Quilter

Quilter Life and Pensions Limited

TCFD Report 2022

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1. Introduction

1.1. Compliance statement

- **The roll-out of mandatory TCFD disclosures across the UK economy:** In December 2021, one of our UK regulators, the Financial Conduct Authority ("FCA")[1], published rules for asset managers, insurers and pension providers to make mandatory climate-related disclosures, aligned with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD")[2] via the "ESG Sourcebook". Under this legislation, Quilter Life and Pensions Limited ("QLPL") is required to publish TCFD reports in relation to the firm (referred to as the TCFD entity report) and the products it provides (referred to as the TCFD product reports) on our website on an annual basis. This report is QLPL's first TCFD entity report.
- **Report purpose:** The purpose of this report is to provide information for our shareholders, customers, prospective customers, advisers, employees, investment markets and other stakeholders on QLPL exposure to and management of climate-related risks and opportunities. This report is designed to provide disclosures aligned with the recommendations of the TCFD.
- **Report approach to cross-referencing:** This report relates to QLPL and its climate-related activities carried out over the 2022 calendar year. We have also published reporting for the products managed by QLPL (found ***here***). QLPL is managed as part of a group of businesses under Quilter plc ("Quilter"). An overview of the structure of Quilter and QLPL as a business is provided on the next page. Quilter publishes an annual disclosure covering the full group alongside its Annual Report (found ***here***). Where relevant we have cross-referenced to the content of the Quilter product and group reporting in this document.

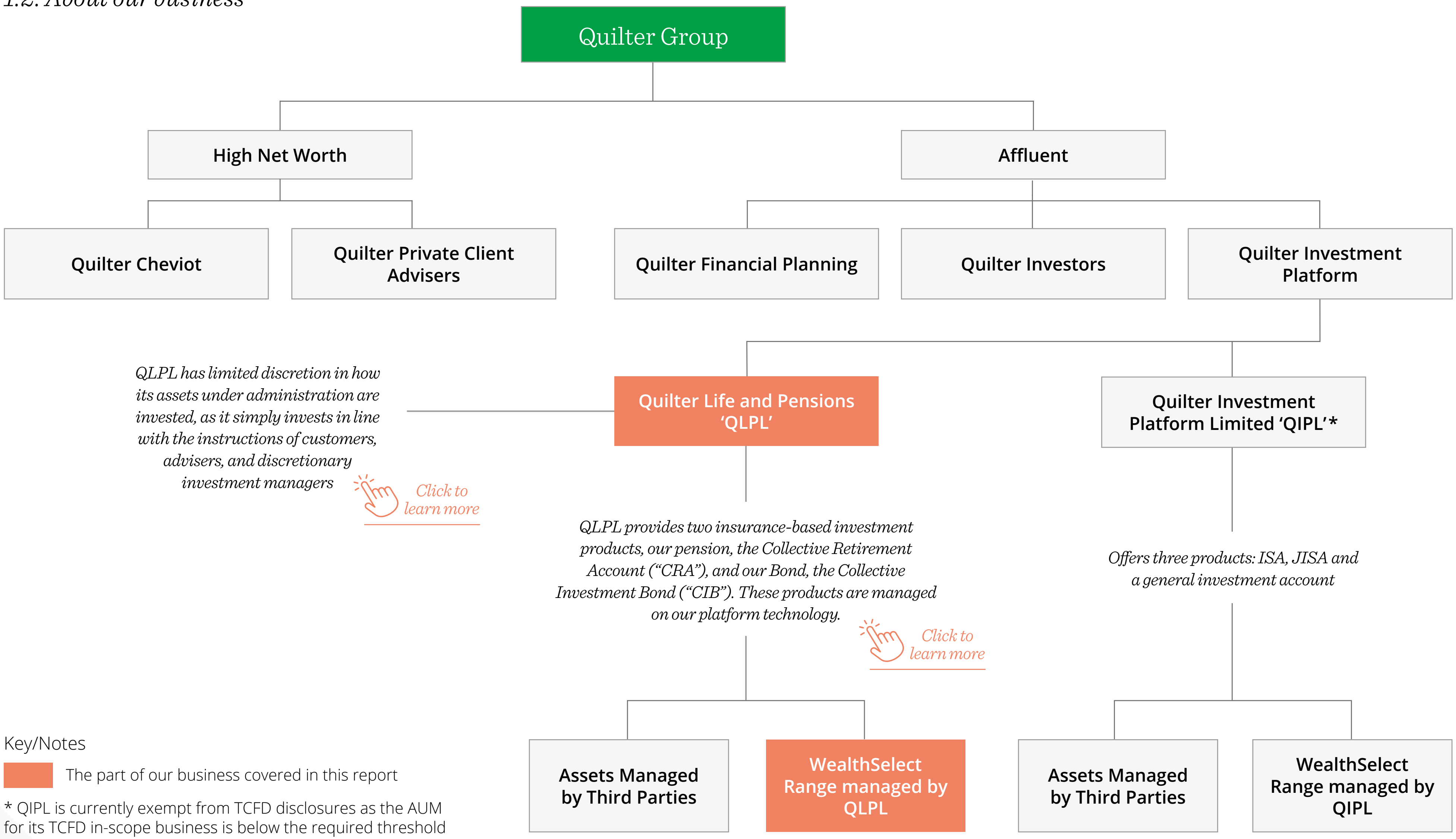
I confirm on behalf of QLPL that the disclosures contained in this report, including any third party or group disclosures cross-referenced within it, comply with the requirements set out in ESG 2 (Disclosure of climate related information).

