Baptist Pension Scheme

Climate Scenario Analysis: Annual Review

November 2025

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Broadstone

Purpose of the Climate Scenario Analysis

This report has been prepared for the Trustee of the Baptist Pension Scheme (the "Scheme"). As the previous DB section has completed a buy-out this report covers only the DC section.

Climate risk is an important consideration for your Scheme. The impact of climate change could have a material impact on the Scheme's investments over different timeframes (short-, medium- and long-term). Scenario analysis is a tool that can help understand these future risks, beyond what has occurred in the past. The scenario analysis considers the potential impacts of climate change on the Scheme and members over the short-, medium- and long-term.

In line with the requirements of the Taskforce for Climate-related Financial Disclosures (TCFD), the Trustee is required to conduct climate scenario analysis every three years, with annual reviews in between.

This paper provides updated climate scenario analysis from the previous work conducted in the year to 31 December 2024 and included in the 31 December 2024 TCFD report.

To provide continuity and reassurance, while the Trustee has transitioned from LCP to Broadstone for investment consultancy services including climate scenario analysis, both firms make use of Ortec Finance modelling for climate scenario modelling. This ensures consistency in scenario methodology and alignment with TCFD expectations.

Purpose of the Climate Scenario Analysis

The scenario analysis provides a forward-looking assessment of how climate-related risks and opportunities may evolve under a range of plausible global warming pathways. It incorporates updated scientific evidence, market data, and policy developments, and plays a strategic role in:

- **Supporting TCFD compliance**: Ensuring the Trustee's disclosures remain robust, relevant, and aligned with regulatory expectations.
- **Strengthening investment governance**: Offering a structured view of long-term risks to member outcomes and strategy resilience.
- **Informing ESG integration**: Complementing ongoing work on responsible investment, stewardship, and sustainability.

The findings are designed to be decision-useful, guiding actions such as:

- Reviewing investment strategy and default fund design
- Enhancing member communications and disclosures
- Updating risk registers and governance frameworks
- Informing future modelling and scenario calibration

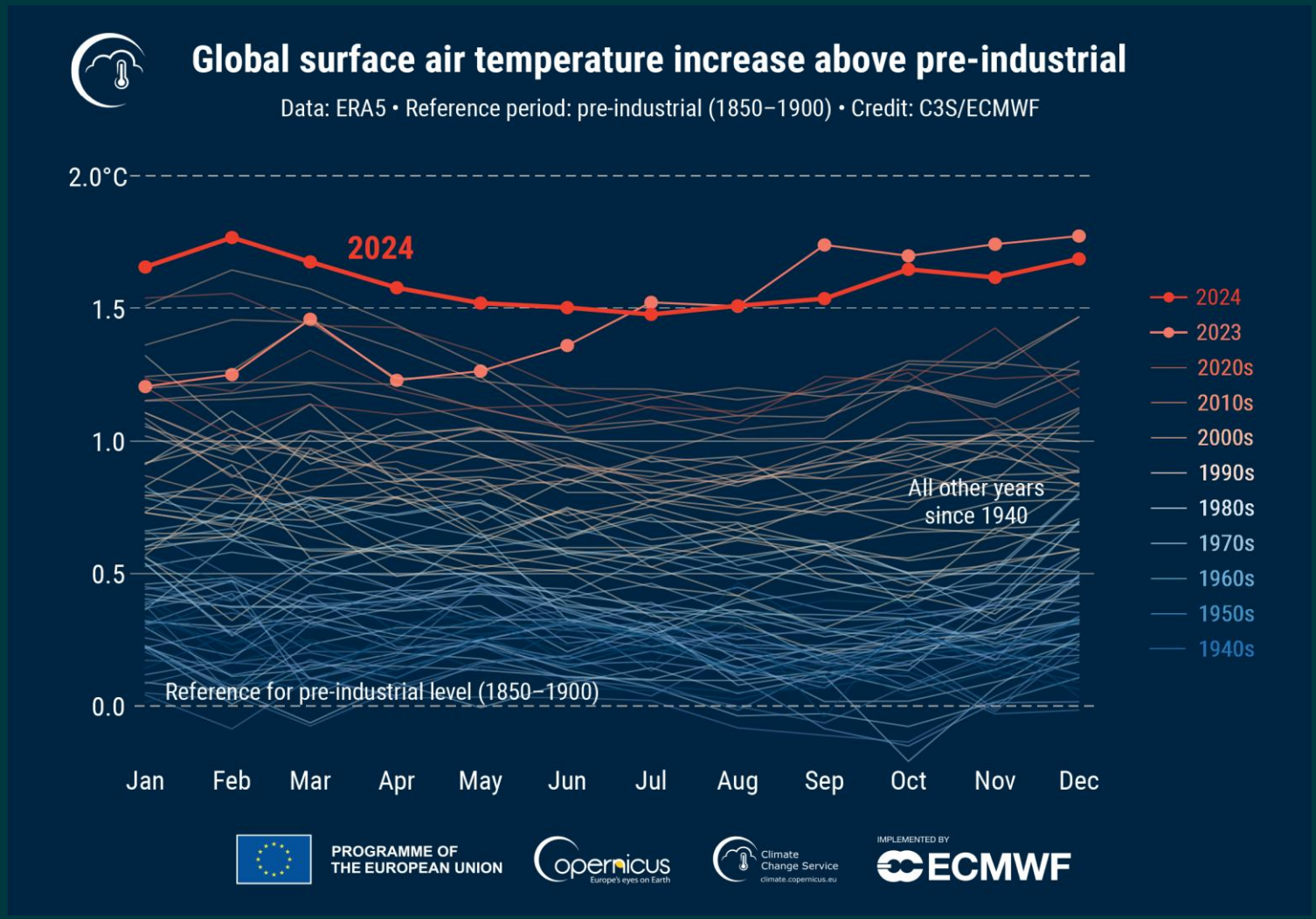
This analysis enables the Trustee to remain proactive in managing climate-related risks and responsive to an evolving regulatory and scientific landscape.

Why are we considering climate change?

Both 2023 and 2024 showed record temperatures. The 2024 average global surface air temperature anomaly was **c1.6°C above the pre-industrial average**.

Therefore, 2024 was the warmest year on record and **the first to exceed the 1.5°C warming threshold for a full calendar year.**

In addition, updates to emissions and energy data have implications for your previously chosen climate scenarios.



Climate Change Risk - context

ORTEC FINANCE

Impact **ON** your portfolio

Financial Materiality
(Risks & opportunities)

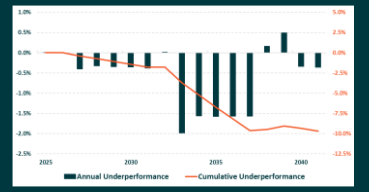
Double Materiality

Impact Materiality
(Alignment)

Impact **OF** your portfolio

CLARITY AI

Delayed Net-Zero	1.9°C
Limited Action	2.9°C
High Warming	3.7°C
Best Estimate	3.0°C



Investment Strategy (Impact ON your portfolio)

Climate Change Risk Framework

Implementation (Impact OF your portfolio)

- Carbon footprinting
- Temperature alignment — ?°C
- Net zero alignment — NET ZERO
- UN SDGs — SUSTAINABLE DEVELOPMENT GOALS

Broadstone

Updates to scenarios

Recent updates to emissions and energy data show that global emissions are now higher than previously assumed. Even under the most ambitious mitigation pathway, cumulative emissions exceed the threshold required to limit warming to net-zero by 2050.

What does this mean for your chosen climate change scenarios?

As a result, we expect that the **Net-Zero Financial Crisis** climate change scenario from your last TCFD report is no longer considered plausible due to scientific evidence. It has therefore been removed from the methodology and alignment with TCFD expectations and the modelling in this report makes this change.

The most optimistic climate change scenario that remains viable is **Delayed Net-Zero**, which assumes strong but later action to decarbonise. We consider this scenario on the following pages.

This proposed change and other modelling changes reflect:

- Higher temperature outcomes across all scenarios, with warming now projected to reach almost 2°C even under best-case assumptions.
- Earlier and more severe impacts from climate-related disruption, including transition shocks and physical risks.
- Alignment with updated modelling and scientific consensus, including Ortec Finance pathways and Broadstone's own scenario commentary.

Our latest thinking on scenarios

As mentioned, our scenarios have developed to remove the **Net Zero Financial Crisis (NZFC)**. **Delayed Net Zero (DNZ)** now represents our most optimistic scenario included in the analysis. The **Limited Action (LA)** scenario represents a world where some action is taken to mitigate climate change but not as much as under the **Delayed Net Zero** scenario and therefore Net Zero is even further away from being achieved by 2050. The worst-case scenario which is modelled is **High Warming (HW)**. Current scientific assessments suggest that, under existing global policies and emissions trajectories, the world remains on course for approximately 3.0°C warming by 2100, significantly above the Paris Agreement targets.

Delayed Net-Zero

Objective

Evaluates impact when a sudden step-up in policy action in 2030 drives a sentiment shock in financial markets

Details

- Limited additional action until **2030** when a **highly ambitious set of low-carbon** policies are introduced.
- **Partial adaption** limits short to medium term physical risks
- Financial markets **price-in transition and physical risk** in 2030 to align with ambitious policy, announcement followed by stranded assets and a sentiment shock.

