

Year ending 31 March 2026

Task Force on Climate-related Financial Disclosures

TCFD Report



Contents

Trustee statement	3
Introduction	5
Executive summary	6
Governance	6
Strategy	7
Risk Management	8
Metrics & Targets	9
Governance	11
Trustee's oversight of climate risks and opportunities	11
Roles and responsibilities	12
Strategy	14
Strategy updates	14
Physical risks, transition risks and climate opportunities	16
Risk Management	26
Metrics & Targets	29
Concluding remarks	35
Appendix	36
Appendix: Governance	37
Appendix: Strategy	39
Appendix: Metrics & Targets	44
Glossary	50

Understanding Key Terms

Throughout this report, you'll notice **bolded words in blue** — these are key terms that are defined in the Glossary section.

To learn more about any of these terms, **simply click on the bolded word** to jump directly to its explanation in the **Glossary**.



You can use the red symbols below to navigate back and forth in the document or come back to this 'home' page.

Trustee statement

Statement from the Chair

Welcome to our 2026 Task Force on Climate-related Financial Disclosures (TCFD) report.

As long-term stewards of our members' interests, we recognise sustainability considerations as a material and evolving source of both risk and opportunity. Climate change is expected to have wide-ranging implications for our members, financial markets, and **the Scheme's** investments. In this context, managing climate-related risks and seizing related opportunities is not only prudent but also embedded within our fiduciary duty to our members. We continue to strengthen our **governance** and oversight frameworks to ensure climate factors are systematically integrated across our decision-making processes.

Over the past year, the **Trustee** enhanced its approach to climate-related strategic considerations, risk management and oversight across several key areas:

- 1. Climate target review:** Although the Scheme's existing climate target has been achieved ahead of schedule, the Trustee recognises that this reflects, in part, changes in asset allocation. Building on this, the Trustee is reviewing and considering alternative target measures to ensure continued alignment with real-world decarbonisation outcomes. This includes an alignment target for the traditional corporate bond portfolio.
- 2. Asset allocation and real-world impact:** In line with the Scheme's increasing maturity, the Trustee has continued to reposition the portfolio, reducing exposure to **illiquid** assets, such as private **credit** and real assets, and increasing allocations to more liquid credit investments, in particular, **asset-backed securities (ABS)**.

In recognition of this shift, the Trustee is actively engaging with ABS managers to improve the availability and quality of carbon emissions data.

- 3. Stewardship review:** The Trustee conducted a **stewardship** review to assess how effectively **investment managers** support the Scheme's climate-related objectives through engagement. This included evaluating the quality of climate-focused engagement and the use of escalation tools where progress was limited. The findings are being used to inform targeted engagement with managers, with the aim of strengthening the integration of climate considerations.
- 4. Climate Working Group:** The Trustee has established a **Climate Working Group** as a sub-committee of the Trustee Board to monitor climate-related risks and targets more closely, in collaboration with its Investment Consultant.
- 5. Nature-related assessment:** The Trustee asked its Investment Consultant to collect and assess nature-related metrics from investment managers as part of the annual Sustainability Integration Assessment. This work aims to broaden the Trustee's understanding of managers' approaches beyond climate considerations alone and to begin integrating nature-related risks and dependencies into its oversight framework.

6. Training and capability building:

The Trustee received **environmental, social and governance (ESG)** related training from a climate specialist adviser covering a range of ESG topics. The insights and discussions arising from this training will continue to inform ESG-related initiatives in all the months ahead. In recognition of the work the **Trustee** has undertaken on sustainability awareness, education and communication, it was awarded the Training Award at the 2026 National Sustainability Awards.

The Trustee remains committed to enhancing its approach to integrating climate-related considerations within the context of the Scheme's evolving asset allocation. Building on recent progress, key priorities include refining climate targets, reviewing ESG beliefs and **stewardship** priorities to ensure continued alignment with **the Scheme's** exposures, and deepening the understanding of nature-related risks.

Harry Baines

Chair of the Trustee





Introduction

Climate change refers to global warming and changing weather patterns caused by greenhouse gas (GHG) emissions arising from human activity, mainly burning fossil fuels. As global average temperatures rise versus pre-industrial times, the entire climate system is impacted. As part of the **Paris Agreement**, governments pledged to work to limit global temperature rises to well below 2°C, aiming for 1.5°C, above pre-industrial levels over a long-term average.

While investment in renewable energy, electrification and other low-carbon technologies continues to grow, global GHG emissions remain at historically high levels and the world is not currently on a pathway consistent with limiting warming to 1.5°C. In 2025, the average global temperature was 1.5°C above the pre-industrial average, the third warmest year on record, and marked the first three-year period to average more than 1.5°C above pre-industrial temperatures, highlighting the increasing urgency of climate action.

Investor approaches to net zero are also evolving. While portfolio carbon emissions remain a useful measure of climate exposure, the **Trustee** recognises that progress towards net zero cannot be assessed through portfolio carbon metrics alone. Portfolio emissions can fall due to changes in asset allocation, market movements or data improvements, without necessarily resulting in reductions in emissions across the wider economy.

As a result, there is increasing recognition that investors should focus not only on portfolio decarbonisation, but also on how their investment activities can support real-world emissions reductions.

The Trustee increasingly considers how **stewardship**, capital allocation and engagement can contribute to real-world emissions reduction, recognising that progress towards global climate goals will require effective action by governments, companies, investors and consumers. Engagement and stewardship therefore play an important role in encouraging companies to adopt credible transition plans, improve climate-related practices and support emissions reductions in the real economy.

Against this backdrop, the Trustee continues to evolve its approach to climate-related risks and **opportunities**. This includes reviewing climate targets and metrics, assessing alignment with emerging industry frameworks and considering how **the Scheme's** investments can support an orderly transition to a lower-carbon economy.

Throughout this report, the Trustee considers both the financial implications of climate change and the role that stewardship, investment decision-making and ongoing engagement can play in supporting long-term real-world decarbonisation outcomes.

Executive summary



Governance

Governance around climate-related priorities, risks and opportunities

The **Trustee** retains ultimate responsibility for overseeing climate-related risks and **opportunities** affecting **the Scheme**, including setting the overarching **ESG** policy, which is reviewed annually.

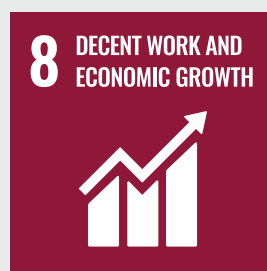
To support effective oversight, the Trustee is advised by key stakeholders, including the Investment Consultant, Scheme Actuary, Legal Adviser and **Covenant** Adviser, who provide specialist input across investment, funding, regulatory and covenant matters.

From January 2026, the Trustee is trialling a revised internal **governance** structure to enhance oversight and accountability for climate-related issues. This includes:

- The establishment of a **Climate Working Group**, a dedicated sub-committee responsible for more detailed monitoring of climate-related issues.
- In parallel, the Trustee is streamlining its wider committee structure. The Integrated Risk Management Committee (IRMC), Benefits and Communications Committee (BCC), and Governance Committee (GC) will no longer operate as separate entities. Instead, all relevant matters will be escalated directly to, and considered by, the full Trustee Board.

ESG priorities: Over the period, the Trustee maintained its ESG priorities in line with the **United Nations Sustainable Development Goals (UN SDGs)**. Specifically, these include climate-related priorities such as UN SDGs 13 (Climate Action) and 7 (Affordable and Clean Energy), as well as SDGs 8 (Decent Work and Economic Growth) and 9 (Industry, Innovation and Infrastructure).

The Trustee receives regular climate-related training from the Scheme Actuary and Investment Consultant, including updates on climate regulation and market practices.





Strategy

Consideration of the actual and potential impacts of climate risks and opportunities

Strategy highlights

The Scheme's exposure to climate-related risks and **opportunities** is evolving in line with its increasing maturity and transition towards more **liquid** assets. Over the year, the **Trustee** Board has undertaken several key actions and considered the impact of wider strategic changes, in relation to evaluating continued alignment between the investment strategy and the Trustee's **ESG** priorities. These include:

Seeking improvement in ESG integration in Asset-Backed Securities (ABS):

This evolving allocation increases exposure to a climate profile characterised by less direct exposures and greater reliance on underlying collateral characteristics. In response, the Trustee is placing increased focus on how climate-related risks and opportunities are assessed within ABS **portfolios**.

Increased attention on stewardship: As the Scheme's allocation shifts towards existing credit exposures, the ability to direct capital to climate opportunities reduces, elevating **stewardship** as a key mechanism for managing climate-related risks and driving issuer behaviour.

Reduced real asset exposure: Exposure to direct physical climate risks is expected to decline due to the reduced allocation to real assets such as property and infrastructure. However, the Trustee recognises that **physical risks** remain relevant through indirect exposures within public markets and securitised assets and continues to monitor them.

Continued relevance of climate scenario analysis: The Scheme's overall risk profile remains broadly consistent with prior assessments, with both transition and physical risks appropriately reflected and no material deterioration in resilience identified. The Trustee recognises the limitations of scenario analysis which, while useful for comparative purposes, does not fully capture tail risks such as climate tipping points. The next scenario analysis will be carried out in 2028.



Risk Management

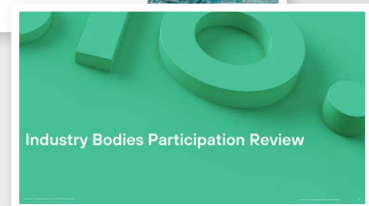
How the Trustee identifies, assesses, and manages climate-related risks

A framework for identifying and managing risks

The **Trustee** continues to identify key short, medium, and long-term climate-related risks and mitigating actions, which are documented in the risk register. This includes analysis of climate risk at **the Scheme** level and ensuring the Scheme's **investment managers** are carrying out their duty as fiduciary managers of the Scheme's assets.

The Trustee regularly reviews the Scheme's principal investment **portfolios**, and the Investment Consultant annually provides a sustainability review, including a climate score, of all portfolios.

In addition to the regular sustainability assessment, this year the Trustee broadened its review beyond climate to include nature-related issues, assessing how these risks are incorporated into investment decision-making by the asset managers.



Risk management implementation

The Trustee reviews its risk registers annually, which explicitly include climate risk across:

- **Covenant: Sponsoring employer**
- **Investment Strategy:** Asset and investment manager allocations
- **Funding:** Funding level

Based on recent pieces of work on sustainability integration and **climate scenario analysis**, no new material climate-related risks were identified over the past year. However, as outlined in the Strategy section, the Trustee recognises that increased **ABS** exposure introduces greater uncertainty due to the securitised structure of the asset class, and continues to engage with managers to enhance **ESG** data disclosure.



Metrics & Targets

Disclosure of key climate metrics, targets and progress against target

Metrics

The **Trustee** continues to monitor the four climate metrics as in previous reports to ensure consistency and alignment with **TCFD** recommendations.

- Total Greenhouse Gas emissions (Scope 1, 2 and 3)
- Carbon Footprint (Scope 1, 2 and 3)
- Implied Temperature Rise
- Data Quality (Scope 1 and 2)*

Target

The Trustee maintains a target to achieve a 38% reduction in carbon emissions (measured by carbon footprint) relative to the 2021 baseline by 2030 for its **liquid credit portfolios**, in line with the **Science Based Targets initiative (SBTi)** and the **Paris Agreement**.

*Definitions included in the **appendix**



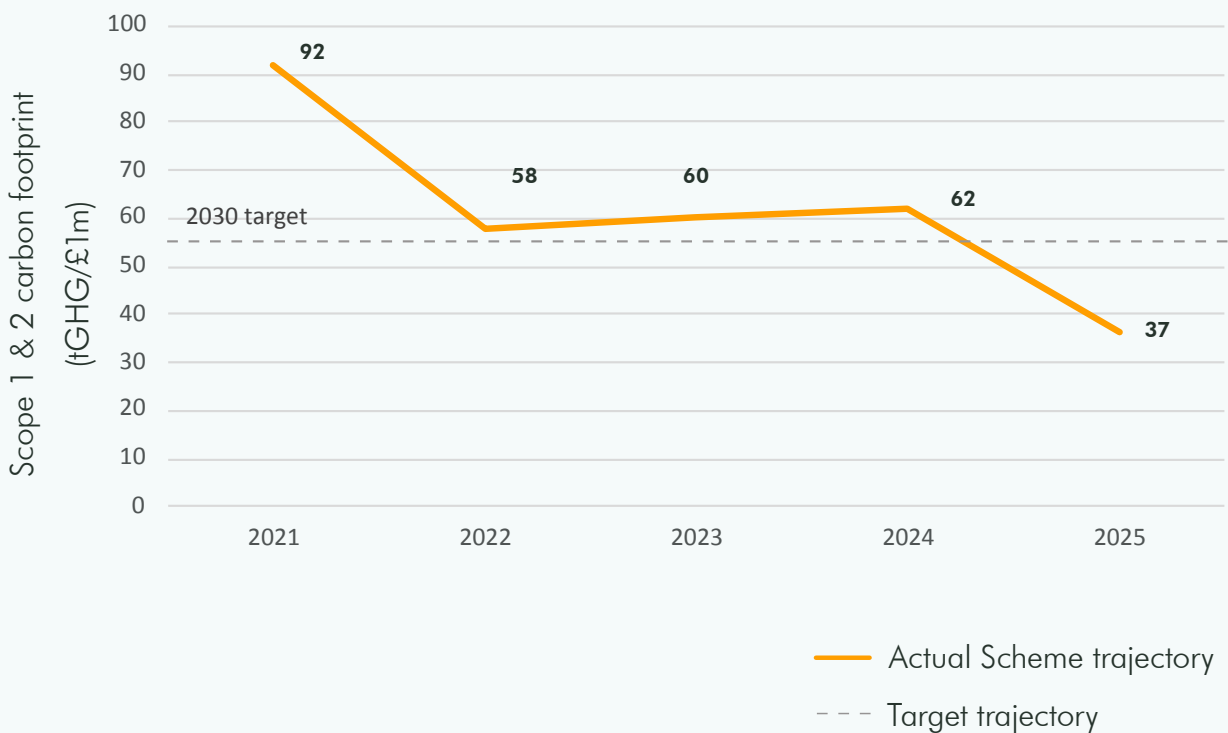
Progress against target

Having achieved its existing climate target ahead of schedule the **Trustee** is reviewing its climate target in 2026 with a greater focus on delivering real-world impact.