Steven Levin
Chief Executive, Quilter plc

[1] See the glossary for an explanation of key terms used in this report.

[2] PS21/24: ***Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers***

1.2. About our business



Key/Notes

The part of our business covered in this report

* QIPL is currently exempt from TCFD disclosures as the AUM for its TCFD in-scope business is below the required threshold

QLPL forms part of the Quilter plc Group ("the Group" or "Quilter"). Quilter Investment Platform ("the platform") comprises of two legal entities, Quilter Life and Pensions Limited ("QLPL") and Quilter Investment Platform Limited ("QIPL"), which share the same platform technology. The platform targets advised customers only, which means that financial advisers provide support to customers to enable them to make informed investment choices, sometimes with the help of a discretionary investment manager, from the selection of assets the platform makes accessible. On our platform, they can choose investments from a wide range of funds, managed portfolios, investment trusts and exchange-traded funds. The majority of assets under administration on our platform are managed by third parties. As at 30 December 2022, the platform administered £67.0bn of assets, of which £38.2bn was administered within QLPL.

QLPL provides two insurance-based investment products, our pension, the Collective Retirement Account ("CRA"), and our Bond, the Collective Investment Bond ("CIB"). These products are managed on our platform technology. The CRA is a flexible unit-linked pension product which accepts single and regular premiums and can be used by the policyholder to provide regular and ad hoc drawdown income during their retirement. The CIB is a single premium unit-linked whole of life assurance contract available on a single life or joint life (last death) basis.

Click here to go back to our organisation diagram

QLPL has limited discretion in how its assets under administration are invested, as it simply invests in line with the instructions of customers, advisers, and discretionary investment managers. There are three exceptions to this which are as follows:

1. QLPL is responsible for the management of the assets within our own WealthSelect Managed Portfolio Service ("WealthSelect") available on our platform. This includes our WealthSelect Managed, Responsible and Sustainable ranges. Stuart Clark has been the manager of WealthSelect since launch in February 2014 and is supported by a dedicated Responsible Investment Team. The total assets under management across all WealthSelect portfolios on our platform on 30 December 2022 was £10.3bn, of which £6.5bn was in relation to QLPL. The latter represents 17% of total assets of QLPL.

