a governance perspective. By holding investment managers to account for these activities (particularly focusing on climate change), the Trustee hopes to encourage better stewardship activities which will result in a reduction in climate change-related risk.

4. Metrics and Targets

In relation to the Scheme's assets, the Trustee – on an annual basis – monitors and reports:

1. *absolute emissions metric:* total greenhouse gas emissions of the Scheme's assets;
2. *emissions intensity metric:* Carbon footprint – i.e. total carbon dioxide emissions for the portfolio per million pounds invested;
3. *alignment metric:* SBTi portfolio alignment metric – i.e. the proportion of assets invested that are classified by SBTi as being aligned with the goals set out in the Paris Agreement; and
4. *additional non-emissions-based metric:* data coverage and quality - i.e. proportion of portfolio for which emissions data is available together with a breakdown of the quality of data, which is assessed based on Partnership for Carbon Accounting Financials ("PCAF") methodology.

The Trustee receives these metrics on an annual basis from its investment adviser.

Regarding the Scheme's alignment metric, the Trustee acknowledges that SBTi targets are based on voluntary targets set by corporations. As such, whether targets are achieved will be dependent on the extent to which the policy environment changes to enable corporates to remain profitable whilst meeting targets. The Trustee will therefore continue to monitor the suitability of this metric going forwards.

In line with current best practice, the Trustee has reported a breakdown of PCAF data quality across five grades. The PCAF data quality score monitors the reliability of emissions data with a scoring system which ranges from 1 to 5, with 1 representing the highest data quality, which involves independently verified emissions data, and 5 indicating the lowest quality, characterised by estimated emissions data derived from industry averages. Where data is unavailable for funds or underlying holdings, these have been estimated using asset class proxies and they have been assigned a data quality score of 5. A full breakdown of the scores is included below:

1. reported emissions, based on the Greenhouse Gas ("GHG") Protocol, that have been verified by a third-party auditor.
2. unverified reported emissions or estimates based on the company's energy consumption, in line with the GHG Protocol.
3. estimated emissions based on the company's production data.
4. estimated emissions based on economic data – e.g. revenue, company value and amount lent/invested; and
5. estimated emissions based on economic data – e.g. sectoral revenues and asset turnover ratios.

The Trustee monitors the data quality of its assets alongside data coverage, recognising the importance of both. Through being informed of both the quality and coverage of its climate change metrics, the Trustee will be able to take more informed actions if necessary.

In line with DWP Guidance, the Trustee has separately reported the emissions attributed to sovereigns (i.e. the emissions from the Scheme's Gilts holdings, which have significantly increased in allocation over the year).

For countries (and therefore sovereign bonds), distinct categories are used compared to corporate emissions:

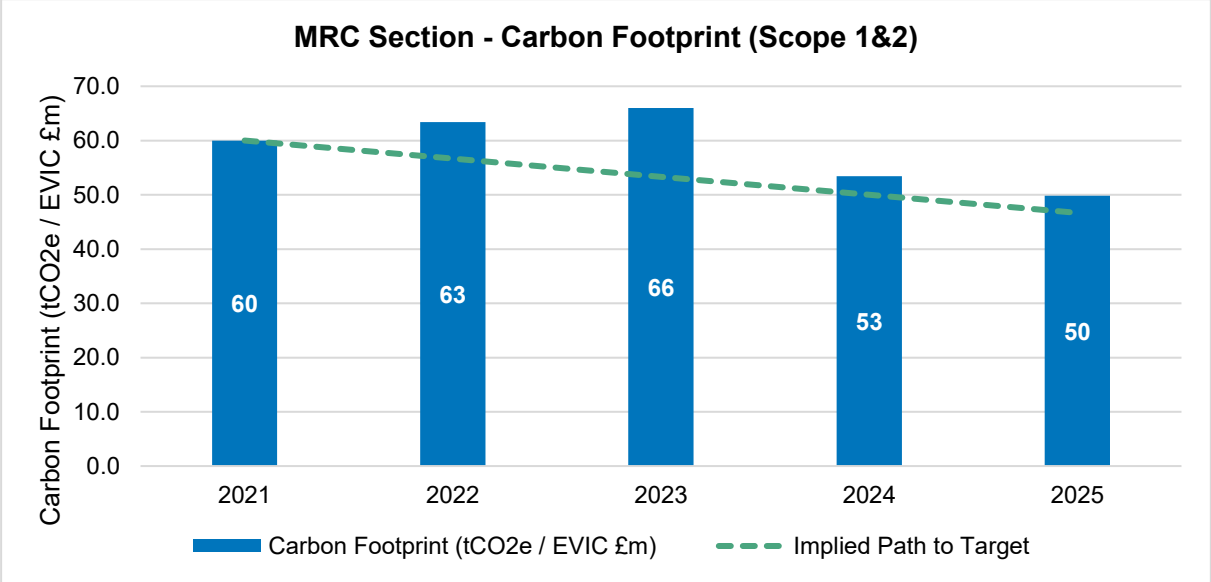
- production emissions: the emissions of everything produced in a country; this is broadly equivalent to scope 1 emissions; and
- import emissions: the emissions of what a country imports from other countries; this is equivalent to scope 2 & 3 emissions. In practice, for large economies, scope 2 emissions are trivial in comparison to the other scopes.

