



USS

For members, for the future.

**Universities
Superannuation
Scheme**

TCFD Report 2026



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Introduction

Purpose of this report

This report provides an update on how the Scheme is managing climate-related risks and opportunities in relation to its investments.

It fulfils the requirements of the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021. The Regulations require us to explain the governance and actions the Trustee has taken to identify, assess and manage climate-related risks and opportunities.

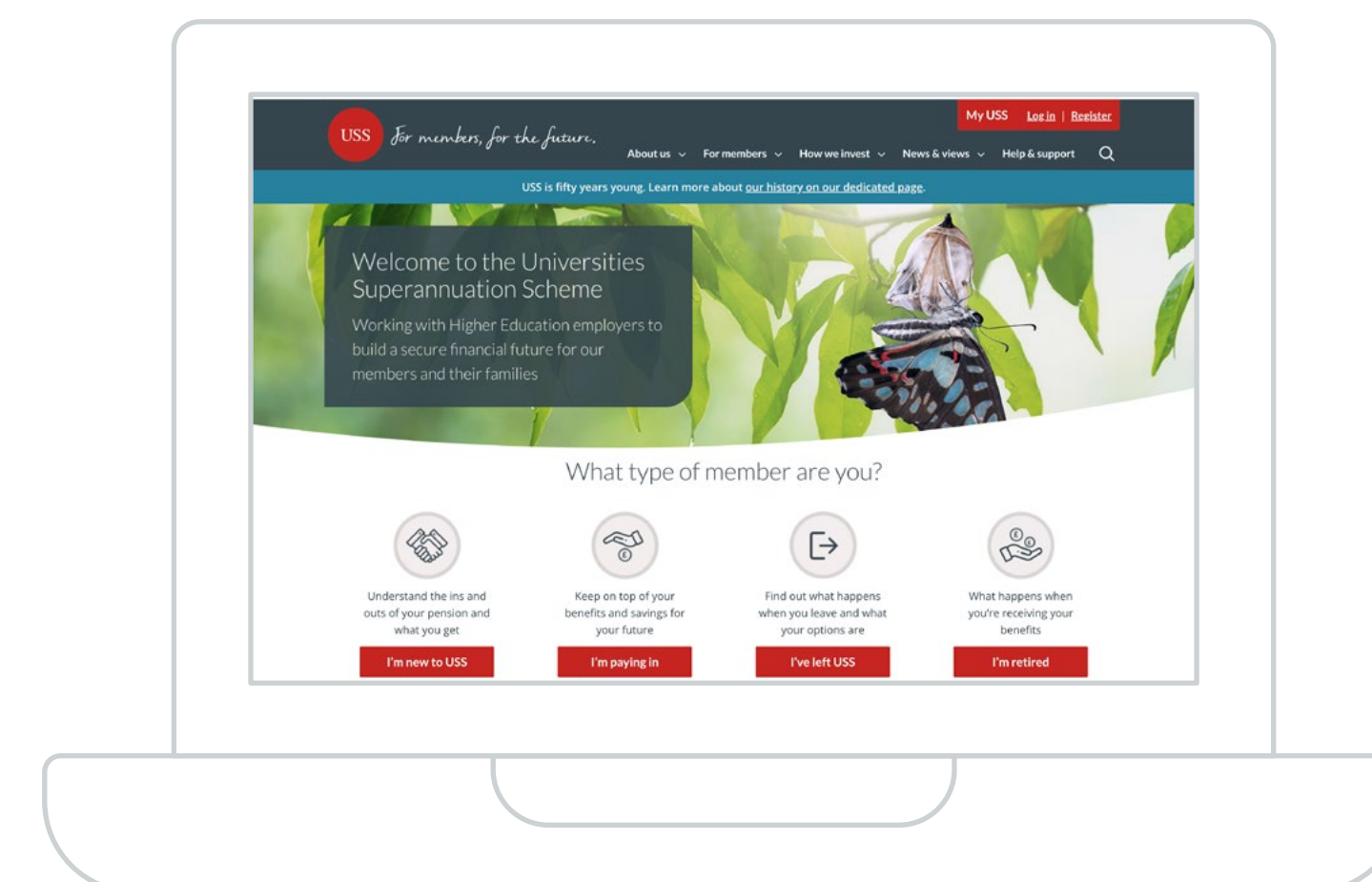
About USS

USS was established in 1974 as the principal pension scheme for universities and Higher Education institutions in the UK. We work with around 320 employers to help build a secure financial future for 599,000 members and their families. We are the UK's largest private defined benefit (DB) pension scheme by assets, with total assets under management of £84.2bn as at 31 March 2026.

We are a hybrid scheme offering both DB and defined contribution (DC) pension benefits. In this report, we use the terms 'USS' and 'the Scheme' to refer to Universities Superannuation Scheme. The Scheme's corporate trustee is Universities Superannuation Scheme Limited, and we refer to it as 'the Trustee', 'we' and 'our'. We refer to its board of directors as the Trustee Board.

Further information on how we invest responsibly

Please see our [website](#), including our approach to responsible investment (RI) and our Stewardship Report 2026.





Chair's statement



“ We have concluded that one of the biggest risks to our Scheme comes from real-world emissions globally causing increased global warming, which could lead to financial damage to almost all our investments.

Dame Kate Barker
Chair of the Trustee Board

Welcome to the 2026 Task Force on Climate-related Financial Disclosures (TCFD) Report from the Trustee of Universities Superannuation Scheme (USS). This is our ninth annual TCFD Report.

In last year's report, we updated the climate scenarios we co-developed with the University of Exeter to reflect the changing geopolitical, policy and technological reality. We also highlighted the emerging gap between climate ambition and action at the global policy level and emphasised the role of long-term investors, such as pension funds, in advocating for effective climate policy. However, despite the efforts of investors and other stakeholders, the consensus on the need to set the global economy on a long-term decarbonisation pathway continues to falter in the face of a retreat from the multilateral order.

As a long-term, responsible investor with a duty to pay pensions long into the future, we consider climate change a material financial risk to the global economy. It is a risk which shapes how we look at our investments and their potential long-term returns. We do not view climate change in isolation but as a key variable in a complex, multi-scenario world.

In this year's report, we have not changed the climate scenario framework described in our 2025 report – our methodologies, assumptions and time horizons remain consistent. However, we have evolved our approach, embedding our climate scenarios within a wider set of overarching scenarios that consider significant market drivers, including geopolitics, technological change (such as AI), and demographic trends. Our view is that future

climate outcomes will be shaped by multiple drivers, and we consider climate change through the lens of both physical and transition risk and opportunity at asset, industry, sector, country and whole economy level.

We have also enhanced our physical climate risk assessment by sourcing additional data to improve our understanding of how acute and chronic climate hazards may affect assets, industries and regions over time, and therefore impact the resilience of our portfolio.

We continue to make progress towards our net zero ambition, and we have met our 2025 interim target. Despite this progress, which includes being ahead of our 2030 interim target, the rapid reduction in the emissions from the Scheme's investments is not matched in the real world where emissions continue to rise. We are committed to seeking real world decarbonisation and we are engaging with policymakers, regulators and standard setters to advocate for policy frameworks and incentives that enable consumers, businesses and investors to choose lower-carbon options. We continue to play our part in supporting the transition to a low-carbon economy both within the UK and globally as a Universal Owner.

We support the Government's post-implementation review of the effectiveness and impact of the climate reporting regulations for occupational pension schemes. In our response, we stated our support for reducing the regulatory burden for reporting entities and maintaining alignment with other regulatory requirements for climate disclosures. We reported how our disclosures are evolving and highlighted areas we could strengthen, notably around scenario analysis and the interaction of climate change and other macro scenario risks. We have concluded that one of the biggest risks to our Scheme comes from real-world emissions globally causing increased global warming, which could lead to financial damage to almost all our investments. Our focus remains to ensure that our analysis and reporting remain relevant, innovative and decision useful.

Dame Kate Barker
Chair of the Trustee Board



Why climate change matters to USS

Here we summarise why climate is one of the Trustee's four responsible investment (RI) priorities and what actions we are taking to manage climate-related risks and opportunities.

This section is a summary of our full TCFD Report.

Why do we focus on RI?

- Investing responsibly plays a large part in helping us to pay pensions long into the future. We believe it helps us to manage long-term financial risks and to achieve resilient returns
- We have a large, diversified portfolio which represents a small slice of the global economy, making us a Universal Owner. This means we are exposed to certain market-wide or systemic risks – like the financial impact that could result from climate change and biodiversity loss. We believe that a world with higher temperatures will deliver poor financial outcomes. As a Universal Owner, we cannot simply avoid climate risk through stock-picking, divestment or portfolio diversification
- By acting individually as an engaged, long-term owner and by working with other Universal Owners, we seek to minimise the financial impact these market-wide risks could have on our investments
- You can read more about our approach in 'Responsible investment: what it means to us' on our [website](#)

Why has the Trustee identified climate as a priority and how does it influence our strategy?

- Climate change is a very significant financial risk that continues to shape the way we look at our investments and the returns they could deliver over the long term. It is one of four RI priorities for the Scheme, along with nature, people and governance
- A world of extreme temperatures will likely involve significant changes in rainfall patterns, regional temperatures, and agriculture and it would be expected to lead to mass migrations and conflict between nations. The financial and social impacts could be profound and are considered in the context of our legal duty to make sure we can pay our members' pensions when they are due
- We consider financially material environmental, social and governance (ESG) factors, including physical and transition risks from climate change, before we invest and throughout the life of our investments, across all asset classes, to inform investment decision making and as we seek to improve risk-adjusted returns. We consider this at the company, sector, country and global economy level
- We also recognise that the transition to a low-carbon economy offers potential investment opportunities from areas such as renewable energy and lower-carbon technologies. We already invest in these, and we think they will deliver attractive long-term returns as the world transitions to a low-carbon economy



Why climate change matters to USS
Continued

What actions are we taking?

- In the 2025 TCFD Report, we described our partnership with the University of Exeter to develop climate scenarios. This year, we developed a wider set of overarching scenarios that consider climate scenarios alongside other significant drivers, including geopolitics, technological change such as artificial intelligence (AI), and demographic trends (see overarching scenarios on page 14)
- We have strengthened our approach to managing physical climate risk during the year by sourcing additional data that enables a better understanding of how acute and chronic climate hazards may affect the value of our assets and the resilience of the portfolio
- In November 2025, we published a paper entitled [The Policy Challenges of the Energy Transition](#) with support from Transition Risk Exeter (Trex). In this paper, we call for collaborative investor action and make the case for stronger action from the UK and other governments to provide clear policy frameworks to support each stage of the transition (see case study on page 12)

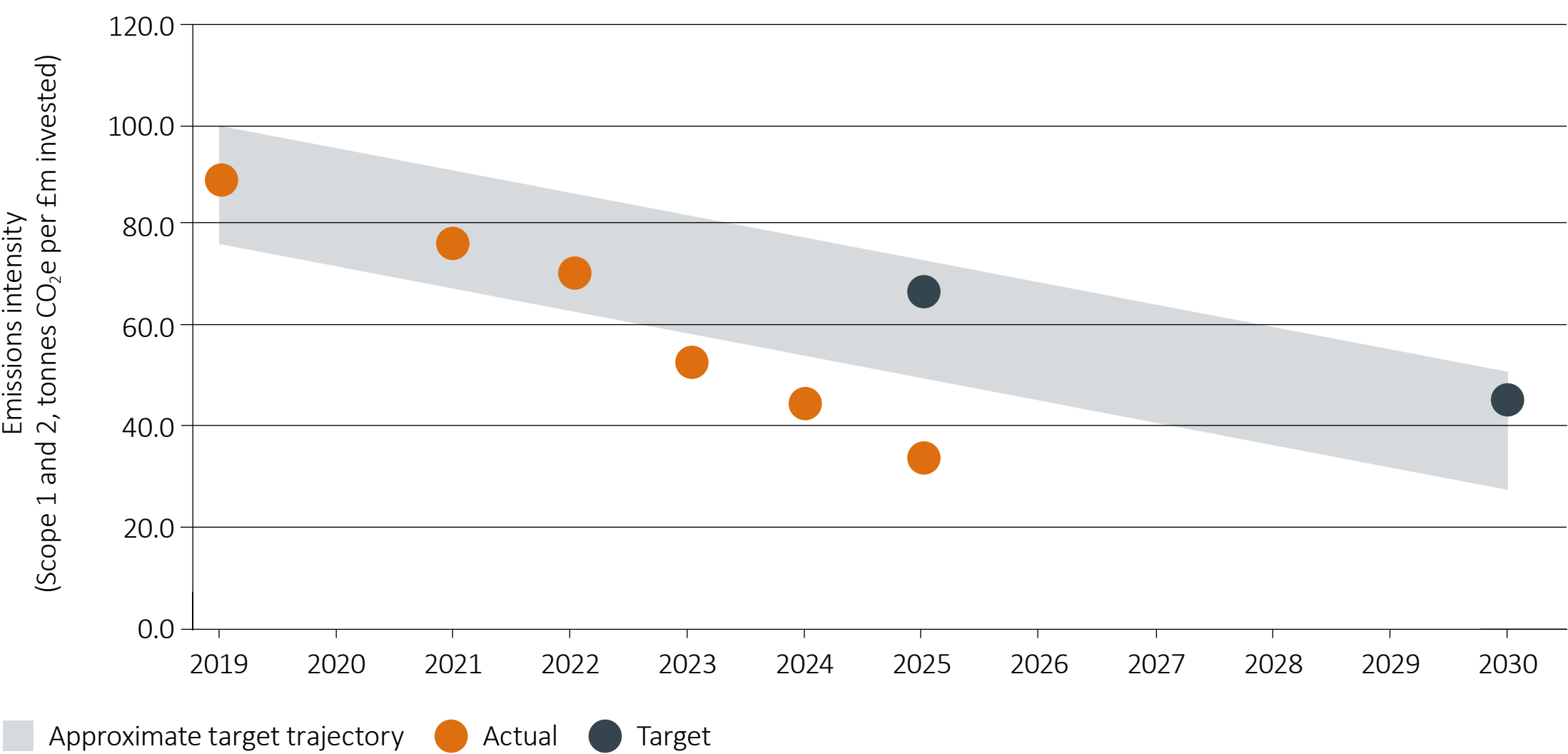
How are we performing against our net zero ambition and interim targets?

