

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

FOR THE PERIOD 1 JANUARY 2022 TO 31 DECEMBER 2022

LINK FUND
SOLUTIONS LIMITED

INTRODUCTION AND BACKGROUND

Link Fund Solutions Limited (“LFSL”) is pleased to present its first annual Task Force on Climate-related Financial Disclosures (“TCFD”) report. The LFSL report (**see Section A**) is structured in line with the recommendations made by the Task Force in June 2017, and subsequent guidance.

LFSL approaches climate-related risks and opportunities from two main perspectives – as a corporate entity whose business activities impact climate-related risks and as an independent Authorised Fund Manager overseeing asset management of Schemes with Environmental, Social and Governance credentials (**see Section B**).

The next two sections provide a brief overview of LFSL’s relationship with Link Group, and LFSL’s business.

LFSL’s Relationship with Link Group

LFSL is a subsidiary of Link Group (“Group”), a listed Australian company, whose shares are traded on the Australian Stock Exchange (“ASX”). As LFSL operates within the Link Group structure and is influenced by Link Group in its consideration of TCFD factors, in its day-to-day operational business, it is relevant to consider Link Group’s approach to sustainability prior to setting out LFSL’s current and future approach to TCFD (**see Section A** – LFSL TCFD Report).

Link Group set out its strategy in respect to TCFD in its Sustainability Report, within Link Group’s 2021/22 annual report:

“Our strategy continues to align to the Paris Agreement and four of the 17 UN Sustainable Development Goals (SDGs) that we can contribute to progressing. We have set short, medium, and long-term targets with a focus on reducing GHG emissions to help us achieve net zero emissions by FY2030 and commenced the expansion of scope 3 emissions data including investigating ways to measure our supply chain emissions, capture data for our outsourced data centres and cloud providers, and measure emissions of our paper consumption. We remain on track for delivery of our set targets and have developed a 2030 plan to achieve them. We are pleased to announce that we have reduced absolute scope 2 emissions by 25% from the FY2019 baseline therefore achieving our FY2023 target ahead of the timeframe.” (See page 23 of the Annual Report).

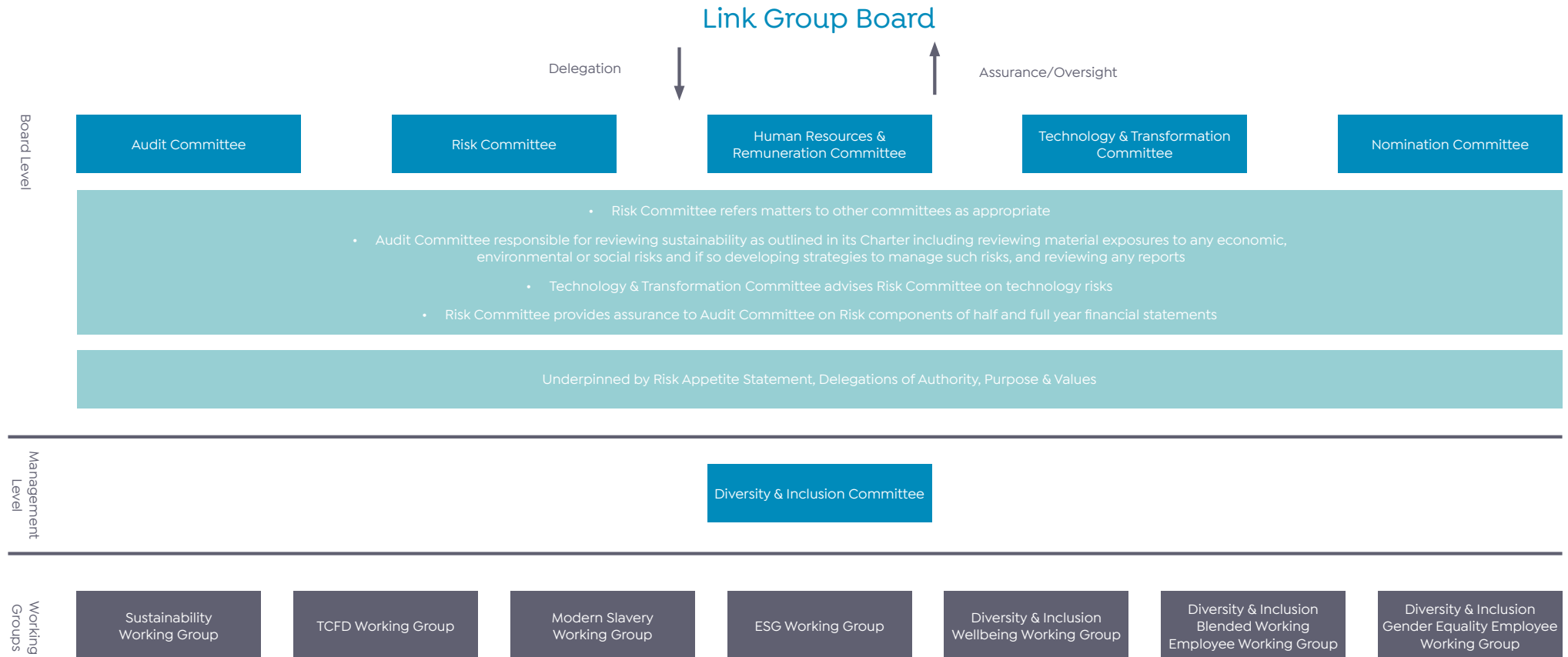
Link Group’s governance of sustainability risks is achieved by the Link Group Audit Committee which has the oversight and responsibility for the sustainability agenda as outlined in its Charter, including: -

