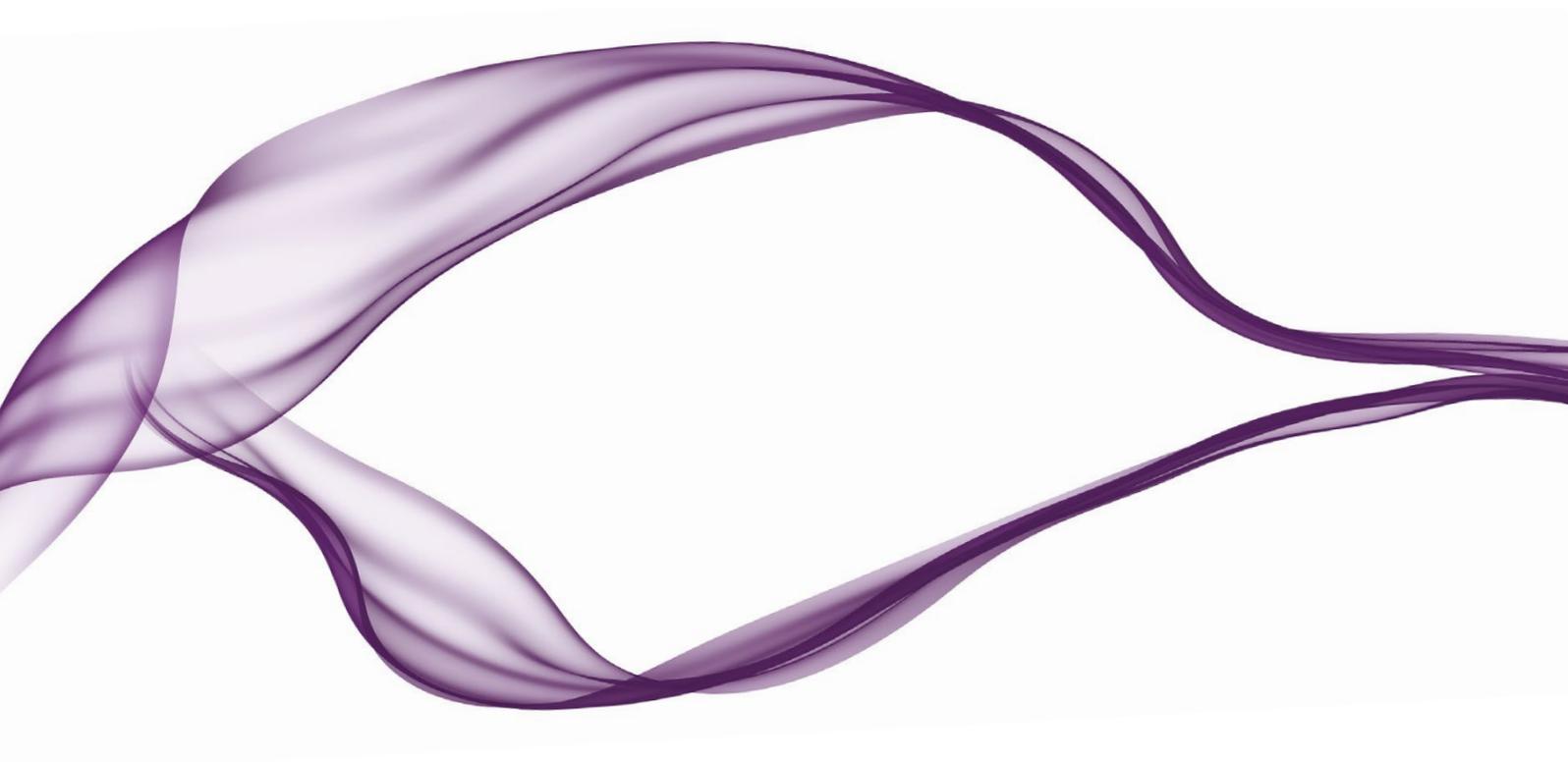


TCFD report 2020







Contents

Executive summary	4
Introduction	6
Strategy	7
Governance	22
Risk management	24
Metrics and targets	28
Appendices	37
Cross reference to TCFD elements	45
Notes	46

Report re-issued in June 2021 – restating values in % difference with benchmark now calculated in reference to the benchmark instead of the portfolio in line with market practice. In addition swapping ‘aggressive’ and ‘moderate’ misplacement in figure 24, editing figure 26 for clarity (now showing USA and UK) and renumbering of figures from 26 to avoid repetition.



Piers Hillier
Chief Investment Officer

“Unmitigated climate risks present a systemic threat to financial stability over the coming years; asset owners and asset managers must respond.”

Executive summary

At RLAM, we are putting climate at the forefront of our investment thinking and decision making.

We recognise the science of climate change, and our focus on long-term responsible investment supports our aims of uncovering climate opportunities, responding to climate risks and evaluating the investments we make against the goals of the Paris Agreement. Doing so fundamentally supports our fiduciary duty as stewards of our clients' capital.

In November 2020, we published our first Climate Risk Policy, which describes RLAM's three climate-related risks: investment, strategic, and operational risk. This policy sets out RLAM's position on climate change, including our key commitments, and how climate risk is governed and monitored.

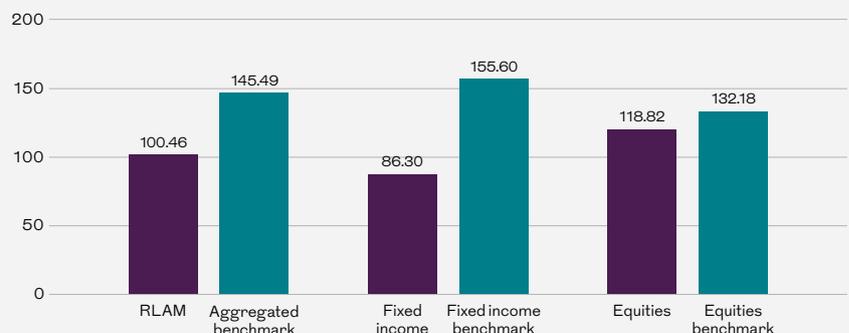
Publishing our Climate Risk Policy followed a commitment we made in June 2020, supporting the Financial Stability Board's Task Force for Climate-Related Financial Disclosure (TCFD). With this

commitment, we aimed to increase our own disclosure and through this action encourage others, including the companies we invest in on behalf of our clients, to increase the volume and quality of their own climate disclosures.

The following report, part of our TCFD commitment, demonstrates our formal support for the goals of the Paris Agreement and the scientific evidence underpinning the need to accelerate the decarbonisation of the global economy to minimise the impacts associated with climate change.

Complementing the publication of our climate policy, it follows the Climate Financial Risk Forum (CFRF) guidelines and describes the climate governance structures we have put in place and how we embed climate considerations into our strategy, risk management and investment decisions. The report also demonstrates further details of our climate integration, metrics, performance assessment, ambitions and the next steps we plan to take.

Figure 1: Weighted average carbon intensity
tCO₂e/\$m revenues



Source: RLAM proprietary data and MSCI data as at 31 December 2020. 'RLAM' refers to equities and corporate and bonds fixed income assets – 69% of our AUM.

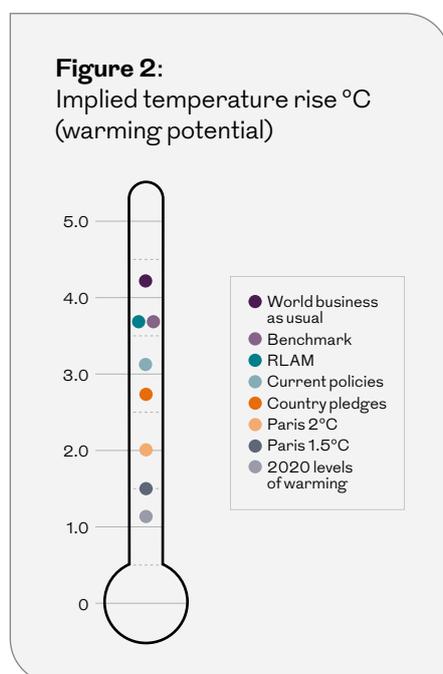


Our focus this year has been on analysing and enhancing the quality of climate data, agreeing our policies and practices and confirming the structures which will govern and oversee how we view climate risk. The initial signs are positive, RLAM’s overall weighted average carbon intensity is 31% below our benchmark, in part driven by a relatively lower weighting in high carbon emitting sectors such as oil & gas and industrials.

While continuing to invest in companies which are innovating to meet the challenges of climate change, we are reminded of the gap between the world’s economy, our benchmarks and our own portfolio against the goals of the Paris Agreement. Closing these gaps will be a global task and so we will continue playing our part through collaboration, advocacy and close communication with our clients.

Looking forward, we will continue to work with our clients to understand their requirements for emissions reduction targets. We understand many asset owners are actively addressing this issue, including commitments to net zero carbon and climate neutrality.

The outcomes of these conversations with our clients, aided by improvements in the information available to us, will guide us in setting credible goals and targets for the role which RLAM can play in addressing a changing climate.



Source: RLAM proprietary data and MSCI data as at 31 December 2020.

‘RLAM’ refers to equities, corporate and sovereign bonds – 84% of our AUM.

2020 at a glance

Set up **climate governance** and risk management structures

Trained investment teams and board

Published climate policy and **TCFD** report

Developed a **climate integration** score

Focused a third of our **engagements on climate**

Supported over **50% of climate proposals**

Set up **climate metrics**

Supported **climate advocacy**

RLAM’s weighted average carbon intensity **outperforms benchmark by 31%**

RLAM’s warming potential is **close to the benchmark** – both still away from Paris goals

RLAM has **36% less exposure** to fossil fuels than its benchmark

Introduction

As investors, we believe that climate systemic risks will crystallise and affect every company and country without a new approach. A successful strategy will result in climate-related risks and opportunities becoming core factors in determining perceived asset and project value. With this in mind, RLAM is putting climate at the forefront of our investment thinking and decision-making in support of our fiduciary duty.

This is RLAM's first TCFD report in response to the Climate Financial Risk Forum (CFRF) guidelines. It describes our climate governance, strategy and risk management, and how we embed climate considerations into our investment decisions.

The acceleration of human activity on the planet since the Industrial Revolution has enabled economic growth, reduced poverty, and improvements to quality of life for millions of people.

Simultaneously, the accumulation of greenhouse gases (including carbon dioxide) contributes greatly to climate change. This is a biophysical cycle we (humans) are altering permanently, with major impacts that will trigger further need for adaptation by society and nature.

The scientific community, embodied by the Intergovernmental Panel on Climate Change (IPCC), has demonstrated the link between economic activity and climate impacts since 1990, and has ratified this with increased certainty in its reports. The IPCC's 2018 Special Report showed that emissions have already driven global warming to about 1°C. Fast global decarbonisation is needed to keep global warming below

1.5°C, the highest temperature increase for a safe future. This is an ambitious goal that translates into a commitment for the world to achieve net zero emissions by 2050.

Understanding this responsibility, governments committed in the 2015 Paris Agreement to drive emissions to net zero in time to maintain temperatures 'well below 2°C'¹. But despite this clear collective vision, economies are still not aligned to achieving the Paris goals.

At RLAM, we understand the science of climate change. Our focus on long-term responsible investment gives us an opportunity to uncover climate opportunities and to respond to climate risks. We therefore aim to evaluate our investments against the Paris goals.

In 2020, the Financial Conduct Authority (FCA) and Prudential Regulatory Authority (PRA), co-chairs of the Climate Financial Risk Forum (CFRF) indicated that asset managers (including the asset management arms of insurance companies) should publish climate-related financial disclosures. It recommended the emphasis to be placed on forward-looking assessments of risks and their impact. Disclosures are recommended both at the firm and product level. The latter includes strategies, funds and segregated mandates.

In June 2020, RLAM became official supporters of the Financial Stability's Board TCFD with the aim of increasing its own disclosure and the disclosure of others, including the companies we invest in on behalf of our clients. In November 2020, the UK Government published its 'roadmap towards mandatory climate-

related disclosures'. It established a pathway over the period 2021-25 for mandatory climate reporting which now includes asset managers. With our first report published in 2021, we are prepared for this future mandatory requirement one year ahead of schedule.

“RLAM is putting climate at the forefront of our investment thinking and decision making in support of our fiduciary duty.”

Strategy

Financial implications of climate change

Beyond an ecological risk, climate change has become a systemic economic risk as stated by the Bank of England, the Financial Stability Board, the International Monetary Fund (IMF) and several intergovernmental bodies. Financial institutions are exposed to the physical risk of increased climate impacts and the transition risk from the decarbonisation of our economies. However, the transition to a net zero society can prevent the worst impacts of climate change and present significant

financial opportunities, with acceleration in innovation and business model shifts.

Financial risks can manifest as increasing market, credit, or insurance risks for businesses. However, the changes required to decarbonise the economy and to adapt to climate change can represent major investment opportunities.

The financial risks from climate change are characterised by their wide breadth and magnitude. While risks are largely uncertain, their impact is foreseeable over extended time horizons, and

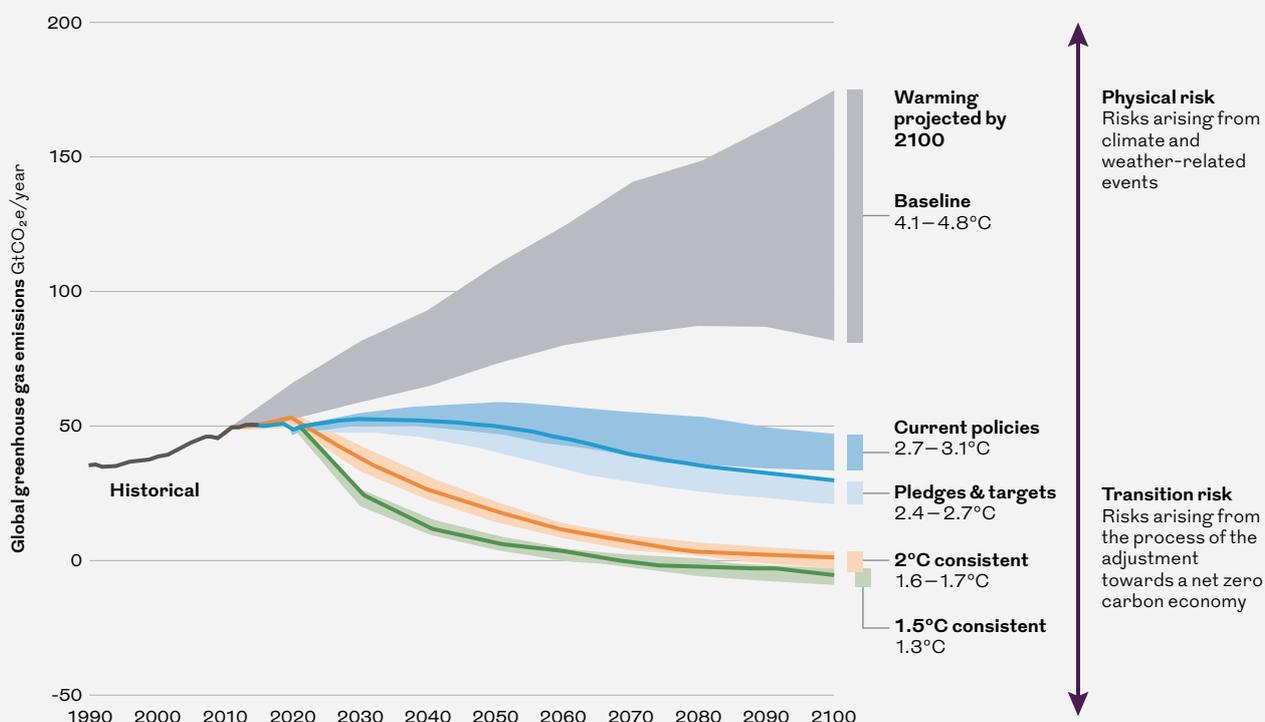
magnitude and likelihood depends on actions taken in the near-term.

Transition risks and opportunities can emerge as a consequence of adjustments towards a low-carbon economy. A range of factors influence this adjustment. These include:

- Climate-related developments in policy and regulation
- The emergence of disruptive technology or business models
- Shifting sentiment and demand or
- Evolving evidence, frameworks and legal interpretations

Figure 3: Definition of climate-related risks: physical and transition risk²

Possible carbon emissions pathways and their implications to global mean temperature



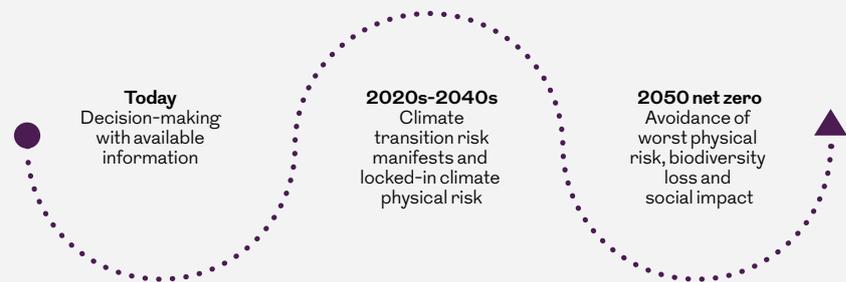
Source: Climate Action Tracker. Data as of 23 September 2020.

