TCFD Report 2021

Taskforce on climate related financial disclosures

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Introduction

03

A world affected by climate change

With each passing year, it is becoming more evident that human activity is having a meaningful impact on the world's climate. Many parts of the world are experiencing major weather events on a more frequent basis, from extreme summer heat and intense drought to damaging storms, heavy rainfall and flash floods. The more global temperatures rise, the more frequent and devastating these weather events will become.

The Intergovernmental Panel on Climate Change's (IPCC) Sixth Assessment Report, released in 2021, laid bare the reality that our world faces, warning that temperatures will exceed 2 degrees Celsius of warming by 2100 unless there are deep reductions in greenhouse gas (GHG) emissions in the coming decades[1].

To limit climate change, 192 countries have signed the Paris Agreement – an international treaty aiming to limit the increase in average global temperatures to well below 2 degrees Celsius, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.

While the difference between 1.5 and 2 degrees Celsius might appear small, the report shows that there is significant further damage caused between the two levels[2], so it is important that the aims of the Paris Agreement are met.

Collective action is required

Over the past couple of years, the world has demonstrated its capability to mobilise an unprecedented response to tackle the health and economic challenges presented by the COVID-19 pandemic. To meet the challenges presented by climate change, a similarly united global response is required. The UK's independent Climate Change Committee expects that, from 2030 onward, around £1 trillion of investment will be required to achieve net zero by 2050[3]. Without significant investment across the global economy and timely large-scale reductions in GHG emissions, the goal presented in the Paris Agreement will prove impossible to achieve.

[1]IPCC, Summary for Policymakers. In: Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change, 2021

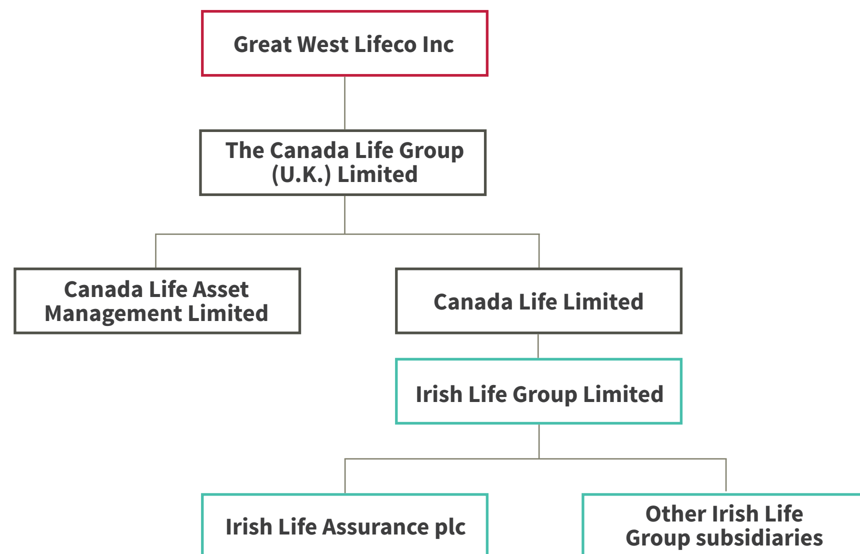
[2]IPCC, Climate Change 2022: Impacts, Adaptation, and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change, 2022

[3]Copyright © Committee on Climate Change, The Sixth Carbon Budget: The UK's Path to Net zero, 2020

Canada Life's role in the transition

As a provider of retirement, investment, wealth and protection solutions to individuals and corporate entities, we understand the role we play in reducing the impact that both our operations and our products and services have on the environment. We are the UK-based subsidiary of the Great-West Lifeco group of companies, which has operations in Canada, the United States, Ireland and Germany. We have been operating in the UK since 1903 and currently have more than 1,200 colleagues. As of 31 December 2020, we had 3.5 million customers, paid 470,000 pensions, and managed more than £40 billion of assets. Our parent company, Great-West Lifeco, is a financially strong and stable global organisation, with total assets under administration of £1,341 billion as of 31 December 2021 and more than 31 million customers worldwide.

Figure 1: Canada Life UK simplified organisational structure



In 2022, we are celebrating 175 years of helping customers plan for their future as part of Canada's oldest life assurance company. We deliver these solutions through our insurance, asset management and wealth divisions, which are primarily operated from Canada Life Limited (CLL) and Canada Life Asset Management Limited (CLAM). Our simplified organisational structure is outlined in Figure 1. In this report we refer to CLL and CLAM as Canada Life and the terms we, our and us should be construed accordingly, and we refer to CLL, CLAM and the other group entities in the UK division (which are not all shown in the simplified organisational structure) as Canada Life UK.

This is our first climate disclosure and it is aligned to the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). This report sets out how climate change is integrated into our governance, risk management and business strategy, as well as the metrics and targets that we are using to understand our impact on the environment and our exposure to climate risks. Most of our assets are held by Canada Life and therefore this report covers a substantial proportion of the carbon emissions from our shareholder funds.

In accordance with the Greenhouse Gas Protocol, an organisation that sets global frameworks used to measure and manage GHG emissions, GHG emissions are split into three categories called 'scopes' as follows:

Table 1: Scope 1, 2 and 3 emissions

Emissions	Definition	Example(s)
Scope 1	Direct GHG emissions: emissions from sources that are directly owned or controlled by a company	Emissions produced from our company vehicle fleet
Scope 2	Electricity (indirect) GHG emissions: emissions that occur from the generation of purchased electricity consumed by a company	Emissions produced when generating the electricity that we use as a company
Scope 3	Other indirect GHG emissions: indirect emissions that arise as a result of the activities of a company, but occur from sources not owned or controlled by the company	Emissions produced by the companies that we invest in, or, where we rent property to tenants, the emissions produced by our tenants.

This is our first climate disclosure and it is aligned to the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

- Each type of GHG contributes towards climate change in a different way. To reflect this, GHG emissions are measured in terms of their equivalent contribution to the greenhouse effect relative to carbon dioxide, CO_2e. We are reporting our emissions in CO_2e and thus 'carbon' and 'GHG' are interchangeable throughout this report.
- For the purposes of defining our GHG emissions targets, we make a further distinction: operational emissions and financed emissions. We make this distinction because the level of control over the emissions, targets, reduction techniques, metrics, and other considerations can vary considerably between operational and financed emissions.
- Our operational emissions relate to the emissions over which we have control. For example, the emissions produced when heating our offices or property portfolio (scope 1); emissions produced when generating the electricity that we choose to purchase (scope 2); and emissions generated by the suppliers that we choose to work with (scope 3).
- Our financed emissions are the emissions associated with the assets in our portfolio. These fall exclusively under our scope 3 emissions and are in effect our share of the GHG emissions associated with the assets.
- The total carbon emissions of a business are equal to operational emissions plus financed emissions. Our overall financed emissions targets apply to our shareholder funds (where we have control and influence). They are:

Net zero by 2050

50% reduction in carbon intensity by 2030 against a 2021 baseline

20% reduction in carbon intensity by 2025 against a 2021 baseline

- Our overall operational emissions targets apply to our shareholder funds (where we have control and influence). They are:

Net zero by 2050

Operational (scope 1 & 2 GHG emissions) **net zero** in our property portfolio and business operations by **2030**

Executive summary

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Our approach to climate change

We believe that climate change is one of the biggest challenges that our society faces in the years and decades ahead. If we are going to be successful in curtailing rising global temperatures and mitigating the effects of climate change on our environment, society and economy, we must act sooner rather than later.

At Canada Life UK, we believe that it is important for us to show leadership in these efforts, which is why effective management of climate risks is a key strand of our Sustainability Strategy (summarised in table 2). The action we take today will be vital to our success as a business and the protection of our customers. In our view, there is a strong correlation between companies with strong environmental, social and governance (ESG) performance and strong, secure returns over the long-term.

Our sustainability vision is to be a Life Companion that inspires our customers, colleagues and communities through the actions that we take to improve society and to thrive for the long term.

Our Sustainability Strategy aims to ensure that we:

1. play our role in limiting climate change and delivering equitable outcomes. We will do this by engaging, using our influence and encouraging others to share our ambitions and feel empowered to act;
2. protect our company and ensure that it thrives for the long term. We will do this by managing the impact of our business on the climate and engaging with climate issues, rather than leaving the problem to others; and
3. As a direct result of the above, deliver financial security to our customers and colleagues when they need us.

It is important to us that we are always doing the right thing for our customers, our colleagues and society as a whole. We have set ourselves the ambition of making a positive climate impact as well as helping to generate equitable outcomes through our broad network of influence. Without a net zero transition, a substantial proportion of our society will experience the impacts of severe climate change.

11% of our current UK annuity-holders are likely to still be alive in 2050. If we were to include all other customers and colleagues, the proportion would be much greater.

Through our expertise, our attention to detail and focus on making every decision matter, we can make a meaningful contribution towards helping to mitigate our climate challenges. Through our Sustainability Strategy, we aim to reduce our impact on the planet, support our customers, colleagues and communities, and deliver a business that is well placed to deliver sustainable profits and financial wellbeing for our customers for another 175 years.

Issues such as climate change and global drought will require human ingenuity and collaboration to solve. With more than £40 billion of assets under management and a broad network of colleagues, business partners and communities, we have the platform, the capabilities and the resources to support and drive forward the solutions to the challenges we face.

Table 2: Our Sustainability Strategy

Area of focus	What does this mean to us?	What have we done?	What are we working on?
Responsible Investing	We are stewards of both the assets that we are entrusted with by our customers and the financial, social and environmental systems which underpin the long-term returns our customers expect We protect our customers and our business for the long term by considering ESG factors and protecting the systems upon which we rely by leveraging the assets we manage and own to develop broader, more impactful relationships	Received Stewardship Code signatory status in 2022 and set out our approach to responsible investing in our annual stewardship report Become a public TCFD supporter and developed this disclosure Developed our methodologies and tools for understanding climate risks, including through scenario analysis Developed our understanding of the emissions generated by the assets we own or manage Introduced thermal coal screening to support our commitment to emissions reduction Developed and invested in our stewardship capabilities, including our approach to collaborative engagement	Our detailed transition plan to support our target of 20% reduction in financed emissions intensity by 2025, 50% by 2030 and net zero by 2050 for our shareholder funds Aligning our portfolio to support the net zero transition through tiering our investments so that we can: • Grow: We intend to weight our portfolio towards firms which support and align with the transition, by considering new investment positions and their support for the net zero transition • Reduce: Alongside these new investments, we are reviewing our existing portfolio to identify where we can reduce our financed emissions. We will ensure our future business investments align with our net zero targets • Engage: We will encourage change in the economy by actively engaging with those whom we believe can adapt their business models to support the net zero transition We will expand our engagement activities in relation to the assets we manage or own to deliver greater impact Continue to develop our scenario analysis to understand the risks we face more clearly Continue to develop our understanding of the opportunities for our business in relation to climate change

Area of focus	What does this mean to us?	What have we done?	What are we working on?
Sustainable Operations & Customers	We are accountable for ensuring our operations, our supply chain and activities to support colleagues and customers are inclusive, sustainable, promote the circular economy and align with our net zero ambitions We use our platform, capabilities and broader relationships to encourage our colleagues, partner organisations and customers to make more sustainable choices	We have published our real estate Net zero Carbon Roadmap, and created an internal property Environmental Management System (EMS) that is aligned to the internationally recognised standard ISO14001 to guide our property asset management activity We have reduced the size of our occupied corporate estate and implemented a number of steps at the properties we still occupy and own to make them more efficient, including entering into a contract for the supply of renewable electricity to our owned offices occupied by Canada Life UK We have included in our Procurement Outsourcing & Supplier Risk Management Policy the concept of sustainability We have adopted blended ways of working and have calculated our homeworking emissions We have run a series of opportunities workshops across our organisation to identify areas where we believe we can make a difference for our customers and employees	• Net zero by 2050 • Operational (scope 1 & 2 GHG emissions) net zero in our property portfolio and business operations by 2030 We have committed to: Eliminating greenhouse gas emissions from our business operations where possible and working with our supply chain to promote net zero, including as an initial step, investigating our supply chain emissions and plan to engage with key suppliers to develop sustainable supply chain standards Promoting the circular economy by limiting our usage of natural resources, including reducing our paper usage year-on-year and developing a paperless customer journey Engaging with our colleagues to help them understand the climate impact of their choices and encouraging climate-sensitive choices where we can Developing products and services which are accessible to a wide range of customers Helping our customers understand the climate impact of their choices and encouraging them to reduce it where we can Working towards mitigating the impact of the climate transition on our customers where feasible

Area of focus	What does this mean to us?	What have we done?	What are we working on?
Diversity, Equity & Inclusion	We believe that at the heart of a successful organisation are diverse ideas, innovation and connection. Driving our DEI strategy are three principles: • Our workforce is diverse and we have an inclusive culture where everyone can feel that they belong • Our ambition to be a life companion means we embrace diversity, equity and inclusion for our colleagues and the communities we serve • Our partner organisations share our inclusion philosophy	We promote an inclusive working environment through a proactive approach to employee wellbeing and actions such as our employee networks and community groups, including our ethnicity and gender networks We have been reporting on our gender pay gap since 2017 and voluntarily reporting on our ethnicity pay gap since 2019 We have joined the Women in Finance Charter and Stratos We have committed to 35% of senior management positions being held by women by 2023 We have a female Chief Executive Officer who champions inclusivity at Canada Life UK and externally. She has been named in INvolve **Heroes Women Executives Role Model List 2022**. The Heroes Women Role Model Lists - supported by Yahoo! Finance – showcases leaders who are championing women in business and driving change for gender diversity in the workplace We contributed to a consultation by our regulator in 2021 in relation to diversity in financial services	We have committed to: Enhancing and delivering learning and awareness programmes to ensure all colleagues are aware of conscious and unconscious biases, giving practical strategies on how to mitigate their impact Developing our external reporting Talent management initiatives, such as diverse shortlists Reviewing and updating family friendly and life balance policies to deliver on our ambition to deliver equitable outcomes Refreshing our colleague networks including Gender Balance, Proud and The Ethnicity Network

Area of focus	What does this mean to us?	What have we done?	What are we working on?
Culture & Community Impact	Sustainability is at the heart of our decision-making. We use our culture and voluntary activities to drive our sustainability thinking forward and generate community engagement and impactful outcomes. Beyond our products and solutions, we care deeply about strengthening our engagement with the communities in which we live, work and do business.	Relaunched our corporate purpose Strengthened ties with the communities we operate in, through targeted engagement including sponsoring both Potters Bar Football Club's girls' teams. Relaunched our matching payroll giving initiative Launched a popular colleague grants scheme	Strengthening consideration of climate risk and opportunities in our decision-making and culture, through training, engagement and developing new ways to ensure we integrate sustainability considerations in our decision-making Streamlining our governance structure to make it serve our sustainability purpose and goals more effectively Launching a volunteering scheme for all colleagues Launching a cost-of-living initiative for relevant colleagues

Our key targets

We have set ambitious interim targets for achieving net zero by 2050, especially given the challenges around climate data quality and availability. Given our bold objectives, we acknowledge that we may need to adjust our targets – and our approach to meeting them – as our business and our industry evolves.

