Generation Investment Management Climate and Nature Report & Transition Plan

June 2024

Generation Investment Management
is a pure-play sustainable investment manager –
it is all we do, and all we will ever do.

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Introduction

OUR WORLD AND INVESTMENT PHILOSOPHY

We see long-term investing as best-practice and sustainability as the organising construct of the global economy.

We use environmental, social and governance (ESG) factors as tools to evaluate the quality of business and management. We believe this approach reveals important and relevant insights that other investment frameworks may miss, and that ultimately lead to superior, risk-adjusted investment results.[1]

Generation has been investing in public equity markets for 19 years and in private markets for over 15. As of year-end 2023, Generation has four investment strategies and one investment business: our Global Equity and Asia Equity strategies in the public markets, and our Growth Equity and Private Equity strategies in the private markets. Separately Generation established a subsidiary, Just Climate, in 2021.

Consideration of climate change, and closely linked issues of deforestation and nature loss, have been central to Generation's investment philosophy since its founding and are part and parcel of how we integrate sustainability factors into our investment process. From the start of our journey, we recognised the need to build greater awareness of climate and nature-related assessment among financial and non-financial companies alike. As such, we have helped launch and support several initiatives that we believe can accelerate the transition to a sustainable economic system. In 2016 we were part of the founding membership of the Taskforce on Climate-Related Financial Disclosures (TCFD), which has been a key partner in our work to advocate for tools and frameworks to standardise disclosure. We now welcome the International Financial Reporting Standards (IFRS) Foundation's expansion, through the formation of the International Sustainability Standards Board (ISSB) in 2021, to provide IFRS sustainability-related disclosure standards. In our view, this is paving the way to regulation across jurisdictions that can result in consistent and comparable corporate disclosure. IFRS S2 has replaced the TCFD disclosure recommendations, as the IFRS Foundation has adopted the TCFD's responsibilities starting in 2024. In 2023 Generation also welcomed the launch of the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations, and we expect to see these recommendations improve corporate disclosure on nature-related dependencies, impacts, risks and opportunities.

Developments at TCFD, IFRS and TNFD have highlighted how deeply intertwined considerations of climate and nature are. Some aspects, such as deforestation, are within both frameworks, some elements are positively reinforcing and others require trade-offs. What is clear is that addressing climate disclosure through IFRS S1 and S2 and other frameworks already requires incorporating some aspects of nature. TNFD adoption and the implications of the Global Biodiversity Framework will require an even more comprehensive assessment of nature alongside climate. We believe that it is rapidly becoming good practice for organisations to develop integrated climate and nature reporting frameworks and transition plans.

[1] Although Generation seeks to deliver superior investment results, there can be no guarantee this goal will be achieved.

We need a financial system in which all financial institutions and capital allocators integrate climate and nature into their decisions across all asset classes. While we need governments to step in where markets can't succeed on their own, we believe finance must act with or without government policy, because in our view managing climate and nature risks and opportunities is our fiduciary duty.

We believe that ensuring the integrity of net-zero investing, reporting our progress and encouraging our peers and our portfolio companies to do the same are essential to industry-wide progress. Consistent disclosure of climate and nature considerations is the key to enabling all companies, managers and owners to assess their exposure and opportunity. We look forward to continuing to learn and collaborate alongside our portfolio companies and peers in accelerating a long-term, sustainable transition.

REPORT COVERAGE

This Climate and Nature Report (the "Report") covers the period 1 January to 31 December 2023 and seeks to align with the TCFD Recommendations and Recommended Disclosures.

This report is also published in satisfaction of the TCFD entity-level disclosure obligation applicable to Generation Investment Management LLP ("GIM") under chapter 2 of the UK Financial Conduct Authority's ESG Sourcebook ("ESG 2") with respect to its TCFD in-scope business relating to the investment advisory and portfolio management services delegated to it with respect to the Global Equity, Asia Equity, Growth Equity, Private Equity and Just Climate strategies.

Just Climate LLP is an Appointed Representative of GIM and has been appointed to provide investment advisory services to GIM with respect to the management of the Just Climate strategy.

For the purposes of compliance with ESG 2, references in this report to the approach taken by Generation with respect to climate-related risks and opportunities should be understood as referring to GIM with respect to the business as a whole, including Just Climate LLP and each of the five strategies. Where approaches differ between strategies, the Report refers to "Global Equity," "Asia Equity," "Growth Equity," "Private Equity" and "Just Climate," as appropriate.

In the reasonable view of the Board of GIM the disclosures in this report comply with the TCFD Recommendations, and entity-level reporting requirements set out in chapter 2 of the FCA's ESG sourcebook.

OUR TRANSITION PLAN

Generation's transition plan consists of two major components. The first is the transition of our investment portfolios to net-zero GHG emissions consistent with a 1.5C pathway by 2040. The second is our operational transition plan, which also sets a net-zero target of 2040. The Glasgow Financial Alliance for Net Zero (GFANZ) Recommendations and Guidance on Financial Institution Net-zero Transition Plans and Investor Agenda guidance on Investor Climate Action Plans (ICAPs) have informed the development of Generation's transition plan. Our transition plan seeks to exceed the ambition of the UK's national net-zero target, which aims to achieve a 100% reduction of GHG emissions by 2050.

Our transition plan already incorporates some aspects of action on nature such as deforestation. We believe that further elements of nature will need to be incorporated into our transition plan over time.

OUR INVESTMENT PORTFOLIOS

Generation has set a goal of aligning all of the investment portfolios we manage with net-zero GHG emissions by 2040 or sooner, and notified our clients of this in July 2020. We believe that it is right for us to set an early goal for net-zero GHG emissions given our mission to promote sustainable investing. Our corporate climate action standard – net-zero emissions by 2040 – is required if we are to meet our net-zero goal and is within the thresholds of what is required if the world is to achieve the Paris Agreement.

Following our commitment in 2020, we worked with peers and partners – in particular the Institutional Investors Group on Climate Change (IIGCC) – to establish the Net Zero Asset Managers initiative (NZAM): a coalition of like-minded managers committed to supporting the goal of net-zero emissions by no later than mid-century.

The initiative now has more than 315[2] signatories from around the world, with a combined USD 57[2] trillion of assets under management (over half of all assets under management globally), recruited through the work of several groups, including IIGCC and Ceres, and with the support of the High-Level Champions for Climate Action, which our Foundation supported in the run-up to COP 26. As an NZAM signatory, we are committed to publishing IFRS S2 (formerly TCFD) disclosures annually, including a climate action plan, to show that the approach we apply is based on a robust methodology and that action is being taken in line with our commitments.

INTERIM TARGETS

We have set interim targets of:

- **60%** Science Based Target (SBT) coverage across all assets under management by 2025
- **100%** of investee companies to adopt SBTs by 2030

In both cases portfolio company SBTs refer to targets **that have been validated** by the Science Based Targets initiative (SBTi). SBTi is an organisation that has developed and launched net zero standards, providing the framework and tools for companies to set science-based net-zero targets and limit global temperature rise above pre-industrial levels to 1.5 °C.

Because the majority of our assets are in our Global Equity and Private Equity strategies, and the businesses invested in are generally more mature than those in Growth and Just Climate funds, this puts added impetus on the Global Equity and Private Equity teams to ensure that the investee companies within the strategies are setting, and progressing towards, ambitious science-based targets. We do this through multiple avenues, but primarily through engagement. Please see more in the section titled 'Engagement on climate risks and opportunities.' We acknowledge the difficulty of ensuring that 100% of our investee companies set these targets in portfolios where we do not take a controlling position, such as in the Global Equity fund. However, we believe that it is necessary to set our level of ambition high and to put every effort into achieving it.

The following table outlines the proportion of each strategy's assets under management (AuM) or assets under supervision (AuS) that is invested in companies that are participating in the Science Based Targets initiative and then shows the extent of portfolio coverage by validated targets, all as of December 2023. It is critical to the fulfilment of our targets that companies' commitments to set SBTs are followed through and result in validated targets.

[2] As at June 12th 2024

Generation Investment Strategy / subsidiary	Strategy type	Proportion of invested capital in companies within the Science Based Targets initiative (committed or validated)	Proportion of invested capital invested in companies within the Science Based Targets initiative (validated targets only)
Global Equity	Public markets	71%	53%
Asia Equity	Public markets	31%	19%
Growth Equity	Private markets	17%	11%
Private Equity	Private markets	100%	0%
Just Climate	Private markets	31%	0%
Total		**75%**	**35%**

Source: SBTi and Generation in-house analysis. The figures are calculated based on invested capital i.e. excluding cash

OUR OPERATIONS

As a business with fewer than 200 full-time employees, Generation's operational footprint is relatively small. Our firm's direct environmental impact is primarily driven by the operation of our offices and business travel. We aim to minimise our carbon footprint and use of environmental resources through our sourcing decisions and carbon compensation programme, as well as through promoting behavioural changes amongst employees, suppliers and other stakeholders.

We made a formal commitment ourselves in July 2023 to submit a Science Based Target to SBTi for validation within the next two years. We hold ourselves to the same standards to which we hold our investments, and are committed to achieving net-zero emissions in our own business operations by 2040.

OUR OFFICES

Generation has designed its offices to minimise the environmental impact of its operations. Both offices are located centrally and are well served by public transport facilities. In London, our office at 20 Air Street achieved the 'Excellent' rating by BREEAM (Building Research Establishment Environmental Assessment Method). In addition to a rainwater harvesting system, an intelligent lighting system is in place to maximise natural light and limit wastage. A biodiverse sedum roof improves insulation and supports the local bee population. The interior modelling has the 'SKA Gold' rating. Similarly, our San Francisco office is located in a building that has been re-certified as Platinum for the LEED E-BOM,[3] which applies to existing builds. Both offices have on-site processes for the separation, collection and recycling of different types of waste materials, including food waste. We work closely with building management on an ongoing basis to prioritise sustainability and our London office landlord is committed to emissions reductions consistent with net-zero emissions by 2040 or earlier.[4]

SUPPLIERS

Business-related sourcing decisions include local travel and office supplies, where we choose sustainable suppliers wherever possible. We assess our suppliers against a framework that includes questions relating to their ESG practices. We aim to engage local suppliers where possible, or those that already service our building with the aim of reducing travel and consolidating deliveries. In 2020 we implemented an internal Environmental Management System (EMS), which provides us with a framework to monitor resource use, reduce waste, mitigate environmental risks and improve our sustainability efforts. In 2022 we initiated a process to encourage suppliers to set their own 2040 net-zero targets and will continue to engage on this theme. For some of our largest suppliers we have started to introduce contractual commitments, within our terms of business, outlining the supplier's decarbonisation schedule.

SKILLS AND CULTURE

We are working with external consultants on understanding more deeply all material aspects of our operational emissions and the levers we have, establishing interim targets and determining how to track progress. Our emissions have rebounded following the pandemic, due to increased headcount, office occupancy and the return of business travel.

