

**Climate
Report**
March 2026

Sainsbury's Pension Scheme



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Welcome

We are pleased to publish our latest climate report, covering the year to 30 September 2025.

This report comes to you amid ongoing uncertainty in climate policy and investing, highlighted by several significant departures from the Net Zero Asset Managers initiative (“NZAMI”) during 2025. Despite these developments, we continue to view climate change as a material long-term risk to the portfolio that should be subject to specific attention and risk management.

Alongside J Sainsbury plc (the “Sponsor”), we maintain our aspiration to achieve net-zero by 2050, which we believe is well aligned to, our fiduciary obligations to our members. This aspiration was originally based on the assumption that the low-carbon transition would progress at a reasonable pace, and that the most ambitious goals of the Paris Agreement would remain achievable. However, global consensus suggests this is increasing unlikely; therefore, the Scheme’s net-zero aspiration may need to be recalibrated.

With these aims in mind, we remain committed to supporting real-world decarbonisation, using forward-looking temperature alignment metrics. This gives us a way to encourage the transition to a lower-carbon economy over the long term, providing the policy environment allows us to do so. This is done by holding the Scheme’s investment managers to account for engaging with the companies in which the Scheme invests. Last year, we set a target based on the Science Based Targets initiative (“SBTi”) Score, and we are pleased to report positive progress towards this target.

In June 2025, we held a Sustainable Investment workshop to review our overall approach to Sustainable Investment, including climate change. As a result of this workshop, we updated our investment beliefs in order to aid investment decision making, and received training on the top themes that are emerging within sustainable investment in order to identify our priorities over the short to medium term. In addition, we committed to completing a more detailed assessment of our liquid credit managers’ effectiveness in engaging on our stewardship priorities (including climate change) on our behalf, so that we can better hold them to account.

We will continue to develop our thinking on climate change, and will review the appropriateness of our metrics and targets in advance of our next report, to ensure that they remain appropriate in light of the wider backdrop and market best practice. We will also review how the metrics have developed and continue to report our progress against our targets.

I hope readers find this report informative and useful.

On behalf of the Trustee of the Sainsbury's Pension Scheme



John Preston

Chair of the Trustee

Introduction

J Sainsbury Pension Scheme Trustees Limited (the “Trustee”) is the Trustee of the Sainsbury's Pension Scheme (the “Scheme”). The Trustee has produced this Climate Report to comply with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021. The sub-headings in this report address the specific disclosure requirements in the regulations which are based on the recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (“TCFD”).

This is the fourth Climate Report in respect of the Sainsbury's Pension Scheme. The purpose of the report is to provide a better understanding of the Scheme’s exposure to climate-related risks, the Scheme’s resilience to these risks and the climate related-opportunities that may be considered. The Scheme is a closed defined benefit (DB) scheme with two sections, the Sainsbury’s Section and the Argos Section.

The report is based on the Scheme’s position over the Scheme year to 30 September 2025 and the analysis has been carried out based on investments held by the Scheme at this date.

This report has been prepared in line with the Department for Work and Pensions (“DWP”) regulations based on the Task Force on Climate Related Financial Disclosures (“TCFD”) framework, and covers the following pillars of disclosure:



Governance – which discloses the Trustee’s governance structure around climate-related risks and opportunities.

Strategy – which sets out the actual and potential impacts of climate-related risks and opportunities on the Scheme where the information is material.

Risk management – which discloses how the Trustee identifies, assesses and manages climate-related risks and opportunities; and

Metrics and targets – which discloses how the Trustee measures and monitors progress against climate-related metrics and targets.

The key findings from this fourth Climate Report are summarised in the Key Takeaways over the page. The Trustee’s priorities in respect of climate-related risks remain unchanged, and are set as follows:



Key Takeaways

Governance

The Trustee has established a framework to identify, assess and mitigate climate change risks and to identify opportunities associated with the transition to a lower-carbon economy.

The Trustee has set climate change (with a focus on disclosures) as one of its priorities when assessing the engagement activity undertaken by the appointed investment managers. The Trustee will report on this as part of the annual Implementation Statement.

Scheme governance and related documentation explicitly incorporate the ongoing assessment of climate change risks as part of decision-making.

Strategy

The Sections of the Scheme are well funded on a Gilts + 0.50% basis, have a high allocation to investment-grade-quality credit assets and maintain a high level of interest rate and inflation hedging.

The Trustee assessed the impact of possible climate pathways in its first Climate Report (year ending 30 September 2022), and this was refreshed as part of last year's Climate Report. In both sets of scenario analysis, this included the impact of physical risks (e.g. extreme weather) and transition risks (the move to a lower-carbon economy) under a range of potential climate pathways over the short, medium and long term. The scenarios were updated last year, to reflect a wider range of temperature rises – that is a 2°C rise for the “Orderly” and “Disorderly” scenarios, and a 5°C rise for the “Hot House World” scenario.

Since the completion of the most recent scenario analysis for the assets and liabilities as at 30 September 2024, there have not been any significant changes to factors that would materially affect the existing results, such as the Scheme's investment strategy or modelling methodology. Therefore, the Trustee has decided to not refresh the asset and liability scenario analysis for this year's report, in line with the guidance. The Trustee has updated the covenant section of the report in order to reflect the information from the latest company annual report, noting that there have been no substantive changes.

The impact of the scenarios on the Scheme's funding position appears to be limited over relevant timeframes (for the scenarios modelled). That said, the Trustee accepts the limitations of current modelling, and these are explained in more detail in Appendix 3.

The Trustee does not believe that any immediate change is required at an asset allocation level based on the climate scenario analysis, and focuses on risk management through manager selection, ongoing monitoring, and monitoring the engagements undertaken with issuers. The Trustee will continue to review this position and refine the strategy as required and as the modelling and data in respect of climate risks evolves.

Risk Management

The Trustee has overall responsibility for the assessment and management of climate-related risks and opportunities. The implementation of investment decisions, including those relating to climate change, lies with the Investment Committee.

The Trustee has adopted several approaches to managing climate-related risks, including monitoring ESG-related risks as part of the Investment Committee risk dashboard. This is regularly reviewed and updated by the Investment Committee. In particular, during the Scheme-year the Trustee agreed to begin monitoring the Implied Temperature Rise (“ITR”) metric as part of this dashboard, which has been implemented post year-end. ITR assesses the degree to which an investment is aligned with the

goals of the Paris Agreement. It does this by translating the investment's progress on decarbonisation into an equivalent temperature increase.

The majority (17 of 19) of the Scheme's investment managers are also signatories to the United Nations Principles for Responsible Investments, and 10 of 19 are signatories of the UK Stewardship Code.

The Investment Committee meets the Scheme's key investment managers on an annual basis and reviews their approach to managing ESG risk, including climate change risk. The Investment Committee also encourages the Scheme's investment managers to disclose engagement activity on ESG matters, including those related to climate risk, undertaken on the Trustee's behalf.

Following the Sustainable Investment Workshop in June 2025, the Trustee supported devoting more time and resources to assessing investment managers' approaches to stewardship. The Trustee agreed to carry out a detailed review with its Investment Adviser on their credit managers' approach to stewardship. This is expected to take place in early 2026.

Metrics and Targets

Metrics

The Trustee monitors several climate metrics to understand their exposure to climate change risks and opportunities. In line with regulatory requirements, this year the Trustee reviewed its selected metrics and agreed to maintain the existing metrics for the current report.

Last year, the Trustee agreed to update the Scheme's non-emissions-based metric, shifting from data coverage to data quality, using the Partnership for Carbon Accounting Financials ("PCAF") data quality score as the basis. This was an evolution from the previous data coverage metric, which is no longer reported.

To provide some context to the metrics information included in this report, the Trustee would like to highlight the following points:

- This report focuses on the emissions from non-gilt assets where the Trustee can influence outcomes through manager selection decisions, mandate changes and engagement with managers. Within the non-gilt assets, the liquid corporate bonds have the highest-quality data (with higher-quality data being that which is reported by underlying companies, rather than being proxied) and the highest scope for meaningful engagement.
- Government emissions represent the total greenhouse gas emissions produced within a country's borders (or associated with its economic activity), including emissions from corporates, households, transport, and public services; whereas corporate emissions represent the emissions attributable to individual companies, many of which operate domestically and therefore form part of the national emissions total. Therefore, government bonds are reported on separately, in part because the approach for calculating their emissions differs to that used for corporate bonds, but also because there would be the potential for double-counting emissions if figures were aggregated. In addition, while these are held to manage liability-related risks, the Trustee has very limited influence on actions the UK Government takes.
- The Trustee monitors the SBTi framework of both Sections, at both a total portfolio level and in relation to the corporate bond holdings specifically. This measures the proportion of the financed emissions that are emitted by companies who have SBTi-approved net-zero targets in place.

As mentioned in last year's report, the SBTi metric has certain limitations. For example, in recent years a notable number of companies have either withdrawn their near- or long-term commitments, had them terminated by SBTi, or have been removed for missing deadlines to submit validated targets. Therefore, the usefulness of the SBTi metric may decline in the future as companies may require more supportive policy for them to set and achieve targets while remaining profitable. Nevertheless, the

Trustee is comfortable retaining the SBTi metric for this year’s report as it remains a meaningful indicator of corporate climate commitments. However, given the evolving landscape, the Trustee may consider adopting more suitable alternative or additional metrics in the future.

The key Scope 1 and 2 metrics for each Section are summarised below.

Sainsbury’s Section

Metric	Sept-24 (Prior year for comparison)	Sept-25	Change
Absolute emissions (tonnes of CO2)	429,180	235,771	-45%
Carbon Footprint (tonnes of CO2/£m invested)	106	87	-18%
SBTi Score ² (Total Portfolio)	10%	10%	0%
SBTi Score ² (Corporate Bond Mandates)	43%	46%	+3%

PCAF Data Quality Score (30 September 2025)¹

Year	Grade 1 Verified	Grade 2 Unverified or estimated from energy consumption	Grade 3 Estimated from company production	Grade 4 Estimated from company revenue and sector	Grade 5 Other estimated
2024	0%	31.4%	0%	0.9%	67.7%
2025	16.6%	7.3%	0%	3.1%	73.0%

Source: Gallagher, as at 30 September 2025.

