Climate-related financial disclosures

Trustee's Report for the Scheme Year ended 5 April 2024

in respect of the Occupation Pension Schemes (Climate Change Governance and Reporting) Regulations 2021

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Appendices

1.Chair's foreword and introduction

The Trustee of LifeSight presents its annual report under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the "Regulations") for the Scheme Year ended 5 April 2024. The Founder of the Scheme is Towers Watson Limited.

The Trustee aims to integrate best-in-class sustainable and responsible investment within LifeSight's investment offering, and is committed to using the scale and position of LifeSight as a leading Master Trust to contribute to creating a sustainable future for society and the planet given this is in the long-term financial interests of our members. This ambition clearly encapsulates climate change as a systemically critical issue, and explicitly extends significantly beyond a minimum-compliance approach.

LifeSight is subject to the requirement to produce disclosures in line with the recommendations of the Task Force on Climate Related Disclosures (TCFD), as transposed into UK law in 2021. That said, consistent with our ambition, LifeSight has been voluntarily publishing such disclosures prior to this becoming a legal requirement; this is, therefore, LifeSight's sixth TCFD statement.

The aim of the TCFD framework and corresponding legislation is to improve and increase reporting of climate-related financial risks and opportunities so that these can be better understood and managed at an organisational and system level.

In particular, the TCFD framework requires disclosures in four broad categories:

1. Governance around climate-related risks and opportunities.
2. Strategy: the actual and potential impact of climate-related risks and opportunities on the strategy and financial plans of the scheme.
3. Risk management: how the scheme identifies, assesses and manages climate-related risks.
4. Metrics and targets: the metrics and targets used to assess and manage climate-related risks and opportunities.

This report sets out LifeSight's approach to assessing, monitoring, and mitigating climate-related risks and opportunities, across each of these four areas, in the context of the Trustee's broader regulatory and fiduciary responsibilities.

Simon Ellis

Chair of the LifeSight Trustee Board

2.Summary

The LifeSight Trustee has taken a comprehensive and proactive approach to addressing climate-related risks and opportunities in the management of the Scheme's investments.

The Trustee recognises that climate change and an orderly transition to a net zero economy represent systemic and urgent global challenges – there are significant threats not just to the environment but to socioeconomic stability, as well as significant financial risks and opportunities as society addresses the challenges.

Climate scenario analysis is used to understand potential impacts on members retirement outcomes which highlighted the systemic and far-reaching nature of climate change and the impact it could have on members. This further supported the Trustee's belief in giving this topic special attention as both a risk and opportunity.

As a result, climate change is a priority for the Trustee with climate considerations being integrated into investment strategies for all members regardless of where they are in their journey to and through retirement. Our scenario analysis considers short, medium, and long-term timeframes and risks, providing valuable insights to inform investment decisions and strategies. As part of continuing to evolve its approach, LifeSight is currently in the process of updating this analysis to consider an improved set of climate scenarios and their potential impact on members.

To navigate these climate-related risks and opportunities effectively, the Trustee has established a Net Zero Target, as well as a corresponding Carbon Journey Plan (CJP) and range of climate metrics as part of a balanced 'Climate Dashboard', all of which are used as important inputs to the ongoing management of key underlying investments:

The Net Zero ambition is to achieve net zero greenhouse gas emissions across LifeSight's Default/Lifecyle strategies by 2050. There are 3 types of emissions data used to track performance:

- Scope 1 emissions: Direct emissions from activities controlled by an entity.
- Scope 2 emissions: Indirect emissions from the consumption of purchased electricity.
- Scope 3 emissions: Indirect emissions from sources outside the entity's control, such as supply chain activities.

At the current time this ambition translates into an interim and long-term carbon footprint reduction target (scope 1 and 2 emissions) of 50% by 2030 and net-zero by 2050 from a baseline of 2019. The target is consistent with the principles currently set out in the Paris Agreement around the pace of the trajectory to net zero, with limited reliance on the use of Negative Emission Technologies / Offsetting. Details of the Net Zero target and Carbon Journey Plan can be found in the full report.

The Trustee recognises that measurement of progress of LifeSight (and the whole investment industry) in stewarding a transition to a net zero and climate-resilient economy is important. However, there is no single definitive metric that can be used to adequately measure progress as climate is a multi-dimensional issue, and the data and analytics in this space are rapidly evolving. Hence, we supplement our CJP with a broader Climate Dashboard approach.

While scope 3 emissions are essential for understanding the full carbon footprint, they are challenging to calculate due to data limitations. The Trustee has started to monitor scope 3 emissions as part of the Climate Dashboard but, due to the data quality issues above and referred to later in the report, places less weight on the current output. The Trustee hopes, given the need to ultimately reduce scope 3 emissions to achieve its ambition, that this position will change over time as data quality improves.

A significant portion of the Scheme's assets are invested in the LifeSight Equity and DGF funds, given they are used significantly across the various Default and other strategies. These funds account for around 85% of the total assets within LifeSight. The monitoring of the Net Zero ambition and Climate Dashboard therefore focuses on these funds, and as the detailed reporting contained herein confirm, LifeSight continues to take significant steps and make good progress.

The statistics shown in the Appendices of this report are at the overall fund level. Individual members (invested in LifeSight Equity and DGF) can view the carbon emissions associated with their assets,

and how these compare to the wider market, using the member dashboard on their personalised online accounts. Additional sustainability resources are also available on that page.

LifeSight's approach to risk management includes ongoing monitoring and assessment of climate-related risks and opportunities. In particular with the support of its Investment Consultant, the Trustee carries out a deep dive annual sustainable investing review. The Trustee also integrates climate considerations into the overall risk management process and regularly reviews its overarching risk register, which outlines controls to mitigate risks and capitalise on opportunities.

While acknowledging data gaps in assessing climate risks, WTW, as founder, Investment Consultant and Fiduciary Manager, is actively collaborating with investment managers to enhance data quality over time.

Over the year, some of the key focus areas for LifeSight have been:

- **Stewardship** – significant work to engage with the underlying assets held and wider industry in order to have a real-world impact on climate change and enhance the financial prospects of the assets and wider global system. The corporate-level engagement has placed significant emphasis on the climate laggards within the portfolio and the Trustee is pleased to see progress is being made in achieving climate milestones with companies (as described in the appendix).
- **Portfolio enhancements** – significant ongoing innovation within the construction of LifeSight's equity investments. As well as further and more holistic integration of sustainability tilts towards companies that are expected to benefit from the decarbonisation of global economies and away from companies at risk, the LifeSight Equity Fund also now has an explicit in-built decarbonisation pathway consistent with the goals of the Paris Agreement. LifeSight is also working on further exciting portfolio enhancements, which the Trustee expects to report about in next year's TCFD Statement.
- **Climate scenario analysis** – refreshing the previous climate change scenario analysis conducted to incorporate a number of enhancements that are consistent with evolving industry best practice and address some of the historic challenges that potentially lead to an underestimation of systemic climate change impacts. This includes stress testing LifeSight with more extreme scenarios, considering the impact of climate tipping points and evaluating the impact through different lenses (e.g. not just on pot sizes, but on post-retirement member income levels). We have given an insight to this in the appendix and will report on the results of this analysis in next year's report.
- **Nature and deforestation** – undertaking training on nature-related financial risks and opportunities and identifying this as a key priority for the year ahead, recognising these as material systemic issues both in their own right and inter-connected with climate change. Although LifeSight already undertakes a lot of work in this area (see appendix), it is recognised that completing further training regarding ongoing market developments and reviewing the formal policies and monitoring framework in place, are sensible next steps.

LifeSight has taken significant steps to integrate climate-related risks into its investment strategy and risk management processes. The Trustee remains committed to aligning with global climate goals, setting targets to reduce carbon emissions, and continuously improving the quality of climate-related data. By adopting a comprehensive and well-integrated approach, including combining scenario analysis, stewardship, and ongoing monitoring, LifeSight ensures that climate change is considered as a key element in delivering long-term financial outcomes for its members. The report also highlights the evolving nature of climate metrics and the need for collaboration with data providers and investment managers to ensure accurate measurement and meaningful progress towards Net Zero.

3.Detailed report

3.a Governance

This section describes the steps the Trustee has taken to establish and maintain:

- A robust set of climate-related beliefs and policies within its overarching fiduciary responsibilities.
- Its overarching approach, with clear governance and management structures, and distinct roles and responsibilities, to put its beliefs and policies into practice.
- Making sure that the climate-related risks and opportunities mentioned in this document are properly managed. This includes ensuring that everyone involved in running the scheme and advising the Trustee is taking the right steps to identify, assess, and handle any relevant climate-related risks and opportunities.

a) Overarching beliefs and policies

The Trustee has identified climate change, alongside other Environmental, Social, and Governance (ESG) factors, as an important risk and opportunity which requires oversight and management over the long-term.

The Trustee has agreed investment beliefs, principles, and policies around responsible and sustainable investing, giving explicit consideration to climate change as a key ESG factor:

- These are reviewed on an annual basis to ensure they remains fit for purpose. They were modified over the Scheme Year with regard to the following aspects in particular:
  - To include details of expected stewardship escalation practices in cases where companies targeted for engagement do not respond or take steps to meet required standards.
  - To state explicitly (in line with pre-existing practice) that LifeSight's net-zero target places limited reliance on Negative Emission Technologies, such as Carbon Capture and Storage and Direct Air Capture.
- These are set out in detail in LifeSight's Statement of Investment Principles (SIP), alongside the roles and responsibilities for setting, implementing, and monitoring adherence to the Trustee's policies. LifeSight's SIP is publicly available – a link is included below for ease of reference:

https://epa.towerswatson.com/doc/LIF/pdf/sip.pdf

In particular, the Trustee believes that an orderly transition to net zero greenhouse gas emissions is an urgent global challenge, which is far-reaching and systemic, posing a significant threat not just to the environment but to socio-economic stability. Consequently, the Trustee recognises that these challenges present material financial risks and opportunities, which necessitate specific risk management, opportunity identification and collective action on behalf of its members.

In general, the Trustee prefers not to use divestment or exclusion as part of its responsible investment approach, and instead prefers to engage as a socially responsible investor. However, the Trustee recognises that exclusion may be merited in certain circumstances, for example where an investment may contravene internationally recognised norms of corporate practice, present undue reputational or regulatory risk, and/or involve material ESG risks that are considered unlikely to be addressed effectively through engagement. The Trustee delegates the selection of these exclusions to the Fiduciary Manager given that these are expected to evolve over time. The Trustee's role is therefore to interrogate, challenge and monitor as part of the annual review how these are being applied. We outline later in the report the current list of exclusions applied.

The Trustee's investment beliefs and principles regarding sustainable investing in general and climate change in particular have led to the development of an explicit Net Zero goal for all of LifeSight's Default Lifecycles These are supported by a robust '3D Carbon Journey Plan' – that is, a specific target carbon trajectory (and guardrails) towards net zero, across the three dimensions of carbon exposure, member term to retirement, and time. The Trustee recognises that it is most appropriate to monitor multiple climate metrics in assessing how the Trustee is progressing against this target given the multifaceted nature of climate change and limitations associated with single metrics.

b) Resourcing model

The Trustee's core function is to provide independent, strategic, non-executive governance of material matters concerning the operation of LifeSight for the ultimate benefit of members. It follows that a key aspect of this role is to appoint, oversee, support and challenge ongoing executive management functions.

The above clearly encompasses climate change as a material portfolio and systemic risk and opportunity. Given the importance outlined above, which is detailed further throughout this Statement, the Trustee has agreed to commit material time, resource and attention to the matter as part of its ongoing governance, and integrate climate change into all policy discussions, execution and monitoring.

Considering and effectively managing the potential impacts of climate change on portfolios (and vice versa) alongside other investment issues is highly complex, technical and resource intensive. Consequently, the Trustee's approach is essentially to:

- Establish high-level beliefs, ambition, policies and strategic direction for LifeSight – this is generally reviewed at least triennially with the support of its Consultant.
- Appoint best in class providers (Fiduciary Manager, underlying investment managers, and stewardship providers) with the expertise and resources to execute the above – these are ongoing management functions.
- Monitor and hold its delegates to account – given that climate change and sustainability more broadly are complex long-term challenges, and decarbonisation in particular is a multi-year journey, this is principally carried out by dedicating the majority segment of one Board meeting per year to a holistic in-depth annual sustainable investment review, including detailed pre-reading, reporting and presentations from all the key delegates with regard to climate change.

c) Overarching approach and corresponding roles and responsibilities

The Trustee's primary (but not sole) focus is on continuing over time to develop the investment strategies underlying the Default Lifecycles (which hold the bulk of member assets), regarding which there are both top-down and bottom-up aspects.

Top-down the key focus is on ensuring the appropriateness of the long-term investment strategy for each Lifecycle, in terms of the overall balance between risk and return over time in the context of the purpose of each Lifecycle and corresponding member preferences. The Trustee is conducting its triennial strategy review in 2024, which will review this in detail.

One of the most critical elements of this is the strategic allocation to the broad asset classes (i.e., equities, Diversified Growth Funds (DGFs), bonds and cash) over term to retirement. This is reviewed in-depth at least triennially, or more frequently if required, with the support of the Investment Consultant, and informed by a range of risk and return analyses based on appropriate long-term financial assumptions that recognise climate change as one of a number of important factors that will impact risk and return over time, as well as the inherent uncertainties in any set of assumptions.

Bottom-up the focus is on developing the 'Building-Block' Funds underlying the Defaults/ Lifecycles, in particular the LifeSight Equity Fund and DGF, whose management is delegated to the Fiduciary Manager. In this regard, therefore, it is:

1. The ongoing role of the Trustee to monitor, challenge and approve the approach taken by the Fiduciary Manager. This is achieved with the support of the Investment Consultant based on analysis of detailed sustainable investment scorecards, including a climate dashboard, as well as directly through regular review meetings with the Fiduciary Manager team.
2. The role of the Fiduciary Manager to reflect the Trustee's sustainability beliefs (including but not limited to consideration of climate-related risks and opportunities) in the ongoing selection and monitoring of underlying managers and overall portfolio construction for the LifeSight Equity Fund and DGF (in a reasonable manner at its discretion given cost and other practical constraints), and to provide detailed reporting to the Trustee:

- The Fiduciary Manager is responsible for the ongoing management and portfolio construction of the above-mentioned funds, which includes ongoing research and innovation of new investment opportunities, ongoing selection and monitoring of managers and funds, ongoing asset allocation, implementation of any changes, and reporting to the Trustee.
- As part of its ongoing portfolio management, the Fiduciary Manager monitors and interrogates the investment risk management processes and portfolios of underlying managers on a regular basis. The Fiduciary Manager also run their proprietary analytics on the aggregate portfolios to assess a range of sustainability, ESG and climate related exposures, and manage them accordingly.

