Climate-related financial disclosure in line with TCFD recommendations.

Inaugural Report 2023.

True Potential Investments LLP.

true potential investments

Contents.

Foreword.

On behalf of the Management Board (the **Board**) of True Potential Investments LLP (**TPI**), I am pleased to present our first TCFD entity report.

This report is based on the Task Force on Climate-Related Financial Disclosures (**TCFD**) recommendations implemented by the UK Financial Conduct Authority (**FCA**) and applying to FCA regulated firms (**FCA Rules**).

This document provides climate-related financial disclosures covering the overall assets managed by TPI for its TCFD in-scope business, which includes its role as a portfolio manager, and as operator of the TPI Personal Pension Scheme (**TPIPPS**).

At TPI, we understand the importance of ensuring that we operate in a sustainable and environmentally responsible manner and recognise the contribution of the effective management of Environmental, Social and Governance (**ESG**) topics on the performance of our business and investments. A key constituent of this includes recognising our responsibility to support the move towards a low-carbon economy. While both the risks and opportunities associated with climate change could have an impact on current and future investments, the TCFD recommendations provide a framework to guide our approach to climate risk management.

In preparation for TPI's first entity-level report, we have invested in sourcing data from third-party vendors as necessary and our aim is to make reliable disclosures that are fair, clear and not misleading.

Based on the information set out in this report and the conclusions we have drawn, we assess TPI to have a relatively low exposure to physical and transition climate-related risks. This is due to a limited number of physical climate-related risks being identified as having the potential to cause material impacts to TPI.

On behalf of the Board, we hope you find this report informative. We confirm that the climate-related disclosures included within this report comply with the FCA and TCFD's requirements under the Rules – as set out by the FCA for asset managers and asset owners.