In 2022 and 2023 we will continue to work on our detailed transition plan to ensure that we can deliver on the targets we have set and that we fully understand where the greatest challenge will be. If we need to revise our targets when our transition plan is complete, we will explain our rationale. This will not change our overall objectives; we know the direction in which we are heading and our ultimate purpose to do our part to mitigate severe climate change.

*Here our investment portfolio refers to our shareholder funds

Our progress so far

In 2021 we developed our approach to managing climate risks and our wider climate strategy. Six key areas of progress are set out below.

Strategy

Reviewing our broader sustainability agenda and setting out our climate ambitions as a firm.

Governance

Establishing committees and working groups to deliver on our climate strategy and regularly update the Board on progress.

Management

Ensuring that climate responsibilities were clearly defined at Board level and incorporated into incentives.

Scenario Analysis

Developing our climate modelling capabilities.

Risk Management

Enhanced our climate management information and establishing climate risk triggers.

Disclosure

Delivering a TCFD-aligned disclosure for year-end 2021.

We recognise that more work is required to fully integrate climate considerations into our business, but we are proud of the progress that we have made so far. Our climate strategy is bold and ambitious and builds on the foundations we have already put in place to take us through 2022 and 2023.

Our plans for 2022

Build on our work from 2021, as we look to fully integrate climate considerations into our business and implement our Sustainability Strategy

Develop an overarching governance structure to ensure we can deliver at pace on the challenge we have set ourselves

Educate our colleagues in relation to climate change

Build on our work from 2021, as we look to fully integrate climate considerations into our business and implement our sustainability strategy

Investigate climate-related opportunities across our business, both for our customers and for our colleagues

Make clear progress towards our climate targets and establish further detailed targets where possible

Section 1: Governance

Section 1: Governance

In this section we provide detail on the following recommended TCFD disclosures:

a.

Board oversight of climate-related risks and opportunities.

b.

Management's role in assessing and managing climate-related risks and opportunities.

What we achieved in 2021	What we are working on
Created a board and committee structure that provides effective oversight of our activities	Streamlining our governance structure to make it serve our purpose and goals more effectively
Developed clear executive climate accountabilities	Ensuring that consideration of climate risk and opportunities is embedded in our decision-making and culture
Started to push climate responsibility to our wider colleagues	Offering climate training to all our colleagues
Created a new Sustainability Steering Committee to drive our strategy forward	
Delivered climate training to subject matter experts	

We aim to put sustainability at the heart of everything we do at Canada Life UK. From our board of directors to our colleagues and partners, sustainability is being integrated and implemented throughout our business, with all teams and employees encouraged to consider it in their work.

In 2021, we drove our strategy forward and achieved many of our objectives. The board and committee structure that we have put into place provides us with an effective governance framework that will guide and evolve our approach to achieving sustainability now and in the future.

Board oversight of climate risk and the role of our committees

We have placed a priority on climate change and the transition to net zero, and good corporate governance is essential for executing our strategy. Both the CLL and CLAM boards provide oversight of our approach to climate change. In 2021, our governance was driven by these separate entities as shown in **Figures 2 and 3**.

It has taken rapid organisational change and adaptation to integrate climate-related risks and responsible investment approaches into our business. In late 2021, we established a Sustainability Steering Committee to bring together key decision-makers and efficiently make sustainability and climate-related strategic decisions. In 2022, we are introducing a streamlined Canada Life UK governance structure that is designed to increase the agility of our organisation while ensuring that we retain sufficient governance and oversight. This section sets out our governance as it was in 2021. We look forward to reporting on our new governance structure next year.

Section 1: Governance

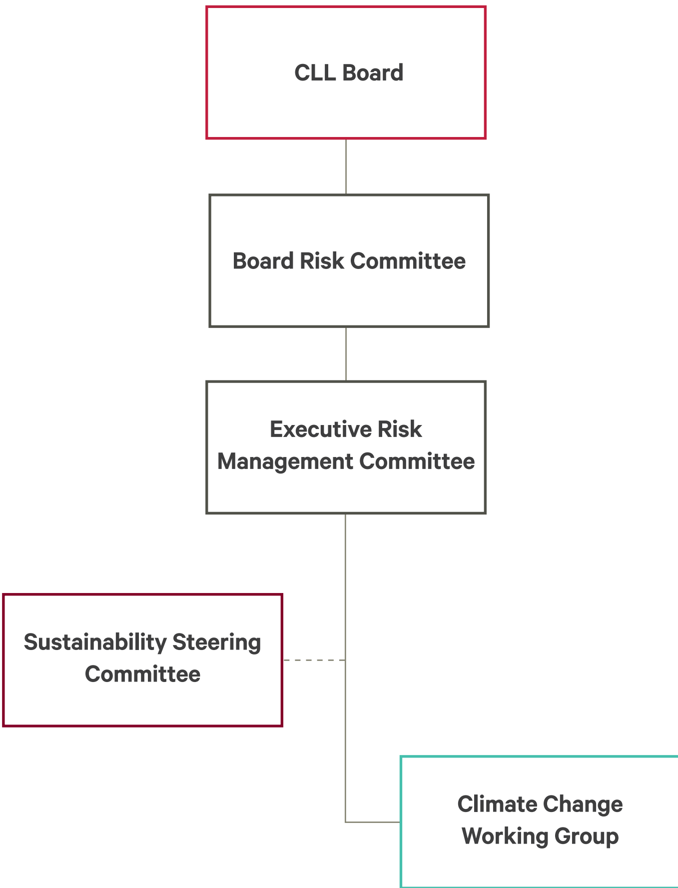


Figure 2: Our insurance business (CLL)

Section 1: Governance

Table 3: Our insurance and wealth business governance around climate change

Board or Committee	Purpose	Members	Role in 2021	What we plan to do in 2022
Board	Supervising and setting our climate change strategy, as well as for the management of climate risks and opportunities	Includes appropriate executives and independent non-executive directors	Set our insurance business's climate change strategy in December 2020 and allocated budget for its implementation in the 2021 business plan Monitored progress of our climate change strategy through regular updates from BRC	Review and input into development of our climate and wider Sustainability Strategy & oversee implementation Reviewed climate strategy in February 2022
Sustainability Steering Committee (established at the end of 2021)	Drive our climate and wider Sustainability Strategy and decision-making forward Ensure alignment of activities across Canada Life UK	Committee members include the Chief Executive Officer (CEO), Chief Risk Office (CRO) and Chief Investment Officer (CIO), all of whom hold climate responsibilities, and our Senior Manager for ESG, who is responsible for implementing and leading our ESG and climate change strategy	Committed to producing this TCFD report Maintaining strategic focus on climate change and sustainability for 2022 and driving this into the business	Further development of our climate and wider Sustainability Strategy Drive forward and oversee implementation of our Sustainability Strategy
Board Risk Committee (BRC)	The BRC is primarily responsible for the monitoring and management of the risks associated with our business activities, including climate risk In 2021 it was responsible for overseeing implementation of our climate change strategy to ensure embedding of climate change risk management into 'business-as-usual' activities by the end of the year	The BRC includes five independent board members and the CEO, CRO and Chief Financial Officer (CFO) are all attendees	Monitored our progress towards our objective to embed climate change risk management into business as usual through regular updates and discussions with members of the CCWG Reviewed a dashboard of our climate risk indicators, allowing the committee to monitor the climate risks to our investment portfolio	Continue to drive forward and oversee the development of our climate risk dashboard, development of scenarios and wider climate risk management through 2022
Climate Change Working Group (CCWG)	The CCWG is chaired by our CRO and meets monthly to drive the implementation of the climate change strategy and management of climate risks in our insurance business	Climate change subject matter experts from across the business including our first and second lines	Planning, development and review of climate scenarios and modelling Developing our climate risk management processes and reporting tools including our climate dashboard Delivering and monitoring progress against our climate strategy	Developing and delivering 2022 climate roadmap

Section 1: Governance

Figure 3: Our asset management business (CLAM)

Section 1: Governance

In our asset management business, board oversight of climate risks is provided through its supervision of ESG risks.

Table 4: Our asset management business governance around climate change

Board or Committee	Purpose	Members	Role in 2021	What we plan to do in 2022
Board	Setting CLAM ESG and climate change strategy and supervising implementation and management of climate risks and opportunities.	Appropriate executives and independent non-executive directors	Monitored progress of our ESG and Stewardship activities through regular updates	Review and input into development of our climate and wider Sustainability Strategy & oversee implementation with a particular focus on responsible investment and real estate aspects of sustainable operations
Executive Management Committee (EMC)	Oversight of all operational aspects of our business	Appropriate executives and senior leaders from our asset management division	Received regular updates on progress in respect of our responsible investment initiatives, including progress against our action plan to enhance stewardship activities	Review delivery of our responsible investment and those aspects of our sustainable operations strategy delivered by Asset Management
ESG Oversight Committee (established Q1 2021)	Overseeing our ESG and stewardship activity and reporting across all areas of our asset management business. Chaired by our CIO and Managing Director of CLAM	Managing Director of CLAM, CLAM Chief Operating Officer, the Head of Credit Research, and the Head of Investment Governance. Additional members are drawn from non-fund management or analysis functions to promote the independent oversight provided by the Committee	Approved an action plan developed by the ESG Working Group to enhance our stewardship activities	
ESG Working Group (ESG WG)	Drives our focus on ESG and stewardship The ESG WG is responsible for the development, maintenance and implementation of ESG policies	ESG and climate change subject matter experts from across the business including our first and second lines The group's mixture of viewpoints and specific asset class experience provides an opportunity to collaborate, challenge and learn from each other's experiences, ensuring that best practice is integrated into business-as-usual in our asset management activities	Advocating for best practice in ESG and stewardship, integrating ESG into business-as-usual throughout our asset management business Developing and action plan to enhance our stewardship activities Generating more focus on collaborative engagement	Developing and delivering 2022 climate roadmap and responsible investment activities for 2022

Section 1: Governance

The role of our employees in managing climate risks

Our aim is to integrate climate change and ESG considerations into the way we work at all levels of our business. Each of our colleagues plays an important role in achieving this goal. We want every colleague to understand our climate change strategy, why we are doing it, and the role that they play in achieving it.

Senior management level responsibility for climate risks

Delivering on our climate change strategy requires our senior managers to provide strong leadership, acting as role models for the rest of our business. We have therefore assigned individual climate change responsibility to three senior managers whose remuneration is linked to successfully achieving these goals.

- **Lindsey Rix, Chief Executive Officer**
  Lindsey has strategic climate responsibility[4] to establish our ambition in ESG and Climate Change, and deliver on our Sustainability Strategy.
- **Chris Craig, Chief Risk Officer**
  Chris has Senior Management Function responsibility for managing the financial risks relating to climate change, as required by the Prudential Regulation Authority (PRA). He is also responsible for facilitating strategic decision-making regarding the financial impacts of climate change by ensuring that there is a plan and reporting in place.
- **David Marchant, Chief Investment Officer at CLL and Managing Director of CLAM**
  David has responsibility for ensuring that ESG factors are considered in our investment activities.

Significant potential climate risks are escalated to the Chief Investment Officer, and where they may have a material impact on financial results, to the Chief Financial Officer and Chief Executive Officer.

[4] This responsibility was assigned in 2022 following regulatory approval rather than 2021

Climate training

We recognise that embedding climate change into our business-as-usual activity means we are asking more of our colleagues. This means we have a responsibility to provide the right resources and tools to allow them to develop their understanding of climate risks and opportunities.

Our board members receive ongoing climate training to ensure that they can provide effective and informed leadership on our climate change strategy and risk management. This training has included a discussion of the impacts and drivers of climate change, key industry initiatives and regulatory developments. We also ensure that new Board appointments understand the importance of these matters, with climate change, ESG and stewardship activities included in induction plans.

Throughout 2021, we delivered training sessions on climate metrics to key decision-makers and subject matter experts. In 2022, we will continue to embed climate awareness throughout our business and encourage engagement with our climate goals by delivering climate training to our colleagues across our business. By the end of 2022, we want our employees to feel empowered to embed their climate learning into their work.

Beyond our firm-wide training plan, we are encouraging and supporting our colleagues to undertake new learning opportunities in climate change and ESG, including the Chartered Financial Analyst certificate in ESG investing, and the Principles of Responsible Investment certification.

Section 1: Governance

Embedding sustainability into performance assessments

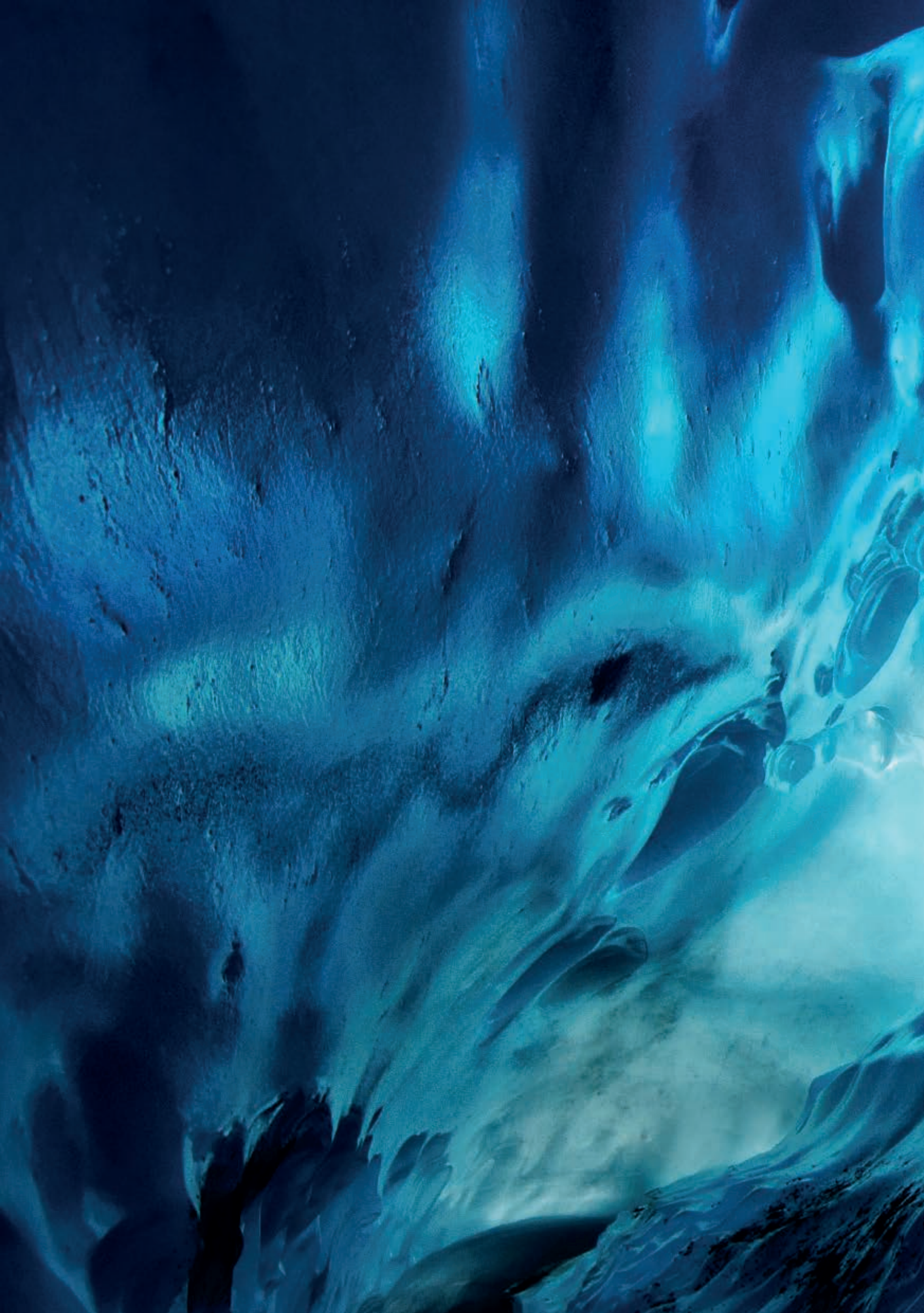
Our bonus scheme aligns individual contribution and behaviours to the achievement of our business's financial and long-term strategic objectives. In 2021, we reviewed our performance assessment structure to strengthen the connection between the values we are encouraging, and the incentives provided. To achieve this, a significant proportion of all relevant individuals' available bonuses in 2022 will be paid out to reward activities meeting a variety of non-financial objectives. These objectives ensure that:

- care, expertise and clarity are central to decision-making;
- integrity and responsibility are rewarded; and
- the perspective and needs of the customer are prioritised.