The Trustee recognises that global progress towards the **Paris Agreement** has been insufficient, with the goal of limiting warming to 1.5°C now considered highly unlikely to be met in practice, and will reflect this in its review of the target.

The Trustee remains committed to ambitious target setting and is assessing the feasibility of moving from backward-looking metrics (i.e. carbon footprint) to more forward-looking measures (such as portfolio alignment with future temperature pathways).

Liquid Credit Portfolio Scope 1 & 2 Carbon Footprint





Governance

Trustee's oversight of climate risks and opportunities

Climate-related beliefs

The **Trustee** views climate considerations as an integral part of a risk management framework and dedicates significant time and resources to ensure this framework effectively oversees climate-related risks and **opportunities**. These principles are outlined in the **ESG** Policy document, available upon request, which also details the **governance** structure for ESG and climate matters, the Trustee's ESG beliefs (see example below), and **stewardship** priorities (see page 13). In light of evolving industry practices and shifts in strategic asset allocation, the Trustee is undertaking a review of its ESG beliefs and stewardship priorities to ensure continued relevance and alignment with good practice.



Belief 3: Management of climate change risks and opportunities will be considered, alongside other investment risks, at all stages of the investment journey.

Oversight responsibilities of the Trustee Board:

Ultimate responsibility for climate-related matters rests with the Trustee Board, which oversees **the Scheme's** governance and meets most months, with ESG and climate change as regular agenda items. Additionally, the Trustee has established a **Climate Working Group** to monitor climate-related risks and targets more closely, in collaboration with the Investment Consultant. The wider Trustee Board is supported by the Scheme Actuary, Investment Consultant, Legal Adviser, and **Covenant** Adviser.

Day-to-day responsibility for identifying, assessing and managing ESG risks is managed by the Trustee Board and the Climate Working Group. Where deemed appropriate, the Trustee actively challenges and scrutinises advice received on climate-related matters to ensure alignment with the Scheme's strategic objectives and ambitions.

Climate-related training:

The Trustee Board remains up to date on climate-related issues affecting the Scheme's assets, **sponsoring employer**, and **liabilities** through both regular and ad hoc training sessions delivered by its advisers. During the year, the Trustee Board invested significant time in ESG capability-building, including attending an accredited climate training course delivered by a climate specialist adviser, which covered a range of relevant topics. These topics have underpinned further work with the Investment Consultant, including nature assessment integration and enhanced stewardship analysis. The Investment Consultant also provided training on the ESG considerations for **asset-backed securities**, highlighting the associated data challenges and the asset class's potential to drive meaningful real-world impact.

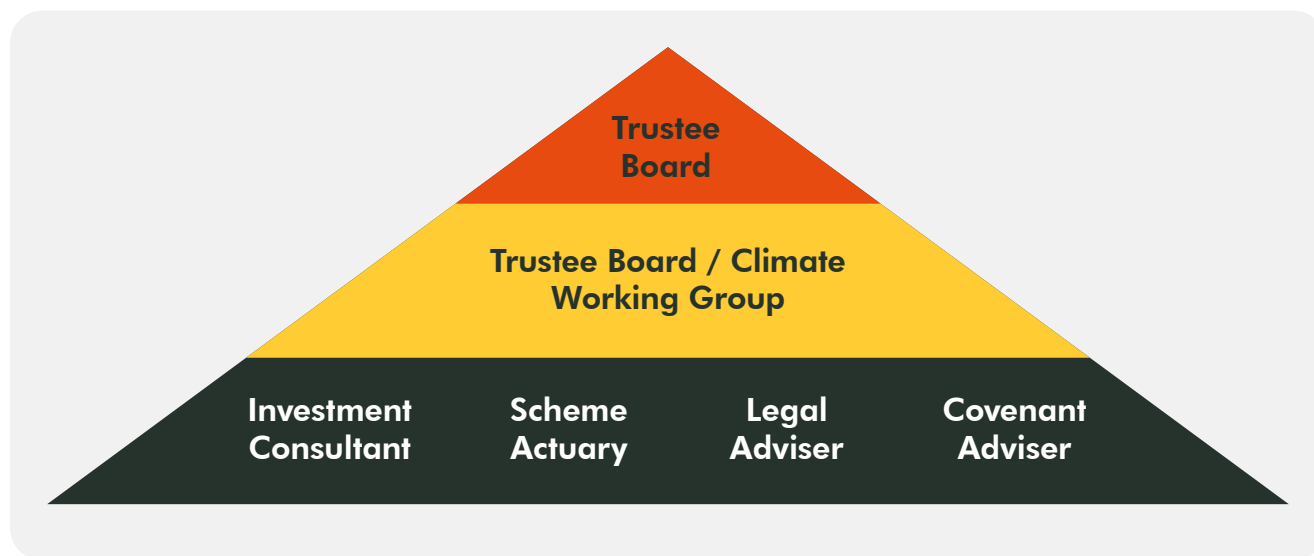


Upcoming focus: During the year, the Trustee Board has had informative conversations with their Investment Consultant on setting new climate targets and reviewing ESG beliefs and stewardship priorities to better align with the Scheme's evolving asset allocation.



Trustee's role in assessing and managing climate risks and opportunities

From January 2026, the **Trustee** is trialling a revised **governance** structure to strengthen oversight and accountability for climate-related matters. This includes establishing a dedicated **Climate Working Group** and consolidating other responsibilities into a single Trustee committee covering risk management, benefits and governance. The Trustee considers this approach supports effective delivery of its regulatory and fiduciary duties, while maintaining a targeted, cost-efficient focus on financially material risks and opportunities.



Roles and Responsibilities

Trustee Board

- Ultimate responsibility for the management of **the Scheme's** climate-related risks and **opportunities**.
- Annual **TCFD** Report, assessing climate-related risks and opportunities and reviewing relevant metrics.
- Incorporate climate-related considerations into strategic decisions.
- At least quarterly, receive climate-related feedback from the **Cadent Pensions Team** and Investment Consultant.
- At least annually, communicate with members on how climate-related risks and opportunities are being managed.

Trustee Board / Climate Working Group

- Ongoing management of climate-related responsibilities, helping the Trustee to execute its strategy and enhance long-term sustainable financial stability.
- Assess climate impact on assets, **covenant**, funding, and members' financial security.
- Factor climate-related risk management capabilities into the selection and monitoring of **investment managers**.
- Set and monitor climate metrics and progress against targets.
- Conduct **climate scenario analysis** at least triennially.
- Ensure advisers and investment managers have defined responsibilities and identify and assess climate risks.



Investment Consultant, Scheme Actuary, Legal Adviser and Covenant Adviser

- Provide training on climate-related matters.
- Help the **Trustee** agree its investment beliefs in relation to climate change.
- Advise on the effectiveness of managers' climate risk management.
- Advise on inclusion of climate in **the Scheme's** risk management framework.
- Lead on **TCFD** reporting.
- Gather and report climate metrics to the Trustee.
- Conduct annual reviews to assess how climate-related risks and **opportunities** impact the Scheme's **sponsoring employer** across short, medium, and long-term horizons.
- Work with other advisers to assist the Trustee in incorporating climate considerations.
- Assist with incorporating climate issues into **governance** arrangements.

The Trustee's stewardship priorities cover four key areas:



Climate action



**Affordable and
clean energy**

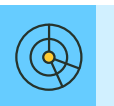


**Decent work and
economic growth**



**Industry, innovation
and infrastructure**





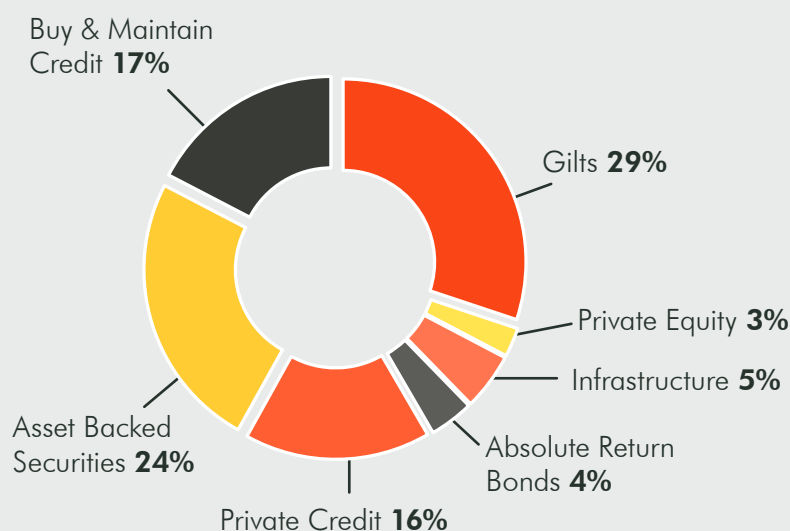
Strategy

Strategy updates

Over the year, the **Trustee** Board has undertaken several key actions and considered the impact of wider strategic changes when evaluating continued alignment between the investment strategy and the Trustee's **ESG** priorities. These include:

Seeking improvement in ESG in Asset-Backed Securities

The allocation to **ABS** is expected to continue to build up over time as **illiquid** assets return capital. As such, the Trustee has increased engagement with its ABS managers. This has gone beyond annual sustainability reviews, with a greater emphasis on ongoing dialogue, real-world impact potential, data coverage and monitoring progress towards alignment with more advanced industry frameworks, such as the **Net Zero Investment Framework**.



Increased attention on stewardship

As **the Scheme**'s allocation shifts towards existing **credit** exposures, the scope to direct capital to climate **opportunities** narrows, increasing reliance on **stewardship** to manage climate-related risks and influence issuer behaviour.

The annual stewardship review assessed the effectiveness of **investment managers**' support for the Scheme's climate objectives, focusing on portfolio alignment with climate targets, engagement quality and escalation practices.





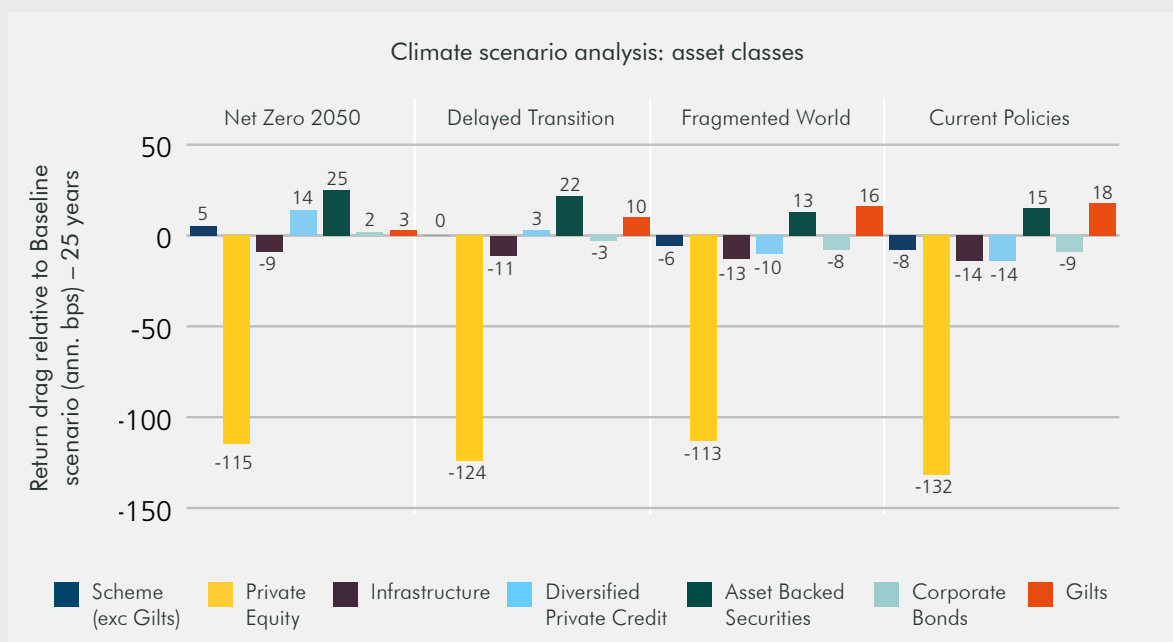
Reduced Real Assets exposure

As part of wider strategic de-risking, the **Trustee** has continued to reduce the **Scheme's** allocation to real assets, including real estate. This trend is expected to continue as the Scheme matures. Real assets are more directly exposed to climate-related **physical risks**, including acute and chronic risks.

While consideration of **ESG** risk is not the primary driver of this strategy decision, as the allocation to real assets declines, the Scheme's overall exposure to direct physical climate risks is expected to reduce over time, lowering sensitivity to location-specific risks associated with underlying asset geographies.

Continued relevance of climate scenario analysis

The Scheme's climate risk profile remains broadly consistent with prior assessments, with no material deterioration in resilience identified. **Climate scenario analysis** was not updated this year; however, there are no indications that the current strategy significantly alters the Scheme's exposure relative to the previous assessment. The Trustee recognises the limitations of scenario analysis which, while useful for comparative purposes, does not fully capture tail risks such as climate tipping points. The next scenario analysis will be carried out in 2028.