1.9°C

New scenario

Limited Action

Objective

Evaluate how falling short of meeting emissions targets and pledges would drive high exposure to physical risk

Details

- Emissions targets and commitments are **not fully met**
- **High** chronic and acute physical risk
- Financial **markets price-in climate-related risks in 2030 and 2039** as the scale of future risks become more widely accepted and understood

2.9°C

Retained scenario

High Warming

Objective

Evaluates implications of a future without any further action to limit climate change, triggering multiple climate tipping points and very severe physical risk

Details

- **No new climate policies** are enacted, but the transition progresses on economic grounds
- **Very severe** chronic and acute physical risks
- Financial markets **price-in climate-related risks in 2030 and 2039** as the scale of future risks become more widely accepted and understood

3.7°C

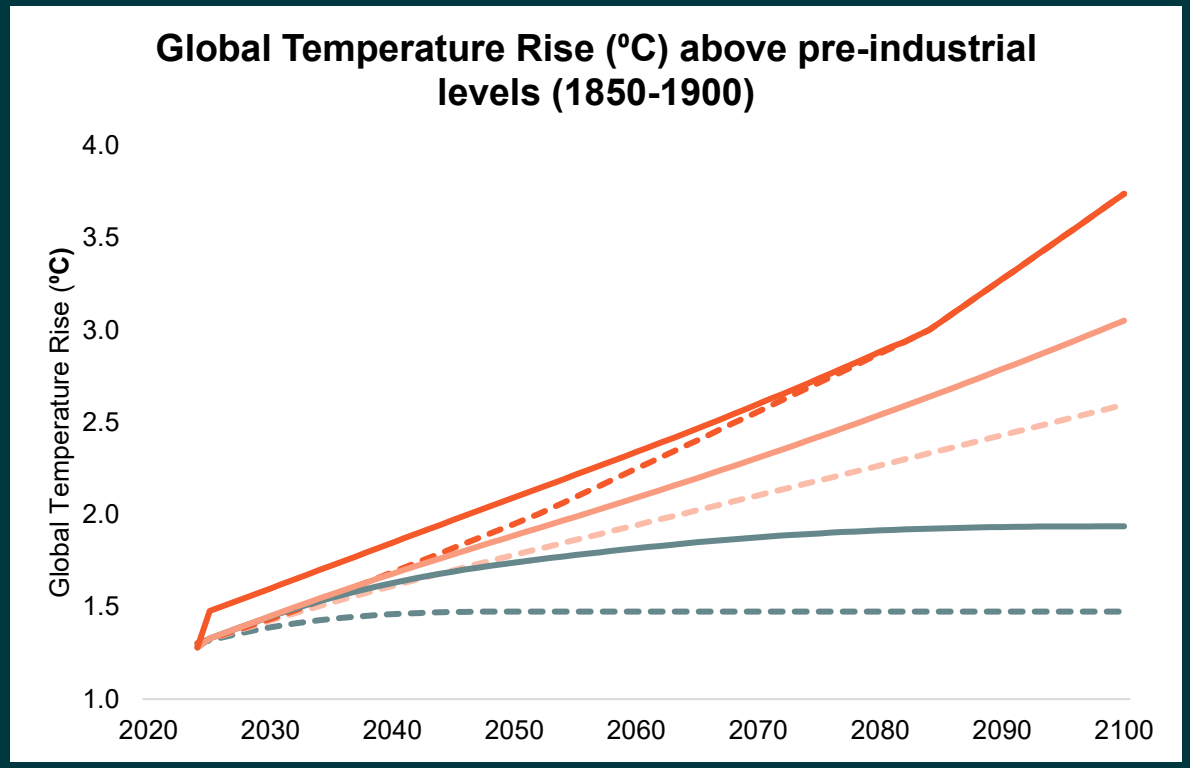
Retained scenario

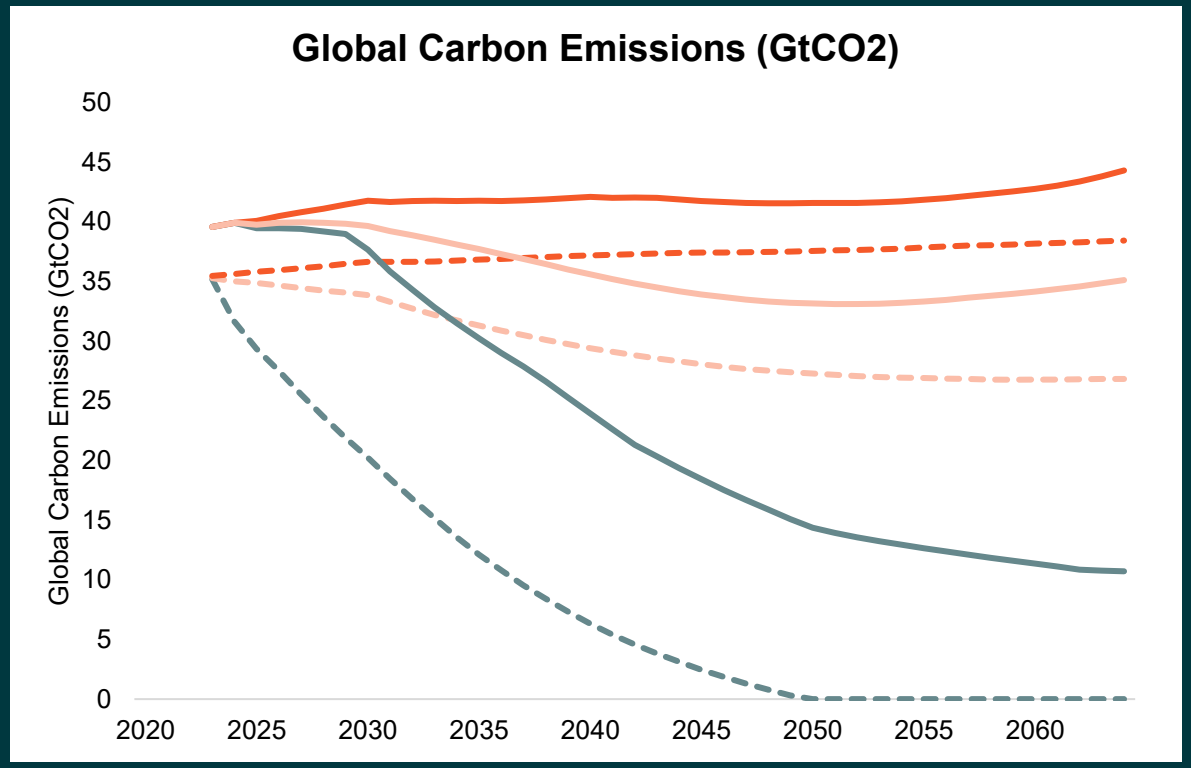
We believe the above scenarios contain plausible elements that help illustrate the different ways climate change might impact the scheme.

Source: Ortec Finance, 2025.

Climate Scenario update

Global emissions are higher across all scenarios, versus 2024 assumptions, due to updated energy and emissions data. As a result, even with highly ambitious and immediate action to decarbonise, it is **no longer feasible to achieve net-zero by 2050** the most optimistic scenario that remains viable is **Delayed Net-Zero**. The higher level of cumulative emissions across all scenarios leads to higher temperature outcomes in the medium term. In the **Limited Action** and **High Warming** scenarios we start to see an uptick in emissions post-2050, as the impact of policies and targets on emission intensity reduces.





Source: Ortec Finance.2025.

Net Zero Financial Crisis (2024) | Limited Action (2024) | High Warming (2024) | Delayed Net Zero (2025) | Limited Action (2025) | High Warming (2025)

Why We Need to Update the Underlying Scenarios

This year's Ortec Finance update incorporates new higher emissions and energy data, revised transition and physical risk assumptions, and enhanced modelling of market dynamics.

Key changes include:

- **Higher global emissions** across all scenarios, leading to elevated medium-term temperature outcomes and greater uncertainty in long-term projections. This has the most significant impact on younger members who face increased long-term physical risks.
- Modelling now shows that achieving **Net Zero is no longer feasible**, even under highly ambitious action, so we have replaced the Net Zero Financial Crisis (+1.5°C) with the Delayed Net Zero scenario (+1.9°C).
- **Revised GDP and inflation impacts**, with more muted short-term effects in transition scenarios, and stronger long-term physical risk effects — especially in High Warming and Limited Action.
- **Updated equity market** modelling, with sharper sentiment shocks and pricing-in events concentrated in single years (e.g. 2030, 2039).
- **Stronger sentiment shocks** in Delayed Net Zero, reflecting concentrated repricing and increased exposure for fossil fuel exporters.

These updates ensure the climate change risk analysis remains decision-useful, policy-aligned, and responsive to emerging risks.