2. QLPL offers customers a cash facility within the pension to make it easier to keep track of any outgoing and incoming payments, to facilitate the payment of fees and charges, and to enable cash to be held alongside investments. The cash is diversified across several banks at Quilter's discretion with the aim of balancing credit risk with the desire to earn a competitive interest rate.

3. Customers can draw an income from the CRA and therefore QLPL, as a drawdown provider, offers investment pathways for non-advised customers. These are default strategies for customers who do not have a financial adviser and have been designed around four different ways in which such customers might want to use their drawdown pot (see ***here*** for further details).

1.3. Report coverage

QLPL has oversight of all the funds on the platform, but it has limited discretion from a climate point of view in relation to how the underlying assets are invested. Customers can link the value of their CRA and/or CIB policy to a wide range of externally managed funds, exchange traded funds and Investment Trusts, typically with the help of their adviser or a discretionary investment manager. QLPL in turn would invest in these assets as per the instructions provided by the customer or their adviser.

Therefore, this report applies the TCFD recommendations to the actively managed WealthSelect portfolios, as QLPL is operating as a discretionary investment manager when providing this service and therefore does have discretion in terms of where to invest the underlying assets. WealthSelect portfolios represents around 17% of QLPL's total assets.

2. Governance

The Quilter Life & Pensions Limited Board carries ultimate responsibility for the governance of the QLPL entity. The Boards of Directors meet quarterly with a number of ad hoc meetings or calls throughout the year.

The management of WealthSelect is overseen by the Quilter Platform Investment Oversight Committee ("IOC") which comprises of at least two Non-executive Directors of the QIPL and QLPL Boards, as well as two external advisors. The IOC provides the oversight and governance as a sub-committee of the QIPL and QLPL boards. This committee meets four times per year. A joint QIPL and QLPL Investment Forum is responsible for the development, delivery, and ongoing oversight of WealthSelect. This forum meets at least four times per year. As QLPL is also supported by Quilter Investors in the oversight of WealthSelect, the Quilter Investors Management Investment Forum and Quilter Investors Sub-advised Funds Forum are also relevant to note in this report.

2.1. The Board's oversight of climate-related risks and opportunities

Management Body	*Responsibilities*	*Activity in 2022*
Quilter Life and Pensions Board (QLPL Board)	The QLPL Board acts independently in delivering the business strategy and objectives. The QLPL Board is required to hold executives to account in respect of business performance, the identification and mitigation of key risks, regulatory responsibility and customer outcomes and to support the delivery of the business's strategy within the context of the overall Quilter strategy.	▸ Reviewed the readiness of the WealthSelect programme ahead of the launch of the Responsible and Sustainable portfolios. ▸ Approved the QLPL qualitative climate change scenarios and noted the management actions that have been agreed for the Group. Further detail on these scenarios can be found on the ***TCFD group report page 21.*** ▸ Approved the own Risk and Solvency Assessment (ORSA) for QLPL which took climate-related considerations into account.
Investment Oversight Committee (IOC)	The IOC is a sub-committee of the board and seeks to ensure that customers are provided with products and services which perform as they would expect. The Committee oversees the effective implementation of the investment proposition strategy agreed by the QLPL Board while at the same time seeking assurance as to the delivery of good customer outcomes and management of potential conflicts.	▸ Oversaw the management and control of conflicts of interest related to WealthSelect, as well as overseeing the performance, investment risk, and adherence to investment mandates including those pertaining to Environmental, Social and Governance ("ESG") and/or sustainability objectives, ensuring that due regard is paid to customer expectations and outcomes. ▸ Oversaw the construction and on-going appropriateness of any investment strategy offered by QLPL, including Investment Pathways. ▸ Monitored and reviewed any material activities that impact on the wider investment proposition of QLPL.
Quilter Investment Platform Governance, Audit and Risk Committee (GARC)	Has delegated oversight of risk management from the QLPL Board.	▸ Reviewed the QLPL climate change scenarios and noted the management actions that have been agreed for the Group. ▸ As part of its review of the ORSA, considered financial risks related to climate change.