Argos Section

Metric	Sept-24 (Prior year for comparison)	Sept-25	Change
Absolute emissions (tonnes of CO2)	60,522	37,250	-38%
Carbon Footprint (tonnes of CO2/£m invested)	99	87	-12%
SBTi Score ² (Total Portfolio)	13%	14%	+1%
SBTi Score ² (Corporate Bond Mandates)	42%	45%	+3%

PCAF Data Quality Score (30 September 2025)¹

Year	Grade 1 Verified	Grade 2 Unverified or estimated from energy consumption	Grade 3 Estimated from company production	Grade 4 Estimated from company revenue and sector	Grade 5 Other estimated
2024	0%	38.1%	0%	1.7%	60.3%
2025	23.7%	10.4%	0%	3.9%	62.0%

Source: Gallagher, as at 30 September 2025.

¹ Metric is provided as a breakdown across different levels of data quality.

² SBTi Score estimated based on financed emissions as at September 2025.

Based on the analysis of the Scheme's Scope 1 and 2 metrics set out above, the Trustee notes the following:

- Absolute emissions:** There is a material decrease in the reported absolute emissions for both Sections of the Scheme. This is predominantly due to the termination of the Insight CDS mandates. These mandates used derivatives to generate a high level of credit exposure to underlying corporates, which contributed to a significant proportion of emissions last year. In addition, there has been a reduction in the proportion of return-seeking assets over the year as distributions from the Scheme's illiquid assets have been invested into LDI (which are not in scope), therefore resulting in lower total emissions.
- Carbon footprint:** The carbon footprint for both Sections has decreased from last year. The reduction is largely driven by a general decrease in carbon footprints across most asset classes, according to data provided by MSCI. This reflects a combination of factors, including improved corporate emissions management and efficiency measures, increased uptake of renewable energy, and ongoing portfolio reallocation away from more carbon-intensive activities. In addition, methodological refinements and improved corporate emissions disclosure have contributed to more accurate reporting, which may also partially explain the

observed reduction. Ultimately, the carbon footprint metric is calculated using absolute emissions and then dividing by the amount that is invested, so if the absolute emissions figure decreases, so will the carbon footprint.

- **Data quality:** The Scheme’s liquid corporate bond mandates generally have relatively high data quality scores (largely rated as “Grade 1”), meaning that the emissions data reported by underlying publicly listed companies is in line with the Greenhouse Gas Protocol and has been verified by a third party. In contrast, emissions from the Scheme’s illiquid mandates are estimated by the Investment Adviser using asset class proxies and so have a lower data quality (Grade 5). Since last year, the percentage of “Grade 1” scores have increased from 0% to 16.6% for the Sainsbury’s Section and from 0% to 23.7% for the Argos Section. The increase has been driven by updates made by MSCI, allowing for more detailed breakdowns of emissions. In particular, MSCI data is now able to better differentiate which emissions have been verified by a third party, vs. which are unverified. Additionally, last year the Insight CDS mandates contributed to a significant proportion to “Grade 2” emissions. Following its termination, a greater proportion of emissions now comes from the illiquid mandates, thereby increasing the proportion of emissions with “Grade 4” and “Grade 5” PCAF scores.
- **Portfolio alignment:** Similar to last year, a relatively high proportion of the Scheme’s emissions from corporate bond mandates are from companies with SBTi targets in place. This remains materially lower when looking at the total portfolio.

Targets

The Trustee has identified climate change risk as a material financial risk. The Scheme has an aspiration to achieve net-zero portfolio emissions by 2050, which is aligned with the most ambitious goals of the Paris Agreement: to limit average global temperature increases to 1.5C above pre-industrial levels. However, given the uncertainty around the transition to a low-carbon economy, the Trustee notes that the Scheme’s net-zero aspiration may need to be recalibrated in the near term to focus on a broader ambition of supporting the goals of the Paris Agreement. Nevertheless, the Trustee continues to fully support the urgency of reaching net-zero, while ensuring fiduciary obligations to members remain paramount and taking note of the prevailing policy environment as it believes that the impact of, and potential responses to climate change create a material financial risk.

Last year, the Trustee updated its target to a portfolio-alignment target (described below). The rationale for this change was that an alignment target is forward-looking, more closely linked with real-world change, and supports the Trustee’s net-zero aspiration and the goals of the Paris Agreement.

The Trustee also notes that the accuracy of the Scheme’s reported emissions (relative to the Scheme’s “actual” emissions) will improve over time if the quality of carbon emissions data of the underlying companies improves.

The Trustee notes, however, that there is some uncertainty over forward-looking metrics and climate initiatives such as the SBTi more generally without sufficient supportive policy for the transition. As a result, whilst the Trustee views the SBTi metric as an appropriate target/metric at this time, there is unavoidable uncertainty that could require a review in some future circumstances.

Target

To improve the portfolio’s SBTi Score to 70% for each Section’s corporate bond mandates by 2030.

Based on the position as at 30 September 2025, the SBTi Score of the Scheme’s physical corporate bond mandates was 46% and 45% for the Sainsbury’s and Argos Sections compared to 43% and 42% respectively in the previous year. This reflects a slight improvement of 3% towards the 70% target for both Sections.

Some actions the Trustee has taken over the Scheme year

1. In December 2024, the Trustee directors attended a training session on biodiversity, facilitated by the Scheme's Investment Adviser. The session primarily focussed on how biodiversity and nature-related considerations can be incorporated within the Trustee's strategy to aid the Trustee's net-zero ambitions.
2. In June 2025, the Trustee's Investment Committee held a Sustainable Investment Workshop, facilitated by the Scheme's Investment Adviser. This session was set up to provide a broader "reset" of the Trustee's policies with regards to ESG, and to refine the Trustee's ESG beliefs in light of this. The Trustee's SIP was subsequently amended in September 2025 to reflect these changes. These amendments included:
 1. Where it is aligned with the Trustee's wider fiduciary duty, the Trustee may explore opportunities within existing asset classes (through existing or new managers) that are expected to provide positive, measurable social and environmental impact alongside a financial return ("Impact" investments). In this case, the opportunity would need to offer market-like risk-adjusted returns.
 2. Divestment should generally be considered on ESG grounds only if engagement fails.
3. The Sustainable Investment Workshop also included a "Horizon Scanning" session, which included an update on the latest global developments, such as the uncertainty around what net-zero targets are achievable and reframing ambitions to align with the Paris Agreement.
4. In September 2025, the Trustee's Investment Committee agreed to undertake a more in-depth review of engagement activity carried out by the Scheme's LDI and credit managers. The Manager Stewardship Oversight Review will take place in January 2026, following the Scheme's year-end.
5. During the Scheme-year the Trustee agreed to begin monitoring the Implied Temperature Rise ("ITR") metric as part of the Risk Management Frameworks for both Sections, which has been implemented post year-end. ITR assesses the degree to which an investment is aligned with the goals of the Paris Agreement. It does this by translating the investment's progress on decarbonisation into an equivalent temperature increase.

Section 1 | Governance: Oversight & Investment Beliefs

The Trustee considers the impact of climate risks and opportunities when setting the Scheme's strategy. Recognising the importance of this risk, the Trustee maintains its aspiration of being net-zero by 2050 but recognises the headwinds to the transition and acknowledges that the target may need to be recalibrated in the near term.

The Trustee's approach to climate change and environmental, social and corporate governance ("ESG") more generally is informed by the Trustee's current ESG principles. The Sustainable Investment Workshop in June 2025 was set up to refresh these principles. Given that the Trustee agreed to update its beliefs following the Workshop, the Trustee's Statements of Investment Principles ("SIP") were updated in September 2025 to reflect the amendments. The Trustee continues to believe that ESG issues, including climate change, can have a significant financial impact on short-, medium- and long-term investment returns.

The Trustee has set specific ESG priorities to focus its efforts when it comes to the selection, oversight and engagement with its investment managers, particularly with respect to stewardship activities undertaken by the investment managers. The Trustee has set "Climate risk (with a focus on disclosures)" as one of its engagement priorities. The Trustee engages with the Scheme's investment managers on climate change to mitigate risks, with disinvestment being considered as a 'last resort' if companies do not adapt sufficiently.

The Trustee conducts an annual review of its LDI and credit managers. The last review was held in October 2024. As part of the manager review, managers were asked to present specific examples of their engagements with issuers, including background of the rationale for their engagements and the outcomes of said engagements. The Investment Committee has also agreed to a further "deep-dive" of its credit managers' stewardship capabilities through a Manager Stewardship Oversight review, expected to be completed in January 2026.

A risk register is maintained which includes risks arising from climate change. The Trustee is responsible for setting the risk management framework and for monitoring its implementation to ensure the underlying risks that have been identified are managed.

The Trustee is also responsible for producing the annual Climate Report for the Scheme and reviews the climate metrics associated with the Scheme's investments as well as progress against the targets that have been set. In 2024, the Trustee appointed Redington Limited (subsequently acquired by, and now known as, Gallagher), as its Investment Adviser. Gallagher supports the Trustee in reviewing its metrics, targets and approach to scenario analysis.

Gallagher provided a TNFD ("Taskforce for Nature-related Financial Disclosures") training session in December 2024, covering natural capital and biodiversity, and introduced the concept of binary and risk-based metrics used to measure the impact on the environment. Biodiversity and nature are considered important factors in supporting and protecting natural carbon sinks, which can contribute towards achieving a nature-positive net zero.

The Trustee reviews the engagement activity carried out by the investment managers including engagements on climate-related matters. The Trustee has also reviewed and considered engagement case studies provided by the managers in the preparation of this report.

The Trustee believes that integrating sustainable investment into its processes and decision-making should lead to better outcomes for the Scheme, including by helping to manage regulatory and reputational risks. In particular, the Trustee believes:

01

The Trustee can best implement its sustainable investment strategy through its investment managers and advisers and will, therefore, closely review, monitor and challenge their activities in this area.

03

Climate change poses material financial risks to the Scheme and therefore should be subject to specific attention and risk management.

02

The Trustee should manage risks and exploit opportunities, particularly through ESG integration, effective stewardship, identifying attractive sustainability themes, and understanding the real-world impact of its investments.

04

The Trustee prefers a collaborative approach, leveraging its efforts through engagement, working with its investment managers, advisers, and Sponsor.

Section 1 | Governance: Roles and Responsibilities

The Trustee is ultimately responsible for compliance with the governance requirements which underpin the TCFD recommendations and for reporting how this has been done. The Trustee has delegated certain responsibilities to sub-groups, and relies on several other parties, as follows:

Investment Committee

The Trustee has delegated responsibility for the development, implementation and monitoring of the Scheme's investment strategy to the Investment Committee. The Investment Committee is responsible for undertaking the governance and reporting requirements relating to the identification, assessment and management of climate-related risks and opportunities and for making recommendations to the Trustee to inform its overarching strategy.