[3] https://www.555mission.com/the-building

[4] https://assets.ctfassets.net/nv65su7t80y5/49U5gjc0VYt6QxStDXhtNI/f938112753623c4577b311e7684b7ca1/net-zero.pdf

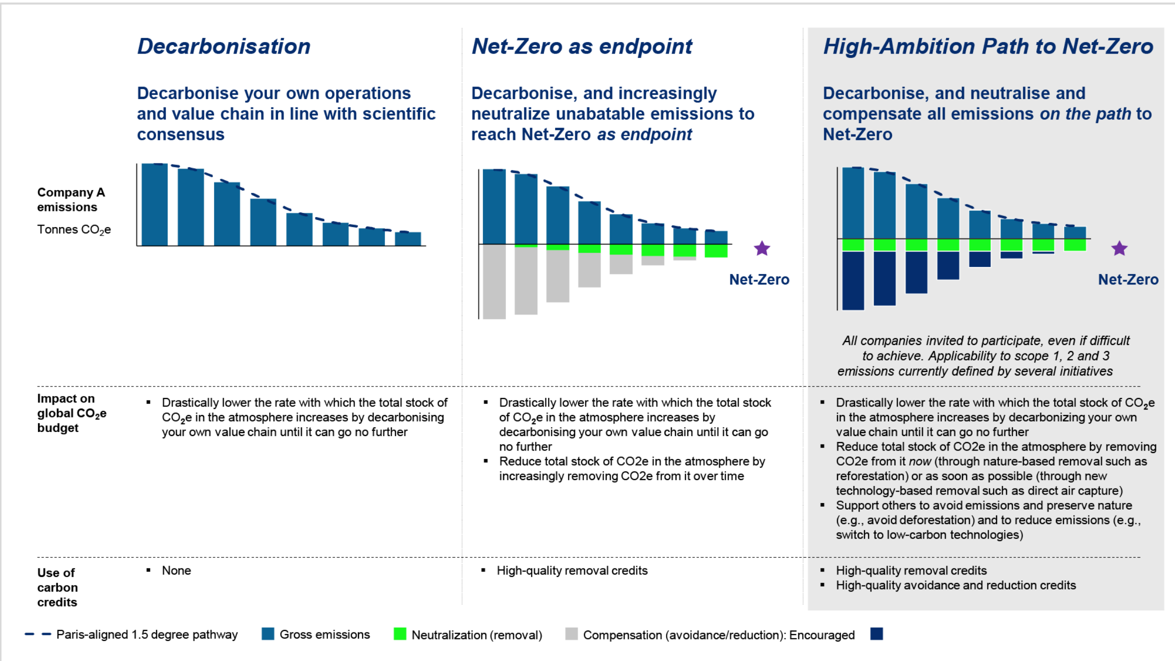
GENERATION INVESTMENT MANAGEMENT'S CARBON FOOTPRINT (tCO_2e)	2023	2022
Scope 1	9	11
Scope 2 (Location Based)	98	105
Scope 2 (Market Based)	51	61
Scope 3[5]	155,299	174,840
Emissions per full-time employee[6]	0.41	0.42
Water consumption (m^3)	273	280
Tonnes of waste produced	13	11.9

CARBON COMPENSATION

Alongside science-based emissions reduction, Generation is committed to beyond-value-chain compensation on an annual basis for the carbon emissions of our business activities. We base the measurement of the firm's business activities on our office use (i.e., our Scope 1 and 2 emissions), as well as the carbon emissions created by business travel, waste, couriers and commuting. We consult with third parties to apply widely accepted emissions factors to measure our travel, energy use and household data. Whilst we appreciate that carbon credits do not provide a complete solution, they contribute to mitigating our overall environmental impact while we work to reduce our emissions to as close to zero as possible. For our 2023 carbon compensation programme, we created a portfolio of credits, including emerging carbon removal technologies with a high degree of permanence. We work with a specialist platform to select the portfolio of credits. The platform helps to ensure high-quality credits by requiring that every project listed has its methodology, project and outcomes verified by a third party.

This approach has been characterised by Mark Carney and others as the 'High-Ambition Path to Net-Zero' and is represented in the infographic below.

Figure 1: High-Ambition Path to Net-Zero



Source: Taskforce on Scaling Voluntary Carbon Markets

[5] See the Appendix for a breakdown of Scope 3 emissions.

[6] Scope 1 and market-based scope 2 emissions per full-time employee (FTE)

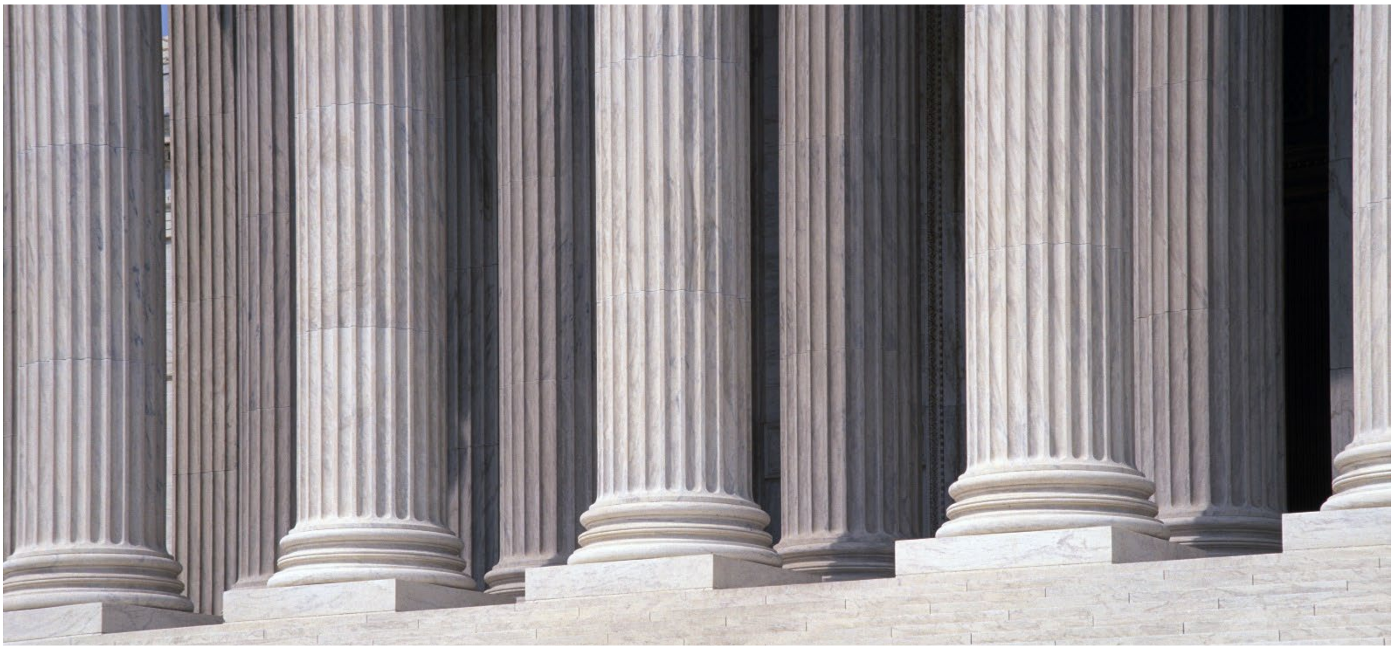
Governance

Generation has established a governance framework designed to allow for investment management, business development and client relationships, as well as operational control and risk management, to be reviewed independently through a number of committees and oversight groups.

The key sponsor of the governance and the control and risk management environment is the Senior Partner, who has a role similar to a Chief Executive Officer. The Senior Partner, David Blood, has ultimate oversight of Generation's transition plan, supported by the Management Committee and specifically Lisa Anderson, Partner and Chief Operating Officer with responsibility for Corporate Services and Risk.

The full committee structure supporting and monitoring the Senior Partner is as follows:

– **The Management Committee** (which is the firm's governing body)
– **The Risk Oversight Group** (the "ROG," which is chaired by an independent non-executive officer and implements the Risk Management Statement approved by the Management Committee)
– **The Valuation Oversight Group** (the "VOG," which implements the Valuation Policy approved by the Management Committee)
– **The Remuneration Committee** (which implements the Remuneration Policy approved by the Management Committee)
– **The Conflicts Committee** (which is responsible for reviewing and thereafter recommending to the Management Committee changes to the Conflicts of Interest Policy as well as supporting Generation's conflict management).



INCENTIVES

Generation is an independent, private, owner-managed partnership.

Partners and employees have always participated in the firm's profits. Combating climate change and accelerating transition is fundamental to Generation's mission and this is reflected and embedded into all our business and people practices. Our Remuneration Committee has been considering options on how to further refine the link between end-of-year compensation for named senior individuals and our 2025 and 2030 climate targets to reflect accountability for these.

In addition to the remuneration considerations for the whole firm set out above, Just Climate has built climate impact into their own performance fees:

IN THE SPOTLIGHT

Just Climate impact-adjusted performance fee

Just Climate exists to catalyse and scale capital for transformational solutions with the highest climate impact and attractive market returns.[7] It has therefore developed an innovative impact-adjusted performance fee designed to motivate pursuit of the highest-impact climate solutions alongside the generation of attractive risk-adjusted financial returns on those investments. The performance fee starts with financial performance similar to a traditional carry structure but is then adjusted by an Impact Factor, with a multiplication range of 0–100%. The Impact Factor is a ratio where the numerator is a weighted average of the GHG emissions abatement achieved by the portfolio measured over a 10-year period and the denominator is an ambitious fund-level GHG emissions abatement target. Just Climate defines expected GHG emissions abatement as the forecasted GHG emissions a specific investment is expected to abate over 10 years, compared to a baseline scenario, based on a realistic business model, including any GHG emissions removed from the atmosphere, measured in tonnes of CO_2 equivalent.

LEADERSHIP OVERSIGHT OF CLIMATE AND NATURE-RELATED RISKS AND OPPORTUNITIES

The Management Committee provides a forum for the Partners to ensure that the business is being run in accordance with the Partnership Agreement. It oversees resourcing and strategy, including with regards to managing climate change and nature outcomes and associated risks and opportunities.

Given Generation's mission and integration of sustainability research into investment processes, climate-related issues are considered when developing strategy, overseeing risk and setting performance objectives as a matter of course. The Management Committee maintains ultimate responsibility for the integration of climate and nature considerations into our business processes.

A significant number of the firm's Management Committee has been with Generation since its founding and several members have expertise in climate science, biodiversity and conservation, climate policy and the implications for businesses. Our Chairman is the founder of the Climate Reality Project, which seeks to promote education related to climate change. Our Senior Partner is Chair of the Global Board of Directors of the World Resources Institute. A member of the Management Committee serves on the Board of Conservation International and a second on its Leadership Council. Another member of the Management Committee sits on the Council of Trustees of Fauna & Flora International. Finally, another member was previously CEO of the Impact Management

[7] Although Just Climate seeks to deliver the highest climate impact and attractive market returns, this is an aspiration and there is no guarantee this goal will be achieved.

