TCFD

Master Trust 2025 Task Force on Climate-Related Financial Disclosure

Fidelity INTERNATIONAL

Foreword

A word from the Chair

Climate change remains one of the defining challenges of our time, with the impacts continuing to intensify and affect all aspects of society and the global economy. Over 2025 we saw greenhouse gas concentrations and ocean heat content reach new record highs, continuing the trend of rapid warming. Multiple extreme weather events, including heatwaves and catastrophic wildfires, led to major social and economic disruption.

As Trustees of the Fidelity Master Trust, we believe that climate change is a material financial risk and as such, we have a responsibility to identify and manage both the risks and opportunities that arise from climate change. Ultimately, we believe that in doing so, better retirement outcomes can be achieved for our members.

Since first publishing our TCFD report we have made positive progress in reducing the carbon footprint across our investment strategies (by 61% since 2020)[1], however we recognise that we will need to keep developing our approach to manage ongoing and developing climate-related risks and opportunities. We have outlined our beliefs relating to climate-related risks and opportunities further in our sustainable investing policy, which also contains further detail on steps we are taking to advance decarbonisation in the Master Trust.

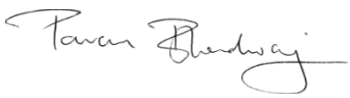
Our TCFD Report

In outlining our continued focus on climate change, I am pleased to share our fourth Fidelity Master Trust report on climate-related matters, aligned to the Taskforce on Climate-related Financial Disclosures (TCFD).

In this report we have continued to build upon our analysis and evaluation from our last report and set out our latest framework for identifying, assessing and managing climate-related risks and opportunities across the Master Trust. We have also outlined the way that our findings from our analysis have fed into the way that we manage our engagements with our fund managers and advisors and the way that we manage our investments. Finally, we have provided the latest figures available on the carbon profile of our investments and an update on our progress towards our net-zero target. A summary of the approach to TCFD, as well as our key findings, is shown on page 5.

We will continue to advance our climate-related approach, adapting as the climate landscape, regulation, and data quality evolve. By placing sustainability and climate resilience at the core of our responsibilities, we believe we can deliver better retirement outcomes for our members, now and in the future.

We are pleased to share our ongoing progress in this report and look forward to providing further updates in the future.



Pavan Bhardwaj
Chair of Trustees of the Fidelity Master Trust

[1] Weighted average reduction across the Master Trust's default investment arrangements since December 2019 (emissions)- see metrics section for more information

Contents

Overview

We, the Trustees, are responsible for overseeing the investment arrangements of the Fidelity Master Trust (the 'Scheme'). We believe that climate change poses a systemic risk for financial markets and can impact the value of our members' retirement savings, and therefore requires explicit consideration by the Trustees.

We will seek to identify, assess, and manage the following climate-related risks (and opportunities) to the extent possible, to protect our members' investments:

- **The transition risk** of companies and assets which are affected by shifts in technological, regulatory and policy, and consumer behaviour as economies move towards low carbon alternatives. For example, such changes directly and indirectly affect the competitive positioning of firms in the move towards greater use of renewable forms of energy and more sustainable agricultural and land management practices. These can cause widespread disruption to the global economy and financial markets if carried out rapidly without sufficient oversight.
- **Physical risks** from climate change, including altering weather patterns and increasing natural disasters[2], which are also anticipated to cause widespread disruptions to global economic activity and investments should insurance become too expensive or cover no longer available.

In this report, we provide an update on our last TCFD report in response to The Occupational Pension Schemes (Climate Change and Reporting Amendments) Regulations 2021. The regulations draw on the Taskforce for Climate-related Financial Disclosures ('TCFD'), a voluntary initiative that provides guidance on climate-related disclosures by companies and investors.

The TCFD recommends disclosures across the four following pillars:

Governance: the oversight of climate-related risks and opportunities

Strategy: the strategic response to the actual and potential impacts of climate-related risks and opportunities for members' retirement savings

Risk management: the identification, assessment and management of climate-related risks

Metrics and targets: the disclosure of climate-related metrics and targets

Priority actions: We will seek to understand and respond to evolving best practice in the climate change investor landscape. This year, our focus has remained on:

1. Further engagement with Fidelity and our investment consultants on the key findings from our latest quantitative scenario analysis (undertaken in 2023 which has been reviewed and concluded still appropriate by the Trustees)
2. Further developing our default strategies to manage climate-related risks and opportunities including how this might work for private assets
3. Monitoring and engaging with our managers on their approach to climate change and how they are working with the underlying companies that our members' monies are invested in, to reduce their carbon footprint

We have laid out more information on these specific items in the report below and will continue to develop our learning and thinking on climate-related matters. We have also provided a summary of the key conclusions of this report, across the recommended pillars of the TCFD, in the below table.

[2] Weather-related disasters increase over past 50 years, World Meteorological Organization (wmo.int)

Key Findings

Governance Read more on page 8	■ We have continued to review our governance approach to climate-related risks and opportunities and worked closely with our Investment Sub-Committee (ISC) to progress this. ■ We continue to update our scheme documentation, including the Statement of Investment Principles (SIP) and our internal risk register to ensure that climate change considerations continue to be firmly embedded within our governance arrangements ■ We have seen continued developments and improvements from our service providers and advisers on the integration of climate-related risks and opportunities into the funds and strategies that we manage. We have also seen enhancements in reporting which will help strengthen our governance approach going forwards.
Strategy Read more on page 13	■ As the Master Trust continues to grow, we have re-assessed the climate-related risks and opportunities across various scenarios, for members close to and far from retirement. ■ We have also reviewed the output from our quantitative scenario analysis last year as well as those asset classes most at risk and factored this into our approach on engagement and investments, as outlined in our risk management section.
Risk Management Read more on page 22	■ We maintain a continuous process for identifying, assessing, and managing risks, of which include climate-related risks (transition & physical). Our annually reviewed Risk Policy and Framework ensure these risks are integrated into our overall risk management approach, documented in a detailed risk register. ■ We continued to engage with our fund managers and advisers over the year on our stewardship priorities and challenging them on how they engage on these priorities with the companies held within their funds. ■ We continued to incorporate climate-aware funds into our default strategies that led to a marked improvement in the carbon footprint of those strategies. We continue to develop our investment strategies to address climate change risks and opportunities and will detail further enhancements and changes in future TCFD reporting.
Metrics and Targets Read more on page 27	■ As of December 2024, our data coverage across strategies reached 96.5% which was up from previous years. Disclosure quality remained stable at 97.4% of emissions data which is deemed reliable and reflects better corporate reporting and enhanced data collection methods. ■ We achieved a 21% reduction in the aggregated carbon footprint of the Master Trust default strategies over the year. Total reduction in the average carbon footprint since the 2020 baseline level was 61%, well ahead of our goal of halving the carbon footprint by 2030. This success is largely attributed to integrating climate-aware funds and decarbonisation objectives into our strategies and consolidation into our default strategy, FutureWise. ■ We recognise potential coverage challenges as private assets are integrated into our investment strategies. We will continue to engage with managers to improve emissions transparency and maintain momentum towards our net-zero targets.

Introduction

ABOUT US

The Fidelity Master Trust is a multi-employer, defined contribution, occupational pension Scheme set up with the purpose of providing workplace pensions for members.

It is made up of standard sections and bespoke sections. The Trustees ('we', 'us', 'our') are responsible for governing the Scheme and offer a range of investment options for members. Where members of standard sections do not make their own selection, their money is invested in the Scheme's standard default strategy. If employers do not wish to use the standard section of the Scheme, an investment adviser can be appointed to provide advice to the Trustees and establish a bespoke default arrangement and/or bespoke fund range. Investments are offered to members of the Scheme through a Defined Contribution (DC) platform provider. This is currently FIL Life Insurance Limited (Fidelity).

THE CHALLENGE OF CLIMATE CHANGE

Climate change is a systemic risk that we recognise will likely impact the value of members' pensions. The risk and opportunities arising from climate change are constantly evolving and we are on a journey to identify and quantify these and manage these on behalf of our members' retirement savings.

Our approach to identifying and managing these risks and opportunities is outlined in our Sustainable Investing Policy.

We support initiatives that will be in the long-term financial interests of members; the TCFD is one of these initiatives. The TCFD has developed recommendations for disclosure on climate-related risks and opportunities. We believe that increasing and improving climate-related disclosures will lead to better investment decisions which can facilitate better management of the risks and opportunities associated with climate change, with respect to members' investments.

Within the metrics and targets section we have included any funds and strategies classed as 'popular arrangements' in line with the Department for Work and Pensions (DWP) guidance for the Scheme. A popular arrangement is one in which £100m or more of the Scheme's assets are invested, or which accounts for 10% or more of the Scheme's total investments. As of 31st December 2024, al off the Scheme's default investment arrangements meet this threshold. These default investment arrangements are listed below.

Investment	2024 Assets (£m)
FutureWise TDF	£6,609
Strategy B	£1,245
Strategy C	£471
Strategy E	£172
Strategy F	£179
Strategy K	£315
Total	**£8,990**

Data and findings as of 31 December 2024, in line with DWP requirements for data reporting between October 2024 and June 2025.

Note that in the Metrics and Targets section we reference other strategies that are now closed or have no assets in order to illustrate the change in metrics for the scheme as a whole, over time.

CHANGES

Note that over the past year we have launched and closed several strategies where we have had new sections join the Scheme, or sections move from bespoke strategies to the standard default strategy.

This report has been produced in line with the Financial Stability Board guidance for asset owners. It also applies guidance from the DWP and will be updated annually.

Pillar 1: Governance

SCHEME OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

Overall responsibility for the running of the Scheme, including the consideration of climate-related risks and opportunities for the standard and bespoke sections, falls to us as the Board of Trustees. The Board is made up of five Trustees, all independent of Fidelity. More information on the Board of Trustees can be found on the Master Trust website.

In considering our responsibilities to act in members' best interests, we have put in place our Sustainable Investing policy. This policy demonstrates the importance of considering climate change factors in our decision making and the way we operate. More information on this policy is available in the 'Strategy' section of this report. Within this policy, we outline our belief that investing sustainably and considering environmental, social and governance (ESG) factors – including climate change – is an approach that can lead to improved long-term, risk-adjusted returns for members. We take these considerations into account when making investment options available in the Scheme.

To ensure climate change is considered as part of how the Scheme operates – and not in isolation – we also keep up to date Scheme documentation to reference climate change directly, including the Statement of Investment Principles (SIP) and our internal Risk Register. For example, outlining how we consider ESG factors (including climate) in our investment strategies and the climate-related expectations of managers, which help inform our engagement with managers.

Certain processes and reporting of the consideration of climate-related risks and opportunities within the investment offering have been delegated to the Scheme's Investment Sub-Committee (ISC); however, ultimate oversight rests with the Trustee board. The ISC reviews the suitability of all investment options used by the Scheme on an ongoing basis for both the standard sections and bespoke sections. For the standard sections, the ISC is supported by Fidelity, our service provider, and Isio, the Scheme's independent investment adviser for standard investment arrangements. The ISC's review of the bespoke sections is supported by the relevant investment adviser for each section.

In constructing and reviewing the default investment strategies and the range of self-select funds offered, we require Fidelity and the independent advisers to consider climate-related risks and opportunities. We also expect them to demonstrate to the ISC how these have been considered, through annual reviews. At these annual reviews the ISC will discuss the consideration of climate-related risks and opportunities with the investment advisers to understand, and challenge where necessary, how climate-related risks are incorporated into the design and management of the investment options.

Ultimately, all governance activities that we implement, apply across all sections of the Scheme.

ROLES AND RESPONSIBILITIES IN IDENTIFYING, ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES

As part of the overall governance structure for the Scheme, there are several parties that we interact with on a regular basis. We have illustrated these parties below along with their high-level roles in relation to the Scheme.

As part of their roles, each of these parties also has a responsibility for providing ongoing support on climate-related matters, with ultimate oversight resting with the Trustee board. This includes ensuring we receive suitable training around identifying, assessing and managing these risks and their impacts, and providing information that will allow us to make decisions in the context of climate-related risks and opportunities.

We have outlined below the responsibilities of the Master Trust Board as well as the ISC in relation to climate-related risks and opportunities. More information on the specific roles and responsibilities of these other parties on identifying, assessing, and managing climate-related matters can be found in Appendix 3.

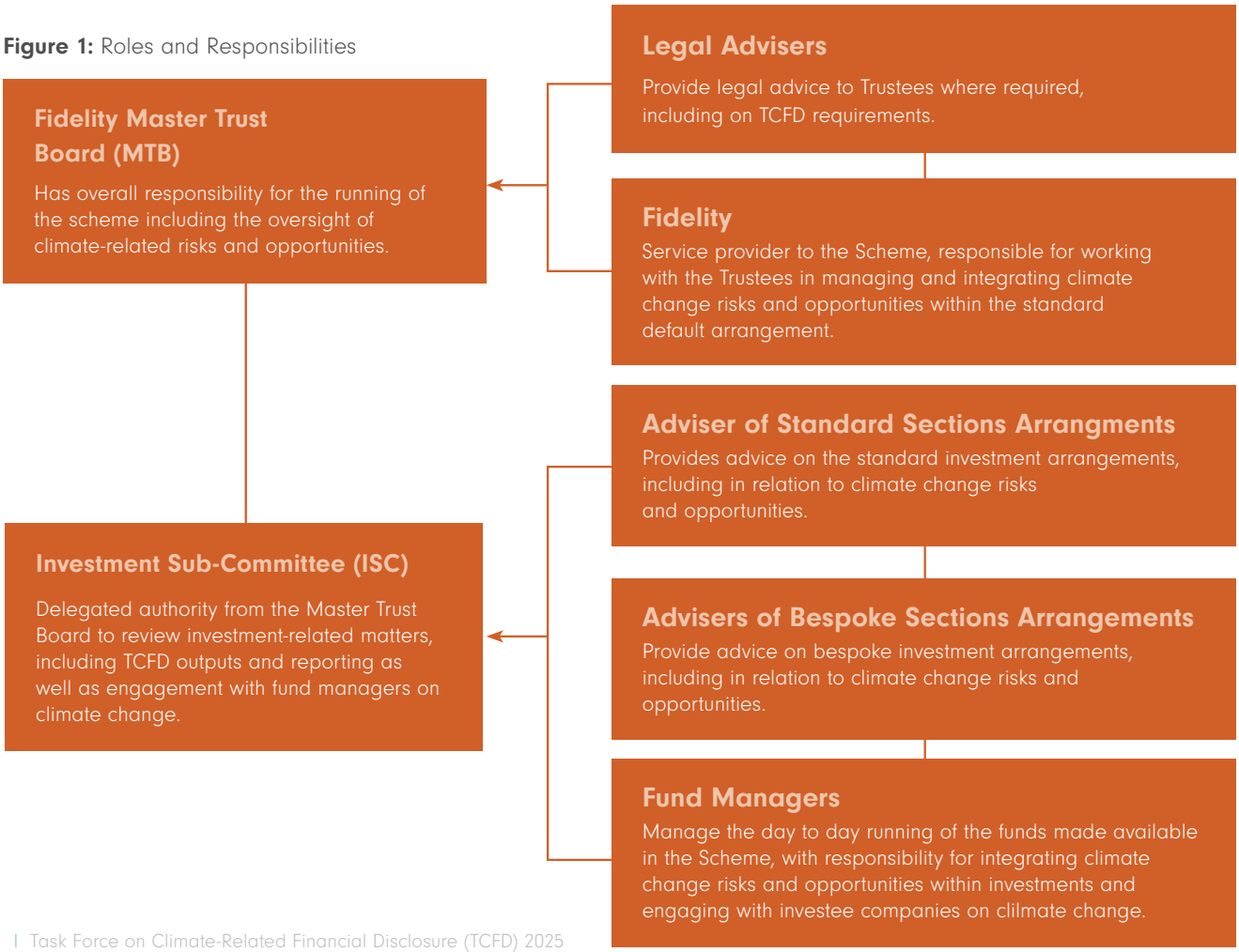
We, the Trustees of the Scheme, have ultimate oversight for the identification, assessment, and management of climate-related risks and opportunities. We will on at least an annual basis enact the following processes:

- Ensure we have sufficient knowledge and understanding to be able to respond to climate-related legal and fiduciary obligations. This will be maintained through regular training sessions supported by Fidelity and other parties where required.
- Review provisions for climate change in the governance arrangements, climate policy, strategic direction, and our risk register. These documents act as the basis for driving ambitions or areas to prioritise, as well as for driving and monitoring the integration of climate change within the investment arrangements.
- Review and assess the climate-related risks and opportunities for the Scheme, and how they will develop over the short, medium, and long term (more information on how we define these time frames in the Strategy section of this report). This is primarily done through the analysis of climate-related metrics and scenario analysis & modelling provided by Fidelity and our advisers.

Pillar 1: Governance

- Manage the exposure to climate-related risks and opportunities for the Scheme, through reviews of our investment arrangements (supported by our advisers) and through engagements with managers, to ensure increased exposure to opportunities and reduced exposure to climate-related risks.
- Review any climate-related updates from Fidelity and our advisers on climate workstreams and any relevant market or regulatory updates. These come through multiple channels including through regular training sessions, board meetings, our annual advice from advisers and an annual survey we send to advisers to ensure they are identifying and raising any climate-related issues with trustees in the context of the strategies which they advise upon. These may include for example, updates on the development of specific physical or transition risks or opportunities at a sustainability training session. Climate-related matters are tabled at ISC meetings (which occur 4 times per year) as well as Board meetings where required. These also include any training required on relevant climate-related topics.
- As appropriate, communicate with Scheme members and other stakeholders on the Scheme's climate change approach, including through TCFD public reporting disclosures, as well as responding to any queries in relation to climate change.
- Fulfil regulatory requirements with respect to climate change, including preparing the annual Implementation Statement and overseeing delivery of TCFD requirements, such as
  - Developing climate-related governance arrangements, investment beliefs and policies, and the climate strategy.
  - Selecting metrics used for climate reporting and reviewing the metrics and their appropriateness.
  - Agreeing long-term and interim targets against selected metrics, monitoring progress against those targets annually, and assessing whether to retain or replace the targets and selected metrics.
  - Publishing the annual TCFD report.
- Use Trustee board meetings and ISC meetings as an opportunity to question and/or challenge TCFD reporting produced by Fidelity and the external advisers.

Figure 1: Roles and Responsibilities



Pillar 1: Governance

The ISC's role is to:

- Review how our advisors consider the impact of climate change as part of their overall governance structure and advisory processes (more information below).
- Review the investment advice provided by our advisers, how climate has been considered in this advice and challenge where appropriate.
- Assess how external advisers and fund providers have performed against their climate-related responsibilities.
- Support management of climate-related risks and opportunities by
  - Alongside our advisers, reviewing fund managers' approaches to, and effectiveness in, addressing climate change in their investing activities.
  - Ensuring that climate change and ESG criteria are applied during fund manager selection and retention processes.
  - Considering the fund managers' track records on engagement and voting on climate-related matters with the management of companies in which they are invested, and report on this via the annual Implementation Statement.
- Report to the Master Trust Board on a quarterly basis its key findings, discussions and recommendations on strategic items including climate and broader sustainability matters.

Whilst in Appendix 3, we set out the roles and responsibilities of others who undertake governance activities in relation to climate change and on the Scheme's behalf, we set out a quick summary of these below:

- Fidelity is responsible for supporting the trustees' annual reviews on the integration of climate change within governance arrangements, risk management documents, strategy and investment policies, as well as collating climate-related metrics and targets (using data available from a climate data provider).
- Isio, the Scheme's independent investment adviser for standard investment arrangements, has supported Fidelity and the Trustees in the annual review of the TCFD outputs (such as the scenario analysis and metrics), as well as the climate governance statement and climate scenario analysis.

We will conduct regular reviews on our climate governance structures to ensure these remain fit-for-purpose, including to better identify, assess and manage the climate-related risks and opportunities identified within our TCFD reports. For example, where manager decarbonisation is not in line with expectations, we would opt to escalate our monitoring and engagement processes with the manager to change this.

OUR ADVISERS

In addition to our own governance framework and processes, we also regularly interact with our independent advisers (on both standard and bespoke sections) and obtain up-to date information on how they ensure that there are suitable governance structures in place within each of the advisory firms to ensure climate risks and opportunities are considered in the relevant advice provided on the default strategies.

All advisers have in place proprietary governance structures, as well as senior oversight and accountability, to ensure that the risks and opportunities associated with climate change are considered within the advice that they provide us (as confirmed in the annual adviser survey). Most firms have a head of ESG or a dedicated oversight or steering committee which provides strategic direction on the integration of sustainability and climate change into research and includes any investment advice we receive.

Fidelity conducted an analysis of the responses from our advisers from our latest Sustainability and Climate Adviser Survey in 2025 which looks at how sustainability and climate change is factored into adviser Governance, Integration, Reporting, and Stewardship over the year. As in 2024, we are pleased to see that our advisers continue to take a proactive view on the integration of climate-related risks and opportunities into investment strategies and their governance frameworks. We're pleased to see advisers continue to develop their stewardship frameworks for engaging not just with managers but also policymakers and regulators.

In early 2025 it was announced that the Net Zero Asset Managers Initiative (NZAM) was suspending its activities following an exodus of several managers, however we're pleased to see that despite this our advisers continue to monitor managers on this basis. This includes assessing whether the managers have credible plans to align portfolios to net zero targets. Our advisers are also looking more closely at achieving real-world emissions reductions rather than individual portfolio decarbonisation.

Pillar 1: Governance

As the Scheme has grown over the past year and investment strategies are assessed and reviewed, we also continue to work with our advisers to integrate more climate-aware funds throughout our investment strategies. Additionally, while the availability of climate-aware funds was typically limited to equities, this has branched out across multi asset and fixed income allowing fuller integration of climate-aware funds across entire strategies, benefitting both older and younger members. To facilitate this, we continue to see the further integration of more objective, quantitative tools to assess climate-related impact of strategy changes, into decision-making processes.

