

Your Workplace Pension

Full Report in line with Taskforce for Climate-Related Financial Disclosures (TCFD) Year Ending 31 March 2025

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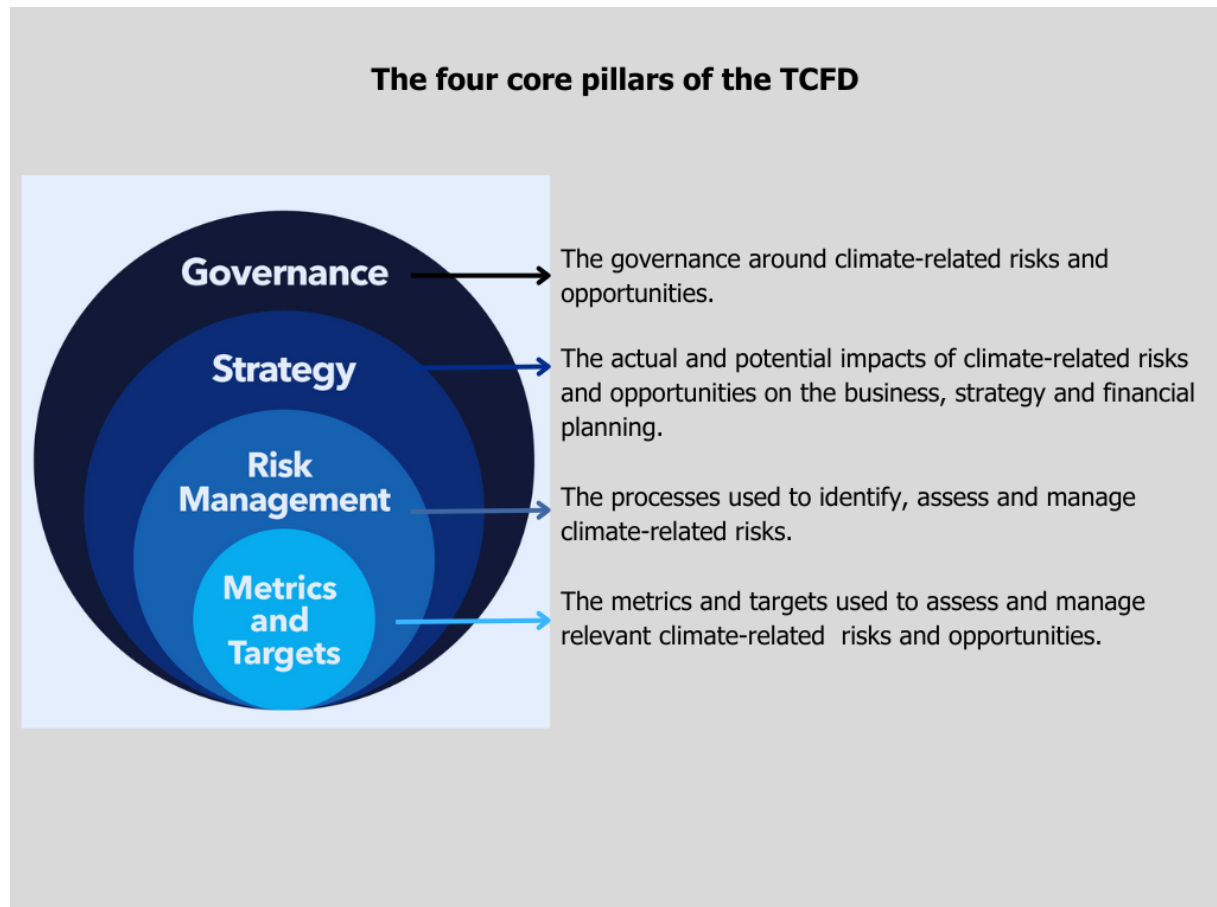
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1. Introduction

1.1 Background to the TCFD

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

Figure 1: The four core pillars of the TCFD



Source: Financial Stability Board

1.2 Scope of the report

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

The Options Workplace Pension Trust (“Options”) falls within these guidelines and published our first regulatory report for the scheme for the year ending 31 March 2022. This 2025 report covers the scheme year from 1 April 2024 - 31 March 2025.

As required by the Department for Work and Pensions (“DWP”), analysis of climate-related risks and opportunities (“CRRO”) needs to cover each of Options’ popular arrangements which account for 10% or more of the Scheme’s assets. This includes the following as at 31 March 2025:

Figure 2: Option's popular default arrangements

Default Fund	Investment Manager	Size of Fund
Target Date Fund (TDF)	Alliance Bernstein ("AB")	£107,765,294.35
Quilter Lifestyle	Quilter Cheviot ("Quilter")	£61,029,553.75
Lifepath	Aegon/BlackRock	£201,210,569.23
Balanced Fund	TAM Asset Management ("TAM")	£176,852,991.68

As the Scheme is in wind up, with all assets due to be transferred to Smart Pension Mastertrust (Smart or SPMT) the findings of this report are limited by the fact that most Options strategies will not be continued. The investment advisor has therefore included the "Investment strategy targeting a flexible income (drawdown) – Sustainable Core" (Smart Sustainable Core) within the scheme's scenario analysis as this is the default the majority of members will be invested in after the transition. In addition, we have included an extract from Smart's own scenario analysis to provide further context.

1.3 Net Zero target

The Trustee set a target of achieving Net Zero by 2050, with a 50% reduction in greenhouse gas ("GHG") emissions by 2030 across the Scheme's investments. We continue to measure progress towards these targets and, while there have been challenges with inconsistent data across Investment Managers, we believe that, from the data available, the targets set are realistic however we recognise that with the transition Net Zero will not be achieved within the scheme. The Trustee is pleased to see that SPMT has their own Net Zero target of 2040 for their default growth fund, and hope to see a similar commitment made for the strategy Options members will be invested in. The provided TCFD data suggests that the move to SPMT should reduce overall emissions intensity for Options members as the target strategy has a Scope 1 & 2 Carbon Footprint of 45.5 CO₂e/£1m invested compared to Options 47.9 CO₂e/£1m invested. As Options Carbon footprint was estimated to potentially be able to achieve net zero by 2043 (assuming reasonable year on year average reductions of 3.6 tonnes CO₂e/£1m over the next two years and average reductions of 2.9 tonnes CO₂e/£1m for subsequent years) the Trustee believes that a similar target for the target strategy would be ambitious, but with Smart's additional resource plausible. Ultimately, however, the Trustee recognises that achieving net zero goals whilst maintain a well-diversified investment strategy is dependent on broader global decarbonisation occurring.

Both Quilter & AB, as well as seeing some rises in emissions intensity this year, have also both become proportionally larger sections of the mastertrust, further driving up overall intensity metrics. Part of the increase is attributed to increased data availability and coverage. More generally, rising global emissions and falling economic value at the end of Q1 2025 have contributed to broadly increased emissions intensity. This overall increase has unfortunately taken the scheme off target for its emission reductions. While it is disappointing to see a rise in emissions intensity, it is important to recognise that there have been reductions since 2019. A comprehensive table of metrics is shown in [Figure 17](#).

1.4 Scenario analysis

The DWP regulations require scenario analysis to be performed in order to test our investment strategy and compare the effect each scenario has on the expected returns and risk profile of each default strategy. This is required every three years and as such is a requirement for this year. The Scheme's Investment Consultant has provided an updated scenario analysis for this report. For further details see [Risk and returns modelling](#).

1.5 Scope 3 emissions

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

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

1.6 Climate beliefs

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

1.7 Limitations and data gaps

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

- The majority of the analysis is currently limited to Scope 1 and 2 emissions. Scope 3 data was requested from Investment Managers and availability has vastly improved however we believe Scope 1 & 2 still provides the most meaningful picture at present. In addition, data coverage by asset class varies significantly with Investment Managers still being unable to provide much detail on sovereign-issued bonds. Coverage is generally improving over time.
- In this report, we have limited our analysis to the four relevant default strategies which collectively account for approximately 95% of assets. We believe this selection provides a representative sample of the Scheme, although some degree of variation is expected to exist.
- Aegon was only able to provide metrics information at 31st December 2024, however we believe this should be representative of the position at March 2025.
- While consideration has been given to how investment strategies are likely to change over time, it is impossible to predict Investment Manager behaviour. This is further complicated as the scheme has triggered wind up and it is likely that the majority of assets will be moved to alternative investment strategies. As such, projections could change meaningfully as the investments change. The inclusion of the "Investment strategy targeting a flexible income (drawdown) – Sustainable Core" within the scheme's scenario analysis aims to partially account for this.

2. Governance

With the scheme in wind-up the Trustee's primary focus has been on ensuring the safe transition of member's assets to the Smart Pension Mastertrust. Climate-change has been a key priority to the Trustee, however ongoing activity has reduced as the timeframe for invested assets has also reduced. The Trustee has considered SPMT's climate goals and governance capability when assessing SPMT's suitability as a destination. The table below summarises relevant actions performed by or on behalf of the scheme during the scheme year. During the year the Trustee subcommittees were disbanded with their responsibilities returned to the full Trustee board.

