Your Workplace Pension

Full Report in line with Taskforce for Climate-Related Financial Disclosures (TCFD)

Year Ending 31 March 2024

Published October 2024

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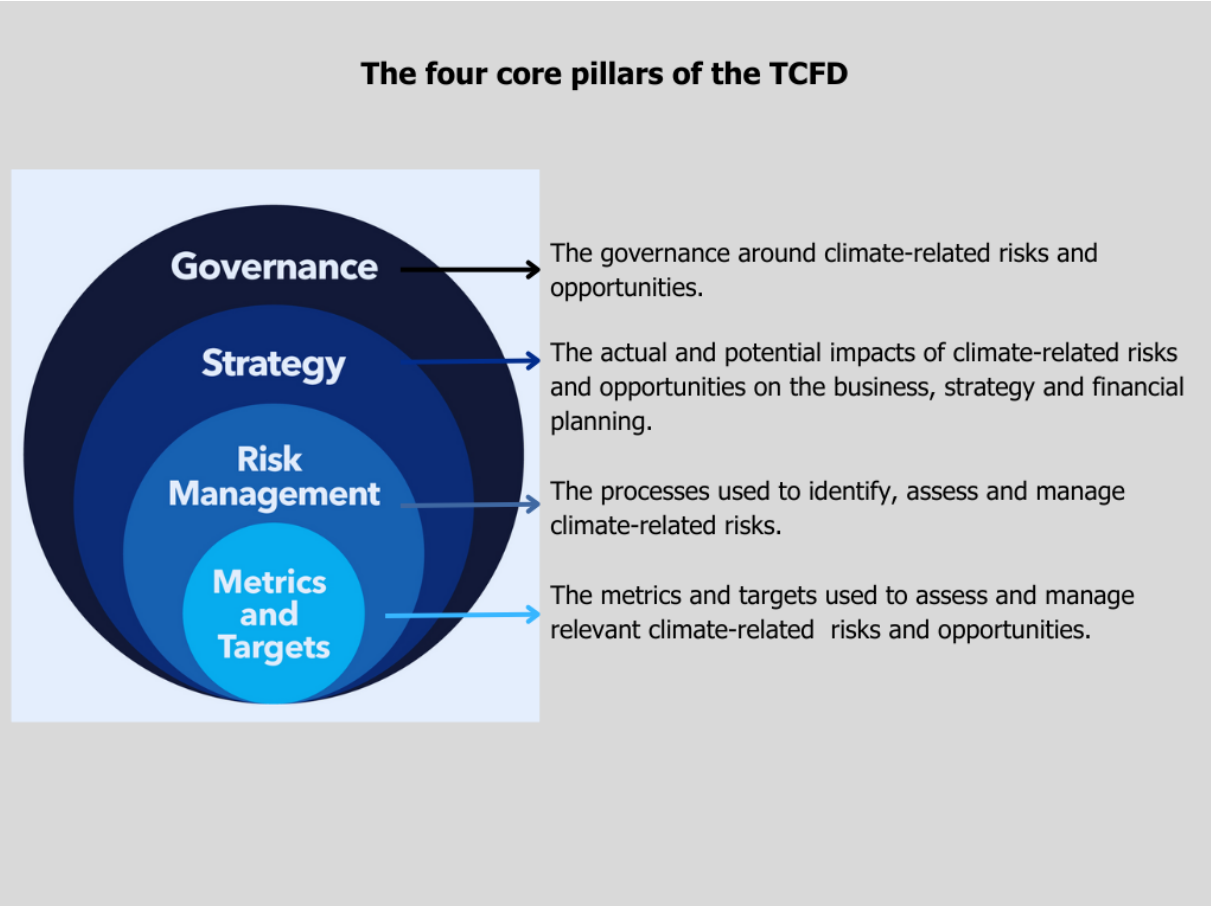
1. Introduction

1.1 Background to the TCFD

The Taskforce on Climate-Related Financial Disclosures ("TCFD") is an international body which promotes more effective climate-related disclosures to enable a better understanding of the financial system's exposures to climate-related risks. The Taskforce has set out a list of recommendations for how best to consider their impact on climate; these are structured around four core pillars.

Figure 1: The four core pillars of the TCFD



1.2 Scope of the report

The Occupational Pension Schemes Regulations introduced new reporting requirements in line with the TCFD recommendations.

The Options Workplace Pension Trust ("Options") falls within these guidelines and published our first regulatory report for the scheme for the year ending 31 March 2022. This 2024 report covers the scheme year from 1 April 2023 - 31 March 2024.

As required by the Department for Work and Pensions ("DWP"), analysis of climate-related risks and opportunities ("CRRO") needs to cover each of Options' popular arrangements which account for 10% or more of the Scheme's assets. This includes the following as at 31 March 2024:

Figure 2: Option's popular default arrangements

Default Fund	Investment Manager	Size of Fund
Target Date Fund (TDF)	Alliance Bernstein ("AB")	£100,245,750.91
Quilter Lifestyle	Quilter Cheviot ("Quilter")	£56,497,939.39
Lifepath	BlackRock	£209,514,249.78
Balanced Fund	TAM Asset Management ("TAM")	£161,405,910.84

1.3 Net Zero target

The Trustee set a target of achieving Net Zero by 2050, with a 50% reduction in greenhouse gas ("GHG") emissions by 2030 across the Scheme's investments. We continue to measure progress towards these targets and, while there have been challenges with inconsistent data across Investment Managers, we believe that, from the data available, the targets set are realistic. After a disappointing year on year increase in Weighted Average Carbon Intensity ("WACI") for 2023 we are pleased to see a return to target in 2024. Carbon Footprint saw a more minor reduction this year though still remains ahead of target. It is the Trustee's view that for the most part Investment Managers are making progress towards achieving the Scheme's Net Zero targets, though we note that Quilter's emissions have risen the last two years likely due to the shift from a UK to global focus. As the scheme has triggered wind up it is likely that these assets will be moved to an alternative investment offering. The Trustee will consider their Net Zero targets in any decisions around destination of the assets. A comprehensive table of metrics is shown in Figure 17.

1.4 Scenario analysis

The DWP regulations require scenario analysis to be performed in order to test our investment strategy and compare the effect each scenario has on the expected returns and risk profile of each default strategy. As this is only required every three years, the next scenario analysis will not be required till 2025. The Scheme's Investment Consultant has provided an extension of the analysis performed last year that assesses the effect each scenario has on the expected returns and risk profile of each default strategy. We acknowledge that this is a complex and relatively new area with many uncertainties, but we remain confident the models and data will improve each year.

1.5 Scope 3 emissions

We continue to introduce Scope 3 GHG emissions, which include other indirect emissions in the value chain (upstream and downstream). The Investment Managers were requested to provide Scope 3 emissions data separate to Scope 1 and 2 and these have been incorporated into the metrics results where possible.

There have been challenges with base-year data, resulting in progress towards targets being tracked on Scope 1 and 2 emissions data for the time being.

1.6 Climate beliefs

In our first two TCFD reports, the Trustee set out our commitment to recognising the importance of climate change on Options by formulating a set of climate-related beliefs. These beliefs have been incorporated into the Statement of Investment Principles (SIP) and we will continue to uphold these beliefs and be guided by them when considering operational and strategic decisions on behalf of Options and its members.

1.7 Limitations and data gaps

Despite best efforts, there are a number of limitations and data gaps that impact the analysis done in this report. These include:

- The majority of the analysis is currently limited to Scope 1 and 2 emissions. Scope 3 data was requested from Investment Managers but availability is limited, though has grown since last year. In addition, data coverage by asset class is fairly limited, with Investment Managers still being unable to provide much detail on sovereign-issued bonds. We expect coverage to improve over time, however, this will likely require adjustments to be made to base-year figures.

- In this report, we have limited our analysis to the four relevant default strategies which collectively account for approximately 95% of assets. We believe this selection provides a representative sample of the Scheme, although some degree of variation is expected to exist.

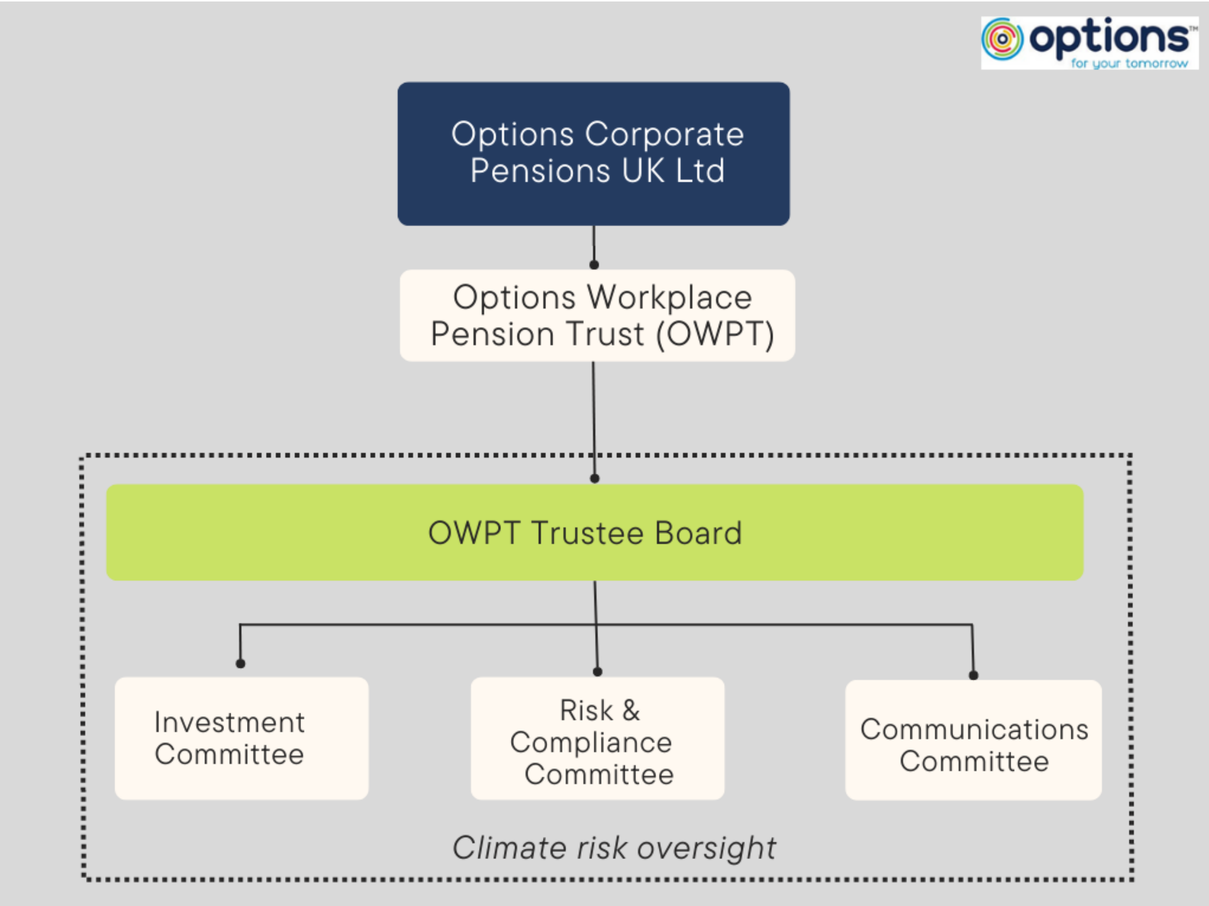
- Blackrock was only able to provide metrics information at 31st December 2023, however we believe this should be representative of the position at March.

