

HARGREAVES LANDSDOWN ASSET MANAGEMENT

Taskforce on Climate-related
Financial Disclosures entity
and product-level report

HARGREAVES
LANDSDOWN



Introduction



A statement from our Chief Executive Officer
Dan Olley

I am pleased to share the first TCFD report for Hargreaves Lansdown Asset Management, the distributed investment solutions business for Hargreaves Lansdown Plc. HL exists to make it easy to save and invest for a better future. That includes a better future for society and for the planet. Our responsible business strategy is made up of four areas: responsible employer, responsible business, responsible fund manager and responsible savings and investment provider. It is the latter that this report is focused on, how to make it easy for our clients to save and invest to for a better future in line with their values.

We've made great progress in the last three years – building a dedicated ESG analysis team, designing investment processes which identify environmental, social and governance risks and opportunities, and communicating to our clients through dedicated segments in our equity and fund research, so that they can make informed investment decisions.

Our fund selection processes are powered by rigorous quantitative and qualitative analysis and our approach to climate reporting is no different. Partnering with Morningstar Sustainalytics we have taken a data driven approach, to disclose a wide range of data points.

In the future we will be implementing this data into our platform tools, enabling our clients to understand the ESG risks and opportunities within each of their portfolios, identifying specific factors bespoke to their needs and interests, such as carbon emissions, deforestation and water usage. These commitments are core to our goal at HL – delivering the best choice and service for our clients.

A handwritten signature in black ink, appearing to read 'Dan Olley', written in a cursive style.

Compliance statement

I can confirm under the FCA rule, ESG 2.2.7 that the disclosures in this report, including any third party or group disclosures cross-referenced in it, comply with the requirements stated in the FCA's ESG sourcebook.

We understand clients need clear disclosures from firms so they can choose the right investment products. At HL, we aim to enhance transparency regarding the management of climate-related risks and opportunities that are being managed on your behalf as investors.

TCFD explained

The Taskforce on Climate-related Financial Disclosures (TCFD) is a climate-related disclosure framework which aims to increase transparency on climate-related risks and opportunities to enable clients and consumers to make considered choices.

The principles-based framework is mandated in the UK for listed companies, asset managers and FCA-regulation pension providers.

The recommendations are structured around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets.



The UK government has committed to reaching net zero emissions by 2050. The transition to a net zero economy will require high-quality information on how climate-related risks and opportunities are being managed along the investment chain – from companies in the real economy, to institutional investors and to consumers.

Better information will help clients and consumers make better informed decisions about their investments. This should, in turn, help to enhance competition in the interests of consumers, protect consumers from buying unsuitable products, and drive investment towards greener projects and activities.

How to interpret TCFD data for investment decisions

When reviewing TCFD reports, focus on understanding how companies and asset managers are addressing climate-related risks and opportunities. Look for clear strategies for managing these risks, such as setting emissions reduction targets and integrating climate considerations into business decisions. Where appropriate, pay attention to metrics and targets that measure progress towards decarbonisation goals.

By analysing this information, investors can identify companies and funds that are well-positioned to thrive in a low-carbon economy, ultimately making more informed investment choices aligned with their values and long-term financial goals.

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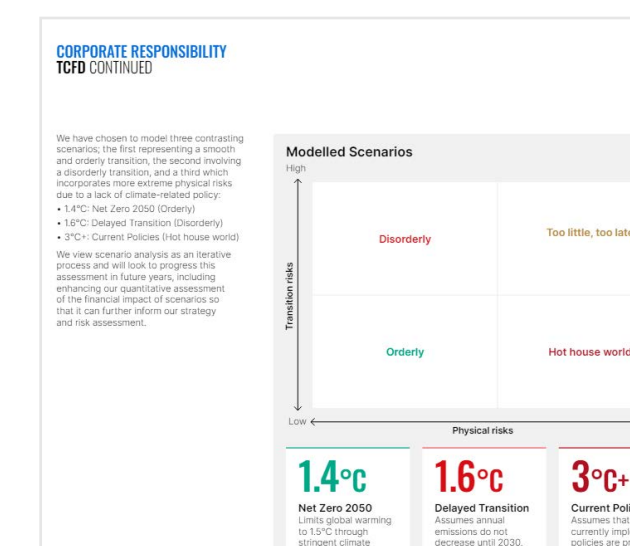
26 Product Reports

Please see our supporting reports:



Stewardship and Engagement Report

Reports on progress with our climate-related engagement and discloses our voting record.



Group TCFD Report

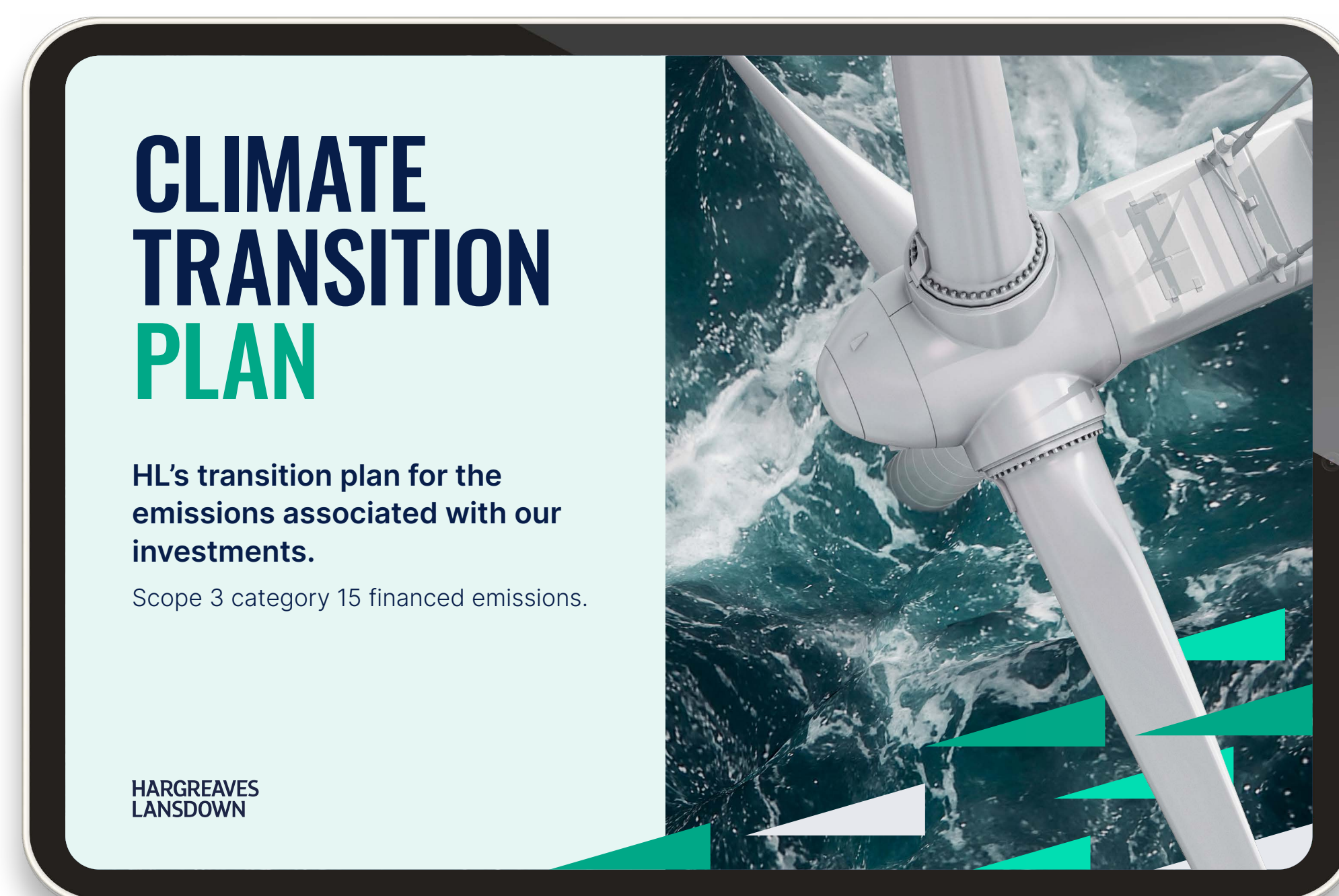
Looks at the climate-related risks and opportunities at the Group level, updated in line with our financial year reporting cycle.

HL Fund Managers TCFD Report

Covers the TCFD entity and product reports for our fund management arm.

Climate Transition Plan

Outlines the net zero strategy for our assets under management.



Hargreaves Lansdown Asset Management at a glance

Hargreaves Lansdown Asset Management Limited (HLAM) is in the business of providing investment solutions to retail clients.

With

£131 billion

assets under administration, our investment platform allows our clients to invest in a broad range of funds, investment trusts, ETFs and shares through general investment accounts and tax-efficient wrappers, such as ISAs and SIPPs.

INVESTMENT SOLUTIONS

As part of its platform service, HLAM provides investment solutions to meet different client needs. These include ready-made investments, investment research and shortlists, and portfolio analysis tools. These services are designed to make it easy for clients to save and invest for their future.

FINANCIAL PLANNING AND ADVICE

We provide investment solutions for Hargreaves Lansdown Advisory Services (HLAS), including model portfolios and a managed portfolio service. HLAS provide a range of services around these solutions from one off to ongoing advice and financial planning.

WORKPLACE

HLAM provides services to employers including a Group Self-Invested Personal Pension, a Workplace ISA and General Investment Account, an employee flexible benefits platform and retirement services. Workplace clients can remain invested in the HLFM-managed default fund, or choose from HLAM curated investment selections or the wider platform.



GOVERNANCE



Hargreaves Lansdown plc

Hargreaves Lansdown
Fund Managers

Hargreaves Lansdown
Advisory Services

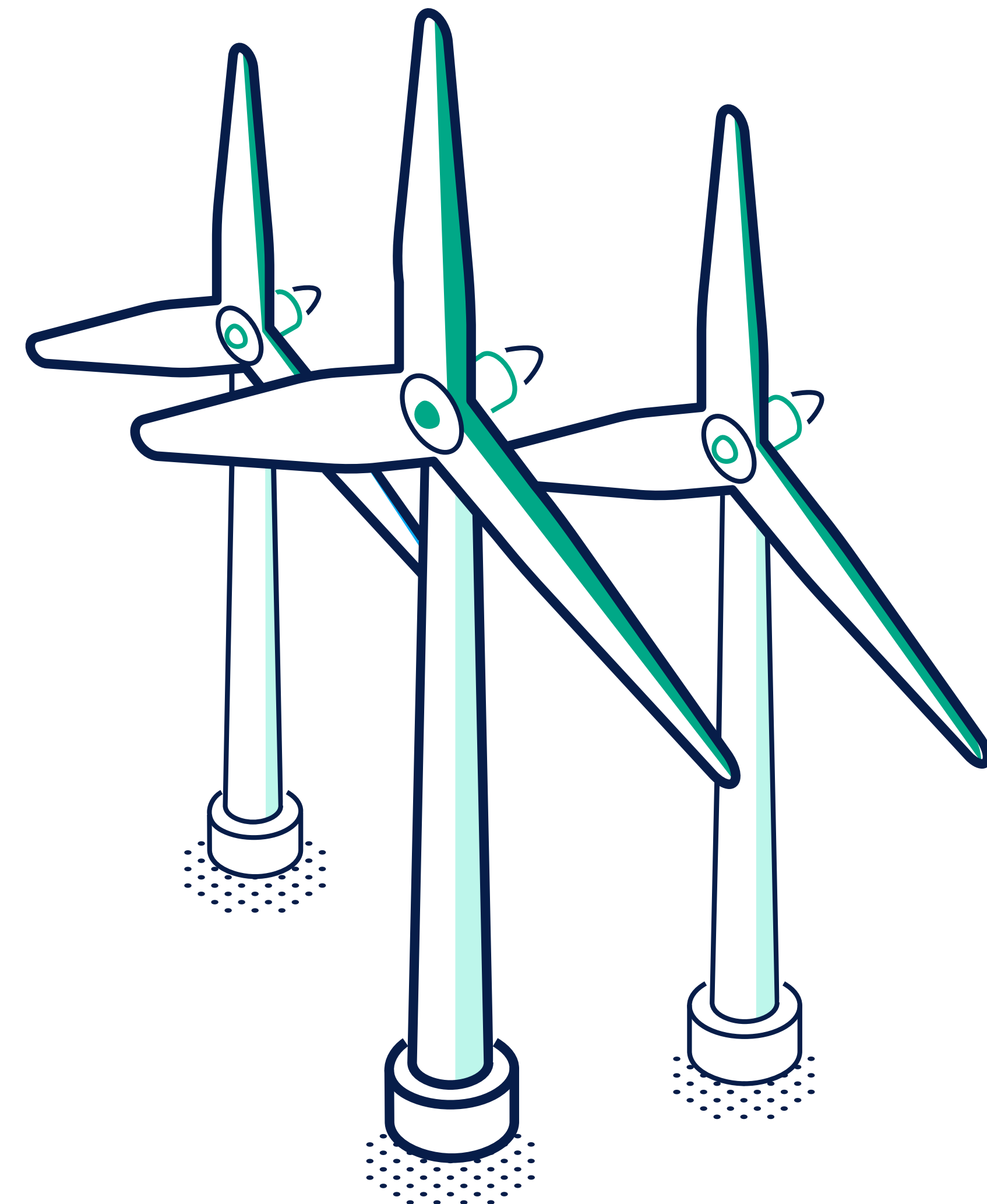
Hargreaves Lansdown
Asset Management

Hargreaves Lansdown
Savings

Our board's oversight of climate-related risks and opportunities

Hargreaves Lansdown plc board is entrusted with the overarching group-wide strategy, which encompasses ESG, climate change, and sustainability. As a subsidiary of Hargreaves Lansdown plc, Hargreaves Lansdown Asset Management (HLAM) carefully monitors climate-related risks and opportunities to understand how they impact our business strategy.

To ensure comprehensive governance, certain responsibilities are delegated to specialised committees and groups, including the ESG Taskforce. This Taskforce is comprised of senior leaders representing various business functions, including Legal, Compliance, Policy & Public Affairs, Investment Analysis & Research, Client Outcomes, Risk, Finance and Hargreaves Lansdown Fund Managers (HLFM). This function collaboratively oversees the execution of our ESG strategy and supports the integration of ESG risk management and opportunities.



Our management's role in assessing and managing climate-related risk and opportunities

The ESG Taskforce is responsible for the day-to-day execution and monitoring of our ESG strategy, and reports to the plc Executive Committee. This involves ensuring key deliverables are on track, fostering business-wide commitment to our climate goals, and addressing key actions as the regulatory and climate risk landscape evolves.

The Distribution Investment Oversight Committee (DIOC) derives its authority from the HLAM Board and the Boards of other delegating subsidiaries. Its purpose is to oversee and challenge investment decision making for products and solutions distributed by HLAM and Hargreaves Lansdown Advisory Services (HLAS). It therefore oversees HLAM adherence to our [ESG Investment Policy](#) and our [Stewardship and Engagement Policy](#), as well as monitoring ESG-related risks.

The Independent Governance Committee (IGC) is responsible for assessing HL's policies on ESG (including climate change), non-financial matters, stewardship and other financial considerations in relation to our

Workplace offerings. The ESG Analysis team meets with the IGC at least once per year (or more frequently as required) to discuss progress made over the period. The IGC's annual reports can be found [here](#).

Furthermore, our commitment to ESG extends to how we incentivise our leadership team. A portion of Executive Directors' bonuses and Performance Share Plan awards are tied to achieving ESG and climate-related objectives, including Scope 3 financed emission targets. The Chief Client and Commercial Officer, who chairs HLAM Board, and the Head of Investment Analysis & Research, who is responsible for all HLAM investment solutions, also have ESG-related objectives which determine a portion of their variable compensation.

Our dedicated ESG Analysis team sits within our Investment Analysis & Research function. The ESG Analysis team supports the Investment Analysis & Research team, which is responsible for all HLAM Investment Solutions (such as the Wealth Shortlist, Foundation Portfolios and Workplace default and Pathways funds). Their role is to ensure that the team's investment processes align

with industry best practice on ESG and climate. Additionally, they deliver ESG-related KPI reporting to the Chief Client and Commercial Officer on a monthly basis and ensure compliance with our [ESG Investment Policy](#) and our [Stewardship and Engagement Policy](#). The team provide the Senior Research Team with key ESG management information on a quarterly basis, which is escalated as appropriate to the DIOC. All members of the ESG Analysis team are required to hold the CFA Certificate in ESG Investing and the CFA UK Climate and Investing qualifications.

Acknowledging the significance of data in evaluating climate risks and opportunities, we adopt a cautious approach to data and model management. While data forms the backbone of our integration framework, we supplement it with qualitative validation and insights from our investment analysts and fund managers. Regular training sessions, conducted at least once a year, and in the event of new joiners, equip our team members with the skills to navigate ESG considerations and leverage our proprietary tools effectively.



STRATEGY



Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

All companies face climate risks and opportunities. Climate risks can be split into physical risks (such as increased frequency of extreme weather events) and transitional risks (such as regulatory changes). The magnitude of these risks and opportunities for a company depend on a number of factors, such as location, their products and services, their supply chains and their broader business model.

Physical Risks

Physical risks, both acute and chronic, pose significant challenges to business continuity. Acute risks, exemplified by extreme weather events like fires and floods, threaten assets and production processes. Meanwhile, chronic risks stemming from long-term climate shifts, such as changes in sea levels and ecosystems, could impact land use, food production, and infrastructure requirements.

Transition Risks

Transitional risks encompass regulatory, policy, and legal factors that reshape business practices and profitability. Climate policies, targets, and regulations are evolving, influencing market dynamics and investment viability. For instance, regulatory changes may necessitate adjustments in operational practices and could impact investment values and returns. Additionally, the emergence of new technologies plays a pivotal role in reshaping industries, though further elaboration on this aspect is underway as part of our ongoing evaluation.

Opportunities

Amidst these challenges lie opportunities for organisations that are proactive in managing climate-related risks and capitalising on emerging trends. Companies with strong climate credentials stand to benefit from enhanced brand reputation and client loyalty. Embracing resource efficiency measures not only reduces costs but also minimises environmental impact. Furthermore, innovative products and services addressing environmental concerns could be poised for future success, alongside organisations that demonstrate resilience in navigating climate-related disruptions.

We are using our third-party data provider Morningstar Sustainalytics to assess the Physical Climate Risk Metrics of our portfolios. This data uncovers the possible harms caused by physical manifestations of a changing global climate, referred to as hazards. Risks are measured by combining details around physical assets and climate change hazard projections to see how physical climate changes will affect those assets.

The results are provided on the individual [product reports](#) at the end of this report. The Physical Climate Risk Metrics assessment only considers the physical risks associated with climate change, and currently does not assess the financials or real estate sectors. We understand the limitations in our analysis and hope to increase the scope of our assessment over time. At the entity and product level, we are working to identify physical and transition risks over the short, medium and long term, as well as by sector and geography.

Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning.

Climate-related risks, such as regulatory changes, physical impacts, and shifts in consumer preferences, pose the threat of impacting HLAM's business and strategy. As such, climate is factored into our proposition, investment process, talent, and partnerships.

Product

Client demand is a key factor in our product development. We actively engage with clients through surveys to gauge their perspectives on ESG-related topics, including climate-related concerns. ESG factors are being incorporated into solutions and tools currently under development, including enabling clients to use climate-related data to make informed investment decisions.

Among our Workplace membership in particular we have explored demand for different responsible approaches. Our Workplace default has been designed with a decarbonisation pathway at its core, as Net Zero is a priority for many of our Workplace employer clients and members.

As well as understanding what clients are asking for and what they're looking to avoid, we consider ESG flows both across the market and on the HL platform. This allows us to assess whether intentions are matched with actions, and then what subsequent behaviour is exhibited.

ESG related regulation is also factored into our product development, such as the implementation of the Sustainability Disclosure Requirements (SDR).

Process

Our investment process integrates robust ESG methodologies, ensuring systematic evaluation and integration of climate considerations into investment decisions. Our 25-question checklist forces investment managers and analysts to revisit every element of the investment case for a fund before it is added to an HLAM investment solution, to make sure nothing is overlooked. It includes two ESG-related questions, which consider how ESG is integrated both at the fund-level and the fund-house level. If the firm, as a minimum, is not a signatory to the Principles for Responsible Investment or has not set targets to reduce its Scope 1 and 2 emissions, it automatically scores zero for the fund-house level question. If the

investment manager subsequently chooses to invest with this fund group, this will trigger an engagement process where we will aim to help the firm develop its approach. If it fails to meet our minimum requirements within a 2-year engagement period, the investment will be sold.

Fund managers and analysts are supported to form their views on the quality of ESG integration with our Fund House ESG Dashboard, which takes several climate-related factors into account, and our Fund House ESG Analysis, a qualitative review of how each fund house under coverage integrates ESG. This helps to ensure consistency of ESG integration across our funds.

Fund managers also invest with reference to detailed due-diligence questionnaires, which are completed by the fund groups and reviewed by our dedicated Product Governance team. The due-diligence questionnaire includes several climate-related questions, which probe the firm's approach to managing climate risk, their climate-focused engagement efforts and decarbonisation strategies.

Our broader engagement strategy prioritises climate as a key theme, with dedicated efforts to address climate-related issues and deforestation concerns. As such, we are engaging with some of the highest emitters across our portfolio. Should engagement be unsuccessful within the designated timeframe, this would trigger escalation in line with our [Stewardship and Engagement Policy](#).

Additionally, climate is factored into financial planning through our allocation to third party ESG data providers to manage climate-related risks effectively across our investment solutions.

People

Recognising the critical role of expertise in ESG and climate-related matters, over the past three years we've established a dedicated ESG Analysis team equipped with the necessary skills and knowledge to navigate environmental challenges.

Our commitment to building a climate-aware workforce is underscored by mandatory climate exams (CFA Certificate in ESG Investing and CFA Certificate in Climate and Investing) for the ESG Analysis team, ensuring they possess the expertise to address climate-related risks and opportunities

effectively. The team is also required to maintain its knowledge by undertaking a program of continuing professional development.

The ESG Analysis team provides training throughout the year to the wider HLFM department. In 2023, the team provided 6 sessions on the topics of net zero, collaborative engagements, Policy training, and ESG data and tools training.

In addition, all of our Investment Analysts are required to detail ESG factors in the research they produce for our clients on third-party funds. We have begun rolling out a similar requirement for the research that our Equity Analyst team produces.

Partnerships

Collaboration is central to our approach to tackling climate-related challenges. We actively engage in climate-focused memberships and alliances, such as Climate Action 100+ and Bristol Climate & Nature Partnership, fostering relationships with like-minded organisations to drive collective action and influence industry-wide initiatives. Leveraging collaborative networks, we amplify our impact and advance our commitment to sustainability and climate resilience.

We have a strong peer network and meet with many of the ESG teams of our appointed managers throughout the year. These meetings allow for peer-to-peer learning on ESG and climate-related integration best practice, knowledge sharing on how firms are approaching upcoming regulation, and the opportunity to ensure we are aware of key market trends.

To learn more about our plans for transitioning to a low-carbon economy, please see our [Climate Transition Plan](#).

Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

To understand the resilience of our assets under administration, we have considered three key metrics: Physical Climate Risk Metrics, Implied Temperature Rise and Value-at-Risk. All data points have been provided by our data provider, Morningstar Sustainalytics, and aggregated in-house and reweighted where necessary. All HLAM products have been assessed against these metrics in the [TCFD product reports](#) at the end of this document. Data relating to climate metrics is evolving. As calculations evolve we aim to be transparent in showing where any changes have impacted our reporting and methodology. For context, we have assessed the MSCI World against these data points.

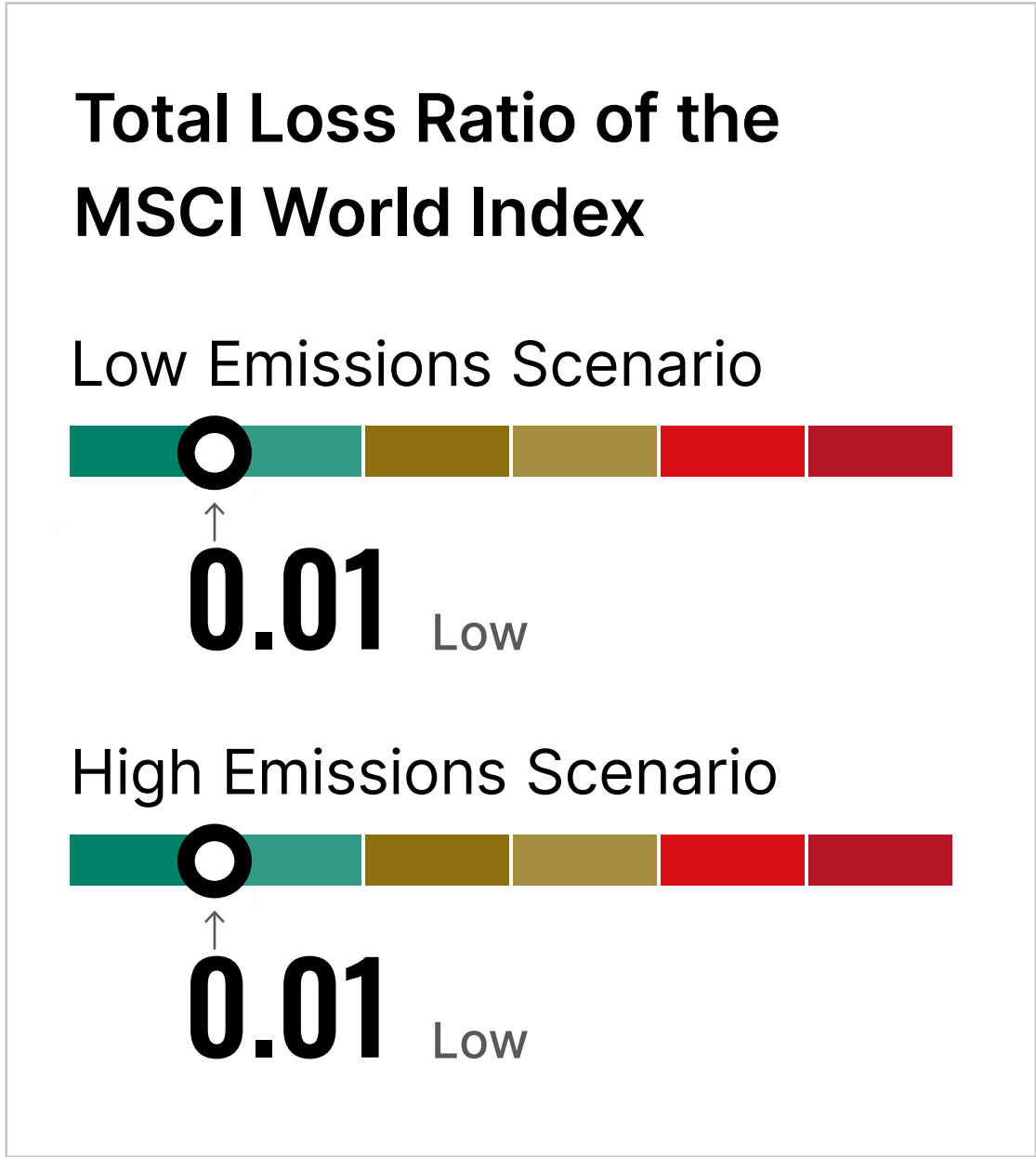
Physical Climate Risk Metrics

Financial exposure to physical climate hazards is expressed through a loss ratio, calculated as the ratio of expected cumulative damage against the company’s global financial position up to 2050.

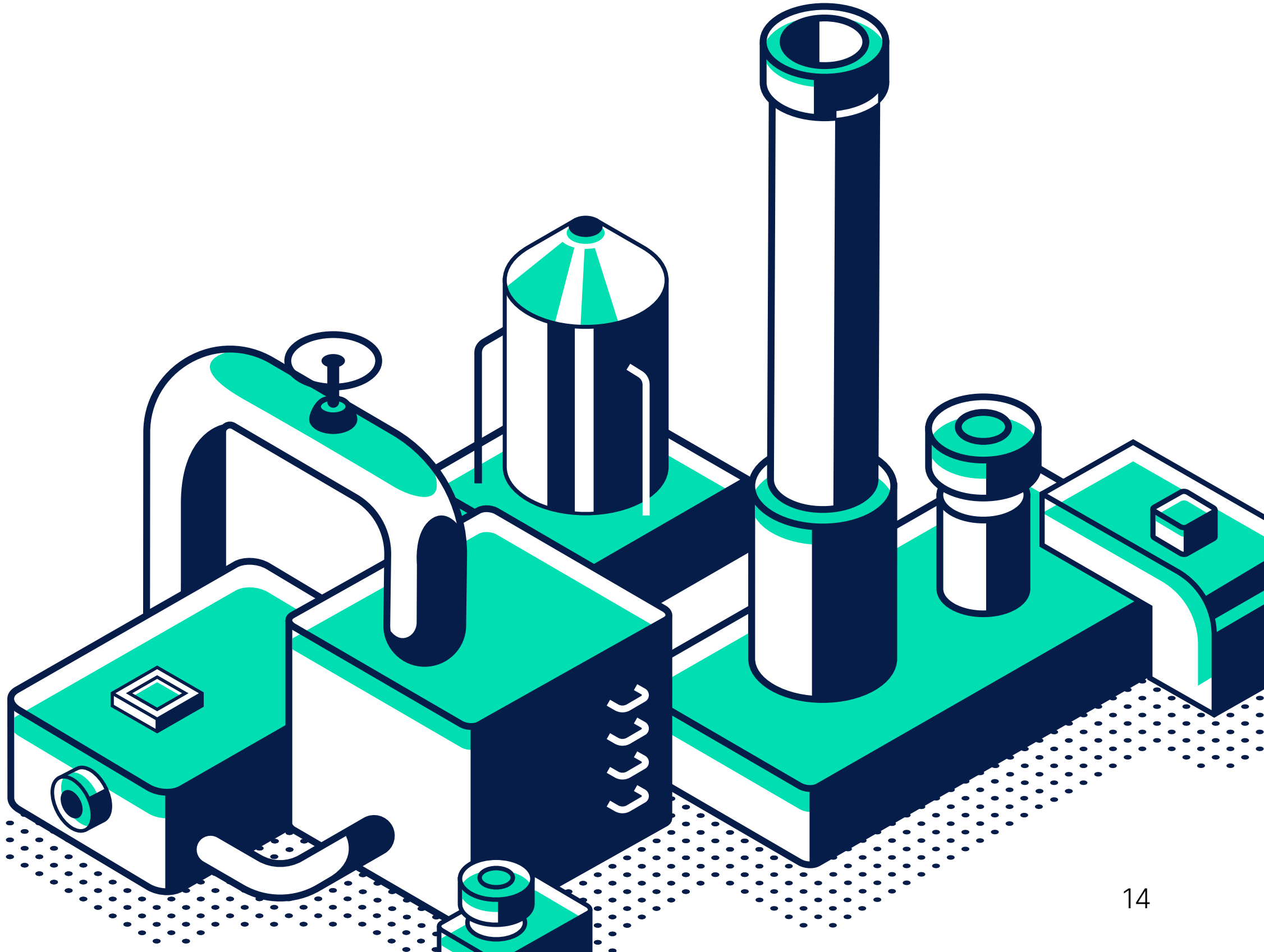
This metric serves to assess a company’s financial capacity to manage the costs associated with physical climate risks. The Loss Ratio therefore provides a signal to understand how much of a company’s projected revenue may be required to be devoted to mitigating damages from climate risks, rather than used in other ways.

Our products have been assessed against two key scenarios: the Representative Concentration Pathway (RCP) 2.6 and RCP 8.5. RCP 2.6, referred to as “Low Emissions Scenario”, models a world transitioning to a future warming of ~2 °C by the end of the century whilst RCP 8.5, referred to as “High Emissions Scenario”, models the future under a worst-case scenario resulting in global warming ranging from 3.2 °C to 5.4 °C by 2100.

Loss Ratio



Please note figures are rounded; they may not exactly match the risk buckets.