Figure 4: Log of climate related responsibilities and activity

Governance	Roles & Responsibilities	Activity in 2024-25
Options Corporate Pensions UK Ltd ("OCPUK")	OCPUK are the main funders of the Scheme and have the authority to appoint the OWPT Trustee Board.	Activity undertaken by OCPUK: Supported Trustees in their TCFD and Climate Risk activities.
Trustee Board	The Master Trust Trustee Board is responsible for overseeing the governance, regulatory requirements and investment performance of funds held within the Master Trust, and to act in the best interest of all members to determine good member outcomes with regard to retirement benefits. The Trustee Board has ultimate responsibility for ensuring effective governance of climate-related risks and opportunities at the Scheme. The Board meets every quarter and has included climate-related training, best practice, risks and opportunities as a dedicated item at board meetings. Scenario Analysis is expected to be undertaken at least every 3 years, as it has been this year, with continuing reviews of reports conducted by Investment Managers and Consultants.	Activity undertaken by the Trustee Board: - Continue to approve and publish annual regulatory TCFD reports and constantly review TCFD, but is not deemed a high risk at present. - Assessed feedback from TPR with all recommendations incorporated in the 2024 TCFD report. - Satisfied themselves that the Investment Consultant demonstrated the 5 key themes of the Investment Consultants Sustainability Working Group and their guidelines as part of their competency assessment. - Encouraged paperless operation. - Maintained and monitored CRRs within the Risk Register, attached as Appendix 1 - Considered climate risk and opportunities alongside other risks and opportunities when making investment decisions. - Continued to press managers for better metrics and data. - Continued to engage with investment Managers on asset allocations and Climate goals. - Considered SPMT's own climate related goals, governance capability and their approach to TCFD and found them suitable.
Dean Wetton Advisory ("DWA")	The Trustee has appointed DWA as the scheme's independent investment consultant. DWA provides strategic advice on funds used in the scheme's default and self-select arrangements, including Section 36 advice. DWA considers ESG and climate-related factors when advising and selecting strategies. The Trustee sets objectives for DWA and the review process is run by the Investment Committee on behalf of the Trustee. Included in this review are climate-related objectives.	DWA has: - successfully renewed their application as a service provider for the Financial Reporting Council (FRC) UK Stewardship Code in its effort to promote transparency and integrity; - Continued to enhance and update their ESG & Climate rating system, providing analysis of both the Mastertrust's strategies and those of their competitors.

2.1 Data and information

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

- At least annual Scope 1 and 2 emission metrics¹ for the portfolio, with previous period change (and where possible Scope 3);
- At least annual carbon intensity metrics for the portfolio, with previous period change;
- A stewardship report produced at least annually detailing the Investment Manager's record for voting and engagement within the portfolio, including information on significant votes made on each equity fund which will include issues such as climate;
- Annual report detailing the portfolio's performance against agreed targets.

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

2.2 Commitments to wider initiatives

With our Investment Consultant, we have been engaging with our default Investment Managers on climate reporting and best practice. AB is a signatory of the Net Zero Asset Managers Initiative, though disappointingly Blackrock has decided to leave this initiative. TAM are participants of Carbon Neutral Plus.

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

3. Strategy

3.1 Introduction

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

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

In light of this, we consistently assess the impact of CRRO on our strategy across short-, medium- and long-term horizons. These timeframes were selected after careful evaluation to strike a balance between making meaningful progress and minimising any adverse effects on our members. By dividing our goals into these distinct periods, we can effectively manage any potential harm, particularly for those near retirement who may face challenges in recovering transaction costs incurred during asset transitions. Recognising that the scheme is in wind up the short term goals have adjusted to focus on what can be achieved pre-transition, with the longer term goals instead being assessments of SPMT's capabilities and commitments.

Our preference historically has been to engage rather than divest, for example in the 2023-2024 period our Investment Advisor engaged with Aegon and Blackrock about concerns that some of Blackrock's voting did not appear to be aligned with the Trustees' beliefs as they had voted against further climate disclosures in some cases. Blackrock's explanation was that they found some of these votes not in shareholders' interests as they were too binding or impractical for issuers. Options considered these factors during the planned consolidation of the target date funds. While members will see minimal benefit due to the consolidation into SPMT, in September 2025 Aegon adjusted their lifepath range to use more ESG aligned components in part to address these voting concerns.

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

	Short-term	Medium-Long term
Expected time horizon	Prior to transition to SPMT	Assessment of SPMT
Strategic considerations	Review the investment strategy and asset allocations against Net-Zero targets. Establish a scenario analysis process with focus on our two scenarios: Current Policies and Below 2°C, both considered somewhat orderly transitions.	Assess SPMTs Net Zero Commitments Review SPMTs TCFD report Consider suitability of SPMTs investment strategy against 2030 target achievements. Consider global progress towards tackling climate change and potential strategic responses.
Operational issues	Ensure continued regulatory understanding. Continue to consider CRRO into governance structures. Effectively manage transition to Smart without putting members at any undue risk. Recognise and manage the limitations to acting on CRRO caused by the shorter investment timeframe.	Understand SPMT's resource capability

3.2 Suitability of the current investment strategy

During the selection of Investment Managers, the Scheme's Investment Consultants have employed a process that includes evaluating ESG indicators for monitoring and appointing Investment Managers. DWA, our Investment Consultants, have devised its own ESG rating system which assesses the level at which Investment Managers incorporate ESG and climate factors into their strategies.

The Scheme has four default strategies that are covered by the requirements of the regulations: those that form over 10% of the total assets within the regulatory period. The table at Figure 6 shows the percentage in each of those defaults as at 31st March 2025 (with the exception of Blackrock which was provided at 31st December 2024). Each default is well diversified with a range of both active and passive strategies and a broad spectrum of asset classes and geographies.

The 31st March 2024 TCFD report identified several potential risks to the investment strategy, leading to the following activity and adjustments:

- Quilter has seen repeated increases in its intensity metrics, partly due to its move from a UK focus to a more globally focused asset allocation. This is because the UK is a relatively low producer of emissions compared to the global economy. While this will be beneficial from a risk perspective and will help diversify climate risk exposure across geographies it does make achieving the net zero goals harder. Quilter have acknowledged the importance of Net Zero and are developing their own goals, however they acknowledge that as a highly active strategy that invests in individual stocks small changes to the portfolio can translate to significant changes in carbon intensity. As the scheme is in wind up these assets will be sold.
- Progress continued to be made within the TAM default towards implementing a 'lifestyling' solution by including both a higher-risk and lower-risk fund alongside the balanced fund. By moving members between these funds based on their age, TAM will be able to control risk better across different member age groups. We believe this will allow TAM to better control many risks, including climate risks, and allow for improved response to risks and opportunities which may be more significant for particular age cohorts. An example of this is reduced risk for older members who may be less able to recover from any significant drawdowns in their portfolios, something that may become more likely as climate change intensifies. In addition, the change in strategy presents an opportunity to better align the investments with the Trustee's climate goals. Due to the scheme entering wind-up this 'lifestyling' arrangement will be delayed until after the transition and will be implemented within SPMT.

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

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

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

Overall, our Investment Managers have made progress in reducing the emission intensity within the Scheme's default funds and have actively taken measures and announced targets to minimise their own business impact, though there has been an increase in intensity metrics since last year. This in part comes from increasing global carbon emissions, particularly in developing nations. In addition, markets were struggling at the end of Q1 2025 which will increase intensity metrics that are based off economic value. Figure 6 provides a summary of the progress made:

Figure 6: Suitability of Investment Managers

Default Name - Investment Manager	Default % of overall scheme at Q4/2019 (based on AUM)	Default % of overall scheme at Q1/2025 (based on AUM)	TCFD report published	Net Zero Asset Manager Initiative/ Global Investor Statement on Climate Crisis	Net Zero Target as a Firm?	Change in WACI since 2019	Change in Carbon Footprint since 2019
TDF Fund Range - Alliance Bernstein	21%	19%	Yes	Yes	Net Zero Target by 2050	-55%	-73%
Life Path – Aegon BlackRock	50%	35%	Yes	Yes	Net Zero by 2030	-46%	-29%
Quilter Carey Lifestyle - Quilter Cheviot	17%	11%	Yes	No	Net Zero Target plus reduce GHG emissions by 80% by 2030	346%	132%
TAM Focused Balanced	6%	31%	No	No	Certified Carbon neutral status achieved through offsets	-29%	-28%
Total	92%	95%				-18%	-44%

