OCTOBER 2024

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Report for the Atlas Master Trust.

SEI Trustees Limited

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Executive summary

The Atlas Master Trust ("**the Trust**") is pleased to present its third Taskforce on Climate-Related Financial Disclosures ("**TCFD**") report. Regulations require pension schemes to report in line with TCFD recommendations, to improve both the quality of governance and the level of actions by trustees in identifying, assessing and management climate risk. The Trust adheres to these guidelines.

Climate change poses significant risks to financial markets. Recognising this, the Financial Stability Board ("**FSB**") established the Taskforce on Climate-Related Financial Disclosures in 2015 to promote a consistent and transparent approach to reporting the climate impact of organisations in the hope of finding ways to both combat global warming and reduce its impact. By October 2023, the TCFD had fulfilled its mandate and was disbanded. The International Financial Reporting Standards Foundation now oversees climate-related disclosures.

This Report is a collaboration between SEI Trustees Limited ("**the Trustee**"), our Investment Managers and our Investment Advisers. In assessing the impact of the Trust's investments on climate change, we focus on what the legislation refers to as 'Popular Arrangements', which are essentially the Trust's default investment options, as they are used by most members.

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

Within this Report we have outlined the steps we have taken across the Trust in considering and incorporating climate-related risks and opportunities ("**CRROs**") within the 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 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 on the funds used within the Popular Arrangements of the Trust. The three scenarios encompass:

- 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.

Under each of these scenarios we model a 'Value at Risk' ("**CVaR"**). This measure is designed to indicate a likely worst case financial loss. The extent of the loss varies by scenario and by fund, but it ranges from a loss of about 1.5% of the value of the assets up to 14%. This highlights how important it is for us to manage these risks on behalf of our members and ensure the investments within our funds are climate resilient.

The analysis in this report is, sadly, only as good as the data we are able to collect. We are pleased the CVaR analysis now covers the Capita Passive Global Equity Fund and the Atlas Level Annuity Target Fund.

This report also discloses the total carbon emissions associated with Popular Arrangements. We are pleased to report that on an asset weighted basis, carbon emissions show an improvement from last year.

It is important for the Trustee to consider an intensity metric rather than just absolute emissions. Weighted Average Carbon Intensity ("**WACI**") provides a broad indication of how heavily a portfolio's underlying holdings are involved in greenhouse emissions. The WACI of the Atlas Multi Asset Portfolio 1, Atlas Multi Asset Portfolio 3, Capita Passive Global Equity Fund, Atlas Level Annuity Target Fund and Atlas Cash Fund have reduced materially from last year. We have seen an increase in the WACI of the Atlas Flexible Pre Retirement Fund, although data coverage for this fund remains low.

Finally, good progress continues to be made on the engagement front. In general, the Trustee believes that engagement is an effective tool for positive change. Shareholder engagement and voting metrics along with case studies are detailed in the final section of this Report.

We would remind members that this is only the third report of its kind published by the Trustee, covering the period 1 April 2023 to 31 March 2024 (**the** "**Scheme Year**"). However, this will be the last TCFD report for the Atlas Master Trust covering a full year; on 22 December 2023, the Founder of the Trust notified the Trustee of its decision to terminate and wind-up the scheme, which constituted a Triggering Event.

The Pensions Regulator approved the Trustee's Implementation Strategy on 18 March 2024. The Implementation Strategy confirms all member benefits will be transferred out of the Trust before the end of December 2024.

Introduction

Background

This Report discloses the processes that the Trustee, in its capacity as trustee of the Trust, has put in place and actions the Trustee has taken during the Scheme Year to understand and address the risks and opportunities that climate change poses to the Trust, in line with the TCFD recommendations.

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.

The Trustee has been subject to the TCFD recommendations from 1 October 2021 onwards. The Trustee regularly reviews its governance framework to ensure that CRROs are integrated 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 CRROs.
- Strategy: Disclose the actual and potential impacts of CRROs 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 CRROs where such information is material.

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

Section one: Governance

Oversight of CRROs

The responsibility for investment strategy, decision-making and governance within the Trust rests with the Trustee. As such, the Trustee has ultimate responsibility for ensuring effective governance of CRROs and must establish and maintain oversight of CRROs. 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 Investment (Europe) Ltd ("SEI") as its Investment Adviser and Investment Manager, and Pinsent Masons as its legal adviser) to develop and implement its TCFD framework (the "**TCFD Framework**") for the Trust. The TCFD Framework is an internal document forming part of the Trustee's ongoing governance processes and procedures in relation to the Trust, concerning the four core elements of recommended climate-related financial disclosures.