3. The role of the underlying investment manager(s) selected by the Fiduciary Manager to manage climate and other financial risks in a manner consistent with their mandates.

In addition to Default/Lifecycle design, the Trustee seeks to offer a range of 'Free-Choice' investment options to cater for different member preferences, including options that put even more emphasis on climate change and other ESG factors.

d) The Trustee's oversight of its key advisers and delegates in relation to climate-related risks and opportunities

The Trustee has appointed WTW as Investment Consultant to advise and assist the Trustee on all investment matters, including developing its climate-related investment policies in the context of LifeSight's overall objectives and investment strategy, as well as monitoring its Fiduciary Manager and other delegates.

The Trustee has appointed WTW as the Fiduciary Manager to manage the LifeSight Equity Fund and DGF, the key 'Building-Blocks' underlying the Default Lifecycle strategies holding the bulk of member assets:

The Trustee has appointed EOS at Federated Hermes ('EOS') to provide specialist stewardship services to LifeSight. They focus on enhancing the voting and engagement work of the underlying investment managers by working with companies, regulators, policy makers and investment managers.

It is clear that WTW – as Scheme Strategist, Investment Consultant and Fiduciary Manager – plays an important role in assisting the Trustee in both setting and implementing its investment policies in relation to climate change and sustainable investing more broadly. WTW's approach to climate change is a focus point of the Trustee's ongoing monitoring:

- The Trustee itself comprises independent, professional, highly experienced and diverse individuals. The Trustee retains ultimate responsibility for setting the Scheme's investment policies, strategy, and governance arrangements. As part of this fiduciary duty, the Trustee uses a range of investment advisers, managers and other delegates (as above) to develop and implement LifeSight's investment approach to climate change within a broader risk management framework. The Trustee ensures that such parties are closely monitored and held accountable for the work they do on behalf of LifeSight via a robust ongoing governance process to assess their climate-related capabilities and activities.
- The Statement of Investment Principles outlines the Trustee's key climate policies and beliefs. The Trustee has a services agreement detailing the ongoing investment services expected from WTW, a core part of which is to implement these policies. The Trustee has also set the Investment Consultant objectives in a formal document against which they are assessed annually (which includes reference to assisting the Trustee in assessing, managing, and measuring climate risks and opportunities). In addition, there is a separate fiduciary management agreement with specific investment guidelines for the fiduciary manager. The Trustee monitors the fiduciary manager's performance (including the integration of climate change and other ESG factors) on an ongoing basis in the context of its mandate with a key focus on climate change in the annual sustainability review.
- The Trustee also uses independent third-party advisers as appropriate in order to obtain a fully independent view on LifeSight's overarching investment approach including with regard to

sustainable investing and climate. The Trustee will deem it appropriate to use such advisers in situations where there are either material changes to the composition of LifeSight or potential conflicts of interest in decisions being made. Over the year, for example, a fully independent investment adviser was employed to conduct a detailed independent review of the key LifeSight Equity building block fund and the underlying portfolio evolutions that were being considered. This review resulted in independent investment adviser concluding that the new investments were positive and would help to improve member outcomes. The Trustee also engages with external organisations as part of the Trustee's annual training programme to understand wider industry views and developments as well as conducting peer benchmarking as part of key changes.

e) An overview of Trustee governance activities over the year

The Trustee completed a number of governance and oversight activities over the Scheme Year, a selection of which are outlined below, including areas where the Trustee provided challenge:

- The Trustee continued to receive training on the potential financial impact of climate change and broader sustainability issues, to ensure that it remains well-placed to judge, interrogate and where appropriate challenge both the advice from its Investment Consultant and information from its delegates. Examples of training the Trustee has participated in over the year includes:
    - A session hosted by the Financial Conduct Authority and Accounting 4 Sustainability (A4S) with a focus in sustainability reporting for pensions
    - An A4S session on the Task Force for Nature-related Financial Disclosures (TNFD) and the new measures for Sustainability Disclosure Requirements (SDR)
    - A Rewired Earth event focussed on measuring Impact of sustainable investing
    - Podcasts from The Thinking Ahead Institute on 'Investing for Tomorrow, The Just Transition' and 'Investing for Tomorrow, the Future of ESG'
    - A KPMG session on 'How to assess double materiality'.
- Significant due diligence on proposed evolutions to investment strategies utilised within LifeSight Equity, including in particular with regard to their climate and broader sustainability objectives and approach. The due diligence went beyond the initial advice and materials provided by the Consultant and Fiduciary Manager and included a 'pre-mortem' exercise as well as input from a fully independent third party.
- As specifically requested by the Trustee, the development of enhanced quarterly performance monitoring for LifeSight's key building block funds attributing relative performance to different financial factors, including the aggregate impact of ESG factor tilts. This is typically discussed directly with the Fiduciary Manager twice yearly, with qualitative explanations sought for any periods of out or underperformance, albeit with a long-term forward-looking focus.
- In December 2023 the Trustee conducted its annual review of the Investment Consultant which included an assessment of the work done in the area of climate change. The conclusion of the review was that the Trustee continues to benefit from high quality advice and services in relation to climate change. As noted above, the Trustee ensures that it receives information and training from other third parties which assist with the Trustee in making this assessment of, not only if the services received are of good quality, but also that they compare favourably to the wider market.
- The Trustee also held a session to discuss the key climate metrics included in the TCFD Statement, which included a review of how the carbon footprints of the building block funds are evolving vs. target. This included discussion on how data quality in the industry was evolving, noting that scope 3 greenhouse gas emission information still had limited coverage.
- The Trustee, with the support of its Investment Consultant, carried out a deep dive annual sustainable investing review, with a particular focus on climate change. This is a significant session which the Trustee devotes significant time to and involves input from multiple third parties. This year the session

included:

- **Climate stock take:** A detailed education session focusing on how global greenhouse gas emissions have evolved over time, how that has varied across countries and what current policy commitments imply for climate outcomes. The Trustee also considered trends in energy markets and oil and gas major reinvestment programmes as well as analysing how the alignment of companies with the Paris Agreement has changed. The key takeaway was that at a global level change was not happening quickly enough for the goals of the Paris Agreement to be met, but that there were some positive underlying forward-looking trends. The Trustee recognised that, from a strategic perspective, the likelihood of global economies reaching the lower bound 1.5oC target of the Paris Agreement was increasingly unlikely and therefore the climate scenario analysis completed should reflect the greater costs expected to be incurred as part of a future transition or, if not, the increased prominence of the physical impact of higher and more volatile global average temperatures. The Trustee is due to review this analysis in September 2024 and will report back on the results in next year's report.
- **Climate ambition review:** The Trustee re-affirmed the overarching ambition to integrate best-in-class sustainable and responsible investment within LifeSight's investment offering. This also included re-confirmation of the net-zero target outlined later in the report. The Trustee did however recognise and agree that, although there is a single target set, ultimately the Trustee assesses progress via multiple lenses, including the climate stock take referenced, the multiple climate metrics monitored and the activities (with an emphasis on stewardship) conducted by the Board and the third parties it works with.
- **Stewardship:** The Trustee's focus on voting and broader engagement is underpinned by an understanding that responsible active ownership is critical to achieving LifeSight's Net Zero ambition (it would be futile and potentially counterproductive for LifeSight to achieve Net Zero for its investments without this also being achieved at a broader global system level). This part of the review included:
  - An assessment of the corporate level voting and engagement and broader system level stewardship resources, capabilities, priorities and impact of LGIM as LifeSight's principal underlying voting and investment manager – informed by LGIM's own reporting, the Fiduciary Manager's proprietary voting analytics, case studies of significant votes, a presentation from and Q&A with LGIM, and the Investment Consultant's research assessment. As part of the review, the Trustee questioned LGIM on some specific climate votes where LGIM had not supported the resolution, to understand the rationale behind the decision.
  - An assessment of the corporate level engagement and broader system level stewardship resources, capabilities, priorities and impact of EOS as LifeSight's specialist engagement overlay provider – informed by EOS's own reporting, case studies of significant engagements, a presentation from and Q&A with EOS, and the Investment Consultant's assessment.
  - A review of the Fiduciary Manager's manager-level and broader system level stewardship resources, capabilities, priorities and impact as LifeSight's Fiduciary Manager – informed by the Fiduciary Manager's own reporting and a presentation from and Q&A with the Fiduciary Manager's Head of Stewardship. The Fiduciary Manager holds membership of important industry bodies such as the Net-Zero Asset Managers Initiative as well as being a signatory to the UK Stewardship Code, and fully embeds sustainable investing considerations in its investment processes.
- Other key issues that were considered as part of the review were:
  - **Deforestation and biodiversity**, which is important to tackle for multiple reasons including climate. The Trustee specifically considered the Race to Zero Financial Sector Commitment on Eliminating Agricultural Commodity-Driven Deforestation and, with the Fiduciary Manager's support, engaged with both LGIM and EOS on this matter, who both signed up to this Commitment. Please see LifeSight's position statement on deforestation here. We note that, consistent with the Trustee's overarching ambition, EOS have signed a commitment to

eliminate commodity driven deforestation and are a member of the Finance Sector Deforestation Action. The Trustee has also added a further review of the biodiversity and nature strategy to the agenda later in 2024 and we will write about the conclusions as part of that review in next year's statement.

- **Horizon scanning and peer benchmarking:** A review of several developing areas including the review of Fiduciary Duty, the report from TPR on TCFD reports and the upcoming Sustainability Disclosure requirements with a focus on greenwashing. As a result, the Trustee commissioned the Head of LifeSight Governance to carry out a Greenwashing review to ensure that LifeSight's publications are consistent with the regulations. Alongside this it was also agreed that a review of social factors should be completed in due course.
- **Climate scenarios:** The Trustee also considered climate change scenario analysis and the recent criticisms levelled at historic analysis conducted by the broader industry, given the potential inconsistency of economic models with the climate science. The Trustee recognises that this is an important area and has commissioned its Investment Consultant to update the analysis previously completed in light of these industry wide criticisms. We detail further in the appendix the new climate scenarios the Trustee is considering but the key takeaway is that they consider more extreme possible outcomes and the fact that the world is a few years on from the last iteration and less progress has been made than hoped globally, so all scenarios anticipate a higher cost of the climate transition.
- **Fossil Fuels:** The Trustee also considered the approach to investing in companies involved in fossil fuel extraction and combustion. The Trustee expects all sectors to align with Paris Climate Agreement 1.5°C scenario and net zero goal, including companies engaged in fossil fuel production. Our stewardship providers, LGIM and EOS, are actively engaging with fossil fuel-producing companies in order to align with the Paris Climate Agreement and are part of Climate Action 100+. As can be seen in the appendix, LifeSight has a policy to engage with the highest greenhouse gas emitters (which includes the main fossil fuel related businesses) and companies most exposed to the climate transition in the portfolio. In the appendix we detail how that policy has been executed within LifeSight's stewardship activities where positive progress is being made and milestones being reached. As noted further in the Statement, the Trustee has exclusions in place relating to generator and producers of thermal coal above certain thresholds. This recognises that in some cases engagement activity will not be fully successful and therefore alternative action needs to be taken. A good example of this is our example case study in the appendix, relating to Glencore.

3.b Strategy

Establishing, governing, managing and monitoring effective Default and other pre and post-retirement strategies, including appropriate consideration of climate-related risks and opportunities, is central to the Trustee's role.

This section describes the steps the Trustee has taken to:

- Frame LifeSight's overarching strategic approach to navigating climate-related risks and opportunities.
- Identify and assess the impact of the climate related risks and opportunities which they consider will have an effect over the short-, medium- and long-term on the scheme's investment strategy.
- Undertake scenario analysis to assess the potential impact on LifeSight's assets and the resilience of LifeSight's investment strategy in such scenarios.
- Determine and assess the ongoing appropriateness of LifeSight's investment strategies.

a) Short-, medium-and long-term time horizons for LifeSight

In terms of time-horizons:

- The primary focus of the Trustee is on the long-term (20+ years) given the nature of the Scheme and the time horizon of the majority of its members.
- However, the Trustee is also conscious of the importance of managing shorter (0-10 years) and medium-term (10-20 years) horizons, particularly for members in the mid-late phase of a lifecycle or post-retirement, given the potential for short-term negative performance to adversely affect individuals' pension planning and ongoing engagement and trust.
- As part of conducting climate scenario analysis, the Trustee considers the impact of climate change on a representative sample of members with varying time horizons, pot sizes and contributions in order to consider these differing time horizons outlined.

b) Framing the overarching strategy

At the time of writing, LifeSight's next (2024) triennial strategy review is underway. Meanwhile, LifeSight's previous such review (2021) set the backdrop for LifeSight's integration and relative prioritisation of climate change related considerations since then – the review included:

- Detailed consideration in the light of climate change of appropriate long-term investment risk and return assumptions used to underpin the stochastic investment strategy analysis, which in turn were used to inform LifeSight's Default and other investment strategies.
- Detailed climate change related scenario analysis of a range of different potential physical and transition risk pathways and the corresponding impact on sample members over different time horizons, the key conclusions from which were: firstly and unsurprisingly, climate change represents a material financial risk (and opportunity) for members with different time-horizons; secondly, the magnitude of this risk is broadly similar to other key financial risks (such as equity risk) to which members are exposed, and is therefore on one hand merely one of multiple financial risk factors to be considered within LifeSight's investment approach; thirdly, however, the systemic and far-reaching nature of climate change is fundamentally different to other financial risks, and it therefore requires special consideration.
- The development of a detailed Carbon Journey Plan (CJP) to articulate LifeSight's overarching Net Zero ambition. As mentioned before, although the assessment of annual progress against this is important, the Trustee also considers a balanced scorecard of key climate metrics, including forward-looking metrics, as well as actions that encourage positive progress against the wider ambition of contributing to real world decarbonisation. The CJP was developed at strategic Default/Lifecycle level, i.e. allowing for the three dimensions of carbon emissions, term to retirement, and time, in order

to determine the target carbon trajectory for current and future members at different phases of member journeys to and through retirement. However, in all cases the achievement of the overarching Net Zero ambition is principally contingent on the achievement of specific Net Zero targets for the underlying building block funds, in particular LifeSight Equity and DGF. For practical ongoing implementation oversight and monitoring purposes in between strategic reviews, it was therefore agreed to set and focus on individual CJPs for LifeSight Equity and DGF, which are common and critical to all of LifeSight's Default and other investment strategies.