Physical risks from climate change relate to specific weather events (such as heatwaves, floods, wildfires and storms) and longer-term shifts in the Earth's climate (such as changes in precipitation, extreme weather variability, sea level rise, and rising mean temperatures).

We are already seeing the visible effects climate change is having on the world and the assets we manage. With global temperatures increasing, rainfall patterns changing, and sea levels rising, these types of impacts are likely to intensify over time³.

As a long-time advocate of the need for asset management firms to be good owners of assets, RLAM considers that climate change, alongside other environmental, social and governance (ESG) issues are increasingly affecting asset prices. By integrating climate considerations into our decision-making now, we can bolster climate action through our investments in companies that are driving the transition and have an increasing proportion of revenues linked to climate solutions. We can also support real-economy emissions reductions, as active investors, exercising our rights through voting and engaging with companies' management to influence their strategies

Figure 4: Timeline to net zero



Source: RLAM

Paris alignment, scenario analysis and stress-testing: Our opinion^{5, 6}

To assess climate risk there are a number of established tools available. In 2020, we assessed Paris-alignment⁷ and conducted a scenario analysis of our equities and fixed income portfolios. Our analysis comprised approximately 84% of RLAM's AUM for alignment against the goals of the Paris Agreement, while about 30% of the AUM (Equities) was covered by scenario analysis.

We assessed 2 Degrees Investing Initiative's PACTA and stress-testing tools^{8, 9}, S&P Trucost 2° alignment and carbon price¹⁰ tools, and MSCI's Carbon Delta¹¹ modelling. Each organisation's research platform provides valuable information that could support decision making but reflect the still immature nature of financial climate data and analytics.

We believe methodologies for climate alignment and scenario stress-testing for asset manager portfolios need improvement. The climate variables and the social and economic assumptions that feed scenarios are reasonable and based on the latest scientific expertise, but their applications to finance embed various assumptions and lack specificity and granularity.

We decided to disclose the gross findings of our scenario stress-testing based on these methodologies.

Notwithstanding their limitations, we feel they provide a starting point and signal a baseline for methodological improvement. We have chosen to monitor our portfolio warming potential and integrate this metric into our investment analysis.

At RLAM we favour scenarios translated to metrics that help assess the 'Paris-alignment' of our portfolios, as their calculations have fewer assumptions, and therefore are more useful for decision-making. To assess the possible scenarios' impact on our investments, an investor must move a step further away from climate science. At this point, the assumptions in the available models become more unreliable in assessing how climate impact may cause company-specific costs and change a company's valuation.

We support efforts to improve climate change-related methodologies by engaging with data providers and regulators, for example, by participating in the Climate Financial Risk Forum (CFRF). Some progress has been made in supporting a financial industry-wide set of consistent metrics for scenario analysis and investment resilience testing. We will welcome the release in 2021, of the Bank of England's Biennial Exploratory Scenario (BES 2021) and expect it to help us to continue developing our analysis in this area next year.

The next decade of climate action is crucial for avoiding the worst climate impacts⁴. The earlier the world acts on decarbonising, the less physical climate risk is locked-in. Early and orderly action also makes the transition less disruptive, reducing the risk of stranded investments. We are long-term investors and look at risk within a long-term time horizon. Most importantly, we realise how decisions made in our investments today may compound risk in the long-run. For the decades to follow, our greatest focus is on transition risk and decarbonisation. We have implemented metrics that monitor transition and 'locked-in' physical risk over the next 15 years.

Climate risks and opportunities may impact our strategic business objectives, which are focused on developing new client-centric solutions, investing in our infrastructure, pursuing distribution opportunities in new markets, and meeting our regulatory obligations.

To continue delivering our client-centric offerings, our products and investment capability must continue to evolve. We have introduced greater climate expertise into the Responsible Investment team and have actively used this resource in 2020 to advise on new client opportunities and product launches. We are also investing in our infrastructure, climate data and systems. This includes building summarised climate portfolio risk reports, and giving investment teams access to timely data. Finally, our Responsible Investment team is working with Risk and Compliance to continually deliver best practice, and to support our clients' own compliance requirements.



Area	RLAM policy commitments	What we did in 2020
Climate risk integration	<p>1 We will empower our investment teams to integrate material climate risks, for risk management and investment advantage, into investment analysis and decision-making in alignment with the goals of the Paris Agreement, using the recommendations of the TCFD and climate transition pathway tools.</p> <p>2 We will consider climate risk in any new fund design proposals and enhance our capabilities to deliver climate-aware and carbon transition funds that align with the goals of the Paris Agreement.</p>	<p>Worked with strategic clients to design lower-carbon solutions to meet their future investment needs. Consulted with clients on future net zero requirements.</p> <p>We developed a climate risk score (See more details in the climate integration tool section below).</p> <p>We developed a proprietary in-house fixed-income carbon data tool (See more details in the climate integration tool section below).</p> <p>We enhanced the climate credentials and policies of our Sustainable funds and supported fund managers in making climate-aware investment decisions.</p>
Stewardship	<p>3 We will use our voting rights and engage with companies to support policies and practices that encourage proactive management of climate risks and corporate TCFD reporting.</p>	<p>See figures 5 and 6.</p>
Advocacy	<p>4 We will advocate for policies and regulation that support long-term value creation that avoids or pre-empts unnecessary climate impact.</p>	<p>We published our position for #BuildBackBetter¹²</p> <p>We responded to the IIGCC Net Zero Investment Framework consultation¹³.</p> <p>We provided input to IA's climate position statement as part of their Climate Working Group¹⁴.</p> <p>We are a member of the CFRF Disclosure Working Group.</p> <p>Green gilt statement.</p>
Communication	<p>5 We will encourage an open dialogue with our clients about climate change risks and opportunities and disclose information and data in line with the TCFD recommendations where credible and reliable data exists.</p>	<p>We contributed to the Race to Zero Dialogues on Energy¹⁵.</p> <p>We publish an investor expectations document for utilities¹⁶.</p> <p>We consulted key clients ahead of the publication of our climate policy¹⁷.</p> <p>We contributed to various webinars including RLAM's 2020 Investment Series and London Climate Action Week.</p> <p>We published our first TCFD report one year ahead of UK mandatory requirement.</p>

Figure 5: Climate-related engagement

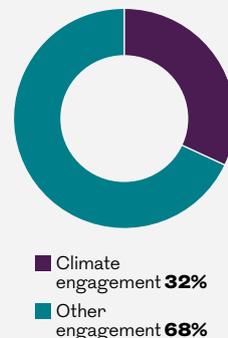
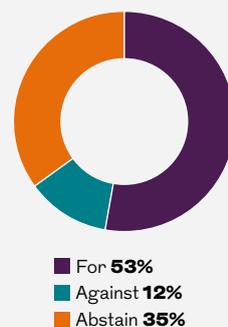


Figure 6: Votes on climate proposals



Source: RLAM

ESG integration: considering climate risk in investment decisions

As responsible investors, we will incorporate climate risks and opportunities into our investment analysis and decision-making processes. During 2020, we continued building internal models and capacity to consume, analyse and interpret climate data across all asset classes.

Identifying climate-associated risks and opportunities, and risk mitigation are important elements of RLAM’s fiduciary responsibility to our clients. Our climate risk integration conceptual framework includes the analysis of risks and opportunities with four potential outcomes:

- 1 Immaterial: climate is not used in financial analysis;
- 2 Material and positive: climate can be used to support a better valuation or an investment opportunity;

- 3 Material and negative, but the assessment of the company or issuer can be enhanced through engagement: e.g. through mitigation measures, request for change.
- 4 Material and negative, and the company or issuer is not an engagement target, due to business model/exposure, time horizon or other reasons: we will consider whether to underweight the security, divest, or avoid investment.

Climate integration tools

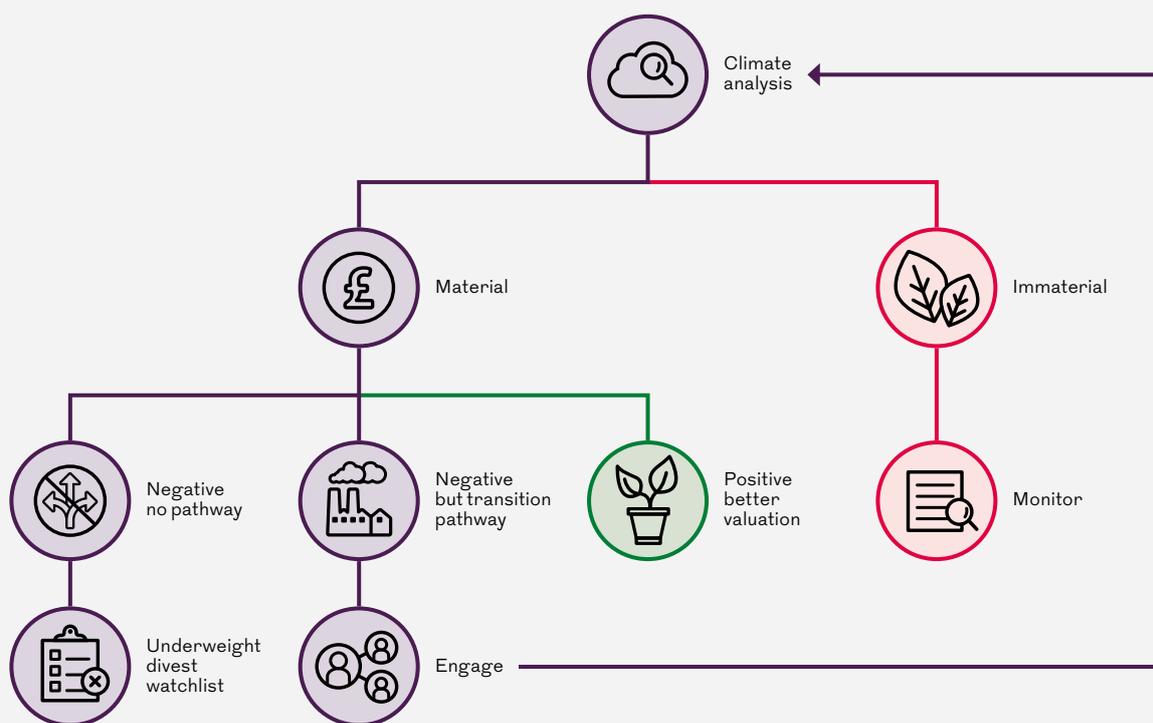
During 2020, RLAM worked on two tools to enhance integration of climate change into our investment analysis.

First, we are developing a climate transition risk score. This is an in-house RLAM-wide view on an issuer’s risk exposure to the transition to a net zero economy. It considers a company’s trajectory towards decarbonisation,

the current state of the company’s exposure and future impacts. The climate score is built based on three sub-scores expressing the issuer’s exposure to climate transition risk, the ability to transition to a low carbon economy, and the willingness to undertake the transition.

Second, we created RLAM’s bespoke fixed-income carbon data tool to extend coverage of scope 1 and 2 carbon emissions data for our fixed income portfolios, which constitute the largest segment of our assets and where the quality of data is typically very poor. We built the emissions data set through our detailed understanding of each issuer’s assets, our knowledge of key fixed income sectors such as social housing and utilities, and bespoke research and engagement with the issuers. We have data covering 80% of the issuers in our sterling credit funds, a significant improvement compared with third party

Figure 7: Climate integration investment decision tree



data coverage which was approximately 55%. The difference derives from our amplified coverage of private issuers, social housing bonds and accurate mapping of securitised issuers back to their parent entities. We will continue enhancing our data to provide better reporting to our clients and improved understanding of our exposure to climate risk in fixed income. We believe this provides our analysts and fund managers with exceptional insights into climate risks and opportunities. We also believe that with increased coverage and accuracy the results can be a reliable source of investment advantage.

CASE STUDY 1

Applying our carbon data tool to one of our ESG integrated portfolios

Our fixed income carbon data tool has informed changes in asset allocations. During 2020, we improved the carbon emissions coverage for one of our ESG integrated portfolios from 40% coverage from third parties to 81%. This improvement informed the fund manager's decision to reduce our exposure to bonds issued by the Tennessee Valley Authority, a US authority with significant coal generation exposure. This issuer considerably increased the portfolio weighted average carbon intensity, something we hadn't identified earlier due to lack of data for this issuer which has no equity parent. The fund manager was able to substitute the bond with others that provided the same financial qualities but with significantly lower carbon intensity. This improved the portfolio weighted average carbon-intensity from 181.5 tonnes of CO₂ equivalent per million pounds of revenue (tCO₂eq/rev) to 162.9 tCO₂eq/rev.

Equity

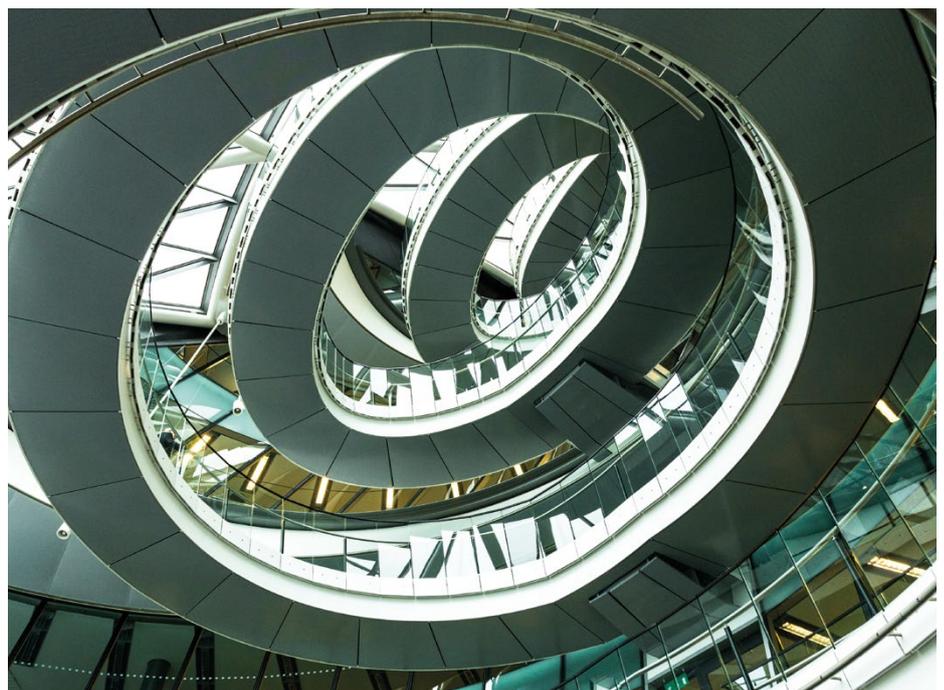
A significant portion of our Active Equity funds strategies incorporate climate analysis explicitly within ESG integration processes. This climate analysis is conducted in the specific business model and industrial context of the company, utilising but not relying on third-party data vendors and analysis. Where analysis shows that climate and transition risk factors are material, the investment teams' process does include specific carbon cost and transition cost financial modelling in the investment analysis. Elsewhere our fund managers consider climate and carbon risks as part of their broader investment analysis and decision making, and this work particularly focuses on the credibility and likely effectiveness of carbon transition plans. In 2021 the firm-wide availability of an ESG dashboard including climate data will facilitate analysis further. We continue to invest in the resources and capabilities to expand the areas in which climate is explicitly and distinctly integrated into our broader investment and ESG analysis.

RLAM's Passive and Quantitative Equities team continue to evaluate ways of gaining core exposure to regional equity markets but with improved ESG and climate profiles. This approach enables RLAM to construct regional equity products with core financial objectives but with the additional benefit of supporting a transition to a lower carbon global economy. Furthermore, this approach will enable RLAM to further support investors' efforts to finance such a transition, as these funds will be automatically investing in lower emitting and less carbon-intensive companies.

CASE STUDY 2

Steel Dynamics an unsung hero

We find Steel Dynamics business model and sector categorisation has been misunderstood and its potential to support decarbonisation underestimated. A combination of deep analysis and engagement has provided us with the knowledge to conclude that this is a wealth creating business with a sustainable proposition.





Scrap steel and electric-arc furnaces (Steel Dynamic) can be bundled in the same sector as high emitting blast furnace steel, but the two business models differ in their circularity and emissions profile. On the disclosure front, we engaged with the company and requested particular disclosures aligned with the TCFD recommendations. We expect those to be reflected in the company's first TCFD report in 2021. While we welcome the company's increasing identification of the environmental benefits of its business model and commitment to set climate goals, we will continue our engagement to evaluate progress against the TCFD framework.

Steel Dynamics are in the process of increasing the number of staff in their Sustainability Division and have also committed to reporting against TCFD recommendations by year-end (2020). The company positively took feedback on inclusion of climate risk at business level.