While the core objectives of the performance assessments are not specifically climate-focused, by evidencing that they have embedded sustainability into their daily activities, an employee could show how they have met them. This is how we expect many employees will satisfy the objectives in 2022.

Within our asset management function, we have gone further and set an additional objective which specifically focuses on embedding ESG into our culture and investment decision-making.

Our bonus scheme aligns individual contribution and behaviours to the achievement of our business's financial and long-term strategic objectives.



Section 2: Strategy

Section 2: Strategy

In this section we provide detail on the following recommended TCFD disclosures:

a. The climate-related risks and opportunities we have identified over the short, medium, and long term.

b. The impact of climate-related risks and opportunities on businesses, strategy, and financial planning.

c. The resilience of our strategy, taking into consideration different climate-related scenarios.

	What we have achieved	What we are working on
Sustainability Strategy	Developed our wider Sustainability Strategy Set our net zero targets covering financed emissions and operational emissions Become a public TCFD supporter and developed this disclosure	Implementing the actions that will deliver our Sustainability Strategy, including developing our detailed transition plan to deliver on our financed emissions and operational emissions targets
Responsible Investment	Received Stewardship Code signatory status in 2022 and set out our approach to responsible investing in our annual stewardship report We identify and assess the climate risks in all our material asset classes and integrate that information into our decision making Developed our methodologies and tools for understanding climate risks including through scenario analysis Developed our understanding of the emissions generated by the assets we own or manage Introduced thermal coal screening to support our commitment to emissions reduction Developed and invested in our stewardship capabilities including our approach to collaborative engagement Undertaken a preliminary analysis of the opportunities that climate change could offer for our customers	We will expand our developing methodology of engage, grow, reduce into all our asset classes, testing and learning as we go, because by tiering our investments we can identify both what drives our financed emissions and determine a pathway to decarbonisation We will expand our engagement activities in relation to the assets we manage or own to deliver greater impact Continue to develop our scenario analysis to understand the risks we face more clearly Continue to develop our understanding of the opportunities for our business in relation to climate change

Section 2: Strategy

	What we have achieved	What we are working on
Sustainable Operations & Customer	We have published our real estate Net zero Carbon Roadmap, and created an internal property Environmental Management System (EMS) that is aligned to the internationally recognised standard ISO14001 to guide our property asset management activity We have reduced the size of our occupied corporate estate and implemented a number of steps at the properties we still occupy and own to make them more efficient, including entering into a contract for the supply of renewable electricity to our owned offices occupied by Canada Life UK We have included in our Procurement Outsourcing & Supplier Risk Management Policy the concept of sustainability We have adopted blended ways of working and have calculated our homeworking emissions We have run a series of opportunities workshops across our organisation to identify areas where we believe we can make a difference for our customers and employees	We are rolling out net zero audits to focus our activity in our property portfolio on our net zero commitments We will work to eliminate greenhouse gas emissions from our business operations where possible and will work with our supply chain to promote net zero, including as an initial step, investigating our supply chain emissions and planning to engage with key suppliers to develop sustainable supply chain standards Promoting the circular economy by limiting our usage of natural resources, including reducing our paper usage year-on-year and developing a paperless customer journey Engaging with our colleagues to help them understand the climate impact of their choices and encouraging climate sensitive choices where we can Developing products and services which are accessible to a wide range of customers Helping our customers understand the climate impact of their choices and encouraging them to reduce it where we can Working towards mitigating the impact of the climate transition on our customers where feasible

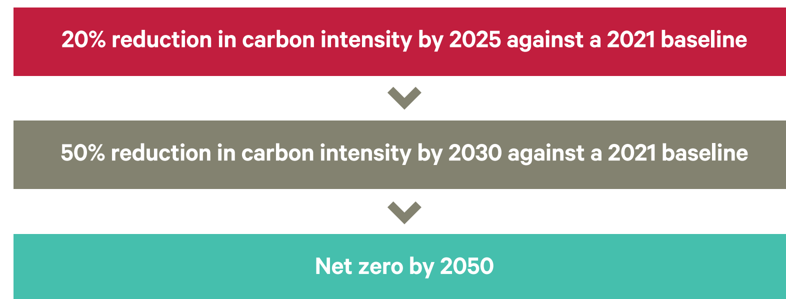
If we are to achieve the GHG reductions needed to limit severe climate change, it is critical that everyone plays their part in the transition to a low-carbon economy. As an asset owner and asset manager, we know that we play an important role in this transition. We are not simply the stewards of our own and our customers' assets, but also of the wider financial system in which we operate. More than that, we have a responsibility as company and an employer to protect our colleagues and the world around us by doing our part to limit climate change.

Our sustainability vision is for Canada Life UK to be a Life Companion that inspires our customers, colleagues and communities through the actions that we take to improve society and to thrive for the long term. Given the nature of our business, our climate strategy is focused on the investments we manage on behalf of our customers as well as making our operations and customer offering more sustainable. Within our four areas of focus for our overall Sustainability Strategy, the most direct impact will likely come from our approach to responsible investing and sustainable operations. That being the case, this section of our TCFD report focuses on these two areas of focus.

Section 2: Strategy

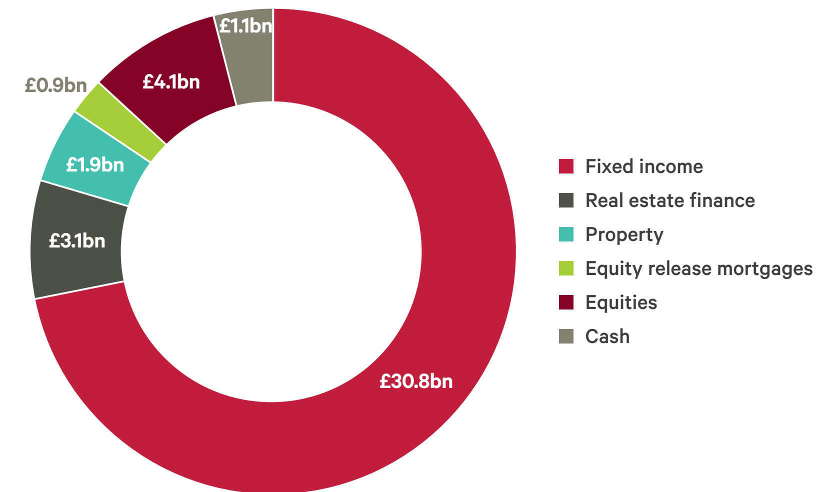
Responsible Investing

Canada Life manages and owns a wide range of investments for our customers and clients, and these investments are at risk of being impacted by climate change and the transition to net zero. We are taking action by adopting an investment strategy that considers climate change in our decision-making process and engaging with the companies that we invest in to drive meaningful change. By doing so, we can influence the climate-related impacts on our investment portfolios and in doing so move towards delivering on our financed emissions targets which apply to our shareholder funds where we have control and influence:



The approach that we take to integrating climate risk into our investment process and achieving our net zero targets varies by asset class. This is explained in greater detail in our Annual Stewardship and Engagement Report. In this section, we set out our approach to responsible investing for each asset class and how our investment teams consider climate-related risks.

Figure 4 shows our assets under management, split by asset class



Data as at 31 December 2021

Section 2: Strategy

ESG integration

We are committed to integrating sustainable investing and ESG considerations across our fixed income, equity, real estate finance and property investment teams. Our teams incorporate climate-related risks into their investment processes according to the specific characteristics of each asset class, with a focus on ESG integration and stewardship.

Fixed Income

Identified risks in our fixed income portfolio

The main risks to our fixed income portfolio are credit risk and interest rate risk. For interest rates, we view the main risk to be the economic cycle. While climate change is likely to impact the economy, we have been managing interest rate risk for a long time by ensuring that our assets closely match our liabilities. We are comfortable with the position of our portfolio with regard to interest rate risk.

Climate change is likely to have a greater impact on credit risk, specifically the risk of possible credit rating downgrades and defaults which would devalue some of our fixed income holdings. Here, transition risks arise through the risk that the companies we invest in do not set a successful business strategy for the net zero transition. Physical risks arise through severe climate change impacting companies' infrastructure and operations.

In fixed income, we believe there is a strong correlation for issuers between strong ESG performance and secure investment returns over the long-term. In addition to our financial evaluations, we perform a fundamental ESG analysis of all potential new investments and our existing holdings during annual reviews. This is a key component of our investment decision-making.

We have a proprietary internal ESG assessment that we use to identify ESG indicators that are worthy of note because they could either positively or negatively impact the issuer's creditworthiness over time. Key climate metrics, sourced from our data providers, are used as a starting point to inform our analysis.

We consider a number of factors, such as the issuer's absolute carbon emissions, carbon intensity and emissions reporting quality. Our analysts take care when using these metrics, drawing on expertise and further detailed research into the issuer's ESG strategy, targets and progress against them, to form our own in-house view. This ESG assessment sits alongside our traditional credit analysis, supporting a holistic examination of the relevant issuer and inputting into our investment decision-making. For details of the methodology which we have been developing to tier our investments see below, Our emerging methodology: Grow; reduce; engage. While we consider a wide range of ESG risks in our assessment, Figure 5 highlights our key areas of focus for each strand of the analysis.

Section 2: Strategy

Figure 5 shows the areas of focus in our analysis

Environmental

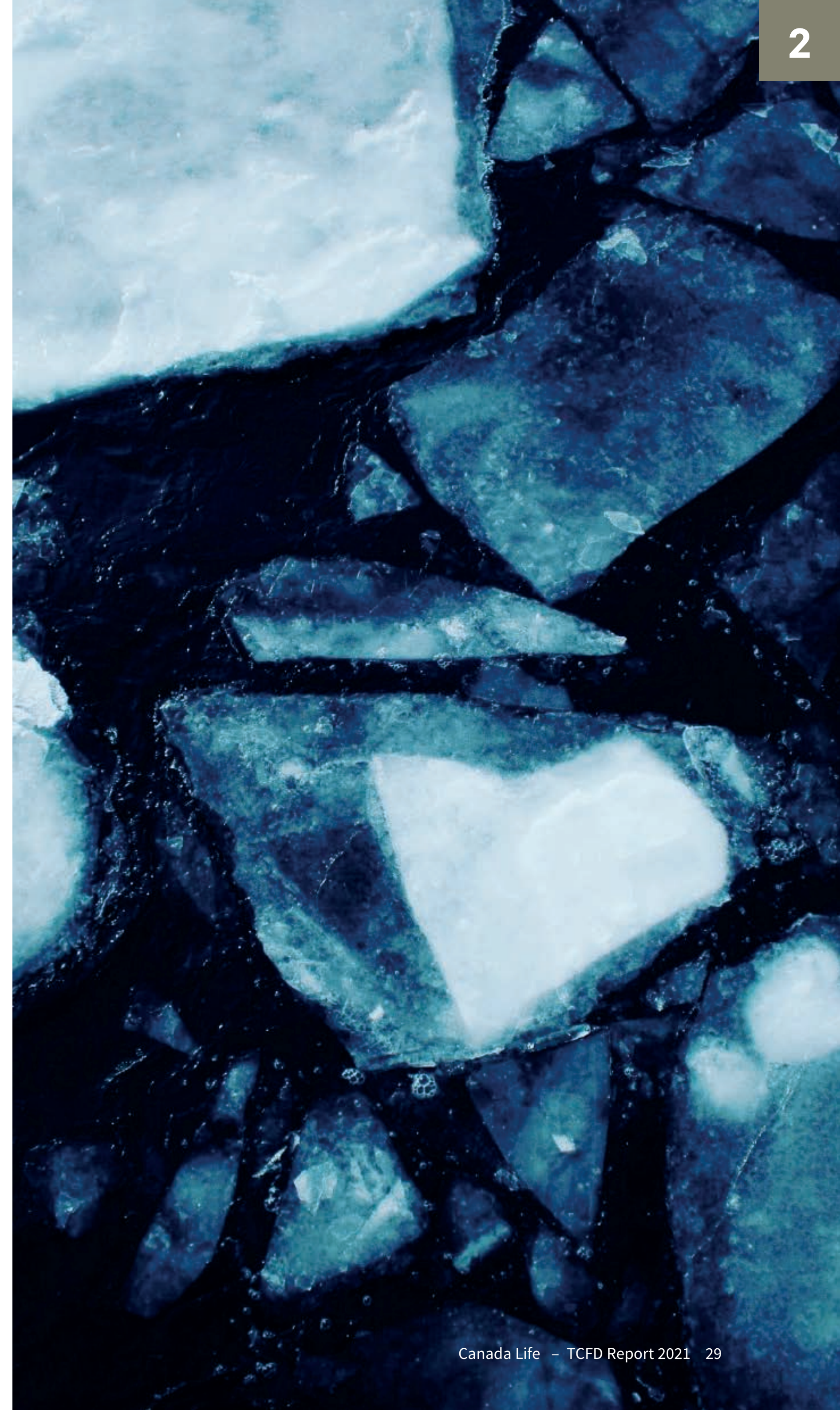
- GHG emissions and air pollution, both directly through an issuer's business operations and indirectly through the products and services offered;
- The net zero transition strategy and reporting of the issuer; and
- The wider environmental implications of the issuer's business operations such as effluents and waste, land use, biodiversity and resource use.

Social

- The identifiable actions the issuer is taking to be a good corporate citizen such as access to basic services, community relations, data privacy, human capital, occupational health and safety, human rights, product recalls and safety;
- The Modern Slavery Act.

Governance

- Board and management quality and integrity;
- Ownership and shareholder rights including minority stakeholders' rights;
- Transparency of financial reporting;
- Financial strategy and risk management.



