

TCFD report for the period ending 31 March 2022

I'm pleased to share our first report for the Workers Pension Trust ("WPT"), in line with recommendations made by the Taskforce on Climate-Related Financial Disclosures ("TCFD").

We ("the Trustee") have already considered climate change to be a financially material risk for WPT. This reflects the potential long-term impacts climate change could have on financial markets, which could in turn impact on the value of WPT members' investments.

We have made substantial progress in the way we manage climate-related risks and opportunities, in line with these new requirements.

Strong management is underpinned by effective governance. This has been a key area of focus for us over the period to 31 March 2022, where we have developed our policies, beliefs and processes for managing climate-related risks and opportunities. In doing so, we have sought expertise from our investment advisors and benefited from training to support the development of our knowledge. The training specifically focused on the new climate regulations, and best practice for addressing these through our ongoing governance processes.

We have undertaken climate scenario analysis to understand the potential impact on retirement outcomes for different WPT members. This shows that climate change poses a material risk to WPT members at different stages of their savings and retirement journey. We have identified that the likely most effective way for managing climate-related risks, and capturing opportunities, is through decisions made about the way the assets are invested.

We have also gained a strong understanding of the carbon emissions associated with WPT's underlying investments. During the reporting period these were broadly in line with what we would expect and provide a solid starting point to monitor improvements over time.

Our partnership with Cushon has helped to expand the range of resources available to us to support our management of climate risks and opportunities, including investment capabilities. We have reviewed the investment strategy and identified ways to improve outcomes for WPT members, as well as improve the management of climate-related risks and opportunities. More details will be provided later this year.

Climate change is considered as part of our ongoing monitoring activities, including monitoring the voting and engagement activities from underlying fund managers. We have not identified any material concerns from underlying fund managers.

We have a clear understanding of the carbon emissions of WPT, and will work with our advisors to develop plans to monitor and reduce this over time. Recognising the importance of good quality data to support our work, we have put in place a target to improve carbon emissions data quality by 2030. We will also consider further potential targets for WPT next year. We have included more information in this report.

WPT is well positioned to identify and manage climate-related risks and opportunities for WPT members. We are confident that the processes we have in place will enhance our ability to help you achieve improved outcomes in retirement.

Please contact us at info@workerspensiontrust.co.uk if you have any comments or questions about this report.

Introduction and background

The Taskforce on Climate-related Financial Disclosures (TCFD) was commissioned in 2015 by Mark Carney in his remit as Chair of the Financial Stability Board. The TCFD was asked to develop voluntary, consistent climate-related financial disclosures that would be useful in understanding material climate-related risks. In 2017 the TCFD released its recommendations for improved transparency by companies, asset managers, asset owners, banks, and insurance companies with respect to how climate-related risks and opportunities are being managed. From 1 October 2021, pension schemes over £5bn in size and Authorised DC Master Trusts such as WPT were required to start reporting in line with the TCFD recommendations.

The Task Force's report established recommendations for disclosing clear, comparable and consistent information about the risks and opportunities presented by climate change. Their widespread adoption will ensure that the effects of climate change become routinely considered in business and investment decisions. Adoption of these recommendations will also help better demonstrate responsibility and foresight in their consideration of climate issues, leading to smarter, more efficient allocation of capital, and helping to smooth the transition to a more sustainable, low carbon economy.

The Task Force divided climate-related risks into two major categories: risks related to the transition to a lower-carbon economy; and risks related to the physical impacts of climate change. The TCFD noted that climate-related risks and the expected transition to a lower carbon economy affect most economic sectors and industries, however, opportunities will also be created for organisations focused on climate change mitigation and adaptation solutions. Their report also highlighted the difficulty in estimating the exact timing and severity of the physical effects of climate change.



The Task Force structured its recommendations around four areas that represent core elements of how organisations operate: governance, strategy; risk management; and metrics and targets. The four overarching recommendations are supported by recommended disclosures that build out the framework with information that will help investors/stakeholders understand how reporting organisations assess climate related risks and opportunities. The disclosures are designed to make TCFD-aligned disclosures comparable, but with sufficient flexibility to account for local circumstances.

TCFD compliance

This report sets out our progress under the four areas described above and in line with the TCFD recommendations.