Mark Henderson
Chief Executive Officer,
True Potential Investments LLP

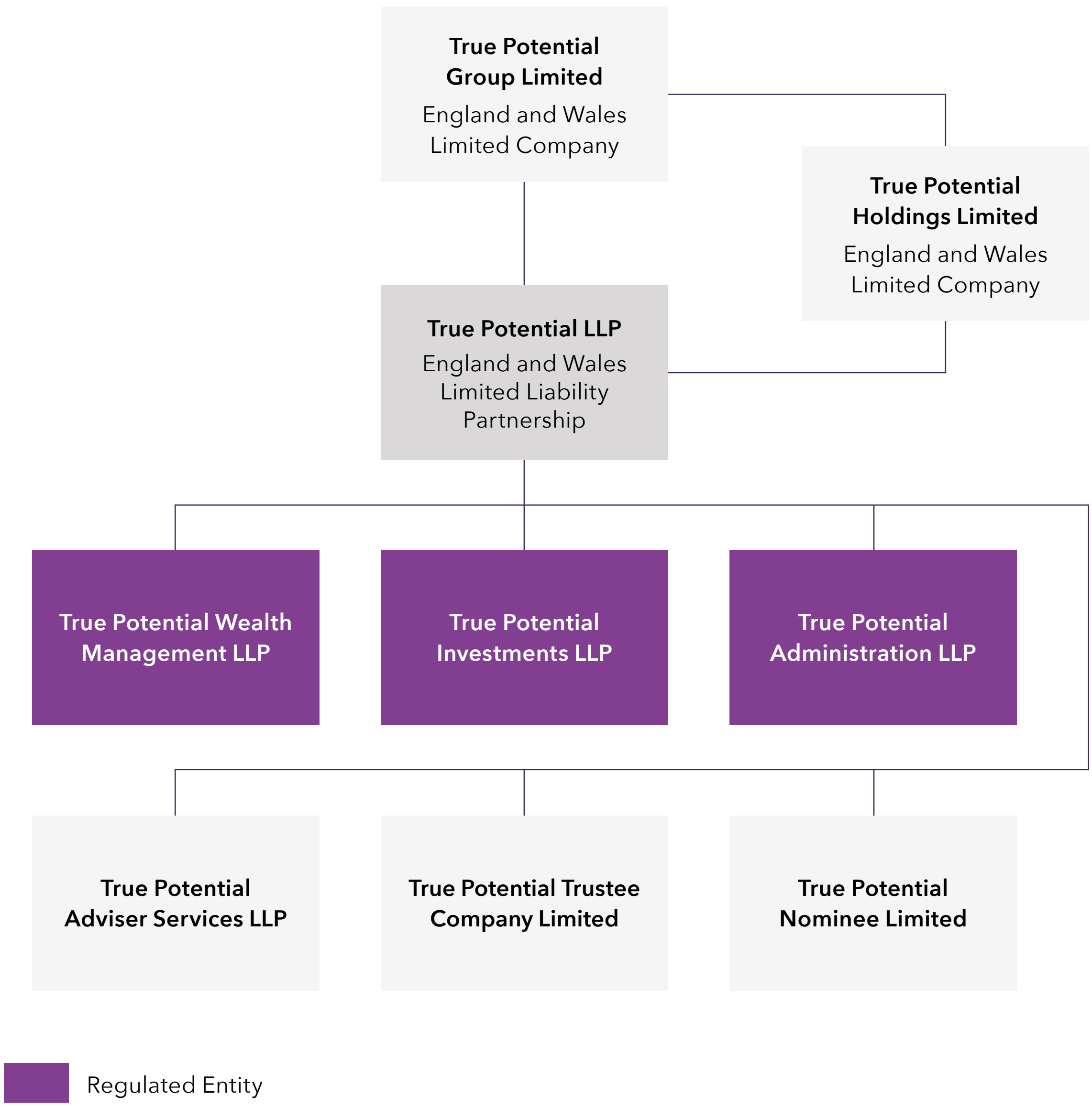
June 2024

Introduction.

In December 2021, the FCA introduced rules for asset managers and certain asset owners to make disclosures consistent with the TCFD recommendations. In accordance with the FCA Rules and the TCFD's recommendations, the following report includes the first TCFD-aligned entity-level climate-related disclosure for TPI.

This document relates specifically to TPI. True Potential Group Limited (the **Group**) is the corporate parent of TPI and for context the overall Group structure is illustrated within the organisation chart below (Figure 1). The purpose of the report is to provide an overview of TPI's approach to addressing climate-related issues across its Governance, Strategy, Risk Management and Metrics and Targets in line with the FCA Rules.

Figure 1: Organisation chart for True Potential Group Limited Entities.



In our role as portfolio manager and operator of the TPIPPS, we are committed to ensuring that climate-related risks and opportunities are considered across TPI's business. Over the past year, we have continued to embed climate-related risks and opportunities within TPI's governance structure, have undertaken scenario analysis to better understand TPI's exposure to potentially material climate-related risks and opportunities and have integrated these results into our Risk Management Framework.

As TPI is acting as delegated investment manager for True Potential Administration (**TPA**), we also recognise that progress in understanding TPI's climate-related risks and opportunities will allow us to align expectations concerning climate with TPA (for example, through ensuring appropriate climate-related responsibilities are assigned within our investment and risk management policies). Additionally, we also understand the importance of ensuring that we consider TPA's climate strategy as we define our future climate and investment strategies.

Governance.

The identification, assessment and management of climate-related risks and opportunities is embedded within TPI's governance structure.

The Group board is responsible for setting the Group's overall strategy and taking decisions related to annual budgets, investments and future direction on ESG. TPI's Board is ultimately responsible for adapting the Group strategy in line with its own specific business plan, objectives, and regulatory obligations and accountability.

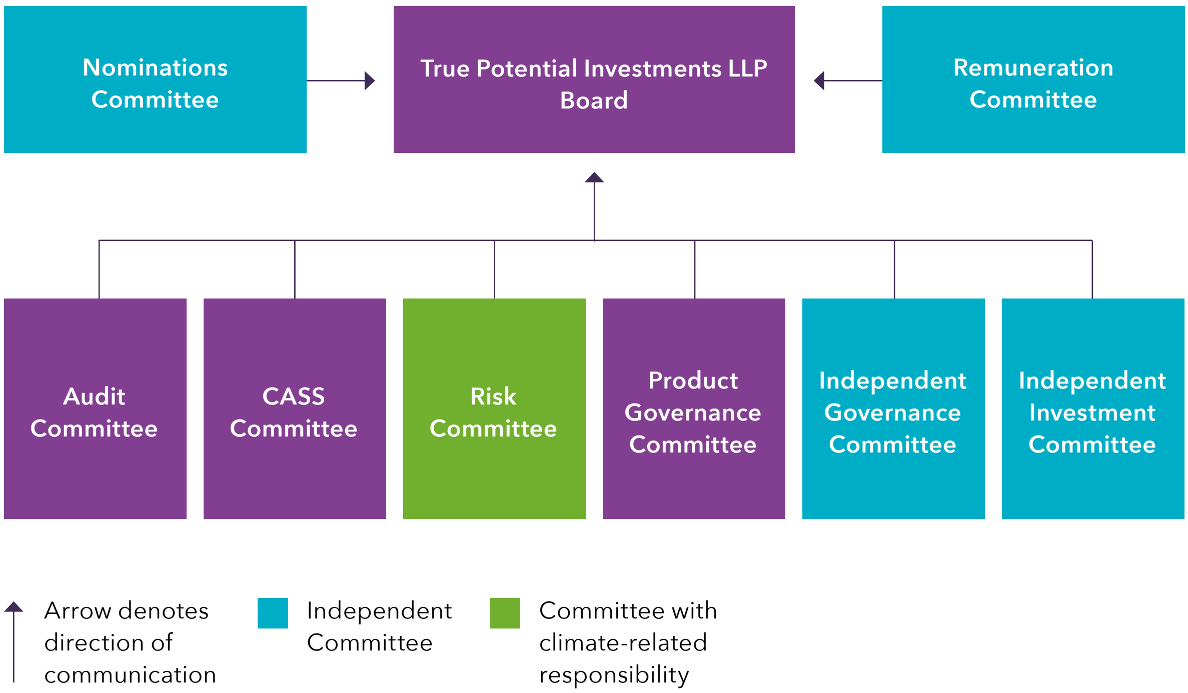
TPI is governed by its Board, which met once every month during 2023. The key purpose of the Board is to ensure TPI's long-term success in providing entrepreneurial leadership to the Firm within a framework of prudent and effective controls which enables risks to be assessed and managed. The Board is responsible for the long-term success of the Firm and the delivery of sustainable value to all stakeholders including clients and shareholders. It sets the strategy and risk appetite for the Firm and approves capital and operating plans presented by management for the achievement of the strategic objectives it has set.