Source: Fund Managers

3.3 Progress towards our Net Zero targets

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

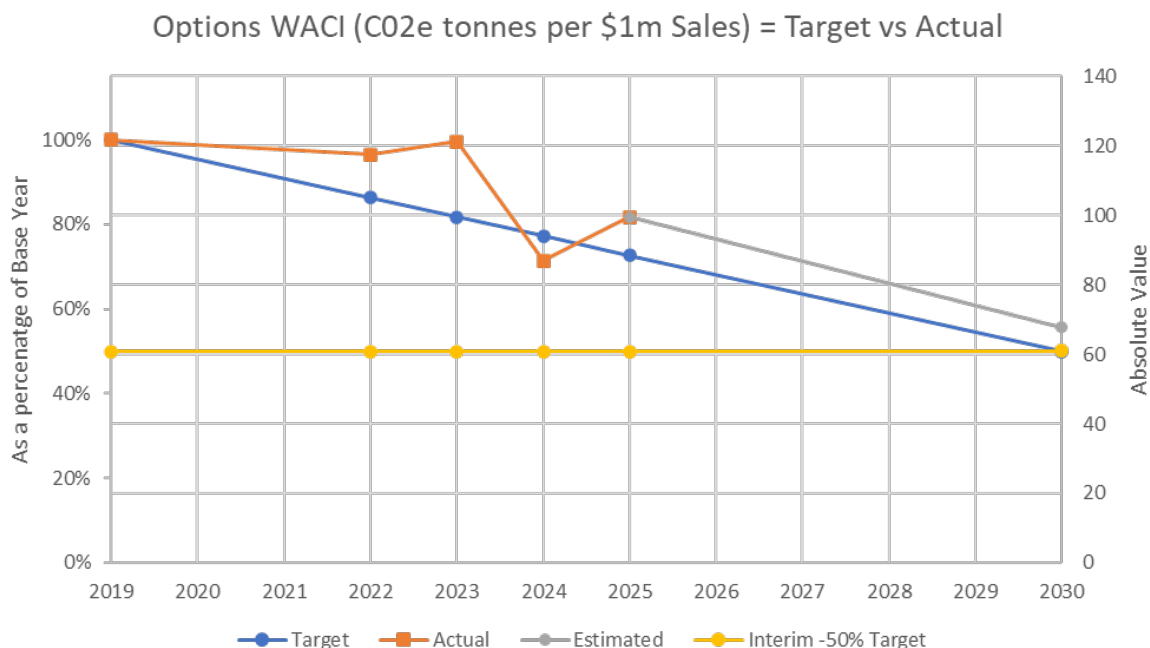
The progress towards attaining a 50% reduction in WACI by 2030 is depicted in Figure 7 below. Reductions in WACI since 2019 have been accomplished across each individual default with the exception of Quilter, which transitioned its strategic asset allocation from a UK-focus to a more globally-focus. Following this change, there was a significant increase in carbon emissions intensity for the Quilter default. Quilter believes that this diversification away from the UK helps protect against many geographical risks including Climate related risks. As Quilter is a predominantly active strategy it has the potential for the most volatile changes in carbon intensity as individual stock changes can make large differences to the overall intensity of the portfolio.

Both Quilter & AB, as well as seeing rising emissions intensity this year compared to 2024, have also both become proportionally larger sections of the mastertrust driving up overall intensity metrics. Part of the increase is attributed to increased data availability and coverage. More generally, rising global emissions and falling economic value at the end of Q1 2025 have contributed to broadly increased emissions intensity. AB also made a move away from Gilts and towards Equities and Corporate bonds which both further increased coverage and also resulted in investment in some higher intensity issuers. This overall increase has unfortunately taken the scheme off target for its emission reductions in terms of WACI, though there has still been a reduction in WACI of 18% since 2019.

While it is disappointing to see a rise in emissions intensity, it is important to recognise that there have been reductions since 2019. As the funds will be transitioned to SPMT it will become their responsibility to ensure further reductions in line with their own Net Zero goal of 2040. These charts do not take into account the

move to Smart, but instead consider the current position and the expected position should these investments be ongoing.

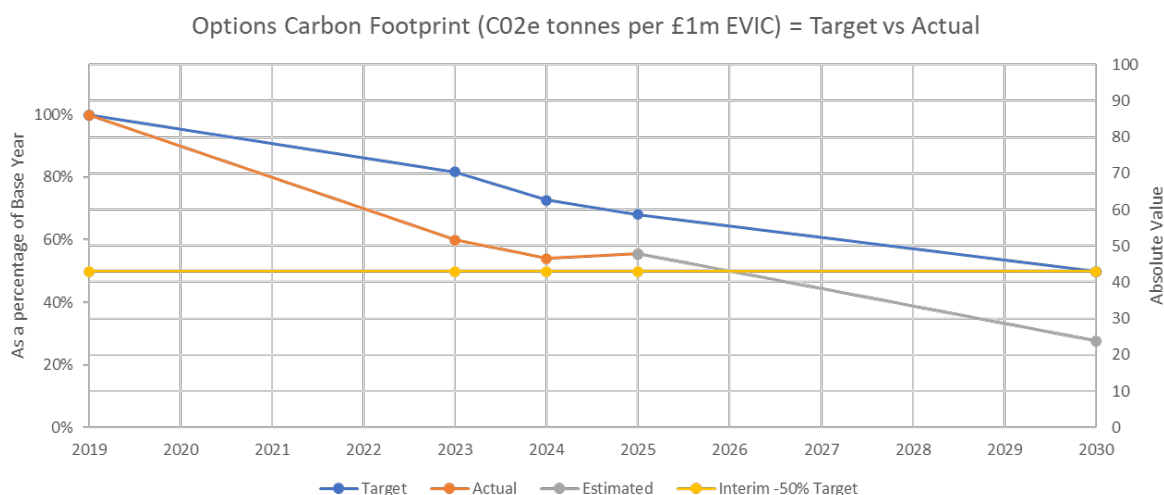
Figure 7: Progress towards Options' Net Zero target: WACI



Source: DWA, Fund Managers

We also prioritize a secondary metric, Carbon Footprint, which measures intensity relative to the amount invested. While this metric can fluctuate during periods of stock market volatility, it offers a crucial and insightful perspective. For similar reasons as WACI, Carbon Footprint has also seen an increase this year, however our assumptions on plausible ongoing reductions for these strategies suggest that Carbon Footprint remains on track to hit net zero should these investments have been continued.

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



Source: DWA, Fund Managers

Smart have reported their Scope 1 and 2 Carbon footprint for the Smart Sustainable Core Fund as 45.5 tonnes per £1m invested, this would represent a reduction of 47% compared to Options 2019 figure, making achieving a 50% reduction by 2030 highly likely.

3.4 Top climate-related risks

As 2025 is a scenario analysis year we have reviewed the top risks and opportunities. In doing so, the Trustees have taken into account that the assets of the mastertrust are transitioning to SPMT, therefore many of the long term policy actions are in Smart's hands. The Trustee still believes it is important to recognise these risks and opportunities. The full list of risks and opportunities is available in an extract from the Scheme's risk register in [Appendix 1](#). As before we divide short term and long term into pre and post transition, with an awareness that post transition the Trustee will no longer have control over the assets.

Figure 9: The top 5 climate-related investment risks and opportunities

Risk/Opportunity Type	Description	Possible Effect	Short-Term Impact	Medium-Long-Term Impact	Management/Policy Action
Transition opportunity	The Trustee continues oversight of the investment strategy and its suitability and alignment with the objective of achieving Net Zero.	Reduced risk of a disruptive transition and a positive culture based on a set of strong climate beliefs.	2	2	The Trustee has been encouraging SBTi progression in equities and corporate bonds for current managers. The trustee is aware that SPMT considers these factors as well.
Transition opportunity	Investment allocation towards sustainable energy infrastructure, companies, bonds and debt offers prospects for investment opportunities, access to new markets and enhanced energy diversification.	Expected to stimulate technological advancements and generate fresh investment opportunities, particularly within the DC pensions market.	1	3	The Trustee has encouraged an increase in exposure to decarbonisation solutions/green revenues, but recognises the short timeframe makes further invest difficult at present. The Trustee recognises that SPMT is making significant investments in renewables.
Transition/ physical Risk	Lower GDP forecasts from mega trends identified, e.g., lower consumption patterns and adaptation requirements.	Combination of climate factors could reduce equity returns across all defaults as an overall depressant to economic activity which may become more negative over time.	1	3	Lower levels of GDP have been factored into Scheme modelling assumptions. Little action Options or SPMT can take to influence.
Physical Risk	Damage to property and infrastructure, particularly in locations of chronic risks, e.g., heat stress or sea-level rise within the Scheme's investments.	The TDF, Lifepath and QC have direct property investments ranging from 3% to 8%. Loss of value, market illiquidity and asset obsolescence are risks that are likely to increase over time.	1	3	These assets are being sold out of as part of the transition to SPMT. SPMT will have their own property and infrastructure investments they will need to monitor accordingly.
Physical Risk	Increased market volatility from acute extreme weather events in G7, e.g., a superstorm in the USA	Short-term market weakness from acute events causing interruptions in portfolio activity across all defaults which could happen more often over the medium-to-long term.	1	3	Higher levels of equity volatility have been incorporated into risk models for to assess the resilience of the investment strategies to climate risks

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

3.5 Risk and returns modelling

In order to comply with their requirements to complete scenario analysis this year, the Trustee has requested the Investment Consultant conduct risk and return expectation analysis. This analysis assesses the potential impact of two distinct climate scenarios on a pension pot across various member age groups. The climate scenarios utilised in this analysis remain broadly consistent with the ones employed in previous years' TCFD reports, however they have been updated to reflect changes in global approaches to climate change since the first report.