- While consideration has been given to how investment strategies are likely to change over time, it is impossible to predict Investment Manager behaviour. This is further complicated as the scheme has triggered wind up and it is likely that many assets will be moved to alternative investment strategies. As such, projections could change meaningfully if underlying investments change.

2. Governance

Climate-change is one of our highest priorities as Trustees. We have oversight of all CRRO activities and delegate certain responsibilities to the Scheme's committees as detailed in Figures 3 and 4.

Figure 3: Options Organisational Chart as at April 2024



Note: Following the end of the scheme year the Trustees no longer run separate sub-committees but instead all Trustees attend all meetings with certain meetings taking on the agendas of the previous committees.

Figure 4: Log of climate related responsibilities and activity

Governance	Roles & Responsibilities	Activity in 2023-24
Options Corporate Pensions UK Ltd ("OCPUK")	OCPUK are the main funders of the Scheme and have the authority to appoint the OWPT Trustee Board.	Activity undertaken by OCPUK: • Supported Trustees in their TCFD and Climate Risk activities.
Trustee Board	The Master Trust Trustee Board is responsible for overseeing the governance, regulatory requirements and investment performance of funds held within the Master Trust, and to act in the best interest of all members to determine good member outcomes with regard to retirement benefits. The Trustee Board has ultimate responsibility for ensuring effective governance of climate-related risks and opportunities at the Scheme. The Board meets every quarter and has included climate-related training, best practice, risks and opportunities as a dedicated item at board meetings. Scenario Analysis is expected to be undertaken at least every 3 years with continuing reviews of reports conducted by Investment Managers and Consultants. Any new trustees appointed will be required to complete training on an initial and an ongoing basis.	Activity undertaken by the Trustee Board: • Receives regular updates from the Pensions Climate Risk Industry Group (PCRIG) and is willing to participate in any research and consultations with them or the DWP directly. • Continue to approve and publish annual regulatory TCFD reports and constantly review TCFD so risk is monitored by both ISC and RCC but is not deemed a high risk at present. • Assessed feedback from TPR with all recommendations incorporated in the 2024 TCFD report. • Satisfied themselves that the Investment Consultant demonstrated the 5 key themes of the Investment Consultants Sustainability Working Group and their guidelines as part of their competency assessment. • Encouraged paperless operation. • Considered the implications of increases in WACI compared to 31st March 2022 in the 31st March 2023 report within the Lifepath & TAM defaults and its impact on the Scheme's interim Net Zero target. Reached out to managers stressing the goal and received assurances that there was alignment. Trustees approved consolidation of the TDFs however this has not occurred yet. Managers have reduced WACI as reported in this 2024 report and the scheme is now back on track. • Maintained and monitored CRROs within the Risk Register, attached as Appendix 1

Governance	Roles & Responsibilities	Activity in 2023-24
Investment Committee	The purpose of the Investment sub-committee is to facilitate the investment requirements of the members and regularly review the performance of the Scheme's chosen default and self-select funds. The objectives are to: • Ensure the main Scheme default fund remains the appropriate default for the Scheme's members; • Ensure that the section default funds remain the appropriate default for the Section's members • Set out the aims and objectives in relation to the investments held in both the default strategy for the main Scheme and its sections and also any available self-select funds; • Ensure the Statement of Investment Principles is up-to-date and relevant with all details of current investments; • Perform a quarterly review of fund performance reports to ensure continual suitability of the default strategies and self-select funds; and • Undertake an annual review of all investment options and the Statement of Investment Principles. Ensure that the ESG and Climate principles and policies of the Board are embedded into Investment Management actions and activities.	Activity undertaken by the Investment Committee: • Considered climate risk and opportunities alongside other risks and opportunities when making investment decisions. • Continued to press managers for better metrics and data. • Confirmed the conclusions of the 2023 TCFD Report suggesting that the Scheme was likely to meet the interim net-zero target of halving emissions based on WACI by 2030 without further adjustments to the investment strategy being required at this stage. • Escalated to the Trustee regarding the relatively small overall decrease in WACI, driven by TAM and Quilter - largely due to TAM growth and change in Quilter strategic asset allocation. Concluded there may be extra risk due to the actively-managed element meaning more potential for carbon volatility, but not a top 6 climate risk. • Continued to monitor Emerging Market Debt exposure and are satisfied the risk remains well managed. • Continued to engage with investment Managers on asset allocations and Climate goals:. TAM is working towards lifestyling to give greater control of risk, including climate risks, for different member ages.
Communications Committee	The purpose of the Communications Committee is to oversee the development of the communications roadmap. The objectives are to: • build and maintain the communication plan and roadmap; and • ensure that all communication and engagement activities are delivered in line with the communication plan.	Activity undertaken by the Communications Committee • Published the 31st March 2023 TCFD report. • Coordinated TPR feedback on the 31st March 2023 TCFD report to be implemented in this 31st March 2024 report.

Governance	Roles & Responsibilities	Activity in 2023-24
Risk & Compliance Sub-Committee	The purpose of the Risk & Compliance sub-committee is to ensure that risks, including CRRO, are updated and that appropriate parties are made aware of recommendations, whilst maintaining compliance with regulations. The objectives are to: • consider any aspect of the Trustee's Risk Management Policy, and review the Risk Register at least annually making recommendations to the Trustee Board as appropriate; • commission, receive and consider reports on any key financial, operational and other risk issues; • review any points of substance on the adequacy of internal controls raised by the auditors or other professional advisers and make recommendations to the Trustee Board as appropriate; • monitor complaints and trends and report findings to the Trustee Board; • review all Trustee policies at least annually and make recommendations to the Trustee Board; • review and ensure, on behalf of the Trustees, compliance with current data protection legislation; • keep a record of and review annually the various policies and processes operated by the Trustees in relation to current data protection legislation and to recommend any necessary changes to the Trustees, and to report on the outcome of the annual reviews to the Trustees; • notify the Trustees in the event of any data protection breach, to facilitate, as necessary, the issuing of relevant notices to the Information Commissioners Office and / or members	Activity undertaken by the Risk & Compliance Committee • Maintained and monitored risk register with Climate Risks included, confirming the risks remained relevant.
Dean Wetton Advisory ("DWA")	The Trustee has appointed DWA as the scheme's independent investment consultant. DWA provides strategic advice on funds used in the scheme's default and self-select arrangements, including Section 36 advice. DWA considers ESG and climate-related factors when advising and selecting strategies. The Trustee sets objectives for DWA and the review process is run by the Investment Committee on behalf of the Trustee. Included in this review are climate-related objectives.	DWA has: • successfully renewed their application as a service provider for the Financial Reporting Council (FRC) UK Stewardship Code in its effort to promote transparency and integrity; • Updated their ESG rating system to include explicit focus on Climate and better recognise the importance of engagement.

Note: Actions in bold italics are to be included as agenda items at the next meeting of the relevant governing body.

2.1 Data and information

The Trustee has been working with the Scheme's Investment Consultant and Investment Managers to reach a position where they are able to provide reports detailing:

- At least annual Scope 1 and 2 emission metrics[1] for the portfolio, with previous period change (and where possible Scope 3);
- At least annual carbon intensity metrics for the portfolio, with previous period change;
- A stewardship report produced at least annually detailing the Investment Manager's record for voting and engagement within the portfolio, including information on significant votes made on each equity fund which will include issues such as climate;
- Annual report detailing the portfolio's performance against agreed targets.

The current and expected ability to provide this information varies between Investment Managers though has improved substantially over time. When reviewing and retaining Investment Managers, the Trustee considers their ability to support their disclosures as being a significant factor.

2.2 Commitments to wider initiatives

Together with our Investment Consultant, the Trustee receives regular updates from the Pensions Climate Risk Industry Group (PCRIG) and is willing to participate in any research and consultations with them or the DWP directly.

With our Investment Consultant, we have been engaging with our default Investment Managers on climate reporting and best practice. BlackRock and AB are signatories of the Net Zero Asset Managers Initiative. TAM is one of our default Investment Managers and they are participants of Carbon Neutral Plus.