The continued development to the approach that our advisers are taking on how they research, analyse and integrate the impact of climate-related risks and opportunities in the advice that they provide us is assuring. Going forward this will be key to meeting our net zero targets.

All advisers are signatories of the Principles for Responsible Investment (PRI) which focuses on incorporating, disclosing, and promoting ESG matters (including climate change) across the industry. Our advisers are also signatories to the UK Stewardship Code which sets stewardship standards for asset owners, managers and advisers. All advisers are members of the Investment Consultants Sustainability Working Group (ICSWG) which outlines several themes that Trustees should expect their investment consultants to demonstrate in terms of climate competency. In addition to these, various advisers are also members and signatories of other groups including the Net Zero Investment Consultants Initiative (NZICI), Institutional Investors Group on climate change (IIGCC), the Thinking Ahead Institute (TAI), and Coalition for Climate-resilient Investment (CCRI), amongst others. We are supportive of the continued and developing engagement that our advisers have with wider industry bodies, including regulatory bodies, on climate-related matters.

TIME & RESOURCE ALLOCATED TO CLIMATE CHANGE

At the start of every year, we agree a plan and associated budget with Fidelity and our advisers which includes allocations to climate-related matters. As part of the oversight of climate-related risks and opportunities, we seek to ensure that sufficient time and resources are awarded to climate change by the Board of Trustees and ISC. Sustainability and climate change has been discussed on a regular basis at quarterly ISC meetings, both with wider macroeconomic context as well as in relation to specific investments, supported by Fidelity and our advisers. There are also updates provided to the full board where necessary. The aim is for the Board and the ISC to allocate enough time to consider sustainability and climate change-related matters specifically, while awarding it appropriate time and resource allocation compared to other tabled matters (such as review of the performance of the standard default investment option).

A climate change plan, which sets out climate-related deliverables for the year, helps us to ensure that we are on track for responding to the climate-related regulatory requirements (including TCFD), including from climate strategy setting to monitoring climate-related metrics and targets. We will continue to review the time and resources allocated to climate change, to ensure this is sufficient for the identification, assessment and management of climate-related risks and opportunities.

OVERSIGHT PROCESSES

We engage with Fidelity as our service provider, our independent advisers and our fund managers on climate change on a regular basis. There are several avenues that we pursue to ensure accountability around agreed climate-related actions, including:

- Reviewing the climate-related outputs provided to us by Fidelity and our advisers to assist in identifying, assessing and managing climate-related risks and opportunities.
  - This includes climate-related updates, TCFD outputs such as the scenario analysis, metrics and targets data, and information shared by our advisers on an ad-hoc basis, through annual advice on our investment strategies or through the annual TCFD questionnaire (see third bullet point below).
  - We may challenge these outputs from time to time, where we believe climate risks and opportunities have not been identified, assessed or managed appropriately.

Pillar 1: Governance

- We set out expectations of advisers with respect to the consideration of climate risks and opportunities, in our investment framework and annual investment adviser contract. These documents also outline the frequency and timing of when this information is expected. These are revisited annually to ensure that adequate steps are being taken to identify and assess climate-related risks and opportunities, whilst reflecting evolving best practice within the climate change investor landscape.
- We annually assess the competency of external advisers using a TCFD questionnaire. This assesses the areas of governance and oversight with relation to identifying, assessing and managing climate-related risks and opportunities in the design of the investment strategies. It also reviews the advisers' approach to strategy and risk management, manager selection and engagement and voting with underlying companies. This helps to ensure our advisers have the appropriate climate-related governance, resources, and expertise to support the Scheme in identifying, assessing and managing climate-related risks and opportunities.
- We engage with our fund managers on our goal and aims around climate and net-zero and expect these to be considered as part of their engagement and investment process (see more in the strategy section).

We discuss the role of different risk management processes further within the Risk Management section, with a focus on engagement and reporting, and how these are approaches across the different investment arrangements.

TRAINING

As part of our processes, we also receive and discuss updates and guidance from Fidelity and our advisers on climate-related matters, including ongoing global developments, how these may impact investors and Scheme members and how these can be identified and managed. This information is received into the Investment Sub-Committee and shared where pertinent, with the wider Master Trust Board. This guidance serves to do the following:

- Keep us abreast of climate-related developments including evidence and current and future consequences of climate change as well as climate-related terminology
- Give us the tools and knowledge required to identify, assess, and manage physical and transition risks (and key existing or developing transitional or physical risks to be aware of e.g. increasing biodiversity loss)
- Demonstrate how climate-related risks and opportunities may impact members retirement savings (via scenario analysis)
- Help understand how climate-related risks and opportunities can be managed by factoring these into the design of the strategies we offer, as well as the management of the Scheme (more information in the risk management section on the training we receive)
- Demonstrate how climate considerations are integrated into investment design and management and our approach to net-zero
- Understand how to interpret and use climate metrics as well as assess our progress against our net zero goals
- Understand how voting and engagement can be used as a tool to help drive companies to reduce their emissions and progress towards net-zero goals
- Keep us abreast of other ongoing industry or climate-related initiatives

In addition to guidance provided by Fidelity to the Trustees, there is also in-house training in place for Fidelity and our advisers to ensure their awareness of climate-related matters as well as competence in factoring in climate-related risks and opportunities, into the advice they provide us with. This training takes place through a combination of internal seminars, technical training and time spent with their in-house responsible investing teams. These cover topics such as carbon pricing, net-zero challenges, transition pathways and TCFD.

We will continue to monitor the broad approach to climate-related training, moving forward. Reviews of meeting minutes from ISC and climate training sessions at subsequent meetings, are also used to identify any climate-related knowledge gaps and can become the triggers for Trustees requesting further training requests from Fidelity or our advisers.

Pillar 2: Strategy

OVERVIEW

Over the short, medium, and long term, we believe that climate-related risks and opportunities will have a significant and growing impact on the value of our members' retirement savings. As members continue to contribute, the assets within the Scheme will also grow and we anticipate that this rate of growth is likely to increase over time as businesses increasingly turn to Defined Contribution Master Trusts such as Fidelity's, to support the pension and financial needs of their employees.

The Scheme must adapt its planning and strategy as the number of members within the Scheme increases, so as to maximise opportunities and minimise risks. We recognise the importance of ensuring that we adapt our solutions to factor in the risks and opportunities associated with climate change as well as developing our governance framework to effectively manage these. Failure to do so may negatively impact the value of our members' retirement savings.

More information on how we plan to address these climate-related risks and opportunities can be found in the risk management section beginning page 22.

CLIMATE-RELATED RISKS AND OPPORTUNITIES

Our approach to climate-change is grounded in the belief that climate-related risks and opportunities can affect the value of investments and can be financially material. As a result, they are relevant to members and to our running of the Scheme. Much of our approach to assessing and managing the risks and opportunities associated with climate change is outlined in our latest Sustainable Investing Policy. At a high level this includes the following:

- Integrating funds and investment processes that consider climate-related risks and opportunities into our default strategies and wider fund ranges
- Engaging with our fund managers on their approach to managing climate-related risks and opportunities and in turn, how they engage with companies on these
- Setting and reviewing our climate-related targets and reviewing the footprint of our operations.

TYPES OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

Our members will be invested in the Scheme over varying time horizons (depending on their time to, and in, retirement). Over this time, there will be long-term risks if climate-related targets (including net-zero targets as defined in Appendix 1) are not met. Climate-related risks can be broadly categorised into two groups. These are as follows:

Transition risks: These are risks that arise from taking the necessary steps to transition to a low-carbon economy. These may arise from policy and legal changes, technological developments, reputational damage, or market forces. For example, if governments introduce new laws to reduce carbon emissions, this means that companies may be required to adopt cleaner technologies or pay higher carbon taxes which in turn, increases operational costs or could even devalue existing assets. This could be particularly impactful for companies in industries such as energy, utilities, materials and transport.

Physical risks: These are risks that arise directly from changing climate conditions. These can be acute, episodic risks such as tornadoes, flooding, typhoons and wildfires, or chronic, which relate to long-term incremental changes such as the variation of amounts of rainfall, availability of fresh water, rising sea levels or frequency of supply chain disruption. For example, a company with manufacturing plants in coastal areas could be at risk from hurricanes or rising sea levels which could cause damage to facilities or disrupt supply chains. The cost of repairs and interruption to operations, as well as the cost of insurance, could seriously impact financial performance.

We believe that companies that proactively adapt to the above risks or which are more resilient if the transition to a low-carbon economy accelerated, are likely to outperform who are less adaptable and resilient.

Climate-related **opportunities** will also arise to support sustainable growth, development and investment across industries as we move towards net-zero economies. We are already seeing this with companies developing renewable energy solutions in the solar and wind space as well as battery technology and electric vehicles, which have and may continue to see increased demand as governments aim to reduce carbon emissions and as they have become more cost competitive as a technology. Indeed, developing more environmentally friendly solutions for existing products and services could also enhance a company's brand and thus lead to improved demand and financial performance.

Both physical and transition risks as well these opportunities, can affect the value of investments, and in turn, the members' retirement savings.

Pillar 2: Strategy

RISKS, OPPORTUNITIES AND STRATEGY ACROSS DIFFERENT TIME PERIODS

As economies across the globe transition to a low-carbon economy in pursuit of meeting net-zero targets, these risks and opportunities will transpire over the 'short', 'medium' and 'long' term. We have defined these time periods and associated risks and opportunities below based on the investment time horizons of member cohorts across the Scheme. The progress to mitigate emissions and speed with we adapt to climate change, will determine the extent to which they arise. Earlier and greater efforts, driven by technological change and socio-political-economic factors, will tend to increase transitional risks (though this can vary by region) while dampening the progression of physical risks, whilst the opposite also applies.

We have evolved our timeframes to better recognise the Scheme cohorts (see tables below for further details). Accordingly, we have evolved the overview of transition risks, physical risks and opportunities below from our 2024 report. While much of these are still relevant, we have commented where we have begun to see changes and development from last year's report.

Note that for the purpose of this analysis we have grouped together cohorts across our individual arrangements, as we believe that the impact across all time periods on these cohorts will be broadly similar at this stage. This aligns to our approach of treating climate risk as a Scheme-wide risk and keeps the report understandable for members. We will keep this approach under review on an ongoing basis.

Pillar 2: Strategy

SHORT TERM

Investment	Short Term (8 years)
Transition Risks	■ Many older members in the Scheme will be close to taking their retirement savings in the next few years or in the process of doing so. ■ We expect significant changes in the economic landscape as we near 2030, a common milestone for tracking net-zero targets. During this time, we expect transition risks to be most impactful and are likely to materialise from regulatory changes, as well as evolving market norms, given increasing reporting requirements as well as companies' exposure to litigation risks. ■ Given that the current governmental policies are aligned to a world of 2.7-3° by 2100, during this time, there could be political consensus to accelerate the transition which would potentially lead to a disorderly scenario. ■ The policy goals of governments and regulators may also impact company or government investment value through a change in growth and/or cost expectations and thus members retirement savings. ■ As technological change advances alongside market regulation, there is likely to be shifting supply and demand between products and industries. High emitting sectors such as utilities, transport, energy and materials are likely to be a focus area. ■ In the short term, the focus will be on safeguarding member assets from these risks. ■ Reputational risks from inaction may also have a material effect on the financial performance of members' retirement savings.
Physical Risks	■ While we expect the most impactful risks to be transition risks, the impact of physical risks including weather-related are being experienced already are growing.
Opportunities	■ Climate-related opportunities in the short term involve taking advantage of existing opportunities in benefitting from the growth of low emitting technologies and solutions. Examples of this include smart electricity grids, battery storage, resource or energy efficiency, circular economy and transition materials and minerals.

In the short term it is likely that the biggest forces at play will be technological advances and policy and regulatory frameworks across the global economy. Transition risks are likely to be the largest factors affecting the value of members' investments and as such, transitions risks are currently a key focus for us in scenario analysis and engagement with our managers. It's worth noting that these will vary by sector and region/country level as there is a fragmented approach to the implementation of climate and regulatory policy across the global economy. For example, Europe has so far implemented more climate-related policies than the US and Emerging Markets which are more reliant on more carbon-intensive activities such as thermal coal in the electricity supply chain.

In addition to this, we anticipate the consideration of the impact of climate change on different asset classes to begin to feed into the design of all investment strategies over the short term. Indeed, we are already seeing strategies beginning to tilt towards managers who can effectively engage their high carbon emitters to set climate targets and reduce their emissions, and as such, climate transition risk. This is also an area of opportunity, as we continue to incorporate funds into our strategies which can take advantage of this move to low emitting technologies which in turn, can support companies in achieving their net zero targets.

Pillar 2: Strategy

MEDIUM TERM

Investment	Medium Term (28 years)
Transition Risks	■ The average age of a member in the Scheme is 41 and as such will be retiring in 25-30 years' time ■ In this time period we will be approaching common net-zero targets (usually 2050) that some sectors may have achieved, and others are striving for. As such transition risks may be prominent, especially in those hard-to-decarbonise sectors such as heavy industry. ■ By this point, as decarbonisation solutions will have become more common, there is likely to have been a change in the supply and demand of products and services in related industries towards low-carbon solutions, as well as a decrease in low carbon technology costs. ■ The timing of these shifts and pace of them is difficult to predict. The longer concerted actions are delayed, the more likely they are to become disorderly.
Physical Risks	■ Over this timeframe, if the pace of global warming is not limited then transition risks are likely to decline as physical risks increase significantly ■ Acute weather events are expected to increase in severity and frequency, which may lead to business disruptions across our investments as climate change may outpace global insurance coverage ■ hysical climate risks, both acute and chronic, cause disruptions to operations and supply chains, affect the functionality or value of physical assets, and affect access to natural resources and insurance for firms. All of these can have detrimental impacts on a company's ability to deliver shareholder value. ■ For example, companies with a reliance on real (physical) assets, such as real estate and industrials, may see the value of those assets threatened if they're located in areas vulnerable to adverse climate-related events, such as rising sea levels or wildfires. ■ Chronic physical risks will lead to increased insurance costs for businesses exposed to them, as well as potential destruction of assets. Availability of insurance may also become problematic or uncommercial. ■ Chronic risks are also likely to add to economic and demographic distress in countries exposed to them. This could include longer-term impacts such as climate migration, less productive workforce due to excessive heat or certain parts of the world becoming uninhabitable due to heat, drought, flooding or other physical risks. ■ Ultimately over this time period there is a trade off between physical and transition risk with lower transition risks now trading off for larger physical risks over time
Opportunities	■ In the medium term, the opportunity set will likely have moved or expanded out to other industries which today are considered hard to decarbonise or require higher carbon pricing/ incentives to decarbonize

Over the medium term, it is likely that the composition of investment strategies will have shifted towards specific industries that are facilitating or financing the transition to a net-zero future, and toward companies that are benefiting from the change in consumer preferences. We expect that in advance of the net-zero targets for 2050, more capital will be allocated to companies with strong transition plans and science-based targets. It is also likely that as physical risks grow, certain sectors may face mounting pressures to invest in adaptation to manage physical risks, such as flood defences and water efficiency solutions.

Pillar 2: Strategy

Agriculture for instance, faces a key challenge in the ability increase the conversion of energy for humans whilst maintaining the balance of the ecosystems in which it operates (for example ending deforestation). The intergovernmental panel on climate change believe a warming climate is likely to lead to greater unpredictability in weather related events leading to declining yields or crop failures, or flooding or lack of available fresh water supply.

These physical risks will continue to be increasing areas of focus for our engagement with our fund managers as well as on our investment strategy - particularly in understanding how physical risks are being managed by our managers, with the increasing exposure to illiquid and private asset strategies including Real Estate and Infrastructure.

Note that circumstances are likely to change over this time subject to geo-political and socio-economic changes.

LONG TERM

Investment	Long Term (40 years)
Transition Risks	■ The youngest members in the Master Trust are around 20-25 years old and so will be approaching retirement in around 40 years-time ■ This will be a period after net-zero goals of 2050 and we may see run-away climate change unless the world has been able to meet these goals ■ The most important aspect over this time horizon is the degree to which companies that make up public and private markets across the globe have achieved their decarbonisation aims ■ Unless most companies accessed through investments in the Scheme have a net-zero strategy in place, then the physical and transition risks are likely to have impacted members retirement pots increasingly as the value of these companies is affected. ■ If the global economy has decarbonised then there will likely have been a period of rapid or disorderly change which may caused severe disruption to the global economy and GDP - specifically affecting high-carbon companies
Physical Risks	■ At this time point, physical risks will be most prominent and their frequency and severity will vary depending on how well the world has decarbonized and whether net zero targets have been met or not ■ Under a current policies scenario and without further decarbonisation action, the world could experience unprecedented physical risks, including impact to agricultural and food systems affecting the availability of and pricing of food as well as floods, wildfires and extreme weather events.
Opportunities	■ For the long term, building on the continued opportunities shown in the short and medium terms, a focus on energy alternatives beyond renewables, into hydrogen may occur. Further digitalisation of industries will likely continue to accelerate as well.

Over the long term, physical risks will have materialised and companies with a reliance on real (physical) assets, such as real estate and industrials, may be experiencing greater disruption or cost. These companies are also likely to see value of those assets threatened if they're located in areas vulnerable to adverse climate-related events, such as flooding, rising sea levels or wildfires. Some of our investment strategies have direct investment in real assets however exposure to companies via equity or fixed income investments that rely on such real assets for business may still mean indirect exposure to such real assets.

In the long term our aim will be for the Scheme to have made significant progress in developing our strategies to manage and mitigate (as far as possible) future climate-related physical risks. However, we see the most crucial aspect over this time horizon as the degree to which companies that make up public and private markets across the globe, have emissions or net-zero plans in place. Given the diversified nature of investment strategies in the Scheme we recognise that unless most of these companies have a net-zero strategy in place then the physical and transition risks are likely to impact members retirement pots increasingly as the value of these companies is affected.

Pillar 2: Strategy

SCENARIO ANALYSIS

Scenario analysis is the process of estimating the impact of various scenarios on the value of an investment. It can be a useful tool in assessing the potential impact of climate change on strategies used by members within the Scheme and provide a top-down portfolio perspective to assessing the impacts of climate risk on investments. The results can then feed into ongoing strategy.

In our last TCFD report we provided an update on our actions following our scenario analysis in our 2023 report. Our approach to running quantitative scenario analysis, is in line with DWP regulations - to produce this at least every triennial scheme year. We may also run this if there is a significant change to our default strategies which may materially impact the results, or there is a material change in the inputs of the analysis such as the impact on particular asset classes as a result from climate-related risks.

Currently, we are in the process of reviewing our approach and format to quantitative scenario analysis and our provider of this data. Given that quantitative scenario analysis is medium term in its approach; our review is still in progress; and there haven't been any wholesale changes to our main default strategies since we last ran the analysis, we will be providing updated quantitative scenario analysis in our next report (2026). For this report we have provided an update on our actions, from our 2023 quantitative scenario analysis.

SCENARIOS USED

Climate scenarios are hypothetical futures which apply different levels of climate action and explore how this translates into the cost, availability, and deployment of low carbon technologies. The resulting emissions and temperature pathways will therefore produce a unique combination of physical and transition risk with differing economic and financial impacts over time.

For our 2023 analysis, in line with DWP guidance, we chose three climate change scenarios which represent the possible range and extremes of transition and physical risks from climate change:

Scenario	Overview	Impact of physical risks	Impact of transition risks
Net zero 2050	A Paris-aligned scenario where temperatures are kept to a 1.5°C rise this century. CO_2 emissions reach net zero 2050 globally, but only some regions achieve global GHG net zero by 2050.	Physical damages are minimised	Immediate global action applied uniformly to decarbonise hence relatively high transition costs incurred, particular in the near term[3]
Divergent Net zero	A Paris-aligned scenario where temperatures are kept to a 1.5°C rise this century. However, policies and speed of decarbonisation differ between sectors.	Physical damages are minimised	Divergence in sector approaches results in higher transition costs
Current Policies	The world largely fails to meet the ambition set out in the Paris Agreement resulting in 1.5°C of warming this century	Higher physical costs arise because of rising global temperatures, with shifts in weather patterns and an increased incidence of natural disasters increased incidence of natural disasters	Current global climate policies are implemented, but no further ramping up of climate policy ambition over time, resulting in lower transition costs over time, resulting in lower transition costs

[3]Note that to date, there has not been uniform progress

Pillar 2: Strategy

Each of these scenarios has a different physical and transitional impact, with the most ambitious scenario in terms of managing or mitigating long term risks being the Net Zero 2050 scenario where short-term transitional risks are consequentially highest. The Current Policies scenario on the other hand, puts less emphasis on decarbonisation and as such while implying lower short-term transitional risks, allows for significant warming leading to a high impact of physical risks over the long term. Under the Divergent approach while physical risks are minimised, the transition costs are not shared proportionally amongst industries meaning under this scenario, economies do not benefit from the cadence of a steady and collegiate approach.

To isolate and determine the impact of the risks associated with climate change, we benchmarked these three climate change scenarios against a 'climate neutral' baseline which assumes no costs associated with transition or physical climate risk. This in itself is not a scenario but is rather used to isolate and illustrate the impacts of transition and physical costs more clearly for each scenario on each asset class and popular arrangement.

Note that these scenarios are not intended to be forecasts for the future, rather to highlight the risks and opportunities that could arise as a result of different outcomes. In the model there are many assumptions made that are intended to drive these outcomes. However, in the real world these outcomes are driven by many inter-connected influences which are constantly moving - such as geopolitical, socioeconomic and climate-related factors.

Climate models aim to model the relationship between the surface of the earth and its atmosphere, which is a tremendously complex relationship, with the use of simplified 'rules of thumb'. These assume as inputs scale up (for example GHG atmospheric concentration), that the relationship, or 'rule of thumb' remains linear, or constant. There is significant academic research outlining how this is unlikely, and that climate 'tipping points' could occur. Our default adviser and many of the bespoke advisers sit on industry working groups that are looking to address these issues through more severe modelling of physical risks (particularly in high temperature outcomes) as well as developing better top-down qualitative analysis.