Project and led the establishment of the ISSB. Since Generation's founding in 2004, the Management Committee has been critical in developing our integrated investment process and shaping the firm's research and advocacy agenda with respect to climate change and nature.

Across every business line of the firm, including Just Climate, business unit heads are also responsible for confirming the risks they are exposed to within their respective groups and reporting this accordingly to the ROG via a central risk register. These risks include climate-related issues. Results are reviewed by the ROG and communicated to the Management Committee when necessary.

With respect to the firm's operational footprint, Generation's Environmental Management System is reviewed internally by the Chief Operating Officer. The Management Committee reviews the EMS on a quarterly basis to appraise a summary of findings related to completed actions, updated aspects and impacts or improvements made. The EMS is reviewed by external auditors on an annual basis. The ROG and Management Committee receive annual updates on the firm's carbon compensation programme with a focus on recommended emissions reduction targets and suggested carbon compensation. The Environmental Steering Committee (ESC) meets monthly and develops and monitors the implementation of Generation's environmental objectives: to reduce the negative environmental impact of our business operations and continually improve our environmental performance.

EMBEDDING SUSTAINABILITY ACROSS OUR INVESTMENT TEAMS

Our investment leadership and teams are resourced with sufficient analysts to allow for the integration of sustainability research within fundamental equity analysis and deep stewardship with the companies in which we invest. Our teams focus on what a given business does, as well as how the business operates.

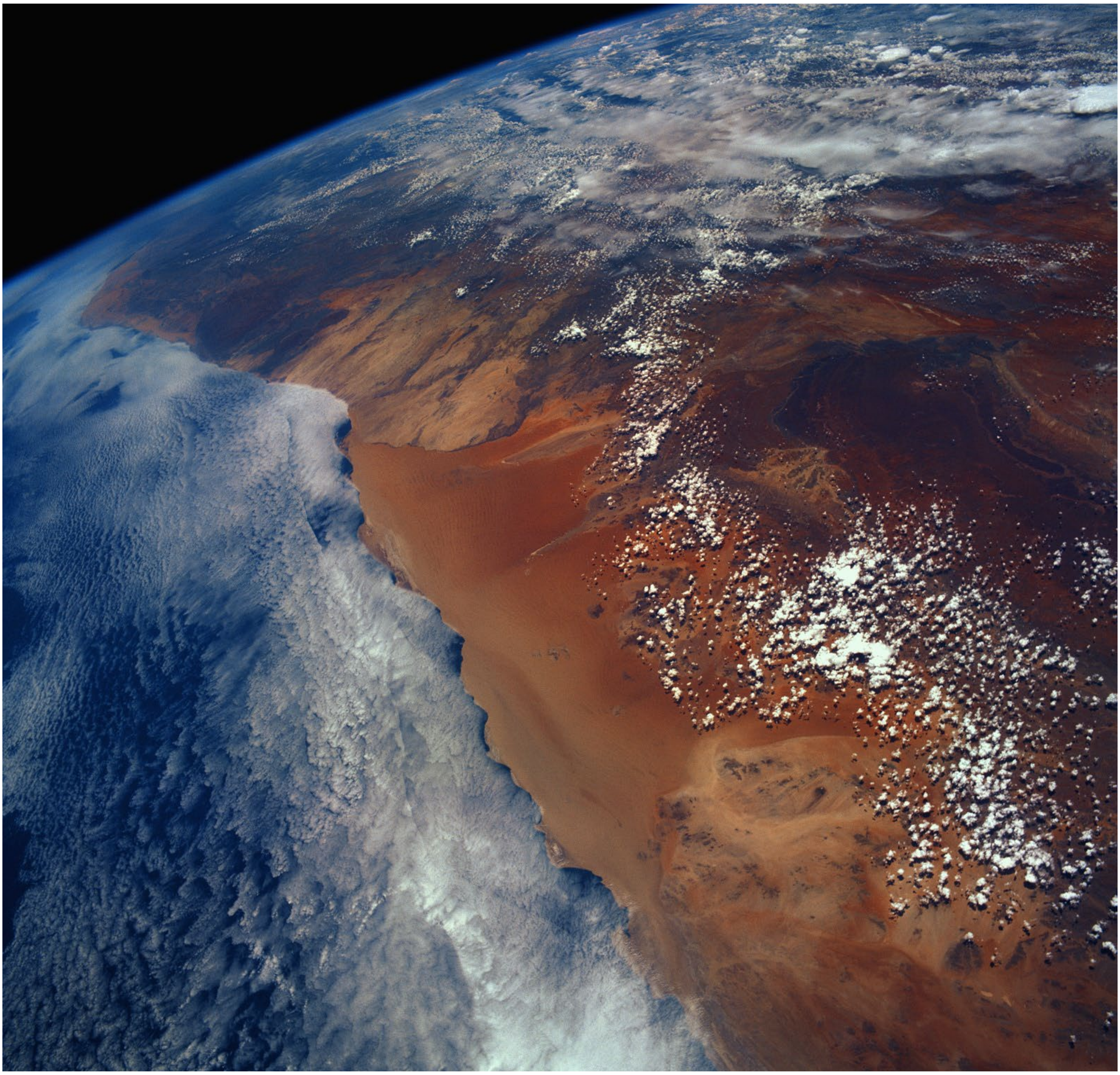
For example, our public markets analysts each cover a relatively small number of companies: typically around 12. We believe this permits each analyst to develop insights, gain conviction and undertake stewardship activities that others without similar levels of resourcing may find difficult to achieve. Because of the intense coverage of a company by our analysts, we expect to understand our stocks better than most managers, and to have a higher level of engagement with management teams and Boards. Although analysts are focused on different sectors, our approach is team-based, and constructive dialogue and idea-sharing across the team are valued and encouraged. Issues relating to climate- and nature-related risk and opportunity are routinely discussed at investment team meetings.

In our Private Equity and Growth Equity teams, we use sustainability research as the lens through which we identify business models and management teams. In taking a 'System Positive' approach, we aim to invest behind businesses whose products or services contribute to a sustainable future. This requires that we characterise the first and second order implications of sustainability trends – which necessarily include climate- and nature-related risks and outcomes. Investment professionals fuse fundamental analysis and sustainability analysis into an integrated approach to help identify, source and ultimately invest in attractive companies. In examining what a business does, we assess specific environmental, social, health and financial inclusion metrics at the point of investment, which we believe will drive performance.

We have dedicated 'Research Strategy' sub-teams within Global Equity and Growth Equity. These sub-teams are focused on performing primary research, which supports our investment teams in assessing climate-related risks. The team manages relationships with traditional equity research providers, ESG research and climate data providers and expert networks.

Finally, we have continued to strengthen our monitoring and engagement on climate-related issues in order to enhance our ability to structure and undertake more ambitious engagement programmes, use voting strategically in support of our investment objectives to accelerate climate action, collaborate more effectively with other investors and escalate engagement where necessary.

Separately, Just Climate's approach includes an assessment of Climate Impact Quality. This framework is an impact measurement approach that starts with identifying all of the key stakeholder groups and then proceeds to an assessment of the most material environmental and social outcomes. Just Climate uses environmental and social thresholds to show whether performance is sustainable or unsustainable and to monitor and manage Just Climate's expectation for changes over time.



Strategy

CLIMATE AND OUR INVESTMENT PHILOSOPHY

Consideration of climate-related risks and opportunities has been embedded into our investment approach across all strategies since the firm's inception. In our view, the financial materiality of climate change has grown at a relentless pace since the firm's founding.

We believe that the transition to a net-zero economy is accelerating, and that resource efficiency solutions will drive productivity and profitability. We also believe that businesses that are adapting to this transition will be better placed to remain profitable over the long term, as will those businesses whose products and services directly meet impending resource challenges.

We consider climate risk and opportunities in our investment processes and seek to invest in businesses that we believe are well-positioned for the net-zero transition. Such risks may include carbon stranding through increased direct and indirect regulation; increasing competition from clean technologies as they become ever more economically viable and widespread; and socio-political pressures as emissions implications become less publicly acceptable. In conjunction we seek to identify companies whose products and services we think will help drive, and benefit from, the transition to net zero.

Integrating this view into our portfolios has led us away from carbon-intensive sectors such as coal and oil & gas. On balance, transition risk is most material to Generation not through sectors that will be less relevant in a low-carbon world, like oil and gas, but through a scenario whereby the transition to a low carbon economy does not happen fast enough.

IDENTIFYING CLIMATE AND NATURE-RELATED DEPENDENCIES, IMPACTS, RISKS AND OPPORTUNITIES

ROADMAPS AND RESEARCH

Our sourcing is informed primarily by our research 'roadmaps' that identify macro and sector trends, including material sustainability risks and opportunities. Just Climate goes one step further and selects roadmap topics based on an impact prioritisation process. The development of roadmaps provides an opportunity for analysts and the broader investment team to investigate factors driving sector and global trends while deepening their understanding of the investment landscape. Roadmaps may have a broader focus, on countries or sustainability themes (e.g., water), but typically focus on sectors and sub-sectors. Roadmaps allow the investment team to identify sustainability risks and opportunities relevant and material to particular sectors. Example roadmaps conducted in 2023 include artificial intelligence (AI), materials and the net zero transition, water, food waste and restaurant software refresh, battery recycling and clean baseload power.

Over the years, we have completed several hundred roadmaps across our public and private markets strategies, and for each of these have characterised the relevant short- and long-term climate considerations and drivers when material.

SUSTAINABILITY FACTORS IN COMPANY SELECTION

Guided and informed by roadmap research, analysts pursue in-depth company research. This stage is structured around the robust criteria we have set, which enable us to evaluate both what a business does and how a business operates. Aspects considered include barriers to entry, business stability and alignment of management incentives.

The criteria also necessitate a deeper analysis of a company's positioning with regards to the material and relevant sustainability factors within its sector. The questions that analysts consider pertaining to climate include, amongst others:

- whether the company is consistent with the world we want
- whether a company's offerings impair or improve the present and/or future well-being of society
- what externalities exist and who else might be 'paying a price'
- whether there are environmental or social vulnerabilities to be tracked.

Our private markets teams also overlay scrutiny of a company's products and services with whether they accelerate a given sector to a more sustainable end-state. A key component of the process is to ensure, in the earliest stages of diligence, that the business is System Positive, which requires that its services and products clearly drive a transition towards a sustainable future. To determine whether a company meets this threshold, we compile information about the total effects of a business model on people and planet, positive and negative, including intended and unintended effects.

Just Climate performs a Climate Impact Quality (CIQ) assessment, which includes and builds upon the assessment of System Positivity. This assessment considers a company's scale and timeliness of GHG emissions avoidance and/or removal relative to an ambitious abatement target, whether the company's business model is scalable/replicable such that it could address a significant percentage of global emissions, whether it is a sustainable solution by comparing performance to environmental and social thresholds, and how Just Climate can be a catalytic investor. The scale of GHG abatement is assessed over the 10-year period from investment and is calculated as the baseline emissions, i.e., the emissions that would be expected to occur in the baseline scenario in the absence of the company's activities occurring, net of the company's expected emissions and any GHG emission removal.