In line with DWP Guidance, corporate and sovereign emissions cannot be aggregated for reporting purposes due to differing calculation methodologies. Corporate emissions are normalized using each entity's enterprise value, whereas sovereign emissions are based on a country's GDP adjusted for purchasing power parity. Additionally, as sovereign emissions encompass all domestic economic activity, including that of corporations, combining the two would result in double counting. It is noted that sovereign emissions are not in scope of the Scheme's interim net zero target.

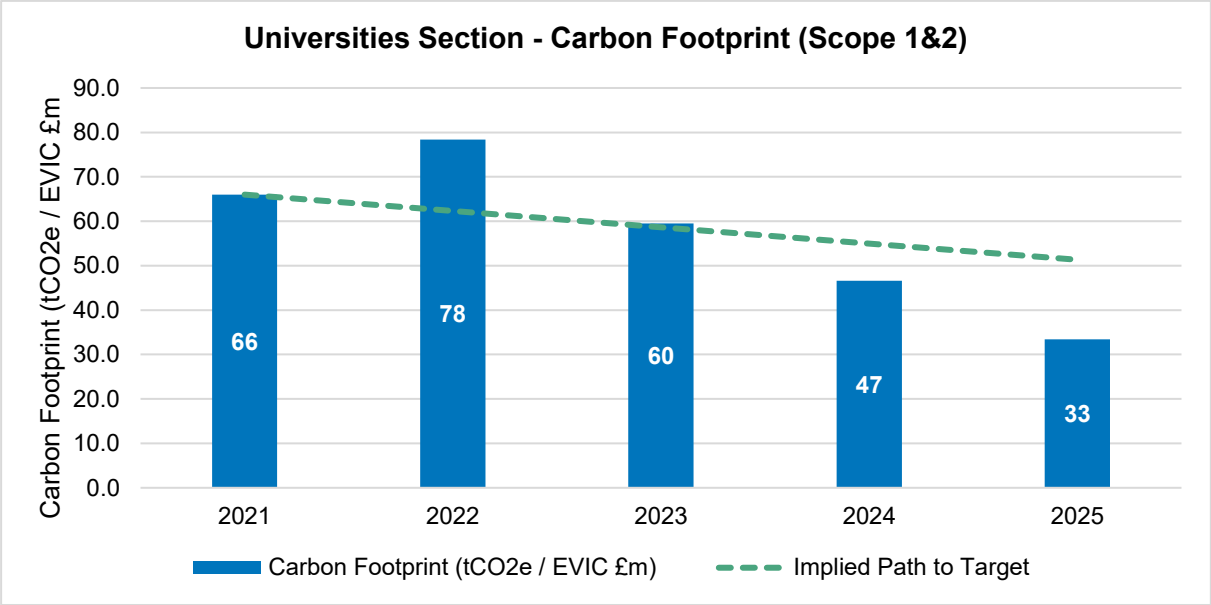
The Trustee has also gone through the process of setting an explicit target for the Scheme which is aligned with the Trustee's climate-related beliefs. Specifically, the Trustee has agreed to align the Scheme's investment strategy with the most ambitious goals of the Paris Agreement, and this is currently reflected in the ambition to reduce the greenhouse gas emission intensity of the Scheme's assets to net zero by 2050. Given this is a long-term target, the Trustee has also set an appropriate interim target of a 50% reduction of Scope 1 and 2 carbon footprint by 2030 (compared to a baseline as of 31 December 2021).