Board Oversight and the Board and Management's role in assessing and managing climate-related risks and opportunities.

As described above, the Board is TPI's ultimate governing body, and therefore it is the Board's responsibility to direct and implement any changes in line with the Group board's vision, including with respect to climate-related issues.

There are also a number of TPI Board Committees that have been delegated responsibility for the management of specific issues and topics. The diagram below (Figure 2) displays an organisation chart, highlighting which Committee has been assigned climate-related responsibility and the communications between TPI's Committees and the Board.

Figure 2: The communication between TPI's Board and Committees.



Risk Committee.

Historically, TPI's Board has been responsible for the management of climate-related issues, including TPI's compliance with the recommendations of the TCFD. However, this year, we have further refined and developed the Risk Committee's climate-related responsibilities, to ensure that we have the appropriate governance processes in place to effectively manage our businesses exposure to climate-related risks and opportunities (in alignment with the FCA's and TCFD's guidance). This includes determining and reviewing the relative significance of climate-related risks and opportunities in relation to our business and integrating these risks and opportunities into our internal Risk Management Framework.

The Risk Committee is now also responsible for considering and reviewing the most appropriate course of action to take to further manage climate-related risks and opportunities that are considered potentially material in relation to TPI's business. This includes the consideration of implementing measures, mitigants and/or management plans to further manage risks and, where appropriate, assigning (and measuring progress against) key performance indicators (**KPI**) and metrics and targets for key climate-related risks and issues. The Risk Committee has now also added climate-related issues as a standing agenda item, which will be discussed at every Committee meeting (which are held, at least, on a quarterly basis).

The Risk Committee has a number of different members, including: the Chair of the Board, the Head of Compliance and Risk, all non-executive directors of the Board, Head of Platform, Client Assets Sourcebook (**CASS**) Operational Oversight Manager and the Head of Investment Operations.

To facilitate TPI in achieving its goal of defining risk appetite, approving capital plans and monitoring key risks to TPI, climate-related risks are being integrated into TPI's Risk Management Framework by the Risk Committee (see 'Risk Management' section for further details).

Board oversight of climate-related issues.

The Risk Committee maintains clear lines of communication with the Board, with the Chair of the Risk Committee now being responsible for providing the Board with an update on climate-related issues on a quarterly basis. During these meetings, the Chair is expected to provide the Board with:

- An update on any climate-related issues (including those relating to the TCFD's guidance) that could impact TPI and its business (with a particular emphasis on climate-related issues that are considered as being potentially material to TPI and its business);
- An update on any progress against climate-related metrics and targets; and
- The presentation of climate-related topics that require Board engagement, insight and approval.

The Risk Committee's climate-related responsibilities are intended to support the Board in reviewing and guiding TPI's business objectives, strategy, risk management policies, financial planning (including annual budgets, business plans and investments/investment policies). They also seek to ensure that the Board has an appropriate level of oversight over climate-related issues (including those relating to the TCFD's guidance).

Strategy.

Within the last year, we have worked to integrate climate-related risks and opportunities within our strategy and internal risk management processes by undertaking two key phases of assessment. These were a climate risk and opportunity assessment and a scenario analysis. The purpose of these assessments was to improve our understanding of the range of climate-related risks and opportunities in relation to TPI's direct operations and investments, that could already be present, or become present in the future. This reflects our understanding of the importance of having a clear oversight of TPI's exposure to climate-related risks, as well as the potential opportunities that could emerge for TPI in the future.

Climate risk and opportunity identification.

A climate risk and opportunity assessment was undertaken as an initial step to identify relevant physical and transition risks and opportunities in relation to TPI's business.

In alignment with the TCFD's guidance, a list of climate-related risks and opportunities across the following categories was generated:

- For climate-related risks this included: policy and legal, technology, market, reputation, acute physical and chronic physical.
- For climate-related opportunities this included: resource efficiency, energy source, products/services, markets and resilience.