Governance

**Disclosure 1:
Describe the
board's oversight
of climate-related
risks and
opportunities.**

We acknowledge that the changing climate will have a significant impact on the global economy, corporations, and society, whether through direct physical impacts, tighter regulations or reputational damage suffered by those who fail to adequately address the issue of global warming. It is with this acknowledgement that we have established our policies for addressing climate-related risks and opportunities. This builds on previous work we had undertaken, with support from our advisors, to develop policies on financially material factors (including climate change). These policies are set out in our [latest Statement of Investment Principles](#).

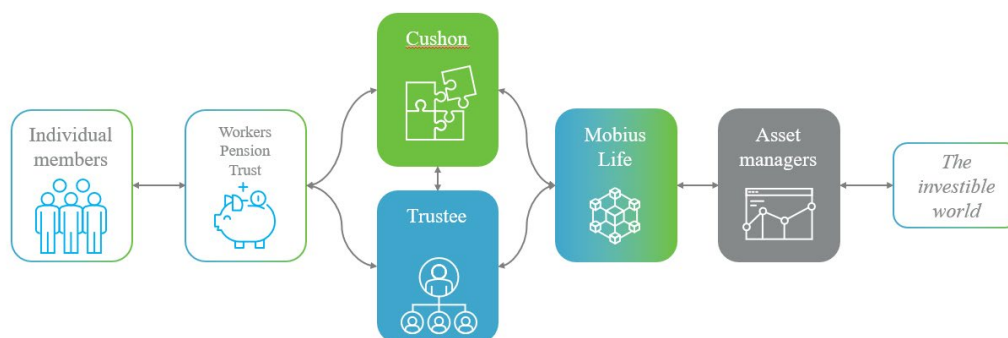
We have established climate-related beliefs, stewardship responsibilities and outlined the roles and responsibilities of key stakeholders (more in the next section). Our climate-related beliefs are set out below:

- Our investment objective is to maximise risk adjusted returns for WPT members regardless of when they take their benefits, while both aiming to enhance the society and protecting the environment into which WPT members will retire. Climate change poses a real material risk to the value of WPT members' investments, and we will hold our fund managers to high standards of accountability. We will seek to exclude or limit investments which do not support our principles for responsible development unless we believe engagement would be successful.
- Climate change simultaneously offers opportunities to explore investing in new industries and asset classes working to reduce carbon emissions. We will seek exposure to these investment opportunities, provided they meet our objectives and the cost of accessing the investment represents value for members.
- Finally, we will take WPT members' views and preferences into consideration when formulating our Stewardship policy and investment strategy, to the extent that it does not conflict with our legal obligations and fiduciary duties as pension trustees.

During the reporting period, we have also taken steps to improve the knowledge and understanding of climate-related matters, and associated regulations.

**Disclosure 2:
Describe
management's
role in assessing
and managing
climate-related
risks and
opportunities.**

We maintain overall responsibility for the assessment and management of climate-related risks and opportunities, with key decisions reserved for the full Trustee Board as part of its formal quarterly meetings. It is recognised that in order to manage climate-related risks and opportunities in a robust and efficient manner, we will need to rely on inputs from a range of stakeholders. The following diagram illustrates the roles and responsibilities of key stakeholders involved in delivering investment solutions for the WPT:



We have established the following responsibilities to support the overall oversight of climate-related risks and opportunities:

- An **investment sub-group** will provide support to the main Trustee board on requirements relating to selection and governance of the underlying managers, platform provider and wider portfolio / strategy considerations to manage climate-related risks and opportunities.
- A **governance sub-group** will provide support on any governance considerations arising from the TCFD requirements, including the ongoing monitoring of climate-related risks as part of monitoring and adherence to the risk register.
- Our **independent governance and investment advisor**, Hymans Robertson LLP, will provide us with support and advice as required including climate analysis, monitoring of climate-related risks, advice on their management and potential opportunities. Our advisor supports us in the identification and management of climate-related risks and opportunities and we are satisfied that they have sufficient breadth and depth of expertise to do this effectively. We also monitor the performance of our advisor on an annual basis and will consider support in this area as part of that process.
- **Mobius Life**, as the Master Trust's investment platform provider, will be responsible for gathering data from appointed asset managers to enable us to explore climate-related metrics (such as carbon emissions). In instances where Mobius Life are unable to gather full information we will take steps to seek this directly from the underlying asset managers and/or other vendors. Mobius Life's role is primarily in facilitating the flow of climate-related information, but we do expect proactivity in terms of highlighting potential climate-related risks and opportunities. This will be considered as part of future reviews of the platform provider.
- As appropriate, the capabilities of the **wider Cushion group** will be utilised to improve the efficiency of our delivery against the TCFD requirements. This may be through governance support, access to research and analysis to the extent that this can be shared, and provision of solutions to improve the management of climate-related risks and opportunities. Cushion group have a combination of internal capabilities and access to expert advisors which we expect to support a strong understanding of climate-related risks and opportunities for WPT and our members.