Figure 10: Summary of the two scenarios selected by Options

Below 2°C Scenario Summary	Current Policies Scenario Summary
Governments gradually increase the stringency of climate policies, giving a 67% chance of limiting global warming to Below 2°C. This scenario assumes climate policies are introduced immediately and become more stringent over time, though not as tough as in Net-Zero 2050 the time frame has shortened since our first scenario analysis and greater action would be needed. We therefore expect a significant disruption over the shorter term, followed by a prolonged period of weakened growth while economies adapt. Carbon dioxide removal (CDR) measures are relatively low. Net-Zero CO₂ emissions are achieved after 2070. Beyond 2070 to the end of the century it is expected that markets will generally stabilise with a slightly increased risk. Physical and transition risks are still both relatively low but have increased.	While many countries have started to introduce climate policies, they are not yet sufficient to achieve official commitments and targets and if no further measures are introduced, 2.7°C to 3°C or more of warming could occur by 2100. The situation has been exacerbated by since the initial analysis by the USA and other countries moving away from their climate commitments. Continuing on this path will likely result in deteriorating living conditions in many parts of the world and lead to some irreversible impacts like sea-level rise. Physical risks to the economy could result from disruption to ecosystems, health, infrastructure and supply chains. Economic impact may be minimal in the shorter term however by the mid-century we would expect increases in economic disruption from climate related events and more severe action from nations to compensate. Despite this we expect long term reductions in economic growth and stability.

3.6 Below 2°C Scenario: Expected returns results

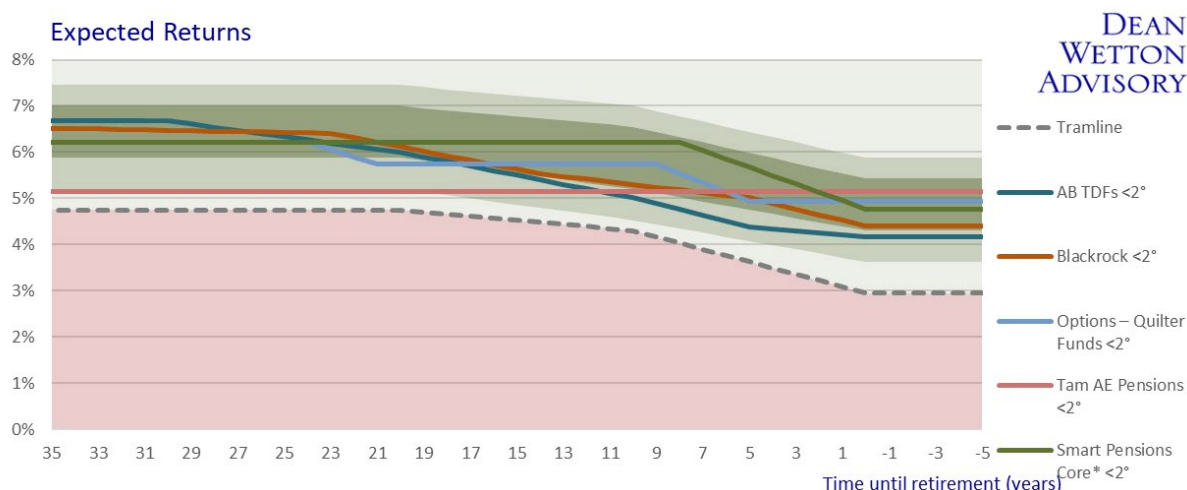
The model referred to as the "Fairway" model, presented below, takes into account a dynamic economic landscape across different climate scenarios. It incorporates adjustments to the anticipated risk and return for each asset class, considering DWA's comprehension of the asset classes and the extent of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

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

As this is a scenario analysis year, we have updated our assumptions based on perceived changes to the impact of each of the scenarios, recognising that in the last three years there has been an increase in negative sentiment towards tackling climate change, which has delayed vital action. We also have newer and more recent risk and return data which has been added to the models, Expected Return adjustments are based on expected changes in GDP under different scenarios. Baseline risk is adjusted, as expected, on a proportionate basis.

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

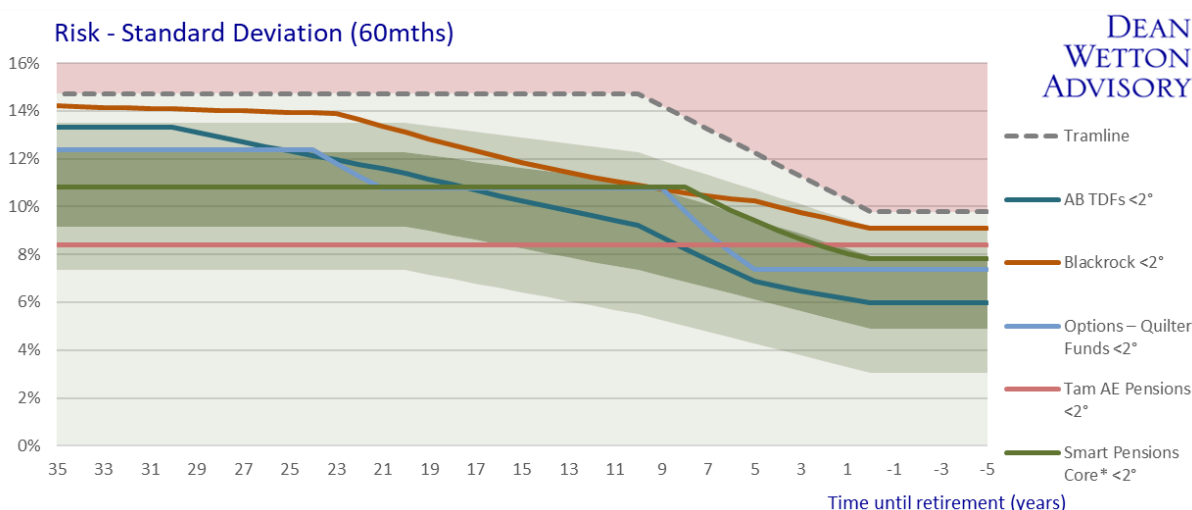
Figure 11: Below 2°C Expected Returns Impact



Source: DWA, Fund Managers

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

Figure 12: Below 2°C Risk Impact



Source: DWA, Fund Managers

In the Below 2°C scenario, we see a relatively benign increase in risk compared to a scenario which does not account for CRRO for all ages and investment options, though all strategies remain within the green areas which would imply an acceptable range. This shows that volatility is likely to reach levels that would have been concerning on a historical basis. In practice, there is little that members will be able to do to avoid these risks which may be necessary to take on in order to pursue sufficient returns.

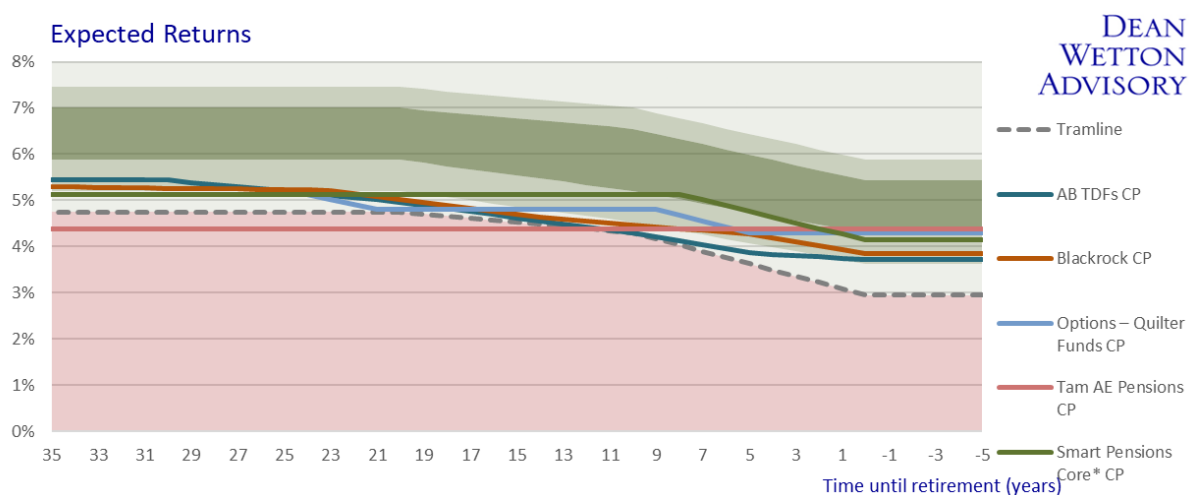
The above charts together note that younger members are more likely to be significantly affected by climate factors than older members, particularly as it is likely that equity markets will see the brunt of any market

impacts resulting from climate change. They further emphasise the possibility of increased volatility in the value of the portfolio which can only be partially mitigated by diversification. A positive takeaway is that the Smart Strategy is expected to have relatively normal risk levels, protected by its accounting for CRRO. The Trustee is reassured that Options members are likely to be well taken care of in SPMT