- reviewing whether the Company has any material exposure to any economic, environmental or social risks and, if so, developing strategies to manage such risks; and
- reviewing the annual Sustainability Report and the Company’s progress toward meeting sustainability targets.

To access the Group’s Annual Report, follow the link below

<https://investors.linkgroup.com/Investors/?page=Annual-Reports>

To enable the achievement of the above, the following governance structure (as of June 2022) is in place:-



Supporting this activity are the Group's Sustainability Working Groups ("WGs"), chaired by the Global Sustainability Manager. These WGs (including a TCFD-focussed WG) comprise senior leaders within Link Group (including representatives of LFSL and contributing to the TCFD Working Group) and have been established to support the implementation of the Company's Sustainability Strategy (see page 26 of the Annual Report). The 2023 Sustainability Report will further develop the TCFD assessment of Link Group's climate-related risks.

LFSL's Business

LFSL is the independent Authorised Fund Manager (“AFM”) of a number of Open-Ended Investment Companies (“OEICs”) and Authorised Unit Trust Schemes (“AUTs”) comprising of Undertakings for Collective Investment in Transferable Securities (“UCITS”) funds. LFSL is also the independent Alternative Investment Fund Manager (“AIFM”) to a number of Non-UCITS Retail Schemes (“NURS”) including a Charity Authorised Investment Fund (“CAIF”), Qualifying Investor Schemes (“QISs”) and Authorised Contractual Schemes (“ACSs”): together these are categorised as Alternative Investment Funds (“AIFs”). The combination of both AFM and AIFM (together “AFM”) investment funds are known as the “Scheme(s)”.

On 31 December 2022, the combined asset value of the Schemes was £82.1bn.

As an independent AFM, LFSL, with limited exceptions, outsources portfolio management to third-party investment managers. The investment managers are responsible, via a discretionary investment management agreement with LFSL, for managing each of the Schemes in accordance with the Scheme’s prospectus (that is, the investment objective, policies, and strategies) and all applicable regulations. These third-party investment managers range in size such that a number are not required until 2024, at the earliest, to themselves produce a TCFD entity report. Where a third-party investment manager has produced a TCFD entity report this will be available on their website.

LFSL, as at 31 December 2022, has not set out an obligation on all Schemes to be managed with consideration of climate-related risk targets. However, certain Schemes, as set out in their prospectuses, are designed through their objective, policy and strategy to meet certain Environmental, Social and Governance (“ESG”) investment standards, which may include TCFD considerations.