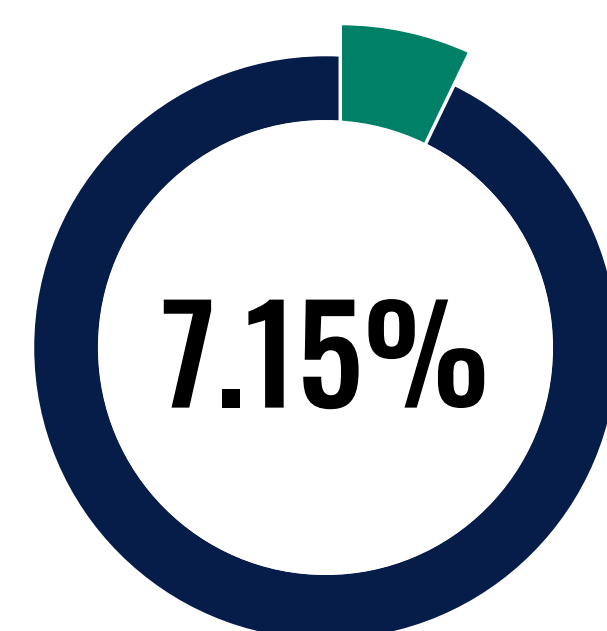


Climate Value-at-Risk

To gain a deeper understanding of what financial impact this equates to, we have assessed the Climate Value-at-Risk (VaR).

VaR is a financial metric that demonstrates the expected future impact to a company's bottom line due to the transition to a low carbon economy. This data point indicates the expected value degradation of a company based on its expected misalignment to a net-zero pathway, expressed as a percentage.

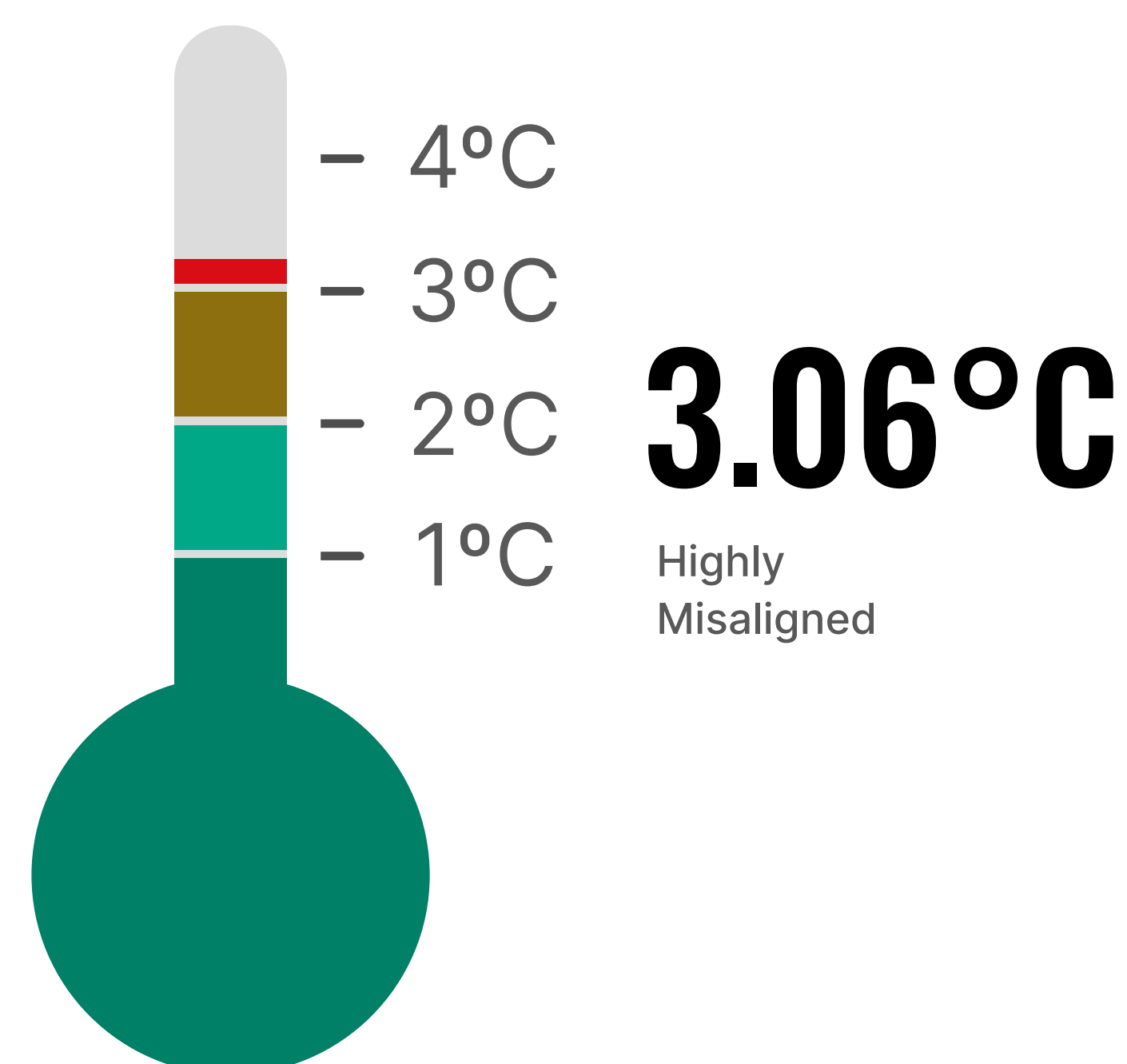
Climate Value-at-Risk of the MSCI World Index



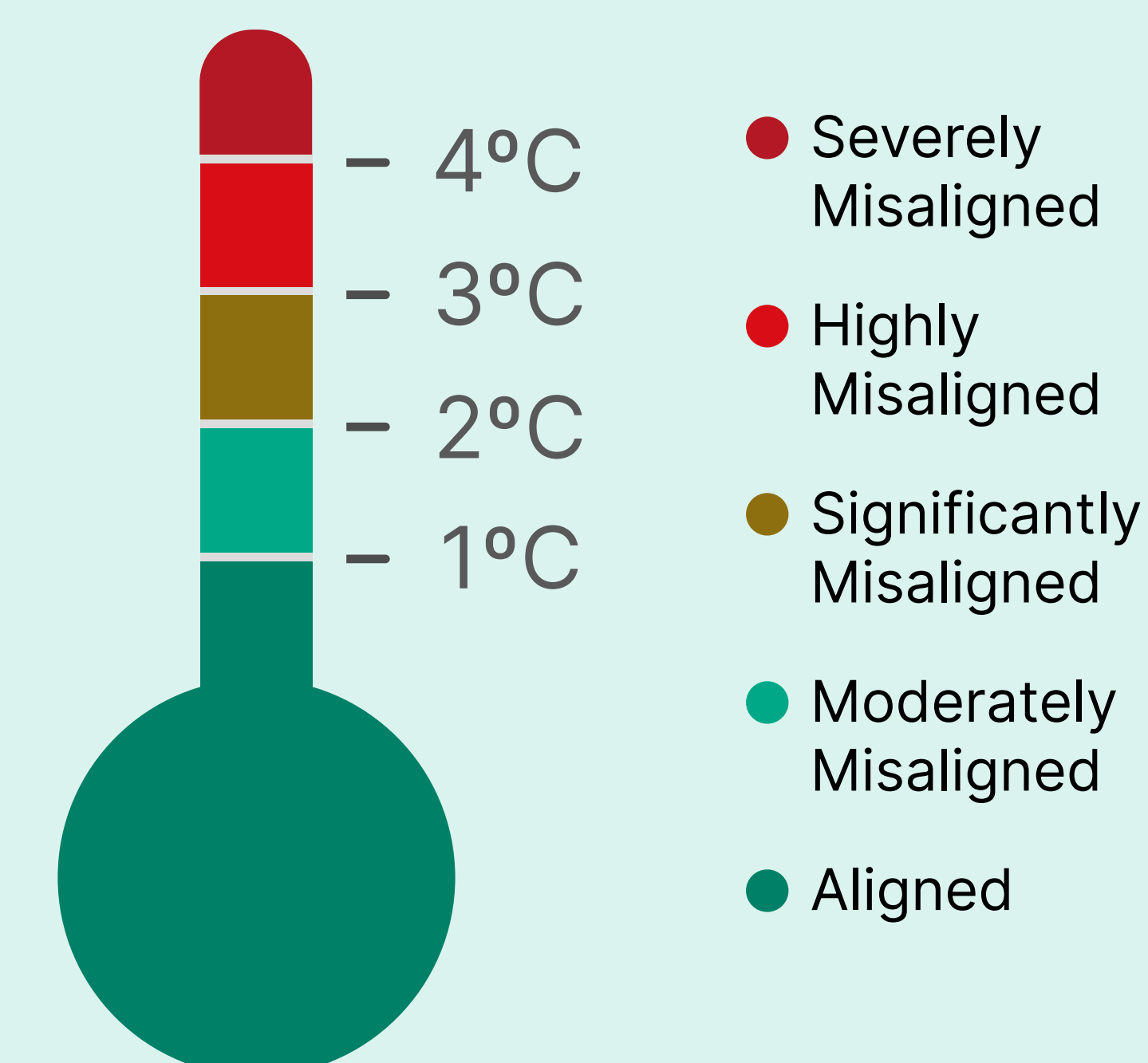
Implied Temperature Rise

The Implied Temperature Rise signifies the temperature to which the world would warm (above pre-industrial levels) should all companies' expected emissions differ from their net-zero budgeted emissions to the same degree as this portfolio.

Implied Temperature Rise of the MSCI World Index



Morningstar Sustainalytics has defined the following temperature exposure category thresholds:



This data point should be considered in context of the global objective of minimising global warming to well below 2°C, ideally 1.5°C, by 2050.



RISK MANAGEMENT

Our process for identifying and assessing climate-related risks

HL recognises climate change as a material ESG factor and a systemic risk to our economy. We continually refine our methods for identifying and assessing climate-related risks to ensure we are aligned with best practice. We rely on Morningstar Sustainalytics as a trusted third-party data provider for carbon data.

This data feeds directly into our proprietary ESG dashboard, a robust tool that aggregates company-level data to the portfolio level. Through this dashboard, we effectively discern key climate-related risks, examining not only carbon emissions but also metrics such as exposure to physical climate risks, alignment with climate transition pathways, and alignment to climate-related opportunities. This comprehensive analysis enables us to pinpoint the highest emitting stocks, sectors, and geographies within each of our funds, providing insight into our products' alignment with net zero goals.

Our investment solutions package third-party funds managed by various external managers. We engage with these managers throughout the year to assess performance and understand their approach to ESG integration and stewardship. Additionally, we issue an annual dedicated due diligence questionnaire to our appointed managers, seeking insights into a range of topics including their approach to managing climate risk.

Our proprietary Fund House Dashboard plays a central role in our approach, integrating climate considerations directly into our scoring methodology. In addition to assessing groups' ambition on net zero and stewardship capabilities, it also evaluates the reporting and disclosure of climate risk. The Dashboard score is directly reflected within our investment checklist, which managers and analysts are required to complete annually for each fund held in our solutions.

ESG is one of our ten due diligence categories. We assess firms on whether they have set a net zero target, whether this covers all scopes of emissions, and what proportion of their assets are covered by targets. We also ask our investment managers whether they conduct any climate scenario planning or stress testing on their funds under management.

We collate themes for engagement every two years through client surveys. We aim to understand the issues our investors care about most and focus our engagement on driving positive outcomes in these areas. In our 2022 Sustainable Investor Survey, deforestation emerged as a key ESG risk clients wanted HL to engage on. Please refer to our [Stewardship and Engagement Report](#) to learn more about our efforts.

Looking forward, in 2024 we will continue to integrate ESG data into our investment process to strengthen the way our analysts identify and assess climate-related risks and opportunities.

Our process for managing climate-related risks

As the UK's biggest investment platform for individual investors, we take our role in educating clients on the risks and opportunities of the climate crisis seriously. Through raising awareness of the challenges sectors face in the net zero transition, we hope to encourage our clients to make more informed investment decisions.

MINIMUM STANDARDS

To be considered for our HLAM investment solutions, all fund groups must publicly pledge to reach net zero by 2050 or earlier (covering at least Scope 1 and 2 emissions) and to be working towards creating a robust transition plan to support this pledge.

In addition, any funds that are being considered for inclusion, or are a current holding, are evaluated on whether the group reports on the Task Force on Climate-Related Financial Disclosure (TCFD), or a similar climate-related disclosure framework relevant to the domicile of the group.

ESG is a key consideration in the design of our Workplace Default Investment Arrangement. Within our manufactured Workplace solutions, ESG tilting may be used to further enhance their ESG credentials. For more information, please see our [ESG Investment Policy](#).

EDUCATION AND CHOICE

As well as writing climate-related articles for clients, which can be found on our [Responsible Investment hub](#), we include a dedicated ESG section in all fund and share update articles. HL's fortnightly Switch Your Money On podcast regularly includes a segment of ESG analysis for listeners too.

We offer a dedicated ESG Hub for Workplace clients to understand the key climate considerations of their retirement savings.

Our [Wealth Shortlist](#) offers more responsible funds than ever before, across a range of sectors, to assist clients in building a well-balanced and diversified portfolio. We will be updating the Wealth Shortlist to align with SDR this year.

We are also working to strengthen the ESG data available to clients on our website. This will ultimately ensure they are both aware of the climate-related risks of their investments, and how to mitigate them, as well as take advantage of ESG investment opportunities.

ENGAGEMENT

Engagement is a meaningful lever for success. We have identified climate change as a key engagement priority and have joined the collaborative engagement group Climate Action 100+, targeting some of the world's highest emitters.

We also engage with all appointed fund managers to ensure they are sufficiently integrating ESG.

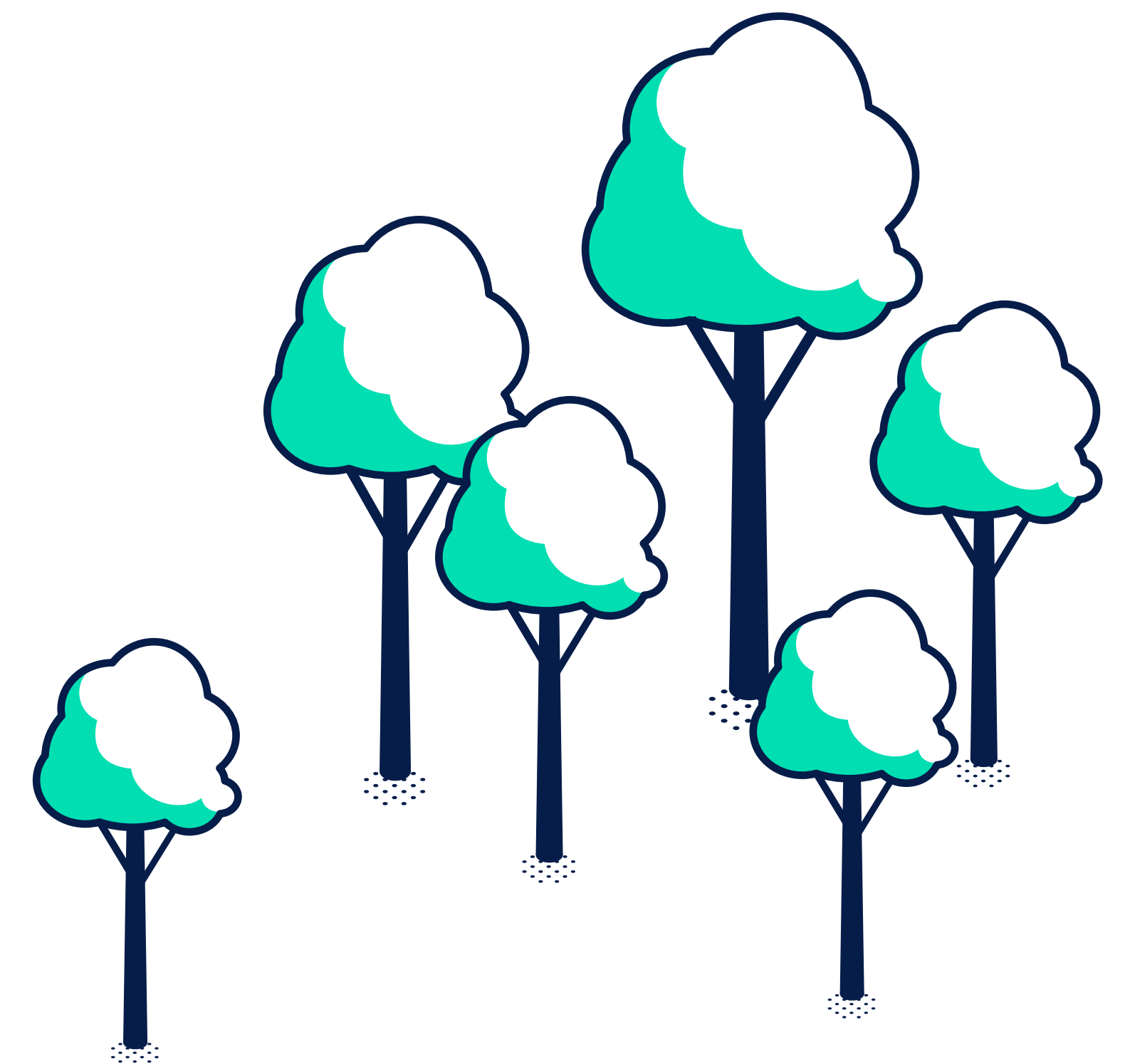
To read more about our climate engagement and net zero strategy, please refer to our [Climate Transition Plan](#) and our [Stewardship and Engagement Report](#).

We have identified deforestation as a key climate-related risk. The clearance of forested land through burning releases vast amounts of greenhouse gases into the atmosphere, and the process of deforestation reduces the ability of an area to store carbon. We commit to understanding the scope and impact of deforestation within our funds in our [Stewardship and Engagement Policy](#).

We are committed to improving our understanding of our exposure through data, participating in the trial of ForestIQ data and engaging with our data provider, Morningstar Sustainalytics.

We are engaging through the Investor Policy Dialogue on Deforestation Initiative (IPDD) to improve regulation on deforestation. This in turn will increase transparency, reporting and data for investors globally to make more informed investment decisions.

“
All fund groups must
commit to be net zero
in their operations to
be considered for
our solutions.



How we integrate climate-related risks into our overall risk management

The Group adopts a robust risk management structure based on the 'Three Lines of Defence' model to ensure clear accountability for all risk management activities across the organisation. For further details, please refer to the Group's [TCFD report](#).

The ESG Analysis team sit in the first line as the ultimate owners of the risks and are responsible for risk management.

Our ESG Analysis team conducts a monthly assessment of climate-related metrics within our assets under management (AUM). This assessment encompasses various factors, including our weighted average carbon intensity, exposure to highest emitting stocks, and our exposure to fossil fuels and climate solutions. This routine evaluation provides our analysts with a comprehensive understanding of climate-related risks and opportunities embedded within our portfolio. On a quarterly basis, the ESG Analysis team provides management information to the Distribution Investment Oversight Committee

(DIOC). This information offers insights into the operational effectiveness of our ESG-related Policies and presents performance data illustrating how our funds align with key ESG and climate-related metrics. Any significant or unforeseen changes are investigated by the ESG Analysis team, and a detailed rationale is provided in the report. Additionally, we commit to formally reviewing our emission reduction targets on an annual basis, supplemented by an independent review conducted every two years. Climate-related Key Performance Indicators (KPIs) are presented to the plc Board annually, providing a comprehensive overview of our organisation's progress and performance in managing climate-related risks and opportunities.

Alongside dedicated ESG investment capabilities, first line operates a Conduct Framework, in which ESG aspects form part of, and is owned and managed through the Client Outcomes Function.

As detailed above, our business wide Conduct and Risk frameworks consider climate-related risks alongside other ESG factors. Aligning with the expectations of the

Consumer Duty, the Conduct Framework's design ensures that Conduct Risks, defined as 'the risk of corporate governance, ethics, culture and conduct failures causing harm to clients, markets, business, and the environment', are robustly managed.

The second line of defence is the Risk and Compliance teams. As well as setting company policy on compliance and risk matters, the second line is there to offer advice, guidance, and challenge to the first line, the Executive Committee, and the Board.



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

METRIC	DEFINITION	CALCULATION METHODOLOGY
Total carbon emissions	The absolute greenhouse gas (GHG) emissions associated with the portfolio. Scope 1 and Scope 2 GHG emissions are allocated to investors based on an enterprise value approach. This is the total emissions associated with the fund.	$\sum \left(\frac{\text{current value of investment}}{\text{investee company's enterprise value}} \times \text{investee company's Scope 1 and 2 GHG emissions} \right)$ <p>The enterprise value calculation values a company based on both the equity and debt value of a company including any cash.</p>
Carbon footprint	The total carbon emissions for the portfolio normalised by the market value of the portfolio. This is the emissions associated with \$1 million of investment.	$\frac{\sum \left(\frac{\text{current value of investment}}{\text{investee company's enterprise value}} \times \text{investee company's Scope 1 and 2 GHG emissions} \right)}{\text{current portfolio value (\$M)}}$

METRIC	DEFINITION	CALCULATION METHODOLOGY
Weighted average carbon intensity	The portfolio's exposure to carbon-intensive companies, relative to revenue. Scope 1 and Scope 2 GHG emissions are allocated based on portfolio weights (the current value of the investment relative to the current portfolio value). This is the economic carbon efficiency of the fund.	$\sum \left(\frac{\text{current value of investment}}{\text{current portfolio value}} \times \frac{\text{investee company's Scope 1 and 2 GHG emissions}}{\text{current portfolio value}} \right)$
Implied temperature alignment	<p>This rating signifies the temperature to which the world would warm (above pre-industrial levels) should all companies' expected emissions differ from their net-zero budgeted emissions to the same degree as this portfolio.</p> <p>This is a forward-looking measure assessing future emission trajectories and climate alignment. A fund may have high emissions but a low implied temperature score if they have a robust plan to decarbonise.</p>	$\left((\sum(\text{weight} \times \text{GHG emissions gap \%})) \times \text{global emissions budget} \times \text{transient climate response to cumulative carbon emissions factor} \right) + 1.5^{\circ}\text{C}$ <p>This rating is calculated by our appointed third-party data provider, Morningstar Sustainalytics. The rating is built on top of two core components, exposure and management. The exposure component assesses the potential inherent misalignment of each issuer's future emissions with their issuer specific budget. The management component evaluates the issuers potential to reduce their exposure, by scoring the equality of their policies and programmes, strategy, governance and financial position. This provides a rating at the stock level; we aggregate these scores to the portfolio level following Morningstar Sustainalytics' methodology.</p>

METRIC	DEFINITION	CALCULATION METHODOLOGY
Climate Value-at-Risk	This is the potential absolute loss in value the portfolio may experience based on its expected misalignment to a net zero pathway.	<div><div>Policy risk The risk that regulatory action will increase costs to an organisation through carbon pricing mechanisms.</div><div>+</div><div>Market risk The risk that market behaviour evolves such that there is less demand for a fossil fuel-based products.</div><div>=</div><div>VaR The potential absolute loss in value the company may experience from a transition to a low carbon economy.</div></div> <p>This metric is calculated by our appointed third-party data provider, Morningstar Sustainalytics. Value at Risk (VaR) is measured based on the policy costs of expected emissions and the impact of reduced market demand, where applicable (market VaR is currently only assessed for the oil & gas sector). It is a cumulative value based on a discounted cash flow model for the years from now until 2050, expressed as a percentage. This provides a VaR at the stock level; we aggregate these scores to the portfolio level following Morningstar Sustainalytics' methodology.</p>

METRIC	DEFINITION	CALCULATION METHODOLOGY
Fossil fuel exposure	The exposure of the assets to thermal coal extraction and generation, oil and gas generation and production, and oil sands.	An aggregation of the companies that have a greater than 0% revenue exposure to thermal coal extraction and generation, oil and gas generation and production, and oil sands.
Total Loss Ratio	The Loss Ratio serves to assess a company's financial capacity to manage the costs associated with physical direct and indirect climate risks.	The Loss Ratio is calculated as the ratio of expected cumulative damage against the company's global financial position up to 2050. This data point is calculated by our appointed third-party data provider, Morningstar Sustainalytics. We apply a weighted average to the holdings data to aggregate the output to the portfolio level. Please refer to page 14 for more information on the applied scenarios.

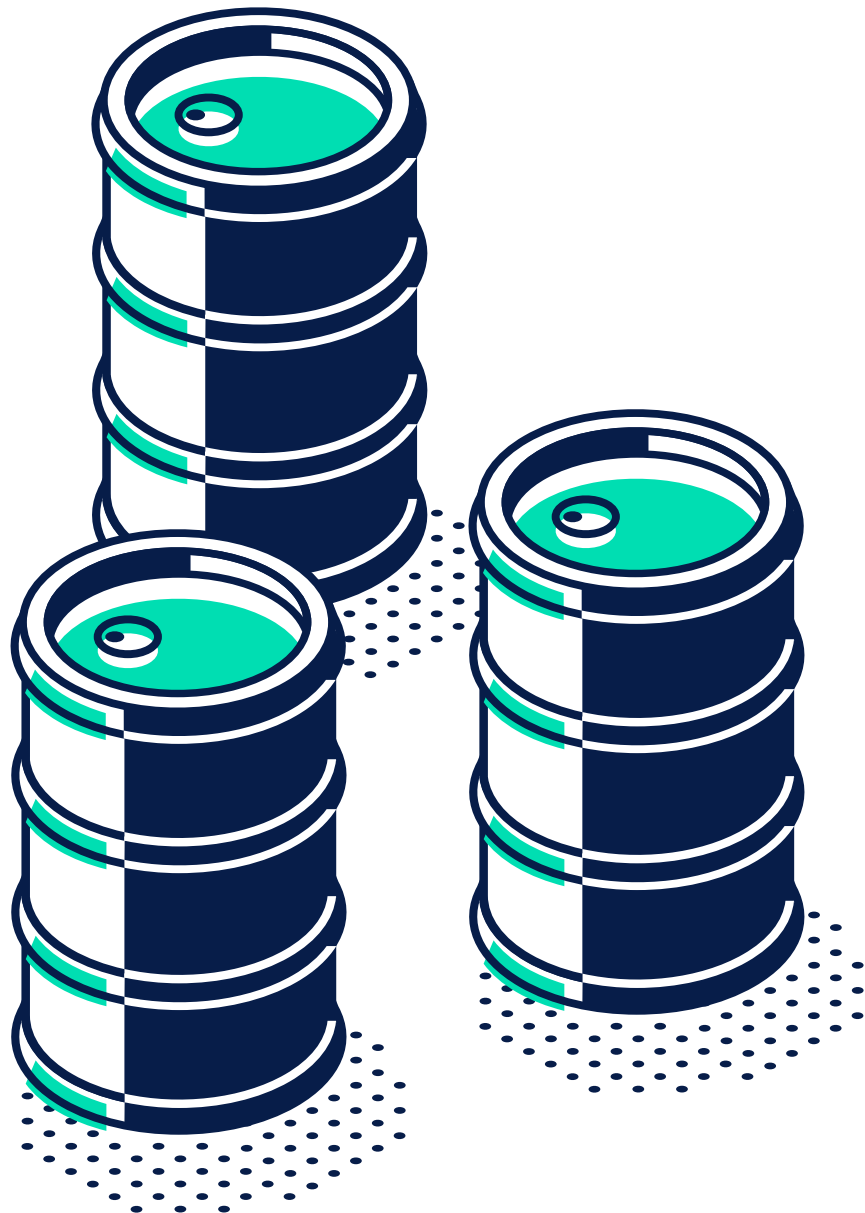
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

The emissions associated with HL’s assets under administration can be found in the following product reports.

For HL’s operational emissions, please refer to our Group TCFD report, located in our [Annual Report and Accounts](#). Please note, the emissions figure provided here differs

from the number provided in HL plc’s Annual Report and Accounts due to variance in reporting periods. The plc Annual Report and Accounts reports against financial years, whilst our TCFD report discloses against calendar years.

For the emissions associated with HL’s assets under management (Scope 3 category 15 financed emissions), please refer to [Hargreaves Lansdown Fund Managers’ TCFD report](#).





PRODUCT REPORTS



The holdings data is correct as of 31/12/2023 or 31/12/2022, abbreviated by year. 31/12/2023 has been used where no date has been specified. The holdings data for third-party funds in this report reflects the most accurate information available up to 31/12/2023.

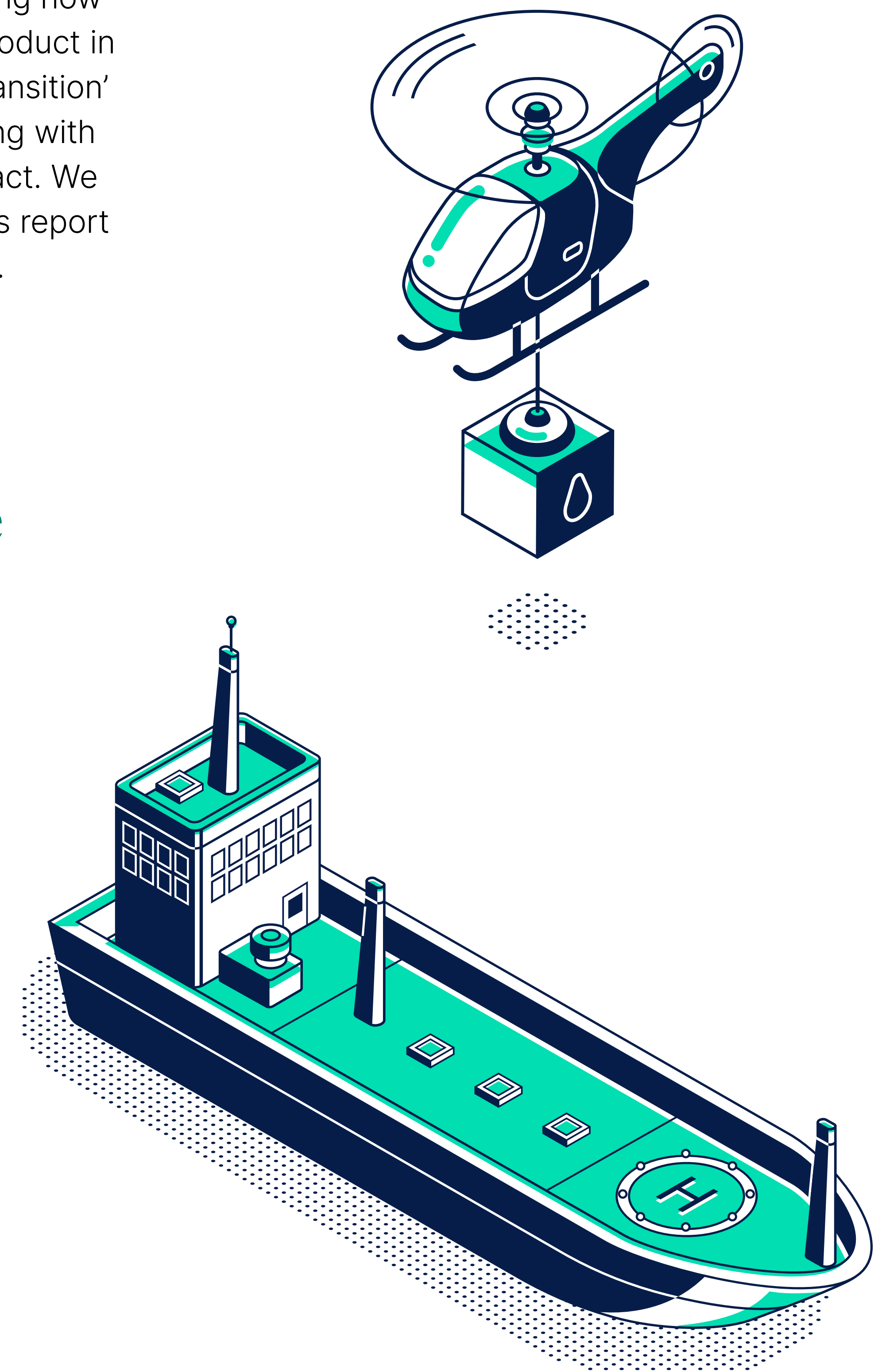
The climate-related metrics data considers the Scope 1 and Scope 2 emissions of our equity and corporate bond investments and is reweighted where appropriate to account for data gaps and out of scope asset classes.

We have omitted Scope 3 data from this year's report as we do not deem this information decision-useful. We are not confident in the accuracy of the data, and therefore feel the inclusion of this data would be misleading. We expect the accuracy of Scope 3 data will exponentially improve with the introduction of climate regulation globally and hope to include it next year.

This is HLAM's first TCFD report. We aim to expand the assessment of our products' resilience to the highlighted climate-related risks and disclose product specific risk mitigation measures in future reports.

In particular, we commit to assessing how climate change will impact each product in an 'orderly transition', 'disorderly transition' and 'hothouse world' scenario, along with the most significant drivers of impact. We aim to present all information in this report accurately, fairly, and transparently.

