



# Sustainable Investment Approach.



true potential  
investments



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Welcome to the latest edition of our Sustainable Investment Approach. True Potential has made considerable progress over the past year in its business, whether that be in technology, advice, or in the investment solutions offered to our clients. Similarly, in the area of sustainability, we are pleased with the progress made. In this report, I hope that you will get a feel for the evolution of sustainability at both True Potential and at our fund manager partners.

In our sustainability assessment, we have introduced scoring on climate related aspects and expanded out the section on stewardship, recognising importance of our fund manager partners' actions to seek to reduce carbon emissions and improve other ESG issues within companies in which they invest. We have provided further disclosure within our report on proxy voting and engagement, including examples of how our fund manager partners are truly providing active ownership.

We also integrate sustainability at the business level. For example, we continue to support local communities through charitable initiatives as well as empower the younger generation with financial education through our On the Money Campaign.



# Our approach to sustainability.

True Potential was founded in 2007 and is one of the UK's most innovative financial services groups. It currently works with close to 20% of UK financial advisers and provides products and technology to over 500,000 private clients. True Potential manages a range of ten risk-mapped multi-asset portfolios for UK clients. The investment process is underpinned by the concept of 'Advanced Diversification' which results in a blending together of multi-asset strategies from world-renowned fund manager partners. The current panel includes partners such as UBS, Goldman Sach Asset Management and Schrodgers. These external fund manager partners complement our in-house solution, Growth Aligned. Most of True Potential assets are managed externally which enables the company to have access to the expertise of over 9,000 investment professionals in more than 160 locations world-wide.

Our mission is to maximise returns for investors within a client's risk profile, reduce volatility and drive down the cost of ownership for investors. A key part of this is investing in areas which we believe will produce sustainable long-term risk adjusted returns. In this respect, environmental, social and governance (ESG) factors are an inherent part of our investment process. This is carefully designed to reflect the United Nations Principles of Responsible Investment (UNPRI) to which True Potential Investments has been a signatory since 2022:

<b>Principle 1</b>	We will incorporate ESG issues into investment analysis and decision-making process.
<b>Principle 2</b>	We will be active owners and incorporate ESG issues into our ownership policies and practices.
<b>Principle 3</b>	We will seek appropriate disclosure on ESG issues by the entities in which we invest.
<b>Principle 4</b>	We will promote acceptance and implementation of the Principles within the investment industry.
<b>Principle 5</b>	We will work together to enhance our effectiveness in implementing the Principles.
<b>Principle 6</b>	We will each report on our activities and progress towards implementing the Principles.

The assessment provided by the United Nations Principles of Responsible Investment was the base upon which we developed our sustainability framework to assess and measure the sustainability approaches developed by our fund manager partners.

The core of our business model involves partnering with leading global asset managers. In doing so, we have worked with asset managers who are at the forefront of developments in this area. All our fund manager partners are signatories to UNPRI.

True Potential Investments' first mandatory reporting submission will be this year. By joining UNPRI we believe that we have emphasised our continued commitment to the consideration of sustainability factors in our investment process alongside our fund manager partners, and to the continuous development of this part of our process.

# Sustainability integration.

Our investment framework includes the analysis of a range of sustainability factors in assessing our fund manager partners, as well as the products they use in our funds. This enables us to provide a broader assessment of the investment environment in which our partners operate and their engagement with both the underlying companies in which they invest and the product providers they utilise. The core belief underlying this integration is that firms with a thoughtful and responsible approach to their investors, employees and service providers have a better chance of sustaining their business over the longer term. Similarly, those companies that are thoughtful about the impact of their actions on climate and on the society in which they conduct their business and from which they draw their customers are also likely to prove more sustainable.

