Climate Report 2023

Task Force on Climate-Related Financial Disclosures

ROYAL LONDON

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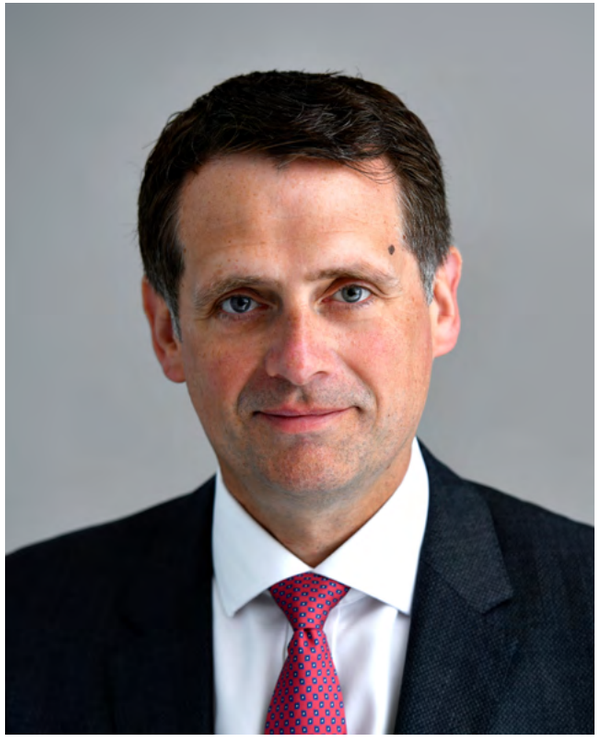
Foreword from our Group Chief Executive Officer



Climate change poses a threat to both human wellbeing and the health of the planet, as highlighted by the United Nations' Intergovernmental Panel on Climate Change (IPCC). Despite pledges, much remains to be done if global goals to limit warming are to be achieved and, in the more immediate term, other geopolitical and economic crises have diverted attention. We, as a global community, have important choices to make.

At Royal London, we are guided by our Purpose: Protecting today, investing in tomorrow. Together we are mutually responsible. This leads us to take a long-term perspective, considering the needs of our customers and clients in our approach to climate change.

We are conscious of the role we have in supporting how we move fairly to a sustainable world. During 2023, we focused on developing our Climate Transition Plan, outlining how we will make progress towards achieving net zero across our direct operations by 2030, and in our investment portfolio and value chain by 2050[1]. We intend to publish our plan in 2025.

"As a purpose-driven mutual, we want to help build a future that customers look forward to. In delivering our strategy, we remain committed to playing our part in influencing real-world change that benefits our customers and wider society."

While the financial services sector can make important contributions, we – alongside other sectors – are dependent on governments and policymakers to deliver on climate commitments, regulators to set rules that support climate ambitions, and all industries to keep innovating and pushing for a low-carbon future. I am disappointed that advances towards global climate commitments have not been faster, and encourage governments to support policies that speed progress.

By collaborating with other institutional investors, industry bodies and policymakers, we can encourage action on key climate-related issues. We advocate for a just transition – a transition to a low-carbon economy that considers both social and environmental factors – and in 2023, this included contributing to the development of just transition guidelines for the banking and insurance sector, unveiled at COP28.

Engagement is a fundamental part of our strategy. Through our asset management business, Royal London Asset Management, we engage with the companies in which we invest, supporting our aims of enhancing returns for our customers and clients while delivering benefits for society as a whole. When we believe a company is falling short, we use our voting rights and meet with management to encourage positive change, rather than simply divesting. Our asset management business held 799 engagements with 443 investee companies during 2023. Of these engagements, 278 were climate-related.

In this report, we share detail of how our climate strategy, underpinned by our commitments and strong governance across the Group, has continued to guide our management of climate-related risks and opportunities. In 2023, this included refining our approach to internal climate risk reporting to the Group Executive Risk Committee, increasing visibility of how climate risks are managed throughout the business. We took steps to further embed sustainability considerations into our own operations, for example in the decision to move to our new office in London – which, through its 'BREEAM Excellent' rating, is recognised by a globally trusted mark of sustainability for the built environment. To support effective identification and management of risks and opportunities, we also developed more targeted responsible investment and sustainability colleague training, initially for our asset management business.

As a purpose-driven mutual, we want to help build a future that customers look forward to. In delivering our strategy, we remain committed to playing our part in influencing real-world change that benefits our customers, clients and wider society.

Barry O'Dwyer
Group Chief Executive Officer

1. The basis and assumptions underlying our climate targets and metrics are set out on page 39.

Introduction

Our business

Royal London is the UK's largest life, pensions and investment mutual, and is in the top 25 largest mutual and cooperative insurers globally[1]. We offer protection, long-term savings and asset management solutions in the UK and Ireland.

UK — Providing pension and protection propositions to customers and employers, primarily through independent financial advisers

Asset management — Providing investment propositions to Royal London's life and pensions customers and to external institutional and wholesale clients, primarily through intermediaries

Ireland — Providing pension and protection propositions to customers through brokers

Our Purpose

At Royal London, being a mutual is at the heart of our Purpose:

'Protecting today, investing in tomorrow. Together we are mutually responsible.'

Our Purpose sets out the positive outcomes we want to achieve by using our mutuality for good:

- Helping build financial resilience
- Moving fairly to a sustainable world
- Strengthening the mutual choice for customers.

Our climate commitments

Our climate commitments help us play our part in moving fairly to a sustainable world, while contributing to the effective management of climate-related risks and opportunities on behalf of our customers and clients. See page 5 for an overview of our climate commitments and progress.

About this report

We are pleased to publish the Royal London Group's 2023 Climate Report, which has been prepared in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) framework in line with the Financial Conduct Authority's (FCA) Environmental, Social and Governance (ESG) sourcebook regulation (ESG 1A and ESG 2). Following the publication of the International Sustainability Standards Board (ISSB) IFRS S1 and S2 Standards and the transfer of TCFD monitoring responsibilities to ISSB from 2024, we will continue monitoring regulatory developments regarding climate-related disclosures.

The disclosures in this report reflect the activities of the Royal London Group (also referred to as the Group). The Group comprises the pension and protection propositions business, including The Royal London Mutual Insurance Society Limited (RLMIS), as well as its asset management division, Royal London Asset Management Group. As at 31 December 2023, RLMIS, Royal London Asset Management Limited (RLAM), Royal London Unit Trust Managers Limited (RLUTM) and RLUM Limited[4] (RLUM) were in scope of the FCA's ESG sourcebook regulation (ESG 1A and ESG 2) and the respective entity-level TCFD disclosures can be found in Appendix I of this report, from page 52.[2] See Figure 1 for an overview of our in-scope Group structure.

In this report, we:

- detail how we identify, assess and manage climate-related risks and opportunities
- disclose the governance we have in place to manage climate-related risks and opportunities
- reflect on the progress we have made in integrating climate-related risks into our wider strategic and risk management frameworks
- set out the areas where we will focus our efforts as we continue on the journey to achieve our Purpose.

Figure 1: Our in-scope legal entities (31 December 2023)

1. Source: ICMIF Global 500 for 2023, which ranks insurers by premium income.
2. Royal London Insurance Designated Activity Company (RLI DAC), RLMIS' Irish subsidiary, is not in scope of the FCA's ESG sourcebook regulations. As such, entity-level disclosures have not been provided for RLI DAC, although elements of RLI DAC are covered within the Group report, such as operational emissions data.
3. These entities form the Royal London Asset Management Group.
4. In 2023 it was agreed that, from April 2024, the oversight of the RLUM business would move to Royal London Asset Management Group.

Our climate commitments

Our climate commitments contribute to the effective management of climate-related risks and opportunities for our customers and clients.

We list our commitments in the following table, alongside a summary of the progress we made over 2023.

Our commitments are based on the expectation that governments and policymakers will deliver on the commitments to achieve the goals of the Paris Agreement and that the required actions do not contravene our fiduciary duty to our members and customers.

Our commitments include assets that are controlled by RLMIS and are managed on its behalf by Royal London Asset Management. They exclude segregated mandates managed by Royal London Asset Management on behalf of its external clients.

The basis and assumptions underlying our climate targets and metrics are set out on page 39.

	1 Engagement	2 Portfolio emissions	3 Climate-aware investment solutions	4 Operational emissions
Our commitments	We commit to engaging with policymakers, the companies we invest in, our peers and other stakeholders to play our part in enabling the fair transition to a sustainable world.	We commit to reducing the emissions from our investment portfolio by 50% by 2030 (tCO_2e/$m invested) as part of the transition to net zero by 2050.	As a Group we commit to developing investment solutions that will enable our customers to invest in the low-carbon transition.	We commit to achieving net zero in our direct operational emissions by 2030 (Scopes 1 and 2), and in our Scope 3 non-investment value chain by 2050. We also commit to purchasing 100% renewable energy for our operations (Scope 2) by 2025.
Progress over 2023	During 2023, we participated in a range of industry groups and initiatives, using our collective experience and expertise to advocate on climate-related issues. We also engaged with 36 investee companies representing 52% of financed emissions. Read more on pages 15-18 and 61.	As at 31 December 2023, the carbon footprint (Scope 1 and 2 tCO_2e/$m invested) from our corporate fixed income and listed equity portfolio reduced by 10% from 2022 and 19% since 2020, our baseline year. Read more about our portfolio emissions on pages 40-47.	Through our asset management business, we manage £12bn as at 31 December 2023 in our sustainable investment products and £0.4bn in our global equity transitions strategy[1]. Read more on page 20.	In 2023, our Scope 1 and Scope 2 location-based emissions reduced by 21% since 2022 and 64% since 2019, our baseline year. Our non-investment value chain Scope 3 emissions have reduced by 28% since 2019, despite an increase of 15% since 2022 as a result of several factors detailed on page 50. Read more about our operational emissions on pages 48-51.

1. Strategy includes AUM from pooled and segregated mandates.

TCFD compliance summary

The TCFD recommendations are structured around four thematic areas: governance, strategy, risk management, and metrics and targets. These areas are interrelated and supported by 11 recommended disclosures that should help stakeholders understand how we consider climate-related risks and opportunities.

The following table indicates where we report against each TCFD recommendation within this report for Royal London Group. See page 53 for a summary of the entity-level disclosures against the TCFD recommendations for each of our entities in scope of the FCA's PS 21/24 requirements.

	TCFD recommendation	Pages
Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	34-35
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	7-21
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	32-33
Governance	Describe the Board's oversight of climate-related risks and opportunities	23-24
	Describe management's role in assessing and managing risks and opportunities	25
Risk management	Describe the organisation's processes for identifying and assessing climate-related risks	30
	Describe the organisation's processes for managing climate-related risks	31
	Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	29
Metrics and targets[1]	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	37-51
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	42, 50
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	38

1. Data and metrics in the Royal London Group section of the report are based on RLMIS data. Data and metrics relating to RLAM (which includes RLAM third-party clients), RLUM and RLUTM are provided in the entity-level sections in Appendix I.

Strategy

At Royal London, we are committed to playing our part in moving fairly to a sustainable world. We reflect this ambition in our strategy, engagement priorities, and in our approach to shaping our culture.

In this section we will discuss:

- how climate-related risks and opportunities are integrated into our business and investment strategy
- how we are engaging with our investee companies and wider stakeholders
- our climate commitments and the steps we are taking to meet these.

Our strategy

Our overall approach to climate change is to be clear and resolute in our ambition, while adapting our focus in response to shorter-term challenges.

When we consider the move to a sustainable world, we think about:

- the impact that climate change may have on our business, our members, our customers and our clients
- the impact we have on the climate.

These dual considerations help us to balance potential business opportunities with responsible mitigation opportunities, while closely managing climate-related risks.

Our approach to integrating climate-related risks and opportunities into our strategy, investments and business planning:

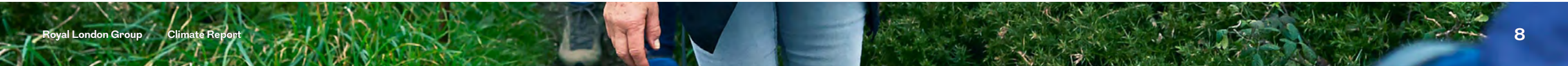
Our climate commitments

Our climate commitments help us play our part in moving fairly to a sustainable world, while contributing to the effective management of climate-related risks and opportunities for our customers and clients. We are committed to exerting our influence through policy, industry and government engagement, as well as reducing our portfolio and operational emissions, and developing climate-aware investment solutions.

Embedding sustainability across our business

To achieve our Purpose and play our part in moving fairly to a sustainable world, sustainability must be embedded across our entire business. Consideration of climate risks and opportunities is integrated into aspects of our investment processes, from setting strategic asset allocations and allocating our investments across different asset classes to selecting and monitoring our asset managers. We also recognise the contribution of our own operations and value chain to climate change.

The basis and assumptions underlying our climate targets and metrics are set out on page 39.



A purposeful approach for a sustainable future

Our Purpose – *'Protecting today, investing in tomorrow. Together we are mutually responsible'* – shapes everything we do.

It guides our strategy, shapes our culture and informs our long-term response to trends that influence members, customers, clients, financial advisers and the world around us.

Our mutuality means we generate value for members and customers, not shareholders. We use our profits to improve our propositions and services for customers and financial advisers, to maintain our financial strength and to support social impact initiatives. We also share profits with eligible customers, boosting the value of their savings.

By using our mutuality for good, we want to achieve three positive outcomes:

Helping build financial resilience	Moving fairly to a sustainable world	Strengthening the mutual choice for customers
Ensure our customers do not have to worry about their finances in times of ill health or bereavement	Provide opportunities for customers to use their savings and investments to make a positive impact on climate change, the environment and society	Invest in improving our customer offer by running a profitable and sustainable business
Help customers to feel confident about making decisions on their long-term savings and investments	Help build a world and society that customers will look forward to retiring into	Be cost-efficient, so that customers receive the financial benefits of our mutuality
Support our customers to have sufficient savings to enjoy the retirement they planned	Use our influence to champion the delivery of net zero in a way that is fair and sustainable	Offer a sustainable alternative to companies run for the benefit of shareholders
Maximise financial inclusion and reduce vulnerability by collaborating with partners	Ensure customers and communities have the resilience to adapt and thrive as we transition to a sustainable world	Do what is right for members, customers and for wider society

Embedding sustainability across our business

Consideration of climate risk in our investment strategy

Consideration of climate risks and opportunities is integrated into aspects of our investment processes, from setting strategic asset allocations and allocating our investments across different asset classes to selecting and monitoring our asset managers.

As an asset owner, we are exposed to climate risks – both 'physical' and 'transition' risks, which reflect market changes from the transition to a low-carbon economy (see page 30). To manage these effectively, we monitor and assess our asset managers' responsible investing activity and performance against the requirements of our Asset Manager Oversight Framework.

As the owner of a successful and growing asset management business, we support the embedding of environmental, social, governance (ESG) and climate factors into investment decisions. This helps our asset management business manage associated ESG and climate investment risks, and benefit from investment opportunities. In addition, our commitment to developing investment solutions will enable our customers to invest in the low-carbon transition.

Our investment beliefs

Our Purpose and strategy drive our Investment Philosophy and Beliefs. Our beliefs, which have been informed by customer and client research, shape how we invest and influence our investment process.

Strategic asset allocation

One of our largest exposures to climate-related risks is the impact these risks may have on the assets we manage for our customers and clients. To help manage these risks and impacts, we have embedded climate risk evaluation into our strategic asset allocation process.

Climate risks and opportunities are considered across this process by:

- embedding climate-related risks and opportunities into the RLMIS Investment Philosophy and Beliefs
- considering our emission reduction targets when setting strategic asset allocations and optimising investment returns
- reviewing the strategic asset allocation against at least two climate change scenarios to understand our exposure to the associated risks
- assessing the carbon emissions of the existing and shortlisted strategic asset allocation proposals to determine the impact any change might have on meeting our emission reduction targets.

Asset manager selection and assessment

We have a formal assessment approach covering our standards, expectations and requirements when selecting and considering whether to adopt or retain asset managers, with the RLMIS Investment Committee holding responsibility for final approval.

Our initial selection process and ongoing assessment of managers includes an assessment of their responsible investment and climate change activities through a due diligence questionnaire. This questionnaire drives our baseline assessment of asset managers against a set of RLMIS Stewardship and Engagement principles covering exclusions, voting, engagement, ESG integration and climate change aspects.

For new asset managers to be considered, we require them to be signatories to the UK Stewardship Code 2020, the United Nations-supported Principles for Responsible Investment (UN PRI) and the Net Zero Asset Managers initiative. We seek to validate the information provided to us by cross-checking against data from Morgan Stanley Capital International (MSCI) on ESG fund manager ratings and other externally available information, including ShareAction reports, UN PRI assessments and UK Stewardship Code disclosures.

Supporting our asset management business

RLAM manages over 95% of RLMIS assets as well as £56.6bn of assets on behalf of other external clients. It is part of the Royal London Group, but it is managed separately and overseen by its own Board structure. As a significant part of our Group, RLAM plays an important role in helping us achieve our climate and financial resilience goals, as well as the goals of its other external clients. We are supporting RLAM in moving fairly to a sustainable world through ongoing investment in its business, including technology and change functions that will help RLAM make this transition for the benefit of our members and external clients. This includes supporting the build out of its ESG and climate data and analytical tools, as well as helping develop internal climate expertise and rolling out staff training on responsible investment and climate change.

Monitoring our asset managers

To support our climate commitments, we monitor our asset managers against the following expectations on a 'comply or explain' basis:

- develop a climate transition plan and demonstrate progress against climate commitments
- exercise their voting rights on all eligible investments, and make sure their voting takes into consideration the principles of our Voting Policy
- set clear investor engagement priorities on climate change, taking into consideration their level of influence (the size of their investments) and the materiality of climate change to company risk and performance
- meet certain criteria relating to climate risks, such that if there is a material concern and engagement activity is exhausted without a resolution, then this would trigger a divestment of holdings.

These criteria are taken into account alongside a broader set of expectations and requirements when considering whether to onboard or retain asset managers, with the RLMIS Investment Committee holding responsibility for final approval. We seek to validate the information provided to us by cross-checking against third-party data.

Through analysis of MSCI data we monitor the climate transition of our key asset managers using a number of metrics. We continue to develop our understanding of climate metrics and analyse the climate transition plans as they become embedded.

Asset Manager Oversight framework

Our Asset Manager Oversight framework incorporates three core pillars:

- Performance
- Responsible Investment and Climate Change (RICC)
- Operations.

Within the RLMIS RICC oversight framework, we include three tiers of oversight, in line with the materiality of our exposure. Each level determines the frequency and sophistication of our oversight activities.

Our asset managers are split across these levels as follows:

Tier 1

All asset managers

All asset managers with RLMIS customer investments are subject to our Tier 1 arrangements.

Tier 2

Key asset managers

Asset managers who manage over £100m each on our behalf, are subject to additional Tier 2 'enhanced oversight' arrangements.

Tier 3

Royal London Asset Management

Our asset management business is subject to Tier 3 'advanced monitoring' arrangements, in addition to Tier 1 and 2.

The RLMIS RICC oversight framework focuses on policy, resources, ESG integration, climate and stewardship aspects including voting, engagement and exclusions (see Figure 2). Where any material concerns are identified we ask our asset managers to 'comply or explain'.

We conduct a baseline assessment via an asset manager questionnaire covering topics including ESG integration, governance arrangements, voting, stewardship and engagement, exclusions and climate. This RICC baseline assessment questionnaire is issued annually to our Tier 2 and 3 asset managers. Following receipt of the completed questionnaire, we undertake a review to identify any areas for discussion and challenge, where appropriate. All our Tier 1 asset managers receive a standard due diligence questionnaire, which includes a number of RICC questions.

In addition to the baseline assessment, we receive supplementary information and data for our Tier 2 and 3 asset managers. This identifies any areas for discussion or challenge in formal biannual stewardship meetings with these key asset managers. We undertake further analysis for the following areas:

- **Voting:** Quarterly voting data is requested from Tier 2 asset managers for analysis against Royal London's votes. In addition, the voting policies of Tier 2 and Tier 3 asset managers are compared against those of Royal London.
- **Exclusions:** Analysis of MSCI data for the assets under management (AUM) is presented at biannual stewardship meetings, which includes data on exclusions. The exclusions policies of Tier 2 and 3 asset managers are also compared against those of Royal London.
- **Engagement:** Tier 2 and 3 asset managers' engagement policies, priorities, escalations and reporting processes are reviewed.
- **Climate:** Partly covered through the RICC baseline assessment, this includes review of Tier 2 and 3 asset managers' approach to climate change policy. Asset managers are also assessed on their climate target disclosures and whether they have a publicly available climate transition plan.

Figure 2: The RLMIS RICC oversight framework

Initial assessment	External validation	Additional validation (Royal London Asset Management only)
Area 1: Baseline assessment	MSCI ESG fund manager ratings	Audit findings
Area 2: Voting	ShareAction	Compliance reports
Area 3: Exclusions	UN PRI assessment	Breach reporting
Area 4: Engagement	UK Stewardship Code	
Area 5: Climate	TCFD	

Alongside the initial assessment, we cross-check against sources of external validation to assess our Tier 2 and 3 asset managers. These sources include but are not limited to MSCI data on ESG fund manager ratings, ShareAction reports, UN PRI assessments, and UK Stewardship Code and TCFD disclosures.

Beyond this, additional validation is undertaken to gain further insight into the activity of the Group's asset management business, which sits within Tier 3 of our Asset Manager Oversight framework. We review any audit findings, compliance reports, breach reporting and other similar sources of information.

Formal biannual stewardship meetings are conducted with our Tier 2 and 3 asset managers, parts of which are informed by analysis of MSCI data for the funds that they hold on behalf of RLMIS. At these meetings, we:

- focus discussions on key metrics from our oversight framework, including the main RICC oversight areas of voting, exclusions, engagement and climate, and expectations such as monitoring progress towards net zero progress
- discuss any changes to our policies, procedures or stewardship requirements
- discuss any current or upcoming regulatory changes
- discuss the outcome of monitoring activities.

We continue to refine our framework to reflect good practice as industry data quality and policy expectations evolve. Looking ahead, we are starting to use data analytics to enhance our ability to assess and oversee the ESG aspects of our asset managers and funds. We are currently reviewing how aspects such as biodiversity and nature metrics are considered within our framework.

In 2023, our stewardship meetings highlighted that all Tier 2 and 3 asset managers who manage RLMIS assets were signatories of the Net Zero Asset Managers initiative, UN PRI and UK Stewardship Code 2020. We have received confirmation from our key asset managers that they are broadly aligned to the RLMIS Exclusion and Voting Policies.

Monitoring our asset management business

The performance of Royal London Asset Management is subject to RLMIS' highest level of oversight, with more rigorous checks than on RLMIS' external asset managers due to the high proportion of RLMIS assets it manages.

Two assessments are implemented to ensure Royal London Asset Management's appropriateness to manage the majority of our assets. One assessment is an ongoing review of our asset managers' responsible investment capabilities, conducted via the RLMIS RICC oversight framework. This involves detailed questionnaires and enhanced ongoing monitoring of Royal London Asset Management's responsible investment activity. The other is a triennial assessment of its suitability.

Triennial assessment

Every three years, RLMIS performs a more detailed review of the Group's asset management business, consolidating all the ongoing oversight we perform, collating feedback from key stakeholders and performing a fees analysis.

In the latest triennial review, which covered the three years to the end of September 2022, we noted the following points regarding Royal London Asset Management's responsible investment and climate approach:

- The Responsible Investment team had grown significantly
- Fund managers are empowered to understand and integrate ESG risks and opportunities into their investment process to support and enhance risk-adjusted returns
- A suite of tools, including a proprietary ESG dashboard, are being used to support investment decisions. These tools continue to evolve over time with a view to further enhancing their use within the Responsible Investment team and by individual portfolio managers.

The output of our regular oversight activity is reviewed on a quarterly basis by the RLMIS Investment Committee, as are triennial and ad hoc reviews into specific aspects of our asset management business capability.

Through this process, we concluded that Royal London Asset Management's responsible investment and climate change approach is robust and aligns with our policies and industry standards.

Decarbonising our operations

While the majority of our emissions are generated through our investment portfolio, we recognise the contribution of our own operations and value chain to climate change. Accordingly, we have set targets to:

- reach net zero in our direct operational emissions (Scope 1 and 2) by 2030
- reach net zero in our indirect emissions from our non-investment value chain (Scope 3, excluding category 15 investments) emissions by 2050, with an interim target of a 50% reduction by 2030.

Direct Operations

As illustrated in Figure 3, our strategy towards reaching net zero across our direct operational emissions (Scope 1 and 2) includes:

- procuring renewable energy contracts for 100% of our electricity use by 2025
- transitioning 100% of company cars to electric vehicles by 2026
- removing all fossil-fuel fired boilers and equipment by 2029
- installing solar panels at our Alderley Park office by 2029
- identifying and implementing all energy efficiency initiatives across our buildings (capital projects) by 2029
- aligning our operational estate strategy to our net zero trajectory.

Value Chain

Across our value chain, reducing Scope 3 emissions as much as possible in our highest emitting categories is a priority focus. We progressed several initiatives during 2023, including:

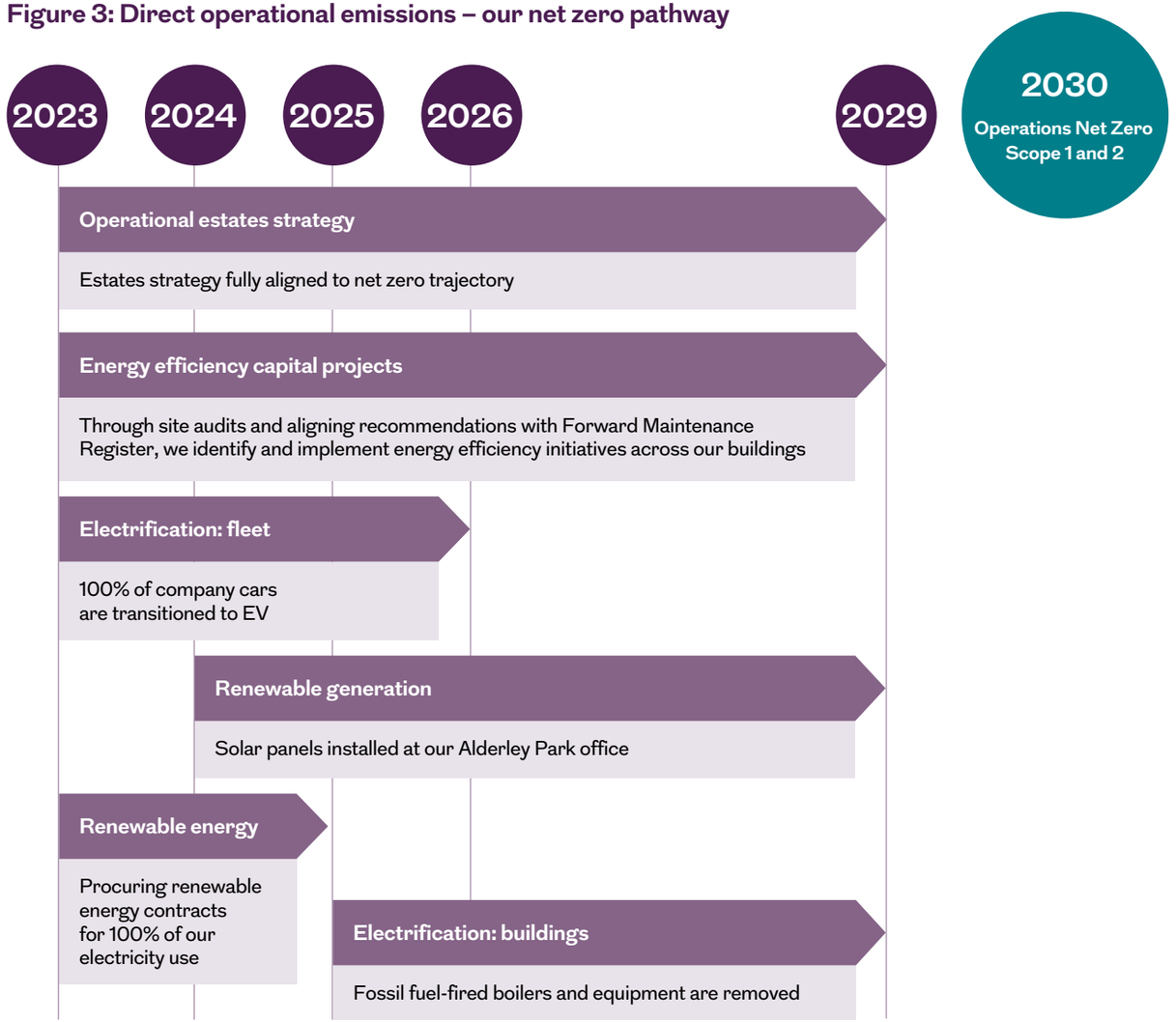
- **Paper reduction**: Since our 2019 baseline, we have reduced print volumes by 66%. Our 'Do More Digitally' marketing campaign encouraged more than 169,000 customers to register for our My Royal London portal where they can access digital documents.
- **New London office**: We completed the fit-out of our new London headquarters at 80 Fenchurch Street, embedding sustainability from the outset. As well as the base build achieving Building Research Establishment Environmental Assessment Method (BREEAM) 'Excellent' status via BRE Global Ltd, we incorporated a range of sustainability initiatives from circular design principles to energy-efficient processes.
- **Supply chain**: By engaging with suppliers during 2023, we were able to support and challenge them on emissions reduction initiatives and their path to net zero.
- **Improving data quality and insights**: More than 1,000 colleagues completed a survey on their commuting and homeworking habits.

Carbon offsetting

We prioritise reducing carbon emissions on our journey to net zero through our own actions and influencing others. We also believe there is a role for carbon offsetting to compensate for emissions still created through our operations during our transition to net zero. Royal London has been carbon neutral in our direct operations (Scope 1 and 2) through the use of carbon offsetting since 2020. The offsetting to-date has been through the use of carbon reduction credits, which each represent the equivalent of one ton of carbon dioxide emissions avoided from being emitted into the atmosphere. We have purchased credits from a Gold Standard project[1] which provides solar energy systems to communities in India. As we continue our journey to net zero by 2030 for our direct operations, we will shift from carbon reduction credits to carbon removal credits, which represents the removal of one tonne of carbon that has already been emitted into the atmosphere, to offset any remaining emissions.

As the voluntary carbon market (VCM) continues to evolve, we will monitor good practice and seek to align with the Oxford Principles for Net Zero[2] Aligned Carbon Offsetting to support and ensure we are taking a robust approach in our carbon offsetting strategy.