Fixed income

Within fixed income markets, we take a very focused, debt specific and sector-by-sector approach to looking at climate risk and any potential physical impacts on companies we lend to. We have a preference for secured and strongly covenanted bonds within our sterling credit portfolios (the majority of our fixed income exposure). This gives us additional control and visibility over our issuers and use of proceeds. It also helps to dampen the impact of any significant or unforeseen ESG risk, including climate-related risk. Where we undertake in-depth ESG analysis or engagement with issuers, our conclusions are integrated into our credit analysis and influences our assessment of these issuers.

CASE STUDY 3

Pacific National

In 2020 we undertook a deep dive into Pacific National, an Australian rail haulage business that has an issued bond

held in RLAM funds. Around half of the company's revenues are generated from the transport of coal, presenting a clear risk of asset stranding as economies continue to decarbonise. As a privately owned company, with little external credit or ESG research available, our targeted analysis allowed us to better understand the extent of these risks, and whether lenders are appropriately compensated by credit spread and lending structure.

Following an in depth review, our analysis split the borrower's coal exposure into two segments: metallurgical coal and thermal coal. Over half of Pacific National's revenue was derived from metallurgical coal, a key component in steelmaking, rendering it less exposed to immediate climate risk. The remaining exposure is thermal coal, used in generating electricity, which is more exposed to stranding as electricity generation decarbonises over time. Thermal coal is likely to see falling demand within Australia, as well as from its export markets in Asia. As reflects our risk identification, mitigation and evaluation approach to integrated ESG analysis, this in depth insight provides additional challenge for the credit analysts to ensure adequate yield compensation and appropriate tenor length for our lending to the company.

OUR OPINION

Green/climate bonds

At RLAM, we apply a bespoke approach to ESG integration as we believe that there is no one-size-fits-all method that results in positive investment outcomes. Our approach to green/climate bonds is no different. Green/climate bonds were created to fund projects that have positive environmental and/or climate benefits. While we see their value, we do not believe that they always deliver on the green credentials in reality. Additionally, we note that there are often instances where traditional bonds have better green credentials just without the green label and so we believe that we can, at the moment, continue to direct value towards sustainable activities without necessarily relying on green labels.

Given how fast paced the green bond market is, we continually review our stance to make sure that we can evolve our thinking as the landscape changes. Equally, we are also monitoring the developing market of transition, social and sustainable bonds. As with green/climate bonds, they will be assessed in detail for their environmental or social impact credentials.



Cash

We integrate ESG across our cash funds and as part of this we apply a blanket exclusion on fossil fuels, specifically companies that derive more than 10% of revenue from the exploration, extraction and refining of oil, gas or coal. With no direct exposure to fossil fuel companies, our carbon impact across this fund range is low.

However, given the nature of the cash funds, we do have a significant amount of exposure to the financial services sector, within which lending practices to the fossil fuels industry varies significantly. As a result, monitoring the lending practices of banks is an area of increasing focus within RLAM. We undertook several engagements this year relating to the topic. An example of this in action was our engagement with Lloyds Banking Group (Lloyds), where we have exposure in our cash funds and more widely across RLAM. The bank committed in 2020 to being net zero by 2050. Off the back of this announcement we engaged with Lloyds to understand the detail behind

the commitment and assess the strength of the announcement.

The engagement has been an ongoing one, and whilst we were initially underwhelmed by the detail behind the commitment, Lloyds has since released further information and we now view them as being leaders in this area amongst peers. Given the fast paced evolving nature of climate change strategies and the importance of the topic, we intend to continue to engage with the bank to monitor their ongoing performance and how it compares to peers.

Sovereign bonds

We are evaluating the climate performance of our sovereign bonds and gilts by evaluating data from each issuer. Our sovereign portfolio has no material exposure to emerging markets (0.2%), 83.4% are UK gilts and 98.8% belong to G7 countries. We are assessing the current carbon intensity of their economies and the implied temperature by the end of the century of their emissions trajectories. The

warming figure includes the strength of countries' decarbonisation targets as expressed in their Nationally Determined Contributions to the Paris Agreement. We also monitor the countries' mitigation policy effectiveness through the Climate Performance Index by Germanwatch.

We are working to improve our understanding of the economic impact of climate physical risk on countries' economies. To assess this we used the Climate Risk Index by Germanwatch. This evaluates the countries that have been further exposed to climate-related hazards, but does not incorporate future-looking predictions of chronic or acute weather-related events driven by climate change.

CASE STUDY 4

UK green gilts

Following the UK Government's announcement in November 2020, that they will issue the UK's first sovereign green bond in 2021, RLAM reached out via letter to the Chancellor of the Exchequer to both offer our support of the announcement and provide some insights on the green bond sector. Whilst RLAM is fully supportive of the goal of green bonds, we often see a range in the quality of the 'green' element of issued green bonds with some slipping into green washing territory. A common issue we see with green labelled bonds, which we shared with the Chancellor, is that the debt is often not ring-fenced and therefore there is a risk that debt is serviced by cash produced from other less environmentally friendly activities. For example, whilst the green bond we could be financing is committed towards building wind farms, the cash/interest we receive could in reality be financed from the construction of a new airport runway. As a result, the green credentials of the bond are

weakened and in reality not robust to meet what we believe is best practice.

Following on from our letter, we will meet with specialists within Her Majesty's Treasury to further discuss our views on green bonds, in the hope that it will help to strengthen the quality of the UK's first sovereign green bond.

Overall, our goal is to help ensure green bonds issued by the UK Government are robust so that we can both consider them for inclusion in our funds and contribute to supporting a climate transition in the UK.

Property

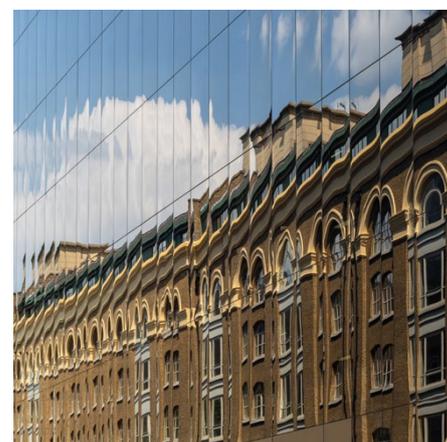
The real estate funds managed by RLAM recognise the growing global risks of climate change and acknowledge the responsibility to minimise the impact its properties have upon the environment.

As part of this, we are aware that the buildings we own will have to be net zero carbon to help mitigate this risk, and we are developing a strategy in order for this to be achieved. The delivery of this ambition will require a number of targets and actions to be met, placing greater emphasis on the ownership and operation of energy efficient buildings, the adoption of renewable energy technology, the reduction of the embodied carbon within our developments, and the use of offsets for any residual emissions.

We aspire to be a leader and are developing a Responsible Property Investment strategy which will enable us to achieve this. This will include targets and objectives, procedures, and the monitoring of progress to ensure our real estate portfolios maintain a programme of continual improvement. This applies throughout our acquisitions, developments and asset management of all commercial property assets.

We have recently completed a thorough review of our Development Sustainability Targets which has included a benchmarking exercise comparing our own position against our leading industry peers. This has led to the creation of a fresh set of targets which we consider are both aspirational and market leading. There are 52 targets in total, including:

- All new and major refurbishment projects to achieve a Building Research Establishment Environmental Assessment Method (BREEAM) 'Excellent' and develop a pathway to achieving BREEAM 'Outstanding'.
- A minimum Energy Performance Certificate (EPC) rating of 'A' is targeted for all new-build development projects and a 'B' targeted for all refurbishment projects.
- All new build and major refurbishment projects to undertake an embodied carbon assessment of materials for developments, and contractors to map and monitor the footprint during the delivery phases.
- For all new build and major refurbishment projects an operational energy net zero carbon feasibility assessment is to be provided clearly setting out how the scheme can be readily adapted in the future to achieve net zero carbon.



Stewardship

Engagement

Climate transition and physical risk is identified as a key theme within RLAM’s strategy forming the basis for which we engage across asset classes and sectors. We focus our efforts on sectors where the greatest impact can be made, as well as stocks which could have the biggest impact on the funds in which they are invested on behalf of our clients.

Our strong preference is to address climate risks through engagement, advocacy and prudent investment risk management, rather than by adopting strict company or sector exclusions. However, we recognise our clients may have their own exclusion requirements and so we will work closely with them to design products that meet their needs.

Our climate engagement is systematically integrated into our analysis, is specific to the asset class and when and where the risk or opportunity may materialise. We prioritise our climate engagements with companies in high emitting sectors and where we have the most material financial exposure.

We evaluate each company’s energy transition plans, encourage transparency of disclosure, and urge changes to policies and practices when companies appear to be misaligned with the goals of the Paris Agreement.

In our efforts to generate the best possible long-term financial and environmental outcome for our clients, we will engage with companies in line with the TCFD recommendations and encourage them to:



Figure 8: Investor collaboration: CA100+ & IIGCC

Engagement programme	CA100+/IIGCC
Purpose	Ensure the companies in which we invest are disclosing and minimising the risks and maximising the opportunities presented by climate change.
Asks	Secure commitments from the boards and senior management to: <ul style="list-style-type: none"> Implement a strong governance framework: articulating the board’s accountability and oversight of climate change risk and opportunities. Take action to reduce greenhouse gas emissions across their value chain, consistent with the Paris Agreement’s goals. Provide enhanced corporate disclosure in line with TCFD.
Companies in scope	100+ ‘systemically important emitters’, accounting for two-thirds of annual global industrial emissions, alongside more than 60 others with significant opportunity to drive the clean energy transition.

- **Manage:** put in place appropriate risk management and governance structures to address climate risk.
- **Report:** report on their impacts and activities, including scope 1, 2, and 3 emissions, and embed climate scenario analysis and stress testing into their business planning activities.
- **Mitigate:** take steps to mitigate the negative impacts from climate risks to their business, whether physical or transition risks.

- **Invest:** capitalise on opportunities by redeploying capital to lower carbon technologies or business activities that support the transition to a low carbon economy.

We undertake our climate engagement as members of Climate Action 100 (CA100+) and the Institutional Investor Group for Climate Change (IIGCC) and through our internal one-to-one engagements. See figure 8.

CASE STUDY 5

Engagement example: CA100+ Glencore

What is our goal?

To ensure the world's largest corporate greenhouse gas emitters minimise their impact on climate change and seek opportunities to accelerate the transition to net zero.

Why are we doing this?

Climate change is a systemic risk for investors. Collaborative engagement can leverage holdings and knowledge.

Outcome thus far

Glencore committed to net zero by 2050 and to cut 40% scope 1, 2 and 3 emissions by 2035.

Asks

- Adoption of the CA100+ net zero benchmark.
- Appropriate targets to reduce emissions in line with what is required to stay below 1.5°C.
- Establishing company governance, strategy, risk management and disclosure.

Major shift in strategy partly attributable to engagement pressure



During 2020, we joined the Financing the Just Transition Alliance, which is bringing together banks, investors and other stakeholders in the UK to encourage practical steps to connect climate action with positive social impact in the run-up to COP26. We see the transition to net zero, with its potential impact on jobs, bills and domestic investment could generate avoidable social friction. Our engagement in this area aims to smooth the energy transition by addressing such inefficiencies.

CASE STUDY 6

Climate and Just Transition utilities engagement

Companies in scope

SSE, Scottish Power, Centrica, National Grid, E.on, EDF and RWE.

What is our goal?

Evaluate risks and opportunities arising from the transition to net zero. Companies issue a Just Transition strategy ahead of COP26 in November 2021.

Why are we doing this?

RLAM has high exposure to the utilities sector and recognises the opportunity for the sector to decarbonise the economy through electrification.

Outcome thus far

We gathered valuable information on all companies' net zero plans and how they are managing climate risk. SSE adopted a Just Transition strategy in November 2020, the first of its kind globally.

Asks

- Plans to meet net zero requirements in the UK and globally.
- Climate change public policy and public communications strategies.
- Plans to scaling responses to the trends of decentralisation and democratisation of energy.

- Detail on approach to the Just Transition including working, communities, customers and supply chain.

Collaborative engagement with Friends Provident Foundation

CASE STUDY 7

SSE's Pioneer Just Transition strategy commitment¹⁸

As part of our engagement with utilities in 2020, SSE asked us to submit a question to the board at the company's AGM, covering our request for SSE to adopt and publish a formal Just Transition strategy.

The Chairman replied via video, and the company issued a written response committing to develop a Just Transition strategy; the first commitment of its kind in the sector.

Following the AGM we provided feedback on various drafts of SSE's Just Transition strategy along with our engagement partners and academics from the LSE Grantham Institute, ahead of its publication in November 2020.

This pioneering move was followed up in December 2020 by our call for action across the utility sector for companies to publish their Just Transition strategies ahead of COP26.

CASE STUDY 8

Engagement example: rolling stock decarbonisation

Companies in scope

Angel, Eversholt, Porterbrook.

What is our goal?

Disclosures of strategies to phase out diesel assets and develop low carbon and bi-mode alternatives.

Why are we doing this?

A recent review recommended the removal of all diesel-only trains by 2040 in the UK. Lack of preparedness represents an investor risk.

Outcome thus far

Met the three largest rolling stock companies and retrieved information that differentiates their risk.

Asks

- Strategy and preparedness.
- Disclosure of decarbonisation strategy and approach to environmental matters.
- Preparedness of current fleet for a lower carbon economy.
- Future investment requirements, including new purchases and conversions.

RLAM gains early understanding of the impact of phase out of diesel assets**CASE STUDY 9****Engagement example: water utilities****Companies in scope**

Southern Water, Yorkshire Water, South West Water

What is our goal?

Ensure UK water companies are managing their exposure to climate physical risk.

Why are we doing this?

The UK water utilities sector has a history of poor leakage and pollution performance. This coupled with the increasing pressures that ever-changing weather patterns bring, as a result of climate change, means that through our investments in such companies our portfolios are potentially exposed in the medium to long term to the impacts of climate risk.

Outcome thus far

To date, we have gained reassurance from some utility providers and are continuing to work with others where performance is still concerning.

Asks

- Ensure climate risk management is embedded into business strategy.
- Net zero commitment, inclusion in management incentives.
- Maintain an environmental performance score of 3 stars or above.
- Objective analysis of environmental performance, as measured by Environmental Agency annually.

RLAM works to drive change in the medium to long term**Voting**

With regard to our voting rights as a shareholder, we have a dedicated section in our voting policy¹⁹ for climate risk.

In some instances, we may file or co-file a climate-related shareholder resolution. We will on occasion attend and speak at a company Annual General Meeting (AGM), or escalate our concerns to other institutional investors who we believe may share our views (as described). We may also voice our concerns through public statements, individually or with our collaborators when we feel sufficient progress in line with the Paris goals has not been made. We will respond to press enquiries where appropriate and use public comments as a tool for improving stewardship and good governance around climate risks.



Excerpt of RLAM Voting Policy

RLAM may abstain or vote against the chair of the board where climate change is a material risk to the business and where we believe engagement has not been effective.

RLAM will vote for shareholder proposals requesting companies to disclose material climate-related information on their climate risks, or requesting companies to produce a TCFD report. RLAM will also support

shareholder proposals at the CA100+ companies where we consider the proposal to be reasonable, in the best long-term interests of the company, and not overly prescriptive in nature.

As an extension of our previous voting position we will consider voting against the re-election of the chair of the board at our most highly emitting companies where following engagement there has not been progress on the disclosure of a climate transition plan.



CASE STUDY 10

Barclays plc

In 2020, Barclays was identified in a public study amongst the biggest European financiers of fossil fuels, highly carbon-intensive and controversial sub-industries. Largely in response to this, in the May 2020 AGM ShareAction filed a shareholder resolution pushing Barclays to become a net zero bank. In response, Barclays filed a counter proposal committing the bank to becoming net zero by 2050 across its Scope 1, 2 and 3 emissions, along with commitments to helping the transition of energy and power clients and to report annually from 2021.

Before voting, we chose to engage with both Barclays and ShareAction in an effort to understand more how compatible each of the resolutions would be with existing Barclays’ governance and environmental lending practices. The outcomes of our engagements were positive and we were particularly impressed by the scale of the bank’s response. As such, we made the decision to support the management proposal, welcoming Barclays’ ambitious strategy.

Outcome: the multiple engagement conversations with the board, management and our support of the

‘Zero by 2050’ plan provided us with much greater comfort over Barclays’ strategic plans and commitments in this area; and reassured us around our continued investment in the company.

CASE STUDY 11

Climate escalation tactics and shareholder resolutions

We escalated our climate-related votes to board elections on two occasions in 2020. At Conoco Phillips, a US-based multinational gas and oil business, we were concerned by the company seeking a no-action relief for a climate-related shareholder proposal filed for inclusion in its AGM agenda. As a key risk area for the company, we were disappointed that the company has not allowed shareholders to vote on this proposal and decided to vote against the chair of the Governance Committee and lead director. At Standard Bank Group, a South African financial services entity, the company decided to reject two shareholder proposals regarding potential climate change risks posed by the bank’s lending practices to coal, oil and gas based projects. We have expressed serious concerns over this course of action and would ask that the company allow their shareholders the

opportunity to vote on such proposals in the future. Given that the board chairman was not up for election at the most recent annual general meeting, we have abstained on the election of the lead director, who also served on the Risk Committee.