Source: Investment Consultant. Note: Additional detail on scenario analysis can be found in the Appendix (2025).



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

The Trustee ensures that climate risks and opportunities feed into strategic decision-making.

This includes considering how these risks – both transition and physical – and opportunities differ across various time horizons, while working to ensure **the Scheme** is resilient under various possible climate futures. By way of background:

Transition risks	Physical risks	Opportunities
Transition risks arise from the shift to a lower-carbon economy, including market, policy/legal, technology and member behaviour changes, and are typically expected to be priced in over the short to medium term.	Physical risks arise from climate-driven changes in weather systems, such as temperature shifts, extreme events, supply chain disruption and impacts on mortality, and are typically expected to materialise over the medium to long term under severe warming scenarios.	Opportunities arise to support sustainable growth and investment as economies transition to net zero.

The **Trustee** maintains the time horizons used in prior **TCFD** reports, which were set in 2022, to assess climate-related risks and opportunities, recognising that transition risks are nearer-term, while physical risks increase over time. Overall, the Scheme’s risk profile remains broadly consistent with prior disclosures. However, the ongoing conflict in the Middle East introduces additional uncertainty, contributing to higher emissions and disruption in energy supply chains. This may support increased short-term fossil fuel use; while impacts are not yet quantifiable, this could dampen near-term transition risk while exacerbating longer-term physical risk.





Timeframe*	Investment Horizon			Climate Horizon		
Short term 3 years	Actuarial review cycle	Strategy implementation	Review illiquid allocation	Geopolitical shifts	Improvement in data quality	Target setting and measurement
Medium term 8 years	Scheme’s Long-Term Objective			Interim 2030 targets	Measure outcome against UN SDGs and carbon targets	
Long term 16 years	Liability duration			Measure against 2050 net zero target		
Very long term 25 years	Scheme run-off			Investors’ and organisations’ net zero targets	Physical risks scale up	

Timeframe*	Risks to Assets	Risks to Liabilities	Risks to Sponsoring Employer	Opportunities
Short term 3 years	Transition risks such as carbon pricing and regulation	Changes to yields (as per assets) and longevity expectations due to rising physical risks or changing provision and quality of healthcare	Transition risks, particularly in scenarios where reliance on natural gas is reduced.	Opportunities will arise to support sustainable growth and development across industries as part of a move towards net zero economies.
Medium term 8 years			Physical risks to sponsoring employer assets and supply chain.	As illiquid mandates roll off, sustainable liquid assets continue to be considered.
Long term 16 years	Physical risks such as extreme weather events and sea level rises		More extreme weather patterns may also impact consumer demand.	
Very long term 25 years				

*The **Trustee** reviews these timeframes at least every three years as part of ongoing climate risk oversight, with a particular focus on **the Scheme's** ability to maintain sufficient assets to meet projected **liabilities** throughout its journey plan. Further details on the rationale for timeframe selection are provided in the **Appendix**.



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

The **Trustee** monitors physical and transition climate risks across short-, medium- and long-term horizons, assessing impacts on the **Scheme's** strategic asset allocation, liabilities and the **sponsoring employer covenant**.

Asset allocation: The direction of travel in the strategic asset allocation is broadly aligned with climate risk management objectives. Increased allocations to more **liquid** and defensive assets (e.g. **asset-backed securities** and **corporate bonds**) enhance portfolio resilience under accelerated transition scenarios, relative to higher-risk alternative asset classes. The reduction in real assets exposure also provides a buffer against physical climate risks but will also result in a lower allocation to direct investment in renewable energy infrastructure solutions. The expected allocation change in the table below reflects the expected change in asset mix as membership matures i.e. further portfolio derisking as the Scheme matures) and wider strategic considerations.

Liabilities: Transition risks have the potential to materially affect the liability profile through impacts on key financial assumptions, including discount rates and inflation expectations. Regulatory, policy, and market changes associated with the transition to a low-carbon economy are relevant across all time horizons, making transition risk a key consideration in liability management. **Physical risks** are expected to have a more limited direct impact, given **liabilities** are not linked to physical assets.

Covenant: The most material source of climate risk is transition-related, primarily driven by developments in the UK energy policy landscape. A transition pathway that supports hydrogen and biomethane presents a potential upside for the employer; conversely, a transition away from gas without support for these alternatives poses a significant risk to long-term business viability. Ongoing geopolitical disruption to energy supply chains may sustain demand for gas in the near term through increased fossil fuel production and subsidies. The employer is also exposed to physical risks on its assets, such as flooding risk. We note that **covenant** risk is not expected to materially impact member outcomes given the Scheme's continued low reliance on the sponsor. See further detail on covenant analysis on page 23.

Potential impact of climate-related risks on the Scheme's Assets, Liabilities and Sponsoring Employer Covenant.

		Gilts	Private Equity	Infrastructure	Absolute Return Bonds	Diversified Private Credit	Asset-Backed Securities	Corporate Bonds
Transition risk	Short term (3)	Low	Average	Average	Average	Average	Average	Average
	Medium term (8)	Low	High	Average	Average	Average	Low	Average
	Long term (16)	Low	High	Average	Low	Average	Low	Low
Physical risk	Short term (3)	Low	Average	Average	Average	Average	Average	Average
	Medium term (8)	Low	Average	Average	Average	Average	Average	Average
	Long term (16)	Low	High	Average	Average	Average	Low	Average
Expected allocation change		↔	↓	↓	↓	↓	↑	↑



		Liabilities	Sponsoring employer
Transition risk	Short term (3)	Average	Average
	Medium term (8)	Average	Average
	Long term (16)	Low	Low
Physical risk	Short term (3)	Average	Average
	Medium term (8)	Average	Average
	Long term (16)	Average	Average

Describe the resilience of the Scheme's strategy, taking into consideration different climate-related scenarios

The purpose of scenario analysis is to assess the potential impact of climate-related risks and **opportunities** on **the Scheme** and to inform the **Trustee's** funding and investment strategy.

The strategic asset allocation changes undertaken over the past year are not expected to materially alter the Scheme's exposure to climate risks across assets, **liabilities** or funding level. As such, the key findings presented below remain aligned with the prior scenario analysis results (further detail is set out in the **2025 TCFD report**). In line with regulatory requirements, the next full update to scenario analysis is scheduled to be undertaken for the 2028 report.

Scenario analysis does not represent forecasts but instead explores a range of plausible future pathways to highlight key risk drivers and uncertainties. The Trustee accepts there are limitations involved within **climate scenario analysis** (notably quantitative approaches), including the potential underestimation of climate risk. The Trustee therefore uses the scenario analysis for comparative purposes rather than analysing the absolute magnitude of results.



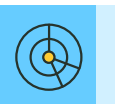


Further detail can be found in the **Appendix**. The scenarios considered are aligned with the **Network for Greening the Financial System (NGFS)** and are outlined below:

Net Zero 2050	Delayed Transition	Fragmented World	Current Policies
Aligns with the most ambitious target of the Paris Agreement, being a $<1.5^{\circ}\text{C}$ scenario this century (50% likelihood). This is an optimistic scenario, in which climate policy is implemented immediately and net zero carbon emissions are achieved by 2050. Some regions, e.g. EU and US, achieve net zero across all GHGs by that date. Physical risks are minimised; however, transition risks are extremely high.	Aligns with the less ambitious target of the Paris Agreement of a well-below $<2^{\circ}\text{C}$ scenario this century (67% likelihood). Emissions do not peak until 2030, with strong climate policies then needed to align with the Paris Agreement outcome. There is regional variation in climate ambition, reflected in local climate action plans. Physical risks are relatively low whilst transition risks occur later than in the Net Zero scenario.	Fails to achieve the Paris Agreement, resulting in a $>2^{\circ}\text{C}$ scenario this century. Generally, there is delayed and divergent climate policy ambition globally. Net zero targets are partially achieved, with those falling short continuing along a business-as-usual pathway. Transition risk is high in some countries (i.e. those achieving net zero targets), whilst physical risks increase in general given the ineffectiveness of the transition.	Fails to achieve the Paris Agreement, resulting in a $>3^{\circ}\text{C}$ scenario this century. The scenario assumes currently implemented policies remain in place, with no further climate ambition. There is low regional variation in climate ambition globally. Very high physical risks result in irreversible changes in the climate system. Meanwhile, transition risks remain extremely low.

The **Trustee** considers scenario analysis as part of strategic decision-making on an ongoing basis. The Trustee must undertake scenario analysis no less than every three years and, in each of the two years following analysis, must review whether refreshed scenario analysis is required to adequately assess climate-related risks.





We present a summary of the climate scenario results from last year's report (see **TCFD Report 2025** for further detail), illustrating the potential impact of each scenario relative to a "climate-neutral" baseline. The **Trustee** recognises the limitations of scenario analysis, which, while useful for comparative purposes, does not fully capture tail risks such as climate tipping points.

- **Funding position (excluding longevity):** The analysis shows that all climate scenarios lead to a deterioration in funding position over time if longevity considerations are excluded, but the scale and drivers differ materially. Continuing with current policies results in the most severe long-term impact, while the Net Zero 2050 scenario, though associated with a short-term drag on returns, results in a less damaging long-term funding impact. This reinforces the message that early, orderly action on climate not only aligns with environmental goals but also helps protect financial outcomes.

Climate Scenario Analysis: Longevity impacts from changes in members' life expectancies

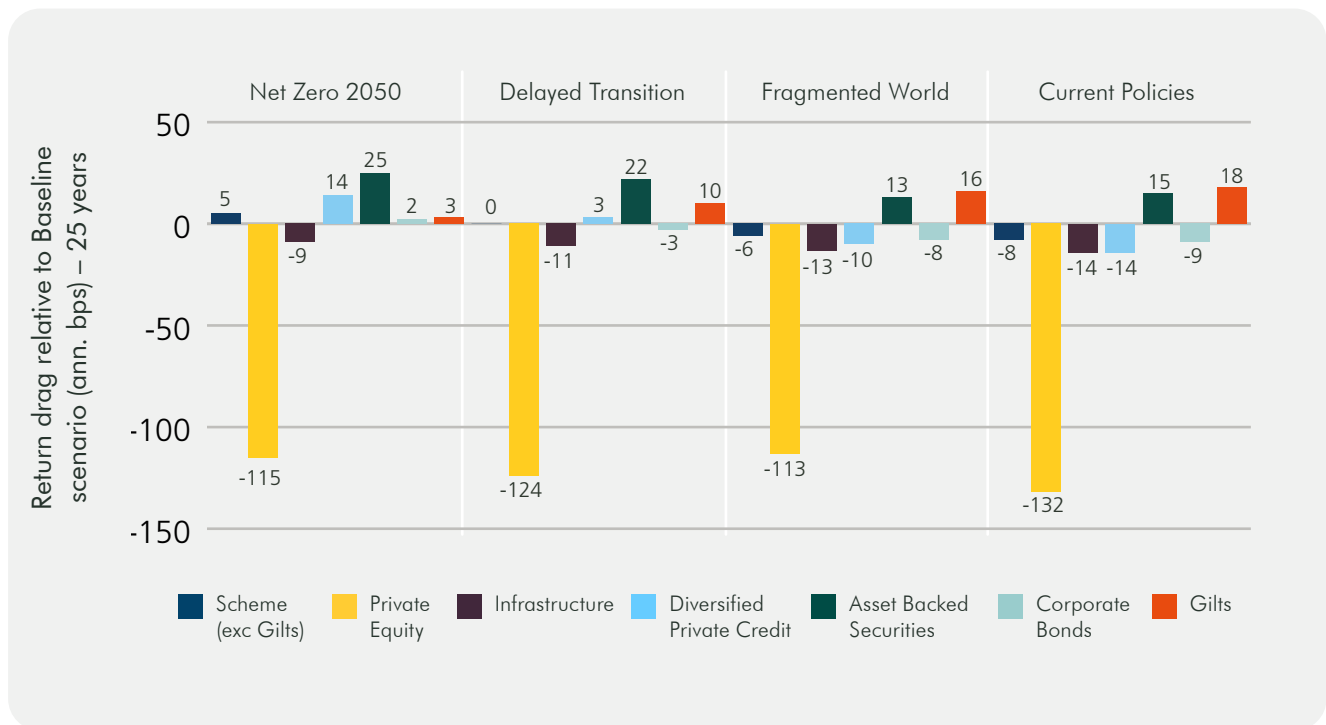
- **Longevity impacts the Scheme's liabilities and its funding level:** Over the long term, changes to how long members are expected to live on average pose a material risk to the Scheme's liabilities and funding level. Impacts are driven primarily by longevity assumptions. Small changes in life expectancy can materially affect funding.
 - **Net Zero 2050:** Improved management of **physical risks** may increase life expectancy, slightly raising liabilities and reducing funding.
 - **Delayed Transition and Fragmented World:** Lower life expectancy from a disorderly transition and higher physical risks reduces liabilities and improves funding.
 - **Current Policies:** The largest decline in life expectancy, driven by worsening health outcomes and physical risks, leads to the greatest funding improvement but negative member outcomes.

	Liabilities	Funding Level
Net Zero 2050	+0.6%	-0.6%
Delayed Transition	-0.8%	+0.8%
Fragmented World	-2.7%	+2.7%
Current Policies	-3.8%	+3.8%

Source: Actuary. Note: Impact measured on the Scheme's Long-Term Objective liability basis; results shown relative to a "climate-neutral" baseline. See results excluding longevity assumptions in Appendix (2025).