Figure 3: Direct operational emissions – our net zero pathway



1. To learn more about Gold Standard, visit www.goldstandard.org.
2. The Principles are available at: www.smithschool.ox.ac.uk/sites/default/files/2022-01/Oxford-Offsetting-Principles-2020.pdf.

Building our internal capabilities

To identify, assess and manage climate-related risks and opportunities as effectively as possible across the Group, we have continued to focus on growing our internal capabilities during 2023.

Building on our Sustainability Learning Programme, which we delivered in 2022 to over 140 colleagues, we developed more targeted responsible investment and sustainability training in 2023. We piloted this with a small group of colleagues in the final quarter of 2023, and we plan to roll it out, initially across our asset management business, in 2024.

We also plan to deliver a Sustainability Learning and Capability plan in 2024 and beyond, building climate knowledge and skill requirements across our organisation.

We continued to develop our internal 'Eco Champs' colleague network which by the end of 2023 had grown to more than 540 members. This voluntary network helps build a culture of sustainability across Royal London by educating and engaging colleagues. During 2023, it organised 17 events ranging from interviews with guest speakers to nature documentary screenings, and published a range of internal articles alongside playing an integral role at our all-colleague events. The network focused on eight themes across the year, ranging from paper usage and the just transition to consumerism and climate scenarios.

We increased engagement with colleagues to educate and inspire them to reduce their personal carbon footprint and take positive action through our partner app, Pawprint. During 2023, colleagues used the app to log more than 19,000 actions, representing a four-fold increase on the previous year's activities.

We also introduced a new question to our 2023 colleague engagement survey, asking if colleagues agreed with the statement that they understood their role in contributing to our Purpose outcome of *'Moving fairly to a sustainable world'*. Among respondents, 71% of colleagues agreed with this statement, with 22% responding neutrally and 7% disagreeing. The results provide valuable insight to help plan engagement with colleagues into 2024 and beyond.

Our stewardship activity

For our Group, investing is about more than generating financial returns. Our mutuality allows us to take a longer-term view, ensuring we are well placed to act and invest responsibly in the interests of our members, customers, clients and wider society.

Stewardship of our assets

Being a responsible steward of the capital we manage is central not only to building financial resilience and delivering positive outcomes for our customers and clients, but also to supporting enduring societal change. We will continue to develop our suite of Group-wide stewardship-related policies in line with evolving good practice.

As an asset owner we actively exercise the rights we gain from holding shares in companies. RLMIS delegates voting decisions to its asset managers as part of the investment management process. We also inform key asset managers of the engagement themes that we want them to prioritise on our behalf, and we reserve the right to decide on the exclusions that are important to our customers and clients.

Royal London Asset Management, which manages over 95% of RLMIS assets, as well as £54.5bn of assets on behalf of external clients, undertakes stewardship and engagement activity with investee companies on behalf of the Group and other clients. We provide annual updates on the stewardship activities of our asset management business through an annual Stewardship Report, available at www.rlam.com.

The Financial Reporting Council reviews and approves Stewardship Report submissions to ensure that applicants meet the standards set out by the UK Stewardship Code 2020, which are some of the highest in the world. RLMIS and Royal London Asset Management each successfully retained signatory status to the UK Stewardship Code and United Nations' supported Principles for Responsible Investment in 2023.

Voting is one of the valuable rights attached to holding shares in a company. In 2023, we developed a single Voting Policy to be applied across the Royal London Group, setting the parameters within which asset owners and asset managers should operate. The Policy includes the Royal London Voting Principles and RLAM's Voting Guidelines which are publicly available on our website.

For investments in 'pooled' collective investment funds, we engage with our asset managers to assess how they align to our Voting Policy. We monitor and analyse the voting patterns of asset managers, taking further action if needed.

For segregated mandates managed by our asset management business, we have established a Reserved Voting process that enables us to direct a vote on resolutions if required. Our Reserved Voting Forum considers and provides voting advice in respect of any votes that are judged to be high risk and/or sensitive resolutions proposed by investee companies or their shareholders. In 2023, the Reserved Voting Forum met once to discuss investee company votes.

Here are a few examples of how our asset management business voted in line with the Group's Voting Policy in 2023:

Chevron Corp, Amazon.com Inc, Exxon Mobil Corp

Just transition

In line with our commitment to advocate for a just transition, Royal London Asset Management supported shareholder proposals urging companies to report how their climate strategies impact stakeholders.

This included supporting shareholder proposals at Amazon.com Inc, Chevron Corp and Exxon Mobil Corp, among others. The aim was to allow stakeholders to fully understand the companies' considerations with respect to the future of their workforce and how they plan to address the social implications of the climate transition.

Shell plc

Energy transition strategy

In 2022, Royal London Asset Management *abstained* on the management proposal to approve Shell's 'Powering Progress' report. We believed it was not sufficiently ambitious to be considered in line with the Paris Agreement. In 2023 we escalated our concerns and voted *against* the management proposal. We observed slow progress and retained concerns around Scope 3 disclosures, offsets, and investments in new oil and gas production.

In 2023, we *abstained* on a shareholder proposed resolution on climate change regarding GHG emissions reduction targets due to concerns with management's climate plan. This was a change from 2022 when we aligned our vote with management and voted *against* the shareholder proposal.

BP plc

Reporting and reducing GHG emissions

In the lead up to BP's 2023 Annual General Meeting (AGM), Royal London Asset Management met BP's CEO initially and Company Secretary thereafter to explain voting intentions and the rationale for these. The discussion covered the shortcomings of both the Remuneration Report and the lack of a shareholder consultation on changes to BP's climate plans. It was considered important that BP explain its intentions privately before the votes were cast given the scale of engagement with the company.

At the AGM, Royal London Asset Management voted:

- *against* the re-election of the company's Chairman, believing that shareholders should have been afforded the opportunity to vote on the new climate plan
- *abstain* on the proposal submitted by Follow This, which asked BP to align its Scope 3 climate strategy to the goals of the Paris Agreement (a voting escalation from the position in 2022 which was to vote *against*)
- *abstain* on the Remuneration Report, due to persistent concerns with the treatment of health and safety under the short-term incentives.

Engagement

Using our position as the UK's largest life, pensions and investment mutual, we seek to influence the behaviour of policymakers, the companies we invest in, our peers and other stakeholders – targeting real-world positive impact for the benefit of our members, clients and wider society.

We focus our time and attention on those issues we feel are most material to our investments, and where we think engagement can have the biggest impact on ESG outcomes. RLMIS has established two priority engagement themes: climate change and inclusion (focused on a just transition). We consider these priority issues in all our stewardship activities and have integrated them into our proposition and asset manager mandates.

Our asset management business also has distinct engagement themes, which are refreshed every two years following a review of trends and events, alongside extensive consultation with fund managers, responsible investment analysts, clients and other stakeholders. The latest review, conducted in 2023, resulted in the engagement themes for 2024-26 shown in Figure 4.

Our asset management business held 799 engagements with 443 investee companies during 2023, through which 21 unique ESG topics were addressed. Of these engagements, 278 were climate-related. You can find more about engagement activity in Royal London Asset Management's Stewardship and Responsible Investment Report.

In 2023, Royal London Asset Management has also:

- engaged with 36 companies as part of the Net Zero Stewardship Programme, accounting for 52% of financed emissions
- engaged with 59 companies on just transition themes.

Spotlight: A just transition

For a number of years, we have advocated for a just transition. For our Group, a just transition considers the social implications of moving fairly to a low-carbon economy. It is an inclusive approach which helps avoid exacerbating existing injustices or creating new ones. We believe that ensuring a just transition goes hand in hand with our decarbonisation and social inclusion aims.

In 2023, our asset management business continued to prioritise just transition engagements, focusing on three sectors: energy utilities, social housing and banks. See Figure 5 for an example of this engagement activity in 2023.

Figure 4: Royal London Asset Management engagement themes for 2024-26

Climate change

- Transition to global net zero emissions
- Adaptation to climate change

Social and financial inclusion

- Just transition
- Financial inclusion
- Human rights and modern slavery

Health

- Mental health
- Health equity and community health

Innovation, technology and society

- Cyber security
- Technology and society

Governance and corporate culture

- Good governance, purpose and culture
- Diversity

Nature and biodiversity

- Biodiversity restoration and conservation
- Nature

Figure 5: Just transition at Barclays

Understanding the role of capital

As key providers of capital, banks like Barclays play a crucial role in supporting the transition to sustainable, low-carbon economies. But their climate commitments could create unintended social impacts. For example, decarbonising mortgage lending portfolios could lead to higher interest rates and re-mortgaging challenges for customers if not managed thoughtfully.

Picking up from last year

In 2022, our asset management business met with, and attended the AGMs of, major UK banks – Barclays, Lloyds, NatWest and HSBC – advocating for the integration of a just transition into their climate plans. This included reiterating the opportunities banks could capitalise on from financing net zero.

Maintaining momentum

In 2023, our asset management business continued engagement efforts to ensure that banks like Barclays fully integrate a just transition into their climate transition plans, with clear evidence of implementation across products, sectors and regions. This included leading a collaborative group, including the Friends Provident Foundation and Financing a Just Transition Alliance members, in meetings with Barclays. These discussions leveraged lessons from our previous just transition work along with insights from the Transition Plan Taskforce and the International Labour Organization /London School of Economics Grantham Institute's just transition finance tool.

Emerging best practice

Barclays has begun to incorporate its just transition approach into its Climate Transition Framework assessments of its corporate clients. There was also evidence of improvements in Barclays' approach to residential real estate, and interesting developments in its regional offering for small-to-medium enterprises.

Next steps

Engagement with Barclays will continue into 2024, with a focus on further integrating a just transition into the bank's climate transition plan.

Industry and policymaker engagement

In addition to engagement with investee companies through our asset managers, our Group collaborates with other institutional investors, industry bodies and policymakers, both as an asset owner and as an asset manager. By actively collaborating with industry bodies on key climate-related issues, we can encourage change by using our position to influence others.

During 2023, a number of colleagues led or participated in several industry forums and initiatives focused on reducing and mitigating the effects of climate change (see Table 1). We also developed a plan to focus our engagement activities on:

- the development of a long-term energy infrastructure strategy for the UK to increase investor confidence
- blended finance mechanisms that encourage more private sector investment
- the examination of the workplace pension cap to enable more innovation.

Table 1: 2023 industry and policymaker engagement activities

Organisation	Role of Royal London representative	Key activity in 2023
Association of British Insurers (ABI)	Participant in: • Climate Change Steering and Working Groups • Financial and Corporate Reporting Committee	• Fed into the ABI's response to the FCA's consultation on DP23/1 Finance for Positive Sustainable Change. • Inputted into the ABI's Guide to Action on Nature during April-June 2023. The Guide was published in July 2023. • Advocated for the importance of the just transition and connected the ABI with the International Labour Organization, UN Environment Programme – Finance Initiative, and the Financing the Just Transition Alliance to work together on developing guidance for insurers. • Suggested that the ABI carries out a scoping exercise to understand member resources for sustainability and support with capability building.
British Standards Institute (BSI)	Sponsor and Steering Group member for the development of sustainable fund standards	• Worked with the BSI to develop standards for the assessment, monitoring, labelling and communication of responsible and sustainable investment funds. These are expected to be published in Q2 2024.
Climate Financial Risk Forum (CFRF)	Main forum member and participant in Data, Disclosures and Metrics Working Group	• Participated in industry webinars as part of the Disclosure, Data and Metrics Working Group, including on the limitations of portfolio climate data, forward-looking portfolio metrics, and climate data coverage. • Supported the work of the main forum and connected it with the development of the Transition Plan Taskforce's (TPT') guidelines for asset managers and asset owners.

Organisation	Role of Royal London representative	Key activity in 2023
Financing a Just Transition Alliance (FJTA)	Member of the Alliance	• Contributed to a number of initiatives and publications pursued by the Alliance with a key emphasis on corporate engagement, including the FJTA's response to the TPT Disclosure Framework and Implementation Guidance in March 2023.
Institute and Faculty of Actuaries (IFoA)	Life Climate Change Working Party Participant	• Delivered talk to the Actuarial Society of South Africa on the impact of climate change on the actuarial profession. • Presented to the IFoA Actuarial Life conference on climate transition planning for life companies.
Investment Association (IA)	Sustainability and Responsible Investment Committee member and Participant in: • Climate Change Working Group • Impact Investing Working Group • Sustainability Disclosure Requirements (SDR) Working Group	• Reviewed draft of SDR, and provided feedback to discussion and consultation requests.
Scottish Taskforce for Green and Sustainable Financial Services	Member of the Taskforce	• Provided information to support the Scottish Government with insights in relation to financing nature, and to inform Scottish Government policies in relation to nature finance, including carbon markets and offsets.

Organisation	Role of Royal London representative	Key activity in 2023
The Institutional Investors Group on Climate Change (IIGCC)	Utilities Sector Working Group (Co-chair)	• Signed up to initiative to send letters to European energy utilities requesting they re-commit to Paris aligned pathways and lobby government for decisive action for energy security and transition to net zero.
Transition Plan Taskforce (TPT)	Member of: • Asset Manager Working Group • Asset Owner Working Group • Just Transition Working Group	• Contributed to the development of the Asset Manager, Asset Owner and Just Transition guidelines which were published in November 2023. Find more about this initiative at www.rlam.com.
UK Sustainable Investment and Finance Association (UKSIF)	Member of the Policy Forum	• Contributed to and signed a letter in September 2023 as both RLMIS and Royal London Asset Management to the UK government, reflecting asset managers' concerns about the government's public statements and policy signals on net zero.
UN Environment Programme Finance Initiative (UNEP FI) and International Labour Organization (ILO)	Member of the ILO and UNEP FI external advisory group to create guidance on just transition for the banking and insurance sectors	• Royal London was the only financial institution included in the advisory group and actively contributed to the development of the first roadmap for the banking and insurance sectors implementing just transition, which was unveiled at COP28.

Delivering our portfolio commitments

Our climate commitments

To play our part in moving fairly to a sustainable world, we are committed to exerting our influence through policy, industry and government engagement, as well as reducing our portfolio and operational emissions and developing climate-aware investment solutions.

In 2021, we published our commitments to halve carbon dioxide equivalent emissions across Royal London's investment portfolio by 2030 and to achieve net zero by 2050. We also pledged to reduce the impact of our own operations, targeting net zero by 2030 for our Scope 1 and 2 emissions.

Our targets are based on the expectation that governments and policymakers will deliver on commitments to achieve the goals of the Paris Agreement, and that the actions we take do not contravene Royal London's fiduciary duties.

In 2022, we expanded our focus to include our Scope 3 emissions – indirect emissions from activities taking place across our value chain – which, in line with our portfolio emissions commitments, are targeting net zero by 2050, with a 50% reduction by 2030. Additionally, Royal London is committed to developing investment solutions that will enable our customers and clients to invest in the low-carbon transition.

The basis and assumptions underlying our climate targets and metrics are set out in detail on page 39.

The journey to net zero

Our key challenges and focus areas

1 Engagement versus divestment

While divesting from high-emitting companies may seem like a simple solution, this would mean that we are unable to take action to influence change in those companies. We believe, therefore, in engaging with the highest-emitting companies in our portfolio to encourage and support positive real-world change.

2 Data and methodology

As climate data quality and methodologies evolve, a data improvement plan is an essential part of our net zero pathway. As data quality and coverage improve there will be short-term volatility in reported emissions.

3 Business changes

Business change activity within Royal London can impact our pathway to net zero. Our commitment to our Purpose and strategy will enable us to embed sustainability into strategic change.

4 Policy

Our targets are based on the expectations that governments and policymakers will deliver on their commitments to achieve the goals of the Paris Agreement. We will continue our efforts with industry bodies and directly with policymakers to influence the changes needed to decarbonise the economy sustainably.

5 Embedding

We cannot play our part in moving fairly to a sustainable world without embedding sustainability across our entire business. We will continue to build colleague capabilities and support our Eco Champs network to bring our goals to life.

Listed equity and corporate fixed income

For our listed equity and corporate fixed income assets, our strategy is focused on engagement as a primary tool to reaching real-world carbon emission reductions as described on page 16. While divesting from high-emitting companies may seem like a simple solution, we believe that engagement with investee companies on climate issues will deliver greater real-world impact than divestment as, once divested, it is much harder to influence change.

We believe, therefore, that engagement – particularly with our highest-emitting investee companies – will offer more potential to support real-world change than divestment. As a result of this, we accept that our financed emissions may rise in the short term, but believe that this is the best path to achieve our climate commitments and reduce emissions in the long term.

Climate-aware investment solutions

Royal London is committed to developing investment solutions that will enable our customers and clients to invest in the low-carbon transition. We are starting from a strong base. Royal London Asset Management has over 20 years' experience of running sustainable funds, and has more recently launched a new global equity transitions strategy[1], in addition to lower-carbon equity tilted funds.

The Royal London Asset Management sustainable fund range, with AUM of £12bn[1], considers the sustainability of the products and services of the companies in which it invests, as well as their standards of ESG management, alongside financial analysis. Consideration of climate factors amongst other sustainability considerations is implicit in the investment process, which looks in detail at the sustainability credentials of each security. The investment approach is fundamentally based on positive screening: identifying companies that are making a positive contribution towards a cleaner, healthier, safer and more inclusive society, through assessing both what a company does and how it does it, and through active engagement to encourage continual improvement.

We continue to broaden the geographical exposure of these funds into countries in the early stages of their transition, such as India, Indonesia and Brazil. The Royal London global equity transitions strategy[1], with AUM of £0.4bn[2], invests across global equity markets, both in companies that are transitioning their own business to a more sustainable path and in those enabling others to transition. The fund's strategy considers four key transition themes: climate stability; natural capital preservation, health and wellbeing, and equity of opportunity. This helps hold management to account on their willingness and ability to support sustainable outcomes.

Expanding and adapting the range of climate-aware investment solutions we offer our customers and clients will allow them to gain exposure to companies and other assets that align with the low-carbon transition, enable others to do so, or are credibly transitioning towards alignment. If such solutions also proved sufficiently popular among other investors, they could help incentivise asset issuers (e.g. the companies we invest in) to adopt more climate-positive behaviours. We also have an ambition to enable customers and clients to directly contribute to climate-positive outcomes through their investments. This would require moving beyond the purchase of assets from other investors on the secondary market.

1. Strategy includes AUM from pooled and segregated mandates.
2. As at 31 December 2023.

Net zero property

Our asset management business manages the Group's property investment portfolio. Across these properties, we aim to achieve net zero carbon by 2030 across our directly managed property assets and developments, and by 2040 across our indirectly managed property assets.

During 2023, work towards these targets included:

- **Completing net zero carbon audits across 22 directly managed offices**. These audits review the energy characteristics of the building and compare its operational performance to the Paris-aligned 1.5°C pathway set out by the Carbon Risk Real Estate Monitor. Interventions to decarbonise the building are then identified, along with their estimated energy and carbon savings, and likely capital expenditure requirements. The recommendations are incorporated into asset business plans for implementation, creating a pathway to net zero carbon.
- **Carrying out a solar photovoltaic (PV) – energy sourced from sunlight – feasibility study across industrial assets and retail parks, totalling 120 assets**. This study identified the best opportunities for onsite solar PV, which is critical in achieving the net zero pathway target for our investment properties of generating up to 9.5 GWh of renewable energy onsite per year by 2040 (equivalent to 11.2 MW of capacity). Through our asset management business, we are now engaging with occupiers across identified properties, with a view to capitalising on shared opportunities for solar PV for both parties.
- **Continuing to expand occupier data collection initiatives to increase utility data coverage across the property portfolio.** The initiatives include installing utility loggers, Automatic Meter Reading devices and engaging a specialist consultancy to access aggregated, anonymous energy data at the building level. This data is used to monitor the operational performance of our investment properties and track progress towards net zero more accurately. The data can also be used to work collaboratively with occupiers to identify measures to improve the property's energy efficiency.

Our Climate Transition Plan

During 2023, we developed our Climate Transition Plan to set out how we will make progress towards our climate commitments, with associated timeframes. We recognise that our business and wider industry have more to do to support the transition to a sustainable world. We have outlined key strategy focus areas for 2024 and beyond to help achieve this, such as developing our approach to fossil fuel investments, nature and biodiversity-related impacts, and climate risks and opportunities, among others.

Building the trust and confidence of our customers and clients will remain a priority. To sustain and deepen our engagement with customers, we will keep asking for and listening to their feedback, adapting our strategy and areas of focus so that we remain relevant and responsive to their needs and aspirations. We want to be clear about the choices we make on their behalf and the progress we have made. To support this, we will remain transparent on the dependencies we face in delivering on our climate ambitions. Policymaker engagement and influencing continues to be a focal point, as we cannot deliver our climate commitments without clear direction from government. We aim to publish our Climate Transition Plan in 2025, which will align with the Transition Plan Taskforce's Disclosure Framework. This will communicate how we will engage with policymakers, the companies we invest in, our peers and other stakeholders to encourage the change needed to help customers build financial resilience as we play our part in moving fairly to a sustainable world.

Collaborative engagement and advocacy

In August 2023, as both RLMIS and Royal London Asset Management, we signed a joint letter from IIGCC, UKSIF, UN PRI and 30 other financial organisations to the UK Prime Minister, outlining our concerns about the government's commitment to achieving net zero following recent public statements. The correspondence achieved a significant media profile and helped to reinforce the signatories' belief of the importance of having a clear and stable public policy environment to enable the UK to deliver net zero by 2050.

"We participate in a range of industry groups and initiatives, using our collective experience and expertise to advocate on climate-related issues and contribute to the policymaking process."

Steven Hill
Head of Policy and External Affairs

Governance

Effective governance, with the relevant boards and committees within the Group overseeing the work, is fundamental to delivering our Purpose and our strategy, serving our customers and growing our business safely.

In this section we discuss:

- how climate-related activities across the business are overseen
- the role of management in climate-related activities
- how climate change is embedded in our Remuneration Policy.

Governance

Board oversight

The RLMIS Board is responsible for promoting the long-term sustainable success of the Group in a manner that seeks to generate value for its members while taking account of the interests of its stakeholders, the impact it has on the environment, and its contribution to the wider society.

Within the Group, climate-related accountabilities are defined and managed in line with the Senior Managers and Certification Regime's (SMCR) requirements. The RLMIS Board delegates to:

- the Group Chief Executive Officer, Barry O'Dwyer, the day-to-day management of the Group to achieve its Purpose and to implement its strategy and objectives in line with its culture, values and ethical and regulatory standards
- the Group Chief Financial Officer, Daniel Cazeaux, regulatory responsibility for managing the financial risks arising from climate change
- the Group Chief Risk Officer, Dr James McCourt, the responsibility for maintaining the robustness of the Group's risk management systems. He provides a quarterly report to the RLMIS Board with an assessment of risks against appetite, including material climate-related risks where relevant, both at an overall Group level and across individual business areas and geographies.

The RLMIS Board receives updates at least every six months on the Group's climate-related activities. This is in addition to reviewing and approving RLMIS external climate-related disclosures.

RLAM, RLUTM and RLUM operate in the Group structure and are aligned to the Group's Purpose, strategy and climate-related commitments. Each of these legal entities has a separate board of directors and governance structure and considers climate-related matters relevant to them. Further detail on the matters discussed is available within Appendix I on pages 55 to 72.

Climate-related governance

Snapshot of our activity in 2023

The relevant boards and committees within the Group directly engage with and consider key climate-related activity. During 2023, this included:

- review of Royal London's climate commitments, progress and implications by the RLMIS Board
- approval of the respective entity-level 2022 TCFD Reports by the RLMIS, RLAM, RLUTM and RLUM Boards
- consideration by the RLMIS Board of the Financial Reporting Council's feedback on its 2021 Stewardship Report, peer analysis and proposed changes for the 2022 report
- approval of the RLMIS 2022 Stewardship Report by the RLMIS Board
- approval of the Stewardship and Responsible Investment Report by the RLAM Board
- approval of the RLMIS Investment Philosophy and Beliefs, including climate considerations, by the RLMIS Board
- review of key updates on responsible investment and climate change by the RLMIS and RLAM Boards.
- approval of a single Voting Policy to be applied across the Royal London Group, setting the parameters within which asset owners and asset managers should operate, including our approach to climate matters.

Committee structure

The RLMIS Board has established committees and has delegated authority to them to consider and make recommendations to the RLMIS Board on important issues of policy and governance facing the Group, including those that are climate related. This structure ensures that we have appropriate expertise and diverse opinions in managing and overseeing the Group's affairs, and it facilitates efficient, effective and transparent decision making.

All boards and committees within the Group must demonstrate that they take ESG considerations into account, including climate-related risks and opportunities, and incorporate these in their respective reporting. A mandatory template, prescribed in board and committee paper templates, acts as a tool to embed these key considerations in day-to-day decision making.

Table 2 provides an overview of the RLMIS Board committees that share climate-related roles and responsibilities for the Group. The RLMIS full governance structure is available in the RLMIS 2023 Annual Report and Accounts.

Table 2: RLMIS Board committees

RLMIS Board committee	Climate-related roles and responsibilities
Investment Committee	Supports the RLMIS Board in managing financial investments held as principal in a manner consistent with the RLMIS Investment Philosophy and Beliefs, including climate-related investment risks and opportunities.
Risk and Capital Committee	Supports the RLMIS Board in managing the Group's risk and capital position and in complying with prudential and conduct regulations. It also oversees the effectiveness of the Group's risk management and internal control systems, which are designed to manage and mitigate risks to achieving our business objectives within our risk appetite. The Group's Risk Appetite Framework is approved by the RLMIS Board and defines the level of risk we are willing to take in alignment with our Purpose and strategy.
Remuneration Committee	Supports the RLMIS Board in determining and implementing the Group's Remuneration Policy and the compensation of key senior management. This includes how climate-related targets and objectives are considered as part of the Group's Remuneration Policy.
Audit Committee	Supports the RLMIS Board in overseeing the Group's financial and regulatory reporting, financial controls, and internal and external audit arrangements. As part of this, it reviews and recommends to the RLMIS Board for approval the Royal London Group's Climate Report prepared in accordance with the TCFD recommendations.
Disclosure Committee	Supports the RLMIS Board in the announcement and publication of key market and member information, and financial and regulatory information, including the Royal London Group's Climate Report prepared in accordance with the TCFD recommendations.

Further to the above, the Group Executive Committee supports, in accordance with the designated SMCR roles of its members, the Group Chief Executive Officer in the day-to-day management of the Group's business and affairs, including overseeing climate-related risks and opportunities across the Group. In order to provide a further link to the Royal London Asset Management business, the Chief Executive Officer of RLAM, RLUTM and, since 1 April 2024, RLUM is a member of the Group Executive Committee.

In addition, the Independent Governance Committee acts independently from the RLMIS Board to assess the ongoing value for money provided by the Group to its Workplace Pension and Investment Pathway customers. Its remit includes consideration of environmental, social and governance factors that are material to the suitability of an investment. The committee operates in accordance with the requirements of the FCA's Conduct of Business Sourcebook, section 19.5.

The role of management

Our Group Executive Committee is supported by the Group Sustainability Oversight Committee, which is responsible for:

- supporting, overseeing and challenging the delivery of the product, investment and operational sustainability goals of the Group
- providing clear direction, ensuring alignment and transparency of delivery across the Group
- providing support, challenge and recommendations, as required, to the Group Executive Committee.

The Group Sustainability Oversight Committee's oversight complements how climate-related risks are assessed and managed across business units under our standard risk management processes, including the Royal London risk management framework.

Our Group Executive Committee is also supported by the Group Executive Risk Committee, which is responsible for monitoring risk at the Group level against the Group's Risk Appetite Framework, including risks relating to climate and sustainability.

Across the Group, a number of teams provide support in managing climate-related risks. Table 3 presents examples of these teams. Forums and working groups also play a central part in supporting and informing our committees, management and the wider business on climate-related risks and opportunities. Table 4 presents examples of the responsibilities for these forums and working groups.

Table 3: Key teams with climate-related responsibilities

Team	Climate-related responsibilities
Commercial	Contributes to responses to sustainability and climate-related industry consultations. The team acts as subject matter experts for specific business areas or consultation responses, providing insights, responses and participating with industry bodies.
Insight	Provides insight on topics which are central to fulfilling our Purpose. This includes customer vulnerability, market sustainability and environmental impact.
Investment Office	Responsible for developing and implementing the investment strategy and strategic asset allocation for the Group, overseeing the performance of Royal London Asset Management and other asset managers, and for monitoring regulatory developments related to investment matters. Sustainability and climate-related considerations are integrated across all these activities.
Group Actuarial	Conducts climate scenario stress testing across a range of timescales to assess the impact of climate change on our capital position and business planning, and to address regulatory expectations.
Group Risk and Compliance	Responsible for embedding climate-related risks into our risk management framework.
Group Sustainability and Stewardship	Provides support, challenge and sustainability expertise with the aim of embedding sustainability throughout Royal London.
Policy and Communications	Provides direction to the business on climate-related policy matters and ensures the Group has a strong and consistent voice with key audiences. The team has responsibility for ensuring communications are clear, fair and not misleading, in line with the FCA handbook.
Responsible Investment team	The Responsible Investment team within Royal London Asset Management consist of specialists and subject-matter experts on climate and ESG issues. The Responsible Investment team work closely with investment teams in our asset management business to help analyse key issues, integrate ESG factors into investment processes, consult on proxy voting and collaborate when engaging with companies to encourage improvements in performance.

Table 4: Key Forums with climate-related responsibilities

Group	Climate-related responsibilities
Emerging and Strategic Risk Forum	Identifies, monitors, assesses and reports emerging and strategic risks, including related climate risks, to the Group Executive Risk Committee. It also supports the Group's stress and scenario testing processes.
Group Sustainability and Stewardship Forum	Comprises representatives from across the Group to enable regular communication between teams delivering activities that, in aggregate, supports progress towards Royal London's sustainability goals in support of our Purpose[1].

1. Our climate targets are based on the expectation that governments and policymakers will deliver on commitments to achieve the goals of the Paris Agreement, and that the actions we take do not contravene Royal London's fiduciary duties.

Remuneration

The Group has an incentive framework designed to help our colleagues focus on activities that support our Purpose and that contribute to delivering long-term value for our stakeholders. This framework includes a Short-Term Incentive Plan, which applies to the majority of our colleagues, and a Long-Term Incentive Plan, which applies to certain members of the Group Executive Committee. Both are based on a scorecard that is approved annually and monitored by the Remuneration Committee.

These scorecards include targets and metrics that track delivery of key outcomes, including our climate commitments. For example, in 2023 we included a measure in our Short-Term Incentive Plan to demonstrate progress against a basket of our priority initiatives which included climate ambitions.