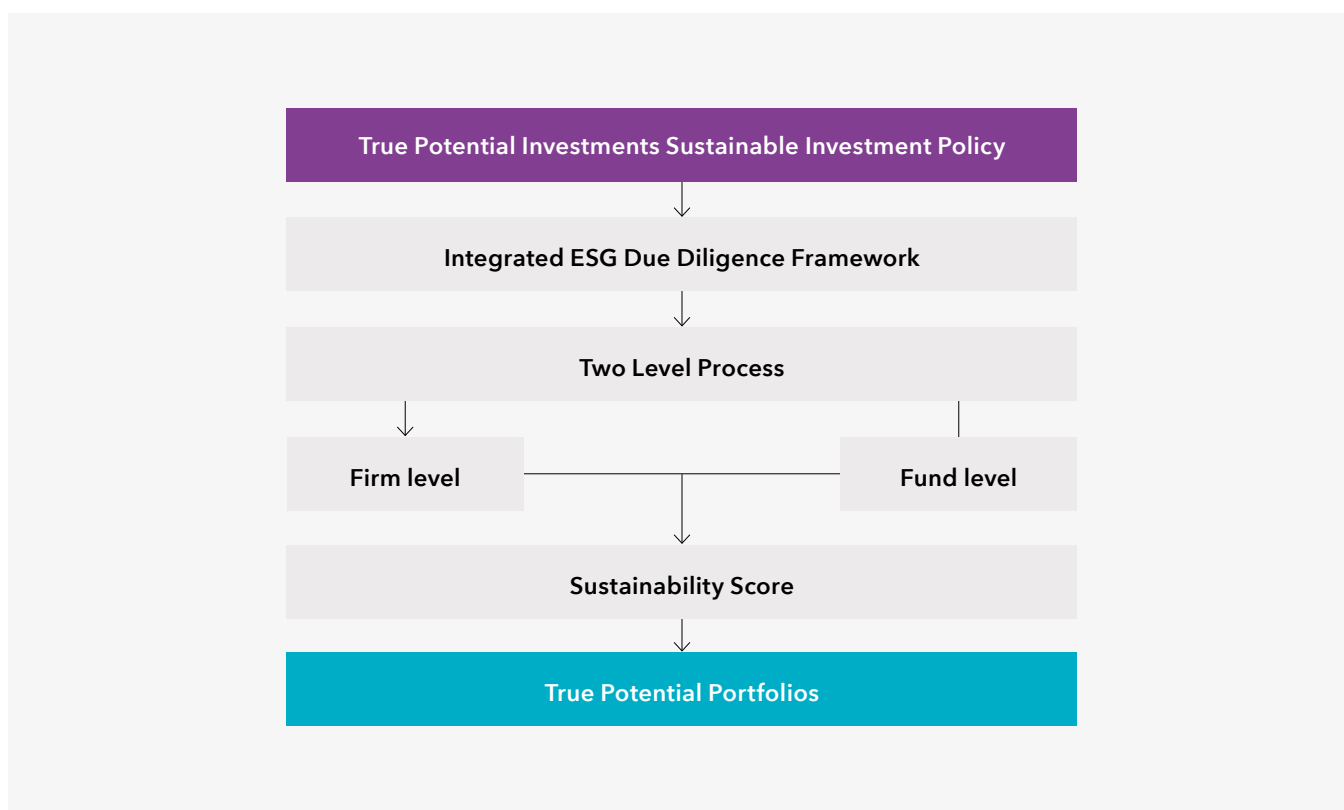


Figure 1 Structure of the True Potential Investments Sustainability Framework

# Sustainability integration.

## At the firm level, we assess:

- To what extent is the fund manager partner committed to their sustainability journey? We consider factors such as their commitment to initiatives like the UNPRI and UK Stewardship Code, the objectives that they wish to achieve in this area, and what is the progress being made towards them?
- Whether the fund manager partner is investing enough in building out their expertise and infrastructure in this area to enable investment teams and wider staff to deliver their aims?
- Whether the fund manager partner provides guidance and tools to their investment teams on how to consider the risks and opportunities in this area and enable them to appropriately consider the investable universe across asset classes? Additionally, whether investment teams integrate sustainability factors into their security selection, portfolio construction and overall risk management processes?
- We also assess how the firm is engaging with their underlying companies and solution providers to guide them in this area? Are they using their influence effectively to drive change? What do they do if they recognise a company that does not meet their minimum requirements? In this area we will look, inter alia, at their historical proxy voting record and our fund manager partners' engagement with the companies in which they invest?

## At the fund level, we assess:

- How the investment team utilise the firm-wide initiatives? We also consider what internal expertise they have within the team, and how well they utilise the resources at a firm level to enhance their understanding on sustainability issues?
- Whether the investment team have the right tools and appropriate training to incorporate their sustainability framework into their investment decisions? Are they able to navigate the investable universe and manage the strategy through a sustainable lens? At a deeper level, how do they integrate sustainability factors and risks into their portfolio construction and overall strategy management?
- As fiduciary owners of companies, we want to assess how well connected and engaged portfolio managers and analysts are with the firm's central proxy voting team. Are they able to provide their views on proxy voting and other engagement issues in an unbiased and a transparent manner to us? What are the outcomes of these engagement actions?

# Sustainability integration.

We review our sustainability framework every year. We recognise how dynamic the area is, and how important it is to track and recognise all the changes made. In this year's review we evolved questionnaires sent to our fund manager partners in order to be able to receive further, and more detailed information at both firm and fund level. We also added a section on climate-related aspects and expanded the section on stewardship, recognising importance of our fund manager partners' actions to seek to reduce carbon emissions and improve other ESG issues within companies in which they invest.