- Our ambition is for our investments to be net zero by 2050, if not before. Our interim targets are to reduce the emissions intensity (Scope 1 and 2) of the non-sovereign assets in our DB portfolio by 25% by 2025, and by 50% by 2030 (relative to a 2019 baseline)
- We are making good progress. We have met our 2025 interim target and are ahead of the 2030 interim target (see Table 1 and Figure 1) as at 31 December 2025. Emissions intensity is a ratio based on the value of the Scheme’s investments and is therefore sensitive to market moves. This means that rising asset prices since the 2019 baseline year have contributed in part to the decrease in emissions intensity, and similarly any potential fall in asset prices would increase emissions intensity
- We treat the rapid pace of reduction in the Scheme’s emissions with caution as it is not being matched in the real world, where greenhouse gas emissions continue to rise. To drive decarbonisation in the real world we are engaging with policymakers and regulators to encourage them to create policy frameworks and incentives that encourage consumers and businesses to choose lower-carbon options
- We hosted a roundtable with eight of our UK asset owner peers. The objective was to align with like-minded investors and collectively push for stronger policy frameworks that accelerate the energy transition in the UK. We have plans to extend this collaboration beyond the UK to work with international peers and encourage them to engage with the governments in their respective countries

Table 1: Emissions intensity of non-sovereign DB assets compared to 2019

2019 emissions intensity (Scope 1 and 2)	2025 emissions intensity (Scope 1 and 2)	Reduction from 2019 to 2025	Annualised reduction
89.5 tCO ₂ e per £m invested	33.5 tCO ₂ e per £m invested	63%	15%

Figure 1: Emissions intensity vs targets



Governance

This section covers how the Trustee oversees, assesses and manages climate-related risks and opportunities.

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- 10 External advisers – actuarial, investment and covenant advisers

Our governance

Universities Superannuation Scheme (USS) is the pension scheme itself. It is set up under a trust and is governed by a trust deed and rules. Universities Superannuation Scheme Limited is the Trustee that runs and manages USS in line with the trust deed and rules. USS Investment Management Limited (USSIM) is a subsidiary of Universities Superannuation Scheme Limited. It is the principal investment manager and adviser to the Scheme.

The role of the Trustee Board

The Trustee Board is responsible for the oversight and management of climate-related risks and opportunities relevant to the Scheme. This includes assessment, documentation and integration into investment strategies and monitoring.

The Trustee Board delegates implementation of its investment strategy to its in-house investment manager USSIM. To oversee implementation, the Trustee Board:

- Approves the Scheme’s climate-related strategy, including metrics, targets, scenario analysis and time horizons
- Approves USSIM’s approach to responsible investment (RI)
- Reviews the USSIM Responsible Investment team’s activities, approves policies, and receives progress updates via the Investment Committee (IC)
- Sets and approves the RI-related risk statements

The role of the IC

By formal delegation from the Trustee Board, the IC oversees the implementation of the Scheme’s climate-related strategy. The IC reserves time for addressing RI and climate-related risks and opportunities at appropriate meetings. It meets quarterly and at designated away days. During these meetings, topics covered include:

- Reviewing and assessing USSIM’s implementation of the RI strategy
- Questioning and challenging USSIM on how it manages climate-related risks and opportunities
- Overseeing USSIM’s progress against the Scheme’s climate metrics and targets
- Reviewing and assessing the Scheme’s investment portfolio risks including RI-related risks
- Reviewing the process and outputs for climate scenario analysis
- Approving climate-related risk indicators, according to the risk appetite set by the Trustee Board

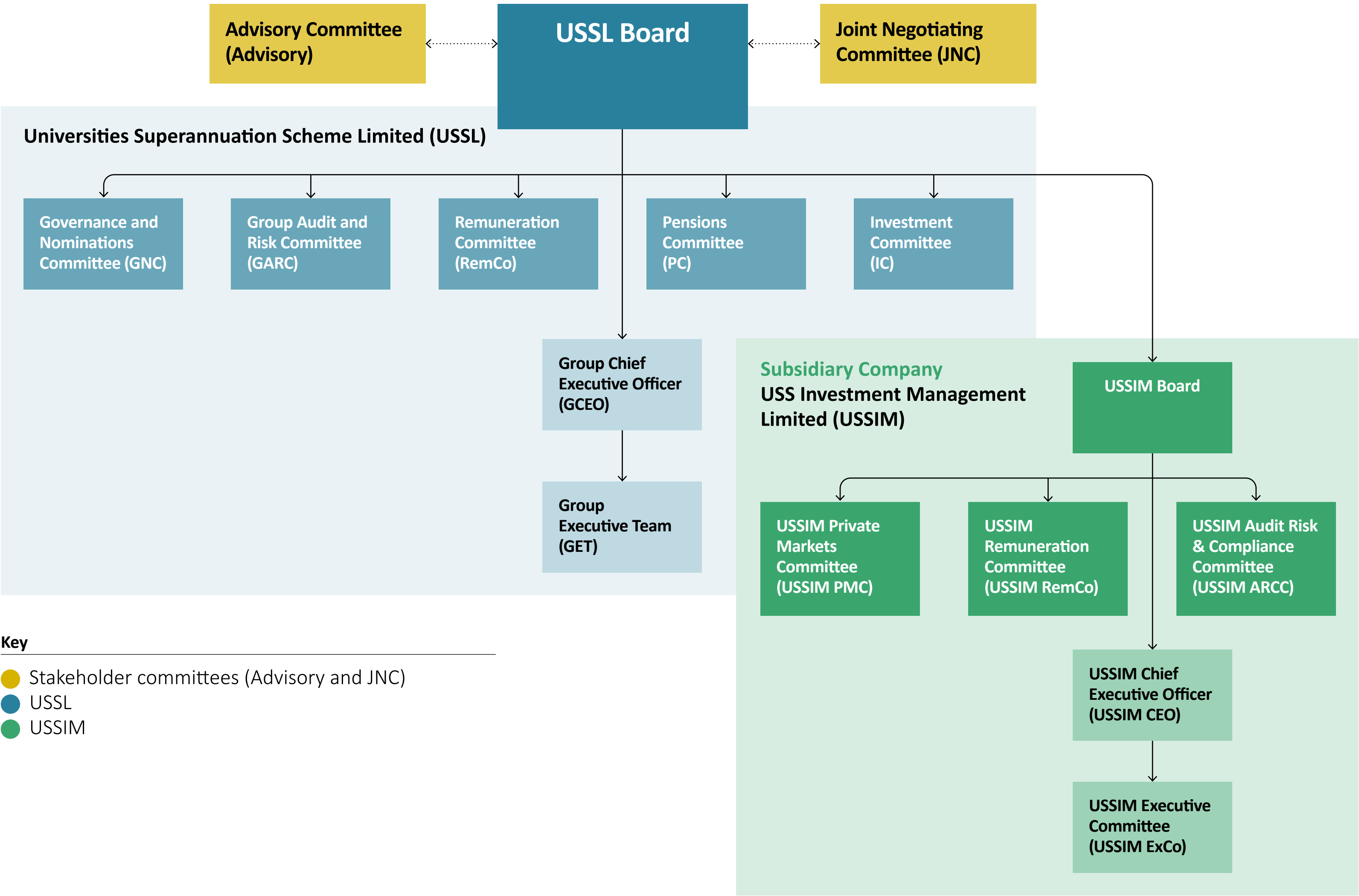
The IC assesses USSIM’s investment performance each year using an investment balanced scorecard approach. This scorecard includes an assessment of USSIM’s performance against RI objectives, including the management of climate physical and transition risks, and the Trustee’s net zero ambition.

Governance
Continued

Trustee Board and IC activities during the reporting year have included:

- **Regular updates from the USSIM Board Chair** on matters discussed at USSIM Board, including climate-related risks and opportunities
- **Regular updates from USSIM CEO and colleagues** covering progress made in achieving the Trustee’s net zero ambition, progress against the RI priorities of climate, nature, people and governance and RI integration across USSIM’s investment teams
- **Items at the IC away day** including an external perspective on biodiversity in the context of a potential age characterised by near zero marginal costs of energy and intelligence (including AI) and a break out session on scenario analysis exploring the potential interactions between geopolitics, AI, climate and demographics

Figure 2: USS Group corporate governance structure – main boards and committees



USS Investment Management Limited

By formal delegation under s34 of the Pensions Act 1995 from the Trustee Board, under an Investment Management and Advisory Agreement, USSIM implements the Trustee Board’s investment strategy, including RI and climate change, and this is overseen by the USSIM Board. USSIM manages approximately 68% of investments in-house and oversees external managers to manage the remainder.

In both its advisory and investment management activities, USSIM:

- Allocates investment mandates to external managers, including assessing their approach to RI prior to appointment and regularly post investment
- Advises the Trustee on investment policy and strategy matters
- Manages and monitors climate-related risks
- Identifies climate-related investment opportunities

USSIM is authorised and regulated by the Financial Conduct Authority (FCA). It is overseen by its own board of directors.

USSIM Executive Committee (ExCo)

As part of its role in managing all USSIM’s activities, USSIM ExCo oversees and manages efforts to achieve the Trustee’s net zero ambition. The USSIM ExCo is chaired by the USSIM CEO and is made up of team heads from: group risk, investment strategy, responsible investment, investment product management and the heads of investment desks as well as operations, finance, legal, compliance, internal audit and HR.

USSIM Asset Allocation Committee

The USSIM Asset Allocation Committee (AAC) supports the USSIM CEO in overseeing high-level strategic asset allocation matters for DB and DC funds. The AAC is responsible for approving the high-level investment strategy, associated allocation ranges and for ensuring portfolios operate within agreed risk parameters. In doing so, it considers a range of scenarios and macroeconomic drivers, including physical risks and the energy transition.

USSIM Responsible Investment team

USSIM’s Responsible Investment team supports the implementation of the Trustee’s climate-related strategy. This includes working with USSIM’s investment teams to identify climate-related risks and opportunities and to integrate climate change and other financially-material ESG factors into investment decision making.

It also works collaboratively with investment teams on company engagements and with external fund managers.

USSIM Investment Product Management (IPM) team

USSIM’s IPM team is responsible for the oversight and governance of internal and external mandates and execution, as well as product development across both the DB and DC parts. This includes oversight of the processes in place to assess and monitor how managers are addressing RI considerations in the selection and retention of assets. This applies to managers of both public market and private market funds and encompasses both the DB and DC parts of the Scheme.

Training

Ongoing training is important to ensure that both the Trustee and USSIM are best equipped to respond to the climate-related risks and opportunities we face. We undertook the following sessions during the reporting year:

Trustee 	• The Trustee Board received: – An external biodiversity and AI session – A deep dive on the nature priority – A briefing on SEC regulatory updates – Teach-ins on physical climate risks and investment exclusions • External speakers provided the IC with expert insights on the policy challenges of the energy transition
New employees and Board directors 	• All new employees at USS are required to attend a session on RI as part of the induction training • All new Trustee Board and USSIM Board directors receive a 1:1 training session on RI and how USSIM’s investment teams manage climate-related risks and opportunities
Informal training sessions 	• Leaders across the business run informal training sessions, such as lunch and learns, to keep employees updated on key topics • External speakers are invited to present on current and emerging themes • Topics discussed included physical risks, carbon markets and data centres

External advisers – actuarial, investment and covenant advisers

The Trustee Board and its committees take advice from external advisers, such as investment, legal, actuarial and covenant advisers, where appropriate. The Trustee seeks to ensure, where appropriate, that these advisers:

- Have clearly defined responsibilities in respect of climate change, including climate analysis, in their advice to the Trustee
- Have adequate expertise and resources to carry out these responsibilities
- Are required to take adequate steps to identify, assess and prioritise any relevant climate-related risks and opportunities

The Trustee’s investment advisers attend all IC meetings. The Scheme Actuary attends most Trustee Board meetings when relevant topics are discussed, such as triennial valuations and other funding or benefit design matters. In early 2025, USS reviewed the performance of its external investment advisers against objectives set for them. The triennial review of the objectives themselves took place in February 2026. The Trustee is not required to do this in respect of USSIM as it is a wholly owned subsidiary of the Trustee. However, the Trustee rates the performance of USSIM in the same survey. As a result of the review process, the IC continued to be satisfied with the performance of all its advisers, with any areas of focus or improvement built into the objectives for the year ahead.

Strategy

This section covers our approach to climate-related risks in our strategy which is informed by our climate scenario analysis work.

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Our strategy approach

As a Universal Owner, and a pension fund with in-house investment expertise and liabilities extending decades into the future, we believe in an active approach to responsible investment (RI) and stewardship. We recognise that climate change presents macrosystemic or market-wide risks that can translate into financially material impacts that need to be addressed over the short, medium and long term. To address these risks and achieve our climate-related objectives, we adopt a number of different approaches:

Actions	Description
Strategic asset allocation	We use scenario analysis, and stress-testing to respond to unfolding events and to plan for long-term systemic risks such as climate change. This approach informs how we seek to build a resilient, well diversified portfolio that is capable of withstanding a range of plausible future outcomes.
Engagement	Where we have identified a financially-material ESG issue, we engage with assets either directly or collectively with other investors. We use a range of tools and approaches including meetings and calls to make our expectations clear.
Voting	Voting provides the necessary checks and balances on management behaviour and performance. We vote in line with our members’ best financial interests and do so globally on all our publicly listed assets.
Company-level analysis	We consider financially material ESG factors as part of our investment analysis and decision making.
Policy advocacy	We advocate for effective public policy and regulation aligned with our RI priorities, including those that accelerate the climate transition.
Reporting	We communicate our approach, activities and progress through regular, transparent communications and reporting. This allows members, policymakers, regulators and other asset owners to understand and challenge our approach.
Industry groups and memberships	We are actively involved in industry groups and memberships that align with our RI priorities.
Exclusions	In addition to exclusions related to sanctions and international conventions, we avoid investments with certain characteristics that we regard as a long-term financial risk to the Scheme. Some examples of these include tobacco manufacturing and thermal coal mining (where the latter makes up more than 15% of revenue).



Case study: The Policy Challenges of the Energy Transition

We recognise that policy uncertainty is one of the most significant systemic risks facing long-term investors. In November 2025, we published a new paper entitled [The Policy Challenges of the Energy Transition](#) with support from Transition Risk Exeter (Trex) and the University of Oxford. In this paper we call for collaborative investor action and make the case for stronger action from the UK and other governments to provide clear policy frameworks to support each stage of the transition. What is needed in the very early stages of the transition will not be the same as at later stages, nor will it be the same across different sectors.

Through this work we have: obtained greater visibility of the current regulatory landscape; identified high impact areas; and strengthened our dialogue with policymakers. This work has reinforced our view that meaningful progress on the energy transition depends on co-ordinated action, and that asset owners have an important role to play in shaping stable, credible policy environments.