Our 2023 Long-Term Incentive Plan also included two climate-related measures with a combined 10% weighting designed to incentivise engagement on investees' net zero and just transition plans.

Three lines of defence

We operate a 'three lines of defence' model that defines ownership and responsibilities for all risks, including those directly relating to climate:

- 'First line' business units and Group functions have primary responsibility for managing risks. In line with our Group risk management framework, all business areas must attest to the design and effectiveness of their controls biannually. This includes business units and Group functions with climate-related responsibilities. Members of the Group Executive Committee manage the risks affecting their areas of responsibility.
- 'Second line' is our Group Risk and Compliance function, which is independent from business units and Group functions. This provides specialist advice, oversight, challenge and assurance, and includes assessing adherence to relevant internal policies and external regulation.
- 'Third line' is our Group-wide Internal Audit function. This provides independent assurance and has a reporting line independent of executive management.

External assurance

We complement the model noted above with external assurance as necessary. We have received public limited assurance on our operational (Scope 1 and 2) emissions and our indirect emissions from our value chain (Scope 3, excluding category 15). Visit www.royallondon.com to read our assurance statement, which includes full details of the scope, activities, limitations and conclusions of the assurance engagement.

Building a culture of sustainability

Our 2023 Sustainability Summit

We held a week-long Sustainability Summit at the end of November 2023. It focused on how everyone in our business can play their part in moving fairly to a sustainable world.

More than 370 colleagues joined webinars and Q&A sessions across the week with internal and external speakers covering a range of topics related to climate, nature and biodiversity. The events included presentations on the circular economy, carbon credits and the state of the UK's biodiversity, with the aim of educating and empowering colleagues to take actions to help tackle climate change.

The Summit culminated in a panel event on The Business of Nature documentary with guest speakers from the Royal Society for the Protection of Birds (RSPB), World Wildlife Fund (WWF) and EY. This followed on from in-person screenings of the documentary across four of our offices.

Encouraged by our colleagues' response, we plan to hold another Sustainability Summit during 2024.

"By raising awareness of the challenges our planet is facing, we hope to inspire colleagues to take action to help tackle climate change."

Joanna Walker
Head of Group Sustainability and Stewardship

Risk management

Climate risk is complex, with significant uncertainty surrounding the timing and severity of potential impacts. We use our risk management system to integrate and manage climate-related risks across our business.

In this section we discuss:

- how we take a decentralised approach to climate risk and opportunity management
- how we identify, assess and manage climate-related risks
- how we have interrogated plausible climate transition pathways to analyse the possible risks and opportunities.

Group risk management system

As climate risk can manifest itself across any of our risk categories, the reporting of climate considerations within each subsidiary and from each subsidiary to the Group has been integrated into our Group risk management system.

Climate risks are owned by, and integrated into, individual business units across our long-term savings, protection and asset management businesses in the UK and Ireland. With support from our Risk function, the management of each business unit and Group function is accountable for identifying, measuring, reporting, managing and mitigating all risks relevant to its area of business. This includes the design and operation of suitable internal controls and the allocation of risk and control responsibilities.

This integrated approach, driven by a single climate risk appetite statement and regular aggregated reporting, helps drive consistency in climate risk management activities across the business. Furthermore, it supports all areas of the business to integrate key climate-related issues into their day-to-day and strategic planning activities.

Group Risk Appetite Framework

The Group Risk Appetite Framework is a core part of our risk management system and consists of three components:

- Our risk strategy defines the types of risks we aim to take or avoid in the pursuit of our business objectives and sets the boundaries within which our risk appetite will operate.
- Our risk appetite statements explain how much risk we are prepared to be exposed to in relation to each risk category outlined in the risk strategy alongside risk preferences.
- Our risk metrics help to measure the amount of risk we are exposed to against risk appetite.

The components of our Risk Appetite Framework provide direction and assist in making key decisions relating to risk and capital management, for example, in our business planning, mergers and acquisition decisions and project prioritisation.

Our Group risk appetite statements have been constructed around five risk appetite categories, which we consider core to our business: strategic, capital, liquidity, insurance and operational risk.

Climate risk appetite statement

Our climate change risk appetite statement outlines our appetite towards the strategic, financial and operational risks arising from climate change.

In 2023, we reviewed and updated our climate risk appetite statement to reflect evolving best practice and to support our monitoring of climate risk management activity across the Group. These revisions were approved by the RLMIS Board in early 2024.

As a subsidiary of the Royal London Group, Royal London Asset Management operates within the Group's risk appetite statement. In doing so, it articulates specific risk appetite components that reflect its own activities as an asset manager.

"Royal London will manage and mitigate our exposure to the financial, strategic and operational risks arising from climate change. These include climate risks related to our investment decisions, and opportunities to sustainably reduce our carbon footprint and carbon-equivalent emissions in our investment portfolio in line with our commitments. We will also monitor external climate-related developments that could affect the sustainability and resilience of our business. These risks will continue to be embedded into risk management disciplines across the Group and will be monitored through climate risk reporting."

Climate risk appetite statement

Identifying and assessing climate-related risks

Climate risk landscape

Climate risks are complex and may take shape in a number of ways across a range of time horizons. When assessing climate risks, potential impacts are typically grouped into the categories of physical and transition risks, as shown in Table 5.

In addition to identifying the primary risks arising from climate change, we consider the interdependence of these risks, the direct impact that these have on our business and the potential these risks have to set in motion a range of knock-on direct and indirect impacts over varying time horizons. We use this complete understanding of each risk to assess its relative significance and inform our risk management process and prioritisation.

Climate change is noted as one of the Group's principal risks and uncertainties in the Annual Report and Accounts. Tables 7 and 8 on pages 34-35 of this report detail the risks and opportunities we deem most material to our business, over each timeframe.

Table 5: Climate risk categories

Climate risk category	Description	Sub-category	Sub-category description
Physical	Risks related to the physical impacts of climate change	Acute	Climate-related events, such as heatwaves, drought, storms or flooding, leading to damage to land, buildings, stock or infrastructure
		Chronic	Longer-term shifts in climate patterns with impacts such as falling crop yields, sea level rises, migration, political instability or conflict
Transition	Risks related to disorderly adjustments to markets as a result of the transition to a low-carbon economy	Policy	Including carbon pricing, emission caps and subsidies
		Market	Including the emergence of disruptive green technologies and changing consumer behaviours
		Reputation	Stakeholder expectations to address climate change

Climate risk identification

We use different methods to identify and assess the physical and transition risks arising from climate change, including horizon scanning and climate risk assessments.

For horizon scanning, we have a range of processes for identifying upcoming and existing climate-related risks, regulations and trends. These include:

- **Quarterly regulatory radar**[1]: A report on emerging themes (short, medium and long term), in-flight consultations and changes in these themes during the previous quarter. This is owned by the Group Risk and Compliance team.
- **Regulatory update newsletter**[1]: A regular newsletter compiled by the Group Risk and Compliance team and distributed throughout our business, which highlights significant regulatory changes, including climate-related regulatory changes.
- **Emerging and Strategic Risk Forum**: A bi-annual gathering of key individuals involved in the management of emerging risks, strategic risks, and stress and scenario testing across the Group. The resulting report details the risks identified, an indication of when these might impact our business, and who is the appointed business owner.
- **Technical Support team daily scan**: A daily scan for any changes in legislation or regulation that could affect any of RLMIS' UK products, including ESG-related changes. Changes are summarised and directed to the appropriate teams to address, with the Technical Support team tracking items to completion.
- **Competitors and markets scan**: A weekly newsletter that summarises key activity among our competitors and in the market. The newsletter includes a section on 'climate, nature and sustainability'.
- **Legal and Regulatory Horizon Scanning Roles and Responsibilities Forum**: A quarterly gathering to review and, where required, update roles and responsibilities for horizon scanning.

Climate risk assessments are used to identify physical and transition climate-related risks across the short, medium and long term. This includes:

- **Climate scenario modelling**: We perform climate change scenario modelling to identify and assess the possible impacts of physical and transition climate-related risks to our business, over a range of potential transition pathways and time horizons. This gives us a quantitative and qualitative assessment of how climate-related risks might impact our business.
- **Qualitative risk assessment**: We perform a further qualitative climate risk assessment to capture a more holistic view of the risks associated with climate change and how these might materialise and impact our business over different time horizons. This is informed in part by the outputs from our horizon scanning activity and climate scenario modelling.

In 2024, we will refine our risk management approach, with a focus on developing our approach to climate financial risk modelling to support strategic asset allocation, capital management, regulatory disclosures and climate strategy setting.

The outputs of our climate risk identification and assessment can be found in the Risks and opportunities assessment section of this report on page 32.

1. These processes reflect activities carried out by Group Risk and Compliance on behalf of RLMIS and RLUM Limited. For further details on RLAM and RLUTM's risk identification and assessment processes, refer to Appendix I.

Managing climate-related risks

We do not actively seek to avoid exposure to the financial, strategic and operational risks to our business arising from climate change. Instead, we seek to manage and mitigate our exposure, undertaking risk management actions to reduce both the impact and likelihood of occurrence.

On pages 34 and 35 we identify the key climate-related risks that have been identified across our business. Examples of how these risks are managed include:

- taking actions towards meeting our portfolio climate commitments in order to manage the transition and physical risks associated with our investments. This includes embedding climate considerations in our investment process, engaging with our asset managers and top-emitting investee companies and using our position in the market to influence real change. Find more detail of these actions on page 10.
- setting clear strategies and taking actions to reduce our operational and value chain emissions.
- performing customer sentiment research to understand customers' top climate-related priorities and ensure that our products and business aligns with these where possible, helping us to meet our customer needs and reduce reputational risk.

For all risk categories, our risk management primarily focuses on building capabilities across all business areas by raising awareness of climate-related risks and sharing best practice for managing these.

Initiatives that helped support our internal capabilities and manage climate-related risks to our business during 2023 included:

- the collaborative Group Sustainability and Stewardship Forum
- climate risk consultation for key risk owners with the Group Sustainability and Stewardship team
- oversight from the Group Sustainability Oversight Committee over delivery of sustainability and stewardship initiatives against the Group's climate risk appetite framework
- refinement of the Group climate risk appetite statement
- aggregation of climate risk management activity and regular reporting to the Group Executive Risk Committee.

Frequency of climate risk reporting

The RLMIS Board receives updates at least every six months on climate-related activities. The Group Chief Risk Officer's quarterly report provides the Board with a collective assessment of risks against our 'risk appetite' – the level of risk that our business is comfortable to take while remaining aligned with our Purpose and strategy. This includes material climate-related risks where relevant, both at an overall Group level and across individual business areas and geographies.

The Group Sustainability Oversight Committee, the RLMIS Investment Committee and the Risk and Capital Committee meet at least quarterly and, in line with their terms of reference, consider and discuss relevant climate-related matters.

In 2023, we established an internal biannual climate risk report to help refine climate risk management across the business. The report currently incorporates input from RLMIS business areas, and is being expanded to adopt findings from across the Group, in accordance with the Group climate risk appetite statement.

Risks and opportunities assessment

Climate change scenario analysis

We perform climate change scenario modelling to identify and assess the possible impacts of physical and transition climate-related risks to our business, over a range of potential transition pathways and time horizons. This helps us better understand:

- our financial exposures to climate-related risks,
- the challenges to our business models from these risks,
- our potential responses
- the implications for our customers and members.

Our analysis of the potential impacts on our strategy and financial position, from risks that could arise across a range of climate pathways, has continued to drive forward our thinking. This includes our development of investment and business strategies to mitigate these risks while maximising opportunities.

Our 2023 climate pathways

In line with the Bank of England's 2021 Climate Biennial Exploratory Scenario (CBES) recommendations, our 2023 climate pathway analysis modelled outcomes from three climate pathways based on those developed by the Network for Greening the Financial System (NGFS). These pathways allow us to examine the impact of possible future climate scenarios on Royal London, while recognising that the timing and effectiveness of climate policy is not certain.

Table 6 describes the three pathways we assessed including differences in how physical and transition risks could arise and the expected impacts on Gross Domestic Product (GDP) and financial markets.

In contrast to the two 2050 net zero pathways, the risks in the Failed Transition pathway would be predominantly physical and the impacts would continue to build beyond 2050. We recognise this makes it difficult to compare the effects on our business over a range of timeframes across all three pathways.

Table 6: 2023 climate pathways

	Paris Orderly Transition (early action) *Governments take early policy action to achieve net zero carbon emissions by 2050*	**Paris Disorderly Transition (late action)** *Governments take late policy action to achieve net zero carbon emissions by 2050*	**Failed Transition (no action)** *Governments fail to enact sufficient policy responses, no further advance in the level of commitments to address climate change*
Global warming	Paris Agreement goals met: • average global warming stabilises at 1.5°C • CO_2 emissions ~ IPCC RCP 2.6	Paris Agreement goals met: • average global warming stabilises at 1.5°C • CO_2 emissions ~ IPCC RCP 2.6	Paris Agreement goals not met: • average global warming stabilises at 4°C • CO_2 emissions ~ IPCC RCP 6.0
Transition risks	Transition risks increase due to: • ambitious low-carbon policies • high investment in low-carbon technologies • substitution away from fossil fuels to cleaner energy sources and biofuel	Transition risks increase due to: • ambitious low-carbon policies • high investment in low-carbon technologies • substitution away from fossil fuels to cleaner energy sources and biofuel • abrupt pricing-in of transition risks and sentiment shock	No impact from transition to low-carbon economy because: • economies follow the business-as-usual track continuing current low-carbon policies and technology trends (for example, significant falls in renewable energy prices) • no additional new policy measures
Physical risks	• Moderate physical impact with regional differences • Impacts are greater than observed today	• Moderate physical impact with regional differences • Impacts are greater than observed today, but still much less than under a Failed Transition pathway	• Severe physical impacts occur, increasing over time as temperatures rise – both gradual physical changes such as agricultural and worker productivity, as well as more frequent and severe extreme weather events
Impact on GDP	• Global GDP lowers	• Global GDP level is slightly lower than in the Paris Orderly Transition pathway due to the sentiment shock	• Global GDP is significantly lower than the baseline in 2010
Financial market impacts	• Transition is assumed to occur as smoothly as possible • The market gradually prices in perceived transition and physical risks over 2021-2025	• Sudden repricing of assets in 2025, followed by a sudden sentiment shock to the financial system • Increased volatility in 2024-2026	• Markets price-in physical risks up to 2050 by end of the decade (2026-2030) • A second repricing occurs in the period 2036-2040 as investors factor in the severe physical risks post-2050

Refer to page 83 for further details on our climate scenario analysis methodology.

Results

Our pathway analysis supported the examination of potential impacts to the value of different asset classes up to 2060, under the three climate pathways described on page 32. The results implied a negative year-on-year impact to the value of all our asset classes across each pathway. The most significant effects were observed in the Failed Transition scenario, with increasing temperatures leading to a range of negative economic and social impacts.

From this we assessed the risk to our capital position over the medium-term business planning horizon. The Failed Transition showed the most significant adverse impact on capital position though outcomes were still within the acceptable bounds of tolerance, primarily due to the dampening effects of our equity hedging strategy.

Modelling limitations

We recognise climate financial modelling is a nascent area and may underestimate the level of risk to Royal London and our customers under different climate pathways. Trying to model the financial impacts of unprecedented levels of climate change is inherently challenging and there are limitations to the current modelling processes:

- Models are based on known historical relationships between GDP and temperature at a regional level and over a limited timeframe which, when used to estimate the impact of unprecedented global temperature rise, may result in misleading outcomes.
- Our analysis does not make explicit allowance for all potentially significant factors, particularly where it is not possible to reliably integrate the timing, likelihood and severity of financial impacts into the model. Examples may include the geopolitical impacts of severe climate change, such as increases in migration and conflict, which, alongside their enormous human costs, are likely to result in further economic impact.
- Financial stress tests are not able to measure all risks facing our business, such as the risks associated with changing customer expectations, the competitive environment, or the political and geopolitical landscape. These non-financial risks may indirectly lead to financial impacts including volatility in our capital requirements, shocks to the profitability of existing business and reductions to our new business sales.

Ultimately, climate scenario models do not currently capture the full range of impacts that climate change may have on our business. It is for this reason that we use the outputs of our climate scenario modelling in conjunction with our qualitative risk assessment process: to try to capture those risks that may be missed by scenario modelling alone.

As our understanding of climate change continues to evolve, both as a company and within the wider financial sector, we will continue to consider the results of any climate impact financial modelling appropriately and in full view of its limitations, relative to more established financial modelling practices.

Considerations for 2024

In 2023, we have continued to evolve how we understand the emergence of climate-related risks over time.

As we refresh our scenario modelling methodology in the future, we will seek to improve upon our previous modelling by exploring the following steps:

- applying stresses over the duration of relevant modelling periods, as opposed to applying them as an initial shock
- considering and analysing a range of possible modelled outcomes, as opposed to taking the median of outcomes
- expanding our modelling to include downside stress scenarios, to better understand the financial and strategic risks posed across a wider time horizon
- enhancing our understanding of modelling limitations and how we can use qualitative assessments to improve the overall modelling output interpretations.

We are also working towards expanding our interrogation of climate scenario outputs beyond capital impact assessments and strategic asset allocation stress testing. We will focus on using the analysis to consider the impacts that climate-related risks will have on our longer-term business strategy and opportunities in 2024, and we aim to report a quantitative analysis in future reporting periods.

For our 2023 Own Risk and Solvency Assessment (ORSA), we focused our analysis on a five-year time horizon, to align with our business planning term. Although elements of transition risks may crystallise in the short to medium term, the worst effects of the physical impacts from climate change are not likely to be felt for decades. We see the need, therefore, to expand this assessment across a wider time horizon.

Building on the CBES work, Royal London Group will explore the development of our own climate change pathways and scenarios. However, industry development of modelling tools tailored to help firms develop their own climate-change scenarios continues to evolve slowly, reflecting the breadth and complexity of inputs required for these models.

We will continue to review new and emerging methods for performing climate scenario modelling in a bid to be as holistic as possible in our consideration of the impacts of climate-related risks to our business. We have recently licensed an external third-party climate model to assist with developing potential enhancements to our quantitative modelling capability, including refining equity and property stress scenarios, and extending the stress scenarios to include other market risks and potentially other business risks. The output from these analyses is only used for capital stress and scenario testing work; we do not rely upon this for investment decisions.

Qualitative risks and opportunities assessment

Our qualitative assessment of the climate-related risks and opportunities that may impact our business is presented in Tables 7 and 8. Each climate-related risk that we identify is assigned one or multiple timeframes – short (S, up to one year), medium (M, one to five years) or long term (L, over five years) – as an indicator of when we expect that risk to impact our business. This supports our risk management response, prioritisation and mobilisation.

Table 7: Qualitative risk assessment

Risk category	Risk impact	Sub-category	Potential impact	Timeframe
Strategic	Transition	Reputation	Inability to meet customer and client requirements or expectations, regulatory commitments or own commitments, causing reputational damage to our brand, which leads to loss of new business and increased lapse rates or outflows.	S, M, L
			Lack of consistency in the international regulatory approach to ESG and/or net zero implementation – with differing approaches to labelling and disclosure, implementation timing and expectations relating to consumer facing materials resulting in challenges on how products are communicated, reported and distributed in both existing and new jurisdictions.	S
			We may lose market share if we fail to either develop new propositions or modify existing ones to adapt to changing consumer or client sentiment.	M, L
		Policy	Government or regulatory policy developments designed to address the physical and transitional impacts of climate change may impact the viability of our propositions.	M, L
			Governments and policymakers do not deliver on their Paris-aligned climate commitments, impacting our ability to deliver against our own commitments and climate strategy.	M, L
Financial (Investment)	Transition	Policy	Action from regulators and government to meet the Paris Agreement targets and respond to public sentiment may lead to significant market repricing of asset values and increase the risk of counterparty default.	S, M, L
		Market	Disruptive green technologies may provide a competitive advantage to our peers if we fail to anticipate them in our funds.	M, L
	Physical	Chronic	Our portfolios with significant investments in physical assets, including property and asset-backed securities, may be directly impacted by the physical effects of climate change.	M, L
		Acute/chronic	Indirect physical effects from climate change may impact the value of assets in our portfolio, for example due to supply chain disruption, mass migration and political instability.	M, L
Financial (Property Investment)	Transition	Regulation	There is a risk associated with the cost to comply with regulations, including the UK's current Minimum Energy Efficiency Standard (MEES) regulations.	S, M, L
	Physical	Acute	Extreme weather, such as flooding, poses a risk to property assets in terms of repair costs, disruption to construction and reduced asset value due to extreme weather exposure.	M, L
Financial (Insurance)		Chronic	An increase in average temperatures, resulting in more regular extreme weather and temperature fluctuations that affect our customers in the UK and Ireland, may lead to inaccuracies in our assumed rates of mortality and morbidity.	M, L

Table 7: Qualitative risk assessment *continued*

Risk category	Risk impact	Sub-category	Potential impact	Timeframe
Financial (Insurance)	Physical	Chronic	Temperature changes resulting from climate change may increase the frequency of global infectious disease pandemics, in turn impacting the accuracy of our mortality and morbidity assumptions.	M, L
			Political instability, resource shortages and mass migration resulting from climate change may negatively impact levels of mortality, morbidity and expense inflation.	M, L
Operational	Transition	Reputation	Our ability to recruit and retain talent may be negatively impacted if Royal London's response to climate change is perceived as inadequate by current and potential future colleagues.	S, M, L
		Policy	Stakeholder interest has increased the potential for legal and/or regulatory challenge, exacerbated by the fast pace of regulatory change.	M, L
	Physical	Acute	Weather-related business disruption may become more frequent due to climate change, as a result of direct impacts to our offices or data centres and those of our key suppliers, and/or impact travel between our offices.	M, L

Table 8: Qualitative opportunities assessment

Opportunity category	Opportunity impact	Sub-category	Potential impact	Timeframe
Strategic	Transition	Market	An opportunity to increase market share resulting from the successful development of new propositions or the modification of existing ones to meet the demand for products that align with or seek to aid the transition to net zero.	S, M, L
		Products and services	A growing demand from customers and clients for ESG investing and net zero aligned investments could open opportunities for new products and services.	S
Financial (Property Investment)	Transition	Products and services	As more occupiers set net zero carbon targets, the most energy efficient and sustainable certified buildings will become increasingly desirable. Through Royal London Asset Management's net zero carbon audits, we can identify the potential interventions required to improve the property's operational performance to achieve net zero. This positions our asset management business well to respond to changing occupier preferences and demand for net zero buildings.	S
		Resource efficiency	Through energy efficiency improvements from both operations and refurbishment, we will expect to see reduced operating costs. This opportunity is likely to be compounded by volatility and price fluctuations seen recently in the energy market.	M
		Energy security	To reduce reliance on the UK National Grid, there is the opportunity to install solar PV on the roofs of buildings to generate onsite renewable energy. This can then be sold to the occupier, creating a financial return. The results of a solar PV feasibility study across 120 of our assets has enabled us to identify the best opportunities to engage with the occupier and seek to install solar PV.	M

Targeting net zero in property assets

Generating onsite renewable energy is a key step towards achieving the net zero pathway target for our investment properties. During 2023, Royal London Asset Management signed a long-term lease with Panalux for the industrial and logistics facility Pasadena Distribution Centre. A recent refurbishment of the building included LED lighting, 10 electric-vehicle charging points and a solar PV array on the roof, with efforts to embed ESG into the design reflected by its Energy Performance Certificate (EPC) rating of A+.

As well as leasing the facility, Royal London Asset Management entered into its first Power Purchase Agreement (PPA) with Panalux – through which Panalux is sold the renewable energy generated onsite. A 15-year PPA contract was signed, offering an energy rate that is cheaper than the current market rate.

The facility's ESG credentials were integral to attracting Panalux, who confirmed that the site is well aligned to its own focus on sustainability, demonstrating the benefit of our investment in these features.

"After an extensive search, it was clear that this location ticks all the boxes for our operations and our customers while aligning with our focus on sustainable practices. The site is conveniently positioned within West London's motion-picture production corridor, and it provides the space to house our complete London operations at a single location, with room to grow moving forward."

Mark Furssedonn
Managing Director, Panalux

Metrics and targets

In recognition of climate risks and our role in moving fairly to a sustainable world, we have set targets to decarbonise our business and investments. We use emissions metrics to measure our progress towards meeting these targets, while also monitoring our exposure to climate-related risks.

In this section we discuss:

- the interim and long-term targets we have set ourselves to meet net zero carbon emissions across our investments and operations.
- the metrics we use to track our progress and monitor risks.

Our pathway to net zero

2023

ROYAL LONDON

2025

Target:
Purchase

100%

renewable energy for operations (Scope 2)

Metric: Total energy consumption (kWh)

2030

Target:

50%

Scope 3 emissions reduction (non-investment)

Baseline year: 2019

Metric: Total Scope 3 non-investment emissions (tCO_2e)

Target:

50%

Scope 3 portfolio emissions reduction

Baseline year: 2020

Metric: Carbon footprint Scope 1 and 2 (tCO_2e/$m invested)

Target:

Net zero

in RLAM's directly managed investment property assets

Metric: Total emissions (Scope 1, 2 and 3) (tCO_2e)

Target:

Net zero

in operations (Scope 1 and 2)

Metric: Total Scope 1 and 2 emissions (tCO_2e)

2040

Target:

Net zero

in RLAM's indirectly managed investment property assets

Metric: Total emissions (Scope 1, 2 and 3) (tCO_2e)

2050

Target:

Net zero

Scope 3 emissions (non-investment)

Metric: Total Scope 3 non-investment emissions (tCO_2e)

Target:

Net zero

portfolio emissions

Metric: Carbon footprint (tCO_2e/$m invested)

The basis and assumptions underlying our climate targets and metrics are set out in detail on page 39.

The basis and assumptions underlying our targets and metrics

Our climate targets are based on the expectation that governments and policymakers will deliver on commitments to achieve the goals of the Paris Agreement, and that the actions we take do not contravene Royal London's fiduciary duties.

Operational and value chain emissions targets

Our operational emissions targets include emissions arising directly from operations controlled by our business (Scope 1) and indirectly via consumed energy (Scope 2). Our value chain targets include our non-investment-related emissions arising indirectly through our value chain (Scope 3). The baseline year for our operational and value chain emissions targets is 2019. We disclose separately the emissions from the companies in which we invest as our portfolio emissions (Scope 3).

Portfolio emissions targets

Our portfolio emissions targets include assets that are controlled by RLMIS and are managed on its behalf by Royal London Asset Management. Across Royal London Group, our commitment includes the regulated investment funds that Royal London Asset Management manages. It excludes segregated mandates managed on behalf of external clients, but does include support for external clients with assets in segregated mandates where those clients have made an explicit commitment to achieving net zero.

Royal London Group's portfolio emissions targets are measured against a 2020 baseline and are tracked using our Scope 1 and 2 carbon footprint metric, an intensity metric of corporate fixed income and listed equity (tCO_2e/$m invested). Our net zero portfolio emissions commitment does not currently include investees' own Scope 3 (value chain) emissions. We will regularly reconsider this position as the viability of including these emissions develops, with a view to supporting customer and client objectives. We will, however, continue to report these emissions in their current form, with appropriate caveats.

Our property investments use different net zero methodologies and have distinct targets. Across our property investments we aim to achieve net zero carbon by 2030 across our directly managed property assets and developments, and by 2040 across our indirectly managed property assets. Directly managed property assets are those of which Royal London Asset Management has complete operational control, greater than 50% equity share and joint ventures where they would cover the proportionate amount of emissions. Developments are defined as any new development or major refurbishment that will come online from 2030 onwards. Indirectly managed property assets are managed wholly by the occupier.

We will expand the scope of asset classes included in our targets as net zero methodologies evolve.

The limitations of portfolio emissions data

We recognise there are significant limitations associated with calculating portfolio emissions, including availability of data, methodology gaps across different asset classes, lack of consistency across the industry, data quality and transparency. Reported emissions are the preferred basis for our metrics for our Scope 1 and 2 corporate fixed income and listed equity metrics. However, not all companies that we invest in consistently disclose their emissions. Reported emissions are supplemented by estimated emissions calculated by our data provider, MSCI, to allow for higher overall coverage.

Scope 3 emissions are less commonly reported by underlying investee companies, and there is a lack of consistency in how Scope 3 emissions are calculated. Therefore, for Scope 3 emissions we use estimated emissions from our data provider to provide greater coverage across our portfolio and allow for better like-for-like comparison across companies. However, estimated emissions data can vary significantly across different data providers and is generally considered less accurate than Scope 1 and 2 emissions. As a result, Scope 3 emissions metrics should not be used for comparison across different portfolios. Data quality and coverage challenges are more acute for historic Scope 3 emissions. Coverage for RLMIS 2020 Scope 3 data was 44%, which means there is a high degree of uncertainty around the impact of the total portfolio.

The Partnership for Carbon Accounting Financials (PCAF) takes a holistic approach to sovereign debt emissions, recommending that emissions from sources located within the domestic territory and emissions from imports are included. This approach goes beyond the scope of Nationally Defined Contributions (NDCs) and reported emissions of most sovereign nations, meaning data relies heavily on estimates. The recommended approach seeks to attribute sovereign debt emissions to investors in a way that partially reflects the methodology used to calculate financed emissions from corporations. However, the issuer entities are different, and direct comparisons in emissions metrics across these asset classes should not be made and are reported separately.

All data is supplied for information purposes only and should not be relied upon for investment decisions. Find further details on the data assumptions and limitations in Appendix II.

The limitations of value chain data

For all non-investment-related carbon emissions, estimates were applied where data was not available. See our 2023 Operational and Value Chain Basis of Reporting for the methodology used to calculate each category of emissions.

Data quality improvement

In 2023, the data quality of the RLMIS disclosures in corporate fixed income and listed equity Scope 1 and 2 emissions improved, using issuer-level reported emissions for 73% of our portfolio, compared with 61% last year. Our disclosures will continue to improve as data quality develops and we will be transparent about the quality and coverage of our emissions disclosures. MSCI, our data provider, calculates carbon emissions based on dollars ($) and this is reflected in our disclosure. Visit www.msci.com for more details on MSCI's methodology.

Note: Portfolio data and metrics provided in this section are based on RLMIS data. Portfolio data and metrics relating to Royal London Asset Management (which includes RLAM third-party clients), RLUM and RLUTM are provided in Appendix I. Operational and value chain metrics are based on Royal London Group.

Portfolio emissions

Portfolio emissions metrics

Table 9 shows the portfolio emissions metrics we use to monitor progress against our targets and exposure to climate-related risks. Find further details on the formulae and methodology adopted to calculate these metrics in Appendix II.