- Consideration of a range of forward-looking climate metrics in addition to backward-looking emissions metrics as part of a balanced climate dashboard to monitor and manage against over time. This includes forward looking Paris Agreement alignment and Climate Transition Value at Risk. Alongside the risks that climate change presents, the Trustee also monitors exposure to 'climate solutions' as it is recognised that the de-carbonisation of global economies will also present many investment opportunities which have significant upside potential. As part of this, consideration was given to data quality and coverage. Prevailing data limitations were noted along with the expectation that these would improve over time in line with the implementation and standardisation of climate reporting regulations and best practices. Meanwhile, the LifeSight conclusion was that this should not be an excuse for inaction and that, without placing undue precision on specific interim metrics, data quality and coverage were sufficient to commence the directional journey towards Net Zero.

The Trustee will report on the key conclusions of the 2024 review in next year's Statement.

c) Climate-related risks and opportunities over different time horizons

The Trustee has identified both transition (including policy, legal, technology, market, and reputation) and physical (both acute and chronic[1]) risks, in line with the TCFD framework. Managing these risks presents an urgent global socioeconomic challenge, and from a financial perspective there will be winners and losers, which presents opportunities as well as risks.

Consequently, from a top-down perspective, the Trustee has identified a number of climate-related investment risks and opportunities over multiple time-horizons that could impact the Scheme's investment strategy including for example:

1. The creditworthiness of the issuers of fixed income assets.
2. The rental values of real estate assets.
3. The dividend paying capability, and therefore the share prices, of investee companies.
4. The potential impact on the overall socio-economic system and, consequently, the financial outcomes for members.

Individual members in a DC scheme bear their own investment and longevity risks, hence climate change has the potential to impact different members very differently. For example:

- Younger members are likely to be more exposed to the long-run physical risks due to their longer investment time horizon.
- Older members close to retirement are more likely to be exposed to transition risks in a similar manner to mature DB schemes.

There is also a timing element – whilst the impact of climate change is likely to occur over many years, markets have the ability to price in anticipated events and costs quickly and the timing of this is difficult to foresee. The sudden 'pricing-in' of climate-related risks and costs is likely to have:

- Less impact on younger members (who have little in the way of built-up funds to lose) or those very near retirement (to the extent they have de-risked)

[1] Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods. Chronic physical risks refer to longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea level rise or chronic heat waves.

- Greater potential impact on late career members (i.e. those around 10 years from retirement, who have accumulated substantial funds but not yet substantially de-risked).

Therefore, it is necessary to examine climate change risks from two perspectives:

1. As an instantaneous shock to asset prices;
2. As a slow materialising drag on asset returns through time.

d) Scenario analysis

Climate change scenario analysis is a useful tool to help understand the potential risks of climate change. As part of the last triennial investment strategy review, the Trustee considered four different climate scenarios with a view to quantifying the economic costs of climate change including both physical and transition risks from a macro perspective:

1. A 'global coordinated action' scenario, which is consistent with a 2°C scenario.
2. A 'business as usual' scenario, where current policies and levels of investment continue, thereby resulting in a higher than 2°C increase.
3. An 'inevitable policy response' scenario, in which initial delays in meaningful action results in a rapid policy shift in the mid/late 2020s, resulting with a circa 2°C increase.
4. A 'climate emergency' scenario, whereby more extensive policy and technology shifts result in a lower than 2°C (c.1.5°C) increase.

In each scenario, the Trustee considered the potential impact on LifeSight Equity and DGF, but also on members at different stages within their Default Lifecycles, both in terms of short-term instantaneous shocks (i.e. if the entire impact of each climate scenario was to occur over a short-term period) and long-term aggregate impacts (i.e. where the costs and risks of climate change materialise slowly through time).

Please see the Appendix for a summary of the scenarios used (including rationale, assumptions and limitations), as well as a high-level summary of the results of the analysis in terms of impact on members.

As expected, the scenario analysis confirmed that:

- Climate change is a significant risk to members, which is appropriately reflected in the investment risk assumptions underpinning LifeSight's investment strategies.
- Climate change is one of many significant investment risks to which members are exposed – but it is qualitatively different to many other investment risks in that it is far-reaching, systemic, long-term, undiversifiable and unhedgeable – and therefore it is worthy of special attention.
- In assessing overall resilience of LifeSight it is clear that climate change could impact both members and the underlying building block funds meaningfully. The analysis on a range of members in different circumstances and underlying investments implies that this is a material risk but that compared to common market portfolios, LifeSight is expected to have an improved level of resilience under the different climate scenarios considered. Not withstanding the points above about this being systemic and undiversifiable, it's expected to be of a similar magnitude to other individual risks and therefore within the targeted risk budget and resilience of the LifeSight investment portfolios.

The Trustee acknowledges the inherent uncertainty in the assumptions underlying such analysis and expects the analytic tools will continue to be developed over time, but the analysis does provide insight into the resilience of LifeSight's investment strategies to climate risks. At present the analysis is used as an additional lens to monitor the investment strategy against, rather than inform the investment strategy directly, given the inherent uncertainty in the assumptions. The analysis also supports the philosophy of diversification, the benefits of which apply to climate risk in a similar way to other risks and uncertainties, as well as supporting the importance of effective stewardship, public policy engagement and advocacy.

Annual review of climate scenario analysis

The Trustee's intention is to repeat similar scenario analysis at least every three years or sooner should there be a material change in either intrinsic or extrinsic circumstances or forward-looking assumptions that would call into question the results of the original analysis. With these criteria in mind, the analysis was not repeated during the Scheme Year.

However, the Trustee did receive training on the recent industry criticisms of climate scenario analysis. The Trustee was reassured that the Investment Consultant has recently released a new set of climate scenarios which seek to address some of the potential limitations of traditional modelling, most notably about the severity of the scenarios considered. The Trustee plans to test the robustness of LifeSight's investment arrangements using these revised scenarios in September 2024 and will be reporting on the results of that analysis in next year's report. The Trustee has outlined the key changes planned in the appendix.

The Trustee looks forward to sharing the results of this analysis as part of the next year's Statement.

e) Implications for top-down and bottom-up strategic approach

The context and processes described above have impacted LifeSight's investment strategy and decisions in numerous ways. The Trustee has a key focus on both the risks and opportunities presented by climate change. For example:

Net zero

The Trustee has set a target to reach net zero greenhouse gas emissions (scope 1 and 2 emissions) across LifeSight's Default/ Lifecycle strategies by 2050 at the latest, with at least 50% reduction in the carbon footprint by 2030.

The steps LifeSight has taken to date (as detailed in the Appendix) are consistent with a multi-year journey to net zero.

Key Building Block Funds

Over 85% of total assets under management are invested in the LifeSight Equity Fund and DGF, both of which are key Building-Blocks underlying the Default/Lifecycle strategies. With respect to these key funds, the Trustee expects its Fiduciary Manager to:

1. Assess climate-related risks and opportunities on an integrated basis (whilst balancing a range of portfolio objectives e.g. in relation to return, risk, liquidity, cost, etc), whereby climate-related risks are understood and deemed to be appropriately compensated within a broad risk management framework, including assessing the impact of climate scenarios, portfolio resilience, climate/ environmental solutions, and strategies that are for example well-positioned to take advantage of a low-carbon transition.
2. Monitor and manage the ESG integration (capital allocation and stewardship) capabilities of the underlying investment providers.

Capital allocation and exclusions

Both LifeSight Equity and DGF allocate capital to funds in which the underlying stock selection is tilted towards positive climate related activities and/or have evolved to formally incorporate ESG considerations within their portfolio construction approach:

- **Within LifeSight Equity**
  - c. 75% allocation to the Global Equity Diversified Index (GEDI). This fund utilises an innovative methodology developed within the Fiduciary Manager and results in a multi-factor index strategy using diversified signals across value, quality and momentum, which integrates ESG, climate transition metrics and a de-carbonisation pathway into the investment process. Other sustainable enhancements include tilting towards better-scoring companies on the grounds of ESG.
  - c.10% allocation to the Climate Transition Index (CTI) Fund. This fund applies an innovative methodology developed within the Fiduciary Manager to quantify forward-looking climate transition risk on a company-by-company basis, enabling the construction of a global equity

portfolio with overall lower transition risk and lower portfolio emissions.

- The remaining c.15% is invested in an index-tracking market-capitalisation fund with targeted exclusions.
- **Exclusions:** Overall, LifeSight Equity applies a limited number of targeted exclusions which includes companies who are persistent UNGC violators and companies with material proportions of their revenues attributable to thermal coal production and power generation.

- **Within LifeSight DGF**
  - c.35% allocation to the LifeSight Equity fund, which includes the funds listed above.
  - c.10% allocation to Heitman Global Prime Property Securities Fund, which incorporates an explicit ESG (including Climate Risk) screen and eliminates ESG laggards from the portfolio.
  - c.15% allocation to Infrastructure Equity MFG Fund, which formally integrates ESG into its formal quarterly portfolio review, focusing on how ESG impacts the reliability and sustainability of cashflows at the companies that form its investable universe.
  - c.2% allocation to BNYM Fallen Angels High Yield Bond Fund, which applies an ESG screen specifically to protect the fund from investing in companies whose recovery may be impaired due to ESG concerns (e.g., companies subject to environmental red flags; tar sands and thermal coal companies; and companies with a very low environmental score due to climate or carbon risks).
  - **Exclusions:** Overall, LifeSight is working to apply the same exclusions as LifeSight Equity to LifeSight DGF, recognising that this involves work with several third-party managers who use different systems and data. LifeSight is making good progress and the DGF currently has c.0.1% exposure to the companies it intends to exclude (referenced above).

Stewardship – security level and system level

Stewardship activities include both security level and system level engagement, leveraging several market leaders in this space:

- **WTW:** LifeSight leverages the broader resources, scale, and system-level influence of WTW as Founder and Fiduciary Manager for LifeSight, not least via its extensive manager research and engagement platform, fiduciary management business, cross-specialism climate and resilience team, and general leadership in important collaborative initiatives.
- Over 2023 key WTW activities included:
  - Confirmed UK Stewardship Code adherence for 1 January 2022 to 31 December 2022 and have recently applied for the year ending 2023
  - Maintained climate as their top theme for engaging with investment managers. Over the year engaged with over 150 managers and almost 300 products on the topics of sustainability and stewardship. Researched over 140 sustainability themed strategies with a focus on climate.
  - Continued to be an active member of the UK Government's Transition Plan Taskforce working to improve organisations' climate transition planning.
  - Led the updating of the Investment Consultants Sustainability Working Group (ICSWG) Engagement Reporting Guide to be used across the industry as the high standard for working with asset managers on stewardship.
- **LGIM & underlying asset managers:** LifeSight has appointed LGIM as the underlying investment manager for the vast majority of LifeSight's assets via LGIM's platform. Their scale and resources are leveraged for the purposes of ongoing stewardship (at both company and system level), including climate-related engagement:
  - LGIM reports regularly to the Trustee on their stewardship activities, which have notably included the Climate Impact Pledge in recent years.

- The Trustee has a positive assessment of LGIM's stewardship capabilities and credentials.

- Over 2023 LGIM made the following key changes:
  - Quantitatively reviewed 20 climate-critical sectors with c.5,000 companies and agreed to escalate voting sanctions for c.300 of those companies over the year as well as conduct targeted engagements
  - Qualitatively reviewed c.100 'dial-mover' companies and conducted intensive engagements on net-zero guidance. This identified a further c.40 companies for voting sanctions and led to 2 companies being added to the LGIM divestment list.

- **EOS at Federated Hermes (EOS):** Within the LifeSight Equity Fund and DGF, LifeSight has appointed EOS, a market leading engagement overlay provider, to undertake additional stewardship activities to those carried out by LGIM:
  - Public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change.
  - Corporate engagement activities directly with investee companies.
  - The Fiduciary Manager attends and currently Chairs the EOS client advisory council, which means that the Fiduciary Manager has input into shaping EOS's prioritisation of engagement activities.
  - Thus, LifeSight accesses one of the largest stewardship teams globally, including over 45 engagement professionals across LGIM and EOS, to engage with investee companies and policy makers on a variety of ESG issues including climate policy. Please see the Appendix document for examples of engagement carried out over the year.

- Over 2023 EOS contributed to:
  - Engagements with over 1,000 companies on over 4,000 environmental, social, governance, strategy, risk and communication issues and objectives. At least one milestone was moved forward for about 52% of its objectives during the year. Climate change was the biggest factor engaged on over the year.
  - Made over 125,000 voting recommendations with over 20,000 votes against management
  - Responded to c.30 public policy consultations and c.90 discussions with relevant regulators and stakeholders

- **Thinking Ahead Institute:** LifeSight is a member of the Thinking Ahead Institute, a global not-for-profit innovation and research member group of asset owners and asset managers (with responsibility for over $16trn of capital) whose purpose is to mobilise capital for a sustainable future. Key highlights over 2023 include:
  - A working group in partnership with Principles of Responsible Investment (PRI) focussed on stewardship resourcing with an institutional peer benchmarking study and developing a methodological approach to how asset owners should resource their stewardship efforts
  - A review of 'the future of ESG' considering how this might evolve over time considering challenges such as data, resourcing, stewardship and net-zero.

Free-Choice fund range

LifeSight offers a range of self-select investment options to cater for different member preferences, including in particular a Climate Focused Fund that, as the name suggests, puts specific emphasis on climate-related risks and opportunities.

3.c Risk management

Climate change is a key risk and opportunity and therefore receives particular attention as part of the Trustee's ongoing risk management processes.

This section describes:

- The impact of LifeSight's risk assessment on the Trustee's prioritisation and management of risks.
- The steps the Trustee has taken to establish and maintain processes to identify and assess climate-related risks which are relevant to the scheme, and establish and maintain processes to manage those risks accordingly.
- The steps the Trustee has taken to ensure that management of climate related risks is integrated into the overall risk management of the scheme.

a) Prioritisation and management of risks

The previous Strategy section of the report outlined how LifeSight's assessment of climate change risk set the backdrop for LifeSight's integration and relative prioritisation of climate change related considerations. In particular:

- The climate change scenario analysis shown in the previous section, provides the Trustee with a holistic overview of the potential impacts of climate change on the outcomes for members with different profiles. This is an important risk management tool for a top-down risk assessment.
- Climate change is considered to be a material financial risk for LifeSight members at different stages of their journey to and through retirement; and, while 'only' one of multiple material financial risks, it requires special attention given its systemic, undiversifiable and far-reaching nature.
- Consequently, the Trustee has set a Net Zero target and developed a corresponding Carbon Journey Plan, supplemented with a balanced scorecard approach including multiple climate metrics against which to assess progress over time.
- Additionally, an assessment of climate-related risks is integrated into the Fiduciary Manager's portfolio construction and risk management processes, which is overseen by the Trustee.
- More generally, climate change is included within the Trustee's risk register which is monitored quarterly and reviewed in-depth annually. This clearly details the size and likelihood of the risk, the controls in place and the actions the Trustee takes to manage, mitigate, and exploit both the risk and opportunity. Although the Trustee retains ultimate ownership, the risk register clearly sets out the parties that assist the Trustee in its responsibilities. There were no material changes to the Trustee's risk register over year in relation to the key climate risks monitored and managed.

b) The organisation's process for identifying and assessing climate-related risks

Top-down, the Trustee monitors and interrogates the activities of its advisers and delegates with respect to climate related risks and opportunities based on:

- Regular reporting regarding the stewardship activities of LGIM (the main its key underlying investment manager) and EOS (the additional specialist overlay provider for LifeSight Equity and DGF).
- Regular reporting regarding the portfolio management activities of the Fiduciary Manager, including in particular more detailed information and updates on this specific topic. This includes a sustainable investment scorecard and climate dashboard in respect of the key Default Lifecycle Building Block Funds, LifeSight Equity and DGF.

