October 2023

Task Force on Climate-Related Financial Disclosures (TCFD)

Report for the Atlas Master Trust

SEI Trustees Limited

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EXECUTIVE SUMMARY

The Taskforce for Climate-Related Financial Disclosures ("**TCFD**") is an international body which promotes a consistent and transparent approach to reporting the climate impact of organisations, with the goal of increasing available information and therefore better identifying a route to change and minimising the effects of global warming. The Taskforce has set out a list of recommendations for how organisations can best consider their impact on the climate.

From 1 October 2021, the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 introduced new requirements relating to reporting in line with the TCFD recommendations, to improve both the quality of governance and the level of action by trustees in identifying, assessing and managing climate risk. The Atlas Master Trust ("**the Trust**") falls within these guidelines and was required to publish its report within 7 months of the scheme year ending 31 March 2023.

In preparing this Report we have adopted a collaborative process between SEI Trustees Limited (the "**Trustee**"), the Scheme Strategists, our Investment Managers and our Investment Advisers. In assessing the impact of the Trust's investments on climate change, this Report focusses on what the legislation refers to as 'Popular Arrangements'. These arrangements are fundamentally represented by the Trust's default investment options, which in turn are utilised by the overwhelming majority of Trust members.

The Trustee sees this Report as a key deliverable to account for how it has identified the impact that the Trust's investments currently have on climate change. From the identified impacts, the Trustee can take appropriate actions to work to reduce our carbon footprint, whether that's through our Investment Managers and their engagement with the underlying companies in which we invest and/or by adopting investment strategies that reduce climate-related risks and maximise climate-related opportunities.

Within the Report we have outlined the steps we have taken across the Trust to incorporate consideration of these Climate-Related Risks and Opportunities ("**CRROs**") within our governance framework and the methods by which we will measure our impact and what we seek to achieve. To do this we have set ourselves some goals and methods of measuring our impact. These are referred to within the Report as 'metrics' and 'targets'.

Whilst there has been widespread global support for the reduction of carbon emissions for many years, the required pace of change has often not met expectations. We have therefore also sought to identify the potential impact of three distinct climate change scenarios, projected to 2100. The three scenarios are:

- An Orderly Transition, in which early, coordinated action limits temperature increases to around 1.5°C by 2100

- A Disorderly Transition, whereby late, uncoordinated action requires abrupt changes to limit temperature increases to around 2°C by 2100
- A Hot House Scenario, in which there is global warming of 3°C or more by the end of the century

We would remind members that this is only the second report of its kind published by the Trustee, covering the period from 1 April 2022 to 31 March 2023.The Trustee and its advisers expect that the content of its subsequent TCFD reports will continue to evolve in line with the availability of climate-related data and a growing momentum from companies as they transition their businesses to sustainable models.

INTRODUCTION

Background

Trustees must produce and publish a report, containing the information required by Part 2 of the Schedule to the Climate Change Governance and Reporting Regulations[1], within 7 months of the end of any scheme year in which they were subject to the climate change governance requirements. This Report discloses the processes that the Trustee, in its capacity as trustee of the Atlas Master Trust, has put in place, along with the actions it has taken during the scheme year to 31 March 2023, to understand and address the risks and opportunities that climate change poses to the Trust in line with the TCFD recommendations.

The Trustee has been subject to the TCFD recommendations from 1 October 2021 onwards. The Trustee has reviewed its entire governance framework to seek to ensure that CRROs are integrated at every level and form part of the decision-making processes in relation to the Trust.

The TCFD recommendations are articulated around four pillars: governance, strategy, risk management, and metrics and targets. In this document the Trustee will report on each of these pillars:

- **Governance:** Disclose the organisation's governance around climate-related risks and opportunities.
- **Strategy:** Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.
- **Risk management:** Disclose how the organisation identifies, assesses, and manages climate-related risks.
- **Metrics and targets:** Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

[1] The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 [SI 2021/839]

Figure 1: Core elements of recommended climate-related financial disclosures. Source: TCFD

SECTION ONE: GOVERNANCE

Oversight of climate-related risks and opportunities

The responsibility for investment strategy, decision-making and governance within the Atlas Master Trust rests with the Trustee. As such, the Trustee has ultimate responsibility for ensuring effective governance of Climate-Related Risks and Opportunities (CRROs) and must establish and maintain oversight of CRROs.

It therefore maintains strategic oversight and is ultimately responsible for CRROs within the Trust. The Trustee's Investment sub-committee reports at least quarterly on CRROs to the main Trustee Board.

The Trustee has worked with its service providers and advisers (in particular SEI as its Investment Adviser and Investment Managers, and Pinsent Masons as its legal adviser) to develop and implement its TCFD framework (the "**TCFD Framework**"). The TCFD Framework is an internal document forming part of the Trustee's own governance processes and procedures against the four core elements of recommended climate-related financial disclosures.

The TCFD Framework sets out the roles and responsibilities of key stakeholders in terms of assessing and managing CRROs, the impact of CRROs on investments over time, the Trustee's approach to risk management, the Trustee's proposed approach to scenario analysis, and the agreed metrics and targets. The process of developing the TCFD Framework was a collaborative one between the Trustee and its advisers, with all parties reviewing and, where appropriate, challenging others' input in order to ensure that the finished TCFD Framework was sufficiently considered and robust.

In line with the TCFD Framework, during the scheme year the Trustee:

- Received regular reports at Trustee meetings (at least quarterly) from its investment managers and engagement services with commentary on the implementation of the Trustee's strategy policies in this area. This included details of any climate-related engagements over the period. The Trustee challenged its Investment Managers on the information provided to encourage continuous improvement;
- Reviewed the Statement of Investment Principles ("**SIP**") and investment strategy in conjunction with its Investment Advisers
- Regularly reviewed its CRRO risk register and updated other relevant Trust documents (such as the annual schedule of activities and business plan) where appropriate; and
- Reviewed the TCFD Framework document with its advisers (this is on at least an annual basis).

The Trustee recognises CRRO as a key factor to be considered alongside its broader investment management, in addition to other ESG topics including corporate governance, human rights, labour and environmental standards. The Trustee believes that CRRO, along with other ESG factors, can have an impact on financial performance. Accordingly, the Trustee is satisfied that it is appropriate for it to spend time and resources on its governance of CRROs in relation to the Trust.

The Trustee also has a climate policy set out in its SIP which states that the Trustee is supportive of the Paris Agreement to avoid dangerous climate change by limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C by 2050 and where possible before this date within the context of its fiduciary responsibilities. As a result, the Trustee:

- Prefers ‘Engagement’ rather than ‘Exclusion’ with regards to incorporating climate change risks into an effective fiduciary framework for both self-select funds and the default strategy.

- Expects investment managers to independently consider whether exclusion or engagement is more appropriate within their investment processes and mandates; for example Schroders currently exclude tar sands and fossil fuels from the Schroders Sustainable Multi-Asset Fund which forms part of the default lifestyle strategy;

- Encourages the further development of all asset classes and funds that are aligned to the goal of well below the 2°C target;

- Is supportive of the recommendations of the Taskforce on Climate-Related Financial Disclosures;

- Supports and encourages the further development of effective and consistent climate change risk metrics to enhance the ability of all stakeholders to assess and minimise such risks;

- Do, and will continue to, partner with our investment managers to obtain clear and easily communicable climate related data on an annual basis in respect of the funds current holdings and their impact on climate change;

- Recognises that climate change will be subject to much further analysis and subsequent policy changes in the coming years. The Trustee is supportive of adopting an evolving policy in order to ensure all relevant developments and opportunities are captured; and

- Welcomes policy initiatives that contribute towards achieving the 1.5°C target.