We assign a numeric score from 1 to 4 for each question in the framework and aggregate them at both firm and fund levels.

As you can see from the table below, the rating of two of our fund manager partners has changed from 'Green' to 'Amber' over the period. However, to be clear, this is not a result of any of them paying less attention to their sustainability approach. It is rather the result of a change in our scoring methodology which has resulted in an evolution of the bands in order to give the same breadth of scoring opportunity between the 'Red', 'Amber' and 'Green' scores. This will, we believe, give a fairer view of the developments at our fund manager partners in this area in the years ahead. Therefore, the bands have changed from 0-1.5, 1.5-2.5 and 2.5-4 to 1-2, 2-3, 3-4 respectively, recognizing that the lowest possible score is 1.

Our analysis indicates that all our fund manager partners have been constantly working to improve their processes and ESG integration. The True Potential fund manager partner cohort scores on average 3.0. This feeds into our investment management and decision-making framework used to manage the True Potential Portfolios.

As with all our investment processes, our sustainability assessment is an iterative process where we score our fund manager partners formally once a year. However, we have many additional touchpoints with them throughout the year.

	Score 2023	Score 2022	Score 2021	Score 2020	
Manager A	Green	Green	Yellow	Red	1 - 2
Manager B	Green	Green	Green	Green	
Manager C	Yellow	Green	Green	Green	
Manager D	Green	Green	Green	Green	
Manager E	Yellow	Yellow	Yellow	Red	2 - 3
Manager F	Green	Green			
Manager G	Green	Green	Green	Green	3 - 4
Manager H	Yellow	Green	Green	Yellow	
Manager I	Green	Green	Green	Green	
Manager J	Green	Green	Green	Green	
Manager K	Green	Green			

Figure 2 Outcomes of the True Potential Investments Sustainability Assessment

It should be noted in the above table that not all fund manager partners are at the same stage of development in this area. Some were well-resourced and active in it many years ago, others have been more recent advocates of some of these principles. All are scored 'like-for-like', but these differences between some companies' start-points should be noted.

While not being prescriptive on the sustainability criteria used, True Potential are supportive of the exclusions and weighting adjustments made by our fund manager partners in pursuit of their sustainability aims. Some of these take the form of blanket exclusions such as those for some armaments and some forms of coal extraction. Others follow scoring processes which seek to reduce exposure to, and therefore risk from, our clients' exposure to the weaker companies in sectors or markets. Our fund manager partners have different processes to arrive at these judgements, but all are thoughtful in seeking to build portfolios that best allow the risks around poor performing companies in this area to be minimised.

# Sustainability evolution.

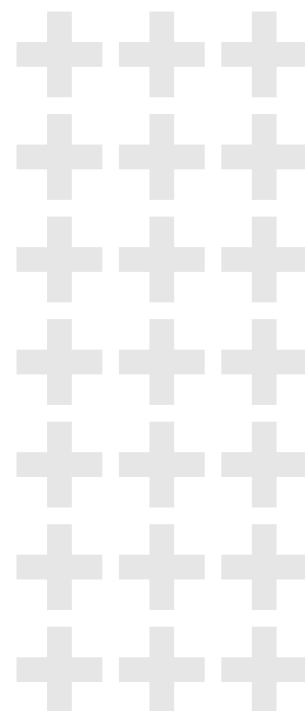
## Task Force on Climate-related Financial Disclosures (TCFD)

The Financial Stability Board (FSB) created the Task Force on Climate-related Financial Disclosures in 2015 to improve consistency and comparability of firms' climate-related disclosures. The expectation being this will allow companies to better incorporate climate-related risks and opportunities into their risk management, strategic planning and decision-making processes. In due course, this will allow better allocation of capital to sustainable and resilient opportunities/solutions.

To achieve this goal, they created the TCFD framework which consists of 11 disclosures designed around four key pillars: Governance, Strategy, Risk Management and Metrics and Targets for quantifying greenhouse gas emissions within Scope 1,2,3 which aids in assessing climate-related risks and opportunities for companies.

As per the Financial Conduct Authority (FCA) policy statement, investment companies with assets under management of over £50 billion were required to publish their first TCFD reports by June 2023, and companies between £5 and £50 billion must report by June 2024. True Potential will therefore publish its annual entity and product reports in June 2024.

In addition to qualitative statements within the pillars, we have engaged with MSCI to provide us with climate related risks metrics for each of the True Potential Funds and Portfolios. The metrics dashboard consists of a variety of measures such as carbon footprint, Climate Value at Risk or Implied Temperature Rise. Such metrics help us to assess the level of greenhouse gas emissions that underlying companies generate or potential investment loss assuming certain climate scenarios.