The TCFD Framework sets out: the roles and responsibilities of key stakeholders in relation to assessing and managing CRRO; 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 metrics and targets that will be disclosed. The process of developing the TCFD Framework is a collaborative one between the Trustee and its advisers, with both parties reviewing and, where appropriate, challenging each other's input to ensure that the TCFD Framework is sufficiently considered and robust.

In line with the TCFD Framework, during the Scheme Year the Trustee:

- Received quarterly reports from the Investment Managers of its Popular Arrangements[2] 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. These reports were available to all Trustee Directors but considered in detail and presented at Investment sub-committee meetings, where the Committee 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 SEI in its Investment Adviser capacity (reviews are annual);
- Reviewed its CRRO risk register in November, identifying new potential opportunities in respect of green technologies, and updated other relevant Trust documents (such as the annual schedule of activities and business plan) where appropriate; and
- Reviewed the TCFD Framework document at both the June Board meeting and the November Investment sub-committee meeting with its Investment Adviser.

The Trustee recognises CRROs as a key factor to be considered alongside 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. As a result, the Trustee:

- Prefers 'Engagement' rather than 'Exclusion' with regards to incorporating climate related 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;
- Is supportive of the recommendations of the Taskforce on Climate-Related Financial Disclosures;
- Supports and encourages the further development of effective and consistent climate related risk metrics to enhance the ability of all stakeholders to assess and minimise such risks;
- Does, and will continue to, partner with its 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; and
- Recognises that CRROs 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.

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[2] A Popular Arrangement is 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

Section two: Roles & Responsibilities

Key stakeholders in assessing and managing CRROs

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
- The information provided to the Trustee about CRROs faced by the Trust.

Investment Adviser

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 its Investment Advisers. The Trustee reviews on an annual basis whether it believes that the investment consultancy objectives have been met. For the Scheme Year, the Trustee considered the services received at its November Investment sub-committee meeting and 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 within the Popular Arrangement glide path strategies to seek to ensure that CRROs are considered. The Investment Adviser advises the Trustee on at least an annual basis on setting climate-related metrics that are achievable and reportable for the default funds used. The Trustee reviews the SIP for the Trust annually, with advice from the Investment Adviser, which incorporates the Trustee's CRRO policies set out in the Investment Advisory Agreement between the Trustee and its Investment Adviser. These policies set out the Trustee's requirements in respect of CRROs and place obligations on the Investment Adviser to deliver its advice in accordance with those requirements. The framework of the Investment Consultants Sustainability Working Group (the "**ICSWG**") are followed to ensure appropriate competency of the Trust's Investment Advisor. The Trustee delegates the review of the Investment Adviser's competence to the Investment sub-committee who considered this at its November meeting and concluded that it remains comfortable with the climate competency of SEI as its Investment Advisor, noting that SEI is a member of the ICSWG.

The Trustee has additionally appointed Hymans Robertson to get an independent and/or second opinion as and when it believes it is appropriate to do so. The Investment sub-committee also carried out a review of the competencies and services provided by Hymans Robertson in its November meeting and again is satisfied they have adequate expertise.

Investment Managers

The Investment Managers appointed and utilised by the Trustee in the Popular Arrangements over the period include Schroder 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 carbon emissions and carbon intensity metrics on at least an annual basis. Where the Investment Managers use a proxy voting service to vote in accordance with the Investment Manager's voting guidelines at annual shareholder meetings, the proxy voting service reports climate-related votes cast. Further, the engagement partner reports any climate-related engagements with company management. The Trustee relies on feedback from Capita Consulting 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 selection of Investment Managers is described in 'Section 4 – Risk Management'.

Scheme Strategists

The responsibility for design and for developing the proposition and setting the overall direction of the Trust 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.

CRROs and wider ESG considerations form part of the Scheme Strategists' decision-making regarding the Trust. The Scheme Strategists provide updates to 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

A selection process is in place for individual Trustee Directors that ensures that the board as a whole has the necessary skills to govern the Trust.

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

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 Scheme Year. As well as training provided by SEI in its capacity as Investment Adviser and the Trustee's other advisers, 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 CRROs 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 been completed by the Trustee's legal advisers at Pinsent Masons.

Any identified gaps will be incorporated into the Trustee's training plan with CRROs contained within 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 Online Learning Hub session within 6 months of appointment.

Based on the above assessments no specific gaps were identified requiring specific training. The Trustee, however, notes that both legislation and regulation continues 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 Trustee defines the short-term, medium-term and long-term as shown in the table below. Each investment time horizon relates to the time over which future distributions are expected to be withdrawn (either at retirement or post retirement). Short-term holdings relate to investments that support distributions that are expected to be paid over the next 7 years, medium-term holdings support distributions over the subsequent 8 years and long-term holdings relate to investments that support distributions that are expected to be paid out beyond that.