The Trustee notes that these targets were originally set on the assumption that the low-carbon transition would occur at a reasonable pace, and the most ambitious goals of the Paris Agreement would remain achievable. As the global transition is currently not on track to achieve this, and the Trustee is bound by fiduciary duty and the prevailing policy environment, the Trustee recognises that these targets may need to be recalibrated. However, the Trustee remains very supportive of rapid decarbonisation to net zero, believing that this is in the best long-term interest of members.

The Trustee has begun reviewing the feasibility of its interim target (a 50% reduction in Scope 1 and 2 carbon footprint by 2030) by considering the anticipated changes in the Scheme's asset allocation over time, such as allocations to funds which aim to invest in climate solutions. As the Scheme is open with a long investment horizon, the Trustee is able to consider other potential investments which could help in the achievement of the interim target whilst also remaining consistent with the Scheme's other investment objectives. As noted above, continuing to progress against targets requires greater support from global policy which does not appear to be imminent.



The MRC Section's scopes 1 and 2 carbon footprint (reported in tCO2e/EVIC £m) has decreased slightly in comparison to both the 31 December 2021 baseline of 60 and the 2024 carbon footprint of 53, to 50 as at 31 December 2025. This decrease in carbon intensity has been driven by movements in underlying carbon intensities across the portfolio, including a reduction in one of the MRC Section's equity mandates, alongside reductions in the carbon intensity of the liquid credit and illiquid funds. This decrease also progresses the MRC Section against its target of achieving net zero by 2050 and a 50% reduction from the 2021 baseline by 2030.



For the Universities Section, the scopes 1 and 2 carbon footprint (reported in tCO2e/EVIC £m) has also decreased in comparison to the 31 December 2021 baseline of 66 and the 2024 carbon footprint of 47, to 33 as at 31 December 2025. This reduction has been driven by asset allocation changes over the year, including a reduced weighting to equities and the addition of a new lower-carbon-intensity short dated credit fund, which together have lowered the Section's overall carbon footprint.

The carbon intensity for the sovereign emissions (tCO2e/£m PPP-adjusted GDP) of both Sections were 122 for scope 1 (production) and 94 for scope 2 and 3 (import). As both Sections' sovereign holdings are exclusively in UK Gilts, the sovereign emissions intensity are in line with the UK's emissions.

The below tables set out the results of each of the Trustee's chosen metrics broken down by broad asset class. The 2024 results can be found in Appendix B.

MRC Section – 2025:

Corporate Emissions	1) Absolute Carbon Emissions (tCO2e)		2) Carbon Footprint (tCO2e/EVIC £m)		3) SBTi Rating	4) Data Coverage	
	Scopes 1+2	Scope 3	Scopes 1+2	Scope 3	SBTi Rating	Data Coverage[1]	
						1+2	3
Liquid Markets	9,064	113,634	40.6	508.3	55.5%	99.9%	99.9%
Liquid Credit	13,798	123,398	54.1	484.5	11.1%	50.8%	50.8%
Illiquid Credit	11,183	77,128	45.3	312.8	-	*Proxy used*[2]	*Proxy used*[2]
Illiquid Markets	22,567	194,230	54.6	470.0	-	*Proxy used*[2]	*Proxy used*[2]
Total	**56,614**	**508,389**	**49.8**	**466.8**	**13.4%**	**31.0%**	**31.0%**

Sovereign Emissions	1) Absolute Carbon Emissions (tCO2e)		2) Carbon Footprint (tCO2e/£m PPP-adjusted GDP)	
	Production (Scope 1)	Import (Scopes 2+3)	Production (Scope 1)	Import (Scopes 2+3)
Gilts	87,401	67,373	122.3	94.3