The Trustee acknowledges that climate impacts for pension schemes is a developing area. The Institute of Actuaries (IFoA) has released a paper demonstrating how current scenario modelling techniques exclude many of the most severe impacts that can be expected from climate change.

Further detail of the modelling assumptions and limitations are included in the Appendix. Please note, climate scenario analysis is an ever-evolving space and as such the scenarios modelled may be subject to review in future periods.

Pillar 2: Strategy

ASSET CLASS FOCUSES - RESULTS OF ANALYSIS

Below we have re-illiustrated the key results of our original analysis and the potential impacts on those asset classes most at risk. These are the asset classes that we have focused on intially as Trustees in our engagements with our advisors and fund managers as well as our investments. More information on strategy-level impacts is available in the appendices.

Note that given the integration of funds using a variety of climate-aware approaches (as outlined in the Risk Management section) across our default strategies, we expect our default strategies to be more resilient to short and medium term climate risks relative to strategies that do not incorporate climate-aware approaches. Nevertheless we will continue to review the appropriateness of our strategies and how we can develop these to further manage climate-related risks and opportunities.

1. Transition risks are likely to be most impactful on members' pots in the short term

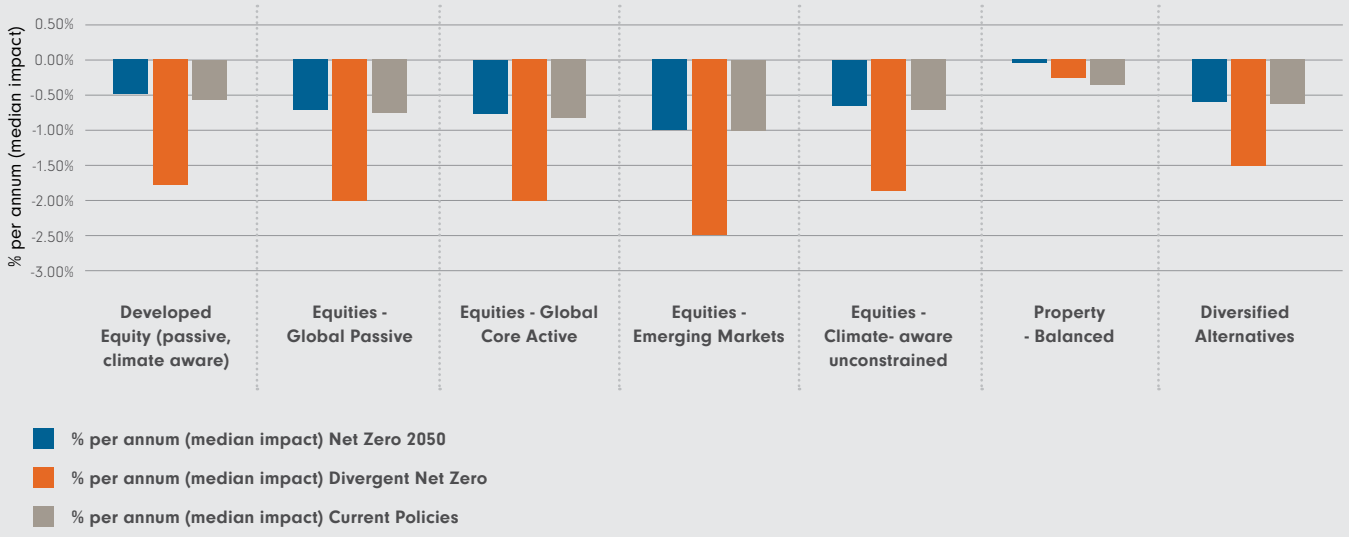
While physical risks such as weather events and climate change are likely to increase in severity and frequency over the long term, transition risks will be more impactful in the short term as countries aim to move away from economies that rely upon fossil fuels. Those industries which are heavily invested in fossil fuels will need to ensure that they have credible transition plans in place to protect our members' retirement savings.

2. Transition risks are likely to be most impactful on equities in the short term

Equities have and will continue to play an important role in the growth of members pots over the long-term. However, within this space it will be important to ensure that members are adequately protected (as far as possible) from the impacts of transition risks over the short term. The projected impacts of this for equities across the 3 scenarios are illustrated in the graph above, with all forms of equity strategies seeing material impacts on an annual basis - increasingly so for the Divergent Net Zero scenario.

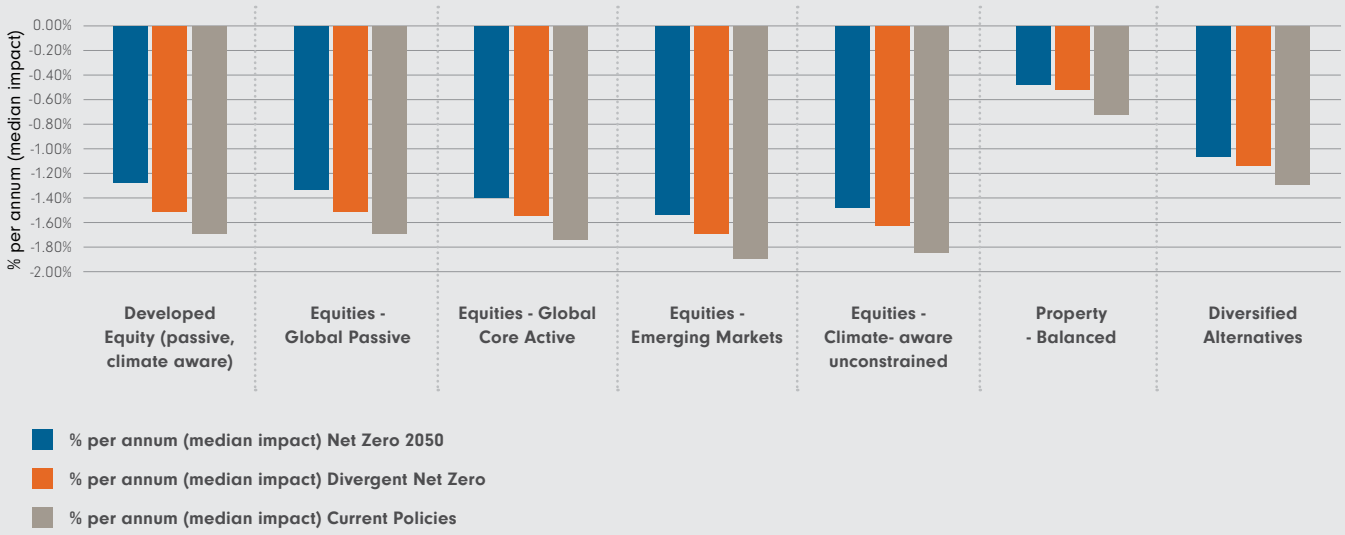
However, we can manage this through accessing funds which take transition risks into account either through approaches such as ESG rating systems, exclusions or active management. This is illustrated above as climate-aware equities fare better than other forms of equity exposure. We will also need to continue engaging with our managers on how they are pushing companies to ensure they are prepared for these risks.

IMPACT ON FOCUS ASSET CLASSES - SHORT TERM



Pillar 2: Strategy

IMPACT ON FOCUS ASSET CLASSES - LONG TERM



3. Real assets are likely to be impacted by physical risks across all scenarios

Real assets such as property and infrastructure (that fit under the 'diversified alternatives' asset class above) are likely to be heavily exposed to physical risks such as changes to the climate and adverse weather. Additionally, some real assets may be at risk of events such as flooding which could damage the long-term value of those assets and as such, members retirement savings. We have illustrated above that this is likely to be more severe in a Current Policies scenario relative to the other 2 scenarios. Indeed, while real assets currently represent a small proportion of our holdings across the Master Trust, this exposure is likely to increase in the future with the introduction of private assets across the defined contribution industry. As such it will be crucial to ensure that any exposure to real and private assets (such as infrastructure and real estate) take physical risks into account.

4. Climate-related opportunities will be available that will help manage transition risks

While managing risks are a key focus, taking advantage of opportunities will also be important. While we have already seen the emergence of certain technologies such as electric cars, this is likely to expand to battery storage and smart infrastructure. Where possible, where actively or systematic management is used, funds will be able to tilt towards these companies that may be able to take advantage of these opportunities.

5. In equities, Emerging Markets are likely to be hardest hit by transition and physical risks

Emerging markets, more so than other regional markets, currently rely on high carbon power and are also more susceptible to shifts in weather patterns as well as natural disasters. The impact on emerging markets equities across the 3 scenarios is illustrated above where it's clear that these are likely to be hardest hit over the short term and long term. As such while Emerging Markets equities are often used to provide a source of higher returns over the long term, ensuring that companies in emerging regions are well placed to manage transition and physical risks will also be key to protecting the value of members' retiring savings.

We have updated our approach to how we're addressing these risks in our Risk Management section below.

Pillar 3: Risk Management

PROCESS FOR IDENTIFYING AND ASSESSING RISKS (INCLUDING CLIMATE-RELATED RISKS)

Risk management is a continuous process of identifying, assessing and managing risks.

We maintain a Risk Policy and a Risk Framework which outlines our approach to this process and which we review and approve annually. We also maintain a risk register which documents the risks facing the Scheme and its members and which includes climate-related risks. Including climate-related risks within the risk management framework helps drive a consistent approach, in turn, aiding the identification of drivers of changes, over time.

We adopt a four-stage process within our risk management process:

I. **Identification** (of new and emerging risks or changes to existing risks)

II. **Measurement** (of new and emerging risks and reassessment of existing risks)

III. **Monitoring** (of the internal and external risk environment, risks and risk events)

IV. **Mitigation** and ongoing management of identified risks.

These activities are not undertaken independently but in tandem with one another.

The identification and assessment of climate-related risks and opportunities is undertaken within the risk register, with reviews on a quarterly basis (see more information below on how new risks are identified).

We review existing and any potential new risks at least once a year and assigned an impact rating (low, medium or high) and a likelihood rating (low, medium or high), with a total Pre-Mitigation Risk Score out of 5. Should a risk become more pressing or the likelihood or severity of impact increase, we will determine the most appropriate action and owner, which will depend, in part, on the severity and nature of the risk event. We set out the controls and monitoring processes that seek to respond to these climate-related risks in Appendix 2, and the risk review process in Appendix 5.

CLIMATE CHANGE RISK

Climate change risk (and the effect that physical and transition risks will have on the value of the underlying value of members savings over varying time horizons as outlined in the strategy section) is explicitly identified as a risk on our risk register with a high impact (severity) and medium likelihood, giving a pre-mitigation risk score of 4/5. However, we have several existing controls and measures in place to manage (and as far as possible mitigate) the risks associated with climate change. These are outlined below (see Managing Climate-related Risks and Opportunities in Investment Strategies). Taking these controls into account the post-mitigation score for climate change risks is a medium impact with low likelihood, giving a post-mitigation score of 2/5. We will keep this score under review as we monitor climate-related risks and our controls over time.

As part of our governance framework and as stated in our sustainable investing policy, we will also work with our advisers and Fidelity to monitor these risks and opportunities over the short, medium, and long terms, as well as looking to manage these in respect of the investments that are offered within the Scheme.

As part of reviews of the risk register, any increases in the severity and/or likelihood of climate-related risks will trigger discussions on the climate strategy and engagement priorities with managers. For example: internal drivers, where mandates fail to adhere to Scheme decarbonisation targets, the manager will be engaged to improve, or external drivers, where climate-related education indicates an increase in global climate policy ambition, which could increase the severity of low carbon transition risks for the Scheme's investment arrangements.

Pillar 3: Risk Management

IDENTIFYING CLIMATE-RELATED RISKS AND OPPORTUNITIES

As part of our risk management process for identifying and assessing any new risks, we take several approaches that we have outlined below. As Trustees, we also seek to ensure climate-related risks feed into the Scheme's wider risk management processes. Climate-related risks may impact on the overarching risk budget, and we will therefore take action to manage climate- related risks to the extent possible, where appropriate.

Training & Scheduled discussions

We receive guidance and advice from Fidelity's team of investment professionals and climate experts as well as our advisers who are responsible (alongside the Trustees themselves) for ensuring that the Trustees have the understanding and information require to identify and assess any new climate-related risks. The climate-related guidance provided to us by Fidelity and advice from our advisers can also provide context on the climate-related risks that can have a material impact on the investment arrangements, namely, risks arising from the transition to a low carbon economy and physical impacts from climate change.

We receive ongoing guidance from our advisers and also use dedicated slots within our quarterly ISC meetings at which any new information or matters to be aware of surrounding climate change and the impact on our investment strategies and thus member's retirement savings, can be raised and discussed. These meetings are supported by Fidelity and our investment advisors with climate experts where necessary.

Scenario analysis

We draw on climate scenario analysis to identify and inform the climate-related risks that might be most material for the Scheme, across different asset classes. Over 2024, we spent time reviewing the output of the scenario analysis conducted at the end of 2023 with Fidelity and our advisers. For example, our 2023 analysis identified that the biggest impacts are likely going to be on equity assets which will be impacted most greatly over the short-term due to transition risks and over the long term from physical risks as well. It also identified that the performance of emerging markets equities will be particularly significant under several scenarios due to the heavy reliance on fossil fuel-related sources of energy.

In addition to this we also expect physical risks to scale up significantly over the long term, particularly within equities but also alternatives and real assets such as real estate and infrastructure.

This will be increasingly prevalent with the focus on private assets across DC pensions and the scope to invest more in real assets. This means physical risks from natural disasters and resource availability shifts will become more material for member investments over the long term. Over the long-term these risks are greatest under a Current Policies scenario so engagement with companies on transitioning to a net-zero economy will be key. It will also be important to understand how this risk is then factored into the consideration of private assets within DC.

Finally, it will be important for us to identify climate-related opportunities and how we can take advantage of this. This will also be important within the private asset space which can provide more flexibility to take advantage of climate-related opportunities such as renewable energy in the infrastructure space.

We draw on climate scenario analysis to identify and inform the climate-related risks that might be most material for the Scheme, across different asset classes. Over 2025, we furthered our progress on the actions identified from our scenario analysis.

MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES IN INVESTMENT STRATEGIES

We continue to adopt several risk management tools to support the management of climate-related risks and opportunities on an ongoing basis, and review these on a regular basis to ensure that these remain appropriate. These include:

- **Engagement** which is an important tool for exercising our climate-related views and to press the managers of our funds to engage with companies on managing climate-related risks (including those specific risks identified from our 2023 scenario analysis). We also expect our fund managers to vote in line with their voting policies and engage with investee companies on climate-related issues on our behalf.
- We ensure that climate-related risks and opportunities are embedded within the Scheme's **investment processes**. We will monitor this through regular reviews of our default strategies and fund ranges with the support of Fidelity and our independent investment advisers.
- We rely on climate-related **reporting** to monitor the progress of managers, from decarbonisation objectives to climate-related engagement activities. (See the next section on Metrics and Targets).

Below, we provide a high-level overview on risk management tools adopted by the Scheme, and then set out the approaches adopted across the standard default strategy, bespoke strategies and self-select ranges.

Pillar 3: Risk Management

ENGAGEMENT ACTIVITY

Approach

We believe that engagement with companies on financially-material environmental, social and governance matters is one of the key forces that can contribute to the long-term sustainability of a company and thus help manage and mitigate the impact of key risks such as climate change, on behalf of our members.

In 2024, in-part to focus our stewardship efforts, we adopted a range of stewardship priorities, the purpose of which is to focus on several key areas across ESG that we believe can most impact our members retirement savings. One of these is climate change which means that we will be focusing on the interactions that our managers have with investee companies on climate change-related matters. As part of these engagements, we seek to understand how managers are factoring climate-related risks and opportunities into their engagements, and the influence that these engagements have on their investment process as well as the strategy of the investee companies. While we do not expect individual managers to be able to completely influence companies alone, our aim is that by engaging with our managers specifically on climate change, it will help to reinforce this matter when managers engage with underlying investee companies on our behalf.

In terms of the substance of manager engagements, we expect our fund managers to have a shareholder engagement policy in place and outline how they engage with companies on ESG and climate-related risks and opportunities. The key here is to help manage and mitigate key climate risks at the investee company level. For example, we expect managers to engage with oil & gas companies on how they are diversifying their supply chains and revenue streams by for instance, reducing their reliance on gas and investing in renewable energies. Other examples include companies participating in emissions trading schemes and accessing sustainable finance. We also expect managers to engage with companies on a regular basis to encourage them to improve reporting on their carbon footprint. This will help provide greater transparency for investors, allow us to better track against our emissions targets, as well as help guide companies' business strategies towards reducing their carbon footprint. Managers should also be able to demonstrate how they measure the effectiveness of this engagement. Our goal is to understand where manager engagement with companies has resulted in a positive outcome for members and where engagement has failed.

While we have adopted a policy of delegating engagement and voting activities with companies to the managers of the funds in which we invest, we seek to ensure that managers are using their engagement and voting rights appropriately to influence the strategies of underlying companies on matters of climate change. We monitor and publish the voting and engagement activities through our annual Implementation Statement. This includes examples of significant votes and where managers have discussed climate-related matters with the companies in which they invest.

We also encourage managers to be signatories of the United Nations Principles for Responsible Investing (UNPRI), UK stewardship code, as well as Climate Action 100+. The managers of the funds used in the standard default strategy, are signatories to UNPRI and the UK Stewardship Code.

Continued work on the back of our scenario analysis findings

We use our meetings with our key managers during the year as an opportunity to understand and challenge them, in order to ensure that they are acting in Scheme members' interests.

For example, in early 2025 we engaged with one of our key managers on sustainability and particularly climate change as one of our stewardship priorities. We used this session to understand the alignment between the Trustees' stewardship priorities and those of the manager and how they have implemented these priorities, including their approach to engagement on climate change and how they continue to measure the success of these.

In addition to this, we have engaged with Fidelity particularly on the integration of private assets into FutureWise via their LTAF (Long-Term Asset Fund). We have had dedicated sessions with Fidelity to understand the design of this product which includes how sustainability and climate-change will be factored into the design and choice of managers and thus assets. While the fund does not have a specific climate focus (a decision by Fidelity given the limited reporting available on climate change from private asset managers), we're pleased to see that Fidelity take a focused approach to engagement with the private asset managers used within the fund. This includes understanding how the private asset manager assesses sustainability-related risks and opportunities, including climate change.

[4] Using 2019 carbon emissions data

Pillar 3: Risk Management

Our continued reviews over 2025 of manager engagement and voting activity, have indicated that the managers that we invest with have used their agency powers effectively to date. We assess this through the gathering and monitoring of data, for example, how and how much a manager has voted as well as clear examples of where manager engagement has led to improvements in a companies' approach to ESG matters, as well as our engagement directly with the managers. In order to demonstrate this, we have also focused on examples of engagements and significant votes that are specifically related to climate change, particularly in the emerging markets space (where feasible) given the potential impact of transition and physical risks, highlighted in our 2023 scenario analysis findings.

INVESTMENTS PROCESS

Approach

Our default strategy for standard sections is FutureWise, which is offered through a range of Target Dated Funds. For those sections that wish to create their own default investment strategy, these are known as bespoke sections. The employers of bespoke sections may hire an adviser to advise us on the appropriateness of their own default investment strategies.

We consider climate-related risk and opportunities within our relevant investment strategies, from both a top-down and bottom-up approach. From a top-down perspective, we have set total default strategy aims with regards to emissions. This is to halve our scope 1 and 2 carbon footprint by 2030[4], consistent with a pathway to achieving net zero (scope 1 & 2 emissions) by 2050. This approach will aim to help reduce the impact of climate change on members' investments.

We monitor the level of carbon emissions (among other factors) of our default strategies over time to ensure it is being managed in adherence to our net-zero goals and any other climate-related targets. These metrics and their position relative to our climate-related targets are shared in the Metrics and Targets section of our annual TCFD reports.

From a bottom-up perspective, when considering the appointment of fund managers, we (with the support of our investment advisers) assess how they incorporate the management of climate-related risks and opportunities, in a manner consistent with the funds in question and regulatory responsibilities.

Effective management of climate-related risks should hopefully reduce members' exposure to issuers that may have stranded assets (i.e. assets where the full value cannot be extracted due to regulatory or customer preference changes) or those companies that depend on fossil fuel-based energy production and are potentially overvalued. It should also provide members with access to climate-related opportunities, for example companies which are developing climate-friendly products and services which are capturing new markets.

We have summarised the different types of approaches that are currently being taken across one or more our investment strategies to address climate change risks and opportunities below (please see Appendix 5 for more detail on investment strategies):

- Integration of sustainability and ESG rating methodologies to tilt investments towards companies deemed more sustainable and away from those deemed less sustainable (including their approach to managing climate-related risks and opportunities as well as their decarbonisation strategies).
- Integration of climate-aware funds which aim to maintain a lower carbon footprint/intensity that their broader market (parent) index.
- Integration of funds which themselves, have planned decarbonisation targets.
- Exclusions of companies which derive more than 5% of their revenue from certain carbon-heavy activities such as thermal coal and oil sands.
- Exclusions of violators of the United Nations Global Compact Principles (which include principles on environmental challenges, environmental responsibility and the development of environmentally friendly technologies).
- Inclusion of funds which focus on climate change opportunities by investing in companies that create solutions for climate change and/or are involved in the resource-efficiency and environmental markets.
- Integration of bond funds which purchase bonds from issuers which positively contribute to the UN Sustainable Development Goals.

[4] Using 2019 carbon emissions data

Continued work on the back of our scenario analysis findings

Over 2025 we continued engagement with our advisers to further integrate and refine the adoption and integration of funds which take into account and manage climate-related risks and opportunities. Our FutureWise strategy notably takes advantage of many of the approaches listed above and has already reached its 2030 goal of halving its carbon footprint from a 2020 baseline.