Climate Scenario Analysis: Asset Classes



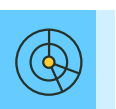
Source: Investment Consultant. Note: Additional detail on scenario analysis can be found in the Appendix (2025).

Climate Scenario Analysis: Funding position (excluding longevity)

- **Assets:** Asset resilience diverges across climate pathways: defensive, short-duration assets are more robust, while growth and real assets are more exposed to climate risk.
 - **Gilts & ABS:** These asset classes show consistent positive performance and strong defensive characteristics (ABS benefits from orderly transition).
 - **Private credit:** Performs in Net Zero Scenario although weaker in delayed/fragmented scenarios.
 - **Private equity:** Most negatively impacted across all scenarios.
 - **Infrastructure & corporate bonds:** Modest downside across most scenarios driven by **credit**, regulatory and **physical risks**.

Expected change in real funding position (excluding longevity) compared to Baseline scenario – 25 years	
Net Zero 2050	-£98m
Delayed Transition	-£125m
Fragmented World	-£139m
Current Policies	-£147m

Sources: Actuary, Investment Consultant. Note: Impact measured on the Scheme's Long-Term Objective liability basis. Additional detail on scenario analysis can be found in the Appendix (2025).



Climate risks and opportunities over time: Covenant considerations and qualitative deep dive

Covenant strength and climate risk assessment

The **Covenant** Adviser undertakes a qualitative assessment of climate-related risks and **opportunities**, across both physical and transition pathways and over short, medium, and long-term horizons, to evaluate impacts on covenant strength and inform the resilience of **the Scheme**'s strategy. The Scheme retains a degree of short-term reliance on the covenant given the current funding position, and the **Trustee** expects an element of dependency to persist into the medium term.

Sponsoring employer risk exposure and energy transition scenarios

The **sponsoring employer's** risk and opportunity profile varies by climate scenario, with the most significant exposure linked to the future role of gas in the UK energy mix, particularly for domestic heating. This remains a key focus for ongoing monitoring by the Covenant Adviser. Each year, the National Energy System Operator sets out pathways¹ illustrating credible routes to decarbonise the UK's energy system to net zero by 2050. Across the net zero-aligned scenarios (Holistic Transition, Hydrogen Evolution and Electric Engagement), natural gas demand is expected to fall by c.20% by 2035, whereas the counterfactual pathway implies a much slower decline.

Policy context and transition risks

If policy supports continued gas use alongside hydrogen and biomethane, there may be upside for the sponsoring employer; however, a transition away from gas without favouring hydrogen presents a material long-term risk. While operational impacts may be gradual, earlier effects could arise through regulation and financing, as reflected in Ofgem's RII0-3 Sector Specific Methodology Decision² proposals and the planned (though delayed) phase-out of new gas boilers by 2035.

Risk monitoring and mitigation

Climate-related risks are consistent with those identified by the sponsoring employer, and mitigation measures are in place. The Covenant Adviser independently monitors these risks, providing at least annual formal reporting alongside ongoing engagement and detailed triennial reviews.

¹Source: FES 2024: ESO Pathways to Net Zero

²Source: RII0-3 Sector Specific Methodology Decision – Overview Document



Transition and **physical risks** may create operational and reputational challenges for the **sponsoring employer**, while supportive policy and regulatory cost pass-through could present **opportunities** if investment is aligned with the long-term energy transition.

Transition risk arises from policy and regulatory shifts away from gas to other domestic heating energy sources, e.g. electrification, rather than towards hydrogen or biomethane, which could help preserve reliance on gas networks through blending. This could materially impact operations, increase uncertainty around the cost and delivery of the transition strategy and lead to reputational risk where targets are not met. Under a delayed transition, limited action and impact may be seen until around 2030; however, a more disorderly transition could reduce gas demand, lowering network utilisation and increasing stranded asset risk, though regulatory protections and treatment may influence the scale of these impacts. The timing of transition impacts appears to be weighted post-2035 but investor and lender sentiment could react earlier to policy and regulatory signals.

Physical risk arises from more extreme weather, including colder winters and hotter summers driving demand surges, and acute events such as flooding, erosion, wildfires and storms damaging network infrastructure and disrupting supply chains. Whilst the sponsoring employer's assets are mostly underground, there are also above-ground assets (e.g. pressure regulators and valves) that are more at risk of flood damage, power loss and erosion. These risks could lead to reliability and public safety issues if demand cannot be met, with associated reputational impacts and higher operating and repair costs. Whilst regulatory arrangements may support investment in network resilience, more frequent or severe physical events could still increase operational pressures and the cost of maintaining network reliability.

Opportunities arise from government policies supporting hydrogen, biomethane and gas as part of the future energy mix. While significant investment may be required, a supportive regulatory environment could create upside through Regulatory Asset Value (RAV) growth, an extension of asset life and improved long-term prospects for the sponsoring employer.



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

Stewardship analysis: Assessing managers' engagement practices on climate

Stewardship analysis conducted by our Investment Consultant provided an independent assessment of our **investment managers'** practices, focusing on strategic alignment with our agreed stewardship priority linked to **UN SDG 13: Climate Action**.

The assessment considered the overall quality of managers' stewardship efforts, the degree of alignment with SDG 13 and the extent of engagement activity on climate themes.

The stewardship approach across the portfolio was rated as strong, and broadly in line with expectations for each asset class. Several managers demonstrated strong practices through firm-wide integration of **ESG** themes, structured engagement processes, and participation in collaborative initiatives. We have seen efforts to improve practices among managers identified as lagging in previous analysis.

SDG 13 alignment was generally indirect but present. Most managers formally reference Climate – rather than UN SDG 13 – as a priority for determining engagement activities. Several managers systematically produce ESG or climate risk ratings for each asset in the portfolio to inform engagement activity and participate in relevant collaborative initiatives such as Climate Action 100+.

We recognise that the selection of target companies for climate engagement in **asset-backed securities** and private debt can be more challenging, but most managers demonstrate relevant stewardship activity, improving engagement with the wider market and demonstrating strong practice in identifying underperforming holdings. The climate engagement coverage across public **credit** managers improved, capturing a greater share of the **portfolios'** holdings than in the previous assessment. These managers were also able to produce relevant case studies, including the outcomes of engagements.

Overall, **the Scheme's** stewardship profile is robust. Challenges around stewardship alignment and reporting, particularly within ABS, are also recognised. Continued engagement with managers will focus on enhancing transparency and encouraging systematic prioritisation of our climate goals.

13 CLIMATE ACTION





Risk Management

Describe the Trustee's processes for identifying, assessing and managing climate-related risks

The **Trustee** monitors climate-related risks through a range of complementary tools, including sustainability-integrated assessments of **investment managers**, **climate scenario analysis**, and an annual review of climate metrics.

Assessing our managers' climate risk management

Day-to-day management of climate-related risks is delegated to **the Scheme's** appointed investment managers and the Trustee regularly assesses managers' ability to identify, evaluate and mitigate **ESG** risks, informed by meetings held with the investment managers and an annual review from the Investment Consultant. This review evaluates each manager's approach to ESG integration, with a focus on climate risk within investment strategies. The latest assessment confirms that the Scheme meets its expected standards, reflecting a strong baseline of ESG and climate integration.

ESG risks are actively managed across the portfolio, particularly within public **credit**, where most mandates rank in the top half of their peer groups for climate performance. All managers meet the Trustee's minimum expectations, with targeted engagement in place to enhance ESG risk transparency and management.

This year, the Trustee broadened its review beyond climate-related risks to include nature-related risks, assessing how these risks and associated impacts are incorporated into investment decision-making. Given the evolving nature of data and the lack of explicit nature-related targets within the strategy, outcomes are currently less advanced than climate-related analysis, though this is expected to improve as methodologies and data availability develop.

Climate scenario analysis and climate data

Climate scenario analysis is undertaken on at least a triennial basis to assess the resilience of the Scheme under a range of climate pathways. This enables the Trustee to evaluate potential financial impacts under different scenarios and to inform strategic decision-making. In addition, the Trustee annually collects carbon data. This provides greater oversight of the highest-emitting mandates, helping to identify potential exposure to **transition risks**, including the risk of stranded assets, and supports more informed monitoring and engagement.

Further detail on the latest set of climate metrics is provided in the Metrics & Targets section.

Climate risk monitoring across covenant and liabilities

The Trustee also considers climate-related risks in the context of the **sponsoring employer** covenant and the Scheme's long-term funding strategy. Although covenant risk is low, climate risks are periodically assessed by the Covenant Adviser. The Scheme Actuary considers potential climate-related impacts on liabilities, including through scenario analysis where appropriate.

No material changes in climate risk exposure have been identified in relation to covenant strength or liability valuation over the reporting period.



Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the Trustee’s overall risk management

Our risk register

Climate-related risks and **opportunities** are fully considered and integrated into the investment process by the **Trustee** Board. Here we outline some of the material climate-related risks that the Trustee considers within the risk management framework.

The Trustee considers climate-related risk within its risk register (see below). The risk register includes actions the Trustee has taken to mitigate climate-related risks, such as manager monitoring and regular reviews with the **sponsoring employer**.

The Trustee and **the Scheme**’s advisers use a sophisticated IRM (Integrated Risk Management) dashboard to further enhance risk management processes through a set of metrics and key performance indicators (KPIs) that are assessed regularly. This includes climate considerations (to the extent the Trustee considers climate a material risk versus other considerations) and, given the industry in which the sponsoring employer operates, will explicitly focus on the strength of the sponsoring employer.

Potential Issues		Mitigating Actions
Covenant: Sponsoring employer	• Worsening covenant position associated with the impacts of climate change (transition and physical risks). • Transition away from gas for future energy provision in the UK. • Damage to reputation and/or legal challenge due to poor or inconsistent climate practices.	• Covenant formally considered by Covenant Adviser on an ongoing basis. • Monitoring of Government energy consultations, regulatory environment and broader commentary around the future of energy. • Regular review with sponsoring employer. • Scheme protections would take effect in a downside scenario.
Investment Strategy	• Asset mis-pricing due to the impacts of climate change and the transition to a low-carbon economy and/or physical impacts of climate change.	• Professional advice from Investment Consultant. • Continued monitoring of investments against the Trustee's ESG policy and climate target(s), and regular (at least triennial) climate scenario modelling. • Ongoing Trustee training.



Potential Issues

Mitigating Actions

Investment:

Asset and investment manager allocations

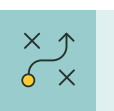
- **Investment managers** do not adequately integrate financially material **ESG** factors (including climate risks) into their risk management framework.
- Investment managers do not adopt effective **stewardship**: e.g. to improve management of climate factors.
- Investment managers do not consider potential investment opportunities.
- Investment Consultant monitors investment managers and reports to the **Trustee**. This may include, but is not limited to, monitoring managers and asset classes on the risks and opportunities arising from climate change and how these are managed on an ongoing basis.

Funding:

Funding level

- Funding target is increased at future actuarial valuations due to climate-related reasons.
- Cost of longevity insurance increases due to climate change.
- Scheme Actuary, **sponsoring employer**, Investment Consultant and **Covenant** Adviser all involved in ongoing funding level assessment and IRM.
- Training and advice on potential funding impact using **climate scenario analysis**.
- Allowance for a prudent margin in the assessment of life expectancies for funding purposes and regular funding updates from **the Scheme** Actuary.





Metrics and Targets

Disclose the Trustee’s climate-related metrics and targets

The **Trustee** reports on the following metrics for **the Scheme**’s invested assets:

Required Metric Type	What do these metrics mean?
Absolute Emissions	Total Greenhouse Gas Emissions: The portfolio’s share of underlying companies’ total greenhouse gas emissions, allocated based on the Scheme’s level of investment.
Emissions Intensity	Carbon footprint: An emissions intensity measure showing greenhouse gas emissions per £1 million invested.
Portfolio Alignment Metric	Implied Temperature Alignment: An indicator of how closely the portfolio aligns with the Paris Agreement goal of limiting global warming to 1.5°C.
Additional Climate Metric	Data Quality: Classification of emissions data as reported, estimated, or unavailable where no verified data exists.

Gathering the metrics

- The Trustee has collected climate metrics for the portfolio as at 30 September 2025.
- Where available, the Trustee reports Scope 1 and Scope 2 emissions, and separately Scope 3 emissions, noting that Scope 3 data is largely estimate-based and therefore subject to greater uncertainty.
- In addition, the Trustee monitors data quality to provide transparency on underlying carbon data sources, and implied temperature alignment to support a forward-looking assessment of portfolio mandates.
- No additional assumptions have been applied beyond data provided by managers; the Trustee and its Investment Consultant continue exploring alternative data sources to address identified data gaps.

The Trustee has a long-term ambition of net-zero carbon emissions, across all Scheme assets, by 2050. The Trustee has agreed an interim target consistent with this aim.

- **Target**
Reduce the carbon footprint (Scope 1 and 2 emissions) of the **liquid credit portfolio** by 38% by 2030 versus a 2021 baseline in line with the **Science Based Targets initiative (SBTi)***.
- **Progress**
The target has been achieved ahead of schedule, and the Trustee is in the process of reviewing the target, with an aim to align with achieving real-world outcomes.

*The SBTi is a global body that enables companies and financial institutions to set greenhouse gas emissions reduction targets aligned with climate science and the goals of the Paris Agreement. Further detail and disclosure on metrics gathering and definitions can be found in the **Appendix**.



The Scheme's existing climate target has been met ahead of schedule. The **Trustee** remains committed to ambitious target setting and is assessing the feasibility of moving from backward-looking metrics (i.e. carbon footprint) to more forward-looking measures (such as portfolio alignment with future temperature pathways). The Trustee acknowledges that progress to date has been driven more by changes in portfolio composition than by underlying decarbonisation at the company level. The Trustee also recognises that global progress towards the **Paris Agreement** has been insufficient, with the goal of limiting warming to 1.5°C now considered highly unlikely to be achieved in practice, and will take this into account when reviewing the target.