The Investment Committee meets at least once a quarter. As part of the quarterly manager and risk dashboard reports monitoring, the Investment Committee considers matters relating to ESG, including climate risks. In addition, formal manager review meetings are carried out annually, where the Investment Committee considers the stewardship and engagement reporting from the Investment Adviser and key investment managers.

The Investment Committee must maintain its knowledge and keep up to date on sustainable investment and climate change-related risks and opportunities, and how these may influence investment policy decisions. Industry experts, such as advisers, and representatives from the Sponsor also attend Investment Committee meetings. The Investment Committee updates its training as required.

TCFD Working Group

The TCFD Working Group is a sub-group of the Investment Committee, which works with the Investment Adviser to formulate advice for the Investment Committee in relation to TCFD and carbon reporting.

Investment Adviser

The Investment Adviser is responsible for advising the Trustee on investment strategy, taking into account climate-related risks and opportunities alongside other financial risks and opportunities. Sustainable Investment specialists attend TCFD Working Group, Investment Committee and Trustee meetings where appropriate to support this advice and deliver relevant training.

The Investment Adviser is also responsible for ensuring investment managers are aware of the Trustee's expectations with respect to the integration of ESG issues in their investment processes and supports the Trustee in its monitoring of ESG and Stewardship matters.

The Investment Adviser provided a TNFD training session in December 2024 and a Sustainable Investment Workshop in June 2025, covering natural capital and biodiversity, and introduced the binary and risk-based metrics used to measure the impact on the environment.

The Trustee regards ESG competence and performance of the Investment Adviser as a crucial requirement. The Trustee assesses the Investment Advisor annually to ensure that any agreed objectives (including those related to ESG) are met.

The Investment Adviser supports the Trustee in preparing the Climate Report each year and will collate and report on certain climate-related metrics as part of this.

Investment Managers

The Trustee believes that active engagement is key to influencing the behaviour of corporates to ensure a better transition to a low-carbon world. The Trustee believes that the Scheme's investment managers are best placed for the day-to-day assessment of ESG risks, including climate change, and engagement with issuers. An assessment of how effectively investment managers incorporate ESG risks and opportunities into their own investment processes and how effectively they engage with issuers, forms part of the Trustee's ongoing monitoring of manager performance. This assessment is undertaken through challenging managers on their approach and by taking advice from the Trustee's Investment Adviser.

In particular, in October 2024, two of the Trustee's key investment managers, Insight and PIMCO, were invited to present to the Investment Committee and the Trustee's Investment Adviser. During the meeting, the Committee emphasised the importance of ongoing engagement and the ability to track actions that resulted from the engagements. The Trustee plans to engage with these managers in more detail on their stewardship practices, post scheme year end, in January 2026.

ESG integration and manager approach to engagement are key areas of focus when selecting new managers. Whilst not implemented until after year-end, the Trustee appointed one new manager (Man Group) for a Diversified Risk Premia mandate for the Sainsbury's Section. ESG integration was discussed as part of the selection process for their mandate, alongside other factors.

Scheme Actuary

The Scheme Actuary is responsible for considering the impact of climate-related risks on the Scheme's liabilities. The Scheme Actuary provides quarterly updates on the funding position of the Scheme. On at least a triennial basis, the more detailed update will include an understanding of the potential funding impact from changes in demographic assumptions driven by climate change. The Scheme Actuary performed a quantitative analysis as at 30 September 2024, covering the impact of climate scenarios on longevity, alongside more qualitative comments on the limitations of such analysis. The Scheme Actuary is expected to provide the next quantitative analysis as at 30 September 2027.

Covenant Adviser

The covenant adviser is responsible for supporting the Trustee in monitoring the impact of climate risks on the covenant of J Sainsbury plc (the "Sponsor"). The Sponsor publishes an annual TCFD report which the Trustee and its advisers use to inform their assessment of the impact of climate-related risks and opportunities on the covenant. A summary of the assessment of climate risk on the covenant is provided in Section 3 and in Appendix 2. Specific questions on the adviser's ESG capabilities were also asked in a request for proposal prior to the adviser's appointment.

Legal Adviser

The legal adviser is responsible for updating the Trustee on the applicable legislation, regulation and guidance relating to TCFD, advising on legal issues relating to TCFD that the Trustee raises.

In-house Pensions Department

The Pensions Department is responsible for supporting the Trustee in ensuring there is effective governance, risk management, communication and administration.

Review of Investment Adviser and Pensions Department

In complying with its governance and reporting requirements, the Trustee is supported by its professional advisers and the Pensions Department.

The Trustee has established processes for reviewing the competency of its Investment Adviser to support the Trustee on climate-related matters. As part of its annual assessment of the Investment Adviser's performance against their objectives, the Trustee has considered how the adviser has supported the Trustee in relation to climate risk. The Trustee reviews the competency of the Pensions Department on an annual basis.

The latest annual assessment of the Investment Adviser was completed in November 2025. The Trustee noted that the Investment Adviser provided detailed reporting on the Scheme's position and managers. The Investment Adviser also provided substantial support to the Trustee in reviewing and updating the Scheme's TCFD metrics and targets. Additionally, the Investment Adviser delivered several training sessions and workshops outside the usual meeting cycle and brought in a range of specialists to present at these meetings.

Knowledge and Understanding

ESG and climate risk has been included on the training agenda for the Trustee and the Investment Committee. It is recognised that this is a fast-moving area and so these areas will continue to feature in the Trustee and the Investment Committee's training schedule. The Trustee places great emphasis on allocating sufficient time and resources to the governance of climate-related risks and opportunities, given its belief that climate change risk is likely to affect the Scheme's funding strategy. For this reason, climate-related issues are discussed in the majority of Investment Committee meetings. The Trustee ensures that time spent on climate change is proportionate, given the range of other matters that must be considered for the Scheme's investment and funding strategy.

The Investment Adviser provided a TNFD training session in December 2024, covering natural capital and biodiversity, and introduced the concept of binary and risk-based metrics used to measure the impact on the environment. As part of a review of the Trustee's beliefs, the Trustee also held a Sustainable Investment Workshop with its Investment Adviser in June 2025, which included a session on "Horizon Scanning" – covering what was on the horizon with regards to ESG-matters over the coming years.

The risks linked to ESG issues, including climate change, are separately identified in the risk dashboard which is reviewed and updated by the Investment Committee on a quarterly basis and reported to the Trustee Board.

Committees

The below chart outlines the separate Committees that work within the Sainsbury's Pension Scheme.



Section 2 | Strategy: Impact on Funding and Investment Strategy

Climate-related risks and opportunities over the short, medium and long term

The Trustee has considered climate-related risks and opportunities over the short, medium and long term. Given that the current short- and medium-term horizons have started to converge, this makes it an appropriate time to update them. At the Sustainable Investment Workshop in June 2025, the Trustee agreed to amend these time horizons. The revised periods capture the potential impacts of climate change on the Scheme’s ability to meet its longer-term liabilities. The Trustee’s emphasis is on the short and medium term, in line with the transition to a low-risk investment strategy.

Time Horizon	Previous Time Horizon	New Time Horizon
Short Term	3-year period	2029
Medium term	Up to 2030	2038
Long Term	Post 2030	Post 2038

Net Zero Goal

The Trustee believes in the importance of the global transition to a low-carbon economy and that this could present investment risks and opportunities. This belief is reflected in the Trustee’s aspiration to achieve net-zero portfolio emissions by 2050, which is aligned with the most ambitious goals of the Paris Agreement: to limit average global temperature increases to 1.5C above pre-industrial levels.

This aspiration was originally set on the assumption that the low-carbon transition would occur at a reasonable pace, and that the most ambitious goals of the Paris Agreement would remain achievable. However, global consensus is that this looks increasingly unlikely; as such, the Scheme’s net-zero aspiration may need to be recalibrated in the near term. The Trustee nevertheless remains highly supportive of decarbonisation to net zero, believing this is in the best long-term interests of members. Acknowledging that climate change is expected to pose meaningful risks to investments, climate risks will continue to be an important consideration within the investment strategy as part of the Trustee’s delivery of its fiduciary duties.

Types of risks and opportunities

The Trustee has identified “Transition Risks” and “Physical Risks”, as the key climate-related risks to its investment and funding strategy. When and how these risks are expected to impact the Scheme, is set out below.

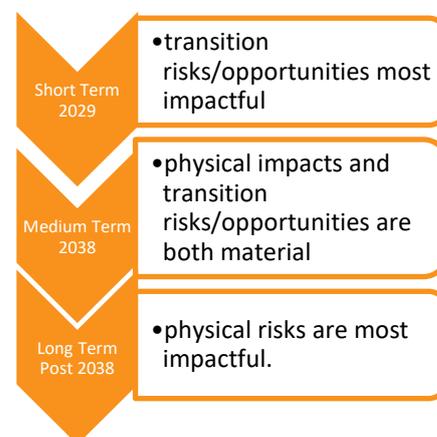
Transition Risks

This relates to the risks (and opportunities) from the realignment of the global economic system towards low-carbon, climate-resilient and carbon-positive solutions (e.g. via regulations or market forces).

In this transition, some industries may become obsolete, while others prosper as the world moves to a no (or low) carbon economy (for example, as renewable energy replaces thermal coal).

Physical Risks

This relates to the physical impacts of climate change as climate change can impact the physical assets underpinning the securities held by the Scheme. For example, extreme weather events such as flooding or wildfires could impact the business operations of portfolio companies.



These climate-related risks could have a material financial impact on the assets held by the Scheme. In particular, the value of certain assets could reduce as markets reprice and/or the risk of defaults on investments held by the Scheme could increase resulting in a loss of capital, lower cashflows to meet benefit obligations and lower investment returns. The table that follows shows some examples of climate risks and opportunities that might arise over different time horizons.