Corporate Emissions	Data Quality – Scopes 1+2				
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5
Liquid Markets	73.8%	19.5%	-	6.7%	0.1%
Liquid Credit	32.8%	11.6%	-	6.5%	49.2%
Illiquid Credit	-	-	-	-	100.0%
Illiquid Markets	-	-	-	-	100.0%
Total	**21.9%**	**6.4%**	**-**	**2.8%**	**69.0%**

Corporate Emissions	Data Quality – Scope 3				
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5
Liquid Markets	-	86.9%	-	13.0%	-
Liquid Credit	-	42.9%	-	8.6%	48.5%
Illiquid Credit	-	-	-	-	100.0%
Illiquid Markets	-	-	-	-	100.0%
Total	**-**	**26.7%**	**-**	**4.5%**	**68.8%**

Universities Section - 2025:

Corporate Emissions	1) Absolute Carbon Emissions (tCO2e)		2) Carbon Footprint (tCO2e/EVIC £m)		3) SBTi Rating	4) Data Coverage	
	Scopes 1+2	Scope 3	Scopes 1+2	Scope 3	SBTi Rating	Data Coverage[1]	
						1+2	3
Liquid Markets	753	8,613	43.3	495.5	52.3%	99.9%	99.9%
Liquid Credit	2,037	21,669	30.7	327.1	19.5%	76.2%	76.2%
Total	**2,790**	**30,282**	**33.4**	**362.1**	**26.3%**	**81.1%**	**81.1%**

Sovereign Emissions	1) Absolute Carbon Emissions (tCO2e)		2) Carbon Footprint (tCO2e/£m PPP-adjusted GDP)	
	Production (Scope 1)	Import (Scopes 2+3)	Production (Scope 1)	Import (Scopes 2+3)
Gilts	9,412	7,255	122.3	94.3

Corporate Emissions	Data Quality – Scopes 1+2				
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5
Liquid Markets	77.0%	16.1%	-	6.8%	0.1%
Liquid Credit	49.1%	20.5%	-	6.7%	23.8%
Total	**54.9%**	**19.6%**	**-**	**6.7%**	**18.9%**

Corporate Emissions	Data Quality – Scope 3				
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5
Liquid Markets	-	87.8%	-	12.1%	-
Liquid Credit	-	68.1%	-	8.1%	23.8%
Total	**-**	**72.2%**	**-**	**8.9%**	**18.9%**

[1] The data coverage references the % of emissions data that is available for the asset class. This includes company-reported data and data estimated by MSCI. A more detailed breakdown of the coverage can be seen in the charts below.

[2] Where underlying holdings data is unavailable, carbon metrics are proxied using the investment adviser's centrally modelled, generic asset class universe, mapped in line with risk and return modelling assumptions. In these instances, no figure is shown for data coverage. More detail on this can be found in the glossary.

The absolute carbon emissions reported above demonstrate the total share of direct and indirect emissions for which the Scheme's assets are responsible. While useful to track absolute progress towards net zero, it is also impacted by the overall value of the assets and so the Trustee has less control over absolute emissions compared to carbon intensity.

In line with the statutory guidance, the Trustee also discloses its scope 3 emissions. Scope 3 financed emissions represent indirect emissions of companies and assets the Scheme is invested in. These comprise upstream emissions related to a company's suppliers and any processes that occur before the company's operations and downstream emissions related to the company's customers and any processes that occur after the company's operations. There are 15 different scope 3 emissions categories and attribution and calculation is complex. In aggregate, scope 3 emissions tend to be considerably larger than scope 1 and 2 emissions combined. To avoid misrepresentation of the Scheme's financed emissions, the total scope 1 and 2 absolute emissions and carbon footprint are reported separately from scope 3 emissions. In line with expectations, these form a large part of both the Scheme's total emissions and carbon footprint and the Trustee will continue to monitor how these emissions evolve over time.