Through the engagement of an independent third-party advisor, a series of potential physical and transition risks and opportunities were identified, based upon relevance to TPI's business. Each identified risk and opportunity was assigned an exposure rating, a likelihood rating and an overall significance rating.

Exposure ratings represent the potential impact of a risk or opportunity on TPI's business, whilst likelihood ratings represent the potential likelihood of a risk or opportunity actually impacting TPI's business. Following this, for each risk or opportunity the previously assigned exposure and likelihood ratings were considered in parallel – and an overall significance rating was assigned (representing the overall significance of each risk/opportunity).

Based upon the assigned exposure, likelihood and significance ratings, the potential materiality of each physical and transition risk in relation to TPI's business was assessed. Following this, the most relevant and significant physical and transition risks and opportunities were prioritised as a focus area for more detailed assessment within our scenario analysis (as outlined within the section below).

Performing a scenario analysis to identify current and future climate risk and opportunity.

Entity-level Scenario Analysis.

Climate-related scenario analysis was performed on our operational assets (including our offices and the data centres which we rely on during our day-to-day operations). This scenario analysis aimed to further assess and improve our understanding of the potential physical and transition risks and opportunities that could emerge and impact our operations, business strategy, products, services and financial position across different time horizons and climate scenarios.

The time horizons that were included within this scenario analysis cover the period between now and 2050, enabling us to understand which of the identified risks and opportunities could emerge and impact TPI across the short, medium and long-term. Below is a summary of how we defined short, medium and long-term within this assessment:

- **Short-term:** Within the next five (5) years.
  Rationale: Understanding our exposure to climate-related risks and opportunities within the next five years aligns with a number of our financial planning activities such as reforecasting, liquidity planning as well as regulatory capital and financing requirements.
- **Medium-term:** Between five (5) and ten (10) years into the future.
  Rationale: Understanding our exposure to climate-related risks and opportunities between five and ten years into the future aligns with our Group-led annual 5-year business planning process.
- **Long-term:** Ten (10) years or more into the future.
  Rationale: Understanding our exposure to climate-related risks and opportunities ten years or more into the future ensures that we are aware of, and consider, the effectiveness of our existing risk management controls and the potential long-term impacts of climate change on TPI. This will allow for more effective long-term business and financial planning in relation to any identified climate-related risks and opportunities.

A number of climate scenarios were also selected for inclusion within this scenario analysis, which are summarised within Table 1 below. For physical, this included the Intergovernmental Panel on Climate Changes (**IPCC**) climate scenarios, termed Shared Socioeconomic Pathways (**SSP**), whilst for transition, this included the Network for Greening the Financial Systems (**NGFS)** climate scenarios.

Based upon the findings of this scenario analysis - we identified several physical and transition risks and opportunities in relation to TPI (which are outlined in Table 2). As a part of future assessments, we intend to undertake a more detailed analysis of each of these risks and opportunities to further enhance our understanding of how financially material each of these risks and opportunities could be in relation to TPI.

Table 1: Description of the physical and transition scenarios used in scenario analysis.

<table>
<tr><th></th><th colspan="2">Physical</th><th colspan="2">Transition</th></tr>
<tr><th></th><th>Source and scenario</th><th>Description</th><th>Source and scenario</th><th>Description</th></tr>
<tr><td rowspan="2">Scenarios</td><td>Source: IPCC

Scenario: SSP5-8.5
This scenario results in a 4.4°C mean warming by 2100.</td><td>A business-as-usual scenario which has continued high emissions with no additional climate policy.

This scenario assumes:
• Current CO_2 levels double by 2050, and there are many challenges to mitigation, with few challenges to adaptation; and
• Energy demand triples by 2100 and is dominated by fossil fuels.</td><td>Source: NGFS

Scenario:
Current Policies
This scenario results in a 3°C mean warming by 2100.</td><td>This scenario assumes that only currently implemented policies are preserved. Emissions grow until 2080 leading to about 3°C of warming and severe physical risks.</td></tr>
<tr><td>Source: IPCC

Scenario: SSP1-2.6
This scenario results in a 1.8°C mean warming by 2100.</td><td>This scenario is aligned to the current commitments under the Paris Agreement (2015). It is implied that the world reaches net-zero emissions in the second half of the century by shifting towards a more sustainable path.</td><td>Source: NGFS

Scenario:
Net Zero by 2050
This scenario results in a 1.4°C mean warming by 2100.</td><td>This scenario assumes that an ambitious transition takes place across all sectors of the economy. Net CO_2 emissions reach zero around 2050, giving at least a 50% chance of limiting global warming to below 1.5°C by the end of the century.</td></tr>
<tr><td>Time Horizons</td><td colspan="2">Baseline, 2030 and 2050</td><td colspan="2">Baseline, 2030, 2040 and 2050</td></tr>
</table>

Climate-related risks and opportunities arising in the short, medium, and long term.