The table below sets out the primary investment goal (described as '**lifestyle phase**') and the investment objective pertaining to investments with different time horizons.

Horizon	Time Frame	Lifestyle phase	Investment objective
Short-term	0-7 years	Stability	Targeting an efficient level of return with a low risk of short-term loss
Medium-term	7-15 years	Stability and growth while de-risking	Targeting an efficient level of return with an intermediate level of short-term risk
Long-term	15+ years	Growth	Targeting a high level of return with a high level of short-term risk but a lower 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 can be financially material and can impact the value of the investments the Trust holds 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 proxy 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 offered/used by the Trust. The Trustee believes that for 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 are 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	Stranded asset risk resulting in the re-pricing of companies' assets (e.g. fossil fuel reserves, land valuations and securities valuations).

	• 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	

The impact of CRROs on Trustee strategy

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

To date, the Trustee has assessed that the impact of CRROs on the Trust's investment strategy has not been material. This is in line with expectations at the start of the Scheme Year, with the overwhelming majority of the CRROs identified expected to play out over 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), whilst transition risks are weighted more heavily to the next 15 years. Therefore, whilst there have not yet been material CRROs to respond to in deciding the Trust's current investment strategy, the Trustee anticipates that the impact of CRROs will increase as the Trust moves through these time horizons.

Additionally the Trustee is aware that weaknesses have been identified in current scenario models, which likely do not adequately allow for potential tipping points and fail to highlight the potential for a material repricing of assets as markets reflect an increasing likelihood of more tipping points materialising.

Given its belief that CRROs are expected to be material to the financial performance of the Trust's investments over the short, medium and long term, the Trustee is continuing to develop the integration of the identification and assessment of CRROs into the selection of its investment strategy. On behalf of the Trustee, SEI, in its capacity as Investment Adviser, is carrying out more work to consider whether and how the Trust can access the green technology investment opportunity identified in the CRRO register.

The Trustee has also worked with SEI to explore the physical and transition risks associated with the funds currently employed by the Popular Arrangements under three climate scenarios. The funds utilised by the Popular Arrangements are as follows:

Fund	Trust holdings as at 31/03/2024 (£M)
Atlas Multi Asset Portfolio (MAP) 1	849.4
Atlas Multi Asset Portfolio (MAP) 3	75.7
Capita Passive Global Equity Fund	272.2
Atlas Flexible Pre Retirement Fund*	0.4
Atlas Level Annuity Target Fund	78.4
Atlas Cash Fund*	52.3

Source: Scottish Widows. Data as at 31 March 2024.

*The Atlas Flexible Pre Retirement Fund and Atlas Cash Fund have been omitted from the metrics and analysis presented in this report on the grounds that a) climate-related data coverage is very low; and b) the total investment in these funds by the Trust is not material in context of the Trust's aggregate portfolio.

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. The Trustee's Investment Adviser leverages third party data and globally recognised economic and scientific models to assess the financial impact of three distinct climate change scenarios (which are based on those published by the Network on Greening the Financial System ("**NGFS"**)).

When considering these scenarios for inclusion in the report, the Trustee has considered not only the projected global average temperature rise associated with each scenario, but also the nature of the transition under that scenario. The three scenarios set out below reflect the Trustee's reasoned assessment of plausible pathways.

Scenario	Description
Orderly Transition Early, coordinated action limits temperature increases to around 1.5°C by 2100 ***Paris Agreement targets are broadly achieved***	The Orderly Transition Scenario models the early implementation of policies and technologies required to limit global warming to 1.5°C by 2100. 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.
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 by 2100. 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.
Hot House Scenario Global warming of 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. Global warming of 3°C or more is experienced by 2100.

Climate value at risk (CVaR)

The scenario analysis has been conducted using the three climate change scenarios highlighted above, with the orderly and disorderly transition scenarios 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. The forward-looking CVaR metric represents the aggregate, estimated financial impact of a given climate change scenario, expressed as a shock to the discounted present value of the fund under consideration. In turn, this can be understood as the potential shock to the enterprise market value of the underlying securities in the fund, which results from the scenario assumptions. In most cases this figure represents downside risk (<0%), but may, in some circumstances, reflect upside opportunity (>0%).

To provide greater context, the CVaR for a given portfolio is an aggregation of the policy risks, technology opportunities, and physical risks of each security in the portfolio. The policy and technology costs and revenues associated with each security reflect a forecast out to 2080, discounted back to their present value. The physical risk costs are forecast out to 2100, and again discounted back to their present value. As such, future costs and revenues are less impactful than near term costs and revenues. The CVaR metrics disclosed below have, where possible, been decomposed into their 'transition risk' and 'physical risk' components, and then aggregated.