“
We aim to expand the assessment of our products' resilience to the highlighted climate-related risks and disclose product specific risk mitigation measures in future reports.

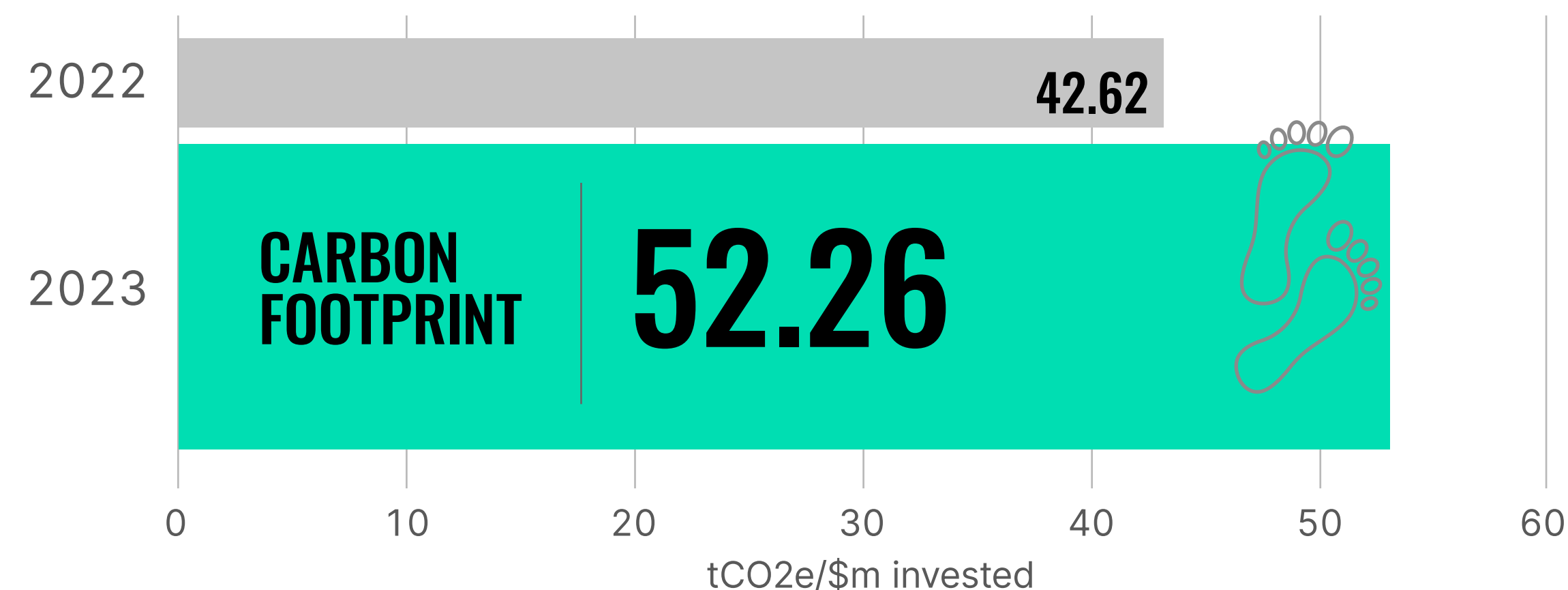


Portfolio Management Service 2

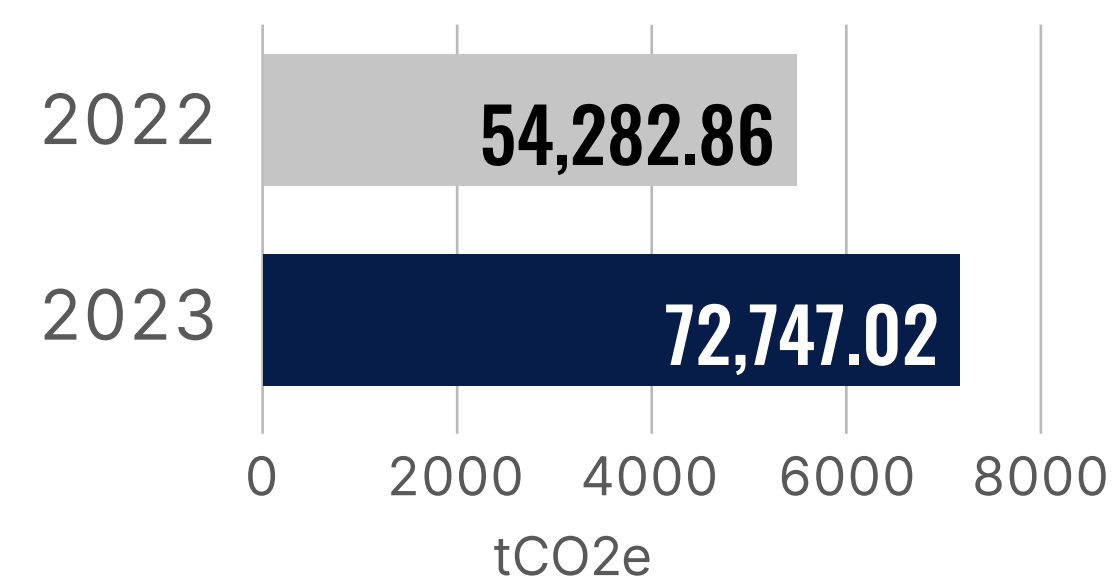
This portfolio is one of 5 discretionary managed portfolios that are only accessible through the Hargreaves Lansdown Advisory Service. It aims to grow investors' capital with a balanced approach to risk over the medium to long term by investing in a wide range of assets across the world. Usually, the portfolio will allocate between 50-70% of its assets to equities, and the rest to corporate & government bonds.

Climate-related metrics

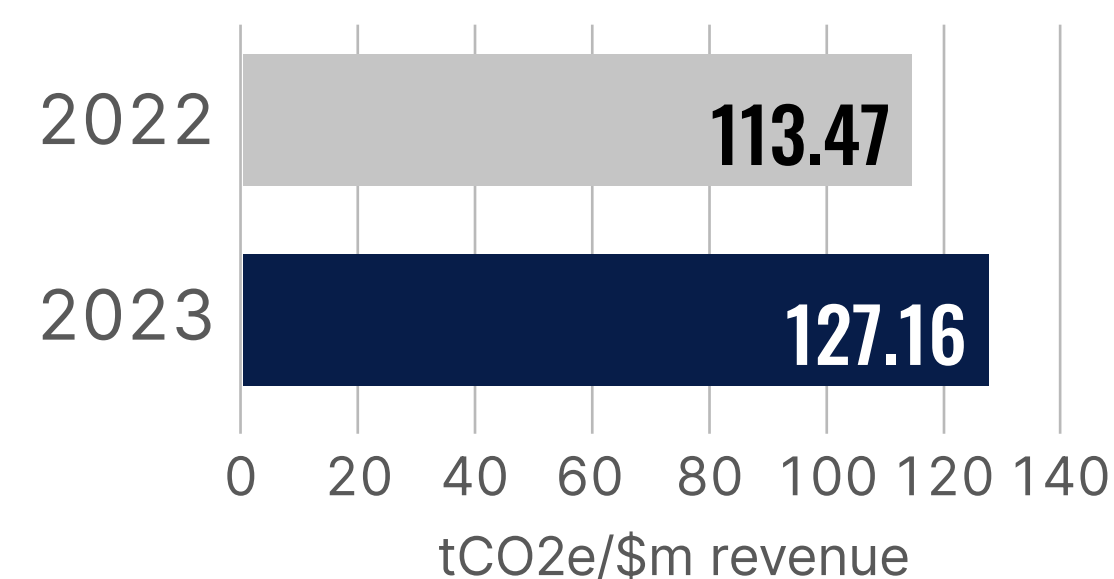
Carbon footprint



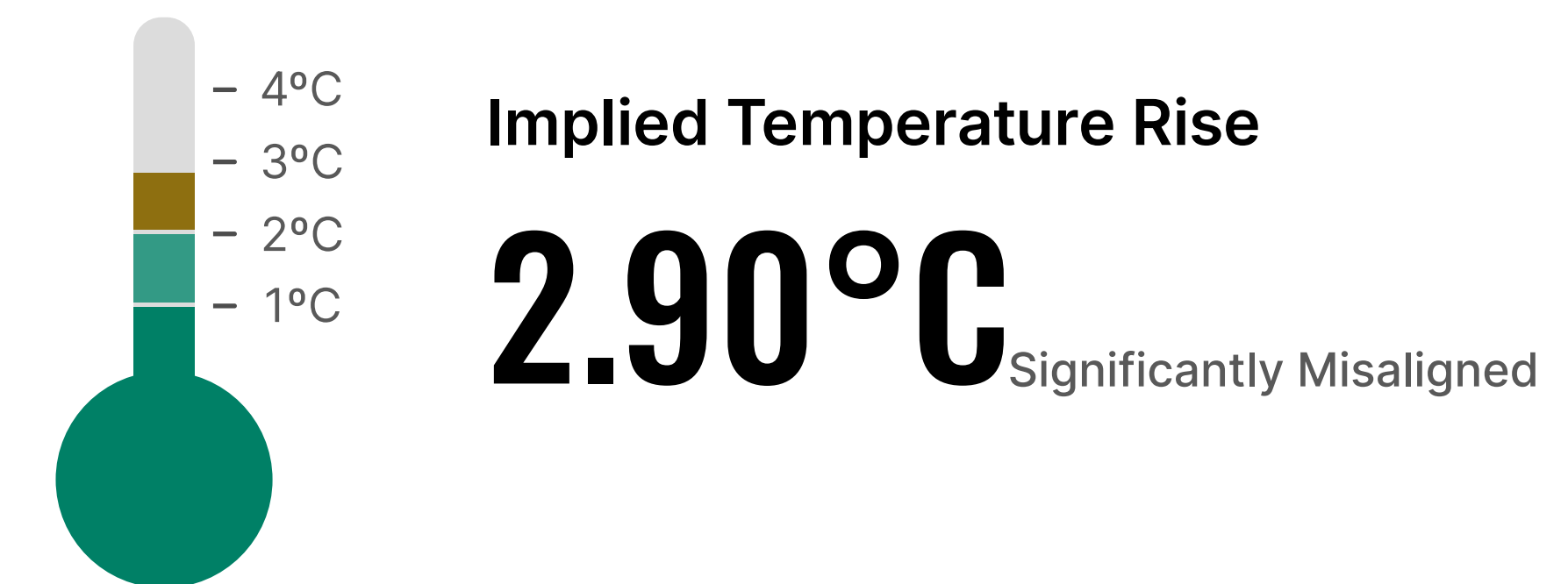
Total emissions



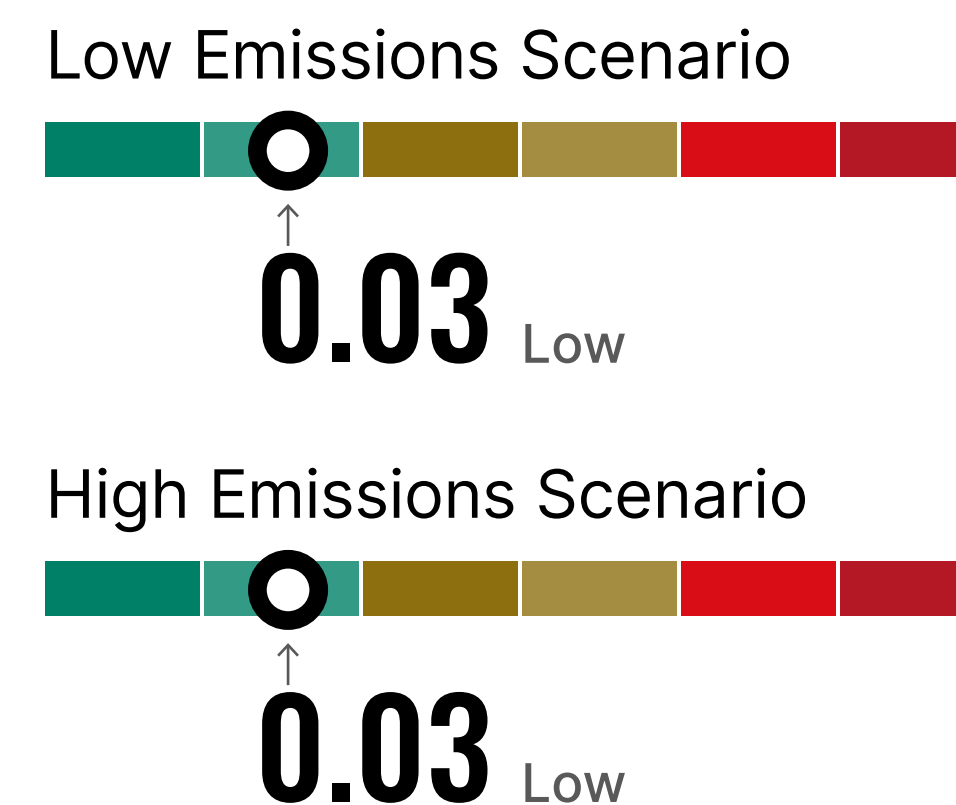
Weighted average carbon intensity



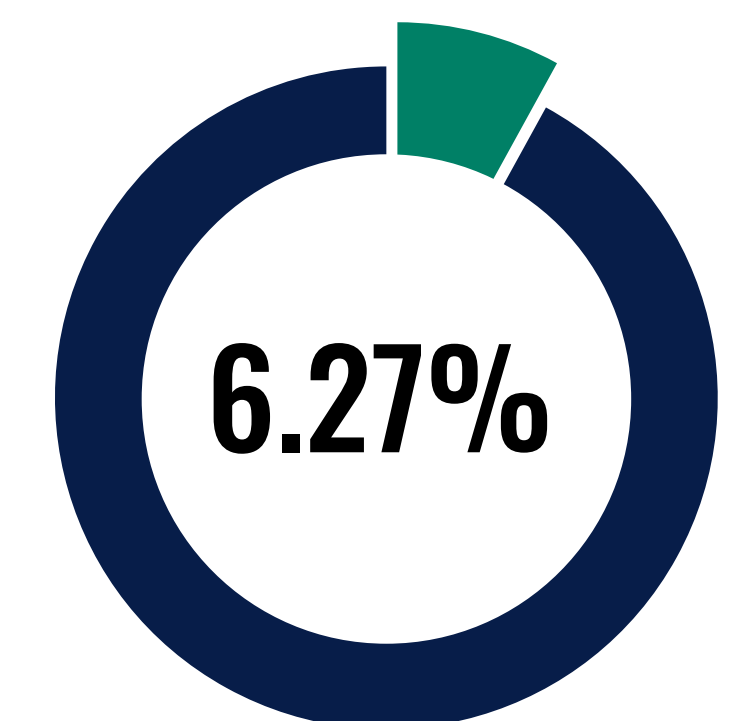
Scenario analysis



Total Loss Ratio



Climate Value-at-Risk



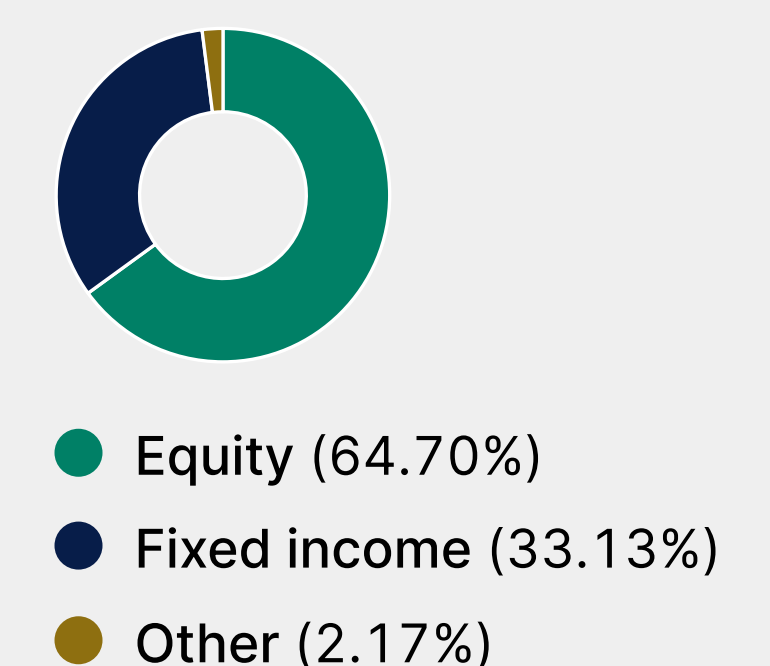
Percentage of data that is reported

61.50%

Fossil fuel exposure

8.26%

Asset class mix



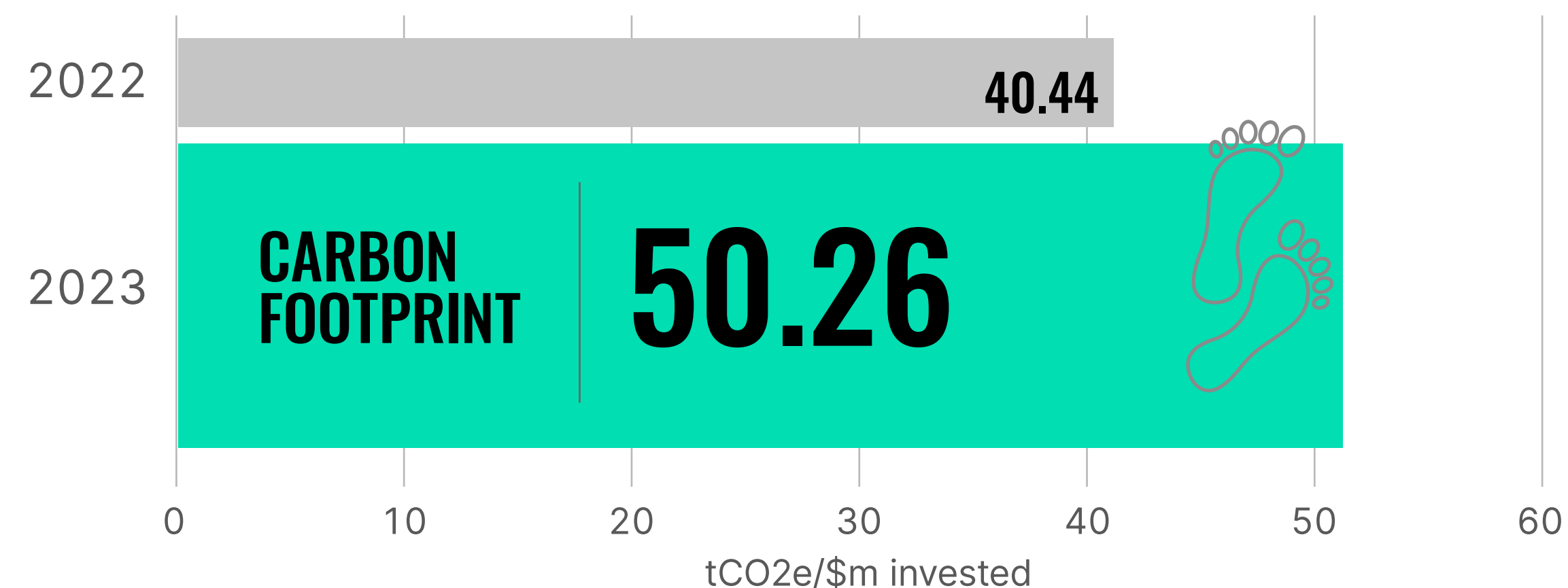
Please select the title of the data points for the definition and methodology.

Portfolio Management Service 3

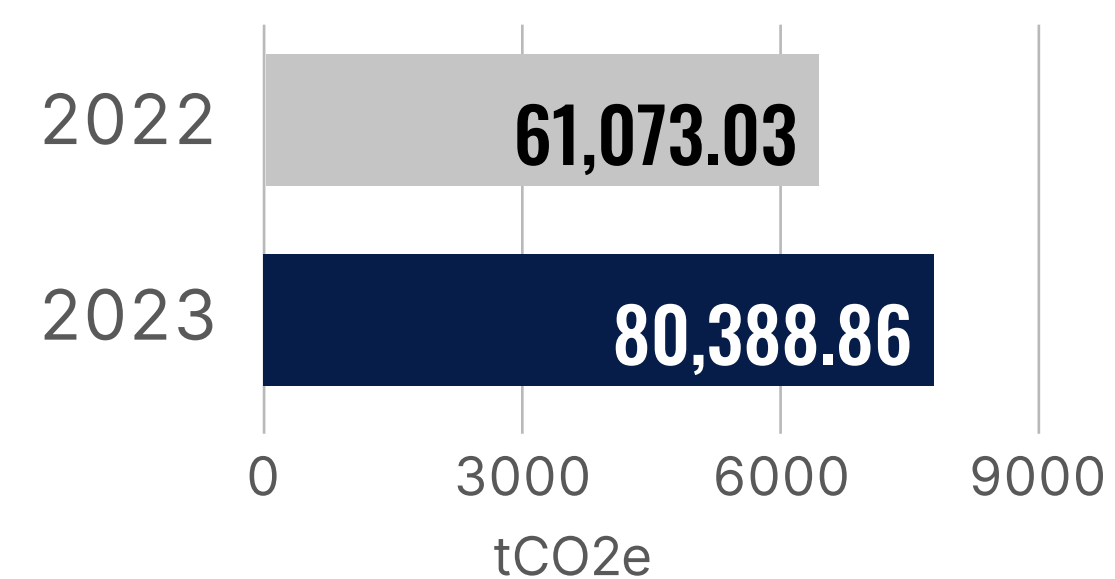
This portfolio is one of 5 discretionary managed portfolios that are only accessible through the Hargreaves Lansdown Advisory Service. It aims to grow investors' capital with a moderately adventurous approach to risk over the medium to long term by investing in a wide range of assets across the world. Usually, the portfolio will allocate between 75% – 85% of its assets to equities, and the rest to corporate & government bonds.

Climate-related metrics

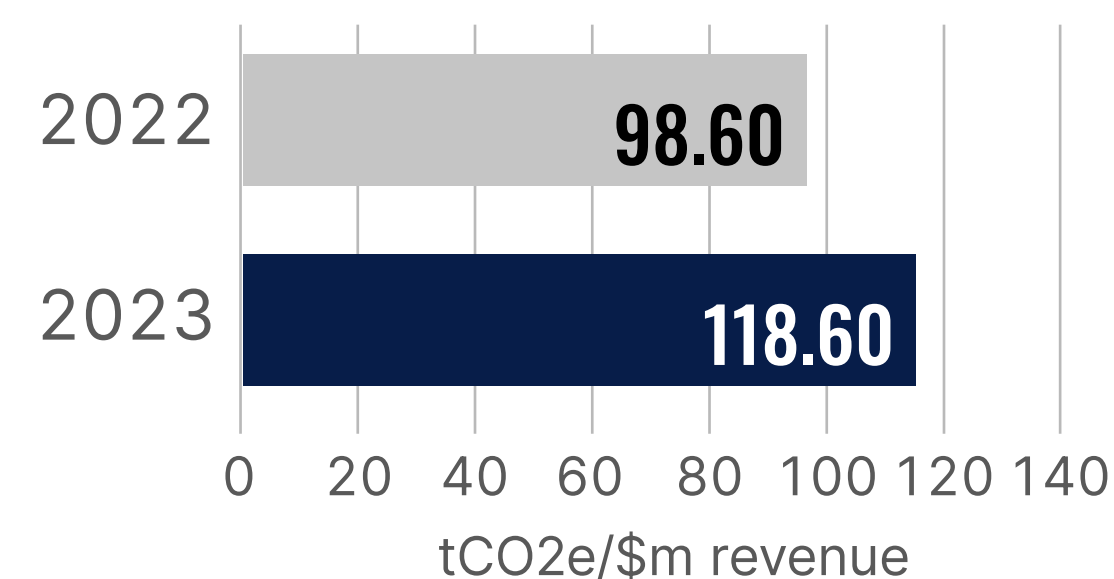
Carbon footprint



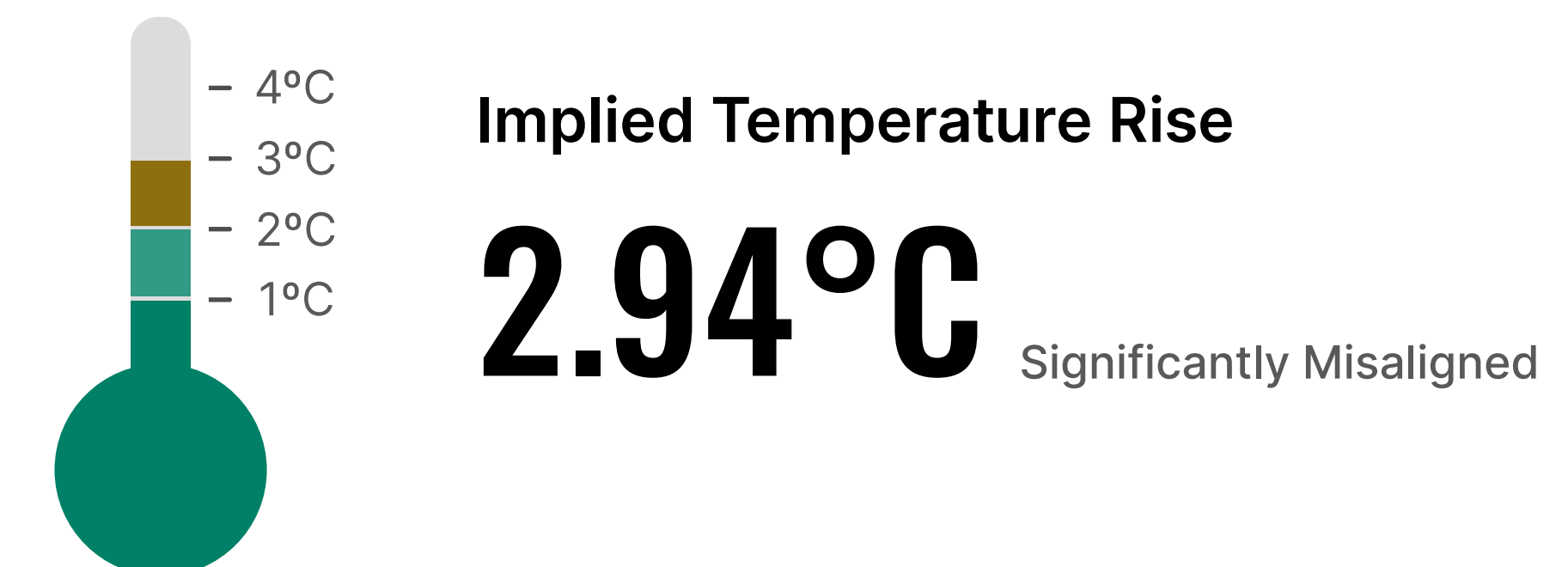
Total emissions



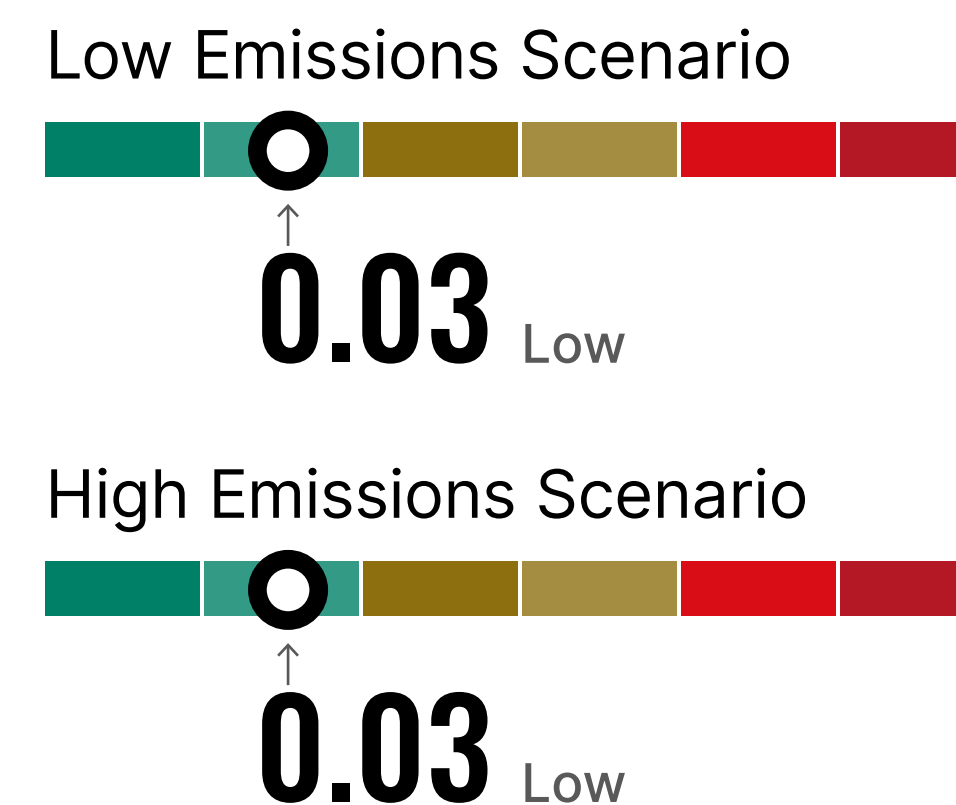
Weighted average carbon intensity



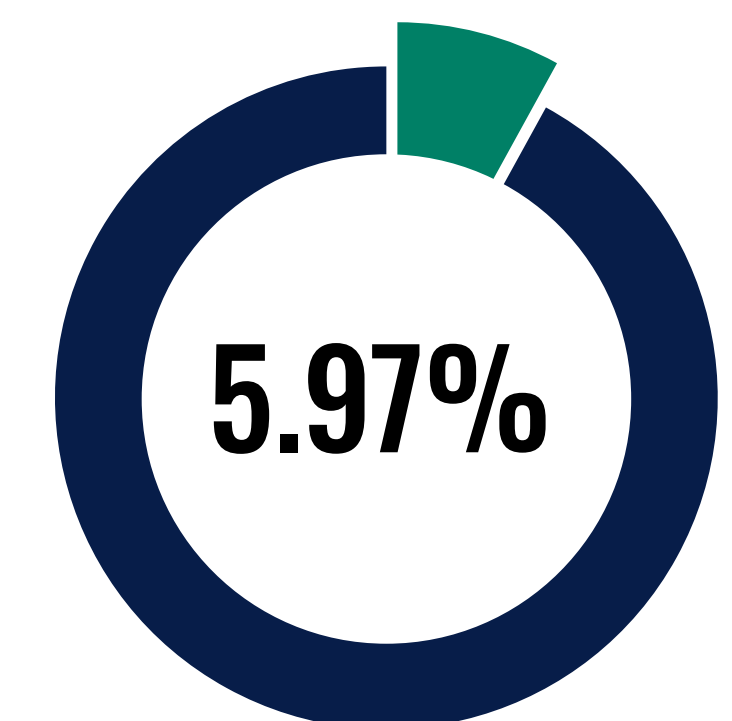
Scenario analysis



Total Loss Ratio



Climate Value-at-Risk



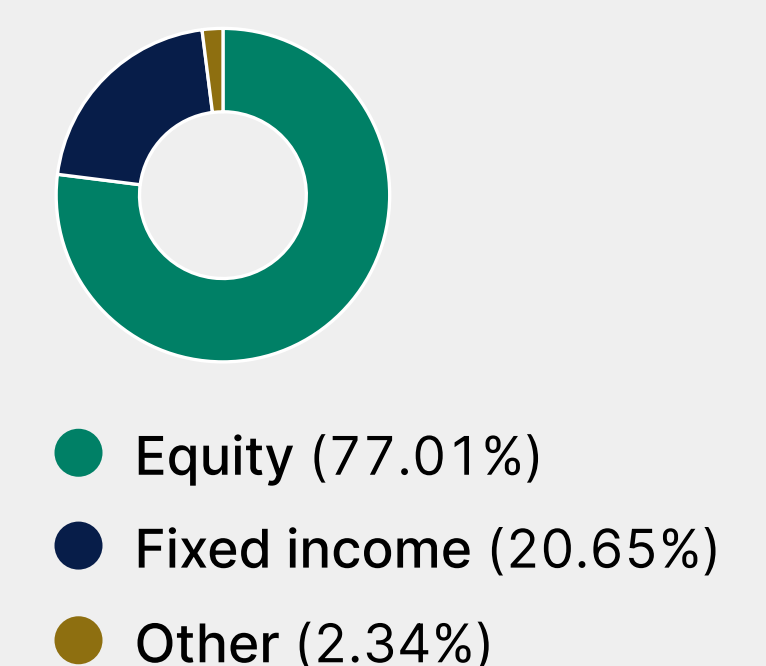
Percentage of data that is reported

66.15%

Fossil fuel exposure

7.95%

Asset class mix



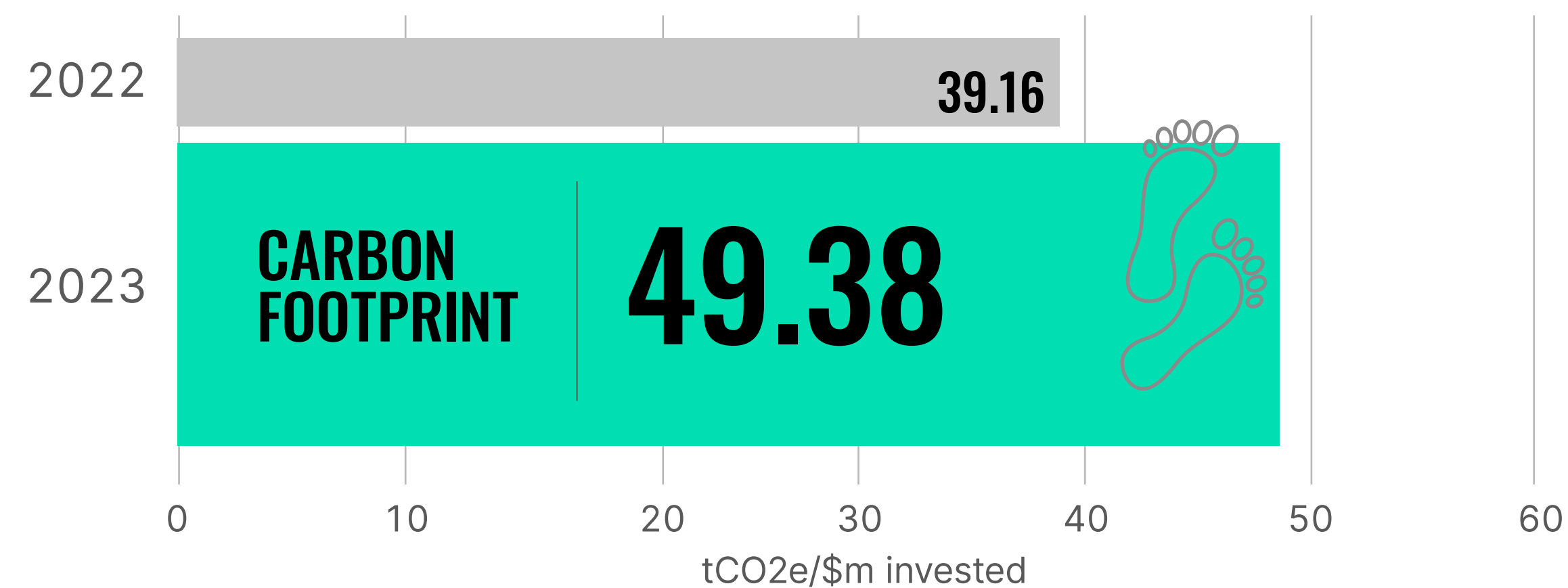
Please select the title of the data points for the definition and methodology.