# Sustainability evolution.

Carbon Footprint			
		Portfolio	Coverage
Financed Carbon Emissions tons CO <sub>2e</sub> / GBP M invested	Scope 1+2	92.5	47.7%
	Scope 3	549.6	47.7%

Weighted Average Carbon Intensity			
		Portfolio	Coverage
Corporate Constituents tons CO <sub>2e</sub> / GBP M sales	Scope 1+2	194.1	50.3%
	Scope 3	1052.8	50.2%
Sovereign Constituents tons CO <sub>2e</sub> / GBP M GDP nominal	GHG Intensity	372.9	23.6%

Climate Scenario Analysis			
		CVaR	Coverage
Orderly Transition		-15.3%	49.0%
Disorderly Transition		-14.6%	49.0%
Hothouse World		-11.3%	49.0%

Fund Implied Temperature Rise			
			Coverage
2.4°C			52.2%

Figure 3 Exemplary Climate-related metrics, Source: MSCI

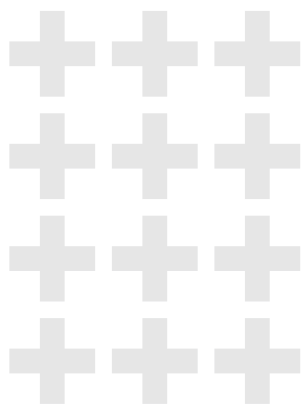


# Evolution of sustainability within the True Potential Portfolios.

The evolution of the work on sustainability has also continued at our fund manager partners, who continue to develop their sustainability processes.

Examples of the work being done include the developments that Allianz have made to their proprietary sustainability data platform named Sustainability Insights Engine (SusIE). The platform uses external ESG data to calculate proprietary scores used in their investment analysis. This is integral to funds such as Allianz Global Sustainability, held by True Potential Allianz funds.

Our partners' work also includes the incorporation, where appropriate, of more sustainable products within their investment strategies. Over the year, Allianz continued to switch ETF exposures from traditional to ESG screened products. Currently ESG screened ETFs account for 10-15% of the True Potential Allianz funds. Elsewhere, Growth Aligned bought Xtrackers ESG USD High Yield Corporate Bond ETF replacing an existing non-ESG product. Both products have similar risk and return characteristics, with both investment teams favouring the product with a higher sustainability score.



# Fund Manager partners engagement with companies owned.

Our fund manager partners are continuously working on greater integration of environmental, social and governance factors. They collaborate in initiatives such as the Carbon Disclosure Project, Net Zero Asset Manager initiative, and Climate Action 100+. These initiatives set targets and disclosure requirements to aid progression on climate action.

Our fund manager partners constantly consider all aspects of 'good ownership' of the companies and securities in which they invest on behalf of True Potential's clients. In pursuit of this aim, they engage with companies when they identify any area for improvement.

This engagement covers areas such as:

- **Environmental:** They assess the climate transition commitment and reduction targets for greenhouse gas emissions by companies. They also engage on more specific pollution risks to which companies may be exposed.
- **Governance:** They engage on board diversity, structure and remuneration. In addition, they would engage on matters of reputation, as well as corporate events and capital allocation.
- **Social:** They engage on health and safety of employees, the quality of supply chains, and diversity and inclusion within the company.

