

Teachers With-Profits Fund

Product Level Report (For the year ended 31 December 2023)

The purpose of this Report

This Report aims to support our members, customers, advisers and other stakeholders with a greater understanding of the greenhouse gas emissions associated with this fund and the potential climate related risk factors. The report has been developed to comply with the requirements of the Task Force on Climate-related Financial Disclosures (TCFD).

We are focused on building an inclusive, sustainable, forward-looking business to look after the current generation of members, while running the business prudently so the same benefits are available to the next. This is why sustainability is a key priority for us. We also reinforce this importance through our Chief Executive who is also our Chief Sustainability Officer.

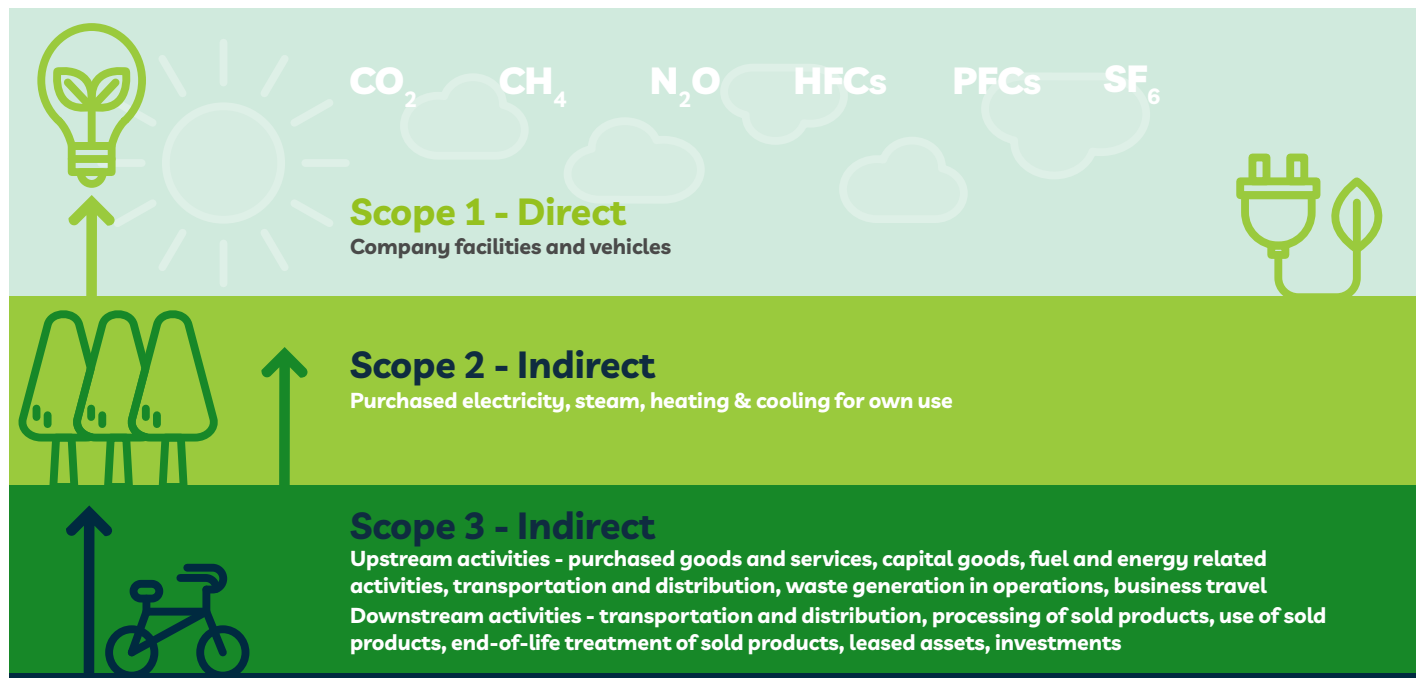
This Report can be read on its own. However, further information on our approach and our activities to tackle environmental, social and governance issues can be found in our [Sustainability Report](#).

Our risk management, governance and strategic consideration for this product is consistent with our company wide approach.