3.7 Current Policies Scenario: Expected Returns results

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

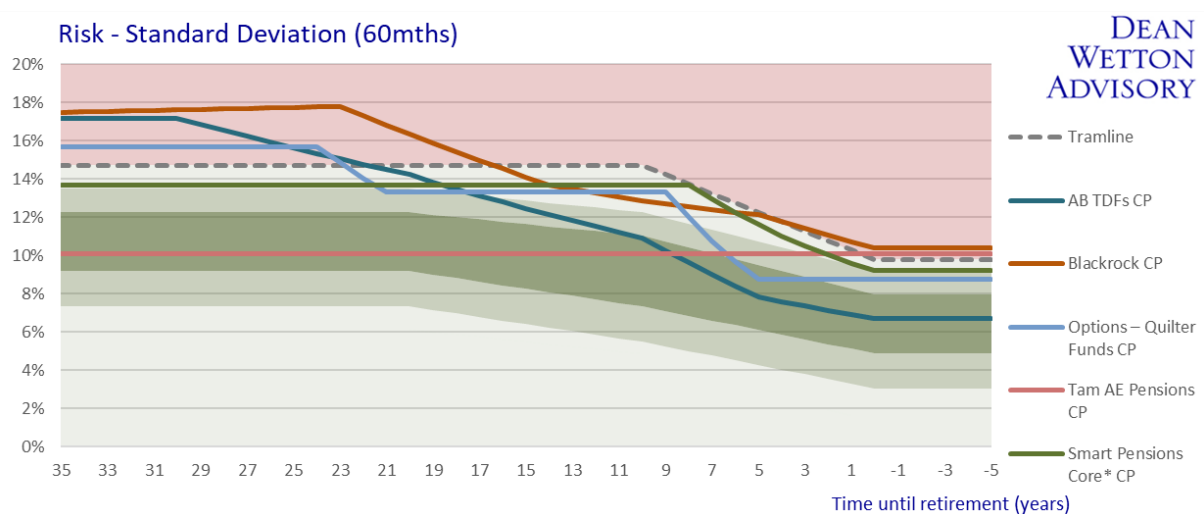
Figure 13: Current Policies - Expected Returns Impact



Source: DWA, Fund Managers

In the Current Policies scenario, we expect returns to continue at normal levels in the short-to-medium term. The increased damage done by climate change as a result of little to no significant action being taken against climate change, will negatively affect growth potential over the long term and beyond. This will have a greater overall negative effect compared with the Below 2°C scenario over the 30-year period considered. Figure 13 shows the average impact over the 30 years, including the initial benign period with worsening conditions as the impact becomes more extreme, though we expect some adaptation. Again, we are pleased to see that the SPMT strategy fairs comparatively well in this scenario, which the Trustee hopes will be protective for members' assets in the future.

Figure 14: Current Policies - Risk Impact



Source: DWA, Fund Managers

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

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

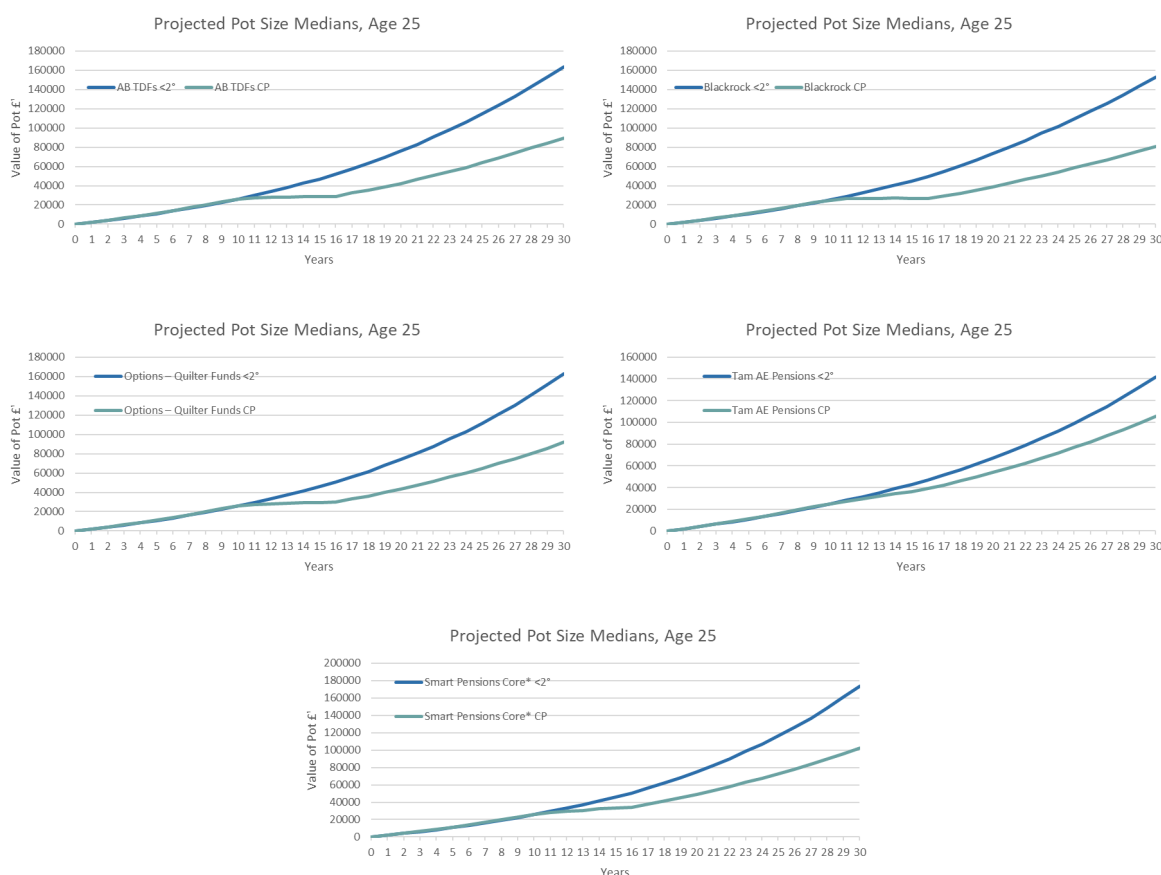
Again, the Smart strategy is expected to comparatively better handle risk for younger members which the Trustee hope will be beneficial for Options members.

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

3.8 Comparing impact

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

Figure 15: Impact on pension pots



Source: DWA, Fund Managers

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

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

3.9 Smart's Own Analysis

In light of the transition, Smart have shared their own scenario analysis with us to better helps us understand how Options members will be impacted in the future. In contrast to Option's approach, Smart look at three different scenarios in their analysis.

Scenario	Years 1-5	Years 6-10	Years 11-15	Years 16-20
Green revolution 2100 temperature pathway at or below 2 degrees	•Short term concerted policy action and investment in new technology •Immediate introduction and ramping up of carbon pricing •Policy actions to reduce reliance on fossil fuels for electricity generation and transportation •Government/corporate spending on "green solutions" and favourable tax position for sustainable strategies •Significantly improved climate disclosures help market prices adjust to reflect expectation of "new normal" •Market repricing in response to companies reaction and preparedness		•Further policy action to maintain policy intent and acceleration of timeframes for change •Continued ramp up of policy actions sees carbon emissions fall rapidly •Expectations of the reliance on technological solutions for negative carbon emissions in future fall •Markets weed out poor performers on climate, fast adapters do well	•Policies have forced companies to pursue more sustainable agendas and take account of externalities through explicit pricing mechanisms •Innovation is rewarded and expectations of physical impact from climate change are therefore expected to be more limited. •Expectations of meeting 2 degree targets are high •Modest physical impacts are seen such as reduced crop yields and increased precipitation. •Renewable energy now represents a significant proportion of energy usage and is continuing to trend upwards.
Delayed transition 2100 temperature pathway at or below 2 degrees	•Limited investment and policy measures are introduced, perhaps inconsistently across the globe. •Modest government spending on adaptation •No significant market repricing or physical risks	•Concerted policy action as Paris commitments are reviewed and enforced. Action is more extreme and disruptive than may otherwise have been needed •Carbon pricing is implemented with prices rising higher and faster than under the smooth transition •Government spending is redirected as climate priorities take hold •Pricing adjusts in face of growing policy action •Some businesses respond quickly, leading to divergence between them and climate laggards	•Outcomes similar to Green Revolution, with high expectations of meeting 2 degree targets	
Head in the sand 2100 temperature pathway above 2 degrees	•No material policy action •Governments pursue own agendas and societal pressure for change is resisted •No significant market repricing or physical risks	•Low effort at climate adaptation with policy failure and adherence to current ways of thinking •Little concerted effort, countries pursue their own interests	•Growing fear that world is on track for more than 2 degrees temperature increase creates market uncertainty and price adjustments •Increased likelihood of acute physical impacts on businesses •Increased government spending in response to immediate environmental damage, concentrated on short-term mitigation measures •Attempts to respond by governments and businesses are generally piecemeal and ineffective	

Source: Smart Pension Master Trust Climate Scenario Analysis performed by Hymans Robertson

Both the Green Revolution and Delayed Transition anticipate temperature rises of below 2 degrees. The Trustees consider Options' own below 2 degree scenarios as combining elements of both of these two scenarios, but believe it is likely closer to the green revolution scenario as they believe that achieving less than 2 degrees of warming will require more immediate action.