Following publication of the paper, we hosted an in-person roundtable discussion with eight of our UK asset owner peers. The objective of the roundtable was to align with like-minded investors to collectively push for stronger policy frameworks that accelerate the energy transition in the UK. We have plans to extend this collaboration beyond the UK to work with international peers and encourage them to engage with the governments in their countries on this global topic. Climate, including the transition, is just one of our RI priorities; we aim to continue to collaborate with our peers to inform future engagement with policymakers on topics linked to our four priorities.

Scenario analysis

Our approach

Development of bespoke scenario narratives

As part of the continued evolution of our climate scenario analysis, last year’s report set out the need to update and enhance our approach to climate scenario analysis to better inform investment decision making. This was implemented through the development of

bespoke climate scenario narratives and an assessment framework that considers both transition and physical climate risks. This approach enabled a more dynamic and decision-useful assessment of climate impacts than traditional, model-driven approaches alone. Quantitative analysis was used to illustrate the direction and magnitude of potential impacts, supporting risk identification, strategic discussion, and portfolio resilience assessment. Further detail is provided in the [2025 TCFD Report](#).



Roaring 20s – policies and markets align

- Strong climate policies (led by China and Europe) and technology advancements drive economic growth
- Easing geopolitical tensions, particularly with China, support global trade
- Investments in renewables and infrastructure boost sustainability and economic stability



Meltdown – policy failures compound weak growth

- Aggressive US fiscal policies and trade wars cause high inflation, instability and slow growth
- Governments backtrack on climate commitments. Geopolitical tensions, and economic fragmentation disrupt supply chains
- Energy security becomes a significant risk in Europe



Green Phoenix – market-driven, while policy lags

- Geopolitical tensions disrupt supply chains, hindering international co-operation
- Governments struggle to meet climate goals, but market forces drive renewable investments
- Private sector plays a key role in pushing green initiatives forward despite weak policy support



Boom and Bust – policy steps up after boom bursts

- Rapid growth fuelled by tech advancements and aggressive fiscal policies leads to economic imbalance
- A major recession follows, driven by inflation, policy conflicts and financial instability
- Weak recovery prioritises traditional energy over renewables due to cost advantages



Transition Risk Exeter Limited (Trex)

A commercial spin-out from the University of Exeter providing climate scenario analysis for enhanced investment resilience.



University of Exeter

University of Exeter

Climate scientists at the University of Exeter are partnering with USS to develop a physical risk model.



Cambridge Econometrics

Cambridge Econometrics is a global economic consultancy which is modelling transition risk.



ISS STOXX

ISS STOXX has established a differentiated capability in physical risk modelling, providing forward-looking, asset-level projections that help investors identify, assess, and monitor climate-related risks with greater confidence.



Strategy
Continued

The Trustee determined that no update was required this year as the scenario narratives remain accurate. Given we are outside of the mandatory period to re-run our scenario analysis, no changes have been made to the climate scenario framework set out in the 2025 TCFD Report.

Overarching scenarios

While our climate scenario framework remains consistent, we have evolved our approach to broader scenario analysis for investment management. Climate scenario analysis is now embedded within a wider set of overarching scenarios that consider climate alongside other structurally significant drivers, including geopolitics, technological change (such as AI), and demographic trends (see Figure 3). This reflects our view that future climate outcomes, and their investment implications, will be shaped by the interaction of multiple drivers.

The overarching scenarios are supported by enhanced qualitative narratives and quantitative analysis to explore a more integrated range of plausible future pathways. Signposts are used to help monitor how conditions evolve over time, allowing climate transition and physical risks to be assessed within a coherent, multi-driver scenario environment rather than as standalone outcomes. We recognise the growing importance of climate tipping points, which represent systemic, non-linear risks that are not well captured by standard models. Uncertainties on timelines and impact of tipping points make it challenging to incorporate them fully into a quantitative analytical framework. However, these are incorporated qualitatively into our scenario work, leveraging the expertise of leading climate scientists and reinforcing our emphasis on resilience, prudent interpretation of metrics, and continued engagement with policymakers and peers to address systemic climate risks.

This evolution strengthens strategic decision making, deepens our understanding of interconnected risks and opportunities, and enables more rigorous testing of portfolio resilience across a broader range of future states, while remaining anchored in our established climate scenario framework. The overarching scenarios will continue to evolve and will be refreshed annually, ensuring they reflect real-world developments and advances in our thinking on plausible future pathways.

We intend to use our overarching scenarios to support our portfolio analysis and to assess the resilience of the portfolio under a range of plausible future scenario pathways. We will interpret the scenario narratives and use them to inform expectations for key economic and market variables. For example, this can be translated into scenario specific capital market assumptions. These assumptions will be used to explore potential impacts on portfolio risk and performance through quantitative analysis, alongside qualitative judgement and input from investment teams. This approach is intended to support a forward-looking assessment of climate transition and physical risks, alongside other structurally significant drivers.

Time horizons

Time horizon	Current approach
Short term	Less than 5 years
Medium term (primary focus)	5–10 years
Long term	Over 10 years

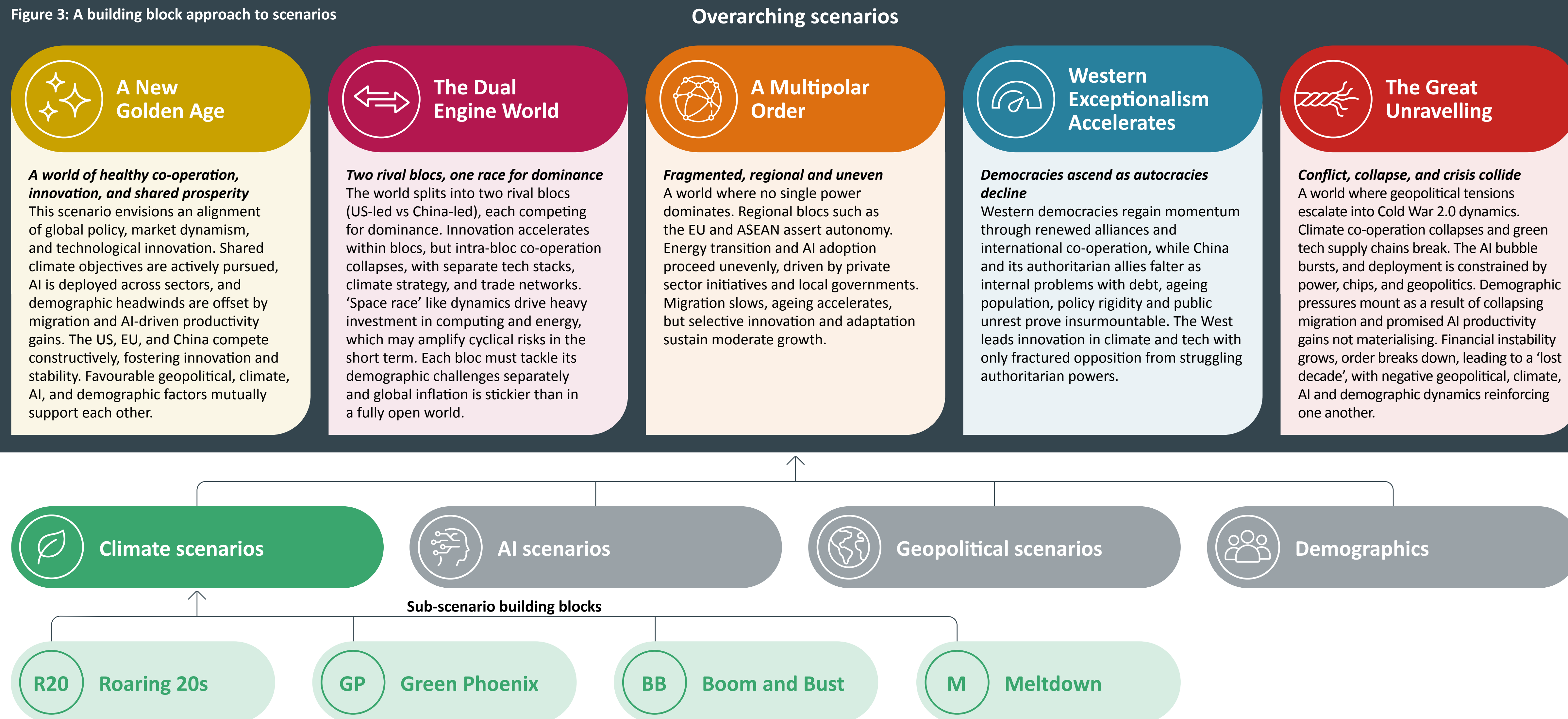
We have maintained our time horizons from last year’s report as we believe they continue to reflect realistic economic and financial market behaviours over the short to medium term, while retaining an appropriate long-term perspective.

Under the enhanced overarching scenario approach, we continue to use medium term (5 to 10 years) scenario narratives as the primary lens for analysis. For our overarching scenarios, this time frame is considered the most decision useful, as it allows time for major trends such as changes in policy, technology adoption and geopolitical dynamics to begin influencing economic and market outcomes, while remaining sufficiently relevant to inform investment decisions today.

We recognise that the Scheme’s liabilities extend over significantly longer horizons. To reflect this, we apply a qualitative long-term overlay that considers how structural themes, including long-term climate-related risks and opportunities, may evolve beyond the primary scenario time frame. This ensures that longer-dated risks are appropriately considered alongside more decision-relevant medium-term analysis.



Figure 3: A building block approach to scenarios



Climate-related risks and opportunities

Our approach continues to be forward looking, applying an enhanced methodology to assess climate-related transition and physical risks and opportunities. Combined with the introduction of our new overarching scenarios framework, which takes a more holistic view of the investment environment, this strengthens our ability to navigate the complexity of climate-related challenges within the investment decision-making process. By leveraging scenario and model outputs, we aim to diversify our portfolio, which allows us to manage and mitigate climate-related risk, while also identifying potential opportunities across the portfolio.

Expected impacts on macro variables

The overarching scenario framework reinforces many of the conclusions from scenario analysis presented in our TCFD Report 2025. In particular, the wide dispersion of potential macroeconomic outcomes (both growth and inflation). Inflation continues to remain a central area of risk across the scenarios. The framework supports our view that the global economy is likely to continue facing a structurally higher and more volatile inflation environment than the post Global Financial Crisis period, through more frequent supply shocks, shifts in trade, and persistent geopolitical tensions. This underscores the importance of maintaining a diversified and flexible portfolio, which focuses on resilience and that can adapt to evolving dynamics across many structural drivers including geopolitical developments, technological changes and the energy transition.

Physical risk

We strengthened our approach to physical climate risk during the year by adopting a multi-provider framework. By working with both Trex and ISS STOXX, we are combining scenario-led insights with high resolution, asset level hazard analytics. This provides a better understanding of how acute and chronic climate hazards may affect asset values and portfolio resilience. Using two complementary providers allows us to compare, challenge, and validate outputs from different methodologies. This improves our confidence in results and provides a more rounded view of uncertainty across models. Across the two providers, we assess a range of hazards, including coastal and river flooding, wildfires, heatwaves, tropical cyclones, water stress and sea level rise.

For countries, we use relative physical risk indicators, such as hazard exposure, hazard intensity, and measures of adaptive capacity and resilience to estimate projected Gross Domestic Product (GDP) impacts in order to identify jurisdictions with elevated physical risk exposure. This supports our top-down risk assessment for countries.

Sovereign exposure (across government bonds and foreign exchange) is a major component of our overall asset allocation. We continue to rely on our partnership with Trex for sovereign-level physical risk assessment. The Trex team are considering enhancing their approach towards regional aggregation by explicitly taking into account spatial correlation of hazards across individual high-resolution grid cells that form part of a given region.

For private assets, we are aiming to use individual assets, and geospatial hazard data to highlight potential vulnerabilities. This would enable us to develop an informed view on the top-down physical risk exposure in our private markets portfolio.

We are working with ISS STOXX which has prior experience supporting similar pension schemes with private market assets. This does not replace the bottom-up due diligence we undertake as part of the underwriting process of these assets.

For public companies, we are aiming to use the capabilities of our new providers to undertake company-specific physical risk exposure which could also be used for a portfolio-level physical risk assessment.

ISS STOXX has developed a proprietary asset-location database which enables identification of a range of physical assets owned by a company. It assesses physical risk exposure based on the locations of those assets and their specific asset types, the latter allowing for customised damage functions. Where the precise asset location data for a listed company is not available, a more generic approach relying on LitPop-based proxy distribution¹ of Geo-PP&E (Property, Plant, Equipment) is applied.

1 Where precise asset-level location data for Property, Plant and Equipment (PP&E) is unavailable, a LitPop-based proxy approach is used to estimate the geographic distribution of assets. This method disaggregates company-level or national asset values across geographic grid cells using a combination of population density (“Pop”) and night-time light intensity (“Lit”) as indicators of economic activity. The approach provides a reasonable approximation of where physical assets are likely to be located and is widely used in physical climate-risk modelling. However, it remains a proxy and may not fully capture firm-specific asset footprints, particularly for highly specialised, rural or privately held infrastructure.

Strategy
Continued

As part of this approach, we use geospatial visualisation tools to analyse and communicate the geographic distribution of hazard exposure. These tools help identify areas with a higher likelihood of physical risks under selected climate pathways and time horizons, supporting a high-level assessment of where physical assets may face greater exposure to climate hazards.

It is important to note that assets located within higher risk regions are not necessarily subject to higher site-specific risk. Actual exposure will depend on local topography, elevation, proximity to watercourses or the coastline, asset-level characteristics, and whether adaptation or mitigation measures exist.

The geospatial visualisation is primarily designed to identify hazard exposure hot spots and does not provide an estimate of potential structural damage, financial loss or business interruption impacts. However, where asset level location data, physical characteristics, and operational use are available, the underlying modelling framework can be applied to generate asset specific estimates of structural damage and business interruption impacts. These outcomes will vary by asset class, location, construction characteristics, operational use, and the extent of site specific resilience measures.

Table 2 shows an illustrative example of a physical risk analysis for a UK battery energy storage construction site with specific location co-ordinates. The example draws on underlying modelling capabilities to present a consolidated view of exposure across key hazards, expressed using qualitative indicators (low, medium, high) and the forward-looking trend. This output provides a more comprehensive understanding of exposure to different physical risks and how they may evolve over time.