The Trustee believes that analysing CVaR will enable exposures and contributions by sector and security level to be identified. It also thinks that this will help it focus its time and resources on the most material issues. It will allow the Trustee to review (with its advisers) whether adjustments to investment holdings should be made to limit exposures to climate-related risks and maximise exposures to opportunities.

It should be noted that CVaR is a tool intended to illustrate a range of possible outcomes, not to forecast actual future portfolio value.

Scenario assumptions and limitations

As set out above, the aforementioned scenarios are based on those established by the 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. The Trustee is aware of the work that was carried out this year by USS in conjunction with the University of Exeter to develop new climate scenarios that might better reflect some of the financial implications of the interconnected risks resulting from global warming and would have considered whether such a model might be better used in future years, had the Trust not been in wind-up.

This year CVaR metrics are calculated using the most up-to-date model MSCI offers. While significant research advances have been made recently, care should be taken in using CVaR results, particularly at the most granular levels. CVaR metrics can provide valuable insights, but there are limitations to consider when using CVaR metrics, including:

- Uncertain Climate Models: CVaR metrics rely on climate models to estimate future climate scenarios. However, climate models have inherent uncertainties and limitations. They may not capture the full complexity of the climate system or accurately predict regional or local climate changes, making it challenging to accurately assess the associated financial risks;
- Limited Historical Data: CVaR metrics require historical data to estimate the relationship between climate variables and financial losses. However, the availability of long-term, high-quality climate data is often limited, particularly for localized regions or specific sectors. This lack of comprehensive historical data introduces uncertainties into the calculations and reduces the accuracy of the risk assessment;
- Complex Interactions and Feedbacks: Climate risks are interconnected and often involve complex feedback mechanisms. For example, climate change impacts affect various sectors simultaneously, such as agriculture, energy, infrastructure, and insurance. CVaR metrics may struggle to capture these interdependencies accurately, potentially leading to an underestimation or overestimation of financial risks;
- Nonlinear and Threshold Effects: Climate change impacts are often nonlinear, meaning that small changes in climate variables could lead to disproportionately large impacts. Furthermore, some climate-related risks have threshold effects, where the risk increases significantly beyond a certain point. CVaR metrics might not fully account for these nonlinearities and thresholds, leading to an incomplete representation of the potential financial losses;
- Dynamic Nature of Climate Risks: Climate risks are dynamic and evolve over time due to changes in climate patterns, technological advancements, policy developments, and adaptation measures. CVaR metrics typically assume a static relationship between climate variables and financial losses, which might not capture the evolving nature of risks accurately;
- Limited Scope: CVaR metrics generally focus on physical climate risks, such as extreme weather events, sea-level rise, and temperature changes. They may not adequately capture other climate-related risks, including transitional risks associated with the transition to a low-carbon economy or liability risks related to climate litigation and regulatory changes. Therefore, relying solely on CVaR metrics may provide an incomplete picture of the overall financial risks associated with climate change;
- Data coverage for the CVaR metric is limited across certain asset classes, most notably government bonds and other fixed income assets. Caution is advised when interpreting the CVaR metrics for funds with data coverage that is below 80%;
- CVaR is a tool intended to illustrate a range of possible outcomes, not to forecast actual future portfolio value;
- The CVaR metrics are useful for comparison purposes and identifying concentrations of risk, but do not provide much insight into absolute risk levels;
- The CVaR methodology discounts risks likely to occur further into the future more heavily than those likely to materialise in the near-term. As transition risks are more imminent than physical risks, this means the methodology tends to place more weight on transition risks;
- The CVaR metric is a headline figure, representative of the potential shock to the aggregate enterprise market value of the underlying securities in the fund, which results from the climate assumptions being considered. It does not provide insight into the nature or timing of the underlying climate risks, and
- The CVaR metric does not provide insight into the balance of climate risks and opportunities for the scenario considered.

Data coverage and 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 Multi Asset Portfolio 1 and 3 funds for all three transitions scenarios, decomposed into their 'transition risk' and 'physical risk' components. LGIM has provided the necessary data to report the aggregate CVaR under the orderly transition scenario.

We expect data coverage/quality in the industry to improve over time. Also as referenced in the last TCFD report, the decision had been made to change Investment Managers and investment offering. This would potentially have allowed the expansion of the scenario analysis in future reports to ultimately cover all funds used within the Popular Arrangements. However, these investment changes were put on hold following the triggering of a scheme wind-up.