SECTION TWO: ROLES & RESPONSIBILITIES

Key stakeholders in assessing and managing climate-related risks and opportunities

The Trustee has established and maintained processes to satisfy itself that its service providers and advisers (excluding legal advisers) take adequate steps to identify and assess CRROs that are relevant to the Trust for the matters on which they are advising.

Other than the Trustee, the following persons have either undertaken Trust governance activities or advised and/or assisted the Trustee in connection with those activities. In respect of each person/entity, the Trustee has set out below:

- How it has satisfied itself that adequate steps are being taken to identify, assess and manage CRROs in relation to the Trust; and
- What information is provided to the Trustee about the consideration of CRROs faced by the Trust.

Investment Advisers

The responsibility for training the Trustee on investment issues, helping develop the Trustee's investment strategy, and advising the Trustee on key aspects of CRRO governance (e.g. metrics and targets, scenario analysis, etc.) rests with the Investment Adviser, SEI. This type of training is provided by the Investment Adviser on at least an annual basis. These responsibilities form part of the investment consultancy objectives set by the Trustee with their investment advisers. The Trustee reviews on an annual basis as to whether it believes that the investment consultancy objectives have been met. For the scheme year the Trustee was satisfied that the investment consultancy objectives had been met.

Throughout the scheme year the Trustee received input from Capita Consulting as an additional Investment Adviser in respect of the performance of the investment funds against benchmarks, and any significant changes to funds implemented by the investment managers.

The Investment Adviser liaises with the Investment Managers of the funds used in the Popular Arrangement glide path strategies to seek to ensure that CRROs are considered. A Popular Arrangement is considered to be one in which £100m or more of the Trust's assets are invested, or which accounts for 10% or more of the assets used to provide money purchase benefits (excluding assets which are solely attributable to Additional Voluntary Contributions). The Investment Adviser advises the Trustee on at least an annual basis when setting climate-related metrics that are achievable. The Trustee reviews the SIP for the Trust annually, with advice from its Investment Advisers, and incorporates the Trustee's CRRO policies in the Investment Adviser Agreement between the Trustee and its Investment Adviser, which sets out the Trustee's requirements in respect of CRRO and places obligations on the Investment Adviser to deliver its advice in accordance with those requirements. The Trustee reviewed and is comfortable with the climate competency of SEI Investments (Europe) Ltd as its investment adviser, noting that SEI is a member of the Investment Sustainability Working Group (ICSWG).

At the time of preparing this report, the Trustee is in the process of enhancing the assessment processes which form part of its vendor appointments and due diligence. This will result in a range of additional information being gathered as part of the Trustee's vendor management process, including additional details relating to the relevant service providers' climate change and CRRO policies. This will enhance the Trustee's ability to incorporate climate change and CRRO considerations into the overall new and existing vendor assessment processes.

Investment Managers

The Investment Managers appointed and utilised by the Trustee in the Popular Arrangements over the period include Schroders and Legal and General Investment Management ("LGIM"). In accordance with the delegation from the Trustee, the responsibility for implementing the Trustee's strategy, stock selection, voting and engagement rests with the Investment Managers and specialist ESG providers hired, managed and monitored by the Investment Managers. As part of the investment reporting to the Trustee, the Investment Managers report climate-related carbon emissions and carbon intensity metrics to the Trustee on at least an annual basis.. Where the Investment Managers use a 'proxy agent' to vote on their behalf at an annual shareholder's meeting, the proxy agent reports climate-related votes cast at company meetings and the engagement partner reports climate-related engagements with company management. The Trustee relies on feedback from its investment advisers to assess Investment Managers and consider the selection of managers whose approaches to ESG issues are in accordance with the Trustee's policies. The full due diligence process for the ongoing selection of Investment Managers is described in 'Section 4 – Risk Management'.

Scheme Strategists

The responsibility for the design and for developing the proposition and setting the overall direction of the Trust, including CRRO and wider ESG considerations, rests with the Scheme Strategists. Amongst the Scheme Strategists' objectives for the Trust are that the Trust should be innovative and provide 'best of breed' services to members. Meeting this objective requires an ongoing review of the Trust and the availability of enhancements to the investment proposition.

CRRO and wider ESG considerations form part of the Scheme Strategists' decision-making regarding the Trust and its future development, and Scheme Strategists meet regularly with members of the SEI Investment Management Unit, including the Investment Strategy Group and SEI's Director of Sustainable Investing Solutions, to develop and incorporate best of breed thinking in relation to CRRO into the Trust's investment proposition. The Scheme Strategists provide updates regarding proposed, in development, and completed enhancements to the Trustee on at least an annual basis.

Changes to the Investment proposition may arise following the annual review of the fund range and/or as a result of investment innovations brought to the Trustee by its advisers. Changes to the investment proposition are implemented and project managed by the Trustee's Investment Adviser on behalf of the Trustee.

Skills, Knowledge and Training

The Trustee has undertaken and received a variety of climate-related training. This training has included whole Board group training sessions run by specialist advisers at Pinsent Masons and also by SEI covering a review of the Draft Statutory Guidance and PCRIG Guidance, with self-study carried out by the individual Directors via e-learning modules on the TCFD Knowledge Hub Online Learning (tcfdhub.org). Specific training on the Trustee's legal obligations relating to Governance, Strategy and Risk Management has also been provided to the Trustee by Pinsent Masons LLP.

The Trustee undertakes an annual skills audit and gap analysis to identify any particular areas where further training is required, including specific training on the most suitable and readily available metrics.

All Trustee Directors keep a training log recording all training received over the year. As well as training provided by the Trustee's Investment Adviser, the Trustee's other advisers and SEI, the Trustee Directors are encouraged to attend external training sessions provided by third parties, such as industry bodies. Trustee Knowledge and Understanding ("**TKU**") in relation to CRRO and wider ESG matters forms part of the Trustee's annual self-assessment and the external assessment carried out triennially by an independent third party. This independent assessment has historically been completed by the Trustee's legal advisers at Pinsent Masons.

Any identified gaps will be incorporated into the Trustee's training plan with CRRO being added to the Trustee and Scheme Strategists Fit and Proper skills matrix. All new Trustee Directors will be required to demonstrate that they have relevant experience and/or will be required to demonstrate that they have completed the requisite courses from the TCFD Knowledge Hub Online Learning session within 6 months of appointment.

Based on the above assessments no specific gaps were identified requiring specific training. The Trustee however notes both legislation and regulation continue to develop as well as the investment philosophies of investment managers in relation to CRRO and ESG matters, and therefore continuous development is key.

SECTION THREE: STRATEGY & SCENARIO ANALYSIS

Establishing Investment Time Horizons

The default investment options that make up the Popular Arrangements were designed with due consideration for members’ investment horizons, defined as the period until funds are expected to be withdrawn (either at retirement or during the post-retirement phase). Long-term holdings are those furthest from being paid out, medium-term holdings relate to mid-career members, whilst short-term holdings are those closest to being paid out. Each section of the Trust has been assessed with regard to its membership’s general investment horizon to ensure that its investment strategy is appropriate. The Trustee defines the short term as 0-7 years until savings are expected to be paid out, the medium term as 7-15 years, and the long term as over 15 years. The table below sets out the primary investment goal (described as ‘lifestyle phase’) and the investment risk management objective pertaining to investments with different time horizons.