The head in the sand scenario is comparable to Options' Current Policies scenario, though the Current Policies scenario anticipates more climate action in the medium term as the effects of climate change become more apparent. The Current Policies scenario could therefore be considered as between "Delayed Transition" and "Head in the sand".

For Smart's scenario analysis 5000 simulations were run. The "Expected Pot Size" shows the median average outcome of all these simulations. The "Bad" outcome shows the average of 5% of the worst outcomes. They assume three members:

- A 25 year old with an annual salary of £20,000
- A 40 year old with an annual salary of £22,500
- A 60 year old with an annual salary of £25,000

Each member has a pot size of £5,000, an 8% contribution rate and a retirement age of 65. The analysis assumes that each are invested in the Sustainable Growth Core Drawdown strategy over the next 20 years. A base case is compared to each of the scenarios to identify the impact. The results are as follows:

Expected Pot Size (£p.a.)				Bad Outcome Pot Size (£p.a.)			
	25-year-old	40-year-old	60-year-old		25-year-old	40-year-old	60-year-old
Base	175,993	92,903	16,533	Base	46,218	36,385	12,297
Green revolution	174,428	88,249	16,332	Green revolution	46,981	38,078	11,999
% change	-1%	-5%	-1%	% change	+2%	+5%	-2%
Delayed Transition	173,931	92,520	16,494	Delayed Transition	50,418	34,906	12,428
% change	-1%	+0%	+0%	% change	+9%	-4%	+1%
Head in the Sand	166,685	88,217	16,603	Head in the Sand	42,090	34,509	12,352
% change	-5%	-5%	+0%	% change	-9%	-5%	+0%

Source: Smart Pension Master Trust Climate Scenario Analysis performed by Hymans Robertson

Smart expect a less pronounced impact on the long term returns compared to Options. Hymans Robertson report that younger members are likely to relatively suffer in a head in the sand scenario, though older members are minimally affected in both the typical and bad outcome, with other non-climate related factors being more relevant.

4. Risk Management

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

4.1 Climate Risk Processes

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

A new round of scenario analysis occurred this year, as this mandated by the DWP to occur every three years. The investment advisor updated their scenarios to reflect changes since the first report was completed.

The Options' Risk Register, available in [Appendix 1](#), has been updated to reflect changes in the CRRO. The Trustee are aware of the shortened investment timeframe of Options assets with the transition to SPMT, but recognise their stewardship duty remains until the transition. In addition, many of the risks will be present within SPMT, however the Trustee has satisfied themselves that SPMT are sufficiently engaged and proactive on these issues.

The Trustee has established targets to reduce the emissions of the Options investments. While the scheme going into wind up means these targets ultimately will not be met within Options, the Trustee is satisfied that SPMT's net zero target of 2040 is well aligned with the Trustee's own beliefs.

4.2 The role of engagement in managing climate risks

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

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

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

Figure 16: Engagement examples

Engagement Examples	
AB (Amundi) – Swire Properties	Blackrock - Shell
Amundi are having ongoing engagements on Swire's transition to a low carbon economy. As a result of these engagements Swire have now developed their own transition strategy. Amundi will continue to engage to monitor implementation.	BIS takes a constructive, long-term approach to our engagement with companies and focuses on the management and oversight of the drivers of risk and financial value creation in a company's business model. Engagement may also help inform our voting decisions for those clients who have given us authority to vote on their behalf. BIS has had extensive, multiyear engagements with Shell where Blackrock have discussed, among other topics, board composition, corporate strategy, and the board's oversight of, and management's approach to, climate-related risks and opportunities. Our approach as an asset manager to climate-related risks, and the opportunities presented by a low-carbon transition, is based on our fundamental role as a fiduciary to our clients. The money Blackrock manage is not our own it belongs to our clients, many of whom make their own asset allocation and portfolio construction decisions. BlackRock's role is to help our clients navigate investment risks and opportunities; it is not our role to engineer a specific decarbonization outcome in the real economy. As a fiduciary asset manager, Blackrock want to hear about the impact that material risks and opportunities arising from climate change and a low-carbon transition are expected to have on the strategies, business models and financial performance of the companies in which Blackrock invest on clients' behalf.
Quilter - Linde	TAM (Wellington US Quality Growth) - Williams
Linde is a carbon intensive company that is aware of the pressing need to reduce emissions and the benefits available in capturing the opportunities a lower carbon economy presents. It has set a medium term target to reduce operational emissions which has been verified by the Science Based Target Initiative. Scope 2 emission reductions should progress as national energy grids continue to decarbonise, using a greater mix of renewable and low carbon energy. The company has demonstrated efforts to accelerate this process through pursuing renewable and low carbon power purchasing agreements. Significant reductions in Scope 1 emissions are contingent on technological advances in applying carbon capture to hydrogen production facilities (moving it from grey to lower carbon blue hydrogen) and eventually proving the viability of scalable green hydrogen. Supported by policy initiatives in the US,	Williams is a pure play midstream gas company and is set for growth acceleration over the next 5-10 years as a shortage of gas pipes in the Mid-Atlantic and Southeast America are leading to pricing and higher free cash flow generation. Natural gas is an important component of the energy transition, and Wellington believe the management team and board are well positioned to ensure the company is meeting current demand while accelerating the pace of emissions reduction. Wellington engaged with Williams on their Net Zero goals on several occasions in 2024. Williams is viewed as a leader on emissions reductions targets within the industry, having recently set a new 30% scope 1&2 emissions reduction target by 2028 (vs 2018 base year). Williams' new board and commitment to emissions targets, set in response to investor feedback, build a structure for success needed in the natural gas industry. Wellington have observed strong progress

the company has promised significant investment in retrofitting existing facilities with carbon capture technology. Linde is active in early-stage green hydrogen projects (c. 80 worldwide) but are some distance from demonstrating scalable production volumes. In conclusion, relative to the sector, progress is encouraging and a shift to an absolute medium-term emissions reduction target is welcome. Quilter expects to see the company release a Scope 3 emissions reduction target in 2025/2026. This would add to the comprehensiveness of an already detailed climate transition plan. Outcome: Overall progress is encouraging, and Quilter are comfortable with the company's stated ambitions and targets – despite technological headwinds related to the scalability of green hydrogen. The next few years will be critical in demonstrating whether this framework can be implemented successfully. Quilter will monitor developments moving forward.	towards that goal already and have conviction in the management team's ability to continue to drive positive change towards NZ, however setting and working towards methane intensity targets will be an important next step in the company's multi-year asset modernization plan. The stock ranks most attractively in our process for quality and capital return to shareholders.
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The Trustee has decided to engage with Investment Managers, predominantly through our Investment Consultant, though have also in previous years hosted meetings in manager's offices, to encourage better disclosure and practices related to CRRO. The Trustee recognises engagement is often far more effective than divestment when dealing with issuers with poor climate practices. As such, while limited in their ability to take direct action with issuers, the Trustee have historically selected and retained Investment Managers who value engagement and stewardship. While the Trustee has been disappointed to see Blackrock move away from their goals on Climate related issues, which was a factor in the now cancelled plans to consolidate these funds into the AB TDFs, the Trustee is pleased to see that Aegon, who offer the Lifepath TDFs in the UK, continue to value ESG and Climate Change CRRO management and are willing to make adjustments in the strategy to accommodate this.

5. Metrics and Targets

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

5.1 Metrics and targets related to our investments

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

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

		Base year - Q4 2019				Current year				
Default Name	% of Total Scheme Assets	WACI	Carbon Foot-print	Absolute Carbon Emissions	Absolute Carbon Emissions (Scope 3)	% of Total Scheme Assets	WACI	Carbon Foot-print	Absolute Carbon Emission	Absolute Carbon Emissions (Scope 3)
AB TDFs	21.3%	171	218	8,110	34,382	18.8%	76.4	56	12,649	51,458
Lifepath 31 Dec 2024	50.2%	140	65	5,687	N/A	35.1%	75.5	46	9,276	76,402
TAM	5.0%	129	55	483	3,233	30.8%	91.9	41	6,984	81,047
Quilter	15.7%	54	26	709	10,625	10.6%	240.8	46	3,672	27,539
Scheme Total	92.3%	122	86	16,238	114,674	95.3%	99.4	47	32,581	236,446

Source: DWA, Fund Managers

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

Metrics formulae:

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

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

$$\text{Absolute Carbon Emissions} = tCO_2$$

Reductions in WACI since 2019 have been accomplished across each individual default with the exception of Quilter, which transitioned its strategic asset allocation from a UK-focus to a more globally-focus. Following this change, there was an increase in carbon emissions intensity for the Quilter default. Quilter believes that this diversification away from the UK helps protect against many geographical risks including Climate related risks.