Table 2: Illustrative asset – UK battery energy storage construction site

Hazard	Hazard exposure level*	Trend (15–30 year)**
River and coastal flooding		→
Heatwave		↑
Water stress		↑
Wildfire		→
Cyclone		→
Sea level rise		→

* Hazard exposure estimates are based on a SSP2 RCP4.5 climate scenario (2.4°C warming) over a 15-year forecast period

- Low
- Medium
- High

** Trend direction between the 15-year and 30-year forecast period

- Stable
- ↑ Increasing
- ↓ Decreasing

Flood risk remains the most material physical climate hazard for the UK, given the concentration of major population centres and economic activity in flood prone areas and its position as the dominant driver of insured climate-related losses to date. While individual flood defences are not explicitly modelled, major protection infrastructure is inherently captured through the historical calibration period used in the analysis (1980–2010). For example, the Thames Barrier, operational since 1982 is indirectly reflected in the underlying flood exposure data. By contrast, risks associated with extreme heat and water stress are expected to increase over time and become more material across a broader range of regions under higher warming temperatures.

Looking ahead, we expect to further enhance our analysis through Trex’s evolving tooling, which will enable us to assess the potential impacts of near-term climate tipping points. This will enhance our forward-looking assessment of how physical risks could materialise over time and under more extreme but plausible climate outcomes.

Modelling limitations

While the overarching scenario framework provides a structured and decision-useful way to explore a range of plausible future outcomes, it is subject to limitations. Scenario analysis does not seek to predict the future or assign probabilities to specific outcomes, rather it is intended to test portfolio resilience under different future states.

Climate scenario analysis involves significant inherent uncertainty, as it requires simplifying complex real world dynamics and making forward-looking judgements on how multiple thematic drivers may interact over time.



Transition risk

- Scenario-informed ranges are used instead of point estimates to reflect the inherent uncertainty surrounding transition pathways
- Results are sensitive to assumptions regarding policy, technology and economic developments
- Future market and economic responses may differ from those captured in the scenarios

Quantitative outputs should therefore be interpreted as illustrative of the direction and relative magnitude of potential impacts, rather than precise estimates.

We continue to assess transition risk using the E3ME-FIT modelling framework shared in the 2025 TCFD Report (see pages 36 to 37 for further details), within the existing scenarios framework, which has not been updated in the current reporting cycle.



Physical risk

- Hazard data and asset-level exposure used to estimate damage and disruption
- Data quality varies significantly across regions
- Limited historical validation data for rare, high-impact events
- Future impact may differ from historical damage functions, as economies adapt
- Data gaps exist in granular asset-level data

Scenario analysis impacts

DB part of the Scheme

We are engaging with stakeholders on our investment strategy as part of our 2026 valuation process, which will include a consultation with participating employers on our Statement of Investment Principles.

Impact on the Scheme’s assets

The overarching scenario framework reinforces how macroeconomic uncertainty, particularly around inflation and growth, can affect asset performance in materially different ways across future plausible scenarios. Rather than pointing to a single dominant outcome, the scenarios allow us to consider range of potential returns across our assets.

Persistent inflation risk remains a key consideration for Scheme assets, as higher and more volatile inflation can materially affect real returns, discount rates and asset prices. We continued to increase exposure to inflation hedging assets. More broadly, the current macroeconomic backdrop remains highly uncertain, with a wide range of possible outcomes for global growth and the potential for sharper market corrections or more pronounced boom/bust dynamics. The interaction between geopolitical, technological change and the climate transition has the potential to create uneven impacts. This reinforces the importance of building and maintaining a diversified and resilient portfolio with sufficient flexibility to withstand shocks and adapt exposure to capture emerging opportunities.

Impact on the Scheme’s liabilities

Our analysis under the overarching scenario framework continues to indicate that liabilities remain sensitive to higher inflation and uncertainty around real yields, resulting in ongoing mark-to-market volatility across scenarios. In more adverse scenarios, lagging climate adaptation and weaker global climate co-operation leads to persistent inflation and continued uncertainty in real yields. However, the Scheme’s current funding position remains strong. While some scenarios suggest upward pressure on the present value of liabilities, recent actions to increase liability hedge ratios are expected to mitigate potential impacts on the funding position.

Considerations of longevity risk – Mortality

Mortality risk for DB pension schemes usually appears over the long term, but life expectancies could change quickly in the more adverse scenarios where physical climate risk increases significantly. The direct effects of climate change on UK deaths are uncertain. While these may not be expected to be high, the indirect effects, such as economic disruption and healthcare funding, could potentially affect life expectancies in the medium to long term. We keep mortality assumptions for Scheme funding under regular review and are receiving advice from the Scheme Actuary on the mortality assumption for the 2026 valuation.

Resilience of the Scheme’s investment and funding strategies

Our analysis indicates that outcomes for the Scheme may vary across different potential future pathways. More adverse scenarios would be expected to generate lower realised returns and place greater pressure on the funding position, while more favourable market environments would likely generate stronger realised returns and an improved funding outlook. The overarching scenarios indicate that the investment and funding strategy of the DB section demonstrates broad resilience to climate-related risks. Nonetheless, we recognise that the funding position could be significantly challenged under more extreme conditions, and that no scenario analysis can fully capture all possible future outcomes.

Impacts on covenant

The overarching scenarios illustrate how varying climate transition pathways, together with economic and geopolitical dynamics, could affect the financial strength of participating employers (see Risk management section on page 23 for further details). Changes in climate policy, energy prices and investment requirements influence key drivers of employer finances including international student demand, tuition fee income and public funding, thereby shaping the outlook for UK Higher Education institutions.

In the more optimistic scenarios, an orderly transition supported by co-operative geopolitics and stable global conditions would likely support increased numbers of international students in the UK. In these outcomes, stronger UK economic growth supported in part by investment associated with the climate transition, would allow the UK government the fiscal room to raise public sector funding for the UK Higher Education sector.

Conversely, under the less optimistic scenarios a more disorderly climate transition characterised by geopolitical

fragmentation and weaker economic growth in key markets could reduce international tuition fee income. Limited UK economic growth and competing fiscal priorities linked to the climate transition could put pressure on public funding for the Higher Education sector in real terms and limit the capacity of the UK government to offset funding gaps.

Overall, the scenarios work suggests a range of possible outcomes for the employer covenant, reflecting differences in climate pathways, global economic conditions, geopolitical alignment and international mobility. While some scenarios prove more supportive for UK Higher Education, others present more challenging or mixed implications.

The overarching scenarios also aim to capture the potential impacts of other structural themes affecting the UK Higher Education sector, including demographic change and technological developments such as AI. Demographic trends influence the size and composition of international and domestic student populations, while international student demand remains sensitive to global economic conditions and relative Higher Education sector competitiveness across jurisdictions. At the same time, advances in AI and digital technologies may alter teaching models, research productivity and administrative efficiency, creating both opportunities and transitional challenges for universities. The extent to which institutions are able to adapt to these changes, invest in new capabilities and manage associated transition costs is likely to vary across scenarios and institutions, with implications for longer-term financial resilience and, in turn, employer covenant strength.

We recognise that the UK Higher Education sector and the USS employer group is diverse, and outcomes for individual employers may vary significantly given the heterogeneous nature of the institutions that underpin our covenant.

DC part of the Scheme

Impact on retirement outcomes

This section illustrates how the overarching scenarios could impact the value of Investment Builder (DC) pots for members invested in the Growth Fund within the Default Lifestyle Option in the period approaching retirement, and the potential implications for retirement outcomes.

In this year’s report, we focus on the Default Lifestyle Option, specifically the Growth Fund for three main reasons:

1. The Default Lifestyle Option is the most widely used investment route within the USS DC section, representing the pathway followed by the majority of members. Focusing our analysis on this option therefore provides the most decision-useful insight into the risks and opportunities members are likely to face under a range of plausible future scenarios
2. Within the Default Lifestyle Option, the Growth Fund has the highest allocation to growth assets, particularly listed equities. Equity-heavy portfolios are more sensitive to the interaction of multiple macro-financial drivers, including climate transition and physical risks, technological change, macroeconomic conditions, and geopolitical developments, all of which are captured within our overarching scenario framework. As members approach retirement, allocations shift away from growth assets, increasing the weight of other lifestyle funds. These funds are expected to be more resilient across a wide range of scenarios, reflecting their lower exposure to listed equities and other growth assets. This greater resilience, however, may come at the cost of lower investment returns in more optimistic scenarios, where stronger global growth supports equity markets and other growth assets
3. This approach maintains consistency with previous analysis, which has identified the Default Lifestyle

Option as the core reference portfolio for assessing long-term financial risks and opportunities within the DC section

The Default Lifestyle Option is designed to gradually reduce exposure to growth assets as members approach their target retirement age. This reflects the reduced time horizon available to recover from market volatility and helps manage downside risk in the period immediately before retirement.

To reflect this approach, we assess the impacts of the overarching scenarios across three groups of members within the Default Lifestyle Option:

- Members expected to reach their target retirement age within one to five years
- Members expected to reach their target retirement age within five to 10 years
- Members expected to reach their target retirement after 10 years

The scenarios are assessed over a five-year horizon and represent a range of plausible economic and market environments. The assessment shown in Table 3 reflects both the expected implications of each scenario and the differing levels of growth asset exposure across the USS Default Lifestyle glidepath, resulting in varying impacts across member cohorts.

As members move along the glidepath towards retirement, allocations to growth assets are gradually reduced and exposure to more defensive assets increases, reflecting the objective of reducing investment risk as retirement approaches. As a result, a cohort may experience a more significant macroeconomic shock under a particular scenario but still see a smaller net impact on portfolio outcomes because of its lower exposure to growth assets. The Default Lifestyle glidepath can be found on page 15 of the 2025 TCFD Report.

Table 3: Impact of the overarching scenarios on the Default Lifestyle Option

	Members retiring within 1–5 years	Members retiring within 5–10 years	Members retiring in 10+ years
Growth asset exposure	Low	Medium	High
A New Golden Age			
The Dual Engine World			
A Multipolar Order			
Western Exceptionalism Accelerates			
The Great Unravelling			

Colour indicates direction of impact

- Positive impact on growth assets and economic growth
- Medium impact with winners and losers across asset classes
- Negative impact on growth assets and economic growth

Number of dots indicates magnitude of impact

More dots = stronger expected impact (positive or negative)

Members retiring within one to five years typically have the lowest exposure to growth assets and are therefore more insulated from both the positive and negative effects of scenario-driven market movements. Consistent with the overarching scenario framework, the impact of scenarios is expected to be most pronounced over a five- to 10-year horizon, with the strongest influence in the medium term.

Members retiring within five to 10 years retain a higher allocation to growth assets than those closer to retirement, but a lower allocation to members further from retirement. In scenarios where climate adaptation measures and an orderly transition support economic growth and market returns, this cohort is expected to benefit more than members with a shorter time horizon. Conversely, they are also more exposed to adverse scenarios in which climate-related physical and transition risks result in weaker economic and market outcomes.

Members with more than 10 years until retirement have the highest allocation to growth assets and therefore the greatest sensitivity to scenario outcomes, reflecting both the increased potential for long-term growth and greater exposure to market volatility. This increases their potential to benefit from positive scenarios but also exposes them to greater downside risk under adverse scenarios. For members 10 years or more from retirement, outcomes are less directly driven by the scenario narratives that include climate dynamics, reflecting both the longer investment horizon and the assumption that short- to medium-term scenario effects may partially dissipate over time. While this cohort retains a higher allocation to growth assets and therefore greater exposure to both upside and downside, the influence of individual scenarios is less pronounced, and maintaining a well-diversified portfolio helps support resilience across a range of potential future economic, geopolitical and climate outcomes.

Strategy reflections

Taken together, our overarching scenario framework and enhanced physical climate risk assessment provide a structured way of exploring how climate-related risks may evolve and interact across the portfolio. Scenarios help us test resilience under different future pathways, while our expanding physical risk capabilities improve our understanding of how acute and chronic hazards may affect assets, regions and sectors over time.

We increasingly use physical risk analysis to engage with companies and inform investment decisions. For example, we have recently evaluated companies with high water dependency expanding into high water scarcity regions to assess their resilience and mitigation measures. Once their insights are fully integrated, these tools support clearer insights into long-term vulnerabilities and help inform strategic asset allocation, risk management and stewardship activity.

We acknowledge that this is an area of ongoing development. As methodologies, data and scientific insight continue to advance, we will further strengthen our approach, drawing on both quantitative analysis and expert judgement to challenge assumptions and improve decision making. We will also continue to engage actively with investee companies, policymakers and industry peers, using insights from our scenario and physical risk analysis to inform engagement priorities and contribute to wider efforts to improve climate resilience across the financial system. Through this evolving framework, our aim is to build a resilient portfolio that is better prepared for the uncertainties associated with climate change.

Risk management

This section covers the processes we have established for identifying, assessing and managing climate-related risk, and how these are integrated into our overall Risk Management Framework.