Liability	Investment horizon	Lifestyle phase	Investment risk management objective
Short-term distributions	0-7 years	Stability	Targeting an efficient level of return for a low risk of short-term loss
Medium-term distributions	7-15 years	Stability and growth while de-risking	Targeting an efficient level of return for an intermediate level of short-term risk
Long-term distributions	15+ years	Growth	Targeting a high level of return accepting a high level of short-term risk but a low level of long-term risk

The Trustee believes that over short-, medium- and long-term time horizons the carbon emissions and intensities of investment markets (including the funds used in the Popular Arrangements) will reduce. The basis for this belief is that as countries set and implement plans to meet their commitments under the Paris Agreement, governments and companies will, in turn, reduce their greenhouse gas emissions.

The Trustee has identified several specific CRROs for the above investment horizons. The Trustee recognises that climate-related risks are financially material and can impact the value of the investments in which the Trust invests over the short, medium and long term. Therefore, it is important that these risks and opportunities are understood and managed. As a diversified asset owner, the range of CRROs are varied and constantly evolving. Climate-related risks associated with the funds used in the Popular Arrangements are managed through shareholder engagement and voting, which helps ensure companies are acting to reduce climate risks over time.

There are two main types of climate-related risks: physical risks (i.e. those relating to the physical impacts of climate change), and transition risks (i.e. risks relating to the transition to a lower-carbon economy). Physical and transition risks exhibit an inverse relationship. Rapid global efforts to reduce emissions will reduce physical risks whilst exacerbating transition risks. Inversely, a more gradual reduction in global emissions may reduce transition risks but result in increased physical risks.

Short, medium and long-term climate-related risks

The following risks may present material financial risk to the underlying companies of the various funds used within the Popular Arrangements. The Trustee expects that over short- and medium-term time horizons the investments are most exposed to transition and acute physical risks. However, over medium and long-term time horizons chronic physical risks will become more significant.

Fund time horizon	Physical risk	Transition risk
Short term	***Acute risks*** that are event-driven, including those that result from severe weather events such as hurricanes, cyclones and floods. Stock price movements resulting from ***physical damage*** to real assets caused by extreme weather events. Severe weather events that impact companies' ***supply chains*** and increase insurance costs. Reduced revenue from ***decreased production capacity*** (e.g. transport difficulties and supply chain interruptions resulting from weather events).	***Policy and legal risks*** as regulations are brought in to address companies' behaviour towards climate change. This may result in stock price falls. For example, from the effects of write-offs, asset impairment, and early retirement of existing assets due to policy changes. ***Market and reputational risks*** may represent the most immediate climate-related risks that a company faces and may crystallise with little advanced warning. For example: – reduced demand for a company's products or services due to increased demand for more environmentally sensitive offerings – prolonged reputational damage resulting in significant loss of customers – perceived exposure or poor climate response may reduce supply of capital or availability of insurance cover – inability to meet business customers' qualifying thresholds for environmental matters – societal pressure for increased regulation or taxation of key business activities – competitors who may move to decarbonise more rapidly

Medium term	***Acute risks but also chronic risks*** as longer-term climate patterns begin to change. ***Write-offs and early retirement of existing assets*** (e.g. damage to property and assets in high-risk locations such as coastal infrastructure assets from rising sea levels).	***Technology and policy risks*** leading to rapid product obsolescence or changes in consumer behaviour, for example: – increased consumer uptake of electric vehicles – increased demand for energy efficiency, renewable energy, battery power storage and carbon capture practices to be utilised by organisations
Long term	***Chronic risks*** resulting from longer-term shifts in climate patterns such as sustained temperature increases that may cause higher sea levels and more regular heat waves. Reduced revenue and profits from ***decreased production capacity and increased costs*** resulting from, for example: – damaged roads, buildings and transit infrastructure – reduced productivity and hours worked by staff – increased health care costs – changes in tourism destinations – reduced agriculture harvests, yields and volumes as well as unstable year-to-year production – reduced construction output – water and food scarcity increasing company input costs – droughts reducing hydropower electricity production – overloaded power grids with the demand for cooling systems. Regular power blackouts and falls in company production	***Stranded asset risk*** resulting in the re-pricing of companies' assets (e.g. fossil fuel reserves, land valuations and securities valuations).

The impact of climate-related risks and opportunities on Trustee strategy

The Trustee assesses the impact of the CRROs it has identified on its investment strategy on an ongoing basis.

Over the reporting period, the impact of CRROs on the financial performance of the Trust's investment strategy was not material. However, this is in line with expectations at the start of the reporting period, with the overwhelming majority of the CRROs identified expected to play out over much longer timeframes. This is especially true of the physical risks associated with climate change (projected out to 2100 in the climate scenarios described further below), whist transition risks are weighted more heavily to the next 15 years.

Climate-related risks and opportunities were taken account of in the Trust's investment strategy during the scheme year. As set out in the Trustee's TCFD Framework, the portfolio is regularly reviewed, and concentrations of risk highlighted. This analysis is used to set clear agenda, targets, metrics and reporting expectations.

Scheme assets are invested in pooled funds and reliant on underlying investment managers for information in relation to climate change metrics. As set out above, there are currently data limitations which the Trustee must take into account.

No specific changes were made to investments by the Trustee as a result of climate change considerations during the period. One of the actions set by the Trustee during the scheme year was to take an in-depth look at the portfolio to identify the metrics of each fund compared to the key climate metrics that they have decided to use (discussed later in this document). These charges are to be split into:

1. Immediate changes which can be made
2. Medium term changes
3. Long-term changes

based on cost, impact and operational capability.

The Trustee will work with its investment managers to assess the impact of the climate-related risks and opportunities on the Trust's investment strategy going forwards as it anticipates that the impact of CRROs will increase as the Trust moves through its identified time horizons.

To help inform this assessment, the Trustee's Investment Adviser SEI Investments (Europe) Ltd has assessed the climate risks associated with the funds employed by the Popular Arrangements under three climate scenarios, insofar as is possible given the current data limitations. Each scenario corresponds to an alternative pathway towards a low-carbon economy.

The Three Scenarios

At the Trustee's request, the Trustee's Investment Adviser has undertaken climate-related scenario analysis on the funds used within the Popular Arrangements, insofar as is possible given the current data limitations (which are explained on page 18). The Trustee's Investment Adviser leverages third party data and globally-recognized economic and scientific models to assess the financial impact of three distinct climate change scenarios, projected out to the year 2100. The scenarios are based on those outlined by the Network for Greening the Financial System (NGFS). In choosing to include these scenarios the Trustee has considered not only the projected global average temperature rise, but also the nature of the transition to that temperature rise. The scenarios reflect the Trustee's reasoned assessment of plausible pathways:

Scenario A: Orderly transition Early, coordinated action limits temperature increases to around 1.5°C by 2100 *Paris Agreement targets are broadly achieved*	This scenario models the early implementation of policies and technologies required to limit global warming to 1.5°C. It implies that a coordinated, global effort to reduce greenhouse gas emissions is undertaken immediately and smoothly, allowing economic actors to plan for, respond to and make the necessary investments to adapt to a changing policy and technology landscape.
Scenario B: Disorderly transition Late action, requiring abrupt changes to limit temperature increases to around 2°C by 2100 *Paris Agreement targets are partly achieved*	The disorderly transition scenario models a late implementation of policies and technologies required to limit climate change, and therefore assumes that global warming reaches 2°C. It implies that policy actors are uncoordinated and action begins later, resulting in more drastic policies and shorter time horizons to reduce emissions. It also means that the revenue-generating opportunities of low-carbon technologies are not fully realised until later years.
Scenario C: 'Hot House' / No transition Temperate increase assumes warming of around 3°C or more by 2100 *Targets are not met, resulting in a significant impact on the global climate*	The hot house scenario models a failed transition, in which the world does not take enhanced action to address climate change and continues towards a path aligned with existing Nationally Determined Contributions (NDCs) set under the Paris Agreement. Nationally Determined Contributions imply some additional policy implementation over current policies, as many countries are not yet on track to meet their NDCs. As a result, the world experiences very little transition risk but the physical risks of climate change are exacerbated and more uncertain.