We believe it is also important to report portfolios' exposure and, where possible, contribution to climate-positive outcomes. This is an emerging field, and we are working internally and with other investors to explore good practice. Our focus will remain on reporting outcomes in a credible way. It is particularly important that disclosures do not inappropriately imply contribution to climate-positive outcomes. During 2024, we will continue to work with other asset owners and asset managers to explore opportunities and build good practice in this area.

All data is supplied for information purposes only and should not be relied upon for investment decisions.

Our approach

We have calculated emissions metrics for RLMIS corporate fixed income, listed equity, property and sovereign debt within government bond holdings, which accounts for over 85% of RLMIS AUM – see Figure 6. For corporate fixed income, listed equity and sovereign debt, our data is sourced from MSCI. Our AUM for sovereign debt includes a small portion that is invested in non-sovereign assets, such as supranational or municipal bonds, for which we have no coverage.

MSCI calculates carbon emissions metrics based on both reported and estimated emissions. The currency used for allocation is the US dollar ($). Find further details on the methodologies adopted by MSCI in Appendix II.

For corporate fixed income and listed equity, we have reported Scope 1, 2 and 3 investment emissions where data is available.

Emissions metrics for RLMIS property assets are calculated by Royal London Asset Management, which manages 100% of RLMIS property assets. The methodology adopted can be found in Appendix II.

Figure 6: RLMIS portfolio asset class breakdown (31 December 2023)

Asset class	Portfolio[1]
Equity and corporate bonds	69%
Sovereign debt	13%
Property	6%
Cash and deposits	6%
Other	5%

1. Rounded to the nearest 1%.

Table 9: Portfolio emissions metrics

Metrics	Units	Asset class	Purpose
Financed emissions	tCO_2e	Corporate fixed income, listed equity, property, sovereign debt	Monitors progress against our carbon reduction targets. This metric is a suitable measure of our current position. However, since this metric is sensitive to changes in portfolio size, we use it in conjunction with other metrics to track our progress towards climate targets.
Carbon footprint	tCO_2e/$m invested	Corporate fixed income, listed equity	Our primary metric for measuring progress against our carbon reduction targets. This metric normalises emissions over investment value, which enables comparisons over time. However, it is sensitive to share price and market forces.
Weighted Average Carbon Intensity (WACI)	tCO_2e/$m revenue	Corporate fixed income, listed equity	Monitors our current exposure to climate risk. This is an alternative measure of intensity to carbon footprint that is not as sensitive to share price. However, this metric is sensitive to other factors, such as inflation.
Data coverage	% coverage	N/A	Monitors the portion of assets for which we have emissions information (reported or estimated).
Sovereign debt production emissions intensity	tCO_2e/$m PPP-adjusted GDP	Sovereign debt	Monitors exposure to climate risk within our sovereign debt assets. This metric reflects production intensity of sovereign economies. Production emissions are normalised by Purchasing Power Parity adjusted Gross Domestic Product (PPP-adjusted GDP).
Sovereign debt consumption emissions intensity	tCO_2e/ capita	Sovereign debt	Monitors exposure to climate risk within our sovereign debt assets. This metric reflects consumption intensity of sovereign economies.

Analysis

RLMIS increased its AUM from £108bn to £118bn during 2023. Table 10 shows the emissions arising from our corporate fixed income, listed equity, sovereign debt and property investments (see page 42). Note, there continue to be material constraints in the quality, quantity and timing of data and asset class coverage. Other external factors also impact portfolio emissions calculations, such as volatility in market values and exchange rates.

Corporate fixed income and listed equity

For our corporate fixed income and listed equity assets, financed emissions have reduced by 12% since 2020 (our baseline year), despite a 9% increase since 2022. Although the total financed emissions increased over the past year, the carbon footprint (tCO_2e/$m invested) of these assets decreased by 10%, which was driven by a number of factors. Investee companies reducing their own Scope 1 and 2 emissions represented slightly below one-third of this total reduction, while – among the other impacting factors – a change in our portfolio weighting between different companies was the most significant contributor.

The Weighted Average Carbon Intensity (tCO_2e/$m revenue) – an alternative measure of intensity to carbon footprint based on revenue and, therefore, less sensitive to share price fluctuations – also reduced for our corporate fixed income and listed equity assets by 26% since 2020, including by 10% over the past year.

Financed emissions restatement

In 2023, we evolved our methodology for calculating financed emissions (tCO_2e) in our corporate fixed income and listed equity assets to help reduce underreporting in our financed emissions disclosures where there are limitations in the available data. To address incomplete data coverage, we have extrapolated the available data for corporate fixed income and listed equity assets to calculate emissions for the whole corporate portfolio. As a result, our reported figures assume assets for which we lack complete data produce a carbon intensity equal to the average of assets with complete data.

This enables better year-on-year comparisons and analysis of trends over time, by reducing impacts from fluctuations in data coverage. However, there is inherent uncertainty in assuming the assets where we lack data have the same average carbon intensity as for those we hold complete data for. Greater data coverage typically corresponds to greater certainty and better quality of disclosures. We will continue to assess the most appropriate carbon emissions metrics and methodologies to ensure relevant and transparent reporting.

Scope 3

Across our Scope 3 corporate fixed income and listed equity portfolio emissions metrics, we have observed reductions since 2020 – including a 2% reduction in financed emissions. However, given significant changes in data availability (coverage increased by 83%) and other data limitations (see page 42), the change we have observed has a degree of uncertainty. We cannot, therefore, draw definitive conclusions about the size or direction of change in our RLMIS Scope 3 portfolio emissions. We will continue to measure and monitor changes, and we expect that our future emissions data will be more comparable to current figures as future changes in data coverage are likely to be incremental.

Property

In 2023, Scope 1 and 2 emissions from our property investments decreased by 20% since 2020 (our baseline year). We saw the greatest reduction in our Scope 2 emissions (landlord-controlled electricity consumption), which reflects efforts to enhance the operational performance of our directly managed property assets. This included implementation of a Building Management System optimisation programme across a number of our multi-let offices, and we also undertook net zero carbon audits to guide improvements in energy efficiency at our properties.

Scope 3 emissions from our property investments reduced by 14% since 2020. The most significant reduction was in our capital goods emissions (Scope 3, category 2), which decreased by 47% since 2020. This reflects our efforts to reduce emissions during the construction phase of new buildings by implementing our New Construction and Major Refurbishment Sustainability Standards.

Table 10: RLMIS portfolio emissions disclosure

	2023 value	2022 value	Year ended 2020 (baseline)	Year-on-year change[2]	Change against baseline year
RLMIS AUM (£bn)[1]	**118**	108	114	9%	3%
Corporate fixed income and listed equity					
AUM (£bn)	**82**	71	70	14%	16%
Scope 1 and 2					
Financed emissions ($MtCO_2e$)[3,4]	**4.52**	4.15	5.14	9%	-12%
Carbon footprint (tCO_2e[4]/$m invested)	**44**	48	54	-10%	-19%
Data coverage (%)[5]	**80%**	78%	67%	3%	19%
WACI (tCO_2e[4]/$m revenue)	**86**	96	117	-10%	-26%
Data coverage (%)[5]	**88%**	78%	67%	13%	32%
Scope 3					
Financed emissions ($MtCO_2e$)[4]	**37.3**	34.2	38.0	9%	-2%
Carbon footprint (tCO_2e[4]/$m invested)	**359**	398	399	-10%	-10%
WACI (tCO_2e[4]/$m revenue)	**690**	748	740	-8%	-7%
Data coverage (%)[5]	**80%**	78%	44%	3%	83%
Sovereign debt					
AUM (£bn)[6]	**16**	16	20	-2%	-20%
Financed emissions ($MtCO_2e$)[3,4]	**4.56**	4.62	7.10	-1%	-36%
Sovereign debt production emissions intensity (tCO_2e[4]/PPP-adjusted GDP)	**144**	144	160	0%	-10%
Sovereign debt consumption emissions intensity (tCO_2e[4]/capita)	**11**	10	11	7%	0%
Data coverage (%)[5]	**97%**	97%	98%	0%	-1%
Property[7,8]					
AUM (£bn)	**7**	8	8	-6%	-4%
Scope 1 and 2 emissions					
Financed emissions (tCO_2e)[4]	**8,329**	8,765	10,504	-5%	-21%
Scope 3 emissions					
Financed emissions (tCO_2e)[4,9]	**113,896**	143,508	132,325	-21%	-14%
Intensity Scope 1, 2 and 3					
Property emissions intensity ($kgCO_2e$[4]/m^2)	**48**	60	57	-20%	-15%

Property investment emissions restatement

In 2023, we recalculated our historic emissions to reflect evolving calculation methodologies in line with good practice. These updates included the addition of refrigerant gases to our 2020 data and improvement of estimation methodologies where actual data is incomplete or unavailable. Our previous disclosure stated 8,400 tCO_2e for 2020 Scope 1 and 2 emissions, and 8,671 tCO_2e for 2022 Scope 1 and 2 emissions. We will continue to assess the most appropriate carbon emissions metrics and methodologies to ensure relevant and transparent reporting.

1. Represents the overall amount of the Group's investments excluding assets managed on behalf of third parties. The disclosure includes assets managed by external asset managers (<5% total AUM), assets of the Group's pension schemes (<2%) and assets controlled by RLI DAC (<1%).
2. Year-on-year change represents the percentage change in the year ended 2023 metric from the year ended 2022 metric.
3. 2020 (baseline) and 2022 financed emissions ($MtCO_2e$) have been restated based on the methodology described on page 41.
4. tCO_2e represents the estimated amount of emissions during the year, measured in metric tonnes of carbon dioxide equivalent. $MtCO_2e$ represents one million metric tonnes of carbon dioxide equivalent.
5. Proportion of assets with complete data. Complete data is defined as the available issuer-level data for all data points required for calculating a metric. For all metrics, this includes data on investment value and issuer emissions. Beyond this: corporate fixed income and listed equity carbon footprint and financed emissions metrics also require data on issuer enterprise value including cash (EVIC); WACI requires issuer revenue; sovereign debt financed emissions and production intensity metrics require data on Purchasing Power Parity adjusted Gross Domestic Product; and sovereign debt consumption intensity requires capita data.
6. Sovereign debt AUM includes a small amount of non-sovereign investments such as supranational investments. These are among the assets for which we have no coverage (<4%).
7. Investment property reporting period is 1 October 2022 to 30 September 2023, due to the timing of data availability. Please refer to page 72 and Appendix II for methodology description.
8. 2023 Scope 1 and 2 emissions have been adjusted to reflect actual data becoming available in lieu of estimates, resulting in a decrease of 222 tCO_2e from our previous disclosure. In addition, we recalculated our historic emissions to reflect the evolution of good practice as detailed (see above).
9. Property Scope 2 emissions reflect location-based emissions..

Sovereign debt

Financed emissions for our sovereign debt portfolio decreased by 1% since 2022.

Using production and consumption emissions intensity metrics to measure and monitor our portfolio offers greater insight into the emissions intensity of our sovereign debt investments.

Consumption emissions intensity increased by 7% over the past year. Consumption emissions are the emissions attributed to goods and services consumed in a domestic territory - and when consumption is normalised per capita it reflects the demand-side of sovereign economies.

Production emissions intensity remained the same as in 2022. These emissions are the emissions originating from sources within a domestic territory. Production emissions are reflected in the approach taken by the United Nations Framework Convention on Climate Change (UNFCCC) and form the basis of NDCs. The rationale for normalising production emissions by Purchasing Power Parity adjusted GDP is that it reflects the output and real size of the economy.

Production emissions intensity over time

Figure 7 presents the production intensity of the sovereign issuers most material to our sovereign debt portfolio by value[1], shown in order of highest production intensity to lowest production intensity. We have seen reductions in intensity across all five of these sovereign issuers since 2020, and all five have NDCs with economy-wide emissions reduction goals.

Production intensity versus consumption intensity

Figure 8 compares consumption intensity with production intensity – contrasting the production-side with the demand-side of these sovereign economies. This graph illustrates that emissions arising from the demand for goods and services do not necessarily originate where these are produced. When comparing by production intensity, Japan is the second most intensive economy. However, when comparing by consumption intensity, Germany is the second most intensive, with Japan third. Emissions arising from production in a sovereign territory are only part of the picture and, as such, real-world emissions reductions are likely to require changes to the way sovereign nations consume goods and services as well as produce them.

Figure 7: Production emissions intensity of sovereign debt over time[2]

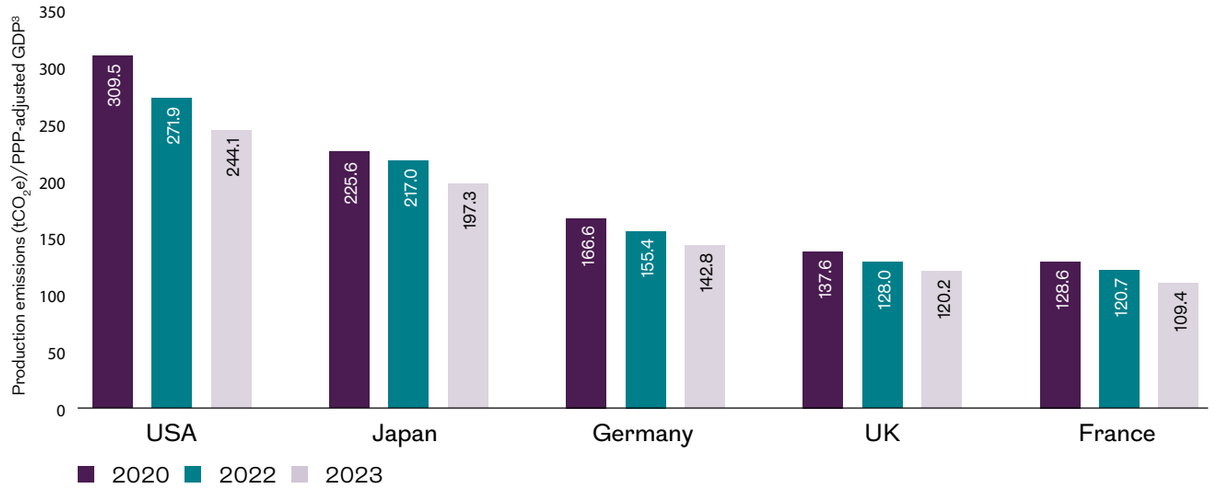
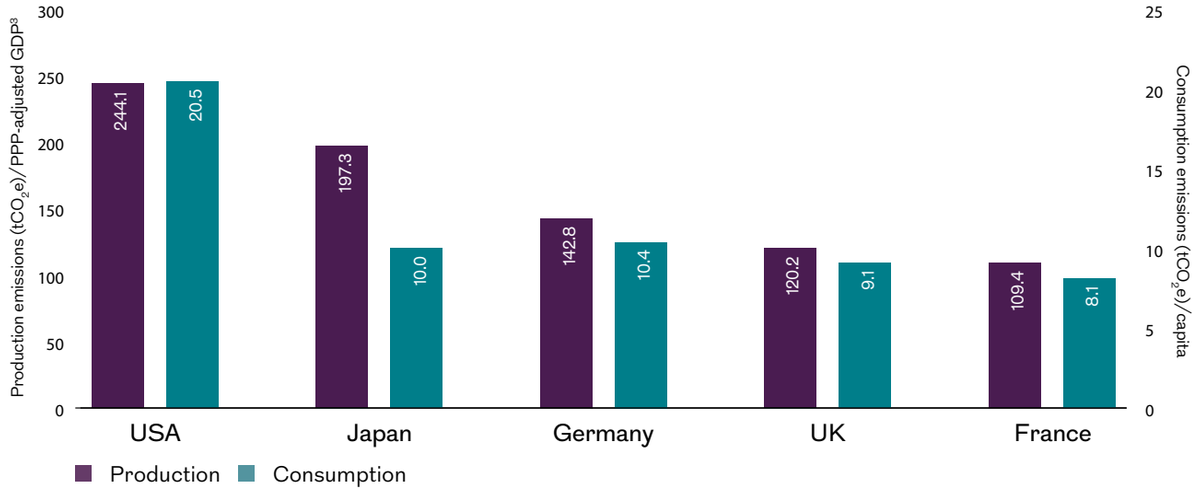


Figure 8: 2023 production emissions versus consumption intensity[2]



1. It should be noted that within our sovereign debt, investment in UK sovereign bonds accounts for more than 70% of the total value of the portfolio.
2. Source: RLMIS portfolio data and MSCI sovereign issuer data.
3. Purchasing Power Parity adjusted Gross Domestic Product.

Forward-looking and portfolio alignment climate metrics

In the previous section we detailed the emissions associated with our portfolio in 2023. Forward-looking and portfolio alignment climate metrics, as described below, support these disclosures by providing insight into the potential future trajectories of emissions and climate risk.

- **Climate Value-at-Risk (C-VaR):** Estimates possible impacts of transition and physical climate risks on the value of portfolios under a range of plausible climate scenarios
- **Implied Temperature Rise (ITR):** A modelled assessment of alignment to global climate targets and the trajectory of our portfolio emissions over time
- **Companies with targets across all emission scopes:** A measure of the alignment of our portfolio with carbon reduction targets across all three corporate emission scopes
- **Companies with Science Based Targets Initiative (SBTi)-approved targets:** A measure of the alignment of our portfolio with carbon reduction targets, that have been externally verified by the SBTi.

It is important to consider the limitations of these metrics in assessing portfolio performance and trajectory.

Limitations

Forward-looking metrics, such as C-VaR and ITR, rely on complex climate and financial modelling. These models typically exclude widely accepted material climate risks that cannot be modelled (including the impacts from external policy decisions, market sentiment and climate tipping points) and rely on material subjective assumptions (including viability of investee net zero plans and assumed sector-level transition pathways).

While temperature alignment metrics can be a useful tool to provide a high-level assessment of alignment with the goals of the Paris Agreement, we must use them alongside more granular and comprehensive assessments to provide a more accurate picture of a company's sustainability performance. We will continue to assess the usefulness of forward-looking climate metrics on an ongoing basis.

The limitations of these metrics are set out in detail in Appendix II and discussed at a high level below.

C-VaR

We observe several fundamental limitations with the use of C-VaR as a forward-looking climate metric:

- **Scope**: C-VaR tends to neglect much of the broader social, environmental and economic impacts of climate change and is limited in its ability to consider long-term risks. As such, it does not capture the full range of longer-term foreseeable risks that may arise from climate change.
- **Comparability**: Comparability between data providers, across different years and between financial institutions is limited, as the methodology underpinning C-VaR continues to evolve, and data providers and financial institutions take different approaches to its calculation.
- **Usefulness**: C-VaR does not support the user to determine the best course of action for mitigating and managing climate risk.

C-VaR relies on necessary climate-modelling and socio-economic assumptions as well as cost and valuation calculations that reduce confidence in the metric. Given the limitations and reliance on modelling assumptions, we report on C-VaR qualitatively not quantitatively. Find further details on the assumptions underpinning C-VaR metrics in Appendix II.

ITR

Similarly to C-VaR, ITR is narrow in its scope and, in isolation, lacks comparability and usefulness. The inputs to ITR models are based on several assumptions with inherent uncertainties, including assumptions related to carbon budgets, rates of population and economic growth, and emissions trajectories over time.

Binary target measurement

Binary target measurement is also of limited usefulness. It provides limited detail of the climate targets set by investee companies, beyond whether or not they have set targets and if these are SBTi-approved.

While the SBTi provides a source of validation for corporate climate targets, it is not necessary for all credible net zero targets to be SBTi-approved. Conversely, MSCI's 'companies with targets across all scopes' metric is susceptible to including companies that have set weak or immaterial targets. By using both these binary metrics in conjunction, we hope to be as holistic as possible in our judgement of the alignment of our investments with net zero targets while considering the limitations of each metric individually.

Climate Value-at-Risk (C-VaR)

C-VaR indicates how much the physical and transition risks of climate change could impact the future returns of a portfolio. By evaluating potential policy impacts, technology opportunities and physical climate risk under different global warming scenarios, the metric provides insight into the potential stress on market valuations and translates climate-related costs into possible valuation impacts.

We observed our C-VaR through four possible climate change transition pathways, based on those developed by the NGFS. We used MSCI data to assess the total impacts on the value of our corporate fixed income and listed equity assets from the years 2022 to 2100 for each transition risk pathway.

We also considered two physical risk pathways, corresponding to the average and aggressive scenarios detailed in the Sixth Assessment Report from the IPCC.

Based on this assessment, we have identified exposure – across a range of possible futures – to the physical and transition risks of climate change within our portfolios.

The scenarios observed and their key characteristics are provided in Table 11.

Table 11: C-VaR scenarios

Category	Scenario		Scenario summary
Transition risks	Disorderly	Divergent net zero (~1.5°C)	Net zero is reached by 2050 but failure to coordinate policy pushes high costs onto consumers. Fast action spares us from the worst physical climate impact.
		Delayed transition (~2°C)	Annual global emissions do not decrease until 2030 and are reduced later with reactive policy action. High transition risk and physical risk.
	Orderly	Below 2°C	Net zero is achieved after 2070. Climate policies are introduced immediately globally and become gradually more stringent. Low transition risk and high physical risk.
		National Determined Contributions (NDCs) (~3°C)	Assumes all policies pledged by states to the United Nations are implemented. Emissions decline and transition is not disruptive, but continued warming brings severe physical risks.
Physical risks	Moderate (average)		The average potential impact on companies' market value, assuming trends in acute and chronic physical risk from a 'business-as-usual' scenario.
	Aggressive		The worst case (95th percentile) or most severe potential impact on companies' market value, assuming trends in acute and chronic physical risk from a 'business-as-usual' scenario.

Orderly and Disorderly Pathways

Using the scenarios described in Table 11 we performed analysis on our 2023 portfolio C-VaR. The analysis showed that since last year our exposure to transition risk decreased under disorderly pathways but increased under orderly pathways. Despite this, disorderly transition scenarios (divergent net zero and delayed transition) still present the greatest transition risk to our portfolio value when compared with orderly scenarios – due to the assumption of an unexpected, rushed and divergent response by policymakers to urgently halt climate change and transition economies to net zero.

The NDS'c scenario poses the least transition risk to our portfolio, likely due to current policies promised by policymakers being fully or partially 'priced in' to the market. However, while our C-VaR in the NDC's scenario is lower than in other scenarios, the NDC's scenario is expected to fail to limit warming below 2°C.

Transition and Physical Risk

Our analysis finds that physical risk in the aggressive scenario is not as severe as the transition risk in the divergent net zero scenario. The physical risk scenarios do not adequately capture the risks posed to our portfolio value resulting from the physical impacts of climate change. Physical risk from climate change is present in each scenario, however we believe the physical impact of a future where warming exceeds 2°C poses the most severe threat to our portfolio value and the ability of markets to recover. This assumption is supported by the IPCC's 2023 Climate Report, which stated that "risks and projected adverse impacts and related losses and damages from climate change escalate with every increment of global warming".

While forward-looking information is useful, we do not rely on these metrics for investment decisions or assessing climate risk exposure due to the limitations described on page 44 and in further detail in Appendix II. This allows us to consider more nuanced qualitative assessment and judgement when making decisions.

Implied Temperature Rise (ITR)

ITR is a portfolio-alignment metric. It seeks to estimate the global warming outcome from the projected emissions of a company, if the global economy followed the same trajectory.

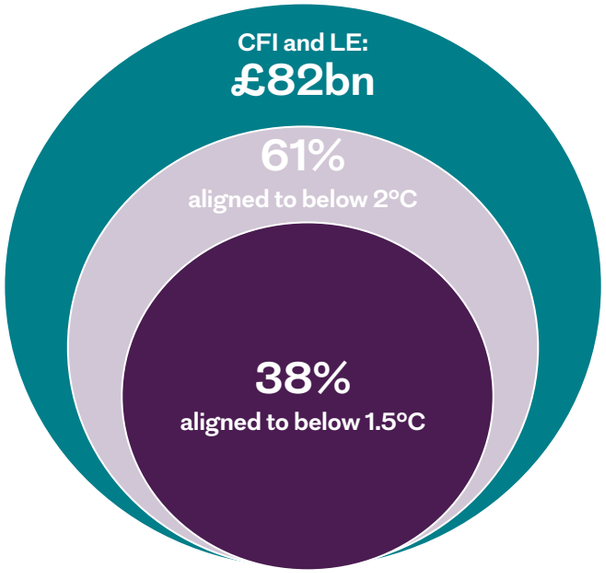
By using data provided by MSCI, we can estimate the percentage of our corporate fixed income and equity holdings that have ITRs aligned to global warming of below 2°C and 1.5°C respectively[1]:

- 61% of our corporate fixed income and listed equity asset classes have ITRs that are aligned[2] to the goal of limiting temperature increase to below 2°C
- 38% of our corporate fixed income and listed equity asset classes have ITRs that are aligned[2] to the goal of limiting temperature increase to below 1.5°C.

We found that while more than half of our investment value is assessed as having a below 2°C trajectory, the majority of our emissions come from companies not aligned to this trajectory.

We continue to seek investment and engagement opportunities that support our climate commitments and will monitor our ITR to help assess our progress.

ITR across RLMIS corporate fixed income (CFI) and listed equity (LE) assets, as of year end 2023



Binary target measurement

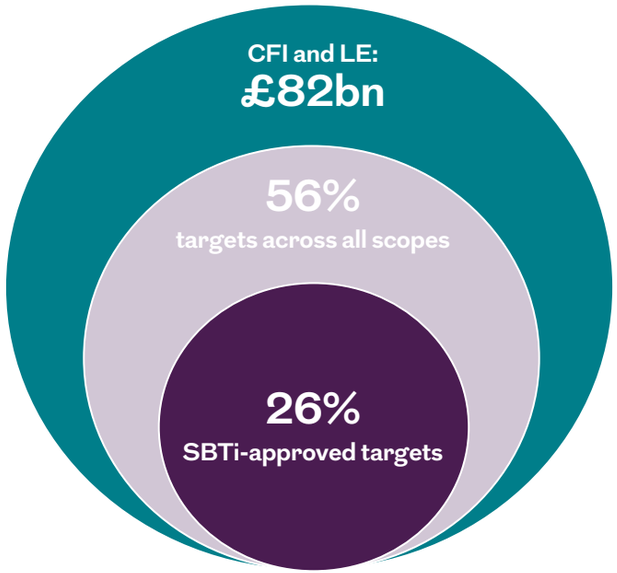
We have considered the following binary metrics to track the alignment of our portfolio with net zero targets:

- **Companies with targets across all emission scopes (%):** The percentage of companies in our corporate fixed income and listed equity asset classes have published climate targets across Scope 1, 2 and 3[3].
- **Companies with Science Based Targets initiative (SBTi)-approved targets (%)**: The percentage of companies in our corporate fixed income and listed equity asset classes that have had their climate targets approved by the SBTi.

While we believe that tracking the alignment of our portfolio with SBTi-approved targets is useful, we do not believe that SBTi approval is the sole mark of a credible net zero target. This is why we also monitor the percentage of our investee companies with targets across all scopes, using data from MSCI's 'companies with targets across all scopes' metric.

56% of our corporate fixed income and listed equity holdings have published climate targets across all emissions scopes, with 26% of our holdings having SBTi-approved targets. This means that 44% of our holdings across these asset classes have not published climate targets across all scopes[3].

Emissions reduction targets across RLMIS corporate fixed income (CFI) and listed equity (LE) assets, as of year end 2023



1. Based on 86% portfolio coverage.
2. 'Aligned' in this case means the model projects that emissions reductions will be reduced sufficiently to meet Paris Agreement goals for 2°C and 1.5°C respectively.
3. Target across all scopes is based on 93% portfolio coverage.

While forward-looking information is useful, we do not rely on these metrics for investment decisions or assessing climate risk exposure due to the limitations described on page 44 and in further detail in Appendix II. This allows us to consider more nuanced qualitative assessment and judgement when making decisions.

Fossil fuels

Table 12 details our exposure to fossil fuel activity within RLMIS corporate fixed income and listed equity assets using data from a third-party provider. These metrics can be helpful for indicative purposes in disclosure, although we acknowledge that they are simplistic and, therefore, we do not use them in investment decisions. We note there will be overlap across these categories. Some categories may even be wholly captured within another, e.g. Arctic oil and gas exposure within the oil and gas category. In addition, companies may be involved in a range of fossil fuel activities.

These metrics can help highlight elements of our portfolio that might be more exposed to transition risk, but they are significantly limited by the following:

- They do not show level of exposure to fossil fuels as proportion of revenue nor exposure to 'green revenues', such as from renewables, which impact a company's overall transition risk.
- They do not indicate where companies with fossil fuel exposure have expressed an intention to align to a transition pathway.

We will continue evaluating the metrics we use to track fossil fuel activity and report more meaningful and granular metrics as these become available.

Table 12: Exposure to fossil fuel activities

Metric[1]	% of RLMIS listed equity and fixed income portfolio[2]
Oil and gas exposure	9%
Oil and gas extraction and production	4%
Arctic oil and gas production	2%
Shale oil and gas production	3%
Thermal coal production	1%
Metallurgical coal production	1%
Thermal coal generation	2%
Tar oil sands	2%

For definitions of each type of activity, see page 79.

1. These metrics measure the percentage of instruments (by value) held in the portfolio that have any exposure to revenues from fossil fuel activities, as defined in Appendix II, page 79. They do not measure the total revenue derived from these activities.
2. The data coverage for these metrics is 89%.

Future considerations for portfolio metrics

We will continue to improve our approach to data and aim to use the most appropriate portfolio emissions metrics and methodologies available, recognising that data and methodological gaps should not be a limiting factor to making climate-related disclosures in line with FCA guidance. We recognise that government and policymaker activity will impact future changes in our climate disclosures.

In the future, we plan to:

- review our approach to calculating portfolio emissions to identify opportunities for improvement
- address any inconsistencies in our portfolio metric methodologies against the recommendations set out by PCAF in the GHG Protocol
- expand our capability to analyse the drivers and attribution of emissions reductions across our portfolio over time
- expand our portfolio emissions analysis to other asset classes as data and methodologies become available
- create an internal policy for the consistent and reliable recalculation of historical emissions where appropriate
- continue to review best practice and use the most appropriate, reliable and useful metrics and targets.