The Trustee, in conjunction with the Investment Consultant, uses the regular reporting they receive to identify and assess climate-related risks. The reporting and analytics are evolving to provide transparency of progress relative to the Carbon Journey Plan, increasing information and insight into portfolio resilience, the impact of negative climate scenarios, physical and transition risks, and the effectiveness of stewardship activities and ESG integration more generally.

Bottom-up, climate risks and opportunities are integrated as a factor within the Fiduciary Manager's approach to portfolio construction alongside liquidity, cost, return and other portfolio/risk considerations. The Fiduciary Manager identifies and assesses climate risk and opportunities through several mechanisms, including but not limited to ongoing monitoring and assessment of the following key indicators:

- ESG ratings on the managers used in the portfolios. The Fiduciary Manager's manager research team rates the managers on their integration of ESG risks including climate change.
- Carbon emissions and intensity of underlying assets.
- Alignment to a Net Zero transition.
- Climate transition risk of underlying assets using a proprietary 'CTVAR' methodology.
- Climate-related physical risk of underlying assets.
- Exposure to climate solutions/opportunities.

The Fiduciary Manager's portfolio construction process assesses these considerations in the context of the overall portfolio objectives.

c) The organisation's process for managing climate-related risks

The Trustee and its delegates manage climate-related risks on an integrated basis across the overall risk management of the scheme, on an ongoing basis via:

- The structural design principles underlying all the Default/Lifecycle strategies; in particular, all of these strategies become increasingly diversified as time horizon reduces.
- The ongoing activities of the Fiduciary Manager. In particular, the investment allocations described above within the LifeSight Equity fund and DGF are expected, all else being equal, to tilt away from companies that contribute negatively to climate change in favour of those who are more advanced in this regard, as well as generally follow a decarbonisation pathway over time in line with LifeSight's Net Zero objective.
- The ongoing corporate and system level stewardship and engagement activities carried out by the Fiduciary Manager, LGIM and EOS as described above.

d) How processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

At the overall LifeSight level, ESG risks including climate-related risks, are identified as a specific risk in the LifeSight Trustee Risk Register. The Risk Register is LifeSight's integrated risk management tool and details the expected impact and controls to mitigate the risk. From an investment perspective as described above:

1. Top-down, the key focus is on ensuring the appropriateness of the long-term investment strategy for each Default/Lifecycle, in terms of the overall balance between risk and return over time in the context of the purpose of each Lifecycle and corresponding member preferences, one of the most critical elements of which is the allocation across the four 'Building-Block' funds over time.
2. Bottom-up, the focus is on developing the 'Building-Block' Funds underlying all the Default/Lifecycle strategies, in particular the LifeSight Equity Fund and DGF, which hold the bulk of member assets. The design and ongoing management of these Funds includes consideration of climate risks and broader sustainability considerations within a suite of portfolio construction and risk management lenses and leverages the ongoing stewardship of LGIM and EOS. Monitoring of the Trustee's delegates includes climate-related risks as an explicit consideration.

3.d Metrics and targets

This section describes the steps the Trustee has taken to:

- Set metrics used to assess and manage climate-related risks and opportunities for the scheme.
- Set targets used to manage climate-related risks and opportunities and detail the performance against those targets.

a) The metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

Top down, as described above, the Trustee has used a combination of stochastic and deterministic scenario analysis to assess the impact of climate-related risks and ensure the overall appropriateness of LifeSight's investment strategies.

LifeSight's Net Zero target and corresponding Carbon Journey Plan was developed at strategic Default/Lifecycle level, i.e. allowing for the three dimensions of carbon emissions, term to retirement, and time, in order to determine the target carbon trajectory for current and future members at different phases of the lifecycles.

In all cases, however, the achievement of the overarching Net Zero ambition is principally contingent on the achievement of specific Net Zero targets for the underlying building block funds, in particular LifeSight Equity and DGF. For practical ongoing implementation oversight and monitoring purposes in between strategic reviews, it was therefore agreed to set and focus on individual CJPs for LifeSight Equity and DGF, which are common and critical to all of LifeSight's Default and other investment strategies.

Clearly, members at different stages of their retirement journey and in different strategies will have different carbon exposures and trajectories – members are able to see their personalised exposures via an online carbon dashboard when they log in to their accounts.

Bottom-up, the Fiduciary Manager reports a range of metrics to the Trustee regarding climate-related risks and opportunities within a 'climate dashboard' and broader 'sustainable investment scorecard' for each of LifeSight Equity and DGF. The key metrics LifeSight focuses on are:

1. **Absolute emissions metric -** Total carbon emissions, which gives the total greenhouse gas emissions attributable to the Scheme's assets.
2. **Emissions intensity metric -** Carbon intensity, or Carbon Footprint, which gives the total greenhouse gas emissions attributable to the Scheme's assets per some form of unit (such as per £ invested or £ of company revenue).
3. **Additional metrics:**
   - Percentage of portfolio that is Paris Aligned / Aligning / Not Aligned.
   - Capital allocated to climate solutions.
   - The 'Value at Risk' corresponding to a Climate Transition (CTVAR).
   - Proportion of assets that are Materially Exposed / Partially Exposed / Not Materially Exposed to physical risk associated with climate change.
   - Investment manager ratings and assessment as provided by the Fiduciary Manager, which include a detailed analysis of ESG integration, engagement and voting capabilities and activities.

Please see the Appendix for details of key climate statistics for LifeSight Equity and DGF as at 31 December 2023, including progress relative to their respective Carbon Journey Plans.

b) The data and methodology behind the metrics and actions being taken to address data gaps.

There are three types of emissions data:

- Scope 1 emissions: all direct emissions from the activities of an entity or the activities under its control, including: on-campus stationary combustion of fossil fuels; mobile combustion of fossil fuels by institutionally owned vehicles and fugitive emissions. Fugitive emissions result from intentional or unintentional releases of greenhouse gases, including the leakage of hydrofluorocarbons from refrigeration and air conditioning equipment as well as the release of methane from institution-owned farm animals.
- Scope 2 emissions: indirect emissions from electricity purchased and used by an entity which are created during the production of energy which the entity uses.
- Scope 3 emissions: all indirect emissions from the activities of the entity, other than scope 2 emissions, which occur from sources that the entity does not directly control. These can include commuting; waste disposal; embodied emissions from extraction, production, and transportation of purchased goods; outsourced activities; contractor-owned vehicles; and line loss from electricity transmission and distribution/

Scope 3 emissions are significantly more difficult to calculate than scope 1 or scope 2 emissions for any given entity. It is also the case that, for some assets, even scope 1 and scope 2 emissions are difficult to calculate.

The Trustee uses best endeavours to make as full a disclosure as it can, subject to overriding constraints of reasonable time and cost for doing so. LifeSight is working actively with its investment managers to improve the quality of the data supplied for these purposes over time.

The estimated emission figures shown in the Appendix are calculated using MSCI ESG Research's proprietary carbon estimation model, covering scope 1 and 2 emissions from both reported and modelled data where companies do not report on their carbon emissions.

Our Investment Consultant's view on approaching scope 3 emissions.

Scope 3 emissions data is critical to help build a better picture as we decarbonise our portfolios and economies. However, we believe that current reported scope 3 emissions data is largely inadequate for purposes including making accurate climate-informed investment decisions. Further, given data issues, we believe that disclosing the scope 3 emissions of investment portfolios at this stage will necessarily be limited in coverage, subject to large estimation errors, and not fit for meaningful comparison between investors or over time. At a minimum, we believe any scope 3 emissions disclosures should be disaggregated from scope 1 and 2 emissions. We will keep this position under review, especially given the trend for improvement in this area.

It is important to note that whilst there are signs of progress, some of the issues with scope 3 emissions disclosures may persist, including by design. For example, the GHGP's data guidance offers optionality and flexibility for individual companies to report on their emissions, and as such it limits comparisons between companies over time. The GHGP's Scope 3 Accounting and Reporting Standard states that it is intended to enable comparisons of a company's GHG emissions over time and not designed to support comparisons between companies based on their scope 3 emissions.

Data providers, like MSCI, have tried to solve for this problem by providing scope 3 datasets using proprietary models and internally vetted methodologies. However, current solutions rely significantly on top-down sector emissions data with limited use of bottom-up data (which is company-specific). Models that rely on sector information limit users' ability to distinguish companies from peers. While there is sizable support from the investment industry and others for better disclosures, we need to be realistic around the current issues of reliability of scope 3 data available.

At this stage, other metrics may offer better alternatives to assessing climate-related exposures, risks and opportunities. In particular, climate-related risks can be assessed via approaches such as the Climate Transition Value at Risk (CTVaR) methodology. This kind of measure offers a bottom-up granular approach to measuring the effect that changes to the global economy (driven by climate change mitigation) will have on a company's valuation. It focuses on the effect of climate on individual companies by integrating a forward-looking assessment of climate transition risk into the traditional risk/return framework. More specifically, CTVaR captures scope 3-related issues including, for example, consumer demand, which relates to scope 3's use of sold products category.

Importantly, assessing risks and opportunities are not purely about emissions. A holistic picture that uses various metrics can be achieved through our Climate Dashboard approach. We believe that this balanced scorecard approach can helpfully inform investment decision-making and support the construction of robust and resilient portfolios.

Whilst scope 3 emissions disclosure is improving, we believe that the investment industry can play a proactive role in accelerating and supporting this trend. We work closely with and engage data providers to promote better disclosures. Similarly, we engage extensively with the asset management community, including on pushing for better corporate disclosure, and for the adoption of generally accepted standards and methodologies. We also undertake direct and indirect policy engagement, advocating for the adoption of common standards and methodologies, including those of the International Sustainability Standards Board. We believe the recently released IFRS S1 and S2, including provisions around scope 3 emissions, are a highly significant forward step.

As required, the Trustee has reported on scope 3 emissions in the appendix and will continue to monitor improvements in the underlying data over time.

c) The targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

The Trustee has set a net zero greenhouse gas emissions target for its **emissions intensity metric**. The target covers LifeSight's Default/Lifecycle strategies in general and the LifeSight Equity fund and DGF in particular.

This target is supported by a detailed Carbon Journey Plan, i.e. a specific target carbon trajectory towards net zero with guardrails along the journey. The guardrails will facilitate a 'comply and explain' approach as the Trustee recognises that the journey towards net zero will not be linear and there will be times where LifeSight is ahead of or behind the required trajectory. The steps taken to date (as detailed above) are consistent with a multi-year journey to net zero.

The Trustee recognises that measurement of progress of LifeSight and the whole investment industry in stewarding the transition to a net zero and climate-resilient economy is an important issue. There is no single definitive metric that can be used to adequately measure progress as climate is a multi-dimensional issue, and the data and analytics in this space are rapidly evolving.

It is well acknowledged in the industry that there are several difficulties associated with measuring progress against a carbon footprint goal, such as data quality, backdating of metric information and the fact that changes in the metric can be influenced by noise (e.g. a company value changing) beyond actual changes in real world emissions. The Trustee therefore measures success by monitoring change in multiple metrics and by reviewing the actual actions taken by the Trustee board and the third parties that it collaborates with. This dashboard employs a scorecard approach, assessing various metrics such as total carbon emissions, emissions intensity, portfolio alignment, climate solutions allocation, and Climate Transition Value at Risk (CTVAR). Further details are provided in the remainder of this report.

Please note that given our role as a universal asset owner, with investments within LifeSight Equity and DGF managed through underlying multi-sector funds, sector-level net zero greenhouse gas emissions targets are not specifically set at the top level. However, we would expect all sub sectors to align with our top-level Net Zero targets. In addition, our stewardship strategy allows for sector specific context as our engagement partners consider alignment in the context of the sector.

Simon Ellis, Chair of Trustee, LifeSight

LifeSight TCFD Appendices

A. Climate scenario analysis: assumptions, limitations and summary results

Climate scenario analysis: Introduction

- We use stochastic modelling with underlying risk assumptions as a base for strategic analysis to help to determine for each strategy an appropriate balance of risk vs return throughout members' journeys. Scenario analysis can be used to test the validity of such analysis from a climate perspective: as long as climate change risk doesn't outweigh the overall investment risk (which reflects the conflation and correlation of climate change and many other risks) then the core strategic approach remains appropriate.
- As individual members in a DC scheme bear their own investment and longevity risks, climate change has the potential to impact different members very differently. For example, younger members are likely to be more exposed to the long-run physical risks due to their long investment time horizon, whilst members close to retirement are more likely to be exposed to transition risks in a similar manner to mature DB schemes.
- There is also a timing element, with the timing of climate change risk crystallisation difficult to foresee – the costs and risks of climate change are likely to materialise slowly through time over many years, but markets have the ability to price in anticipated events and costs quickly, and there is no way of telling when that might happen.
- The sudden pricing in of climate-related risks and costs is likely to have less impact on young members (who have little in the way of built up funds to lose) or those very near retirement (to the extent they have de-risked), with most potential impact on members around 10 years from retirement (who have accumulated substantial funds but not particularly de-risked).
- Therefore, it is necessary to examine climate change risks from two perspectives: both as an instantaneous shock to asset prices and as a slow materialising drag on asset returns through time. Climate change scenario analysis is a useful tool to help understand the potential risks of climate change.
- On the following pages we have provided detail about the calibration of our scenarios and our thinking behind their use. We have looked at the potential impact (in terms of both instantaneous shock and gradual long-term cumulative impact) of our four climate change scenarios on a range of sample members within our Default / Lifecycle strategies.