2.2. Management's role regarding climate-related risks and opportunities

As outlined in section 3, climate-related risk and opportunity management is embedded across Quilter and in the various strategic and day-to-day processes. However, the Forum below has a specific role for the QLPL entity:

Management Body	*Responsibilities*	*Activity in 2022*
Quilter Investment Platform Investment Forum	The Investment Forum is a management group, established to assist the Chief Executive Officer (CEO) of the platform business in the development, delivery, and oversight of the platform's investment proposition.	▸ Oversight of WealthSelect. ▸ Responsible for the design and on-going assessment of fund(s) and/or investment strategies. ▸ Oversight of QLPL's wider investment proposition, by ensuring appropriate systems and controls are in place to effectively manage all material aspects of the self-select range.

The following forums are fundamental to the oversight of the WealthSelect portfolios and so are relevant to highlight here despite not being part of the QLPL governance structure:

Management Body	*Responsibilities*	*Activity in 2022*
Quilter Investors Management Investment Forum (MIF)	Provides independent oversight and challenge of portfolio management activities for all QI funds and portfolios and any delegated portfolios such as WealthSelect with the aim of ensuring that investors are provided with products which perform as expected. Oversee and monitor the integration and embedding of ESG considerations into the Investment Process and ensure that any related customer objectives are being met. Periodically review the adequacy of the Quilter Investors responsible investment policy and other policies regarding responsible investing and recommend any material changes for approval by the Quilter Investor's IOC.	▸ Review of the WealthSelect Portfolios on an ongoing basis throughout the year. ▸ Review of investment objectives of the WealthSelect Portfolios are being met, including the ESG-specific objectives of the WealthSelect Responsible and Sustainable Portfolios.
Quilter Investors Sub-advised Funds Forum (SAFF)	Provides independent oversight of Quilter Investors Limited sub-advisors and the activities they perform on QI's behalf. The majority of sub-advised funds are invested into by WealthSelect.	▸ Holistic overview of each sub-advised fund, including specific responsible investment aspects of Stewardship, ESG integration activities. Update provided in relation to internal ESG classification following ESG investment due diligence review of all sub-advised funds conducted through 2022. ▸ Oversight of new or replacement sub-advisors, which included the launch of the new Quilter Investors Timber Equity Mandate which has an objective to invest in companies which support sustainable forestry and timber practices.

3. Strategy

Entity-specific strategic analysis is relevant with regards to the funds we make available for customers to invest in via the CIB and CRA products. To pursue climate-related opportunities and meet our customers' changing needs we offer investment solutions which explicitly target responsible and sustainable objectives, including those related to climate change.

For the assets QLPL actively managed in 2022, we launched the new WealthSelect Responsible and Sustainable portfolios, to complement our existing Managed portfolios. These portfolios invest predominantly in investment funds, rather than directly in companies and are available to customers on our platform:

- Our Responsible portfolios invests with managers that we identify as leaders in ESG integration and the management of ESG factors, including climate-related risks and opportunities. At least 50% of the portfolios' assets are in funds that pursue explicit environmental and/or social targets or characteristics. The portfolios aim to manage ESG Risks and maintain a smaller carbon footprint than the Reference Index (MSCI All Country World Index).
- Our Sustainable portfolios invests a substantial portion of its assets in funds that target a broad range of sustainable outcomes, including climate-related outcomes, and which are leaders in the integration and management of ESG factors, with exceptions where necessary to achieve an appropriately diversified portfolio. The portfolios seek to support sustainable solutions to environmental and social challenges that help to achieve the objectives of the UK sustainable Development Goals, whilst managing ESG Risks and maintaining a smaller carbon footprint than the Reference Index (MSCI All Country World Index).

We recognise that the Taskforce recommends the consideration of other topics in the development of a climate action strategy or transition plan, such as operational impact. You can read more about how we have considered these recommendations in our Group TCFD disclosure (found ***here***).