[1] A definition of Scope 1, 2, 3 emissions and other terms are available in the Glossary

3. Strategy

3.1 Introduction

The Trustee acknowledges and supports the notion that the regulatory, physical and transitional effects of climate change will significantly affect our members' investments over time.

Based on our climate beliefs, Options' investment strategy aims to maintain an appropriate risk level and seek suitable returns for each default fund, ensuring members' financial goals are met throughout their journey to retirement and beyond.

In light of this, we consistently assess the impact of CRRO on our strategy across short-, medium- and long-term horizons. These timeframes were selected after careful evaluation to strike a balance between making meaningful progress and minimising any adverse effects on our members. By dividing our goals into these distinct periods, we can effectively manage any potential harm, particularly for those near retirement who may face challenges in recovering transaction costs incurred during asset transitions.

Our preference is to engage rather than divest, and we avoid premature disinvestment from funds that still align with our objectives.

Figure 5: Consideration of CRRO across short, medium, long term time horizons

	Short-term	Medium term	Long term
Expected time horizon	1- 5 years	5 – 15 years	15 – 30 years
Strategic considerations	Set targets and establish a roadmap to Net Zero. Annually review the investment strategy and asset allocations against Net-Zero targets. Establish a scenario analysis process with focus on the initial two scenarios: Current Policies and Below 2°C, both orderly transitions. Increase scope of scenario analysis to include disorderly transitions and new pathways. Consider further integration of more sustainable funds.	Continually assess progress towards 2030 interim Net Zero target against actual results. Consider suitability of investment strategy against 2030 target achievements, including the introduction of potential asset re-allocation for holdings that do not support Science Based Targets Initiative ("SBTi"), aligned to at least 2°C warming. Intensify scenario analysis based on outcomes of the IPCC assessment reports. Consider global progress towards tackling climate change and potential strategic responses.	Continually assess progress towards 2050 Net Zero target against actual results. Consider suitability of investment strategy against 2050 target achievements. Ramp up asset reallocation, if required.
Operational issues	Establish regulatory understanding and training. Embed CRRO into governance structures. Set up and identify CRRO with an emphasis on transition		

	risks.		

3.2 Suitability of the current investment strategy

During the selection of Investment Managers, the Scheme's Investment Consultants employ a process that includes evaluating ESG indicators for monitoring and appointing Investment Managers. DWA, our Investment Consultants, has devised its own ESG rating system which assesses the level at which Investment Managers incorporate ESG and climate factors into their strategies. DWA actively collaborates with Investment Managers, recognising that this field is relatively new for the industry and that all businesses must embrace necessary transformations.

The Scheme has four default strategies that are covered by the requirements of the regulations: those that form over 10% of the total assets within the regulatory period. The table at Figure 6 shows the percentage in each of those defaults as at 31st March 2024 (with the exception of Blackrock which was provided at 31st December 2023). Each default is well diversified with a range of both active and passive strategies and a broad spectrum of asset classes and geographies.

The 31st March 2023 TCFD report identified several potential risks to the investment strategy, leading to the following activity and adjustments:

- An increase in WACI was seen from the previous year, stemming predominantly from the Blackrock and TAM sections, particularly as the latter had grown significantly as a percentage of assets. The Trustees and their Investment Managers engaged with these managers to stress the importance of their climate goals. In addition, approval was given to consolidate the Blackrock Lifepath funds into the AB Target Date Funds however, this may not happen now as the master trust has entered wind-up and a double cost transition is wished to be avoided.

- Quilter has seen an increase in its intensity metrics for the second year running, partly due to its move from a UK focus to a more globally focused asset allocation. This is because the UK is a relatively low producer of emissions compared to the global economy. While this will be beneficial from a risk perspective and will help diversify climate risk exposure across geographies it does make achieving the net zero goals harder. Despite this the scheme remains on track as this is a proportionally smaller section. Quilter have acknowledged the importance of Net Zero and are developing their own goals.

- In the previous report an action was raised to monitor emerging debt exposure within the defaults as this was deemed a particularly high-risk asset. The emerging debt exposure in the TAM default fund sits within the JP Morgan Global Bond Opportunity Fund as well as the Columbia Threadneedle Social Bond fund. There may be some small amounts within some of the other fixed income elements from time to time. The allocations to these funds at 31st March 2024 was c.14% and c.2% respectively that puts the total exposure to Emerging Market debt at c.2.5%. The Trustee is satisfied that the level of exposure is acceptable but will continue to monitor the situation. There is also exposure to Emerging Debt within the Lifepath funds however this is also relatively small and would be resolved by the consolidation of these funds into the AB Target Date Funds which has been approved by Trustees.

- Progress is being made within the TAM default towards implementing a 'lifestyling' solution by including both a higher-risk and lower-risk fund alongside the balanced fund. By moving members between these funds based on their age, TAM will be able to control risk better across different member age groups. We believe this will allow TAM to better control many risks, including climate risks, and allow for improved response to risks and opportunities which may be more significant for particular age cohorts. An example of this is reduced risk for older members who may be less able to recover from any significant drawdowns in their portfolios, something that may become more likely as climate change intensifies. In addition, the change in strategy presents an opportunity to better align the investments with the Trustees' climate goals. Due to the scheme entering wind-up this transition towards a 'lifestyling' arrangement may be impacted.

These adjustments have been made in part as a response to the risks identified in the previous TCFD reports and aim to strengthen the investment strategy while managing potential climate-related vulnerabilities.

Over the past few years, the Scheme has experienced significant growth in assets, more than doubling in size since 2019. When setting our Net Zero targets, it is crucial to take into account the perspective of emissions intensity because, as the scheme expands and acquires more assets, the absolute carbon emissions are likely to increase purely as a result of its expansion in size.

We have collected emissions data from our Investment Managers and supplemented it with data from asset class indices where information was insufficient. This method allows us to approximate the Scheme's metrics as of December 2019 which serves as our base year. Back then, emissions reporting was not as thorough or accurate as it is today, and data quality still requires improvement. By partially estimating the 2019 position, we have established a benchmark to assess our progress. However, we will continuously update this baseline as more reliable data becomes available.

Overall, our Investment Managers have made progress in reducing the emission intensity within the Scheme's default funds and have actively taken measures and announced targets to minimise their own business impact. The Scheme is currently on target to meet its climate goals. Figure 6 provides a summary of the progress made:

Figure 6: Suitability of Investment Managers

Default Name - Investment Manager	Default % of overall scheme at Q4/2019 (based on AUM)	Default % of overall scheme at Q1/2024 (based on AUM)	TCFD report published	Net Zero Asset Manager Initiative/ Global Investor Statement on Climate Crisis	Net Zero Target as a Firm?	Climate Transition Plan for Fund range?	Change in WACI since 2019	Change in Carbon Footprint since 2019
TDF Fund Range - Alliance Bernstein	21%	18%	Yes	Yes	Net Zero Target by 2050	Yes - with details of TDF route to Net Zero	-63%	-75%
Life Path - BlackRock	50%	38%	Yes	Yes	Net Zero Target by 2050 but expects to reach it by 2030	Pledge for 75% of all equity/bond investments to be in SBTi companies by 2030	-37%	-29%
Quilter Carey Lifestyle - Quilter Cheviot	17%	10%	Yes	No	Net Zero Target plus reduce GHG emissions by 80% by 2030	Climate Action Plan for investments in development	+109%	+79%
TAM Focused Balanced	6%	29%	No	No	Certified Carbon neutral status achieved through offsets	Not as yet, though members can purchase verified carbon-offset credits via TAM	-28%	-25%
Total	**92%**	**95%**					**-29%**	**-46%**

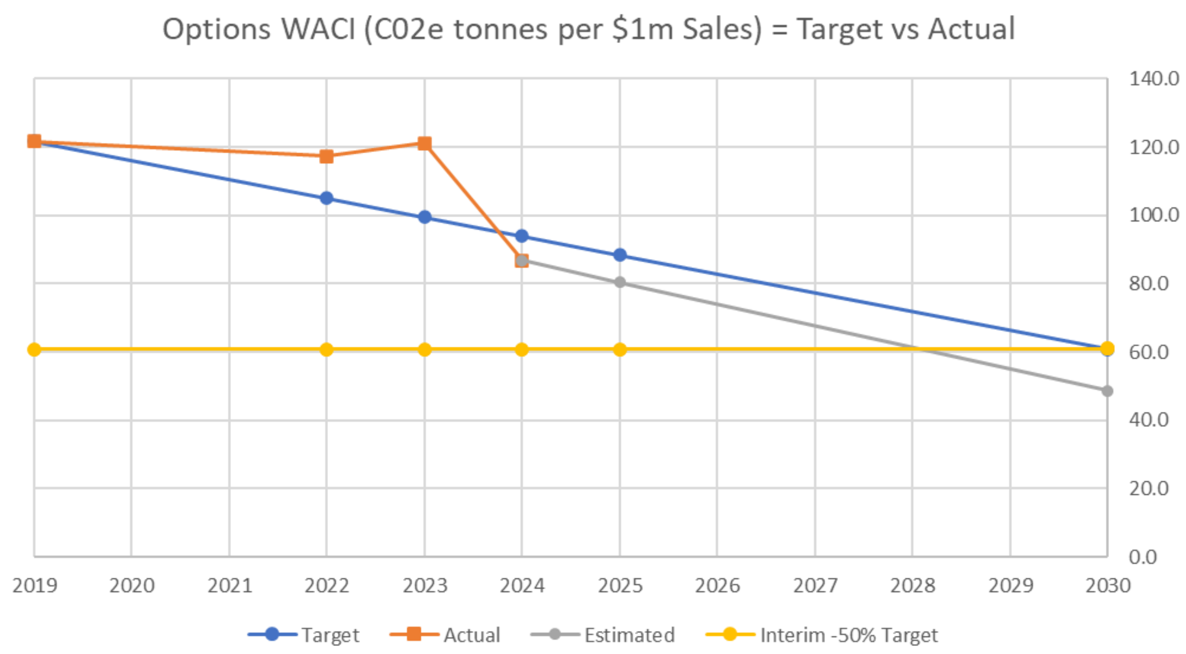
3.3 Progress towards our Net Zero targets

The calculations for both current and historical positions involve several estimations and assumptions, which are further detailed in this report. We consider the final figures to provide a reasonable approximation of the Scheme's position and trajectory. As data quality improves, we will update these numbers in any future reports that may be produced.