This assessment depends on the availability and robustness of data from **investment managers** and is expected to vary by asset class due to differences in data quality.





Overview of 2025 metric results

Key: Metric declined versus 2024 value Metric improved versus 2024 value

Absolute emissions (Scope 1 & 2 tCO₂e) 2025 value: 216,060 Change vs last year: -32%	Carbon footprint (Scope 1 & 2 tCO₂e / £1m of EVIC) 2025 value: 56 Change vs last year: -13%
Absolute emissions (Scope 3 tCO₂e) 2025 value: 502,476 Change vs last year: +9%	Carbon footprint (Scope 3 tCO₂e / £1m of EVIC) 2025 value: 394 Change vs last year: +8%
ITR alignment 2025 value: 1.8°C Change vs last year: -0.1°C	Data quality (Scope 1 & 2) 2025 value: 22% Change vs last year: -2%

Scope 1 and 2 emissions

Absolute emissions fell by 32% over the year to 30 September 2025. There was a notable reduction within the **liquid** portion of the portfolio, where emissions decreased by 73% over the year. The carbon footprint across the portfolio also declined by 13% over the year, with the **liquid credit** portion experiencing a 41% reduction and the **illiquid** portion of the portfolio recording a 44% increase, primarily reflecting improved emissions coverage within one mandate.

*While the **Trustee** sees the reduction in Scope 1 & 2 emissions as a positive development, it notes that this was largely driven by changes in portfolio composition and asset allocation, as opposed to underlying real-world decarbonisation.*

Scope 3 emissions

At the total portfolio level, Scope 3 total emissions and carbon footprint both increased over the year, partly reflecting additional data availability from one manager in the illiquid portion of the portfolio and improvements in mandate-level coverage within the **liquid credit portfolio**, contributing to higher overall coverage (31% up from 26% in 2024).

As there is a significant level of estimation involved in Scope 3 emissions, the metric should be treated with caution.

Implied Temperature Rise (“ITR”)

The portfolio’s ITR has improved and now stands at 1.8°C. However, we acknowledge that the 0.1°C decline in ITR for the liquid credit portfolio is partly attributable to the removal of one credit mandate which had a relatively high ITR, with additional allocation to ABS, for which there is no coverage, reducing the overall comparability and robustness of the metric. The ITR of the illiquid portion of the portfolio remained unchanged year on year.

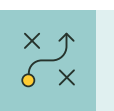


ITR is a useful forward-looking alignment metric as it translates portfolio emissions pathways into an intuitive temperature outcome; however, it is restricted by model assumptions and does not directly capture real-world decarbonisation.

Data Quality and Coverage

Total Scope 1 & 2 emissions coverage has improved by 8%. This was largely driven by an increase in estimated data, with this proportion increasing by 9% for the total portfolio and 22% for the **liquid credit portfolio**, indicating a slight deterioration in data quality, which reflects verified and reported data as opposed to estimated.

*This is to be expected given the increase in allocation to **ABS** over the year, where data quality remains a challenge.*



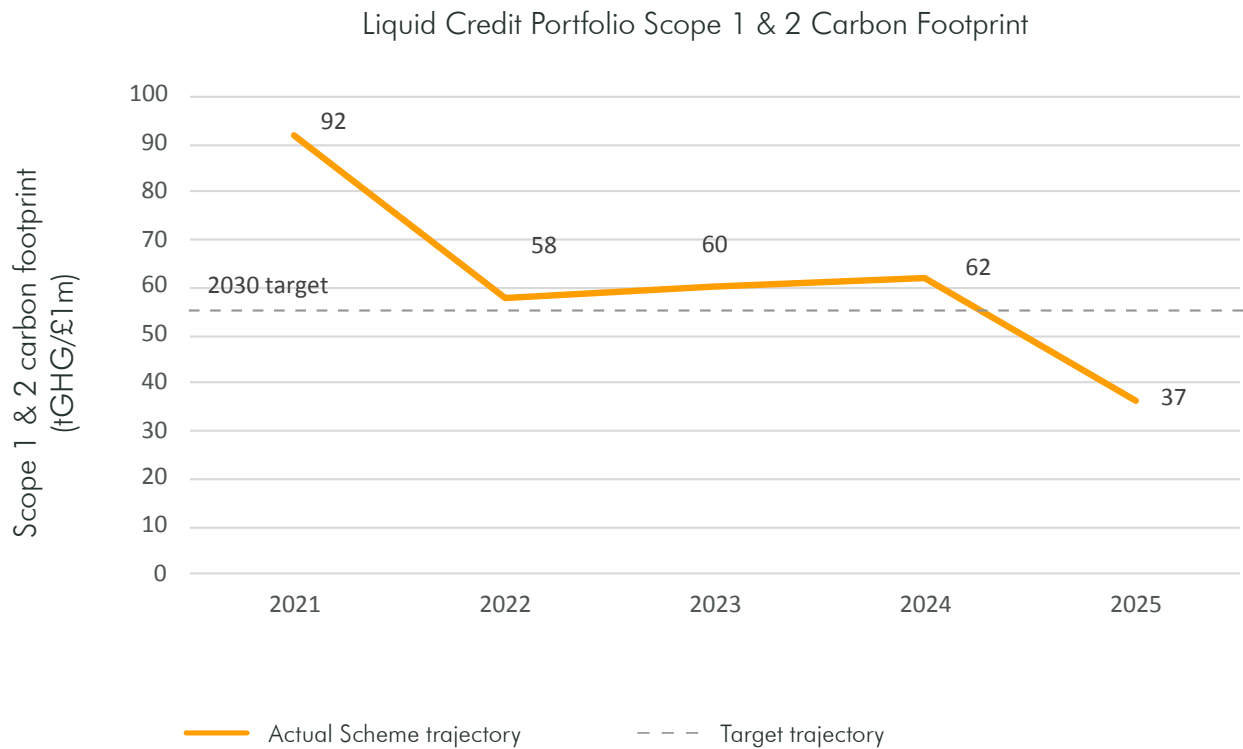
Describe the targets used by the Trustee to manage climate-related risks and opportunities and performance against targets

The **Trustee** retains the target of a **38% reduction in the Scheme’s liquid credit portfolios’ carbon footprint (Scope 1 & 2) relative to a 2021 baseline by 2030.**

This target aligns with the **Science Based Targets initiative** and represents **the Scheme’s** first formal climate milestone within its broader net zero ambition by 2050.

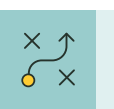
Progress against 2030 target

Since the 2021 baseline, the Scheme has reduced Scope 1 and 2 intensity emissions by 59%, remaining significantly below baseline levels and surpassing the 38% decrease target. The liquid portfolio's scope 1 & 2 carbon footprint is now at 37 tGHG/£1m.



Carbon footprint (tGHG/£1m)	Baseline 31/12/2021	30/09/2025 (versus baseline)	2030 Target (versus baseline)
Liquid credit portfolios	92	37 (-59%)	57 (-38%)

Carbon footprint reductions should, however, be interpreted cautiously. Reported improvements have largely been driven by methodological effects (e.g. rising market capitalisation and debt lowering intensity metrics), portfolio shifts away from high emitters, and changes to the investment strategy which have led to divestment of carbon-intensive mandates, rather than real-world emissions reductions alone.



Review of the Trustee's climate-related metrics and targets

Target review

Considering the limitations outlined in this section and evolving industry practice, the **Trustee** is reviewing the target to ensure it remains ambitious, including considering a potential addition or shift from backward-looking metrics to forward-looking measures such as Net Zero 2050 alignment under the **Net Zero Investment Framework 2.0**, subject to data availability and quality across asset classes.

The Trustee continues to place greater emphasis on **liquid** asset classes, including its liquid **credit** mandate, where forward-looking climate metrics are more readily available and climate considerations are embedded in investment strategies.

The Trustee is working towards formally implementing a forward-looking climate target ahead of the 2027 **TCFD** report.

Upcoming focus: potential changes to metrics

The **Climate Working Group** has been discussing the following proposed changes to the reported metrics from 2027:

Required Metric Type	Current metrics	Proposed changes (expected for 2027 report)
Absolute Emissions	Total Greenhouse Gas Emissions	Retain Total Greenhouse Gas Emissions and Carbon Footprint
Emissions Intensity	Carbon footprint	Aim to add attribution analysis (i.e. sector, geography) of portfolio carbon emissions.
Portfolio Alignment Metric	Implied Temperature Alignment ("ITR")	Replace ITR with a new asset-alignment metric in line with the Net Zero Investment Framework
Additional Climate Metric	Data Quality	Retain data quality metric

The Trustee is also working towards the potential introduction of a new:

- **Engagement metric reporting framework:** the aim is to work towards reporting percentage of financed emissions under engagement and/or engagement with the lowest Net-Zero aligned holdings.
- **ESG opportunities allocation:** the aim is to work towards reporting metrics that monitor the allocation to climate solutions and/or other positive sustainable opportunities.

The Trustee is engaging with the **investment managers** on the disclosure of relevant data to support the introduction of these metrics.

The background of the page is a lush forest. The top half shows tall trees with green leaves against a bright sky. The bottom half shows a forest floor covered in a dense carpet of purple and blue wildflowers, with sunlight filtering through the trees.

Concluding remarks

The **Trustee** remains committed to maintaining an ambitious approach to managing climate-related risks and **opportunities**. Building on the developments outlined in this report, planned areas of focus include the further development of climate targets, potential additional training and analysis on nature-related risks, a review of **ESG** beliefs and **stewardship** priorities, and continued assessment of ESG integration across investment mandates. Together, these efforts underscore the Trustee's ongoing ambition to embed climate considerations across all aspects of investment **governance**.

Thank you for reading this report. We welcome feedback.

Please contact us at cgpstrustees@cadentgas.com with your thoughts.



Appendix



Appendix: Governance

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

Governance Structure for ESG considerations

Oversight - Trustee Board: Governance		
Approve Statement of Investment Principles, ESG policy (including ESG beliefs) and responsibilities.	Ultimate responsibility to ensure the identification, assessment and management of climate-related risks and opportunities .	
Climate Working Group - Strategy, Risk Management & Monitoring		
Assess climate impact on assets, covenant , funding, and members.	Monitor climate metrics and progress against target.	Consider strategy implications and scenario analysis.
Executive - Cadent Pensions Team & Trustee Advisers: Delivery		
Oversee delivery of climate workstreams including liaising with other Advisers.	Gather and report climate metrics to the wider Trustee Committees.	Provide strategy and risk related advice to the wider Trustee Committees.
Roles and responsibilities of Advisers		
Investment Consultant	Advising on the inclusion of climate considerations in the Scheme's governance arrangements, investment strategy, risk management and monitoring, working with the Climate Working Group , Trustee and the other advisers, as appropriate; Providing training and advising on climate-related risks and opportunities over the short, medium and long term at least annually; Assisting the wider Trustee Committee in the selection, calculation and monitoring of appropriate climate-related metrics and targets annually.	
Scheme Actuary	Helping the Trustee to assess climate-related risks and opportunities in relation to the Scheme's funding position over the short, medium and long term and the implications for the Scheme's funding and long-term objective, including a review of the TCFD report.	
Legal Adviser	Providing training to the Trustee on climate-related legal matters, including ensuring the Trustee is aware of its climate-related statutory and fiduciary obligations, and a review of the TCFD report.	
Covenant Adviser	Undertaking periodic reviews, at least annually, of the extent to which climate-related risks and opportunities might affect the Scheme's sponsoring employer over the short, medium and long term, informed by sector and sustainability expertise. This analysis is reported to the Trustee Board and/or the Climate Working Group and is used to help inform the Scheme's longer-term strategy and complete the Trustee's annual TCFD report.	



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

Trustee: The **Trustee** and its Advisers have their responsibilities clearly defined in a Climate Delegation Proposal which was first adopted in 2022 and is reviewed annually.

Cadent Pensions Team (CPT) and external advisers: The day-to-day oversight of the underlying **portfolio** managers and the extent to which they manage climate risks and **opportunities** is undertaken by the CPT with support from **the Scheme's** advisers. The CPT and the Investment Consultant provide extensive monitoring reports to the Trustee Board on a quarterly basis and attend wider Trustee Committee meetings. The CPT also attends training sessions provided to the Trustee.

The Scheme Actuary, Legal Adviser and Covenant Adviser all support the CPT.

The advisers provide regular climate-related training to the Trustee. The Trustee and the **Climate Working Group** review the Investment Consultant against strategic consultant objectives annually, with explicit inclusion of **ESG** and climate considerations. Since 2024, the Trustee also assesses how its actuarial and **covenant** advisers advise on climate-related risks and opportunities.

Investment managers: Given assets are managed by external investment managers, the ongoing assessment and management of climate-related risks and opportunities is largely delegated to them. This is through a combination of pooled investment vehicles and segregated **portfolios**. Where the Trustee invests in pooled vehicles, extensive due diligence is carried out prior to investment, with explicit consideration given to how managers approach climate risk. When investing via segregated portfolios, the Trustee has significantly greater ability to influence the management of ESG risks. This may be reflected in the investment management agreements (IMAs) where appropriate, for example the Trustee has implemented a decarbonisation objective within the IMAs of some of the segregated **liquid credit** mandates.

The Investment Consultant reviews all portfolios with respect to ESG integration on a regular basis, typically annually. The Trustee recognises that one size may not fit all and that different approaches to climate considerations may be appropriate across different classes and investment styles.