THE RESILIENCE OF OUR STRATEGIES UNDER DIFFERENT CLIMATE SCENARIOS

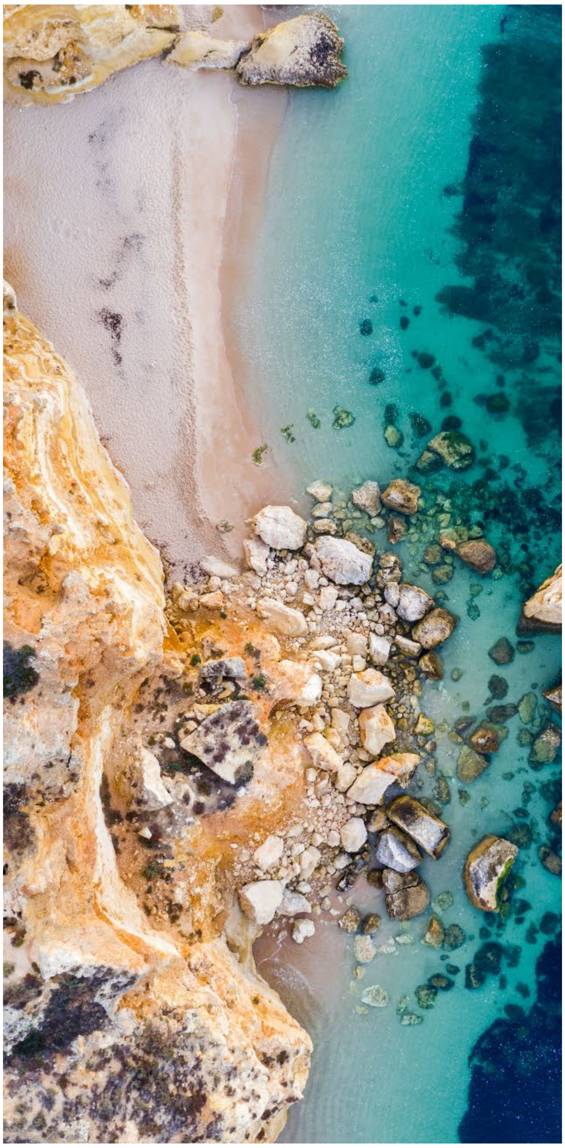
A key theme at Generation is backing businesses we believe are driving the transition to a sustainable economy. Our foundational roadmap work across industries (including energy, transport, industrials, food and agriculture, the built environment and other areas) is where we articulate our understanding of what is required to align to a 1.5C scenario, and the associated risks and opportunities. In our coverage of environmental technologies, we seek to back those companies with products and services that displace less efficient incumbent solutions (e.g., electric transport to displace internal combustion engines).

In terms of scenario planning, our firm-wide focus is on achieving a pathway aligned with 1.5°C, and our portfolio companies should be enablers of that future. In this light we believe all of our strategies, and the global economy at large, would be best placed under scenarios where a fast and coordinated transition takes place.

We also look to understand the International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC) scenarios where the world does not achieve the Paris Agreement target. Scenarios wherein the transition to a low-carbon economy does not happen fast enough, or at all, would be least beneficial for our strategies, and for the world at large. We actively avoid investing in companies that are incentivised to delay the transition to a low-carbon economy, which would benefit most in these scenarios.

This year Generation undertook a formal portfolio level scenario analysis for the Global Equity fund across a range of 1.5˚C, 2˚C and 3˚C degree scenarios (covered further in the Climate VaR section). We found the quality of this analysis to be too poor to be investment relevant. We will continue to look into alternative options for strategy-level scenario analysis.

Within our investment process we use scenario analysis on a case-by-case basis. For example, when modelling the fair value of one investment in a renewable energy business, we used average renewable energy growth projections from a range of different low-carbon scenarios out to 2050 to underpin our bull case for the stock, a scenario slightly better than the one we're aligned to today to underpin our base case, and the bear case reflects a scenario where renewable energy adoption rates are significantly off what would be needed to meet the ambitions of the Paris Agreement. This is just one example but this approach is commonly used across our strategies and roadmaps to frame the total addressable market of different industries and technologies. We actively monitor progress against these scenarios and update our thinking regularly in light of new information.



IN THE SPOTLIGHT

Portfolio Alignment Measurement

Generation has led work on portfolio alignment measurement since 2020. In 2022 a report on Portfolio Alignment Measurement was published with a suite of GFANZ publications in advance of COP 27 and made recommendations intended to drive enhancement, convergence and adoption of portfolio alignment measurement. The guidance in the report has been adopted by the world's largest ESG research provider, MSCI ESG Research, who have made a number of changes to their Implied Temperature Rise product, including the introduction of credibility assessment for company emissions reduction targets.

These are the results of the Implied Temperature Rise (ITR) tool from MSCI ESG Research, for the Global Equity portfolio for 2021- 2023. The MSCI tool takes account of Scope 1, 2 and 3 emissions.

SCOPE	ITR 2021	ITR 2022	ITR 2023
S1+2+3	2.0°C	1.9°C	1.7°C

Using the ITR tool, the Generation Global Equity portfolio was increasingly aligned with a below 2°C outcome as the assessment period progressed. This was significantly better than the benchmark which was at 2.8°C degrees in 2021,2.5°C in 2022 and 2.4°C in 2023. However, we need to go further and faster. There remains work to do to move the portfolio to 1.5°C alignment.

ADVOCACY AND IMPACT INITIATIVES

Generation was established in response to the concerns of its founders around the detrimental impacts and systemic risks posed by short-termism and the failure to integrate sustainability considerations into investment analysis and stewardship. Working to address these challenges is intrinsic to Generation's purpose and our vision on how to mitigate systemic climate and nature risk.

As a small firm with big aspirations, we must focus, motivate and collaborate with others. We pursued the impact initiatives outlined below in the past year to leverage our track-record, differentiated approach to investment research, and convening power.

RESEARCH

The Sustainability Trends Report (STR): Drawing on more than 190 sources, we published our seventh annual STR in 2023 and hope it will become the 'go-to' resource for those seeking information on sustainability developments. Our aim is to aggregate and share insights that governments, businesses and investors can use to ensure a sustainable world in which prosperity is shared broadly, in a society that achieves wellbeing for all, protects nature and preserves a habitable climate.

Sustainability Insights: We launched our Insights series in 2019 to share lessons drawn from our investment work in the form of publicly available papers. In 2023, we published three papers aimed at helping to raise the bar on climate action: Investors and the Political Turn Against Climate Change, How "Climate NIMBYism" Prevents Net Zero and Europe's Energy Transition: Faster Than You Think.

COLLABORATION & ADVOCACY

The Generation Foundation shares Generation's vision for a sustainable future for climate, nature and people. The Foundation uses strategic research, grant-making and advocacy to unlock the power of capital markets to drive a more sustainable economic system.

The Foundation's Legal Framework for Impact (LFI) project gained traction among policymakers and investors in 2023. The LFI research looked at 11 jurisdictions and found that if a sustainability factor is expected to pose a threat to their financial objectives, investors generally have a legal obligation to pursue impact. This could be in the form of asset allocation, stewardship and/or policy advocacy. Activity in 2023 included convening a roundtable for investor General Counsels with one of the lead authors of the LFI report from Freshfields Bruckhaus Deringer.

Among the foundation's five new multi-year strategic grants in 2023, one was a new partnership with Cambridge University's climate governance initiative to establish a research and engagement workstream supporting Board directors to discharge their legal duties with respect to climate impact.

ENGAGEMENT WITH INDUSTRY

Generation is a member of AIGCC, CDP, Ceres, IIGCC, the IFRS Sustainability Alliance, the Investor Forum, the Powering Past Coal Alliance (PPCA), PRI, the Taskforce on Nature-related Financial Disclosures (TNFD) Forum and The Climate Pledge, all of which work on reducing systemic ESG risks.

Generation helped establish the Net Zero Asset Managers initiative (NZAM) and in 2023 Generation's Head of Engagement Edward Mason was re-appointed to the NZAM Advisory Group for a second term.

Generation's Senior Partner David Blood continued to sit on the Glasgow Financial Alliance for Net Zero (GFANZ) Principals Group and Edward Mason on the Steering Group.

Having worked in 2023 to encourage GFANZ to incorporate nature into its work, we were pleased that at COP28 the Alliance announced that it would start work in 2024 preparing guidance for financial institutions on how to integrate nature into net-zero transition planning. Generation is co-leading this work.

David Blood participated in the TED Countdown Summit 2023, featuring in conversation with Nili Gilbert, chair of the GFANZ Advisory Panel of technical experts, in a talk entitled 'A playbook for financing climate solutions.' Our Chairman, Al Gore, spoke about 'What the fossil fuel industry doesn't want you to know.'

Generation continued to lead the IIGCC's Paris Aligned Investment Initiative Net Zero Stewardship proxy adviser workstream and to sit on the Investor Strategic Working Group of the Finance Sector Deforestation Action (FSDA) initiative.

Generation presented on net-zero investing at an AIGCC members meeting in 2023. We sit on the Alternative Investment Management Association (AIMA) Global Responsible Investment Committee and contributed to the AIMA ESG Handbook 2023.

INNOVATION

Climate TRACE is a non-profit coalition of artificial intelligence (AI) based tech companies, non-government organisations and universities that are harnessing satellite imagery and other forms of remote sensing, artificial intelligence and collective data science expertise to track human-caused greenhouse gas emissions with unprecedented detail and speed. Climate TRACE's emissions inventory is the world's first comprehensive accounting of GHG emissions based primarily on direct, independent observation. The Partners of Generation have provided significant funding for Climate TRACE.

At COP28 Climate TRACE published an inventory of unprecedented granularity that pinpoints nearly every major source of GHG emissions around the world: more than 352 million assets in total. This makes Climate TRACE the most comprehensive and granular dataset of recent GHG emissions ever created. Amongst other uses, it enables companies to gain a better understanding of their own supply chains and the emissions intensity of the production of key materials across a wide range of suppliers.

Risk Management

OUR APPROACH TO IDENTIFYING RISKS

Evaluating climate and nature-related risks (and the resulting opportunities) is an intrinsic part of all our investment strategies.

For each of our strategies, we track a wide range of sustainability indicators at the portfolio level and hold regular monitoring meetings with companies. We start by identifying sustainability factors that we believe are material to a broader set of stakeholders through comprehensive internal and external stakeholder engagement. It is only by understanding the significant impacts and dependencies of a company on people and planet that we are then able to assess whether they will come back to the company in the form of risks and opportunities, which in turn can affect its financial position or performance over the short, medium, and/or long term. Our process is aligned with the UN-backed Principles for Responsible Investment, NZAM, the TCFD, TNFD and the UK Stewardship Code.

With respect to our internal operations, business unit heads are responsible for tracking the risks that their individual teams are exposed to within their respective groups. This is documented within a central risk register, which the ROG has a responsibility to oversee. Building on our existing process, we will continue to introduce a more granular assessment of climate and nature-related risks, although we recognise that given our small employee base and footprint, our greatest potential exposure lies with our investment strategies.