The results of the physical and transition scenario analysis are shown in Tables 2 and 3. These tables include a description of the impacts of each of the key physical and transition risks and opportunities that were identified in relation to TPI. We believe that the controls that we have in relation to these risks are adequately robust to mitigate their potential impact and allow us to accept them as a part of doing business. These tables also highlight the associated time horizons whereby each climate-related risk and opportunity could potentially become material.

Table 2: Summary of the physical climate-related risks and opportunities identified in the scenario analysis for physical assets.

Risk Item	Risk/ Opportunity	Time Horizon(s)	Description of Impact	Potential Financial Impact
Impact of river and extreme rainfall flooding on office buildings.	Risk	Short, medium and long term	• Water damage to our office buildings, equipment and utilities can incur operational costs for repairs and replacements, as well as maintenance costs. • Flooding could pose a health and safety risk leading to downtime if personnel are unable to work. • Downtime for repairs and replacements can cause operational disruptions (which could cause knock-on negative reputational impacts and revenue losses).	• Negative reputational impact. • Revenue losses. • Increased Operational Expenditure (**OpEx**) and Capital Expenditure (**CapEx**).
Impact of extreme heat on operations.	Risk	Long term	• Extreme heat could cause operational issues with IT equipment and data centres. This could lead to disruption to operations (e.g. those associated with IT services) and cause knock-on negative reputational impacts and revenue losses.	• Negative reputational impact. • Revenue losses. • Increased OpEx and CapEx.
Impact of extreme winds and storms on office buildings and data centres.	Risk	Medium term	• Extreme wind and storms could cause physical damage to our offices and data centres. Power outages, damage to assets, and communication disruptions caused by extreme wind and storms can also lead to significant downtime and disrupt operations. (which could cause knock-on negative reputational impacts and revenue losses).	• Negative reputational impact. • Revenue losses. • Increased OpEx and CapEx.

Table 3: Summary of the transition climate-related risks and opportunities identified in the scenario analysis.

Risk Item	Risk/ Opportunity	Time Horizon(s)	Description of Impact	Potential Financial Impact
Impact of government and external regulation on existing operations and investment products.	Risk	Long term	• Net-Zero related policies impacting a range of sectors including fossil fuel sector and potential returns, both direct (i.e. limiting exploration or licenses) and indirect (i.e. subsidising alternative fuels).	• Decreased revenues due to reduced demand for products and services.
Impact of substitution of existing products and services with lower emission investment products.	Risk	Long term	• Regulations and technological developments drive prices of renewable technologies down and lead to substitution of fossil fuels in key sectors such as electricity generation, transportation and heating.	• Decreased revenues due to reduced demand for products and services.
Impact of changing customer behaviour on investments.	Risk	Long term	• By not offering clients a fund with a climate / ESG asset class focus, TPI could miss out on a potential revenue opportunity and lose market share to peers.	• Decreased revenues due to reduced demand for products and services.
Impact of carbon pricing mechanisms on investments.	Opportunity	Long term	• Carbon pricing is likely to cause price volatility in the fossil fuels market, and will ultimately reduce demand for higher emission fuel sources - this presents an opportunity for renewables to replace them (and therefore the Funds' exposure to renewable or diversified energy producers).	• Increased revenues due to increased demand for products and services.
Impact of developing new low carbon products on investments.	Opportunity	Long term	• The energy transition will increase investment into many markets that align with the low carbon transition. There is an opportunity for TPI to reposition its investments out of emissions intensive industries and into markets which are seeing growth due to the energy transition, such as low carbon alternatives to emissions intensive products and services. This could increase revenues as demand for its investment products will increase.	• Increased revenues due to increased demand for new financial products.

Fund-level Scenario Analysis.

In addition to focusing on direct physical and transition impacts on our investments, we have undertaken a more specific product-level scenario analysis assessment of the Funds using climate data that has been sourced from MSCI (full details of this assessment can be found within the TPA Product Reports). This product-level scenario analysis provides insights into the potential impact of physical and transition risks on the Funds. To assess physical (both acute and chronic events) and transition risks (including policy and technology changes), three climate scenarios were integrated into this analysis, which are built upon the NGFS scenarios. By assessing the impact of the Funds, inherently the impact of investments is also assessed and can be used as a guide to identify key focus areas for TPI.

All of the TPA Product Reports for the Funds can be found here:
www.truepotential.co.uk/fund-documents

The resilience of our strategy.

Based on our scenario analysis, which considered various climate scenarios and time horizons, including both physical and transition scenarios aligned with a global average temperature increase of 2°C or lower (IPCC SSP1-2.6 and NGFS Net Zero by 2050), we assess TPI to have a relatively low exposure to physical and transition climate-related risks. This is due to a limited number of physical climate-related risks being identified as having the potential to cause material impacts to TPI. As a result, the overall physical risk profile associated with our direct assets is noted as being low to moderate. These results demonstrate an initial positive view of the resilience of our physical assets to climate change. It should be noted that the physical risk impact to TPI is the same as TPA as both businesses operate using the same physical assets.