Climate scenario analysis:
Overview of scenarios used in previous review

- We considered four separate scenarios which are in part defined through their success, or otherwise, in meeting the Paris Agreement target of a 1.5 degree Celsius temperature rise. The scenarios span a range of plausible outcomes for physical and transition risk and the trade-off between the two. The scenarios differ in the size of the physical risks, based on the resulting temperature impacts, but also in the size of the transition risks. Climate Emergency, where decisive action is taken, and Inevitable Policy Response, where transition is more disorderly due to delays in meaningful action, represent bigger transition risks than Global Co-ordinated Action.
- The scenarios are derived on the basis of all other things being equal, which is unlikely to be the case in practice. For example, the climate transition could lead to higher levels of investment, employment and productivity-enhancing innovation. These second order effects and feedback loops are hard to estimate with certainty and represent the reason why the climate scenarios cannot be a substitute for using the base investment model for risk management purposes.

	Lowest Common Denominator	Inevitable Policy Response	Global Coordinated Action	Climate Emergency
Description	A "business as usual" outcome where current policies continue with no further attempt to incentivise further emissions reductions. Socioeconomic and technological trends do not shift markedly from historical patterns.	Delays in taking meaningful policy action result in a rapid policy shift in the mid/late 2020s. Policies are implemented in a somewhat but not completely co-ordinated manner resulting in a more disorderly transition to a low carbon economy.	Policy makers agree on and immediately implement policies to reduce emissions in a globally co-ordinated manner. Companies and consumers take the majority of actions available to capture opportunities to reduce emissions.	A more ambitious version of the Global coordinated action scenario with more aggressive policy and more extensive technology shifts, in particular the deployment of Negative Emissions Technologies at scale.
Temperate rise	**~3.5ºC**	**~2.0ºC**	**~2.0ºC**	**~1.5ºC**
Renewable energy by 2050	**30-40%**	**80-85%**	**65-70%**	**80-85%**
Physical risk level	**High**	**Low - Medium**	**Low - Medium**	**Low**
Transition risk level	**Low**	**High**	**Low - Medium**	**Medium**

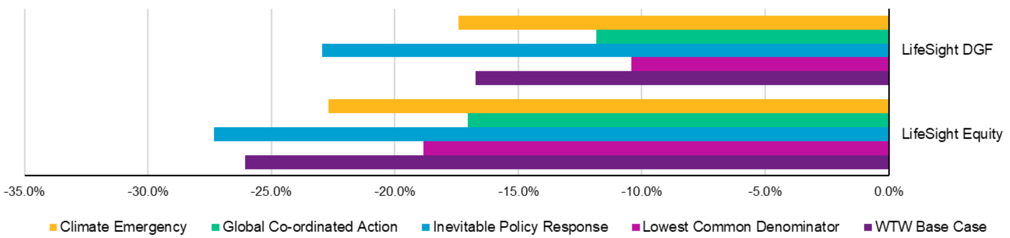
Climate scenario analysis: Results and conclusions from previous review

Instantaneous shocks

- We analysed the impact on the pot size of a range of sample members in our Default/Lifecycle strategies if the entire impact of each climate scenario was to occur over a short-term period. The results show that climate change risk is significant, with older members losing more than a year's worth of salary in the worst scenario (Inevitable Policy Response). They also demonstrate the timing risk, with younger members not being too impacted by a climate change shock if it happens immediately.
- In order to contextualise the results against the risk assumptions already built into our core strategic modelling, we compared the instantaneous impact of each climate scenario on both LifeSight Equity and DGF (the key building block funds underpinning LifeSight's strategies) versus an annual 1 in 20 shock from our base model. The results show that the 'instantaneous' pricing in of the climate change impacts under any of the four climate scenarios (a highly unlikely eventuality, more extreme than 1 in 20) is roughly equivalent to a 1 in 20 annual shock in our base model, which we consider proportionate.

Immediate pricing shock		
Pension pot at risk (as proportion of salary)	Strawman A (25 years old)	Strawman C (55 years old)
1 in 20 Shock (base case assumptions)	**-3%**	**-99%**
Lowest Common Denominator	**-2%**	**-62%**
Inevitable Policy Response	**-3%**	**-135%**
Global Co-ordinated Action	**-2%**	**-70%**
Climate Emergency	**-3%**	**-103%**

Comparison of the different climate scenarios on LifeSight Equity and LifeSight DGF



Climate scenario analysis:
Results and conclusions from previous review

Long-term impacts

- We also analysed the long-term impact of the scenarios for a range of sample members in our Default/Lifecycle strategies on their projected pot sizes assuming that climate change impacts materialise as gradual cumulative drags on asset returns achieved. The conclusions of the shock analysis are flipped in that climate change is now more impactful on the younger members, as one would expect. The older members do not see much impact at all as they are retired by the time the physical costs of climate change begin to materialise (albeit they may still have post-retirement exposure at that point). The most impactful scenario is now Lowest Common Denominator, with the long-run physical consequences of that scenario dragging returns down the most over the working life of younger members. That said, these outcomes are in line with the range of outcomes that members may expect just from taking the necessary investment risk.
- Over the long term, climate change may also impact members through their life expectancy. The Lowest Common Denominator and Inevitable Policy Response scenarios are expected to have the most negative impact on life expectancies due to a combination of the manifestation of physical impacts (such as more extreme weather) as well as potential side-effects of the costs of dealing with a bumpy transition to a new world.

Gradual impact of climate change		
Impact on pot size at retirement	Strawman A (25 years old)	Strawman C (55 years old)
Lowest Common Denominator	**-10%**	**0%**
Inevitable Policy Response	**-8%**	**-3%**
Global Co-ordinated Action	**-7%**	**-1%**
Climate Emergency	**-6%**	**-2%**

Key conclusions

- Both sets of scenario analysis confirm that climate change is a significant risk to members. On one hand, it is just one of many significant investment risks, which we believe is appropriately reflected in our investment model and strategic analysis. On the other hand, the nature of climate change is different to many other investment risks – it is far-reaching, systemic, long-term, undiversifiable and unhedgeable – therefore it is worthy of special attention.

As outlined on the next page, the Trustee is in the process of updating this analysis with some material changes.

Climate scenario analysis: Looking forward to 2024 analysis

The Trustee plans to test the robustness of the Trust's investment arrangements in September 2024 and will be reporting on the results of that analysis in next year's report. At a high-level, the key changes that have been made are:

- **New climate scenario** – the introduction of a more severe climate scenario ('Hot House World') that sees the world follow a Net Zero 2050 pathway, however the resultant temperature outcome exceeds 2ºC due to a lower-than-expected remaining carbon budget and/or the impact of climate tipping points. So, the costs of a transition are incurred but the physical costs are still experienced despite best efforts.
- **Tipping points** – Although one of the reasons the above 'hot house world' scenario could occur is due to climate tipping points being breached, we have also developed some separate quantitative tipping point shock analysis to supplement our other analysis.
- **Updates to core scenarios** – updates to the underlying assumptions recognising that progress over the last 3 years has not resulted in a reduction in global greenhouse gas emissions and therefore the expected costs to be incurred as a result of the transition or resultant physical risks are likely to be higher
- **Probability weightings** – given how policies, actions and the global carbon budget have developed over the last 3 years, the Trustee expects to place greater weight on the more disorderly/hotter scenarios.

	Net Zero 2050 (1.5ºC)	**Below 2ºC**	**Delayed Transition Below 2ºC**	**Nationally Determined Contributions (NDCs)**	**Hot House World**
High-level Narrative	A more ambitious version of the Below 2º**C** scenario where more aggressive policy is pursued immediately.	Globally co-ordinated climate policies are introduced immediately, becoming gradually more stringent over time, thou less so than under NZ2050.	Delays in taking meaningful policy action result in a rapid policy shift around 2030.	A "business as usual" outcome where current policies only are implemented, with no further attempt to incentivise further emissions reductions.	Net zero 2050 is attempted however the resultant outcome exceeds 2ºC due to a lower-than-expected remaining carbon budget and/or the impact of climate tipping points.
Policy ambition	1.4°C	1.6°C	1.6°C	2.6°C	1.6°C
Policy reaction	Immediate and smooth	Immediate and smooth	Delayed	NDCs	Delayed
Transition	Organised	Organised	Disorganised	Organised (minimal)	Disorganised
Temperature increase	**1.5°C**	**1.8°C**	**1.8°C**	**2.5-3.0°C**	**2.5-3.0°C**
Physical risk level	**Low – Medium**	**Medium**	**Medium**	**High – Very high**	**High – Very high**
Transition risk level	**Medium – High**	**Medium**	**High**	**Low**	**High**

B. 3D Carbon Journey Plan for LifeSight’s Popular Defaults

Climate targets metrics for members in different Default / Strategies

LifeSight targets for key building block funds

Interim target: 50% reduction of greenhouse gas footprint (scope 1 and 2 emissions) by 2030 from 2019

Long-term target: Net-zero greenhouse gas footprint (scope 1 and 2 emissions) by 2050 from 2019

Medium-term: Doubling of allocation to climate solutions by 2030 from a baseline of 2019

- LifeSight has a greenhouse gas footprint climate target outlined above in respect of all Defaults/Lifecycles. The pathway is consistent with a 6.1% pa average reduction to 2030 rather than simply halving from 2019. This applies consistently to all asset classes LifeSight is invested in.
- The target is consistent with the principles currently set out in the Paris Agreement around the pace of the trajectory to net zero, with limited reliance on the use of Negative Emission Technologies / Offsetting.
- While these are framed at a portfolio level ultimately, we are looking to support the real-world transition in order to manage systemic climate risk for LifeSight members and we use a variety of tools methods to achieve this e.g. engagement, systems collaboration and investing in climate solutions.
- LifeSight believes that investment in climate solutions helps to encourage a transition to a net zero economy which, in turn, controls potential future temperature increases and mitigates physical climate risks facing our clients' investment portfolios. Investing in a way that seeks to reduce systemic climate risks therefore benefits returns of the broad market as well as providing attractive returns for members.
- For implementation and monitoring purposes, focusing on the Building Block funds is the key, as this then directly translates to all Defaults/Lifecycles as well as other pre/post-retirement strategies.
- In particular, LifeSight Equity and DGF are the key Building Block funds for two reasons: firstly, as they contain the assets with the most carbon exposure to be managed; and secondly, the vast majority of LifeSight's assets are invested in these funds.
- In the following appendices we set out detailed climate metrics for both LifeSight Equity and DGF. It is impractical to show here the consolidated impact for different members in different strategies at different terms to retirement – there are simply too many permutations.However, each member is able to determine their personal position with regard to the metrics shown for LifeSight and DGF by taking a simple weighted average of their holdings in these funds.
- Furthermore, LifeSight provides a simple personalised online Carbon Footprint tool, enabling members to see an estimate of the carbon footprint of their personal LifeSight savings compared to a global passive benchmark, with the difference expressed in simple everyday metrics.

LifeSight's Net Zero Journey

Progress vs the target

Introduction

§As part of LifeSight's net zero goal, we have established a Carbon Journey Plan (CJP) for the two key Default building block funds, LifeSight Equity and DGF, against which we measure progress annually. We remain ahead of these targets for both Funds, which is pleasing to see. However, we recognise that what really matters is broader real-world decarbonisation and so our actions are focused on managing the portfolio in a way that reduces exposure to climate related risks and accesses climate opportunities to contribute towards achieving real world decarbonisation in line with a Paris Aligned pathway.

§Consequently, our framework looks beyond just portfolio carbon emissions – one should not put excessive emphasis on a single piece of (imperfect) backwards looking data – using a broad range of factors is particularly important given data coverage and quality relating to carbon emissions is still improving.

§Our framework therefore also considers statistics such as Climate Transition Value at Risk (CTVaR), Alignment and Climate Solutions, in order to help us identify key portfolio priorities and actions.

Equity Fund

§It is pleasing to see that the portfolio changes and ongoing ESG tilts we have made have led to lower climate transition risk exposure than the benchmark and that company alignment appears to be improving, as set out on slide 13.

§Looking forward, the key areas of focus are around further improving the alignment of the underlying companies we own, particularly those that exhibit the highest climate transition risk and/or have high carbon emissions.

§The introduction of the Global Equity Diversified Index (GEDI) within the portfolio incorporates further climate risk mitigation and provides us with more confidence that we will remain on track with our net zero goals over future periods. The intent and ability to invest in private equity going forward is also likely to present additional opportunities.

Diversified Growth Fund

§Overall, the Fund has improved on multiple metrics over the year, as set out on slide 17, but we continue to want to make more progress.

§From our perspective, a key area of climate risk lies within the infrastructure portfolio. Although we do not currently have cause for concern, we continue to monitor the manager's progress in managing against this risk. Another key focus is around improving the alignment of the underlying companies we own.

§The recent innovation regarding LTAF structures opens up the exciting possibility of replacing some of the real assets exposure with high quality private market climate solutions. We are assessing how best we can utilise these to meet our net zero goals. We also considering how best to integrate ESG considerations into our corporate credit exposures.

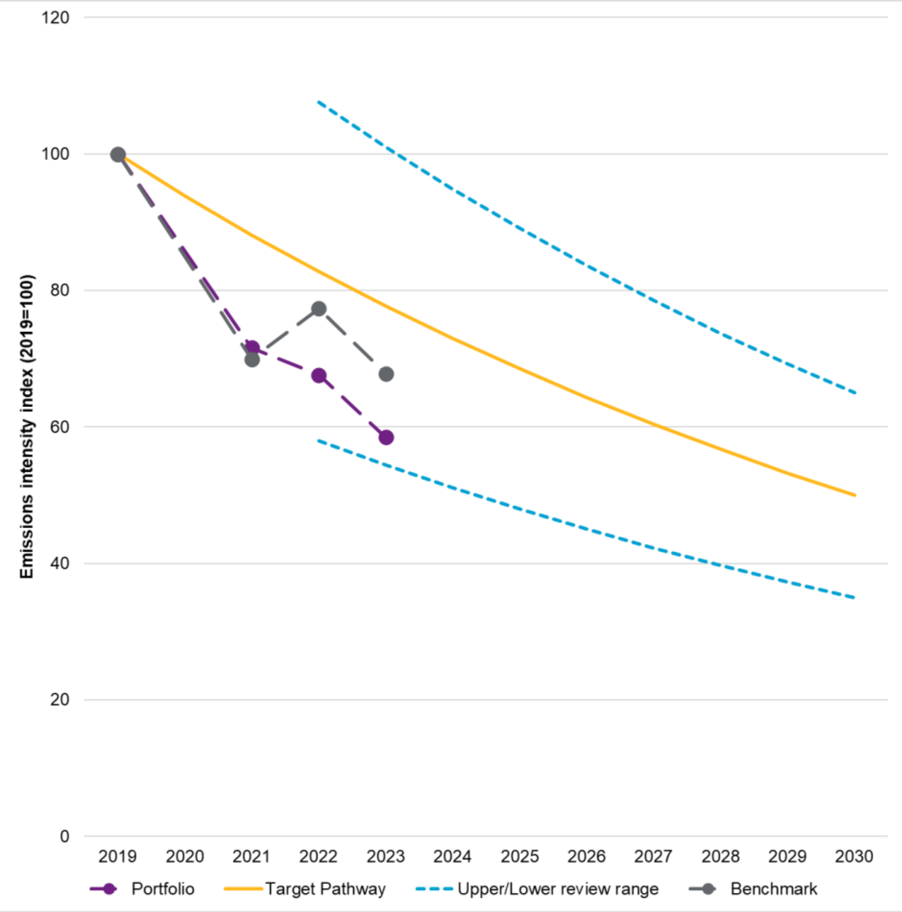
C. Key climate metrics for LifeSight Equity

Carbon Journey Plan

LifeSight Equity Fund

As at 31 Dec 23

Target Carbon Journey Plan



- The Carbon Journey Plan (CJP) sets out a pathway of emissions from 2019 to 2030 that is consistent with the Fund's long-term net zero goals and reflects the long-term decarbonisation pathway for equities as an asset class. The chart shows a best estimate of the Fund's Carbon Emissions trajectory relative to 2019 using scope 1 and 2 data. It takes the latest estimate of emissions (53 ton/£m as at 31 Dec 2023) and indexes the value so that it can be compared vs a 50% reduction by 2030.