Over 2025 a key investment theme has been the integration of private assets into the FutureWise strategy. This has been done through integration of the Fidelity Long Term Asset Fund. Opportunities to make climate-aware investments are predominantly across the real estate and infrastructure space. Already the fund has made an allocation to a climate solutions real estate impact fund which aims to transform and improve the energy efficiency of existing assets and buildings. The fund will continue to invest in various assets including those in private equity, private credit, real estate and infrastructure with the aim of enhancing outcomes for members.

Our scenario analysis identified that physical risks are likely to scale up significantly over the long term particularly with alternative assets such as real estate and infrastructure. As such, over the past year we have spent time with Fidelity and their private assets team to understand and challenge them on how they are screening the real estate and infrastructure managers which they select for their LTAF, on sustainability and climate-related matters. We will continue to monitor Fidelity's approach to sustainability and climate-related risks particularly within real estate and infrastructure allocations within the strategy, and the potential impact of physical risks through our scenario analysis.

In addition to FutureWise we continue to work with our advisers on the refinement of sustainable-focused and climate-aware funds (that follow several of the approaches listed above) into our strategies which continues to support our improving carbon footprint as a Scheme. Many of the funds used within our bespoke strategies already take one or more of the approaches listed above. This is important given that our 2023 scenario analysis demonstrated that the physical and transition risks showed to be most impactful on equity assets over the short term and long term. Going forwards, we will continue to embed funds into our strategies that aim to take advantage of climate-risk opportunities (examples of which are outlined in the strategy section) which was another key takeaway from our 2023 scenario analysis. We will continue to monitor this and work with our advisers to continue to develop the approaches being taken across all asset classes.

Emerging markets were also highlighted as an important area of focus from our 2023 scenario analysis, given the impact of transition and physical risks on this asset class in particular. We continue to work with our advisers on our strategies to ensure that transition and physical risks are being taken into account in fund selection, particularly within emerging markets. Furthermore, we will continue to develop our investment strategies to address climate change risks and opportunities and will detail further enhancements and changes in future TCFD reporting.

FIDELITY MANAGEMENT OF RISKS AS THE MASTER TRUST PLATFORM PROVIDER

Fidelity is authorised by the Prudential Regulation Authority ("PRA") and regulated in the UK by the PRA and Financial Conduct Authority ("FCA"). The Board of Fidelity need to identify and obtain prior regulatory approval of senior managers responsible for risk, compliance, and internal audit in addition to executive roles. Fidelity has risk specialists in first-line and second-line roles, including pension experts.

The Trustees review Fidelity's risk management practices through discussion with and challenge of its representatives, from direct interaction with Fidelity's operations teams during the annual visit to Kingswood (when possible) and through the independent audit of the Scheme by its appointed auditors (the MAF05/20).

We also benefit from the memberships that Fidelity has with relevant associations such as The Institutional Investors Group on Climate Change (IIGCC). The IIGCC aims to work with businesses, policy makers and investors to define the investment practices, policies and behaviours required to address climate change, allowing us to contribute towards wider public policy solutions that ensure a seamless transition to a low carbon economy. Fidelity is also a member of the UK Stewardship Code which sets out stewardship principles for asset managers and owners.

Fidelity is a regulated group with its own risk management framework, policies and risk experts. We monitor management information and challenge Fidelity's response to risk events and risk mitigation activities.

You can read more about how Fidelity takes into account sustainable investing and climate change matters here.

Pillar 4: Metrics and Targets

MEASURING AND ASSESSING CLIMATE IMPACT

As we outlined in last year's report, metrics can be a useful way to identify, manage and assess the impact of climate-related risks and opportunities and the associated financial risks. They can also help manage the strategic direction of travel for our investment strategies.

We believe it is important to use a variety of metrics and for this TCFD report to the end of December 2024, we have reported on four metrics, in line with those recommendations from the DWP, that we believe will act as appropriate measures of the climate-related risks and opportunities. We will keep the appropriateness and effectiveness of the metrics chosen under review.

The requirements set out by the DWP state that metrics will need to be produced for investments with over £100m invested or which represent 10% of assets of the Scheme. For 2023, (assets data calculated as of 31st December 2023) this covers most of the Scheme's default investment arrangements. However, to support our climate-related assessments, we have decided to calculate these metrics across all default investment strategies for the Scheme (where there are assets) subject to any current coverage limitations outlined below.

The metrics will be measured based on the monies invested and asset allocation of the relevant investments at the end of every calendar year (end of 31st December). The four metrics that we have chosen are:

The four metrics that we have chosen are:

Metric type	Metric	Value	Rationale
Absolute Emissions Metric	Total Greenhouse Gas Emissions (Scope 1&2) tCO2e, measures the total absolute greenhouse gas emissions attributable to a given investment portfolio. In this years' report we have also separately shown Scope 3 emissions.	tCO_2e	This gives members an overview of the proportional share of real-world emissions attributed to the strategy based on its investments in underlying companies and assets
Emissions Intensity Metric	Relative Carbon Footprint: Measures how many tonnes of tCo2e emissions per each million invested (£) within a portfolio	tCO_2e per £million invested	This allows members to understand the emissions per £ invested, irrespective of the size of the strategy thus allowing a consistent basis for comparison. This metric is what we will use to monitor progress of our net-zero goals.
Portfolio Alignment Metric	Portfolio alignment: Provides a forward-looking metric projection of estimated expected future emissions associated with a given investment portfolio.	% deviation from the IEA Sustainable Development Scenario (SDS)[5] 2030 and 2050 targets	This provides members with an indication of the emissions trajectory of the companies within the portfolio and how well they are aligned to a particular target, in this case the SDS. As a "below 2°C" pathway, the SDS represents a gateway to the outcomes targeted by the Paris Agreement.
Additional Climate Change Metric	Data quality	% Disclosure	This illustrates to members the % of available data which has been deemed reliable by the data provider (with the remaining % being modelled by the data provider)

Please see appendix 1 - Glossary for further details of the calculations of the metrics we use.

[5] **Introducing the Sustainable Development Scenario - Event - IEA**

Pillar 4: Metrics and Targets

DATA PROVIDER & METHODOLOGY

To carry out our analysis of the data, we have sought to obtain reliable climate-related data that can be obtained at reasonable cost. As such we will be using the same approach that we used in our previous 2024 TCFD report, using a system called ISS-ESG provided by Institutional Shareholder Services (ISS). We chose this system primarily because ISS have a wide coverage and deep methodology for estimating data where it is not reported on by companies. ISS also carry out an assessment on all reported data to test validity.

ISS-ESG update their emissions data on an annual basis at the end of each year. This process ensures that all the emissions data used in the reports are from the same fiscal year. For the purpose of this TCFD Report, we have measured data across the time periods shown in the table below. The methodology used by ISS-ESG for calculating each of the metrics can be found in the Glossary and more information about the methodology ISS-ESG is available on their website.

For each of the metrics we have aggregated on the total investments across all member age cohorts, for the investment strategies assessed. The data is presented in tables by investment strategy.

Time Period (Year)	Date Assets Calculated	Market Cap / Enterprise Value Data	Financial Year Emissions & Revenue
2020	31st December 2020	31st December 2020	2019
2021	31st December 2021	31st December 2021	2020
2022	31st December 2022	31st December 2022	2021
2023	31st December 2023	31st December 2023	2022
2024	31st December 2024	31st December 2024	2023

Pillar 4: Metrics and Targets

EMISSIONS DISCLOSURE

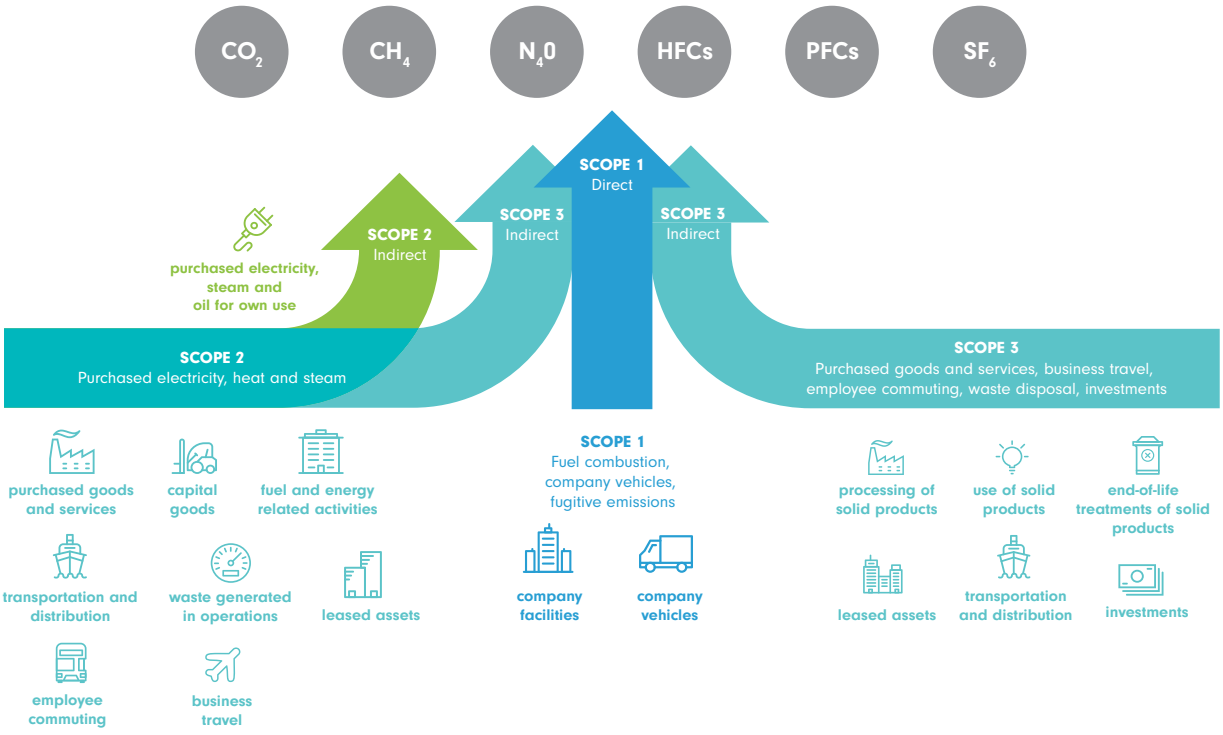
We see emissions disclosure as an important tool to ascertain whether a company is measuring its own carbon footprint. Disclosure, in and of itself, is an important indicator for whether that company is taking climate risks and opportunities into account. A company's willingness to publish emissions figures provides a baseline from which reductions can be measured.

These metrics help us understand the current state of a strategy and the companies invested in from a climate-related perspective. Emissions are broken down into the following:

- **Scope 1 emissions –** These are direct emissions from company owned, purchased and/or controlled energy sources.
- **Scope 2 emissions –** These are indirect emissions from the generation of purchased energy.
- **Scope 3 emissions –** These are all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

The diagram below illustrates these types of emissions with examples.

Overview of GHG emissions



A NOTE ON SCOPE 3 EMISSIONS

In this report, in line with DWP requirements, we have shared emissions data for all default investment strategies, including scope 3. As we outlined in our 2024 TCFD report, Scope 3 emissions data continues to be typically unreliable, as much of the data available relies on modelled estimates (which can be highly inaccurate) as companies currently do not tend to have or report scope 3 emissions.

The accuracy of Scope 3 emissions is in the early stages of evolution, and we expect this to improve over time as disclosure requirements increase, including under the ISSB (International Sustainability Standards Board) which in turn will drive greater transparency of company supply chains and thus hopefully reliability of Scope 3 data.

Pillar 4: Metrics and Targets

ASSESSING CLIMATE-RELATED RISKS AND OPPORTUNITIES

Our Target

We believe setting a target is a useful approach for trustee boards to track their efforts to reduce climate change risk exposure and maximise climate change investment opportunities. In line with our net zero goals and the DWP requirements around target setting, we have set the target of halving the relative carbon footprint (of Scope 1 and 2 emissions) of our default strategies by 2030 compared to a 2020 baseline (using 2019 emissions & revenue data), consistent with a pathway to achieving net zero by 2050.

As outlined in our 2024 report, we have achieved our interim target of halving our carbon footprint by 2030 and as such, our focus is now on continuing to improve on this carbon footprint consistent with a pathway to achieving net zero by 2050. We will continue to monitor progress against this target using the relative carbon footprint (emissions intensity metric) of those popular investment arrangements in the Scheme.

Measurement

As the Master Trust is a multi-section Scheme, sections will come and go over time. To be able to consistently track the Scheme's relative carbon footprint and progress towards our goal, we will calculate a weighted average Relative Carbon Footprint across all of the Scheme's popular arrangements. This will show how much each section's popular arrangement (currently default strategy) is contributing towards the total relative carbon footprint of the Scheme, weighted by the assets held within the arrangement. The disclosure on coverage and methodologies in this report are also applicable to the metric applied to the target.

Data coverage

For the context of the other metrics in this report we will begin with the coverage of the data we have available, as we believe it is important to highlight gaps in the available coverage of investments using the ISS-ESG tool.

The methodology used to gather this information via our licence with ISS-ESG is not currently able to support the analysis of certain instruments (principally cash, derivatives and sovereign bonds), which have therefore been excluded from the analysis as we have not been able to source this data via an alternate method at a reasonable cost. We recognise that these asset classes (including sovereign bonds) can represent material portions of our strategies and as such, Fidelity has identified and is working with an alternate provider that aims to allow us to include these asset classes in our metric reporting in future reports, allowing us to further close existing data gaps. For now however, this means that this analysis only currently covers data which is available in relation to public equity and corporate bonds. Additionally, while we aim to use data which is as complete as possible, there are still limits the proportion of the data available which can be mapped. As such where this is not possible, this data has not been included in the calculations. We will continue to work with Fidelity and tool providers to narrow these data gaps, as well as engaging with our fund managers on pushing improved disclosure from companies on reliable carbon data.

With the remaining data, the ISS-ESG system looks to analyse as much practicable; however, the Trustees, Fidelity and ISS-ESG cannot be and are not responsible for any gaps in data due to lack of reporting by companies held within investments. We have detailed what proportion of the strategies' total underlying investments are recognised by the system and thus 'covered', for the years of 2020 to 2024 below. Note that while we expect coverage to increase on average each year, as more companies report emissions or have estimated emissions calculated, individual strategies may see a fall in coverage if changes are made or data is not available on the underlying securities for those strategies as of the relevant time periods. As explained in the "Disclosure" section of this report, ISS-ESG continues to rely on a proportion of estimated data, which is expected to be superseded by greater reported numbers as company reporting requirements take effect.

Please note that whilst the Scheme year runs to 30th June, the data available was to the end of the calendar year (31st December), and therefore the reporting periods below are set out by calendar year rather than Scheme year.

Pillar 4: Metrics and Targets

Coverage	Total Strategy Assets (£m)					Coverage %				
Strategy	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
FutureWise WLS	1,361	2,022	2,490	N/A	N/A	65.5%	78.2%	68.4%	N/A	N/A
FutureWise TDF	N/A	N/A	28	4,821	6,609	N/A	N/A	97.5%	97.6%	98.4%
Strategy B	968	1,167	1,064	1,189	1,245	77.6%	78.1%	84.4%	92.9%	92.6%
Strategy C	299	360	339	433	471	73.7%	72.6%	68.0%	71.2%	90.9%
Strategy D	204	227	201	N/A	N/A	64.2%	64.8%	57.5%	N/A	N/A
Strategy E	106	132	128	160	172	77.3%	78.1%	77.2%	86.0%	79.2%
Strategy F	163	222	205	155	179	75.9%	77.6%	76.0%	70.7%	90.9%
Strategy G	N/A	167	155	177	N/A	N/A	61.0%	60.1%	77.4%	N/A
Strategy H	N/A	115	105	N/A	N/A	N/A	40.8%	69.6%	N/A	N/A
Strategy I	12	13	13	15	N/A	74.2%	56.0%	51.3%	77.9%	N/A
Strategy J	N/A	N/A	1	N/A	N/A	N/A	N/A	70.7%	N/A	N/A
Strategy K	N/A	N/A	N/A	295	315	N/A	N/A	N/A	93.8%	93.9%
Total/Average	3,113	4,427	4,729	7,245	8,990	70.9%	75.3%	72.0%	93.7%	96.5%

Source: Fidelity International. Asset data calculated at end of calendar year. Climate data taken from ISS-ESG based on available coverage and disclosure. Market cap and EV data based on data from 31st December 2020 - 2024 Emissions data from 2019 - 2023. 'N/A' indicates strategy onboarded after end of calendar year, had no assets at that point in time or is now closed.

As of December 2024, the total coverage across all the strategies was 96.5% which is an improvement from the figure at the end of December 2023 (72.0%). Indeed 4 of our strategies have seen an increase in coverage since the previous year which is promising. Although these developments are positive, we need to continue to work with our data provider to increase the coverage across our strategies.

Pillar 4: Metrics and Targets

DATA QUALITY (DISCLOSURE)

As part of analysing the data available, ISS-ESG collects carbon data made available by a company through formal reporting (for example sustainability reports or reporting directly to the CDP). Having collected this data, ISS-ESG then checks the trustworthiness of the data through quantitative and qualitative analysis which includes looking element such as the deviation from previous disclosures, the deviation between different sources, external validation of the data and the company's experience in measuring its carbon footprint. A manual review by ISS-ESG analysts may be required where data is determined to have a low trustworthiness rating.

Whilst the quality of emissions data is usually not as high as financial data, we hope that most companies report reliable emissions that ISS-ESG can determine as trustworthy, some may not currently disclose emissions data or may report data that ISS-ESG believes may be unreliable. For these companies, ISS-ESG runs modelled estimations. We have detailed the proportion of **reliable** emissions data ISS-ESG is able to obtain and analyse (%), subject to the coverage limitations set out in the previous section.

This is presented on a weighted basis, which means that the figure represents the disclosure based on the weight of those companies included in the strategy. For example, if a strategy has 1,000 underlying securities and 700 of them are reporting reliable emissions data, which represent 80% of the weight of the portfolio by value, this will be shown as 80%. The remaining 20% will be modelled estimations conducted by ISS-ESG.

Coverage	Assets Covered in analysis (£m)					Disclosure Weight				
Strategy	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
FutureWise WLS	891	1,581	1,703	N/A	N/A	82.5%	86.5%	94.0%	N/A	N/A
FutureWise TDFs	N/A	N/A	28	4,703	6,500	N/A	N/A	96.3%	98.1%	97.8%
Strategy B	751	912	899	1,104	1,153	84.3%	92.2%	92.2%	97.7%	97.0%
Strategy C	220	262	230	309	428	87.8%	89.7%	94.5%	96.7%	96.4%
Strategy D	131	147	115	N/A	N/A	82.3%	85.6%	92.1%	N/A	N/A
Strategy E	82	103	99	137	136	85.1%	85.2%	90.1%	94.9%	95.0%
Strategy F	124	172	156	110	162	78.2%	85.0%	89.9%	97.2%	96.1%
Strategy G	N/A	102	93	137	N/A	N/A	88.8%	93.5%	95.5%	N/A
Strategy H	N/A	47	73	N/A	N/A	N/A	89.5%	89.8%	N/A	N/A
Strategy I	9	8	7	12	N/A	83.6%	90.2%	92.0%	96.0%	N/A
Strategy J	N/A	N/A	1	N/A	N/A	N/A	N/A	82.7%	N/A	N/A
Strategy K	N/A	N/A	N/A	277	296	N/A	N/A	N/A	96.3%	94.2%
Total	2,208	3,335	3,403	6,788	8,676	83.5%	88.3%	93.1%	97.8%	97.4%

Source: Fidelity International. Asset data calculated at end of calendar year. Climate data taken from ISS-ESG based on available coverage and disclosure. Market cap and EV data based on data from 31st December, 2020 - 2024 Emissions data from 2019 - 2023. 'N/A' indicates strategy onboarded after end of calendar year, had no assets at that point in time or is now closed.

As of December 2024, the average disclosure across our strategies was 97.4%, which means on average 2.6% of the data was estimated. This has remained broadly stable over the year and represents a 13.9% increase in reliable reporting from companies since 2020. This is due to a combination of an ongoing commitment to increase the quantity of disclosures by companies themselves as well as an improvement in the reliability of the data that they are disclosing. We expect companies to continue to improve the quality of their published emissions data, and we will be working closely with our fund managers to ensure that they are working with companies to do so.

Pillar 4: Metrics and Targets

ABSOLUTE EMISSIONS METRIC - TOTAL GREENHOUSE GAS EMISSIONS

Having illustrated where we have coverage and reliable disclosure of data, below we have laid out our other metrics. We have started with the absolute emissions metrics (Scopes 1 & 2). This represents the total tonnes of CO2 equivalent emissions generated by each strategy.

As expected, absolute emissions vary considerably between the different arrangements that we are reporting on and are largely driven by the level of assets in each strategy.

As expected, strategies with fewer assets tend to have lower absolute emissions than those with greater assets. Additionally, we expect the absolute emissions for strategies to grow over time as the amount of assets in the strategies grow and the quality of scope 3 emissions data improves. However, we aim to continue managing our carbon footprint (emissions per £ invested) in a downward trajectory as the Scheme grows. This will be influenced by proportion of climate-aware funds used within the strategy but over time, this will increasingly become more reliant on the management of the Scope 1 and 2 emissions produced by the underlying companies in which the strategies invest. These are disclosed by Scope 1 and 2, and Scope 3 separately due to the lower data quality inherent in the latter from a greater proportion of emissions being estimated rather than reported by companies.