Note: The Trustee's Investment Adviser has recommended the three scenarios outlined above following the UK DWP's statutory guidance[2].

The analysis

The scenario analysis has been conducted using the three climate change scenarios highlighted above, with scenarios A and B being the 2°C or lower scenarios.

To quantify the financial impact of the CRROs associated with each scenario, we have considered the Climate Value at Risk (CVaR) metric for each fund within the Popular Arrangements, insofar as is possible given the current data limitations. These metrics have been generated using MSCI's Climate VaR package.

[2] Part 3 Paragraph 62 onwards, DWP "Governance and reporting of climate change risk: guidance for trustees of occupational schemes", June 2021

The CVaR for each fund represents an aggregated view of the fund's exposure to both physical and transition risks. It is expressed as the percentage change to the fund value that is expected to arise given the assumptions underpinning the scenario being considered. So, in other words, the CVaR metric can be viewed as the potential shock to the aggregated market value of the underlying securities of the fund that could result from the climate pathway in question. In most cases this figure represents downside risk, but may, in some circumstances, reflect upside opportunity.

Essentially, the CVaR metric provides a forward-looking valuation assessment to measure climate-related risks and opportunities impacting the funds used within the Popular Arrangements. The Trustee believes that this analysis will enable it to identify CVaR exposures and contributions by sector and security level. It also thinks that this will help it focus its time and resources on the most material issues. It will allow the Trustee, supported by its advisers, to review whether adjustments to investment holdings should be made to limit exposures to climate-related risks and maximise exposures to opportunities.

Scenario Assumptions and Limitations

The aforementioned scenarios are based on those established by the Network for Greening the Financial System (NGFS). The NGFS Climate Scenarios bring together a global, harmonised set of transition pathways, physical climate change impacts and economic indicators. The strength of the NGFS suite of models is in their global coverage and integrated assessment of risks.

Since the last report, the NGFS scenarios have been brought up-to-date with the latest economic and climate data, model versions and policy commitments, reflecting new country-level commitments to reach net-zero emissions made at COP26. The new scenarios also reflect the latest trends in renewable energy technologies (e.g. solar and wind), and key mitigation technologies.

Additional changes derive from the improved modelling of physical risks. Estimates of GDP losses from chronic risks now more comprehensively account for model uncertainty. In addition, for the first time since their launch, the NGFS scenarios provide an indicative illustration of the way that acute physical risks could materialize over the course of the three scenarios. Acute physical risks were included via the integration of stochastic shocks calibrated based on historical data and "multipliers" to derive future trends.

Finally, transition risks are now represented with increased granularity in certain sectors, namely transport and industry.

While significant research advances have been made recently, care should be taken in using CVaR results, particularly at the most granular levels. Where possible, multiple models have been used for each scenario and warming level to represent uncertainty.

Other limitations associated with the use of CVaR metrics include the following:

- Imperfect data coverage impacting certain asset classes/market sectors
- Inherent uncertainty in the modelling of climate risks
- CVaR metrics, in isolation, do not fully illuminate the foremost risks impacting a portfolio, nor when they are most likely to occur
- The scenarios may not capture all new/emerging risks

Data limitations

Undertaking the scenario analysis proved challenging given the lack of data for some of the funds used within the Popular Arrangements. Only Schroders was able to provide the necessary data for the Atlas MAP 1, 2 and 3 funds. For these funds, however, data coverage was high, as set out in the table below.

We expect data coverage/quality to improve over time. Also as referenced in the last report the Trustee instructed a detailed review of the investment managers and investment offering to take place. This process started during the scheme year and a decision was made shortly after the scheme year to change investment managers and investment offering. Implementation is expected to be completed during the next scheme year and so will be reflected in the next report. This should also allow the expansion of the scenario analysis in future reports to ultimately cover all funds used within the Popular Arrangements. As data coverage/quality improves, it is likely that the CVaR metrics will evolve. We also intend to decompose aggregate CVaR into physical CVaR and transition CVaR in future reports, so that the factor driving climate risk exposure can be more readily identified.

Results

Climate Value at Risk (CVaR) scenario analysis

		Aggregate CVaR		
Fund Name	**Data Coverage**	**1.5°C Orderly Scenario**	**2°C Disorderly Scenario**	**3°C Hot House Scenario**
Atlas Multi Asset Portfolio (MAP) 1	95%	-18.9%	-14.8%	-6.1%
Atlas Multi Asset Portfolio (MAP) 2	91%	-19.7%	-15.8%	-6.5%
Atlas Multi Asset Portfolio (MAP) 3	87%	-20.3%	-16.7%	-6.9%

Source: Schroders, MSCI. Data as at 31 March 2023.

Conclusion

Perhaps counterintuitively, for each of the funds considered, aggregate CVaR declines as the expected global temperature rise by 2100 increases.

To understand this, one must consider the underlying components of aggregate CVaR: physical and transition risk. Of these, there is less variation in physical risk across scenarios than transition risk and so the latter tends to be the dominating factor. Moving from the Hot House scenario to the Orderly scenario, the expected temperature rise falls, as does the physical risk. However, the structural changes required to facilitate a faster shift to a low carbon economy entail a proportionately larger increase in transition risk, and so the aggregate CVaR also increases.

The aggregate CVaR increases from MAP 1 to MAP 2 to MAP 3 across all scenarios. This coincides with decreasing equity exposure, particularly to Schroder's Sustainable Multi-Factor Equity fund, and increasing exposure to fixed income and cash.

Impact on investment strategy

The Trustee will continue to monitor CRROs on an ongoing basis. The realisation of CRROs over time and future revisions to the CRRO assessment for the Trust will be important factors in determining the investment strategy for the Popular Arrangements.

At this point, it is difficult to state definitively how the Trust's investment strategy will evolve in response to the climate pathway that emerges. The Trustee, in collaboration with its advisers, will need to consider a myriad of interrelated effects, and balance CRROs against other risks and issues impacting the Trust. For example, when reviewing the investment strategy, the Trustee will likely need to consider:

- The impact of the emerging climate pathway on the income or capital growth expected to be generated by different asset classes (i.e. the impact on the capital market assumptions used when forecasting investment returns)
- Opportunities arising from the transition to a low-carbon economy that could proffer superior investment returns
- Whether the implementation of the investment strategy remains appropriate (for instance increasing likelihood of a severe, Hot House scenario may warrant exclusions within the investment portfolio or enhancements to investment stewardship)
- Any demographic impacts the emerging climate pathway could have on the membership profile of the Trust (for instance, reduced expectations of longevity may mean there is less need for capital growth in the years immediately preceding retirement)

(The above list is by no means exhaustive.)