- Since 2022, we estimate that portfolio carbon emissions intensity has decreased (by c13%), while over the same period the benchmark carbon emissions intensity has decreased by c12%. We estimate that the main sources of the decrease are driven by the decreased exposure to the energy sector but also a dilution effect as a result of positive investment performance over the period. The fall is more pronounced for LifeSight Equity than the market as a result of the introduction of the Global Equity Diversified Index (GEDI) within the portfolio which incorporates further climate transition risk mitigation. GEDI provides us with more confidence that we will remain within the target range over future periods.

- Whilst it is encouraging that our emissions trajectory is directionally consistent with our plan, we recognise that what really matters is broader real-world decarbonisation and so our actions are focused on managing the portfolio in a way that reduces exposure to climate related risks and accesses climate opportunities to contribute towards achieving real world decarbonisation in line with a Paris Aligned pathway. Given the backward-looking and lagged nature of carbon emissions and that the data is still in its infancy, we stress the importance of using multiple climate metrics to assess progress vs a Net Zero goal as outlined overleaf.

- Our progress is implicitly linked to the wider market as we would not be immune to the systemic impact on market returns should the broader market fail to decarbonise and limit widespread climate change. This emphasises the importance of Stewardship as a key driver of achieving our Net Zero target over time. This year we've removed the market value adjustment we had applied historically in line with market standard.

* Emissions Intensity index is the total portfolio emissions per $ invested rebased to 100 at the end of 2019.
Market comparator chosen is 100% MSCI ACWI as this represents a broadly similar equity markets exposure and constitutes a transparent comparator for the portfolio.

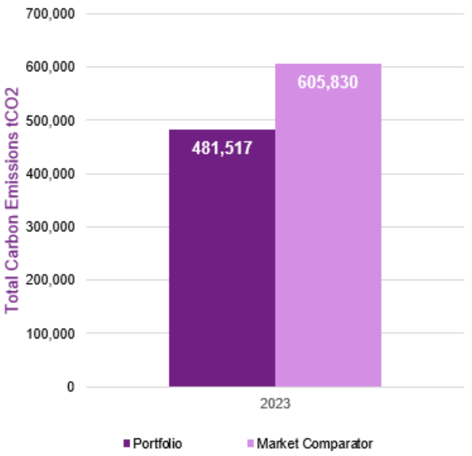
Climate Dashboard

LifeSight Equity Fund

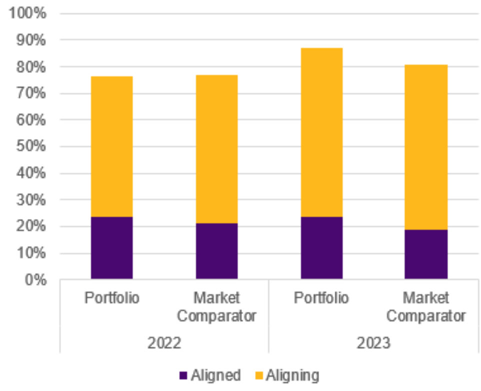
As at 31 Dec 23

Impact of portfolio on climate change

Absolute Carbon Emissions (scope 1+2)

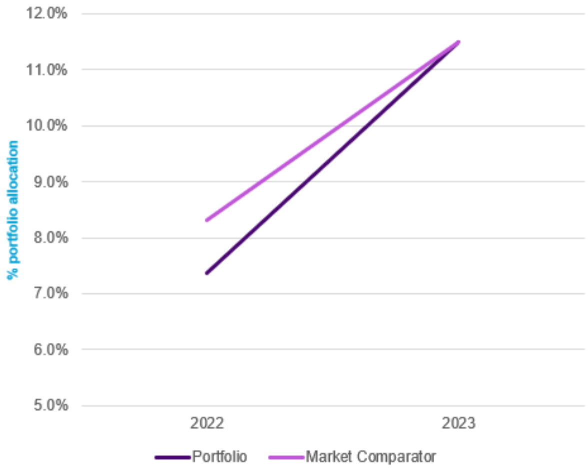


Alignment



Note that Climate Transition Value at Risk (CTVaR) can be used as an alignment metric as well, however we have chosen to show CTVaR as our transition risk metric

Climate Solutions



Impact of climate change on portfolio

Transition risks - CTVaR

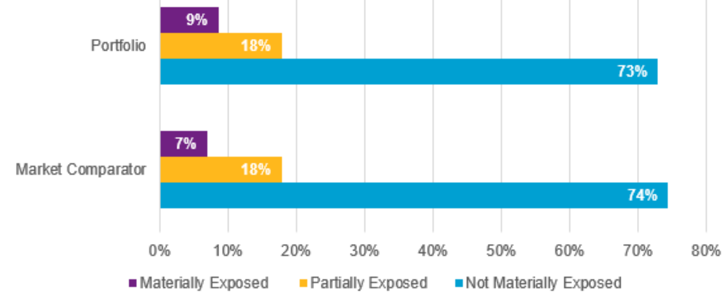
2023 - Portfolio

-1.8%

Comparator

-3.3%

Physical risks



Market comparator chosen is 100% MSCI ACWI as this represents a broadly similar equity markets exposure and constitutes a transparent comparator for the portfolio.

Portfolio Coverage Key

- Proxied data
- Actual holding
- No data

PORTFOLIO SPECIFIC COMMENTARY

LifeSight Equity Fund ("the Fund") invests across a range of regional equity markets and funds with ESG tilting.

1. The portfolio has lower carbon emission exposure than the benchmark due to the underlying ESG tilts within the fund. On an absolute basis, the portfolio's scope 1+2 absolute carbon emissions were c0.5m tCO2, while the benchmark's amounted to c0.6m tCO2. Scope 3 is estimated at c3.3m tCO2, while the benchmark's amounted to c4.0m tCO2. On an intensity basis, the portfolio's scope 1+2 carbon emissions intensity was 53 tCO2/£m invested, while the benchmark's amounted to 67 tCO2/£m. Scope 3 is estimated at 363 tCO2/£m invested, while the benchmark's amounted to 444 tCO2/£m.

2. We estimate that 24% of the portfolio is invested in companies whose strategies are aligned to a Paris-consistent net zero pathway, 63% are in the process of aligning, while the remaining 13% are yet to demonstrate sufficient climate ambition consistent with a 'well below 2 degrees' world. Pleasingly, we have seen more companies set credible decarbonisation targets as well as publishing their carbon footprint statistics over the last year. There is still a long way to go particularly with the world's largest emitters and our engagement with these companies will form a key part of this progress as well as increasing investment in climate solutions to help enable companies to meet their targets.

3. We continue to look for suitable climate solution opportunities on ongoing basis for the portfolio. We measure exposure to climate solutions in line with the IIGCC methodology. The percentage exposure has increased due a larger number of companies being recognised as climate solutions by the IIGCC methodology. As part of our Net Zero goal we aim to increase our exposure to climate solution opportunities. Since 2019 exposure to these have increased from a baseline of 2% to 11.5% today. We continue to look for climate solution opportunities.

4. The portfolio has a smaller exposure to climate transition risks compared to the market comparator largely due to the Fund's Climate Transition which specifically focuses on minimizing climate transition risk by investing in assets which are better positioned for the transition to a Net Zero world. Since the end of 2022, Climate Transition Risks have decreased in the market comparator largely due to the decreased exposure to the energy sector following a fall in energy prices throughout the year.

5. We estimate that a material proportion of our portfolio is severely exposed to physical climate risks (9%), which emphasises the importance of investing and undertaking stewardship in a way that supports a transition to a 'well below 2 degrees' world.

Key conclusions:

From our perspective, the key areas of focus are around improving the alignment of the underlying companies we own, particularly those that exhibit the highest climate transition risk or have high carbon emissions. We can achieve this either through allocating more assets to aligning companies or using effective stewardship resources to influence the companies we own to develop their own Net Zero strategies. Whilst it is important that we limit climate risk through our portfolio actions, our progress is implicitly linked to the wider market as we would not be immune to the systemic impact on market returns should the broader market fail to decarbonise and limit widespread climate change. This emphasises the importance of effective stewardship policies.

Market comparator chosen is 100% MSCI ACWI as this represents a broadly similar equity markets exposure and constitutes a transparent comparator for the portfolio.

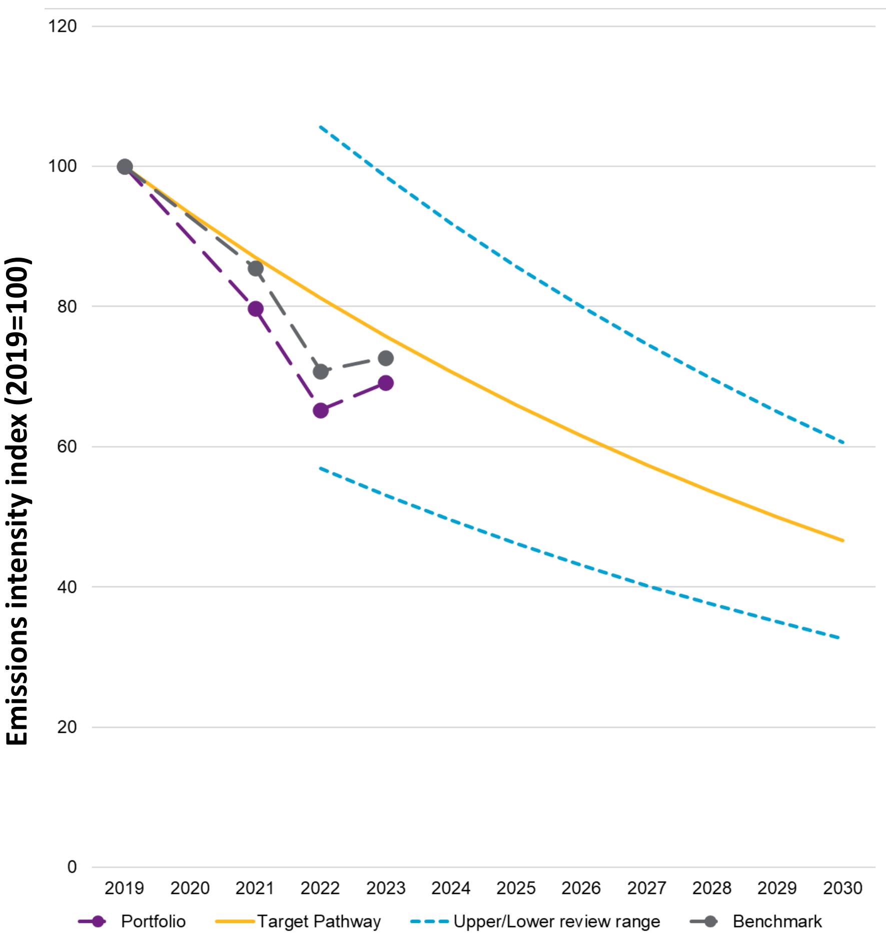
D. Key climate metrics for LifeSight DGF

Carbon Journey Plan

LifeSight DGF

As at 31 Dec 23

Target Carbon Journey Plan



- The Carbon Journey Plan (CJP) sets out a pathway of emissions from 2019 to 2030 that is consistent with the Fund's long-term net zero goals. It sets out an annual carbon budget and year on year pathway for the portfolio that is consistent with a Paris aligned net-zero transition. The chart shows a best estimate of the Fund's Carbon Emissions trajectory relative to 2019 using scope 1 and 2 data. It is pleasing that we remain ahead of plan.

- Since 2022, we estimate that LifeSight DGF carbon emissions intensity has increased by c5% to 84 tCO2/£m invested*. This has been driven by the purchasing of UK and US government debt which have a higher average carbon intensity. Over the same period the comparator benchmark carbon emissions intensity has increased by c3%.

- Carbon emissions data is still in its infancy in terms of availability and quality and while we have high quality coverage of scope 1 and 2 in equities provided by our third-party data provider, scope 3 data is not yet widely reported. However, our third-party data provider MSCI uses top-down industry level estimates to estimate the Scope 3 emissions of the assets we own. As at 31 December 2023, these were 1.4m tCO2 for LifeSight DGF (vs 1.9m tCO2 for the market comparator) excluding the contribution from sovereign debt.

- Whilst it is encouraging that overall our emissions trajectory is directionally consistent with our plan, we recognise that what really matters is broader real-world decarbonisation and so our actions are focused managing the portfolio in a way that reduces exposure to climate related risks and accesses climate opportunities to contribute towards achieving real world decarbonisation in line with a Paris Aligned pathway. Given the backward-looking and lagged nature of carbon emissions and that the data is still in its infancy, we stress the importance of using multiple climate metrics to assess progress vs a Net Zero goal as outlined overleaf.

- Our progress is implicitly linked to the wider market as we would not be immune to the systemic impact on market returns should the broader market fail to decarbonise and limit widespread climate change. This emphasises the importance of Stewardship as a key driver of achieving our Net Zero target over time. This year we've removed the market value adjustment we had applied historically in line with market standard.

* Emissions Intensity index is the total portfolio emissions per $ invested rebased to 100 at the end of 2019. The emissions intensity excludes allocations to sovereign debt that is reported separately

Market comparator chosen is a passive equivalent of Fund's asset mix as a best estimate like for like comparator for the portfolio.