As LFSL is a significant independent AFM, delegating portfolio management, it recognises both ESG and climate-related risks that emerge from each of its Schemes for which it delegates portfolio management. To assess, oversee and manage those risks, the LFSL Board has established a number of formal committees, which support the Board in respect of such risks. As these risks are within the Schemes, and are not directly controlled on a day-to-day basis by LFSL, these oversight arrangements are set out in **Section B**.

SECTION A

LFSL TCFD REPORT

General

The TCFD recommendations set out the four key matters (commonly known as the “four pillars”) which should be addressed by a firm in its TCFD report, with the pillars underpinned by eleven supporting *disclosure recommendations*. The below report is structured on that basis and is concerned with LFSL as a business entity.

Governance (Pillar 1)

Disclose the organisation’s governance around climate-related risks and opportunities, incorporating disclosure requirements

The governance of LFSL stems from the direction set by the Board. The Board comprises of three independent non-executive directors and three executive directors. The Board is responsible for directing and overseeing LFSL and its corporate governance framework. The Board is required to act in the best interests of the Company’s shareholders and have appropriate regard for the Company’s other stakeholders, primarily to act in the best interests of the investors in the Company’s Schemes.

The Board retains overall responsibility for Sustainability and ESG, which includes: -

- Recognition of Link Group’s Sustainability Strategy which incorporates robust environmental, social and governance focus areas considered to be material to the business, and in due course its formalisation and adoption within the LFSL governance framework;
- Ensuring the regulatory requirements for sustainability and ESG in the Schemes, which have defined such outcomes in their prospectuses, and for which LFSL acts as independent AFM, are achieved and maintained (**see Section B**);
- Implementing, through 2023, the consideration of any material exposure to any economic, environmental, and social sustainability risks and then monitoring those strategies to address these risks; and
- Establishing, through 2023, the means to exercise oversight and governance of ESG matters.

In progressively formalising its oversight of Sustainability and ESG, LFSL will in subsequent years, as appropriate, enhance its disclosures in the Company’s Annual Financial Report.

Describe the Board’s oversight of climate-related risks and opportunities.

As noted above, the LFSL Board is progressively evolving its oversight of climate-related risks and opportunities. Those enhancements will be detailed in the 2024 TCFD report.

Describe management’s role in assessing and managing climate-related risks and opportunities.

As the LFSL Board evolves its requirements for the oversight of climate-related risks and opportunities, LFSL management will develop the metrics and key performance indicators that enable the LFSL Board to fully assess the Company’s management of those risks and opportunities.

To enable this process to operate effectively, reporting to the Board will be achieved through various LFSL Board Committees, see Section B, for LFSL Board and Committee structure.

Strategy (Pillar 2)

<p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material</p>	<p>LFSL, due to its relative size, with annualised revenue of £40.75m (source: Annual Report and Financial Statements for year ended 30 June 2022) has not, as of 31 December 2022, assessed, as a Company, the actual and potential impacts of climate-related risks and opportunities.</p> <p>As part of Link Group, LFSL's assessed contribution to the Group's overall climate-related risks are incorporated in Link Group's Sustainability Report.</p>
<p><i>Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.</i></p>	<p>As noted above, due to its relative size, LFSL has not assessed climate-related risks and opportunities.</p> <p>As LFSL progressively develops its Governance to climate-related risks, it will then be able to consider those risks and whether those risks present a material issue to its strategy. Where such risks are material, they will be reported in future annual TCFD reports.</p>
<p><i>Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning</i></p>	<p>As of December 2022, there are no matters to disclose in respect of LFSL.</p> <p>As part of Link Group, LFSL's assessed impact to the Group's overall climate-related risks are incorporated in Link Group's Sustainability Report.</p>
<p><i>Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</i></p>	<p>As of December 2022, there are no matters to disclose in respect of LFSL.</p> <p>As part of Link Group, LFSL's assessed impact to the Group's resilience to differing climate-related scenarios will be considered in Link Group's 2024 Sustainability Report.</p>

Risk Management (Pillar 3)

