

Introduction:

This is the TCFD disclosure document of Lightman Investment Management Limited ("Firm", "we", "us", "Lightman"). This document provides relevant disclosure as prescribed by The Climate Finance Disclosure (TCFD).

Period: 01/01/2022 - 31/12/2022

Governance:

Disclose the organisation's governance around climate related risks and opportunities.

- The Management Committee of the Firm is responsible for overseeing the Firm's climate policy. The Committee meets on a regular basis. The Committee also discusses sustainability issues on an ad-hoc basis very regularly.
- Sustainability forms a standing agenda item in such formal meetings and ad-hoc discussions. The Committee considers sustainability for the Firm's client portfolios, Firm's business model, and Firm's operating model.
- The Committee considers risks and opportunities from transitional and physical risk factors such as investor demand, consumer demand, regulatory changes, technology changes etc.
- The Committee discusses various sustainability issues such as GHG emission, renewable energy consumption and generation, fossil fuel consumption and production, industrial processes, water usage etc.
- The Committee receives reports on portfolio's ESG performance that includes metrics such as total and specific GHG emissions, performance trend etc. The Firm also reviews its own GHG emissions and sustainability profile on a proportionate basis.
- Based on these reviews and inputs, the Committee decides the Firm's business strategy, risk management strategy, responsible investment strategy, and responsible operations strategy.
- The Committee has delegated the day to day sustainability risk information to the COO and the CIO. The COO is responsible for regulatory risk assessment, Firm and portfolio performance monitoring and reporting. The CIO is responsible for portfolio sustainability strategy implementation.

Strategy:

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy, and financial planning over the short, medium, and long term. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

- The Firm's senior management designs and reviews business and investment strategy on a regular basis while appropriately considering relevant sustainability related risks and opportunities.
- The Firm prioritises climate change as a key sustainability factor. It considers the impact of GHG emissions, renewable energy, and circular economy on its portfolio of investments and own operations.

- The Firm has considered the impact over the short term of 3 - 5 years, medium term of 10 - 12 years, and long term of around 20 - 30 years. 2050 is an important year for net zero emissions.
- The Firm considers a range of sustainability factors in its risk planning. It maintains a risk register and includes sustainability risk as a dedicated section. The Senior Management reviews the risk, its score, and mitigations regularly. It considers risks and opportunities from metrics such as rising carbon prices, strengthening regulatory framework on global carbon reduction, changing consumer demand for more recycling, general switch to low carbon energy etc.
- Climate change related risks to investment portfolio include reduced profitability from increasing carbon expenses, reduced revenue from changing consumer preferences, increased compliance cost from changing regulations, reputational risk from lack of appropriate action etc.
- Climate change related opportunities to investment portfolio include more efficient operations of already prepared enterprises, increased revenue from changing consumer preferences towards green products and services, new business opportunities from transitional activities such as CCS, hydrogen, electric mobility etc.
- Climate change related risk to business include investors avoiding our funds if they are not climate friendly or multiple portfolio companies seeing decline in value due to climate concerns. Both will lead to AUM and revenue losses. Operational risks include increasing costs from increased regulations around climate change to implement strategy, monitoring, reporting, and disclosure.
- Climate change related opportunities for business include attracting capital allocated for climate change investments, investing in companies that create the maximum impact on carbon reduction, building a strong reputation as a climate conscious investment manager. Operational opportunities include head start on monitoring and reporting, more advanced compliance framework etc.
- Transformational power source
- The Firm considers potential climate scenarios proportionately to understand the risks and opportunities. Typical climate scenarios include temperature rise by 2 deg C and potential transitional and physical risk it poses to the Firm's portfolio.

Risk Management:

Disclose how the organisation identifies, assesses, and manages climate-related risks.

- The Firm has implemented a general risk management policy and register. Within the policy, it has defined its risk appetite, key risks (by categories), impact assessment methodology, governance arrangements, monitoring arrangements, and mitigations including controls, training, insurance and/or excess capital.
- The Firm primarily focusses on transition risk from climate change. The Firm considers relevant transition risks such as regulatory changes, consumer demand changes, supply chain changes, technology changes in its assessment of climate related risks. The Firm also considers physical risks such as physical asset devaluation, additional operational and compliance costs, business model evolution etc.

- The Management Committee considers all key risks including ESG and climate risks in its regular meetings. The Committee also aims to consider impact of climate risk on other risks such as market risk, credit risk, operational risk, and reputational risk to the Firm and its investment portfolio.
- The senior management keeps track of new risks through relevant publications, seminars, consultations with stakeholders, and own research.

Metrics and targets:

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

- The Firm has taken multiple targets to make a proportionate, measurable, and real positive impact against climate change. For its investment portfolio, the Firm has taken both absolute and specific targets.
- The Firm monitors from the following metrics at portfolio and/or company level.
 - Absolute GHG emissions - Scope1 , 2, 3, total
 - Specific GHG emissions (tCO2e/sales) - Scope 1, 2, 3, total
 - Rate of change of absolute GHG emissions
 - Rate of change of specific GHG emissions
 - Carbon footprint
 - Percentage of renewable energy produced and/or consumed
 - Net zero emissions target
 - Disclosure/reporting memberships to bodies such as UNPRI
 - ESG disclosure score
 - Rate of change of ESG disclosure score
- The Firm has taken the following targets:
 - GHG emissions - By 2025 - The Firm aims to invest at least 50% of its portfolios in companies that are reducing their absolute and/or specific GHG emissions. By 2030, the Firm aims to increase the coverage to 70%.
 - Net zero commitment - By 2025 - The Firm aims to invest at least 50% of its portfolios in companies that have taken a 2050 (or earlier) Net Zero GHG emissions target . By 2030, the Firm aims to increase the coverage to 70%.
 - Science based targets - By 2025 - the Firm aims to hold at least 50% of its portfolio in companies that have taken some form of Science based target. By 2030, the Firm aims to increase the coverage to 70%.
 - ESG disclosure score - By 2025 - The Firm aims to invest at least 50% of its portfolios in companies that are improving their ESG disclosure score. By 2030, the Firm aims to increase the coverage to 70%.

Conclusion:

In conclusion, the Firm’s senior management has established adequate governance and risk management arrangement to account for climate related risks and opportunities. It has incorporated these risks and opportunities into its business, operations, and investment strategy. It has developed targets and metrics to monitor progress.