Operational emissions

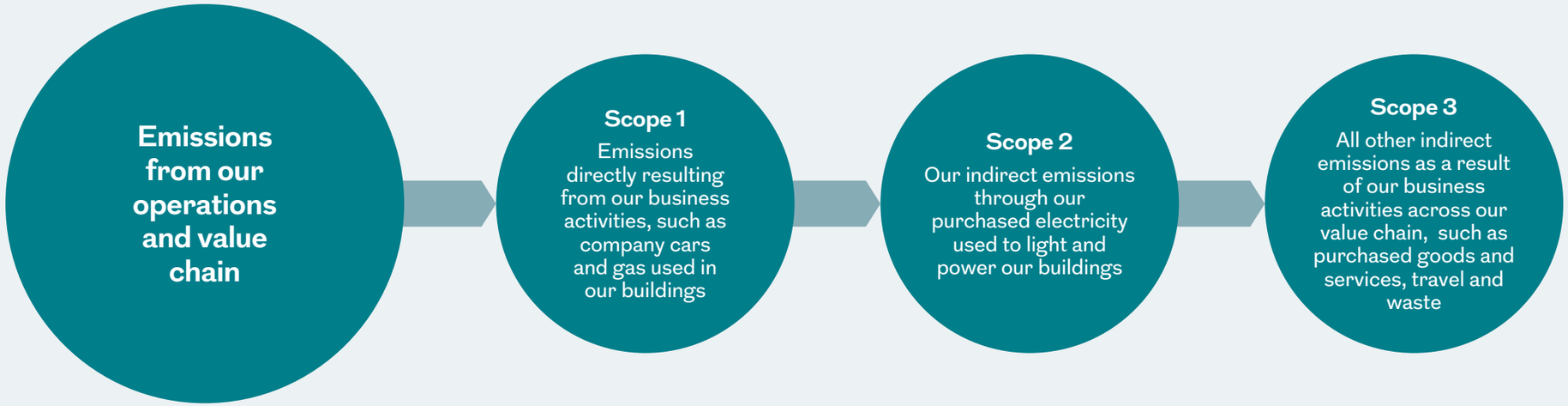
Our operational targets

We recognise the contribution of our own operations and value chain to climate change.

In line with our portfolio emissions target, we have committed to reaching net zero across our Group-level operational emissions by 2050, with Scope 1 and 2 emissions reaching net zero by 2030.

While our portfolio emissions targets have been set specifically for RLMIS, our operational emissions targets have been set at a Group level. All operational emissions metrics have, therefore, been disclosed at a Group level.

The strategy we have adopted to meet these targets, along with more detail on our short- and long-term targets, can be found in the basis and assumptions underlying our target and metrics on page 39 and the Strategy section of this report on page 13.



Group target	Metric	Unit	Progress to date
Reach net zero direct operational emissions (Scope 1 and 2) by 2030	Total Scope 1 and 2 emissions[1]	tCO_2e	74% reduction since 2019 (market-based)[2] 64% reduction since 2019 (location-based)[2]
Reach net zero indirect value chain emissions (Scope 3 non-investment-related) by 2050, with a 50% reduction by 2030	Total Scope 3 non-investment-related emissions	tCO_2e	28% reduction since 2019
Purchase 100% renewable energy for operations (Scope 2) by 2025	Total energy consumption	kWh	51% of our energy is from renewable sources

1. Total Scope 1 and 2 emissions refers to those arising from those sites which we own, or where we have operational control.
2. Further information on Scope 2 (location-based and market-based) emissions calculations can be found in the Metrics description and methodology section page 80.

Operational and value chain metrics

Our approach

Mitie Energy, our external consultant, was appointed to carry out our 2023 GHG emissions calculation. This was conducted in line with the GHG Protocol Corporate Standard. For all non-investment-related carbon emissions, estimates were applied where data was not available. See our 2023 Operational and Value Chain Basis of Reporting for the methodology used to calculate each category of emissions.

Reporting boundary

In 2023, we moved our reporting boundary from financial control to operational control. See page 51 for further detail.

Our targets

We will reduce our external paper use by

50%

and our internal paper use by 90% per policy by 2025 from the 2019 baseline.

We will have an absolute reduction of

60%

in our direct Scope 1 emissions across our operational estate by 2025, from a 2019 baseline, and will be net zero by 2030.

We will halve our value chain emissions by

2030

from a 2019 baseline, and will be net zero by 2050.

Highlights from 2023

We reduced our external paper use by

66%

since 2019. In 2023, we encouraged more than 169,000 customers to register for our online portal, where they can access their documents.

We reduced our direct Scope 1 emissions by

81%

across our operational estate since 2019. We continue to work with Mitie Energy to reduce this further.

We reduced emissions from business travel by

38%

since 2019, reflecting efforts to reduce preventable business travel.

Operational, value chain and other environmental metrics

Our 2023 operational and value chain emissions, and other environmental metrics are shown in Tables 13 and 14, presented against equivalent measurements for 2022 and our baseline year, 2019.

Table 13: Operational and value chain emissions

		2023[1]	2022	2019 (baseline year)	Year-on-year change	**Change against baseline year**	Target
Scope 1 Direct GHG emissions (tCO_2e)[2]		**236**	343	1,262	-31%	**-81%**	60% absolute reduction by 2025 and net zero by 2030
Scope 2 Indirect GHG emissions (tCO_2e)[2]	Market-based	**837**	926	2,802	-10%	**-70%**	Purchase 100% renewable energy for electricity by 2025
	Location-based	**979**	1,201	2,089	-18%	**-53%**	
Scope 3 GHG (value chain) emissions (tCO_2e) consisting of the following categories:							
Category 1. Purchased goods and services[2]		**35,922**	33,014	52,845	9%	**-32%**	
Category 2. Capital goods[2]		**3,051**	679	849	349%	**259%**	
Category 3. Fuel and energy-related activities[2]		**360**	495	699	-27%	**-48%**	
Category 4. Upstream transportation and distribution		**5**	7	12	-27%	**-58%**	
Category 5. Waste generated in operations[4]		**9**	17	41	-46%	**-77%**	
Category 6. Business travel		**1,583**	994	2,537	59%	**-38%**	
Category 7. Employee commuting and homeworking		**2,132**	2,385	2,552	-11%	**-16%**	
Category 13. Downstream leased assets[5]		**0**	0	253	–	**-100%**	
Total Scope 3 GHG (value chain) emissions (tCO_2e)[6]	Total	**43,062**	37,591	59,788	15%	**-28%**	Reduction of 50% by 2030 and net zero by 2050

Table 14: Further environmental metrics

		2023	2022	2019 (baseline year)	Year-on-year change	**Change against baseline year**	Target
Paper use[7]	Total (t)	**567**	631	1,111	-10%	**-49%**	
	Internal paper per policy (g)	**1.43**	0.81	6.07	77%	**-76%**	Reduction of 90% per policy by 2025
	External paper per policy (g)	**65**	102	192	-36%	**-66%**	Reduction of 50% per policy by 2025
Waste (t)[8]	Total	**299**	358	727	-16%	**-59%**	Reduction of 50% per FTE[3] by 2025 and continue to send zero waste to landfill
	Per FTE[3]	**0.05**	0.06	0.15	-19%	**-68%**	
Water consumption (cubic metres)[8]	Total	**13,615**	9,263	31,916	47%	**-57%**	Reduction of 15% per FTE[3] by 2025
	Per FTE[3]	**2**	1.5	6	33%	**-67%**	

1. The reported GHG emissions for 1 January 2023 to 31 December 2023 shown in the Operational and value chain metrics table have been subject to Independent Limited Assurance by ERM CVS. Please visit www.royallondon.com to read a copy of the Assurance Report and Royal London's 2023 Basis of Reporting, which details how we have prepared our data. Police Mutual Assurance Society data and energy from Wealth Wizards is included from acquisition. Royal London announced the full acquisition of Responsible Life Limited and Responsible Lending Limited in November 2023, which completed in January 2024, and data for these businesses has, therefore, not been included in the operational and value chain metrics for 2023. Responsible Life Limited and Responsible Lending Limited will be included in future reporting.
2. 2019 (baseline) and 2022 Scope 1, 2 and Scope 3, category 1, 2, 3 and 8 emissions have been restated following a review in line with the GHG Protocol guidance. We have updated our reporting boundary from financial control to operational control resulting in a transfer of emissions from Scope 3 category 8, to Scope 1 and 2. We have updated our approach to include suppliers' upstream Scope 3 emissions to Scope 3, categories 1 and 2. We have removed the well-to-tank emissions from business travel activities from Scope 3, category 3 to ensure no double counting has occurred.
3. Full-time equivalent.
4. Data excludes Wealth Wizards.
5. There were no Royal London Group downstream leased assets in 2022 and 2023 and these were, therefore, not included in the ERM CVS assurance.
6. Categories 8, 9, 10, 11, 12, 13 and 14 of Scope 3 are not applicable to Royal London in 2023. Category 15 (Investments) emissions data is reported on page 51.
7. Paper data is based on actual volumes from suppliers. The data excludes third-party service providers and Wealth Wizards.
8. Waste and water data is based on actual volumes where available, and otherwise on estimations and invoice data. Data excludes Wealth Wizards and offices where provision is covered by a service charge.

Analysis

In 2023, we moved our reporting boundary from financial control to operational control, which resulted in a transfer of emissions from Scope 3, category 8, to Scope 1 and 2. We also evolved our methodology for calculating emissions from our supply chain (Scope 3, categories 1 and 2) to include the upstream Scope 3 emissions of our suppliers. We have updated our 2022 and 2019 (baseline) emissions to reflect this.

Operational emissions

Our Scope 1 and 2 operational emissions reduced in 2023, with location-based and market-based emissions falling 21% and 15% respectively over the year. This saw a total reduction in emissions since our 2019 baseline of 64% for location-based and 74% for market-based. This is due to a combination of initiatives including energy efficiency measures and delivery of our operational estates strategy, which resulted in two million kilowatt hours (kWh) of energy savings in both gas and electricity across our offices since 2022 and nearly eight million kWh since 2019. 51% of our purchased electricity was renewable. See Figures 9 and 10.

Scope 1 and 2 carbon emissions intensity by the total gross internal area decreased by 77% location-based and 83% market-based, compared to the 2019 baseline year.

Value chain emissions

Our non-investment value chain Scope 3 emissions have reduced by 28% since 2019, despite an increase of 15% since 2022. The biggest contributors to our value chain emissions were our supply chain, employee commuting and homeworking, and business travel. See Figure 11.

The year-on-year increase was driven by several factors including an increased use of supplier specific emissions data and less reliance on estimations in emissions calculations and the fit-out of our new headquarters in London. For supplier-specific data, each year the availability of primary data increases, meaning that emissions may fluctuate over time as the data improves. In 2023, 41% of our Scope 3 category 1 and 2 emissions used supplier-specific emissions data, compared to 23% in 2022.

Overall, business travel emissions increased in 2023, due to international expansion of our asset management business and related global travel. However, emissions from domestic rail and air travel decreased by 65% compared to the baseline year, reflecting efforts made to reduce preventable business travel, post Covid.

Other environmental metrics

Our external print volumes have reduced by 36% since 2022, and by 66% since our 2019 baseline year recognising efforts made by the business to reduce paper use. In 2023, more than 169,000 customers were encouraged to register for our online portal, where they can access their documents digitally.

While our water consumption per FTE increased by 33% during 2023, we saw an overall reduction of 67% since the 2019 baseline year.

Our waste emissions per FTE reduced by 19% from 2022, and by 68% since the 2019 baseline year, due to waste reduction initiatives and the delivery of our operational estates strategy.

Figure 9: Scope 1 and 2 emissions

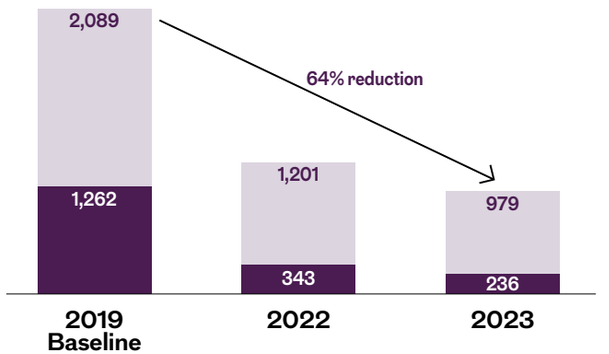


Figure 10: 2023 Scope 1 and 2 emissions split by source

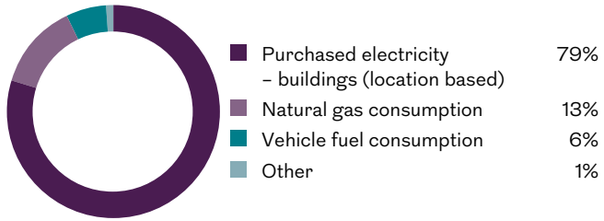
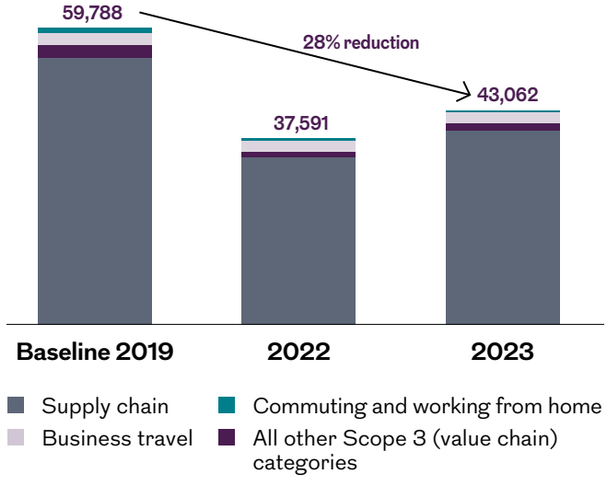


Figure 11: Scope 3 (value chain) emissions



Appendix I: Entity-level reporting

In this section, we provide entity-level disclosures for each of our entities in scope of FCA's ESG sourcebook regulation.

The entity-level reports complement and refer to content included in the Royal London Group disclosures. This includes details of the strategies, policies and actions taken at the Group level that are applicable to the individual entities which comprise the Group.

In this section we discuss:

- how climate-related risks and opportunities are identified, assessed and managed for these entities
- governance structures in place across these entities to manage climate-related risks and opportunities
- metrics used to monitor climate-related risks and progress against targets.

TCFD compliance summary

In the following sections, we provide entity-level disclosures against the TCFD disclosure recommendations for each of our entities in scope of the FCA's PS 21/24 requirements. These entity-level reports supplement and make references to the content included in the Royal London Group disclosures in the main body of this report.

The table below indicates where we have reported against each TCFD recommendation in our report for each in-scope entity.

TCFD pillar	TCFD recommendation	RLMIS	RLAM	RLUM	RLUTM
Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	34, 35	34, 35	69	70
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	7-21	56	69	70
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	32, 33	68	69	70
Governance	Describe the Board's oversight of climate-related risks and opportunities	23, 24	57-59	69	70
	Describe management's role in assessing and managing risks and opportunities	25	57-59	69	70
Risk management	Describe the organisation's processes for identifying and assessing climate-related risks	30	60	69	70
	Describe the organisation's processes for managing climate-related risks	31	60	69	70
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	29	60	69	70
Metrics and targets	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	37-51	61-68	69	70, 71
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	42, 50	61-68	69	70, 71
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	38	61-68	69	70, 71

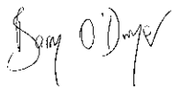
The Royal London Mutual Insurance Society Limited: Entity-level report

The Royal London Mutual Insurance Society Limited (RLMIS) is an FCA-regulated insurance company that is part of the Royal London Group (see page 4 for an overview of the Royal London Group). It is overseen by the RLMIS Board.

The approach of RLMIS to managing climate-related risks and opportunities is consistent with the Royal London Group. RLMIS compliance with TCFD recommendations is, therefore, evidenced through content in the main body of this report.

Compliance statement

The disclosures for RLMIS, including any Group disclosures cross-referenced, comply with the requirements under the FCA's ESG sourcebook regulation (ESG 1A and ESG 2). No third-party climate disclosure reports are referenced in this report. We use data supplied by third-party providers and the nature of this means that, whilst we take reasonable efforts to evaluate data, there are limits to our ability to oversee the validity and accuracy of the data used.



Barry O'Dwyer
Group Chief Executive Officer

Royal London Asset Management Limited: Entity-level report

Royal London Asset Management Limited (RLAM) is an FCA-regulated asset management business. A wholly owned indirect subsidiary of RLMIS, RLAM is managed separately to RLMIS and is overseen by the RLAM Board (see page 4 for an overview of the Royal London Group).

Compliance statement

The disclosures for RLAM, including any Group disclosures cross-referenced, comply with the requirements under the FCA's ESG sourcebook regulation (ESG 1A and ESG 2). No third-party climate disclosure reports are referenced in this report. We use data supplied by third-party providers and the nature of this means that, whilst we take reasonable efforts to evaluate data, there are limits to our ability to oversee the validitv and accuracy of the data used.

Hans Georgeson
Chief Executive Officer, Royal London Asset Management

Royal London Asset Management Limited Report *continued*

Strategy

RLAM's climate change strategy is rooted in a deep commitment to stewardship and responsible investment. Science shows that companies and governments are responding too slowly to climate change – and we believe that encouraging companies to act for long-term societal benefit can be good for both society and investors. This is why stewardship and advocacy are embedded in our strategy to manage climate-related risks and opportunities.

Progress on a Climate Transition Plan

RLAM has committed to reaching net zero emissions across our in-scope assets by 2050[1]. We are working as part of Royal London Group to support the Group Climate Transition Plan (see page 20 for further detail). We also published an interim update to our clients on our thinking and progress in September 2023. Our intention is to decarbonise RLAM's in-scope assets under management in line with the real economy. We will also work closely with our segregated clients towards this goal where they have made explicit public commitments to net zero. RLAM's efforts are focused on supporting the decarbonisation of the companies we invest in through engagement (and not decarbonising our portfolio regardless of the real economy). The commitment is based on the expectation that governments and policymakers will deliver on commitments to achieve the goals of the Paris Agreement. It also assumes this action does not contravene RLAM's fiduciary duty to external investors.

Our approach to managing RLAM's climate transition on behalf of our clients covers:

Engagement

As an active asset manager that takes a long-term view, RLAM engages with many of the companies in which we invest to encourage business change that supports the goals of the Paris Agreement. We have proactive engagement programmes focused on promoting net zero and a just transition. Through our Net Zero Stewardship Programme, we identify the highest GHG emitters across our AUM, helping guide our engagement and inform how best to support companies in transitioning their business models. Find more on RLAM's engagement activity on page 16.

Research

'Off-the-shelf' ESG research from third-party providers rarely provides the nuance or context needed to add value to our investment process. Alongside our investment teams, RLAM's in-house Responsible Investment team directs its climate expertise through targeted and bespoke thematic research, company assessments, and reporting and analysis tools to support investment decision making and net zero stewardship.

Voting

Exercising voting rights on behalf of our clients is a core part of RLAM's commitment to be a trusted steward of clients' assets. Voting on thousands of resolutions worldwide is an extension of our work to promote good governance and proactive, thoughtful stewardship. Our voting is pragmatic, reflecting good practice, evolving insights, and the long-term interests of our clients. Find more on RLAM's voting activity on page 15.

Advocacy

RLAM collaborates with regulators, governments, standard setters and non-governmental organisations to advance responsible investment and good governance. Through consultations, surveys and policy discussions, we contribute our expertise and advice to support meaningful, system-level regulatory or industry change. Find more information on policy and advocacy work on page 17.

Supporting clients

We have a role to play in helping clients meet their net zero targets. RLAM's ambition is to expand our range of choices for clients across asset classes, including funds that help reduce carbon exposure or meet net zero goals. Find more about the products we currently have to support clients in meeting their sustainability and climate goals on page 20.

1. The commitment excludes segregated mandates managed on behalf of external clients. It is baselined on the year 2020 and is being tracked using Scope 1 and 2 carbon footprint (tCO_2e/$m invested) using enterprise value including cash (EVIC) as an attributing factor for RLAM's corporate fixed income and equities assets.

For more information about RLAM's engagement, research, voting and advocacy activity, including the Net Zero Stewardship Programme, please refer to our Stewardship and Responsible Investment Report.

Governance

Board oversight and committee structure

RLAM – along with RLUTM – is a subsidiary of Royal London Asset Management Holdings Limited. Together, together these three legal entities form the Royal London Asset Management Group[1], which is the asset management division of Royal London Group. Royal London Asset Management Holdings Limited is, in turn, a wholly owned subsidiary of RLMIS – see Figure 12.

Climate change can present a strategic opportunity for businesses and their clients. The Royal London Asset Management Group recognises this and, within RLAM, climate-related issues are considered as part of the RLAM Board's and Executive Committee's decision making processes.

The RLAM Board is responsible for promoting the long-term sustainable success of RLAM while taking account of the interests of our stakeholders and impact on the environment. The Board has ultimate responsibility for setting risk appetite.

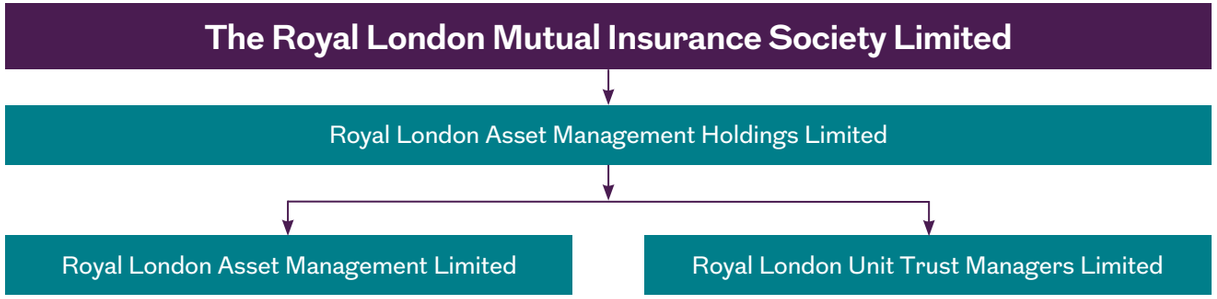
Within RLAM, day-to-day management is delegated to the Chief Executive Officer. They are supported by the Executive Committee, which is responsible for overseeing progress on RLAM's climate commitments. The Executive Committee approved RLAM's net zero commitment in early 2021 and sets strategic priorities for the business, one of which is responsible investment, including climate and net zero.

The RLAM Board, and the Risk and Capital Committee of Royal London Asset Management Holdings Limited, directly engage with and consider climate-related activities. Figure 13 (on page 58) and Table 15 (on page 59) provide an overview of RLAM's Board and committee structure, as well as climate governance and responsibilities within the business.

During 2023, consideration of climate-related activities by the RLAM Board and committees included:

- RLAM Board approval of the 2022 RLAM Stewardship and Engagement Report
- consideration of climate change scenarios in respect of RLAM's Internal Capital Adequacy and Risk Assessment 2023
- quarterly updates on climate and ESG strategic risk
- quarterly updates on regulatory changes and developments.

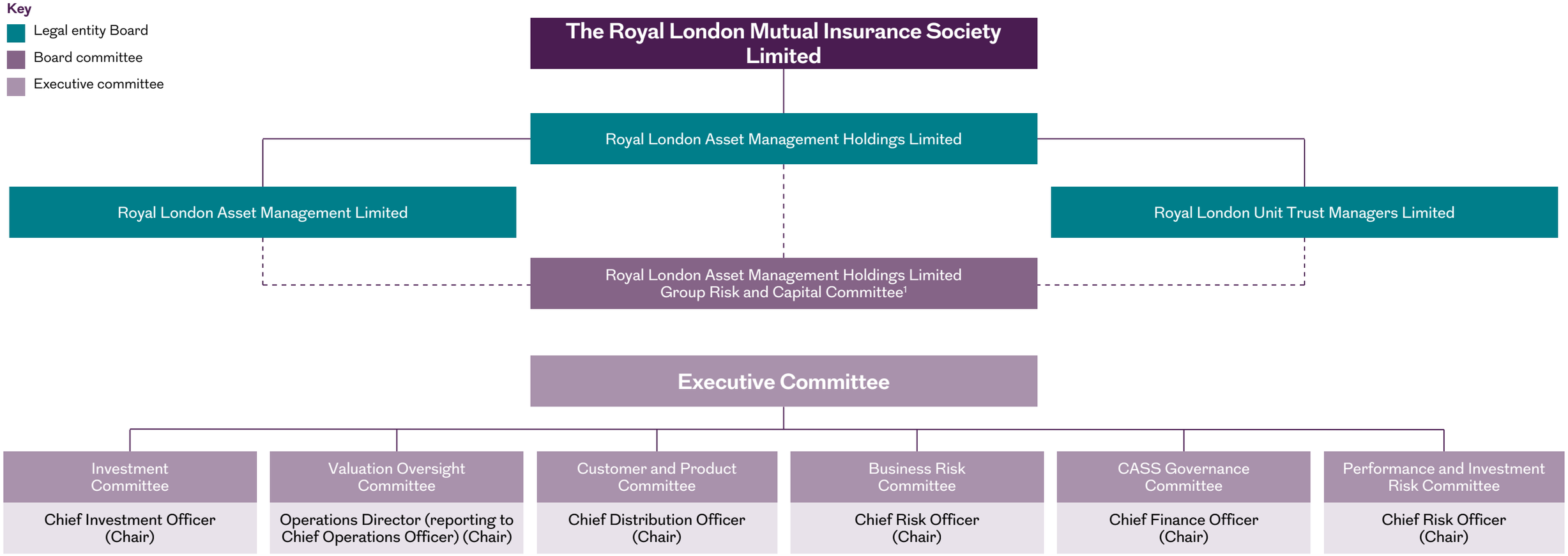
Figure 12: Royal London Asset Management Group structure[1]



1. In 2023 it was agreed that, from April 2024, although not a direct subsidiary of Royal London Asset Management Holdings Limited, the oversight of the RLUM business would also move to Royal London Asset Management Group.

Royal London Asset Management Limited Report *continued*

Figure 13: Royal London Asset Management Group Board and committee structure



1. Also reports to RLAM Ltd Board and RLUTM Board.

Royal London Asset Management Limited Report *continued*

Remuneration

Royal London Group's incentive framework, which covers RLAM, aligns outcomes to delivery of key strategic objectives.

Find further details on page 26.

Climate training

RLAM's investment teams receive a mix of practical on-the-job and formal ESG training. Ongoing engagement between our investment teams and ESG specialists provides practical training for fund managers and analysts on climate-related issues. We also undertake other formal training sessions with specialist research providers and internal training conducted by our Responsible Investment team. We run lunch-and-learn sessions for all interested colleagues, and master classes with investment and distribution teams.

In 2023, RLAM developed an expanded ESG and climate change training programme to include more targeted responsible investment and sustainability training for RLAM colleagues, including client-facing staff, investment professionals, Board and Executive Committee members. This was piloted to a small number of colleagues in the final quarter of 2023 and will be rolled out to all RLAM colleagues in 2024.

RLAM is also supporting the CFA Institute Certificate in ESG Investing for over 50 colleagues across our distribution, investment and operations teams in 2024.

Table 15: RLAM climate governance and responsibilities

Role	Climate-related responsibility
RLAM Board	Responsible for agreeing RLAM's approach to climate risk.
Executive Committee	Supports the RLAM CEO in overseeing climate change risks and opportunities across RLAM.
Risk and Capital Committee	Undertakes capital and risk oversight on behalf of all Boards in the Royal London Asset Management Group as shown in Figure 13.
Investment Committee	Chaired by the Chief Investment Officer, the Investment Committee is responsible for monitoring, oversight and advice to the Chief Investment Officer on investment matters as they relate to responsible investment and climate change.
Chief Investment Officer	Senior Management function with Executive Committee responsibility for the Responsible Investment function.
Heads of Asset Class and all investment managers	Responsible for ensuring material ESG risks, including climate risks, are considered within investment decisions and for contributing to engagement and proxy-voting decisions.
Head of Responsible Investment and the Responsible Investment team	Provides subject matter expertise, support, information, data and analytics to the investment teams and oversees day-to-day implementation of engagement and proxy voting activities across all asset classes.
Head of Climate Transition	Key subject matter expert responsible for advising on the strategic, commercial and investment impact of climate risk across the firm in collaboration with investment, distribution, operations and risk teams.

Royal London Asset Management Limited Report *continued*

Risk management

We will seek to manage and mitigate RLAM's exposure to the financial, strategic, reputational, regulatory and commercial risks arising from climate change. We will do this by embedding climate risk into our risk management system, creating a Climate Transition Plan, and agreeing and monitoring key metrics. This reflects RLAM's desire to provide a balanced approach that supports transition towards a more sustainable investment portfolio where client objectives desire this, while still generating an appropriate level of investment returns.

With support from the Risk function, management is accountable for identifying, measuring, reporting, managing and mitigating all risks relevant to its area of business. This includes the design and operation of suitable internal controls and the allocation of risk and control responsibilities.

This integrated approach helps drive consistency in climate risk management activities across the RLAM business. Furthermore, it supports the business to integrate key climate-related issues into their day-to-day and strategic planning activities.

Integrating climate risk into our risk management framework

The Royal London Group risk management framework is used to manage exposure to all known or expected risks and ensure that business performance is not undermined by unexpected events – find further details on page 29. This approach provides assurance that the risks to which RLAM may be exposed are being appropriately identified and managed within our risk appetite.

How RLAM identifies, assesses and manages climate-related risks

Emerging and strategic risk assessments

As part of RLAM's risk management and identification processes, emerging and strategic risks were regularly reviewed during 2023 by our Executive Committee. These reviews identify emerging and strategic risks that could impact RLAM's ability to carry out our business, execute our strategy and service our clients. Risks are assessed on potential impact, their probability, timeframe to occur and whether their trajectory is increasing or decreasing.

At present, we are monitoring specific emerging risks around meeting client requirements on ESG and net zero commitments, as well as evolving and increasingly federalised regulatory approaches to ESG and net zero. We are also working on approaches to mitigate these risks. We continues to evolve our metrics to monitor these risks. There are two main metrics used. One is to measure portfolio emissions against a linear decarbonisation curve and the second is the level of engagement we have with the firms we invest in. These metrics are monitored by clearly assigned owners in RLAM, and are reported as part of strategic and emerging risk reporting to the RLAM Business Risk Committee and form part of reporting to the Royal London Group.

Risks associated with climate change are captured as part of RLAM's Internal Capital Adequacy and Risk Assessment (ICARA). The ICARA is used to determine the potential impact of material harms identified across RLAM's risk profile on our business plan. The impact of climate change transition risk and responsible investment are examined as one of the scenarios in the ICARA stress testing process. The scenario examines the potential impact of increasing climate-related reporting requirements and client expectations to integrate ESG and climate change into the investment decision making process. It quantifies the risk of falling behind our competitors in achieving this integration and the resulting negative impact this could have on RLAM's financial position over the duration of our business plan.