Section 2: Strategy

Next Steps

Section 2: Strategy

Equities

Identified risks in our equity portfolio

Our equity portfolio primarily consists of our customers' investments[5] in managed funds. Although it is our customers who bear the investment risk associated with the equity portfolio, we act as a steward of these assets on their behalf.

Transition risk - the companies we invest in may experience regulatory pressure, a reduction in sales and, ultimately, a decrease in their share price. This has the potential to decrease the value of our equity portfolio. It is therefore important to understand each firm's current GHG emissions, the transition plans they already have in place, and their potential to adapt to increasingly strong climate regulations.

Physical climate risks - these could also affect the value of our equity portfolio if the companies we invest in fail to protect their assets and operations against increasingly frequent extreme weather conditions or natural disasters.

Our equity portfolio managers integrate ESG considerations and climate-related risks at all stages of the investment cycle, beginning with the research and selection process, and continuing through to ongoing engagement. To manage the exposure of equity investments to climate-related risks, the team uses tools and research provided by external data providers and resources gained from our membership of various industry groups and ESG investment forums.

[5]Only shareholder funds are covered by our financed emissions targets.

Section 2: Strategy

There are several components involved when integrating ESG considerations into our equity portfolios:

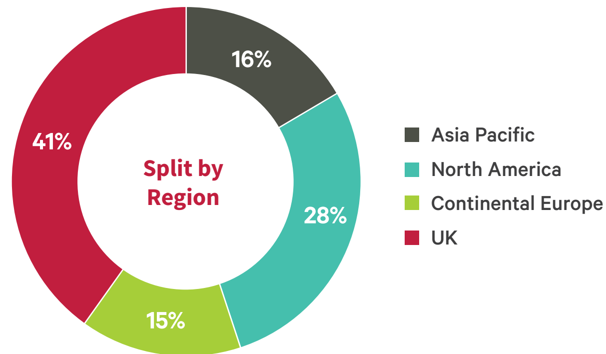
- **Awareness:**
  ESG research, both internally generated and provided by third parties, is integrated into our bottom-up approach to assessing new investments. At a holistic level, we carry out quarterly reviews of all equity funds to review the overall portfolio composition and the funds' climate metrics.
- **Engagement:**
  Informed by the research mentioned previously, we seek to engage with other investors on areas of concern regarding climate risk and are collaborating with industry ESG initiatives to amplify our impact.
- **Sanctions:**
  Ultimately, if the ESG performance of a stock or portfolio is of concern, selling or reducing our holding is our ultimate sanction. We also exclude certain companies and sectors for their involvement in specific industries and activities that do not align with our ESG objectives. This is outlined in greater detail in our Annual Stewardship and Engagement Report. For instance, both our equity and fixed income teams have rules that determine whether companies that generate revenue from thermal coal can be included in our portfolios.

Our thermal coal screen explained	
What is our thermal coal screen?	We will not invest in companies that earn more than 15% of their revenue from thermal coal unless they have credible plans to reduce this below 5% by 2030
What portfolios does it apply to?	Fixed income and equity portfolios
Why have we introduced it?	Where a company does not have a plan to reduce their exposure to thermal coal they are likely to be negatively impacted by the climate transition and pose a challenge to the world's ability to limit severe climate change. Our view is that they represent a financial risk to our portfolio over the long term as well as a sustainability risk
What does this mean in practice for our equity portfolio?	Since implementing this exclusion, we have reviewed our existing equity holdings and the single holding that breached the exclusion has now been sold and replaced with an investment in a world-leading supplier of small nuclear reactors. This allows us to support the transition and invest in energy

- **Voting:**
  In our equity investments, we can influence companies through our shareholder voting and are supportive of resolutions which call for clearly-articulated plans to reduce GHG emissions. In 2021, we actioned over 5,000 votes across different regions, as shown below in Figure 6. We disclose our voting records on a quarterly basis on our website, including our rationale, when we vote against management resolutions. In the first half of 2022, we focused on developing our voting data analysis and reporting. We also published our *voting policy*, which is used to guide our voting.

Section 2: Strategy

Figure 6 shows our votes cast by region



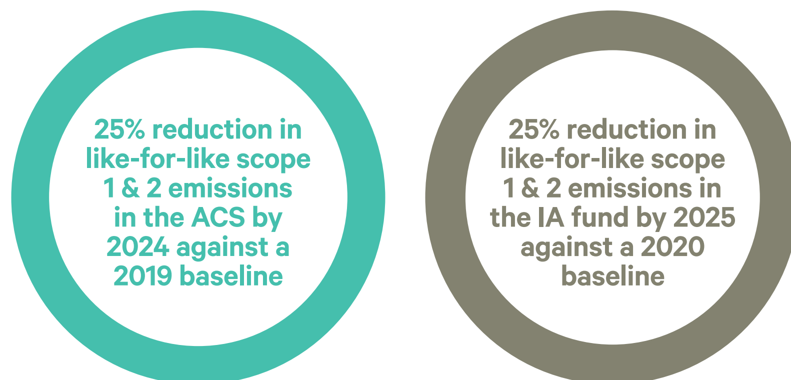
Next Steps

Our plans for 2022

- Identify and set appropriate targets for our equity portfolio
  - Engage with invested companies where an ESG concern has been flagged
- Enhance our measurement, management, monitoring and reporting of climate risk across our equity portfolio
  - Expand the Leaders, Followers, Laggards approach from Fixed Income to Equities

Section 2: Strategy

Property



Identified risks to our property portfolios

The key risks to our property portfolio are:

- transition risks that primarily arise through increasingly strict energy efficiency requirements; and
- physical risks that primarily arise through an increased risk of flooding, extreme temperatures and rising sea levels.

We hold £1.9 billion of well-diversified property investments, primarily consisting of UK commercial property from multiple sectors including offices, industrial, retail and leisure. Our property portfolio consists of two main property funds: the LF Canlife UK Property Authorised Contractual Scheme (ACS) managed by CLAM and CLL's balance sheet fund the Income Annuity (IA) fund.

As active managers, we consider the long-term risks and opportunities of holding any given property. ESG considerations are a key part of our strategy throughout the property cycle, which starts with acquisition, continues with asset management and refurbishment/development and ends with final disposal. By doing so we aim to significantly reduce investment and ownership risk. Over time, we have adapted our approach to reflect our sustainability priorities. This is outlined in our real estate Net zero Carbon Roadmap, and our Real Estate ESG policy, as well as an internal Environmental Management System (EMS) that is aligned to the internationally recognised standard ISO14001.

The EMS aims to reduce our operational impact on the environment and is made up of a detailed set of procedures regarding property acquisitions, refurbishment, asset management and reporting. We use the EMS to assess risks which inform opportunities, our decision-making processes, and identification of areas for additional scrutiny and action.

When we acquire assets, we aim to do so only where we are confident that they can be decarbonised in line with our net zero strategy. See our Annual Stewardship and Engagement Report for a full breakdown of our approach to sustainability in our property portfolio, including the EMS. Ultimately, we aim to only acquire assets where we are confident that they can be decarbonised in line with our net zero strategy. Properties with an EPC rating of 'D' and lower, or where we cannot develop a feasible strategy to improve the rating, are not considered for acquisition.

Section 2: Strategy

Additionally, where properties have a greater than 1 in 100 annual probability of flooding (or greater than a 1% chance of flooding per annum), we do not consider them for acquisition unless suitable flood mitigation measures are put in place. Increased flood risk is one of the main ways in which the physical risks of climate change listed above could arise. In 2020, we strengthened our flood risk rating limits to mitigate the potential for flooding to our properties and sold a property primarily due to new flood risk data from the Environmental Agency which indicated it was outside of our flood risk appetite. Our property portfolio is rated very low for flood risk and, for those properties with higher risk, there are flood risk mitigation measures in place.

We strive to implement the following standards and protocols for new build and major refurbishment projects:

- Where appropriate to the assets, an energy rating under Building Research Establishment Environmental Assessment Method (BREEAM) of 'very good' or higher. BREEAM assesses the environmental performance of buildings;
- Prompt implementation of net zero operational design strategies;
- An EPC rating of 'C', and where possible, targeting an EPC rating of 'B' or above; and
- Post-occupancy evaluations to check on the success of development projects and consider future development plans.

When disposing of assets, we strive to be a cooperative seller and provide EPC data, building certifications and metered data, where requested and available, to prospective purchasers. During 2023, we plan to review our disposal procedures to ensure that ESG factors are fully integrated into them, particularly with reference to net zero. In doing so, we hope to encourage the buyer to continue transitioning the property to net zero.

Our Real Estate ESG Steering Group meets on a quarterly basis and evaluates the effectiveness of our ESG approach. Its primary responsibilities include: assessing how sustainability issues align with our business strategy; developing sustainable processes that link with our wider risk management process; and annually reviewing the performance of our properties against our ESG objectives and targets.

Since 2018, we have taken part in the annual Global Real Estate Benchmark (GRESB) Real Estate Assessment to better understand, measure and manage the ESG performance of our portfolio against that of other institutions, as well as to identify how we can improve the sustainability of our investments. GRESB is an industry-led organisation acting as a global ESG benchmark for real assets.

From 2023, we intend to work with our suppliers on all development and refurbishment projects to understand the emissions associated with the building materials used.

Engaging with our tenants

To achieve our net zero by 2050 target including scope 3 emissions, we will need our tenants to materially reduce their scope 1 and 2 building emissions. Where possible, we negotiate green lease clauses into our standard real estate contracts, so that we can accurately measure tenant emissions and encourage our tenants to implement changes which could reduce emissions. We also expect our appointed managing agents to engage with tenants on a regular basis and prioritise sustainability.

Section 2: Strategy

Key targets

Develop a detailed net zero roadmap for each of our owned corporate offices and leased Bristol office over 2022 and 2023

25% reduction in like-for-like scope 1 & 2 emissions in the ACS by 2024 against a 2019 baseline

25% reduction in like-for-like scope 1 & 2 emissions in the IA Fund by 2025 against a 2020 baseline

Operational net zero (scopes 1 & 2) by 2030

Net zero by 2050

Progress towards our targets

- Energy performance is tracked quarterly using SIERA, an online portal provided by EVORA Global. Details on property analysis can be found in our fund sustainability reports, which follow guidelines from the European Association for Investors in Non-Listed Real Estate Vehicles.
- In April 2022, we entered into a contract for the supply of renewable electricity for our owned offices occupied by Canada Life UK. By 2023 we will procure 100% renewable electricity from Renewable Electricity Guarantee of Origin (REGO)-certified sources for all our owned properties where we, as landlord, have control over the energy supply and provided that market conditions allow.
- A key challenge limiting our ability to achieve net zero is the lack of a readily available green gas supply. By 2030, we expect to have removed all gas boilers from our owned properties, both in our corporate offices and our wider property portfolio, where feasible.
- We are committed to obtaining building certifications such as BREEAM, Royal Institution of Chartered Surveyors's (RICS) SKA rating and Fitwel[6] to measure the effectiveness of the steps we are taking.

[6]The Fitwel certification focuses on the health and wellbeing of building users.

Section 2: Strategy

Transitioning to net zero

Since 2019, we have carried out sustainability audits to identify the improvements necessary for our properties to reach net zero. In 2022, we moved our focus from sustainability audits to net zero audits. We intend to carry out a minimum of five net zero audits per year across priority properties in our portfolios. Alongside these net zero audits, we intend to use the Carbon Risk Real Estate Monitor (CRREM) tool as part of our long-term investment strategy. The CRREM tool identifies properties which may be at risk of asset stranding (i.e. those properties that will become increasingly exposed to the risk of negative value impacts due to climate change because they emit carbon to the extent that they will not meet future regulatory efficiency standards and, importantly, market expectations) due to increasingly strict regulations.

We are targeting a minimum EPC rating of at least B by 2030 across the IA fund and ACS. Properties that do not have an EPC rating of B by this time will have a clear roadmap of improvements to achieve this within three years.

Along with improved energy efficiency, we aim to identify how we can generate renewable energy on site at our properties and are aiming to have on-site renewables at 50% or more of our properties (by floor area) by 2030.

Our plans for 2022

- Revise our EMS procedures to align with our operational net zero target
- Divert 100% of landlord-managed waste from landfill by December 2023, where infrastructure allows
- Use the results of the net zero audits to produce action plans to reduce emissions, improve climate risk resilience and investigate renewable energy options
- Ensure that all renewable energy procurement is from REGO-certified sources by 2023 where we have control and market conditions allow

Section 2: Strategy

Real Estate Finance

Identified risks to our real estate finance portfolio

Two of the key climate-related risks that could impact our mortgage portfolio are:

- Flood risk
- Transition risk arising through the energy efficiency of the property

These risks initially fall on the borrower, but could have knock-on effects for the value of the property backing the loan, the rental income derived from the property and the ability of the borrower to continue to pay the loan or make the investment necessary to make the property more resilient to the effects of climate change. The long-term nature of our loans means that it is crucial we consider these risks in our assessments of new opportunities

For our Real Estate Finance assets, the key to meeting our emissions targets lies in engaging with our borrowers on ESG issues and targeting improvements in the Energy Performance Certificate (EPC) ratings of mortgaged properties. Our new lending property due diligence process is key to our climate risk assessment providing information on the energy efficiency of the building through the EPC rating (where available), flood risk, contamination and ground conditions, as well as the condition of the building itself through independent environmental assessments and building surveys.

For new business, we are targeting an average EPC rating of C by 2024. To help us meet this target, in cases where the EPC rating is below our expectations, we either:

- Decide not to lend against the property; or
- Engage with the borrower to understand whether they have a credible plan to improve the energy efficiency of the relevant building.

If any issues are identified by the building and environmental surveys, we take the same approach as when the EPC rating is below our expectations, but focus our engagement on how they plan to manage the issue.

Following engagement with the borrower, we may require further specific due diligence reports or build controls and monitoring measures into the loan documentation to ensure that we can monitor and manage the risk going forwards.

More generally, we are expanding our engagement across the portfolio; we plan to engage with all current borrowers on ESG by the end of 2022 and will continue to do so on an ongoing basis.

Our plans for 2022

Enhance the accuracy of our estimation of the carbon emissions of the buildings against which we have issued loans

Engage with all current borrowers on ESG and develop processes to do so on an ongoing basis

Section 2: Strategy

Equity Release

Identified risks to our equity release portfolio

Equity release mortgages (ERM) face similar risks to those described in the Real Estate Finance section. These are:

- The physical risks of climate change, primarily arising through flood risk; and
- The transition risks of climate change arising through the energy efficiency of the property.

These risks are likely to become visible in possible reductions in the sale value of properties.

In our ERM business our current risk management approach focuses on the flood and subsidence risk to properties, which we currently identify as the most material short-term risk to our portfolio. We manage this risk by requiring that all properties we underwrite have not been flooded in the five years prior to underwriting and have insurance on standard terms (to protect against flooding).

In 2021, we investigated the flood risk on ERMs funded by our ERM origination business using Environmental Agency data on flood risk by postcode. The analysis found that 3% of the portfolio, as at year-end 2020, has a medium or high flood risk rating, indicating a greater than 1 in 100 annual probability of flooding (or greater than a 1% chance of flooding per annum) based on current flood risk maps. The proportion of our portfolio in each flood risk level is monitored by our Board Risk Committee through quarterly reporting.