The progress towards attaining a 50% reduction in WACI by 2030 is depicted in Figure 7 below. Reductions in WACI have been accomplished across each individual default with the exception of Quilter, which transitioned its strategic asset allocation from a UK-focus to a more globally-focus. Following this change, there was an increase in carbon emissions intensity for the Quilter default. Quilter ultimately believes their ESG credentials and future prospects outweigh their current relatively high emissions intensity

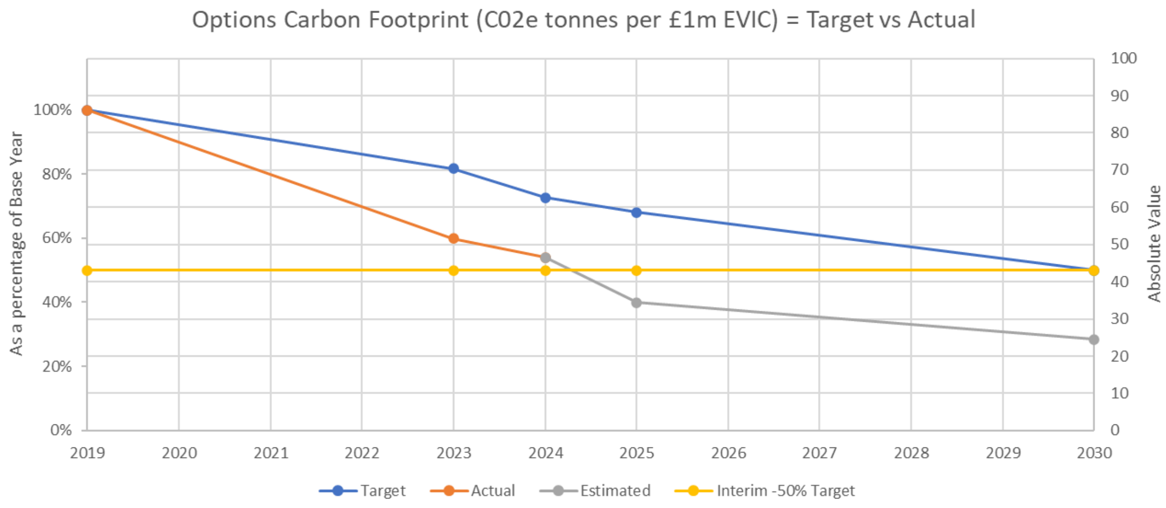
Significant reductions in TAM's WACI has helped bring the scheme back on track with its net zero goals after a rise last year. The Trustee maintains confidence that the target is both reasonable and attainable. The Investment Managers are aware of our Net Zero targets and have made their own pledges to address climate issues.

Figure 7: Progress towards Options' Net Zero target: WACI



We also prioritize a secondary metric, Carbon Footprint, which measures intensity relative to the amount invested. While this metric can fluctuate during periods of stock market volatility, it offers a crucial and insightful perspective. Carbon Footprint has already seen a remarkable reduction of 40% from the base year, marking substantial progress towards the goal of a 50% reduction by 2030.

Figure 8: Progress towards Options' Net Zero target: Carbon Footprint



3.4 Top 6 climate-related risks

The top six material risks and opportunities have been identified through a combination of in-depth scenario analysis performed in the 31st March 2022 TCFD report and the ongoing assessment of the CRROs faced by the Scheme. The full list of risks and opportunities is available in an extract from the Scheme's risk register in Appendix 1.

Figure 9: The top 6 climate-related investment risks and opportunities

Risk/Opportunity Type	Description	Possible Effect	Short-Term Impact	Medium-Term Impact	Long-Term Impact	Management/Policy Action
Transition opportunity	The Trustee continues oversight of the investment strategy and its suitability and alignment with the objective of achieving Net Zero.	Reduced risk of a disruptive transition and a positive culture based on a set of strong climate beliefs.	2	2	2	Encourage SBTi progression in equities and corporate bonds – 50% target set by 2025 measurable currently in equities but, over time, across the Scheme. The Scheme has also set its overall decarbonisation targets to reach Net Zero by 2050 which will reduce exposure to high carbon investments.
Transition opportunity	Investment allocation towards sustainable energy infrastructure, companies, bonds and debt offers prospects for investment opportunities, access to new markets and enhanced energy diversification.	Expected to stimulate technological advancements and generate fresh investment opportunities, particularly within the DC pensions market.	2	3	3	The Trustee is encouraging an increase in exposure to decarbonisation solutions/ green revenues across the Scheme by starting to request this data from Investment Managers.

Risk/Opportunity Type	Description	Possible Effect	Short-Term Impact	Medium-Term Impact	Long-Term Impact	Management/Policy Action
Transition/ physical risk	Increased Emerging Debt risk from dual possibility of increased cumulative climate hazard damage in economies more dependent on physical assets than in G7, as well as countries (China, South Africa, Mexico, Brazil and India) with high fossil-fuel reliance under pressure to decarbonise and thus be censured by investors if progress is not made.	Increased risk potentially contained within the Lifepath and TAM defaults that have current exposure to emerging debt. The medium-term time period could potentially suffer from both issues at the same time.	1	1	1	Emerging debt exposure in the TAM default is now around 2.5% which the Trustee is comfortable is an appropriate level as part of a diversified portfolio.
Transition/ physical Risk	Lower GDP forecasts from mega trends identified, e.g., lower consumption patterns and adaptation requirements.	Combination of climate factors could reduce equity returns across all defaults as an overall depressant to economic activity which may become more negative over time.	1	2	3	Lower levels of GDP have been factored into Scheme modelling assumptions, particularly in the long term, though with the understanding that adaptation progress is accelerating which may drive growth and limit negative effects.
Physical Risk	Damage to property and infrastructure, particularly in locations of chronic risks, e.g., heat stress or sea-level rise within the Scheme's investments.	The TDF, Lifepath and QC have direct property investments ranging from 3% to 8%. Loss of value, market illiquidity and asset obsolescence are risks that are likely to increase over time.	1	2	3	The Trustee previously reviewed results obtained from the real estate mapping exercise with AB and Quilter and does not deem it necessary to make any alterations to the asset allocation but will monitor and implement modifications as necessary in the medium-to-long term.
Physical Risk	Increased market volatility from acute extreme weather events in G7, e.g., a superstorm in the USA	Short-term market weakness from acute events causing interruptions in portfolio activity across all defaults which could happen more often over the medium-to-long term.	1	3	3	Higher levels of equity volatility have been incorporated into risk models for Options to assess the resilience of the scheme's strategy to climate risks

Note: Impact Levels 1-3 where 3 is highest.

3.5 Risk and returns modelling

While scenario analysis is not mandatory for this report, the Trustee has requested the Investment Consultant continue conducting risk and return expectation analysis. This analysis assesses the potential impact of two distinct climate scenarios on a pension pot across various member age groups. The climate scenarios utilised in this analysis remain consistent with the ones employed in the previous year's TCFD report and are as follows:

Figure 10: Summary of the two scenarios selected by Options

Below 2°C Scenario Summary	Current Policies Scenario Summary
Governments gradually increase the stringency of climate policies, giving a 67% chance of limiting global warming to Below 2°C. This scenario assumes climate policies are introduced immediately and become gradually more stringent, though not as tough as in Net-Zero 2050. Carbon dioxide removal (CDR) measures are relatively low. Net-Zero CO_2 emissions are achieved after 2070. Physical and transition risks are both relatively low.	While many countries have started to introduce climate policies, they are not yet sufficient to achieve official commitments and targets. If no further measures are introduced, 2.7°C to 3°C or more of warming could occur by 2100. This would likely result in deteriorating living conditions in many parts of the world and lead to some irreversible impacts like sea-level rise. Physical risks to the economy could result from disruption to ecosystems, health, infrastructure and supply chains.

3.6 Below 2°C Scenario: Expected returns results

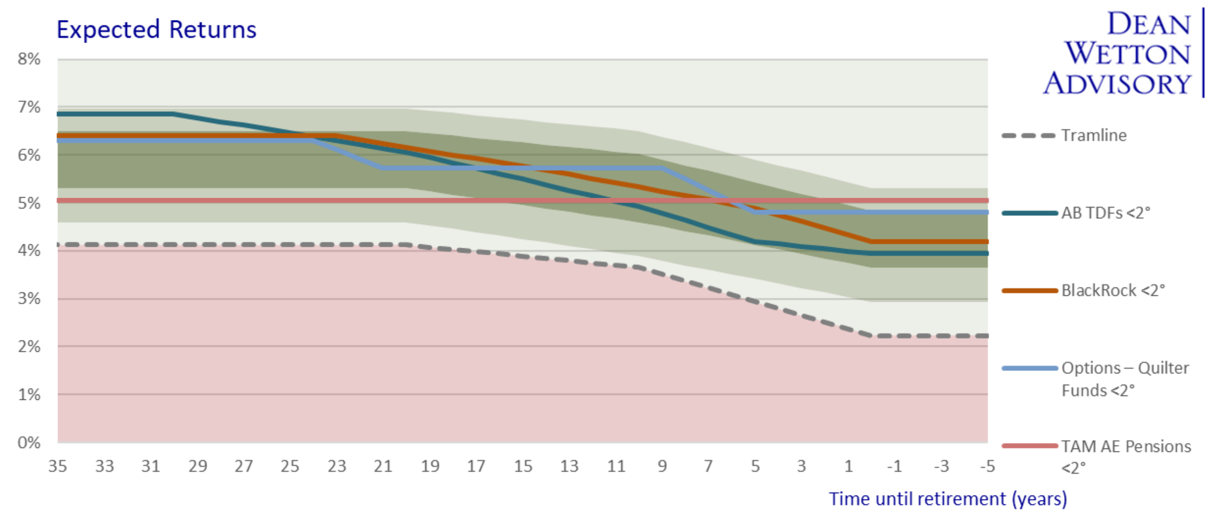
The model referred to as the "Fairway" model, presented below, takes into account a dynamic economic landscape across different climate scenarios. It incorporates adjustments to the anticipated risk and return for each asset class, considering DWA's comprehension of the asset classes and the extent of ESG and climate-change integration within the underlying funds of each default strategy.