Results

Transition CVaR

Fund	Data Coverage (% MV)	Orderly Transition	Disorderly Transition	Hot House Scenario
Atlas Multi Asset Portfolio (MAP) 1	92.4%	-4.6%	-2.0%	-0.8%
Atlas Multi Asset Portfolio (MAP) 3	91.0%	-6.7%	-3.0%	-1.4%

Source: Schroder, as at 31 March 2024.

Physical CVaR

Fund	Data Coverage (% MV)	Orderly Transition	Disorderly Transition	Hot House Scenario
Atlas Multi Asset Portfolio (MAP) 1	93.2%	-6.1%	-6.1%	-6.1%
Atlas Multi Asset Portfolio (MAP) 3	91.9%	-6.7%	-6.7%	-6.7%

Source: Schroder, as at 31 March 2024.

Aggregate CVaR

Fund	Data Coverage (% MV)	Orderly Transition	Disorderly Transition	Hot House Scenario
Atlas Multi Asset Portfolio (MAP) 1	92.6%	-10.4%	-8.1%	-7.0%
Atlas Multi Asset Portfolio (MAP) 3	91.3%	-12.8%	-9.7%	-8.1%

Source: Schroder, as at 31 March 2024.

Fund	Data Coverage (% MV)	Orderly Transition
Capita Passive Global Equity	83.7%	-14.0%
Atlas Level Annuity Target Fund	74.9%	-1.3%

Source: LGIM, as at 31 March 2024.

Analysis

Climate-related scenario analysis allows the Trustee to develop insights into how the physical and transition risks and opportunities arising from climate change might impact the investments over time. The Trustee recognises the ongoing debate around the potential pitfalls and shortcomings of the financial models used to estimate the impact of climate change, but considers it an important exercise to provide a deeper understanding of the CRROs and potential resilience of the funds used within the Popular Arrangements using the tools currently available.

Orderly Transition

In this scenario, the funds are exposed to the highest policy-related transition risks (as well as the greatest technology opportunities) relative to the other scenarios, on aggregate. This results in the highest overall Transition CVaR across our three scenarios for all funds. This is due, in part, to the discounting of future costs in CVaR modelling – near term costs and revenues are weighted more heavily than costs and revenues experienced at a future date.

For the Orderly Transition, physical risk is modelled using a mid-range forecast of the physical risks associated with climate change under a 1.5°C scenario. In this scenario, the funds will see the lowest levels of Physical CVaR associated with chronic and acute physical impacts of climate change. This is because early action slows the accumulation of carbon dioxide in the Earth's atmosphere and achieves net zero by 2050.

Disorderly Transition

In this scenario, the funds typically experience a more moderate level of transition policy risk and technology opportunities, resulting in a more moderate overall Transition CVaR figure, relative to the Orderly Transition. This is because future costs and benefits are discounted more heavily than their near-term counterparts.

Physical risk is modelled using a mid-range forecast of the physical risks associated with climate change under a 2.0°C scenario. In this scenario, the funds are exposed to greater levels of Physical CVaR – associated with the chronic and acute physical impacts of climate change – than under an Orderly Transition, as the world experiences greater levels of warming and its resultant impacts.

Hot House Scenario

The funds are subject to the least transition policy risk and technology opportunities, relative to the other scenarios. While the use of low-carbon technologies will continue to grow, such growth occurs at a slower pace than for the Orderly and Disorderly Transition scenarios, resulting in more heavily discounted future benefits.

Physical risk is modelled using a 95th percentile forecast of physical risks associated with climate change under a 3.0°C scenario. In this case, a more aggressive physical risk model is applied because there are more unknowns. Physical risk models are continuing to evolve and the Intergovernmental Panel on Climate Change assessments paint an increasingly concerning picture of the risks associated with climate change. The resulting Physical CVaR is somewhat moderated by future cost discounting.

Aggregate Climate Risk

Overall, Aggregate CVaR tends to be lowest under the Hot House Scenario and highest under the Orderly Transition. This may seem counterintuitive at first, but can be understood by referring back to the components of aggregate climate risk: transition and physical risk. As mentioned previously, transition risk tends to be greatest under the Orderly Transition. At the other end of the temperate rise spectrum, the Hot House Scenario carries higher physical risk, but exposes the funds analysed to less transition risk. However, the physical risks modelled are generally projected to materialise further into the future, and the CVaR methodology discounts them more heavily than the near-term costs associated with transition risk. Therefore, in moving from the Orderly Transition to the Hot House Scenario the fall in transition risk more than offsets the increase in physical risk, leading to a fall in Aggregate CVaR.