Broadstone 2025 Climate Change Scenarios

	Delayed Net-Zero	Limited Action	High Warming
Overview	**This scenario explores increased policy action and technological developments, that drive a transition which reduces severe physical risk impacts.**	**This scenario explores a limited transition, with high exposure to physical risk.**	**This scenario explores the risks of a failed transition leading to very severe physical risks.**
Policies	Policy change is delayed until 2030 when ambition increases, and the feasibility/competitiveness of low-carbon technology ensures emissions reach net-zero later in the century. These include global carbon pricing and energy taxation, a phase-out of coal and fossil fuel technologies, energy efficiency regulations, and subsidies for renewables and electric vehicles. These policies are not implemented on the scale that is required to reach net-zero emissions by 2050.	Policymakers take moderate steps to address climate change but commitments and Nationally Determined Contributions (NDCs) made under the Paris Agreement are not fully met and adjusted for credibility. Only existing carbon markets continue, including the EU Emissions Trading System (ETS), with an assumed moderate increase in the carbon price. Regulation and taxation of fossil fuel-based technologies is limited.	There are no new low-carbon policies enacted in this scenario and some existing ones are scaled back.
Temperature	This scenario results in emissions trending towards net-zero after 2050 and global average temperatures stabilizing at 1.9°C above pre-industrial levels by 2100.	In this scenario, global average temperatures are 1.8°C warmer than pre-industrial levels by 2050 and 2.9°C warmer by 2100.	In the High Warming scenario, the global average temperature is around 2°C warmer than pre-industrial levels by 2050 and 3.7°C warmer by 2100.
Technology	This scenario reflects rapid power generation technology developments, with considerable progress in the development of carbon capture and storage (CCS) technologies.	There is progressive adoption of low-carbon technologies, such as electric vehicles, driven by factors including cost reduction and efficiency improvements.	
Physical Impacts	**Moderate** impacts from extreme weather events and temperature change.	This scenario reflects **high risks** from extreme weather events and high temperatures.	**Multiple climate tipping points** are reached and many countries suffer from extreme drought and water shortages. The higher average temperatures affect human health and damage crop yields, driving a reduction in labor and agricultural productivity. In addition, infrastructure damage from extreme weather events leads to direct losses and indirect effects to the economy via supply chain disruption. The triggering of multiple climate tipping points drives an exponential increase in extreme weather events.
Market Timing	Financial market disruption arising from transition risks occur in 2030.	Material financial market implications in the 2030s, due to lower expected returns.	The lost productivity and extreme weather events have large financial market implications in 2030 and 2039 when future risks are priced in.

Source: Ortec Finance, 2025.

Time horizons for the analysis

Under the TCFD the Trustee is required to set three time periods to identify and assess climate-related risks and opportunities. The Trustee should assess the impact of each scenario over the chosen time horizons.

We are not proposing any changes to the time periods used in the previous analysis. Retaining these horizons ensures consistency and reflects key milestones in global climate action that are likely to have the greatest relevance for members.

The long-term horizon corresponds with 2050, the year by which numerous economies aim to achieve net zero emissions. The medium-term horizon reflects the 2040 timeframe, commonly referenced across various frameworks, as it marks a point where substantial policy developments and technological progress are expected to be more clearly established. The short-term horizon aligns with 2030, a milestone by which many firms are anticipated to enhance their climate disclosures and deliver on interim commitments to reduce emissions by half.

Time horizon	Years	Member age modelled	Reason
Short term	Up to 6 years (2030)	60	Widely used as a milestone for interim corporate emissions targets and improved climate disclosures.
Medium term	Up to 15 years (2040)	50	Recognised as a key waypoint for policy maturity and technological clarity across climate frameworks.
Long term	Up to 25 years (2050)	40	Commonly adopted as the target year for national net zero commitments across developed economies.

We have undertaken the analysis for individuals aged 40, 50, and 60, covering both active and deferred members. This reflects the fact that these members are assumed to retire at the end of the long-, medium-, and short-term horizons, respectively. As before, we have also included analysis to evaluate the impact on a member following retirement.

What is the expected impact on DC members?

Member outcomes will vary depending on factors such as investment holdings, contribution levels, fund value, and proximity to retirement.

The following section explores how different example members may be affected under each scenario. This page outlines the assumptions used for these examples, based on membership data as at 6 November 2025.

For simplicity, we have assumed that all example members are invested in the Ethical Default Lifestyle strategy with a retirement age of 65 (except for the post-retirement member).

Please note that the member data differs from those in the 2024 report. Previously, the analysis was based on a small number of illustrative members, which did not reflect the full range of the membership. In contrast, this year's examples are derived from the average values of all members at each relevant age group, providing a more representative view of potential outcomes across the scheme. Due to this change the starting pension pots are generally higher within our analysis. Therefore, for the same percentage change under a scenario there will be a larger monetary impact shown.

Age	Contributions	Salary	Starting pot
40	14% (active)	£33.8k	£42.4k
	0% (deferred)	-	£22.5k
50	14% (active)	£28.5k	£44.3k
	0% (deferred)	-	£21.5k
60	14% (active)	£31.6k	£60.2k
	0% (deferred)	-	£26.5k
65	*0%*	-	£47.1k

Source: Broadstone. Member data as at 6 November 2025. Salaries are assumed to grow with inflation.

These figures represent example members and are intended to support decision-making, rather than reflect the full membership.

Difference in member data to 2024

This slide provides more detail when comparing the 2024 LCP member data with the 2025 Broadstone data.

Age	Contributions	Salary 2024	Salary 2025	Starting pot 2024	Starting pot 2025
40	14% (active)	£34.6k	£33.8k	£16.7k	£42.4k
	0% (deferred)	-	-	£10.1k	£22.5k
50	14% (active)	£27.1k	£28.5k	£15.7k	£44.3k
	0% (deferred)	-	-	£4.6k	£21.5k
60	14% (active)	£33.9k	£31.6k	£68.4k	£60.2k
	0% (deferred)	-	-	£18.0k	£26.5k
65	0%	-	-	£27.0k	£47.1k

Source: LCP (data as at 31 December 2023) and Broadstone (data as at 6 November 2025)

LCP used example members within their 2024 scenario analysis. This was designed to support decision-making but did not represent the full range of member experiences.

The 2025 salaries and starting pots are based on the average values of all members within each relevant age group, providing a more representative view of potential outcomes across the scheme.

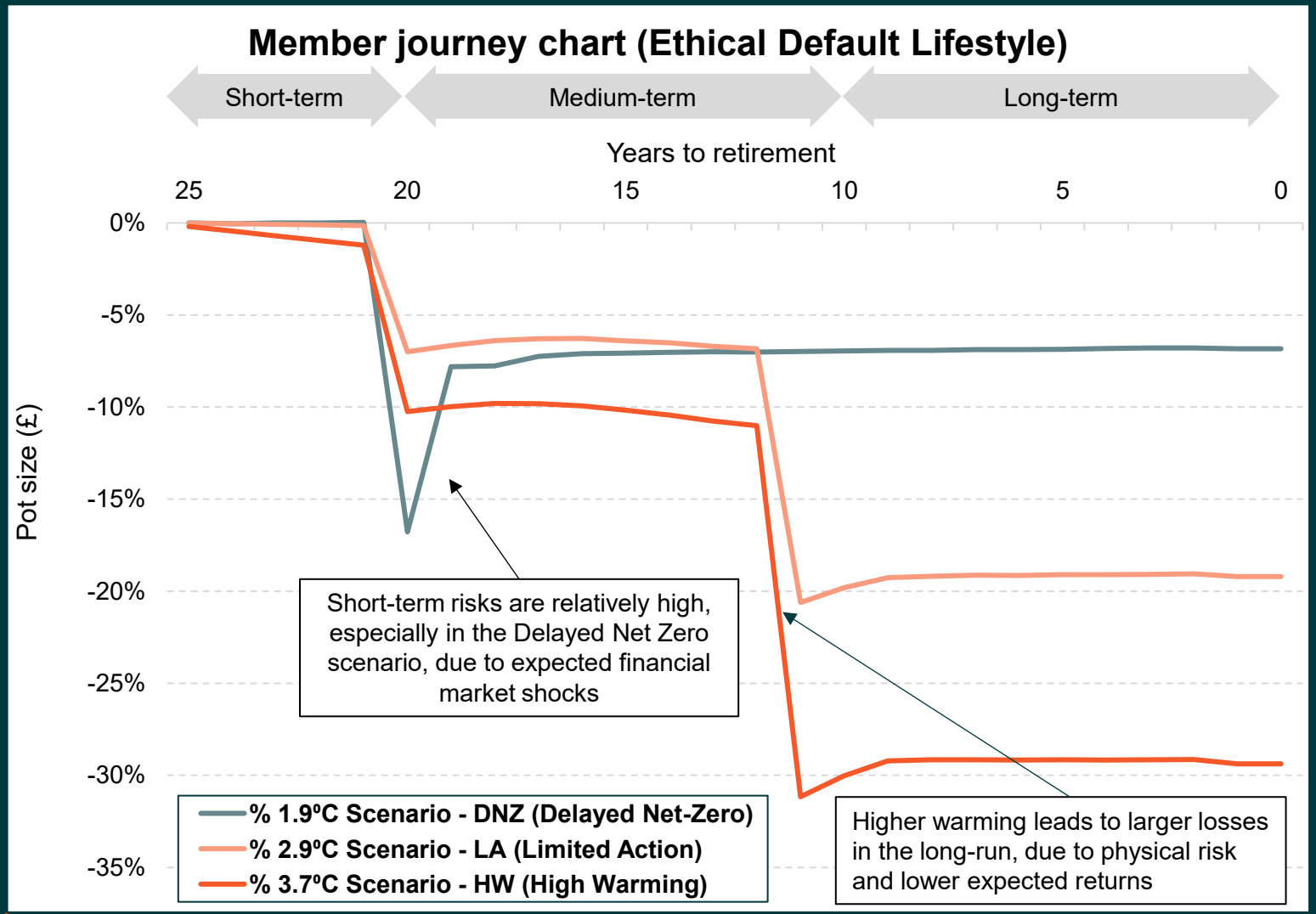
As a result, the numbers used in this year's report differ from those within LCP's 2024 scenario analysis. Assessing the climate scenario modelling on a percentage basis allows the Trustee to compare climate risk across years.

