## Purpose

This example is an illustration of the type of dashboard you could consider developing. It will give you an overview of some important high-level drivers of climate-related risks and opportunities that might affect your scheme over different time horizons. You should read it together with our guidance on governance and reporting of climate-related risks and opportunities at [www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/funding-and-investment-detailed-guidance/climate-related-governance-and-reporting](https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/funding-and-investment-detailed-guidance/climate-related-governance-and-reporting).

Although some trustees have allowed for climate-related issues within their schemes for several years, the degree of analysis and reporting required is new. Currently, there are several significant data and analytical challenges that affect some schemes in particular and industry more generally. As climate-related reporting and disclosures increase and improve across the investment chain, some of the data and analytical challenges should be reduced.

The assessment and reporting of climate-related risks and opportunities is a substantially new body of work for industry, and there are currently some considerable climate-related knowledge gaps. There is also very limited experience of practical application.

As a trustee, you are expected to take a proportionate approach to managing climate-related risks and opportunities. In collecting the data and carrying out the analysis required to support your Task Force on Climate-Related Disclosures (TCFD) reporting, you should have regard to the materiality of the issue being considered. You should prioritise efforts on issues that are likely to make the most material difference to the ability to accurately assess the level of climate-related risk (or opportunities) for your scheme. We believe a climate-related dashboard can help you do that.

You are not required to produce a dashboard, and the form of any dashboard is not prescriptive. With support from your advisers, you may wish to develop a dashboard that is tailored to the features of your individual scheme arrangements. A climate-related dashboard could help you identify aspects of your arrangements that are likely to have the most material impact on your scheme and help you prioritise the different strands of climate-related work you need to undertake.

We expect the dashboard to evolve in line with developments in markets and in industry practices.

## Integration with scheme risk management

You also need to incorporate financially material climate-related risks into your wider risk monitoring and management processes. The integration of climate-related risks into those processes should be proportionate to the other risks facing the scheme.

## Application to defined contribution (DC) schemes, DC Master Trusts or defined benefit (DB)/DC hybrid schemes

The dashboard illustrates the type of dashboard that could be considered for development and application to a DB scheme. With support from their advisers, trustees of DC (and hybrid) schemes could consider developing a dashboard tailored to their scheme arrangements by building on some of the concepts underlying this dashboard illustration.

## Completing the Dashboard

We have outlined some high-level observations on how aspects of the dashboard might be completed below. However, we believe the concept, not the specific detail, is most important. As with the development of Integrated Risk Management (IRM) frameworks, trustees may wish to develop their own form of dashboard alongside their advisers.

We believe that a simple red, amber, green (RAG) rating approach can help you to prioritise your efforts appropriately. For example, those aspects with the potential to have the most material impacts on climate-related risk exposures and analysis can be highlighted as ‘RED’. Even if some RAG rating decisions are highly subjective, particularly over longer horizons or under different scenarios, they could still be helpful and could encourage discussion and debate about possible future impacts and implications.

You can support the RAG ratings and changes in the RAG ratings with notes or narrative explanation, particularly where the rating is RED or has deteriorated. For example, views on aspects of the actuarial (funding) and covenant elements might be RAG rated and supported within an explanation in a narrative note. That rating could also help focus trustee attention on those climate-related risks which could have the most impact and are proportionate (in terms of time, cost, accuracy and impact) to consider.

The dashboard is timeframe dependent. You should select time horizons that are relevant to your scheme. The RAG rating at future time periods could reflect the expected materiality at that point in time. For example, if the sponsor did not have a transition plan and had significant carbon dependencies, the RAG rating for financing risk and transition risk might be expected to move to RED in some future time period. However, if the sponsor had a clear transition plan and had been delivering on that plan, GREEN or AMBER might be considered more appropriate.

The dashboard is also scenario dependent. For example, the climate Value at Risk (VaR) metric will depend on the degree of warming, for example, 2°. However, the trustees could start with their ‘central scenario’ and extend the dashboard or aspects of the dashboard later to cover alternative scenarios.

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| **Investment strategy and implementation** | | | | | | | | | | | | |
| **Asset class** | **2021 weight** | **Climate risk RAG** | **Climate opportunity assessed**  **Y/N** | **2025 weight**  (short) | **Climate risk RAG** | **Climate opportunity assessed**  **Y/N** | **2030 weight**  (medium) | **Climate risk RAG** | **Climate opportunity assessed**  **Y/N** | **2040 weight**  (long) | **Climate risk RAG** | **Climate opportunity assessed**  **Y/N** |
| **Equities** |  |  |  |  |  |  |  |  |  |  |  |  |
| *% climate aligned* |  |  |  |  |  |  |  |  |  |  |  |  |
| **Government bonds** |  |  |  |  |  |  |  |  |  |  |  |  |
| *% climate aligned* |  |  |  |  |  |  |  |  |  |  |  |  |
| **Corporate bonds** |  |  |  |  |  |  |  |  |  |  |  |  |
| *% climate aligned* |  |  |  |  |  |  |  |  |  |  |  |  |
| **Property** |  |  |  |  |  |  |  |  |  |  |  |  |
| *% climate aligned* |  |  |  |  |  |  |  |  |  |  |  |  |
| **Alternatives** |  |  |  |  |  |  |  |  |  |  |  |  |
| *% climate aligned* |  |  |  |  |  |  |  |  |  |  |  |  |
| **Climate alternatives** |  |  |  |  |  |  |  |  |  |  |  |  |
| *% climate aligned* |  |  |  |  |  |  |  |  |  |  |  |  |
| **Derivatives** |  |  |  |  |  |  |  |  |  |  |  |  |
| *% climate aligned* |  |  |  |  |  |  |  |  |  |  |  |  |
| **Insured contracts** |  |  |  |  |  |  |  |  |  |  |  |  |
| *% climate aligned* |  |  |  |  |  |  |  |  |  |  |  |  |
| **Total** | 100% |  |  |  |  |  |  |  |  |  |  |  |