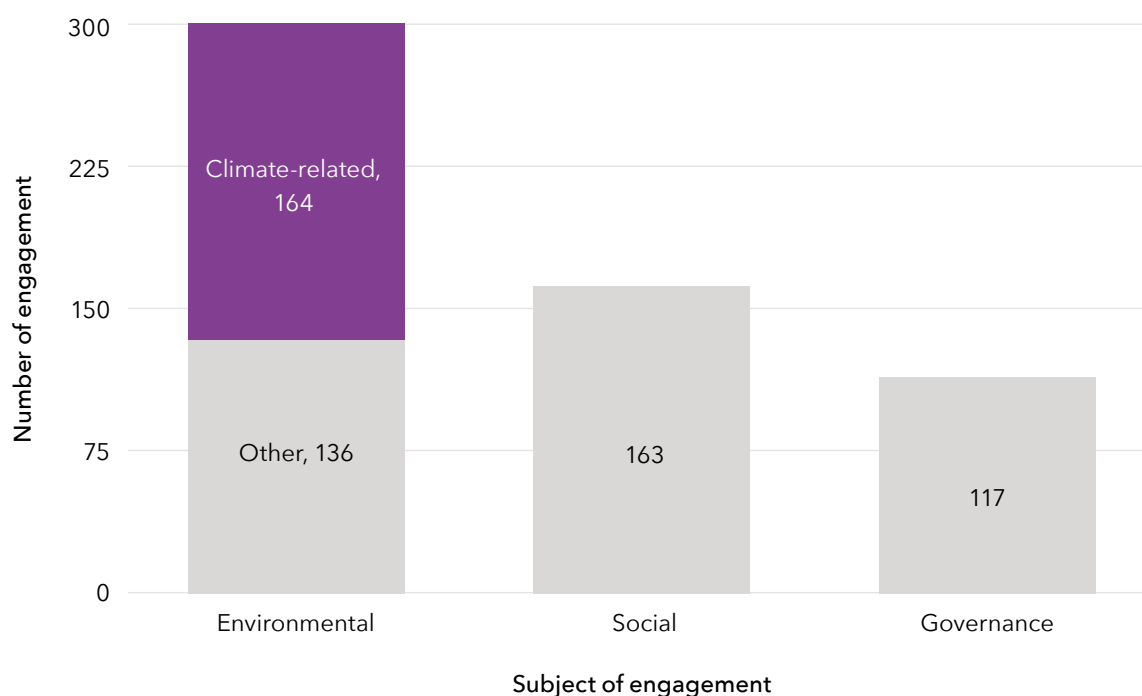


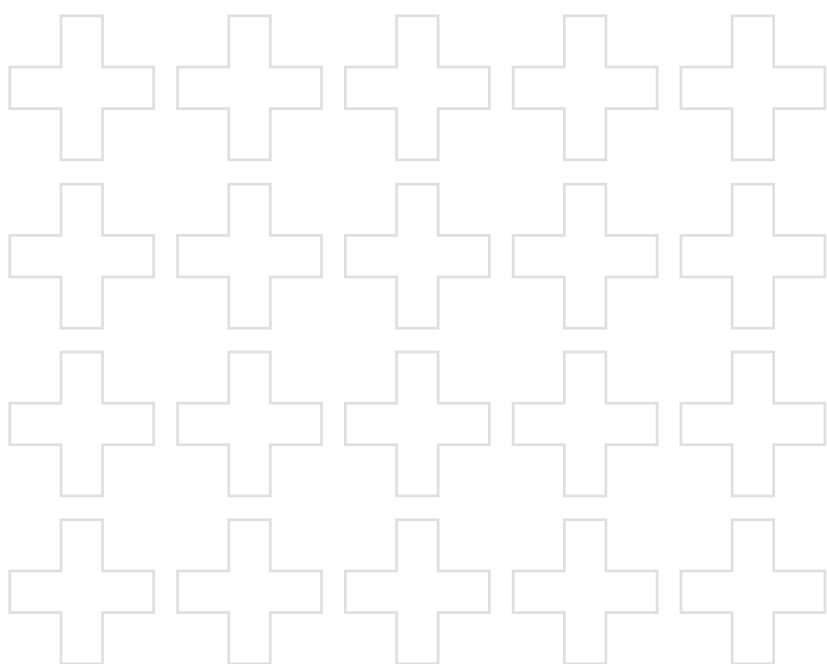
Figure 4 Number of True Potential Fund Manager Partners' engagements with the investee companies held within True Potential Funds in 2023. Includes numbers only from fund manager partners that invest directly into equities and fixed income.

# Fund Manager partners engagement with companies owned.

One example of engagement is Goldman Sachs Asset Management who engaged with the management of a US construction materials company to discuss their net-zero strategy. The stewardship team noted that the company had established a net-zero 2050 target for its scope 2 emissions, but not for scope 1, which represented most the company's total emissions.

They encouraged the company to set a long-term scope 1 objective and discussed their roadmap to reduce scope 1 emissions. Further engagement included discussion on alignment of their goals to science-based pathways.

In May 2023, the company announced that it would be expanding its net-zero goal to include scope 1 emissions. Later in October 2023 the company notified Goldman Sachs that they had submitted a commitment letter to design and submit science-based targets within the next 24 months in accordance with SBTi protocols.



# Proxy voting.

Votes held by shareholders are seen as an asset that should be used. How these votes are exercised is therefore important. The chart below demonstrates that, in our view, our fund manager partners are thoughtful in the exercise of these votes, regularly opposing management in areas where they have raised concerns.