2 The results

Broadstone

Climate Risk for 40-Year-Old Active Members

This chart illustrates the projected pension pot value for an active member aged 40 under three climate scenarios, relative to their pot at retirement (£862.3k) under our default Capital Market Assumptions (CMA), which exclude climate-related impacts.



Short-term risks are most pronounced under the Delayed Net Zero pathway, whereas long-term losses are greatest under the High Warming scenario.

These risks become more pronounced in the final decade, despite the default strategy gradually reducing investment risk.

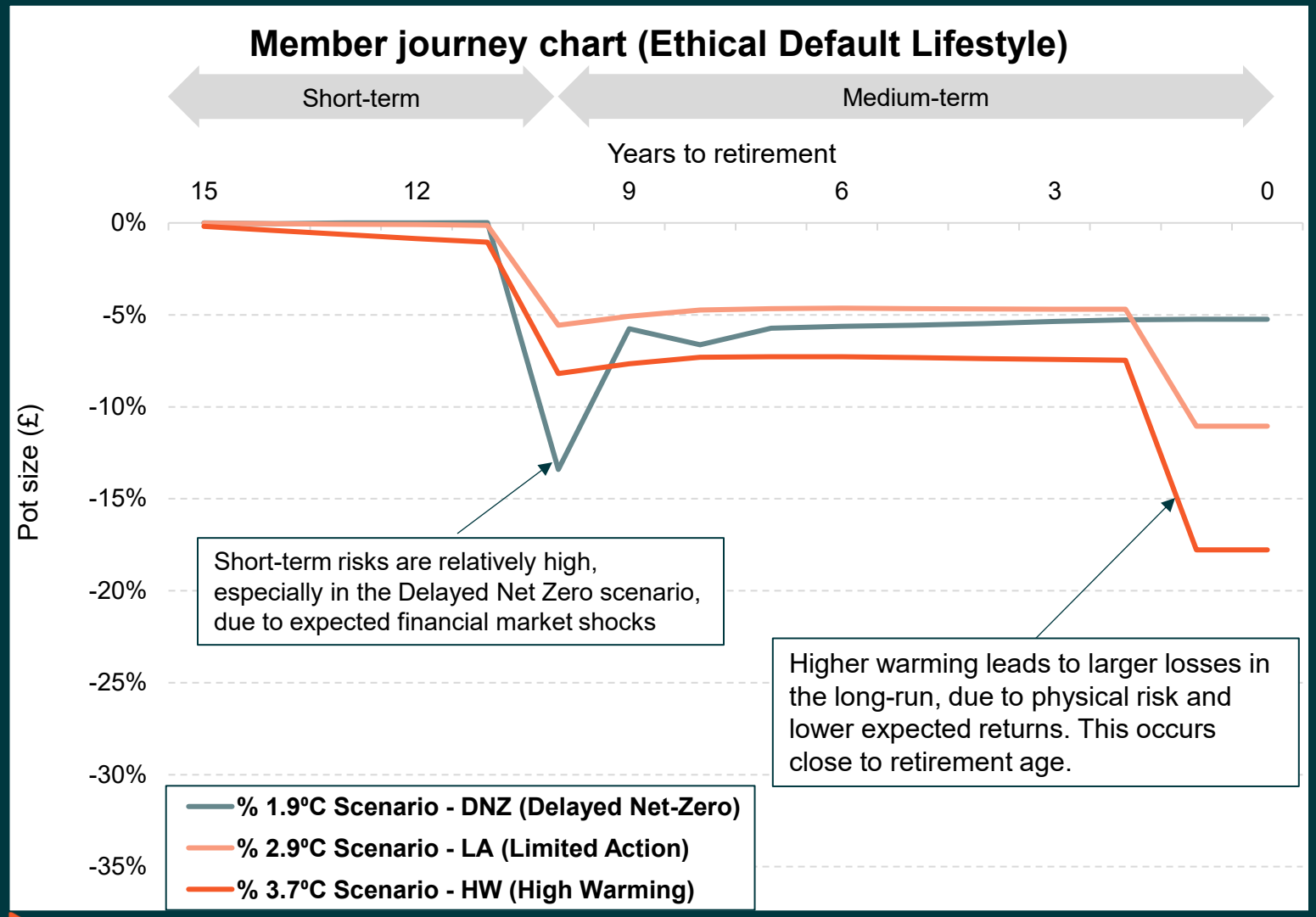
Members further from retirement face greater losses under higher warming scenarios, as illustrated in the graph.

	Active member aged 40
Starting pot	£42.4k
Standard CMA projection	**£862.3k**
Delayed Net-Zero (1.9ºC)	£812.7k *(-6.8%)*
Limited Action (2.9ºC)	£714.6k *(-19.2%)*
High Warming (3.7ºC)	£635.6k *(-29.4%)*

Source: Broadstone. Member data as at 6 November 2025.

Climate Risk for 50-Year-Old Active Members

This chart illustrates the projected pension pot value for an active member aged 50 under three climate scenarios, relative to their pot at retirement (£273.8k) under our default Capital Market Assumptions (CMA), which exclude climate-related impacts.



Similarly, short-term risks are most pronounced under the Delayed Net Zero pathway, whereas long-term losses are greatest under the High Warming scenario.

Climate-related risks are expected to intensify around retirement age for this cohort.

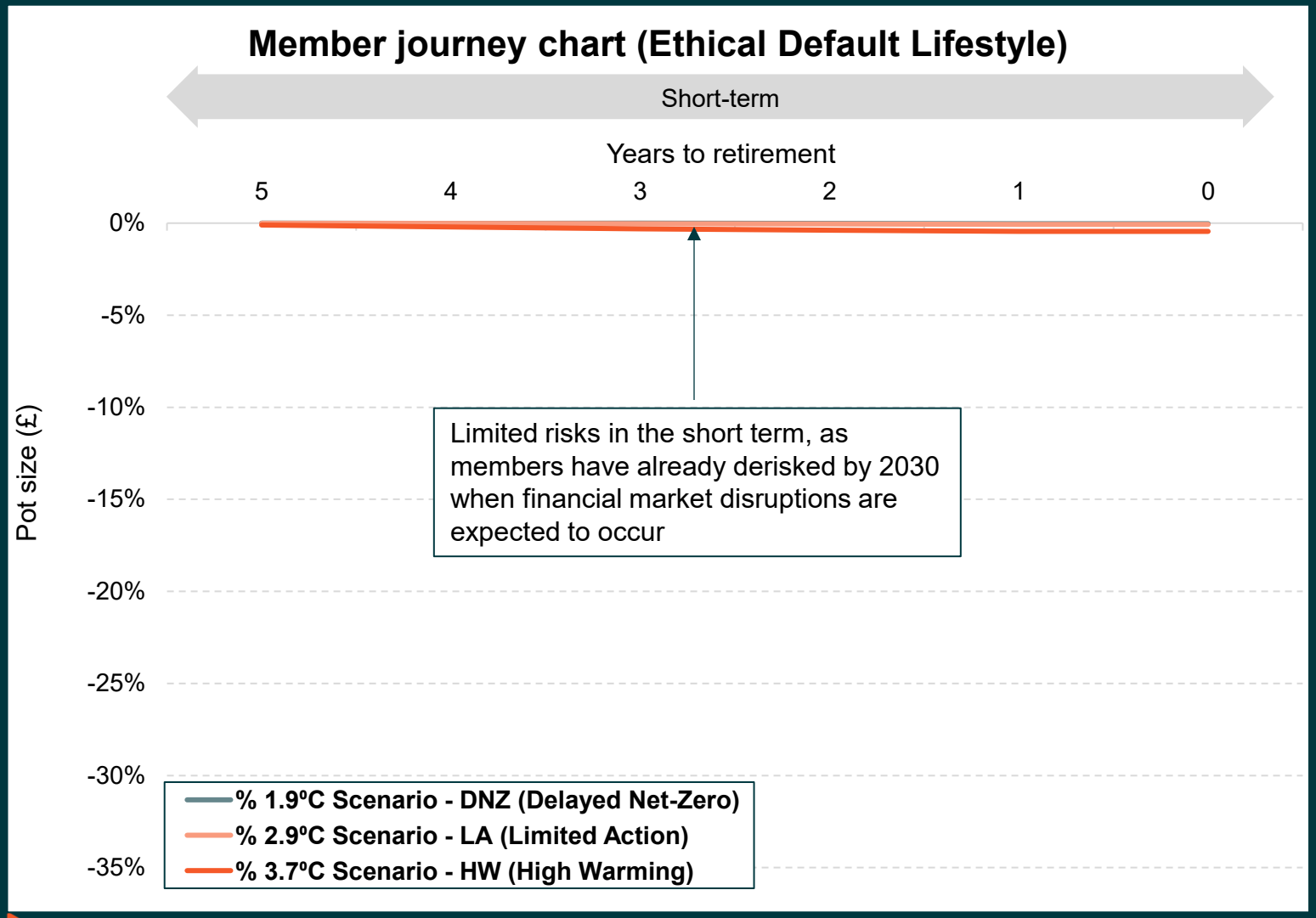
Members are exposed to greater losses under higher warming scenarios; however, these risks remain lower than for members with a longer time horizon to retirement.