Our plans for 2022

Review our underwriting process to ensure physical and transition risks are covered, including checks for projected flood risk as well as historical

Investigate the energy efficiency of the properties in the ERM portfolio

Investigate opportunities to engage with our customers to improve the energy efficiency of their properties

Section 2: Strategy

Stewardship and leadership

For us, responsible investing means being a steward that cares for both our customers' assets and our own, as well as the wider environment in which we operate. Engagement is how we put our responsibilities as a steward into practice. We achieve our engagement through a number of different approaches that are outlined in greater detail in our Annual Stewardship and Engagement Report. We make active stewardship decisions based on the specific asset class, sector and company in question, and will choose to engage with companies either directly or through industry initiatives, as well as vote on behalf of our customers in accordance with our voting policy.

Our approach

We believe that simply moving away from carbon-intensive industries may protect us and our customers from the risks that these industries pose, but this approach fails to recognise that these industries are meeting the current needs of society and some companies will play a vital part of the transition to net zero. We want to engage with climate issues, rather than leaving the problem to others, and use our investment portfolio to support all firms that are:

- contributing to the net zero transition;
- changing their behaviours in meaningful and lasting ways; and
- making efforts to improve their carbon footprint.

Our emerging methodology: Grow; reduce; engage

The desire to support the transition outlined above has led us to develop our understanding and evolve our methodologies to better understand which investments drive our financed emissions and determine a pathway to decarbonisation. In fixed income through this work we have identified the industry sectors which we view as most sensitive to climate change.

We have split our holdings in these sensitive sectors into Leaders, Followers and Laggards, considering factors such as our view on their approach to climate change, any available GHG emissions targets and transition plans and taking into account the unique characteristics of the sector. Through investment decisions and engagement actions, we intend to weight our portfolio towards the Leaders in each sector, supporting their sector-leading action in driving the climate transition and, ultimately, their role in delivering positive outcomes for our customers.

Where companies are not yet sector-leading on climate change, we will encourage them to develop transition plans, credible net zero targets and to do what they can to limit their impact on the natural environment. By the end of 2023, we aim to have engagement or management plans in place for the investments which are driving the climate risk in the fixed income portfolio. We will also monitor the progress of the Leaders against their transition plans through ongoing issuer reviews and engagement. Where we believe issuers could achieve more and transition faster than they intend to, selling or reducing our holding will be considered.

We plan to expand this methodology across more of our fixed income portfolio and most of our asset classes by 2025. So, we will tier our investments reflecting the climate risk and then adopt the grow, reduce, engage approach to tackling them.

Section 2: Strategy

External initiatives

Canada Life's commitment to battling climate change is demonstrated in our support and engagement with the following organisations and initiatives:

- Task Force on Climate-related Financial Disclosures
- The Institutional Investors Group on Climate Change
- Climate Action 100+
- The UK Sustainable Investment and Finance Association
- CDP
- The Investment Association
- The Association of British Insurers

Scenario analysis

Much of what has been discussed in this disclosure has focused on our fundamental asset-level approach to climate risks. However, to effectively protect our customers and business, it is important that we understand the potential size and scope of the impact of climate change on our investment portfolio in its entirety. We can achieve this by assessing the impact of potential scenarios on our portfolio.

A scenario is a hypothetical future series of events based on assumptions of what could happen. In this instance, the future climate scenarios are mapped to impacts on our invested assets and therefore our balance sheet. Scenario analysis provides us with insight as to how our asset portfolios could perform in the hypothetical future scenarios considered. However, it is important to note that consideration of any specific scenarios does not correspond to any greater likelihood of the scenario occurring.

We expect that the most pertinent climate risks facing our business will materialise through our asset portfolio, particularly in increased credit rating downgrades and reduced property valuations, and could arise under both a net zero transition scenario and a scenario where no further action is taken to prevent climate change. In 2021, our scenario analysis investigated the impacts of the two most extreme scenarios in the Bank of England's Climate Biennial Exploratory Scenario (CBES) exercise on CLL's corporate bond and real estate portfolios (including property, real estate finance and equity-release mortgages) as at year-end 2020.

Table 5: Policy action scenarios

Scenario	Description	Key risks
Late Policy Action Scenario	Global transition to a low carbon economy is delayed, leading to more severe and disorderly policy action from governments to ensure that emissions are net zero by 2050	Increased transition risks due to a rapid transition in the early 2030s
No Additional Policy Action	No policy action takes place beyond that which has already been implemented. Temperatures have risen significantly by the end of the scenario	Increased physical risks due to more extreme weather events triggered by severe global warming

Our work followed the CBES exercise's principles, including:

- a focus on the asset side of the balance sheet;
- assuming that our portfolio would remain unchanged from year-end 2020;
- assuming that we would take no mitigating actions to adapt our business to the climate scenario in question, such as weighting our portfolios more heavily towards companies with more robust climate policies;
- where relevant, we assumed that companies would take no action to counteract the impacts of climate change.
- furthermore, as set out in the CBES specification, we assumed that property is immediately impacted by climate change.

While these assumptions are unrealistic, performing the scenario analysis on this basis provides valuable information as to the potential impacts of climate change on our current portfolio.

Section 2: Strategy

Results: corporate bonds and real estate finance

Table 6 sets out our corporate bond portfolio's position under each scenario and our view on what the outcome could be on our portfolio.

Table 6: Our corporate bond portfolio's position under each scenario

Scenario	Key risks	Our portfolio's position	Our view
Late Policy Action	Carbon-intensive sectors are likely to be heavily impacted by the rapid transition, due to higher carbon prices and other regulatory costs, leading to significant credit downgrades.	We have limited holdings in the sectors that are most sensitive to this scenario. Where we do have holdings, they are typically short-dated and weighted towards companies with strong business and financial profiles that are already implementing GHG emission reduction targets.	We expect that the companies we have holdings with would be able to adapt their business without suffering significant downgrades.
No Additional Policy Action	The physical risks presented by this scenario will challenge companies that operate with capital-intensive infrastructure assets and in high-risk geographies.	Our portfolio is weighted towards geographically well-diversified companies, with strong risk management policies and business profiles. We expect most of our holdings would be able to adapt to the challenges presented by this scenario.	We do not expect our holdings to suffer significant credit downgrades.

For our corporate bond portfolio, we modelled how each scenario may affect the credit rating of the debt issuer. This was performed using sector-based analysis and determining which companies are Leaders, Laggards and Followers to estimate rating downgrades on an issuer-by-issuer basis for the most carbon-intensive sectors.

For our real estate finance portfolio, we modelled how the credit rating would change under each scenario, taking into consideration the current credit rating of the borrower and environmental factors. Several other contributing factors were considered, such as the geographical diversity of the mortgages, the loan-to-value, and the age and design of the property on which the borrower's loan is secured. The market value impacts of each scenario were then modelled, taking into account transitions to lower credit ratings, as well as the market value shocks and interest rate pathways specified in the CBES.

The results of our corporate bond and real estate finance scenarios showed falls in the market values of our assets and drew attention to several key sectors that could be heavily impacted by climate change. These impacts highlight the importance of our targeted engagement approach in fixed income, focusing on the Followers and Laggards in the most carbon-intensive industries and weighting our portfolio towards the sectors and issuers that will drive the transition, instead of being hindered by it.

Section 2: Strategy

Results: property and equity-release mortgages

One of the more material risks facing our property and equity-release mortgage portfolios is flood risk, so in our scenario analysis we focused on this aspect under the two scenarios. For the property portfolio, we engaged with our external environmental consultants to understand the risk of flooding from rivers, the sea, surface water and reservoirs. For the equity-release mortgage portfolio, we used a combination of UK Government Environmental Agency data and the Office for National Statistics Postcode Directory to assess flood risk on each property. For both asset types we used the CBES residential property growth pathways under each scenario to model how property prices are expected to change over time.

Under both scenarios, there was limited impact to our property portfolio. This likely reflects the fact that few of our properties are high flood risk areas. Within our equity-release mortgage book, as at year-end 2020, only 8.5% of our properties were expected to be affected by higher flood risk, with the impacts being more severe under the No Additional Policy Action scenario.

Key conclusions and actions

Under these scenarios, the magnitude of the impacts of climate change risks on our insurance business's assets have a moderate impact on our balance sheet, with a relatively more severe impact under the No Additional Policy Action scenario than the Late Policy Action scenario. Overall, we believe our portfolio to be well-positioned to absorb the impacts of climate change, but the detailed results of the analysis highlight the importance of identifying and assessing climate risks in our investment decision-making and using effective stewardship to encourage firms to establish transition plans and adapt their business models.

As a result of the scenario analysis process, we have developed a key risk indicator in fixed income to track our aggregate exposure to the sectors we identified as most sensitive to climate-related downgrades, as a percentage of our insurance business's fixed income portfolio.

In the coming years, we hope to develop our understanding of transition risk through scenario analysis, aligning with our overall Sustainability Strategy.

Our plans for the 2022 scenario analysis

Expand scenario analysis to managed assets in CLAM

- Include a longevity scenario in the 2022 climate scenario modelling
- Develop qualitative product-level scenario analysis for customer funds

Disclaimer

The results of our scenario analysis solely reflect the scenarios considered and the assumptions made. These are not projections and do not reflect likely scenarios. Scenario analysis is merely a tool with which to investigate and understand potential impacts on our portfolio and where they could arise.

Section 2: Strategy

Sustainable Operations

In addition to integrating ESG considerations and climate-related risks into our investment portfolios, we are also aiming for net zero in our operations. Our operational emissions arise through our office use, our wider real estate holdings, delivering our products and services and our colleagues' work, as well as the suppliers and third parties that we work with.

We cover our approach to identifying climate-related risks in our property investment portfolio in the Responsible Investing section. In this section we discuss our approach to reducing carbon emissions in the offices that we occupy for our operations, which includes owned and leased offices. We currently occupy three offices in the United Kingdom – in Bristol, Potters Bar and London – and one office on the British Crown Dependency of the Isle of Man. Of these four offices, we own two buildings and lease two buildings. The key difference between owning and leasing the property is the level of control that we have over the emissions of the building, and therefore the approach we take to improving its sustainability.

Key Targets

Operational net zero (scopes 1 & 2 emissions) by 2030

Net zero by 2050 (including scope 3 emissions arising from our tenants)

Section 2: Strategy

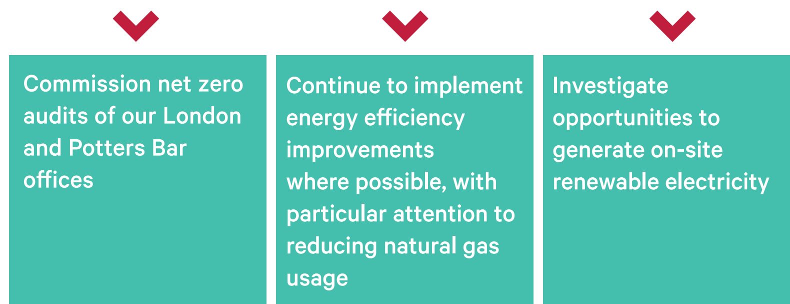
Owned offices

Over the past few years, through our reimagination programme, we have been redefining how we work through the core components of people, technology and workspace. We have delivered reimagined workspaces which inspire collaboration, agility and efficiency and underpin our strategic focus on integrating sustainability into how we work throughout our business.

To do this, we have commissioned refurbishments of our London and Potters Bar buildings. Alongside our aim of achieving a Fitwel accreditation, we made it a condition of our contractor's appointment that the refurbishment achieved a RICS SKA Gold rating, which we are happy to announce was achieved on both properties. The SKA rating measures fit-out projects against a set of sustainability good practice criteria.

These refurbishments, together with our long-standing focus on energy efficiency, have supported consistent reductions in the carbon emissions of our corporate occupied estate over the last seven years. These reductions have been achieved by:

- Rationalising the size of our corporate estate – in 2021 we moved out of one building that we had historically occupied at our Potters Bar location.
- Optimising the office heating and cooling set-up. This has included quick wins such as tracking the weather forecast when setting office temperature levels and technological improvements such as more efficient air conditioning filters.
- Rolling out LED lighting across our offices. Our London office now has 100% LED lighting, and we expect our Potters Bar office to reach that point by the end of 2023.
- Controlling all lighting in our offices with timed motion sensors and daylight sensors where practical.



Leased offices

In our leased offices, we have less control over the operation of the building, and therefore, to make substantial progress towards our net zero targets, we either need to change offices or engage the landlord to deliver change.

In 2021, we moved out of two office locations to promote more efficient use of the space that we occupy, and in the first half of 2022, we took the decision to move offices in Bristol to an EPC A-rated, BREEAM excellent, newly constructed building. We look forward to reporting on the impact of these decisions in our next TCFD report.

For our Isle of Man office, our ability to achieve operational net zero quickly is limited as there is a single utility supplier (Manx Utilities) for the Island. We are engaging with Manx Utilities to understand its transition plans and plans for improvement. For this reason, the Isle of Man is excluded from our net zero targets until we have a better understanding of how this office will reach net zero.

Waste

By the end of 2023, we intend to divert 100% of our waste from landfill both in our occupied offices and wider property portfolio, where we have control over waste operations and where infrastructure allows.

While it is important to minimise the waste we send to landfill, we also want to promote a circular economy by reducing our use of natural resources. We are increasing recycling options throughout our properties and intend to reduce our paper usage year-on-year from 2022. Reducing our paper usage is a challenging piece of work which will take place over a number of years and involve both digitalising our customer communications and eliminating unnecessary printing in the workplace. However, we are committed to achieving this ambition.

Business travel

The COVID-19 pandemic led to a substantial reduction in business travel, especially between our offices. Going forward, we are encouraging people to only travel for business meetings where there is a business benefit to meeting face-to-face. Currently, we measure business travel emissions from our very limited fleet (scope 1) and business mileage (scope 3).

Section 2: Strategy

Our employees

Our employees are a key part of our business and will play an important role in our journey to net zero. We are integrating a culture of sustainability into our workplace and every colleague is encouraged to show climate leadership and consider climate change in their decision-making.

There are several ways in which our employees are playing their role in our climate strategy. This includes helping us achieve our paper-reduction target by reducing their printer usage and identifying business areas where we can go paperless faster, taking part in our employee sustainability forum, which raises awareness of sustainability issues, and travelling to and from work by using low-emissions transportation. To that end, our employee benefit package currently includes a cycle-to-work scheme, and we continue to investigate how we can develop new initiatives that will support our employees in making more sustainable choices.

Since the COVID-19 pandemic and the formalisation of our blended working set-up, we expect that many of our employees will have increased their personal energy usage, for example by heating their homes for a greater proportion of the day. In 2022, we engaged with our employees to understand their homeworking carbon emissions. We want to help our employees reduce their environmental footprint and will use homeworking emissions data to investigate how we can help them achieve this.

Our plans for 2022

- Investigate electric vehicle options for our fleet
- Engage with our employees to promote sustainable behaviour and understand their preferences
- Review our travel and expenses policy from a sustainability perspective and consider how we can expand our measurement of emissions to wider business travel

Supply chain

Climate change has the potential to cause disruption to our supply chain, due to increasingly frequent flooding of production sites and disrupted raw material supplies.