Both Quilter & AB, as well as seeing rising emissions intensity this year have also both become proportionally larger sections of the mastertrust, further driving up overall intensity metrics.

AB, the primary investment manager, has attributed their increases to the following factors:

- Coverage rates are higher in 2025 than in 2024, so more data has become available replacing 'N/A' data points.
- There was a shift in allocation, away from Gilts and towards equities and corporate credit. This drove an increase in data availability and coverage.
- Over the year, there was also a 10-15% increase in underlying securities held in the corporate bond allocation, and some of the issuers added have carbon emissions that are appropriate to their sectors

and scale, for example Wells Fargo and International Consolidated Airlines Group, which increased overall carbon emissions for the TDFs on aggregate.

- To a smaller extent, currency movements have also contributed to increased carbon metrics year-on-year.

More generally, rising global emissions and falling economic value at the end of Q1 2025 have contributed to broadly increased emissions intensity. This overall increase has unfortunately taken the scheme off target for its emission reductions.

While it is disappointing to see a rise in emissions intensity, it is important to recognise that there have been reductions since 2019. As the funds will be transitioned to SPMT it will become their responsibility to ensure further reductions in line with their own Net Zero goal of 2040. Having considered Smart's investment proposition as part of their own scenario analysis in [Risk and returns modelling](#), the Trustees are satisfied that SPMT have made strong commitments towards net zero, are robustly considering CROO and are confident that the changes they are making to their own investments are likely to lead towards them hitting their goals.

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

Figure 18: Snapshot of Options' non-emission metrics as at Q1 2025

Default Name	% Invested in Green Solutions*	% Invested with SBTI Goals	% Invested in Thermal Coal
AB TDFs	1%	42%	2%
Lifepath ^{31 Dec 2024}	8%	34%	0%
TAM	0%	24%	1%
Quilter	7%	40%	4%
Scheme Average	4%	33%	1%

Source: DWA, Fund Managers

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

Our Investment Managers have provided the metrics for their respective funds, however, there are a number of caveats attached to the metrics provided. The metrics in this report represent our best estimate of the situation at this time, though we acknowledge that coverage is still not complete and therefore these numbers cannot be guaranteed.

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

As previously, BlackRock have been unable to provide WACI numbers for 2019 and, as such, we have derived these from the Carbon Footprint metrics provided and benchmarked against the other Investment Managers. In addition, they could only provide data for Q4 2024 rather than Q1 2025 however we believe the data provided is representative of the likely Q1 2025 position.

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

Coverage of sovereign bond issuers remains weak across Investment Managers, though this has improved this year. The actual position of the scheme could be materially different if coverage were improved.

The assets covered by this report constitute c.92.3% of the total assets as at Q4 2019 and c.95.2% of assets as at Q1 2025. The remaining assets are spread amongst the other smaller defaults and a small self-select range. We believe that, as this report covers the majority of assets and on a broadly increasing basis, this is representative of the full Scheme impact.

The metrics in this report represent our best estimate of the situation at this time.

Figure 19: Metrics and targets with progress to date

Metric	Metric Explained	Our Target	Target Progress as at end-Q1 2025
Primary Metric – Weighted Average Carbon Intensity (WACI)	A climate metric that measures the amount of carbon emitted per unit of measure. In the case of this report, Carbon Intensity is measured by calculating the carbon intensity (Scope 1 + 2 Emissions / \$1M Sales) for each portfolio company. WACI will be used as the primary metric to measure and track Options' progress towards achieving its net-zero target.	The carbon intensity metric will complement the measurement of the Scheme's overall emission target of Net Zero by 2050 and a 50% reduction by 2030.	The Portfolio-Weighted Average Carbon Intensity (WACI) measured in tonnes of CO ₂ e/\$1m of revenues was estimated to be 121.6 as of 31 December 2019 and has reduced to 99.5 as of 31 March 2025.
Primary Metric - Absolute Carbon Emissions	We measure Scope 1 and 2 emission metrics for the default strategies in tonnes of CO ₂ e. Scope 1 is all direct emissions from the activities under an organisation's control, and Scope 2 is indirect emissions from electricity or energy used by an organisation. We have attempted to collect Scope 3 emissions data where possible. Coverage is generally weaker for Scope 3 emissions.	While it is a regulatory requirement to provide the Absolute Carbon Emission metric for each default as well as the overall Scheme, it will not be used to measure against our targets. This is because of the continuous change in the size of our Assets Under Management (AUM), for example, an increase in assets may increase the total emissions of the portfolio despite a reduction in the intensity of carbon emissions across the portfolio.	Options' total Scope 1 and 2 GHG emissions for our investments in our base year of 31 December 2019 were an estimated 16,238.5 metric tonnes of CO ₂ e; this absolute figure has increased to an estimated 27,468.1 metric tonnes as at 31 March 2025, though it should be noted that AUM has increased from £174.1m to £573.8m for the Scheme. Total Scope 3 GHG emissions were estimated to be 114,674.0 metric tonnes CO ₂ e in our base year of 2019, rising to 248,738.2 metric tonnes CO ₂ e as at 31 March 2025.
Other Metric - SBTi	The Science Based Targets initiative drives ambitious climate action in the private sector by enabling companies to set science-based emissions reduction targets.	We aim for 50% of equity investments in companies with externally verified net-zero targets (with the SBTi or another external verifier) by 2025.	As of March 2025, the portion of Scheme-wide investments in companies with SBTi objectives is approximately 33%

Metric	Metric Explained	Our Target	Target Progress as at end-Q1 2025
Other Metric – Green Revenues	Expressed as a percentage, this metric measures the green revenue exposure of a company's revenue aggregated for the portfolio. The measure is based on a comprehensive taxonomy for green products and services.	As the default Investment Managers improve their coverage of Green Revenue reporting, the Trustee will consider a target for this in Options' overall targets.	As of March 2025, the portion of Scheme-wide investments producing Green Revenues progression is approximately 4%.
Additional Metric – Carbon Footprint	A portfolio's Carbon Footprint is the sum of a proportional amount of each portfolio company's Scope 1 and 2 emissions (proportional to the amount of stock held in the portfolio) in tonnes of CO2e per \$1m invested based on Enterprise Value Including Cash (EVIC).	Although WACI is being used to measure our target towards Net Zero, we believe Carbon Footprint would be a better metric to use, but note coverage is generally smaller.	Options' average Carbon Footprint for our investments using our base year as at Q4 2019 was an estimated 86.1 CO2e/£1m of EVIC, by 31 March 2025, this had decreased to an estimated 47.9 CO2e/£1m.

Source: DWA, Fund Managers

5.2 Steps to manage pension Scheme's own operational impact

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

- The Trustee travel policy includes a provision that Trustee meetings will, by default, be held using Microsoft Teams with. Face-to-face meetings will be held in order to preserve important relationships.
- The Options Trustee Board encourages operations to be paperless where possible.
- The Trustee requests information on their suppliers' climate impact, results are used as a factor when reviewing and maintaining these suppliers.

SIGNATURE OF CHAIR

This report was approved by the Trustee on

and signed on its behalf by:

Chairperson:

Represented by:

Date:

Appendices

Appendix 1: Risk Register - extract of climate-related risks (updated Jun 2025)

Gross Risk Score					Current Status Risk Score			Additional Mitigation Plans
Ref	Risk	Probability	Impact	Gross Risk Score	Current Controls	Robustness Score	Residual Risk Score	
TCFD 01	Ensure-transition and physical risks affecting Scheme investments are managed	3	3	9	TCFD process aims to ensure that transition and physical risks are embedded into the processes of the Trustee, consultants and Investment Managers. Specific transition and physical risks added in their own right to the risk register, as seen in this table. The Scheme SIP amended to include climate risks. The ISC will constantly review with DWA. The scheme is winding up into a scheme perceived to similarly have a robust approach to climate risk and opportunity.	4	5	Ongoing monitoring of process by managers and consultants to utilise information about climate risks.
TCFD 02	Increased volatility from extreme events in G7	3	3	9	Higher drawdown risk: acceptance of additional risk.	2	7	
TCFD 03	Lower GDP forecasts reducing overall equity returns	3	3	9	Little mitigation possible; acceptance of risk. Consolidation into larger mastertrust may increase viability of higher return seeking private markets assets.	1	8	
TCFD 04	Damage to property portfolio, particularly in location of severe rainfall or sea-level rise leading to loss of value, market illiquidity, asset obsolescence	3	3	9	Portfolio diversification Completed mapping/ review of real estate investments to identify risks	4	5	
TCFD 05	Exposure to sectors with transition and physical risks in equities	3	3	9	Monitoring static and scenario-related exposures. Diversification	4	5	