Whilst scenario analysis is not intended to provide a forecast of the future, the Trustee believes that it will prove vital, in future years, for evaluating CRROs impacting the Trust and making investment decisions – particularly as climate data improves and the analysis becomes more sophisticated. (Indeed, in future versions of this report, the Trustee aims to extend its modelling of climate change to individual member pension pots, projecting their growth under the aforementioned climate scenarios for members of varying ages. This should bring greater context to the scenarios, helping members within the Popular Arrangements understand what they may mean for their own benefits at retirement.) When analysed over multiple years, the scenarios considered (along with the metrics disclosed later in this report) should help the Trustee to:

- Identify new/emerging CRROs and concentrations of risk
- Assess the likelihood and severity of CRROs impacting the Trust, over different time periods and for different climate pathways
- Explore risk mitigation options and any associated secondary effects
- Determine whether the Popular Arrangements investment glidepaths remain appropriate given the Trust's member profile
- Determine whether the implementation of the investment strategy needs to be adapted

SECTION FOUR: RISK MANAGEMENT

Identifying and Managing CRRO: How the Trustee identifies and assesses climate-related risks.

The Trustee understands that it must:

- Establish and maintain processes that will enable it to identify, assess and effectively manage climate-related risks which are relevant to the Trust; and
- Ensure that management of climate-related risks is integrated into its overall risk management of the Trust.

CRRO Risk Register

The Trustee has prepared a specific CRRO risk register which it has included as an Appendix to this document. Risks have been prioritised based on materiality, likelihood and financial impact. Whilst sections of the Risk Register have been regularly reviewed at Trustee meetings during the scheme year, CRRO risks are specifically reviewed at least annually. As part of the annual review the Trustee's Investment Adviser SEI Investments (Europe) Ltd highlighted those risks most relevant to the Trust and provided recommendations as appropriate relating to any Trustee actions arising, such as advising Investment Managers of their climate-related ESG priorities via the annual ESG survey issued by SEI. The review of all risks relating to the ongoing governance of the Trust forms part of the Trustee's decision-making process and is recorded accordingly in its meeting minutes.

Statement of Investment Principles (SIP)

The Trust has a SIP which sets out the Trustee's investment objectives, its policies on financially material factors (including environmental, social and governance factors) and how it implements these for the Trust as a whole. The SIP also includes details of all investment options used within the Popular Arrangements and available to members as individual 'self-select' options.

The Trustee has, in consultation with SEI European Services Limited, the Founder of the Trust, amended the SIP to incorporate the Trustee's policy on identifying, assessing and managing CRRO in relation to the Trust. The Trustee reviews the SIP at least annually and whenever there is any material change in investment policy.

Due Diligence

The Trust's investment offering provides access to a range of Investment Managers within a risk controlled framework, ensuring sufficient choice whilst keeping the selection process straightforward for members. Whilst the Trust's current investment managers were appointed by the former Trustee, they have been subject to ongoing due diligence by SEI Trustees Limited since it became responsible for the Trust in November 2021. During the scheme year the Trustee relied on feedback from SEI Investments (Europe Ltd to assess Investment Managers and consider the selection of managers whose approaches to ESG issues were in accordance with the Trustee's policies. As referenced in the last report the Trustee instructed a detailed review of the investment managers and investment offering to take place. This process started during the scheme year and a decision was made shortly after the scheme year to change the investment managers and investment offering. Implementation is expected to be completed during the next scheme year and so will be reflected in the next report with detailed examples of active consideration of climate-risks.

This review will incorporated SEI's well-established approach to manager research, which includes a proprietary ESG scoring system. Therefore, every firm and investment strategy reviewed by SEI on behalf of the Trustee is subject to an ESG due diligence review and receives a score of Strong, Moderate, Limited or Weak. The Investment Manager's final ESG evaluations are based on the following factors:

Firm Assessment

- **Profile**: Analysis of the extent of the manager's sustainability practices in a broad sense, as well as its commitment to sustainable investing.
- **Resources**: Evaluation of how well resourced the manager is to achieve its sustainable investing goals. This can be viewed as the bridge between the manager's words and its actions.
- **Practices:** Assessment as to how the manager actually implements sustainable investing in its investment process. This helps to distinguish true sustainable investing from "greenwashing," or presenting false integration of sustainable investing practices to attract clients.

Investment Strategy Assessment

- **Investing:** Analyse the strategy's integration of ESG factors, taking into account degree of materiality in affecting investment decisions and portfolio construction, quality of data and analytics employed, and alignment across the strategy's investment team.
- **Stewardship:** Evaluate the strategy's approach to stewardship, focusing on reporting capabilities and the intensity and thoughtfulness of issue engagement.

The Trustee formally reviews external managers at least every three years and more frequently if required. This purpose of the review is to reassess the fundamental characteristics of the existing Fund Managers to ensure they remain appropriate, focusing on Philosophy, Product, People, Investment Process and Portfolio Construction and Performance. The trustee also requests an assessment of each manager's approach to ESG issues. As detailed above, a formal review was undertaken during the Scheme year, with the decision being made to change investment managers and investment offering after the scheme year. Therefore, this is due to be implemented during the next Scheme year and will be reflected in the next report.

Vendor Management

When procuring any third party services the Trustee has requested that all potential suppliers are asked about their CRRO planning and compliance and business continuity as part of its provider selection process. This forms part of the Trustee's decision making process for shortlisting and selection. CRRO planning and compliance and business continuity is also to be included in any subsequent benchmarking review process post appointment.

Business Plan

The Business Plan is updated by the Scheme Strategists at least annually and is subsequently reviewed by the Scheme Funder and Trustee prior to approval. As part of each update the Scheme Strategist will take CRRO into account and document this within the updated Business Plan.

Scheme Calendar

The Trust's annual calendar has been updated to include the following:

- Annual TCFD report, incorporating:
  - An assessment of the climate risks facing the Popular Arrangements;
  - A review of the Trustee's CRRO governance framework; and
  - A qualitative assessment of the CRROs associated with the funds contained in the Popular Arrangement

- Triannual climate-related scenario analysis review and interim annual reports (climate Value at Risk – CVaR)

- Investment strategy review (quarterly) including a review of the metrics and performance analysis

The review intervals for the items recorded on the Trust's annual calendar are for business as usual operations. In the event that a material change occurs, the Trustee will instigate one or more reviews of the various items as it believes to be appropriate.

Identifying, assessing, and managing climate-related risks and integrating them into the Trustee's risk management processes

The Trustee is early in the journey towards long-term management of climate-related risks and opportunities. As such, establishing effective governance structures, tools and processes for *identifying* climate-related risks and opportunities has been central to the Trustee's ability to *manage* climate-related risks and opportunities.

Building on the processes described above, the Trustee seeks to use climate-related metrics (described in Section 4) and Scenario Analysis (described in Section 2) to monitor the effectiveness of its risk management activities going forward. Over time, the Trustee will look for metrics that indicate transition risk, such as carbon emissions, carbon footprint and weighted average carbon intensity, to decline.

The Trustee will also monitor trends in the results of climate-related scenario analysis, while recognising that the quality of climate change models will evolve over time and therefore comparison of scenario analysis results across time frames may not be appropriate. For example, new physical risk models may take into account new scientific projections about interrelated impacts and positive feedback loops. Meanwhile, transition risk models may evolve to take into account the pace of policy change, progress towards country-level goals, and technological advances.

For investment funds that exhibit multi-year trends towards rising transition risk, the Trustee and its advisers will engage with the funds' portfolio manager to understand what is driving that trend (e.g. macroeconomic trends, changes to portfolio strategy, or investments in specific securities). The Trustee recognises that not all investments in carbon-intensive companies are misaligned with the management of climate-related risks and opportunities; for example, heavy emitters with ambitious science-based targets or with low-carbon products and solutions are likely to play an important role in the transition to a low-carbon economy.