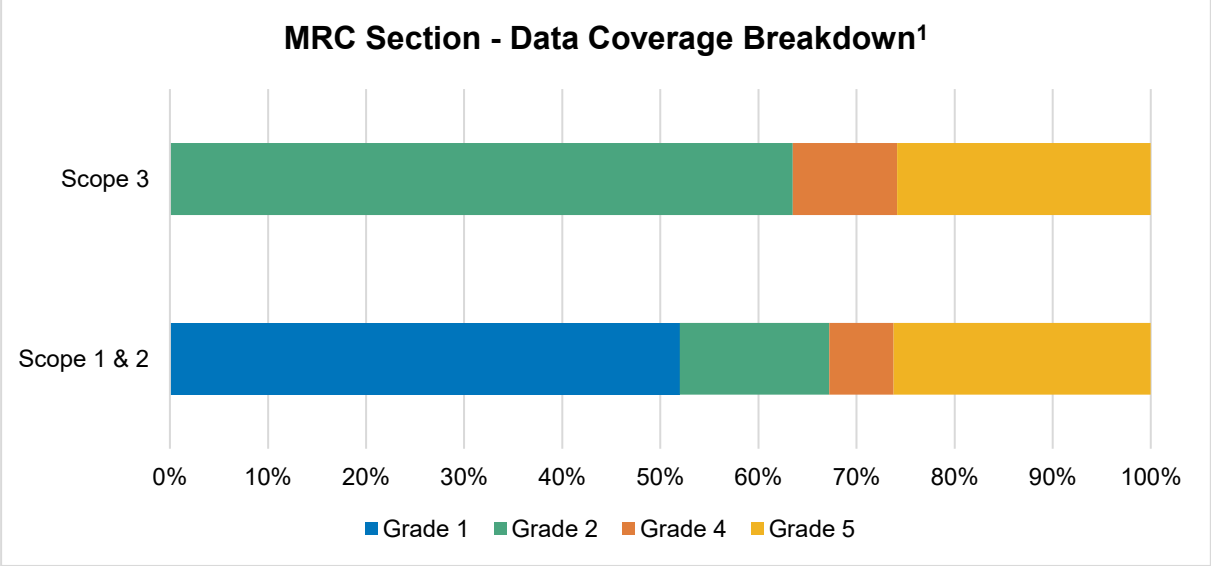
The Scheme's carbon footprint reveals how carbon efficient the portfolio is per million pounds invested. As explained above, the Trustee has set a target against this metric in-line with its net zero ambition. The metric provides a useful insight into the carbon intensity of the Scheme's assets which the Trustee is able to directly influence through its investment decisions. As mentioned above, both the MRC and Universities Sections' carbon intensity have decreased relative to both the baseline and 2024 carbon footprint.

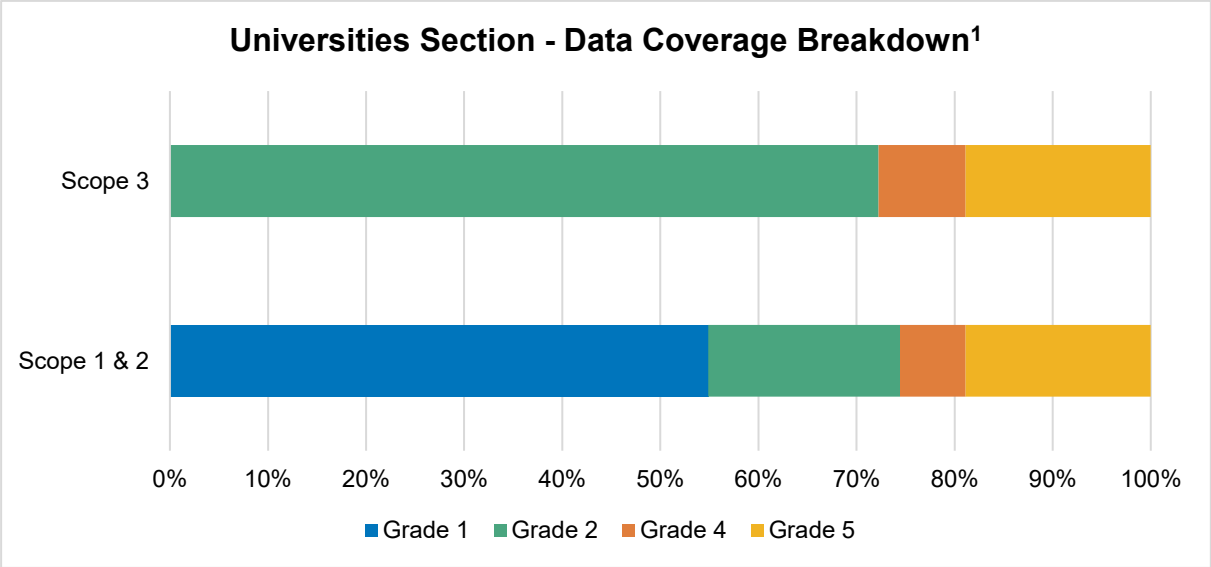
The SBTi portfolio alignment metric (available for the Scheme's liquid markets and liquid credit mandates) indicates there has been an increase in the proportion of liquid market assets that have declared net zero or Paris-aligned targets from c.45% in 2024 to c.56% in 2025, for the MRC Section,