- 20 Our approach
- 21 Climate-related risk in our risk management processes
- 22 Climate-related risk in our Investment Framework
- 23 Managing climate-related risk in the Scheme’s actuarial valuation process
- 24 Using stewardship to help manage climate-related risk
- 26 Managing climate-related risks and opportunities at an asset level

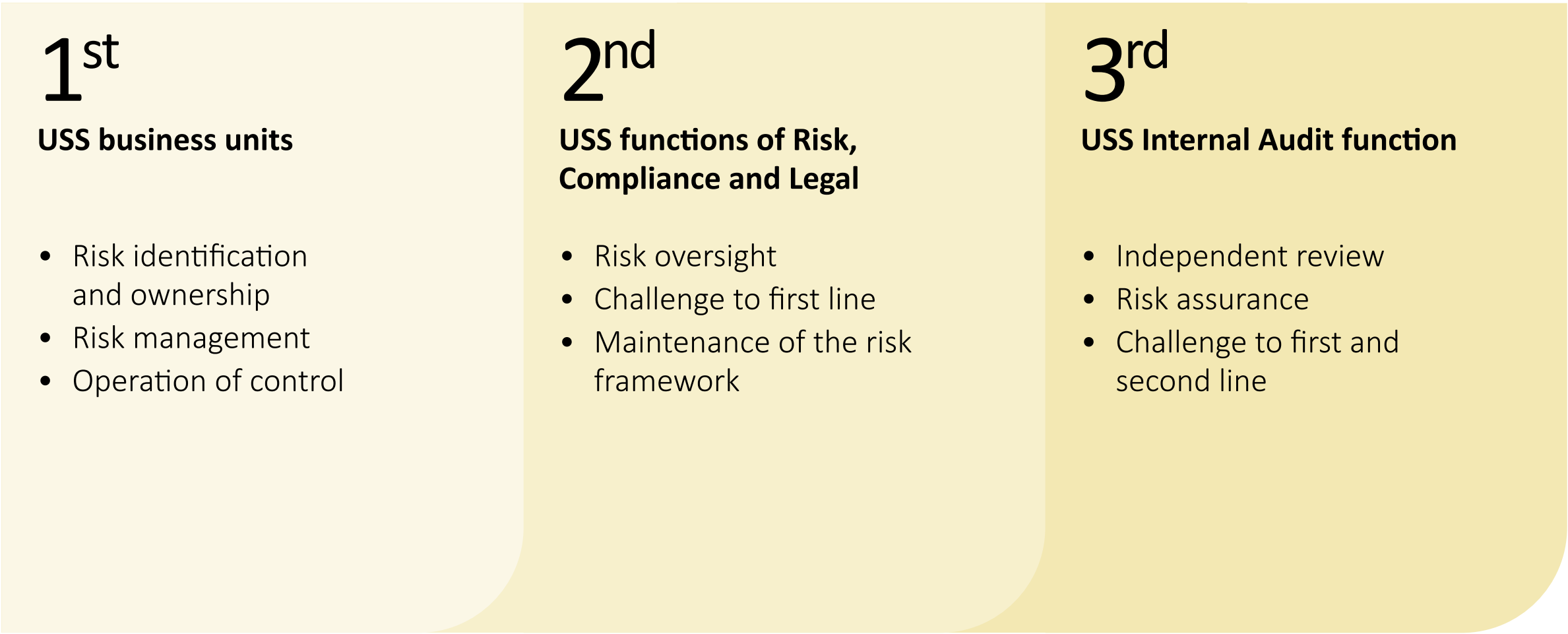
Our approach

As the ultimate owner of all risks, the Trustee Board has overall responsibility for risk management. It sets risk appetite and delegates responsibility for approving key risk metrics and thresholds to the Group Audit and Risk Committee and to the Investment Committee (IC). The Trustee Board also ensures that the Risk Management Framework, described in the following section, is appropriate, with implementation delegated to executive management. This ensures that responsibilities for risk management are clearly articulated and applied, and consistent with the three lines of defence model.

We operate a three lines of defence approach to risk management (see Figure 4 below), which is embedded in the organisation through the operation of a comprehensive Risk Management Framework.

The Risk Management Framework aims to ensure that risks are effectively identified, managed, monitored and reported across the first line USS business units. Second line functions of Risk, Compliance and Legal maintain the Risk Management Framework and oversee and challenge the first line. The third line, Internal Audit, provides independent review and assurance over both the first and second lines.

Figure 4: The USS three lines of defence risk management approach



Risk management
Continued

Climate-related risk in our risk management processes

We have integrated broader financially material responsible investment (RI) risk, (defined in the table on page 22) and specifically climate-related risks, into our wider risk governance, monitoring and management processes. This includes processes for identifying and managing this risk as part of the Risk Management Framework.

Risk Management Framework

Our Risk Management Framework comprises a set of processes to identify, measure, manage, monitor and report risks. The Risk Management Framework integrates top-down strategic risk oversight with bottom-up operational risk assessment to provide an enterprise-wide view of risk. Figure 5 shows the key activities included in the Risk Management Framework.

Top-down approach: RI as a principal risk

We take a top-down approach to identify and prioritise principal risks. RI is identified as a principal risk and includes climate-related risk. The process of identifying our principal risks is conducted annually and refreshed as necessary.

Bottom-up approach: operational risk assessment

Business areas are required to maintain operational risk registers which document the risks and controls associated with their processes. These risk registers incorporate RI risk, which includes climate-related risk, and evidence that investment desks and supporting functions are integrating financially material RI considerations into their everyday processes and decision making, where appropriate. The business risk registers are reviewed periodically by the Risk Committee. The output also informs the Group Risk function’s qualitative RI performance assessment for the DB and DC balanced scorecard assessment described on pages 22 to 23.

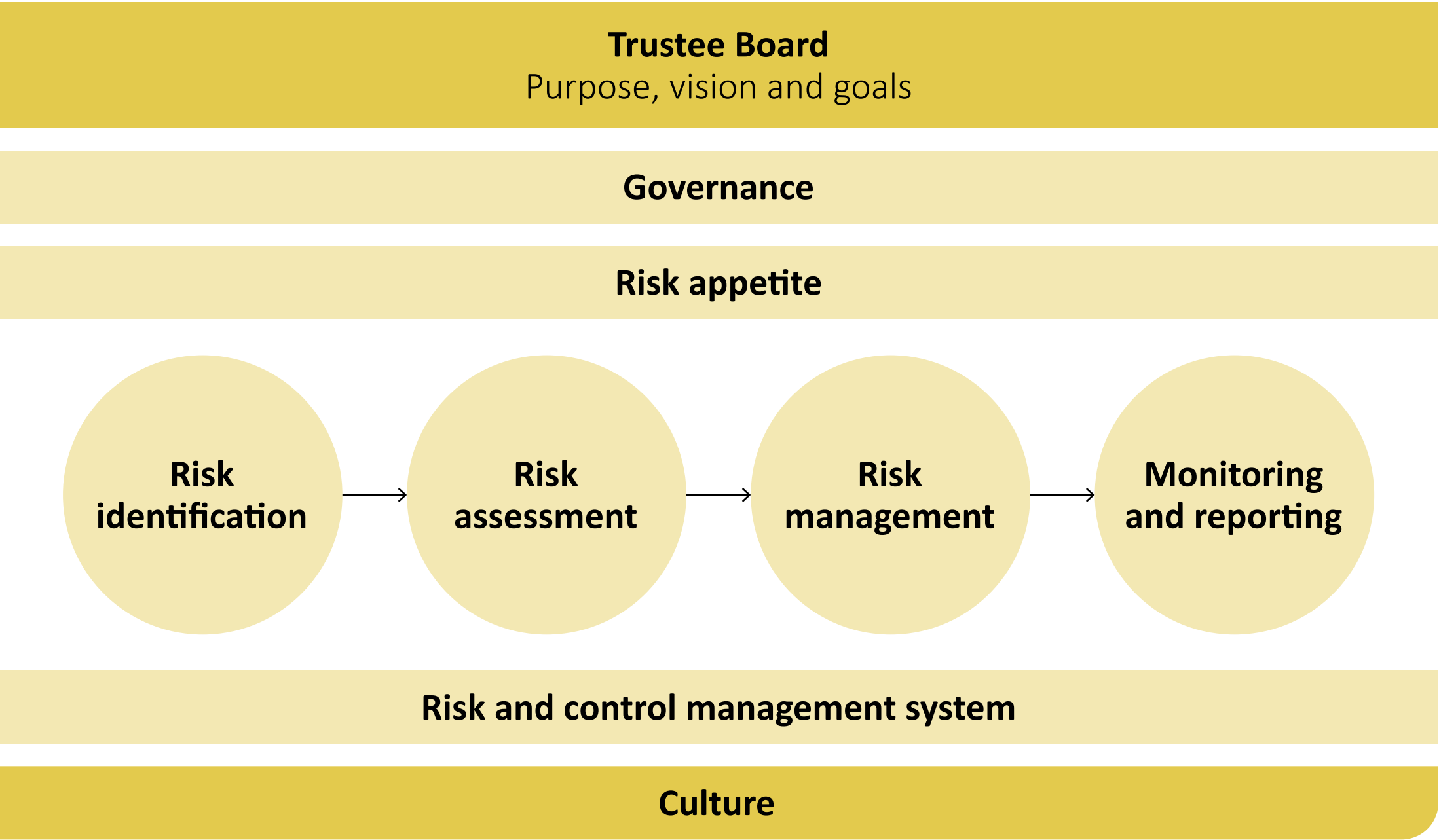
Climate-related risk in our risk appetite

Risk appetite is articulated through Risk Appetite Statements (RASs), supported by Key Risk Indicators (KRIs), and is a key mechanism through which RI risk, including climate change, is governed and managed.

Risk appetite is the maximum level of risk we are willing to accept in pursuit of our objectives. RASs are recommended by the IC and approved by the Trustee Board. It is supported by KRIs which set the parameters within which USSIM manages the Scheme’s investments.

A specific RAS for climate risk has been set by the Trustee Board. Climate risk is monitored using the KRIs set out on page 22 and reported to the relevant risk governance and oversight committees.

Figure 5: Risk Management Framework



Risk management
Continued

A risk appetite of ‘cautious’ means that we prefer safe options that are low risk and have either moderate financial or opportunity cost, or only have the potential for moderate reward.

Risks for which the Trustee Board has set risk appetites are assigned to an owner at group executive level. The USSIM CEO is the executive owner for RI including climate-related risk. The Group Chief Risk Officer (CRO) oversees and challenges how relevant executives

manage risk. The CRO supports USSIM investment teams in integrating climate risk into the Risk Management Framework and provides a separate view to the IC of USSIM’s performance in managing climate-related risk as part of the investment balanced scorecard process.

Principal risk	Definition	Risk Appetite Statements	Key Risk Indicators
Responsible investment (applies to DB and DC)	The risk that USS fails to consider and appropriately act on RI matters causing detriment to performance.	‘Cautious’ appetite for climate change causing detriment to performance.	Assessment by the Risk team of how USSIM is delivering on management of climate transition risks and the Trustee’s net zero ambition. Assessment by the Risk team of how USSIM is delivering on managing physical risk.
		‘Cautious’ appetite for other RI matters (such as nature, people and governance) causing detriment to performance.	Assessment by the Risk team of how USSIM is integrating RI factors into its investment decision-making process.

Climate-related risk in our Investment Framework

Our Investment Framework includes the investment-related RASs and KRIs, including those for RI and climate-related risk. This makes clear the parameters within which USSIM is to manage the Scheme’s investments.

The Investment Framework also includes a holistic assessment of investment performance using an investment balanced scorecard for each of DB and DC.

Investment balanced scorecards

The DB and DC investment balanced scorecards are a mechanism for the IC to assess USSIM’s investment performance, risk management and advice. The DB and DC scorecards both include a section on RI, which includes RI integration, managing climate risk and

progress towards our net zero ambition. The scorecards are produced twice each year.

The scorecards reflect the Trustee Board’s belief that USSIM’s investment performance should not be assessed one-dimensionally using an investment benchmark. Instead, it should be assessed using a range of quantitative risk-and-return metrics and qualitative assessments, including reference to many of the KRIs used for governing risks.

RI integration, climate transition risk, and climate physical risk in the balanced scorecards

During the reporting year, the Trustee Board reviewed and approved minor updates to the scorecards. For the RI section, these updates included broadening the focus to align better with the RI priorities and make them more consistent with the RI Beliefs and Ambition Statement.



1 Investment return



2 Investment risk



3 Active management



4 Portfolio resilience



5 Responsible investment



6 Advice and support

Risk management
Continued

The up-to-date RI section metrics and KRIs are:

- USSIM assessment against the Trustee’s RI priorities
- Climate transition risk: An assessment by the Risk team of how USSIM is delivering on management of climate transition risk and the Trustee’s net zero ambition
- Physical risk: An assessment by the Risk team of how USSIM is delivering on managing physical risk
- RI integration: An assessment by the Risk team of how USSIM is integrating RI factors

USSIM’s RI performance is qualitatively assessed annually by the USS Group Risk function. This feeds into the overall scorecard assessment by the IC, alongside other assessments of USSIM’s performance against the Trustee’s stated objectives over the period. That overall scorecard assessment is used as an input by the Remuneration Committee in setting the overall compensation for USSIM.

The Investment Framework, of which the balanced scorecard is a part, links the assessment of investment risk and performance back to Trustee Board strategy, objectives, and risk appetite.

Managing climate-related risk in the Scheme’s actuarial valuation process

We currently use the Integrated Risk Management Framework (IRMF), the risk appetite of the Trustee and its investment beliefs, as an approach to managing valuation risk, in line with The Pensions Regulator’s defined benefit funding guidance. As

part of the 2026 actuarial valuation, we will also be developing a Statement of Strategy in accordance with the requirements of the new funding regime.

The IRMF is informed by expert professional advice from specialist sources covering employer covenant, investment and actuarial considerations and potential impact on liabilities.

We integrate this advice into a framework for addressing how we manage risk in the context of the covenant.

Climate-related risks in covenant monitoring and assessment

Consideration of climate-related risks is embedded into our covenant monitoring and assessment activities and is reflected in our overall covenant assessment. As part of those activities, we:

- Review information on climate-related issues published by employer representative bodies
- Discuss with participating employers how climate-related risks are captured in their risk management processes. We are currently revisiting this process as part of the 2026 valuation of the Scheme, which will conclude in 2027
- Discuss with participating employers how climate-related risks are incorporated into their scenario analyses
- Seek to understand opportunities for the sector from climate-related areas of research and innovation

Our covenant adviser produced a standalone report on climate-related risk and the covenant in December 2025 to help inform the Trustee’s covenant assessment. They reviewed the exposure of the UK Higher Education sector to climate-related risks and opportunities over the short, medium and long term by drawing on stakeholder engagement, sector analysis and publicly available sustainability disclosures.

The main risks that the report identified are the impact of extreme weather events and the cost associated with transitioning to net zero. Both are seen as somewhat likely, but currently have a low financial impact at a sector level. Extreme weather risks tend to be localised and, given how geographically spread universities are, don’t appear to pose a systemic risk to the covenant. Similarly, while transition costs could be material, institutions generally have some flexibility over the costs and timing, as spending can be phased and there are currently limited financial consequences for falling short of targets. However, a potentially more significant long-term risk is the broader global transition, which could affect macroeconomic conditions and factors such as international student demand, although this remains highly uncertain and as a result is not currently seen as a material risk to the sector.

Based on discussions with the sector, it was evident that many institutions consider transition cost as their key climate risk, but do not generally consider it a material financial risk.

In our view, the climate-related risks that are currently most relevant to the sector include:

- Cost of transitioning campuses towards more energy efficient heating, lighting and transport that could result from government climate adaptation and mitigation regulations
- Increased flood and extreme weather events affecting campus design and the cost or availability of insurance
- The impact of climate-related risks on employers’ endowment and investment portfolios
- Physical climate risks leading to increased costs and disruptions to travel, making it more difficult to attract and retain international students – particularly those from regions more vulnerable to climate impacts

In the Scenario analysis impacts section on page 17 we provide further analysis on the potential risks to the UK Higher Education sector and the covenant.