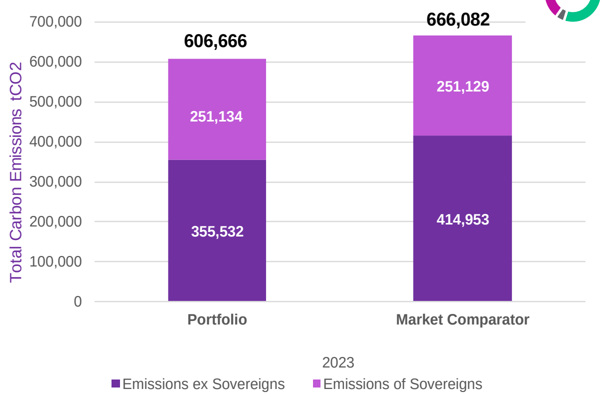
Climate Dashboard

LifeSight DGF

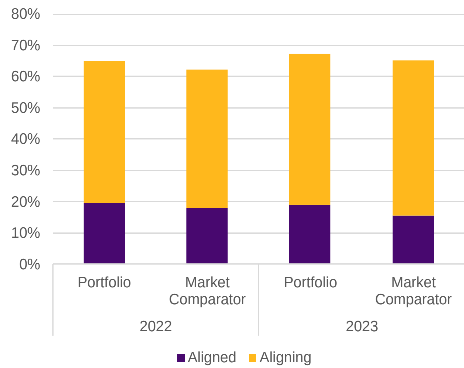
As at 31 Dec 23

Impact of portfolio on climate change

Absolute Carbon Emissions (scope 1+2)

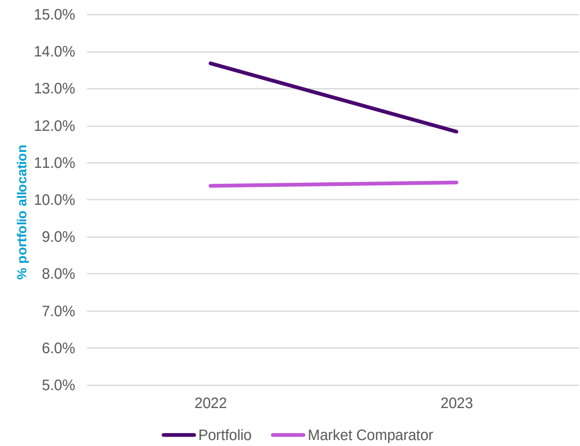


Alignment



Note that Climate Transition Value at Risk (CTVaR) can be used as an alignment metric as well, however we have chosen to show CTVaR as our transition risk metric

Climate Solutions



Impact of climate change on portfolio

Transition risks - CTVaR

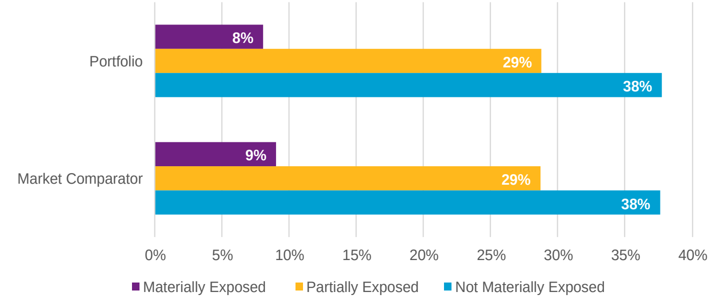
2023 - Portfolio

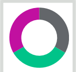
-2.5%

Comparator

-3.7%

Physical risks





Portfolio Coverage Key

- Proxied data
- Actual holding
- No data

Explanatory Notes

LifeSight DGF

WillisTowersWatson

As at 31 Dec 22

PORTFOLIO SPECIFIC COMMENTARY

LifeSight Diversified Growth Fund ("DGF") invests across a range of different asset classes, including infrastructure and high yield debt, so has broader exposure to the real world economy and hard to abate areas than just equities. Having exposure to these areas means that the DGF has the ability to have greater impact on the real world should it be able to align its portfolio to Net Zero.

1. The portfolio has lower carbon emissions as compared to the benchmark due to the underlying managers positioning vs the wider universe. On an absolute basis, the portfolio's scope 1+2 absolute carbon emissions were c0.36m tCO_2, while the benchmark's amounted to c0.41m tCO_2. Scope 3 is estimated at 1.4m tCO_2, while the benchmark's amounted to 1.9m tCO_2. On an intensity basis, the portfolio's scope 1+2 carbon emissions intensity was 84 tCO_2/£m invested, while the benchmark's amounted to 97 tCO_2/£m. The Scope 3 is estimated at 326 tCO_2/£m invested, while the benchmark's amounted to 374 tCO_2/£m. These numbers exclude the c14% allocation to sovereign credit, which are reported separately below:
    - We estimate the portfolio's sovereign credit contributes an additional c0.3m tCO_2 to total scope 1+2 carbon emissions. The sovereign credit portfolio has a carbon intensity of 354 tCO_2/£m on scope 1+2 carbon emissions. We are unable to source the Scope 3 carbon intensity data for sovereign credit.
2. We estimate that 19% of the portfolio is invested in companies whose strategies are aligned to a Paris-consistent net zero pathway, 48% are in the process of aligning, while the remaining c33% are yet to demonstrate sufficient climate ambition consistent with a 'well below 2 degrees' world. Pleasingly, we have seen more companies set credible decarbonisation targets as well as publishing their carbon footprint statistics over the last year. There is still a long way to go particularly with the world's largest emitters and our engagement with these companies will form a key part of this progress as well as increasing investment in climate solutions to help enable companies to meet their targets.
3. We continue to look for suitable climate solution opportunities on ongoing basis for the portfolio. We measure exposure to climate solutions in line with the IIGCC methodology. The percentage exposure has increased. Since 2019 exposure to these have increased from a baseline of 5.7% to 11.8% today. We continue to look for climate solution opportunities.
4. The portfolio has a smaller exposure to climate transition risks than the market comparator due to the positioning of the infrastructure and fallen angel credit assets compared to the passive comparators. The infrastructure sector has relatively higher transition risk than other sectors, however, it continues to remain a key area of climate opportunity and is crucial to supporting the needs of a Net Zero transition. We continue to assess Magellan's ESG capabilities and engage with them as part of our manager research process.
5. We estimate that a material proportion of our portfolio is severely exposed to physical climate risks (8%), which emphasises the importance of investing and undertaking stewardship in a way that supports a transition to a 'well below 2 degrees' world.

Key conclusions:

Overall, the Fund has improved on multiple metrics over the year, as set out on slide 17, but there are still areas where we are looking to make more progress. From our perspective, the key area of climate risk lies within the infrastructure portfolio. Although we do not currently have cause for concern, we continue to monitor the manager's progress in managing against this long term risk. Another key focus is around improving the alignment of the underlying companies we own. We can achieve this either through allocating more assets to the aligning companies or using effective stewardship resources to influence the companies we own to develop their own Net Zero strategies. The recent innovation regarding LTAF structures opens up the exciting possibility of replacing some of the real assets exposure with high quality private market climate solutions. We are assessing how best we can utilise these to meet our Net Zero goals.

Coverage commentary: Emission numbers are produced using MSCI ESG data which represent a blend of estimates and actual data. Scope 3 emissions data were unavailable for sovereign credit exposures. Sovereign credit emissions are currently excluded from the charts presented in this report and reported separately. Market comparator chosen is a passive equivalent of Fund's asset mix as a best estimate like for like comparator for the portfolio.

Climate Dashboard

Underlying asset class reporting

As at 31 Dec 23

	2019	2030	2050
Target Reduction in Carbon Footprint (tCO2e/£m) – Scope 1&2 YOY (%)	-	50% reduction	100% reduction

As at 31 Dec 2023	Absolute Emissions (tCO2e) – Scope 1 & 2	Carbon Footprint (tCO2e/£m) – Scope 1 & 2	Absolute Emissions (tCO2e) – Scope 3	Carbon Footprint (tCO2e/£m) – Scope 3
LifeSight Equity*	481,517	53	3,298,902	363

As at 31 Dec 2023	Absolute Emissions (tCO2e) – Scope 1 & 2	Carbon Footprint (tCO2e/£m) – Scope 1 & 2	Absolute Emissions (tCO2e) – Scope 3	Carbon Footprint (tCO2e/£m) – Scope 3
Total LifeSight DGF (ex Sovs)	**355,532**	**84**	**1,385,329**	**326**
Equity	86,860	53	595,086	363
Corporate Bonds	98,224	70	660,627	469
Property	5,010	10	21,812	42
Infrastructure	165,438	240	107,803	156
Sovereigns within LifeSight DGF	**251,134**	**354**		
Emerging Market Sovereign Debt	**186,194**	381		
Developed Market Sovereigns	**64,940**	293		

Carbon emissions data is still in its infancy in terms of availability and quality and while we have coverage of scope 1 and 2 in equities provided by our third-party data provider, scope 3 data is not yet widely reported. However, our third-party data provider MSCI uses top-down industry level estimates to estimate the Scope 3 emissions of the companies we own.

Market comparator chosen is 100% MSCI ACWI as this represents a broadly similar equity markets exposure and constitutes a transparent comparator for the portfolio.
*Includes LifeSight DGF's allocation to LifeSight Equity Absolute Emissions.

LifeSight Equity / Diversified Growth Fund – additional explanatory notes

Methodology

1. Financed Emissions: We define financed emissions using the Partnership for Carbon Accounting Financials (PCAF) methodology. PCAF enables asset managers to attribute the proportion of an entity's GHG emissions to an investment or security. The total portfolio financed emissions are the weighted average of the financed emissions of the investments or securities in the portfolio, expressed as the total CO2e emissions of the portfolio in tCO2e. The emissions reported reflect estimated emission calculated using MSCI ESG Research's proprietary carbon estimation model, covering scope 1 and 2 emissions from both reported and modelled data where companies do not report on their carbon emissions. Source of data: MSCI ESG
2. Carbon footprint: We define the carbon footprint of an investment to be the financed emissions of each investment or security in the portfolio divided by the £ amount invested (tCO2 scope 1 + 2 emissions / £m invested attributed by EVIC). This normalises the emissions at the portfolio level by position size. The total portfolio carbon footprint is the weighted average of the carbon footprint of each investment in the portfolio, expressed as tCO2e/£m. Emissions attributed to investments in sovereign bonds are reported separately and calculated using PCAF's adjustment per GDP approach. Source of data: MSCI ESG
3. Climate solutions: Our climate solutions definition is in line with the IIGCC methodology. A security is considered a climate solution if it meets the following criteria: >20% of revenue generated from activities aligned with a climate change adaption or climate change mitigation environmental objective, does no significant harm through involvement in environmentally damaging controversies or activities that could negatively impact society and meets minimum safeguards as defined by the UN Global Principles on Business and Human Rights (UNGP) and OECD Guidelines. Source of data: MSCI ESG
4. Alignment: Our approach to measuring alignment is based on guidance set out by the IIGCC's Net Zero Investment Framework (NZIF) which provides a framework for assessing a portfolio's level of alignment with the goals set out in the Paris Agreement. This includes an assessment of companies vs 6 criteria: Ambition, Targets, Emissions Performance, Disclosure, Decarbonisation Strategy and Capital Allocation. Where data is available, we use the Climate Action 100 benchmark, Transition Pathways Initiative and Science Based Targets Initiative as highly granular data sources to score companies. These do not cover all companies in the universe given their voluntary nature and focus on the higher emitters. As such, we then complete any gaps in data using MSCI ESG's alignment scores.
5. Climate Transition Value-at-Risk: Our approach to assessing the transition risk of portfolios uses WTW's proprietary Climate Transition Value at Risk (CTVaR) methodology which quantifies climate transition risk by integrating forward-looking company assessments with traditional risk and return models. CTVaR analyses the impact on projected company cashflows of moving from a 'business as usual' scenario – reflecting current policies – to a world where emissions pathways are fully aligned to the goals of the Paris Agreement. This is based on a granular understanding of the plausible/likely changes to policy, regulation, technologies, and consumer preferences that would occur in a transition to a low carbon world. This is translated into a % impact relative to current asset prices by taking the net present value (NPV) of the change in future company cashflows.
6. Physical risk: Our approach to measuring the impact of physical risk for listed companies assesses both the costs of direct physical damage and business interruption on a company's market value due to chronic and acute physical hazards. We have chosen to align our physical risk scenario with those recommended by the Network for Greening the Financial System (NGFS which have become a standard for regulatory reporting and climate stress testing activities like the ones initialized by the European Central Bank or the Bank of England. Using research conducted by the Thinking Ahead Institute, the most appropriate scenario to use for our physical risk metric expects that if humanity continues along the 'business-as-usual' path that it is currently on, it is likely to experience a temperature rise between 2.7°C-3.6°C. We believe this aligns most closely with the 3°C Current Policies (Hot house world) NGFS scenario. For each security/bond, we assess the 95th percentile downside potential of a company's equity/bonds assuming trends continue along the 3°C REMIND Current Policies scenario for extreme weather events.

LifeSight Equity / Diversified Growth Fund – additional explanatory notes

Data limitations/Expected developments

1. Scope 3 data – Our Net Zero target does not cover scope 3, driven by the lack of data availability. We expect data coverage to improve over time as more companies are able to measure and report it.
2. Data quality – The results shown in this report are based on holdings data. Below, we breakdown the Scope 1 + 2 GHG emissions and Scope 3 GHG emissions data quality for the asset classes we invest in provided by our data provider, MSCI ESG. Please note that for all sovereign exposures, such as Emerging Market Debt and Developed Sovereigns, Scope 1 +2 GHG emissions are estimated.

Scope 1 + 2 GHG emissions data quality	**% securities whereby carbon data is reported by company/entity (but not verified)**	**% securities whereby carbon data is estimated**	**% securities whereby carbon data is not reported or estimated**
Equity	86.9%	6.5%	6.5%
Corporate bonds	17.5%	2.8%	79.7%
EMD	0.0%	47.7%	52.3%
Property	82.5%	8.5%	9.0%
Infrastructure	88.1%	8.8%	3.1%
Developed Sovereign	0.0%	100.0%	0.0%
LifeSight DGF Weighted Total	**55.0%**	**5.0%**	**40.0%**

Scope 3 GHG emissions data quality	**% securities whereby carbon data is reported by company (but not verified)**	**% securities whereby carbon data is estimated**	**% securities whereby carbon data is not reported or estimated**
Equity	21.1%	72.4%	6.5%
Corporate bonds	5.6%	14.6%	79.7%
EMD	0.0%	0.0%	100%
Property	24.7%	66.3%	9.0%
Infrastructure	67.3%	29.7%	3.1%
Developed Sovereign	0.0%	0.0%	100.0%
LifeSight DGF Weighted Total	**20.0%**	**39.0%**	**40.0%**

3. Improved reporting standards – we are expecting that the global accounting standards ISSB to require that climate disclosures (IFRS S2) be effective for annual reporting periods beginning on or after 1 January 2024. We expect this to significantly improve the quality of the data being published given the auditing requirements that should cover these disclosures.