and from c.43% to c.52% for the Universities Section. Similar to last year, for both Sections, a smaller proportion of the Scheme's liquid credit assets have declared SBTi-approved climate targets.

Corporate emissions coverage for liquid markets assets across both the MRC and Universities Sections increased during 2025. Liquid credit coverage was broadly stable for the MRC Section (for scopes 1 & 2 and scope 3 emissions), while for the Universities Section it increased by 4.6% (for scopes 1 & 2 and scope 3 emissions). The Trustee has also reported PCAF data quality for the Scheme's liquid markets and liquid credit investments which monitors the reliability of emissions data with a scoring system which ranges from 1 to 5, with 1 representing the highest data quality, which involves independently verified emissions data, and 5 indicating the lowest quality, characterised by estimated emissions data derived from industry averages. The PCAF data quality scores have improved materially over the past year. This improvement has been driven primarily by updates to MSCI's judgement-based methodology, which have resulted in a greater proportion of emissions data being classified as higher quality, including an increased assignment of PCAF grade 1 where evidence of third-party verification is available. For the MRC Section, across scopes 1 & 2 and 3, data quality grade 5 represents the largest proportion of the data. However, a material proportion of emissions data is of higher quality, with 22% of scope 1 & 2 emissions classified as grade 1 (verified) and 27% of scope 3 emissions classified as grade 2 (unverified or estimated based on energy consumption). For the Universities Section, data quality is stronger overall, with grade 1 representing the largest share of data at 55% for scopes 1 & 2, and grade 2 representing the largest share of data at 72% for scope 3. This difference in data quality between the two Sections is largely due to the Universities Section not being invested in any illiquid assets. The Trustee will continue to monitor developments in both data quality and coverage over time.

As far as possible, the Trustee's investment adviser has collected emissions data (absolute and intensity) based on the underlying securities held within funds the Scheme is invested in. Wherever underlying securities emissions data coverage for a particular fund is less than 100%, for the uncovered section of the fund, these metrics have instead been estimated at an asset class level by the investment adviser using data from relevant proxies which match that fund's risk and return characteristics e.g. a market index or benchmark. Further details can be found in Appendix A. For those funds which are unable to provide complete emissions data, the investment adviser continues to engage with the managers to explore how data availability may be improved. While the Trustee expects overall emissions data coverage to improve over time, it also recognises the current difficulty in obtaining data, particularly for private market investments, which covers its chosen metrics. The charts below provide a breakdown of the data coverage for the liquid assets of both Sections of the Scheme.





[1]This covers the liquid portion of the portfolios only.

This is the fifth time this analysis has been carried out for the Scheme, and the expectation is that the output will evolve over time as data availability is expected to improve. As and when new data becomes available, the Trustee will review the targets which have been set to ensure they remain appropriate and feasible in light of this new information.

The Trustee uses the results to identify the climate-related risks and opportunities which are relevant to the Scheme. These might include, for example, engaging with investment managers who have material carbon intensity levels or with other industry participants, exploring low-carbon alternative investment options, and updating investment guidelines for managers where the Trustee has discretion to make such changes.

Note: All analysis is provided by the Scheme's investment adviser, Gallagher (Administration & Investment) Limited (company number 1034719) and the data in the report is sourced from MSCI©. Please refer to the data disclaimer in the Appendix.

Signed by .....

Name .....

Date .....