Appendix: Strategy

Scenario analysis appendix

Modelling principles:

Modelling was undertaken by **the Scheme's** Investment Consultant, Isio. SOFIA is Isio's proprietary investment model. SOFIA is a stochastic model that simulates a large number of possible future economic outcomes, in which financial conditions develop in a number of different ways, defined by assumptions for average outcomes, range of variability, and inter-dependency between different markets. The results shown in this report are based on the median results.

The high-level market scenarios are generated by a third-party Economic Scenario Generator (ESG) provided by Moody's Analytics. The ESG is an industry-standard tool that is widely used by financial institutions (e.g. insurers, **investment managers**, and investment banks). Both the climate scenarios and the underlying economic impacts are provided by Moody's Analytics.

Based on the scenarios generated by the ESG, SOFIA simulates asset class returns calibrated to Isio's asset class assumptions.

SOFIA takes the initial starting position of the assets, and projects these values forward under the simulated scenarios, taking into account any relevant inflows and outflows.

Different investment strategies are modelled in order to illustrate the effects of different allocations. In each case, SOFIA assumes that the strategy remains constant over the full projection period, and assets are annually rebalanced back to the original allocations. We can model alternative future strategic asset allocations being explored.

The potential impact on life expectancy under each scenario was provided by the Scheme Actuary.

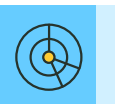
Modelling limitations:

The models are based on assumptions and simplifications across both climate-related impacts and investment implications, they are not intended to be a perfect prediction of the future but rather provide the **Trustee** with hypothetical constructs.

No guarantee can be offered that actual outcomes will fall within the range of simulated results. Actual outcomes may be better than the simulated 95th percentile or worse than the simulated 5th percentile.

The only risk factors considered in the modelling are those that affect the values of pension schemes' assets. The modelling results should be viewed alongside other qualitative considerations including portfolio complexity, **governance** burden, and liquidity risk.

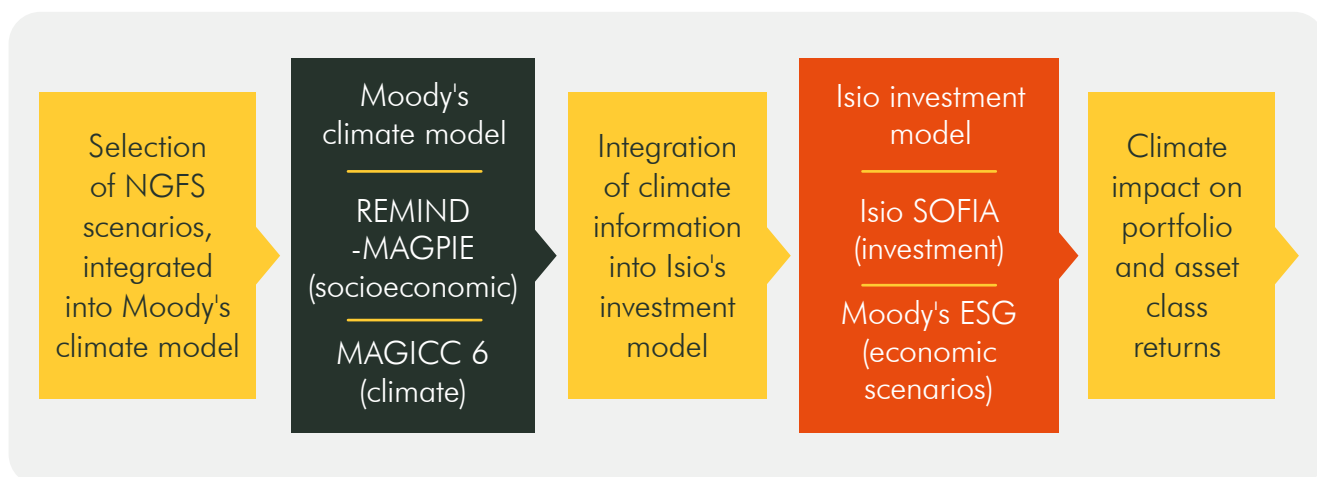
The model's projections are sensitive to the starting position and the econometric assumptions. Changes to the assumptions can have a material impact upon the output. There can be no guarantee that any particular asset class or investment manager will behave in accordance with the assumptions. Newer asset classes can be harder to calibrate due to the lack of a long-term history.



Climate scenario analysis

The Scheme's Investment Consultant, Isio, partnered with Moody's to deliver a climate change model. Please see below an overview:

1. Selection of climate scenarios from the **Network for Greening the Financial System**. The interpretation and implementation of these scenarios are detailed below, across these building blocks.
2. Inclusion of climate scenarios within Moody's climate model, composed of two building blocks: a socioeconomic REMIND-MAGPIE general equilibrium model, modelling macroeconomic growth and energy systems. This assumes that markets are efficient and sets out traditional economic assumptions around the evolution of economic markets. This is combined with the MAGICC 6 climate model, modelling climate and weather. The model runs 600 climate scenario projections and takes the median outcome for each climate scenario: baseline, Net Zero 2050, Delayed Transition, Fragmented World, Current Policies. There is interplay between these models.
3. The investment model is Isio's SOFIA model. This determines how different asset classes will react under the different climate change scenarios analysed, and across time. It is also composed of two building blocks: Moody's Economic Scenario Generator, modelling economic pathways. This is combined with the Isio proprietary investment model, which models the impact on investments.
4. The output is an understanding of the potential impacts on investment strategy and asset class outcomes, as well as the funding position. In particular, the impacts of rising transitional and physical costs associated with climate change are assessed.





Socioeconomic data

- Baseline assumptions around growth have decreased, whilst assumptions around population growth have increased.
- All scenarios in the analysis are grounded in the Intergovernmental Panel on Climate Change (IPCC)'s Shared Socioeconomic Pathway 2 (SSP2) — the “Middle of the Road” pathway. SSP2 reflects a world with moderate economic growth, uneven development, and no major shift in climate policy ambition. It assumes some progress on sustainability, but not at the pace required for rapid decarbonisation.
- Using SSP2 provides a consistent socioeconomic baseline across all climate scenarios (e.g. 1.5°C orderly, 2°C delayed, fragmented and current policies). This allows comparison of physical and **transition risks** while holding macroeconomic and demographic trends constant.

Climate data

- Climate pathways have been updated for countries' new Nationally Determined Contributions targets.
- There have been changes in the way that physical damages are modelled, assessing more channels (than just average temperature). This means the standard assumptions around physical risks are more aggressive.
- There is also a reduced reliance on Carbon Dioxide Removal (CDR) and Carbon Capture and Storage. For example, whilst biomass burning is assumed to be net negative, expectations around levels of biomass energy are scaled down.

- The revised data has scaled carbon taxation sensitivity upwards for low carbon scenarios, to 0.5 for Net Zero 2050 and 0.75 for Delayed Transition.
- The Current Policies physical damages data has been scaled to 95th percentile, whilst Fragmented World was scaled to 67th percentile.

Transition risks

- Shifts in investment impacts are driven by underlying changes in the data, with CDR assumptions being made more conservative. This would place a stronger emphasis on upfront decarbonisation, increasing return drags.

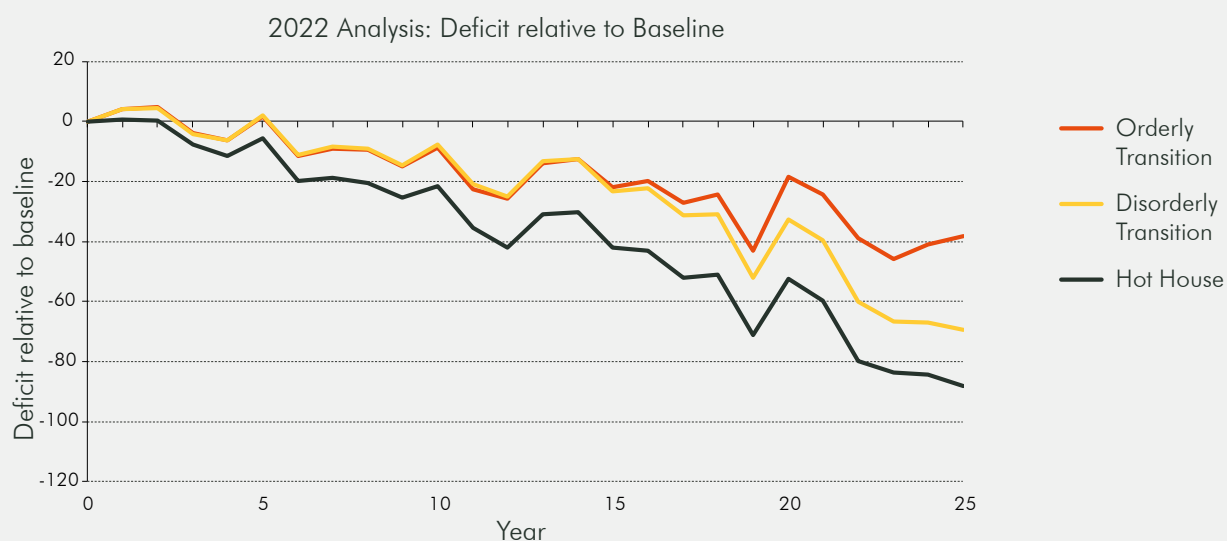
Physical damages

- In the previous modelling approach, Isio had adopted the Burke & Tanutama damages (2019), scaled up to the 67th percentile to compensate for the general under-estimation of physical damages in climate modelling, across the market.
- In the latest update, standard damages were scaled up using the Kotz et al. (2024) study, which analyses physical damages through various channels, including the average and standard deviation of temperature, and the average and standard deviation of precipitation (instead of just average temperature in prior damage functions).
- The end result is similar by the end of the century across these two approaches. However, the pathways look relatively different over time.

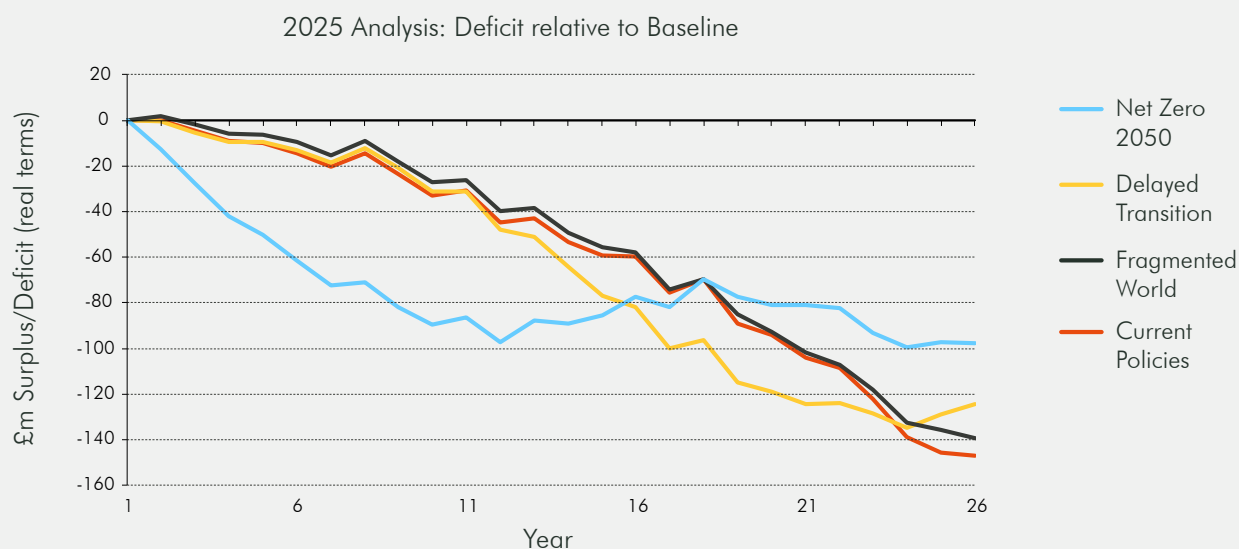
The **NGFS** scenarios reflect input from a range of public institutions, including central banks. The NGFS continues to model pathways consistent with a 1.5°C scenario with an overshoot of 1.65°C, although the feasibility of such pathways remains subject to differing views among stakeholders.