The impact of climate-related risks on liabilities

We consider the effects of climate-related risks in setting our assumptions for the valuation of the Scheme’s liabilities and future contribution requirements. Climate change could affect our liabilities in a variety of ways, including potential changes to GDP, inflation, real interest rates, mortality rates and longevity. We consult with our advisers to understand these impacts on liabilities.

Using stewardship to help manage climate-related risk

As a long-term investor, it is in our members’ financial interests to act as an active steward of our assets and do what we can to minimise climate-related risks in the portfolio and in the wider market. As a Universal Owner, we are exposed to certain market-wide or systemic issues, such as climate change, which could impact the investment returns we seek.

Our approach

We see stewardship as the responsible allocation, management and oversight of capital, to allow us to protect and enhance long-term value for the Scheme. This may contribute to capital market efficiency, integrity and resilience, including long-term economic growth and extends beyond the traditional consideration of environmental, social and governance factors.

We put stewardship into practice by:

- Voting and engaging with the assets we own to maintain or enhance the value of our investments over time
- Integrating financially material ESG factors into our investment analysis to support more informed decision making
- Using our position as one of the UK’s largest private pension schemes to engage with policymakers and regulators in markets in which we invest and put forward our views as both a Universal Owner and a long-term asset owner
- Working with other asset owners, industry bodies and academics to share views, build our expertise and provide a collective voice



Case study: Coterra Energy – climate disclosure journey

Objective

Our Fixed Income and Responsible Investment teams engaged with Coterra Energy (Coterra) as part of our broader assessment of our investable universe. Although we were not invested at the time of the engagement, we wanted to understand how the company is approaching emissions reduction performance and disclosure following the merger with Devon Energy in February 2026.

Summary of activity

We discussed climate-related reporting and Scope 3 emissions when we met with Coterra management as our transition risk assessment of the company highlighted it as a

poor performer. Management acknowledged existing gaps and indicated that they are planning a CDP submission and fuller Scope 3 emissions assessment once the post-merger integration is complete.

Management emphasised their preference for demonstrating actual operational performance over ‘box-ticking’, noting that their methane and greenhouse gas intensities are low relative to peers and that external frameworks often reward methodology over real-world results. They highlighted strong methane management practices, including membership of the Oil and Gas Methane Partnership 2.0, with the aim of reaching Gold Standard Level 5 in 2026. Management highlighted its progress in electrifying midstream and compression assets in the

Permian Basin, resulting in near-zero site-level emissions, and that it occasionally sells gas at a loss rather than flaring, reinforcing an approach that prioritises reducing air pollution and avoiding unnecessary environmental harm.

Outcome and next steps

The engagement provided more visibility on Coterra’s emissions management plan and strengthened our conviction that post-integration disclosure improvements and a better aligned climate approach are forthcoming. We will continue to monitor Coterra’s progress.



Case study: Progressing Moto’s energy transition strategy

Objective

We are the majority controlling shareholder in the UK’s largest motorway services company, Moto. We work with and support the company’s energy transition strategy to a sustainable, low-carbon future by investing in electric vehicle charging infrastructure and renewable energy.

During the reporting year, our Private Markets Direct Equities team continued to work with the Moto management team on its ESG strategy – which is focused on the priority areas of People, Planet and Product.

Summary of activity

Moto continues to progress towards its goal of becoming the UK’s number one en route electric charging destination by expanding the number of ultra-rapid electric vehicle chargers (>250kW) at its sites across the UK. The company finished 2025 with 1,009 ultra rapid electric vehicle chargers (200 more chargers since 2024). This includes the launch of Moto’s owner-operator charge points ‘Moto Charge’ at Toddington Services in December 2025 and the launch of the UK’s first public electric heavy goods vehicle (HGV) charge points at Exeter in January 2026.

For the second year running, Moto was recognised in *The Sunday Times* Best Places to Work list and named in the Top 10 Best Place to Work for very large companies (2k+ employees).

Outcome and next steps

We continue to work with and support Moto’s management team to drive the energy transition strategy such as passenger car electric vehicle and eHGV charging capabilities, which we believe will help ensure the business enhances its value proposition for customers and support the wider energy transition across the UK.



Managing climate-related risks and opportunities at an asset level

In addition to the risk frameworks and tools described in previous sections, we have processes for identifying, assessing and managing climate-related risk and opportunities at scheme, portfolio, asset class and asset level.

The following section provides an overview of how we integrate financially material ESG factors in our investment decision making for the assets we own. Further details and examples are provided in our [2026 Stewardship Report](#).

Private markets

Investment due diligence (direct investments):

- We assess all potential investments using a standardised set of RI indicators aligned to industry practices, which is documented using a consistent template
- The assessment includes climate factors such as carbon portfolio alignment, net zero alignment, climate physical and transition risk, as well as other relevant ESG factors
- Third-party advisers may be appointed to undertake ESG due diligence, for example flood risks assessments for real estate assets

Investment due diligence (indirect investments):

- RI approach and capabilities of external managers are assessed as part of pre-commitment due diligence and monitored on an ongoing basis
- This includes an evaluation of policies, ESG integration, governance arrangements and management capabilities and the manager’s use of recognised industry frameworks

Asset management:

- Relevant findings and outcomes from the due diligence are actioned during our ongoing asset management activity via approved asset management plans and ongoing monitoring
- ESG data across assets is collected via an annual survey process. Where relevant, third-party specialists may be engaged to consolidate and analyse ESG data, for example EPC ratings and energy consumption for property assets
- Annual ESG Portfolio Review Committees involving oversight and risks teams assess asset-level progress against a consistent set of indicators

Fixed income, treasury and trading

ESG research for credit assets:

- Given the scale of credit portfolios and the breadth of issuers, we use a combined approach of top-down ESG screening and bottom-up deep-dive analysis, including:
 - ESG screening across all corporate credit mandates to efficiently identify potential material ESG risks
 - Structured, in-depth ESG review for selected issuers using a consistent template. This assessment is embedded in the overall investment case

ESG research for sovereign debt:

- Sovereign debt ESG risks are monitored by the Asset Allocation Committee using a multi-factor sovereign risk approach covering a range of governance and social indicators
- This top-down approach is supported by bottom-up ESG country assessments that consider indicators, for example, corruption, human development, and climate risk

ESG research for asset-backed securities:

- ESG factors are considered in fundamental credit analysis which is often specific to either practices of the originator or servicer of special purpose vehicles and the underlying assets or recipients of loans

Public equities

- Our approach to RI integration is designed into the investment process
- It evaluates financial materiality of ESG risks and opportunities through a consistently applied approach and is documented in a standardised RI assessment template
- We consider a company’s ESG risks and opportunities by assessing their relationships with a wide range of entities. These include employees and boards as well customers, regulators and the wider environment
- Findings are assessed and integrated into the wider judgement that determines the investment case
- Ongoing monitoring of the investment includes the relevant RI issues that are identified during the investment process
- Where appropriate, these are discussed during company engagements and can inform our ongoing investment case and related voting decisions

Our climate-related approach applies across all scheme assets, whether managed internally by USSIM or by external managers. For externally managed assets, we assess a manager’s approach to RI prior to appointment and regularly post-investment. This involves reviewing external managers’ RI-related resources, policies, processes and stewardship activities.



Case study: Engaging with our external managers on our climate RI priority

We have a relationship with Royal London Asset Management (RLAM) dating back over a decade. RLAM runs a sterling corporate bond mandate for us that sits within our high-grade credit allocation. We have regular contact with the manager, involving quarterly update meetings and an annual in-person deep dive.

As part of our annual review in February 2026, we met with representatives from RLAM’s Responsible Investment and Credit teams. They provided an update on their approach to assessing climate risk within the portfolio and how it connects with their stewardship and engagement approach. We discussed their proprietary Climate Transition Assessment framework, used to assess underlying issuers’ alignment with the transition to net zero, and reviewed the profile of our portfolio against this framework. RLAM prioritise net zero engagement with higher emitters that have low

alignment scores across 12 indicators. These indicators cover actions such as reaching net zero emissions in a time frame aligned with the Paris Agreement, lobbying for policies that accelerate the transition and aligning capital expenditures and accounting practices to the delivery of net zero. We noted that RLAM is well-aligned with our stewardship approach as their 2026-2028 priority engagement issues match our RI priorities of climate, nature, people and governance.

One of the higher emitters in the RLAM portfolio is APA, an Australian natural gas company. RLAM identified the potential for stranded asset risk relating to APA’s vast gas pipeline network and to date have relatively low conviction in the firm’s transition credentials. However, Australia remains heavily dependent on coal, with gas seen as a solution for short- and medium-term emissions reductions as part of the journey to the transition to net zero. This demonstrates that assessment of portfolio

climate risks always benefits from being bottom-up and contextualised.

Consistent with our approach of targeting areas of higher risk, RLAM will continue to engage with APA and other high emitters in our portfolio on our behalf. They expect any identified transition-related risks to be adequately mitigated, with insights on climate risk supplementing evaluations of bond pricing and structure, and overall portfolio positioning. These discussions will continue to form an important basis for our future interactions with RLAM.

Metrics and targets

This section covers the metrics we use to assess and manage climate-related risks and opportunities, and the targets we use to measure our progress towards our net zero ambition.

- 28 Our four metrics
- 29 Metrics as at December 2025
- 31 Progress against our targets
- 32 Our methodology, rationale and data sourcing
- 33 Data limitations and validation

Our four metrics

These metrics cover our non-sovereign emissions. We report on our sovereign emissions on page 30.

Category	Our chosen metric	Explanation and scopes covered
Absolute emissions 	Portfolio emissions (MtCO ₂ e)	Absolute amount of carbon dioxide and equivalents emitted (Scope 1 and 2) by the investments: Million tCO ₂ e. We currently focus on Scope 1 and 2 and report Scope 3 emissions separately where available. We expect to see this metric reduce substantially over the long term as the Scheme and the global economy decarbonise.
Emissions intensity 	tCO ₂ e per £million invested	The amount of carbon dioxide and equivalents emitted per million pounds of scheme investments: tCO ₂ e per £million invested on an Enterprise Value Including Cash (EVIC) basis ² . We currently focus on Scope 1 and 2 and report Scope 3 emissions separately where available. We expect to see this metric reduce substantially over the long term as the Scheme and the global economy decarbonise.
Portfolio alignment 	Percentage of portfolio emissions from assets aligned with a pathway of well below 2°C	This assesses the proportion of our assets that are on a decarbonisation trajectory expected to align with a pathway of well below 2°C. This is based on the warming path as assessed by S&P Trucost modelling. This forward-looking metric shows how assets are transitioning.
Data quality 	Estimated reliability of sourced data for proportions of our investments	We group different sources of Scope 1 and 2 emissions data by an estimate of their accuracy. We then report the proportion of our investments for which emissions data was reported or derived from reported information. This metric tracks how well investments are disclosing their carbon exposure and climate transition plans, giving us greater confidence to use this data in our investment decision making. We expect to see the percentage increase in future.

² Enterprise Value Including Cash (EVIC) is the sum of market capitalisation of ordinary shares, plus the market capitalisation of preferred shares, and the book value of total debt. Note that unlike Enterprise Value (EV) cash or cash equivalents are not deducted from EVIC. This approach avoids issues that can arise from using EV such as a negative enterprise due to a large cash/cash equivalent balance, or the over-allocation of emissions. We use EVIC for public companies or, where not available, market cap plus minorities + total debt. For private assets we use either EV or equity + total debt, or else total debt.

Metrics as at December 2025

Our total assets under management (AUM) were £84.2bn as at 31 December 2025, where £80.0bn was DB and £4.2bn was DC (excluding legacy additional voluntary contributions).

DB metrics excluding sovereign debt

Category	Description	Dec 2024	Dec 2025
AUM 	Net Asset Value (NAV) of non-sovereign assets for which absolute emissions (Scope 1 and 2) are measured	£47.7bn	£48.4bn
Absolute emissions 	Absolute amount of carbon dioxide and equivalents emitted (Scope 1 and 2) by the investments: Million tCO ₂ e	2.1 MtCO ₂ e	1.6 MtCO₂e
Emissions intensity 	The amount of carbon dioxide and equivalents emitted per million pounds of scheme investments: tCO ₂ e per £million invested	44.2 tCO ₂ e per £m invested	33.5 tCO₂e per £m invested
Portfolio alignment 	Proportion of portfolio emissions from a subset of non-sovereign assets aligned with a pathway of well below 2°C	47%	52%
Data quality 	Proportion of assets for which Scope 1 and 2 emissions data was reported or derived from reported information	Scope 1: 69%	Scope 1: 58% Scope 2: 58%
Scope 3 emissions 	Scope 3 emissions	11.3 MtCO ₂ e	7.4 MtCO₂e

About these metrics:

- 2024 data is taken from last year’s TCFD report, calculated as at 31 December 2024, on 15 January 2025
- 2025 data was calculated as at 31 December 2025, on 20 March 2026. For externally managed funds where values for NAV and EVIC were supplied in currencies other than GBP, the exchange rate from Bloomberg was used as at 31 December 2025. The emissions intensity of non-sovereign DB assets is calculated using emissions intensity at the security level, which is then aggregated to fund level and scheme level using a weighted average method based on NAVs
- The metrics represent 100% of the non-sovereign DB assets. Where data is unavailable, we use estimated emissions or assume the uncovered part of the portfolio is the same as the covered part
- All reported numbers relating to portfolio alignment and data quality are reported to the nearest whole number. Other reported numbers are rounded to one decimal place
- The emissions intensity of non-sovereign DB assets decreased, from 44.2 tCO₂e per £m invested to 33.5 tCO₂e per £m invested, on a Scope 1 and 2 basis
- While the Scope 1 and 2 emissions attributable to the DB scheme continue to fall, we believe this does not reflect a decrease in the Scheme’s exposure to the risks from climate change given the lack of real-world progress towards net zero

- Portfolio alignment data is reported for £24.2bn of non-sovereign DB assets for which S&P Trucost Paris Alignment data was available. This compares to £19.6bn as at 31 December 2024
- Data quality for Scope 1 emissions has decreased from 69% at December 2024 to 58% of weighted holdings in 2025. This reduction is due to calculating our emissions data as at 31 Dec 2025 with data available on 20 March 2026, compared to 31 January 2025 for the previous year. With more time available, some reported data (covering the period 2024) has been replaced by more recent estimated data which results in a decrease in data quality percentage. We have added Scope 2 emissions in this year’s report
- Scope 3 emissions are reported for 71% of the non-sovereign DB AUM. Scope 3 data is most suitable for time series analysis of a single company, rather than aggregation, as noted by the GHG Protocol³. Therefore, we do not take this measure as evidence of Scope 3 emissions decreasing for the Scheme’s assets

3 GHG Protocol reference to Scope 3 emissions: “The Corporate Value Chain (Scope 3) Standard is designed to enable comparisons of an individual company’s GHG emissions over time. It is not designed to support comparisons between companies. Differences in reported emissions may be a result of differences in inventory methodology, company size or structure. Additional measures are necessary to enable valid comparisons across companies, such as consistency in methodology, consistency in data used to calculate the inventory, and reporting of intensity ratios or performance metrics.”

