About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force’s guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/3FAB8D9F-B12C-47F1-9D00-6BD812DBE0C1/79894dbc37a40828d895f9402aa63de/html/2/?lang=en&a=1). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the PRI website and on the Data Portal.

To easily locate information, there is a Recommendation index which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.
## TCFD Recommendations Index

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<thead>
<tr>
<th>Indicator</th>
<th>Reported</th>
<th>Disclosure</th>
<th>Governance</th>
<th>Strategy</th>
<th>Risk Management</th>
<th>Metrics &amp; Targets</th>
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</table>

### Symbol and Status

- **✓**: The signatory has completed this sub-indicator.
- **-**: The signatory did not complete this sub-indicator.
- **This indicator is relevant to the named TCFD recommendation**

Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.
ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

<table>
<thead>
<tr>
<th>MAIN CHARACTERISTICS</th>
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<tbody>
<tr>
<td><strong>Name</strong></td>
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<td><strong>Size</strong></td>
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<td><strong>Main Asset Class</strong></td>
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<td><strong>Region</strong></td>
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<tr>
<td><strong>Country</strong></td>
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<tr>
<td><strong>Disclosure of Voluntary Indicators</strong></td>
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### Investment policy

New selection options have been added to this indicator. Please review your prefilled responses carefully.

**SG 01.1** Indicate if you have an investment policy that covers your responsible investment approach.

<table>
<thead>
<tr>
<th>SG 01 CC</th>
<th>Mandatory to Report Voluntary to Disclose</th>
<th>Public</th>
<th>Descriptive</th>
<th>General</th>
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</thead>
<tbody>
<tr>
<td>SG 01.6 CC</td>
<td>Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation’s investment time horizon.</td>
<td>Yes</td>
<td>Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.</td>
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<tr>
<td></td>
<td></td>
<td>No</td>
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<tr>
<td>In 2019 we provided technical support to our parent company, the Royal London Group, with the climate stress testing of the group portfolio of assets requested by the Prudential Regulatory Authority (PRA). This was an assessment of assets’ value at risk under three scenarios set up by the PRA based on speed of policy implementation. The results indicated the sectors and assets at greater physical and transition risk. We incorporated both climate transition and physical risk as one of the six areas of priority for engagement. We undertake the majority of climate transition risk engagements as members of the Climate Action 100+ (CA100+) investor coalition. Climate change is assessed and discussed where the fund managers believe it is material to the investment decision. The RI team provide expertise to fund managers to support their decisions, for example by providing analysis on carbon emissions, shadow carbon tax, local international regulations and commitments, and emerging best practice standards.</td>
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</tbody>
</table>

| SG 01.7 CC | Indicate whether the organisation has assessed the likelihood and impact of these climate risks? | Yes | Describe the associated timescales linked to these risks and opportunities. |
| | | No | |
| Our climate-focused engagement strategy is aligned with the timeline of CA100+, which in turn is aligned with the Paris agreement. Within our property portfolio, we are assessing the impact of these risks over a maximum time horizon of 30 years (2050). |

| SG 01.8 CC | Indicate whether the organisation publicly supports the TCFD? | Yes | |
| | No | |

© Yes

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Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

Yes

Describe

RLAM employs a decentralised risk management model under which our risk management framework is integrated into our business processes. We have a clear and well-documented organisational accountability covering the Board, committees, functions and individuals which are laid out in terms of reference for the Board and committees, as well as in policies and procedures. RLAM's approach to risk management recognises fiduciary nature of our business and our duty to act in the best interest of clients and members at all times.

There are two integral components of our risk management framework: enterprise risk and portfolio risk. The Board Risk Committee has an oversight of the overall risk management framework to ensure it is appropriate to the services we provide to our customers, interests of our Group parent and aligned to industry-wide practices.

Enterprise risk management is based on the Royal London Group-wide risk taxonomy and covers RLAM's proprietary risks which can be financial, operational or strategic in nature. As part of a forward-looking enterprise risk management approach we monitor emerging risks such as climate change, geopolitical developments, as well as the overall market landscape. This allows timely identification of any market-wide or systemic issues and supports our commitment to stewardship and responsible investment. Identified risks are swiftly escalated internally in line with the risk management approach and an adequate response is defined by the business.

The governance of climate change risk has been discussed with our Executive Committee and Board and is being embedded to existing risk processes. In 2019, the Prudential Regulatory Authority (PRA) outlined plans for climate risk stress tests for banks and insurers. During the year, RLAM provided technical support to our parent company, the Royal London Group, with their climate stress test of the group portfolio of assets. This was an assessment of assets' value at risk (VaR) under three scenarios set up by the PRA based on speed of climate policy implementation. The results indicated which sectors and assets are at greater physical and transition risk. We also supported Royal London Group in developing its Climate Change Framework, and our first Group climate risk disclosure. RLAM is looking to develop its own TCFD disclosures during 2020.

In addition to this risk-related work, we have incorporated both climate transition and physical risk as one of the six priority areas for engagement. We undertake the majority of climate transition risk engagements as members of the Climate Action 100+[2] (CA100+) investor coalition. We also supported the Just Transition to a low carbon economy, as reflected in the Paris Agreement and the UK Green Finance Strategy. You can read more about this work in our Engagement section.


[2] CA100+ is a coalition of over 400 global investors with nearly $40 trillion in AUM focused on engagement with largest emitters for enhanced governance, strategy, actions and disclosure around climate change.