Investment risk management

Climate change might affect investment returns on assets that we manage for our clients. In our approach, RLAM integrates material ESG analysis, including climate change, into our investment process to support and enhance risk-adjusted returns. We seek to address and mitigate climate investment risks in three ways:

- ensure climate risk is integrated into our risk appetite framework
- integrate material ESG issues, including climate risk, into our investment decision making
- actively steward clients' capital and use proxy voting and engagement as tools to highlight potential climate risks and influence company, tenant and regulator behaviour, as described in the Strategy section of this report on page 15.

During 2023, a programme of work was completed to embed responsible investment into RLAM's business. This will help us to manage reputational and commercial risks by ensuring there is a clear responsible investment strategy and product framework, as well as the right resources and operating model to meet client needs. RLAM is also working towards developing a Climate Transition Plan in conjunction with RLMIS – find more on page 20.

Property investment risk management

Across real estate, the impacts of climate change, the metrics used to measure these impacts, and the management response required differ significantly from other asset classes. The typical lifespan of property assets, the speed of change in portfolios and the complex technical nature of interventions require long time horizons when assessing climate-related risks and opportunities, and our strategic response to these. Climate models forecast an increase in the impacts of climate-related physical risks in the future, such as increased damages from flooding and overheating. Simultaneously, the UK's shift to a low-carbon society will require an increase in regulations, including the introduction of a Minimum Energy Efficiency Standard (MEES). This requires improvements in the designed energy efficiency and for real estate markets to price in operational performance.

During 2023, RLAM continued to focus on minimising climate risk across our properties. We commenced flood risk assessments across all assets, as part of our triennial portfolio-wide review. These assess flood risk in the present day and in the future using climate change projections. These assessments will inform us of where mitigation measures are required, along with identifying properties that need more in-depth assessments due to their higher risk rating. In 2023, RLAM also completed 22 net zero carbon audits across our multi-let offices, analysing their operational performance against industry best-practice benchmarks, such as the Carbon Risk Real Estate Monitor's 1.5-degree warming trajectory. These audits have enabled us to identify any necessary interventions to implement at the property for us to achieve net zero carbon, reducing transitional risk. Find more details in RLAM's Property Net Zero Carbon Pathway Progress Report (2022).

Operational risk management

Operational risk resulting from climate risk is managed in partnership with Royal London Group, through shared services, infrastructure and the buildings we operate from.

Royal London Asset Management Limited Report *continued*

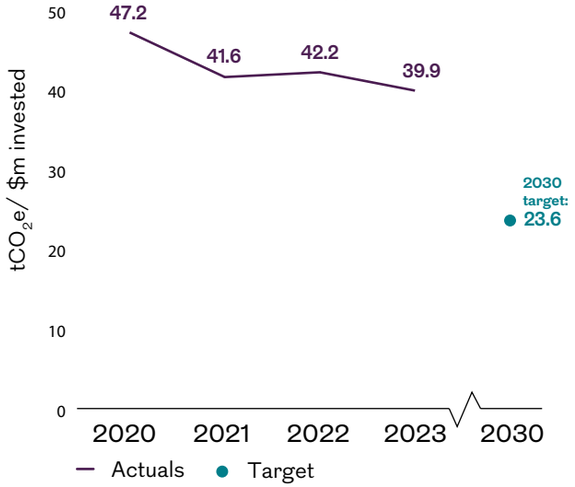
Metrics and targets[1]

Climate commitments

At the heart of RLAM's approach is our commitment to achieving net zero by 2050 and reducing our carbon equivalent emissions by 50% by 2030 for our in-scope assets, using 2020 as the baseline year. In-scope assets are those in funds managed and controlled by RLAM and segregated mandates where clients have made explicit commitments to net zero.

Our intention is to decarbonise RLAM's in-scope directly managed funds in line with the real economy. RLAM will also work closely with our segregated clients towards this goal where they have made explicit public commitments to net zero.

Figure 14: RLAM carbon footprint and mid-term reduction target



Our efforts are focused on supporting the decarbonisation of the constituents of RLAM's funds through engagement (and not decarbonising our portfolio regardless of the real economy). The commitment is based on the expectation that governments and policymakers will deliver on commitments to achieve the goals of the Paris Agreement. It also assumes this action does not contravene RLAM's fiduciary duty to external investors. The commitment is baselined on the year 2020 and is being tracked using Scope 1 and 2 carbon footprint (tCO_2e/$m invested) using EVIC as an attributing factor for our corporate fixed income and equities assets.

To track progress, we use carbon footprint (tCO_2e/$m invested) as the main metric for our in-scope listed equity and corporate fixed income assets. The methodology used to calculate carbon footprint can be found in Appendix II.

RLAM's carbon footprint reduced 5% year-on-year in 2023, with a 15% reduction since 2020 (see Figure 14). Changes in the portfolio weighting between different companies accounts for the majority of the reduction since 2020. It is not currently possible to determine how much of these emissions reductions will be sustained in the long term or have resulted in emissions being transferred to other companies.

Net zero engagement

RLAM prioritises engagement with the highest emitting companies across our assets, by looking at all emissions scopes, namely Scope 1, 2 and 3. This ensures engagement focuses on a business full climate transition risk and impact. We are committed to engaging with companies in our corporate fixed income and listed equity holdings that represent 70% of our Scope 1, 2 and 3 financed emissions by 2030.

In 2023, RLAM engaged with 223 companies on climate (278 engagements)[2] – covering 65% of financed emissions in its in-scope listed equity and corporate fixed income assets. These interactions were carried out directly by RLAM or through collaborative partnerships with other investors, enabling us to reach a larger number of companies. There are different ways of engaging with companies, this can either be in a one-to-one meeting with the company or through sending a letter.

RLAM's Net Zero Stewardship Programme focuses on engaging the largest emitters in our portfolio, as measured by our aggregated Scope 1, 2 and 3 financed emissions. In 2023, we strategically targeted 36 of these highest-emitting companies for engagement, resulting in 93 interactions. Find further details on RLAM's 2023 net zero engagements on pages 24-25 of our Stewardship and Responsible Investment Report.

Net zero property

For directly managed property assets, RLAM has committed to achieve net zero by 2030, and by 2040 for indirectly managed property assets.

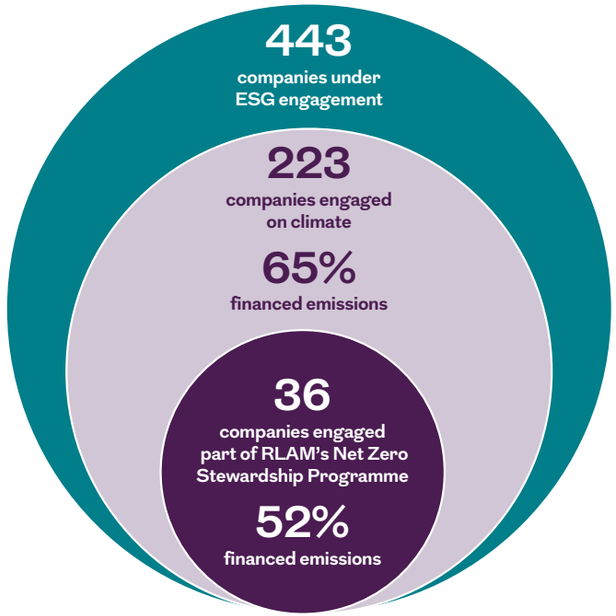
Since publishing our Net Zero Carbon Pathway in 2021, we have made significant progress towards our goals by implementing a number of strategic programmes. We have undertaken net zero carbon audits across 22 of our multi-let offices, analysing their operational performance to create asset-level decarbonisation pathways. We have completed 290 Energy Performance Certificate (EPC) Building Upgrade Reports across any property with an EPC rating below a B to understand the interventions required to improve its EPC rating to a B or above, reducing our transitional risk against the Minimum Energy Efficiency Standards (MEES). Additionally, we have been increasing efforts to engage with occupiers on sustainability and net zero carbon initiatives that will help us achieve our goals. This includes encouraging occupiers to share their utility consumption data, discussing installing solar photovoltaic (PV) panels on their properties to generate onsite renewable energy for their use, and understanding their own corporate ESG goals to identify how we can work collaboratively towards improving the performance of our properties.

1. Data in the entity-level report is subject to rounding.
2. The number of engagements is often higher than number of companies engaged as we may write to or meet with the same company more than once on climate-related issues.

Net zero operational emissions

On page 13, Royal London Group sets out its targets for operational emissions (Scope 1, 2 and 3 excluding category 15). RLAM, as part of Royal London Group, shares the same operational emissions targets with the delivery of these targets led by the Royal London Group.

Find the disclosure of metrics and progress to date on page 50.



Assets under management

The Royal London Group's AUM as at 31 December 2023 was £162bn, of which £157bn are assets internally managed by RLAM on behalf of RLMIS and external clients. We analysed climate metrics in the following asset classes: listed equity, corporate fixed income, sovereign bonds and property. All climate data was collated as at 31 December 2023, with the exception of RLAM's property portfolio. The data reported relating to RLAM's property assets is as at 30 September 2023, in line with property reporting standards. Throughout this report, our exposure to these asset classes is compared with composites of relevant equity and fixed income benchmarks. The analysis of the carbon emissions of RLAM's AUM excludes cash, certificate of deposits, commodities and derivatives. These excluded asset classes account for 6% of our AUM collectively (shown as 'Other' in Figure 15).

Figure 15: RLAM's internally managed AUM[1]

Listed equity	41%
Corporate fixed income	36%
Sovereign bonds	13%
Other	6%
Property	5%

1. Rounded to the nearest 1%.

Analysis

Corporate fixed income and listed equity

For our listed equity and corporate fixed income assets, RLAM discloses carbon footprint, financed emissions, and Weighted Average Carbon Intensity (WACI) metrics. Since 2020, RLAM's assets have consistently been 28-43% lower than the benchmarks across all three metrics. These metrics aggregate our exposure to Scope 1 and 2 emissions from investee companies' operations. When exposure to Scope 3 emissions from the full value chain of investee companies is included, the difference between RLAM's assets and the benchmark narrows, however our metrics were still consistently lower. For Scope 1, 2 and 3 financed emissions, RLAM's assets were around 25% lower than the benchmark.

We tracks progress against our net zero target using our carbon footprint metric. The carbon footprint of RLAM's listed equity and corporate fixed income assets started at a lower position than the benchmark in 2020 (our baseline year). This makes reducing RLAM's carbon footprint more challenging – as it reflects that we already had a preference for companies with lower emissions than the benchmarks from which we typically have to choose companies to invest in. The carbon footprint of the benchmark reduced by 24% since 2020 (including an 8% reduction since 2022), whilst RLAM's portfolio carbon footprint reduced by 15% since 2020 (including a 5% reduction since 2022).

Table 17 (see page 64) and Figures 16, 17 and 18 detail changes in the carbon footprint, financed emissions and WACI of RLAM's portfolio. These are due to changes in:

- **Emissions disclosures:** Portfolio coverage for WACI Scope 1 and 2 emissions improved to 95.9% in 2023, compared with 78.1% in 2020. For the carbon footprint metric, this increased to 76.9% in 2023 from 66.4% in 2020, with the lower coverage reflecting that this metric does not cover credit exposure to private companies. Improvements in investee companies' reporting of emissions typically reduces RLAM's portfolio emissions metrics. This is because we re-weight the portfolio up to 100% in the absence of full coverage because the highest-emitting companies have disclosed Scope 1 and 2 emissions earlier than smaller companies and/or companies for which emissions are less material.
- **RLAM's portfolio of investments:** Changes in our portfolio emissions can be driven by our fund managers exercising active management, investing in new companies, or divesting certain companies and tilting the portfolio away or towards higher-emitting sectors within their mandates. Changes also occur to our overall portfolio due to client preferences driving capital allocation to RLAM funds with a lower or higher carbon footprint, or due to clients specifically instructing emissions reduction targets.
- **Investee companies' financials or business structure:** There can be changes to the EVIC of the companies RLAM invest in, driven either by changes to a company's market value or its debt issuance. This means that we own a changing portion of the company's emissions. The revenues of investee companies are notably volatile and increase due to inflation or commodity cycles. Investee companies' emissions can also change due to a company buying or selling polluting assets from another company that may or may not be held in the RLAM portfolio (although note that this would not result in a change in the total emissions of the real economy).
- **Investee companies' emissions from sustained or incremental reductions:** Realising a sustained change in corporate emissions, through the implementation of emissions-reducing strategies, can support whole-economy decarbonisation and as a consequence, engaging to encourage this change is a key priority for RLAM.

Figure 16: RLAM carbon footprint (Scope 1 and 2)

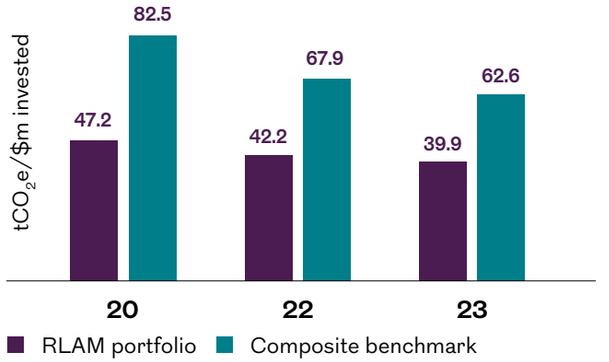


Figure 17: RLAM financed emissions (Scope 1 and 2)

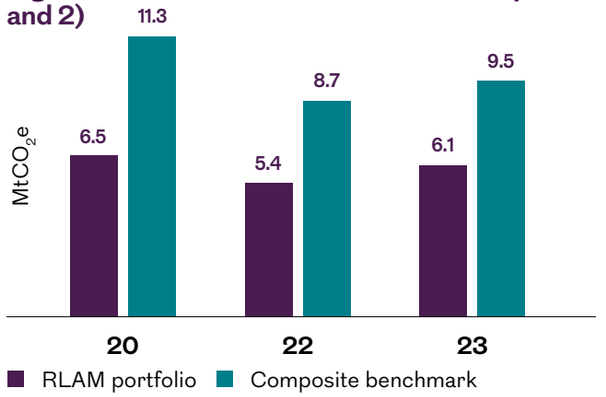
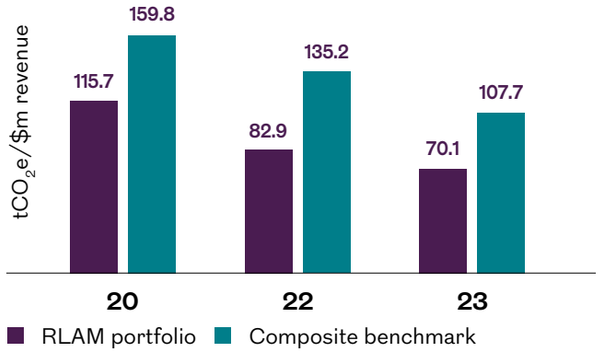


Figure 18: RLAM WACI (Scope 1 and 2)[1]



1. Source: RLAM and MSCI as at 31 December 2023. Portfolio refers to corporate fixed income and equity.

Table 16: Data coverage of RLAM's corporate fixed income, listed equity and sovereign debt portfolio metrics

Coverage metrics (% holdings)	2020	2022	2023
Financed emissions and carbon footprint Scope 1 and 2	66.5%	75.4%	**76.9%**
WACI Scope 1 and 2	78.1%	89.0%	**95.9%**
Financed emissions Scope 3 (estimated)	66.4%	75.3%	**76.9%**
Sovereign debt emissions	98.5%	98.7%	**99.8%**

Table 16 presents the data coverage for Figures 16 -18. The majority of data for Scope 1 and 2 in 2023 is reported by the companies in which RLAM invests, supplied by our third-party data provider MSCI. RLAM analysts also conduct research to enhance coverage, collecting data reported by companies that is not captured by MSCI. The remaining emissions data is estimated or unavailable. Estimates for Scope 1 and 2 data are provided by both MSCI and RLAM analysts, while Scope 3 data is entirely estimated by MSCI. Find more information in Appendix II.

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Table 17: RLAM portfolio emissions disclosure[3]

Metrics	**Year ended 2023**	Year ended 2022	Year ended 2020 (baseline)	**Year-on-year change**	Change against baseline
Corporate fixed income and listed equity					
Scope 1 and 2 emissions					
WACI (tCO_2e/$m revenue)	**70.1**	82.9	115.7	**-15%**	-39%
Benchmark[1] WACI (tCO_2e/$m invested)	**107.7**	135.2	159.8	**-20%**	-33%
WACI RLAM versus benchmark[1]	**-35%**	-39%	-28%		
Financed emissions ($MtCO_2e$)	**6.1**	5.4	6.5	**13%**	-6%
Benchmark[1] financed emissions ($MtCO_2e$)	**9.5**	8.7	11.3	**9%**	-16%
Financed emissions RLAM versus benchmark[1]	**-36%**	-38%	-42%		
Carbon footprint (tCO_2e/$m invested)	**39.9**	42.2	47.2	**-5%**	-15%
Benchmark[1] carbon footprint (tCO_2e/$m invested)	**62.6**	67.9	82.5	**-8%**	-24%
Carbon footprint RLAM versus benchmark[1]	**-36%**	-38%	-43%		
Scope 3 emissions					
Financed emissions (estimated) ($MtCO_2e$)	**52.1**	45.4	48.8	**15%**	7%
Benchmark[1] financed emissions (estimated) ($MtCO_2e$)	**67.6**	59.0	65.5	**15%**	3%
Financed emissions (estimated) RLAM versus benchmark[1]	**-23%**	-23%	-25%		

Metrics	**Year ended 2023**	Year ended 2022	Year ended 2020 (baseline)	**Year-on-year change**	Change against baseline
Scope 1, 2 and 3 emissions					
Financed emissions (estimated) ($MtCO_2e$)	**58.2**	50.8	55.3	**15%**	5%
Benchmark[1] financed emissions (estimated) ($MtCO_2e$)	**77.1**	67.6	76.7	**14%**	1%
Financed emissions (estimated) RLAM versus benchmark[1]	**-25%**	-25%	-28%		
Sovereign debt emissions					
Financed emissions ($MtCO_2e$)	**5.8**	5.8	8.0	**0%**	-28%
Benchmark[2] financed emissions ($MtCO_2e$)	**5.8**	5.8	7.6	**0%**	-24%
Financed emissions RLAM versus benchmark[2]	**0%**	0%	5%		
Production emissions intensity (tCO_2e/$m GDP nominal)	**143.9**	147.8	158.2	**-3%**	-9%
Benchmark[2] production emissions intensity (tCO_2e/$m GDP nominal)	**142.2**	147.5	157.8	**-4%**	-10%
Production emissions intensity RLAM versus benchmark[2]	**1%**	0%	0%		
Consumption emissions intensity (tCO_2e/capita)	**10.9**	10.5	10.8	**4%**	1%
Benchmark[2] consumption emissions intensity (tCO_2e/capita)	**10.7**	10.4	10.6	**3%**	1%
Consumption emissions intensity RLAM versus benchmark[2]	**2%**	1%	2%		

1. Corporate fixed income benchmark is the ICE BofA Sterling Non-Gilt Index and ICE BofA BB-B Global Non-Financial High Yield Constrained Index and the listed equity benchmark is a composit of all Royal London Asset Management equity fund benchmarks, including for example FTSE All-Share Index and MSCI ACWI.
2. Sovereign debt benchmark is the FTSE Actuaries UK Conventional Gilts All Stocks Index and JPM GLOBAL – All Maturities Ex United Kingdom.
3. Data subject to rounding conventions and may not always equal.

Royal London Asset Management Limited Report *continued*

Figures 19, 20 and 21 provide further breakdown of the WACI of RLAM's portfolio in 2023 by sector and asset class. Our corporate fixed income assets continue to have lower emissions than the benchmark and have lower emissions than our listed equity investments, with the latter contributing twice as much to the overall entity WACI for RLAM.

For our listed equity assets, more than 70% of the WACI was concentrated in four sectors: materials, utilities, energy and industrials. Our corporate fixed income assets WACI was even more concentrated, with two sectors contributing just under 70% of the carbon intensity: utilities and general industrials.

Sovereign debt

Climate transition risk within RLAM's sovereign bond assets can be monitored by taking a view of sovereigns' abilities to repay their debt if exposed to increased climate impacts – for example, impacts due to changes in demand for fossil fuels or the growth of new low-carbon technologies. The process of assessing climate transition risk within sovereign bonds is more complex than within corporate credit. However, national emissions inventories are widely available as countries report contributions to climate change to the United Nations. These high-quality data sources mean it is easier to assess country contributions to climate change than corporate contributions.

In 2023, RLAM – like RLMIS – used three metrics recommended by PCAF to assess sovereign bond emissions in its portfolios:

- Sovereign debt emissions, which includes all emissions from production and imports
- Sovereign debt production intensity
- Sovereign debt consumption intensity.

As a consequence, the information provided in this section and adjacent tables for sovereign debt is not comparable with previous years' disclosures. Find more details on the methodology behind each metric in Appendix II.

In 2023, RLAM performed better than the benchmark for sovereign debt emissions, but lower than the benchmark for sovereign debt product emissions intensity and consumption emissions intensity. The biggest improvement was in sovereign debt emissions in absolute terms, with a 30% reduction since 2020. Sovereign debt production emissions also decreased by 12% since 2020. Sovereign debt consumption emissions density increased by 1% since 2020.

While the production and consumption intensity metrics have different denominators and, therefore, are not comparable, an increase in consumption intensity with a decrease in production intensity could be linked to countries, for example OECD, offshoring of high-intensity industries to emerging markets as a consequence of globalisation. This would result in a relative lower exposure to production than consumption emissions (although note the values are not comparable due to different denominators).

The five countries that are the largest contributors to RLAM's sovereign debt production emissions intensity have reduced their emissions since 2020, as shown in Figure 22. However the UK is by far the largest contributor to our portfolio emissions, as 75% of RLAM's sovereign debt assets are invested in gilts. The carbon intensity of UK sovereign debt production emissions is low relative to other countries' debt in which we invest (such as Australia, USA and Japan), and the UK has ambitious decarbonisation policies alongside legal targets agreed by all the main political parties in support of its commitment to reach net zero by 2050. If these policies are implemented effectively, they could deliver the expected decarbonisation in a less disorderly fashion.

Figure 19: RLAM corporate fixed income portfolio WACI split by sector[1]

Utility	38.6%
General industrials	29.3%
Structured	11.6%
Consumer services	7.9%
Real estate	3.3%
Social housing	2.6%
Other[2]	2.0%
Telecommunications	1.7%
Banks and financial services	1.6%
Consumer goods	1.3%

Figure 20: RLAM listed equity portfolio WACI split by sector[1]

Materials	26.8%
Utilities	20.1%
Energy	18.3%
Industrials	13.0%
Information technology	7.4%
Consumer discretionary	4.1%
Consumer staples	3.0%
Financials	2.5%
Healthcare	2.3%
Real estate	1.3%
Communication services	1.2%

Figure 21: RLAM 2023 WACI (Scope 1 and 2)[3]

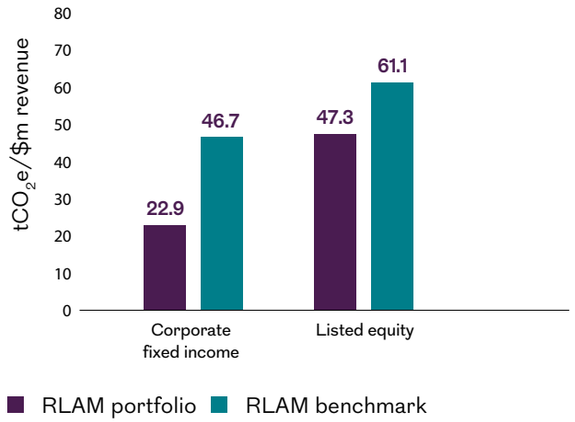
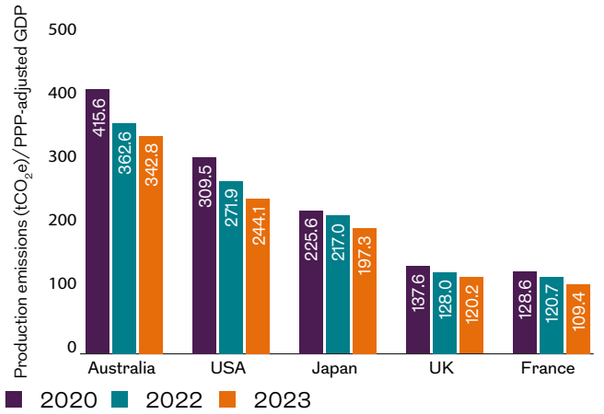


Figure 22: Top five countries contributing to RLAM's sovereign debt production emissions intensity[4]



1. Source: RLAM and MSCI as at 31 December 2023. Values may not add to 100% due to the nature of rounding.
2. 'Other' includes supranational and agencies, covered, insurance and uncategorised sectors.
3. Source: RLAM and MSCI as at 31 December 2023.
4. Source: RLAM and MSCI as at 31 December 2023. Data for sovereign emissions in our portfolio is lagged one year. For example, this 2023 Climate Report report uses 2022 sovereign emissions data.

Royal London Asset Management Limited Report *continued*

Property

In 2023, emissions from RLAM's property investments decreased by 19% against our previous reporting year, with the greatest reduction in Scope 3 emissions. This is mainly attributed to a 57% decrease in Capital Goods emissions (Scope 3 category 2) compared to 2022. This largely represents embodied carbon emissions and is reflective of only one development project practically completing in 2023, Springfield Business Park in Chelmsford, compared with three in the previous year. A 6% reduction in whole building energy intensity highlights our efforts to improve the operational performance of our properties. This includes implementing a Building Management System (BMS) optimisation programme across a number of our multi-let offices and undertaking net zero carbon audits to improve the energy efficiency of our properties.

We have also made great efforts to improve the EPC profile of our properties, with the ultimate aim of reducing our transitional risk against the Minimum Energy Efficiency Standard (MEES) requiring an EPC rating of E or above and potential further regulation requiring an EPC rating of B or above from 2030. Across the property portfolio, the proportion of our total floor area with an EPC A or B rating increased by 5%. Another key aim has been to obtain EPCs across all of our properties to determine those that may face regulatory risk. As of September 2023, we now only have three units with no EPC rating, compared with 351 units in the previous year. This is a significant achievement.

Refer to page 72 and Appendix II for methodology description.

Table 18: RLAM property portfolio emissions disclosure[4]

	Royal London Pension Property Fund (RLPPF)			Royal London UK Real Estate Fund (RLUKREF)			Royal London Property Fund (RLPF)			Elli Healthcare Properties Limited	Total		
	2023[1]	2022[2]	Year-on-year change	**2023[1]**	2022[2]	Year-on-year change	**2023[1]**	2022[2]	Year-on-year change	**2023[1]**	**2023[1]**	2022[2]	Year-on-year change
AUM (£m)[3]	**4,645.7**	5,548.5	-16%	**2,917.4**	3,493	-16%	**344.2**	422.2	-18%	**190.7**	**8,098.1**	9,463.6	-14%
Absolute (kWh)													
Total electricity	**160,159,776**	163,469,381	-2%	**73,019,986**	63,544,684	15%	**11,188,966**	11,036,931	1%	**1,073,113**	**245,441,841**	238,050,996	3%
Total fuel	**74,316,302**	96,005,497	-23%	**29,010,555**	33,179,115	-13%	**2,734,708**	2,469,854	11%	**711,875**	**106,773,440**	131,654,466	-19%
Energy intensity (kWh/m²)													
Total like-for-like building energy intensity by floor area	**137**	150	-9%	**144**	137	5%	**102**	96	6%	**46**	**135**	143	-6%
GHG emissions (tCO_2e)													
Scope 1	**2,557**	2,505	2%	**768**	1,056	-27%	**84**	90	-7%	**–**	**3,409**	3,652	-7%
Scope 2 (location-based)	**3,731**	3,957	-6%	**1,083**	1,048	3%	**261**	242	8%	**–**	**5,075**	5,246	-3%
Scope 3	**68,029**	119,553	-43%	**26,335**	21,618	22%	**3,905**	3,912	0%	**17,373**	**115,642**	145,082	-20%
Total GHG emissions	**74,317**	126,015	-41%	**28,186**	23,722	19%	**4,250**	4,244	0%	**17,373**	**124,125**	153,981	-19%
GHG intensity ($kgCO_2e/m^2$)													
Total GHG emissions intensity by floor area	**43**	73	-41%	**40**	34	19%	**31**	31	0%	**446**	48	60	-20%

1. Investment property reporting period for 2023 data is Q4 2022 – Q3 2023.
2. Investment property reporting period for 2022 data is Q4 2021 – Q3 2022.
3. AUM data as at 30 September 2023 and 30 September 2022.
4. Data subject to rounding conventions and may not always equal.

Fossil fuels and green revenues

Tables 19 and 20 present our exposure to fossil fuels and green revenues within RLAM corporate fixed income and listed equity assets using data from our third-party provider. Although these metrics can be helpful for indicative purposes in disclosures, we acknowledge that they are overly simplistic and does not, therefore, use them in investment decisions. We will continue evaluating the metrics we use to track these activities and to report more meaningful and granular metrics as these become available.

Fossil fuels

For all types of fossil fuels, where the data is available, RLAM's portfolio has on average around a 32% lower exposure to fossil fuel-related activities[2] than the composite benchmark (see page 77). In particular, this is driven by low exposure to fossil fuel-related activities within the corporate credit portion of our portfolio. On average across the different types of fossil fuel exposures measured in Table 19, the corporate credit portion of RLAM's AUM has around 74% lower exposure to fossil fuels than the benchmark, while the listed equity portion of our AUM has around 20% lower exposure than the benchmark.

Green revenues

In Table 20, 'climate change solutions' measures the percentage of companies (by value) held in the portfolio that generate any revenues from renewable energy, energy efficiency or green buildings. 'Natural capital solutions' measures the percentage of companies (by value) that generate any revenues from sustainable water and agriculture and/or pollution prevention. (Find more detail of these in Appendix II.)

There is sometimes overlap between companies with green revenue and those with fossil fuel revenues. On average, RLAM has 9% lower exposure to companies with climate and natural capital solutions compared to the benchmark. This is largely due to lower exposure to such solutions in our corporate fixed income assets, which have around 57% lower exposure relative to the benchmark. In contrast, our listed equity assets are more exposed to opportunity from climate change and natural capital solutions, with a 8% higher exposure compared to the benchmark.