Our approach to managing climate risks

To manage and mitigate potential supply chain disruption to our business, our Procurement and Supplier Governance Team is identifying our key suppliers and establishing a business resilience plan should any fail. We have also established a Procurement Outsourcing & Supplier Risk Management Policy, with eight key principles which are then reflected into our supplier questionnaire to effectively identify, assess and manage supplier risks. These are:

1. Engaging with suppliers who align our values and business ethics.
2. Seeking the best value for money alongside fit with our corporate objectives.
3. Ensuring fair and ethical treatment of suppliers.
4. Working with suppliers who provide high quality and responsible products or services.
5. Implementing a selection process ensuring thorough review of potential suppliers, including identification, management and monitoring of risks posed by supplier.
6. Engaging with suppliers promoting sustainable products or services.
7. Monitoring and reporting on supplier performance to ensure high-quality service levels and financial viability.
8. Working with suppliers who, and risk management processes that, meet regulatory and legislative guidelines for our operations.

Section 2: Strategy

Case Study – Pureprint

In 2021, our existing supplier for marketing print services chose to cease its commercial print business. Our new print supplier, Pureprint, was selected due to its exceptional environmental credentials in comparison to other suppliers considered.

The firm has an ISO14001-aligned environmental management system strives to educate its staff and customers and takes a leading role in driving environmental improvement within its industry.

A number of Pureprint's environmental certifications and policies contributed to our decision, some of which include:

- Becoming the first CarbonNeutral® printer in the world in 2002.
- Winning the Queen's Award for Enterprise: Sustainable Development three times.

Section 2: Strategy

Transitioning our supply chain to net zero

We have focused our efforts to date on mapping the impact of our financed emissions due to its materiality. However, the emissions of our supply chain are included in our scope 3 emissions, so it is important that we understand these emissions if we are to reach net zero by 2050. The climate data challenges are even more acute in the supply chain because of the relative immaturity of reporting in these areas of the economy. At present we plan to focus on gathering information on the emissions and transition plans of our supply chain over the coming years. We are also working with our key suppliers to establish sustainable supply chain standards.

Section 2: Strategy

Products

We want to use our platform, capabilities and influence to encourage our customers to make more sustainable choices and help reach a greener future for us all. Our aim is to incentivise and guide our customers towards sustainable decisions, both in their investments and in their wider lives.

The Bank of England's CBES exercise showed that the majority of the investment losses experienced by life insurers under the Late Policy Action and No Additional Policy Action scenarios fall on customers rather than shareholders. It is therefore critical that we understand and manage climate risks in our insurance products and help our customers to understand these risks as well.

Insurance

Climate-related longevity risk primarily arises in our insurance division through our annuity business. Once an annuity contract has been written, we are committed to paying the annuities over a long period of time. To ensure that we keep our promises to customers, we need to better understand the impacts of climate change on our customers' life expectancy.

While it has not been conclusively determined how climate change will impact life expectancy, insurers must consider multiple potential outcomes arising from climate-related risks. To investigate the impact of climate change on longevity risk, we have developed a longevity scenario where the net zero transition leads to a reduction in air pollution and our annuitants adopt healthier lifestyles, which is one of a range of potential outcomes on life expectancy. We are including analysis of this scenario in our 2022 stress and scenario testing.

Our insurance business's exposure to longevity risk is well-understood internally, and robustly managed through assumption reviews, risk monitoring and reinsurance. We will continue to monitor the impact of climate change on longevity risk to ensure that it is incorporated into our risk management processes appropriately.

Our approach to reinsurance

Where we share risks with reinsurers, we need to better understand the impacts of climate change on their businesses. If we fail to manage these risks appropriately, it will impact the affordability of, and access to, our products. Where reinsurers have a large exposure to general insurance risks (generated by damage to property by extreme weather), increased occurrences of extreme weather events may lead to more insurance claims and therefore impact their ability to pay us.

We monitor our existing arrangements on an ongoing basis and have counterparty risk limits to ensure that we are not overly exposed to individual reinsurers. Where collateral is put in place to protect our reinsurance arrangements, we also ensure that this collateral is sufficient to protect against the risk of reinsurer default.

Over the next couple of years, we intend to enhance our reinsurer due diligence questionnaire with a greater focus on climate change, and to develop metrics to score our potential reinsurance counterparties on their approach to climate change risks. These may also consider any proposed collateral arrangements to ensure that they are invested in sufficiently sustainable assets. Where our reinsurers have a limited focus on climate change, we will be engaging with them to encourage development in this area.

Our plans for 2022

- Include our climate plans in our bulk annuity offering
  - Investigate opportunities to expand product offering
- Include our longevity scenario in our 2022 climate scenario analysis
  - Review our reinsurers to heatmap the climate change risk in our reinsurance book

Section 2: Strategy

Our Wealth proposition

We offer more than 2,000 funds to financial advisers in our Wealth proposition. Our work with our investment portfolios suggests that the risks facing investments made through this side of our business are similar to those faced by our own investments. In the short-term, they typically reflect the transition risks of climate change and in the long-term they reflect the physical risks.

As discussed at the start of this section, the results of the Bank of England's CBES show that customers could be disproportionately impacted by climate-related investment losses. To protect our customers, we want to help their advisers and them to understand the risks that they face and impact of their choices. We commit to:

- Making year-on-year enhancements to the climate and wider sustainability information that is available to our customers, including information on the emissions of their fund choices.
- Strengthening our range of solutions that provide a positive climate impact.
- Improving how we hold external managers to account for the climate impact of the external funds offered through our proposition.
- Endeavouring to offer climate-friendly solutions and supporting prominent climate information within our proposition.

We hope that these actions will increase customer investment into climate-friendly choices and in doing so, support the net zero transition. We will begin work on the priorities set out below in 2022 and 2023.

Our plans for 2022

Explore how we can tailor our fund range to include sustainable fund options	Understand and disclose on the climate risks and metrics of our core range of funds	Enhance our external fund due diligence to have a greater focus on climate change
Investigate how we could highlight the sustainable funds offered on our website	Explore the changes that could be made to the core fund range to reduce financed carbon emissions	Gather climate metrics from external fund managers on the funds available on our platform

Customer proposition

We have a wide range of contact points with our customers across our suite of products, from individual annuities and group life and health insurance to equity-release mortgages and our Wealth business.

Section 2: Strategy

Opportunities

The transition to a low carbon economy will require unprecedented changes globally, both in the way we work and in the way we live. At Canada Life UK, we want to play our part in driving towards the global transition, and in doing so, protect the systems upon which our customers, employees, and ultimately our business, rely.

In early 2022, we hosted a series of workshops focused on the climate-related products and propositional enhancements that we could offer our customers which both build on our existing areas of expertise and meet the needs of our customers and wider business. We are exploring these ideas further and look forward to developing our customer proposition in the future. These identified opportunities include:

Responsible investment

- Funding the climate transition, through sustainable investments across our asset classes
- Developing sustainable, inclusive propositions which meet the needs of the climate transition

Sustainable operations

- Improving the sustainability of our offices and reduce our use of resources as a business
- Investigating potential employee benefits which support our employees in reducing their climate impact
- Developing sustainable, inclusive propositions which meet the needs of the climate transition

Section 3: Risk Management

Section 3: Risk Management

In this section we provide detail on the following recommended TCFD disclosures:

a.

Our processes for identifying and assessing climate-related risks

b.

Our processes for managing climate-related risks

c.

How processes for identifying, assessing, and managing climate-related risks are integrated into our overall risk management.

What we have achieved	What we are working on
Developed a better understanding of where climate risk manifests in our business, how we can measure, mitigate and monitor those risks Developed and run new climate scenarios Developed board climate management information	Enhancing our existing board climate management information and risk monitoring by building upon our scenario work and metrics

Climate change and other sustainability-related risks can have a negative impact on our business that can then cascade down to our customers, employees and other stakeholders. It is therefore important that we understand climate change and the broader sustainability risks that our organisation faces. Canada Life UK (and through us our customers) is exposed to climate-related risk across its activities in asset management, insurance and operations.

Using our established risk management processes, we continued to further integrate climate risk into our business-as-usual risk frameworks and developed our understanding of the materiality and nature of these risks. This section describes how climate change could impact the risks that our business faces and outlines our approach to assessing, managing and monitoring our exposure to these risks. At an asset level this includes identifying and reviewing emerging investment risks, such as climate risk, across asset classes through quarterly risk meetings attended by the senior leadership team, the Head of Credit and Market Risk, and the CLAM Managing Director. Through regular monitoring of assets, we can identify appropriate action to effectively manage our risks.

Section 3: Risk Management

Integration into our overall risk management

The Enterprise Risk Management Framework allows the board and management to set our risk strategy and risk appetite. Our risk strategy is designed to ensure the resilience of our business operations and sustainable growth.

Identification

- We have processes designed to identify new and emerging risks
- We understand and control the risks we face through regular reviews of the risk categories in our risk strategy

Measurement

- The quantification of our risk profile compared to our risk appetite and risk limits

Monitoring

- Monitoring our risk profile

Management

- Managing the risks we face, e.g. through reinsurance and hedging

Reporting

- Reporting on the existing and emerging risks we face and our exposures to these risks
- Risk reports are presented to senior management and provide information on changes in the risks faced and risk management

Climate change risk is incorporated into our risk strategy and risk appetite framework as a risk driver rather than a risk itself. This reflects how climate risks are likely to drive changes in other risks, such as longevity risk and credit risk as explained above. The impacts of climate change will vary depending on the timing and effectiveness of the net zero transition.

Section 3: Risk Management

Identified climate risks

Both climate change, and the global response to it, have the potential to impact our business. These impacts arise through two main categories of climate risk. Transition risks are risks relating to the transition to a low-carbon economy and a net zero world. The drivers of these risks include:

- Changes in policy and regulation
- Shifting sentiment and societal preferences
- Disruptive technology and business models

Physical risks are risks relating to the increased frequency and severity of climate-related events such as heatwaves, floods, wildfires and storms or long-term shifts in climate patterns that lead to rising sea levels or chronic heatwaves. These risks are driven by climate change itself.

We also consider a third risk factor – litigation risks – which relate to potential climate-related litigation against those responsible for the impacts of climate change. These losses can arise from either physical or transition risks and are considered under both.

The climate risks impacting our business and stakeholders are outlined in Table 7. These risks were identified through a series of workshops hosted by our insurance and operational business-units. Risks relating to our investments were identified through our standard risk management processes.

In the table we have used the following time horizons:

Short term: 1-10 years

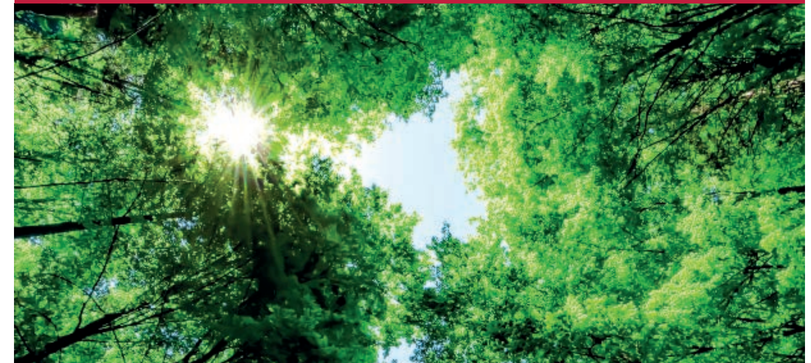
Medium term: 10-30 years

Long term: 30+ years

Typically, due to their nature, transition risks are more likely to occur over the short to medium-term as the economy transitions to net zero, and physical risks are more likely to increase in severity over the medium to long-term as the impacts of climate change materialise.

Risk management in practice

Within each asset class, our investment professionals identify and understand the relevant climate risks and perform climate risk assessments on an asset-by-asset basis. These risks factor into the decisions we make to deliver on our investment strategy. Serious risks may lead to a decision to not invest in an asset or, for existing investments, not to add to our existing holdings or to sell (in part or whole) our holdings. Other, less serious, climate risks will factor into our engagement or management strategy where we will actively advocate for positive change. The detailed bottom-up approach to risk is put into practice by our Fixed Income team. As we developed our methodology, our exposure to certain carbon intensive issuers has been flagged by our Credit Research team. In early 2022, this led to two issuers being selected for a reduction in our positions. The relevant fund manager, acting on the analysis provided by our Credit Research team, determined that the lack of hard emission targets and poor climate and wider environmental disclosure meant that these holdings should be reduced. There were other ESG factors that fed into this determination. The decision was reviewed and approved by the Fixed Income desk ESG risk review meeting, which involves members from Credit Research, Fund Management and is chaired by our CIO. As one position matures over the next couple of years, we have determined to let this run off unless an opportunity to divest arises. The other position which is of a longer duration will be reduced appropriately as opportunities arise. In the meantime, we will engage with the issuers to try to encourage better disclosure and target setting, seek to escalate our concerns and keep these positions under review.



