

Generation Investment Management

Statement on principal adverse impacts of investment decisions on sustainability factors

2022

Summary

Generation Investment Management considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of:

- Generation Investment Management LLP (LEI 549300V6XJXIT0VLHA91)
- Generation Investment Management US LLP (LEI 5493001XT2H3DTHZEY69)
- Just Climate LLP (LEI 549300KL50610ARGU094)

Description of the principal adverse impacts of investment decisions on sustainability factors

The quantitative disclosure will be available by 30 June 2023.

Description of policies to identify and prioritise principal adverse impacts of investment decisions on sustainability factors

Generation's policies to identify and prioritise principal adverse impacts of investment decisions on sustainability factors are set out in the firm's [PAI Assessment Policy](#).

Engagement policies

Generation's policy on engagement, including how the indicators for adverse impacts are considered, and the approach to be taken where there is no reduction of the principal adverse impacts over more than one period reported on, is set out in the firm's [Stewardship and Engagement Policy](#).

References to international standards

Generation adheres to the following responsible business conduct codes and internationally recognised standards for due diligence, stewardship and reporting:

- Finance Sector Deforestation Action (FSDA)
- Net Zero Asset Managers initiative (NZAM)
- Powering Past Coal Alliance (PPCA)

- Principles for Responsible Investment (PRI)
- Task Force on Climate-Related Financial Disclosures (TCFD)
- The Climate Pledge
- UK Stewardship Code
- UN Global Compact

FSDA, NZAM, PPCA and The Climate Pledge are specifically intended to support financial sector and business alignment with the goal of the Paris Agreement to limit the global average temperature rise to 1.5C compared to pre-industrial levels.

In its [PAI Assessment Policy](#), Generation has listed a set of mandatory and voluntary indicators that it considers as the 'minimum' set of indicators it uses to consider the principal adverse impacts on sustainability factors. Generation views all of the indicators listed in the Policy as relevant either to measuring adherence to the responsible business conduct codes and internationally recognised standards for due diligence and reporting set out above or alignment with the objectives of the Paris Agreement.

The methodologies and data used by Generation to measure this adherence or alignment are also set out in the aforementioned [PAI Assessment Policy](#).

In terms of forward-looking climate scenarios:

In listed equity, Generation currently uses the MSCI ESG Research Implied Temperature Rise service to assess the alignment of its portfolios with the goals of the Paris Agreement. This service uses 2C aligned pathways based on high level assumptions from the Intergovernmental Panel on Climate Change (IPCC) but is transitioning in 2023 to an updated model that uses open-source 1.5C decarbonisation pathways derived from the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). This is consistent with the 2022 report of the Glasgow Financial Alliance for Net Zero work stream on portfolio alignment measurement.

Across all asset classes, Generation engages with portfolio companies to adopt Science Based Targets for emissions reduction consistent with the 1.5C goal of the Paris Agreement and validated by the Science Based Targets initiative (SBTi). SBTi reviews estimates of the remaining emissions budget, top-down mitigation scenarios, and sectoral studies to determine 1.5C-aligned pathways at the global and sectoral level, including IPCC reports and International Energy Agency (IEA) scenarios, in particular the IEA Net-Zero Roadmap (2021).

IMPORTANT INFORMATION

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