Table 19: RLAM exposure to fossil fuel activities[1]

Metric[2]	% of total portfolio	Composite benchmark
Oil and gas exposure	8%	12%
Oil and gas extraction and production	4%	5%
Arctic oil and gas production	2%	2%
Shale oil and gas production	3%	4%
Thermal coal production	1%	1%
Metallurgical coal production	1%	1%
Thermal coal generation	2%	3%
Tar oil sands	2%	3%
Data coverage[3]	85%	87%

Table 20: RLAM exposure to green revenues[1]

Metric	% of total portfolio	Composite benchmark
Companies with any exposure to climate change solutions	23%	26%
Companies with any exposure to natural capital solutions	6%	6%
Data coverage	85%	87%

1. Source: RLAM and MSCI as at 31 December 2023. Portfolio refers to corporate fixed income and listed equity. Coverage according to RLAM's data provider MSCI.
2. These metrics measure the percentage of instruments (by value) held in the portfolio that have any exposure to revenues from fossil fuel activities, as defined in the Appendix II. They do not measure the total revenue derived from these activities.
3. The data coverage for these metrics is 85% for RLAM and 87% for the benchmark. We note there will be overlap across these categories. Some categories may even be wholly captured within another, e.g. Arctic oil and gas exposure within the oil and gas category. In addition, companies may be involved in a range of fossil fuel activities.

Forward-looking and portfolio alignment climate metrics

To help evaluate or project the future emissions of a portfolio, RLAM reports the following metrics:

- Implied Temperature Rise (ITR)
- Science Based Targets initiative (SBTi)-alignment

Find the methodologies, limitations and assumptions underpinning these metrics in Appendix II.

In addition to these metrics, we monitor the alignment of companies within our portfolio to the Net Zero Investment Framework as part of our Net Zero Stewardship Programme. We use our Responsible Investment Climate Transition Assessment to assess credible climate transition plans of our highest emitters.

Implied Temperature Rise (ITR)

While we acknowledge the limitations with ITR models, we use ITR to track the percentage of RLAM's investment portfolio that is operating in alignment with limiting global temperature rises to 1.5°C and 2°C. Using ITR alongside other metrics can create a more holistic view of the trajectory of our investee companies. This is a metric also suggested or expected by some of our clients.

Table 21 illustrates an improving trajectory for ITR metrics. Our data provider considers 62% of RLAM's portfolio to be aligned with a 2°C pathway in 2023, an increase of 5% compared to 2022.

In 2023, we have also seen an improvement in the proportion of RLAM's investment portfolio considered aligned with a 1.5°C pathway, which assumes companies will follow emissions reduction trajectories that reach net zero by 2050 at the latest. It is not possible to assess whether the improvement is due to decision making by our fund managers, improvements in the targets set by investee companies, or due to changes to the methodology used by our data provider.

Science Based Targets initiative (SBTi)-alignment

Table 22 shows that 28% of companies by portfolio value in RLAM's listed equity and corporate fixed income holdings have set SBTi-aligned near-term targets. Of those with SBTi-verified targets, the majority (24%) are verified as aligned to 1.5°C and a minority (4%) are verified as consistent with below 2°C. SBTi's assessment of its own data at the end of 2022 found that among all companies with SBTi targets, 79% had set targets aligned to 1.5°C for Scope 1 and 2.

Companies committed to near-term targets have 24 months to submit targets to SBTi for validation. SBTi has removed companies from its data set that committed to setting targets but have not since advanced by submitting targets for verification. This removal may partially explain why there was a reduction in the portfolio value of companies committed to set near-term targets in 2023. Changes in RLAM's investments may be another explanation for the changes in our year-on-year SBTi-alignment metrics.

Although RLAM takes note of holdings that align with science-based sector-specific alignment methodologies, we recognise the limitation of doing so (see page 44). RLAM does not believe it to be essential for all companies to set a target that is specifically labelled as SBTi-approved. This metric is, therefore, considered alongside our other portfolio alignment metrics to create a holistic view of the trajectory of our investee companies. This approach is also suggested or expected by some of our clients.

Climate Value-at-Risk (C-VaR)

Climate change scenario analysis can be used to identify the risks and opportunities associated with climate change and the impact these could have on RLAM's investment portfolios. We have performed our analysis using integrated assessment models to calculate the C-VaR under different scenarios. Find further details of the methodology and results on page 77.

Table 21: RLAM ITR[1]

Metric		2023	2022	Year-on-year change
Implied Temperature Rise below 1.5°C	% value in portfolio	**39%**	28%	39%
Implied Temperature Rise below 2°C	% value in portfolio	**62%**	59%	5%

1. Source: RLAM and MSCI as at 31 December 2023. Portfolio refers to corporate fixed income and equity. Rounded to the nearest 1%.

Table 22: RLAM SBTi-alignment[2]

Metric	2023	2022	Year-on-year change
Companies with near-term 1.5°C SBTi targets (% value of portfolio)	**24%**	17%	41%
Companies with near-term 2°C SBTi targets (% value of portfolio)	**4%**	3%	33%
Companies committed to near-term targets	**11%**	14%	-21%
Total near-term targets data coverage	**38%**	35%	

2. Source: RLAM and MSCI as at 31 December 2023. Portfolio refers to corporate fixed income and equity. Data coverage refers to the % value of the portfolio where data is available. Rounded to the nearest 1%.

RLUM Limited: Entity-level report

RLUM Limited (RLUM) is an FCA-regulated unit trust manager. A wholly owned indirect subsidiary of RLMIS, RLUM has appointed its affiliated company RLAM to manage its funds in line with an investment management agreement between RLUM and RLAM (see page 4 for an overview of the Royal London Group). It is overseen by the RLUM Board, with its climate disclosures subject to internal governance in conjunction with RLMIS and RLAM.

In 2023 it was agreed that, from April 2024, the oversight of the RLUM business would move to Royal London Asset Management Group.

Compliance statement

The disclosures for RLUM, including any Group disclosures cross-referenced, comply with the requirements under the FCA's ESG sourcebook regulation (ESG 1A and ESG 2). No third-party climate disclosure reports are referenced in this report. We use data supplied by third-party providers and the nature of this means that, whilst we take reasonable efforts to evaluate data, there are limits to our ability to oversee the validity and accuracy of the data used.

Hans Georgeson
Chief Executive Officer, RLUM

Governance, strategy and risk management

Governance, strategy and risk activities are carried out by the Royal London Asset Management Group on behalf of RLUM, under the oversight of the RLUM Board (see page 58 for an overview of Royal London Asset Management Group). For these activities we refer investors to RLAM's entity-level report (see page 55), which provides full disclosure on activities that cover RLUM.

RLUM does not have any direct employees or premises, with all activity carried out by Royal London Group staff in Royal London Group premises. As such, RLUM's operations form part of Royal London Group operations, and any metrics and targets from a Group operational perspective include RLUM activity.

RLUM climate metrics

We disclose a selected number of metrics across the RLUM portfolio, shown in Table 23. This table details the total emissions from all RLUM fund holdings.

Table 23: RLUM corporate listed equity and fixed income metrics[1]

Metric	Units	**2023 value**	2022 value	Year-on-year change
Financed emissions (Scope 1 GHG)	$MtCO_2e$[2]	**0.3**	0.3	0%
Financed emissions (Scope 2 GHG)	$MtCO_2e$	**0.1**	0.1	0%
Financed emissions (Scope 3 GHG (reported))	$MtCO_2e$	**4.3**	4.4	-2%
Financed emissions (Scope 3 GHG (estimated))	$MtCO_2e$	**3.1**	2.9	7%
Financed emissions (Scope 1, 2 and estimated Scope 3)	$MtCO_2e$	**3.4**	3.3	3%
Carbon footprint (Scope 1 and 2)	tCO_2e/$m invested	**21.3**	24.2	-12%
Weighted Average Carbon Intensity (WACI) (Scope 1 and 2)	tCO_2e/$m revenue	**48.8**	68.9	-29%

1. Source: RLAM and MSCI. As at 31 December 2023 and 31 December 2022. Data subject to rounding conventions and may not always equal.
2. Million tonnes of CO_2 equivalent.

TCFD disclosures for RLUM funds
These are available on the RLAM Fund Centre website located here.

Royal London Unit Trust Managers Limited: Entity-level report

Royal London Unit Trust Managers Limited (RLUTM) is an FCA-regulated fund management company. A wholly owned indirect subsidiary of RLMIS, RLUTM has appointed its affiliated company RLAM to manage its funds in line with an investment management agreement between RLUTM and RLAM (see page 4 for an overview of the Royal London Group). It is overseen by the RLUTM Board, with its climate disclosures subject to internal governance in conjunction with RLMIS and RLAM.

Compliance statement

The disclosures for RLUTM, including any Group disclosures cross-referenced, comply with the requirements under the FCA's ESG sourcebook regulation (ESG 1A and ESG 2). No third-party climate disclosure reports are referenced in this report. We use data supplied by third-party providers and the nature of this means that, whilst we take reasonable efforts to evaluate data, there are limits to our ability to oversee the validity and accuracy of the data used.

Hans Georgeson
Chief Executive Officer,
Royal London Unit Trust Managers

Governance, strategy and risk management

Governance, strategy and risk activities are carried out by the Royal London Asset Management Group on behalf of RLUTM, under the oversight of the RLUTM Board (see page 58 for an overview of Royal London Asset Management Group). For these activities we refer investors to the RLAM entity-level report (see page 55), which provides full disclosure on activities that cover RLUTM.

RLUTM does not have any direct employees or premises, with all activity carried out by Royal London Group staff in Royal London Group premises. As such, RLUTM's operations form part of Royal London Group operations, and any metrics and targets from a Group operational perspective include RLUTM activity.

RLUTM climate metrics

We disclose a selected number of metrics across the RLUTM portfolio, as shown in Table 24. This table details the total emissions from all RLUTM non-property fund holdings. Refer to page 72 and Appendix II for methodology description.

Table 24: RLUTM corporate listed equity and fixed income metrics[1]

Metric	Units	**2023 value**	2022 value	Year-on-year change
Financed emissions (Scope 1 GHG)	$MtCO_2e$[2]	**2.4**	2.1	14%
Financed emissions (Scope 2 GHG)	$MtCO_2e$	**0.6**	0.6	0%
Financed emissions (Scope 3 GHG (reported))	$MtCO_2e$	**28.2**	27.9	1%
Financed emissions (Scope 3 GHG (estimated))	$MtCO_2e$	**25.5**	23.4	9%
Financed emissions (Scope 1, 2 and estimated Scope 3)	$MtCO_2e$	**28.6**	26.0	10%
Carbon footprint (Scope 1 and 2)	tCO_2e/$m invested	**42.9**	44.3	-3%
WACI (Scope 1 and 2)	tCO_2e/$m revenue	**74.5**	83.9	-11%

1. Source: RLAM and MSCI. As at 31 December 2023 and 31 December 2022. Data subject to rounding conventions and may not always equal.
2. Million tonnes of CO_2 equivalent.

TCFD disclosures for RLUTM funds
These are available on the RLAM Fund Centre website located here.

Energy and GHG emissions for RLUTM property funds

For RLUTM real estate funds, the impacts of climate change, the metrics used to measure climate change and the management response required differ significantly from all other asset classes. These are, therefore, disclosed separately in Table 25.

Table 25: RLUTM property metrics[1]

	Royal London UK Real Estate Fund (RLUKREF)			Royal London Property Fund (RLPF)			Total		
	2023[2]	2022[3]	Year-on-year change	**2023[2]**	2022[3]	Year-on-year change	**2023[2]**	2022[3]	Year-on-year change
AUM (£m)[4]	**2,917.4**	3,493	-16%	**344.2**	422.2	-18%	**3,261.7**	3,915.2	-17%
Absolute (kWh)									
Total electricity	**73,019,986**	63,544,684	15%	**11,188,966**	11,036,931	1%	**84,208,952**	74,581,615	13%
Total fuel	**29,010,555**	33,179,115	-13%	**2,734,708**	2,469,854	11%	**31,745,263**	35,648,969	-11%
Energy intensity (kWh/m²)									
Total like-for-like building energy intensity by floor area	**144**	137	5%	**102**	96	6%	**137**	130	5%
GHG emissions (tCO_2e)									
Scope 1	**768**	1,056	-27%	**84**	90	-7%	**852**	1,147	-26%
Scope 2 (location-based)	**1,083**	1,048	3%	**261**	242	8%	**1,344**	1,290	4%
Scope 3	**26,335**	21,618	22%	**3,905**	3,912	0%	**30,240**	25,530	18%
Total GHG emissions	**28,186**	23,722	19%	**4,250**	4,244	0%	**32,436**	27,966	16%
GHG intensity ($kgCO_2e/m^2$)									
Total GHG emissions intensity by floor area	**40**	34	19%	**31**	31	0%	**38**	33	16%

1. Source: RLAM, as at 30 September 2023. Data subject to rounding conventions and may not always equal.
2. Investment property reporting period for 2023 data is Q4 2022 – Q3 2023.
3. Investment property reporting period for 2022 data is Q4 2021 – Q3 2022.
4. AUM data as at 30 September 2023 and 30 September 2022.

TCFD disclosures for RLUTM funds

Non-property funds are available on the RLAM Fund Centre website located here and property funds disclosure for institutional investors is available here.

Property metrics: methodology notes

1. Due to the nature of carbon, energy and water data for property, the data presented in this section is taken from 1 October 2021(Q4) – 30 September 2022 (Q3) and 1 October 2022 (Q4) – 30 September 2023 (Q3). The need to report Q4 – Q3 data is common within the property management industry and is driven by delays in data availability.
2. Scope 1 is inclusive of emissions from landlord-procured gas (excluding occupier spaces) and fugitive emissions from refrigerants. Scope 2 is inclusive of emissions from landlord-procured electricity (excluding occupier spaces). Scope 3 is inclusive of:
   - Purchased goods and services
   - Capital goods (including development activities)
   - Energy transmission and distribution
   - Landlord-procured water emissions
   - Landlord-managed waste emissions
   - End-of-life treatment of sold products
   - Indirect investments
   - Emissions from energy consumption in occupier spaces.
3. Please see Royal London Asset Management's Property Net Zero Carbon Pathway Progress Report (2022) for a full breakdown of Scope 1, 2 and 3 emissions by GHG source.
4. Like-for-like intensity metrics are calculated only where whole building coverage is available to align with the INREV reporting guidelines. It relates only to internal (gross internal area (GIA)) utilities. Assets sold or purchased during the reporting period and assets with incomplete data sets have been excluded from like-for-like analysis.
5. Energy intensity calculations are inclusive of data from assets which have whole building data and full coverage across the reporting period.
6. Where data has not been available, GHG emissions calculations have utilised benchmarks and averages. Therefore, total emissions and intensities cover the GIA of each fund.
7. Data quality is crucial when analysing companies' impact on climate. The quality of data available to investors has been historically poor but we expect it will continue to improve. For years, RLAM has enhanced the climate data sets to integrate the best available public information into climate-related engagement and investment analysis. RLAM will continue developing new integration models and forward-looking metrics.

See Appendix II for methodological and data assumptions, limitations and disclaimers.

Appendix II: Glossary and methodology

In this section we discuss:

- the key terms used throughout this document
- our methodology for climate scenario analysis and calculation of our metrics
- key methodological and data assumptions, limitations and disclaimers.

Glossary

Term	Definition
Carbon capture, usage and storage (CCUS); Carbon capture and storage (CCS)	'Carbon capture, usage and storage' and 'carbon capture and storage' refer to technologies and methods to remove CO_2 emissions from direct emission points or the atmosphere, to direct them to their inclusion in products or other uses and/or to be stored away.
Carbon equivalent emissions (CO_2e)	The release of greenhouse gases (GHGs) into the atmosphere using the universal unit of measurement to indicate the global warming potential (GWP) of each of the seven greenhouse gases, expressed in terms of the GWP of one unit of carbon dioxide. (Source: GHG Protocol)
Carbon neutral	Carbon neutral describes the state achieved when an entity that produces carbon emissions removes the same volume of carbon emissions from the Earth's atmosphere.
Carbon reduction credits	Represents the avoided release of one tonne of carbon dioxide emissions that would have been emitted without the efforts of the project producing the credit.
Carbon removal credits	Represents the removal of one tonne of carbon that has already been emitted into the atmosphere. Carbon removal strategies include reforestation, soil carbon sequestration, and wetland restoration.
Climate Action 100+	Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate GHG emitters take necessary action on climate change. The initiative comprises 700 investors with $68 trillion AUM, as of February 2024. (Source: Climate Action 100+)
Climate Biennial Exploratory Scenario (CBES)	A stress-testing exercise run by the Bank of England to assess the resilience of the business models of the UK's largest banks, insurers and the wider financial system to the physical and transition risks from climate change. (Source: Bank of England)
Climate Financial Risk Forum (CFRF)	The Climate Financial Risk Forum is an industry forum jointly convened by the Prudential Regulation Authority and the Financial Conduct Authority to build capacity and share best practice. It aims to reduce the barriers faced by firms to implementing the forward-looking, strategic approach necessary to minimise climate-related financial risks by developing practical tools and approaches. (Source: Bank of England)
Climate physical risk	Risks directly or indirectly related to the physical impacts of climate change.
Climate risk	Climate risks can arise from potential impacts of climate change as well as human responses to climate change. In the context of climate change impacts, risks result from dynamic interactions between climate-related hazards with the exposure and vulnerability of the affected human or ecological system to the hazards. In the context of climate change responses, risks result from the potential for such responses not achieving the intended objective(s), or from potential trade-offs with, or negative side-effects on, other societal objectives, such as the Sustainable Development Goals (see also risk trade-off). (Source: IPCC)

Term	Definition
Climate scenario modelling	Climate scenario modelling is a forward-looking projection of risk outcomes that provides a structured approach for considering potential future risks associated with climate change. (Source: Financial Stability Oversight Council)
Climate stress testing	A stress test is a projection of the financial condition of a firm or economy under a specific set of severely adverse conditions. This may be the result of several risk factors over multiple periods of time. Stress testing is a risk management tool used to increase a firm's awareness of its business model vulnerabilities to climate risks. Firms might consider sources of transition and physical risks that will be particularly difficult for them to withstand. (Source: CFRF)
Climate transition plan	A transition plan is integral to an entity's overall strategy, setting out its plan to contribute to and prepare for a rapid global transition towards a low GHG-emissions economy in a manner that is consistent with its constitutional documents and the duties of its directors and senior managers. (Source: Transition Plan Taskforce)
Climate transition risks	Risks related to market adjustments resulting from the transition to a low-carbon economy.
Consumption emissions	Consumption emissions reflect the demand side of sovereign debt emissions and account for consumption patterns and trade effects. This view provides a broader view of a sovereign's GHG emissions and tackles the issue of carbon leakage that arises due to production shifts from countries where goods and services are consumed later. Consumption emissions = Production emissions – Exported emissions + Imported emissions. (Source: PCAF)
Direct property	Directly managed property assets are those over which Royal London Asset Management has complete operational control, greater than 50% equity share and joint ventures where Royal London Asset Management would cover the proportionate amount of emissions.
Embodied carbon	The embodied carbon emissions of an asset are the total GHG emissions and removals associated with materials and construction processes, throughout the whole life cycle of an asset (modules[1] A0–A5, B1–B5, C1–C4, with A0 assumed to be zero for buildings). (Source: RICS)
Energy Performance Certificate (EPC) Rating	Energy Performance Certificates are a rating scheme to summarise the energy efficiency of buildings in the European Union (including in the UK post-Brexit). The building is given a rating between A (very efficient) and G (inefficient).
Enterprise value including cash (EVIC)	Enterprise value including cash is the sum, at fiscal year end, of the market capitalisation of ordinary shares, the market capitalisation of preferred shares and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents. (Source: FCA Handbook)

1. Material extraction (A1), transport to manufacturer (A2), manufacturing (A3), transport to site (A4), construction (A5), use phase (B1, for example concrete carbonation but excluding operational carbon), maintenance (B2), repair (B3), replacement (B4), refurbishment (B5), deconstruction (C1), transport to end-of-life facilities (C2), processing (C3), and disposal (C4).

Glossary *continued*

Term	Definition
Global warming	Global warming is the long-term warming of the planet's overall temperature. Though this warming trend has been going on for a long time, its pace has significantly increased in the last hundred years due to the burning of fossil fuels. Fossil fuels include coal, oil and natural gas, and burning them causes what is known as the 'greenhouse effect' in the Earth's atmosphere.
Greenhouse Gas (GHG) Protocol	Establishes comprehensive global standardised frameworks to measure and manage GHG emissions from private and public sector operations, value chains and mitigation actions. Building on a 20-year partnership between the World Resources Institute and the World Business Council for Sustainable Development, the GHG Protocol works with governments, industry associations, NGOs, businesses and other organisations. (Source: GHG Protocol)
Greenhouse gases (GHG)	The seven gases included in the GHG Protocol are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3). (Source: GHG Protocol)
Indirect property	Indirectly managed property assets are either partially managed by Royal London Asset Management or managed wholly by the occupier.
Institutional Investors Group on Climate Change (IIGCC)	The Institutional Investors Group on Climate Change is a European-focused investor membership organisation that works to bring the investor community together in making progress towards a net zero and climate resilient future. (Source: IIGCC)
Intergovernmental Panel on Climate Change (IPCC)	The Intergovernmental Panel on Climate Change is the United Nations' body for assessing the science related to climate change. The IPCC was created to provide policymakers with regular scientific assessments on climate change, its implications and potential future risks, as well as to put forward adaptation and mitigation options. (Source: IPCC)
Nationally Determined Contributions (NDCs)	Nationally Determined Contributions, or NDCs, are countries' self-defined national climate pledges under the Paris Agreement, detailing what they will do to help meet the global goal to pursue 1.5°C, adapt to climate impacts and ensure sufficient finance to support these efforts. (Source: UNDP)
Net zero	Net zero is achieved when an organisation reduces the majority of their greenhouse gas (GHG) emissions in line with latest climate science, and offsets the remaining hard-to-abate residual emissions using carbon removal credits.
Net Zero Asset Managers initiative (NZAM)	The Net Zero Asset Managers initiative is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C, and to supporting investing aligned with net zero emissions by 2050 or sooner. (Source: NZAM)

Term	Definition
Net Zero Investment Framework (NZIF)	The Net Zero Investment Framework proposes key components of a net zero investment strategy. The Framework puts forward metrics to assess investments and measure alignment and requires investors to set clear, science-based targets at the portfolio and asset-class level. It also sets out implementation actions to effectively achieve portfolio alignment, meet targets and enable a broader transition towards net zero, through a combination of portfolio construction, engagement and policy advocacy. The NZIF is developed by four investor networks partnered under the Paris Aligned Investment Initiative. (Source: IIGCC)
Network for Greening the Financial System (NGFS)	The Network for Greening the Financial System is a group of central banks and supervisors willing, on a voluntary basis, to exchange experiences, share best practices, contribute to the development of environment and climate risk management in the financial sector, and to mobilise mainstream finance to support the transition towards a sustainable economy. Its purpose is to define and promote best practices to be implemented within and outside of the membership of the NGFS and to conduct or commission analytical work on green finance. (Source: NGFS)
Operational emissions	Our direct Scope 1 and Scope 2 operational greenhouse gas (GHG) emissions.
Paris Agreement	The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 Parties at the UN Climate Change Conference (COP21) in December 2015. Its central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C (Source: UNFCCC)
Paris Aligned Investment Initiative (PAII)	The Paris Aligned Investment Initiative is a collaborative investor-led global forum enabling investors to align their portfolios and activities to the goals of the Paris Agreement. (Source: PAII)
Partnership for Carbon Accounting Financials (PCAF)	The Partnership for Carbon Accounting Financials is a financial industry-led partnership with the aim of facilitating transparency and accountability through the standardisation of the assessment and disclosures of greenhouse gas emissions associated with loans and investments. (Source: PCAF)
Portfolio emissions	Emissions from the companies in which we invest, i.e. Scope 1, Scope 2 and Scope 3 emissions of the investee companies represented within our asset portfolio. We share influence over these companies through equity and corporate debt instruments and are, therefore, accountable for a portion of their total emissions.
Production emissions	Production emissions are the emissions originating from sources within a domestic territory. These emissions are reflected in the approach taken by the United Nations Framework Convention on Climate Change (UNFCCC) and are the basis of Nationally Determined Contributions (NDCs).

Glossary *continued*

Term	Definition
Science Based Targets initiative (SBTi)	The Science Based Targets initiative (SBTi) aims to drive ambitious corporate climate action by enabling businesses and financial institutions globally to set science-based greenhouse gas emissions reductions targets. (Source: SBTi)
Scope 1 emissions	Greenhouse gas emissions directly resulting from our business activities, e.g. from company cars and direct emissions from air conditioning units.
Scope 2 emissions	Indirect greenhouse gas emissions through our energy consumption, e.g. resulting from fossil fuels burned to produce the electricity used to provide heat, light and power technology within our offices.
Scope 3 emissions	All other greenhouse gas emissions indirectly produced as a result of our business activities. This category includes emissions from our value chain and the entirety of our portfolio emissions.
Stewardship	The responsible allocation, management and oversight of our customers' and clients' money to create long-term value, supporting more sustainable benefits for the economy, the environment and society.
Task Force on Climate-Related Financial Disclosures (TCFD)	The Financial Stability Board's (FSB) Task Force on Climate-Related Financial Disclosures was set up to develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers and other stakeholders. (Source: FSB)
Transition Plan Taskforce (TPT)	The Transition Plan Taskforce was announced at COP26 and launched in April 2022 to establish the gold standard for transition plans. (Source: Transition Plan Taskforce)
UK Stewardship Code 2020	The Financial Reporting Council's UK Stewardship Code 2020 focuses on sustainable and responsible investment and stewardship, and sets standards for asset owners and asset managers.
United Nations-supported Principles for Responsible Investing (UN PRI)	The PRI, a UN-supported network of investors, works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance issues and to support signatories in integrating these issues into investment and ownership decisions. (Source: UN PRI)
Value chain	The value chain is the series of stages involved in producing a product or service that is sold to consumers, with each stage adding to the value of the product or service.
Value chain emissions	Our non-investment-related Scope 3 value chain greenhouse gas (GHG) emissions.

Metrics description and methodology

Metric	Description and methodology
Composite benchmark *N/A*	RLAM's Entity Benchmark is created using a weighted composition of: • Listed equity – All Royal London Asset Management equity fund benchmarks, including for example FTSE All-Share Index and MSCI ACWI. • Corporate fixed income – The ICE BofA Sterling Non-Gilt Index and ICE BofA BB-B Global Non-Financial High Yield Constrained Index • Sovereign debt – The FTSE Actuaries UK Conventional Gilts All Stocks Index and JPM GLOBAL – All Maturities Ex United Kingdom. All of these are weighted in proportion to Royal London Asset Management's exposure to equities, fixed income, gilts and non-gilts.
Climate Value-at-Risk (C-VaR) *%*	Our C-VaR model aims to provide an assessment on how climate change may affect the investment return in portfolios based on conditions associated with global temperature trajectories. The underlying climate model we selected is the regionalised model of investment and development (REMIND). It is a global model that couples an economic growth model with a detailed energy system model and a simple climate model. It is hosted at the Potsdam Institut fur Klimafolgenforschung (PIK), Germany. We use four scenarios developed by the Central Banks' NGFS: • National Determined Contributions – 'hot house' 3°C scenario • Below 2°C – an 'orderly transition' scenario • Delayed Transition – a 2°C 'disorderly transition' scenario • Divergent Net Zero – a 1.5°C degrees 'disorderly transition' scenario. Orderly or disorderly depends on global cooperation and adequate policies being in place, among other variables. The variables behind each scenario can be reviewed on the MSCI website.

Metric	Description and methodology
Financed emissions *tCO_2e*	The absolute emissions associated with the investments in the portfolio, expressed in tCO_2e (metric tonnes of carbon dioxide equivalent). Emissions are attributed to a portfolio based on the portion of the company's value that the portfolio holds, using EVIC for publicly listed corporates. $\text{Finance emissions} = \sum_i \text{attribution fraction}_i \times \text{investee emissions}_i$ $\text{Listed companies attribution fraction}_i = \frac{\text{current value of investment}_i}{\text{enterprise value including cash}_i}$ $\text{Private companies attribution fraction}_i = \frac{\text{current value of investment}_i}{\text{equity} + \text{debt}_i}$ (with i = borrower or investee) For Scope 3 emissions, RLMIS uses estimated emissions from MSCI. RLAM distinguishes between company reported data and estimated data from our data providers.
Carbon footprint *$tCO_2e/\$m$ invested*	The emissions intensity of an investment portfolio, expressed in $tCO_2e/\$m$ invested. Financed emissions (explained above) is divided by the portfolio value. The resulting indicator measures absolute emissions generated for each dollar invested in the fund. $\text{Carbon footprint} = \sum_i^n \frac{\text{financed emissions}_i}{\text{current portfolio value (\$m)}}$
Implied Temperature Rise (ITR) *°C*	Implied Temperature Rise aims to measure the warming the emissions from a company would drive by year 2100, if the whole economy had the same over- or under-shoot level of greenhouse gas emissions. It is based on the company's most recent Scope 1, 2 and 3 emissions, projecting these to the future and incorporating the company's targets. It is expressed in °C. Further details on MSCI's methodology can be found at: Implied Temperature Rise Methodology – Executive Summary (msci.com). This year, we have provided detail on the percentage of our fixed income and equity portfolio by value that has an ITR of below 2°C or 1.5°C. We believe this is a more useful metric than a portfolio-aggregated portfolio ITR figure, albeit with limitations and assumptions which are provided on pages 85-86.

Metrics description and methodology *continued*

Metric	Description and methodology
Sovereign debt production intensity *Production emissions–tCO_2e/$m PPP-adjusted GDP*	Sovereign debt production intensity measures a portfolio's exposure to emissions-intensive economies, defined as the portfolio weighted average of sovereigns' greenhouse gas production intensity (production emissions/PPP-adjusted GDP). Production emissions (PCAF defined Scope 1) reflect the emissions generated within the sovereign territory. Values exclude land use, land-use change and forestry (LULUCF). Production emissions normalised by Purchasing Power Parity adjusted Gross Domestic Product (PPP-adjusted GDP) provides a metric to compare sovereign economies emissions relative to output and real economy size. $\sum_s^n \left(\frac{\text{current value of investment}_s}{\text{current portfolio value}} \times \frac{\text{sovereign issuer's production emissions}_s}{\text{sovereign issuer's \$m PPP-adjusted GDP}_s} \right)$ (with s = sovereign borrower)
Sovereign debt consumption intensity *Consumption emissions–tCO_2e/capita*	Sovereign debt consumption intensity measures a portfolio's exposure to carbon-intensive economies, defined as the portfolio weighted average of sovereigns' greenhouse gas consumption intensity (consumption emissions/population for the country territory). Consumption emissions (PCAF defined Scope 1 + 2 + 3 -exported emissions) reflect the emissions attributable to consumption within the sovereign territory. Consumption emissions by capita provides a metric to compare demand-size of sovereign economies. $\sum_s^n \frac{\text{current value of investment}_s}{\text{current portfolio value}} \times \frac{\text{sovereign issuer's consumption emissions}_s}{\text{capita}}$ (with s = sovereign borrower)
Sovereign debt emissions *tCO_2e*	Emissions allocated to financiers on the basis of sovereign debt proportioning sovereign emissions by PPP-adjusted GDP relative to the value of our investment. Sovereign emissions scope includes emissions from sources located within the domestic territory (PCAF defined Scope 1), emissions from energy imports (PCAF defined Scope 2) and emissions from non-energy imports (PCAF defined Scope 3).
Total electricity consumption *kWh*	Electricity consumption per kilowatt hour (kWh) – based on metered building consumption data.