ENGAGEMENT ON CLIMATE RISKS AND OPPORTUNITIES

Generation engages with its investee companies across all strategies on the measurement and management of emissions.

With our private markets strategies, where investee companies tend to be younger, this might involve helping businesses to assess their carbon footprint for the first time or set their first emissions reduction target. This also might include helping companies introduce new products or services to accelerate the climate transition, or helping companies measure the carbon avoided due to their products and service in use. In our public market strategies, where companies tend to be more established, the conversation might instead focus on increasing the ambition of emissions targets or ensuring that they are verified by a credible third party.

Our Global Equity strategy has been using a framework for climate change engagement since 2020. We believe that our active engagement and scrutiny of climate action has contributed to a rapid increase in participation in the Science Based Targets initiative in the Global Equity portfolio (see section on metrics below).

Following the resonance of the Climate Change Engagement Framework, Generation developed an engagement framework for deforestation in 2023. Deforestation is a complex topic that is essential to the broader net-zero goal, but more material to some sectors than others. For Generation, our exposure lies in consumer goods companies that use forest-risk commodities in the products that they sell or financial institutions that have exposure through their financing activities.

Read more on Generation's approach to climate: [Making Sense of Climate Change](). Our climate expectations are outlined on page 3.

Read more on Generation's approach to deforestation: [Making Sense of Deforestation](). Our deforestation expectations are outlined on page 10.

PHYSICAL RISK

At present, physical climate risk is tracked by our investment analysts at the company level (along with other sustainability issues and aligned with the way Generation has always approached climate risk and opportunity).

In 2023 we continued to explore third-party analysis and data relating to portfolio physical climate risk.

Many of the issues that we have highlighted previously still stand:

– Incomplete data on the location and value of all company assets (these are needed to assess the potential damage resulting from, for example, extreme weather events under different climate scenarios).

– Methodologies have been developed for specific areas such as real estate, oil and gas, and infrastructure, which have direct exposure to climate-related impacts,[8] but we hold few if any such companies in our portfolios. In contrast, methodologies for industrials, finance and healthcare are much less well established.

– Methodologies currently focus on first-order effects (such as physical damage of a flood), whereas we believe second- and third-order effects of climate-driven crises are likely to pose even greater challenges for our companies. Methodologies also tend to focus on mean changes in climate variables, rather than tail risks and tipping points.

Despite the limitations, we see the landscape of climate data improving and continue to test some of the products that have come to market for listed equity investments. For 2023 we have used a well-known provider's Climate VaR product as outlined below.

Climate VaR

We used a data provider's solution to analyse the Global Equity portfolio's Climate Value-at-Risk. The assessment suggested that both the portfolio and the benchmark, the MSCI World index, would see the least value at risk under the 3 degree-aligned Hothouse World scenario. We believe this outcome speaks to the limitations of models of this kind: especially their overreliance on simplistic carbon pricing to cover transition risk and their inability to fully capture the systemic risks that climate change presents. Current techniques exclude many of the most severe impacts that we can expect from climate change, such as tipping points and second-order impacts.

Criticisms of these models are well understood[9] in climate-science circles but worryingly less well understood outside of them. Analysis as flawed as this is not useful in our investment process; worse, we believe it is actually misleading. It has been concerning to see other examples of similar analysis used by local pension schemes and investment consultants in reporting, only taken at face value.

[8] See this report by Mercer as an example of analysis for sectors at high direct risk from climate change https://www.camecon.com/wp-content/uploads/2021/10/gl-2019-wealth-climate-change-the-sequel-full-report.pdf.

[9] The Emperor's New Climate Scenarios, Institute and Faculty of Actuaries, July 2023 https://actuaries.org.uk/media/qeydewmk/the-emperor-s-new-climate-scenarios.pdf

NATURE

Engagement on nature risks and opportunities

Generation engages its portfolio companies on certain aspects of nature, such as deforestation, and is working to broaden and deepen its efforts over time.

The ongoing work of the TNFD, the 2022 Kunming-Montreal Biodiversity Agreement and the 2024 ISSB decision to develop reporting standards for nature all send a strong signal for increasing action on nature. In 2023 the Taskforce on Nature-related Financial Disclosures (TNFD) released their final recommendations. Generation endorses these recommendations and has incorporated them, where feasible, into our report this year.

Companies' relationship with nature can be characterised by impacts and dependencies. We seek to understand the ways in which biodiversity and ecosystem services are relevant to companies, and for the companies that Generation invests in, this is largely, albeit not exclusively, indirectly through sourcing practices and supply chains. That said, our portfolio's relationship to nature is not confined to potential negative impacts and risks. There are also significant opportunities for positive impact. Generation's Private Markets platform (Growth Equity, Private Equity and Just Climate) has identified opportunities to drive positive impact on nature through its investment activities. One example is Generation Growth Equity's investment in Pivot Bio, a bio-based solution for plant nutrition that supports yield and reduces negative impact of synthetic nitrogen and other fertilisers on nature and climate. Another example is the Generation Private Equity team's engagement with portfolio company FNZ, to drive transparency on nature impacts and risks in financial markets. A case study of our engagement is below.

CASE STUDY

Active Stewardship for Nature Impact

In 2018, Generation's PE strategy invested in FNZ, a software and services platform for companies in the global savings and wealth management industry. With Generation's partnership, FNZ launched an entirely new product capability, FNZ Impact, designed to make the social and environmental impacts of its end users' retail investment portfolios transparent for the first time. With this newfound transparency and additional features for financial advisers and asset managers, FNZ aims to drive the shift among retail investors towards more sustainable capital allocation while reducing cost to serve customers.

Upon launch of FNZ Impact, the FNZ and Generation teams found there was a paucity of robust data sources available to assess the nature impacts and dependencies of its end users' investments. To fill this gap, FNZ, supported by Generation, spearheaded an initiative to develop a robust source of data itself.

This initiative, led by FNZ's Global Head of Sustainability, Dr. Vian Sharif, has now spun out of FNZ as a separate company, Nature Alpha, in which FNZ retains shareholdings. Nature Alpha is producing biodiversity and nature analytics designed for investment decision-making. Its product suite includes 135+ metrics covering nature and biodiversity risk, impacts and dependencies, including Nature Value at Risk and governance insights, a visual dashboard called the 'Geoverse' that enables visualisation of company locations and essential spatial biodiversity insights, and TNFD-aligned reporting for financial institutions. Nature Alpha data is available for use within the FNZ platform, allowing end-users to understand critical nature impacts and dependencies – such as a company's risk of contributing to biodiversity loss or dependency on areas of high water stress – along with other sustainability data points such as their portfolio's carbon footprint and average Board diversity. Nature Alpha data is also gaining early traction among asset managers outside FNZ, who are interested in using the data for developing new investment products, helping to close the loop between the value retail investors place on nature and the availability of nature-positive products for retail investors to invest in.

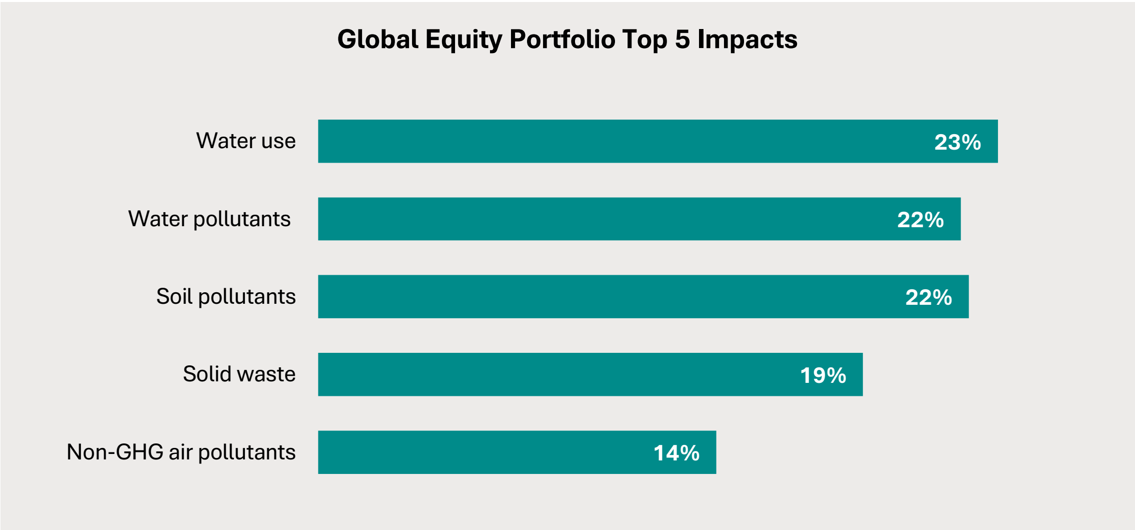
The heatmap below summarises the results of the ENCORE impacts and dependencies analysis for the key sectors where our exposure lies:

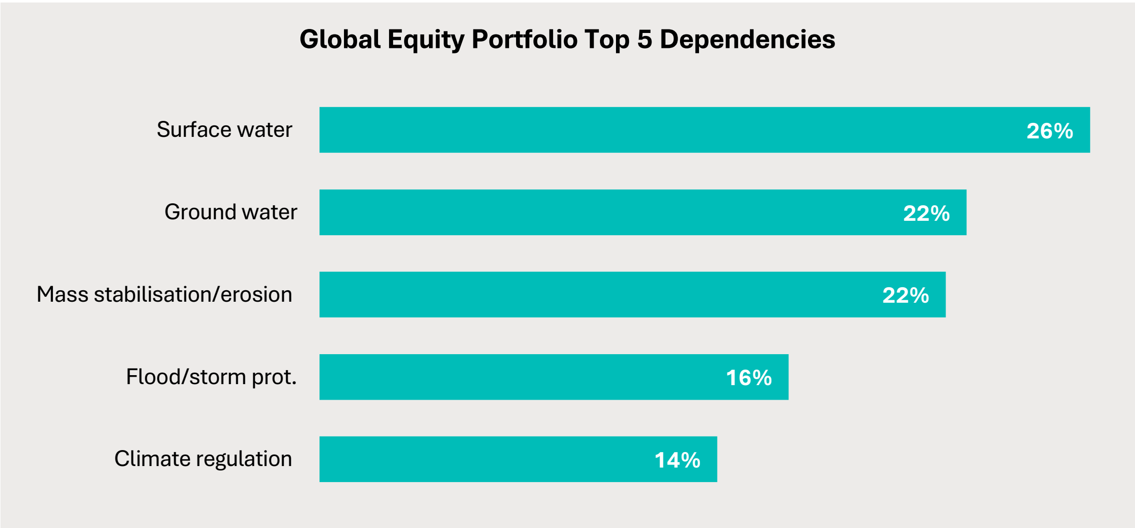
	Dependencies					Impacts						
						Resource Use		Pollution				AUM
	Surface Water	Ground Water	Mass Stabiliz.	Flood Storm Prot.	Climate Regulation	Water Use	Terrestrial Ecosystem	Water Pollutants	Soil Pollutants	Solid Waste	Non- GHG Pollutants	
Apparel	5	5	2	3		5	4	3	3	4	4	3.2%
Specialty Chemicals	4	4	2	3	2	4	4	4	4	4	4	2.3%
Real Estate Services	4	3	2	1			5	3	3	4	4	5.2%
Health./Life Sciences	4	3	3	3	4	4		4	4	4	4	23.7%
Electronic Equipment	3	3		3				4	4	3		10.1%
Building Materials	3	3				5		4		2	4	8.6%
Online Retail			2			4		4	4	3	3	10.6%
Semiconductors						4		4	4		4	11.0%
Information Technology			3	3	4	4		4	4	3	4	21.0%
Financial Services										3		4.4%

5 Very High 4 High 3 Moderate 2 Low 1 Very Low

Source: Encore, analysis by Marina Mata Rohe. Global Equity portfolio as at September 14th, 2023. We reviewed the portfolio again in December 2023 and determined that there had been no significant changes to the original analysis.