Portfolio Management Service 4

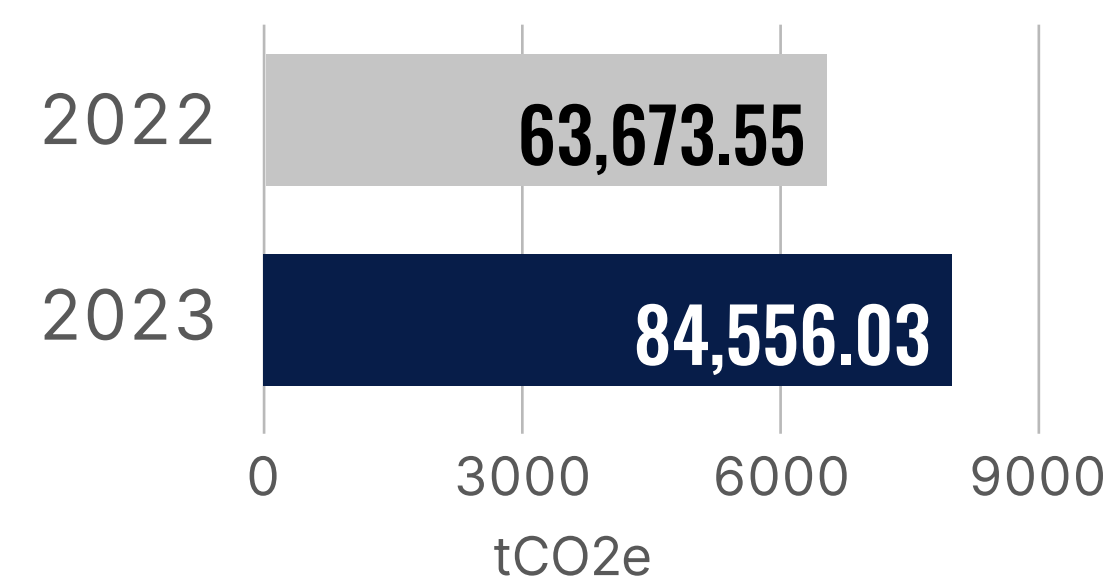
This portfolio is one of 5 discretionary managed portfolios that are only accessible through the Hargreaves Lansdown Advisory Service. It aims to grow investors' capital with an adventurous approach to risk over the medium to long term by investing in a range of assets across the world. The portfolio may allocate up to 100% of its assets to equities, making it only suitable for those investors prepared to experience considerable volatility over the investment term.

Climate-related metrics

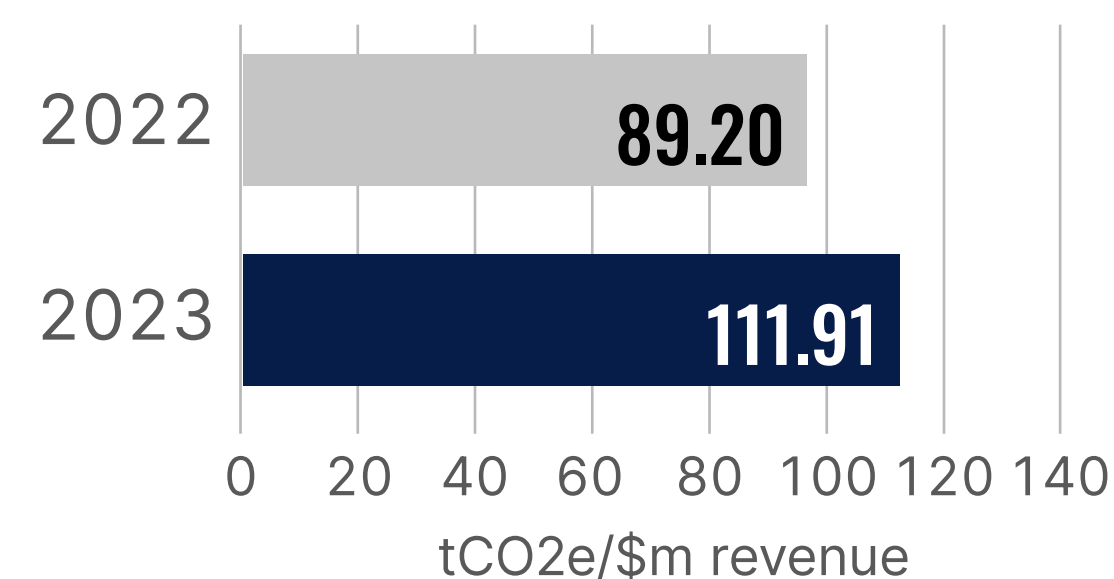
Carbon footprint



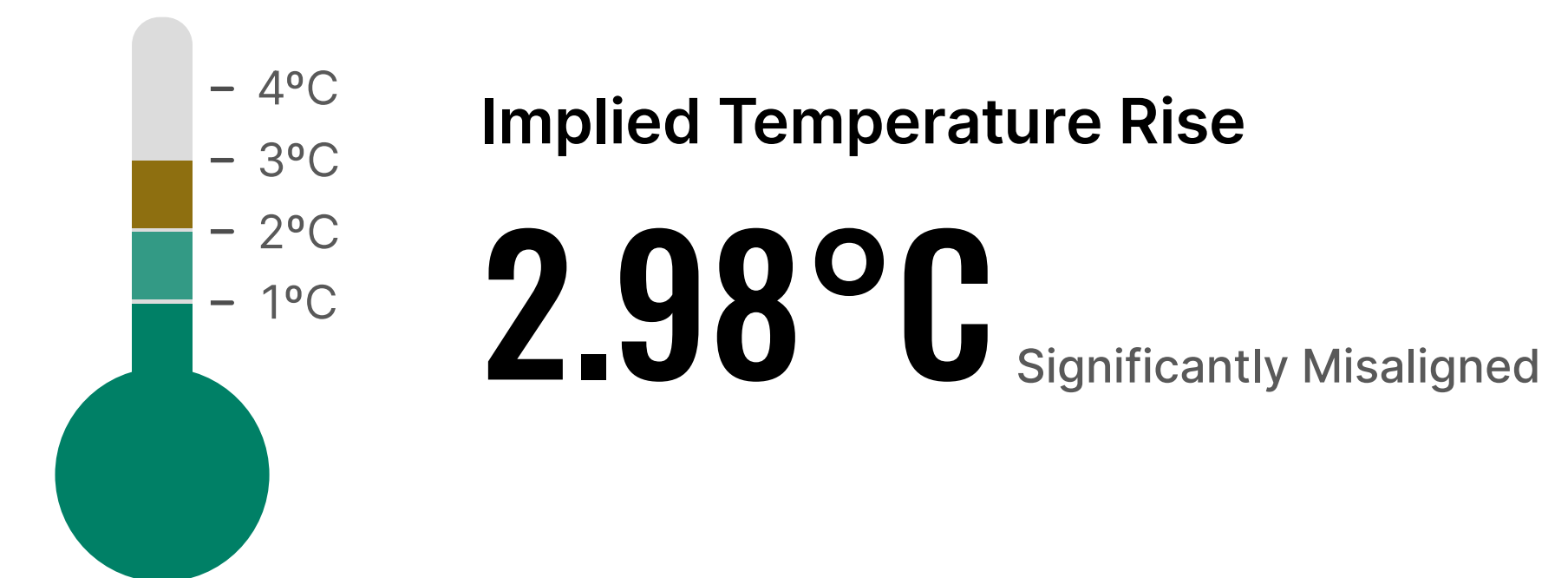
Total emissions



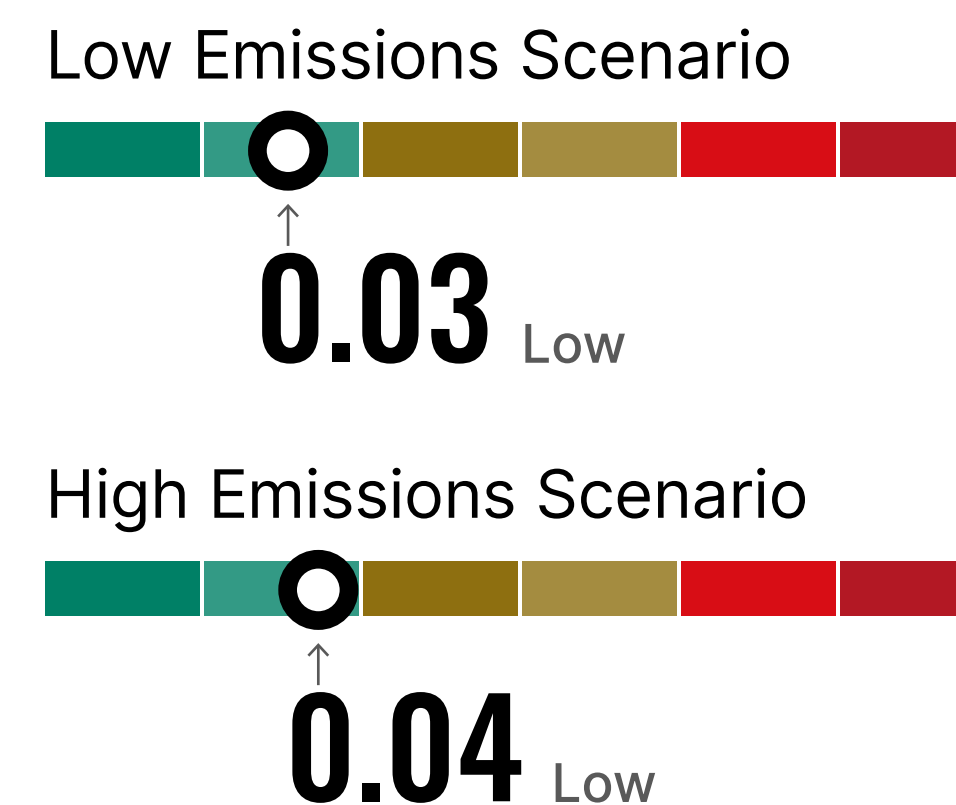
Weighted average carbon intensity



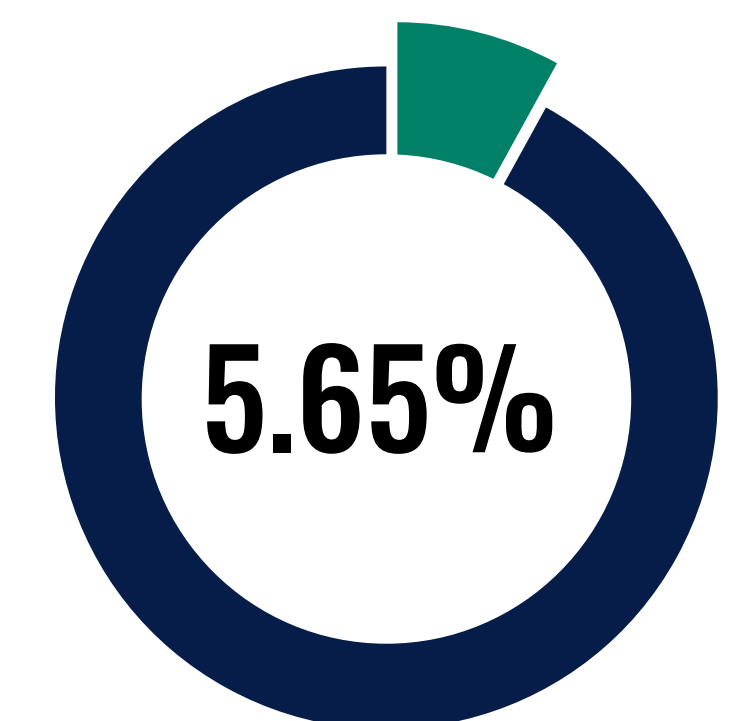
Scenario analysis



Total Loss Ratio



Climate Value-at-Risk



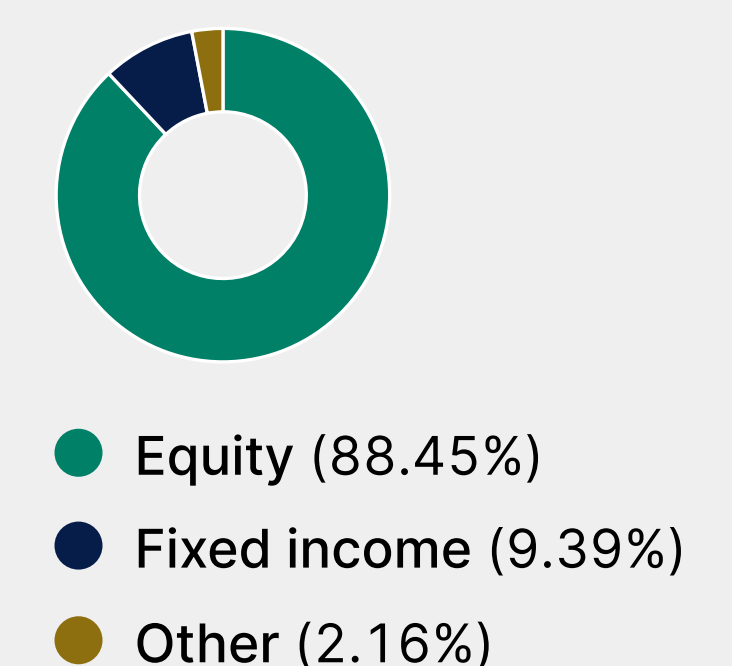
Percentage of data that is reported

70.81%

Fossil fuel exposure

7.55%

Asset class mix



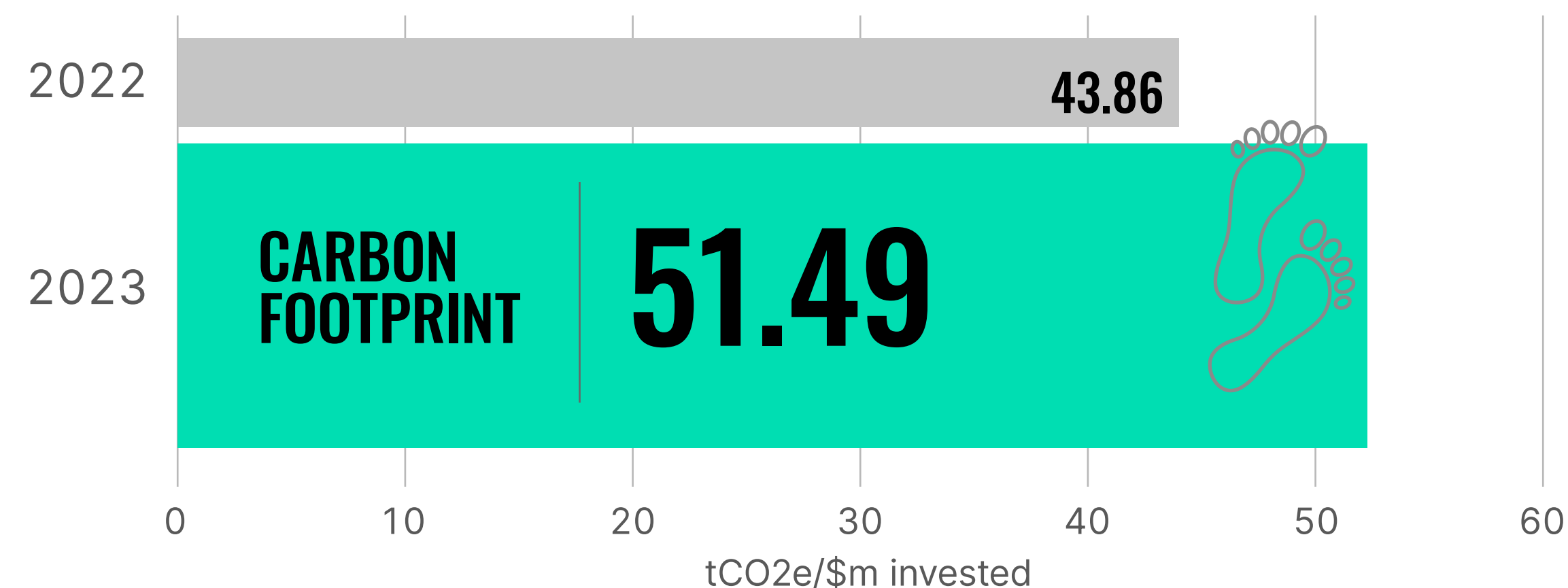
Please select the title of the data points for the definition and methodology.

Portfolio Management Service 5

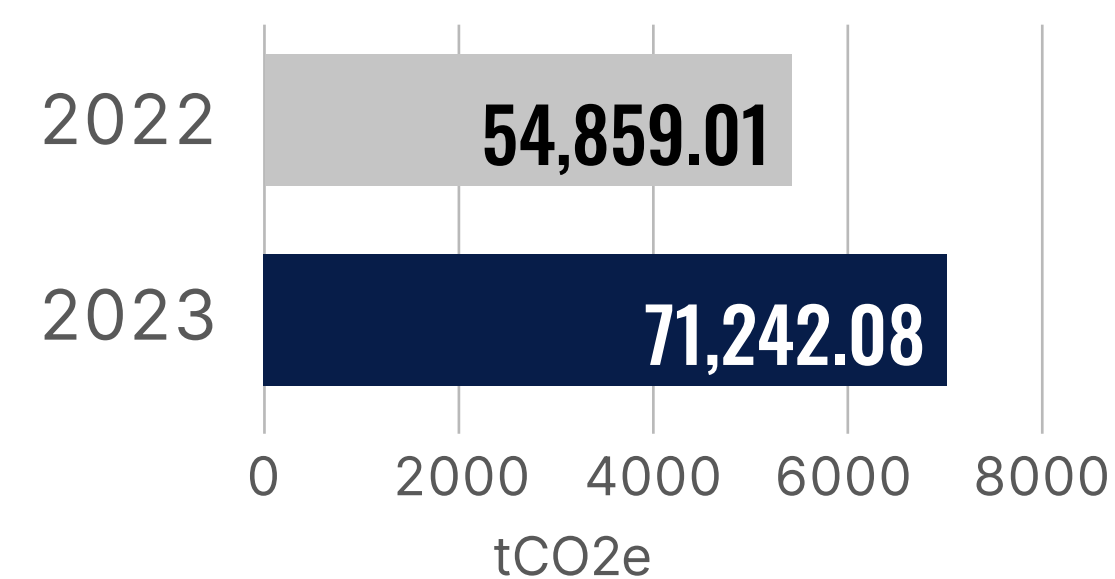
This portfolio is one of 5 discretionary managed portfolios that are only accessible through the Hargreaves Lansdown Advisory Service. It aims to deliver a regular income to investors, with the potential for some capital growth over the longer term. The portfolio invests in a range of assets, with a focus on those producing income. Typically, the portfolio will allocate between 50-60% of its assets to equities and the rest to corporate & government bonds, making it more suitable for those investors with a balanced risk profile. The income generated by the portfolio is not guaranteed and may vary over time.

Climate-related metrics

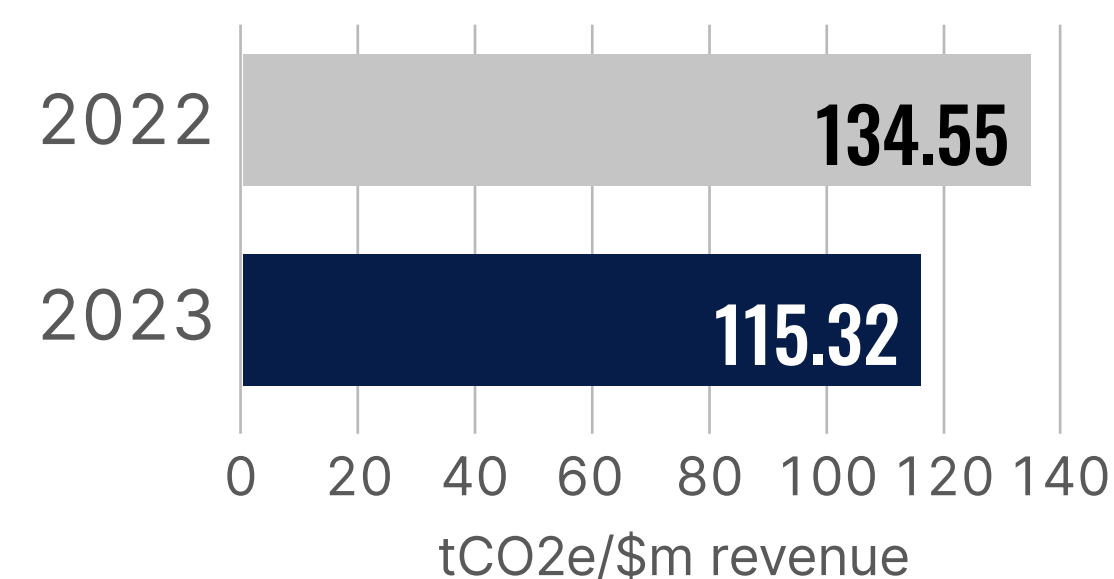
Carbon footprint



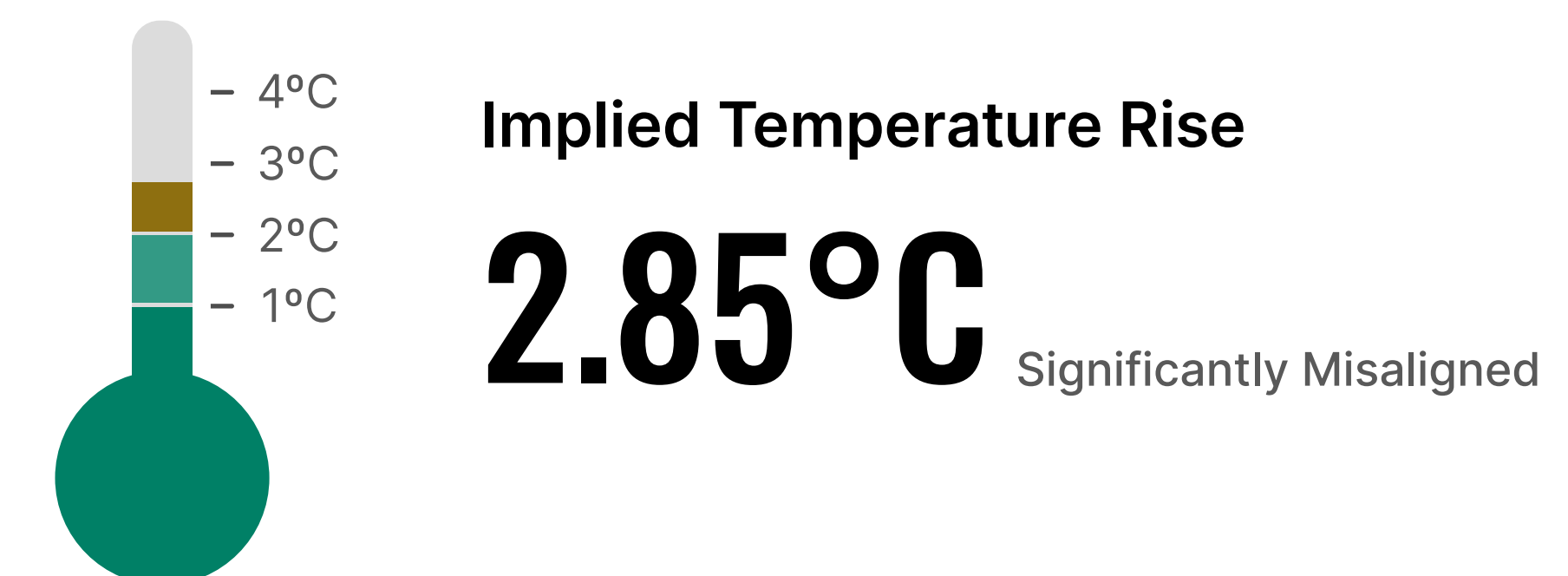
Total emissions



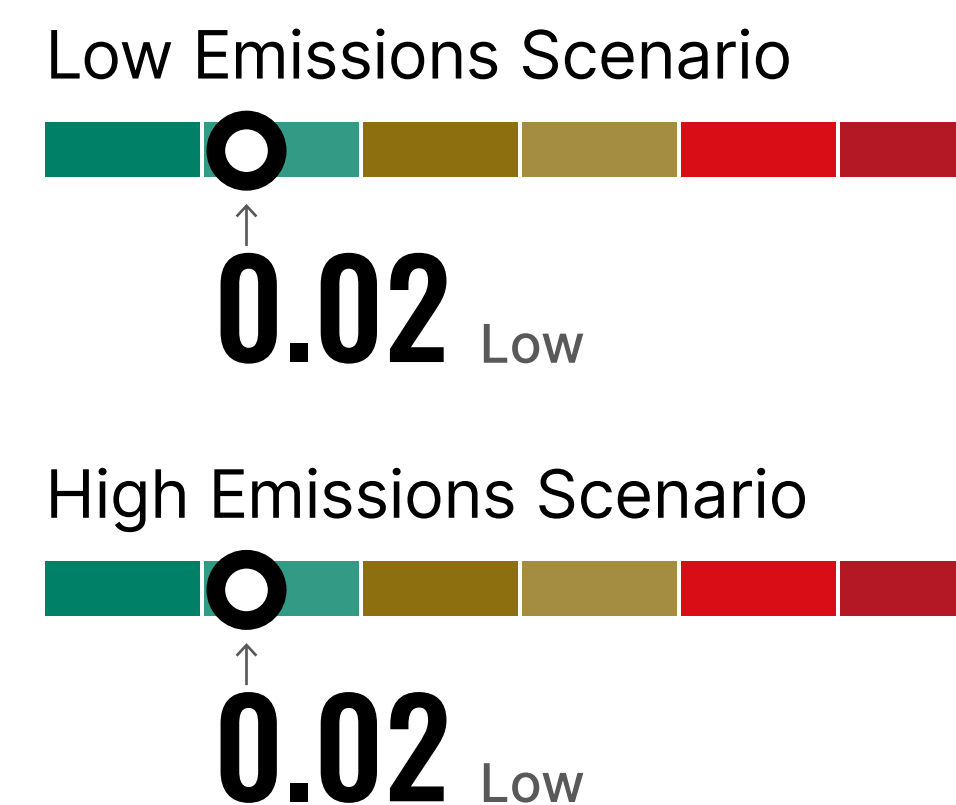
Weighted average carbon intensity



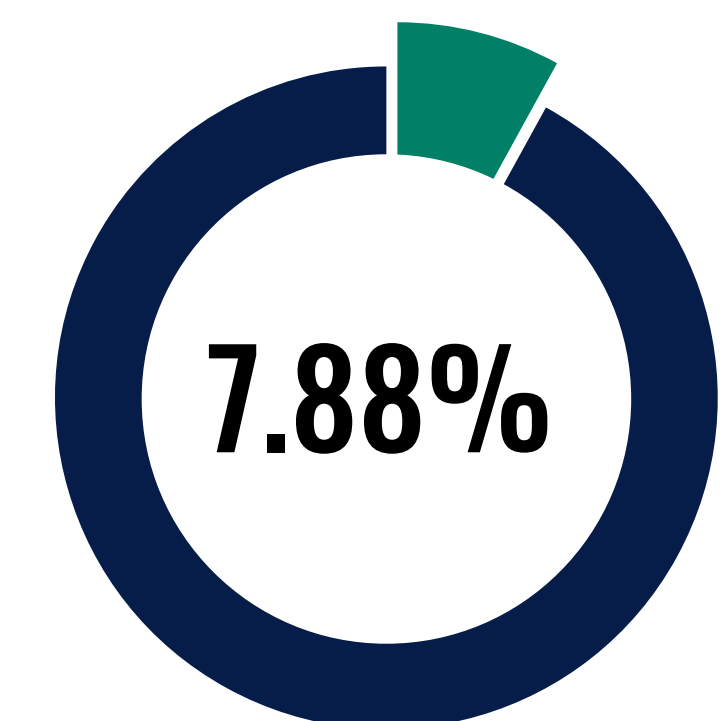
Scenario analysis



Total Loss Ratio



Climate Value-at-Risk



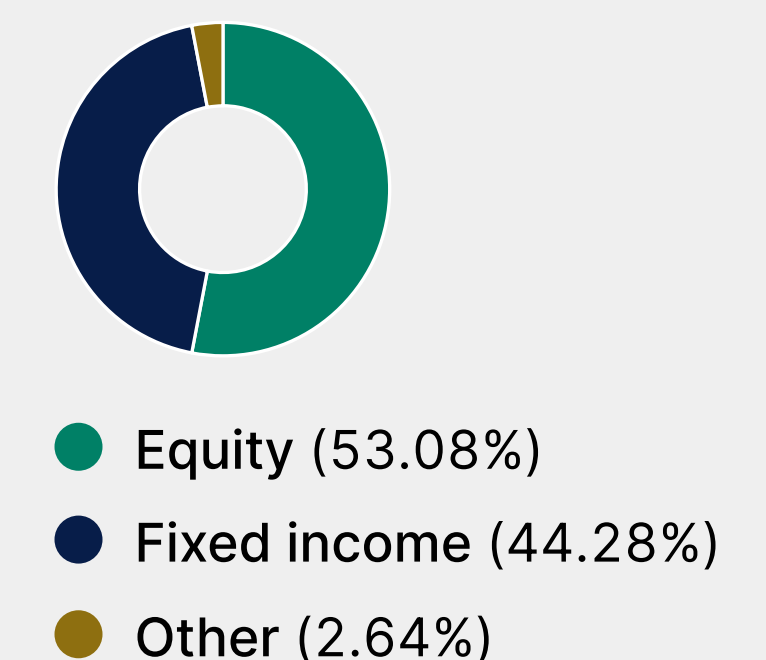
Percentage of data that is reported

66.75%

Fossil fuel exposure

9.16%

Asset class mix



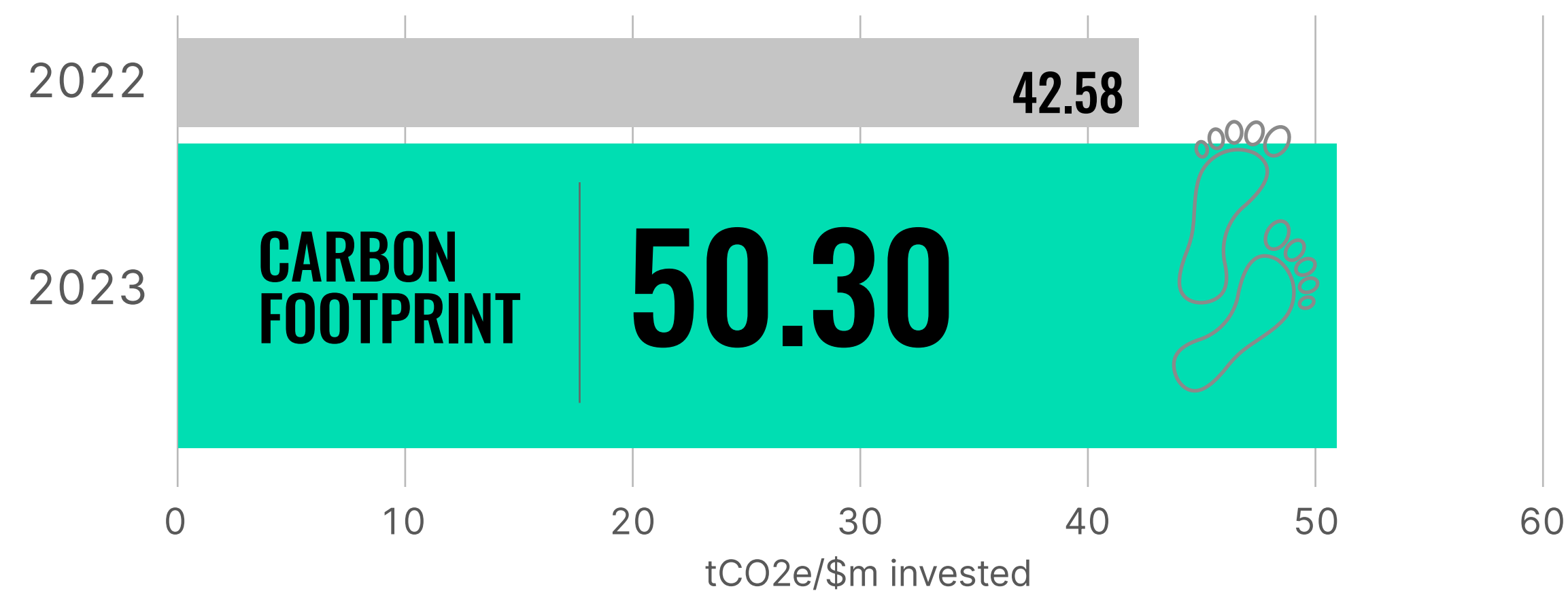
Please select the title of the data points for the definition and methodology.