No

Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

☐ Public PRI Climate Transparency Report
☐ Annual financial filings
☐ Regular client reporting
☑ Member communications
☐ Other
☐ We currently do not publish TCFD disclosures
<table>
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<tr>
<th>SG 07 CC</th>
<th>Mandatory to Report Voluntary to Disclose</th>
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<td>Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.</td>
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<tr>
<td><strong>Board members or trustees</strong></td>
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<tr>
<td>☑️ Oversight/accountability for climate-related issues</td>
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<td>☐ Assessment and management of climate-related issues</td>
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<tr>
<td>☐ No responsibility for climate-related issues</td>
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<tr>
<td><strong>Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee</strong></td>
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<td>☐ No responsibility for climate-related issues</td>
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<td><strong>Other Chief-level staff or heads of departments</strong></td>
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<td><strong>Portfolio managers</strong></td>
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For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

The Board Risk Committee has an oversight of the overall risk management framework to ensure it is appropriate to the services we provide to our customers, interests of our Group parent and aligned to industry-wide practices. They oversee our Enterprise risk management, which is based on the Royal London Group-wide risk taxonomy and covers RLAM's proprietary risks which can be financial, operational or strategic in nature. As part of a forward-looking enterprise risk management approach we monitor emerging risks such as climate change, geopolitical developments, as well as the overall market landscape. This allows timely identification of any market-wide or systemic issues and supports our commitment to stewardship and responsible investment. Identified risks are swiftly escalated internally in line with the risk management approach and an adequate response is defined by the business.

### ESG issues in asset allocation

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<td>Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).</td>
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<td>☐ Yes, in order to assess future ESG factors</td>
<td>☒ Yes, in order to assess future climate-related risks and opportunities</td>
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**Describe**

We do scenario analysis and modelling for some of our portfolios where data is available, more details below. We are working with Royal London Group to better develop our capacity to undertake scenario analysis on climate risk in line with the requirements set out by the PRA and FCA.

☐ No, our organisation does not currently carry out scenario analysis and/or modelling

| **SG 13.2** | Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets. | | | |
| | We do the following | | | |
| ☐ Allocation between asset classes | ☒ Determining fixed income duration | ☐ Allocation of assets between geographic markets | ☒ Sector weightings | ☐ Other, specify |
| ☐ We do not consider ESG issues in strategic asset allocation |

**Additional information. [OPTIONAL]**

Our Global Equity team undertook some scenario analysis on varying cost per ton of carbon, and its impact on companies' return on capital and valuation.

Our in-house ESG analysis on the UK gas utility sector resulted in some forward-looking assessments of the impact on climate risk on these assets. Our fund managers changed some of weightings following this work, including an assessment of the duration of the bonds we hold in that sector. We also have considered duration when looking at the future risks of having cash or money market investments in Chinese banks, preferring to hold shorter-dated securities.

We are working with Royal London Group to develop climate risk scenario modelling and stress testing for our
assets.
We are have also identified where we can work more closely with our portfolio risk team to conduct scenario and risk analysis on ESG factors, something we will put in place for 2020.

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<td><strong>SG 13.4 CC</strong></td>
<td><strong>Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans.</strong></td>
<td>☑️ Initial assessment</td>
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<tr>
<td>☐ Incorporation into investment analysis</td>
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<tr>
<td><strong>Describe</strong></td>
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</table>
| We have incorporated both climate transition and physical risk as one of the six priority areas for engagement. We undertake the majority of climate transition risk engagements as members of the Climate Action 100+-[1] (CA100+) investor coalition. We also supported the Just Transition to a low carbon economy, as reflected in the Paris Agreement and the UK Green Finance Strategy.

[1] CA100+ is a coalition of over 450 global investors with over $40 trillion in AUM focused on engagement with largest emitters for enhanced governance, strategy, actions and disclosure around climate change.
| ☐ Other |
| **SG 13.5 CC** | **Indicate who uses this analysis.** |
| ☑️ Board members, trustees, C-level roles, Investment Committee |
| ☑️ Portfolio managers |
| ☑️ Dedicated responsible investment staff |
| ☐ External managers |
| ☑️ Investment consultants/actuaries |
| ☐ Other |
| **SG 13.6 CC** | **Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.** |
| ☑️ Yes |
Describe

As described, we have undertaken some initial high level analysis to understand our overall exposures at the Group level and we will be working to refine this in 2020 and provide more granular information to fund managers at the portfolio level.

☐ No

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<tr>
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<th>Indicate whether a range of climate scenarios is used.</th>
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<tbody>
<tr>
<td>☐ Analysis based on a 2°C or lower scenario</td>
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<tr>
<td>☐ Analysis based on an abrupt transition, consistent with the Inevitable Policy Response</td>
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<tr>
<td>☐ Analysis based on a 4°C or higher scenario</td>
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<td>☐ No, a range is not used</td>
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<table>
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<th>SG 13.8 CC</th>
<th>Indicate the climate scenarios your organisation uses.</th>
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<td>Provider</td>
<td>Scenario used</td>
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<tr>
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<tr>
<td>IEA</td>
<td>☑ Beyond 2 Degrees Scenario (B2DS)</td>
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<tr>
<td>IEA</td>
<td>☑ Energy Technology Perspectives (ETP) 2 Degrees scenario</td>
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<td>☑ Sustainable Development Scenario (SDS)</td>
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<tr>
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<td>☑ New Policy Scenario (NPS)</td>
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<td>☐ Current Policy Scenario (CPS)</td>
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<td>Greenpeace</td>
<td>☐ Advanced Energy [R]evolution</td>
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<td>Institute for Sustainable Development</td>
<td>☐ Deep Decarbonisation Pathway Project (DDPP)</td>
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<td>Bloomberg</td>
<td>☐ BNEF reference scenario</td>
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<tr>
<td>IPCC</td>
<td>☐ Representative Concentration Pathway (RCP) 8.5</td>
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