	Active member aged 50
Starting pot	£44.3k
Standard CMA projection	**£273.8k**
Delayed Net-Zero (1.9ºC)	£261.6k *(-5.2%)*
Limited Action (2.9ºC)	£246.2k *(-11.1%)*
High Warming (3.7ºC)	£229.3k *(-17.8%)*

Source: Broadstone. Member data as at 6 November 2025.

Climate Risk for 60-Year-Old Active Members

This chart illustrates the projected pension pot value for an active member aged 60 under three climate scenarios, relative to their pot at retirement (£107.8k) under our default Capital Market Assumptions (CMA), which exclude climate-related impacts.



Over the short term, all scenarios indicate negligible impact for members in this age group, aged 60.

This is primarily because they are close to retirement and have already significantly de-risked their investments.

In addition, the modelling suggests limited climate-related impacts over the next five years, resulting in only minor differences between the scenarios.

	Active member aged 60
Starting pot	£60.2k
Standard CMA projection	**£107.8k**
Delayed Net-Zero (1.9ºC)	£107.8k *(-0.0%)*
Limited Action (2.9ºC)	£107.8k *(-0.1%)*
High Warming (3.7ºC)	£107.4k *(-0.4%)*

Source: Broadstone. Member data as at 6 November 2025.

Summary Statistics - Active Members

Baptist Pension Scheme	Member aged 40	Member aged 50	Member aged 60
Starting pot	£42.4k	£44.3k	£60.2k
Pot at retirement (aged 65) Capital Market Assumptions	**£862.3k**	**£273.8k**	**£107.8k**
Delayed Net-Zero (1.9ºC)	£812.7k *(-6.8%)*	£261.6k *(-5.2%)*	£107.8k *(-0.0%)*
Limited Action (2.9ºC)	£714.6k *(-19.2%)*	£246.2k *(-11.1%)*	£107.8k *(-0.1%)*
High Warming (3.7ºC)	£635.6k *(-29.4%)*	£229.3k *(-17.8%)*	£107.4k *(-0.4%)*

Projected retirement outcomes vary across age groups and climate scenarios, with younger members generally more exposed to long-term climate-related risks. This reflects the compounding effect of lower expected returns over extended time horizons in scenarios where climate action is delayed or insufficient. The High Warming scenario is the worst outcome for all members, in particular for younger members as they would be impacted more by the long-term impacts of severe physical risks associated with this scenario.

For members aged 40, outcomes show the greatest sensitivity, particularly under high warming pathways. This cohort has the longest investment horizon, and as such, is most affected by shifts in long-term market expectations driven by climate-related disruption.

Members aged 50 experience a moderate impact across scenarios. While they remain exposed to climate-related risks, their shorter time to retirement reduces the extent of compounding effects. Outcomes for this group are notably influenced by mid-term policy developments and market adjustments.

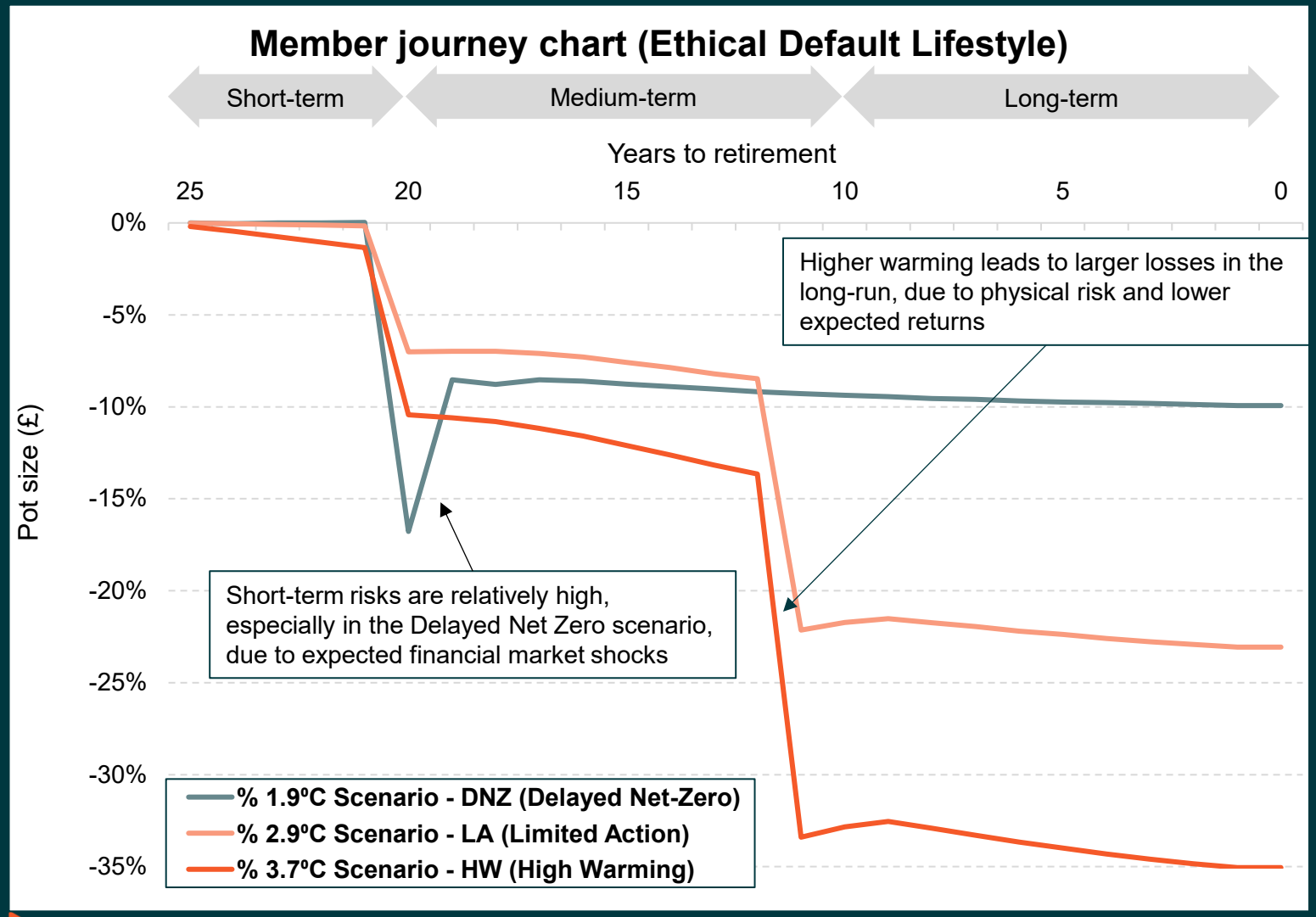
Members aged 60 are understandably least affected by variations in climate scenarios. With limited time remaining until retirement, their projected outcomes are largely shaped by near-term market conditions and are less sensitive to long-term climate trajectories.

Overall, the analysis highlights the importance of sustained climate action in preserving long-term member outcomes, particularly for younger cohorts. It also underscores the need for trustees to consider time horizon-specific risks when assessing the resilience of investment strategies under different climate scenarios.

Source: Broadstone. Member data as at 6 November 2025.

Climate Risk for 40-Year-Old Deferred Members

This chart illustrates the projected pension pot value for a deferred member aged 40 under three climate scenarios, relative to their pot at retirement (£181.1k) under our default Capital Market Assumptions (CMA), which exclude climate-related impacts.



Short-term risks are most pronounced under the Delayed Net Zero pathway, whereas long-term losses are greatest under the High Warming scenario.

These risks become more pronounced in the final decade, despite the default strategy gradually reducing investment risk.