Portfolio Management Service 6

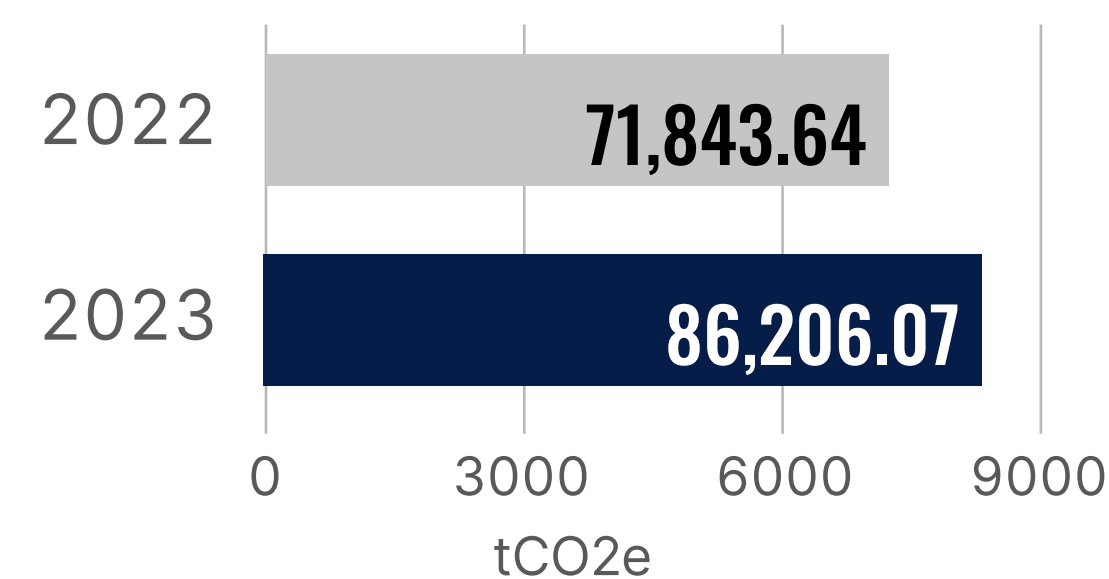
This portfolio is one of 5 discretionary managed portfolios that are only accessible through the Hargreaves Lansdown Advisory Service. It aims to deliver a regular income to investors, with the potential for some capital growth over the longer term. The portfolio invests in a range of assets, with a focus on those producing income. Typically, the portfolio will usually allocate between 75-85% of its assets to equities and the rest to corporate & government bonds, making it more suitable for those investors with a moderately adventurous risk profile. The income generated by the portfolio is not guaranteed and may vary over time.

Climate-related metrics

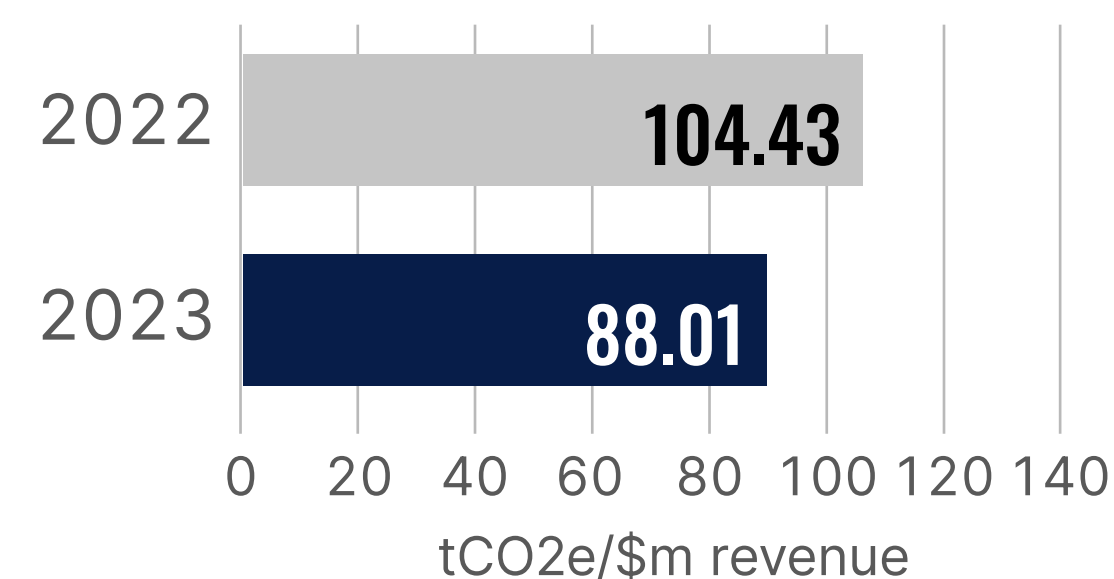
Carbon footprint



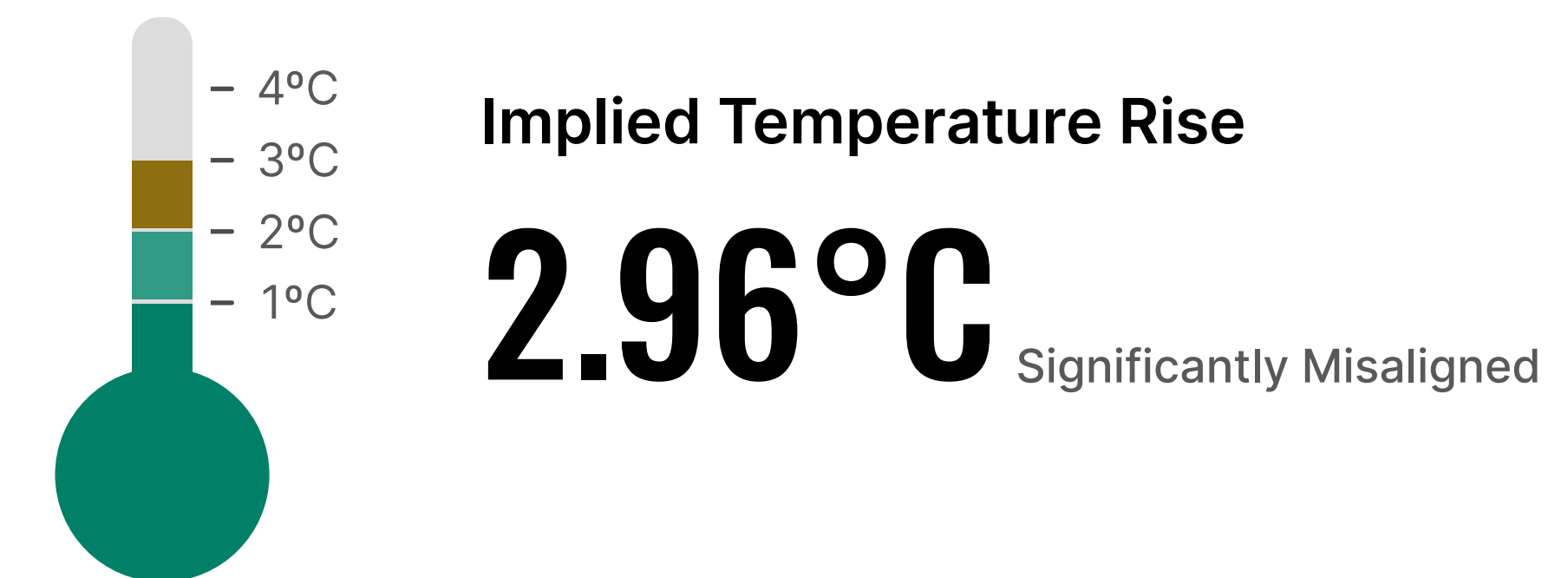
Total emissions



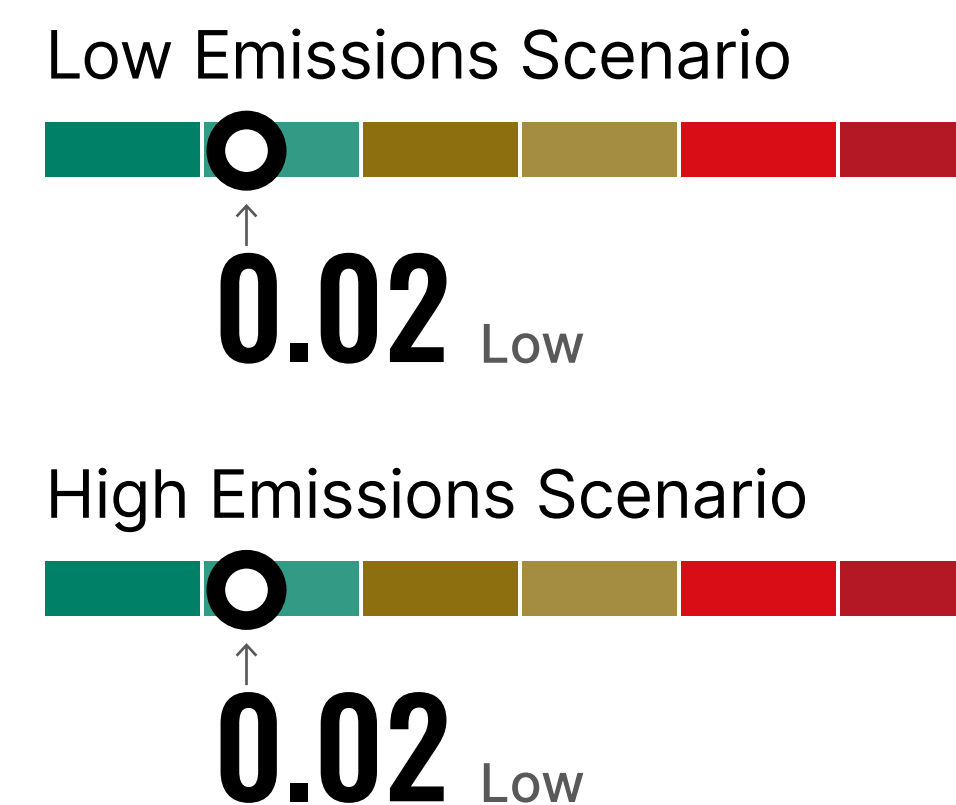
Weighted average carbon intensity



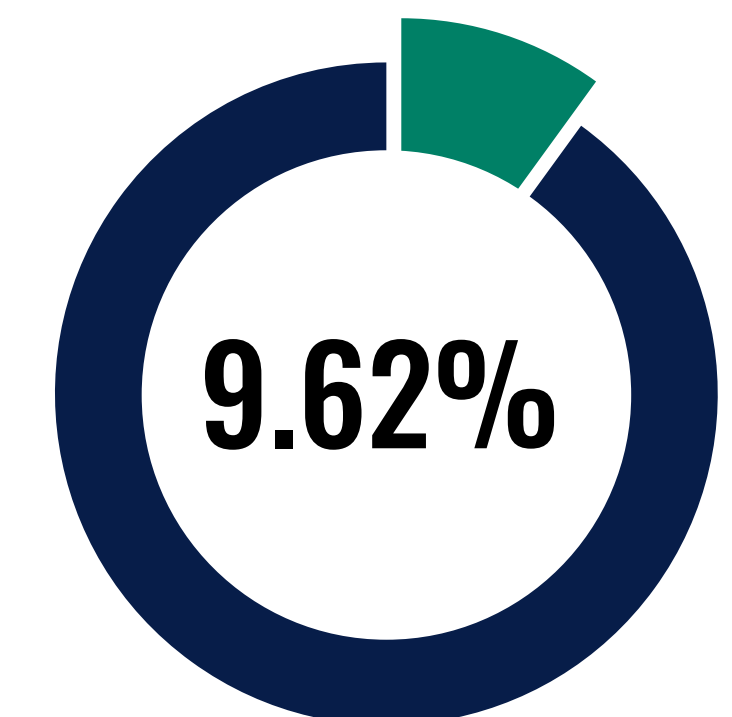
Scenario analysis



Total Loss Ratio



Climate Value-at-Risk



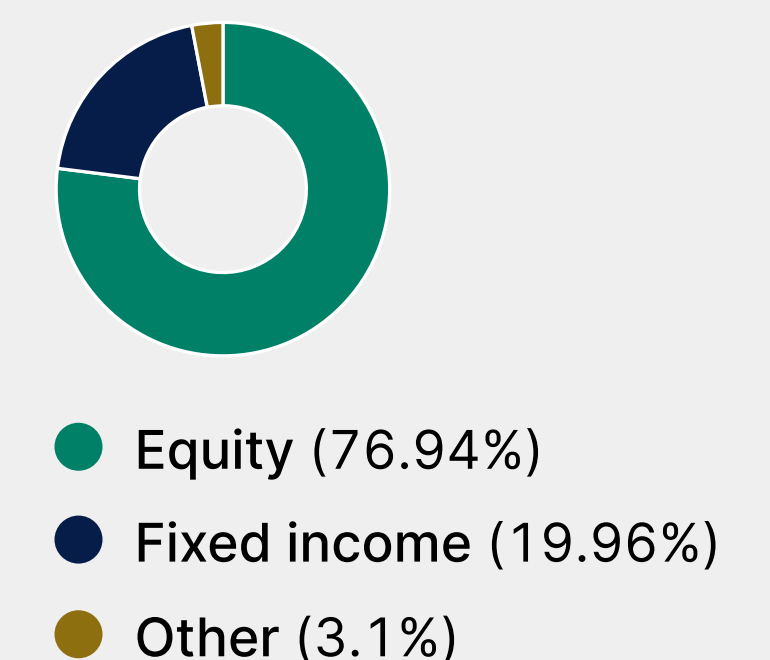
Percentage of data that is reported

80.46%

Fossil fuel exposure

9.48%

Asset class mix



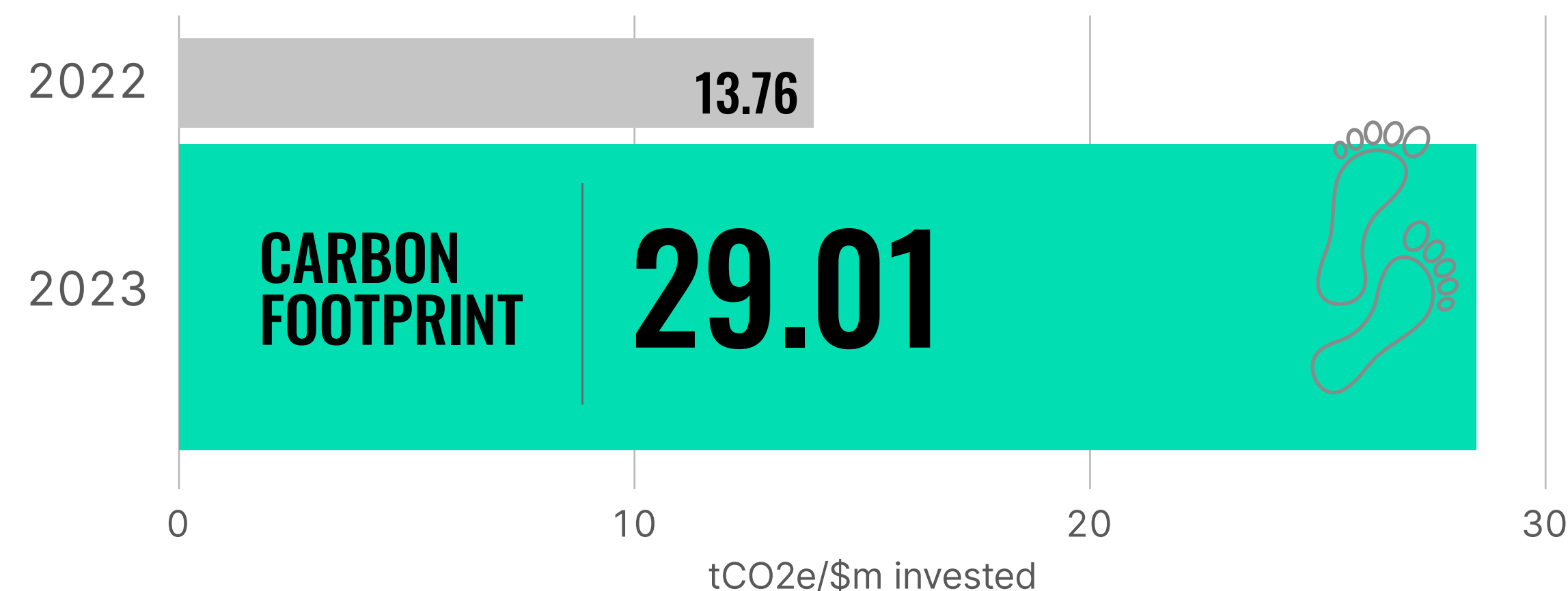
Please select the title of the data points for the definition and methodology.

Pathways 1

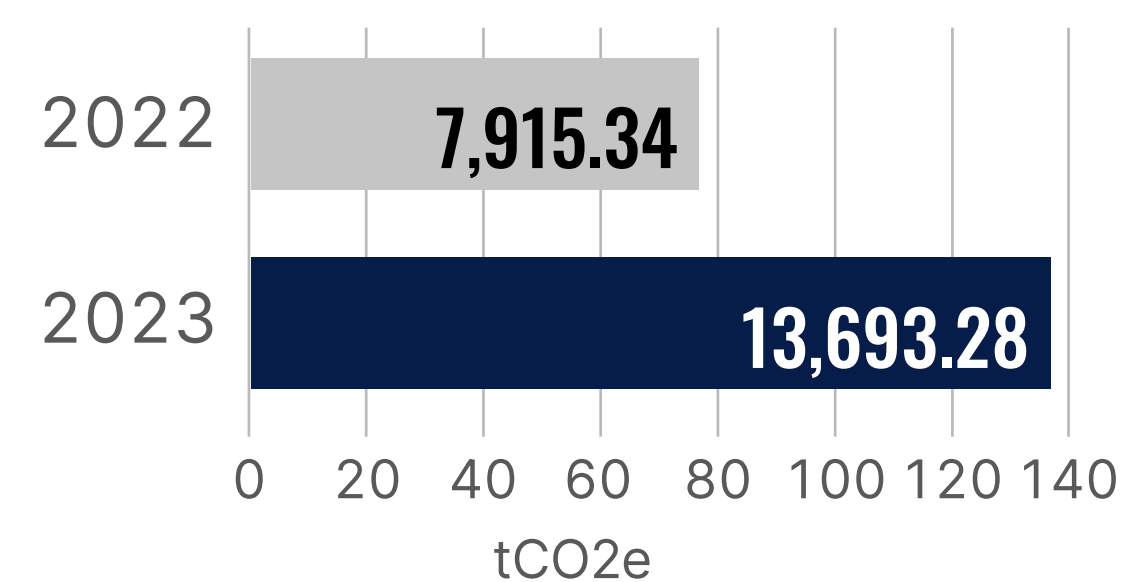
For clients entering Drawdown who have not taken financial advice, we offer a choice of four Investment Pathways intended for different investment outcomes. Pathway 1 is designed to cater for those who don't intend to access their money (remain invested) within the next five years. It is a low-cost multi-asset fund aiming to deliver growth consistent with a target level of risk. The fund aims to maintain volatility over rolling 5-year periods of 6-9%.

Climate-related metrics

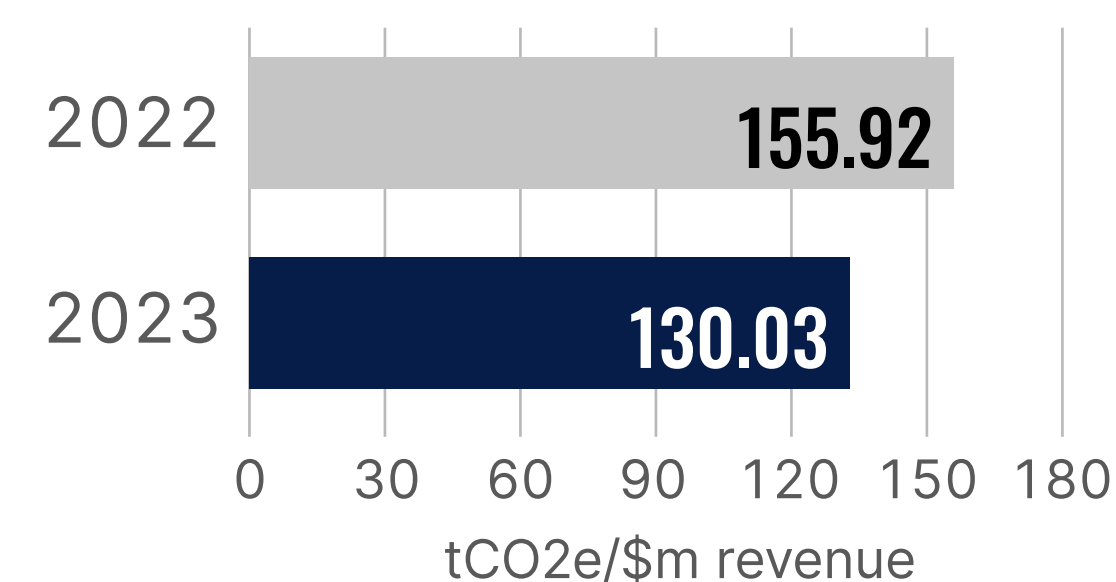
Carbon footprint



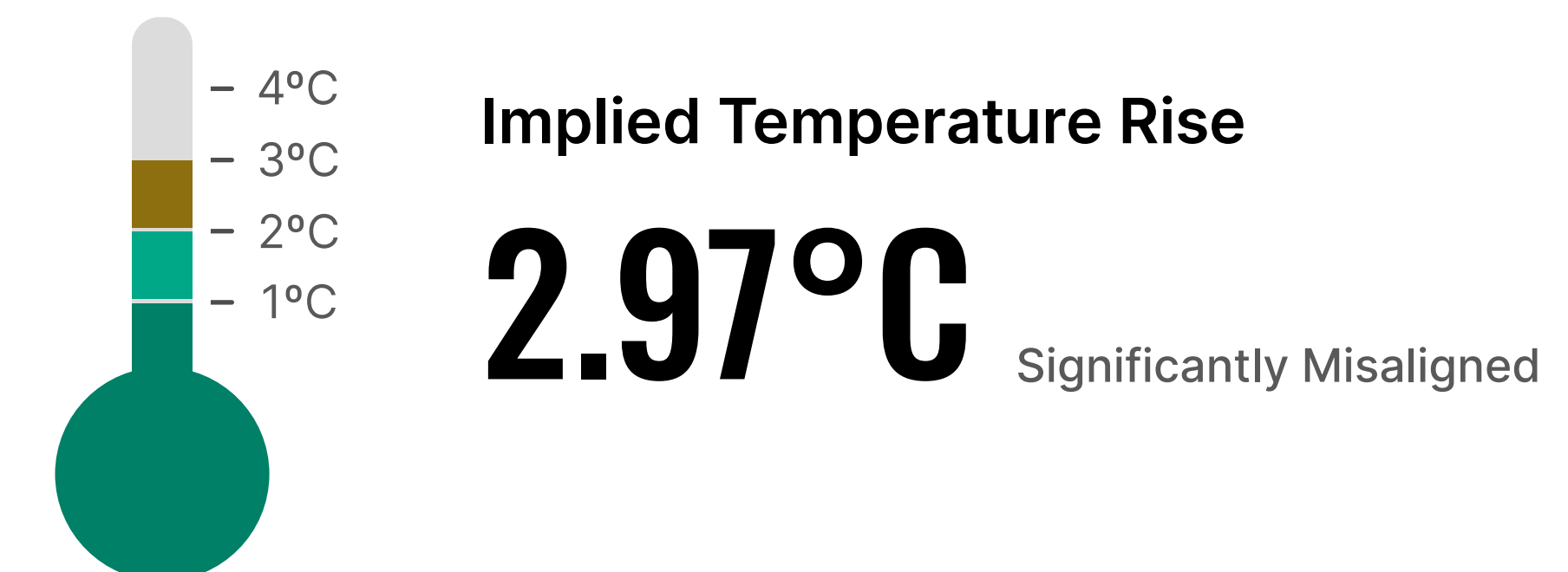
Total emissions



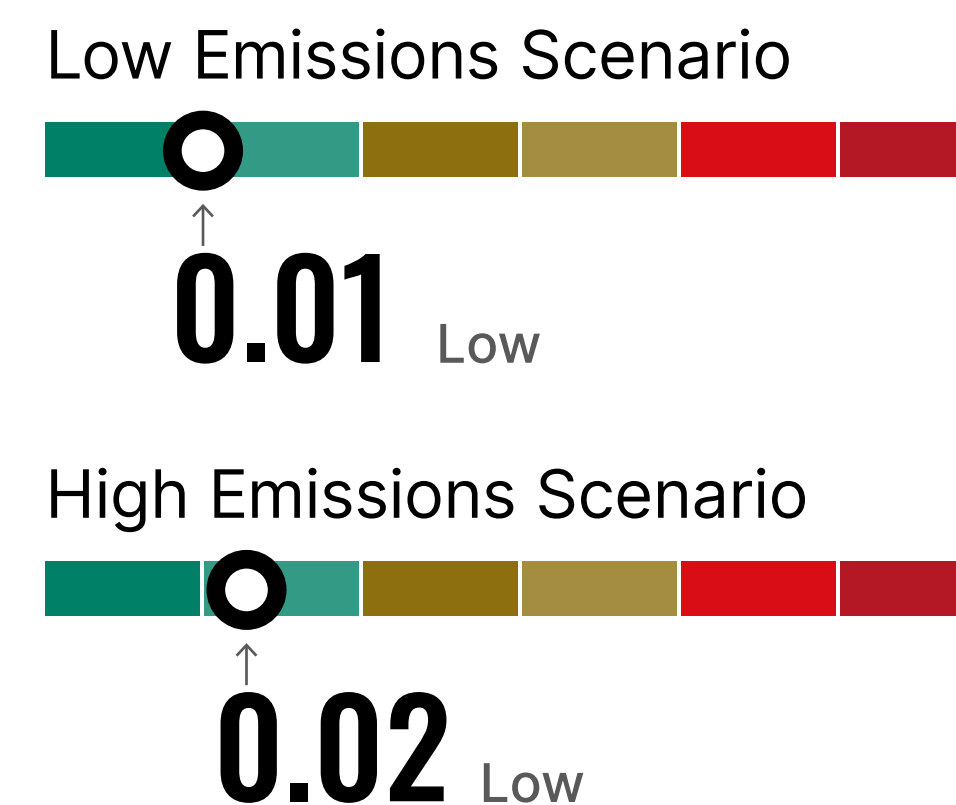
Weighted average carbon intensity



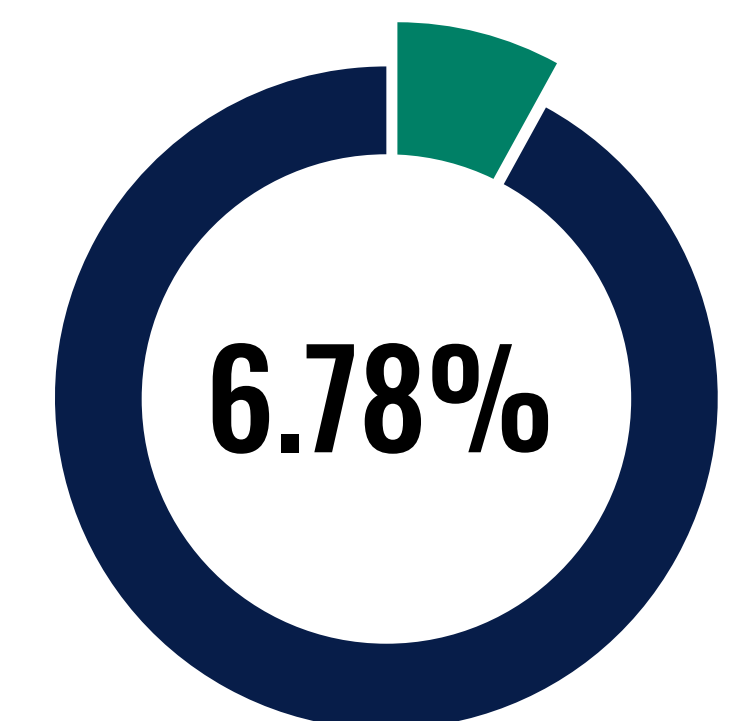
Scenario analysis



Total Loss Ratio



Climate Value-at-Risk



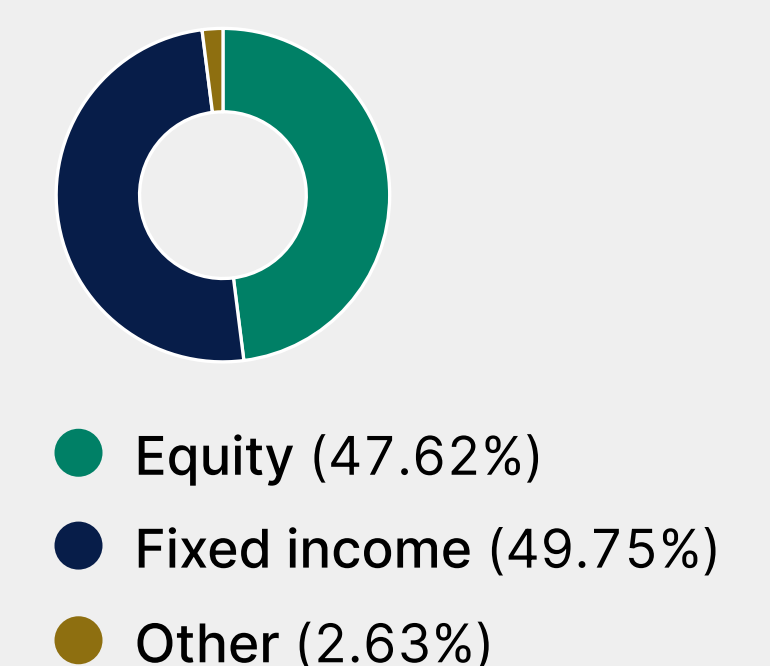
Percentage of data that is reported

40.76%

Fossil fuel exposure

6.77%

Asset class mix



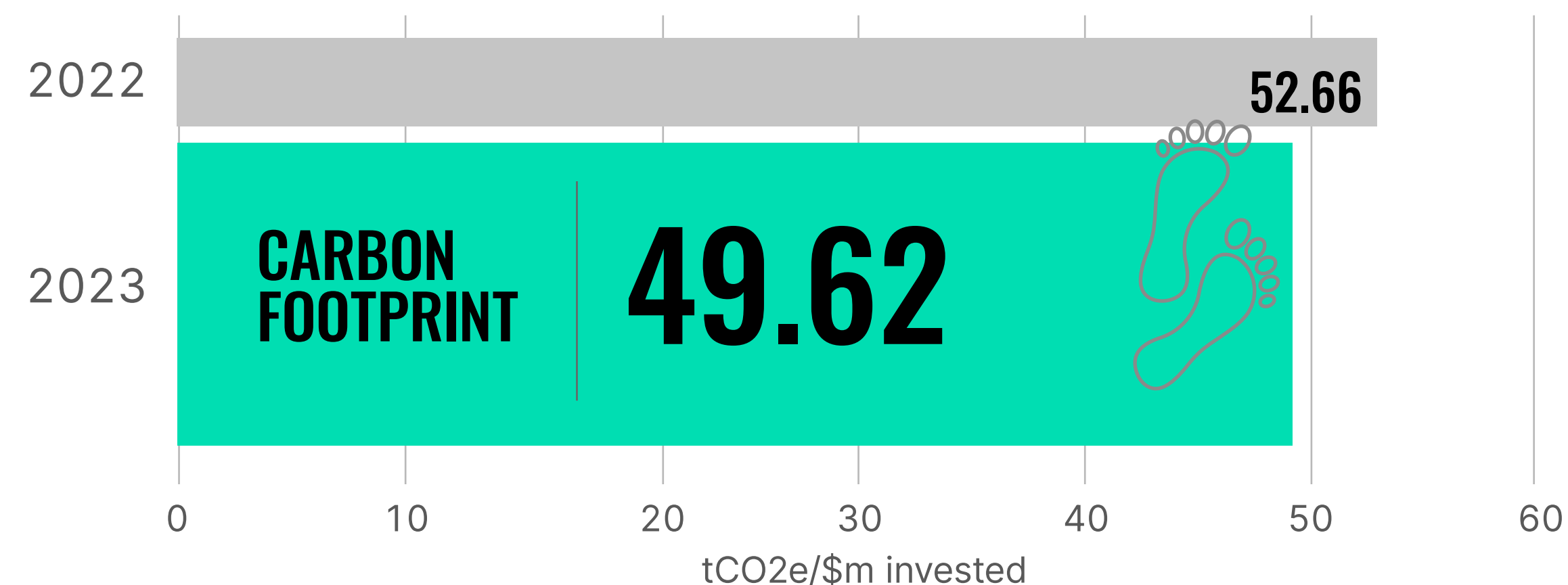
Please select the title of the data points for the definition and methodology.