	Scope 1 & 2 Emissions					Scope 3 emissions				
Strategy	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
FutureWise WLS	88,891	129,304	82,637	N/A	N/A	276,667	903,135	959,172	N/A	N/A
FutureWise TDFs	N/A	N/A	1,061	166,776	190,133	N/A	N/A	14,800	2,993,076	3,575,758
Strategy B	34,577	37,413	36,323	40,060	33,919	98,602	444,855	505,674	833,317	696,726
Strategy C	15,909	16,748	15,739	6,126	6,415	58,603	143,340	149,323	149,897	181,564
Strategy D	11,034	10,405	7,865	N/A	N/A	33,128	75,280	70,909	N/A	N/A
Strategy E	5,904	4,887	4,815	6,516	4,385	18,937	45,847	50,818	84,557	72,316
Strategy F	6,698	8,548	8,213	3,846	4,775	21,874	73,756	86,940	56,671	78,189
Strategy G	N/A	7,413	7,181	10,422	N/A	N/A	55,145	61,682	101,657	N/A
Strategy H	N/A	2,544	3,758	N/A	N/A	N/A	21,211	41,176	N/A	N/A
Strategy I	565	477	452	705	N/A	2,231	3,544	3,404	7,265	N/A
Strategy J	N/A	N/A	41	N/A	N/A	N/A	N/A	391	N/A	N/A
Strategy K	N/A	N/A	N/A	11,435	8,254	N/A	N/A	N/A	177,767	173,404
Total	163,578	217,739	168,085	245,886	247,881	510,042	1,766,113	1,944,289	4,404,207	4,777,957

Source: Fidelity International. Asset data calculated at end of calendar year. Climate data taken from ISS-ESG based on available coverage and disclosure. Market cap and EV data based on data from 31st December, 2020 - 2024 Emissions data from 2019 - 2023. 'N/A' indicates strategy onboarded after end of calendar year, had no assets at that point in time or is now closed.

[6] **Using 2019 carbon emissions data**

Pillar 4: Metrics and Targets

The amount of assets in our Master Trust default strategies has increased by around 25% over the past year, however we're pleased to see that scope 1&2 emissions have been broadly stable over that period demonstrating progress in the reduction of carbon emissions within our strategies.

However, we do note that Scope 3 emissions have increased over the period. We are seeing trends in estimation models having tended to underestimation Scope 3 emissions historically, therefore as more companies report Scope 3 across more categories it leads to increasing Scope 3 emissions (especially as we have not recalculated/restated prior year numbers). This is a trend we may continue to see going forwards.

At the strategy level, the growth of FutureWise over the year is reflected in the increased emissions. Across the other strategies there have been slight increases and decreases as changes and tweaks to asset classes have been made.

Pillar 4: Metrics and Targets

PORTFOLIO ALIGNMENT METRIC

Below we have set out the analysis of each strategy against our Portfolio Alignment Metric, which measures the deviation from the International Energy Agency's SDS which is similar to the Paris Agreement. A positive figure indicates that based on the current coverage, disclosure and investment allocation, the strategy is on track to produce emissions above the SDS target, while a negative figure indicates that the strategy is on track to produce emissions below the SDS target. We have weighted this by strategy at the bottom of the table to show the overall % deviation across the strategies.

Portfolio Alignment	% deviation from SDS target 2021		% deviation from SDS target 2022		% deviation from SDS target 2023		% deviation from SDS target 2024	
Strategy	2030	2050	2030	2050	2030	2050	2030	2050
FutureWise WLS	30.3%	297.2%	-0.5%	201.7%	N/A	N/A	N/A	N/A
FutureWise TDF	N/A	N/A	-7.4%	166.9%	8.8%	207.1%	-24.4%	117.2%
Strategy B	-28.1%	111.7%	-22.4%	140.1%	-34.0%	100.3%	-35.6%	103.9%
Strategy C	60.7%	333.8%	80.0%	396.4%	9.5%	213.3%	-30.4%	102.1%
Strategy D	22.8%	337.9%	-13.7%	198.7%	N/A	N/A	N/A	N/A
Strategy E	-3.8%	192.7%	1.3%	190.4%	-12.4%	175.3%	2.3%	215.7%
Strategy F	29.3%	282.2%	29.5%	278.8%	-13.2%	158.0%	-2.2%	205.3%
Strategy G	64.6%	433.7%	55.5%	372.6%	36.5%	323.1%	N/A	N/A
Strategy H	46.0%	338.6%	39.3%	247.5%	N/A	N/A	N/A	N/A
Strategy I	23.6%	270.1%	8.7%	229.2%	-3.5%	204.2%	N/A	N/A
Strategy J	N/A	N/A	33.2%	301.2%	N/A	N/A	N/A	N/A
Strategy K	N/A	N/A	N/A	N/A	1.2%	184.4%	23.8%	255.1%
Total	**16.5%**	**251.9%**	**2.5%**	**207.2%**	**1.3%**	**190.0%**	**-23.7%**	**122.6**

Source: Fidelity International. Asset data calculated at end of calendar year. Climate data taken from ISS-ESG based on available coverage and disclosure. Market cap and EV data based on data from 31st December, 2020 - 2024 Emissions data from 2019 - 2023. 'N/A' indicates strategy onboarded after end of calendar year, had no assets at that point in time or is now closed.

As at the end of December 2024, the weighted average deviation from the SDS across the strategies was -23.7% to 2030 and 122.6% to 2050. This continues a trend of a reduction in annual the deviation figure and the biggest reduction to date from both 2030 and 2050 targets. As of 2024 on aggregate the scheme was within the 2030 carbon budget (reflected through a negative figure of -23.7%).

There are also a few important points to note about the SDS analysis. Firstly, the difference between the 2030 and 2050 figures is largely down to the carbon budgets of the SDS. The carbon budget (i.e. the amount of emissions to match that of the SDS) is higher in 2030 than for 2050. This means that based on current coverage and disclosure, companies will need to significantly reduce their emissions and carbon footprint to meet the 2050 SDS scenario.

Secondly, exclusions and tilts, which apply to most of the strategies may impact the results. Many of the strategies in the table apply exclusions to certain sectors or industries (for example oil sands and thermal coal) and it is often these companies within emission intensive industries (such as those excluded) that tend to have an emission reduction plans in place (and explicit net-zero targets). This can therefore contribute to a higher deviation from SDS in some cases.

We note that there is more work required here by companies to bring their emissions in line with this scenario and the metrics highlight the importance of ensuring that companies across all sectors have plans in place to address climate change and net-zero goals. We will be working closely with our managers to ensure they are engaging with companies across all sectors on emission reduction plans.

Pillar 4: Metrics and Targets

RELATIVE CARBON FOOTPRINT

Below we have outlined the relative carbon footprint metric for each default strategy based on the available coverage and disclosure.

We are pleased to see continued progress with the average carbon footprint of our strategies falling from 44 to 27.2 tCo2e/£m. This represents a reduction of around 38%. Also positively, we are pleased to see a reduction in the carbon footprint of all our strategies this year. We will continue to monitor this trend going forwards and engage with our advisers and managers on what we can continue to do to see ongoing improvements in these metrics.

Relative Carbon Footprint (Scope 1 & 2) target	Relative Carbon Footprint (tCO_2e/Portfolio Value £m)				
Strategy	**2020**	**2021**	**2022**	**2023**	**2024**
FutureWise WLS	99.8	81.8	48.5	N/A	N/A
FutureWise TDFs	N/A	N/A	38.5	35.5	29.3
Strategy B	46	41	40.4	36.3	29.4
Strategy C	72.3	64	68.3	19.9	15.0
Strategy D	84.3	70.7	68.1	N/A	N/A
Strategy E	71.8	47.3	48.7	47.5	32.2
Strategy F	54	49.7	52.7	35.0	29.4
Strategy G	N/A	72.6	77.2	76.2	N/A
Strategy H	N/A	54.1	51.2	N/A	N/A
Strategy I	64.5	63.4	69.4	59.9	N/A
Strategy J	N/A	N/A	63.1	N/A	N/A
Strategy K	N/A	N/A	N/A	41.3	27.9
Total/Average	**70.4**	**60.5**	**56.9**	**44.0**	**27.2**

Source: Fidelity International. Asset data calculated at end of calendar year. Climate data taken from ISS-ESG based on available coverage and disclosure. Market cap and EV data based on data from 31st December, 2020 - 2024 Emissions data from 2019 - 2023. 'N/A' indicates strategy onboarded after end of calendar year, had no assets at that point in time or is now closed..

[6] **Using 2019 carbon emissions data**

Pillar 4: Metrics and Targets

TARGET

As previously highlighted, we have reached our target as part of this reporting, to achieve a 50% reduction in our overall carbon footprint (measured across all our default strategies on a weighted basis). Currently this includes scope 1 and 2 emissions only. To calculate our progress on this, we have taken the carbon footprint of all our default strategies and weighted these based on the proportion of assets invested in each, out of all the assets across the strategies. We have shown the weighting of each strategy in the table below. As a reminder, this data is based on the available coverage and disclosure detailed in above sections.

Currently, the standard default strategy (the combination of the FutureWise WLS and FutureWise TDFs) accounts for 69.3% of all the Scheme's investments in popular arrangements and partly due to this, is the largest contributor to the relative carbon footprint. As such, reducing the relative carbon footprint of this strategy has been key to us achieving our 2030 goal.

We recognise that over time as coverage and disclosure on public assets improves, our reporting on these metrics will become more useful and reliable. We will continue to engage with Fidelity and our investment advisers and third parties on decarbonisation and increased and improved reporting, to support momentum in this area.

Relative Carbon Footprint (Scope 1 & 2)	Scheme Default Strategy Weight					Relative Carbon Footprint (tCO_2e/Portfolio Value £m) weighted by strategy					Target (50% by 2030)
Strategy	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2024
FutureWise WLS	40.3%	47.4%	50.0%	N/A	N/A	40.3	38.8	24.3	N/A	N/A	20.1
FutureWise TDFs	N/A	N/A	0.8%	69.3%	69.3%	N/A	N/A	0.3	24.6	24.6	N/A
Strategy B	34.0%	27.3%	26.4%	16.3%	16.3%	15.7	11.2	10.7	5.9	5.9	7.8
Strategy C	10.0%	7.9%	6.8%	4.5%	4.5%	7.2	5.0	4.6	0.9	0.9	3.6
Strategy D	5.9%	4.4%	3.4%	N/A	N/A	5.0	3.1	2.3	N/A	N/A	2.5
Strategy E	3.7%	3.1%	2.9%	2.0%	2.0%	2.7	1.5	1.4	1.0	1.0	1.3
Strategy F	5.6%	5.2%	4.6%	1.6%	1.6%	3.0	2.6	2.4	0.6	0.6	1.5
Strategy G	N/A	3.1%	2.7%	2.0%	2.0%	N/A	2.2	2.1	1.5	1.5	N/A
Strategy H	N/A	1.4%	2.2%	N/A	N/A	N/A	0.8	1.1	N/A	N/A	N/A
Strategy I	0.4%	0.2%	0.2%	0.2%	0.2%	0.3	0.1	0.1	0.1	0.1	0.1
Strategy J	N/A	N/A	0.0%	N/A	N/A	N/A	N/A	0.0	N/A	N/A	N/A
Strategy K	N/A	N/A	N/A	4.1%	4.1%	N/A	N/A	N/A	1.7	1.7	N/A
Total/Average	100%	100%	100%	100%	100%	74.1	65.3	49.4	36.3	28.6	37.0

Source: Fidelity International. Asset data calculated at end of calendar year. Climate data taken from ISS-ESG based on available coverage and disclosure. Market cap and EV data based on data from 31st December, 2020 - 2024 Emissions data from 2019 - 2023. 'N/A' indicates strategy onboarded after end of calendar year, had no assets at that point in time or is now closed..

Pillar 4: Metrics and Targets

By combining the relative carbon footprint and the weight for each strategy we have calculate the weighted carbon footprint for each strategy. For example, the TDFs are the largest strategy with a weighting of 74.9% of the Scheme's assets at the end of December 2024. We have multiplied the carbon footprint of the strategy (21.9) by the weight of the strategy (74.9) to get the contribution of the strategy to the relative carbon footprint of the Scheme (21.9).

At the bottom of the table, we have outlined the total relative carbon footprint for the Scheme for 2020 to 2024, as well as the 2030 goal (37.0 tCo2e/£1m Portfolio value) which is based on a 50% reduction relative to the 2020 figure[6]. The total figures are what we are using to track our target.

We are extremely pleased that we have hit our 2030 target of halving our carbon footprint by 2030. This has been largely as a result of incorporating climate-aware and sustainable-focused funds into our default strategies. We will retain this target to continue to provide a benchmark against our future carbon footprint trajectory and will review the appropriateness of this once we have fully integrated private assets into our FutureWise strategy and assessed the impact on our carbon footprint[7]. Note that for achieving net zero by 2050 however, there can be volatility and new policy or methodology that can affect this going forwards.

It's important to note that based on the disclosure figures, we have, to some extent, relied upon estimated data to measure progress against the set target. On a weighted basis this is 2.6% of the available data analysed being estimated across the Scheme's investment strategies. It is also important to be aware that these figures do not currently include sovereign bonds and as such, once we are able to integrate this reporting these figures may change.

Currently, the standard default strategy (the combination of the FutureWise WLS and FutureWise TDFs) accounts for 74.9% of all the Scheme's investments in popular arrangements and partly due to this, is the largest contributor to the relative carbon footprint. As such, reducing the relative carbon footprint of this strategy has been key to us achieving our 2030 goal.

We recognise that over time as coverage and disclosure on public assets improves, our reporting on these metrics will become more useful and reliable. We will continue to engage with Fidelity and our investment advisers and third parties on decarbonisation and increased and improved reporting, to support momentum in this area.

[6]Using 2019 carbon emissions data

[7]Also likely positively influenced by inflation of asset prices and Enterprise Value of Invested Capital (EVIC)

Conclusions and Next Steps

Overall, we are pleased with the continued progress we have made since our last TCFD report - particularly with the achievement of reaching our target of halving our Scheme-level emissions across our default strategies.

We are cognisant that further work is required with all industry participants to continue our transition to a net-zero economy, and ensure that we work with Fidelity, our advisors and managers to identify, assess, manage and mitigate climate-related risks and opportunities that can impact members retirement savings.

Our key areas of focus going forwards:

- Continued evolution of our investments (including our default strategies) as we set our sights on reducing the carbon footprint of our strategy consistent with a pathway to achieving net-zero target 2050
- Further engagement with our investment managers to encourage companies to improve the quality of their disclosure of carbon data
- Continued evolution of our governance and risk management frameworks in line with a best-practice approach

Appendix 1 – Glossary

METRIC METHODOLOGY[8]

Metric		
Total Carbon Emission	Methodology/ formula	$MtCO_{2e} = \sum_{n}^{i} \frac{\text{investment value i}}{\text{(EVICi)}}$ x GHG Emissions of corporate i(tCO2e)[9]
The GHG emissions of a portfolio	Usage	Calculates the absolute GHG emissions financed by a portfolio using a proportional approach. This metric is related to our climate transition risk in our debt and equity holdings.
	Limitations	Cannot be easily compared or benchmarked against due to the link to the size of the portfolio. Scope 3 has lower data quality driven by the need to estimate, and when holding many companies across sectors, there will be double counting across supply chains as outlined by the GHG protocol.

Metric Methodology		
Carbon Footprint	Methodology/ formula	$\text{tCO2e/\$m invested} = \frac{\sum_{n}^{i} \frac{\text{investment value i}}{\text{(EVICi)}} \text{ x GHG Emissions of corporate i(tCO2e)}}{\text{Sum of portfolio value \$m}}$
Measures a portfolio's emissions intensity divided by the value of the portfolio.	Usage	Enables the comparison of portfolios of differing sizes irrespective of assets under management (AUM). **We use this to track our climate target for investments.**
	Limitations	Sensitive to rising or falling portfolio values.
Portfolio Alignment/ Climate Targets	Methodology/ formula	External data provider which leverages data provided by the Science Based Targets Initiative and it's assessments.
Proportion of an investment portfolio that is invested in companies with climate targets.	Usage	Useful as an indicator to track alignment over time for a portfolio using a forward- looking indicator of underlying companies setting climate targets. Portfolios with a higher share of assets in entities with science-based targets which are committed to reducing future emissions (assuming companies deliver on their plans).
	Limitations	Climate targets can vary in scope and alignment to Paris goals, and can be challenging to independently evaluate.

[8] Aligned to PCAF

[9] 'Investment value' in this table includes face value of corporate debt (previously market value for years 2019-23).

Appendix 1 – Glossary

Absolute emissions (Scope 1 & 2):

$$\sum_{1}^{n} \text{Position Ownership Value X Position Scope 1 \& 2 Emissions}_{i}$$

Carbon dioxide removal (CDR):): is defined as actions to remove emissions back out the atmosphere, using man-made technologies (such as carbon capture utilisation and storage), or nature-based solutions (such as reforestation).

Irreversible climate tipping points: are stepwise changes in the climate, such as permafrost melting releasing further emissions into the atmosphere. The consideration of irreversible tipping points is limited within the climate scenarios and modelling conducted by investors.

Paris Agreement: International legally binding treaty on climate change adopted in 2015 in Paris at COP 21. Its goal is to limit global warming to well below 2°C, preferably 1.5°C compared with pre-industrial levels.

Net zero: Where emissions released into the atmosphere are equal to those emissions taken back out of the atmosphere, through the application of nature-based solutions or man-made technology. This may include carbon offsets where required.

NGFS: Network for Greening Financial System ('NGFS') - a group of organisations looking to scale green finance and promote consistency in the climate scenarios adopted by the finance industry.

Position ownership ratio: $\sum_{1}^{n}$

$$\sum_{1}^{n} \frac{\text{Position Value}}{\text{Enterprise Value Including Cash (EVIC)}}$$

Relative carbon footprint[10]:

$$\frac{\text{Carbon Footprint}}{\text{Assets Under Management}}$$

SDS scenario: The SDS is tied to a certain carbon budget which specifies the cumulative amount of CO2 emissions permitted to remain to limit warming to 2°C. The ISS-ESG scenario analysis combines the IEA scenarios with the Sectoral Decarbonization Approach (SDA) by allocating a carbon budget to a company based on its market share and the expected emissions trajectory associated with that sector.

Systematic risk: This is risk that applies to and can affect an entire industry, economy or system, rather than one particular entity.

Stranded Assets: Assets which once had value but no longer do due to external changes such as technology markets or societal preferences.

tCO_2e: Tonnes of carbon dioxide equivalent. This is a standard measurement of emissions from various greenhouse gases by converting other gases to the equivalent amount of CO_2.

[10] Adjustments and minor differences exist due to data coverage being below 100%

Appendix 2 – Risk Register

We outline climate change as a specific risk in our Risk Register. Specifically, the impact/risk of climate change on the value of underlying assets held by us and thus members' pension savings. The Risk Register outlines the following controls and monitoring in place around this risk, split across:

Investment - Standard Sections

The default strategy invests in sustainably oriented investments which aim to reduce the risks related to climate change through reducing investment in those companies most greatly exposed to the risks of climate change and increasing investment in those companies best placed to take advantage of climate change opportunities (such as renewable energy companies).

The default strategy will exclude investment in companies (through certain funds) where the fund manager feels engagement on climate-related matters is not working.

For self-select investors, the Scheme offers climate-oriented investments (across multiple risk levels) specifically designed to invest in assets that aim to mitigate the risks of climate change and take advantage of opportunities that it presents.

The goal for the default strategy is to halve emissions by 2030 (compared to a 2020 baseline) consistent with a pathway of achieving net zero by 2050 – a journey that will aim to reduce the impact of climate change on members' investments.

Engagement

The fund manager engages with companies on a regular basis to encourage them to improve reporting on their carbon footprint, as this provides greater transparency for fund managers and helps guide their business strategy towards reducing their carbon footprint.

We engage with fund managers to ensure they are using their engagement and voting rights appropriately to influence the strategies of underlying companies on matters related to climate change.

As part of TCFD requirements, the Trustees will monitor the level of carbon emissions (among other factors) of the default strategy over time to ensure it is being managed by the fund manager in adherence to the net zero goal and any other climate-related targets.

Reporting

The carbon footprint of funds is displayed on quarterly fund factsheets which allows members to compare the footprint of different funds and choose funds based on this metric.

Appendix 3 – Roles and Responsibilities

The below provides further details on the climate-related roles and responsibilities of the Scheme's fund managers and advisers, as set out in the climate governance statement.

Fidelity responsibilities:

Fidelity will:

- Provide ongoing support to the Trustees in the effects of climate change on the Scheme's investments.
- Support us in ensuring that the Scheme's investment, legal advisers and fund managers have a clear understanding on their climate-related responsibilities, as set out within service or fund manager agreements.
- Determine which climate-change-related industry bodies and collaborative initiatives they will support and engage with on behalf of the Trustees

Fidelity will, on at least an annual basis:

- Support us in regular reviews for the identification, assessment and management of climate-related risks and opportunities, over the short-term, medium-term and long-term time horizons.
- Support reviews on the integration of climate change within governance arrangements, risk register and investment policies.
- Support us in assessing how external advisers and providers have performed against their climate responsibilities, on a regular basis.
- Support us in identifying managers which align to our climate change beliefs and policies.
- Provide us with updates on the Scheme's investments with respect to sustainable investment and climate change.
- Support us in reviews of the fund managers' approaches to and effectiveness in addressing climate change, including policies, processes, resources and expertise. This includes but is not limited to the climate voting and engagement record.
- Support with the selection, collection and presentation of metrics, targets and scenario analysis required for the annual TCFD report, as well as more qualitative considerations such as governance and strategy where required.
- Support us in providing members with information and engagement tools to collate member views on climate change, as appropriate.
- Provide the agreed climate-related metrics in relation to the Scheme's investments and focus on increasing the quality and availability of these metrics, over time.
- Measure performance in relation to the climate-related target set by the Scheme.
- Support us with training around climate-related matters.

Fidelity also provides sustainability and climate-related training to its employees including those who are responsible for running the Scheme on a day-to-day basis as well as those who manage the standard default strategy.