At a portfolio level, the Global Equity portfolio looks to be most exposed to the following impacts and dependencies. The bar chart below shows the top 5 impacts and dependencies in order of their materiality according to ENCORE sector level classifications.





As a result of these findings, the Global Equity team has shortlisted a set of companies from the most material sectors to engage with. Engagements will focus on topics such as enhancing water efficiency in semiconductor manufacturing through greater use of closed loop systems and minimising active pharmaceutical ingredient pollution in waste water releases in the healthcare sector, to give two examples. This will complement our existing work on commodity-driven deforestation.

As part of our deepening engagement work on nature, Generation also joined Nature Action 100 (NA100), a global collaborative investor engagement initiative focused on nature. This initiative consists of over 200 investors representing over $28 trillion in AUM. NA100 has the aim of supporting greater corporate ambition and action on tackling nature and biodiversity loss, including through adoption of the TFND reporting framework.

Metrics and targets

‘GHG accounting’ is the process required for the historical measurement of the seven gases mandated under the Kyoto Protocol: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3). It is the foundation of the system that will enable a transition to a net-zero world by 2050.

For ease of accounting, these gases, which have different impacts on global warming over different time horizons, are usually converted to, and expressed as, carbon dioxide equivalents (CO_2e). GHG emissions are further categorised as direct Scope 1 emissions (GHG emissions from sources that are owned or controlled) and indirect Scope 2 and Scope 3 emissions (GHG emissions that are a consequence of the activities of the company but occur at sources owned or controlled by another entity).

GHG accounting evolves into ‘transition planning’ when it is combined with science-based target setting and disclosure of the tangible actions that a company has taken, and intends to take, to reduce its GHG emissions and deliver on its targets. We see a lot of parallels between GHG accounting and transition planning, and what companies already do as part of their financial and operational planning and reporting processes: disclosure of past performance, explanation of how performance compared to previously set targets, goals and targets for the future and a detailed plan to get there. These processes function because we are able to rely on financial and operational information for decision-making. We need to be able to rely on GHG accounting with the same degree of certainty that we have with financial reporting, using the same discipline of correct and carefully defined terminology, completeness and accuracy of measurement and internal controls that ensure quality. Another parallel that we see is a spectrum where some figures are based on more assumptions and estimates than others. For example, the fair value of an operating site accounted for in property plant and equipment (based on its discounted future cash flows) compared to restricted cash in cash and cash equivalents. Both of these accounts are on the same balance sheet and yet the underlying uncertainty and estimation required are different. A similar spectrum exists in GHG accounting. Scope 1 GHG emissions are often based on activity-based primary data in the control of the company whereas measures of Scope 3 GHG emissions may rely on a mix of primary data, secondary data (e.g., support from a third-party data provider) and estimates depending on the availability of data across the value chain.

Only with the maturity of GHG accounting and transition planning, and the resulting trust to use the information for decision-making, can we really understand how driving climate impact interacts with the financial position and performance of a company. It is therefore a priority for Generation and Just Climate to work with our portfolio companies, policy-makers, regulators, standard-setters and technology solutions providers to get the best possible GHG accounting in place.

To this end, the quality and consistency of carbon data available to us is improving rapidly but is still far behind the quality of financial data. Our metrics use the best data available, but a lot of companies and data providers do not disclose and reproduce emissions consistently. For this reason, our metrics necessarily use the latest available carbon data (in our public strategies this largely means 2022 data rather than 2023), and not all of the companies that we own disclose all of their material emissions yet. This is something that we engage with companies on regularly and we will continue to do so. Over the past year we have also increased our engagement with our ESG data providers as carbon data availability often has time lags that do not occur with financial data and we see room for improvement.

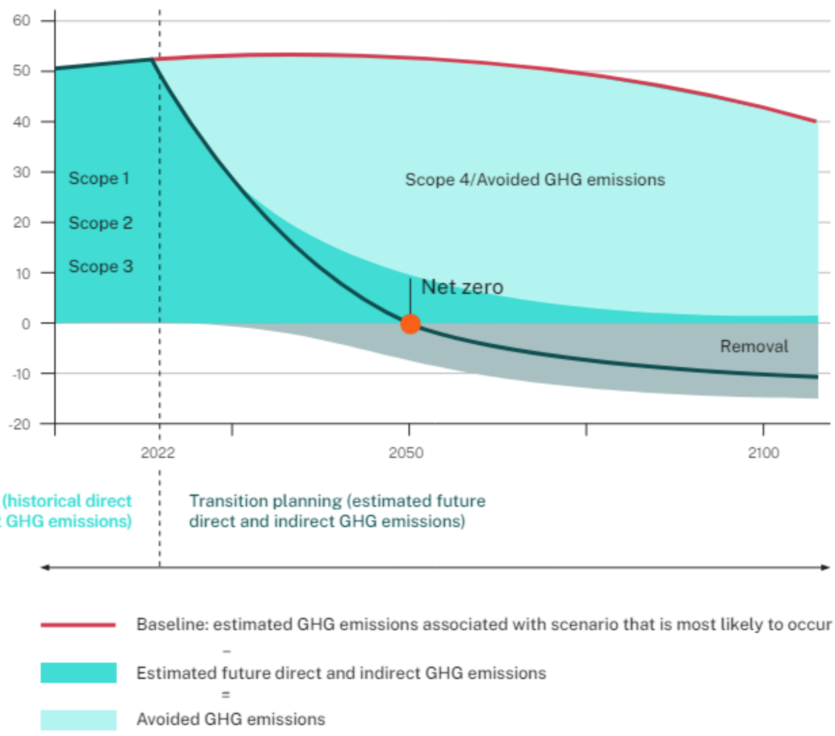
Metrics we continue to track and use, across all of Generation's strategies, to inform portfolio alignment include: GHG emissions over time (absolute and intensity, for Scopes 1–3); portfolio coverage by Science-Based Targets; and net-zero 2040 commitments. Our headline metric for NZAM is the proportion of assets represented by companies with SBTs verified, but we also track the percentage of companies that have committed to set a SBT and the share of SBTs that apply the 1.5-degree methodology. The Financed Emissions metric disclosed has been calculated in accordance with the Partnership for Carbon Accounting Financials (PCAF). This metric is designed to give a representative view of the emissions associated with our investments by considering the size of each investment across the year relative to the company's outstanding equity and debt.

Many additional metrics are considered at the strategy level and reported within the relevant quarterly and impact reports.

SPOTLIGHT ON

Expected Greenhouse Gas Abatement at Just Climate

MAKING SENSE OF GHG ACCOUNTING



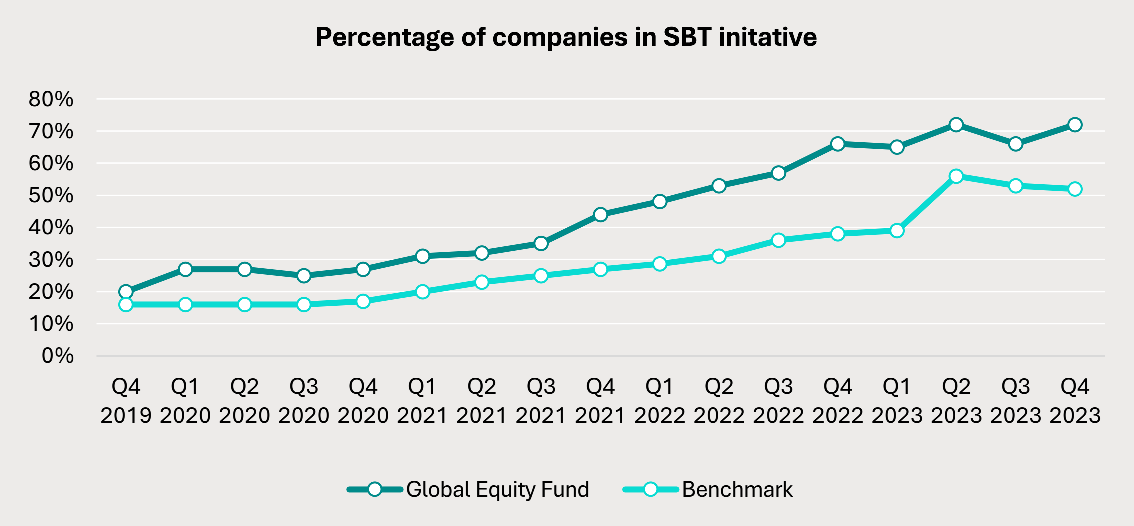
Source: World Resources Institute (wri.org) – graphic adapted by Just Climate

Expected GHG emissions abatement might also be referred to as 'avoided emissions,' 'carbon savings estimates' or even 'Scope 4 emissions' to name a few. It's an area of analysis that has been growing in importance over the past few years as it provides a forward-looking estimate of the potential impact that a project or a technology might achieve. As part of the investment due diligence process, Just Climate carefully considers the GHG emissions abatement that an investment is expected to achieve.

Just Climate defines expected GHG abatement as the forecasted GHG emissions a specific investment is expected to abate over 10 years, compared to a baseline scenario, based on a realistic business model, including any GHG emissions removed from the atmosphere, measured in tonnes of CO_2e. Just Climate defines the baseline as the hypothetical representation of the scenario that would be most likely to occur in the absence of the project. The term baseline is not synonymous with business-as-usual and should not be evaluated in this context. Rather, the baseline should be defined based on analysis of current and projected performance benchmarks and expected trends.

Global Equity

Generation's Global Equity strategy, accounting for USD 29 billion of assets as of 31 December 2023, had 71% participation (committed or validated) in the Science Based Target initiative (SBTi) on a portfolio weighted basis as displayed in the chart below. This figure has increased significantly since we first began to track portfolio coverage by SBTi participation systematically in 2019.



Since 2018, we have undertaken regular comparative analysis of our listed equity strategies against their benchmarks on a range of ESG metrics as a check on the outcomes of our investment and stewardship process. This includes select climate-related metrics, which are presented against a benchmark (the MSCI World index).