Expected investment returns are considered for each asset class and aggregated into an expected return for each year over the life stages of members. Historic investment returns are used to consider the historic risk of the strategy at each point in time. Standard deviation, which indicates volatility, is used as a measure of risk. Historic standard deviation is considered a fair proxy for risk looking forward.

While newer and more recent risk and return data was added to the models, no significant changes were made to the assumptions compared with last year or the previous year. This is to be expected, as the assumptions made were long-term assumptions that would not be likely to change over short time periods. Expected return adjustments are based on expected changes in GDP under different scenarios. Baseline risk is adjusted, as expected, on a proportionate basis.

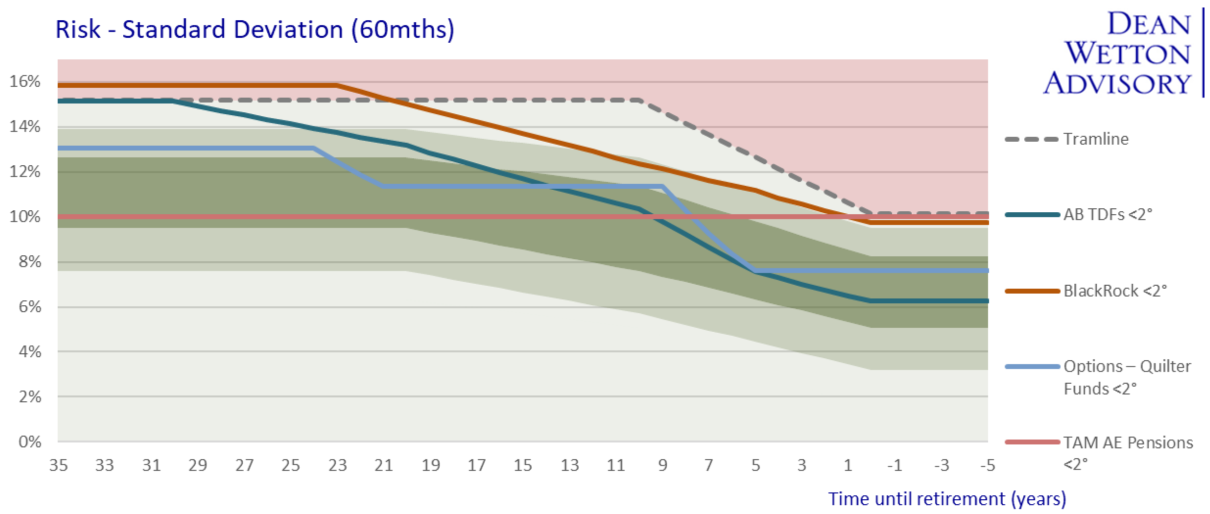
The Fairway charts below look at these metrics across all stages of a default strategy with the x axis showing how far a member is from retirement age and the y axis quantifying the measure at that stage. This allows us to see how older and younger members will be relatively affected.

Figure 11: Below 2°C Expected Returns Impact



The Below 2° C scenario sees a relatively minor reduction in expected returns across all defaults over the long term. It is possible in the short- to medium-term periods that returns may be slightly weaker than we are used to in a Below 2°C scenario. Significant steps will soon be required to limit temperature rises and these will likely have a negative effect on investment returns, as the increased costs and risks involved in adapting businesses to a low-carbon economy will likely result in lower profits and increased business failure. Once these initial transition steps are taken, however, we expect a recovery period as businesses adapt and are able to find climate-related opportunities. This is expected to be followed by a return to levels that are more in line with historic averages. Figure 11 only shows the average impact over the 30-year period, however this includes the initial transition period, the recovery period and the return to "more normal" market conditions.

Figure 12: Below 2°C Risk Impact



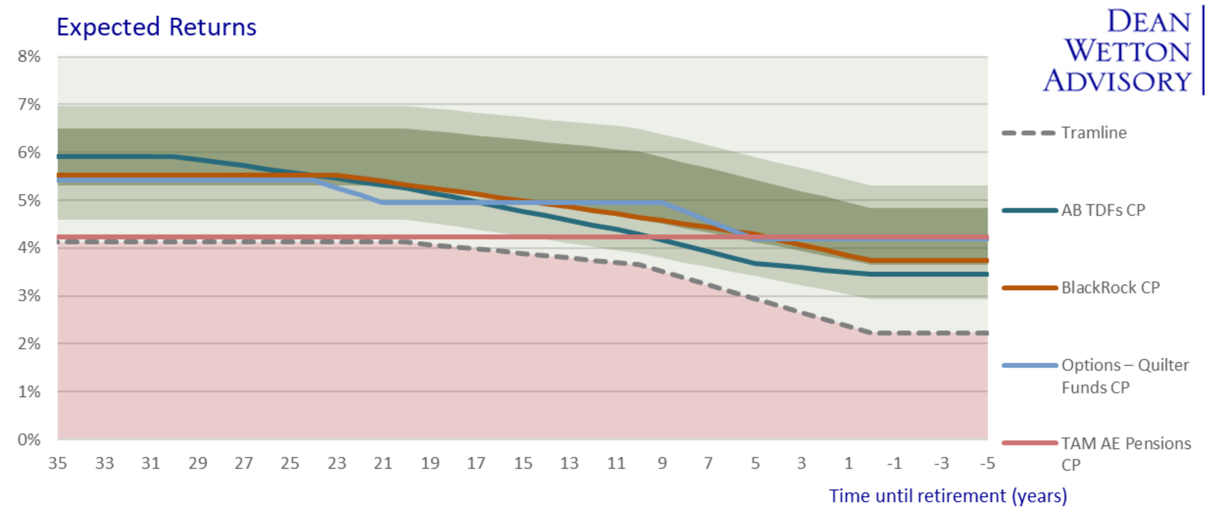
In the Below 2°C scenario, we see a relatively benign increase in risk as measured by standard deviation across the board, though this remains within an acceptable range. The standard deviation for the BlackRock funds that are far from retirement has been pushed into the red area of the Fairway chart. This shows that volatility is likely to reach levels that would have been concerning on a historical basis. In practice, there is little that members will be able to do to avoid these risks which may be necessary to take on in order to pursue sufficient returns. We will monitor these risks going forward.

The above charts together note that younger members are more likely to be significantly affected by climate factors than older members, particularly as it is likely that equity markets will see the brunt of any market impacts resulting from climate change. They further emphasise the possibility of increased volatility in the value of the portfolio which can only be partially mitigated by diversification.

3.7 Current Policies Scenario: Expected Returns results

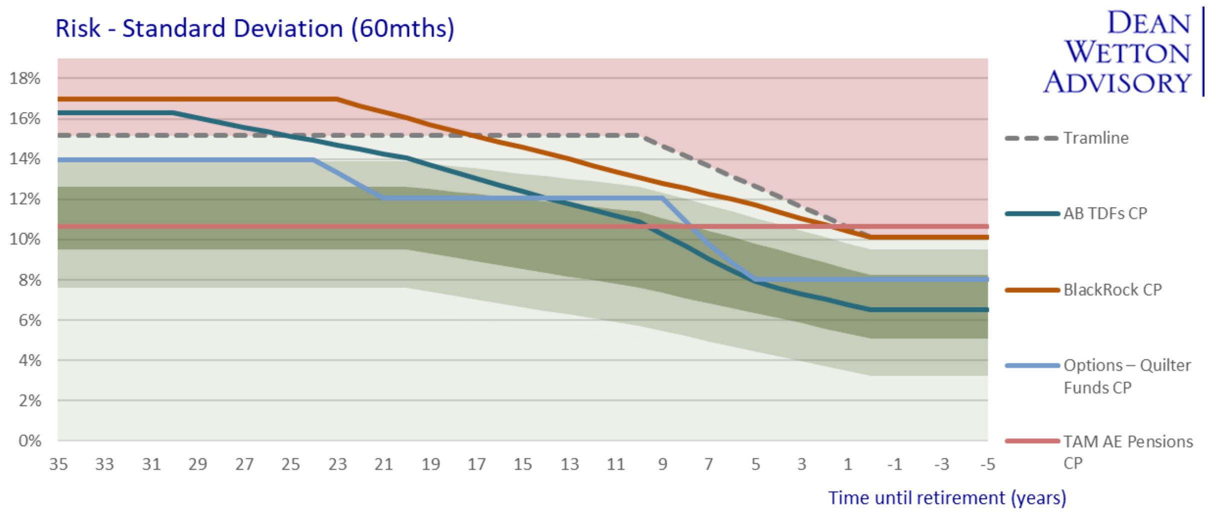
As before, the Scheme's default investment strategies have been analysed against the Current Policies scenario using the Fairway and making adjustments to expectation of risk and return for each of the asset classes.

Figure 13: Current Policies - Expected Returns Impact



In the Current Policies scenario, we expect returns to continue at normal levels in the short-to-medium term. The increased damage done by climate change as a result of little to no significant action being taken against climate change, will negatively affect growth potential over the long term and beyond. This will have a greater overall negative effect compared with the Below 2°C scenario over the 30-year period considered. Figure 13 shows the average impact over the 30 years, including the initial benign period with worsening conditions as the impact becomes more extreme, though we expect some adaptation.