Appendix A:

Carbon footprint analysis

- Where possible and where there is reasonable data coverage, the Trustee monitors 'line-by-line' emissions reporting for funds. These tend to be more generic, long-only asset classes such as listed equity and corporate credit. However, for funds with less than 100% coverage, for the uncovered portion of the fund, the Trustee monitors 'asset class level' carbon estimates in the absence of reliable, reported line-by-line emissions data from MSCI. The Trustee notes that using asset class modelling of emissions for assets (or portions of assets) where this data is not available enables a more holistic view of the Scheme's total portfolio emissions, albeit recognising that the modelled data is not perfect.
- The asset class modelling of emissions has been provided by the investment adviser and is based on asset class 'building blocks'. These are either calculated directly using a given index's underlying holdings emissions (such as using MSCI ACWI as a proxy for a broad equity fund) or in some cases these indices are used and extrapolated to other asset classes based on given assumptions (such as using the emissions of infrastructure firms within an index to proxy an infrastructure fund).

Appendix B: 2024 Metrics

MRC Section – 2024:

Corporate Emissions	1) Absolute Carbon Emissions (tCO2e)		2) Carbon Footprint (tCO2e/EVIC £m)		3) SBTi Rating	4) Data Coverage	
	Scopes 1+2	Scope 3	Scopes 1+2	Scope 3	SBTi Rating	Data Coverage[1]	
						1+2	3
Liquid Markets	12,634	140,393	42.5	472.5	45.0%	98.6%	98.6%
Liquid Credit	14,644	122,413	56.7	473.9	10.4%	51.2%	51.2%
Illiquid Credit	13,507	92,777	52.7	362.4	-	*Proxy used*[2]	*Proxy used*[2]
Illiquid Markets	26,962	233,313	58.8	509.5	-	*Proxy used*[2]	*Proxy used*[2]
Total	67,747	588,896	53.4	463.9	12.6%	33.5%	33.5%

Universities Section - 2024:

Corporate Emissions	1) Absolute Carbon Emissions (tCO2e)		2) Carbon Footprint (tCO2e/EVIC £m)		3) SBTi Rating	4) Data Coverage	
	Scopes 1 +2	Scope 3	Scopes 1+2	Scope 3	SBTi Rating	Data Coverage[1]	
						1+2	3
Liquid Markets	2,098	25,120	42.1	504.4	43.2%	99.4%	99.5%
Liquid Credit	1,664	11,018	53.7	355.9	26.0%	71.6%	71.6%
Total	3,762	36,138	46.6	447.4	36.6%	88.7%	88.8%

[1] The data coverage references the % of emissions data that is available for the asset class. This includes company-reported data and data estimated by MSCI.
[2] Where underlying holdings data is unavailable, carbon metrics are proxied using the investment adviser's centrally modelled, generic asset class universe, mapped in line with risk and return modelling assumptions. In these instances, no figure is shown for data coverage. More detail on this can be found in the glossary.

Glossary of Terms (ESG and Carbon Metrics)

Enterprise Value Including Cash ("EVIC"): Defined as the sum of market capitalisation of shares and book values of total debts and minority interests at fiscal year-end. No deductions of cash or cash equivalents are made to avoid potential negative enterprise values. This is the recommended denominator metric for carbon attribution according to the Greenhouse Gas ("GHG") Protocol, the global standard for carbon accounting endorsed by the European Union and the DWP.

Estimated Total Mandate Carbon Emissions (tons): Represents the total share of Scope 1, Scope 2 and Scope 3 carbon emissions a fund is responsible for. Please note the metric is sensitive to MRC's relative investment holding in the fund.

Scope 3 Carbon Footprint (tCO2e / EVIC £m): Measurement of the Scope 3 CO2e emissions of a fund per million pounds of EVIC. Scope 3 emissions refer to all those that are not in the direct control of a company's productive activities. Namely, all those emissions from a company's upstream supply chains and downstream product use by the consumer.

MSCI Climate Metrics Coverage: The proportion by value of a fund for which carbon metrics are available from MSCI.

Scope 1 & 2 Carbon Footprint (tCO2e / EVIC £m): Measurement of the Scope 1 & 2 CO2e emissions of a fund per million pounds of EVIC. Scope 1 emissions refer to those which are directly connected to the production of a company's product or service e.g., burning of fossil fuels to power the electricity grid. Scope 2 emissions refer to those from electricity used to power company facilities. For a pension scheme, scope 1 emissions include the use of gas fuel and refrigerants in the office whilst scope 2 emissions include the use of electricity in the office buildings.