The results of the analysis suggest that the Trust's assets could be adversely impacted by climate risk under each of the three scenarios. At a fund level, the magnitude of this impact is likely to be in the region of 1.5% to 14% of the fund value (depending upon the realised future climate pathway), though any such impact would likely materialise over a significant length of time. The investment strategy is expected to be more resilient to climate pathways that are more closely aligned with the Hot House Scenario (at least in the short to medium-term), because the climate risks associated with such pathways – primarily physical – are anticipated to materialise further into the future. The transition risks more heavily associated with the Orderly Transition Scenario pose more imminent challenges for the investment strategy and its resilience to them.

Impact on investment strategy

The Trustee continues 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 advisors, 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 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. 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; and
- 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 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.

As described earlier in this report, a formal investment review was undertaken during the 2022 scheme year, which included climate-related risk consideration (for example ESG evaluation of Investment Managers). The Trustee had planned to take decisive risk-management action during the Scheme Year by implementing the resulting changes to Investment Managers and investment offering. This is the main example of active climate-related risk consideration during the Scheme Year. However, this was superseded by the decision to terminate and wind-up the Trust.

Investment sub-committee

The Investment sub-committee, which is a Trustee sub-committee:

- Monitors operational investment risk and opportunities including CRRO;
- Supports the Trustee in setting and reviewing its investment beliefs, including in respect of CRRO; and
- Makes recommendations to the Trustee about new funds having regard to CRRO.

During the Scheme Year the Investment sub-committee had discussed and agreed actions in respect of the following CRROs:

- Reporting to be enhanced to reference the impact on investment strategy in relation to CRROs under different scenarios;
- Scope 3 emissions to be referenced, where available;
- Annual shareholder engagement targets were reviewed and increased; and
- CRRO register to include opportunities referenced in the report.

CRRO Risk Register

The Trustee has prepared a specific CRRO Risk Register, which it has included as an Appendix to this Report. Risks have been prioritised based on materiality, likelihood and financial impact. Sections of the Risk Register have been regularly reviewed at Trustee meetings during the Scheme Year and CRRO risks were specifically reviewed in November. As part of the annual review the Trustee's Investment Adviser highlighted those climate related risks most relevant to the Trust, of which the top three downside risks were:

1. That there is a failure by third party providers in supplying data on shareholder voting, shareholder engagements, carbon emissions or carbon emissions intensities.
2. 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.
3. Trustee's appointed Investment Managers do not keep abreast of developments in this area.

As an output / outcome of using the CRRO Risk Register, the Trustee has identified controls, which it has put into place to manage climate-related risks. In respect of the top three downside risks these controls are as follows:

1. The Investment Manager is responsible for sourcing climate-related shareholder voting, company engagement and carbon emissions data provision services. Performance is monitored, tested and challenged as necessary.

2. 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.
3. a) The Trustee carries out a triennial review on all Investment Managers, with managers' ESG capabilities assessed.

   b) Triennial reviews will specifically explore managers' approach to CRRO and establish whether it is to be considered best of breed.

   c) The Trustee has the power to change or appoint additional Investment Advisers if required.

The Trustee's Investment Advisor also provided recommendations as appropriate relating to any Trustee actions arising, such as advising the Investment Manager of its 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 that 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/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 CRROs 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 the Trustee since it became responsible for the Trust in November 2021. During the previous scheme year a decision was made to change the Investment Managers and investment offering, based on a detailed review of the Investment Managers and investment offering.

The review supporting the change in Investment Managers and investment offering incorporated SEI's well-established approach to manager research, including a proprietary ESG scoring system. 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 Managers' 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**: Analysis of 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**: Evaluation of the strategy's approach to stewardship, focusing on reporting capabilities and the intensity and thoughtfulness of issue engagement.

The Trustee formally reviews external managers every three years and more frequently if required. The 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. A formal review was undertaken during the 2022 scheme year, with the decision being made to change Investment Managers and investment offering. This was due to be implemented during the Scheme Year, but was superseded by the decision to terminate and wind-up the Trust.

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 planning 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 planning is also to be included in any subsequent benchmarking review process post-appointment.

The Trustee did not procure any new third party services during the Scheme Year.

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 (i.e. metrics for the funds and their benchmarks, and a review against targets);
- Triennial climate-related scenario analysis review and interim annual reports (climate Value at Risk – CVaR); and
- 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 CRROs. As such, establishing effective governance structures, tools and processes for identifying CRROs has been central to the Trustee's ability to manage CRROs.

Building on the processes described above, the Trustee seeks to use climate-related metrics (described in Section 5) and Scenario Analysis (described in Section 3) to monitor the effectiveness of its risk management activities going forward. Over time, the Trustee will look for metrics such as carbon footprint, total emissions and WACI 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 are expected to evolve to take into account climate science, the pace of policy change, progress towards country-level goals, and technological advances.