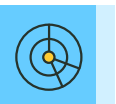
Changes in Deficit Profile Across Climate Pathways



Scenario	3 years	8 years	16 years	25 years
Orderly Transition (Net Zero 2050)	3.5%	-3.0%	-2.7%	-3.8%
Disorderly Transition	3.6%	-2.8%	-3.1%	-6.8%
Hot House (Current Policies)	7.0%	-6.4%	-5.9%	-8.7%

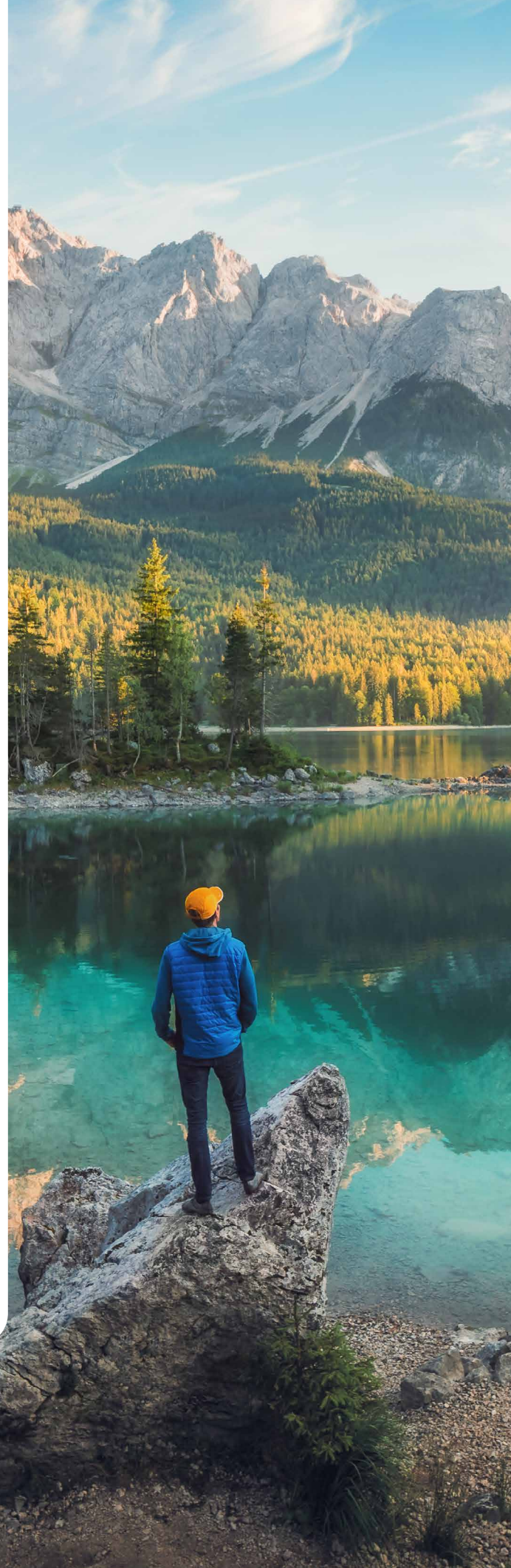


Scenario	3 years	8 years	16 years	25 years
Net Zero 2050	-28.7%	-19.9%	-10.3%	-8.1%
Delayed Transition	-6.5%	-5.1%	-12.5%	-10.4%
Fragmented World	-3.9%	-4.4%	-9.3%	-11.6%
Current Policies	-6.3%	-5.7%	-9.5%	-12.2%



Note: The Baseline scenario assumes no transition or physical impacts of climate change i.e. a climate neutral scenario. This is based on stochastic modelling, with the median outcome shown. **Liabilities** are modelled on an inflation +1.7% basis. Whilst we have modelled the potential physical and abatement costs over the next 3, 8, 16 and 25 years, in theory, markets may price these in sooner. The model's projections are sensitive to the underlying methodology and assumptions. No guarantee can be offered that actual outcomes will fall within the range of simulated results. Due to the long projection period, the model's outcomes are particularly reliant upon the underlying assumptions. Therefore, more attention should be paid to the relative comparisons between different projections than to the absolute magnitude of the results. Isio's climate model has been developed in partnership with Moody's Analytics and based on **NGFS** scenarios. Commentary is Isio's interpretation of results.

Source: Isio, Moody's.





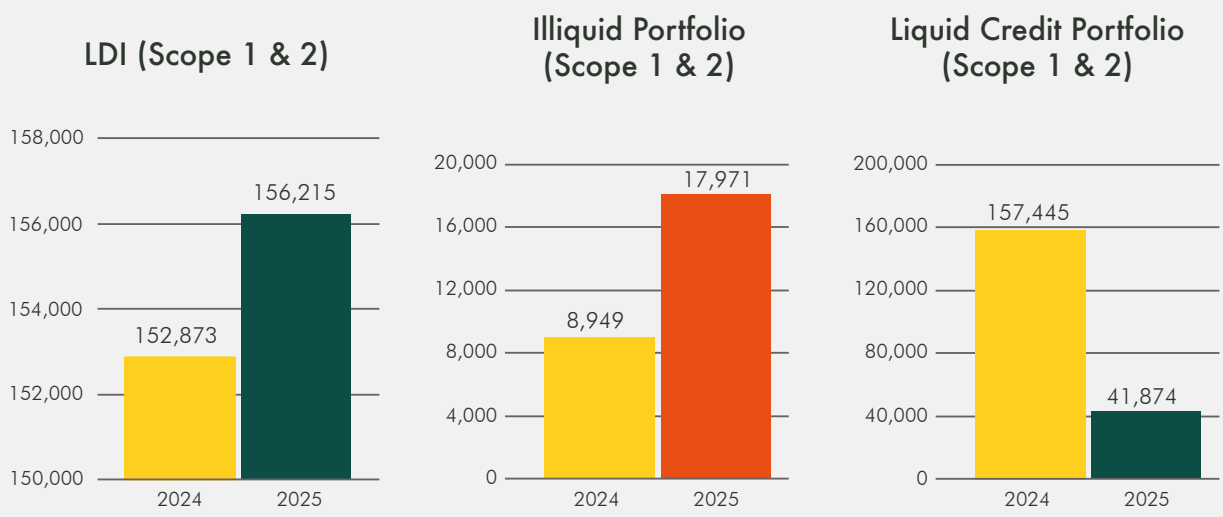
Appendix: Metrics and Targets

Disclosure of metrics – Total emissions and carbon footprint (Scope 1 & 2)

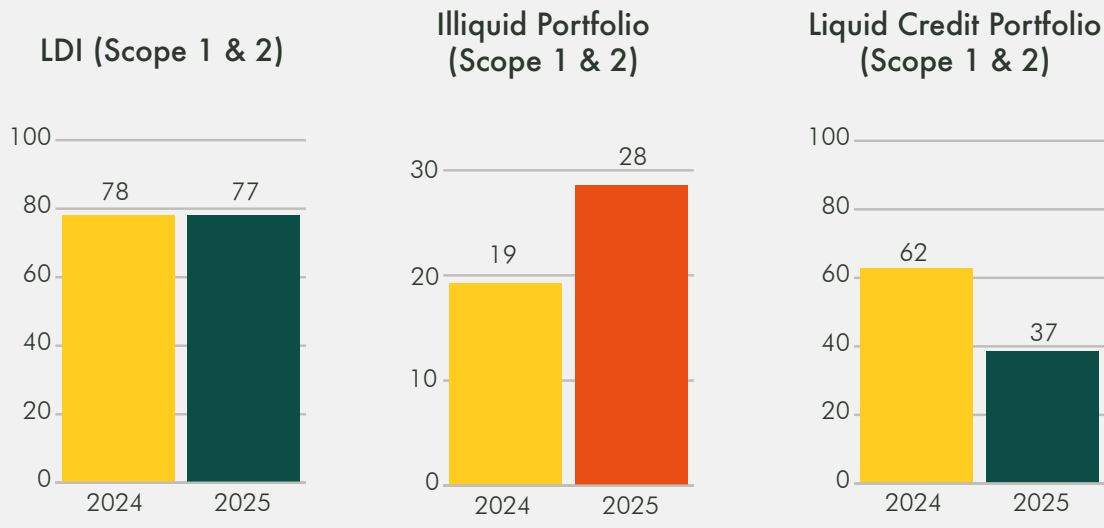
While absolute emissions and carbon footprint increased for the **illiquid** portion of the portfolio as coverage improved, the **liquid credit portfolio** recorded a significant decrease. Data coverage has improved over the year for each portfolio.

Key: ■ Data coverage declined versus 2024 value ■ Data coverage improved versus 2024 value

Total GHG emissions tCO₂e



Carbon footprint (tCO₂e / £1m of EVIC)



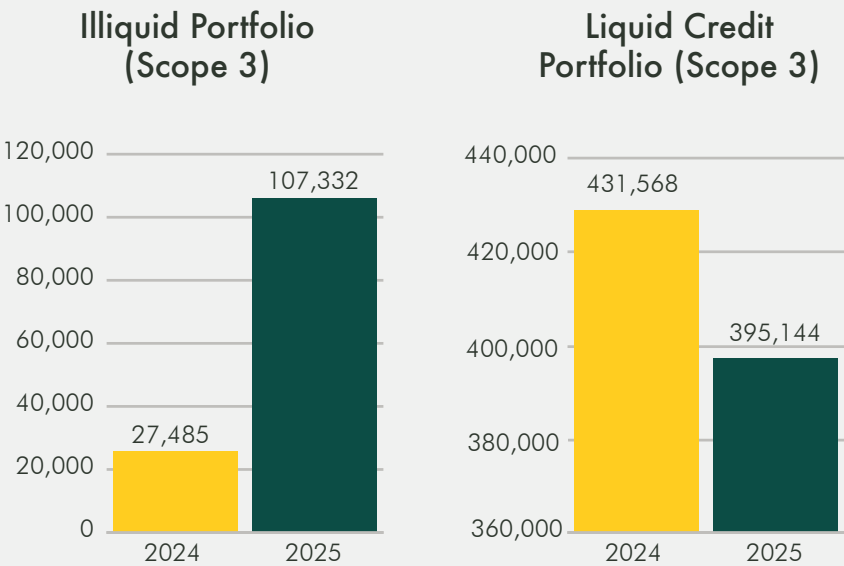


Disclosure of metrics – Total emissions and carbon footprint (Scope 3)

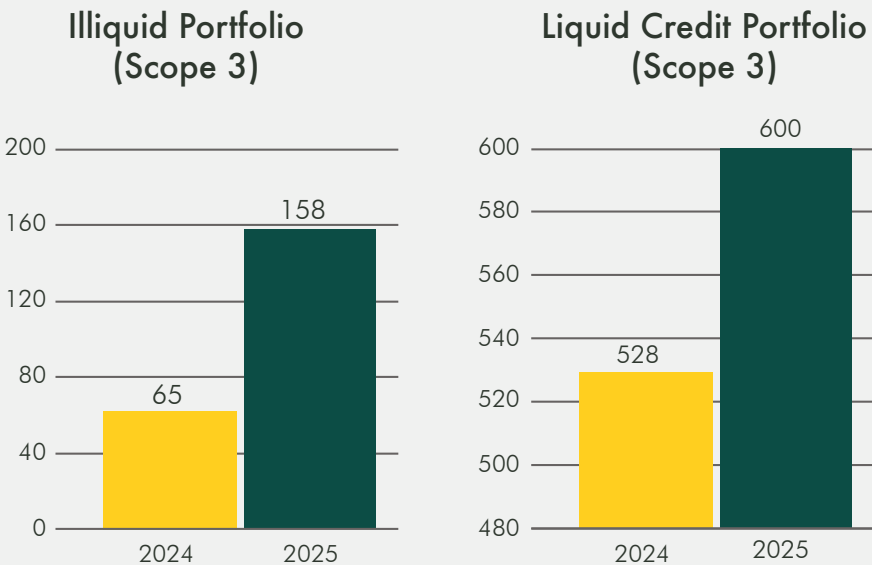
Absolute emissions and carbon footprint rose for the **illiquid** portfolio, while the **liquid credit portfolio** recorded a decrease in absolute emissions but a rise in carbon footprint. Data coverage improved for the illiquid portfolio but fell for the liquid credit portfolio due to the introduction of **ABS**.

Key: ■ Data coverage declined versus 2024 value ■ Data coverage improved versus 2024 value

Total GHG emissions (tCO₂e)



Carbon footprint (tCO₂e / £1m of EVIC)





Disclosure of Scope 1 and Scope 2 greenhouse gas (GHG) emissions (as at 30 September 2025)

Manager	Portfolio allocation %	Total GHG emissions Scope 1 & 2 (tGHG of CO ₂ e)		Carbon footprint Scope 1 & 2 (tGHG/£1m)	
		Metric	Coverage	Metric	Coverage
Gilts and Index-linked Gilts	51%	156,131	100%	77	100%
Gilts and ILG funding	-29%	-	-	-	-
Cash	1%	84	49%	2	49%
Other	0%	-	-	-	-
LDI portfolio*	23%	156,215	199%	77	199%
Diversified Private Credit Manager 1	8%	5,012	58%	30	58%
Property Manager	3%	26	100%	0	100%
Diversified Private Credit Manager 2	8%	8,608	24%	113	24%
Renewable Infrastructure Manager	5%	4,242	100%	11	100%
Credit Mandate 1	1%	84	85%	4	85%
Illiquid portfolios	25%	17,971	60%	28	60%
Credit Mandate 2	5%	6,980	67%	46	67%
Credit Mandate 3	4%	12,484	98%	79	98%
Credit Mandate 4	10%	1,493	23%	4	23%
Credit Mandate 5	11%	7,067	73%	24	73%
Credit Mandate 6	7%	6,992	68%	27	68%
Credit Mandate 7	4%	6,585	63%	45	63%
Liquid credit portfolios	41%	41,874	60%	37	60%
Remaining portfolios with no coverage	11%				
Total portfolio	100%	216,060	59%	56	59%

*LDI coverage is over 100% due to the derivatives exposure.



Disclosure of Scope 1 and Scope 2 greenhouse gas (GHG) emissions (as at 30 September 2025)

Manager	Portfolio allocation %	Data Quality (Scope 1 & 2)			
		Verified	Reported	Estimated	Unavailable
Gilts and Index-linked Gilts	51%	-	-	100%	0%
Gilts and ILG funding	-29%	-	-	-	100%
Cash	1%	-	-	49%	51%
Other	0%	-	-	-	100%
LDI portfolio*	23%	0%	0%	86%	14%
Diversified Private Credit Manager 1	8%	-	-	58%	42%
Property Manager	3%	100%	-	-	-
Diversified Private Credit Manager 2	8%	-	24%	-	76%
Renewable Infrastructure Manager	5%	-	100%	-	-
Credit Mandate 1	1%	-	28%	57%	15%
Illiquid portfolios	25%	12%	28%	20%	40%
Credit Mandate 2	5%	-	-	67%	33%
Credit Mandate 3	4%	-	-	98%	2%
Credit Mandate 4	10%	-	-	23%	77%
Credit Mandate 5	11%	19%	28%	26%	27%
Credit Mandate 6	7%	-	68%	-	32%
Credit Mandate 7	4%	-	61%	2%	37%
Liquid credit portfolios	41%	5%	24%	31%	40%
Remaining portfolios with no coverage	11%				
Total portfolio	100%	5%	17%	37%	41%

*LDI coverage is over 100% due to the derivatives exposure.