Pathways 2

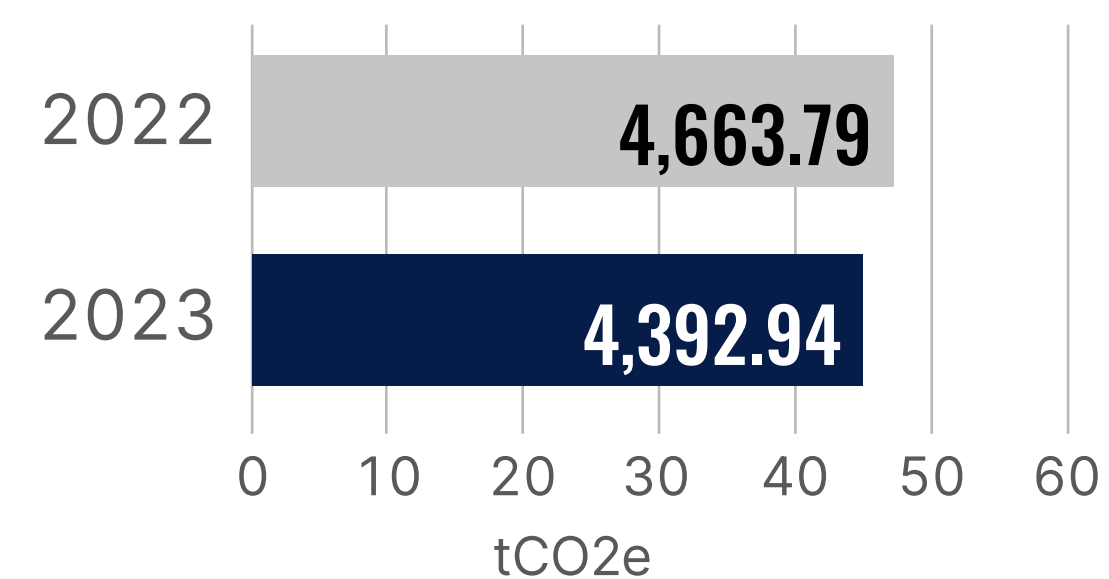
For clients entering Drawdown who have not taken financial advice, we offer a choice of four Investment Pathways intended for different investment outcomes. Pathway 2 is designed to cater for those who intend on purchasing an annuity (converting their investments to a secure income for life) within the next five years. We aim to meet this objective through a fund designed to track changes in annuity rates, to help preserve the annuity “buying power” of investor’s money at retirement.

Climate-related metrics

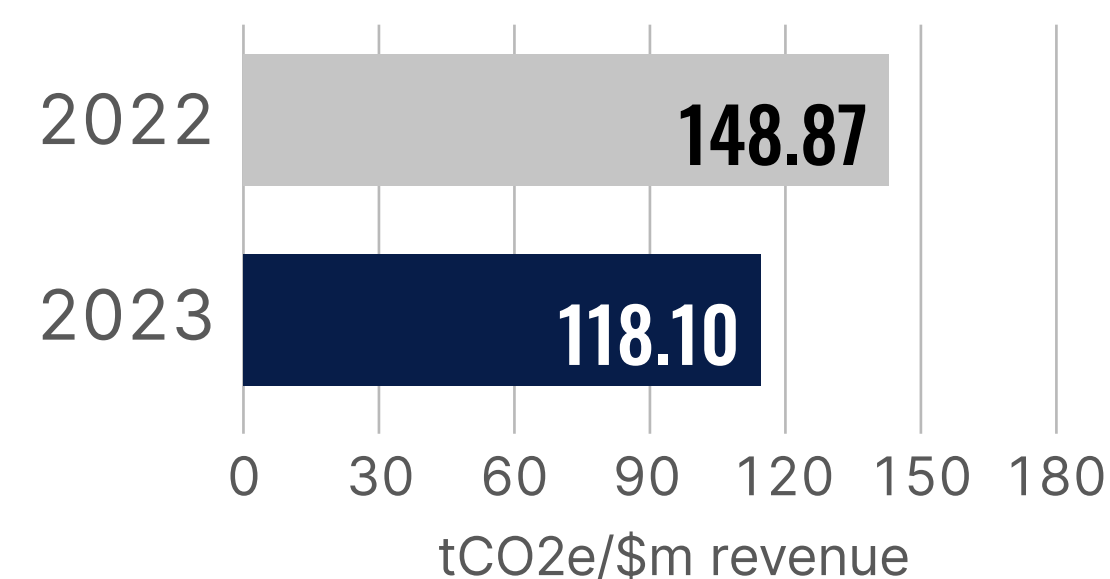
Carbon footprint



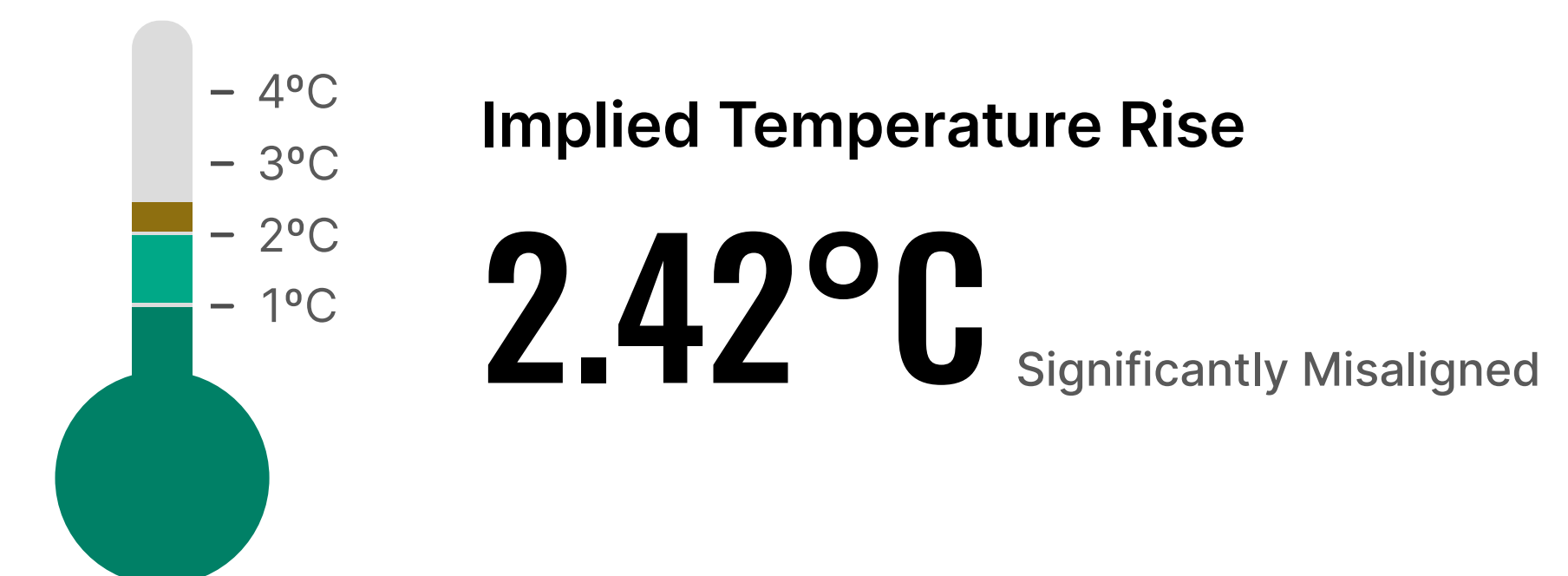
Total emissions



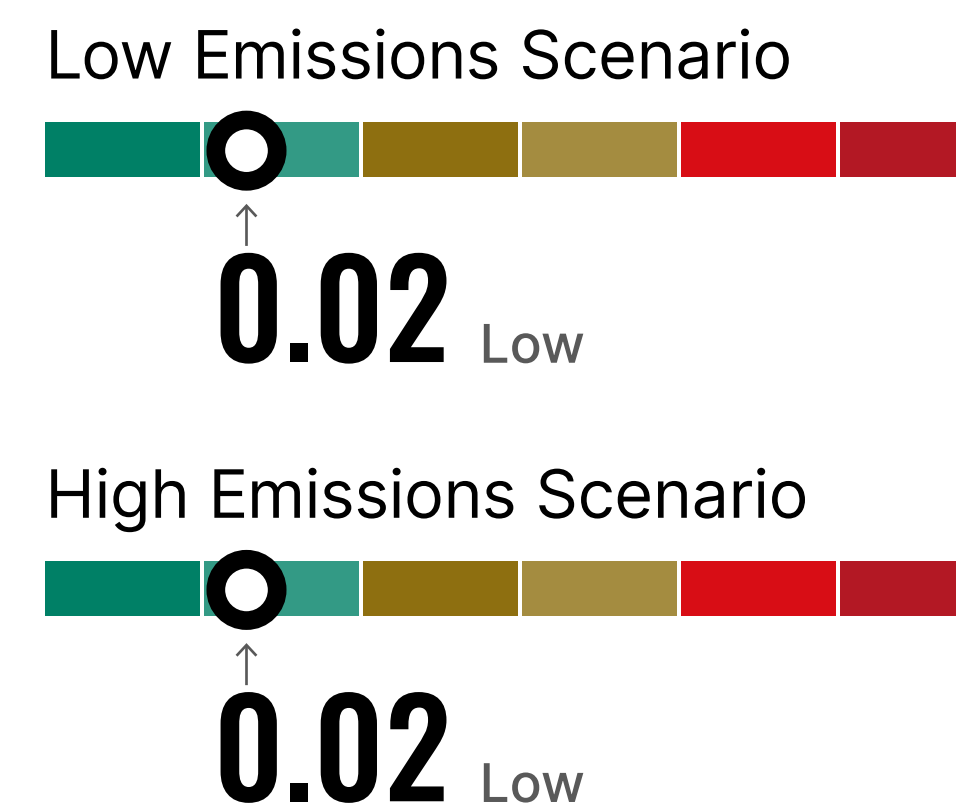
Weighted average carbon intensity



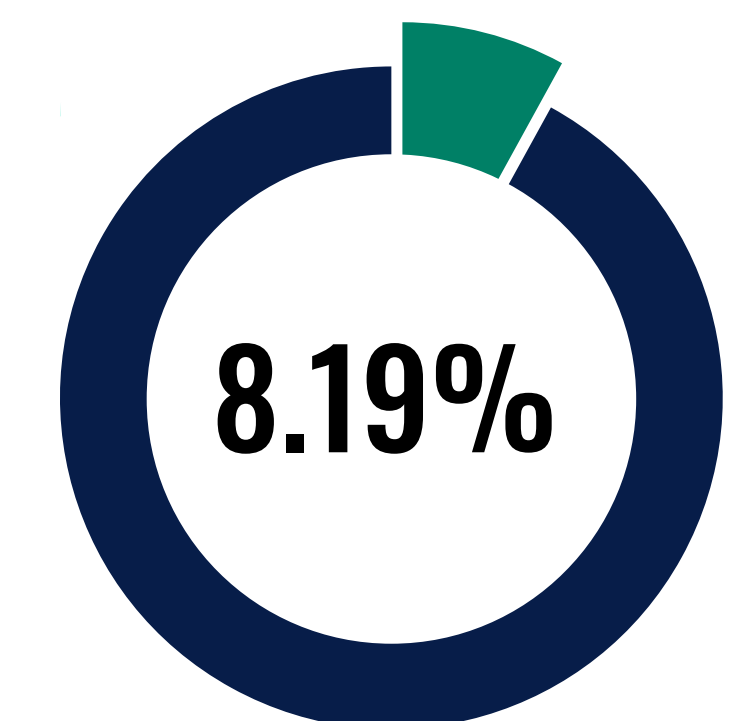
Scenario analysis



Total Loss Ratio



Climate Value-at-Risk



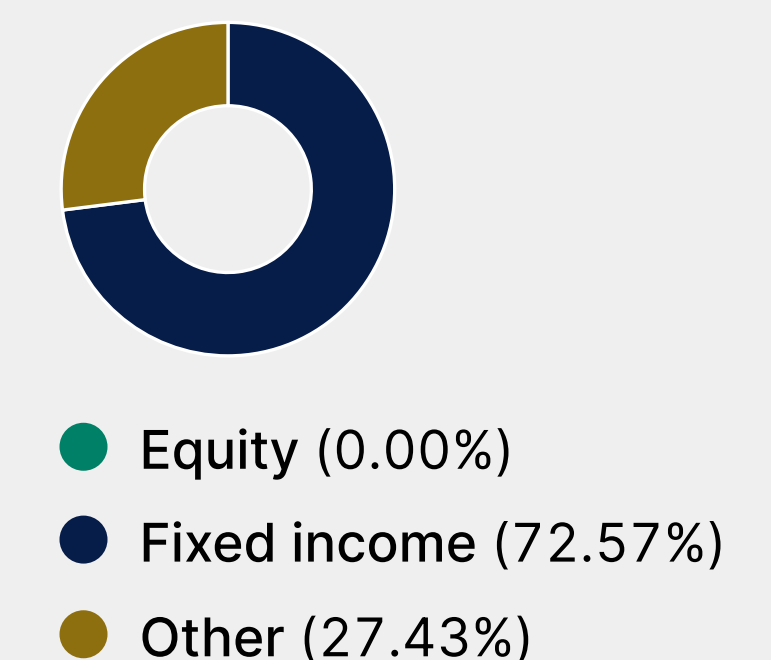
Percentage of data that is reported

25.17%

Fossil fuel exposure

5.88%

Asset class mix



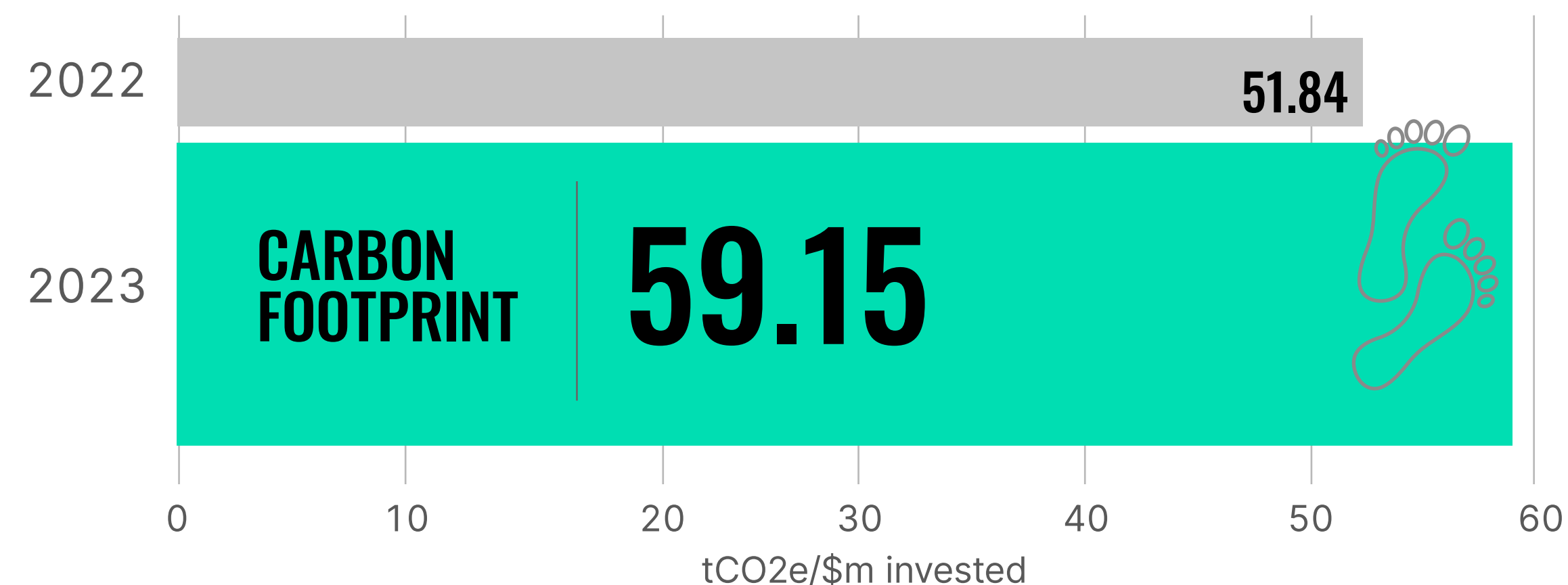
Please select the title of the data points for the definition and methodology.

Pathways 3

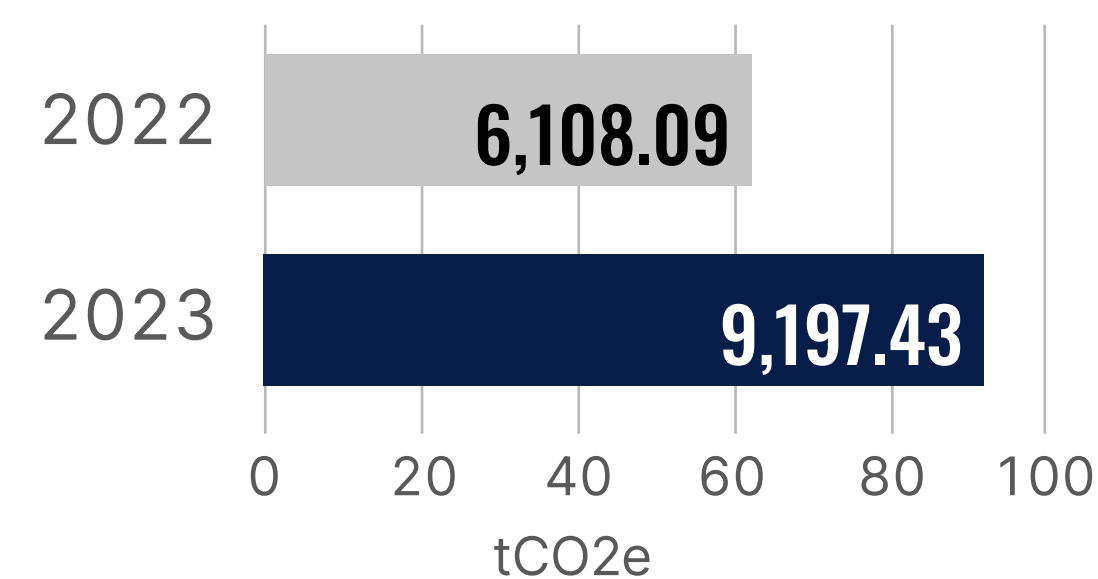
For clients entering Drawdown who have not taken financial advice, we offer a choice of four Investment Pathways intended for different investment outcomes. Pathway 3 is designed to cater for those who intend to commence income withdrawals from their Drawdown account within the next five years. A fund designed to offer sustainable capital growth and income in line with inflation over periods of 5 years or more. The fund has a focus on sustainable investments, with a robust policy on environmental, social and governance factors in the investment process.

Climate-related metrics

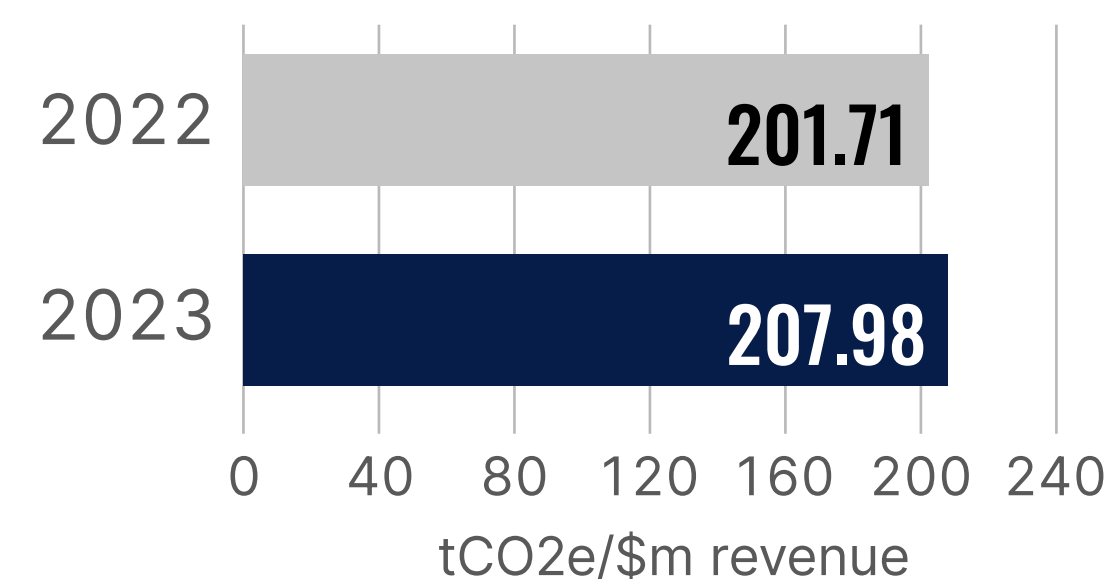
Carbon footprint



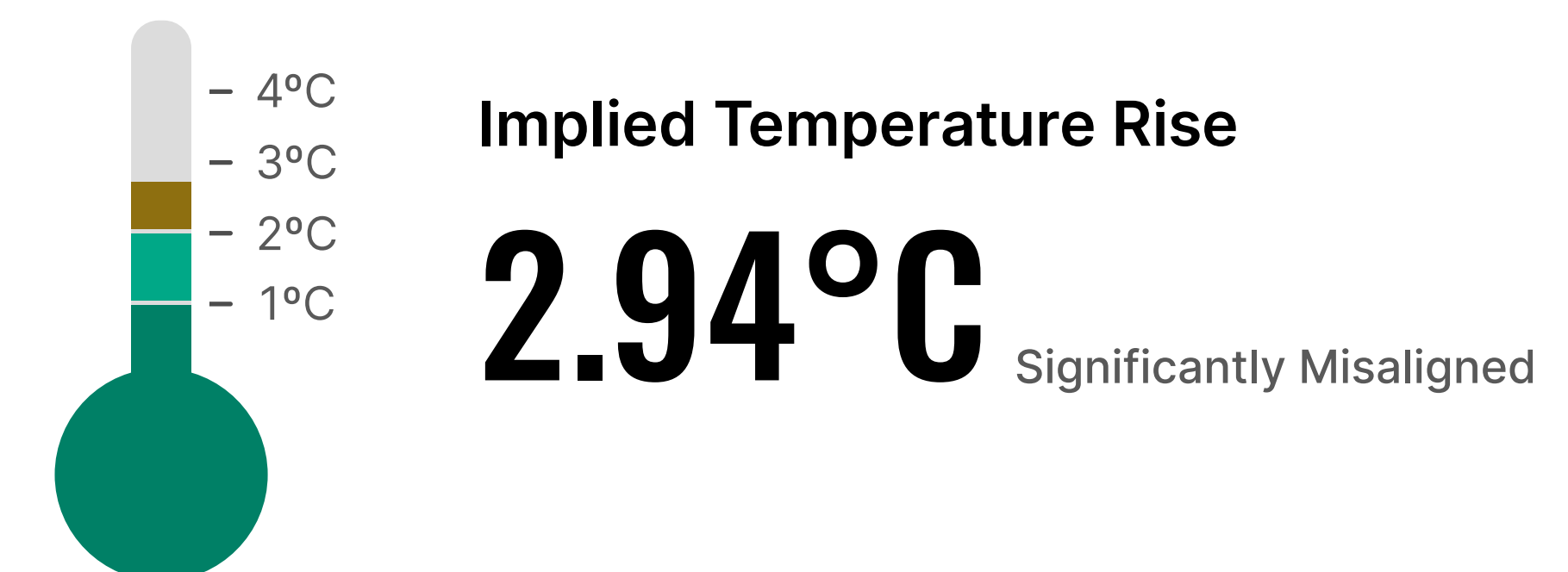
Total emissions



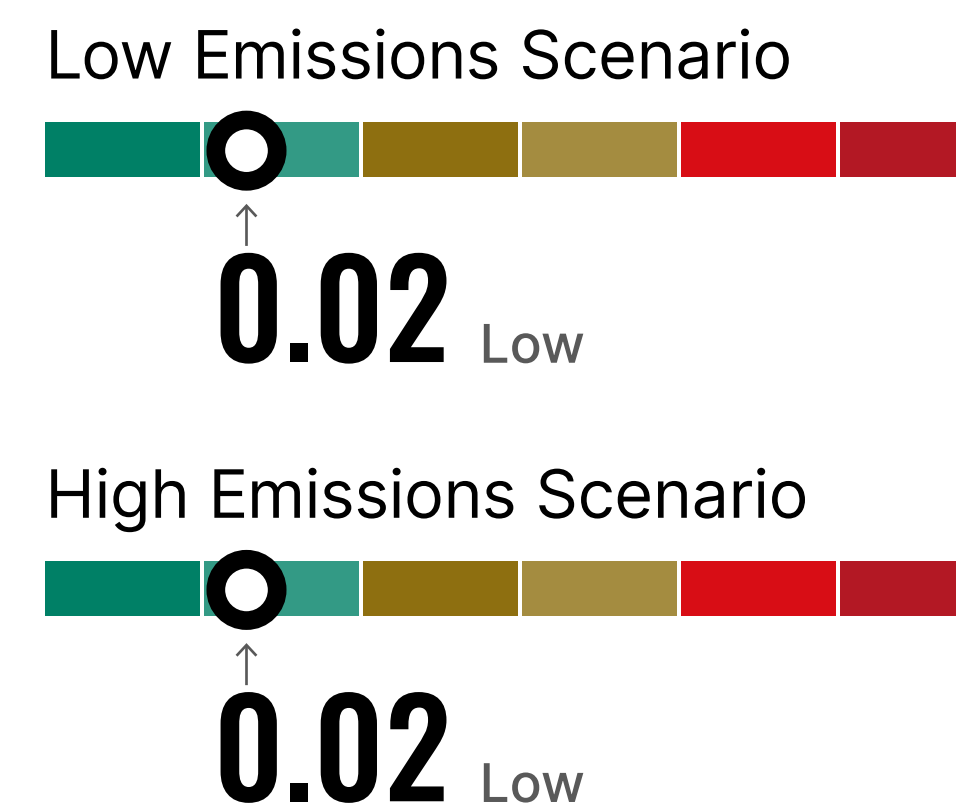
Weighted average carbon intensity



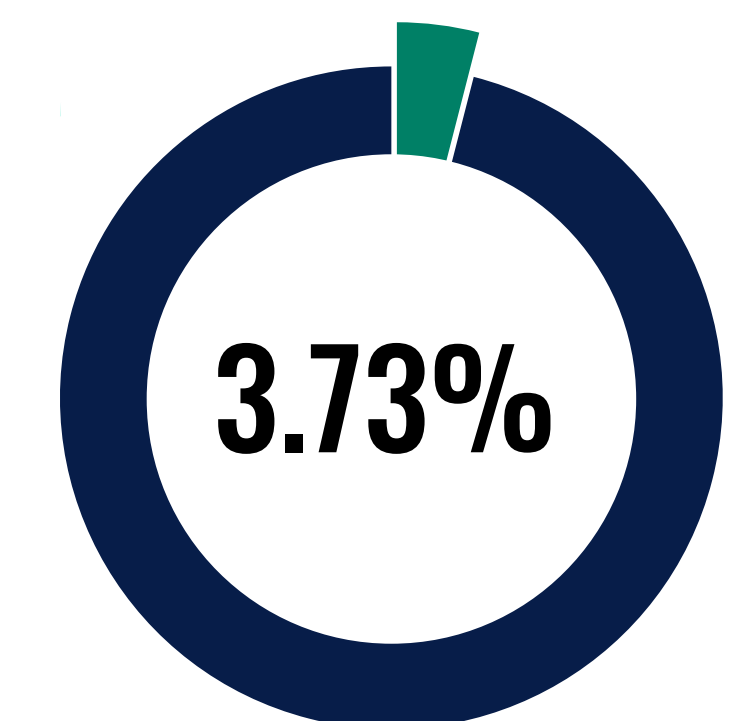
Scenario analysis



Total Loss Ratio



Climate Value-at-Risk



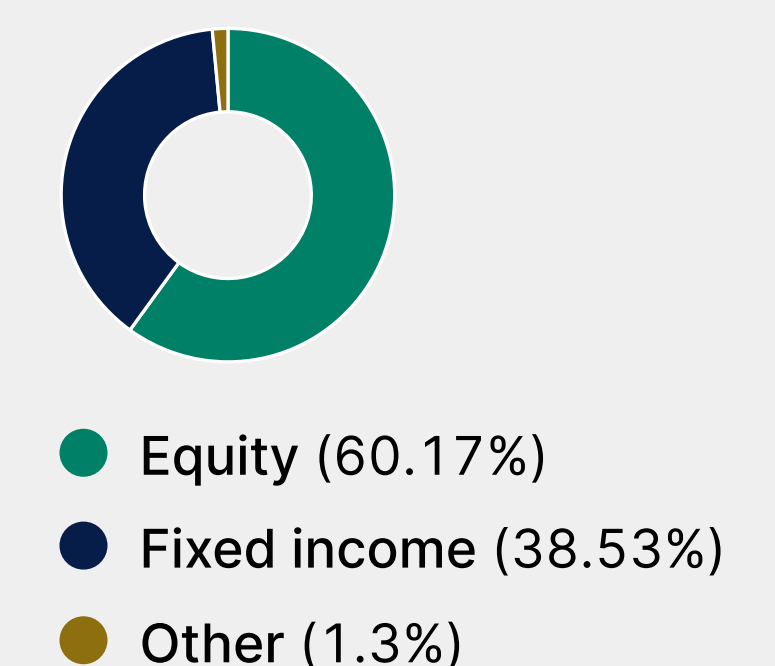
Percentage of data that is reported

52.71%

Fossil fuel exposure

9.50%

Asset class mix



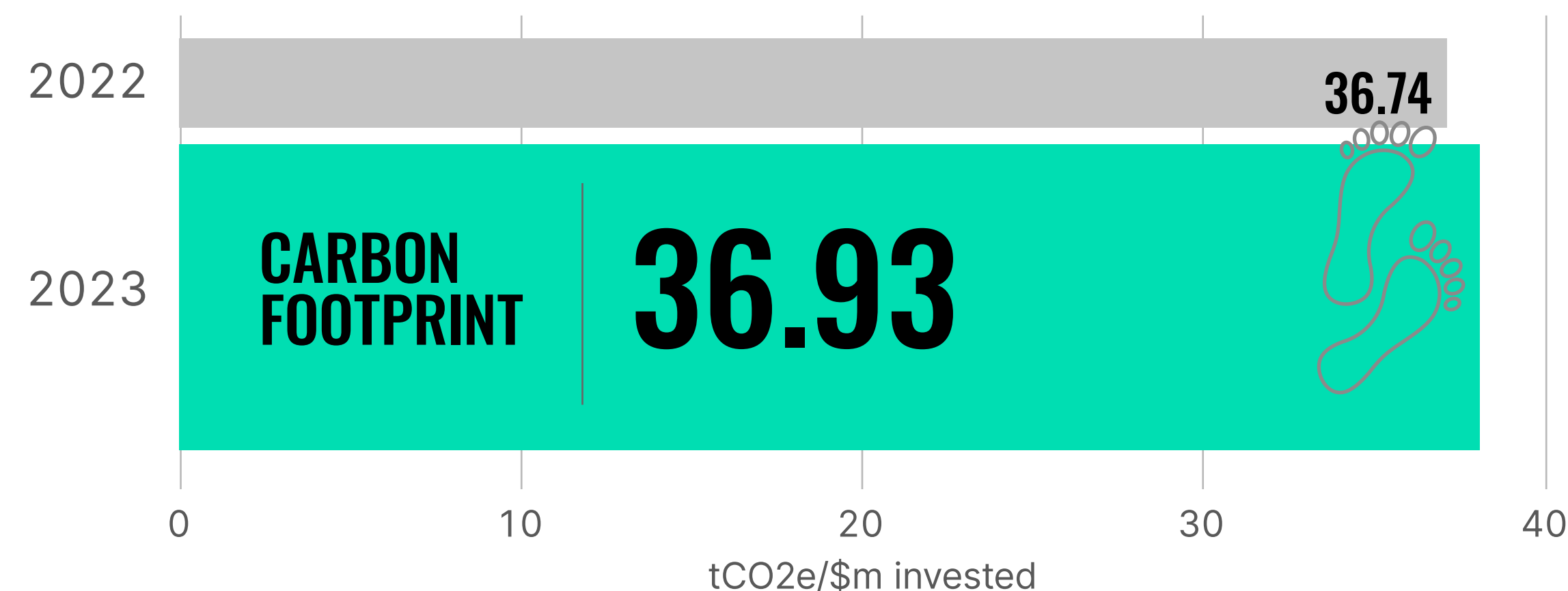
Please select the title of the data points for the definition and methodology.