3.1. Climate Scenario Analysis

We conducted two types of climate scenario analysis, one qualitative which covers the total AUM by Quilter plc, which includes QLPL, and one quantitative which encompasses the assets actively managed in the WealthSelect portfolios.

Scenario analysis	*Entity*	*AUM*	*Description*
Qualitative	Quilter plc	Total AUM 2021 year-end	This scenario analysis was based on the Network for Greening Financial Systems (NGFS) methodology and aligns with the Bank of England. It includes three scenario analysis orderly transition (1.8°C), disorderly transition (1.8°C) and hot house word (3.3°C). The outcomes of this scenario is available ***here***.
Quantitative	Quilter Life and Pensions Limited	17% QLPL AUM (WealthSelect portfolios) 2022 year-end	Following the requirements of the Financial Conduct Authority (FCA)'s Environmental, Social and Governance (ESG) Sourcebook, quantitative scenario analysis was performed for 56 WealthSelect portfolios. This scenario analysis was based on MSCI ESG Research LLC data and metrics. It includes Climate Value at Risk (CVaR) across four scenarios (orderly transaction (1.5°C), disorderly transaction (1.5°C), orderly transaction (2.0°C) and hot house world (3.0°C). The output of these scenario analysis is presented in the product reports (found ***here***).

4. Risk management

Risk management across Quilter and within the Quilter Life and Pensions entity

Effective risk management is embedded across Quilter through our Enterprise Risk Management ("ERM") Framework[3], which sets out how we identify, measure, assess, manage, monitor, and report on the risks to which our business is, or could be, exposed. QLPL has adopted the ERM framework. Please see our Group TCFD report (found ***here***) for more information on our processes for identifying, assessing, and managing climate-related risks identified across short-, medium-, and long-term horizons.

Following an assessment of financial risks resulting from climate change in late 2021, it was noted that as a subsidiary of Quilter plc, the key risks which apply to QLPL in relation to climate change and related actions are managed at Group level. This view is validated as part of the annual ORSA process.

Risk Management within the Quilter Life and Pension Products

The management of climate-related risks has been considered in the investment process for the assets actively managed by QLPL, namely, the WealthSelect Portfolios. The table below provides an overview of the investment process we follow:

Due diligence	*Risk monitoring*
The managed portfolios are constructed using an appropriate combination of funds to ensure compatibility with the customer's attitude to risk. The fund selection follows a rigorous investment due diligence process. Each portfolio is constructed based on qualitative and quantitative information to assess the funds' managers' responsible investment practices. Depending on the portfolio range the following criteria are assessed: – **Philosophy:** ESG integration is a core part of the investment philosophy. – **Process:** ESG factors are integrated in the investment process. – **People:** The team has the appropriate skills supported by the appropriate data, tools and resources. – **Portfolio:** Demonstrate a good management of ESG risks, including climate related.	ESG dashboards are used as part of the portfolio management and risk monitoring process on an ongoing basis to ensure portfolios are managed in line with their objectives. These dashboards are used to monitor and track the ESG and climate-related risks of the portfolio and ensure exposure to unsustainable activities, including those that are climate-related, is minimised while maintaining a smaller carbon footprint than the reference index. They are used as part of reporting run on a monthly basis by the investment risk and responsible investment teams with any above tolerance data points flagged for further investigation by the portfolio manager and the investment team. Some of the ESG metrics included in the dashboards are greenhouse gas ("GHG") emissions, weighted average carbon intensity ("WACI"), and product involvement in oil and gas, shale, oil sands, thermal coal extraction and fossil fuel generation. Commitment to GHG reduction targets and alignment to the United Nations' Sustainable Development Goals are also included for consideration.

[3] See the glossary for an explanation of key terms used in this report.