	PORTFOLIO			BENCHMARK		
FACTOR	**Q4 2021**	**Q4 2022**	**Q4 2023**	**Q4 2021**	**Q4 2022**	**Q4 2023**
Scope 1 Emissions – tCO_2 equivalent	n/a	18,521,047	18,330,700	n/a	4,345,376,100	3,680,735,664
Scope 2 Emissions – tCO_2 equivalent.	n/a	20,591,906	14,939,146	n/a	850,398,819	736,475,635
Scope 3 Emissions – tCO_2 equivalent	n/a	590,173,791	451,872,216	n/a	37,409,372,571	30,975,964,250
Scopes 1–3 Emissions – tCO_2 equivalent	n/a	629,286,744	485,142,062	n/a	42,605,147,490	35,393,175,549
Emissions Intensity – tCO_2 equivalent (Scopes 1+2)/$m (revenues)	n/a	25	21	n/a	141	98
Emissions Intensity – tCO_2 equivalent (Scopes 1-3)/€m (revenues)	n/a	531	497	n/a	1038	834
Percentage of companies in SBT initiative (targets set or committed)	44%	66%	71%	27%	38%	52%
Implied Temperature rise S1-3 (degrees C) at Q1 2022	2	1.9	1.7	2.8	2.5	2.4
Financed Emissions	n/a	144,269	135,155	n/a	n/a	n/a
Carbon Footprint	n/a	6.0	4.7	n/a	n/a	n/a

As of 31 December 2023 (unless otherwise stated). This information may no longer be current. To the extent not sourced from Generation, it is from sources believed reliable. However, Generation does not represent that it is accurate or complete and it should not be relied upon. It should not be deemed representative of future characteristics for the Portfolio. Source: MSCI Data, Generation analysis based on data from the Science Based Targets initiative and MSCI, as of 31 December 2023. MSCI data covers listed companies within the fund.

Financed emissions calculated as: ∑(outstanding amount / EVIC * Scopes 1 + 2 emissions).

Carbon footprint calculated as: ∑(outstanding amount / EVIC * Scopes 1 + 2 emissions)/current portfolio value in $ million.

The calculation emissions intensity disclosure (tCO2 equivalent (Scopes 1+2)/$m (revenues)) is equivalent to the Weighted Average Carbon Intensity calculation outlined under TCFD guidance.

98% of carbon data is based on 2022 figures and 2% is based on 2021 figures. This is primarily due to an update lag on the MSCI platform. One company in the Global Equity portfolio does not disclose Scope 1 and 2 emissions. MSCI estimates for Scope 1 and 2 emissions are used if a company does not disclose. 6% of EVIC data is based on 2022 figures and 94% is based on 2023 figures.

Asia Equity

As we do for Global Equity, we provide select climate-related metrics alongside ESG and financial metrics for the Asia Equity portfolio as of December 2023 below. The Benchmark represents the MSCI Asia Ex-Japan Index.

	PORTFOLIO			BENCHMARK		
FACTOR	**Q4 2021**	**Q4 2022**	**Q4 2023**	**Q4 2021**	**Q4 2022**	**Q4 2023**
Scope 1 Emissions – tCO_2 equivalent	n/a	7,910,616	5,248,372	n/a	6,333,124,856	6,666,577,147
Scope 2 Emissions – tCO_2 equivalent.	n/a	21,120,269	21,331,883	n/a	925,393,762	956,373,695
Scope 3 Emissions – tCO_2 equivalent	n/a	241,427,872	158,573,471	n/a	19,861,821,809	21,853,147,947
Scope 1–3 Emissions – tCO_2 equivalent	n/a	270,458,757	185,153,726	n/a	27,120,340,427	29,476,098,790
Emissions Intensity – tCO_2 equivalent (Scopes 1+2)/$m (revenues)	n/a	60	48	n/a	291	279
Emissions Intensity – tCO_2 equivalent (Scopes 1-3)/€m (revenues)	n/a	448	485	n/a	1121	1184
Percentage of companies in SBT initiative (targets set or committed)	18%	26%	31%	4%	21%	23%
Implied Temperature rise S1-3 (degrees C) at Q1 2022	n/a	1.9	1.9	n/a	3.3	3.3
Financed Emissions	n/a	24,206	12,769	n/a	n/a	n/a
Carbon Footprint	n/a	16.1	9	n/a	n/a	n/a

Portfolio data as of 31 December 2023 (unless otherwise stated). This information may no longer be current. To the extent not sourced from Generation, it is from sources believed reliable. However, Generation does not represent that it is accurate or complete and it should not be relied upon. It should not be deemed representative of future characteristics for the Portfolio. Source: MSCI Data, Generation analysis based on data from the Science Based Targets initiative, MSCI, and CapIQ as of 31 December 2023. MSCI data covers listed companies within the fund.

Financed emissions calculated as: ∑(outstanding amount / EVIC * Scopes 1 + 2 emissions).

Carbon footprint calculated as: ∑(outstanding amount / EVIC * Scopes 1 + 2 emissions)/current portfolio value in $ million

The calculation emissions intensity disclosure (tCO_2 equivalent (Scopes 1+2)/$m (revenues)) is equivalent to the Weighted Average Carbon Intensity calculation outlined under TCFD guidance.

97% of carbon data is based on 2022 figures and 3% is based on 2021 figures. This is primarily due to an update lag on the MSCI platform. 5% of EVIC data is based on 2022 figures and 95% is based on 2023 figures.

The drop in financed emissions in 2023 is driven by changes to position size for some of the companies with the highest carbon footprints in the portfolio. Last year four companies in the portfolio did not report Scopes 1 + 2 emissions; in 2023 this dropped to three. One of the companies yet to report their Scopes 1 + 2 emissions is in the industrials sector, and therefore the financed emissions figure could change materially when the company does begin to disclose.

Growth Equity

For our Growth Equity strategy, we focus primarily on measuring outcomes (i.e., the effects of outputs on an issue we aim to address), as opposed to outputs themselves (i.e., what a company's activity produces). We measure these outcomes across the three thematic areas of focus for the strategy: Planetary Health, People Health and Financial Inclusion. Further information can be found in the fund impact reports.

We share emissions metrics for Sustainable Solutions Fund III and Sustainable Solutions Fund IV below:

SUSTAINABLE SOLUTIONS FUND III

	PORTFOLIO		
FACTOR	**2021**	**2022**	**2023**
Scope 1 Emissions – tCO_2 equivalent	2,801	4,807	4,521
Scope 2 Emissions – tCO_2 equivalent	11,585	9,676	12,080
Scope 3 Emissions – tCO_2 equivalent	148,736	619,723	243,446
Scope 1–3 Emissions – tCO_2 equivalent	163,122	634,206	260,047
Emissions Intensity – tCO_2 equivalent (Scopes 1+2)/$m (revenues)	6.7	6	5
Emissions Intensity – tCO_2 equivalent (Scopes 1- 3)/$m (revenues)	76	274	84
Financed Emissions	476	663	799
Carbon Footprint	0.38	0.64	0.85

As of 31 December 2023. This information may no longer be current. To the extent not sourced from Generation, it is from sources believed reliable. Generation does not represent that is accurate or complete and it should not be relied upon. It should not be deemed representative for future characteristics for the Portfolio.
Most of our portfolio companies are software-enabled and therefore Scope 3 emissions are driven by spend on technology infrastructure, such as spend on data centre capacity and online advertising. Scope 3 emissions are approximated using sector-specific emissions factors.
For the year ending 31 December 2022, we have included the downstream Scope 3 emissions of portfolio company Convoy because they represent a material portion of the total Scope 3 emissions for the portfolio. During the year ending 31 December 2023, we exited from our investment in Convoy whose data is no longer included in the reported statistics. We have incorporated Scope 3 data where available across all funds featured in this TCFD report. For the years 2021-2023, the reported values include Scopes 1-3 for all but one company in the portfolio. The emissions for this company have been estimated based on its actual 2020 emissions, 2020 revenue, and 2021- 2023 revenues. For Portfolio Companies with non-USD reporting currencies, FY revenue is converted to USD using the spot rate of the day of the applicable FYE.
Financed emissions calculated as: ∑(outstanding amount / EVIC * Scopes 1 + 2 emissions).
Carbon footprint calculated as: ∑(outstanding amount / EVIC * Scopes 1 + 2 emissions)/current portfolio value in $ million.
Source: Emitwise, Generation analysis

SUSTAINABLE SOLUTIONS FUND IV

	PORTFOLIO	
FACTOR	**2022**	**2023**
Scope 1 Emissions – tCO_2 equivalent	3	118
Scope 2 Emissions – tCO_2 equivalent	2,729	10,557
Scope 3 Emissions – tCO_2 equivalent	7,153	299,388
Scope 1–3 Emissions – tCO_2 equivalent	9,885	310,063
Emissions Intensity – tCO_2 equivalent (Scopes 1+2)/$m (revenues)	63	12
Emissions Intensity – tCO_2 equivalent (Scopes 1– 3)/$m (revenues)	229	354
Financed Emissions	35	364
Carbon Footprint	0.29	0.88

As of 31 December 2023. This information may no longer be current. To the extent not sourced from Generation, it is from sources believed reliable. Generation does not represent that is accurate or complete and it should not be relied upon. It should not be deemed representative for future characteristics for the Portfolio.
Most of our portfolio companies are software-enabled and therefore Scope 3 emissions are driven by spend on technology infrastructure, such as spend on data centre capacity and online advertising. Scope 3 emissions are approximated using sector-specific emissions factors.

We have incorporated Scope 3 data where available across all funds featured in this TCFD report. For the year 2023, the reported values include Scope 1-3 data for all but one company in the portfolio. For the year 2022, the reported values include Scope 1-3 data for all companies in the portfolio.
For Portfolio Companies with non USD reporting currencies, FY revenue is converted to USD using the spot rate of the day of the applicable FYE.
Financed emissions calculated as: ∑(outstanding amount / EVIC * Scopes 1 + 2 emissions).
Carbon footprint calculated as: ∑(outstanding amount / EVIC * Scopes 1 + 2 emissions)/current portfolio value in $ million.
Source: Emitwise, Generation analysis

Private Equity

In our Private Equity strategy, the Long Term Equity Fund I holds investments in two portfolio companies: FNZ and Octopus Energy. We have collected carbon footprint data from both companies, but this data is not fully public. We will continue to work with these companies on public disclosure, which will allow us to disclose Fund-level metrics for the Long-term Equity Fund I.

Just Climate

In our Just Climate strategy, Climate Assets Fund I held investments in four portfolio companies, H2 Green Steel, Meva Energy, ABB E-mobility and Infinitum as at 31 December 2023. Please see the 2023 absolute carbon emissions for these companies below. ABB E-mobility has joined SBTi and has committed to set a Science Based Target, but their target has not yet been validated.