Metric	Description and methodology
Total fuel consumption *kWh*	Fuel consumption per kilowatt hour (kWh). Fuel refers to natural gas consumption only within building types.
Total building energy intensity by floor area *kWh/m^2*	Energy (electricity + fuel) per kilowatt hour per metre squared.
Property energy intensity *kWh/m^2*	Total electricity and gas consumption.
Property emissions intensity *$kgCO_2e/m^2$*	Total Scope 1, 2 and 3 carbon dioxide equivalent emissions per metre squared. Calculated using the Greenhouse Gas Protocol methodology and by applying the UK government's GHG Conversion Factors for Company Reporting (2022, 2023).
Weighted Average Carbon Intensity (WACI) *tCO_2e/$m revenue*	The WACI is a portfolio's exposure to carbon-intensive companies, expressed in tCO_2e/$m revenue. Scope 1 and Scope 2 greenhouse gas emissions are divided by companies' revenues, then multiplied based on portfolio weights (the current value of the investment relative to the current portfolio value). $\text{WACI} = \sum_i^n \frac{\text{current value of investment}_i}{\text{current portfolio value}} \times \frac{\text{investee emissions}_i}{\text{company \$m revenue}}$
Companies with Science Based Targets initiative (SBTi)-approved targets *%*	'Companies with Science Based Targets initiative (SBTi)-approved targets (%)' is the percentage of companies in our corporate fixed income and listed equity asset classes that have had their climate targets approved by the SBTi. The percentage of instruments (by value) held in the portfolio through equity stake or bonds that have validated science-based targets with near-term target trajectories below 1.5°C and 2°C respectively.

Metrics description and methodology *continued*

Metric	Description and methodology
Exposure to fossil fuels *%*	The percentage of instruments (by value) held in the portfolio through equity stake or bonds that have any exposure to revenues from the following fossil fuel activities: • **Oil and gas 'any tie':** Companies with an industry tie (or exposure) to oil and gas, in particular reserve ownership, oil- and gas-related revenues and power generation. • **Oil and gas production:** Companies that provide evidence of revenues from extraction and production of oil and gas. • **Arctic oil and gas production:** Companies that provide evidence of producing Arctic oil or gas. • **Shale oil and gas:** Companies that provide evidence of producing oil or gas using the method of hydraulic fracking. • **Oil sands:** Companies with an industry tie to oil sands, in particular reserve ownership and production activities. • **Thermal coal:** Companies disclosing evidence of thermal coal production. • **Metallurgical coal:** Companies disclosing evidence of metallurgical coal production. • **Coal power:** Companies disclosing evidence of thermal coal power generation. This does not measure the total revenues derived from these activities.
Exposure to green revenues *%*	The percentage of instruments (by value) held in Royal London Asset Management's corporate fixed income and equity portfolios that have any exposure to revenues from renewable energy, energy efficiency, green buildings, sustainable water, sustainable agriculture and pollution prevention. This does not measure the total green revenue derived from the portfolio. We keep this metric under review.

Operational emissions methodology

Metric	Description and methodology
Scope 1 GHG emissions *tCO_2e*	This category covers emissions generated from the oil and gas used in buildings, emissions generated from Group-owned vehicles and company cars used for business travel and fugitive emissions arising from the use of air-conditioning and chiller/refrigerant equipment. Emissions factor sources: UK government GHG Conversion Factors for Company Reporting, DESNZ/DEFRA, June 2023. • **Company facilities – natural gas:** Natural gas is recorded in kilowatt hours (kWh). Where meter readings are provided as volume of natural gas (m^3) consumed, this is converted to energy (kWh). This is then converted to tonnes of carbon dioxide equivalent (tCO_2e). Where estimates are required, they are calculated using one of three methods (in order of preference): direct comparison, pro-rata extrapolation, and benchmarking. • **Company facilities – refrigerant gases:** Fugitive emissions relating to refrigerant gas is recorded in kgs of refrigerant lost to the atmosphere or removed from company-controlled systems. This is then converted to carbon dioxide equivalent (tCO_2e) using the appropriate Global Warming Potential (GWP). • **Company vehicles (owned or controlled by the Group using fossil fuels):** Energy, kWh and tCO_2e are calculated applying the distance-based method using vehicle mileage obtained via expense claims and the emission factors for vehicle size, fuel type and the appropriate year.

Metrics description and methodology *continued*

Metric	Description and methodology
Scope 2 GHG emissions *tCO_2e*	This category covers emissions generated from the use of electricity in buildings and electric vehicles owned by the company and is calculated in accordance with Greenhouse Gas Protocol guidelines in both location-based and market-based methodologies. Emissions factor sources: UK government GHG Conversion Factors for Company Reporting, DESNZ/DEFRA, June 2023 / AIB European Residual Mixes, 2022 (market-based factor – residual mix). **Location-based method** • **Purchased electricity (location-based):** Electricity purchased from the national grid, or an alternative third-party generation source is recorded in kWh. This is then converted to tCO_2e. Where estimates are required, they are calculated using one of three methods (in order of preference): direct comparison, pro-rata extrapolation, and benchmarking. • **Company vehicles (owned or controlled by the Group utilising electric charging):** This methodology applies to electric and plug-in hybrid vehicles. Energy in kWh and emissions are calculated applying the distance-based method, which uses vehicle mileage obtained via expense claims and the emissions factors for each vehicle size, fuel type and electricity used for charging. **Market-based method** • **Purchased electricity (market-based):** Electricity purchased from the national grid, or an alternative third-party generation source. Energy sourced from certified renewable sources via the Renewable Energy Guarantees of Origin (REGO) scheme (UK) or Guarantee of Origin scheme (GOs) scheme (Republic of Ireland) is currently classified as carbon neutral and is included in the market-based Scope 2 emissions. Confirmation of REGO and GOs electricity supply is obtained and retained as evidence. Energy sourced from non-renewable sources represents reportable emissions, calculated using country-specific residual mix factors obtained from the Association of Issuing Bodies (AIB) for the most recent year available.

Metric	Description and methodology
Scope 3 – GHG (value chain) emissions *tCO_2e*	Categories 9, 10, 11, 12 and 14 of Scope 3 are not applicable to Royal London. Categories 8 and 13 of Scope 3 were not applicable to Royal London in 2023. Category 15 (Investments) emissions data is reported separately. **Category 1: Purchased goods and services, and Category 2: Capital goods** These categories cover emissions from the extraction, production, and transportation of purchased goods and services (from cradle to gate). Capital goods procurement categories for fuel, fleet, electricity, gas, and water are disregarded to prevent double counting of emissions which are covered in other elements of Scope 3. Emissions factor sources: Supply Chain Greenhouse Gas Emission Factors for US Industries and Commodities, Supply Chain Factors Dataset v1.2, 2021 / CDP data provided to Royal London Group and collected from suppliers (2022). The methodology used for the calculation of categories 1 and 2 Scope 3 emissions is a hybrid method of the following two approaches: • **Hybrid method:** Using data from the CDP, a supplier-specific carbon factor (tCO_2e/£) is created for each supplier based on their total annual Scope 1, 2, 3 emissions and annual turnover. The factor is applied to the total annual spend on each supplier to obtain the carbon emissions (tCO_2e). This hybrid method allows for more in-depth actual data to be utilised where it is available, while implementing estimations for the remaining dataset using the spend-based method. • **Spend-based method:** Where suppliers are not covered by CDP, or the data provided to CDP is assessed to be insufficient, industry carbon factors are used from EEIO (Environmentally Extended Input-Output) data. The factor is applied to the total annual spend on each supplier to obtain the carbon emissions (tCO_2e).

Metrics description and methodology *continued*

Metric	Description and methodology

Scope 3 – GHG (value chain) emissions *continued*
 	
tCO_2e
	Category 3: Fuel and energy-related activities: This category includes emissions from the extraction, production and transportation of fuels and purchased energy (not accounted for within Scopes 1 and 2), as well as due to the loss of energy during transmission and distribution.
	
	Emissions factor sources: UK government GHG Conversion Factors for Company Reporting, DESNZ/ DEFRA, June 2023 / SEAI (Sustainable Energy Authority of Ireland), 2022.
	
	• **Transmission and distribution losses from fuel and energy** purchases are converted from kWh to CO_2e.
	• **Well-to-tank (WTT):** Carbon conversion factors are applied to the annual electricity, natural gas, and other fuel consumption to calculate associated WTT emissions.
	
	Category 4: Upstream transportation and distribution
	
	This category includes water supply transportation and distribution emissions to our offices. This is converted from m^3 or litre water consumption to CO_2e using a water supply factor. Where estimates are required to calculate the water consumption, the BBP REEB Water Benchmark is applied.
	
	Emissions factor source: UK government GHG Conversion Factors for Company Reporting, DESNZ/ DEFRA, June 2023.
	
	Category 5: Waste generated in operations
	
	This category covers all emissions from the disposal and treatment of waste generated from our offices, with the exclusion of Wealth Wizards (Athena Court).
	
	Emissions factor source: UK government GHG Conversion Factors for Company Reporting, DESNZ/ DEFRA, June 2023.
	
	• **Waste tonnage** from all sites and waste streams is converted from tonnes to CO_2e using a waste carbon factor for each waste stream and processing type. Waste data is estimated by using a pro-rata average of available months' data. If a site is missing waste data, this is estimated by apportionment of average tCO_2e/FTE of the sites where data is available.
	• **Wastewater** is converted from m^3 to CO_2e using a wastewater treatment carbon factor. Water consumption is estimated where data is not available using one of two methods:
	  • The site FTE is used to estimate m^3 consumption using a Good Practice water intensity factor (litres /person /working day) sourced from the BBP REEB Water Benchmark for Offices.
	  • The site floor area in m^2 (Net Lettable Area, NLA) is used to estimate m^3 consumption using a Good Practice water intensity factor (litres /m^2 NLA /year) sourced from the BBP REEB Water Benchmark for Offices.

Metric	Description and methodology
Scope 3 – GHG (value chain) emissions *continued* *tCO_2e*	**Category 6: Business travel** This category covers emissions generated from Group rail and air business travel, hotel stays, taxi travel, and personal car use. Emissions factor source: UK government GHG Conversion Factors for Company Reporting, DESNZ/ DEFRA, June 2023. • **Rail and air** input data is obtained via a report from Amex, a global business travel agency, and emissions are calculated using a rail and air carbon factor and data including travelled distance, mode of transport, haul, and class of service. For air estimations: a short-haul average conversion factor is used for European Premium Economy. A domestic average conversion factor is used for Domestic Business due to no specific conversion factors being available. • **Expensed travel** (road, non-company owned cars) input data is obtained from Zenith – Intelligent vehicle solutions, and emissions are calculated using data including vehicle mileage, engine size and fuel type used. Where required, data is estimated using the average £/mile for the rest of the available cost data. • **Taxi travel** input data is obtained from invoices and emissions are calculated using taxi spend data (converted to mileage) and the percentage of electric vehicles. Estimated taxi mileage data is calculated using an average UK cost per mile and taxi spend invoices. • **Hotel stays** input data is obtained via a report from Amex, a global business travel agency, and emissions are calculated using hotel stay destination information and the number of nights. For countries where a conversion factor is not available, an average of available conversion factors is applied based on region and European/international.

Metrics description and methodology *continued*

Metric	Description and methodology
Scope 3 – GHG (value chain) emissions *continued* tCO_2e	**Category 7: Employee commuting and homeworking** This category covers emissions from transportation of employees between their homes and their work sites (in vehicles not owned or operated by the Group) and emissions from employees working from home. Emissions factor source: UK government GHG Conversion Factors for Company Reporting, DESNZ/ DEFRA, June 2023. • **Employee commuting:** The employee travel survey results, office occupancy and FTE data are used to calculate the carbon emissions. The results from the optional travel survey, are extrapolated for the total FTE of the company. • **Working from home:** Results from the working from home survey, office occupancy and FTE data is used to calculate the carbon emissions. The methodology in the Eco Act homeworking whitepaper is used. • **Shuttle bus:** Shuttle bus fuel, passenger numbers and working days are used to calculate the carbon emissions for two shuttle buses between the train station and office in Alderley Park. Where fuel data is unavailable, this is estimated using the average l/mile ratio of RLG shuttle buses.

Metric	Description and methodology
Scope 3 – GHG (value chain) emissions *continued* tCO_2e	**Category 8: Upstream leased assets** This category covers emissions from the operation of assets leased by Royal London and not included in Scope 1 and Scope 2, where Royal London does not have full operational control of the property, under an operating lease. Purchased natural gas and electricity from leased assets is converted from KWh to tCO_2e on a monthly basis. Where gas and electricity data is not available or incomplete, consumption is estimated by one of the following: • **Direct comparison:** Utilisation of figures from a comparable period (same day, week and/or month in another year). • **Pro-rata extrapolation:** Utilisation of data for another period to apportion data for another (average over a set period applied to another). There were no upstream leased assets applicable to Royal London Group operations in 2023. **Category 13: Downstream leased assets** This category covers emissions from the operation of assets owned by the reporting company (lessor) and leased to other entities, where Royal London does not have full operational control of the property. Purchased natural gas and electricity from leased assets is converted from KWh to tCO_2e on a monthly basis. Where gas and electricity data is not available or incomplete, consumption is estimated by one of the following: • **Direct comparison:** Utilisation of figures from a comparable period (same day, week and/or month in another year). • **Pro-rata extrapolation:** Utilisation of data for another period to apportion data for another (average over a set period applied to another). There were no downstream leased assets applicable to Royal London Group operations in 2023.

Metrics description and methodology *continued*

Climate scenario analysis: methodology

To understand how investment portfolios might be impacted under each scenario, these scenarios were translated into possible business model impacts using top-down scenario analysis. This was done by:

- determining the level of greenhouse gas emissions associated with certain temperature increases
- mapping this to a set of policy and technology assumptions
- estimating the financial costs of physical warming
- using these assumptions and estimated costs to estimate the impact on GDP at a regional level
- assessing the likely impact of the GDP change on asset class returns.

The impacts of mortality and longevity were considered but due to their insignificant capital impact on Royal London, these risks were excluded for the 2023 analysis.

The reductions to rate of returns of asset benchmarks over the period up until 2060 were analysed. This included the impact of modelled discontinuity over years 2036-40 under the Failed Transition scenario (arising from an assumed market reprice of assets in reaction to increased recognition of climate risk over the second half of the century). This assumed longer-term reprice leads to a further hit on returns, increasing shock parameters when compared to the CBES exercise calibration. The change in parameters is indicative of the uncertainty of potential outcomes under the climate change scenarios and reflects the wide range of subjectivity in converting these scenario pathways into tangible modelled scenarios.

Data sources and quality

Financial data:

For The Royal London Mutual Insurance Society (RLMIS):

- portfolio data for corporate fixed income, listed equity and sovereign debt is from RLMIS internal financial data with values as at end of 2023.
- revenue and EVIC issuer data is provided by MSCI. Revenue figures are aligned to the emissions year and EVIC figures are the latest available.
- capita and PPP-adjusted GDP for sovereign issuers are provided by MSCI.

For Royal London Asset Management (RLAM), Royal London Unit Trust Managers (RLUTM) and RLUM:

- portfolio and benchmark data for equities and fixed income are from RLAM financial data systems with values as at end of 2023.
- revenues and EVIC data from MSCI and revenues data from RLAM's proprietary research are with values in-line with the date of the collected emissions data.

Emissions data:

All of RLMIS' emissions data across corporate fixed income, listed equity and sovereign debt assets is provided by MSCI. Typically, data is obtained from MSCI on a point-in-time basis within 10 working days of year end, using the most recent figures available. For 2020 Scope 3 corporate fixed income and listed equity metrics, emissions data has only recently become available and covers 44% of these assets. This is due to a number of factors, including the limited availability of Scope 3 historic emissions data and the lack of available data for expired bonds.

For RLAM:

RLAM discloses percentage of data sourced from RLAM's proprietary research or from MSCI (see Table 26). It also discloses percentage of data reported by issuers and percentage of estimated data where either RLAM or MSCI have used approximations. (See page 63 for more information)

Equity emissions data comes wholly from MSCI.

For fixed income securities, RLAM has developed its own emissions research process which provides carbon emissions data that is more granular and relevant to fixed income issuers. The emissions figures are calculated using a formula which uses the sourced data as a preference where this data is available, supplementing with MSCI data or estimates where it has not gathered proprietary data. RLAM's data for emissions includes a combination of company disclosures through annual reporting, sustainability supplements, filings to the carbon disclosure project and primary research by RLAM's Responsible Investment and Credit teams. Where lending is to ring-fenced subsidiaries, RLAM has tried to source carbon data and revenues specific to those subsidiaries.

This data process means that there will be a difference between the carbon emissions reported by RLMIS and RLAM in respect of the RLMIS fixed income securities managed by RLAM.

All Scope 3 data is sourced from and estimated by MSCI for both fixed income and equities.

Table 26: RLAM source of emissions data

Source	% of corporate fixed income and listed equity
MSCI data	93.8%
RLAM proprietary data	6.2%
Total	100%

Additional metrics:

ITR, C-VaR, fossil fuel exposure and green revenues are provided by MSCI. We take SBTi data directly from the public-access website.

Data quality:

PCAF data quality scoring for issuer emissions data, as assessed by our data provider is as follows:

PCAF Score	RLMIS (% corporate fixed income and listed equity)
1	0%
2	77%
3	0%
4	3%
5	0%
No coverage	20%

Sovereign debt emissions are based on a combined dataset and, as such, do not have a PCAF single quality score attached. The dataset relies on estimates for imported emissions which are rated as a PCAF Score 4. Therefore, the combined dataset might be considered to be rated as '4' as this is the lower score of the combined sources. We do not expect this to improve in the immediate future as sovereigns are not expected to report on imported emissions.

Details for the PCAF data quality scoring are described in The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition.

Methodological and data assumptions, limitations and disclaimers

We recognise there are currently limitations to the reliability and usefulness of climate data due to the emerging nature of climate data applications and methodologies in finance. All data is supplied for information purposes only and should not be relied upon for investment decisions.

We endeavour to improve climate data in finance through our engagement with companies and data providers. We believe that technological innovations will make data more easily accessible and auditable in the future. We are also working with regulators, such as through the FCA's Climate Financial Risk Forum in the UK, to support the evolution of good practice in climate risk disclosures.

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We have identified the following areas where limitations are most evident:

Accuracy and availability of emissions data

Scope 1 and 2 emissions data

Not all companies disclose their emissions. The level and accuracy of disclosure varies across geographies and industry sectors, and where disclosures are made, they are typically subject to less rigorous auditing processes than financial data. Issuers disclose emissions with different levels of transparency, coverage and methodologies, making disclosures less comparable.

The accuracy of data is reduced further through 'subsidiary mapping', where subsidiaries are mapped back to their parent company when subsidiary emissions data is not available. Where emissions data is still not available, our data provider applies its estimation methodology to allow for higher overall coverage.

Reported emissions are supplemented by estimated emissions calculated by our data provider to allow for higher overall coverage, which can make emissions data less reliable. Methodologies to estimate emissions can be based on a company's production data, historical companies' emissions reports or by using the sub-industry segment intensity average.

Since 2019, Royal London Asset Management has enhanced its Scope 1 and 2 emissions data with in-house research for fixed income credit instruments based on detailed knowledge of the issuers, capital structure considerations and underlying assets.

Royal London Asset Management uses its enhanced fixed income data set for WACI. However, it is unable to use this same approach for carbon footprint as it is restricted by the calculation of enterprise value (EVIC for public markets, which includes equity market value) that is incomparable with the 'Equity + Debt' metrics for private companies, which are either not being disclosed or include equity book value (instead of market value). Royal London Asset Management provides this as an explanation of why data coverage may vary between metrics.

For its property investments, since the 2019 reporting year Royal London Asset Management has used estimates where actual data is not available, improving data coverage up to 100%. This is done by applying the Global Real Estate Sustainability Benchmark (GRESB) carbon intensity benchmarks to an asset's gross internal area and applied primarily to emissions from occupier-procured energy. This methodology is applied to landlord-procured energy emissions, where appropriate.

Scope 3 emissions data

Few companies are currently reporting their Scope 3 emissions resulting in only estimations being available for most of our holdings. Companies are selectively disclosing certain sub-categories of Scope 3, often not the most material but the easiest to calculate, which can lead to underestimation of emissions if reported Scope 3 emissions are relied on for calculations.

There is a lack of consistency on the methodology being adopted across the industry to estimate these emissions. As a result, Scope 3 emissions can vary significantly across different data providers, and in the subsequent reporting across our peers. The Scope 3 estimation methodologies cannot follow entirely the GHG Protocol as it would require complete understanding of each company's entire value chain and market. Nonetheless, the methodologies are based on bottom-up company-specific data when available but can also use top-down sector intensities. Estimations allow for better like-for-like comparison of Scope 3.

We note that the Scope 3 emissions estimates are particularly weak for the financial services sector. This is mostly as methodologies for this sector are only recently being supplemented by PCAF, disclosures are more complex and estimations involve using reference proxy portfolios and sub-industry average emissions which are less accurate in nature than estimations for sectors where activities can be tracked by revenue split or assets.

Accuracy and availability of financial data

The financial data standardised by ESG data providers used in this report may differ to data used in our internal financial analysis. For example, conversion rates and differences in tax system reporting make data less comparable. To assess companies' performance, we use the financial data from various data providers, including the ESG data vendors used in this assessment. This includes revenue, market capitalisation and enterprise value.

Timeliness of emissions data reporting

The comparability and timeliness of companies' disclosures is limited by research cycles and the rapidly moving landscape of corporate and policy climate pledges. Timing of disclosure varies across jurisdictions and companies, with announcements on climate strategy or emissions targets not necessarily following the financial disclosure schedules.

The data reported may not always utilise the most recently reported emissions from our underlying holdings, particularly with regard to our fixed income data set. The reported emissions are updated on a best-efforts basis following company disclosures which is in line with the carbon emissions data provided by our external vendor. MSCI and Royal London Asset Management make regular updates to their databases following company disclosures, but still do not always report the most recent carbon emissions for all companies. This results in carbon data often being out of date by 12-24 months. We endeavour to use the most up-to-date data available to us at the time of calculation.

MSCI make ongoing updates to their database. Therefore, the carbon emissions reported for our portfolio can vary from one day to the next. Using our underlying holdings data as at the end of our financial reporting year (31 December), we extract our emissions data within 10 business days each year. This provides some consistency with the data from the previous periods.

Asset class coverage

There are some asset classes where emissions data or methodologies to calculate proxies are not readily available and these are, therefore, excluded from our analysis. This includes private markets and derivatives and cash etc. While these make up a relatively small proportion of our portfolio, we will aim to report emissions for these asset classes as they become available in the future.

Methodological and data assumptions, limitations and disclaimers *continued*

Aggregation and data coverage

The percentage data coverage for each metric is based on the portion of corporate fixed income and listed equity with available data and expressed in % value in the portfolio. For the portion of portfolio where data (emissions or financial data, including holding value, revenue or EVIC) is not available, the holdings are removed and the portfolio is reweighted to 100%. We follow the aggregation process that our data provider uses. The portion of our portfolio that has no climate disclosures is assumed to mirror the behaviour of the holdings with available data.

Sovereign bonds follow the same aggregation and coverage logic explained above and are treated as a distinct portfolio.

Property is reported separately as the metrics are specific to this asset class. We classify assets internally to perform aggregation calculations.

Forward-looking and portfolio alignment metrics

Forward-looking metrics are underpinned by many uncertainties and subjective choices. While we observe improvements, they may still:

- exclude widely accepted material climate risks that cannot be modelled, including the impacts from external policy decisions, market sentiment and climate tipping points
- rely on material subjective assumptions, including viability of investee net zero plans and assumed sector-level transition pathways.

Data providers' methodologies, using the latest available climate science, will inevitably need to evolve with changes in scientific understanding. This could make our year-on-year disclosures non-comparable.

Whilst quantitative information is useful, we do not rely on these forward-looking metrics for investment decisions or assessing climate risk exposure due to the limitations described below. This allows us to consider more nuanced qualitative assessment and judgement when making decisions.

Despite ongoing enhancements by data providers such as MSCI, modelling limitations look set to persist in the short term. We will continue to encourage enhancements by MSCI and other data providers, and we will strive to use and report the most logical and decision useful data available. This approach will be kept under review as the quality of climate data for financials improves and as decision makers become more familiar with the basis and limitations of climate metrics.

Climate Value-at-Risk (C-VaR)

C-VaR relies on necessary climate model and socio-economic assumptions as well as cost and valuation calculations that reduce confidence in the metric.

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

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

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

ii. **Physical C-VaR makes assumptions on the climate impact on a company's assets from climate change and how costly this could be in terms of increased business interruptions and/or asset damage.**

   Climate impact models are used that include chronic hazards such as gradual temperature, precipitation and snowfall changes as well as acute hazards such as coastal flooding and cyclones. The impact of emissions on warming has lower uncertainties than the planet's warming effects on weather and climate and its implications in specific locations. Beyond the difficulty of accurately estimating the increase in vulnerability of assets due to climate change, estimating how much this may cost the business has additional assumptions, for example how costs are aggregated from asset to business balance sheets, assumptions of companies' lack of adaptive capacity, and insurance costs.

iii. **Technology C-VaR has embedded various assumptions on green technology ownership and uptake to estimate how much a company may benefit from transitioning to a low-carbon economy.**

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

Further assumptions are embedded in the consolidation of each of the sub-model costs and its expression as a final aggregated financial metric. Yearly costs from the three models are added using different assumptions in line with IAM climate modelling, for example that climate policy cost peaks in the next decade and that climate physical risk costs grow steadily. Once all costs are added, a discount rate is applied to bring these to present value. Discount rates are controversial within climate models and economists have argued for different discount rates to be applied to climate cost, given that tail risk has very high impact. The final C-VaR expresses the present-value costs of climate impacts over the current enterprise market value. An additional model splits this C-VaR into equity and debt following reasonable assumptions in line with market practice. There is no consideration as to whether the market has already priced in any of these risks.

Implied Temperature Rise (ITR)

The scientific inputs to the ITR model used by our data provider are carbon budgets based on IPCC reviewed research. Carbon budgets link economic activity to levels of carbon emissions and these emissions to a level of warming by the end of the century. The relationship between emissions and warming is well-established by science, but other assumptions remain subject to scientific debate.

IPCC assertions and models have inherent uncertainties, probabilistic claims and confidence ranges typically used in climate science. For instance, the remaining carbon budget may change with new findings, as well as the upper boundary or worst-case warming scenario. Some modelling assumptions are socio-political such as the rates of population and economic growth and the relative importance of carbon removal strategies to expand the carbon budget through negative emissions (taking greenhouse gases from the atmosphere).

Methodological and data assumptions, limitations and disclaimers *continued*

Further uncertainties arise when the global scientific carbon budget concept is applied to company emission intensities and their trajectories over time. For ITR, the allocation of a carbon budget to a company is similarly based on the company's emission intensity per dollar of revenue. This means that changes in the company's revenues, for factors unrelated to its emissions reductions such as M&A or sector cyclicality, affect the company's implied temperature scores.

There are currently no factors of credibility included in the forward-looking trajectory of the company emissions. The ITR model assumes the company will meet its targets and does not provide judgement on whether those targets are credible or achievable.

Binary target metrics

As with ITR models, a key assumption in alignment metrics is that companies' emission targets are met. These metrics, therefore, may not account for the dynamic nature of climate change and the need for ongoing adaptation and mitigation efforts. A company that is currently considered 'aligned' may not remain so in the future if it does not adapt to changing climate change conditions or if the regulatory landscape shifts.

Other sources of uncertainty in the methodology include company emissions targets which are typically not standardised. These metrics provide limited detail regarding the climate targets that our investee companies have set, other than whether or not they have set these targets and if they are SBTi-approved.

SBTi provides a source of validation for corporate climate targets, however the initiative does not provide full disclosure of the material provided by companies to obtain verification. SBTi approval is also not a necessary requirement of a credible net zero target – companies may have credible net zero targets while choosing not to align with SBTi. Conversely, MSCI's 'companies with targets across all scopes' metric is susceptible to including companies that have set weak or immaterial targets in its count.

The SBTi allows for different methods for corporates to establish and receive validation of targets, some of which are more likely to avoid a global overshoot of the 1.5°C carbon budget. Additional shortcomings include that the SBTi is solely focused on emissions reductions and not on full climate transition plans and does not provide a methodology for verification in key sectors where most global emissions are concentrated. Furthermore, the methodologies for target setting represent typically one possible path to net zero and there is a lack of acknowledgement of the multiple potential routes to net zero or a broader systemic understanding of the role that different companies within a sector may have to deliver emissions reductions.

Exposure to fossil fuels and green revenues

Issuers seldom disclose the percentages of revenues for business activities specific to the green and brown taxonomies. Therefore, this is estimated by ESG data providers. For our definition of fossil fuel revenues, we selected the percentage of issuers in our portfolio with any revenue related to the fossil fuel-related activity as the best proxy for our selected metric. While this approach is binary, it limits the data providers' assumptions needed to allocate a specific percentage of revenues to a business segment. It is important to note that this approach can lead us to overestimate our revenue exposures, as it assumes 100% of the business activities are associated with either green or brown revenues and, therefore, 100% of our position.

It should also be noted that the same holdings may appear in both calculations using this method, for example an energy company's fossil fuel activities will count towards the position as a brown revenue, and its exposure to renewable energy in it's portfolio will also be captured as green revenue exposure.

Taxonomies for defining green revenues have been developed, but standardised green revenue data is not yet available. Notably, the EU taxonomy that entered into force in early 2022 will bring standardisation to green product definitions, but disclosures of issuers are still scarce and emergence of different taxonomies globally may cause inter-operability issues. We used MSCI's 'sustainable impact' definition to identify companies with revenue streams from climate and natural capital solutions. This includes activities in renewable energy, energy efficiency, green buildings, sustainable water and agriculture, and pollution prevention. We have disclosed the percentage of issuers with any revenue related to these activities.

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