We all have an important part to play in safeguarding our environment by sustainably using our resources to protect and nurture our planet for current and future generations. Central to this is the collective reduction of greenhouse gas emissions. Our ambition is to transform our business to be net zero¹, in line with the UK government's commitment to net zero by 2050 and in support of the Paris Agreement's² objective to limit global temperature increases.

¹ Net zero is the goal of balancing greenhouse gases produced with those absorbed. This means reducing emissions and utilising methods of absorbing greenhouse gases from the atmosphere.

² The Paris Agreement is a legally binding international treaty on climate change. The goal is to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.



Investments metrics

Our funds typically invest, either directly or indirectly, in a diversified portfolio of assets such as fixed interest securities, equities, property, cash and other related instruments. We recognise that these investments contribute towards global greenhouse gas emissions and the performance of these assets may be impacted by the risks and opportunities associated with climate change.

The Green House Gas Protocol, a globally recognised standard for the reporting of greenhouse gas emissions, provides a framework for the disclosure of emissions from different investments. As there are various greenhouse gases which each have a different global warming potential, these are converted into a carbon dioxide equivalent (tCO₂e) to facilitate comparison across metrics.

The diagram above provides an overview of the emission categories and scopes as defined by the Green House Gas Protocol. Scope 1 and 2 emissions, such as gas and electric usage, are typically easier to measure and control. This is in comparison to Scope 3 upstream or downstream activities, where there is reliance on estimation and external data provision, for example from suppliers of goods and services.



The metrics presented below are calculated in line with the protocol and enable the measurement and monitoring of the emissions within your investment portfolio.

Carbon metric definitions

Carbon emissions – is the total annual greenhouse gas emissions, measured in tonnes of CO2 equivalent (tCO2e). This measure is influenced by the size of issuers and their industries as well as the size of the fund. It is calculated based on the share of emissions we hold in investee companies.

Carbon footprint – is the total carbon emissions for the fund normalised by the market value of the fund, expressed in tonnes of carbon dioxide emissions per million dollars invested (tCO2e/\$m). This can be used to compare across different funds.

Weighted average carbon intensity (WACI) – is the tonnes of CO2 emitted per million dollars of revenue (tCO2e/\$m). This is a company’s carbon emissions relative to the size of the issuer, adjusted for the weighting in a portfolio or benchmark. This can be used to compare across different funds.

Data coverage – represents the percentage of assets for which data is shown. As at the end of 2023, we reported Scope 1 and 2 emissions for listed equity and corporate bond holdings within the portfolio with estimates used where appropriate to supplement the available data. The carbon emissions data from other asset types, such as sovereign bonds, is currently excluded as this is typically less available and harder to quantify in comparison to publicly listed equity and corporate bonds. We expect to increase data coverage in the future as access to data and industry best practice develops.

Key performance indicator unit	Carbon emissions (tCO2e)	Carbon footprint (tCO2e/\$m invested)	Weighted average carbon intensity (tCO2e/\$m revenue)	Data coverage (%)
Portfolio	2,631	44	96	74%

Source: Carbon metrics provided by Columbia Threadneedle Investments as at 31 December 2023. The data provided is for regulatory use only.

Scenario analysis

While it is challenging to predict how climate change will evolve in the medium to long term, scenario analysis is a key tool for assessing our business exposure to various plausible outcomes. The scale of global physical warming will depend significantly on the actions taken to protect the environment and the timing and impact of these actions. Similarly, the implications of these interventions on the economy are also uncertain.

Our scenarios are based on three potential future pathways, aligned to those developed by the Network for Greening the Financial System. These include acute and chronic changes to the climate out to 2100 (physical risk), as well as transition risk to 2050 which can include policy changes, or changes in areas such as market, technology and demand.

Physical risks due to climate change arise from various factors and relate to specific weather events (such as heat waves, floods, wildfires and storms) and longer-term shifts in the climate (such as changes in precipitation, extreme weather variability, sea level rise and rising average temperatures).

Asset transition risks can arise from the process of adjustment towards a low-carbon economy. A range of factors influence this adjustment, including climate-related developments in policy and regulation, the emergence of disruptive technology or business models, shifting sentiment and societal preferences, or evolving evidence, frameworks and legal interpretations.