Recognising that most climate-related metrics are backwards-looking and may not fully capture forward-looking plans, the Trustee believes that proactive and collaborative engagement with companies is critical to the long-term management of climate-related risks and opportunities. The Trustee maintains oversight of the Investment Manager's shareholder engagement activity, monitoring action and progress through the Core Process Metrics included within Section 5. The Trustee will continue to assess whether the Investment Adviser and Manager are contributing to the long-term management of climate-related risks and opportunities at investee companies through improvements in climate change governance, greenhouse gas mitigation, and disclosure practices. Enhanced disclosure, in particular, will lead to the continued improvement of climate-related data that will, in turn, improve the quality of the Trustee's selected metrics and scenario analysis.

SECTION FIVE: METRICS & TARGETS

Metrics used by the Trustee to assess climate-related risks and opportunities

The Trustee will be disclosing the following on an annual basis within its TCFD report, insofar as is possible given the availability of data:

1. One absolute emissions based measure: Total Carbon Emissions in tCO_2e attributable to the funds used within the Popular Arrangements;
2. Two intensity emissions based measures: Carbon Footprint and Weighted Average Carbon Intensity (WACI);
3. Proxy voting data, and in future years, metrics concerning engagement

Core Outcome Metrics

Absolute: Total Carbon Emissions in tCO_2e

This measures the total greenhouse gas emissions attributable to a portfolio and is expressed as tonnes (t) of carbon dioxide (CO_2) equivalent (e) – i.e. tCO_2e. 'Carbon dioxide equivalent' is a standard unit for counting greenhouse gas emissions regardless of whether they're from carbon dioxide or another gas, such as methane. For each holding within a portfolio, its associated total carbon-equivalent emissions can be prorated according to the investor's ownership share – this metric is the sum of these prorated amounts. In other words, this metric represents the aggregated carbon emissions associated with the investor's share of the fund.

This metric gives a sense of the scale of the carbon emissions associated with each fund holding in the Popular Arrangements and the potential reduction in emissions required to assist the transition to a net zero economy.

The Total Carbon Emissions data associated with the funds used in the Popular Arrangements is shown below. To be clear, the tCO_2e figures are not representative of the total emissions associated with each fund; rather, they represent the emissions associated with the Atlas Master Trust's holding in each fund.

The tables below also set out the data coverage for each of the funds in question. Coverage for each of the funds is expressed as the percentage of the fund's total market value for which there is greenhouse gas emissions data, meaning that the coverage figures take into account the relative size of the underlying security positions. The Trustee is mindful of the lack of coverage in certain areas of the market, in particular, fixed income and government bonds. The Trustee expects that over the coming years, data quality will likely improve. Where data coverage is limited (<80%), we advise caution when interpreting the results.

The total carbon emissions data for the funds used within the Popular Arrangements is shown below.

Total Carbon Emissions *(tCO_2e attributable to the Atlas Master Trust)*				
Fund Name	**Coverage *(% MV)***	**2022 Scope 1 and 2**	**2023**	
			Scope 1 and 2	**Scope 3**
Atlas Multi Asset Portfolio (MAP) 1	42%	24,368	50,731	434,003
Atlas Multi Asset Portfolio (MAP) 2	42%	1,211	1,392	10,145
Atlas Multi Asset Portfolio (MAP) 3	42%	3,101	7,966	49,417
Capita Passive Global Equity Fund	92%	23,266	24,502	167,085
Atlas Flexible Pre Retirement Fund	30%	1,425	4,466	57,766
Atlas Level Annuity Target Fund	52%	81	93	743
Atlas Cash Fund	19%	20	17	1,144

Source: Schroders and LGIM. We have expressed total carbon emissions in tCO_2e. Effective dates: 31 March 2022 and 31 March 2023.

Intensity: Carbon Footprint

Carbon footprint tells the Trustee how many tonnes of CO_2e emissions were produced by a particular fund for each million pound invested. This metric may facilitate comparison across sectors, portfolios and companies and is therefore useful for internal and external purposes.

A drawback of this metric is that increasing security prices can result in falling carbon footprints, without a commensurate fall in carbon emissions. In addition, the metric does not capture differences in the size of companies, nor the carbon efficiency of their production processes etc. relative to other companies within the same industry.

The carbon footprint emissions data for the funds used within the Popular Arrangements is shown below.

Carbon Footprint *(tCO_2e / £M invested)*				
Fund Name	**Coverage *(% MV)***	**2022 Scope 1 and 2**	**2023**	
			Scope 1 and 2	**Scope 3**
Atlas Multi Asset Portfolio (MAP) 1	42%	42	57	492
Atlas Multi Asset Portfolio (MAP) 2	42%	47	65	472
Atlas Multi Asset Portfolio (MAP) 3	42%	52	73	451
Capita Passive Global Equity Fund	92%	92	99	673
Atlas Flexible Pre Retirement Fund	30%	75	66	858
Atlas Level Annuity Target Fund	52%	59	41	327
Atlas Cash Fund	19%	1	0	24

Source: Schroders and LGIM. We have expressed carbon footprint as tCO_2e/£M invested. Effective dates: 31 March 2022 and 31 March 2023.

Intensity: Weighted Average Carbon Intensity (WACI)

This is a key (backward-looking) metric for measuring a fund's exposure to carbon intensive assets, expressed in tonnes of CO_2e per millions of pounds of sales. This metric provides a broad indication of how heavily a portfolio's underlying holdings are involved in the emission of greenhouse gases. As this metric is standardised it can be readily used for comparative purposes. For a given fund, the WACI is calculated as the weighted average of the carbon intensities of the underlying holdings, whereby the weights are the percentage allocations to each holding. This metric can be used across equities and corporate bonds.

The WACI data for the funds used within the Popular Arrangements is shown below. It should be noted that due to current data limitations, WACI is only shown for Scope 1 and 2 carbon emissions.

Weighted Average Carbon Intensity *(tCO_2e / £M sales)*			
Fund Name	**Coverage *(% MV)***	**2022 Scope 1 and 2**	**2023 Scope 1 and 2**
Atlas Multi Asset Portfolio (MAP) 1	42%	103	115
Atlas Multi Asset Portfolio (MAP) 2	42%	126	136
Atlas Multi Asset Portfolio (MAP) 3	42%	150	160
Capita Passive Global Equity Fund	92%	Not available	253
Atlas Flexible Pre Retirement Fund	30%		117
Atlas Level Annuity Target Fund	52%		93
Atlas Cash Fund	19%		5

Source: Schroders and LGIM. We have expressed WACI in tCO_2e/£M sales. Effective dates: 31 March 2022 and 31 March 2023.

<u>Core Process Metrics</u>

Voting metrics

The Trustee is a strong advocate of investment stewardship as an effective way to enact change and ensure companies in the portfolio are adequately managing CRRO.

Shareholder voting is used in conjunction with engagement to affect meaningful change in corporate behaviour. The tables below set out Atlas's shareholder voting data for the funds used within the Popular Arrangements, insofar as is possible given current data limitations. Schroders and LGIM, as Investment Manager, use proxy voting services to cast votes; this brings consistency and high standards to the proxy research and voting decisions made on behalf of the Atlas Master Trust. The Trustee expects all votes to be cast in line with its voting policy and will periodically review policies and evaluate whether any policy changes would be appropriate. The Trustee will report upon compliance with this policy.