	Short term (2029)	Medium term (up to 2038)	Long term (beyond 2038)
Examples of risks and/or opportunities	<p>Focuses on: Immediacy, volatility, and market repricing; risks that can materialise quickly and affect valuations and cashflows</p> <ul style="list-style-type: none"> • Carbon prices (e.g. impact on revenues due to short-term change in energy prices) • Regulation (e.g. additional costs due to stricter efficiency requirements) • Wider policy and geopolitical uncertainty • Changes in consumer behaviour (e.g. increase costs due to preference for less waste and carbon footprint) • Competitive pressures • Extreme weather events 	<p>Focuses on: structural and cumulative impacts; physical risks that affect business models, credit quality, and sector viability</p> <ul style="list-style-type: none"> • Carbon prices • Regulation (e.g. reduce revenue due to stricter requirement on plants, equipment, operations or supply chains) • Wider policy and geopolitical uncertainty • Changes in consumer behaviour • Competitive pressures • Extreme weather events 	<p>Dominated by risks and system-wide economic impacts, which may be irreversible and affect overall growth, productivity, and asset values across the economy</p> <ul style="list-style-type: none"> • Carbon prices • Regulation • Changes in consumer behaviour • Competitive pressures • Extreme weather events (e.g. location and supply chain risks in terms of drought, rain, fire etc which increase cost and investment uncertainty) • Sea level rises • Commodity scarcity • Food price inflation • Population migration • Productivity loss

In addition, the Trustee considers the climate policy of the sponsoring employers given the impact this could have on the covenant. The Sponsor has published its own TCFD report which the Trustee and its advisers have used to inform their assessment of the impact of climate-related risks on the covenant. Further detail is provided in Section 3 and in Appendix 2.

At the Sustainable Investment Workshop, the investment adviser invited the Trustee to complete a survey in order to refine the Trustee’s ESG beliefs. In particular, the Trustee believes that, where it is aligned with the Trustee’s wider fiduciary duty and where such opportunities exist, the Trustee should

explore opportunities that are expected to provide positive measurable social and environmental impact alongside a financial return (“impact investments”). The Trustee believes it is best to agree an overall investment strategy and select appropriate asset classes to support that strategy prior to considering specific impact opportunities. The availability of these impact opportunities will depend on the specific asset class being considered and may vary over time.

These opportunities should be considered alongside non-Impact investments and would require sufficient comfort that the opportunity is able to offer market-like risk-adjusted returns. The Trustee’s Investment Committee will continue to consider any relevant opportunities supported by its investment adviser.

The Trustee has not identified any specific “impact” investment opportunities consistent with its strategy. The Trustee also relies on the Scheme’s managers to identify investment opportunities at the security level where relevant.

Section 2 | Strategy: *Impact on Funding and Investment Strategy* (Continued)

Ongoing Monitoring

The impact of climate-related risks and opportunities, such as those arising from physical and transition risks, is monitored on an ongoing basis by the Trustee's Investment Adviser through their proprietary modelling software, ADA. The results are summarised in an annual ESG report which is reviewed by the Investment Committee.

Impact of climate-related risks and opportunities on the investment and funding strategy

The high-level allocations for each Section of the Scheme are set out in the charts. The Scheme is invested predominantly in high-quality fixed-income assets and maintains a high level of interest rate and inflation hedging. A key objective for the Trustee is to reach the following in the short term:

- a) 100% funding on a Gilts + 0.50% basis for the Sainsbury's Section; and
- b) 100% on a Gilts + 0.25% basis for the Argos Section (having achieved 100% funding on a Gilts + 0.50% at the end of September 2024).

Once 100% funding on a Gilts + 0.50% basis for the Sainsbury's Section has been achieved, the objective will be updated to achieve 100% funding on a Gilts + 0.25% basis for the Section. An agreement is in place with the Sponsor to achieve this.

The Trustee has previously used scenario analysis to assess the potential impact of climate-related risks on the Scheme's funding position and to consider if changes are required to the investment strategy. The analysis adopts the climate scenarios of the Network of Central Banks and Supervisors for Greening the Financial System ('NGFS'). The NGFS scenarios offer a common basis for the financial sector to assess climate risks, and are used by investors, banks, and regulators, including the Bank of England. The Scheme's analysis uses three reference scenarios from the NGFS scenario set, covering a broad spectrum of emissions and temperature trajectories until 2050. The assumptions used in this analysis are set out in the appendices and more information on the NGFS scenarios can be found on the NGFS portal.¹

Given the scenario analysis was refreshed in last year's Climate Report and there have been no significant changes to the investment strategy, the Trustee agreed not to update the asset and liability scenario analysis for this year's report.

The Trustee notes that the impact of climate change on the Scheme's funding position appears to be relatively limited over the relevant time periods (for the scenarios modelled). However, the Trustee notes that there are limitations to the scenario analysis, which are discussed in more detail in Section 3. To date, the Trustee has prioritised transition risk as this has generally been expected to be the most prominent risk over the next few decades, with stewardship in relation to the liquid credit portfolio being the main lever used to manage this risk. However, in a world where the low-carbon transition is progressing relatively slowly, it is becoming increasingly important to focus on physical risk. As a result, this may become more of a focus for the Trustee.

There are no changes that have been made to either Sections' investment strategy as a result of the scenario analysis. Rather, the Trustee manages climate-related risks through manager selection, ongoing monitoring, and assessing the engagements undertaken with issuers, and will continue to assess climate-related opportunities as and when they arise. The Trustee will continue to review its position and will consider refining its strategy and approach as required and as the modelling and data

¹ <https://www.ngfs.net/ngfs-scenarios-portal/>

in respect of climate risks evolves. The Trustee will repeat this analysis at least once every three years (which would next be for the September 2027 year-end report).

The Trustee recognises the increasing scrutiny of climate modelling and scenario analysis. This scrutiny has highlighted that current methodologies may not fully account for the short- and medium-term climate risks the Scheme could face; the analysis may therefore have limited reliability and usefulness as a decision-making tool. As such, the Trustee does not rely solely on this analysis to inform its strategic decision-making. Nonetheless, the scenario analysis does help to highlight that climate change risks do exist, and the Trustee therefore believes that appropriate risk management steps should be taken to address and limit their potential impacts. The Trustee has delegated the day-to-day management of these risks to the appointed investment managers.

Engagement with investment managers and underlying issuers

Engagement is an important part of the Trustee's strategy. To address security-level risks, and to bring about meaningful real-world change, the Trustee's approach is to engage with the investment managers to ensure that climate change considerations are fully integrated into security selection and in the managers' engagements with issuers.

The Trustee expects its investment managers to practise good stewardship. Stewardship capabilities are therefore a significant factor during manager selection and ongoing manager monitoring.

The Trustee views the engagement with issuers through its investment managers as being an important tool to manage climate risks and opportunities and has set climate risk (with a focus on improved disclosures) as one of its engagement priorities. The Trustee has set a forward-looking alignment target and believes that this will increase its ability to hold its managers to account on effecting real-world change via engagement.

Section 3 | Scenario Analysis: Climate Scenarios

Climate Scenarios

Last year, the Trustee refreshed the climate scenario analysis to assess the potential impact on the Sections' funding levels under a range of different climate scenarios. These are discounted back using a discount rate derived from a point in time shock in 2050, using the Sections' 30 September 2024 portfolios.

As part of the analysis, the temperature rises associated with each scenario are 2.0°C for the "Orderly" and "Disorderly" scenarios, and to 5.0°C for the "Hot House World" scenario.

The scenarios are as follows:

Scenario	Description	Temperature Rise by 2050
Orderly	This is the lowest-risk scenario, and is illustrative of countries gradually increasing the stringency of climate policies to increase the likelihood of global warming being limited to 2°C.	2°C
Disorderly	This is illustrative of a scenario where rapid and unexpected policy changes occur in a panicked effort to limit global warming to 2°C. This scenario represents a high level of transition risk.	2°C
Hot House World	This is illustrative of a global warming scenario where a climate tipping point* could be reached, and warming is worse than expected. This scenario accounts for countries' current national climate policy pledges (even if they have not yet been implemented) and 5°C of warming.	5°C

**Tipping points are critical thresholds in a system that, when exceeded, can significantly accelerate climate change, often with an understanding that the change is irreversible. An example is the melting of permafrost, which is believed to hold twice as much carbon as the amount that is already in the atmosphere.*

The climate scenarios are designed to analyse climate risks to the economy and the financial system. These scenarios consider downside risks arising from both physical changes and the costs of decarbonisation, with some mitigation from technological opportunities. Rather than assessing the potential impact on asset and liability present values in a "top-down" manner using forward-looking projections of economic growth and asset returns, the stress tests are "bottom-up". In other words, they are applied as point-in-time shocks to asset and liability present values, assessing the potential impact on financial, not economic, data. This includes credit spreads, default rates, equity prices, and inflation and interest rates, among others.

However, they do not account for other potential upsides, such as an increase in business volume. It is important to note that these scenarios represent risk exposures rather than central cases, meaning that even the most favourable scenarios carry inherent risks. Additionally, the scenarios do not account for the actions underlying companies could take to mitigate climate-related risks (such as passing increased costs on to consumers).

Limitations

The Trustee recognises that the approach to modelling the impact of climate risks is fast evolving and will keep this under review. The Trustee also recognises the limitations of the modelling, in particular:

- Any climate pathway reflects just one possible way to achieve a certain temperature goal while, in reality, many different pathways are possible for the same temperature outcome.
- Different models lead to different results, due to different model structures and assumptions.
- There is uncertainty around assumptions adopted; for example, ambitious scenarios depend on future (negative emissions) technologies such as carbon capture and storage.
- It is recognised that there are gaps in assumptions; for example, certain necessary changes to achieve zero emissions, such as changes in lifestyle or economic systems, are currently not included.
- The asset allocation is assumed to remain constant throughout the modelling period, which is unlikely to happen in practice.
- The scenarios are intended to provide an indication of the risks to which the Scheme might be exposed. They are not centralised cases, and are instead intended to be reflective of one of the many possibilities that may transpire as a result of climate change.
- The scenarios are not directly comparable between one year and the next as the impact of changes in assumptions can dwarf that of changes to a portfolio.

Although there are limitations, the Trustee believes that the modelling undertaken is useful in giving a high-level understanding of the potential impact on the Scheme's funding position as a result of climate change risks under different possible climate pathways.

The tables below show the output of the scenario analysis, setting out the impact on the Sections' assets and liabilities (with and without an impact on longevity) and their combined impact on the Sections' funding levels on the Gilts + 0.50% basis.