Compliance	*Stewardship*
The WealthSelect portfolios are monitored and checked for compliance with their investment mandate on a regular basis by the portfolio managers, investment risk and the compliance teams. The results of this are overseen by the IOC with escalation to the Board if any concerns are identified.	Stewardship plays an important role in supporting our approach to managing climate-related risks and opportunities responsibly across the WealthSelect portfolios. We believe that, for most of our strategies, an approach of engagement rather than divestment is the most appropriate initial action to take. An approach of simply divesting from holdings with a higher carbon intensity could result in these subsequently being held by investors who do not place any importance on transitioning to a lower carbon economy. In such a scenario, those investments will not have an incentive to change their behaviour and this could impede a transition to a lower carbon economy. Additionally, there is the paradox that some companies that have high carbon intensity are focused on developing solutions for a lower carbon world. We have three thematic priorities: climate change, natural capital, and human rights. We engage on climate-related issues with funds where appropriate, and we also participate in collaborative engagement. Our engagement activities are backed up by our approach to voting, where we may use our voting rights to push for enhanced disclosure and improvements around how climate-related issues are managed. In 2022 Quilter was reconfirmed as a signatory of the UK Stewardship Code 2020, which sets out the expectations of how investors manage money on behalf of customers and sets out twelve principles for asset managers. You can read more about our Stewardship activities in our Stewardship Code report ***here.***

5. Metrics and targets

QLPL publishes the TCFD product reports for 56 WealthSelect portfolios[4] on the Quilter website (found ***here***). For transparency purposes each report contains only the metrics where we were comfortable with the methodology and data coverage. These includes metrics on carbon footprint, total carbon emissions, weighted average carbon emissions (WACI) and climate value at risk (CVaR). We have included a coverage percentage for each metric, representing the percentage of the portfolio and the percentage of the MSCI ACWI, for which data is available to calculate these metrics. In the calculations of these figures, we have placed reliance on the accuracy of our third-party climate solution – MSCI ESG Research LLC.

For our investments we only included scope 1 and scope 2 emissions due to the inconsistent nature of scope 3 data available. Additionally, asset classes such as sovereign bonds, derivatives and cash were excluded. The MSCI methodology calculates metrics using the covered part of the portfolio. For uncovered assets it assumes the aggregate portfolio exposure is applicable to the rest of the portfolio and scales the number to compare against the index. For portfolios with a lower level of coverage (below 50%) the validity of this assumption becomes stretched. Additionally, for portfolios with diversifying assets that short equity or corporate bonds these positions are excluded for calculation purposes by MSCI with the remaining portfolio reweighted to 100%. In this instance overall portfolio emissions may be skewed by this reweighting process.

For our operations Quilter plc measures its Scope 1 and Scope 2 greenhouse gas emissions in line with the GHG Reporting Protocol and it has a target to reduce its Scope 1 and Scope 2 greenhouse gas emissions by 80% by 2030, from a 2020 baseline. Please see pages 32 and 33 of the 2022 Group TCFD report for more information about operational greenhouse gas emissions (found ***here***).

[4] Source: Quilter Investors and MSCI. Based on the latest data and portfolio holdings available as at 30th December 2022.