Additionally, while the scenario analysis identified regulation of existing operations and products as the most significant transition risk, it also highlighted several potential opportunities that could arise in the short to medium term for TPI. To enhance our understanding of resilience in future assessments, we plan to conduct a more detailed analysis of each identified risk that may be material to TPI. The transition risk and opportunities identified for TPI are also the same as TPA as TPI is TPA's delegated investment manager, and therefore TPI's investments feed directly into the Funds.

As TPA's delegated investment manager, policies and procedures are in place to ensure that TPI is also considering climate change more directly within its investments. This includes TPI's Sustainability Policy which is used to inform investment management and decisions (as detailed within the 'Risk Management' section). Consistent monitoring at the firm and fund level enables TPI to react to any significant changes to its investments when considering a range of sustainability, ESG and climate-related factors.

The findings of our completed and future assessments will be used to inform our strategy, financial planning, risk management and investment processes and policies. These will ensure that TPI is resilient to the potential risks posed by climate change, and is prepared to capitalise on any relevant climate-related opportunities.

As we improve our understanding of data associated with our operational and investment-related emissions, and its availability and quality improves, in line with group strategy, we will seek to develop greenhouse gas (**GHG**) emission reduction targets, how we monitor these and to explore the implementation of a transition plan in line with the Paris Agreement's commitment to limit warming to 1.5°C.

Risk management.

TPI's Operational Risk Policy and Risk Management Framework have been used to ensure that TPI has a comprehensive system to support the identification, assessment, monitoring, reporting, control and mitigation of any business risks - including climate-related risks. The Risk Management Framework has therefore informed the basis of the climate-related assessments outlined above, with climate-related risks and opportunities identified and assessed in alignment with TPI's Risk Management Framework and Operational Risk Policy. This has enabled the climate-related risks identified in the scenario analysis assessment to be integrated into the Risk Management Framework alongside other key business risks and has enabled TPI to track and manage all business risks together in one place.

Risks identified as relevant to TPI are therefore integrated into our Risk Management Framework and assigned risk scores based upon impact and likelihood. In the first instance, identified risks are given an inherent risk rating which assumes the absence of any risk control measures.

Following this, any existing control measures which are in place to manage each of the risks are evaluated. The potential impact of the risk control measures on the identified risks is assessed and assigned a rating based upon the control design and the effectiveness of the controls (i.e. the control impact).

The results of this analysis are then combined to provide a residual risk rating which is used to determine which approach to take to manage each identified risk. TPI has defined four different ways in which it manages risks – tolerate (accept the residual risk without additional control measures), treat (implement control measures), transfer (move the risk outside of TPI e.g. through insurance) or terminate (consider discontinuing the business line or project where additional controls are unable to reduce the residual level or risk). Once a method for managing the identified risk has been determined, risks are monitored to ensure controls are operating as expected, to ensure that TPI is operating within its risk appetite, and to identify if a control has failed. The extent to which risks are managed is determined by the residual risk posed to TPI. For example, risks with a higher residual risk rating will undergo more frequent and intense monitoring by both the business function and Compliance and Risk teams. To provide Senior Management within TPI with a view of all operational risks and their management across all functions, reports are produced by the business function and the Compliance and Risk teams.

The Risk, Compliance and CASS teams meet monthly to discuss incidents, ongoing actions and to monitor requests from Senior Management to investigate risks outside of TPI's risk appetite (across all business risks, which includes climate-related risks). As such, risk ratings are periodically reviewed and any changes are documented and reported to Senior Management, the CASS Committee and Risk Committee on a monthly basis. For risks that exceed TPI's risk appetite/require further management or controls, these are escalated to the Board where necessary (see the 'Governance' section for further details on how the Risk Committee and the Board communicate).

In addition to our Risk Management Framework, TPI embeds climate-related risk management practices into its Sustainability Policy. We have devised an investment framework which analyses a range of sustainability factors to assess our fund manager partners (these are external sub-delegated investment managers appointed by TPI), as well as the products used in the Funds. This enables us to provide a broader assessment of the investment environment in which our partners operate and their engagement with both the underlying companies in which they invest and the product providers they utilise.

To do this, we undertake assessments at both the firm and fund level. At the firm level we assess, for example, the extent to which the fund manager partner is committed to its sustainability journey and how the firm is engaging with underlying companies on sustainability matters. At the fund level we assess, for example, if the investment team can incorporate their sustainability framework into investment decisions or if resources at the firm level are utilised to enhance their understanding of sustainability.