Scenario Analysis Outcome

Sainsbury's Section	Orderly Transition	Disorderly Transition	Hot House World
Assets	-2.7%	-7.2%	-3.7%
Liabilities - Excluding Longevity	-1.7%	-4.7%	-1.8%
<i>Impact on funding level</i>	-0.9%	-2.4%	-1.8%
Liabilities - Including Longevity	+0.8%	-7.1%	-5.5%
<i>Impact on funding level</i>	-3.3%	-0.1%	+1.8%

Argos Section	Orderly Transition	Disorderly Transition	Hot House World
Assets	-2.3%	-6.8%	-2.8%
Liabilities - Excluding Longevity	-2.0%	-5.6%	-2.0%
<i>Impact on funding level</i>	-0.3%	-1.3%	-0.9%
Liabilities - Including Longevity	+0.6%	-7.9%	-5.7%
<i>Impact on funding level</i>	-2.9%	+1.2%	+3.1%

Source: Gallagher, WTW as at 30 September 2024. Certain information ©2024 MSCI ESG Research LLC. Reproduced by permission.

Under all three scenarios, the Sections' assets are expected to fall in value, with the largest impact arising in the "Disorderly" Scenario. This is largely due to the Scheme's holdings in illiquid assets (for example, private equity, property and private debt). These higher-yielding assets are typically more greatly impacted by the scenarios than the Scheme's higher-quality assets, as many of the issuers of securities in these markets operate in higher-emitting sectors. These assets are, therefore, often more emissions intensive and suffer more transition risk.

The Argos Section holds a lower proportion of these lower-quality assets relative to the Sainsbury's Section, and as a result, is less negatively impacted by the scenarios than the Sainsbury's Section (in funding level terms).

With regard to the impact on the liabilities, the above tables show the impact including and excluding the impact on longevity. That is, the scenarios excluding longevity show purely the impact of changes in interest rates and inflation on the Sections' liabilities. When longevity is excluded, the liabilities fall under each of the scenarios, albeit by a proportionately smaller amount than the assets, resulting in a net decrease in the funding level.

When the impact of longevity is accounted for, this results in differing impacts on the liabilities depending on the scenario. In the more extreme scenarios (i.e. "Disorderly" and "Hot House World") the impact of longevity can result in a net increase in the funding levels, as these scenarios have lower life expectancies relative to the funding assumptions.

It is important to recognise that an assessment of what is in the best interests of the Scheme and its members is a much broader question than the impact on funding level alone. In particular, key considerations may be a reduction in the quality (and length) of members' lives, and the quality of the environment that they will retire into. Moreover, the strength of the Sponsor's covenant to the Scheme may be adversely affected in such a scenario (discussed below).

Consequently, the results of any such modelling should not be assumed to reflect any complacency or acceptance (either implicit or explicit) that the Trustee consider global inaction or business-as-usual with respect to climate change to be in the best interests of the Scheme or its members.

Covenant Analysis

Both Sections of the Scheme may be reliant on the covenant support provided by the Group over the long-term, as the sections complete their journey to a low dependency funding position and deliver their long-term objective to provide member benefits. This corresponds to an important period in the Group's transition to net zero and a period where the Group is exposed to the potential impact of climate-related risks.

Assessing the potential impact of climate change on the Group is therefore an important consideration when assessing the strength and prospects of the covenant and helps inform the overall strategy for both Sections of the Scheme. Currently there is no indication that climate risks will materially impact the employers' ability to support both Sections of the Scheme, after allowing for planned mitigating actions. However, it remains important for the Trustee to continue to monitor the impact of climate risks as the position evolves over time.

Summary

The analysis indicates that the Scheme's investment and funding strategy appears to be relatively robust across the various climate scenarios, with the disorderly transition having the most significant impact on the funding level. However, the Trustee recognises the limitations of current quantitative scenario analysis methods and therefore maintains a cautious approach to risk management, as detailed in the Risk Management section. Despite these limitations, the scenario analysis for the

Scheme's assets and liabilities continues to assist the Trustee in evaluating different potential climate-related risks and opportunities. The Trustee also takes a degree of comfort from the assessment that there are not expected to be material impacts on the ability of the employers to support both Sections of the Scheme.

Nevertheless, the Trustee acknowledges that climate risks and opportunities are likely to evolve over time, and will continue to assess the potential impacts of these on the Scheme's investment and funding strategy to ensure the Trustee remains comfortable as the situation evolves. The Trustee is also aware that this is just one lens for assessing risk; as a result, the Trustee uses other metrics and tools, such as stewardship, to assess and manage the Scheme's exposure. These are detailed in the Sections of the report that follow.

Section 4 | Risk Management: Identifying, Assessing and Managing Risk

The Trustee has overall responsibility for the assessment and management of climate-related risks and opportunities. The implementation of investment decisions, including those relating to climate change, lies with the Investment Committee.

The governance and reporting standards implemented by the Trustee will enable it to have an appropriate understanding of climate risk within the Scheme's investments and will help to guide it in setting and refining interim targets and milestones to measure progress towards the Scheme's net zero aspiration. The scenario analysis included in Section 3 of this report and the metrics included in Section 5 are used as inputs for assessing the Scheme's exposure to potential climate-related risks and opportunities. Any changes in the level of risk arising from climate-related risks is then captured in the quarterly risk dashboard.

The Trustee sees stewardship as a key lever for managing the Scheme's climate risk, and encourages the improvement of disclosures across the corporate sector to assist with this process by actively engaging with its investment managers on their own engagement efforts with portfolio companies. The Trustee has set engagement on climate risks (with a focus on disclosures) as one of its key engagement priorities and this has been communicated to all the Scheme's investment managers. In October 2024, Insight and PIMCO were invited to present to the Investment Committee. During the meeting, the committee emphasised the importance of ongoing engagement and the ability to track actions that had resulted from the engagements.

PIMCO and Insight are next due to present to the Investment Committee in January 2026. At this meeting, there will be further stewardship oversight and challenge of these two managers which will be supported by the Scheme's Investment Adviser.

The Trustee has adopted the following approaches to manage climate-related risks:

- ✓ The Statement of Investment Principles sets out the Trustee's policy on sustainable investment, ESG and stewardship.
- ✓ The Trustee has delegated responsibility to the Investment Committee and the Trustee's Investment Adviser to undertake the governance requirements relating to ESG, including the production of the annual Implementation Statement.
- ✓ The risks linked to ESG issues including climate change are separately identified in the Investment Committee risk dashboard which is regularly reviewed and updated by the Investment Committee with independent challenge from the Risk and Finance Committee, and then presented to the Trustee Board.
- ✓ The Trustee is supported by its professional advisers and the pensions department.
- ✓ 17 of the Scheme's 19 investment managers are signatories to the United Nations Principles for Responsible Investment.
- ✓ 10 of the Scheme's 19 investment managers are also signatories of the UK Stewardship Code.

Section 4 | Risk Management: Identifying, Assessing and Managing Risk (Continued)

An important aspect of identifying, assessing and managing climate risks and opportunities is the close monitoring of the appointed investment managers by the Investment Committee and the Investment Adviser.

The Investment Committee holds meetings with the Scheme's key investment managers² and reviews their approach to managing ESG risks. Where the Investment Committee doesn't have meetings with the managers, the Investment Adviser meets with the managers to ensure the messaging is shared and understood.

An example case study of an engagement made by one of the Scheme's key investment managers is provided below:

Case Study: Banking Issuer

Background: This issuer is one of the UK's largest banks. The manager has had previous interactions focused on sustainable bonds and climate strategy, including SBTi-validated decarbonisation targets and nature risks.

The Engagement: The manager met with the issuer's ESG Investor Relations and Climate teams to review previous recommendations, including nature reporting. The issuer is now reassessing sector pathways following updates to the UK's updated national carbon budgets in Q4 2025. As of Q125, the issuer had met its target to provide £100bn of climate and sustainable funding, ahead of its 2025 deadline.

However, while this target has been achieved, the issuer does not report relative progress in sustainable finance. The issuer is working to understand the materiality of the sectors without financed emissions targets and are whether TPI and NZBA frameworks may be more appropriate than their current SBTi approach.

The Issuer is working on a future nature statement but hasn't committed to TNFD-aligned reporting so the manager shared best practice examples. The bank enhanced physical risk assessments for commercial real estate and is updating its corporate model.

Outcomes and next steps: Since the engagement, the issuer has partly met the manager's biodiversity/nature recommendations. Additionally, whilst it hasn't published a TNFD report, it expanded disclosures, especially on impacts and dependencies. The issuer has invested in data infrastructure to address vulnerabilities, threats and breaches of data security, as well as investing in cyber training for employees.

The manager's next steps include monitoring the issuer's progress on financed emissions, carbon attribution and nature-related reporting and following up as required.

² The key investment managers include the investment managers that manage a significant part of the portfolio and are responsible for mandates that are expected to be maintained as a long-term part of the portfolio as the Scheme approaches its longer-term objectives.

Section 5 | Metrics & Targets: Overview

Metrics

To inform its understanding and monitoring of the Scheme’s climate-related risks and opportunities, the Trustee has selected the following metrics, set out in the table below.

Absolute emissions metric	Total Emissions The total scope 1, 2 and 3 Greenhouse Gas ("GHG") Emissions for the Sections' assets (measured in tonnes of CO2e emitted).
Emissions intensity metric	Carbon footprint The total Greenhouse Gas emissions of the portfolio divided by the current value of the portfolio (tonnes of CO2e / £m of asset value).
Portfolio alignment metric	Science Based Targets initiative ("SBTi") Score The percentage of portfolio holdings that have set net zero targets approved by the SBTi.
Additional non-emissions-based metric	Partnership for Carbon Accounting Financials ("PCAF") Data Quality Score The data quality score, ranging from 1 to 5, as calculated by PCAF methodology.

What are Scope 1, 2 and 3 emissions?

- Scope 1 emissions are direct greenhouse gas ("GHG") emissions from sources that are owned or controlled by a company, such as emissions from combustion of fossil fuels in boilers or vehicles.
- Scope 2 emissions are indirect GHG emissions from the generation of purchased electricity, heat or steam consumed by a company.
- Scope 3 emissions are all other indirect GHG emissions that occur in a company's value chain, including emissions from the production of purchased materials and fuels, transportation and distribution, waste disposal, and the use and disposal of products and services.

Section 5 | Metrics & Targets: Metrics

Data for the Scheme’s metrics has been calculated by the Trustee's Investment Adviser and represents the position as at 30 September 2025.

The Trustee focuses on emissions from the non-gilt assets where the Trustee can influence outcomes through manager selection decisions, mandate changes and engagement with the investment managers. The emissions from gilts do not form part of the Trustee’s targets (as while these are held to manage the Scheme’s liability-related risks, the Trustee has very limited influence on actions the government takes).

In estimating the Scheme’s emissions for this Climate Report, in line with last year’s methodology, asset class proxies have been used where there is low data coverage. Prior to 2024, these were assumed to be zero. As a result, the base year has been realigned to 2024, to align with the new methodology.