We may draw on support and advice from **other stakeholders** as required to support our oversight of climate-related risks and opportunities.

Strategy

Disclosure 3:
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term.

We note that climate-related risks and opportunities will evolve over time as more data, analysis, research and solutions come to the fore. The following table sets out some of the potential climate-related risks and opportunities which could impact on WPT over the short, medium and long term:

		Short term	Medium term	Long term
Risks	Strategy level	Increased regulation Stock price movements	Technological change Consumer preferences Increased pricing of greenhouse gas emissions	Resource availability Physical damage to real assets as a result of extreme weather events Sponsor covenant risk
	Asset class/sector level	Listed equities Growth assets Oil-dependent issuers	Carbon-intensive corporate issuers Energy-intensive industry	Infrastructure Property Agriculture Food Commodities Insurance
Opportunities		Increased member engagement as topical issue	Successful investments in new technology	Investment opportunities in infrastructure, renewable energy and other lower-carbon investments

Disclosure 4:
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

We will consider climate-related risks and opportunities as part of each investment strategy review, recognising that these have the potential to be financially material. Each review will also give consideration to our climate-related beliefs and policies. In line with requirements, climate scenario analysis will be completed at least every three years. In line with our findings to date, emphasis will be placed on governance around the implementation of the investment strategy, and stewardship practices of underlying fund managers.

We have been working with our investment advisor to incorporate additional requirements in core business plans and budgets. We are confident that both the TCFD-related climate governance and reporting requirements can be fulfilled, but also that wider opportunities to improve outcomes for WPT members can be explored.

**Disclosure 5:
Describe the
resilience of the
organisation's
strategy, taking
into consideration
different climate-
related scenarios,
include a 2C or
lower scenario.**

We have undertaken scenario analysis to support understanding of the potential impact of climate-related risks and opportunities. The purpose of the analysis was to understand the potential impact of different climate transition pathways on the retirement outcomes of different WPT members, with younger, mid-career and older WPT members used to understand impacts over the short, medium and long-term respectively. Full details of the analysis and methodology adopted is set out in the Technical Section of this report. The main findings are as follows:

- Older WPT members are expected to be relatively well shielded from wider market disruptions caused by emerging transition and physical climate risks since they are invested across a range of markets, helping to reduce risk; and
- Younger WPT members will be more exposed to a delayed climate transition because they are more likely to experience the full impact of physical climate risks at a time when they have accumulated sizeable levels of retirement savings.

We have concluded that strategic asset allocation decisions (particularly use of illiquid assets) could impact real-world climate risks and opportunities for WPT members, and consequently their long-term retirement outcomes. In the short to medium term, we believe that there is substantial scope to make progress through more traditional building blocks such as equities and bonds.

Our current policy is therefore to manage climate-related risks and opportunities primarily through implementation decisions, which could improve financial outcomes for WPT members and drive positive real-world changes.

We have already agreed a significant number of changes to the way the investment strategy is implemented for WPT members, with an increased focus on management of climate-related risks, and wider sustainability factors. The new strategy will also introduce the ability to capture climate (and wider) opportunities.

Risk management

**Disclosure 6:
Describe the
organisation's
processes for
identifying and
assessing
climate-related
risks.**

At a simple level, our risk management process comprises identification, assessment, monitoring and control of risk.