Investment advisors' responsibilities:

We employ investment advisors for the standard section and any employer-designed bespoke strategies, whose responsibilities include, but are not limited to, the following:

- Assisting us in meeting our legal obligations in relation to climate change, in partnership with the Fidelity, the legal adviser and fund managers.
- The investment advisers will, on at least an annual basis:
- Advise on the ESG and climate considerations that may arise as risks and/or opportunities in the Scheme's governance arrangements, investment beliefs and policies, strategy, risk management and monitoring.
- Review the material climate-related risks and opportunities for the Scheme, and how these might play out over the short-term, medium-term and long-term time horizons selected by the Scheme.
- Assess existing and proposed managers and mandates from the perspective of ESG and climate-related expertise, resources, policies and processes, as part of manager selection and retention processes. Support us in engaging with managers on these matters.
- Review the arrangements from an ESG and climate perspective.
- Assist with the selection, collection and presentation of the metrics, target and scenario analysis required for the annual TCFD report where required, as well as support in more qualitative areas, such as climate governance and strategy.
- Collate information on the climate-related voting and engagement activity of underlying managers for inclusion in the Implementation Statement where required.
- Provide us with training and relevant updates on relevant ESG and climate-related matters where required.

Appendix 3 – Roles and Responsibilities

Legal adviser responsibilities:

- Provide us with training on ESG and climate-related legal matters, and ensure we are aware of our ESG and climate-related statutory and fiduciary obligations.
- Work with Fidelity and the investment adviser, to ensure we fulfil our legal obligations in relation to climate change.
- As requested, assist in the documentation of the arrangements with the Scheme's third parties with respect to ESG and climate-related matters, including but not limited to its governance arrangements, risk register, investment policies and climate strategy.

Fund manager responsibilities:

- Identify, assess and manage ESG and climate-related risks and opportunities in relation to the Scheme's investments, and how these play out over the short-term, medium-term and long-term time horizons of the Scheme.
- Exercise voting rights and engaging with portfolio companies in relation to ESG and climate-related risks and opportunities, on behalf of and in the best interest of the financial interests of members.

The fund managers will, on at least an annual basis:

- Review material climate-related risks and opportunities for the fund, over the short-term, medium-term and long-term time horizons.
- Review climate-related policies, processes, resources and expertise to ensure this is fit for purpose to support fund climate integration and climate-related investment objectives.
- Report to us on climate-related processes, resources and expertise to feed into manager selection and retention processes.
- Provide reporting on climate-related voting and engagement activities.

Appendix 4 - Scenario Analysis

ENGAGEMENT ACTIVITY

Approach

The scenario analysis has been carried out by Isio using Moody's Analytics climate change tool which is used to understand the potential impacts of rising transition and physical costs associated with climate change on investment strategies. As part of this, Isio's Technical Modelling Group (TMG) modelled circa 3,000 stochastic climate simulations across our default strategies.

Given that scenario analysis is a forward-looking assessment, we believe it is important to focus this analysis on those strategies in place and being used by members in the Scheme as recently as possible. This keeps the information relevant to members and ensures that we are focusing on adding value to the report. As such, given that all members invested in both Strategy D and FutureWise WLS moved into FutureWise TDFs before this analysis was published, we have omitted these strategies from the analysis.

We have carried out this analysis by modelling the youngest members' journey from today until retirement. The assumptions used in this analysis can be found in Appendix 4.

The modelling was delivered by our Investment Adviser, who partnered with Moody's to undertake the climate scenario analysis. The climate model incorporates a variety of climate change scenarios, to understand the potential impacts of rising transitional and physical costs associated with climate change. The model is composed of various building blocks.

1. The climate model: composed of MAGICC 6 for modelling climate outcomes and REMIND-MAGPIE for modelling socioeconomic outcomes.
2. Economic scenario generator developed by Moody's, to understand different possible economic futures.
3. Isio's SOFIA model, to isolate the investment implications of climate change.

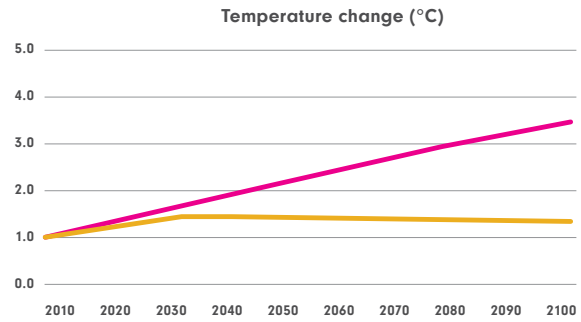
The Investment Adviser's climate model is updated regularly, with the Trustee using the June 2022 baseline model in this report.

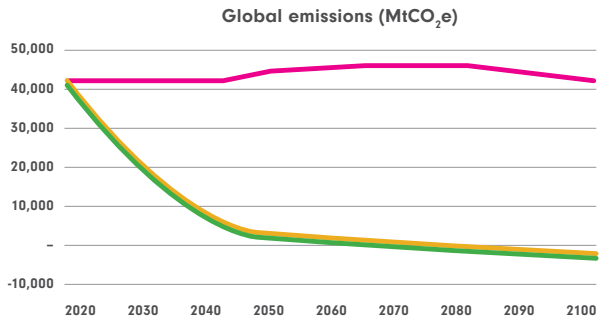
Modelling asset classes

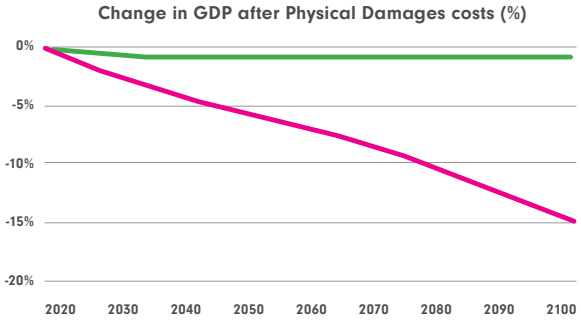
To conduct this modelling Isio have begun with modelling the projected growth, impact and resilience on the various asset classes used in our popular arrangements.

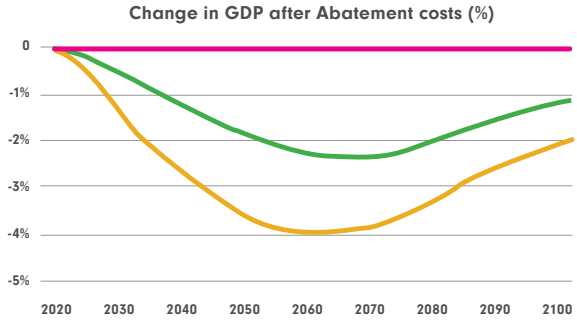
Where multi-asset funds are used, these have been assigned to the asset class of 'best fit'. All asset types across the Scheme have been assessed. In this analysis, any funds which have a 'climate aware' element to them, have had this taken into account.

More information on how climate-aware funds are identified, as well as the asset class usage across different strategies and modelling limitations can be found in Appendix 4.









Appendix 4 - Scenario Analysis

	2050 Net Zero	Divergent Net Zero	Current Policies
Climate policy	Climate policies introduced early and uniformly across sectors and become gradually more stringent.	Divergent climate action, with more ambitious climate policies in some sectors than others.	Current policies implemented, but Nationally Determined Contributions (under the Paris Agreement) are not met. There is no further increase in climate policy ambition over time.
Scenario outcome	Global net zero carbon emissions achieved by 2050, resulting in a 50% chance of achieving a below 1.5^{0}C scenario.	Emissions reductions are costlier (vs the 2050 Net Zero scenario), in order to meet the same target of a 1.5^{0}C scenario.	Emissions continue to grow from today until 2080, leading to a 3.8^{0}C scenario outcome this century. This scenario measures a failure to meet the Paris Agreement ambition.
Macro-economic impact	GDP losses from transition risks increase over time, peaking in the 2060s, but declining slowly thereafter. GDP impacts from physical risks remain minimal, across the century.	GDP losses from transition risks are higher (vs 2050 Net Zero scenario), peaking in the 2060s, and declining slowly thereafter. GDP impacts from physical risks remain minimal, to 2100.	GDP impacts from transition risks remain minimal, across time. Increasing physical risks result in a -15% loss in GDP, towards the end of this century.
Carbon price	Gradual increase in the carbon price from 2020 onwards, reaching $540 per ton of greenhouse gas (GHG) emissions by the end of the century.	Whilst carbon price remains extremely low to 2030, it accelerates to over $1,350 per ton of GHG emission by the end of this century.	Carbon price remains extremely low until the end of the century, with minimal impact on markets.

Appendix 4 - Scenario Analysis

	2050 Net Zero	Divergent Net Zero	Current Policies
Transition risks	Transition costs are incurred but are kept low due to the efficient manner of implementation. Resulting in relatively low transition risk (vs the Divergent scenario). Emissions reductions occur immediately and are relatively ambitious, across sectors. There is sufficient investment in green/offsetting technology to meet climate ambition. With a gradual increase in renewable energy and biomass to >70% of global energy mix by 2050, and near complete coal phase out. Carbon dioxide removal (CDR) is deployed, including nature-based solutions and carbon capture, usage and storage. This is kept to the minimum level possible to still achieve the temperature target.	Transition costs are higher than the Net Zero 2050 scenario due to inefficient implementation of decarbonisation policies, and offsetting technology being less widely available and more expensive. Meaning decarbonisation actions are more disorderly and costly. Emissions reductions are divergent across sectors (being more ambitious in transport and buildings, vs less ambitious in energy and industry sectors) The renewable energy mix outcome is relatively similar to the 2050 Net Zero scenario, with nuclear energy also being important across the low carbon scenarios. There is slightly more limited CDR deployment (vs the 2050 Net Zero scenario).	Current climate policies are implemented, but with no further decarbonisation action taken, resulting in lower transition costs. Emissions eventually stabilise across sectors, at higher levels than the other scenarios considered. Renewable energy and biomass share only increases marginally from 2020 levels, reaching ~25% by 2050, as investment in fossil fuels continue. No investment in CDR approaches and technologies.
Physical risks	Physical impacts remain relatively low (vs Current Policies scenario). There will be gradual impacts from the climate system, including a ~0.4m rise in sea levels, globally, and an estimated decline in the yields of major agricultural crops, e.g. wheat, maize and soybean crops, of up to a quarter, by the end of the century. Shifts in natural disasters will vary across geographies. For example, in the UK, the extent of river flooding could increase by over 20% by the end of the century (from 2020 levels).	Physical impacts are similar to the 2050 Net Zero scenario, given similar temperature outcomes. This includes sea level rise and crop yield expectations being similar to the 2050 Net Zero scenario. In the UK, precipitation is expected to decrease threefold by the end of the century (across both of the low carbon scenarios). Whilst the daily average temperature will increase only marginally in the UK, the incidence of heatwaves will increase at a more significant rate, alongside a higher extent of flooding.	Severe physical impacts result, with shifts in weather patterns and increased incidence in natural disasters. Under this high warming scenario, there may be irreversible changes in the climate system. Sea levels rise is expected to reach ~0.7m by the end of the century, accompanied by significant declines in agricultural yields, in particular for maize crops, which experience a halving of yields (on average, globally). Unprecedented natural disasters could be experienced. For example, in the UK, annual damages incurred from cyclones could increase by circa 60% (from near zero in 2020), whilst the land exposed to wildfires could double.

Appendix 4 - Scenario Analysis

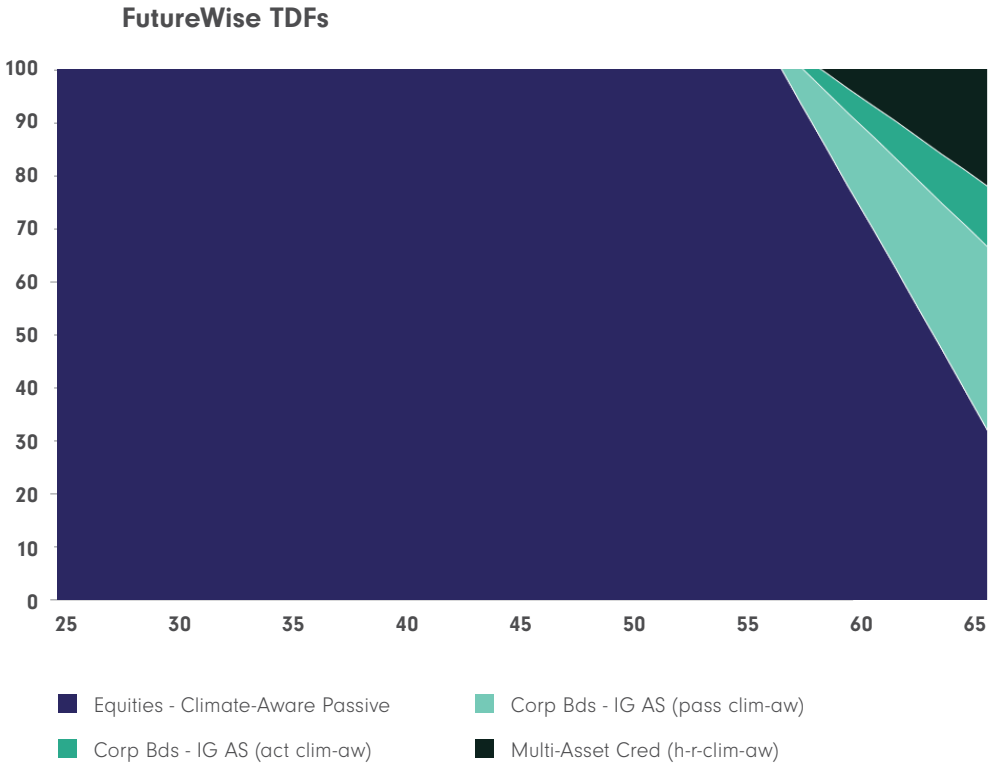
Member assumptions

The climate scenario analysis is based on an illustrative youngest member assumptions, across the entire Master Trust platform (i.e. across the default and bespoke arrangements):

- Starting age: 25
- Retirement age: 65
- Starting pot size: £5,250
- Starting salary: £35,000, increasing annually at inflation + 1.75%
- Contributions: 11.75% p.a.
- Inflation: 2.5% p.a.

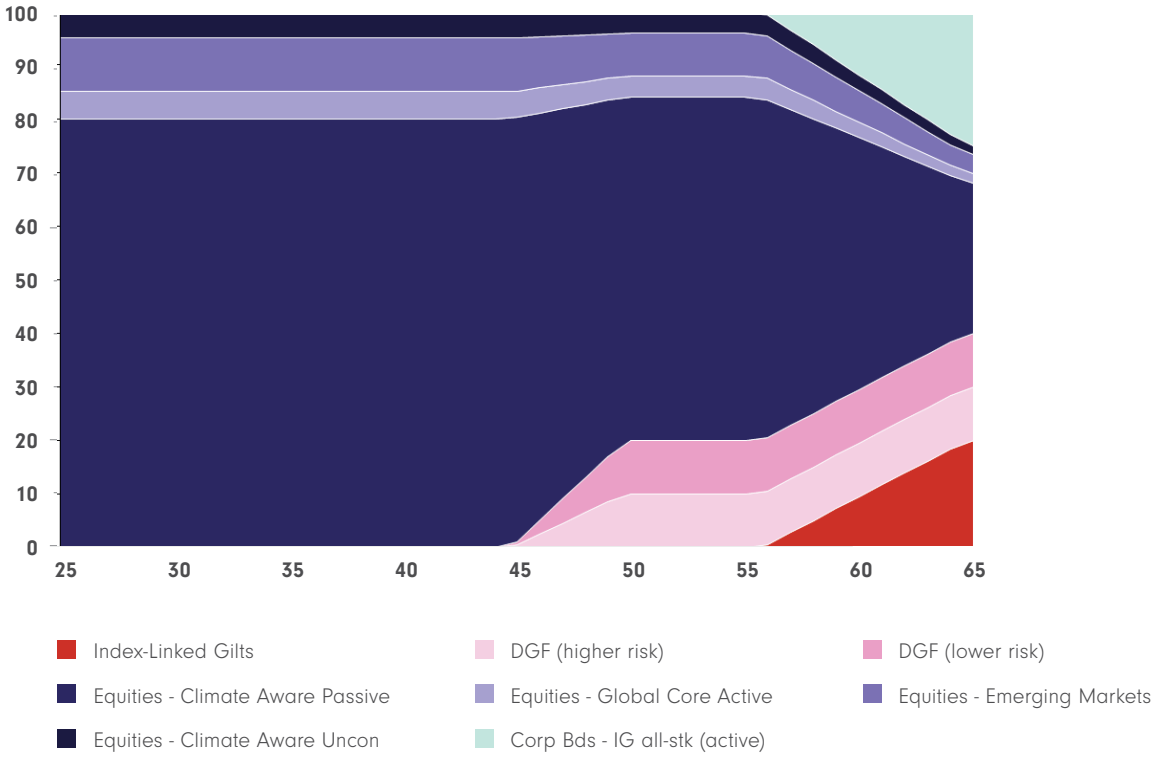
Member investment strategies

We show the glidepaths of the default and bespoke arrangement strategies, below.