Section 3: Risk Management

Table 7: Climate risks impacting our business

Type	Identified risk	Detail	Time-horizon	Our approach
Transition & Physical	**Changing nature of the risks that underlie our insurance products and services** **Longevity risk** **Mortality & morbidity risk** **Reinsurance counterparty risk** **Market risk**	We have considered the risk to our insurance business posed by climate change, which could impact: • how long our customers live • how likely our customers are to suffer from serious disease • how able our reinsurers are to meet their obligations to us and • the value of our liabilities to customers	Short, medium and long-term	We have established risk management processes for measuring, monitoring and managing each of those risk types. We also have a range of products that will not all react to those risks in the same way, which will mitigate the overall impact We are enhancing our scenario analysis to develop a better understanding of how climate change might impact how long our customers live
Transition	**Changing nature of reputational risks that we face** **Reputation** **Strategic** **Customer**	We have considered reputational risk and the negative impacts on customers', advisors', employees', and partners' perceptions of us if we: • fail to adapt our business model appropriately • fail to achieve our climate ambitions.	Short, medium and long-term	Our Sustainability Strategy, strategic objectives, and evolving approach help mitigate reputational risks that may arise We use our reputational risk monitoring framework to monitor these risks We are adapting our business to climate change, continuing to demonstrate our commitment to a low-carbon world and exploring potential climate-related products that we could offer to our customers

Section 3: Risk Management

Type	Identified risk	Detail	Time-horizon	Our approach
Transition	**Changing policy environment** **Litigation** **Regulatory** **Strategic** **Operational**	We have considered the risks to our business posed by shifts in climate-related regulation which may result in: • our business becoming more expensive to operate in the short-to medium- term • assets becoming harder to sell or prematurely losing value We have also considered the risks to our business as a result of litigation against us and our investee companies increasing if our current business practices, or those of companies we are invested in, are seen to be damaging to the climate, fail to align with current regulation or are misleading	Short, medium and long-term Medium to long term	We are actively monitoring regulatory developments, reducing the risk of changing regulatory requirements negatively impacting our business We believe that our Sustainability Strategy and climate commitments, alongside our regular cycle of risk identification, monitoring and management processes, will mitigate climate-related litigation risk
Transition	**Changing demand for our products and services** **Strategic**	As well as impacting how we assess the risks associated with our products, climate change may impact the products our customers need and desire	Short, medium and long-term	We have started to consider potential opportunities for developing our customer proposition to reflect these changing preferences

Section 3: Risk Management

Type	Identified risk	Detail	Time-horizon	Our approach
Transition & Physical	**Impacts on our assets, assets under administration or management** **Credit risk** **Market risk** **Strategic**	We have considered the risk to the assets that back our liabilities and the customer assets we administer and manage posed by climate change. This could impact: • whether the companies we invest in can meet their obligations to us, such as by paying back money they owe us. This may be particularly acute in sectors most exposed to transition and litigation risks such as oil and gas. These assets may prematurely lose value or become harder to sell • demand and supply for certain goods and products, triggered by transition impacts such as switching away from high carbon technologies. Supply and demand may be impacted by physical risks, such as intense weather impacting the availability of goods and disrupting supply chains which may impact prices and therefore impact: - whether the assets we hold generate the returns we need to meet our obligations to customers - our ability to competitively price our products and our cost base	Short, medium and long-term	We have existing risk management techniques for managing these risks in our business. For example, we explain in section 2 (Strategy) above how we have enhanced our asset management procedures to ensure that we identify and manage the climate risks in our investment activities We have established processes for managing large swings in prices which include closely matching assets and liabilities and contractual protections such as caps on price increases We will be further developing both our asset management techniques and our scenario analysis in this area in 2022 We believe that our Sustainability Strategy and climate commitments, which include our net zero targets and our engage, grow, reduce approach previously explained in this report will mitigate these risks

Section 3: Risk Management

Type	Identified risk	Detail	Time-horizon	Our approach
Transition & Physical	**Impacts on our business operations** **Operational risk** **Supply chain disruption** **Technological risks**	We have considered the risks to our business posed by climate change; these impacts could affect: • our operations, by disrupting our ability to safely open our buildings or for employees to travel to our buildings, as floods and heatwaves become more common • our supply chain - through physical impacts such as more extreme weather affecting key suppliers • the technology we use; we may need to invest in new technologies which could increase our costs base	Short, medium and long-term	We continually monitor and adapt our disaster recovery and business continuity management processes to ensure that they remain sufficient and appropriate in the event of a climate-related emergency. These processes monitor the resilience and ability of our buildings, systems and staff to adapt to extreme climate situations We are actively identifying key suppliers and building a business resilience plan to put into action if any area of supply should fail We are integrating technological innovations into our business operations and property portfolio; we view technological innovation and integration as key to reducing long-term costs and increasing productivity

Section 4: Metrics and targets

Section 4: Metrics and targets

In this section we provide detail on the following recommended TCFD disclosures:

a. The metrics used to assess climate-related risks and opportunities in line with our strategy and risk management process.

b. Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions and the related risks.

c. The targets used to manage climate-related risks and opportunities and performance against targets.

What we have achieved in 2021	What we are working on
We have determined our 2021 baseline We prioritised understanding the emissions from our shareholder funds We have covered listed equities, listed bonds, sovereigns, private placements, commercial real estate mortgages, equity-release mortgages and real estate We have set our net zero targets We have identified the metrics we will use and the methodologies we will use to calculate them to measure our impact on climate and progress against our targets	Expand the asset classes that we cover with our metrics Develop our understanding of our operational emissions, in particular, from our supply chain

We use a number of metrics within our organisation to track and assess our Sustainability Strategy. While we have made significant progress this year in expanding the climate data that we collect, we acknowledge that the data we have used to calculate our climate metrics is ultimately incomplete, as many industry participants are discovering. At present there is no widespread disclosure of climate metrics across the economy and the industry approach to calculating metrics is still evolving.

The metrics we have calculated should be used to indicate our trajectory to net zero and to understand the progress that we are making towards our targets, rather than the exact carbon emissions of our portfolio and operations. We are committed to improving our data coverage and evolving our methodologies in the coming years as the tools and data become more widely available.

Section 4: Metrics and targets

Our financed emissions targets

20% reduction in carbon intensity by 2025 against a 2021 baseline

50% reduction in carbon intensity by 2030 against a 2021 baseline

Net zero by 2050

This carbon intensity reduction pathway is for our shareholder funds where we can exercise control and influence. This means that the targets cover c.£32bn of assets, or c.77% of our total assets under management (AUM). Targets will be measured relative to our year-end 2021 position (the 2021 baseline). Due to the different characteristics of the asset classes we invest in, we expect that some asset classes will accelerate towards these carbon intensity reductions faster than others. As such, this target does not apply at asset class level.

We recognise that, as data coverage, calculation methodologies, industry best practice and guidance evolve, our climate metrics may temporarily deviate above or below a linear reduction path. However, we are confident that our Sustainability Strategy and approach to climate change will help us achieve these ambitious targets over the longer-term. We will report on our progress against these targets in each future TCFD report. We note that much of the change necessary to deliver on these targets is outside of our control. We can exercise influence over the assets, companies or governments we invest in but we cannot set strategy at the companies we invest in nor determine government policy, this will require concerted pressure from many different stakeholders. Alongside this are other macroeconomic and external factors which will impact our progress. We will aim to maximise our influence and voice to deliver on our targets.

Operational net zero (scope 1 & 2 emissions) by 2030

Net zero by 2050 (including scope 3 emissions arising from our tenants)

Within our operations, which includes our property portfolios, we have the following overall targets. By including our property portfolio within our operational net zero targets, we bring the proportion of our AUM with net zero targets to c.81%.

Section 4: Metrics and targets

Our investment portfolio

This section covers the carbon emissions associated with our shareholder funds and with our customer funds invested in our managed fixed income and equity funds. Note that the emissions from our property portfolio are included in our operational emissions, reflecting the greater control we have over these assets. To calculate our climate metrics, where appropriate, we have used methodologies set out in the Principles for Carbon Accounting Financials' Global Greenhouse Gas Accounting and Reporting Standard for the Financial Industry (PCAF). Suitable finalised PCAF methodology is not available for all asset classes outlined below, and in those circumstances we have developed alternative methodologies.

For this year's disclosure we are focusing on the scope 1 and 2 emissions associated with the assets that we invest in. As scope 3 emission data becomes more widely available, we will look to incorporate consideration of these emissions into our climate metrics where applicable.

Table 8 (a) sets out our preferred metric, weighted average carbon intensity (WACI), for each asset class. This metric shows us a portfolio's exposure to carbon-intensive assets. It is a measure of carbon intensity and so the lower the WACI, the better. Due to certain key differences between some of our asset classes, we have decided not to aggregate the WACI metric across the entire portfolio and instead have shown this for each asset class. The Appendix contains information on our climate metrics, as well as the data sources and the methodologies used to calculate them. Note that, as property is considered under operational emissions, as opposed to financed emissions, WACI is not disclosed for our property investments.

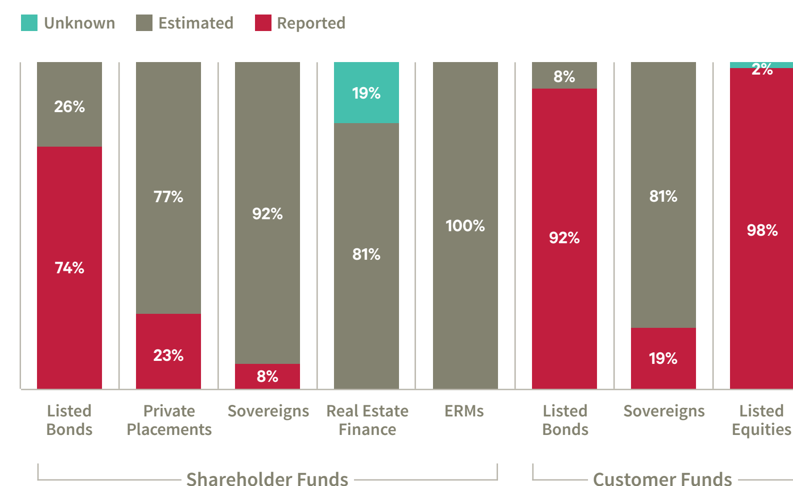
Table 8 (b) sets out data coverage by asset class split between reported data, estimated data and where it was not possible for us to obtain data for certain assets. As discussed in the Strategy and Risk Management sections, we are taking a number of actions to reduce the carbon emissions of our portfolio including improving the EPC ratings of our property-related assets, shifting our fixed income and equity portfolios towards sector-leaders, and increasing active engagement with our investees.

Table 8 (a): Financed Emissions: WACI for each asset class

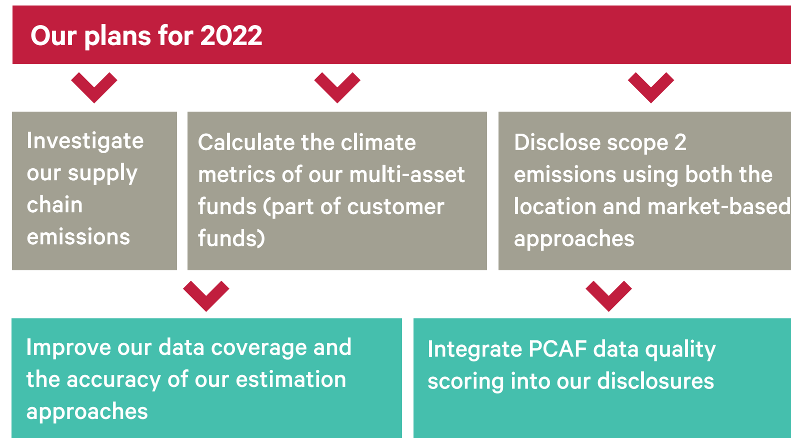
Asset Class	Weighted Average Carbon Intensity (WACI)
Units	(tCO2e per $m revenue/achievable rent[7]/PPP-adjusted GDP[8])
Shareholder funds	
Listed bonds	238.1
Private placements	41.3
Sovereigns	138.8
Real Estate Finance	201.55
ERMs	295.59
Customer funds	
Listed bonds	90.8
Sovereigns	165.7
Listed equities	178

[7]For Real Estate Finance and ERM [8]For sovereigns

Table 8 (b): Financed Emissions: data coverage by asset class



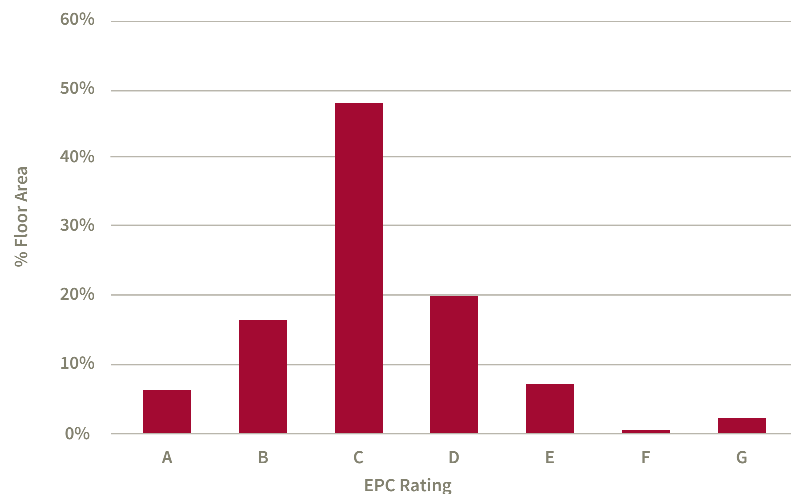
Section 4: Metrics and targets



Real Estate Finance: EPC ratings

Figure 7 illustrates the proportion of the floor area of the properties securing our real estate finance loans in each EPC rating. We are targeting an average EPC rating of C for new business by the end of 2024.

Figure 7: EPC ratings as a percentage of total floor area



Our operational emissions

Our operational emissions data include those of our property investment portfolio. Where we have control over energy procurement, these emissions are included in our scope 1 and 2 emissions. If our tenants have control over energy procurement, then the emissions are included in our scope 3, category 13 emissions. The metrics we disclose in this section are estimated in line with the GHG Protocol Corporate Standard methodology where applicable.

GHG emission type	Sources of emissions included in our scope 1, 2 & 3 GHG emissions
Scope 1	• Fuel used in both our owned and leased offices • Fuel purchased by us as landlords across our property portfolio • Vehicle fuels used in our company fleet • Refrigerants
Scope 2	• Electricity purchased and used in both our owned and leased offices • Electricity purchased by us as landlords across our property portfolio
Scope 3	• Water • Landfilled material • Waste to energy • Reimbursed mileage • Energy purchased and used by tenants • Our employees working from home

Section 4: Metrics and targets

Carbon emissions (tCO2e)	2021	2020
Scope 1	1,065	888
Scope 2 (location-based)	2,043	2,473
Scope 3:		
Category 5: Waste generated in operations (including water usage)	6	12
Category 6: Business travel	51	45
Category 7: Homeworking emissions	719	-
Category 13: Downstream leased assets	39,558	-
Total emissions	43,442	3,418

Corporate offices

Through the steps outlined in the Strategy section, we have achieved consistent reductions in the carbon emissions of our owned and occupied corporate offices over the past seven years.

Figure 8: Carbon emissions of the corporate offices that we own and also occupy

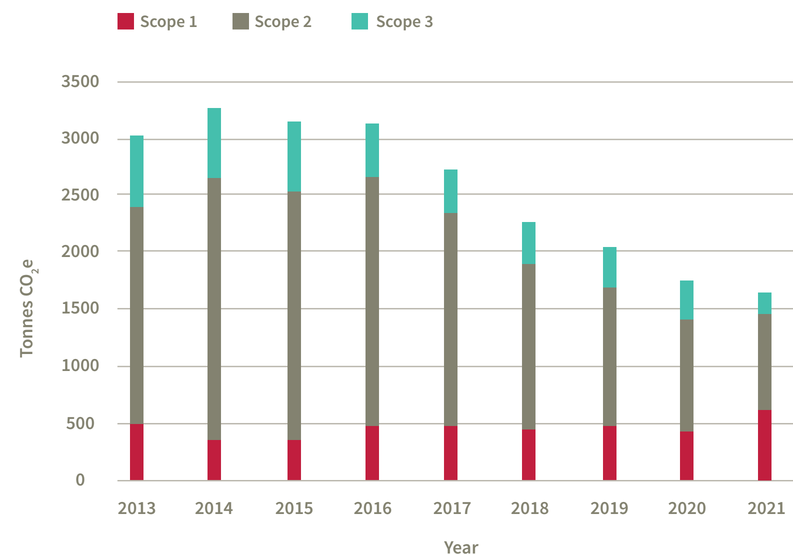


Table 10: Scope 1 and 2 emissions

	2021	2020
Scope 1 & 2 emissions from UK occupied offices per square metre	0.147	0.129
Scope 1 & 2 emissions from UK occupied offices per full-time equivalent employee	1.41	1.63

Section 4: Metrics and targets

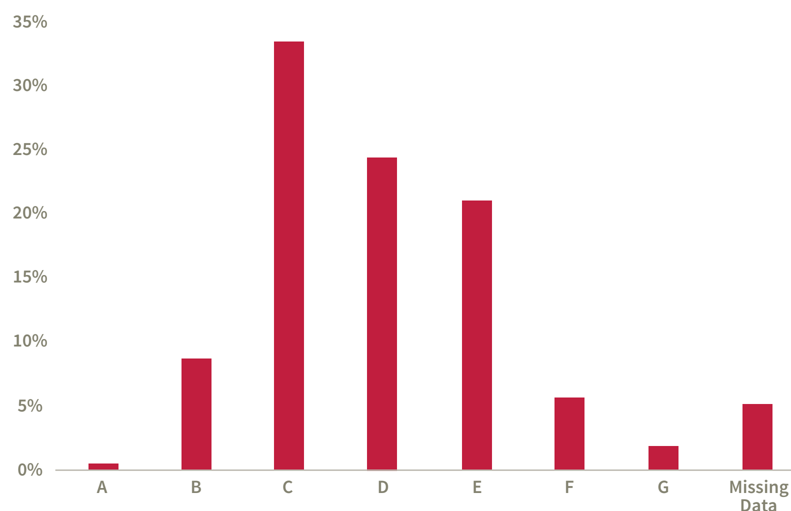
Property portfolio

To track our progress against the like-for-like operational carbon emission reduction targets for our IA fund and ACS, Table 11 sets out the carbon emissions of these funds.