Climate risks are identified by ourselves and our advisors on an ongoing basis. Risks relating specifically to climate change are discussed by the investment sub-group and then raised to the Trustee Board where further development is identified. Information from a number of sources is used to help identify risks and all Trustee Directors and their advisors are responsible for identifying risks as appropriate.

Once risks are identified, they are then evaluated and prioritised based on the overall threat posed. This helps us build up a picture of the climate-related risks alongside other risks faced by WPT members.

We note that evaluation of climate-related risks and opportunities is based on relevant information and tools being available, which in turn is based on continuously emerging information.

We prioritise risks based on the size, scope and materiality of the potential risk event. This includes rating the likelihood and impact of the risk event to produce a score reflecting the threat that the risk event poses, then making a decision on the appropriate action (mitigation, control or acceptance) based on this score and available courses of action. Rating the risk's likelihood and impact may be informed by scenario analysis and calculated metrics where relevant.

We also give regard to risk analysis at the individual asset level. This is known as a bottom-up analysis. In this instance, the underlying investment managers are responsible for the identification and assessment of climate related risks and opportunities. This approach will use available information to assess the potential impact of climate-related risks to investment performance.

**Disclosure 7:
Describe the
organisation's
processes for
managing climate-
related risks.**

Once the risks have been considered and prioritised, mitigation strategies should be established and monitored to ensure that they remain effective. Ownership of risks and the corresponding controls is also allocated where appropriate.

Risks that are deemed to be high in likelihood, impact, or both after allowing for mitigating controls are deemed to take priority for future action. An action in the context of risk management should aim either to introduce an additional control to mitigate the likelihood of a risk occurring or reduce the impact of a risk should it occur. This discussion should also consider whether additional trustee training is required.

Risks and opportunities should be considered in absolute terms and in relation to the risk appetite of the scheme. Risk appetite can be defined in terms of a willingness to take risk or the acceptability of risk.

Our approach to stewardship is also a key aspect of the management of climate-related risk.

We expect our investment managers to consider and take appropriate steps to manage climate-related risks within the funds, including engagement with underlying investee companies on their management of climate risks. We receive communications from our

investment managers via regular reporting, with information relating to climate-related and stewardship matters made available at least quarterly.

We have a policy that sets out the processes by which investee companies are engaged with from a stewardship perspective, including climate-related issues. This is done through delegated engagement via the investment managers and ongoing monitoring of this engagement activity undertaken by ourselves and our investment advisors. This includes understanding the asset managers' approach to voting in relation to climate-related issues and pursuing engagement with those asset managers where we feel that the manager's approach is not aligned with our priorities or wider best practice.

We monitor the underlying investment managers' stewardship approaches as part of the broader monitoring activities. Voting and engagement information is reported annually in the Implementation Statement. Where investment managers are not performing in line with expectations, we will pursue further engagement with the manager to understand why and work to improve the performance, further to which we would undertake a formal review if this does not occur.

**Disclosure 8:
Describe how
processes for
identifying,
assessing and
managing climate-
related risks are
integrated into the
overall
organisation's risk
management.**

Climate risks are identified by ourselves and our advisors as appropriate and on at least an annual basis. Risks relating specifically to climate change are considered by the investment sub-group, and reported to the full Trustee Board with proposed actions to address where applicable.

Climate-related risks are included in the risk register which forms part of the overarching integrated risk management approach and framework. This includes rating the likelihood and impact of the risk event to produce a score reflecting the threat that the risk event poses to WPT members, then making a decision on the appropriate action (mitigation, control or acceptance) based on this score and available courses of action. Rating the risk's likelihood and impact may be informed by scenario analysis and calculated metrics where relevant.

We question our advisors on the information provided, for example during training sessions or after provision of reports or advice. Where necessary, we challenge for more justification. For example, during the year we questioned and provided additional challenge on the assumptions used for assessing the impact of potential climate scenarios in terms of member outcomes.

Metrics and targets

**Disclosure 9:
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes.**

Carbon equivalent risk metrics form an important part of the investment decision-making process to measure, manage and disclose climate risk. The selected metrics will also aid us in identifying opportunities for further engagement with investment managers and underlying investee companies.

We have considered the guidance set out by the Department for Work and Pensions when selecting which metrics to use in measuring the climate-related risks and opportunities.