We review the sustainability framework annually to track any changes and/or progress in sustainability. The questionnaire covers various sustainability/ESG topics, including climate-related aspects. Numeric scores are assigned for each question and the results are aggregated at both the firm and fund levels. This process enables us to understand any progress our fund manager partners are making to improve their processes and ESG integration. The results of the analysis then feed into our investment management and decision-making framework used to manage the True Potential Funds.

Additional detail can also be found in our **Sustainable Investment Approach documentation**.

Metrics & targets.

We are currently using various metrics to assess TPI's GHG emissions, in addition to Fund-level emissions (see TPA Product Reports for full details). Within the past year, we have accelerated our approach to assessing climate-related risks and opportunities and will undertake a review of the potential climate-related metrics that we can use to improve our understanding of how climate-related risks and opportunities could feed into our strategy and risk management processes.

Scope 1, 2 and 3 GHG Emissions.

TPI's GHG Emissions.

We have worked with a third-party energy consultant to assist TPI with collecting, analysing and summarising our GHG data and relevant KPIs on a quarterly basis. This data enables us to assess how we are managing our GHG emissions.

We currently obtain data on KPIs:

- Scope 1, 2 and 3 carbon dioxide equivalent (CO_2e) emissions; and
- Energy consumption (kWh).

TPI's Scope 1, 2 and 3 emissions are calculated in alignment with the GHG Protocol Corporate Standard methodology and Streamlined Energy and Carbon Reporting (**SECR**) requirements.

Scope 1 and Scope 2 (location-based) emissions are calculated for our Newcastle Head Office and Scope 3 - Category 6 (Business Travel) emissions are calculated for all TPI employees.

Table 4 below shows our total energy use and CO_2e emissions by Scope 1, 2 and 3 between 2021 and 2023.

TABLE 4: SCOPE 1, 2 and 3 EMISSIONS FROM 2021-2023*.

			2021*			2022*			2023		
			Total kWh	tCO_2e	Total tCO_2e	Total kWh	tCO_2e	Total tCO_2e	Total kWh	tCO_2e	Total tCO_2e
Scope 1	Natural gas		60,418	11.06	**11.06**	75,680	13.81	**13.81**	39,285	7.18	**7.18**
	Vehicles		-	-		-	-		-	-	
Scope 2	Electricity		133,358	28.32	**28.32**	157,856	30.53	**30.53**	157,075	31.94	**31.94**
Scope 3	Business Travel	Personal cars	13,566	3.20	**5.89**	20,838	5.15	**8.45**	5,694	1.38	6.03
		Train		0.17			0.21			0.30	
		Flights		2.52			3.09			4.35	
				Total	**45.27**		**Total**			**Total**	**45.15**

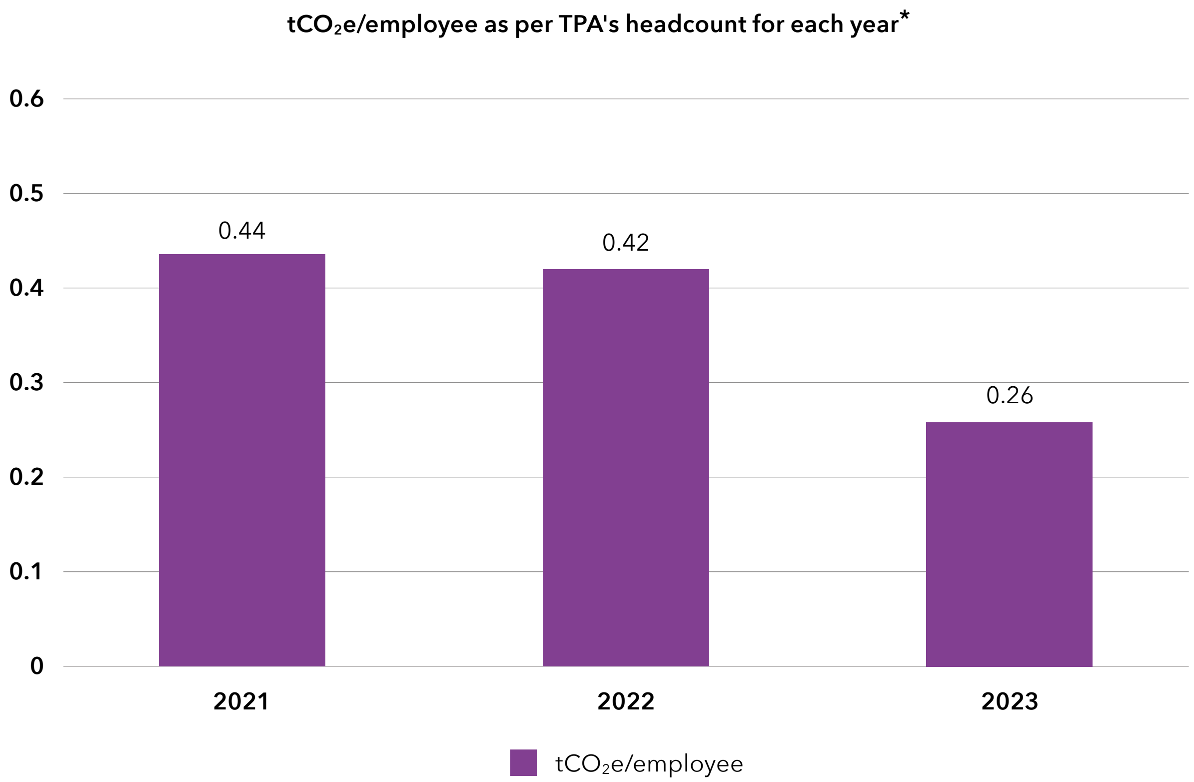
* For 2021 and 2022, TPI's Scope 1, 2 and Scope 3 - Business Travel (for personal cars only) emissions have been estimated using Group level emissions data and weighted as per the number of TPI employees in the given year. For 2021 and 2022, TPI's Scope 3 - Business Travel (trains and flights only) emissions have been estimated using TPI's 2023 actual emissions data and weighted as per the number of TPI employees in the given year. 2023 is the first year in which TPI emissions have been calculated separately from the Group.