Sovereign debt (DB)

Category	Description	Dec 2024	Dec 2025
AUM 	NAV of sovereign assets for which absolute emissions (Scope 1 and 2) are measured	£25.8bn	£31.0bn
Absolute emissions 	Absolute amount of carbon dioxide and equivalents emitted (Scope 1 and 2) by the investments: Million tCO ₂ e (production emissions – exported emissions + imported emissions)	4.3 MtCO ₂ e	6.0 MtCO₂e
Emissions intensity 	The amount of carbon dioxide and equivalents emitted per million pounds of scheme investments: tCO ₂ e per £million invested (production emissions – exported emissions + imported emissions)	168.3 tCO ₂ e per £m invested	156.3 tCO₂e per £m invested

About these metrics:

- Consistent with guidance from the Partnership for Carbon Accounting Financials (PCAF), we have reported sovereign emissions using a consumption emissions-based approach since 2024. This methodology removes export emissions from the sovereign inventory calculation
- We apportion sovereign emissions on a GDP basis (purchasing power parity adjusted) which is consistent with the PCAF guidance

DC metrics excluding sovereign debt

Under the Department for Work and Pensions guidance, we are expected to report on DC funds that have over £100m in assets. The following table shows those funds. The reported metrics for funds that have over £100m in assets cover most of the DC part of the Scheme. The remaining DC funds have not been included in this year’s analysis on the basis that these funds are not expected to have a significant impact on the results and data is difficult to obtain. We will endeavour to include further DC metrics in future reports as far as reasonably practicable.

Fund	Dec 2024				Dec 2025			
	Total NAV (£m)	Non-sovereign NAV (£m)	Absolute emissions (Scope 1 and 2, tCO ₂ e)	Emissions intensity (Scope 1 and 2, tCO ₂ e per £m invested)	Total NAV (£m)	Non-sovereign NAV (£m)	Absolute emissions (Scope 1 and 2, tCO ₂ e)	Emissions intensity (Scope 1 and 2, tCO ₂ e per £m invested)
Growth	2,093	1,907	74,754	39	2,426	2,235	88,786	40
Moderate Growth	441	367	17,747	48	551	462	22,141	48
Cautious Growth	229	170	8,396	49	290	217	9,926	46
Ethical Growth	134	129	6,804	53	152	146	18,737	128
All Equity World	171	171	7,440	44	219	219	7,554	35
Cash	154	–	–	–	189	–	–	–
Ethical Equity	–	–	–	–	105	105	14,634	139

About these metrics:

- The increase in the Ethical Growth Fund’s absolute emissions and emissions intensity has primarily been driven by changes in underlying holdings, including increased exposure to industrial gas and utility companies, as well as the addition of a railroad company. We do not believe that the relatively higher intensities of the Ethical Growth and Ethical Equity funds, compared to other DC funds, is inconsistent with their stated aims
- Companies that provide specific economic services and/or products play a critical role in facilitating the transition to a low-carbon economy, but may have high emissions intensities. For example, grid expansion to move energy from renewable sources requires large amounts of copper. Yet, copper mining is significantly more energy intensive than other sectors represented in benchmark indices such as the S&P 500. As a result, a fund with greater exposure to activities that enable the transition – and lower exposure to low-intensity sectors such as financial services or technology – may report a higher overall emissions intensity
- Emissions for the Ethical Equity Fund are reported for the first year as NAV was over £100m as at 31 December 2025
- The metrics represent 100% of the non-sovereign assets for the reported DC funds. Where data is unavailable for these funds, we use estimated emissions or assume the uncovered part of the fund is the same as the covered part

Metrics and targets
Continued

Progress against our targets

Our ambition is for our investments to be net zero by 2050, if not before. Our interim targets are to reduce the emissions intensity (Scope 1 and 2) of the non sovereign assets in our DB portfolio by 25% by 2025, and by 50% by 2030 (relative to a 2019 baseline).

Our interim targets imply that from our baseline year of 2019, we need to see a reduction in our non-sovereign assets’ emissions intensity by between 4.7% and 6.1% each year on average. We expect to see greater reductions in later years as we:

- Improve the integration of climate data into our investment decision making
- Realise the impact of our engagement with our long-term investments on achieving emissions reduction
- Incorporate climate change risks into our asset allocation

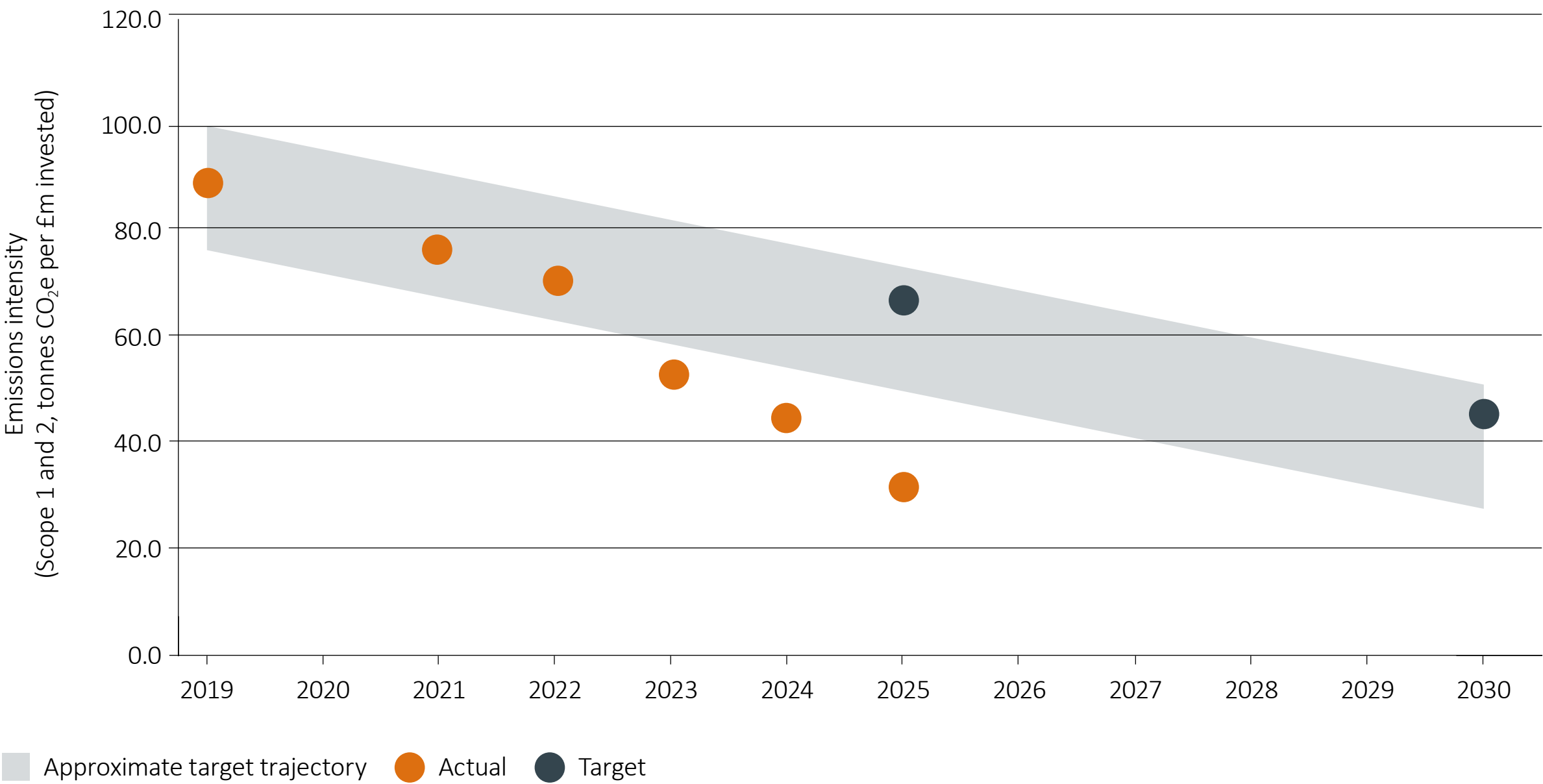
Emissions intensity of non-sovereign DB assets compared to 2019

2019 emissions intensity (Scope 1 and 2)	2025 emissions intensity (Scope 1 and 2)	Reduction from 2019 to 2025	Annualised reduction
89.5 tCO ₂ e per £m invested	33.5 tCO ₂ e per £m invested	63%	15%

As at 31 December 2025, we have achieved our interim 2025 target and are ahead of our interim 2030 target. In the context of continuing increases in global emissions, we treat the rapid pace of reduction in emissions intensity of the Scheme’s assets with caution. Lower emissions intensity for the portfolio does not reflect the risks from the climate transition, or from the physical risks from climate change. Similarly, emissions intensity does not reflect the extent to which the Scheme is capturing opportunities from the transition, or its role in funding the transition. Furthermore, emissions intensity is calculated on a per £m EVIC basis and is therefore sensitive to market moves – rising asset prices will decrease emissions intensity, and similarly a fall in asset prices will increase emissions intensity.

We continue to explore opportunities to complement our existing metrics with additional metrics that capture broader climate-related risks and opportunities.

Emissions intensity vs targets





Our methodology, rationale and data sourcing

We use S&P Trucost to provide both carbon and broader climate data for a wide range of asset classes and geographies. We combine this with disclosures from company reports and direct communication with our third-party asset managers and unlisted or direct assets, where such data is available.

Data quality metric

Data quality for non-sovereign DB assets

Climate and carbon data quality and availability vary across companies, asset classes and markets. We have made best efforts to collect accurate and up-to-date emissions data for each underlying company or country. For investments in externally managed funds, and for which underlying holdings information is either unavailable or unsuitable, we have two options for collecting data:

- We take disclosures from the manager
- We estimate the intensity of the portfolio using average intensities for the industries and regions in which the portfolio is invested, based on available data

We have reported our emissions intensity and absolute emissions based on 100% of our non-sovereign DB assets by using estimated proxy data in place of reported data where it is not available. As noted in our data quality metric, however, we saw a decrease in reported data in 2025, due to calculating the data later in the year, at which point more up-to-date estimated data was available, which supersedes older reported data. For 2025 data, we have expanded the coverage of our data quality metric to include Scope 2 emissions for non-sovereign DB assets.

Proportion of non-sovereign DB AUM by Scope 1 and 2 emissions source quality

This figure shows a more detailed breakdown of the data sources by category. Industry guidance has been used when determining these.

Emissions source quality	Scope 1		Scope 2
	% of assets (2024)	% of assets (2025)	% of assets (2025)
Verified reported emissions	12	14	33
Unverified reported emissions	21	21	21
Estimates derived from partially reported emissions	25	23	4
Estimates based on modelling of consumption and production	5	15	15
Estimates based on emissions per unit of value typical to that region and/or sector	20	17	17
Estimates based on emissions per unit of typical value to that portfolio	17	10	10

Verified: This information is classified as ‘verified’ if we receive it through S&P Trucost, meaning it has been through explicit quality assurance checks.

Unverified: We classify this information as ‘unverified’ if we have taken the number from a company publication or disclosure but cannot be certain of its reliability, or if it was reported to us by one of our third-party managers.

For our DB sovereign debt investments, our service provider was able to provide data covering 99.9% of the assets, although we do not have a data quality rating for this portion of our assets.

Data quality for non-sovereign DC assets

The data quality metric refers to DB non-sovereign assets only. DC funds are mostly externally managed and we received emissions data from managers of DC funds invested in non-sovereign assets.

Alignment metric

S&P Trucost methodology is used when determining portfolio alignment⁴. S&P Trucost calculates a company’s alignment to a given warming path based on its individual profile and the best data available for future emissions. This data includes company targets, industry averages and more. For companies in carbon intensive industries such as steel or cement production, S&P Trucost uses the Sectoral Decarbonisation Approach as recommended by the Science Based Targets Initiative. This more accurately reflects their anticipated impact on the path to a low-carbon economy. Starting with the S&P Trucost methodology for portfolio alignment, we then group assets into five broader temperature categories using an internal methodology.

We recognise that alignment metrics are highly sensitive to the methodology used to model them and include estimated inputs that themselves can be debated. But in the short to medium term, we believe that this metric can be a useful indicator of how successful our stewardship and engagement activities are in encouraging companies to plan for a low-carbon future. It is also more sensitive to a company’s specific decarbonisation trajectory, making allowances for the likely cost of decarbonisation and the need for new technologies to make that future a reality. We recognise that transition data and the methodologies to calculate them continue to develop and will be subject to change over time.

4 A link to the S&P Trucost methodology can be found here: <https://www.spglobal.com/esg/methodologies-behind-ourdatasets>



Absolute emissions and intensity metrics

Data sourcing by asset class

S&P Trucost has established methodology for collecting published corporate climate data and estimating this data if it is not available.

For corporate assets we consider both our equity and debt investments when calculating emissions, enabling us to identify the highest emitters across the asset classes and markets we invest in. Many of the highest emitters are energy companies in our Global Emerging Markets portfolio.

Data sourcing by asset class: Private market direct assets

For internally managed private market assets we use company reported data and responses to our ESG surveys. Where data is not available, we calculate a figure using proxy emissions data using S&P Trucost and public market indices.

Data sourcing by asset class: Property

Our property investments are mostly direct investments in offices, retail and industrial buildings across the UK. Emissions data for our real estate investments are provided by EVORA, a leading sustainability consultancy focused on the property sector, who use the location-based approach to calculate Scope 2 emissions. Real estate presents practical challenges in assessing emissions. The most significant reporting challenge is working out who is responsible for emissions between the landlord and tenant, or between an owner and a mortgage provider (or debt provider). This is a particular problem for the Full Repairing and Insuring leases commonly used in the sector. In these leases, tenants

have explicit and sole responsibility for energy usage and management, with building owners tending to have limited, if any, Scope 1 and 2 emissions. We therefore consider Full Repairing and Insuring leases as Scope 3 emissions in our reporting.