Table 11: Carbon emissions of IA fund and ACS

Fund	Emissions	2021	2020	2019
IA	Scope 1 & 2	681	708	857
	Scope 3	33,147	-	-
ACS	Scope 1 & 2	640	807	1,168
	Scope 3	3,312	-	-

Figure 9: EPC rating as a proportion of the known floor area



We are targeting a minimum EPC rating of B by 2030 within our IA fund and ACS. For properties where that is not achieved, they will have a clear roadmap for EPC improvements within a three-year timeframe from 2030. Going forward, we aim to achieve a minimum standard of an EPC rating of C or better for all new major development and refurbishment projects.

Some properties, such as car parks and dockyards, have no EPC rating and limited comparables. This makes it challenging to make a reliable estimate of the EPC rating. In addition, we have been unable to reliably estimate the floor area of a small number of properties and as such these are excluded from the floor areas in the chart.

Global Real Estate Sustainability Benchmark

The GRESB scoring methodology has two components, with 30 points available for ESG management and 70 points for ESG performance. A higher weighting is placed on performance to encourage a focus on measuring actual environmental and social outcomes and impacts. GRESB also gives a star rating based on the quintile position of the fund's GRESB score relative to other participants.

Table 12: ACS and IA fund GRESB scores

	2019		2020		2021	
	Score (/100)	Green Stars (/5)	Score (/100)	Green Stars (/5)	Score (/100)	Green Stars (/5)
ACS	67	2	73	3	77	3
IA Fund	-	-	63	2	71	2

Our scores for both funds have improved year on year, and we are proud to announce that both funds achieved the maximum score of 30 for our management and governance at entity-level in 2021, highlighting the focus on ESG within our property portfolios.

We will continue to participate in the annual GRESB benchmarking assessment to provide comparable and reliable data on the ESG performance of our investments to help drive our decision-making and increase the sustainability of our property funds.

Section 4: Metrics and targets

Green certifications

To protect the value of our property assets and keep ahead of changing regulations, we aim to achieve asset-level green building certifications, including:

- **The Building Research Establishment Environmental Assessment Method (BREEAM)**, a sustainability assessment method used to evaluate the environmental performance of buildings.
- **The Fitwel certification**, which focuses on the health and wellbeing of building users.

Table 13: Green certifications in ACS and IA fund

Fund		2019	2020	2021
ACS	Number of certified assets	2	4	4
	Certified area, share of total portfolio (%)	27%	33%	33%
IA	Number of certified assets	N/A	4	4
	Certified area, share of total portfolio (%)	N/A	10%	10%

Disclaimer

This TCFD report is issued for information purposes only. Under no circumstances should the information and statements contained herein be used or considered as an offer to sell, or solicitation of an offer to buy, any security or other financial instrument. This document does not constitute investment advice.

Certain material in this document has been prepared by Canada Life on the basis of publicly available information and third-party sources believed to be reliable. Canada Life has not sought to independently verify information obtained from public and third-party sources. Accordingly, Canada Life does not represent, warrant or guarantee the originality, accuracy or completeness of any data contained herein. Canada Life shall have no liability for any errors or omissions in connection with any such data.

Canada Life may not achieve any, or all, of the expected benefits of our targets and initiatives (including the Sustainability Strategy) as set out in this TCFD report. Factors beyond our control, including but not limited to, market and economic conditions (such as the COVID-19 pandemic) and changes in laws, rules, regulations or climate and environmental reporting standards, may limit our ability to achieve some, or all, of the expected benefits of our targets, initiatives and Sustainability Strategy. In addition, ESG and climate change risks cannot be evaluated in the same way as more conventional financial risks. This leads to significant uncertainties underlying ESG and climate metrics which limit the extent to which data and metrics can be relied on. Undue reliance should not, therefore, be placed on the targets, initiatives and Sustainability Strategy in this document.

The inclusion of certain data and information in this TCFD report is not an indication that the data or information is material to our business, or our investors, or that such information is required to be disclosed in our regulatory filings.

All information, data and views of Canada Life herein are current as at the date of this TCFD report. As ESG and climate change standards and practices continue to evolve, our future TCFD reports may not allow a reader to compare metrics, data, targets and Sustainability Strategy to those set out in this TCFD report. In addition, our targets and Sustainability Strategy remain under review, and the data and metrics underlying these are also likely to evolve over time. As a result, certain information and disclosures in this TCFD report may be amended in future reports.

Appendix

Appendix

Climate metrics, data sources and calculation methodologies

Some of the content included in this section is of a technical nature. We have chosen to include it to ensure that the approach we have taken and the metrics we have calculated are transparent.

Investment portfolio

The table below describes the climate metrics that we use to understand our carbon emissions and track our progress towards our targets.

Metric	Description
Financed Emissions	Measures the absolute GHG emissions financed by our investments, expressed in terms of (metric) tonnes of CO2e. The lower the financed emissions metric, the lower our contribution towards climate change.
Carbon Intensity	Measures the financed emissions per million dollars invested. The closer the carbon intensity is to 0, the lower our contribution towards climate change.
Weighted Average Carbon Intensity (WACI)	Shows a portfolio's exposure to carbon-intensive assets and is measured by absolute GHG emissions divided by the revenue generated by the investment, expressed as tonnes CO2e per million dollars revenue. It is another measure of carbon intensity and so the lower the WACI, the better.
Average Energy Performance Certificate (EPC) rating	For property-related assets, such as our Real Estate Finance portfolio and equity-release mortgages, the average EPC rating provides us with a sense of how energy efficient the whole property portfolio is. EPC assessments are rated from A to G, with a rating of A for domestic properties and A+ for non-domestic properties deemed to be most efficient, and G the least; both in terms of fuel costs and CO2e emissions. To calculate this, we map the total GHG emissions per square metre of the properties underlying the calculation to the average emissions per square metre of properties within each EPC rating.
Data Coverage	The proportion of the investment portfolio (as a percentage of market value) on which the carbon metric was calculated. This is split by actual, estimated and unknown. The higher the data coverage, the more representative the metric will be of our portfolio.

Appendix

The table below outlines the different formulae used to calculate the financed emissions and WACI metrics for each asset class, as well as the mapping of each of our asset classes to a PCAF asset class.

Asset Class	PCAF asset class mapping	WACI (Tonnes CO_2e per million dollars revenue)
Listed bonds	Listed equity & corporate bonds	$\sum_{i=1}^{n} \left(\frac{\text{Market Value of Investment}_i}{\text{Current Portfolio Value}} * \frac{\text{Scope 1 \& 2 emissions}_i}{\text{Revenue}_i} \right)$
Private placements	Business loans & unlisted equity	$\sum_{i=1}^{n} \left(\frac{\text{Market Value of Investment}_i}{\text{Current Portfolio Value}} * \frac{\text{Scope 1 \& 2 emissions}_i}{\text{Revenue}_i} \right)$
Sovereigns	Sovereign (draft)	$\sum_{i=1}^{n} \left(\frac{\text{Market Value of Investment}_i}{\text{Portfolio Value}} * \frac{\text{Total National GHG Emissions}}{\text{PPP - adjusted GDP}_i} \right)$
Listed equities	Listed equity & corporate bonds	$\sum_{i=1}^{n} \left(\frac{\text{Market Value of Investment}_i}{\text{Portfolio Value}} * \frac{\text{Scope 1 \& 2 emissions}_i}{\text{Revenue}_i} \right)$
Real Estate Finance and ERMs	Commercial real estate (REF) Mortgages (ERMs)	$\sum_{i=1}^{n} \left(\frac{\text{Market Value of Investment}_i}{\text{Portfolio Value}} * \frac{\text{Scope 1 \& 2 emissions}_i}{\text{Achievable Rent}_i} \right)$

Note that:

- PPP is defined as purchasing power parity; and
- n is equal to the number of assets held in the portfolio

Appendix

Listed bonds & private placements

We have used data from Sustainalytics and ISS to provide information on the carbon emissions of each issuer. For listed bonds, where there were gaps in the data, we have estimated the carbon emissions based on the sector average carbon intensity of the sector in which the issuer operates. The data coverage is significantly lower for private placements, due to poorer levels of disclosure in the private markets. For private placements, our estimation approach varies depending on the nature of the asset. Here we have either used the sector-based estimation approach set out above, or, in the case of issuers used the relevant sovereign data where appropriate (see below).

While these estimation approaches reduce the overall quality of our climate metrics, they provide an indication of what the carbon emissions of these assets could be. We expect to reduce our use of these proxies as more issuers disclose their metrics and climate data coverage improves across our portfolio.

Sovereigns

We used national emissions intensity data from Sustainalytics to calculate the total national GHG emissions for each country. Where we are invested with supranational entities, the entity's emissions are primarily calculated based on the country in which it is domiciled.

The methodology used to calculate emissions from our sovereign bond investments is based on draft consultation methodology from PCAF. As such, our approach may change next year upon finalisation of the consultation. We will clarify any material differences in next year's disclosure.

Equities

The carbon emissions of our equity portfolio are obtained from ISS which provided complete data coverage of our investments except for our investments in exchange-traded funds (ETFs). Where possible, we supplemented the ISS data with the climate metrics of the ETFs in which we are invested.

Real Estate Finance (REF)

The carbon emissions of our REF portfolio are estimated using the EPC rating of the property and information from the GRESB Global Database on the average energy usage per square metre for properties in a given EPC rating. The EPC ratings were sourced either from new lending due diligence, from the borrower, or from the EPC register. It should be noted that EPC ratings are current as at the last inspection date by the energy assessor and thus, may no longer be representative of the building. Where we have been unable to source an EPC rating, we have estimated the EPC rating using expert judgement based on our knowledge of the properties. To calculate the WACI, we obtained rental values from our valuers. Going forward, we are looking to improve our estimation of carbon emissions, for example by including additional property-specific factors such as the property type and the location.

Equity-release mortgages

To estimate the carbon emissions of our ERMs, we used EPC certificate data from the UK's EPC register. For a given property, where the EPC certificate of the property itself was available, we used the estimated annual carbon emissions set out in the certificate. These are based on the year in which the energy efficiency assessment was performed. Where the EPC certificate was not available, we estimated the carbon emissions based on those of properties nearby, considering factors such as the property type, floor area and main fuel type where those details were available.

Figure 10 shows the frequency of use of each method to calculate the emissions for ERMs.

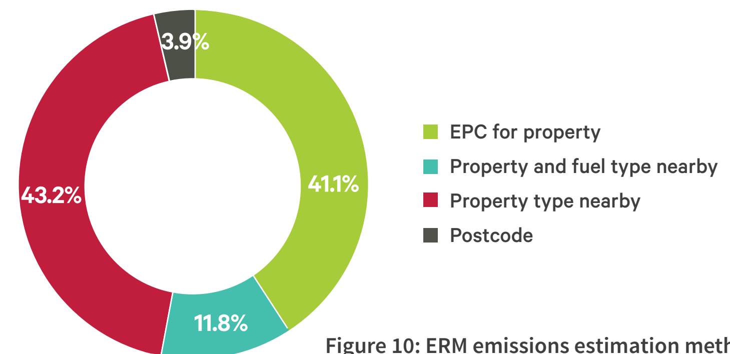


Figure 10: ERM emissions estimation methodology

Appendix

Use of current data

The outstanding loan balances, portfolio values and market value of the investments are all as at calendar year-end 2021. For scope 1 and 2 emissions and EVIC, we are reliant on the relevant company's disclosures and the timing of them. As such, the values used are a combination of year-end 2019 and year-end 2020 reporting. Within our ERM and REF portfolio, as well as the Property portfolio (see below), the carbon emission information is estimated from EPC certificates and so was current as at the last inspection date by the energy assessor.

Double counting

When aggregating the other climate metrics, there will be an element of double counting included in these aggregated metrics. A key area where this arises is in the sovereign asset class because the national GHG emissions of each country include those of the activities taking place within the country. For example the emissions from UK-based corporates are included in the UK national emissions.

Baseline carbon intensity

We have a number of triggers that could lead to us recalculating our baseline carbon intensity. These include, but are not limited to:

- Major methodology changes;
- Mergers or acquisitions;
- A fundamental change in our asset allocation, for example a substantial investment into a new asset class; and
- Changes to the business or business plan that affect our climate risk management strategy and require new metrics or changes to existing metrics.

We would consider a baseline recalculation if it is believed that the recalculation would change the baseline by 5-10%. However, we are reliant on the recalculation being feasible, for example, the data being available for the baseline year to recalculate the metrics.

Operational emissions

Data sources

To estimate the carbon emissions of our property portfolio, we used actual metered data from SIERA, together with the UK's Department for Business, Energy & Industry Strategy's GHG conversion factors 2021. Where our tenants purchase energy and where we do not receive metered data, we estimated their emissions based on either tenant data from previous years or based on information from GRESB, similar to the approach used in the REF portfolio. For a few properties where we did not have EPC data but there were appropriate comparables, we made an estimate of the EPC rating or the emissions intensity per square metre for the purposes of the calculation.

Our parent company worked with Energy Advantage, an energy management company, to estimate the emissions from our occupied premises primarily based on invoice data.

Scope 2 emissions

While we purchase renewable electricity for our owned properties, we have been unable to obtain REGO certificates from all providers for the entirety of 2021. We plan to disclose under both the market-based and location-based methodologies next year.

The market-based method is based on the actual GHG emissions emitted by our electricity providers, taking into account the fuel source of the electricity. Whereas the location-based method is based on the average GHG conversion factors for a defined geographic location - in our case the UK - the location-based method does not consider the fuel source of the electricity.

Homeworking Emissions

We have estimated our homeworking emissions using the methodology set out in the EcoAct Homeworking Emissions whitepaper, along with estimated and actual data on office occupancy over 2021. To inform a key assumption in the methodology, we undertook a staff survey to understand how many of our colleagues may have used more heating as a result of working from home.

Appendix

Documents Referred to in our Report

+ Annual Stewardship and Engagement Report
+ Voting Policy
+ Real Estate Net Zero Pathway
+ Real Estate ESG Policy

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