The metrics we chose are:

- Total Carbon Emissions (absolute emissions based)
- Carbon footprint (carbon intensity based)
- % of emissions data incorporating Scope 1+2 emissions (including Scope 3 from year 2 onwards)

We acknowledge that there are limitations in data available from investee companies on emissions of greenhouse gases. Where these limitations in data exist, the data is estimated. We will seek to obtain information for future assessments, where it is currently missing. In the meantime, the results of the above metrics have been understood to be reflective of the portfolio, but the limitations of data availability is noted when using the metrics for decision-making purposes. Such limitations include, for instance, the lack of an industry consensus on measuring the carbon emissions produced by gilt funds, therefore for the purpose of the disclosures, emissions from the gilt funds are considered to be null when in reality that is not the case.

**Disclosure 10:
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.**

The calculated metrics for WPT are presented in more detail in the Technical Section of this report.

The overall level of greenhouse gas (equivalent) emissions was 27,411 tons CO₂ for Scopes 1 and 2. The carbon footprint was 65.7 tons CO₂ per £1m invested. The coverage of Scope 1 and 2 emissions data was approximately 76%. These metrics provide a baseline to monitor progress over time, noting that the resulting emissions figures for WPT are broadly in line with the wider investment markets.

The largest contributor to the carbon footprint is the WPT Growth Fund, noting that this accounts for nearly 80% of overall assets and the coverage of emissions data is significant. This is expected as publicly traded companies, such as those WPT invests in, report more readily on carbon emissions data. The other funds have substantially lower reported emissions, based on lower levels of assets invested and lower coverage of carbon emissions data. For example, there is currently no industry standard approach for assessing emissions from government bonds and short-term money market instruments.

We will look for ways to improve these results on an ongoing basis, through an integrated risk management approach and strategic investment reviews.

In future reports, we will monitor the metrics on at least an annual basis and identify whether performance has improved or deteriorated over time. The metrics will also be used to monitor the Scheme's performance in line with climate-related targets (see Disclosure

11). Where progress is not in line with expectations and has deteriorated, we will engage further to understand the reasoning and undertake any appropriate remedial actions.

We have been unable to obtain full information to calculate metrics for all funds in which they are invested and will seek to obtain information for future assessments. This relates largely to the lack of industry consensus on how to quantify carbon emissions for government issued bonds. In partnership with Cushon Group, we will advocate for greater clarity and consensus thinking on the evaluation of carbon emissions data for this asset class. We also expect our advisor to advocate for improvement in this area, and to report on progress as the position develops.

We acknowledge that at this point, limited data is available on industry wide comparisons and we have relied heavily on the market knowledge of our advisers in understanding how well the funds are performing and whether further improvements could be made at this stage.

**Disclosure 11:
Describe the
targets used by
the organisation
to manage
climate-related
risks and
opportunities and
performance
against targets.**

Like most investors, we are supportive of the development of target-setting methodologies, and of the increasing completeness of carbon datasets. We wish to set meaningful and challenging climate targets for our investment portfolio and work is underway to assess options within the limitations of currently available data.

We recognise that availability and quality of carbon emissions data is crucial to ensuring that future assessments of climate risks are meaningful. This is why we have determined a target to improve data quality, based on the level of coverage of Scope 1 + 2 and Scope 3 emissions data. We are targeting 100% coverage by 2030, noting that our ability to influence is via engagement with underlying investment managers and reliance on progress being made by investee companies which is outside our control.

We will consider additional targets in future provided these are appropriate for managing climate-related risks and opportunities for WPT members.

Technical Section: Climate scenario analysis

Climate-related risks can be broadly classified into two categories:

Transition to a low carbon economy, including (but not limited to):

- **Policy changes**, e.g. carbon pricing, seek to create the changes needed in society;
- **Technology development**, e.g. renewable energy, and adoption enable the changes to be adopted.

Physical impacts, including (but not limited to):

- **Chronic changes**, e.g. sea level rise, agricultural systems impact economic and social systems;
- **Acute changes**, e.g. storms, wildfires create damage and give rise to costs of adaptation and reconstruction.