Figure 14: Current Policies - Risk Impact



By looking at these charts together, we note that younger members are still more likely to experience the negative effects of climate change on their investments than older members. This is especially true considering the likelihood of equity markets being primarily impacted by climate-change-related market repercussions. They further emphasise that there is a risk of large decreases in the value of the portfolio which can only be partially mitigated by diversification.

In the Current Policies scenario, the rise in risk is notably more pronounced, especially when the equity allocation is highest. Younger cohorts, with their longer investment horizons, may be better equipped to tolerate short-term value declines. However, the increased potential for risk is significant, as it extends into the red zone for two of the defaults. Considering that portfolios are already well diversified and members still need returns without sacrificing them significantly before retirement, this heightened risk poses a considerable concern.

These do not constitute a guarantee of actual performance, and it is impossible to know precisely how global markets will react. It is possible that the emergence of new technologies and companies may dramatically change the landscape. Despite this it is likely that there will be additional disruption, and this is what is primarily reflected in the scenario analysis.

3.8 Comparing impact

The following graphs in Figure 15 show the impact of each scenario on a typical 25-year-old member over the next 30 years. We assume in each case they are earning £25,000, are contributing 8% of their salary and start with £1,000 already in their pot. The model simulates 10,001 projections of the potential impact of each scenario and then identifies the median projection in terms of final pot size. We do not make adjustments for inflation in either inputs or final outcomes.

Figure 15: Impact on pension pots

The analysis reveals that the discrepancies between each scenario are significantly more substantial than the differences resulting from the asset allocations of each strategy. Across all scenarios, the median value shows that, while the Current Policies scenario may initially have a slight advantage due to businesses incurring lower transition costs, the long-term detrimental physical climate effects of such a scenario severely hamper the potential retirement savings of median members.

The analysis also highlights that, although the median value consistently fares better in a Below 2°C scenario, the Current Policies scenario has the potential for higher returns in certain simulations. This outcome stems from the higher risk environment which, despite being detrimental for most, may present opportunities for a few individuals leading to higher returns in more favourable scenarios. However, on balance, it is more prudent to focus on the median outcome rather than the outliers when considering the overall assessment.

4. Risk Management

The Trustee has embedded CRRO into the Scheme's overall governance and risk management processes, making necessary updates to ensure comprehensive oversight.

4.1 Climate Risk Processes

The Investment Committee, assisted by the Scheme's Investment Managers and Investment Consultant, has been delegated the responsibility of continuously reviewing CRRO.

To prepare the previous 31st March 2022 TCFD report, the Trustee engaged its Investment Consultant to perform scenario analysis. The objective was to identify investment risks and opportunities and evaluate their potential effects on the Scheme. This process involved close cooperation between the Trustee, Investment Consultant and Investment Managers.

A new round of scenario analysis is mandated by the DWP every three years and so is not required till 2025. The selection of suitable scenarios will be based on the most recent information from the Intergovernmental Panel on Climate Change (IPCC), which encompasses the latest scientific, technical and socio-economic insights on climate change, its impacts and associated risks.

Given that scenario analysis is not mandatory for this 2024 report, the emphasis has been placed on preserving the CRROs outlined in Options' Risk Register, available in Appendix 1. These risks have been allocated ongoing management responsibilities and are fully integrated into the Risk Register, utilising impact and likelihood assessments to generate a risk score.

The Risk and Compliance Committee, under the oversight of the Trustee, is responsible for the continuous maintenance and updating of the complete Risk Register. An overall assessment of all risks is conducted at least once a year to ensure ongoing monitoring. Additionally, Risk Register reviews are included in the agenda of each Committee, and scenario analysis included every three years. The climate risk scoring system, ranging from 1 to 3, obtained from the scenario analysis sections, has been integrated into a list of top 6 climate risks and assigned specific responsibilities and corresponding actions.

The Trustee has established targets to reduce the emissions of the Options investments, and progress towards these targets will be reviewed by the Investment Committee on at least an annual basis. The Trustee will provide oversight in this monitoring process.

4.2 The role of engagement in managing climate risks

The Trustee does not have direct control over voting rights nor engage directly with issuers since all investments are held through pooled funds or controlled by the asset manager. However, to ensure alignment with the Trustee's beliefs, including those related to CRRO, the Trustee takes into account the stewardship practices of its Investment Managers during the selection and retention process. Recognising the importance of engagement in managing CRRO, the Trustee believes that effective engagement is crucial.

The Trustee conducts annual reviews of the stewardship policies of our default Investment Managers in collaboration with the Investment Consultant. Additionally, information on voting behaviour, including significant votes, is collected on an annual basis. These reviews are conducted to ensure that voting practices are generally aligned with the Trustee's investment principles. The Trustee emphasises that good stewardship practices are fundamental and always considered when selecting and retaining Investment Managers.

Examples of climate engagements by some of our Investment Managers have been provided and are detailed in Figure 16 below.

Figure 16: Engagement examples from AB & Blackrock

Engagement Examples	
AB - Waste Management	**Blackrock – Saras SpA (Saras)**
The company provides waste collection, recycling and disposal services in North America. In Q2 2023 AB engaged with WM's management team on opportunities in recycling and renewable fuels, to further understand the company's capital expenditure planning and estimated returns on those investments. AB engaged with WM concerning California's Advanced Clean Trucks legislation and its potential impact on the company. The company also discussed piloting PFAs (per-and polyfluoroalkyl substances) destruction technologies, which would help reduce the amount of so called "forever chemicals" in the environment. Team also discussed the possibility to increase transparency in disclosing information in alignment with SASB (Sustainability Accounting Standards Board).	Saras SpA is an Italian energy company, BIS did not support the election of management's proposed slate of directors due to continued concerns about a lack of material, climate-related disclosures. Compared to its industry peers, Saras' disclosures do not provide investors with sufficient information to assess its approach to climate-related risks and opportunities, including the transition to a low-carbon economy. BIS previously voted to express concerns about Saras' lack of climate-related disclosures in 2021, 2022, and 2023. BIS note that Saras' controlled shareholding structure may limit the company's receptivity to investor feedback. However, BIS will continue to engage with Saras as appropriate to encourage the disclosure of its approach to material climate-related risks and opportunities. Should the company not respond to shareholder feedback we will continue to convey concerns through voting, as appropriate.
Quilter - Markel	**Quilter - Shell**
Objective: Quilter engaged the company prior to the 2024 AGM to discuss a shareholder resolution related to disclosing greenhouse gas (GHG) emissions in investing, insuring and underwriting activities. A shareholder resolution was put forward at the 2024 AGM requesting the company disclose GHG emissions from its underwriting, insuring, and investment activities. The company had concerns that these disclosure demands are not implementable and a distraction from core activities. As a parent company overseeing several distinct operating companies, Markel also believes pushing this demand onto the underlying entities could challenge their strategic autonomy. The company does not disclose Scope 1 or 2 emissions and does not disclose Scope 3 emissions from financed activities (i.e., investments). These are recommended disclosures in the Task Force on Climate-related Financial Disclosure framework (TCFD). On further analysis this type of disclosure is becoming a standard reporting output among peer companies, particularly related to	Objective: Prior to the 2024 AGM the company released an updated climate transition strategy for shareholder approval. Quilter engaged with the company in early 2024 to discuss the development of climate transition planning and have held further dialogue closer to this year's AGM. Shell has committed to reaching net zero emissions by 2050, but in March, the company pared back 2030 emissions reductions goals and completely removed the more ambitious goal of reducing overall carbon intensity of Scope 1,2 and 3 emissions by 45% by 2035. This not only slows the pace of overall emissions reductions but provides little visibility on climate transition strategy beyond 2030, leaving a significant credibility gap in meeting any 2050 commitments. As one of Quilter Cheviot's largest emitters by financed emissions exposure, Quilter engaged with the company in 2024 and concluded that Shell's climate transition plan is not robust. The weakening of the transition plan ambition and clarity also raises concerns related to the

investments, with some European peers also beginning to disclose emissions related to underwriting. These emissions disclosures are not yet a federal US regulatory requirement, but regulators in Canada, EU, UK, and California are beginning to ask for Scope 3 financed emissions reporting. Outcome: Quilter supported this shareholder proposal. It is not time bound and would encourage the company to begin to align with peers and the evolving regulatory requirements.	board governance of transition risk. The board is responsible for governing the management of long-term risks. The level of transition risk facing oil and gas companies over the medium to long term is significant and this strategy does not provide a sufficient level of detail or ambition to assure shareholders that these risks are being well managed. In 2023 Quilter did not support the re-election of the Chair at BP, following the paring back of the company's climate goals. Additionally, a shareholder resolution asking Shell to align medium term emissions reduction targets with the goal of the Paris Climate Agreement has also been put forward at the 2024 AGM. The company believes its current targets and ambitions are in line with the Paris Agreement, but to many external parties and shareholders it is not clear how this is the case. More visibility on medium term goals and the credibility of the overall climate transition plan would be welcome. Outcome: Quilter voted against approving the proposed climate transition strategy. After extended assessment and engagement Quilter concluded that Shell's climate transition plan is not robust. As a result of the weakening of the climate transition plan, Quilter also voted against the re-election of the Chair. Additionally, Quilter voted to support the shareholder resolution asking the company to align medium term targets with the Paris agreement as clarity on how the company aims to meet its net zero goal would be welcome.

The Trustee has decided to engage with Investment Managers, predominantly through our Investment Consultant though also by hosting meetings in manager's offices, to encourage better disclosure and practices related to CRRO. The Trustee recognises engagement is often far more effective than divestment when dealing with issuers with poor climate practices. As such, while limited in their ability to take direct action with issuers, the Trustee selects and retains Investment Managers who value engagement and stewardship.