A large portion of the Scheme’s non-gilt assets are held in liquid credit-based assets, for which data coverage is generally high. However, for the Scheme’s investments in higher-yielding illiquid assets, data coverage is poorer and, in these cases, emissions have largely been estimated based on asset class proxies. It is also the case that these assets tend to be more emissions intensive as they are often issued by companies operating in higher-emissions sectors. Such proxies have also been used for these assets in the scenario analysis shown in the Strategy section of this report.

The key metrics for each Section are summarised below.

1. Total Emissions

The total emissions analysis includes scope 1, 2 and 3 emissions for each Section of the Scheme, with the scope 3 emissions shown separately. There is a material decrease in the absolute carbon emissions for both Sections in this report. This is predominantly due to the termination of the Insight CDS mandates. These mandates used derivatives to generate a high level of credit exposure to underlying corporates, which contributed to a significant proportion of emissions last year. In addition, there has been a reduction in the proportion of return-seeking assets over the year as distributions from the Scheme’s illiquid assets have been invested into LDI (which are not in scope), therefore resulting in lower total emissions.

Total emissions data on its own provides limited insights but as time goes on and the data quality improves the Trustee will be able to better assess trends from year to year.

GHG Emissions Scope 1 and 2 (tonnes CO2e)

Section	Value (ex LDI) 30/09/2025	Sept 2024 (Prior year for comparison)	Sept 2025	Change
Sainsbury’s Section	£2,724m (53.0% of assets)	429,180	235,771	-45%
Argos Section	£427m (49.4% of assets)	60,522	37,250	-38%

GHG Emissions Scope 3 (tonnes CO2e)

Section	Value (ex LDI) 30/09/2025	Sept 2024 (Prior year for comparison)	Sept 2025	Change
Sainsbury's Section	£2,724m (53.0% of assets)	3,524,415	1,713,976	-51%
Argos Section	£427m (49.4% of assets)	461,631	260,203	-44%

Source: Gallagher, as at 30 September 2024 and 2025. Carbon metrics are proxied where there is insufficient data for funds. Certain information ©2025 MSCI ESG Research LLC. Reproduced by permission. Information on the proportion of assets for which emissions data is based on reporting by underlying companies versus being proxied is included in the appendix.

2. Carbon Footprint

The carbon footprint analysis shows the scope 1 & 2 and scope 3 emissions intensity. The GHG emissions for both scope 1 & 2 and scope 3 has decreased for both sections. This reduction in emissions intensity is supported by MSCI data showing a general decrease in carbon footprints across most asset classes. The general decrease in carbon footprints has been driven by improved data coverage and methodology, increased corporate focus on carbon reduction, and changes in portfolio composition away from more carbon-intensive activities.

GHG Emissions Scope 1 and 2 (tonnes CO2e/ EVIC £m)

Section	Value (ex LDI) 30/09/2025	Sept 2024 (Prior year for comparison)	Sept 2025	Change
Sainsbury's Section	£2,724m (53.0% of assets)	106	87	-18%
Argos Section	£427m (49.4% of assets)	99	87	-12%

GHG Emissions Scope 3 (tonnes CO2e/ EVIC £m)

Section	Value (ex LDI) 30/09/2025	Sept 2024 (Prior year for comparison)	Sept 2025	Change
Sainsbury's Section	£2,724m (53.0% of assets)	872	629	-28%
Argos Section	£427m (49.4% of assets)	758	609	-20%

Source: Gallagher, as at 30 September 2024 and 2025. Carbon metrics are proxied where there is insufficient data for funds. Certain information ©2025 MSCI ESG Research LLC. Reproduced by permission.

Methodology Example

The carbon footprint for an investment portfolio can be calculated as follows:

$$\text{Carbon Footprint} = \frac{\text{Total Carbon Emissions}}{\text{Portfolio Value (GBP million)}}$$

Therefore, a hypothetical portfolio with total carbon emissions of 20,000 tonnes of CO₂e and a Portfolio Value of £100m would have the following carbon footprint:

$$\text{Carbon Footprint} = \frac{20,000}{100} = 200 \text{ tonnes CO}_2\text{e/GBPm}$$

3. Science Based Targets initiative (“SBTi”) Score

The Trustee has selected the SBTi Score as the portfolio alignment metric. This forward-looking metric examines whether portfolio companies have voluntarily disclosed company decarbonisation targets aligned with a relevant science-based pathway, in line with the goals of the Paris Agreement. The Trustee note that the SBTi metric has certain limitations. In particular, SBTi targets are based on voluntary targets set by corporations, and in order for these to be achieved and the corporates to remain profitable, the political environment and hence the incentives for corporates may have to change. There is a risk that when fewer companies volunteer to disclose their targets, the metric could become redundant as voluntary action could only go so far.

In previous years, this was calculated as the proportion of Scheme assets with SBTi-approved targets. In line with last year’s report, the SBTi Score now reflects the proportion of the Scheme’s financed emissions (i.e. the greenhouse gas emissions associated with the assets that the Scheme invests in) that are attributable to companies with SBTi-approved targets. This change was implemented to reflect the focus on aligning the largest sources of the Scheme’s emissions with the goals of the Paris Agreement (rather than aligning the largest investments by market value).

Although a small proportion of total scheme assets is covered by SBTi-approved targets, coverage for this metric should improve over time as the Scheme’s holdings in illiquid assets run off over time, and are reinvested into more liquid assets. As net-zero targets are most likely to be set by larger, often public, companies, the metric is most relevant to the Scheme’s liquid credit assets.

The figures reported below are in respect of all the Scheme’s non-gilt assets, as well as in respect of the physical corporate bond mandates only.

SBTi Score (Total Portfolio)

Section	Sept 2024 (Prior year for comparison)	Sept 2025	Change
Sainsbury’s Section	10%	10%	0%
Argos Section	13%	14%	+1%

Source: Gallagher, as at 30 September 2025. SBTi Score is estimated based on the percent of financed emissions as at 30 September 2025.

As part of the monitoring of progress towards the Scheme’s updated target, the SBTi Score of the Scheme’s physical corporate bond mandates as at 30 September 2025 is also set out below:

SBTi Score (Corporate Bond Mandates)

Section	Sept 2024 (Prior year for comparison)	Sept 2025	Change
Sainsbury's Section	43%	46%	+3%
Argos Section	42%	45%	+3%

Source: Gallagher, as at 30 September 2025. SBTi Score estimated based on financed emissions as at 30 September 2025.

4. Partnership for Carbon Account Financials (“PCAF”) Data Quality Score

The Trustee’s non-emissions-based metric is data quality, as measured by the PCAF Data Quality Score.

The PCAF score is an evolution of the existing data coverage metric. As asset class proxies have been used to estimate the carbon emissions for asset classes where there is limited data coverage, the focus is now to improve the quality of the data over time.

The Scheme’s liquid corporate bond mandates have relatively high data quality scores (largely rated as “Grade 1”), meaning that the emissions data reported by underlying publicly listed companies is in line with the Greenhouse Gas Protocol and is verified. Emissions from the Scheme’s illiquid mandates have been estimated by the Investment Adviser using asset class proxies and so have a lower data quality (Grade 5).

The aim is therefore that there is a gradual increase in the proportion of assets with PCAF scores of 1 or 2 (indicating emissions that have been reported by the underlying companies), and a decrease in in the proportion of assets with PCAF scores of 3, 4 or 5 (indicating estimated emissions).

Since last year, the percentage of “Grade 1” scores have increased from 0% to 16.6% for the Sainsbury’s Section and from 0% to 23.7% for the Argos Section. The increase has been driven by updates made by MSCI, allowing for more detailed breakdowns of emissions. In particular, MSCI data is now able to better differentiate which emissions have been verified by a third party, vs. which are unverified. MSCI is aiming to implement a similar methodology for Scope 3 emissions during 2026. Additionally, last year the Insight CDS mandates contributed to a significant proportion to “Grade 2” emissions. Following its termination, a greater proportion of emissions now come from the illiquid mandates, thereby increasing the proportion of emissions with “Grade 4” and “Grade 5” PCAF scores.

Aggregation of the PCAF data quality scores into a single metric is complex as the “gaps” between each score are not equal (i.e. improving data quality from 2 to 1 is not equivalent to moving from 5 to 4). As such, the breakdown of each Section’s assets for each PCAF Data Quality Score is set out below:

PCAF Data Quality Score for Scope 1 and 2 only

Sainsbury's Section

Year	Grade 1 Verified	Grade 2 Unverified or estimated from energy consumption	Grade 3 Estimated from company production	Grade 4 Estimated from company revenue and sector	Grade 5 Other estimated
2024	0%	31.4%	0%	0.9%	67.7%
2025	16.6%	7.3%	0%	3.1%	73.0%

Argos Section

Year	Grade 1 Verified	Grade 2 Unverified or estimated from energy consumption	Grade 3 Estimated from company production	Grade 4 Estimated from company revenue and sector	Grade 5 Other estimated
2024	0%	38.1%	0%	1.7%	60.3%
2025	23.7%	10.4%	0%	3.9%	62.0%

Source: Gallagher, as at 30 September 2025. PCAF scores are in respect of the non-LDI assets (c.53.0% for the Sainsbury's Section and c.49.4% for the Argos Section).

Section 5 | Metrics & Targets: Portfolio Alignment Target

The Trustee's target is based on the portfolio alignment of the Scheme's corporate bond assets, to improve the portfolio's SBTi Score to 70% for each Section's corporate bond mandates by 2030.

The SBTi Score of the Scheme's physical corporate bond mandates is set out below:

Section	Sept 2024 (Prior year for comparison)	Sept 2025	Change
Sainsbury's Section	43%	46%	+3%
Argos Section	42%	45%	+3%

Source: Gallagher, as at 30 September 2025. SBTi Score estimated based on financed emissions as at 30 September 2025.

This target has been selected to shift the focus from improving disclosures to supporting real-world decarbonisation. This gives the Trustee a way to encourage the transition to a lower-carbon economy in the long term, providing the policy environment allows the Trustee to do so. The Trustee will monitor progress towards this target and engage with managers to encourage progress.

Section 5 – Metrics & Targets: Carbon Accounting for LDI

Reporting emissions on government bond assets is a complex and evolving area. As such, the Trustee has decided to assess and report the emissions metrics separately for the liability hedging assets from the rest of the investment portfolio.