Gross Risk Score					Current Status Risk Score			Additional Mitigation Plans
Ref	Risk	Probability	Impact	Gross Risk Score	Current Controls	Robustness Score	Residual Risk Score	
TCFD 06	Further opportunity to invest in low carbon energy supplies	3	3	9	Monitor solutions figures across Scheme. Consolidation into larger mastertrust may increase viability of direct investment.	4	5	
TCFD 07	Regulations introducing TCFD need to be complied with by October 2022 and repeated every subsequent year. Failure to do so will result in breach of regulations. Changes in regulation must be monitored.	1	3	3	TCFD projects have been undertaken and completed by DWA. We are currently on Schedule to deliver this year's report.	2	1	
TCFD 08	Risk of loss of trust and confidence in Scheme if Net Zero not addressed	2	2	4	Net-zero scheme targets set – see metrics & targets section Managers engaging with Net Zero issues Winding up into scheme with clear Net Zero Goals.	3	1	
TCFD 09	Ensuring resilience to severe weather on an operational level including sponsor	2	1	2	As the Trustee is a virtual entity, the risks are diversified, but sponsor office remains a risk and BCP should be in place. Scheme in wind up reducing relevance of specific sponsor.	2	0	
TCFD 10	Improving transition resilience in supply chain	1	2	2	Options requested information about providers steps to reduce emissions. Scheme in wind up reducing relevance of specific supply chain.	2	0	
TCFD 11	Increased regulation and disclosure of investment activities	2	3	6	Early adoption of TCFD for Scheme and regular commissioning of scenario analysis Trustee training on TCFD and ESG issues Scheme in wind up reducing impact of future regulations on scheme.	5	1	

Acknowledgements

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

Glossary of terms

Glossary	Explanation
BCP	Business continuity planning (BCP) is the process involved in creating a system of prevention and recovery from potential threats to a company.
BES	Describes the Bank of England's Climate Biennial Exploratory Scenario that stress tests the resilience of the current business models of the largest banks and insurers in the UK.
Capital goods	This is a sector which includes buildings, machinery, equipment, vehicles and tools. Capital goods are not finished goods; instead, they are used to make finished goods.
Carbon footprint	Is the total amount of greenhouse gases (including carbon dioxide and methane) that are generated by human actions.
Climate-related opportunity	Refers to the positive impacts related to climate change on an organisation. Efforts to mitigate and adapt to climate change can produce opportunities for organisations, such as the development of new technology, products and saving of resources.
Climate-related risk	Refers to the potential negative impacts of climate change on an organisation, being physical and transition risk factors.
CRRO	Climate-related Risks and Opportunities
CVaR – Climate Value at Risk	CVaR from MSCI is designed to provide a forward-looking and return-based valuation assessment to measure climate-related risks and opportunities in an investment portfolio. The fully quantitative model offers deep insights into how climate change could affect company valuations.
Decarbonisation	Refers to all measures through which a business sector or an entity – a government, an organisation – reduces its carbon footprint, primarily its greenhouse gas emissions, carbon dioxide (CO ₂) and methane (CH ₄), in order to reduce its impact on the climate.
DWA Fairway Model	A model created by our investment consultant which measures various risk-and-return metrics compared with a member's distance from retirement. The model also includes red and green boundaries to give a general idea of what values would be appropriate for a DC pension scheme. The model allows us to assess the appropriateness of an investment strategy across the member's whole journey and identify areas of concern and an overview of the long-term expected returns of an investment strategy.
Emission Intensity	A climate metric that measures the amount of carbon emitted per unit of measure. In the case of this report, Carbon Intensity is measured by calculating the carbon intensity (Scope 1 + 2 Emissions / \$M Sales) for each portfolio company.
Energy sector	Refers to the generation of power from oil, gas, nuclear and renewable resources such as wind and solar.
Equities	These are typically investments made into companies whose shares are traded on a stock exchange.
ESG	Refers to Environmental, Social and Governance. Investors are increasingly applying these non-financial factors as part of their analysis process to identify material risks and growth opportunities.
Financial Stability Board	The Financial Stability Board (FSB) is an international body that monitors and makes recommendations about the global financial system. It was established after the G20 London summit in April 2009. The FSB includes, amongst others, all G20 major economies and the European Commission.
G20	The G20, or Group of Twenty, is an intergovernmental forum comprising 19 countries and the European Union (EU). It works to address major issues related to the global economy, such as international financial stability, climate change mitigation and sustainable development.
GDP	Gross domestic product or GDP is a measure of the size and health of a country's economy over a period of time (usually one quarter or one year). It is also used to compare the size of different economies at a different point in time.
GHG	There are six types of Greenhouse Gas - listed in the Kyoto Protocol: carbon dioxide (CO ₂); methane (CH ₄); nitrous oxide (N ₂ O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); and sulphur hexafluoride (SF ₆)
GHG – Greenhouse Gas Emissions	GHG is a gas that absorbs and emits radiant energy within the thermal infrared range, causing the greenhouse effect and leading to global warming. GHG emissions are often measured in carbon dioxide (CO ₂) equivalent.
Gilt	Gilts are government-issued bonds.

Glossary	Explanation
Greenhouse gas emissions	Relate to the total quantity of greenhouse gases being emitted
Green revenues	Weighted average of fund constituents' percentage of revenue derived from alternative energy, energy efficiency, green building, pollution prevention, sustainable water or sustainable agriculture
Impact assessment tools	Describes methods used to measure the impact an organisation has on different sectors and economies.
IPCC	The Intergovernmental Panel on Climate Change is a body of the United Nations.
Materials sector	Includes companies engaged in the discovery, development and processing of raw materials which are used across a broad range of sectors and industries
Maximum drawdown (and its use in measuring downside risk related to climate)	Refers to the maximum observed loss from a peak to a trough of a portfolio, before a new peak is attained. Maximum drawdown is an indicator of downside risk over a specified time period. It helps us quantify how much loss an unfortunate investor may see in the value of their portfolio.
MSCI	Morgan Stanley Capital International is an investment research firm.
MSCI ACWI	The MSCI ACWI Index, MSCI's flagship global equity index, is designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 25 emerging markets.
NDC commitments	Nationally determined contributions (NDCs) are at the heart of the Paris Agreement and the achievement of its long-term goals. NDCs embody efforts by each country to reduce national emissions and adapt to the impacts of climate change.
Net Zero	Refers to achieving a balance between the amount of greenhouse gas emissions produced and the amount removed from the atmosphere. There are two different routes to achieving Net Zero, which work in tandem: reducing existing emissions and actively removing greenhouse gases.
NGFS	The Network for Greening the Financial System (NGFS) is a group of international central banks and regulators formed to develop an analytical framework for assessing climate-related risks.
PAII	The Paris Aligned Investment Initiative (PAII) was established in May 2019 by the Institutional Investors Group on Climate Change (IIGCC) at the request of asset owner members. PAII now involves over 110 investors representing \$33 trillion in assets.
PCRIG	The Pensions Climate Risk Industry Group has produced guidance for pension trustees on improving their schemes' approach to climate issues.
Physical risk	Refer to the risks coming from climate change that can be event-driven, such as increased severity of extreme weather events (e.g., cyclones, droughts, floods and fires). They can also relate to longer-term shifts in precipitation and temperature and increased variability in weather patterns (e.g., sea-level rise).
Real estate sector	An industry grouping including all types of property.
SBTi	The Science Based Targets initiative drives ambitious climate action in the private sector by enabling companies to set science-based emissions reduction targets.
Scenario analysis	Refers to the process used to identify and assess potential range outcomes of future events under conditions of uncertainty. In the case of climate change, scenarios allow an organisation to explore and develop an understanding of how the physical and transition risks of climate change may impact its businesses, strategies and investments over time.
Scope 1, 2 and 3 emissions.	Scope 1 – all direct emissions from the activities under an organisation's control. Scope 2 – indirect emissions from electricity used by an organisation. Scope 3 – other indirect emissions from sources not directly controlled, including supply chain operations and end-product usage by customers.
Sovereign bonds	Refers to a debt security issued by a national government to raise money for financing government programmes.

Glossary	Explanation
SSPs - Shared Socio-Economic Pathways	SSPs are projections of socioeconomic global changes up to 2100. They are used to derive greenhouse gas emissions scenarios with different climate policies. The projections are: SSP1: Sustainability (Taking the Green Road) SSP2: Middle of the Road SSP3: Regional Rivalry (A Rocky Road) SSP4: Inequality (A Road divided) SSP5: Fossil-fuelled Development (Taking the Highway)
Standard deviation	A standard deviation is a measure of how dispersed the data is in relation to the mean. Low standard deviation means data are clustered around the mean, and high standard deviation indicates data are more spread out.
Stewardship	Refers to the responsible oversight of capital that scheme trustees and Investment Managers allocate on behalf of their clients, in order to generate sustainable benefits for the economy, the environment and society.
Transition risk	Refers to risks associated with the transition to a lower-carbon global economy, the most common of which are policy and legal actions, technology changes, market responses and reputational factors.
Utilities sector	Refers to a category of companies that provide basic amenities, such as water, sewage services, electricity, dams and natural gas.
Voting rights	These are rights attached to shares at the general meetings of a company.



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