The table below summarises the votes cast in respect of the funds used within the Popular Arrangements, insofar as is possible given current data limitations, for the year to 31 March 2023. Data is not available for the Atlas Level Annuity Target Fund and the Atlas Cash Fund, whilst aggregated data is provided for the Atlas Multi Asset Portfolio (MAP) 1, 2 and 3 Funds.

hareholder Votes									
Fund	**Number of meetings eligible to vote at**	**Eligible resolutions**	**Percentage of eligible resolutions voted on**	**Percentage of votes cast with management**	**Percentage of votes cast against management**	**Percentage of votes abstained**	**Percentage of meetings where at least one vote was against management**	**Percentage of votes contrary to the recommendation of proxy adviser**	**Significant votes**
Atlas Multi Asset Portfolio (MAP) 1	819	11,007	94%	86%	13%	0%	65%	1%	1,381
Atlas Multi Asset Portfolio (MAP) 2									
Atlas Multi Asset Portfolio (MAP) 3									
Capita Passive Global Equity Fund	7,253	75,986	100%	81%	18%	1%	61%	10%	705
Atlas Flexible Pre Retirement Fund	3,035	39,661	100%	82%	18%	0%	71%	12%	554

Source: Schroders and LGIM. Data covers the year to 31 March 2023.

Disclosure of Emissions Data (Scope 1, 2, and 3) and Related Risks

Scope 1, 2, and 3 Emissions data

In last year's TCFD report, the Trustee disclosed the above carbon metrics using only Scope 1 and 2 emissions data. This year, the reporting has been enhanced to include Scope 3 emissions data where possible, given the current data limitations. In practice, this means Total Carbon Emissions and Carbon Footprint encompass all three scopes, whilst WACI is limited to the first two.

To provide context, Scope 1 and 2 emissions are those that are owned or controlled by a company, whereas Scope 3 emissions are a consequence of the activities of the company but occur from sources not owned or controlled by it – that is to say, Scope 3 emissions are the indirect emissions from sources connected to a business, such as suppliers or distributors. Methodologies with regards to Scope 3 data are less established and many companies are only beginning to analyse their Scope 3 emissions. Given the challenges concerning Scope 3 emissions, the WACI disclosures are currently limited to Scopes 1 and 2.

However, this will be reviewed annually, and the Trustee will make every effort to disclose metrics that encompass all three Scopes where possible.

The information for the above metrics has been obtained using third party independent data providers. Using independent, competitively sourced data providers brings confidence that the Trustee is using good quality, unbiased market data.

Data coverage

Data coverage is the key metric for examining data quality at present. The data coverage of the Popular Arrangements is shown in the table below.

Coverage for each of the funds is expressed as the percentage of the fund's total market value for which there is emissions data, meaning that the coverage figures take into account the relative size of the underlying security positions. For asset classes where data is not available or best practice is still being developed, data coverage is nil.

The Trustee is mindful of the lack of coverage in certain areas of the market, particularly fixed income. This explains the low data coverage for the Atlas Level Annuity Target Fund and the Atlas Flexible Pre Retirement Fund, which have a relatively higher proportion of their investments in fixed income asset classes, such as government and corporate bonds, when compared to the other funds listed below. The Trustee expects that over the coming years, data quality will likely improve.

Fund Name	Coverage (% MV)
Atlas Multi Asset Portfolio (MAP) 1	42%
Atlas Multi Asset Portfolio (MAP) 2	42%
Atlas Multi Asset Portfolio (MAP) 3	42%
Capita Passive Global Equity Fund	92%

Atlas Flexible Pre Retirement Fund	30%
Atlas Level Annuity Target Fund	52%
Atlas Cash Fund	19%

Source: Schroders and LGIM. Effective date: 31 March 2023.

Data limitations and keeping metrics under review

The limitations we face today are not necessarily limitations we will face in the future, as this is an area that is changing rapidly, with research organisations continually developing new metrics and companies generating better data.

The Total Carbon Emissions, Weighted Average Carbon Intensity and Carbon Footprint are all backward-looking metrics. While useful to measure for the companies held in portfolios they do not consider these companies' future expected carbon emissions projections. Moreover, they do not consider scientifically robust targets and business plans that companies may have put in place to reduce future carbon emissions. Consequently, going forward the Trustee intends to consider measuring forward-looking carbon emissions metrics as well as backward-looking ones.

The Trustee proposes the above metrics as necessary starting points. However, the Trustee will build in reviews to ensure that the selection of metrics and targets is appropriate in light of the evolving regulatory landscape.

The Trustee will also review data as it becomes more complete and meaningful (such as Scope 3 emissions and forward-looking Alignment data). One can therefore expect metrics to evolve over time. As mentioned earlier in the Report the Trustee expects to have implemented agreed changes to its investment managers and investment offering which will be reflected in the next report. As a result, the Trustee anticipates more complete data will be available from those investment managers and at the very least clear timelines as to when it can be reported.

Using the metrics / targets to enact strategy decisions

The Trustee will monitor climate-related metrics and targets through the Trust's investment reports. This will create Trustee discussion around CRRO over short-, medium- and long-term time horizons. It will also allow the Trustee to determine if CRRO are being appropriately acted upon, and to adapt default glide path design and fund selection if it wishes to change the implementation of its strategy on CRRO.

Targets used by the Trustee to manage CRRO and performance

The Trustee uses targets to track its climate-related metrics and to manage CRRO. The Trustee has set meaningful targets that are in line with its investment and climate objectives. The Trustee is taking a measured approach to setting climate-related targets and will continue to review how it can use additional quantitative analysis and recognised industry frameworks to allow it to set meaningful climate-related targets. The Trustee is of the view that its approach to stewardship, including engagement and voting activities, is part of its effort to have meaningful climate-related impacts.

The Trustee has set the following targets for its Popular Arrangements. On an annual basis, the Trustee will measure performance of the metrics against the targets and will report these in its TCFD report. Taking into account performance, the Trustee will periodically determine whether the climate-related targets should be retained or replaced.

Core process targets

Shareholder engagement is the primary method for affecting changes in corporate behaviour, rather than excluding stocks and disengaging with climate-related issues.

Pending completion of the transition of the Atlas Master Trust's assets to the SEI Master Trust, the Trustee will target the following levels of engagement in the subsequent year:

- At least 200 companies engaged on CRRO
- At least 25 Climate Action 100+ companies engaged
- At least 40 companies that achieve CRRO milestones

Core outcome targets

The current limitations on both the scope of the data and its backward- (rather than forward-looking-) nature means it is appropriate to be cautious about targets based on this type of data. The Trustee believes that targets that would result in exclusionary polices based on backward-looking data could lead to worse outcomes for both the successful transition to a net-zero economy and the portfolio's risk and return prospects. For these reasons, we will continue efforts through active ownership to manage CRROs and to monitor the available carbon metrics, but not to manage exclusionary policies around them.

For the funds used in the Popular Arrangements, the Trustee will target reductions in WACI, Carbon Footprint and Carbon Emissions over rolling three year periods, which are in line with the reductions in appropriate market indices that broadly reflect the investment strategies of these funds. WACI, Carbon Footprint and Carbon Emissions are expected to reduce, as described in the section on short-, medium- and long-term time horizons, due to shareholder engagement and government policies.

The methodology used for performance measurement takes account of how changes in fund data compare with changes in the respective benchmark data over the rolling three-year period. The Trustee is collating appropriate benchmark data to enable measurement over that period. Next year's report will feature an assessment to that effect.

Given the risks surrounding reducing carbon emissions and the Trustee's focus on investment stewardship and proactive engagement as an effective tool for managing CRRO, the Trustee's short, medium and long-term ambitions are to:

- Reduce the impact of the Trust's investments on the climate;

- Harness climate-related opportunities to generate investment returns for members; and

- Invest Trust assets in a manner that minimises our members' exposure to climate risk.

The intersecting and cross-industry nature of CRROs means that climate considerations must be actively managed in the portfolio and cannot simply be addressed by disinvesting from certain sectors or business activities.