Scenario analysis

We are required to undertake analysis to explore the potential impact of different future climate scenarios on the Scheme, which can capture the impact of transition and physical impacts. The Task Force recognise that the use of scenarios in assessing climate related issues and their potential financial implications is relatively recent and that practices will evolve over time, but believes that such analysis is important for improving the disclosure of decision-useful, climate related financial information. At least two of the scenarios must be aligned with the objectives of the Paris Agreement (i.e. a reduction in global warming potential to between 1.5°C and 2°C above pre-industrial levels), and one scenario should be based on a more pessimistic outcome. With the support of our advisors, we have undertaken climate scenario analysis at the asset class level to estimate the effect of different climate scenarios on retirement outcomes for different WPT members. We have explored the following real-world scenarios as part of this analysis:

Scenario	Description
Green revolution	<p>Concerted policy action starting now e.g. carbon pricing, green subsidies. Public and private spending on “green solutions”. Improved disclosures encourage market prices to shift quickly. Transition risks in the short term, but less physical risk in the long term. A relatively high expectation of reducing global warming to <2°C.</p> <p>When modelling this scenario, we have assumed a greater likelihood of market disruption in the short term driven by mainly transitional impacts. The likelihood of material long-term physical climate impacts is lowest under this scenario.</p>
Delayed transition	<p>No significant action in the short-term, meaning response must be stronger when it does happen. Shorter and sharper period of transition. Greater (but delayed) transition risks but similar physical risks in the long term. A relatively high expectation of reducing global warming to <2°C.</p> <p>When modelling this scenario, we have assumed a greater likelihood of market disruption in the medium term driven by mainly transitional impacts. The likelihood of material long-term physical climate impacts is slightly higher under this scenario.</p>
Head in the sand	<p>No or little policy action from governments for many years. Growing fears over ultimate consequences leads to market uncertainty and price adjustments. Ineffective and piecemeal action increases uncertainty. Transition impacts exceeded by physical risks. Little or no expectation of reducing global warming to <2°C.</p> <p>When modelling this scenario, we have assumed a greater likelihood of market disruption in the long-term driven by transitional impacts and material physical climate impacts.</p>

These scenarios were chosen as they satisfy the guidance provided by the Department for Work and Pensions, and provide an intuitive way to help us understand the range of potential impacts different climate scenarios may have in terms of member outcomes. By taking a broad view, across a range of stressed scenarios, we feel we will be well placed to take action (where appropriate) to manage the most severe potential impacts.

The assumptions underpinning these scenarios are provided in Appendix 2. At the time of writing there is no industry consensus on how to model different climate scenarios. We have therefore relied on the views of our advisors, underpinned by their research and development. We expect our advisor to continually test whether their approach represents good practice relative to the wider industry and to be proactive in suggesting revisions to improve over time.

The main limitation is that the future is unknown, and as for any forward-looking modelling, requires assumptions to be made. These assumptions may or may not be borne out in practice, so the outputs from this analysis should not be relied upon as an exact assessment of potential member impacts which could be better or worse than indicated. This limitation cannot be removed, but managed over time by monitoring

For Defined Contribution arrangements such as WPT, impacts should in the first instance be considered as the impact on retirement outcomes for different cohorts of WPT members. This is in line with the requirement to define short, medium and long-term in the context of assessing climate risks. These time periods are defined as follows:

- **Short-term:** WPT members aged around 55 who can start to draw on their pension savings, but may be expected to retire fully in at least 10 years;
- **Medium-term:** WPT members aged around 40 today with at least 25 years until they are expected to retire;
- **Long-term:** WPT members aged around 25 today with at least 40 years until they are expected to retire.

The following table sets out the results of the climate scenario analysis for these different cohorts of WPT members. It should be noted that these are all stressed scenarios, and therefore generally reveal a 'worse' position relative to central expectations:

Impact on retirement outcomes for different climate stresses	Short term	Medium term	Long term
	WPT members retiring in at least 10 years	WPT members retiring in at least 25 years	WPT members retiring in at least 40 years
Green revolution	-	-2%	-1%
Delayed transition	-2%	-2%	-9%
Head in the sand	-	-2%	-3%

More information about the methodology used to support our analysis is included in Appendix 2. Please note that this analysis covers 100% of WPT assets, subject to the assumptions set out in that Appendix.

For instance, for WPT members aged around 55 who can start to draw on their pension savings, but may be expected to retire fully in at least 10 years, a delayed transition is expected to reduce their projected pot at retirement by 2%.