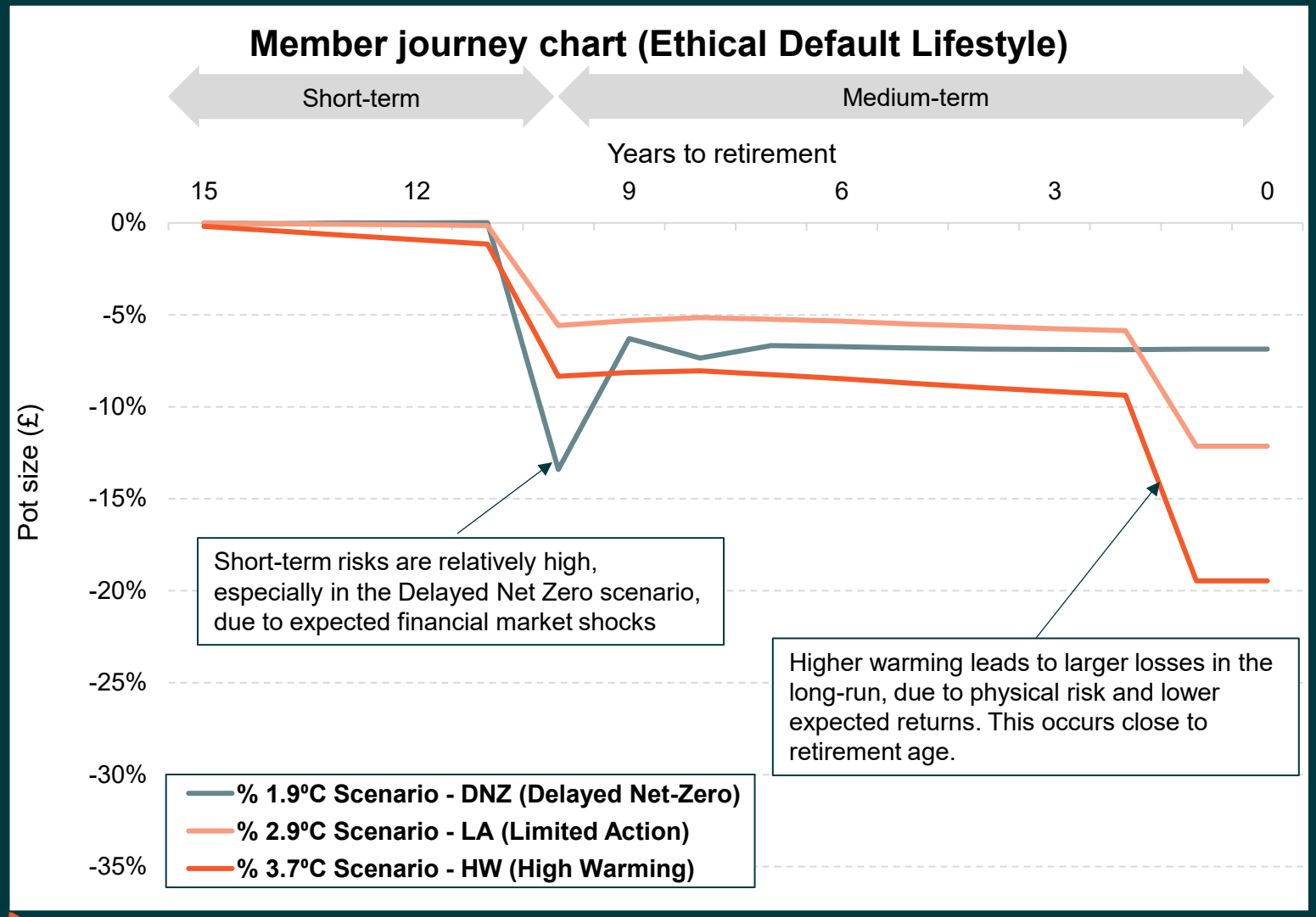
Members further from retirement face greater losses under higher warming scenarios, as illustrated in the graph.

	Deferred member aged 40
Starting pot	£22.5k
Standard CMA projection	**£181.1k**
Delayed Net-Zero (1.9ºC)	£164.7k *(-9.9%)*
Limited Action (2.9ºC)	£142.6k *(-23.1%)*
High Warming (3.7ºC)	£122.3k *(-35.1%)*

Source: Broadstone. Member data as at 6 November 2025.

Climate Risk for 50-Year-Old Deferred Members

This chart illustrates the projected pension pot value for a deferred member aged 50 under three climate scenarios, relative to their pot at retirement (£67.2k) under our default Capital Market Assumptions (CMA), which exclude climate-related impacts.



Similarly, short-term risks are most pronounced under the Delayed Net Zero pathway, whereas long-term losses are greatest under the High Warming scenario.

Climate-related risks are expected to intensify around retirement age for this cohort.

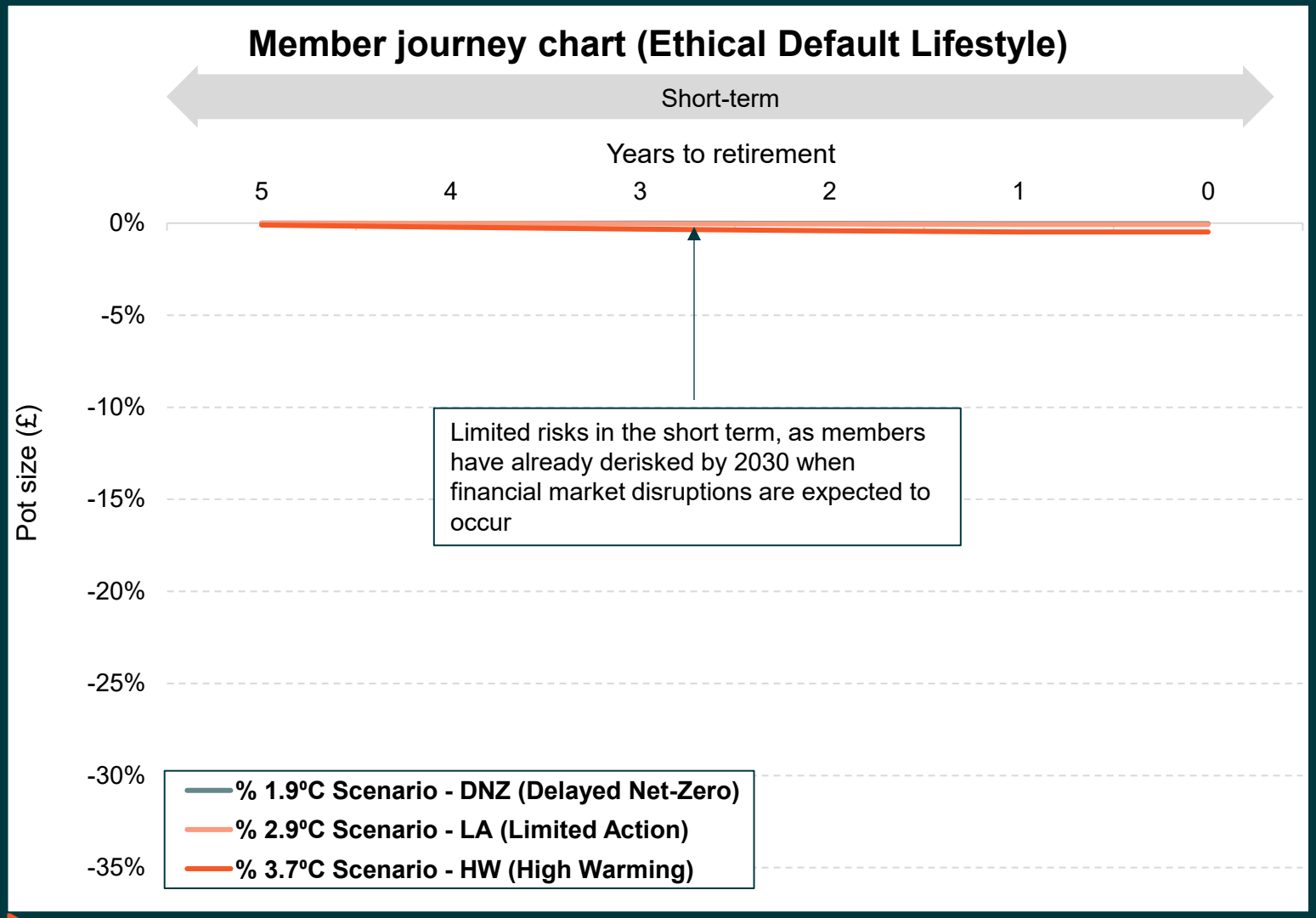
Members are exposed to greater losses under higher warming scenarios; however, these risks remain lower than for members with a longer time horizon to retirement.

	Deferred member aged 50
Starting pot	£21.5k
Standard CMA projection	**£67.2k**
Delayed Net-Zero (1.9ºC)	£63.0k *(-6.9%)*
Limited Action (2.9ºC)	£59.7k *(-12.1%)*
High Warming (3.7ºC)	£55.1k *(-19.5%)*

Source: Broadstone. Member data as at 6 November 2025.

Climate Risk for 60-Year-Old Deferred Members

This chart illustrates the projected pension pot value for a deferred member aged 60 under three climate scenarios, relative to their pot at retirement (£35.3k) under our default Capital Market Assumptions (CMA), which exclude climate-related impacts.



Over the short term, all scenarios indicate negligible impact for members in this age group, aged 60.

This is primarily because they are close to retirement and have already significantly de-risked their investments.