We have supported shareholder proposals calling for increased climate related disclosures at Aena S.M.E., Chr. Hansen Holding, Dollar Tree Inc, J.B. Hunt Transport Services, Inc., JPMorgan Chase & Co., Kroger, Ovinitiv, Phillips 66, Procter & Gamble Co., Toronto Dominion Bank, Transdigm Group, Union Pacific, United Parcel Service, Walmart, and Yum Brands. We have also supported a shareholder call for AGL Energy to align closure dates of their coal-fired power stations with a strategy to be set by the company.

Advocacy and public policy

We believe the right policy framework supports the identification of investment opportunities and can encourage the flow of low-carbon focused capital to address climate change. We will fulfil our fiduciary duty as stewards of our clients' capital and encourage climate-aware economic development by advocating for policies and regulation that avoid or pre-empt unnecessary climate impact and thus support long-term value creation.

We review and contribute to public policy interventions around climate change through this lens; both individually and through our membership of trade associations such as the Investment Association (IA), Institutional Investor Group for Climate Change (IIGCC) and Principles for Responsible Investment (UNPRI) among others.

CASE STUDY 12

Ofgem advocacy

Every five years or so, Ofgem, the UK electricity and gas regulator, sets new price controls which govern companies that operate in the UK gas and electricity sector. With new price controls set for 2021 (RIIO-2), Ofgem released a draft pricing review in late 2020 for consultation. Following the release of the draft controls we engaged with the regulator, as we had concerns that the new price controls did not have the right balance between austerity and investment and therefore could potentially hinder much needed investment in technologies and infrastructure that would support the energy transition. Our concerns have been widely echoed by other industry participants, including energy companies such as SSE who were particularly vocal about their concerns with the draft review.

Whilst Ofgem, at the time of our engagement, were yet to release the final pricing review, they were keen to express that they have listened to us and others who have expressed concern about the balance between austerity and investment in relation to financing the transition. They were particularly interested to hear our views on how they were communicating their message, as they felt that the focus on austerity and financial savings was not intended to be their only priority within the price controls.

Divestments/exclusions

In general, RLAM does not apply blanket exclusions on climate-related topics. We find that judgement, pragmatism and the results of robust engagement for a low-carbon transition are likely to deliver more tangible real world decarbonisation.

However, we understand some of our clients have fiduciary mandates that require them to identify and exclude particular activities. With this in mind, we maintain a suite of climate metrics, including company exposure to certain fossil fuels and climate solutions. This helps us support our clients' investment preferences and capital reallocation.

Green investments

While there is no single definition of green investments, we observe an increasing appetite from regulators (e.g. EU Taxonomy) and clients to evaluate the 'greenest' of products and portfolios. We have made a commitment to consider climate risk in any new fund design proposals, and we are continually enhancing our capabilities to deliver climate-aware and carbon transition funds that align with the goals of the Paris Agreement.

CASE STUDY 13

Sustainable funds

Our Sustainable funds have a mandate to invest in companies that we believe are either ESG leaders and/or provide a positive 'net benefit' to society. Our approach looks at sustainability holistically – through both an environmental and social lens. We undertake detailed ESG and climate risk analysis, and cross check our views with an independent external Advisory Committee. The funds avoid investing in fossil fuel companies and have a significantly lower carbon footprint than their reference benchmarks. For example, the Sustainable Leaders fund has a carbon footprint that is 28% lower than the FTSE All Share²⁰.

In the funds we hold SSE plc, a UK energy utility company which has the largest renewable energy capacity across the UK and Ireland. The company has demonstrated leadership through committing to grow the amount of renewable energy they generate and also cut carbon intensity by 2030 to be in line with Paris Agreement ambitions. Through their leadership we believe they are also contributing towards a net benefit for society, by leading in an area that is integral to the UK's transition to net zero.



Governance

The RLAM Board has ultimate responsibility for setting RLAM's risk appetite and reviewing our strategic risks. Our Chief Investment Officer (CIO) is a regulated Senior Management Function (SMF) and is the executive team member that is accountable for setting the investment strategy, and overseeing our responsible investment function, climate change policy, and approach to climate investment risk. The CIO, with support from the investment teams, updates the board and monitors climate change risk in line with RLAM's risk tolerance threshold. The CIO is also responsible for ensuring climate change risk management is embedded across RLAM's investment strategies. The CIO is a member of RLAM's Executive Committee and chairs the Investment Committee. Climate risk training is provided to the board and both relevant committees as an induction package and at regular intervals.

An overview of roles and responsibilities and our governance structure surrounding climate risk is detailed in the following table. See also figure 9.

Role	Responsibility
Head of Asset Class and all investment managers	Responsible for ensuring material climate risks are considered within investment decisions and contributing to engagement and proxy voting decisions.
Head of Responsible Investment (RI) and the RI team	Provides subject matter expertise, support, information, data and analytics to the investment teams and oversees day-to-day implementation of engagement and proxy voting activities across all asset classes.
Chief Investment Officer (CIO)	Senior Management Function (SMF) with Executive Committee responsibility for RI and climate change.
Investment Committee	Chaired by the CIO. Responsible for monitoring, oversight and advice to the CIO on investment matters as they relate to RI and climate change. The Investment Committee meets 10 times a year.
RLAM Board Risk Committee (BRC)	Board-level committee responsible for oversight of climate risk monitoring on a regular basis, in line with the RLAM risk appetite. Updates on climate risks and issues are reported to the BRC on climate issues on a regular basis.
RLAM Board	Overall responsibility for agreeing RLAM's approach to climate risk. Responsible investment (including climate) considerations will be included in the board's Terms of Reference in early 2021. The board meets quarterly and an update on climate risk is provided on at least an annual basis.

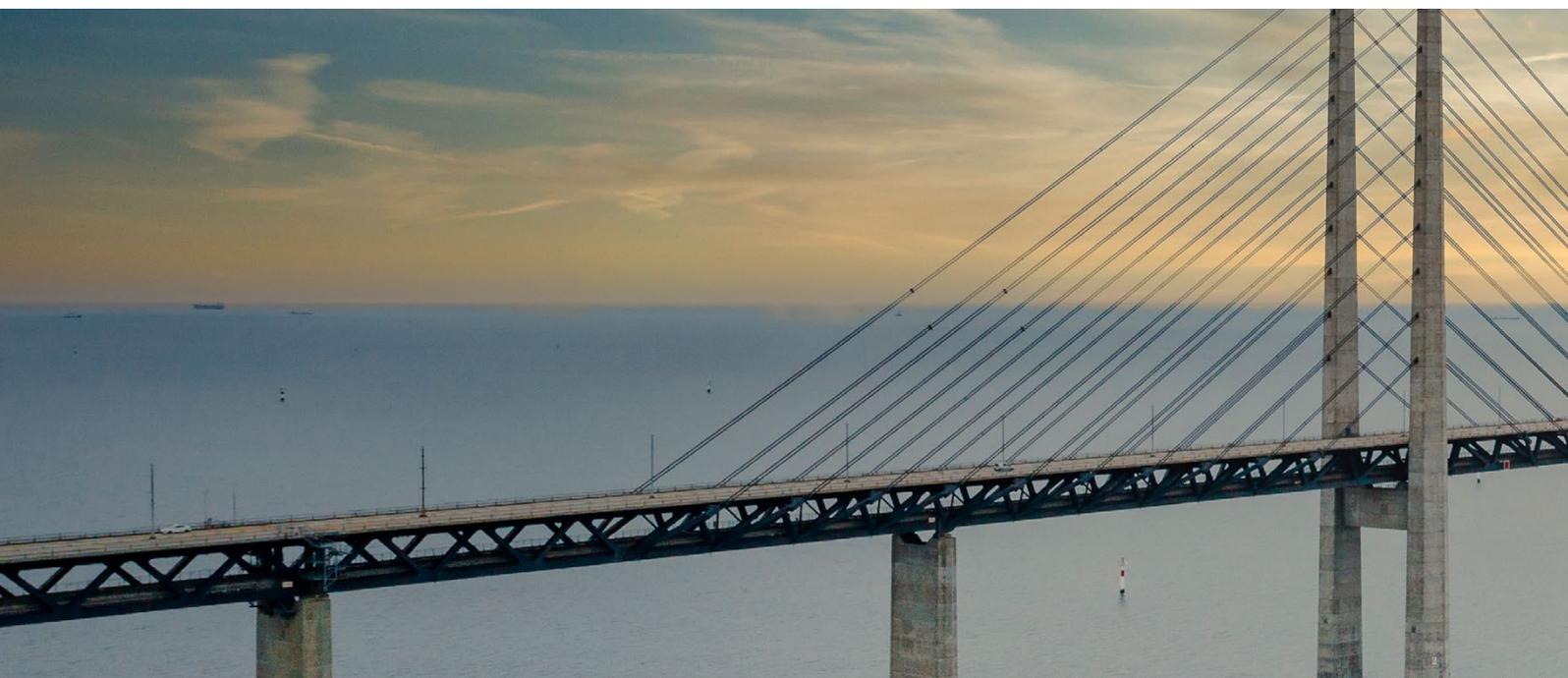
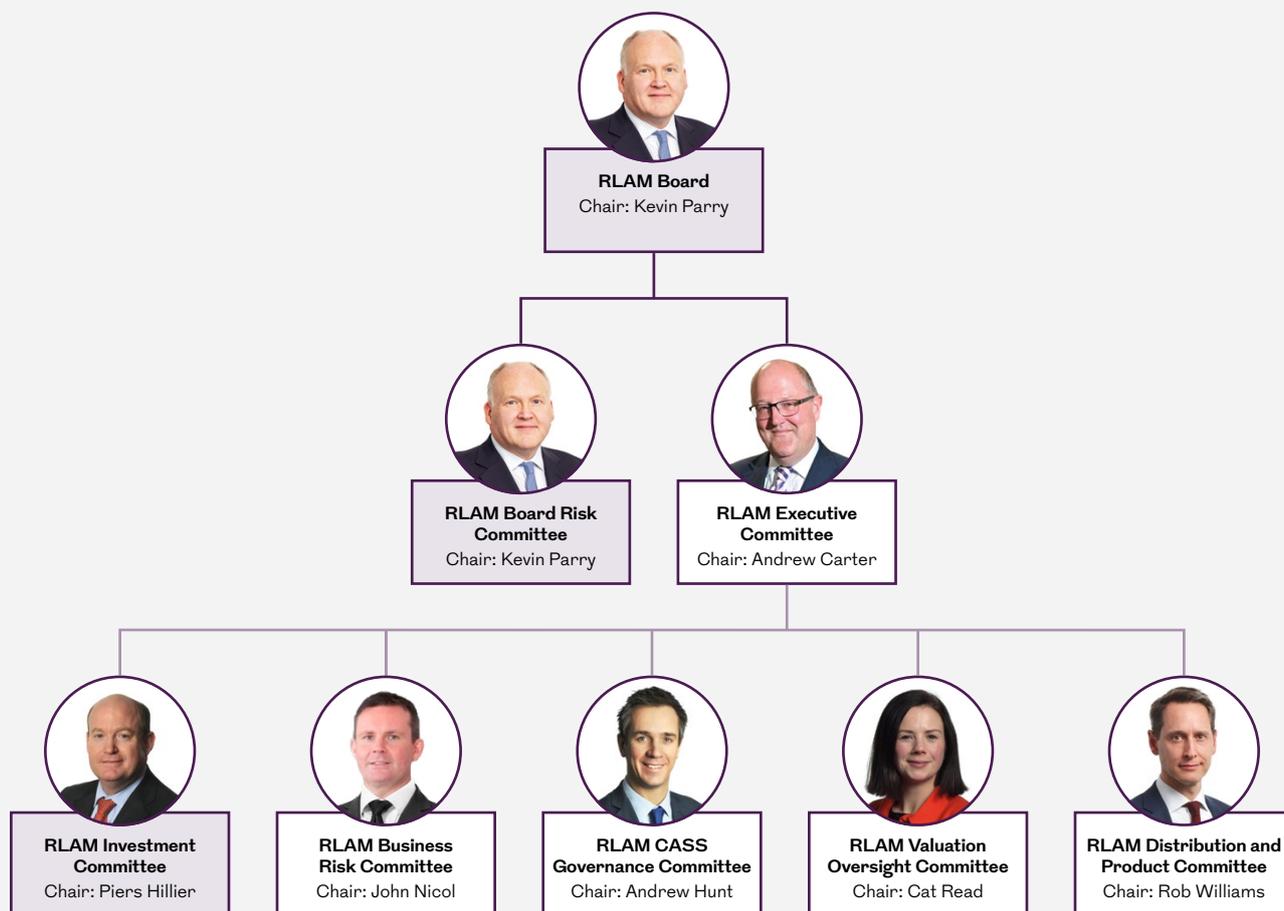


Figure 9: RLAM governance structure



Risk management

RLAM’s risk management framework consists of a cohesive set of components designed to sustain and uphold high standards. This helps to ensure that the firm’s performance and achievement of its objectives are not undermined by unexpected events.

As part of its risk management framework, RLAM defines risk strategy, risk appetite and policies which set out the objectives, limits and tolerances within which the board expects the

business to operate. Such an approach provides assurance that the risks to which RLAM may be exposed are being appropriately identified and managed within risk appetite, whilst impact is being minimised.

Climate risk in RLAM

As an asset manager, RLAM has the fiduciary responsibility to protect the assets managed on behalf of our clients and mitigate the impact that climate

change can have on these holdings. Therefore, during the course of 2020, RLAM undertook a number of initiatives to integrate climate change into its risk management framework and ensure that its climate change strategy is reflected through different components of this framework to enable informed decision-making at various levels.

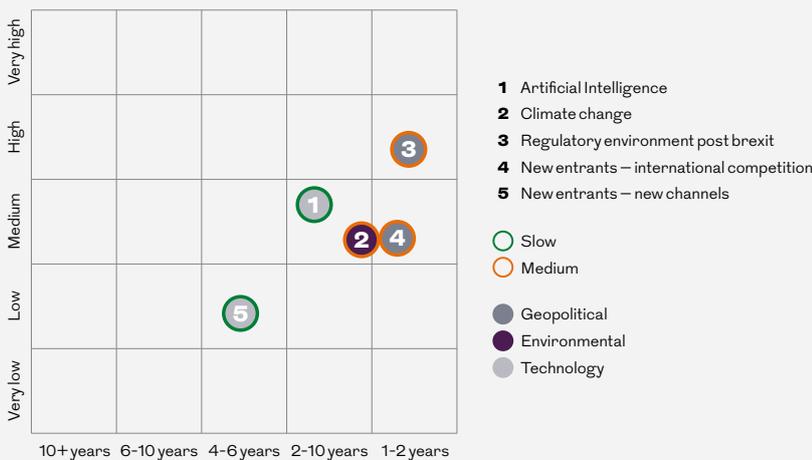
The risk management framework consists of a set of tools and procedures which allows RLAM to identify, manage and mitigate risks the firm is exposed to. In particular, climate change risk has been recognised in the risk taxonomy, risk and control self-assessment process and throughout risk governance. Climate risk is identified as an emerging risk within RLAM’s risk register, in recognition of the long-term nature of some of its impacts. Additionally, climate-related risks are captured in our risk management system and are linked to reputational, operational and regulatory risks. See figure 10.

Emerging risks arise from the external environment as a result of technological, economic, environmental and/or geopolitical changes. We manage emerging risks with the aim of protecting our business and achieving its strategy. See figure 11.

Through its integration in RLAM’s risk register, climate risk is covered and reviewed by our three lines of defence operating model. See figure 12.

The structure for identifying, managing and reviewing RLAM’s climate risks is displayed. See figure 13.

Figure 10: Emerging risk assessment



Velocity – when a risk has crystallised, the time expected to be taken for it to reach its full impact.

Extract from RLAM Emerging Risk Profile (covers all legal entities). As of June 2020.