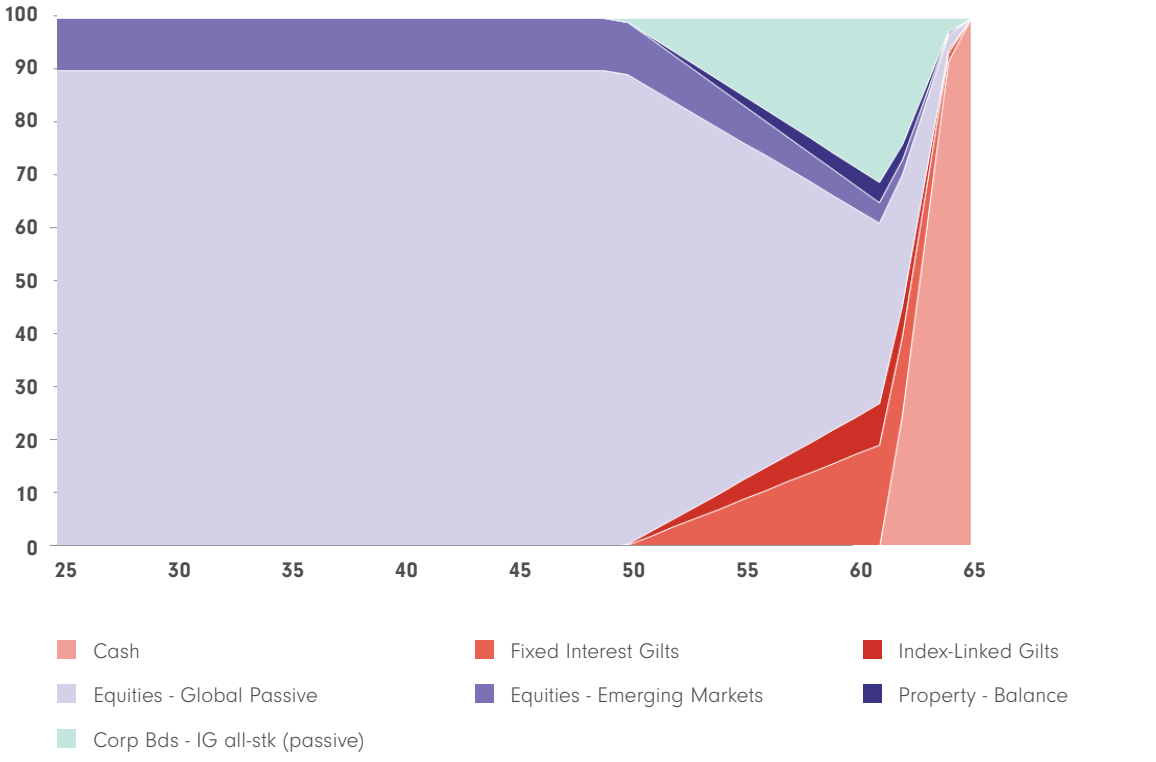


Appendix 4 - Scenario Analysis

Strategy B

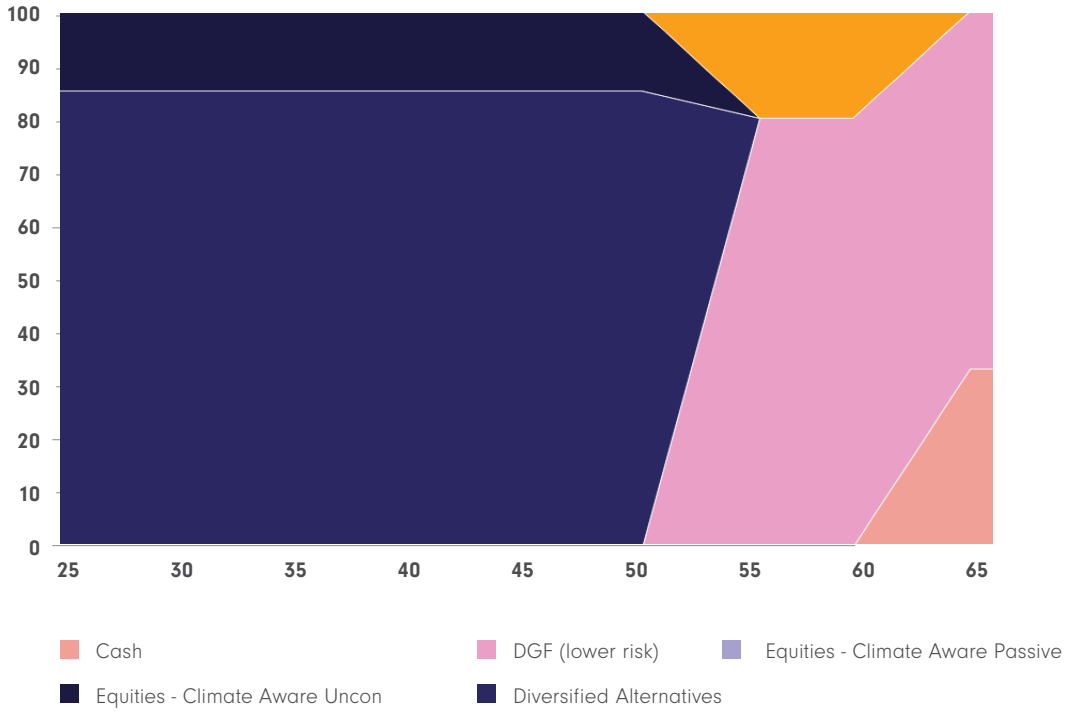


Strategy C

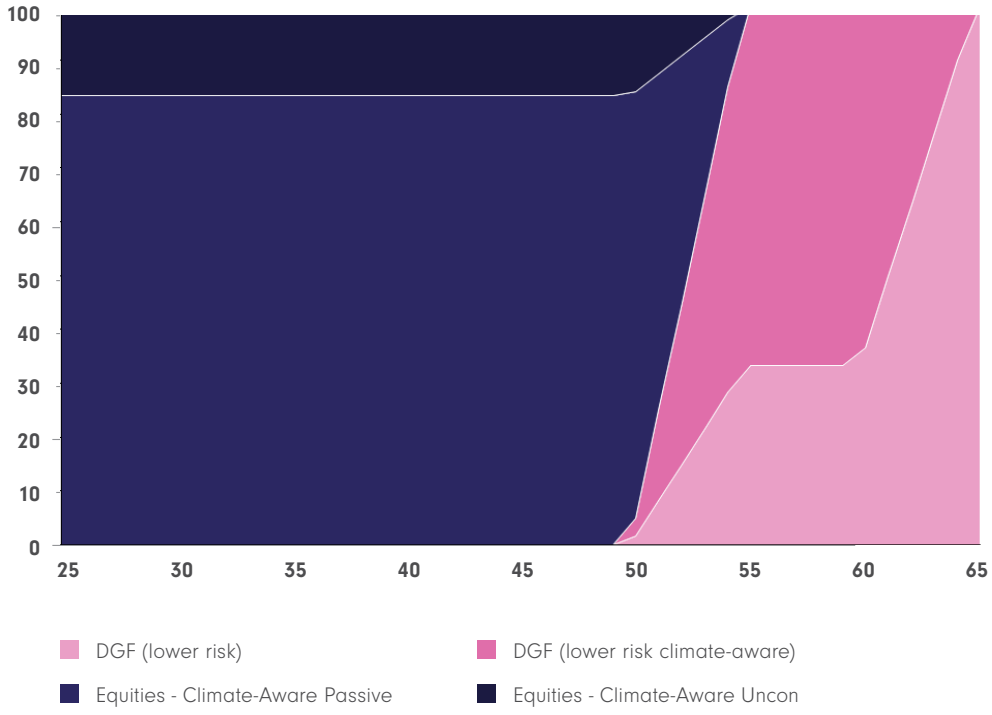


Appendix 4 - Scenario Analysis

Strategy E

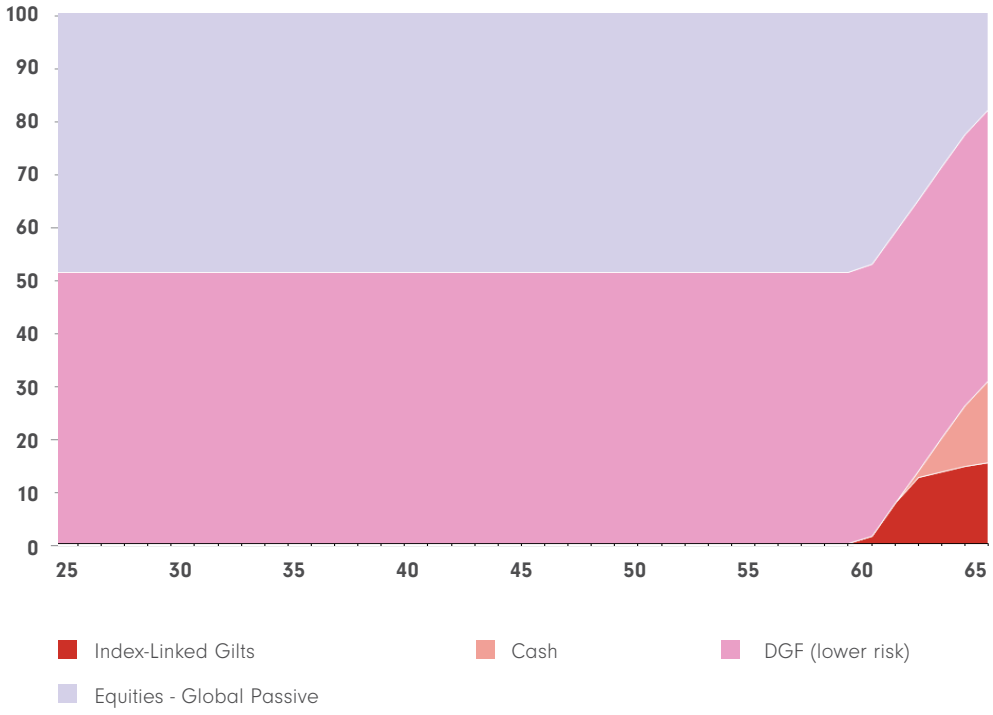


Strategy F

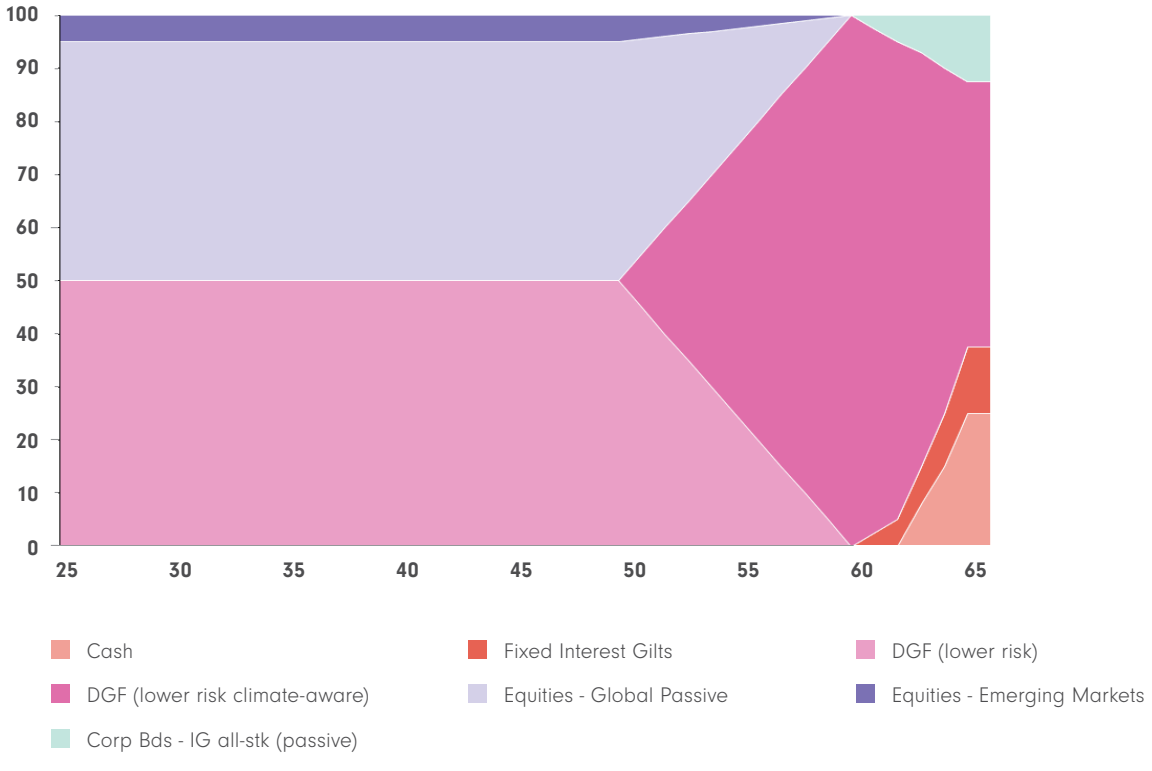


Appendix 4 - Scenario Analysis

Strategy G

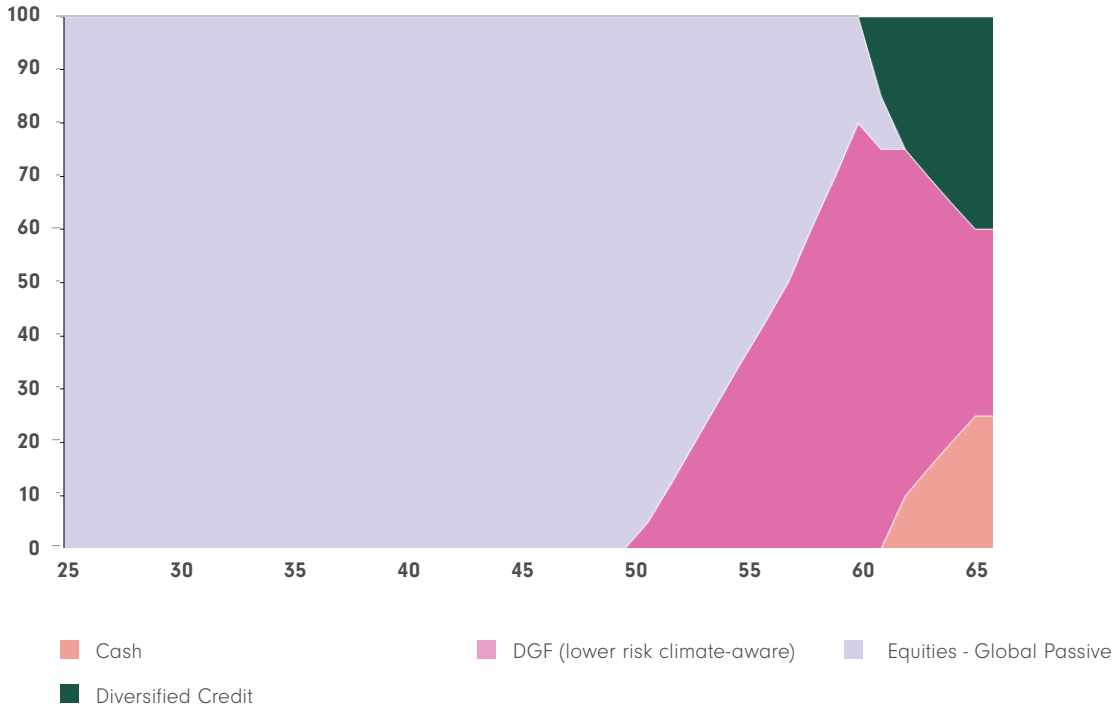


Strategy H

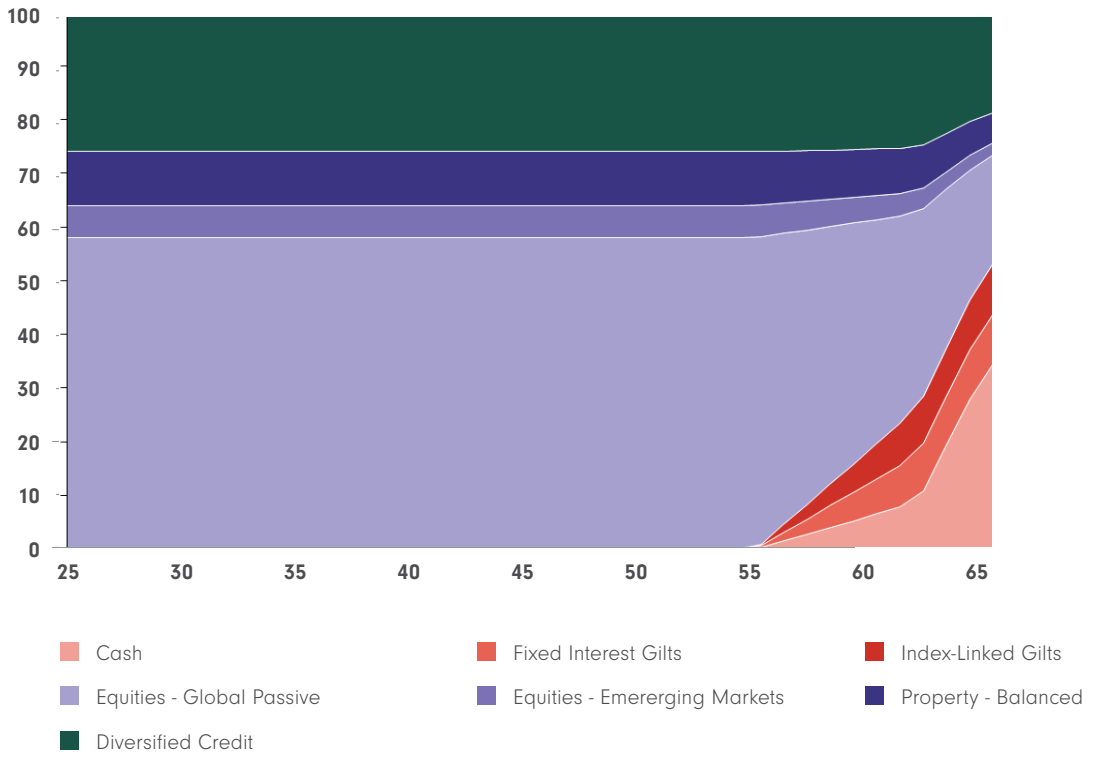


Appendix 4 - Scenario Analysis

Strategy I

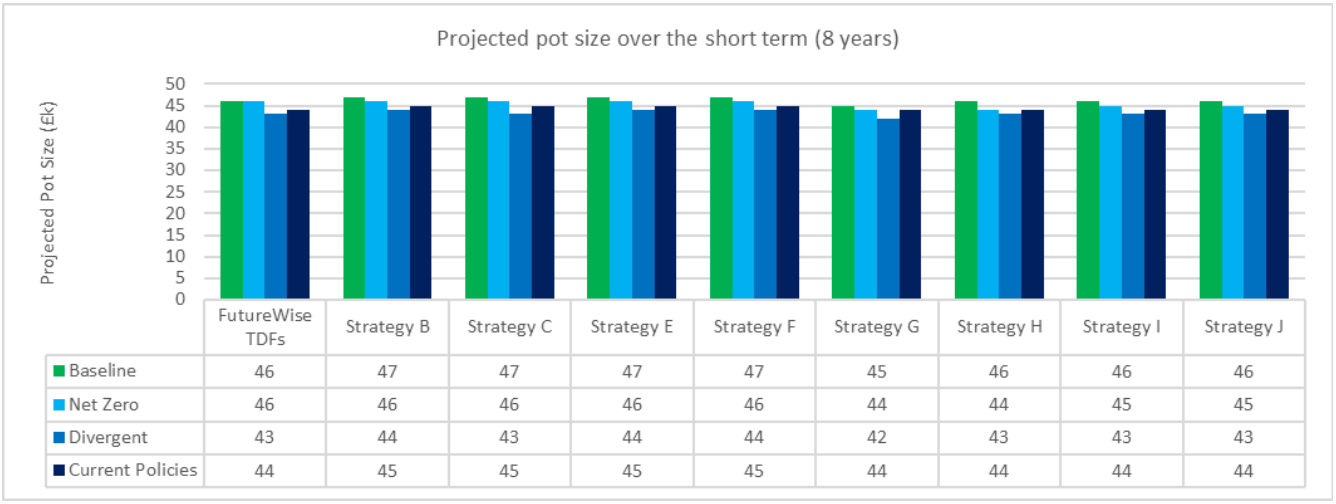


Strategy J

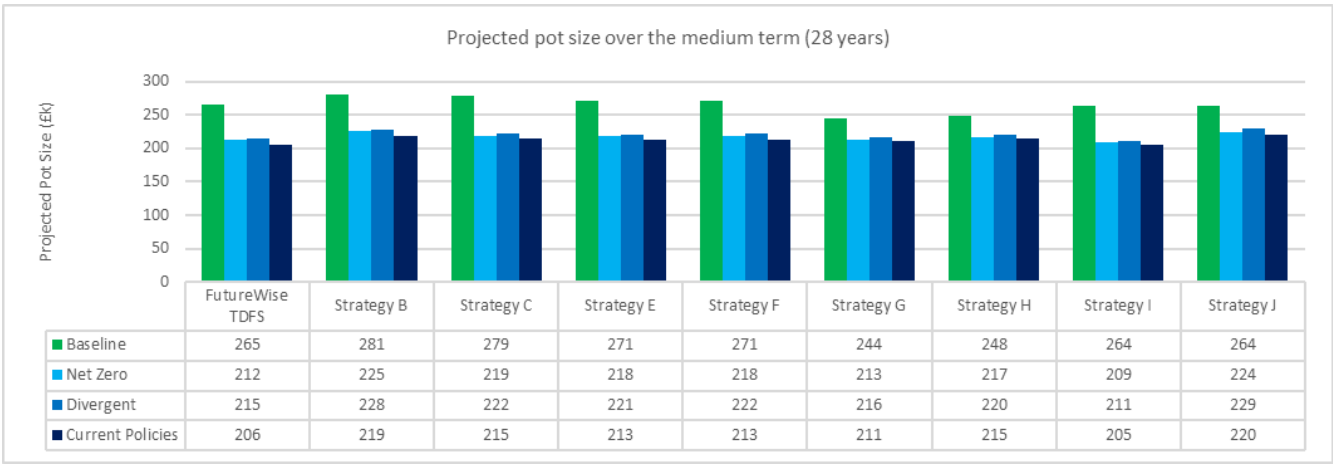


Appendix 4 - Scenario Analysis

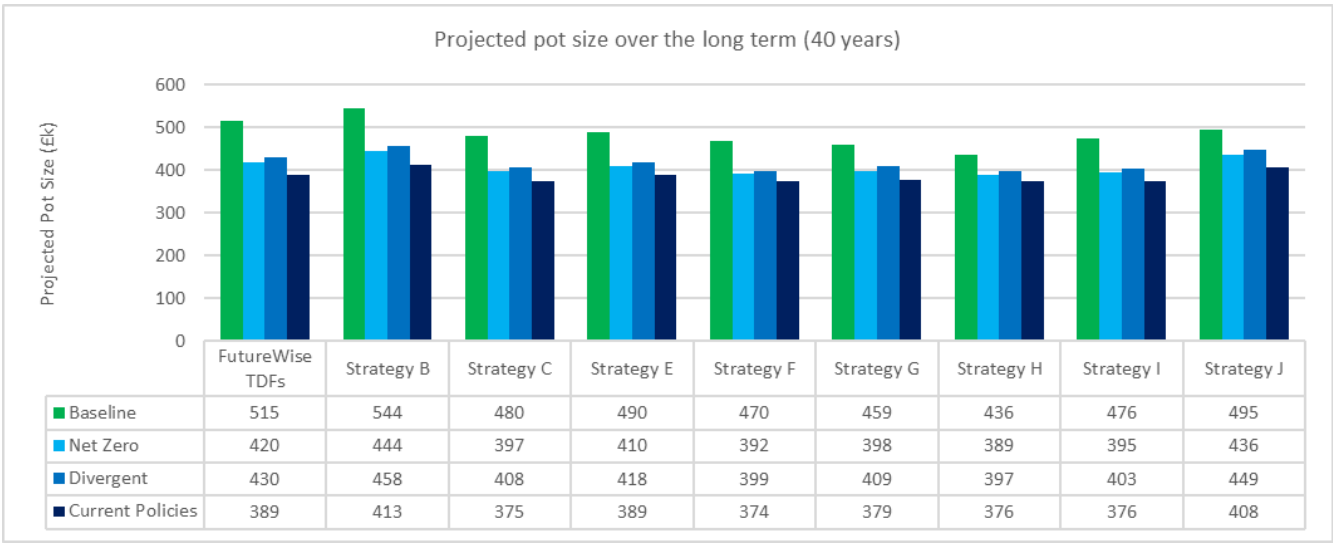
Strategy H



	FutureWise TDFs	Strategy B	Strategy C	Strategy E	Strategy F	Strategy G	Strategy H	Strategy I	Strategy J
Baseline	46	47	47	47	47	45	46	46	46
Net Zero	46	46	46	46	46	44	44	45	45
Divergent	43	44	43	44	44	42	43	43	43
Current Policies	44	45	45	45	45	44	44	44	44



	FutureWise TDFS	Strategy B	Strategy C	Strategy E	Strategy F	Strategy G	Strategy H	Strategy I	Strategy J
Baseline	265	281	279	271	271	244	248	264	264
Net Zero	212	225	219	218	218	213	217	209	224
Divergent	215	228	222	221	222	216	220	211	229
Current Policies	206	219	215	213	213	211	215	205	220



	FutureWise TDFs	Strategy B	Strategy C	Strategy E	Strategy F	Strategy G	Strategy H	Strategy I	Strategy J
Baseline	515	544	480	490	470	459	436	476	495
Net Zero	420	444	397	410	392	398	389	395	436
Divergent	430	458	408	418	399	409	397	403	449
Current Policies	389	413	375	389	374	379	376	376	408

Appendix 4 - Scenario Analysis

Disclaimer for chart data

The Baseline scenario assumes no transition or physical impacts of climate change i.e. a climate neutral scenario. Source: Isio, Moody's. This is based on stochastic modelling, with the median outcome shown. Note that annualised return drags are shown but costs and impacts in reality won't be uniform. Whilst we have modelled the potential physical and abatement costs over the next 40 years, in theory, markets may price these in sooner. The model's projections are sensitive to the underlying methodology and assumptions. No guarantee can be offered that actual outcomes will fall within the range of simulated results. Due to the long projection period, the model's outcomes are particularly reliant upon the underlying assumptions. Therefore, more attention should be paid to the relative comparisons between different projections than to the absolute magnitude of the results.