In general, older WPT members are expected to be relatively well shielded from wider market disruptions caused by emerging transition and physical climate risks. This is because they are invested across a range of

markets, providing diversification. Conversely, younger WPT members will be more exposed to a delayed climate transitions because the timing of transition and physical climate risks will be borne when they have accumulated sizeable levels of retirement savings.

We have concluded that strategic asset allocation decisions (particularly use of illiquid assets) could impact real-world climate risks and opportunities for WPT members, and consequently their long-term retirement outcomes. In the short to medium term, we believe that there is substantial scope to make progress through more traditional building blocks such as equities and bonds.

We believe that climate risks and opportunities will be better managed through implementation decisions, which could improve financial outcomes within asset classes, and effective stewardship, and engagement, with underlying companies to drive real world changes.

It is challenging to determine which climate-related risks and opportunities are likely to be most significant, particularly given these are likely to materialise over different time horizons. We believe that transition-related risks, such as the impact of policy intervention, are likely to impact more significantly in the short to medium term, and by nature could trigger sudden shocks or impacts in markets. For this reason, we encourage our investment managers to engage with underlying companies to ensure they are planning appropriately for the transition to a lower carbon world, with the expectation that this will help to limit more severe impacts from policy intervention. Our investment manager has demonstrated a strong track record for engaging on climate issues and we will continue to monitor and hold them to account via our advisors.

With improved availability of data, and evolution of analytical techniques, we believe that we'll be in the position to evaluate the potential impact of discrete climate-related risks in more detail and put in place further refined plans to manage these.

Technical Section: Climate metrics and targets

Emissions-based metrics

We are required to adopt at least one absolute emissions, and one intensity-based emissions metric to support our assessment of climate-related risks and opportunities. After considering the available data and advice, we have decided to use the following emissions-based metrics:

Metric	Description
Total GHG Emissions	This is a measure of absolute carbon emissions and represents the estimated Scope 1 + Scope 2 greenhouse gas emissions from a portfolio. This is expressed in terms of thousand tons of CO ₂ equivalent emitted by the companies invested in by the portfolio, weighted by the size of the allocation to each company.
Carbon footprint, <i>measured in tonnes of CO₂e per £million invested (EVIC)</i>	A measure of a portfolio's carbon intensity. This is expressed in terms of tons of CO ₂ equivalent emitted per million pounds sterling invested, weighted by the size of the allocation to each company. Is measured using scope 1 + scope 2 emissions.

Other climate metrics

We are required to adopt at least one non emissions-based climate metric to support our assessment of climate-related risks and opportunities. After considering the available data and advice, we have decided to use the following non emissions-based metric(s):

Metric	Description
Proportion of Scope 1, 2 and 3 emissions data coverage	This metric aligns with a recognition that there are limitations in the availability and quality of carbon emissions data for all portfolio holdings. This metric helps to measure progress in making improvements in coverage over time.

The following table sets out the climate metrics we have adopted, relating to the period ending 31 March 2022. We have included Scope 3 emissions data where available for completeness, and to establish a baseline for monitoring progress in future years. We note that there is significant scope for double counting, since some emissions included under Scopes 1 + 2 will also be present in the assessment of Scope 3 emissions. At the current time, there is no industry consensus on how to mitigate the potential for double counting. For now, we are reporting Scopes 1 + 2 and Scope 3 emissions separately but note that it is not possible at this time to aggregate these to arrive at a total for WPT.

	Total GHG Emissions (tCO ₂ e)		Carbon footprint (tCO ₂ e/£m Invested)		Proportion of emissions data coverage	
	Scope 1 + 2	Scope 3	Scope 1 + 2	Scope 3	Scope 1 + 2	Scope 3
Workers Pension Trust	27,411	229,019	65.7	548.7	76.3%	76.2%
WPT Growth Fund	26,886	222,740	82.4	682.8	95.8%	95.7%
WPT / WPT-E Volatility Reduction Fund	432	5,765	14.8	197.2	19.0%	19.0%
WPT Diversified Fund	66	306	98.2	456.4	58.4%	58.3%
WPT Annuity Protection Fund	27	208	69.7	529.2	17.5%	17.5%
WPT Capital Protection Fund*	-	-	-	-	-	-
WPT Index Linked Gilt Fund*	-	-	-	-	-	-

Source: Underlying holdings data has been sourced from Legal & General. Climate metrics are based on analysis provided by MSCI. Valuations based on data provided by Mobius Life (excludes reserve account). *There is not yet an industry consensus for determining the level of carbon emissions associated with government bonds and short-term money market instruments.