5. Metrics and Targets

To align the Scheme's investment strategy and beliefs with the Trustee's objectives to manage climate risk, the Trustee has set a number of metrics that measure, monitor and manage our climate commitments to Net Zero.

5.1 Metrics and targets related to our investments

We use the same metrics to set and measure our targets and have chosen the end of Q4 2019 as our base year for measurement. The Trustee set a target of Net Zero by 2050 with an interim target of halving GHG emissions by 2030. Progress towards this target is being measured using Weighted Average Carbon Intensity (WACI).

Figure 17: Snapshot of Options emissions metrics broken down per default

		Base year - Q4 2019				Current year				
Default Name	**% of Total Scheme Assets**	**WACI**	**Carbon Foot-print**	**Absolute Carbon Emissions**	**Absolute Carbon Emissions (Scope 3)**	**% of Total Scheme Assets**	**WACI**	**Carbon Foot-print**	**Absolute Carbon Emission**	**Absolute Carbon Emissions (Scope 3)**
AB TDFs	21.3%	171	218	8,110	34,382	18.0%	63	56	6,275	40,222
Lifepath 31 Dec 2023	50.2%	140	65	5,687	N/A	37.6%	88	46	9,680	75,384
TAM	5.0%	129	55	483	3,233	29.0%	93	41	6,695	71,788
Quilter	15.7%	54	26	709	10,625	10.1%	109	46	2,617	8,960
Scheme Total	**92.3%**	**122**	**86**	**16,238**	**114,674**	**94.7%**	**87**	**47**	**26,671**	**207,270**

Note: Scope 3 coverage remains low, numbers may appear inconsistent due to lack of data.

Metrics formulae:

WACI (Scope 1+2) $= \frac{tCO_2}{\$m\ sales}$

Carbon Footprint (Scope 1+2) $= \frac{tCO_2}{£m\ invested}$

Absolute Carbon Emissions $= tCO_2$

Most default strategies have seen a decrease in intensity metrics with Carbon Footprint seeing the largest improvement, though more significant reductions were seen in the last year within WACI. The fall in WACI was primarily driven by improvements within the TAM portfolio which was a significant contributor to the rise in WACI last year. While we would prefer not have seen rises in the Quilter metrics the reasons are understandable as the strategy moved from a UK focus to a global focus in its asset allocation. While this helps diversify its risks geographically which will be beneficial to protect against climate related risks the UK is a relatively low carbon economy and moving away from a UK focus therefore raised the metrics. Quilter ultimately believes their ESG credentials and future prospects outweigh their current high emissions intensity.

Absolute Emissions are linked to asset size and will therefore increase in any situation where Scheme assets grow faster than carbon intensity declines.

Figure 18: Snapshot of Options' non-emission metrics as at Q1 2024

Default Name	% Invested in Green Solutions*	% Invested with SBTI Goals	% Invested in Thermal Coal
AB TDFs	5%	34%	1%
Lifepath[31 Dec 2023]	6%	32%	0%
TAM	7%	24%	1%
Quilter	7%	16%	1%
Scheme Average	**6%**	**29%**	**1%**

** Weighted average of fund constituents' percentage of revenue derived from alternative energy, energy efficiency, green building, pollution prevention, sustainable water or sustainable agriculture*

Our Investment Managers have provided the metrics for their respective funds, however, there are a number of caveats attached to the metrics provided. The metrics to be provided in any future reports may change as these become more standardised across the financial services industry. However, the metrics in this report represent our best estimate of the situation at this time.

Data coverage has generally improved since last year, with all managers providing complete information for Scope 1 & 2 as well as absolute emissions for Scope 3. This has also come alongside improved quality of data from Investment Managers with generally increased coverage.

As previously, BlackRock have been unable to provide WACI numbers for 2019 and, as such, we have derived these from the Carbon Footprint metrics provided and benchmarked against the other Investment Managers. In addition they could only provide data for Q4 2023 rather than Q1 2024 however we believe the data provided is representative of the likely Q1 2024 position.

Quilter was now able to provide information for all funds, in previous years they could only provide data for the balanced fund. This allows us to report more accurately than in previous years. Quilter has a high active share and is liable to change significantly as individual stocks change.

Coverage of sovereign bond issuers remains weak across all Investment Managers and, as such, target-year numbers are likely to be adjusted as data on sovereign bonds improves.

The assets covered by this report constitute c.92.3% of the total assets as at Q4 2019 and c.94.7% of assets as at Q1 2024. The remaining assets are spread amongst the other smaller defaults and a small self-select range. We believe that, as this report covers the majority of assets and on a broadly increasing basis, this is representative of the full Scheme impact.

The metrics in any future reports are likely to change as data becomes more standardised across the financial services industry, however, the metrics in this report represent our best estimate of the situation at this time.

Figure 19: Metrics and targets with progress to date

Metric	Metric Explained	Our Target	Target Progress as at end-Q1 2024

Metric	Metric Explained	Our Target	Target Progress as at end-Q1 2024
Primary Metric – Weighted Average Carbon Intensity (WACI)	A climate metric that measures the amount of carbon emitted per unit of measure. In the case of this report, Carbon Intensity is measured by calculating the carbon intensity (Scope 1 + 2 Emissions / $1M Sales) for each portfolio company. WACI will be used as the primary metric to measure and track Options' progress towards achieving its net-zero target.	The carbon intensity metric will complement the measurement of the Scheme's overall emission target of Net Zero by 2050 and a 50% reduction by 2030.	The Portfolio-Weighted Average Carbon Intensity (WACI) measured in tonnes of CO2e/$1m of revenues was estimated to be 121.6 as of 31 December 2019 and has reduced to 86.8 as of 31 March 2024.
Primary Metric - Absolute Carbon Emissions	We measure Scope 1 and 2 emission metrics for the default strategies in tonnes of CO2e. Scope 1 is all direct emissions from the activities under an organisation's control, and Scope 2 is indirect emissions from electricity or energy used by an organisation. We have attempted to collect Scope 3 emissions data where possible. Coverage is generally weaker for Scope 3 emissions.	While it is a regulatory requirement to provide the Absolute Carbon Emission metric for each default as well as the overall Scheme, it will not be used to measure against our targets. This is because of the continuous change in the size of our Assets Under Management (AUM), for example, an increase in assets may increase the total emissions of the portfolio despite a reduction in the intensity of carbon emissions across the portfolio.	Options' total Scope 1 and 2 GHG emissions for our investments in our base year of 31 December 2019 were an estimated 16,238.5 metric tonnes of CO2e; this absolute figure has increased to an estimated 26,670.8 metric tonnes as at 31 March 2024, though it should be noted that AUM has increased from £174.1m to £557.0m for the Scheme. Total Scope 3 GHG emissions were estimated to be 114,674.0 metric tonnes CO2e in our base year of 2019, rising to 207,269.7 metric tonnes CO2e as at 31 March 2024.
Other Metric - SBTi	The Science Based Targets initiative drives ambitious climate action in the private sector by enabling companies to set science-based emissions reduction targets.	We aim for 50% of equity investments in companies with externally verified net-zero targets (with the SBTi or another external verifier) by 2025.	As of 2024, the portion of Scheme-wide investments in companies with SBTi objectives is approximately 29%

Metric	Metric Explained	Our Target	Target Progress as at end-Q1 2024
Other Metric – Green Revenues	Expressed as a percentage, this metric measures the green revenue exposure of a company's revenue aggregated for the portfolio. The measure is based on a comprehensive taxonomy for green products and services.	As the default Investment Managers improve their coverage of Green Revenue reporting, the Trustee will consider a target for this in Options' overall targets.	As of 2024, the portion of Scheme-wide investments producing Green Revenues progression is approximately 6%.
Future Primary Metric – Carbon Footprint	A portfolio's Carbon Footprint is the sum of a proportional amount of each portfolio company's Scope 1 and 2 emissions (proportional to the amount of stock held in the portfolio) in tonnes of CO_2e per \$1m invested based on Enterprise Value Including Cash (EVIC).	Although WACI is being used to measure our target towards Net Zero, we believe Carbon Footprint would be a better metric to use at some time in the future as the data improves.	Options' average Carbon Footprint for our investments using our base year as at Q4 2019 was an estimated 86.1 CO_2e/£1m of EVIC, by 31 March 2024, this had decreased to an estimated 46.5 CO_2e/£1m.

5.2 Steps to manage pension Scheme's own operational impact

The Trustee has begun a number of initiatives to assess and reduce the Scheme's operational impact and ensure climate resilience within operations:

- The Trustee travel policy has been finalised and includes a provision that Trustee meetings will, by default, be held using Microsoft Teams with. Face-to-face meetings will be held in order to preserve important relationships.
- The Options Trustee Board encourages operations to be paperless.
- The Trustee has committed to include climate-related factors into any review of our Business Continuity Plan.