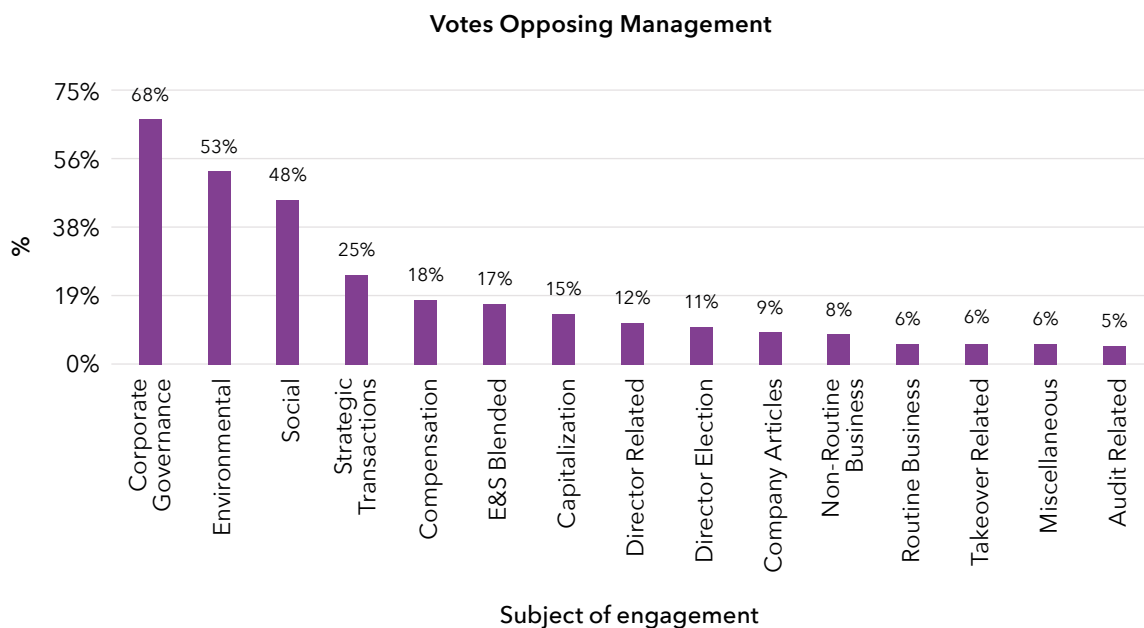


Figure 5 Proxy votes opposing Management categorised by subject.

Similarly, shareholders as a group have also been pro-active in tabling resolutions where they have felt that a company's agenda proposed at a meeting does not adequately address concerns that shareholders have raised. The chart below shows the subjects raised by shareholders at company meetings.

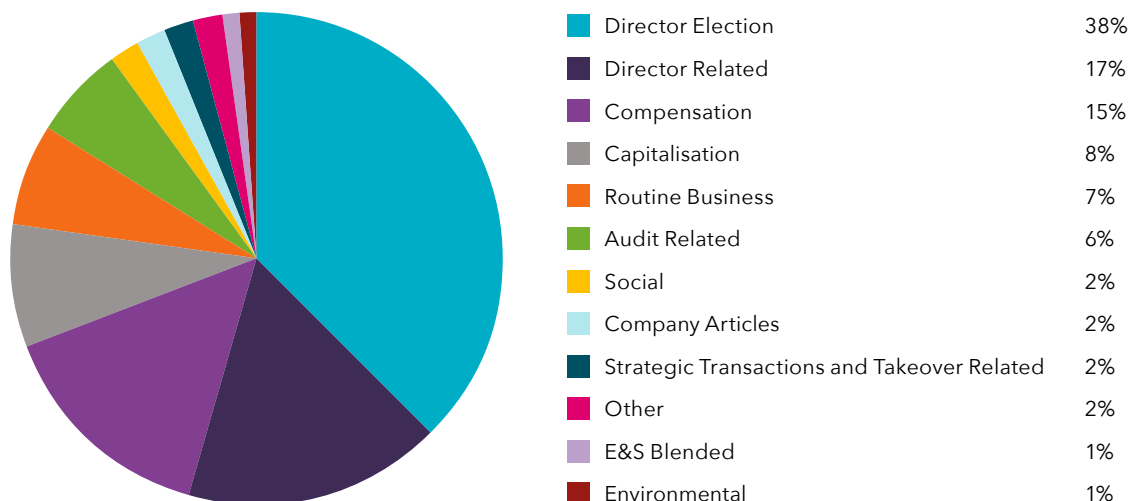


Figure 6 Resolutions proposed by shareholders categorised by subject.

# Other True Potential considerations and commitments.

Sustainability is one word, but with many meanings to many people. However, for True Potential, it also talks to how we conduct ourselves as a business and how we behave in the community from where we draw our customers and staff.