MSCI & Greenhouse Gas Emissions

Why MSCI

WTW's sustainability team conducted an in-depth review of over 10 sustainability data providers to assess potential partners that could provide the data to support our growing sustainability initiative. Through our analysis we concluded that MSCI was best suited to provide the level of coverage for all key ESG and climate metrics required for this report. MSCI is a market leader in terms of quality of research and size of team, with approximately 400 full time employees as of July 2020, we believe that they offer the necessary support and breadth of resources needed as WTW continues to expand sustainability efforts in various areas of concentration. MSCI has recently released several new data sets including climate and impact series which we believe can contribute to the next stages of our development in terms of tools, analysis, lens work on sustainable investing, including potential future enhancements to our sustainability scorecard. Climate analysis continues to be a top priority for MSCI's ESG data team in the coming years, corroborated through their recent acquisition of Carbon Delta, which WTW views as an exciting development as we also look to prioritize the growing importance and impact of climate change though our various lines of business.

Additional disclosure

Although WTW's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy, and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy and sell or when to buy and sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Greenhouse gas emissions: a primer

Greenhouse gas emissions are classified as per the Greenhouse Gas Protocol and are grouped in three categories known as Scope 1, Scope 2 and Scope 3.

- **Scope 1** GHG emissions are those directly occurring "from sources that are owned or controlled by the institution, including: on-campus stationary combustion of fossil fuels; mobile combustion of fossil fuels by institution owned/controlled vehicles; and "fugitive" emissions. Fugitive emissions result from intentional or unintentional releases of GHGs, including the leakage of hydrofluorocarbons (HFCs) from refrigeration and air conditioning equipment as well as the release of CH_4 from institution-owned farm animals."
- **Scope 2** emissions are "indirect emissions generated in the production of electricity consumed by the institution."
- **Scope 3** emissions are all the other indirect emissions that are "a consequence of the activities of the institution but occur from sources not owned or controlled by the institution" such as commuting; waste disposal; embodied emissions from extraction, production, and transportation of purchased goods; outsourced activities; contractor-owned vehicles; and line loss from electricity transmission and distribution".

The greenhouse gases included in the GHG emissions are the 6 gases mandated by the Kyoto Protocol , given here below with global warming potential coefficient (GWP):

- Carbon dioxide (CO_2) GWP: 1
- Methane (CH_4) GWP: 21
- Nitrous oxide (N_2O) GWP: 310
- Hydrofluorocarbons (HFCs) GWP: GWP: 150 – 11,700
- Perfluorocarbons (PFCs) GWP: 6500 – 9,200
- Sulphur hexafluoride (SF_6) GWP: 23,900

E. LifeSight approach to interlinked nature issues

Biodiversity and deforestation

LifeSight is supportive of the Race to Zero Financial Sector Commitment on Eliminating Agricultural Commodity-Driven Deforestation by 2025. Deforestation is a critical environmental and social issue. Tackling deforestation is a necessary piece of the complex jigsaw as we collectively tackle climate change.

- Biodiversity is critical component of managing climate change as it allows carbon emissions to be absorbed by water and land rather than being released to the atmosphere. One of the main reason for biodiversity loss is the effect of deforestation, which has been increasingly adopted by the industry as the key area to tackle relating to biodiversity issues. Two of the main ways of implementing LifeSight's overall commitment outlined above, is to work with providers who have this as a key priority and to directly engage with companies, where lagging, to make real world improvements.

LifeSight works with both LGIM and EOS who are making strong positive progress in the area of biodiversity and deforestation

EOS – LifeSight's specialist stewardship provider

- Commitment to halt and reverse forest loss and land degradation by 2030
- Member of the Taskforce on Nature-related Financial Disclosures (TNFD)
- Members of the Investor Policy Dialogue on Deforestation (IPDD) Consumer Countries Working Group.

LGIM – platform provider and majority investment manager

- Signature to the COP 26 Commitment on Eliminating Agricultural Commodity Driven Deforestation from Investment Portfolios
- Standalone biodiversity policy under the Finance for Biodiversity pledge
- Deforestation campaign contacting c.300 companies
- Biodiversity and deforestation are key stewardship themes
- Collaborative work with Investors Policy Dialogue on Deforestation

LifeSight has been able to identify priority engagement targets for our stewardship providers to focus on and make real world progress.

Within LifeSight Equity, we identified the holdings in **biodiversity** laggards. Over the previous year our providers engaged with **c80%** of these companies on biodiversity issues

Within LifeSight Equity, we identified the holdings in potential **deforestation** laggards. Over the previous year our providers engaged with **c70%** of these companies on deforestation issues.

A **biodiversity** laggard is defined as:

- Having a biodiversity and land use severe controversy in the past three years; or having a severe or very severe controversy relating to the firm's use or management of natural resources or the environmental impact of a company's supply chain

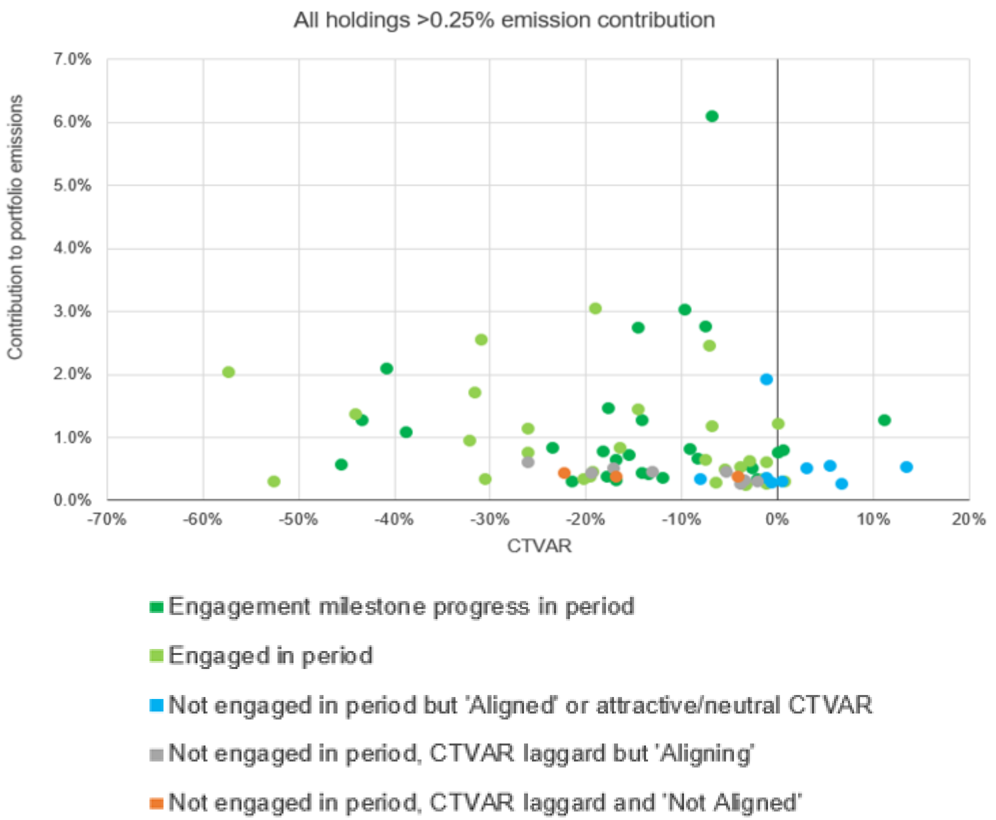
A **deforestation** laggard is defined as:

- Having a severe or very severe controversy relating to either the environmental impact of a company's supply chain and the sourcing of natural resources or relating to the firm's use or management of natural resources; and having been involved in a controversy linked to deforestation.

F. LifeSight approach to stewardship

Approach to stewardship - engagement

- LifeSight employs both LGIM and EOS at Federated Hermes stewardship services to support our efforts in company-level engagement on a wide range of topics.
- Stewardship is one of the critical levers investors have in order to drive real world decarbonisation.
- Our efforts should be focused on those companies with the greatest climate risk and emission contribution to the portfolio. In the chart to the right, we highlight the top contributors to emissions within LifeSight Equity as well as our top contributors to Climate transition risk. We assess whether our stewardship providers LGIM and EOS have been able to engage with these companies on climate change in line with our Paris Aligned Net Zero goal and if there has been any progress over the period versus milestone.
- It is pleasing to see that the vast majority of the companies identified using this criteria were either engaged with over the period or aligned. The Trustee has challenged its stewardship providers on those companies that were not engaged and not aligned.

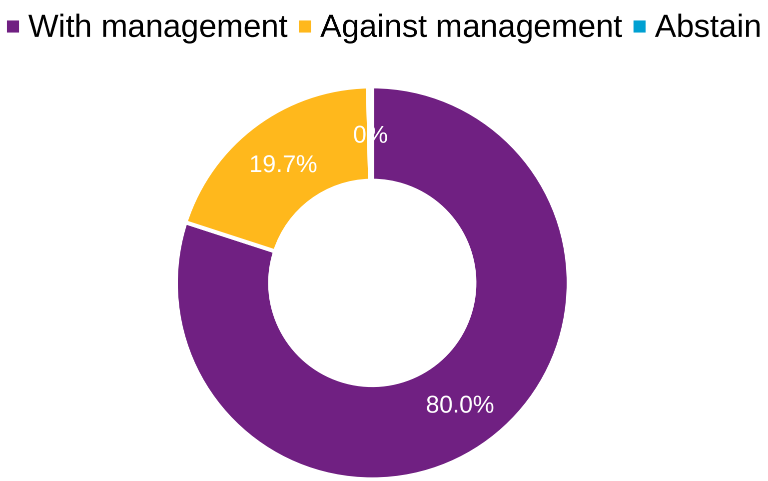


Approach to stewardship - voting

Trustee key policies and activities

- The Trustee believes that harnessing the collective scale, resources and specialist skills of these organisations in this important, technical and resource-intensive area is the most effective way to maximise LifeSight's impact and influence.
- LifeSight holds no equities directly, but necessarily invests via third party pooled funds
- The Trustee conducts an annual deep-dive sustainable investment review, which includes meetings with the key providers which includes detailed reporting on voting trends and case studies on key votes.
- The FM uses a proprietary voting tool to aid LifeSight's assessment of the voting activity for large asset managers (where data is available) which is used in research meetings and engagements activities. This looks at patterns in management and shareholder resolution voting across regions, sectors and themes, as well as within particular areas of interest, such as climate shareholder resolutions.
- Over the year, the Trustee challenged LGIM on specific votes that were not cast in support of climate change related resolutions and continues to track such progress.

LifeSight Equity Split of votes exercised during 2023



This included 158 votes against management on environmental matters, with the key theme being climate change.

G. Case Studies: voting and engagement

Case Study 1
EOS – Netflix

Concerns

- As the climate changes, companies face operational, regulatory and reputational risks along with changing consumer demand. Companies that do not value diversity and promote inclusion also create regulatory, talent and reputational risks.
- Historically, Netflix lacked disclosure and targets for greenhouse gas emissions and diverse representation in their workforce. We were concerned that this prominent company was not effectively managing these risks.

Actions

- Since we first engaged Netflix in 2018, we have encouraged the adoption of science-based emissions targets and greater disclosure on and the setting of targets for a diverse and inclusive workplace.
- We have welcomed the progress the company has made, whilst challenging them to be more ambitious. Netflix have been responsive to investor concerns on ESG performance.

Netflix
is a global video streaming services group

Outcome

- Since we started engaging with Netflix, they have started publishing a sustainability report and an inclusion report and announced a target to achieve net-zero greenhouse gas emissions every year from the end of 2022, with this validated by SBTi, as a robust and independent party.
- Further, the company published two academic papers evidencing the increase in diverse representation amongst directors, producers, writers and creators in US-commissioned scripted films and series and identifying areas for improvement.

Notes and source: EOS. For illustrative purposes only. Full case study: [Netflix case study | UK Institutional (hermes-investment.com)]

Case Study 2
LGIM – Glencore

Concerns

- As one of the world's largest mining companies, with significant exposure to metals needed to decarbonise the global economy, we believe Glencore has a key role to play in the energy transition
- However, the company's exposure to thermal coal is still material and detrimental to meet the company's own 1.5°C target.

Actions

- Continued engagements with the company since 2020, focusing on the company's commitment to prioritise investments in metals to support the energy transition and to strengthen its interim emissions reduction targets.
- We voted against Glencore's climate transition plan at its 2022 AGM due to its concerns regarding its thermal coal exposure and lack of future direction on a low-carbon pathway. Additionally, we identified the company as a 'leading laggard' as part of our Climate Impact Pledge programme, and applied voting sanctions against the chair at the same AGM.
- In light of our ongoing concerns at Glencore, we co-filed a shareholder resolution at Glencore's 2023 AGM, requesting that the company disclose how its thermal coal production is aligned with the Paris Agreement objective of limiting the increase in global temperature to 1.5°C.
- This year, we are divesting from Glencore as it has not sufficiently addressed our concerns in the past few years. We will continue to engage with Glencore and closely monitor its practices.

Glencore
is a Swiss multinational commodity trading and mining company

Outcome

- We welcomed the company's commitment to prioritise investments in metals that support the energy transition and to strengthen its interim emissions reduction targets, but feel these do not go far enough.
- The shareholder resolution received 29.2% support from shareholders, which is significant for a shareholder proposal, and we are pleased that the company has published its intention to continue to engage with shareholders and improve understanding on this matter.
- We remain concerned that Glencore does not meet our red line asking mining companies to disclose whether they plan to increase thermal coal capacity. The decision to divest came after we filed a shareholder resolution at Glencore last year requesting that the company disclose how its projected thermal coal production aligns with the Paris Agreement's objective to pursue efforts to limit the global temperature increase to 1.5°C.

Notes and source: LGIM https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/active-ownership/active-ownership-report-2022.pdf

LifeSight ESG credentials

3,000+ Engagements on ESG matters across 1,000+ companies

2030
When LifeSight targets a 50% reduction in net greenhouse gas footprint (0% by 2050)

-21%
Carbon footprint of LifeSight Equity fund vs global stock market

60+
People engaging companies on your behalf to adopt better ESG practices

87%
Of LifeSight Equity portfolio aligned or aligning with Paris Agreement Goals

562
Companies engaged with on climate over 2023