The following metric is used to assess progress against our aim to reduce our GHG emissions:

GHG emissions per annual headcount.

- This intensity metric has been chosen to indicate changes to our emissions in line with any changes to employee numbers.
- We have previously calculated our emissions at the Group level, however to increase granularity and track changes in emissions at the entity level, this year we have calculated emissions for TPI separately.
- While the 2021 and 2022 emission intensities can be used as an indication of TPI's emissions intensity in the given years, it should be noted that Scope 1, 2 and Scope 3 - Business Travel (for personal cars only) emissions have been estimated using Group level emissions as a proxy and weighted as per the number of TPI employees for the given year. Scope 3 - Business Travel (for trains and flights only) emissions have been estimated using 2023 actual emissions data as a proxy and weighted as per the number of TPI employees for the given year. The emission intensities for 2021 and 2022 could therefore be overestimated as suggested by the higher Scope 1 estimated emissions for 2021 and 2022 in comparison to 2023.
- Given that the 2023 emissions intensity presented below uses actual data, it will be used as a benchmark to track changes in TPI's emissions going forward.

FIGURE 3: GHG INTENSITY RATIO BY YEAR OF EMPLOYEE HEADCOUNT



* The emission intensities for TPI in 2021 and 2022 have been estimated using Group level /2023 emissions data (as detained above) which has been weighted as per the number of TPI employees in the given year, and the number of TPI employees in the given year. 2023 is the first year in which emissions have been calculated for TPI separately from the Group.

Fund-level and Sovereign Bond GHG Emissions.

We undertake an analysis of the Scope 1, Scope 2 and Scope 3 (estimated) footprint of the assets held in the Funds. At a high-level, based on a tonne (t) CO_2e/£ million (m) invested metric, it has been identified that some of the Funds have a relatively high concentration/exposure to the following carbon intensive sectors:

- Energy;
- Utilities; and
- Materials.

Despite the Funds' exposure to certain carbon intensive sectors, MSCI's Implied Temperature Rise (**ITR**) metric, which estimates the temperature rise impact that a Fund has based on current GHG emissions from its underlying holdings, identifies the temperature rise impact of the Funds to range from 1.5°C to 2.7°C. This metric measures how a company aligns with the Paris Agreement - which is to keep global temperature rise this century to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C. TPA's annual Product Reports will allow us to track the emissions intensity of each of the Funds on an ongoing basis in the future, and improve our understanding of (and allow us to consider) how any changes in the composition of each of the Funds could impact their emissions intensity. More detail on each of the Funds can be found in the TPA Product Reports.

Sovereign Bond Greenhouse Gas Emissions data is disclosed as a separate section in the TPA Product Reports. These emissions differ from that of corporate bonds and equities as GHG intensity is reported in tCO_2e / £m GDP.

Additional detail can be found in the TPA Product Reports (including information on assumptions and data coverage).

Climate-related targets.

We do not yet have any climate-related targets in place because we believe these will be more helpful once our climate work has further evolved and climate-related data becomes more available and meaningful. Nonetheless, we are in the process of further evaluating and defining what targets would be appropriate for TPI. This could include an emissions reduction target, targets related to potentially material climate-related risks/opportunities identified during scenario analysis, or climate-related targets associated with the investments.

Concluding remarks.

Throughout 2023, we have continued to advance our understanding of climate-related risks and opportunities. This work has involved enhancing our climate governance framework, conducting scenario analysis, and incorporating climate-related risks into our risk identification and management processes in line with the tolerate, treat, transfer and terminate approaches discussed above. We remain dedicated to this progress and plan to further refine our internal procedures in the coming years to increase our resilience to climate change. This may involve conducting more detailed scenario analyses to further assess the financial impact of the previously identified risks on our assets and investments.

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