Disclose Scope 3 greenhouse gas (GHG) emissions and other metrics (as at 30 September 2025)

Manager	Portfolio allocation %	Total GHG emissions Scope 3* (tGHG of CO ₂ e)		Carbon footprint Scope 3* (tGHG/£1m)		Implied temperature alignment (°C)	
		Metric	Coverage	Metric	Coverage	Metric	Coverage
Diversified Private Credit Manager 1	8%	36,104	58%	215	58%	-	-
Property Manager	3%	4,308	100%	28	100%	1.5	100%
Diversified Private Credit Manager 2	8%	11,039	21%	162	21%	-	-
Renewable Infrastructure Manager	5%	55,882	100%	141	100%	1.5	100%
Credit Mandate 1	1%	-	-	-	-	-	-
Illiquid portfolios	25%	107,332	57%	158	57%	1.5	31%
Credit Mandate 2	5%	21,195	45%	205	45%	-	-
Credit Mandate 3	4%	-	-	-	-	-	-
Credit Mandate 4	10%	-	-	-	-	-	-
Credit Mandate 5	11%	188,805	73%	776	73%	1.9	97%
Credit Manager 6	7%	72,407	65%	292	65%	1.8	75%
Credit Manager 7	4%	112,738	63%	925	63%	2.6	56%
Liquid credit portfolios	41%	395,144	42%	600	42%	2.0	43%
Remaining portfolios with no coverage	11%						
Total portfolio		502,476	31%	394	31%	1.8	25%

Source: Investment managers, Custodian, Investment Consultant calculations.



Notes:

- Metric & Coverage: denotes the % of each fund where emissions and carbon footprint data is available. Figures rounded to nearest whole number or percentage.
- Carbon footprint is tonnes CO₂e per £1 million of EVIC. Property Manager uses tonnes of carbon per £m of GAV.
- Property Manager classifies Scope 1 and Scope 2 emissions for the properties held as landlord data only. Any tenant data is provided under Scope 3 emissions.
- Property Manager considers the temperature pathway of properties as 1.5 degrees given assets are managed in line with the Net Zero pathway set by investors, to which the Cadent portfolio is aligned.
- Renewable Infrastructure Manager report their Implied Temperature Rise as 1.5-2.0 degrees Celsius.
- For the LDI mandate all coverage is assumed estimated.
- For the LDI mandate, mandate-level emissions coverage includes leverage whilst data quality and the total portfolio coverage exclude leverage. LDI coverage is over 100% due to the derivatives exposure.
- For cash in the LDI mandate carbon footprint is scaled up to reflect there isn't 100% coverage.
- Scope 3 allocation does not add to 100% as LDI has been excluded.



Glossary

Investing and ESG terminology

Asset-Backed Securities (ABS)

An investment that's supported by a pool of underlying assets (like loans, leases, or credit card balances) that generate cash flow. These investments are split into different groups of risk, and the Scheme invests in the highest quality / lower risk (safer) parts.

Climate scenario analysis

A process for assessing the potential impacts of transitional and physical climate-related risks on, and opportunities for, the Scheme under possible future conditions.

Corporate bonds

A type of investment where investors lend money, typically to a large publicly listed company. In exchange, the bond issuer pays regular interest and promises to repay the original amount on a set date in the future.

Credit

Investments where money is lent out in return for interest, such as corporate bonds or structured credit products, like ABS.

Diversified Private Credit (DPC)

An investment strategy that focuses on loans that aren't traded on public markets. Money is lent to various borrowers, including those in commercial real estate, infrastructure projects, mid-sized businesses, and consumer loans.

Environmental, Social and Governance (ESG)

A set of factors used to assess how a company manages its impact on the environment (such as emissions and use of resources), social factors (such as its relationships with people and communities), and governance (such as the quality of its leadership and decision-making).

Gilts

UK Government bonds (or loans) issued to raise money. Investors receive regular interest payments and receive their original investment back on a predetermined future date.

Governance

The frameworks, rules and processes used to guide decision-making, manage risks, and ensure accountability within an organisation or system.

Illiquid

Investments or assets that are harder to sell and may take time to convert into cash.

Liquid

Investments or assets that can be quickly and easily sold for cash with little impact on their value.

Liquid credit portfolio

A part of the Scheme's investment that is invested in corporate bonds and tends to be traded easily.

Opportunities (climate-related)

Investment opportunities arising from the shift to net zero economies, for example in renewable energy or new low carbon technologies, where companies that adapt to or address climate risks are likely to benefit over the long-term.

Private equity

Equity investment in companies that aren't listed on the public market, or sometimes in public companies that are bought and taken private.

Physical risks

Risks arising from changes in weather systems attributable to climate change. For example, temperature changes, extreme weather events, and supply chain disruption.

Portfolios

A group or collection of these investments managed together.

Stewardship

Broadly refers to the responsible allocation, oversight, and management of assets, investments, or resources on behalf of beneficiaries; emphasising long-term value creation, sustainability, and accountability.

Transition risks

Risks arising from the changes required to support a transition to a sustainable, lower-carbon economy. For example, market risks, policy and legal risks, technology risks and member lifestyle changes.

Yields

The income an investor earns from an investment, shown as a percentage of its cost or current market value. For bonds, where the income is fixed, a low yield means a high price, and vice versa.

Climate-related organisations, initiatives and policies

2015 Paris Agreement

A global treaty in which nearly 200 countries agreed to limit global warming to "well below 2°C" (ideally 1.5°C) above pre-industrial levels. Each nation sets voluntary climate action plans to reduce emissions and adapt to climate impacts.

2030 United Nations Sustainable Development Goals (UN SDGs)

A universal call to action comprising 17 interconnected goals aimed at addressing global challenges by 2030. These goals integrate three core dimensions, including economic growth, social inclusion, and environmental sustainability.

ESG industry bodies

Organisations that provide voluntary principles, standards and frameworks for ESG principles in business and investment practices. Examples include the Principles for Responsible Investment (PRI) or the Global Reporting Initiative (GRI).

Network for Greening the Financial System (NGFS)

A set of guidelines to help central banks and financial supervisors integrate climate-related risks into financial stability monitoring, risk assessments, and policy decisions.

Net Zero Investment Framework (NZIF)

A global framework that provides guidance for institutional investors, including pension schemes, on aligning their investment portfolios with net-zero emissions by 2050 and supporting the transition to a low-carbon economy. The framework focuses on real-economy decarbonisation and places particular emphasis on the role of investor transition plans in achieving net-zero alignment.

Science Based Target Initiative (SBTI)

A global framework that enables companies and organisations to set emissions reduction targets in line with climate science required to meet the goals of the Paris Agreement.

Task Force on Climate-Related Disclosures (TCFD)

A voluntary global framework that has been widely adopted by regulators including the Pensions Regulator in the UK. It requires companies and pension schemes to disclose climate-related financial risks and opportunities. Its recommendations focus on governance, strategy, risk management, and metrics/targets, helping investors and businesses assess the climate's impact on financial stability and decision-making.

Taskforce for Nature-Related Disclosures (TNFD)

A voluntary framework for companies and pension schemes to assess, manage, and disclose nature-related issues, with a focus on nature-related dependencies, impacts, risks, and opportunities.

Taskforce on Social Factors (TSF)

A UK initiative providing guidance to pension schemes on identifying and integrating social factors into investment decisions.

Terms related to the Pension Scheme

The Scheme

Cadent Gas Pension Scheme (CGPS)

Trustee

The Board of Trustees (the Trustee) is responsible for looking after the Scheme and making sure it is run in the best interests of its members.

Sponsoring employer

Cadent Gas Limited (the Company)

Cadent Pensions Team (CPT)

Acts as the Trustee Executive, assisting with the day-to-day running of the Scheme.

Climate Working Group

A subset of the Trustee which monitors climate-related risks and targets more closely in collaboration with the Investment Consultant.

Investment Managers

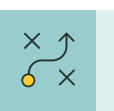
Manage the Scheme assets in line with the Trustee's agreed mandate, including climate considerations.

Liabilities

The estimated costs of providing members' benefits now and in the future.

Covenant

The Company's ability to support the Scheme.



Glossary: Metrics

Metric	Description	Formula for corporate holdings
Absolute Emissions Metric: Total GHG emissions (scope 1 & 2)	Total amount of greenhouse gas emissions (as mandated by the Kyoto Protocol) emitted by the underlying portfolio companies, attributed to the investor based on the total investment in each company	$\sum_n^i \left(\frac{\text{Current value of investment}_i}{\text{Investee company enterprise value}_i} \right) \times \text{Investee company's scope 1 and 2 emissions}_i$
Emissions Intensity Metric: Carbon footprint (scope 1 & 2)	An intensity measure of emissions that assesses the level of greenhouse gas emissions (as mandated by the Kyoto Protocol) arising from £1 million investment (based on Enterprise Value Including Cash) in a company	$\frac{\sum_n^i \left(\frac{\text{Current value of investment}_i}{\text{Investee company enterprise value}_i} \right) \times \text{Investee company's scope 1 and 2 emissions}_i}{\text{Current value of all investment (£ millions)}}$
Implied temperature alignment	A forward-looking view of carbon exposure that can be translated into a projected increase in global average temperature (°C) above pre-industrial levels that would occur if all companies had the same carbon intensity	

GHG emissions from a particular company can be split across three levels, as shown in the diagram.

- **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 the 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 currently industry-wide issues with reporting scope 3 emissions.

Source: DWP - Governance and reporting of climate change risk: guidance for trustees of occupational schemes

All metrics were provided by the investment managers, who are closest to the underlying assets, and consolidated by the Scheme's Investment Consultant.



GHG emissions

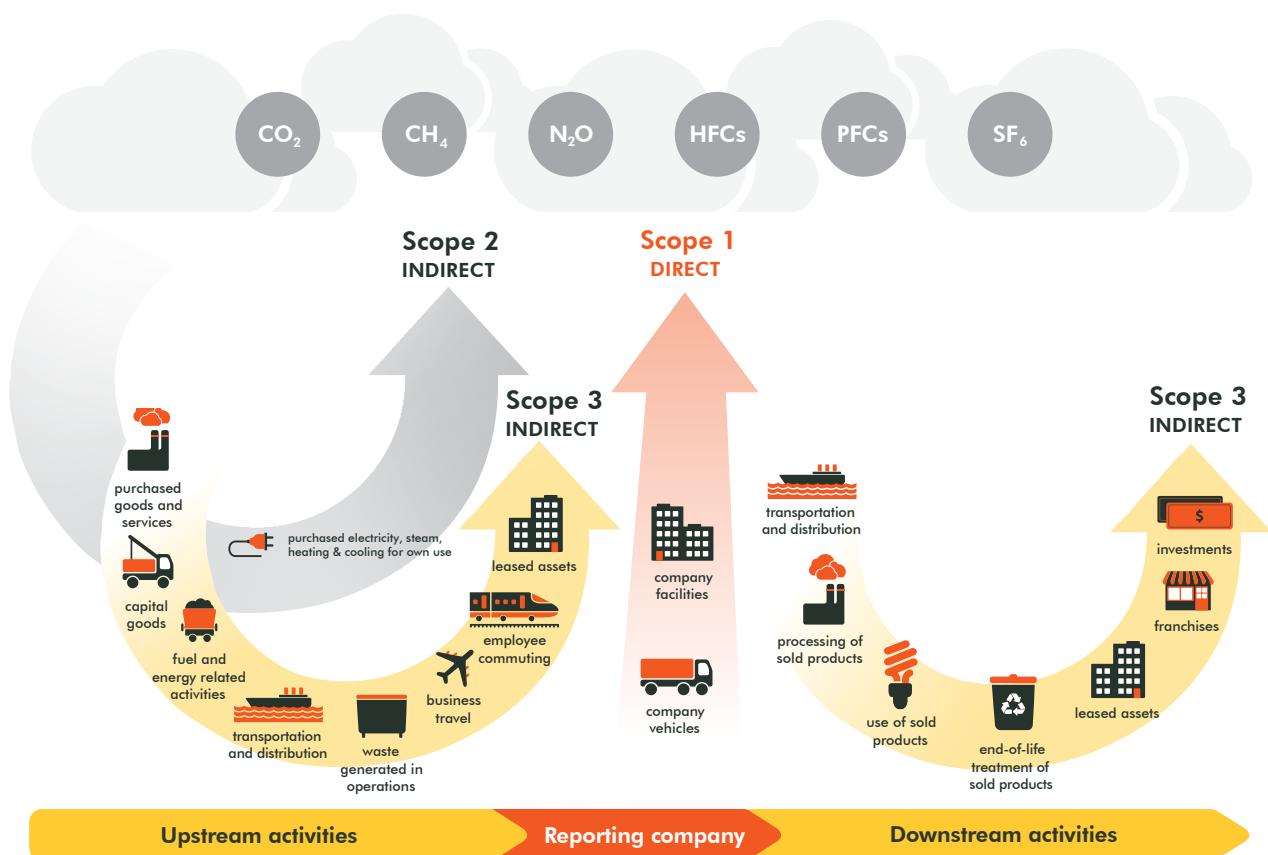
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Overview of GHG Protocol scopes and emissions across the value chain



Source: <https://ghgprotocol.org/corporate-value-chain-scope-3-standard> (page 31)

Cadent **Gas Pension** **Scheme.**

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