For investment funds that exhibit multi-year trends towards rising climate risk, the Trustee and its advisers will engage with the funds' portfolio manager(s) 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 CRROs; 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 facing 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 CRROs. The Trustee maintains oversight of the Investment Manager's shareholder engagement activity, monitoring action and progress through the Core Process Metrics defined in Section 5. The Trustee will continue to assess whether the Investment Adviser and Manager are contributing to the long-term management of CRROs 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 CRROs

The Trustee selected the following metrics to monitor climate risks. It reviewed them during the year and agreed they remain appropriate:

1. One absolute emissions based measure: Total Carbon Emissions in tCO_2e;
2. Two intensity emissions based measures: WACI and Carbon Footprint; and
3. Proxy voting data.

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 are 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 sum of the carbon emissions attributable to the investor's ownership share in each of the securities that make up the portfolio/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 Trust's holding in each fund.

The tables below also set out the 'data coverage' for each of the funds in question, which is the key metric for examining data quality at present. Coverage for each of the funds is expressed as the percentage of the fund's total market value for which there is appropriate 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. (The RAG colour coding used in the tables below is an indication of relative data coverage across the funds; it should not be interpreted as conveying anything about the absolute level of data coverage.) On an asset weighted basis, both Scope 1 and 2 Carbon Emissions and Scope 3 Carbon Emissions show an improvement over the 2023 TCFD report.

Fund	Fund Coverage (% MV)	Scope 1 and 2 Carbon Emissions (tCO_2e)	Fund Coverage (% MV)	Scope 3 Carbon Emissions (tCO_2e)
Atlas Multi Asset Portfolio (MAP) 1	66.4%	21,193	66.4%	239,193
Atlas Multi Asset Portfolio (MAP) 3	49.8%	1,919	49.8%	16,699
Capita Passive Global Equity Fund	94.4%	22,448	94.6%	178,956
Atlas Flexible Pre Retirement Fund	17.3%	6	17.3%	51
Atlas Level Annuity Target Fund	55.2%	1,494	56.8%	13,388
Atlas Cash Fund	14.6%	2	14.6%	559

Source: Scottish Widows. Effective dates: 31 December 2023. We have expressed total carbon emissions in tCO_2e.

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 million pound 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.

Fund	**Fund Coverage (% MV)**	**Scope 1 and 2 Weighted Average Carbon Intensity (tCO_2e / £M sales)**
Atlas Multi Asset Portfolio (MAP) 1	66.4%	71
Atlas Multi Asset Portfolio (MAP) 3	49.7%	95
Capita Passive Global Equity Fund	94.4%	210
Atlas Flexible Pre Retirement Fund	17.3%	139
Atlas Level Annuity Target Fund	55.2%	77
Atlas Cash Fund	14.6%	4

Source: Scottish Widows. As at 31 December 2023. We have expressed in tCO_2e / £M sales.

With the exception of the Atlas Flexible Pre Retirement Fund, the WACI of all other funds used within the Popular Arrangements has reduced materially from last year.

Intensity: Carbon Footprint

Carbon Footprint tells the Trustee how many tonnes of CO_2e emissions were produced by a particular portfolio for each million pound invested. For the funds used within the Popular Arrangements, the Carbon Footprint is measured the same way as Total Carbon Emissions (above) but scaled per £M invested in the fund. 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 data for the funds used within the Popular Arrangements is shown below.

Fund	Fund Coverage (% MV)	Scope 1 and 2 Carbon Footprint (tCO_2e / £M invested)
Atlas Multi Asset Portfolio (MAP) 1	66.4%	40
Atlas Multi Asset Portfolio (MAP) 3	49.7%	51
Capita Passive Global Equity Fund	94.4%	91
Atlas Flexible Pre Retirement Fund	17.3%	75
Atlas Level Annuity Target Fund	55.2%	36
Atlas Cash Fund	14.6%	0

Source: Scottish Widows. As at 31 December 2023. We have expressed carbon footprint as tCO_2e / £M invested.

The carbon footprint has fallen over the year for each of the funds in the Popular Arrangements with the exception of the Atlas Flexible Pre Retirement Fund. However given the weakness of the measure outlined above, and changes to the availability of data, the Trustee is hesitant to draw firm conclusions from these results.

Core Process Metrics

Shareholder 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 equity fund components of the Popular Arrangements, for the year to 31 March 2024.