Default Investment Arrangement Growth

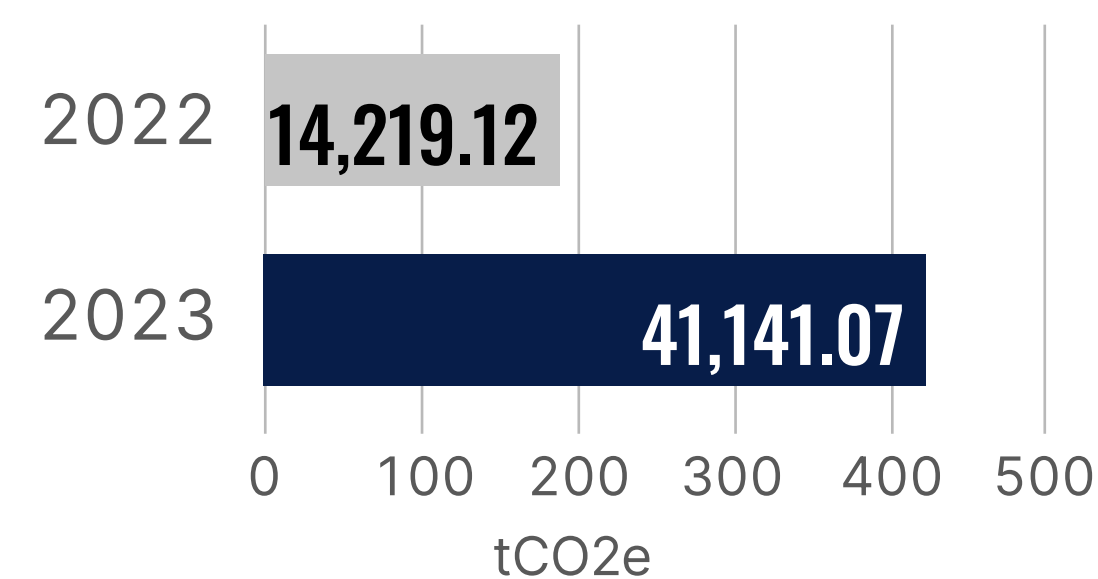
Members of HL Workplace Solution's Group SIPP are invested in a default strategy automatically. The strategy includes higher and lower risk stages and is rebalanced by HL over time. At the growth stage (10+ years to retirement), we use a relatively adventurous multi-asset fund targeting long-term growth over rolling ten-year periods. The fund invests primarily in passive underlying funds to keep the cost to investors as low as possible.

Climate-related metrics

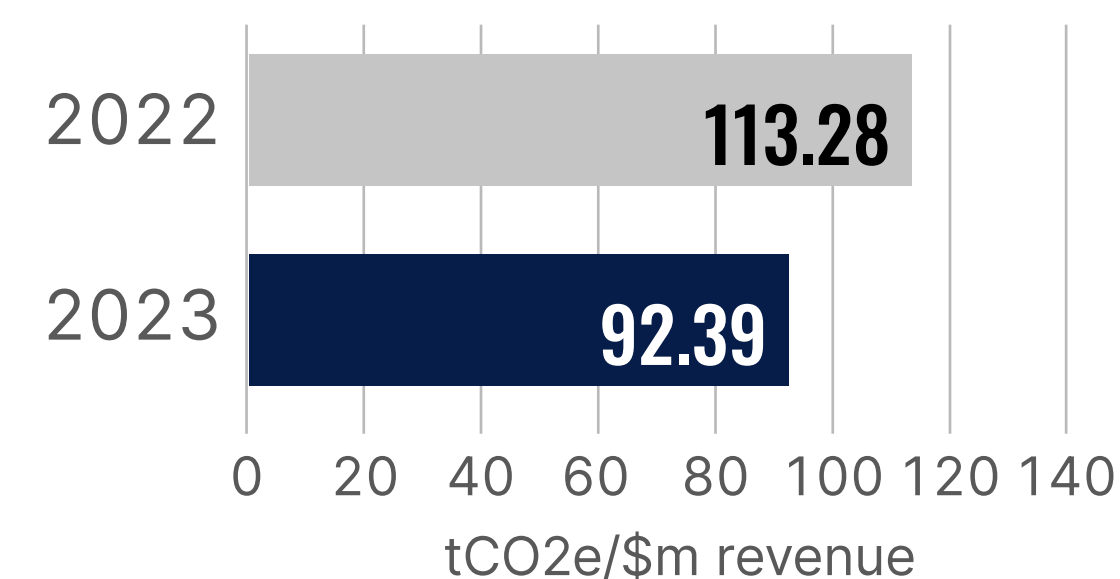
Carbon footprint



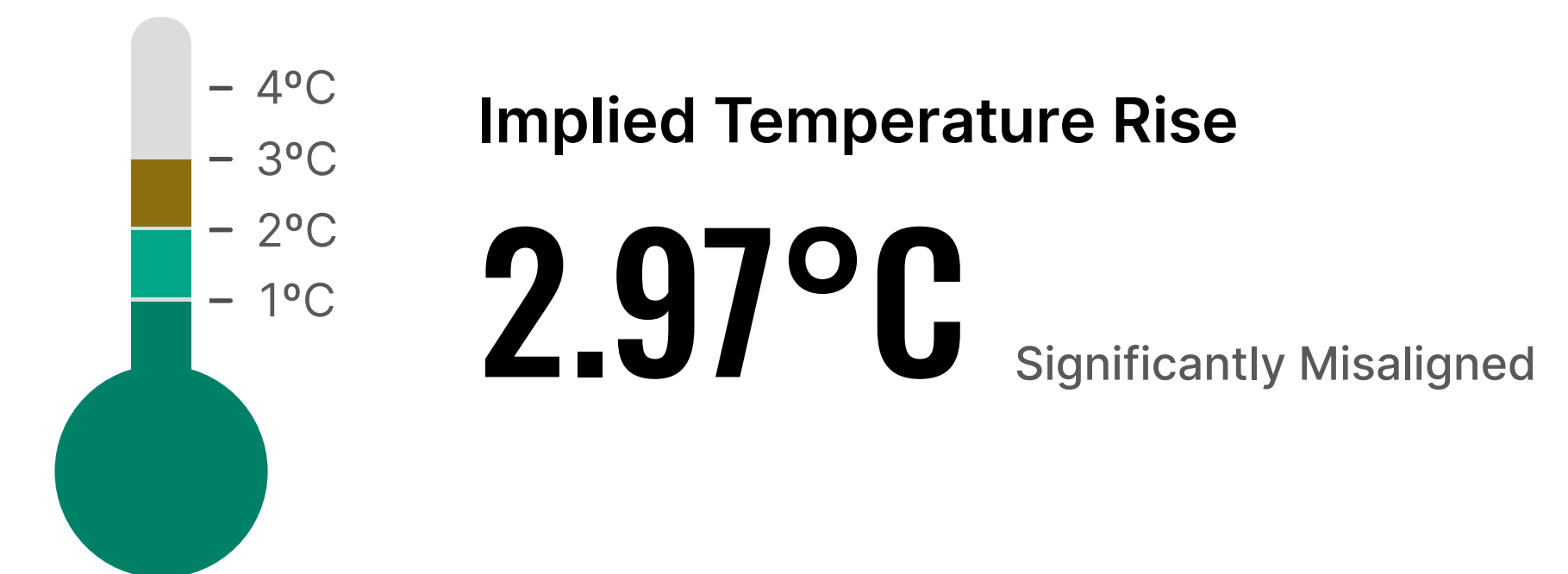
Total emissions



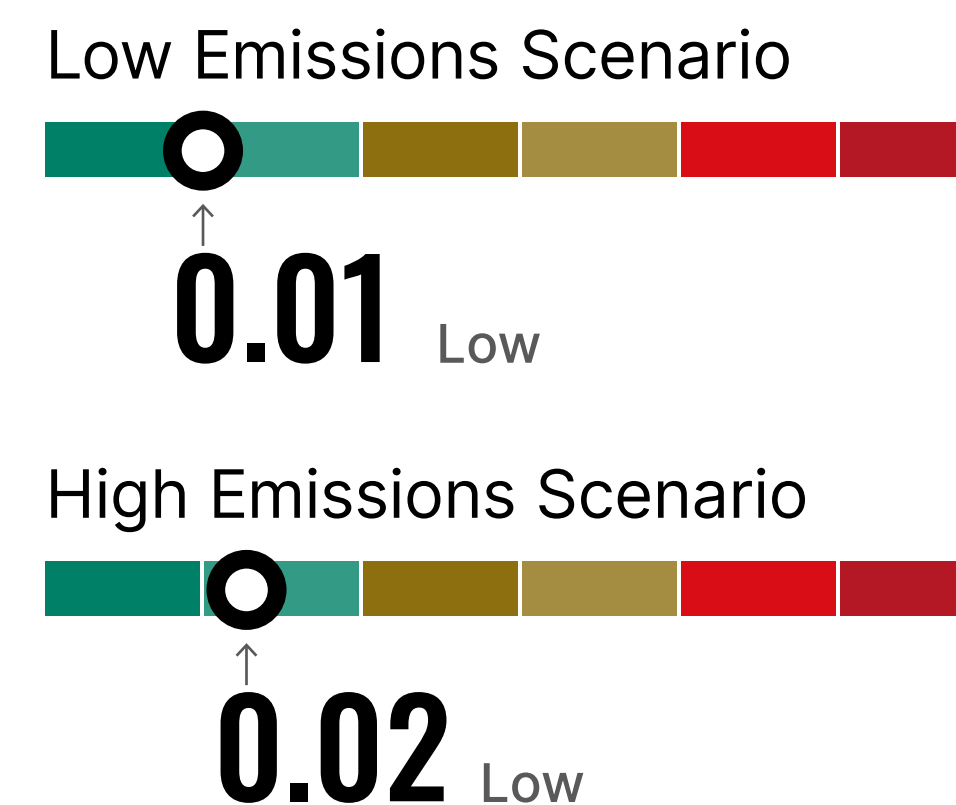
Weighted average carbon intensity



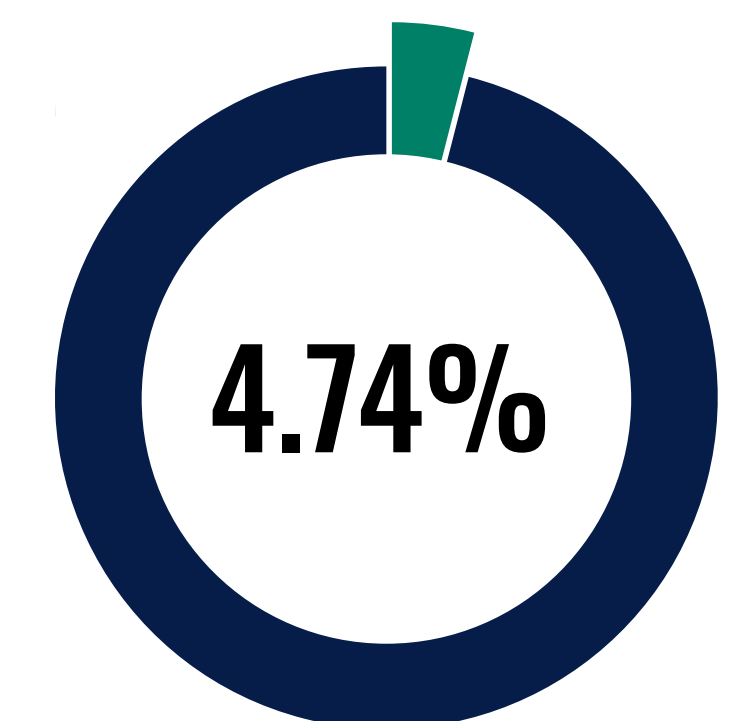
Scenario analysis



Total Loss Ratio



Climate Value-at-Risk



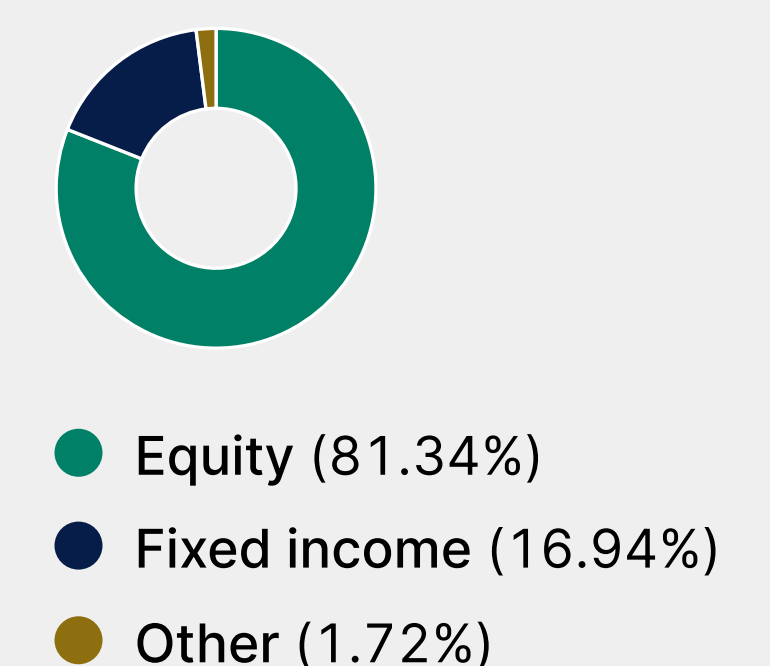
Percentage of data that is reported

68.52%

Fossil fuel exposure

5.95%

Asset class mix



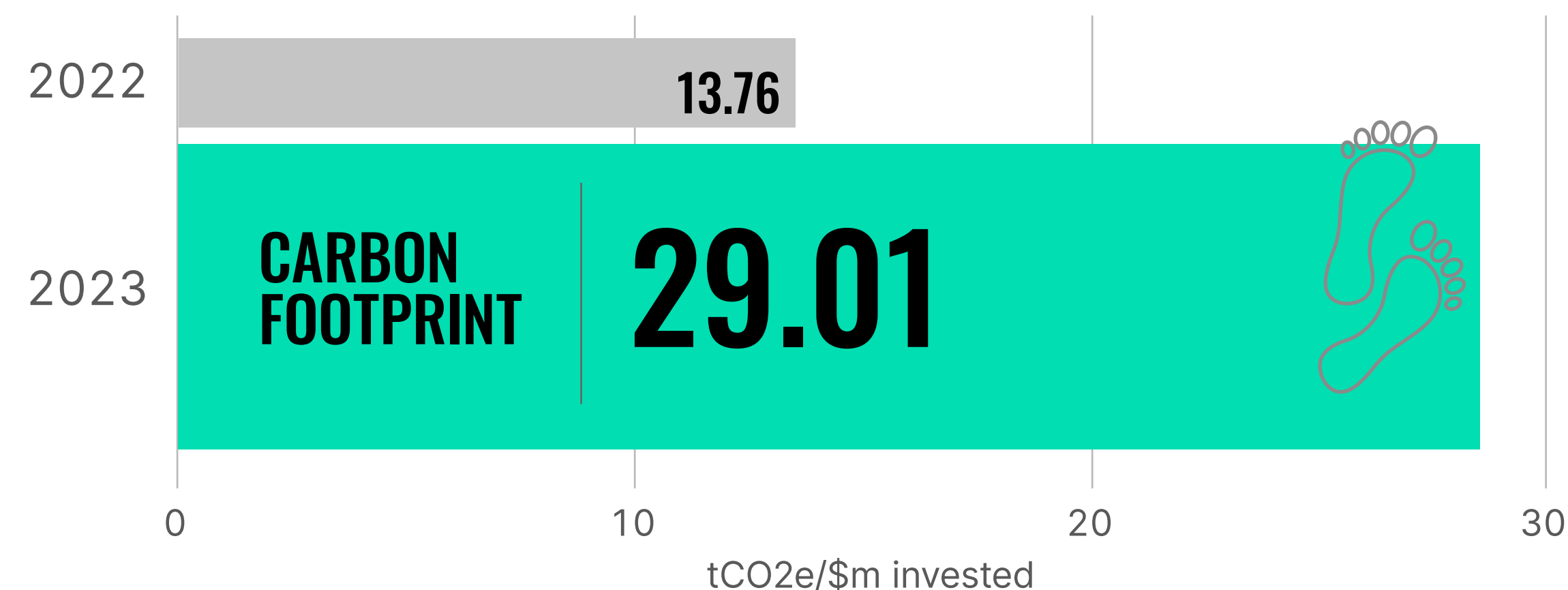
Please select the title of the data points for the definition and methodology.

Default Investment Arrangement De-Risking

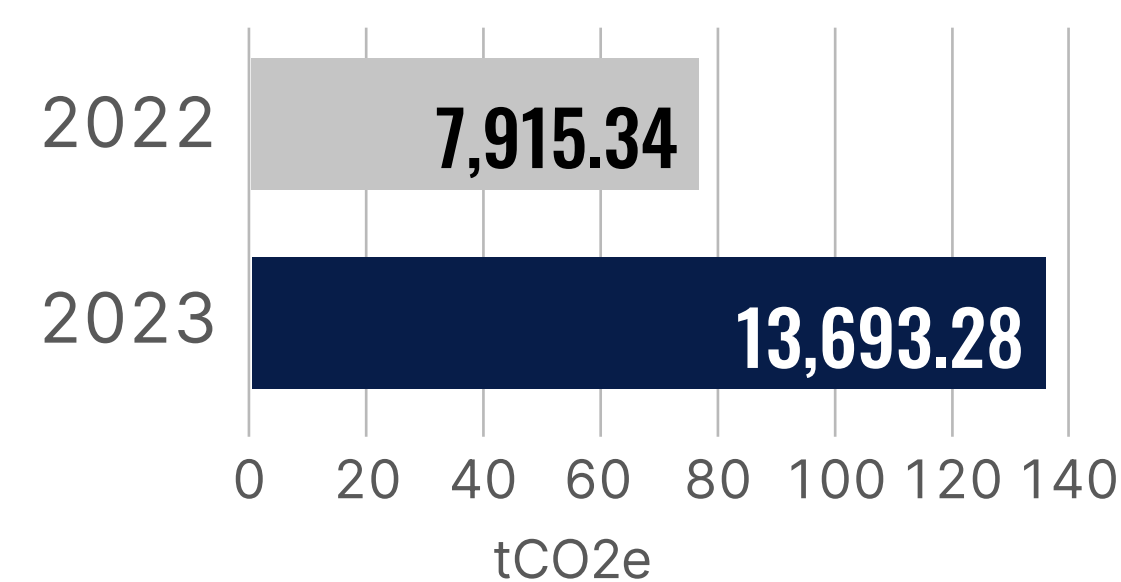
Members of HL Workplace Solution's Group SIPP are invested in a default strategy automatically. The strategy includes higher and lower risk stages and is rebalanced by HL over time. At the de-risking stage (commencing with 10 years to go until retirement), we use a low-cost multi-asset fund aiming to deliver growth consistent with a target level of risk. The fund aims to maintain volatility over rolling 5-year periods of 6-9%.

Climate-related metrics

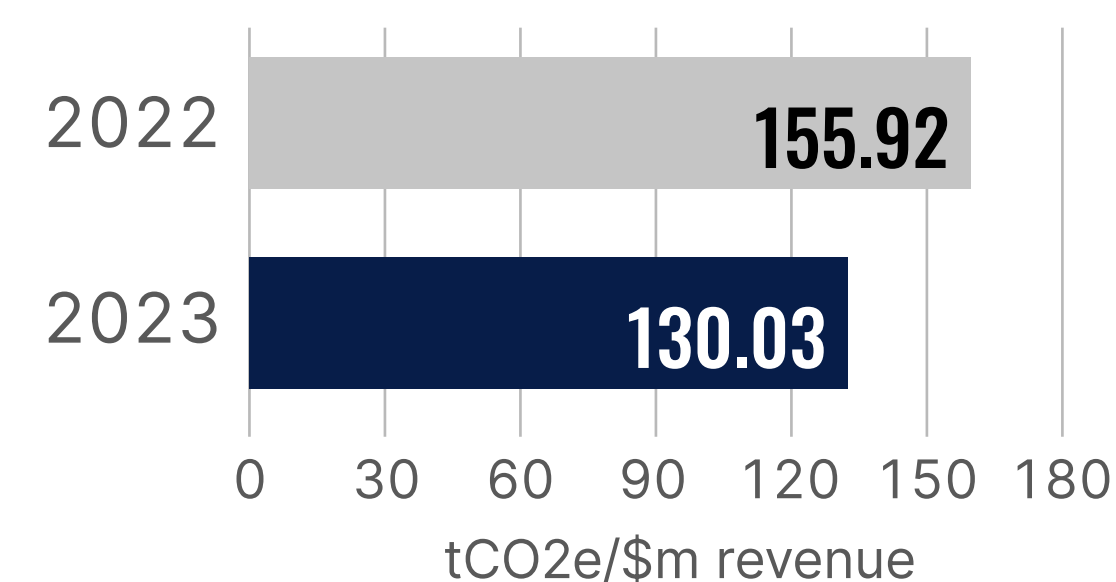
Carbon footprint



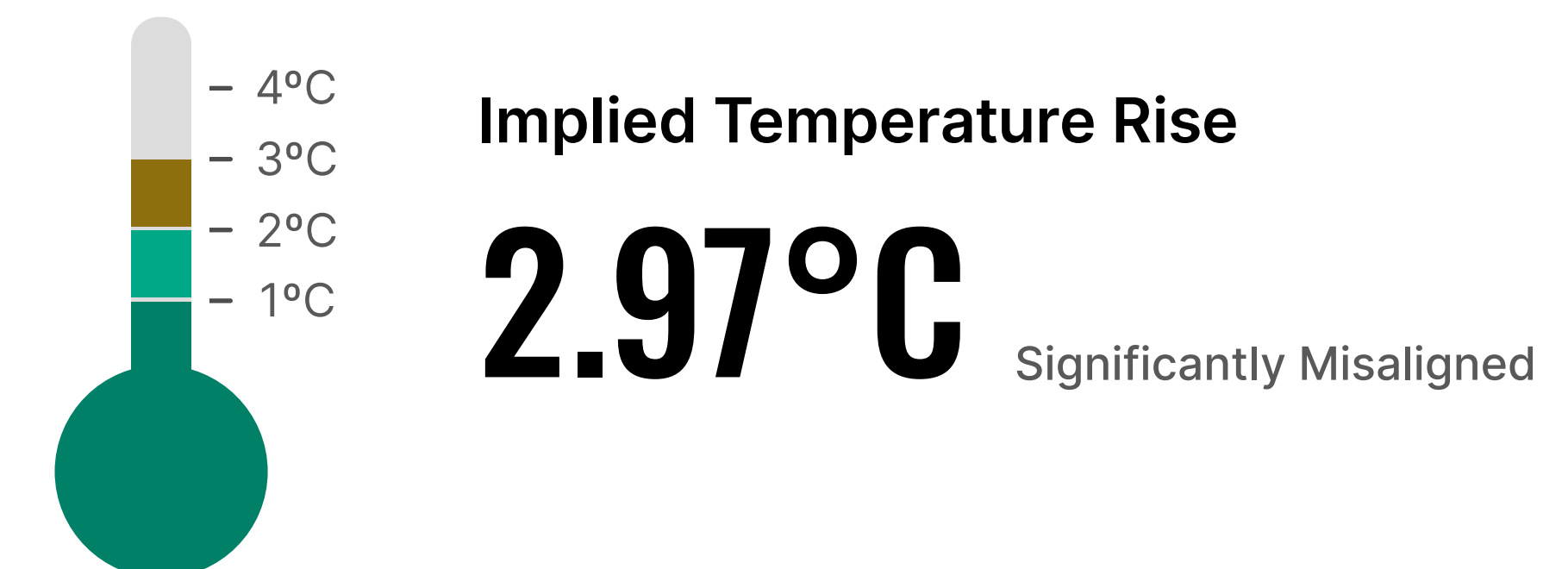
Total emissions



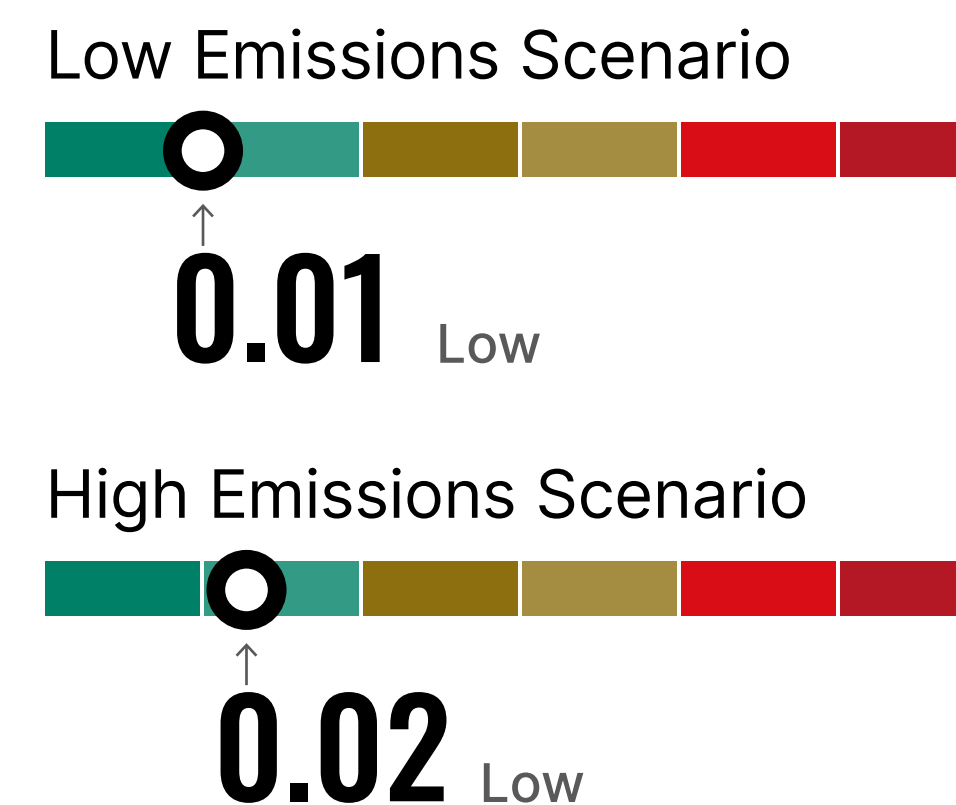
Weighted average carbon intensity



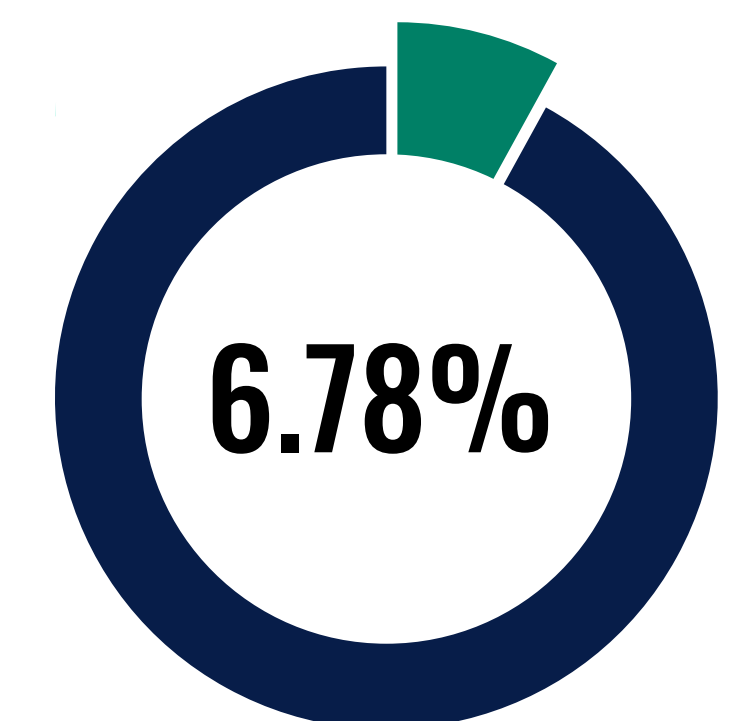
Scenario analysis



Total Loss Ratio



Climate Value-at-Risk



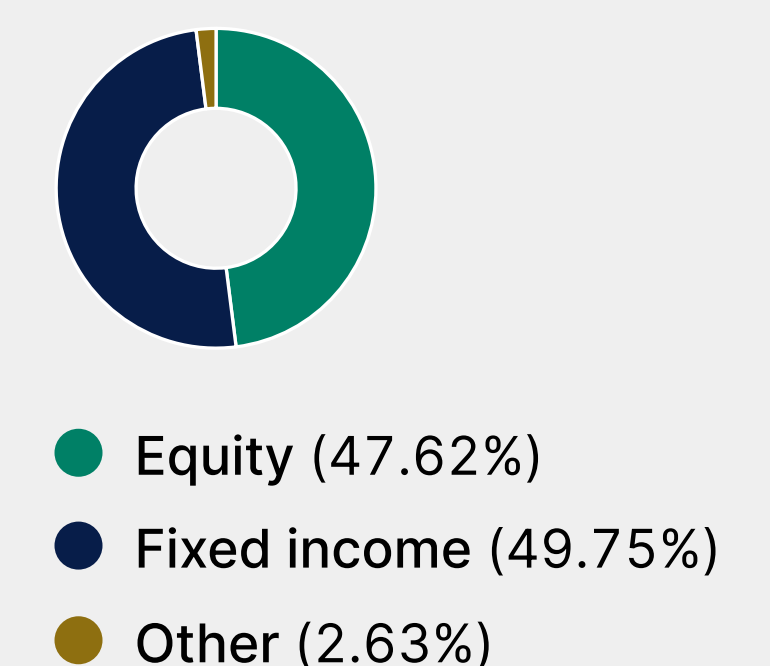
Percentage of data that is reported

40.76%

Fossil fuel exposure

6.77%

Asset class mix



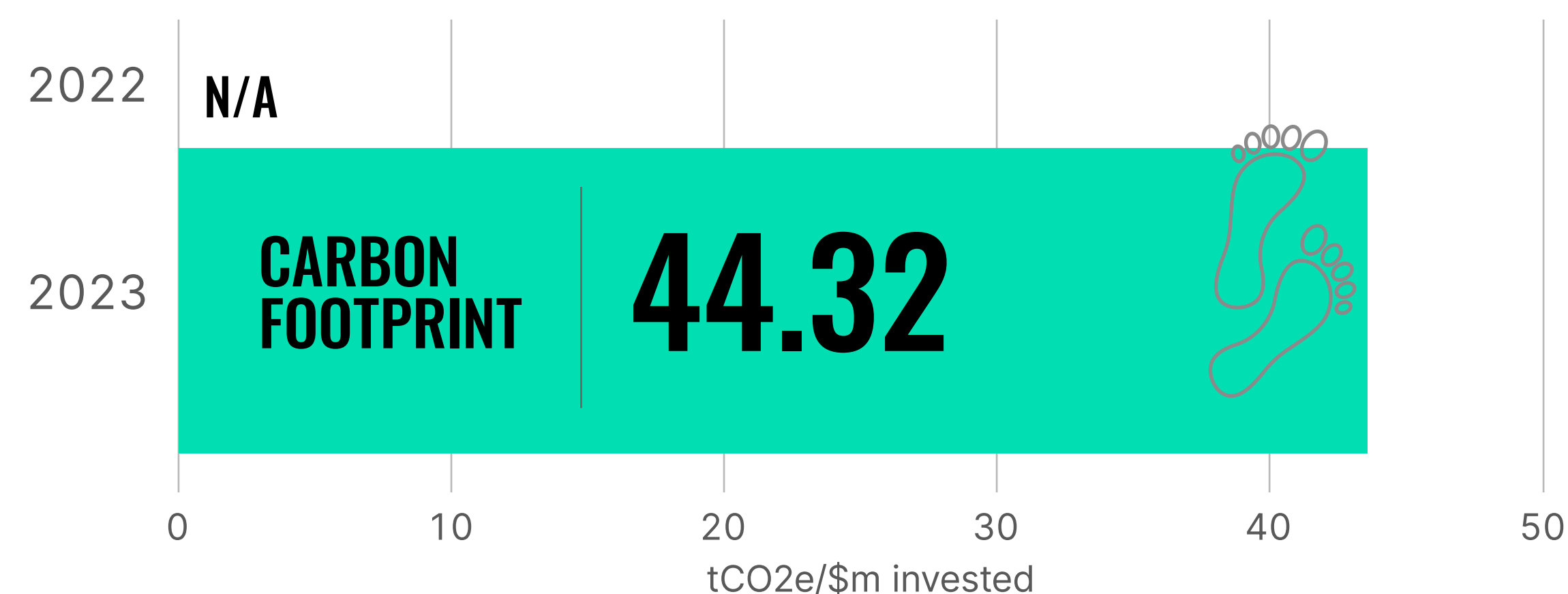
Please select the title of the data points for the definition and methodology.