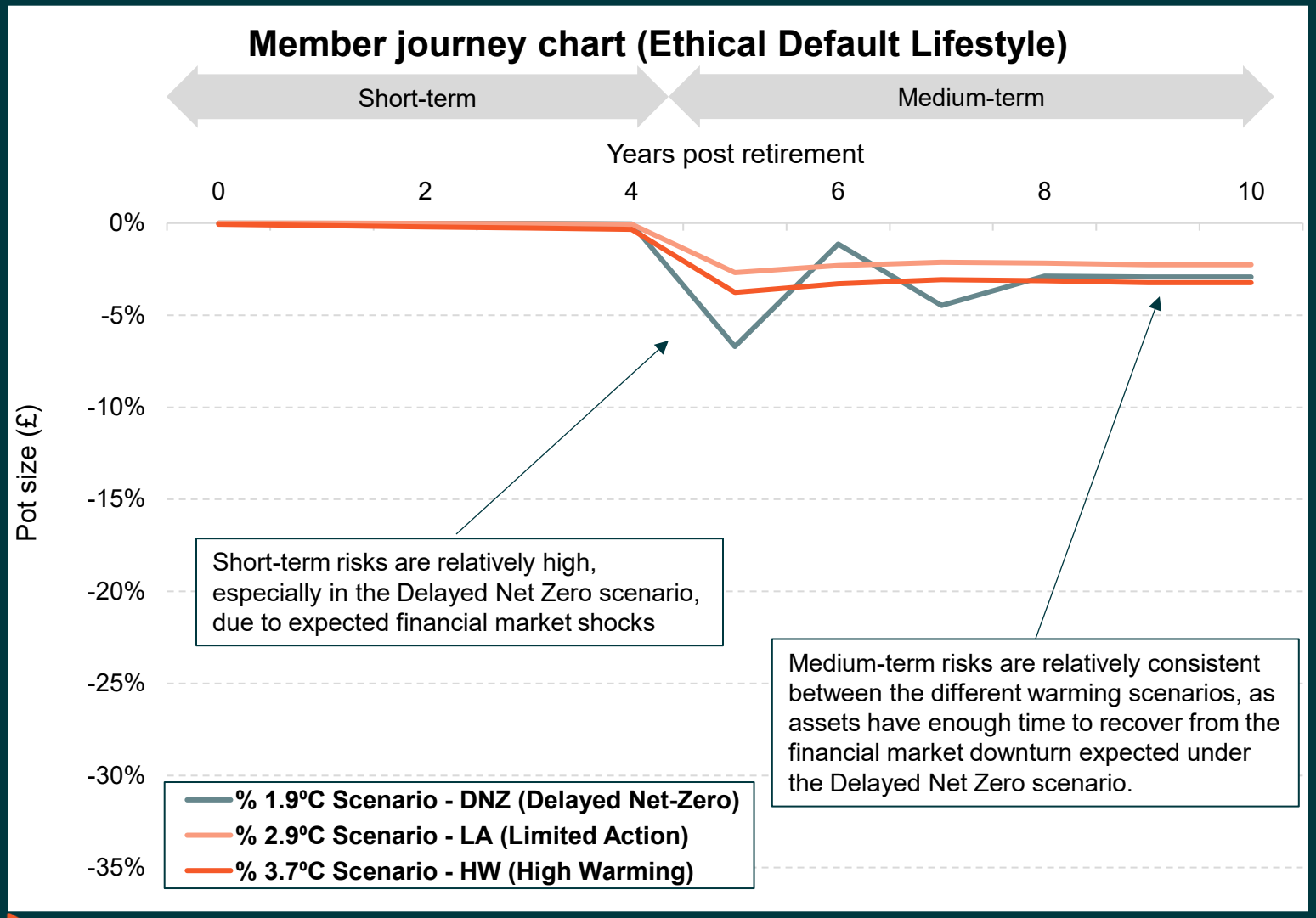
In addition, the modelling suggests limited climate-related impacts over the next five years, resulting in only minor differences between the scenarios.

	Deferred member aged 60
Starting pot	£26.5k
Standard CMA projection	**£35.3k**
Delayed Net-Zero (1.9ºC)	£35.3k *(-0.0%)*
Limited Action (2.9ºC)	£35.3k *(-0.1%)*
High Warming (3.7ºC)	£35.1k *(-0.5%)*

Source: Broadstone. Member data as at 6 November 2025.

Climate Risk Post Retirement

This chart illustrates the projected pension pot value for a member aged 65 under three climate scenarios, relative to their pot at aged 75 (£85.9k) under our default Capital Market Assumptions (CMA), which exclude climate-related impacts.



Over the short-term , Delayed Net Zero, due to expected policy shift at 2030, is expected to have a larger impact on members' post-retirement outcomes.

This scenario models a 65-year-old member who remains invested in the At Retirement Fund for a further 10 years before accessing their benefits. This may occur when members do not select the appropriate target retirement age, or when retirement is postponed due to changing circumstances.

	Member aged 65
Starting pot	£47.1k
Standard CMA projection	**£85.9k**
Delayed Net-Zero (1.9ºC)	£83.5k *(-2.9%)*
Limited Action (2.9ºC)	£84.1k *(-2.3%)*
High Warming (3.7ºC)	£83.3k *(-3.2%)*

Source: Broadstone. Member data as at 6 November 2025.

Summary Statistics - Deferred Members

Baptist Pension Scheme	Member aged 40	Member aged 50	Member aged 60	Member aged 65 *(10 years invested in default at-retirement allocation)*
Starting pot	£22.5k	£21.5k	£26.5k	£47.1k
Pot at retirement (aged 65)	**£181.1k**	**£67.2k**	**£35.3k**	**£85.9k**
Delayed Net-Zero (1.9ºC)	£164.7k *(-9.9%)*	£63.0k *(-6.9%)*	£35.3k *(-0.0%)*	£83.5k *(-2.9%)*
Limited Action (2.9ºC)	£142.6k *(-23.1%)*	£59.7k *(-12.1%)*	£35.3k *(-0.1%)*	£84.1k *(-2.3%)*
High Warming (3.7ºC)	£122.3k *(-35.1%)*	£55.1k *(-19.5%)*	£35.1k *(-0.5%)*	£83.3k *(-3.2%)*

Projected member outcomes under different climate scenarios reveal a clear divergence across age groups, shaped by investment horizon and sensitivity to long-term market disruption. Younger members face greater exposure to climate-related financial risks, particularly where global action is delayed or insufficient. The High Warming scenario is the worst outcome for all members shown.

For members aged 40, the impact of climate scenarios is most pronounced. Their extended investment horizon means that even modest shifts in long-term return expectations can compound significantly over time. Under high warming pathways, this cohort experiences the steepest reduction in projected outcomes, reflecting the cumulative effect of climate-induced market stress.

Members aged 50 encounter a more moderate level of disruption. While still exposed to transition and physical risks, the shorter time to retirement tempers the compounding effect. Outcomes for this group are shaped by mid-term policy responses and the pace of market adaptation to climate pressures.

Those members aged 60 are the least affected by climate related risks. With limited time remaining in the default strategy, their pots have already been derisked before market movements are expected to occur. However, if the member remains invested in the default portfolio, we see negative impacts as we look further into the future, where the impact of climate change is expected to increase.

This analysis reinforces the importance of aligning investment strategy with member time horizons. For younger cohorts, resilience to long-term climate disruption is critical. Trustees may wish to consider how scenario modelling informs strategic asset allocation and member communications, particularly where outcomes diverge meaningfully under different climate pathways.

Source: Broadstone. Member data as at 6 November 2025.

3 Conclusions and next steps

Broadstone

Key Risks and Opportunities

This table summarises the key climate-related risks and opportunities across short-, medium-, and long-term horizons, as identified in the 2024 and 2025 scenario analyses. Updates introduced in the 2025 analysis are shown in **bold**, highlighting new insights, revised modelling assumptions, and strategic developments since the previous year.

Time Horizon	Key Risks	Key Opportunities
Short term	• Older members are more exposed to physical risks due short time horizon – **Financial risk is now lower** • Market volatility may reduce investment levels - **Limited evidence of impact** • Low carbon investments can help reduce impact – **Risk reduced; manager oversight remains key**	• Paris Aligned equities improve resilience to climate risks – **Integrated during 2025** • M&G Sustainable Total Return Credit increases the percentage of ESG themed bonds and removes all exposure to United Nations Global Compact (UNGC) Breaches– **Integrated during 2025**
Medium term	• Members 15 years from retirement face transition risks under Limited Action – **Risk remains under LA and DNZ; transition impact occurs earlier in DNZ** • High Warming pathway leads to severe physical risks - **Physical risk is greatest under HW and LA; seen across all pathways**	• Impact investments benefit from the shift to a low carbon economy – **Still valid; no action taken in 2025** • Responsible equity fund supports ESG goals and could be expanded – **Still valid; expansion not progressed in 2025**
Long term	• Younger members are most exposed to High Warming impacts – **Risk has increased since 2024** • Longer time to retirement offers resilience but increases exposure – **Exposure is higher due to risky assets during climate shocks**	• Stewardship engagement with managers becomes more important – **Limited impact from passive L&G ESG Equity fund; M&G engagement may be more effective** • ESG priorities are monitored through the Implementation Statement – **Continued during 2025**

What actions can you take?

This table shows the climate-related actions identified in 2024 and new actions proposed for 2025.

	Possible Actions - 2024	Possible Actions - 2025
Encourage Investment Managers to Act	• Meet with managers to challenge their climate and ESG approach • Switch default strategy funds to those with better climate performance – **LGIM ESG Paris Aligned Equity Fund is now part of the default strategy**	• Request manager-level climate reporting and stewardship disclosure • Better understand climate impact of L&G Diversified Fund and consider reducing the current 30% allocation in the default Ethical Growth Fund. • Engage with managers on Net Zero alignment and voting records
Use Your Influence	• Advocate for stronger climate policies and encourage others to do the same • Consider setting a Net Zero ambition and explore implementation options – **we understand a net zero ambition was not yet considered** • Review the Scheme's Ethical Policy regularly – **looked at as part of the RI review**	• Publish a climate stewardship statement aligned to Ethical Policy • Join collaborative engagement initiatives (e.g. Climate Action 100+) • Report annually on progress against climate goals
Focus on Retirement Phase	• Ensure near/post-retirement funds prioritise stewardship and ESG – **M&G Sustainable Total Return Credit Investment Fund added to the default strategy in 2025** • Seek investments that better reflect members' values – **We understand this remains a possible action**	• Expand member communications on climate strategy on fund choices • Monitor climate exposure across lifecycle strategies

Further considerations

Are there are climate change opportunities created, looking at the analysis?