The Trustee will use best endeavours to report WACI, Carbon Footprint and Carbon Emissions dependent upon the data available from data providers.

As mentioned earlier in the report the Trustee is expecting to implement the agreed changes to its investment managers and its investment offering during the next scheme year, and this will be reflected in the next report. As part of that review process the Trustee was of course mindful of the metrics that could be provided - and targets that it would set - for the incoming investment manager. The Trustee will therefore be able to not only include appropriate, clearly defined metrics, but the level of success against target achieved, within the next report.

Climate-related opportunities

The efforts to mitigate and adapt to climate change will likely result in new opportunities, such as through resource efficiency and cost savings, the adoption and utilisation of low-emissions energy sources, the development of new products and services, and the augmentation of supply chain resilience. Climate-related opportunities will vary depending upon the region, market and industry in which an organisation operates.

One way that climate-related opportunities are captured in the Popular Arrangements is through members' long-term growth fund, the Schroder Sustainable Multi-Factor Equity Fund. The Investment Manager of the fund takes into account ESG factors when constructing the investment portfolio, although it should be noted that such factors are not the primary driver of security selection/weighting. The ESG factors aim to measure features that may affect companies in the form of additional unanticipated costs or opportunities over long-term horizons, such as:

- climate change;
- pollution;
- human capital;
- social opportunities;
- corporate governance; and
- corporate behavior

In doing so, the Investment Manager may make adjustments to the exposure of the fund to a particular security based on the security's ESG rating, with a higher weighting being given to securities that are rated highly for their overall sustainability performance.

Signature of Chair

This Report was approved by the Trustee on 26 October 2023 and signed on its behalf by:

Allan Course (Chairperson)
SEI Trustees Limited

APPENDIX: CRRO REGISTER

APPENDIX

TRUSTEE'S CRRO RISK REGISTER

	A. KNOWLEDGE AND UNDERSTANDING					
	RISK	**IMPACT (1-5) (1=LOW, 5=HIGH)**	**LIKELIHOOD (1-5) (1=LOW, 5=HIGH)**	**CONTROLS**	**OVERALL RATING (1-8: Green / 9-16: Amber / 17-25: Red)**	**COMMENTS**
1.	Key persons, such as Trustee directors and Scheme Strategists, do not have sufficient knowledge and understanding to be able to identify, assess and manage CRRO in relation to the Trust.	4	1	• All Trustee directors and Scheme Strategists have completed the training provided by the TCFD Hub. New Trustee directors and Scheme Strategists are required to complete this training within 6 months of appointment. • CRRO included as part of the Trustee's annual training programme. • All Trustee directors and Scheme Strategists are required maintain and demonstrate CPD appropriate to their role and responsibilities and complete Annual Skills Assessment. • Trustee's and Scheme Strategists' Annual Skills assessment updated to incorporate ESG and CRRO specifically. • Independent Triennial Review of the Board to consider whether TKU is sufficient to manage CRRO in relation to the Trust.	4	

2.	Trustee's appointed Investment Managers do not keep abreast of developments in this area.	5	1	• Trustee carries out Triennial Review on all Investment Managers, with managers' ESG capabilities assessed. • Triennial Reviews will specifically explore managers' approach to CRRO and establish whether considered best of breed. • The Trustee has the power to change or appoint additional Investment Advisers if required.	5	

B. INVESTMENT PERFORMANCE AND GOVERNANCE						
	RISK	**IMPACT (1-5)** **(1=LOW, 5=HIGH)**	**LIKELIHOOD (1-5)** **(1=LOW, 5=HIGH)**	**CONTROLS**	**OVERALL RATING (1-5)** **(1-8: Green / 9-16: Amber / 17-25: Red)**	**COMMENTS**
1.	There is a fundamental failure in the integration of financially material considerations around CRROs in the Trustee's investment strategy and fund choices in the Popular Arrangements.	5	1	The Trustee monitors that CRROs are sufficiently considered in the funds used in the Popular Arrangements by monitoring the climate-related engagements, shareholder voting and portfolio positioning being undertaken by the Investment Manager and the specialist providers. The Investment Adviser ensures that consideration of CRRO is integral to the investment strategy advice that is provided to the Trustee.	5	
2.	There is a failure by third party providers in supplying data on shareholder voting, shareholder engagements, carbon emissions or carbon emission intensities.	4	3	The Investment Manager is responsible for sourcing climate-related shareholder voting, company engagement and carbon emissions data provision services, (b) performance is monitored, tested and challenged as necessary.	12	*This is only the second year in which this data is being requested and so the Trustee anticipates that there could be difficulty obtaining all the data required as the industry adjusts. This will be kept under close monitoring and alternative providers can be sought if required.*
	OPPORTUNITY	**IMPACT (1-5)**	**LIKELIHOOD (1-5)**	**CONTROLS**	**OVERALL RATING (1-5)**	**COMMENTS**

		(1=LOW, 5=HIGH)	**(1=LOW, 5=HIGH)**		**(1-8: Green / 9-16: Amber / 17-25: Red)**	
1.	The opportunity to invest in: - companies involved in the manufacture/distribution of 'green technologies', for which there is likely to be heightened demand in the future; and/or - companies that could benefit as an end-user of such technologies, through cost savings/increased productivity etc. Such opportunities could have a positive impact on the investment performance of the Trust's assets.	3	3	n/a	9	*Cell shaded green to reflect opportunity (i.e. upside risk).*

	C. REPORTING AND COMPLIANCE					
	RISK	**IMPACT (1-5)** **(1=LOW, 5=HIGH)**	**LIKELIHOOD (1-5)** **(1=LOW, 5=HIGH)**	**CONTROLS**	**OVERALL RATING (1-5)** **(1-8: Green / 9-16: Amber / 17-25: Red)**	**COMMENTS**
1.	Trustee directors do not produce annual TCFD Report in accordance with legislative requirements / timescales.	4	1	• The provision of the TCFD report has been added to the Trustee's Scheme Calendar. • The provision of the report will be considered within the Risk and Operations sub-committee. • The Trustee's TCFD Framework Agreement provides the starting structure for the TCFD and some of the intended content. • TCFD will be considered and developed at each Risk and Operations sub-committee, and reviewed with progress reported at main Trustee meetings to ensure that it is provided well within legislative requirements/timescales.	4	

	D. OPERATIONS, COSTS AND SUPPLIERS					
	RISK	**IMPACT (1-5)** **(1=LOW, 5=HIGH)**	**LIKELIHOOD (1-5)** **(1=LOW, 5=HIGH)**	**CONTROLS**	**OVERALL RATING (1-5)** **(1-8: Green / 9-16: Amber / 17-25: Red)**	**COMMENTS**
1.	The Trust's operations are directly impacted by climate-related physical risks e.g. extreme weather.	4	1	• The Trustee assesses all significant vendors' Business Continuity prior to appointment through SEI's Vendor Management Team, and on at least an annual basis thereafter. • The Trustee also assesses SEI's Business Continuity testing annually as the Trust provider,	4	
2.	The cost of running the Trust increases as a result of the additional activities required to identify and assess CRRO.	2	1	• The Scheme Funder has provided a commitment to the Trustee through its Deed of Agreement to meet all costs arising from the Trust. • The Scheme Strategists and Funder update the Trust's Business Plan at least annually taking account of factors that could impact the cost of operating the Trust. • Budgets are agreed at least annually between Scheme Strategists and Funder, with additional resources provided by the Scheme Funder to meet any increase in costs and to further develop the Trust as required.	2	