Figure 11: Emerging risk assessment

Emerging risk description	Opportunity/threat	Impact	Timescale
Climate change – Driven by the general trends and client demands, climate change risk may soon become a key element in investment management threatening our ability to participate and compete.	Opportunity and threat	Medium	2-3 years

Figure 12: RLAM 3-line of defence

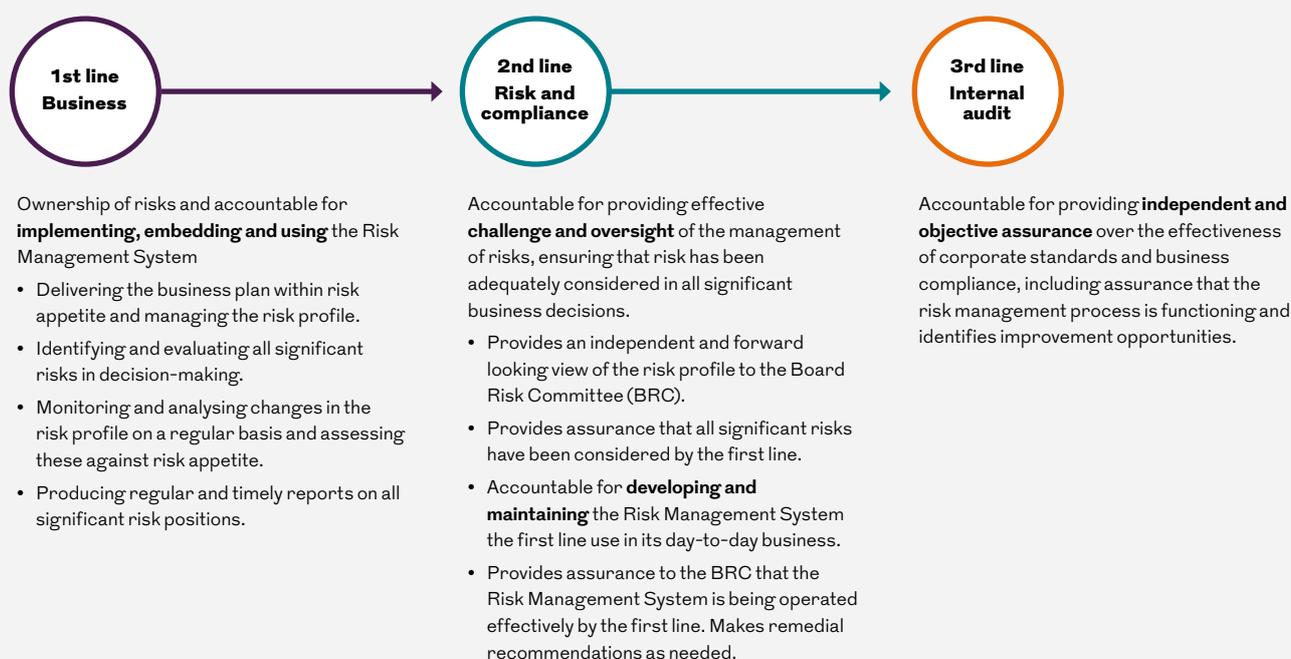


Figure 13: RLAM Climate Risk Management Framework



We have three principle risks that are impacted by climate change. These are described below.

Investment risk

Climate change might affect the investment returns of assets we manage for our clients. In our analysis we integrate material ESG considerations, including climate change, into our investment processes to support and enhance risk-adjusted returns. Investment risk from climate change is defined by RLAM as the 'risk that climate change may impact the investment outcomes for our clients'. This could be the result of greater volatility in markets, impacts to companies' business models and ultimately the impact on their financial results. This can also be related to impacts due to physical disruption to the operations of companies and issuers we invest in.

We believe that it is in the best interest of our clients for RLAM to integrate climate change in the analysis stage of the investment process for all asset classes. It will affect the final investment decision, when financially material, with the aim of improving standards, reducing risk and enhancing returns.

We seek to address and mitigate climate investment risks in three ways:

- 1 We ensure climate risk is integrated into our risk framework and we have appropriate governance to ensure it is monitored and assessed with a view to protecting client assets and ensuring we can continue to operate our business.
- 2 We integrate material environmental, social and governance (ESG) issues, including climate risk, into our investment decision-making.
- 3 We are active stewards of our clients' capital and use proxy voting and engagement as tools to highlight potential climate risks and influence company and regulator behaviour in order to reduce any investment risks, or improve outcomes or opportunities.

Strategic risk

Being a transverse²¹ risk, climate risk can manifest itself in a variety of ways and have diverse implications for the long-term strategic success of our business. It is therefore recognised and addressed as part of our business strategy. RLAM defines Strategic Climate Risk as 'the

risk associated with failing to respond sufficiently to shifting sentiment towards climate change, which may result in brand, proposition or market share being negatively impacted.'

Recent changes observed in consumer preferences and awareness of the impacts of climate change require us to adapt our products and investment capabilities to incorporate climate risks and opportunities. We have responded to this risk by increasing the number of experts in our Responsible Investment team who can advise on climate risk. This expertise focuses on the latest information on climate science, risk analysis tools and reporting frameworks, including the TCFD and the EU Taxonomy, as inputs to the investment decision-making process. We have also purchased additional climate research and analytics, and are building tools and systems to help us interrogate data to build new products and capabilities.

Furthermore, RLAM and other UK asset managers face an uncertain future regulatory environment regarding climate change. The UK regulators have emphasised the importance of integrating climate risk within the financial industry standards, and have committed to prioritising environmental issues after the UK leaves the EU. New regulatory standards are also coming into force in the EU and we are monitoring the potential impact of this on both our strategy and operations. For example, the FCA DP 20/2 indicated that 'In the EU the European Banking Authority (EBA) will prepare a report on the introduction of technical criteria for ESG exposures to use as part of the supervisory review and evaluation process. These criteria will include impact metrics and a definition of ESG risks. They will submit their findings to the European Parliament, Council and



Commission by 26 December 2021. Based on their findings, the FCA may consider introducing its own guidelines for integrating ESG into the supervisory review process.¹

Operational risk

RLAM defines operational risk resulting from climate change as ‘the risk that climate change may impact our operations and our ability to manage assets or continue to serve our clients.’ RLAM’s material exposures to climate change risks will be evaluated in our Internal Capital Assessment Process (ICAAP)²².

RLAM, through its parent, Royal London Group, manages its operational physical and transitional climate risk, through shared services, infrastructure and the buildings we operate from. As a mutual, Royal London Group takes a long-term view when looking at what is best for clients, members and society as

a whole. Jointly with the Group, we aim to operate our business in a responsible manner, seek efficiencies to reduce our environmental and climate impacts, and strive for continual improvement. For example we have installed mechanisms to shut down heating and cooling systems on unoccupied floors to reduce energy use and incorporated an energy performance contract into arrangements with our integrated facilities partner to drive energy use down further. We have also achieved BREEAM ‘very good’ or above for any new buildings we operate from. In 2020, Royal London announced a commitment to net zero for our operational Scope 1 and 2 emissions by 2021 ensuring that our operations will be leading the way on risk management.

You can read more about our approach to operational climate risks in the [Royal London Group Climate Change Commitments Policy Paper](#).

What we did in 2020

Agreed climate governance model

Add climate to Board ToR*

Set up risks and controls around climate

Trained RLAM Board

Discussed climate at three Investment Committee meetings, one ExCo[†] and one Board meeting.

Published our Climate policy

Trained all investment teams

Undertook regular fund reviews

Designed TCFD report with metrics

* Governance approval early 2021

† Executive Committee

Figure 14: RLAM Climate Policy strategic commitments

Area	RLAM policy commitments	What we did in 2020
Risk management	<ol style="list-style-type: none"> 1 We will integrate backward- and forward-looking climate factors in the stress-testing of our investments where we are confident we have good quality and reliable data. 2 We will interrogate and seek to improve the quality of climate data, acknowledging that this is a nascent area and that data and knowledge is continually improving. 3 We intend to conduct annual training with Fund Managers across RLAM. This will ensure that fund managers and analysts have the required knowledge, understanding and access to information to integrate climate considerations into investment decision making successfully. 	<p>We undertook climate-risk training with members of the RLAM Board to ensure that they are knowledgeable enough to provide appropriate guidance and challenge on our climate strategy.</p> <p>We worked to ensure that all relevant committee Terms of Reference²³ have been updated, to reflect the inclusion of climate-risk responsibilities.</p> <p>We enhanced the quality of climate data sets, particularly through additional research and data collection (fixed income) and engagement (equities).</p> <p>We advocated for changes to climate data methodologies through our involvement in the CFRF and the IA.</p> <p>We held early discussions on stress and scenario testing, modelling and piloting with RLAM’s Investment Risk team.</p>

Metrics and targets

During 2020 we started evaluating the best metrics to measure risk and opportunities within our operations and investments. The systematic disclosure and analysis of climate data across multi-asset investment strategies and hundreds of portfolios is complex and challenging. At RLAM we are working with issuers, data providers and regulators to overcome this issue, to enhance data quality and expand coverage, whilst acting now on the information at our disposal.

In the interest of transparency, we have chosen to disclose selected metrics which are defined in [Appendix I](#). This constitutes a first step in our disclosure. We will increase the level of our disclosure as our confidence on the robustness of the data and impact methodologies improve.

Our objective is to find the clearest and most decision-useful approach to climate disclosures. As we are at the beginning of our journey, it is likely that the data we report in 2020 may not be comparable to future years, or suitable as a baseline. This is due to the unusual year, where economic activity was particularly volatile due to the coronavirus pandemic and global emissions decreased due to restrictions imposed to combat the spread of the virus.

Nevertheless, we present²⁴ an analysis of backward- and forward-looking metrics based on a breakdown of asset classes in RLAM as of 31 December 2020. Over time, enhanced data quality and improvement in our methodology will enhance insights and give us better information to decisively act to address our climate risks and work towards alignment with the goals of the

Paris Agreement²⁵ while continuing to act in the best long-term interests of our clients.

RLAM assets under management and benchmarks

As of 31 December 2020, RLAM managed £148.4bn. In our first TCFD report we analyse the following asset classes: equities, fixed income corporate and sovereign bonds and Property. Our analysis in figure 15 excludes Cash²⁶ and Derivatives. Throughout the report we compare our assets with composites²⁷ of relevant equity and fixed income benchmarks.

Summary of climate metrics

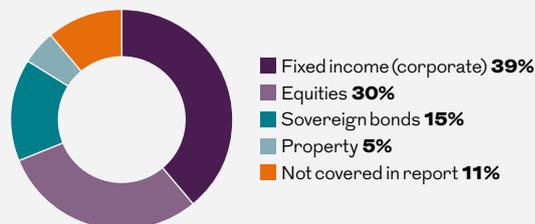
As shown in the risk section and in Figure 16, our largest impact on the climate is through our investment activities and that will be the main focus of this section.

Fixed income and equities

In figure 17 we show the aggregated value of backward- and forward-looking metrics for key asset classes, against appropriate benchmarks. We aggregate equities and fixed income values for a firm-wide perspective.

The metrics we have selected²⁸ will help our risk management teams, our leadership team and fund managers to integrate climate considerations

Figure 15: RLAM AUM covered in TCFD report by asset class



Source: RLAM proprietary data as at 31 December 2020

Figure 16: Summary of emissions scope 1, 2 & 3

Scope	Total	Explanation
Scope 1	0.19 tCO ₂ e	Emissions from operating our business ³⁰
Scope 2	69.80 tCO ₂ e	Electricity and heating in our offices ³¹
Scope 3 – direct	15 tCO ₂ e	Air and rail transport from our staff
Scope 3 – investments	5.34 MtCO ₂ e	Total scope 1 & 2 emissions associated to investments ³²

Source: RLAM proprietary and MSCI data as at 31 December 2020

in the various processes relevant to carrying out investment management activities. In particular, as recommended by TCFD, we have started using the weighted carbon intensity to inform some of our investment decisions and to communicate with our clients.

Figure 17 shows that our investment portfolios in equities and corporate fixed income have lower carbon intensity and lower warming potential than their reference benchmarks.

RLAM has been explicit for years about the limitations found in emissions data, particularly for fixed income assets. We find that the data coverage from typical ESG data vendors is often very low for this asset class. As previously indicated and in an effort to combat this industry-wide shortfall, RLAM developed, in 2020, an in-house carbon intensity tool which extended carbon emissions data for our fixed income holdings from 70% to 84% coverage of our portfolio²⁹. We continue our efforts to expand the data quality across asset classes and their benchmarks.

Sovereign bonds

Figure 18 shows sovereign bonds marginally above the benchmark. A lower score under each metric means performing better than the benchmark. In the next sections we will dive into some of the details that underpin these differences.

Figure 17: Summary of backward- and forward-looking climate metrics for equities and corporate debt

	Backward-looking	Forward-looking
	Weighted average carbon intensity ³³ tCO ₂ e/\$m revenues	Warming potential °C ³⁴
RLAM*	100.46	3.73
Coverage % of portfolio value	89%	72%
Aggregated benchmark	145.41	3.75
Coverage % of portfolio value	93%	75%
Performance vs benchmark	31%	1%
Fixed income instruments	86.3	3.95
Coverage % of portfolio value	83%	52%
Fixed income benchmark	155.60	3.87
Coverage % of portfolio value	91%	58%
Performance vs benchmark	45%	-2%
Equities	118.82	3.44
Coverage % of portfolio value	97%	98%
Equities benchmark	132.18	3.59
Coverage % of portfolio value	95%	96%
Performance vs benchmark	10%	4%

Source: RLAM proprietary and MSCI data as at 31 December 2020

* RLAM portfolio refers to equities and corporate fixed income portion of RLAM's AUM analysed circa 69% of assets.

Figure 18: Summary of backward- and forward-looking climate metrics for sovereign debt

	Backward-looking	Forward-looking
	GHG GDP intensity Kg CO ₂ e/USD of GDP ³⁵	Warming potential °C
Sovereign bonds portfolio	0.2008	3.22
Coverage % of portfolio value	100%	100%
Sovereign bonds benchmark	0.1994	3.19
Coverage % of portfolio value	100%	100%
Performance vs benchmark	-1%	-1%

Source: RLAM proprietary and MSCI data as at 31 December 2020

Analysis

Carbon intensity

RLAM’s overall weighted average carbon intensity (WACI) is 31% below its benchmark. See Figure 19.

RLAM’s outperformance against its benchmarks is mainly driven by relatively lower weighting in high-carbon emitting sectors such as oil and gas and industrials.

Over 30% of WACI for our equities and fixed income investments stems from exposure to the energy utilities sector. The skew towards the sector reflects both how intensive emitters these companies still are and also, RLAM’s preference in holding and lending to the industry.

Implied temperature rise – warming potential

In the context of climate action efforts to support the Paris Agreement goals, and the availability of new methodologies to assess climate risks and opportunities there is increasing interest in forward-looking information to inform financial decision-making.

In particular, a metric that is gaining interest from the financial sector since the TCFD issued its recommendations is referred to as ‘warming potential’ or ‘implied temperature rise associated with investments’ (ITR). These metrics represent the estimated temperature rise associated with the greenhouse gas emissions and other inputs and assumptions for an entity (e.g. company). While this approach and its methodologies are still immature and not without controversy, we still find it a useful signal, amongst others, to evaluate emissions trajectories and alignment with the Paris goals.

Figure 19: Weighted average carbon intensity tCO₂e/\$m revenues

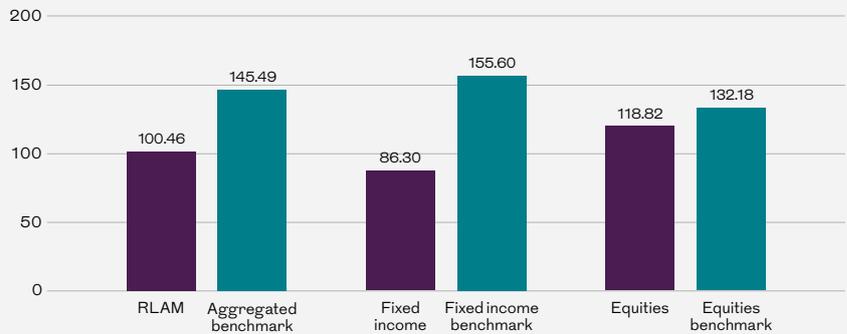
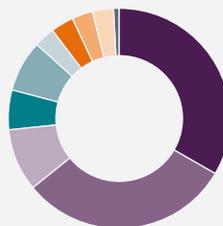
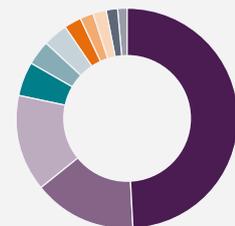


Figure 20: Weighted average carbon intensity by sector – equities



- Utilities **33.5%**
- Materials **30.7%**
- Energy **9.4%**
- Information technology **5.6%**
- Industrials **7.6%**
- Health care **3.0%**
- Consumer staples **3.3%**
- Financials **3.2%**
- Consumer discretionary **3.0%**
- Communication services **0.7%**

Figure 21: Weighted average carbon intensity by sector – fixed income



- Utilities **49.3%**
- General industrials **15.1%**
- Structured **14.2%**
- Consumer services **5.0%**
- Real estate **3.6%**
- Social housing **3.6%**
- Banks and financial services **2.4%**
- Telecommunications **2.0%**
- Consumer goods **1.9%**
- Supranationals and agencies **1.7%**
- Other **1.3%**

Figures are subject to rounding and therefore totals may not always equal 100%.

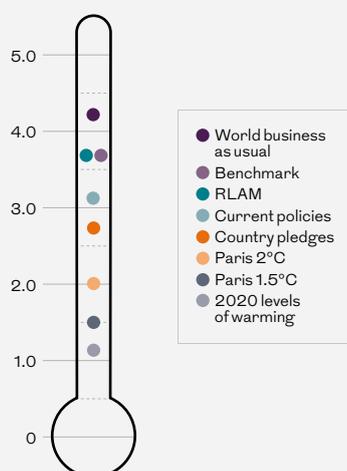
Source: RLAM proprietary and MSCI data as at 31 December 2020

As shown in Figure 22, RLAM’s portfolio³⁶ has an estimated warming potential of 3.66°C and is therefore not aligned with the Paris Agreement.