FACTOR	2023
Scope 1 Emissions – tCO_2 equivalent	231
Scope 2 Emissions – tCO_2 equivalent	776
Scope 3 Emissions – tCO_2 equivalent	1,645,215
Scope 1–3 Emissions – tCO_2 equivalent	1,646,222
Financed Emissions	90
Carbon Footprint	0.3

As of 31 December 2023. This information may no longer be current. To the extent not sourced from Generation and Just Climate, it is from sources believed reliable. Generation and Just Climate do not represent that is accurate or complete and it should not be relied upon. It should not be deemed representative for future characteristics for the Portfolio.
* Please note that one portfolio company was not able to report on their Scope 3 emissions in 2023.
Financed emissions calculated as: ∑(outstanding amount / EVIC * Scopes 1 + 2 emissions).
Carbon footprint calculated as: ∑(outstanding amount / EVIC * Scopes 1 + 2 emissions)/current portfolio value in $ million.

The path ahead

Our conclusion is based on the remarks of our Senior Partner, David Blood, delivered at our client conference in March 2024 and marking Generation's 20th anniversary:

Over the last two decades, our collective progress in developing sustainable investing has been rewarding but there are challenges too. What we have learned is sustainable investing is three things at the same time: difficult, essential, and not enough.

Sustainable investing is hard. It is not always win-win, and there are often trade-offs. There are also data challenges to standardised measurement and integrated reporting. Addressing this is a critical priority to inform better decision-making that not only optimises for financial returns and impact but also makes trade-offs clear.

We have come to recognise that to deliver a world in which prosperity is shared broadly, in a society that achieves wellbeing for all, protects nature and preserves a habitable climate we must drive the growth of sustainable investing and expand what capital markets value.

But sustainable investing is not enough. We see that while more capital than ever is flowing into sustainable investing, the climate and nature crisis indicators are off the charts.

And so despite progress, we clearly need transformational change across all aspects of our economies from industry to finance to public policy if we are to make further progress.

The artist Michelangelo is purported to have warned:

“The greater danger for most of us lies not in setting our aim too high and falling short but in setting our aim too low and achieving our mark.”

We think that this rings true for much of sustainable finance today.

As we reflect on our first 20 years and the next 10, we are determined to create the sustainable future we want and need. We must all ask the hard questions about how the financial system (and we as actors in it) must change to address the urgency of the just transition to a net-zero world. We believe the very nature of capital markets is to respond to and provide a means for society’s ambitions. We will not attain a sustainable economy unless the stewards of capital consciously allocate the funds to help create it.

Let’s all be clear: a pensioner living in a 3°C hotter world, with degraded eco-systems and significant economic inequality will not enjoy the fruits of their retirement. Acting on the sustainability crisis is our fiduciary duty. Our aim is to use sustainable investing to drive the transformation of our economies.

We are the generation that has both the resources and indeed obligation to transition to a sustainable world. We must be determined.

Appendix

SCOPE 3 BREAKDOWN (tCO_2e)	2020	2021	2022	2023
Purchased goods and services	7,768[10]	7,705[11]	3387[11]	3,610
Capital goods	0	0	153	34.78
Fuel-and energy-related activities, not included in Scope 1 or Scope 2	18	17	23.66	29.99
Upstream transport	33	16	17.26	1.32
Waste generated in operations	6	3	0.2	0.27
Business travel	66	116	696	1,899
Conference travel	0	0	1,122.97	0
Employee commuting	213	76	88	87
Upstream leased assets	0	0	0	0
Downstream transport	0	0	0	0
Processing of sold products	0	0	0	0
Use of sold products	0	0	0	0
End of life of sold products	0	0	0	0
Downstream leased assets	0	0	0	0
Franchises	0	0	0	0
Investments	Not calculated	134,565	169,468	149,567

Generation's carbon reporting methodology is aligned to the GHG Protocol Corporate Standard and Corporate Value Chain (Scope 3) standard. It is important to note that the spend-based methodology was amended for the 2023 calculations and 2022 figures have been restated. Different spend-based conversion factor databases were utilised for the calculation of spend-based emissions. The main reason driving the change in methodology came from the GHG Protocol as they decommissioned the Scope 3 Evaluator tool. Given the size of the emissions dependent on spend-based calculation methods and the issues with accuracy associated with spend-based estimations, the group is currently undergoing a search to find a partner to assist our efforts to work with suppliers to obtain more accurate data. Such support will help to identify reduction opportunities, increase collaboration with suppliers and make progress towards our net-zero pledge.

[10] 2020 and 2021 emissions associated with purchased goods and services have not been restated. These figures use a different spend-based calculation approach and are not comparable to 2022 or 2023 figures

[11] 2022 emissions associated with purchased goods and services were restated due to the change in spend-based calculation method outlined above.

Gap analysis detailing the location of different disclosures within this report and also where Generation hopes to improve disclosures against the IFRS S1 and S2 standards in future years

FRAMEWORK COMPONENT	FRAMEWORK REQUIREMENT	REPORT ANALYSIS
Objective (Paragraphs 1- 4)	Disclose material information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, access to finance, or cost of capital.	The report discusses Generation Investment Management's (GIM) and Just Climate's focus on sustainability, detailing their investment philosophy, which includes environmental, social, and governance (ESG) factors as critical elements in evaluating business quality and management (p.3). The transition plan outlines their goal of aligning investment portfolios with net-zero GHG emissions by 2040, highlighting the risks and opportunities associated with climate change (p.4-7). The report clearly addresses the material sustainability risks and opportunities impacting cash flows and access to finance.
Scope (Paragraphs 5-9)	Applies to entities preparing sustainability-related financial disclosures per IFRS Sustainability Disclosure Standards, irrespective of the GAAP used for financial statements.	The report mentions the IFRS Foundation's establishment of the International Sustainability Standards Board (ISSB) and the adoption of IFRS Sustainability Disclosure Standards to ensure consistent and comparable corporate disclosure (p.3). The report aligns with these standards by integrating TCFD and TNFD recommendations.
Conceptual Foundations (Paragraphs 10-24)	Fair Presentation: Disclose relevant information for a complete, neutral, and accurate depiction of sustainability risks and opportunities.	The report provides comprehensive details on sustainability risks, opportunities, and strategies, including specific metrics and targets (p.22-25). It covers governance, risk management, and strategies in detail, ensuring a complete and accurate depiction.
Conceptual Foundations (Paragraphs 10-24)	Materiality: Disclose information that could reasonably be expected to influence decisions of primary users.	The report emphasises the financial materiality of climate change and the importance of integrating climate risks and opportunities into their investment strategies (p.10-13).
Conceptual Foundations (Paragraphs 10-24)	Reporting Entity: Use the same reporting entity as the related financial statements.	Generation Investment Management and Just Climate file separate financial accounts but are both covered by the Climate and Nature report.
Core Content (Paragraphs 25-53). Governance.	Governance: Disclose processes, controls, and procedures to monitor and manage sustainability risks and opportunities.	The report outlines the governance framework, including the roles of the Management Committee and other oversight groups in managing sustainability risks (p.8-10).
Core Content (Paragraphs 25-53). Strategy.	Strategy: Disclose approach to manage sustainability risks and opportunities, effects on business model/value chain, decision-making, and financial planning.	The strategy section details GIM's approach to managing sustainability risks and opportunities, the impact on their business model, and financial planning (p.12-13).
Core Content (Paragraphs 25-53). Strategy. Subcomponents d and e	(d) Disclose the effects of sustainability-related risks and opportunities on the entity’s financial position (e) the resilience of the entity’s strategy and its business model to those sustainability-related risks	We have not yet disclosed the effects of sustainability-related risks and opportunities on our financial position over the short medium and long term. We have also not disclosed the resilience of our strategy and business model to those sustainability-related risks.
Core Content (Paragraphs 25-53). Risk Management.	Risk Management: Disclose processes to identify, assess, prioritize and monitor sustainability risks.	The report describes the processes used to identify, assess, and monitor sustainability risks (p.16).
Core Content (Paragraphs 25-53). Metrics and Targets.	Metrics and Targets: Disclose metrics to measure sustainability risks, opportunities, and performance against targets.	The report includes specific metrics and targets related to GHG emissions, interim targets for 2025 and 2030, and portfolio alignment with net-zero goals (p.22-25). It also references work to date on the inclusion of sustainability factors in remuneration (p.9).
General Requirements (Paragraphs 54-73)	Provide sustainability and financial reporting at the same time and for the same period.	Generation Investment Management uses calendar year reporting for both the Climate and Nature report and financial reporting although the reports are not yet published at the same time.
General Requirements (Paragraphs 54-73)	Disclose comparative information for all amounts reported in the current period.	Comparative information is disclosed for various metrics, including historical GHG emissions data (p.22-25).
General Requirements (Paragraphs 54-73)	Include an explicit statement of compliance with IFRS Sustainability Disclosure Standards.	An explicit statement of compliance with IFRS Sustainability Disclosure Standards is included, welcoming the ISSB's framework (p.3).
Judgements, Uncertainties, and Errors (Paragraphs 74-86)	Disclose significant judgements and sources of estimation uncertainty.	The report discusses the complexities and uncertainties in estimating GHG emissions and setting targets, acknowledging the limitations and assumptions involved in their analysis (p.17).
Judgements, Uncertainties, and Errors (Paragraphs 74-86)	Correct material prior period errors by restating comparatives.	There is an emphasis on improving data quality and transparency. Specific restatements are included in the appendix.

Important information

Please note that this communication is for informational purposes only and describes our investment strategies. It is not and does not constitute a solicitation of any financial product in any jurisdiction. It is not intended to be, nor should be construed or used as, an offer to sell, or solicitation of any offer to buy units or interests in any Fund managed by Generation. The information contained herein is not complete, and does not represent all holdings, or material information about an investment in the Global Equity Fund, including important disclosures and risk factors. It is intended for existing investors only. Units in Generation's Global Equity Fund are offered only on the basis of the Fund's prospectus. Specifically, units in the Global Equity Fund are only available for offer and sale in the United States or to US Persons (as that term is defined in Rule 902 of Regulation S promulgated under the Securities Act of 1933, as amended ("Securities Act"), that qualify as both (i) accredited investors and (ii) qualified purchasers (as such terms are respectively defined in Regulation D promulgated under the Securities Act and the Investment Company Act of 1940, as amended). In the European Union, Generation's Global Fund is only available in certain countries to Professional Investors as defined in the Alternative Investment Fund Managers Directive (2011/61/EU). Any reference to individual securities does not constitute a recommendation to purchase, sell or hold the investment. Details of the entire portfolios of the Global Equity strategy are available on request. Further, this communication does not constitute investment research. Opinions expressed are current opinions as of the date of appearing in this material. Any projections, market outlooks or estimates are forward-looking statements and are based upon internal analysis and certain assumptions that reflect the view of Generation, and which may not be indicative of actual events that could occur in the future. No assurances can be given that the Fund's investment objectives will be achieved. Past performance is not a guide to future performance and the value of investments may vary substantially from month to month, and can go down as well as up. Future returns are not guaranteed and a loss of principal investment may occur.

If you require more information, please contact Generation Client Service (clientservice@generationim.com or +44 (0)207 537 4700).

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