Double counting

For physically held gilts, the emissions figure is based on the UK's total emissions which includes corporates, households and public sector emissions. The emissions from UK corporates could therefore be accounted for both through corporate bond holdings in the non-LDI mandates, as well as part of the emissions of the UK economy in the LDI mandate.

Green gilts

In addition, the Trustee had to consider whether to include or exclude green gilts from the emissions for the LDI portfolios. Excluding green gilts has the impact of increasing carbon footprint as it is assumed that the total UK emissions are apportioned only to non-green gilts (i.e. traditional gilts that have not been classified as "green"). The non-green gilts therefore become 'dirtier'. The analysis below assumes that UK emissions are allocated pro-rata across all gilts, including green gilts.

Funded/unfunded Exposure

Consideration also needs to be given to whether to include or exclude the unfunded exposure to UK government bonds achieved through derivatives instruments.

Unfunded exposure refers to the use of borrowing through the use of derivatives, such as gilt repurchase agreements (repos), to generate additional gilt exposure. By accounting for the emissions generated by gilts held out on repo, this can cause a marked increase in the reported emissions of the LDI portfolio.

Whilst there is no formal guidance, the Trustee notes that some pension schemes have started to report on unfunded gilt exposures, and has included total emissions including from unfunded gilts in the tables below.

Sovereign emissions are linked to a country’s economic activity and national-level emissions. In comparison to companies, it is harder to determine the “enterprise value” of a country. Therefore, a country’s level of emissions is not based on enterprise value but on a proportion of the country’s national-level emissions. Over the scheme year, the emissions of the government have been lower, driving a reduction in in funded Sovereign emissions. Additionally, there has been a reduction in the LDI carbon footprint. The Sainsbury’s and Argos Sections’ carbon footprint for Scope 1 emissions were 161 as at September 2024 versus 133 as at September 2025.

Sovereign Emissions

Sainsbury’s Section	Sept 2024	Sept 2025
Value (£m)	2,467.9	2,328.4
% of Section assets	43%	45%
Scope 1		
Total Carbon Emissions (Funded)	323,596	256,335
Total Carbon Emissions (Funded and Unfunded)	763,097	628,083
Carbon Footprint	161	133
Scope 2 and 3		
Total Carbon Emissions (Funded)	217,113	180,363
Total Carbon Emissions (Funded and Unfunded)	511,991	441,935
Carbon Footprint	108	94

Argos Section	Sept 2024	Sept 2025
Value (£m)	436	429
% of Section assets	45%	50%
Scope 1		
Total Carbon Emissions (Funded)	69,476	54,091
Total Carbon Emissions (Funded and Unfunded)	130,680	98,871
Carbon Footprint	161	133
Scope 2 and 3		
Total Carbon Emissions (Funded)	46,614	38,060
Total Carbon Emissions (Funded and Unfunded)	87,678	69,586
Carbon Footprint	108	133

Source: Gallagher, as at 30 September 2024 and 2025. Carbon metrics are proxied where there is insufficient data for funds. Certain information ©2025 MSCI ESG Research LLC. Reproduced by permission.

Appendix 1 | Metrics – Additional Information

Sainsbury's Section

The table below summarise the total emissions and emissions intensity metrics for the Sainsbury's Section for each of the underlying mandates.

Fund	Fund Value (£m)	Carbon Emissions (tCO2e)		Carbon Intensity (tCO2e / EVIC £m)	
		Current - Scope		Current - Scope	
		1 & 2	3	1 & 2	3
Liquid & Semi-Liquid Credit					
Insight Buy & Maintain Credit Portfolio	205.6	12,107	114,409	58.9	556.5
Insight Global ABS Fund	217.9	17,796	123,688	81.7	567.7
Insight Secured Finance	542.7	52,107	369,486	96.0	680.9
PIMCO Buy & Maintain Portfolio	577.9	39,871	259,578	69.0	449.2
Illiquid Credit					
AG Direct Lending Fund III (Unlevered)	39.9	5,155	32,695	129.1	818.7
AG Direct Lending Fund IV (Unlevered)	100.8	13,007	82,502	129.1	818.7
BlackRock Opportunistic Credit Fund	0.5	69	452	149.0	980.6
CapitalSpring Investment Partners V Parallel II	13.1	2,862	22,110	218.0	1,684.3
GSAM RECP III Financing Arrangement	17.1	1,495	9,645	87.5	564.7
KKR Lending Partners Europe I	4.3	482	3,574	111.6	827.9
LGT Crown Distressed Credit Opportunities III	15.0	3,271	25,268	218.0	1,684.3
M&G Illiquid Credit Opportunities Fund VII	223.1	33,235	218,780	149.0	980.6
M&G Secure Income	284.6	25,463	180,033	89.5	632.6
Orion Mine Finance II	20.2	1,982	18,018	98.3	893.3
Schroders Life Insurance Linked Securities Fund I	35.2	48	3,680	1.4	104.5
Schroders Life Insurance Linked Securities Fund II	129.6	176	13,535	1.4	104.5
Stellus Credit Master Fund II	11.6	2,522	19,483	218.0	1,684.3
WP Private Debt Co-Investment Fund III	4.6	578	3,807	124.7	821.0
WP Private Debt Partnership Fund III	4.5	557	3,665	124.7	821.0

Sainsbury's Section (continued)

Fund	Fund Value (£m)	Carbon Emissions (tCO ₂ e)		Carbon Intensity (tCO ₂ e / EVIC £m)	
		Current - Scope		Current - Scope	
		1 & 2	3	1 & 2	3
Illiquid Markets					
Adams Street Private Equity Portfolio	232.4	22,841	207,602	98.3	893.3
CBRE Residual Holdings	43.3	150	1,959	3.5	45.2
Insight Farmland	0.4	0	0	0.0	0.0
Partners Group Global Secondary 2006 Fund	0.0	1	6	124.7	821.0
Totals	2,724.2	235,771	1,713,976	86.5	629.2

Source: Gallagher and fund managers, as at 30 September 2025. Carbon metrics are proxied where there is insufficient data for funds. Certain information ©2025 MSCI ESG Research LLC. Reproduced by permission.

Argos Section

The table below summarise the total emissions and emissions intensity metrics for the Argos Section for each of the underlying mandates.

Fund	Fund Value (£m)	Carbon Emissions (tCO ₂ e)		Carbon Intensity (tCO ₂ e / EVIC £m)	
		Current - Scope		Current - Scope	
		1 & 2	3	1 & 2	3
Liquid & Semi-Liquid Credit					
Insight Buy & Maintain Credit Portfolio	79.7	5,080	46,416	63.8	582.5
Insight Global ABS Fund	76.7	6,263	43,528	81.7	567.7
Insight High Grade ABS Fund	43.9	3,589	24,945	81.7	567.7
Insight Secured Finance	44.2	4,244	30,095	96.0	680.9
PIMCO Buy & Maintain Portfolio	89.8	6,905	39,800	76.9	443.4
Illiquid Credit					
AG Direct Lending Fund III (Unlevered)	5.7	736	4,671	129.1	818.7
AG Direct Lending Fund IV (Unlevered)	14.0	1,807	11,459	129.1	818.7
Arcmont Direct Lending Fund III	20.7	2,307	17,115	111.6	827.9
AXA Senior Commercial Real Estate Debt UK 8	2.1	19	88	9.0	41.2
GSAM Broad Street Loan Partners IV (Unlevered) Fund	6.3	791	5,206	124.7	821.0
KKR Special Situations I	3.5	763	5,893	218.0	1,684.3
M&G Illiquid Credit Opportunities Fund VII	31.2	4,653	30,629	149.0	980.6
Illiquid Markets					
Partners Group Global Real Estate Secondaries 2009	2.5	25	98	10.1	38.9
Partners Group Global Real Estate Secondaries 2013	6.7	68	260	10.1	38.9
Totals	427.0	37,250	260,203	87.2	609.3

Source: Gallagher and fund managers, as at 30 September 2025. Carbon metrics are proxied where there is insufficient data for funds. Certain information ©2025 MSCI ESG Research LLC. Reproduced by permission.

Appendix 2 | Covenant Analysis

The Sainsbury's and Argos Sections of the Sainsbury's Pension Scheme (the "Scheme") are both supported by participating employers (the "employers") within the J Sainsbury Plc group (the "Group"). As the employers represent key trading entities within the Group and both Sections of the Scheme benefit from wider Group support, the Trustee considers the potential impact of climate change on the Group as a whole.

Rising global temperatures and the transition to a low carbon economy mean the Group, consistent with many businesses, is exposed to a range of climate-related risks, such as supply chain disruption and changing consumer demand. Climate change may also provide opportunities for the Group, including increasing demand for electric vehicle charging and more sustainable products.

The Group's efforts to address climate change are supported by climate-related targets and cross-industry reporting metrics. The Group's targets include an ambition to achieve net zero greenhouse gas emissions ("GHG") in its own operations by 2035 (Scope 1 and 2) and to achieve net zero Scope 3 emissions by 2050. The Group has made good progress in delivering a reduction in GHG emissions in its own operations to date; reducing Scope 1 and 2 emissions by 52.8% by 2024/25 (against the Group's 2018/19 baseline). Sainsbury's Management estimates that 96% of its 2024/25 emissions are in its value chain (Scope 3), which are beyond the Group's direct control and as with many corporates, the reduction in Scope 3 emissions to net zero by 2050 remains a substantial challenge.

Both Sections of the Scheme may be reliant on the covenant support provided by the Group over the long-term, as the Sections complete their journey to a low dependency funding position and deliver their long-term objective to provide member benefits. This corresponds to an important period in the Group's transition to net zero and a period where the Group is exposed to the potential impact of climate-related risks.

Assessing the potential impact of climate change on the Group is therefore an important consideration when assessing the strength and prospects of the covenant and helps inform the overall strategy for both Sections of the Scheme. Currently there is no indication that climate risks will materially impact the employers' ability to support both Sections of the Scheme, after allowing for planned mitigating actions. However, it remains important for the Trustee to continue to monitor the impact of climate risks as the position evolves over time.

Climate-related risks and opportunities

Sainsbury's management has identified several key climate-related risks (transition and physical) and opportunities that could impact the future operational and financial performance of the Group over the Scheme's short-, medium- and long-term time horizons. Sainsbury's management has also conducted quantitative scenario analysis to assess the potential financial impact of the Group's most material climate risks on its most exposed product categories, under different climate scenarios and time horizons (see further information below).