RLAM’s estimated portfolio temperature is 0.02°C below the benchmark, or just 1% better. We estimate the warming potential for our equities and fixed income portfolios to be 3.95°C and

3.44°C respectively. Fixed income is 2% worse than its benchmark and equities is 4% better. 72% of RLAM’s warming potential is driven by scope 3 emissions, compared to 18% of scope 1 and 10% of scope 2. In the sovereign portion of the portfolio, RLAM warming potential is 3.22°C against a benchmark pointing to 3.19°C. As the data and methodologies

Figure 22:
Implied temperature rise °C
(warming potential)



Source: RLAM proprietary and MSCI data as at 31 December 2020.

to measure future holding performance improve, we expect to be able to further integrate this information into our analysis, ensuring that climate risks to borrowers are priced appropriately.

Our portfolio is also not within the 'current policy range of temperatures' as calculated by Climate Action Tracker³⁷. According to their methodology, the current policies enacted by governments are likely to lead to warming between 2.7°C and 3.1°C (see Figure 22). The world's economy and current policies are misaligned with the goals of the Paris Agreement and will require further policy action and multi-stakeholder innovation to meet a target of net zero by 2050. This just highlights the amount of effort investors' face to engage with their holdings for Paris Alignment.



What are we doing to mitigate our carbon risk exposure to the utilities sector and to benefit from the energy transition opportunities?

The power utility sector is at the core of the energy transition to mitigate climate change. Globally, electricity and heat production are the largest sector emitters of greenhouse gases accounting for around 38% of emissions, followed by transport, industry and buildings. However, the sector is undergoing a rapid transformation, which is already contributing to decarbonisation. In the UK, between 2010 and 2019, emissions in the power sector fell from 161 MT to 54 MT of CO₂e. In scenarios that achieve 1.5°C warming, the power sector is the first to decarbonise. Power also enables the decarbonisation of other sectors, through the electrification of transport, heat and some industrial activity.

The sector is a significant contributor to our overall WACI and therefore it is a strategic priority in our climate engagement and stewardship activity. We aim to be a strong investor voice in the power utility sector. These are some of the activities we undertook in 2020 to influence a rapid decarbonisation of the sector:

- We co-lead the Institutional Investors' Group on Climate Change (**IIGCC**)^{*}

* <http://www.iigcc.org>

† <http://www.rlam.co.uk/institutional-investors/our-views/2020/expectations-for-energy-utilities-just-transition-strategies>

‡ <https://www.iigcc.org/resource/power>

§ See Stewardship section for a detailed analysis of this interaction.

power utility sector working group, which drives forward CA100+ engagements for thirteen European utility companies.

- We partnered with the Friends Provident Foundation to engage with the seven largest utilities in the UK on social and climate issues. We scrutinise companies' assumptions and the alignment of their business models, infrastructure and investment pipeline to the principles of net zero. We suggested the inclusion of Just Transition principles into their decarbonisation plans and published our Investors' Expectations for the sector[†].
- We co-authored and published a paper: **Accelerating the Transition to Net Zero Emissions in the Power Sector**[‡], presented in the 'Race to Zero' dialogues as part of UK Government's COP26 presidency efforts.
- We reached out to the utility sector regulator in the UK, Ofgem[§], to request a revision of their Revenue Using Incentives to Deliver Innovation and Outputs-2 (RIIO-2) 'Draft Determinations for Transmission, Gas Distribution and Electricity System Operators'. We urged them to reconsider the achievable level of returns to ensure it is sufficient enough to attract the investment required to achieve net zero.

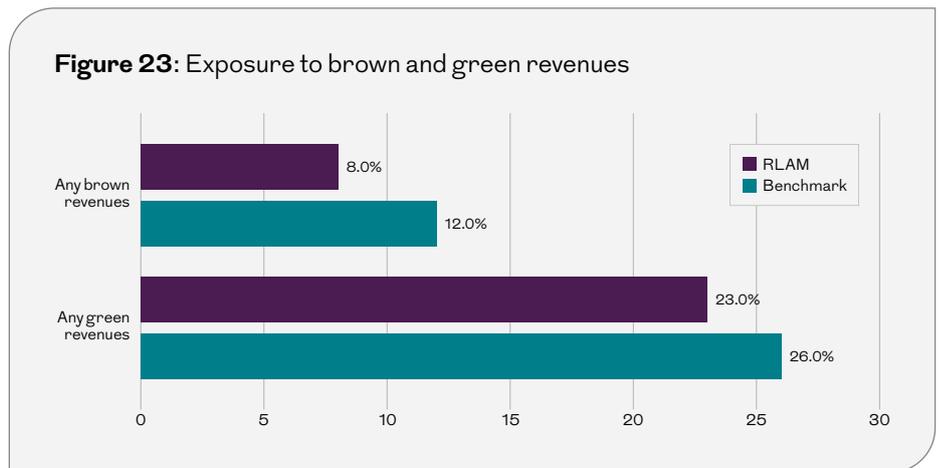
RLAM holdings' exposure to green and brown revenues

Other useful metrics that we are evaluating to monitor and manage climate risks and opportunities are our holdings' exposure to brown and green revenues. We define brown revenues as those obtained from any fossil-fuel activities in oil and gas, thermal coal mining and thermal coal generation. Equally we define green revenues as those obtained from activities associated with climate and natural capital solutions. Detailed definitions of these metrics and methodological shortcomings can be found in [Appendix I](#) and [Appendix III](#).

Companies with any revenue associated to fossil fuels constitute 8% of our portfolio, while the aggregate benchmark has 12% exposure. This means RLAM has 36% less exposure to fossil fuels than its benchmark; this is mainly driven by a significantly lower exposure to the energy sector in our Fixed Income portfolios. However, companies with any green revenues from climate and natural capital solutions constitute 23% of our portfolio (marginally lower than the aggregated benchmark's 26%). Our lower exposure to green revenues can be explained mostly by the relatively low exposure of the fixed income portfolio to industrials and energy sector.

Climate stress-testing and climate physical risk³⁸

From 2021, we will continue modelling forward-looking metrics to measure climate-related value at risk and alignment of our investments with the goals of the Paris Agreement and to support portfolios' stress-testing against a number of scenarios. Climate Value at Risk (C-VaR) measures the potential impact on the market value of investments due to the impact of climate change transition and physical



Source: RLAM proprietary and MSCI data as at 31 December 2020

Figure 24: RLAM Equities Climate Value-at-Risk under various scenarios

Scenario 'stress-testing'	C-VaR 1.5° AIM/CGE %	C-VaR 2° AIM/CGE %	C-VaR 3° AIM/CGE %	C-VaR moderate physical risk %	C-VaR aggressive physical risk %
RLAM – equities % of market valuation	-17.47	-11.02	-6.76	-5.32	-7.18
Coverage % of portfolio value	98	98	98	94	94
Benchmark % of market valuation	-22.87	-15.63	-8.13	-6.58	-8.70
Coverage % of portfolio value	96	96	96	91	91
Performance vs benchmark	24	30	17	19	17

Source: RLAM proprietary and MSCI data as at 31 December 2020

risks under different stress-testing scenarios. This means that, under the scenarios considered climate risk and opportunities are presented as a potential percentage downside valuation impact. Further detail on the metric is included in [Appendices I](#) and [II](#). We selected three scenarios 1.5°C, 2°C and 3°C, all from the Asia-Pacific Integrated Assessment Computable General Equilibrium Model (AIM/CGE)³⁹. In this year's report we focused this analysis

on our Equities portfolio due to its more consistent and reliable coverage.

These scenarios aggregate the climate physical risk with the emissions mitigation policy risk and the technological upside or opportunities. The 3°C scenario is representative of the current national climate policies. It can be framed as responding to the question: 'what could happen if the world implemented most of the policies they have now designed to

mitigate climate change?’ RLAM’s Equity portfolios perform 17% better than their benchmarks under this scenario. The 2°C scenario represents the Paris Agreement overarching goal and it requires emissions reductions to achieve net zero by the second half of the century. RLAM exhibits 30% less value-at-risk than its benchmark under this scenario. And finally, the 1.5°C scenario is the most ambitious of the Paris Agreement’s goals and requires achieving global net zero emissions by 2050. RLAM’s portfolio performs better than the benchmark by 24% under this scenario.

RLAM’s better C-VaR performance than its benchmark is driven by its relatively low exposure to the Energy and Materials sectors. Nonetheless, these sectors remain the highest contributors to C-VaR along with the Commercial sector, whose C-VaR is driven by potential exposure in value chains (scope 3 emissions).

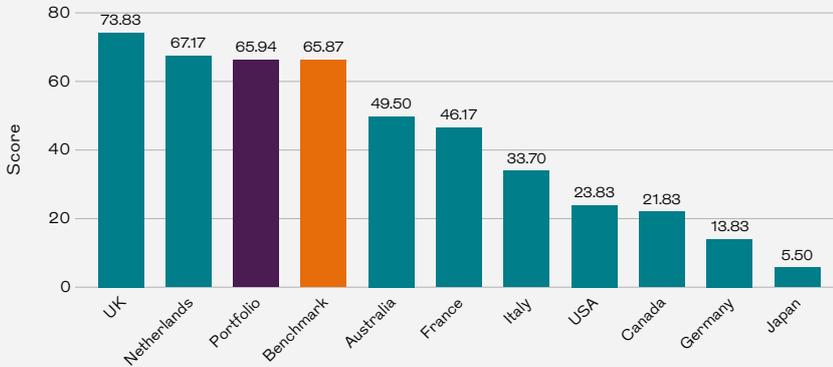
We are also disclosing the standalone impact of climate physical risk under an aggressive and a moderate scenario which are in the range of plausible climatic responses to changes in weather and climatic patterns. RLAM’s portfolio performs better than the benchmark by 19% under the moderate physical risk scenario and by 17% in the aggressive scenario. With regards to physical risk, commercial, chemicals and food and beverage, are the highest exposed sectors.

Next year we also plan to further evaluate ways of assessing our investments’ climate physical risks, noting that the data and tools available to support this exercise are still at very early stages of development.

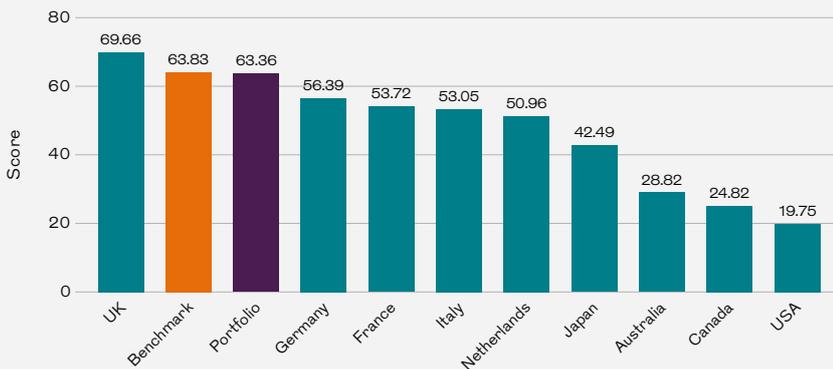


Figure 25: Set of metrics for sovereign debt

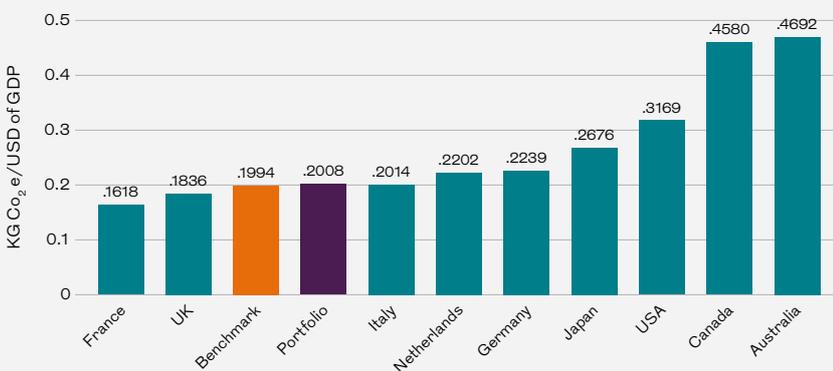
GCRI climate physical risk



CCPI climate transition risk



CO₂e/GDP intensity

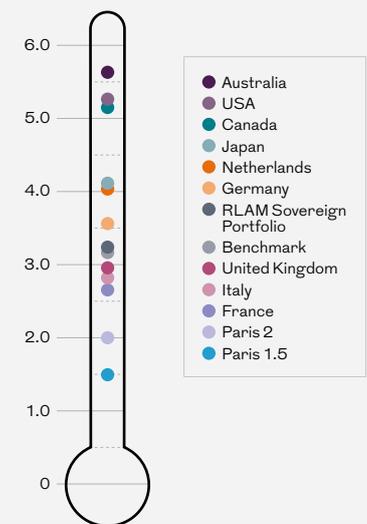


Source: RLAM proprietary data, MSCI and GreenWatch as at 31 December 2020

Climate risk exposure in sovereign bonds

The evaluation of investors' exposure to climate risks and opportunities through sovereign bonds portfolios differs from corporate risks in the relative difficulty in assessing changes in the country's credit risk due to the effects of climate change. However, we can assess if the issuers' emissions trajectories are contributing to exacerbating climate change and if their territory is particularly exposed to climate physical risk. For this reason, we have selected backward-looking metrics for emissions intensity calculated as volume of greenhouse gases per monetary unit of GDP (CO₂e/GDP). This can be interpreted as an equivalent to the corporate carbon intensity and warming potential as a forward-looking metric that allows to evaluate alignment with the goals of the Paris Agreement. The Climate Performance Index and the Climate Risk Index assess the issuers' exposure to transition and physical climate risk respectively.

Figure 26: Implied temperature rise for sovereign bonds



Source: RLAM proprietary and MSCI data as at 31 December 2020

RLAM's portfolio performs slightly worse than the benchmark by 1% both in terms of emissions intensity and warming potential. As both benchmark and portfolio are similarly skewed towards UK Gilts, there exists little differentiation. However, as the climate data and methodology develop further we shall be able to further integrate climate considerations in sovereign bond selection. Notwithstanding this, exposure to the UK is positive in terms of climate as the UK outperforms the G7s in terms of GHG intensity. Its emissions intensity of 0.18 is only above

France's with 0.16 and representing 1.4% of RLAM's portfolio. The UK also has ambitious policies supporting its commitment to net zero by 2050. Additionally, the UK, the second highest score in the Climate Transition Risk CCPI Germanwatch Index, and its warming potential, reflective of its current trajectory, is of 2.96°C. The UK seems to be on a better pathway to avoid disruptive transition risk through its strong advancements in recent years towards grid decarbonisation and earlier policy development. RLAM has no material exposure to sovereign bonds

overly vulnerable to the physical effects of climate change as reflected in our low score in the Global Climate Risk Index.

Property climate metrics

We have disclosed our EPC ratings within this report as we believe it is one indicator that helps us to monitor our exposure to climate transition risk. 93% of our portfolio is covered by EPC ratings, of which only 2% have an F or G rating (the lowest rating) which, as per the requirements of the Minimum Energy Efficiency Standards, will be improved to at least E rating by the 1st April 2023.

Figure 27: Climate metrics for property portfolio

	Office space		Industrial		Retail shopping centres		Retail		Retail warehouse		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Total electricity consumption (MWh)	28,746	27,608	1,892	1,729	585	426	1,045	852	944	858	33,211	31,472
Total fuel consumption (MWh)	15,649	12,789	496	365	194	105	687	404	–	–	17,026	13,663
Total building energy intensity by floor area (kWh/m ²)	149.48	120.63	10.27	7.87	32.14	22.17	41.51	31.59	1.54	1.14	96.79	77.72
Total GHG emissions intensity by floor area (kgCO ₂ e/m ²)	0.03	0.03	0.002	0.002	0.008	0.005	0.01	0.01	0.0004	0.0003	0.02	0.02
Scope 1 GHG emissions (tCO ₂ e)	2,879	2,355	91	67	36	19	126	74	–	–	3,133	2,516
Scope 2 GHG emissions (location based) (tCO ₂ e)	7,470	6,609	497	496	154	102	276	204	249	206	8,645	7,617
Total GHG emissions (tCO ₂ e)	10,349	8,963	588	563	190	121	402	279	249	206	11,778	10,132

Source: RLAM as of 30 September 2020.

Note: Due to the nature of properties carbon, energy and water data, the data presented in this section is taken from 1 October 2019 – 30 September 2020 (Q4 2019 – Q3 2020). In reporting this way, RLAM have been able to report a full-year of actual data rather than rely on estimates. The need to report Q4 – Q3 data is common within the properties management industry and is driven by delays in data availability.

Figure 28: Energy Efficiency Ratings per demise measured within the portfolio.