Fund	Atlas Multi Asset Portfolio (MAP) 1	Atlas Multi Asset Portfolio (MAP) 3	Capita Passive Global Equity	Atlas Flexible Pre-Retirement Fund
No. of resolutions eligible to vote	10,980	10,980	71,748	38,131
Resolutions voted	93.4%	93.4%	99.9%	99.86%
Resolutions voted for management	86.0%	86.0%	80.6%	80.68%
Resolutions voted against management	14.0%	14.0%	19.2%	19.24%
Resolutions abstained and did not vote	0.4%	0.4%	0.2%	0.09%

Source: Scottish Widows. Data reflects Proxy Voting activity for the year to 31 March 2024.

Disclosure of emissions data (Scope 1, 2 and 3) and related risks

The Trustee has disclosed the Core Outcome metrics above using Scope 1, 2 and 3 emissions data, where relevant. Scope 1 and 2 are those emissions 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. Scope 3 emissions include the indirect emissions from sources connected to a business, such as suppliers or distributors.

At present, Scope 3 data is still not widely available, but expected to improve over time, which in turn will provide information that is more meaningful.

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

Given the nature of Scope 1 and 2 versus Scope 3 emissions, the Trustee deemed it appropriate to disclose and analyse the carbon metrics along these lines. This layer of granularity should provide greater insight and help the Trustee make more informed decisions.

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, WACI and Carbon Footprint are all backward-looking metrics. While useful to measure for the companies held in portfolios, they do not consider these companies' projected carbon emissions. Moreover, they do not consider 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 had intended to build in reviews to ensure that the selection of metrics and targets is appropriate in light of the evolving regulatory landscape, but this has been paused due to the ongoing wind-up of the scheme.

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 CRROs over short-, medium- and long-term time horizons. It also allows the Trustee to determine if CRROs 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 CRROs.

Targets used by the Trustee to manage CRROs and performance against targets

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 that will have a real world impact on carbon emissions. 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 and, on an annual basis, continues to review those targets. 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.

For those assets in the Atlas Master Trust that will move 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 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 could 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 Trust's risk and return prospects. For these reasons, the Trustee 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 targets reductions in WACI, Carbon Footprint and Carbon Emissions over rolling three-year periods which are in line with the reductions in appropriate benchmarks 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. 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 global warming;
- Harness climate-related opportunities to generate investment returns for our members; and

- Invest Trust assets in a manner that minimises 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 continue to use best endeavours to report WACI, Carbon Footprint and Carbon Emissions dependent on the data available from data providers.

As mentioned earlier in the report the Trustee had been expecting to implement the agreed changes to its Investment Managers and its investment offering during the next scheme year. 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 would have been able to not only include appropriate, clearly defined metrics, but the level against target achieved, within the next report, had the Trust not been in wind-up.

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-emission energy sources, the development of new products and services, and the building of resilience along the supply chain. Climate-related opportunities will vary depending on 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 behaviour.

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 18 October and signed on its behalf by:

Allan Course
Chairperson of SEI Trustees Limited

Appendix: Register of CRROs

A. Knowledge and understanding						
	Risk	**Impact** (1=Low, 5=High)	**Likelihood** (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 CRROs in relation to the Trust.	4	1	• Trustee Directors [and Scheme Strategists] have completed training provided by the TCFD Hub. New Trustee Directors [and Scheme Strategists] are required to complete this training within 6 months of appointment. • CRROs included as part of the Trustee's annual training programme. • All Trustee Directors and Scheme Strategists are required to maintain and demonstrate CPD appropriate to their role and responsibilities and complete an Annual Skills Assessment. • Trustee's and Scheme Strategists' Annual Skills assessment updated to incorporate ESG and CRROs specifically. • Independent Triennial Review of the Board to consider whether TKU is sufficient to manage CRROs 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 CRROs and establish whether they are 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=Low, 5=High)	**Likelihood** (1=Low, 5=High)	**Controls**	**Overall rating** (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 ensures 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 specialist providers and the Investment Manager. The Investment Adviser ensures that the consideration of CRROs 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 has processes in place to ensure that (a) best-in-class specialist providers are selected to supply climate-related shareholder voting, company engagement and carbon emissions data provision services, and (b) performance is monitored, tested and challenged as necessary. The Investment Manager will monitor these services and if standards are insufficient will select a different service provider.	12	This is the third 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.
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.	3	3	n/a	9	Cell shaded green to reflect opportunity (i.e. upside risk).

	Such opportunities could have a positive impact on the investment performance of the Trust's assets.					

C. Reporting and compliance						
	Risk	**Impact** **(1=Low, 5=High)**	**Likelihood** **(1=Low, 5=High)**	**Controls**	**Overall rating** **(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 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=Low, 5=High)**	**Likelihood** **(1=Low, 5=High)**	**Controls**	**Overall rating** **(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	