<p>Disclose how the organisation identifies, assesses, and manages climate-related risks</p>	<p>As LFSL progressively develops its Strategy in relation to climate-related risks, it will then be able to fully identify and assess those risks, and whether they are material to LFSL. LFSL will then develop appropriate mitigation to those risks. In future TCFD reports, LFSL will set out the risks that have been identified, assessed for their materiality and how those risks will be managed.</p> <p>As part of Link Group, LFSL, through its interactions with Link Group's Sustainability Working Groups and the TCFD Working Group, supports Link Group's identification, assessment and management of climate-related risks. Further detail will be presented in Link Group's 2024 Sustainability Report.</p>
<p><i>Describe the organisation's processes for identifying and assessing climate-related risks.</i></p>	<p>LFSL will be developing, through the latter half of 2023 and into 2024, its approach to identifying and assessing climate-related risks.</p>
<p><i>Describe the organisation's processes for managing climate-related risks</i></p>	<p>As LFSL develops its approach to identifying and assessing climate-related risks, it will, where appropriate, develop the processes for the management of those risks.</p>
<p><i>Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.</i></p>	<p>The LFSL Board, as it develops its Governance of climate-related risks, will incorporate within its Committee Structure (see Section B) responsibility for the risk management, as appropriate, of climate-related risks.</p>

Metrics and Targets (Pillar 4)

<p><i>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</i></p>	<p>LFSL, as a business entity, has not set for the year-end 31 December 2022 any metrics or targets to assess and manage climate-related risks and opportunities, either as an entity nor imposed such targets on Schemes where it is the independent AFM.</p> <p>As part of Link Group, LFSL's contribution is assessed by Link Group and reported in the 2022 Link Group Sustainability Report, where the metrics used are reported.</p> <p>However, the Financial Conduct Authority ("FCA") published, in December 2021, PS21/24 - Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers.</p> <p>PS21/24 introduced the Environmental, Social and Governance ("ESG") sourcebook, with amendments being made to the Collective Investment Schemes ("COLL") sourcebook (the "Regulation").</p> <p>This regulatory development requires that LFSL prepares both a TCFD entity report and Scheme reports for each Scheme where LFSL is the AFM.</p> <p>The content of the Scheme report is aligned with the Task Force on Climate-related Financial Disclosures - Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures (the "Disclosures").</p> <p>LFSL has published, on its website, each Scheme report for the year 2022 as of 31 December 2022. The availability of the Scheme report is cross referenced to the Scheme's financial statements, published post 30 June 2023. The full details of the measures applied to climate-related risks are set out in the Guide to the Portfolio Assessment Summary Report ("PASR").</p> <p>The Guide to the PASR can be found at https://www.linkfundsolutions.co.uk/TCFD-Reporting.</p>
<p><i>Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.</i></p>	<p>LFSL will, through 2023 and into 2024, as it develops its Strategy and Risk Management, be considering and determining the metrics to assess climate-related risks to the organisation.</p> <p>As part of Link Group, LFSL's contribution is assessed by Link Group and reported in the 2022 Link Group Sustainability Report, where the metrics used, and risks identified are reported.</p>
<p><i>Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</i></p>	<p>LFSL, as an entity, has not measured its own contribution to Scope 1, 2 or 3 emissions and nor their related risks.</p> <p>As part of Link Group, LFSL's contribution is assessed by Link Group and reported in the 2022 Link Group Sustainability Report, where the metrics used, and risks identified are reported.</p>
<p><i>Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</i></p>	<p>LFSL, as of 31 December 2022, had not set any targets for the Company to manage climate-related risks.</p> <p>As part of Link Group, LFSL's contribution is assessed by Link Group and reported in the 2022 Link Group Sustainability Report, where the metrics used, and risks identified are reported.</p>

SECTION B

LFSL OVERSIGHT OF SCHEMES WITH ESG CREDENTIALS

To ensure that the Schemes operate within the parameters as set out in a Scheme’s prospectus, the LFSL Board has in place a robust Committee structure. Each Committee performs an oversight activity in respect of the various stages of a Scheme’s life cycle. Those Committees receive specific reports that enable each Committee to assess the appropriate identification and management of the identified risks and whether each Scheme is within acceptable risk tolerances. This approach enables the business to be challenged on the effectiveness of the controls operated and whether enhancements are required to existing process.

The below sets out the LFSL **Governance** framework, with a brief description of each Committee’s responsibility in respect of ESG.

Link Fund Solutions Limited (“LFSL”) Governance Structure