Transition risks

The transition to a low carbon economy encompasses the actions taken by governments, organisations and individuals to limit global warming by reducing GHG emissions and adopting low carbon technology. Transition risks encompass the potential impact of measures to reduce GHG emissions, such as changing consumer behaviours and regulatory changes (e.g. carbon pricing). The key transition risks identified by Sainsbury's management include:

- Carbon pricing – the risk of an introduction of carbon pricing, which leads to an increase in the cost of higher GHG emission products. Sainsbury’s management considers the potential financial impact of carbon pricing over 0-15 years (equivalent to the Scheme’s short to long-term time horizon), is medium (annual revenue impact of between £25m and £125m) after factoring in mitigating actions such as the development of a sustainable, low GHG product portfolio, as an alternative for consumers.
- Ban on the sale of new petrol/diesel cars and vans - the risk that the UK ban on the sale of new petrol/diesel cars and vans, which is currently expected to come into force from 2035 (noting the UK Government is also considering bringing the ban forward to 2030) leads to a reduction in fuel sales. After allowing for mitigating actions such as the rollout of electric vehicle (“EV”) charging points across stores, Sainsbury’s management considers the potential financial impact over 5-15 years (equivalent to the Scheme’s long-term time horizon), could be high (greater than £125m annual revenue impact).

Sainsbury’s management has considered the potential financial impact of key transition risks under a low emissions scenario (1.5°C) over the period to 2030. This broadly aligns to the Scheme’s ‘Disorderly’ climate scenario over the Scheme’s medium-term time horizon. This scenario considers the potential financial impact on selected product categories where physical risks associated with climate change are limited, but high transition risks are experienced as the world attempts to meet the Paris Agreement.

Under this scenario, the potential revenue impact on the Group is significant (before allowing for any mitigating actions); up to £1.3bn fall in fuel sales as a result of the ban on the sale of new petrol/diesel and hybrid cars and vans from 2035; and up to £500m fall in Meat, Fish and Poultry (“MFP”) sales as a result of adding a carbon price to MFP products, which reduces consumer demand. This scenario highlights the potentially significant financial impact of the Group’s climate-related transition risks within a relatively short timeframe.

Sainsbury’s management believes that after allowing for mitigating actions, there is an overall opportunity for the Group from the sale of MFP (e.g. by developing and promoting lower GHG alternatives). Sainsbury’s management also considers that the ban on the sale of new petrol/diesel and hybrid cars and vans from 2035 could provide a potential opportunity for the Group from providing customer electric vehicle charging, which as a minimum could significantly offset the loss of fuel sales.

Physical risks

Physical risks relate to the risk associated with increasing global temperatures and corresponding extreme weather events, such as flooding, droughts, extreme heat events and the potential impact on the Group’s operations and supply chains. Key physical risks identified by Sainsbury’s management include:

- Extreme global weather events – Increased likelihood of heat events, flooding and droughts leading to reduced crop yields and increased sourcing costs. Sainsbury’s management considers the potential financial impact over the next 50 years (equivalent to the Scheme’s short to long-term time horizon), is medium to high (greater than £25m annual revenue impact) after factoring in mitigating actions, such as the Group’s work with strategic suppliers to enhance supply chain resilience.
- UK flood risk – Increased likelihood of flooding leading to water damage and closure of stores and depots. Sainsbury’s management considers the potential financial impact over the next 50 years (equivalent to the Scheme’s short to long-term time horizon) is low (less than £25m annual revenue or cost impact). This is after allowing for mitigating actions, such as

undertaking flood risk assessments across the estate and the installation of flood defence measures in high-risk areas.

Sainsbury's management has considered the potential financial impact of key physical risks in a high emissions scenario (4.3°C) over the period to 2050. This broadly aligns to the Scheme's 'Hot House World' climate scenario over the Scheme's long-term time horizon. This scenario considers the potential financial impact on selected product categories in isolation where global warming reaches 4.3°C (high emissions), where no global action is taken to reduce emissions, leading to extreme physical risks manifesting in the long term.

Under this scenario the Group has evaluated the impact on the production of Produce, Cotton, Coffee and Tea from the most material physical climate risks (e.g. heat events, drought, flooding and labour capacity). These risks could lead to diminished or lost crop yields that would result in increased supply costs which are passed on directly to the consumers, reducing demand and impacting revenue.

The Group's analysis indicates that an extreme heat event could have the most material impact of the physical climate risks considered on the revenue of the selected products, including; Produce (up to £40m), Cotton (up to £60m), Coffee (up to £50m), and Tea (up to £35m), before allowing for any mitigating actions.

This scenario highlights the potential financial impact of the Group's climate-related physical risks on individual product categories over the long term. However, Sainsbury's management concludes that mitigating actions that are being implemented or considered as part of its ongoing strategic planning will act to minimise the financial impacts of the risks identified. This includes the Group's work with suppliers and investment in sustainability projects which Sainsbury's management considers will contribute to increased climate resilience. Overall, Sainsbury's management concludes that the Group remains resilient to the impacts of climate change under the scenarios assessed.

In the event global temperatures increase higher or earlier than anticipated and/or efforts to transition to a low carbon economy are less successful, there is a risk that the physical and transition risks identified above are more likely to occur, may occur sooner and may have a greater financial and operational impact on the Group.

Climate-related opportunities

Sainsbury's management has also identified several climate-related opportunities, including:

- Launching new products to meet the demands of climate-conscious consumers that favour lower GHG emission products; and
- Launching Smart Charge (a dedicated EV charging business) to service the increasing demand for EV charging across stores.

Sainsbury's management considers these opportunities provide a potential revenue opportunity which could be realised over the Scheme's short to medium term time horizons.

Sainsbury's management has also identified opportunities to invest in climate change solutions to improve the Group's energy efficiency, reduce food waste and reduce carbon emissions, which could support the Group's net zero transition and the future equity growth of the Group. These opportunities may also act to offset the potential negative impact from transition and physical risks, e.g. the roll out of EV charging points across stores could mitigate lost revenue from fuel sales.

Risk Management

Sainsbury's management recognises the evolving risk posed by climate change and has embedded climate considerations into the Group's corporate strategy to inform decision making over the short, medium and long term. The Board is ultimately responsible for risk Sainsbury's management, strategy and target setting, including climate-related matters and regularly monitors how the Group is responding to climate related risks and opportunities.

The Trustee receives advice from their covenant adviser on the impact of climate change. As part of its covenant assessments, the covenant advisor identifies climate risks and considers the materiality and timing of these risks relative to the Scheme's journey plan to inform the strategy of both Sections of the Scheme. The covenant advisor also monitors risk using regulatory and policy announcements and Group information and reports periodically to the Trustee.

Source: PwC, dated October 2025.

Appendix 3 | Limitations of Climate Scenarios

The liability scenario modelling quoted in this report was undertaken by the Scheme Actuary, WTW, and they stress a number of caveats to such work, as follows:

Existing climate scenarios and their limitations have been subject to a number of (valid) criticisms more recently. A number of limitations remain in respect of these scenarios, which have important implications for how the analysis is interpreted and which is outlined below.

Climate science is complex and uncertain, and ultimately all climate scenarios are simplified and stylised (as with any set of scenarios). The real world is a complex adaptive system which is very hard to capture using any quantitative model, no matter how sophisticated. It is therefore imperative to treat climate scenario analysis as illustrative in nature.

The impact of climate change on investment returns depends upon the extent to which actual outcomes are in line with market pricing. The market pricing of climate risk is almost impossible to observe and therefore broad-brush assumptions must be made around what is currently priced in and when and to what extent market pricing will move.

Longevity impacts are also very difficult to either predict or disaggregate from other impact sources. In particular, while WTW's views on the future paths for mortality associated with the current scenarios imply relatively little direct impact on mortality for UK populations due to climate change, the indirect impacts from economic and societal change are modelled to be more significant and inherently may be dependent on those socio-economic outcomes.

The scenarios are based upon the latest climate science at the time of derivation, but this is a very rapidly evolving and uncertain field. These uncertainties mean that there can be no guarantee that any given level of transition in the scenarios will result in the associated level of warming and physical risk assumed.

Mortality Risk Modelling limitations

The approach taken to modelling the future paths for mortality recognises that any detrimental view about future longevity is likely to reduce the liabilities of a pension scheme. While the market value of assets could fall quickly in response to concerns driven by climate factors, WTW's view is that any consensus on changes in future longevity would be slower to emerge.

The negative health outcomes for the population associated with climate change could be wide ranging, and the detrimental impact could potentially far exceed the allowance made within the paths for mortality modelled in light of WTW's climate scenarios, particularly if there is no possible policy response sufficient to offset the change. Such negative paths are not considered helpful in scenario analysis where the principle is to discuss actions that do fall within the power of policy makers and other stakeholders, but they should still be regarded as a potential occurrence.

Source: WTW, dated 30 September 2024.

Glossary of key terms

Credit Default Swaps (“CDS”) refer to a type of derivative contract that allows an investor to transfer the credit risk of a bond to another party. By being “short” CDS, an investor can gain a “long” exposure to credit risk.

ESG refers to Environmental, Social and Governance factors that could affect the performance and sustainability of a business.

EVIC refers to a company’s Enterprise Value Including Cash. This is the sum of the market capitalisation of shares and book values of total debts and minority interests at the fiscal year-end.

Funded/Unfunded exposure refers to the use of borrowing. In an LDI portfolio, this may be through the use of derivatives such as gilt repurchase agreements (repos) or swap agreements.

Green Gilt is debt issued by the UK government, and is similar to traditional gilts, except that the proceeds from the borrowing are directly used to finance "green" projects.

Gilts-crisis refer to the period from 23 September to 14 October 2022 when there was significant volatility in gilt markets leading to very large collateral calls in respect of derivative instruments used in LDI portfolios.

Liability Driven Investment (“LDI”) is an investment strategy that seeks to generate an asset return in line with the Scheme's liabilities. The LDI portfolio will have sensitivity to inflation and interest rates that will be similar to that of the liabilities.

Liquid credit refers to investment grade corporate bonds, asset backed securities and CDS.

Partnership for Carbon Accounting Financials (“PCAF”) Data Quality Score refers to a system used to assess the quality of data used to calculate greenhouse gas emissions from financial activities, with 1 being the highest quality data and 5 being the lowest quality data.

SBTi refers to the Science Based Targets initiative – an organisation that enables companies and financial institutions to set science-based emissions reductions targets.

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

TCFD refers to the TaskForce on Climate-Related Financial Disclosures – a global initiative that provides recommendations and resources for reporting climate-related risks and opportunities.