Modelling principles

- SOFIA is a stochastic model that simulates a large number of possible future economic outcomes, in which financial conditions develop in a number of different ways, defined by assumptions for average outcomes, range of variability, and inter-dependency between different markets.
- The high-level market scenarios are generated by a third-party Economic Scenario Generator (ESG) provided by Moody's Analytics. The ESG is an industry-standard tool that is widely used by financial institutions (e.g. insurers, asset managers, and investment banks). Both the climate scenarios and the underlying economic impacts are provided by Moody's Analytics.
- Based on the scenarios generated by the ESG, SOFIA simulates asset-class returns calibrated to Isio Investment Advisery's asset-class assumptions.
- SOFIA takes the initial starting position of the assets, and projects these values forward under the simulated scenarios, taking into account any relevant inflows and outflows.
- The modelling in this report has been carried out on a "best estimate" basis, taking into account the model's expectations for future investment returns and interest rates.
- he modelling has not been performed in line with the Statutory Money Purchase Illustrations ('SMPI') which apply when projection results are provided to Scheme members. Different assumptions apply in respect of SMPI calculations. The modelling output contained in this report should not be provided to Scheme members as it is not compliant with SMPI requirements.

Modelling results

- The results of the projections are shown by ranking the calculated results from best to worst in each year, and presenting the following outcomes:
  - Median: this is the middle outcome and can be thought of as the "expected result". Half of the modelled outcomes are better than this and half are worse.
  - Bad: this splits the results so that there is a one in five (20%) chance of having a worse outcome. This is a measure of risk.
  - Very Bad: this splits the results at a one in twenty (5%) chance of having a worse result. This is a more extreme measure of downside risk.
  - Good and Very Good (where shown): these illustrate possible positive outcomes at the 20% and 5% levels respectively.

Introduction to the assumptions

- These are our "best estimate" asset class return and volatility assumptions. We believe there is a 50:50 chance that the actual outcome will be above/below our assumptions.
- Please note that the assumptions have a subjective element, particularly for asset classes with less history and greater reliance on active management.
- These assumptions are the "baseline" assumptions, before climate impacts are accounted for within the non-baseline scenarios.
- Return assumptions are:
  - Annualised (i.e. geometric averages), rounded to the nearest 0.1%.
  - Expressed relative to the yield on fixed interest gilts (the annual yield at the 10-year tenor on the Bank of England spot curve). This yield was 2.3% at 30 June 2022.
  - Net of management fees.
  - Before tax. UK pension Schemes are exempt from tax on investments. The impact of taxation may reduce returns for other investors.

Asset class assumptions

- Annualised (i.e. geometric averages), rounded to the nearest 0.1%
- Expressed relative to the yield on fixed interest gilts (the annual yield at the 10-year tenor on the Bank of England spot curve). This yield was 2.3% at 30 June 2022
- Net of management fees

Appendix 4 - Scenario Analysis

- Before tax. UK pension Funds are exempt from tax on investments. The impact of taxation may reduce returns for other investors
- Volatility assumptions are based on the standard deviation of annual returns over a 10-year period

Greenium assumptions

- For the application of climate-aware tilting to asset classes, the allocations must show evidence of the majority of the following criteria. Only the sustainable allocations that met this threshold, across the default and bespoke arrangements, received climate-tilting premium:
  - Initial decarbonisation achieved, versus the asset class universe;
  - Forward-looking decarbonisation efforts; and,
  - Allocations to climate impact solutions.

Compliance statement

- This report, and the work relating to it, complies with "Technical Actuarial Standard 100: Principles for Technical Actuarial Work" ("TAS 100").
- This report has been prepared for the purpose of assisting the addressee in quantifying climate risk and feeding into a TCFD report. If you intend to use it for any other purpose or make any other decisions after considering this report, please inform Isio and we will consider what further information or work is needed to assist you in making those decisions.

Other material assumptions

- Isio Investment Advisery's central asset-class assumptions are assessed and revised at each calendar quarter-end. The assumptions used within this modelling exercise are set out in the Appendix.
- Certain assumptions are sourced directly from the Moody's Analytics ESG and available market data, or set via adjustments to these sources. Where required or deemed to be more appropriate, assumptions are entirely determined by Isio Investment Advisery. The assumption setting process is subjective and based on qualitative assessments rather than a wholly quantitative process. Where judgement is required, input is received from Isio's internal asset-class research teams.

Limitations and risk warnings

- The only risk factors considered in our modelling are those that affect the values of pension Schemes' assets. The modelling results should be viewed alongside other qualitative considerations including portfolio complexity, governance burden, and liquidity risk.
- The model's projections are sensitive to the starting position and the econometric assumptions. Changes to the assumptions can have a material impact upon the output. There can be no guarantee that any particular asset class or investment manager will behave in accordance with the assumptions. Newer asset classes can be harder to calibrate due to the lack of a long-term history.
- The modelling analysis is based on portfolios containing a range of asset classes and different approaches to fund management. Clients should not make decisions to invest in these asset classes or approaches to fund management based solely on the modelling analysis.
- Modelling over a very long time horizon involves a great deal of uncertainty. Therefore more attention should be paid to relative rather than absolute results.
- No guarantee can be offered that actual outcomes will fall within the range of simulated results. Actual outcomes may be better than the simulated 95th percentile or worse than the simulated 5th percentile.

Appendix 4 - Scenario Analysis

The Trustee acknowledges that climate impacts for pension schemes is a developing area. The Institute of Actuaries (IFoA) has released a paper demonstrating how current scenario modelling techniques exclude many of the most severe impacts that the can be expected from climate change.

Some of the modelling issues included are below. Please note, climate scenario analysis is an ever-evolving space and as such the scenarios modelled may be subject to review in future periods.

- Complexity of the earth's climate system, e.g. ability to model tipping points. Investor modelling uses linear equations to represent the climate system which cannot capture the irreversible changes in the climate system, known as tipping points.
- Modelling involves very long-time horizons and any uncertainties will compound over time.
- Flawed underlying assumptions, e.g. physical risks already occurring.
- Difficult integration of climate and financial models.
- Limited consideration of tail risks.
- Limited granularity and understanding of asset-level risks. The Trustee assumes climate-related impacts are the same across each asset class as a whole, when in reality, the actual underlying companies may perform better or worse than the global average.
- Other limitations, as the Trustee cannot model 'unknown unknowns' i.e. climate risk or technological progress not yet discovered.

The combination of modelling issues may therefore lead to:

- Underestimation of climate risks may leave the Trustee more exposed to unforeseen climate risks and miss out on potential opportunities.
- Difficulty in integrating climate and financial models can hamper effective portfolio management strategies and portfolio climate-resilience.
- Inadequate consideration of climate risks at the asset level may increase stranded asset risk exposure.

While the model currently lacks asset-level modelling and does not fully address climate-financial intersections, The Trustee anticipates future advancements in market developments.

Appendix 4 - Scenario Analysis

Strategy Asset Allocation

We have commented in the analysis below where certain asset classes are used more in certain strategies and have shown the approximate asset allocation of the different strategies for younger and older members below.

Asset allocation far from retirement (40 years from retirement)

Strategy	Equities	Diversified Funds	Corporate Bonds	Bonds	Direct Property	Cash	Alternatives
FutureWise TDFs	100%	–	–	–	–	–	–
Strategy B	100%	–	–	–	–	–	–
Strategy C	100%	–	–	–	–	–	–
Strategy E	100%	–	–	–	–	–	–
Strategy F	100%	–	–	–	–	–	–
Strategy G	50%	50%	–	–	–	–	–
Strategy H	100%	–	–	–	–	–	–
Strategy I	100%	–	–	–	–	–	–
Strategy J	64%	–	26%	–	10%	–	–

Source: Fidelity International December 2022. These allocations are approximations only and may not round to 100%

Appendix 4 - Scenario Analysis

Asset allocation far at retirement (0 years from retirement)

Strategy	Equities	Diversified Funds	Corporate Bonds	Bonds	Direct Property	Cash	Alternatives
FutureWise TDFs	30%	-	70%	-	-	-	-
Strategy B	35%	20%	25%	20%	-	-	-
Strategy C	-	-	-	-	-	100%	-
Strategy E	-	67%	-	-	-	33%	-
Strategy F	-	100%	-	-	-	-	-
Strategy G	20%	50%	-	15%	-	15%	-
Strategy H	-	50%	12.5%	12.5%	-	25%	-
Strategy I		35%	40%			25%	
Strategy J	23%		19%	19%	6%	34%	

Source: Fidelity International December 2022. These allocations are approximations only and may not round to 100%

Note: that diversified strategies are modelled based on broad split between equities and corporate bonds (with a corresponding risk level).

Appendix 4 - Scenario Analysis

Impact on different asset classes

SHORT TERM	% per annum (median impact)		
Asset Class Impacts	**Net Zero 2050**	**Divergent Net Zero**	**Current Policies**
Developed Equity (passive, climate aware)	-0.48%	-1.71%	-0.66%
Invesment Grade Credit (passive, climate aware)	0.28%	0.18%	0.14%
Investment Grade Credit (active, climate aware)	0.29%	0.19%	0.14%
Multi Asset Credit (higher risk, climate aware)	0.06%	-0.07%	-0.20%
DGF (higher risk)	-0.38%	-0.99%	-0.43%
DGF (lower risk)	-0.24%	-0.60%	-0.24%
DGF (lower risk, climate aware)	-0.16%	-0.54%	-0.21%
Equities - Global Passive	-0.77%	-2.01%	-0.80%
Equities - Global Core Active	-0.81%	-2.03%	-0.86%
Equities - Emerging Markets	-0.98%	-2.49%	-0.96%
Equities - Climate-aware unconstrained	-0.62%	-1.85%	-0.71%
Property - Balanced	0.01%	-0.28%	-0.36%
Corporate Bonds ILG All stock (passive)	0.25%	0.15%	0.13%
Corporate Bonds ILG All stock (active)	0.27%	0.16%	0.15%
Corporate Bonds Investment Grade All stock (active)	0.28%	0.18%	0.14%
Corporate Bonds Investment Grade All stock (climate-aware)	0.29%	0.19%	0.14%
Diversified Credit	0.16%	-0.01%	-0.11%
Diversified Alternatives	-0.58%	-1.50%	-0.59%
Cash	0.23%	0.24%	-0.20%
Fixed Interest Gilts	0.71%	1.00%	0.90%
Index-Linked Gilts	0.80%	1.44%	0.44%

Appendix 4 - Scenario Analysis

Impact on different asset classes

MEDIUM TERM	% per annum (median impact)		
Asset Class Impacts	**Net Zero 2050**	**Divergent Net Zero**	**Current Policies**
Developed Equity (passive, climate aware)	-1.50%	-1.81%	-1.78%
Invesment Grade Credit (passive, climate aware)	-0.14%	-0.13%	-0.33%
Investment Grade Credit (active, climate aware)	-0.12%	-0.12%	-0.32%
Multi Asset Credit (higher risk, climate aware)	-0.09%	0.06%	-0.30%
DGF (higher risk)	-0.83%	-0.99%	-0.93%
DGF (lower risk)	-0.52%	-0.62%	-0.59%
DGF (lower risk, climate aware)	-0.47%	-0.57%	-0.55%
Equities - Global Passive	-1.60%	-1.92%	-1.80%
Equities - Global Core Active	-1.64%	-1.96%	-1.86%
Equities - Emerging Markets	-1.84%	-2.24%	-2.01%
Equities - Climate-aware unconstrained	-1.61%	-1.90%	-1.84%
Property - Balanced	-0.77%	-0.88%	-0.96%
Corporate Bonds ILG All stock (passive)	-0.16%	-0.15%	-0.33%
Corporate Bonds ILG All stock (active)	-0.14%	-0.13%	-0.32%
Corporate Bonds Investment Grade All stock (active)	-0.14%	-0.13%	-0.33%
Corporate Bonds Investment Grade All stock (climate-aware)	-0.12%	-0.12%	-0.32%
Diversified Credit	-0.18%	-0.08%	-0.41%
Diversified Alternatives	-1.25%	-1.48%	-1.39%
Cash	-0.51%	-0.54%	-0.72%
Fixed Interest Gilts	-0.29%	-0.35%	-0.33%
Index-Linked Gilts	-0.48%	-0.58%	-0.54%

Appendix 4 - Scenario Analysis

Impact on different asset classes

MEDIUM TERM	% per annum (median impact)		
Asset Class Impacts	**Net Zero 2050**	**Divergent Net Zero**	**Current Policies**
Developed Equity (passive, climate aware)	-1.32%	-1.47%	-1.68%
Invesment Grade Credit (passive, climate aware)	0.08%	0.12%	-0.09%
Investment Grade Credit (active, climate aware)	0.08%	0.12%	-0.09%
Multi Asset Credit (higher risk, climate aware)	-0.02%	0.08%	-0.17%
DGF (higher risk)	-0.73%	-0.80%	-0.89%
DGF (lower risk)	-0.41%	-0.46%	-0.52%
DGF (lower risk, climate aware)	-0.41%	-0.45%	-0.53%
Equities - Global Passive	-1.37%	-1.51%	-1.70%
Equities - Global Core Active	-1.42%	-1.56%	-1.76%
Equities - Emerging Markets	-1.54%	-1.71%	-1.88%
Equities - Climate-aware unconstrained	-1.42%	-1.55%	-1.76%
Property - Balanced	-0.47%	-0.51%	-0.71%
Corporate Bonds ILG All stock (passive)	0.07%	0.11%	-0.09%
Corporate Bonds ILG All stock (active)	0.08%	0.12%	-0.08%
Corporate Bonds Investment Grade All stock (active)	0.08%	0.12%	-0.09%
Corporate Bonds Investment Grade All stock (climate-aware)	0.08%	0.12%	-0.09%
Diversified Credit	0.13%	0.20%	-0.09%
Diversified Alternatives	-1.04%	-1.15%	-1.30%
Cash	-0.32%	-0.32%	-0.53%
Fixed Interest Gilts	-0.20%	-0.20%	-0.24%
Index-Linked Gilts	-0.37%	-0.39%	-0.38%

Appendix 5 - Risk Review Process

Below, we set out further details on our risk review processes.

- At each quarterly Board and Sub-Committee meeting we review a section of the risk register. Across the year, all existing risks are reviewed at least once to identify any changes, whether that is to the nature of the risk, its potential or actual impact, the control environment or any mitigating actions required to reduce or remove the risk. This also provides an opportunity to identify new and emerging risks.
- Annually, the Administration Sub-Committee will review the full risk register in its entirety.
- At the end of each quarterly board meeting, we have an agenda item specifically for the purpose of reflecting on the matters discussed in the meeting and to consider whether any items should be escalated to Fidelity. Items for escalation may be proposed during or following a broad range of discussions, such as legislative/ regulatory updates, data and information we have reviewed, discussions of issues, presentations by third parties and review of risks.
- Risk mitigating actions will be monitored through the risk register and/or the matters arising log.
- We may highlight a new or emerging risk or changes to existing risks at any time.

The Trustee Action Plan includes the above activities, and the Scheme Secretary is responsible for ensuring that we undertake these activities. They must also report where these activities are not undertaken in line with the Trustee Action Plan so that remedial action can be taken.

We assess our individual and collective risk management knowledge on at least an annual basis when we assess the overall skills and knowledge of the Board. As a part of this, we may identify individual or Board training needs, including in relation to climate-change related risks.

Appendix 6 - Integration of climate considerations in the Scheme's investments options

As of December 2022 and during a transitionary period of 2023, the Scheme has operated two default strategies, FutureWise working lifestyle strategy (WLS) and FutureWise Target date funds (TDFs). We have outlined, in turn, how these each consider climate risks and opportunities.

Standard Default Strategy (FutureWise TDFs)

The FutureWise TDFs are the Scheme's new default investment strategy for standard sections. The strategy was introduced in December 2022 and all members invested in standard sections were moved across from the FutureWise WLS to the FutureWise TDFs by October 2023.

Members who do not select their own investments are defaulted into the Target Date Fund that matches their retirement age. Members can also self-select a Target Date Fund of their choice.

The FutureWise Target Date Funds are managed by Fidelity and BlackRock invest in a range of underlying 'building blocks' which in turn hold stocks and shares, bonds and other investments. More information on how FutureWise and Target Date Funds work can be found on our website.

All the FutureWise Target Date Funds fully integrate sustainability throughout, meaning that regardless of where a member is in their working life or retirement journey, the TDF that they are invested in will fully incorporate consideration of sustainability and climate-related risks and opportunities. The FutureWise TDFs do this in several ways:

- **Carbon footprint targets:** Each building block used within the FutureWise TDFs aims to have a lower carbon footprint than the broader market in which it invests. For example, one of the building blocks used within the FutureWise TDFs is the BlackRock ACS North America ESG Insights Equity Fund. This fund aims to have a lower carbon footprint than its broader market which is measured by the FTSE World North America Index.
- **Decarbonisation targets:** Each building block also factors in a decarbonisation target. This means that it aims to reduce its carbon footprint over the long term.
- **Proprietary ESG ratings:** All of the building blocks incorporate the fund managers' proprietary sustainability tilting process. This process uses the fund managers' proprietary sustainability ratings (based on research and engagement with those companies as well as their approach to climate change risks and opportunities), to tilt towards those companies in each sector which are leaders or improving from a sustainability perspective and away from those companies which are lagging behind their peers on sustainability.
- **Exclusions:** The building blocks exclude certain industries and companies partly based on their sustainability profile. This includes exclusions of companies that generate more than 5% of their revenue from thermal coal and oil sands. Thermal coal, out of all fossil fuels, produces the most significant greenhouse gas emissions (GHG), with a direct link to climate change. Oil sands are also particularly harmful as they have a more carbon-intensive production process compared with global oil/gas extraction averages. As we transition to a low carbon economy, production of fossil fuels should be focused on the safest, most environmentally friendly and efficient processes to limit associated upstream GHGs. The building blocks also exclude companies in violation of the 10 principles of the United Nations Global Compact Principles (which include principles on environmental challenges, environmental responsibility and the development of environmentally friendly technologies)

By integrating these approaches, the new FutureWise TDFs will help us achieve our net-zero goals across the Scheme

Appendix 6 - Integration of climate considerations in the Scheme's investments options

Bespoke Investment Strategies

We have worked closely with the advisers of bespoke sections to continue to integrate sustainability and climate considerations into the design of bespoke default strategies. These take a variety of approaches to incorporating climate change risks and opportunities, in accordance with the Scheme's climate policy. The implementation of different approaches differs depending on how close members are to retirement.

Growth Phase

The bespoke strategies use a mix of passively or actively managed equity funds, as well as diversified funds in the early years (when members are younger), primarily on capital growth. Within the growth phase, we continue to see the adoption of passively managed ESG funds which focus on tilting towards or away from companies with poor sustainability ratings relevant to their peers (which includes consideration of their environmental impact and their carbon footprint). Many of these funds also exclude companies involved with certain high-emitting industries such as oil sands and thermal coal.

Some strategies also use actively managed funds which focus on climate change opportunities by investing in companies that create solutions for climate change or are involved in the resource efficiency and environmental markets. There is also use of an impact fund which aims to deliver a positive societal impact (including delivering climate solutions) alongside capital growth.

De-risking towards retirement

As members approach retirement in bespoke strategies there is continued use of many of the approaches mentioned above through equity and diversified funds, as well as introducing of lower-risk funds e.g. bond funds. While incorporating consideration of climate risks and opportunities as part of their investment process, these also go further in addressing those risks and opportunities. For example, there is use of a fund which chooses which companies to purchase corporate bonds from, partly based on their contribution to the UN Sustainable Development Goals These companies may have a positive (or at least neutral) contribution to these goals which include affordable and clean energy and climate action. This fund also has 40% lower absolute emissions than its broader comparator index.

We will continue to work closely with our advisers to ensure the continued development of bespoke investment strategies and to ensure climate change risks and opportunities are factored into their design, in line with our climate policy.

Appendix 6 - Integration of climate considerations in the Scheme's investments options

To help members take carbon emissions into account when viewing or selecting their investments, the carbon footprint of funds is displayed on quarterly fund factsheets. An example is shown below.

For those investors who wish to select their own investments, we also offer climate-oriented investments (across multiple risk levels) that are specifically designed to invest in assets aiming to mitigate the risks of climate change or take advantage of the opportunities that it presents. For example, this includes the Master Trust Sustainable Climate Equity Fund, which currently invests in a fund which invests in companies that are expected to benefit either directly or indirectly from developments related to environmental challenges, such as climate change.

For members who wish to invest in a climate-focused bond fund, we also have the Master Trust Sustainable Climate Bond Fund. It aims to purchase bonds from companies with the lowest carbon footprints in their sectors.

We will continue to develop our climate-focused investment options for members as the landscape evolves.

How climate-related risks and opportunities are integrated within the investments of bespoke sections is based on advice received from the relevant investment adviser of the bespoke section. More information on how these risks and opportunities are considered within bespoke investment strategies is available in Appendix 5.

We encourage advisers of bespoke sections to advise on self-select funds which incorporate climate considerations as part of the investments made available to members of bespoke sections.

Carbon Footprint

The investment analysis company MSCI measures a fund's carbon intensity by calculating how much CO_2 is emitted by the companies it invests in. To allow companies of different sizes to be compared, the figures ore adjusted according to the value of each company's soles. The table on the right shows emissions in terms of tons of CO_2 for each million dollars' worth of soles.

MSCI has provided the following guidance for assessing the figures shown in the table. These ratings help to show where each fund stands in relation to the fund marketplace as a whole. As in the table, the figures are far tons of CO_2 for each million dollars' worth of soles.

Very high	High	Moderate	Low	Very low
525tons or more	250 to 524 tons	70 to 249 tons	15 to 69 tons	less than 15 tons

CO_2 analysis as at 30.09.2022

Fund	Tons of CO_2 per million dollars of soles
Fidelity Sustainable UK Aggregate Bond Fund I-ACC	57.36

Source MSCI
n/a will be displayed when there 1s no ESG data available for the fund or the fund Is not ESG rated. The Information is as at the date of production based on data provided by MSCI. There may be timing diferences between the date at which data is captured and reported. For more up to date information you can visit https://www.msc11com/esg.fund-ratings