Appendix – Glossary

Term	*Definition*
Carbon footprint	Allocated emissions to all financiers (EVIC) normalized by millions USD invested. This metric compares portfolio impact across portfolios in tonnes CO_2e per US$1million.
Climate Value at Risk	Climate VaR provides a stressed market valuation of a security in relation to aggregated transition and physical cost and profit projections until the end of the century. The climate VaR metric, expressed as a positive or negative percentage reflects a change from a portfolio's current valuation, assess how an investment portfolio could be impacted by climate policy risk and extreme weather (physical climate risks), and benefitted by a low-carbon technology transition.
Collective Investment Bond	The Collective Investment Bond (CIB) is a single premium unit-linked whole of life assurance contract available on a single life or joint life (last death) basis.
Collective Retirement Account	The Collective Retirement Account (CRA) is a flexible unit-linked pension product which accepts single and regular premiums and can be used by the policyholder to provide regular and ad hoc drawdown income during their retirement.
ERM Framework	Our Enterprise Risk Management (ERM) Framework sets out how we identify, measure, assess, manage, monitor, and report on the risks to which our business is, or could be, exposed.
Exchange Traded Fund	An exchange-traded fund (ETF) is a type of investment fund and exchange-traded product, i.e. they are traded on stock exchanges.
ESG	Environmental, Social and Governance
FCA	Financial Conduct Authority.
Greenhouse Gas (GHG)	The GHG Protocol supplies the world's most widely used greenhouse gas accounting standards.
Investment Pathways	These are default strategies for customers who enter retirement without a financial adviser. They have been designed around four different ways in which such customers might want to access their pension (see ***here*** for further details).
Investment Trust	An investment trust is a public limited company (PLC) traded on the London Stock Exchange, so investors buy and sell from the market, meaning that the value is affected by supply and demand.
MSCI	Morgan Stanley Capital International.
NGFS	The Network of Central Banks and Supervisors for Greening the Financial System.
ORSA	The Own Risk and Solvency Assessment. The set of underlying risk and capital management processes which are performed through an annual cycle, or whenever there is a material change in the risk profile or business strategy, in order to manage the risk and capital profile of the Group and to support strategic decisions. The ORSA is performed for the full Group under Solvency II requirements.
PRA	Prudential Regulation Authority.

Term	*Definition*
Scope 1 Emissions	The direct greenhouse gas (GHG) emissions from sources that are owned or controlled by the company. Scope 1 emissions result from a company's internal operations, including on-site energy production, vehicle fleets, manufacturing operations, and waste. The values represent metric tonnes of CO_2 equivalent.
Scope 2 Emissions	The indirect greenhouse gas (GHG) emissions attributable to operations that are owned or controlled by the company. Scope 2 emissions result from the emissions generated in the production of energy (electricity, steam, heat, and cooling) that is purchased by a company generated upstream from the organisation. For purchased electricity, organisations are required to report Scope 2 emissions according to a 'location-based' and a 'market-based' method.
Scope 3 Emissions	These are all indirect emissions (not included in Scope 2) that occur in a company's value chain, including both upstream and downstream emissions (e.g., business travel, waste).
Stewardship	Stewardship is the responsible allocation, management, and oversight of capital to create long-term value for customers and beneficiaries leading to sustainable benefits for the economy, the environment and society.
Sub-advised Funds	These are funds operated by our associate company, Quilter Investors Limited (QIL), who as the Authorised Fund Manager (AFM) has overall responsibility for them. QIL as AFM must therefore ensure the funds comply with applicable regulations and their investment objectives and policies. The underlying investment management, however, is outsourced to third-party investment managers (also known as sub-advisers) who undertake the day-to-day investment decisions.
Total Carbon Emissions	Allocated emissions to all financiers (EVIC). This metric aims to understand the absolute emissions of the portfolio in tonnes CO_2e
TCFD	The Task Force on Climate-related Financial Disclosures. The Financial Stability Board created the TCFD to improve and increase reporting of climate-related information.
The Group	The holding company Quilter plc and its underlying companies.
UK Stewardship Code	The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for customers and beneficiaries leading to sustainable benefits for the economy, the environment, and society.
WealthSelect	A managed portfolio service offered by Quilter and available to customers of Quilter's platform.
Weighted Average Carbon Intensity ("WACI")	A portfolio's exposure to carbon-intensive companies, expressed in tonnes CO_2e/$m revenue. This metric is recommended by the TCFD. Certain asset classes are excluded from the WACI calculation. Most significantly, these include government bonds, asset-backed securities, cash, foreign currencies, and derivatives.

Further information about our approach to responsible investment can be found on our website in the following location ***Responsible Investment Policies | Quilter.***

Past performance is not a guide to future performance and may not be repeated. Investment involves risk. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Because of this, an investor is not certain to make a profit on an investment and may lose money. Exchange rates may cause the value of overseas investments to rise or fall.

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