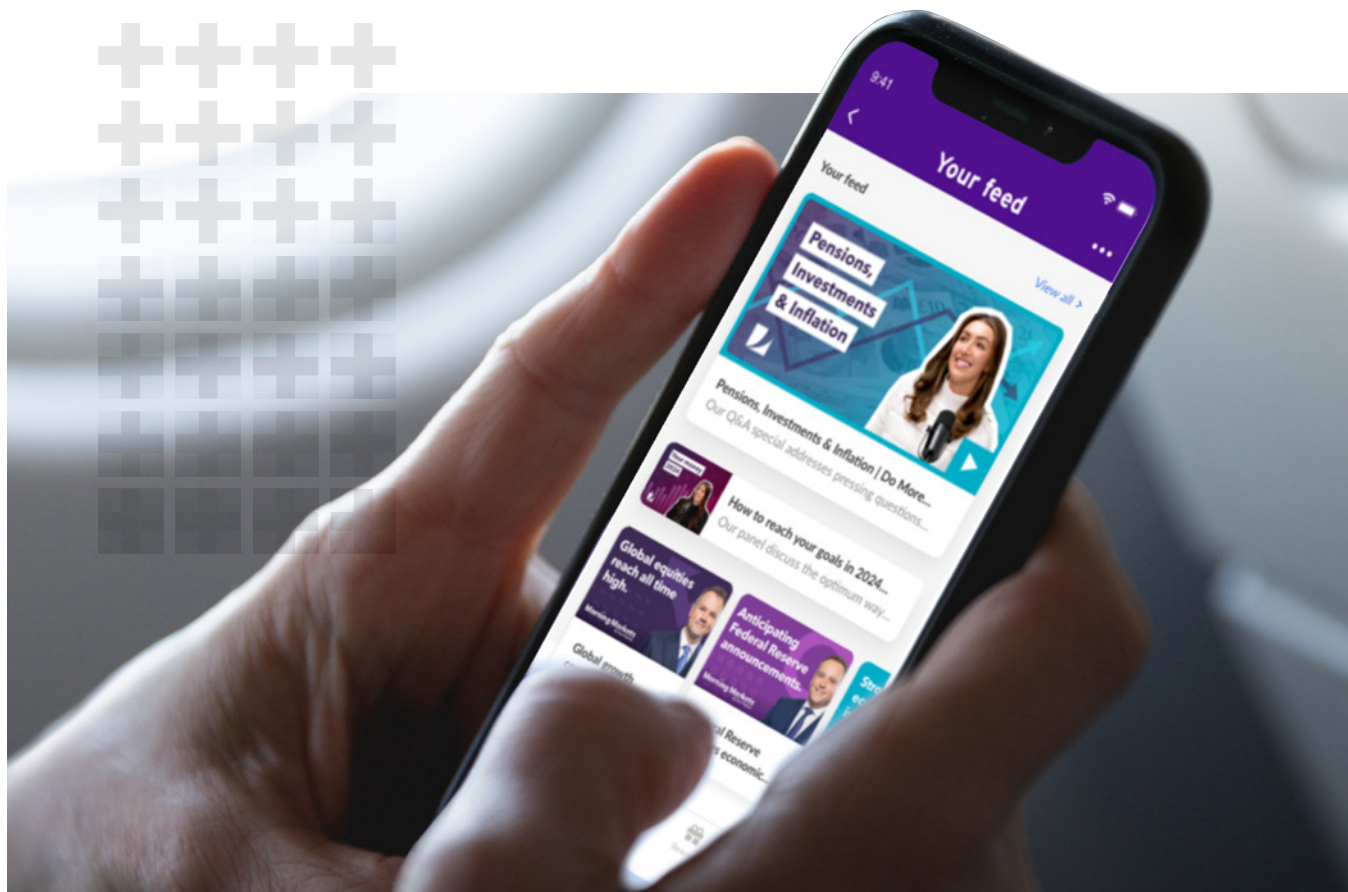
For us, the savings business is more than just a financial transaction, it is a commitment to help people take the next step in life. Through our approach to financial advice, client investments, fund management and community impact, we create opportunities for positive, sustainable change that empower individuals to make the most of their lives.

## Sustainable Impact

True Potential is committed to a sustainable approach to business and investing. We believe that creating sustainable business impact requires three questions to be answered:

- What is the impact on the environment?
- What is the impact on social mobility?
- What is the impact on the community?

These are much more than words on a page, they must be real actions that have impact. They are part of the True Potential ethos of doing more and facilitating positive change. Underpinning each of these areas is our commitment to being an innovative leader in developing and utilising the very latest technology. We know from years of experience that the right technology can help the community around us.



# Other True Potential considerations and commitments.

## Environment

As a large and fast-growing business, we must be conscious of our impact on the environment. Working with our Energy Consultant this year, we have reduced gas usage by 70% and a reduction in electricity usage by 10%. This is despite a significant increase in the number of staff at our Newcastle Head Office. This will continue to be a focus for the team in the year ahead.