While this may be an accurate reflection of responsibilities, it may lack credibility with stakeholders who do not accept that the numbers reported for the landlord’s or owner’s emissions are a fair characterisation of their emissions. It may also not reflect accurately the carbon and climate-related risk associated with owning a building. However, reporting on total building emissions does not account for tenants’ responsibilities for their emissions (that is, it introduces an element of double counting).

Data sourcing by asset class: Externally managed funds

For externally managed assets across both private and public markets we take reported emissions data from the managers where it is available. While we acknowledge there may be slightly differing methodologies across different managers, we believe this represents the best available and most consistent way to source the data. Where data is not reported by the manager, but the underlying holdings are incorporated into our systems, we calculate a figure using either company-level data or proxy emissions data using S&P Trucost and public market indices.

For externally managed assets in private markets where a manager has not disclosed the emissions intensity of the fund, but we know the underlying portfolio companies and their region and industry classifications, we use the average of those regional industry carbon emissions intensities, weighted by their aggregate exposure in GBP. The regional industry emissions intensities are calculated using the MSCI All Country World Index composition.

Given its size and relatively high emissions intensity when compared with other external managers, the emissions from our Wellington Emerging Markets fixed income mandate have been calculated on a bottom-up basis using data from S&P Trucost for 2025, rather than using a number reported by the external manager. This is consistent with the approach taken for 2024 reporting.

Data sourcing by asset class: Sovereign debt

We take country emissions and economic data from S&P Trucost to calculate the emissions of our sovereign debt investments.

Our methodology uses the full consumption-based emissions approach and attributes emissions using Purchasing Power Parity (PPP)-adjusted GDP which is consistent with the guidance from PCAF.

Data limitations and validation

Data limitations

The availability and quality of data vary across, and within, asset classes. If the availability and quality of data improves in future years, we may need to revisit and restate previously reported data.

Data validation processes

Climate reporting data is now formally integrated into our investment data infrastructure, enabling more efficient analysis and reporting. To mitigate some of the challenges posed by the limitations on quality, transparency and volume of data being processed, our TCFD data has been through appropriate levels of review and validation to assess completeness and accuracy to the extent possible.

Appendix: Statutory reporting requirements

This section maps this TCFD Report to the Department for Work and Pensions’ (DWP) statutory guidance: **Governance and reporting of climate change risk: guidance for trustees of occupational schemes.**

Governance

DWP reporting requirement	Section of report	Page
33. Trustees must describe in their TCFD report:		
How they maintain oversight of climate-related risks and opportunities which are relevant to the scheme	Our governance	7–8
The roles of those undertaking scheme governance activities, in identifying, assessing and managing climate-related risks and opportunities relevant to those activities	Our governance	7–8
	USS Investment Management Limited	8–9
The processes the trustees have established to satisfy themselves that those undertaking scheme governance activities take adequate steps to identify, assess and manage those risks and opportunities	Our governance	7–8
The role of those advising or assisting the trustees with scheme governance activities	External advisers – actuarial, investment and covenant advisers	10
The processes the trustees have established to satisfy themselves that the person advising or assisting takes adequate steps to identify and assess any climate-related risks and opportunities which are relevant to the matters on which they are advising or assisting	External advisers – actuarial, investment and covenant advisers	10
34. To help contextualise these disclosures, trustees should concisely describe:		
How the board and any relevant sub-committees are informed about, assess and manage climate-related risks and opportunities and the frequency at which these discussions take place	Our governance	7–8
Whether they questioned and, where appropriate, challenged the information provided to them by others undertaking governance activities – or advising and assisting with governance	Our governance	7
The rationale for the time and resources they spent on the governance of climate-related risks and opportunities	Strategy: Our strategy approach	11
	Climate-related risks and opportunities	15–17
35. Trustees should also concisely describe, in relation to those who undertake governance activities, or advise or assist with governance of the scheme:		
The kind of information provided to them by those persons about their consideration of climate-related risks and opportunities faced by the scheme	Our governance	7–8
The frequency with which this information is provided	Our governance	7–8



Governance continued

DWP reporting requirement	Section of report	Page
36. Trustees should describe the training opportunities they provided for their employees in relation to climate change risks and opportunities. Where trustees identified skills gaps, they may also describe whether they encourage external advisers to provide training opportunities	Training	10
37. Trustees may wish to provide an organogram or structural diagram in their TCFD report, showing which groups/individual roles have responsibilities for governance of climate-related risks and opportunities	USS Group corporate governance structure-main boards and committees	8

Strategy

DWP reporting requirement	Section of report	Page
92. Trustees must describe in their TCFD report:		
The time periods which the trustees have determined should comprise the short term, medium term and long term	Time horizons	13
The climate-related risks and opportunities relevant to the scheme over the time periods that the trustees have identified and the impact of these on the scheme’s investment strategy and, where the scheme has a funding strategy, the funding strategy	Climate-related risks and opportunities	15–17
The most recent scenarios the trustees have used in their scenario analysis	Scenario analysis	12–14
The potential impacts on the scheme’s assets and liabilities which the trustees have identified in those scenarios and, if the trustees have not been able to obtain data to identify the potential impacts for all of the assets of the scheme, why this is the case	Scenario analysis impacts	17–19
The resilience of the scheme’s investment strategy and, where the scheme has a funding strategy, the funding strategy, in the most recent scenarios the trustees have analysed	Scenario analysis impacts	17–19

Strategy continued

DWP reporting requirement	Section of report	Page
Where trustees have concluded that it is not necessary to undertake new scenario analysis outside the mandatory cycle, the reasons for this determination	Scenario analysis	13
93. Trustees should also describe in their TCFD report:		
Their reasons for choosing the scenarios they have used	Scenario analysis	12–13
The key assumptions for the scenarios used and the key limitations of the modelling (for example, material simplifications or known under/over estimations)	Scenario analysis Modelling limitations	12–13 17
Any issues with the data or its analysis which have limited the comprehensiveness of their assessment	Modelling limitations	17
94. Trustees may include information in their TCFD report on any other aspects of the assessment of their investment strategy and, if they have one, funding strategy and scenario analysis that they consider would be helpful to disclose	Overarching scenarios	13–14



Risk management

DWP reporting requirement	Section of report	Page
113. Trustees must describe in their TCFD report the processes they have established for identifying, assessing and managing climate-related risks in relation to the scheme, and how the processes are integrated within the trustees’ overall risk management of the scheme	Climate-related risk in our risk management processes	21–23
114. The report should also include concise information on the following:		
The risk tools the trustees used and the outputs/outcomes of using those particular tools	Climate-related risk in our risk management processes	21–23
How the trustees have identified, assessed and managed both transition and physical risks for the scheme	Climate-related risk in our risk management processes	21–23
How the trustees’ assessment of climate-related risks has impacted the scheme’s prioritisation and management of risks which pose the most significant potential for loss and are most likely to occur	Climate-related risk in our risk management processes	21–23
115. Trustees should include information on how, if at all, they have used stewardship to help manage climate-related risks to the scheme	Using stewardship to help manage climate-related risk Managing climate-related risks and opportunities at an asset level	24–25 26–27
116. Disclosing information about how climate-related opportunities are identified, assessed and managed is encouraged as this will add further insights for members and others into the scheme’s overall approach to climate-related risk	Managing climate-related risks and opportunities at an asset level Case studies	26 24, 25, 27

Metrics and targets

DWP reporting requirement	Section of report	Page
175. Trustees must describe in their TCFD report the metrics which they have calculated – absolute emissions metric, emissions intensity metric, portfolio alignment metric and an additional climate change metric. If they have been unable to obtain data to calculate the metrics for all of the assets of their scheme, they must explain why this is the case	Our four metrics	28
176. When disclosing their portfolio alignment metric trustees should describe the key components of the methodology (for example, key judgements, assumptions, data inputs and where relevant how the chosen methodology accounts for data gaps) used to calculate their chosen metric	Alignment metric	32
177. If the trustees have chosen to use a metric which is not recommended in this Guidance, they should explain why	–	–
178. For all metrics, trustees should concisely explain their methodologies and those of any asset managers or third-party service providers used, and their rationale for taking the approach that has been adopted	Our methodology, rationale and data sourcing	32–33
179. When reporting total GHG emissions and Carbon Footprint, trustees should report the proportion of assets for which data was available. Trustees should concisely explain where data was estimated and should indicate any assumptions that have been made that could impact significantly on the results. Where they have data of uncertain quality, trustees should again concisely explain this	DB metrics excluding sovereign debt DC metrics excluding sovereign debt Our methodology, rationale and data sourcing	29 30 32–33
180. Where trustees report metrics on only a proportion of the portfolio, they should explain the proportion on which they are reporting	DB metrics excluding sovereign debt DC metrics excluding sovereign debt Our methodology, rationale and data sourcing	29 30 32–33



Metrics and targets continued

DWP reporting requirement	Section of report	Page
181. When reporting total GHG emissions and Carbon Footprint, trustees should set out the Scope 1 and Scope 2 emissions of assets separately from the Scope 3 emissions of assets for each DB section and each popular DC arrangement. Trustees may additionally report the Scope 1 and Scope 2 emissions of assets separately. Emissions should be reported in amount of CO₂ equivalent (CO₂e)	DB metrics excluding sovereign debt	29
	DC metrics excluding sovereign debt	30
182. If trustees believe that it is not meaningful, in relation to any metric, to aggregate data across certain asset classes, they should not do so, but should instead report at the most aggregated level which remains meaningful (for example at asset class level). If this approach is necessary, they should also report the proportions of the scheme assets associated with each reported metric (in the above example, the proportion of the portfolio represented by each asset class)	DB metrics excluding sovereign debt	29
	DC metrics excluding sovereign debt	30
183. Trustees may choose to disclose some or all of their chosen metrics against a relevant benchmark to identify the relative performance of the portfolio	–	–
193. Trustees must describe in their TCFD report the target they have set, and the performance of the scheme against the target	Progress against our targets	31
194. Trustees should report concisely on the steps they are taking to achieve the target or targets	Strategy: Our strategy approach	11
	Using stewardship to help manage climate-related risk	24–25
	Managing climate-related risks and opportunities at an asset level	26–27

DWP reporting requirement	Section of report	Page
195. Trustees should provide a concise description of the methodology used to measure performance against the target or targets, including any estimations relied upon in measuring progress	Our methodology, rationale and data sourcing	32–33
196. Where trustees have replaced a target, they should briefly explain why. Similarly, where a target has been missed, trustees should offer a brief explanation.	–	–

Glossary

Term	Definition
absolute emissions	amount of carbon dioxide (CO ₂) and equivalents emitted by USS’s investments, expressed in million tonnes of carbon dioxide equivalents (mtCO ₂ e).
acute hazard	acute climate hazards are sudden, event-driven disasters (like floods, hurricanes, and wildfires) that cause immediate, catastrophic damage.
AUM	assets under management. An amount of money managed or invested. Figures quoted are net investments for DB and DC (excluding legacy additional voluntary contributions)
carbon dioxide equivalent (CO₂e)	metric used to compare the emissions from various greenhouse gases based on their global warming potential.
chronic hazard	chronic climate hazards are long-term, incremental shifts in climate patterns (like sea-level rise and rising average temperatures) that slowly degrade environments and assets over time.
climate change	climate change is an urgent issue of global significance. The scientific consensus is that carbon dioxide and other greenhouse gas emissions, caused by human activity, are contributing to changes in the atmosphere that will cause significant changes in global temperatures.
climate-related risk	the risk of material financial impact from climate change, where asset values are impacted by economic transition in response to climate change and by physical risk of damage to assets from extreme climate and weather events.
direct emissions	direct (greenhouse gas) emissions are produced from sources owned, produced, and controlled by a company or organisation.

Term	Definition
defined benefit (DB)	an employer-sponsored retirement plan where employee benefits are computed using a formula that considers several factors, such as length of employment and salary history.
defined contribution (DC)	a plan in which members and employers contribute a fixed amount or a percentage of pay which is invested and the proceeds used to buy a pension and/or other benefits at retirement.
emissions intensity	emissions intensity is the level of greenhouse gas (GHG) emissions per unit of economic activity. In USS’s case, it is the amount of carbon dioxide and equivalents emitted per million pounds of Scheme investments.
ESG	environmental, social and governance.
fixed income	an investment approach focused on preservation of capital and income. It typically includes investments like government and corporate bonds and can offer a lower risk steady stream of income.
greenhouse gases (GHGs)	the six gases listed in the Kyoto Protocol: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride. These contribute to the greenhouse effect and climate change.
hazard	a climate-related physical event or trend that may cause harm or damage to people, property, infrastructure, and ecosystems.
indirect emissions	indirect emissions are emissions which are a consequence of a company’s or organisation’s activities but are owned or controlled by another entity.
members	individuals who are members of the Universities Superannuation Scheme who have accrued benefits and/or on whose behalf contributions have been made during their current or previous employment by a scheme employer.

Glossary continued

Term	Definition
net zero	net zero refers to a state where greenhouse gases from human activities added to the atmosphere are balanced by their removal from the atmosphere.
net zero ambition	we have set an ambition for our investments to be net zero by 2050, if not before. Our interim targets are to reduce the emissions intensity (Scope 1 and 2) of the non-sovereign assets in our DB portfolio by 25% by 2025, and by 50% by 2030 (relative to a 2019 baseline).
physical risks	risks that relate to the physical impacts of a changing climate, such as the increase in frequency and severity of extreme weather events and temperature effects on productivity.
private markets	financial companies involved in private rather than public markets are part of the capital market. They include investment banks, private equity, and venture capital firms in contrast to broker-dealers and public exchanges.
public markets	refers to securities available on an exchange or an over-the-counter market.
Science Based Targets initiative (SBTi)	an organisation that develops standards and verifies emissions reductions targets, in order to limit global warming in-line with the Paris Agreement.

Term	Definition
Scope 1 emissions	direct GHG emissions that occur from sources that are controlled or owned by an organisation.
Scope 2 emissions	indirect GHG emissions from the generation of purchased energy for example electricity, steam, heat or cooling.
Scope 3 emissions	indirect emissions (not included in Scope 2) that occur in the value chain of an organisation, including both upstream and downstream emissions. Scope 3 emissions can include categories such as business travel, waste disposal and use of sold products.
sovereign/non-sovereign assets	in our TCFD Report we classify the assets as follows: sovereign and non-sovereign. Non-sovereign assets include equity and debt issued by corporations, real estate investments, plus all other securities not directly issued by a national government. It does not include any synthetic derivative exposures.
systemic risks	risks that are inherent to the entire market, rather than a particular stock or industry sector
transition risks	the risk associated with the pace and extent to which an organisation reduces its GHG emissions and transitions to a sustainable, low-carbon economy.



For members, for the future.

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