Partnership for Carbon Accounting Financials ("PCAF") Data Coverage and Quality Score: This metric monitors the reliability of companies' emissions data. The scoring system ranges from one to five, with one representing the highest data quality, which involves independently verified emissions data, and five indicating the lowest quality, characterised by estimated emissions data derived from industry averages. The metric is only available for funds where line-by-line data is available for listed and publicly traded instruments.

Science-Based Targets initiative ("SBTi") Score: The SBTi sets out a framework through which companies can set out their decarbonisation pathway and have them assessed against the goals set out in the Paris Agreement – limiting global warming to 1.5°C above pre-industrial levels or well-below 2°C. The SBTi Score is the proportion of assets invested that are classified as being Paris-aligned.

Tons of Carbon Dioxide Equivalents (tCO2e): Tons of greenhouse gases including methane, nitrous oxide, carbon dioxide, and fluorinated gases. Given the abundance and prominence of carbon as a greenhouse gas, all the other gasses are considered carbon equivalents.

Limitations of Carbon Metrics

- Emission numbers are a measure of CO2e produced, but lack the context of wider impact. In particular, they are very sector dependent. For example, a company that makes green cement may have emissions that are half that of every other cement manufacturer, but will still have high carbon emissions. Carbon emissions were originally designed as a way of measuring a company's progress over time, assuming that they would have the same underlying economic activities. Care must therefore be taken when looking at the emissions over time if major changes have been made to a portfolio.
- Intensity metrics are very sensitive to company valuations/prices. They are best for comparing companies at a point in time, noting that over time EVIC and sales values change. For total emissions, debt-to-equity ratios will affect emissions attributions between debt and equity.
- Line-by-line modelling of emissions is only available for publicly traded and listed assets. For unlisted assets, Gallagher produce asset-class-level estimations of carbon emissions. This gives a high-level picture of the portfolio's emissions and largest sources of emissions. However, it will not capture specific actions managers are taking to reduce their CO2e footprint.
- Due to lags in company carbon reporting, carbon footprint numbers have a one-to-two-year lag. EVICs and asset values are updated on an ongoing basis. This approach is consistent with the Partnership for Carbon Accounting Financials (PCAF) Financed Emissions standards, which encourage the use of the most up-to-date data without adjustment. However, this does create a mismatch between data items, which can affect the allocation of emissions to a portfolio.

Calculation methodology

- Gallagher calculate the carbon emissions for liquid funds using underlying holdings data, where available, in line with PCAF's Global GHG Accounting and Reporting Standard for the Financial Industry. Aggregated metrics are calculated on the portion of holdings that has ESG data coverage, with the remaining holdings proxied using the covered portion of the fund. Proxying uncovered portions of a fund in this way enables Gallagher to provide a more complete strategic overview of the portfolio's position.
- Where underlying holdings data or ESG data is not available, ESG metrics are proxied using Gallagher's centrally modelled, generic asset class universe, mapped in line with their risk and return modelling assumptions. The modelling of this generic universe is reviewed annually and approved centrally by Gallagher's Investment Strategy Committee. Where the asset class proxy is unavailable, a judgement has been made based on the nature of the fund on a best endeavors basis.
- Gallagher's data processing systems are reviewed centrally on a quarterly basis by their in-house developers and ESG Analytics team. Automated and manual checks on the calculation and aggregation of the ESG metrics are completed by the client team.
- Gallagher appreciate that the largest companies are the most likely to publish ESG data, based on the way the regulations have been set out. Therefore, they expect that there may be some bias in the data available but believe that their approach remains in line with other market-leading approaches.
- For sovereign emissions, Gallagher show production and import emissions in line with the Department of Work and Pensions guidance. This is slightly different from PCAF which prefers production and consumption emissions. For both of these Gallagher have attributed emissions use Purchasing Power Parity-adjusted GDP as recommended by PCAF.
- Sovereign emissions numbers only cover Gilts which represents the majority of the sovereign bond holdings.

MSCI data disclaimer

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