## Social Mobility Pledge

In April 2018, True Potential became one of the first signatories to the national Social Mobility Pledge, which was co-founded by our former chairman, David Harrison.

More than 800 organisations representing over seven million employees have since signed up, including John Lewis, Marks & Spencer, ITV, BT, Adidas and PWC. The Pledge commits businesses to work with schools, offering apprenticeships and adopting fair recruitment policy.

True Potential deliver this pledge through six Harrison Centres for Social Mobility. Four have been opened physically across the UK with one on-line with the Open University. The first international Centre was opened in 2023.

These Centres all support social mobility in varying ways offering, among other training, courses in managing money, digital and STEM education, training for recent school-leavers and unemployed and training in life skills targeted at disadvantaged children. The Centres also partner with local charities/organisations to ensure a local connection and focus.

## True Potential Academy

Sustainability in employment occurs when an individual can fully unlock their potential and continually build on it. To dramatically improve the career trajectory of people from all backgrounds, True Potential opened its own academy. All employees at True Potential have the opportunity to progress in their careers with our True Potential Training Academy. The Training Academy aims to develop employee's knowledge and experience whilst offering support in achieving qualifications. Progression opportunities can include becoming a developer for our in-house technology team, a marketer in our marketing department, an accountant in our finance department or an in-house Financial Adviser. True Potential provides full training for staff qualifications into these positions as well as course funding and allocated time for study.

# Other True Potential considerations and commitments.

## £1 million

Raised for charity in 2023



## Community

Doing more for our local communities is a core belief at True Potential and one that is shared by our employees. Our charity partner, the Harrison Foundation, is a shareholder in our business. Therefore, as True Potential grows, so too does our support for good causes through a sustainable approach to community impact.

Furthermore, each month we adopt a charity put forward by a True Potential member of staff. Often it may be a cause that they have a personal connection to or one that they feel needs our support to have a positive and practical impact.

Throughout each month, we hold several events to raise money. All the money raised by our staff is matched by the business, resulting in thousands of pounds donated to good causes every month. Jointly with the Harrison Foundation, True Potential donated over £1 million in 2023 to charities around the UK and overseas, including Sunshine Fund, The Charlie and Carter Foundation and St Andrew's Hospice.



## On The Money campaign

True Potential's 'On the Money' campaign aims to improve financial literacy throughout the UK by engaging with secondary schools to help teach students about money and their finances. To address the problem of poor financial literacy, the campaign provides students with free lessons from over 115 True Potential Wealth Management advisers nation-wide, who guide through exercises to practice managing their finances.



# Glossary.

Climate Value at Risk (CVaR)	A measure of the potential financial impact of climate-related risks and opportunities, under a set of different scenarios. A forward-looking metric on how climate change may affect the performance of the portfolio.
Disorderly Transition	Under these scenarios there is a higher transition risk due to policies not being implemented quickly enough or not being aligned across countries and sectors. We aggregate physical and transition risk, whilst limiting global warming to 2°C.
Financed Carbon Emissions	Carbon emissions normalized by £m invested measures the scope 1 and scope 2 carbon emissions attributed to an investor per GBP million invested, reflecting the emissions associated with their investments.
GHG	Greenhouse Gas.
Hothouse world	Under these scenarios, some jurisdictions implement climate policies whilst others do not. Global efforts are substantially below what is needed to limit global warming. Critical temperature thresholds are exceeded, leading to severe physical risks and irreversible impacts like sea-level rise. We aggregate physical and transition risk, whilst limiting global warming to 3°C.
Implied Temperature Rise	Estimates the temperature rise impact the fund has based on the current greenhouse gas emissions from its holdings.
Orderly Transition	Under these scenarios climate policies are implemented early and become gradually more demanding, reaching net zero emissions by 2050. We aggregate physical and transition risk, whilst limiting global warming to 1.5°C.
Scope 1 Emissions	Direct GHG emissions originating from sources controlled or owned by an organisation.
Scope 2 Emissions	Indirect GHG emissions originating from the purchase of electricity, steam, heat or cooling for the organisation's own use.
Scope 3 Emissions	Indirect GHG emissions originating as a result of activities external to the reporting organisation. Due to the nature of these emissions, Scope 3 emissions are unreliable.
Tons CO <sub>2</sub> e	Carbon dioxide equivalent, or CO <sub>2</sub> , measured in tons.
Weighted Average Carbon Intensity (WACI)	Measures a portfolio's carbon-intensive exposure by calculating the weighted average of the carbon intensity (measured in tons CO <sub>2</sub> / £m sales) of the underlying securities within the portfolio.



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With investing, your capital is at risk.  
Investments can fluctuate in value and you may get back less than you invest.



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