EPC rating	A	B	C	D	E	F	G	No rating	Not in scope
RLAM Assets %	4	8	31	34	14	1	1	2	5

Source: RLAM as of 31 December 2020.

As mentioned previously in the report, we are now committing to targeting A-ratings for all new developments and B for all refurbishment projects, a commitment which will help to ensure that over time our overall EPC rating average improves within our portfolio.

Aspirations and next steps: setting targets

As Royal London Group ratchets up its commitments to decarbonisation and net zero, we focus on increasing our confidence in the coverage and quality of the climate data available, and continue to collect important insights from our client base, to further evaluate the most credible goals that support our fiduciary duty and our clients' objectives.

Our focus this year has been on cleansing and analysing the data, agreeing our policies and practices, and confirming our governance and oversight structure for climate risk. Fundamentally we are led by our clients, and will continue to work with them to understand their requirements for emissions reduction targets. We understand many asset owners are actively looking at this issue and whether to make a net zero carbon commitment. Our conversations with our clients will inform how we develop targets, their quantum and time horizon, which are consistent with our fiduciary duty and follow science-based principles.

We are particularly mindful of setting targets under data quality constraints, or where portfolio carbon reductions do not have an impact on the real economy. In a world which is not aligned with the Paris Agreement, it is of the utmost importance that any decarbonisation decisions do not have the unintended consequence of reallocating emissions to different owners without removing them from the atmosphere.

Understanding and managing carbon emissions and future warming potential at the fund level is within our control. Our immediate aspiration is to improve how we integrate material climate risks into our investment analysis and decision-making. We can do this by improving the data quality and availability to fund managers and investment decision-makers, and by providing subject matter expertise to help guide their decisions. We can also ensure that climate risk is fully understood and considered when creating new products or signing new segregated mandates with clients. Finally, engagement is a critical tool we can use to help transition legacy mandates, particularly those that may have limited ability to switch or sell securities due to the specifics of their investment objectives and client financial requirements. We are really excited to be presenting our first TCFD report in 2021 and in doing so, have opened our eyes to a number of areas we can improve on as well as new areas to explore. To this end, we will **chart a path to sustainable investment by improving the metrics and targets for our fund and investment** through the following actions:

- Improve data quality and availability
- Review targets and net zero options with our clients
- Incorporate climate risk into product development activity
- Improve our understanding of physical climate risk
- Use engagement to address challenging sectors and legacy products
- Work with others to improve guidance for the investment industry



APPENDIX I

Definitions, metrics descriptions and methodologies

Figure 29: Metrics definitions

Metric	Asset class	Brief explanation of the metric
CO ₂ e Scope 1	Equities, corporate bonds	All direct company emissions from owned or controlled sources. Other greenhouse gases are converted to CO ₂ hence reporting is under CO ₂ e. https://ghgprotocol.org/sites/default/files/standards_supporting/FAQ.pdf
CO ₂ e Scope 2	Equities, corporate bonds	Indirect company emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company.
CO ₂ e Scope 3	Equities, corporate bonds	Indirect company emissions that occur in a company's value chain both upstream and downstream.
Total carbon emissions	Equities	The absolute greenhouse gas emissions associated with a portfolio. Scope 1, Scope 2 and optional Scope 3 GHG emissions are allocated based on an equity ownership using market capitalisation. https://www.fsb-tcfd.org/publications/
Weighted average carbon intensity	Equities, corporate bonds	Portfolio's exposure to carbon-intensive companies, expressed in tons CO ₂ e/\$m revenue. Scope 1 and Scope 2 GHG emissions are allocated based on portfolio weights (the current value of the investment relative to the current portfolio value). https://www.fsb-tcfd.org/publications/
Warming potential	Equities, corporate bonds, sovereign bonds	Warming potential metrics aim to quantify the alignment of a company's activities against pathways commensurate with future temperature goals. This metric incorporates current emission intensity and assumptions to estimate expected future emissions intensity for an entity. The estimate is then translated into a projected increase in global average temperature above pre-industrial levels. It is expressed in °C. https://www.msci.com/documents/1296102/16985724/MSCI-ClimateDataMetrics-Feb2020.pdf/73ccf115-0ed2-434b-553f-f10d0a1dfa1b?t=1580815710739
Climate Value-at-Risk	Equities, corporate bonds	Climate Value-at-Risk (C-VaR) model aims to provide an assessment on how climate change may affect the investment return in portfolios based on conditions associated with global temperature trajectories (e.g. 1.5, 2, 3°C). It is expressed in % change in market valuation. By evaluating policy impact, technology opportunities and climate physical risk, under different scenarios associated with those temperature trajectories, the metric provides insights into the potential stress on market valuation, translating climate-related costs into possible valuation impacts. We selected three scenarios from the Asia-Pacific Integrated Assessment Computable General Equilibrium (AIM/CGE) model. This model is comprised of four integrated models: an economic model, a spatial model, an emissions constraints model and a climate model. The model is peer reviewed and its building blocks and key outputs are accessible through the IPCC database of climate models. Integrated Assessment Models, as described by the IPPCC 2018 report, are: <i>'simplified, stylised numerical approaches to represent enormously complex physical and social systems... important input assumptions include population growth, baseline economic growth, resources, technological change, and the mitigation policy environment... the models use economics as the basis for decision making. This may be implemented in a variety of ways, but it fundamentally implies that the models tend toward the goal of minimising aggregate economic costs of achieving mitigation outcomes...'</i> https://data.ene.iiasa.ac.at/iamc-1.5c-explorer https://www.tcfdfhub.org/wp-content/uploads/2019/07/201711_Carbon_Delta_Methodologies.pdf

Weight of companies with brown revenues	Equities, corporate bonds	The percentage of instruments (by value) held in the portfolio through equity stake or bonds that have exposure to revenues from oil and gas activity, coal mining and/or coal-based generation of electricity.
Weight of companies with green revenues	Equities, corporate bonds	The percentage of instruments (by value) held in the portfolio through equity stake or bonds that have any exposure to revenues from renewable energy, energy efficiency, green buildings, sustainable water and agriculture, and pollution prevention.
GHG intensity of GDP	Sovereign bonds	GHG intensity of an economy per USD million GDP nominal. As disclosed in Emissions Database for Global Atmospheric Research (EDGAR) by our data provider. It considers emissions from fossil fuel use and industrial processes. The metric is expressed in Kg Co2e/USD GDP. https://data.jrc.ec.europa.eu/collection/edgar
Energy Performance Certificate (EPC) Rating	Property	EPCs are a rating scheme to summarise the energy efficiency of buildings in the European Union (including the UK post-Brexit). The building is given a rating between A (very efficient) and G (inefficient). RLAM's EPCs have been allocated per demise, rather than per asset. This is because areas within assets can be allocated different EPC ratings e.g. retail shopping centres can consist of a mix of buildings with different EPC ratings.
Total electricity consumption (kWh)	Property	Electricity consumption kilowatt hour (kWh) – based on metered building consumption data.
Total fuel consumption (kWh)	Property	Fuels consumption kilowatt hours (kWh). Fuels refers to natural gas consumption only within building types.
Total building energy intensity by floor area (kWh/m ²)	Property	Energy (electricity + fuels) kilowatt hours per meter squared (kWh/m ²).
Total GHG emissions intensity by floor area (kgCO ₂ e/m ²)	Property	GHG (total Scope 1 & 2) kilogram of carbon dioxide equivalent per meter squared (kgCO ₂ e/m ²). Calculated using the Greenhouse Gas Protocol methodology and by applying the UK Government's GHG Conversion Factors for Company Reporting (2019) (2020).
Scope 1 GHG emissions (tCO ₂ e)	Property	Direct greenhouse gas (GHG) emissions (direct GHG emissions are emissions from sources that are owned or controlled by the reporting entity). Calculated using the Greenhouse Gas Protocol methodology and by applying the UK Government's GHG Conversion Factors for Company Reporting (2019) (2020).
Scope 2 GHG emissions (Location based) (tCO ₂ e)	Property	Indirect greenhouse gas (GHG) emissions from consumption of purchased electricity (indirect GHG emissions are emissions that are a consequence of the activities of the reporting entity, but occur at sources owned or controlled by another entity). Location based: a location-based method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data). Calculated using the Greenhouse Gas Protocol methodology and by applying the UK Government's GHG Conversion Factors for Company Reporting (2019) (2020).
Total GHG emissions (tCO ₂ e)	Property	Scope 1 GHG emissions plus Scope 2 GHG emissions. Calculated using the Greenhouse Gas Protocol methodology and by applying the UK Government's GHG Conversion Factors for Company Reporting (2019) (2020).

Definitions and acronyms

TCFD

The Financial Stability Board Task Force on Climate-related Financial Disclosures was set up to develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers and other stakeholders.

CFRF

The Climate Financial Risk Forum (CFRF) is an industry forum jointly convened by the Bank of England Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) in early 2019. The forum's aim is to build capacity and share best practice across industry and among financial regulators, to advance the sector's responses to the financial risks from climate change.

Climate transition risk

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organisations. (Source: TCFD)

Climate physical risk

Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organisations, such as direct damage to assets and indirect impacts from supply chain disruption. Organisations' financial performance may also be affected by changes in water availability, sourcing,

and quality, food security and extreme temperature changes affecting organisations' premises, operations, supply chain, transport needs, and employee safety. (Source: TCFD)

Climate stress-testing

A stress test is a projection of the financial condition of a firm or economy under a specific set of severely adverse conditions. This may be the result of several risk factors over multiple periods of time. Stress-testing is a risk management tool used to increase a firm's awareness of its business model vulnerabilities to climate risks. Firms might consider sources of transition and physical risks that will be particularly difficult for them to withstand. (Source: CFRF)

Paris Agreement⁴⁰

The United Nations Framework Convention on Climate Change's Paris Agreement was signed in December 2015. Nearly 200 governments agreed to strengthen the global response to the threat of climate change by 'holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C'.

Net zero (adapted from the Paris Agreement Article 4)

To achieve the long-term temperature goal set out in the Paris Agreement, a global peaking of greenhouse gas emissions must occur followed by rapid reductions thereafter. This is to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases (net zero emissions).

IPCC

The Intergovernmental Panel on Climate Change (IPCC) is the United Nations' body for assessing the science related to climate change. The IPCC was created to provide policymakers with regular scientific assessments on climate change, its implications and potential future risks, as well as to put forward adaptation and mitigation options.

APPENDIX II

Our opinion on warming and scenario stress-testing market-available tools

Different actors, from academia and NGOs to traditional financial data providers are innovating in developing data that can support investors’ decision-making with regards to climate. Various methodologies exist for different asset classes; we are reviewing three data providers which provide solutions for equity and fixed income asset classes. Figure 30. We gained valuable insights by trialling in our portfolio all three methodologies described below, and selected data provider 3 for this report.

Paris alignment and implied temperature rise

At RLAM we favour scenarios translated to metrics that help assess ‘Paris alignment’, as their calculations have fewer assumptions, and therefore are more useful informing for decision-making.

Data provider 1’s tool evaluates if the portfolio’s current underlying assets and planned CAPEX follow the IEA’s Sustainable Development Scenario in the following five years. This scenario aligns with ‘below two degrees’ warming. The tool focuses on high emitting sectors as Utilities, Oil and Gas and Steel.

Data provider 2 alignment approach measures companies in high-emitting sectors against emission intensities and physical production levels (Sector Decarbonisation Approach, or SDA methodology) or in low-emitting sectors or for companies with diversified business activity, it measures contraction of carbon intensity in line with what scenarios require to remain below 2°C of warming.

Data provider 3’s metric, divides for scope 1 emissions a global IPCC-modelled carbon budget by sector and

tracks companies’ emission intensity trajectories against the required sector intensity reductions necessary to meet the Paris Agreement goals. It also includes scope 2 and scope 3 alignment to global trajectories and the notion of ‘avoided emissions’ through low-carbon products.

Scenario analysis and climate risk stress-testing

To assess the possible scenarios’ impact on our investments, we move a step further away from climate science. At this point, we find potentially further unreliable assumptions in the available models.

Data provider 1 stress-test tool offers three scenarios aligned with BOE and CFRF recommendations. Scenario A is a sudden, disorderly transition, Scenario

Figure 30: Forward looking methodologies critique

	Paris alignment metrics			Stress-testing metrics		
	Data provider 1	Data provider 2	Data provider 3	Data provider 1	Data provider 2	Data provider 3
Scenarios source	IEA	IEA and IPCC	IPCC	Bank of England	IRENA	IPCC
Pros	Direct links to production facilities and CAPEX	Alignment with SBTI methodology	Embeds several carbon budgets includes scope 1, 2 and 3 and company targets	Provides 3 scenarios simple transparent approach	Provides 3 scenarios geography-specific and including current tax baselines	Provides 12 scenarios assessing policy, technology upside and physical climate risk
Cons	Portfolio-level analysis only restrictive to one scenario and a few sectors	Does not cover scope 2 or 3 nor includes company’s targets	Only based on carbon intensity including avoided emissions	Sector-level analysis only	Only assessing carbon tax policy risk	Complex assumptions and calculations

Source: RLAM research

B is a long-term orderly transition. Both A and B bring the globe to below 2°C. This methodology's scenario C sees the world carry on in a business-as-usual trajectory (and thus, higher than 2°C). However, this tool value-at-risk is given at a gross-sectorial level with very limited granularity that does not support stock-selection.

Data provider 2 carbon price tool provides risk exposure to the carbon price – interpreted as carbon tax – in high, medium and low price scenarios based on OECD and IEA assessments. This allows conducting stress-testing of climate policy risk. The tool is geographically-specific, incorporating countries' mitigation plans, as submitted to the Paris Agreement, as well as current national and regional carbon prices.

Data provider 3's value-at-risk provides stock-specific level information based on asset-level data. However, layered calculations and assumptions make it hard to evaluate. They provide twelve scenarios from four modelling groups that feed into IPCC integrated assessment models. These include a 1.5°C and a 3°C scenario and ten below 2°C scenarios with different levels of warming overshoot and development trajectories. They also provide separate physical climate risk scenarios, including an aggressive and a moderate one, which represent plausible responses of the climate to warming trajectories.



APPENDIX III

Methodological and data assumptions and limitations

Our disclosed metrics are subject to potential limitations due to the emerging nature of climate data applications and methodologies in finance. We endeavour to improve climate data in finance through our engagement with companies and data providers. We believe that technology innovations in the space will make data more easily accessible and auditable in the near future. We are also working with regulators, for example, through the Climate Financial Risk Forum (CFRF) in the UK to support disclosure standardisation. We believe that it is in our clients' best interest for us to disclose the available information, whilst we caveat the validity of assertions by clearly stating the sources of uncertainty.

We have found four areas where assumptions and limitations are most evident:

1 Issuers' carbon emissions data is incomplete and can be inconsistent across sectors, asset classes and geographies.

Most greenhouse gas disclosures are voluntary, relative to financial data, companies' reported emissions data is subject to less rigorous auditing. Issuers disclose emissions with different levels of transparency, coverage, and methodologies, making disclosures less comparable. For example, they may aggregate all greenhouse gases into CO₂ equivalent values or reveal their operations' carbon intensity and not the absolute emissions. Furthermore, there are instances in which emissions are

inherently hard to monitor and measure, such as methane emissions that leak from oil and gas infrastructure. Specific geographies, such as the US and China, are further behind in disclosure along with relatively low emitting sectors such as finance.

When issuers don't report scope 1 and 2 emissions, data providers' estimation methodologies that allow for further coverage make emission data less reliable. Methodologies to estimate emissions can be based on companies' production data, historical companies' emissions reports or by using the sub-industry segment intensity average. We have enhanced scope 1 and 2 emissions with in-house research for fixed-income sterling credit instruments based on detailed knowledge of the issuers, capital structure considerations and underlying assets.

Given the lack of issuer data and inconsistencies in reporting we selected to disclose our holdings' scope 3 emissions as estimated by data providers following the GHG protocol methodology. The scope 3 estimation methodologies cannot follow entirely the GHG Protocol as it would require complete understanding of each company's entire value chain and market. Nonetheless, the methodologies are based on bottom-up company-specific data when available, but can also use top-down sector intensities.

The comparability and up-to-dateness of companies' disclosures is limited by data providers' research cycles and the

rapid moving landscape of corporate and policy climate pledges. Timing of disclosure varies across jurisdictions and companies, with announcements on climate strategy or emissions targets not necessarily following the financial disclosure schedule. This is compounded by any data provider schedule (the workflow by which they prioritise companies' research).

2 Issuers' financial data can be inconsistent. The allocation of revenues to specific company 'green' or 'brown' activity has boundaries which can be disputable and uncertain.

The financial data standardised by ESG data providers used in this report may differ to data used in our internal financial analysis. For example, conversion rates and differences in tax system reporting make data less comparable. To assess companies' performance, we use the financial data from various data providers, including the ESG data vendors used in this assessment. This includes revenue, market capitalisation and enterprise value used in this analysis. We cross-refer these data sets to ensure the financial data quality of our investable universe, but some uncertainties still persist.