Ready Made Pension Plan Growth

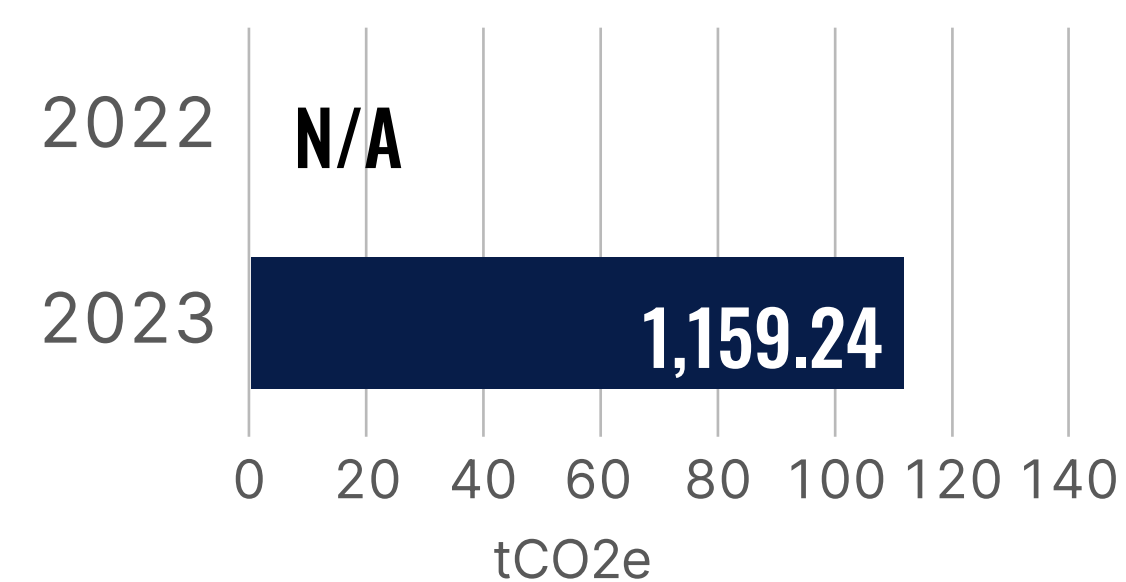
The Ready Made Pension Plan is offered to HL's SIPP clients as a pre-built investment strategy. It aims to grow the money in the earlier years of saving and reduce the risk as retirement approaches. At the growth stage (for those with more than eight years to go until retirement), we use a low-cost fund offering a whole portfolio in one, aimed at investors with a moderately adventurous attitude to risk. The fund invests predominantly in company shares, including some higher risk emerging markets, and spreads the risks by also investing in a diverse range of bonds.

Climate-related metrics

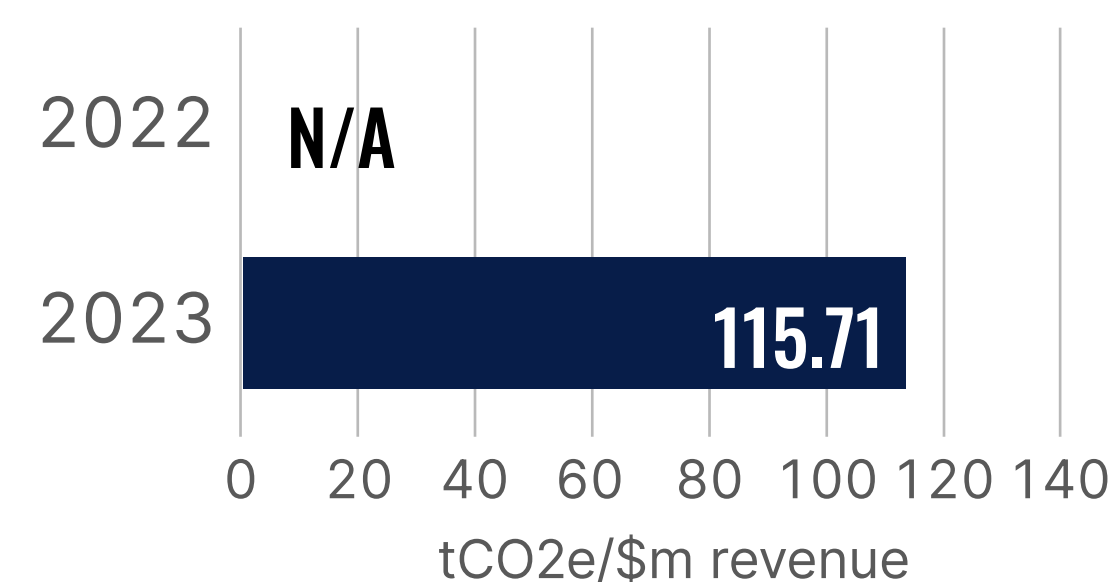
Carbon footprint



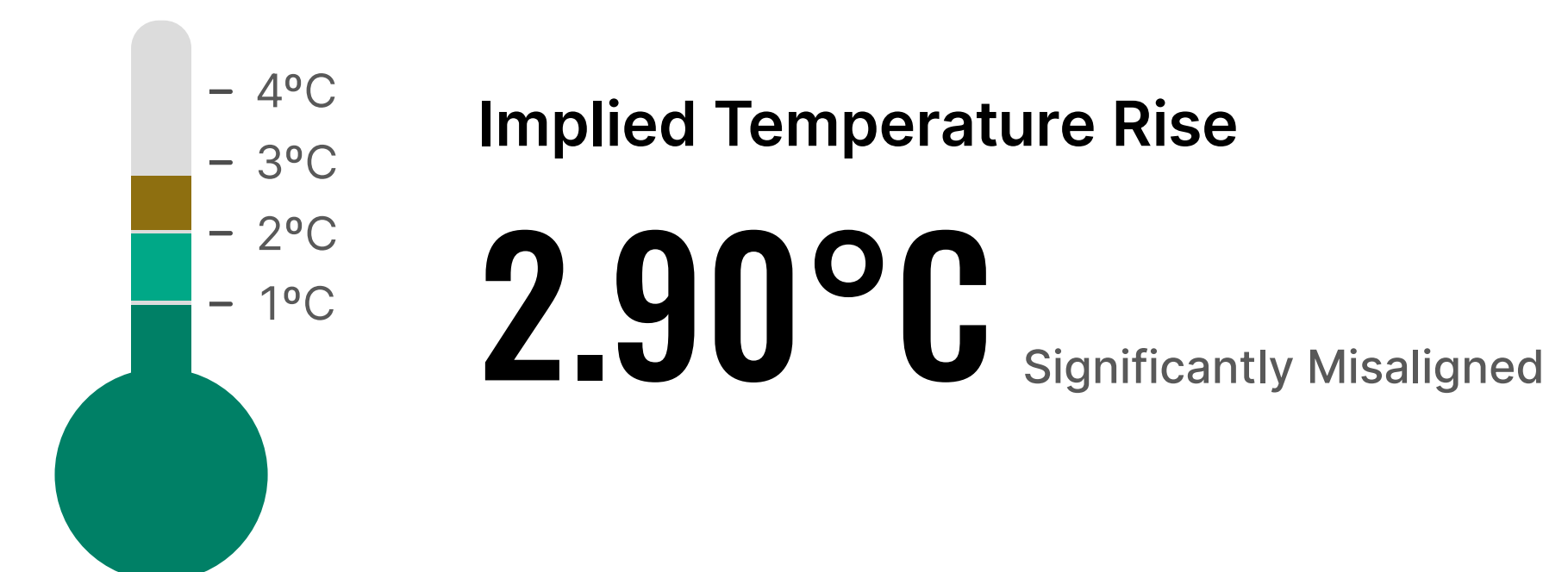
Total emissions



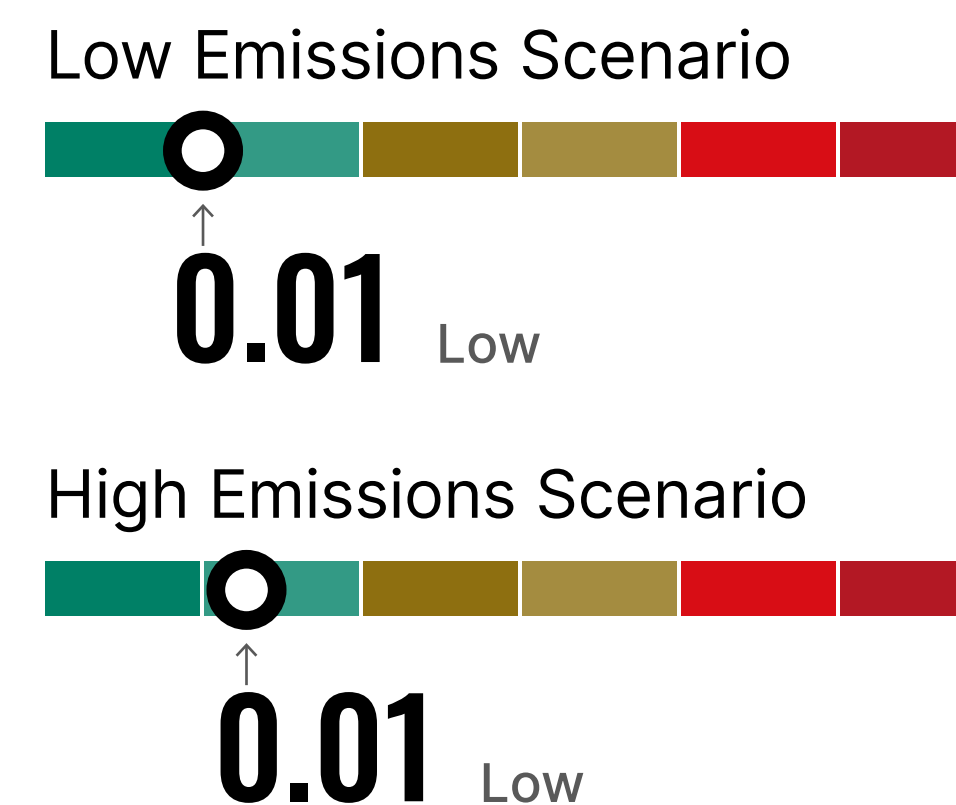
Weighted average carbon intensity



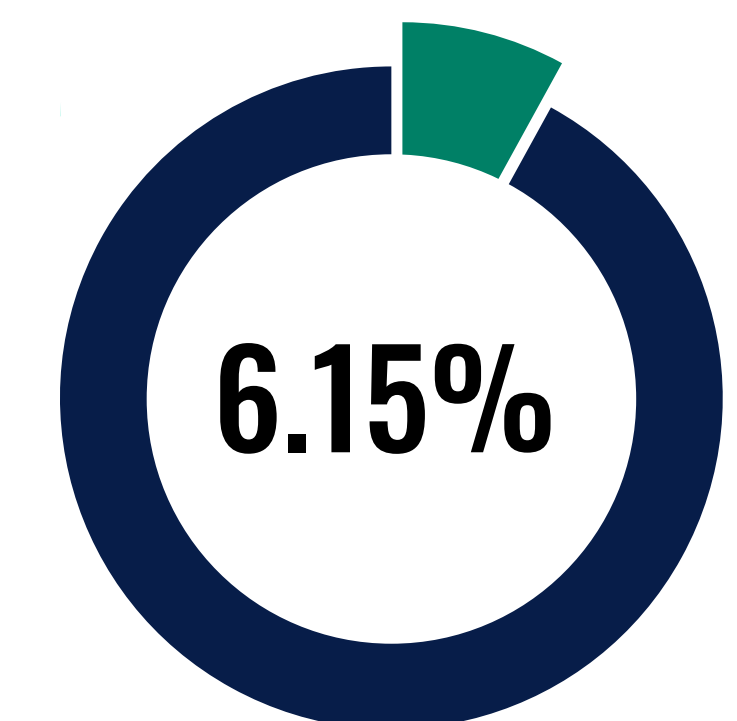
Scenario analysis



Total Loss Ratio



Climate Value-at-Risk



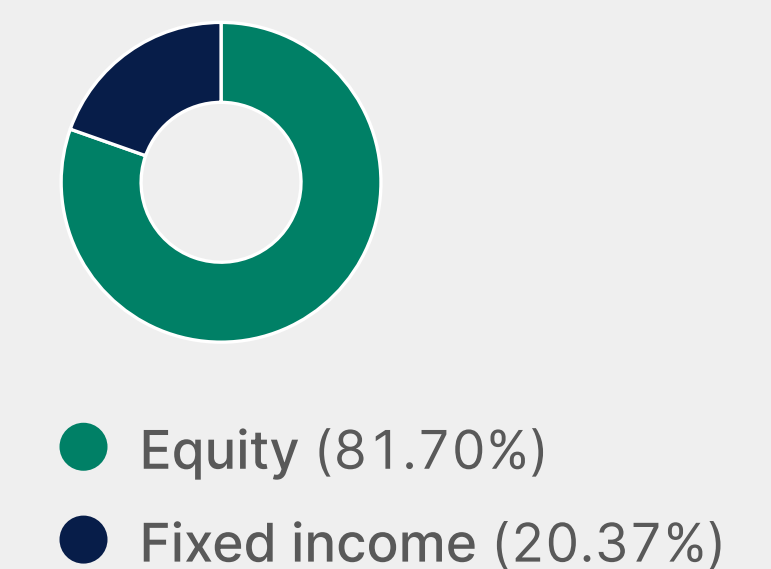
Percentage of data that is reported

73.29%

Fossil fuel exposure

8.25%

Asset class mix



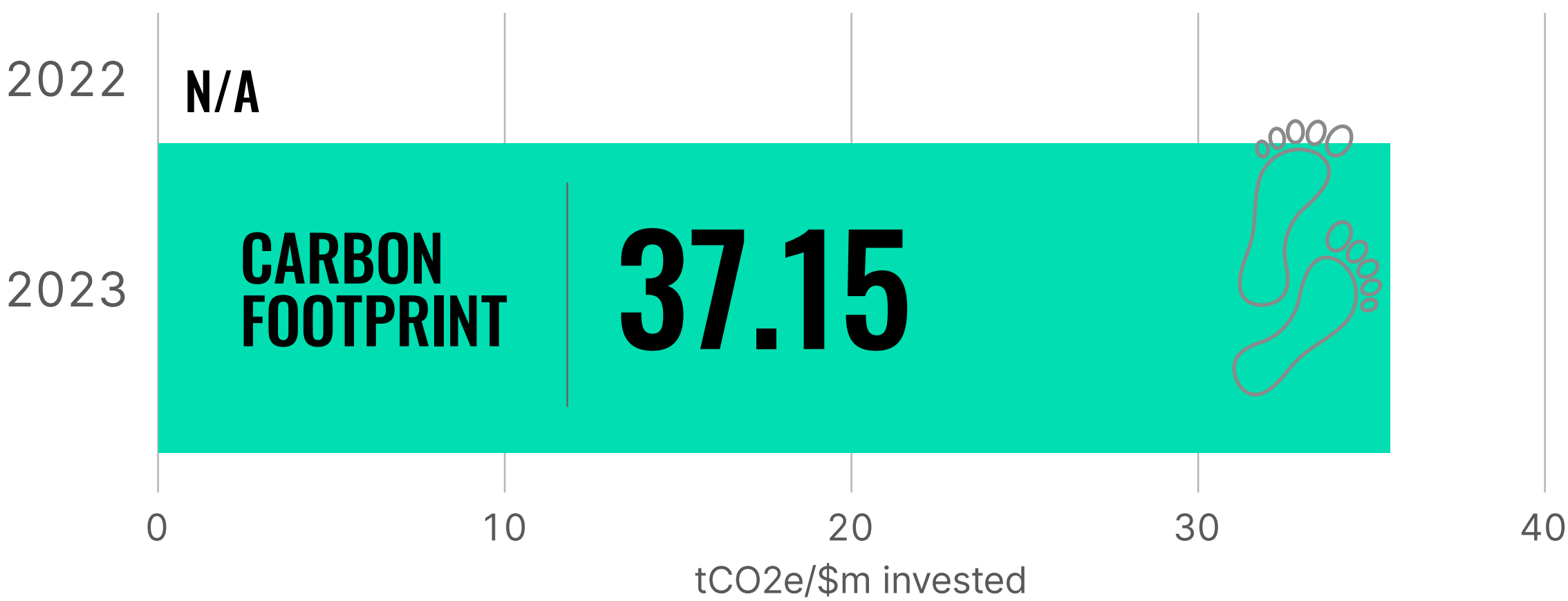
Please select the title of the data points for the definition and methodology.

Ready Made Pension Plan De-Risking

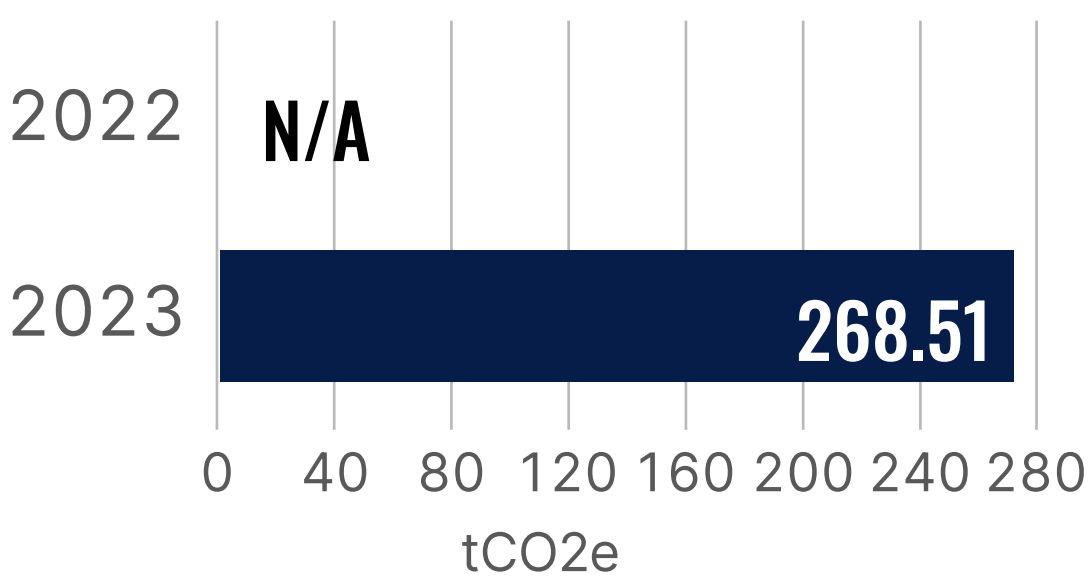
This Plan aims to grow the money in the earlier years of saving and reduce the risk as retirement approaches. The Plan includes rebalancing of investments to keep it on track and is managed by HL's experts. At the de-risking stage (commencing at the eight years to go until retirement point), we use a low-cost fund offering a whole portfolio in one, aimed at investors with a cautious attitude to risk. The fund invests predominantly in bonds, with a focus on lower risk government bonds and high-quality corporate bonds. To help deliver long-term growth, the fund also invests a smaller portion in company shares, including a small amount in higher risk emerging markets.

Climate-related metrics

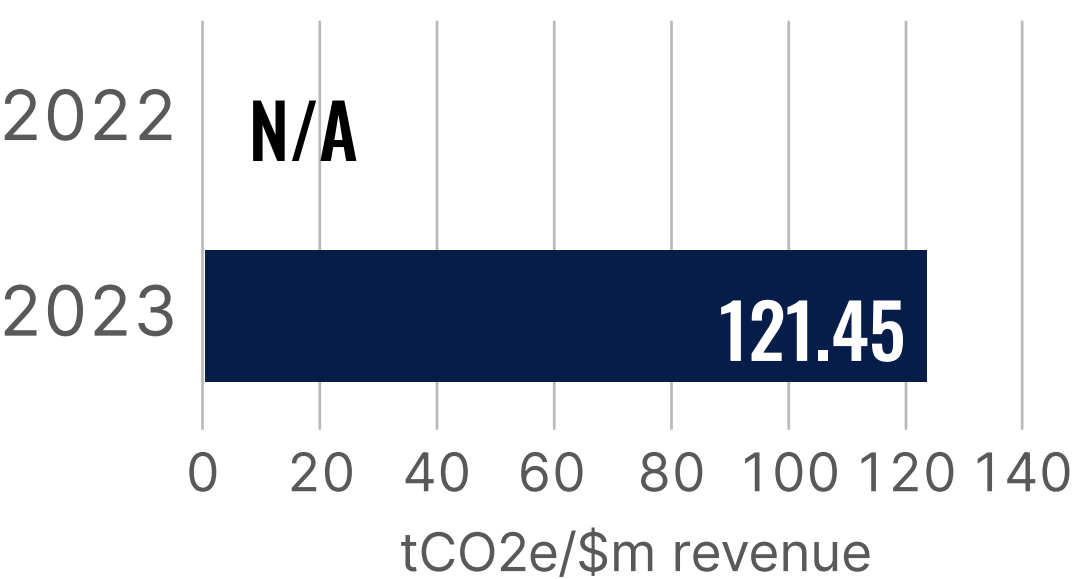
Carbon footprint



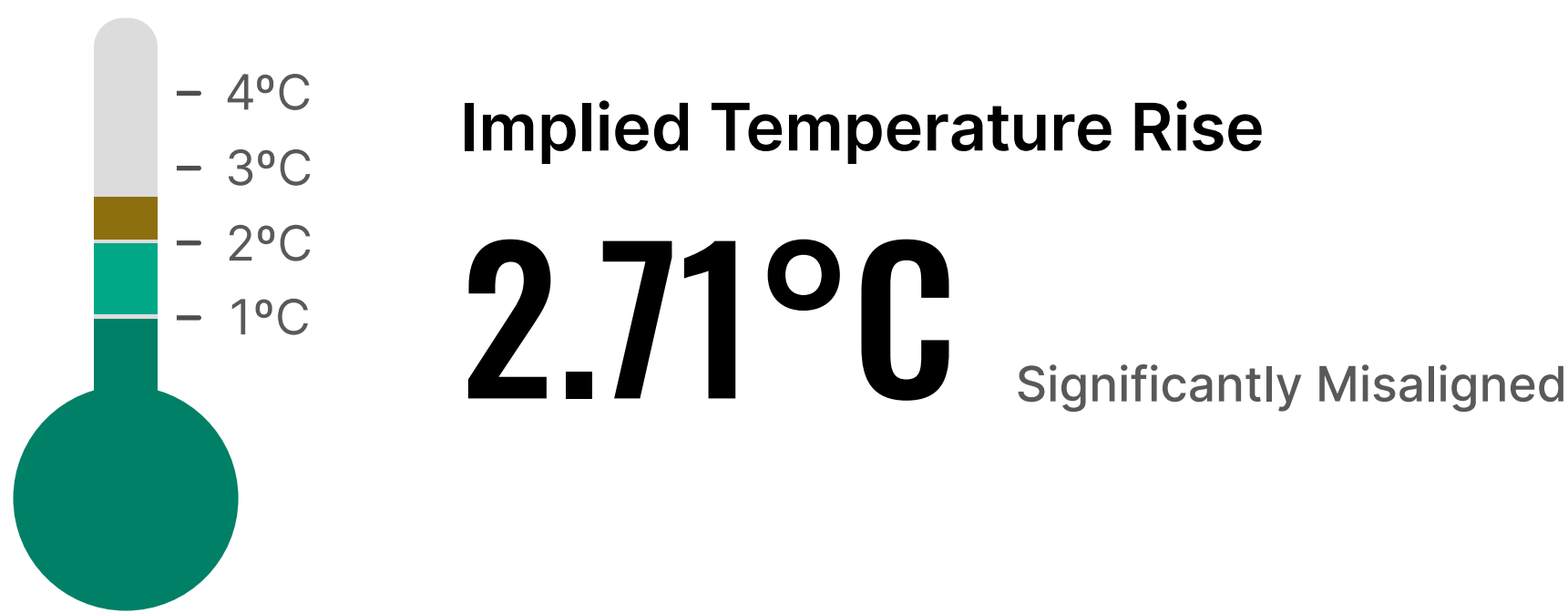
Total emissions



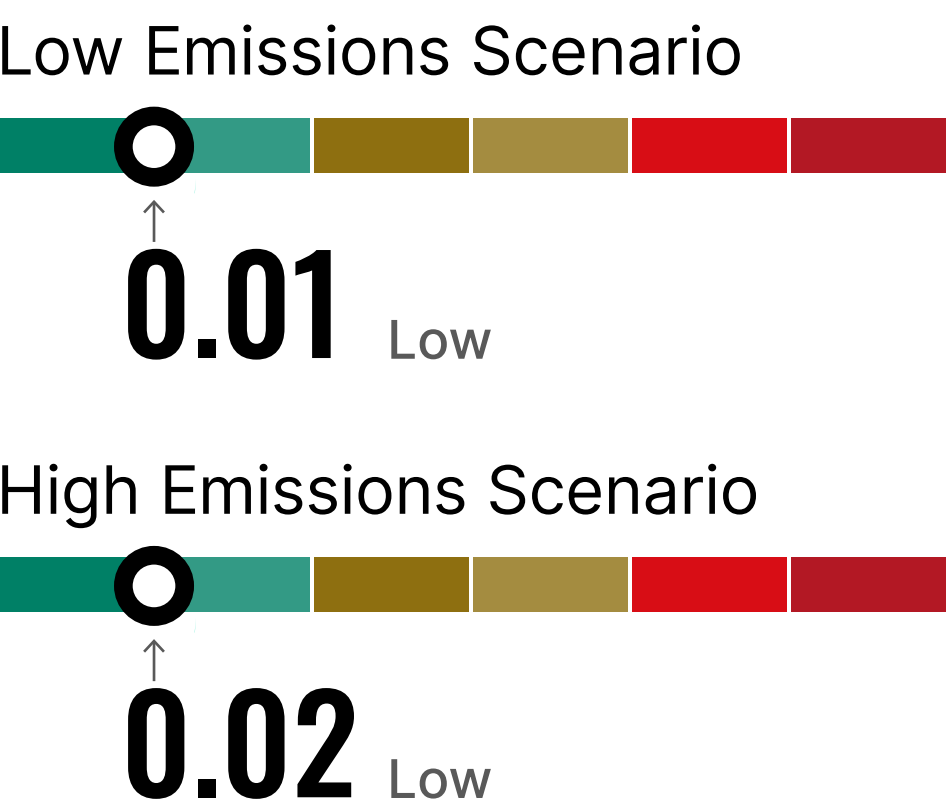
Weighted average carbon intensity



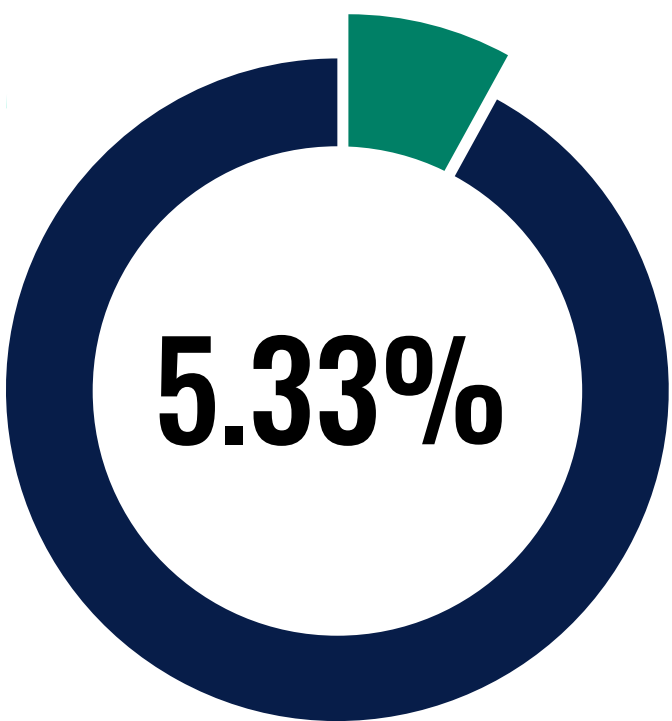
Scenario analysis



Total Loss Ratio



Climate Value-at-Risk



Percentage of data that is reported

43.14%

Fossil fuel exposure

3.73%

Asset class mix



Please select the title of the data points for the definition and methodology.

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HL