Do the scenario outputs mean members will have enough pension to retire at their normal retirement age?

Should there be any changes considered?

How else can we incorporate climate risk into Scheme monitoring?

Trustee Sign-off

As part of the Scheme's climate risk governance and TCFD compliance, Trustee is asked to formally acknowledge the updated climate scenarios used in this year's analysis.

Updated Scenario Set

The following changes have been made to reflect the latest scientific evidence and modelling:

- Net-Zero Financial Crisis scenario removed – no longer considered plausible due to higher global emissions.
- Delayed Net-Zero (+1.9°C) introduced as the most optimistic viable pathway.
- Limited Action (+2.9°C) and High Warming (+3.7°C) retained, with updated emissions and temperature trajectories.

Key Implications

- Higher temperature outcomes across all scenarios.
- Greater long-term physical risks, especially for younger members.
- Revised market shock timing and severity (notably in 2030 and 2039).
- Stronger rationale for reviewing investment strategy and risk governance.

Next Steps

The Trustee should consider this report and the outputs and confirm acceptance of the revised scenario set to support continued alignment with TCFD expectations, and consider any further next steps.

4 Appendix

Broadstone

Assumptions and Modelling

The use of climate scenarios is intended to serve as a valuable aid for planning, risk assessment, and strategic decision-making in addressing climate change. These scenarios are developed through complex models that integrate scientific data, assumptions, and projections about future economic, environmental, technological, and social factors. However, users should always consider them as one of multiple decision-support resources and maintain awareness of their inherent uncertainties and limitations.

Assumptions in the Climate Scenario Modelling

- Ortec Finance 2025 Climate Scenarios are used.
- Current most likely climate path is a weighted proportion of LA and HW Scenarios to achieve 3.0ºC as per UN climate chief Prof Jim Skea - 'It's too late to save Britain from overheating'
- M&G Sustainable Total Return Credit Investment Fund uses delta assumptions from US and Europe ESG IG Corporate Bonds. UK ESG IG Corporate Bonds are assumed to have the same delta benefit as the benefit we see when comparing Europe Grey IG Corporate Bonds and Europe ESG IG Corporate Bonds. All regions are included as per the splits given by the investment manager.
- L&G Diversified Fund uses a weighted average delta mixed between UK Large Cap Equities, UK Investment Grade Bonds and UK High Yield Bonds.
- L&G ESG Paris Aligned World Equity Index Fund uses delta assumptions from the World Climate Paris Aligned Index.
- L&G Cash Fund uses delta assumptions from UK Fixed Government Bonds.
- Salaries are increased by inflation, which is modelled at 2.5% p.a.
- Salary and starting pension pot estimates are based on the average (mean) values for scheme members who match the relevant age and status criteria. For example, the salary assumption for a 40-year-old active member reflects the average salary of all active members aged 40 within the scheme.

Modelling

- **Macroeconomic Shocks:** The macroeconomic modelling looks at 3 different UK macro variables: GDP, Inflation and 10-year Nominal Yields. The graphs shown within this section highlight the additional impact on each macro variable due to climate risk, if the climate progressed in line with Ortec Finance's expectations in its climate scenarios (DNZ, LA and HW). These graphs are **not** showing an expected GDP growth rate, inflation rate or yield, but instead represent how forecasted macro variables can expected to be adjusted by under different climate warming paths.
- **Asset Class Shocks:** The asset class modelling applies the same principle as the macroeconomic shock modelling. The 'deltas' (impact of climate risk on the expected returns of different asset classes) have been applied to an index of 100 and applied cumulatively over a 20-year period. Hence, these graphs illustrate that the more severe climate warming paths have a greater expected loss, because of climate risk. Although these graphs are indexed at a 100 and fall as the deltas are compounded over time, it should be noted that the expected return assumptions have not been applied. For example, Broadstone's Capital Market Assumptions expect Global Equities to grow at 4% p.a. as at 30 September 2025. Although the climate path deltas are negative, these are applied on top of the expected return assumptions, and so in practice climate scenario modelling should be seen as reducing the amount of growth rather than resulting in asset contraction.

Climate Scenarios

- **Delayed Net Zero (DNZ) –** 1.9ºC warming compared to pre-industrial levels by 2100
- **Limited Action (LA) -** 2.9ºC warming compared to pre-industrial levels by 2100
- **High Warming (HW) -** 3.7ºC warming compared to pre-industrial levels by 2100

Model Limitations

Any modelling framework is a simplification of reality and Ortec Finances approach is no exception. Key limitations of their approach are summarised below with further details available upon request.

Transition Risk	Physical Risk	Market Risk
• Only one possible pathway to each temperature outcome is modeled, thus the scenario results are specific to the underlying narrative. • Technologies where insufficient data is available or that do not yet exist are not captured. • Behavioral shifts, such as changes in lifestyle (e.g low-meat diets) or economic systems (e.g. circular economy) are not included in our scenarios. • The econometric approach means that historical interactions between economic and financial variables in the model are assumed to hold in the future.	• Chronic physical risks are modeled by a damage function proxy from literature. • Economic and financial impacts of climate-related health impacts, biodiversity loss, geopolitical conflict and migration are only implicitly captured. • The impacts of tipping points in the High Warming scenario are reflected by modeling their impact on global warming (i.e. stronger increase of temperatures after a tipping point is hit) and feeding these higher temperatures in the physical risk damage function. This is a simplification of reality, as tipping points may also impact physical risks via other channels than temperature. Furthermore, tipping points could also be hit in lower temperature scenarios.	• The timing and severity of events like the sentiment shock and pricing-in of transition and physical risks is based on assumptions but inherently uncertain. • Climate-related health impacts, geopolitical conflicts and migration are not explicitly captured.

Source: Ortec Finance, 2025.

Further comment on modelling limitations

Recently there has been commentary on modelling limitations and that the outputs of such scenario analysis could significantly understate the downside risks, in addition to inaction by trustee boards that could be detrimental to members' benefits.

	Items not included in the modelling
All scenario modelling shown	No allowance for: • Tail Risks (high impact but less likely outcomes) • Tipping points impacts, other than temperature • Impacts of migrations and increased likelihood of armed conflict • Food, water or other shortages. • Other systemic risks These are currently beyond the current modelling capabilities.

Broadstone recognises that outcomes could be materially different from those shown and is committed to evolving its approach to scenario analysis as new tools are developed.

The limitations described above should be taken into account when considering the outputs.

Last Year's Results

Active Members

Baptist Pension Scheme	Member aged 39	Member aged 49	Member aged 59
Starting pot	£16.7k	£15.7k	£68.4k
Pot at retirement (aged 65)	**£275.6k**	**£111.9k**	**£111.4k**
Net Zero Financial Crisis (1.5ºC)	£271.6k *(-1%)*	£108.3k *(-3%)*	£107.4k *(-4%)*
Limited Action (2.6ºC)	£239.6k *(-13%)*	£104.5k *(-7%)*	£110.0k *(-1%)*
High Warming (3.7ºC)	£200.4k *(-27%)*	£96.4k *(-14%)*	£109.4k *(-2%)*

Source: LCP, 2024

Deferred / Retiring Members

Baptist Pension Scheme	Member aged 39	Member aged 49	Member aged 59	Member aged 65 *(10 years invested in default at-retirement allocation)*
Starting pot	£10.1k	£4.6k	£18.0k	£27.0k
Pot at retirement (aged 65)	**£30.7k**	**£8.5k**	**£21.3k**	**£35.0k**
Net Zero Financial Crisis (1.5ºC)	£28.0k *(-9%)*	£7.7k *(-9%)*	£20.3k *(-5%)*	£34.1k *(-3%)*
Limited Action (2.6ºC)	£24.8k *(-19%)*	£7.8k *(-8%)*	£21.0k *(-1%)*	£34.5k *(-1%)*
High Warming (3.7ºC)	£19.0k *(-38%)*	£7.1k *(-16%)*	£20.9k *(-2%)*	£34.4k *(-2%)*

Source: LCP, 2024

Scenario Comparison 2025: Net Zero Financial Crisis vs Delayed Net Zero

Active Members

Baptist Pension Scheme	Member aged 40	Member aged 50	Member aged 60
Starting pot	£42.4k	£44.3k	£60.2k
Pot at retirement (aged 65)	**£862.3k**	**£273.8k**	**£107.8k**
Net Zero Financial Crisis (1.6ºC)	£836.6k *(+0.0%)*	£271.1k *(-1.3%)*	£106.3k *(-1.6%)*
Delayed Net Zero (1.9ºC)	£812.7k *(-6.8%)*	£261.6k *(-5.2%)*	£107.8k *(-0.0%)*

Deferred / Retiring Members

Baptist Pension Scheme	Member aged 40	Member aged 50	Member aged 60	Member aged 65 *(10 years invested in default at-retirement allocation)*
Starting pot	£22.5k	£21.5k	£26.5k	£47.1k
Pot at retirement (aged 65)	**£181.1k**	**£67.2k**	**£35.3k**	**£85.9k**
Net Zero Financial Crisis (1.6ºC)	£179.1k *(-1.2%)*	£65.8k *(-2.3%)*	£34.7k *(-1.9%)*	£84.7k *(-1.4%)*
Delayed Net Zero (1.9ºC)	£164.7k *(-9.9%)*	£63.0k *(-6.9%)*	£35.3k *(-0.0%)*	£83.5k *(-2.9%)*

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