The table below explains how our investments may be impacted by transition and physical risks, across three different scenarios.

Scenario Considered	Description	Potential impact
Hothouse World	Hothouse world scenarios assume only currently implemented policies are preserved, current commitments are not met and emissions continue to rise with high physical risks and severe social and economic disruption and failure to limit temperature rise. It’s assumed there would be a 3°C temperature rise in this scenario.	With limited changes to regulation and policy, it is expected that the physical risks associated with climate change will increase, for example, through increased frequency and severity of extreme weather events. The geographical location of the investee companies’ assets and supply chains will be a key factor in determining overall risk and performance.
Orderly Transition	Orderly transition scenarios assume climate policies are introduced early and become gradually more stringent, reaching global net zero CO2 emissions around 2050 and limiting global warming to below 2°C on pre-industrial averages. It’s assumed there would be a 1.5°C temperature rise in this scenario.	There are greater regulatory and transition risks for companies in carbon-intensive sectors such as energy, materials and utilities. Risks emerge where companies fail to transition and opportunities arise where companies can provide the solutions and services required in a low carbon economy. Physical risks are expected to be relatively lower as global temperature rises are limited to 1.5°C.
Disorderly Transition	Disorderly transition scenarios assume climate policies are delayed or divergent, requiring sharper emission reductions achieved at a higher cost and with increased physical risks to limit the global temperature rise. It is assumed that there would be a 2°C temperature rise in this scenario.	There are increased regulatory and transition risks for those companies in carbon-intensive sectors as strong policies are needed to reduce emissions after initial delays. Physical risks are expected to be more pronounced and the geographical location of the investee companies’ assets will be a key factor in determining overall risk and performance.

We recognise that the general sophistication and understanding of climate scenario analysis continues to evolve and there are limitations associated with the models used to produce the analysis. For example, factors such as sea level rises or forced migration are not currently incorporated and the modelled events may not happen as smoothly as predicted. While we consider that the results are helpful in understanding potential impacts, they should not be relied upon as accurate predictions of the future and are not currently used within our investment decisions.

Our funds typically invest in a globally diversified portfolio of assets and therefore, we would not expect a concentrated exposure to carbon intensive sectors. We have decided not to publish further details on the climate scenario analysis on the funds at this time as the limitations in the modelling suggest this would not currently provide information which is sufficiently credible to be used to help steer investment decisions. We expect to further enhance our climate scenario analysis as industry best practice and data improves to enable greater understanding and the continued management of potential risks and opportunities and expect to include this in future disclosures when possible.

Appendix: Supplementary Information

The metrics within this Report are based on information from third-party sources which have not been independently verified by LV= and LV= therefore does not warrant that any information from third-party sources is accurate or complete.

Carbon data coverage depends on several factors. Scope 1 or 2 emissions data is widely available for developed market large-cap companies, but more gaps exist in small cap, emerging markets and private companies. In the absence of self-reported data, Scope 1, 2 and 3 emissions can be estimated. Typically, this will rely on assumptions regarding the company's specific geography and sector. Forward looking metrics, such as climate value-at-risk and implied temperature rise, measure estimated losses from climate change and assess alignment with the Paris Agreement. We do not currently include Scope 3 emissions, climate-value-at-risk or implied temperature rise in our investments metrics. Our intention is to incorporate these metrics in future versions of the TCFD report once there is sufficient data coverage and we understand the associated modelling and limitations of the data being presented.

This information does not constitute investment advice and we recommend that you speak to a suitably qualified financial adviser before making any investment decisions. Further information on investment performance can be found at [LV.com/investments](https://www.lv.com/investments)

If you'd like us to send you this document or any future correspondence in another format, such as Braille or large print, please just let us know.

Liverpool Victoria Financial Services Limited: County Gates, Bournemouth BH1 2NF.

LV= and Liverpool Victoria are registered trademarks of Liverpool Victoria Financial Services Limited and LV= and LV= Liverpool Victoria are trading styles of the Liverpool Victoria group of companies. Liverpool Victoria Financial Services Limited, registered in England with registration number 12383237 is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, register number 110035. Registered address: County Gates, Bournemouth, BH1 2NF.

43317-2024 05/24