Climate targets

Targets are necessary to monitor progress towards longer term net zero and carbon reduction goals as well as the objectives of the Paris Agreement. We are required to establish at least one climate-related target based on the selected climate metrics. The IIGCC published their [Net Zero Investment Framework Implementation Guide](#) in March 2021. The guide is aimed at investors, with recommended actions, metrics and methodologies to maximise progress towards achieving net zero global emissions by 2050 or sooner. The IIGCC suggest adopting < 10 year targets at the portfolio level and to review and update these at least every 5 years. We have adopted the following target:

- Improve Scope 1+2 and Scope 3 carbon emissions data coverage to 100% by 2030 at the latest

This target has been selected because we recognise the significant limitations around the availability and quality of underlying climate data, and that improving this area will be key to ensuring future assessments of climate-related risks and opportunities are as meaningful as possible.

Appendix 1: Glossary and definitions

Carbon Footprint, measured in tonnes of CO₂e per £million invested

Carbon Intensity is a normalised measure of the emissions allocated to a portfolio,

$$\frac{\sum \left(\frac{\text{Current value of investment in Entity}}{\text{Entity's Enterprise Value including Cash}} \times \text{Entity's Scope 1 + 2 GHG emissions} \right)}{\text{Current portfolio value (£m)}}$$

ESG

Environmental, Social and Governance

EVIC

Enterprise value including cash. This is a measure of overall corporate value including equity shares, debt and cash.

Financial Stability Board

The Financial Stability Board is an international body that monitors and makes recommendations about the global financial system. It was established after the G20 London summit in April 2009 as a successor to the Financial Stability Forum.

Greenhouse Gases (“GHG”)

Greenhouse gases are gases in the Earth’s atmosphere that are capable of absorbing infrared radiation and thereby trap and hold heat in the atmosphere. The Kyoto protocol covers six categories of greenhouse gas (GHG) emissions: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphurhexafluoride (SF₆).

IIGCC

The Institutional Investors’ Group on Climate Change. The IIGCC aims to support and enable the investment community in driving significant and real progress by 2030 towards a net zero and resilient future.

Paris Agreement

The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 nations at COP 21 which was held in Paris on 12 December 2015. The Paris Agreement came into force from 4 November 2016.

Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.

Scope 1 Greenhouse Gas Emissions

Scope 1 emissions are direct emissions produced by the activities of the emitter.

Scope 2 Greenhouse Gas Emissions

Scope 2 emissions are indirect emissions generated by the electricity, heat, or steam consumed and purchased by the emitter.

Scope 3 Greenhouse Gas Emissions

Scope 3 emissions are other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities not covered in Scope 2, outsourced activities, waste disposal, etc.

TCFD

Taskforce on Climate-related Financial Disclosures

Total Financed Carbon Emissions *in tonnes CO2e*

Total Financed Carbon Emissions measures the emissions that are allocated to a portfolio, based on the investors share of the capital (Enterprise Value) in each Entity within the portfolio

$$\sum \left(\frac{\text{Current value of investment in Entity}}{\text{Entity's Enterprise Value including Cash}} \times \text{Entity's Scope 1 + 2 GHG emissions} \right)$$

Appendix 2: Climate Scenario analysis methodology

We recognise that there is no single methodology for exploring the potential impact of different climate scenarios on members' long-term outcomes. For the purpose of the analysis undertaken to date, we have relied on the methodology developed by our investment advisors.

In short, their approach draws on stochastic analysis of future potential outcomes, with emphasis on pathways demonstrating greater levels of market volatility/disruption during periods aligned with the climate scenarios described above. The following table illustrates the impact of each scenario on global equity returns, credit spreads, CPI inflation and real yields. In all instances the horizontal axis represents time (years) and the vertical represents the annual percentage return / yield:

