

CLIMATE TRANSITION PLAN

**HL's transition plan for the
emissions associated with
our investments**

Scope 3 category 15 financed emissions

**HARGREAVES
LANDDOWN**



Contents

Our emissions	4
Net zero commitment	5
Transition strategy	6
Exclusions	8
ESG integration	9
Active ownership	10
Climate solutions	16
Governance, monitoring, and reporting	17

Please see our supporting reports:



Stewardship and Engagement Report

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



Hargreaves Lansdown Fund Managers and Asset Management TCFD Report

The TCFD entity and product reports for our assets under management.



Hargreaves Lansdown PLC TCFD Report

Looks at the climate-related risks and opportunities at the Group level.



The material impact of climate change on investment portfolios is undeniable. From the direct risks associated with extreme weather events to the indirect risks arising from regulatory changes and shifting consumer preferences, the financial landscape is profoundly influenced by climate-related factors.

The Intergovernmental Panel on Climate Change states we need to reduce global greenhouse gas emissions by at least

43%

by 2030, compared to 2019 levels, to limit global warming to 1.5°C. The scale of the challenge is monumental, and the urgency of action is unprecedented.

With this in mind, HL is working to decarbonise our investment portfolios in a way that is consistent with achieving net zero greenhouse gas emissions by 2050 at the latest, and limiting global warming to well below 2°C, preferably 1.5°C. Our climate transition plan aims to pave the way towards a sustainable, resilient, and equitable future for all.

We see climate change as both a risk and an opportunity for our portfolio. Please refer to our [Taskforce on Climate-Related Financial Disclosures report](#) for our full assessment of climate-related risks and opportunities across our products.

In the following sections, we outline our approach to net zero, detailing our short-term aims, medium-term targets and long-term commitments, and the methodologies underpinning our climate reporting. From exclusions to active ownership, from collaborative engagements to a focus on nature-related risk, we aim to integrate climate considerations across our proposition.

As a responsible fund manager and the UK's leading investment platform for private investors, we recognise climate change as systemic risk to the global economy and understand our responsibility, as stewards of capital, to limit negative impacts on society and the planet.

Our emissions

Our investments have a carbon intensity of

91 tCO₂e

per \$m of revenue¹.

-1%⁴

8%

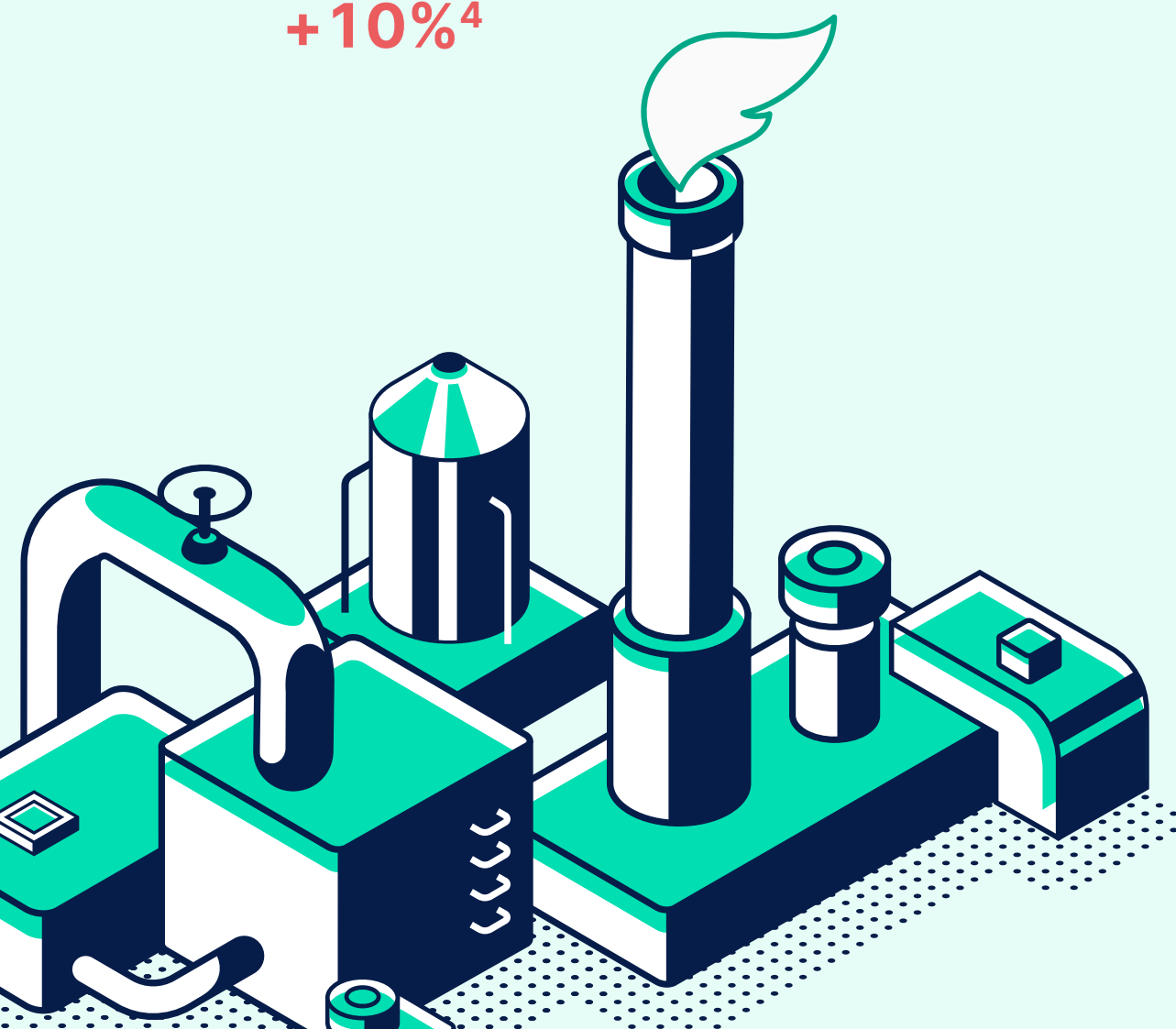
of our portfolio is exposed to companies with revenue exposure to fossil fuels².

0%⁴

The total emissions of our investments³ is

561,262 tCO₂e

+10%⁴



Approximately 90% of our AUM is fund-of-funds and

100%

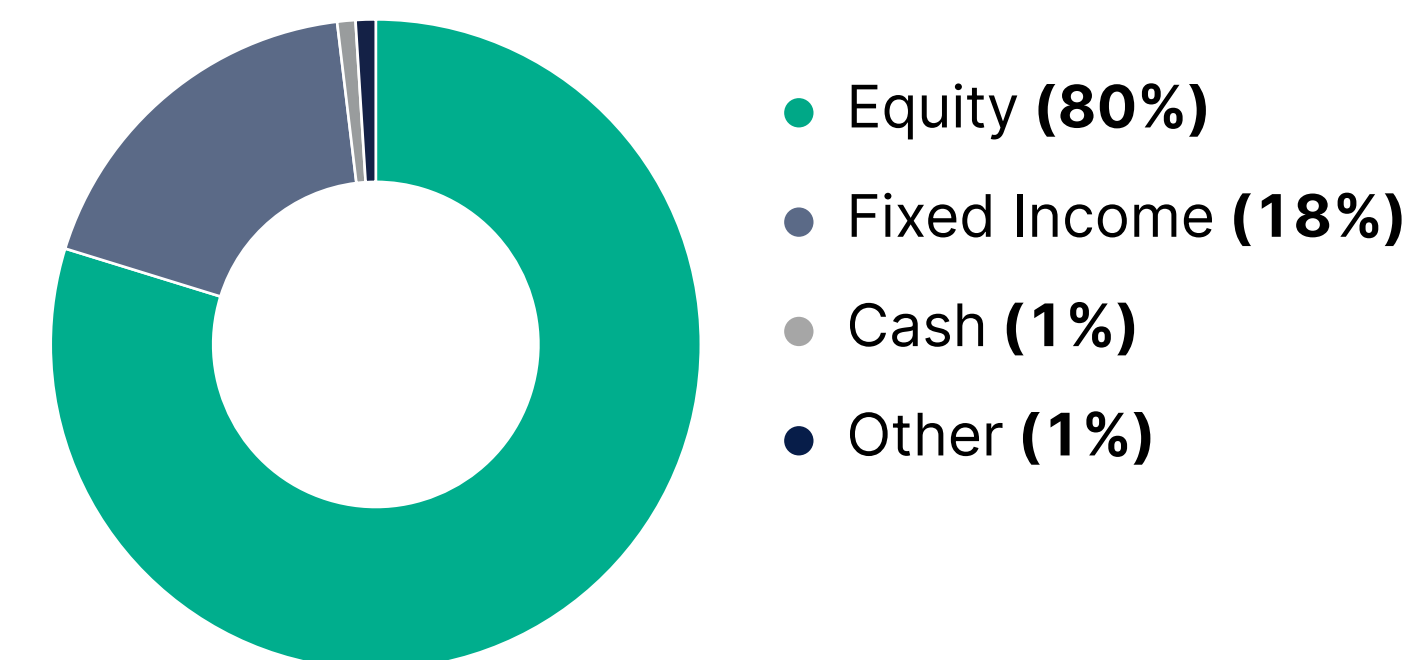
of our appointed managers have made a commitment on net zero⁵.

Our net zero target covers approximately

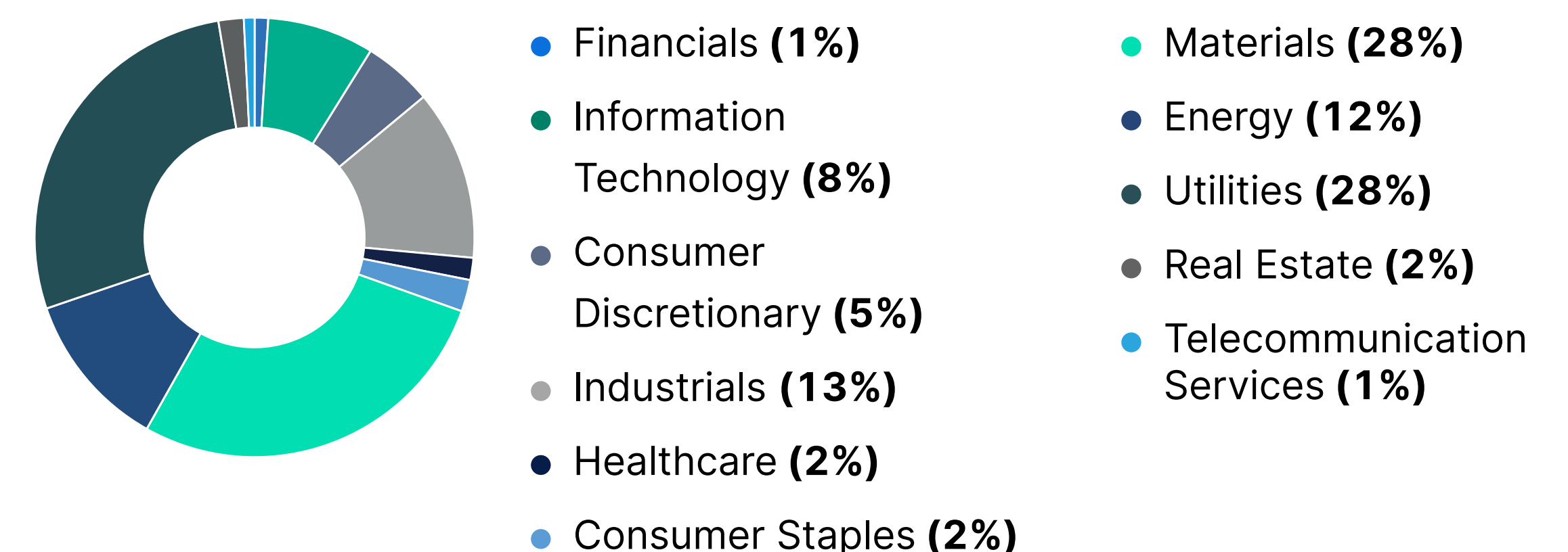
90%

of our AUM.

Asset class split



Sector contribution to our carbon intensity



This data is correct as of December 2024, equity and corporate bond investments it includes the Scope 1 and Scope 2 emissions of our equity investments, and is reweighted where appropriate to account for data gaps.

¹ The weighted average carbon intensity of our AUM.

² This includes thermal coal extraction and generation, oil & gas generation and production, and oil sands.

³ Total carbon emissions are the absolute greenhouse gas (GHG) emissions associated with the equity and corporate bond investments in our portfolio. Scope 1 and Scope 2 GHG emissions are allocated to investors based on an enterprise value ownership approach.

⁴ Percentage change compared to 2023 reporting figures.

⁵ Net zero commitment covering the Scope 1 and 2 emissions of the fund house.

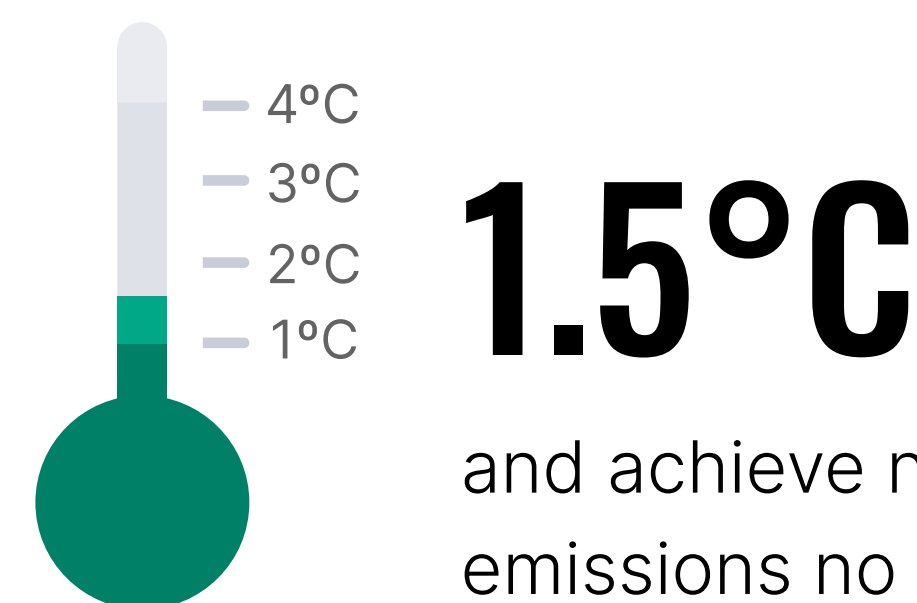
Net zero commitment

In the short term we are working to progress:

- **Target Scope:** We commit to extending the coverage of our net-zero target to encompass an ever greater proportion of assets under management (AUM) as industry standards evolve regarding asset class emissions calculations and Scope 3 emissions data availability improves.
- **Scale-Up Climate Solutions Exposure:** We continue to monitor our exposure to climate solutions. As data quality and coverage on climate solutions strengthens, we will evaluate setting specific targets on increasing our exposure to climate solutions within our investment portfolios.
- **Voting:** We are investigating the possibility of integrating climate considerations into our proxy voting process.

2050 target:

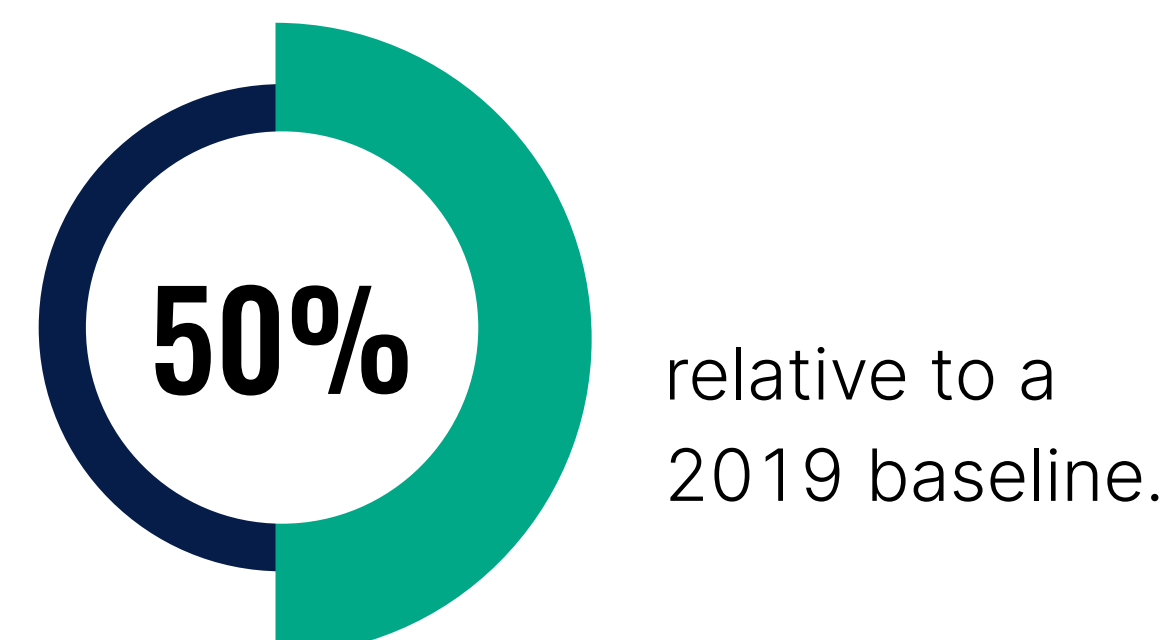
Paris Agreement Alignment: We pledge to align our efforts with the goals of the Paris Agreement, striving to limit global warming to well below 2°C above pre-industrial levels, aiming for



and achieve net-zero emissions no later than 2050.

2030 target:

Carbon Intensity Reduction: We aim to reduce the weighted average carbon intensity of our investments by



relative to a 2019 baseline.

Scope and Boundaries:

Our current interim target covers our listed equity and corporate bond investments, approximately 90% of our total AUM. We aspire to expand this coverage as data quality and industry standards improve.

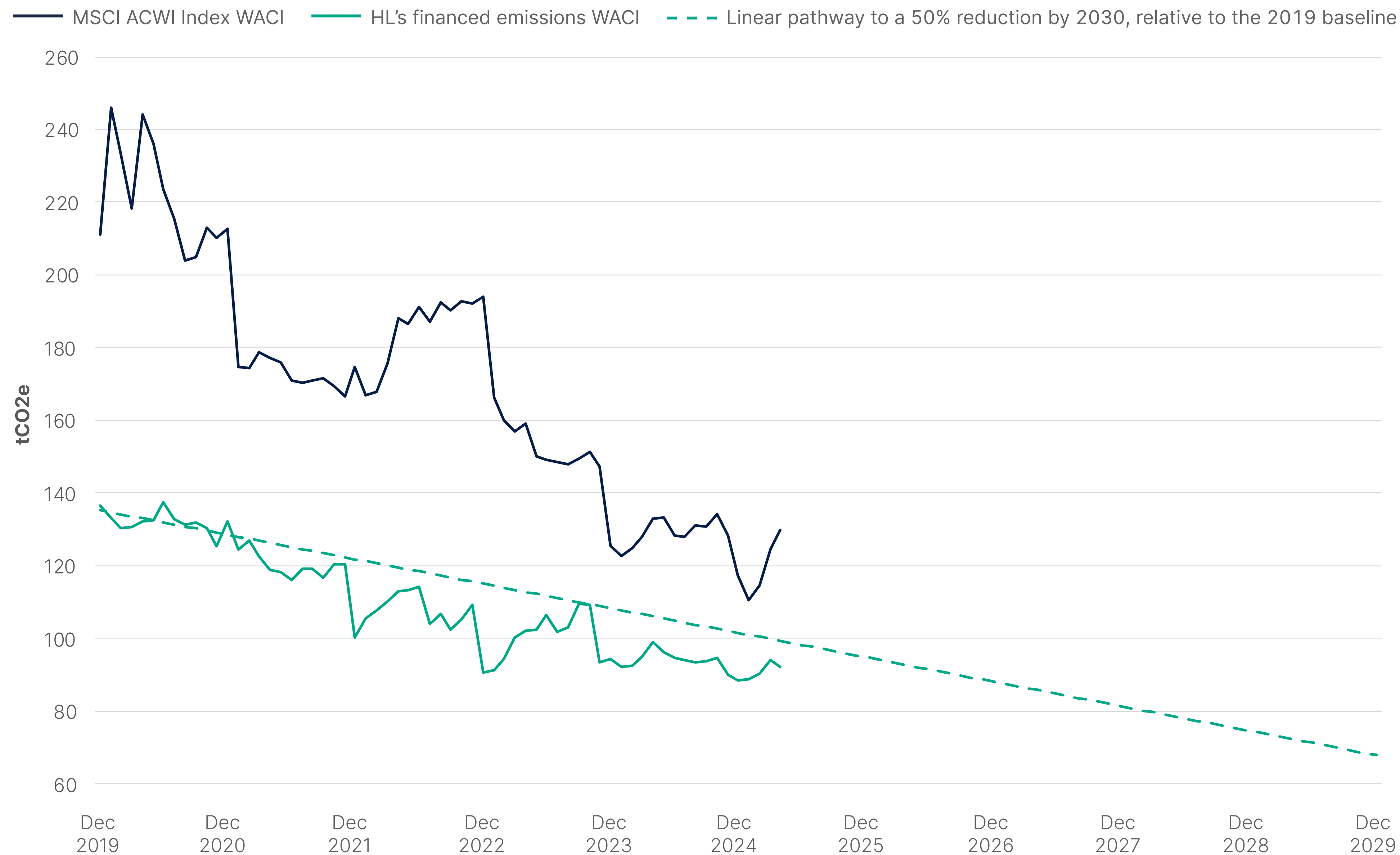
The interim target focuses on Scope 1 and Scope 2 emissions from underlying companies. Scope 3 emissions are not included in the calculation as the measurement of these emissions is not yet standardised or considered reliable enough to be used in reporting. Given the importance of Scope 3 emissions in most sectors, we are evolving our approach to calculating Scope 3 emissions with the aim of including it in the future.

We have chosen December 2019 as the baseline for our targets. This date aligns with the IPCC assessment, which emphasizes the imperative to reduce greenhouse gas (GHG) emissions by 43% by 2030, relative to 2019.

Please see page 17 for more information on our dependencies.

Transition strategy

Emissions Progress and Pathway to 2030 Target vs MSCI ACWI Index Emissions



The weighted average carbon intensity (WACI, measured in tCO₂e relative to revenue) of our portfolio has reduced by approximately 33% since baseline, 2019.

To achieve the emission reductions necessary to halve the carbon intensity of our investment portfolio by 2030, we plan to exclude companies with the greatest stranded asset risk, integrate climate considerations into our investment process, engage with the highest emitters, and invest in climate solutions:



Invest
in climate
solutions

Engage
with the highest
emitters

**Integrate
ESG**
to understand and
analyse our risk
exposure

Exclude
companies with the
greatest stranded
asset risk

Exclusions

Our objective is to mitigate climate risk by excluding companies associated with stranded assets and high-emission fossil fuels.

The primary contributors to human-induced greenhouse gas emissions, notably carbon dioxide and methane, come from the combustion of fossil fuels for energy. Approximately half of these energy-related emissions originate from coal. Given the high emissions intensity linked to coal combustion, urgent reductions are essential to fulfil the global commitments outlined in the Paris Agreement.

Thermal coal serves as a source for power and heat generation. Viable alternatives, such as renewables, gas, and nuclear technologies, exist to replace coal-fired generation. An accelerated transition away from coal could disproportionately affect companies heavily reliant on thermal coal for a significant portion of their revenues.

Not only do these companies cause significant harm to our climate, but they also pose a material risk to investor returns. We therefore exclude companies which generate 20% or more of their revenues from thermal coal power generation and extraction, unless our exemption criteria are met:

- A clear plan to phase out thermal coal, and a commitment to be coal free by 2030 in developed markets, and 2040 in emerging markets.
- The management team is appropriately incentivised to bring about the managed decline of thermal coal exposure.

We also exclude companies which generate 20% or more of their revenues from oil sands extraction, as the aggregate emissions footprint of oil sands surpasses the industry average, posing a substantial risk to investors.

We have applied these exclusions since June 2022 across the HL Select Funds and the segregated mandates held within the HL Portfolio Funds and HL Portfolio Building Blocks, where we have direct control over the assets.

Where we invest in third-party funds, we don't have the power to apply exclusions. However where we identify exposure to companies that we would typically exclude, we engage with the relevant third-party fund manager to understand their approach to managing the associated ESG risks and any ongoing engagement with the company.

Across our portfolio, we expect all fund groups to publicly pledge to net zero by 2050 or earlier (covering at least Scope 1 and Scope 2 emissions) and to be working towards creating a robust transition plan to support this pledge. Those that have not set a decarbonisation target will face divestment after a two-year engagement period should they not comply.

ESG integration

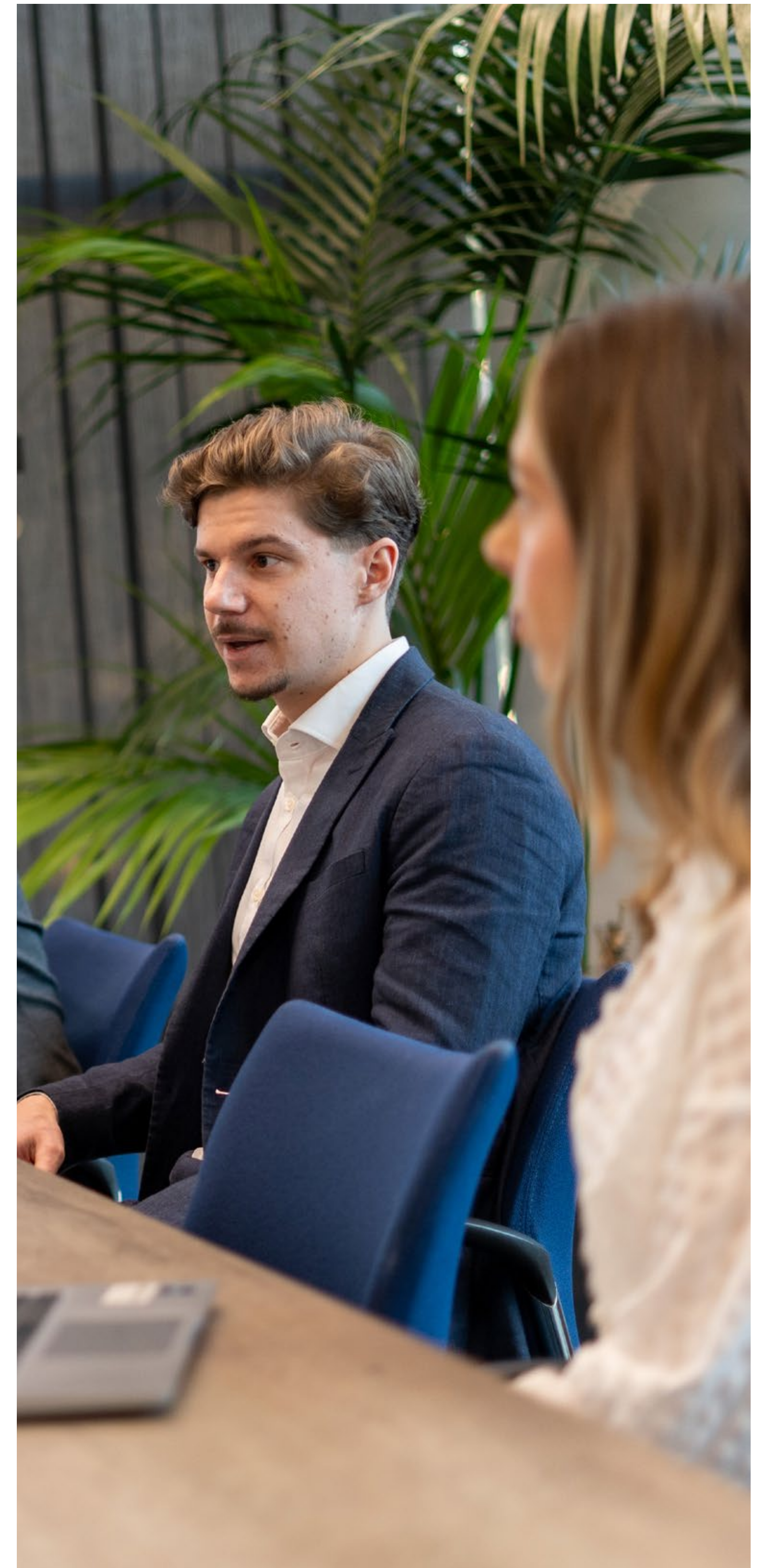
Our approach is data driven. We have built a proprietary ESG dashboard that utilises various third-party data feeds to allow our managers to assess their portfolios against key ESG metrics. As well as providing company level analysis, such as a company's absolute emissions, an assessment of the company's alignment to a low-carbon world (otherwise known as the implied temperature score), and exposure to deforestation risks, the dashboard aggregates the data to the fund and fund-of-fund level, enabling ESG analysis across all of our funds.

We hold our appointed managers and the fund groups they work for accountable by assessing them against our proprietary Fund House Dashboard. This considers the strength of the groups' net zero strategy, which Scopes of emissions this covers, how they utilise exclusions and/or engagement, and whether they have published a transition plan. At the stock level, our HL Select managers consider any material ESG risks faced by investee companies during the investment process.

Our ESG Analysis team assesses the emissions profile of our investments on a monthly basis. This includes an evaluation of the highest emitting stocks, exposure to fossil fuels and climate solutions, as well as the implied temperature score.

ESG-focused metrics are also reported to HL's senior leadership team on a quarterly basis, highlighting the highest emitting stocks across our portfolios, an update on our ongoing climate-related engagement, and well as disclosing which funds have the greatest exposure to fossil fuels.

This analysis allows us to understand the carbon leaders and laggards in our portfolio, with a forward-looking view of their emission trajectories and how likely they are to prosper in a low-carbon world.



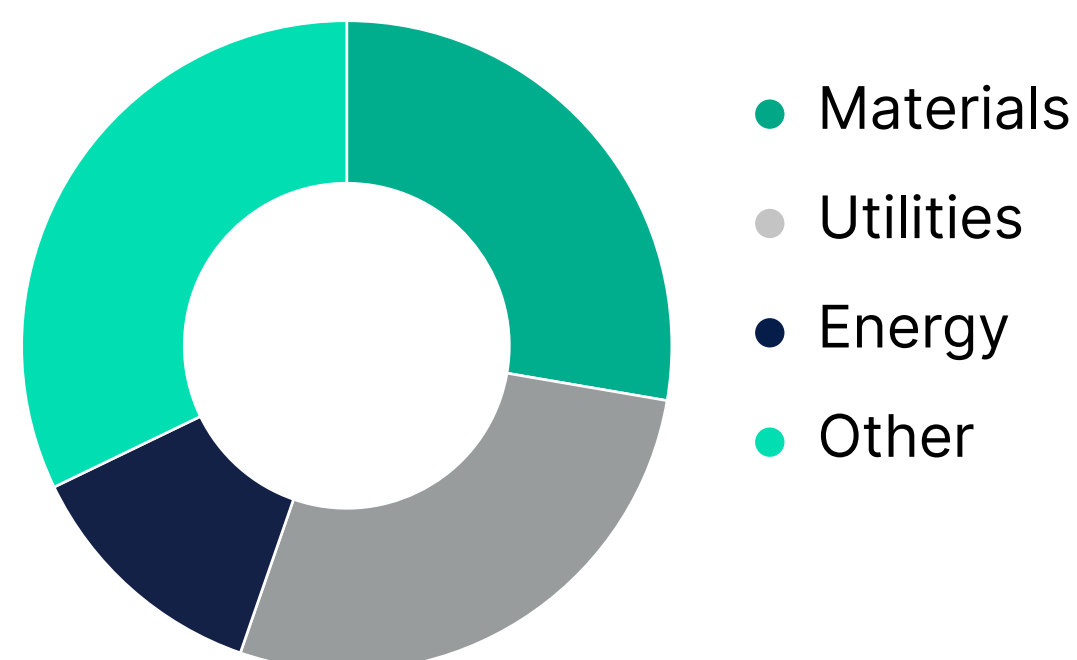
Active ownership

We have adopted a sectoral approach to engagement, concentrating on the three highest-emitting sectors within our portfolio: utilities, materials, and energy. Collectively, these sectors contribute to approximately

70%

of our portfolio's emissions. This focused strategy enables us to address key areas of impact and prioritise actions that can significantly influence our overall emissions profile.

Carbon intensity by sector



Within these sectors, we are taking a holistic approach to our engagement strategy: engaging via our third party managers, directly with the companies, and through collaborative engagements.

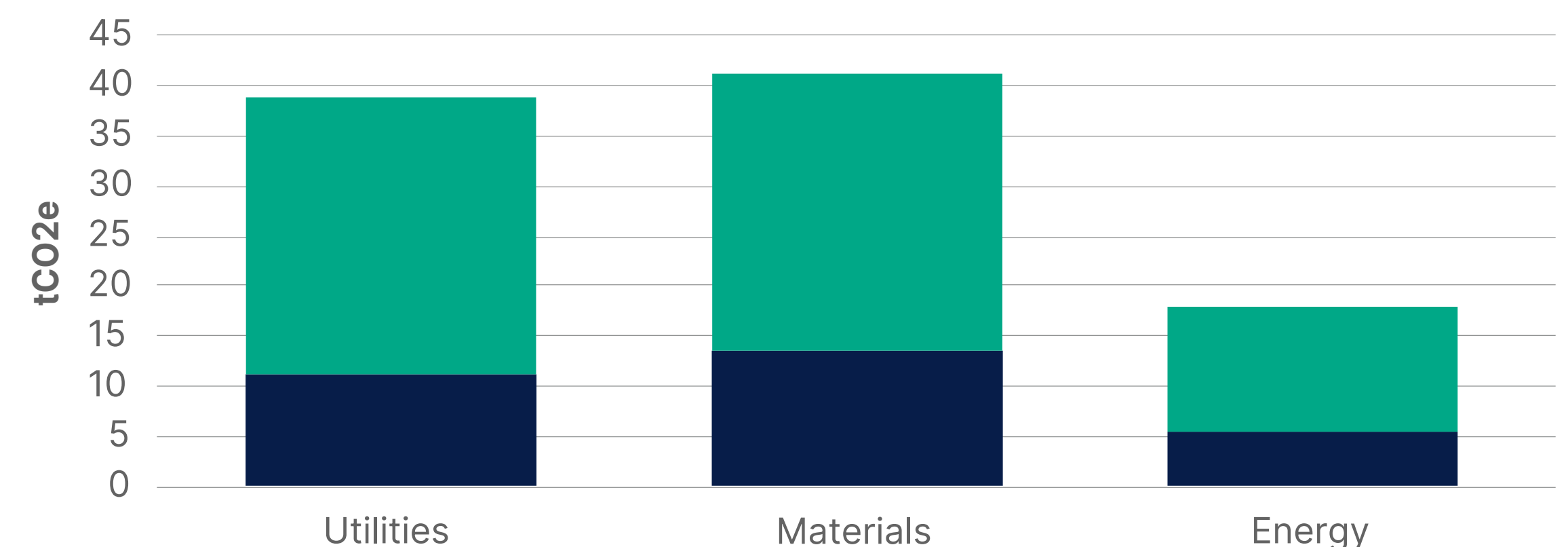
Third-party manager engagement

Approximately 90% of our portfolio is fund-of-funds. We are engaging with our appointed third-party managers to ensure they are mitigating climate risk across their portfolios and to understand how they are engaging with the focus companies within our chosen sectors.

We are starting with 10 of the most carbon intense companies within each sector. These 30 companies account for roughly 5% of our portfolio yet contribute to 30% of the carbon intensity associated with of our assets under management.

Contribution of our focus companies emissions to each sector's overall carbon intensity

● Carbon intensity of the 10 focus companies ● Carbon intensity of the rest of the sector



An aerial photograph of a rugged coastline. The water is a deep turquoise color, and the rocks are dark and jagged. Two small kayakers in red and yellow kayaks are visible in the lower left corner. The sky is a pale blue, and the overall scene is serene and natural.

The focus companies are assessed against the Institutional Investors Group on Climate Change Net Zero Investment Framework criteria and the Climate Action 100+ Benchmark. These frameworks specify the key asset alignment and climate solutions assessment criteria investors should consider when analysing listed equity. We look at the quality of emissions disclosure, transition plans, capital expenditure commitments, and the implied temperature score.

We ask our appointed fund managers to complete a dedicated ESG due diligence questionnaire on an annual basis. This helps us understand how much exposure those managers have to the companies on our focus list, how they engage with those companies on climate-related issues, how they integrate climate considerations into their voting process and how climate is considered in their investment decisions.

By cross referencing our internal assessment and the questionnaire responses, we can understand the progress being made across our portfolio. We engage with managers who we don't believe are sufficiently managing the risks associated with holding high emitting companies, in line with our [Stewardship and Engagement Policy](#).



Direct company engagement

Within our HL Select funds, we engage with companies in our focus sectors where we have the greatest opportunity to make a real-world impact by influencing the company to decarbonise.

Our engagement strategy is centred around advocating for and supporting companies' transition toward a lower carbon business model. This focus aligns with our commitment to combat climate change and contributes to the broader industry shift towards a net zero world.

Recognising the importance of a just transition, we prioritise understanding and addressing the potential impacts on the employees and communities of our

investee companies. Our engagement efforts are framed within a broader context of social responsibility, aiming to ensure that the transition is fair and equitable.

Engagement is prioritised based on the materiality of the issues being highlighted and alignment with the funds' objective. We are currently engaging with BP, Rio Tinto, and Shell, and continue to review other meaningful engagement opportunities. We disclose our progress in our Stewardship progress in our [Stewardship and Engagement Report](#).

Collaborative engagement

Collaborative engagement allows us to amplify our voice to help drive long term emission reductions across our portfolio. We joined Climate Action 100+ in 2023 because we believe its focus on high-emitting companies aligns well with our approach.

Across our three focus sectors, we have joined the following collaborative engagements:

Energy	Materials	Utilities
Shell	Anglo American	Duke Energy
BP	Rio Tinto	Centrica
TotalEnergies	Martin Marietta	National Grid
	Glencore	Xcel Energy

We are working collectively to encourage these focus companies to:

- 1. **Implement a strong governance framework** which clearly articulates the board’s accountability and oversight of climate change risk.
- 2. **Take action to reduce greenhouse gas emissions** across the value chain, including engagement with stakeholders such as policymakers and other actors to address the sectoral barriers to transition. This should be consistent with the Paris Agreement’s goal of limiting global average temperature increase to well below 2°C above pre-industrial levels, aiming for 1.5°C. Notably, this implies the need to move towards net-zero emissions by 2050 or sooner.
- 3. **Provide enhanced corporate disclosure** and implement transition plans to deliver on robust targets. This should be in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and other relevant sector and regional guidance, to enable investors to assess the robustness of companies’ business plans and improve investment decision-making.

We disclose progress on our engagement efforts in our annual [Stewardship and Engagement Report](#).

Nature

Climate and nature are inextricably linked. We understand the importance of taking action on preserving and restoring nature in mitigating and adapting to the climate crisis.

We are actively evaluating nature-related risks and opportunities across our portfolio, with a concerted effort to enhance data quality and coverage.

Acknowledging the importance of addressing deforestation, highlighted in our most recent ESG client survey and through engagement with Make My Money Matter, we have prioritised this issue. Collaborating with Global Canopy, we are working to improve deforestation data accessibility for financial institutions. We have also joined The Investor Policy Dialogue on Deforestation (IPDD), a sovereign engagement scheme aiming to halt deforestation in the world's most vulnerable biomes.

To read more on our collaborative engagement efforts, please see our [Stewardship and Engagement Report](#).



Platform

Although our net zero target covers our assets under management, rather than assets under administration, as the UK's No.1 investment platform for private investors, we appreciate the influence we hold in educating clients on the risks and opportunities of the climate crisis.

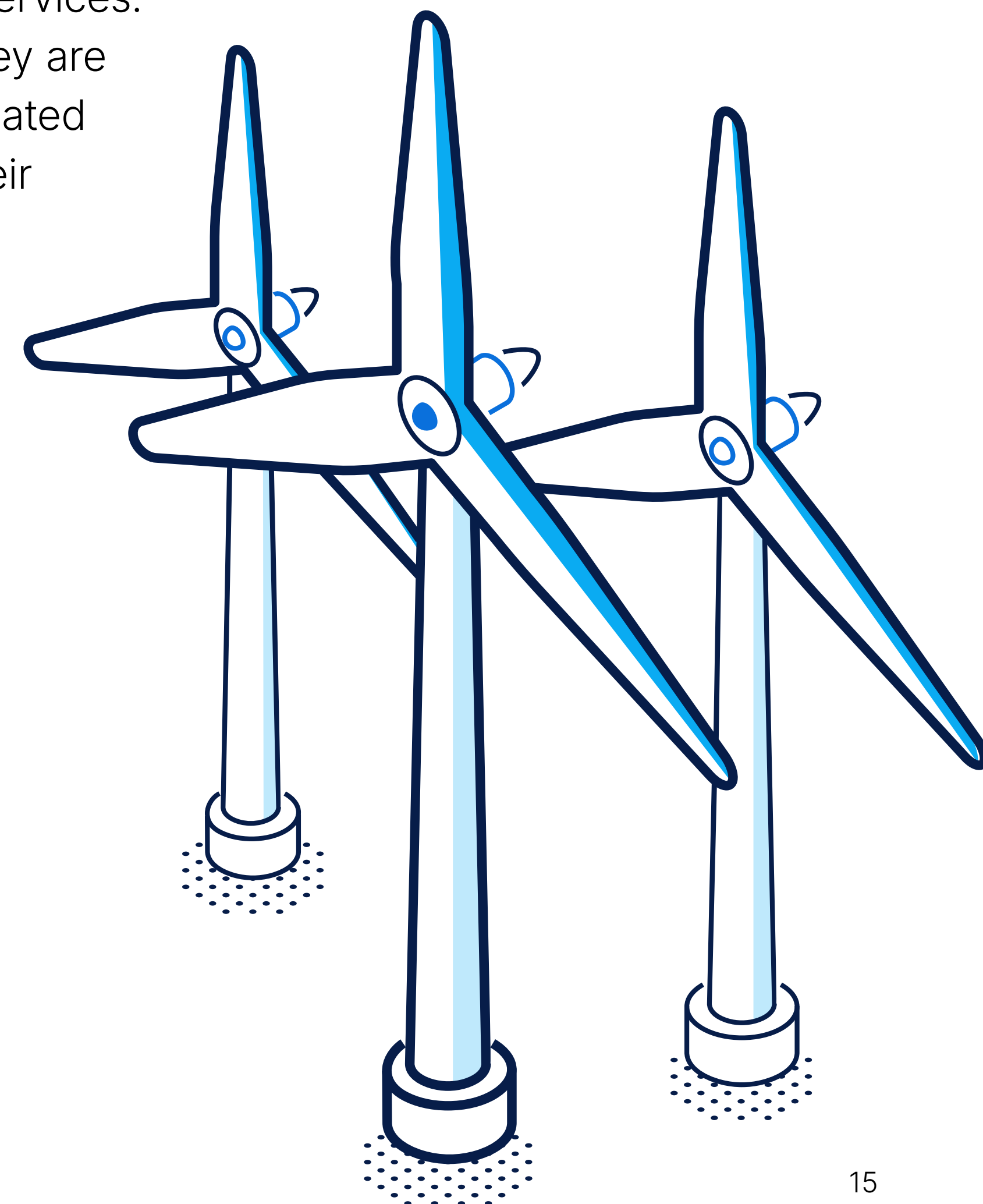
We integrate ESG considerations across our investment solutions. To be considered for our solutions, all fund groups must publicly pledge to be net zero by 2050 or earlier (covering at least Scope 1 and Scope 2 emissions) and work towards creating a robust transition plan to support this pledge.

Our [Wealth Shortlist](#) offers several responsible investment funds, across a range of sectors, to assist clients in building a well-balanced and diversified portfolio.

ESG is also a key consideration in the design of our Workplace Default Investment Arrangement. Specifically 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](#).

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. Through raising awareness of the challenges that sectors face in the net zero transition, we encourage investors to make more informed decisions.

We are also working to strengthen the ESG data available to clients on our website, which we will then integrate into new x-ray tools and portfolio building services. This will ultimately ensure they are both aware of the climate-related risks and opportunities of their investments, and how to mitigate them.



Climate solutions

An increasing number of companies are providing products and services that help to reduce carbon emissions in the economy. We see businesses at the forefront of delivering emission reductions, nature preservation and restoration, and climate adaptation and resilience solutions, as vital contributors to a successful transition. We would like to see our allocation to companies providing climate solutions rise over time.

Within our HL Portfolio Funds and HL Portfolio Building Blocks, we invest in tens of thousands of underlying companies. As such, we employ a third-party data provider to analyse our exposure to climate solutions. However, we don't currently believe the data is robust or consistent enough to allow us to set climate solutions allocation targets. We are working with our data provider to improve this.



Governance, monitoring, and reporting

Our ESG Analysis team assesses our weighted average carbon intensity (WACI) and our trajectory towards a 50% reduction in WACI by 2030 on a monthly basis. This is reported to our Executive Investment Committee on a biannual basis, and plc Board on an annual basis. We will officially review the target every year and commit to an independent review every two years.

If we fail to meet anticipated milestones over the coming years, there are a range of options at our disposal, including material product specific or Policy change.

We recognise that our climate transition plan is dependent on industry-wide decarbonisation and global climate goals. These dependencies are influenced by the broader geopolitical landscape, including international politics, regulation, and cooperative efforts. As such, our ability to achieve our targets may be impacted by external factors beyond our control, including regional policies, economic conditions, and technological advancements. We remain committed to adapting our strategies and engaging with stakeholders to navigate these challenges.

Our Chief Investment Officer is accountable for our financed emissions net zero strategy, with the ESG Analysis team responsible for the implementation, monitoring, and reporting.

Action on climate is integrated into incentivisation for the C-suite at HL. As outlined in our [Annual Report](#), for FY24, the Executive Directors' Performance Share Plan has a 10% weighting of ESG measures, which includes Scope 3 financed emissions targets.

Emission reduction progress, total emissions, and methodology disclosure will be outlined in our annual [Taskforce for Climate-related Financial Disclosures Report](#). Climate-related engagement efforts will be detailed in our [Stewardship and Engagement Report](#).

Methodology

Our financed emissions calculations utilise emission data sourced from third parties, such as Morningstar Sustainalytics. We acknowledge the dynamic nature of this data and that it is subject to changes and revisions. For companies not reporting emissions, Morningstar Sustainalytics will estimate firm level emissions based on factors such as the firm's location and sector. Our calculations exclude cash and sovereign bonds, considering only listed equities and corporate bonds securities. When carbon intensity data is unavailable for certain equities in a portfolio, we re-weight the rest of the portfolio to 100 to allow for a more accurate portfolio-level calculation.

Weighted average carbon intensity (WACI) is used to measure 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 scenario analysis and target modelling that underpins our net zero target assesses the anticipated shifts in our strategic asset allocation over time, factoring in projected AUM growth. We assess potential outcomes based on different variables, including the historical emission reduction rates of our focus companies and the alignment of the focus companies' carbon intensities with their public 2030 targets. Throughout these scenarios, the portfolio composition remains constant.

In the analysis, we have adjusted the carbon intensity figure for our focus companies and depending on the specific scenario, we implement a percentage reduction to the carbon intensity of all other holdings within the portfolio. For reference, our 30 focus companies are identified as 10 top contributors to the WACI in each of the materials, utilities, and energy sectors.

We have consulted with South Pole on our strategy. Stakeholder input, including IIGCC, Make My Money Matter, industry peers, and our Independent Governance Committee, has contributed to shaping our strategy. However, our transition plan has not been externally verified.