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| **Covenant** | | | | | | | | |
|  | **2021** |  | **2025**  **(short)** |  | **2030**  **(medium)** |  | **2040**  **(long)** |  |
| **Covenant** |  | **Comment** | **RAG** | **Comment** | **RAG** | **Comment** | **RAG** | **Comment** |
| Financing risk |  |  |  |  |  |  |  |  |
| Physical risk |  |  |  |  |  |  |  |  |
| Transition risk |  |  |  |  |  |  |  |  |
| Climate alignment |  |  |  |  |  |  |  |  |
| Sponsor progress against own climate targets |  |  |  |  |  |  |  |  |
| Covenant Strength |  |  |  |  |  |  |  |  |
| **Funding** | | | | | | | | |
|  | **2021** |  | **2025**  **(short)** |  | **2030**  **(medium)** |  | **2040**  **(long)** |  |
| **Key assumptions** |  | **Comment** | **RAG** | **Comment** | **RAG** | **Comment** | **RAG** | **Comment** |
| Discount rate |  |  |  |  |  |  |  |  |
| Inflation |  |  |  |  |  |  |  |  |
| Mortality |  |  |  |  |  |  |  |  |
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| **Expected data coverage (by metric monitored)** | | | | | | |
| **Asset class** | **2021 (%)** | **2022 (%)** | **2023 (%)** | **2024 (%)** | **2025 (%)** | **2026 (%)** |
| Equities |  |  |  |  |  |  |
| *Scope 1 & 2* |  |  |  |  |  |  |
| *Scope 3* |  |  |  |  |  |  |
| Government bonds |  |  |  |  |  |  |
| *Scope 1 & 2* |  |  |  |  |  |  |
| *Scope 3* |  |  |  |  |  |  |
| Corporate bonds |  |  |  |  |  |  |
| *Scope 1 & 2* |  |  |  |  |  |  |
| *Scope 3* |  |  |  |  |  |  |
| Property |  |  |  |  |  |  |
| *Scope 1 & 2* |  |  |  |  |  |  |
| *Scope 3* |  |  |  |  |  |  |
| Alternatives |  |  |  |  |  |  |
| *Scope 1 & 2* |  |  |  |  |  |  |
| *Scope 3* |  |  |  |  |  |  |
| Derivatives |  |  |  |  |  |  |
| *Scope 1 & 2* |  |  |  |  |  |  |
| *Scope 3* |  |  |  |  |  |  |
| Insured contracts |  |  |  |  |  |  |
| *Scope 1 & 2* |  |  |  |  |  |  |
| *Scope 3* |  |  |  |  |  |  |
| **Total** |  |  |  |  |  |  |

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| **Selected (mandatory) metrics** | | | | | | |
| **Total GHG emissions (MTCO2e)** | | | | | | |
| **Asset class** | **2021 actual** | **2022** | **2023** | **2024** | **2025** | **2025 target** |
| Equities |  |  |  |  |  |  |
| *Scope 1 & 2* |  |  |  |  |  |  |
| *Scope 3* |  |  |  |  |  |  |
| Government bonds |  |  |  |  |  |  |
| *Scope 1 & 2* |  |  |  |  |  |  |
| *Scope 3* |  |  |  |  |  |  |
| Corporate bonds |  |  |  |  |  |  |
| *Scope 1 & 2* |  |  |  |  |  |  |
| *Scope 3* |  |  |  |  |  |  |
| Property |  |  |  |  |  |  |
| *Scope 1 & 2* |  |  |  |  |  |  |
| *Scope 3* |  |  |  |  |  |  |
| Alternatives |  |  |  |  |  |  |
| *Scope 1 & 2* |  |  |  |  |  |  |
| *Scope 3* |  |  |  |  |  |  |
| Derivatives |  |  |  |  |  |  |
| *Scope 1 & 2* |  |  |  |  |  |  |
| *Scope 3* |  |  |  |  |  |  |
| Insured contracts |  |  |  |  |  |  |
| *Scope 1 & 2* |  |  |  |  |  |  |
| *Scope 3* |  |  |  |  |  |  |
| **Total** |  |  |  |  |  |  |
| **Selected (mandatory) emissions intensity metric monitored (split by asset / sub-asset class)** | | | | | | |
| **Metric** | **% coverage** | **2021** | **2022** | **2023** | **2024** | **2025** |
| Carbon footprint |  |  |  |  |  |  |
| **Selected additional (mandatory) climate change metric monitored (split by asset / sub-asset class) – one of:** | | | | | | |
| Climate VaR |  |  |  |  |  |  |
| Data quality |  |  |  |  |  |  |
| **Additional metrics monitored** | | | | | | |
| WACI |  |  |  |  |  |  |
| Portfolio alignment (mandatory) |  |  |  |  |  |  |
| % of investments with 1.5° aligned net zero targets |  |  |  |  |  |  |
| % of investments exposed to physical risk |  |  |  |  |  |  |
| % of investments exposed to transition risk |  |  |  |  |  |  |
| % of investments aligned with climate opportunities |  |  |  |  |  |  |
| **Targets monitored** | | | | | | |
| Mandatory #1 |  |  |  |  |  |  |
| Optional #1 |  |  |  |  |  |  |
| Optional #2 |  |  |  |  |  |  |
| Optional #3 |  |  |  |  |  |  |
| Optional #4 |  |  |  |  |  |  |
| Optional #5 |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

**Notes:**

**(1)**

**(2)**