Issuers seldom disclose the percentages of revenues for business activities specific to the 'green' and 'brown' taxonomies. Therefore, this is estimated by ESG data providers. For our definition of fossil fuel revenues, we

chose revenues generated from three sources: oil and gas, coal mining and thermal coal generation. We selected the percentage of issuers in our portfolio with any revenue related to a 'brown' activity as the best proxy for our selected metric. While this approach is binary, it limits the data providers' assumptions needed to allocate a specific percentage of revenues to a business segment.

Taxonomies for defining 'green' are being developed, but standardised 'green revenue' data is not yet available.

Notably, the EU taxonomy that entered into force in 2020 will bring standardisation to green products definitions. We used MSCI's sustainable impact definition⁴¹ to identify companies with revenues streams from climate and natural capital solutions. This includes activities in renewable energy, energy efficiency, green buildings, sustainable water and agriculture, and pollution prevention. We decided to disclose the percentage of issuers with any revenue related to these activities.

3 Metrics to assess Paris Alignment or the implied-temperature response of issuers' emissions trajectories are still evolving. Warming potential, our selected metric, makes various necessary assumptions that embed uncertainties in its results.

Data providers' methodologies, using the latest available science widely used to inform policy, will inevitably need to evolve with changes in scientific understanding. This could make our year-on-year disclosures non-comparable. The scientific inputs to the warming potential model used by our data provider are UNEP Gap report⁴² carbon budgets based on IPCC reviewed research. Carbon budgets link economic activity to levels of carbon

emissions and these emissions to a level of warming by the end of the century. The relationship between emissions and warming is well-established by science, but other assumptions remain subject to scientific debate. IPCC assertions and models have inherent uncertainties, probabilistic claims and confidence ranges typically used in climate science. For example, the remaining carbon budget may change with new findings, as well as the upper boundary or worst-case warming scenario, or the possibility of warming overshoots (a period where global mean temperatures rise above warming targets before settling back down). Some modelling assumptions are socio-political, for example, the rates of population and economic growth and the relative importance of carbon removal strategies to expand the carbon budget through 'negative emissions' (taking greenhouse gases from the atmosphere). An important update of climate models and science baselines will occur in 2022 with the Sixth Assessment Report's publication by the IPCC.

Further uncertainties arise from the application of the science to company emission intensities and their trajectories over time. In our selected metric to assess alignment, companies' current and future carbon intensity (factoring emissions targets when available) is placed on curves establishing the relationship between emission intensity per dollar of revenue and temperature. These curves are based on carbon budgets and are designed for scope 1, 2 and 3 emissions and for avoided emissions from low-carbon technology. A temperature/intensity curve is done for each sector for scope 1 emissions, effectively distributing the carbon budget across industries⁴³. The distribution of sector emissions follows national policies but has embedded

further assumptions. The curves for scope 2 and 3 have additional sources of uncertainty. For example, the energy mixes for electricity production is assumed the same globally and we find shortfalls on scope 3 emissions estimations, as explained above. Finally, the curve estimating the contribution of avoided emissions has major assumptions and uncertainties arising from the trajectories of low carbon technology development and their revenue contributions.

Other sources of uncertainty in the methodology include company emissions targets, which required standardisation.

The targets are made comparable by using the number of years the target is applicable to, and the percentage reduction of emissions per year. There is lack of clarity on how these targets help evaluate a company's alignment with the Paris goals.

4 Metrics that stress-test the value of financial instruments due to climate change transition and physical risk are still evolving. Climate Value at Risk (C-VaR), our selected metric, relies on necessary climate model socio-economic assumptions and cost and valuation calculations that reduce confidence in the metric.

The metric consists of three models, policy C-VaR, physical C-VaR and technology C-VaR, in each climate impact is calculated at asset-level and translated into impact on cost or return for the next 15 years.

i **Policy C-VaR calculations make necessary assumptions on how much a company may need to reduce its greenhouse gas emissions due to climate policy and how much this may cost.** Assumptions include countries

adequately disclosing their plans to the UNFCCC and implementing them. Further, carbon prices, to estimate costs are taken from IPCC referenced Integrated Assessment Models (IAM)⁴⁴ and scenarios. IPCC IAM scenarios assumptions are openly auditable and can be considered the latest science which informs policy. However, these models have assumptions around GDP growth, technology uptake, and marginal abatement costs, which mean inherently each scenario for which a carbon price is taken, will show only one possible alternative future.

ii Physical C-VaR makes assumptions on the climate impact on a company's assets from climate change and how costly this could be in terms of increased business interruptions and/or asset damages. It uses climate impact models that include chronic hazards such as gradual temperature, precipitation and snowfall changes and acute hazards such as coastal flooding and cyclones. Generally speaking, the impact of emissions on warming has lower uncertainties than the planet's warming effects on weather and climate and its implications in specific locations. Beyond the difficulty of accurately estimating the increase in vulnerability of assets due to climate, estimating how much this may cost the business has additional assumptions, for example how costs are aggregated from asset to business balance sheets, assumptions of companies' lack of adaptive capacity and insurance costs.

iii Technology C-VaR has embedded various assumptions on green technology ownership and uptake

to estimate how much a company may benefit from transitioning to a low carbon economy. For this analysis, millions of low carbon patents granted by various patent authorities are assessed. Using current green revenues and patent analysis to understand companies' low carbon innovation, a model simulates which companies may benefit when policies from IPCC IAM models that reach different warming goals are implemented globally. Assumptions are made on: technology uptake, the returns these technologies will yield and crucially that patent ownership and citations are a good starting point to understand transition opportunity.

Further assumptions are embedded in the consolidation of each of the sub-model costs and its expression as a final aggregated financial metric. Yearly costs from the three models are added using different assumptions in line with some IAM climate modelling. Including that climate policy cost peaks in the next decades and that climate physical risk costs grow steadily. Once all costs are added, a discount rate is applied to bring these to present value. Discount rates are controversial within climate models, and economists⁴⁵ have argued for different discount rates to be applied to climate cost, given that tail risk has very high impact. The final C-VaR expresses the present-value costs of climate impacts over the current enterprise market value. An additional model splits this C-VaR into equity and debt following reasonable assumptions in line with market practice.

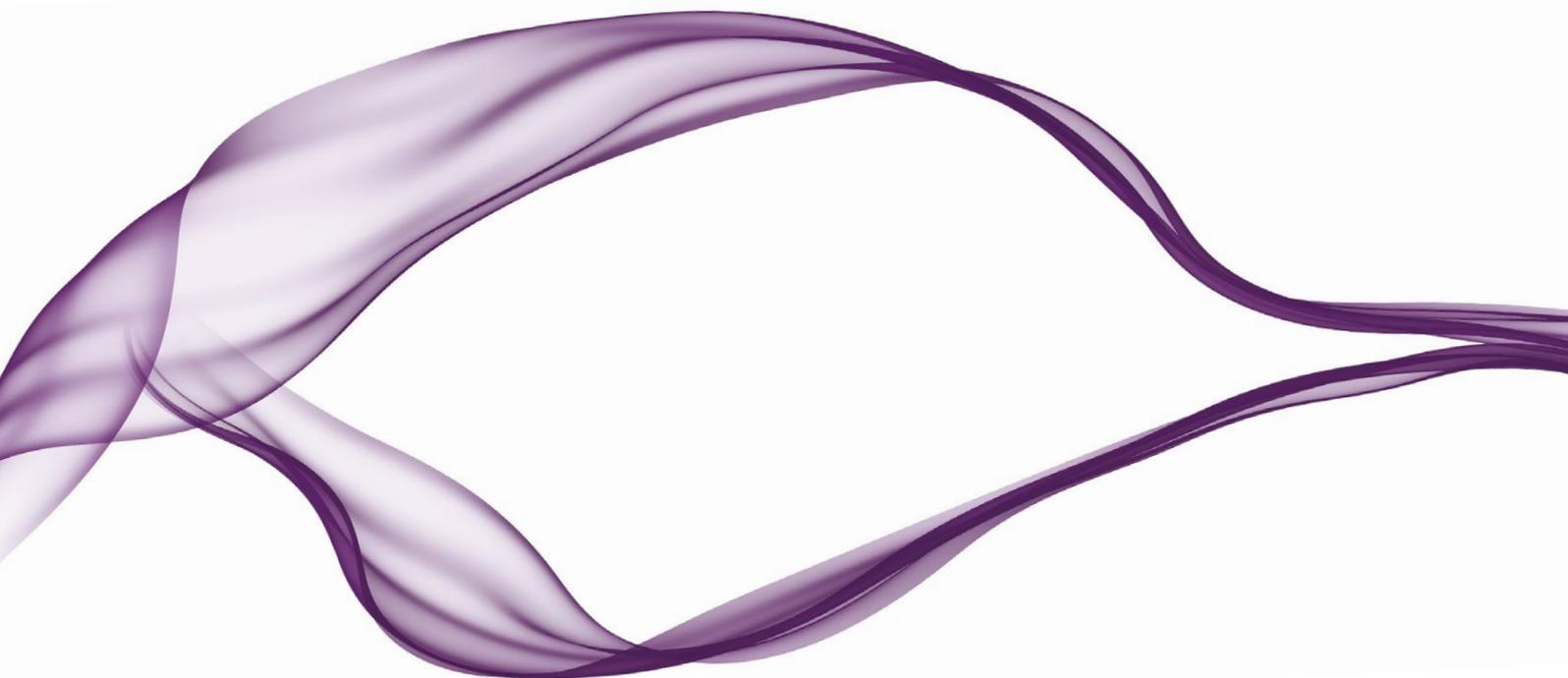
Cross reference to TCFD elements

TCFD sections and where to find them

	TCFD indicators	Report sections
 <p>Governance Disclose the organisation's governance around climate related risks and opportunities.</p>	Describe the board's oversight of climate-related risks and opportunities.	ARA ⁴⁶ – Strategic Report Climate Policy (page 5) Governance (page 22)
	Describe management's role in assessing and managing climate-related risks and opportunities.	Governance (page 22) Climate Policy (page 5)
 <p>Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.</p>	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Strategy (page 7) Risk management (page 24)
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Strategy (page 7) Risk management (page 24)
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Strategy (page 7) Metrics (page 28)
 <p>Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks.</p>	Describe the organisation's processes for identifying and assessing climate-related risks.	ARA – Strategic Report Climate Policy (page 4) Risk management (page 24)
	Describe the organisation's processes for managing climate-related risks.	ARA – Strategic Report Strategy (page 7) Risk management (page 24)
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	ARA – Strategic Report Risk management (page 24)
 <p>Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Metrics (page 28)
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Metrics (page 28)
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Metrics (page 28)

Notes

- 1 <https://unfccc.int/process-and-meetings/the-paris-agreement/what-is-the-paris-agreement>
- 2 <https://climateactiontracker.org/global/temperatures/>
- 3 <https://www.ipcc.ch/sr15/chapter/chapter-3/>
- 4 <https://www.un.org/en/climatechange/science/key-findings>
- 5 See Appendix II for our full opinion on market available tools for Paris alignment and stress-testing.
- 6 See Assumptions and limitations for a description of the methodology we selected.
- 7 See Appendix I for definitions of Paris Agreement and net zero.
- 8 <https://2degrees-investing.org/wp-content/uploads/2020/03/PACTA-leaflet.pdf>
- 9 <https://www.transitionmonitor.com/wp-content/uploads/2019/07/BoE-Stress-Test-Methodology.pdf>
- 10 <https://www.trucost.com/capital-markets/the-corporate-carbon-pricing-tool/>
- 11 <https://www.carbon-delta.com/climate-value-at-risk/>
- 12 <https://www.rlam.co.uk/intermediaries/our-views/2020/esg-factors-will-remain-important-in-post-coronavirus-economy/>
- 13 <https://www.iigcc.org/resource/net-zero-investment-framework-for-consultation/>
- 14 <https://www.theia.org/sites/default/files/2020-11/IA%20Climate%20Change%20Position%2011.11.20%20.pdf>
- 15 <https://www.irena.org/events/2020/Nov/Race-to-Zero-Dialogues-on-Energy>
- 16 <https://www.rlam.co.uk/intermediaries/our-views/2020/update-on-rlam-2020-climate-engagement-and-advocacy-our-focus-on-energy-utilities/>
- 17 https://www.rlam.co.uk/globalassets/media/literature/policies/77700_climate_risk_policy_nov_20_v5-final.pdf
- 18 See further detail in RLAM's Stewardship and RI report 2020.
- 19 RLAM voting policy can be found here: https://www.rlam.co.uk/globalassets/media/literature/policies/68781_voting_policy_uk_2020_final.pdf
- 20 As of 31 December 2020.
- 21 Not a risk in its own right but one that will manifest itself through risk channels. Global Association of Risk Professionals (GARP): https://www.garp.org/newmedia/gri/climate-risk-management-guide/Challenges_052919_PDF.pdf
- 22 The ICAAP is an ongoing assessment of the risks to which an investment firm is or might be exposed and levels of capital considered adequate to cover these risks; it is a regulatory requirement that such assessment be performed at least annually.
- 23 Governance cycle completed their approval in early 2021.
- 24 Detailed description of all methodologies used, assumptions and limitations is included in Appendix III.
- 25 To hold global average temperature increase to 'well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C'.
- 26 This refers explicitly to cash holdings and FX rates, Money Market Instruments are included in the fixed income portion of the report.
- 27 The Equity benchmark is created using a weighted composite of all RLAM equity fund benchmarks, including for example FTSE All-Share Index and MSCI ACWI. The individual benchmarks are aggregated using the values of their associated portfolios.
For Fixed income, the composite benchmark adds the ICE BofA Sterling Non-Gilt Index and ICE BofA BB-B Global Non-Financial High Yield Constrained Index, in the same proportion of RLAM's fixed income investment grade and high yield assets.
The Sovereign bonds benchmark is built by weighting the FTSE Actuaries UK Conventional Gilts All Stocks Index in the same proportion as RLAM's exposure to UK Gilts and JPM GLOBAL – All Maturities Ex United Kingdom.
- 28 For a full explanation of the metrics review Appendix I and Appendix II for the assumptions and limitations.



- 29** RLAM's fixed income portfolio is already -66% lower than the benchmark with 70% coverage from data providers only.
- 30** The only scope 1 emissions are from two company cars.
- 31** We have used the location based method to calculate these emissions as opposed to the market based method.
- 32** Calculation based on equity ownership portion method using Market Capitalization as denominator, with 97% coverage of emissions for our Equity portfolio (c.a. 30% of our AUM). Extending calculation to estimated Scope 3 emissions of our investments for the same portion of our Equity portfolio results in 39.39 MtCO₂e.
- 33** Weighted average carbon intensity based on Scope 1 and 2 emissions as per TCFD recommendations.
- 34** Warming potential includes Scope 1, 2 and 3 of emissions and companies targets trajectories.
- 35** Unit of GDP are expressed in 2011 USD purchasing power parity terms.
- 36** RLAM portfolio in this graph refers to our equities, fixed income and sovereign bonds which are approximately 84% of our AUM, 76% of this value was covered by the warming potential metric.
- 37** <https://climateactiontracker.org/>
- 38** See methodologies, assumptions and limitations in the Appendices.

- 39** See Appendix I for an explanation about these models.
- 40** https://unfccc.int/sites/default/files/english_paris_agreement.pdf
- 41** https://www.msci.com/documents/1296102/16472518/ESG_ImpactMetrics-cfs-en.pdf/7a03ddab-46fd-cef7-5211-c07ab992d17b
- 42** <https://www.unenvironment.org/emissions-gap-report-2020>
- 43** Page 49 of UNEP-Fi document: <https://www.unepfi.org/wordpress/wp-content/uploads/2019/05/TCFD-Changing-Course-Oct-19.pdf>
- 44** See Appendix I and <https://www.ipcc.ch/sr15/chapter/spm/>
- 45** https://archive.ipcc.ch/publications_and_data/ar4/wg3/en/ch2-ens2-4-2-1.html
- 46** <https://www.rlam.co.uk/globalassets/media/literature/policies-and-regulatory/rlam-annual-report-and-accounts-2020.pdf>

Report re-issued in June 2021 – restating values in % difference with benchmark now calculated in reference to the benchmark instead of the portfolio in line with market practice. In addition swapping ‘aggressive’ and ‘moderate’ misplacement in figure 24, editing figure 26 for clarity (now showing USA and UK) and renumbering of figures from 26 to avoid repetition.

All information is correct at December 2020 unless otherwise stated.

Telephone calls may be recorded. For further information please see the Legals notice at www.rlam.co.uk.

Issued in June 2021 by Royal London Asset Management Limited, 55 Gracechurch Street, London, EC3V 0RL. Authorised and regulated by the Financial Conduct Authority, firm reference number 141665. A subsidiary of The Royal London Mutual Insurance Society Limited.

Ref: BR RLAM PD 0064



Contact us

For more information about our range of products and services, please contact us.

Royal London Asset Management
55 Gracechurch Street
London EC3V 0RL

020 7506 6500

communications@rlam.co.uk

www.rlam.co.uk