SIGNATURE OF CHAIR

This report was approved by the Trustee on and signed on its behalf by:

Chairperson:

Represented by:

Date:

Appendices

Appendix 1: Risk Register - extract of climate-related risks (updated Feb 2024)

	Gross Risk Score				Current Status Risk Score				
Ref	**Risk**	**Probability**	**Impact**	**Gross Risk Score**	**Current Controls**	**Robustness Score**	**Residual Risk Score**	**Additional Mitigation Plans**	**Responsibility**
TCFD 01	Ensure-transition and physical risks affecting Scheme investments are managed	3	3	9	TCFD process aims to ensure that transition and physical risks are embedded into the processes of the Trustee, consultants and Investment Managers. Specific transition and physical risks added in their own right to the risk register, as seen in this table. The Scheme SIP amended to include climate risks. The ISC will constantly review with DWA.	4	**5**	Ongoing monitoring of process by managers and consultants to utilise information about climate risks	Investment
TCFD 02	Increased volatility from extreme events in G7	3	3	9	Higher drawdown risk: acceptance of additional risk.	2	7	Formally adopting a flexible drawdown policy for all fund managers	Investment
TCFD 03	Lower GDP forecasts reducing overall equity returns	3	3	9	Little mitigation possible; acceptance of risk.	1	8		Investment
TCFD 04	Damage to property portfolio, particularly in location of severe rainfall or sea-level rise leading to loss of value, market illiquidity, asset obsolescence	3	3	9	Portfolio diversification	4	5	Mitigation action: mapping/ review of real estate investments	Investment
TCFD 05	Exposure to sectors with transition and physical risks in equities	3	3	9	Monitoring static and scenario-related exposures	4	5	Regular reviews expected	Investment
TCFD 06	Further opportunity to invest in low carbon energy supplies	3	3	9	Monitor solutions figures across Scheme	4	5	Consider additional targets	Investment

	Gross Risk Score				Current Status Risk Score				
Ref	**Risk**	**Probability**	**Impact**	**Gross Risk Score**	**Current Controls**	**Robustness Score**	**Residual Risk Score**	**Additional Mitigation Plans**	**Responsibility**
TCFD 07	Regulations introducing TCFD need to be complied with by October 2022. Failure to do so will result in breach of regulations	2	3	6	TCFD project has been undertaken by DWA. A delivery timeline has been drawn up and we are currently on schedule	4	2	Progress reviewed at all Board and ISC meetings	Trustee / Investment Manager
TCFD 08	Risk of loss of trust and confidence in Scheme if Net Zero not addressed	4	2	8	Net-zero scheme targets set – see metrics & targets section	4	2		Investment
TCFD 09	Ensuring resilience to severe weather on an operational level including sponsor	2	1	2	As the Trustee is a virtual entity, the risks are diversified, but sponsor office remains a risk and BCP should be in place	4	0		Trustee
TCFD 10	Improving transition resilience in supply chain	1	2	2	Options will request information about their steps to reduce emissions from professional advisors	4	0		Trustee
TCFD 11	Increased regulation and disclosure of investment activities	2	3	6	Early adoption of TCFD for Scheme and regular commissioning of scenario analysis	4	2	Progress reviewed at all Board and ISC meetings	Investment

Acknowledgements

The Options Trust TCFD Report has been prepared by Dean Wetton Advisory UK Limited in conjunction with the Trustee Board.

Cooperation and input has been received from:

- Administration service providers of Options
- Alliance Bernstein, BlackRock, Quilter Cheviot and TAM

Glossary of terms

Glossary	Explanation
BCP	Business continuity planning (BCP) is the process involved in creating a system of prevention and recovery from potential threats to a company.
BES	Describes the Bank of England's Climate Biennial Exploratory Scenario that stress tests the resilience of the current business models of the largest banks and insurers in the UK.
Capital goods	This is a sector which includes buildings, machinery, equipment, vehicles and tools. Capital goods are not finished goods; instead, they are used to make finished goods.
Carbon footprint	Is the total amount of greenhouse gases (including carbon dioxide and methane) that are generated by human actions.
Climate-related opportunity	Refers to the positive impacts related to climate change on an organisation. Efforts to mitigate and adapt to climate change can produce opportunities for organisations, such as the development of new technology, products and saving of resources.
Climate-related risk	Refers to the potential negative impacts of climate change on an organisation, being physical and transition risk factors.
CRRO	Climate-related Risks and Opportunities
CVaR – Climate Value at Risk	CVaR from MSCI is designed to provide a forward-looking and return-based valuation assessment to measure climate-related risks and opportunities in an investment portfolio. The fully quantitative model offers deep insights into how climate change could affect company valuations.
Decarbonisatio n	Refers to all measures through which a business sector or an entity – a government, an organisation – reduces its carbon footprint, primarily its greenhouse gas emissions, carbon dioxide (CO_2) and methane (CH_4), in order to reduce its impact on the climate.
DWA Fairway Model	A model created by our investment consultant which measures various risk-and-return metrics compared with a member's distance from retirement. The model also includes red and green boundaries to give a general idea of what values would be appropriate for a DC pension scheme. The model allows us to assess the appropriateness of an investment strategy across the member's whole journey and identify areas of concern and an overview of the long-term expected returns of an investment strategy.
Emission Intensity	A climate metric that measures the amount of carbon emitted per unit of measure. In the case of this report, Carbon Intensity is measured by calculating the carbon intensity (Scope 1 + 2 Emissions / $M Sales) for each portfolio company.
Energy sector	Refers to the generation of power from oil, gas, nuclear and renewable resources such as wind and solar.
Equities	These are typically investments made into companies whose shares are traded on a stock exchange.
ESG	Refers to Environmental, Social and Governance. Investors are increasingly applying these non- financial factors as part of their analysis process to identify material risks and growth opportunities.
Financial Stability Board	The Financial Stability Board (FSB) is an international body that monitors and makes recommendations about the global financial system. It was established after the G20 London summit in April 2009. The FSB includes, amongst others, all G20 major economies and the European Commission.
G20	The G20, or Group of Twenty, is an intergovernmental forum comprising 19 countries and the European Union (EU). It works to address major issues related to the global economy, such as international financial stability, climate change mitigation and sustainable development.
GDP	Gross domestic product or GDP is a measure of the size and health of a country's economy over a period of time (usually one quarter or one year). It is also used to compare the size of different economies at a different point in time.

Glossary	Explanation
GHG	There are six types of Greenhouse Gas - listed in the Kyoto Protocol: carbon dioxide (CO_2); methane (CH_4); nitrous oxide (N_2O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); and sulphur hexafluoride (SF_6)
GHG – Greenhouse Gas Emissions	GHG is a gas that absorbs and emits radiant energy within the thermal infrared range, causing the greenhouse effect and leading to global warming. GHG emissions are often measured in carbon dioxide (CO_2) equivalent.
Gilt	Gilts are government-issued bonds.
Greenhouse gas emissions	Relate to the total quantity of greenhouse gases being emitted
Green revenues	Weighted average of fund constituents' percentage of revenue derived from alternative energy, energy efficiency, green building, pollution prevention, sustainable water or sustainable agriculture
Impact assessment tools	Describes methods used to measure the impact an organisation has on different sectors and economies.
IPCC	The Intergovernmental Panel on Climate Change is a body of the United Nations.
Materials sector	Includes companies engaged in the discovery, development and processing of raw materials which are used across a broad range of sectors and industries
Maximum drawdown (and its use in measuring downside risk related to climate)	Refers to the maximum observed loss from a peak to a trough of a portfolio, before a new peak is attained. Maximum drawdown is an indicator of downside risk over a specified time period. It helps us quantify how much loss an unfortunate investor may see in the value of their portfolio.
MSCI	Morgan Stanley Capital International is an investment research firm.
MSCI ACWI	The MSCI ACWI Index, MSCI's flagship global equity index, is designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 25 emerging markets.
NDC commitments	Nationally determined contributions (NDCs) are at the heart of the Paris Agreement and the achievement of its long-term goals. NDCs embody efforts by each country to reduce national emissions and adapt to the impacts of climate change.
Net Zero	Refers to achieving a balance between the amount of greenhouse gas emissions produced and the amount removed from the atmosphere. There are two different routes to achieving Net Zero, which work in tandem: reducing existing emissions and actively removing greenhouse gases.
NGFS	The Network for Greening the Financial System (NGFS) is a group of international central banks and regulators formed to develop an analytical framework for assessing climate-related risks.
PAII	The Paris Aligned Investment Initiative (PAII) was established in May 2019 by the Institutional Investors Group on Climate Change (IIGCC) at the request of asset owner members. PAII now involves over 110 investors representing $33 trillion in assets.
PCRIG	The Pensions Climate Risk Industry Group has produced guidance for pension trustees on improving their schemes' approach to climate issues.
Physical risk	Refer to the risks coming from climate change that can be event-driven, such as increased severity of extreme weather events (e.g., cyclones, droughts, floods and fires). They can also relate to longer-term shifts in precipitation and temperature and increased variability in weather patterns (e.g., sea-level rise).
Real estate sector	An industry grouping including all types of property.
SBTi	The Science Based Targets initiative drives ambitious climate action in the private sector by enabling companies to set science-based emissions reduction targets.

Glossary	Explanation
Scenario analysis	Refers to the process used to identify and assess potential range outcomes of future events under conditions of uncertainty. In the case of climate change, scenarios allow an organisation to explore and develop an understanding of how the physical and transition risks of climate change may impact its businesses, strategies and investments over time.
Scope 1, 2 and 3 emissions.	Scope 1 – all direct emissions from the activities under an organisation's control. Scope 2 – indirect emissions from electricity used by an organisation. Scope 3 – other indirect emissions from sources not directly controlled, including supply chain operations and end-product usage by customers.
Sovereign bonds	Refers to a debt security issued by a national government to raise money for financing government programmes.
SSPs - Shared Socio-Economic Pathways	SSPs are projections of socioeconomic global changes up to 2100. They are used to derive greenhouse gas emissions scenarios with different climate policies. The projections are: SSP1: Sustainability (Taking the Green Road) SSP2: Middle of the Road SSP3: Regional Rivalry (A Rocky Road) SSP4: Inequality (A Road divided) SSP5: Fossil-fuelled Development (Taking the Highway)
Standard deviation	A standard deviation is a measure of how dispersed the data is in relation to the mean. Low standard deviation means data are clustered around the mean, and high standard deviation indicates data are more spread out.
Stewardship	Refers to the responsible oversight of capital that scheme trustees and Investment Managers allocate on behalf of their clients, in order to generate sustainable benefits for the economy, the environment and society.
Transition risk	Refers to risks associated with the transition to a lower-carbon global economy, the most common of which are policy and legal actions, technology changes, market responses and reputational factors.
Utilities sector	Refers to a category of companies that provide basic amenities, such as water, sewage services, electricity, dams and natural gas.
Voting rights	These are rights attached to shares at the general meetings of a company.

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